

Measures Taken by IPO Stakeholders in Response to Accounting Fraud Cases at the Time of Initial Listing



Japan Exchange Group, Inc. (Tokyo Stock Exchange, Inc. & Japan Exchange Regulation)

Japanese Institute of Certified Public Accountants

Japan Securities Dealers Association

March 27, 2026

Implementation of Countermeasures in Response to Accounting Fraud Cases at the Time of Initial Listing

- Japan Exchange Group (Tokyo Stock Exchange and Japan Exchange Regulation), the Japan Securities Dealers Association, and the Japanese Institute of Certified Public Accountants have announced measures in response to accounting fraud cases at the time of initial listing.
- **To ensure the effectiveness of the measures while avoiding an excessive burden on companies preparing for initial listing, it is essential that the stock exchange, lead underwriter securities companies, and auditing firms—the key gatekeepers in the IPO process—cooperate with one another in accordance with the spirit of the measures. Should any challenges arise in implementing these measures, we will utilize the framework of the IPO Liaison Meeting to seek improvements.**
- Furthermore, to address the increasing complexity and sophistication of fraudulent schemes, **each gatekeeper will strive to enhance its examination and auditing capabilities to address fraud risks.** In addition, to prevent fraud before it occurs, **we will promote information provision and awareness-raising activities targeting companies preparing for listing.**

Overview of Countermeasures in Response to Accounting Fraud Cases at the Time of Initial Listing (General Overview)

1. Addressing fraud risks in light of accounting fraud cases

(1) Addressing the risk of round-tripping

- Verification of actual suppliers and customers when the proportion of transactions involving agents is high (JPX/JSDA)
- Direct verification with actual suppliers and customers as necessary (JSDA)
- Verification of advertising and promotional activities (JPX/JSDA)

(2) Addressing changes in auditing firms during periods of listing preparation

- Verification of auditor change circumstances for a company preparing to list and its previous auditing firm (JPX/JSDA).
- Verification of an environment to ensure the effectiveness of the above responses, such as the release of confidentiality obligations (JPX/JICPA)
- Confirmation of the circumstances surrounding a change in the lead underwriter securities company with the previous lead underwriter securities company (JPX)

(3) Addressing other fraud risks

- Review of audit frameworks concerning the auditing of companies that utilize new technologies such as AI (JICPA)
- Verification when concerns arise regarding management qualifications or the response of companies preparing for listing (JSDA)

2. Information gathering and coordination regarding fraud risk

(1) Verification of status of internal whistleblower systems

- Verification of the establishment of a reporting channel independent from management (JPX/JSDA)
- Verification of the status of measures to ensure the effective operation of the reporting channel, including whistleblower protection (JPX/JSDA)

(2) Collection and sharing of information on fraud

- Notification of the exchange's reporting contact point to officers and employees of companies preparing for listing, and confirmation of the status of such notification (JPX/JSDA)
- Establishment of an environment to facilitate smooth coordination of received information with relevant parties (JPX)
- Notification regarding the reporting of identified illegal acts to regulatory authorities (JICPA)

3. Initiatives to raise awareness among officers of companies preparing for listing

(1) Conducting awareness-raising activities for management

- Conducting awareness-raising activities for the management of companies preparing for listing regarding their responsibilities related to the IPO (integrity and fraud prevention) (JPX/JSDA)

(2) Verifying the evaluation of fraud-prevention systems by independent directors/auditors

- Verifying the establishment and operation of fraud prevention systems by the independent directors/auditors of companies preparing for listing (JPX/JSDA)

4. Improving examination and auditing capabilities regarding fraud risk

(1) Initiatives to enhance exchange's listing examination capabilities

- Enhancement of training on fraud risks and expansion of the examination framework (JPX)
- Initiatives to utilize AI and other tools to improve information collection and analysis capabilities (JPX)
- Ensuring seamless information sharing within Japan Exchange Regulation (JPX)

(2) Initiatives to enhance underwriting review functions at securities companies

- Formulation of "Guidelines for Underwriting Examination Based on Cases of Accounting Fraud at the Time of Initial Listing" (JSDA)
- Conducting examinations and audits with due regard to the listing eligibility assessment and underwriting review systems of lead underwriter securities companies (JPX/JSDA)

(3) Initiatives to enhance audit reliability

- Strengthening monitoring of registered auditors of listed companies, etc. (JICPA)
- Improving the qualifications of certified public accountants through training and other measures (JICPA)
- Support measures through the Liaison Council for Small and Medium-Sized Audit Firms (JICPA)
- Consideration of raising the requirements for registered auditors of listed companies, etc. (JICPA)

Explanation of notation used above

(JPX): Measures implemented by Tokyo Stock Exchange and Japan Exchange Regulation

(JSDA): Measures implemented by the Japan Securities Dealers Association (i.e., measures implemented by lead underwriter securities companies)

(JICPA): Measures implemented by the Japanese Institute of Certified Public Accountants (i.e., measures implemented by auditing firms)

(Ref.) Measures Taken by Each Organization (in Order of Announcement)

Japan Exchange Group (Tokyo Stock Exchange and Japan Exchange Regulation)

Dec. 12, 2025: “The Exchange’s Measures in Response to Accounting Fraud Cases at the Time of IPO”

<https://www.jpx.co.jp/english/news/1020/20251212-01.html>

Japanese Institute of Certified Public Accountants

Jan. 26, 2026: “Initiatives for Improving Audit Reliability by Registered Auditors of Listed Companies”

<https://jicpa.or.jp/news/information/2026/20260126gja.html> (Japanese)

Japan Securities Dealers Association

Mar. 18, 2026: “Guidelines for Underwriting Examination Based on Cases of Accounting Fraud at the Time of Initial Listing”

<https://www.jsda.or.jp/shijyo/minasama/hikiukeshinsa.html> (Japanese)