

The Exchange's Measures in Response to Accounting Fraud Cases at the Time of IPO



IPO Liaison Meeting

(Secretariat) Tokyo Stock Exchange, Inc.
Japan Exchange Regulation

December 12, 2025

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We take seriously the occurrence of accounting fraud during initial public offerings (IPOs). As an exchange, Tokyo Stock Exchange, Inc. and Japan Exchange Regulation we will work to enhance the quality of our listing examination functions as outlined below. We will also collaborate and cooperate with IPO stakeholders to prevent recurrence. (Initiatives by IPO stakeholders will be shared as appropriate at future IPO Liaison Meetings.)

Furthermore, when implementing recurrence prevention measures at the exchanges, consideration should be given to startup development perspectives to avoid placing excessive burdens on companies preparing for listing. Measures should be tailored to the level of fraud risk, ensuring a balanced approach.

1. Listing examination based on fraud risk

- Considering the risk of round-tripping and similar activities, in business models with a high ratio of transactions through agents, we will confirm the status of the substantive suppliers and customers, etc.
 - * In application documents for listing, we have added items requiring an overview of the major substantive suppliers and customers.
 - * If we identify business models with a high risk of fraud in the future, we will take similar measures.
- If the auditing firm is changed during the IPO preparation period, the reasons and circumstances for the change will be confirmed with the predecessor.
 - * For applicable initial listing applicants, we will request the establishment of an environment that enables interviews with the predecessor, such as the waiver of confidentiality obligations
 - * When conducting interviews, we will take care to respect the predecessor, for example by not disclosing the content of the interview to the initial listing applicant.
 - * Examinations will be conducted according to the scale, structure, and IPO experience of the successor.
 - * Similarly, if there is a change in the lead underwriter securities company, or if there is a change in the key personnel of the auditing firm or the lead underwriter securities company, the exchange will confirm the reasons and circumstances for such changes.

2. Review for the proper establishment of whistleblowing systems and enhancement of collection and sharing of fraud-related information

- Confirmation will be made of the status of whistleblowing systems at initial listing applicants.
 - * We will confirm the establishment of reporting channels independent from management, the development of internal rules such as ensuring the confidentiality of whistleblowers and prohibiting disadvantageous treatment, and measures to prevent reported information from being communicated to wrongdoers.
- In order to promptly receive information on misconduct, we will work together with IPO-related parties to raise awareness among officers and employees of companies preparing for listing about the existence of the exchange's information contact desk for information regarding the listing eligibility of companies preparing for an IPO.
 - * Confirmation will be made of the level of awareness during listing examinations.
 - * We will establish procedures for information collection to ensure that information received through the information contact desk can be easily shared with the lead underwriter securities company and the auditing firm.

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3. Awareness activities and other initiatives for executives

- We will strengthen awareness-raising activities for executives of companies preparing for listing, including the perspectives of integrity and fraud prevention and emphasizing the “responsibility of being a listed company.”
- During interviews with outside directors and auditors as part of the listing examination, we will confirm their assessment of the establishment and operation of systems for fraud prevention.
 - * We will also confirm the circumstances of the appointment of directors and auditors from the perspective of potential vulnerabilities in the company's fraud prevention systems and operations.

4. Partnership with IPO stakeholders

- In light of the fact that the range of auditing firms involved in IPOs has expanded to include those of small scale, we are hopeful for initiatives by the Japanese Institute of Certified Public Accountants to enhance the reliability of audits conducted by registered auditors of listed companies, etc., and the exchange will also cooperate in these efforts.
- In response to the strengthening of measures against fraud risks at the exchange, we will work in cooperation with the Japan Securities Dealers Association to ensure that securities companies appropriately fulfill their underwriting examination functions.

5. Initiatives to enhance the listing examination capabilities related to fraud risk at Japan Exchange Regulation (JPX-R)

- Based on the lessons learned from this case, enhance training related to listing examinations.
- Improve the ability to collect and analyze information on fraud risks through collaboration with IPO stakeholders and related organizations, interviews with industry participants and experts, and the use of AI.
- Ensure flexible and timely information sharing within JPX-R according to fraud risk.
- Expand the examination system to enhance listing examinations with a focus on fraud risk.
 - * Continue to flexibly apply the standard examination period according to the level of fraud risk.

Ref.: About the IPO Liaison Meeting

- The exchange established the IPO Liaison Meeting in January 2025 as a forum for regular discussions and exchange of opinions with stakeholders such as securities companies and audit firms regarding issues related to IPOs. Since then, the Exchange has been holding regular discussions on IPO-related issues.

Overview of the IPO Coordination Meeting

Participants	Lead underwriter securities companies: SMBC Nikko Securities Inc., SBI SECURITIES Co., Ltd., Daiwa Securities Co. Ltd., Nomura Securities Co., Ltd., Mizuho Securities Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Auditing firms: KPMG AZSA LLC, EY ShinNihon LLC, Grant Thornton Taiyo LLC, Deloitte Touche Tohmatsu LLC, PwC Japan LLC
Observers	Financial Services Agency, Japan Securities Dealers Association, Japanese Institute of Certified Public Accountants (from the fourth meeting onward)
Secretariat	Listing/New Listings Department, Tokyo Stock Exchange, Inc. Listing Examination Department, Japan Exchange Regulation
Meeting history • Main topics	<p>First meeting: January 22, 2025</p> <ul style="list-style-type: none">The exchange's response based on issues identified in IPO preparation <p>Second meeting: March 10, 2025</p> <ul style="list-style-type: none">Status of discussions at the Follow-up Council <p>Third meeting: August 28, 2025</p> <ul style="list-style-type: none">The ideal approach to IPOs in light of the Growth Market reforms <p>Fourth meeting: October 8, 2025</p> <ul style="list-style-type: none">Industry initiatives in response to fraud cases discovered after new listings <p>Fifth meeting: December 9, 2025</p> <ul style="list-style-type: none">Response to fraud cases discovered after new listings