

To Whom It May Concern:

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Consolidated Financial Report FY2009

(FY2009: October 2009 - September 2010)

1. Consolidated Financial Highlights - FY2009 (October 2009 – September 2010)

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

(1) Sales & Income

	Net Sales		Operating Profit		Ordinary Income		Net Income	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
FY2009	3,202	10.4	334	13.7	366	13.1	438	78.4
FY2008	2,900	—	293	—	323	—	245	—

	Net Income per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Operating Profit Margin
	Amount (Yen)	Amount (Yen)	%	%	%
FY2009	693.75	669.08	12.2	7.6	10.4
FY2008	410.77	—	8.4	9.4	10.1

(2) Financial Position

	Total Assets		Net Assets		Equity per Total Assets		Equity per Share	
	Amount	Change (%)	Amount	Change (%)	Amount (Yen)	Change (%)	Amount (Yen)	
End of FY2009	5,759	66.9	3,855	66.9	6,093.12	66.9	6,093.12	
End of FY2008	3,889	85.2	3,317	85.2	5,298.23	85.2	5,298.23	

(3) Cash Flow

	Net Cash from Operating Activities		Net Cash from Investing Activities		Net Cash from Financing Activities		Cash and Cash Equivalent at the End of Period	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount (Yen)	
FY2009	528	1,112	(73)	501	2,962	1,112	2,962	
FY2008	319	501	(587)	501	1,395	501	1,395	

2. Consolidated Earnings Forecasts – FY2010 (October 2010 – September 2011)

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

	Net Sales		Operating Profit		Ordinary Income		Net Income		Net Income per Share
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount (Yen)
Interim, FY2010	1,750	10.1	115	(54.7)	115	(56.3)	110	(57.7)	173.84
Full Year, FY2010	3,522	10.0	350	4.8	350	(4.4)	340	(22.4)	537.33

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

All amounts are rounded down in thousands of yen.

	End of FY2008 (Sep. 30, 2009)	End of FY2009 (Sep. 30, 2010)
Assets		
Current assets		
Cash and deposits	1,395,316	2,962,074
Trade accounts receivable	599,410	560,696
Raw materials and supplies	22,570	30,351
Deferred tax assets	—	140,707
Short-term loans receivable	320,000	—
Others	178,035	133,800
Total current assets	2,515,332	3,827,630
Noncurrent assets		
Property, plant and equipment		
Buildings and fixtures	787,895	829,172
Accumulated depreciation	(352,003)	(431,081)
Buildings and fixtures (net)	435,891	398,091
Machinery and equipment	38,477	67,401
Accumulated depreciation	(36,055)	(39,547)
Machinery and equipment (net)	2,421	27,854
Lease assets	8,300	29,769
Accumulated depreciation	(1,244)	(4,013)
Lease assets (net)	7,055	25,755
Construction in progress	53,982	27,224
Others	394,242	413,868
Accumulated depreciation	(335,256)	(348,610)
Others (net)	58,985	65,257
Total property, plant and equipment	558,336	544,183
Intangible assets	52,414	66,782
Investments and other assets		
Investment securities	505,621	479,790
Long-term loans receivable	44,605	—
Long-term prepaid expenses	—	714,993
Others	213,199	126,357
Total investments and other assets	763,426	1,321,141
Total noncurrent assets	1,374,177	1,932,107
Total assets	3,889,510	5,759,737
Liabilities		
Current liabilities		
Trade accounts payable	140,563	142,077
Lease obligations	1,590	5,158
Other accounts payable	—	579,645
Income taxes payable	21,724	18,987
Reserve for bonuses	146,783	107,441
Others	255,878	29,971
Total current liabilities	566,541	883,281
Noncurrent liabilities		
Convertible bond type debt with equity warrant	—	1,000,000
Lease obligations	5,400	21,004
Total noncurrent liabilities	5,400	1,021,004
Total liabilities	571,941	1,904,285

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	End of FY2008 (Sep. 30, 2009)	End of FY2009 (Sep. 30, 2010)
Net assets		
Equity		
Share capital	2,521,487	2,582,161
Share premium	3,934,047	3,994,721
Retained earnings	(3,140,961)	(2,702,405)
Total equity	3,314,573	3,874,477
Revaluation and translation adjustments		
Revaluation difference on investment securities and others	–	(19,026)
Total revaluation and translation adjustments	–	(19,026)
Equity warrant	2,995	–
Total net assets	3,317,568	3,855,451
Total liabilities and net assets	3,889,510	5,759,737

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(2) Consolidated Statements of Income

All amounts are rounded down in thousands of yen.

	FY2008 (Oct. 2008- Sep. 2009)	FY2009 (Oct. 2009 – Sep. 2010)
Net sales	2,900,215	3,202,490
Cost of sales	881,819	1,029,184
Gross profit	2,018,396	2,173,306
Selling, general and administrative expenses	1,724,631	1,839,293
Operating profit	293,764	334,012
Non-operating income		
Interest income	5,584	9,716
Dividends income	–	1
Gain on investment in LLP	8,051	–
Gain on revaluation of foreign exchange	–	31,801
Insurance claim paid	86,322	–
Others	1,069	13,661
Total non-operating income	101,028	55,225
Non-operating expenses		
Interest expenses	190	380
Loss on investments in LLP	–	13,351
Expense on issuance of convertible bond type debt and equity warrant	–	4,066
Loss on revaluation of foreign exchange	67,442	–
Others	3,177	5,168
Total non-operating expenses	70,810	22,967
Ordinary income	323,982	366,270
Extraordinary profit		
Gain on sales of noncurrent assets	–	63
Gain on expiration of equity warrant	–	2,400
Total extraordinary profit	–	2,463
Extraordinary losses		
Loss on retirement of noncurrent assets	3,505	1,733
Loss on impairment of property, plant and equipment	42,435	–
Loss on sales of investment securities	10,359	–
Loss on revaluation of investment securities	12,866	60,209
Total extraordinary losses	69,166	61,943
Income before income taxes	254,815	306,790
Income taxes		
Current	8,942	8,942
Deferred	–	(140,707)
Total income taxes	8,942	(131,765)
Net income	245,873	438,556

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(3) Consolidated Statements of Changes in Equity

All amounts are rounded down in thousands of yen.

	FY2008 (Oct.2008-Sep.2009)	FY2009 (Oct.2009-Sep.2010)
Equity		
Share capital		
Balance at the end of previous period	2,267,332	2,521,487
Changes of items during the period		
Issuance of new shares	254,155	60,673
Total changes of items during the period	254,155	60,673
Balance at the end of current period	2,521,487	2,582,161
Share premium		
Balance at the end of previous period	3,679,892	3,934,047
Changes of items during the period		
Issuance of new shares	254,155	60,673
Total changes of items during the period	254,155	60,673
Balance at the end of current period	3,934,047	3,994,721
Retained earnings		
Balance at the end of previous period	(3,386,835)	(3,140,961)
Changes of items during the period		
Net income	245,873	438,556
Total changes of items during the period	245,873	438,556
Balance at the end of current period	(3,140,961)	(2,702,405)
Total Equity		
Balance at the end of previous period	2,560,389	3,314,573
Changes of items during the period		
Issuance of new shares	508,310	121,347
Net income	245,873	438,556
Total changes of items during the period	754,183	559,904
Balance at the end of current period	3,314,573	3,874,477
Revaluation and translation adjustments		
Revaluation difference on investment securities and others		
Balance at the end of previous period	—	—
Changes of items during the period		
Changes of items other than equity during the period (net)	—	(19,026)
Total changes of items during the period	—	(19,026)
Balance at the end of current period	—	(19,026)
Total revaluation and translation difference		
Balance at the end of previous period	—	—
Changes of items during the period		
Changes of items other than equity during the period (net)	—	(19,026)
Total changes of items during the period	—	(19,026)
Balance at the end of current period	—	(19,026)

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	FY2008 (Oct.2008-Sep.2009)	FY2009 (Oct.2009-Sep.2010)
Equity warrant		
Balance at the end of previous period	5,805	2,955
Changes of items during the period		
Changes of items other than equity during the period	(2,810)	(2,955)
Total changes of items during the period	(2,810)	(2,955)
Balance at the end of current period	2,995	–
Net assets		
Balance at the end of previous period	2,566,194	3,317,568
Changes of items during the period		
Issuance of new shares	508,310	121,347
Net income	245,873	438,556
Changes of items other than equity during the period (net)	(2,810)	(22,021)
Total changes of items during the period	751,373	537,883
Balance at the end of current period	3,317,568	3,855,451

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(4) Consolidated Statements of Cash Flows

All amounts are rounded down in thousands of yen

	FY2008 (Oct. 2008 - Sep. 2009)	FY2009 (Oct. 2009 - Sep. 2010)
Net cash from operating activities		
Income before income taxes	254,815	306,790
Depreciation and amortization	123,870	129,380
Loss on impairment of noncurrent assets	42,435	—
Increase (decrease) of reserve for bonuses	74,483	(39,342)
Interest and dividends income	(5,584)	(9,762)
Interest expenses	190	380
Loss on revaluation of investment securities	12,866	60,290
Loss on sales of investment securities	10,359	—
Loss (gain) on investments in LLP	(8,051)	13,351
Loss (gain) on revaluation of foreign exchange	67,442	(31,568)
Loss on retirement of property, plant and equipment	3,505	1,733
Gain on sales of property, plant and equipment	—	(63)
Insurance claim paid	(86,322)	—
Gain on expiration of equity warrant	—	(2,400)
Expenses on issuance of shares	3,172	1,682
Expenses on issuance of convertible bond type debt and equity warrant	—	4,066
Decrease (increase) in trade accounts receivable	(261,662)	38,714
Increase of raw materials and supplies	(8,199)	(7,780)
Increase in trade accounts payable	50,681	1,514
Decrease in other accounts payable	(19,011)	(36,776)
Increase (decrease) in accrued consumption tax	51,417	(48,907)
Others (net)	16,842	146,060
Subtotal	323,251	527,283
Interest and dividends income received	5,310	10,043
Interest expenses paid	(190)	(380)
Income taxes paid	(8,768)	(8,942)
Net cash from operating activities	319,602	528,004
Net cash from investing activities		
Purchase of property, plant and equipment	(198,337)	(80,650)
Sales of property, plant and equipment	—	585
Increase in intangible assets	(18,620)	(24,720)
Increase in long-term prepaid expenses	—	(227,490)
Increase in investment securities	(25,445)	(163,383)
Sales of investment securities	18,161	—
Proceeds from redemption of investment securities	—	64,503
Increase in long-term loans receivable	(47,925)	—
Decrease in long-term loans receivable	—	43,740
Increase in short-term loans receivable	(820,000)	(1,060,000)
Decrease in short-term loans receivable	500,000	1,375,000
Increase in guarantee deposits	(5,643)	(1,760)
Decrease in guarantee deposits	10,208	240
Net cash from investing activities	(587,601)	(73,935)

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	FY2008 (Oct. 2008 - Sep. 2009)	FY2009 (Oct. 2009 - Sep. 2010)
Net cash from financing activities		
Proceeds from issuance of convertible bonds type debt with equity warrant	–	955,933
Proceeds from issuance of shares	502,357	119,040
Repayments of lease obligations	(1,308)	(2,298)
Net cash from financing activities	501,048	1,112,675
Exchange adjustment on cash and cash equivalents	(387)	13
Net increase in cash and cash equivalents	232,661	1,566,758
Cash and cash equivalents at the beginning of period	1,162,654	1,395,316
Cash and cash equivalents at the end of period	1,395,316	2,962,074

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4. Business Risks

Risks which have influences to our business are listed as below. Even if we do not see them as Business Risks, the points which we consider important factors for investors are disclosed as following Business Risks in a prudent manner to benefit such investors' decision making.

Although we have the management policy to minimize 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 are recommended to recognize that the following descriptions may not cover all risks relating to investment.

(1) Risk with respect to Pricing of Services

Since Immuno-Cell Therapy is one of the advanced medical treatment, it is not covered by National Health Insurance System in Japan ("NHIJ"), compared with standard cancer therapies such as Surgery, Radiotherapy, and Chemotherapy (anti-cancer drug) which are covered by NHIJ. When Immuno-Cell Therapy is practiced by medical service providers under NHIJ, whole course of treatment including Immuno-Cell Therapy is not treated as an insurance-covered medical treatment. 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 types of the treatment conducted 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 a similar to our business model, which will have great impacts upon the market. While such movement contributes to expand the Immno-Cell Therapy market, it may deteriorate patients' benefits from low-quality service, provided by newly entered business entities. If such a newly entered venture company makes a problem in the treatment, the reputation of whole market would be affected, and thus it may cause a negative influence indirectly onto MEDINET.

(b) Competition in accordance with progress of Bio Technology

Bio Technology industry has been changed and expanded with fast speed, and especially R&D of new medicines in cancer therapy area is in rapid progress. Molecular targeted drugs 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, can be used as a combination therapy with Immuno-Cell Therapy, expected for its combined therapeutic effect. If a new drug with higher efficacy which can not be used in combination with Immuno-Cell Therapy will be developed, our business result may be influenced by such development.

In addition, although we focus on developing the most advanced technologies and the latest therapeutics, delay in such technology developments for innovation of novel therapeutics may have impacts on our business result.

(3) Risks in Quality Assurance

In respect of cell therapeutics field where MEDINET manages its business activities, public standards in safety management and quality assurance are not well-established. We have a view that whole industry will establish such public standards in the future.

Under such business environment, MEDINET obtained ISO9001 certification as the first certified organization in cell therapy field on March 19, 2004. In the light of our understanding over ISO9001 certification, MEDINET's cell therapy supporting business activities are fairly conducted in accordance with the global standard as it is acknowledged by the independent third party organization.

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(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 maintained and controlled at the similar level of facility conditions of “sterile drug manufacturing area” of GMP facility.

(b) Prevention of Cross-Contamination of Cells and Viral Infection

Prevention of cross-contamination for 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 has reached strict purchasing agreement with manufacturers 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. Although, at this moment, MEDINET’s “Immuno-Cell Therapy Total Support Service” is out of scope of aforesaid Laws, changes in these regulations may have influence upon MEDINET’s business activities.

(a) Medical Practitioners Law

Medical Practitioners Law stipulates conditions to become a Medical Doctor, and also specifies in its Article 17 in respect of medical practice; “Only a Medical Doctor can conduct medical practice.” Under MEDINET’s Immuno-Cell Therapy Total Support Service, our cell engineers who seconded to Contracted Medical Institutions conduct cell processing and quality assurance. Such cell processing and quality assurance activities are considered as activities by our seconded staff subserve a part of medical practice (Immuno-Cell Therapy). Since those activities are conducted under control and supervision of a medical doctor, cell-engineers are 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 Medical Practitioners Law.

(b) Pharmaceutical Affairs Law

Pharmaceutical Affairs Law stipulates to assure efficacy and safety of pharmaceutical products and other related products. It also 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 are not categorized as manufacture of pharmaceutical products and other related products under the Pharmaceutical Affairs Law. MEDINET provides whole services, including facilities, technologies and know-how, cell engineers, materials, quality control and software, which enable medical doctors to implement Immuno-Cell Therapy with efficiency, 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 carried by MEDINET, any activity is not fallen under the category of regulation by Pharmaceutical Affairs Law.

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5. Business Results

Marketing Activities

In fiscal year 2009 (FY2009,) MEDINET Group has focused its business activities on expansion of the Immuno-Cell Therapy market in order to maximize revenue of its core service, Immuno-Cell Therapy Total Support Service. As part of such business activities, MEDINET Group has implemented intensive marketing activities targeting a) medical doctors and medical professionals, who have influence on patients' decision-making in the process of treatment selection and b) cancer patients and patients' families, most of who are unfamiliar with such highly advanced Immuno-Cell Therapy. Seeking to broaden therapeutic channels of the Immuno-Cell Therapy, MEDINET has provided appropriate and persuasive information, such as expected efficacy, clinical evidence and recent achievements of its R&D activities to medical doctors and medical professionals. As a result of the marketing activities, the number of Allied Medical Institutions conducting the Immuno-Cell Therapy has increased to 63 facilities by the end of FY2009. Such an increase in the number of Allied Medical Institutions enables to improve patients' accessibility toward the Immuno-Cell Therapy. Meanwhile, MEDINET also provides information of Immuno-Cell Therapy via various media such as internet websites, seminars and publications, to cancer patients and patients' families. Consequently, an awareness of Immuno-Cell Therapy among cancer patients and their families has been raised, and the number of patients newly starting the Immuno-Cell Therapy in its Contracted Medical Institutions and their Allied Medical Institutions has increased. As a result, these activities have led an increase in the number of cell processings so as to sales of MEDINET.

R&D Activities

In order to achieve the timely commercialization of new effective technologies, which has expected therapeutic effect of conventional Immuno-Cell Therapy, MEDINET continues to prioritize the following subjects: a) accumulating clinical evidence for Immuno-Cell Therapy, b) developing new technology which leads to higher expected efficacy of Immuno-Cell Therapy, and c) efficient improvement in cell culturing process and technology as well as in logistics for processed cells. During FY2009, MEDINET entered into a comprehensive collaborative research and development agreement with NanoCarrier Co., Ltd. ("NanoCarrier") in October 2009, which aims to integrate both companies' respective technologies and intellectual properties, know-how, and research networks so that MEDINET and NanoCarrier can co-develop new pharmaceuticals and medical technologies in the field of cancer therapies. In addition, MEDINET and the University of Tokyo Hospital started two collaborative clinical studies for esophagus cancer (Stage IIA) in December 2009: one using novel Dendritic Cell Vaccine Therapy and the other using $\gamma\delta$ (gamma delta) T-cell Therapy. In May 2010, MEDINET, working together with the Japan Red Cross Medical Center and others, started a collaborative clinical study on a combination therapy of antibody drugs and Immuno-Cell Therapy, aiming establishment of new therapeutic options for cancer patients with CD20-positive B cell lymphoma. Furthermore, MEDINET and University of Tokyo Hospital started collaborative clinical study to investigate safety on intraperitoneal injection of $\gamma\delta$ T-cell for gastric cancer patients with ascites under approval of Institutional Review Board, University of Tokyo Hospital.

Financial Results

As a result of the aforementioned marketing activities, MEDINET Group earned JPY 3,202,490 thousand in its consolidated net sales for FY2009 (October 2009 – September 2010), increasing by 10.4% (JPY 302,275 thousand) from the previous fiscal year (FY2008; October 2008 – September 2009). As well as MEDINET strategically and efficiently implemented intensive marketing activities mentioned in the sections above, it also continued to optimize cost structure while maintaining the quality of operations.

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Contributed by such efforts, MEDINET achieved JPY 334,012 thousand in the consolidated operating profit for FY 2009, increasing by 13.7% (JPY 40,248 thousand) from FY2008. In addition, MEDINET earned JPY 366,270 thousand as its consolidated ordinary income, increasing by 13.1% (JPY 42,288 thousand) from FY2008, mainly due to JPY 9,716 thousand of interest income, JPY 13,351 thousand of loss on investment in LLP and JPY 31,801 thousand of foreign exchange gain on revaluation of liabilities denominated in USD resulting from appreciation of JPY against USD from the end of FY2008.

Although MEDINET Group recognized a loss on revaluation of investment securities of JPY 60,209 thousand, it also recognized elimination of deferred tax charge of JPY 140,707 thousand. As a result, its consolidated net income reached at JPY 438,556 thousand, increasing by 78.4% (JPY 192,682 thousand) from FY2008.

Financial Position

MEDINET recorded its total assets at the end of FY2009 as JPY 5,759,737 thousand, increasing by JPY 1,870,226 thousand from the end of FY2008, as a result of an increase of JPY 1,566,758 thousand in cash and deposit.

Net assets at the end of FY2009 was JPY 3,855,451 thousand, increasing by JPY 537,883 thousand from the end of FY2008 resulted from an increase of the consolidated net income of JPY 438,556 thousand.

At the end of FY2009, MEDINET recorded JPY 1,904,285 thousand as its liabilities, increasing by JPY 1,332,343 thousand from the end of FY2008. This increase mainly resulted from the financing of JPY 1,000,000 thousand by the issuance of convertible bond type debt with equity warrant.

For further information of MEDINET's financing, the convertible bond type debt with equity warrant, please refer to the press release, announced on March 25, 2010 "Issuance of the Unsecured Convertible Bonds with Stock Acquisition Rights through Third Party Allotment" at http://www.medinet-inc.co.jp/images/admin/english/81_20100325TokyoMarine_FINAL.pdf.

Consolidated Earnings Forecasts

In FY 2010 (October 2010 – September 2011), MEDINET shall accelerate aforementioned marketing activities and R&D activities in order to expand its core business and other related businesses. Therefore, MEDINET Group expects to achieve JPY 1,750 million as its consolidated net sales for interim FY2010, increasing by 10.1% from the same period for FY 2009, as well as JPY 3,522 million as its consolidated net sales for full year FY2010, increasing by 10.0% from FY2009. Moreover, MEDINET expects to earn its consolidated operating profit of JPY 350 million for FY2010 (increasing by 4.8% from FY2009), its consolidated ordinary income of JPY 350 millions (decreasing by 4.4% from FY2009) and its net income of JPY 340 millions (decreasing by 22.4% from FY2009).

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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