



TSE Code : 4585

Supplement Documents for  
Financial Results for Fiscal Year 2014  
Ended Dec. 31, 2014

Tatsuyoshi Hirano, Chairman & CEO

February 13, 2015



*Addressing Unmet Medical Needs*  
UMN Pharma Inc.

- Business Results for FY 2014
  - Financial Results
  - Business Progress
  
- Business Plan for FY 2015
  
- Mid-Term Business Plan: FY2015—FY2018
  - Growth Strategy & Action Plan
  - Financial Goal

- Business Results for FY 2014

- Financial Results
- Business Progress

- Business Plan for FY 2015

- Mid-Term Business Plan: FY2015—FY2018

- Growth Strategy & Action Plan
- Financial Goal

# Consolidated Financial Results for FY2014 ended Dec.31, 2014 vs FY2013

Sales : Milestone from Astellas (¥1,000 Mil), Income from Contract Manufacturing (¥108 Mil)

Expenses : Costs Increased for Review Process for Approval & Other Related Costs at Gifu Plant



(Millions of yen) Except for per share data fractions dropped	FY2013 (Consolidated)	FY2014 (Consolidated)	Change		Major factors of the change
Net sales	93	<b>1,108</b>	+1,015	1,187.1%	Milestone received +976, Income from contract manufacturing +39
Cost of sales	27	<b>173</b>	+146	638.8%	Royalty payment to PSC +132
R&D expenses	3,925	<b>4,270</b>	+344	108.8%	Depreciation +185 Salaries +75 Outsourcing expenses +231 Supplies expenses (179)
Other SG & A expenses	562	<b>607</b>	+44	107.8%	Salaries (38), Consideration (22) Property tax +146
Operating Income	(4,421)	<b>(3,942)</b>	+479	89.2%	
Ordinary Income	(4,147)	<b>(4,249)</b>	(101)	102.5%	(Non-operating income / expense) Income from grants (604) Other Non-operating income (33) Interest / guarantee expenses +79
Net Income	(3,717)	<b>(3,961)</b>	(244)	106.6%	Minority interests (460)
Net income per share	¥(491.59)	<b>¥(452.34)</b>			
Net Assets per share	¥498.74	<b>¥387.74</b>			

## FY2014 Financial Results: Actual vs Forecasts disclosed on Feb.14,2014 & Dec.22, 2014

- Changes from Feb.14 Forecasts: Substantial decline in sales & loss charged to minority interests
- Changes from Dec.22 Revised Forecasts: Outsourcing expenses increased more than projected



(Millions of yen) fractions dropped	FY2014 Forecasts Disclosed Feb.14 (Consolidated)	<b>FY2014 Actual (Consolidated)</b>	Change		Major factors of the change
Net sales	2,186	<b>1,108</b>	(1,077)	50.7%	Unachieved milestone income (840) Lesser income from contract manufacturing (237)
Operating Income	(3,210)	<b>(3,942)</b>	(732)	122.8%	Cost of Sales decreased +187 R&D expensed decreased +204 SG&A costs increased (46)
Ordinary Income	(3,424)	<b>(4,249)</b>	(825)	124.1%	More interest expenses incurred (70) Equity financing costs (22)
Net Income	(2,436)	<b>(3,961)</b>	(1,525)	162.6%	Loss charged to minority interests less than projected (749)

(Millions of yen)	FY2014 Forecasts Disclosed Dec.22 (Consolidated)	<b>FY2014 Actual (Consolidated)</b>	Change (fractions dropped)		Major factors of the change
Net sales	1,105	<b>1,108</b>	+2	100.3%	
Operating Income	(3,902)	<b>(3,942)</b>	(39)	101.0%	R&D outsourcing expenses increased more than projected
Ordinary Income	(4,213)	<b>(4,249)</b>	(35)	100.9%	
Net Income	(3,925)	<b>(3,961)</b>	(35)	100.9%	

## Consolidated Balance Sheets as of Dec.31, 2014 vs. Dec.31, 2013



— Total assets decreased by ¥6,119 Mil due to advanced depreciation and partial repayment of syndicated loan while raw materials increased for the preparation for commercial production for FY2015

Account	FY2013 (as of Dec.31,2013)	FY2014 (as of Dec.31,2014)	Change	Remarks
Assets	(Millions of yen*)	(Millions of yen*)		*fractions dropped
Current assets				
Cash and deposits	4,267	<b>2,080</b>	(2,187)	Partial repayment of syndicated loan
Raw materials / supplies	106	<b>348</b>	+242	Materials for commercial production
Other	1,022	<b>768</b>	(254)	Decrease of consumption tax receivable
Total current assets	5,396	<b>3,197</b>	(2,199)	
Fixed assets				
Property, plant & equip.				
Buildings & structures (net)	6,054	<b>5,120</b>	(933)	Depreciation / advanced depreciation upon the receipt of grant from METI
Machinery, & equipment (net)	5,968	<b>3,410</b>	(2,557)	
Lease assets (net)	629	<b>533</b>	(96)	
Others	173	<b>105</b>	(67)	Depreciation / advanced depreciation
Intangible fixed assets	411	<b>245</b>	(165)	Depreciation / advanced depreciation
Investments & other	367	<b>268</b>	(98)	
Total fixed assets	13,605	<b>9,685</b>	(3,920)	
Total assets	19,001	<b>12,882</b>	(6,119)	

## Consolidated Balance Sheets as of Dec. 31, 2014 vs. Dec.31, 2013 (continued)

- Interest-bearing debt decreased due to repayment of syndicated loan due and ahead of schedule by ¥4,845 Mil
- Total liabilities decreased by ¥5,571 Mil to ¥9,176 Mil due to repayment of above mentioned Interest-bearing debt



Account	FY2013 (as of Dec.31,2013)	FY2014 (as of Dec.31,2014)	Change	Remarks
Liabilities	(Millions of yen*)	(Millions of yen*)		*fractions dropped
Current liabilities				
Short-term loan	1,484	600	(884)	Temporary repayment of loan for working capital under commitment
Long-term loan due within one year	2,710	336	(2,374)	Repayment of syndicated loan due
Account Payable	382	607	+225	Procurement of materials for trial operation at Gifu plant
Other	151	255	+103	
Total current liabilities	4,728	1,798	(2,929)	
Long-term liabilities				
Long-term loan	8,875	6,329	(2,546)	Repayment of syndicated loan
Lease obligations	549	457	(91)	
Other	596	591	(5)	
Total long-term liabilities	10,020	7,377	(2,642)	
Total liabilities	14,748	9,176	(5,571)	

## Consolidated Balance Sheets as of De. 31, 2014 vs. Dec.31, 2013 (continued)

- Common stock & Capital surplus increased due to equity financing & exercise of stock option
- Shareholders' equity ratio improved to 28.8% due to contraction of debt & equity financing



Account	FY2013 (as of Dec.31,2013)	FY2014 (as of Dec.31,2014)	Change	Remarks
Net assets	(Millions of yen*)	(Millions of yen*)		*fractions dropped
Shareholders' equity				
Common stock	6,956	<b>8,688</b>	+1,732	Due to public stock offering & exercise of stock option
Capital surplus	6,625	<b>8,357</b>	+1,732	
Retained earnings	(9,379)	<b>(13,340)</b>	(3,961)	Due to net loss incurred
Treasury stock	(0)	<b>(0)</b>	–	
Total Shareholders' equity	4,202	<b>3,705</b>	(496)	
Accumulated other comprehensive income				
Unrealized holding gains on securities	–	–	–	
Total accumulated other comprehensive income	–	–	–	
Stock subscription rights	6	–	(6)	
Minority interests	44	–	(44)	
Total net assets	4,253	<b>3,705</b>	(548)	
Total liabilities & net assets	19,001	<b>12,882</b>	(6,119)	



## Consolidated Cash Flows for FY2014 ended Dec.31, 2014 vs FY2013



- Operating Cash Flows turned positive mainly due to reception of grants and depreciation
- With capital investment peaked out, cash outflows for investment activities shrank

(Consolidated, millions of yen, fractions dropped)	FY2013	FY2014	Change	Remarks
<b>Cash flows from operating activities</b>				
Net loss before income taxes & minority interests (-)	(4,140)	<b>(4,002)</b>	+138	
Depreciation	1,404	<b>1,873</b>	+468	
Income from grants	(607)	<b>(2,213)</b>	(1,606)	Grant from METI (Adjustment)
Advanced depreciation deduction	—	<b>1,966</b>	+1,966	Deduction concerning grants
Other	(113)	<b>637</b>	+751	
Subtotal	(3,457)	<b>(1,738)</b>	+1,718	
Grants received	204	<b>2,316</b>	+2,112	Grants received from METI, etc.
Other	(325)	<b>(263)</b>	+62	
Net cash provided by (used in) operating activities	(3,578)	<b>314</b>	+3,893	Operating CFs turned positive
<b>Cash flows from investing activities</b>				
Purchase of tangible fixed assets	(3,894)	<b>(5)</b>	+3,889	
Purchase of intangible fixed assets	(425)	<b>(3)</b>	+422	
Other	169	<b>(0)</b>	(169)	
Net cash provided by (used in) investing activities	(4,150)	<b>(8)</b>	+4,141	Capital investment peaked out
<b>Free cash flows</b>	<b>(7,729)</b>	<b>305</b>	<b>+8,035</b>	Free CFs turned positive

## Consolidated Cash Flows for FY2014 ended Dec.31, 2014 vs FY2013 (continued)

– Repayment of interest-bearing debt resulted in net cash outflows for financing activities despite the equity financing during the period



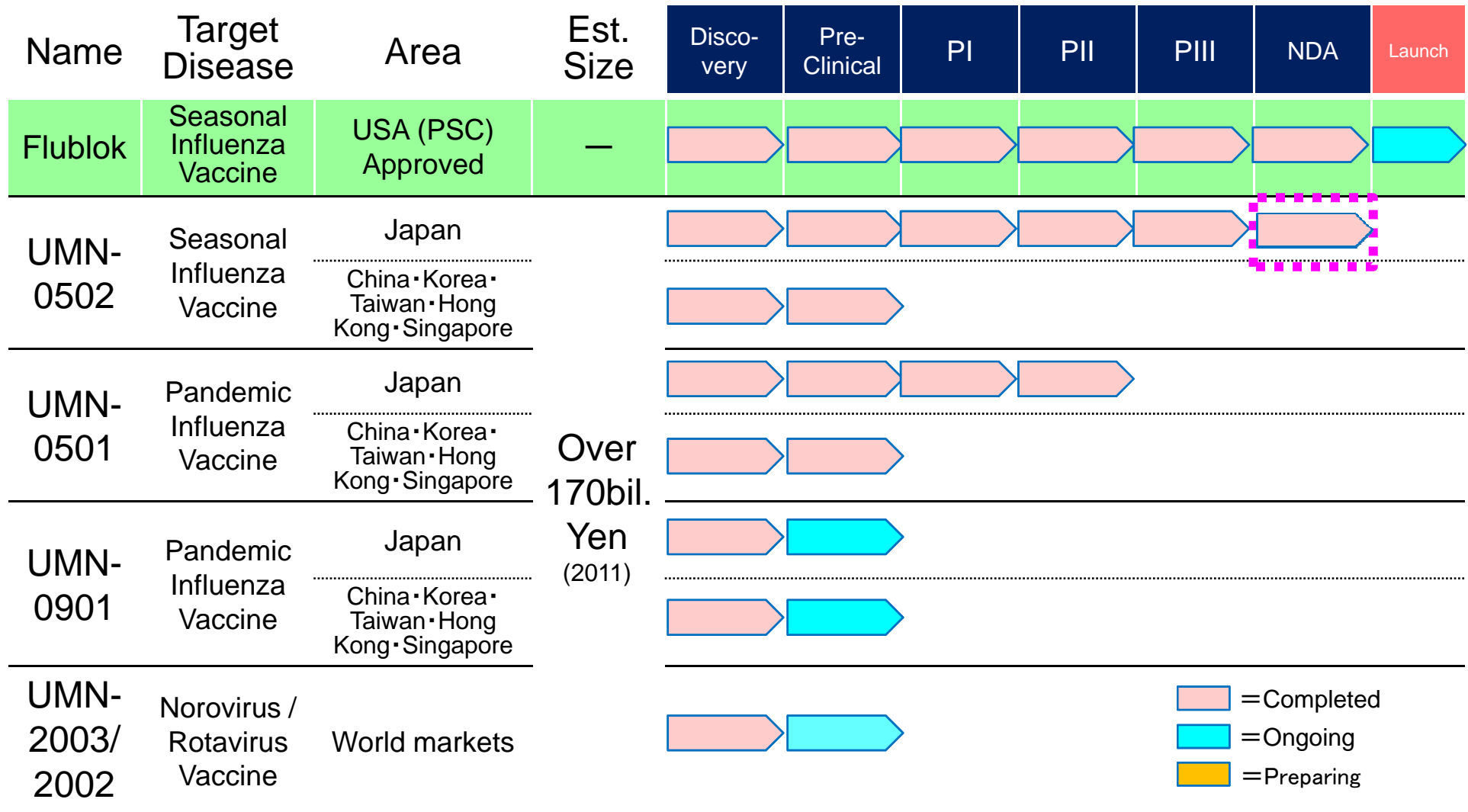
(Consolidated, millions of yen, fractions dropped)	FY2013	FY2014	Change	Remarks
Cash flows from financing activities				
Net increase (decrease) in short-term loan	1,436	<b>(914)</b>	(2,350)	Repayment of loan for working capital
Net increase (decrease) in long-term loan	2,675	<b>(4,920)</b>	(7,595)	Partial repayment of syndicated loan
Proceeds from issuance of common stock	3,599	<b>3,441</b>	(157)	
Proceeds from issuance of common stock from minority	494	—	(494)	
Repayments of lease obligations	(90)	<b>(94)</b>	(3)	
Other	(0)	<b>(6)</b>	(6)	
Net cash provided by (used in) financing activities	8,113	<b>(2,493)</b>	(10,607)	Substantially reduced interest-bearing debt
Net increase (decrease) in cash and cash equivalents	384	<b>(2,187)</b>	(2,572)	
Cash and cash equivalent at beginning of the period	3,882	<b>4,267</b>	+384	
Cash and cash equivalent at end of the period	4,267	<b>2,080</b>	(2,187)	

# Business Progress ①: UMN-0502 (ASP7374)

– Astellas submitted an application for marketing approval in Japan on May 30, 2014



## Current Progress of UMN's Pipeline



## Business Progress ② : Gifu Plant

– Obtained Manufacture's License at Gifu Plant, Completed PV \*



### Current Stage

- ◆ Being Granted Manufacture's License at Gifu Plant on Nov.5,2014
  - Required for each plant
- ◆ Completed PV for GMP Compliance Inspection
  - Required for each product



\*PV (Process Validation) : The collection and evaluation of data, from the process design stage through commercial production, which establishes scientific evidence that a process is capable of consistently delivering quality products.



## Business Progress ③: Evaluation Started for Exporting to US from Gifu Plant

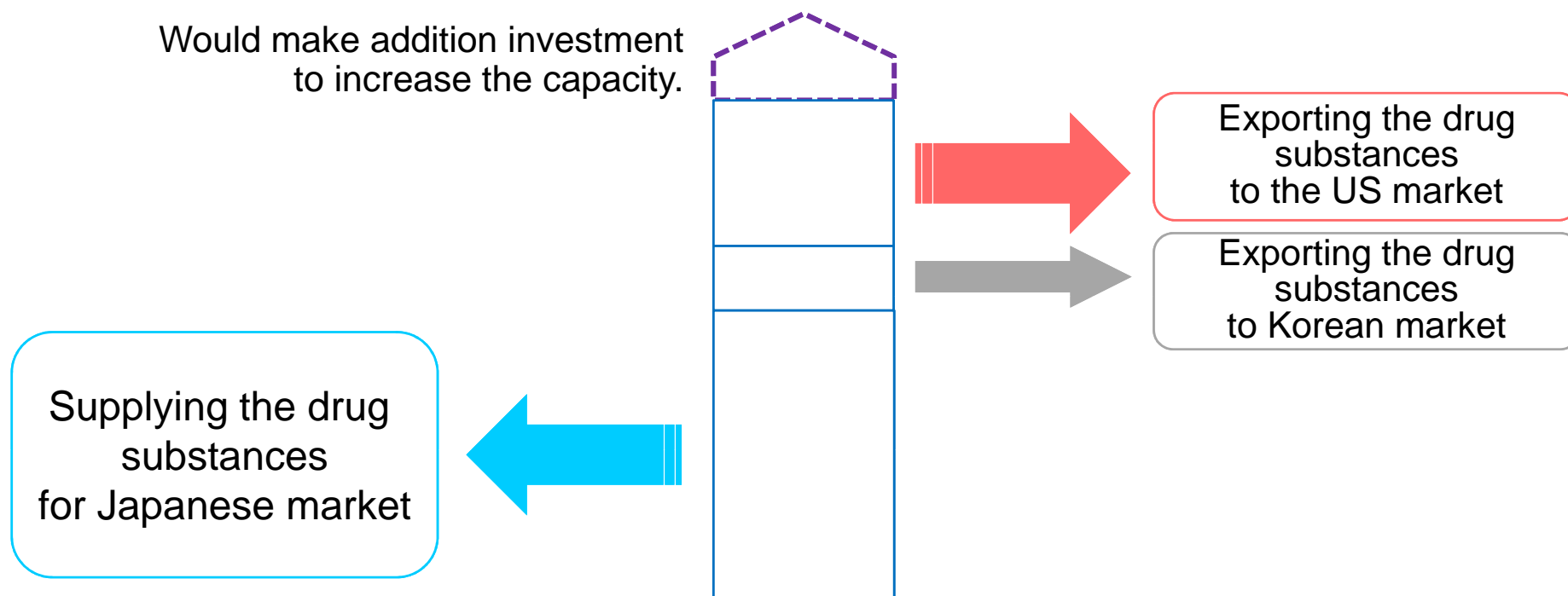
—PSC, UMN and IHI agreed upon starting feasibility study of supplying PSC with the drug substances of 「Flublok®」, manufactured at Gifu plant, for US market

Focus & Priority Be Put More On US Market, where Greater Value Could Be Realized

### Reason of Our Focus Upon US Market In Our Mid-term Business Strategy

- Already approved by FDA (January 2013)
- Current and expected future market size
  - 2.3 times as much in quantity, 3.0 time as much in US\$ as Japan
- Regulatory harmonization among Japan, US, and EU (ICH)
- Established health care system based upon steady policy

Would make addition investment to increase the capacity.



Capacity of 4 X 21,000L bioreactors at Gifu plant (Max up to 8)

## Business Progress ④: UMN-2002 (Norovirus Vaccine) — Collaboration with Daiichi-Sankyo, bit behind schedule



### Collaborative Research Agreement with Daiichi Sankyo

#### 【Summary of terms】

- UMN will provide Daiichi-Sankyo with recombinant norovirus VLP\* antigen exclusively
- Daiichi Sankyo will conduct basic research to determine the possibility of developing the vaccine
- UMN grants Daiichi Sankyo the right to negotiate exclusively further partnership during the collaborative research agreement period

\* VLP = Virus Like Particle

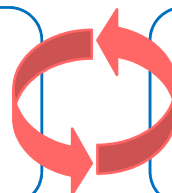
#### Scheme of Collaboration



Passion for Innovation. Compassion for Patients.™



- Conduct research to determine possibility to develop norovirus vaccine with VLP antigen
- Conduct preliminary tests for development



- Provide recombinant norovirus VLP antigen produced by BEVS
- Conduct process development for manufacturing

#### 【Progress as of Dec.31, 2014】

- Daiichi Sankyo has been conducting basic research to determine the possibility of developing the vaccine with recombinant norovirus VLP antigen provided by UMN.
- As we have not yet come to find the knowledge, the research will be continued.

- Business Results for FY 2014
  - Financial Results
  - Business Progress

- **Business Plan for FY 2015**

- Mid-Term Business Plan: FY2015—FY2018
  - Growth Strategy & Action Plan
  - Financial Goal

## Forecasts for FY2015 Consolidated Financial Results ending Dec.31, 2015



- Assuming commercial manufacturing and shipment of UMN-0502 starts from 2015-2016 season
- Conservatively projected

(Millions of yen) Except for per share data fractions dropped	FY2014 Actual (Cons.)	FY2015 Forecasts (Cons.)	% of the previous FY		Major factors of the change
Net sales	1,108	5,224	+4,116	471.3%	Assuming shipment (UMN-0502) starts this year, with volume conservatively projected
Cost of sales	173	4,241	+4,067	2438.3%	Cost of manufacture (UMN-0502), outsourcing cost of drug formulation, royalty payment to PSC
R&D expenses	4,270	1,018	(3,252)	23.8%	Outsourcing costs for review process for approval & R&D expenses for improving manufacturing efficiency projected
Other SG&A expenses	607	843	(243)	138.9%	SG&A expenses for non-operating period at Gifu plant allocated
Operating Income	(3,942)	(878)	(3,064)	22.3%	
Ordinary Income	(4,249)	(1,025)	(3,223)	24.1%	
Net Income	(3,961)	(1,033)	(2,927)	26.1%	
Net income per share	¥(452.34)	¥(108.14)			

- The above forecasts are based on an assumption that commercial manufacturing and shipment of UMN-0502 would start from 2015-2016 season. Depending on the progress of the review process for approval, actual financial results may differ materially.
- UMN and Astellas are still discussing the sales plan of UMN-0502 for this year, and UMN and API are still negotiating drug formulation costs. Depending on the outcome, actual financial results may differ materially.

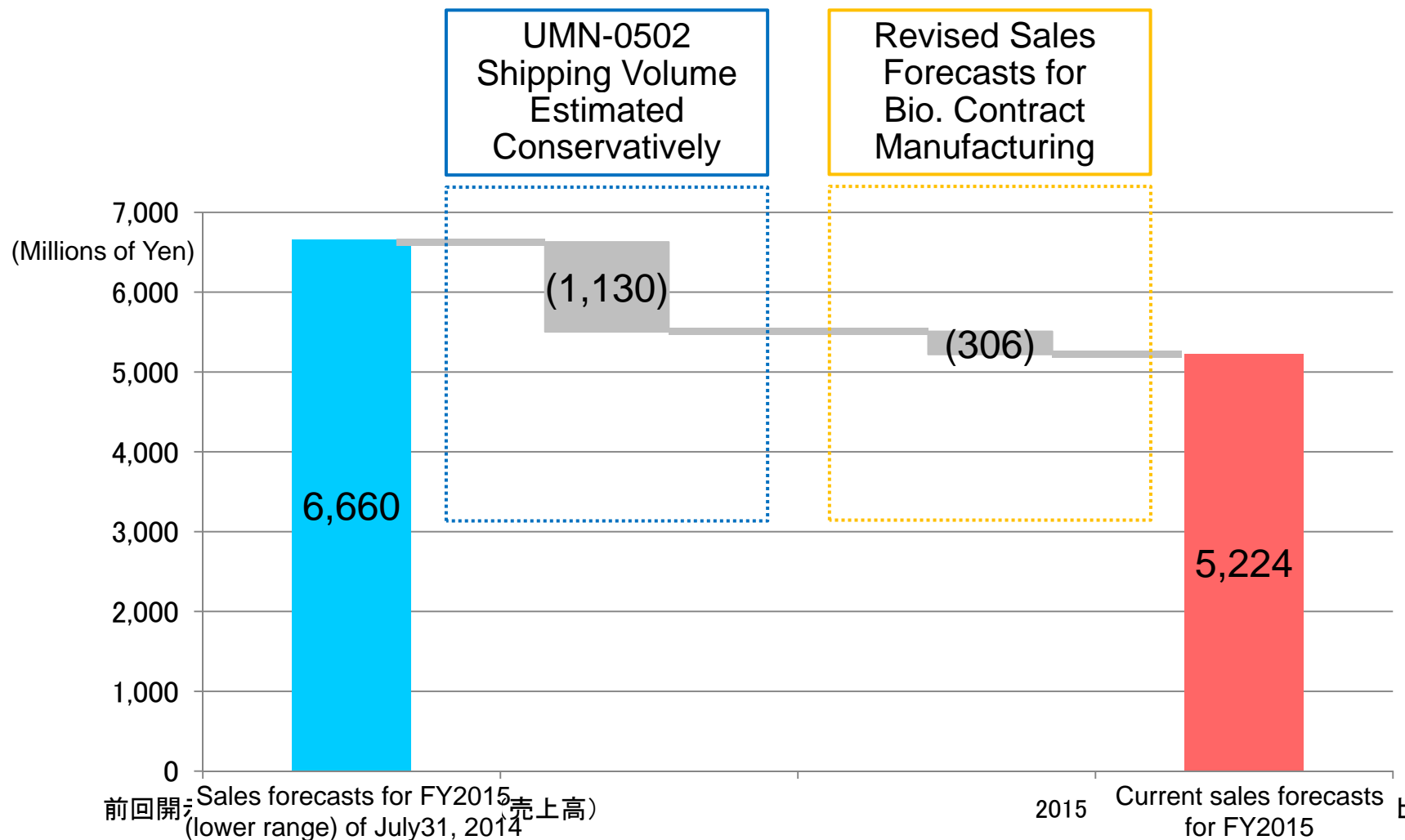


# Analysis of Change: Forecasts for Net Sales for FY2015



– Compared to the Mid-Term Business Plan Disclosed on July 31, 2014

- Conservatively projected sales of UMN-0502
- Only firm orders taking into account of the sales projection for Biopharmaceutical Contract Manufacturing

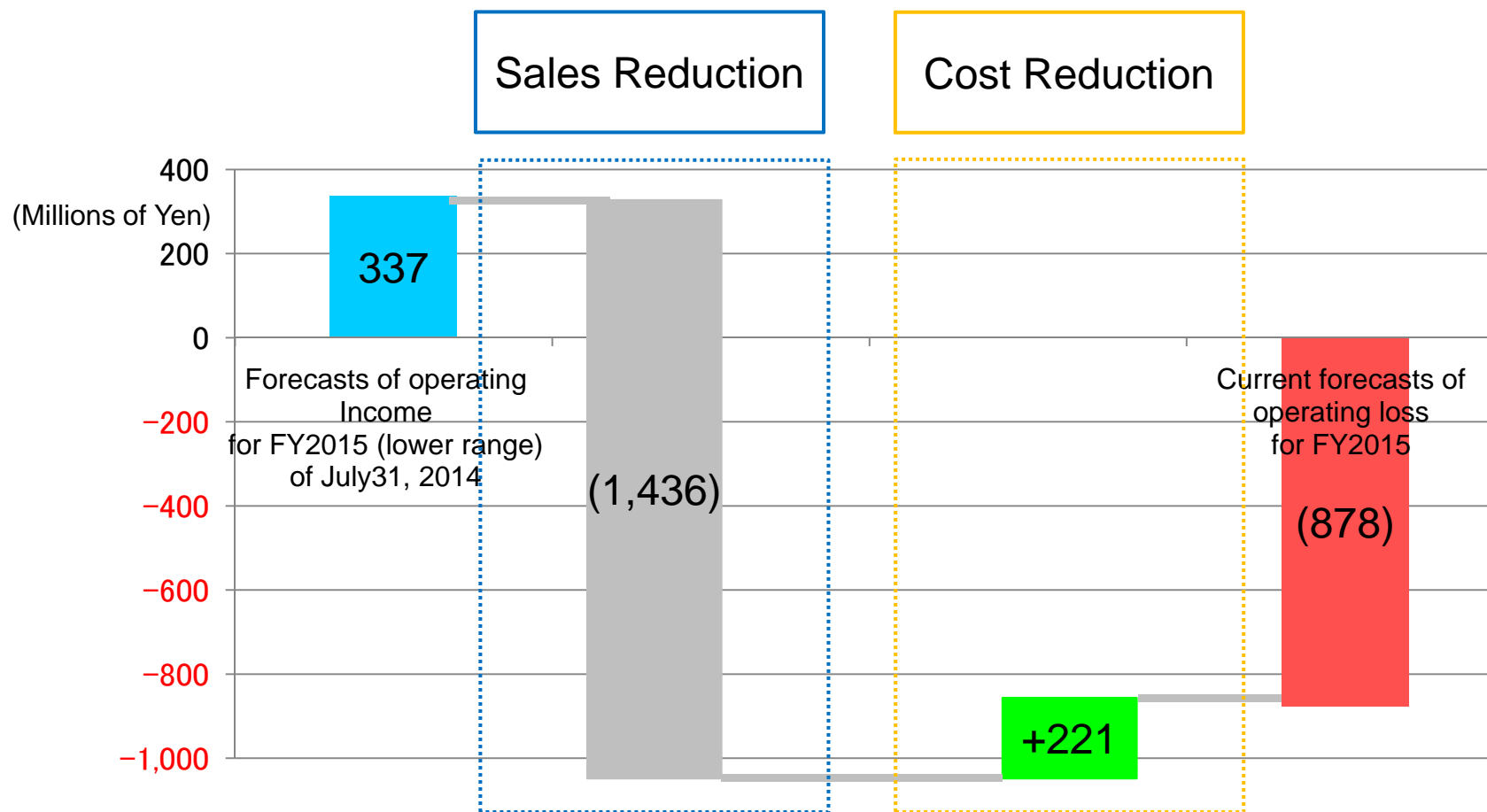


# Analysis of Change: Forecasts for Operating Income for FY2015



– Compared to the Mid-Term Business Plan Disclosed on July 31, 2014

- Sales Reduction would put a heavy burden on the operating income, turning it down into negative
- Despite efforts for overall cost reduction, fixed costs of Gifu plant would weigh profitability down for FY2015



## Forecasts for FY2015: R&D & Other SG&A Expenses



- Cost of sales, R&D expenses and other SG&A expenses increased ¥992 Mil in total vs FY2014
- Additional costs regarding the review process & R&D expenses for improving production efficiency projected

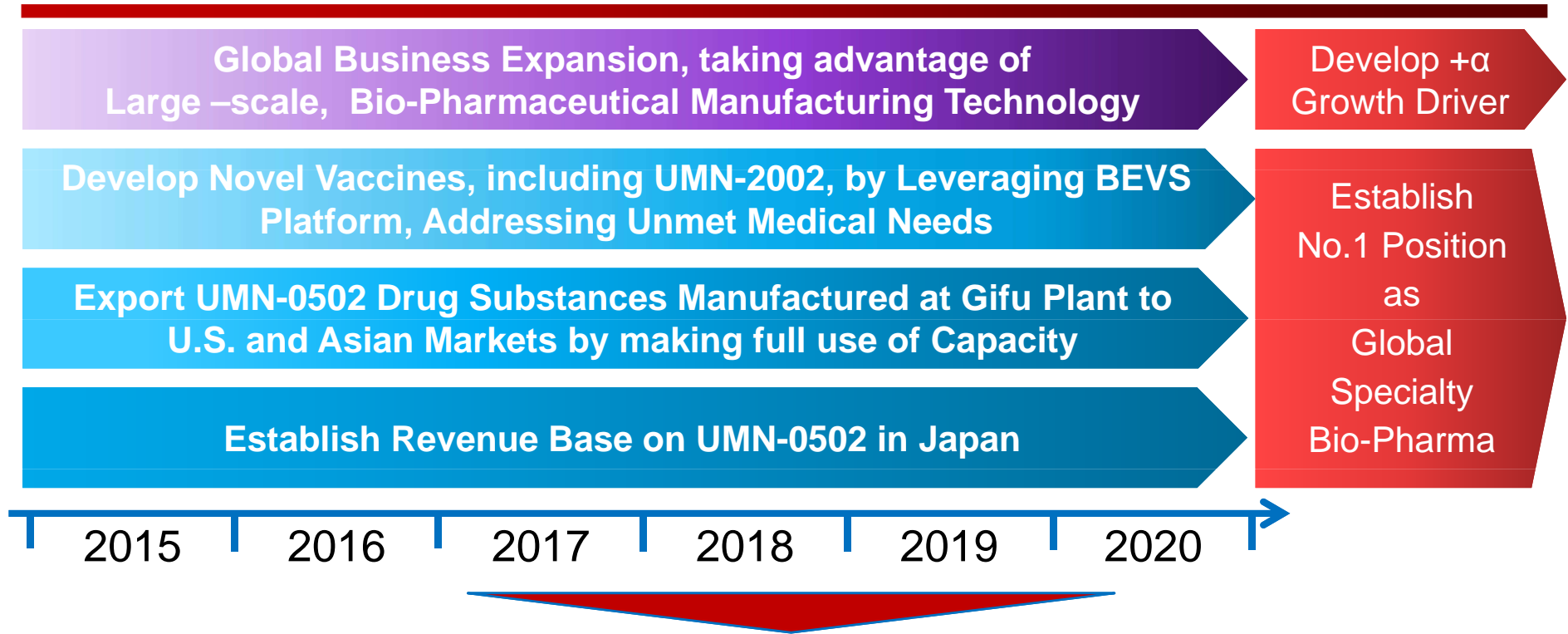
Breakdown costs (Millions of yen)	FY2012 Actual(Cons.)	FY2013 Actual(Cons.)	FY2014 Actual(Cons.)	FY2015 Forecasts(Cons.)	FY2015 Prev. plan**(Cons.)
Cost of sales	17	27	173	4,241	4,286
R&D expenses	1,649	3,925	4,270	1,018	1,522
Other SG&A expenses	514	562	607	843	515
Total of SG&A expenses	2,163	4,488	4,877	1,861	2,037
Depreciation	124	1,404	*1,873	*1,642	*1,519
			* for lease 106	* for lease 140	* for lease 105

	Point	Details
R&D expenses	Conservatively estimated productivity as the first year Of commercial manufacturing at Gifu plant	<ul style="list-style-type: none"> <li>➤ Conservatively counted additional labor costs, materials and supplies</li> </ul>
R&D and other SG&A expenses	Costs regarding the review process for approval & the SG&A expenses for non-operating period at Gifu plant	<ul style="list-style-type: none"> <li>➤ Additional costs to continuously review process for approval and R&amp;D expenses for improving manufacturing efficiency at Gifu plant</li> <li>➤ Partly allocated SG&amp;A expenses for non-operating period at Gifu plant</li> </ul>

\*\* Forecasts for FY2015 on Mid-Term Business Plan at July 31, 2014

# Growth Strategy : Paths & Goals to be Achieved through FY2020

— Establish Position as Global Bio-Pharma by Leveraging BEVS Platform



- ### Challenges to be Addressed in order to Achieve our Strategic Goals by FY2020
- Expansion of Manufacturing Capacity at Gifu plant to Meet Expected Future Demands
  - Global Deployment of In-House Pipeline
  - Seeking for Novel seeds, Technologies and IPs for our Sustainable and Accelerated Growth

FY2015 Goal: Establish Revenue Base on UMN-0502 in Japan  
– Concentrate Resources on UMN-0502 Review Process for Approval



## Establish Revenue Base on UMN-0502 in Japan

Concentrate All the Resources on the following

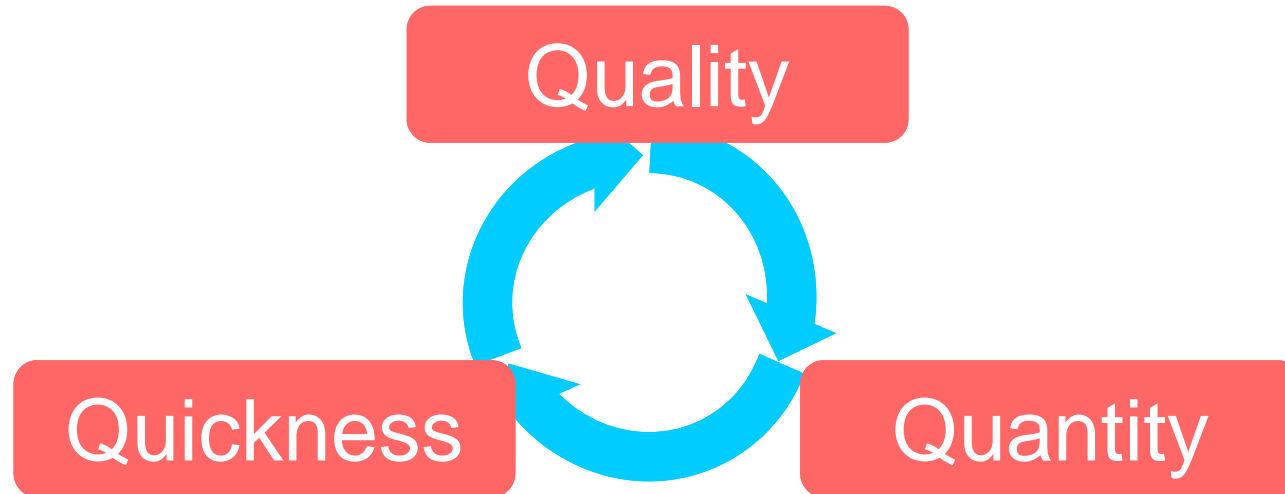
Accommodate Review Process for Approval of UMN-0502 by MHLW / PMDA

Accommodate GMP Compliance Inspection at Gifu Plant by MHLW / PMDA



## Establish Revenue Base on UMN-0502 in Japan

At start of commercial manufacturing & shipping of bio-pharmaceutical drug, we reaffirm an importance of the following aspects to put thorough emphasis on.



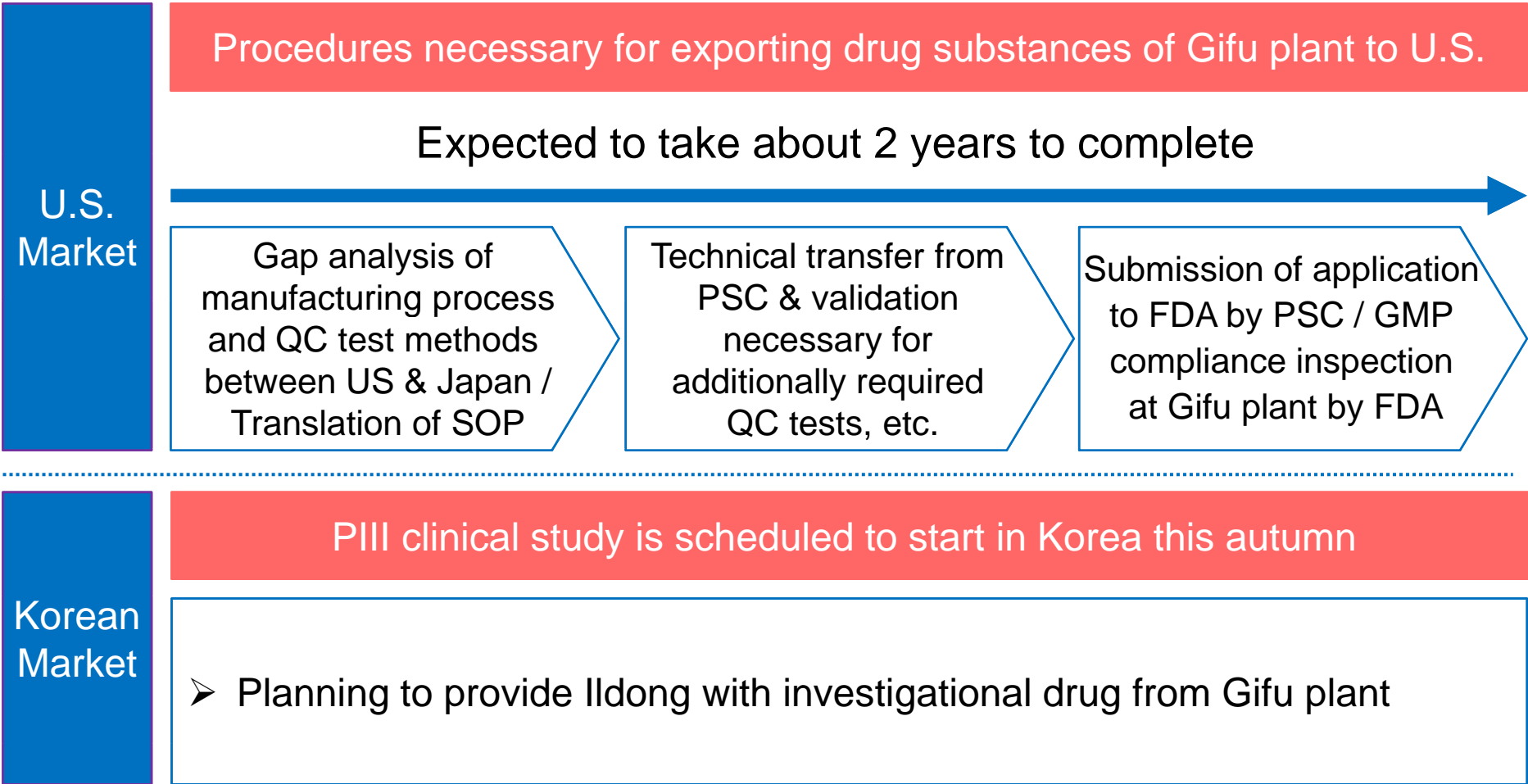
Quality	➤ As a concern involved in the creation of pharmaceuticals that play a vital role in society and directly influence the lives of people, we put the utmost priority on the quality.
Quantity	➤ Evolve into a sustainable growth cycle by providing as many people in need as possible with next-generation, high-quality bio-pharmaceuticals.
Quickness	➤ Establish credibility from those engaged in medical service through delivering our products at the right time, in the right place and to the right person.

# FY2015 Goal: Global Development by UMN-0502

– Initiate procedures for exporting 「Flublok®」 to U.S. as early as possible



## Export UMN-0502 Drug Substances Manufactured at Gifu Plant to U.S. and Asian Markets, making full use of Capacity





Develop Novel Vaccines, including UMN-2002, by Leveraging BEVS Platform

UMN-2002

Conducting collaborative research to determine the possibility of developing norovirus vaccine as UMN-2002 with Daiichi Sankyo

- Daiichi Sankyo conducting basic research to determine the possibility of developing the vaccine with recombinant norovirus VLP antigen provided by UMN.
- UMN granting Daiichi Sankyo the right to negotiate exclusively further partnership, and now under discussion between us.

UMN-0501/  
0901/  
Others

Development of UMN-0501/0901 depends on the outcome of further discussion with Astellas

- Astellas to determine development policy
- UMN resources focused on UMN-0502 for the moment
- Introduction of new pipelines to be deliberately evaluated



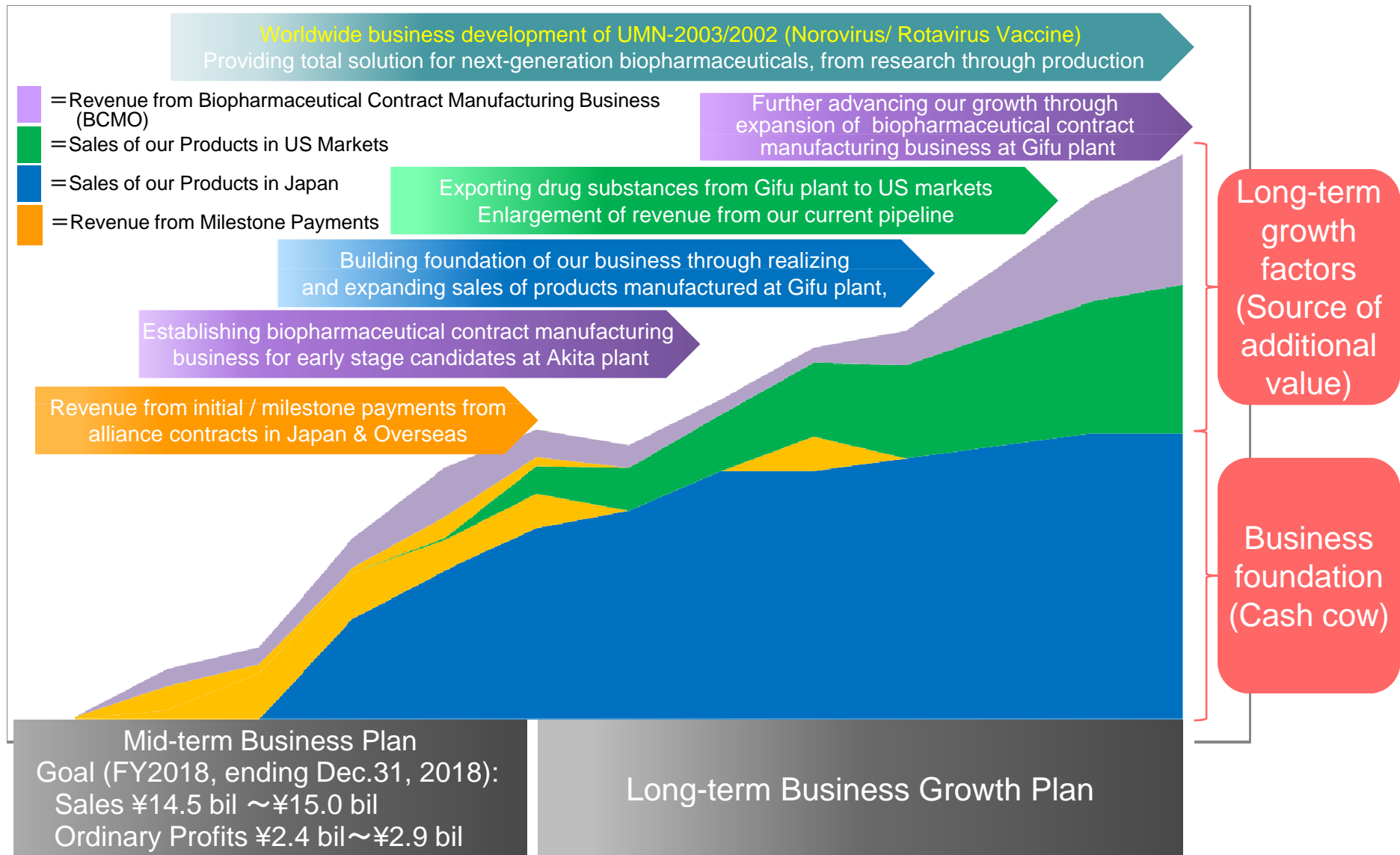
- Business Results for FY 2014
  - Financial Results
  - Business Progress

- Business Plan for FY 2015

- **Mid-Term Business Plan: FY2015—FY2018**
  - Growth Strategy & Action Plan
  - Financial Goal

# Growth Strategy

- Base sales established on UMN-0502 in Japan & exporting drug substances from Gifu to US
- Additional growth expected on UMN-2002 project, sustainable steady growth with BCMO business



# FY2015 - FY2018 Action Plan

- Establish & strengthen core business to build robust profit base
- Exploit new areas to create future additional value

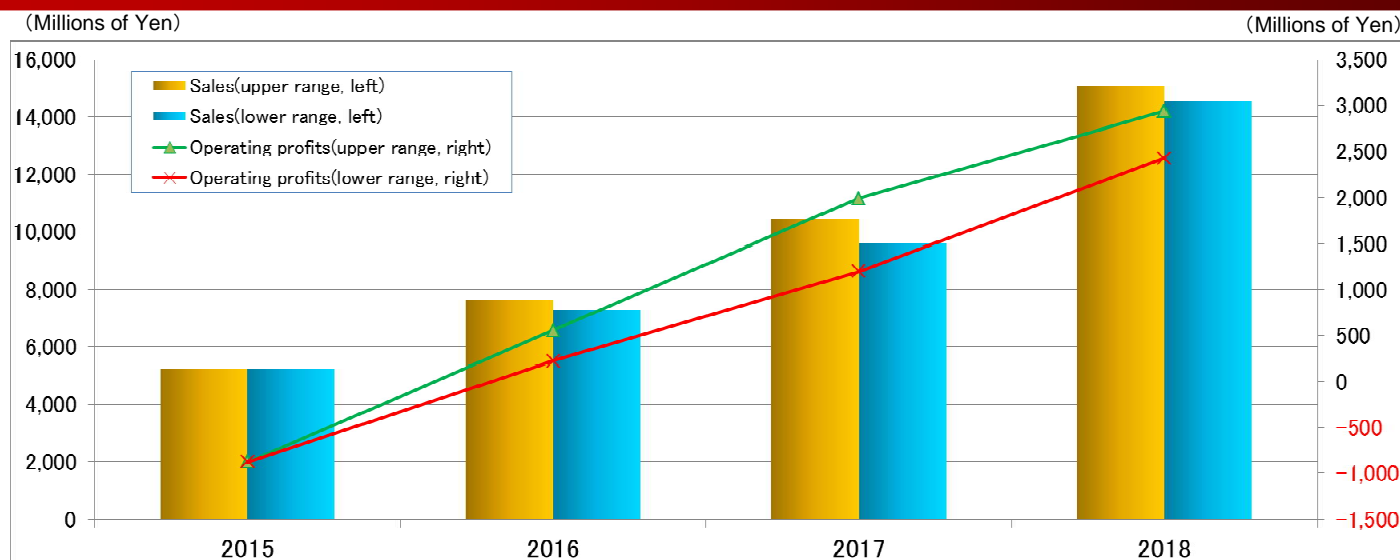


## Action Plan for Our Mid-Term Business Plan FY2015 — FY2018

In-House Pipeline	UMN-0502	<p>Japan</p> <ul style="list-style-type: none"> <li>➤ Increase manufacturing capacity at Gifu plant</li> <li>➤ Strengthen cost competitiveness – Reduction of costs / Improve yield efficiency</li> <li>➤ Consider possibility of additional indication of UMN-0502 into the age under 20</li> <li>➤ Product development to increase value, achieving sales milestones</li> </ul> <p>Overseas Development</p> <ul style="list-style-type: none"> <li>➤ Realize exporting drug substances manufactured at Gifu plant to US as early as possible</li> <li>➤ Implement clinical development in Korea and start exporting drug substances</li> </ul>
	UMN-0501	
	UMN-0901	
	UMN-2003/ 2002	
Biopharmaceutical contract manufacturing	<ul style="list-style-type: none"> <li>➤ Obtain BEVS contracts / advance to alliance</li> </ul>	
Development of human resources	<ul style="list-style-type: none"> <li>➤ Develop high-level human resources capable of supervising commercial plant operation</li> <li>➤ Enhance recruiting function</li> <li>➤ Strengthen HR development / Ensure world-class HR</li> </ul>	
Management foundation	<ul style="list-style-type: none"> <li>➤ Strengthen operating foundation for global business expansion</li> <li>➤ Enhance Investors Relations function</li> </ul>	

# FY2015 - FY2018 Mid-term Business Plan : Financial Targets

– Our Growth Scenario is Unchanged, despite Income Levels would be 1 Year Behind compared to the targets of Mid-term Business Plan disclosed on July 31, 2014



Consolidated (Millions of yen)	FY2014 (Dec.31,2014) Actual	FY2015 (Dec.31,2015) Forecasts	FY2016 (Dec.31,2016) Mid-term Plan	FY2017 (Dec.31,2017) Mid-term Plan	FY2018 (Dec.31,2018) Mid-term Plan
Sales	1,108	5,224	7,287~7,637	9,602~10,452	14,529~15,079
Operating income	(3,942)	(878)	220~555	1,200~1,990	2,431~2,936
Ordinary income	(4,249)	(1,025)	155~490	1,159~1,949	2,347~2,852
Net income	(3,961)	(1,033)	136~471	1,140~1,930	2,281~2,355

< Disclosure of Mid-term Financial Target figures in a form of 'range' >

UMN and Astellas are still discussing future sales plan of UMN-0502. As for sales forecast other than UMN-0502, actual financial results may differ materially from what is forecasted depending on a number of important factors. So we have decided to disclose 'Mid-Term Financial Targets' mainly based upon our own analysis and forecasts in a form of range. UMN would quickly disclose revised figures after receiving more precise information or coming to know outcome / progress, if necessary.



This material includes forward-looking statements based on assumptions and beliefs in light of the information currently available to management and subject to significant risks and uncertainties.

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 launch, pricing and product initiatives of competitors, the inability of the company to market existing and new pipelines effectively, interruptions in production, infringements of the company's intellectual property rights and the adverse outcome of material litigation.

This material contains information on pharmaceuticals, but this information is not intended to make any representations or advertisements regarding the efficacy or effectiveness of these preparations, promote unapproved uses in any fashion nor provide medical advice of any kind.