January 10, 2017

FOR IMMEDIATE RELEASE

Company name: UMN Pharma Inc.
Representative: Chairman and CEO Tatsuyoshi Hirano
Securities code: 4585
Contact person: CFO Hiroyuki Hashimoto
(TEL) +81-45-595-9840

Background of Termination Notice from Astellas of the Agreement to Co-develop ASP7374 (UM-0502) and ASP7373 (UMN-0501) and Alternative Business Plan

The followings are the outline of the background of another release by UMN Pharma Inc. ("the Company") "Notice Received from Astellas for its Exercise of Termination Right of the Agreement to Co-develop ASP7374 (UM-0502) and ASP7373 (UMN-0501)" today and the Company's alternative business plan.

1. Background of Termination Notice from Astellas of the Co-development Agreement

The Company and Astellas Pharma Inc. entered into the agreement to co-develop ASP7374 and ASP7373 on September 10, 2010 and have been closely working together since then. As for ASP7374, having successfully achieved all the primary endpoints in the PhaseIII clinical trial conducted by Astellas, the application for marketing approval of recombinant influenza HA vaccine ASP7374 for the prevention of seasonal influenza was submitted to the Ministry of Health, Labour and Welfare("MHLW") by Astellas on May 30, 2014 and the Company and Astellas have collaboratively been responding to the related inquiries from Pharmaceuticals and Medical Devices Agency ("PMDA") for the approval.

PMDA presented to Astellas as the regulator's point of view that after considering the benefits and the risks of ASP7374, PMDA has no intension to continue the review process any further. Astellas has concluded that it would be difficult to obtain the approval of APS7374 from PMDA and thus the application should be turned down.

The Company, as a partner, strongly disagrees with the conclusions stated by PMDA and believes that PMDA ignored or did not understand the compelling evidence of superior safely and efficacy of UMN-0502 that should have resulted in licensure. In addition, the recent achievements by Protein Sciences Corporation ("PSC") regarding its Flublok® (UMN-0502), such as the results that Flublok® Quadrivalent proved to be more effective than a traditional egg-based flu vaccine in protecting people against influenza and the fact that the vaccination of Flublok® is expanding in the US market have been shared with the concerned parties, including submitting those to PMDA through Astellas.

It is regrettable that it has also become impossible for the Company to work together with Astellas to achieve the goal anymore after having received the notice of termination of the agreement between us. Astellas would commence the procedure to withdraw the application for marketing approval of ASP7374 with PMDA and the Company and Astellas will concurrently take the procedure for the termination of the agreement. At the completion of the process, restitution of all the rights granted to Astellas subject to the agreement will be returned to the Company.

Nevertheless, the Company believes that it is possible to reapply the application for marketing approval of UMN-0502 for the prevention of seasonal influenza to MHLW, given the Company's recognition regarding the clinical significance of UMN-0502 as previously touched upon. As for the reapplication, the Company will make decision after assessing the feasibility including costs and time.

2. Alternative Business Plan

Under such business circumstances as released today, the Company should put more focus upon overseas business developments, especially those making UNIGEN Inc. ('UNIGEN', consolidated subsidiary of the Company) function as a global manufacturing base of Flublok® drug substances ("DS"), currently underway in collaboration with PSC for the U.S. market. The revised mid-term business plan will be reconsidered and restructured accordingly and disclosed as soon as it becomes fixed.

PSC has announced, on October 11, 2016, that the FDA has approved its quadrivalent formulation of Flublok influenza vaccine for adults 18 years of age and older and the number of vaccination of Flublok® has been increasing in the U.S. market. As touched upon in the previous paragraph, PSC has also released a result of a clinical study that shows people who received Flublok® Quadrivalent were more effective than a traditional egg-based flu vaccine in protecting people against influenza with non-inferiority in safety shown.

PSC has already started various tests to acquire relevant data necessary for submission of sBLA（Supplemental Biologics License Application）to FDA using Flublok® DS manufactured at UNIGEN Gifu plant in October 2016. As in the release on December 19, 2016, PSC has successfully completed specification test, which is crucial part of the data for sBLA, and is now in the preparatory process for the submission. The Company will further accelerate actions so as to start exporting Flublok® to the U.S. as early as possible in cooperation with PSC.

As for the exclusive right licensed from PSC for manufacture, marketing and sale of UMN-0502 in Japan, the Company will make decision for future business strategies in Japan, including the reapplication of UMN-0502 after assessing the feasibility including costs and time, as previously mentioned. Regarding Asian markets, where the Company was granted the exclusive rights from PSC to commercialize PSC's influenza vaccines in the territories of China, Hong Kong, Korea, Singapore and Taiwan, ILDONG Pharmaceutical Co., Ltd. (headquarters: Seoul, President & CEO Jung-chi Lee) is now preparing for beginning clinical trial of UMN-0502 in South Korea, based on the agreement reached on December 28, 2012 for co-development and exclusive commercialization of UMN-0502, UMN-0501 and UMN-0901. As for the other Asian markets, the Company will further accelerate activities for reaching alliances in the territories, as recently has increasingly been receiving the related inquiries especially after PSC's announcement that FDA approved Flublok® Quadrivalent influenza vaccine in October, 2016. With regards to the other pipelines such as UMN-2002, the Company will further go forward the developments and the negotiations while focusing more on global business deployments in view of the current circumstances of UMN-0502. As for financial aspects, seriously taking to heart the current financial conditions, the Company will do its utmost to improve the financial situation as a group through further through cost cuttings and re-examination of the business structure, including scrap-and-build of R&D locations and organizational restructuring.

It is extremely regrettable that the Company's current business situation would make the stakeholders disappointed and worrisome, putting the Company's shareholders at the top of the list. We will continue to do the best to keep mid-term sustainable growth and to realize shareholders' value by quickly pushing through overall restructuring. The details will be disclosed as soon as it becomes available. We would like to ask for the continued understanding and persevering support.