



1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB, INC.	07-09
3.38	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	15.75	16.75	Sales per sh ^A	21.10
.51	.56	.65	.73	.85	.93	1.06	1.26	1.46	1.62	1.83	2.03	2.27	2.46	2.85	2.91	3.80	4.15	"Cash Flow" per sh	5.40
.36	.41	.48	.55	.62	.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	2.65	3.07	3.35	Earnings per sh ^B	4.40
.12	.14	.16	.19	.22	.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	.93	1.10	1.21	Div'ds Decl'd per sh ^C	1.58
.25	.28	.31	.37	.42	.38	.36	.48	.52	.52	.54	.62	.59	.57	.71	.73	.75	.80	Cap'l Spending per sh	1.00
1.31	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	10.85	12.80	Book Value per sh ^D	19.60
2664.6	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	2950.0	Common Shs Outst'g ^E	2900.0
14.2	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	21.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	20.0
1.18	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	1.27			Relative P/E Ratio	1.35
2.4%	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%			Avg Ann'l Div'd Yield	1.8%

CAPITAL STRUCTURE as of 9/26/04				1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Sales (\$mill) ^A	61250			
Total Debt \$3,415 mill. Due in 5 Yrs \$500.0 mill.				15734	18842	21620	22629	23657	27471	29139	33004	36298	41862	46600	49400	46600	49400	46600	49400	46600	49400	46600	49400	Operating Margin	33.5%	
LT Debt \$2,961 mill. LT Interest \$174.0 mill. (9% of Cap'l)				22.4%	23.2%	24.6%	25.1%	26.6%	27.0%	27.4%	28.8%	31.2%	30.5%	31.5%	32.0%	31.5%	32.0%	31.5%	32.0%	31.5%	32.0%	31.5%	32.0%	Depreciation (\$mill)	2725	
Leases, Uncapitalized Annual rentals \$143.0 mill.				724.0	857.0	1009.0	1067.0	1246.0	1444.0	1515.0	1605.0	1662.0	1869.0	2020	2180	2020	2180	2020	2180	2020	2180	2020	2180	Net Profit (\$mill)	12890	
Pension Assets-12/02 \$6,050 mill. Oblig. \$7,680 mill.				2006.0	2403.0	2887.0	3303.0	3677.6	4209.0	4800.0	5885.0	6810.8	7197.0	9220	10030	9220	10030	9220	10030	9220	10030	9220	10030	Income Tax Rate	28.0%	
Pf'd Stock None				25.2%	27.6%	28.4%	27.8%	27.1%	27.5%	27.5%	28.2%	29.0%	30.2%	28.5%	28.0%	28.5%	28.0%	28.5%	28.0%	28.5%	28.0%	28.5%	28.0%	Net Profit Margin	21.0%	
Common Stock 2,967,726,203 shs. as of 10/24/04				12.7%	12.8%	13.4%	14.6%	15.5%	15.3%	16.5%	17.8%	18.8%	17.2%	19.8%	20.3%	19.8%	20.3%	19.8%	20.3%	19.8%	20.3%	19.8%	20.3%	Working Cap'l (\$mill)	23000	
MARKET CAP: \$180 billion (Large Cap)				2414.0	3550.0	4186.0	5280.0	2970.0	5746.0	8310.0	10429	7817.0	9547.0	14500	16780	14500	16780	14500	16780	14500	16780	14500	16780	Long-Term Debt (\$mill)	1500	
CURRENT POSITION				2199.0	2107.0	1410.0	1126.0	1269.0	2450.0	2037.0	2217.0	2022.0	2955.0	2950	2500	2022.0	2955.0	2950	2500	2022.0	2955.0	2950	2500	Return on Total Cap'l	21.5%	
CASH (\$MILL.)				7122.0	9045.0	10836	12359	13590	16213	18808	24233	22697	26869	32130	37750	22697	26869	32130	37750	22697	26869	32130	37750	Return on Shr. Equity	22.5%	
Cash Assets				22.3%	22.3%	24.2%	24.9%	25.2%	22.9%	23.3%	22.5%	27.8%	24.4%	26.0%	24.0%	26.0%	24.0%	26.0%	24.0%	26.0%	24.0%	26.0%	24.0%	26.0%	Retained to Com Eq	14.5%
Receivables				28.2%	26.6%	26.6%	26.7%	27.1%	26.0%	25.5%	24.3%	30.0%	26.8%	28.5%	26.5%	28.5%	26.5%	28.5%	26.5%	28.5%	26.5%	28.5%	26.5%	28.5%	All Div'ds to Net Prof	36%
Inventory (FIFO)				18.0%	17.4%	17.7%	17.5%	17.5%	16.8%	16.4%	15.8%	19.5%	16.6%	18.0%	16.5%	18.0%	16.5%	18.0%	16.5%	18.0%	16.5%	18.0%	16.5%	18.0%		
Other				36%	34%	34%	34%	34%	35%	35%	36%	35%	36%	35%	36%	35%	36%	35%	36%	35%	36%	35%	36%			
Current Assets																										
Accts Payable																										
Debt Due																										
Other																										
Current Liab.																										

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.

ANNUAL RATES	Past 10 Yrs	Past 5 Yrs	Est'd '01-'03 to '07-'09
of change (per sh)	9.0%	7.5%	9.5%
Sales	12.5%	11.0%	11.5%
"Cash Flow"	13.5%	12.5%	12.0%
Earnings	13.5%	13.5%	12.0%
Dividends	14.5%	12.0%	16.0%
Book Value			

Fiscal Year Ends	QUARTERLY SALES (\$ mill.) ^A				Full Fiscal Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2001	8021	8342	8238	8403	33004
2002	8743	9073	9079	9403	36298
2003	9831	10322	10455	11254	41862
2004	11559	11484	11553	12004	46600
2005	12225	12250	12125	12800	49400

Fiscal Year Ends	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Mar.Per	Jun.Per	Sep.Per	Dec.Per	
2001	.50	.51	.50	.40	1.91
2002	.59	.60	.60	.44	2.23
2003	.69	.70	.69	.57	2.65
2004	.83	.82	.78	.64	3.07
2005	.90	.89	.85	.71	3.35

Cal-endar	QUARTERLY DIVIDENDS PAID ^C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2000	.14	.16	.16	.16	.62
2001	.16	.18	.18	.18	.70
2002	.18	.205	.205	.205	.80
2003	.205	.24	.24	.24	.93
2004	.24	.285	.285		

Johnson & Johnson is putting forth a surprisingly strong showing this year. The launch of *Cypher*, a drug-eluting stent, helped the company's bottom line surge 21% in 2003. In view of the then-impending launch of a competing product by Boston Scientific, however, we had expected 12 months ago that growth would decelerate markedly in 2004. Indeed, with several important drugs also in danger of competition from generic products, we had anticipated the growth rate about halving. On the contrary, with *Cypher* off to a great debut in Japan, and legal squabbles forestalling generic rivals, share net was 17% ahead of the year-earlier pace with only the final quarter left untallied. J&J topped our (and consensus) estimates in all three quarters. Management recently raised its guidance from \$3.03 to \$3.05-\$3.07, and our final estimate for this year is \$3.07.

We expect earnings growth to slow appreciably in 2005. Sales of *Procrit/Eporex* dropped 12% (to \$887 million) in the last quarter, and its contributions will probably continue to shrink. As well, *Duragesic* (pain patch), *Sporanox* (antifungal), and *Concerta* (deficit disorder), all of

which helped the company to top year-to-date expectations, may well face competition from facsimiles. Recently approved *Charite* (artificial disc for use in spinal surgeries) will add new revenues, and J&J has other products on the short-term launch pad. Our view, though, is that they'll be insufficient, at least in the near term, to keep the share-net advance from decelerating into single-digits next year. We have added a nickel to our profit estimate, but the \$3.35-a-share figure represents year-to-year growth of only 9%. **This top-quality issue is favorably ranked for the year ahead . . .** Year-over-year bottom-line comparisons have been strong over the past several quarters. The stock price also has solid momentum. . . . **and we think it deserves consideration for the long haul, as well.** In the current configuration, J&J shares will probably yield decent, risk-adjusted total returns out to late-decade. Important, too, the company has the financial and managerial wherewithal to transfigure its growth profile, through a major (or multiple) acquisition and/or stock repurchases.

George Rho
December 3, 2004

(A) Year ends on last Sunday of December. (B) Primary earnings through '96, diluted thereafter. Excludes nonrecurring gains/(losses): '90, 5c; '92, 23c; '98, 22c; '99, 2c; '01, (7c); '02, (7c); '03: Q2, (30c). May not sum to total due to rounding. Next earnings report due mid-Jan. (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.