

# Consolidated Financial Results for the Fiscal Year Ended 31 December 2015(Japanese GAAP)

February 12, 2016

Company name	UMN Pharma Inc.	Stock Listings	Mothers of the TSE
Securities code	4585	URL	<a href="http://www.umnpharma.com/en/">http://www.umnpharma.com/en/</a>
Representative	Tatsuyoshi Hirano	Chairman and CEO	
Contact person	Hiroyuki Hashimoto	CFO	(TEL)+81-45-595-9840
Scheduled date of ordinary general shareholders' meeting	March 29, 2016	Scheduled date of Dividend payments	—
Scheduled date of filing securities report	March 30, 2016		
Supplementary materials for financial results	: Yes		
Briefing session of financial results	: Yes (For institutional investors and analysts(in Japanese only) )		

(Rounded down to nearest million yen)

## 1. Consolidated Financial Results for Fiscal Year Ended Dec. 31, 2015 (From Jan. 1, 2015 to Dec. 31, 2015)

### (1) Consolidated operating results (Percentage indicate changes from the previous term)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2015	202	(81.7)	(3,207)	—	(3,390)	—	(3,390)	—
FY2014	1,108	—	(3,942)	—	(4,249)	—	(3,961)	—

(Note) Comprehensive income FY2015 (3,390) Million yen ( —%) FY2014 (4,006) Million yen ( —%)

	Net income per share - basic	Net income per share – diluted	Net income as percentage of net assets	Ordinary income as percentage of total assets	Operating income as percentage of net sales
	Yen	Yen	%	%	%
FY2015	(354 16)	—	(167.9)	(27.5)	(1,582.8)
FY2014	(452 34)	—	(100.2)	(26.7)	(355.7)

(Note) Equity in net income of affiliates FY2015 — Million yen FY2014 — Million yen

### (2) Consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec.31,2015	11,808	333	2.8	34 84
As of Dec.31,2014	12,882	3,705	28.8	387 74

(Note) Shareholders' equity As of Dec.31,2015 333 Million yen As of Dec.31,2014 3,705 Million yen

### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of fiscal year
	Million yen	Million yen	Million yen	Million yen
FY2015	(3,393)	(398)	2,554	842
FY2014	314	(8)	(2,493)	2,080

## 2. Dividends

	Annual dividends per share					Total dividends	Payout ratio(consolidated)	Dividends as percentage of net assets(consolidated)
	End of Q1	End of Q2	End of Q3	Year end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2014	—	0 00	—	0 00	0 00	—	—	—
FY2015	—	0 00	—	0 00	0 00	—	—	—
FY2016(forecast)	—	0 00	—	0 00	0 00		—	

3. Forecasts for Fiscal Year ending Dec. 31, 2016(from Jan. 1, 2016 to Dec. 31, 2016)

Reasonable forecasts of consolidated net sales, operating income, ordinary income, and net income for Fiscal Year ending December 31, 2016 (FY2016) cannot be made at this point. The forecasts for FY2016 will be disclosed as soon as it becomes available.

\* Notes

(1) Changes in the number of significant subsidiaries during the fiscal year(changes of specified subsidiaries affecting the scope of consolidation) : 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 except 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 Dec.31, 2015	9,581,500	As of Dec.31,2014	9,556,500
As of Dec.31, 2015	50	As of Dec.31,2014	50
FY2015	9,572,808	FY2014	8,757,251

2) Number of treasury shares

3) Average number of shares outstanding

(Reference) Summary of Non-consolidated Financial results

1. Non-consolidated Financial Results for Fiscal Year Ended Dec. 31, 2015(from Jan. 1, 2015 to Dec.31, 2015)

(1) Non-consolidated operating results (Percent indications show percent changes from corresponding figures for the Previous period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2015	190	(82.8)	(709)	—	(614)	—	(617)	—
FY2014	1,108	—	(2,861)	—	(2,820)	—	(2,822)	—

	Net income per share – basic	Net income per share – diluted
	Yen	Yen
FY2015	(64 48)	—
FY2014	(322 29)	—

(2) Non-consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec.31,2015	6,274	5,708	91.0	595 82
As of Dec.31,2014	7,031	6,307	89.7	660 01

(Note) Shareholders' equity As of Dec.31,2015 5,708 Million yen As of Dec.31,2014 6,307 Million yen

\* Disclosure concerning the implementation status of audit procedures

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

1. 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 of material litigation. As for the earnings forecasts for the fiscal year ending

Dec.31,2016, please refer to 1. Analysis of Operating Results and Financial Position (1) Analysis of operating results (Earning forecasts for the fiscal year ending Dec. 31, 2016).

2. The Company currently plans to hold a conference for investors and analysts on February 24, 2016. The Presentation materials of the conference will be made available on the company's web pages as soon as possible after the conference.

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## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

(Current term operating results)

During this consolidated fiscal year, 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 has carried out development of UMN-0502 and UMN-0901 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.

The results of Phase III Clinical Trials of UMN-0502 that Astellas and the Company conducted under co-operation have been made public in details for the first time at Symposium of Japanese Society of Chemotherapy held on June 5, 2015, presented by Dr. Hideaki Nagai, Center of Respiratory, National Hospital Organization Tokyo National Hospital.

Furthermore, on June 25, 2015 (the US local time), Protein Sciences Corporation (“PSC”), from which the Company is granted a license, released topline data showing that Flublok Quadrivalent – the quadrivalent version of FDA-approved trivalent Flublok® Influenza Vaccine (the world’s first protein-based recombinant influenza HA vaccine for the prevention of seasonal influenza, which was approved by FDA in January 2013, “Flublok”) – outperformed a traditional influenza vaccine last season and was better at preventing the Influenza-like illness. PSC presented the results of a clinical trial comparing Flublok Quadrivalent to a traditional egg-based quadrivalent inactivated vaccine. The data demonstrate superior performance of Flublok based on a significantly lower number of people contracting the flu after vaccination with Flublok Quadrivalent.

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 conducted basic research using the VLP antigen during the period.

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

In addition, in December 2014, the Company entered into an agreement with PSC and IHI Corporation (“IHI”) to assess the feasibility of sourcing drug substances of Flublok from Gifu plant. Flublok is currently manufactured by PSC and marketed in the United States. The specially-appointed professional team members of PSC and Gifu plant of UNIGEN Inc. (“UNIGEN”), a consolidated subsidiary of the Company, has been, in close collaboration, accelerating actions so as to realize the project on time. The team members are currently working on the necessary steps to obtain the licensure from FDA, including preparing for FDA’s inspection at Gifu plant, sharing necessary information for the gap analysis of manufacturing process of drug substances of Flublok between Japan and US, and so on. The Company, together with IHI and UNIGEN, has already started intensive talks with PSC with regards to business terms, production schedule, logistics, and other several factors comprehensively, aiming at reaching basic agreements between the parties. On February 12, 2016, UNIGEN, a main counterparty of the project as an outsourcee, reached ‘Basic Agreement for supply of Flublok® Drug Substance from UNIGEN Inc.’ with PSC.

As a result, consolidated net sales for FY2015 totaled ¥202,637 thousand (a decrease of 81.7% compared to those in the previous fiscal year) with operating loss of ¥3,207,281 thousand (loss of ¥3,942,694 thousand in the previous fiscal year), ordinary loss of ¥3,390,038 thousand (loss of ¥4,249,795 thousand in the previous fiscal year) and net loss of ¥3,390,277 thousand (loss of ¥3,961,233 thousand in the previous fiscal year). The losses are mainly due to the costs additionally booked as R&D expenses after the commercial production was postponed, which was initially recorded on balance sheet for cost of sales, in addition to the costs incurred for answering the inquiries from PMDA for the approval of UMN-0502, R&D activities for other projects, and the activities for the project of exporting drug substances to the US market under the brand of Flublok® in collaboration with PSC (“the US project”).

(Earnings forecasts for the fiscal year ending Dec. 31, 2016)

The Company will allocate its operating resources mainly to activities for obtaining marketing approval for UMN-0502, an application for which was submitted by Astellas, preparing for the commercial production at Gifu plant and making steady progress upon the US project.

Upon obtaining approval for UMN-0502 and after successfully commencing the commercial production, the Company will receive a certain amount of milestone payments pursuant to the agreement with Astellas of September 2010, and thus realize revenue from sales of UMN-0502 product. As the approval has not yet been obtained nor the Company has enough information and assurance for it, the receipt of the milestone payments and booking of the revenue during this fiscal year are uncertain at this point, and the related sales could fluctuate considerably.

In South Korea, investigational drug for the phase III clinical trial to be carried out by Ildong could be supplied from Gifu plant during this fiscal year, thus accelerating the deployment in the Asian territory.

For UMN-2002, by advancing the joint research with Daiichi Sankyo, the Company is expected to receive some amount of proceeds based on the research contract. For UMN-2003, the Company will actively search for R&D partners to procure revenues from execution of the joint R&D contracts.

As for biopharmaceutical contract manufacturing business, the Company is expecting orders for new prospective biopharmaceuticals leveraging Baculovirus Expression Vector System (“BEVS”), a next-generation recombinant technology platform for manufacturing biopharmaceutical products.

The Company will also engage in absolute cost-control activities in order to further reduce expenses. However, some R&D expenses are projected as the Company will continue to collect necessary data to obtain approval for marketing of UMN-0502, conduct R&D activities for better production efficiency at Gifu plant and further accelerate activities for the project of exporting Flublok drug substances from Gifu plant to the US market. Other costs, regarding recruiting competent personnel to enhance the organization toward commercial production and borrowing short-term loan for working capital for Gifu plant, are also expected.

Reasonable forecasts of consolidated net sales, operating income, ordinary income, and net income for Fiscal Year ending December 31, 2016 (FY2016) cannot be made at this point. The forecasts for FY2016 will be disclosed as soon as it becomes available.

## (2) Analysis of Financial Position

### 1) Assets, liabilities and net assets

The financial position as of December 31, 2015 and the main changes from the end of the previous year are as follows.

Total assets as of the December 31, 2015 amounted to ¥11,808,306 thousand, which corresponds to a decrease of ¥1,073,743 thousand compared to the end of the previous fiscal year, mainly due to a decrease of cash and cash equivalent.

Total liabilities amounted to ¥11,474,525 thousand, which corresponds to an increase of ¥2,297,883 thousand compared to the end of the previous year, mainly due to an increase of short-term loan.

Total net assets amounted to ¥333,781 thousand, which corresponds to a decrease of ¥3,371,627 thousand compared to the end of the previous fiscal year, mainly due to net loss of ¥3,390,277 thousand incurred during the fiscal year ended December 31, 2015.



## 2) Cash flow

### (Cash flows from operating activities)

Net cash flows used in operating activities for the fiscal year ended December 31, 2015 amounted to ¥3,393,796 thousand, due to net loss before income taxes and minority interests of ¥3,390,038 thousand, depreciation (non-cash expenses) of ¥1,524,361 thousand and an increase of raw materials and supplies of ¥1,415,866 thousand.

### (Cash flows from investing activities)

Net cash flows used for investing activities for the period amounted to ¥398,425 thousand, due to acquisition of tangible fixed assets of ¥407,064 thousand.

### (Cash flows from financing activities)

Net cash flows provided by financing activities for the period amounted to ¥2,554,122 thousand, mainly due to proceeds from the short-term loans of ¥2,972,222 thousand, repayment of the long-term loans of ¥336,000 thousand and repayment of the lease obligation of ¥100,647 thousand.

As a result of the above, cash and cash equivalents amounted to ¥842,121 thousand as of December 31, 2015, a decrease of ¥1,238,099 thousand compared to the end of the previous fiscal year.

Reference: Cash-flow-related indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Ratio of shareholders' equity to total assets (%)	63.2	30.8	22.1	28.8	2.8
Ratio of shareholders' equity to total assets on a fair market value basis (%)	—	82.2	135.2	216.7	141.7
Cash flow to interest-bearing liabilities ratio (%)	—	—	—	23.1	—
Interest coverage ratio (times)	—	—	—	1.9	—

Ratio of shareholders' equity to total assets : Equity attributable to owners of parent / Total assets

Ratio of shareholders' equity to total assets on a fair market value basis: Current market capitalization / Total assets

Cash flow to interest-bearing liabilities ratio: Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities / Interest expense

## (3) Basic Policy on Distribution of Profits and Dividends for Fiscal Year 2015 and Fiscal Year 2016

The Company recognizes that redistribution of profits to the shareholders is one of the most important managerial issue. However, in order to steadily increase corporate value in the future, it is also important to enhance internal reserves for upgrading existing pipelines, developing new pipelines and investing in production facilities, so that the Company would make sure its mid to long-term growth. So, the Company would determine redistribution of profits comprehensively, taking into account capital needs for operation, financial condition and business plan.

The Company determined that it declares no dividends for the Fiscal Year 2015, taking the current financial performances into consideration.

Regarding the dividends for the Fiscal Year 2016, the Company has also determined that it declares no dividend as the Company will have recorded negative retained earnings at the end of the fiscal year.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Thousands of yen)

	FY2014 (Dec. 31, 2014)	FY2015 (Dec. 31, 2015)
<b>Assets</b>		
Current assets		
Cash and cash equivalent	2,080,221	842,121
Accounts receivable	14,502	17,897
Work-in-process	338,602	417,590
Raw materials and supplies	348,261	1,685,139
Advance payments	88,712	25,390
Prepaid expenses	70,332	46,200
Consumption taxes receivable	150,428	166,943
Other	105,985	102,476
Total current assets	3,197,044	3,303,759
Noncurrent assets		
Tangible fixed assets		
Buildings and structures	5,954,737	5,949,172
Accumulated depreciation	(833,754)	(1,268,716)
Buildings and structures, net	5,120,982	4,680,456
Machinery and equipment	5,465,422	5,465,422
Accumulated depreciation	(2,054,744)	(2,909,877)
Machinery and equipment, net	3,410,677	2,555,545
Tools, furniture and fixtures	337,729	339,727
Accumulated depreciation	(232,946)	(266,823)
Tools, furniture and fixtures, net	104,783	72,904
Lease assets	744,359	744,359
Accumulated depreciation	(211,004)	(318,126)
Lease assets, net	533,355	426,233
Construction in progress	1,050	401,254
Total tangible fixed assets	9,170,849	8,136,395
Intangible fixed assets		
Software	245,362	171,510
Other	340	285
Total intangible assets	245,703	171,795
Investments and other assets		
Rental and guarantee deposits	67,293	56,053
Long-term account receivable	200,000	100,000
Other	1,160	40,302
Total investments and other assets	268,453	196,356
Total noncurrent assets	9,685,006	8,504,547
Total assets	12,882,050	11,808,306

(Thousands of yen)

	FY2014 (Dec. 31, 2014)	FY2015 (Dec. 31, 2015)
<b>Liabilities</b>		
Current liabilities		
Accounts payable	—	342,886
Short-term loan payable	600,000	3,600,000
Current portion of long-term loan payable	336,000	1,119,000
Lease obligations	100,538	106,054
Other accounts payable	607,462	82,842
Income taxes payable	30,567	21,819
Advances received	—	37,498
Deposits received	18,779	9,812
Other	105,362	10,114
Total current liabilities	1,798,710	5,330,029
Noncurrent liabilities		
Long-term loan payable	6,329,000	5,210,000
Lease obligations	457,869	351,707
Long-term deposit received	340,332	340,332
Deferred tax liabilities	53,741	47,697
Asset retirement obligations	171,248	175,482
Other	25,739	19,277
Total noncurrent liabilities	7,377,931	6,144,496
Total liabilities	9,176,642	11,474,525
<b>Net assets</b>		
Shareholders' equity		
Capital stock	8,688,544	8,697,869
Capital surplus	8,357,544	8,366,869
Retained earnings	(13,340,482)	(16,730,760)
Treasury stock	(197)	(197)
Total shareholders' equity	3,705,408	333,781
Total net assets	3,705,408	333,781
Total liabilities and net assets	12,882,050	11,808,306

## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated statements of income and loss

	(Thousands of yen)	
	FY2014 (From Jan. 1, 2014 to Dec. 31, 2014)	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)
Net sales	1,108,522	202,637
Cost of sales	173,971	52,708
Gross profit	934,551	149,929
Selling, general and administrative expenses	4,877,245	3,357,211
Operating loss (-)	(3,942,694)	(3,207,281)
Non-operating income		
Interest income	468	393
Gain on sales of securities	—	2,226
Income from grants	3,250	76,263
Other	588	3,901
Total non-operating income	4,306	82,785
Non-operating expenses		
Interest expenses	168,304	150,867
Stock issuance cost	22,705	102
Foreign exchange loss	5,917	—
Commission paid	114,480	114,572
Other	0	—
Total non-operation expenses	311,407	265,542
Ordinary loss (-)	(4,249,795)	(3,390,038)
Extraordinary income		
Income from grant	2,213,799	—
Total extraordinary income	2,213,799	—
Extraordinary loss		
Advanced depreciation deduction	1,966,398	—
Total extraordinary loss	1,966,398	—
Loss before income tax and minority interests (-)	(4,002,394)	(3,390,038)
Income taxes	6,395	6,282
Income taxes-adjustment	(2,593)	(6,043)
Total income taxes	3,801	238
Net loss before minority interest (-)	(4,006,195)	(3,390,277)
Loss attributable to minority interests (-)	(44,962)	—
Net loss (-)	(3,961,233)	(3,390,277)

Consolidated statements of comprehensive income

	(Thousands of yen)	
	FY2014 (From Jan. 1, 2014 to Dec. 31, 2014)	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)
Loss before minority interest (-)	(4,006,195)	(3,390,277)
Comprehensive income (losses)	(4,006,195)	(3,390,277)
(Breakdown)		
Comprehensive income(losses) attributable to owners of the parent company	(3,961,233)	(3,390,277)
Comprehensive income(losses) attributable to minority interests	(44,962)	—

### (3) Consolidated Statement of Changes in Net Assets

FY2014 (from Jan. 1, 2014 to Dec. 31, 2014)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income(loss)		Subscription right to shares	Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Net unrealized gains(losses) on available for sale securities	Total accumulated other comprehensive income(loss)			
Balance at beginning of the fiscal year	6,956,361	6,625,361	(9,379,249)	(197)	4,202,277	—	—	6,251	44,962	4,253,491
Changes during fiscal year										
Issuance of new shares	1,732,182	1,732,182			3,464,365					3,464,365
Net income(loss)			(3,961,233)		(3,961,233)					(3,961,233)
Net changes of items other than shareholders' equity								(6,251)	(44,962)	(51,213)
Total changes during the fiscal year	1,732,182	1,732,182	(3,961,233)	—	(496,868)	—	—	(6,251)	(44,962)	(548,082)
Balance at end of the fiscal year	8,688,544	8,357,544	(13,340,482)	(197)	3,705,408	—	—	—	—	3,705,408

FY2015 (from Jan. 1, 2015 to Dec. 31, 2015)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income(loss)		Subscription right to shares	Minority interest	Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity	Net unrealized gains(losses) on available for sale securities	Total accumulated other comprehensive income(loss)			
Balance at beginning of the fiscal year	8,688,544	8,357,544	(13,340,482)	(197)	3,705,408	—	—	—	—	3,705,408
Changes during fiscal year										
Issuance of new shares	9,325	9,325			18,650					18,650
Net income(loss)			(3,390,277)		(3,390,277)					(3,390,277)
Net changes of items other than shareholders' equity										
Total changes during the fiscal year	9,325	9,325	(3,390,277)	—	(3,371,627)	—	—	—	—	(3,371,627)
Balance at end of the fiscal year	8,697,869	8,366,869	(16,730,760)	(197)	333,781	—	—	—	—	333,781

## (4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	FY2014 (From Jan. 1, 2014 to Dec. 31, 2014)	FY2015 (From Jan. 1, 2015 to Dec. 31, 2015)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests (-)	(4,002,394)	(3,390,038)
Depreciation	1,873,257	1,524,361
Interest income	(468)	(393)
Interest expenses	168,304	150,867
Commission fee	114,480	114,572
Stock issuance cost	22,705	102
Subsidy income	(2,213,799)	(76,263)
Loss on reduction of noncurrent assets	1,966,398	—
Decrease(increase) in notes and accounts receivable-trade	(14,502)	(3,394)
Decrease(increase) in inventories	(580,267)	(1,415,866)
Increase(decrease) in notes and accounts payable-trade	—	342,886
Increase(decrease) in deposits received	10,241	(8,966)
Other	917,176	(580,922)
Subtotal	(1,738,866)	(3,343,055)
Interest income received	541	393
Interest expenses paid	(166,870)	(149,343)
Proceeds from subsidy	2,316,799	176,263
Income taxes paid	(6,077)	(6,387)
Other	(90,861)	(71,667)
Net cash provided by (used in) operating activities	314,665	(3,393,796)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(5,004)	(407,064)
Purchase of intangible assets	(3,306)	(2,600)
Payments for guarantee deposits	(600)	—
Collection of guarantee deposits	—	600
Payments for lease deposits	(145)	(8,045)
Collection of lease deposits	336	18,684
Net cash provided by (used in) investing activities	(8,719)	(398,425)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	2,470,000	2,972,222
Decrease in short-term loans payable	(3,384,300)	—
Repayment of long-term loans payable	(4,920,000)	(336,000)
Proceeds from issuance of common stock	3,441,659	18,548
Repayment of lease obligations	(94,490)	(100,647)
Other	(6,251)	—
Net cash provided by (used in) financing activities	(2,493,382)	2,554,122
Net increase(decrease) in cash and cash equivalents	(2,187,436)	(1,238,099)
Cash and cash equivalent at beginning of the period	4,267,657	2,080,221
Cash and cash equivalent at end of the period	2,080,221	842,121