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**Consolidated Financial Report**  
**for the Six Months Ended June 30, 2014 (Unaudited)(Japan GAAP)**  
**AnGes MG, Inc. <http://www.anges-mg.com/>**

Listings: Mothers of the Tokyo Stock Exchange, Code 4563

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(Figures are rounded down to the nearest million yen)

1. Business Results for the Second quarter 2014 (From Jan. 1, 2014 to Jun. 30, 2014)

(1) Results of Operations (Percentages indicate changes from the same period of the previous fiscal year)

|         | Revenues    |        | Operating loss |   | Ordinary loss |   | Net loss    |   |
|---------|-------------|--------|----------------|---|---------------|---|-------------|---|
|         | Million yen | %      | Million yen    | % | Million yen   | % | Million yen | % |
| 2Q 2014 | 174         | (44.6) | (1,035)        | — | (998)         | — | (968)       | — |
| 2Q 2013 | 314         | 9.2    | (632)          | — | (629)         | — | (652)       | — |

\*Comprehensive Income 2Q 2014 : (986) million yen 2Q 2013 : (459) million yen

|         | Net loss per share | Diluted net loss per share |
|---------|--------------------|----------------------------|
|         | Yen                | Yen                        |
| 2Q 2014 | (30.51)            | —                          |
| 2Q 2013 | (22.57)            | —                          |

(2) Financial Position

|               | Total assets | Total net assets | Shareholders' equity ratio |
|---------------|--------------|------------------|----------------------------|
|               | Million yen  | Million yen      | %                          |
| Jun. 30, 2014 | 3,555        | 3,020            | 81.2                       |
| Dec. 31, 2013 | 3,904        | 3,543            | 86.4                       |

\*Shareholder's equity Jun. 30, 2014 : 2,885 million yen Dec. 31, 2013 : 3,372 million yen

2. Dividend

|                    | Dividend per share |      |     |      |           |
|--------------------|--------------------|------|-----|------|-----------|
|                    | 1Q                 | 2Q   | 3Q  | 4Q   | Full-year |
|                    | Yen                | Yen  | Yen | Yen  | Yen       |
| FY 2013            | —                  | 0.00 | —   | 0.00 | 0.00      |
| FY 2014            | —                  | 0.00 | —   | —    | —         |
| FY 2014 (Forecast) | —                  | —    | —   | 0.00 | 0.00      |

3. Earnings Forecast for the Fiscal Year 2014 (From Jan. 1, 2014 to Dec. 31, 2014)

|           | Revenues    |   | Operating loss      |   | Ordinary loss       |   | Net loss            |   | Net loss per share |
|-----------|-------------|---|---------------------|---|---------------------|---|---------------------|---|--------------------|
|           | Million yen | % | Million yen         | % | Million yen         | % | Million yen         | % | Yen                |
| Full-year | 750~850     | — | (2,600)~<br>(2,400) | — | (2,600)~<br>(2,400) | — | (2,600)~<br>(2,400) | — | (81.04)~(74.81)    |

Notes:

- (1) Change of reporting entities (change of condition of significant consolidated subsidiaries) : None  
 (2) Accounting procedure peculiar to the quarterly consolidated financial statements : None  
 (3) Change of significant accounting and reporting policies for consolidated financial statements  
     1) Changes caused by revision of accounting standard : None  
     2) Changes in accounting policies other than 1) : None  
     3) Changes in accounting estimates : None  
     4) Restatement : None

(4) Number of shares issued and outstanding (common stock)

|   |               |                   |               |                   |
|---|---------------|-------------------|---------------|-------------------|
| 1) Number of shares issued and outstanding (including treasury stock)         | Jun. 30, 2014 | 32,403,900 shares | Dec. 31, 2013 | 31,267,600 shares |
| 2) Number of treasury stock   | Jun. 30, 2014 | - shares          | Dec. 31, 2013 | - shares          |
| 3) Average number of shares issued and outstanding (including treasury stock) | FY2014, 2Q    | 31,757,276 shares | FY2013, 2Q    | 28,900,999 shares |

*\*Performance forecasts or any other future events contained in this report are based on currently available information which are believed to be reasonable at the time of forecasts. Actual results may differ from the forecasts due to various factors.*

*\*\*This financial report has been translated from Japanese original which has been prepared in accordance with generally accepted accounting principles in Japan, for reference purposes only. Also some changes are added to this report in order to present in a form more familiar to the readers outside Japan.*

**AnGes MG, Inc**  
**Consolidated Balance Sheets**  
(In thousands of yen)  
(Unaudited)

|                                     | December 31,<br>2013 | June 30,<br>2014 |
|-------------------------------------|----------------------|------------------|
| <b>Assets</b>                       |                      |                  |
| Current assets                      |                      |                  |
| Cash and deposits                   | 1,795,253            | 1,908,785        |
| Accounts receivable - trade         | 108,979              | 115,825          |
| Securities                          | 499,900              | —                |
| Merchandise                         | 101,714              | 174,012          |
| Raw materials and supplies          | 516,829              | 580,206          |
| Advance payments - trade            | 173,587              | 145,145          |
| Prepaid expenses                    | 19,813               | 21,664           |
| Advances paid                       | 53,117               | 470              |
| Other                               | 35,611               | 33,436           |
| Total current assets                | 3,304,806            | 2,979,547        |
| Non-current assets                  |                      |                  |
| Property, plant and equipment       |                      |                  |
| Buildings                           | 52,280               | 52,266           |
| Accumulated depreciation            | (42,244)             | (43,006)         |
| Buildings, net                      | 10,035               | 9,260            |
| Machinery and equipment             | 320                  | 320              |
| Accumulated depreciation            | (320)                | (320)            |
| Machinery and equipment, net        | —                    | —                |
| Tools, furniture and fixtures       | 206,166              | 206,497          |
| Accumulated depreciation            | (192,905)            | (196,233)        |
| Tools, furniture and fixtures, net  | 13,261               | 10,264           |
| Total property, plant and equipment | 23,297               | 19,525           |
| Intangible assets                   |                      |                  |
| Patent right                        | 67,923               | 59,243           |
| Other                               | 1,851                | 1,554            |
| Total intangible assets             | 69,775               | 60,797           |
| Investments and other assets        |                      |                  |
| Investment securities               | 432,351              | 419,274          |
| Lease and guarantee deposits        | 41,678               | 41,661           |
| Other                               | 32,255               | 34,935           |
| Total investments and other assets  | 506,285              | 495,871          |
| Total non-current assets            | 599,358              | 576,194          |
| Total assets                        | 3,904,164            | 3,555,742        |

**AnGes MG, Inc**  
**Consolidated Balance Sheets**  
(In thousands of yen)  
(Unaudited)

|   | December 31,<br>2013 | June 30,<br>2014 |
|---|----------------------|------------------|
| <b>Liabilities</b>                                    |                      |                  |
| Current liabilities                                   |                      |                  |
| Accounts payable - trade                              | 42,161               | 265,871          |
| Accounts payable - other                              | 32,933               | 28,463           |
| Accrued expenses                                      | 12,895               | 8,209            |
| Income taxes payable                                  | 31,825               | 25,513           |
| Advances received                                     | 217,645              | 185,374          |
| Deposits received                                     | 7,950                | 6,674            |
| Total current liabilities                             | <u>345,412</u>       | <u>520,108</u>   |
| Non-current liabilities                               |                      |                  |
| Deferred tax liabilities                              | 108                  | —                |
| Asset retirement obligations                          | 15,108               | 15,227           |
| Total non-current liabilities                         | <u>15,217</u>        | <u>15,227</u>    |
| Total liabilities                                     | <u>360,629</u>       | <u>535,336</u>   |
| <b>Net assets</b>                                     |                      |                  |
| Shareholders' equity                                  |                      |                  |
| Capital stock   | 11,552,853           | 11,802,839       |
| Capital surplus                                       | 9,863,593            | 10,113,579       |
| Retained earnings                                     | (18,058,419)         | (19,027,272)     |
| Total shareholders' equity                            | <u>3,358,027</u>     | <u>2,889,147</u> |
| Accumulated other comprehensive income                |                      |                  |
| Valuation difference on available-for-sale securities | 15,105               | 6,958            |
| Foreign currency translation adjustment               | (593)                | (10,128)         |
| Total accumulated other comprehensive income          | <u>14,511</u>        | <u>(3,170)</u>   |
| Subscription rights to shares                         | 170,995              | 134,429          |
| Total net assets                                      | <u>3,543,534</u>     | <u>3,020,406</u> |
| Total liabilities and net assets                      | <u>3,904,164</u>     | <u>3,555,742</u> |

**AnGes MG, Inc**  
**Consolidated Statements of Operations**  
(In thousands of yen)  
(Unaudited)

|  | <b>Month ended Jun. 30,</b><br><b>(From Jan. 1 to Jun.30)</b> |                    |
|--|---|--------------------|
|  | <b>2013</b>   | <b>2014</b>        |
| <b>Business revenues</b>                               |   |                    |
| Net sales of goods                                     | 114,332   | 137,815            |
| Net sales of finished goods                            | 7,513   | —                  |
| Research and development revenues                      | 193,066   | 36,684             |
| <b>Total business revenues</b>                         | <b>314,912</b>  | <b>174,500</b>     |
| <b>Business expenses</b>                               |   |                    |
| Cost of sales  | 53,739  | 67,621             |
| Research and development expenses                      | 525,410   | 816,653            |
| Selling, general and administrative expenses           | 368,747   | 326,106            |
| <b>Total business expenses</b>                         | <b>947,898</b>  | <b>1,210,382</b>   |
| <b>Operating loss</b>                                  | <b>(632,986)</b>  | <b>(1,035,882)</b> |
| <b>Non-operating income</b>                            |   |                    |
| Interest income  | 104   | 301                |
| Subsidy income   | 26,445  | 61,451             |
| Fiduciary obligation fee                               | 301   | 301                |
| Miscellaneous income                                   | 1,938   | 1,312              |
| <b>Total non-operating income</b>                      | <b>28,791</b>   | <b>63,366</b>      |
| <b>Non-operating expenses</b>                          |   |                    |
| Share issuance cost                                    | 15,979  | 9,267              |
| Loss on investments in partnership                     | 1,807   | 4,479              |
| Foreign exchange losses                                | 6,378   | 12,434             |
| Miscellaneous loss                                     | 662   | —                  |
| <b>Total non-operating expenses</b>                    | <b>24,827</b>   | <b>26,181</b>      |
| <b>Ordinary loss</b>                                   | <b>(629,022)</b>  | <b>(998,697)</b>   |
| <b>Extraordinary income</b>                            |   |                    |
| Gain on reversal of subscription rights to shares      | 11,542  | 34,622             |
| Gain on sales of shares of subsidiaries                | 9,045   | —                  |
| <b>Total extraordinary income</b>                      | <b>20,588</b>   | <b>34,622</b>      |
| <b>Extraordinary losses</b>                            |   |                    |
| Expenditures for downsizing and restructuring          | 39,547  | —                  |
| <b>Total extraordinary losses</b>                      | <b>39,547</b>   | <b>—</b>           |
| <b>Loss before income taxes and minority interests</b> | <b>(647,981)</b>  | <b>(964,074)</b>   |
| Income taxes - current                                 | 4,433   | 4,777              |
| <b>Total income taxes</b>                              | <b>4,433</b>  | <b>4,777</b>       |
| <b>Loss before minority interests</b>                  | <b>(652,414)</b>  | <b>(968,852)</b>   |
| <b>Net loss</b>  | <b>(652,414)</b>  | <b>(968,852)</b>   |

**AnGes MG, Inc**  
**Consolidated Statements of Comprehensive Income**  
(In thousands of yen)  
(Unaudited)

|   | <b>Month ended Jun. 30,</b>    |             |
|---|--------------------------------|-------------|
|   | <b>(From Jan. 1 to Jun.30)</b> |             |
|   | <b>2013</b>                    | <b>2014</b> |
| Loss before minority interests                        | (652,414)                      | (968,852)   |
| Other comprehensive income                            |                                |             |
| Valuation difference on available-for-sale securities | 171,648                        | (8,146)     |
| Foreign currency translation adjustment               | 20,897                         | (9,534)     |
| Total other comprehensive income                      | 192,546                        | (17,681)    |
| Comprehensive income                                  | (459,868)                      | (986,533)   |
| Comprehensive income attributable to:                 |                                |             |
| Owners of the Company                                 | (459,868)                      | (986,533)   |
| Minority interests                                    | —                              | —           |

**AnGes MG, Inc**  
**Consolidated Statements of Cash Flows**  
(In thousands of yen)  
(Unaudited)

|  | <b>Month ended Jun. 30,</b><br><b>(From Jan. 1 to Jun.30)</b> |                  |
|--|---|------------------|
|  | <b>2013</b>   | <b>2014</b>      |
| <b>Cash flows from operating activities</b>  |   |                  |
| Loss before income taxes and minority interests  | (647,981)   | (964,074)        |
| Depreciation   | 33,123  | 21,178           |
| Interest income  | (104)   | (301)            |
| Foreign exchange losses (gains)  | (1,426)   | 15,260           |
| Loss (gain) on sales of non-current assets   | (57)  | —                |
| Loss (gain) on investments in partnership  | 2,005   | 4,677            |
| Loss (gain) on sales of shares of subsidiaries   | (9,393)   | —                |
| Share issuance cost  | 15,979  | 9,267            |
| Share-based compensation expenses  | 3,612   | (1,943)          |
| Gain on reversal of subscription rights to shares  | (11,542)  | (34,622)         |
| Expenditures for downsizing and restructuring  | 38,445  | —                |
| Decrease (increase) in notes and accounts receivable - trade                               | (96,399)  | (6,846)          |
| Decrease (increase) in inventories   | (62,765)  | (135,675)        |
| Increase (decrease) in notes and accounts payable - trade                                  | 174,349   | 223,775          |
| Decrease (increase) in advance payments  | 30,065  | 38,486           |
| Increase (decrease) in accounts payable - other  | 17,030  | (4,195)          |
| Increase (decrease) in advances received   | (61,944)  | (32,270)         |
| Decrease (increase) in other current assets  | (4,401)   | 53,204           |
| Decrease (increase) in other non-current assets  | (4,305)   | (9,083)          |
| Increase (decrease) in other current liabilities   | (6,790)   | (9,012)          |
| Increase (decrease) in other non-current liabilities                                       | 135   | 119              |
| Subtotal   | <u>(592,367)</u>  | <u>(832,056)</u> |
| Interest income received   | 104   | 296              |
| Expenditures for downsizing and restructuring paid   | (34,856)  | —                |
| Income taxes paid  | (4,558)   | (8,078)          |
| Net cash provided by (used in) operating activities  | <u>(631,678)</u>  | <u>(839,838)</u> |
| <b>Cash flows from investing activities</b>  |   |                  |
| Purchase of property, plant and equipment  | (8,533)   | (1,194)          |
| Purchase of intangible assets  | (1,468)   | (1,347)          |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (16,351)  | —                |
| Purchase of long-term prepaid expenses   | (3,598)   | —                |
| Payments for lease and guarantee deposits  | (75)  | —                |
| Proceeds from collection of lease and guarantee  | 12,666  | —                |
| Other proceeds   | 955   | —                |
| Net cash provided by (used in) investing activities  | <u>(16,406)</u>   | <u>(2,542)</u>   |
| <b>Cash flows from financing activities</b>  |   |                  |
| Proceeds from issuance of common shares  | 2,550,557   | 490,736          |
| Proceeds from issuance of subscription rights to shares                                    | 26,900  | —                |
| Other payments   | —   | (10,800)         |
| Net cash provided by (used in) financing activities  | <u>2,577,457</u>  | <u>479,936</u>   |

**AnGes MG, Inc**  
**Consolidated Statements of Cash Flows**  
(In thousands of yen)  
(Unaudited)

|  | <b>Month ended Jun. 30,</b>    |             |
|--|--------------------------------|-------------|
|  | <b>(From Jan. 1 to Jun.30)</b> |             |
|  | <b>2013</b>                    | <b>2014</b> |
| Effect of exchange rate change on cash<br>and cash equivalents | 20,688                         | (23,922)    |
| Net increase (decrease) in cash and cash equivalents           | 1,950,061                      | (386,367)   |
| Cash and cash equivalents at beginning of period               | 354,778                        | 2,295,153   |
| Cash and cash equivalents at end of period                     | 2,304,840                      | 1,908,785   |



**Projects --- Current pipeline status**

**<Self-developed product>**

| Segment        | Product name / Project             | Target indications                | Region       | Development stage   | Alliance partners   |
|----------------|------------------------------------|-----------------------------------|--------------|---|---|
| Medicine       | Collategene®<br>( HGF Plasmid)     | Peripheral Arterial Disease (PAD) | Japan        | Preparing for phase III   | Daiichi-Sankyo Co., Ltd. (JP)<br>*Marketing Rights                  |
|                |                                    |                                   | US, Europe   |   | Mitsubishi Tanabe Pharma Corporation (JP)<br>*Marketing Rights (US) |
|                |                                    | Ischemic Heart Disease (IHD)      | Japan        | Preparing for clinical trials   | Daiichi-Sankyo Co., Ltd. (JP)<br>*Marketing Rights                  |
|                |                                    |                                   | US           | Phase I   | Available   |
|                |                                    | Parkinson's Disease               |              | Pre-clinical  | Available   |
|                | Lymphedema                         | Japan                             | Phase I / II | Available   |   |
|                | NF-κB<br>Decoy Oligo               | Atopic Dermatitis                 | Japan        | (Ointment drug)<br>Phase II   | Shionogi & Co., LTD. (JP)<br>*Marketing Rights (World)              |
|                |                                    |                                   |              | (New formulation)<br>Pre-clinical   |   |
|                | Disc Degeneration                  | Japan                             | Pre-clinical | Nippon Zoki Pharmaceutical Co., Ltd.(JP)<br>*Co-Development, Marketing Rights |   |
| Medical device | Drug-Eluting PTA balloon catheter  | Prevention of Vascular Restenosis | Japan        | Clinical trials   | Medikit Co., Ltd. (JP)<br>*Joint Research                           |
|                | Functional Peptides (Cure Peptin®) | Wound                             |              | Application Research  | Morishita Jintan Co., Ltd. (JP)<br>*Joint Research                  |

**<In-Licensed Program>**

| Segment  | Product name / Project  | Target indications           | Rights of AnGes  | Alliance partners         |
|----------|-------------------------|------------------------------|--|---------------------------|
| Medicine | CIN Therapeutic Vaccine | Cervical Precancerous Lesion | Development & Marketing rights for Japan, US, UK & China | Bio Leaders (South Korea) |
|          | Allovectin®             | Cancer                       | Development & marketing rights for Asia                  | Vical, Inc. (US)          |