



Stock Selection Guide®

The most widely used aid to good investment judgment

Company JOHNSON & JOHNSON Date 12/22/03

Prepared by MG Data taken from M

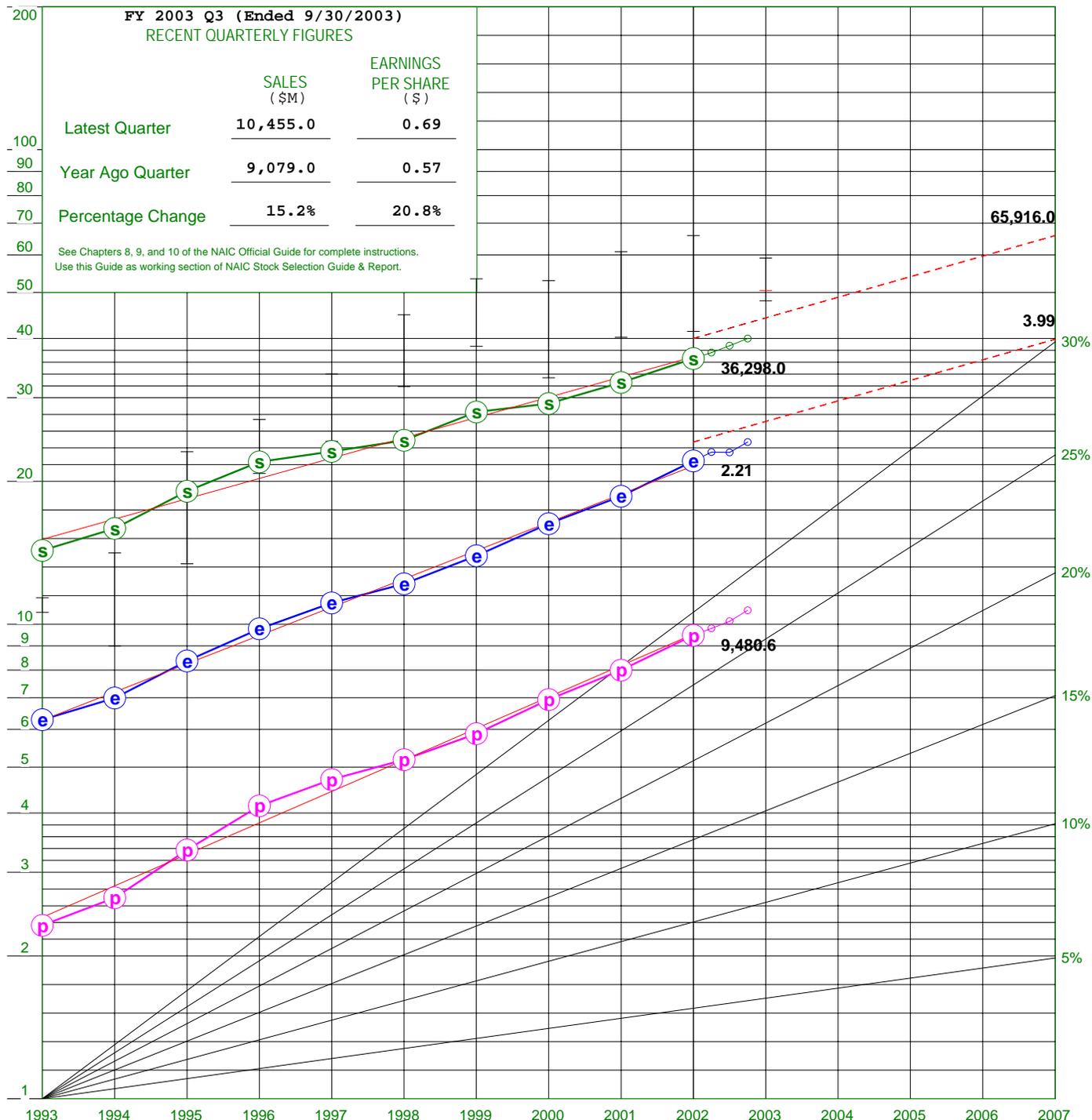
Where traded NYSE Major product/service Major Drugs

CAPITALIZATION --- Outstanding Amounts Reference

Preferred (\$M)	0.0	% Insiders	% Institution
Common (M Shares)	2,968.0	1.0	63.8
Debt (\$M)	4,139.0	% to Tot.Cap.	15.6 % Potential Dil.
			None

1 VISUAL ANALYSIS of Sales, Earnings and Price

JNJ



(1) Historical Sales Growth 10.3 % (3) Historical Earnings Per Share Growth 14.7 %
 (2) Estimated Future Sales Growth 10.5 % (4) Estimated Future Earnings Per Share Growth 10.5 %

Printed: 12/26/03 10:30 AM Prepared by: MG Using The NAIC Investor's Toolkit

2 EVALUATING MANAGEMENT

Company **JOHNSON & JOHNSON** (JNJ)

12/22/03

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	16.2	16.7	17.5	18.8	20.4	21.2	21.0	23.8	24.8	26.1	23.4	UP	
B % Earned on Equity (E/S ÷ Book Value)	30.1	26.1	24.8	25.1	25.9	24.8	24.5	23.9	23.3	29.2	25.1	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.

Year	PRESENT PRICE		50.480		HIGH THIS YEAR		59.080		LOW THIS YEAR		48.050	
	A	B	C	D	E	F	G	H				
	HIGH	LOW	Earnings Per Share	Price Earnings Ratio	Price Earnings Ratio	Dividend Per Share	% Payout	% High Yield				
1 1998	44.9	31.7	1.22	36.9	26.1	0.490	40.3	1.5				
2 1999	53.4	38.5	1.39	38.3	27.6	0.550	39.5	1.4				
3 2000	53.0	33.1	1.63	32.5	20.3	0.620	38.1	1.9				
4 2001	61.0	40.3	1.86	32.8	21.7	0.700	37.6	1.7				
5 2002	65.9	41.4	2.21	29.8	18.8	0.800	36.2	1.9				
6 TOTAL	185.0				170.3	114.5	191.7					
7 AVERAGE	37.0				34.1	22.9	38.3					
8 AVERAGE PRICE EARNINGS RATIO	28.5		9		CURRENT PRICE EARNINGS RATIO		20.9					

4 Proj. P/E [18.88] Based on Next 4 qtr. EPS [2.67] Current P/E Based on Last 4 qtr. EPS [2.42] 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 ~~34.1~~ 27.7 X Estimate High Earnings/Share 3.99 = Forecast High Price \$ 110.5
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~22.9~~ 18.8 X Estimated Low Earnings/Share ~~2.21~~ 2.27 = \$ 42.7

(b) Avg. Low Price of Last 5 Years = 37.0
(3E7)

(c) Recent Severe Market Low Price = 40.3
(3B7)

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.960}{0.019} = 49.7$

Selected Estimate Low Price = \$ 36.0
(4B1)

C ZONING

110.5 High Forecast Price Minus 36.0 Low Forecast Price Equals 74.5 Range. 1/3 of Range = 18.6
(4A1) (4B1) (C) (4CD)

(4C2) Lower 1/3 = 36.0 to 54.6 (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = 54.6 to 91.9 (Maybe)

(4C4) Upper 1/3 = 91.9 to 110.5 (4A1) (Sell)

Present Market Price of 50.480 is in the Buy Range
(4C5)

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

High Price (4A1) 110.5 Minus Present Price 50.480 = 60.0 = 4.1 To 1
 Present Price 50.480 Minus Low Price (4B1) 36.0 = 14.5 (4D)

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

High Price (4A1) 110.5
 Present Market Price 50.480 = (2.189) X 100 = (218.9) - 100 = 118.9 % Appreciation
(4E)

Relative Value: 73.3% Proj. Relative Value: 66.2%

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.

A Present Full Year's Dividend \$ 0.960
 Present Price of Stock \$ 50.480 = 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 3.27 X Avg. % Payout ~~38.3~~ 36.2 = 118.4 = 2.3 %
(3G) (5B)

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

		P.A.R.	Tot. Ret.
5 Year Appreciation Potential <small>(4E)</small>	<u>118.9</u>		
Average Yield <small>(5B)</small>	<u>2.3</u> %	<u>1.6%</u>	<u>1.3%</u>
Average Total Annual Return Over the Next 5 Years <small>(5C)</small>	<u>26.1</u> %	<u>12.9%</u>	<u>17.0%</u>
		<u>14.5%</u>	<u>18.3%</u>

Trailing 4 quarters

PERT Worksheet-A Graph

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