

**Consolidated Financial Report**  
**for the Month Ended June 30, 2017 (Unaudited)(Japan GAAP)**  
**AnGes, Inc. <http://www.anges.co.jp/>**

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 Year 2017 (From Jan. 1, 2017 to June. 30, 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 | % |
| 2Q 2017 | 169         | (0.3)  | (1,702)        | — | (1,698)       | — | (2,299)     | — |
| 2Q 2016 | 169         | (29.3) | (2,796)        | — | (2,821)       | — | (2,825)     | — |

\*Comprehensive Income 2Q 2017 : (1,754) million yen 2Q 2016 : (2,644) million yen

|         | Net loss per share | Diluted net loss per share |
|---------|--------------------|----------------------------|
|         | Yen                | Yen                        |
| 2Q 2017 | (31.27)            | —                          |
| 2Q 2016 | (47.63)            | —                          |

## (2) Financial Position

|               | Total assets | Total net assets | Shareholders' equity ratio |
|---------------|--------------|------------------|----------------------------|
|               | Million yen  | Million yen      | %                          |
| Jun. 30, 2017 | 4,738        | 4,479            | 94.3                       |
| Dec. 31, 2016 | 4,539        | 3,869            | 85.0                       |

\*Shareholder's equity Jun. 30, 2017 : 4,470 million yen Dec. 31, 2016 : 3,860 million yen

## 2. Dividend

|                    | Dividend per share |      |     |      |           |
|--------------------|--------------------|------|-----|------|-----------|
|                    | 1Q                 | 2Q   | 3Q  | 4Q   | Full-year |
|                    | Yen                | Yen  | Yen | Yen  | Yen       |
| FY 2016            | —                  | 0.00 | —   | 0.00 | 0.00      |
| FY 2017            | —                  | 0.00 | —   | —    | —         |
| FY 2017 (Forecast) | —                  | —    | —   | 0.00 | 0.00      |

## 3. Earnings Forecast for the Fiscal Year 2017 (From Jan. 1, 2017 to Dec. 31, 2017)

|           | Revenues    |   | Operating loss |   | Ordinary loss |   | Net loss    |   | Net loss per share |
|-----------|-------------|---|----------------|---|---------------|---|-------------|---|--------------------|
|           | Million yen | % | Million yen    | % | Million yen   | % | Million yen | % | Yen                |
| Full-year | 360         | — | (3,400)        | — | (3,400)       | — | (3,400)     | — | (46.23)            |

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, 2017 | 78,631,061 shares | Dec. 31, 2016 | 70,631,061 shares |
| 2) Number of treasury stock   | Jun. 30, 2017 | 81 shares         | Dec. 31, 2016 | 81 shares         |
| 3) Average number of shares issued and outstanding                    | 2Q 2017       | 73,537,914 shares | 2Q 2016       | 59,324,145 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>2016 | June 30,<br>2017 |
|--|----------------------|------------------|
| <b>Assets</b>                              |                      |                  |
| Current assets                             |                      |                  |
| Cash and deposits                          | 995,620              | 1,836,611        |
| Accounts receivable - trade                | 298,318              | 130,429          |
| Merchandise                                | 170,069              | 88,157           |
| Raw materials and supplies                 | 1,001,197            | 990,637          |
| Advance payments - trade                   | 951,147              | 749,867          |
| Prepaid expenses                           | 27,057               | 32,458           |
| Consumption taxes receivable               | 166,078              | 38,887           |
| Other                                      | 9,973                | 13,466           |
| <b>Total current assets</b>                | <b>3,619,461</b>     | <b>3,880,516</b> |
| Non-current assets                         |                      |                  |
| Property, plant and equipment              |                      |                  |
| Buildings                                  | 71,269               | 50,696           |
| Accumulated depreciation                   | (49,193)             | (50,696)         |
| Buildings, net                             | 22,076               | -                |
| Tools, furniture and fixtures              | 265,291              | 224,441          |
| Accumulated depreciation                   | (211,464)            | (224,441)        |
| Tools, furniture and fixtures, net         | 53,826               | -                |
| <b>Total property, plant and equipment</b> | <b>75,902</b>        | <b>-</b>         |
| Intangible assets                          |                      |                  |
| Patent right                               | 31,588               | -                |
| Other                                      | 23,566               | -                |
| <b>Total intangible assets</b>             | <b>55,155</b>        | <b>-</b>         |
| Investments and other assets               |                      |                  |
| Investment securities                      | 720,500              | 796,579          |
| Lease and guarantee deposits               | 51,470               | 51,144           |
| Other                                      | 16,710               | 10,471           |
| <b>Total investments and other assets</b>  | <b>788,682</b>       | <b>858,195</b>   |
| <b>Total non-current assets</b>            | <b>919,739</b>       | <b>858,195</b>   |
| <b>Total assets</b>                        | <b>4,539,201</b>     | <b>4,738,712</b> |

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

|   | December 31,<br>2016 | June 30,<br>2017 |
|---|----------------------|------------------|
| <b>Liabilities</b>                                    |                      |                  |
| Current liabilities                                   |                      |                  |
| Accounts payable - trade                              | 389,126              | 71,807           |
| Accounts payable - other                              | 62,111               | 51,982           |
| Accrued expenses                                      | 87,702               | 66,122           |
| Income taxes payable                                  | 80,703               | 21,046           |
| Advances received                                     | 1,449                | 713              |
| Deposits received                                     | 9,824                | 8,225            |
| Total current liabilities                             | <u>630,917</u>       | <u>219,897</u>   |
| Non-current liabilities                               |                      |                  |
| Deferred tax liabilities                              | 16,255               | 16,448           |
| Asset retirement obligations                          | 22,646               | 22,772           |
| Total non-current liabilities                         | <u>38,902</u>        | <u>39,220</u>    |
| Total liabilities                                     | <u>669,819</u>       | <u>259,117</u>   |
| <b>Net assets</b>                                     |                      |                  |
| Shareholders' equity                                  |                      |                  |
| Capital stock   | 17,651,190           | 5,367,740        |
| Capital surplus                                       | 15,961,930           | 1,182,362        |
| Retained earnings                                     | (29,347,742)         | (2,219,809)      |
| Treasury shares                                       | (23)                 | (23)             |
| Total shareholders' equity                            | <u>4,265,354</u>     | <u>4,330,270</u> |
| Accumulated other comprehensive income                |                      |                  |
| Valuation difference on available-for-sale securities | (416,779)            | 136,125          |
| Foreign currency translation adjustment               | 11,484               | 3,876            |
| Total accumulated other comprehensive income          | <u>(405,295)</u>     | <u>140,001</u>   |
| Subscription rights to shares                         | 9,322                | 9,322            |
| Total net assets                                      | <u>3,869,382</u>     | <u>4,479,594</u> |
| Total liabilities and net assets                      | <u>4,539,201</u>     | <u>4,738,712</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>2016</b>   | <b>2017</b> |
| <b>Business revenues</b>                          |   |             |
| Net sales of goods                                | 167,228   | 169,126     |
| Research and development revenues                 | 2,549   | 100         |
| Total business revenues                           | 169,778   | 169,226     |
| <b>Business expenses</b>                          |   |             |
| Cost of sales                                     | 85,629  | 82,243      |
| Research and development expenses                 | 2,409,167   | 1,391,887   |
| Selling, general and administrative expenses      | 471,448   | 397,726     |
| Total business expenses                           | 2,966,245   | 1,871,857   |
| Operating loss                                    | (2,796,466)   | (1,702,630) |
| <b>Non-operating income</b>                       |   |             |
| Interest income                                   | 235   | 78          |
| Foreign exchange gains                            | 18,822  | 11,551      |
| Miscellaneous income                              | 3,424   | 4,211       |
| Total non-operating income                        | 22,482  | 15,841      |
| <b>Non-operating expenses</b>                     |   |             |
| Share issuance cost                               | 46,262  | 12,189      |
| Miscellaneous loss                                | 795   | 0           |
| Total non-operating expenses                      | 47,057  | 12,189      |
| Ordinary loss                                     | (2,821,041)   | (1,698,978) |
| <b>Extraordinary income</b>                       |   |             |
| Gain on reversal of subscription rights to shares | 7,138   | -           |
| Total extraordinary income                        | 7,138   | -           |
| <b>Extraordinary losses</b>                       |   |             |
| Impairment Loss                                   | -   | 112,531     |
| Loss on valuation of investment securities        | -   | 476,762     |
| Total extraordinary losses                        | -   | 589,293     |
| Loss before income taxes                          | (2,813,903)   | (2,288,271) |
| Income taxes - current                            | 10,615  | 11,280      |
| Income taxes - deferred                           | 934   | 256         |
| Total income taxes                                | 11,549  | 11,537      |
| Loss  | (2,825,453)   | (2,299,809) |
| Loss attributable to owners of parent             | (2,825,453)   | (2,299,809) |

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

|   | Month ended Jun. 30,<br>(From Jan. 1 to Jun.30) |             |
|---|---|-------------|
|   | 2016  | 2017        |
| Loss  | (2,825,453)                                     | (2,299,809) |
| Other comprehensive income                            |   |             |
| Valuation difference on available-for-sale securities | 220,813   | 552,904     |
| Foreign currency translation adjustment               | (40,082)  | (7,607)     |
| Total other comprehensive income                      | 180,730   | 545,296     |
| Comprehensive income                                  | (2,644,722)                                     | (1,754,512) |
| Comprehensive income attributable to:                 |   |             |
| owners of parent                                      | (2,644,722)                                     | (1,754,512) |
| non-controlling 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>2016</b>   | <b>2017</b>        |
| <b>Cash flows from operating activities</b>  |   |                    |
| Loss before income taxes   | (2,813,903)   | (2,288,271)        |
| Depreciation   | 31,217  | 26,479             |
| Impairment Loss  | -   | 112,531            |
| Interest income  | (235)   | (78)               |
| Foreign exchange losses (gains)  | 40,895  | (828)              |
| Loss (gain) on valuation of investment securities  | -   | 476,762            |
| Share issuance cost  | 46,262  | 12,189             |
| Gain on reversal of subscription rights to shares  | (7,138)   | -                  |
| Decrease (increase) in notes and<br>accounts receivable - trade                              | 13,836  | 167,889            |
| Decrease (increase) in inventories   | (330,321)   | 92,470             |
| Increase (decrease) in notes and<br>accounts payable - trade                                 | 143,229   | (316,773)          |
| Decrease (increase) in advance payments  | 322,473   | 199,528            |
| Increase (decrease) in accounts payable - other  | (5,655)   | (9,764)            |
| Increase (decrease) in advances received   | (12,256)  | (736)              |
| Decrease (increase) in other current assets  | 9,290   | 110,197            |
| Decrease (increase) in other non-current assets  | (4,438)   | (1,282)            |
| Increase (decrease) in other current liabilities   | 29,290  | (81,589)           |
| Increase (decrease) in other non-current liabilities   | 146   | 125                |
| Subtotal   | <u>(2,537,306)</u>  | <u>(1,501,150)</u> |
| Interest income received   | 233   | 75                 |
| Income taxes paid  | (18,426)  | (4,774)            |
| Net cash provided by (used in) operating activities  | <u>(2,555,499)</u>  | <u>(1,505,848)</u> |
| <b>Cash flows from investing activities</b>  |   |                    |
| Purchase of property, plant and equipment  | (47,381)  | (7,032)            |
| Purchase of intangible assets  | (8,071)   | (1,570)            |
| Proceeds from sales of investment securities   | 0   | -                  |
| Payments for lease and guarantee deposits  | (177)   | -                  |
| Proceeds from collection of lease and guarantee  | -   | 310                |
| Net cash provided by (used in) investing activities  | <u>(55,629)</u>   | <u>(8,292)</u>     |
| <b>Cash flows from financing activities</b>  |   |                    |
| Purchase of treasury shares  | (11)  | -                  |
| Proceeds from issuance of shares resulting<br>from exercise of subscription rights to shares | 3,011,297   | 2,331,924          |
| Proceeds from issuance of subscription rights to shares                                      | 15,126  | 22,400             |
| Net cash provided by (used in) financing activities  | <u>3,026,412</u>  | <u>2,354,324</u>   |
| Effect of exchange rate change on cash<br>and cash equivalents                               | (76,228)  | (4,814)            |
| Net increase (decrease) in cash and cash equivalents   | <u>339,055</u>  | <u>835,369</u>     |
| Cash and cash equivalents at beginning of period   | 2,068,825   | 995,620            |
| Cash and cash equivalents at end of period   | <u>2,407,880</u>  | <u>1,830,990</u>   |

**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)<br><i>Marketing Rights</i> |
|                   |                                      |                                   | US                      | Planning for Clinical Trial  | Mitsubishi Tanabe Pharma Corporation (JP)<br><i>Marketing Rights</i> |
|                   | Hypertension DNA Therapeutic Vaccine | Hypertension                      |                         | Preparing for Phase I / II (Australia)                               | Available  |
|                   | NF-κB Decoy Oligo DNA                | Atopic Dermatitis                 | Japan                   | (Ointment drug)<br>Completed Phase III**                             | Shionogi & Co., LTD. (JP)<br><i>Marketing Rights &lt;World &gt;</i>  |
| Disc Degeneration |                                      |                                   | Preparing for Phase I b | Available  |  |

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

\*\* 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)<br>Licensing-out to Morishita Jintan Co., Ltd |