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Consolidated Financial Report
for the Three Months Ended March 31, 2005 (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

1. Business Results for the First Quarter 2005 (From Jan. 1, 2005 to Mar. 31, 2005)

(1) Results of Operations (Figures are rounded down to the nearest million yen)

	Revenues		Operating loss		Ordinary loss	
	Million yen	%	Million yen	%	Million yen	%
1Q 2005 (3 Months)	508	13.4	(495)	-	(495)	-
1Q 2004 (3 Months)	447	(45.1)	(413)	-	(413)	-
FY 2004 (12 Months)	2,696		(1,561)		(1,558)	

	Net loss		Net loss per share	Diluted net loss per share
	Million yen	%	yen	Yen
1Q 2005 (3 Months)	(494)	-	(5,024.70)	-
1Q 2004 (3 Months)	(411)	-	(4,353.07)	-
FY 2004 (12 Months)	(1,541)		(16,083.36)	-

Notes) 1. Equity in net income of unconsolidated subsidiaries and affiliates
1Q 2005: - million yen 1Q 2004: - million yen Fiscal year 2004: - million yen
2. Average number of shares issued during the period ended (consolidated)
1Q 2005: 98,471 shares 1Q 2004: 94,432 shares Fiscal year 2004: 95,843 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	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
Mar. 31, 2005	9,713	8,421	86.7	84,931.39
Mar. 31, 2004	10,706	9,219	86.1	97,269.29
Dec. 31, 2004	10,009	8,656	86.5	88,530.64

Notes) 1. Number of shares issued at end of period (consolidated)
Mar. 31, 2005: 99,160 shares Mar. 31, 2004: 94,732 shares Dec. 31, 2004: 97,780 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
1Q 2005 (3 Months)	(662)	(753)	261	5,849
1Q 2004 (3 Months)	(776)	(98)	174	3,867
FY 2004 (12 Months)	(1,433)	2,962	899	7,003

(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: N/A
Number of affiliates accounted for under the equity method: N/A

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

2. Earnings Forecast for the Fiscal Year 2005 (From Jan. 1, 2005 to Dec. 31, 2005)

	Revenues	Ordinary loss	Net loss
	Million yen	Million yen	Million yen
Full-year	2,200-3,200	(1,900)-(900)	(1,900)-(900)

**Since descriptions about future events, for instance, earnings forecast for FY 2005, are estimation, results may differ from this estimation due to changes of several economic conditions.*
***This financial report has been translated from Japanese 1Q Report 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.*

For reference use only

AnGes MG, Inc.

Operational and financial results for the three months ended March 31, 2005

1. Overview

Although corporate profits are improving and business investment is increasing moderately, the Japanese economy is recovering at a moderate pace because not only some severe aspects of the employment situation remain but also private consumption is almost flat. In addition exports have been weakening, especially to the EU. As for the short-term prospects, the economic recovery is expected to remain solid with steady recovery in the world economy, as the corporate sector continues to be resilient. On the other hand, attention should be given to the inventory adjustment in the IT related area and to the developments of crude oil prices and other factors.

The pharmaceutical industry in Japan faces an ever-increasing challenge to develop innovative products, which can be accepted in the global market, while the domestic market could be reduced based on the government policy to control healthcare cost and is exposed to offensive of foreign company.

For the three months ended March 31, 2005, AnGes has made steady progress in product development and negotiated to establish new alliances and partnerships.

For the three months ended March 31, 2005, total revenue has increased by 13.4% to reach ¥508 Million. Pre-clinical and/or clinical studies have been conducted for HGF and NF-κB decoy oligonucleotide. AnGes has licensed and/or joint R&D agreements with Daiichi Pharmaceutical Co., Ltd., Seikagaku Corporation, from which AnGes received R&D support payments. These payments are accounted for as operating revenues.

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

The following is a summary of the financial results of the AnGes group companies by business segments for the three months ended March 31, 2005 and 2004, and for the year ended December 31, 2004.

<Segment information (In millions)>

Business	3 months ended March 31,				Year ended December 31,	
	2005		**2004**		**2004**	
	Revenue	(%)	Revenue	(%)	Revenue	(%)
Pharmaceuticals………..	¥ 467	91.9	¥ 420	93.8	¥ 2,600	96.4
Reagents………..………	1	0.3	1	0.4	4	0.2
Other……………..………	39	7.8	25	5.8	90	3.4
	¥ 508	100.0	¥ 447	100.0	¥ 2,696	100.0

As a result, for the three months ended March 31, 2005, ordinary loss was ¥495 Million compared to loss of ¥413 Million in the first quarter of 2004. The ordinary loss is widened mainly due to the increase in R&D expenses.

For the three months ended March 31, 2005, net loss was ¥494 Million compared to loss of ¥411 Million in the first quarter of 2004.

2. Cash flows (In millions)

For the three months ended March 31, 2005, cash and cash equivalents decreased by ¥1,153 Million compared to the decrease of ¥ 704 Million in the first quarter of 2004. As of March 31, 2005, cash and cash equivalents was ¥5,849 Million.

(Cash flows from operating activities)

For the three months ended March 31, 2005, cash flows from operating activities decreased by ¥662 Million compared to the decrease of ¥776 Million in the first quarter of 2004. This improvement is due to decrease in inventories, though loss before income taxes and minority interest increased by 81 Million.

(Cash flows from investing activities)

For the three months ended March 31, 2005, cash flows from investing activities decreased by ¥753 Million compared to the decrease of ¥98 Million in the first quarter of 2004. ¥603 Million earmarked for future R&D investment has been invested in terms of corporate bonds, which are safer and less risky investment instruments.

(Cash flows from financing activities)

For the three months ended March 31, 2005, cash flows from financing activities increased by ¥261 Million compared to the increase of ¥174 Million in the first quarter of 2004. The increase comes from the exercising of employee stock options.

3. Research and Development

For the three months ended March 31, 2005, R&D expenses have increased by 23.6% over the previous term to reach ¥ 862 Million. The ratio of R&D expenses to operating revenue reached to 169.7%.

<Major developments>

For HGF development, clinical development programs for PAD (Peripheral Arterial Disease) and IHD (Ischemic Heart Disease) have been making progress in Japan and the US. Regarding PAD, while Phase III clinical studies in Japan which started in March, 2004, progress is being made, with Phase II clinical trial studies in US, which started in April, 2003, being expected to complete the patient enrolment. Meanwhile, the US IHD Phase I clinical trial, which was started in November 2004, is also making a progress.

It is known that angiogenesis hardly occurs and prognosis is unfavorable in ischemic disease complicated with or caused by diabetes. However, our studies of the effectiveness of the HGF gene, has demonstrated the effectiveness of HGF gene for refractory diabetic peripheral arterial ischemic disease and a patent application was filed The patent applied for China was granted in January, 2005.

The pre-clinical studies including efficacy, toxicology and stability, for NF-κB decoy oligonucleotide have been conducted to verify safety, stability and characterization of pharmacological properties of the agents supporting the possible indications of Atopic dermatitis, psoriasis, rheumatic arthritis, (degenerative) osteoarthritis and prevention of restenosis. Preparations to initiate the clinical trials in Japan are in progress. The study of the efficient method of administration for NF-κB decoy oligonucleotide using the drug delivery system is in operation.

<R&D projects and its current status>

Project	Target indications	Region	Development stage	Alliance partners
HGF	PAD	Japan	Phase III clinical trials	Daiichi Pharmaceutical
		US	Phase II clinical trials	
	IHD	Japan	Preparing for clinical trials	
		US	Phase I clinical trials	
	Parkinson disease		Pre-clinical	Yet to be decided
NF-κB decoy oligonucleotide	Atopic dermatitis		Preparing for clinical trials	Yet to be decided
	Psoriasis		Pre-clinical	Yet to be decided
	Rheumatic arthritis		Preparing for clinical trials	Seikagaku Corporation
	Degenerative osteoarthrosis		Pre-clinical	
	Prevention of restenosis		Preparing for clinical trials	Goodman

HVJ-E vector technologies have been developed by the subsidiary, GenomIdea, Inc. GenomIdea has identified new DNA candidates for drug development by using the device for DNA-screening which was developed in collaboration with Prof. Kaneda of University of Osaka Medical School and National Institute of Advanced Industrial Science and Technology (AIST) Kansai, and seeds search for DNA diagnostic. The drug design system for next-generation nucleic acid medicines (siRNA) has reached completion in collaborations with Osaka University, AIST Kansai and Mitsubishi Space Software Co., Ltd. The drug design service using this system started in April, 2005.

Process & assay development and manufacturing of HVJ-E have been advanced by using the cell culture in stirred tank bioreactor and a scalable purification process. The development will enable using HVJ-E for future therapeutic applications such as cancer and vaccine. The GMP Master Cell Bank and Master Virus Bank have been successfully manufactured, and the final releases are completed. Further, GenomIdea has started the development of preparation technology which is needed for the confirmation application of HVJ-E for therapeutic use.

The pre-clinical studies including efficacy and toxicology, for HVJ-E have been conducted to verify safety and characterization of pharmacological properties of the vector applying in a clinical setting. As a result, new research revealed that HVJ-E could be potentially applied for the treatment of a cancer and Inflammatory Bowl disease (IBD).

Four venture companies including AnGes and GenomIdea form a research consortium for developing the drug for IBD using NF-κB decoy oligonucleotide. The New Energy and Industrial Technology Development Organization (NEDO) has selected this project as one of its supported research programs. We can receive the grant of the amount equal to two-thirds of total development costs for two years. In this project, we are planning to conduct pre-clinical studies including efficacy, toxicology and stability, process & assay development and manufacturing of nucleic acid drug, and development of preparation technology of nucleic acid drug including drug delivery system.

4. Outlook for 2005

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, 2005 are as follows;

< Consolidated basis>

Revenue…………………….. ¥ 2,200 ~ ¥ 3,200 Million
Ordinary income/ (loss)…... ¥ (1,900) ~ ¥ (900) Million
Net income / (loss)………… ¥ (1,900) ~ ¥ (900) Million

Since descriptions about future events, for instance, earnings forecast for FY 2005, are estimation, results may differ from this estimation due to changes of several economic conditions.

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

	March 31, 2005	March 31, 2004	December 31, 2004
Assets			
Current assets:			
Cash and bank deposits	¥ 5,849,846	¥ 5,367,110	¥ 7,003,451
Marketable securities	699,517	2,299,776	499,100
Beneficial interest in trust	500,000	500,000	500,000
Accounts receivable	163,579	119,356	82,122
Inventories	430,279	647,213	544,684
Advances	920,904	1,150,580	656,659
Other current assets	118,774	153,711	202,354
Total current assets	8,682,900	10,237,749	9,488,373
Property and equipment, net	219,645	197,877	219,492
Goodwill, net	11,937	19,289	12,773
Other intangible assets, net	246,761	192,396	235,940
Other assets	552,004	58,693	52,786
Total assets	¥ 9,713,249	¥ 10,706,006	¥ 10,009,364
Liabilities and Stockholders' equity			
Current liabilities:			
Accounts payable	95,664	112,552	117,289
Accrued liabilities	110,867	100,225	137,661
Customer advances	970,025	1,244,883	978,379
Other current liabilities	6,044	7,053	6,982
Total current liabilities	1,182,601	1,464,714	1,240,312
Minority interest	108,850	21,914	112,526
Stockholders' equity:			
Common stock	5,288,272	4,872,049	5,156,314
Capital surplus	3,599,014	6,169,442	6,453,707
Accumulated deficit	(448,745)	(1,810,205)	(2,940,607)
Unrealized gains (losses) on securities	(6,927)	(580)	(900)
Foreign currency translation adjustments	(9,817)	(11,328)	(11,989)
Total stockholders' equity	8,421,796	9,219,377	8,656,525
Total liabilities and stockholders' equity	¥ 9,713,249	¥ 10,706,006	¥ 10,009,364

**See accompanying notes.*

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

	3 months ended March 31,		Year ended December 31,
	2005	2004	2004
Operating revenues…………………………………	¥ 508,150	¥ 447,913	¥ 2,696,299
Operating expenses:			
Research and development………………………	862,288	697,699	3,679,079
Selling, general and administrative……………………	141,138	164,063	578,263
Total operating expenses………………………	1,003,426	861,762	4,257,342
Operating loss………………………………………	(495,276)	(413,849)	(1,561,043)
Non-operating income (expenses):			
Interest income……………………………………...	887	1,702	5,670
Grant…………………………………………………	2,706	—	2,030
Foreign currency transaction loss, net……………..	(1,948)	(3,067)	(4,827)
Stock issuance cost…………………………………	(2,700)	(1,141)	(6,741)
Other items, net…………………………………………	466	2,368	5,920
Ordinary loss…………………………………………	(495,865)	(413,987)	(1,558,989)
Extraordinary gain (loss):			
Reversal of allowance for doubtful accounts, net...	—	116	116
Gain on change in holding ratio of subsidiary……..	—	—	62,850
Loss on dispositions of property and equipment and intangible assets……………………………	—	(181)	(44,844)
Loss before income taxes and minority interest…..	(495,865)	(414,052)	(1,540,866)
Provision for Income taxes – Current………………	2,598	1,142	10,228
Minority interest loss…………………………………	3,675	4,123	9,623
Net loss…………………………………………………..	¥ (494,788)	¥ (411,071)	¥ (1,541,472)
Loss per share:			
Basic…………………………………………………	¥ (5,024.70)	¥ (4,353.07)	¥ (16,083.36)
Diluted………………………………………………	—	—	—
Shares used in calculation of loss per share data:			
Basic…………………………………………………	98,471	94,432	95,843
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
(In thousands)
(Unaudited)

	3 months ended March 31,		Year ended December 31,
	2005	2004	2004
Capital surplus:			
Balance at beginning of period	¥ 6,453,707	¥ 6,081,734	¥ 6,081,734
Issuance of common stock upon exercise of stock options	131,957	87,708	371,973
Reduction of capital surplus	(2,986,650)	—	—
Balance at end of period	3,599,014	6,169,442	6,453,707
Accumulated deficit:			
Balance at beginning of period	(2,940,607)	(1,399,134)	(1,399,134)
Reduction of capital surplus	2,986,650	—	—
Net loss	(494,788)	(411,071)	(1,541,472)
Balance at end of period	¥ (448,745)	¥ (1,810,205)	¥ (2,940,607)

**See accompanying notes.*

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

	3 months ended Mach 31,		Year ended December 31,
	2005	2004	2004
Cash flows from operating activities:			
Loss before income taxes and minority interest	¥ (495,865)	¥ (414,052)	¥ (1,540,866)
Depreciation and amortization	33,766	26,509	145,523
Amortization of goodwill	835	1,071	4,050
Decrease in allowance for doubtful accounts	—	(116)	(116)
Interest income	(887)	(1,702)	(5,670)
Foreign currency transaction loss (gain), net	601	3,207	(4,379)
Loss on dispositions of property and equipment and intangible assets	—	181	44,844
Stock issuance cost	2,700	1,141	6,741
Gain on change in holding ratio of subsidiary	—	—	(62,850)
(Increase) Decrease in accounts receivable	(81,456)	(34,591)	2,642
Decrease (Increase) in inventories	114,405	(117,045)	(14,517)
(Increase) Decrease in other current assets	(180,230)	(191,625)	253,461
(Decrease) Increase in accounts payable	(21,624)	4,612	9,350
Decrease in other current liabilities	(22,844)	(50,600)	(274,109)
Subtotal	(650,599)	(773,011)	(1,435,896)
Interest income received	177	732	6,863
Income taxes paid	(11,943)	(4,514)	(4,515)
Net cash used in operating activities	(662,365)	(776,793)	(1,433,547)
Cash flows from investing activities:			
Proceeds from repayment of time deposit (over 3 months)	—	—	1,500,000
Purchases of marketable securities	(200,000)	—	(500,000)
Proceeds from redemption of marketable securities	—	—	2,300,000
Purchases of beneficial interest in trust	—	—	(1,000,000)
Proceeds from redemption of beneficial interest in trust	—	—	1,000,000
Purchases of property and equipment	(19,357)	(12,728)	(165,881)
Purchases of intangible assets	(25,417)	(78,738)	(160,657)
Purchase of investments in securities	(413,869)	—	—
Increase in long-term prepaid expense	(95,093)	(7,200)	(16,147)
Proceeds from security deposits received	—	—	5,208
Payment for security deposits	—	—	(350)
Net cash (used in) provided by investing activities	(753,737)	(98,667)	2,962,171
Cash flows from financing activities:			
Net proceeds from issuance of common stock	261,214	174,275	738,385
Net proceeds from issuance of common stock to minority shareholders	—	—	161,319
Net cash provided by financing activities	261,214	174,275	899,705
Effect of exchange rate changes on cash and cash equivalents	1,283	(3,726)	3,101
Net (decrease) increase in cash and cash equivalents	(1,153,605)	(704,910)	2,431,430
Cash and cash equivalents at beginning of period	7,003,451	4,572,021	4,572,021
Cash and cash equivalents at end of period	¥ 5,849,846	¥ 3,867,110	¥ 7,003,451

**See accompanying notes.*

AnGes MG, Inc
Notes to Consolidated Financial Statements (Unaudited)
March 31, 2005

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 "*1st Quarter financial report*."

The accompanying consolidated financial statements incorporate certain reclassifications of figures from those included in the *1st Quarter financial report* 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 three months ended March 31, 2005 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	61.6%

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):

	March 31,		**December 31,**
	2005	**2004**	**2004**
Cash and bank deposits…………………………………………	¥ 5,849,846	¥ 5,367,110	¥ 7,003,451
Less: Time deposits with original maturities of more than three months……………………………………...……	—	(1,500,000)	—
Cash and cash equivalents………………………………..…	¥ 5,849,846	¥ 3,867,110	¥ 7,003,451

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.

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………………………………………………..	3-15

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

Asset category	March 31, 2005	March 31, 2004	December 31, 2004
Buildings and improvements…………………………	¥ 112,146	¥ 185,655	¥ 106,532
Machinery…………………………………………..…….	86,344	86,344	86,344
Furniture, Laboratory and office equipment……….	285,002	168,446	269,226
	483,493	440,446	462,103
Less: Accumulated depreciation…………….……….	(263,847)	(242,569)	(242,611)
	¥ 219,645	¥ 197,877	¥ 219,492

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 as of March 31, 2005 and 2004, and December 31, 2004 are as follows (in thousands):

March 31, 2005	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Type of security				
Corporate debt securities………….	¥ 1,103,477	¥ —	¥ 6,927	¥ 1,096,550
	¥ 1,103,477	¥ —	¥ 6,927	¥ 1,096,550

March 31, 2004	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Type of security				
Corporate debt securities………….	¥ 2,300,357	¥ 105	¥ 686	¥ 2,299,776
	¥ 2,300,357	¥ 105	¥ 686	¥ 2,299,776

December 31, 2004	Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
Type of security				
Corporate debt securities………….	¥ 500,000	¥ —	¥ 900	¥ 499,100
	¥ 500,000	¥ —	¥ 900	¥ 499,100

As of March 31, 2005, 2004 and December 31, 2004, carrying amounts of investments in securities which have no fair market value were ¥11,000 thousand, ¥1,000 thousand and ¥1,000 thousand, respectively. Investments in securities are classified into "other assets" of consolidated balance sheets.

4. Leases

Finance leases without transfer of ownership as lessee

Pro forma data as of March 31, 2005 and 2004, and December 31, 2004 as to acquisition cost, accumulated depreciation and net book value of leased assets are summarized as follows (in thousands):

	March 31,		December 31,
	2005	2004	2004
Pro forma acquisition cost………………………………	¥ 234,915	¥ 223,898	¥ 230,926
Pro forma accumulated depreciation………………………	155,140	80,869	137,829
Pro forma net book value………………………………	¥ 79,775	¥ 143,029	¥ 93,096

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

	March 31,		December 31,
	2005	2004	2004
Due within one year…………………………………………	¥ 51,068	¥ 71,792	¥ 54,257
Thereafter……………………………………………………	31,618	74,047	41,845
	¥ 82,686	¥ 145,840	¥ 96,103

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

	3 months ended March 31,		Year ended December 31,
	2005	2004	2004
Lease expenses……………………………………………………	¥ 16,872	¥ 21,617	¥ 84,489
Pro forma depreciation expenses………………………	16,004	20,712	80,867
Pro forma interest expenses……………………………	773	1,234	4,246

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):

	March 31,		December 31,
	2005	2004	2004
Due within one year…………………………………………	¥ 744	¥ 732	¥ 722
Thereafter……………………………………………………	—	732	180
	¥ 744	¥ 1,465	¥ 903