



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.....	<u>18,369</u>	<u>92,214</u>	<u>78.67</u>
	<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.