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Consolidated Financial Report
for the Six Months Ended June 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 Jun. 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	%
2Q 2011 (6 Months)	123	7.2	(1,063)	—	(786)	—	(807)	—
2Q 2010 (6 Months)	115	(69.1)	(1,003)	—	(861)	—	(875)	—

	Net loss per share	Diluted net loss per share
	Yen	Yen
2Q 2011 (6 Months)	(6,676.81)	—
2Q 2010 (6 Months)	(7,422.05)	—

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Jun. 30, 2011	5,034	4,239	80.8	33,269.87
Dec. 31, 2010	5,004	4,287	82.7	35,019.99

*Shareholder's equity Jun. 30, 2011 : 4,070 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
2Q, 2011	—	—	—	—	—	—	—	—	—
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) : 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 : Applicable

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, 2011	122,333 shares	Dec. 31, 2010	117,991 shares
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2) Number of treasury stock

Jun. 30, 2011	- shares	Dec. 31, 2010	- shares
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3) Average number of shares issued and outstanding (including treasury stock)

2Q, 2011	120,941 shares	2Q, 2010	117,991 shares
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*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	
	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 Genomlida>

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)

	June 30, 2011	December 31, 2010
Assets		
Current assets		
Cash and deposits	2,109,016	2,152,335
Accounts receivable-trade	69,096	78,466
Short-term investment securities	599,935	900,235
Merchandise	132,707	60,283
Raw materials and supplies	531,468	575,333
Advance payments-trade	252,809	306,244
Prepaid expenses	30,058	25,129
Advances paid	429	1,656
Other	27,415	43,136
Total current assets	<u>3,752,936</u>	<u>4,142,821</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	70,717	55,908
Accumulated depreciation	<u>(55,412)</u>	<u>(44,098)</u>
Buildings, net	<u>15,304</u>	<u>11,809</u>
Machinery and equipment	52,624	52,624
Accumulated depreciation	<u>(51,889)</u>	<u>(51,644)</u>
Machinery and equipment, net	<u>734</u>	<u>979</u>
Tools, furniture and fixtures	455,625	433,030
Accumulated depreciation	<u>(391,161)</u>	<u>(373,969)</u>
Tools, furniture and fixtures, net	<u>64,463</u>	<u>59,060</u>
Total property, plant and equipment	<u>80,503</u>	<u>71,850</u>
Intangible assets		
Patent right	160,776	150,786
Other	2,373	6,465
Total intangible assets	<u>163,149</u>	<u>157,252</u>
Investments and other assets		
Investment securities	933,323	521,739
Lease and guarantee deposits	54,120	54,131
Other	50,770	56,679
Total investments and other assets	<u>1,038,214</u>	<u>632,551</u>
Total noncurrent assets	<u>1,281,867</u>	<u>861,653</u>
Total assets	<u><u>5,034,804</u></u>	<u><u>5,004,474</u></u>

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

	June 30, 2011	December 31, 2010
Liabilities		
Current liabilities		
Accounts payable—trade	153,222	98,079
Accounts payable—other	142,866	75,341
Accrued expenses	7,943	20,933
Income taxes payable	22,219	25,581
Advances received	442,991	487,665
Deposits received	9,584	8,889
Asset retirement obligations	2,269	—
Total current liabilities	<u>781,096</u>	<u>716,490</u>
Noncurrent liabilities		
Asset retirement obligations	14,510	—
Total noncurrent liabilities	<u>14,510</u>	<u>—</u>
Total liabilities	<u>795,607</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	(13,932,805)	(13,125,304)
Total shareholders' equity	<u>3,684,416</u>	<u>4,118,675</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	432,959	68,357
Foreign currency translation adjustment	(47,374)	(46,583)
Total valuation and translation adjustments	<u>385,585</u>	<u>21,773</u>
Subscription rights to shares	169,194	147,535
Total net assets	<u>4,239,196</u>	<u>4,287,984</u>
Total liabilities and net assets	<u><u>5,034,804</u></u>	<u><u>5,004,474</u></u>

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

	6 Months ended June 30, (From Jan. 1 to Jun.30)	
	2010	2011
Business revenues		
Net sales of goods	72,584	86,105
Research and development revenues	42,919	37,692
Total business revenues	<u>115,504</u>	<u>123,797</u>
Business expenses		
Cost of sales	33,530	38,689
Research and development expenses	687,820	775,398
Selling, general and administrative expenses	397,602	373,242
Total business expenses	<u>1,118,953</u>	<u>1,187,330</u>
Operating loss	<u>(1,003,448)</u>	<u>(1,063,533)</u>
Non-operating income		
Interest income	5,402	2,008
Gain on sales of securities	—	188
Foreign exchange gains	18,083	2,178
Subsidy income	120,843	276,664
Fiduciary obligation fee	3,015	301
Miscellaneous income	2,629	95
Total non-operating income	<u>149,974</u>	<u>281,437</u>
Non-operating expenses		
Stock issuance cost	—	2,198
Loss on investments in partnership	8,258	2,304
Miscellaneous loss	—	0
Total non-operating expenses	<u>8,258</u>	<u>4,503</u>
Ordinary loss	<u>(861,732)</u>	<u>(786,599)</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	9,129	3,516
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	11,839
Total extraordinary losses	<u>9,129</u>	<u>15,356</u>
Loss before income taxes	<u>(870,862)</u>	<u>(801,887)</u>
Income taxes—current	4,872	5,613
Total income taxes	<u>4,872</u>	<u>5,613</u>
Income before minority interests	<u>—</u>	<u>(807,501)</u>
Net loss	<u>(875,735)</u>	<u>(807,501)</u>

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

	6 Months ended June 30,	
	(From Jan. 1 to Jun.30)	
	2010	2011
Net cash (used in) operating activities		
Loss before income taxes	(870,862)	(801,887)
Depreciation and amortization	50,404	54,976
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	11,839
Interest income	(5,402)	(2,008)
Foreign exchange (gains) losses	1,856	(191)
Loss on investments in partnership	10,242	2,502
(Gain) on sales of noncurrent assets	—	(68)
Loss on retirement of noncurrent assets	9,129	3,516
(Gain) on sales of securities	—	(188)
Stock issuance cost	—	2,198
Share-based compensation expenses	23,486	21,658
Decrease in notes and accounts receivable-trade	8,119	9,370
(Increase) in inventories	(229,338)	(28,559)
Increase in notes and accounts payable-trade	109,009	55,143
Decrease in advance payments	1,484	53,371
Increase in accounts payable-other	21,957	80,402
(Decrease) in advances received	(9,154)	(44,673)
Decrease in other current assets	5,363	10,318
(Decrease) in other current liabilities	(5,183)	(11,794)
Increase in other noncurrent assets	—	113
Subtotal	<u>(878,888)</u>	<u>(583,960)</u>
Interest income received	8,911	3,038
Income taxes paid	(4,184)	(8,387)
Net cash (used in) operating activities	<u>(874,161)</u>	<u>(589,309)</u>
Net cash provided by investing activities		
Proceeds from withdrawal of time deposits	500,000	—
Purchase of short-term investment securities	(439,522)	(99,900)
Proceeds from redemption of securities	1,600,000	900,000
Proceeds from sales of short-term investment securities	—	100,100
Purchase of property, plant and equipment	(6,886)	(39,442)
Proceeds from sales of property, plant and equipment	19	100
Purchase of intangible assets	(12,554)	(35,943)
Purchase of investment securities	(97,000)	(49,860)
Purchase of long-term prepaid expenses	—	(205)
Proceeds from collection of lease and guarantee deposits	(401)	—
Other proceeds	—	175
Net cash provided by investing activities	<u>1,543,654</u>	<u>775,023</u>
Net cash provided by financing activities		
Proceeds from issuance of common stock	—	371,301
Net cash provided by financing activities	<u>—</u>	<u>371,301</u>

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

	6 Months ended June 30,	
	(From Jan. 1 to Jun.30)	
	2010	2011
Effect of exchange rate change on cash and cash equivalents	<u>(7,091)</u>	<u>(399)</u>
Net increase in cash and cash equivalents	<u>662,401</u>	<u>556,616</u>
Cash and cash equivalents at beginning of period	<u>3,049,098</u>	<u>2,152,335</u>
Cash and cash equivalents at end of period	<u><u>3,711,500</u></u>	<u><u>2,708,951</u></u>