

To Whom It May Concern:

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## Annual Financial Report - Fiscal Year 2008 (October 2008 - September 2009)

### 1. Consolidated Financial Highlights - FY2008 (October 2008 - September 2009)

All amounts are rounded down in millions of yen unless otherwise stated

#### (1) Sales & Income

	Net Sales <sup>*2</sup>		Operating Profit <sup>*3</sup>		Ordinary Profit <sup>*4</sup>		Net Income <sup>*5</sup>	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
FY2008	2,900	—	293	—	323	—	245	—
FY2007 <sup>*1</sup>	—	—	—	—	—	—	—	—

  

	Net Income per Share	Return on Equity	Return on Asset	Operating Profit Margin
	Amounts (Yen)	%	%	%
FY2008	410.77	8.4	9.4	10.1
FY2007 <sup>*1</sup>	—	—	—	—

#### (2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity per Total Assets	Shareholders' Equity per Share
	Amounts	Amounts	%	Amounts (Yen)
FY2008	3,889	3,317	85.2	5,298.23
FY2007 <sup>*1</sup>	—	—	—	—

#### (3) Cash Flows

	Net Cash Provided by Operating Activities	Net Cash Provided by (used in) Investment Activities	Net Cash Provided by Financing Activities	Cash and Cash Equivalents at the End of Period
	Amounts	Amounts	Amounts	Amounts
FY2008	319	(587)	501	1,395
FY2007 <sup>*1</sup>	—	—	—	—

### 2. Consolidated Earnings Forecast - FY2009 (October 2009 - September 2010)

All amounts are rounded down in millions of yen unless otherwise stated

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
2Q, FY2009	1,490	24.5	40	122.2	40	—	35	—
FY2009	3,190	10.0	210	(28.3)	210	(35.0)	200	(18.4)

  

	Net Income per Share
	Amounts (Yen)
2Q, FY2009	55.95
FY2009	319.69

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### 3. Non-Consolidated Financial Highlights - FY2008 (October 2008 - September 2009)

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#### (1) Sales & Income (Loss)

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Income (Loss)	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
FY2008	2,797	52.5	281	—	319	—	241	—
FY2007	1,838	14.4	(667)	—	(704)	—	(1,702)	—
	Net Income per Share							
	Amounts (Yen)							
FY2008	402.82							
FY2007	(2,889.35)							

#### (2) Financial Position

	Total Assets		Net Assets		Shareholders' Equity per Total Assets		Shareholders' Equity per Share	
	Amounts		Amounts		%		Amounts (Yen)	
FY2008	3,896		3,335		85.5		5,326.68	
FY2007	2,963		2,588		87.1		4,351.32	

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#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheet

All amounts are rounded down in thousands of yen

	At the End of FY2008 (Sep. 30, 2009)
<b>Assets</b>	
<b>Current assets</b>	
Cash and deposits	1,395,316
Accounts receivable-trade	599,410
Raw materials and supplies	22,570
Short-term loans receivable	320,000
Other	178,035
<b>Total current assets</b>	<b>2,515,332</b>
<b>Noncurrent assets</b>	
<b>Property, plant and equipment:</b>	
Buildings and structures	787,895
Accumulated depreciator	(352,003)
Buildings and structures, net	435,891
Machinery and equipment	38,477
Accumulated depreciator	(36,055)
Machinery and equipment, net	2,421
Lease assets	8,300
Accumulated depreciator	(1,244)
Lease assets, net	7,055
Construction in progress	53,982
Other	394,242
Accumulated depreciator	(335,256)
Other, net	58,985
<b>Total property, plant and equipment</b>	<b>558,336</b>
Intangible assets	52,414
<b>Investments and other assets:</b>	
Investment securities	505,621
Long-term loans receivable	44,605
Other	213,199
<b>Total investments and other assets:</b>	<b>763,426</b>
<b>Total noncurrent assets</b>	<b>1,374,177</b>
<b>Total assets</b>	<b>3,889,510</b>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable-trade	140,563
Lease obligations	1,590
Income taxes payable	21,724
Provision for bonuses	146,783
Other	255,878
<b>Total current liabilities:</b>	<b>566,541</b>
<b>Noncurrent liabilities:</b>	
Lease obligations	5,400
<b>Total noncurrent liabilities:</b>	<b>5,400</b>
<b>Total liabilities:</b>	<b>571,941</b>
<b>Net assets</b>	
Shareholders' equity	
Capital stock	2,521,487
Capital surplus	3,934,047
Retained earnings	(3,140,961)
<b>Total shareholders' equity</b>	<b>3,314,573</b>
Subscription rights to shares	2,995
<b>Total net assets</b>	<b>3,317,568</b>
<b>Total liabilities and net assets:</b>	<b>3,889,510</b>

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## (2) Consolidated Statements of Income

All amounts are rounded down in thousands of yen

	FY2008 (Oct.2008-Sep.2009)
Net sales	2,900,215
Cost of sales	881,819
Gross profit	2,018,396
Selling, general and administrative expense	1,724,631
Operating profit	293,764
Non-operating income	
Interest income	5,584
Gain on investments in partnership	8,051
Insurance income	86,322
Other	1,069
Total non-operating income	101,028
Non-operating expenses	
Interest expenses	190
Foreign exchange losses	67,442
Other	3,177
Total non-operating expenses	70,810
Ordinary profit	323,982
Extraordinary loss	
Loss on retirement of noncurrent asset	3,505
Impairment loss	42,435
Loss on sales of investment securities	10,359
Loss on valuation of investment securities	12,866
Total extraordinary losses	69,166
Income before income taxes and minority interest	254,815
Income taxes-current	8,942
Total income taxes	8,942
Net income	245,873

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### (3) Consolidated Statements of Changes in Net Assets

All amounts are rounded down in thousands of yen

	FY2008 (Oct.2008-Sep.2009)
Shareholders' equity	
Capital stock	
Balance at the beginning of current period	2,267,332
Changes of items during the period	
Issuance of new shares	254,155
Total changes of items during the period	<u>254,155</u>
Balance at the end of current period	<u>2,521,487</u>
Capital surplus	
Balance at the beginning of current period	3,679,892
Changes of items during the period	
Issuance of new shares	254,155
Total changes of items during the period	<u>254,155</u>
Balance at the end of current period	<u>3,934,047</u>
Retained earnings	
Balance at the beginning of current period	(3,386,835)
Changes of items during the period	
Net income	245,873
Total changes of items during the period	<u>245,873</u>
Balance at the end of current period	<u>(3,140,961)</u>
Total shareholders' equity	
Balance at the beginning of current period	2,560,389
Changes of items during the period	
Issuance of new shares	508,310
Net income	245,873
Total changes of items during the period	<u>754,183</u>
Balance at the end of current period	<u>3,314,573</u>
Subscription rights to shares	
Balance at the beginning of current period	5,805
Changes of items during the period	
Net changes of items other than shareholders' equity	(2,810)
Total changes of items during the period	<u>(2,810)</u>
Balance at the end of current period	<u>2,995</u>
Total net assets	
Balance at the beginning of current period	2,566,194
Changes of items during the period	
Issuance of new shares	508,310
Net income	245,873
Net changes of items other than shareholders' equity	(2,810)
Total changes of items during the period	<u>751,373</u>
Balance at the end of current period	<u>3,317,568</u>

※ MEDINET has started to consolidate its financials since current period, thus, consolidated balance at the beginning of current period for each item is provided instead of consolidated balance at the end of previous period.

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#### (4) Consolidated Statements of Cash Flows

All amounts are rounded down in thousands of yen

	FY2008 (Oct.2008-Sep.2009)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interest	254,815
Depreciation and amortization	123,870
Impairment loss	42,435
Increase (decrease) in provision for bonuses	74,483
Interest and dividends income	(5,584)
Interest expenses	190
Loss (gain) on valuation of investment securities	12,866
Loss (gain) on sales of investment securities	10,359
Loss (gain) on investments in partnership	(8,051)
Foreign exchange losses (gains)	67,442
Loss on retirement of property, plant and equipment	3,505
Insurance income	(86,322)
Stock issuance cost	3,172
Decrease (increase) in notes and accounts receivable-trading	(261,662)
Decrease (increase) in inventories	(8,199)
Increase (decrease) in notes and accounts payable-trading	50,681
Increase (decrease) in accounts payable-other	(19,011)
Increase (decrease) in accrued consumption tax	51,417
Other, net	16,842
Subtotal	323,251
Interest and dividends income received	5,310
Interest expenses paid	(190)
Income taxes paid	(8,768)
Net cash provided by (used in) operating activities	319,602
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(198,337)
Purchase of intangible assets	(18,620)
Purchase of investment securities	(25,445)
Proceeds from sales of investment securities	18,161
Payments of long-term loans receivable	(47,925)
Payments of short-term loans receivable	(820,000)
Collection of short-term loans receivable	500,000
Payments for guarantee deposits	(5,643)
Proceeds from collection of guarantee deposit	10,208
Net cash provided by (used in) investing activities	(587,601)
Net cash provided by (used in) financing activities	
Repayments of lease obligations	(1,308)
Proceeds from issuance of common stock	502,357
Net cash provided by (used in) financing activities	501,048
Effect of exchange rate change on cash and cash equivalent	(387)
Net increase (decrease) in cash and cash equivalent	232,661
Cash and cash equivalents at beginning of period	1,162,654
Cash and cash equivalents at end of period	1,395,316

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## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheet

All amounts are rounded down in thousands of yen

	At the End of FY2007 (Sep. 30, 2008)	At the End of FY2008 (Sep. 30, 2009)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	962,591	1,395,316
Accounts receivable-trade	336,813	596,345
Short-term investment securities	200,000	—
Materials	14,371	—
Raw materials and supplies	—	22,570
Advance payments-trade	1,617	2,857
Prepaid expenses	36,467	41,281
Short-term loans receivable	69,356	450,796
Accounts receivable-other	10,392	124,684
Other	4,659	6,769
<b>Total current assets</b>	<b>1,636,268</b>	<b>2,640,623</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings	707,624	595,131
Accumulated depreciator	(358,582)	(325,849)
Buildings, net	349,042	269,282
Structures	497	497
Accumulated depreciator	(223)	(253)
Structures, net	274	244
Machinery and equipment	38,935	38,477
Accumulated depreciator	(37,377)	(36,055)
Machinery and equipment, net	1,557	2,421
Tools, furniture and fixtures	381,790	374,370
Accumulated depreciator	(324,100)	(331,853)
Tools, furniture and fixtures, net	57,689	42,516
Lease assets	—	8,300
Accumulated depreciator	—	(1,244)
Lease assets, net	—	7,055
Construction in progress	53,982	53,982
<b>Total property, plant and equipment</b>	<b>462,546</b>	<b>375,502</b>
<b>Intangible assets</b>		
Right of trademark	458	395
Software	53,113	48,392
Software in progress	5,000	—
Telephone subscription right	725	725
<b>Total intangible assets</b>	<b>59,297</b>	<b>49,514</b>
<b>Investments and other assets</b>		
Investment securities	550,244	502,621
Stocks of subsidiaries and affiliates	55,500	103,000
Long-term loans receivable	—	44,605
Guarantee deposits	68,989	64,213
Long-term prepaid expenses	97,565	91,551
Insurance funds	33,546	24,711
<b>Total investments and other assets</b>	<b>805,846</b>	<b>830,703</b>
<b>Total noncurrent assets</b>	<b>1,327,689</b>	<b>1,255,720</b>
<b>Total assets</b>	<b>2,963,958</b>	<b>3,896,343</b>

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	At the End of FY2007 (Sep. 30, 2008)	At the End of FY2008 (Sep. 30, 2009)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable-trade	89,395	140,243
Lease obligations	—	1,590
Accounts payable-other	181,765	175,066
Accrued expenses	5,713	5,951
Income taxes payable	13,247	21,544
Deposits received	6,188	5,290
Unearned revenue	151	—
Provision for bonuses	72,300	146,783
Other	6,450	59,107
<b>Total current liabilities:</b>	<b>375,212</b>	<b>555,577</b>
<b>Noncurrent liabilities:</b>		
Lease obligations	—	5,400
<b>Total noncurrent liabilities:</b>	<b>—</b>	<b>5,400</b>
<b>Total liabilities:</b>	<b>375,212</b>	<b>560,977</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	2,267,332	2,521,487
Capital surplus	3,679,892	3,934,047
<b>Retained earnings</b>		
Other retained earnings		
Reserve for advanced depreciation of noncurrent asset	1,693	993
Retained earnings brought forward	(3,365,977)	(3,124,158)
<b>Total retained earnings:</b>	<b>(3,364,284)</b>	<b>(3,123,164)</b>
<b>Total shareholders' equity</b>	<b>2,582,940</b>	<b>3,332,370</b>
Subscription rights to shares	5,805	2,995
<b>Total net assets</b>	<b>2,588,745</b>	<b>3,335,365</b>
<b>Total liabilities and net asset:</b>	<b>2,963,958</b>	<b>3,896,343</b>

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## (2) Non-Consolidated Statements of Income

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	FY2007 (Oct.2007-Sep.2008)	FY2008 (Oct.2008-Sep.2009)
Net sales	1,838,469	2,797,742
Cost of sales	742,573	805,589
Gross profit	1,095,896	1,992,153
Selling, general and administrative expense	1,763,374	1,711,078
Operating profit (loss)	(667,477)	281,074
Non-operating income		
Interest income	3,475	7,705
Interest on securities	8,112	151
Gain on investments in partnership	6,204	8,051
Rent income on facilities	5,421	—
Insurance income	—	86,322
Other	5,395	10,804
Total non-operating income	28,609	113,035
Non-operating expenses		
Interest expenses	1,019	190
Stock issuance cost	1,800	2,827
Bond issuance cost and warrant cost	30	—
Foreign exchange losses	55,479	67,442
Rent expenses on facilities	6,967	—
Other	253	4,601
Total non-operating expenses	65,550	75,061
Ordinary profit (loss)	(704,418)	319,048
Extraordinary income		
Gain on sales of noncurrent assets	469	—
Total extraordinary income	469	—
Extraordinary loss		
Loss on retirement of noncurrent assets	156	3,505
Impairment loss	—	42,435
Loss on sales of investment securities	6,048	10,359
Loss on valuation of investment securities	983,960	12,866
Total extraordinary losses	990,165	69,166
Income (loss) before income taxes	(1,694,115)	249,881
Income taxes-current	8,722	8,762
Total income taxes	8,722	8,762
Net income (loss)	(1,702,837)	241,119

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### (3) Non-Consolidated Statements of Changes in Net Assets

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	FY2007 (Oct.2007-Sep.2008)	FY2008 (Oct.2008-Sep.2009)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	2,193,030	2,267,332
Changes of items during the period		
Issuance of new shares	74,302	254,155
Total changes of items during the period	74,302	254,155
Balance at the end of current period	<u>2,267,332</u>	<u>2,521,487</u>
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	3,605,552	3,679,892
Changes of items during the period		
Issuance of new shares	74,340	254,155
Total changes of items during the period	74,340	254,155
Balance at the end of current period	<u>3,679,892</u>	<u>3,934,047</u>
Total capital surplus		
Balance at the end of previous period	3,605,552	3,679,892
Changes of items during the period		
Issuance of new shares	74,340	254,155
Total changes of items during the period	74,340	254,155
Balance at the end of current period	<u>3,679,892</u>	<u>3,934,047</u>
Retained earnings		
Other retained earnings		
Reserve for advanced depreciation of noncurrent asset		
Balance at the end of previous period	2,675	1,693
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	(982)	(700)
Total changes of items during the period	(982)	(700)
Balance at the end of current period	<u>1,693</u>	<u>993</u>
Retained earnings brought forward		
Balance at the end of previous period	(1,664,122)	(3,365,977)
Changes of items during the period		
Reversal of reserve for advanced depreciation of noncurrent assets	982	700
Net income (loss)	(1,702,837)	241,119
Total changes of items during the period	(1,701,854)	241,819
Balance at the end of current period	<u>(3,365,977)</u>	<u>(3,124,158)</u>
Total retained earnings		
Balance at the end of previous period	(1,661,447)	(3,364,284)
Changes of items during the period		
Net income (loss)	(1,702,837)	241,119
Total changes of items during the period	(1,702,837)	241,119
Balance at the end of current period	<u>(3,364,284)</u>	<u>(3,123,164)</u>

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	FY2007 (Oct.2007-Sep.2008)	FY2008 (Oct.2008-Sep.2009)
<b>Total shareholders' equity</b>		
Balance at the end of previous period	4,137,135	2,582,940
Changes of items during the period		
Issuance of new shares	148,642	508,310
Net income (loss)	(1,702,837)	241,119
Total changes of items during the period	<u>(1,554,194)</u>	<u>749,429</u>
Balance at the end of current period	<u>2,582,940</u>	<u>3,332,370</u>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	(55,535)	
Changes of items during the period		
Net changes of items other than shareholders' equity	55,535	—
Total changes of items during the period	<u>55,535</u>	<u>—</u>
Balance at the end of current period		
<b>Subscription rights to shares</b>		
Balance at the end of previous period	6,697	5,805
Changes of items during the period		
Net changes of items other than shareholders' equity	(892)	(2,810)
Total changes of items during the period	<u>(892)</u>	<u>(2,810)</u>
Balance at the end of current period	<u>5,805</u>	<u>2,995</u>
<b>Total net assets</b>		
Balance at the end of previous period	4,088,296	2,588,745
Changes of items during the period		
Issuance of new shares	148,642	508,310
Net income (loss)	(1,702,837)	241,119
Net changes of items other than shareholders' equity	54,643	(2,810)
Total changes of items during the period	<u>(1,499,551)</u>	<u>746,619</u>
Balance at the end of current period	<u>2,588,745</u>	<u>3,335,365</u>

*Several account titles of MEDINET's financial results above are different from those in the financial reports disclosed by FY2007, because MEDINET adopts the EDINET Taxonomy, a uniformed account titles defined by Financial Service Agency of Japan, in accordance with start of XBRL data submission of financial reports.*

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## **6. Business Risks**

Risks which have influences to our business are listed as below. Even if we do not recognize as Business Risks, the points which we consider important factors for investors to make investment decisions are disclosed as Business Risks in positive manner in order to benefit such investors.

Although we have the management policy to avoid such risks and will take every possible countermeasure, based upon our risk perception, the investment decision to MEDINET's share(s) should be made after deep consideration over the following written contents and others. Investors should recognize that the following description may not cover all risks relating to investment the share(s).

### **(1) Risk with respect to Pricing of Services**

Since Immuno-Cell Therapy is one of the advanced medical treatment, it is not covered by, so-called, National Health Insurance System in Japan ("NHIJ,") compared with standard cancer therapies such as Surgery Radiotherapy, Chemotherapy (anti-cancer drug,) which are covered by NHIJ. When Immuno-Cell Therapy is practiced at medical service providers under NHIJ, whole course of treatment, including Immuno-Cell Therapy is treated as the medical treatment at one's own expense. A total medical service charge for each course of Immuno-Cell Therapy at our Contracted Medical Institutions will be JPY1.5 – 2.1 mil., which depends on the type of treatment conducted with diagnosis by a medical doctor.

### **(2) Risks on Competition and Competitors**

#### **(a) Competitors in Immuno-Cell Therapy market**

Recently some venture companies entered into Immuno-Cell Therapy market with imitating our business model. Such movement will give impacts to expand the market with accelerating new technology innovation, however, MEDINET are afraid of deteriorating patients' benefits under the situation of mixture of business entities from high quality to very low quality in its operation. If a newly entered venture company into the market cause a problem, the reputation of whole market will be deteriorated, and it may cause a negative influence indirectly onto MEDINET.

#### **(b) Competition in accordance with progress of Bio Technology**

While Bio Technology industry where MEDINET belong has quickly been changed and expanded, especially R&D for new medicines in cancer therapy area is in rapid progress. Molecular targeted therapeutics for cancer (new type of medicine with function to work with cells relating to disease) and angiogenesis inhibitors (medicine to inhibit vascular endothelial growth), which are under development by large pharmaceutical companies, are expected to be used by combination with Immuno-Cell Therapy and its combined effect. In the case that new drug with higher efficacy, which is not appropriate in combined with Immuno-Cell Therapy, will be developed, our business result may be influenced by such development.

In addition, although we focus on following to the most advanced technologies and developing the most brand new therapeutics among our peer group, delay on following to the technology innovation and/or appearance of novel therapeutics as the alternatives in Immuno-Cell Therapy, which is our current focused area, may give impacts to our business result.

### **(3) Risks in Quality Assurance**

In respect of cell therapeutics field where MEDINET conducts business activities, while medical treatment based upon rapidly progressing most advanced technology, standard in safety management and quality assurance is not well established. We have a view that whole industry will establish such standard in future with cooperation/volunteer organization among peer group; e.g.: to assure the sufficient level of safety and so on.

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Under such business environment, Medinet obtained ISO9001 certification as a first certified organization in the area of cell therapy supporting business on March 19, 2004, which International Standard Organization established as an international Quality Management System. In the light of our understanding over ISO9001 certification, it is affirmed by the independent third party organization that MEDINET's cell therapy supporting business activities are fairly conducted in accordance with the global standard.

(a) Securement of Abacterial

In order to avoid bacterial contamination and to keep abacterial in cell processing operation, air cleanliness at Cell Processing Centers is set and controlled at the similar level of facility conditions to "sterile drug manufacturing area" of GMP.

(b) Prevention of Mixed-up Cells and Viral Infection

In order to prevent mixed-up cells and viral infection, in compliance with Guideline of Ministry of Health, Labour and Welfare in Japan, which stipulates cell handling, tissue handling and risk elimination.

(c) Material Control

In respect of cell culture media and reagents, Medinet have reached strict agreement in purchasing from manufactures in order to prove safe materials for cell processing. And we emphasize on Quality Management System such as supply management, inventory control and quality control to avoid off-specification product in culture media and reagents.

(4) Influence by Regulations

Since MEDINET's cell therapy supporting services are provided to medical institutions, it could relate to Medical Practitioners Law and Pharmaceutical Affairs Law of Japan as a regulation for such services. However, at this moment, MEDINET's "Immuno-Cell Therapy Total Support Service" is not regulated by aforesaid Laws.

(a) Medical Practitioners Law

Medical Practitioners Law stipulates conditions to be a Medical Doctor and its behaviour, and also it specifies in its Article 17 in respect of medical practice; "Only a Medical Doctor can provide medical practice." Under MEDINET's Immuno-Cell Therapy Total Support Service, our technicians seconded to Contracted Medical Institutions conduct cell processing and quality assurance business activities. Such activities by our seconded staff subserve a part of whole process in medical practice (Immuno-Cell Therapy) by medical doctors at such medical institutions. Since those activities are conducted under control and supervision of a medical doctor, our seconded staff is not recognized to provide medical practice stipulated in Article 17 of Medical Practitioners Law. With respect to other business activities by MEDINET, so far, there have not been any activities, which fall under the category of regulation by Medical Practitioners Law.

(b) Pharmaceutical Affairs Law

Pharmaceutical Affairs Law stipulates to assure efficacy and safety of pharmaceutical products and other related products, and also it specifies in its Article 12 in respect of manufacturing; "Only the authorized as manufacturers of pharmaceutical products and other related products can manufacture such products as a business." Notwithstanding to the above, activities of cell processing for patients by medical institutions are not treated as manufacture of pharmaceutical products and other related products under Pharmaceutical Affairs Law. Medinet provides whole solutions such as facilities, technologies and know-how, cell engineers, materials, quality control and software, which enable medical doctors to implement Immuno-Cell Therapy, as Immuno-Cell therapy Total Support Service. Cell processing of each patient at Contracted medical Institutions has been conducted under control and supervision of medical doctors. Therefore, our business activities are not regulated by the regulation of Article 12 in Pharmaceutical Affairs Law as "manufacture of pharmaceutical products and other related products." With respect to other business activities by MEDINET, so far, there have not been any activities, which fall under the category of regulation by Pharmaceutical Affairs Law.

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## **Footnote**

### **\*1: Comparison of financial results with those disclosed in the previous fiscal year (period)**

Comparison of financial results of the current period, FY 2008 (October 2008 - September 2009) with those of the previous period (FY2007; October 2007 - September 2008) is unable to be provided, because the consolidated financial statements in FY2007 were not prepared; However, MEDINET has started to consolidate its financial results since the current fiscal year.

The financial policy of MEDINET has been changed in FY2008 to consolidate Institute of Medical Service Management, Inc., a wholly owned subsidiary of MEDINET, of which importance became higher due to its steady net sales increase.

For further information about the consolidated accounts, please see the press release "Consolidated Interim and Full-Year Earnings Forecast for Fiscal Year 2008" disclosed on January 23, 2009 at [http://www.medinet-inc.co.jp/english/IR/IR\\_06.htm](http://www.medinet-inc.co.jp/english/IR/IR_06.htm).

### **\*2: Net Sales**

Consolidated net sales for FY2008 reaches JPY 2,900 million; MEDINET Group has achieved such net sales by intensive marketing activities towards medical institutions in order to increase number of medical institutions which provide cancer treatment with MEDINET's Immuno-Cell Therapy technology and to expand its network with medical doctors and healthcare professionals for future alliance, as well as aggressive marketing activities towards cancer patients in order to improve their perception towards Immuno-Cell Therapy as an option of cancer treatments.

### **\*3: Operating Profit**

Consolidated operating profit for FY2008 reaches JPY 293 million, reflecting improvement in consolidated gross operating profit due to increased consolidated net sales.

### **\*4: Ordinary Profit**

MEDINET Group earns JPY 323 million as its consolidated ordinary profit for FY2008. Apart from above stated increase in consolidated gross operating profit, the consolidated ordinary profit includes 86 million non-operating income from insurance proceeds. In respect of the investment in MASA Life Science Ventures, LP (MLSV,) there are two aspects of its revaluation as non-operating profit and non-operating loss; (1) JPY 8 million increase of net assets value denominated in the U.S. dollar is recognized as its investment activities, and (2) JPY 67 millions devaluation is acknowledged as the result of Japanese yen appreciation against U.S.dollar.

### **\*5: Net Income**

MEDINET Group earns JPY 245 million as its consolidated net income for FY2008. Such consolidated net income includes 42 million impairment loss on Plant, Property and Equipment, and 12 million on devaluation of investment securities, which MEDINET Group has invested in start-up ventures other than MLSV.

*The Financial Forecast and other contents found in this press release are based upon assumptions and beliefs of MEDINET at the time of preparation. In the event of any discrepancies, the original release in Japanese language shall prevail.*

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