



Non-consolidated Financial Results for the First Nine Months of Fiscal Year Ending Dec. 31, 2018 (Japanese GAAP)

October 31, 2018

Company name UMN Pharma Inc. Stock listings Mothers of TSE
 Securities code 4585 URL <http://www.umnpharma.com/en/>
 Representative Tatsuyoshi Hirano Chairman and CEO
 Contact person Hiroyuki Hashimoto CFO (TEL)+81-45-595-9840
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 Supplementary materials for financial results: None
 Briefing session of financial results: None

(Rounded down to nearest million yen)

1. Financial Results for the First Nine Months of FY2018 (From January 1, 2018 to September 30, 2018)

(1) Operating results (Percentage indications show changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months of FY2018	53	—	(469)	—	(470)	—	(587)	—
First nine months of FY2017	4	—	(412)	—	(60)	—	(61)	—

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
First nine months of FY2018	(45.90)	—
First nine months of FY2017	(5.04)	—

(Note) Year-on-year changes are not presented as the Company began preparing quarterly non-consolidated financial statements in the first quarter ended December 31, 2017.

(2) Financial position

	Total assets	Net assets	Net assets as percentage of total assets
	Million yen	Million yen	%
As of September 30, 2018	1,303	(224)	(17.6)
As of December 31, 2017	1,891	357	18.9

(Reference) Shareholders' equity As of September 30, 2018 (229) Million yen As of December 31, 2017 357 Million yen

2. Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	Year end	Total dividends
	Yen	Yen	Yen	Yen	Yen
FY2017	—	0 00	—	0 00	0 00
FY2018	—	0 00	—	—	—
FY2018(Forecast)	—	—	—	0 00	0 00

(Note) Revisions to the latest dividend forecast: None

3. Forecasts for the Fiscal Year Ending December. 31, 2018(from January 1, 2018 to December 31, 2018)

(Percentage indications show changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	102	(1.1)	(803)	—	(809)	—	(810)	—	(63.31)

(Note) Revisions to the latest performance forecasts: None

*(Notes)

(1) Application of special accounting treatment in preparation of quarterly non-consolidated financial statements : None

(2) Changes in accounting policies, changes in accounting estimates, and restatements

- 1) Changes due to revised accounting standards : None
- 2) Changes due to revised accounting policies other than 1) : None
- 3) Changes in accounting estimates : None
- 4) Restatements : None

(3) Number of common shares issued

1) Number of shares issued
(including treasury shares)

As of September 30,2018	12,796,500	As of December 31,2017	12,796,500
As of September 30,2018	50	As of December 31,2017	50
For the first nine months of FY2018	12,796,450	For the first nine months of FY2017	12,193,702

2) Number of treasury shares

3) Average number of shares outstanding

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

** Explanation concerning the appropriate use of forecasts and other special instructions

(Notice regarding forward-looking statements)

This press release includes forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties. Consequently, any statements herein do not constitute assurances regarding the actual results. Actual financial results may differ materially depending on a number of factors, including adverse economic conditions, currency exchange rate fluctuations, adverse legislative and regulatory developments, delays in new product launches, the pricing and product initiative of competitors, the inability of the company to market existing and new product effectively, interruptions in production, infringement of the company's intellectual property rights and the adverse outcome material litigation.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the nine months ended September 30, 2018, the Japanese economy experienced a slow recovery tendency in corporate earnings and employment environment by effect of economic policy of the government. On the other hand, in addition to weak individual consumption in a domestic market, concerns about the global economic situation has not been dispelled, such as destabilization of a surrounding area and an increase of feeling of caution against the trend of the US trade policy, and opaque situation still continues in the future.

In Japanese pharmaceutical industry, growth of a medical pharmaceutical market has slowed due to measures to curb medical expenses, so expanding into the global market by the development of pharmaceutical products is becoming increasingly important.

In such an economic environment, the Company has been developing “Next-generation biopharmaceutical in-house development business”, aiming to create higher value-added “next-generation logical vaccine” capable of higher efficacy and efficient production. In addition, the Company has also been developing “Contract manufacturing business for biopharmaceuticals”, aiming at securing stable earnings. As above, the Company has been focusing on two businesses.

In “Next-generation biopharmaceutical in-house development project”, the Company has been promoting R&D activities related to fundamental core technology and basic research on development candidates, based on capital and business alliance signed with Shionogi & Co., Ltd. (hereinafter referred to as “Shionogi”) on October 31, 2017, aiming to select initial basic development candidates from fundamental core technology related to drug discovery, including vaccine for preventing infection in humans from a part of the Company’s proprietary development pipeline in next generation biopharmaceutical development project, and also from new development candidates targets other than in-house developed pipeline, and also aiming to promote fundamental research. On May 29, 2018, the Company was confirmed that the first milestone condition achieved, and received milestone fee in this second quarter based on the semi-annual achievement status predetermined in the capital and business alliance agreement.

In addition, on October 25, 2018, it was confirmed that the second milestone condition was achieved. Based on the recording of sales related to the confirmation of the second milestone achievement, the Company will be the possibility to achieve net sales plan of 102 million yen against the full-year business forecast disclosed on February 14, 2018.

As of the date of the disclosure, the Company has been promoting research and development activities related to fundamental core technology to achieve the 3rd milestone condition. In terms of fundamental research on development candidates that has been progressing in parallel, the Company is about to obtain important knowledge on the creation of next-generation logical vaccine in multiple development candidates and selection of development candidates has been proceeding as well.

In terms of the in-house development pipeline, the Company has given the following development codes newly in accordance with rearrangement of the past partnership and has been promoting R&D based on original technology. In addition, all of the progress as of this disclosure date has been in basic research stage.

- **UMN-101 : Recombinant seasonal influenza HA vaccine**
- **UMN-102 : Recombinant H1N1 influenza HA vaccine**
- **UMN-103 : Recombinant Rotavirus single vaccine**
- **UMN-104 : Recombinant Norovirus single vaccine**

In addition, the Company has entered into the joint research agreement with National Institutes of Biomedical Innovation, Health and Nutrition (hereinafter referred to as “NIBIOHN”) on June 26, 2017 and on December 1, 2017, and has been promoting research and development activities aiming at creating “Next-generation logical vaccine”, which is state-of-the-art biopharmaceuticals including new vaccine, by fusing new adjuvant seeds owned by NIBIOHN and manufacturing technology owned by the Company. The Company has been conducting an analysis of the immune responses in animals aiming at finding optimal combinations of the Company’s multiple vaccine candidate antigens and multiple adjuvants of NIBIOHN and has been beginning to acquire knowledge leading to the creation of next-generation logical vaccine. As collaborative research has been promoted, the two have agreed to extend the joint research period by June, 2019, dated June 22, 2018.

On the other hand, in terms of “the contract manufacturing business for biopharmaceuticals”, the Company delivered two items to research institutions such as universities. In order to secure sales, the Company has been mainly working on the orders related to business alliance with Shionogi from mainly universities and public research organization.

Concerning the introduction of new development pipeline, through the achievement of the contracts from universities and

public research institution so far, not only for consignment of manufacturing at the research stage but also for candidates that can be expected to be commercialized, and the Company has been actively working on as one of the introduction routes of the newly developed pipeline.

As disclosed in “Notice concerning the record of an extraordinary losses” dated July 31, 2018, the Company has recorded an impairment loss of ¥80,605 thousand as an extraordinary losses in the second quarter, based on the “Accounting standards regarding impairment loss of fixed assets”, since the land of Akita Plant was recognized to be remarkable decline in market value against book value.

In addition, as disclosed in “Announcement of the partnership contract termination related to Zika Vaccine Development with Protein Sciences Corporation and posting extraordinary loss”, the Company has agreed to terminate the basic contract with Protein Sciences Corporation (Head Office: CT, United States; President: Mirelli W. Fino) and to withdraw the consortium, which is for development of Zika infection vaccine, because of considering the situation of business and capital alliance with Shionogi, and of recent infection of Zika virus, and that our development priority also had become low. The Company has recorded USD 348,706 (36,272 thousand yen, exchange rate JPY104.02/USD) as a burden cost among the consortium, as an extraordinary losses by a loss on liquidation of business.

However, the impact on this full-year financial forecast for the fiscal year ending December 31, 2018 disclosed on 14 February, 2018, is minor, since the Company has been anticipating reduction in costs equivalent to the same amount as the extraordinary losses mainly by reduction of directors' compensations, personnel, supplies and outsourcing expenses.

In addition, since the excess of debt has been resolved in the fiscal year ended December 31, 2017, the grace period warrants concerning delisting was canceled on the Tokyo Stock Exchange Co., Ltd. on March 30, 2018.

As a result of the above, net sales amount of the third-quarter was ¥53,610 thousand (an increase of 1,223.5% from the same period last year). On the other hand, due to the recording of R&D expenses related to business alliance with Shionogi, cost of facility improvement for Yokohama laboratory, and restarting cost of Akita plant etc., the operating loss was ¥469,630 thousand (Operating loss of ¥412,034 thousand in the same period of the previous year), the ordinary loss was ¥470,056 thousand (Ordinary loss of ¥60,994 thousand in the same period of the previous year), and as a result of recorded an impairment loss of ¥80,605 thousand and a loss on liquidation of business of ¥36,272 thousand both as an extraordinary losses, the net loss for this quarter was ¥587,412 thousand (Net loss of ¥61,471 thousand in the same period of the previous year).

In addition, since the Company has a single segment of R&D of medical drugs and related business, the description of business results by segment is omitted.

*Next-generation logical vaccine:

The next-generation logical vaccine that the Company has been aiming for is a development concept of vaccine, integrated recombinant protein antigen production technology, adjuvant technology and formulation/drug delivery technology, utilizing various knowledge, know-how and technology of biopharmaceutical technology platform, which has been developed for over 10 years by the Company.

By next-generation logical vaccine, the Company has been aiming at the realization of optimal high effectiveness and high productivity for a target infectious disease. In other words, by utilizing formation/drug delivery technology, it is possible to realize high effectiveness by inducing optimal immunity for each targeted infectious disease. In addition, by utilizing adjuvant technology, not only it is possible to realize high effectiveness with less antigen amount, but also it is possible to secure a supply amount that can cover the market with the Company's current production system and also to contribute to cost reduction, by introducing efficiently producing recombinant protein antigens.

**Adjuvant: Pharmaceutical additives for the purpose of immunopotentiating to increase effectiveness of vaccine.

(2) Analysis of Financial Position

The financial position as of September 30, 2018 is as follows,

Total assets amounted to ¥1,303,153 thousand, which corresponds to a decrease of ¥588,091 thousand compared to the end of the previous fiscal year.

Current assets amounted to ¥1,199,024 thousand, which corresponds to a decrease of ¥637,919 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥585,751 thousand in cash and cash deposits.

Non-current assets amounted to ¥104,128 thousand, which corresponds to an increase of ¥49,827 thousand compared to the

end of the previous fiscal year, mainly due to an increase of ¥80,605 thousand property, plant and equipment.

Liabilities amounted to ¥1,527,760 thousand, which corresponds to a decrease of ¥6,045 thousand compared to the end of the previous fiscal year.

Net assets amounted to (¥224,607) thousand, which corresponds to a decrease of ¥582,045 thousand compared to the end of the previous fiscal year, mainly due to net loss of ¥ 587,412 thousand incurred during the period.

(3) Explanation of Financial Results Forecasts and Other Forward-looking Information

There is no change from our financial results for the fiscal year ending December 31, 2018 released on February 14, 2018.

The business forecasts are made based on information available at the present, and actual results may differ due to various factors in the future.

2. Quarterly Financial Statements
(1) Quarterly Balance Sheets

(Thousands of yen)

	Previous fiscal year (as of Dec. 31, 2017)	Third quarter of FY2018 (as of Sep. 30, 2018)
Assets		
Current assets		
Cash and deposits	1,734,272	1,148,520
Other	102,672	50,504
Total current assets	1,836,944	1,199,024
Non-current assets		
Property, plant and equipment	—	80,605
Investments and other assets	54,300	23,522
Total non-current assets	54,300	104,128
Total assets	1,891,244	1,303,153
Liabilities		
Current liabilities		
	46,766	40,462
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	1,460,200	1,460,200
Asset retirement obligations	23,125	23,383
Other	3,714	3,714
Total non-current liabilities	1,487,040	1,487,298
Total liabilities	1,533,806	1,527,760
Net assets		
Shareholders' equity		
Capital stock	306,915	306,915
Capital surplus	306,915	306,915
Retained earnings	(256,194)	(843,607)
Treasury shares	(197)	(197)
Total shareholders' equity	357,437	(229,974)
Subscription rights to shares	—	5,366
Total net assets	357,437	(224,607)
Total liabilities and net assets	1,891,244	1,303,153

(2) Quarterly Statements of Income

(Thousands of yen)

	Nine months ended Sep. 30, 2017 (From Jan. 1, 2017 to Sep. 30, 2017)	Nine months ended Sep. 30, 2018 (From Jan. 1, 2018 to Sep. 30, 2018)
Net sales	4,050	53,610
Cost of sales	3,003	1,677
Gross profit	1,046	51,933
Selling, general and administrative expenses	413,081	521,564
Operating loss	(412,034)	(469,630)
Non-operating income		
Interest income	6	5
Office work fee	—	2,592
Subsidy income	336,618	—
Other	15,424	25
Total non-operating income	352,048	2,623
Non-operating expenses		
Interest expenses	15	—
Interest on bonds	—	2,402
Share issuance cost	993	—
Issuance cost of subscription rights to shares	—	599
Foreign exchange losses	—	47
Total non-operating expenses	1,008	3,049
Ordinary loss	(60,994)	(470,056)
Extraordinary losses		
Impairment loss	—	80,605
Loss on liquidation of business	—	36,272
Total extraordinary losses	—	116,878
Loss before income taxes	(60,994)	(586,934)
Income taxes - current	477	477
Total income taxes	477	477
Net Loss	(61,471)	(587,412)