JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
65.41	19.5	(Trailing: 21.1 Median: 25.0)	1.06	1.9%	VALUE LINE

TIMELINESS	2	Raised 5/28/04
SAFETY	1	New 7/27/90
TECHNICAL	4	Lowered 3/4/05

BETA .65 (1.00 = Market)

2008-10 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	105	(+60%)	*14%*
Low	85	(+30%)	*9%*

Insider Decisions

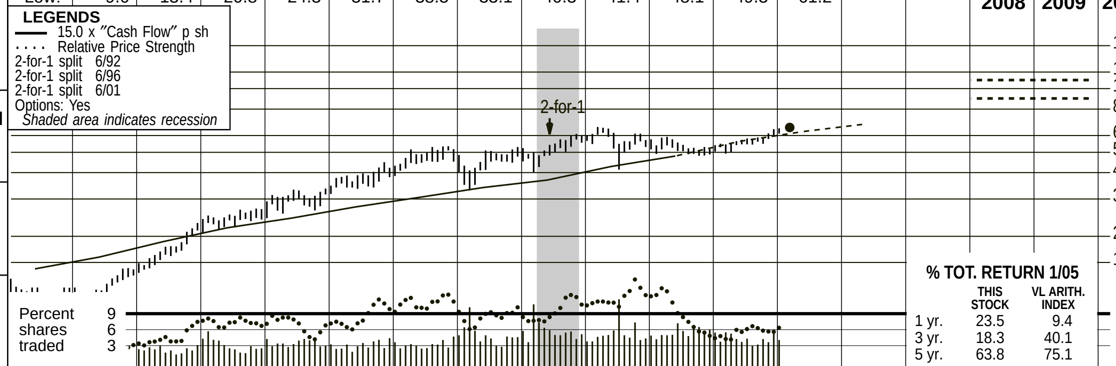
	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	1	2	0	0	2	2	1	2	1
to Sell	2	1	0	0	2	1	1	1	1

Institutional Decisions

	1Q2004	2Q2004	3Q2004
to Buy	698	627	601
to Sell	530	586	597
Hld's(000)	1809307	1851467	1866426

High:	14.1	23.1	27.0	33.7	44.9	53.4	53.0	61.0	65.9	59.1	64.3	66.9
Low:	9.0	13.4	20.8	24.3	31.7	38.5	33.1	40.3	41.4	48.1	49.3	61.2

Target Price Range
2008 | 2009 | 2010



% TOT. RETURN 1/05

	THIS STOCK	VL ARITH. INDEX
1 yr.	23.5	9.4
3 yr.	18.3	40.1
5 yr.	63.8	75.1

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	© VALUE LINE PUB., INC.	08-10
3.66	4.22	4.67	5.25	5.50	6.12	7.27	8.11	8.41	8.80	9.88	10.47	10.83	12.23	13.42	***16.00***	***17.30***	***18.80***	Sales per sh A	***23.40***
.56	.65	.73	.85	.93	1.06	1.26	1.46	1.62	1.83	2.03	2.27	2.46	2.85	3.19	***3.85***	***4.20***	***4.60***	"Cash Flow" per sh	***5.90***
.41	.48	.55	.62	.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	2.70	3.10	***3.40***	***3.75***	Earnings per sh B	***4.75***
.14	.16	.19	.22	.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	.92	1.10	***1.22***	***1.34***	Div'ds Decl'd per sh ■C	***1.70***
.28	.31	.37	.42	.38	.36	.48	.52	.52	.54	.62	.59	.57	.71	.73	***.75***	***.80***	***.80***	Cap'l Spending per sh	***1.00***
1.56	1.84	2.11	1.97	2.17	2.77	3.49	4.07	4.59	5.06	5.83	6.76	7.95	7.65	8.61	***10.90***	***12.45***	***14.40***	Book Value per sh D	***21.00***
2664.4	2664.6	2665.3	2621.6	2571.9	2572.0	2590.7	2665.0	2690.3	2688.1	2779.4	2781.9	3047.2	2968.3	3119.8	***2960.0***	***2925.0***	***2900.0***	Common Shs Outst'g E	***2800.0***
15.4	16.5	20.5	20.0	15.4	14.8	18.5	22.4	24.9	28.1	31.6	26.4	27.2	25.9	19.4	18.1	***Bold figures are***		Avg Ann'l P/E Ratio	***20.0***
1.17	1.23	1.31	1.21	.91	.97	1.24	1.40	1.44	1.46	1.80	1.72	1.39	1.41	1.11	.94	***Value Line***		Relative P/E Ratio	***1.35***
2.2%	2.1%	1.7%	1.8%	2.4%	2.4%	1.9%	1.5%	1.4%	1.3%	1.2%	1.4%	1.3%	1.4%	1.8%	2.0%	***estimates***		Avg Ann'l Div'd Yield	***1.8%***

CAPITAL STRUCTURE as of 9/26/04
Total Debt $3,415 mill. **Due in 5 Yrs** $*500.0* mill.
LT Debt $2,961 mill. **LT Interest** $174.0 mill.
(9% of Cap'l)
Leases, Uncapitalized Annual rentals $143.0 mill.

Pension Assets-12/02 $6,050 mill. **Oblig.** $7,680 mill.
Pfd Stock None

Common Stock 2,967,726,203 shs.
as of 10/24/04

MARKET CAP: $194 billion (Large Cap)

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006		08-10
18842	21620	22629	23657	27471	29139	33004	36298	41862	47348	***50675***	***54475***	Sales ($mill) A	***65500***
23.2%	24.6%	25.1%	26.6%	27.0%	27.4%	28.8%	31.2%	31.3%	***32.0%***	***32.5%***	***33.0%***	Operating Margin	***34.0%***
857.0	1009.0	1067.0	1246.0	1444.0	1515.0	1605.0	1662.0	1869.0	***2020***	***2180***	***2330***	Depreciation ($mill)	***2885***
2403.0	2887.0	3303.0	3677.6	4209.0	4800.0	5885.0	6810.8	8096.6	9311.4	***10170***	***11065***	Net Profit ($mill)	***13585***
27.6%	28.4%	27.8%	27.1%	27.5%	27.5%	28.2%	29.0%	30.2%	27.6%	***27.0%***	***27.0%***	Income Tax Rate	***27.0%***
12.8%	13.4%	14.6%	15.5%	15.3%	16.5%	17.8%	18.8%	19.3%	19.7%	***20.1%***	***20.3%***	Net Profit Margin	***20.7%***
3550.0	4186.0	5280.0	2970.0	5746.0	8310.0	10429	7817.0	9547.0	***14500***	***16000***	***17425***	Working Cap'l ($mill)	***23750***
2107.0	1410.0	1126.0	1269.0	2450.0	2037.0	2217.0	2022.0	2955.0	***2950***	***2500***	***2200***	Long-Term Debt ($mill)	***1500***
9045.0	10836	12359	13590	16213	18808	24233	22697	26869	***32220***	***36440***	***41750***	Shr. Equity ($mill)	***58775***
22.3%	24.2%	24.9%	25.2%	22.9%	23.3%	22.5%	27.8%	27.4%	***26.0%***	***25.5%***	***24.5%***	Return on Total Cap'l	***21.5%***
26.6%	26.6%	26.7%	27.1%	26.0%	25.5%	24.3%	30.0%	30.1%	***29.0%***	***28.0%***	***26.5%***	Return on Shr. Equity	***23.0%***
17.4%	17.7%	17.5%	17.5%	16.8%	16.4%	15.8%	19.5%	19.9%	***18.5%***	***17.5%***	***16.5%***	Retained to Com Eq	***14.5%***
34%	34%	34%	35%	35%	36%	35%	35%	34%	***35%***	***36%***	***36%***	All Div'ds to Net Prof	***36%***

CURRENT POSITION ($MILL.)	2002	2003	9/26/04
Cash Assets	7475	9523	13094
Receivables	5399	6574	6939
Inventory (FIFO)	3303	3588	3669
Other	3089	3310	3114
Current Assets	19266	22995	26816
Accts Payable	3621	4996	3646
Debt Due	2117	1363	454
Other	5711	7089	8229
Current Liab.	11449	13448	12329

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '08-'10
Sales	9.0%	7.5%	*9.5%*
"Cash Flow"	13.0%	11.5%	*11.5%*
Earnings	14.0%	13.5%	*12.0%*
Dividends	13.5%	13.5%	*12.0%*
Book Value	14.5%	12.0%	*16.0%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2002	8743	9073	9079	9403	36298
2003	9831	10322	10455	11254	41862
2004	11559	11484	11553	12752	47348
2005	***12575***	***12500***	***12300***	***13300***	***50675***
2006	***13400***	***13500***	***13250***	***14325***	***54475***

Fiscal Year Ends	EARNINGS PER SHARE AB Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2002	.59	.60	.60	.44	2.23
2003	.69	.70	.69	.57	2.65
2004	.83	.82	.78	.67	3.10
2005	***.92***	***.91***	***.85***	***.72***	***3.40***
2006	***1.00***	***1.00***	***.95***	***.80***	***3.75***

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2001	.16	.18	.18	.18	.70
2002	.18	.205	.205	.205	.80
2003	.20	.24	.24	.24	.92
2004	.24	.285	.285	.285	1.10
2005	.285				

BUSINESS: Johnson & Johnson manufactures and sells health care products. Major lines by segment: Consumer (baby care, non-prescription drugs, sanitary protection, and skin care), Med. Device & Diag. (wound closures, minimally invasive surgical instruments, diagnostics, orthopedics, and contact lenses), and Pharmaceutical (contraceptives, psychiatric, anti-infective, and dermatological drugs). 2003 sales (operating income) by segment: Pharm., 47% (60%); Med. Device & Diag., 35% (28%); Consumer, 18% (12%). Int'l business, 40% of '03 sales; R&D, 11%. Has 109,100 empl.; 164,200 stockholders. Off./dir. own less than 1% (3/04 Proxy). Chrmn. & CEO: William Weldon. Inc.: NJ. Addr.: One J&J Plaza, New Brunswick, NJ 08933. Tel.: 732-524-0400. Web: www.jnj.com.

Johnson & Johnson is set to make the largest acquisition in its history. Ending months of speculation, the company announced in late December that it had agreed to purchase Guidant for an estimated $24 billion. For $30.40 in cash and $45.60 in its stock for each of the target's shares, the New Jersey-based acquirer will get a lucrative and rapidly expanding cardiac rhythm management business. J&J will also get Guidant's bioerodable polymer and stents program, which should enhance its long-term competitive stance in the nascent drug-eluting stents market. The purchase would also eliminate a potential competitor that could have exerted substantial pricing and margin pressures in the stents arena. Some product divestitures will probably be required by government regulators, but the deal should close in the third quarter. The addition is expected to shave a few pennies from earnings in 2005 and 2006. It should enhance the growth rate in the subsequent years. (Note: Guidant will be excluded from our figures until the merger actually closes.)

The diversified healthcare products behemoth continues to perform very well on its own. Indeed, it staged a broadbased top-line advance in 2004, with the Pharmaceutical, Medical Devices and Diagnostics, and Consumer segments posting gains of 13.4%, 13.2%, and 12.1%, respectively. Aggregate revenues were up 13.1%, which helped fuel a 17% expansion in share profits. Looking ahead, though, slumping *Procrit* sales, as well as impending launches of generic *Duragesic* and *Concerta*, strongly suggest that business activity won't be as dynamic in 2005. That said, we have added $0.05 to our share-net estimate (to $3.40), factoring in increased expectations for drug-eluting stent *Cypher*, a delay in *Duragesic* generics, and a slightly lower tax rate. In all, we look for revenues to increase 7% and for share profits to expand 10%. A comparable bottom-line gain seems likely next year.

This timely issue represents a core long-term holding. J&J's robust presence in a host of healthcare sectors is certainly attractive. So, too, is its potent financial position, as this gives management ample flexibility. We think the stock will yield solid total returns to late decade.

George Rho *March 4, 2005*

(A) Year ends on last Sunday of December.
(B) Primary earnings through '96, diluted thereafter. Excludes nonrecurring gains/(losses): '90, 5¢; '92, 23¢; '98, 22¢; '99, 2¢; '01, (7¢); '02, (7¢); '03: Q2, (30¢). Next earnings report due mid-Apr. (C) Dividends historically paid mid: March, June, Sept., Dec. ■Div'd reinvestment plan available. (D) Incl. intang.: In '03, $12.2 billion, $3.91/sh. (E) In mill., adj. for stock splits.

Company's Financial Strength	A++
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	100