



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company JOHNSON & JOHNSON Date 11/26/04

Prepared by MG Data taken from NAIC Data

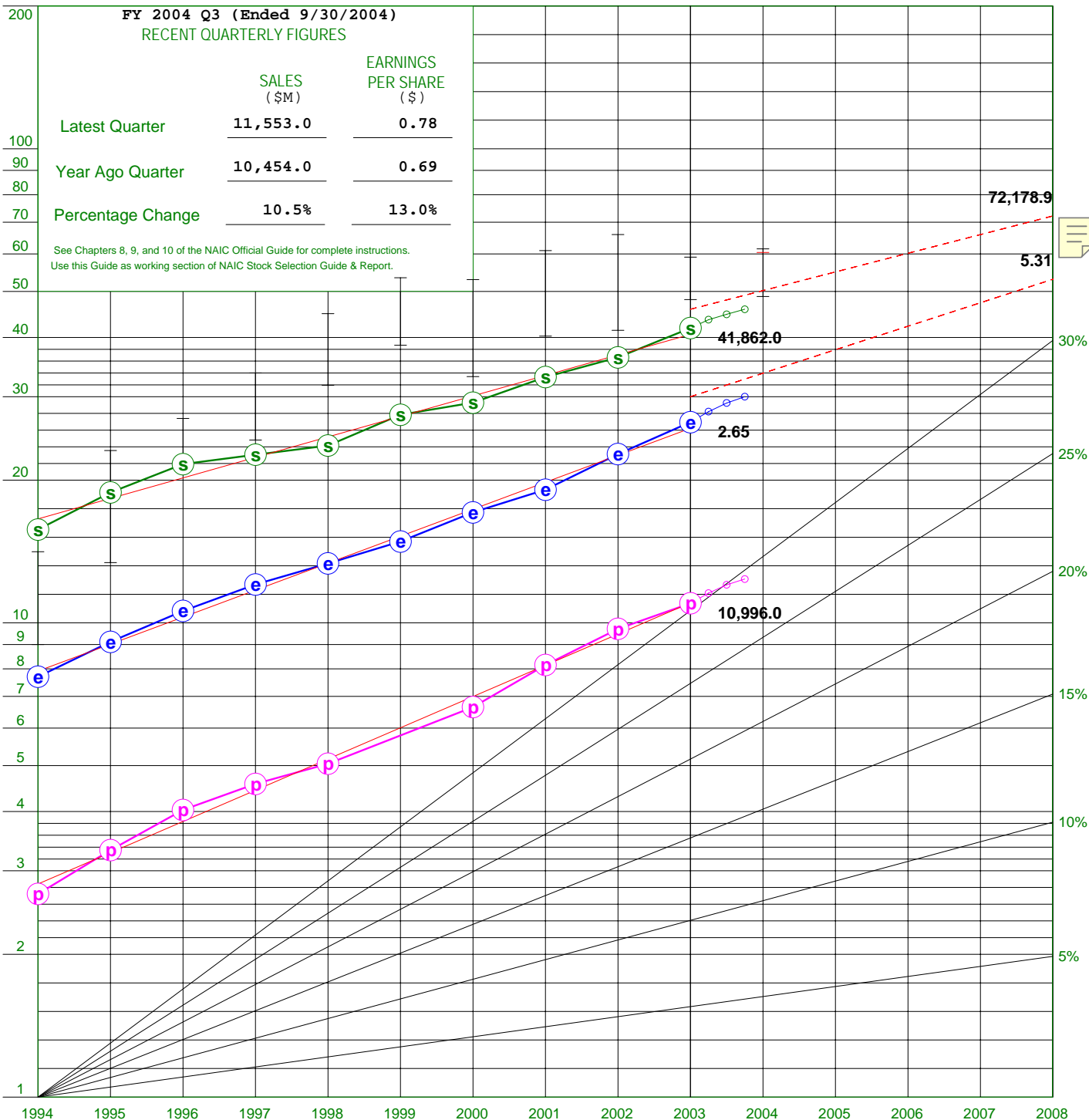
Where traded NYSE Major product/service Pharmaceuti

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	2,968.4	1.0	63.8
Debt (\$M)	3,415.0	% to Tot.Cap.	11.3
		% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

JNJ



- (1) Historical Sales Growth 10.5 %
- (2) Estimated Future Sales Growth 9.5 %
- (3) Historical Earnings Per Share Growth 14.0 %
- (4) Estimated Future Earnings Per Share Growth 12.1 %

2 EVALUATING MANAGEMENT

Company **JOHNSON & JOHNSON** (JNJ)

11/26/04

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	17.0	17.6	18.7	20.2	21.3	22.8	22.8	24.7	26.8	26.3	25.1	UP	
B % Earned on Equity (E/S ÷ Book Value)	27.8	26.1	26.1	26.2	26.4	25.5	25.3	24.0	29.7	29.3	26.7	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

		PRESENT PRICE		60.450		HIGH THIS YEAR		61.490		LOW THIS YEAR		48.790	
Year	A	PRICE		C Earnings Per Share	D Price Earnings Ratio		E	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	TREND		
		HIGH	LOW		HIGH A ÷ C	LOW B ÷ C					UP	DOWN	
1	1999	53.4	38.5	1.49	36.0	25.9	0.545	36.7	1.4				
2	2000	53.0	33.1	1.71	31.0	19.3	0.620	36.3	1.9				
3	2001	61.0	40.3	1.91	31.9	21.1	0.700	36.6	1.7				
4	2002	65.9	41.4	2.27	29.0	18.2	0.795	35.0	1.9				
5	2003	59.1	48.1	2.65	22.3	18.1	0.925	34.9	1.9				
6	TOTAL		201.3		114.2	76.7		179.5					
7	AVERAGE		40.3		28.5	19.2		35.9					
8	AVERAGE PRICE EARNINGS RATIO				23.9		9	CURRENT PRICE EARNINGS RATIO				20.2	

Proj. P/E [17.98] Based on Next 4 qtr. EPS [3.36]

Current P/E Based on Last 4 qtr. EPS [3.00]

4 EVALUATING RISK AND REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~28.5~~ 23.9 X Estimate High Earnings/Share 5.31 = Forecast High Price \$ 126.9 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~19.2~~ 16.4 X Estimated Low Earnings/Share ~~2.65~~ 3.00 = \$ 49.2 (3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = 40.3 (3B7)

(c) Recent Severe Market Low Price = 41.4

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{1.140}{0.019} = 59.2$

Selected Estimate Low Price = \$ 49.2 (4B1)

C ZONING

126.9 (4A1) High Forecast Price Minus 49.2 (4B1) Low Forecast Price Equals 77.7 (C) Range. 1/3 of Range = 19.4 (4CD)

(4C2) Lower 1/3 = 49.2 (4B1) to 68.6 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 68.6 to 107.5 (Maybe)

(4C4) Upper 1/3 = 107.5 to 126.9 (4A1) (Sell)

Present Market Price of 60.450 is in the Buy (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) 126.9 Minus Present Price 60.450 = 66.5 = 5.9 To 1 (4D)

Present Price 60.450 Minus Low Price (4B1) 49.2 = 11.3

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) 126.9 = (2.099) X 100 = (209.9) - 100 = 109.9 % Appreciation (4E)

Present Market Price 60.450

Relative Value: 84.5% Proj. Relative Value: 75.2%

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend \$ 1.140
Present Price of Stock \$ 60.450 = 0.019 X 100 = 1.9 Present Yield or % Returned on Purchase Price (5A)

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 4.22 X Avg. % Payout (3G7) 35.9 = 151.5 = 2.5 % (5B)

Present Price \$ 60.450

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

	5 Year Appreciation Potential (4E)		P.A.R.	Tot. Ret.
	<u>109.9</u>	<u>22.0</u> %	<u>1.8%</u>	<u>1.5%</u>
Average Yield (5B)	<u>2.5</u> %		<u>12.1%</u>	<u>16.0%</u>
Average Total Annual Return Over the Next 5 Years (5C)	<u>24.5</u> %		<u>13.9%</u>	<u>17.5%</u>



PERT Worksheet-A

Company JOHNSON & JOHNSON (JNJ)

QUARTERLY DATA									LAST 12 MONTHS DATA								
PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX RATE	EPS \$	PRE-TAX PROFIT		SALES MIL	INCOME TAX		% CHANGE		
	\$	% CHANGE	\$ MIL	% SALES	% CHANGE	\$ MIL	% CHANGE			\$ MIL	% SALES		\$ MIL	% RATE	EPS	PRE-TAX PROFIT	SALES
03/98								27.4						27.7			
06/98	0.35		1,417.00	23.9		5,941.00		27.0						27.5			
09/98	0.34		1,360.00	23.1		5,897.00		27.3						27.4			
12/98	0.15		946.00	13.8		6,877.00		48.4						32.5			
03/99	0.40		1,622.00	24.1		6,739.00		30.0	1.23	5,345.00	21.0	25,454.0	1,772.9	33.2			
06/99	0.41	17.5	1,629.00	23.4	15.0	6,971.00	17.3	28.5	1.30	5,557.00	21.0	26,484.0	1,863.5	33.5			
09/99	0.39	16.1	1,531.00	22.2	12.6	6,884.00	16.7	27.8	1.35	5,728.00	20.9	27,471.0	1,927.6	33.7			
12/99	0.28	87.9	971.00	14.1	2.6	6,877.00	0.0	18.1	1.48	5,753.00	20.9	27,471.0	1,500.7	26.1			
03/00	0.43	7.5	1,914.00	25.7	18.0	7,440.00	10.4	30.6	1.51	6,045.00	21.5	28,172.0	1,586.5	26.2	22.4	13.1	10.7
06/00	0.44	7.3	1,913.00	24.9	17.4	7,670.00	10.0	28.8	1.54	6,329.00	21.9	28,871.0	1,666.6	26.3	18.9	13.9	9.0
09/00	0.43	10.3	1,834.00	24.7	19.8	7,438.00	8.0	27.0	1.58	6,632.00	22.5	29,425.0	1,733.7	26.1	17.1	15.8	7.1
12/00	0.32	14.3	1,273.00	17.4	31.1	7,298.00	6.1	21.6	1.62	6,934.00	23.2	29,846.0	1,873.2	27.0	9.5	20.5	8.6
03/01	0.50	16.3	2,217.00	28.2	15.8	7,855.00	5.6	30.0	1.69	7,237.00	23.9	30,261.0	1,944.6	26.9	11.9	19.7	7.4
06/01	0.51	15.9	2,238.00	27.4	17.0	8,179.00	6.6	29.1	1.76	7,562.00	24.6	30,770.0	2,037.6	26.9	14.3	19.5	6.6
09/01	0.50	16.3	2,146.00	26.6	17.0	8,058.00	8.3	27.5	1.83	7,874.00	25.1	31,390.0	2,131.8	27.1	15.8	18.7	6.7
12/01	0.39	21.9	1,549.00	18.8	21.7	8,225.00	12.7	21.4	1.90	8,150.00	25.2	32,317.0	2,202.3	27.0	17.3	17.5	8.3
03/02	0.59	18.0	2,621.00	30.0	18.2	8,743.00	11.3	29.9	1.99	8,554.00	25.8	33,205.0	2,307.9	27.0	17.8	18.2	9.7
06/02	0.60	17.6	2,617.00	28.8	16.9	9,073.00	10.9	29.6	2.08	8,933.00	26.2	34,099.0	2,421.6	27.1	18.2	18.1	10.8
09/02	0.60	20.0	2,543.00	28.0	18.5	9,079.00	12.7	28.6	2.18	9,330.00	26.6	35,120.0	2,554.2	27.4	19.1	18.5	11.9
12/02	0.48	23.1	1,934.00	20.6	24.9	9,403.00	14.3	25.0	2.27	9,715.00	26.8	36,298.0	2,745.5	28.3	19.5	19.2	12.3
03/03	0.69	16.9	2,947.00	30.0	12.4	9,821.00	12.3	29.3	2.37	10,041.00	26.9	37,376.0	2,824.0	28.1	19.1	17.4	12.6
06/03	0.70	16.7	2,957.00	28.6	13.0	10,333.00	13.9	28.6	2.47	10,381.00	26.9	38,636.0	2,893.0	27.9	18.7	16.2	13.3
09/03	0.69	15.0	2,948.00	28.2	15.9	10,454.00	15.1	29.6	2.56	10,786.00	27.0	40,011.0	3,032.9	28.1	17.4	15.6	13.9
12/03	0.57	18.8	2,144.00	19.1	10.9	11,254.00	19.7	20.1	2.65	10,996.00	26.3	41,862.0	2,958.5	26.9	16.7	13.2	15.3
03/04	0.83	20.3	3,504.00	30.3	18.9	11,559.00	17.7	28.8	2.79	11,553.00	26.5	43,600.0	3,094.0	26.8	17.7	15.1	16.7
06/04	0.82	17.1	3,435.00	29.9	16.2	11,484.00	11.1	28.3	2.91	12,031.00	26.9	44,751.0	3,211.5	26.7	17.8	15.9	15.8
09/04	0.78	13.0	3,292.00	28.5	11.7	11,553.00	10.5	28.7	3.00	12,375.00	27.0	45,850.0	3,276.0	26.5	17.2	14.7	14.6
12/04								29.0						28.7			

A B C D E F G H I J K L M N O P Q R S T

PERT Worksheet-A Graph

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