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COVID-19 Disclosures in Annual Securities Reports

Based on FSA opinion and status of financial results summary

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Summary

- This paper summarizes the opinions of the Tokyo Stock Exchange and other public institutions regarding disclosure of the effects of COVID-19, and then summarizes actual examples of disclosure in the financial results of corporations. Referring to these, we consider key points that corporations disclosing annual securities report should be aware of in the future.
- The TSE, ASBJ, and other public institutions require that financial forecasts and accounting estimates reflect the impact of the COVID-19 and actively disclose it. In particular, it is important to disclose information promptly, concretely, and in an easy-to-understand manner. In addition, companies may need to set up their own assumptions and premises in their earnings forecasts and accounting estimates.
- After summarizing the financial results of 221 companies out of the issues included in the Nikkei Stock Average, about half (112 companies) have not determined their earnings forecasts. On the other hand, 63 out of the 112 companies mentioned qualitative impacts of COVID-19. Many companies responded by describing specifically how their business and performance could be affected, despite the difficulty of estimating the forecast. In addition, in the disclosure of 221 companies, there were a certain number of descriptions of qualitative effects by segment (45 companies) and descriptions of assumptions regarding cessation of COVID-19 (48 companies).
- The FSA announced publication of "Disclosure of descriptive information on the effects of the novel coronavirus infection: Q&A-Pointers for good disclosure expected by investors." In this document, it is expected that descriptive information on which disclosure have been expanded will be related to the impacts of COVID-19 by segment, from management's perspective, including discussion history, and with specifics. Listed companies are required to take proactive measures, such as describing the qualitative effects of COVID-19 even in situations where it is difficult to disclose quantitative information by referring to materials and disclosures of other listed companies.

Attention

This report is a summary translation. The official document is only in Japanese.