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Consolidated Financial Report
for the Six Months Ended June 30, 2016 (Unaudited)(Japan GAAP)
AnGes MG, Inc. <http://www.anges-mg.com/>

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 2016 (From Jan. 1, 2016 to Jun. 30, 2016)

(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 2016	169	(29.3)	(2,796)	—	(2,821)	—	(2,825)	—
2Q 2015	240	37.7	(2,005)	—	(1,943)	—	(2,040)	—

*Comprehensive Income 2Q 2016 : (2,644) million yen 2Q 2015 : (1,924) million yen

	Net loss per share	Diluted net loss per share
	Yen	Yen
2Q 2016	(47.63)	—
2Q 2015	(37.34)	—

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio
	Million yen	Million yen	%
Jun. 30, 2016	5,397	4,641	85.2
Dec. 31, 2015	4,751	4,221	87.8

*Shareholder's equity Jun. 30, 2016 : 4,597 million yen Dec. 31, 2015 : 4,169 million yen

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	4Q	Full-year
	Yen	Yen	Yen	Yen	Yen
FY 2015	—	0.00	—	0.00	0.00
FY 2016	—	0.00	—	—	—
FY 2016 (Forecast)	—	—	—	0.00	0.00

*Change of dividend forecast from the most recent release: None

3. Earnings Forecast for the Fiscal Year 2016 (From Jan. 1, 2016 to Dec. 31, 2016)

	Revenues		Operating loss		Ordinary loss		Net loss		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
2Q, 2016	—	—	—	—	—	—	—	—	—
Full-year	400	—	(6,400)	—	(6,400)	—	(6,400)	—	(104.65)

*Change of earnings forecast from the most recent release: None

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 : Applicable
 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, 2016	62,981,061 shares	Dec. 31, 2015	56,544,361 shares
2) Number of treasury stock	Jun. 30, 2016	81 shares	Dec. 31, 2015	38 shares
3) Average number of shares issued and outstanding	2Q 2016	59,324,145 shares	2Q 2015	54,631,340 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, 2015	June 30, 2016
Assets		
Current assets		
Cash and deposits	2,074,872	2,413,042
Accounts receivable - trade	135,263	121,427
Merchandise	111,852	135,810
Raw materials and supplies	555,552	861,917
Advance payments - trade	1,208,868	878,848
Prepaid expenses	27,217	23,835
Consumption taxes receivable	126,656	113,703
Other	5,075	12,632
Allowance for doubtful accounts	(2,578)	(2,578)
Total current assets	4,242,782	4,558,640
Non-current assets		
Property, plant and equipment		
Buildings	71,283	71,222
Accumulated depreciation	(45,600)	(47,365)
Buildings, net	25,682	23,857
Tools, furniture and fixtures	245,236	278,888
Accumulated depreciation	(195,262)	(207,136)
Tools, furniture and fixtures, net	49,974	71,752
Total property, plant and equipment	75,657	95,609
Intangible assets		
Patent right	39,929	36,699
Other	11,279	13,616
Total intangible assets	51,208	50,316
Investments and other assets		
Investment securities	315,062	627,261
Lease and guarantee deposits	51,551	51,620
Other	15,732	14,117
Total investments and other assets	382,345	692,999
Total non-current assets	509,211	838,925
Total assets	4,751,994	5,397,565

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

	December 31, 2015	June 30, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	246,560	389,294
Accounts payable - other	83,364	65,767
Accrued expenses	23,357	27,671
Income taxes payable	33,399	52,653
Advances received	82,902	70,646
Deposits received	12,296	8,357
Total current liabilities	481,880	614,390
Non-current liabilities		
Deferred tax liabilities	26,402	118,722
Asset retirement obligations	22,354	22,500
Total non-current liabilities	48,756	141,223
Total liabilities	530,637	755,614
Net assets		
Shareholders' equity		
Capital stock	15,214,941	16,751,174
Capital surplus	13,525,681	15,061,914
Retained earnings	(24,570,961)	(27,396,415)
Treasury shares	(11)	(23)
Total shareholders' equity	4,169,648	4,416,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(29,942)	190,870
Foreign currency translation adjustment	30,210	(9,872)
Total accumulated other comprehensive income	268	180,998
Subscription rights to shares	51,439	44,301
Total net assets	4,221,356	4,641,951
Total liabilities and net assets	4,751,994	5,397,565

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

	Month ended Jun. 30, (From Jan. 1 to Jun.30)	
	2015	2016
Business revenues		
Net sales of goods	171,498	167,228
Research and development revenues	68,733	2,549
Total business revenues	240,232	169,778
Business expenses		
Cost of sales	86,841	85,629
Research and development expenses	1,710,879	2,409,167
Selling, general and administrative expenses	447,805	471,448
Total business expenses	2,245,525	2,966,245
Operating loss	(2,005,293)	(2,796,466)
Non-operating income		
Interest income	584	235
Foreign exchange gains	7,164	18,822
Subsidy income	72,256	-
Miscellaneous income	1,878	3,424
Total non-operating income	81,883	22,482
Non-operating expenses		
Share issuance cost	19,036	46,262
Loss on investments in partnership	1,487	-
Miscellaneous loss	-	795
Total non-operating expenses	20,523	47,057
Ordinary loss	(1,943,932)	(2,821,041)
Extraordinary income		
Gain on reversal of subscription rights to shares	2,988	7,138
Total extraordinary income	2,988	7,138
Extraordinary losses		
Loss on valuation of investment securities	92,569	-
Total extraordinary losses	92,569	-
Loss before income taxes	(2,033,513)	(2,813,903)
Income taxes - current	6,569	10,615
Income taxes - deferred	-	934
Total income taxes	6,569	11,549
Loss	(2,040,082)	(2,825,453)
Loss attributable to owners of parent	(2,040,082)	(2,825,453)

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

	Month ended Jun. 30, (From Jan. 1 to Jun.30)	
	2015	2016
Loss	(2,040,082)	(2,825,453)
Other comprehensive income		
Valuation difference on available-for-sale securities	109,936	220,813
Foreign currency translation adjustment	5,171	(40,082)
Total other comprehensive income	115,107	180,730
Comprehensive income	(1,924,975)	(2,644,722)
Comprehensive income attributable to:		
owners of parent	(1,924,975)	(2,644,722)
non-controlling interests	-	-

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

	Month ended Jun. 30, (From Jan. 1 to Jun.30)	
	2015	2016
Cash flows from operating activities		
Loss before income taxes and minority interests	(2,033,513)	(2,813,903)
Depreciation	22,773	31,217
Interest income	(584)	(235)
Foreign exchange losses (gains)	697	40,895
Loss (gain) on investments in partnership	1,487	-
Loss (gain) on valuation of investment securities	92,569	-
Share issuance cost	19,036	46,262
Share-based compensation expenses	55	-
Gain on reversal of subscription rights to shares	(2,988)	(7,138)
Decrease (increase) in notes and accounts receivable - trade	471,188	13,836
Decrease (increase) in inventories	(157,411)	(330,321)
Increase (decrease) in notes and accounts payable - trade	237,626	143,229
Decrease (increase) in advance payments	(624,073)	322,473
Increase (decrease) in accounts payable - other	56,515	(5,655)
Increase (decrease) in advances received	(20,186)	(12,256)
Decrease (increase) in other current assets	(51,828)	9,290
Decrease (increase) in other non-current assets	(1,464)	(4,438)
Increase (decrease) in other current liabilities	(238)	29,290
Increase (decrease) in other non-current liabilities	121	146
Subtotal	<u>(1,990,218)</u>	<u>(2,537,306)</u>
Interest income received	583	233
Income taxes paid	(10,385)	(18,426)
Net cash provided by (used in) operating activities	<u>(2,000,020)</u>	<u>(2,555,499)</u>
Cash flows from investing activities		
Payments into time deposits	(6,028)	-
Proceeds from withdrawal of time deposits	6,015	-
Purchase of property, plant and equipment	(10,444)	(47,381)
Purchase of intangible assets	(7,296)	(8,071)
Proceeds from sales of investment securities	-	0
Payments for lease and guarantee deposits	(7,988)	(177)
Net cash provided by (used in) investing activities	<u>(25,743)</u>	<u>(55,629)</u>

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

	Month ended Jun. 30,	
	(From Jan. 1 to Jun.30)	
	2015	2016
Cash flows from financing activities		
Proceeds from issuance of common shares	718,166	-
Purchase of treasury shares	-	(11)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	-	3,011,297
Proceeds from issuance of subscription rights to share	-	15,126
Net cash provided by (used in) financing activities	718,166	3,026,412
Effect of exchange rate change on cash and cash equivalents	4,121	(76,228)
Net increase (decrease) in cash and cash equivalents	(1,303,475)	339,055
Cash and cash equivalents at beginning of period	6,011,329	2,068,825
Cash and cash equivalents at end of period	4,707,853	2,407,880

Projects -- Current pipeline status

<Self-developed products>

Segment	Project	Target indications	Region	Development stage	Alliance partners
Medicine	HGF Plasmid	Peripheral Arterial Disease (PAD)	Japan	Completed Phase III, additional study ongoing (physician-led study)*	Mitsubishi Tanabe Pharma Corporation (JP) <i>Marketing Rights</i>
			US, Europe	Terminated Global Phase III Planning for Phase III (US)	Mitsubishi Tanabe Pharma Corporation (JP) <i>Marketing Rights <US></i>
		Lymphedema	Japan	Phase I / II	Available
	Hypertension DNA Therapeutic Vaccine	Hypertension		Preclinical Preparing for Phase I (Australia)	Available
	NF-κB Decoy Oligo DNA	Atopic Dermatitis	Japan	(Ointment drug) Completed Phase III**	Shionogi & Co., LTD. (JP) <i>Marketing Rights <World></i>
Disc Degeneration		US	Preclinical Preparing for Phase I / II	Available	
Medical device	Drug-Eluting PTA balloon catheter	Prevention of Vascular Restenosis	Japan	Clinical trials	Medikit Co., Ltd. (JP) <i>Joint Research</i>

* Drug application under conditional approval system is planned for HGF Plasmid in Japan.

** The Phase III study did not show the statistically significant difference against placebo.

<In-licensed 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)
	Allovectin®	Cancer	Development & marketing rights for Asia	Under review	Vical, Inc. (US)

* AnGes concluded a basic agreement with Morishita Jintan Co, Ltd. to license out all of its rights.