



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

April 27, 2018

Company name	UMN Pharma Inc.	Stock listings	Mothers of TSE
Securities code	4585	URL	http://www.umnpharma.com/en/
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Scheduled date of filing securities report	May 15, 2018	Scheduled date of Dividend payments	—
Supplementary materials for financial results:	None		
Briefing session of financial results:	None		

(Rounded down to nearest million yen)

1. Financial Results for the First Three Months of FY2018 (From January 1, 2018 to March 31, 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 three months of FY2018	3	22.7	(193)	—	(194)	—	(194)	—
First three months of FY2017	2	—	(141)	—	206	—	206	—

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
First three months of FY2018	(15.18)	—
First three months of FY2017	16.94	—

(Note) The Company began preparing quarterly non-consolidated financial statements, from the first quarter of the fiscal year ending Dec.31, 2017, and thus the figures for the first three months of FY2016 and year-on-year changes are not stated herein.

(2) Financial position

	Total assets	Net assets	Net assets as percentage of total assets
	Million yen	Million yen	%
As of March 31, 2018	1,698	163	9.6
As of December 31, 2017	1,891	357	18.9

(Reference) Shareholders' equity As of March 31, 2018 163 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	—	—	—	—	—
FY2018(Forecast)	—	0 00	—	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 March 31,2018	12,796,500	As of December 31,2017	12,796,500
As of March 31,2018	50	As of December 31,2017	50
For the first three months of FY2018	12,796,450	For the first three months of FY2017	12,188,116

2) Number of treasury shares

3) Average number of shares outstanding

* Disclosure concerning the implementation status of review procedures

This quarterly financial report is exempt from the quarterly review procedures as stipulated under the Financial Instruments and Exchange Act of Japan. At the date of disclosure, quarterly financial statement review procedures have not been completed under the Financial Instruments and Exchange Act of Japan.

** 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.

Contents of Attached materials

1.	Analysis of Operating Results and Financial Position	2
(1)	Analysis of Operating Results	2
(2)	Analysis of Financial Position	3
(3)	Explanation of Non-consolidated Financial Results Forecasts and Other Forward-looking Information	3
2.	Quarterly Non-consolidated Financial Statements	4
(1)	Quarterly Non-consolidated Balance Sheets	4
(2)	Quarterly Non-consolidated Statements of Income and Comprehensive Income	5

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

The Japanese economy in the first quarter cumulative period has been seen a slow recovery tendency in corporate earnings, employment environment, and individual consumption by the effect of the economic policy of the government. On the other hand, concerns about the global economic situation have not been dispelled, such as the destabilization of the surrounding area situation and the increase of feeling of caution against the trend of the US trade policy, and opaque situation still continues in the future.

In the Japanese pharmaceutical industry, the growth of the medical pharmaceutical market has slowed due to measures to curb medical expenses, and expansion in world markets by the development of global pharmaceutical products is becoming more important.

In such a business environment, the Company has been developing “the next-generation biopharmaceutical in-house development business” aiming to create higher value-added “next-generation logical vaccine” that is capable of higher efficacy and efficient production.

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 on October 31, 2017, which aims to select fundamental core technology related to drug discovery, including vaccine for preventing infection in humans, part of the Company’s proprietary development pipeline in next-generation biopharmaceutical development project, and new development candidates targets other than in-house developed pipeline as initial basic development candidates and to promote fundamental research. The progress of the business alliance as of this disclosure date has been almost in line with the original plan regarding the development core technology, and the Company is about to achieve the first milestone. In addition, regarding the fundamental research of development candidates that the Company has been progressing in parallel, the Company is about to get important knowledge on the creation of next-generation logical vaccine in multiple development candidates.

In terms of the in-house development pipeline, the Company has given the following development cods 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 is 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 December 1, 2017, and has been promoting research and development activities aimed 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 progress of the joint research as of this disclosure date is under analysis on immune responses in animals aimed at finding the optimal combination of the Company’s multiple vaccine candidates antigens and multiple adjuvants of NIBIOHN, and the Company is about to acquire knowledge that will lead to the creation of next-generation logical vaccine.

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 are expected to be productization that has come out, and the Company has been actively working on as one of the introduction routes of the newly developed pipeline.

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 first-quarter was 3,610 thousand yen (22.7% increase 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 193,372 thousand yen (Operating loss ¥141,129 thousand in the same period of the previous year), the ordinary loss was 194,140

thousand yen (Ordinary profit of ¥206,650 thousand in the same period of the previous year) and the net loss for this quarter was 194,299 thousand yen (Net profit of ¥206,491 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 Mar. 31, 2018 is as follows,

Total assets amounted to ¥1,698,224 thousand, which corresponds to a decrease of ¥193,019 thousand compared to the end of the previous fiscal year.

Current assets amounted to ¥1,644,431 thousand, which corresponds to a decrease of ¥192,513 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥176,800 thousand in cash and cash deposits.

Non-current assets amounted to ¥53,793 thousand, which corresponds to a decrease of ¥506 thousand compared to the end of the previous fiscal year.

Liabilities amounted to ¥1,535,086 thousand, which corresponds to an increase of ¥1,279 thousand compared to the end of the previous fiscal year.

Net assets amounted to ¥163,138 thousand, which corresponds to a decrease of ¥194,299 thousand compared to the end of the previous fiscal year, mainly due to net loss of ¥194,299 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.

2. Quarterly Financial Statements
(1) Quarterly Balance Sheets

(Thousands of yen)

	Previous fiscal year (as of Dec. 31, 2017)	First quarter of FY2018 (as of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	1,734,272	1,557,471
Other	102,672	86,959
Total current assets	1,836,944	1,644,431
Non-current assets		
Investments and other assets	54,300	53,793
Total non-current assets	54,300	53,793
Total assets	1,891,244	1,698,224
Liabilities		
Current liabilities		
	46,766	47,960
Non-current liabilities		
Convertible bond-type bonds with subscription rights to shares	1,460,200	1,460,200
Asset retirement obligations	23,125	23,211
Other	3,714	3,714
Total non-current liabilities	1,487,040	1,487,126
Total liabilities	1,533,806	1,535,086
Net assets		
Shareholders' equity		
Capital stock	306,915	306,915
Capital surplus	306,915	306,915
Retained earnings	(256,194)	(450,494)
Treasury stock	(197)	(197)
Total shareholders' equity	357,437	163,138
Total net assets	357,437	163,138
Total liabilities and net assets	1,891,244	1,698,224

(2) Quarterly Statements of Income

(Thousands of yen)

	Three months ended Mar. 31, 2017 (From Jan. 1, 2017 to Mar. 31, 2017)	Three months ended Mar. 31, 2018 (From Jan. 1, 2018 to Mar. 31, 2018)
Net sales	2,943	3,610
Cost of sales	1,896	1,677
Gross profit	1,046	1,933
Selling, general and administrative expenses	142,176	195,306
Operating loss	(141,129)	(193,372)
Non-operating income		
Interest income	4	3
Subsidy income	336,618	—
Other	12,166	21
Total non-operating income	348,788	24
Non-operating expenses		
Interest expenses	15	—
Interest on bonds	—	792
Stock issuance cost	993	—
Total non-operating expenses	1,008	792
Ordinary profit (loss)	206,650	(194,140)
Profit (loss) before income taxes	206,650	(194,140)
Income taxes - current	159	159
Total income taxes	159	159
Net profit (loss)	206,491	(194,299)