SCIOS INC
Form DEFM14A
March 14, 2003

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SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material under § 240.14a-12

Scios Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

1) Title of each class of securities to which transaction applies:

Common Stock, par value $.001 per share and Series B Preferred Stock, par value $.001 per share

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

x Fee paid previously by written preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2)Form Schedule or Registration Statement No.:

3)Filing Party:

4)Date Filed:

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March 14, 2003

Dear Stockholder:

You are cordially invited to attend the special meeting of stockholders of Scios Inc., to be held on April 28, 2003, at 10:00 a.m., local time, at the Stanford Park Hotel, 100 El Camino Real, Menlo Park, California 94025.

At the special meeting, we will ask you to vote to adopt the merger agreement among our company, Johnson & Johnson and a wholly owned subsidiary of Johnson & Johnson. If the merger is completed, you will be entitled to receive $45.00 in cash, without interest, for each share of our common stock that you own.

Our board of directors has carefully reviewed and considered the terms and conditions of the proposed merger. Based on its review, the board of directors has determined that the merger agreement is fair, advisable to, and in the best interests of, our stockholders. **ACCORDINGLY, OUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED AND DECLARED ADVISABLE THE MERGER AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ADOPTION OF THE MERGER AGREEMENT.**

Your vote is important. We cannot complete the merger unless the merger agreement is adopted by the affirmative vote of the holders of a majority of our shares of common stock outstanding at the close of business on the record date. The obligations of Scios and Johnson & Johnson to complete the merger are also subject to the satisfaction or waiver of certain conditions, including receiving clearance from regulatory agencies. Failure to submit a signed proxy or vote in person at the special meeting will have the same effect as a vote against the adoption of the merger agreement. Only stockholders who owned shares of our common stock at the close of business on March 7, 2003 will be entitled to vote at the special meeting.

PLEASE COMPLETE, SIGN, DATE AND RETURN YOUR PROXY. If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction form.

This proxy statement explains the proposed merger and merger agreement and provides specific information concerning the special meeting. Please review this document carefully.

Sincerely,

Richard B. Brewer
President, Chief Executive Officer and Director

This proxy statement is dated March 14, 2003, and is first being mailed to stockholders of Scios Inc. on or about March 19, 2003.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held on April 28, 2003
10:00 a.m.

To the Stockholders of Scios Inc.:

Notice is hereby given that a special meeting of the stockholders of Scios Inc. will be held at the Stanford Park Hotel, 100 El Camino Real, Menlo Park, California 94025, on April 28, 2003, at 10:00 a.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the merger agreement among Johnson & Johnson, Saturn Merger Sub, Inc., a wholly owned subsidiary of Johnson & Johnson, and us, pursuant to which we will become a wholly owned subsidiary of Johnson & Johnson, each outstanding share of our common stock will be converted into the right to receive $45.00 in cash, without interest and each outstanding share of our Series B preferred stock will be converted into the right to receive $4,500.00 in cash, without interest; and

2. To transact such other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Holders of record of shares of our common stock at the close of business on March 7, 2003, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjournments or postponements of the special meeting.

We cannot complete the merger unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the shares of our common stock outstanding at the close of business on the record date.

Under Delaware law, holders of our common stock who do not vote in favor of the adoption of the merger agreement and holders of our preferred stock will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the merger agreement and if they comply with the Delaware law procedures explained in the accompanying proxy statement. See The Merger Appraisal Rights on page 27.

Whether or not you plan to attend the special meeting, please sign, date and return the enclosed proxy card. Executed proxies with no instructions indicated thereon will be voted FOR the adoption of the merger agreement. Even if you have returned your proxy, you may still vote in person if you attend the special meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain from the record holder a proxy issued in your name. If you fail to return your proxy or to vote in person at the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting, and will effectively be counted as a vote against the adoption of the merger agreement.

Please do not send any stock certificates at this time.

By order of the Board of Directors,

Matthew R. Hooper
Secretary

Sunnyvale, California
March 14, 2003

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QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What will happen to Scios as a result of the merger?

A: If the merger is completed, we will become a wholly owned subsidiary of Johnson & Johnson.

Q: What will happen to my shares of Scios common stock or preferred stock after the merger?

A: At the effective time of the merger and except as described in this proxy statement, each outstanding share of our common stock will automatically be canceled and will be converted into the right to receive a per share amount equal to $45.00 in cash, without interest, and each outstanding share of our Series B preferred stock will automatically be canceled and will be converted into the right to receive a per share amount equal to $4,500.00 in cash, without interest. The Series B preferred stock merger consideration is equal to the common stock merger consideration multiplied by the number of shares of common stock into which each share of our Series B preferred stock is convertible.

Q: Where and when is the special meeting?

A: The special meeting will take place at the Stanford Park Hotel, 100 El Camino Real, Menlo Park, California 94025, on April 28, 2003, at 10:00 a.m., local time.

Q: Is the merger expected to be taxable to me?

A: Generally, yes. The receipt of $45.00 in cash for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between $45.00 per share and your adjusted tax basis in that share.

You should read The Merger Material U.S. Federal Income Tax Consequences beginning on page 25 for a more complete discussion of the federal income tax consequences of the merger. Tax matters can be complicated and the tax consequences of the merger to you will depend on your particular tax situation. You should also consult your tax advisor on the tax consequences of the merger to you.

Q: How does the Scios board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our stockholders vote FOR the proposal to adopt the merger agreement. You should read The Merger Reasons for the Merger for a discussion of the factors that our board of directors considered in deciding to recommend the adoption of the merger agreement.

Q: What vote of our stockholders is required to adopt the merger agreement?

A: For us to complete the merger, stockholders holding at least a majority of the shares of our common stock outstanding at the close of business on the record date must vote FOR the adoption of the merger agreement.

Q: Am I entitled to appraisal rights?

A: Yes. Under the General Corporation Law of the State of Delaware, holders of our common stock who do not vote in favor of adopting the merger agreement and holders of our preferred stock will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote on the adoption of the merger agreement and they comply with the Delaware law procedures explained in this proxy statement.

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Q: How do I cast my vote?

A: If you are the holder of record of shares of our common stock, you can vote by either of the following methods:

by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope; or

by appearing and voting in person by ballot at the special meeting.

If you return your proxy and do not indicate how you want to vote, we will count your proxy as a vote in favor of the adoption of the merger agreement.

Q: If my Scios shares are held in street name by my broker or bank, will my broker or bank vote my shares for me?

A: Your broker or bank will vote your Scios shares only if you provide instructions on how to vote. You should follow the directions provided by your broker or bank regarding how to instruct your broker or bank to vote your shares. Without instructions, your shares will not be voted, which will have the effect of a vote against the adoption of the merger agreement.

Q: What happens if I do not submit a proxy or vote in person at the special meeting?

A: Because the required vote of our stockholders is based upon the number of outstanding shares of our common stock, rather than upon the shares actually voted, the failure by the holder of any such shares to submit a proxy or to vote in person at the special meeting, including abstentions and broker non-votes, will have the same effect as a vote against the adoption of the merger agreement.

Q: Can I change my vote after I have returned my proxy?

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in one of three ways:

you can send a written notice stating that you would like to revoke your proxy;

you can complete and submit a new proxy bearing a later date; or

you can attend the special meeting and deliver a signed notice of revocation, deliver a later-dated duly executed proxy, or vote in person.

If you choose either of the first two methods, you must submit your notice of revocation or your new proxy to us prior to the special meeting at Scios Inc. c/o Equiserve Trust Company N.A., P.O. Box 8694, Edison, NJ 08818-8694. Attendance at the special meeting will not, in and of itself, result in the revocation of a proxy or cause shares to be voted.

Q: Should I send in my stock certificates now?

A: No. After the merger is completed, you will receive a transmittal form with instructions for the surrender of certificates formerly representing shares of our common stock and preferred stock. Please do not send in your stock certificates with your proxy.

Q: What should I do if I receive more than one set of voting materials?

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive.

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Q: When do you expect the merger to be completed?

A. We are working to complete the merger as quickly as possible. We currently expect to complete the merger in the second quarter of 2003. However, we cannot predict the exact timing of the merger because the merger is subject to regulatory approvals and other closing conditions. While we expect to obtain all required regulatory approvals, we cannot assure you that these regulatory approvals will be obtained and, even if they are ultimately obtained, they might not be obtained for a substantial period of time following the adoption of the merger agreement at the special meeting.

Q: Who can help answer my questions?

A: If you need assistance in completing your proxy card or have questions regarding the special meeting, please contact Georgeson Shareholder Communications, Inc. at (866) 274-2301 or write to the following address:

Georgeson Shareholder Communications, Inc.
17 State Street, 10th Floor
New York, New York 10004

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all the information that is important to you. You should carefully read this entire proxy statement and the other documents to which we have referred you. See also Where You Can Find Additional Information on page 48. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

The Companies

Scios Inc., 820 West Maude Avenue, Sunnyvale CA, 94085, Telephone: (408) 616-8200 (See page 9). We are a biopharmaceutical company that discovers, develops and markets novel treatments for cardiovascular and inflammatory diseases. On August 13, 2001, we launched Natrecor following FDA approval of Natrecor for the treatment of acutely decompensated congestive heart failure. In addition to Natrecor, we have two focused product programs, p38 kinase and TGF-beta. Our first program is directed to the development of inhibitors of p38 kinase, an enzyme responsible for increased production of various proteins that cause inflammation. SCIO-469, our first compound designed to inhibit this enzyme, is targeted for the treatment of rheumatoid arthritis and is currently in clinical development. SCIO-323, our second generation inhibitor of p38 kinase, commenced clinical development in December 2002. Our second product program is directed to the development of inhibitors of TGF-beta, a signaling protein that is implicated in a broad range of diseases characterized by unregulated scarring and eventual organ failure. We are currently in preclinical development for compounds designed to inhibit this protein. In July 2002, we announced that the lead indication for these compounds is chronic obstructive pulmonary disease.

Johnson & Johnson, One Johnson & Johnson Plaza, New Brunswick, NJ 08933, Telephone: (732) 524-0400 (see page 9). Johnson & Johnson, with approximately 108,300 employees, is one of the world s largest manufacturers of health care products, as well as a provider of related services, for the consumer, pharmaceutical and medical devices and diagnostics markets. Johnson & Johnson has more than 200 operating companies in 54 countries around the world, selling products in more than 175 countries.

Saturn Merger Sub, Inc., One Johnson & Johnson Plaza, New Brunswick, NJ 08933, Telephone: (732) 524-0400 (see page 9). Saturn Merger Sub, Inc., which we sometimes refer to in this proxy statement as Merger Sub, is a wholly-owned subsidiary of Johnson & Johnson. Merger Sub was formed solely for the purpose of facilitating our acquisition by Johnson & Johnson.

The Merger

Structure of the Merger (see page 30). This proxy statement relates to the proposed acquisition of our company by Johnson & Johnson pursuant to a merger agreement, dated as of February 10, 2003, among Johnson & Johnson, Merger Sub and us. We have attached a copy of the merger agreement as Annex A to this proxy statement. We encourage you to read the merger agreement in its entirety.

Under the terms of the merger agreement, Merger Sub will merge with and into Scios, with Scios surviving the merger as a wholly-owned subsidiary of Johnson & Johnson.

Consideration (see page 30-31). At the effective time of the merger each share of our common stock (other than shares owned by us, Johnson & Johnson or Merger Sub and shares for which appraisal rights have been validly exercised under Delaware law) will be converted into the right to receive $45.00 in cash, without interest. In addition, at the effective time of the merger, each share of our Series B preferred stock (other than shares owned by us, Johnson & Johnson or Merger Sub and shares for which appraisal rights have been validly exercised under Delaware law) will be converted into the right to receive $4,500.00 in cash, without interest. Based on the number of shares of our common stock and preferred stock outstanding on March 7, 2003 and assuming the exercise of all options and warrants exercisable as of March 7, 2003 and the conversion of all other securities convertible for our common stock as of March 7,

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2003, the aggregate consideration paid by Johnson & Johnson to our stockholders will be approximately $2,523,644,865.

Closing. We expect to close the merger as soon as practicable after the adoption of the merger agreement by our stockholders and after all other conditions to the merger have been satisfied or waived.

Conditions to Completion of the Merger (see page 39)

The obligations of Johnson & Johnson and Merger Sub, on the one hand, and us, on the other, to complete the merger depend on the satisfaction or waiver of a number of conditions, including:

- receipt of the required votes to adopt the merger agreement by our stockholders at the special meeting;
- expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- absence of legal restraints that would prevent the completion of the merger or that have had or would reasonably be expected to have a material adverse effect on us;
- performance in all material respects of the other party s obligations under the merger agreement;
- the representations and warranties of the other party set forth in the merger agreement that are qualified as to materiality being true and correct, and all other representations and warranties being true and correct in all material respects, in each case as of the date of the merger agreement and as of the closing date of the merger as though made on the closing date, except to the extent that the representations and warranties relate to an earlier date, in which case as of that earlier date; and
- in the case of the obligations of Johnson & Johnson and Merger Sub to complete the merger:
  - absence of any pending or threatened suit, action or other proceeding by any governmental entity:
    - challenging the acquisition of or seeking to limit the ownership of any shares of our capital stock by Johnson & Johnson or Merger Sub, seeking to restrain or prohibit the merger, or seeking to obtain material damages from us, Johnson & Johnson or Merger Sub;
    - seeking to prohibit or materially limit the ownership or operation by us, Johnson & Johnson or our respective subsidiaries, of our or their businesses or assets, or to compel any of us to divest or hold separate any portion of our respective businesses or assets;
    - seeking to prohibit Johnson & Johnson or any of its subsidiaries from effectively controlling our business or operations; or
    - otherwise having or being reasonably expected to have a material adverse effect on us; and
  - absence of legal restraints that would reasonably be expected to result in any of the effects described in the immediately preceding four bullet points.

The merger is not conditioned upon Johnson & Johnson or Merger Sub obtaining financing. The total amount of funds necessary to pay the merger consideration will be approximately $2,523,644,865. Johnson & Johnson expects to fund the cash requirements for the transaction primarily from cash on hand and short term indebtedness.

No Solicitation of Other Acquisition Proposals by Scios (see page 40)

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations with a third party with respect to a proposal to acquire a significant interest in our company. Notwithstanding these restrictions, the merger agreement provides that under specified circumstances, if prior to the adoption of the merger agreement by our stockholders we receive an acquisition proposal from a third party that our board of directors determines in good faith, after consultation with legal and financial advisors, is a superior proposal, or is reasonably likely to lead to one, we may, if our board of directors

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determines in good faith (after consultation with counsel) that the failure to do so would result in a breach of its fiduciary duties to our stockholders, furnish nonpublic information to that third party and engage in negotiations regarding an acquisition proposal with that third party.

Termination of the Merger Agreement (see page 42)

The merger agreement may be terminated at any time prior to the effective time of the merger, regardless of whether our stockholders have adopted the merger agreement:

by mutual written consent of Johnson & Johnson, Merger Sub and us;

by either Johnson & Johnson or us:

if the merger has not been completed on or before August 1, 2003, unless the terminating party s conduct has resulted in, or is a principal cause of, the merger not being completed by that date;

if any final, nonappealable legal restraint that would prevent the completion of the merger, or that has had or would reasonably be expected to have a material adverse effect on us, is in effect;

if our stockholders do not adopt the merger agreement at the special meeting, or at any adjournment or postponement thereof;

by Johnson & Johnson:

if we have breached or failed to perform any of our representations, warranties, covenants or agreements set forth in the merger agreement, and this breach or failure to perform would give rise to a failure of the related closing conditions described in The Merger Agreement Conditions to the Completion of the Merger and is incapable of being cured within 30 calendar days;

if there is in effect any final, nonappealable legal restraint:

challenging the acquisition of or seeking to limit the ownership of any shares of our capital stock by Johnson & Johnson or Merger Sub, seeking to restrain or prohibit the merger, or seeking to obtain material damages from us, Johnson & Johnson or Merger Sub;

seeking to prohibit or materially limit the ownership or operation by us, Johnson & Johnson or our respective subsidiaries, of our or their businesses or assets, or to compel any of us to divest or hold separate any portion of our respective businesses or assets;

seeking to prohibit Johnson & Johnson or any of its subsidiaries from effectively controlling our business or operations; or

otherwise having or being reasonably expected to have a material adverse effect on us; or

if, in the event that prior to the obtaining of stockholder approval, our board of directors:

withdraws (or modifies in a manner adverse to Johnson & Johnson) its approval, recommendation or declaration of the advisability of the merger agreement or publicly proposes to do so;

recommends, adopts or approves another takeover proposal or publicly proposes to do so; or

fails publicly to reaffirm its recommendation of the merger agreement within ten business days of receipt of a written request by Johnson & Johnson to provide such reaffirmation following a takeover proposal; or

by us:

if Johnson & Johnson has breached or failed to perform any of its representations, warranties, covenants or agreements set forth in the merger agreement, and this breach or failure to perform would give rise to a failure of the related closing conditions described in The Merger

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Agreement Conditions to the Completion of the Merger and is incapable of being cured within 30 calendar days; or

if prior to obtaining stockholder approval and after satisfaction of notice requirements, in response to a superior proposal that was made and not solicited by us after the date of the merger agreement and did not result from our breach of our non-solicitation obligations under the merger agreement, our board of directors determines in good faith, after consultation with outside counsel, that the failure to terminate the merger agreement would result in a breach of the board s fiduciary duties to our stockholders.

Termination Fee (see page 43). The merger agreement provides that, in specified circumstances, we may be required to pay Johnson & Johnson a termination fee of $70,000,000.

The Special Meeting

Date, Time and Place (see page 10). The special meeting of our stockholders will be held at the Stanford Park Hotel, 100 El Camino Real, Menlo Park, California 94025, at 10:00 a.m., local time, on April 28, 2003. At the special meeting, our stockholders will be asked to vote to adopt the merger agreement.

Record Date, Voting Power (see page 10). Our stockholders are entitled to vote at the special meeting if they owned shares of our common stock as of the close of business on March 7, 2003, the record date. On the record date, there were 47,352,095 shares of our common stock entitled to vote at the special meeting. Stockholders will have one vote at the special meeting for each share of our common stock that they owned on the record date. Holders of our Series B preferred stock will not be entitled to vote on the adoption of the merger agreement.

Voting (see page 10). Holders of record of shares of our common stock can vote by either of the following methods:

by completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope; or

by appearing and voting in person by ballot at the special meeting.

Brokers or banks holding shares in street name may vote the shares only if the underlying stockholders provide instructions on how to vote. Brokers or banks will provide stockholders with directions on how to instruct the broker or bank to vote the shares. All properly completed proxies that we receive prior to the vote at the special meeting, and that are not revoked, will be voted in accordance with the instructions indicated on the proxies. If no direction is indicated on a properly completed proxy returned to us, the underlying shares will be voted FOR the adoption of the merger agreement.

As of the date of this proxy statement, we know of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement. If, however, other matters are brought before the special meeting, the persons named as proxies will vote in accordance with their judgment on such other matters unless (1) otherwise indicated on the proxy or (2) the other matter relates to the adjournment of the special meeting and the shares represented by the proxy are to be voted against the proposal to adopt the merger agreement.

Revocability of Proxies (see page 11). A stockholder may change his or her vote at any time before his or her proxy is voted at the special meeting. A stockholder can do this in one of three ways:

by sending a written notice stating that he or she would like to revoke the proxy;

by completing and submitting a new proxy bearing a later date; or

by attending the special meeting and delivering a signed notice of revocation, delivering a later-dated duly executed proxy, or voting in person.

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If a stockholder chooses either of the first two methods, the stockholder must submit his or her notice of revocation or new proxy to us prior to the special meeting at Scios Inc. c/o Equiserve Trust Company N.A., P.O. Box 8694, Edison, NJ 08818-8694. Attendance at the special meeting will not, in and of itself, result in the revocation of a proxy or cause shares to be voted.

Vote Required (see page 10). The adoption of the merger agreement requires the affirmative vote of stockholders holding a majority of the shares of our common stock outstanding at the close of business on the record date.

Shares Owned by Our Directors and Executive Officers (see page 10). On the record date, our directors and executive officers beneficially owned and were entitled to vote less than one percent of the shares of our common stock outstanding on that date.

Recommendation of Our Board of Directors (see page 18)

Our board of directors has unanimously determined that the merger agreement is fair, advisable to, and in the best interests of, our stockholders. **The board of directors unanimously recommends that our stockholders vote FOR the adoption of the merger agreement.**

Opinion of Our Investment Banker (see page 19)

J.P. Morgan Securities Inc. acted as our investment banker in connection with the proposed merger. We requested that J.P. Morgan, in its role as investment banker, evaluate the fairness, from a financial point of view, of the consideration to be received by the holders of our common stock pursuant to the merger agreement. On February 10, 2003, J.P. Morgan delivered its oral opinion, which it subsequently confirmed in writing, to our board of directors that, as of February 10, 2003, based upon and subject to the considerations set forth in its opinion, the consideration to be received by holders of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of J.P. Morgan s fairness opinion, which sets forth the assumptions made, factors considered and limitations upon the review undertaken by J.P. Morgan in rendering its opinion, is included in this proxy statement as Annex B. We urge you to read this opinion carefully and in its entirety. J.P. Morgan s opinion was addressed to our board of directors, relates only to the fairness, from a financial point of view, of the consideration to be received by the holders of shares of our common stock pursuant to the merger agreement and does not address any other aspect of the merger and does not constitute a recommendation to any holder of our common stock as to how to vote on the merger agreement or any other matter relating to the merger.

Interests of Our Directors and Executive Officers in the Merger (see page 22)

In considering the recommendation of our board of directors to vote for the proposal to adopt the merger agreement, you should be aware that all of our directors and executive officers have personal interests in the merger that are, or may be, different from, or in addition to, your interests. Our executive officers are entitled to benefits under change of control agreements pursuant to which they will receive severance benefits if their employment is terminated following the completion of the merger under specified circumstances. The substantial majority of these executive officers have entered into agreements with us amending their change of control agreements to modify the circumstances in which they can receive severance benefits and providing such executive officers (other than our chief executive officer) with cash payments if they remain employed with us for specified periods. In addition, upon completion of the merger, outstanding stock options held by our executive officers (along with all other issued and outstanding stock options) will be converted into options to acquire Johnson & Johnson common stock, unvested options held by our chief executive officer (other than options granted after February 10, 2003) will become fully vested pursuant to the terms of his employment agreement, and unvested options held by our non-employee directors will become vested pursuant to the terms of our stock option plans. Our board of directors was aware of these interests and considered them, among other matters, when approving the merger agreement.

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Treatment of Our Stock Options and Employee Stock Purchase Plan (see page 31)

Pursuant to the merger agreement, we will take all actions necessary to adjust the terms of all outstanding options to acquire shares of our common stock, whether vested or unvested, to provide that, upon completion of the merger, each option outstanding immediately prior to the completion of the merger will be amended and converted so that it becomes an option to acquire a number of shares of Johnson & Johnson common stock, rounded down to the nearest whole share, determined by multiplying the number of shares of our common stock subject to the original option by a fraction, the numerator of which is $45.00, and the denominator of which is the average closing price for Johnson & Johnson common stock for the five consecutive trading days ending on the second trading day immediately preceding the completion of the merger. The exercise price of the converted option will be equal to the aggregate exercise price for the shares of our common stock subject to the original option divided by the aggregate number of shares of Johnson & Johnson common stock issuable pursuant to the adjusted option, rounded up to the nearest whole cent. Except as described in The Merger Interests of our Directors and Executive Officers in the Merger, the options will otherwise remain subject to the same terms and conditions that were applicable prior to the merger (and all restrictions on transfer and vesting, to the extent such restrictions have not already lapsed, will remain in full force and effect with respect to the adjusted options after giving effect to the completion of the merger).

In addition, we will take actions under our employee stock purchase plan to provide that:

participants may not increase their payroll deductions or purchase elections from those in effect on February 10, 2003;

no offering period will be commenced after February 10, 2003; and

each participant s outstanding right to purchase shares of our common stock under the plan will terminate on the day immediately prior to the date on which the merger becomes effective, with all amounts allocated for each participant s account under the employee stock purchase plan as of the termination date being used to purchase shares of our common stock at the applicable discount to the market price of our common stock determined pursuant to the plan, using the termination date as the final purchase date for each then outstanding offering period.

The employee stock purchase plan will terminate immediately following these purchases of common stock.

Convertible Notes (see page 38)

We, Johnson & Johnson and Merger Sub have each agreed to take the actions required to be taken to complete the merger pursuant to the indenture governing our 5.50% convertible subordinated notes due 2009. The indenture requires that we execute a supplemental indenture to adjust the conversion provisions of the indenture and the convertible notes as a result of the merger. These adjustments will provide that from and after the effective time of the merger, any outstanding convertible notes will be convertible into the amount of cash receivable upon the completion of the merger by a holder of the number of shares of our common stock into which the convertible note would have been converted immediately prior to the effective time of the merger.

Material U.S. Federal Income Tax Consequences (see page 25)

The receipt of $45.00 in cash in exchange for each share of our common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. For U.S. federal income tax purposes, generally you will recognize gain or loss as a result of the merger measured by the difference, if any, between $45.00 per share of common stock and your adjusted tax basis in that share.

You should read The Merger Material U.S. Federal Income Tax Consequences beginning on page 25 for a more complete discussion of the federal income tax consequences of the merger. Tax matters

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can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor on the tax consequences of the merger to you.

Appraisal Rights (see page 27)

Holders of our common stock or Series B preferred stock who do not wish to accept the cash consideration payable pursuant to the merger may seek, under Section 262 of the General Corporation Law of the State of Delaware, judicial appraisal of the fair value of their shares by the Delaware Court of Chancery. This value could be more or less than or the same as the merger consideration for the common stock or Series B preferred stock. This right to appraisal is subject to a number of restrictions and technical requirements. Generally, in order to properly demand appraisal, among other things:

- in the case of our common stock, you must not vote in favor of the proposal to adopt the merger agreement;
- you must make a written demand on us for appraisal in compliance with the General Corporation Law of the State of Delaware before the vote on the proposal to adopt the merger agreement at the special meeting; and
- you must hold your shares of record continuously from the time of making a written demand for appraisal through the effective time of the merger.

Merely voting against the merger agreement will not preserve your right to appraisal under Delaware law. Also, because a submitted proxy not marked against or abstain will be voted for the proposal to adopt the merger agreement, the submission of a proxy not marked against or abstain will result in the waiver of appraisal rights. If you hold shares in the name of a broker or other nominee, you must instruct your nominee to take the steps necessary to enable you to demand appraisal for your shares. If you or your nominee fails to follow all of the steps required by Section 262 of the General Corporation Law of the State of Delaware, you will lose your right of appraisal.

Annex C to this proxy statement contains the full text Section 262 of the General Corporation Law of the State of Delaware, which relates to your right of appraisal. We encourage you to read these provisions carefully and in their entirety.

Regulatory Approvals (see page 26)

The merger is subject to discretionary review by the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission to determine whether it is in compliance with applicable antitrust laws. The Hart-Scott-Rodino Antitrust Improvements Act of 1976 prohibits us from completing the merger until we have furnished certain information and materials to the Antitrust Division of the Department of Justice and the Federal Trade Commission, and the required waiting period has ended. Both Johnson & Johnson and we filed the required notification and report forms on March 12, 2003. The waiting period will expire at 11:59 p.m. on April 11, 2003, unless extended by a request for more information or shortened by an early termination notice. The completion of the merger also is subject to compliance with the General Corporation Law of the State of Delaware.

We also may be required to obtain additional regulatory approvals from various state and foreign authorities. While we expect to obtain all required regulatory approvals, we cannot assure you that these regulatory approvals will be obtained or that the granting of these regulatory approvals will not involve the imposition of conditions on the completion of the merger or require changes to the terms of the merger that would have a materially adverse effect on the combined company. These conditions or changes could require the grant of a complete or partial license, a divestiture or spin-off, or the holding separate of assets or businesses and could result in the conditions to Johnson & Johnson s obligation to complete the merger not being satisfied.

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The Paying Agent

J.P. Morgan Chase or another comparable institution will act as the paying agent in connection with the merger.

A COPY OF THE MERGER AGREEMENT IS INCLUDED IN THIS PROXY STATEMENT AS ANNEX A. YOU ARE STRONGLY ENCOURAGED TO READ IT CAREFULLY AND IN ITS ENTIRETY.

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THE COMPANIES

Scios Inc.

We are a biopharmaceutical company that discovers, develops and markets novel treatments for cardiovascular and inflammatory diseases. On August 13, 2001, we launched Natrecor following FDA approval of Natrecor for the treatment of acutely decompensated congestive heart failure. In addition to Natrecor, we have two focused product programs, p38 kinase and TGF-beta. Our first program is directed to the development of inhibitors of p38 kinase, an enzyme responsible for increased production of various proteins that cause inflammation. SCIO-469, our first compound designed to inhibit this enzyme, is targeted for the treatment of rheumatoid arthritis and is currently in clinical development. SCIO-323, our second generation inhibitor of p38 kinase, commenced clinical development in December 2002. Our second product program is directed to the development of inhibitors of TGF-beta, a signaling protein that is implicated in a broad range of diseases characterized by unregulated scarring and eventual organ failure. We are currently in preclinical development for compounds designed to inhibit this protein. In July 2002, we announced that the lead indication for these compounds is chronic obstructive pulmonary disease.

We were incorporated in California in 1981 under the name California Biotechnology Inc. and reincorporated in Delaware in 1988. We changed our name to Scios Inc. in February 1992, and to Scios Nova Inc. in September 1992 following our acquisition of Nova Pharmaceuticals, Inc. We returned to using the name Scios Inc. in March 1996. Our principal executive offices are located at 820 West Maude Avenue, Sunnyvale, California 94085. Our telephone number is (408) 616-8200.

Johnson & Johnson

Johnson & Johnson, with approximately 108,300 employees, is one of the world s largest manufacturers of health care products, as well as a provider of related services, for the consumer, pharmaceutical and medical devices and diagnostics markets. Johnson & Johnson has more than 200 operating companies in 54 countries around the world, selling products in more than 175 countries.

Johnson & Johnson s worldwide business is divided into three segments: consumer, pharmaceutical and medical devices and diagnostics. The consumer segment s principal products are personal care and hygienic products, including nonprescription drugs, adult skin and hair care products, baby care products, oral care products, first aid products and sanitary protection products. These products are marketed principally to the general public and distributed both to wholesalers and directly to independent and chain retail outlets.

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