Released at February 6, 2004

Consolidated Financial Report for the Year Ended December 31, 2003 (Unaudited)

AnGes MG, Inc. http://www.anges-mg.com

Listings: Mothers of the Tokyo Stock Exchange, Code 4563
Head Office: 10F, Senri Life Science Center Bldg., 1-4-2, Shinsenri Higashi-machi, Toyonaka-shi, Osaka, 560-0082, Japan
Date of the Meeting of the Board of Directors to Settle Accounts: February 6, 2004
Adoption of the U.S.GAAP: None

1. Business Results for Fiscal Year 2003 (From Jan. 1, 2003 to Dec. 31, 2003)

(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 2003	2,453	36.7	(948)	-	(953)	-	(978)	-
Fiscal Year 2002	1,794	38.0	(513)	-	(555)	-	(560)	-

	Net loss per share	Diluted net loss per share	Ratio of net loss / stockholders' equity	Ratio of ordinary loss / total assets	Ratio of ordinary loss / revenues
	Yen	Yen	%	%	%
Fiscal Year 2003	(11,300.35)	-	(14.0)	(11.5)	(38.9)
Fiscal Year 2002	(7,860.63)	-	(18.7)	(14.6)	(30.9)

Notes) 1. Equity in net income of consolidated subsidiaries and affiliates
Fiscal year 2003: - million yen Fiscal year 2002: - million yen
2. Average number of shares issued during the period ended (consolidated)
Fiscal year 2003: 86,585 shares Fiscal year 2002: 71,242 shares
3. Change in accounting policies: None
4. Percentages for Revenues, Operating loss, Ordinary loss and Net loss indicate changes from the previous term.

(2) Financial Position

	Total assets	Stockholders' equity	Stockholders' equity ratio	Stockholders' equity per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2003	10,974	9,454	86.2	100,670.11
As of Dec. 31, 2002	5,633	4,477	79.5	53,273.51

Notes) 1. Number of shares issued at end of period (consolidated)
As of Dec. 31, 2003: 93,914 shares As of Dec. 31, 2002: 84,049 shares

(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 2003	(689)	(4,484)	5,927	4,572
Fiscal Year 2002	(731)	(241)	3,506	3,829

(4) Scope of consolidation and application of the equity method
Number of consolidated subsidiaries: 3
Number of non-consolidated subsidiaries accounted for under the equity method: -
Number of affiliates accounted for under the equity method: -

(5) Changes in the scope of consolidation and application of the equity method
Number of consolidated subsidiaries: Increase - Decrease -
Number of affiliates accounted for under the equity method: Increase - Decrease -

2. Earnings Forecast for the Fiscal Year 2004 (From Jan. 1, 2004 to Dec. 31, 2004)

	Revenues	Ordinary loss	Net loss
	Million yen	Million yen	Million yen
Full-year	3,400-4,400	(1,900)-(900)	(1,900)-(900)

**Since descriptions about future events, for instance, earnings forecast for FY 2004, 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 (including attachments)" 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,	
	2003	**2002**
Assets		
Current assets:		
Cash and bank deposits	¥ 6,072,021	¥ 3,829,508
Marketable securities	2,298,748	—
Beneficial interest in trust	500,000	—
Accounts receivable	84,765	157,948
Inventories	530,167	798,148
Advances	935,523	360,514
Other current assets	175,007	152,708
Allowance for doubtful accounts	(116)	(341)
Total current assets	10,596,116	5,298,487
Property and equipment, net	198,059	202,714
Goodwill, net	20,361	—
Other intangible assets, net	106,094	85,821
Other assets	53,492	46,251
Total assets	¥ 10,974,124	¥ 5,633,275
Liabilities and Stockholders' equity		
Current liabilities:		
Accounts payable	107,939	195,663
Accrued liabilities	106,146	159,604
Customer advances	1,272,617	787,573
Other current liabilities	7,049	4,143
Total current liabilities	1,493,753	1,146,983
Minority interest	26,037	8,705
Stockholders' equity:		
Common stock	4,784,341	1,802,547
Capital surplus	6,081,734	3,099,940
Accumulated deficit	(1,399,134)	(420,693)
Unrealized losses on securities	(1,957)	—
Foreign currency translation adjustments	(10,651)	(4,208)
Total stockholders' equity	9,454,332	4,477,585
Total liabilities and stockholders' equity	¥ 10,974,124	¥ 5,633,275

**See accompanying notes.*

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

	Year ended December 31,	
	2003	**2002**
Operating revenues	¥ 2,453,440	¥ 1,794,715
Operating expenses:		
Research and development	2,807,757	1,726,473
Selling, general and administrative	593,962	581,963
Total operating expenses	3,401,719	2,308,437
Operating loss	(948,278)	(513,721)
Non-operating income (expenses):		
Interest income	605	296
Interest expense	—	(8,967)
Grant	19,929	—
Foreign currency transaction gain, net	9,502	5,996
Stock issuance cost	(35,925)	(38,981)
Other items, net	218	(30)
Ordinary loss	(953,947)	(555,407)
Extraordinary gain (loss):		
Reversal of allowance for doubtful accounts, net	224	404
Loss on write-down of advances	(24,541)	—
Loss on dispositions of property and equipment	(188)	(3,866)
Loss before income taxes and minority interest	(978,452)	(558,869)
Provision for Income taxes – Current	4,571	3,212
Deferred	(482)	521
Minority interest loss	4,100	2,594
Net loss	¥ (978,440)	¥ (560,008)
Loss per share:		
Basic	¥ (11,300.35)	¥ (7,860.63)
Diluted	—	—
Shares used in calculation of loss per share data:		
Basic	86,585	71,242
Diluted	—	—

**See accompanying notes.*
***Diluted loss per share data is not calculated because the impact was anti-dilutive.*

AnGes MG, Inc
Consolidated Statements of Capital surplus and (Accumulated Deficit) Retained Earnings
(In thousands)
(Unaudited)

	Year ended December 31,	
	2003	**2002**
Capital surplus:		
Balance at beginning of period……..	¥ 3,099,940	¥ 667,165
Issuance of common stock upon public offering…….	2,930,147	2,431,775
Issuance of common stock upon exercise of stock options……..…….	51,647	1,000
Balance at end of period……..…….	6,081,734	3,099,940
(Accumulated deficit) Retained earnings:		
(Accumulated deficit) Retained earnings at beginning of period…….....	(420,693)	139,314
Net loss…….....	(978,440)	(560,008)
Accumulated deficit at end of period……..	¥ (1,399,134)	¥ (420,693)

**See accompanying notes.*

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

	Year ended December 31,	
	2003	**2002**
Cash flows from operating activities:		
Loss before income taxes and minority Interest	¥ (978,452)	¥ (558,869)
Depreciation and amortization	138,084	117,948
Amortization of goodwill	1,071	—
Decrease in allowance for doubtful accounts	(224)	(408)
Interest income	(605)	(296)
Interest expense	—	8,967
Foreign currency transaction loss (gain), net	6,296	(524)
Loss on dispositions of property and equipment	188	3,866
Stock issuance cost	35,925	38,981
Decrease in accounts receivable	73,183	80,413
Decrease (increase) in inventories	267,980	(635,876)
Increase in other current assets	(599,450)	(461,064)
(Decrease) Increase in accounts payable	(87,723)	186,381
Increase in other current liabilities	456,136	633,263
Subtotal	(687,589)	(587,217)
Interest income received	234	296
Interest expense paid	—	(8,967)
Income taxes paid	(1,707)	(135,618)
Net cash used in operating activities	(689,062)	(731,505)
Cash flows from investing activities:		
Increase in time deposit (over 3 months)	(1,500,000)	—
Purchases of marketable securities	(2,300,845)	—
Purchase of beneficial interest in trust	(500,000)	—
Purchases of property and equipment	(141,791)	(127,126)
Purchases of intangible assets	(32,944)	(96,220)
Purchase of investments in securities	(1,000)	—
Increase in long-term prepaid expense	(6,765)	(6,463)
Proceeds from security deposits received	778	15,848
Payment for security deposits	(2,222)	(27,631)
Net cash used in investing activities	(4,484,790)	(241,593)
Cash flows from financing activities:		
Proceeds from short-term debt	—	2,500,000
Repayment of short-term debt	—	(2,500,000)
Net proceeds from issuance of common stock	5,927,663	3,495,437
Proceeds from issuance of common stock to minority stockholders	—	11,300
Net cash provided by financing activities	5,927,663	3,506,737
Effect of exchange rate changes on cash and cash equivalents	(11,296)	(3,544)
Net increase (decrease) in cash and cash equivalents	742,513	2,530,094
Cash and cash equivalents at beginning of period	3,829,508	1,299,414
Cash and cash equivalents at end of period	¥ 4,572,021	¥ 3,829,508

**See accompanying notes.*

AnGes MG, Inc
Notes to Consolidated Financial Statements (Unaudited)
December 31, 2003

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of AnGes MG, Inc ("AnGes") and its consolidated subsidiaries (collectively, the "Company") are basically an English version of those which have been prepared in accordance with generally accepted accounting principles in Japan and filed with the Tokyo Stock Exchange as "*Kessan Tanshin*"(including attachments).

The accompanying consolidated financial statements incorporate certain reclassifications of figures from those included in the *Kessan Tanshin* in order to present in a form more familiar to the readers outside Japan. Certain amounts in the accompanying consolidated financial statements from prior year have been reclassified to conform to the current year presentation. In addition, the notes to consolidated financial statements included certain information which is not required under Japan GAAP but is presented herein as additional information.

The amounts presented in the consolidated financial statements are rounded down to the nearest thousand yen.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of AnGes and its subsidiaries in which AnGes has a controlling financial interest and exercise control over its operation. All intercompany transactions and balances have been eliminated in consolidation.

The list of consolidated subsidiaries as of and for the year ended December 31, 2003 is as follows:

Name of subsidiary	Location	% of ownership
AnGes, Inc.	U.S.A	100.0%
AnGes Euro Limited	UK	100.0%
GenomIdea Inc.	Japan	77.6%

AnGes has no equity investment which is accounted for under the equity method.

AnGes and its subsidiaries have fiscal year-ends of December 31.

Cash and Cash equivalents

For the purpose of consolidated statements of cash flows, "Cash and cash equivalents" consist of cash on hands, demand deposits, and certain investments which are readily convertible to cash, and which mature within three months or less from date of purchase with virtually no risk of loss of values.

"Cash and bank deposits" on the consolidated balance sheets and "Cash and cash equivalents" on the consolidated statements of cash flows are reconciled as follows (in thousands):

	December 31,	
	2003	**2002**
Cash and bank deposits……..	¥ 6,072,021	¥ 3,829,508
Less: Time deposits with original maturities of more than three months…….	(1,500,000)	—
Cash and cash equivalents……..	¥ 4,572,021	¥ 3,829,508

Marketable securities and investments in securities

The Company considers its marketable securities and investments in securities as available-for-sale securities which are not held for trading purposes and not held to maturity with the positive intent and ability to hold maturity. Available-for-sale securities of which the fair market values are readily determinable are recorded at fair market value. Unrealized gains and losses are reported in a separate component of stockholders' equity. Available-for-sale securities of which the fair market values are not readily determinable are recorded at cost. The cost of securities sold is based on the moving average method.

Derivatives

Derivatives are recorded at fair value.

Inventories

Inventories are principally stated at cost. The cost of raw materials is determined using the moving average method, the cost of work in process is determined using the specific identification method, and the cost of supplies is determined using the last purchase price method.

Depreciation and Amortization

Property and equipment

Depreciation of "Property and equipment" is calculated using the declining-balance method at rates based on the estimated useful lives of the assets which are prescribed by the Japanese Income Tax Laws. Useful lives by asset category are as follows:

Asset category	Years
Buildings and improvements……	3-15
Machinery……	3 - 4
Furniture, Laboratory and office equipment……..	3-10

Property and equipment consisted of the following (in thousands):

Asset category	December 31, 2003	December 31, 2002
Buildings and improvements…….	¥ 185,659	¥ 141,502
Machinery……..	86,344	86,344
Furniture, Laboratory and office equipment…….	151,955	96,895
Construction in progress…….	—	6,507
	423,959	331,250
Less: Accumulated depreciation…….	(225,899)	(128,535)
	¥ 198,059	¥ 202,714

Intangible assets and goodwill

Intangible assets and goodwill are carried at cost less accumulated amortization. Capitalized costs for software for internal use are amortized using the straight-line method over 5 years. Goodwill is amortized using the straight-line method over 5 years.

Deferred charges

Stock issuance costs are expensed as incurred.

Allowance for doubtful accounts

"Allowance for doubtful accounts" is maintained for the amounts deemed uncollectible based on solvency analyses and for estimated delinquency based on collection rates projected from historical credit loss experiences, and for the amounts to cover specific accounts that are estimated to be uncollectible.

Translation of foreign currency balances and transactions

Foreign currency transactions are translated using foreign exchange rate prevailing at the transaction dates. Receivables and payables denominated in foreign currencies were translated at the current rate at the balance sheets date. The differences of the prevailing rate between the transaction date and balance sheets date are involved in or charged to income accordingly.

All the assets and liabilities of foreign subsidiaries are translated at current rates at the balance sheets dates. All the income and expense accounts are translated at weighted-average rate. Adjustments arising from translating financial statements of overseas subsidiaries denominated in foreign currencies into Japanese yen are reported in a separate component of stockholders' equity.

Lease transactions

Finance leases, other than those which involve transferring of ownership of the leased assets to the lessee, are accounted for in a manner similar to operating leases.

Consumption taxes

Consumption taxes are excluded from the amounts in the consolidated statements of operations.

3. Fair value of financial instruments

The fair values of available-for-sale securities by type of security and contractual maturity are as follows (in thousands):

December 31, 2003	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Type of security				
Corporate debt securities……	¥ 2,300,705	¥ —	¥ 1,957	¥ 2,298,748
	¥ 2,300,705	¥ —	¥ 1,957	¥ 2,298,748

	December 31, 2003
Contractual maturity	
Maturing within one year or less……..	¥ 2,300,000
	¥ 2,300,000

As of December 31, 2003, carrying amounts of investments in securities which have no fair market value were ¥1,000 thousand.

As of and for the year ended December 31, 2002, the Company had no marketable securities and investments in securities.

4. Leases

Finance leases without transfer of ownership as lessee

Pro forma data as of December 31, 2002 and 2003 as to acquisition cost, accumulated depreciation and net book value of leased assets are summarized as follows (in thousands):

	December 31,	
	2003	2002
Pro forma acquisition cost…….……..	¥ 219,584	¥ 129,922
Pro forma accumulated depreciation……..	60,313	87,254
Pro forma net book value..…….……..	¥ 159,271	¥ 42,668

Future minimum lease payments under finance leases without transfer of ownership are summarized as follows (in thousands):

	December 31,	
	2003	2002
Due within one year……..	¥ 75,058	¥ 14,647
Thereafter…….……..	86,749	7,558
	¥ 161,807	¥ 22,205

Lease expenses and pro forma data as to depreciation expenses and interest expenses are summarized as follows (in thousands):

	Year ended December 31,	
	2003	2002
Lease expenses…….	¥ 90,488	¥ 63,158
Pro forma depreciation expenses.……..	86,111	60,113
Pro forma interest expenses……	5,796	2,725

Depreciation is based on the straight-line method over the lease term of the leased assets with no residual value. The difference between the total lease expenses and the pro forma acquisition cost of leased assets is assumed to be pro forma interest expense and the allocation to each period is based on the interest method.

Operating lease transactions as lessee

Future minimum lease payments under operating leases are summarized as follows (in thousands):

	December 31,	
	2003	2002
Due within one year……..	¥ 742	¥ 831
Thereafter…….……..	928	1,870
	¥ 1,671	¥ 2,701

For reference use only

AnGes MG, Inc.

I. Overview of AnGes group companies and its business

The AnGes group consists of AnGes MG Inc and 3 subsidiaries as described below. AnGes develops gene-based medicines and vector technologies.

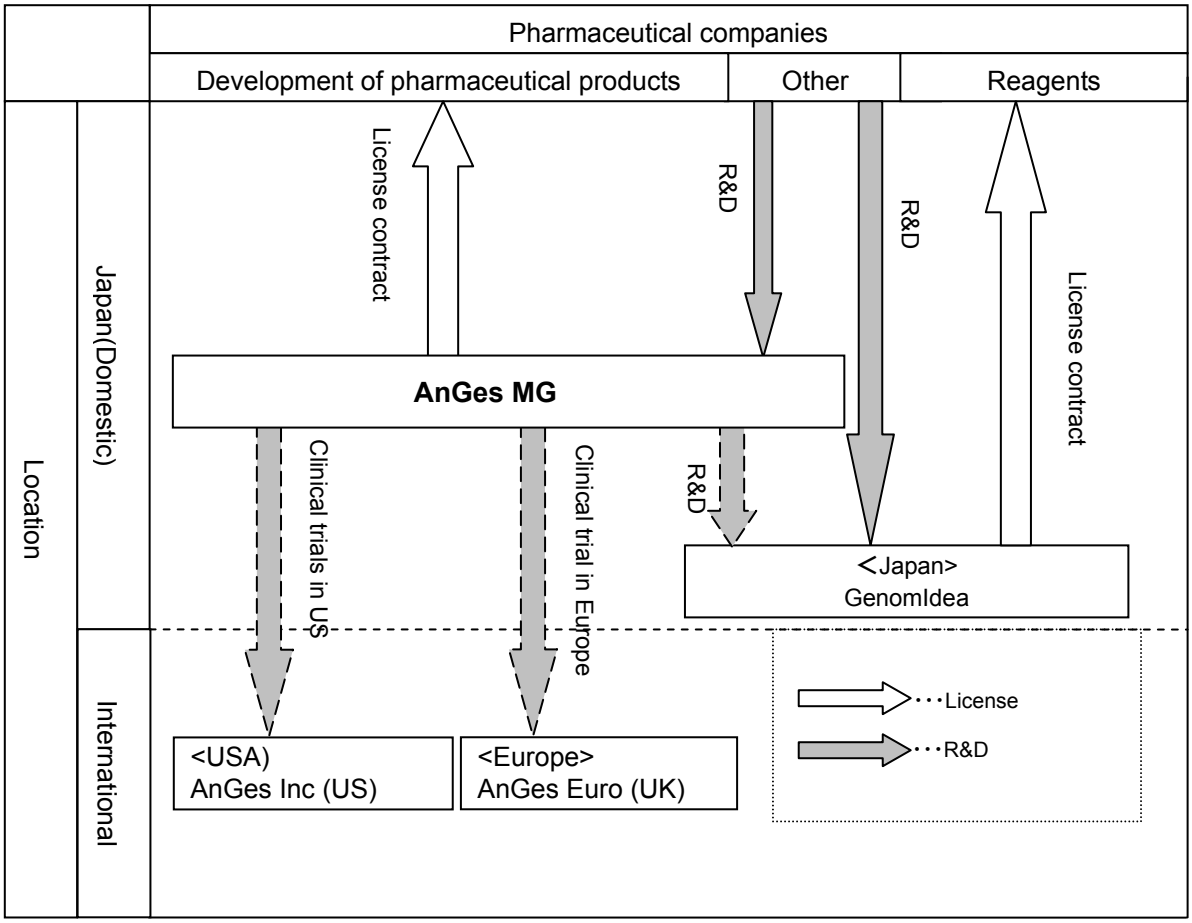
As of September 1, 2003, AnGes MG, the parent company, transferred all the HVJ-E (HVJ Envelope Vector) related resources of AnGes MG to GenomIdea, one of the subsidiaries in Japan.

<Main business of Group companies>

Company	Main business
AnGes MG, Inc.(Japan)	Research & development of gene medicine
AnGes, Inc. (USA)	Clinical development of gene medicine in U.S.
AnGes Euro Limited (UK)	Clinical development of gene medicine in Europe
GenomIdea Inc.(Japan)	Research & Development of vector and DDS* as well as search of new genes, for therapeutics and diagnostics

*DDS(drug delivery system)

Business structure of The Group:



Management policy

1. Corporate goals and mid-term strategy

AnGes aims to make great contributions to improving the quality of life and health for humanity by successfully developing innovative gene-based medicines to meet the unmet medical needs.

AnGes, a spin-off venture from the university (Osaka University), will strive to be a leading biotechnology company by developing gene-based medicines building upon the studies done at universities and other research institutions, domestic as well as international. Our goal is to become an innovative global player in the industry.

Our business strategy is based upon the two business models and principles. The first principle is that our main business is the development of gene-based medicine. Our strong belief in this strategy stems from the unsuccessful plight of Dr. Morishita, founding member of AnGes MG and professor of Osaka University Medical School, to find an alliance partner for development of gene-based medicines amongst the major pharmaceutical companies at an early stage. As a result, he was obliged to start his own company that would champion the development of innovative discoveries in potential new gene-based medicines. Currently, most of large pharmaceutical companies still lack of the expertise to develop gene-based medicines and gene therapy. They are generally reluctant to front the required investment in developing gene-based medicines. Following in this business principle, AnGes has three main projects in progress, namely HGF Plasmid, NF-κB and HVJ-E. AnGes plans to enrich the current product pipeline and create a new business portfolio by utilizing the best use of the study results achieved at universities and research institutions both in Japan and abroad.

Secondly, AnGes plans to continue to build strategic alliances by partnering with companies in the industry in order to reduce and/or limit the risk exposure in drug development. AnGes is well aware that a novel drug development is a long time and costly process with no guarantee for a successful outcome. However, the market always awards well for a successful novel drug product in the end. AnGes aims to reduce the development risk inherent in the business by pursuing partnerships and alliances. After commercialization, AnGes will obtain the royalty payments to sustain further operation and development. AnGes has thus far been following this model through it partnerships with Daiichi Pharmaceutical Co. for HGF plasmid development of the PAD (Peripheral Arterial Disease) and IHD (Ischemic Heart Disease) indications, and Seikagaku Corporation for NF-κB Development.

2. Major challenges

(1) Current businesses and products in the pipeline

It is of utmost importance to keep our 3 main projects on track, namely the development of HGF, NF-κB decoy oligonucleotide and HVJ envelope vector technologies (HVJ-E). Necessary actions and programs such as recruitment of experienced professional staffs and increased investment to improve R&D facility and functions, shall be implemented

(2) New projects

New business opportunities and product line expansion are also crucial to the AnGes business model as it helps AnGes to achieve diversification of the business portfolio and further reduce development risk. Our plan is to conduct searches to seek new project seeds at universities and other research institutions in Japan and abroad so that new projects can be pursued based upon these findings.

(3) Global development

Japan is not the only target market for HGF, AnGes is working to expand our patient base to the US and Europe who can benefit from treatment by HGF. NF-κB decoy oligonucleotide development in the US and Europe is also essential to AnGes. AnGes has already initiated measures to achieve this goal. Currently, AnGes has set up wholly-owned subsidiaries to conduct clinical trials in the US and Europe, namely "AnGes, Inc." in October 2001 in Maryland for U.S. market, and "AnGes Euro Limited", in June 2002 in Sussex, U.K. for Europe. AnGes will continue to enhance our presence at these facilities by actively recruiting competent, experienced professional staffs to perpetually improve our capabilities.

(4) Funding

Securing sufficient funding is an integral part of AnGes' strategies. In order to meet an increasing demand for capital expenditure such as business expansion, in-licensing of new technology, R&D investment and support of business operations, AnGes raised roughly $55 million in October, 2003 through a second-round public stock offering. AnGes continues to seek strategic partners to support a new R&D project and continues to explore other means to raise additional capital for future R&D as well.

3. Corporate governance

AnGes attaches great importance to corporate governance and has implemented several programs to ensure maximizing shareholder value. AnGes' board consists of 5 directors including 2 outside directors, all of whom have expertise in their individual professions. The board derives strength from these different and professional opinions as well as an ability to make quick decisions. Three statutory auditors, all of them being outside auditors, attend all the monthly board meetings. One statutory auditor works on full-time basis.

AnGes, to adhere to the compliance program, places high value on corporate disclosure and has made every effort to accurately and punctually disclose business activities and strategies through meetings with institutional investors and equity analysts.

4. Dividend policy

As an R&D oriented biotechnology startup company, AnGes believes the most efficient way to increase stockholders' equity is to reinvest any profit in the Company to support continuing R&D programs instead of distributing a dividend.

II Operational and financial results (2003)

1. Summary

(1) Overview

The current expectation for the Japanese domestic economy is to observe a significant improvement due to the increasing exports, especially, to other Asian countries, improvement of business profitability as well as increasing capital expenditure.

On the other hand, the pharmaceutical industry in Japan faces ever-increasing challenge to develop innovative products which can gain acceptance in the global market in the face of government policy to control healthcare cost, which could reduce the size of domestic market.

The following are a summary of the financial results of the AnGes group companies for the year 2003, during which AnGes has made steady progress in product development and initiated negotiations to establish alliances and partnerships.

	Revenue	Operating Profit/(Loss)	Ordinary Profit/(Loss)	Net Income / (Loss)	R&D Expenses
Fiscal Year 2003	¥ 2,453	¥ (948)	¥ (953)	¥ (978)	¥ 2,807
Fiscal Year 2002	¥ 1,794	¥ (513)	¥ (555)	¥ (560)	¥ 1,726

(2) Revenue

For the year ended December 31, 2003, total revenue has increased by 36.7% to reach ¥ 2,453 Million. AnGes signed an exclusive license agreement with Goodman Co., Ltd. in May, 2003 which aims at developing NF-κB decoy oligonucleotide for a drug coated stent to prevent restenosis. Pre-clinical and/or clinical studies have been conducted for HGF and NF-κB decoy oligonucleotide. AnGes has license and/or joint R&D agreements with Daiichi Pharmaceutical, Seikagaku Corporation and Goodman, from which AnGes is entitled to receive an one-time contract payment, milestone payments as well as R&D support payment. These payments are accounted for as revenues.

Regarding the reagents business, AnGes has a license agreement with Ishihara Sangyo Kaisha, Ltd. and is entitled to receive royalties from them. In addition to Ishihara Sangyo, AnGes signed non-exclusive license agreements on NF-κB decoy with two bio ventures, Gene Design Inc. in August, 2003 and Hokkaido System Science Co., Ltd. in October, 2003. AnGes is entitled to receive royalty payments from these agreements.

(3) R&D expense

For the year ended December 31, 2003, R&D expenses have increased by 62.6% over the previous year to reach ¥2,807 Million. The ratio to annual revenue reached to 114.4.%.

<Major developments>

For HGF development, clinical development programs for PAD have been advanced in Japan and US. After receiving FDA approval, Phase-II clinical trial studies started in US in April, 2003. An approval by the regulatory authority, MHLW (Ministry of Health, Labor and Wealth), was also obtained for Phase III clinical studies in Japan in December, 2003. The clinical trial is expected to start in the very near future. After completion of the critical pre-clinical studies for IHD, IND preparation for the US IHD Phase I trial is in progress. AnGes, which has a registered HGF patent in US and several other countries, successfully registered a basic patent on HGF in Japan May, 2003.

The pre-clinical studies including efficacy, toxicology and stability, for NF-κB decoy oligonucleotide have been conducted for NF-κB to verify safety, stability and test pharmacological properties of the agents supporting the possible indications of Atopic dermatitis, psoriasis, rheumatic arthritis, and (degenerative) osteoarthritis. Preparations are being made to conduct clinical trials in Japan.

As for HVJ-E vector technologies, AnGes singed a joint research agreement with Prof. Kaneda of University of Osaka Medical School and Shimadzu Corporation of Kyoto to develop a DNA-screening technology to discover a new DNA candidate for drug development. Further studies have been done to develop HVJ-E as an effective Drug Delivery System (DDS). All of the resources necessary for developing HVJ-E projects, such as human resources, physical asset and intellectual property, were transferred to be integrated into those of GenomIdea as of September, 2003. A new company spin-off scheme was instrumental in this corporate restructuring.

<R&D projects and its current status>

<table>
<tr><th>Project</th><th>Target indications</th><th>Region</th><th>Development stage</th><th>Alliance partner</th></tr>
<tr><td rowspan="2">HGF</td><td rowspan="2">PAD</td><td>Japan</td><td>Preparing for Phase III clinical trials</td><td rowspan="3">Daiichi Pharmaceutical</td></tr>
<tr><td>US</td><td>Phase II clinical trials</td></tr>
<tr><td rowspan="2">HGF</td><td>IHD</td><td>US</td><td>Preparing for clinical trials</td></tr>
<tr><td>Parkinson disease</td><td></td><td>Pre-clinical trials</td><td>Yet to be decided</td></tr>
<tr><td rowspan="5">NF-κB decoy oligonucleotide</td><td>Atopic dermatitis</td><td></td><td>Preparing for clinical trials</td><td>Yet to be decided</td></tr>
<tr><td>Psoriasis</td><td></td><td>Pre-clinical trials</td><td>Yet to be decided</td></tr>
<tr><td>Rheumatic arthritis</td><td></td><td>Preparing for clinical trials</td><td rowspan="2">Seikagaku Corporation</td></tr>
<tr><td>Degenerative osteoarthrosis</td><td></td><td>Pre-clinical trials</td></tr>
<tr><td>Prevention of restenosis</td><td></td><td>Preparing for clinical trials</td><td>Goodman</td></tr>
</table>

<Operating and ordinary profit/(loss)>

For the year ended December 31, 2003, operating loss was ¥948 Million compared to loss of ¥513 Million of the previous year. Even though the total revenue including R&D support, the operating loss widened due mainly to the increase in R&D expenses to be borne by AnGes

For the year ended December 31, 2003, ordinary loss was ¥953 Million compared to loss of ¥555 Million of the previous year. The widening loss is the result of increased operating loss and other expenses such as stock issuance cost for secondary public offering (¥35 million).

For the year ended December 31, 2003, net loss was ¥978 Million compared to loss of ¥560 Million of the previous year. The widening loss is the result of increased ordinary loss as well as an extraordinary loss from advanced payment.

(4) Outlook for 2004

We aim to make further progress in the current major projects and establish an alliance with new partners to increase revenues including license payments. The financial outlook depends upon uncertain factors such as progress of the current R&D project proceeds and the contract negotiations with new partnering companies. The projected revenue and income for the year ending December 31, 2004 are as follows;

< Consolidated basis>

Revenue……. ¥ 3,400 ~ ¥ 4,400 Million
Ordinary income/ (loss)….. ¥ (900) ~ ¥ (1,900) Million
Net income / (loss)…… ¥ (900) ~ ¥ (1,900) Million

**Since descriptions about future events, for instance, earnings forecast for FY 2004, are estimation, results may differ from this estimation due to changes of several economic conditions.*

2. Financials and Cash flows

(1) Asset and Liability/Equity (In millions, except per share data)

	December 31,		Changes
	2003	2002	
Total asset……....	¥ 10,974	¥ 5,633	¥ 5,340
Stockholders' equity……..	¥ 9,454	¥ 4,477	¥ 4,976
Stockholders' equity per share…….	¥ 100,670.11	¥ 53,273.51	¥ 47,396.60
Stockholders' equity ratio……..	86.2%	79.5%	6.7%

Stockholders' equity has increased owing to the new stock issue of 8,200 shares in October, 2003 by which AnGes raised additional ¥5,860 Million from the capital market.

(2) Cash flows (In millions)

	Year ended December 31,		Changes
	2003	2002	
Cash flows from operating activities…..….	¥ (689)	¥ (731)	¥ 42
Cash flows from investing activities…….	(4,484)	(241)	(4,243)
Cash flows from financing activities…….	5,927	3,506	2,420
Changes in cash and cash equivalents…..	742	2,530	(1,787)
Cash and cash equivalents at year end…..	4,572	3,829	742

(Cash flows from operating activities)

For the year ended December 31, 2003, cash flows from operating activities decreased by ¥689 Million compared to the decrease of ¥731 Million of year 2002. This is the result of net loss (¥978 Million), depreciation & amortization (¥138 Million) and decrease in inventories (¥267 Million)

(Cash flows from investing activities)

For the year ended December 31, 2003, cash flows from investing activities decreased by ¥4,484 Million compared to the decrease of ¥241 Million of year 2002. ¥4,300 Million earmarked for future R&D investment has been invested in terms of deposit and bonds, which are safer and less risky investment instruments. Capital investment was ¥141 Million, the major part of which was for HVJ-E production plant, and new equipment at Ikeda laboratory.

(Cash flows from financing activities)

For the year ended December 31, 2003, cash flows from financing activities increased by ¥5,927 Million compared to increase of ¥356 Million of year 2002. The increase comes from the new stock issues of the 2nd round public offering in October, 2003 and exercising of employee stock options.

<Financial ratios>

	As of and for the year ended December, 31		
	2001	2002	2003
Stockholders' equity ratio to total asset…….....	76.7%	79.5%	86.2%
Market value of stockholders' equity to total asset …..	—	678.86%	700.03%
Interest coverage ratio…….....	87.8	—	—

III. References on AnGes MG and its group companies

<Overview>

The first gene therapy experiment was implemented in 1990 in the US for ADA-deficient patients followed by other therapeutical areas such as cancer and HIV which had no effective medical cure. In Japan, the first gene therapy experiment was implemented in 1995 at Hokkaido University for ADA-deficient patient, followed by implementations at University of Tokyo and Okayama University. More than 4,000 cases of gene therapy have been reported in the world since 1990.

Even though it has only been a short history and there are unidentified risks, gene therapy holds promise as a new means to treat or cure unmet medical needs, such as specific gene-deficient patient. For a patient suffering from cancer, gene-based medicine could also provide new promises for a cure. A large number of biotechnology firms are now working in the gene therapy arena, which has resulted in increased public attention for gene therapy as a possible instrument to treat chronic conditions as heart disease and rheumatoid arthritis.

1. Financial results since incorporation of AnGes MG (In millions)

	As of and for the year ended December 31,		
	2001	2002	2003
Revenue……..	¥ 1,300	¥ 1,794	¥ 2,453
Ordinary income / (loss).....……	277	(555)	(953)
Net income / (loss)……	142	(560)	(978)
Net asset…….	1,507	4,477	9,454
Total asset……..…….	1,965	5,633	10,974
Cash flows from operating activities……..……	165	(731)	(689)
Cash flows from investing activities……	(222)	(241)	(4,484)
Cash flows from financing activities……	1,339	3,506	5,927
Cash and cash equivalents at year end…….	1,299	3,829	4,572

2. AnGes and group companies

<Main business and domains of Group companies>

Company	Main business
AnGes MG, Inc.(Japan)	Research& development of gene medicine
AnGes, Inc. (USA)	Clinical development of gene medicine in U.S.
AnGes Euro Limited (UK)	Clinical development of gene medicine in Europe
GenomIdea Inc.(Japan)	Research & Development of vector and DDS as well as search of new genes, for therapeutics and diagnostics

<Revenue and revenue source>

Type of revenues	Revenue source
Contract payment	To be received when agreement contract is signed
Development support payment	Payment to support R&D for specific products
Milestone payment	Payment when predetermined milestone is reached
Royalty payment	Payment after the product is launched, based upon net sales

<Segment information (In millions)>

Business	Year ended December 31,					
	2001		2002		2003	
	Revenue	(%)	Revenue	(%)	Revenue	(%)
Pharmaceuticals…….	¥ 1,007	77.5	¥ 1,728	96.3	¥ 2,335	95.2
Reagents……..	275	21.2	2	0.2	3	0.1
Other…….	17	1.3	63	3.5	114	4.7
	¥ 1,300	100.0	¥ 1,794	100.0	¥ 2,453	100.0

3. HGF (Hepatocyte Growth Factor)

<Overview>

HGF Plasmid offers the potential of a better treatment of arteriosclerosis obliterans, a disease that clogs arteries of legs, leading to limb amputation, as well as ischemic heart disease (IHD), the deterioration of the blood circulation in the heart. HGF was discovered by Prof. Nakamura of Osaka University Medical School in 1984 as a protein which multiplies hepatic cells and its neovascularization (angiogenesis) effects have been confirmed later by Prof. Morishita of Osaka University.

PAD (Peripheral arterial disease) causes blood vessels in the lower limb to narrow or close, thus inhibiting of blood circulation. When the PAD progresses, it results in ulcer and/or necrosis. Arteriosclerosis obliterans as well as Buerger's diseases are among PAD. IHD (Ischemic Heart Disease) is characterized by inhibited blood circulation in narrowed coronary arteries. Insufficient blood circulation could cause painful angina pectoris or myocardial infarction, which might result in the death of heart tissue and a decreased function of the heart.

The injection of HGF offers the potential to relieve and improve PAD and IHD through its neovascularization effects.

<License/Intellectual property>

AnGes MG has license agreement with Mitsubishi Pharma Corporation on material patents. AnGes also has obtained basic patents on HGF for gene therapy which Sumitomo Pharmaceutical Co., Ltd. and Prof. Morishita are holders. These rights have been obtained with royalty payment after HGF Plasmid products are launched in the market. AnGes also has license contracts with Research Corporation Technologies Inc (US) and University of Iowa Research Foundation (US) on patents related to HGF injection.

<R&D>

Both VEGF (Vascular Endothelial Growth Factor) and FGF (Fibroblast Growth Factor) have similar vascularization (angiogenesis) effects as that of HGF. However, an animal test on HGF shows that HGF has better efficacy (neovascularization effects) and less side effects than VEGF.

As for PAD, PhaseII clinical trials were started in April, 2003 in the US, and the IND for a large scale, double-blinded, randomized placebo-controlled study was approved in December, 2003 in Japan. Accordingly, Phase-III clinical study is to start in the very near future.

<Sales & Distribution>

AnGes MG signed a license agreement with Daiichi Pharmaceutical in January, 2001, which grants exclusive distribution right on HGF-PAD in Japanese domestic market. In April, 2002, the license agreement for HGF-PAD was expanded to include exclusive distribution right both in the US and Europe. At the same time, another license agreement was reached with Daiichi Pharmaceutical for exclusive distribution right in Japan, US and Europe. AnGes is entitled to receive one-time contract payment, milestone payment as well as R&D support payment from Daiichi Pharmaceutical based upon these license agreements. AnGes also is eligible to receive royalty payment when the HGF product is launched in the market in the future.

4. NF-κB Decoy Oligonucleotide

<Overview>

Inflammatory diseases, including rheumatic arthritis and atopic dermatitis, have been treated traditionally with analgesics. However, these treatments do not cure the cause of disease itself and no satisfactory result have not been obtained for patients with severe conditions. AnGes aims to develop NF-κB decoy to control the cellular production of cytokines which induce inflammation and to eliminate the cause of skin irritation and pain.

NF-κB is a transcription factor (TP) which is able to enter the nuclus and binds to the specific positions of chromosome to turn on genes which control the expression of inflammatory cytokines (cause for inflammation and immunoreactions) as well as adhesion factors (i.e., VCAM, ICAM). NF-κB decoy consists of deoxyribonucleic acid with the same DNA sequence as the NF-κB transcript factor binding to. The NF-κB decoy oligonucleotide will be able to ener into the cell to bind with NF-κB, which prevents the NF-κB transcript factor from activating the excessive expression of

inflammatory cytokines and adhesion factors.

The target diseases for NF-κB are Atopic dermatitis, Psorisis, Rheumatic arthritis, Degenerative osteoarthrosis, and Prevention of vascular restenosis.

<License/Intellectual property>

AnGes MG has obtained patents on NF-κB decoy oligonucleotide from Fujisawa Pharmaceutical Co., Ltd. and Prof. Morishita. These rights have been obtained with royalty payment after NF-κB decoy products are launched in the market in the future.

<R&D>

Pre-clinical studies such as toxicology and stability test have been advanced for indications of Atopic dermatitis, Psorisis, Rheumatic arthritis, Degenerative osteoarthrosis and Prevention of restenosis.

AnGes MG signed a R&D agreement with Seikagaku Corporation in August, 2002 to develop NF-κB decoy for Rheumatic arthritis and Degenerative osteoarthrosis. AnGes is entitled to receive one-time contract payment, milestone payment as well as R&D support payment from Seikagaku Corporation based upon this R&D agreement.

<Sales & Distribution>

AnGes MG signed an exclusive agreement with Goodman to develop, manufacture and distribute NF-κB-based drug coated stent. AnGes is entitled to receive one-time contract payment, which is accounted for revenue, and royalties for the future sales.

5. HVJ-E Vector Technologies

<Overview>

HVJ, Hemagglutinating Virus of Japan, is a murine virus discovered in Japan in 1950's, which is characterized by proteins on the surface of envelope which are able to fuse the cell membranes. Professor Kaneda of Osaka University developed a method to use the envelope of HVJ as a non-viral vector to deliver the biological molecules such as DNA plasmid carrying therapeutic genes, oligonucleotides, siRNA, or proteins into variety cells and tissues.

HVJ-E, as a non-viral vector, provides a high degree of safety to introducing genes into the cell, which virus based vectors cannot provide. HVJ-E is also an effective vector through membrane fusion to deliver the biological molecules into variety cells and tissues, which other non-viral vectors cannot accomplish.

HVJ-E can be used as a discovery tool for searching new gene for drug candidates or as functional genomic research, or DNA screening. In addition, HVJ-E can also be used as a drug deliver system (DDS) for small molecules.

<License/Intellectual property>

AnGes has obtained patents on HVJ-E vector technology from Prof. Kaneda of Osaka University. These rights have been obtained with royalty payment on HVJ-E products launched in the market. AnGes also has an exclusive license with Brigham and Womens' Hospital (US) on HVJ-Liposome as an alternate technology to HVJ-E.

<R&D>

R&D programs on gene medicine and DDS (Drug Delivery System) have been advanced for HVJ-E. The construction of the cGMP pilot plant was completed in November, 2002. Facility validation was completed in early 2003. In July, 2002, GenomIdea was set up as a subsidiary of AnGes MG, of which AnGes owned 71.3% share. In addition, other R&D resources on HVJ-E such as employees, assets and intellectual property, were transferred to GenomIdea in September, 2003 to make the best use of new spin-off scheme and resources in the group.

<Sales & Distribution>

AnGes MG signed an exclusive, global license agreement with Ishihara Sangyo to develop and distribute DNA-analysis kit for reagent in August, 2000. AnGes (GenomIdea) is entitled to receive royalty payment from Ishihara Sangyo from the sales of "GenomONE®", which is a HVE-E product.

*"GenomONE®" is a trademark of Ishihara Sangyo.

6. Research and Development

Major R&D programs are being conducted at R&D department of AnGes MG. As of December 31, 2003, AnGes as a group has 57 R&D staffs, which is roughly 72% of the total work force at AnGes.

Total R&D expenses for the year ended December 31, 2002 and 2003 are ¥1,726 Million and ¥2,807 Million, respectively. The ratio of R&D expenses to total revenue is at 96.2% for 2002 and 114.4% for 2003.

7. Major contracts and agreements

(1) License-in

Licensor	Contract	Contract period
Mitsubishi Pharma	Non-exclusive licensing of HGF material Patent for gene therapy	From Feb 14, 2002 & 5yeras after patent expires
Sumitomo Pharmaceutical	Transfer of HGF basic patent for gene therapy	From Sep 1, 2002 until the date of patent expiration or 10 years after commercialization
Prof. Morishita	Transfer of HGF basic patent for gene therapy and NF-κB decoy oligonucleotide	Until patent expires
Research Corporation Technologies Inc (USA)	Non-exclusive licensing of HGF injection patent for gene therapy	From Nov 16, 2001 until patent expires
University of Iowa (USA)	Non-exclusive licensing of HGF injection patent for gene therapy	From Dec 25, 2001 until patent expires
Fujisawa Pharmaceutical	Transfer of NF-κB decoy oligos patent	From Aug 8, 2000 until patent expires
Prof. .Kaneda	Transfer of HVJ-E Non-virus vector patent	Until patent expires
Brigham and Womens' Hospital Inc (USA)	Exclusive licensing of HVJ Liposome patent	From Dec 2, 2001 Until April 28, 2015

(2) Distribution right

Partnering company	Contract	Payment	Contract period
Daiichi Pharmaceutical	Exclusive distribution right for HGF-PAD in Japan	① One-time contract payment ② Milestone payment ③ R&D support payment ④ Royalty payment	From Jan 12, 2001 & 15 years after launch (automatic renewal every 2 years thereafter)
	Exclusive distribution right for HGF, both PAD and IHD, in US and Europe	① One-time contract payment ② Milestone payment ③ R&D support payment ④ Royalty payment	From Apr 9, 2002 & 10 years after launch (automatic renewal every 2 years thereafter)
	Exclusive distribution right for HGF-IHD in Japan	① One-time contract payment ② Milestone payment ③ R&D support payment ④ Royalty payment	From Apr 9, 2002 & 15 years after launch (automatic renewal every 2 years thereafter)

(3) Co-development

Partnering company	Contract	Payment	Contract period
Seikagaku Corporation	Development of NF-κB decoy for Rheumatic arthritis & Degenerative osreiarthrosis (Exclusive manufacturing & supply right in Japan as well as profit & loss sharing when product is launched)	① One-time contract payment ② Milestone payment ③ R&D support payment	From August 19, 2002 till the end of development

(4) License-out

Licensee	Contract	Payment	Contract period
Ishihara Sangyo	Exclusive licensing of HVJ-E Non-Virus Vector for DNA analysis kit	① One-time contract payment ② Milestone payment ③ R&D support payment ④ Royalty payment	From Aug 28, 2000 till the end of product sale
Goodman	Exclusive licensing of NF-κB decoy oligonucleotide of drug coating for stent (Prevention of restenosis)	① One-time contract payment ② Milestone payment ③ R&D support payment ④ Royalty payment	From May 15,2003 till patent expires

8. Intellectual property

The major R&D projects of AnGes, namely the development of HGF plasmid, NF-κB decoy oligonucleotide and HVJ-E Vector Technologies, are based upon the rights protected by its own patents or patents licensed from the patent holders. Followings are major patents AnGes holds or has licensed from patent holders.

Target	Products	Patent holder	Status of patent registration/application
HGF Gene Therapy	HGF and its encoding DNA genes	Mitsubishi Pharma	Registered in Japan, the US and 8 other countries
HGF Gene Therapy	Pharmaceutical products made of HGF genes	AnGes	Registered in Japan, the US and some other countries. As for Europe, patents have been applied
NFκB Decoy Oligonucleotide	Therapeutics and preventive medicine for diseases due to NF-κB	AnGes	Registered in the US, but being reexamined. Registered in Japan for cardiovascular & cancer As for Europe, patents have been applied
HVJ-E Non-Virus Vector	Envelope Vector for transfusing DNA	AnGes(GenomIdea)	Patents applications have been filed in the US, Japan & other countries

* AnGes has in-licensed from Mitsubishi Pharma