January 22, 2018

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 2018-200
Proposed Accounting Standard Update Leases (Topic 842) – Targeted Improvements

Dear Chairman Golden,

Johnson & Johnson welcomes the opportunity to comment on the Financial Accounting Standards Board (FASB) proposed Accounting Standards Update 2016-02---Leases (Topic 842) - Targeted Improvements (“the proposed ASU”). Based on our review of the proposed ASU, we believe that it is a positive change, which will improve financial reporting and disclosure for leases. The amendments in this proposed Update would provide an additional transition method for companies to adopt the new lease requirements by recognizing a cumulative-effect adjustment to retained earnings in the period of adoption without adjusting the prior comparative periods presented.

We fully support the additional transition method to adopt the new lease requirements. We believe this additional transition methodology could significantly simplify transition to the new guidance from an operational perspective and help alleviate incremental costs and time related to the presentation of comparable periods (i.e. 2017 and 2018 for most public filers). For example, a public company lessee would not have to measure and recognize leases that expired prior to the effective date of January 1, 2019.

The proposed ASU would also provide lessors with an alternative by not separating non-lease components from the related lease components, but instead, account for those components as a single lease component. Although the proposed practical expedient does not significantly impact J&J, we are supportive of it as it would further reduce operational complexity related to separating components and allocating consideration between them for lessors.
We support the proposed ASU the Board is proposing to help reduce the overall burden and incremental costs for companies to implement the lease standard. Thank you very much for taking our comments into consideration.

Sincerely,

Ronald A. Kapusta
Vice President, Corporate Controller

Stephen Rivera
VP, Global Technical Accounting
Advisory Services & Policy