



Consolidated Financial Report
for the Nine Months Ended September 30, 2011 (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 2011 (From Jan. 1, 2011 to Sep. 30, 2011)

(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 | % |
| 3Q 2011 (9 Months) | 177 | (5.5) | (1,492) | — | (1,174) | — | (1,197) | — |
| 3Q 2010 (9 Months) | 187 | (61.7) | (1,467) | — | (1,319) | — | (1,342) | — |

| | Net loss per share | Diluted net loss per share |
|--------------------|--------------------|----------------------------|
| | Yen | Yen |
| 3Q 2011 (9 Months) | (9,866.72) | — |
| 3Q 2010 (9 Months) | (11,378.04) | — |

(2) Financial Position

| | Total assets | Total net assets | Shareholders' equity ratio | Net assets per share |
|---------------|--------------|------------------|----------------------------|----------------------|
| | Million yen | Million yen | % | Yen |
| Sep. 30, 2011 | 4,113 | 3,541 | 81.8 | 27,495.05 |
| Dec. 31, 2010 | 5,004 | 4,287 | 82.7 | 35,019.99 |

*Shareholder's equity Sep. 30, 2011 : 3,363 million yen Dec. 31, 2010 : 4,140 million yen

2. Dividend

| | Dividend per share | | | | |
|--------------------|--------------------|------|-----|------|-----------|
| | 1Q | 2Q | 3Q | 4Q | Full-year |
| | Yen | Yen | Yen | Yen | Yen |
| FY 2010 | — | 0.00 | — | 0.00 | 0.00 |
| FY 2011 | — | 0.00 | — | — | — |
| FY 2011 (Forecast) | — | — | — | 0.00 | 0.00 |

3. Earnings Forecast for the Fiscal Year 2011 (From Jan. 1, 2011 to Dec. 31, 2011)

| | Revenues | | Operating loss | | Ordinary loss | | Net loss | | Net loss per share |
|-----------|-------------|---|----------------|---|---------------|---|-------------|---|--------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full-year | 250 | — | (2,400) | — | (2,200) | — | (2,200) | — | (17,983.70) |
| | ~350 | — | ~(2,000) | — | ~(1,800) | — | ~(1,800) | — | ~(14,713.94) |

4. Others

(1) Change of reporting entities (change of condition of significant consolidated subsidiaries) : Applicable

New consolidated subsidiary : AnGes Healthcare Science, Inc.

(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 : Applicable

2) Other changes : None

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

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

| | | | |
|---------------|----------------|---------------|----------------|
| Sep. 30, 2011 | 122,333 shares | Dec. 31, 2010 | 118,231 shares |
|---------------|----------------|---------------|----------------|

2) Number of treasury stock

| | | | |
|---------------|----------|---------------|----------|
| Sep. 30, 2011 | - shares | Dec. 31, 2010 | - shares |
|---------------|----------|---------------|----------|

3) Average number of shares issued and outstanding (including treasury stock)

| | | | |
|----------|----------------|----------|----------------|
| 3Q, 2011 | 121,410 shares | 2Q, 2010 | 117,991 shares |
|----------|----------------|----------|----------------|

*Since descriptions about future events, for instance, earnings forecast for FY 2011, 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.

R&D Projects and its current status

<Self-developed product>

| Segment | Product name / Project | Target indications | Region | Development stage | Alliance partners |
|----------------|------------------------------------|-----------------------------------|--------------|-------------------------------|--|
| Medicine | Collategene® (HGF Plasmid) | Peripheral Arterial Disease (PAD) | Japan | Preparing for phase III | Daiichi-Sankyo Co., Ltd. (JP) *Marketing Rights |
| | | | US / Europe | | Available |
| | | Ischemic Heart Disease (IHD) | Japan | Preparing for clinical trials | Daiichi-Sankyo Co., Ltd. (JP) *Marketing Rights |
| | | | US | Phase I | Available |
| | | Parkinson's Disease | | Pre-clinical | Available |
| | Lymphedema | Japan | Pre-clinical | Available | |
| | NF- κ B Decoy Oligo | Atopic Dermatitis | Japan | Phase II | Shionogi & Co., LTD.(JP) *Co-Development, Marketing Rights |
| US / Europe | | | Pre-clinical | | |
| Medical device | Drug-Eluting PTA balloon catheter | Prevention of Vascular Restenosis | | Preparing for clinical trials | Medikit Co., Ltd. Hosokawa Micron Corp. (JP) *Joint Research |
| | Functional Peptides (Cure Peptin®) | Wound | | Application Research | Morishita Jintan Co., Ltd. (JP) *Joint Research |

<Alliance product>

| Segment | Product name / Project | Target indications | Region | Development stage | Alliance partners |
|----------|------------------------|---------------------|-------------|-------------------|-------------------|
| Medicine | Allovectine®-7 | Metastatic Melanoma | US / Europe | Phase III | Vical, Inc. (US) |

<Self-developed product at GenomIdia>

| Segment | Product name / Project | Target indications | Region | Development stage | Alliance partners |
|----------|------------------------|--------------------|--------|-------------------|-------------------|
| Medicine | GEN0101 | Prostate cancer | Japan | Pre-clinical | TSD Japan, Inc. |

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

| | September 30, 2011 | December 31, 2010 |
|-------------------------------------|-------------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,962,205 | 2,152,335 |
| Accounts receivable-trade | 80,610 | 78,466 |
| Short-term investment securities | — | 900,235 |
| Merchandise | 112,577 | 60,283 |
| Work in process | 3,937 | — |
| Raw materials and supplies | 530,977 | 575,333 |
| Advance payments-trade | 306,601 | 306,244 |
| Prepaid expenses | 30,481 | 25,129 |
| Advances paid | 7,848 | 1,656 |
| Other | 132,139 | 43,136 |
| Total current assets | <u>3,167,379</u> | <u>4,142,821</u> |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings | 70,697 | 55,908 |
| Accumulated depreciation | <u>(56,032)</u> | <u>(44,098)</u> |
| Buildings, net | <u>14,664</u> | <u>11,809</u> |
| Machinery and equipment | 52,624 | 52,624 |
| Accumulated depreciation | <u>(52,011)</u> | <u>(51,644)</u> |
| Machinery and equipment, net | <u>612</u> | <u>979</u> |
| Tools, furniture and fixtures | 454,962 | 433,030 |
| Accumulated depreciation | <u>(401,225)</u> | <u>(373,969)</u> |
| Tools, furniture and fixtures, net | <u>53,737</u> | <u>59,060</u> |
| Total property, plant and equipment | <u>69,014</u> | <u>71,850</u> |
| Intangible assets | | |
| Patent right | 150,156 | 150,786 |
| Other | 1,617 | 6,465 |
| Total intangible assets | <u>151,774</u> | <u>157,252</u> |
| Investments and other assets | | |
| Investment securities | 623,186 | 521,739 |
| Lease and guarantee deposits | 54,064 | 54,131 |
| Other | 47,881 | 56,679 |
| Total investments and other assets | <u>725,132</u> | <u>632,551</u> |
| Total noncurrent assets | <u>945,921</u> | <u>861,653</u> |
| Total assets | <u><u>4,113,300</u></u> | <u><u>5,004,474</u></u> |

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

| | September 30, 2011 | December 31, 2010 |
|---|-----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable–trade | 72,369 | 98,079 |
| Accounts payable–other | 33,809 | 75,341 |
| Accrued expenses | 8,958 | 20,933 |
| Income taxes payable | 15,332 | 25,581 |
| Advances received | 414,779 | 487,665 |
| Deposits received | 9,730 | 8,889 |
| Total current liabilities | <u>554,980</u> | <u>716,490</u> |
| Noncurrent liabilities | | |
| Asset retirement obligations | 16,845 | — |
| Total noncurrent liabilities | <u>16,845</u> | <u>—</u> |
| Total liabilities | <u>571,825</u> | <u>716,490</u> |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 9,653,241 | 9,466,618 |
| Capital surplus | 7,963,981 | 7,777,361 |
| Retained earnings | (14,323,224) | (13,125,304) |
| Total shareholders' equity | <u>3,293,997</u> | <u>4,118,675</u> |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 123,570 | 68,357 |
| Foreign currency translation adjustment | (54,016) | (46,583) |
| Total valuation and translation adjustments | <u>69,553</u> | <u>21,773</u> |
| Subscription rights to shares | 177,923 | 147,535 |
| Total net assets | <u>3,541,474</u> | <u>4,287,984</u> |
| Total liabilities and net assets | <u>4,113,300</u> | <u>5,004,474</u> |

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

| | 9 Months ended September 30, (From Jan. 1 to Sep.30) | |
|---|---|--------------------|
| | 2010 | 2011 |
| Business revenues | | |
| Net sales of goods | 126,192 | 130,936 |
| Research and development revenues | 61,199 | 46,103 |
| Total business revenues | <u>187,391</u> | <u>177,040</u> |
| Business expenses | | |
| Cost of sales | 57,902 | 58,819 |
| Research and development expenses | 1,010,514 | 1,043,849 |
| Selling, general and administrative expenses | 586,033 | 566,721 |
| Total business expenses | <u>1,654,450</u> | <u>1,669,390</u> |
| Operating loss | <u>(1,467,058)</u> | <u>(1,492,349)</u> |
| Non-operating income | | |
| Interest income | 7,073 | 2,626 |
| Gain on sales of securities | — | 188 |
| Foreign exchange gains | 22,163 | 8,491 |
| Subsidy income | 120,843 | 309,997 |
| Fiduciary obligation fee | 3,015 | 301 |
| Miscellaneous income | 3,080 | 1,099 |
| Total non-operating income | <u>156,176</u> | <u>322,705</u> |
| Non-operating expenses | | |
| Interest paid | — | 43 |
| Stock issuance cost | — | 2,312 |
| Loss on investments in partnership | 8,258 | 2,304 |
| Miscellaneous loss | — | 0 |
| Total non-operating expenses | <u>8,258</u> | <u>4,660</u> |
| Ordinary loss | <u>(1,319,139)</u> | <u>(1,174,304)</u> |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | — | 68 |
| Total extraordinary income | <u>—</u> | <u>68</u> |
| Extraordinary loss | | |
| Loss on retirement of noncurrent assets | 16,182 | 3,516 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | — | 11,839 |
| Total extraordinary losses | <u>16,182</u> | <u>15,356</u> |
| Loss before income taxes | <u>(1,335,322)</u> | <u>(1,189,592)</u> |
| Income taxes-current | 7,183 | 8,327 |
| Total income taxes | <u>7,183</u> | <u>8,327</u> |
| Income before minority interests | <u>—</u> | <u>(1,197,920)</u> |
| Net loss | <u>(1,342,506)</u> | <u>(1,197,920)</u> |

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

| | 9 Months ended September 30, (From Jan. 1 to Sep.30) | |
|---|---|--------------------|
| | 2010 | 2011 |
| Net cash (used in) operating activities | | |
| Loss before income taxes | (1,335,322) | (1,189,592) |
| Depreciation and amortization | 75,213 | 82,035 |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | — | 11,839 |
| Interest income | (7,073) | (2,626) |
| Interest paid | — | (43) |
| Foreign exchange losses | 3,564 | 333 |
| Loss on investments in partnership | 10,242 | 2,502 |
| (Gain) on sales of noncurrent assets | — | (68) |
| Loss on retirement of noncurrent assets | 16,182 | 3,516 |
| (Gain) on sales of securities | — | (188) |
| Stock issuance cost | — | 2,312 |
| Share-based compensation expenses | 35,507 | 30,387 |
| (Increase) in notes and accounts receivable-trade | (9,173) | (2,143) |
| (Increase) in inventories | (182,422) | (11,875) |
| (Decrease) increase in notes and accounts payable-trade | 22,922 | (25,709) |
| (Increase) in advance payments | (26,497) | (874) |
| (Decrease) increase in accounts payable-other | 7,525 | (24,927) |
| (Decrease) in advances received | (2,246) | (72,885) |
| (Increase) decrease in other current assets | 4,666 | (1,972) |
| (Decrease) in other current liabilities | (14,506) | (19,898) |
| Increase in other noncurrent liabilities | — | 197 |
| Subtotal | <u>(1,401,415)</u> | <u>(1,219,679)</u> |
| Interest income received | 11,201 | 3,373 |
| Interest expenses paid | — | 43 |
| Income taxes paid | (4,611) | (8,551) |
| Net cash (used in) operating activities | <u>(1,394,825)</u> | <u>(1,224,813)</u> |
| Net cash provided by investing activities | | |
| Proceeds from withdrawal of time deposits | 500,000 | — |
| Purchase of short-term investment securities | (740,115) | (99,900) |
| Proceeds from redemption of securities | 1,800,000 | 900,000 |
| Proceeds from sales of short-term investment securities | — | 100,100 |
| Purchase of property, plant and equipment | (7,351) | (40,849) |
| Proceeds from sales of property, plant and equipment | 19 | 100 |
| Purchase of intangible assets | (18,929) | (39,053) |
| Purchase of investment securities | (97,000) | (49,860) |
| Dividends from investment funds | — | 723 |
| Purchase of long-term prepaid expenses | — | (377) |
| Payments for lease and guarantee deposits | (401) | (6) |
| Proceeds from collection of lease and guarantee deposits | 396 | — |
| Other proceeds | — | 175 |
| Net cash provided by investing activities | <u>1,436,616</u> | <u>771,050</u> |

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

| | 9 Months ended September 30, | |
|---|-------------------------------------|-------------|
| | (From Jan. 1 to Sep.30) | |
| | 2010 | 2011 |
| Net cash provided by financing activities | | |
| Proceeds from issuance of common stock | — | 370,973 |
| Net cash provided by financing activities | — | 370,973 |
| Effect of exchange rate change on cash and cash equivalents | (13,967) | (7,339) |
| Net increase in cash and cash equivalents | 27,824 | (90,129) |
| Cash and cash equivalents at beginning of period | 3,049,098 | 2,152,335 |
| Cash and cash equivalents at end of period | 3,076,922 | 2,062,205 |