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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 29, 2002 COMMISSION FILE NUMBER 1-3215

JOHNSON & JOHNSON
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| NEW JERSEY | 22-1024240 |
|---|---|
| (State of Incorporation) | (I.R.S. Employer Identification No.) |
| ONE JOHNSON & JOHNSON PLAZA NEW BRUNSWICK, NEW JERSEY | 08933 |
| (Address of principal executive offices) | (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 voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of the last business day of the registrant's most recently completed second fiscal quarter was approximately $156 billion.

On February 25, 2003 there were 2,969,972,365 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

| | |
|---|---|
| Parts I and II: | Portions of registrant's annual report to shareholders for fiscal year 2002. |
| Part III: | Portions of registrant's proxy statement for its 2003 annual meeting. |

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PART I



Form 10-Q Quarterly Reports Available. A copy of Johnson & Johnson's Quarterly Report on Form 10-Q for any of the first three quarters of the current fiscal year, without exhibits, 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. Each report will be available about 45 days after the end of the quarter to which it relates. All of the Company's SEC filings are also available on the Company's website, www.jnj.com, in the Investor Relations section.

PART I

ITEM 1. BUSINESS

GENERAL

Johnson & Johnson, employing approximately 108,300 people worldwide, is engaged in the manufacture and sale of a broad range of products in the health care field. With 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 domestic and international companies which span the Consumer, Pharmaceutical and Medical Devices & Diagnostics segments. Each international subsidiary 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 & 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 captioned "Management's Discussion and Analysis of Results of Operations and Financial Condition -- Description of Segments -- Consumer, Pharmaceutical, Medical Devices & Diagnostics and Operating Results" on pages 28 through 34 and 57 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

CONSUMER

The Consumer segment's principal products are personal care products, including nonprescription drugs, adult skin and hair care products, baby care products, oral care products, first aid products, women's health products and nutritional products. Major brands include AVEENO skin care products; BAND-AID Brand Adhesive Bandages; BENECOL food products; CAREFREE Panty Shields; CLEAN & CLEAR teen skin care products; COMPEED foot care products; IMODIUM A-D, an antidiarrheal; JOHNSON'S Baby line of products; JOHNSON'S pH 5.5 skin and hair care products; MONISTAT, a remedy for vaginal yeast infections; adult and children's MOTRIN IB ibuprofen products; MYLANTA gastrointestinal products and PEPCID AC Acid Controller from the Johnson & Johnson - Merck Consumer Pharmaceuticals Co.; NEUTROGENA skin and hair care products; o.b. Tampons; PENATEN and NATUSAN baby care products; PIZ BUIN and SUNDOWN sun care products; REACH toothbrushes; RoC skin care products; SHOWER TO SHOWER personal care products; SPLENDA, a non-caloric sugar substitute; STAYFREE sanitary protection products; the broad family of TYLENOL acetaminophen products; and VIACTIV calcium supplements. The Consumer segment's products are marketed principally to the general public and distributed 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. Prescription drugs in the antifungal field include NIZORAL (ketoconazole), SPORANOX (itraconazole), TERAZOL (terconazole) and DAKTARIN (miconazole nitrate) antifungal products. Prescription drugs in the anti-infective field include FLOXIN (ofloxacin) and LEVAQUIN (levofloxacin). Prescription drugs in the cardiovascular field include RETAVASE (reteplase), a recombinant biologic

cardiology care product for the treatment of acute myocardial infarction to improve blood flow to the heart, and REOPRO (abciximab) for the treatment of acute cardiac disease. Prescription drugs in the dermatology field include RETIN-A MICRO (tretinoin), a dermatological cream for acne. Prescription drugs in the gastrointestinal field include ACIPHEX (rabeprazole sodium), a proton pump inhibitor for treating erosive gastroesophageal reflux disease (GERD) and duodenal ulcers (from which the Company derives service revenue as this product is co-promoted in the U.S. with Eisai); IMODIUM (loperamide HCl), an antidiarrheal; MOTILIUM (domperidone), a gastrointestinal mobilizer; and REMICADE (infliximab), a novel monoclonal antibody for treatment of certain Crohn's disease patients. REMICADE is also indicated for the treatment of rheumatoid arthritis.

Prescription drugs in the hematology field include PROCRIT (epoetin alfa, sold outside the U.S. as EPREX), a biotechnology derived version of the human hormone erythropoietin that stimulates red blood cell production, which accounted for 11.8% of the Company's total revenues in 2002. Prescription drugs in the immunology field include ORTHOCLONE OKT-3 (muromonab-CD3), for reversing the rejection of kidney, heart and liver transplants. Prescription drugs in the neurology field include REMINYL (galantamine), TOPAMAX (topiramate) and STUGERON (cinnarizine). Prescription drugs in the oncology field include DOXIL (doxorubicin), an anti-cancer treatment, ERGAMISOL (levamisole hydrochloride), a colon cancer drug, and LEUSTATIN (cladribine), for hairy cell leukemia. Prescription drugs in the pain management field include DURAGESIC (fentanyl transdermal system, sold abroad as DUROGESIC), a transdermal patch for chronic pain and ULTRACET (tramadol hydrochloride/acetaminophen) for the short-term management of acute pain. Prescription drugs in the psychotropics (central nervous system) field include RISPERDAL (risperidone) and HALDOL (haloperidol), and CONCERTA (methylphenidate) for attention deficit/hyperactivity disorder. Prescription drugs in the urology field include DITROPAN XL (oxybutynin) for treatment of overactive bladder. Prescription drugs in the contraceptive field include ORTHO-EVRA (norelgestromin/ethinyl estradiol transdermal system), ORTHO-NOVUM (norethindrone/ethinyl estradiol) and TRICILEST (norgestimate/ethinyl estradiol, sold in the U.S. as ORTHO TRI-CYCLEN) group of oral contraceptives. In 2002, sales to three largest distributors, AmerisourceBergen Corp., McKesson HBOC and Cardinal Distribution accounted for 10.3%, 9.8% and 9.2%, respectively, of total revenues.

MEDICAL DEVICES & DIAGNOSTICS

The Medical Devices & 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, surgical sports medicine 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 54 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 "Description of Segments -- Consumer, Pharmaceutical and Medical Devices & 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 domestic 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 business 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. However, it is believed that except for the patents related to PROCRIT/EXPREX, no single patent or related group of patents is material in relation to Johnson & Johnson as a whole.

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 its 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 Johnson & Johnson's consumer products 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 $3,957, $3,591, and $3,105 million for fiscal years 2002, 2001 and 2000, 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 was 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. Even in the absence of new government regulation, 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.

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.

ITEM 2. PROPERTIES

Johnson & Johnson and its worldwide subsidiaries operate 154 manufacturing facilities occupying approximately 16 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 | 4,586 |
| Pharmaceutical | 5,110 |
| Medical Devices & Diagnostics | 6,437 |
| Worldwide total | 16,133 |

Within the United States, 9 facilities are used by the Consumer segment, 13 by the Pharmaceutical segment and 55 by the Medical Devices & 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 | 77 | 7,429 |
| Europe | 34 | 5,132 |
| Western Hemisphere excluding U.S.A. | 16 | 1,983 |
| Africa, Asia and Pacific | 27 | 1,589 |
| Worldwide total | 154 | 16,133 |

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 44 through 45 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002. Segment information on additions to Johnson & Johnson's property, plant and equipment is contained on page 57 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

ITEM 3. LEGAL PROCEEDINGS

The information set forth in Note 18 "Legal Proceedings" under "Notes to Consolidated Financial Statements" on page 53 through 54 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002 is incorporated herein by reference.

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 17, 2003, 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 4 through 7 of Johnson & Johnson's Proxy Statement dated March 12, 2003.

| NAME | AGE | POSITION |
|---|---|---|
| Robert J. Darretta..... | 56 | Member, Board of Directors; Member, Executive Committee; Executive Vice President; Chief Financial Officer |
| Russell C. Deyo..... | 53 | Member, Executive Committee; Vice President, Administration(a) |
| Michael J. Dormer..... | 51 | Member, Executive Committee; Worldwide Chairman, Medical Devices Group(b) |
| Roger S. Fine..... | 60 | Member, Executive Committee; Vice President, General Counsel(c) |
| Colleen A. Goggins..... | 48 | Member, Executive Committee; Worldwide Chairman, Consumer & Personal Care Group(d) |
| JoAnn Heffernan Heisen..... | 53 | Member, Executive Committee; Vice President, Chief Information Officer(e) |
| James T. Lenehan..... | 54 | Vice Chairman, Board of Directors; President; Member, Executive Committee |

| NAME | AGE | POSITION |
|---|---|---|
| Brian D. Perkins | 49 | Member, Executive Committee; Worldwide Chairman, Consumer Pharmaceuticals & Nutritionals Group(f) |
| Per A. Peterson, M.D., Ph.D. | 58 | Member, Executive Committee; Chairman, Research & Development, Pharmaceuticals Group(g) |
| Christine A. Poon | 50 | Member, Executive Committee; Worldwide Chairman, Pharmaceuticals Group(h) |
| William C. Weldon | 54 | Chairman, Board of Directors; Chief Executive Officer; Chairman, Executive Committee |
| Robert N. Wilson | 62 | Senior Vice Chairman, Board of Directors(i) |

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(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.

(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.

(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, Research & Development, Pharmaceuticals Group. 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. 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. Wilson joined the Company in 1964, served in several sales and marketing management positions and was appointed Company Group Chairman in 1981 and appointed to the Executive Committee in 1983. He was appointed Chairman of a Sector Operating Committee in 1985 and was appointed Vice Chairman of the Board of Directors in 1989. He assumed expanded responsibilities as Vice Chairman of the Executive Committee in 1994 and was named Senior Vice Chairman of the Board of Directors in 2001.

## PART II

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

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 -- Share Repurchases & Dividends" on page 34 and "Common Stock Market Prices" on page 37 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

### 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 1992-2002" on page 58 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

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

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 Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

### 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 -- Financial Position & Capital Resources" on page 34 through 35 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this item is incorporated herein by reference to the Consolidated Financial Statements and the Notes thereto and the material captioned "Independent Auditor's Report" on pages 38 through 56 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002.

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

Not applicable.

## 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 7 of Johnson & Johnson's Proxy Statement dated March 12, 2003, (b) the material in Part I hereof under the caption "Executive Officers of the Registrant" and (c) the material under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" on page 10 of Johnson & Johnson's Proxy Statement dated March 12, 2003.

### ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to the following sections of Johnson & Johnson's Proxy Statement dated March 12, 2003: "Election of Directors -- Directors' Fees, Committees and Meetings" on pages 8 through 10; "Compensation Committee Report on Executive

Compensation" on pages 12 through 15; "Shareowner Return Performance Graphs" on pages 16 and 17; and "Executive Compensation" on pages 18 through 22.

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 7 through 8 of Johnson & Johnson's Proxy Statement dated March 12, 2003.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

ITEM 14. CONTROLS AND PROCEDURES

Disclosure Controls. Within 90 days before filing this report, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures. The Company's disclosure controls and procedures are the controls and other procedures that the Company has designed to ensure that it 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, Executive Vice President 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 Controls. Since the date of the evaluation described above, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect those controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

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 56 of Johnson & Johnson's Annual Report to Shareholders for fiscal year 2002 are incorporated herein by reference:

Consolidated Balance Sheets at end of Fiscal Years 2002 and 2001

Consolidated Statements of Earnings for Fiscal Years 2002, 2001 and 2000

Consolidated Statements of Equity for Fiscal Years 2002, 2001 and 2000

Consolidated Statements of Cash Flows for Fiscal Years 2002, 2001 and 2000

Notes to Consolidated Financial Statements

Independent Auditor's Report

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 601 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 filed on October 23, 2002, which included a press release statement on the Amgen arbitration.

A Report on Form 8-K was filed on December 4, 2002, which included a press release statement on the change in European labeling for EPREX/ERYPO.

A Report on Form 8-K was filed on December 30, 2002, regarding the funding of the Company's U.S. Pension Plan.

A Report on Form 8-K was filed on January 30, 2003, which included a press release statement on the Amgen arbitration and also reported the resignation of John W. Snow from the Board of Directors.

A Report on Form 8-K was filed on March 12, 2003, which included Management's Discussion and Analysis of Financial Condition and Results of Operations and the Independent Auditors' Report.

JOHNSON & JOHNSON AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

FISCAL YEARS ENDED DECEMBER 29, 2002, DECEMBER 30, 2001 AND DECEMBER 31, 2000
(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 | |
| 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 |
| 2000 | | | | | |
| Reserves deducted from accounts receivable, trade | | | | | |
| Reserve for doubtful accounts | $206 | 89 | Write-offs less recoveries | 106 | |
| | | | Currency adjustments | 7 | 182 |
| Reserve for customer rebates | 140 | 1,220 | Customer rebates allowed | 1,170 | |
| | | | Currency adjustments | 2 | 188 |
| Reserve for cash discounts | 61 | 494 | Cash discounts allowed | 484 | |
| | | | Currency adjustments | 2 | 69 |
| | $407 | 1,803 | | 1,771 | 439 |

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(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 17, 2003

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<br>W. C. Weldon | Chairman, Board of Directors and Chief Executive Officer, and Director (Principal Executive Officer) | March 11, 2003 |
| /s/ R. J. DARRETTA<br>R. J. Darretta | Executive Vice President; Chief Financial Officer and Director (Principal Financial Officer) | March 12, 2003 |
| /s/ S. J. COSGROVE<br>S. J. Cosgrove | Controller | March 12, 2003 |
| /s/ G. N. BURROW<br>G. N. Burrow | Director | March 12, 2003 |
| /s/ J. G. CULLEN<br>J. G. Cullen | Director | March 14, 2003 |
| M. J. Folkman | Director | March , 2003 |
| /s/ A. D. JORDAN<br>A. D. Jordan | Director | March 12, 2003 |
| /s/ A. G. LANGBO<br>A. G. Langbo | Director | March 11, 2003 |
| /s/ J.T. LENEHAN<br>J.T. Lenehan | Vice Chairman, Board of Directors, President and Director | March 17, 2003 |

| SIGNATURE | TITLE | DATE |
|---|---|---|
| /s/ L.F. MULLIN<br>L.F. Mullin | Director | March 12, 2003 |
| /s/ D. SATCHER<br>D. Satcher | Director | March 13, 2003 |
| /s/ H. B. SCHACHT<br>H. B. Schacht | Director | March 12, 2003 |
| /s/ M. F. SINGER<br>M. F. Singer | Director | March 14, 2003 |
| /s/ R. N. WILSON<br>R. N. Wilson | Senior Vice Chairman, Board of Directors and Director | March 17, 2003 |

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934

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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ WILLIAM C. WELDON

William C. Weldon
Chief Executive Officer

Date: March 17, 2003

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934

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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ ROBERT J. DARRETTA

Robert J. Darretta
Chief Financial Officer

Date: March 17, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

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 29, 2002 (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 17, 2003

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

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 29, 2002 (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 17, 2003

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

REPORT OF INDEPENDENT ACCOUNTANTS 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 20, 2003, except for Note 22 for which the date is February 10, 2003, appearing in the 2002 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 20, 2003

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) -- Filed with this document.* |
| 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) -- Incorporated herein by reference to Exhibit 10(g) of the Registrant's Form 10-K Annual Report for the year ended December 30, 2001.* |
| 10(h) | Deferred Fee Plan for Directors (as amended) -- Filed with this document.* |
| 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.* |
| 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.* |

| REG. S-K EXHIBIT TABLE ITEM NO. | DESCRIPTION OF EXHIBIT |
|---|---|
| 10(o) | Letter Agreement dated June 24, 2002 between the Company and Mr. R. S. Larsen with respect to post-employment arrangements -- Filed with this document. * |
| 10(p) | Consulting Agreement between the Company and Dr. Judah Folkman, member of the Board -- Filed with this document. * |
| 12 | -- Statement of Computation of Ratio of Earnings to Fixed Charges -- Filed with this document. |
| 13 | -- Pages 28 through 58 of the Company's Annual Report to Shareholders for fiscal year 2002 (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. |
| 99(a) | -- Annual Reports on Form 11-K for the Johnson & Johnson Savings Plans, to be filed on or before June 30, 2003. |
| 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 the report.

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(B)

# JOHNSON & JOHNSON

# 2000 STOCK OPTION PLAN

(As amended February 10, 2003)

## 1.PURPOSE

The purpose of the Johnson & Johnson 2000 Stock Option Plan (the "Plan") is to promote the interests of Johnson & Johnson (the "Company") by ensuring continuity of management and increased incentive on the part of officers and executive employees responsible for major contributions to effective management, through facilitating their acquisition of an equity interest in the Company on reasonable terms.

## 2.ADMINISTRATION

The Plan shall be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee shall consist of not less than three directors. No person shall be eligible to continue to serve as a member of such Committee unless such person is a "Non-Employee Director" within the meaning of Rule 16b-3 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, and an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The Committee shall have the power to select optionees, to establish the number of shares and other terms applicable to each such option, to construe the provisions of the Plan, and to adopt rules and regulations governing the administration of the Plan.

The Board of Directors, within its discretion, shall have authority to amend the Plan and the terms of any option issued hereunder without the necessity of obtaining further approval of the shareowners, unless such approval is required by law. Notwithstanding the foregoing, except for any stock split, adjustment or other change in the corporate structure or shares of the Company as contemplated under Section 6(A)(v) hereof, the Company shall neither lower the exercise price of any option granted under the Plan nor grant any option hereunder in replacement of an option which had previously been granted at a higher exercise price, without the approval of the shareowners.

## 3.ELIGIBILITY

Those eligible to participate in the Plan will be selected by the Committee from the following:

(1) Directors.

(2) Officers and other key employees of the Company and its domestic subsidiaries.

(3) Key employees of subsidiaries outside the United States.

(4) Key employees of a joint venture operation of the Company or its subsidiaries and key employees of joint venture partners who are assigned to such a joint venture.

In all cases, optionees shall be selected on the basis of demonstrated ability to contribute substantially to the effective management or financial performance of the Company or its subsidiaries.

In no event shall an option be granted to any individual who, immediately after such option is granted, is considered to own stock possessing more than 10% of the combined voting power of all classes of stock of Johnson & Johnson or any of its subsidiaries within the meaning of Section 422 of the Internal Revenue Code.

4.ALLOTMENT OF SHARES

The amount of Common Stock of the Company (par value $1.00 per share) that may be made subject to grants of options under the Plan in any calendar year shall not exceed an amount equal to 1.6 percent of the issued shares of the Company's Common Stock (including Treasury Shares) on January 1 of such year, plus (i) the number of shares that were available for grants in the previous year under the Plan but were not made subject to a grant in such previous year and (ii) the number of shares that were covered by options granted under the Plan which options lapsed, expired or terminated in the previous year without being exercised. Notwithstanding the foregoing, no more than 75 million shares in the aggregate shall be available for issuance as incentive stock options under the Plan.

The total number of shares which may be awarded under the Plan to any optionee in any one year shall not exceed the lesser of (x) 5% of the total shares allotted to the Plan for such year and (y) 2 million shares. The Committee may, in its discretion, issue upon exercise of any option Treasury Shares or authorized but unissued shares.

5.EFFECTIVE DATE AND TERM OF PLAN

The Plan, if approved by the shareowners of the Company, shall become effective on April 19, 2000. No option shall be granted pursuant to this Plan later than April 18, 2005, but the rights of optionees under options theretofore granted to them will not be affected, and all unexpired options will continue in force and operation thereafter, except as such options may lapse or be terminated in accordance with their terms and conditions.

6.TERMS AND CONDITIONS

A.ALL OPTIONS

The following shall apply to all options granted under the Plan:

(i) Option Price

The option price per share for each stock option shall be determined by the Committee and shall not be less than the fair market value on the date the option is granted. The fair market value shall be determined as prescribed by the Internal Revenue Code and Regulations.

(ii) Time of Exercise of Option

The Committee shall establish the time or times within the option period when the stock option may be exercised in whole or in such parts as may be

specified from time to time by the Committee. With respect to an optionee whose employment has terminated by reason of death, disability or retirement, the Committee may in its discretion accelerate the time or times when any particular stock option held by said optionee may be so exercised so that such time or times are earlier than those originally provided in said option. In all cases exercise of a stock option shall be subject to the provisions of Section 6B(ii) or 6C(iii), as the case may be. The Committee shall determine, either at the time of grant or later, whether and to what extent and under what circumstances, the delivery of shares issuable in connection with the exercise of a non-qualified option may be deferred at the election of the optionee.

(iii) Payment

The entire option price may be paid at the time the option is exercised. When an option is exercised prior to termination of employment, the Committee shall have the discretion to arrange for the payment of such price, in whole or in part, in installments. In such cases, the Committee shall obtain such evidence of the optionee's obligation, establish such interest rate and require such security as it may deem appropriate for the adequate protection of the Company.

(iv) Non-Transferability of Option

Unless otherwise specified by the Committee to the contrary, an option by its terms shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution and shall be exercisable during the optionee's lifetime only by the optionee. The Committee may, in the manner established by the Committee, provide for the transfer, without payment of consideration, of a non-qualified option by an optionee to a member of the optionee's immediate family or to a trust or partnership whose beneficiaries are members of the optionee's immediate family. In such case, the option shall be exercisable only by such transferee. For purposes of this provision, an optionee's "immediate family" shall mean the holder's spouse, children and grandchildren.

(v) Adjustment in Event of Recapitalization of the Company

In the event of a reorganization, recapitalization, 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 Board of Directors shall make such adjustment as it may deem equitably required in the number and kind of shares authorized by and for the Plan, the number and kind of shares covered by the options granted, the number of shares which may be awarded to an optionee in any one year, and the option price.

(vi) Rights after Termination of Employment

(1) In the event of termination of employment due to any cause other than death, disability or retirement, rights to exercise the stock option shall cease, except for those which have accrued to and including the "date of termination" (as defined below), unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) months after the date of termination, or such longer period (not to exceed three (3) years) as the Committee shall provide.

(2) In the event of termination of employment due to death or disability, rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years or such longer period (not to exceed the term of the option) as the Committee shall provide.

Notwithstanding the above, in the event such termination of employment due to death or disability occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portion of the stock option may be exercised in whole or in part during the remaining term of the option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated.

(3) In the event of retirement (unrelated to termination for cause, as defined below, which shall be governed by the provisions of (1) above) rights to exercise the stock option shall cease, except for those which have accrued to and including the date of termination, unless the Committee shall otherwise specify. These rights shall remain exercisable for a period of three (3) years, or such longer period (not to exceed the term of the option) as the Committee shall provide, provided, however, that in the event the optionee is "employed by a competitor" (as defined below) within two (2) years from the date of such retirement, no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

Notwithstanding the above, in the event such retirement (unrelated to termination for cause which shall be governed by the provisions of (1) above) occurs with optionee having at least ten (10) years of service, any unexercised or unexercisable portions of the stock option may be exercised in whole or in part during the remaining term of the stock option at such times and to the extent the optionee could have exercised such stock option had the optionee's employment not terminated, provided, however, that in the event the optionee is employed by a competitor within two (2) years from the date of such retirement, (i) any unexercisable portion of the stock option shall terminate immediately and (ii) no rights may be exercisable beyond a date which is three (3) months after the commencement of such employment with a competitor.

(4) No stock option shall, in any event, be exercised after the expiration of 10 years from the date such option is granted, or such earlier date as may be specified in the option. In addition, any stock option granted within six (6) months of termination of employment due to any cause whatsoever shall be void unless the Committee shall otherwise provide.

(5) As used in the Plan:

(i) The term "termination for cause" shall mean optionee's termination by the Company or any of its subsidiaries in connection with the violation of any federal or state law, dishonesty, the willful and deliberate failure on the part of an optionee to perform his/her employment duties in any material respect or such other events, including the existence of a conflict of interest, as the Management Compensation Committee may determine. Such committee shall

have the sole discretion to determine whether a "termination for cause" exists, and its determination shall be final.

(ii) The term "employed by a competitor" shall mean the optionee's engaging in any activity or providing services, whether as director, employee, advisor, consultant or otherwise, for any corporation or other entity which is a competitor of the Company or any of its subsidiaries. The Management Compensation Committee shall have the sole discretion to determine if an optionee is "employed by a competitor", and its determination shall be final.

(iii) The term "date of termination" shall mean the last date on which the optionee was in an active employment status. Specifically, in the event an optionee is covered by a severance agreement or arrangement, the "date of termination" shall be the last day date of active employment, not the date corresponding to the end of the severance period.

B. NON-QUALIFIED STOCK OPTIONS

The Committee may, in its discretion, grant options under the Plan which, in whole or in part, do not qualify as incentive stock options under Section 422 of the Internal Revenue Code. In addition to the terms and conditions set forth in Section 6A above, the following terms and conditions shall govern any option (or portion thereof) to the extent that it does not so qualify.

(i) Form of Payment

Payment of the option price of any option (or portion thereof) not qualifying as an incentive stock option shall be made in cash or, in the discretion of the Committee, in the Common Stock of the Company valued at its fair market value (as the same shall be determined by the Committee), or a combination of such Common Stock and cash. Where payment of the option price is to be made with Common Stock acquired under a Company compensation plan (within the meaning of Opinion No. 25 of the Accounting Principles Board), such Common Stock will not be accepted as payment unless the optionee has beneficially owned such Common Stock for at least six months (increased to one year if such Common Stock was acquired under an incentive stock option) prior to such payment.

(ii) Period of Option

The exercise period of each non-qualified stock option by its terms shall not be more than 10 years from the date the option is granted as specified by the Committee.

C. INCENTIVE STOCK OPTIONS

The Committee may, in its discretion, grant options under the Plan which qualify in whole or in part as incentive stock options under Section 422 of the Internal Revenue Code. In addition to the terms and conditions set forth in Section 6A above, the following terms and conditions shall govern any option (or portion thereof) to the extent that it so qualifies:

(i) Maximum Fair Market Value of Incentive Stock Options

The aggregate fair market value (determined as of the time such option is granted) of the Common Stock for which any optionee may have stock options which first become vested in any calendar year (under all incentive stock option plans of the Company and its subsidiaries) shall not exceed $100,000.

(ii) Form of Payment

Payment of the option price for incentive stock options shall be made in cash or in the Common Stock of the Company valued at its fair market value (as the same shall be determined by the Committee), or a combination of such Common Stock and cash. Where payment of the option price is to be made with Common Stock acquired under a Company compensation plan (within the meaning of Opinion No. 25 of the Accounting Principles Board), such Common Stock will not be accepted as payment unless the optionee has beneficially owned such Common Stock for at least six months (increased to one year if such Common Stock was acquired under an incentive stock option) prior to such payment.

(iii) Period of Option

The exercise period of each incentive stock option by its terms shall not be more than l0 years from the date the option is granted as specified by the Committee.

D. Options for Non-Employee Directors

Notwithstanding the foregoing, in the event of any inconsistency between the terms and conditions above and the following terms and conditions, the following terms and conditions shall govern the stock options granted to non-employee directors of the Board of Directors:

(i) The Committee shall establish the time or times within the option period when the stock option may be exercised in whole or in such parts as may be specified from time to time by the Committee; provided however that each option shall become 100% exercisable upon the completion of a non-employee director's Board service.

(ii) If a non-employee director completes his or her service as a director of the Company for any reason (other than death), their options may be exercised at any time during the remainder of the option term.

(iii) In the event of a non-employee director's death, regardless of whether he or she is still serving as a director, the option may be exercised, subject to the provisions of Section 6B (ii) above, within three (3) years after death by his or her estate or by any person who acquires such option by inheritance or devise. Thereafter, such rights shall lapse.

# JOHNSON & JOHNSON
# DEFERRED FEE PLAN FOR DIRECTORS

(Amended as of December 4, 2002)

1. Purpose. The purpose of the Johnson & Johnson Deferred Fee Plan for Directors (the "Plan") is to provide outside Directors of Johnson & Johnson (the "Company") the opportunity to defer receipt of compensation earned as a Director to a date following termination of such service. The provision of such an opportunity is designed to aid the Company in attracting and retaining as members of its Board of Directors persons whose abilities, experience and judgment can contribute to the well being of the Company.

2. Effective Date. The original effective date of the Plan was January 1, 1983. The Plan was amended in its entirety, effective as of January 1, 1995 and again as of December 5, 1996.

3. Eligibility. Any Director of the Company who is not also an Employee of the Company or any related company shall participate in the Plan.

4. Deferred Compensation Account. A deferred compensation account shall be established for each Director.

5. Amount of Deferral. Each participant shall (effective January 1, 1997) be required to defer receipt of Twenty Thousand Dollars ($20,000.) of his/her annual fee for serving on the Board of Directors (the "Required Deferral"). In addition, a participant may elect to defer receipt of all or a specified part of any remaining compensation payable to the participant for serving on the Board of Directors or for serving on committees of the Board of Directors of the Company. An amount equal to all deferred compensation will be credited to the participant's deferred compensation account on a quarterly basis as of the dividend payment date in each quarter (the "Payment Date"). In the event that there shall not be a dividend payment date in any quarter, then the Payment Date shall be deemed to be the last business day of such quarter.

6. Deferred Compensation Account - Hypothetical Investment Options.

(a) All Required Deferrals and, unless otherwise specified by the participant pursuant to the terms of paragraph (b) of this Section 6, all amounts elected to be deferred under this Plan for any calendar year shall be credited to the participant's deferred compensation account, converted into equivalent units of Johnson & Johnson Common Stock ("Company Stock") and adjusted as if the compensation deferred had been invested in Company Stock as of the Payment Date, until the date of final payment pursuant to Section 9 hereof ("Company Stock Equivalent Units"). The number of Company Stock Equivalent Units shall be determined by dividing the amount of compensation payable by the average of the high and low price of the Company Stock as traded on the New York Stock Exchange on the trading day immediately prior to the Payment Date, as reported by Bloomberg (or another financial reporting service selected by the Company in its sole discretion). The number of Company Stock Equivalent Units included in a participant's deferred compensation account shall be adjusted to reflect dividends and the value of such account shall be adjusted to reflect increases or decreases in market value which would have resulted had funds equal to the balance of

the participant's deferred compensation account been invested in Company Stock. Nothing herein obligates the Company to purchase any such Company Stock; and if such Company Stock is purchased, it shall remain the sole property of the Company.

(b) Except with respect to the Required Deferral amount, at the election of each participant, to be made as provided for in Section 7, each deferred compensation account will be credited with interest from the Payment Date, until the date of final payment pursuant to Section 9 hereof, at a rate equal to the annual rate of growth of investment in the Johnson & Johnson Certificate of Extra Compensation Plan (the "CEC Plan"), for the prior year provided, however, that the computation of said growth rate shall not include dividend equivalents paid under the CEC Plan. The election permitted under this Section 6(b) shall not be available to any participant who becomes a participant in the Plan after December 31, 1995.

(c) With respect to Company Stock Equivalent Units in a deferred compensation account, the Company shall credit such account on each dividend payment date declared with respect to the Company's Stock, a number of Company Stock Equivalent Units equal to: (i) the product of (y) the dividend per share of the Company's Stock which is payable as of the dividend payment date, multiplied by (z) the number of Company Stock Equivalent Units credited to such account as of the applicable dividend record date, divided by (ii) the average of the high and low price of the Company Stock as traded on the New York Stock Exchange on the trading day immediately prior to the dividend payment date, as reported by Bloomberg (or another financial reporting service selected by the Company in its sole discretion). Fractional Company Stock Equivalent Units shall be carried forward and fractional dividend equivalent units shall be payable thereon.

(d) All account balances in Company Stock Equivalent Units from the Company's Retirement Plan for Nonemployee Directors which have been transferred to his/her deferred compensation account under this Plan, as of January 1, 1995, by reason of the termination of such Retirement Plan, shall be treated for purposes of this Plan as Required Deferrals.

7. Time of Election of Deferral. Except as to Required Deferrals, which shall at all times be held in Company Stock Equivalent Units, a participant may change (i) the amount of compensation deferred and/or (ii) the option elected under Section 6 with respect to his/her account and deferrals for subsequent years, once annually in December by completing forms provided by the Company for that purpose. Any such change shall become effective on January 1 of the following year. If a participant elects to change his/her investment option available under Section 6, the participant's account shall be valued as of December 31 with that value being entered into his/her account under the new investment option as of the following January 1 (except if such change is to Company Stock Equivalent Units, the first trading day following such January 1 shall be used).

8. Value of Deferred Compensation Account. The value of each participant's deferred compensation account shall, as the case may be, include compensation deferred, interest credited thereon, if any, and any adjustments for dividends, and increases or decreases in the market value of Company Stock, pursuant to the option selected under Section 6 or as otherwise required under the Plan. If the Company Stock does not trade on any date a calculation of Common Stock Equivalent Units is to be made under the Plan, the next preceding date on which such stock was traded shall be utilized.

9. Payment of Deferred Compensation. Upon a participant's completion of service as a member of the Board of Directors (the "Completion Date"), each participant (or in the event of the participant's death, the named beneficiary or his/her estate) shall be entitled to receive in cash in a lump sum the value of his/her deferred compensation account as of the Completion Date, unless such participant has elected, pursuant to the provisions of Section 10 below, to further defer payment of his/her deferred compensation account beyond such Completion Date. Company Stock Equivalent Units shall be valued at the average of the high and low price of the Company's Stock as traded on the New York Stock Exchange on the trading day immediately prior to such date, as reported by Bloomberg (or another financial reporting service selected by the Company in its sole discretion). No withdrawal may be made from the participant's deferred compensation account prior to the Completion Date. The value of a participant's deferred compensation account shall, subject to any further election made pursuant to Section 10 below, be paid as soon as practicable following the Completion Date or death.

10. Further Deferral Election. In addition to the deferral elections referred to above, a participant may also elect (in the manner provided for below) to continue to defer the receipt of his/her deferred compensation account beyond his/her Completion Date. The value of a participant's account on his/her Completion Date may be deferred for up to 10 taxable years following such Completion Date. If installments are elected, the first installment payment may be made immediately at the Completion Date or be deferred for up to 10 taxable years. Installment payments will be made annually (in the manner described below) in approximately equal amounts (i.e. the balance of the account). The minimum number of installments is two and the maximum number is 10 provided, however, that all payments shall be made within ten (10) years of the Completion Date. A participant may elect to defer up to 100% of the value of his/her account at the Completion Date; or any percentage increment less than that. All deferred or installment payments shall be made in cash. The following additional rules shall apply:

a) Immediate Lump Sum Payment. The participant will receive the full value of his/her account in the calendar month of his/her Completion Date.

b) Deferred Lump Sum Payment. The participant will receive the full value of his/her account on or about January 15 of the year he/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 Completion Date. All subsequent installments on or about January 15 of each year.

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

e) In the event of death of a participant, the Company will make payment in full of the balance of an account, as soon as administratively practical in a single lump sum payment to the designated beneficiary or his/her estate.

f) In making any payment due on or about January 15, the value of a participant's account on the first trading day of such month shall be utilized.

Any and all deferrals following a Completion Date shall be invested in Company Stock Equivalent Units described in Section 6(a) above. To the extent a participant's account was credited with the annual growth rate of an investment in the CEC Plan (as

described in Section 6(b) above), such account shall be converted to Common Stock Equivalent units as of the Completion Date.

An election by a participant to defer payment or elect installments of all or a part of his/her deferred compensation account beyond the Completion Date must be made a minimum of twelve (12) months prior to such Completion Date. Any such election may be revised or revoked up to twelve (12) months prior to such Completion Date; after such time any election may not be revoked or otherwise revised.

Notwithstanding the above and upon implementation of the Plan, an exception has been made for participants having a Completion Date during 1997. For such participants, the deferral and or installment election must be made a minimum of three (3) months and in the calendar year prior to the Completion Date. For example, a participant having a Completion Date of April 1, 1997, must make the deferral and/or installment election no later than December 31, 1996. 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 beyond a Completion Date is effective only when filed with Extra Compensation Services on the form utilized for such purposes. Any election made after the required deadline shall be disregarded.

11. Designation of Beneficiary. Each participant may, from time to time, by writing filed with the Secretary of the Company, designate any legal or natural person or persons (who may be designated contingently or successively) to whom payments of a participant's deferred compensation account are to be made if a participant dies prior to the receipt of payment of such account. A beneficiary designation will be effective only if the signed form is filed with the Secretary of the Company while the participant is alive and will cancel all beneficiary designation forms filed earlier. If a participant fails to designate a beneficiary as provided above, or if all designated beneficiaries die before the participant or before complete payment of the deferred compensation account, such account shall be paid to the estate of the last to die of the participant and designated beneficiaries as soon as practicable after such death.

12. Participant's Rights Unsecured. The right of any participant to receive payment under the provisions of the Plan shall be an unsecured claim against the general assets of the Company, and no provisions contained in the Plan shall be construed to give any participant or beneficiary at any time a security interest in any deferred compensation account or any other asset in trust with the Company for the benefit of any participant or beneficiary.

13. Statement of Account. A statement will be sent to participants as soon as practical following the end of each year as to the value of his/her deferred compensation account as of December 31 of such year.

14. Assignability. No right to receive payments hereunder shall be transferable or assignable by a participant or a beneficiary, except by will or by the laws of descent and distribution.

15. Administration of the Plan. The Plan shall be administered by a Committee appointed by and responsible to the Board of Directors. The Committee shall consist of no less than three Directors of the Company. The Committee shall act by vote or written consent of a majority of its members.

16. Amendment or Termination of Plan. This Plan may at any time or from time to time be amended, modified or terminated by the Compensation Committee of the Board of Directors or the Board of Directors of the Company. No amendment, modification or termination shall, without the consent of a participant, adversely affect such participant's accruals in his deferred compensation accounts.

17. Governing Law. This Agreement shall be governed by and construed in accordance with the Laws of the State of New Jersey.

EXHIBIT 10(I)

JOHNSON & JOHNSON
EXECUTIVE INCOME DEFERRAL PLAN

(AMENDED AS OF DECEMBER 4, 2002)

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"). 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. However, 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 10(O)

June 24, 2002

Mr. Ralph S. Larsen
One Johnson & Johnson Plaza
New Brunswick, NJ 08933

Re: Post-Employment Arrangements

Dear Ralph:

On November 30, 2000, you met with the Compensation Committee of the Board of Directors to discuss matters related to management succession and the transition of leadership of Johnson & Johnson (the "Company").

At that meeting, you agreed to remain with the Company until at least April 30 2002, in exchange for certain arrangements to be made available to you following your employment with the Company, including reimbursement for office space, furnishings and equipment, secretarial support and access to Company aircraft.

At a meeting of the Compensation Committee on June 10, 2002, the Compensation Committee determined that it would be in the best interests of all parties to clarify, better define and document such arrangements as follows:

WHEREAS, Ralph S. Larsen served as Chairman and Chief Executive Officer of Johnson & Johnson (the "Company") through April 25, 2002, and has continued, and will continue, to provide transition management advice to Mr. William C. Weldon, current Chairman and Chief Executive Officer, upon the request of Mr. Weldon; and

WHEREAS, the Compensation Committee has recognized that that based upon his leadership of the Company, his dedication to Credo values and his recognized expertise in corporate management, Mr. Larsen will serve in retirement as an ambassador of goodwill for Johnson & Johnson,

NOW, THEREFORE, the Company and Mr. Larsen agree as follows:

Mr. Larsen agrees that for a period of up to five (5) years following his retirement from the Company, and when and as requested by the Chief Executive Officer of the Company, he will participate in various external activities and events for the benefit of the Company. Mr. Larsen agrees to provide up to ten (10) days per year to the Company, subject to his reasonable availability, for such participation in external activities and events. Mr. Larsen is willing to participate in these external activities and events, at the request of the Chief Executive Officer of the Company, for no fee, other than reimbursement of costs and expenses for him and his wife.

In consideration of Mr. Larsen's dedicated service to the Company, his continued visibility as a former Chairman of the Board, his future role as an ambassador of goodwill for Johnson & Johnson and his agreement to provide services over the next five years on behalf of the Chief Executive Officer, all of which shall serve to benefit the Company and its shareowners, the following arrangements shall be provided for Mr. Larsen's full benefit:

1. Furnished Office. The Company will pay for a staffed and furnished office for Mr. Larsen, at a location to be determined by Mr. Larsen. The office arrangements will include appropriate secretarial support and computer and telecommunications equipment and support service. The office and all related arrangements are to be commensurate with Mr. Larsen's position as a former Chairman of the Board and will remain in place for the duration of his life.

2. Company Aircraft. Upon Mr. Larsen's retirement and for the duration of his life, Mr. Larsen will be entitled to 100 hours of flying time each year in Company aircraft (owned or leased), including helicopters. The 100 hours will be determined based on actual flying time with Mr. Larsen on board the aircraft. Mr. Larsen will have priority access to Company aircraft, but not to any specific aircraft. "Priority access" means that Mr. Larsen has access to Company aircraft, following the individuals then holding the positions listed on Annex A hereto, and shall take priority in access to Company aircraft over all other directors, officers or employees of the Company. The positions listed on Annex A may be modified upon the mutual agreement of the then Chief Executive Officer and Mr. Larsen to reflect changes in organizational structure. Mr. Larsen will provide the Company with reasonable advance notice of requests to use Company aircraft. Mr. Larsen may be accompanied by family members and friends when using Company aircraft. Taxes arising from any such use of Company aircraft will be the responsibility of Mr. Larsen.

No provision of, or action taken under, this agreement shall affect in any way Mr. Larsen's rights under any Company compensation, employee benefit, pension and welfare plans or programs. This agreement is unconditional and irrevocable and shall remain in full force and effect regardless of a merger, change of control in the ownership or sale of substantially all of the assets of the Company. No change or modification to any provision hereof shall be binding unless in writing and signed by both Mr. Larsen and a duly authorized representative of the Board of Directors of the Company.

If the foregoing meets with your approval, kindly sign below to acknowledge your agreement to the terms of this letter.

Very truly yours,

| | |
|---|---|
| /s/ William C. Weldon | /s/ Arnold G. Langbo |
| William C. Weldon | Arnold G. Langbo |
| Chairman & Chief Executive Officer | Chairman, Compensation Committee |

ACCEPTED AND AGREED TO:

/s/ Ralph S. Larsen

Ralph S. Larsen

EXHIBIT 10(P)

# CONSULTING AGREEMENT

This Agreement is by and between Judah Folkman, M.D., an individual having a business address at Children's Hospital, Hunnewell 103, 300 Longwood Avenue, Boston, MA 02115 (hereinafter called "CONSULTANT"); and Johnson & Johnson having a business address at One Johnson & Johnson Plaza, New Brunswick, NJ 08933 (hereinafter called "J&J").

## WITNESSETH

WHEREAS, J&J desires to engage CONSULTANT'S professional services; and

WHEREAS, CONSULTANT desires to render professional services to J&J;

WHEREAS, CONSULTANT represents that he is under no obligation to any third party that would interfere with his rendering to J&J professional services as hereinafter defined; and

WHEREAS, J&J desires to engage Consultant's professional services for a one year period January 1, 2003 through December 31, 2003, subject to renewal upon the consent of both parties.

NOW, THEREFORE, in consideration of the premises and of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. J&J hereby offers to engage and CONSULTANT accepts engagement by J&J of CONSULTANT's professional services as follows: advising and attendance at and participation in Scientific Advisory Committee Meetings.

2. In consideration of CONSULTANT's acceptance of this Consulting Agreement and of his performance of the professional services as specifically set forth in Paragraph 1 hereof, J&J shall pay CONSULTANT a fee of Three Thousand Dollars ($3,000) per Scientific Advisory Committee Meeting attended, starting on the date last set below. In addition J&J agrees to reimburse CONSULTANT for all reasonable out-of-pocket (including J&J-authorized travel) expenses incurred while providing consulting services to J&J hereunder. Airline expenses are generally reimbursed at the business class level. Receipts shall be required for all individual expenses exceeding $25.00.

3. In order to carry out the consulting services set forth herein, it has been and may be necessary for J&J to disclose to and provide CONSULTANT with certain technical, economic, scientific, and/or business information relating to the research and development activities and interests of J&J and its Affiliates (hereinafter collectively referred to as "Information") which J&J considers proprietary. Additionally, certain technical, economic, scientific and/or business information may be developed by CONSULTANT in the course of the services provided to J&J hereunder and this information will also be included in the term "Information". CONSULTANT agrees to keep such Information in strict confidence and not to disclose or use such Information for any purpose other than for the performance of the services contemplated herein without the prior written consent of J&J.

4. Any inventions, whether patentable or not, improvements, ideas, or Information made or conceived in connection with or during the performance of services hereunder shall be the exclusive property of J&J. CONSULTANT, without charge to J&J, shall execute, acknowledge, and deliver to J&J all such further papers, including assignments and applications for patents, as may be necessary to enable J&J to publish or protect said inventions, improvements, and ideas by patent or otherwise in any and all countries and to vest title to said patents, inventions, improvements, and ideas in J&J or its nominees, their successors or assigns,

and shall render all such assistance as J&J may require in any Patent Office proceeding or litigation involving said inventions, improvements, ideas or Information.

5. Any copyrightable work created by CONSULTANT in connection with or during the performance of services contemplated by this Agreement shall be considered a work made for hire, whether published or unpublished, and all rights therein shall be the property of J&J as employer, author and owner of the copyright in such work. CONSULTANT, without charge to J&J other than reasonable payment for time involved in the event the services contained in this Agreement shall have terminated, but at J&J's expense, shall duly execute, acknowledge, and deliver to J&J all such further papers, including assignments and applications for copyright registration or renewal, as may be necessary to enable J&J to publish or protect said works by copyright or otherwise in any and all countries, to vest title to said work in J&J or its nominees, their successors or assigns, and shall render all such assistance as J&J may require in any proceeding or litigation involving the rights in said works.

6. J&J reserves the right at any time, upon written notice to CONSULTANT, to terminate this Agreement, in which event J&J shall be obligated to pay CONSULTANT only for services provided prior to such termination.

7. CONSULTANT agrees to promptly inform J&J of any occurrence which would affect his ability to consult with J&J hereunder. This includes similar agreements with other pharmaceutical companies or research organizations.

8. CONSULTANT represents that he is under no obligation or agreement with any third party which would prevent him from carrying out his duties and obligations under this Agreement.

9. CONSULTANT agrees not to originate or use the name of J&J, or any of its employees, in any publicity, news release or other public announcement, written or oral, whether to the public, press or otherwise, relating to this Consulting Agreement, to any amendment hereto, or to the performance hereunder, without the prior written consent of J&J.

10. CONSULTANT agrees that all matters arising under this Consulting Agreement shall be interpreted under the laws of the State of New Jersey, United States of America, and that venue for deciding all disputes hereunder shall be the State of New Jersey.

11. CONSULTANT understands and agrees that his relationship to J&J hereunder will be as an independent contractor and not an employee or agent of J&J, and he will not be entitled to participate in any of the benefits and privileges available to J&J employees.

12. Unless otherwise provided herein or terminated pursuant to Paragraph 8 above, the term of this Agreement shall be one (1) year from the last date set forth below until December 31, 2003. This Agreement shall be renewable for successive one (1) year periods upon the mutual written consent of the parties. Notwithstanding the termination of this Agreement the rights and obligations recited in Paragraphs 3-6 shall continue.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year signed below.

Dated: December 20, 2002

EXHIBIT 12

JOHNSON & JOHNSON AND SUBSIDIARIES

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

| | FISCAL YEAR ENDED | | | | |
|---|---|---|---|---|---|
| | DECEMBER 29, 2002 | DECEMBER 30, 2001 | DECEMBER 31, 2000 | JANUARY 2, 2000 | JANUARY 3, 1999 |
| Determination of Earnings: | | | | | |
| Earnings Before Provision for Taxes on Income | $9,291 | 7,898 | 6,868 | 5,877 | 4,333 |
| Fixed Charges | 259 | 245 | 292 | 337 | 269 |
| Total Earnings as Defined | $9,550 | 8,143 | 7,160 | 6,214 | 4,602 |
| Fixed Charges and Other: | | | | | |
| Rents | 99 | 92 | 88 | 82 | 83 |
| Interests | 160 | 153 | 204 | 255 | 186 |
| Fixed Charges | 259 | 245 | 292 | 337 | 269 |
| Capitalized Interest | 98 | 95 | 97 | 84 | 73 |
| Total Fixed Charges | $ 357 | 340 | 389 | 421 | 342 |
| Ratio of Earnings to Fixed Charges | 26.75 | 23.95 | 18.41 | 14.76 | 13.46 |

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(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

## Overview

Record 2002 sales of $36.3 billion exceeded 2001 sales by $4.0 billion or 12.3% and marked the 70th year of consecutive positive sales growth. This growth was led by the strong performances of the Pharmaceutical and Medical Devices & Diagnostics segments.

The balance sheet remains strong with cash generated from operations of $8.2 billion in 2002. Cash dividends per share paid to shareholders in 2002 increased by 13.6% over 2001 and represented the 40th consecutive year of cash dividend increases. The Company continues to be one of few companies with a Triple A credit rating.

## Organization
## 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 2002, approximately $4.0 billion or 10.9% of sales was invested in research and development, recognizing the importance of on-going development of new and differentiated products and services.

The Company's system of management operates on a decentralized basis. With over 200 operating companies located in 54 countries, the Company views this management philosophy 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 2002 as a result of corporate governance issues at certain companies, government lawmakers enacted the Sarbanes-Oxley Act of 2002 to protect investors by improving the accuracy and reliability of corporate disclosures. In light of this legislation, the Company has established a more documented, formal process around its already existing internal controls, like the annual certification of compliance by management with our Policy on Business Conduct. The Company continues to evaluate and enhance its internal control processes. Additionally, the Company continues to maintain a strong ethical environment, using the Johnson & Johnson Credo as the overall guide.

## Description of Business

The Company has approximately 108,300 employees worldwide engaged in the manufacture and sale of a broad range of products in the health care field. The Company sells products in virtually all countries of the world. The Company's primary interest, both historically and currently, has been in products related to human health and well-being.

The Company 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 domestic and international companies which span the Consumer, Pharmaceutical and Medical Devices & Diagnostics segments. Each international subsidiary is, with some exceptions, managed by citizens of the country where it is located.

In all its product lines, the Company competes with companies both large and small, located in the United States of America 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 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. 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 Company's consumer products involves heavy expenditures for advertising and promotion.

## Description of Segments
## Consumer

The Consumer segment's principal products are personal care, including nonprescription drugs, adult skin and hair care products, baby care products, oral care products, first aid products, women's health products and nutritional products. These products are marketed principally to the general public and

distributed both to wholesalers and directly to independent and chain retail outlets throughout the world. Major brands in the skin and hair care line of products include NEUTROGENA, RoC, AVEENO, CLEAN & CLEAR, JOHNSON'S pH5.5, PIZ BUIN and SUNDOWN sun care products and SHOWER TO SHOWER personal care products. Major brands in the over-the-counter line of products include the broad family of TYLENOL acetaminophen products, adult and children's MOTRIN analgesic products, IMODIUM, MYLANTA and the PEPCID Acid Controller from the Johnson & Johnson Merck Consumer Pharmaceuticals Co. Major brands in the women's health care line of products include CAREFREE, STAYFREE, o.b. Tampons and MONISTAT. Major brands in the baby care line of products include the JOHNSON'S Baby line of products and the PENATEN and NATUSAN baby care products. Major first aid products include BAND-AID Brand Adhesive Bandages and COMPEED. Major oral care products include the REACH brand of toothbrushes. Major products in the nutritionals product line include SPLENDA, a non-caloric sugar substitute, VIACTIV calcium chews and Benecol food products.

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.

Prescription drugs in the antifungal field include NIZORAL (ketoconazole), SPORANOX (itraconazole), TERAZOL (terconazole) and DAKTARIN(TM) (miconazole nitrate) antifungal products. Prescription drugs in the anti-infective field include FLOXIN (ofloxacin) and LEVAQUIN (levofloxacin). Prescription drugs in the cardiovascular field include RETAVASE (reteplase), a recombinant biologic cardiology care product for the treatment of acute myocardial infarction to improve blood flow to the heart and ReoPro (abciximab) for the treatment of acute cardiac disease.

Prescription drugs in the contraceptive field include ORTHO EVRA (norelgestromin/ethinyl estradiol transdermal system), ORTHO-NOVUM (norethindrone/ethinyl estradiol) and TRICILEST (norgestimate/ethinyl estradiol, sold in the U.S. as ORTHO TRI-CYCLEN) group of oral contraceptives. Prescription drugs in the dermatology field include RETIN-A MICRO (tretinoin), a dermatological cream for acne. Prescription drugs in the gastrointestinal field include ACIPHEX (rabeprazole sodium), a proton pump inhibitor for treating erosive gastroesophageal reflux disease (GERD) and duodenal ulcers from which the Company derives service revenue as this product is co- promoted in the U.S. with Eisai; IMODIUM (loperamide HCl), an antidiarrheal; MOTILIUM (domperidone), a gastrointestinal mobilizer; and REMICADE (infliximab), a novel monoclonal antibody for treatment of certain Crohn's disease patients. REMICADE is also indicated for the treatment of rheumatoid arthritis.

Prescription drugs in the hematology field include PROCRIT (Epoetin alfa, sold outside the U.S. as EPREX), a biotechnology derived version of the human hormone erythropoietin that stimulates red blood cell production. Prescription drugs in the immunology field include ORTHOCLONE OKT3 (muromonab-CD3), for reversing the rejection of kidney, heart and liver transplants. Prescription drugs in the neurology field include TOPAMAX (topiramate), REMINYL (galantamine) and STUGERON (cinnarizine). Prescription drugs in the oncology field include DOXIL (doxorubicin), an anti-cancer treatment, ERGAMISOL (levamisole hydrochloride), a colon cancer drug and LEUSTATIN (cladribine), for hairy cell leukemia.

Prescription drugs in the psychotropic (central nervous system) field include antipsychotic drugs RISPERDAL (risperidone) and HALDOL (haloperidol) and CONCERTA (methylphenidate) for attention deficit/hyperactivity disorder. Prescription drugs in the pain management field include DURAGESIC (fentanyl transdermal system, sold abroad as DUROGESIC), a transdermal patch for chronic pain; and ULTRACET(TM) (tramadol hydrochloride), an analgesic for moderate to moderately severe pain. Prescription drugs in the urology field include DITROPAN XL (oxybutynin) for the treatment of overactive bladder.

Medical Devices & Diagnostics

The Medical Devices & Diagnostics segment includes a broad range of products used by or under the direction of health care professionals. These products include Ethicon's wound care, surgical sports medicine 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. These products are used principally in the professional fields by physicians, nurses, therapists, hospitals, diagnostic laboratories and clinics. Acquisitions in the Medical Devices & Diagnostics segment during recent years have been an integral part of an ongoing process to transform a medical supply business to one serving a range of higher technology medical specialties.

Operating Results
Sales

In 2002, worldwide sales increased 12.3% to $36.3 billion, compared to increases of 10.8% in 2001 and 6.6% in 2000. In 2002, sales to the three largest distributors, AmerisourceBergen Corp., McKesson HBOC and Cardinal Distribution, accounted for 10.3%, 9.8% and 9.2%, respectively, of total revenues. Excluding the impact of foreign currencies, worldwide sales increased 12.1% in 2002, 13.4% in 2001, and 9.9% in 2000. Price increases accounted for approximately 1.7%, 1.2% and 1.0% of growth in 2002, 2001 and 2000, respectively.

Sales by domestic companies were $22.5 billion in 2002, $19.8 billion in 2001 and $17.3 billion in 2000, that represents increases of 13.3% in 2002, 14.5% in 2001 and 11.5% in 2000. Sales by international companies were $13.8 billion in 2002, $12.5 billion in 2001 and $11.9 billion in 2000, that represents increases of 10.8% in 2002, 5.4% in 2001 and 0.3% in 2000. Excluding the impact of the foreign currency fluctuations over the past three years, sales by international companies increased 10.3% in 2002, 11.8% in 2001 and 7.8% in 2000. For the last five years, the annual compound growth rate for sales was 10.0%. Excluding the impact of foreign currency fluctuations, the annual compound growth rate for sales for the 5-year period was 12.1%.

All geographic areas throughout the world posted operational gains during 2002. Excluding the effect of exchange rate fluctuations between the U.S. dollar and foreign currencies, sales increased 8.3% in Europe, 10.9% in the Western Hemisphere (excluding the U.S.) and 13.6% in the Asia-Pacific, Africa regions.

Including the impact of currency fluctuations, sales increased 14.2% in Europe and 12.2% in Asia-Pacific, Africa but decreased 2.5% in the Western Hemisphere (excluding the U.S.). The Company achieved an annual compound growth rate of 10.3% for worldwide sales for the 10-year period since 1992 with domestic sales growing at a rate of 12.5% and international sales growing at a rate of 7.5%. Excluding the impact of foreign currency fluctuations, the annual compound growth rate for the 10-year period was 12.0%.

Consumer segment sales in 2002 were $6.6 billion, an increase of 3.9% over 2001. Of the 3.9% increase in Consumer segment sales over prior year, 4.6% was operational growth with currency negatively impacting sales growth by 0.7%. Domestic sales increased by 4.5% while international sales gains in local currency of 4.6% were offset by a negative currency impact of 1.5%, resulting in total international growth of 3.1%. Consumer sales achieved strong growth in skin care products (NEUTROGENA, CLEAN & CLEAR and AVEENO) and BAND-AID wound care products, as well as in McNeil Nutritionals' SPLENDA sweetener products and VIACTIV calcium chews.

Consumer segment sales in 2001 were $6.3 billion, an increase of 0.8% over 2000. Domestic sales increased by 1.4% while international sales gains in local currency of 6.8% were offset by a negative currency impact of 6.7%, resulting in total growth of 0.1%. Consumer segment sales in 2000 were $6.3 billion, an increase of 0.4% over 1999. Domestic sales increased by 2.8% while international sales gains in local currency of 4.3% were offset by a negative currency impact of 6.6%, resulting in a total decrease of 2.3%.

Pharmaceutical segment sales in 2002 were $17.2 billion, an increase of 15.5% over 2001 including 16.4% growth in domestic sales and 13.5% total growth in international sales that includes a 2.4% positive effect of currency. Of the 15.5% increase in Pharmaceutical segment sales over prior year, 14.8% was due to operational increases, with currency positively impacting sales growth by 0.7%.

Sales growth reflects the strong performance of PROCRIT/EPREX, for treatment of anemia; REMICADE, a treatment for rheumatoid arthritis and Crohn's disease; RISPERDAL, an antipsychotic medication; DURAGESIC, a transdermal patch for chronic pain, and TOPAMAX, an anti-epileptic medication. Sales of PROCRIT/EPREX accounted for 11.8% of total Company revenues for 2002 and 10.6% in 2001. Johnson & Johnson markets over 100 prescription drugs around the world, with 30.5% of the sales generated outside the United States. Thirty-three drugs sold by the Company had 2002 sales in excess of $50 million, with 24 in excess of $100 million.

The rate of growth for sales of PROCRIT and EPREX was slowed in the latter half of 2002 as a result of new competition for PROCRIT. Sales growth may also have been affected by rare reports of Pure Red Cell Aplasia (PRCA) in chronic renal failure (CRF) patients administered EPREX subcutaneously. The Company's on-going investigation of PRCA in CRF patients indicates that the occurrence of PRCA continues to be rare.

During the second quarter of 2002, the Company completed its acquisition of Tibotec-Virco N.V. for approximately $320 million. Tibotec-Virco N.V. is a privately-held biopharmaceutical company focused on developing anti-viral treatments, with several promising compounds in development for the treatment of infectious diseases including HIV.

During the fourth quarter of 2002, the Company received U.S. Food and Drug Administration (FDA) approval for LEVAQUIN (levofloxacin) for an additional indication for the treatment of nosocomial pneumonia, the second most common hospital-acquired infection. The Company also filed several new drug applications with the FDA. These include TOPAMAX (topiramate) for the prevention of migraine headaches in adults as well as for use as a monotherapy treatment in epilepsy (it is currently approved as adjunctive treatment), LEVAQUIN for a five-day treatment of community-acquired pneumonia, and RISPERDAL (risperidone) as both adjunctive and monotherapy treatments of bipolar disorder.

Also in the fourth quarter of 2002, the Company announced a definitive agreement to acquire OraPharma, Inc., a specialty pharmaceutical company focused on the development and commercialization of unique therapeutics in oral health care products. The acquisition will provide entry into the oral health professional marketplace by providing a synergistic line of prevention and treatment products to maintain periodontal health. The transaction is valued at approximately $85 million, net of cash, and closed in the first quarter of 2003.

Pharmaceutical segment sales in 2001 were $14.9 billion, a total increase of 17.3% over 2000 including 21.3% growth in domestic sales. Operationally, international sales increased 14.2% but were partially offset by a negative currency impact of 4.9%, resulting in total growth of 9.3%. Pharmaceutical segment sales in 2000 were $12.7 billion, an increase of 12.7% over 1999 including 21.4% growth in domestic sales. Operationally, international sales increased 7.6% but were more than offset by a negative currency impact of 8.9% resulting in a total decrease in sales of 1.3%. Sales growth was partially offset by the restricted access of PROPULSID in a number of markets around the world.

Worldwide sales in 2002 of $12.6 billion in the Medical Devices & Diagnostics segment represented an increase of 12.9% over 2001. As currency had no impact on sales growth, the 12.9% total increase is also the operational sales increase over prior year. Domestic sales were up 13.0% and international sales increased 12.8% over the prior year.

Strong sales growth was achieved in each of the major franchises within this segment: Cordis' circulatory disease management products; DePuy's orthopaedic joint reconstruction and spinal products; Ethicon's wound care, surgical sports medicine and women's health products; LifeScan's blood glucose monitoring products; Ethicon Endo-Surgery's minimally invasive surgical products; Ortho-Clinical Diagnostics' professional diagnostic products and Vistakon's disposable contact lenses.

During the third quarter of 2002, the Company announced the final results for SIRIUS, the landmark U.S. study of the CYPHERTM Sirolimus-eluting Stent. This drug-eluting coronary stent is the first of its kind to be recommended for FDA approval. Clinical results of the CYPHERTM stent indicate a significant reduction of in-stent restenosis and revascularization rates as compared to bare metal stents. The findings confirm the stent's continued excellent performance in significantly reducing reblockage of coronary arteries in patients with coronary artery disease. Additionally, in July 2002, the U.S. Department of Health and Human Services (HHS) made a decision to provide accelerated incremental reimbursement to hospitals for this technology commencing April 1, 2003 under newly established Diagnostic Related Groups (DRGs). In order to ensure access to this technology for patients as rapidly as possible, HHS has taken the unprecedented step of assigning it to new DRGs prior to FDA approval. On October 22, 2002, the Circulatory System Device Panel advisory panel voted 8-0 in favor of FDA approval with recommended conditions, for the Company's drug-eluting coronary stent. The Company is continuing to work with the FDA on their on-going review for product approval.

Also in the fourth quarter of 2002, the FDA's Orthopaedic and Rehabilitation Devices Panel unanimously recommended in favor of FDA approval, with conditions, for the INDEPENDENCE(TM) iBOT(TM) Mobility System. The iBOT(TM) Mobility System is a unique device that offers benefits for individuals with mobility-related disabilities. The device can be used to navigate difficult terrain, climb stairs and ramps and balance at standing height on two wheels.

In December 2002, Ethicon received FDA clearance to market VICRYL Plus Antibacterial Suture, the first and only suture designed with an antibacterial agent. Designed to reduce bacterial colonization on the suture, VICRYL Plus may help reduce the risk of complications associated with surgery.

Worldwide sales in 2001 of $11.1 billion in the Medical Devices & Diagnostics segment represented a total increase of 8.8% over 2000. Domestic sales were up 12.1%, while international sales increased 5.1% as sales gains in local currency of 12.1% were offset by a negative currency impact of 7.0%. Worldwide sales in 2000 of $10.2 billion in the Medical Devices & Diagnostics segment represented a total increase of 3.7% over 1999 consisting of gains in local currency of 6.9% that were reduced by 3.2% due to the strength of the U.S. dollar. Domestic sales were up 3.9%, while international sales increased 3.4% as sales gains in local currency of 10.3% were offset by a negative currency impact of 6.9%.

Gross Profit

Gross profit margin in 2002 was 71.2%, an improvement of 0.8% over the gross profit margin in 2001 of 70.4%. The improvement in gross profit margin for 2001 was 1.1% over the gross profit margin in 2000 of 69.3%, an improvement of 0.5% over 1999. The improvement in gross profit margin over the past three years was primarily a result of continued improvements in the mix of businesses and successful ongoing cost control efforts.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses increased 8.5%, 7.3% and 4.3% in 2002, 2001 and 2000, respectively. Selling, general and administrative expenses as a percent to sales were 33.7%, 34.8% and 36.0% in 2002, 2001 and 2000, respectively. As a result of the implementation in 2002 of Emerging Issues Task Force (EITF) Issue No. 01-09 "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products," the Company reclassified $687 million and $674 million for 2001 and 2000, respectively, from selling, general and administrative expenses to a reduction of sales and reclassified $45 million and $49 million of expense for 2001 and 2000, respectively, from selling, general and administrative expenses to cost of products sold.

Advertising expenses, which are comprised of television, radio and print media, as well as Internet advertising, were $1.5 billion in 2002, $1.4 billion in 2001 and $1.4 billion in 2000.

Research Expenses

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 consumers and patients. Worldwide costs of research activities, excluding in-process research & development charges, were as follows:

| (Millions of Dollars) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Research expense | $3,957 | 3,591 | 3,105 |
| Percent increase over prior year | 10.2% | 15.7% | 12.2% |
| Percent of sales | 10.9 | 11.1 | 10.6 |

Research expense as a percent of sales for the Pharmaceutical segment was 15.7% for 2002, 16.6% for 2001 and 16.4% for 2000 while averaging 6.6%, 6.5% and 6.2% in the Consumer and Medical Devices & Diagnostics segments for 2002, 2001 and 2000, respectively.

Significant research activities continued in the Pharmaceutical segment, with spending increasing to $2.7 billion or 9.3% over 2001 representing a compound annual growth rate of approximately 12.2% for the five-year period since 1997. Johnson & Johnson Pharmaceutical Research & Development, L.L.C., formerly known as the Janssen Research Foundation and the R.W. Johnson Pharmaceutical Research Institute, is the primary worldwide pharmaceutical research organization and additional research is conducted by Centocor, ALZA Corporation (ALZA), Tibotec-Virco N.V. and through collaboration with the James Black Foundation in London, England.

In-Process Research & Development

In the second quarter of 2002, the Company recorded in-process research & development (IPR&D) charges of $189 million after-tax ($189 million before tax as IPR&D is not generally tax deductible in the U.S.) related to acquisitions. These acquisitions included 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.

In the fourth quarter of 2001, the IPR&D charge of $105 million after-tax ($105 million before tax as IPR&D is not generally tax deductible in the U.S.) was incurred as a result of the acquisition of Inverness Medical Technology, a supplier of LifeScan electrochemical products for blood glucose monitoring following the spin-off of its non-diabetes businesses and TERAMed, an early stage medical device company that is developing endovascular stent-graft systems for minimally invasive treatment of abdominal aortic aneurysms and peripheral occlusive disease.

In 2000, the Company's IPR&D charges of $66 million after-tax ($66 million before tax as IPR&D is not generally tax deductible in the U.S.) was related to the acquisition of Atrionix, Inc., a development stage company whose primary product is a pulmonary ablation catheter for the treatment of atrial fibrillation and Crescendo, a company formed by ALZA for the purpose of selecting, developing and commercializing human pharmaceutical products.

Interest (Income) Expense

Interest income decreased in 2002 primarily due to the decline in U.S. interest rates and cash expended as part of a stock repurchase program (see page 34). In 2002, the average yield on investments was more than 200 basis points below the average yield in 2001. Interest expense in 2002 as compared to 2001 remained relatively constant as there were no significant changes in average debt balances.

Other (Income) Expense, Net

Other (income) expense includes gains and losses related to the sale and write-down of certain equity securities of the Johnson & Johnson Development Corporation, losses on the disposal of fixed assets, currency gains & losses, minority interests, litigation settlement expense as well as royalty income. Additionally, 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 obtained exclusive U.S. rights to Amgen-developed erythropoietin (EPO which is sold as PROCRIT/EPREX) for all indications outside of kidney dialysis. Amgen had filed suit in 1995, claiming that Ortho Biotech had breached its license rights by improperly making sales of EPO into Amgen's exclusive dialysis market. 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 that was recorded in the third quarter of 2002. This arbitration was the fourth between the parties since 1989. On January 24, 2003, the arbitrator ruled that Amgen was the "prevailing party" in this arbitration, entitling it to an award of reasonable attorneys' fees and costs. Amgen has not yet submitted its application for fees and costs. The Company expensed $85 million in the fourth quarter of 2002 in connection with this outstanding claim.

In 2001, in addition to the items indicated above, other (income) expense included costs related to the merger with ALZA of $147 million and the 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). In 2000, in addition to the items indicated above, other (income) expense included a favorable adjustment to the costs associated with the 1998 global manufacturing restructuring charge and the gain on the sale of various product lines.

Earnings Before Provision for Taxes on Income.

Consolidated earnings before provision for taxes on income increased 17.6%, 15.0% and 16.9% in 2002, 2001 and 2000, respectively. Excluding the IPR&D and merger charges noted in the previous sections, the increases were 16.3%, 18.1% and 15.8% in 2002, 2001 and 2000, respectively. The increase in 2002 is due primarily to volume growth, improved gross profit margins and efficiencies in spending in selling, marketing and administrative expenses.

Operating profit by segment for 2002 and 2001 is as follows:

| | | | Percent of Sales | |
|---|---|---|---|---|
| (Millions of Dollars) | 2002 | 2001 | 2002 | 2001 |
| Consumer | $1,229 | 1,004 | 18.7% | 15.9% |
| Pharmaceutical | 5,787 | 4,928 | 33.7 | 33.2 |
| Med Devices & Diag | 2,489 | 2,001 | 19.8 | 18.0 |

| | | | | |
|---|---|---|---|---|
| Segments total | 9,505 | 7,933 | 26.2 | 24.5 |
| Expenses not allocated to segments | (214) | (35) | | |
| Earnings before taxes on income | $9,291 | 7,898 | 25.6% | 24.4% |

The increase in expenses not allocated to segments is primarily due to the decline in interest income in 2002 as discussed in the Interest (Income) Expense section.

Consumer segment operating profit increased 22.4% over 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 0.6% as amortization expense is no longer required under SFAS No. 142.

Pharmaceutical segment operating profit increased 17.4% and reflects an operating profit as a percent to sales improvement of 0.5%. The Pharmaceutical segment operating profit was negatively impacted by the cost of the Amgen arbitration settlement in 2002 of $150 million in damages and $85 million in legal fees, IPR&D related to the Tibotec-Virco N.V. acquisition and 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 the Pharmaceutical segment. The Pharmaceutical segment operating profit also included the effect of leveraging marketing expenses. In 2001, the Pharmaceutical operating profit included expenses related to the merger with ALZA.

Medical Devices & Diagnostics segment operating profit increased 24.4% and reflects an operating profit as a percent to sales improvement of 1.8%. The non-amortization per SFAS No. 142 accounted for 0.8% of the improvement. The remaining margin improvement over prior year was achieved despite investment spending in support of the Cordis product line. Operating profit includes the IPR&D associated with the acquisitions of Obtech Medical AG in 2002 and Inverness Medical Technology and TERAMed in 2001.

Provision For Taxes on Income

The worldwide effective income tax rate was 29.0% in 2002, 28.2% in 2001 and 27.9% in 2000. The increase in the effective tax rate for the years, 2002, 2001 and 2000 was primarily due to the increase in income subject to tax in the U.S. and the Company's non-deductible IPR&D charge. Refer to Footnote 8 to the financial statements for additional information.

Net Income and Earnings Per Share

Worldwide net earnings for 2002 were $6.6 billion, reflecting a 16.4% increase over 2001. Worldwide net earnings per share for 2002 equaled $2.16 per share, an increase of 17.4% from the $1.84 net earnings per share in 2001. Excluding the impact of IPR&D in 2002 and the impact of IPR&D and merger costs in 2001, worldwide net earnings were $6.8 billion and net earnings per share were $2.23, representing an increase of 15.0% and 16.8%, respectively, over 2001. The impact of the non-amortization per SFAS No. 142 increased net earnings and earnings per share by approximately 2.0%. Worldwide net earnings achieved a 10-year annual growth rate of 21.0%, while earnings per share grew at a rate of 20.3%. Excluding the impact of an accounting change in 1992 and IPR&D in 2002, worldwide net earnings achieved a 10-year annual growth rate of 15.7%, while earnings per share grew at a rate of 15.0%. The 5-year annual compound growth rates for net earnings and earnings per share are 16.3% and 16.2%, respectively. Excluding the impact of IPR&D and merger costs, worldwide net earnings achieved a 5-year annual growth rate of 14.9%, while earnings per share grew at a rate of 15.0%.

Worldwide net earnings for 2001 were $5.7 billion, reflecting a 14.4% increase over 2000. Worldwide net earnings per share for 2001 equaled $1.84 per share, an increase of 14.3% from the $1.61 net earnings per share in 2000. Excluding the impact of IPR&D and merger costs in 2001 and IPR&D net of a favorable adjustment to the costs associated with the 1998 global manufacturing restructuring charge in 2000, worldwide net earnings were $5.9 billion and net earnings per share were $1.91, representing an increase of 18.0% and 17.2%, respectively, over 2000. Worldwide net earnings for 2000 were $5.0 billion, reflecting a 15.9% increase over 1999. Worldwide net earnings per share for 2000 equaled $1.61 per share, an increase of 15.8% from the $1.39 net earnings per share in 1999. Excluding the impact of IPR&D net of a favorable adjustment to the costs associated with the 1998 global manufacturing restructuring charge in 2000 and merger costs in 1999, worldwide net earnings were $5.0 billion and net earnings per share were $1.63, representing an increase of 14.9% and 14.8% respectively over 1999.

Cash Flows and Liquidity

Cash generated from operations and selected borrowings provide the major sources of funds for the growth of the business, including working capital, capital expenditures, acquisitions, share repurchases, dividends and debt repayments. Cash and current marketable securities were $7.5 billion at the end of 2002 as compared with $8.0 billion at the end of 2001.

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 $750 million net of the current tax benefit during 2002. In 2001, there was a change in the timing of salary increases and bonuses paid to employees from December 2001 to February 2002. This change was enacted to have 2001 results finalized in order to align compensation and performance. The result of this change was an increase of approximately $450 million in cash flows in 2001 from operating activities due to the payment of the 2001 bonus in 2002.

Capital Expenditures

Capital expenditures in 2002 increased to $2.1 billion or 21.3% over 2001 and increased 2.5% to $1.7 billion in 2001 over 2000. The increase in 2002 is due primarily to expansion of manufacturing facilities to support new and existing products, investments in support of research and investments in information systems across all business segments.

Share Repurchases & Dividends

On February 13, 2002, the Company announced a stock repurchase program of up to $5 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 to the 2002 stock repurchase program, the Company has an annual program to repurchase shares for use in employee stock and employee incentive plans.

The Company increased its cash dividend in 2002 for the 40th consecutive year. Cash dividends paid were $0.795 per share in 2002, compared with dividends of $0.70 per share in 2001 and $0.62 per share in 2000. The dividends were distributed as follows:

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| First quarter | $ .18 | .16 | .14 |
| Second quarter | .205 | .18 | .16 |
| Third quarter | .205 | .18 | .16 |
| Fourth quarter | .205 | .18 | .16 |
| Total | $.795 | .70 | .62 |

On January 6, 2003, the Board of Directors declared a regular cash dividend of $0.205 per share, paid on March 11, 2003 to shareholders of record as of February 18, 2003. The Company expects to continue the practice of paying regular cash dividends.

Contractual Obligations & Commitments

The Company has long-term contractual obligations primarily lease and debt obligations. To satisfy these obligations, the Company intends to use cash from operations. The following table summarizes the Company's contractual obligations and their aggregate maturities as of December 29, 2002 (see Notes 4 and 6 for further details):

| (Millions of Dollars) | Operating Leases | Debt Obligations |
|---|---|---|
| 2003 | $138 | 77 |
| 2004 | 121 | 270 |
| 2005 | 101 | 17 |
| 2006 | 86 | 12 |
| 2007 | 67 | 8 |
| After 2007 | $160 | 1,715 |

Financial Position & Capital Resources
Total Assets & Returns

Total assets increased $2.1 billion or 5.4% in 2002 and $4.2 billion or 12.4% in 2001. Of the consolidated assets at year-end 2002, Medical Devices & Diagnostics accounted for 37.1%, 27.4% were Pharmaceutical segment assets, 12.5% were Consumer segment assets and 23.0% were general corporate assets. At year-end 2001, 35.5% and 27.5% of the consolidated assets were identifiable to the Medical Devices & Diagnostics and Pharmaceutical segments, respectively while 10.9% and 26.1% were Consumer segment and general corporate assets, respectively. Net intangible assets in 2002 increased 1.9% over 2001 and represented 22.8% of total assets at year-end 2002. Net property, plant and equipment increased to $8.7 billion or 12.8% and represented 21.5% of total assets at year-end 2002. Shareholders' equity per share at the end of 2002 was $7.65 compared with $7.95 at year-end 2001, a decrease of 3.8%. The decrease is primarily due to the $5 billion stock repurchase program completed during 2002.

Financing & 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 primarily by the effect of foreign exchange rate changes on the underlying transactions. A 10% appreciation of the U.S. Dollar from December 29, 2002 market rates would increase the unrealized value of the Company's forward contracts by $252 million. Conversely, a 10% depreciation of the U.S. Dollar from December 29, 2002 market rates would decrease the unrealized value of the Company's forward contracts by $308 million. In either scenario, the gain or loss on the forward contract would be offset by the effect of foreign exchange rate changes on the underlying transaction.

The Company enters into currency swap contracts to manage the Company's exposure to changes in currency exchange rates by hedging foreign currency denominated assets and liabilities. The impact of a 1% change in interest rates on the Company's interest rate sensitive financial instruments would be immaterial.

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 $3.1 billion, including $1.5 billion of credit commitments and $0.8 billion of uncommitted lines with various banks worldwide that expire during 2003. The Company's shelf registration filed with the Securities and Exchange Commission enables the Company to issue up to $2.6 billion of unsecured debt securities and warrants to purchase debt securities under its medium term note (MTN) program. No MTN's were issued in 2002. At December 29, 2002, the Company had $1.8 billion remaining on its shelf registration. The Company continues to be one of few companies with a Triple A credit rating.

Total borrowings at the end of 2002 and 2001 were $4.1 billion and $2.8 billion, respectively. In 2002, net cash (cash and current marketable securities net of debt) was $3.3 billion. In 2001, net cash (cash and current marketable securities net of debt) was $5.2 billion. Total debt represented 15.4% of total capital (shareholders' equity and total debt) in 2002 and 10.3% of total capital in 2001. For the period ended December 29, 2002, there were no material cash commitments. A summary of borrowings can be found in Note 6.

The Company believes that its operations comply in all material respects with applicable environmental laws and regulations. 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 relief being 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.

Other Matters
Critical Accounting Policies & 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 management to 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 and estimates is essential in achieving more insight into the Company's operating results and financial condition. These key accounting policies and estimates include revenue recognition, accounting for income taxes, legal and self insurance contingencies, valuation of long lived assets, assumptions used to determine the amounts recorded for pensions and other employee benefit plans and accounting for stock options.

Revenue Recognition

The Company recognizes revenue from product sales when goods are shipped or delivered depending on when title and risk passes to the customer. Provisions for certain rebates, sales incentives, trade promotions, coupons, product returns and discounts to customers are provided 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. At year-end December 29, 2002, these 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 records deferred tax assets and liabilities based on current tax regulations and rates. Changes in tax laws and rates that may affect these deferred tax assets and liabilities are recorded in the future. Management believes that changes in these estimates would not have a material effect on the Company's results of operations, cash flows or financial position.

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 29, 2002, and December 30, 2001, the cumulative amount of undistributed international earnings was approximately $12.3 billion and $12.1 billion, respectively.

Legal & Self Insurance Contingencies

The Company records accruals for various contingencies including legal proceedings and product liability cases as they 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 such third party insurers.

Long Lived and Intangible Assets

The Company assesses changes in economic conditions and strategic priorities 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 the use of Accounting Principle 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 option 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 FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." The Company will adopt this standard in 2003 that is effective for fiscal years beginning after June 15, 2002 and it is not expected to have a material impact on the Company's results of operations, cash flows or financial position. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which was effective for the first quarter of 2002. The Company's adoption of SFAS No. 144 did not have a material effect 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 will adopt SFAS No. 146 in the first quarter of 2003 and is not expected to 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 and have been adopted by the Company. There is no disclosure required at year-end 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 in 2003 is not expected to 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," which addresses consolidation of variable interest entities. FIN 46 expands 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 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 is not expected to have a material effect on the Company's results of operations, cash flows or financial position.

## Changing Prices & Inflation

Johnson & Johnson is aware that its products are used in a setting 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 1992-2002, 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) for the period. Inflation rates, even though moderate in many parts of the world during 2002, 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.

## 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 2002 and 2001 were:

| | 2002 | | 2001 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First quarter | $65.89 | 54.70 | 52.34 | 40.25 |
| Second quarter | 65.29 | 52.00 | 54.20 | 42.60 |
| Third quarter | 56.50 | 41.40 | 57.60 | 50.00 |
| Fourth quarter | 61.30 | 53.00 | 60.97 | 53.05 |
| Year-end close | $53.11 | | 59.86 | |

## Subsequent Events

On February 10, 2003, Johnson & Johnson announced that it signed a definitive agreement with Scios Inc., a biopharmaceutical company with a marketed product for cardiovascular disease and research projects focused on auto-immune diseases. The Company will acquire Scios in a cash for stock exchange.

Under the terms of the agreement, Scios shareholders will receive $45.00 for each outstanding Scios share. The value of the transaction as of the anticipated closing date is expected to be approximately $2.4 billion, net of cash anticipated to be acquired, based on Scios' approximately 59.8 million fully diluted shares outstanding.

The boards of directors of Johnson & Johnson and Scios have given their approval to the transaction, which is subject to clearance under the Hart-Scott-Rodino Anti-Trust Improvements Act. This transaction is also subject to the approval of the shareholders of Scios and other customary closing conditions.

Scios is a biopharmaceutical company developing novel treatments for cardiovascular and inflammatory disease. The company's disease-based technology platform integrates expertise in protein biology with computational and medicinal chemistry to identify novel targets and rationally design small molecule compounds for large markets with unmet medical needs. Scios' product NATRECOR is the first novel agent approved for congestive heart failure (CHF) in more than a decade. NATRECOR is a recombinant form of a naturally occurring protein secreted by the heart as part of the body's response to CHF. The drug has several significant advantages over existing therapies for CHF, the single most common cause of hospitalization in the United States for patients over 65.

The principal focus of Scios' research and development program is small molecule inhibitors, and includes several potential new treatments for pain and inflammatory diseases, including an advanced p-38 kinase inhibitor program.

The transaction is expected to close in the second quarter of 2003, and the Company anticipates an IPR&D charge of approximately $700 million to be incurred in connection with this acquisition.

## 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. Furthermore, the Company assumes no obligation

to update any forward-looking statements as a result of new information or future events or developments. The Company's report on Form 10-K for the year ended December 29, 2002 that will be filed in March 2003, will contain, as an Exhibit, a discussion of various factors that could cause actual results to differ from expectations. Prior to that filing, investors should reference the Company's report on Form 10-K for the fiscal year ended December 30, 2001. The Company notes these factors as permitted by the Private Securities Litigation Reform Act of 1995.

Consolidated Balance Sheets
Johnson & Johnson and Subsidiaries

At December 29, 2002 and December 30, 2001
(Dollars in Millions Except Share and Per Share Data) (Note 1)

| | 2002 | 2001 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash Equivalents (Notes 1, 14 and 15) | $ 2,894 | 3,758 |
| Marketable securities (Notes 1, 14 and 15) | 4,581 | 4,214 |
| Accounts receivable trade, less allowances for doubtful accounts $191 (2001, $197) | 5,399 | 4,630 |
| Inventories (Notes 1 and 2) | 3,303 | 2,992 |
| Deferred taxes on income (Note 8) | 1,419 | 1,192 |
| Prepaid expenses and other Receivables | 1,670 | 1,687 |
| Total current assets | 19,266 | 18,473 |
| Marketable securities, non-current (Notes 1, 14 and 15) | 121 | 969 |
| Property, plant and equipment, net (Notes 1 and 3) | 8,710 | 7,719 |
| Intangible assets, net (Notes 1 and 7) | 9,246 | 9,077 |
| Deferred taxes on income (Note 8) | 236 | 288 |
| Other assets (Note 5) | 2,977 | 1,962 |
| Total assets | $40,556 | 38,488 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities** | | |
| Loans and notes payable (Note 6) | $ 2,117 | 565 |
| Accounts payable | 3,621 | 2,838 |
| Accrued liabilities | 3,820 | 3,135 |
| Accrued salaries, wages and commissions | 1,181 | 969 |
| Taxes on income | 710 | 537 |
| Total current liabilities | 11,449 | 8,044 |
| Long-term debt (Note 6) | 2,022 | 2,217 |
| Deferred tax liability (Note 8) | 643 | 493 |
| Employee related obligations (Note 5) | 1,967 | 1,870 |
| Other liabilities | 1,778 | 1,631 |
| **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) | (25) | (30) |
| Accumulated other comprehensive income (Note 12) | (842) | (530) |
| Retained earnings | 26,571 | 23,066 |
| | 28,824 | 25,626 |
| Less: common stock held in treasury, at cost (Note 20) (151,547,000 and 72,627,000) | 6,127 | 1,393 |
| Total shareholders' equity | 22,697 | 24,233 |
| Total liabilities and shareholders' equity | $40,556 | 38,488 |

See Notes to Consolidated Financial Statements

Consolidated Statements of Earnings
Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures) (Note 1)

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| Sales to customers | $36,298 | 32,317 | 29,172 |
| Cost of products sold | 10,447 | 9,581 | 8,957 |
| Gross profit | 25,851 | 22,736 | 20,215 |
| Selling, marketing and administrative expenses | 12,216 | 11,260 | 10,495 |
| Research expense | 3,957 | 3,591 | 3,105 |
| Purchased in-process research and development (Note 17) | 189 | 105 | 66 |
| Interest income | (256) | (456) | (429) |
| Interest expense, net of portion capitalized (Note 3) | 160 | 153 | 204 |
| Other (income) expense, Net | 294 | 185 | (94) |
| | 16,560 | 14,838 | 13,347 |
| Earnings before provision for taxes on income | 9,291 | 7,898 | 6,868 |
| Provision for taxes on income (Note 8) | 2,694 | 2,230 | 1,915 |
| Net earnings | $ 6,597 | 5,668 | 4,953 |
| Basic net earnings per share (Notes 1 and 19) | $ 2.20 | 1.87 | 1.65 |
| Diluted net earnings per share (Notes 1 and 19) | $ 2.16 | 1.84 | 1.61 |

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) |
|---|---|---|---|---|
| Balance, Jan 2, 2000 | $16,995 | | 14,768 | (41) |
| Net earnings | 4,953 | 4,953 | 4,953 | |
| Cash dividends paid | (1,724) | | (1,724) | |
| Employee stock Compensation and stock option plans | 619 | | (456) | |
| Conver. of subordinated Debentures | 504 | | 504 | |
| Repurchase of common Stock | (973) | | | |
| Business combinations | 77 | | 68 | |
| Other comprehensive income, net of tax: | | | | |
| Curncy translation adj | (45) | (45) | | |
| Unrealized gains/(losses) on securities | (2) | (2) | | |
| Pension liab adj | (15) | (15) | | |
| Reclassification adj | | (52) | | |
| Total comprehensive income | | 4,839 | | |
| Note receivable from ESOP | 6 | | | 6 |
| 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/(losses) on securities | 8 | 8 | | |
| Gains/(losses) 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 gains/(losses) on securities | (86) | (86) | | |
| Pension liab adj | (18) | (18) | | |
| Gains/(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) |

See Notes to Consolidated Financial Statements

Consolidated Statements of Equity
Johnson & Johnson and Subsidiaries

(Dollars in Millions) (Note 1)

| | Accumul Other Compre-hensive Income | Common Stock Issued Amount | Treasury Stock Amount |
|---|---|---|---|
| Balance, Jan 2, 2000 | (399) | 3,120 | (453) |
| Net earnings | | | |
| Cash dividends paid | | | |
| Employee stock Compensation and stock option plans | | | 1,075 |
| Conver. of subordinated Debentures | | | |
| Repurchase of common Stock | | | (973) |
| Business combinations | | | 9 |
| Other comprehensive income, net of tax: | | | |
| Curncy translation adj | (45) | | |
| Unrealized gains/(losses) on securities | (2) | | |
| Pension liab adj | (15) | | |
| Reclassification adj | | | |
| Total comprehensive income | | | |
| Note receivable from ESOP | | | |
| Bal, Dec 31, 2000 | (461) | 3,120 | (342) |
| Net earnings | | | |
| Cash dividends paid | | | |
| Employee stock Compensation and stock option plans | | | 1,444 |
| Conver. of subordinated Debentures | | | 183 |
| Repurchase of common stock | | | (2,742) |
| Business combinations | | | 64 |
| Other comprehensive income, net of tax: | | | |
| Curncy translation adj | (175) | | |
| Unrealized gains/(losses) on securities | 8 | | |
| Gains/(losses) 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 |
| Conver. of subordinated Debentures | | | 353 |
| Repurchase of common stock | | | (6,382) |
| Other comprehensive income, net of tax: | | | |
| Curncy translation adj | (10) | | |
| Unrealized gains/(losses) on securities | (86) | | |
| Pension liab adj | (18) | | |
| Gains/(losses) on derivatives & hedges | (198) | | |
| Reclassification adj | | | |
| Total comprehensive income | | | |
| Note receivable from ESOP | | | |
| Bal, Dec 29, 2002 | (842) | 3,120 | (6,127) |

See Notes to Consolidated Financial Statements

(Consolidated Statements of Cash Flows
Johnson & Johnson and Subsidiaries

Dollars in Millions) (Note 1)

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net earnings | $6,597 | 5,668 | 4,953 |
| Adjustments to reconcile net earnings to cash flows: | | | |
| Depreciation and amortization of property and intangibles | 1,662 | 1,605 | 1,592 |
| Purchased in-process research and development | 189 | 105 | 66 |
| Deferred tax provision | (74) | (106) | (128) |
| Accounts receivable reserves | (6) | 99 | 41 |
| Changes in assets and liabilities, net of effects from acquisition of businesses: | | | |
| Increase in accounts receivable | (510) | (258) | (468) |
| (Increase) decrease in inventories | (109) | (167) | 128 |
| Increase in accounts payable and accrued liabilities | 1,420 | 1,401 | 41 |
| (Increase) decrease in other current and non-current assets | (1,429) | (270) | 124 |
| Increase in other current and non-current liabilities | 436 | 787 | 554 |
| Net cash flows from operating Activities | 8,176 | 8,864 | 6,903 |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | (2,099) | (1,731) | (1,689) |
| Proceeds from the disposal of Assets | 156 | 163 | 166 |
| Acquisition of businesses, net of cash acquired (Note 17) | (478) | (225) | (151) |
| Purchases of investments | (6,923) | (8,188) | (5,676) |
| Sales of investments | 7,353 | 5,967 | 4,827 |
| Other | (206) | (79) | (142) |
| Net cash used by invest activities | (2,197) | (4,093) | (2,665) |
| Cash flows from financing activities | | | |
| Dividends to shareholders | (2,381) | (2,047) | (1,724) |
| Repurchase of common stock | (6,538) | (2,570) | (973) |
| Proceeds from short-term debt | 2,359 | 338 | 814 |
| Retirement of short-term debt | (560) | (1,109) | (1,485) |
| Proceeds from long-term debt | 22 | 14 | 591 |
| Retirement of long-term debt | (245) | (391) | (35) |
| Proceeds from the exercise of stock options | 390 | 514 | 387 |
| Net cash used by financing Activities | (6,953) | (5,251) | (2,425) |
| Effect of exchange rate changes on cash and cash equivalents | 110 | (40) | (47) |
| (Decrease) increase in cash and cash equivalents | (864) | (520) | 1,766 |
| Cash and cash equivalents, beginning of year (Note 1) | 3,758 | 4,278 | 2,512 |
| Cash and cash equivalents, end of year (Note 1) | $2,894 | 3,758 | 4,278 |
| Supplemental cash flow data | | | |
| Cash paid during the year for: | | | |
| Interest | $ 141 | 185 | 215 |
| Income taxes | 2,006 | 2,090 | 1,651 |
| Supplemental schedule of noncash investing and financing activities | | | |
| Treasury stock issued for employee compensation and stock option plans, net of cash proceeds | $ 946 | 971 | 754 |
| Conversion of debt | 131 | 815 | 504 |
| Acquisition of businesses | | | |
| Fair value of assets acquired | $ 550 | 1,925 | 241 |
| Fair value of liabilities assumed | (72) | (434) | (5) |
| | 478 | 1,491 | 236 |
| Treasury stock issued at fair value | -- | (1,266) | (85) |
| Net cash paid for acquisitions | $ 478 | 225 | 151 |

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 will adopt this standard in 2003 that is effective for fiscal years beginning after June 15, 2002 and it is not expected to have a material impact on the Company's results of operations, cash flows or financial position. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which was effective for the first quarter of 2002. The Company's adoption of SFAS No. 144 did not have a material effect 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 in the first quarter of 2003 is not expected to 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 disclosure provisions have been implemented and no disclosures were required at year-end 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 in 2003 has not and is not expected to 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," which addresses consolidation of variable interest entities. FIN 46 expands 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 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of FIN 46 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 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 ranges 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.

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 the Vendor's Products" effective December 31, 2001. All prior periods have been restated to reclassify

sales incentives and trade promotional allowances from selling, general and administrative expenses to either a reduction of sales or cost of sales. As such, sales were reduced by $687 million and $674 million for 2001 and 2000, respectively, and cost of products sold increased by $45 million and $49 million for 2001 and 2000, respectively.

Shipping and Handling

Shipping and handling costs incurred were $518 million, $473 million and $492 million in 2002, 2001 and 2000, respectively, and are included in selling, marketing and administrative expense. The amount of revenue received for shipping and handling is immaterial 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 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. The effect of non-amortization of this goodwill and these intangible assets was approximately $141 million before tax for 2002. 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 required initial assessment was completed at June 30, 2002 and no impairment was determined. This initial impairment assessment was updated in the fourth quarter of 2002 and no impairment was determined. Future impairment tests will be performed in the fourth quarter, annually.

Financial Instruments

Effective January 1, 2001, the Company adopted 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 that 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 for the time value of money 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. Advertising expenses worldwide, which are

comprised of television, radio, print media as well as Internet advertising, were $1.5 billion in 2002, $1.4 billion in 2001 and $1.4 billion in 2000.

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 29, 2002, and December 30, 2001, the cumulative amount of undistributed international earnings was approximately $12.3 billion and $12.1 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 29, 2002, the Company has 24 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" 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) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Net income, as reported | $6,597 | 5,668 | 4,953 |
| Less: Compensation expense(1) | 320 | 263 | 189 |
| Pro forma | $6,277 | 5,405 | 4,764 |
| Earnings per share: | | | |
| Basic - as reported | $ 2.20 | 1.87 | 1.65 |
| - pro forma | 2.09 | 1.78 | 1.59 |
| Diluted - as reported | 2.16 | 1.84 | 1.61 |
| - pro forma | 2.06 | 1.75 | 1.55 |

(1) Determined under fair value based method for all awards, net of tax.

Risks and Uncertainties

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 2002 and 2001, inventories were comprised of:

| (Dollars in Millions) | 2002 | 2001 |
|---|---|---|
| Raw materials and supplies | $ 835 | 842 |
| Goods in process | 803 | 605 |
| Finished goods | 1,665 | 1,545 |
| | $3,303 | 2,992 |

3 Property, Plant and Equipment

At the end of 2002 and 2001, property, plant and equipment at cost and accumulated depreciation were:

| (Dollars in Millions) | 2002 | 2001 |
|---|---|---|
| Land and land improvements | $ 472 | 459 |
| Buildings and building equipment | 4,364 | 3,911 |
| Machinery and equipment | 7,869 | 6,805 |
| Construction in progress | 1,609 | 1,283 |
| | 14,314 | 12,458 |
| Less accumulated depreciation | 5,604 | 4,739 |
| | $8,710 | 7,719 |

The Company capitalizes interest expense as part of the cost of construction of facilities and equipment. Interest expense capitalized in 2002, 2001 and 2000 was $98 million, $95 million and $97 million, respectively.

Depreciation expense, including the amortization of capitalized interest in 2002, 2001 and 2000 was $1.3 billion, $1.1 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

amounted to approximately $298 million in 2002, $275 million in 2001 and $264 million in 2000.

The approximate minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 29, 2002 are:

| (Dollars in Millions) | 2003 | 2004 | 2005 | 2006 | 2007 | After 2007 | Total |
|---|---|---|---|---|---|---|---|
| | $138 | 121 | 101 | 86 | 67 | 160 | 673 |

Commitments under capital leases are not significant.

5 Employee Related Obligations

At the end of 2002 and 2001, employee related obligations were:

| (Dollars in Millions) | 2002 | 2001 |
|---|---|---|
| Pension benefits | $ 643 | 605 |
| Post retirement benefits | 907 | 878 |
| Post employment benefits | 193 | 168 |
| Deferred compensation | 335 | 311 |
| | $2,078 | 1,962 |
| Current benefits payable | 111 | 92 |
| Employee related obligations | $1,967 | 1,870 |

Prepaid employee related obligations of $959 million for 2002 are included in other assets on the consolidated balance sheet.

6 Borrowings

The components of long-term debt are as follows:

| (Dollars in Millions) | 2002 | Eff. Rate% | 2001 | Eff. Rate% |
|---|---|---|---|---|
| 3% Zero Coupon Convertible Subordinated Debentures due 2020 | $ 621 | 3.00 | 626 | 3.00 |
| 5.25% Zero Coupon Convertible Subordinated Debentures due 2014 | 11 | 5.25 | 117 | 5.25 |
| 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 |
| 7.375% Notes due 2002 | - | - | 200 | 7.49 |
| 8.25% Eurodollar Notes due 2004 | 200 | 8.37 | 199 | 8.37 |
| 6.625% Notes due 2009 | 198 | 6.80 | 198 | 6.80 |
| 5.12% Notes due 2003(2) | 60 | 0.82 | 60 | 0.82 |
| Industrial Revenue Bonds | 39 | 3.85 | 39 | 5.30 |
| Other, principally International | 127 | - | 163 | - |
| | 2,099 | 5.85(1) | 2,445 | 5.98(1) |
| Less current portion | 77 | | 228 | |
| | $2,022 | | 2,217 | |

(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 $3.1 billion, including $1.5 billion of credit commitments and $0.8 billion of uncommitted lines with various banks worldwide that expire during 2003. 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.

The Company's shelf registration filed with the Securities and Exchange Commission enables the Company to issue up to $2.6 billion of unsecured debt securities and warrants to purchase debt securities under its medium term note (MTN) program. No MTN's were issued in 2002. At December 29, 2002, the Company had $1.8 billion remaining on its shelf registration.

Long term debt includes two convertible subordinated debentures issued by ALZA prior to its merger with Johnson & Johnson.

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 29, 2002, 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 579,000 shares have been issued as of December 29, 2002 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, 2003, 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 29, 2002 and December 30, 2001, the fair value based on quoted market value of the 3% Debentures was $813 million and $910 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 29, 2002, the outstanding 5.25% Debentures had a total principal amount at maturity of $20 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 23.5 million shares of Johnson & Johnson stock have been issued as at December 29, 2002 due to voluntary conversions by note holders. At the option of the holder, the 5.25% Debentures may 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. At December 29, 2002 and December 30, 2001, the fair value based on quoted

market value of the 5.25% Debentures was $27 million and $339 million, respectively.

Short-term borrowings and current portion of long-term debt amounted to $2.1 billion at the end of 2002. These borrowings are comprised of $1.6 billion of commercial paper and $468 million of local borrowings, principally by international subsidiaries.

Aggregate maturities of long-term obligations commencing in 2003 are:

| (Dollars in Millions) | 2003 | 2004 | 2005 | 2006 | 2007 | After 2007 |
|---|---|---|---|---|---|---|
| | $77 | 270 | 17 | 12 | 8 | 1,715 |

7 Intangible Assets

At the end of 2002 and 2001, the gross and net amounts of intangible assets were:

| (Dollars in Millions) | 2002 | 2001 |
|---|---|---|
| Goodwill - gross | $ 5,320 | 5,245 |
| Less accumulated amortization | 667 | 674 |
| Goodwill - net | $ 4,653 | 4,571 |
| Trademarks (non-amortizable) - gross | $ 1,021 | 935 |
| Less accumulated amortization | 138 | 132 |
| Trademarks (non-amortizable) - net | $ 883 | 803 |
| Patents and trademarks - gross | $ 2,016 | 1,881 |
| Less accumulated amortization | 534 | 376 |
| Patents and trademarks - net | $ 1,482 | 1,505 |
| Other intangibles - gross | $ 2,998 | 2,849 |
| Less accumulated amortization | 770 | 651 |
| Other intangibles - net | $ 2,228 | 2,198 |
| Total intangible assets - gross | $11,355 | 10,910 |
| Less accumulated amortization | 2,109 | 1,833 |
| Total intangible assets - net | $ 9,246 | 9,077 |

Goodwill as of December 29, 2002 as allocated by segments of business is as follows:

| (Dollars in Millions) | Consumer | Pharm | Med Dev & Diag | Total |
|---|---|---|---|---|
| Goodwill, net of accumulated amortization at December 30, 2001 | $806 | 232 | 3,533 | 4,571 |
| Reclassification of intangibles, net of accumulated amortization | - | (109) | - | (109) |
| Acquisitions | - | 150 | 60 | 210 |
| Translation & other | 15 | (29) | (5) | (19) |
| Goodwill at December 29, 2002 | $821 | 244 | 3,588 | 4,653 |

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 29, 2002 was $405 million pre-tax and the estimated amortization expense for the five succeeding years approximates $425 million pre-tax, per year, respectively.

8 Income Taxes

The provision for taxes on income consists of:

| (Dollars in Millions) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Currently payable: | | | |
| U.S. taxes | $2,042 | 1,726 | 1,375 |
| International taxes | 726 | 610 | 668 |
| | 2,768 | 2,336 | 2,043 |
| Deferred: | | | |
| U.S. taxes | 20 | (22) | (36) |
| International taxes | (94) | (84) | (92) |
| | (74) | (106) | (128) |
| | $2,694 | 2,230 | 1,915 |

A comparison of income tax expense at the federal statutory rate of 35% in 2002, 2001 and 2000, to the Company's effective tax rate is as follows:

| (Dollars in Millions) | 2002 | 2001 | 2000 |
|---|---|---|---|
| U.S. | $6,189 | 4,744 | 3,892 |
| International | 3,102 | 3,154 | 2,976 |
| Earnings before taxes on income: | $9,291 | 7,898 | 6,868 |
| Statutory taxes | $3,252 | 2,764 | 2,404 |
| Tax rates: | | | |
| Statutory | 35.0% | 35.0% | 35.0% |
| Puerto Rico and Ireland operations | (4.5) | (5.4) | (5.0) |
| Research tax credits | (0.7) | (0.4) | (0.8) |
| Domestic state and local | 1.2 | 0.9 | 0.8 |
| International subsidiaries excluding Ireland | (2.2) | (2.6) | (2.9) |
| IPR&D | 0.7 | 0.5 | 0.3 |
| All other | (0.5) | 0.2 | 0.5 |
| Effective tax rate | 29.0% | 28.2% | 27.9% |

During 2002, the Company had subsidiaries operating in Puerto Rico under a tax incentive grant expiring in 2014. In addition, the Company has subsidiaries manufacturing in Ireland under an incentive tax rate effective through the year 2010.

Temporary differences and carry forwards for 2002 and 2001 are as follows:

| | 2002 Deferred Tax | | 2001 Deferred Tax | |
|---|---|---|---|---|
| (Dollars in Millions) | Asset | Liab | Asset | Liab |
| Employee related Obligations | $ 443 | | 625 | |
| Depreciation | | (318) | | (294) |
| Non-deductible Intangibles | | (931) | | (959) |
| International R&D capitalized for tax | 340 | | 237 | |
| Reserves & liabilities | 479 | | 636 | |
| Income reported for tax purposes | 343 | | 313 | |
| Miscellaneous international | 359 | (278) | 275 | (260) |
| Capitalized intangible | 139 | | 156 | |
| Miscellaneous U.S. | 354 | | 183 | |
| Total deferred income taxes | $2,457 | (1,527) | 2,425 | (1,513) |

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 which are reflected in operating results.

An analysis of the changes during 2002 and 2001 for foreign currency translation adjustments is included in Note 12.

Net currency transaction and translation gains and losses included in other expense were after-tax losses of $25 million, $3 million and $65 million, in 2002, 2001 and 2000, respectively.

10 Common Stock, Stock Option Plans and Stock Compensation Agreements

At December 29, 2002 the Company had 24 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 Employee Stock Option Plans, the 1997 Non-Employee Director's Plan and the Mitek, Cordis, Biosense, Gynecare, Centocor, Innovasive Devices, ALZA and Inverness Stock Option Plans.

Stock options generally expire 10 years from the date they are granted and vest over service periods that range from one to six 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 2002 through 2005, in addition to any other available shares as described above. Shares available for future grants under the 2000 plan were 62.1 million at the end of 2002.

A summary of the status of the Company's stock option plans as of December 29, 2002, December 30, 2001 and December 31, 2000 and changes during the years ending on those dates, is presented below:

| (Shares in Thousands) | Options Outstanding | Weighted Average Exercise Price |
|---|---|---|
| Balance at January 2, 2000 | 181,486 | $25.65 |
| Options granted | 46,456 | 48.29 |

| | | |
|---|---|---|
| Options exercised | (27,130) | 15.22 |
| Options canceled/forfeited | (6,824) | 33.03 |
| 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 |

(1) Includes 3,108 options issued to replace Inverness 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 for fiscal 2002.

The average fair value of options granted was $15.49 in 2002, $13.72 in 2001 and $14.79 in 2000. The fair value was estimated using the Black-Scholes option pricing model based on the weighted average assumptions of:

| | 2002 | 2001 | 2000 |
|---|---|---|---|
| Risk-free rate | 4.39% | 4.87% | 5.45% |
| Volatility | 26.0% | 27.0% | 27.0% |
| Expected life | 5.0 yrs | 5.0 yrs | 5.0 yrs |
| Dividend yield | 1.33% | 1.33% | 1.40% |

The following table summarizes stock options outstanding and exercisable at December 29, 2002:

| (Shares in Thousands) | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Exercise Price Range | Options | Average Life(a) | Average Exercise Price | Options | Average Exercise Price |
| $.79-$11.15 | 5,572 | 1.2 | $ 10.29 | 5,572 | $ 10.29 |
| $11.16-$21.24 | 16,550 | 1.8 | 12.93 | 16,550 | 12.93 |
| $21.57-$39.86 | 43,541 | 4.0 | 27.05 | 42,403 | 26.85 |
| $40.08-$50.66 | 40,916 | 6.7 | 45.94 | 35,829 | 45.76 |
| $50.69-$55.91 | 36,337 | 7.8 | 50.74 | 306 | 51.82 |
| $57.30-$61.68 | 46,655 | 9.1 | 57.34 | 1 | 57.36 |
| $63.30-$66.50 | 170 | 8.0 | 64.37 | 41 | 64.74 |
| | 189,741 | 6.3 | $ 41.42 | 100,702 | $ 30.47 |

(a) Average contractual life remaining in years.

Stock options exercisable at December 30, 2001 and December 31, 2000 were 99,176 options at an average exercise price of $24.34 and 90,384 options at an average exercise price of $19.46, respectively.

11 Segments of Business and Geographic Areas

See page 57 for information on segments of business and geographic areas.

12 Accumulated Other Comprehensive Income

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

| (Dollars in Millions) | For. Cur. Trans. | Unrld Gains/ (Losses) on Sec | Pens Liab Adj. | Gains/ (Losses) on Deriv & Hedg | Total Accum Other Comp Inc/(Loss) |
|---|---|---|---|---|---|
| Jan. 2, 2000 | $(477) | 78 | | | (399) |
| 2000 changes | (45) | (2) | (15) | | (62) |
| Dec. 31, 2000 | $(522) | 76 | (15) | | (461) |
| 2001 changes | | | | | |
| Transition Adjustment | - | - | - | 17 | |
| Net change due to hedging transactions | - | - | - | 228 | |
| Net amount reclassed to net earnings | - | - | - | (147) | |
| 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) |

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. In 2000, total other comprehensive income included reclassification adjustment gains of $80 million and the associated tax expense of $28 million.

The tax effect on these unrealized gains/(losses) on equity securities is a benefit of $1 million in 2002, an expense of $64 million in 2001 and an expense of $53 million in 2000. The tax effect on the gains/(losses) on derivatives and hedges is a benefit of $56 million in 2002 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 non-U.S. subsidiaries.

## 13 Retirement and Pension 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 domestic retired employees and their dependents.

Most 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. The Company's objective in funding its domestic plans is to accumulate funds sufficient to provide for all accrued benefits. International subsidiaries have plans under which funds are deposited with trustees, annuities are purchased under group contracts or reserves are provided.

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

Net periodic benefit costs for the Company's defined benefit retirement plans and other benefit plans for 2002, 2001 and 2000 include the following components:

| | Retirement Plans | | | Other Benefit Plans | | |
|---|---|---|---|---|---|---|
| (Dollars in Millions) | 2002 | 2001 | 2000 | 2002 | 2001 | 2000 |
| Service cost | $249 | 219 | 201 | 23 | 23 | 20 |
| Interest cost | 354 | 325 | 295 | 59 | 52 | 51 |
| Expected return on plan assets | (447) | (413) | (377) | (4) | (5) | (5) |
| Amortization of prior service cost | 15 | 18 | 21 | (3) | (3) | (1) |
| Amortization of net transition asset | (7) | (6) | (7) | - | - | - |
| Recognized actuarial Gains | (41) | (68) | (81) | - | (7) | (10) |
| Curtailments and Settlements | (1) | (1) | - | - | - | - |
| Net periodic benefit Cost | $122 | 74 | 52 | 75 | 60 | 55 |

The net periodic (income) cost attributable to domestic retirement plans was $61 million in 2002, $28 million in 2001 and ($14) million in 2000.

The following tables provide the weighted-average assumptions used to develop net periodic benefit cost and the actuarial present value of projected benefit obligations:

| | Retirement Plans | | | Other Benefit Plans | | |
|---|---|---|---|---|---|---|
| | 2002 | 2001 | 2000 | 2002 | 2001 | 2000 |
| Domestic Benefit Plans | | | | | | |
| Weighted average discount rate | 6.75% | 7.50% | 7.50% | 6.75% | 7.50% | 7.50% |
| Expected long-term rate of return on plan assets | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Rate of increase in compensation levels | 4.50 | 4.50 | 5.00 | 4.50 | 4.50 | 5.00 |
| International Benefit Plans | | | | | | |
| Weighted average discount rate | 5.75% | 5.75% | 6.00% | 6.75% | 6.75% | 6.75% |
| Expected long-term rate of return on plan assets | 7.50 | 7.50 | 7.50 | - | - | - |
| Rate of increase in compensation levels | 3.50 | 3.50 | 3.50 | 4.25 | 4.25 | 4.25 |

Health care cost trends in the United States are projected at annual rates, for all individuals, grading from 9.0% to 4.5% by the year 2009 and beyond. The effect of a 1% change in these assumed cost trends on the accumulated

postretirement benefit obligation at the end of 2002 would be a $125 million increase or a $106 million decrease and the effect on the service and interest cost components of the net periodic postretirement benefit cost for 2002 would be a $13 million increase or a $10 million decrease.

Plan assets consist primarily of listed common stocks, U.S. and non-U.S. equities and fixed income investments. The fair value of Johnson & Johnson common stock in the plan assets was $384 million at December 29, 2002.

The following tables set forth the change in benefit obligations and change in plan assets at year-end 2002 and 2001 for the Company's defined benefit retirement plans and other benefit plans:

| | Retirement Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| (Dollars in Millions) | 2002 | 2001 | 2002 | 2001 |
| Change in Benefit Obligation | | | | |
| Benefit obligation - beginning of year | $5,026 | 4,555 | 782 | 722 |
| Service cost | 249 | 219 | 23 | 23 |
| Interest cost | 354 | 325 | 59 | 52 |
| Plan participant Contributions | 18 | 15 | - | - |
| Amendments | 17 | 8 | - | - |
| Actuarial loss | 478 | 210 | 190 | 22 |
| Divestitures & Acquisitions | (4) | 1 | 8 | - |
| Curtailments & settlements | (6) | (1) | - | - |
| Total benefits paid | (246) | (223) | (50) | (34) |
| Effect of exchange rates | 165 | (83) | 3 | (3) |
| Benefit obligation - end of year | $6,051 | 5,026 | 1,015 | 782 |
| Change in Plan Assets | | | | |
| Plan assets at fair value - beginning of year | $4,355 | 4,847 | 48 | 58 |
| Actual return on plan assets | (611) | (276) | (12) | (8) |
| Company contributions | 1,074 | 56 | 47 | 31 |
| Plan participant Contributions | 18 | 15 | - | - |
| Divestitures | (2) | - | (49) | - |
| Benefits paid from plan assets | (232) | (212) | - | (33) |
| Effect of exchange Rates | 103 | (75) | - | - |
| Plan assets at fair value - end of year | $4,705 | 4,355 | 34 | 48 |

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

| | Retirement Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| (Dollars in Millions) | 2002 | 2001 | 2002 | 2001 |
| Plan assets less than projected benefit obligation | $(1,346) | (671) | (981) | (734) |
| Unrecognized actuarial losses /(gains) | 1,588 | (14) | 92 | (123) |
| Unrecognized prior service cost | 124 | 118 | (18) | (21) |
| Unrecognized net transition asset | (4) | (9) | - | - |
| Total recognized in the consolidated balance sheet | $ 362 | (576) | (907) | (878) |
| Book reserves | $ (643) | (770) | (907) | (878) |
| Prepaid benefits | 959 | 165 | - | - |
| Intangible assets | 13 | 14 | - | - |
| Accumulated comprehensive Income | 33 | 15 | - | - |

| | | | | |
|---|---|---|---|---|
| Total recognized in consolidated balance sheet | $362 | (576) | (907) | (878) |

A minimum pension liability adjustment is required when the actuarial present value of accumulated benefits (ABO) exceeds the fair value of plan assets and accrued pension liabilities. The minimum pension liability adjustments in 2002 and 2001 of $46 million and $29 million, respectively relate primarily to plans outside the U.S.

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

| | Retirement Plans | | Other Benefit Plans | |
|---|---|---|---|---|
| (Dollars in Millions) | 2002 | 2001 | 2002 | 2001 |
| Accumulated benefit Obligation | $ (953) | (544) | (941) | (782) |
| Projected benefit Obligation | $(1,024) | (645) | -- | -- |
| Plan assets at fair value | $ 305 | 111 | 34 | 48 |

14 Marketable Securities

| | 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 |
| Asset backed securities | - | - | - | - |
| 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 |
| Asset backed securities | - | - | - | - |
| Bank notes | 27 | - | - | 27 |
| Corporate debt securities | - | - | - | - |
| Investments held in trust | 80 | - | - | 80 |
| Total non-current marketable securities | $ 121 | - | - | 121 |

| | December 30, 2001 | | | |
|---|---|---|---|---|
| | Net Cost | Unrealized Gains | Unrealized Losses | Est Fair Value |
| Money market funds | $1,276 | - | - | 1,276 |
| Commercial paper | 54 | - | - | 54 |
| Time deposits | 1,162 | - | - | 1,162 |
| Government securities and obligations | 1,046 | 2 | - | 1,048 |
| Asset backed securities | 7 | - | - | 7 |
| Bank notes | 118 | - | - | 118 |
| Corporate debt securities | 3,221 | 16 | - | 3,237 |
| Total current marketable securities | $6,884 | 18 | - | 6,902 |
| Government securities | 314 | 6 | - | 320 |
| Asset backed securities | 122 | - | - | 122 |
| Bank notes | 131 | 2 | - | 133 |
| Corporate debt securities | 311 | 7 | - | 318 |
| Investments held in trust | 91 | 4 | - | 95 |
| Total non-current marketable securities | $ 969 | 19 | - | 988 |

Current marketable securities include $1.7 billion and $2.7 billion that are classified as cash equivalents on the balance sheet at December 29, 2002 and December 30, 2001, respectively.

15 Financial Instruments

Effective January 1, 2001, the Company adopted SFAS 133 requiring that all derivative instruments be recorded on the balance sheet at fair value.

As of December 29, 2002 the balance of deferred net losses on derivatives included in accumulated other comprehensive income was $100 million after-tax. For additional information, see Note 12. Of this amount, the Company expects that $100 million 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 15 months.

For the year ended December 29, 2002 the net impact of the hedges' ineffectiveness to the Company's financial statements was insignificant. For the year ended December 29, 2002 the Company has recorded a net gain of $10 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). 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 contributions to the plans were $111 million in 2002, $96 million in 2001 and $81 million in 2000.

17 Mergers & Acquisitions

Certain businesses were acquired for $478 million in cash and liabilities assumed of $72 million assumed 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(TM) 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. In addition, approximately $189 million has been identified as the value of in-process research and development (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.

Pro forma information is not provided since the impact of the acquisitions does 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 number of Johnson & Johnson shares issued total 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, the supplier of LifeScan's electrochemical products for blood glucose monitoring following the spin-off of its non-diabetes businesses; Heartport, 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 Inc., 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 Inc. 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%.

Certain businesses were acquired for $241 million during 2000. 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 acquisitions.

The 2000 acquisitions included Crescendo, a company formed by ALZA for the purpose of selecting, developing and commercializing human pharmaceutical

products; Innovasive Devices, a company that manufactures and sells devices for sports medicine surgery for soft tissue injuries; Atrionix, Inc., a development stage company whose primary product is a pulmonary ablation catheter for the treatment of atrial fibrillation; Medtrex, a company that develops and manufactures electrosurgical generators and disposable products, and the ST. JOSEPH aspirin business. The IPR&D writeoff associated with Atrionix, Inc. and ALZA's Crescendo acquisition was $66 million. The IPR&D charge is primarily related to an Atrionix project for the design of a catheter system to be used in a procedure which blocks electrical impulses originating in pulmonary veins, which can cause atrial fibrillation. The value of IPR&D was calculated with the assistance of a third party appraiser using a cash flow projection discounted for the risk inherent in such a project. The discount rate used was 26%.

Divestitures in 2002, 2001 and 2000 did not have a material effect on the Company's results of operations, cash flows or financial position.

18 Legal Proceedings

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 753 such cases currently pending, including the claims of approximately 5,556 plaintiffs, 1,961 of whom recently filed in Mississippi to avoid application of tort reform legislation effective January 1, 2003. More cases were likely filed in Mississippi but have not yet been served. In the active cases, 429 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 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 10 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 was 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.

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. 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.

The Company's Ortho Biotech subsidiary was party to an arbitration proceeding filed against it in 1995 by Amgen, Ortho Biotech's licensor of U.S. non-dialysis rights to PROCRIT, in which Amgen sought to terminate Ortho Biotech's U.S. license rights and collect substantial damages based on alleged deliberate PROCRIT sales by Ortho Biotech during the early 1990s 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 1990s, 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 expensed in the third quarter of 2002. Amgen had sought $1.2 billion 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 attorneys' fees and costs. Amgen has not yet submitted its application for fees and costs. The Company expensed $85 million in the fourth quarter of 2002 in connection with this outstanding claim.

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 coronary 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 which 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. Appeals to the Federal Circuit Court of Appeals are underway.

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, require the payment of past damages and future royalties or, with respect to patent challenges by generic pharmaceutical firms, result in the introduction of generic versions of

the products in question and the ensuing loss of market share. The following patent lawsuits concern important products of Johnson & Johnson operating companies. Medtronic/ AVE v. Cordis Corporation: This action, filed in April 2002 in federal court in Texas, asserts certain patents owned by Medtronic/AVE against the Cordis Bx VELOCITY(TM) stent, which is also the stent structure used in the CYPHERTM drug eluting product. No trial date has been set for this action. Ortho Pharmaceutical v. Barr Laboratories, Inc.: Pending in federal court in New Jersey, this action, filed in June 2000, involves Barr's effort to invalidate Ortho's patents covering its ORTHO TRI-CYCLEN oral contraceptive product. Trial has not yet been scheduled in this case. Ortho-McNeil and Daiichi, Inc. v. Mylan Laboratories and Ortho-McNeil 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 of the patent covering LEVAQUIN levofloxacin tablets. The patent owned by Daiichi and exclusively licensed to Ortho-McNeil. In the Mylan case trial has been set for late 2003. No trial date has been set in the Teva matter. Janssen and ALZA v. Mylan Laboratories: This action, filed in federal district court in Vermont in February 2002, concerns Mylan's effort to invalidate and assert non-infringement of ALZA's patent covering the DURAGESIC product. Trial is likely in the spring of 2003. With respect to all of the above matters, the Johnson & Johnson operating company involved is vigorously defending the validity and asserting the infringement of its own or its licensors' patents or, where its product is accused of infringing patents held by others, defending against those claims.

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 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 29, 2002, December 30, 2001 and December 31, 2000:

| (Shares in Millions) | 2002 | 2001 | 2000 |
|---|---|---|---|
| Basic earnings per share | $2.20 | 1.87 | 1.65 |
| Average shares outstanding - basic | 2,998.3 | 3,033.8 | 2,993.5 |
| Potential shares exercisable under stock option plans | 188.3 | 166.6 | 119.0 |
| Less: shares repurchased under treasury stock method | (146.9) | (121.8) | (71.7) |
| Convertible debt shares | 14.4 | 20.7 | 58.4 |
| Adjusted average shares outstanding - diluted | 3,054.1 | 3,099.3 | 3,099.2 |
| Diluted earnings per share | $2.16 | 1.84 | 1.61 |

Diluted earnings per share calculation includes the dilution effect of convertible debt: a decrease in interest expense of $12 million, $25 million and $47 million after tax for years 2002, 2001 and 2000, respectively.

Diluted earnings per share excludes 1 million shares of options for each of the years 2002 and 2001, and 62 million shares of options for the year 2000, 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 | Amount |
|---|---|---|
| Balance at January 2, 2000 | 140,154 | $453 |
| Employee compensation and stock option plans | (28,886) | (1,075) |
| Conversion of Subordinated Debentures | (25,676) | -- |
| Repurchase of common stock | 21,402 | 973 |
| Business combinations | (1,776) | (9) |
| 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 |

Shares of common stock authorized and issued were 3,119,842,000 shares at the end of 2002, 2001 and 2000.

21 Selected Quarterly Financial Data (Unaudited)
Selected unaudited quarterly data for the years 2002 and 2001 are summarized below:

| | 2002 | | | |
|---|---|---|---|---|
| (Dollars in Millions Except Per Share Amounts) | First Quarter | Second Quarter(1) | Third Qtr(2) | Fourth Qtr(3) |
| Segment sales to customers | | | | |
| Consumer | $1,604 | 1,649 | 1,661 | 1,650 |
| Pharmaceutical | 4,181 | 4,258 | 4,277 | 4,435 |
| Med Devices & 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 |

| | 2001 | | | |
|---|---|---|---|---|
| (Dollars in Millions Except Per Share Amounts) | First Quarter | Second Quarter(4) | Third Qtr(5) | Fourth Qtr(6) |
| Segment sales to customers | | | | |
| Consumer | $1,631 | 1,530 | 1,609 | 1,551 |
| Pharmaceutical | 3,489 | 3,864 | 3,677 | 3,820 |
| Med Devices & Diagnostics | 2,735 | 2,785 | 2,772 | 2,854 |
| Total sales | $7,855 | 8,179 | 8,058 | 8,225 |
| Gross profit | 5,544 | 5,807 | 5,662 | 5,723 |
| Earnings before provision for taxes on income | 2,217 | 2,129 | 2,108 | 1,444 |
| Net earnings | 1,552 | 1,482 | 1,529 | 1,105 |
| Basic net earnings per share | $ .51 | .49 | .50 | .36 |
| Diluted net earnings per share | $ .50 | .48 | .49 | .36 |

(1) The second quarter of 2002 includes an after tax charge of $189 million relating to In-Process Research and Development (IPR&D) costs.
(2) The third quarter of 2002 includes an after tax charge of $92 million relating to the Amgen arbitration settlement.
(3) The fourth quarter of 2002 includes an after tax charge of $54 million relating to Amgen legal fees.
(4) The second quarter of 2001 includes an after tax charge of $102 million relating to ALZA merger costs.
(5) The third quarter of 2001 includes an after tax charge of $24 million relating to ALZA merger costs.
(6) The fourth quarter of 2001 includes an after tax charge of $105 million relating to IPR&D costs. The fourth quarter also includes an after tax charge of $29 million relating to a LifeScan class action settlement.

22 Subsequent Event
On February 10, 2003, Johnson & Johnson announced that it signed a definitive agreement with Scios Inc., a biopharmaceutical company with a marketed product for cardiovascular disease and research projects focused on auto-immune diseases. The Company will acquire Scios in a cash for stock exchange.

Under the terms of the agreement, Scios shareholders will receive $45.00 for each outstanding Scios share. The value of the transaction as of the anticipated closing date is expected to be approximately $2.4 billion, net of cash anticipated to be acquired, based on Scios' approximately 59.8 million fully diluted shares outstanding.

The boards of directors of Johnson & Johnson and Scios have given their approval to the transaction, which is subject to clearance under the Hart-Scott-Rodino Anti-Trust Improvements Act. This transaction is also subject to the approval of the shareholders of Scios and other customary closing conditions.

Scios is a biopharmaceutical company developing novel treatments for cardiovascular and inflammatory disease. The company's disease-based technology platform integrates expertise in protein biology with computational and medicinal chemistry to identify novel targets and rationally design small molecule compounds for large markets with unmet medical needs. Scios' product NATRECOR is a recombinant form of a naturally occurring protein secreted by the heart as part of the body's response to congestive heart failure (CHF). The drug has several significant advantages over existing therapies for CHF, the single most common cause of hospitalization in the United States for patients over 65.

The principal focus of Scios' research and development program is small molecule inhibitors, and includes several potential new treatments for pain and inflammatory diseases, including an advanced p-38 kinase inhibitor program.

The transaction is expected to close in the second quarter of 2003.

## Independent Auditor's Report

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 29, 2002 and December 30, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 29, 2002, 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 Notes 1 and 7 to the financial statements, the Company has adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective December 31, 2001.

PricewaterhouseCooper LLP
New York, New York
January 20, 2003, except for Note 22 for which the date is
February 10, 2003

Segments of Business(1)
Johnson & Johnson and Subsidiaries

| (Dollars in Millions) | Sales to Customers(2) 2002 | 2001 | 2000 |
|---|---|---|---|
| Consumer - Domestic | $ 3,605 | 3,449 | 3,403 |
| International | 2,959 | 2,871 | 2,868 |
| Total | 6,564 | 6,320 | 6,271 |
| Pharmaceutical - Domestic | 11,919 | 10,240 | 8,441 |
| International | 5,232 | 4,611 | 4,220 |
| Total | 17,151 | 14,851 | 12,661 |
| Med Devices & Diagnostics - Domestic | 6,931 | 6,136 | 5,472 |
| International | 5,652 | 5,010 | 4,768 |
| Total | 12,583 | 11,146 | 10,240 |
| Worldwide total | $36,298 | 32,317 | 29,172 |

| (Dollars in Millions) | Operating Profit 2002(5) | 2001(6) | 2000(7) |
|---|---|---|---|
| Consumer | $1,229 | 1,004 | 867 |
| Pharmaceutical | 5,787 | 4,928 | 4,394 |
| Med Devices & Diagnostics | 2,489 | 2,001 | 1,696 |
| Segments total | 9,505 | 7,933 | 6,957 |
| Expenses not allocated to segments(3) | (214) | (35) | (89) |
| General corporate(4) | | | |
| Worldwide total | $9,291 | 7,898 | 6,868 |

| (Dollars in Millions) | Identifiable Assets 2002 | 2001 | 2000 |
|---|---|---|---|
| Consumer | $ 5,056 | 4,209 | 4,761 |
| Pharmaceutical | 11,112 | 10,591 | 9,209 |
| Med Devices & Diagnostics | 15,052 | 13,645 | 12,745 |
| Segments total | 31,220 | 28,445 | 26,715 |
| Expenses not allocated to segments(3) | | | |
| General corporate(4) | 9,336 | 10,043 | 7,530 |
| Worldwide total | $40,556 | 38,488 | 34,245 |

| (Dollars in Millions) | Additions to Property, Plant & Equipment 2002 | 2001 | 2000 |
|---|---|---|---|
| Consumer | $ 222 | 230 | 336 |
| Pharmaceutical | 1,012 | 749 | 627 |
| Med Devices & Diagnostics | 713 | 621 | 665 |
| Segments total | 1,947 | 1,600 | 1,628 |
| General corporate | 152 | 131 | 61 |

| | | | |
|---|---|---|---|
| Worldwide total | $2,099 | 1,731 | 1,689 |

| (Dollars in Millions) | Depreciation and Amortization 2002 | 2001 | 2000 |
|---|---|---|---|
| Consumer | $ 244 | 263 | 275 |
| Pharmaceutical | 557 | 492 | 474 |
| Med Devices & Diagnostics | 776 | 801 | 801 |
| Segments total | 1,577 | 1,556 | 1,550 |
| General corporate | 85 | 49 | 42 |
| Worldwide total | $1,662 | 1,605 | 1,592 |

Geographic Areas

| (Dollars in Millions) | Sales to Customers(2) 2002 | 2001 | 2000 |
|---|---|---|---|
| United States | $22,455 | 19,825 | 17,316 |
| Europe | 7,636 | 6,687 | 6,210 |
| Western Hemisphere excluding U.S. | 2,018 | 2,070 | 2,020 |
| Asia-Pacific, Africa | 4,189 | 3,735 | 3,626 |
| Segments total | 36,298 | 32,317 | 29,172 |
| General corporate | | | |
| Other non long-lived assets | | | |
| Worldwide total | $36,298 | 32,317 | 29,172 |

| (Dollars in Millions) | Long-Lived Assets 2002 | 2001 | 2000 |
|---|---|---|---|
| United States | $12,854 | 11,922 | 10,043 |
| Europe | 4,712 | 3,632 | 3,551 |
| Western Hemisphere excluding U.S. | 622 | 640 | 653 |
| Asia-Pacific, Africa | 603 | 433 | 427 |
| Segments total | 18,791 | 16,627 | 14,674 |
| General corporate | 383 | 319 | 255 |
| Other non long-lived assets | 21,382 | 21,542 | 19,316 |
| Worldwide total | $40,556 | 38,488 | 34,245 |

(1) See Management's Discussion and Analysis, pages 28 to 29, 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 10.3%, 9.8% and 9.2% of total revenues in 2002. These sales were concentrated in the pharmaceutical segment. Sales of PROCRIT/EPREX accounted for 11.8% and 10.6%, of total Company revenues, for 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 $150 million of In-Process Research & Development (IPR&D), $150 million and $85 million of Amgen costs in the Pharmaceutical segment and $39 million of IPR&D in the Medical Devices and Diagnostics segment.
(6) Includes $147 million of ALZA merger costs in the Pharmaceutical segment and $105 million of IPR&D and $45 million of class action settlement in the Medical Devices and Diagnostics segment.

(7) Includes restructuring gains of $24 million in the Consumer segment and $8 million and $49 million of IPR&D charges net of restructuring gains in the Pharmaceutical and Medical Devices and Diagnostics segments, respectively.

Summary of Operations and Statistical Data 1992-2002(3)
Johnson & Johnson and Subsidiaries

(Dollars in Millions Except Per Share Figures)

| | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|---|
| Sales to customers - Domestic | $ 22,455 | 19,825 | 17,316 | 15,532 | 12,901 | 11,814 | 10,851 | 9,065 |
| Sales to customers - International | 13,843 | 12,492 | 11,856 | 11,825 | 10,910 | 10,708 | 10,536 | 9,472 |
| Total sales | 36,298 | 32,317 | 29,172 | 27,357 | 23,811 | 22,522 | 21,387 | 18,537 |
| Cost of products sold | 10,447 | 9,581 | 8,957 | 8,539 | 7,700 | 7,350 | 7,185 | 6,352 |
| Selling, marketing and admin expenses | 12,216 | 11,260 | 10,495 | 10,065 | 8,525 | 8,185 | 7,848 | 6,950 |
| Research expense | 3,957 | 3,591 | 3,105 | 2,768 | 2,506 | 2,373 | 2,109 | 1,788 |
| Purchased in-process research and develop | 189 | 105 | 66 | -- | 298 | 108 | -- | -- |
| Interest income | (256) | (456) | (429) | (266) | (302) | (263) | (196) | (151) |
| Interest expense, net of portion capitalized | 160 | 153 | 204 | 255 | 186 | 179 | 176 | 184 |
| Other (income) expense, Net | 294 | 185 | (94) | 119 | 565 | 248 | 122 | 70 |
| | 27,007 | 24,419 | 22,304 | 21,480 | 19,478 | 18,180 | 17,244 | 15,193 |
| Earnings before provision for taxes on income | 9,291 | 7,898 | 6,868 | 5,877 | 4,333 | 4,342 | 4,143 | 3,344 |
| Provision for taxes on income | 2,694 | 2,230 | 1,915 | 1,604 | 1,232 | 1,237 | 1,185 | 926 |
| Earnings before cumulative effect of accounting changes | 6,597 | 5,668 | 4,953 | 4,273 | 3,101 | 3,105 | 2,958 | 2,418 |
| Cumulative effect of accounting changes (net of tax) | -- | -- | -- | -- | -- | -- | -- | -- |
| Net earnings | $ 6,597 | 5,668 | 4,953 | 4,273 | 3,101 | 3,105 | 2,958 | 2,418 |
| Percent of sales to Customers | 18.2 | 17.5 | 17.0 | 15.6 | 13.0(2) | 13.8 | 13.8 | 13.0 |
| Diluted net earnings per share of common stock* | $ 2.16(2) | 1.84(2) | 1.61(2) | 1.39(2) | 1.02(2) | 1.02(2) | .98 | .84 |
| Percent return on average shareholders' equity | 28.1 | 25.4 | 26.5 | 27.0 | 22.2(2) | 24.6 | 27.2 | 27.6 |
| Percent increase (decrease) over previous year: | | | | | | | | |
| Sales to customers | 12.3 | 10.8 | 6.6 | 14.9 | 5.7 | 5.3 | 15.4 | 19.9 |
| Diluted net earnings per share | 17.4(2) | 14.3(2) | 15.8(2) | 36.3(2) | --(2) | 4.1(2) | 16.7 | 21.7 |
| Supplementary expense data: | | | | | | | | |
| Cost of materials and services(4) | $ 16,540 | 15,333 | 14,113 | 13,922 | 11,779 | 11,702 | 11,341 | 9,984 |
| Total employment costs | 8,450 | 7,749 | 7,085 | 6,537 | 5,908 | 5,586 | 5,447 | 4,849 |
| Depreciation and Amortization | 1,662 | 1,605 | 1,592 | 1,510 | 1,335 | 1,117 | 1,047 | 886 |
| Maint and repairs(5) | 360 | 372 | 327 | 322 | 286 | 270 | 285 | 257 |
| Total tax expense(6) | 3,497 | 2,995 | 2,619 | 2,271 | 1,881 | 1,824 | 1,753 | 1,458 |
| Supplementary balance sheet data: | | | | | | | | |
| Property, plant and equipment, net | $ 8,710 | 7,719 | 7,409 | 7,155 | 6,767 | 6,204 | 6,025 | 5,544 |
| Additions to property, plant and equipment | 2,099 | 1,731 | 1,689 | 1,822 | 1,610 | 1,454 | 1,427 | 1,307 |
| Total assets | 40,556 | 38,488 | 34,245 | 31,064 | 28,966 | 23,615 | 22,248 | 19,355 |
| Long-term debt | 2,022 | 2,217 | 3,163 | 3,429 | 2,652 | 2,084 | 2,347 | 2,702 |
| Operating cash flow | 8,176 | 8,864 | 6,903 | 5,920 | 5,106 | 4,210 | 4,001 | 3,436 |
| Common stock information* | | | | | | | | |
| Dividends paid per share | $ .795 | .70 | .62 | .55 | .49 | .425 | .368 | .32 |
| Shareholders' equity per share | $ 7.65 | 7.95 | 6.77 | 5.70 | 4.93 | 4.51 | 4.07 | 3.46 |
| Market price per share (year-end close) | $ 53.11 | 59.86 | 52.53 | 46.63 | 41.94 | 32.44 | 25.25 | 21.38 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Average shares outstanding (millions) - basic | 2,998.3 | 3,033.8 | 2,993.5 | 2,978.2 | 2,973.6 | 2,951.9 | 2,938.0 | 2,820.1 |
| - diluted | 3,054.1 | 3,099.3 | 3,099.2 | 3,100.4 | 3,082.7 | 3,073.0 | 3,046.2 | 2,890.0 |
| Employees (thousands) | 108.3 | 101.8 | 100.9 | 99.8 | 96.1 | 92.6 | 91.5 | 84.2 |

(Dollars in Millions Except Per Share Figures)

| | 1994 | 1993 | 1992 |
|---|---|---|---|
| Sales to customers - Domestic | 7,731 | 7,121 | 6,899 |
| Sales to customers - International | 7,723 | 6,756 | 6,701 |
| Total sales | 15,454 | 13,877 | 13,600 |
| Cost of products sold | 5,393 | 4,908 | 4,783 |
| Selling, marketing and admin expenses | 5,901 | 5,364 | 5,356 |
| Research expense | 1,416 | 1,296 | 1,282 |
| Purchased in-process research and develop | 37 | -- | -- |
| Interest income | (85) | (104) | (122) |
| Interest expense, net of portion capitalized | 182 | 165 | 162 |
| Other (income) expense, Net | (5) | (71) | 20 |
| | 12,839 | 11,558 | 11,481 |
| Earnings before provision for taxes on income | 2,615 | 2,819 | 2,119 |
| Provision for taxes on income | 654 | 533 | 547 |
| Earnings before cumulative effect of accounting changes | 1,961 | 1,786 | 1,572 |
| Cumulative effect of accounting changes (net of tax) | -- | -- | (595) |
| Net earnings | 1,961 | 1,786 | 977 |
| Percent of sales to Customers | 12.7 | 12.9 | 7.2 |
| Diluted net earnings per share of common stock* | .69 | .63 | .34(1) |
| Percent return on average shareholders' equity | 28.4 | 30.1 | 16.4(1) |

Percent increase (decrease) over previous year:

| | | | |
|---|---|---|---|
| Sales to customers | 11.4 | 2.0 | 11.4 |
| Diluted net earnings per share | 9.5 | 85.3(1) | 22.7(1) |

| | | | |
|---|---|---|---|
| Supplementary expense data: | | | |
| Cost of materials and services(4) | 8,104 | 7,168 | 7,736 |
| Total employment costs | 4,401 | 4,181 | 4,166 |
| Depreciation and Amortization | 754 | 649 | 576 |
| Maint and repairs(5) | 222 | 205 | 213 |
| Total tax expense(6) | 1,132 | 957 | 975 |

Supplementary balance sheet data:

| | | | |
|---|---|---|---|
| Property, plant and equipment, net | 5,230 | 4,717 | 4,443 |
| Additions to property, plant and equipment | 979 | 1,001 | 1,162 |
| Total assets | 17,027 | 13,372 | 13,087 |
| Long-term debt | 2,776 | 1,761 | 1,882 |
| Operating cash flow | 2,984 | 2,202 | 2,136 |

| | | | |
|---|---|---|---|
| Common stock information* | | | |
| Dividends paid per share | .283 | .253 | .223 |
| Shareholders' equity per share | 2.76 | 2.16 | 2.03 |
| Market price per share (year-end close) | 13.69 | 11.19 | 12.63 |
| Average shares outstanding (millions) - basic | 2,796.9 | 2,816.6 | 2,845.8 |
| - diluted | 2,843.2 | 2,540.8 | 2,876.4 |
| Employees (thousands) | 83.4 | 83.2 | 86.9 |

* Adjusted to reflect the 2001 two-for-one stock split.
(1) Excluding the cumulative effect of accounting changes of $595 million. -1992 earnings percent of sales to customers before accounting changes is 11.6%. -1992 earnings per share before accounting change is $.55. -1992 earnings percent return on average shareholders' equity before accounting changes is 25.1%. -1993 diluted net earnings per share percent increase over prior year before accounting changes is 14.5%; 1992 diluted net earnings per share increase over prior year is 25.0%.
(2) Excluding In-Process Research and Development (IPR&D), merger and restructuring costs: -2002 diluted net earnings per share is $2.23 and the increase over prior year is 16.8%. -2001 diluted net earnings per share is $1.91 and the increase over prior year is 17.2%. -2000 diluted net earnings per share is $1.63 and the increase over prior year is 14.8%. -1999 diluted net earnings per share is $1.42 and the increase over prior year is 14.5%. -1998 diluted net earnings per share is $1.24 and the increase over prior year is 11.7%. -1998 cost of products sold includes $60 million of inventory write-offs for restructuring, the percent return on average shareholders' equity is 26.5% and the earnings percent of sales to customers is 16.0%. -1997 diluted net earnings per share is $1.11 and the increase over prior year is 13.3%.
(3) All periods have been adjusted to include the effects of the ALZA merger.
(4) Net of interest and other income.
(5) Also included in cost of materials and services category.
(6) 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 domestic 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 |
|---|---|
| Domestic Subsidiaries: | |
| 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, Inc. | Delaware |
| DePuy AcroMed, Inc. | Ohio |
| DePuy AcroMed Sales Limited Partnership | Massachusetts |
| DePuy Orthopaedics, Inc. | Indiana |
| DePuy Products, Inc. | Indiana |
| Diabetes Diagnostics, Inc. | Delaware |
| Ethicon Endo-Surgery, Inc. | Ohio |
| 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 |
| Innovasive Devices, Inc. | Massachusetts |
| 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 |
| Johnson & Johnson Consumer Companies, Inc. | New Jersey |
| Johnson & Johnson Development Corporation | New Jersey |
| Johnson & Johnson Finance Corporation | New Jersey |
| Johnson & Johnson Health Care Systems Inc. | New Jersey |
| Johnson & Johnson International | New Jersey |
| Johnson & Johnson Japan Inc. | New Jersey |
| Johnson & Johnson - Merck Consumer Pharmaceuticals Co. | New Jersey |
| Johnson & Johnson (Middle East) Inc. | New Jersey |
| Johnson & Johnson Pharmaceutical Research & Development, L.L.C. | New Jersey |
| Johnson & Johnson Professional Co. (P.R.) Inc. | Delaware |

| NAME OF SUBSIDIARY | JURISDICTION OF ORGANIZATION |
|---|---|
| Johnson & Johnson Services, Inc. | New Jersey |
| Johnson & Johnson Urban Renewal Associates | New Jersey |
| Johnson & Johnson Vision Care, Inc. | Florida |
| Joint Medical Products Corporation | Delaware |
| JJHC, Inc. | Delaware |
| LifeScan, Inc. | California |
| LifeScan LLC | Delaware |
| McNEIL-PPC, Inc. | New Jersey |
| Microsphere Investments, Inc. | Delaware |
| NDC Investment Corporation | Delaware |
| 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 |
| RoC USA Corporation | Delaware |
| Rutan Realty LLC | New Jersey |
| Splenda, Inc. | Delaware |
| TERAMed Corporation | Delaware |
| The Tylenol Company | New Jersey |
| Therakos, Inc. | Florida |
| Winthorpe & Valentine, Inc. | Delaware |
| International Subsidiaries: | |
| Abello Farmacia SL | Italy |
| 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.A. de C.V. | Mexico |
| Cilag Holding AG | Switzerland |
| Cordis Europa N.V. | Netherlands |
| Cordis Italia S.p.A. | Italy |
| Cordis Medizinische Apparate GmbH | Germany |
| Cordis de Mexico, S.A. de C.V. | Mexico |
| Cordis S.A. | France |
| Cordis S.a.r.l | Switzerland |
| DePuy Ace Sarl | Switzerland |
| DePuy Australia Pty. Ltd. | Australia |
| DePuy France S.A. | France |

| NAME OF SUBSIDIARY | JURISDICTION OF ORGANIZATION |
|---|---|
| DePuy International Ltd. | United Kingdom |
| DePuy Intl. (Holdings) Ltd. | United Kingdom |
| DePuy (Ireland) Limited. | Ireland |
| DePuy Japan K.K. | Japan |
| DePuy Orthopedie S.A. | France |
| DePuy S.p.A. | Italy |
| 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. | Norway |
| Janssen-Cilag AB. | Sweden |
| Janssen-Cilag AG. | Switzerland |
| Janssen-Cilag A/S. | Denmark |
| Janssen-Cilag B.V. | Netherlands |
| Janssen-Cilag Egypt Ltd. | Egypt |
| Janssen-Cilag, C.A. | Venezuela |
| Janssen-Cilag Farmaceutica Ltda. | Brazil |
| Janssen-Cilag Farmaceutica, Lda. | Portugal |
| Janssen-Cilag Farmaceutica S.r.l. | Argentina |
| 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. | France |
| Janssen-Cilag S.p.A. | Italy |
| Janssen Farmaceutica, S.A. de C.V. | Mexico |
| Janssen-Cilag GmbH. | Germany |
| Janssen Internationaal C.V.B.A. | Belgium |
| Janssen Korea, Ltd. | Korea |
| 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 |

| NAME OF SUBSIDIARY | JURISDICTION OF ORGANIZATION |
|---|---|
| J-C Healthcare Ltd. | Israel |
| JHC Nederland B.V. | Netherlands |
| Johnson & Johnson AG | Switzerland |
| Johnson & Johnson S.A. de C.V. | Mexico |
| Johnson & Johnson de Argentina, S.A.C.e I. | Argentina |
| Johnson & Johnson (China) Investment Co., Ltd. | China |
| Johnson & Johnson (China) Ltd. | China |
| Johnson & Johnson Comercio E Distribuicao Ltda. | Brazil |
| Johnson & Johnson Consumer France S.A.S. | France |
| Johnson & Johnson Consumer N.V./S.A. | Belgium |
| Johnson & Johnson de Colombia S.A. | Colombia |
| Johnson & Johnson de Venezuela, S.A. | Venezuela |
| Johnson & Johnson del Ecuador S.A. | Ecuador |
| Johnson & Johnson (Egypt) S.A.E. | Egypt |
| Johnson & Johnson Finance Limited | United Kingdom |
| Johnson & Johnson Financial Services GmbH | Germany |
| Johnson & Johnson GmbH | Germany |
| Johnson & Johnson Gesellschaft m.b.H | Austria |
| 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 | United Kingdom |
| 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 Ltd | United Kingdom |
| Johnson & Johnson Limited | India |
| Johnson & Johnson MSD Consumer Pharmaceuticals, S.A.S | France |
| Johnson & Johnson Management Limited | United Kingdom |
| Johnson & Johnson Medical B.V. | Netherlands |
| Johnson & Johnson Medical (China) Ltd. | China |
| Johnson & Johnson Medical Korea Limited | Korea |
| Johnson & Johnson Medical Limited | United Kingdom |
| Johnson & Johnson Medical Mexico, S.A. de C.V | Mexico |
| Johnson & Johnson Medical NV/SA | Belgium |
| Johnson & Johnson Medical (Pty) Ltd. | South Africa |
| Johnson & Johnson Medical Pty. Limited | Australia |
| Johnson & Johnson Medical (Shanghai) Ltd. | China |
| Johnson & Johnson Medical S.A. | Argentina |

| NAME OF SUBSIDIARY | JURISDICTION OF ORGANIZATION |
|---|---|
| Johnson & Johnson Morocco S.A. | Morocco |
| Johnson & Johnson (New Zealand) Limited | New Zealand |
| Johnson & Johnson Pacific Pty. Ltd. | 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 Professional Products (Proprietary) Ltd. | South Africa |
| 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. de C.V. | Mexico |
| Johnson & Johnson S.A. | Spain |
| Johnson & Johnson SDN. BHD. | Malaysia |
| Johnson & Johnson S.p.A. | Italy |
| Johnson & Johnson, Spol.s.r.o. | Czech Republic |
| Johnson & Johnson Taiwan Ltd. | Taiwan |
| Johnson & Johnson (Thailand) Ltd | Thailand |
| Johnson & Johnson de Venezuela, S.A. | Venezuela |
| Johnson & Johnson (Zambia) Limited | Zambia |
| Laboratoires Martin Johnson & Johnson -- MSD S.A.S | France |
| Laboratoires Polive S.N.C. | France |
| Lifescan Canada Ltd. | Canada |
| McNeil Consumer Nutritionals Europe | Switzerland |
| Medos S.A. | Switzerland |
| Neutrogena Limited | England |
| Neutrogena Provence S.A.R.L | France |
| Obtech Medical AG | Switzerland |
| OMJ Ireland Limited | Ireland |
| OMJ Manufacturing Limited | Ireland |
| Ortho-Clinical Diagnostics GmbH | Germany |
| Ortho-Clinical Diagnostics K.K. | Japan |
| Ortho-Clinical Diagnostics | United Kingdom |
| 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 Pharmaceuticals, Ltd | China |
| Shanghai Johnson & Johnson Limited | China |
| Tasmanian Alkaloids Pty. Ltd. | Australia |
| The R.W. Johnson Pharmaceutical Research Institute | Switzerland |
| Tibotec BVBA | Belgium |
| Tibotec Pharmaceuticals Ltd. | Ireland |

| NAME OF SUBSIDIARY | JURISDICTION OF ORGANIZATION |
|---|---|
| Tibotec-Virco Comm. VA | Belgium |
| Vania Expansion, S.N.C | France |
| 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. 333-96541, 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. 333-67020, 33-55977, 333-91349 and 33-47424) of our report dated January 20, 2003, except for Note 22 for which the date is February 10, 2003 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 20, 2003 relating to the financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

New York, New York
March 19, 2003

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 foreign 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 new competition in the U.S. for PROCRIT, the top-selling product in the Company's portfolio;

Challenges to the Company's patents by competitors, which could potentially affect the Company's ability to sell the products in question and require the payment of past damages and future royalties, and by generic pharmaceutical firms, which can result in the introduction of generic versions of products and the ensuing loss of market share;

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;

Domestic and foreign health care changes 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 domestic and foreign operations, including those relating to trade, monetary and fiscal policies, taxes, price controls, regulatory approval of new products, licensing and patent rights;

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;

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.