Johnson & Johnson

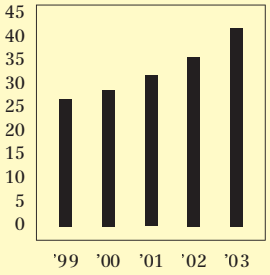
2003 Annual Report

Building on a Foundation of Strength

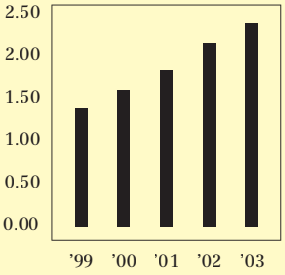
Financial Highlights

(Dollars in Millions Except Per Share Figures)	2003	2002	2001	% Change 2003	% Change 2002
Sales to customers	$ 41,862	36,298	32,317	15.3	12.3
Net earnings	7,197	6,597	5,668	9.1	16.4
Percent return on average shareholders' equity	29.0	28.1	25.4	–	–
Diluted net earnings per share	$ 2.40	2.16	1.84	11.1	17.4
Cash dividends paid per share	0.925	0.795	0.70	16.4	13.6
Market price (year-end close)	50.62	53.11	59.86	(4.7)	(11.3)

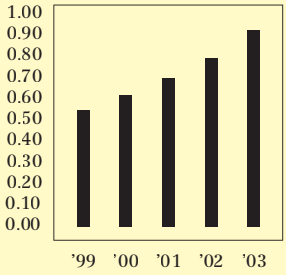
Net Sales
(in billions of dollars)



Diluted Earnings Per Share
(in dollars)



Dividends Paid per Share
(in dollars)



About the Company

Johnson & Johnson has $41.9 billion in sales and 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. Johnson & Johnson has approximately 110,600 employees and more than 200 operating companies in 57 countries, selling products throughout the world.

Table of Contents

On the Cover

In China, one of the world's largest markets, Johnson & Johnson Medical Ltd. employees and their families celebrate the company's designation as a top employer. China represents an emerging market of opportunity for Johnson & Johnson companies. Working within our decentralized structure, local companies can identify and serve customer health care needs.

To Our Shareholders

Johnson & Johnson achieved strong performance in sales, earnings and cash flows in 2003, with a particularly strong second half buoyed by the introduction of the CYPHER® Sirolimus-eluting Stent. Overall, it was an excellent year.

Total sales reached a record $41.9 billion, up 15.3 percent over 2002, representing an operating increase of 10.7 percent and a 4.6 percent benefit from favorable currency exchange. In fact, 2003 was the 71st year of consecutive sales growth.

Record net earnings of $8.1 billion and diluted earnings per share of $2.70 (excluding the impact of In-Process Research & Development) represented growth of 19.5 percent and 21.1 percent, respectively[1]. Earnings were favorably affected by an arbitration ruling on stent patents, a decision with which we were very pleased.

Cash flow from operations in 2003 continued strong, at $10.6 billion, up almost 30 percent from the previous year. This operating cash flow provided the fuel that enabled us to complete acquisitions valued at over $3 billion in 2003 while increasing the quarterly dividend 17 percent, from $.205 to $.24. It was with confidence in our performance that the Board of Directors in April 2003 increased this dividend for the 41st consecutive year. We accomplished all of this while maintaining our "triple A" credit rating, a recognition afforded to very few industrial companies.

Our financial accomplishments were solid, but they tell only part of the story of 2003. While financial achievements are important in themselves, more significant are the health care advances they enable that are the foundation for our future.

We made important progress in advancing such innovations during the period covered by this report. For example:

• We introduced the CYPHER® Sirolimus-eluting Stent, the first product of its kind in the world, in the U.S. in April, and changed the standard of care in coronary artery disease. This product has now been implanted in over a half-million patients around the world.

Through acquisition and licensing arrangements, we continued to identify platforms for medical advances. Particularly noteworthy developments:

• We completed strategic business-building initiatives in orthopaedics and spine businesses, acquiring Orquest, Inc., a privately held biotechnology company focused on biologically-based implants, and Link Spine Group, Inc., a privately owned corporation with an artificial disc for the treatment of spinal disorders.

• We completed the acquisition of Scios Inc., adding to our portfolio the product NATRECOR® for the treatment of acute congestive heart failure and an advanced p-38 kinase inhibitor research program to give us advantage in the potential development of oral-protein based compounds.

• VELCADE™, a novel first-in-class therapy for multiple myeloma, was recently recommended for approval in the

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

European Union, and we are hopeful for a second quarter 2004 approval by the European Commission. This product is licensed from Millennium Pharmaceuticals, Inc. and our Ortho Biotech Products, L.P. has rights to market the product outside the U.S.

We also made great progress in internal research and development:

• Our pharmaceutical business achieved an impressive 10 product approvals from regulatory authorities in the U.S., European Union and Japan, while at the same time significantly advancing our pipeline of compounds in development.

• In the growing field of bariatric surgery, or surgical treatment of morbid obesity, we continued to develop specialized instrumentation.

• We sharpened our focus on science and innovation in our consumer businesses, particularly skin care, gaining greater product distinction and consumer acceptance.

These are just a few of the highlights. Throughout the year, progress was made across our broadly based business.

Our Medical Devices and Diagnostics segment, the world leader in this category, enjoyed strong growth of 18.5 percent in 2003 (with operational growth of 12.8 percent and a benefit from favorable currency of 5.7 percent). Contributors included Ethicon Endo-Surgery, which received marketing clearance from the U.S. Food and Drug Administration (FDA) for expanded use of its MAMMOTOME® Breast Biopsy System. The DePuy franchise — which develops and markets products for use in joint reconstruction, trauma, spinal surgery and surgical instrumentation — continued to deliver strong results, particularly in joint reconstruction and spine products.

The most notable Medical Devices contributor in 2003 was the Cordis franchise, which grew by an outstanding 65 percent on the strength of the successful introduction of the CYPHER® Stent. Patients' stories of the impact of this technology are inspiring, and remind us that our business — the business of health care — is a meaningful endeavor and an extraordinary responsibility. Beyond cardiovascular disease, Cordis is putting its leadership in the stent category to work against endovascular applications, including carotid artery stenting for stroke, where we hope to have a product in the market this year.

We fully expect that in 2004 the CYPHER® Stent will face significant competition from a second entry into the drug-eluting stent market. We are prepared. We have confidence in the clinical performance of the CYPHER® Stent, and we are making important investments in this category and in new generations of product.

Beyond our drug-eluting stent, we're pursuing many important business-expanding opportunities in Medical Devices and Diagnostics. For example, our Veridex team is focused on breakthrough capabilities in cancer detection, staging and potential treatment through gene profiling and

Robert J. Darretta
Vice Chairman, Board of Directors, and Chief Financial Officer

cellular analysis. We are working to commercialize in the U.S. the CHARITÉ™ disc, a revolutionary advance to current spinal surgery that is already well received in 30 countries around the world. We are also developing and commercializing products to bring less invasive surgery options to joint replacement, and introducing biologic materials to orthopaedic medicine.

In our largest segment, Pharmaceuticals, we achieved total growth of 13.8 percent, with operational growth of 9.7 percent and a benefit from favorable currency of 4.1 percent. This business continues to be one of the fastest growing of the top 10 worldwide pharmaceutical companies, and our portfolio now includes over 100 brands. Our strong growth in this segment has not been dependent upon the performance of one or two blockbusters, but in fact benefits from seven products with annual sales in excess of a billion dollars.

Among them is PROCRIT®/EPREX®, which, under competitive pressure in all markets and subject to a label change outside the United States, saw a decline in sales from 2002. Among the strong growth drivers in this segment were DURAGESIC®, the transdermal patch for chronic pain management; RISPERDAL®, a treatment for schizophrenia and bipolar mania, and the recently approved long-acting RISPERDAL® CONSTA™, for schizophrenia; REMICADE®, in the growing market for the treatment of immune-mediated inflammatory disorders; LEVAQUIN®, our anti-infective whose indications continue to grow; the contraceptive franchise led by ORTHO EVRA®, the first contraceptive patch approved by the FDA, and TOPAMAX® for epilepsy.

We recognize that PROCRIT®, our largest product in terms of sales, will continue to face tough competition, but we are optimistic that we are making good progress in stabilizing product sales.

Regulatory approvals around the world, both new formulations and line extensions, will be key to the continued growth of our pharmaceutical business. Just to mention a few in 2003…approvals for new indications for significant products like LEVAQUIN®, now the only approved short-course flouroquinolone therapy for community-acquired pneumonia; for RISPERDAL® for the treatment of bipolar mania, a condition that afflicts two million people in the U.S. alone, and for the new formulation RISPERDAL® CONSTA™, the only bi-weekly treatment for schizophrenia. Additionally, there are nine projects in various stages of FDA review for important indications including early rheumatoid arthritis treatment, transdermal post-operative pain management, migraine treatment, and more.

Our significant investment in research and development — over $4.6 billion in 2003 — has resulted in a solid stream of strong new candidates at every stage of the development process. Indeed, our pharmaceutical pipeline is more robust than it has ever been in our history.

Increasingly, we are applying science and technology to create new and differentiated products in our Consumer segment, which in 2003 achieved its best performance in nearly a decade. Growth of 13.2 percent (with operational growth of 9.4 percent and a benefit from favorable currency of 3.8 percent) was led by the performance of our combined skin care businesses of NEUTROGENA®, AVEENO®, CLEAN & CLEAR® and RoC®. The AVEENO® line is a great example of the increasing application of science and technology to consumer products. Originally a line of colloidal oatmeal products, it is growing to become a full line of skin care products that use one or more natural ingredients in clinically proven, proprietary applications. The BALMEX® consumer product team's work with Ethicon experts in compromised skin care is another example; they have developed a new product for the prevention of diaper rash, coming to market this year.

The nutritionals business, led by SPLENDA® No Calorie Sweetener, has become a key growth driver in the consumer products area. Now sold in 32 countries, SPLENDA® is an ingredient in more than 3,500 products and is the leading tabletop no calorie sweetener in the U.S.

Our heritage JOHNSON'S® Baby brands continue to create bonds with new consumers around the world and deepen the relationships on which so many of our businesses are built.

Indeed, we had a strong year in 2003. Our results added to a foundation of strength, as described in this report, and enabled us to continue to contribute to human health care advances.

However, the environment in which we work to bring advances to health care is growing increasingly difficult. In the next two years we face patent expirations on products that account for approximately 6 percent of revenues. We are facing tough competition, but we have faced tough competitors before. We have confidence that the breadth of our business and our ongoing commitment to finding innovative health care solutions will sustain our performance in the face of these challenges.

We participate in an industry that is experiencing

unprecedented pressures. They include demands for broad access and affordability, which we ardently support; global pressures on pharmaceutical pricing as a part of overall health care cost management, and aggressive affronts to patent estates. These factors challenge our industry's capacity to sustain innovation. We are encouraged by the passage of Medicare reform in the U.S. because it will address the issue of access to health care, and we also support other efforts to make medical innovation available to more people. We must encourage access and affordability while being champions of health care solutions that support innovation rather than diminish it. Scientific progress has us on the brink of historic and transformational health care advances, so it is more important than ever that we actively participate in these critical policy debates.

It is against this backdrop that we consider our Company's capacity to sustain our strong performance, and we are encouraged by our conclusions. We are confident because we are driving new and expanded growth — in some categories, building on a strong existing foundation; in others, introducing novel therapies to offset generic competition to existing brands; in still others, identifying entirely new platforms with significant commercial potential.

We are confident because we have remained mindful of the need to plan for the future throughout a long period of successful financial performance. Productivity initiatives such as Process Excellence help us to exploit every opportunity to maximize the resources of this vast organization. *Funding Our Future* is a new and deliberate effort to free resources through productivity and efficiency that will enable us to invest in business-building initiatives.

Significant investment in R&D is a legacy those of us who have been with Johnson & Johnson for a long time know is deeply rooted. Among the pioneers in this pursuit was Dr. Paul Janssen, founder of Janssen Pharmaceutica, who sadly passed away in late 2003. "Dr. Paul," as he was known and renowned, was one of the most productive pharmaceutical researchers of the 20th century, and in his honor and memory we continue an unparalleled dedication to the pursuit of meaningful advances that take us as a company from success to significance in terms of the impact we have on patients' lives.

Flawless execution is a pursuit ingrained in our operating companies, thanks in part to the efforts of Jim Lenehan throughout his 28-year career with the Company. In January 2004, Jim announced his retirement as Vice Chairman of the Board of Directors and President of the Company, but his legacy of innovation and marketing expertise will continue for years to come.

Bob Darretta, previously Executive Vice President and Chief Financial Officer, assumed additional responsibilities as Vice Chairman of the Board as this year began.

We welcomed two additional members to the Board of Directors in 2003, and a third a few weeks ago. Mary Sue Coleman, Ph.D., president of the University of Michigan, was elected in September, and Steven S Reinemund, Chairman and Chief Executive Officer of PepsiCo., was elected in October. Susan Lindquist, Director of the Whitehead Institute for Biomedical Research and professor of Biology, Massachusetts Institute of Technology, was elected last month. We have already begun to benefit from their perspectives.

So we begin 2004 with confidence that we can build our future on a foundation of strength. We have a portfolio of brands, a patent estate, R&D organizations and developed leaders that will take us into a future of boundless possibilities. It is challenging, but it is exciting. And we are up to the challenge. We are committed to strategic principles that have stood the test of time…to a business based in human health care, managed for the long term in a unique decentralized structure that keeps us close to our customers, on a foundation of ethical values embodied in Our Credo.

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

March 10, 2004

(1) See Reconciliation of Non-GAAP Measures, page 63.

Building on a Foundation of Strength

For over a century, growth at Johnson & Johnson has meant building on a foundation of strength. Throughout our broadly based business, our companies share learnings, innovation, collaboration and skills.

6 Making Beautiful Music Again

11 Passing Down the Memories

9 Results You Can See

23 In the Running 18 Months Post-Stent

20 Among the Best in One of the World's Biggest Markets

Science

REMICADE® can change the lives of patients like pianist Charles Wilbur, who faced the debilitating effects of rheumatoid arthritis. REMICADE®, in combination with methotrexate, arrested the erosion of bone and cartilage in his joints that caused pain, stiffness and loss of function.

From theory to therapy, discovery to commercialization, our business begins with science. It drives Johnson & Johnson leadership in new products and ways to serve humanity. It spurs continued growth. It encourages collaboration across our pharmaceutical, devices, diagnostics and consumer businesses. And it drives a pursuit of innovation.

With rich scientific capabilities and resources residing across the breadth of our businesses, Johnson & Johnson companies are uniquely positioned to build on our discovery strengths, grow our product pipeline, apply proprietary drug-delivery technologies, pioneer new product platforms, leverage collaborations, and draw on advanced technologies that enhance precision and productivity.

Pipeline in a Product

REMICADE® (infliximab), a monoclonal antibody used to treat the inflammatory disorders of rheumatoid arthritis (RA) and Crohn's disease, illustrates our strength in expanding the therapeutic benefits of existing products and maximizing their potential. Discovered by Centocor, Inc., a leader in the groundbreaking research of Immune-Mediated Inflammatory Disorders (I.M.I.D.), the drug's effectiveness is also being evaluated in other I.M.I.D. including asthma, psoriasis, ulcerative colitis, ankylosing spondylitis and psoriatic arthritis, and as a first-line treatment for early RA. Understanding the role of inflammation in the immune system and identifying common molecular pathways of seemingly unrelated illnesses are examples of the dramatic ways we are advancing our understanding of disorders. www.remicade.com

is at the Core

Genomics and the New Drug Discovery Paradigm

With expertise ranging from high throughput drug screening to genomics and informatics, Johnson & Johnson Pharmaceutical Research & Development, L.L.C. is at the forefront of unraveling complex diseases and developing new medicines. To help identify the most promising drug targets out of thousands of possibilities emerging from sequencing the genome, researchers are using large-scale computer models that simulate conditions such as human type 2 diabetes, obesity and anemia, and predict variations in patient responses to new therapies and interventions. The combination of the biosimulation approach with genomics-based drug discovery is also shifting the focus of medical science from treating disease symptoms to addressing the root causes of illness. www.jnjpharmarnd.com

Building on the Strength of a Capable Molecule

One of the world's most common infectious diseases, community-acquired pneumonia (CAP) also is a leading cause of death in the United States. In 2003, the FDA approved a five-day dosage form of LEVAQUIN® (levofloxacin) Tablets/Injection and LEVAQUIN® (levofloxacin in 5% dextrose) Injection 750 mg once-daily regimen to treat mild-to-severe CAP. The short-course therapy leads to less antibiotic exposure, which may help prevent bacterial resistance. Separately, LEVAQUIN® (levofloxacin) Tablets/Injection and LEVAQUIN® (levofloxacin in 5% dextrose) received approval for treating chronic bacterial prostatitis, a recurrent infection of the prostate gland. www.levaquin.com

Medical informatics researchers at the Johnson & Johnson Pharmaceutical Research & Development, L.L.C., genomics facility in La Jolla, California, use Entelos® PhysioLab® *in silico* technology to predict treatment success in different patient subtypes and identify the most appropriate dose regimens and trial protocols for further clinical development. The process recreates biological reactions through use of a "virtual patient" to personalize medicine according to unique genetic makeup.

Rheumatoid Arthritis

• Rheumatologic disorders account for **a large percentage** of U.S. Social Security disability payments.

Drug Discovery

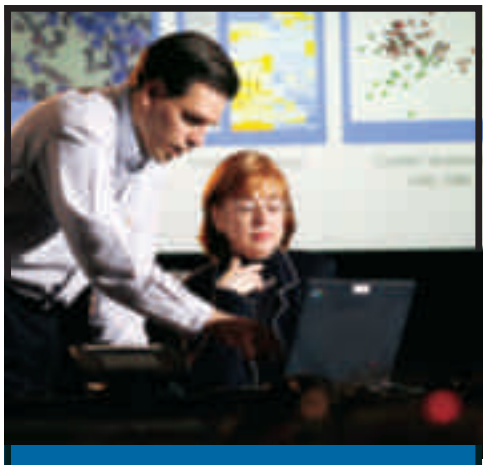
• Only **one** of every **5,000** compounds studied in the lab will become a medicine.

• By some estimates, it costs more than **$800 million** and typically takes over a decade to develop a new drug.

New Generation of Lenses

As the leader in helping consumers improve their vision, VISTAKON®, a division of Johnson & Johnson Vision Care, Inc., has revolutionized the contact lens category with advanced science. New ACUVUE® ADVANCE™ Brand Contact Lenses with HYDRACLEAR™ feature a breakthrough moisture-rich material that brings exceptional long-lasting comfort to contact lens users and allows three times more oxygen to pass through the lens to the eye.

Located in Jacksonville, Florida, a new three-story facility for VISTAKON®, a division of Johnson & Johnson Vision Care, Inc., consolidates previously separate research and development functions for more rapid product development. VISTAKON® revolutionized the vision correction industry in 1988 with the invention of ACUVUE® Brand Contact Lenses. Sophisticated science and engineering from the affiliate continue to bring contact lens wearers new levels of benefits that include better fit, comfort, visual acuity and UV protection. www.acuvue.com



Targeting Cancer's Roots

The integration of our diverse scientific knowledge is translating into new growth platforms and product developments. Veridex, LLC is gaining insight into the diagnosis, prognosis and staging of cancer. Its first product, the CELLSEARCH™ Epithelial Cell Kit, will be used to predict the survival of patients with metastatic breast cancer. Collaborating with Johnson & Johnson Pharmaceutical Research & Development, L.L.C., Veridex is pursuing the identification of a profile that specifies which patients with refractory leukemia are more likely to respond to ZARNESTRA™ (tipifarnib), under development for the treatment of hematologic malignancies and other cancers.

Biologics Improve Orthopaedic Surgery

DePuy Biologics was established in 2003 for the development and launch of tissue-engineered products for orthopaedic surgery. Through development, acquisition and licensing, DePuy has a broad orthobiologics portfolio, including CELLECT™ (right), a minimally invasive device that reduces the time and pain associated with standard bone graft harvesting. CELLECT™ collects bone marrow cells through a needle near the hip area and then processes the cells so they can be combined with HEALOS® Bone Graft material and grafted onto the spine.

A Passion for Patients

Our passion to take on the biggest challenges in health care and to improve the lives of patients and their families drives the relentless pursuit of innovations that transform the standard of health care. Our expertise in discovery and development — combined with an exceptional understanding of patient, consumer and health care professional needs — results in new solutions across therapeutic platforms. Whether applied to traditional medicines or advanced technologies, our new delivery systems, new dosages and broadening of clinical utilities are enhancing patient compliance and leading to superior outcomes.

Delivering a Difference

For Jeffrey, Daniel and Patrick Korb (above) — Rotterdam siblings each with Attention Deficit Hyperactivity Disorder (ADHD) — a range of strengths of CONCERTA® (methylphenidate HCl) CII allows their physician to adjust dosing for the best all-day relief of symptoms. CONCERTA®, already approved in the United States and in a large number of countries in Europe, Latin America and Asia, uses a tri-layer drug-delivery system called OROS®, developed by ALZA Corporation, that consistently manages ADHD symptoms through 12 hours with a single dose of methyl-

strength*for*caring™

Strength for Caring, a community-based education and support program for cancer and HIV caregivers, is one of many resources brought to patients, families and health care professionals by Ortho Biotech Products, L.P. The company markets PROCRIT® (Epoetin alfa) to treat anemia and fatigue associated with chemotherapy, HIV therapy, chronic kidney disease and certain surgeries. www.procrit.com

phenidate. It was approved in additional markets, including Canada, in 2003. The extended release formulation minimizes the peaks and valleys in blood levels associated with three-times-a-day dosing regimens, and eliminates the need to take medication during school or extracurricular activities. CONCERTA® is being studied in adolescents and at strengths higher than 60 mg. www.concerta.net

Significant Breakthroughs for Patients and a Category Pioneer

For more than a decade, RISPERDAL® (risperidone) has been changing the lives of schizophrenia patients. Now, RISPERDAL® CONSTA™ [(risperidone) long-acting injection], for the treatment of schizophrenia, represents a major advance as the first atypical antipsychotic in a long-acting formulation for patients like Janice Roberts (shown below with her parents). In addition to excellent efficacy, RISPERDAL® CONSTA™ helps physicians and nurses address patient compliance, a major factor in therapy for schizophrenia. Available in more than 45 countries, RISPERDAL® CONSTA™ maintains a constant level of the active medication risperidone in the body for two weeks. Using a proprietary drug-delivery technology, risperidone is encapsulated in biodegradable polymer microspheres, which are suspended in a water-based solution and injected into the body, where they degrade slowly and gradually release the drug at a carefully controlled rate. Oral RISPERDAL® (risperidone) received approval as monotherapy (alone) or in combination with lithium or valproate for the short-term treatment of bipolar mania in the U.S., Germany and Portugal. A new, fast-dissolving form of risperidone, RISPERDAL® M-TAB™, is an option for patients with schizophrenia or bipolar mania who cannot or prefer not to swallow pills. www.risperdalconsta.com

Treating Chronic Pain

At the Keio University Hospital in Tokyo, Professor Junzo Takeda, M.D., and Janssen Pharmaceutical K.K. representative Takeji Tonda discuss DUROTEP® fentanyl transdermal patch, approved in Japan for the treatment of chronic cancer pain. Marketed in other countries as DUROGESIC®/DURAGESIC® (fentanyl transdermal system), the innovative drug delivery system provides patients pain relief through a three-day patch.

A Broad Portfolio of Innovation in Oral Care

ARESTIN® (minocycline HCl 1mg) microspheres — the initial product from OraPharma, now operating as part of the Personal Products Company — represents a technological advance for the adjunctive treatment of periodontal disease. This first locally administered, time-released antibiotic represents a significant opportunity to combine our scientific capabilities and our oral care knowledge of consumers. www.arestin.com

Addressing Active Pain

TYLENOL® (acetaminophen) 8 Hour uses patented technology to provide both fast and long-lasting pain relief in two layers. The first layer provides fast relief and the second gives up to eight hours of continuous pain relief in just one dose. TYLENOL® 8 Hour is especially formulated for the extended relief of muscle aches and other body pains associated with active pain. www.tylenol8hour.com

A Therapy for Independence

Representing more than a treatment option for Law Gim Poh of Singapore (above), REMINYL® (galantamine HBr) is a means for preserving moments with her precious grandson. Research shows that long-term therapy with REMINYL®, now approved for the treatment of mild to moderate Alzheimer's disease (AD) in more than 30 countries, can significantly reduce the cognitive deficits of Alzheimer's disease. In the largest long-term study of its kind, AD patients treated with 24 mg of galantamine for 48 months gained 12 to 18 months' preservation of their cognitive function, while reducing the burden on caregivers. Additionally, more than 12 percent of REMINYL® patients did not deteriorate at all during the course of the study. REMINYL® is also being studied in vascular dementia, and as a once-daily formulation. www.sharingcare.com

Healing a Headache

Adults with migraine headaches in a number of countries, most recently Colombia, Czech Republic, Hong Kong and Israel, can take TOPAMAX® (topiramate) Tablets and TOPAMAX® (topiramate capsules) Sprinkle Capsules for prophylaxis as a result of recent regulatory approvals. Marketing approval for TOPAMAX® for migraine prophylaxis is being sought in other countries, including the U.S.

Extending Professional Wound Care Technology to Consumers

The addition of the COMPEED® Hydrocolloid line of products quickly established a strong presence for the Johnson & Johnson wound care franchise in Europe. The unique hydrocolloid-based technology, used in hospitals for years, promotes the body's own natural healing processes and provides an optimal healing environment for wounds. By sealing the wound against dirt, germs and moisture, healthy skin cells repair the injury.

Innovation: Our Answer to

In an effort to keep researchers focused on the next discovery, the late Dr. Paul Janssen was renowned throughout Johnson & Johnson companies for asking, "What's new?" Innovation as a crucial key to our future is ingrained not only in our pharmaceutical labs, but throughout our medical device, diagnostic and consumer companies, too.

What's the value of innovation? Our Company's first product revolutionized surgery — the antiseptic wound dressing. We know that innovation has a profound impact. Medical innovation leads to more accurate diagnoses, less invasive treatments, faster return to work, reduced disability, increased physician productivity, shorter hospital stays and fewer medical errors.

No other company is in the forefront of medical innovation in as many specialties. At the Annual Clinical Congress of the American College of Surgeons (above), with products ranging from wound closure devices such as DERMABOND® Topical Skin Adhesive and VICRYL® Plus Antibacterial Sutures from Ethicon Products to minimally invasive surgical tools such as the hand-activated HARMONIC SCALPEL® and new ENDOPATH® XCEL™ trocars from Ethicon Endo-Surgery, Inc. and instrumentation from Codman, our companies demonstrated a comprehensive offering and an understanding of surgical needs.

The business of medical technology is among the fastest paced in health care. We invest heavily in new technologies, both those developed internally and those acquired or licensed in. Among those introduced recently are an artificial disc for spinal surgery, expanded indications for a biologically engineered material for rotator cuff repair, the world's first drug-eluting stent for the treatment of coronary artery disease, a gyro-balanced personal mobility system, a fully automated blood-bank patient testing system that helps ensure safe and effective transfusions, and a blood glucose monitor that not only tests less painfully but organizes the information it records for easier patient management of diabetes.

A commitment to innovation is demonstrated by the growth of our patent estate, which in 2003 exceeded a

On the Move

The INDEPENDENCE® iBOT™ Mobility System uses a unique combination of electronics, sensors and software components that work on the principle of balance to continuously adjust to stabilize the user. It was approved by the FDA in August.

www.independencenow.com

"What's New?"

record 1,000 applications. Our vast library of intellectual property includes products which improve the standard of health care. In 2003, *Popular Science* named the INDEPENDENCE® iBOT™ Mobility System and REMICADE® (infliximab) among the "Best of What's New" in personal health. ORTHO EVRA® (norelgestromin/ethinyl estradiol), the contraceptive patch that has become the second most prescribed birth control method in the U.S., was named by *Time Magazine* as one of the year's "cool" innovations at its introduction in 2002. The transfer of technology from medical devices to the consumer business has resulted in further advances in wound care. BAND-AID® Brand Liquid Bandage was named a *Good Housekeeping* magazine "Good Buy" award winner for its superior technology and performance.

In orthopaedics and spine, the DePuy franchises are rapidly adopting innovations that will strengthen leadership positions. In addition to an extensive biologics portfolio, DePuy has acquired technologies that will enable it to commercialize products for minimally invasive discectomy, lumbar spinal fusion and cervical spinal fusion.

Longer life expectancies, greater shares of personal financial resources devoted to better health care, greater attention to health care needs in the world's emerging markets, mean that more innovation will be demanded of health care companies. The unique breadth of our business, and our proven capacity to transfer knowledge and experience across health care disciplines, affords us significant opportunity.

The 2003 acquisition of Link Spine Group, Inc. by DePuy Spine included exclusive rights to the CHARITÉ™ Artificial Disc, approved for use in 30 countries outside the U. S. (above) Bo Jamieson of DePuy Spine and Professor Dr. med. Jurgen Harms of Germany review the x-rays of a patient treated with the artificial disc. Previously, treatment would likely have been fusion of the bones in the spine, a solution that could not deliver comparable flexibility and restoration of motion and back strength to the patient. The company has submitted an application for approval of the artificial disc in the U.S.

Through a partnership with BrainLAB in Germany, DePuy Orthopaedics has launched an image-guided surgery platform that results in less invasive techniques for knee replacement, used (right) by Dr. Gregory Keene of Adelaide, Australia. Other advances in joint replacement include the introduction of the ASR (Articular Surface Replacement) Hip outside the U.S., demonstrated for a patient by Dr. Roger Oakeshott of Adelaide.

Our skin care business is growing as a result of strong consumer insights coupled with superior functionality, science-based technologies, and strategic patents. Through our broad health care business, we transfer scientific skill sets across product categories, gaining market advantage and creating product innovations. Our skin care portfolio, which helps consumers all over the world maintain healthy skin for life, includes products for prevention, maintenance, improvement and repair — for babies, teens, adults and elderly consumers.

Johnson & Johnson primarily competes in the traditional skin care arena, which includes facial, body and hand care. Continuous growth within this franchise has been achieved by a comprehensive adult skin care franchise, with such brands as CLEAN & CLEAR®, AVEENO®, RoC® and NEUTROGENA®. Through acquisitions and, more importantly, strong post-acquisition growth, we now hold a leading position in the highly-fragmented $43 billion per year global skin care market.

During 2003, solid growth worldwide in Consumer segment sales was achieved in the AVEENO® and NEUTROGENA® skin care lines. The acquisitions of CORTAID® brand itch relief skin care line and the BALMEX® brand line of diaper rash products expanded the therapeutic skin care portfolio. OrthoNeutrogena will market ERTACZO™ (sertaconazole nitrate) Cream, 2%, acquired through a licensing agreement with Grupo Ferrer Internacional, for the treatment of tinea pedis, the fungal infection also known as Athlete's Foot, within the U.S. and Canada.

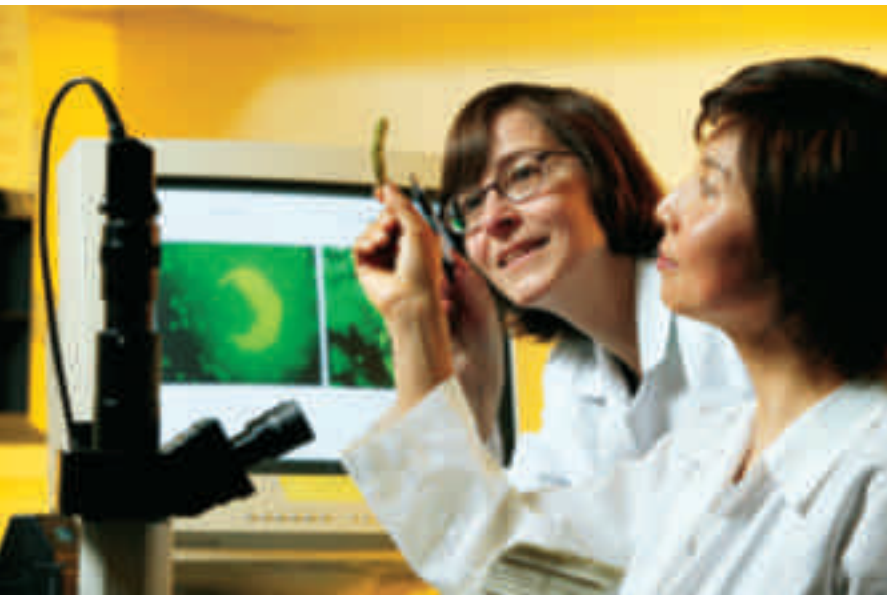
Our single biggest opportunity for skin care growth is to broaden the geographic presence of our current brands and continuously provide new skin care therapies to people of all ages around the world. Development will be driven by new technologies and synergies between prescription and over-the-counter products.

Advances in Skin Care through Science

The prestigious Johnson Medal was presented to Johnson & Johnson Consumer & Personal Products Worldwide researchers (right) Jue-Chen Liu, right, and Miri Seiberg for their discovery and development of the "Total Soy Skin Care" platform technology. A few years ago, Johnson & Johnson researchers discovered that Total Soy Complex

The Science of Skin Care

JOHNSON'S® Baby Milk Bath and Lotion products currently are marketed throughout Asia/Pacific. Through increased baby and adult usage, the new "milk" platform has stimulated body wash category growth. This line uses the benefits of natural milk proteins and vitamins to provide superior moisture to nourish skin.



Through an innovative blend of science and nature, products across our brands employ the clinically proven benefits of natural soy.

improves the appearance of skin tone, softens and smoothes skin texture, and moisturizes dry skin areas. The technology has helped to generate substantial sales increases of our companies' skin care products since 2002, when soy-based products became available in the AVEENO® line, our fastest growing skin care brand, and also in selected RoC® and NEUTROGENA® products. AVEENO®, our first skin care brand to apply this proprietary technology, recently introduced another soy-based product — AVEENO® POSITIVELY SMOOTH™, the first complete line of soy-based products for the face and body, including moisturizers that are clinically proven to minimize the appearance of unwanted hair.

Studies have shown that copper is an essential nutrient that positively impacts the skin's cellular activity and increases production of collagen and elastin. Dermatologists have clinically proven that a revolutionary breakthrough ingredient, "active copper," addresses the visible signs of aging. Found in several moisturizing and cosmetics products, the copper peptide complex from NEUTROGENA® enhances collagen synthesis and improves elasticity, firmness and tone, while also helping to produce a healthy glow, reduce fine lines and increase the skin's natural hydration.

Expanding the Consumer Base

Evian® AFFINITY® skin care products were successfully launched by Johnson & Johnson Consumer France S.A.S. several years ago, primarily in mass market outlets. This collaboration between the company and Evian, the leading mineral water brand in France, demonstrated the way in which Johnson & Johnson marketing expertise can build brand distinction and market share. In addition, in a further effort to expand its consumer base, the French company successfully introduced the NEUTROGENA® brand into the mass market, building on the popularity of its equity in pharmacies, where it enjoys a leading position with RoC®. (A NEUTROGENA® product display at a French hypermarket is shown at left.)

As a result, through creative marketing and expertise

in forging mutually beneficial partnerships, the company has secured an impressive share in one of the world's most competitive skin care markets.

The 2003 introduction of new skin product lines in the U.S. — JOHNSON'S® SOFTLOTION™ line and JOHNSON'S® SOFTWASH® line — represents a generation of products with the promise of "baby soft" skin not just for babies but also for adult women. The U.S. expansion of this line builds on a new global soft platform that was originally launched in Europe in 2002.
www.johnsonsbabysoft.com

NEUTROGENA® HYDRATING FACIAL™ Cloth Mask, which originated in the Asia/Pacific region, is the first individually packaged, pre-moistened cloth facial mask. It provides a relaxing, at-home, spa-type treatment characterized by intensified moisture. It contains a refreshing vitamin C solution and is clinically proven to boost skin's radiance and improve clarity and smoothness in just two weeks. Alcohol and fragrance free, the Cloth Mask provides a new way to moisturize and nourish skin to achieve a complexion that is soft and smooth, yet not oily.
www.neutrogena.com

Clear Leader in Vision Care

In Japan, VISTAKON® introduced 1-Day ACUVUE® COLOURS™ contact lenses in January 2004. This is the first daily disposable colored contact lens available anywhere in the world. It provides UV-blocking to protect against transmission of harmful UV radiation into the eye. It's the first time VISTAKON has made Japan the launch market for a new product. Proportionately, more people in Japan who need vision correction wear contact lenses than people anywhere in the world.

In Japan, 1-Day ACUVUE® COLOURS™ are available in gray, honey and chestnut for subtle eye color changes.

- Johnson & Johnson Vision Care has manufactured over **9 billion** contact lenses around the world since 1987.
- More than **4 billion** people around the world need vision correction, and **100 million** wear contact lenses.

Attacking the Problem of Obesity

It's estimated that the number of weight loss surgeries increased in 2003 by 64 percent in the U.S. One in five U.S. adults is considered obese, and therefore at greater risk for conditions including type 2 diabetes, heart disease and cancer. Ethicon Endo-Surgery markets lines of medical instruments for use in bariatric, or weight reduction, surgery for the morbidly obese. A number of other affiliate companies offer products to help promote weight management and the treatment of weight-related conditions such as diabetes. www.weightlosssurgeryinfo.com

Diabetes is of epidemic proportion in adults, reflecting the growing incidence of obesity. In the Angiogenesis Clinic at Boston's Brigham & Women's Hospital, Vincent Li, M.D., treats diabetic foot ulcers with REGRANEX® Gel, a prescription drug from Johnson & Johnson Wound Care division of Ethicon, Inc., containing a growth factor that's part of the body's natural healing process. www.regranex.com

SPLENDA® No Calorie Sweetener is made from sugar so it tastes like sugar, and is suitable for people with diabetes. It's used in granular form by pastry chef Gale Gand (above), of the nationally televised cooking show. SPLENDA® is the leading no calorie sweetener in U.S. retail outlets. www.splenda.com

Easy Pear Crisp Makes 6 (3/4 cup) servings

Topping
- 1/4 cup SPLENDA® Granular
- 3 Graham crackers
- 1/4 cup Light butter
- 1 tsp. Cinnamon
- 2 Tbsp. All-purpose flour

Filling
- 3 cups Peeled/sliced Bartlett pears
- 2 Tbsp. All-purpose flour
- 1/4 cup SPLENDA® Granular
- 1 Tbsp. Lemon juice
- 3 Tbsp. Water
- 1/2 tsp. Cinnamon

Preheat oven to 350°F. Spray 8x8-in. baking dish with cooking spray. Place all topping ingredients in bowl of food processor/blender. Blend until crumbly. Set aside. Toss together all filling ingredients. Place in prepared baking pan. Cover with topping. Bake in preheated 350°F oven 40-45 minutes or until bubbling around edges.

The ONE TOUCH® UltraSmart® System from LifeScan enables people with diabetes to not only test blood glucose levels but also to keep track of things like food, medications and exercise that affect diabetes — helping them to move from measurement to management of their diabetes. www.lifescan.com

Committed to Communities

Our emphasis on leadership extends beyond our product portfolio to our efforts to be a socially responsible corporate citizen in the communities where we do business. We are actively involved in support of health care, educational and cultural programs; we are committed to a healthy environment through a reduction in environmental impacts and through participation in conservation projects, and we hold high standards for the health and safety of our employees.

Kindernetzwerk (Children's Network), Germany, is a unique organization created for the parents of ill or disabled children. With the support of Johnson & Johnson companies and 100 partner organizations, Kindernetzwerk is able to provide 12,000 disabled children and their parents with medical information and therapeutic services each year. Among its network of resources is the Musictherapy program offered by the Children's Center Munich (below). Guided by music, disabled children take part in exploratory exercises intended to enhance both social and physical function. Through singing, dancing and the use of musical instruments, therapists engage with disabled children in a series of interactive treatments. Children enrolled in the program have exhibited improvement in hand-eye coordination, speech quality and rhythm, attention span and concentration, creativity, self-confidence and group activities.

$1 million per year in energy costs and reduce the site's carbon dioxide emissions by 3 million pounds through the co-generation operations. The system will enable the new building to become one of the first certified "green buildings" at Johnson & Johnson as established by the United States Green Building Council.

Bridge to Employment

The Johnson & Johnson Bridge to Employment Program, implemented in high schools across the country since 1992, is a school-to-work initiative that introduces a broad array of careers in health care and provides students with valuable work experiences. The New Brunswick Health Sciences Technology High School in New Jersey is a 2003 recipient of the three-year, $90,000 grant. Students are mentored by Johnson & Johnson companies' employees and tutored by Rutgers University students (below).

Co-Generation System

A co-generation system completed in 2003 (given a final check here by employees Mark Loukides and Duane Kiihne) at the Johnson & Johnson Pharmaceutical Research & Development, L.L.C. facility in La Jolla, California, produces the entire site's electrical power and is the first known system that allows a research facility to operate independent of the State of California's electrical grid. The system consists of two 16-cylinder natural gas engines and features a state-of-the-art emissions controls system. The engines' waste heat also reduces energy consumption and carbon dioxide emissions by powering both a 500-ton absorption chiller and building heat. The company will save over

- Johnson & Johnson is the **largest** corporate user of **wind power** in the U.S.
- Centocor in Leiden, Netherlands, was the **first** Johnson & Johnson facility to use **only** power from **"renewable"** sources.

Safe Science

Safe Science is a program designed for pharmaceutical research and development (R&D) operations that uses proactive strategies to prevent employee injuries and illnesses, enabling employees to safely explore innovations in medicine and technology. The program focuses on controlling and limiting potential workplace hazards and standardizing pharmaceutical R&D employee safety training requirements and facility design. Another component of the program is aimed at enhancing supervisor and employee coaching processes to encourage safe decisions, as seen in this session at Johnson & Johnson Pharmaceutical Research & Development, L.L.C. between Senior Vice President, Drug Discovery, Michael Jackson, Ph.D., and Xiaohua Xue, biologist.

Pursuing Global

Although there has been steady growth in the world economy and a continuous increase in global health care spending, there are sizable unmet health care needs throughout the world. In this era of innovation and unlimited possibilities, there exists tremendous potential for Johnson & Johnson to reach new markets around the globe, enhance opportunities and build upon its strengths.

About 60 percent of worldwide GDP growth through 2020 is expected to occur in emerging markets such as China, Brazil, India, Mexico and Russia. Emerging markets represent a crucial path to drive the Company's growth over the next decade, especially through new approaches and new ways of thinking across geographies and companies.

Johnson & Johnson is focused on global growth in these markets through an emphasis on regional research and development; increased regional licensing and acquisitions; maintaining a global mindset in developing leaders; more systematically translating success from the most developed markets around the world, and altering attitudes from a U.S. to a global mindset.

In emerging markets such as China, with its 1.3 billion population and immense potential, Johnson & Johnson seeks to provide enhanced health care by reaching new consumers and growing established businesses.

Johnson & Johnson consumer companies in China have been achieving solid growth since operations started in the late 1980s. BAND-AID® Brand Adhesive Bandages, JOHNSON'S® Baby products, STAYFREE® sanitary protection products and CLEAN & CLEAR® are among the global brands brought to the Chinese market (through retail outlets like the one above).

Likewise, the establishment of Xian-Janssen Pharmaceutical, currently the largest and most successful foreign pharmaceutical company in China, led to

tremendous success in bringing modern medicine to China through in-house manufacturing.

Among the Best in One of the World's Biggest Markets

Employees of Johnson & Johnson Medical Ltd., below, are proud that their company was cited as one of the Top Ten Best Employers in China in 2003 by a study conducted by global human resources consultant Hewitt Associates in partnership with the *Harvard Business Review*. The study evaluated companies in areas ranging from recruiting and orientation to work environment, financial security and organizational structure.

In line with plans to reach greater numbers of consumers and professionals in China, strategic plans have been mapped out to introduce more Johnson & Johnson companies' products as the Chinese health care industry continues to develop.

ETHICON is the leading supplier of "sutures for pediatric surgery" (advertised here) in Russia and is the only supplier of cardiovascular sutures for pediatric use.

Opportunity

ORTHO EVRA: a Fashionable Option

ORTHO EVRA® (norelgestromin/ethinyl estradiol transdermal system), the first weekly birth control patch, combines the effectiveness of the Pill — 99 percent when used correctly — with simplicity of once-a-week dosing. It was launched in several markets in 2003, including Mexico. ORTHO EVRA®/EVRA® Fashion Shows, conducted there, in the U.S. and in several Latin American countries, demonstrate how both fashion and ORTHO EVRA® can positively impact a woman's inner confidence and sense of self-esteem. www.orthoevra.com

A "Touching" Program that Benefits Babies and their Moms

"Touch Programs," based in part on findings of the Touch Research Institute in the U.S. and supported by Johnson & Johnson companies, promote the use of touch and massage to improve children's health. The programs are heavily supported by our consumer companies in such countries as China and the Philippines. In partnership with several leading Chinese professional health care societies, Johnson & Johnson China Ltd., sponsors Touch Programs to enhance the health care and bonding of newborns, especially pre-term babies, with their mothers. Currently there are touch rooms like the one shown here in more than 200 hospitals in 84 cities in China, and over 15,000 doctors and nurses have been trained in touch philosophy, techniques and benefits.

1 With 20% of the world's natural resources, the **Russian economy** is growing twice as fast as the world economy.

2 By 2010, **China** is expected to be the number three pharmaceutical market.

3 With vast natural resources and a large labor pool, **Brazil** is South America's leading economic power.

Getting to the Heart of It

Cardiovascular diseases claim the lives of more adults worldwide than any other illness. The management of heart disease — which afflicts more than 12 million people in the U.S. alone — represents cost and lifestyle challenges for patients, health care providers, hospitals and physicians. Throughout the Johnson & Johnson companies, a variety of products contribute significantly to the diagnosis, treatment and management of a wide range of coronary diseases.

Called "the single most important advance in interventional therapy in the last 10 years" by Martin Leon, M.D., chairman of the Cardiovascular Research Foundation, the CYPHER® Sirolimus-eluting Coronary Stent has been used to treat more than 500,000 patients worldwide since its introduction in 2002. It was approved for marketing in the U.S. in April 2003, and was the first commercially available drug/device combination that significantly minimizes restenosis, or reblockage, of coronary arteries following a PTCA stent procedure. Today, it is the most studied drug-eluting stent with the largest body of clinical evidence demonstrating long-term safety and efficacy of its drug and polymer. In clinical trials, the CYPHER® Stent showed sustained reduction in arterial reblockage by more than 90 percent over a conventional bare metal stent. www.cypherstent.com

- Scios, acquired by Johnson & Johnson in April, markets NATRECOR® (nesiritide), the first new treatment for acute congestive heart failure in more than 15 years.
- Studies support low-dose aspirin such as 81 mg ST. JOSEPH® as a safer alternative for daily heart therapy.
- BENECOL® foods can lower cholesterol and may lower the risk of heart disease when part of a diet low in saturated fat and cholesterol.
- Smaller incisions in less invasive heart surgery, like those required for the Watchband™ radial harvesting procedure from Cardiovations, can result in faster recovery time and shorter hospital stays.
- REACH® Access Daily Flossers (below) help to remove plaque between teeth to reduce gum disease.

The CYPHER® Stent is produced in facilities worldwide, with the newest of them, in San German, Puerto Rico, shown above. (Top) After two bare metal stents failed to resolve his artery blockage, Max Roberti of Brussels received a CYPHER® Stent and was running a marathon 18 months later.

Board of Directors

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

M. Judah Folkman, M.D.
Senior Associate in Surgery and
Director at Children's Hospital
and Professor of Cell Biology,
Harvard Medical School

David Satcher, M.D., Ph.D.
Director, National
Center for Primary Care

James G. Cullen
Retired President and Chief
Operating Officer,
Bell Atlantic Corporation

Robert J. Darretta
Vice Chairman,
Board of Directors,
and Chief Financial Officer

Ann D. Jordan
Former Director of
the Social Services
Department, Chicago
Lying-In Hospital

Committees of the Board

Audit

The Audit Committee, composed entirely of independent, non-employee Directors, helps the Board oversee the Company's accounting and reporting practices. It recommends independent public accountants for appointment by the Board and reviews their performance; monitors the adequacy of internal accounting practices, procedures and controls; and reviews all significant changes in accounting policies.

James G. Cullen, Chairman
Mary Sue Coleman, Ph.D.
Leo F. Mullin
Henry B. Schacht

Compensation & Benefits

The Compensation & Benefits Committee, composed entirely of independent, non-employee Directors, reviews the compensation philosophy and policy of the non-Board Management Compensation Committee with respect to executive compensation (except for members of the Executive Committee), fringe benefits and other compensation matters.

The Committee also administers the Company's stock option plans and determines the compensation of the members of the Executive Committee. Additionally, the Committee reviews the management of the various retirement, pension, health and welfare plans that cover substantially all employees of the Company's domestic operations and employees of certain international subsidiaries.

Arnold G. Langbo, Chairman
Ann D. Jordan
Steven S Reinemund

Finance

The Finance Committee exercises the management authority of the Board during the intervals between Board meetings.

William C. Weldon, Chairman
Robert J. Darretta

Gerard N. Burrow, M.D.
President and Chief Executive Officer, Sea Research Foundation

Arnold G. Langbo
Retired Chairman of the Board and Chief Executive Officer, Kellogg Company

Mary Sue Coleman, Ph.D.
President
University of Michigan

Leo F. Mullin
Chairman and Retired Chief Executive Officer, Delta Air Lines, Inc.

Henry B. Schacht
Director and Senior Advisor, Lucent Technologies Inc.

Susan L. Lindquist, Ph.D.
Director, Whitehead Institute for Biomedical Research; Professor of Biology, Massachusetts Institute of Technology

Steven S Reinemund
Chairman and Chief Executive Officer
PepsiCo.

Nominating & Corporate Governance

The Nominating & Corporate Governance Committee, composed entirely of non-employee Directors, is responsible for overseeing corporate governance matters, reviewing possible candidates for Board membership and recommending nominees for election. The Committee is also responsible for overseeing the process for performance evaluations of the Board and its committees. Additionally, the Committee reviews the Company's management succession plans and executive resources.

Henry B. Schacht, Chairman
Gerard N. Burrow, M.D.
James G. Cullen
Arnold G. Langbo
Leo F. Mullin
Steven S Reinemund

Public Policy

The Public Policy Advisory Committee is composed of Board members and the Company's Vice President, Technical Resources. It reviews the Company's policies, programs and practices on public health issues regarding the environment and the health and safety of employees, and advises and makes recommendations to the Board on such issues.

Ann D. Jordan, Chairman
Brenda S. Davis, Ph.D.
M. Judah Folkman, M.D.
Susan L. Lindquist, Ph.D.
David Satcher, M.D., Ph.D.

Science & Technology

The Science & Technology Advisory Committee is composed of Board members and the Company's Vice President, Science and Technology. It advises the Board on scientific matters that include major internal projects, interaction with academic and other outside research organizations, and the acquisition of technologies and products.

Gerard N. Burrow, M.D., Chairman
Mary Sue Coleman, Ph.D.
M. Judah Folkman, M.D.
Susan L. Lindquist, Ph.D.
David Satcher, M.D., Ph.D.
Theodore J. Torphy, Ph.D.

Corporate Officers and Company Group Chairmen

Corporate Officers

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

Robert J. Darretta
Vice Chairman, Board of Directors,
and Chief Financial Officer
Executive Committee

James T. Lenehan
President

J. Andrea Alstrup
Vice President, Advertising

Stephen J. Cosgrove
Corporate Controller

Brenda S. Davis, Ph.D.
Vice President, Technical Resources,
and Corporate Compliance Officer

Russell C. Deyo
Vice President, Administration
Executive Committee

Michael J. Dormer
Worldwide Chairman,
Medical Devices
Executive Committee

Roger S. Fine
Vice President, General Counsel
Executive Committee

Colleen A. Goggins
Worldwide Chairman,
Consumer & Personal Care Group
Executive Committee

Thomas M. Gorrie, Ph.D.
Vice President,
Government Affairs & Policy

JoAnn Heffernan Heisen
Vice President,
Chief Information Officer
Executive Committee

David P. Holveck
Vice President, Corporate Development

Willard D. Nielsen
Vice President, Public Affairs

John A. Papa
Treasurer

Brian D. Perkins
Worldwide Chairman,
Consumer Pharmaceuticals &
Nutritionals Group
Executive Committee

Per A. Peterson, M.D., Ph.D.
Chairman, Research & Development
Pharmaceuticals Group
Executive Committee

Christine A. Poon
Worldwide Chairman,
Medicines & Nutritionals
Executive Committee

Theodore J. Torphy, Ph.D.
Vice President, Science and Technology

Michael H. Ullmann
Secretary,
Associate General Counsel

Nicholas J. Valeriani
Vice President, Human Resources
Worldwide Chairman, Diagnostics
Executive Committee

Company Group Chairmen

Supratim Bose
Robert W. Croce
Roy N. Davis
Alex Gorsky
Carlos A. Gottschalk
Walter Hak
Guy LeBeau, M.D.
Karen A. Licitra
Dennis N. Longstreet
Eric P. Milledge
Patrick D. Mutchler
David Y. Norton
Gerald M. Ostrov
Jose V. Sartarelli, Ph.D.
Joseph C. Scodari
Curt M. Selquist
Pericles P. Stamatiades
Gerard Vaillant
Carol A. Webb

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

Corporate Governance and Management's Responsibility

Johnson & Johnson is governed by the values set forth in Our Credo, created by General Robert Wood Johnson in 1943. These principles have guided us for many years and will continue to set the tone of integrity for the entire Company. At all levels, the employees of Johnson & Johnson are committed to the ethical principles embodied in Our Credo and these principles have been woven into the fabric of the Company.

The Credo values extend to our accounting and financial reporting responsibilities that we have to our shareholders and investors. We, the management of Johnson & Johnson, are responsible for the integrity and objectivity of the accompanying financial statements and related information. We are also responsible for ensuring that financial data is reported accurately and in a manner that facilitates the understanding of this data.

As evidence of our commitment to this responsibility, 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.

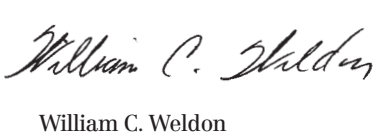
Our corporate staff of professionally trained internal auditors, who travel worldwide, monitor our system of internal accounting controls that is designed to provide reasonable assurance that assets are safeguarded and that transactions and events are recorded properly. Our internal controls include self-assessments and internal and external audit reviews of our operating companies. We also require the management teams of our operating companies to certify their compliance with our Policy on Business Conduct and we have a systematic program to ensure compliance with these policies at all employee levels.

PricewaterhouseCoopers LLP, the Company's independent auditor, is engaged to audit our financial statements. PricewaterhouseCoopers LLP maintains an understanding of our internal controls and conducts such tests and other auditing procedures considered necessary under the circumstances to express their opinion in the Report of Independent Auditors on page 60.

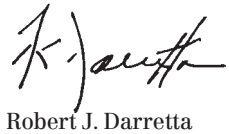
Our Audit Committee of the Board of Directors is composed solely of independent directors with the financial knowledge and experience to provide appropriate oversight. We review internal control matters and key accounting and financial reporting issues with the Audit Committee on a regular basis. In addition, the independent auditors, the General Counsel and the Vice President of Internal Audit regularly meet in private sessions with our Audit Committee to discuss the results of their work including observations on the adequacy of internal financial controls, the quality of financial reporting and confirmation that they are properly discharging their responsibilities and other relevant matters.

We regularly review our business results and strategic priorities. Our Executive Committee is continuously involved in the review of financial results as well as developing and understanding strategies and key initiatives for long term growth. Our intent is to ensure that we maintain objectivity in our business assessments, constructively challenge the approach to business opportunities and issues and monitor our business results and the related controls.

Our consolidated financial statements and financial data that follow are the responsibility of management. These statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include amounts that are based upon our best judgments. We are committed to present and discuss results of operations in a clear and transparent manner in order to provide timely, accurate and understandable information to our shareholders.



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



Robert J. Darretta
Vice Chairman, Board of Directors, and Chief Financial Officer

Table of Contents

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

Organization and Business Segments

Description of the Company and Business Segments

The Company and its subsidiaries have approximately 110,600 employees worldwide engaged in the manufacture and sale of a broad range of products in the health care field. The Company conducts business in virtually all countries of the world and its primary interest, both historically and currently, has been in products related to human health and well-being.

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

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

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

Management's Objectives

The Company's objective is to achieve superior levels of capital efficient profitable growth. To accomplish this, the Company's management operates the business consistent with certain strategic principles that have proven successful over time. To this end, the Company participates in growth areas in human health care and is committed to attaining leadership positions in these growth segments through the development of innovative products and services. In 2003, $4.7 billion or 11.2% of sales was invested in research and development, recognizing the importance of on-going development of new and differentiated products and services.

With more than 200 operating companies located in 57 countries, the Company views its principle of decentralized management as an asset and fundamental to the success of a broadly based business. It also fosters an entrepreneurial spirit, combining the extensive resources of a large organization with the ability to react quickly to local market changes and challenges. Businesses are managed for the long term in order to sustain leadership positions and achieve growth that provides an enduring source of value to shareholders.

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

During 2003, the Company continued to evaluate and enhance its existing internal control processes and further evaluate and implement the internal control reporting requirements of the Sarbanes-Oxley Act of 2002. The Company recognizes that it must rely and depend on the leadership of its management teams throughout the Johnson & Johnson Family of Companies to ensure successful compliance with the Sarbanes-Oxley Act. Additionally, the Company continues to maintain a strong ethical environment, using the Johnson & Johnson Credo as the overall guide.

Results of Operations

Analysis of Consolidated Sales

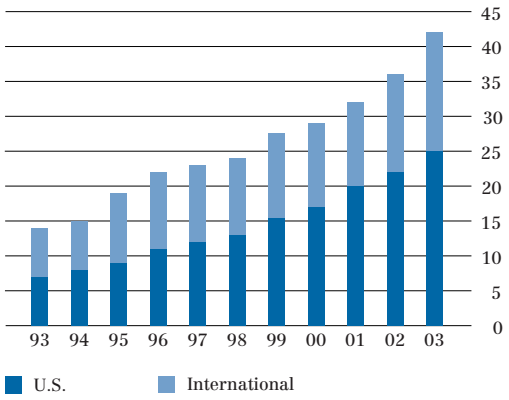
In 2003, worldwide sales increased 15.3% to $41.9 billion, compared to increases of 12.3% in 2002 and 10.8% in 2001. These sales increases consist of the following:

Sales increase due to:	2003	2002	2001
Volume	9.4%	10.4%	12.2%
Price	1.3%	1.7%	1.2%
Currency	4.6%	0.2%	(2.6%)
Total	15.3%	12.3%	10.8%

Sales by U.S. companies were $25.3 billion in 2003, $22.5 billion in 2002 and $19.8 billion in 2001. This represents an increase of 12.6% in 2003, 13.3% in 2002 and 14.5% in 2001. Sales by international companies were $16.6 billion in 2003, $13.8 billion in 2002 and $12.5 billion in 2001. This represents an increase of 19.8% in 2003, 10.8% in 2002 and 5.4% in 2001.

U.S. and International Sales for 10 Years

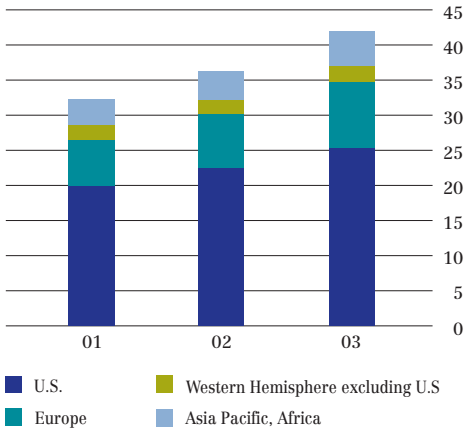
(in billions of dollars)



For the last five years, the annual compound growth rates for worldwide, U.S. and international sales were 11.9%, 14.4% and 8.7%, respectively. The ten-year annual compound growth rates for worldwide, U.S. and international sales were 11.7%, 13.5% and 9.4%, respectively.

Sales by Geographic Region

(in billions of dollars)

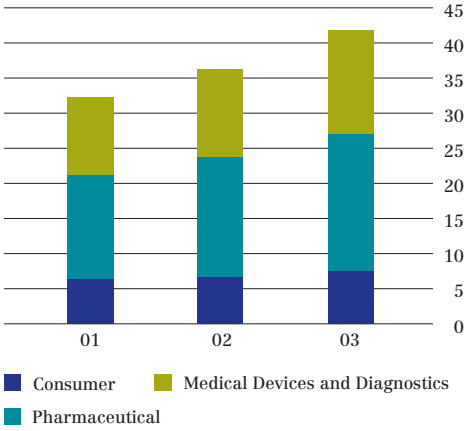


All geographic areas throughout the world posted double-digit sales increases during 2003 as sales increased 24.2% in Europe, 10.8% in the Western Hemisphere (excluding the U.S.) and 16.2% in the Asia-Pacific, Africa regions. These sales gains include the positive impact of currency fluctuations between the U.S. dollar and foreign currencies in Europe of 17.8% and in the Asia-Pacific, Africa region of 8.5% while there was a negative impact due to currency fluctuations of 2.0% in the Western Hemisphere (excluding the U.S.).

In 2003, sales to three distributors, McKesson HBOC, AmerisourceBergen Corp. and Cardinal Distribution accounted for 10.5%, 9.0% and 9.1%, respectively, of total revenues. In 2002, AmerisourceBergen Corp. accounted for 10.3% of total revenues with McKesson HBOC and Cardinal Distribution accounting for 9.8% and 9.2% of revenues, respectively.

Sales by Segment

(in billions of dollars)



Analysis of Sales by Business Segments

Consumer

Consumer segment sales in 2003 were $7.4 billion, or an increase of 13.2%, over 2002 with operational growth accounting for 9.4% of the total growth and 3.8% due to currency fluctuations. U.S. Consumer segment sales were $4.0 billion, an increase of 10.1%, while international sales were $3.4 billion, or an increase of 17.0%, with 8.6% due to operations and 8.4% due to currency fluctuations over 2002. Consumer segment sales growth is attributable to strong sales performance in the major franchises in this segment including Skin Care, Baby & Kids Care and the McNeil Consumer over-the-counter pharmaceutical and nutritional products. The Skin Care franchise sales in 2003 were $1.8 billion, representing a 14.4% increase over 2002. This growth was attributed to solid sales in NEUTROGENA® brand products, especially in international markets, and AVEENO® brand products in the facial care line as well as new products launched in the latter half of 2003. The Baby & Kids Care franchise grew by 12.8% to $1.3 billion in 2003. Growth in this franchise was led by new products launched in 2003 including JOHNSON'S® SOFTWASH® and JOHNSON'S® SOFT-LOTION™. McNeil Consumer over-the-counter pharmaceutical and nutritional products sales were $2.0 billion, an increase of 13.6% over 2002. Contributing to this growth was the continued growth of SPLENDA® brand no calorie sweetener and the increased sales in the MOTRIN® and TYLENOL® brand products due to an early and strong cold and flu season. Another franchise contributing to the overall sales growth in the Consumer segment was the Women's Health franchise that achieved sales of $1.4 billion, a 9.6% increase over 2002. Strong growth in the sanitary protection products in international markets contributed to the growth in this franchise.

Consumer segment sales in 2002 were $6.6 billion, an increase of 3.9% over 2001, with 4.6% of the increase due to operational growth offset by 0.7% of a negative currency impact. U.S. sales increased by 4.5% while international sales gains were 3.1% with 4.6% operational gains offset by a negative currency impact of 1.5%. Consumer segment sales in 2001 were $6.3 billion, an increase of 0.8% over 2000, with 3.9% of the increase due to operational growth offset by 3.1% of a negative currency impact. U.S. sales increased by 1.4% while international sales gains were 0.1% with sales gains in local currency of 6.8% offset by a negative currency impact of 6.7%.

Pharmaceutical

Pharmaceutical segment sales in 2003 were $19.5 billion, an increase of 13.8% over 2002, with 9.7% of this change due to operational growth and the remaining 4.1% increase related to the positive impact of currency. U.S. Pharmaceutical segment sales increased 11.3% while international Pharmaceutical segment sales increased 19.4%, which included 6.0% growth operationally and 13.4% related to the positive impact of currency.

Sales over $1 Billion

				% Change	
(Millions of Dollars)	2003	2002	2001	03 vs. 02	02 vs. 01
PROCRIT®/EPREX® (Epoetin alfa)	$3,984	4,269	3,430	(6.7%)	24.3%
RISPERDAL® (risperidone)	2,512	2,146	1,845	17.1%	16.3%
REMICADE® (infliximab)	1,729	1,297	721	33.4%	80.1%
DURAGESIC® (fentanyl transdermal system)	1,631	1,203	875	35.6%	37.4%
Hormonal Contraceptives	1,175	1,003	1,003	17.1%	0.2%
LEVAQUIN®/FLOXIN® (levofloxacin/ofloxacin)	1,149	1,032	1,052	11.3%	(2.0%)
TOPAMAX® (topiramate)	1,043	687	477	51.7%	43.8%

Pharmaceutical segment sales growth reflects the strong performance of many of the key pharmaceutical products despite the sales decline of PROCRIT® (Epoetin alfa) and EPREX® (Epoetin alfa) that were adversely affected by competition and a label change. Combined, PROCRIT® and EPREX® sales declined 6.7% in 2003 as compared to 2002. This decline is the net effect of strong market growth and a positive currency impact of 4.0% offset by a loss of market share. The Company continues to implement programs to improve its competitive position that include steps to ensure that PROCRIT® is priced competitively as well as conducting clinical development programs, which will provide comparative data with competitive products.

Strong growth drivers in the Pharmaceutical segment were DURAGESIC® (fentanyl transdermal system), which is sold outside the U.S. as DUROGESIC®, with its novel delivery system for the treatment of chronic pain that continued to achieve outstanding results, growing 35.6% last year. Currently, there is litigation challenging the patent exclusivity of DURAGESIC® that may or may not impact 2004 sales of this product. In any event, the product is expected to face generic competition by January 2005. See Note 18 for further discussion of this matter. In the psychotropic (central nervous system) field, RISPERDAL® (risperidone), a medication that treats the symptoms of schizophrenia, accounted for $2.5 billion in sales in 2003, fueled by the successful launch of RISPERDAL® CONSTA™ [(risperidone) long-acting injection] in the markets outside of the United States. In October 2003, this product was approved in the U.S. by the Food and Drug Administration (FDA). REMICADE® (infliximab), a novel monoclonal antibody therapy indicated to treat the symptoms of Crohn's disease and rheumatoid arthritis, two autoimmune disorders, accounted for $1.7 billion in sales in 2003 and continued to maintain its leadership position in the growing autoimmune market. The anti-infective field, including LEVAQUIN® (levofloxacin) and FLOXIN® (ofloxacin), also had strong growth of 11.3% over 2002. The hormonal contraceptive franchise grew 17.1%, fueled by ORTHO EVRA® (norelgestromin/ethinyl estradiol), the first contraceptive patch approved by the FDA.

There was also strong growth in various other brands, including DOXIL® (doxorubicin), an anti-cancer treatment; DITROPAN XL® (oxybutynin), for the treatment of overactive bladder; and REMINYL® (galantamine HBr), a treatment for patients with mild to moderate Alzheimer's disease.

The acquisition of Scios Inc., a biopharmaceutical company with a marketed product for cardiovascular disease and research projects focused on autoimmune diseases, also contributed to the Pharmaceutical segment sales growth. Scios was acquired to strengthen the Company's business in key therapeutic areas and technology platforms. Scios' product NATRECOR® (nesiritide) is a novel agent approved for congestive heart failure and has several significant advantages over existing therapies.

Pharmaceutical segment sales in 2002 were $17.2 billion, an increase of 15.5% over 2001, with 14.8% due to operations growth and 0.7% due to currency fluctuations. U.S. sales increased by 16.4% while international sales grew 13.5% over 2001; that includes a 2.4% positive impact of currency and operational growth of 11.1%. Pharmaceutical segment sales in 2001 were $14.9 billion, a total increase of 17.3% over 2000. U.S. sales increased by 21.3% while international sales increased by 9.3% with 14.2% operational growth offset by a negative currency impact of 4.9%.

Medical Devices and Diagnostics

Worldwide, the Medical Devices and Diagnostics segment achieved sales of $14.9 billion in 2003, representing an increase over the prior year of 18.5% with operational growth of 12.8% and a positive impact from currency of 5.7%. U.S. sales

increased 15.9% while international sales increased 21.7% with 9.0% from operations and 12.7% from currency.

Strong sales growth in this segment was led by the Cordis and DePuy franchises. The Cordis franchise was a key contributor to the Medical Devices and Diagnostics segment results with reported sales of $2.7 billion, which signifies 65.0% growth over the prior year. The primary driver of this sales growth for 2003 was the CYPHER® Sirolimus-eluting Stent that was approved in the U.S. by the FDA in April 2003. This device for the treatment of coronary artery disease has been implanted in approximately half a million patients around the world. In 2003, CYPHER® was the only drug-eluting stent approved for use in the U.S.; however, there is a product pending approval by the FDA that will compete with the CYPHER® Sirolimus-eluting Stent.

The DePuy franchise reported $3.0 billion in sales, which represents an 18.6% growth over the prior year. DePuy's orthopaedic joint reconstruction products, including the shoulder and knee product lines, are primarily responsible for this growth through the Global Advantage System™ in the shoulder market and the continuing trend towards mobile bearings and minimally invasive unicompartmental knees. Strong performance was also reported in the area of spinal orthobiologics, led by the continued success of new product sales and the acquisition of Orquest and its principal product HEALOS®, a bone graft substitute designed to enhance fusion.

Other franchises that contributed to the overall sales growth in the Medical Devices and Diagnostics segment include the Ethicon, Ethicon Endo-Surgery, LifeScan, Ortho-Clinical Diagnostics and the Vision Care franchises. The Ethicon worldwide franchise reported $2.6 billion of sales in 2003, which was a growth rate of 10.6% over the prior year. The Ethicon franchise continues to grow by introducing new products into the marketplace, such as the Coated VICRYL® (polyglactin 910) Plus, the first product in a new anti-bacterial suture platform.

The Ethicon Endo-Surgery franchise reported $2.6 billion of sales in 2003, which was a growth rate of 12.9% over the prior year. This growth was mainly driven by endocutter sales that include products used in performing bariatric procedures for the treatment of obesity, an important focus area for Ethicon Endo-Surgery.

The LifeScan franchise reported $1.4 billion of sales in 2003, a growth rate of 6.3% over the prior year. In September 2003, LifeScan launched an upgraded ONETOUCH® BASIC® test strip, which requires 50% less blood for insulin testing.

The Ortho-Clinical Diagnostics franchise reported $1.2 billion of sales in 2003, which was a growth rate of 7.5% over the prior year. This growth was mainly driven by the launch of VITROS® Eci aHAV-Total assay for the measurement of antibody to the Hepatitis A virus.

The Vision Care franchise reported $1.3 billion of sales in 2003, which was a growth rate of 10.9% over the prior year led by the continued success in the Japanese market.

Worldwide sales in 2002 of $12.6 billion in the Medical Devices and Diagnostics segment represented a total increase of 12.9% over 2001. The 12.9% total increase also represents the operational sales increase over prior year. U.S. sales were up 13.0% and international sales increased 12.8% over the prior year. Worldwide sales in 2001 of $11.1 billion in the Medical Devices and Diagnostics segment represented a total increase of 8.8% over 2000 with operational sales gains of 12.0% offset by a negative currency impact of 3.2%. U.S. sales were up 12.1% while international sales increased 5.1% as operational sales gains of 12.1% were offset by a negative currency impact of 7.0%.

Analysis of Consolidated Earnings Before Provision for Taxes on Income

Consolidated earnings before provision for taxes on income increased to $10.3 billion, or 10.9%, over the $9.3 billion in 2002. The increase in 2002 was 17.6% over the $7.9 billion in 2001. As a percent to sales, consolidated earnings before provision for taxes on income in 2003 was 24.6% that represents a decline of 1.0% over the 25.6% in 2002. For 2002, the improvement was 1.2% over the 24.4% in 2001, and the improvement in 2001 was 0.9% over 2000. The sections that follow highlight the significant components of the changes in consolidated earnings before provision for taxes on income.

Cost of Goods Sold and Selling, Marketing and Administrative Expenses: Cost of goods sold and selling, marketing and administrative expenses as a percent to sales are as follows:

	% of Sales		
	2003	2002	2001
Cost of goods sold	29.1%	28.8	29.6
Increase/(decrease)	0.3	(0.8)	(1.1)
Selling, marketing and administrative expenses	33.7%	33.7	34.8
Increase/(decrease)	—	(1.1)	(1.2)

In 2003, there was no improvement in the percent to sales of selling, marketing and administrative expenses and an increase in the percent to sales of costs of goods sold. This was due to the changes in the mix of products with varying cost structures as well as the cost of the retirement enhancement program of $95 million offered in the fourth quarter of 2003. In 2002 and 2001, the decreases were attributable to expense leveraging on sales increases and productivity improvements.

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

(Millions of Dollars)	2003	2002	2001
Research expense	$4,684	3,957	3,591
Percent increase over prior year	18.4%	10.2%	15.7%
Percent of sales	11.2%	10.9%	11.1%

Research & development expense as a percent of sales for the Pharmaceutical segment was 16.4% for 2003, 15.7% for 2002

and 16.6% for 2001 while averaging 6.7%, 6.6% and 6.5% in the Consumer and Medical Devices and Diagnostics segments combined for 2003, 2002 and 2001, respectively.

Significant research activities continued in the Pharmaceutical segment, increasing to $3.2 billion, or 18.8%, over 2002 and a compound annual growth rate of approximately 14.9% for the five-year period since 1998. Johnson & Johnson Pharmaceutical Research & Development, L.L.C., formerly operating as two separate units — the Janssen Research Foundation and the R.W. Johnson Pharmaceutical Research Institute — is the primary worldwide pharmaceutical research organization. Additional research is conducted by Centocor, ALZA, Tibotec-Virco N.V., Scios Inc. and through collaboration with the James Black Foundation in London, England.

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

In 2002, the Company recorded IPR&D charges of $189 million before tax related to the acquisitions of Tibotec-Virco N.V., a privately-held biopharmaceutical company focused on developing anti-viral treatments, and Obtech Medical AG, a privately held company that markets an adjustable gastric band for the treatment of morbid obesity. IPR&D of $150 million and $39 million is included in the Pharmaceutical and Medical Devices and Diagnostics group, respectively.

During 2001, the Company recorded IPR&D charges of $105 million before tax incurred as a result of the acquisition of Inverness Medical Technology Inc., a supplier of LifeScan's electrochemical products for blood glucose monitoring following the spin-off of the non-diabetes businesses, and TERAMed Inc., an early stage medical device company that is developing endovascular stent-graft systems for minimally invasive treatment of abdominal aortic aneurysms. The total IPR&D of $105 million is included in the Medical Devices and Diagnostics segment.

Other (Income) Expense, Net: Other (income) expense includes gains and losses related to the sale and write-down of certain investments in equity securities held by the Johnson & Johnson Development Corporation, gains/losses on the disposal of fixed assets, currency gains and losses, minority interests, litigation settlement (income) expenses and royalty income. The change in net other (income) expense from 2002 to 2003 was net other income of $679 million. For 2003, the other (income) expense includes the income from an arbitration ruling of $230 million related to a stent patent. This amount was received during the fourth quarter of 2003 and is included in the Medical Devices and Diagnostics segment operating profit. Also, included in the Medical Devices and Diagnostics segment operating profit is the gain on the sale of various product lines that were no longer compatible with this segment's strategic goals. Other (income) expense for 2003 also includes the recovery of a $40 million loan that had previously been reserved and is included in the Pharmaceutical segment operating profit.

In 2002, other (income) expense included the gain on the sale of the Ortho Prefest product line, and the impact of the Amgen arbitration settlement. On October 18, 2002, an arbitrator in Chicago denied an effort by Amgen, Inc. to terminate the 1985 license agreement under which Ortho Biotech Inc. obtained exclusive U.S. rights to Amgen-developed erythropoetin (EPO) for all indications outside of kidney dialysis. In his decision, the arbitrator found that sales had been made into markets where Amgen had retained exclusive rights, but that they did not warrant the extraordinary remedy of terminating the contract. Instead, he found that Amgen could be adequately compensated with monetary damages. The arbitrator awarded $150 million in damages. On January 24, 2003, the arbitrator ruled that Amgen was the "prevailing party" in this arbitration, entitling it to an award of reasonable attorney's fees and costs. The Company expensed $85 million in the fourth quarter of 2002 in connection with this claim. These charges are included in the Pharmaceutical segment operating profit.

In 2001, in addition to the items indicated above, other (income) expense included costs related to the merger with ALZA of $147 million and amortization expense of approximately $141 million that is no longer required under Financial Accounting Standards Board (FASB) Standard No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142).

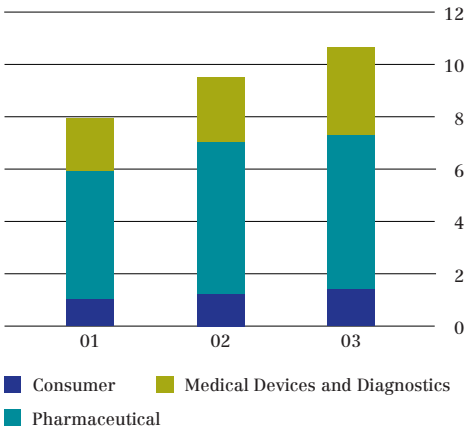
Operating profits by segment of business were as follows:

			Percent Of Segment Sales	
(Millions of Dollars)	2003	2002	2003	2002
Consumer	$ 1,393	1,229	18.7%	18.7%
Pharmaceutical	5,896	5,787	30.2	33.7
Med Devices and Diag	3,370	2,489	22.6	19.8
Segments total	10,659	9,505	25.5	26.2
Expenses not allocated to segments[1]	(351)	(214)		
Earnings before provision for taxes on income	$10,308	9,291	24.6%	25.6%

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

Operating Profit by Segment

(in billions of dollars)



Consumer Segment: Operating profit for the Consumer segment as a percent to sales in 2003 remained unchanged from 2002 at 18.7%. Expense leveraging due to increased sales volumes was offset by costs incurred for manufacturing programs to gain future efficiencies and advertising. In 2002, Consumer segment operating profit increased 22.4% over the prior year and reflects an operating profit as a percent to sales improvement of 2.8%. The improvement is due primarily to leveraging of selling, promotion and administrative expenses offset by increased expenditures in advertising. Additionally, the Consumer segment operating profit improved by 0.6% as amortization expense for goodwill and certain trademarks was no longer required under SFAS No. 142.

Pharmaceutical Segment: Operating profit for the Pharmaceutical segment as a percent to sales was 30.2%, reflecting a decline of 3.5% due to the IPR&D charges related to acquisitions as previously noted. Additionally, operating profit was impacted by the sales decline of high margin products, such as PROCRIT®/EPREX®, and increased consumer promotional spending for new products and line extensions. In 2002, Pharmaceutical segment operating profit increased 17.4% and reflects an operating profit as a percent to sales improvement of 0.5% to 33.7%. Operating profit was negatively impacted by the cost of the Amgen arbitration settlement of $235 million in damages and legal fees and IPR&D related to acquisitions offset by the gain on the sale of the Ortho Prefest product line. There was no impact of SFAS No. 142 on operating profit as a percent to sales. In 2001, operating profit also included the impact of expenses related to the merger with ALZA of $147 million.

Medical Devices and Diagnostics: Operating profit for the Medical Devices and Diagnostics segment in 2003 as a percent to sales was 22.6%, reflecting an improvement of 2.8% over 2002. Increased sales volume, primarily due to CYPHER® Stent sales, was the driver of the Medical Devices and Diagnostics segment growth. In 2002, the Medical Devices and Diagnostics segment operating profit increased 24.4%, reflecting an operating profit as a percent to sales improvement of 1.8%. The non-amortization of goodwill and certain trademarks accounted for 0.8% of the improvement. The remaining margin improvement over the prior year was achieved despite investment spending in support of the Cordis product line. Operating profit also includes the IPR&D related to acquisitions in 2002 and 2001.

Interest (Income) Expense: Interest income in 2003 decreased by $79 million due primarily to a 100 basis point decrease in the average yield on investments compared to 2002. The cash balance that includes current marketable securities at the end of 2003 was $9.5 billion and averaged $8.6 billion, which was slightly higher than the $8.3 billion average cash balance in 2002.

Interest expense in 2003 increased by $47 million as compared to 2002 primarily due to an increase in the average debt balance, from $3.8 billion in 2002 to $5.0 billion in 2003. The average interest rate on outstanding debt decreased approximately 70 basis points year to year.

Provision For Taxes On Income: The worldwide effective income tax rate was 30.2% in 2003, 29.0% in 2002 and 28.2% in 2001. The increase in the effective tax rate for the years 2003, 2002 and 2001 was primarily due to the Company's non-deductible IPR&D charges and the increase in income subject to tax in the U.S. Refer to Note 8 for additional information.

Liquidity and Capital Resources

Cash Flows

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

In 2003, cash flow from operations was $10.6 billion, an increase of $2.4 billion over 2002. Major factors contributing to the increase were an increase in net income of $0.6 billion, an increase in IPR&D from 2002 of $0.7 billion, an increase in accounts payable and accrued liabilities of $0.8 billion due primarily to an increase in volume and timing of payments, the decrease in the pension funding from 2002 of $0.5 billion and changes to deferred taxes of $0.6 billion. For a more detailed discussion on the change in deferred taxes, see Note 8.

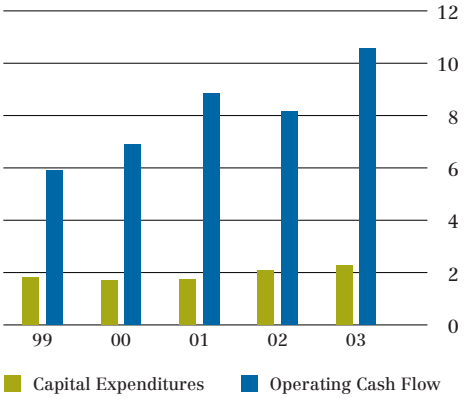
Net cash used by investing activities increased by $2.3 billion in 2003 due to acquisitions. For a more detailed discussion on mergers and acquisitions, see Note 17.

Net cash used by financing activities decreased by $3.1 billion in 2003 due to the impact of the $5.0 billion stock repurchase in 2002 offset by a change in net repayment of debt of $1.8 billion. Financing activities also had increases and decreases in both long-term and short-term debt due to the financing of the acquisition of Scios Inc. During 2003, the Company retired a net $1.0 billion of commercial paper.

Cash and current marketable securities were $9.5 billion at the end of 2003 as compared with $7.5 billion at the end of 2002.

Operating Cash Flow and Capital Expenditures

(in billions of dollars)



Cash generated from operations amounted to $8.2 billion in 2002, which is less than the cash generated from operations in 2001 of $8.9 billion. This decrease is due primarily to the funding of the U.S. pension plan of approximately $0.8 billion net of the current tax benefit during 2002.

Contractual Obligations and Commitments

The Company has long-term contractual obligations, primarily lease, debt obligations and unfunded retirement plans. To satisfy these obligations, the Company will use cash from operations. The following table summarizes the Company's contractual obligations and their aggregate maturities as of December 28, 2003 (see Notes 4, 6 and 13 for further details):

(Millions of Dollars)	Operating Leases	Debt Obligations	Unfunded Retirement Plans
2004	$143	224	19
2005	127	18	20
2006	115	18	22
2007	97	11	23
2008	80	8	26
After 2008	$193	2,900	735

Share Repurchase and Dividends

On February 13, 2002, the Company announced a stock repurchase program of up to $5.0 billion with no time limit on this program. This program was completed on August 1, 2002, with 83.6 million shares repurchased for an aggregate price of $5.0 billion. In addition, the Company has an annual program to repurchase shares for use in employee stock and employee incentive plans.

The Company increased its dividend in 2003 for the 41st consecutive year. Cash dividends paid were $0.925 per share in 2003, compared with dividends of $0.795 per share in 2002 and $0.70 per share in 2001. The dividends were distributed as follows:

	2003	2002	2001
First quarter	$0.205	0.18	0.16
Second quarter	0.24	0.205	0.18
Third quarter	0.24	0.205	0.18
Fourth quarter	0.24	0.205	0.18
Total	$0.925	0.795	0.70

On January 5, 2004, the Board of Directors declared a regular cash dividend of $0.24 per share, paid on March 9, 2004, to shareholders of record as of February 17, 2004. The Company expects to continue the practice of paying regular cash dividends.

Financing and Market Risk

The Company uses financial instruments to manage the impact of foreign exchange rate changes on cash flows. Accordingly, the Company enters into forward foreign exchange contracts to protect the value of existing foreign currency assets and liabilities and to hedge future foreign currency product costs. Gains or losses on these contracts are offset by the gains or losses on the underlying transactions. A 10% appreciation of the U.S. dollar from the December 28, 2003 market rates would increase the unrealized value of the Company's forward contracts by

$257 million. Conversely, a 10% depreciation of the U.S. dollar from the December 28, 2003 market rates would decrease the unrealized value of the Company's forward contracts by $314 million. In either scenario, the gain or loss on the forward contract would be offset by the gain or loss on the underlying transaction and, therefore, would have no impact on future earnings and cash flows.

The Company hedges the exposure to fluctuations in currency exchange rates, and the effect on assets and liabilities in foreign currency, by entering into currency swap contracts. A 1% change in the spread between U.S. and foreign interest rates on the Company's interest rate sensitive financial instruments would either increase or decrease the unrealized value of the Company's swap contracts by approximately $48 million. In either scenario, at maturity, the gain or loss on the swap contract would be offset by the gain or loss on the underlying transaction and therefore would have no impact on future cash flows.

The Company does not enter into financial instruments for trading or speculative purposes. Further, the Company has a policy of only entering into contracts with parties that have at least an "A" (or equivalent) credit rating. The counterparties to these contracts are major financial institutions and the Company does not have significant exposure to any one counterparty. Management believes the risk of loss is remote.

Total unused credit available to the Company approximates $3.2 billion, including $1.5 billion of credit commitments and $0.8 billion of uncommitted lines with various banks worldwide that expire on September 30, 2004. In May 2003, the Company issued a total of $1.0 billion in bonds from its shelf registration: $500 million of 3.80% Debentures due May 15, 2013 and $500 million of 4.95% Debentures due May 15, 2033. In December 2003, the Company filed a new shelf registration with the Securities and Exchange Commission that, in combination with $785 million remaining from a prior shelf registration, enables the Company to issue up to $1.985 billion of unsecured debt securities and warrants to purchase debt. The new shelf registration became effective on January 21, 2004. Johnson & Johnson continues to be one of a few industrial companies with a Triple A credit rating.

Total borrowings were $4.1 billion at the end of both 2003 and 2002. In 2003, net cash (cash and current marketable securities net of debt) was $5.4 billion. In 2002, net cash (cash and current marketable securities net of debt) was $3.3 billion. Total debt represented 13.2% of total capital (shareholders' equity and total debt) in 2003 and 15.4% of total capital in 2002. Shareholders' equity per share at the end of 2003 was $9.05 compared with $7.65 at year-end 2002, an increase of 18.3%. For the period ended December 28, 2003, there were no material cash commitments. A summary of borrowings can be found in Note 6.

Other Information

Critical Accounting Policies and Estimates

Management's discussion and analysis of results of operations and financial condition are based on the Company's consolidated financial statements that have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires that management make estimates and assumptions that affect the amounts reported for revenues, expenses, assets, liabilities and other related disclosures. Actual results may or may not differ from these estimates. The Company's significant accounting policies are described in Note 1; however the Company believes that the understanding of certain key accounting policies is essential in achieving more insight into the Company's operating results and financial condition. These key accounting policies include revenue recognition, income taxes, legal and self insurance contingencies, valuation of long-lived assets and assumptions used to determine the amounts recorded for pensions and other employee benefit plans and accounting for stock options.

Revenue Recognition: The Company recognizes revenue from product sales when goods are shipped or delivered and title and risk passes to the customer. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are accounted for as reductions in determining sales in the same period the related sales are recorded. These provisions, the largest of these being the Medicaid rebate provision, are based on estimates derived from current program requirements and historical experience. The Company also recognizes service revenue that is received for co-promotion of certain products. For all years presented, service revenues were less than 2% of total revenues and are included in product sales.

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

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no U.S. tax expense has been recorded to cover the repatriation of such undistributed earnings. At December 28, 2003 and December 29, 2002, the cumulative amount of undistributed international earnings was approximately $14.8 billion and $12.3 billion, respectively.

Legal and Self Insurance Contingencies: The Company records accruals for various contingencies including legal proceedings and product liability cases as these arise in the normal course of business. The accruals are based on management's judgment as to the probability of losses, opinions of legal counsel and, where applicable, actuarially determined estimates.

Additionally, the Company records insurance receivable amounts from third party insurers based on the probability of recovery. As appropriate, reserves against these receivables are recorded for estimated amounts that may not be collected from third party insurers.

Long-Lived And Intangible Assets: The Company assesses changes in economic conditions and makes assumptions regarding estimated future cash flows in evaluating the value of the Company's fixed assets, goodwill and other non-current assets. As these assumptions and estimates may change over time, it may or may not be necessary for the Company to record impairment charges.

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

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

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 143, *Accounting for Asset Retirement Obligations.* The Company adopted this standard in 2003 and it did not have a material impact on the Company's results of operations, cash flows or financial position.

In June 2002, the FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities,* which is effective for exit or disposal activities that are initiated after December 31, 2002. The Company's adoption of SFAS No. 146 did not have a material effect on the Company's results of operations, cash flows or financial position.

On November 25, 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34.* FIN 45 clarifies the requirements of FASB Statement No. 5, *Accounting for Contingencies,* relating to the guarantor's accounting for and disclosure of the issuance of certain types of guarantees. The disclosure requirements of FIN 45 were effective for financial statements of interim or annual periods that end after December 15, 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified during 2003, irrespective of the guarantor's year-end. FIN 45 requires that upon issuance of a guarantee, the entity must recognize a liability for the fair value of the obligation it assumes under that guarantee. The Company's adoption of FIN 45 did not have a material effect on the Company's results of operations, cash flows or financial position.

In January 2003, the FASB issued FIN 46, *Consolidation of Variable Interest Entities—an interpretation of ARB No. 51,* and in December 2003, issued a revised FIN 46(R), *Consolidation of Variable Interest Entities—an interpretation of ARB No. 51,* both of which address consolidation of variable interest entities. FIN 46 expanded the criteria for consideration in determining whether a variable interest entity should be consolidated by a business entity, and requires existing unconsolidated variable interest entities (which include, but are not limited to, Special Purpose Entities, or SPEs) to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. This interpretation was immediately applicable to variable interest entities created after January 31, 2003. The adoption of this portion of FIN 46 has not had a material effect on the Company's results of operation, cash flows or financial position. FIN 46 is applicable in 2004 to variable interest entities in which an enterprise holds a variable interest that was acquired before February 1, 2003. The Company has various investments and arrangements, which may or may not be considered variable interests, and the adoption of FIN 46 is not anticipated to have a material effect on the results of operations, cash flows and financial position of the Company.

In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities,* which is effective for contracts entered into or modified after June 30, 2003. This Statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. The Company's adoption of SFAS No. 149 in 2003 did not have a material effect on the Company's results of operations, cash flows or financial position.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,* which is effective for financial instruments entered into or modified after May 31, 2003. This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. The Company's adoption of SFAS No. 150 in 2003 did not have a material effect on the Company's results of operations, cash flows or financial position.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits—an amendment of FASB Statement No. 87, 88 and 106,* which was effective for the fourth quarter of 2003. This Statement revises employers' disclosures about

pension plans and other postretirement benefit plans and these disclosures are included in Note 13.

In December 2003, the FASB issued FASB Staff Position (FSP) FAS No. 106-1, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,* which is effective for interim or annual financial statements of fiscal years ending after December 7, 2003. The Company has elected to defer the adoption of FSP FAS No. 106-1 until 2004, as allowed by the Standard. The Company's adoption of FSP FAS No. 106-1 is not expected to have a material effect on the Company's results of operations, cash flows or financial position.

Economic and Market Factors

Johnson & Johnson is aware that its products are used in an environment where, for more than a decade, policymakers, consumers and businesses have expressed concern about the rising cost of health care. In response to these concerns, Johnson & Johnson has a long standing policy of pricing products responsibly. For the period 1993 – 2003, in the United States, the weighted average compound annual growth rate of Johnson & Johnson price increases for health care products (prescription and over-the-counter drugs, hospital and professional products) was below the U.S. Consumer Price Index (CPI).

Inflation rates, even though moderate in many parts of the world during 2003, continue to have an effect on worldwide economies and, consequently, on the way companies operate. In the face of increasing costs, the Company strives to maintain its profit margins through cost reduction programs, productivity improvements and periodic price increases.

The Company faces various worldwide health care changes that may result in pricing pressures that include health care cost containment and government legislation relating to sales, promotions and reimbursement. On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was enacted that introduces a prescription drug benefit under Medicare as well as a subsidy to sponsors of retiree health care benefit plans. The Company has elected to defer the recognition of the Act until such time when the authoritative guidance is issued. Any measures of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost in the Company's financial statements do not reflect the effect of the Act.

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

Common Stock Market Prices

The Company's common stock is listed on the New York Stock Exchange under the symbol JNJ. The composite market price ranges for Johnson & Johnson common stock during 2003 and 2002 were:

	2003		2002	
	High	Low	High	Low
First quarter	$58.68	49.10	65.89	54.70
Second quarter	59.08	50.75	65.29	52.00
Third quarter	54.24	49.00	56.50	41.02
Fourth quarter	52.89	48.05	61.30	53.00
Year-end close	$50.62		53.11	

Cautionary Factors That May Affect Future Results

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

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

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

The Company's report on Form 10-K for the year ended December 28, 2003 contains, as an Exhibit, a discussion of additional factors that could cause actual results to differ from expectations. The Company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995.

Consolidated Balance Sheets

At December 28, 2003 and December 29, 2002 (Dollars in Millions Except Share and Per Share Data) (Note 1)	2003	2002
Assets		
Current assets		
Cash and cash equivalents (Notes 1, 14 and 15)	$ 5,377	2,894
Marketable securities (Notes 1, 14 and 15)	4,146	4,581
Accounts receivable trade, less allowances for doubtful accounts $192 (2002, $191)	6,574	5,399
Inventories (Notes 1 and 2)	3,588	3,303
Deferred taxes on income (Note 8)	1,526	1,419
Prepaid expenses and other receivables	1,784	1,670
Total current assets	22,995	19,266
Marketable securities, non-current (Notes 1, 14 and 15)	84	121
Property, plant and equipment, net (Notes 1 and 3)	9,846	8,710
Intangible assets, net (Notes 1 and 7)	11,539	9,246
Deferred taxes on income (Note 8)	692	236
Other assets (Note 5)	3,107	2,977
Total assets	$48,263	40,556
Liabilities and Shareholders' Equity		
Current liabilities		
Loans and notes payable (Note 6)	$ 1,139	2,117
Accounts payable	4,966	3,621
Accrued liabilities	2,639	2,059
Accrued rebates, returns and promotions	2,308	1,761
Accrued salaries, wages and commissions	1,452	1,181
Accrued taxes on income	944	710
Total current liabilities	13,448	11,449
Long-term debt (Note 6)	2,955	2,022
Deferred tax liability (Note 8)	780	643
Employee related obligations (Notes 5 and 13)	2,262	1,967
Other liabilities	1,949	1,778
Shareholders' equity		
Preferred stock—without par value (authorized and unissued 2,000,000 shares)	—	—
Common stock—par value $1.00 per share (Note 20) (authorized 4,320,000,000 shares; issued 3,119,842,000 shares)	3,120	3,120
Note receivable from employee stock ownership plan (Note 16)	(18)	(25)
Accumulated other comprehensive income (Note 12)	(590)	(842)
Retained earnings	30,503	26,571
	33,015	28,824
Less: common stock held in treasury, at cost (Note 20) (151,869,000 and 151,547,000)	6,146	6,127
Total shareholders' equity	26,869	22,697
Total liabilities and shareholders' equity	$48,263	40,556

See Notes to Consolidated Financial Statements

Consolidated Statements of Earnings

(Dollars in Millions Except Per Share Figures) (Note 1)	2003	2002	2001
Sales to customers	$41,862	36,298	32,317
Cost of products sold	12,176	10,447	9,581
Gross profit	29,686	25,851	22,736
Selling, marketing and administrative expenses	14,131	12,216	11,260
Research expense	4,684	3,957	3,591
Purchased in-process research and development (Note 17)	918	189	105
Interest income	(177)	(256)	(456)
Interest expense, net of portion capitalized (Note 3)	207	160	153
Other (income) expense, net	(385)	294	185
	19,378	16,560	14,838
Earnings before provision for taxes on income	10,308	9,291	7,898
Provision for taxes on income (Note 8)	3,111	2,694	2,230
Net earnings	$ 7,197	6,597	5,668
Basic net earnings per share (Notes 1 and 19)	$ 2.42	2.20	1.87
Diluted net earnings per share (Notes 1 and 19)	$ 2.40	2.16	1.84

See Notes to Consolidated Financial Statements

Consolidated Statements of Equity

(Dollars in Millions) (Note 1)	Total	Comprehensive Income	Retained Earnings	Note Receivable From Employee Stock Ownership Plan (ESOP)	Accumulated Other Comprehensive Income	Common Stock Issued Amount	Treasury Stock Amount
Balance, December 31, 2000	$20,395		18,113	(35)	(461)	3,120	(342)
Net earnings	5,668	5,668	5,668				
Cash dividends paid	(2,047)		(2,047)				
Employee stock compensation and stock option plans	842		(602)				1,444
Conversion of subordinated debentures	815		632				183
Repurchase of common stock	(2,742)						(2,742)
Business combinations	1,366		1,302				64
Other comprehensive income, net of tax:							
Currency translation adjustment	(175)	(175)			(175)		
Unrealized gains on securities	8	8			8		
Gains on derivatives & hedges	98	98			98		
Reclassification adjustment		(14)					
Total comprehensive income		5,585					
Note receivable from ESOP	5			5			
Balance, December 30, 2001	$24,233		23,066	(30)	(530)	3,120	(1,393)
Net earnings	6,597	6,597	6,597				
Cash dividends paid	(2,381)		(2,381)				
Employee stock compensation and stock option plans	806		(489)				1,295
Conversion of subordinated debentures	131		(222)				353
Repurchase of common stock	(6,382)						(6,382)
Other comprehensive income, net of tax:							
Currency translation adjustment	(10)	(10)			(10)		
Unrealized losses on securities	(86)	(86)			(86)		
Pension liability adjustment	(18)	(18)			(18)		
Losses on derivatives & hedges	(198)	(198)			(198)		
Reclassification adjustment		(26)					
Total comprehensive income		6,259					
Note receivable from ESOP	5			5			
Balance, December 29, 2002	$22,697		26,571	(25)	(842)	3,120	(6,127)
Net earnings	7,197	7,197	7,197				
Cash dividends paid	(2,746)		(2,746)				
Employee stock compensation and stock option plans	534		(626)				1,160
Conversion of subordinated debentures	2		(2)				4
Repurchase of common stock	(1,183)						(1,183)
Business combinations	109		109				
Other comprehensive income, net of tax:							
Currency translation adjustment	334	334			334		
Unrealized gains on securities	29	29			29		
Pension liability adjustment	(31)	(31)			(31)		
Losses on derivatives & hedges	(80)	(80)			(80)		
Reclassification adjustment		(2)					
Total comprehensive income		7,447					
Note receivable from ESOP	7			7			
Balance, December 28, 2003	$26,869		30,503	(18)	(590)	3,120	(6,146)

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

(Dollars in Millions) (Note 1)	2003	2002	2001
Cash flows from operating activities			
Net earnings	$ 7,197	6,597	5,668
Adjustments to reconcile net earnings to cash flows:			
Depreciation and amortization of property and intangibles	1,869	1,662	1,605
Purchased in-process research and development	918	189	105
Deferred tax provision	(720)	(74)	(106)
Accounts receivable reserves	6	(6)	99
Changes in assets and liabilities, net of effects from acquisition of businesses:			
Increase in accounts receivable	(691)	(510)	(258)
Decrease (increase) in inventories	39	(109)	(167)
Increase in accounts payable and accrued liabilities	2,192	1,420	1,401
Increase in other current and non-current assets	(746)	(1,429)	(270)
Increase in other current and non-current liabilities	531	436	787
Net cash flows from operating activities	10,595	8,176	8,864
Cash flows from investing activities			
Additions to property, plant and equipment	(2,262)	(2,099)	(1,731)
Proceeds from the disposal of assets	335	156	163
Acquisition of businesses, net of cash acquired (Note 17)	(2,812)	(478)	(225)
Purchases of investments	(7,590)	(6,923)	(8,188)
Sales of investments	8,062	7,353	5,967
Other	(259)	(206)	(79)
Net cash used by investing activities	(4,526)	(2,197)	(4,093)
Cash flows from financing activities			
Dividends to shareholders	(2,746)	(2,381)	(2,047)
Repurchase of common stock	(1,183)	(6,538)	(2,570)
Proceeds from short-term debt	3,062	2,359	338
Retirement of short-term debt	(4,134)	(560)	(1,109)
Proceeds from long-term debt	1,023	22	14
Retirement of long-term debt	(196)	(245)	(391)
Proceeds from the exercise of stock options	311	390	514
Net cash used by financing activities	(3,863)	(6,953)	(5,251)
Effect of exchange rate changes on cash and cash equivalents	277	110	(40)
Increase/(decrease) in cash and cash equivalents	2,483	(864)	(520)
Cash and cash equivalents, beginning of year (Note 1)	2,894	3,758	4,278
Cash and cash equivalents, end of year (Note 1)	$ 5,377	2,894	3,758
Supplemental cash flow data			
Cash paid during the year for:			
Interest	$ 206	141	185
Income taxes	3,146	2,006	2,090
Supplemental schedule of noncash investing and financing activities			
Treasury stock issued for employee compensation and stock option plans, net of cash proceeds	$ 905	946	971
Conversion of debt	2	131	815
Acquisition of businesses			
Fair value of assets acquired	$ 3,135	550	1,925
Fair value of liabilities assumed	(323)	(72)	(434)
	2,812	478	1,491
Treasury stock issued at fair value	—	—	(1,266)
Net cash paid for acquisitions	$ 2,812	478	225

See Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Principles

Principles of Consolidation

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

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 143, *Accounting for Asset Retirement Obligations.* The Company adopted this standard in 2003 and it did not have a material impact on the Company's results of operations, cash flows or financial position.

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Cash Equivalents

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

Investments

Short-term marketable securities are carried at cost, which approximates fair value. Long-term debt securities that the Company has the ability and intent to hold until maturity are carried at amortized cost, which also approximates fair value. Investments classified as available-for-sale are carried at estimated fair value with unrealized gains and losses recorded as a component of accumulated other comprehensive income. Management determines the appropriate classification of its investment in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. The Company periodically reviews its investments in non-marketable equity securities for impairment and adjusts

these investments to their fair value when a decline in market value is deemed to be other than temporary.

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

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

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

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

Revenue Recognition
The Company recognizes revenue from product sales when the goods are shipped or delivered depending on when title and risk passes to the customer. Provisions for certain rebates, sales incentives, trade promotions, product returns and discounts to customers are provided for as reductions in determining sales in the same period the related sales are recorded. The Company also recognizes service revenue that is received for co-promotion of certain products.

Sales Incentives and Trade Promotional Allowances
The Company has adopted Emerging Issues Task Force (EITF) Issue No. 01-09, *Accounting for Consideration Given by a Vendor to a Customer or Reseller of Vendor's Products,* effective December 31, 2001. As such, sales were reduced by $687 million for 2001, and cost of products sold increased by $45 million for 2001.

Shipping and Handling
Shipping and handling costs incurred were $604 million, $518 million and $473 million in 2003, 2002 and 2001, respectively, and are included in selling, marketing and administrative expense. The amount of revenue received for shipping and handling is less than 0.5% of sales to customers for all periods presented.

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

Intangible Assets
In accordance with SFAS No. 142, no amortization was recorded for goodwill and/or intangible assets deemed to have indefinite lives for acquisitions completed after June 30, 2001. Further, effective at the beginning of fiscal year 2002 in accordance with SFAS No. 142, the Company discontinued the amortization relating to all existing goodwill and indefinite lived intangible assets. If SFAS No. 142 was effective for 2001, the effect would have been to reduce amortization expense by $141 million before tax. Intangible assets that have finite useful lives continue to be amortized over their useful lives. SFAS No. 142 requires that goodwill and non-amortizable intangible assets be assessed annually for impairment. The Company completed the annual impairment test for 2003 in the fiscal fourth quarter and no impairment was determined. Future impairment tests will be performed in the fiscal fourth quarter, annually.

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

The Company uses forward exchange contracts to manage its exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of future intercompany product and third party purchases of raw materials denominated in foreign currency. The Company also uses currency swaps to manage currency risk primarily related to borrowings. Both of these types of derivatives are designated as cash flow hedges. Additionally, the Company uses forward exchange contracts to offset its exposure to certain foreign currency assets and liabilities. These forward exchange contracts are not designated as hedges and, therefore, changes in the fair values of these derivatives are recognized in earnings, thereby offsetting the current earnings effect of the related foreign currency assets and liabilities.

The designation as a cash flow hedge is made at the date of entering into the derivative contract. At inception, all derivatives are expected to be highly effective. Changes in the fair value of a derivative that is designated as a cash flow hedge and is highly effective are recorded in accumulated other comprehensive income until the underlying transaction affects earnings, and are then reclassified to earnings in the same account as the hedged transaction. Fair value of a forward exchange contract represents the present value of the change in forward exchange rates times the notional amount of the derivative. The fair value of a currency swap contract is determined by discounting to the present all future cash flows of the currencies to be exchanged at interest rates prevailing in the market for the periods the currency exchanges are due and expressing the result in U.S. dollars at the current spot foreign currency exchange rate.

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

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

Product Liability

Accruals for product liability claims are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. Receivables for insurance recoveries related to product liability related claims are recorded, on an undiscounted basis, when it is probable that a recovery will be realized.

Research and Development

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

Advertising

Costs associated with advertising are expensed in the year incurred and are included in the selling, marketing and administrative expenses. Advertising expenses worldwide, which are comprised of television, radio, print media and Internet advertising, were $1.7 billion in 2003, $1.5 billion in 2002 and $1.4 billion in 2001.

Income Taxes

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations; therefore, no U.S. tax expense has been recorded to cover the repatriation of such undistributed earnings. At December 28, 2003, and December 29, 2002, the cumulative amount of undistributed international earnings was approximately $14.8 billion and $12.3 billion, respectively.

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

Net Earnings Per Share

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

Stock Options

At December 28, 2003, the Company had 21 stock-based employee compensation plans that are described in Note 10. The Company accounts for those plans under the recognition and measurement principles of Accounting Principle Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and its related Interpretations. Compensation costs are not recorded in net income for stock options as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

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

(Dollars in Millions Except Per Share Data)	2003	2002	2001
Net income, as reported	$7,197	6,597	5,668
Less:			
Compensation expense[1]	349	320	263
Pro forma	$6,848	6,277	5,405
Earnings per share:			
Basic—as reported	$ 2.42	2.20	1.87
—pro forma	2.31	2.09	1.78
Diluted—as reported	2.40	2.16	1.84
—pro forma	2.29	2.06	1.75

[1] Determined under fair value based method for all awards, net of tax.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported. Actual results may or may not differ from those estimates.

Annual Closing Date

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

Reclassification

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

Stock Split

On April 26, 2001, the Board of Directors declared a 2-for-1 stock split. Shareholders of record at the close of business on May 22, 2001, were issued one additional share of Johnson & Johnson common stock on June 12, 2001, for each share held as of the record date. All shares and per share data for all periods presented in these financial statements have been adjusted to reflect the stock split.

2 Inventories

At the end of 2003 and 2002, inventories were comprised of:

(Dollars in Millions)	2003	2002
Raw materials and supplies	$ 966	835
Goods in process	981	803
Finished goods	1,641	1,665
	$3,588	3,303

3 Property, Plant and Equipment

At the end of 2003 and 2002, property, plant and equipment at cost and accumulated depreciation were:

(Dollars in Millions)	2003	2002
Land and land improvements	$ 594	472
Buildings and building equipment	5,219	4,364
Machinery and equipment	9,558	7,869
Construction in progress	1,681	1,609
	17,052	14,314
Less accumulated depreciation	7,206	5,604
	$ 9,846	8,710

The Company capitalizes interest expense as part of the cost of construction of facilities and equipment. Interest expense capitalized in 2003, 2002 and 2001 was $108 million, $98 million and $95 million, respectively.

Depreciation expense, including the amortization of capitalized interest in 2003, 2002 and 2001 was $1.4 billion, $1.3 billion and $1.1 billion, respectively.

Upon retirement or other disposal of fixed assets, the cost and related amount of accumulated depreciation or amortization are eliminated from the asset and accumulated depreciation accounts, respectively. The difference, if any, between the net asset value and the proceeds is adjusted to earnings.

4 Rental Expense and Lease Commitments

Rentals of space, vehicles, manufacturing equipment and office and data processing equipment under operating leases were approximately $279 million in 2003, $298 million in 2002 and $275 million in 2001.

The approximate minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at December 28, 2003 are:

(Dollars in Millions)	2004	2005	2006	2007	2008	After 2008	Total
	$143	127	115	97	80	193	755

Commitments under capital leases are not significant.

5 Employee Related Obligations

At the end of 2003 and 2002, employee related obligations were:

(Dollars in Millions)	2003	2002
Pension benefits	$ 862	643
Postretirement benefits	966	907
Postemployment benefits	213	193
Deferred compensation	362	335
	2,403	2,078
Current benefits payable	141	111
Employee related obligations	$2,262	1,967

Prepaid employee related obligations of $1,021 million and $959 million for 2003 and 2002, respectively, are included in other assets on the consolidated balance sheet.

6 Borrowings

The components of long-term debt are as follows:

(Dollars in Millions)	2003	Effective Rate%	2002	Effective Rate%
3% Zero Coupon Convertible Subordinated Debentures due 2020	$ 639	3.00	621	3.00
4.95% Debentures due 2033	500	4.95	—	—
3.80% Debentures due 2013	500	3.82	—	—
8.72% Debentures due 2024	300	8.72	300	8.72
6.95% Notes due 2029	293	7.14	293	7.14
6.73% Debentures due 2023	250	6.73	250	6.73
8.25% Eurodollar Notes due 2004	200	8.37	200	8.37
6.625% Notes due 2009	198	6.80	198	6.80
5.50% Convertible Subordinated Notes due 2009	182	2.00	—	—
5.12% Notes due 2003[2]	—	—	60	0.82
5.25% Zero Coupon Convertible Subordinated Debentures due 2014	10	5.25	11	5.25
Industrial Revenue Bonds	36	3.54	39	3.85
Other	71	—	127	—
	3,179	5.23[1]	2,099	5.85[1]
Less current portion	224		77	
	$2,955		2,022	

[1] Weighted average effective rate.

[2] Represents 5.12% U.S. Dollar notes due 2003 issued by a Japanese subsidiary and converted to a 0.82% fixed rate yen note via a currency swap.

The Company has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Company approximates $3.2 billion, including $1.5 billion of credit commitments and $0.8 billion of uncommitted lines with various banks worldwide that expire during 2004. Interest charged on borrowings under the credit line agreements is based on either bids provided by the banks, the prime rate or London Interbank Offered Rates (LIBOR) plus applicable margins. Commitment fees under the agreements are not material.

At year-end 2002, the Company had $1.8 billion remaining on its shelf registration. In May 2003, the Company issued a total of $1.0 billion in bonds from this shelf: $500 million of 3.8% Debentures due May 15, 2013, and $500 million of 4.95% Debentures due May 15, 2033. In December 2003, the Company filed a new shelf registration with the Securities and Exchange Commission, and, in combination with the $785 million remaining from the prior shelf registration, may issue up to $2.0 billion in debt securities and warrants to purchase debt securities. The new shelf registration became effective on January 21, 2004.

Long term debt includes three convertible subordinated debentures, two issued by ALZA Corporation and one by Scios Inc., prior to the companies becoming wholly owned subsidiaries of Johnson & Johnson.

In August 2002, Scios Inc. issued in a private offering $150 million of 5.5% Convertible Subordinated Notes due 2009; interest payable semi-annually on February 15 and August 15. The Notes were convertible at the option of the holder at any time prior to redemption, repurchase or maturity at a conversion price of $39.30. Following the acquisition by Johnson & Johnson in April 2003, each $1,000 in principal amount of the Notes became convertible into the right to receive $1,145.04 in cash without interest. Semi-annual interest remains payable until conversion, repurchase or maturity. At December 28, 2003, the book value of these Notes approximates fair value.

On July 28, 2000, ALZA completed a private offering of the 3% Zero Coupon Convertible Subordinated Debentures, which were issued at a price of $551.26 per $1,000 principal amount at maturity. At December 28, 2003, the outstanding 3% Debentures had a total principal amount at maturity of $1.0 billion with a yield to maturity of 3% per annum, computed on a semiannual bond equivalent basis. There are no periodic interest payments. Under the terms of the 3% Debentures, holders are entitled to convert their Debentures into approximately 15.0 million shares of Johnson & Johnson stock at a price of $40.102 per share. Approximately 581,000 shares have been issued as of December 28, 2003, due to voluntary conversions by note holders. At the option of the holder, the 3% Debentures may be repurchased by the Company on July 28, 2008 or 2013 at a purchase price equal to the issue price plus accreted original issue discount to such purchase date. The Company, at its option, may elect to deliver either Johnson & Johnson common stock or cash, or a combination of stock and cash, in the event of repurchase of the 3% Debentures. The Company, at its option, may also redeem any or all of the 3% Debentures after July 28, 2003, at the issue price plus accreted original issue discount. At December 28, 2003, and December 29, 2002, the fair value based on quoted market value of the 3% Debentures was $712.3 million and $812.5 million, respectively.

In 1994, ALZA issued the 5.25% Zero Coupon Convertible Subordinated Debentures at a price of $354.71 per $1,000 principal amount at maturity. At December 28, 2003, the outstanding 5.25% Debentures had a total principal amount at maturity of $17 million with a yield to maturity of 5.25% per annum, computed on a semiannual bond equivalent basis. There are no periodic interest payments. Under the terms of the Debentures, note holders are entitled to convert their Debentures into approximately 24.0 million shares of Johnson & Johnson stock at a price of $13.939 per share. Approximately 23.6 million shares of Johnson & Johnson stock have been issued as of December 28, 2003, due to voluntary conversions by Debenture holders. At the option of the holder, the 5.25% Debentures can be purchased by the Company on July 14, 2004, or July 14, 2009, at a purchase price equal to the issue price plus accreted original issue discount to such purchase date. The Company, at its option, may elect to deliver either common stock or cash in the event of conversion or purchase of the 5.25% Debentures. The Company, at its option, may also redeem any or all of the 5.25% Debentures for cash after July 14, 1999, at a redemption price equal to the issue price plus accreted original issue discount. At December 28, 2003, and December 29, 2002, the fair value based on quoted market value of the 5.25% Debentures was $22 million and $27 million, respectively.

Short-term borrowings and current portion of long-term debt amounted to $1.1 billion at the end of 2003. These borrowings are comprised of $599 million of Commercial Paper, $200 million of 8.25% Eurodollar Notes that are maturing in 2004 and $340 million of local borrowings, principally by international subsidiaries.

Aggregate maturities of long-term obligations commencing in 2004 are:

(Dollars in Millions)	2004	2005	2006	2007	2008	After 2008
	$224	18	18	11	8	2,900

7 Intangible Assets

At the end of 2003 and 2002, the gross and net amounts of intangible assets were:

(Dollars in Millions)	2003	2002
Goodwill—gross	$ 6,085	5,320
Less accumulated amortization	695	667
Goodwill—net	$ 5,390	4,653
Trademarks (non-amortizable)—gross	$ 1,098	1,021
Less accumulated amortization	136	138
Trademarks (non-amortizable)—net	$ 962	883
Patents and trademarks—gross	$ 3,798	2,016
Less accumulated amortization	818	534
Patents and trademarks—net	$ 2,980	1,482
Other intangibles—gross	$ 3,187	2,998
Less accumulated amortization	980	770
Other intangibles—net	$ 2,207	2,228
Total intangible assets—gross	$14,168	11,355
Less accumulated amortization	2,629	2,109
Total intangible assets—net	$11,539	9,246

Goodwill as of December 28, 2003, as allocated by segments of business is as follows:

(Dollars in Millions)	Consumer	Pharm	Med Dev and Diag	Total
Goodwill, net of accumulated amortization at December 29, 2002	$821	244	3,588	4,653
Acquisitions	—	502	113	615
Translation & other	61	35	26	122
Goodwill at December 28, 2003	$882	781	3,727	5,390

The weighted average amortization periods for patents and trademarks and other intangible assets are 16 years and 18 years, respectively. The amortization expense of amortizable intangible assets for the fiscal year ended December 28, 2003, was $454 million before tax and the estimated amortization expense for the five succeeding years approximates $485 million before tax, per year.

8 Income Taxes

The provision for taxes on income consists of:

(Dollars in Millions)	2003	2002	2001
Currently payable:			
U.S. taxes	$2,934	2,042	1,726
International taxes	897	726	610
	3,831	2,768	2,336
Deferred:			
U.S. taxes	(409)	20	(22)
International taxes	(311)	(94)	(84)
	(720)	(74)	(106)
	$3,111	2,694	2,230

A comparison of income tax expense at the federal statutory rate of 35% in 2003, 2002 and 2001, to the Company's effective tax rate is as follows:

(Dollars in Millions)	2003	2002	2001
U.S.	$ 6,333	6,189	4,744
International	3,975	3,102	3,154
Earnings before taxes on income:	$10,308	9,291	7,898
Statutory taxes	3,608	3,252	2,764
Tax rates:			
Statutory	35.0%	35.0%	35.0%
Puerto Rico and Ireland operations	(6.1)	(4.5)	(5.4)
Research tax credits	(1.0)	(0.7)	(0.4)
U.S. state and local	2.0	1.2	0.9
International subsidiaries excluding Ireland	(2.0)	(2.2)	(2.6)
IPR&D	3.1	0.7	0.5
All other	(0.8)	(0.5)	0.2
Effective tax rate	30.2%	29.0%	28.2%

During 2003, the Company had subsidiaries operating in Puerto Rico under various tax incentive grants. In addition, the Company has subsidiaries manufacturing in Ireland under an incentive tax rate.

Temporary differences and carry forwards for 2003 and 2002 are as follows:

(Dollars in Millions)	2003 Deferred Tax Asset	2003 Deferred Tax Liability	2002 Deferred Tax Asset	2002 Deferred Tax Liability
Employee related obligations	$ 356		443	
Depreciation		(248)		(318)
Non-deductible intangibles		(1,455)		(931)
International R&D capitalized for tax	574		340	
Reserves & liabilities	556		479	
Income reported for tax purposes	416		343	
Miscellaneous international	502	(258)	359	(278)
Capitalized intangible	131		139	
Miscellaneous U.S.	760		354	
Total deferred income taxes	$3,295	(1,961)	2,457	(1,527)

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

9 International Currency Translation

For translation of its subsidiaries operating in non-U.S. dollar currencies, the Company has determined that the local currencies of its international subsidiaries are the functional currencies except those in highly inflationary economies, which are defined as those which have had compound cumulative rates of inflation of 100% or more during the past three years.

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

An analysis of the changes during 2003 and 2002 for foreign currency translation adjustments is included in Note 12.

Net currency transaction and translation gains and losses included in other expense were before tax losses of $22 million, $29 million and $4 million in 2003, 2002 and 2001, respectively.

10 Common Stock, Stock Option Plans and Stock Compensation Agreements

At December 28, 2003, the Company had 21 stock-based compensation plans. Under the 2000 Stock Option Plan, the Company may grant options to its employees for up to 1.6% of the issued shares of the Company's Common Stock plus the number of shares available from the previous year that were not issued as well as shares issued under the Plan that expired or terminated without being exercised. The shares outstanding are for contracts under the Company's 1991, 1995 and 2000 Stock Option Plans, the 1997 Non-Employee Director's Plan and the Mitek, Cordis, Biosense, Gynecare, Centocor, Innovasive Devices, ALZA, Inverness and Scios Stock Option Plans. During 2003, no options were granted under any of these plans except the 2000 Stock Option Plan and the Scios Stock Option Plan (pre-acquisition).

Stock options expire 10 years from the date they are granted and vest over service periods that range from one to five years. All options are granted at current market price on the date of grant. Shares available under the 2000 Stock Option Plan for future grants are based on 1.6% of the issued shares each year, and 49.9 million shares could be granted each year during the years 2000 through 2005 in addition to any other available shares as described above. Shares available for future grants under the 2000 plan were 73.1 million at the end of 2003.

A summary of the status of the Company's stock option plans as of December 28, 2003, December 29, 2002 and December 30, 2001, and changes during the years ending on those dates are presented below:

(Shares in Thousands)	Options Outstanding	Weighted Average Exercise Price
Balance at December 31, 2000	193,988	$32.27
Options granted	8,975[1]	36.31
Options exercised	(30,622)	19.00
Options canceled/forfeited	(5,117)	49.38
Balance at December 30, 2001	167,224	34.37
Options granted	48,072	57.30
Options exercised	(21,012)	19.64
Options canceled/forfeited	(4,543)	50.86
Balance at December 29, 2002	189,741	41.42
Options granted	50,880[2]	49.15
Options exercised	(21,242)	17.22
Options canceled/forfeited	(5,430)	52.68
Balance at December 28, 2003	213,949	$45.37

[1] Includes 3,108 options issued to replace Inverness options outstanding at or granted prior to the acquisition.

[2] Includes 7,002 options issued to replace Scios options outstanding at or granted prior to the acquisition.

For the year ended December 30, 2001, there was a change in the timing of granting stock compensation and options to employees from December 2001 to February 2002. This change was enacted to have 2001 results finalized in order to align compensation with performance. The same timing of grants will be followed prospectively.

The average fair value of options granted was $13.58 in 2003, $15.49 in 2002 and $13.72 in 2001. The fair value was estimated using the Black-Scholes option pricing model based on the weighted average assumptions of:

	2003	2002	2001
Risk-free rate	3.09%	4.39%	4.87%
Volatility	28.0%	26.0%	27.0%
Expected life	5.0 yrs	5.0 yrs	5.0 yrs
Dividend yield	1.35%	1.33%	1.33%

The following table summarizes stock options outstanding and exercisable at December 28, 2003:

(Shares in Thousands)	Outstanding			Exercisable	
Exercise Price Range	Options	Average Life[a]	Average Exercise Price	Options	Average Exercise Price
$3.85-$21.57	22,736	2.0	$18.34	22,653	$18.35
$21.60-$39.86	28,579	4.2	30.11	26,778	30.13
$40.08-$50.08	39,209	5.7	45.96	36,608	45.86
$50.11-$52.11	34,880	6.8	50.70	33,282	50.69
$52.20-$54.69	43,114	9.1	52.29	220	54.31
$54.80-$65.10	45,431	8.1	57.34	122	58.56
	213,949	6.5	$45.37	119,663	$38.51

[a] *Average contractual life remaining in years.*

Stock options exercisable at December 29, 2002, and December 30, 2001, were 100,702 options at an average price of $30.47 and 99,176 options at an average exercise price of $24.34, respectively.

11 Segments of Business and Geographic Areas

See page 61 for information on segments of business and geographic areas.

12 Accumulated Other Comprehensive Income

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

(Dollars in Millions)	Foreign Currency Translation	Unrealized Gains/ (Losses) on Securities	Pension Liability Adjustments	Total Gains/ (Losses) on Derivatives & Hedges	Accumulated Other Comprehensive Income/(Loss)
Dec. 31, 2000	$(522)	76	(15)	—	(461)
Net 2001 changes	(175)	8	—	98	(69)
Dec. 30, 2001	(697)	84	(15)	98	(530)
2002 changes					
Net change due to hedging transactions	—	—	—	(394)	
Net amount reclassed to net earnings	—	—	—	196	
Net 2002 changes	(10)	(86)	(18)	(198)	(312)
Dec. 29, 2002	$(707)	(2)	(33)	(100)	(842)
2003 changes					
Net change due to hedging transactions	—	—	—	(567)	
Net amount reclassed to net earnings	—	—	—	487	
Net 2003 changes	334	29	(31)	(80)	252
Dec. 28, 2003	$(373)	27	(64)	(180)	(590)

Total other comprehensive income for 2003 includes reclassification adjustment losses of $3 million realized from the sale of equity securities and the associated tax benefit of $1 million. Total other comprehensive income for 2002 includes reclassification adjustment gains of $45 million realized from the sale of equity securities and the associated tax expense of $19 million. In 2001, total other comprehensive income included reclassification adjustment gains of $21 million realized from the sale of equity securities and the associated tax expense of $7 million.

The tax effect on the unrealized gains/(losses) on equity securities is an expense of $15 million in 2003, a benefit of $1 million in 2002 and an expense of $64 million in 2001. The tax effect on the gains/(losses) on derivatives and hedges are benefits of $99 million and $56 million in 2003 and 2002, respectively, and an expense of $53 million in 2001. See Note 15 for additional information relating to derivatives and hedging.

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

13 Pensions and Other Benefit Plans

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

Many international employees are covered by government-sponsored programs and the cost to the company is not significant.

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

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

In December 2003, SFAS No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits,* was issued and amends further the disclosure requirements for pensions and other postretirement benefits. The revised Statement addresses disclosures only. It does not address liability measurement or expense recognition.

The Company uses the date of its consolidated financial statements (December 28, 2003, and December 29, 2002, respectively) as the measurement date for all U.S. and international retirement and other benefit plans.

Net periodic benefit costs for the Company's defined benefit retirement plans and other benefit plans for 2003, 2002 and 2001 include the following components:

	Retirement Plans			Other Benefit Plans		
(Dollars in Millions)	2003	2002	2001	2003	2002	2001
Service cost	$ 325	249	219	28	23	23
Interest cost	391	354	325	70	59	52
Expected return on plan assets	(495)	(447)	(413)	(3)	(4)	(5)
Amortization of prior service cost	18	15	18	(3)	(3)	(3)
Amortization of net transition asset	(4)	(7)	(6)	—	—	—
Recognized actuarial losses/(gains)	109	(41)	(68)	3	—	(7)
Curtailments and settlements	1	(1)	(1)	—	—	—
Special termination benefits	95	—	—	—	—	—
Net periodic benefit cost	$ 440	122	74	95	75	60

The net periodic cost attributable to U.S. retirement plans was $309 million in 2003, $61 million in 2002 and $28 million in 2001.

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

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

	Retirement Plans				Other Benefit Plans			
U.S. Benefit Plans	2003	2002	2001	2000	2003	2002	2001	2000
Discount rate	6.00%	6.75%	7.50%	7.50%	6.00%	6.75%	7.50%	7.50%
Expected long-term rate of return on plan assets	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Rate of increase in compensation levels	4.50	4.50	4.50	5.00	4.50	4.50	4.50	5.00
International Benefit Plans								
Discount rate	5.25%	5.75%	5.75%	6.00%	6.00%	6.75%	6.75%	6.75%
Expected long-term rate of return on plan assets	7.50	7.50	7.50	7.50	—	—	—	—
Rate of increase in compensation levels	3.50	3.50	3.50	3.50	4.25	4.25	4.25	4.25

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

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

Worldwide Benefit Plans	2003	2002
Health care trend rate assumed for next year	10.00%	7.75%
Rate to which the cost trend rate is assumed to decline (ultimate trend)	4.50%	4.50%
Year the rate reaches the ultimate trend rate	2010	2009

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

(Dollars in Millions)	One-Percentage-Point Increase	One-Percentage-Point Decrease
Worldwide Benefit Plans		
Total interest and service cost	$ 15	$ (12)
Postretirement benefit obligation	159	(132)

The following table sets forth information related to the benefit obligation and the fair value of plan assets at year-end 2003 and 2002 for the Company's defined benefit retirement plans and other postretirement plans:

(Dollars in Millions)	Retirement Plans		Other Benefit Plans	
Change in Benefit Obligation	2003	2002	2003	2002
Projected benefit obligation—beginning of year	$6,051	5,026	1,015	782
Service cost	325	249	28	23
Interest cost	391	354	70	59
Plan participant contributions	20	18	—	—
Amendments	110	17	1	—
Actuarial losses	714	478	261	190
Divestitures & acquisitions	(3)	(4)	—	8
Curtailments & settlements	(1)	(6)	—	—
Benefits paid from plan	(268)	(246)	(55)	(50)
Effect of exchange rates	341	165	9	3
Projected benefit obligation—end of year	$7,680	6,051	1,329	1,015
Change in Plan Assets				
Plan assets at fair value—beginning of year	$4,705	4,355	34	48
Actual return on plan assets	963	(611)	9	(12)
Company contributions	393	1,074	49	47
Plan participant contributions	20	18	—	—
Divestitures	—	(2)	—	(49)
Benefits paid from plan assets	(258)	(232)	(53)	—
Effect of exchange rates	227	103	—	—
Plan assets at fair value—end of year	$6,050	4,705	39	34

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

The Company is not expected to have to fund its U.S. retirement plans in 2004 in order to meet minimum statutory funding requirements. International plans will be funded in accordance with local regulations. Additional discretionary contributions will be made when deemed appropriate to meet the long-term obligations of the plans. In certain countries other than the United States, the funding of pension plans is not a common practice as funding provides no economic benefit. Consequently, the Company has several pension plans which are not funded.

The Company expects to contribute $62 million to its other benefit plans during 2004 to meet current year medical claim obligations.

The following table displays the projected future contributions to the Company's U.S. unfunded retirement plans:

(Dollars in Millions)

U.S. Retirement Plans	2004	2005	2006	2007	2008	After 2008
Unfunded retirement plans	$19	20	22	23	26	735

The Company's retirement plan asset allocation at the end of 2003 and 2002 and target allocations for 2004 are as follows:

(Dollars in Millions)	Percent of Plan Assets		Target Allocation
U.S. Retirement Plans	2003	2002	2004
Equity securities	78%	67%	75%
Debt securities	22	33	25
Total plan assets	100%	100%	100%
International Retirement Plans			
Equity securities	67%	62%	75%
Debt securities	32	37	25
Real estate and other	1	1	—
Total plan assets	100%	100%	100%

The Company's other benefit plans are unfunded except for U.S. life insurance contract assets of $39 million and $34 million at December 28, 2003 and December 29, 2002, respectively.

The fair value of Johnson & Johnson common stock directly held in plan assets was $363 million (6.0% of total plan assets) at December 28, 2003, and $384 million (8.2% of total plan assets) at December 29, 2002.

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

	Retirement Plans		Other Benefit Plans	
(Dollars in Millions)	2003	2002	2003	2002
Plan assets at fair value	$ 6,050	4,705	39	34
Projected benefit obligation	7,680	6,051	1,329	1,015
Funded status	(1,630)	(1,346)	(1,290)	(981)
Unrecognized actuarial losses	1,749	1,588	336	92
Unrecognized prior service cost	133	124	(12)	(18)
Unrecognized net transition asset	—	(4)	—	—
Total recognized in the consolidated balance sheet	$ 252	362	(966)	(907)

	Retirement Plans		Other Benefit Plans	
(Dollars in Millions)	2003	2002	2003	2002
Book reserves	$ (862)	(643)	(966)	(907)
Prepaid benefits	1,021	959	—	—
Intangible assets	29	13	—	—
Accumulated comprehensive income	64	33	—	—
Total recognized in the consolidated balance sheet	$ 252	362	(966)	(907)

The accumulated benefit obligation for all U.S. and international defined benefit retirement plans was $6.5 billion and $5.1 billion at December 28, 2003 and December 29, 2002, respectively.

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits obligation (ABO) exceeds the fair value of plan assets and accrued pension liabilities. The minimum pension liabilities (intangible assets and accumulated comprehensive income) in 2003 and 2002 of $93 million and $46 million, respectively, relate primarily to plans outside of the U.S. The increase in the minimum liability included in comprehensive income was $31 million and $18 million in 2003 and 2002, respectively.

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

	Retirement Plans	
(Dollars in Millions)	2003	2002
Accumulated benefit obligation	$(1,328)	(953)
Projected benefit obligation	(1,729)	(1,024)
Plan assets at fair value	591	305

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was enacted that introduces a prescription drug benefit under Medicare as well as a subsidy to sponsors of retiree health care benefit plans. The Company has elected to defer the recognition of the Act until such time when the authoritative guidance is issued. Any measures of the accumulated postretirement benefit obligation or net periodic postretirement benefit cost in the Company's financial statements do not reflect the effect of the Act.

14 Marketable Securities

(Dollars in Millions)	December 28, 2003 Net Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value	December 29, 2002 Net Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
Money market funds	$1,559	—	—	1,559	701	—	—	701
Commercial paper	330	—	—	330	35	—	—	35
Time deposits	663	—	—	663	754	—	—	754
Government securities and obligations	2,844	1	—	2,845	1,976	3	—	1,979
Bank notes	22	—	—	22	18	—	—	18
Corporate debt securities	2,235	—	—	2,235	2,791	6	—	2,797
Total current marketable securities	$7,653	1	—	7,654	6,275	9	—	6,284
Government securities	25	—	—	25	14	—	—	14
Bank notes	6	—	—	6	27	—	—	27
Corporate debt securities	6	—	—	6	—	—	—	—
Investments held in trust	47	—	—	47	80	—	—	80
Total non-current marketable securities	$ 84	—	—	84	121	—	—	121

Current marketable securities include $3.5 billion and $1.7 billion that are classified as cash equivalents on the balance sheet at December 28, 2003, and December 29, 2002, respectively.

15 Financial Instruments

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

As of December 28, 2003, the balance of deferred net losses on derivatives included in accumulated other comprehensive income was $180 million after-tax. For additional information, see Note 12. The Company expects that substantially all of this amount will be reclassified into earnings over the next 12 months as a result of transactions that are expected to occur over that period. The amount ultimately realized in earnings will differ as foreign exchange rates change. Realized gains and losses are ultimately determined by actual exchange rates at maturity of the derivative. Transactions with third parties will cause the amount in accumulated other comprehensive income to affect net earnings. The maximum length of time over which the Company is hedging is 18 months.

For the year ended December 28, 2003, the net impact of the hedges' ineffectiveness to the Company's financial statements was insignificant. For the year ended December 28, 2003, the Company has recorded a net gain of $4 million after tax in the "other (income) expense, net" category of the consolidated statement of earnings, representing the impact of discontinuance of cash flow hedges because it is probable that the originally forecasted transactions will not occur by the end of the originally specified time period.

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

Concentration of Credit Risk

The Company invests its excess cash in both deposits with major banks throughout the world and other high quality money market instruments. Refer to Note 14 for additional information. The Company has a policy of making investments only with commercial institutions that have at least an A (or equivalent) credit rating. These investments generally mature within six months, and the Company has not incurred any related losses.

16 Savings Plan

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

In the U.S. salaried plan, one-third of the Company match is paid in Company stock under an employee stock ownership plan (ESOP) unless the employee chooses to redirect his or her investment. In 1990, to establish the ESOP, the Company loaned $100 million to the ESOP Trust to purchase shares of the Company stock on the open market. In exchange, the Company received a note, the balance of which is recorded as a reduction of shareholders' equity.

Total Company contributions to the plans were $128 million in 2003, $111 million in 2002 and $96 million in 2001.

17 Mergers, Acquisitions and Divestitures

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

The 2003 acquisitions included: Link Spine Group, Inc., a privately owned corporation with exclusive worldwide rights to the CHARITÉ™ Artificial Disc; Scios Inc. a biopharmaceutical company with a marketed product for cardiovascular disease

and research projects focused on auto-immune diseases; 3-Dimensional Pharmaceuticals, Inc., a company with a technology platform focused on the discovery and development of therapeutic small molecules; OraPharma, Inc., a specialty pharmaceutical company focused on the development and commercialization of unique oral therapeutics; and certain assets of Orquest, Inc., a privately held biotechnology company focused on developing biologically-based implants for orthopaedics and spine surgery.

The excess of purchase price over the estimated fair value of tangible assets acquired amounted to $1.8 billion and has been allocated to identifiable intangibles and goodwill. Approximately $918 million has been identified as the value of in-process research and development (IPR&D) primarily associated with the acquisition of Link Spine Group, Inc. and Scios Inc.

The IPR&D charge related to the Link Spine acquisition was $170 million and is associated with the CHARITÉ™ Artificial Disc. The CHARITÉ™ Artificial Disc is marketed in more than 30 countries outside the U.S, and a Premarket Approval Application was filed with U.S. Food and Drug Administration on February 17, 2004. The value of the IPR&D was calculated with the assistance of a third party appraiser using cash flow projections discounted for the risk inherent in such projects. A probability of success factor of 95% was used to reflect inherent clinical and regulatory risk. The discount rate was 19%. On a preliminary basis, the purchase price for the Link Spine acquisition was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The excess of the purchase price over the fair values of assets and liabilities acquired was approximately $84 million and was allocated to goodwill. The Company expects that substantially all of the amount allocated to goodwill will not be deductible for tax purposes.

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

The remaining IPR&D was associated with Orquest, Inc., and 3-Dimensional Pharmaceuticals, Inc., with charges of $11 million and $7 million, respectively. In both cases the value of the IPR&D was calculated with the assistance of a third party appraiser.

Certain businesses were acquired for $478 million in cash and liabilities assumed of $72 million during 2002. These acquisitions were accounted for by the purchase method, and, accordingly, results of operations have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

The 2002 acquisitions included Tibotec-Virco N.V., a privately-held biopharmaceutical company focused on developing anti-viral treatments; Micro Typing Systems, Inc., a manufacturer of reagents and supplier of distributed instruments known as the ID-Micro Typing System™ and Obtech Medical AG, a privately-held company that markets an adjustable gastric band for the treatment of morbid obesity.

The excess of purchase price over the estimated fair value of tangible assets of the acquired entities amounted to $325 million and has been allocated to identifiable intangibles and goodwill. Approximately $189 million has been identified as the value of IPR&D associated with the Tibotec-Virco N.V. and Obtech Medical AG acquisitions.

The IPR&D charge related to Tibotec-Virco N.V. was $150 million and is associated with two early stage HIV compounds. The value of the IPR&D was calculated with the assistance of a third party appraiser using cash flow projections discounted for the risk inherent in such projects using probability of success factors ranging from 30-33%. The discount rate was 9%.

The IPR&D charge related to Obtech Medical AG was $39 million and is associated with the development of the current Swedish Adjustable Gastric Band (SAGB) for use in the United States as well as development of a next generation technology platform. The value of the IPR&D was calculated with the assistance of a third party appraiser using cash flow projections discounted for the risk inherent in such projects using a 70% probability of success factor and a 20% discount rate.

Supplemental pro forma information for 2003 and 2002 per SFAS No. 141, *Business Combinations,* and SFAS No. 142, *Goodwill and Other Intangible Assets,* are not provided as the impact of the aforementioned acquisitions did not have a material effect on the Company's results of operations, cash flows or financial position.

On June 22, 2001, Johnson & Johnson and ALZA Corporation (ALZA) completed the merger between the two companies. This transaction was accounted for as a pooling-of-interests. ALZA had approximately 239 million shares outstanding (286 million on a fully diluted basis) that were exchanged for approximately 234 million shares of Johnson & Johnson common stock. On a diluted basis when adjusted for stock options and convertible debt, the total number of Johnson & Johnson shares issued was approximately 280 million. Holders of ALZA common stock received 0.98 of a share of Johnson & Johnson common stock, valued at $52.39 per share.

ALZA is a research-based pharmaceutical company with leading drug delivery technologies. The company applies its delivery technologies to develop pharmaceutical products with enhanced therapeutic value for Johnson & Johnson affiliate portfolios and for many of the world's leading pharmaceutical companies.

Certain businesses were acquired for $1.9 billion during 2001 ($0.6 billion in cash and liabilities assumed and 24.5 million shares of the Company's common stock issued from Treasury valued at $1.3 billion). These acquisitions were accounted for by the purchase method, and, accordingly, results of operations have been included in the accompanying consolidated financial statements from their respective dates of acquisition.

The 2001 acquisitions included Inverness Medical Technology Inc., the supplier of LifeScan's electrochemical products for blood glucose monitoring following the spin-off of the non-diabetes businesses; Heartport Inc., a company that develops and manufactures products for less invasive open chest and minimally invasive heart operations, including stopped heart and beating heart procedures; TERAMed Corporation, an early-stage medical device company that is developing endovascular stent-graft systems for the minimally invasive treatment of abdominal aortic aneurysms and peripheral occlusive disease; BabyCenter, L.L.C., an Internet content and commerce company devoted to supporting a community of expectant and new mothers; and the VIACTIV® product line, a chewable calcium supplement, from the Mead Johnson Nutritionals Division of Bristol-Myers Squibb.

Inverness Medical Technology was acquired to enhance control of the primary supplier of LifeScan blood glucose monitoring products and will allow for the achievement of operational synergies. The acquisition also provides key technology for the development of future products.

Approximately $105 million has been identified as the value of IPR&D associated with the Inverness Medical Technology and TERAMed Corporation acquisitions. The IPR&D charge is primarily related to Inverness projects for minimally invasive testing, continuous monitoring and insulin delivery. The value of the IPR&D was calculated with the assistance of a third party appraiser using cash flow projections discounted for the risk inherent in such projects using probability of success factors ranging from 25-40%. The discount rate used was 12%.

Divestitures in 2003, 2002 and 2001 did not have a material effect on the Company's results of operations, cash flows or financial position.

18 Legal Proceedings

Product Liability Litigation

The Company is involved in numerous product liability cases in the United States, many of which concern adverse reactions to drugs and medical devices. The damages claimed are substantial, and while the Company is confident of the adequacy of the warnings and instructions for use which accompany such products, it is not feasible to predict the ultimate outcome of litigation. However, the Company believes that if any liability results from such cases, it will be substantially covered by reserves established under its self-insurance program and by commercially available excess liability insurance.

One group of cases against the Company concerns the Janssen Pharmaceutica product PROPULSID®, which was withdrawn from general sale and restricted to limited use in 2000. In the wake of publicity about those events, numerous lawsuits have been filed against Janssen, which is a wholly owned subsidiary of the Company, and the Company regarding PROPULSID®, in state and federal courts across the country. There are approximately 433 such cases currently pending, including the claims of approximately 5,850 plaintiffs. In the active cases, 410 individuals are alleged to have died from the use of PROPULSID®. These actions seek substantial compensatory and punitive damages and accuse Janssen and the Company of inadequately testing for and warning about the drug's side effects, of promoting it for off-label use and of over promotion. In addition, Janssen and the Company have entered into agreements with various plaintiffs' counsel halting the running of the statutes of limitations with respect to the potential claims (tolling agreements) of a significant number of individuals while those attorneys evaluate whether or not to sue Janssen and the Company on their behalf.

In September 2001, the first ten plaintiffs in the Rankin case, which comprises the claims of 155 PROPULSID® plaintiffs, went to trial in state court in Claiborne County, Mississippi. The jury returned compensatory damage verdicts for each plaintiff in the amount of $10 million, for a total of $100 million. The trial judge thereafter dismissed the claims of punitive damages. On March 4, 2002, the trial judge reduced these verdicts to a total of $48 million, and denied the motions of Janssen and the Company for a new trial. Janssen and the Company believe these verdicts, even as reduced, are insupportable and have appealed. In the view of Janssen and the Company, the proof at trial demonstrated that none of these plaintiffs were injured by PROPULSID® and that no basis for liability existed.

In April 2002, a state court judge in New Jersey denied plaintiffs' motion to certify a national class of PROPULSID® users for purposes of medical monitoring and refund of the costs of purchasing PROPULSID®. An effort to appeal that ruling has been denied. In June 2002 the federal judge presiding over the PROPULSID® Multi-District Litigation in New Orleans, Louisiana similarly denied plaintiffs' motion there to certify a national class of PROPULSID® users. Plaintiffs in the Multi-District Litigation have said they are preserving their right to appeal that ruling, and other complaints filed against Janssen and the Company include class action allegations, which could be the basis for future attempts to have classes certified.

On February 5, 2004, Janssen announced that it had reached an agreement in principle with the Plaintiffs Steering Committee (PSC), of the PROPULSID® Federal Multi-District Litigation (MDL), to resolve federal lawsuits related to PROPULSID®. There are approximately 4,000 individuals included in the Federal MDL of whom approximately 300 are alleged to have died from use of the drug. The agreement becomes effective once 85 percent of the death claims, and 75 percent of the remainder, agree to the terms of the settlement. In addition, 12,000 individuals who have not filed lawsuits, but whose claims are the subject of tolling agreements suspending the running of the statutes of limitations against those claims, must also agree to participate in the settlement before it will become effective. Those agreeing to participate in the settlement will submit medical records to an independent panel of physicians who will determine whether the claimed injuries were caused by PROPULSID® and otherwise meet the standards for compensation. If those standards are met, a court-appointed special master will determine compensatory damages. Janssen will pay as compensation a minimum of $69.5 million and a maximum of $90 million, depending upon the number of plaintiffs who enroll in the program. Janssen will also establish an administrative fund not to exceed $15 million, and will pay legal fees to the PSC up to $22.5 million, subject to court approval.

With respect to all the various PROPULSID® actions against them, Janssen and the Company dispute the claims in those lawsuits and are vigorously defending against them except where, in their judgment, settlement is appropriate. Janssen

and the Company believe they have adequate self-insurance reserves and commercially available excess insurance with respect to these cases. In communications to the Company, the excess insurance carriers have raised certain defenses to their liability under the policies and to date have declined to reimburse Janssen and the Company for PROPULSID®-related costs despite demand for payment. However, in the opinion of the Company, those defenses are pro forma and lack substance and the carriers will honor their obligations under the policies either voluntarily or after litigation. The Company recently commenced arbitration against Allianz Underwriters Insurance Company, which issued the first layer of applicable excess insurance coverage, to obtain reimbursement of PROPULSID®-related costs.

The Company's Ethicon, Inc. subsidiary has over the last several years had a number of claims and lawsuits filed against it relating to VICRYL® sutures. The actions allege that the sterility of VICRYL® sutures was compromised by inadequacies in Ethicon's systems and controls causing patients who were exposed to these sutures to incur infections which would not otherwise have occurred. Ethicon on several occasions recalled batches of VICRYL® sutures in light of questions raised about sterility but does not believe any contamination of suture products in fact occurred. In November 2003, a trial judge in West Virginia certified for class treatment all West Virginia residents who had VICRYL® sutures implanted during Class I or II surgeries from May 1, 1994 to December 31, 1997. The certification is subject to later challenge following the conclusion of discovery. No trial date has been set in this matter and Ethicon has been and intends to continue vigorously contesting liability.

Affirmative Stent Patent Litigation

In patent infringement actions tried in Delaware Federal Court in late 2000, Cordis Corporation, a subsidiary of Johnson & Johnson, obtained verdicts of infringement and patent validity, and damage awards, against Boston Scientific Corporation and Medtronic AVE, Inc., based on a number of Cordis vascular stent patents. On December 15, 2000, the jury in the damage action against Boston Scientific returned a verdict of $324 million and on December 21, 2000, the jury in the Medtronic AVE action returned a verdict of $271 million. These sums represent lost profit and reasonable royalty damages to compensate Cordis for infringement but do not include pre or post judgment interest. In February 2001 a hearing was held on the claims of Boston Scientific and Medtronic AVE that the patents at issue were unenforceable owing to alleged inequitable conduct before the patent office.

In March and May 2002, the district judge issued post trial rulings that confirmed the validity and enforceability of the main Cordis stent patent claims but found certain other Cordis patents unenforceable. Further, the district judge granted Boston Scientific a new trial on liability and damages and vacated the verdict against Medtronic AVE on legal grounds. On August 12, 2003, the Court of Appeals for the Federal Circuit found the trial judge erred in vacating the verdict against Medtronic AVE and remanded the case to the trial judge for further proceedings. Medtronic AVE's motion for reconsideration by the panel and for reconsideration by the full court was denied on October 3, 2003 and its request to stay the return of the mandate to the trial court pending the filing of a request for a writ of certiorari to the United States Supreme Court was denied on October 10, 2003. Medtronic AVE filed its petition for a writ of certiorari to the United States Supreme Court on January 2, 2004. Cordis filed motions before the trial court on October 14, 2003 to reinstate the verdicts against both Medtronic AVE and Boston Scientific and to award interest and enter injunctions against the stent products at issue in those two cases (the GFX® and MicroStent® stents of Medtronic AVE and the NIR® stent of Boston Scientific) and colorable variations thereof. Medtronic AVE and Boston Scientific are resisting reinstatement of these verdicts and will likely attempt to appeal to the Court of Appeals for the Federal Circuit once judgments are entered.

In January 2003, Cordis filed an additional patent infringement action against Boston Scientific in Delaware Federal Court accusing its Express^{2}™ and TAXUS® stents of infringing one of the Cordis patents involved in the earlier actions against Boston Scientific and Medtronic AVE. In February 2003, Cordis moved in that action for a preliminary injunction seeking to bar the introduction of the TAXUS® stent based on that patent. On November 21, 2003, the district judge denied that request for a preliminary injunction and Cordis filed an appeal with the Court of Appeals for the Federal Circuit. A decision by the Federal Circuit is expected in the 2nd or 3rd quarter of 2004. Cordis also has pending in Delaware Federal Court another action against Medtronic AVE accusing Medtronic AVE of infringement on stent products introduced by Medtronic AVE subsequent to its GFX® and MicroStent® products, subject to the earlier action referenced above.

In early June 2003, an arbitration panel in Chicago, in a preliminary ruling, found in favor of Cordis in its arbitration against ACS/Guidant involving infringement by ACS/Guidant of a Cordis stent patent. On August 19, 2003, the panel confirmed that ruling, rejecting the challenge of ACS/Guidant. Under the terms of an earlier agreement between Cordis and ACS/Guidant, the arbitration panel's ruling obligated ACS/Guidant to make a payment of $425 million to Cordis which was made in the fiscal fourth quarter of 2003. As a result of resolving this matter, in the fiscal fourth quarter, $230 million was recorded in other income and expense (approximately $142 million after tax) relating to past periods. The balance of the award, $195 million (approximately $120 million after tax), will be recognized in income in future periods over the estimated remaining life of the intellectual property. No additional royalties for ACS/Guidant's continued use of the technology and no injunction are involved.

Patent Litigation Against Various Johnson & Johnson Operating Companies

The products of various Johnson & Johnson operating companies are the subject of various patent lawsuits, which could potentially affect the ability of those operating companies to sell those products, or require the payment of past damages and future royalties. The following patent lawsuits concern important products of Johnson & Johnson operating companies: *Boston Scientific and Medinol Ltd. v. Cordis Corporation:* This action, filed in Delaware Federal Court in December 1999, charged infringement by the Bx VELOCITY® and other Cordis stent products of certain patents owned by Medinol and licensed by Boston Scientific. The case was tried to a jury in

September 2002, and resulted in verdicts for Cordis of non-infringement and invalidity, except with respect to a minor stent product as to which the jury found infringement and awarded damages of $9 million. Medinol filed an appeal from this result, which was affirmed by the Court of Appeal for the Federal Circuit on January 15, 2004. *Medtronic AVE v. Cordis Corporation:* This action, filed in April 2002 in federal district court in Texas and thereafter transferred to the federal district court in Delaware, asserts certain patents owned by Medtronic AVE against the Cordis Bx VELOCITY® Stent, which is also the stent structure used in the CYPHER® drug-eluting product. The federal district court in Delaware recently reversed its prior decision to stay this lawsuit pending the outcome of arbitration between the parties on the issue of whether Cordis is licensed under the patents asserted against it by Medtronic AVE. *Boston Scientific Corporation (BSC) v. Cordis Corporation:* This action, filed in Delaware Federal Court in March 2003, asserts that the CYPHER® drug-eluting Stent infringes several patents assigned to Boston Scientific. Boston Scientific seeks damages and a permanent injunction. *Boston Scientific Corporation (BSC) v. Cordis Corporation:* This action, filed in Delaware Federal Court in December 2003, asserts that the Cordis CYPHER® drug-eluting Stent infringes several patents assigned to BSC by NeoRx pertaining to pharmaceutical compounds for use on stents. BSC is seeking damages and a permanent injunction. *Medinol Ltd. v. Cordis Europe NV (Netherlands)* and *Medinol Ltd. v. Cordis Holding Belgium B.V.B.A. and Janssen Pharmaceutica N.V. (Belgium):* On July 3, 2003, the Appeal Court of the Hague overturned a lower court and granted Medinol, an Israeli stent manufacturer, a preliminary injunction based on patent infringement prohibiting Cordis from making or selling the Bx VELOCITY® and CYPHER® Stents in the Netherlands. The injunction became effective on August 26, 2003. In Belgium, Medinol has filed a patent infringement suit based on the same patent it asserted in the Netherlands, and moved for a preliminary injunction seeking to prevent the defendants from making or selling the Bx VELOCITY® and CYPHER® Stents there. That motion was denied by the trial court on November 10, 2003. Medinol has appealed. Cordis currently uses a Janssen Pharmaceutica facility in Belgium to coat CYPHER® Stents with sirolimus principally for the ex-U.S. market. *Rockey v. Cordis Corporation:* This is an action against Cordis by the heirs of Dr. Rockey concerning a patent he licensed to Cordis in 1996, shortly before Cordis was acquired by Johnson & Johnson. The plaintiffs assert that Dr. Rockey's patent, which expires in February 2004, covers all stent products ever marketed by Cordis and seek a 10% royalty on those sales. Trial of the action, which is pending in federal court in Miami, Florida, is scheduled for March 2004.

On February 24, 2004, ASC/Guidant and Cordis Corporation entered into a strategic alliance for the co-promotion of drug-eluting stents. As a result of this agreement, all pending litigation between the companies has been settled.

With respect to all of these matters, the Johnson & Johnson operating company involved is vigorously defending against the claims of infringement and disputing where appropriate the validity and enforceability of the patent claims asserted against it.

Litigation Against Filers of Abbreviated New Drug Applications (ANDAs)

The following lawsuits are against generic firms that filed Abbreviated New Drug Applications (ANDAs) seeking to market generic forms of products sold by various subsidiaries of the Company prior to expiration of the applicable patents covering those products. These ANDAs typically include allegations of non-infringement, invalidity and unenforceability of these patents. In the event the subsidiary of the Company involved is not successful in these actions, the firms involved will then introduce generic versions of the product at issue resulting in very substantial market share and revenue losses for the product of the Company's subsidiary. *Ortho-McNeil Pharmaceutical, Inc. and Daiichi, Inc. v. Mylan Laboratories* and *Ortho-McNeil Pharmaceutical, Inc. and Daiichi, Inc. v. Teva Pharmaceutical:* These matters, the first of which was filed in February 2002 in federal court in West Virginia and the second in June 2002 in federal court in New Jersey, concern the efforts of Mylan and Teva to invalidate and establish non-infringement and unenforceability of the patent covering LEVAQUIN® (levofloxacin) tablets. The patent is owned by Daiichi and exclusively licensed to Ortho-McNeil. The first phase of the trial of the Mylan case concluded in December 2003 and the second phase should be concluded in May 2004. No trial date has been set in the Teva matter. *Ortho-McNeil Pharmaceutical, Inc. and Daiichi v. Bedford Laboratories:* This matter was filed in federal district court in New Jersey in April 2003 and involves the effort of Bedford to invalidate and assert non-infringement and unenforceability of the same Daiichi patent on LEVAQUIN® involved in the above proceedings. In this case, however, Bedford is challenging the patent's application to its products which it asserts are equivalent to LEVAQUIN® injection pre-mix and injection vials, rather than tablets. *Ortho-McNeil Pharmaceutical, Inc. and Daiichi v. American Pharmaceutical Partners and Sicor Pharmaceutical:* In December 2003, Ortho-McNeil Pharmaceutical, Inc. and Daiichi filed suits in the federal district court in New Jersey against American Pharmaceutical Partners and Sicor Pharmaceutical in respect of ANDAs filed by those entities involving the same Daiichi patent on LEVAQUIN® for injection pre-mix and single use vials. *Janssen Pharmaceutica Inc. and ALZA Corporation v. Mylan Laboratories:* This action, filed in federal district court in Vermont in January 2002, concerns Mylan's effort to invalidate and assert non-infringement and unenforceability of ALZA's patent covering the DURAGESIC® (fentanyl transdermal system) product. Trial concluded in September 2003 and post-trial briefing was completed in December 2003. Mylan has stated publicly that it intends to launch its generic to DURAGESIC® in July 2004 even if it loses the case in district court because it asserts Janssen and ALZA forfeited the benefits of the FDA grant of pediatric exclusivity by filing their lawsuit late. Janssen and ALZA vigorously dispute this contention. *Janssen Pharmaceutica N.V. v. EON Labs Manufacturing:* This action was filed in federal court in the Eastern District of New York in April 2001 and concerns EON's effort to invalidate and establish non-infringement of Janssen's patent covering SPORANOX® (itraconozole). No trial date has yet been scheduled.

Ortho-McNeil Pharmaceutical, Inc. v. Kali Laboratories, Inc.: This lawsuit was filed in federal court in New Jersey in November 2002 and concerns the attempt of Kali to invalidate and establish non-infringement of Ortho-McNeil's patent covering ULTRACET® (tramadol/acetaminophen) tablets. No trial date has been set for this case. *ALZA Corporation v. Mylan Laboratories:* This action was filed in federal district court in West Virginia in May 2003 and concerns Mylan's effort to invalidate and assert non-infringement of an ALZA patent covering the Ortho-McNeil product DITROPAN XL® (oxybutynin). Trial has been scheduled for February 2005 in this case. *ALZA Corporation v. IMPAX Laboratories:* This action was filed in federal court in California in September 2003 and concerns IMPAX's effort to invalidate and assert non-infringement of the same ALZA patent covering DITROPAN XL® involved in the above Mylan case. No trial date has been set in this matter. *Ortho-McNeil Pharmaceutical, Inc. v. Barr Laboratories, Inc.:* This action, filed in federal district court in New Jersey in October 2003, concerns the effort of Barr Laboratories to assert non-infringement, invalidity and unenforceability of Ortho-McNeil's patent on ORTHO TRI-CYCLEN® LO (norgestimate/ethinyl estradiol), an oral contraceptive product. *Janssen Pharmaceutica N.V. v. Mylan Pharmaceuticals Inc.:* This action, filed in federal district court in New Jersey in December 2003, concerns Mylan's effort to invalidate the Janssen patent covering RISPERDAL® (risperidone) tablets. *Janssen Pharmaceutica N.V. v. Dr. Reddy's Laboratories, Inc.:* This action, filed in federal district court in New Jersey, concerns Dr. Reddy's efforts to invalidate the same Janssen patent covering RISPERDAL® tablets as in the immediately preceding Mylan case. *Eisai Inc. v. Dr. Reddy's Laboratories, Inc.:* This action, filed by Janssen's U.S. co-promotion partner Eisai Inc. in federal court in New York, concerns Dr. Reddy's effort to invalidate and assert non-infringement of an Eisai patent covering ACIPHEX® (rabeprazole sodium) tablets. No trial date has been set. *Eisai Inc. v. Teva Pharmaceuticals USA:* This action, also filed by Janssen's U.S. co-promotion partner Eisai Inc., concerns Teva's efforts to invalidate and assert non-infringement of the same Eisai patent involved in the immediately preceding Dr. Reddy's case. No trial date has been set in that matter. *Eisai Inc. v. Mylan Pharmaceuticals Inc.:* In January 2004, Janssen's U.S. co-promotion partner Eisai Inc. filed this action in federal district court in New York against Mylan Pharmaceuticals Inc. regarding Mylan's efforts to invalidate and assert non-infringement of the same Eisai patent covering ACIPHEX® tablets as in the above Dr. Reddy's and Teva cases. No trial date has been set. Janssen Pharmaceutica Inc. is not a party to the Eisai actions. With respect to all of the above matters, the Johnson & Johnson operating company involved is vigorously defending the validity and enforceability and asserting the infringement of its own or its licensor's patents.

Average Wholesale Price (AWP) Litigation

Johnson & Johnson and its pharmaceutical operating companies, along with numerous other pharmaceutical companies, are defendants in a series of lawsuits in state and federal courts involving allegations that the pricing and marketing of certain pharmaceutical products amounted to fraudulent and otherwise actionable conduct because, among other things, the companies allegedly reported an inflated Average Wholesale Price ("AWP") for the drugs at issue. Most of these cases, both federal actions and state actions removed to federal court, have been consolidated for pre-trial purposes in a Multi-District Litigation (MDL) in federal court in Boston, Massachusetts. The plaintiffs in these cases include classes of private persons or entities that paid for any portion of the purchase of the drugs at issue based on AWP, and state government entities that made Medicaid payments for the drugs at issue based on AWP.

Ethicon Endo-Surgery, Inc., a Johnson & Johnson operating company which markets endoscopic surgical instruments, and the Company, are named defendants in a North Carolina state court class action lawsuit alleging AWP inflation and improper marketing activities against TAP Pharmaceuticals. Ethicon Endo-Surgery, Inc. is a defendant based on claims that several of its former sales representatives are alleged to have been involved in arbitrage of a TAP drug. The allegation is that these sales representatives persuaded certain physicians in states where the drug's price was low to purchase from TAP excess quantities of the drug and then resell it in states where its price was higher. Ethicon Endo-Surgery, Inc. and the Company deny any liability for the claims made against them in this case and are vigorously defending against it. The trial judge recently certified a national class of purchasers of the TAP product at issue and trial is likely in 2004.

Other

The New York State Attorney General's office and the Federal Trade Commission issued subpoenas in January and February 2003 seeking documents relating to the marketing of sutures and endoscopic instruments by the Company's Ethicon, Inc. and Ethicon Endo-Surgery, Inc. subsidiaries. The Connecticut Attorney General's office also issued a subpoena for the same documents. These subpoenas focus on the bundling of sutures and endoscopic instruments in contracts offered to Group Purchasing Organizations and individual hospitals in which discounts are predicated on the hospital achieving specified market share targets for both categories of products. The operating companies involved are responding to the subpoenas.

On June 26, 2003, the Company received a request for records and information from the U.S. House of Representatives' Committee on Energy and Commerce in connection with its investigation into pharmaceutical reimbursements and rebates under Medicaid. The Committee's request focuses on the drug REMICADE® (infliximab), marketed by the Company's Centocor, Inc. subsidiary. On July 2, 2003, Centocor received a request that it voluntarily provide documents and information to the criminal division of the U.S. Attorney's Office, District of New Jersey, in connection with its investigation into various Centocor marketing practices. Both the Company and Centocor are responding to these requests for documents and information.

On August 1, 2003, the Securities and Exchange Commission (SEC) advised the Company of its informal investigation under the Foreign Corrupt Practices Act of allegations of payments to Polish governmental officials by U.S. pharmaceutical companies. On November 21, 2003, the SEC advised the company the investigation had become formal and issued a subpoena for the information previously requested in an informal fashion, plus other background documents. The Company and its operating units in Poland are responding to these requests.

On December 8, 2003, the Company's Ortho-McNeil Pharmaceutical unit received a subpoena from the United States Attorney's office in Boston, Massachusetts seeking documents relating to the marketing, including alleged off-label market-

ing, of the drug TOPAMAX® (topiramate) which is approved for anti-epilepsy therapy. Ortho-McNeil is cooperating in responding to the subpoena.

On January 20, 2004, the Company's Janssen unit received a subpoena from the Office of the Inspector General of the United States Office of Personnel Management seeking documents concerning any and all payments to physicians in connection with sales and marketing of, and clinical trials for, RISPERDAL® from 1997 to 2002. Janssen is cooperating in responding to the subpoena.

In 2002, the Company recorded $150 million in damages and $85 million in legal fees and costs in connection with an arbitration proceeding filed in 1995 involving the Company's Ortho Biotech subsidiary and Amgen, Ortho Biotech's licensor of U.S. non-dialysis rights to PROCRIT® (Epoetin alfa), in which Amgen sought to terminate Ortho Biotech's U.S. license rights and collect substantial damages. This proceeding was based on alleged deliberate PROCRIT® sales by Ortho Biotech during the early 1990's into Amgen's reserved dialysis market. On October 18, 2002, the arbitrator issued his decision rejecting Amgen's request to terminate the license and finding no material breach of the license. However, the arbitrator found that conduct by Ortho Biotech in the early 1990's which was subsequently halted by Ortho Biotech amounted to a non-material breach of the license and awarded Amgen $150 million in damages which the Company accrued in the third quarter of 2002. On January 24, 2003, the arbitrator ruled that Amgen was the "prevailing party" in this arbitration, entitling it to an award of reasonable attorney's fees and costs and the Company accrued $85 million in the fourth quarter of 2002 in connection with this claim.

After a remand from the Federal Circuit Court of Appeals in January 2003, a partial retrial was commenced in October and concluded in November 2003 in Boston, Massachusetts in the action *Amgen v. Transkaryotic Therapies, Inc. (TKT) and Aventis Pharmaceutical, Inc.* The matter is a patent infringement action brought by Amgen against TKT, the developer of a gene-activated EPO product, and Aventis, which holds marketing rights to the TKT product, asserting that TKT's product infringes various Amgen patent claims. TKT and Aventis dispute infringement and are seeking to invalidate the Amgen patents asserted against them. The district court has issued preliminary rulings that upheld the district court's initial findings in 2001. A further opinion from the district court is expected in the second quarter of 2004. Further proceedings and an appeal will follow. The Amgen patents at issue in the case are exclusively licensed to Ortho Biotech Inc., a Johnson & Johnson operating company, in the U.S. for non-dialysis indications. Ortho Biotech Inc. is not a party to the action.

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

19 Earnings Per Share

The following is a reconciliation of basic net earnings per share to diluted net earnings per share for the years ended December 28, 2003, December 29, 2002 and December 30, 2001:

(Shares in Millions)	2003	2002	2001
Basic earnings per share	$ 2.42	2.20	1.87
Average shares outstanding—basic	2,968.1	2,998.3	3,033.8
Potential shares exercisable under stock option plans	166.6	188.3	166.6
Less: shares repurchased under treasury stock method	(141.4)	(146.9)	(121.8)
Convertible debt shares	14.8	14.4	20.7
Adjusted average shares outstanding—diluted	3,008.1	3,054.1	3,099.3
Diluted earnings per share	$ 2.40	2.16	1.84

Diluted earnings per share calculation includes the dilution effect of convertible debt: a decrease in interest expense of $15 million, $12 million and $25 million after tax for years 2003, 2002 and 2001, respectively.

Diluted earnings per share excludes 47 million shares underlying stock options for 2003 and 1 million shares underlying stock options for each of the years 2002 and 2001 as the exercise price of these options was greater than their average market value, resulting in an anti-dilutive effect on diluted earnings per share.

20 Capital and Treasury Stock

Changes in treasury stock were:

(Dollars in Millions Except Number of Shares in Thousands)	Treasury Stock Shares	Treasury Stock Amount
Balance at December 31, 2000	105,218	$ 342
Employee compensation and stock option plans	(30,581)	(1,444)
Conversion of subordinated debentures	(30,061)	(183)
Repurchase of common stock	51,244	2,742
Business combinations	(23,193)	(64)
Balance at December 30, 2001	72,627	1,393
Employee compensation and stock option plans	(22,720)	(1,295)
Conversion of subordinated debentures	(5,742)	(353)
Repurchase of common stock	107,382	6,382
Balance at December 29, 2002	151,547	6,127
Employee compensation and stock option plans	(21,729)	(1,160)
Conversion of subordinated debentures	(83)	(4)
Repurchase of common stock	22,134	1,183
Balance at December 28, 2003	151,869	$ 6,146

Shares of common stock issued were 3,119,842,000 shares at the end of 2003, 2002 and 2001.

21 Selected Quarterly Financial Data (Unaudited)

Selected unaudited quarterly financial data for the years 2003 and 2002 are summarized below:

(Dollars in Millions Except Per Share Data)	2003 First Quarter[1]	2003 Second Quarter[2]	2003 Third Quarter	2003 Fourth Quarter[3]	2002 First Quarter	2002 Second Quarter[4]	2002 Third Quarter[5]	2002 Fourth Quarter[6]
Segment sales to customers								
Consumer	$1,791	1,819	1,841	1,979	1,604	1,649	1,661	1,650
Pharmaceutical	4,666	4,884	4,835	5,134	4,181	4,258	4,277	4,435
Med Devices & Diagnostics	3,364	3,629	3,779	4,141	2,958	3,166	3,141	3,318
Total sales	$9,821	10,332	10,455	11,254	8,743	9,073	9,079	9,403
Gross profit	7,099	7,366	7,475	7,746	6,286	6,491	6,468	6,606
Earnings before provision for taxes on income	2,929	2,056	2,949	2,374	2,621	2,428	2,393	1,849
Net earnings	2,070	1,210	2,072	1,845	1,834	1,654	1,725	1,384
Basic net earnings per share	$ .70	.41	.70	.62	.60	.55	.58	.47
Diluted net earnings per share	$ .69	.40	.69	.62	.59	.54	.57	.46

[1] The first quarter of 2003 includes an after tax charge of $15 million for In-Process Research and Development (IPR&D) costs.

[2] The second quarter of 2003 includes an after tax charge of $900 million for IPR&D costs.

[3] The fourth quarter of 2003 includes after tax income of $142 million for an arbitration ruling on stent patents and the cost of the retirement enhancement program of $61 million.

[4] The second quarter of 2002 includes an after tax charge of $189 million for IPR&D costs.

[5] The third quarter of 2002 includes an after tax charge of $92 million for an Amgen arbitration settlement.

[6] The fourth quarter of 2002 includes an after tax charge of $54 million for an Amgen arbitration settlement.

Report of Independent Auditors

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, consolidated statements of equity and consolidated statements of cash flows present fairly, in all material respects, the financial position of Johnson & Johnson and Subsidiaries at December 28, 2003 and December 29, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2003 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the Company has adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* effective December 31, 2001.

PricewaterhouseCoopers LLP

New York, New York
January 19, 2004, except for the fifth and thirteenth paragraphs in Note 18 for which the dates are February 5, 2004 and February 24, 2004, respectively

Segments of Business[1] and Geographic Areas

(Dollars in Millions)	Sales to Customers[2] 2003	2002	2001
Consumer—United States	$ 3,968	3,605	3,449
International	3,463	2,959	2,871
Total	7,431	6,564	6,320
Pharmaceutical—United States	13,271	11,919	10,240
International	6,246	5,232	4,611
Total	19,517	17,151	14,851
Medical Devices and Diagnostics—United States	8,035	6,931	6,136
International	6,879	5,652	5,010
Total	14,914	12,583	11,146
Worldwide total	$41,862	36,298	32,317

(Dollars in Millions)	Operating Profit 2003[5]	2002[6]	2001[7]	Identifiable Assets 2003	2002	2001
Consumer	$ 1,393	1,229	1,004	5,371	5,056	4,209
Pharmaceutical	5,896	5,787	4,928	15,351	11,112	10,591
Medical Devices and Diagnostics	3,370	2,489	2,001	16,082	15,052	13,645
Segments total	10,659	9,505	7,933	36,804	31,220	28,445
Expenses not allocated to segments[3]	(351)	(214)	(35)			
General corporate[4]				11,459	9,336	10,043
Worldwide total	$10,308	9,291	7,898	48,263	40,556	38,488

(Dollars in Millions)	Additions to Property, Plant & Equipment 2003	2002	2001	Depreciation and Amortization 2003	2002	2001
Consumer	$ 229	222	230	246	244	263
Pharmaceutical	1,236	1,012	749	765	557	492
Medical Devices and Diagnostics	639	713	621	761	776	801
Segments total	2,104	1,947	1,600	1,772	1,577	1,556
General corporate	158	152	131	97	85	49
Worldwide total	$ 2,262	2,099	1,731	1,869	1,662	1,605

(Dollars in Millions)	Sales to Customers[2] 2003	2002	2001	Long-Lived Assets 2003	2002	2001
United States	$25,274	22,455	19,825	15,527	12,854	11,922
Europe	9,483	7,636	6,687	5,193	4,712	3,632
Western Hemisphere excluding U.S.	2,236	2,018	2,070	772	622	640
Asia-Pacific, Africa	4,869	4,189	3,735	605	603	433
Segments total	41,862	36,298	32,317	22,097	18,791	16,627
General corporate				448	383	319
Other non long-lived assets				25,718	21,382	21,542
Worldwide total	$41,862	36,298	32,317	48,263	40,556	38,488

[1] See Management's Discussion and Analysis, page 28 for a description of the segments in which the Company does business.

[2] Export sales and intersegment sales are not significant. Sales to three distributors accounted for 10.5%, 9.0% and 9.1% in 2003 and 10.3%, 9.8% and 9.2% in 2002. These sales were concentrated in the Pharmaceutical segment. Sales of PROCRIT®/EPREX® accounted for 9.5%, 11.8% and 10.6% of total Company revenues for 2003, 2002 and 2001, respectively.

[3] Amounts not allocated to segments include interest income/expense, minority interest and general corporate income and expense.

[4] General corporate includes cash and marketable securities.

[5] Includes $737 million In-Process Research & Development (IPR&D) in the Pharmaceutical segment and $181 million of IPR&D and $230 million of an arbitration ruling on stent patents in the Medical Devices and Diagnostics segment.

[6] Includes $150 million of IPR&D, $150 million and $85 million of costs related to an arbitration settlement on PROCRIT® in the Pharmaceutical segment and $39 million of IPR&D in the Medical Devices and Diagnostics segment.

[7] Includes $147 million of ALZA merger costs in the Pharmaceutical segment and $105 million of IPR&D.

Summary of Operations and Statistical Data 1993-2003[1]

(Dollars in Millions Except Per Share Figures)	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Sales to customers—Domestic	$25,274	22,455	19,825	17,316	15,532	12,901	11,814	10,851	9,065	7,731	7,121
Sales to customers—International	16,588	13,843	12,492	11,856	11,825	10,910	10,708	10,536	9,472	7,723	6,756
Total sales	41,862	36,298	32,317	29,172	27,357	23,811	22,522	21,387	18,537	15,454	13,877
Cost of products sold	12,176	10,447	9,581	8,957	8,539	7,700	7,350	7,185	6,352	5,393	4,908
Selling, marketing and administrative expenses	14,131	12,216	11,260	10,495	10,065	8,525	8,185	7,848	6,950	5,901	5,364
Research expense	4,684	3,957	3,591	3,105	2,768	2,506	2,373	2,109	1,788	1,416	1,296
Purchased in-process research and development	918	189	105	66	—	298	108	—	—	37	—
Interest income	(177)	(256)	(456)	(429)	(266)	(302)	(263)	(196)	(151)	(85)	(104)
Interest expense, net of portion capitalized	207	160	153	204	255	186	179	176	184	182	165
Other (income) expense, net	(385)	294	185	(94)	119	565	248	122	70	(5)	(71)
	31,554	27,007	24,419	22,304	21,480	19,478	18,180	17,244	15,193	12,839	11,558
Earnings before provision for taxes on income	10,308	9,291	7,898	6,868	5,877	4,333	4,342	4,143	3,344	2,615	2,319
Provision for taxes on income	3,111	2,694	2,230	1,915	1,604	1,232	1,237	1,185	926	654	533
Net earnings	7,197	6,597	5,668	4,953	4,273	3,101	3,105	2,958	2,418	1,961	1,786
Percent of sales to customers	17.2	18.2	17.5	17.0	15.6	13.0	13.8	13.8	13.0	12.7	12.9
Diluted net earnings per share of common stock*	2.40	2.16	1.84	1.61	1.39	1.02	1.02	.98	.84	.69	.63
Percent return on average shareholders' equity	29.0	28.1	25.4	26.5	27.0	22.2	24.6	27.2	27.6	28.4	30.1
Percent increase over previous year:											
Sales to customers	15.3	12.3	10.8	6.6	14.9	5.7	5.3	15.4	19.9	11.4	2.0
Diluted net earnings per share	11.1	17.4	14.3	15.8	36.3	—	4.1	16.7	21.7	9.5	85.3
Supplementary expense data:											
Cost of materials and services[2]	18,568	16,540	15,333	14,113	13,922	11,779	11,702	11,341	9,984	8,104	7,168
Total employment costs	10,005	8,450	7,749	7,085	6,537	5,908	5,586	5,447	4,849	4,401	4,181
Depreciation and amortization	1,869	1,662	1,605	1,592	1,510	1,335	1,117	1,047	886	754	649
Maintenance and repairs[3]	395	360	372	327	322	286	270	285	257	222	205
Total tax expense[4]	4,078	3,497	2,995	2,619	2,271	1,881	1,824	1,753	1,458	1,132	957
Supplementary balance sheet data:											
Property, plant and equipment, net	9,846	8,710	7,719	7,409	7,155	6,767	6,204	6,025	5,544	5,230	4,717
Additions to property, plant and equipment	2,262	2,099	1,731	1,689	1,822	1,610	1,454	1,427	1,307	979	1,001
Total assets	48,263	40,556	38,488	34,245	31,064	28,966	23,615	22,248	19,355	17,027	13,372
Long-term debt	2,955	2,022	2,217	3,163	3,429	2,652	2,084	2,347	2,702	2,776	1,761
Operating cash flow	10,595	8,176	8,864	6,903	5,920	5,106	4,210	4,001	3,436	2,984	2,202
Common stock information*											
Dividends paid per share	.925	.795	.70	.62	.55	.49	.425	.368	.32	.283	.253
Shareholders' equity per share	9.05	7.65	7.95	6.77	5.70	4.93	4.51	4.07	3.46	2.76	2.16
Market price per share (year-end close)	50.62	53.11	59.86	52.53	46.63	41.94	32.44	25.25	21.38	13.69	11.19
Average shares outstanding (millions)—basic	2,968.1	2,998.3	3,033.8	2,993.5	2,978.2	2,973.6	2,951.9	2,938.0	2,820.1	2,796.9	2,816.6
—diluted	3,008.1	3,054.1	3,099.3	3,099.2	3,100.4	3,082.7	3,073.0	3,046.2	2,890.0	2,843.2	2,840.8
Employees (thousands)	110.6	108.3	101.8	100.9	99.8	96.1	92.6	91.5	84.2	83.4	83.2

** Adjusted to reflect the 2001 two-for-one stock split.*

[1] All periods have been adjusted to include the effects of the ALZA merger.

[2] Net of interest and other income.

[3] Also included in cost of materials and services category.

[4] Includes taxes on income, payroll, property and other business taxes.

Reconciliation of Non-GAAP Measures

This table is provided to reconcile certain financial disclosures referenced in the Letter to Shareholders, page 1.

(Dollars in Millions Except Per Share Data)	2003	2002	% Change
Net Earnings — as reported	$ 7,197	6,597	9.1%
In-process research & development (IPR&D)	915	189	
Net Earnings — adjusted for IPR&D	$ 8,112	6,786	19.5%
Net earnings per share — as reported	$ 2.40	$ 2.16	11.1%
In-process research & development (IPR&D)	0.30	0.07	
Net earnings per share — as adjusted for IPR&D	$ 2.70	2.23	21.1%

The Company believes investors gain additional perspective of underlying business trends and results by providing a measure of net earnings and earnings per share that excludes IPR&D and that is helpful in evaluating the ongoing business operations.

Principal Global Affiliates

ADVANCED STERILIZATION PRODUCTS
a Johnson & Johnson company

www.sterrad.com

Advanced Sterilization Products, a division of Ethicon Inc., develops, manufactures and markets a range of sterilization systems and sterilizing/disinfecting solutions. The STERRAD® Sterilization System is safe, fast, environmentally friendly and effective, and can be used on a broad range of medical products in health care facilities. CIDEX® OPA Solution is a fast and effective method to disinfect a wide range of instruments and endoscopes.

alza

www.alza.com

ALZA Corporation has pioneered and continues to lead in the development of drug delivery-based pharmaceuticals. By precisely controlling the targeting, timing and dosing of therapeutic compounds, ALZA develops products that address unmet patient needs. ALZA technology has been incorporated in over 30 commercialized products, including DURAGESIC® (fentanyl transdermal system) CII, CONCERTA® (methylphenidate HCl) CII, DITROPAN XL® (oxybutynin chloride) and DOXIL® (doxorubicin HCl liposome injection).

BabyCenter

www.babycenter.com

BabyCenter, L.L.C. is the leading online pregnancy and parenting resource. Through its Web sites, BabyCenter.com and ParentCenter.com, the company provides health, child development and parenting information customized for a woman's stage of pregnancy or her child's age. BabyCenter also offers an online baby store and an online community.

Centocor

www.centocor.com

Centocor, Inc. is a fully integrated biopharmaceutical and biotechnology company. A world leader in monoclonal antibody technology and manufacturing, Centocor manufactures products including REMICADE® (infliximab) for the treatment of rheumatoid arthritis and Crohn's disease; REOPRO® (abciximab) for use in percutaneous coronary intervention, and RETAVASE® (reteplase recombinant), a clot buster that is administered during heart attack.

Cordis
a Johnson & Johnson company

www.cordis.com

Cordis Corporation develops and markets devices for circulatory disease management, including stents, balloons, vena cava filters and catheters used in treating cardiovascular disease and related conditions. Products are marketed by clinical application through four main divisions: Cordis Cardiology for coronary applications; Cordis Endovascular for all peripheral applications; Cordis Neurovascular for neurological applications; and Biosense Webster for electrophysiology catheters, and three-dimensional navigation and ablation systems.

DePuy
a Johnson & Johnson company

www.depuy.com

DePuy, Inc. develops and markets products under the DePuy Orthopaedics, DePuy Spine, CODMAN® and MITEK® brands. DePuy Orthopaedics and DePuy Ace provide products for reconstructing damaged or diseased joints, and for repairing and reconstructing traumatic skeletal injuries; DePuy Spine facilitates fusion of the spine and correction of spinal deformities, preserving motion of the spine and repairing bone fractures. Codman provides for the surgical treatment of neurological and central nervous system disorders through products such as hydrocephalic shunt valve systems, implantable drug pumps and micro-surgical instrumentation. Mitek Products offers innovative devices in sports medicine for the treatment of soft tissue injuries.

ETHICON
a Johnson & Johnson company

www.ethiconinc.com

Ethicon, Inc. develops and markets products for surgery, wound management and advanced wound care treatment. Products are marketed through four divisions: ETHICON® Products for precise wound closure and tissue repair; CARDIOVATIONS® for minimally invasive cardiac procedures; GYNECARE® for minimally invasive women's health procedures; and Johnson & Johnson Wound Management for hemostasis and advanced wound care.

ETHICON
ENDO-SURGERY, INC.
a Johnson & Johnson company

www.ethiconendo.com

Ethicon Endo-Surgery, Inc. develops and markets advanced medical devices for minimally invasive and open surgical procedures. The company focuses on procedure-enabling devices for the interventional diagnosis and treatment of conditions in general and bariatric surgery, as well as gastrointestinal health, gynecology and surgical oncology. Products include the HARMONIC SCALPEL®, an ultrasonic cutting and coagulating surgical device; the MAMMOTOME® Breast Biopsy System for diagnosis of early-stage breast cancer; and the INDIGO® Laser System, for treatment of the symptoms of Benign Prostatic Hyperplasia.

GREITER AG

Greiter AG develops and produces a line of sunscreen and after-sun products that combine sun protection with special moisturizers. Its products are sold throughout Europe and other markets.

INDEPENDENCE TECHNOLOGY
a Johnson & Johnson company

www.independencenow.com

Independence Technology, L.L.C. markets products and services that increase the independence of people with disabilities. Products include the INDEPENDENCE® iGLIDE™ Manual Assist Wheelchair, the INDEPENDENCE® maxPRO™ Seat Cushion and the INDEPENDENCE® iBOT™ 3000 Mobility System.

JANSSEN-CILAG

www.janssen-cilag.com

The Janssen-Cilag companies market prescription pharmaceuticals including EPREX®/ERYPO® in hematology, RISPERDAL® and RISPERDAL® CONSTA™ in psychiatry, SPORANOX® in dermatology/fungal infections, DURAGESIC®/DUROGESIC® for pain management, TOPAMAX® for epilepsy, PARIET® in gastroenterology and REMINYL® for Alzheimer's disease.

JANSSEN PHARMACEUTICA PRODUCTS, L.P.

www.janssen.com

Janssen Pharmaceutica Products, L.P. produces and markets prescription medications that treat neurological and central nervous system disorders, gastrointestinal conditions, chronic pain and fungal infections. Leading products include RISPERDAL® (risperidone) and RISPERDAL® CONSTA™ [(risperdone) long-acting injection], for psychiatric conditions; DURAGESIC® (fentanyl transdermal system), for chronic pain; ACIPHEX® (rabeprazole sodium), for gastrointestinal conditions; REMINYL® (galantamine hydrobromide), for Alzheimer's disease; and SPORANOX® (itraconazole), for fungal infections.

Johnson & Johnson
CONSUMER PRODUCTS COMPANY
Division of Johnson & Johnson Consumer Companies, Inc.

www.johnsonsbaby.com

Johnson & Johnson Consumer Products Company division of Johnson & Johnson Consumer Companies, Inc. develops and markets baby care, wound care and skin care products that address the needs of the consumer and health care professionals and incorporate the latest innovations. The portfolio includes heritage brands JOHNSON'S® Baby and BAND-AID® Brand as well as leading skin care brands such as AVEENO® and CLEAN & CLEAR®.

Johnson & Johnson
DEVELOPMENT CORPORATION

The Johnson & Johnson Development Corporation (JJDC) makes equity investments in early-stage venture and young publicly-traded health care companies. Portfolio companies include those in the fields of pharmaceuticals, biotechnology, medical and surgical devices, health care information technology, diagnostics and consumer products. JJDC also leads and manages internal investments in selected promising technologies.

Johnson & Johnson
GATEWAY

www.jnjgateway.com

Johnson & Johnson Gateway, LLC develops and manages a Web-based resource of information created for health care professionals by Johnson & Johnson medical devices and diagnostics companies. Product information, clinical content, professional education and patient materials are available in a global Internet destination, which in many countries includes e-commerce transaction and inquiry capabilities.

Johnson & Johnson
HEALTH CARE SYSTEMS INC.

www.jnjgateway.com

Johnson & Johnson Health Care Systems Inc. provides support to key health care customers, including hospital systems and group purchasing organizations, leading health plans, pharmacy benefit managers, and government health care institutions. The company also provides contract management, logistics, supply chain functions and customer support for major Johnson & Johnson franchises — principally medical devices and diagnostics, pharmaceuticals, and consumer and personal care products.

Johnson & Johnson • Merck Consumer Pharmaceuticals Co. is a 50/50 joint venture formed to develop and market nonprescription products derived primarily from Merck & Co., Inc. prescription medicines, as well as products licensed and acquired from outside sources. Current products include PEPCID® AC Acid Controller, for both the prevention and relief of heartburn and acid indigestion; PEPCID® Complete, a combination acid controller and antacid; and MYLANTA® Antacid, a line of antacid/antigas products in liquid and solid forms.

www.jnj-merck.com

A global leader in pharmaceutical R&D, Johnson & Johnson Pharmaceutical Research & Development, L.L.C. develops treatments that improve the health and lifestyles of people worldwide. Research areas include psychiatry, gastroenterology, oncology, anti-infectives, central nervous system, diabetes, hematology, immunology/inflammation, and women's health.

www.jnjpharmarnd.com

Johnson & Johnson Sales and Logistics Company, a division of Johnson & Johnson Consumer Companies, Inc., provides sales, marketing and logistical services to U.S. retail customers on behalf of the U.S. consumer companies. It represents one point of contact with our customers for selling teams, customer service, distribution, retail merchandising and professional detailing. Additionally, it provides leadership for an emerging global customer base in the areas of transportation, enterprise-wide systems, business processes and global customer development.

Johnson & Johnson Vision Care, Inc. includes The Spectacle Lens Group and Vistakon divisions. The Spectacle Lens Group designs, develops, manufactures and markets spectacle lenses, with a focus on Progressive Addition Lens products for presbyopes. Vistakon specializes in disposable contact lens brand products, including ACUVUE®, ACUVUE® 2, and SUREVUE® Brands; 1-DAY ACUVUE® Brand; ACUVUE® Brand Bifocal Contact Lens; ACUVUE® Brand Toric, for people with astigmatism; ACUVUE® 2 COLOURS™ Brand Contact Lenses, and ACUVUE® ADVANCE™ Brand Contact Lenses with HYDRACLEAR™.

www.jnjvision.com

LifeScan, Inc. is dedicated to improving the quality of life for people with diabetes by developing, manufacturing and marketing a wide range of blood glucose monitoring systems and software for use by individuals with diabetes and by health care institutions. The ONETOUCH® Brand of consumer and institutional products includes portable electronic meters and disposable reagent test strips to provide accurate, less painful blood glucose readings and the tools to transform this information into actionable health care decisions.

www.lifescan.com

McNeil Consumer & Specialty Pharmaceuticals, a division of McNeil-PPC, Inc., markets over-the-counter and prescription pharmaceuticals including complete lines of TYLENOL® Acetaminophen and MOTRIN® IB Ibuprofen products for adults and children. Other McNeil brands include IMODIUM® A-D Anti-diarrheal, ST. JOSEPH® Adult Regimen Aspirin and NIZORAL® A-D Shampoo. Its prescription products include CONCERTA® (methylphenidate HCl) for attention deficit hyperactivity disorder, and FLEXERIL® (cyclobenzaprine HCl) 5 mg tablets, for the relief of muscle spasm associated with acute, painful musculoskeletal conditions.

www.tylenol.com

McNeil Nutritionals, a division of McNeil-PPC, Inc., markets nutritional products that are validated by science. Its major brands include SPLENDA® No Calorie Sweetener, VIACTIV® Soft Calcium Chews, LACTAID® Milk and Dietary Supplements and BENECOL® Spreads and SoftGels that are proven to reduce cholesterol.

www.splenda.com

Neutrogena Corporation develops, manufactures and markets premium skin and hair care products sold worldwide and recommended by medical professionals. The product line includes bar and liquid cleansers, shampoo, hand cream, body lotion, facial moisturizers, bath preparations and cosmetics, as well as other hair and skin care products. Through OrthoNeutrogena, a division of Ortho-McNeil Pharmaceutical, Inc., the company markets skin and hair care products recommended, used and prescribed by dermatologists.

www.neutrogena.com

Noramco, Inc. produces a variety of active pharmaceutical ingredients besides being a major worldwide producer of medicinal analgesics, pharmaceutical intermediates and synthetic fine organic chemicals. It also produces monomers and polymers for pharmaceutical and medical devices.

www.noramco.com

ORTHO BIOTECH

www.orthobiotech.com

Ortho Biotech Products, L.P., and its worldwide affiliates market PROCRIT®/EPREX®/ERYPO® (Epoetin alfa) — used to treat anemia associated with serious chronic conditions. The company also markets ORTHOCLONE OKT®3 (muromonab-CD3), a monoclonal antibody used to treat organ transplant rejection, and LEUSTATIN® (cladribine) to treat hairy cell leukemia. Its Tibotec Therapeutics division markets DOXIL® (doxorubicin HCl liposome injection) for the treatment of certain types of cancer.

Ortho-Clinical Diagnostics
a Johnson & Johnson company

www.orthoclinical.com

Ortho-Clinical Diagnostics, Inc. provides professional diagnostic products to hospital laboratories, commercial clinical laboratories and blood donor centers. Its products include reagents used in blood transfusions and blood screening; reagents and instrument systems for clinical chemistry and immunoassays; as well as RhoGAM®, an injectable drug used to prevent hemolytic disease of the newborn.

ORTHO-McNEIL
PHARMACEUTICAL, INC.

www.ortho-mcneil.com

Ortho-McNeil Pharmaceutical, Inc. provides prescription drugs in women's health, analgesics, anti-infectives, anti-epileptics and urology. Women's health products include ORTHO EVRA® (norelgestromin/ethinyl estradiol), the contraceptive patch, and ORTHO TRI-CYCLEN® LO (norgestimate/ethinyl estradiol), an oral contraceptive. Other products include ULTRACET® (tramadol HCl), a pain medication; AXERT® (almotriptan malate tablets), for migraine headaches; LEVAQUIN® (levofloxacin), an antibiotic; DITROPAN XL® (oxybutynin chloride) for overactive bladder; ELMIRON™ (pentosan polysulfate sodium) for interstitial cystitis; and TOPAMAX® (topiramate), an anti-epileptic.

Personal Products COMPANY

www.itsmybody.com

Personal Products Company, a division of McNeil-PPC, Inc., is a leader in the consumer oral health market with REACH® toothbrushes, Johnson & Johnson REACH® floss and ACT® rinse. ARESTIN® (minocycline HCl 1mg) is a technological advance for the adjunct treatment of periodontal disease. Personal Products is also in the women's health market with MONISTAT® vaginal yeast cures and K-Y® personal lubricant. The company's line of sanitary products includes CAREFREE® pantiliners, o.b.® tampons and STAYFREE® maxi pads.

scios

www.sciosinc.com

Scios Inc. is a research-based company that uses cutting-edge technology in drug discovery and development and in understanding disease pathway physiology. Its principal product is NATRECOR® (nesiritide) for acute congestive heart failure.

THERAKOS
a Johnson & Johnson company

www.therakos.com

Therakos, Inc. specializes in extracorporeal cell-based therapies for the prevention and treatment of serious immune-mediated and neoplastic diseases that have substantial unmet medical needs. Therakos' proprietary procedures in photopheresis are used by physicians for the palliative treatment of the skin manifestations of cutaneous T-cell lymphoma.

tibotec

www.tibotec.com

Tibotec Pharmaceuticals Limited discovers and develops anti-retrovirals for the management of HIV/AIDS and anti-infectives. The company currently has anti-retrovirals in clinical development in both the non-nucleoside reverse transcriptase inhibitor and protease inhibitor classes. TIBOZOLE™ (miconazole nitrate 10 mg) is a muco-adhesive tablet containing miconazole for once daily topical treatment of oro-pharyngeal candidiasis, the most common opportunistic infection in people with HIV/AIDS in Africa.

VERIDEX LLC
a Johnson & Johnson company

www.veridex.com

Veridex, LLC develops cancer diagnostic products that will enable earlier disease detection as well as more accurate staging, monitoring and therapeutic selection. The company is initially developing two complementary product lines: CELLSEARCH™ assays that identify, enumerate and characterize circulating tumor cells directly from whole blood; and GENESEARCH™ assays that use molecular technology to diagnose, stage and more accurately characterize tumors.

virco

www.vircolab.com

Virco BVBA develops and provides innovative and practical diagnostic services for the management of HIV infection, including the VIRTUALPHENOTYPE™ and the ANTIVIROGRAM® for HIV drug resistance testing. The company's mission is to enhance the clinical management of viral infections by providing advanced diagnostic tools based on pharmacogenomic principles in order to improve patient care and quality of life.

Worldwide Family of Companies

United States

Advanced Sterilization Products
Irvine, California

ALZA Corporation
Mountain View, California
H. B. Rosen, President

BabyCenter, L.L.C.
San Francisco, California
M. Baker, President

Centocor, Inc.
Commercial Operations
Horsham, Pennsylvania
W. A. Vernon, President

Research & Development
Radnor, Pennsylvania
J. P. Siegel, President

Global Biologics Supply Chain, LLC
Horsham, Pennsylvania
R.J. Sheroff, President

Cordis Corporation
Cardiology
Miami, Florida
R. Anderson, President

Endovascular
Warren, New Jersey
C. L. Zilm, President

Biosense Webster, Inc.
Diamond Bar, California
R. T. Tanaka, U.S. President

Neurovascular
Miami, Florida
C. L. Zilm, President

DePuy, Inc.
Warsaw, Indiana
K. K. Sidow, Worldwide President

DePuy Orthopaedics, Inc.
Warsaw, Indiana

DePuy Spine, Inc.
Raynham, Massachusetts
E. R. Fender, Worldwide President

Codman & Shurtleff, Inc.
Raynham, Massachusetts
G. Kashuba, Worldwide President

DePuy Mitek, Inc.
Westwood, Massachusetts

eJNJ, LLC
North Brunswick, New Jersey
J. M. Hammitt, President

Ethicon, Inc.
CardioVations
Somerville, New Jersey
R. C. Coradini, Worldwide President

Ethicon Products
Somerville, New Jersey
R. Bianchi, Worldwide President

Gynecare
Somerville, New Jersey
B. Schwartz, Ph.D., Worldwide President

Johnson & Johnson Wound Management
Somerville, New Jersey
D. Wildman, Worldwide President

Ethicon Endo-Surgery, Inc.
Cincinnati, Ohio
R. Salerno, President

Oncology Division
C. Groehl, President

Independence Technology, L.L.C.
Warren, New Jersey
M. T. Campbell, President

Janssen Pharmaceutica Products, L.P.
Titusville, New Jersey
P. K. Miller, President

Johnson & Johnson Consumer Products Company
Division of Johnson & Johnson
Consumer Companies, Inc.
Skillman, New Jersey
S. K. D'Agostino, Global President,
Skin Care

S. McCoy, President,
Baby/Kids and Wound Care

Johnson & Johnson Development Corporation
New Brunswick, New Jersey
D. P. Holveck, President

Johnson & Johnson Gateway, LLC
Piscataway, New Jersey
L. Lee, Worldwide Vice President

Johnson & Johnson Health Care Systems Inc.
Piscataway, New Jersey
M. W. Barstad, President, Acute Care

D. J. Martin, President, Managed
Markets

Johnson & Johnson•Merck Consumer Pharmaceuticals Co.
Fort Washington, Pennsylvania
R. Van den Hooff, President

Johnson & Johnson Networking & Computing Services
Division of Johnson & Johnson
Services, Inc.
Raritan, New Jersey
M. A. Shea, President

Johnson & Johnson Pharmaceutical Research & Development, L.L.C.
Raritan, New Jersey
H. F. Weisman, M.D., President

Johnson & Johnson Sales and Logistics Company
Division of Johnson & Johnson
Consumer Companies, Inc.
New Brunswick, New Jersey
J. Colleran, President

Johnson & Johnson Vision Care, Inc.
The Spectacle Lens Group
Roanoke, Virginia
J. F. Hogan, President

Vistakon
Jacksonville, Florida
D. M. Casey, Jr., Group President,
Global Franchise and Americas

LifeScan, Inc.
Milpitas, California
P. B. Luther, President

McNeil Consumer & Specialty Pharmaceuticals
Division of McNeil-PPC, Inc.
Fort Washington, Pennsylvania
W. L. McComb, President

McNeil Nutritionals
Division of McNeil-PPC, Inc.
Fort Washington, Pennsylvania
C. F. Watts, President

Neutrogena Corporation
Los Angeles, California
E. M. McNamara, Global President

Noramco, Inc.
Athens, Georgia
R. E. Perkins, President

Ortho Biotech Products, L.P.
Bridgewater, New Jersey
J. Johnson, President

Tibotec Therapeutics
Bridgewater, New Jersey
G. Mattes, President

Ortho-Clinical Diagnostics, Inc.
Raritan, New Jersey
Rochester, New York
C. E. Holland, President

Ortho-McNeil Pharmaceutical, Inc.
Raritan, New Jersey
S. H. Z. Fischer, President

Personal Products Company
Division of McNeil-PPC, Inc.
Skillman, New Jersey
M. E. Sneed, Global President

Pharmaceutical Sourcing Group – Americas
Division of Ortho-McNeil
Pharmaceutical, Inc.
Bridgewater, New Jersey
C. E. Austin, President

Scios Inc.
Fremont, California
J. Mitchell, President

Therakos, Inc.
Exton, Pennsylvania
M. Rechtiene, General Manager

Veridex, LLC
Raritan, New Jersey
M. Myslinski, General Manager

Canada

Janssen-Ortho Inc.
North York, Ontario

Johnson & Johnson Inc.
Montreal, Quebec

Johnson & Johnson Medical Products
Markham, Ontario

LifeScan Canada Ltd.
Burnaby, British Columbia

McNeil Consumer Healthcare, Canada
Guelph, Ontario

Ortho Biotech
Toronto, Ontario

Ortho-Clinical Diagnostics
Mississauga, Ontario

Vistakon
Markham, Ontario

Latin America

Argentina
Janssen-Cilag Farmaceutica
Buenos Aires

Johnson & Johnson de
Argentina S.A. C.e.l.
Buenos Aires

Johnson & Johnson Medical S.A.
Buenos Aires

Brazil
Janssen-Cilag Farmaceutica Ltda.
São Paulo

Johnson & Johnson Indústria
e Comércio Ltda.
São Paulo

Johnson & Johnson Professional
Products Ltda.
São Paulo

Chile
Johnson & Johnson de Chile S.A.
Santiago

Colombia
Janssen-Cilag Farmaceutica S.A.
Bogota

Johnson & Johnson de Colombia S.A.
Cali

Johnson & Johnson Medical Colombia
Bogota

Ecuador
Johnson & Johnson del Ecuador, S.A.
Guayaquil, Ecuador

Mexico
Janssen-Cilag Farmaceutica,
S.A. de C.V.
Mexico City

Johnson & Johnson de Mexico,
S.A. de C.V.
Mexico City

Johnson & Johnson Medical Mexico,
S.A. de C.V.
Mexico City

Panama
Johnson & Johnson Central America
Panama City

Paraguay
Johnson & Johnson del Paraguay
Asunsion, Paraguay

Peru
Johnson & Johnson del Peru S.A.
Lima

Puerto Rico
Johnson & Johnson (Caribbean)
Caguas

Johnson & Johnson Medical (Caribbean)
Caguas

Uruguay
Johnson & Johnson de Uruguay S.A.
Montevideo

Venezuela
Janssen-Cilag Farmaceutica C.A.
Caracas

Johnson & Johnson de Venezuela, S.A.
Caracas

Europe

Austria
Janssen-Cilag G.m.b.H.
Vienna

Johnson & Johnson G.m.b.H.
Hallein

Johnson & Johnson Medical G.m.b.H.
Vienna

Belgium
Janssen-Cilag N.V.
Antwerp

Janssen Pharmaceutica N.V.
Beerse

Johnson & Johnson Consumer Benelux
Brussels

LifeScan Benelux N.V.
Beerse

Tibotec-Virco N.V.
Mechelen

Virco BVBA
Mechelen

Czech Republic
Janssen-Cilag
Prague

Johnson & Johnson spol. s.r.o.
Prague

Denmark
Janssen-Cilag
Birkerod

England
Cordis U.K. Limited
South Ascot

DePuy International Limited
Leeds

Ethicon Endo-Surgery U.K.
Bracknell

Janssen-Cilag Limited
High Wycombe

Johnson & Johnson Limited
Maidenhead

LifeScan U.K.
High Wycombe

Ortho-Clinical Diagnostics
Amersham

Vistakon Europe
Bracknell

Finland
Janssen-Cilag OY
Espoo

France
Cordis S.A.
Issy-Les-Moulineaux

DePuy France S.A.
Lyon

Ethicon S.A.
Issy-Les-Moulineaux

Ethicon Endo-Surgery S.A.
Issy-Les-Moulineaux

Janssen-Cilag S.A.
Issy-Les-Moulineaux

Johnson & Johnson
Consumer France S.A.S.
Issy-Les-Moulineaux

Johnson & Johnson Vision Care
Issy-Les-Moulineaux

LifeScan
Issy-Les-Moulineaux

Ortho-Clinical Diagnostics S.A.
Issy-Les-Moulineaux

Germany
Cordis G.m.b.H.
Langenfeld

DePuy Orthopädie G.m.b.H.
Sulzbach

Ethicon G.m.b.H.
Norderstedt

Ethicon Endo-Surgery
(Europe) G.m.b.H.
Norderstedt

Janssen-Cilag G.m.b.H.
Rosellen

Johnson & Johnson G.m.b.H.
Düsseldorf

LifeScan G.m.b.H.
Neckargemund

Ortho-Clinical Diagnostics G.m.b.H.
Neckargemund

Johnson & Johnson Vision Care
Norderstedt

Greece
Janssen-Cilag Pharmaceutical S.A.C.I.
Athens

Johnson & Johnson Hellas S.A.
Athens

Johnson & Johnson
Medical Products S.A.
Athens

Hungary
Janssen-Cilag Kft.
Budapest

Johnson & Johnson Kft.
Budapest

Ireland
DePuy Ireland
Cork

Janssen-Cilag Pharmaceutical Limited
Cork

Johnson & Johnson (Ireland) Limited
Tallaght

Johnson & Johnson Medical
Dublin

Italy
Cordis S.p.A.
Milan

DePuy Italy SRL
Milan

Ethicon S.p.A.
Rome

Ethicon Endo-Surgery
Rome

Janssen-Cilag S.p.A.
Milan

Johnson & Johnson S.p.A.
Rome

LifeScan
Milan

Ortho-Clinical
Diagnostics S.p.A.
Milan

Vistakon
Rome

The Netherlands
Cordis Benelux
Amersfoort

Janssen-Cilag B.V.
Tilburg

Johnson & Johnson/Gaba B.V.
Almere

Johnson & Johnson Medical B.V.
Zaventem

Johnson & Johnson Vision Care
Amersfoort

Norway
Janssen-Cilag AS
Oslo

Poland
Janssen-Cilag
Warsaw

Johnson & Johnson Poland, Sp. z.o.o.
Warsaw

Portugal
Janssen-Cilag Farmaceutica, Ltda.
Queluz

Johnson & Johnson Limitada
Queluz

Johnson & Johnson Professional
Products, Limitada
Queluz

Russia
Johnson & Johnson L.L.C.
Moscow

Scotland
Ethicon Limited
Edinburgh

Slovenia
Johnson & Johnson S.E.
Ljubljana

Spain
Janssen-Cilag S.A.
Madrid

Johnson & Johnson S.A.
Madrid

Johnson & Johnson Medical
Madrid

Johnson & Johnson • Merck Europe
Madrid

LifeScan
Madrid

Ortho-Clinical Diagnostics
Madrid

Johnson & Johnson Vision Care
Madrid

Sweden
Janssen-Cilag AB
Sollentuna

Johnson & Johnson AB
Sollentuna

Johnson & Johnson Consumer
Products
Sollentuna

Switzerland
Cilag AG
Schaffhausen

Greiter AG
Baar

Janssen-Cilag
Zug

Janssen-Cilag AG
Baar

Johnson & Johnson AG
Spreitenbach

Johnson & Johnson Medical
Spreitenbach

LifeScan
Zug

McNeil Consumer Nutritionals Europe
Zug

Turkey
Johnson & Johnson Limited
Istanbul

Janssen-Cilag
Istanbul

Asia-Pacific, Africa

Australia
DePuy Australia Pty. Ltd.
Notting Hill, Victoria

Janssen-Cilag Pty. Ltd.
North Ryde

Johnson & Johnson Medical Pty. Ltd.
North Ryde

Johnson & Johnson Pacific Pty. Limited
Sydney

Johnson & Johnson Vision Care
Sydney

Ortho-Clinical Diagnostics
Mount Waverley, Victoria

Tasmanian Alkaloids Pty. Limited
Westbury, Tasmania

China
Johnson & Johnson China Ltd.
Shanghai

Johnson & Johnson Medical Ltd.
Shanghai

Shanghai Johnson & Johnson Ltd.
Shanghai

Shanghai Johnson & Johnson
Pharmaceuticals Ltd.
Shanghai

Xian-Janssen Pharmaceutical Ltd.
Beijing

Egypt
Johnson & Johnson (Egypt) S.A.E.
Cairo

Hong Kong
Janssen-Cilag
Hong Kong

Johnson & Johnson (Hong Kong) Limited
Hong Kong

Johnson & Johnson Medical Hong Kong
Hong Kong

Vistakon
Hong Kong

India
Janssen-Cilag
Mumbai

Johnson & Johnson Limited
Mumbai

Johnson & Johnson Professional
Mumbai

Indonesia
Janssen-Cilag Pharmaceutica
Jakarta

P.T. Johnson & Johnson Indonesia
Jakarta

Israel
Biosense Europe
Haifa

Janssen-Cilag
Kibbutz Shefayim

Johnson & Johnson Medical
Kibbutz Shefayim

Japan
DePuy Japan, Inc.
Tokyo

Janssen Pharmaceutical K.K.
Tokyo

Johnson & Johnson K.K.
Tokyo

Johnson & Johnson Medical
Tokyo

Ortho-Clinical Diagnostics K.K.
Tokyo

Vistakon Japan
Tokyo

Korea
Janssen-Cilag Korea, Ltd.
Seoul

Johnson & Johnson Korea, Ltd.
Seoul

Johnson & Johnson Medical Korea Ltd.
Seoul

Johnson & Johnson Vision Care
Seoul

Malaysia
Johnson & Johnson Sdn. Bhd.
Selangor Darul Ehsan

Morocco
Johnson & Johnson Morocco S.A.
Casablanca

New Zealand
DePuy New Zealand Ltd.
Auckland

Pakistan
Johnson & Johnson Pakistan
(Private) Limited
Karachi

Philippines
Janssen-Cilag Philippines
Metro Manila

Johnson & Johnson (Philippines), Inc.
Metro Manila

Saudi Arabia
Johnson & Johnson Saudi Arabia
Riyadh

Singapore
Janssen-Cilag Singapore/Malaysia
Singapore

Johnson & Johnson Medical Singapore
Singapore

Johnson & Johnson Pte. Ltd.
Singapore

Johnson & Johnson Vision Care
Singapore

Ortho-Clinical Diagnostics
Singapore

South Africa
Janssen-Cilag (Pty.) Ltd.
Sandton

Johnson & Johnson (Pty.) Limited
East London

Johnson & Johnson Medical (Pty.) Ltd.
Halfway House

Taiwan
Janssen-Cilag Taiwan
Taipei

Johnson & Johnson Medical Taiwan
Taipei

Johnson & Johnson Taiwan, Ltd.
Taipei

Thailand
Janssen-Cilag Pharmaceutica Limited
Bangkok

Johnson & Johnson Asean Limited
Bangkok

Johnson & Johnson Medical Thailand
Bangkok

United Arab Emirates
Johnson & Johnson (Middle East) Inc.
Dubai

Corporate and Shareholder/Investor Information

Principal Office
One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933
(732) 524-0400

Annual Meeting
The Annual Meeting of Shareholders will take place April 22, 2004, at the Hyatt Regency New Brunswick, 2 Albany Street, New Brunswick, New Jersey. The meeting will convene at 10 A.M. All shareholders are cordially invited to attend. A formal Notice of Meeting, Proxy Statement and Proxy have been sent to shareholders.

Corporate Governance
Copies of the Company's 2003 Annual Report on Form 10-K and Quarterly Reports on Form 10-Q to the Securities and Exchange Commission, and the Annual Report are available online at www.jnj.com, or to shareholders without charge upon written request to the Secretary at the Company's principal office or by calling (800) 328-9033 or (781) 575-2718 (outside the U.S.).

In addition, on the Company's corporate governance Web site at www.investor.jnj.com/governance, shareholders can see the Company's Principles of Corporate Governance, Charters of the Audit Committee, Compensation & Benefits Committee and Nominating & Corporate Governance Committee, the Policy on Business Conduct for employees and Code of Business Conduct & Ethics for Directors and Executive Officers. Copies of these documents are available to shareholders without charge upon written request to the Secretary at the Company's principal address.

The Company is required to file as an Exhibit to its Form 10-K for fiscal year 2003 a Certification under Section 302 of the Sarbanes-Oxley Act signed by the Chief Executive Officer and the Chief Financial Officer. In addition, the Company will be required to submit a certification signed by the Chief Executive Officer to the New York Stock Exchange within 30 days following the Annual Meeting of Shareholders. Copies of these Certifications will be posted on the Company's corporate governance Web site.

Common Stock
Listed on New York Stock Exchange
Stock Symbol JNJ

Shareholder Relations Contact
Michael H. Ullmann
Corporate Secretary
(732) 524-2455

Investor Relations Contact
Helen E. Short
Vice President, Investor Relations
(800) 950-5089
(732) 524-6492

Transfer Agent and Registrar
Questions regarding stock holdings, certificate replacement/transfer, dividends and address changes should be directed to:
EquiServe Trust Company, N.A.
P. O. Box 43069
Providence, Rhode Island 02940-3069
(800) 328-9033 or (781) 575-2718 (outside the U.S.)
Internet: (EquiServe Home Page) http://www.EquiServe.com

Dividend Reinvestment Plan
The Plan allows for full or partial dividend reinvestment, and additional monthly cash investments up to $50,000 per year, in Johnson & Johnson stock without brokerage commissions or service charges on stock purchases. If you are interested in joining the Plan and need an authorization form and/or more background information, please call EquiServe Trust Company, N.A. at (800) 328-9033 or (781) 575-2718 (outside the U.S.).

Hearing Impaired
Shareholders who have inquiries regarding stock-related matters can communicate directly with EquiServe Trust Company, N.A. via a telecommunications device (TDD). The telephone number for this service is (800) 952-9245 or (781) 575-2692 (outside the U.S.).

World Wide Web Site
http://www.jnj.com

This Annual Report is printed in its entirety on recycled paper.

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

One Johnson & Johnson Plaza
New Brunswick, New Jersey 08933