

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 October 3, 1993

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 (I.R.S. Employer  
incorporation or organization) 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 October 29, 1993, 646,314,175 shares of Common Stock, \$1.00 par value, were outstanding.

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JOHNSON & JOHNSON AND SUBSIDIARIES

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Items 1 through 6 are not applicable

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Part I - FINANCIAL INFORMATION

Item 1 - FINANCIAL STATEMENTS

JOHNSON & JOHNSON AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Unaudited; Dollars in Millions)

ASSETS

	Oct. 3, 1993	January 3, 1993
Current Assets:		
Cash and cash equivalents	\$ 644	745
Marketable securities, at cost which approximates market value	137	133
Accounts receivable, trade, less allowances \$160 (1992 - \$143)	2,135	1,855
Inventories (Note 4)	1,844	1,742

Deferred taxes on income	266	327
Prepaid expenses and other receivables	609	621
 Total current assets	 5,635	 5,423
Marketable securities, non-current, at cost, which approximates market value	423	355
Property, plant and equipment, at cost	6,732	6,303
Less accumulated depreciation and amortization	2,469	2,188
	4,263	4,115
Intangible assets, net (Note 5)	673	716
Deferred taxes on income	596	506
Other assets	811	769
 Total Assets	 \$ 12,401	 11,884

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

	Oct. 3, 1993	January 3, 1993
Current Liabilities:		
Loans and notes payable	\$ 1,044	1,032
Accounts payable	778	910
Accrued liabilities	1,287	1,302
Taxes on income	228	183
Total current liabilities	3,337	3,427
Long-term debt	1,276	1,365
Deferred tax liability	87	91
Certificates of extra compensation	97	94
Other liabilities	1,909	1,736
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 767,370,000 and 767,366,000 shares)	767	767
Note receivable from employee stock ownership plan	(84)	(92)

Cumulative currency translation adjustments	(260)	(146)
Retained earnings	7,581	6,648
	8,004	7,177
Less common stock held in treasury, at cost (119,870,000 & 111,970,000 shares)	2,309	2,006
Total stockholders' equity	5,695	5,171
Total liabilities and stockholders' equity	\$ 12,401	11,884

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)

	Oct. 3, 1993	Fiscal Quarter Ended Percent to Sales	Sept 27, 1992	Percent to Sales
Sales to customers (Note 6)	\$3,506	100.0	3,480	100.0
Cost of products sold	1,188	33.9	1,198	34.4
Selling, marketing and administrative expenses	1,445	41.2	1,431	41.1
Research expense	277	7.9	277	8.0
Interest income	(18)	(.5)	(15)	(.4)
Interest expense, net of portion capitalized	29	.8	35	1.0
Other expense (income)	3	.1	(14)	(.4)
	2,924	83.4	2,912	83.7
Earnings before provision for taxes on income	582	16.6	568	16.3
Provision for taxes on income (Note 3)	128	3.7	154	4.4
NET EARNINGS	\$ 454	12.9	414	11.9
NET EARNINGS PER SHARE	\$ .70		.63	
CASH DIVIDENDS PER SHARE	\$ .26		.23	
AVG. SHARES OUTSTANDING	651.7		655.5	

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 Nine Months Ended			
	Oct. 3, 1993	Percent to Sales	Sept 27, 1992	Percent to Sales
Sales to customers (Note 6)	\$10,607	100.0	10,250	100.0
Cost of products sold	3,499	33.0	3,444	33.6
Selling, marketing and administrative expenses	4,313	40.7	4,175	40.7
Research expense	844	8.0	807	7.9
Interest income	(53)	(.5)	(69)	(.7)
Interest expense, net of portion capitalized	93	.8	83	.8
Other income	(41)	(.4)	(38)	(.3)
	8,655	81.6	8,402	82.0
Earnings before provision for taxes on income and cumulative effect of accounting changes	1,952	18.4	1,848	18.0
Provision for taxes on income (Note 3)	500	4.7	530	5.1
Earnings before cumulative effect of acctg changes	1,452	13.7	1,318	12.9
Cumulative effect of accounting changes, net of taxes (Note 2)	-	-	(595)	N.M.
NET EARNINGS	\$ 1,452	13.7	723	N.M.
NET EARNINGS PER SHARE (Note 2)				
Before cumulative effect of accounting changes	\$ 2.22		1.99	
Cumulative effect of accounting changes, net of taxes (Note 2)	-		(.90)	
NET EARNINGS PER SHARE	\$ 2.22		1.09	
CASH DIVIDENDS PER SHARE	\$ .75		.66	
AVG. SHARES OUTSTANDING	653.9		660.8	

N.M. - not meaningful

See Notes to Consolidated Financial Statements

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JOHNSON & JOHNSON AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited; Dollars in Millions)

Fiscal  
Nine Months Ended

	Oct. 3, 1993	Sept 27, 1992
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$1,452	723
Cumulative effect of accounting changes	-	595
Earnings before cumulative effect of accounting changes	1,452	1,318
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property and intangibles	468	427
Increase in accounts receivable, trade, less allowances	(313)	(378)
Increase in inventories	(142)	(230)
Changes in other assets and liabilities	79	234
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,544	1,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(631)	(687)
Proceeds from the disposal of assets	27	31
Acquisition of businesses, net of cash acquired	(24)	(47)
Other, principally marketable securities	(117)	(245)
NET CASH USED BY INVESTING ACTIVITIES	(745)	(948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends to stockholders	(491)	(436)
Repurchase of common stock	(361)	(603)
Employee stock ownership plan note repayment	8	8
Proceeds from short-term debt	261	644
Retirement of short-term debt	(162)	(216)
Proceeds from long-term debt	165	557
Retirement of long-term debt	(313)	(335)
Proceeds from the exercise of stock options	24	35
NET CASH USED BY FINANCING ACTIVITIES	(869)	(346)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(31)	15
DECREASE (INCREASE) IN CASH & CASH EQUIVALENTS	(101)	92
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	745	589
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 644	681

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 3, 1993. 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. However, the information contained therein is subject to year-end adjustments and audit by independent public accountants. 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. 106, SFAS NO. 109 & SFAS NO. 112  
The Company adopted the provisions of Statement of Financial Accounting Standards SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in 1992. SFAS No.

106 requires accrual accounting for these benefits rather than accounting for them on a cash basis. Upon adoption, the Company elected to record the accumulated obligation of \$549 million pretax (\$340 million after-tax or \$.52 per share) as a one-time charge against earnings in the form of a cumulative effect of an accounting change.

In 1992, the Company also elected early adoption of Statement of Financial Accounting Standard SFAS No. 109, "Accounting for Income Taxes." The cumulative effect of \$35 million, or \$.05 per share, is reported as a one-time charge in the 1992 Consolidated

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Statements of Earnings. The standard requires a change from the deferred to the liability method of computing deferred income taxes. Deferred income taxes are recognized for tax consequences of "temporary differences" by applying enacted statutory tax rates, applicable to future years, to differences between the financial reporting and the tax basis of existing assets and liabilities.

In 1992, the Company adopted the provisions of Statement of Financial Accounting Standards SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires accrual accounting for these benefits rather than the cash method of accounting. Upon adoption, the Company elected to record the accumulated obligation of \$343 million (\$220 million after-tax or \$.33 per share) as a one-time charge against earnings in the form of a cumulative effect of an accounting change.

The 1992 results have been restated to reflect a one-time after-tax charge of \$595 million or \$.90 a share, due to the company's early adoption of accounting changes for postretirement benefits, income taxes and postemployment benefits. In addition, third quarter and nine months results have been restated to include incremental after-tax charges, attributable to these accounting changes, of \$11 million and \$35 million, respectively.

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NOTE 3 - INCOME TAXES

The effective income tax rates for 1993 and 1992 are as follows:

	1993	1992
First Quarter	28.1%	29.8%
First Half	27.2	29.4
Nine Months	25.6	28.7

The effective income tax rates for the first nine months of 1993 and 1992 are 25.6% and 28.7%, 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. The 1993 tax rate was also favorably impacted by the 1993 Tax Act which extended the Research Tax Credit retroactive from July, 1992. In addition, the increase in the Corporate tax rate to 35%, created a gain associated with the write-up of net U.S. deferred tax receivables.

NOTE 4 - INVENTORIES

(Dollars in Millions)	Oct. 3, 1993	Jan. 3, 1993
Raw materials and supplies	\$ 487	415
Goods in process	425	457
Finished goods	932	870

\$ 1,844                      1,742

NOTE 5 - INTANGIBLE ASSETS

(Dollars in Millions)	Oct. 3, 1993	Jan. 3, 1993
Intangible assets	\$ 1,002	1,012
Less accumulated amortization	329	296
	\$ 673	716

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

	Third Quarter			Nine Months		
	1993	1992	Percent Increase (Decrease)	1993	1992	Percent Increase
Consumer						
Domestic	\$ 682	683	(.1)	\$ 1,992	1,983	.5
Int'l	533	556	(4.1)	1,684	1,653	1.9
	1,215	1,239	(1.9)%	3,676	3,636	1.1%
Pharmaceutical						
Domestic	\$ 458	406	12.8	\$ 1,315	1,184	11.1
Int'l	653	687	(4.9)	2,027	2,024	.1
	1,111	1,093	1.6%	3,342	3,208	4.2%
Professional						
Domestic	\$ 698	658	6.1	\$ 2,079	1,915	8.6
Int'l	482	490	(1.6)	1,510	1,491	1.3
	1,180	1,148	2.8%	3,589	3,406	5.4%
Domestic	\$ 1,838	1,747	5.2	\$ 5,386	5,082	6.0
Int'l	1,668	1,733	(3.8)	5,221	5,168	1.0
Worldwide	\$ 3,506	3,480	.7%	\$10,607	10,250	3.5%

SALES BY GEOGRAPHIC AREAS

	Third Quarter			Nine Months		
	1993	1992	Percent Increase (Decrease)	1993	1992	Percent Increase (Decrease)
U.S.	\$ 1,838	1,747	5.2	\$ 5,386	5,082	6.0
Europe	932	1,082	(13.9)	3,062	3,227	(5.1)
West. Hemis. excl. U.S.A.	328	300	9.3	988	890	11.0
Africa, Asia, & Pacific	408	351	16.2	1,171	1,051	11.4
Total	\$ 3,506	3,480	.7%	\$10,607	10,250	3.5%



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

SALES AND EARNINGS

Consolidated sales for the first nine months of 1993 of \$10,607 million exceeded sales of \$10,250 million for the first nine months of 1992 by 3.5%. The strength of the U.S. dollar relative to foreign currencies decreased sales for the first nine months of 1993 by 4.3%. Excluding currency, sales increased 7.8% on an operational basis for the first nine months of 1993. Consolidated net earnings for the first nine months of 1993 were \$1,452 million, compared with net earnings of \$1,318 million for the first nine months of 1992, before the cumulative effect of 1992 accounting changes. Earnings per share for the first nine months of 1993 were \$2.22 compared with \$1.99 in the 1992 period, prior to the cumulative effect of the 1992 accounting changes.

Consolidated net earnings and earnings per share in 1992 were reduced by \$595 million, or \$.90 per share, due to the company's adoption of accounting changes for postretirement benefits, income taxes, and postemployment benefits. Excluding the one-time charge in 1992, net earnings and earnings per share rose to 10.2% and 11.6%, respectively.

Consolidated sales for the third quarter of 1993 were \$3,506 million, an increase of .7% over 1992 third quarter sales of \$3,480 million. The effect of a stronger U.S. dollar relative to foreign currencies decreased third quarter sales by 6.4%. Excluding the effect of currency exchange rates, sales would have increased 7.1%. Consolidated net earnings for the third quarter of 1993 were \$454 million, compared with \$414 million for the same period a year ago, an increase of 9.7%. Earnings per share - 12 - for the third quarter of 1993 rose 11.1% to \$.70 compared with \$.63 in the 1992 period.

Domestic sales for the first nine months of 1993 were \$5,386 million, an increase of 6.0% over 1992 domestic sales of \$5,082 million for the same period a year ago. Sales by international subsidiaries were \$5,221 million for the first nine months of 1993 compared with \$5,168 million for the same period a year ago, an increase of 1.0%. Excluding the impact of the stronger value of the dollar, international sales increased by 9.6%.

Consumer sales decreased 1.9% worldwide for the quarter versus the same period a year ago. Domestic consumer sales growth was slowed by a sluggish retail environment and increased competitive pressure from private label products. The decline in international consumer sales was due to negative currency translation. In local currencies, international sales increased in the middle single-digit range.

Pharmaceutical sales for the third quarter increased 1.6% worldwide. Domestic pharmaceutical sales increased 12.8% due to sales gains in PROCIT, an anti-anemia drug; LEUSTATIN, a drug that treats hairy cell leukemia; SPORANOX, an antifungal; oral contraceptive products; FLOXIN, an antibiotic; DURAGESIC, the transdermal patch for chronic cancer pain; and the introduction of PROPULSID, a gastrointestinal product. International pharmaceutical sales declined 4.9% for the period due to a strong U.S. dollar relative to local currencies and adjustments in health care systems in many major international markets. Nevertheless, in local currencies, international pharmaceutical sales increased in the high single-digit range.

Domestic professional sales, for the third period, increased 6.1%, while worldwide professional sales were up 2.8%. The domestic sales growth was led by the rapid expansion of the less-invasive surgery business, solid growth from the ACUVUE Disposable Contact Lens business, further market penetration of the ONE TOUCH II Blood Glucose Monitoring System, and the orthopaedics business. Despite these sales gains, domestic professional sales growth was slowed by a sluggish hospital supply business for the period. The decline of 1.6% in reported international professional sales was due, in large part, to the

strength of the U.S. dollar relative to local currencies. Excluding the negative impact of currency translation, international professional sales grew in low double digits for the period.

Average shares of common stock outstanding for the third quarter and nine months of 1993 were 651.7 and 653.9 million, respectively, compared with 655.5 and 660.8 million for the same periods a year ago.

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#### LIQUIDITY AND CAPITAL RESOURCES

Net debt (borrowings net of cash and current marketable securities) was 21.3% of net capital compared with 22.7% at the end of 1992. Net debt increased by \$20 million during the first nine months of 1993 to \$1.54 billion at the end of the third quarter. Total debt represented 28.9% of total capital (stockholders' equity and total borrowings) at quarter end, compared with 31.7% at the end of 1992.

Additions to property, plant and equipment were \$631 million for the first nine months of 1993, compared with \$687 for the same period in 1992.

On October 25, 1993, the Board of Directors approved a regular quarterly dividend of 26 cents per share payable on December 7, 1993 to stockholders of record as of November 16, 1993.

#### OTHER

Earlier in the quarter, the Company announced plans to reduce future annual costs through a voluntary early retirement program and other initiatives. As previously announced, the estimated cost of these actions is approximately \$200 million pretax, and has been primarily provided for in the previously disclosed reserve for SFAS No. 112, "Employers' Accounting for Post-Employment Benefits." This cost will not result in a special charge to consolidated earnings.

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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: November 15, 1993

By C. H. Johnson

C. H. Johnson

(Vice President, Finance)

Date: November 15, 1993

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

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EXHIBIT INDEX

Regulation S-K Exhibit Table Item No.	Description of Exhibit	Page No.
11	Calculation of Earnings per Share	18-19

JOHNSON & JOHNSON AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE

(Dollars and shares in millions except per share figures)

	Fiscal	
	Quarter Ended	
	Oct. 3,	Sept 27,
	1993	1992
1. Net Earnings .....	\$ 454	414
2. Average number of shares outstanding during the period.....	651.7	655.5
3. Earnings per share based upon average outstanding shares (1 / 2)	\$ .70	.63
4. Fully diluted earnings per share:		
a. Average number of shares outstanding during the period.	651.7	655.5
b. Shares issuable under stock compensation agreements at quarter-end .....	.7	.7
c. Shares reserved under the stock option plan for which the market price at end of quarter exceeds the option price..	19.0	23.2
d. Aggregate proceeds to the Company from the exercise of options in 4c .....	521	633
e. Market price of the Company's common stock at fiscal quarter-end.....	39.13	47.63
f. Shares which could be repurchased under the treasury stock method (4d / 4e) .....	13.3	13.3
g. Addition to average outstanding shares (4b + 4c - 4f).....	6.4	10.6
h. Shares for fully diluted earnings per share calculation (4a + 4g) .....	658.1	666.1
i. Fully diluted earnings per share (1 / 4h) .....	\$ .69	.62

JOHNSON & JOHNSON AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE

(Dollars and shares in millions except per share figures)

	Fiscal	
	Nine Months Ended	
	Oct. 3, 1993	Sept 27, 1992
1. Net Earnings .....	\$1,452	723
2. Average number of shares outstanding during the period.....	653.9	660.8
3. Earnings per share based upon average outstanding shares (1 / 2)....	2.22	1.09
4. Fully diluted earnings per share:		
a. Average number of shares out- standing during the period.	653.9	660.8
b. Shares issuable under stock compensation agreements at quarter-end .....	.7	.7
c. Shares reserved under the stock option plan for which the market price at end of quarter exceeds the option price..	19.0	23.2
d. Aggregate proceeds to the Company from the exercise of options in 4c .....	521	633
e. Market price of the Company's common stock at fiscal quarter-end.....	39.13	47.63
f. Shares which could be repurchased under the treasury stock method (4d / 4e).....	13.3	13.3
g. Addition to average outstanding shares (4b + 4c - 4f).....	6.4	10.6
h. Shares for fully diluted earnings per share calculation (4a + 4g) .....	660.3	671.4
i. Fully diluted earnings per share (1 / 4h).....	\$ 2.20	1.08