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**Consolidated Financial Report
for the year Ended December 31, 2009 (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 year 2009 (From Jan. 1, 2009 to Dec. 31, 2009)

(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	%
Fiscal Year 2009	585	(38.4)	(2,610)	—	(2,783)	—	(2,921)	—
Fiscal Year 2008	951	(44.7)	(2,684)	—	(2,541)	—	(3,534)	—

	Net loss per share	Diluted net loss per share	Return on equity	Return on asset	Operating profit ratio
	Yen	Yen	%	%	%
Fiscal Year 2009	(24,804.64)	—	(38.1)	(33.1)	(445.8)
Fiscal Year 2008	(30,079.51)	—	(33.4)	(22.2)	(282.3)

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Dec. 31, 2009	7,162	6,512	89.5	54,345.29
Dec. 31, 2008	9,678	8,963	92.0	75,611.82

*Shareholder's equity Dec. 31, 2009 : 6,412 million yen Dec. 31, 2008 : 8,903 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 2009	(2,225)	(530)	11	3,049
Fiscal Year 2008	(1,978)	1,526	29	5,799

2. Dividend

	Dividend per share				
	1Q	2Q	3Q	4Q	Full-year
	Yen	Yen	Yen	Yen	Yen
FY 2008	—	0.00	—	0.00	0.00
FY 2009	—	0.00	—	0.00	0.00
FY 2010 (Forecast)	—	0.00	—	0.00	0.00

3. Earnings Forecast for the Fiscal Year 2010 (From Jan. 1, 2010 to Dec. 31, 2010)

	Revenues		Operating loss		Ordinary loss		Net loss		Net loss per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	500	—	(2,400)	—	(2,300)	—	(2,300)	—	(19,493.01)
	~ 800	—	~ (2,100)	—	~ (2,000)	—	~ (2,000)	—	~ (16,950.45)

(Reference) Summary of Nonconsolidated Financial reports

1. Business Results for the year 2009 (From Jan. 1, 2009 to Dec. 31, 2009)

(1) Results of Operations (Percentages indicate changes from the previous term)

	Revenues		Operating loss		Ordinary loss		Net loss	
	Million yen	%	Million yen	%	Million yen	%		%
Fiscal Year 2009	432	(49.6)	(2,490)	—	(2,753)	—	(2,770)	—
Fiscal Year 2008	857	(48.9)	(2,481)	—	(2,397)	—	(4,107)	—

	Net loss per share	Diluted net loss per share
	Yen	Yen
Fiscal Year 2009	(23,519.44)	—
Fiscal Year 2008	(34,959.51)	—

(2) Financial Position

	Total assets	Total net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Dec. 31, 2009	7,026	6,369	89.2	53,128.85
Dec. 31, 2008	9,364	8,671	91.9	73,125.44

*Shareholder's equity Dec. 31, 2009 : 6,268 million yen Dec. 31, 2008 : 8,610 million yen

4. Others

(1) Change of reporting entities (change of condition of significant consolidated subsidiaries) : None

(2) Change of significant accounting and reporting policies for consolidated financial statements

1) Change caused by revision of accounting standard : Applicable

2) Other changes : Applicable

(3) Number of shares issued and outstanding (common stock)

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

Dec. 31, 2009 : 117,991 shares Dec. 31, 2008 : 117,751 shares

2) Number of treasury stock

Dec. 31, 2009 : - shares Dec. 31, 2008 : - shares

3) Average number of shares issued and outstanding

FY 2009 : 117,776 shares FY 2008 : 117,501 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 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.*

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

	December 31, 2008	December 31, 2009
Assets		
Current assets		
Cash and deposits	6,299,571	3,549,098
Accounts receivable–trade	75,481	64,648
Short–term investment securities	1,001,075	1,498,278
Inventories	587,941	—
Merchandise	—	33,447
Work in process	—	1,798
Raw materials and supplies	—	480,416
Advance payments–trade	282,313	247,132
Prepaid expenses	29,414	28,215
Advances paid	677	1,089
Other	33,133	31,300
Total current assets	<u>8,309,609</u>	<u>5,935,426</u>
Noncurrent assets		
Property, plant and equipment		
Buildings	58,419	58,599
Accumulated depreciation	<u>(39,955)</u>	<u>(43,276)</u>
Buildings, net	<u>18,464</u>	<u>15,322</u>
Machinery and equipment	54,326	53,091
Accumulated depreciation	<u>(52,298)</u>	<u>(51,607)</u>
Machinery and equipment, net	<u>2,027</u>	<u>1,483</u>
Tools, furniture and fixtures	408,611	400,778
Accumulated depreciation	<u>(332,839)</u>	<u>(356,761)</u>
Tools, furniture and fixtures, net	<u>75,772</u>	<u>44,016</u>
Total property, plant and equipment	<u>96,264</u>	<u>60,823</u>
Intangible assets		
Patent right	252,912	195,654
Other	28,587	16,561
Total intangible assets	<u>281,500</u>	<u>212,215</u>
Investments and other assets		
Investment securities	861,434	829,443
Lease and guarantee deposits	54,233	54,784
Other	75,361	69,453
Total investments and other assets	<u>991,030</u>	<u>953,681</u>
Total noncurrent assets	<u>1,368,795</u>	<u>1,226,720</u>
Total assets	<u><u>9,678,405</u></u>	<u><u>7,162,146</u></u>

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

	December 31, 2008	December 31, 2009
Liabilities		
Current liabilities		
Accounts payable—trade	7,237	49,134
Accounts payable—other	49,162	42,199
Accrued expenses	16,109	11,161
Income taxes payable	27,077	23,821
Advances received	605,566	515,101
Deposits received	9,466	7,799
Total current liabilities	<u>714,619</u>	<u>649,218</u>
Total liabilities	<u>714,619</u>	<u>649,218</u>
Net assets		
Shareholders' equity		
Capital stock	9,454,618	9,460,618
Capital surplus	7,765,361	7,771,361
Retained earnings	<u>(8,236,695)</u>	<u>(11,158,086)</u>
Total shareholders' equity	<u>8,983,284</u>	<u>6,073,893</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(46,016)	370,141
Foreign currency translation adjustment	<u>(33,899)</u>	<u>(31,780)</u>
Total valuation and translation adjustments	<u>(79,916)</u>	<u>338,361</u>
Subscription rights to shares	<u>60,418</u>	<u>100,673</u>
Total net assets	<u>8,963,785</u>	<u>6,512,927</u>
Total liabilities and net assets	<u>9,678,405</u>	<u>7,162,146</u>

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

	Year ended December 31,	
	2008	2009
Business revenues		
Net sales of goods	104,132	142,085
Research and development revenues	847,015	443,610
Total business revenues	<u>951,147</u>	<u>585,695</u>
Business expenses		
Cost of sales	49,339	68,210
Research and development expenses	2,911,721	2,349,721
Selling, general and administrative expenses	674,741	778,657
Total business expenses	<u>3,635,802</u>	<u>3,196,589</u>
Operating loss	<u>(2,684,654)</u>	<u>(2,610,893)</u>
Non-operating income		
Interest income	42,114	14,959
Subsidy income	126,655	147,367
Fiduciary obligation fee	7,539	6,031
Miscellaneous income	10,036	2,097
Total non-operating income	<u>186,345</u>	<u>170,456</u>
Non-operating expenses		
Stock issuance cost	1,053	272
Loss on investments in partnership	14,713	330,084
Foreign exchange losses	26,982	12,448
Miscellaneous loss	7	274
Total non-operating expenses	<u>42,756</u>	<u>343,080</u>
Ordinary loss	<u>(2,541,065)</u>	<u>(2,783,518)</u>
Extraordinary loss		
Amortization of goodwill	71,774	—
Loss on sales of noncurrent assets	1,304	—
Loss on retirement of noncurrent assets	16,350	26,654
Loss on valuation of investment securities	920,501	100,029
Total extraordinary losses	<u>1,009,929</u>	<u>126,684</u>
Loss before income taxes and minority interests	<u>(3,550,995)</u>	<u>(2,910,202)</u>
Income taxes-current	13,272	11,188
Minority interests in loss	<u>(29,896)</u>	<u>—</u>
Net loss	<u>(3,534,371)</u>	<u>(2,921,390)</u>
Loss per share:		
Basic	(30,079.51)	(24,804.64)
Diluted	—	—
Shares used in calculation of loss per share data:		
Basic	117,501	117,776
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)

	Year ended December 31,	
	2008	2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	9,439,094	9,454,618
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	15,523	6,000
Total changes of items during the period	<u>15,523</u>	<u>6,000</u>
Balance at the end of current period	<u>9,454,618</u>	<u>9,460,618</u>
Capital surplus		
Balance at the end of previous period	7,749,837	7,765,361
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	15,523	6,000
Total changes of items during the period	<u>15,523</u>	<u>6,000</u>
Balance at the end of current period	<u>7,765,361</u>	<u>7,771,361</u>
Retained earnings		
Balance at the end of previous period	(4,702,323)	(8,236,695)
Changes of items during the period		
Net loss	(3,534,371)	(2,921,390)
Total changes of items during the period	<u>(3,534,371)</u>	<u>(2,921,390)</u>
Balance at the end of current period	<u>(8,236,695)</u>	<u>(11,158,086)</u>
Total shareholders' equity		
Balance at the end of previous period	12,486,608	8,983,284
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	31,047	12,000
Net loss	(3,534,371)	(2,921,390)
Total changes of items during the period	<u>(3,503,324)</u>	<u>(2,909,390)</u>
Balance at the end of current period	<u>8,983,284</u>	<u>6,073,893</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(225,219)	(46,016)
Changes of items during the period		
Net changes of items other than shareholders' equity	179,203	416,158
Total changes of items during the period	<u>179,203</u>	<u>416,158</u>
Balance at the end of current period	<u>(46,016)</u>	<u>370,141</u>
Foreign currency translation adjustment		
Balance at the end of previous period	(4,231)	(33,899)
Changes of items during the period		
Net changes of items other than shareholders' equity	(29,668)	2,119
Total changes of items during the period	<u>(29,668)</u>	<u>2,119</u>
Balance at the end of current period	<u>(33,899)</u>	<u>(31,780)</u>
Total valuation and translation adjustments		
Balance at the end of previous period	(229,451)	(79,916)
Changes of items during the period		
Net changes of items other than shareholders' equity	149,534	418,277
Total changes of items during the period	<u>149,534</u>	<u>418,277</u>
Balance at the end of current period	<u>(79,916)</u>	<u>338,361</u>

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

	Year ended December 31,	
	2008	2009
Subscription rights to shares		
Balance at the end of previous period	18,474	60,418
Changes of items during the period		
Net changes of items other than shareholders' equity	41,943	40,255
Total changes of items during the period	<u>41,943</u>	<u>40,255</u>
Balance at the end of current period	<u>60,418</u>	<u>100,673</u>
Minority interests		
Balance at the end of previous period	29,896	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(29,896)	—
Total changes of items during the period	<u>(29,896)</u>	<u>—</u>
Balance at the end of current period	<u>—</u>	<u>—</u>
Total net assets		
Balance at the end of previous period	12,305,527	8,963,785
Changes of items during the period		
Issuance of new shares—exercise of subscription rights to shares	31,047	12,000
Net loss	(3,534,371)	(2,921,390)
Net changes of items other than shareholders' equity	161,582	458,533
Total changes of items during the period	<u>(3,341,742)</u>	<u>(2,450,857)</u>
Balance at the end of current period	<u>8,963,785</u>	<u>6,512,927</u>

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

	Year ended December 31,	
	2008	2009
Net cash (used in) operating activities		
Loss before income taxes and minority interests	(3,550,995)	(2,910,202)
Depreciation and amortization	146,597	125,800
Amortization of goodwill	82,670	—
Interest income	(42,114)	(14,959)
Foreign exchange losses	26,386	8,750
Loss on investments in partnership	19,673	334,052
Loss on sales of noncurrent assets	1,304	—
Loss on retirement of noncurrent assets	16,350	25,807
Loss on valuation of investment securities	920,501	100,029
Stock issuance cost	1,053	272
Share-based compensation expenses	41,943	40,255
Decrease in notes and accounts receivable-trade	23,959	10,832
(Increase) decrease in inventories	(15,485)	72,279
(Decrease) increase in notes and accounts payable-trade	(101,274)	41,897
Decrease in advance payments	439,292	35,181
(Decrease) in accounts payable-other	(4,440)	(3,700)
(Decrease) in advances received	(58,612)	(90,464)
Decrease in other current assets	34,675	5,959
Increase (decrease) in other current liabilities	3,454	(6,348)
Decrease in other noncurrent assets	—	921
Subtotal	(2,015,059)	(2,223,635)
Interest income received	48,653	14,495
Income taxes paid	(11,658)	(15,954)
Net cash provided by (used in) operating activities	(1,978,065)	(2,225,095)
Net cash provided by (used in) investing activities		
Payments into time deposits	(500,000)	(500,000)
Proceeds from withdrawal of time deposits	300,000	500,000
Purchase of short-term investment securities	(1,902,667)	(1,699,988)
Proceeds from redemption of securities	4,300,000	1,200,000
Purchase of property, plant and equipment	(44,938)	(11,504)
Proceeds from sales of property, plant and equipment	232	—
Purchase of intangible assets	(69,980)	(33,665)
Purchase of investment securities	(550,600)	—
Dividends From Investment Funds	—	15,178
Purchase of long-term prepaid expenses	—	(2,719)
Payments for lease and guarantee deposits	(5,346)	165
Proceeds from collection of lease and guarantee deposits	—	(700)
Other proceeds	—	2,719
Net cash provided by (used in) investing activities	1,526,699	(530,513)
Net cash provided by financing activities		
Proceeds from issuance of common stock	29,993	11,727
Net cash provided by financing activities	29,993	11,727
Effect of exchange rate change on cash and cash equivalents	(55,080)	(6,591)
Net (decrease) in cash and cash equivalents	(476,452)	(2,750,472)
Cash and cash equivalents at beginning of period	6,276,024	5,799,571
Cash and cash equivalents at end of period	5,799,571	3,049,098

Shareholders

Major shareholders

AnGes' 10 largest shareholders as of December 31, 2009 are as follows:

Shareholder	Number of shares	% of share capital
Ryuichi Morishita	8,434	7.14%
Toshikazu Nakamura	7,000	5.93%
ECS Co., Ltd	4,625	3.91%
Shota Morishita	2,400	2.03%
Mayumi Morishita	2,200	1.86%
Hitoshi Kotani	2,170	1.83%
Biofrontier Partners, Inc	2,130	1.80%
Kensuke Tomita	1,503	1.27%
Miwako Sakata	1,400	1.18%
Tsuneaki Sakata	1,240	1.05%
Total	33,102	28.05%

Classification by Shareholders

Shareholders as of December 31, 2009 are summarized by type as follows:

Shareholder	Number of shareholders	Number of shares	% of share capital
Government and Municipal corporation	—	—	—
Financial institution	8	1,134	0.96%
Securities corporation	19	1,832	1.55%
Other corporation	192	12,410	10.52%
Foreign corporation and other	43	2,592	2.20%
Individuals and other	18,832	100,023	84.77%
Total	19,094	117,991	100.00%