

Notice Regarding the Disclosure of Corporate Information Concerning the Impact of the COVID-19 Infection

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Financial Services Agency

1. Introduction

The spread of the COVID-19 infection is broadly affecting the economic activities of listed companies. Under such an uncertain business environment, the sufficient disclosure of corporate information from the viewpoint of the top management is important for investors' investment decisions. Additionally, such information disclosure also contributes to enhancing and maintaining sustainable corporate value through constructive dialogues between investors and companies. Furthermore, efforts from such perspective to enhance the disclosure of corporate information in relation to the current infection that is spreading globally will contribute to improving the reliability of the Japanese capital markets.

2. Disclosure of corporate information concerning the impact of the COVID-19 infection in securities reports

(1) Inclusion of additional information in disclosure of financial information

The Accounting Standards Board of Japan publicized the Summary of the Discussions, "Incorporating the Effects of the Novel Coronavirus Pandemic when Making Accounting Estimates under Japanese GAAP" (publicized on April 10 and supplemented on May 11, 2020).

The Summary states that in financial information, "it is necessary to specifically disclose information that enables users of financial statements to understand the assumptions that were made to make the accounting estimates, and if such information is material, entities shall disclose 'additional information'."

The Supplement states that in such cases, "as a result of making accounting estimates for this business year, if it is found that the impact of the infection on the amounts for this year's financial statements is immaterial but there remains a risk of a significant impact on the following year's financial statements, disclosing additional information on assumptions, including assumed future spread of the infection and timing of resumption of a normal situation, would be helpful for users of financial statements and is therefore strongly recommended."

Disclosure of accounting estimates is thus considered to be helpful as information for investors in understanding relevant companies' financial statements. Regarding highly uncertain matters, like the impact of the COVID-19 infection, it is strongly recommended to disclose assumptions made at the time of making accounting estimates as specifically as possible as additional financial information.

(2) Disclosure of non-financial information (descriptive information)

Amended Cabinet Office Order¹ to be applied from the account settlement for the term ending in March 2020 provides that, regarding accounting estimates used

¹ Cabinet Office Order Partially Amending the Cabinet Office Order on Disclosure of Corporate Affairs (promulgated and enforced on January 31, 2019)

for preparing consolidated financial statements and assumptions for making the estimates that are especially significant, "the details of the uncertainties in the estimates and the assumptions, and the impact on results of operations, etc. caused by fluctuations of those uncertainties" must be disclosed as non-financial information (descriptive information).² However, when these are already disclosed as additional financial information, it is permitted to only state to that effect and omit them in the section of non-financial information.

Additionally, when changing any descriptions on the impact of the infection and countermeasures in the section of "Risk factors,"³ or any descriptions on the business performance, analysis of the impact on financing, or management strategies in the section of "Management discussion and analysis of financial condition and results of operations (MD&A)," it is also strongly recommended to sufficiently disclose the details of the changes as non-financial information.

(3) Coverage of review of securities reports

Matters to be disclosed as non-financial information prescribed in the amended Cabinet Office Order are subject to review of securities reports as publicized on March 27, 2020. Disclosed information concerning the impact of the COVID-19 infection is also included.

Based on the Summary of Discussions (including the Supplement) publicized by the Accounting Standards Board of Japan, additional information on assumptions concerning the impact of the COVID-19 infection disclosed as financial information will also be included as the subject of review of securities reports.

(Reference)

- Accounting Standards Board of Japan
 - [Response to the COVID-19 infection \(approach to the impact of the COVID-19 infection upon making accounting estimates\)](#) (available in Japanese)
 - [Disclosure of information concerning the impact of the COVID-19 infection "Approach to the impact of the COVID-19 infection upon making accounting estimates \(Supplement\)"](#) (available in Japanese)
- Financial Services Agency
 - [Information on the disclosure of corporate information \(enhancement of descriptive information\)](#) (available in Japanese)
 - [Notice regarding the implementation of review of securities reports \(FY2020\)](#) (available in Japanese)

² Sections of "Management policy, management environment, and problems to be addressed," "Risk factors," "Management discussion and analysis of financial condition and results of operations (MD&A)," etc. in securities reports.

³ Notice No. 16 "FSA's view concerning public comments on the amended Cabinet Office Order" (publicized on January 31, 2019) states that "Descriptions in the section of 'Risk factors' do not need to be accurate predictions of all uncertain future events, but should be specific explanations of major risks that top management recognizes as being likely to exert a significant impact on the results of their operations as of the time of submitting securities reports."