



Consolidated Financial Results
for the First Three Months of Fiscal Year Ending December 31, 2016
(Japanese GAAP)

April 28, 2016

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 13, 2016	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 Three Months of FY2016 (From January 1, 2016 to March 31, 2016)

(1) Consolidated operating results (cumulative) (Percentage indications show changes from corresponding figures for the previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three months of FY2016	35	(16.9)	(350)	—	(362)	—	(111)	—
First three months of FY2015	42	(40.0)	(485)	—	(461)	—	(457)	—

(Note) Comprehensive First three months of FY2016 (361) Million yen (—%) First three months of FY2015 (457) Million yen (—%)

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
First three months of FY2016	(11.65)	—
First three months of FY2015	(47.86)	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets
	Million yen	Million yen	%
As of March 31, 2016	13,498	234	1.7
As of December 31, 2015	11,808	333	2.8

(Reference) Shareholders' equity As of March 31, 2016 234 Million yen As of December 31, 2015 333 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
FY2015	—	0 00	—	0 00	0 00
FY2016	—	—	—	—	—
FY2016(Forecast)	—	0 00	—	0 00	0 00

(Note) Revisions to the latest dividend forecast: None

3. Forecasts for the Fiscal Year Ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

The consolidated earnings forecasts for this period have not been disclosed due to difficulties conducting reasonable earnings forecasts up to today. The forecasts for FY2016 will be disclosed as soon as it becomes available.

*(Notes)

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

(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 : Yes
- 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 issued
(including treasury shares)
- 2) Number of treasury shares
- 3) Average number of shares issued

As of March 31,2016	9,596,500	As of December 31,2015	9,581,500
As of March 31,2016	50	As of December 31,2015	50
For the first three months of FY2016	9,591,504	For the first three months of FY2015	9,566,450

* 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, 2016, 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 referred 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 (recombinant norovirus VLP single vaccine, hereinafter referred to as “UMN-2002”) for the prevention for norovirus. As for the above pipeline, the Company carried out development of UMN-0502 and UMN-0501 for Japan in collaboration with Astellas Pharma Inc. (“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 seasonal 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 during the period. Concurrently, the Company has been preparing for the start of commercial production at Gifu plant of UNIGEN Inc. (“UNIGEN”), a consolidated subsidiary of the Company.

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. The Company provided Daiichi-Sankyo with VLP antigen produced by refined process and Daiichi Sankyo continuously conducted basic research using the VLP antigen during the period.

Regarding biopharmaceutical contract manufacturing business, the Company completed a part of the ongoing contracts and posted sales during the period.

Under the ‘Basic Agreement for supply of Flublok[®] Drug Substance from UNIGEN Inc.’ with Protein Sciences Corporation (“PSC”) on February 12, 2016, UNIGEN has been driving the project forward as a main counterparty and an outsource. On April 7, 2016 (the US local time), Type C meeting (a preparatory Q&A meeting between Food and Drug Administration (“FDA”) and an applicant before submitting application) between PSC and FDA was held, where the necessary steps to obtain the licensure from FDA for Gifu plant as a manufacturing facility of Flublok[®] drug substance were discussed and confirmed. UNIGEN has now become more confident that the process for the licensure could be moved forward as planned and prepared in close collaboration with PSC.

As a result, consolidated net sales for the first three months of FY2016 totaled ¥35,033 thousand (net sales decreased by 16.9% compared to the same period of the previous fiscal year). Reflecting the costs incurred for answering the inquiries from PMDA for the approval of UMN-0502, R&D activities for other projects and the activities preparing for the commercial production at Gifu plant, operating loss reached to ¥350,229 thousand (compared to operating loss of ¥485,980 thousand in the same period of the previous fiscal year), with ordinary loss of ¥362,979 thousand (compared to ordinary loss of ¥461,436 thousand in the same period of the previous year) and loss attributable to owners of parent of ¥111,763 thousand (compared to loss attributable to owners of parent of ¥457,860 thousand in the same period of the same fiscal year).

During the period, the Company booked subsidy income of ¥65,912 thousands as non-operating income, which UNIGEN was granted as a subsidy for Gifu plant.

(2) Analysis of Financial Position

The consolidated financial position as of March 31, 2016 is as follows,

Total assets amounted to ¥13,498,714 thousand, which corresponds to an increase of ¥1,690,407 thousand compared to the end of the previous fiscal year.

Current assets amounted to ¥3,496,255 thousand, which corresponds to an increase of ¥192,495 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥195,169 thousand in cash and deposits, an increase of ¥160,329 thousand in raw materials and supplies and an increase of ¥380,765 thousand in work in process.

Noncurrent assets amounted to ¥10,002,459 thousand, which corresponds to an increase of ¥1,497,911 thousand compared to the end of the previous fiscal year, mainly due to an increase of ¥1,807,494 thousand in construction in progress.

Liabilities amounted to ¥13,264,696 thousand, which corresponds to an increase of ¥1,790,170 thousand compared to the end of the previous fiscal year, mainly due to an increase of ¥2,000,000 thousand in short-term loans payable.

Net assets amounted to ¥234,017 thousand, which corresponds to a decrease of ¥99,763 thousand compared to the end of the previous fiscal year, mainly due to net loss attributable to owners of parent of ¥111,763 thousand incurred during the period.

Cash and cash equivalents position

The balance of cash and cash equivalents stood at ¥646,952 thousand, which corresponds to a decrease of ¥195,169 thousand compared to the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash used in operating activities for the first three months of FY2016 totaled ¥334,125 thousand, mainly due to loss before income taxes of ¥362,979 thousand, depreciation of ¥311,147 thousand, an increase in inventories of ¥541,095 thousand and an increase in notes and accounts payable-trade of ¥51,776 thousand.

(Cash flows from investment activities)

Net cash used in investment activities for the first three months of FY2016 totaled ¥1,809,267 thousand, due to ¥1,809,267 thousand used in purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash provided by financing activities for the first three months of FY2016 totaled ¥1,948,222 thousand, mainly due to an increase in short-term loans payable of ¥2,000,000 thousand, repayment of long-term loans payable of ¥286,000 thousand, repayments of lease obligations of ¥25,985 thousand and proceeds from share issuance to non-controlling shareholders of ¥248,250 thousand.

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

The consolidated earnings forecasts for Fiscal Year ending December 31, 2016 have not been disclosed due to difficulties conducting reasonable calculations of the earnings forecasts.

2. Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

No applicable items.

(2) Application of Simplified Accounting Methods and/or Special Accounting Methods

No applicable items.

(3) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

(Application of the Accounting Standard for Business Combination, etc.)

“ The Accounting Standard for Business Combination” (Corporate Accounting Standards No.21;September 13,2013) , “the Accounting Standard for Consolidated Financial Statements” (Corporate Accounting Standards No.22;September 13,2013) , “ the Accounting Standard for Business Divestitures” (Corporate Accounting Standards No.7;September 13,2013) ,etc. were adopted in the first quarter of this consolidated fiscal period. The indications of quarterly net income, etc. were changed, and nomenclature of minority interests was changed to non-controlling interests. In order to reflect the change of the indications, the quarterly consolidated financial statements of the prior cumulative consolidated first quarter and the consolidated financial statements of the prior consolidated fiscal year are reclassified.

These changes in accounting standards have no impact on profits.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (as of December 31, 2015)	First quarter of FY2016 (as of March 31, 2016)
Assets		
Current assets		
Cash and deposits	842,121	646,952
Accounts receivable-trade	17,897	22,387
Work in process	417,590	798,355
Raw materials and supplies	1,685,139	1,845,469
Advance payments-trade	25,390	16,790
Other	315,620	166,300
Total current assets	3,303,759	3,496,255
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,680,456	4,582,311
Machinery and equipment, net	2,555,545	2,396,106
Tools, furniture and fixtures, net	72,904	66,882
Lease assets, net	426,233	399,452
Construction in progress	401,254	2,208,749
Total property, plant and equipment	8,136,395	9,653,501
Intangible assets	171,795	152,809
Investments and other assets	196,356	196,148
Total noncurrent assets	8,504,547	10,002,459
Total assets	11,808,306	13,498,714
Liabilities		
Current liabilities		
Accounts payable-trade	342,886	394,663
Short-term loans payable	3,600,000	5,600,000
Current portion of long-term loans payable	1,119,000	1,119,000
Accounts payable-other	82,842	112,862
Income taxes payable	21,819	14,737
Other	163,479	195,868
Total current liabilities	5,330,029	7,437,131
Noncurrent liabilities		
Long-term loans payable	5,210,000	4,924,000
Long-term deposits received	340,332	340,332
Assets retirement obligations	175,482	176,294
Other	418,682	386,937
Total noncurrent liabilities	6,144,496	5,827,564
Total liabilities	11,474,525	13,264,696
Net assets		
Shareholders' equity		
Capital stock	8,697,869	8,703,869
Capital surplus	8,366,869	8,372,869
Retained earnings	(16,730,760)	(16,842,523)
Treasury stock	(197)	(197)
Total shareholders' equity	333,781	234,017

(Thousands of yen)

	Previous fiscal year (as of December 31, 2015)	First quarter of FY2016 (as of March 31, 2016)
Total net assets	333,781	234,017
Total liabilities and net assets	11,808,306	13,498,714

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

	(Thousands of yen)	
	Three months ended March 31, 2015 (From January 1, 2015 to March 31, 2015)	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)
Net sales	42,168	35,033
Cost of sales	11,131	5,258
Gross profit	31,036	29,774
Selling, general and administrative expenses	517,016	380,003
Operating loss (-)	(485,980)	(350,229)
Non-operating income		
Interest income	174	51
Foreign exchange gains	1,232	307
Subsidy income	76,263	65,912
Other	477	108
Total non-operating income	78,148	66,380
Non-operating expenses		
Interest expenses	34,226	51,638
Stock issuance cost	42	1,792
Commission fee	19,335	25,700
Total non-operating expense	53,604	79,130
Ordinary loss (-)	(461,436)	(362,979)
Loss before income taxes and minority interests (-)	(461,436)	(362,979)
Income taxes-current	1,617	1,505
Income taxes-deferred	(5,192)	(2,721)
Total income taxes	(3,575)	(1,216)
Net loss (-)	(457,860)	(361,763)
Loss attributable to non-controlling interests(-)	—	(250,000)
Loss attributable to owners of parent(-)	(457,860)	(111,763)

Quarterly Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Three months ended March 31, 2015 (From January 1, 2015 to March 31, 2015)	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)
Net loss before minority interest (-)	(457,860)	(361,763)
Comprehensive income (losses)	(457,860)	(361,763)
(Breakdown)		
Comprehensive income(losses) attributable to owners of parent	(457,860)	(111,763)
Comprehensive income(losses) attributable to non-controlling interests	—	(250,000)

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Three months ended March 31, 2015 (From January 1, 2015 to March 31, 2015)	Three months ended March 31, 2016 (From January 1, 2016 to March 31, 2016)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests (-)	(461,436)	(362,979)
Depreciation	378,089	311,147
Interest income	(174)	(51)
Interest expenses	34,226	51,638
Commission fee	19,335	25,700
Stock issuance cost	42	1,792
Subsidy income	(76,263)	(65,912)
Decrease(increase) in notes and accounts receivable-trade	308	(4,490)
Decrease(increase) in inventories	(889,052)	(541,095)
Increase(decrease) in notes and accounts payable-trade	491,392	51,776
Other	(357,645)	223,332
Subtotal	(861,178)	(309,141)
Interest income received	174	43
Interest expenses paid	(33,183)	(51,972)
Proceeds from subsidy	76,263	62,662
Income taxes paid	(6,376)	(6,263)
Other	(24,414)	(29,453)
Net cash provided by (used in) operating activities	(848,714)	(334,125)
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(1,400)	(1,809,267)
Purchase of intangible assets	(216)	-
Payments for lease deposits	(78)	-
Proceeds from collection of guarantee deposits	57	-
Net cash provided by (used in) investment activities	(1,637)	(1,809,267)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	700,000	2,000,000
Repayment of long-term loans payable	(25,000)	(286,000)
Repayments of lease obligations	(24,740)	(25,985)
Proceeds from issuance of common stock	11,958	11,958
Proceeds from share issuance to non-controlling shareholders	-	248,250
Net cash provided by (used in) financing activities	662,217	1,948,222
Net increase(decrease) in cash and cash equivalents	(188,133)	(195,169)
Cash and cash equivalents at beginning of the period	2,080,221	842,121
Cash and cash equivalents at end of the period	1,892,087	646,952