



Consolidated Financial Report For the Year Ended December 31, 2006 (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

1. Business Results for the Fiscal Year 2006 (From Jan. 1, 2006 to Dec. 31, 2006)

(1) Results of Operations (Figures are rounded down to the nearest million yen)

	Revenues		Operating loss		Ordinary loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year 2006	2,912	19.8	(1,523)	-	(1,137)	-	(1,114)	-
Fiscal Year 2005	2,430	(9.9)	(1,970)	-	(1,870)	-	(1,905)	-

	Net loss per share	Diluted net loss per share	Ratio of net loss / stockholders' equity	Ratio of ordinary loss / total assets	Ratio of ordinary loss / revenues
	Yen	Yen	%	%	%
Fiscal Year 2006	(10,803.81)	-	(15.7)	(13.3)	(39.1)
Fiscal Year 2005	(19,093.11)	-	(23.7)	(19.7)	(77.0)

Notes) 1. Equity in net income of unconsolidated subsidiaries and affiliates

Fiscal year 2006: - million yen Fiscal year 2005: - million yen

2. Average number of shares issued during the period ended (consolidated)

Fiscal year 2006: 103,182 shares Fiscal year 2005: 99,782 shares

3. Change in accounting policies: None

4. Percentages for Revenues, Operating loss, Ordinary loss and Net loss indicate changes from the previous term.

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Dec. 31, 2006	8,063	6,758	83.8	65,190.13
Dec. 31, 2005	9,014	7,513	82.7	73,465.57

Notes) 1. Number of shares issued at end of period (consolidated)

Dec. 31, 2006: 103,662 shares Dec. 31, 2005: 101,503 shares

(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
Fiscal Year 2006	(898)	(703)	395	4,478
Fiscal Year 2005	(1,686)	(336)	688	5,679

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries: 3

Number of non-consolidated subsidiaries accounted for under the equity method: N/A

Number of affiliates accounted for under the equity method: N/A

(5) Changes in the scope of consolidation and application of the equity method

Number of consolidated subsidiaries: Increase N/A Decrease N/A

Number of affiliates accounted for under the equity method: Increase N/A Decrease N/A

2. Earnings Forecast for the Fiscal Year 2007 (From Jan. 1, 2007 to Dec. 31, 2007)

	Revenues	Ordinary loss	Net loss
	Million yen	Million yen	Million yen
Full-year	1,800-2,200	(2,700)-(2,200)	(2,700)-(2,200)

**Since descriptions about future events, for instance, earnings forecast for FY 2007, are estimation, results may differ from this estimation due to changes of several economic conditions.*

***This financial report has been translated from Japanese "Kessan Tanshin" 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)

	December 31,	
	2006	2005
Assets		
Current assets:		
Cash and bank deposits.....	¥ 3,975,960	¥ 5,179,123
Marketable securities.....	802,295	1,000,679
Accounts receivable.....	129,140	142,129
Inventories.....	443,441	437,902
Advances.....	783,121	1,013,642
Other current assets.....	67,244	89,550
Total current assets.....	<u>6,201,204</u>	<u>7,863,027</u>
Property and equipment, net.....	152,504	206,575
Goodwill, net.....	5,792	9,356
Other intangible assets, net.....	347,019	375,644
Other assets.....	1,357,016	559,576
Total assets.....	<u>¥ 8,063,537</u>	<u>¥ 9,014,180</u>
Liabilities and Net assets		
Current liabilities:		
Accounts payable.....	100,226	111,118
Accrued liabilities.....	166,896	128,188
Customer advances.....	1,005,987	1,251,983
Other current liabilities.....	9,420	8,977
Total current liabilities.....	<u>1,282,531</u>	<u>1,500,268</u>
Long-term liabilities:		
Deferred tax liabilities.....	22,046	—
Total long-term liabilities.....	<u>22,046</u>	<u>—</u>
Net assets:		
Common stock.....	5,693,655	5,503,862
Capital surplus.....	4,004,398	3,814,604
Accumulated deficit.....	(2,973,873)	(1,859,112)
Subtotal.....	<u>6,724,179</u>	<u>7,459,354</u>
Unrealized gains on securities.....	32,985	66
Foreign currency translation adjustments.....	574	(2,445)
Share subscription rights.....	1,219	—
Minority interest.....	—	56,936
Total net assets.....	<u>6,758,959</u>	<u>7,513,911</u>
Total liabilities and net assets.....	<u>¥ 8,063,537</u>	<u>¥ 9,014,180</u>

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

	Year ended December 31,	
	2006	2005
Operating revenues	¥ 2,912,166	¥ 2,430,467
Operating expenses:		
Research and development.....	3,852,060	3,791,806
Selling, general and administrative.....	583,328	609,658
Total operating expenses.....	4,435,389	4,401,465
Operating loss.....	(1,523,222)	(1,970,998)
Non-operating income (expenses):		
Interest income.....	11,430	3,924
Grant.....	384,059	106,041
Foreign currency transaction loss, net.....	(2,991)	(1,003)
Stock issuance cost.....	(4,143)	(7,020)
Other items, net.....	(2,787)	(1,781)
Ordinary loss.....	(1,137,656)	(1,870,836)
Extraordinary gain (loss):		
Gain on change in holding ratio of subsidiary.....	8,602	—
Gain on sales of property and equipment.....	—	85
Loss on dispositions and write-down of property and equipments, and intangible assets.....	(39,312)	(17,005)
Loss on sale of investments in securities.....	—	(6,506)
Loss on write-down of investments in securities.....	(1,805)	—
Loss on cancellation of leases.....	—	(53,995)
Loss before income taxes and minority interest.....	(1,170,171)	(1,948,258)
Provision for Income taxes – Current.....	12,716	12,486
Minority interest loss.....	68,126	55,590
Net loss.....	¥ (1,114,761)	¥ (1,905,155)
Loss per share:		
Basic.....	¥ (10,803.81)	¥ (19,093.11)
Diluted.....	—	—
Shares used in calculation of loss per share data:		
Basic.....	103,182	99,782
Diluted.....	—	—

**Diluted loss per share data is not calculated because the impact was anti-dilutive.*

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

	Common Stock		Capital surplus	Accumulated deficit	Unrealized gains on securities	Foreign currency translation adjustments	Share subscription rights	Minority interest	Total net assets
	Number of Shares	Amount							
Balance at January 1, 2006.....	101,503	¥5,503,862	¥3,814,604	¥ (1,859,112)	¥ 66	¥ (2,445)	¥ —	¥ 56,936	¥ 7,513,911
Change during the current period									
Issuance of common stock upon exercise of stock options.....	2,159	189,793	189,793	—	—	—	—	—	¥ 379,586
Net loss.....	—	—	—	(1,114,761)	—	—	—	—	¥ (1,114,761)
Other.....	—	—	—	—	32,918	3,019	1,219	(56,936)	¥ (19,777)
Balance at December 31, 2006.....	103,662	¥5,693,655	¥4,004,398	¥ (2,973,873)	¥ 32,985	¥ 574	¥ 1,219	¥ —	¥ 6,758,959

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

	Year ended December 31,	
	2006	2005
Cash flows from operating activities:		
Loss before income taxes and minority interest.....	¥ (1,170,171)	¥ (1,948,258)
Depreciation and amortization.....	177,662	162,772
Amortization of goodwill.....	3,356	3,416
Interest income.....	(11,430)	(3,924)
Foreign currency transaction gain, net.....	(2,102)	(1,550)
Loss on investments in limited partnership.....	21,238	11,875
Gain on sales of property and equipment.....	—	(85)
Loss on dispositions and write-down of property and equipments, and intangible assets.....	39,312	17,005
Loss on sale of investments in securities.....	—	6,506
Loss on write-down of investments in securities.....	1,805	—
Stock issuance cost.....	4,143	7,020
Stock compensation cost.....	1,219	—
Gain on change in holding ratio of subsidiary.....	(8,602)	—
Decrease (Increase) in accounts receivable.....	12,988	(60,006)
(Increase) Decrease in inventories.....	(5,539)	106,782
Decrease (Increase) in other current assets.....	256,956	(241,949)
Decrease in accounts payable.....	(10,891)	(6,171)
(Decrease) Increase in other current liabilities.....	(207,242)	269,996
Subtotal.....	(897,298)	(1,676,570)
Interest income received.....	12,529	5,513
Income taxes paid.....	(13,267)	(15,463)
Net cash used in operating activities.....	(898,036)	(1,686,519)
Cash flows from investing activities:		
Purchases of marketable securities.....	—	(200,000)
Proceeds from redemption of marketable securities.....	500,000	500,000
Purchases of beneficial interest in trust.....	—	(500,000)
Proceeds from redemption of beneficial interest in trust.....	—	1,000,000
Purchases of property and equipment.....	(34,974)	(105,171)
Proceeds from sales of property and equipment.....	—	178
Purchases of intangible assets.....	(85,356)	(193,086)
Purchase of investments in securities.....	(776,594)	(834,249)
Proceeds from sales of investments in securities.....	—	94,900
Purchases of certificates of deposit.....	(300,000)	—
Decrease in long-term prepaid expense.....	—	2,062
Increase in long-term prepaid expense.....	(2,965)	(100,968)
Proceeds from security deposits received.....	—	2,212
Payments for security deposits.....	(3,777)	(2,003)
Net cash used in investing activities.....	(703,667)	(336,126)
Cash flows from financing activities:		
Net proceeds from issuance of common stock.....	375,609	688,074
Net proceeds from issuance of common stock to minority shareholders.....	19,833	—
Net cash provided by financing activities.....	395,443	688,074
Effect of exchange rate changes on cash and cash equivalents.....	5,303	10,332
Net decrease in cash and cash equivalents.....	(1,200,957)	(1,324,238)
Cash and cash equivalents at beginning of period.....	5,679,212	7,003,451
Cash and cash equivalents at end of period.....	¥ 4,478,255	¥ 5,679,212