

Corporate Year-End Closing of Accounts, Auditing and shareholders meeting in  
Response to the Increasing Impact of COVID-19 (Novel Coronavirus)

April 15<sup>th</sup>, 2020

Networking Group on Corporate Year-End Closing of Accounts and Auditing in  
Response to the Increasing Impact of COVID-19

At a time when many Japanese companies deal with accounts settlement work in March and auditing work, there are increased possibilities that these works will be significantly delayed due to impact of the COVID-19 spread.

If related parties adhere to conduct these works formally complying with originally planned schedule, the purpose of related laws and regulations could be disregarded. In addition, the risk that related persons lose their health and safety would increase if they do not properly comply with governments' requests to stay home.

Bearing that in mind, we expect related parties to correspond flexibly and appropriately considering following points.

- A) Given the recent announcement of the revision of the Cabinet Office Order on Disclosure of Corporate Affairs which will extend the filing deadline of an annual and quarterly securities report, etc. to the end of September this year, companies and auditing firms need to prepare financial results and implement audits while considering to ensure safety of employees and those who engage in audit, as well as assuming the irregular schedule of these operations.

In this regard, companies with a fiscal year ended in March are required to take the following points into account to operate an annual general meeting of shareholders (AGM) which is usually held at the end of June:

- Companies are expected to consider appropriate measures to prevent COVID-19 spread based on the 'Questions and answers regarding operation of shareholders meetings (Ministry of Economy, Trade and Industry and Ministry of Justice, April 2, 2020)';
- It is not required to hold an AGM at the end of June under the current law

and regulations, and therefore, it is possible to defer the timing of the meeting; and

- If a company holds an AGM as originally planned in order to do financing or make business decisions in a timely manner, the company may consider, for instance, executing following procedures:
  - i. The company will hold an AGM as originally scheduled and request a resolution for the adjournment of it (Article 317, Companies Act). At the meeting, other issues such as election of directors may be resolved and the company is required to explain that financial statements and audit report will be provided at the “following meeting”.
  - ii. The company and the financial auditor will continue to prepare financial statements and perform audit while giving due consideration to ensure the safety of employees and those who perform the audit as mentioned above. The company is required to provide the financial statements and audit report with shareholders as soon as they are prepared, in order to ensure the sufficient time for shareholders to review them. The company is also required to hold the “following meeting” within a reasonable period after the AGM.
  - iii. At the “following meeting”, the company is required to provide sufficient explanation on financial statements and audit report. When holding the “following meeting”, it is necessary to fully inform shareholders, for instance, by dispatching a notice of the “following meeting” as needed.
  
- B) Investors are expected to pay more attention than usual to the necessity of ensuring financial soundness from a long-term perspective in order to contribute to the sustainable growth of investee companies. Investors are also expected to understand the handling of the above-mentioned AGMs and the “following meetings”, given the current plight of companies in year-end closing of accounts and audit.

(Attachment)

**List of Members of the Networking Group on the corporate disclosure, financial reporting and audit of listed companies in Consideration of the Impact of the COVID-19 (Novel Coronavirus) Infection**

(As of April 15, 2020)

**Members of the Networking Group**

- Japanese Institute of Certified Public Accountants
- Accounting Standards Board of Japan
- Tokyo Stock Exchange
- Japan Business Foundation (Keidanren)

**Observers of the Networking Group**

- Japan Bankers Association
- Ministry of Justice
- Ministry of Economy, Trade and Industry

**Secretariat of the Networking Group**

- Financial Services Agency