JOHNSON & JOHNSON

FORM 10-K
(Annual Report)

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Address	ONE JOHNSON & JOHNSON PLZ
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Industry	Major Drugs
Sector	Healthcare
Fiscal Year	01/03

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 28, 2003 COMMISSION FILE NUMBER 1-3215

JOHNSON & JOHNSON

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEW JERSEY (State of Incorporation)	22-1024240 (I.R.S. Employer Identification No.)
ONE JOHNSON & JOHNSON PLAZA NEW BRUNSWICK, NEW JERSEY (Address of principal executive offices)	08933 (Zip Code)

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

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, Par Value $1.00	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [X] No [ ]

The aggregate market value of the common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $153 billion.

On February 24, 2004 there were 2,967,840,022 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II:	Portions of registrant's annual report to shareholders for fiscal year 2003 (the "Annual Report").
Part III:	Portions of registrant's proxy statement for its 2004 annual meeting (the "Proxy Statement").

PART I

PART I

ITEM 1. BUSINESS

GENERAL

Johnson & Johnson, employing approximately 110,600 people worldwide, is engaged in the manufacture and sale of a broad range of products in the health care field. Through over 200 operating companies, it conducts business in virtually all countries of the world. Johnson & Johnson's primary interest, both historically and currently, has been in products related to human health and well-being. Johnson & Johnson was organized in the State of New Jersey in 1887.

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

SEGMENTS OF BUSINESS

Johnson & Johnson's worldwide business is divided into three segments:
Consumer, Pharmaceutical and Medical Devices and Diagnostics. Additional information required by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) descriptions of segments and operating results under "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 through 37 and 61 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2003 (the "Annual Report"), which is filed as Exhibit 13 to this Report on Form 10-K.

CONSUMER

The Consumer segment manufactures and markets a broad range of products used in the baby and child care, skin care, oral and wound care and women's health care fields, as well as nutritional and over-the-counter pharmaceutical products. Major brands include AVEENO skin care products; BAND-AID Brand Adhesive Bandages; CAREFREE Panty Shields; CLEAN & CLEAR teen skin care products; JOHNSON'S Baby line of products; MOTRIN IB ibuprofen products; PEPCID AC Acid Controller from Johnson & Johnson -- Merck Consumer Pharmaceuticals Co.; NEUTROGENA skin and hair care products; SPLENDA, a no calorie sweetener; STAYFREE sanitary protection products; and the broad family of TYLENOL acetaminophen 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.

PHARMACEUTICAL

The Pharmaceutical segment's principal worldwide franchises are in the antifungal, anti-infective, cardiovascular, contraceptive, dermatology, gastrointestinal, hematology, immunology, neurology, oncology, pain management, psychotropic (central nervous system) and urology fields. These products are distributed both directly and through wholesalers and health care professionals for use by prescription by the general public. Key products in the Pharmaceutical segment include: PROCRIT (Epoetin alfa, sold outside the U.S. as EPREX), a biotechnology derived product that stimulates red blood cell production; DURAGESIC (fentanyl transdermal system, sold abroad as DUROGESIC), a treatment for chronic pain that offers a novel delivery system; RISPERDAL (risperidone) and RISPERDAL CONSTA [(risperidone) long-acting injection], for treatment of the symptoms of schizophrenia; REMICADE (infliximab), a novel monoclonal antibody therapy indicated to treat the symptoms of Crohn's disease and rheumatoid arthritis; LEVAQUIN (levofloxacin) and FLOXIN (ofloxacin), both in the anti-infective field; TOPAMAX (topiramate), an anti-epileptic; ORTHO EVRA (norelgestromin/ethinyl estradiol transdermal system), the first contraceptive patch approved by the Food and Drug Administration (FDA); DOXIL (doxorubicin), an anti-cancer treatment; DITROPAN XL (oxybutynin chloride), for the treatment of overactive bladder; REMINYL (galantamine), for patients with mild to moderate Alzheimer's disease; and NATRECOR (nesiritide), a novel agent approved for congestive heart failure.

MEDICAL DEVICES AND DIAGNOSTICS

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

GEOGRAPHIC AREAS

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

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

RAW MATERIALS

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

PATENTS AND TRADEMARKS

Johnson & Johnson has made a practice of obtaining patent protection on its products and processes where possible. Johnson & Johnson owns or is licensed under a number of patents relating to its products and manufacturing processes, which in the aggregate are believed to be of material importance in the operation of its business. Sales of PROCRIT and RISPERDAL each accounted for over 5% of Johnson & Johnson's total revenues for 2003. Accordingly, the patents related to these products are believed to be material in relation to Johnson & Johnson as a whole.

During the next two years, EPREX, DURAGESIC and certain contraceptive products have or will lose their basic patent protection and will be subject to generic competition. The expiration of a product patent typically results in a loss of market exclusivity and can result in a significant reduction in sales. Sales of these products account for approximately 6% of Johnson & Johnson's annual worldwide sales.

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

SEASONALITY

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

COMPETITION

In all their product lines, Johnson & Johnson companies compete with companies both large and small, located in the United States and abroad. Competition is strong in all lines without regard to the number and

size of the competing companies involved. Competition in research, involving the development of new products and processes and the improvement of existing products and processes, is particularly significant and results from time to time in product and process obsolescence. The development of new and improved products is important to Johnson & Johnson's success in all areas of its business. This competitive environment requires substantial investments in continuing research and in multiple sales forces. In addition, the winning and retention of customer acceptance of the products of Johnson & Johnson's consumer businesses involve heavy expenditures for advertising, promotion and selling.

RESEARCH

Research activities are important to all segments of Johnson & Johnson's business. Major research facilities are located not only in the United States but also in Australia, Belgium, Brazil, Canada, Germany, Switzerland and the United Kingdom. The costs of Johnson & Johnson's worldwide research activities relating to the development of new products, the improvement of existing products, technical support of products and compliance with governmental regulations for the protection of the consumer amounted to $4,684, $3,957, and $3,591 million for fiscal years 2003, 2002 and 2001, respectively. These costs are charged directly to income in the year in which incurred. All research was sponsored by Johnson & Johnson.

ENVIRONMENT

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

REGULATION

Most of Johnson & Johnson's business is subject to varying degrees of governmental regulation in the countries in which operations are conducted, and the general trend is toward regulation of increasing stringency. In the United States, the drug, device, diagnostics and cosmetic industries have long been subject to regulation by various federal, state and local agencies, primarily as to product safety, efficacy, advertising and labeling. The exercise of broad regulatory powers by the Food and Drug Administration (the "FDA") continues to result in increases in the amounts of testing and documentation required for FDA clearance of new drugs and devices and a corresponding increase in the expense of product introduction. Similar trends toward product and process regulation are also evident in a number of major countries outside of the United States, especially in the European Economic Community where efforts are continuing to harmonize the internal regulatory systems.

The costs of human health care have been and continue to be a subject of study, investigation and regulation by governmental agencies and legislative bodies in the United States and other countries. In the United States, attention has been focused on drug prices and profits and programs that encourage doctors to write prescriptions for particular drugs or recommend particular medical devices. Managed care has become a more potent force in the market place and it is likely that increased attention will be paid to drug and medical device pricing, appropriate drug and medical device utilization and the quality of health care. There is also uncertainty as to the impact of the Medicare Prescription Drug, Improvement and Modernization Act which was enacted in the latter part of 2003.

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

In addition, sales and marketing practices in the health care industry have come under increased scrutiny by government agencies and state attorney generals and resulting investigations and prosecutions carry the risk of significant civil and criminal penalties.

AVAILABLE INFORMATION

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

ITEM 2. PROPERTIES

Johnson & Johnson and its worldwide subsidiaries operate 154 manufacturing facilities occupying approximately 18 million square feet of floor space.

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

SEGMENT	SQUARE FEET (IN THOUSANDS)
Consumer	5,010
Pharmaceutical	6,043
Medical Devices and Diagnostics	7,140
Worldwide total	18,193

Within the United States, 9 facilities are used by the Consumer segment, 12 by the Pharmaceutical segment and 47 by the Medical Devices and Diagnostics segment. Johnson & Johnson's manufacturing operations outside the United States are often conducted in facilities which serve more than one segment of the business.

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

GEOGRAPHIC AREA	NUMBER OF FACILITIES	SQUARE FEET (IN THOUSANDS)
United States	68	7,113
Europe	39	6,847
Western Hemisphere excluding U.S.A.	15	2,391
Africa, Asia and Pacific	32	1,842
Worldwide total	154	18,193

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

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

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

For information regarding lease obligations see Note 4 "Rental Expense and Lease Commitments" under "Notes to Consolidated Financial Statements" on page 45 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K. Segment information on additions to Johnson & Johnson's property, plant and equipment is contained on page 61 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 18 "Legal Proceedings" under "Notes to Consolidated Financial Statements" on page 55 through 59 of the Annual Report is incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K.

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

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below are the executive officers of Johnson & Johnson as of March 10, 2004, each of whom, unless otherwise indicated below, has been an employee of the Company or its affiliates and held the position indicated during the past five years. There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was selected. At the annual meeting of the Board of Directors, the executive officers are elected by the Board to hold office for one year and until their respective successors are elected and qualified, or until earlier resignation or removal.

Information with regard to the directors of the Company, including those of the following executive officers who are directors, is incorporated herein by reference to pages 3 through 9 of Johnson & Johnson's Proxy Statement dated March 10, 2004 (the "Proxy Statement").

NAME	AGE	POSITION
Robert J. Darretta.....	57	Vice Chairman, Board of Directors; Member, Executive Committee; Chief Financial Officer
Russell C. Deyo.....	54	Member, Executive Committee; Vice President, Administration(a)
Michael J. Dormer.....	52	Member, Executive Committee; Worldwide Chairman, Medical Devices(b)
Roger S. Fine.....	61	Member, Executive Committee; Vice President, General Counsel(c)
Colleen A. Goggins.....	49	Member, Executive Committee; Worldwide Chairman, Consumer & Personal Care Group(d)
JoAnn Heffernan Heisen.....	54	Member, Executive Committee; Vice President, Chief Information Officer(e)
Brian D. Perkins.....	50	Member, Executive Committee; Worldwide Chairman, Consumer Pharmaceuticals & Nutritionals Group(f)
Per A. Peterson, M.D., Ph.D.	59	Member, Executive Committee; Chairman, Pharmaceuticals Research & Development(g)
Christine A. Poon.....	51	Member, Executive Committee; Worldwide Chairman, Medicines & Nutritionals(h)
Nicholas J. Valeriani.....	47	Member, Executive Committee; Vice President, Human Resources; Worldwide Chairman, Diagnostics(i)

NAME	AGE	POSITION
William C. Weldon.....	55	Chairman, Board of Directors; Chief Executive Officer; Chairman, Executive Committee

(a) Mr. R. C. Deyo joined the Company in 1985 and became Associate General Counsel in 1991. He became a Member of the Executive Committee and Vice President, Administration in 1996. Mr. Deyo will become Vice President, General Counsel as of April 1, 2004.

(b) Mr. M. J. Dormer joined the Company in 1998 as Company Group Chairman, Worldwide Franchise Chairman for DePuy and Codman, when the Company acquired DePuy, Inc. At the time of that acquisition, he had been Chief Operating Officer of DePuy, Inc. since 1996. Mr. Dormer served as President of DePuy International Ltd. from 1992 to 1996. Mr. Dormer became a Member of the Executive Committee and Franchise Group Chairman for Medical Devices in 2001. In April 2002, Mr. Dormer was named Worldwide Chairman, Medical Devices Group.

(c) Mr. R. S. Fine joined the Company in 1974 and became a Member of the Executive Committee and Vice President, Administration in 1991 and Vice President, General Counsel in 1996. Mr. Fine will retire as of April 1, 2004.

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

(e) Ms. J. H. Heisen joined the Company in 1989 and became Treasurer in 1991 and Controller in 1995. She became a Member of the Executive Committee and Vice President, Chief Information Officer in 1997.

(f) Mr. B. D. Perkins joined the Company in 1980 and held various positions before becoming President of McNeil Consumer Products Company in 1994 and Company Group Chairman for OTC Pharmaceuticals in 1999. He became a Member of the Executive Committee and Worldwide Chairman, Consumer Pharmaceuticals & Nutritionals Group in 1999.

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

(h) Ms. C. A. Poon joined the Company in 2000 as a Company Group Chairman in the Pharmaceuticals Group. Ms. Poon became a Member of the Executive Committee and Worldwide Chairman, Pharmaceuticals Group in 2001 and was named Worldwide Chairman, Medicines & Nutritionals in 2003. Prior to joining the Company, she served in various management positions at Bristol-Myers Squibb for 15 years, most recently as President of International Medicines (1998 - 2000) and President of Medical Devices (1997 - 1998).

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

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of March 1, 2004, there were approximately 187,708 record holders of Common Stock of the Company. The other information called for by this item is incorporated herein by reference to the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Share Repurchase & Dividends" on page 34, and "Common Stock Market Prices" on page 37, and to Note 10 under the "Notes to Consolidated Financial Statements" on page 48 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this item is incorporated herein by reference to the material captioned "Summary of Operations and Statistical Data 1993-2003" on page 62 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

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

The information called for by this item is incorporated herein by reference to the narrative and tabular (but not the graphic) material included in the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition" on pages 28 through 37 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

SUBSEQUENT EVENT

On February 24, 2004, the Company's Cordis operating company announced it had entered into a strategic alliance with Guidant Corporation for the co-promotion of drug-eluting stents and the advancement of new technology in coronary stent delivery systems. Sales and marketing resources of both companies will join forces to focus on promoting the CYPHER Sirolimus-eluting Coronary Stent in the United States, with an option to pursue a similar arrangement in Japan in the future. The companies will collaborate on marketing and sales strategies associated with the CYPHER Stent, but will bear most marketing and sales costs separately. Cordis will continue to report all CYPHER Stent sales as revenue.

Cordis will also obtain access to Guidant's current and next generation technologies for delivery of coronary stents. Guidant and Cordis will immediately initiate development and regulatory plans for a CYPHER Stent that utilizes a Guidant stent delivery system. In addition, all outstanding patent disputes between the companies were settled, as described under Note 18 "Legal Proceedings" in the "Notes to Consolidated Financial Statements," filed as Exhibit 13 to this Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information called for by this item is incorporated herein by reference to the material captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Liquidity and Capital Resources" on pages 34 through 35 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Consolidated Financial Statements and the Notes thereto and the material captioned "Report of Independent Auditors" incorporated by reference to pages 38 through 60 of the Annual Report, which are filed as Exhibit 13 to this Report on Form 10-K.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls. At the end of the fiscal fourth quarter, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are designed to ensure that the Company records, processes, summarizes and reports in a timely manner the information the Company must disclose in its reports filed under the Securities Exchange Act. William C. Weldon, Chairman and Chief Executive Officer, and Robert J. Darretta, Vice Chairman and Chief Financial Officer, reviewed and participated in this evaluation. Based on this evaluation, Messrs. Weldon and Darretta concluded that, as of the date of their evaluation, the Company's disclosure controls and procedures were effective.

Internal Control. During the fiscal quarter ended December 28, 2003, there were no significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information called for by this item is incorporated herein by reference to (a) the material under the caption "Election of Directors -- Nominees" on pages 3 through 10 of the Proxy Statement, (b) the material in Part I hereof under the caption "Executive Officers of the Registrant," (c) the discussion of the Audit Committee under the heading "Directors' Fees, Committees and Meetings" on pages 10 through 11 of the Proxy Statement and (d) the material under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 13 of the Proxy Statement.

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

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

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the following sections of the Proxy Statement: "Election of Directors -- Directors' Fees, Committees and Meetings" on pages 10 through 12; "Compensation & Benefits Committee Report on Executive Compensation" on pages 14 through 18; "Shareholder Return Performance Graphs" on pages 19 and 20; and "Executive Compensation" on pages 21 through 25.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information called for by this item is incorporated herein by reference to the material captioned "Election of Directors -- Stock Ownership/Control" on pages 9 through 10 of the Proxy Statement, and Note 10 under the "Notes to Consolidated Financial Statements" on page 48 of the Annual Report, filed as Exhibit 13 to this Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this item is incorporated herein by reference to the material under the headings "Appointment of Independent Auditors" and "Pre-Approval of Audit and Non-Audit Services" on pages 25 through 27 of the Proxy Statement.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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

1. Financial Statements

The following Consolidated Financial Statements and the Notes thereto and the Independent Auditor's Report on pages 38 through 60 of the Annual Report to Shareholders for fiscal year 2003 are incorporated herein by reference and filed as Exhibit 13 to this Report on Form 10-K:

Consolidated Balance Sheets at end of Fiscal Years 2003 and 2002

Consolidated Statements of Earnings for Fiscal Years 2003, 2002 and 2001

Consolidated Statements of Equity for Fiscal Years 2003, 2002 and 2001

Consolidated Statements of Cash Flows for Fiscal Years 2003, 2002 and 2001

Notes to Consolidated Financial Statements

Report of Independent Auditors

2. Financial Statement Schedules

Schedule II -- Valuation and Qualifying Accounts

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

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

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

(b) Reports on Form 8-K

A Report on Form 8-K was furnished on January 16, 2004, which included a press release announcing the decision of James T. Lenehan, to retire from the Company as of June 30, 2004 and resign as Vice Chairman of the Board of Directors and President effective February 1, 2004.

A Report on Form 8-K was furnished on January 20, 2004, which included a press release dated January 20, 2004 announcing the Company's sales and earnings for the fourth quarter and fiscal year ended December 28, 2003; and including its consolidated financial results.

A Report on Form 8-K was furnished on March 1, 2004, which included a press release announcing that the Company's Cordis subsidiary had entered into a strategic alliance with Guidant Corporation with respect to the CYPHER drug-eluting stent.

A Report on Form 8-K was filed on March 1, 2004, which included Management's Discussion and Analysis of Financial Condition and Results

of Operations, the audited Consolidated Financial Statements and the Notes thereto and the Report of Independent Auditors as of December 28, 2003.

JOHNSON & JOHNSON AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FISCAL YEARS ENDED DECEMBER 28, 2003, DECEMBER 29, 2002 AND DECEMBER 30, 2001
(DOLLARS IN MILLIONS)

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES(A)	DEDUCTIONS FROM RESERVES		BALANCE AT END OF PERIOD
			DESCRIPTION	AMOUNT	
2003					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$191	28	Write-offs less recoveries	43	
			Currency adjustments	(16)	192
Reserve for customer rebates	274	3,579	Customer rebates allowed	3,550	
			Currency adjustments	(11)	314
Reserve for cash discounts	62	597	Cash discounts allowed	606	
			Currency adjustments	(2)	55
	$527	4,204		4,170	561
2002					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$197	53	Write-offs less recoveries	64	
			Currency adjustments	(5)	191
Reserve for customer rebates	252	1,934	Customer rebates allowed	1,917	
			Currency adjustments	(5)	274
Reserve for cash discounts	74	627	Cash discounts allowed	640	
			Currency adjustments	(1)	62
	$523	2,614		2,610	527
2001					
Reserves deducted from accounts receivable, trade					
Reserve for doubtful accounts	$182	66	Write-offs less recoveries	43	
			Currency adjustments	8	197
Reserve for customer rebates	188	1,543	Customer rebates allowed	1,475	
			Currency adjustments	4	252
Reserve for cash discounts	69	557	Cash discounts allowed	550	
			Currency adjustments	2	74
	$439	2,166		2,082	523

(A) Charges related to customer rebates and cash discounts are reflected as reductions of sales to customers.

SIGNATURES

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

Date: March 10, 2004

JOHNSON & JOHNSON

(Registrant)

By /s/ W. C. WELDON

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

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

SIGNATURE	TITLE	DATE
/s/ W. C. WELDON W. C. Weldon	Chairman, Board of Directors and Chief Executive Officer, and Director (Principal Executive Officer)	March 10, 2004
/s/ R. J. DARRETTA R. J. Darretta	Vice Chairman, Board of Directors; Chief Financial Officer and Director (Principal Financial Officer)	March 10, 2004
/s/ S. J. COSGROVE S. J. Cosgrove	Controller	March 10, 2004
/s/ G. N. BURROW G. N. Burrow	Director	March 3, 2004
/s/ M. S. COLEMAN M. S. Coleman	Director	March 4, 2004
/s/ J. G. CULLEN J. G. Cullen	Director	March 4, 2004
/s/ M. J. FOLKMAN M. J. Folkman	Director	March 6, 2004
/s/ A. D. JORDAN A. D. Jordan	Director	March 3, 2004
/s/ A. G. LANGBO A. G. Langbo	Director	March 2, 2004

SIGNATURE	TITLE	DATE
/s/ S. L. LINDQUIST S. L. Lindquist	Director	March 8, 2004
/s/ L.F. MULLIN L.F. Mullin	Director	March 4, 2004
/s/ S. S REINEMUND S. S Reinemund	Director	March 8, 2004
/s/ D. SATCHER D. Satcher	Director	March 3, 2004
/s/ H. B. SCHACHT H. B. Schacht	Director	March 3, 2004

REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

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

Our audits of the consolidated financial statements referred to in our report dated 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, appearing in the 2003 Annual Report to Shareholders of Johnson & Johnson (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York
January 19, 2004

EXHIBIT INDEX

REG. S-K EXHIBIT TABLE ITEM NO.	DESCRIPTION OF EXHIBIT
3(a)(i)	Restated Certificate of Incorporation dated April 26, 1990 -- Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended December 30, 1990.
3(a)(ii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 20, 1992 -- Incorporated herein by reference to Exhibit 3(a) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.
3(a)(iii)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company dated May 21, 1996 -- Incorporated herein by reference to Exhibit 3(a)(iii) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.
3(a)(iv)	Certificate of Amendment to the Restated Certificate of Incorporation of the Company effective May 22, 2001 -- Incorporated herein by reference to Exhibit 3 of the Registrant's Form 10-Q Quarterly Report for the quarter ended July 1, 2001.
3(b)	By-Laws of the Company, as amended effective June 11, 2001 -- Incorporated herein by reference to Exhibit 99.2 of the Registrant's Form 10-Q Quarterly Report for the quarter ended July 1, 2001.
4(a)	Upon the request of the Securities and Exchange Commission, the Registrant will furnish a copy of all instruments defining the rights of holders of long term debt of the Registrant.
10(a)	Stock Option Plan for Non-Employee Directors -- Incorporated herein by reference to Exhibit 10(a) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(b)	2000 Stock Option Plan (as amended) -- Incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K Annual Report for the year ended December 29, 2002.*
10(c)	1995 Stock Option Plan (as amended) -- Incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1999.*
10(d)	1991 Stock Option Plan (as amended) -- Incorporated herein by reference to Exhibit 10(c) of the Registrant's Form 10-K Annual Report for the year ended December 28, 1997.*
10(e)	2000 Stock Compensation Plan -- Incorporated herein by reference to Exhibit 10(e) of the Registrant's Form 10-K Annual Report for the year ended December 31, 2000.*
10(f)	Executive Incentive Plan (as amended) -- Incorporated herein by reference to Exhibit 10(f) of the Registrant's Form 10-K Annual Report for the year ended December 31, 2000.*
10(g)	Domestic Deferred Compensation (Certificate of Extra Compensation) Plan (as amended) -- Filed with this document.*
10(h)	Deferred Fee Plan for Directors (as amended) -- Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended December 29, 2002.*
10(i)	Executive Income Deferral Plan (as amended) -- Filed with this document.*
10(j)	Excess Savings Plan -- Incorporated herein by reference to Exhibit 10(j) of the Registrant's Form 10-K Annual Report for the year ended December 29, 1996.*
10(k)	Supplemental Retirement Plan -- Incorporated herein by reference to Exhibit 10(h) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
10(l)	Executive Life Insurance Plan -- Incorporated herein by reference to Exhibit 10(i) of the Registrant's Form 10-K Annual Report for the year ended January 3, 1993.*
10(m)	Stock Option Gain Deferral Plan -- Incorporated herein by reference to Exhibit 10(m) of the Registrant's Form 10-K Annual Report for the year ended January 2, 2000.*

REG. S-K EXHIBIT TABLE ITEM NO.	DESCRIPTION OF EXHIBIT
10(n)	Estate Preservation Plan -- Incorporated herein by reference to Exhibit 10(n) of the Registrant's Form 10-K Annual Report for the year ended January 2, 2000.*
10(o)	Letter Agreement dated June 24, 2002 between the Company and Mr. R. S. Larsen with respect to post-employment arrangements -- Incorporated herein by reference to Exhibit 10(o) of the Registrant's Form 10-K Annual Report for the year ended December 29, 2002.*
10(p)	Consulting Agreement between the Company and Dr. Judah Folkman, member of the Board -- Incorporated herein by reference to Exhibit 10(p) of the Registrant's Form 10-K Annual Report for the year ended December 29, 2002.*
12	Statement of Computation of Ratio of Earnings to Fixed Charges -- Filed with this document.
13	-- Pages 28 through 63 of the Company's Annual Report to Shareholders for fiscal year 2003 (only those portions of the Annual Report incorporated by reference in this report are deemed "filed") -- Filed with this document.
21	Subsidiaries -- Filed with this document.
23	Consent of Independent Accountants -- Filed with this document.
31(a)	Certification of Chief Executive Officer, under Rule 13a-14(a) of the Securities Exchange Act, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 -- Filed with this document.
31(b)	Certification of Chief Financial Officer, under Rule 13a-14(a) of the Securities Exchange Act, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 -- Filed with this document.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 -- Furnished with this document.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 -- Furnished with this document.
99(a)	Annual Reports on Form 11-K for the Johnson & Johnson Savings Plans, to be filed on or before June 30, 2004.
99(b)	Cautionary Statement pursuant to Private Securities Litigation Reform Act of 1995: "Safe Harbor" for Forward-Looking Statements -- Filed with this document.

* Management contracts and compensatory plans and arrangements required to be filed as Exhibits to this form pursuant to Item 15(c) of this Report on Form 10-K.

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

Exhibit 10(g)

JOHNSON & JOHNSON
CERTIFICATE OF EXTRA COMPENSATION PLAN

WITNESSETH - WHEREAS, Johnson & Johnson (the "Company") wishes to reward its employees, as well as employees of its subsidiaries (an "Employee") for faithful service in the past and more particularly to encourage Employees in their future work by permitting Employees to share in the growth and success of the Company's enterprises by issuing to them Shares of Certificates of Extra Compensation (the "CEC Shares"), and to that end to receive as extra compensation sums based upon and measured by (a) the amount of cash dividends from time to time declared upon an equal number of shares of common stock of the Company (the "Common Stock") and (b) the formula value of such CEC Shares as established pursuant to Article "NINTH" of this Plan (the "Formula Value") at the time of termination of employment or death while in such employment:

NOW, THEREFORE, in consideration of the premises and the promises herein contained, and so long as the Employee shall remain an Employee, it is agreed that:

FIRST: The number of CEC Shares designated upon which the Employee's extra compensation shall be based is the aggregate number of CEC Shares awarded to such Employee in accordance with the Plan as evidenced by the written records of Company.

SECOND: While the Employee remains an Employee, the Company shall pay to the Employee on the same date on which is paid any cash dividend on the Company's Common Stock, a sum equivalent to such cash dividend multiplied by the total number of CEC Shares designated for such Employee, if the Employee was an Employee on the Record Date for such dividend.

THIRD: In the event of the Employee's death while an Employee, the Company shall pay to the Employee's beneficiary (as last recorded over the Employee's signature on the records of the Company) a sum of money which shall be determined as a percentage of the Formula Value of such CEC Shares. This percentage shall be based upon the period elapsing between the date a CEC Share has been awarded and death, as follows:

- In the event of death within eighteen (18) months of the date of an award: 30%

- In the event of death after eighteen (18) months but within forty-two (42) months of the date of an award: 70%

- In the event of death after forty-two (42) months of the date of an award: 100%

In the event of the termination of the Employee's employment because of Retirement, physical or mental disability, or otherwise (except by reason of death), the Company shall pay to the Employee a sum of money which shall be determined as a percentage of the Formula Value of such CEC Shares. For purposes of this Plan, the term "Retirement" shall mean a termination of employment following an employee's entitlement to normal retirement or early retirement benefits under the Consolidated Retirement Plan of Johnson & Johnson or its successor, pursuant to the terms of the plan in effect on the date the employee terminates employment. For the purposes of this Plan, an Employee placed on long-term disability is not

considered to be an Employee. This percentage shall be based upon the period elapsing between the date a CEC Share has been awarded and such termination of employment, as follows:

- In the event of such termination within twelve (12) months of the date of an award: 0%

- In the event of such termination after twelve (12) months but within twenty-four (24) months of the date of an award: 20%

- In the event of such termination after twenty-four (24) months but within thirty-six (36) months of the date of an award: 40%

- In the event of such termination after thirty-six (36) months but within forty-eight (48) months of the date of an award: 60%

- In the event of such termination after forty-eight (48) months but within sixty (60) months of the date of an award: 80%

- In the event of such termination after sixty (60) months from the date of an award: 100%

The Company shall pay any such sum of money due under this Article "THIRD", in a single lump sum, unless Employee has: (1) made a timely deferral election, pursuant to the provisions of Article "SEVENTH" to defer receipt of such sum upon his/her Retirement, and (2) retired, pursuant to the definition of Retirement in this Article "THIRD" above.

FOURTH: At the election of each Employee, to be made as provided for below, the payment of any sum due to an Employee upon his/her Retirement may be deferred and paid in either a single lump sum or in installments. A lump sum payment may be deferred for up to ten taxable years following the Employee's Retirement date. If installment payments are elected, the first installment payment may be made immediately upon Retirement or be deferred for up to ten taxable years. Installment payments will be made annually (in the manner described below) and in approximately equal installment amounts (i.e., the value of the CEC payout balance, plus accrued interest, divided by the number of remaining installments). The minimum number of annual installments is two (2) and the maximum number is fifteen (15). An Employee may elect to defer up to 100% of the value of his/her total CEC holdings at Retirement; or, any percentage increment less than that. The following rules shall apply with respect to all payments:

a) Immediate Lump Sum Payment - The Employee will receive the full value of his/her CEC holdings in the calendar month of his/her Retirement effective date. Employees retiring prior to the determination of the prior years CEC value will receive 97% of the estimated value with the remainder paid shortly after the final value is determined.

b) Deferred Lump Sum Payment - The Employee will receive the full value of his/her CEC holdings, plus any accrued interest, on or about January 15 of the year he/she elects to receive payment in.

c) Immediate Commencement of Installments - The Employee will receive the first installment in the calendar month of his/her Retirement effective date. All subsequent installments, plus any accrued interest, will be paid on or about January 15 of each year.

d) Deferred Commencement of Installments - The Employee will receive the first and all subsequent installments, plus any accrued interest, on or about January 15 of each year.

FIFTH: With respect to any portion of the Formula Value of an Employee's CEC holdings on his/her Retirement date which is deferred and/or to be paid in installments, interest shall be paid by the Company from the effective date of Retirement to the date of any such payment. The interest rate for all deferred amounts shall be fixed at the Employee's date of Retirement. The interest rate shall be determined by the Treasurer of the Company, in his or her sole discretion, based on the yield curve of actively-traded United States Government debt at the date of Retirement and a period comparable to the length of the period of the deferral and installments.The rate shall be rounded to 1 decimal place. The interest shall be compounded semi-annually on, the last calendar day of June and December of each year. Once established, the interest rate shall remain fixed for the period of the deferral.

SIXTH: In the event of death of an Employee (whether or not prior to the termination of his/her employment) the Company will make payment in full of the balance, plus any accrued interest, as soon as administratively practical in a single lump sum payment to the designated beneficiary.

SEVENTH: An election by an Employee to defer payment or elect installments of all or a part of the Formula Value of his/her CEC holdings on his/her Retirement date beyond his/her effective Retirement date must be made a minimum of twelve (12) months prior to the date of such Retirement date. Any such election may be revised or revoked up to twelve (12) months prior to such Retirement date. For the twelve month period prior to such Retirement date, any election is irrevocable and thus may not be revoked or otherwise revised.

The Company may disallow an Employee's desire to defer payments and/or elect installments if it determines that such participation would jeopardize the Plan's compliance with applicable law or the Plan's status as a "top hat plan" under ERISA.

An election to defer payment and/or be paid in installments is effective only when filed with the administrator referred to in Article "FIFTEENTH" on the form utilized for such purpose. Any election made after the required deadline shall be disregarded.

AN ELECTION TO DEFER AND/OR BE PAID IN INSTALLMENTS SHOULD ONLY BE MADE

IN CONSULTATION WITH AN EMPLOYEE'S TAX AND/OR FINANCIAL ADVISOR.

EIGHTH: The number of CEC Shares designated and upon which is based and by which is measured the extra compensation of the Employee shall be increased proportionately from time to time to the extent that a stock split or a dividend in Common Stock is declared and paid upon the issued and outstanding Common Stock of the Company. Likewise, the number of CEC Shares shall be reduced proportionately from time to time to the extent that the number of CEC Shares of issued and outstanding Common Stock of the Company is reduced by reorganization, reduction of capital, or otherwise.

NINTH: For the purposes of Article "THIRD" of this agreement, the Formula Value of the CEC Shares shall be determined by the Company's Board of Directors which shall, except in the event mentioned below, determine such Formula Value as the sum of one-half of the asset value per share of Common Stock plus one-half of the earning-power value per share of Common Stock calculated as follows:

The sum of one-half of the consolidated net asset value per share of Common Stock (being assets per share, less liabilities (including reserves, other than surplus reserve) per share, as such assets and liabilities appear on the books of the Company and its subsidiaries as of the fiscal year end immediately preceding the date of valuation) plus one-half of the consolidated earning-power value per share of Common Stock (determined as the average of annual net earnings per share of Common Stock after all taxes as such net earnings appear on the books of the Company and its subsidiaries for five (5) fiscal years preceding the date of valuation, capitalized as a return on capital invested at eight percent (8%), i.e., a multiple of twelve and one-half (12 1/2) times such average earnings per share).

For the purpose of the foregoing calculation, the books of the Company and its subsidiaries shall be conclusive. The method of consolidation shall be that adopted by the Company in preparing the last previous annual report to its stockholders, including appropriate provision for taxes both foreign and domestic which might be incurred in remitting income of the subsidiaries to the Company. The decisions of the Company's Treasurer at all times, and from time to time, as to procedures to be adopted in maintaining the books of the Company and its subsidiaries, preparation of balance sheets and income statements, method of and adjustments made in consolidation, and all matters of accounting practice and procedures shall be conclusive.

In the event that it shall be the opinion of the Board of Directors of the Company that the calculation made as provided above does not result in a true value, as of any date at which under Article "THIRD" such determination is necessary, the Board, in its sole discretion, may, but shall not be obligated to, vary the formula by which the Formula Value of the CEC Shares is determined.

The Board of Directors shall, on or before May fifteenth of each year, determine and announce the Formula Value of the CEC Shares as of the immediately preceding fiscal year end for the purposes of this Plan.

TENTH: Dividends and share values are used herein only as measures of the extra compensation to be paid hereunder. Nothing herein contained shall be construed as an agreement to transfer to the Employee, or to his/her beneficiary, nor shall either acquire, by virtue of his/her being awarded CEC Shares, any right, title, or interest whatsoever in or to, any of the Company's Common Stock.

ELEVENTH: No right of benefit to CEC Shares awarded under the Plan is assignable. The Company does not fund the obligations created by the Employee participation in the CEC Plan. Rather, the Company makes an unsecured promise to pay these obligations out of general corporate assets. This applies to obligations for both active and retired participants. Certificates representing CEC Shares will not be issued. Instead the number of CEC Shares awarded shall be recorded on the books of the Company.

TWELFTH: Regular part-time employees (those working 20 hours or more a week) shall be considered Employees under this Plan. Any change to part-time status of less than 20 hours a week shall be considered a termination, provided, however, that in the event such employee is over the age of 55, such employee shall, for purposes of this Plan only, be deemed to have elected Retirement as defined in Article THIRD. Nothing contained in the Plan shall be construed to alter the present employment for an indefinite term, which is terminable by either Employee or Company without prior advance notice to the other.

THIRTEENTH: An Employee who leaves the Company or one of its subsidiaries, at the request of the Company, to work at a joint venture operation in which the Company (or one of its subsidiaries) has a minority partnership interest, may, in the sole discretion of the Management Compensation Committee, be considered an "Employee" solely for the purposes of this Plan for a period of up to three years following his or her departure from the Company. This arrangement may be extended for up to two additional years, if the Management Compensation Committee, in its sole discretion, determines that it is in the best interest of the Company to do so. If any such person ceases employment with such a joint venture operation, without a concomitant return to employment with the Company (or one of its subsidiaries), then such person shall immediately be considered to be terminated, and cease to be considered an Employee, for the purposes of this Plan.

FOURTEENTH: An Employee may designate one or more beneficiaries to receive the value of his/her payout upon death. Should a beneficiary predecease the Employee, or should a beneficiary not be named, the amount designated for such beneficiary or the Employee's payout balance, as the case may be, will be distributed to the Employee's Estate. Beneficiary designations may be made or revised at any time by submitting a Beneficiary Designation Form to the administrator set forth in Article "Sixteenth". The beneficiary or beneficiaries indicated in such Form shall supersede any prior designation.

FIFTEENTH: In the first quarter of each calendar year, statements will be sent to active Employees participating in the CEC Plan as well as to retirees with deferred CEC holdings. The report for active Employees will provide the value of CEC holdings based on the prior years' final CEC value. The statement will also include previously made deferral elections and beneficiary designations. The report for retirees will provide the deferred CEC payout balance plus interest, as well as the deferred and/or installment election and beneficiary designations.

SIXTEENTH: The CEC Plan is administered by the Extra Compensation Services Department at the Corporate Headquarters of Company. Questions in regard to the administration of the CEC Plan should be addressed to it.

The Board of Directors, within its discretion, shall have the authority to: (1) terminate or amend the Plan, and (2) to cancel, or amend the terms of, the CEC Shares granted hereunder, without the necessity of obtaining further approval of the Employees who hold the CEC Shares. No such termination, cancellation or amendment shall have the effect of (1) reducing the dollar value of any vested CEC Shares (whether when paid out or deferred) to less than 100% of their aggregate Formula Value as of the fiscal year end immediately preceding any such termination, cancellation or amendment, (2) increasing the vesting period under Article "THIRD" of any CEC Shares, or (3) delaying payment (or payments) due to the CEC Share holders.

In the event of a termination of the Plan, or a cancellation of the CEC Shares granted hereunder, the Company shall pay to the Employee a sum of money which shall be determined in accordance with the provisions of Article "THIRD" relating to termination of employment due to Retirement, physical or mental disability, or otherwise (except by reason of death). Payments under this provision shall be made in a single lump sum within 90 days of such termination or cancellation.

Exhibit 10(i)

JOHNSON & JOHNSON
EXECUTIVE INCOME DEFERRAL PLAN

The Johnson & Johnson Executive Income Deferral Plan (the "Plan") is intended to permit a select group of executives to defer income which would otherwise be immediately payable to them under various compensation and/or incentive plans of Johnson & Johnson (the "Company").

1. ADMINISTRATION. The Plan is administered by the Compensation Committee of the Company's Board of Directors. The Committee shall have responsibility for determining which investments will from time to time be available under the Plan and shall review the investment options at least once every three years. The Committee shall make all decisions affecting the timing, price or amount of any and all of the Deferred Awards (as hereinafter defined) of participants subject to Section 16 of the Securities Exchange Act of 1934, as amended, but may otherwise delegate any of its authority under the Plan.

2. ELIGIBILITY. Eligibility to defer income and other amounts under the Plan will be initially limited to members of the Executive Committee of the Company. The Committee may from time to time expand eligibility to defer compensation under the Plan to other executives of the Company. The Committee, however, has the authority to refuse to permit any executive to participate in the Plan or elect to defer payments, if the Committee determines that such participation would jeopardize the Plan's compliance with applicable law or the Plan's status as a top hat plan under ERISA.

3. DEFERRAL INTO AN INCOME DEFERRAL ACCOUNT OR ESTATE PRESERVATION PLAN. Participants may elect to defer up to (i) fifty percent (50%) of annual salary, (ii) one hundred percent (100%) of cash and/or stock awards under the Company's Executive Incentive Plan, (iii) one hundred percent (100%) of dividend equivalents paid under the Company's Certificate of Extra Compensation ("CEC") Plan and (iv) one hundred percent (100%) of dividend equivalents paid on deferred "gain" shares under the Company's Stock Option Gain Deferral Plan. Amounts so deferred are known as "Deferred Awards" and will be directed, at the election of a participant, to either an "Income Deferral Account" or the Estate Preservation Plan (as described below). A participant's decision to defer under the Plan must be made on or before September 30 of the year prior to the commencement of the fiscal year as to which the compensation, bonus, incentive payment or dividend equivalent monies to be deferred will be earned. Notwithstanding the foregoing, the required notice period for elections made in respect of amounts to be deferred under (iv) above shall be governed by the notice and election provisions of the Stock Option Gain Deferral Plan. Any election to defer pursuant to this Section 3 shall be effective only when timely filed with Extra Compensation Services on the form utilized for such purpose. A participant shall designate, in multiples of 1% of the Deferred Award, the portion to be allocated to each investment option available under the Plan. A participant may change the investment options for Deferred Awards not yet credited to his or her Income Deferral Account not more than once each month, such change to be effective as of the first day of the month following the month in which a participant's request to change such allocation is filed with Extra Compensation Services.

In determining the maximum amounts which can be deferred by any participant under the Plan, the Committee shall take into account (and include) any commitment made by such participant under the Estate Preservation Plan. To the extent that the amount of salary and/or cash award under the Company's Executive Incentive Plan is insufficient to meet the prior deferral commitment made by a participant under the Plan and the Estate Preservation Plan, then the deferral commitment under the Plan shall be reduced accordingly so that the deferral commitment under the Estate Preservation Plan is funded in full.

Any elections to defer dividend equivalents under the Company's CEC Plan will be applied such that elections will apply to the CEC contracts in the reverse order of their issuance. Deferred Awards shall be held in one account regardless of the form of compensation or plan under which they were earned.

Upon ceasing to be an employee of the Company, each participant (or in the event of a participant's death, the named beneficiary or his/her estate) shall be entitled to receive in cash in lump sum the value of his/her Income Deferral Account as of the date of such termination, unless such participant has elected, pursuant to the provisions of Section 7 below, to further defer payment of his/her Income Deferral Account beyond retirement. Notwithstanding the above, if a participant is in any fiscal year a "named executive officer" for proxy statement reporting purposes by reason of his/her being the chief executive officer of the Company or one of the four highest compensated officers (other than the chief executive officer), any payment from an Income Deferral Account otherwise due to be made in such year shall be postponed to a date which is on or about the 15th day of January of the following fiscal year; provided, however, that all such funds in such Income Deferral Account shall be deemed to be invested at the One Year Treasury Bill Rate, as described below, as of the date of his or her retirement until payment is made.

4. INVESTMENT OF INCOME DEFERRAL ACCOUNTS. At the election of each participant, amounts in an Income Deferral Account may be invested utilizing the investment options set forth below. Amounts to be deferred in any month (including any stock award) will be valued and credited to a participant's Income Deferral Account effective as of the last day of each month. Amounts to be deferred into the Estate Preservation Plan are separate and distinct from the amounts deferred into Income Deferral Accounts.

(a) Common Stock Equivalent Units. All amounts elected to be deferred under this investment option shall be converted into equivalent units of the Company's Common Stock ("Common Stock") as if the compensation deferred had been invested in Common Stock ("Common Stock Equivalent Units"). For all Deferred Awards (except for stock awards under the Company's Executive Incentive Plan), the number of Common Stock Equivalent Units shall be determined by dividing the amount of compensation or dividend equivalents to be deferred by the average of the high and low prices of the Common Stock as traded on the New York Stock Exchange on the trading day immediately preceding the last trading day of each month, as reported by Bloomberg (or another financial reporting service selected by the Company in its sole discretion). The Company shall credit the participant's Income Deferral Account, effective as of the last trading of each such month, with the number of full and partial shares of the Company's Common Stock so determined. For all Deferred Awards representing stock awards under the Company's Executive Incentive Plan, the number of Common Stock Equivalent Units shall be determined by dividing the amount of compensation which would otherwise be issued as stock awards by the average of the high and low prices of the Common Stock as traded on the New York Stock Exchange on the trading day when the Compensation Committee of the

Board of Directors approves such stock award under the Executive Incentive Plan , as reported by Bloomberg (or another financial reporting service selected by the Company in its sole discretion). The Company shall credit the participant's Income Deferral Account, effective as of such date, with the number of full and partial shares of the Company's Common Stock so determined. Notwithstanding the foregoing, at no time shall any shares of the Company's Common Stock actually be purchased or earmarked for such Income Deferral Account. No participant shall have any of the rights of a shareowner with respect to any shares credited to his or her Income Deferral Account. The number of Common Stock Equivalent Units included in a participant's Income Deferral Account shall be adjusted to reflect payment of dividends and increases or decreases in market value which would have resulted had funds equal to such deferred amount actually been invested in Common Stock.

The value of the Company's Common Stock for purposes of investment redesignation (as described in Section 5) shall be the closing price of the Company's Common Stock on the New York Stock Exchange on the trading day immediately preceding the last trading day of the month in which the participant's redesignation request is received by Extra Compensation Services, as reported as determined above, and shall be effective as of the last trading day of such month.

Distributions in cash of the value of equivalent shares of the Company's Common Stock will be valued at the closing price of the Company's Common Stock on the New York Stock Exchange on the last trading date preceding the distribution date, as reported as determined above.

In the event of a reorganization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or shares of the Company the Committee shall make such adjustment, if any, as it may deem appropriate in the number and kind of shares of the Company's Common Stock credited to participants' Income Deferral Accounts.

(b) Balanced Fund. All amounts elected to be deferred under this option shall be deemed to be invested in and credited with the investment rate of return earned under the Balanced Fund option under the Company's Savings Plan or any such successor fund. However, no Balanced Fund shares shall be purchased or earmarked for a participant's Account.

(c) One Year Treasury Bill Rate. All amounts elected to be deferred under this option shall be deemed to be invested in an interest bearing account which bears interest at the One Year Treasury Bill Rate, compounded monthly. For purposes of the Plan, the One Year Treasury Bill Rate shall be the interest rate for One Year Treasury Bills on the last trading day of the preceding calendar year, as provided by such financial reporting service as shall be selected by the Company in its sole discretion. Such rate shall be adjusted annually. No Treasury Bills will be actually purchased or earmarked for a participant's Account.

5. REDESIGNATION OF INVESTMENT OPTIONS WITHIN AN INCOME DEFERRAL ACCOUNT. A participant may redesignate amounts previously credited to an Income Deferral Account among the investment options available under the Plan. Participants who wish to redesignate out of a particular investment option may not at the same time redesignate into the same investment option. No redesignation of investments may take place during the 30 days

prior to a scheduled distribution under the Plan. The following additional rules shall apply with respect to the redesignation of any such previously credited amounts:

(a) Permitted Frequency--Redesignation by a participant may be made not more than once during any consecutive twelve month period.

(b) Amount and Extent of Redesignation--Redesignation for any participant must be in 1% multiples of the investment from which redesignation is being made.

(c) Timing--Redesignation shall take place effective as of the first day of the month following the month in which a participant's written redesignation is received by Extra Compensation Services. The value of the Company's Common Stock for purposes of investment redesignation shall be the average of the high and low trading price of the Common Stock on the New York Stock Exchange, as reported as determined above, for the trading day immediately preceding the last trading day of such prior month.

(d) Special rules for Redesignation Into or Out of Common Stock Equivalent Units previously credited to an Income Deferral Account:

(i) Material, Nonpublic Information--The Committee in its sole discretion and with advice of counsel at any time may rescind a redesignation into or out of Common Stock Equivalent Units if such redesignation was made by a participant who, a) at the time of the redesignation was in the possession of material, nonpublic information with respect to the Company; and b) in the Committee's estimation benefited from such information in the timing of his or her redesignation. The Committee's determination shall be final and binding. In the event of such rescission, the participant's Income Deferral Account shall be returned to a status as though such redesignation had not occurred. Notwithstanding the above, the Committee shall not rescind a redesignation if the facts were reviewed by the participant with the General Counsel of the Company or a designee prior to the redesignation and if the General Counsel or designee had concluded that such participant was not in possession of material, nonpublic information.

(ii) A participant subject to Section 16(b) of the Securities Exchange Act of 1934 may redesignate his or her Income Deferral Account into or out of Common Stock Equivalent Units only during the applicable "window period" with respect to the release of any quarterly or annual statements of sales and earnings by the Company.

(iii) No redesignation of amounts in an Income Deferral Account shall be made into or out of Common Stock Equivalent Units within six (6) months of a discretionary "opposite way transaction" into or out of Common Stock held by the participant in the Company's Savings Plan.

(e) Estate Preservation Plan -- Participants may transfer amounts from their Income Deferral Account balance to the Estate Preservation Plan, in accordance with the terms of the Estate Preservation Plan. However, once transferred into the Estate Preservation Plan, such amounts may not be transferred back into an Income Deferral Account.

6. DISTRIBUTION OF INCOME DEFERRAL ACCOUNTS. If a participant's employment is terminated for any reason (including death or disability), and such participant is not eligible to retire from active service under the Company's pension plan, then his or her

Income Deferral Account will be automatically paid in a lump sum as soon as administratively feasible in the month following his or her termination of employment. Distributions in cash of the value of equivalent shares of the Company's Common Stock will be valued at the average of the high and low trading prices of the Common Stock on the New York Stock Exchange, as reported as determined above, for the trading day immediately preceding the last trading day of the month in which employment was terminated.

7. POST RETIREMENT DEFERRALS. At the further election of each participant, to be made as provided for below, the payment of any sum otherwise due to a participant upon his/her retirement may be further deferred and paid in either a single lump sum or in installments. A lump sum payment may be deferred for up to ten taxable years following the participant's retirement date. If installment payments are elected, the first installment payment may be made immediately upon retirement or be deferred for up to ten taxable years. Installment payments will be made annually (in the manner described below) and in approximately equal installment amounts (i.e., the value of the balance of the Income Deferral Account, plus accrued interest, divided by the number of remaining installments). The minimum number of annual installments is two (2) and the maximum number is fifteen (15). An participant may elect to defer up to 100% of the value of his/her total Income Deferral Account at retirement; or, any percentage increment less than that. The payment of any amounts from an Income Deferral Account pursuant to this Section 7 shall be subject to the provisions of the last sentence of Section 3 above. The following additional rules shall apply with respect to all payments:

a) Immediate Lump Sum Payment - The participant will receive the full value of his or her Income Deferral Account in the calendar month of his or her retirement effective date. Participants retiring prior to the determination of a prior years incentive plan award will receive 75% of the estimated value with the remainder paid shortly after the final value is determined.

b) Deferred Lump Sum Payment - The participant will receive the full value of his or her Income Deferral Account, plus any accrued interest, on or about January 15 of the year he or she elects to receive payment in.

c) Immediate Commencement of Installments - The participant will receive the first installment in the calendar month of his/her retirement effective date, subject to the provisions of the last sentence of Section 3 above. All subsequent installments, plus any accrued interest, will be paid on or about January 15 of each year.

d) Deferred Commencement of Installments - The participant will receive the first and all subsequent installments, plus any accrued interest, on or about January 15 of each year.

With respect to any amounts which are deferred and/or paid in installments, interest shall be paid by the Company from the effective date of retirement to the date of any such payment. The interest rate for all deferred and/or installment payments to an participant shall be fixed at the date of retirement and shall be the rate (rounded to 1 decimal place) offered, as reported by such financial reporting service as the Company in its sole discretion shall select, on the effective retirement date, on a United States Treasury Instrument for the period comparable to the length of the period of the deferral and/or installment payments. The interest shall be compounded semi-annually on the last calendar day of June and December of each year. If more than one instrument is quoted, the average of such rates shall be utilized. By way of example, if an election is made to receive installments over eight (8) years, the comparable eight (8) year U.S. Treasury

Rate shall be utilized; if an election is made to defer the commencement of installments for two (2) years with installments paid out over ten (10) years, the comparable twelve (12) year U.S. Treasury Rate shall be utilized. Once established, the interest rate shall remain fixed for the period of the deferral and/or installments.

In the event of death of a participant following retirement, the Company will make payment in full of the balance of his/her Income Deferral Account, plus any accrued interest, as soon as administratively practical in a single lump sum payment to the designated beneficiary, subject to the provisions of the last sentence of Section 3 above.

In the event no deferral or installment election is made under this
Section 7, the total amount of the Income Deferral Account will be paid in accordance with the provisions of Section 3 in a lump sum payment as soon as practical following an participant's retirement effective date.

An election by a participant to defer payment or elect installments of all or a part of his/her Account beyond his/her effective retirement date must be made a minimum of twelve (12) months prior to the date of such retirement date. Any such election may be revised or revoked up to twelve (12) months prior to such retirement date. For the twelve month period prior to such retirement date, any election is irrevocable and thus may not be revoked or otherwise revised.

Notwithstanding the above, at the Plan's inception, an exception has been made for participants who have a retirement effective date between January 1, 1997 and December 31, 1997. For participants having a retirement effective date prior to June 30, 1997, the deferral and/or installment election must be made a minimum of three (3) months and in the calendar year prior to the retirement date. For such participants having a retirement date between July 1, 1997 and December 31, 1997, such election must be made at least six (6) months prior to the retirement date. For example, a participant who retires on April 1, 1997, must make the deferral and/or installment election no later than December 31, 1996; if the retirement date is August 1, 1997, such election must be made not later than January 31, 1997. Any such election to defer and/or receive installment payments may only be revised or revoked prior to the last permissible date for making such election. After such time the election may not be revoked or otherwise revised.

An election to defer payment and/or be paid in installments is effective only when timely filed with Extra Compensation Services on the form utilized for such purpose. Any election made after the required deadline shall be disregarded.

8. ESTATE PRESERVATION PLAN.

(a) As described in Section 5 above, a participant may elect to transfer all or any portion of the balance of his or her Income Deferral Account to the Estate Preservation Plan, in accordance with the terms of the Estate Preservation Plan. In the event of such election, the participant's Income Deferral Account shall be reduced, as directed by the participant, as of December 31 of the year in which the transfer is to occur. Transfers from an Income Deferral Account to the Estate Preservation Plan shall only be made effective as of December 31 in any year. Any such transfer shall be irrevocable when made, pursuant to the terms of a split dollar life insurance agreement, as designated by the Compensation Committee, and otherwise upon the terms and conditions set by the Compensation Committee. Upon the election of any participant to so transfer amounts from his or her Income Deferral Account to the Estate Preservation Plan,

such participant shall be deemed to have waived irrevocably any and all rights to benefits which might be due under the Plan with respect to those amounts so transferred.

(b) In addition to the terms set forth in paragraph (a) above, amounts from a participant's Income Deferral Account may have to be transferred to the Estate Preservation Plan in order to satisfy a prior obligation of such participant in connection with the Estate Preservation Plan. Any such transfer shall be made solely upon the direction of the Compensation Committee, upon the determination of the Compensation Committee that such transfer is necessary, and shall be effected under the same terms and conditions as a voluntary transfer under paragraph (a) above. If it is determined by the Committee that such a transfer is necessary, the participant's Income Deferral Account shall be reduced by the requisite amount as of December 31st in the year as directed by the Compensation Committee. Upon the determination of the Compensation Committee and the subsequent transfer of amounts into the Estate Preservation Plan, such participant shall be deemed to have waived irrevocably any and all rights to benefits which might be due under the Plan with respect to those amounts so transferred.

9. DEDUCTIONS FROM DISTRIBUTIONS. The Company will deduct from each distribution amounts required to be withheld for income, Social Security and other tax purposes. Such withholding will be done on a pro rata basis per investment. The Company may also deduct any amounts the participant owes the Company for any reason.

10. BENEFICIARY DESIGNATIONS. A participant may designate one or more beneficiaries to receive the value of his/her Income Deferral Account upon death. Should a beneficiary predecease the participant, or should a beneficiary not be named, the amount designated for such beneficiary or the participant's balance, as the case may be, will be distributed to the participant's estate. Beneficiary designations may be made or revised at any time by submitting a Beneficiary Designation Form to Extra Compensation Services.

11. AMENDMENTS. The Committee may amend the Plan at any time. However, such amendment shall not without the consent of a participant, materially adversely affect any right or obligation with respect to any Deferred Award made theretofore.

12. MISCELLANEOUS. The Company does not fund the obligations created by the participant's participation in the Plan. Rather, the Company makes an unsecured promise to pay these obligations out of general corporate assets. This applies to obligations for both active and retired participants.

In the first quarter of each calendar year, statements will be sent to active participants participating in the Plan as well as to retirees with Deferral Accounts. The statement will also include previously made deferral elections and beneficiary designations. The report for retirees will provide the deferred payout balance plus interest, as well as the deferred and/or installment election and beneficiary designations.

The Plan shall be administered by the Extra Compensation Services Department at the Corporate Headquarters of Company. Questions in regard to the administration of the Plan should be addressed to it.

AN ELECTION TO DEFER AND/OR BE PAID IN INSTALLMENTS SHOULD ONLY BE MADE IN CONSULTATION WITH A PARTICIPANT'S TAX AND/OR FINANCIAL ADVISOR.

EXHIBIT 12

JOHNSON & JOHNSON AND SUBSIDIARIES

STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES(1)
(DOLLARS IN MILLIONS)

	FISCAL YEAR ENDED				
	DECEMBER 28, 2003	DECEMBER 29, 2002	DECEMBER 30, 2001	DECEMBER 31, 2000	JANUARY 2, 2000
Determination of Earnings:					
Earnings Before Provision for Taxes on Income	$10,308	9,291	7,898	6,868	5,877
Fixed Charges	300	259	245	292	337
Total Earnings as Defined	$10,608	9,550	8,143	7,160	6,214
Fixed Charges and Other:					
Rents	93	99	92	88	82
Interests	207	160	153	204	255
Fixed Charges	300	259	245	292	337
Capitalized Interest	108	98	95	97	84
Total Fixed Charges	$ 408	357	340	389	421
Ratio of Earnings to Fixed Charges	26.00	26.75	23.95	18.41	14.76

(1) The ratio of earnings to fixed charges represents the historical ratio of Johnson & Johnson and is calculated on a total enterprise basis. The ratio is computed by dividing the sum of earnings before provision for taxes and fixed charges (excluding capitalized interest) by fixed charges. Fixed charges represent interest (including capitalized interest) and amortization of debt discount and expense and the interest factor of all rentals, consisting of an appropriate interest factor on operating leases.

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

Organization and Business Segments

Description of the Company and Business Segments

The Company and its subsidiaries have approximately 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.

[Graph]

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.

[Graph]

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.

[Graph]

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 SOFTLOTION. 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) expense 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 segments 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.

[Graph]

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.

[Graph]

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, payable 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
Johnson & Johnson Subsidiaries

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
Johnson & Johnson and Subsidiaries

(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
Johnson & Johnson and Subsidiaries

(Dollars in Millions) (Note 1)

	Total	Compre-hensive Income	Retained Earnings	Note Rec. From Employee Stock Owner-ship Plan (ESOP)
Bal, Dec 31, 2000	$ 20,395		18,113	(35)
Net earnings	5,668	5,668	5,668	
Cash dividends paid	(2,047)		(2,047)	
Employee stock compensation and stock option plans	842		(602)	
Conver. of subordinated debentures	815		632	
Repurchase of common stock	(2,742)			
Business combinations	1,366		1,302	
Other comprehensive income, net of tax:				
Curncy translation adj	(175)	(175)		
Unrealized gains on securities	8	8		
Gains on derivatives & hedges	98	98		
Reclassification adj		(14)		
Total comprehensive income		5,585		
Note receivable from ESOP	5			5
Bal, Dec 30, 2001	$ 24,233		23,066	(30)
Net earnings	6,597	6,597	6,597	
Cash dividends paid	(2,381)		(2,381)	
Employee stock compensation and stock option plans	806		(489)	
Conver. of subordinated debentures	131		(222)	
Repurchase of common stock	(6,382)			
Other comprehensive income, net of tax:				
Curncy translation adj	(10)	(10)		
Unrealized losses on securities	(86)	(86)		
Pension liability adj	(18)	(18)		
Losses on derivatives & hedges	(198)	(198)		
Reclassification adj		(26)		
Total comprehensive income		6,259		
Note receivable from ESOP	5			5
Bal, Dec 29, 2002	$ 22,697		26,571	(25)
Net earnings	7,197	7,197	7,197	
Cash dividends paid	(2,746)		(2,746)	
Employee stock compensation and stock option plans	534		(626)	
Conver. of subordinated debentures	2		(2)	
Repurchase of common stock	(1,183)			
Business combinations	109		109	
Other comprehensive income, net of tax:				
Curncy translation adj	334	334		
Unrealized gains on securities	29	29		
Pension liab adj	(31)	(31)		
Losses on derivatives & hedges	(80)	(80)		
Reclassification adj		(2)		
Total comprehensive income		7,447		
Note receivable from ESOP	7			7
Bal, Dec 28, 2003	$ 26,869		30,503	(18)

See Notes to Consolidated Financial Statements

	Accumul Other Compre-hensive Income	Common Stock Issued Amount	Treasury Stock Amount
Bal, Dec 31, 2000	(461)	3,120	(342)
Net earnings			
Cash dividends paid			
Employee stock compensation and stock option plans			1,444
Conversion of subordinated debentures			183
Repurchase of common stock			(2,742)
Business combinations			64
Other comprehensive income, net of tax:			
Currency translation adj	(175)		
Unrealized gains on securities	8		
Gains on derivatives & hedges	98		
Reclassification adj			
Total comprehensive income			
Note receivable from ESOP			
Bal, Dec 30, 2001	$ (530)	3,120	(1,393)
Net earnings			
Cash dividends paid			
Employee stock compensation and stock option plans			1,295
Conversion of subordinated debentures			353
Repurchase of common stock			(6,382)
Other comprehensive income, net of tax:			
Currency translation adj	(10)		
Unrealized losses on securities	(86)		
Pension liability adj	(18)		
Losses on derivatives & hedges	(198)		
Reclassification adj			
Total comprehensive income			
Note receivable from ESOP			
Bal, Dec 29, 2002	(842)	3,120	(6,127)
Net earnings			
Cash dividends paid			
Employee stock compensation and stock option plans			1,160
Conversion of subordinated debentures			4
Repurchase of common stock			(1,183)
Business combinations			
Other comprehensive income, net of tax:			
Currency translation adj	334		
Unrealized gains on securities	29		
Pension liability adj	(31)		
Losses on derivatives & hedges	(80)		
Reclassification adj			
Total comprehensive income			
Note receivable from ESOP			
Bal, Dec 28, 2003	$ (590)	3,120	(6,146)

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows
Johnson & Johnson and Subsidiaries

(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

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.

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 are 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 after December 31, 2002, 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 were 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 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.

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 were 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	Eff. Rate%	2002	Eff. 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:

	2003 Deferred Tax		2002 Deferred Tax	
(Dollars in Millions)	Asset	Liability	Asset	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

12 Accumulated Other Comprehensive Income

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

(Dollars in Millions)

	For. Cur. Trans.	Unrld Gains/ (Losses) On Sec	Pens Liab Adj.	Total Gains/ (Losses) on Deriv & Hedg	Accum Other Comp Inc/(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			
U.S. Benefit Plans	2003	2002	2001	2000
Discount rate	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
Rate of increase in compensation levels	4.50	4.50	4.50	5.00
International Benefit Plans				
Discount rate	5.25%	5.75%	5.75%	6.00%
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

	Other Benefit Plans			
U.S. Benefit Plans	2003	2002	2001	2000
Discount rate	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

Rate of increase in compensation levels	4.50	4.50	4.50	5.00
International Benefit Plans				
Discount rate	6.00%	6.75%	6.75%	6.75%
Expected long-term rate of return on plan assets	-	-	-	-
Rate of increase in compensation levels	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 contrib.	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)	2004	2005	2006	2007	2008	After 2008
U.S. Retirement Plans						
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 2003	2002	Target Allocation 2004
U.S. Retirement Plans			
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

	December 28, 2003			
	Net Cost	Unrealized Gains	Unrealized Losses	Est Fair Value
Money market funds	$ 1,559	-	-	1,559
Commercial paper	330	-	-	330
Time deposits	663	-	-	663
Government securities and obligations	2,844	1	-	2,845
Bank notes	22	-	-	22
Corporate debt securities	2,235	-	-	2,235
Total current marketable securities	$ 7,653	1	-	7,654
Government securities	25	-	-	25
Bank notes	6	-	-	6
Corporate debt securities	6	-	-	6
Investments held in trust	47	-	-	47
Total non-current marketable securities	$ 84	-	-	84

	December 29, 2002			
	Net Cost	Unrealized Gains	Unrealized Losses	Est Fair Value
Money market funds	$ 701	-	-	701
Commercial paper	35	-	-	35
Time deposits	754	-	-	754
Government securities and obligations	1,976	3	-	1,979
Bank notes	18	-	-	18
Corporate debt securities	2,791	6	-	2,797
Total current marketable securities	$ 6,275	9	-	6,284
Government securities	14	-	-	14
Bank notes	27	-	-	27
Corporate debt securities	-	-	-	-
Investments held in trust	80	-	-	80
Total non-current marketable securities	$ 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 CHARITE 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 CHARITE Artificial Disc. The CHARITE 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 Express2 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 chloride). 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 Qtr(1)	Second Qtr(2)	Third Qtr	Fourth Qtr(3)
Segment sales to customers				
Consumer	$ 1,791	1,819	1,841	1,979
Pharmaceutical	4,666	4,884	4,835	5,134
Med Devices and Diagnostics	3,364	3,629	3,779	4,141
Total sales	$ 9,821	10,332	10,455	11,254
Gross profit	7,099	7,366	7,475	7,746
Earnings before provision for taxes on income	2,929	2,056	2,949	2,374
Net earnings	2,070	1,210	2,072	1,845
Basic net earnings per share	$ .70	.41	.70	.62
Diluted net earnings per share	$ .69	.40	.69	.62

(Dollars in Millions
Except Per Share Data)

	2002			
	First Qtr	Second Qtr(4)	Third Qtr(5)	Fourth Qtr(6)
Segment sales to customers				
Consumer	1,604	1,649	1,661	1,650
Pharmaceutical	4,181	4,258	4,277	4,435
Med Devices and Diagnostics	2,958	3,166	3,141	3,318
Total sales	8,743	9,073	9,079	9,403
Gross profit	6,286	6,491	6,468	6,606
Earnings before provision for taxes on income	2,621	2,428	2,393	1,849
Net earnings	1,834	1,654	1,725	1,384
Basic net earnings per share	.60	.55	.58	.47
Diluted net earnings per share	.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.

/s/ PRICEWATERHOUSECOOPERS LLP

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)
Johnson & Johnson and Subsidiaries

(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
Med Devices and Diag -			
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)
Consumer	$ 1,393	1,229	1,004
Pharmaceutical	5,896	5,787	4,928
Medical Devices and Diagnostics	3,370	2,489	2,001
Segments total	10,659	9,505	7,933
Expenses not allocated to segments(3)	(351)	(214)	(35)
Worldwide total	$ 10,308	9,291	7,898

(Dollars in Millions)	Identifiable Assets 2003	2002	2001
Consumer	$ 5,371	5,056	4,209
Pharmaceutical	15,351	11,112	10,591
Medical Devices and Diagnostics	16,082	15,052	13,645
Segments total	36,804	31,220	28,445
General corporate(4)	11,459	9,336	10,043
Worldwide total	$ 48,263	40,556	38,488

(Dollars in Millions)	Additions to Property, Plant & Equipment 2003	2002	2001
Consumer	$ 229	222	230
Pharmaceutical	1,236	1,012	749
Medical Devices and Diagnostics	639	713	621
Segments total	2,104	1,947	1,600
General corporate	158	152	131
Worldwide total	$ 2,262	2,099	1,731

(Dollars in Millions)	Depreciation and Amortization 2003	2002	2001
Consumer	$ 246	244	263
Pharmaceutical	765	557	492
Medical Devices and Diagnostics	761	776	801
Segments total	1,772	1,577	1,556
General corporate	97	85	49
Worldwide total	$ 1,869	1,662	1,605

(Dollars in Millions)	Sales to Customers(2) 2003	2002	2001
United States	$ 25,274	22,455	19,825
Europe	9,483	7,636	6,687

Western Hemisphere excluding U.S.	2,236	2,018	2,070
Asia-Pacific, Africa	4,869	4,189	3,735
Worldwide total	$ 41,862	36,298	32,317

(Dollars in Millions)	Long-Lived Assets 2003	2002	2001
United States	$ 15,527	12,854	11,922
Europe	5,193	4,712	3,632
Western Hemisphere excluding U.S.	772	622	640
Asia-Pacific, Africa	605	603	433
Segments total	22,097	18,791	16,627
General corporate	448	383	319
Other non long-lived assets	25,718	21,382	21,542
Worldwide total	$ 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) Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures)

	2003	2002	2001	2000	1999
Sales to customers - Domestic	$ 25,274	22,455	19,825	17,316	15,532
Sales to customers - International	16,588	13,843	12,492	11,856	11,825
Total sales	41,862	36,298	32,317	29,172	27,357
Cost of products sold	12,176	10,447	9,581	8,957	8,539
Selling, marketing and admin expenses	14,131	12,216	11,260	10,495	10,065
Research expense	4,684	3,957	3,591	3,105	2,768
Purchased in-process research and develop	918	189	105	66	-
Interest income	(177)	(256)	(456)	(429)	(266)
Interest expense, net of portion capitalized	207	160	153	204	255
Other (income) expense, net	(385)	294	185	(94)	119
	31,554	27,007	24,419	22,304	21,480
Earnings before provision for taxes on income	10,308	9,291	7,898	6,868	5,877
Provision for taxes on income	3,111	2,694	2,230	1,915	1,604
Net earnings	7,197	6,597	5,668	4,953	4,273
Percent of sales to customers	17.2	18.2	17.5	17.0	15.6
Diluted net earnings per share of common stock*	2.40	2.16	1.84	1.61	1.39
Percent return on average Shareholders' equity	29.0	28.1	25.4	26.5	27.0
Percent increase over previous year:					
Sales to customers	15.3	12.3	10.8	6.6	14.9
Diluted net earnings per share	11.1	17.4	14.3	15.8	36.3
Supplementary expense data:					
Cost of materials and services(2)	18,568	16,540	15,333	14,113	13,922
Total employment costs	10,005	8,450	7,749	7,085	6,537
Depreciation and amortization	1,869	1,662	1,605	1,592	1,510
Maint and repairs(3)	395	360	372	327	322
Total tax expense(4)	4,078	3,497	2,995	2,619	2,271
Supplementary balance sheet data:					
Property, plant and equipment, net	9,846	8,710	7,719	7,409	7,155
Additions to property, plant and equipment	2,262	2,099	1,731	1,689	1,822
Total assets	48,263	40,556	38,488	34,245	31,064
Long-term debt	2,955	2,022	2,217	3,163	3,429
Operating cash flow	10,595	8,176	8,864	6,903	5,920
Common stock information*					
Dividends paid per share	.925	.795	.70	.62	.55
Shareholders' equity per share	9.05	7.65	7.95	6.77	5.70
Market price per share (year-end close)	50.62	53.11	59.86	52.53	46.63
Average shares outstanding (millions)					
- basic	2,968.1	2,998.3	3,033.8	2,993.5	2,978.2
- diluted	3,008.1	3,054.1	3,099.3	3,099.2	3,100.4
Employees (thousands)	110.6	108.3	101.8	100.9	99.8

* 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.

(Dollars in Millions
Except Per
Share Figures)

	1998	1997	1996	1995	1994	1993
Sales to customers - Domestic	$ 12,901	11,814	10,851	9,065	7,731	7,121
Sales to customers - International	10,910	10,708	10,536	9,472	7,723	6,756
Total sales	23,811	22,522	21,387	18,537	15,454	13,877
Cost of products sold	7,700	7,350	7,185	6,352	5,393	4,908
Selling, marketing and administrative expenses	8,525	8,185	7,848	6,950	5,901	5,364
Research expense	2,506	2,373	2,109	1,788	1,416	1,296
Purchased in-process research and development	298	108	-	-	37	-
Interest income	(302)	(263)	(196)	(151)	(85)	(104)
Interest expense, net of portion capitalized	186	179	176	184	182	165
Other (income) expense, net	565	248	122	70	(5)	(71)
	19,478	18,180	17,244	15,193	12,839	11,558
Earnings before provision for taxes on income	4,333	4,342	4,143	3,344	2,615	2,319
Provision for taxes on income	1,232	1,237	1,185	926	654	533
Net earnings	3,101	3,105	2,958	2,418	1,961	1,786
Percent of sales to customers	13.0	13.8	13.8	13.0	12.7	12.9
Diluted net earnings per share of common stock*	1.02	1.02	.98	.84	.69	.63
Percent return on average shareholders' equity	22.2	24.6	27.2	27.6	28.4	30.1
Percent Increase over previous year:						
Sales to customers	5.7	5.3	15.4	19.9	11.4	2.0
Diluted net Earnings per share	-	4.1	16.7	21.7	9.5	85.3
Supplementary expense data:						
Cost of materials and services(2)	11,779	11,702	11,341	9,984	8,104	7,168
Total employment costs	5,908	5,586	5,447	4,849	4,401	4,181
Depreciation and amortization	1,335	1,117	1,047	886	754	649
Maintenance and repairs(3)	286	270	285	257	222	205
Total tax expense(4)	1,881	1,824	1,753	1,458	1,132	957
Supplementary balance sheet data:						
Property, plantand equipment, net	6,767	6,204	6,025	5,544	5,230	4,717
Additions to property, plant and equipment	1,610	1,454	1,427	1,307	979	1,001
Total assets	28,966	23,615	22,248	19,355	17,027	13,372
Long-term debt	2,652	2,084	2,347	2,702	2,776	1,761
Operating cash flow	5,106	4,210	4,001	3,436	2,984	2,202
Common stock information*						
Dividends paid per share	.49	.425	.368	.32	.283	.253
Shareholders' equity per share	4.93	4.51	4.07	3.46	2.76	2.16
Market price per share (year-end close)	41.94	32.44	25.25	21.38	13.69	11.19
Average shares Outstanding (millions)						
- basic	2,973.6	2,951.9	2,938.0	2,820.1	2,796.9	2,816.6
- diluted	3,082.7	3,073.0	3,046.2	2,890.0	2,843.2	2,840.8
Employees (thousands)	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.

EXHIBIT 21

SUBSIDIARIES

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

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
U.S. Subsidiaries:	
3-Dimensional Pharmaceuticals, Inc.	Delaware
3DP Investments, Inc.	Delaware
ALZA Corporation	Delaware
ALZA Land Management, Inc.	Delaware
Biosense Webster, Inc.	California
Centocor, Inc.	Pennsylvania
Codman & Shurtleff, Inc.	New Jersey
Cordis Corporation	Florida
Cordis International Corporation	Delaware
Cordis LLC	Delaware
Crescendo Pharmaceuticals Corporation	Delaware
DePuy Disc, Inc.	Delaware
DePuy, Inc.	Delaware
DePuy Mitek, Inc.	Massachusetts
DePuy Orthopaedics, Inc.	Indiana
DePuy Products, Inc.	Indiana
DePuy Spine, Inc.	Ohio
DePuy Spine Sales Limited Partnership	Massachusetts
Diabetes Diagnostics, Inc.	Delaware
Ethicon Endo-Surgery, Inc.	Ohio
Ethicon Endo-Surgery, L.L.C.	New Mexico
Ethicon Endo-Surgery Services, L.P.	Texas
Ethicon, Inc.	New Jersey
Ethicon LLC	Delaware
GynoPharma Inc.	Delaware
Heartport, Inc.	Delaware
Independence Technology, L.L.C.	New Jersey
Iso Merger Corp	Delaware
Janssen Finance Company	Florida
Janssen Inc.	Delaware
Janssen Ortho LLC	Delaware
Janssen Pharmaceutica Inc.	Pennsylvania
Janssen Pharmaceutica Products, L.P.	New Jersey
JJHC, Inc.	Delaware
Johnson & Johnson Baby Products, Inc.	Delaware
Johnson & Johnson Consumer Companies, Inc.	New Jersey
Johnson & Johnson Development Corporation	New Jersey
Johnson & Johnson Finance Corporation	New Jersey
Johnson & Johnson Health Care Systems Inc.	New Jersey

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Johnson & Johnson International	New Jersey
Johnson & Johnson Japan Inc.	New Jersey
Johnson & Johnson - Merck Consumer Pharmaceuticals Co.	New Jersey
Johnson & Johnson (Middle East) Inc.	New Jersey
Johnson & Johnson Pharmaceutical Research & Development, L.L.C.	New Jersey
Johnson & Johnson Professional Co. (P.R.) Inc.	Delaware
Johnson & Johnson Services, Inc.	New Jersey
Johnson & Johnson Urban Renewal Associates	New Jersey
Johnson & Johnson Vision Care, Inc.	Florida
Joint Medical Products Corporation	Delaware
LifeScan, Inc.	California
LifeScan LLC	Delaware
McNEIL-PPC, Inc.	New Jersey
Middlesex Assurance Company Limited	Vermont
Neutrogena Corporation	Delaware
Nitinol Development Corporation	California
Noramco, Inc.	Georgia
OMJ Pharmaceuticals, Inc.	Delaware
OraPharma, Inc.	Delaware
Ortho Biologics LLC	Delaware
Ortho Biotech Holding Corp.	Delaware
Ortho Biotech Inc.	New Jersey
Ortho Biotech Products, L.P.	New Jersey
Ortho-Clinical Diagnostics, Inc.	New York
Ortho-McNeil Finance Co.	Florida
Ortho-McNeil Pharmaceutical, Inc.	Delaware
Rutan Realty LLC	New Jersey
Scios Inc.	Delaware
Splenda, Inc.	Delaware
TERAMed Corporation	Delaware
Therakos, Inc.	Florida
The Tylenol Company	New Jersey
Winthorpe & Valentine, Inc.	Delaware
International Subsidiaries:	
Abello Farmacia SL	Spain
ALZA Ireland Limited	Ireland
Apsis S.a.r.l.	France
Centra Medicamenta OTC SRL	Italy
Cilag AG	Switzerland
Cilag AG International	Switzerland
Cilag de Mexico S. de R.L. de C.V.	Mexico
Cilag Holding AG	Switzerland
Cordis de Mexico, S.A. de C.V.	Mexico
Cordis Europa N.V.	Netherlands
Cordis Italia S.p.A.	Italy
Cordis Medizinische Apparate GmbH	Germany

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Cordis S.A.	France
Cordis S.a.r.l.	Switzerland
DePuy Ace Sarl	Switzerland
DePuy Australia Pty. Ltd.	Australia
DePuy France S.A.	France
DePuy International Ltd	United Kingdom
DePuy Intl. (Holdings) Ltd	United Kingdom
DePuy (Ireland) Limited	Ireland
DePuy Italia S.p.A.	Italy
DePuy Japan K.K.	Japan
DePuy Orthopadie GmbH	Germany
DePuy Orthopedie S.A.	France
DePuy Spine Sarl	Switzerland
DePuy UK Holdings Limited	United Kingdom
Ethicon Endo-Surgery (Europe) GmbH	Germany
Ethicon GmbH	Germany
Ethicon Ireland Limited	Ireland
Ethicon Limited	Scotland
Ethicon SAS	France
Ethicon S.p.A.	Italy
Ethnor (Proprietary) Limited	South Africa
Greiter AG	Switzerland
Greiter (International) AG	Switzerland
Inverness Medical Limited	Scotland
Janssen Animal Health BVBA	Belgium
Janssen-Cilag A/S	Denmark
Janssen-Cilag A/S	Norway
Janssen-Cilag AB	Sweden
Janssen-Cilag AG	Switzerland
Janssen-Cilag B.V.	Netherlands
Janssen-Cilag, C.A.	Venezuela
Janssen-Cilag Egypt Ltd.	Egypt
Janssen-Cilag Farmaceutica, Lda.	Portugal
Janssen-Cilag Farmaceutica Ltda.	Brazil
Janssen-Cilag GmbH	Germany
Janssen-Cilag Ltd.	United Kingdom
Janssen-Cilag N.V.	Belgium
Janssen-Cilag OY	Finland
Janssen-Cilag Pharmaceutical S.A.C.I.	Greece
Janssen-Cilag Pharma GmbH	Austria
Janssen-Cilag Pty. Limited	Australia
Janssen-Cilag S.A.	Spain
Janssen-Cilag, S.A. de C.V.	Mexico
Janssen-Cilag S.A.S.	France
Janssen-Cilag S.p.A.	Italy
Janssen Internationaal C.V.B.A.	Belgium
Janssen Korea, Ltd.	Korea

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Janssen-Ortho Inc.	Canada
Janssen Pharmaceutica Limited	Thailand
Janssen Pharmaceutica N.V.	Belgium
Janssen Pharmaceutica (Pty) Limited	South Africa
Janssen Pharmaceutical K.K.	Japan
Janssen Pharmaceutical Limited	Ireland
J-C Healthcare Ltd.	Israel
JHC Nederland B.V.	Netherlands
Johnson & Johnson AB	Sweden
Johnson & Johnson AG	Switzerland
Johnson & Johnson (China) Investment Co., Ltd.	China
Johnson & Johnson (China) Ltd.	China
Johnson & Johnson Comercio E Distribuicao Ltda.	Brazil
Johnson & Johnson Consumer France SAS	France
Johnson & Johnson Consumer NV/SA	Belgium
Johnson & Johnson de Argentina, S.A.C.e I.	Argentina
Johnson & Johnson de Colombia S.A.	Colombia
Johnson & Johnson de Venezuela, S.A.	Venezuela
Johnson & Johnson European Treasury Company	Ireland
Johnson & Johnson (Egypt) S.A.E.	Egypt
Johnson & Johnson Finance Limited	England
Johnson & Johnson Financial Services GmbH	Germany
Johnson & Johnson Gesellschaft m.b.H	Austria
Johnson & Johnson GmbH	Germany
Johnson & Johnson Group Holdings G.m.b.H	Germany
Johnson & Johnson Hellas S.A.	Greece
Johnson & Johnson Holding AB	Sweden
Johnson & Johnson Holding GmbH	Germany
Johnson & Johnson (Hong Kong) Limited	Hong Kong
Johnson & Johnson Inc.	Canada
Johnson & Johnson International Financial Services Company	Ireland
Johnson & Johnson International S.A.	France
Johnson & Johnson Investments Limited	England
Johnson & Johnson (Ireland) Limited	Ireland
Johnson & Johnson (Kenya) Limited	Kenya
Johnson & Johnson Kft.	Hungary
Johnson & Johnson K.K.	Japan
Johnson & Johnson Korea, Ltd.	Korea
Johnson & Johnson Lda	Portugal
Johnson & Johnson Limited	India
Johnson & Johnson Ltd	England
Johnson & Johnson Management Limited	England
Johnson & Johnson Medical B.V.	Netherlands
Johnson & Johnson Medical (China) Ltd.	China
Johnson & Johnson Medical Korea Limited	Korea
Johnson & Johnson Medical Limited	Scotland
Johnson & Johnson Medical Mexico, S.A. de C.V.	Mexico

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Johnson & Johnson Medical N.V./S.A.	Belgium
Johnson & Johnson Medical (Pty) Limited	South Africa
Johnson & Johnson Medical Pty. Limited	Australia
Johnson & Johnson Medical S.A.	Argentina
Johnson & Johnson Morocco S.A.	Morocco
Johnson & Johnson (New Zealand) Limited	New Zealand
Johnson & Johnson Pacific Pty. Limited	Australia
Johnson & Johnson Pakistan (Private) Limited	Pakistan
Johnson & Johnson (Philippines), Inc.	Philippines
Johnson & Johnson Poland Sp. z o.o	Poland
Johnson & Johnson (Private) Limited	Zimbabwe
Johnson & Johnson Products Inc.	Canada
Johnson & Johnson Produtos Profissionais Ltda.	Brazil
Johnson & Johnson (Proprietary) Limited	South Africa
Johnson & Johnson Pte. Ltd.	Singapore
Johnson & Johnson Pty. Limited	Australia
Johnson & Johnson Research Pty. Limited	Australia
Johnson & Johnson S.A.	Spain
Johnson & Johnson, S.A. de C.V.	Mexico
Johnson & Johnson SDN. BHD.	Malaysia
Johnson & Johnson S.p.A	Italy
Johnson & Johnson, Spol.s.r.o.	Czech Republic
Johnson & Johnson Swiss Finance Company Limited	United Kingdom
Johnson & Johnson Taiwan Ltd.	Taiwan
Johnson & Johnson (Thailand) Ltd	Thailand
Johnson & Johnson Vision Care (Ireland) Limited	Ireland
Laboratoires Martin Johnson & Johnson -- MSD S.A.S	France
Laboratoires Polive S.N.C.	France
Lifescan Canada Ltd.	Canada
McNeil Consumer Nutritionals Ltd.	England
Medos S.A.	Switzerland
Neutrogena Provence S.A.R.L	France
Obtech Medical AG	Switzerland
OMJ Ireland Limited	Ireland
OMJ Manufacturing Limited	Ireland
Ortho-Clinical Diagnostics	United Kingdom
Ortho-Clinical Diagnostics GmbH	Germany
Ortho-Clinical Diagnostics K.K.	Japan
Ortho-Clinical Diagnostics N.V.	Belgium
Ortho-Clinical Diagnostics S.A.	France
Ortho-Clinical Diagnostics S.p.A.	Italy
Penta Pty. Limited	Australia
P.T. Johnson & Johnson Indonesia	Indonesia
Shanghai Johnson & Johnson Limited	China
Shanghai Johnson & Johnson Pharmaceuticals, Ltd	China
Tasmanian Alkaloids Pty. Ltd.	Australia

NAME OF SUBSIDIARY	JURISDICTION OF ORGANIZATION
Tibotec BVBA	Belgium
Tibotec Pharmaceuticals Ltd.	Ireland
Tibotec-Virco Comm. VA	Belgium
Vania Expansion, S.N.C	France
Virco BVBA	Belgium
Woelm Pharma GmbH & Co	Germany
Xian-Janssen Pharmaceutical Ltd.	China

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 333-106007, 333-104828, 333-96541, 333-87736, 333-67370, 333-59380, 33-52252, 33-40294, 33-40295, 33-32875, 033-59009, 333-38055, 333-40681, 333-26979, 333-39238 and 333-86611) and Form S-3 (File No. 333-111082, 333-104821, 333-67020, 33-55977, 333-91349 and 33-47424) of our report dated 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 relating to the financial statements of Johnson & Johnson, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated January 19, 2004 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

New York, New York
March 9, 2004

EXHIBIT 31(A)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
UNDER RULE 13A-14(A) OF THE SECURITIES EXCHANGE ACT
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, William C. Weldon, certify that:

1. I have reviewed this annual report on Form 10-K of Johnson & Johnson (the "registrant");

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) for the registrant and we have:

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

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

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

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

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

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

/s/ WILLIAM C. WELDON

William C. Weldon
Chief Executive Officer

Date: March 10, 2004

EXHIBIT 31(B)

CERTIFICATION OF CHIEF FINANCIAL OFFICER
UNDER RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT

I, Robert J. Darretta, certify that:

1. I have reviewed this annual report on Form 10-K of Johnson & Johnson (the "registrant");

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) for the registrant and we have:

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

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

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

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

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

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

/s/ ROBERT J. DARRETTA

Robert J. Darretta
Chief Financial Officer

Date: March 10, 2004

EXHIBIT 32(A)

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

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

(1) the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003 (the "Report") fully complies with the requirements of
Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ WILLIAM C. WELDON

William C. Weldon
Chief Executive Officer

Dated: March 10, 2004

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

EXHIBIT 32(B)

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

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

(1) the Company's Annual Report on Form 10-K for the fiscal year ended December 28, 2003 (the "Report") fully complies with the requirements of
Section 13(a) of the Securities Exchange Act of 1934; and

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

/s/ ROBERT J. DARRETTA

Robert J. Darretta
Chief Financial Officer

Dated: March 10, 2004

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

EXHIBIT 99(b)

CAUTIONARY STATEMENT PURSUANT TO PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 -- "SAFE HARBOR" FOR FORWARD-LOOKING STATEMENTS

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

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

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

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

Competitive factors, including technological advances achieved and patents attained by competitors as well as new products introduced by competitors, including the fact that there is continued competition in the U.S. for PROCRIT, the top-selling product in the Company's portfolio and new competition is expected for the CYPHER drug-eluting stent;

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

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

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

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

Health care changes in the U.S. and other countries resulting in pricing pressures, including the continued consolidation among health care providers, trends toward managed care and health care cost

containment and government laws and regulations relating to sales and promotion, reimbursement and pricing generally;

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

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

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

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

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

Product efficacy or safety concerns resulting in product recalls, regulatory action on the part of the FDA (or foreign counterparts) or declining sales;

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

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

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