

Consolidated Financial Report
for the Year Ended December 31, 2017 (Unaudited)(Japan GAAP)
AnGes, Inc. <http://www.anges.co.jp/>

Listings: Mothers of the Tokyo Stock Exchange, Code 4563

Head Office: 4F, Saito Bio-Incubator, 7-7-15, Saito-Asagi, Ibaraki, Osaka, 567-0085, Japan

(Figures are rounded down to the nearest million yen)

1. Business Results for the Year 2017 (From Jan. 1, 2017 to Dec. 31, 2017)

(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	%
FY2017	365	(29.0)	(3,288)	—	(3,307)	—	(3,764)	—
FY2016	514	19.6	(4,763)	—	(4,847)	—	(4,776)	—

*Comprehensive Income 4Q 2017 : (3,434) million yen 4Q 2016 : (5,182) million yen

	Net loss per share	Diluted net loss per share	Return on Equity	Return on asset	Operating profit ratio
	Yen	Yen	%	%	%
FY2017	(49.38)	—	(104.1)	(77.8)	(900.6)
FY2016	(75.29)	—	(119.0)	(104.3)	(926.2)

*Equity in net income of affiliates FY2017 : — million yen FY2016 : — million yen

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Dec. 31, 2017	3,963	3,621	85.1	42.29
Dec. 31, 2016	4,539	3,869	85.0	54.65

*Shareholder's equity Dec31, 2017 : 3,371 million yen Dec. 31, 2016 : 3,860 million yen

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, at end
	Million yen	Million yen	Million yen	Million yen
FY2017	(2,991)	227	2,916	1,147
FY2016	(4,983)	(829)	4,793	995

2. Dividend

	Dividend per share					Dividend (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	1Q	2Q	3Q	4Q	Full-year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY 2016	—	0.00	—	0.00	0.00	—	—	—
FY 2017	—	0.00	—	0.00	0.00	—	—	—
FY 2018 (Forecast)	—	0.00	—	0.00	0.00	—	—	—

3. Earnings Forecast for the Fiscal Year 2018 (From Jan. 1, 2018 to Dec. 31, 2018)

	Revenues		Operating loss		Ordinary loss		Net loss		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	365	—	(2,500)	—	(2,500)	—	(2,500)	—	(31.36)

Notes:

(1) Change of reporting entities (change of condition of significant consolidated subsidiaries) : None

(2) 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

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

1) Number of shares issued and outstanding (including treasury shares)	Dec. 31, 2017	79,724,261 shares	Dec. 31, 2016	70,631,061 shares
2) Number of treasury shares	Dec. 31, 2017	83 shares	Dec. 31, 2016	81 shares
3) Average number of shares issued and outstanding	FY2017	76,238,320 shares	FY2016	63,443,513 shares

(Reference) Summary of Nonconsolidated Financial Reports

1. Business Results for the Year 2017 (From Jan. 1, 2017 to Dec. 31, 2017)

(1) Results of Operations (Percentages indicate changes from the previous term)

	Revenues		Operating loss		Ordinary loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2017	365	(29.0)	(3,328)	—	(3,349)	—	(3,777)	—
FY2016	514	19.6	(4,796)	—	(4,762)	—	(4,683)	—
	Net loss per share		Diluted net loss per share					
	Yen		Yen					
FY2017	(49.55)		—					
FY2016	(73.82)		—					

(2) Financial Position

	Total assets		Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen		Million yen	%	Yen
Dec. 31, 2017	3,861		3,522	84.7	41.05
Dec. 31, 2016	4,452		3,777	84.6	53.36

*Shareholder's equity Dec31, 2017 : 3,272 million yen Dec. 31, 2016 : 3,768 million yen

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

	December 31, 2016	December 31, 2017
Assets		
Current assets		
Cash and deposits	995,620	1,147,753
Accounts receivable - trade	298,318	142,694
Merchandise	170,069	129,371
Raw materials and supplies	1,001,197	1,443,338
Advance payments - trade	951,147	422,298
Prepaid expenses	27,057	36,881
Consumption taxes receivable	166,078	92,210
Other	9,973	19,054
Total current assets	3,619,461	3,433,602
Non-current assets		
Property, plant and equipment		
Buildings	71,269	50,699
Accumulated depreciation	(49,193)	(50,699)
Buildings, net	22,076	-
Tools, furniture and fixtures	265,291	224,540
Accumulated depreciation	(211,464)	(224,540)
Tools, furniture and fixtures, net	53,826	-
Total property, plant and equipment	75,902	-
Intangible assets		
Patent right	31,588	-
Other	23,566	-
Total intangible assets	55,155	-
Investments and other assets		
Investment securities	720,500	471,063
Lease and guarantee deposits	51,470	51,176
Other	16,710	7,766
Total investments and other assets	788,682	530,006
Total non-current assets	919,739	530,006
Total assets	4,539,201	3,963,609

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

	December 31, 2016	December 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	389,126	200,997
Accounts payable - other	62,111	85,234
Accrued expenses	87,702	8,229
Income taxes payable	80,703	11,647
Advances received	1,449	686
Deposits received	9,824	10,765
Total current liabilities	630,917	317,561
Non-current liabilities		
Deferred tax liabilities	16,255	1,269
Asset retirement obligations	22,646	22,897
Total non-current liabilities	38,902	24,166
Total liabilities	669,819	341,727
Net assets		
Shareholders' equity		
Capital stock	17,651,190	5,658,349
Capital surplus	15,961,930	1,472,971
Retained earnings	(29,347,742)	(3,684,699)
Treasury shares	(23)	(24)
Total shareholders' equity	4,265,354	3,446,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(416,779)	(80,833)
Foreign currency translation adjustment	11,484	5,986
Total accumulated other comprehensive income	(405,295)	(74,846)
Subscription rights to shares	9,322	250,130
Total net assets	3,869,382	3,621,881
Total liabilities and net assets	4,539,201	3,963,609

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

	Year ended Dec. 31, (From Jan. 1 to Dec.31)	
	2016	2017
Business revenues		
Net sales of goods	346,792	365,056
Research and development revenues	167,477	126
Total business revenues	514,269	365,183
Business expenses		
Cost of sales	174,511	178,049
Research and development expenses	4,188,510	2,600,107
Selling, general and administrative expenses	914,588	875,708
Total business expenses	5,277,611	3,653,866
Operating loss	(4,763,341)	(3,288,683)
Non-operating income		
Interest income	531	201
Foreign exchange gains	-	2,008
Commission fee	7,264	7,249
Gain on sales of registered trademarks	1,000	-
Gain on investments in partnership	-	171
Miscellaneous income	136	605
Total non-operating income	8,933	10,235
Non-operating expenses		
Share issuance cost	86,838	25,558
Subscription rights to shares issuance cost	-	3,133
Foreign exchange losses	4,252	-
Miscellaneous loss	1,798	0
Total non-operating expenses	92,889	28,691
Ordinary loss	(4,847,297)	(3,307,139)
Extraordinary income		
Gain on sales of investment securities	44,510	130,971
Gain on reversal of subscription rights to shares	42,117	21,252
Total extraordinary income	86,627	152,223
Extraordinary losses		
Impairment loss	-	112,509
Loss on valuation of investment securities	-	476,762
Total extraordinary losses	-	589,271
Loss before income taxes	(4,760,670)	(3,744,187)
Income taxes - current	15,176	20,177
Income taxes - deferred	934	335
Total income taxes	16,110	20,512
Loss	(4,776,780)	(3,764,699)
Loss attributable to owners of parent	(4,776,780)	(3,764,699)

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

	Year ended Dec. 31, (From Jan. 1 to Dec.31)	
	2016	2017
Loss	(4,776,780)	(3,764,699)
Other comprehensive income		
Valuation difference on available-for-sale securities	(386,837)	335,945
Foreign currency translation adjustment	(18,726)	(5,497)
Total other comprehensive income	(405,563)	330,448
Comprehensive income	(5,182,343)	(3,434,251)
Comprehensive income attributable to:		
owners of parent	(5,182,343)	(3,434,251)
non-controlling interests	-	-

AnGes, Inc
Consolidated Statements of Changes in Net Assets
(In thousands of yen)
(Unaudited)

Year ended Dec.31, 2016 (From Jan.1 to Dec.31, 2016)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	15,214,941	13,525,681	(24,570,961)	(11)	4,169,648
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	2,436,249	2,436,249			4,872,498
Capital reduction					-
Deficit disposition					-
Loss attributable to owners of parent			(4,776,780)		(4,776,780)
Purchase of treasury shares				(11)	(11)
Net changes of items other than shareholders' equity					-
Total changes of items during period	2,436,249	2,436,249	(4,776,780)	(11)	95,706
Balance at end of current period	17,651,190	15,961,930	(29,347,742)	(23)	4,265,354

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(29,942)	30,210	268	51,439	4,221,356
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					4,872,498
Capital reduction					-
Deficit disposition					-
Loss attributable to owners of parent					(4,776,780)
Purchase of treasury shares					(11)
Net changes of items other than shareholders' equity	(386,837)	(18,726)	(405,563)	(42,117)	(447,680)
Total changes of items during period	(386,837)	(18,726)	(405,563)	(42,117)	(351,974)
Balance at end of current period	(416,779)	11,484	(405,295)	9,322	3,869,382

Year ended Dec.31, 2017 (From Jan.1 to Dec.31, 2017)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,651,190	15,961,930	(29,347,742)	(23)	4,265,354
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	1,472,971	1,472,971			2,945,943
Capital reduction	(13,465,812)	13,465,812			-
Deficit disposition		(29,427,742)	29,427,742		-
Loss attributable to owners of parent			(3,764,699)		(3,764,699)
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					-
Total changes of items during period	(11,992,840)	(14,488,958)	25,663,042	(1)	(818,757)
Balance at end of current period	5,658,349	1,472,971	(3,684,699)	(24)	3,446,597

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	(416,779)	11,484	(405,295)	9,322	3,869,382
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					2,945,943
Capital reduction					-
Deficit disposition					-
Loss attributable to owners of parent					(3,764,699)
Purchase of treasury shares					(1)
Net changes of items other than shareholders' equity	335,945	(5,497)	330,448	240,807	571,256
Total changes of items during period	335,945	(5,497)	330,448	240,807	(247,500)
Balance at end of current period	(80,833)	5,986	(74,846)	250,130	3,621,881

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

	Year ended Dec. 31, (From Jan. 1 to Dec.31)	
	2016	2017
Cash flows from operating activities		
Loss before income taxes	(4,760,670)	(3,744,187)
Depreciation	67,306	29,352
Impairment loss	-	112,509
Increase (decrease) in allowance for doubtful accounts	(2,578)	-
Interest income	(531)	(201)
Foreign exchange losses (gains)	32,765	(3,516)
Loss (gain) on investments in partnership	-	(171)
Loss (gain) on sales of short-term and long-term investment securities	(44,510)	(130,971)
Loss (gain) on valuation of investment securities	-	476,762
Share issuance cost	86,838	24,337
Share-based compensation expenses	-	267,667
Gain on reversal of subscription rights to shares	(42,117)	(21,252)
Decrease (increase) in notes and accounts receivable - trade	(163,055)	155,624
Decrease (increase) in inventories	(503,860)	(401,443)
Increase (decrease) in notes and accounts payable - trade	141,633	(187,687)
Decrease (increase) in advance payments	255,591	527,137
Increase (decrease) in consumption taxes refund receivable	(39,439)	73,880
Increase (decrease) in accounts payable - other	(17,822)	19,811
Increase (decrease) in accrued expenses	65,823	(79,419)
Increase (decrease) in advances received	(81,453)	(763)
Decrease (increase) in other current assets	2,702	(26,922)
Decrease (increase) in other non-current assets	(4,596)	(1,456)
Increase (decrease) in other current liabilities	49,755	(74,805)
Increase (decrease) in other non-current liabilities	292	250
Subtotal	<u>(4,957,925)</u>	<u>(2,985,464)</u>
Interest income received	529	201
Income taxes paid	(26,299)	(5,960)
Net cash provided by (used in) operating activities	<u>(4,983,694)</u>	<u>(2,991,223)</u>
Cash flows from investing activities		
Payments into time deposits	(5,459)	-
Proceeds from withdrawal of time deposits	5,456	5,630
Purchase of property, plant and equipment	(49,545)	(7,032)
Purchase of intangible assets	(21,450)	(2,240)
Purchase of investment securities	(807,987)	(4,000)
Proceeds from sales of investment securities	49,140	234,413
Payments for lease and guarantee deposits	(207)	(19)
Proceeds from collection of lease and guarantee deposits	238	310
Net cash provided by (used in) investing activities	<u>(829,815)</u>	<u>227,062</u>

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

	Year ended Dec. 31, (From Jan. 1 to Dec.31)	
	2016	2017
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	4,767,028	2,831,743
Proceeds from exercise of share options	-	93
Purchase of treasury shares	(11)	(1)
Proceeds from issuance of subscription rights to shares	26,371	84,200
Net cash provided by (used in) financing activities	4,793,388	2,916,035
Effect of exchange rate change on cash and cash equivalents	(53,083)	259
Net increase (decrease) in cash and cash equivalents	(1,073,204)	152,133
Cash and cash equivalents at beginning of period	2,068,825	995,620
Cash and cash equivalents at end of period	995,620	1,147,753

Projects --- Current pipeline status

<Self-developed products>

Segment	Project	Code / Dosage Form	Target indications	Region	Development stage	Alliance partners
Medicine	HGF Plasmid (Bepermingene Perplasmid)	AMG0001 Injection	Critical Limb Ischemia (Arteriosclerosis Obliterans & Buerger's Disease)	Japan	Submitted the application for marketing approval	Mitsubishi Tanabe Pharma Corporation (JP) <i>Marketing Rights</i>
				US	Planning next steps	Mitsubishi Tanabe Pharma Corporation (JP) <i>Marketing Rights</i>
	NF-κB Decoy Oligonucleotide	AMG0101 Ointment	Atopic Dermatitis	Japan	Phase III completed*	Shionogi & Co., LTD. (JP) <i>Marketing Rights <World ></i>
		AMG0101 Injection	Low Back Pain due to Disc Degeneration		Preparing Phase I b (US)	Available
	Hypertension DNA Therapeutic Vaccine	AMG0201 Injection	Hypertension		Preparing Phase I / II (AU)	Available

* The study did not show statistically significant difference between the NF-κB Decoy Oligonucleotide treated group and the placebo group in the primary endpoint.

<In-licenced program>

Segment	Project/ Product name	Target indications	Rights of AnGes	Development stage	Alliance partners
Medicine	CIN Therapeutic Vaccine	Cervical Precancerous Lesion	Development & Marketing rights for Japan, US, UK & China	Investigator-initiated study <Japan >	Bio Leaders Corporation (South Korea) Licensing-out to Morishita Jintan Co., Ltd