NATIONAL ASSOCIATION OF INVESTORS CORPORATION
NAIC
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

Stock Selection Guide ®

The most widely used aid to good investment judgment

Company JOHNSON & JOHNSON Date 09/05/03

Prepared by MG Data taken from NAIC Data

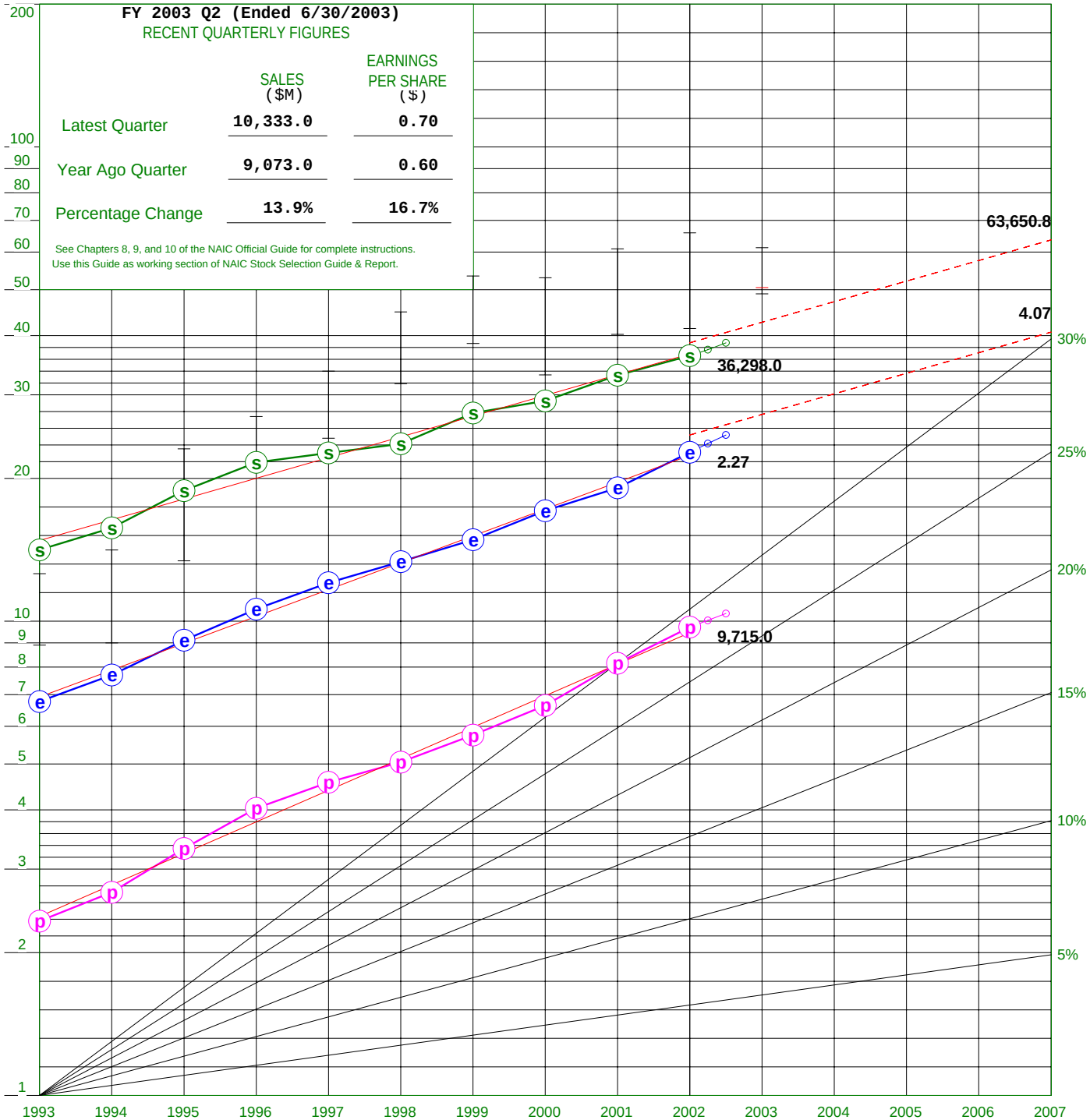
Where traded NYSE Major product/service Pharmaceuti

CAPITALIZATION --- Outstanding Amounts Reference

Preferred($M)	0.0		% Insiders		% Institution
Common(M Shares)	2,968.9		1.0		63.8
Debt($M)	6,418.0	% to Tot.Cap.	22.0	% Potential Dil.	None

1 VISUAL ANALYSIS of Sales, Earnings and Price

JNJ



(1) Historical Sales Growth 10.6 % (3) Historical Earnings Per Share Growth 13.9 %

(2) Estimated Future Sales Growth 10.5 % (4) Estimated Future Earnings Per Share Growth 10.5 %

2 EVALUATING MANAGEMENT

Company JOHNSON & JOHNSON (JNJ) 09/05/03

		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	LAST 5 YEAR AVG.	TREND UP	TREND DOWN
A	% Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	16.5	17.0	17.6	18.7	20.2	21.3	20.9	22.8	24.7	26.8	23.3	UP	
B	% Earned on Equity (E/S ÷ Book Value)	31.3	27.8	26.1	26.1	26.2	26.4	25.5	25.3	24.0	29.7	26.2	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 50.500 HIGH THIS YEAR 61.300 LOW THIS YEAR 49.000

	Year	A PRICE HIGH	B PRICE LOW	C Earnings Per Share	D Price Earnings Ratio HIGH A ÷ C	E Price Earnings Ratio LOW B ÷ C	F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100
1	1998	44.9	31.7	1.34	33.6	23.7	0.485	36.3	1.5
2	1999	53.4	38.5	1.49	36.0	25.9	0.545	36.7	1.4
3	2000	53.0	33.1	1.71	31.0	19.4	0.620	36.3	1.9
4	2001	61.0	40.3	1.91	31.9	21.1	0.700	36.6	1.7
5	2002	65.9	41.4	2.27	29.0	18.2	0.795	35.0	1.9
6	TOTAL		185.0		161.5	108.3		180.9	
7	AVERAGE		37.0		32.3	21.7		36.2	

8 AVERAGE PRICE EARNINGS RATIO 27.0 9 CURRENT PRICE EARNINGS RATIO 20.4

Proj. P/E [18.50] Based on Next 4 qtr. EPS [2.73] Current P/E Based on Last 4 qtr. EPS [2.47]

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 ~~32.3~~ 24.1 (3D7 as adj.) X Estimate High Earnings/Share 4.07 = Forecast High Price $ 98.1 (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~21.7~~ 16.3 (3E7 as adj.) X Estimated Low Earnings/Share ~~2.27~~ 2.21 = $ 36.0

(b) Avg. Low Price of Last 5 Years = 37.0 (3B7)

(c) Recent Severe Market Low Price = 40.3

(d) Price Dividend Will Support Present Divd. 0.960 / High Yield (H) 0.019 = 50.0

Selected Estimate Low Price = $ 36.0 (4B1)

C ZONING

98.1 (4A1) High Forecast Price Minus 36.0 (4B1) Low Forecast Price Equals 62.1 (C) Range. 1/3 of Range = 20.7 (4CD)

(4C2) Lower 1/3 = (4B1) 36.0 to 56.7 (Buy)

(4C3) Middle 1/3 = 56.7 to 77.4 (Maybe)

(4C4) Upper 1/3 = 77.4 to 98.1 (4A1) (Sell)

Present Market Price of 50.500 is in the Buy (4C5) Range

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

High Price (4A1) 98.1 Minus Present Price 50.500 / Present Price 50.500 Minus Low Price (4B1) 36.0 = 47.6 / 14.5 = 3.3 (4D) To 1

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

High Price (4A1) 98.1 / Present Market Price 50.500 = (1.943) X 100 = (194.3) - 100 = 94.3 (4E) % Appreciation

Relative Value: 75.6% Proj. Relative Value: 68.5%

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 $ 0.960 / Present Price of Stock $ 50.500 = 0.019 X 100 = 1.9 (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years 3.33 X Avg. % Payout (3G7) 36.2 = 120.5 / Present Price $ 50.500 = 2.4 (5B) %

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 94.3 / 5 = 18.9 %

Average Yield (5B) 2.4 %

Average Total Annual Return Over the Next 5 Years (5C) 21.3 %

	P.A.R.	Tot. Ret.
Average Yield	1.8%	1.5%
Annual Appreciation	10.2%	14.2%
% Compd Ann Rate of Ret	12.0%	15.7%

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NATIONAL ASSOCIATION OF INVESTORS CORPORATION
NAIC
INVESTMENT EDUCATION FOR INDIVIDUALS AND CLUBS SINCE 1951

PERT Worksheet-A

Company JOHNSON & JOHNSON (JNJ)

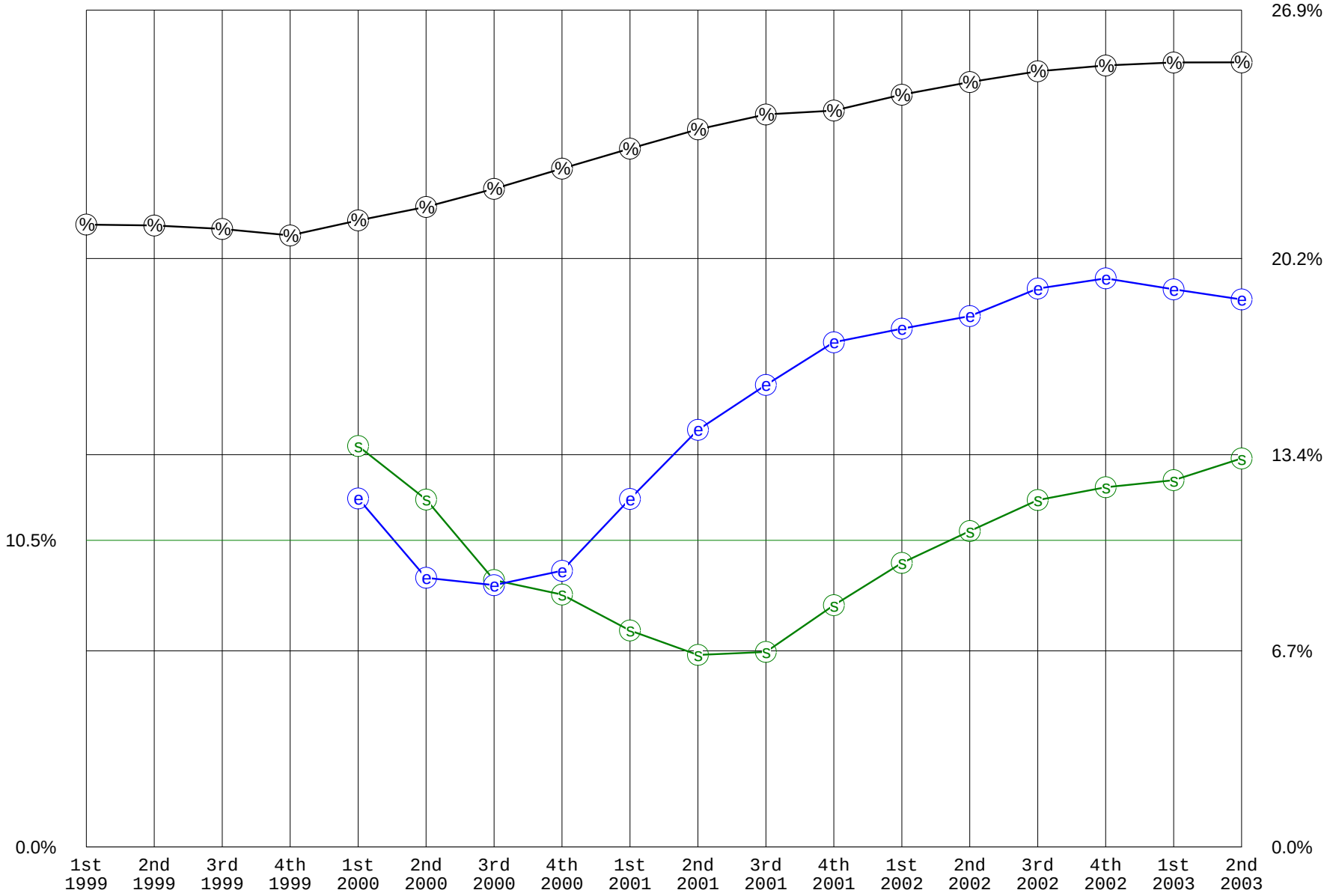
QUARTERLY DATA									LAST 12 MONTHS DATA									
PERIOD	EPS		PRE-TAX PROFIT			SALES		INCOME TAX RATE	EPS $	PRE-TAX PROFIT		SALES MIL	INCOME TAX		% CHANGE		
	$	% CHANGE	$ MIL	% SALES	% CHANGE	$ MIL	% CHANGE			$ MIL	% SALES		$ MIL	% RATE	EPS	PRE-TAX PROFIT	SALES
03/98								27.4						27.7			
06/98	0.35		1,417.00	23.9		5,941.00		27.0						27.5			
09/98	0.35		1,317.00	23.0		5,724.00		27.0						27.3			
12/98	0.25		924.00	14.5		6,367.00		25.9						26.8			
03/99	0.40		1,622.00	24.1		6,739.00		30.0	1.35	5,280.00	21.3	24,771.0	1,450.8	27.5			
06/99	0.41	17.5	1,629.00	23.4	15.0	6,971.00	17.3	28.5	1.41	5,492.00	21.3	25,801.0	1,529.1	27.8			
09/99	0.39	11.4	1,531.00	22.2	16.2	6,884.00	20.3	27.8	1.45	5,706.00	21.2	26,961.0	1,599.3	28.0			
12/99	0.28	12.0	971.00	14.1	5.1	6,877.00	8.0	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	11.9	14.5	13.7
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	9.2	15.2	11.9
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	9.0	16.2	9.1
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								29.0						28.0			
12/03								29.0						29.0			
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T

Printed: 09/07/03 11:39 AM Prepared by: MG Using The NAIC Investor's Toolkit

Trailing 4 quarters

PERT Worksheet-A Graph

Company JOHNSON & JOHNSON (JNJ)



JOHNSON & JOHNSON NYSE-JNJ

RECENT PRICE **49.26** | P/E RATIO **18.2** (Trailing: 20.2 Median: 25.0) | RELATIVE P/E RATIO **1.04** | DIV'D YLD **2.0%** | **VALUE LINE**

TIMELINESS 3 Lowered 6/27/03
SAFETY 1 New 7/27/90
TECHNICAL 3 Raised 8/22/03
BETA .75 (1.00 = Market)

2006-08 PROJECTIONS

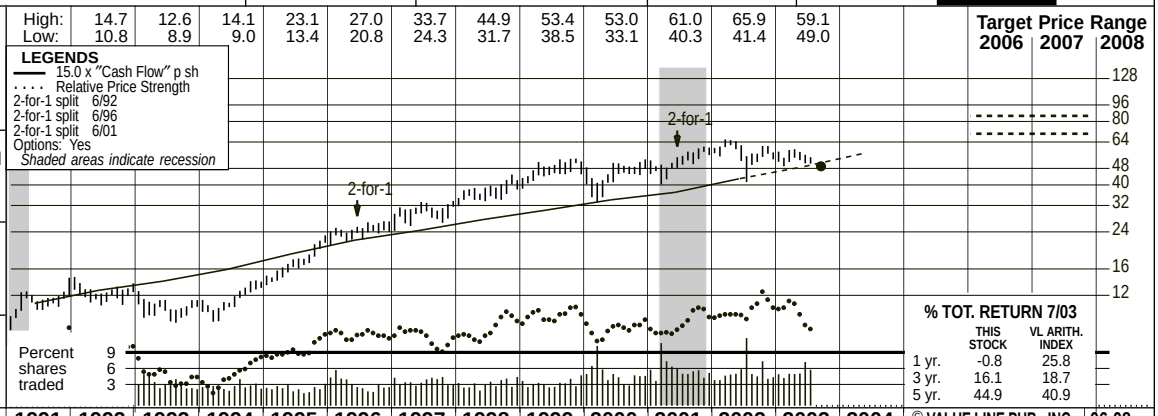
	Price	Gain	Ann'l Total Return
High	85	(+75%)	*16%*
Low	70	(+40%)	*11%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	0	0	0	0
Options	0	1	0	0	2	0	3	3	0
to Sell	0	0	0	0	2	0	3	1	0

Institutional Decisions

	3Q2002	4Q2002	1Q2003
to Buy	600	552	570
to Sell	679	734	704
Hld's(000)	1813102	1820714	1839343



1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB., INC.	06-08
2.91	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	***13.80***	***15.65***	Sales per sh [A]	***19.70***
.43	.51	.56	.65	.73	.85	.93	1.06	1.26	1.46	1.62	1.83	2.03	2.27	2.46	2.85	***3.25***	***3.80***	"Cash Flow" per sh	***4.85***
.30	.36	.41	.48	.55	.62	.69	.78	.93	1.09	1.21	1.34	1.49	1.70	1.91	2.23	***2.60***	***3.00***	Earnings per sh [B]	***3.80***
.10	.12	.14	.16	.19	.22	.25	.28	.32	.37	.43	.49	.55	.62	.70	.80	***.93***	***1.05***	Div'ds Decl'd per sh ■[C]	***1.32***
.19	.25	.28	.31	.37	.42	.38	.36	.48	.52	.52	.54	.62	.59	.57	.71	***.60***	***.70***	Cap'l Spending per sh	***.90***
1.27	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	***9.35***	***11.40***	Book Value per sh [D]	***18.50***
2753.5	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	***2970.0***	***2970.0***	Common Shs Outst'g [E]	***2970.0***
17.9	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	***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	***20.0***
1.20	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			Relative P/E Ratio	***1.35***
1.9%	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%			Avg Ann'l Div'd Yield	***1.7%***
14138	15734	18842	21620	22629	23657	27471	29139	33004	36298	***41000***	***46500***	Sales ($mill) [A]	***58500***
21.3%	22.4%	23.2%	24.6%	25.1%	26.6%	27.0%	27.4%	28.8%	31.2%	***31.5%***	***32.0%***	Operating Margin	***32.0%***
617.0	724.0	857.0	1009.0	1067.0	1246.0	1444.0	1515.0	1605.0	1662.0	***1875***	***2125***	Depreciation ($mill)	***2950***
1787.0	2006.0	2403.0	2887.0	3303.0	3677.6	4209.0	4800.0	5885.0	6810.8	***7800***	***9100***	Net Profit ($mill)	***11500***
23.4%	25.2%	27.6%	28.4%	27.8%	27.1%	27.5%	27.5%	28.2%	29.6%	***29.0%***	***29.0%***	Income Tax Rate	***29.0%***
12.6%	12.7%	12.8%	13.4%	14.6%	15.5%	15.3%	16.5%	17.8%	18.8%	***19.0%***	***19.6%***	Net Profit Margin	***19.7%***
2005.0	2414.0	3550.0	4186.0	5280.0	2970.0	5746.0	8310.0	10429	7817.0	***10100***	***11200***	Working Cap'l ($mill)	***13700***
1493.0	2199.0	2107.0	1410.0	1126.0	1269.0	2450.0	2037.0	2217.0	2022.0	***3165***	***3165***	Long-Term Debt ($mill)	***3165***
5568.0	7122.0	9045.0	10836	12359	13590	16213	18808	24233	22697	***27800***	***33800***	Shr. Equity ($mill)	***54900***
26.1%	22.3%	22.3%	24.2%	24.9%	25.2%	22.9%	23.3%	22.5%	27.8%	***25.5%***	***25.0%***	Return on Total Cap'l	***20.0%***
32.1%	28.2%	26.6%	26.6%	26.7%	27.1%	26.0%	25.5%	24.3%	30.0%	***28.0%***	***27.0%***	Return on Shr. Equity	***21.0%***
20.3%	18.0%	17.4%	17.7%	17.5%	17.5%	16.8%	16.4%	15.8%	19.5%	***18.0%***	***17.5%***	Retained to Com Eq	***14.0%***
37%	36%	34%	34%	34%	35%	35%	36%	35%	35%	***35%***	***34%***	All Div'ds to Net Prof	***34%***

CAPITAL STRUCTURE as of 6/29/03
Total Debt $6,418 mill. **Due in 5 Yrs** $380.0 mill.
LT Debt $3,164 mill. **LT Interest** $185 mill. (11% of Cap'l)
Leases, Uncapitalized Annual rentals $138.0 mill.

Pension Assets-12/02 $4,705 mill. **Oblig.** $6,051 mill.
Pfd Stock None

Common Stock 2,968,017,528 shs.
as of 7/25/03

MARKET CAP: $146 billion (Large Cap)

CURRENT POSITION ($MILL.)	2001	2002	6/29/03
Cash Assets	7972	7475	7862
Receivables	4630	5399	6426
Inventory (FIFO)	2992	3303	3680
Other	2879	3089	3407
Current Assets	18473	19266	21375
Accts Payable	2838	3621	3589
Debt Due	793	2117	3254
Other	4413	5711	5993
Current Liab.	8044	11449	12836

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '00-'02 to '06-'08
Sales	9.0%	7.0%	*10.0%*
"Cash Flow"	13.0%	12.0%	*11.5%*
Earnings	13.5%	12.5%	*12.0%*
Dividends	14.0%	13.5%	*11.0%*
Book Value	14.0%	13.0%	*16.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) [A] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2000	7319	7508	7204	7108	29139
2001	8021	8342	8238	8403	33004
2002	8743	9073	9079	9403	36298
2003	9821	10322	***10400***	***10457***	***41000***
2004	***11000***	***11400***	***11800***	***12300***	***46500***

Fiscal Year Ends	EARNINGS PER SHARE [AB] Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Fiscal Year
2000	.47	.47	.45	.31	1.70
2001	.50	.51	.50	.40	1.91
2002	.59	.60	.60	.46	2.23
2003	.69	.70	***.67***	***.54***	***2.60***
2004	***.79***	***.79***	***.77***	***.65***	***3.00***

Cal-endar	QUARTERLY DIVIDENDS PAID [C]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1999	.125	.14	.14	.14	.55
2000	.14	.16	.16	.16	.62
2001	.16	.18	.18	.18	.70
2002	.18	.205	.205	.205	.80
2003	.205	.240			

BUSINESS: Johnson & Johnson manufactures and sells health care products. Major lines by segment: Consumer (baby care, nonprescription drugs, sanitary protection, and skin care), Professional (wound closures, minimally invasive surgical instruments, diagnostics, orthopedics, and contact lenses), and Pharmaceutical (contraceptives, and psychiatric, anti-infective, and dermatological drugs). Important brands: *Band-Aid*, *Monistat*, *Neutrogena*, *Reach*, *Stayfree*, and *Tylenol*. Int'l business, 38% of '02 sales. '02 deprec. rate: 11.6%; R&D, 10.9% of sales. Has 101,800 empl.; 164,200 stockholders. Off./dir. own 0.2% (3/02 Proxy). Chrmn. & CEO: William Weldon. Inc.: NJ. Addr.: One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Tel.: 732-524-0400. Internet: www.jnj.com.

The April FDA approval of Johnson & Johnson's coronary stent should be a key driver of earnings for 2003 and 2004. Primarily due to the strong demand for the drug-eluting stent *Cypher*, June-quarter sales from circulatory disease management products increased 40% over the prior-year period. J&J controls more than 50% of the U.S. stent market, on a dollar basis. In sum, we look for share net to advance roughly 15% for each of 2003 and 2004, to $2.60 and $3.00, respectively.

The growth rate in the pharmaceutical division will likely slow. First, revenue from the company's top drugs, such as the *Procrit/Eprex* franchise (anemia) and *Remicade* (rheumatoid arthritis), are hurting due to greater branded competition. Amgen's *Aranesp* is taking market share from *Procrit/Eprex*, and Amgen's *Enbrel* and Abbott's *Humira* from *Remicade*. Second, *Duragesic* (chronic pain) will soon face generic competition. We expect domestic sales to fall dramatically from an estimated $1.2 billion in 2004, when its patent expires in January, 2005.

Johnson & Johnson continues to invest heavily in research and development. It plans to file *AP48*, the next-generation *Duragesic*, with the FDA by 2005. Also, J&J is looking to expand opportunities for several drugs, including broadening *Remicade*'s indications. Furthermore, its acquisition of biotechnology company Scios, which closed during the June quarter, boosts J&J's drug pipeline. Most notably, it gains *Natrecor* (congestive heart failure), which may have a peak annual sales potential of several hundred million dollars, and *SCIO-469*, an oral pill in Phase II trials for rheumatoid arthritis.

These shares are trading at a more reasonable price-to-earnings multiple. They are 17% off their yearly high. On a risk-adjusted basis, this stock offers good total-return potential to 2006–2008, despite our projections of share earnings advancing at a mid-teens annual rate to 2004 and falling to single digits in 2005.

Nancy Chow *September 5, 2003*

Sales (and Operating Margins)[F] by Business Line

	2001	2002	2003	2004
Consumer	6962(14.4%)	6564(18.7%)	***7100(20.5%)***	***7800(20.0%)***
Professional	11191(17.9%)	12583(19.8%)	***14300(18.5%)***	***16700(19.0%)***
Pharmaceutical	14851(33.2%)	17151(33.7%)	***19600(34.0%)***	***22000(33.5%)***
Company Total	33004(24.0%)	36298(25.6%)	***41000(24.5%)***	***46500(24.0%)***

(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¢). May not sum to total due to rounding. Next earnings report due mid-October. **(C)** Dividends historically paid mid: March, June, Sept., Dec. ■Div'd reinvestment plan available. **(D)** Incl. intang. in '02: $9.2 billion, $3.11/sh. **(E)** In mill., adj. for stock splits. **(F)** Based on earnings before interest expense and taxes; includes nonrecurring items.

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

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