



Consolidated Financial Report For the Year Ended December 31, 2007 (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

Scheduled date of the general shareholders' meeting: March 28, 2008

Scheduled date of filing of the annual security report: March 31, 2008

1. Business Results for the Fiscal Year 2007 (From Jan. 1, 2007 to Dec. 31, 2007)

(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 2007 | 1,720 | (40.9) | (2,039) | - | (1,730) | - | (1,728) | - |
| Fiscal Year 2006 | 2,912 | 19.8 | (1,523) | - | (1,137) | - | (1,114) | - |

| | Net loss per share | Diluted net loss per share | Ratio of net loss / stockholders' equity | Ratio of ordinary loss / total assets | Ratio of operating loss / revenues |
|------------------|--------------------|----------------------------|--|---------------------------------------|------------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal Year 2007 | (15,154.20) | - | (18.2) | (16.3) | (118.6) |
| Fiscal Year 2006 | (10,803.81) | - | (15.7) | (13.3) | (52.3) |

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

Fiscal year 2007: - million yen Fiscal year 2006: - million yen

(2) Financial Position

| | Total assets | Total net assets | Shareholders' equity ratio | Shareholders' equity per share |
|---------------|--------------|------------------|----------------------------|--------------------------------|
| | Million yen | Million yen | % | Yen |
| Dec. 31, 2007 | 13,182 | 12,305 | 93.0 | 104,571.65 |
| Dec. 31, 2006 | 8,063 | 6,758 | 83.8 | 65,190.13 |

Notes) Shareholders' equity

Dec. 31, 2007: 12,257 million yen Dec. 31, 2006: 6,757 million yen

(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 2007 | (1,976) | (3,668) | 7,446 | 6,276 |
| Fiscal Year 2006 | (898) | (703) | 395 | 4,478 |

2. Earnings Forecast for the Fiscal Year 2008 (From Jan. 1, 2008 to Dec. 31, 2008)

| | Revenues | Operating loss | Ordinary loss | Net loss |
|-----------|-------------|-----------------|-----------------|-----------------|
| | Million yen | Million yen | Million yen | Million yen |
| Full-year | 1,200-1,700 | (3,200)-(2,700) | (3,100)-(2,600) | (3,100)-(2,500) |

3. Others

(1) Change of reporting entities (change of significant consolidated subsidiaries): N/A

(2) Change in accounting policies

i) Change caused by revision of accounting standard: Applicable

ii) Other changes: None

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

Dec. 31, 2007: 117,213 shares Dec. 31, 2006: 103,662 shares

(4) Number of treasury stock

Dec. 31, 2007: - shares Dec. 31, 2006: - shares

**Since descriptions about future events, for instance, earnings forecast for FY 2008, 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, | |
|---|---------------------|--------------------|
| | 2007 | 2006 |
| Assets | | |
| Current assets: | | |
| Cash and bank deposits..... | ¥ 6,576,024 | ¥ 3,975,960 |
| Marketable securities..... | 3,401,500 | 802,295 |
| Accounts receivable..... | 99,440 | 129,140 |
| Inventories..... | 572,456 | 443,441 |
| Advances..... | 721,606 | 783,121 |
| Other current assets..... | 100,017 | 67,244 |
| Total current assets..... | <u>11,471,045</u> | <u>6,201,204</u> |
| Property and equipment, net..... | 111,823 | 152,504 |
| Goodwill, net..... | 82,670 | 5,792 |
| Other intangible assets, net..... | 307,020 | 347,019 |
| Other assets..... | 1,209,862 | 1,357,016 |
| Total assets..... | <u>¥ 13,182,423</u> | <u>¥ 8,063,537</u> |
| Liabilities and Net assets | | |
| Current liabilities: | | |
| Accounts payable..... | 108,511 | 100,226 |
| Accrued liabilities..... | 95,778 | 166,896 |
| Customer advances..... | 664,178 | 1,005,987 |
| Other current liabilities..... | 8,426 | 9,420 |
| Total current liabilities..... | <u>876,895</u> | <u>1,282,531</u> |
| Long-term liabilities: | | |
| Deferred tax liabilities..... | — | 22,046 |
| Total long-term liabilities..... | <u>—</u> | <u>22,046</u> |
| Net assets: | | |
| Common stock..... | 9,439,094 | 5,693,655 |
| Capital surplus..... | 7,749,837 | 4,004,398 |
| Accumulated deficit..... | (4,702,323) | (2,973,873) |
| Subtotal..... | <u>12,486,608</u> | <u>6,724,179</u> |
| Unrealized gains (losses) on securities..... | (225,219) | 32,985 |
| Foreign currency translation adjustments..... | (4,231) | 574 |
| Share subscription rights..... | 18,474 | 1,219 |
| Minority interest..... | 29,896 | — |
| Total net assets..... | <u>12,305,527</u> | <u>6,758,959</u> |
| Total liabilities and net assets..... | <u>¥ 13,182,423</u> | <u>¥ 8,063,537</u> |

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

| | Year ended December 31, | |
|---|-------------------------|---------------|
| | 2007 | 2006 |
| Operating revenues | ¥ 1,720,098 | ¥ 2,912,166 |
| Operating expenses: | | |
| Research and development..... | 3,147,011 | 3,852,060 |
| Selling, general and administrative..... | 612,831 | 583,328 |
| Total operating expenses..... | 3,759,843 | 4,435,389 |
| Operating loss..... | (2,039,744) | (1,523,222) |
| Non-operating income (expenses): | | |
| Interest income..... | 39,305 | 11,430 |
| Grant..... | 318,658 | 384,059 |
| Foreign currency transaction loss, net..... | (6,036) | (2,991) |
| Stock issuance cost..... | (44,381) | (4,143) |
| Other items, net..... | 1,385 | (2,787) |
| Ordinary loss..... | (1,730,813) | (1,137,656) |
| Extraordinary gain (loss): | | |
| Gain on change in holding ratio of subsidiary..... | — | 8,602 |
| Loss on dispositions and write-down of property and equipments, and intangible assets..... | (25,287) | (39,312) |
| Loss on write-down of investments in securities..... | (9,999) | (1,805) |
| Loss before income taxes and minority interest..... | (1,766,100) | (1,170,171) |
| Provision for Income taxes – Current..... | 12,665 | 12,716 |
| Minority interest loss..... | 50,315 | 68,126 |
| Net loss..... | ¥ (1,728,450) | ¥ (1,114,761) |
| Loss per share: | | |
| Basic..... | ¥ (15,154.20) | ¥ (10,803.81) |
| Diluted..... | — | — |
| Shares used in calculation of loss per share data: | | |
| Basic..... | 114,057 | 103,182 |
| 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 December 31, 2005..... | 101,503 | ¥5,503,862 | ¥3,814,604 | ¥ (1,859,112) | ¥ 66 | ¥ (2,445) | ¥ — | ¥ 56,936 | ¥ 7,513,911 |
| 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 |
| Issuance of common stock upon public stock offering..... | 12,000 | 3,570,840 | 3,570,840 | — | — | — | — | — | ¥ 7,141,680 |
| Issuance of common stock upon allocation of new shares to a third party..... | 314 | 93,436 | 93,436 | — | — | — | — | — | ¥ 186,873 |
| Issuance of common stock upon exercise of stock options..... | 1,237 | 81,162 | 81,162 | — | — | — | — | — | ¥ 162,324 |
| Net loss..... | — | — | — | (1,728,450) | — | — | — | — | ¥ (1,728,450) |
| Other..... | — | — | — | — | (258,205) | (4,805) | 17,254 | 29,896 | ¥ (215,859) |
| Balance at December 31, 2007..... | 117,213 | ¥9,439,094 | ¥7,749,837 | ¥ (4,702,323) | ¥ (225,219) | ¥ (4,231) | ¥ 18,474 | ¥ 29,896 | ¥12,305,527 |

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

| | Year ended December 31, | |
|---|--------------------------------|---------------|
| | 2007 | 2006 |
| Cash flows from operating activities: | | |
| Loss before income taxes and minority interest..... | ¥ (1,766,100) | ¥ (1,170,171) |
| Depreciation and amortization..... | 147,991 | 177,662 |
| Amortization of goodwill..... | 15,534 | 3,356 |
| Interest income..... | (39,305) | (11,430) |
| Foreign currency transaction gain, net..... | (478) | (2,102) |
| Loss on investments in limited partnership..... | 21,629 | 21,238 |
| Loss on dispositions and write-down of property and equipments, and intangible assets..... | 25,287 | 39,312 |
| Loss on write-down of investments in securities..... | 9,999 | 1,805 |
| Stock issuance cost..... | 44,381 | 4,143 |
| Stock compensation cost..... | 17,254 | 1,219 |
| Gain on change in holding ratio of subsidiary..... | — | (8,602) |
| Decrease in accounts receivable..... | 29,699 | 12,988 |
| Increase in inventories..... | (129,014) | (5,539) |
| Decrease in other current assets..... | 74,367 | 256,956 |
| Increase (Decrease) in accounts payable..... | 8,285 | (10,891) |
| Decrease in other current liabilities..... | (453,063) | (207,242) |
| Subtotal..... | (1,993,532) | (897,298) |
| Interest income received..... | 30,837 | 12,529 |
| Income taxes paid..... | (13,548) | (13,267) |
| Net cash used in operating activities..... | (1,976,242) | (898,036) |
| Cash flows from investing activities: | | |
| Payment into time deposit (over 3 months)..... | (300,000) | — |
| Purchases of marketable securities..... | (4,398,785) | — |
| Proceeds from redemption of marketable securities..... | 1,300,000 | 500,000 |
| Purchases of property and equipment..... | (22,781) | (34,974) |
| Purchases of intangible assets..... | (57,137) | (85,356) |
| Purchase of investments in securities..... | (160,000) | (776,594) |
| Purchase of investment in subsidiary..... | (12,200) | — |
| Purchases of certificates of deposit..... | — | (300,000) |
| Increase in long-term prepaid expense..... | (8,762) | (2,965) |
| Payments for security deposits..... | (12,666) | (3,777) |
| Proceeds from security deposits received..... | 3,877 | — |
| Net cash used in investing activities..... | (3,668,456) | (703,667) |
| Cash flows from financing activities: | | |
| Net proceeds from issuance of common stock..... | 7,446,496 | 375,609 |
| Net proceeds from issuance of common stock to minority shareholders..... | — | 19,833 |
| Net cash provided by financing activities..... | 7,446,496 | 395,443 |
| Effect of exchange rate changes on cash and cash equivalents..... | (4,029) | 5,303 |
| Net increase (decrease) in cash and cash equivalents..... | 1,797,768 | (1,200,957) |
| Cash and cash equivalents at beginning of period..... | 4,478,255 | 5,679,212 |
| Cash and cash equivalents at end of period..... | ¥ 6,276,024 | ¥ 4,478,255 |

Shareholders

Major shareholders

AnGes' 10 largest shareholders as of December 31, 2007 are as follows:

| Shareholder | Number of shares | % of share capital |
|---------------------------------------|------------------|--------------------|
| Ryuichi Morishita..... | 12,170 | 10.38 |
| Toshikazu Nakamura..... | 7,000 | 5.97 |
| ECS Co., Ltd..... | 3,925 | 3.34 |
| Shota Morishita..... | 2,400 | 2.04 |
| Mayumi Morishita..... | 2,200 | 1.87 |
| Morgan Stanley & Co., Inc..... | 2,145 | 1.83 |
| Biofrontier Partners, Inc..... | 2,130 | 1.81 |
| Nomura Securities Co., Ltd..... | 1,972 | 1.68 |
| Hitoshi Kotani..... | 1,861 | 1.58 |
| Japan Trustee Services Bank, Ltd..... | 1,804 | 1.53 |
| | <u>37,607</u> | <u>32.08</u> |

Classification by Shareholders

Shareholders as of December 31, 2007 are summarized by type as follows:

| Shareholder | Number of shareholders | Number of shares | % of share capital |
|---|------------------------|------------------|--------------------|
| Government and Municipal corporation..... | — | — | — |
| Financial institution..... | 11 | 4,091 | 3.49 |
| Securities corporation..... | 22 | 3,754 | 3.20 |
| Other corporation*..... | 233 | 9,329 | 7.96 |
| Foreign corporation and other..... | 52 | 7,825 | 6.68 |
| Individuals and other..... | 18,369 | 92,214 | 78.67 |
| | <u>18,687</u> | <u>117,213</u> | <u>100.00</u> |

* "Other corporation" includes 18 shares which have no voting right under the name of Japan Securities Depository Center, Inc.