



Consolidated Financial Report For the Year Ended December 31, 2008 (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 2008 (From Jan. 1, 2008 to Dec. 31, 2008)

(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 2008	951	(44.7)	(2,684)	-	(2,541)	-	(3,534)	-
Fiscal Year 2007	1,720	(40.9)	(2,039)	-	(1,730)	-	(1,728)	-

	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 2008	(30,079.51)	-	(33.4)	(22.2)	(282.3)
Fiscal Year 2007	(15,154.20)	-	(18.2)	(16.3)	(118.6)

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

Fiscal year 2008: - million yen Fiscal year 2007: - million yen

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Dec. 31, 2008	9,678	8,963	92.0	75,611.82
Dec. 31, 2007	13,182	12,305	93.0	104,571.65

Notes) Shareholders' equity

Dec. 31, 2008: 8,903 million yen Dec. 31, 2007: 12,257 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 2008	(1,978)	1,526	29	5,799
Fiscal Year 2007	(1,976)	(3,668)	7,446	6,276

2. Earnings Forecast for the Fiscal Year 2009 (From Jan. 1, 2009 to Dec. 31, 2009)

	Revenues	Operating loss	Ordinary loss	Net loss
	Million yen	Million yen	Million yen	Million yen
Full-year	600-900	(2,900)-(2,700)	(2,800)-(2,500)	(2,800)-(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: None

ii) Other changes: None

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

Dec. 31, 2008: 117,751 shares Dec. 31, 2007: 117,213 shares

(4) Number of treasury stock

Dec. 31, 2008: - shares Dec. 31, 2007: - shares

**Since descriptions about future events, for instance, earnings forecast for FY 2009, 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,	
	2008	2007
Assets		
Current assets:		
Cash and bank deposits.....	¥ 6,299,571	¥ 6,576,024
Marketable securities.....	1,001,075	3,401,500
Accounts receivable.....	75,481	99,440
Inventories.....	587,941	572,456
Advances.....	282,313	721,606
Other current assets.....	63,226	100,017
Total current assets.....	<u>8,309,609</u>	<u>11,471,045</u>
Property and equipment, net.....	96,264	111,823
Goodwill, net.....	—	82,670
Other intangible assets, net.....	281,500	307,020
Other assets.....	991,030	1,209,862
Total assets.....	<u>¥ 9,678,405</u>	<u>¥ 13,182,423</u>
Liabilities and Net assets		
Current liabilities:		
Accounts payable.....	7,237	108,511
Accrued liabilities.....	92,349	95,778
Customer advances.....	605,566	664,178
Other current liabilities.....	9,466	8,426
Total current liabilities.....	<u>714,619</u>	<u>876,895</u>
Net assets:		
Common stock.....	9,454,618	9,439,094
Capital surplus.....	7,765,361	7,749,837
Accumulated deficit.....	(8,236,695)	(4,702,323)
Subtotal.....	<u>8,983,284</u>	<u>12,486,608</u>
Unrealized gains (losses) on securities.....	(46,016)	(225,219)
Foreign currency translation adjustments.....	(33,899)	(4,231)
Share subscription rights.....	60,418	18,474
Minority interest.....	—	29,896
Total net assets.....	<u>8,963,785</u>	<u>12,305,527</u>
Total liabilities and net assets.....	<u>¥ 9,678,405</u>	<u>¥ 13,182,423</u>

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

	Year ended December 31,	
	2008	2007
Operating revenues	¥ 951,147	¥ 1,720,098
Operating expenses:		
Cost of goods sold.....	49,339	—
Research and development.....	2,911,721	3,147,011
Selling, general and administrative.....	674,741	612,831
Total operating expenses.....	3,635,802	3,759,843
Operating loss.....	(2,684,654)	(2,039,744)
Non-operating income (expenses):		
Interest income.....	42,114	39,305
Grant.....	126,655	318,658
Foreign currency transaction loss, net.....	(26,982)	(6,036)
Stock issuance cost.....	(1,053)	(44,381)
Other items, net.....	2,854	1,385
Ordinary loss.....	(2,541,065)	(1,730,813)
Extraordinary gain (loss):		
Amortization of goodwill.....	(71,774)	—
Loss on sale of property and equipments, and intangible assets.....	(1,304)	—
Loss on dispositions and write-down of property and equipments, and intangible assets.....	(16,350)	(25,287)
Loss on write-down of investments in securities.....	(920,501)	(9,999)
Loss before income taxes and minority interest.....	(3,550,995)	(1,766,100)
Provision for Income taxes – Current.....	13,272	12,665
Minority interest loss.....	29,896	50,315
Net loss.....	¥ (3,534,371)	¥ (1,728,450)
Loss per share:		
Basic.....	¥ (30,079.51)	¥ (15,154.20)
Diluted.....	—	—
Shares used in calculation of loss per share data:		
Basic.....	117,501	114,057
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, 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
Issuance of common stock upon exercise of stock options.....	538	15,523	15,523	—	—	—	—	—	¥ 31,047
Net loss.....	—	—	—	(3,534,371)	—	—	—	—	¥ (3,534,371)
Other.....	—	—	—	—	179,203	(29,668)	41,943	(29,896)	¥ 161,582
Balance at December 31, 2008.....	117,751	¥9,454,618	¥7,765,361	¥ (8,236,695)	¥ (46,016)	¥ (33,899)	¥ 60,418	—	¥ 8,963,785

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

	Year ended December 31,	
	2008	2007
Cash flows from operating activities:		
Loss before income taxes and minority interest.....	¥ (3,550,995)	¥ (1,766,100)
Depreciation and amortization.....	146,597	147,991
Amortization of goodwill.....	82,670	15,534
Interest income.....	(42,114)	(39,305)
Foreign currency transaction loss (gain), net.....	26,386	(478)
Loss on investments in limited partnership.....	19,673	21,629
Loss on sale of property and equipments, and intangible assets.....	1,304	—
Loss on dispositions and write-down of property and equipments, and intangible assets.....	16,350	25,287
Loss on write-down of investments in securities.....	920,501	9,999
Stock issuance cost.....	1,053	44,381
Stock compensation cost.....	41,943	17,254
Decrease in accounts receivable.....	23,959	29,699
Increase in inventories.....	(15,485)	(129,014)
Decrease in other current assets.....	473,968	74,367
(Decrease) Increase in accounts payable.....	(101,274)	8,285
Decrease in other current liabilities.....	(59,599)	(453,063)
Subtotal.....	(2,015,059)	(1,993,532)
Interest income received.....	48,653	30,837
Income taxes paid.....	(11,658)	(13,548)
Net cash used in operating activities.....	(1,978,065)	(1,976,242)
Cash flows from investing activities:		
Payment into time deposit (over 3 months).....	(500,000)	(300,000)
Decrease in time deposit (over 3 months).....	300,000	—
Purchases of marketable securities.....	(1,902,667)	(4,398,785)
Proceeds from redemption of marketable securities.....	4,300,000	1,300,000
Purchases of property and equipment.....	(44,938)	(22,781)
Proceeds from sales of property and equipment.....	232	—
Purchases of intangible assets.....	(69,980)	(57,137)
Purchases of investments in securities.....	(550,600)	(160,000)
Purchase of investment in subsidiary.....	—	(12,200)
Increase in long-term prepaid expense.....	—	(8,762)
Payments for security deposits.....	(5,346)	(12,666)
Proceeds from security deposits received.....	—	3,877
Net cash used in investing activities.....	1,526,699	(3,668,456)
Cash flows from financing activities:		
Net proceeds from issuance of common stock.....	29,993	7,446,496
Net cash provided by financing activities.....	29,993	7,446,496
Effect of exchange rate changes on cash and cash equivalents.....	(55,080)	(4,029)
Net (decrease) increase in cash and cash equivalents.....	(476,452)	1,797,768
Cash and cash equivalents at beginning of period.....	6,276,024	4,478,255
Cash and cash equivalents at end of period.....	¥ 5,799,571	¥ 6,276,024

Shareholders

Major shareholders

AnGes' 10 largest shareholders as of December 31, 2008 are as follows:

Shareholder	Number of shares	% of share capital
Ryuichi Morishita.....	9,134	7.75
Toshikazu Nakamura.....	7,000	5.94
ECS Co., Ltd.....	3,925	3.33
Shota Morishita.....	2,400	2.03
Mayumi Morishita.....	2,200	1.86
Biofrontier Partners, Inc.....	2,130	1.80
Hitoshi Kotani.....	2,101	1.78
Kensuke Tomita.....	1,503	1.27
Nomura Securities Co, Ltd.....	1,487	1.26
Miwako Sakata.....	1,400	1.18
	<u>33,280</u>	<u>28.26</u>

Classification by Shareholders

Shareholders as of December 31, 2008 are summarized by type as follows:

Shareholder	Number of shareholders	Number of shares	% of share capital
Government and Municipal corporation.....	—	—	—
Financial institution.....	9	1,921	1.63
Securities corporation.....	22	2,576	2.19
Other corporation.....	217	11,850	10.06
Foreign corporation and other.....	50	4,189	3.56
Individuals and other.....	<u>19,243</u>	<u>97,215</u>	<u>82.56</u>
	<u>19,541</u>	<u>117,751</u>	<u>100.00</u>