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**Consolidated Financial Report
for the Six Months Ended June 30, 2010 (Unaudited)
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

Adoption of the U.S.GAAP: None

(Figures are rounded down to the nearest million yen)

1. Business Results for the Second quarter 2010 (From Jan. 1, 2010 to Jun. 30, 2010)

(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	%
2Q 2010 (6 Months)	115	(69.1)	(1,003)	—	(861)	—	(875)	—
2Q 2009 (6 Months)	373	—	(1,432)	—	(1,598)	—	(1,727)	—

	Net loss per share	Diluted net loss per share
	Yen	Yen
2Q 2010 (6 Months)	(7,422.05)	—
2Q 2009 (6 Months)	(14,670.69)	—

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Jun. 30, 2010	6,358	5,593	86.0	46,353.86
Dec. 31, 2009	7,162	6,512	89.5	54,345.29

*Shareholder's equity Jun. 30, 2010 : 5,469 million yen Dec. 31, 2009 : 6,412 million yen

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	4Q	Full-year
	Yen	Yen	Yen	Yen	Yen
FY 2009	—	0.00	—	0.00	0.00
FY 2010	—	0.00	—	—	—
FY 2010 (Forecast)	—	—	—	0.00	0.00

3. Earnings Forecast for the Fiscal Year 2010 (From Jan. 1, 2010 to Dec. 31, 2010)

	Revenues		Operating loss		Ordinary loss		Net loss		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	500	—	(2,400)	—	(2,300)	—	(2,300)	—	(19,493.01)
	~ 800	—	~ (2,100)	—	~ (2,000)	—	~ (2,000)	—	~ (16,950.45)

4. Others

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

(2) Accounting procedure peculiar to the quarterly consolidated financial statements : Applicable

(3) Change of significant accounting and reporting policies for consolidated financial statements

1) Change caused by revision of accounting standard : None

2) Other changes : None

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

1) Number of shares issued and outstanding (including treasury stock)

Jun. 30, 2010 : 117,991 shares Dec. 31, 2009 : 117,991 shares

2) Number of treasury stock

Jun. 30, 2010 : - shares Dec. 31, 2009 : - shares

3) Average number of shares issued and outstanding

2Q 2010 : 117,991 shares 2Q 2009 : 117,751 shares

*Since descriptions about future events, for instance, earnings forecast for FY 2010, are estimation, results may differ from this estimation due to changes of several economic conditions.

**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)
(Unaudited)

	June 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and deposits	3,111,550	3,549,098
Accounts receivable-trade	56,529	64,648
Short-term investment securities	937,614	1,498,278
Merchandise and finished goods	109,567	33,447
Work in process	-	1,798
Raw materials and supplies	635,433	480,416
Advance payments-trade	245,647	247,132
Prepaid expenses	27,282	28,215
Advances paid	370	1,089
Other	25,978	31,300
Total current assets	<u>5,149,974</u>	<u>5,935,426</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	58,581	58,599
Accumulated depreciation	<u>(44,591)</u>	<u>(43,276)</u>
Buildings, net	<u>13,990</u>	<u>15,322</u>
Machinery and equipment	53,091	53,091
Accumulated depreciation	<u>(51,854)</u>	<u>(51,607)</u>
Machinery and equipment, net	<u>1,236</u>	<u>1,483</u>
Tools, furniture and fixtures	404,075	400,778
Accumulated depreciation	<u>(363,854)</u>	<u>(356,761)</u>
Tools, furniture and fixtures, net	<u>40,221</u>	<u>44,016</u>
Total property, plant and equipment	<u>55,448</u>	<u>60,823</u>
Intangible assets		
Patent right	171,592	195,654
Other	11,307	16,561
Total intangible assets	<u>182,899</u>	<u>212,215</u>
Investments and other assets		
Investment securities	852,385	829,443
Lease and guarantee deposits	55,130	54,784
Other	<u>63,028</u>	<u>69,453</u>
Total investments and other assets	<u>970,544</u>	<u>953,681</u>
Total noncurrent assets	<u>1,208,892</u>	<u>1,226,720</u>
Total assets	<u><u>6,358,867</u></u>	<u><u>7,162,146</u></u>

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

	June 30, 2010	December 31, 2009
Liabilities		
Current liabilities		
Accounts payable—trade	158,143	49,134
Accounts payable—other	63,033	42,199
Accrued expenses	7,137	11,161
Income taxes payable	21,638	23,821
Advances received	505,946	515,101
Deposits received	9,471	7,799
Total current liabilities	<u>765,370</u>	<u>649,218</u>
Total liabilities	<u>765,370</u>	<u>649,218</u>
Net assets		
Shareholders' equity		
Capital stock	9,460,618	9,460,618
Capital surplus	7,771,361	7,771,361
Retained earnings	<u>(12,033,821)</u>	<u>(11,158,086)</u>
Total shareholders' equity	<u>5,198,157</u>	<u>6,073,893</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	308,085	370,141
Foreign currency translation adjustment	<u>(36,905)</u>	<u>(31,780)</u>
Total valuation and translation adjustments	<u>271,180</u>	<u>338,361</u>
Subscription rights to shares	<u>124,159</u>	<u>100,673</u>
Total net assets	<u>5,593,497</u>	<u>6,512,927</u>
Total liabilities and net assets	<u><u>6,358,867</u></u>	<u><u>7,162,146</u></u>

AnGes MG, Inc
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	6 months ended June 30, (From Jan. 1 to Jun.30)	
	2009	2010
Business revenues		
Net sales of goods	60,249	72,584
Research and development revenues	313,351	42,919
Total business revenues	<u>373,601</u>	<u>115,504</u>
Business expenses		
Cost of sales	29,209	33,530
Research and development expenses	1,423,168	687,820
Selling, general and administrative expenses	353,337	397,602
Total business expenses	<u>1,805,716</u>	<u>1,118,953</u>
Operating loss	<u>(1,432,114)</u>	<u>(1,003,448)</u>
Non-operating income		
Interest income	7,263	5,402
Foreign exchange gains	—	18,083
Subsidy income	147,367	120,843
Fiduciary obligation fee	3,015	3,015
Miscellaneous income	1,043	2,629
Total non-operating income	<u>158,690</u>	<u>149,974</u>
Non-operating expenses		
Stock issuance cost	201	—
Loss on investments in partnership	321,288	8,258
Foreign exchange losses	3,668	—
Miscellaneous loss	16	—
Total non-operating expenses	<u>325,174</u>	<u>8,258</u>
Ordinary loss	<u>(1,598,598)</u>	<u>(861,732)</u>
Extraordinary loss		
Loss on retirement of noncurrent assets	21,896	9,129
Loss on valuation of investment securities	100,029	—
Total extraordinary losses	<u>121,926</u>	<u>9,129</u>
Loss before income taxes and minority interests	<u>(1,720,524)</u>	<u>(870,862)</u>
Income taxes-current	6,963	4,872
Total income taxes	<u>6,963</u>	<u>4,872</u>
Net loss	<u>(1,727,488)</u>	<u>(875,735)</u>

AnGes MG, Inc
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	3 months ended June 30, (From Apr. 1 to Jun.30)	
	2009	2010
Business revenues		
Net sales of goods	32,496	38,189
Research and development revenues	162,735	2,228
Total business revenues	<u>195,232</u>	<u>40,418</u>
Business expenses		
Cost of sales	15,891	17,362
Research and development expenses	660,769	310,147
Selling, general and administrative expenses	174,759	208,685
Total business expenses	<u>851,420</u>	<u>536,196</u>
Operating loss	<u>(656,188)</u>	<u>(495,777)</u>
Non-operating income		
Interest income	2,305	2,116
Foreign exchange gains	2,860	22,186
Subsidy income	4,024	47,666
Fiduciary obligation fee	3,015	3,015
Miscellaneous income	65	9
Total non-operating income	<u>12,271</u>	<u>74,994</u>
Non-operating expenses		
Loss on investments in partnership	321,288	8,258
Total non-operating expenses	<u>321,288</u>	<u>8,258</u>
Ordinary loss	<u>(965,204)</u>	<u>(429,041)</u>
Extraordinary loss		
Loss on retirement of noncurrent assets	18,932	22
Loss on valuation of investment securities	100,029	—
Total extraordinary losses	<u>118,962</u>	<u>22</u>
Loss before income taxes and minority interests	<u>(1,084,167)</u>	<u>(429,063)</u>
Income taxes-current	3,553	2,406
Total income taxes	<u>3,553</u>	<u>2,406</u>
Net loss	<u>(1,087,720)</u>	<u>(431,470)</u>

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

	6 months ended June 30, (From Jan. 1 to Jun.30)	
	2009	2010
Net cash used in operating activities		
Loss before income taxes and minority interests	(1,720,524)	(870,862)
Depreciation and amortization	63,211	50,404
Interest income	(7,263)	(5,402)
Foreign exchange losses	6,720	1,856
Loss on investments in partnership	323,272	10,242
Loss on retirement of noncurrent assets	21,049	9,129
Loss on valuation of investment securities	100,029	—
Stock issuance cost	201	—
Share-based compensation expenses	24,040	23,486
Decrease in notes and accounts receivable-trade	12,840	8,119
(Increase) decrease in inventories	2,652	(229,338)
Increase in notes and accounts payable-trade	76,774	109,009
Decrease in advance payments	51,471	1,484
Increase (decrease) in accounts payable-other	(5,300)	21,957
(Decrease) in advances received	(68,192)	(9,154)
Decrease in other current assets	19,874	5,363
(Decrease) in other current liabilities	(7,623)	(5,183)
Subtotal	<u>(1,106,765)</u>	<u>(878,888)</u>
Interest income received	9,101	8,911
Income taxes paid	(12,170)	(4,184)
Net cash used in operating activities	<u>(1,109,834)</u>	<u>(874,161)</u>
Net cash provided by investing activities		
Payments into time deposits	(500,000)	—
Proceeds from withdrawal of time deposits	500,000	500,000
Purchase of short-term investment securities	(200,000)	(439,522)
Proceeds from redemption of securities	1,000,000	1,600,000
Purchase of property, plant and equipment	(8,028)	(6,886)
Proceeds from sales of property, plant and equipment	—	19
Purchase of intangible assets	(17,255)	(12,554)
Purchase of investment securities	—	(97,000)
Purchase of long-term prepaid expenses	(2,719)	—
Payments for lease and guarantee deposits	—	(401)
Proceeds from collection of lease and guarantee deposits	165	—
Net cash provided by investing activities	<u>772,162</u>	<u>1,543,654</u>
Net cash used in financing activities		
Other payments	(201)	—
Net cash used in financing activities	<u>(201)</u>	<u>—</u>
Effect of exchange rate change on cash and cash equivalents	294	(7,091)
Net increase (decrease) in cash and cash equivalents	<u>(337,579)</u>	<u>662,401</u>
Cash and cash equivalents at beginning of period	5,799,571	3,049,098
Cash and cash equivalents at end of period	<u>5,461,992</u>	<u>3,711,500</u>

Shareholders

Major shareholders

AnGes' 10 largest shareholders as of June 30, 2010 are as follows:

Shareholder	Number of shares	% of share capital
Ryuichi Morishita	8,434	7.14%
Toshikazu Nakamura	6,450	5.46%
ECS Co., Ltd	4,625	3.91%
Shota Morishita	2,400	2.03%
Mayumi Morishita	2,200	1.86%
Biofrontier Partners, Inc	2,057	1.74%
Hitoshi Kotani	1,936	1.64%
Kensuke Tomita	1,503	1.27%
Miwako Sakata	1,400	1.18%
Tsuneaki Sakata	1,240	1.05%

Classification by Shareholders

Shareholders as of June 30, 2010 are summarized by type as follows:

Shareholder	Number of shareholders	Number of shares	% of share capital
Government and Municipal corporation	—	—	—
Financial institution	6	1,108	0.94%
Securities corporation	20	1,679	1.42%
Other corporation	182	9,653	8.18%
Foreign corporation and other	46	4,007	3.40%
Individuals and other	18,324	101,544	86.06%
Total	18,578	117,991	100.00%