

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 July 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 (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 July 29, 1994, 643,265,231 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

	July 3, 1994	January 2, 1994
Current Assets:		
Cash and cash equivalents	\$ 571	372
Marketable securities (Note 2)	116	104
Accounts receivable, trade, less allowances \$217 (1993 - \$170)	2,440	2,107
Inventories (Note 4)	1,901	1,717
Deferred taxes on income	447	399
Prepaid expenses and other receivables	645	518
Total current assets	6,120	5,217
Marketable securities, non-current, at cost, which approximates market value	464	437
Property, plant and equipment, at cost	7,183	6,783
Less accumulated depreciation and amortization	2,704	2,377
	4,479	4,406
Intangible assets, net (Note 5)	975	925
Deferred taxes on income	487	484
Other assets (Note 2)	917	773
Total Assets	\$ 13,442	12,242

See Notes to Consolidated Financial Statements

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

LIABILITIES AND STOCKHOLDERS' EQUITY

	July 3, 1994	January 2, 1994
Current Liabilities:		
Loans and notes payable	\$ 585	915
Accounts payable	829	901
Accrued liabilities	1,488	1,283
Taxes on income	295	113
Total current liabilities	3,197	3,212
Long-term debt	1,510	1,493
Deferred tax liability	153	122
Certificates of extra compensation	77	91
Other liabilities	1,884	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 767,391,000 and 767,372,000 shares)	767	767
Note receivable from employee stock ownership plan	(73)	(84)
Cumulative currency translation adjustments	(50)	(338)
Retained earnings (Note 2)	8,455	7,727
	9,099	8,072
Less common stock held in treasury, at cost (123,858,000 & 124,391,000 shares)	2,478	2,504
Total stockholders' equity	6,621	5,568
Total liabilities and stockholders' equity	\$13,442	12,242

See Notes to Consolidated Financial Statements

JOHNSON & JOHNSON AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited; dollars & shares in millions
except per share figures)

	July 3, 1994	Fiscal Quarter Ended Percent to Sales	July 4, 1993	Percent to Sales
Sales to customers (Note 6)	\$3,916	100.0	3,541	100.0
Cost of products sold	1,287	32.8	1,148	32.4
Selling, marketing and administrative expenses	1,558	39.8	1,432	40.4
Research expense	313	8.0	286	8.1
Other income	(28)	(.7)	(13)	(.3)
	3,130	79.9	2,853	80.6
Earnings before interest and taxes on income	786	20.1	688	19.4
Interest income	9	.2	15	.4
Interest expense, net of portion capitalized	(33)	(.8)	(33)	(.9)
Earnings before provision for taxes on income	762	19.5	670	18.9
Provision for taxes on income (Note 3)	203	5.2	175	4.9
NET EARNINGS	\$ 559	14.3	495	14.0
NET EARNINGS PER SHARE	\$.86		.75	
CASH DIVIDENDS PER SHARE	\$.29		.26	
AVG. SHARES OUTSTANDING	643.3		655.3	

See Notes to Consolidated Financial Statements

JOHNSON & JOHNSON AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited; dollars & shares in millions
except per share figures)

	Fiscal Six Months Ended			
	July 3, 1994	Percent to Sales	July 4, 1993	Percent to Sales
Sales to customers (Note 6)	\$7,606	100.0	7,101	100.0
Cost of products sold	2,468	32.5	2,311	32.5
Selling, marketing and administrative expenses	3,038	39.9	2,868	40.4
Research expense	602	7.9	567	8.0
Other income	(50)	(.7)	(44)	(.6)
	6,058	79.6	5,702	80.3
Earnings before interest and taxes on income	1,548	20.4	1,399	19.7
Interest income	19	.2	35	.5
Interest expense, net of portion capitalized	(69)	(.9)	(64)	(.9)
Earnings before provision for taxes on income	1,498	19.7	1,370	19.3
Provision for taxes on income (Note 3)	395	5.2	372	5.2
NET EARNINGS	\$1,103	14.5	998	14.1
NET EARNINGS PER SHARE	\$ 1.71		1.52	
CASH DIVIDENDS PER SHARE	\$.55		.49	
AVG. SHARES OUTSTANDING	643.2		655.4	

See Notes to Consolidated Financial Statements

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

	Fiscal Six Months Ended	
	July 3, 1994	July 4, 1993
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$1,103	998
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization of property and intangibles	354	316
Increase in accounts receivable, trade, less allowances	(263)	(317)
Increase in inventories	(100)	(153)
Changes in other assets and liabilities	132	(42)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,226	802
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(327)	(375)
Proceeds from the disposal of assets	102	14
Acquisition of businesses, net of cash acquired	-	(24)
Other, principally marketable securities	(132)	(18)
NET CASH USED BY INVESTING ACTIVITIES	(357)	(403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends to stockholders	(354)	(321)
Repurchase of common stock	(39)	(64)
Proceeds from short-term debt	213	85
Retirement of short-term debt	(466)	(161)
Proceeds from long-term debt	11	155
Retirement of long-term debt	(88)	(221)
Proceeds from the exercise of stock options	27	17
NET CASH USED BY FINANCING ACTIVITIES	(696)	(510)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	26	(39)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	199	(150)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	372	745
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 571	595

See Notes to Consolidated Financial Statements

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 \$203 million at July 3, 1994, which exceeded the carrying amount by \$20 million.

This unrealized gain was credited to Stockholders' Equity at July 3, 1994 net of deferred income taxes of \$7 million. These investment securities are included in Marketable Securities Current and Other Assets on the balance sheet.

NOTE 3 - INCOME TAXES

The effective income tax rates for 1994 and 1993 are as follows:

	1994	1993
First Quarter	26.1%	28.1%
Second Quarter	26.6	26.1
First Half	26.4	27.2

The effective income tax rates for the first half of 1994 and 1993 are 26.4% and 27.2%, 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)	July 3, 1994	Jan. 2, 1994
Raw materials and supplies	\$ 527	448
Goods in process	485	485
Finished goods	889	784
	\$ 1,901	1,717

NOTE 5 - INTANGIBLE ASSETS

(Dollars in Millions)	July 3, 1994	Jan. 2, 1994
Intangible assets	\$ 1,332	1,255
Less accumulated amortization	357	330
	\$ 975	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.

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

(Dollars in Millions)

SALES BY SEGMENT OF BUSINESS

	Second Quarter			Six Months		
	1994	1993	Percent Increase	1994	1993	Percent Increase (Decrease)
Consumer						
Domestic	\$ 624	608	2.6	1,294	1,310	(1.2)
International	646	576	12.2	1,255	1,151	9.0
	1,270	1,184	7.3%	2,549	2,461	3.6%
Pharmaceutical						
Domestic	\$ 541	428	26.4	1,037	857	21.0
International	767	691	11.0	1,461	1,374	6.3
	1,308	1,119	16.9%	2,498	2,231	12.0%
Professional						
Domestic	\$ 744	712	4.5	1,425	1,381	3.2
International	594	526	12.9	1,134	1,028	10.3
	1,338	1,238	8.1%	2,559	2,409	6.2%
Domestic	\$1,909	1,748	9.2	3,756	3,548	5.9
International	2,007	1,793	11.9	3,850	3,553	8.4
Worldwide	\$3,916	3,541	10.6%	7,606	7,101	7.1%

SALES BY GEOGRAPHIC AREAS

	Second Quarter			Six Months		
	1994	1993	Percent Increase	1994	1993	Percent Increase
U.S.	\$1,909	1,748	9.2	3,756	3,548	5.9
Europe	1,176	1,078	9.1	2,249	2,130	5.6
Western Hemisphere excluding U.S.	356	326	9.2	687	660	4.1
Africa, Asia and Pacific	475	389	22.1	914	763	19.8
Total	\$3,916	3,541	10.6%	7,606	7,101	7.1%

NOTE 7 - SUBSEQUENT EVENT

In August, 1994, the Company announced that it has signed a definitive agreement to sell the ophthalmic pharmaceutical product line of Iolab Corporation for approximately \$300 million. This transaction is expected to be consummated on or about September 1, 1994.

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

SALES AND EARNINGS

Consolidated sales for the first six months of 1994 of \$7,606 million exceeded sales of \$7,101 million for the first six months of 1993 by 7.1%. The strength of the U.S. dollar relative to foreign currencies decreased sales for the first six months of 1994 by 1.6%. Excluding currency, sales increased 8.7% on an operational basis for the first six months of 1994. Consolidated net earnings for the first six months of 1994 were \$1,103 million, compared with net earnings of \$998 million for the first six months of 1993. Earnings per share for the first six months of 1994 were \$1.71 compared with \$1.52 for the same period a year ago. Net earnings and earnings per share rose 10.5% and 12.5%, respectively.

Consolidated sales for the second quarter of 1994 were \$3,916 million, an increase of 10.6% over 1993 second quarter sales of \$3,541 million. The effect of the stronger U.S. dollar relative to foreign currencies decreased second quarter sales by 1.1%. Excluding the effect of currency exchange rates, sales would have increased 11.7%. Consolidated net earnings for the second quarter of 1994 were \$559 million, compared with \$495 million for the same period a year ago, an increase of 12.9%. Earnings per share for the second quarter of 1994 rose 14.7% to \$.86 compared with \$.75 in the 1993 period.

Domestic sales for the first six months of 1994 were \$3,756 million, an increase of 5.9% over 1993 domestic sales of \$3,548 million for the same period a year ago. Sales by international subsidiaries were \$3,850 million for the first six months of 1994 compared with \$3,553 million for the same period a year ago, an increase of 8.4%. Excluding the impact of the stronger value of the dollar, international sales increased by 11.6%.

Consumer sales increased 7.3% worldwide for the quarter versus the same period a year ago. Domestic sales growth was led by higher sales posted by McNeil Consumer Products Company, manufacturer of TYLENOL, IMODIUM A-D, and other over-the-counter drugs. The increase was partially offset by a decline in MONISTAT sales by Advanced Care Products due to the intense competition in the over-the-counter market for vaginal yeast infection remedies. The increase in international sales was attributed to the strong performance in the Asia-Pacific and Latin America regions, as well as the addition of RoC, the French-based adult skin care business acquired in December, 1993.

Worldwide pharmaceutical sales for the quarter increased 16.9%, with domestic sales growing 26.4%. Leading the increase in domestic pharmaceutical sales gains were RISPERDAL, a new anti-psychotic medication for schizophrenia; PROPULSID, a gastrointestinal product introduced during the third quarter of 1993; FLOXIN, an anti-bacterial; PROCRT, an anti-anemia drug and SPORANOX, an anti-fungal drug. RISPERDAL, since its launch last February, has met with considerable support from the medical community and is gaining market share due to its efficacy in treating the symptoms of schizophrenia. International pharmaceutical sales were up 11%, led by strong sales increases registered by EPREX, an anti-anemia drug SPORANOX and PREPULSID, a gastrointestinal drug.

Worldwide sales for the professional segment increased 8.1%. The domestic sales increase was 4.5%, or 7.8% if adjusted for the divestiture of Sterile Design in 1993, a business that packaged custom supplies for surgical procedures. Worldwide growth continued to be led by the excellent performance of Ethicon Endo-Surgery, which markets instruments used in less-invasive surgery, Vistakon, which markets disposable contact lenses, and LifeScan, which markets blood glucose monitoring systems. Ethicon Endo-Surgery continued to gain market share in both the endoscopic and mechanical wound closure markets at an impressive pace.

Average shares of common stock outstanding in the first half of 1994 were 643.2 million, compared with 655.4 million for the same period a year ago, as 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 17.5% of net capital compared with 25.8% at the end of 1993. Net debt decreased by \$524 million during the first six months of 1994 to \$1.41 billion at July 3, 1994. Total debt represented 24.0% 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 \$327 million for the first six months of 1994, compared with \$375 for the same period in 1993.

On July 18, 1994, the Board of Directors approved a regular quarterly dividend of 29 cents per share payable on September 6, 1994 to shareholders of record as of August 16, 1994.

Part II - Other Information

Item 4. Submission of Matters to a Vote of Security Holders

(a) The annual meeting of the stockholders of the Company was held on April 28, 1994.

(b) The Stockholders elected all the Company's nominees for director and approved the appointment of Coopers & Lybrand as the Company's independent auditors for 1994. The votes were as follows:

1. Election of Directors:

	For	Withheld
J. W. Black	542,406,690	8,094,799
G. N. Burrow	542,537,573	7,963,916
R. E. Campbell	542,565,396	7,936,093
J. G. Cooney	542,346,880	8,154,609
P. M. Hawley	541,424,885	9,076,604
C. H. Johnson	542,551,895	7,949,594
A. D. Jordan	542,396,925	8,131,564
A. G. Langbo	542,542,096	7,959,393
R. S. Larsen	542,501,351	8,000,138
J. S. Mayo	542,644,063	7,857,426
T. S. Murphy	542,444,134	8,057,355
P. J. Rizzo	542,451,544	8,049,945
M. F. Singer	542,505,018	7,996,471
R. B. Smith	539,909,760	10,591,729
R. N. Wilson	542,444,154	8,057,335

2. Approval of Appointment of Coopers & Lybrand:

For	547,463,613
Against	1,464,730
Abstain	1,573,146

(c) A stockholder proposal on pharmaceutical pricing. The vote on this proposal was as follows:

For	17,317,012
Against	446,420,832
Abstain	15,607,035

(d) A scheduled stockholder proposal on Executive Compensation was not presented at the meeting.

EXHIBIT INDEX

Regulation S-K Exhibit Table Item No.	Description of Exhibit	Page No.
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JOHNSON & JOHNSON AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE

(Dollars and shares in millions except per share figures)

	Fiscal Quarter Ended	
	July 3, 1994	July 4, 1993
1. Net Earnings	\$ 559	495
2. Average number of shares outstanding during the period.....	643.3	655.3
3. Earnings per share based upon average outstanding shares (1 / 2)	\$.86	.75
4. Fully diluted earnings per share:		
a. Average number of shares out- standing during the period.	643.3	655.3
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..	16.0	19.0
d. Aggregate proceeds to the Company from the exercise of options in 4c	413	530
e. Market price of the Company's common stock at fiscal quarter-end.....	42.88	39.88
f. Shares which could be repurchased under the treasury stock method (4d / 4e)	9.6	13.3
g. Addition to average outstanding shares (4b + 4c - 4f).....	6.7	6.4
h. Shares for fully diluted earnings per share calculation (4a + 4g)	650.0	661.7
i. Fully diluted earnings per share (1 / 4h)	\$.86	.75

JOHNSON & JOHNSON AND SUBSIDIARIES

CALCULATION OF EARNINGS PER SHARE

(Dollars and shares in millions except per share figures)

	Fiscal	
	Six Months Ended	July 4,
	July 3,	July 4,
	1994	1993
1. Net Earnings	\$1,103	998
2. Average number of shares outstanding during the period.....	643.2	655.4
3. Earnings per share based upon average outstanding shares (1 / 2)	\$ 1.71	1.52
4. Fully diluted earnings per share:		
a. Average number of shares outstanding during the period.	643.2	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..	16.0	19.0
d. Aggregate proceeds to the Company from the exercise of options in 4c	413	530
e. Market price of the Company's common stock at fiscal quarter-end.....	42.88	39.88
f. Shares which could be repurchased under the treasury stock method (4d / 4e)	9.6	13.3
g. Addition to average outstanding shares (4b + 4c - 4f).....	6.7	6.4
h. Shares for fully diluted earnings per share calculation (4a + 4g)	649.9	661.8
i. Fully diluted earnings per share (1 / 4h)	\$ 1.70	1.51