JOHNSON CONTROLS INC
Form DEF 14A
December 04, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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 Pursuant to §240.14a-12

JohnsonControls, 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):

x 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:

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2) Aggregate number of securities to which transaction applies:

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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):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

o Fee paid previously with 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:

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Johnson Controls, Inc.
5757 N. Green Bay Ave.
Milwaukee, Wisconsin 53209

Notice of 2004

Annual Meeting
and Proxy Statement

Date of Notice December 8, 2003

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NOTICE OF THE 2004

ANNUAL MEETING OF THE SHAREHOLDERS

The Annual Meeting of Shareholders of Johnson Controls, Inc. will be held on Wednesday, January 28, 2004, at 11:00 a.m., C.S.T., at the Johnson Controls automotive battery plant located at 4722 Pear Street, St. Joseph, Missouri. The proposals to be voted on at the Annual Meeting are as follows:

1. The election of four directors:

   Robert L. Barnett
   Willie D. Davis
   Jeffrey A. Joerres
   Richard F. Teerlink

2. Approval of PricewaterhouseCoopers LLP as our independent auditors for fiscal year 2004.

3. Ratification of the Long-Term Performance Plan.

4. Ratification of the Executive Incentive Compensation Plan.

5. Ratification of the 2003 Stock Plan for Outside Directors.

6. Approval of the 2001 Restricted Stock Plan amendment.

7. To transact such other business as may properly come before the Annual Meeting and any adjournment thereof.

The Board of Directors recommends a vote FOR items 1 through 6. The Board or proxy holders will use their discretion on other matters that may arise at the Annual Meeting.

If you were a shareholder of record at the close of business on November 20, 2003, you are entitled to vote at the Annual Meeting.

If you have any questions about the Annual Meeting, please contact:

Shareholder Services

Johnson Controls, Inc.
5757 N. Green Bay Ave.
Milwaukee, WI 53209
(414) 524-2363

By Order of the Board of Directors

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Johnson Controls, Inc.
5757 North Green Bay Avenue
Post Office Box 591
Milwaukee, WI 53201-0591

December 8, 2003

Dear Shareholder:

The Johnson Controls Annual Shareholders Meeting will be convened on Wednesday, January 28, 2004, at 11:00 a.m. C.S.T. The Annual Meeting will be held at the Johnson Controls automotive battery plant located at 4722 Pear Street, St. Joseph, Missouri. The enclosed notice of meeting and proxy statement details the business to be conducted. Given the availability of management presentations to investors on the internet throughout the year, no management presentation is planned.

We are pleased to once again offer multiple options for voting your shares. As detailed in the Questions and Answers section of this notice, you can vote your shares via the Internet, by telephone, by mail or by written ballot at the Annual Meeting. We encourage you to use the Internet to vote your shares as it is the most cost-effective method.

Thank you for your continued support of Johnson Controls.

Sincerely,

JOHNSON CONTROLS, INC.

John M. Barth
President and Chief Executive Officer

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* *Agenda items for the Annual Meeting*

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QUESTIONS AND ANSWERS

Q: What am I voting on?

A: You are voting on SIX proposals:

1. Election of four directors for a term of three (3) years:
   Robert L. Barnett
   Willie D. Davis
   Jeffrey A. Joerres
   Richard F. Teerlink
2. Approval of PricewaterhouseCoopers LLP as our independent auditors for fiscal year 2004.
3. Ratification of the Long-Term Performance Plan.
4. Ratification of the Executive Incentive Compensation Plan.
5. Ratification of the 2003 Stock Plan for Outside Directors.
6. Approval of the 2001 Restricted Stock Plan amendment.

Q: What are the voting recommendations of the Board?

A: The Board of Directors is soliciting this proxy and recommends the following votes:

FOR each of the directors;

FOR PricewaterhouseCoopers LLP as our independent auditors for fiscal year 2004;

FOR ratification of the Long-Term Performance Plan;

FOR ratification of the Executive Incentive Compensation Plan;

FOR ratification of the 2003 Stock Plan for Outside Directors;

FOR approval of the 2001 Restricted Stock Plan amendment;

Q: Will any other matters be voted on?

A: We are not aware of any other matters that you will be asked to vote on at the Annual Meeting. If other matters are properly brought before the Annual Meeting, the Board or proxy holders will use their discretion on these matters as they may arise. Furthermore, if a nominee cannot or will not serve as director, then the Board or proxy holders will vote for a person whom they believe will carry out our present policies.

Q: Why are we voting on so many benefit plans?

A: The Long-Term Performance Plan and Executive Incentive Compensation Plan need shareholder approval every five (5) years under Internal Revenue Code requirements. These compensation plans have been in place for a number of

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years. The 2003 Stock Plan for Outside Directors replaces the expired 1992 Stock Plan for Outside Directors and requires shareholder ratification; the 2001 Restricted Stock Plan requires additional shares. While these plans have been in place for several years, the Securities and Exchange Commission now requires shareholder approval of material changes to equity-based compensation plans.

Q: Who can vote?

A: You can vote at the Annual Meeting if you were a shareholder of record as of the close of business on November 20, 2003. If you hold the Company s common stock, CUSIP No. 478366107, then you are entitled to one vote per share. If you hold the Company s Preferred Stock (each share consists of 10,000 units) you are entitled to two votes per unit. There is no cumulative voting.

Q: How do I vote?

A: There are four ways to vote:

- by Internet at **http://www.eproxy.com/jci/**. We encourage you to vote this way as it is the most cost effective method;
- by toll-free telephone at 1-800-240-6326;
- by completing and mailing your proxy card; or
- by written ballot at the Annual Meeting.

Shares credited to your account in any 401(k) plan or trust will be voted as directed. If no direction is made, if the card is not signed, or if the card is not received by January 23, 2004, the shares credited to your account will be voted in the same proportion as directions received from other participants.

If you hold the Company s common stock, and no voting direction is made, the shares you hold will be voted FOR all nominees listed in items 1 and 2, and in the discretion of the proxies, upon such other matters which may properly come before the meeting or any adjournments thereof. Regarding items 3 through 6, shares you hold are counted toward the quorum requirement but they do not affect the determination of whether these non-routine matters are approved or rejected. Broker non-voted shares will not affect the determination of whether items 3 through 6 are approved or rejected.

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Q: Can I change my vote?

A: Yes. You can change your vote or revoke your proxy any time before the Annual Meeting by:

entering a new vote by Internet or phone;

returning a later-dated proxy card;

notifying John P. Kennedy, Senior Vice President, Secretary and General Counsel, by written revocation letter addressed to the Milwaukee address listed on the front page; or

completing a written ballot at the Annual Meeting.

Q: What vote is required to approve each proposal?

A: The four director nominees receiving the greatest number of votes will be elected. Provided a quorum is present, the approval of PricewaterhouseCoopers LLP as the independent auditors for fiscal year 2004 requires an affirmative majority vote. An affirmative vote of the majority of votes cast by the shareholders is required to approve and to ratify the proposed benefit plans.

Q: What is the effect of not voting?

A: It will depend on how your share ownership is registered. If you own shares as a Registered Holder and do not vote, your unvoted shares will not be represented at the meeting and will not count toward the quorum requirement. If a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected.

If you own shares in street name through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. In the absence of your voting instructions, your broker may or may not vote your shares in its discretion depending on the proposals before the meeting.

Your broker may vote your shares in its discretion and your shares will count toward the quorum requirement on routine matters. Regarding other proposals, however, your broker may not be able to vote your shares if qualified as broker non-vote. Broker non-vote shares are counted toward the quorum requirement but they do not affect the determination of whether a non-routine matter is approved or rejected. The Company believes that proposals 1 and 2 are routine matters on which brokers will be permitted to vote on behalf of their clients if no voting instructions are furnished. The Company may also vote, in the discretion of the proxies, upon such other matters that may properly come before the meeting or any adjournments thereof. Since the Company believes that proposals 3 through 6 are

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non-routine matters, broker non-voted shares will not affect the determination of whether they are approved or rejected.

Q: Is my vote confidential?

A: Yes. Only the election inspectors and certain individuals, independent of Johnson Controls, Inc., who help with the processing and counting of the vote have access to your vote. Directors and employees of the Company may see your vote only if the Company needs to defend itself against a claim or if there is a proxy solicitation by someone other than the Company.

Q: How will the stock split announced on November 19, 2003, effect my vote?

A: It will have no effect. All votes, vote count, share totals, and compensation figures are shown without regard to the stock split announced on November 19, 2003. The effect of this stock split, however, is included in the benefit plan descriptions.

Q: Who will count the vote?

A: Wells Fargo Bank Minnesota, N.A. will count the vote. Its representatives will serve as the inspectors of the election.

Q: What shares are covered by my proxy card?

A: The shares covered by your proxy card represent the shares of Johnson Controls stock you own that are registered with the Company and its transfer agent, Wells Fargo Bank Minnesota, N.A. Additionally, employees of the Company who have shares credited to Johnson Controls employee savings and investment plans [401(k)] are also covered by your proxy card. The trustees of these plans will vote these shares as directed.

Q: What does it mean if I get more than one proxy card?

A: It means your shares are held in more than one account. You should vote the shares on all your proxy cards. To provide better shareholder services, we encourage you to have all your non-broker account shares registered in the

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same name and address. You may do this by contacting our transfer agent, Wells Fargo Bank Minnesota, N.A., toll-free at 1-877-602-7397.

Q: Who can attend the Annual Meeting?

A: All shareholders of record as of the close of business on November 20, 2003, can attend. Seating, however, is limited. Attendance at the Annual Meeting will be on first arrival basis at the Meeting.

Q: What do I need to attend the Annual Meeting?

A: To attend the Annual Meeting, please follow these instructions:

To enter the Annual Meeting, bring your proof of ownership and identification.

If a broker or other nominee holds your shares, bring proof of your ownership with you to the Annual Meeting.

Q: Will there be a management presentation at the Annual Meeting?

A: Given the availability of management presentations to investors on the internet throughout the year, no management presentation is planned.

Q: Can I bring a guest?

A: Seating availability at the Annual Meeting is limited.

Q: What is the quorum requirement of the Annual Meeting?

A: A majority of the outstanding shares on November 20, 2003, constitutes a quorum for voting at the Annual Meeting. If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum, but neither will be counted as votes cast. On the record date, 90,376,588 shares of our common stock were outstanding and 187.9770 shares of our Preferred Stock were outstanding.

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Q: How much did this proxy solicitation cost?

A: The Company will primarily solicit proxies by mail and will cover the expense of such solicitation. Georgeson Shareholder Communications Inc. will help us solicit proxies for all brokers and nominees at a cost of $10,000 plus expenses. Our officers and employees may also solicit proxies for no additional compensation. We may reimburse brokers or other nominees for reasonable expenses they incur in sending these proxy materials to you if you are a beneficial holder of our shares.

Q: How do I recommend someone to be considered as a director for the 2005 Annual Meeting?

A: You may recommend for nomination as a director any person by writing to John P. Kennedy, Senior Vice President, Secretary and General Counsel of the Company. Your letter must include your intention to recommend a person for nomination as a director and include the candidate s name, biographical data, and qualifications. In order to recommend a person for nomination as a director for the 2005 Annual Meeting, the Company s By-Laws require that shareholders send written notice no sooner than September 24, 2004, and no later than October 24, 2004. All submissions from shareholders are reviewed by the Corporate Governance Committee.

Q: When are shareholder proposals due for the 2005 Annual Meeting?

A: Shareholder proposals must be presented pursuant to Securities and Exchange Commission Rule 14a-8, by August 10, 2004, to be included in the Company s proxy materials for the 2005 Annual Meeting.

Q: What are the requirements for presenting information other than a shareholder s proposal at the 2005 Annual Meeting?

A: A shareholder who intends to present business at the 2005 Annual Meeting other than pursuant to Rule 14a-8 must comply with the requirements set forth in the Company s By-Laws. Among other things, a shareholder must give written notice of the intent to bring business before the Annual Meeting to the Company, pursuant to the By-Laws, not less than 45 days and not more than 75 days prior to the month and day in the current year corresponding to the date on which the Company first mailed its proxy materials for the prior year s annual meeting of shareholders. Therefore, since the Company anticipates mailing its proxy statement on December 8, 2003, the Company must receive notice of a shareholder proposal submitted other than pursuant to Rule 14a-8 no sooner than September 24, 2004, and no later than October 24, 2004.

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If the notice is received after October 24, 2004, then the notice will be considered untimely and the Company is not required to present such proposal at the 2005 Annual Meeting. If the Board of Directors chooses to present a proposal submitted after October 24, 2004, at the 2005 Annual Meeting, then the persons named in proxies solicited by the Board of Directors for the 2005 Annual Meeting may exercise discretionary voting power with respect to such proposal.

Q: Where can I find Corporate Governance materials for Johnson Controls?

A: The Ethics Policy, Corporate Governance Guidelines, Disclosure Policy, SEC Filings (including Company s Form 10-k and Section 16 insider trading transactions), and the Charters for the Audit, Executive, Pension and Benefits, Qualified Legal Compliance, Compensation and Corporate Governance Committees of the Company s Board of Directors are provided at the Company website at *http://www.johnsoncontrols.com/corpvalues/governance.htm*.

Q: What is the process for reporting possible violations of Johnson Controls policies?

A: Employees may anonymously report a violation of Johnson Controls policies by calling 1-866-444-1313 in the U.S. and Canada, or 704-556-7046 if located elsewhere. Reports of possible violations of the Ethics Policy may also be made to John P. Kennedy, Senior Vice President, Secretary and General Counsel, at *John.Kennedy@jci.com* or to the attention of Mr. Kennedy at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of financial or accounting policies may be made to the Chairman of the Audit Committee of the Board, Paul A. Brunner, at *Paul.Brunner@jci.com* or to the attention of Mr. Brunner at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Reports of possible violations of the Ethics Policy that the complainant wishes to go directly to the Board may be addressed to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591.

The Company s Ethics Policy is applicable to the members of the Board of Directors and to all of the Company s employees, including, but not limited to, the principal executive officer, principal financial officer, principal accounting officer or controller, or any person performing similar functions.

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Q: How do I obtain more information about Johnson Controls, Inc.?

A: To obtain additional information about Johnson Controls, Inc. you may:

- contact the Manager of Shareholder Services, at 1-800-524-6220;
- go to the website at *www.johnsoncontrols.com*; or
- write to:

Johnson Controls, Inc.
Attn: Shareholder Services X-32
5757 N. Green Bay Ave.
P.O. Box 591
Milwaukee, WI 53201-0591

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.
Promptly returning your proxy will help to reduce the cost of this solicitation.

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ELECTION OF DIRECTORS

Board Structure:	The Board of Directors consists of 12 members. The directors are divided into three classes. At each Annual Meeting, the term of one class expires. Directors in each class serve for three-year terms, or until the director s earlier retirement pursuant to the Board of Directors Retirement Policy.
Shareholder Communication with the Board:	We encourage shareholder communication to directors. Communications regarding financial or accounting policies may be made to the Chairman of the Audit Committee, Paul A. Brunner, at *Paul.Brunner@jci.com* or to the attention of Mr. Brunner at 5757 North Green Bay Avenue, P.O. Box 591, Milwaukee, Wisconsin, 53201-0591. Other communications may be made to the Chairman of the Corporate Governance Committee, Robert L. Barnett, at *Robert.L.Barnett@jci.com* or to the attention of Mr. Barnett at the address noted above. The Company does not screen emails to these individuals. The company does, however, screen regular mail for security purposes. Last year was the first time in several years that the directors did not attend the annual meeting. This year, the Company has reinstated its long-standing policy of director attendance at the annual meeting.
Nominating Committee Disclosure:	The Corporate Governance Committee serves the nominating committee role. The material terms of this role are described in its charter located under the board committee section of this proxy. The entire charter, corporate governance guidelines and the committee s procedures are published on the Company s website. The corporate governance guidelines require that all members of the committee be independent. The committee has a procedure under which all director candidates are evaluated. The Corporate Governance Committee uses the following criteria in evaluating any candidate s capabilities to serve as a member of the Board: attendance, independence, time commitments, conflicts of interest, ability to contribute to the oversight and governance of the Company and experience with a business of similar size, scope and multinational involvement as the Company. Further, the Corporate Governance Committee reviews the qualifications of any candidate with those of current directors to determine coverage and gaps in experience in related industries, such as automotive and electronics, and in functional areas, such as financial, manufacturing, technology, labor, employment and investing areas. Three

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individuals were proposed by third parties during the year. The Corporate Governance Committee evaluated their credentials against these criteria and determined they were not a fit to the Board s needs. The committee solicits candidates from its current directors and, if deemed appropriate, retains, for a fee, recruiting professionals to identify and evaluate candidates. The following nominees are standing for reelection.

BOARD NOMINEES

Nominees For Terms To Expire At The 2004 Annual Meeting:

Robert L. Barnett
Director since 1986
Age 63
Executive Vice President of Motorola, Inc. (manufacturer of electronic products), Schaumburg, Illinois, since January 1, 2003. Mr. Barnett served as President and Chief Executive Officer, Commercial, Government and Industrial Solutions Sector, Motorola, Inc., from 1998 to 2002. Mr. Barnett is a director of USG Corp. and Central Vermont Public Service. Mr. Barnett serves on the Compensation Committee of Central Vermont Public Service and the Audit Committee of USG Corp. Mr. Barnett is a member of the Executive and Pension and Benefits Committees and the Chairman of the Corporate Governance Committee.

Willie D. Davis
Director since 1991
Age 69
President, All Pro Broadcasting Incorporated, Los Angeles, California (radio broadcasting), since 1977. Mr. Davis is a director of Alliance Bank Co., Checker s Drive-In Restaurant, Inc., Dow Chemical Company, MGM Grand Inc., Sara Lee Corporation, Strong Capital Management, MGM Inc., Wisconsin Energy Corporation (WE Energies), and Manpower Inc. Mr. Davis is a member of the Audit and Executive Committees.

Jeffrey A. Joerres
Director since 2001
Age 44
Chief Executive Officer, President and Director since 1999, and Chairman since 2001 of Manpower Inc. (provider of staffing services). Mr. Joerres served as Senior Vice President of European Operations from 1998 to 1999, and Senior Vice President of Major Account Development from 1995 to 1998. Mr. Joerres is a director of Artisan Funds, National Association of Manufacturers and serves on the board of trustees for the Committee for Economic Development. Mr. Joerres serves on the Audit Committee for Artisan Funds. He is a member of the Compensation and Pension and Benefits Committees.

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Richard F. Teerlink
Director since 1994
Age 67
Retired Chairman of the Board and President and Chief Executive Officer, Harley-Davidson, Inc., Milwaukee, Wisconsin (manufacturer of motorcycles), 1998 and 1997, respectively. Mr. Teerlink was a member of the board of directors of Harley-Davidson, Inc. from 1987 to 2002. Mr. Teerlink is a director of Snap-on, Inc. He is a member of the Audit and Executive Committees.

THE BOARD RECOMMENDS THAT YOU VOTE FOR ITS NOMINEES

CONTINUING DIRECTORS

Terms Expire At The 2005 Annual Meeting:

Natalie A. Black
Director since 1998
Age 53
Senior Vice President, General Counsel and Corporate Secretary, Kohler Co., Kohler, Wisconsin (manufacturer and marketer of plumbing products, power systems and furniture) since 2001. Ms. Black has also served as Group President for Kohler Co. from 1998 to 2001. Ms. Black is a member of the Corporate Governance and Pension and Benefits Committees.

Robert A. Cornog
Director since 1992
Age 63
Retired Chairman of the Board of Directors of Snap-on, Inc., Kenosha, Wisconsin (tool manufacturer). He served as Chief Executive Officer and President from 1991 to 2001 and as Chairman from 1991 to 2002. Mr. Cornog serves on the board and Audit Committee of Wisconsin Energy Corporation (WE Energies). Mr. Cornog is a member of the Audit and Executive Committees.

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James H. Keyes
Director since 1985
Age 63
Chairman of the Board of Directors and former Chief Executive Officer of Johnson Controls, Inc., Milwaukee, Wisconsin. Mr. Keyes retired as Chief Executive Officer of Johnson Controls, Inc. in October of 2002, but remains Chairman of the Board of Directors until December 31, 2003. Mr. Keyes served as Chief Executive Officer of Johnson Controls, Inc., since 1988 and Chairman since 1993. Mr. Keyes is a director of the LSI Logic Corporation, Navistar International Corp., and Pitney Bowes, Inc. He also serves on the Audit Committee of both LSI Logic Corporation and Navistar International Corp. Mr. Keyes will remain as Chairman of the Executive Committee until December 31, 2003.

William H. Lacy
Director since 1997
Age 58
Former Chairman and Chief Executive Officer, MGIC Investment Corporation (provider or private mortgage insurance). Mr. Lacy retired at the end of 1999 after a 28-year career at MGIC Investment and its principal subsidiary, Mortgage Guaranty Insurance Corporation (MGIC), the nation s leading private mortgage insurer. Mr. Lacy is also a Director of Ocwen Financial Corp. and C-2, Inc. He serves on the Audit Committee of both Ocwen Financial Corp. and C-2, Inc. Mr. Lacy is the Chairman of the Pension and Benefits Committee and a member of the Compensation Committee.

Terms Expire At The 2006 Annual Meeting:

Dennis W. Archer
Director since 2002
Age 61
Chairman, Dickinson Wright PLLC (law firm) since 2002. Mr. Archer became president of the American Bar Association in August 2003. Mr. Archer served as Mayor of Detroit from 1994 to 2001. Mr. Archer is also a director of Compuware Corporation and Covisint. Mr. Archer is a member of the Corporate Governance Committee.

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John M. Barth
Director since 1997
Age 57
President, Chief Executive Officer, and member of the Board of Directors of Johnson Controls, Inc. Mr. Barth became Chief Executive Officer on October 1, 2002. Mr. Barth served as President, Chief Operating Officer and member of the Board of Directors of Johnson Controls, Inc. since 1997. Mr. Barth is a member of the Executive Committee. Effective January 1, 2004, Mr. Barth will become Chairman of the Board of Directors of Johnson Controls, Inc. and will serve as Chairman of the Executive Committee.

Paul A. Brunner
Director since 1983
Age 68
President and Chief Executive Officer, Spring Capital Inc., Stamford, Connecticut (international investment management), since 1985. President and Chief Executive Officer, ASEA, Inc., 1982 to 1984. President and Chief Operating Officer, Crouse Hinds Co., 1967 to 1982. From 1959 to 1967, he worked for Coopers & Lybrand, an accounting firm, as an audit supervisor, New York office. Mr. Brunner also serves as Chairman of the Audit Committee and financial expert of Trex Company, Inc. Mr. Brunner is the Chairman of the Audit Committee and a member of the Compensation Committee.

Southwood J. Morcott
Director since 1993
Age 65
Retired Chairman, President, and Chief Executive Officer of Dana Corporation, Toledo, Ohio (vehicular and industrial systems manufacturer). Mr. Morcott is a director of CSX Corporation and Navistar International Corp. Mr. Morcott is Chairman of the Compensation Committee and a member of the Corporate Governance Committee.

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APPROVAL OF INDEPENDENT AUDITORS FOR FISCAL YEAR 2004

We ask that you approve the appointment of PricewaterhouseCoopers LLP as our independent auditors.

PricewaterhouseCoopers LLP has audited our accounts for many years. The Board appointed them as independent auditors for fiscal year 2004 upon recommendation of the Audit Committee.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS JOHNSON CONTROLS INDEPENDENT AUDITORS FOR 2004.

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COMPENSATION PLANS SUBJECT TO SHAREHOLDER APPROVAL

Background:

As discussed in the Compensation Committee Report, the Long-Term Performance Plan (LTPP) and the Executive Incentive Compensation Plan (EICP) are important means by which the Company ties the major part of executive officers compensation to the performance of the Company. Since the last approval of the LTPP and EICP by the Company s shareholders in 1999, the LTPP and EICP have provided strong motivation to executives to achieve performance objectives that the Compensation Committee has set and have placed strong emphasis on the building of value for all shareholders.

Shareholder approval of the LTPP and EICP is required for these plans to comply with IRS rules regarding deductibility of compensation. Once approved, these plans must be re-approved by the shareholders every five years. Separate proposals with respect to the ratification of the LTPP and the EICP are set forth below.

Certain awards have been made under the proposed LTPP for Fiscal 2004 contingent on shareholder approval at the 2004 Annual Meeting. Shareholder approval is required to qualify the payments for deductibility under IRS rules. Since the awards depend on base pay on September 30, 2006, the amounts to be paid under the LTPP are not determinable.

Certain formula awards have been made under the proposed EICP for Fiscal 2004 contingent on shareholder approval at the 2004 Annual Meeting. Shareholder approval is required to qualify the payments for deductibility under IRS rules. The amounts to be paid under the EICP are not determinable because the awards will depend on base pay on September 30, 2004. Furthermore, the formula awards can be reduced dependent on an individual s performance and attainment of objectives over the past year.

In addition to the LTPP and EICP plans, the Board of Directors has approved, subject to shareholder ratification at the 2004 Annual Meeting, the new 2003 Stock Plan for Outside Directors. The Board of Directors has also amended and approved, subject to shareholder ratification at the 2004 Annual Meeting, the 2001 Restricted Stock Plan. The full text of the 2003 Stock Plan for Outside Directors and the 2001 Restricted Stock Plan is set forth in Exhibits D and E, respectively.

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RATIFICATION OF THE LONG-TERM PERFORMANCE PLAN

Material Amendments: The Board has adopted the following material amendments to the LTPP:

The term of the LTPP has been extended until September 30, 2008. The LTPP was scheduled to expire on September 30, 2003.

The maximum amount that can be paid under the LTPP in one year to any executive with respect to any three-year performance period has been increased from $3 million to $4 million.

The full text of the LTPP is included as Exhibit B to this proxy statement.

Key Terms of LTPP: The purpose of the Long-Term Performance Plan is to motivate top executives to achieve long-term increased value to the shareholders of the Company.

Only officers and other key executives of the Company who have a significant influence upon the long-term performance of the Company will be eligible to participate in the LTPP. Participation in one award, however, will not automatically guarantee participation in subsequent years. It is specifically intended that no employee shall have a right to a Performance Award even if an award has been previously granted. Participation for each award under the LTPP will be approved by the Compensation Committee of the Board of Directors after consultation with the Chief Executive Officer of the Company.

For each three-year performance period, within the first 90 days of the period, the Compensation Committee determines the formula for each award under the LTPP and communicates this formula to the executive. The formula is based on specified benchmarks for the Company s pre-tax return on shareholders equity over a three-year period. The benchmarks are determined by the Compensation Committee each year and are adjusted based on the previous year s performance. At the end of the three-year performance period, the Compensation Committee applies the formula to objective performance results to determine an executive s award. No amount in excess of $4 million may be paid to any one executive for any performance period.

An executive may elect to have all or part of the award deferred and credited to any of the accounts available

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under the Company s qualified Savings and Investment Plan [401(k)].

Upon termination of an executive s employment, the amount in an executive s deferred account will be paid at the executive s option either in lump sum or in up to ten (10) equal annual installments. Lump-sum payments may also be made upon a change in control of the Company, as defined in the LTPP.

Certain awards have been made under the proposed LTPP for fiscal 2004 contingent on shareholder approval at the 2004 Annual Meeting. Since the awards depend on base pay on September 30, 2006, any future amounts to be paid under the LTPP are not determinable.

The LTPP terminates on September 30, 2008. The Compensation Committee may amend the LTPP, subject to IRS regulations that require shareholder approval of material amendments.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE LONG-TERM PERFORMANCE PLAN.

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RATIFICATION OF THE EXECUTIVE INCENTIVE COMPENSATION PLAN

Material Amendment: The Board has adopted the following material amendment to the EICP:

The maximum amount that can be paid under the EICP to any executive with respect to any year has been increased from $2.5 million to $4.5 million.

The full text of the EICP is included as Exhibit C to this proxy statement.

Key Terms of the EICP: The purpose of the Johnson Controls, Inc., Executive Incentive Compensation Plan (Deferred Option Qualified) is to provide incentive to the key executives of the Company and its subsidiaries who have the prime responsibility for the operations of the Company and its subsidiaries by making them participants in the Company s and its subsidiaries success.

All executive officers participate in the EICP, subject to approval of the Compensation Committee of the Board of Directors.

For each plan year, within the first 90 days of the year, the Compensation Committee determines the formula for each award under the EICP and communicates this formula to the executive. The formula is based on specified benchmarks for the Company s pre-tax return on shareholders equity and/or division return on assets and growth in operating profits. The benchmarks are determined by the Compensation Committee each year and are adjusted based on the previous year s performance. At the end of the plan year, the Compensation Committee applies the formula to objective performance results to determine an executive s award. No amount in excess of $4.5 million may be paid to any one executive for any plan year.

An executive who does not elect to defer payment will receive payment between the 60th and 75th day after the end of the plan year. An executive may elect to have all or part of the award deferred and credited to any of the accounts available under the Company s qualified Savings and Investment Plan [401(k)].

Upon termination of an executive s employment, the amount in an executive s deferred account will be paid at the executive s option either in lump sum or in up to ten (10) equal annual installments. Lump-sum payments may also be made upon a change in control of the Company, as defined in the EICP.

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Certain formula awards have been made under the proposed EICP for fiscal 2004 contingent on shareholder approval at the 2004 Annual Meeting. The awards will depend on base pay on September 30, 2004. The Committee may adjust a participant s formula award based upon the individual s performance and attainment of objectives during the Plan year. Awards may be designated by the Committee at the time of grant as being subject to Internal Revenue Code of 1986, Section 162(m). Because the formula awards can be increased or reduced dependent on an individual s performance and attainment of objectives over the past year, any amounts to be paid under the EICP are not determinable.

The Compensation Committee may amend the EICP, subject to IRS regulations that require shareholder approval of material amendments.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE EXECUTIVE INCENTIVE COMPENSATION PLAN.

RATIFICATION OF THE 2003 STOCK PLAN FOR OUTSIDE DIRECTORS

The Board of Directors has adopted, subject to shareholder approval and ratification, a new 2003 Stock Plan for Outside Directors.

Purpose:	The purpose of this Plan is to advance the Company s growth and success and to advance its interests by attracting and retaining well-qualified outside directors upon whose judgment the Company is largely dependent for the successful conduct of its operations and by providing such individuals with incentives to put forth maximum efforts for the long-term success of the Company s business.
	The full text of the 2003 Stock Plan for Outside Directors is included as Exhibit D to this proxy statement.
Effective Date:	The effective date of the Plan is the date of its approval by the shareholders of the Company.
Stock Subject to the Plan:	40,000 shares (80,000 shares after the stock split) of common stock are available for awards under this Plan. Shares of common stock to be delivered under the Plan are made available from presently authorized but unissued shares of common stock or authorized and issued shares of common stock reacquired and held as treasury shares, or a combination thereof.
Administration:	The Plan is administered and interpreted by the Corporate Governance Committee of the Board of Directors.

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Grants of Common Stock:	On and after January 28, 2004, any newly elected or appointed individual to the Board of Directors as an outside director, who was not serving on the Board of Directors prior to that date, is granted 400 shares (800 shares after the stock split) of common stock upon such Director s election or appointment. On January 28, 2004, and on the date of each subsequent annual meeting of shareholders of the Company (the Grant Date), an outside director, if elected, re-elected or retained as an outside director at such meeting, will be granted such number of shares of common stock, rounded down to the nearest whole share, whose value on the Grant Date will equal and serve as fifty (50) percent of the annual retainer fee voted by the Board of Directors, exclusive of any meeting or committee fees. The value of a share of common stock on the Grant Date is determined as the closing sales price on that date, or on the next preceding trading day if such date was not a trading day, as reported on the New York Stock Exchange. The remaining percent of the annual retainer fee is paid in cash less any required withholdings for taxes and related charges. Directors elected during the year are granted a proportionate share of the annual retainer fee at the time of their election, with fifty (50) percent each in common stock and cash as set forth above.
Termination of Services as Outside Director:	If an outside director ceases to serve on the Board of Directors, or in the event of a change in control, all future rights to receive common stock under the Plan shall terminate immediately; however, the outside director is entitled to immediately receive the amount in his/her deferred account. The outside director has the option of receiving funds in either a lump sum or in up to ten (10) equal annual installments.
Termination and Amendment of Plan:	The Board of Directors may amend or terminate the Plan as it deems necessary or advisable to assure conformity of the Plan with any requirements of state and federal laws or regulations. The Board of Directors may not, however, without further approval by the shareholders of the Company, make any modifications which require shareholder approval under the federal securities laws or the rules of the New York Stock Exchange.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE 2003 STOCK PLAN FOR OUTSIDE DIRECTORS.

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NEW PLAN BENEFITS

2003 STOCK PLAN FOR OUTSIDE DIRECTORS

Name and Position(1)	Dollar Value($)	Number of Shares/ Units
Executive Group	0.00	0
Non-Executive Director Group	0.00	0
Non-Executive Officer Employee Group	0.00	0

(1) The table states the determinable compensation of all current directors as a group who are not executive officers of the Company. Benefits of the Plan do not apply to the Executive and Non-Executive Officer Employee groups.

APPROVAL OF THE 2001 RESTRICTED STOCK PLAN AMENDMENT

Material Amendments: The Board has adopted the following material amendment to the 2001 Restricted Stock Plan:

The maximum number of treasury shares authorized for use in the 2001 Restricted Stock Plan has been increased from 250,000 shares to 750,000 shares (1.5 million shares after the stock split).

The full text of the 2001 Restricted Stock Plan is included as Exhibit E to this proxy statement.

Key Terms of the 2001 Restricted Stock Plan: The Restricted Stock Plan has two complementary purposes: (1) to promote the success of the Company by providing incentives to the Company s and subsidiaries officers and other key employees who will link their personal interests to the long-term financial success of the Company and to growth in value; and (2) to permit the Company and its subsidiaries to attract, motivate and retain experienced and knowledgeable employees upon whose judgment, interest, and special efforts the successful conduct of the Company s operations is largely dependent.

The aggregate number of shares that can be issued under the Plan cannot exceed 750,000 shares (1.5 million shares after the stock split). Shares delivered under the Plan will consist solely of authorized and issued shares of common stock reacquired and held as treasury shares.

The Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee of the Board of Directors has the authority to select the employees to receive an award.

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Restricted shares cannot be sold, transferred, pledged or assigned, and can be subject to a substantial risk of forfeiture, until the termination of the applicable period of restriction as determined by the participant s award or provided under the Plan agreement. During the period of restriction, the Company has the right to hold the restricted shares in escrow. Restricted shares become vested in, and freely transferable by, the participant after the last day of the period of restriction.

Each participant is entitled to receive a credit for any dividends or other distributions delivered on shares, whether in the form of cash or in property. These amounts are subject to the Period of Restriction. If a participant s employment is terminated, his or her interest in unvested Restricted Shares and related dividends or other distributions are forfeited, except in the event of death. In the event of a change in control, a participant retains his or her interest in unvested Restricted Shares and related dividends or other distributions.

At any time, the Board of Directors may terminate, amend or modify the Plan. The Board of Directors may not, however, without further approval by the shareholders of the Company make any modifications which require shareholder approval under the federal securities laws or the rules of the New York Stock Exchange or any other regulatory body. The Board of Director s determination and decisions made pursuant to the provisions of the Plan and all related orders or resolutions of the Board are final, conclusive, and binding and such decisions are not be reviewable.

The Plan became effective on October 1, 2001. The Plan will remain in effect, subject to the right of the Board to terminate the Plan until all shares reserved for issuance under the Plan have been issued.

THE BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE 2001 RESTRICTED STOCK PLAN AMENDMENT.

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NEW PLAN BENEFITS

2001 RESTRICTED STOCK PLAN

Name and Position(1)	Dollar Value($)	Number of Shares/ Units(2)
John M. Barth President and Chief Executive Officer		40,000
James H. Keyes Chairman		0
Stephen A. Roell Senior Vice President and Chief Financial Officer		16,000
Giovanni Fiori Executive Vice President, President Johnson Controls International		0
Keith E. Wandell Vice President, President Automotive Group		18,000
Executive Group		0
Non-Executive Director Group		0
Non-Executive Officer Employee Group		