

Chairman & President Statement

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The Japanese Institute of Certified Public Accountants

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Chairman and President

Statement with regard to the announcement on extension of declaration of a state of emergency

On May 4th, Japanese government announced the extension of declaration of a state of emergency until May 31st in response to continued prevalence of Covid-19. JICPA requests each member and associate member to continuously take actions compliant to the requests from the government and relevant authorities, including reduction of contact among people, remote work, and avoidance of “three Cs” (closed spaces, crowded places, and conversation in close proximity).

As you aware, there are many companies whose fiscal year is March in Japan – more than 2,400 listed companies (in addition to more than 700 listed companies with quarter end of March), more than 4,000 commercial law based audit unlisted companies as well as considerable number of non-business entities including educational, medical and social welfare corporations. Thus, usually our March year end audit has been conducted under extremely tight schedule between April and June.

In addition, in this March fiscal year end, quite a few companies have already extended their earnings release due to inefficiencies in financial closing and audit stemming from infection prevention measures like remote work under a state of emergency environment and delay in financial report from oversea subsidiaries etc.

Thus, if sticking to annual general shareholders’ meeting (AGM) schedule as in the business as usual circumstance, it would be difficult to secure sufficient time to complete closing / audit which would lead to a concern over significant constraint to ensure appropriateness of company’s financial disclosure.

Also, after “golden week” series of national holidays in Japan, it would become a realistic and critical challenge for companies to secure sufficient time to prepare AGM while ensuring safety and health of employees who are involved with AGM preparation.

In order to prepare for such case around AGM (which is usually held by the end of June), JICPA has requested companies to consider different schedule and change styles of their AGM from usual year, including defer the timing and hold the “following meeting” after AGM, collaborating with related organizations and authorities. However, there are still only a few companies to decide and defer AGM timing after July or to hold the “following meeting” after AGM.

It is imperative to secure sufficient time and audit quality in order to assure appropriateness of company’s financial disclosure. JICPA requests each member and associate member to continuously take timely and appropriate actions to have sufficient discussion with companies’ management and statutory auditor etc. on necessity of AGM timing extension or holding the “following meeting” after AGM

in order to avoid a situation where the purpose of related laws and regulations toward appropriate financial disclosure could be disregarded, while making people's safety of life the first priority for those whom are involved with closing and audit.