



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

October 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	November 13, 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 Nine Months of FY2015 (From Jan. 1, 2015 to Sep. 30, 2015)

(1) Consolidated operating results (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	%
First nine months of FY2015	70	(93.5)	(2,959)	—	(3,075)	—	(3,074)	—
First nine months of FY2014	1,094	—	(2,978)	—	(3,226)	—	(2,937)	—

(Note) Comprehensive First nine months of FY2015 income (3,074) Million yen (—%) First nine months of FY2014 (2,982) Million yen (—%)

	Net income per share - basic	Net income per share - diluted
	Yen	Yen
First nine months of FY2015	(321.28)	—
First nine months of FY2014	(345.78)	—

(2) Consolidated financial position

	Total assets	Net assets	Net assets as percentage of total assets
	Million yen	Million yen	%
As of Sep. 30, 2015	11,865	643	5.4
As of Dec. 31, 2014	12,882	3,705	28.8

(Note) Shareholders' equity As of Sep. 30, 2015 643 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	—	0 00	—	—	—
FY2015(Forecast)	—	—	—	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	222	(80.0)	(3,224)	—	(3,404)	—	(3,405)	—	(355.87)

(Note) Revisions to the latest financial forecast: Yes

*(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 : 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 issued
(including treasury shares)

As of September 30,2015	9,574,000	As of December 31,2014	9,556,500
As of September 30,2015	50	As of December 31,2014	50
For the first nine months of FY2015	9,570,703	For the first nine months of FY2014	8,494,671

2) Number of treasury shares

3) Average number of shares outstanding

* 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.

Contents of Attached materials

1. Analysis of Operating Results and Financial Position	2
(1) Analysis of Operating Results	2
(2) Analysis of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Quarterly Consolidated Statements of Cash Flows	9

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

During the nine months ended September 30, 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 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 for the prevention for norovirus (recombinant norovirus VLP single vaccine, hereinafter referred to as “UMN-2002”). As for the above pipeline, the Company 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. Concurrently, the Company has been preparing for the start of commercial production at Gifu plant.

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 (hereinafter referred to as “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, hereinafter referred to as “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.

Regarding biopharmaceutical contract manufacturing business, the Company completed the orders 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 PSC and IHI Corporation 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 Company, in close collaboration with specially-appointed professional team members of PSC and Gifu plant, has been 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 with PSC 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, the consolidated subsidiary of the Company, 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.

As a result, consolidated net sales for the first nine months of FY2015 totaled ¥70,742 thousand (compared to net sales of ¥1,094,456 thousand in the same period of the previous fiscal year). Reflecting that the Company decided not to start

commercial production at Gifu Plant from 2015-16 season, as obtaining approval of UMN-0502 is expected to take more time than initially assumed, fixed costs, which should have been recorded as work in process on the balance sheet during the first nine months of FY2015 in the initial forecasts, was charged as R&D expenses during the period. Accordingly, operating loss reached to ¥2,959,845 thousand (compared to operating loss of ¥2,978,412 thousand in the same period of the previous fiscal year), with ordinary loss of ¥3,075,559 thousand (compared to ordinary loss of ¥3,226,859 thousand in the same period of the previous year) and net loss of ¥3,074,842 thousand (compared to net loss of ¥2,937,310 thousand in the same period of the same fiscal year).

(2) Analysis of Financial Position

The consolidated financial position as of Sep. 30, 2015 is as follows,

Total assets amounted to ¥11,865,871 thousand, which corresponds to a decrease of ¥1,016,179 thousand compared to the end of the previous fiscal year.

Current assets amounted to ¥3,072,727 thousand, which corresponds to a decrease of ¥124,316 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥1,101,509 thousand in cash and cash deposits, a decrease of ¥320,688 thousand in work in process and an increase of ¥1,289,960 thousand in raw materials and supplies.

Noncurrent assets amounted to ¥8,793,144 thousand, which corresponds to a decrease of ¥891,862 thousand compared to the end of the previous fiscal year, mainly due to a decrease of ¥825,415 thousand in property, plant and equipment.

Liabilities amounted to ¥11,221,905 thousand, which corresponds to an increase of ¥2,045,263 thousand compared to the end of the previous fiscal year, mainly due to an increase of ¥2,200,000 thousand in short-term loans payable, an increase of ¥783,000 thousand in current position of long-term loans payable included in current liabilities, and decrease of ¥845,500 thousand in long-term loans payable included in noncurrent liabilities.

Net assets amounted to ¥643,966 thousand, which corresponds to a decrease of ¥3,061,442 thousand compared to the end of the previous fiscal year, mainly due to net loss of ¥3,074,842 thousand incurred during the period.

Cash and cash equivalents position

The balance of cash and cash equivalents stood at ¥978,711 thousand, which corresponds to a decrease of ¥1,101,509 thousand compared to the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash used in operating activities for the first nine months of FY2015 totaled ¥2,884,899 thousand, mainly due to loss before income taxes of ¥3,075,559 thousand, depreciation of ¥1,146,060 thousand, increase in inventories of ¥969,271 thousand and increase in notes and accounts payable-trade of ¥494,342 thousand.

(Cash flows from investment activities)

Net cash used in investment activities for the first nine months of FY2015 totaled ¥264,653 thousand, mainly due to ¥254,752 thousand used in purchase of property, plant and equipment, ¥2,600 thousand used in purchase of intangible assets and ¥8,045 thousand used in payments for lease deposits.

(Cash flows from financing activities)

Net cash provided by financing activities for the first nine months of FY2015 totaled ¥2,048,043 thousand, mainly due to ¥2,172,222 thousand in increase of short-term loans payable, ¥62,500 thousand in repayment of long-term loans payable, ¥75,006 thousand in repayments of lease obligations and ¥13,328 thousand in proceeds from issuance of common stock.

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

Today, based on recent developments in business, the Company has revised its full-year consolidated financial results forecasts for the fiscal year ending December 31, 2015 (from Jan. 1, 2015 to Dec. 31, 2015) from those previously announced on June 5, 2015 as follows. The details, including the reason for the revision, have been disclosed today in a separate document, titled "UMN Pharma Announces Revision of Consolidated Financial Results Forecasts for the Fiscal Year Ending December 31, 2015"

Revised full-year consolidated financial results forecasts for the fiscal year ending December 31, 2015 (From Jan. 1, 2015 to Dec. 31, 2015)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)	Net income (loss) per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previously announced forecasts (A) (June 5, 2015)	2,254	(1,697)	(1,844)	(1,852)	(193.54)
Revised forecasts (B)	222	(3,224)	(3,404)	(3,405)	(355.87)
Change (B-A)	(2,032)	(1,527)	(1,559)	(1,553)	—
Rate of change (%)	(90.1)%	—	—	—	—
(Ref.) Results for the fiscal year ended Dec. 31, 2014	1,108	(3,942)	(4,249)	(3,961)	(452.34)

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (as of Dec. 31, 2014)	Third quarter of FY2015 (as of Sep. 30, 2015)
Assets		
Current assets		
Cash and deposits	2,080,221	978,711
Accounts receivable-trade	14,502	22,237
Work in process	338,602	17,913
Raw materials and supplies	348,261	1,638,221
Advance payments-trade	88,712	63,133
Other	326,745	352,510
Total current assets	3,197,044	3,072,727
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,120,982	4,790,533
Machinery and equipment, net	3,410,677	2,769,333
Tools, furniture and fixtures, net	104,783	81,418
Lease assets, net	533,355	453,013
Construction in progress	1,050	251,134
Total property, plant and equipment	9,170,849	8,345,433
Intangible assets	245,703	190,928
Investments and other assets	268,453	256,781
Total noncurrent assets	9,685,006	8,793,144
Total assets	12,882,050	11,865,871
Liabilities		
Current liabilities		
Accounts payable-trade	—	494,342
Short-term loans payable	600,000	2,800,000
Current portion of long-term loans payable	336,000	1,119,000
Accounts payable-other	607,462	53,147
Income taxes payable	30,567	9,927
Other	224,680	299,044
Total current liabilities	1,798,710	4,775,461
Noncurrent liabilities		
Long-term loans payable	6,329,000	5,483,500
Long-term deposits received	340,332	340,332
Assets retirement obligations	171,248	174,684
Other	537,350	447,927
Total noncurrent liabilities	7,377,931	6,446,443
Total liabilities	9,176,642	11,221,905
Net assets		
Shareholders' equity		
Capital stock	8,688,544	8,695,244
Capital surplus	8,357,544	8,364,244
Retained earnings	(13,340,482)	(16,415,325)
Treasury stock	(197)	(197)
Total shareholders' equity	3,705,408	643,966

(Thousands of yen)

	Previous fiscal year (as of Dec. 31, 2014)	Third quarter of FY2015 (as of Sep. 30, 2015)
Total net assets	3,705,408	643,966
Total liabilities and net assets	12,882,050	11,865,871

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

	(Thousands of yen)	
	Nine months ended Sep. 30, 2014 (From Jan. 1, 2014 to Sep. 30, 2014)	Nine months ended Sep. 30, 2015 (From Jan. 1, 2015 to Sep. 30, 2015)
Net sales	1,094,456	70,742
Cost of sales	167,007	34,913
Gross profit	927,448	35,828
Selling, general and administrative expenses	3,905,861	2,995,673
Operating loss (-)	(2,978,412)	(2,959,845)
Non-operating income		
Interest income	424	350
Foreign exchange gains	—	2,206
Subsidy income	—	76,263
Other	451	3,868
Total non-operating income	876	82,689
Non-operating expenses		
Interest expenses	134,775	109,423
Stock issuance cost	17,716	72
Foreign exchange losses	2,884	—
Commission fee	93,945	88,907
Total non-operating expense	249,323	198,403
Ordinary loss (-)	(3,226,859)	(3,075,559)
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 (-)	(2,979,458)	(3,075,559)
Income taxes-current	4,796	4,741
Income taxes-deferred	(1,982)	(5,458)
Total income taxes	2,814	(717)
Loss before minority interests (-)	(2,982,272)	(3,074,842)
Minority interests in loss (-)	(44,962)	—
Net loss (-)	(2,937,310)	(3,074,842)

Quarterly Consolidated Statements of Comprehensive Income

	(Thousands of yen)	
	Nine months ended Sep. 30, 2014 (From Jan. 1, 2014 to Sep. 30, 2014)	Nine months ended Sep. 30, 2015 (From Jan. 1, 2015 to Sep. 30, 2015)
Loss before minority interest (-)	(2,982,272)	(3,074,842)
Comprehensive income (losses)	(2,982,272)	(3,074,842)
(Breakdown)		
Comprehensive income(losses) attributable to owners of parent	(2,937,310)	(3,074,842)
Comprehensive income(losses) attributable to minority interests	(44,962)	—

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Nine months ended Sep. 30, 2014 (From Jan. 1, 2014 to Sep. 30, 2014)	Nine months ended Sep. 30, 2015 (From Jan. 1, 2015 to Sep. 30, 2015)
Net cash provided by (used in) operating activities		
Loss before income taxes and minority interests (-)	(2,979,458)	(3,075,559)
Depreciation	1,404,328	1,146,060
Interest income	(424)	(350)
Interest expenses	134,775	109,423
Commission fee	93,945	88,907
Stock issuance cost	17,716	72
Loss on reduction of noncurrent assets	1,966,398	—
Subsidy income	(2,213,799)	(76,263)
Decrease(increase) in notes and accounts receivable-trade	(7,580)	(7,734)
Decrease(increase) in inventories	(146,760)	(969,271)
Increase(decrease) in notes and accounts payable-trade	—	494,342
Increase(decrease) in deposits received	(3,378)	(14,081)
Other	796,460	(472,944)
Subtotal	(937,776)	(2,777,400)
Interest income received	498	350
Interest expenses paid	(133,823)	(108,403)
Proceeds from subsidy	2,216,799	76,263
Income taxes paid	(6,074)	(6,385)
Other	(54,285)	(69,325)
Net cash provided by (used in) operating activities	1,085,337	(2,884,899)
Net cash provided by (used in) investment activities		
Purchase of property, plant and equipment	(4,160)	(254,752)
Purchase of intangible assets	(3,306)	(2,600)
Payments for lease deposits	(145)	(8,045)
Collection of lease deposits	336	145
Proceeds from collection of guarantee deposits	—	600
Net cash provided by (used in) investment activities	(7,275)	(264,653)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	1,870,000	2,172,222
Decrease in short-term loans payable	(3,384,300)	—
Repayment of long-term loans payable	(4,907,500)	(62,500)
Repayments of lease obligations	(70,287)	(75,006)
Proceeds from issuance of common stock	3,058,883	13,328
Other	(6,251)	—
Net cash provided by (used in) financing activities	(3,439,455)	2,048,043
Net increase(decrease) in cash and cash equivalents	(2,361,393)	(1,101,509)
Cash and cash equivalents at beginning of the period	4,267,657	2,080,221
Cash and cash equivalents at end of the period	1,906,264	978,711