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This month's focus: **Accounting Fraud**

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This paper analyzes accounting fraud by profiling fraudulent financial reports in Japan from 2004 to 2018, based on publicly available materials such as third-party committee reports. Although the 15-year period was divided into three stages and verified, no extreme differences were observed, rather a similar trend was recognized. In other words, it was found that the pattern of accounting fraud has not changed significantly in Japan, with similar accounting fraud characteristics being repeated.

Reputational Repair Following Announcement of Financial Reporting Misconduct and Market Pricing: Evidence from Japan	<i>Norimasa Ozeki</i>	19
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This study investigates whether the long-term stock market valuation of firms that have disclosed financial reporting misconduct recovers through reputational repair measures, specifically third-party committee investigation, management change, and increased board independence. It is shown that investigation by a third-party committee is associated with long-term abnormal returns after announcement of misconduct. This result suggests that an independent fraud investigation can repair reputational damage and mitigate the long-term decline in stock price.

Accounting Fraud from Auditing Perspectives	<i>Hiroshi Yoshimi</i>	32
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Auditing has a history against fraud. However, the Securities and Exchange Act of the 20th century changed the auditing role to the one which states opinion for the fairness of financial reporting. This situation, from the last quarter of the 20th century to the present, has necessitated reconsideration of the way to approach accounting fraud from auditing perspectives. Based on historical case studies, current and future auditing approaches/measures against accounting fraud can be discerned.

Predicting Accounting Fraud: Review of Recent Literature	<i>Akinobu Shuto</i>	42
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The purpose of this paper is to summarize the development of research on predicting accounting fraud published in major accounting journals and discusses the implications for accounting research and accounting and financial practice. Specifically, the paper reviews the academic background of accounting fraud prediction models, and summarizes the results of studies such as a financial ratio-based prediction model, a machine learning-based prediction model, and a text analysis-based prediction model.

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Effects on J-REIT Returns by BOJ's Purchase Program	<i>Yu Takata, CMA</i>	72
The paper investigates whether BOJ's (Bank of Japan) purchase program affects J-REIT returns using DID analysis (Difference-in-Differences). The estimate of the paper shows a significant 0.005% increase in the daily return of each J-REIT per 0.1 billion yen purchase on average when the BOJ purchases J-REITs. In addition, the policy effect increases in the case of low-priced or volatile market.		
Empirical Analysis of Value Creation Mechanism of Private Equity Funds in Japan	<i>Yasutake Iioka, CMA</i>	83
This paper analyzes the post-acquisition financial performance of companies acquired by domestic PE funds during 2013-15 and reveals: (1) the economic effects (value added, etc.) of PE investment, (2) the possibility that management support through the parent company network contributes to the performance improvement of a Portfolio company, and (3) Relatively good performance exhibited by PE investment which significantly eliminates agency costs. This paper is composed of a main text and supplementary notes.		
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