

# V Listing Examination Q&A

This Q&A relates to the Application Checklist and the Mothers Hearing Main Topic List.

## 1 Application Checklist

### (1) Board of directors (Application Checklist 2 (1))

**Q1:**

2 (1) (a) of the Application Checklist asks, “Are board meetings held regularly?” and, “Can the board meet and make decisions quickly when necessary?” But just how “regularly” should the board meet, and exactly how quickly does it need to be able to meet and reach decisions?

**A1:**

The board of directors must meet at least every three months, as stipulated by the Companies Law. However, given the variety of matters boards need to make decisions and report on, and the fact that, realistically, boards need to be briefed on monthly sales and earnings figures, board meetings should ideally be held at least once a month.

How quickly a board needs to be able to meet and make decisions depends on the matter needing to be dealt with. If something comes up that needs to be discussed quickly, and the board is unable to make a decision early enough because a board meeting could not be convened in time or at all, then that board could not be described as being able to “meet and make decisions quickly”.

Where it is difficult for board to meet as quickly as realistically possible due to geographical reasons, for example, the external directors/officer/statutory auditors not being based close enough to company, the TV-conference etc. should be made available as a way of facilitating convening the board meeting.

**Q2:**

2 (1) (c) of the Application Checklist asks, “Is the board sufficiently briefed on important business issues?” But what exactly does “briefed on important business issues” mean?

**A2:**

Business reporting systems are a key component of a company’s management and control structure, and they should be designed with due attention given to the scale of the company and its line of business. The companies should consider the relative importance of matters that need to be reported, and should designate in its internal rules matters of particular importance that must be reported to the board. Whether a particular matter needs to be reported to the board or not depends on the size of the company and its line of business, and there is likely to be wide variety. Matters that might be reported to include monthly sales and earnings figures, and information on how previous board resolutions are being executed, for example.

**Q3:**

2 (1) (e) of the Application Checklist asks, “Are you sure that board resolutions do not place priority on the interests of a particular party?” But what kind of resolution would be regarded as “placing priority on the interests of a particular party”?

**A3:**

As it says in 4 of the Application Checklist, a transaction entered into by the company (including one authorized by a board resolution) must have been entered into for a rational reason and on appropriate terms. This means that a resolution that places priority on the convenience or interests of a particular party, such as a director, above those of shareholders would be regarded as “placing priority on the interests of a particular party”. An example of such a resolution would be one that results in the company guaranteeing a personal loan for the company president.

**Q4:**

2 (1) (f) of the Application Checklist asks, "Are you sure that positions held concurrently at other companies by members of the board do not impede decision making or business execution?" But what would actually constitute "positions held concurrently at other companies by directors impeding decision making or business execution"?

**A4:**

As it says in 2 (1) (a) of the Application Checklist, the board must be able to meet quickly when necessary. If, for example, ad hoc board meetings are difficult to convene because a director also holds a directorship at an unrelated company, thus making it difficult for his or her schedule to accommodate such board meetings, this would be regarded as an impediment to decision-making at the company.

Furthermore, if an executive officer also works as an executive at an unrelated company, there is a very real possibility of the executive concerned being unable to fulfil his/her management duties effectively.

**Q5:**

2 (1) (g) of the Application Checklist asks, "Are the means of decision-making of the board appropriate in terms of the governance of your company?" But what kind of process would be regarded as appropriate?

**A5:**

Decision-making of the board, in principle, should take place, with all the board members present and having discussed all the matters related to such decision making.

On the other hand, the Companies Act: Art.370 maintains that, with conditions, resolution in writing or electrical measures (hereafter, 'resolution in writing) are permitted.

Nevertheless, since resolution in writing, while allowing the board to make

decision swiftly, by its very nature involves possible risks of reaching important decisions issues without substantial discussions, it may not be ideal in certain circumstances in terms of corporate governance.

Therefore, where applicant does resort to resolution in writing, TSE will look into whether it prevents efficient working of corporate governance, although TSE does not uniformly deny resolution in writing.

## **(2) Statutory auditors (Application Checklist 2 (2))**

### **Q6:**

2 (2) (a) of the Application Checklist asks, "Are statutory auditors monitoring the activities of directors and accounting counsellors effectively?" But could you explain what would constitute best practice in this regard?

### **A6:**

As well as attending board meetings, statutory auditors might also have interviews with individual directors and accounting counsellors time to time to get briefed on how they are performing their responsibilities. Statutory auditors should also read all important documents, such as documents circulated for managerial approval, and ensure that nothing stated in any of them is in conflict with the law or the company's own by-laws.

### **Q7:**

2 (2) (b) of the Application Checklist asks, "Do statutory auditors cooperate effectively with internal audit and external auditors in audit execution?" But what kind of audit execution would constitute best practice?

### **A7:**

Statutory auditors should meet regularly with the external auditors to find out what matters the external auditors are concerned about. In addition, they should receive regular briefings from the internal audit department on the results of audits, matters requiring attention, progress in addressing previously highlighted concerns, and so on. If these meetings or briefings give statutory auditors any cause for

concern, they should then conduct their own investigations, which should include the monitoring of progress achieved in addressing earlier concerns.

### **(3) Accounting counsellors (Application Checklist 2 (3))**

**Q8:**

2(3) of the Application Checklist asks, "Are you sure that your internal system is not overly dependent on accounting counsellors to make timely and adequate legally required disclosures, periodical disclosure?" But what kind of system should we establish?

**A9:**

When the accounting counsellors play prominent roles in preparing the legal as well as timely disclosure documents, it is imaginable that, applicant may find difficult, once the accounting counsellors leave the position or are replaced, to continue to prepare such documents in a timely and adequate manner. Therefore, the organized system of which the counsellors are part, for preparing disclosure documents, should have been established.

If applicant nominates an accounting firm as its accounting counsellor, the partners of such accounting firm chiefly responsible for applicant are to be checked.

### **(4) Internal audit (Application Checklist 2 (4))**

**Q9:**

Because our company has only a very small number of employees, and only one administrative office, we do not have an independent internal audit department. 2 (3) (c) of the Application Checklist asks, "If you do not have an independent internal audit department, have you adopted alternative measures?" But what kind of "alternative measures" should we take?

**A9:**

In cases like this, you would normally appoint a suitable individual as an internal

auditor and have this person conduct internal audits. However, audits of the internal auditor's own department should be carried out by someone from another department who has been specifically appointed for the purpose.

#### **(5) Internal controls and rules (Application Checklist 2 (5))**

**Q10:**

2 (4) (b) of the Application Checklist asks, "Do your internal rules provide for sufficient mutual checks between and within departments?" But I think that in a company with only a very small number of employees, there are limits to realistically possible number of human resources allocated for internal checks. In cases like this, what kind of internal check mechanisms should be adopted?

**A10:**

In a company with only a few dozen employees all working in the same single-floor office, for example, the company president will know what all his or her staffs are doing, and, therefore, be held accountable for approving more or less everything.

Even in a company like this, there need to be minimum level of checks in place. In handling cash, for example, at the very least, persons responsible for issuing invoices or payment instructions should not also be the ones who receive or make the actual cash payments.

#### **(6) Performance control (Application Checklist 2 (6))**

**Q11:**

2 (5) (b) of the Application Checklist asks, "Can you produce monthly earnings and sales data in a timely fashion?" But just how soon after the month end should we be able to produce such data?

**A11:**

You should aim to produce earnings and sales data for the month as soon as possible after the month end. Such data should at least become available by the

end of the month immediately following the relevant month.

In addition, the TSE requires all Mothers-listed companies to file quarterly reports containing financial statements and a written review of the quarter, within 45 days of the relevant quarter end. As a result, you will need to be able to produce monthly earnings and sales data quickly enough to comply with this disclosure requirement.

Please consult with your lead underwriter and accounting auditors to determine appropriate action on this.

**Q12:**

2 (5) (c) of the Application Checklist asks, "Are your budgets determined in a rational fashion through interdepartmental negotiations?" But what would constitute "determined in a rational fashion"?

**A12:**

Determining budgets in a rational fashion means that budgets are based on proper data (a necessary precondition in budget formulation), and finalized only after interdepartmental negotiations have taken place.

**(7) Other management and control considerations (Application Checklists 2 (7) (c))**

**Q13:**

2 (6) (c) of the Application Checklist asks, "If you are outsourcing some of your management/control functions (general affairs, accounting, etc.), are you still able to independently control, analyze and explain these operations to an adequate degree?" Does this imply that outsourcing of work is, essentially considered inappropriate in the listing examination?

**A13:**

These days an increasing number of companies are outsourcing work, especially back-office operations, in an effort to achieve a more efficient allocation of their managerial resources.

Moreover, companies are no longer just outsourcing simple administrative

tasks, such as payroll, in an effort to cut costs. These days the trend is for companies to concentrate their managerial resources on their core competencies (that is, to focus their resources on crucial areas of business and outsource the other areas), leading outsourcing to take on a strategic, rather than a merely economical, flavour.

When reviewing listing applications, we do not necessarily deny possible benefits of outsourcing. Nevertheless, if functions such as general affairs and accounting are outsourced, it is important to ensure that accuracy and confidentiality of such functions are maintained. This means that the company needs, for example, to be able to verify the accuracy of the data it receives from the contractor and have a system in place whereby a designated information officer bears responsibility for the accuracy of the data that is ultimately disclosed. In addition, the company needs to have contingency plans in place for what to do if the contractor becomes unable to continue providing the services.

Furthermore, if the company is outsourcing work, and the work involved is important, an adequate level of disclosure to that effect should be included in Part I of the listing application materials under risk information, etc.

Whether or not an applicant's outsourcing is being managed appropriately is not an easy matter to determine, as it will depend on the nature of the applicant's business, the organization of the company, and the type of operations that are being outsourced.

We therefore ask that you consult with your LU or accounting auditors beforehand if you are considering outsourcing work.

If you are outsourcing work, or considering doing so, you should keep the following points in mind:

(a) The company should be primarily responsible for the outsourced work.

Whatever type of work is being outsourced; it is the applicant itself that is ultimately responsible for making corporate decisions, planning business strategies, etc. which affect its future.

In addition, it needs to be provided that the applicant itself is capable of conducting the outsourced work on its own, needless to say comprehending the data that it receives from the contractor. Also, the applicant needs to on a regular basis evaluate the contractor and its work.

(b) Appropriate disclosures

If the company is outsourcing work directly related to legally required disclosures or timely disclosures such as its earnings forecasts, it must make sure that outsourcing such work does not affect timeliness or appropriateness of the company's disclosures.

(c) Preventing insider trading

Where a contractor has access to material information as a result of outsourcing, such as earnings data, before it is provided to the general public, the company must take appropriate steps to ensure that the information does not become available to anyone apart from the contractor. Having the contractor sign a confidentiality agreement would be one such step.

(d) Choosing suitable contractors

Companies need to make efforts to choose contractors on the basis whether they can provide the services they require reliably and over a long period of time. In other words, the companies should select trustworthy contractors with proven track records. Even when the companies have been successfully able to choose contractors fulfilling the above conditions, they still need to expect risks of contractors suddenly becoming unable to continue the services. They therefore need to make sure that their outsourcers are easily replaceable, or, alternatively, they themselves can take over the outsourced work upon such risks arising.

**(8) Internal systems (Application Checklist 3 (1))**

**Q14:**

3 (1) (a) of the Application Checklist asks, "Do you have internal systems capable of supporting continuous, timely and adequate legally-required disclosures, periodical disclosures and IR activities?" But what exactly would constitute "continuous, timely and adequate legally-required disclosures, periodical disclosures and IR activities"?

**A14:**

The Securities and Exchange Law requires that listed companies make regular disclosures about in the form of securities reports, interim earnings reports, and so on (legally-required disclosures). In addition, the TSE requires that listed

companies disclose any information that might affect investors' decision making as to investment in a particular company immediately after the company acknowledges such information. Furthermore, companies listed on Mothers are required to publish quarterly earnings reports in a timely fashion and meet with analysts and investors at least twice a year.

Mothers-listed companies are thus required to regularly disclose information, particularly accounting-related information, as well as other material matters immediately after they learn of them.

**Q15:**

We are going to employ highly qualified and experienced professionals, who will be chiefly and solely responsible for preparing and checking financial reports as well as timely disclosure documents, and IR-activities. Could this decision prove a problem in terms of listing examination?

**A15:**

As 3 (3) (a) of the Application Checklist asks, "Do you have internal systems capable of supporting continuous, timely and adequate legally required disclosures, periodical disclosures and IR activities?" , listed companies are required to continuously and systematically conduct disclosures and IR-activities. Therefore, it does pose a problem, in the light of listing examination, when applicant depends overwhelmingly on a limited number of persons.

**(9) Earnings disclosures (Application Checklist 3 (3))**

**Q16:**

3 (3) (a) of the Application Checklist asks, "Will you be able to publish full- and half-year results in a timely fashion?" But exactly what kind of time frame should we be aiming for?

**A16:**

TSE asks listed companies to announce their full- and half year results (full- and half-year earnings briefings) as soon as they can after they close their books. The following table, which shows the average length of time TSE-listed companies

take to publish their results, can be used as a guideline for designing desirable time frames:

**Reference: Average number of days taken by TSE-listed companies to release their results**

	Full year	Interim
Group	43.5	42.3
Individual	43.3	42.1

Note: Figures cover results announced by listed companies that closed their books for the financial year ended March 2005. Figures for interim group results cover interim group results announced by companies that closed their books for the financial half-year ended September 2005.

**Q17:**

3 (3) (b) of the Application Checklist asks, "Will you be able to disclose quarterly results, together with your auditor's opinion, within 45 days of the end of your 1<sup>st</sup> and 3<sup>rd</sup> quarters?" Why is the due set at 45 days?

**A17:**

It is generally believed that all information disclosures, not limited to quarterly earnings figures, need to be both accurate and timely.

Therefore, while it is ideal that quarterly results should be made available as soon as possible after the numbers are finalized, TSE, in order to ensure accuracy and reliability, requires Mothers listed companies to attach the opinion of an independent auditor to their quarterly figures.

As a result, TSE requests companies listed on Mothers to announce their quarterly figures within 45 days, an average length of time companies listed on TSE's 1<sup>st</sup> and 2<sup>nd</sup> sections need to publish their results(see Q16), so that the companies follow Mothers' emphasis on disclosure.

The same rule also applies to companies that publish consolidated accounts.

**Q18:** When we are to release the information about the results between the day upon which public announcement is made, and the day on which listing takes places, that is, in the public offering, are there any special considerations?

**A18:**

In the light of timely disclosure, when material information arises, swift and appropriate disclosure is necessary. However, where such information of material importance possibly affecting the investors' decision making, such as results announcements, emerges in the period during which time a public offering takes place, the company should disclose such information by the time the company files the 1<sup>st</sup> amended registration report, in order to make sure the information reaches and is well acknowledged by investors.

Therefore, if there are chances of material information being announced between the day of submission of 1<sup>st</sup> amended registration report and, the day immediately prior to the listing day, TSE advises the applicant to reconsider the schedule of the public offering as well as its expected day of listing.

**Q19:** 3 (3) (c) of the Application Checklist asks, "Will you be able to publish earnings forecasts and timely and adequate revised forecasts that are based on proper budgeting and performance management?" Does this mean that Mothers, like the 1<sup>st</sup> and 2<sup>nd</sup> sections, also requires the disclosure of earnings projections?

**A19:**

Mothers is a market that places great importance on information disclosure, and earnings forecasts play an important part in investment decision-making. For these reasons, companies are required to publish earnings forecasts.

Forecasted figures should be arrived at following a rational and systematic procedure and an adequate analysis of earnings trends. Put simply, optimistic, what could be described only as a wishful thinking, and the views of individuals must be avoided to ensure that investors are not misled. Instead, the forecasts should be drawn up in accordance with internal rules (budgeting rules etc.) and reflect external factors, anticipated demand, and so on. In addition, if actual performance during the period turns out to be materially different from that initially forecast, the forecast figures must be revised promptly. For this to be possible, at the very least, you will need to be capable of a systematic analysis of actual performance on a quarterly basis.

Because Mothers attracts young and fast-growing companies, newly listed companies may find it difficult to formulate rational earnings estimates. Nevertheless, we ask that such companies take prompt action to establish a suitable procedure through which to meet the earnings forecasts criteria. Where a newly listed company indeed find it difficult to publish earnings forecasts, we will assess whether there is a legitimate reason for this in the examination, and also ask the company in question to clarify its policy on earnings forecasts.

### **(10) Fiscal year period change (Application Checklist 3 (5))**

**Q20:**

3 (5) (a) of the Application Checklist asks, "If you have changed your fiscal year within the last two years, are you able to give a rational explanation for why you did this?" Does this mean that any past change regarding the fiscal year period is permissible as long as there were legitimate reasons, directly associated with its business, for making the change?

**A20:**

If the fiscal year period has been changed, the fiscal year preceding the change will obviously have been shorter than 12 months. This obviously creates problems when trying to compare the results for that shortened "year" with other years, and where the "year" was extremely short, any results for it will be of severely limited value to investors for the purpose of providing necessary information for their decision making. In such cases, the TSE's examination officers may very well judge that such conduct demonstrates that the company does not yet have systems in place to provide timely and adequate disclosures once it is listed.

While the listing standards do not mention any actual numerical criteria concerning fiscal year periods, they do include the proviso that information disclosed must be of use to investors and that the applicant develop systems for ensuring adequate disclosures in the future. If you have any doubts about your eligibility in light of this information, please discuss the matter with your LU.

**Q21:**

3 (5) (a) of the Application Checklist asks, "If you have changed your fiscal year within the last two years, are you able to give a rational explanation for why you did this?" Our company currently closes its books in December, and from this year onwards our accounts must be audited by a CPA in line with Securities and Exchange Law provisions. We originally changed the end of our fiscal year to June, and are now change back to December. Will we be eligible for applying for listing if we have the accounts for these two six-month periods audited?

**A21:**

As mentioned in A20, changing the end of the fiscal year is not in itself viewed desirable, and if such a change has taken place, a legitimate, reason directly related to an applicant's business needs to be given. In the case mentioned above, in which there are going to be two successive changes of the date of the fiscal year end, you are going to find it extremely difficult to see such a reason. Therefore, where a company has changed its fiscal year twice in the year prior to its application, it will not see its listing application approved only in a very exceptional circumstance.

**Q22:**

3 (5) (a) of the Application Checklist asks, "If you have changed your fiscal year within the last two years, are you able to give a rational explanation for why you did this?" Our company has been closing our books in September since its foundation. After we closed our books at the end of our last fiscal year, we had our accounts audited by a CPA, in line with Securities and Exchange Law provisions, for the first time. Now, because we would like to list on Mothers as soon as we can, we are thinking of closing our books early by changing our fiscal year-end to March. Assuming we will have the accounts audited, we will be eligible for applying for listing because we will have met the two-year audit requirement. Are there any problems with this plan?

**A22:**

The data to be provided to potential investors, such as the Part I listing application documents (hereinafter "Part I"), must generally include financial

statements for the company's last two fiscal years. This is to allow investors to make a comparison of the company's performance during these last two years.

However, if there has been a change in the company's fiscal year, it means that the two sets of financial statements will each refer to a different period of time, which will obviously make it tough for investors to make any objective comparisons between the two "years".

We therefore take a fairly dim view of companies that submit data for two fiscal years (a requirement for listing) where the fiscal year end is changed.

Nevertheless, if a company has not changed its fiscal year simply to speed up the listing process, we might take a more flexible view. We will consider an application from a company that has legitimate reasons, necessary in terms of its business, for changing their fiscal years and has done so accordingly. In such cases, the company must allow potential investors to make comparisons easier, and so on, by furnishing them with clear reasons for the year change, supplementary information. This information must, for example, be included in Part I.

## 2 Mothers Hearing Main Topic List

### (1) Business Plan Examination (Hearing Main Topic List (3))

**Q23:**

What kind of material should we use to explain our business plan and investment return plan (as mentioned in (3) (a) of the Hearing Main Topic List)? Also, how far into the future do we need to have planned for?

**A23:**

You don't need to prepare any specially formatted documents to explain your business plan and investment return plan. Please explain your business plan and investment-return plan using data you already have on hand.

When explaining your business plan, you should describe your mid-term vision for the company and give forecasts for key management indicators that cover a period of approximately three years.

**Q24:**

(3) (b) of the Hearing Main Topic List is "Earnings Outlook". What kind of data should we use to justify our projections?

**A24:**

You should base your outlook for earnings on your budget and budget-actual comparisons and analysis (monthly accounting data etc.) at the time of listing.

### (2) Establishment and Operation of Management and Control Structures (Hearing Main Topic List (5))

**Q25:**

Regarding (5) (a) of the Hearing Main Topic List (Administrative Process Flow), exactly how should we give our explanation if we don't have a flowchart?

**A25:**

If a flowchart is unavailable, you could explain your administrative processes using copies of the ledgers, chits, etc. you actually use, or, alternatively, allow us to follow the administrative procedures by showing us data on your computer system. You might prefer another, better way of explaining your administrative processes, not limited to those mentioned above, which should be acceptable, as long as it gives us a good understanding of the processes concerned.

### 3 Miscellaneous

#### Bio Business for Drug Discovery

Q26 :

What points are important for drug discovery venture companies to be listed?  
Usually they need a lot of payout time for their investment.

A26 :

The drug discovery venture companies have high specificity, because they need a lot of payout time for their investment, they have no products and are in the process of research and development for drug at the time of listing, they need high degree of expertise, administrative authorities hold the authorization right of their enterprise, they need complex management technologies for intellectual property rights and so on. Therefore it may be relatively risky for general investors to invest in such drug discovery companies according to the circumstances.

Then we recommend you (the drug discovery venture companies) to maintain the points described below, when you make provision for the listing on Mothers.

- (a) Have any medicinal values been proven in clinical trials covering patients in your pipelines?
- (b) Have you given concrete priorities to your pipelines with respect to their commercialization prospects?
- (c) Have your main pipeline(s)' R&D or commercialization (manufacturing, sales and others) in the future been covered by the alliance(s) with a pharmaceutical company?

- (d) Have you protected the intellectual property rights of your main pipeline(s) considered to be necessary in your business?
- (e) Does the right person, who has good experience and know-how about drug discovery, take up the important post?
- (f) Through your explanation, can we confirm the validities of your capital demands at the time of, and after, your listing?
- (g) Can you make concrete and plain disclosures about your company, risks of your business and other factors influencing the investors making investment decision crucially? And do the disclosures cater to the investors without the expert knowledge of biotechnology?

Of course it is need for you to fit out the points which are required to all applicants, like "Organized Operation", "Compliance", "Governance" and so on.

Q27:

We bring drug discovery into the heart of our growth. So if we'd like to be listed on Mothers, will we have to fulfil all the seven points?

A27 :

It is preferable to fulfil all the seven points, if you bring drug discovery into the heart of your growth. However biotech business has extensive variation of the corporate structure, and sometimes it may be in fluid situation. Therefore we can assume some of the seven points could prove unfit for you. In such cases you have to explain rationally that they will not push up your business risk relatively.

Q28:

We have only one pipeline. Are there any problems for listing?

A28 :

"Going concern" is basic premise of a listed company. Drug discovery is high-risk business. If your development with the only pipeline you have, would collapse, it would be that you fall into bankruptcy. Therefore it is preferable that listed drug

discovery companies have back up project.

In addition, it isn't necessary to care the phase of the back up project as far as it properly acts as the back up.

Q29:

We have carried on drug discovery without borrowing strength from any pharmaceutical companies. So we have no alliance with such companies. Are there any problems for listing?

A29 :

You have to explain your strategy (why you don't need the alliance with a pharmaceutical company) or your plan for commercialization of your new drugs. And you have to explain rationally that some medicinal values have been proven in clinical trials covering patients in your main pipelines, and your new drugs concerning your pipelines will be marketable commodity.

Q30:

We have formed a business alliance with a pharmaceutical company related to some pipelines in the preclinical study. In this case, is it necessary for us to have a pipeline of which some medicinal values have been proven in clinical trials covering patients?

A30 :

You have to explain rationally how your drug discovery's risks will be reduced by the alliance, what the pharmaceutical company's strategy is and so on.

Q31:

Do we have to choose only pharmaceutical companies as the counter-part of the alliance?

A31 :

In general, it is difficult to assume that drug discovery venture companies carry on all the value-chain of new drugs, such as discovery, manufacturing, placing on the market, sales and follow-up at the post-market, by themselves. Therefore main object of applicants (drug discovery venture companies) is to form an alliance with a pharmaceutical company is to complete or supplement the value-chain. And the counter-part of the alliance has to fulfill this object.

We can easily imagine major domestic or foreign pharmaceutical companies as the counter-part. But there are other options if non-pharmaceutical companies may fulfill the object well and you will be able to explain that rationally.

Q32:

We have formed an alliance agreement. What information should we disclose about the alliance concretely?

A32:

In general, we believe terms of alliance agreements formed with pharmaceutical companies are very useful information for investment decision of the investors. Therefore, the applicant is desired to make concrete disclosure (where possible, citing relevant statistics) of information related to an alliance. Below is the example of such information to be disclosed.

<< Example >>

- (1) title of the alliance
- (2) pharmaceutical companies name with which the alliance is formed
- (3) term of the alliance agreement
  - (a) date on which the alliance is signed
  - (b) terms of ending the alliance
- (4) target of the alliance
  - (a) disease
  - (b) drug
  - (c) region(s)/country(-ies) where the drug is to be available
  - (d) scheme of rights sharing/attribution
  - (e) terms of sub-licensing (where applicable)
- (5) terms of considerations payable from the pharmaceutical companies

- (a) upfront payments
- (b) collaborative payments for the development
- (c) milestone payments
- (d) royalty payments
- (e) royalty payments to third parties (where applicable)
- (6) terms of suspending the development under the alliance agreement
  - (a) terms of suspension
  - (b) rights to be attributed to an applicant in the event of suspension
- (7) terms of cost sharing
  - (a) terms of sharing responsibilities and cost for the development of the drugs for the trials under the agreement
- (8) the other relevant information considered to be useful for the investors decision making (if any)

In addition, the applicant should update its disclosure of above information, after the listing, of developments in the trial.