

To Whom It May Concern:

Yoshiji KIMURA
 Representative Director of the Board and
 Chief Executive Officer
 MEDINET Co., Ltd. (TSE-Mothers, #2370)
 2-5-14, Shin-Yokohama, Kohoku-ku,
 Yokohama, Kanagawa, Japan
 Tel: +81 (0)45-478-0041 (Switchboard)
 Email: ir@medinet-inc.co.jp

Consolidated Quarterly Financial Report - 1Q, Fiscal Year 2009 (October 2009 - September 2010)

1. Consolidated Financial Highlights - 1Q, FY2009 (October 2009 - December 2009)

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

(1) Sales & Income (Loss)

	Net Sales		Operating Profit		Ordinary Profit (Loss)		Net Income (Loss)	
	Amounts	Change (%)	Amounts	Change (%)	Amounts	Change (%)	Amounts	Change (%)
1Q, FY2009	791	32.2	142	—	156	—	154	—
1Q, FY2008	598	—	10	—	(51)	—	(64)	—

	Net Income (Loss) per Share	
	Amounts (Yen)	
1Q, FY2009	245.23	
1Q, FY2008	(109.45)	

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity per Total Assets	Shareholders' Equity per Share
	Amounts	Amounts	Change (%)	Amounts (Yen)
End of 1Q, FY2009	4,009	3,587	89.4	5,667.59
End of FY2008	3,889	3,317	85.2	5,298.23

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	Change (%)	Amounts	Change (%)	Amounts	Change (%)	Amounts	Change (%)
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	55.41	
FY2009	316.40	

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

All amounts are rounded down in thousands of yen.

	End of 1Q, FY2009 (Dec. 31, 2009)	End of FY2008 (Sep. 30, 2009) (Summary)
Assets		
Current assets		
Cash and deposits	1,482,707	1,395,316
Accounts receivable-trade	541,200	599,410
Raw materials and supplies	25,947	22,570
Short-term loans receivable	530,000	320,000
Other	76,022	178,035
Total current assets	2,655,876	2,515,332
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	457,400	435,891
Other, net	122,426	122,444
Total property, plant and equipment	579,827	558,336
Intangible assets	54,201	52,414
Investments and other assets		
Investment securities	506,305	505,621
Other	213,552	257,804
Total investments and other assets	719,857	763,426
Total noncurrent assets	1,353,885	1,374,177
Total assets	4,009,762	3,889,510
Liabilities		
Current liabilities		
Accounts payable-trade	119,769	140,563
Income taxes payable	4,384	21,724
Provision for bonuses	36,362	146,783
Other	256,534	257,469
Total current liabilities	417,051	566,541
Noncurrent liabilities	4,994	5,400
Total liabilities	422,045	571,941
Net assets		
Shareholders' equity		
Capital stock	2,579,535	2,521,487
Capital surplus	3,992,095	3,934,047
Retained earnings	(2,986,313)	(3,140,961)
Total shareholders' equity	3,585,316	3,314,573
Subscription rights to shares	2,400	2,995
Total net assets	3,587,716	3,317,568
Total liabilities and net assets	4,009,762	3,889,510

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(2) Consolidated Quarterly Statements of Income

All amounts are rounded down in thousands of yen.

	1Q, FY2008 (Oct. 2008 - Dec. 2008)	1Q, FY2009 (Oct. 2009 - Dec. 2009)
Net sales	598,599	791,114
Cost of sales	188,500	240,230
Gross profit	410,098	550,884
Selling, general and administrative expenses	399,501	408,095
Operating profit	10,597	142,789
Non-operating income		
Interest income	394	2,818
Foreign exchange gains	–	10,036
Other	79	2,294
Total non-operating income	473	15,149
Non-operating expenses		
Interest expenses	–	56
Foreign exchange losses	61,936	–
Stock issuance cost	–	997
Other	160	–
Total non-operating expenses	62,097	1,054
Ordinary profit (loss)	(51,025)	156,883
Extraordinary loss		
Loss on retirement of noncurrent assets	1,374	–
Loss on sales of investment securities	10,359	–
Total extraordinary losses	11,733	–
Income (loss) before income taxes	(62,759)	156,883
Income taxes-current	2,208	2,235
Total income taxes	2,208	2,235
Net income (loss)	(64,967)	154,648

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(3) Consolidated Quarterly Statements of Cash Flows

All amounts are rounded down in thousands of yen.

	1Q, FY2008 (Oct. 2008 - Dec. 2008)	1Q, FY2009 (Oct. 2009 - Dec. 2009)
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(62,759)	156,883
Depreciation and amortization	29,169	30,683
Decrease in provision for bonuses	(35,986)	(110,420)
Interest and dividends income	(394)	(2,818)
Loss on sales of investment securities	10,359	–
Interest expenses	–	56
Foreign exchange losses (gains)	61,936	(10,036)
Loss on retirement of property, plant and equipment	1,374	–
Decrease (increase) in notes and accounts receivable-trade	(52,547)	58,210
Increase in inventories	(58)	(3,376)
Decrease in notes and accounts payable-trade	(7,807)	(20,794)
Increase (decrease) in accounts payable-other	(118,288)	132
Other, net	34,761	101,191
Subtotal	(140,241)	199,712
Interest and dividends income received	279	2,997
Interest expenses paid	–	(56)
Income taxes paid	(8,768)	(8,942)
Net cash provided by (used in) operating activities	(148,730)	193,711
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(4,880)	(60,769)
Purchase of intangible assets	(6,630)	(1,710)
Purchase of investment securities	–	(43,740)
Proceeds from sales of investment securities	18,161	–
Proceeds from redemption of investment securities	–	52,966
Payments of loans receivable	(120,000)	(390,000)
Collection of loans receivable	–	223,740
Other, net	2,931	(1,460)
Net cash provided by (used in) investing activities	(110,418)	(220,974)
Net cash provided by (used in) financing activities		
Repayments of lease obligations	–	(392)
Proceeds from issuance of common stock	–	114,472
Other, net	(129)	–
Net cash provided by (used in) financing activities	(129)	114,079
Effect of exchange rate change on cash and cash equivalents	(1,278)	574
Net increase (decrease) in cash and cash equivalents	(260,556)	87,390
Cash and cash equivalents at beginning of period	1,162,654	1,395,316
Cash and cash equivalents at end of period	902,097	1,482,707

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Consolidated Financial Results

Marketing Activities

In the first quarter of Fiscal Year 2009, MEDINET Group has focused its business activities on expansion of the Immuno-Cell Therapy market in order to maximize earning of its core service, Immuno-Cell Therapy Total Support Service. As such a business activity, MEDINET has carried out intensive marketing activities to provide appropriate and persuasive information, such as clinical evidence and recent achievements in R&D, to medical doctors and medical professionals, who have influential power on patient's decision-making process of treatment selection. On the other hands, MEDINET have also implemented other marketing activity for cancer patients and patients' families to increase their awareness of the Immuno-Cell Therapy via various media, its website, and publication.

As a result of both of the marketing activities, MEDINET has experienced a significant increase in the number of cell processings by surge of patients, newly starting the Immuno-Cell Therapy in our Contracted Medical Institutions and Allied Medical Institutions. In addition, such marketing activities have resulted to support increase in the number of Allied Medical Institutions. By the end of first three months in FY2009, medical institutions, conducting the Immuno-Cell Therapy with MEDINET technologies, have increased to 56 facilities throughout the nations.

Research and Development Activities

MEDINET is striving to bring new and more effective technologies in early practical use with priority on the following subjects: "Accumulation of clinical evidence for Immuno-Cell Therapy", "Development of new technologies to achieve Immuno-Cell Therapy with higher expected efficacy" and "improvement of efficiency in the cell-culturing process and cell transportation."

During the first three months in FY2009, MEDINET entered into the comprehensive collaborative research and development agreement with NanoCarrier Co., Ltd. ("NanoCarrier") in October, 2009. As the purpose of merging both companies' respective technologies and intellectual properties, know-how, and research networks, MEDINET and NanoCarrier will co-develop new pharmaceuticals and medical technologies in the field of cancer therapies. In December 2009, MEDINET, working jointly with the University of Tokyo Hospital, started two clinical studies for esophageal cancer (Stage IIA); one using novel Dendritic Cell Vaccine Therapy and the other using $\gamma\delta$ T-cell Therapy.

Profit/Loss

As a result of the first three months in FY2009, MEDINET achieved JPY 791,114 thousands in net sales (increase by JPY 192,514 thousands or 32.2% from the previous period) and JPY 142,789 thousands in operating profit (increase by JPY 132,191 thousands or 1,247.4% increase from the previous period). Such result was achieved not only by aforementioned intensive marketing activities strategically and efficiently, but also by optimization of administrative and management expenses while maintaining business activities.

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Ordinary profit for the first three months in FY2009 came to JPY 156,883 thousands while net income was JPY 154,648 thousands; this was a result of foreign exchange gains of JPY 10,036 thousands due to the depreciation of JPY compared with the previous fiscal year-end.

Consolidated Earnings Forecast

For the first three months in FY2009, net sales was within the estimate; operating profit, ordinary profit and net income were higher than our estimate, which was due to factors outlined below and foreign exchange gains from the depreciation of JPY against USD. Cost of sales was lower than our initial forecast mainly because of the slower pace of recruiting additional cell engineers for higher capacity of cell processing than the initial forecast. Selling, general and administrative expenses were lower than the initial forecast by shifting some of the R&D activities and marketing activities, which had been planned at the first quarter, to the second quarter or later.

With respect to sales in the second quarter and onwards, MEDINET will continue to aim for achievement of the initial forecasts by strengthening networks with medical doctors and medical institutions, and by expanding its cell-therapy supporting business including the Immuno-Cell Therapy Total Support Service and its related businesses. Although profit in the first three months of FY2009 was higher than our initial forecast, no change has been made to the initial forecast for the first half and full-year estimate by the reasons below. Note that changes have only been made in net income per share of the first half and full-year forecast due to changes in the average number of shares based upon the number of issued shares at the end of the first three months.

(Reasons for no change in the consolidated earnings forecast)

1. MEDINET expects that the cost of sales will be increased in the second quarter of FY2009 and onwards since MEDINET shall steadily continue to recruit cell engineers and inspection engineers.
2. MEDINET expects selling, general and administrative expenses to be the levels of initial forecasts, since the costs associated with the R&D activities and marketing activities in the first quarter have been postponed to the second quarter or later.
3. MEDINET does not take account foreign exchange gains as definitive profit in the earnings forecasts due to the fluctuation of foreign exchange rates under the uncertainty of the world market.

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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