

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 3, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-3215

JOHNSON & JOHNSON
(Exact name of registrant as specified in its charter)

NEW JERSEY	22-1024240
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

New Brunswick, New Jersey 08933
(Address of principal executive offices, including zip code)

908-524-0400
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On April 29, 1994, 643,188,466 shares of Common Stock, \$1.00 par value, were outstanding.

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JOHNSON & JOHNSON AND SUBSIDIARIES

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Part I - FINANCIAL INFORMATION

Item 1 - FINANCIAL STATEMENTS

JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Unaudited; Dollars in Millions)

ASSETS

	April 3, 1994	January 2, 1994
Current Assets:		
Cash and cash equivalents	\$ 334	372
Marketable securities (Note 2)	99	104
Accounts receivable, trade, less allowances \$210 (1993 - \$170)	2,296	2,107
Inventories (Note 4)	1,834	1,717
Deferred taxes on income	429	399
Prepaid expenses and other		

receivables	675	518	
Total current assets	5,667	5,217	
Marketable securities, non-current, at cost, which approximates market value	437	437	
Property, plant and equipment, at cost	6,985	6,783	
Less accumulated depreciation and amortization	2,567	2,377	
		4,418	4,406
Intangible assets, net (Note 5)	969	925	
Deferred taxes on income	476	484	
Other assets (Note 2)	859	773	
Total Assets	\$ 12,826	12,242	

See Notes to Consolidated Financial Statements

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JOHNSON & JOHNSON AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(Unaudited; Dollars in Millions)

LIABILITIES AND STOCKHOLDERS' EQUITY

	April 3, 1994	January 2, 1994	
Current Liabilities:			
Loans and notes payable	\$ 696	915	
Accounts payable	762	901	
Accrued liabilities	1,460	1,283	
Taxes on income	228	113	
Total current liabilities	3,146	3,212	
Long-term debt	1,505	1,493	
Deferred tax liability	129	122	
Certificates of extra compensation	81	91	
Other liabilities	1,873	1,756	
Stockholders' equity			
Preferred stock - without par value (authorized and unissued 2,000,000 shares)	-	-	
Common stock - par value \$1.00 per share (authorized 1,080,000,000 shares; issued 767,390,000 and 767,372,000 shares)	767	767	
Note receivable from employee stock ownership plan	(74)	(84)	
Cumulative currency translation adjustments	(212)	(338)	
Retained earnings (Note 2)	8,112	7,727	
		8,593	8,072
Less common stock held in treasury,			

at cost (124,388,000 & 124,391,000 shares)	2,501	2,504
Total stockholders' equity	6,092	5,568
Total liabilities and stockholders' equity	\$12,826	12,242

See Notes to Consolidated Financial Statements

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JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited; dollars & shares in millions
except per share figures)

	Fiscal Quarter Ended			
	April 3, 1994	Percent to Sales	April 4, 1993	Percent to Sales
Sales to customers (Note 6)	\$3,690	100.0	3,560	100.0
Cost of products sold	1,181	32.0	1,163	32.7
Selling, marketing and administrative expenses	1,480	40.1	1,436	40.3
Research expense	289	7.8	281	7.9
Other income	(22)	(.6)	(31)	(.9)
	2,928	79.3	2,849	80.0
Earnings before interest and taxes on income	762	20.7	711	20.0
Interest income	10	.2	20	.6
Interest expense, net of portion capitalized	(36)	(1.0)	(31)	(.9)
Earnings before provision for taxes on income	736	19.9	700	19.7
Provision for taxes on income (Note 3)	192	5.2	197	5.6
NET EARNINGS	\$ 544	14.7	503	14.1
NET EARNINGS PER SHARE	\$.85		.77	
CASH DIVIDENDS PER SHARE	\$.26		.23	
AVG. SHARES OUTSTANDING	643.1		655.4	

See Notes to Consolidated Financial Statements

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JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited; Dollars in Millions)

	Fiscal Quarter Ended	
	April 3, 1994	April 4, 1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 544	503
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property and intangibles	175	158
Increase in accounts receivable, trade, less allowances	(141)	(233)
Increase in inventories	(68)	(58)
Changes in other assets and liabilities	45	(79)
NET CASH FLOWS FROM OPERATING ACTIVITIES	555	291
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(141)	(187)
Proceeds from the disposal of assets	18	11
Acquisition of businesses, net of cash acquired	-	(19)
Other, principally marketable securities	(76)	16
NET CASH USED BY INVESTING ACTIVITIES	(199)	(179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends to stockholders	(167)	(151)
Repurchase of common stock	(34)	(21)
Proceeds from short-term debt	152	69
Retirement of short-term debt	(333)	(326)
Proceeds from long-term debt	8	55
Retirement of long-term debt	(46)	(1)
Proceeds from the exercise of stock options	15	8
NET CASH USED BY FINANCING ACTIVITIES	(405)	(367)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	11	(2)
DECREASE IN CASH AND CASH EQUIVALENTS	(38)	(257)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	372	745
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 334	488

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - The accompanying interim financial statements and related notes should be read in conjunction with the Consolidated Financial Statements of Johnson & Johnson and Subsidiaries and related notes as contained in the Annual Report on Form 10-K for the fiscal year ended January 2, 1994. The interim financial statements include all adjustments (consisting only of normal recurring adjustments) and accruals necessary in the judgment of management for a fair presentation of such statements. Earnings per share were calculated on the basis of the average number of shares of common stock outstanding during the applicable period.

NOTE 2 - ADOPTION OF SFAS NO. 115 - Effective January 3, 1994, the Company adopted Statement of Financial Accounting Standards (SFAS)

No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Investments subject to this standard are required to be carried at fair value, unless they are held to maturity. There was no effect on income as a result of adopting SFAS No. 115.

The fair value of investment securities subject to the provisions of SFAS No. 115, totaled \$209 million at April 3, 1994, which exceeded the carrying amount by \$43 million.

This unrealized gain was credited to Stockholders' Equity at April 3, 1994 net of deferred income taxes of \$15 million. These investment securities are included in Marketable Securities Current and Other Assets on the balance sheet.

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NOTE 3 - INCOME TAXES

The effective income tax rates for the first three months of 1994 and 1993 are 26.1% and 28.1%, respectively, as compared to the U.S. federal statutory rate of 35%. The major reason for this difference is the result of domestic subsidiaries operating in Puerto Rico under a grant providing for tax relief.

NOTE 4 - INVENTORIES

(Dollars in Millions)	April 3, 1994	Jan. 2, 1994
Raw materials and supplies	\$ 500	448
Goods in process	519	485
Finished goods	815	784
	\$ 1,834	1,717

NOTE 5 - INTANGIBLE ASSETS

(Dollars in Millions)	April 3, 1994	Jan. 2, 1994
Intangible assets	\$ 1,320	1,255
Less accumulated amortization	351	330
	\$ 969	925

The excess of the cost over the fair value of net assets of purchased businesses is recorded as goodwill and is amortized on a straight-line basis over periods of 40 years or less. The cost of other acquired intangibles is amortized on a straight-line basis over their estimated useful lives.

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NOTE 6 - SALES TO CUSTOMERS BY SEGMENT OF BUSINESS AND GEOGRAPHIC AREAS

(Dollars in Millions)

SALES BY SEGMENT OF BUSINESS

	First Quarter		
	1994	1993	Percent Increase (Decrease)
Consumer			
Domestic	\$ 670	702	(4.6)
International	609	575	5.9

	1,279	1,277	.2%
Pharmaceutical			
Domestic	\$ 496	429	15.6
International	694	683	1.6
	1,190	1,112	7.0%
Professional			
Domestic	\$ 681	669	1.8
International	540	502	7.6
	1,221	1,171	4.3%
Domestic	\$ 1,847	1,800	2.6
International	1,843	1,760	4.7
Worldwide	\$ 3,690	3,560	3.7%

SALES BY GEOGRAPHIC AREAS

	First Quarter		Percent Increase (Decrease)
	1994	1993	
U.S.	\$ 1,847	1,800	2.6
Europe	1,073	1,052	2.0
Western Hemisphere excluding U.S.	331	334	(.9)
Africa, Asia, & Pacific	439	374	17.4
Total	\$ 3,690	3,560	3.7%

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Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SALES AND EARNINGS

Consolidated sales for the first quarter of 1994 were \$3,690 million, an increase of 3.7% over 1993 first quarter sales of \$3,560 million. The effect of the stronger dollar relative to foreign currencies decreased first quarter's sales by 2.1%. Excluding the negative effect of currency, sales grew 5.8% on an operational basis for the first quarter of 1994. Consolidated net earnings for the first quarter of 1994 were \$544 million, compared with \$503 million for the same period a year ago, an increase of 8.2%. Earnings per share for the period were \$.85, compared with \$.77 for the same period in 1993, an increase of 10.4%.

Domestic sales for the first three months of 1994 were \$1,847 million, an increase of 2.6% over 1993 domestic sales of \$1,800 million for the same period. Sales by international subsidiaries were \$1,843 million for the first quarter of 1994 compared with \$1,760 million for the same period a year ago, an increase of 4.7%. Excluding the impact of the higher value of the dollar, international sales increased by 9.0% for the quarter.

Worldwide consumer sales were even for the quarter, versus the same period a year ago. International sales increased 5.9% while domestic sales declined 4.6%. McNeil Consumer, manufacturer of TYLENOL, IMODIUM and other over-the-counter drugs, posted higher sales, but the increase was offset by the inventory reduction at the wholesalers' level experienced by Johnson & Johnson Consumer Products, Inc. and the fierce competition in the over-the-counter market for vaginal yeast infection remedies encountered by MONISTAT. The increase in international sales was led by the

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addition of RoC, the adult skin care business acquired in December, 1993 as well as a strong performance in Asia-Pacific.

Worldwide pharmaceutical sales for the quarter increased 7.0%, with domestic sales growing 15.6%. Leading the increase in domestic pharmaceutical sales gains were PROCREDIT, an anti-anemia drug; PREPULSID, a gastrointestinal product; DURAGESIC, a transdermal patch for severe chronic pain; FLOXIN, an anti-bacterial; SPORANOX, an anti-fungal drug; and the recently introduced RISPERDAL.

RISPERDAL, a new anti-psychotic medication, reduces both the positive and negative symptoms of schizophrenia. This drug was approved by the U.S. Food & Drug Administration in late December of 1993 and was launched by Janssen in mid-February. Sales to date substantiated the positive feedback received from physicians. RISPERDAL is now being marketed in 11 countries around the world.

International pharmaceutical sales were up 1.6%. Excluding the negative effect of currency, sales rose in the mid-single digit range for the quarter. Strong sales were registered by PREPULSID and SPORANOX. The pharmaceutical business in Europe, particularly Italy and Germany where drastic adjustments in government health care systems were made in 1993, is beginning to stabilize. Japan's results were strong, as were those from developing pharmaceutical markets, including China.

Worldwide sales for the professional segment increased 4.3%. The increase in domestic sales was limited to 1.8%, primarily due to adverse comparisons given the second quarter 1993 divestiture of Sterile Design, a business that packages custom supplies for surgical procedures. After adjusting for the divestiture, domestic sales increased by 5%. The growth within the professional segment

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was led by the outstanding performance of Ethicon Endo-Surgery, which markets instruments used in less-invasive surgery, and LifeScan, which markets blood glucose monitoring systems.

International professional business increased 7.6%, or a low double-digit gain excluding the adverse currency effect. Ethicon Endo-Surgery and LifeScan were major contributors both internationally and domestically. Professional products sales in the Asia-Pacific region also increased significantly.

Average shares of common stock outstanding in the first three months of 1994 were 643.1 million, compared with 655.4 million for the same period a year ago. This decrease is a result of a \$500 million share repurchase program in 1993.

LIQUIDITY AND CAPITAL RESOURCES

Net debt (borrowings net of cash and current marketable securities) was 22.5% of net capital compared with 25.8% at the end of 1993. Net debt decreased by \$164 million during the first three months of 1994 to \$1.77 billion at April 3, 1994. Total debt represented 26.5% of total capital (stockholders' equity and total borrowings) at quarter end, compared with 30.2% at the end of 1993.

Additions to property, plant and equipment were \$141 million for the first three months of 1994, compared with \$187 for the same period in 1993.

On April 28, 1994, the Board of Directors raised the quarterly dividend from 26 cents per share to 29 cents per share, an increase of 11.5%. The dividend is payable on June 7, 1994 to shareholders of record as of May 17, 1994.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JOHNSON & JOHNSON
(Registrant)

Date: May 13, 1994

By C. H. Johnson
C. H. Johnson
(Vice President, Finance)

Date: May 13, 1994

By A. W. Roulston
A. W. Roulston
(Vice Pres., Corporate
Controller)

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EXHIBIT INDEX

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JOHNSON & JOHNSON AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE

(Dollars and shares in millions except per share figures)

	First Quarter Ended	
	April 3, 1994	April 4, 1993
1. Net Earnings	\$ 544	503
2. Average number of shares outstanding during the period.....	643.1	655.4
3. Earnings per share based upon average outstanding shares (1 / 2)	\$.85	.77
4. Fully diluted earnings per share:		
a. Average number of shares outstanding during the period.	643.1	655.4
b. Shares issuable under stock compensation agreements at quarter-end3	.7
c. Shares reserved under the stock option plan for which the market price at end of quarter exceeds the option price..	17.0	20.0
d. Aggregate proceeds to the Company from the exercise of options in 4c	422	536
e. Market price of the Company's common stock at fiscal quarter-end.....	37.75	40.13
f. Shares which could be repurchased under the treasury stock method (4d / 4e)	11.2	13.4
g. Addition to average outstanding shares (4b + 4c - 4f).....	6.1	7.3
h. Shares for fully diluted earnings per share calculation		

(4a + 4g)	649.2	662.7
i. Fully diluted earnings per share		
(1 / 4h)	\$.84	.76