

Consolidated Financial Results for the First Quarter of Fiscal Year Ending Dec. 31, 2015 (Japanese GAAP)

April 30, 2015

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 14, 2015	Scheduled date of Dividend payments	—
Supplementary materials for financial results:	None		
Briefing session of financial results:	None		

(Rounded down to nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY2015 (From Jan. 1, 2015 to March 31, 2015)

(1) Consolidated operating results(cumulative) (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	%
Q1 FY2015	42	(40.0)	(485)	—	(461)	—	(457)	—
Q1 FY2014	70	189.0	(1,111)	—	(1,195)	—	(904)	—

(Note) Comprehensive income Q1 FY2015 (457) Million yen (—%) Q1 FY2014 (949) Million yen (—%)

	Net income per share - basic	Net income per share - Diluted
	Yen	Yen
Q1 FY2015	(47.86)	—
Q1 FY2014	(107.14)	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets
	Million yen	Million yen	%
As of March 31, 2015	13,077	3,259	24.9
As of Dec. 31, 2014	12,882	3,705	28.8

(Note) Shareholders' equity As of March 31, 2015 3,259 Million yen As of Dec. 31, 2014 3,705 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
FY2014	—	0 00	—	0 00	0 00
FY2015	—	—	—	—	—
FY2015(Forecast)	—	0 00	—	0 00	0 00

(Note) Revisions to the latest dividend forecast: None

3. Forecast for the Fiscal Year Ending Dec. 31, 2015(from Jan. 1, 2015 to Dec. 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2015	5,224	371.3	(878)	—	(1,025)	—	(1,033)	—	(108.14)

(Note) Revisions to the latest financial forecast: None

*(Notes)

(1) Changes in the number of significant subsidiaries during Q1 FY2015(changes in specified subsidiaries : None affecting the scope of consolidation)

(2) Application of special accounting treatment in preparation of consolidated quarterly financial statements : None

(3) 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

(4) Number of common shares issued

1) Number of shares outstanding as of the end of Q1 FY2015 (including treasury shares)

2) Number of treasury shares as of the end of Q1 FY2015

3) Average number of shares outstanding during Q1 FY2015(cumulative)

Q1 FY2015	9,571,500	FY 2014	9,556,500
Q1 FY2015	50	FY2014	50
Q1 FY2015	9,566,450	Q1 FY2014	8,438,405

* 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.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the three months ended March 31, 2015, the operational resources of UMN Pharma Inc. (“The Company”) were strategically allocated to R&D activities of UMN-0502 (recombinant influenza HA vaccine for the prevention of seasonal influenza, hereinafter referred to as “UMN-0502”) and UMN-0501 (recombinant influenza HA vaccine (H5N1) for the prevention of pandemic influenza, hereinafter to as “UMN-0501”); and UMN-0901 (recombinant influenza HA vaccine (H9N2), hereinafter referred to as “UMN-0901”) for which the possibility of pandemic has been indicated by WHO besides H5N1; and UMN-2003 (recombinant norovirus VLP + recombinant VP6 combination vaccine, hereinafter referred to as “UMN-2003”) for the prevention of norovirus and rotavirus that are principal causative virus of viral gastroenteritis); and UMN-2002 for the prevention for norovirus (recombinant norovirus VLP single vaccine, hereinafter “UMN-2002”). As to the above pipeline, the Company carried out development of UMN-0502 and UMN-0901 for Japan in collaboration with Astellas, and of UMN-0502, UMN-0501 and UMN-0901 for South Korea in collaboration with Ildong Pharmaceutical Co., Ltd.

As for UMN-0502, after submission of an application for marketing approval of recombinant influenza HA vaccine ASP7374 by Astellas for the prevention of influenza to the Ministry of Health, Labour and Welfare in May, 2014, the Company, in collaboration with Astellas, continued to respond to the related inquiries from Pharmaceutical and Medical Agency (“PMDA”) for the approval. Concurrently, the Company has been preparing for the start of commercial production at Gifu plant.

As for UMN-2002, under the joint research agreement with Daiichi Sankyo Company, Limited (“Daiichi Sankyo”) in February 2014, the Company continued to carry out the research to verify the possibility of UMN-2002 development using Daiichi Sankyo’s device for new administration.

Regarding biopharmaceutical contract manufacturing business, the Company completed the order from the Infectious Disease Surveillance Center, under which the Company manufactured prospective antigens for new vaccine and delivered them to the agency. The number of orders for the business is increasing steadily.

In addition, in December 2014, the Company entered into an agreement with Protein Sciences Corporation (herein after referred to as PSC) and IHI Corporation to assess the feasibility of sourcing the active ingredients of Flublok[®] (the world’s first protein-based recombinant influenza HA vaccine for the prevention of influenza, herein after referred to as “Flublok[®]”) from Gifu plant. Flublok[®] was approved by FDA in January 2013 and is currently manufactured by PSC and marketed in the United States. As a first step, the Company is currently reviewing the gap of the process of manufacturing Flublok[®] active ingredients between Japan and US.

As a result, consolidated net sales for the first quarter of FY2015 totaled ¥42,168 thousand (compared to net sales of ¥70,317 thousand in the same period of the previous fiscal year), with operating loss of ¥485,980 thousand (compared to operating loss of ¥1,111,539 thousand in the same period of the previous fiscal year), ordinary loss of ¥461,436 thousand (compared to ordinary loss of ¥1,195,610 thousand in the same period of the previous fiscal year) and net loss of ¥457,860 thousand (compared to net loss of ¥904,086 thousand in the same period of the previous fiscal year).

(2) Analysis of Financial Position

The consolidated financial position as of March 31, 2015 is as follows,

Total assets amounted to ¥13,077,278 thousand, which corresponds to an increase of ¥195,227 thousand compared to the end of the previous fiscal year.

Current assets amounted to ¥3,766,050 thousand, which corresponds to an increase of ¥569,006 thousand compared to the end of the previous fiscal year, mainly due to an increase of ¥450,280 thousand in raw materials and supplies and an increase of ¥438,772 thousand in work in process.

Noncurrent assets amounted to ¥9,311,228 thousand, which corresponds to a decrease of ¥373,778 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥354,720 thousand in property, plant and equipment.

Liabilities amounted to ¥9,817,730 thousand, which corresponds to an increase of ¥641,088 thousand compared to the end

of the previous fiscal year, mainly due to an increase of ¥700,000 thousand in short-term loans payable included in current liabilities.

Net assets amounted to ¥3,259,548 thousand, which corresponds to a decrease of ¥445,860 thousand compared to the end of the previous fiscal year, mainly due to net loss of ¥457,860 thousand incurred during the period.

Cash and cash equivalent position

The balance of cash and cash equivalents stood at ¥1,892,087 thousand, which corresponds to a decrease of ¥188,133 thousand compared to the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash used in operating activities totaled ¥848,714 thousand, mainly due to loss before income taxes of ¥461,436 thousand, depreciation of ¥378,089 thousand, increase in inventories of ¥889,052 thousand and increase in notes and accounts payable-trade of ¥491,392 thousand.

(Cash flows from investment activities)

Net cash used in investment activities totaled ¥1,637 thousand, mainly due to ¥1,400 thousand used in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥662,217 thousand, mainly due to ¥700,000 thousand in increase in short-term loans payable, ¥25,000 thousand in repayment of long-term loans payable and ¥24,740 thousand in repayments of lease obligations.

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

There is no change in our forecast of financial results for fiscal year ending Dec. 31, 2014, announced on Feb. 13, 2015.

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (as of Dec. 31, 2014)	First quarter of FY2015 (as of March 31, 2015)
Assets		
Current assets		
Cash and cash equivalent	2,080,221	1,892,087
Accounts receivable-trade	14,502	14,194
Work in process	338,602	777,374
Raw materials and supplies	348,261	798,541
Advance payments-trade	88,712	72,909
Other	326,745	210,943
Total current assets	3,197,044	3,766,050
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,120,982	5,013,806
Machinery and equipment, net	3,410,677	3,196,896
Tools, furniture and fixtures, net	104,783	97,801
Lease assets, net	533,355	506,574
Construction in progress	1,050	1,050
Total property, plant and equipment	9,170,849	8,816,129
Intangible assets	245,703	226,849
Investments and other assets	268,453	268,248
Total noncurrent assets	9,685,006	9,311,228
Total assets	12,882,050	13,077,278
Liabilities		
Current liabilities		
Accounts payable-trade	—	491,392
Short-term loans payable	600,000	1,300,000
Current portion of long-term loans payable	336,000	597,000
Accounts payable-other	607,462	223,297
Income taxes payable	30,567	11,930
Other	224,680	141,284
Total current liabilities	1,798,710	2,764,904
Noncurrent liabilities		
Long-term loans payable	6,329,000	6,043,000
Long-term deposits received	340,332	340,332
Assets retirement obligations	171,248	165,052
Other	537,350	504,440
Total noncurrent liabilities	7,377,931	7,052,825
Total liabilities	9,176,642	9,817,730
Net assets		
Shareholders' equity		
Capital stock	8,688,544	8,694,544
Capital surplus	8,357,544	8,363,544
Retained earnings	(13,340,482)	(13,798,343)
Treasury stock	(197)	(197)
Total shareholders' equity	3,705,408	3,259,548

	(Thousands of yen)	
	Previous fiscal year (as of Dec. 31, 2014)	First quarter of FY2015 (as of March 31, 2015)
Total net assets	3,705,408	3,259,548
Total liabilities and net assets	12,882,050	13,077,278

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income for the three months ended March 31, 2015

	(Thousands of yen)	
	Three months ended March 31, 2014 (From Jan. 1, 2014 to March 31, 2014)	Three months ended March 31, 2015 (From Jan. 1, 2015 to March 31, 2015)
Net sales	70,317	42,168
Cost of sales	4,325	11,131
Gross profit	65,992	31,036
Selling, general and administrative expenses	1,177,531	517,016
Operating loss (-)	(1,111,539)	(485,980)
Non-operating income		
Interest income	248	174
Foreign exchange gains	—	1,232
Subsidy income	—	76,263
Other	167	477
Total non-operating income	415	78,148
Non-operation expenses		
Interest expenses	57,990	34,226
Stock issuance cost	64	42
Foreign exchange losses	1,870	—
Commission fee	24,560	19,335
Total non-operation expense	84,486	53,604
Ordinary loss (-)	(1,195,610)	(461,436)
Extraordinary income		
Subsidy income	2,213,799	—
Total extraordinary income	2,213,799	—
Extraordinary loss		
Loss on reduction of noncurrent assets	1,966,398	—
Total extraordinary loss	1,966,398	—
Loss before income taxes and minority interests (-)	(948,209)	(461,436)
Income taxes-current	1,598	1,617
Income taxes-deferred	(759)	(5,192)
Total income taxes	839	(3,575)
Net loss before minority interests (-)	(949,048)	(457,860)
Loss attributable to minority interests (-)	(44,962)	—
Net loss (-)	(904,086)	(457,860)

Quarterly Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015

	(Thousands of yen)	
	Three months ended March 31, 2014 (From Jan. 1, 2014 to March 31, 2014)	Three months ended March 31, 2015 (From Jan. 1, 2015 to March 31, 2015)
Loss before minority interest (-)	(949,048)	(457,860)
Comprehensive income (losses)	(949,048)	(457,860)
(Breakdown)		
Comprehensive income(losses) attributable to owners of the company	(904,086)	(457,860)
Comprehensive income(losses) attributable to minority interests	(44,962)	—

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Three months ended March 31, 2014 (From Jan. 1, 2014 to March 31, 2014)	Three months ended March 31, 2015 (From Jan. 1, 2015 to March 31, 2015)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests (-)	(948,209)	(461,436)
Depreciation	467,811	378,089
Interest income	(248)	(174)
Interest expenses	57,990	34,226
Commission fee	24,560	19,335
Stock issuance cost	64	42
Loss on reduction of noncurrent assets	1,966,398	—
Subsidy income	(2,213,799)	(76,263)
Decrease(increase) in notes and accounts receivable-trade	(5,999)	308
Decrease(increase) in inventories	(55,839)	(889,052)
Increase(decrease) in notes and accounts payable-trade	—	491,392
Increase(decrease) in deposits received	(5,007)	(3,906)
Other	669,991	(353,738)
Subtotal	(42,287)	(861,178)
Interest income received	321	174
Interest expenses paid	(55,747)	(33,183)
Proceeds from subsidy	2,216,799	76,263
Income taxes paid	(6,066)	(6,376)
Other	(39,527)	(24,414)
Net cash provided by (used in) operating activities	2,073,493	(848,714)
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(310)	(1,400)
Purchase of intangible assets	—	(216)
Payments for lease deposits	—	(78)
Collection of lease deposits	336	57
Net cash provided by (used in) investment activities	26	(1,637)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,700,000	700,000
Decrease in short-term loans payable	(1,884,300)	—
Repayment of long-term loans payable	(4,870,000)	(25,000)
Repayments of lease obligations	(23,046)	(24,740)
Proceeds from issuance of common stock	16,885	11,958
Net cash provided by (used in) financing activities	(5,060,461)	662,217
Net increase(decrease) in cash and cash equivalents	(2,986,942)	(188,133)
Cash and cash equivalent at beginning of the period	4,267,657	2,080,221
Cash and cash equivalent at end of the period	1,280,715	1,892,087