

To Whom It May Concern:

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Consolidated Financial Report, 1Q, FY2010

(FY2010: October 2010 - September 2011)

1. Consolidated Financial Highlights – 1Q, FY2010 (October 2010 – December 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 (%)
1Q, FY2010	740	(6.4)	52	(62.9)	36	(76.7)	5	(96.2)
1Q, FY2009	791	32.2	142	—	156	—	154	—

	Net Income per Share	Diluted Net Income per Share
	Amount (Yen)	Amount (Yen)
1Q, FY2010	8.91	8.28
1Q, FY2009	245.23	—

(2) Financial Position

	Total Assets	Net Assets	Equity per Total Assets	Equity per Share
	Amount	Amount	Change (%)	Amount (Yen)
End of 1Q, FY2010	8,189	5,952	72.7	8,123.13
End of FY2009	5,759	3,855	66.9	6,093.12

(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	Amount	Change (%)	Amount (Yen)
1Q, FY2010	94	(597)	2,586	5,045
1Q, FY2009	193	(220)	114	1,482

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)	158.06
Full Year, FY2010	3,522	10.0	350	4.8	350	(4.4)	340	(22.4)	475.92

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

All amounts are rounded down in thousands of yen.

	End of 1Q, FY2010 (Dec. 31, 2010)	End of FY2009 (Sep. 30, 2010)
Assets		
Current assets		
Cash and deposits	3,645,703	2,962,074
Trade accounts receivable	498,824	560,696
Marketable securities	1,699,876	–
Raw materials and supplies	49,427	30,351
Others	278,355	274,507
Total current assets	6,172,186	3,827,630
Noncurrent assets		
Property, plant and equipment (net)	582,804	544,183
Intangible assets	89,116	66,782
Investments and other assets	1,345,392	1,321,141
Total noncurrent assets	2,017,313	1,932,107
Total assets	8,189,500	5,759,737
Liabilities		
Current liabilities		
Trade accounts payable	134,055	142,077
Short-term loans payable	500,000	–
Income taxes payable	7,987	18,987
Reserve for bonuses	38,231	107,441
Others	436,183	614,774
Total current liabilities	1,116,458	883,281
Noncurrent liabilities		
Convertible bond type debt with equity warrant	1,000,000	1,000,000
Asset retirement obligations	77,331	–
Others	43,443	21,004
Total noncurrent liabilities	1,120,774	1,021,004
Total liabilities	2,237,233	1,904,285
Net assets		
Equity		
Share capital	3,631,011	2,582,161
Share premium	5,043,571	3,994,721
Retained earnings	(2,696,525)	(2,702,405)
Total equity	5,978,057	3,874,477
Revaluation and translation adjustments		
Revaluation difference on investment securities and others	(25,789)	(19,026)
Total revaluation and translation adjustments	(25,789)	(19,026)
Total net assets	5,952,267	3,855,451
Total liabilities and net assets	8,189,500	5,759,737

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(2) Consolidated Statements of Income

All amounts are rounded down in thousands of yen.

	1Q, FY2009 (Oct. 2009 - Dec. 2009)	1Q, FY2010 (Oct. 2010 – Dec. 2010)
Net sales	791,114	740,117
Cost of sales	240,230	249,433
Gross profit	550,884	490,683
Selling, general and administrative expenses	408,095	437,732
Operating profit	142,789	52,951
Non-operating income		
Interest income	2,818	1,159
Gain on revaluation of foreign exchange	10,036	3,075
Others	2,294	706
Total non-operating income	15,149	4,942
Non-operating expenses		
Interest expenses	56	1,586
Expenses on issuance of shares	997	18,832
Others	–	980
Total non-operating expenses	1,054	21,399
Ordinary income	156,883	36,493
Extraordinary loss		
Loss with applying accounting standard for asset retirement obligations	–	20,630
Total extraordinary loss	–	20,630
Income before income taxes	156,883	15,863
Income taxes		
Current	2,235	2,235
Deferred	–	7,748
Total income taxes	2,235	9,983
Income before minority interests	–	5,879
Net income	154,648	5,879

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(3) Consolidated Statements of Cash Flows

All amounts are rounded down in thousands of yen

	1Q, FY2009 (Oct. 2009 - Dec. 2009)	1Q, FY2010 (Oct. 2010 - Dec. 2010)
Net cash from operating activities		
Income before income taxes	156,883	15,863
Depreciation and amortization	30,683	34,293
Decrease of reserve for bonuses	(110,420)	(69,209)
Interest and dividends income	(2,818)	(1,159)
Interest expenses	56	1,586
Gain on revaluation of foreign exchange	(10,036)	(3,061)
Loss with applying accounting standard for asset retirement obligations	–	20,630
Expenses on issuance of shares	–	18,832
Decrease in trade accounts receivable	58,210	61,871
Increase of raw materials and supplies	(3,376)	(19,075)
Decrease in trade accounts payable	(20,794)	(8,021)
Increase in other accounts payable	132	241
Others (net)	101,191	51,478
Subtotal	199,712	104,270
Interest and dividends income received	2,997	1,097
Interest expenses paid	(56)	(2,087)
Income taxes paid	(8,942)	(8,942)
Net cash from operating activities	193,711	94,338
Net cash from investing activities		
Increase in fixed-term deposit	–	(300,000)
Cash-out from purchase of property, plant and equipment	(60,769)	(10,029)
Cash-out from purchase of intangible assets	(1,710)	(26,927)
Cash-out from long-term prepaid expenses paid	–	(208,819)
Increase in investment securities	(43,740)	(56,594)
Cash-in from redemption of investment securities	52,966	5,226
Cash-out from loans receivable	(390,000)	–
Cash-in from loans receivable	223,740	–
Others	(1,460)	–
Net cash from investing activities	(220,974)	(597,143)
Net cash from financing activities		
Increase in short-term loans payable	–	500,000
Cash-in from issuance of shares	114,472	2,088,365
Repayments of lease obligations	(392)	(1,527)
Net cash from financing activities	114,079	2,586,837
Exchange adjustment on cash and cash equivalents	574	(526)
Net increase in cash and cash equivalents	87,390	2,083,505
Cash and cash equivalents at the beginning of period	1,395,316	2,962,074
Cash and cash equivalents at the end of period	1,482,707	5,045,579

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4. Business Results

Marketing Activities

In the first quarter for fiscal year 2010 (FY2010), MEDINET Group has continued to focus 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.

R&D Activities

In order to achieve 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) improving cell culturing process and technology as well as logistics for processed cells. In the first quarter for FY2010, MEDINET entered into a collaborative study to statistically analyze on therapeutic efficacy of Immuno-Cell Therapy with Faculty of Medicine, Institute of Medical, Pharmaceutical and Health Sciences, Kanazawa University and Kanazawa Advanced Medical Center and Seta Clinic Group, Non-Profit Medical Corporation KOSHIKAI in November 2010. In addition, MEDINET collaboratively launched a new clinical study with Tokyo Medical University and other institutions to investigate therapeutic efficacy on combination therapy of radiofrequency ablation therapy and gamma-delta T Cell Therapy against hepatitis C virus-related primary hepatocellular carcinoma.

Financial Results

MEDINET Group earned JPY 740,117 thousand as its consolidated net sales in the first quarter for FY2010 (October 2010 – December 2010), decreasing by 6.4% (JPY50,997 thousand) from the same period of its previous fiscal year (October 2009 – December 2009). It is seemed that this result was influenced by a press story covered on a famous newspaper against the Immuno-Cell Therapy, which limited effectiveness of its marketing activities' performance.

For consolidated operating profit, MEDINET earned JPY52,951 thousand, decreasing by 62.9% (JPY89,837 thousand) in the first quarter for FY2010. On its marketing activities mentioned in the sections above, some planned activities suspended so that selling expenses declined by 12.2%, while general and administration expenses increased by 13.0% mainly due to licensing expenses and other commissions fees paid.

MEDINET Group earned JPY 36,493 thousand as its consolidated ordinary income, decreasing by 76.7% (JPY 120,389 thousand) from the same period in the previous fiscal year, mainly due to JPY18,832 thousand of expenses related to issuance of shares resulted from secondary offering.

In addition, MEDINET earned JPY 5,879 thousand as its consolidated net income, decreasing by 96.2% (JPY 148,768 thousand) from the same period in the previous fiscal year, mainly MEDINET recorded extraordinary loss such as JPY20,630 thousand of loss with applying accounting standard for asset retirement obligations and JPY 7,748 thousand of loss from deferred tax income.

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Financial Position

MEDINET recorded its total assets at the end of first quarter for FY2010 as JPY 8,189,500 thousand, increasing by JPY 2,429,763 thousand from the end of FY2009, mainly because of an increase of JPY 1,699,876 thousand in marketable securities.

At the end of first quarter for FY2010, MEDINET recorded JPY 2,237,233 thousand as its liabilities, increasing by JPY 332,940 thousand from the end of FY2009. This increase mainly resulted from short-term loans payable of JPY 500,000 thousand.

Net assets at the end of first quarter for FY2010 was JPY 5,952,267 thousand, increasing by JPY 2,096,815 thousand, resulted from an increase of the consolidated net income of JPY 5,879 thousand and from an increase of share capital and share premium due to the secondary offering.

For further information of MEDINET's secondary offering, please refer to the press release, announced on November 19, 2010 "Issuance of New Shares and Secondary Offering of Shares" at http://www.medinet-inc.co.jp//images/admin/english/89_20101119_English20101119_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. Although its consolidated net sales in the first quarter for FY2010 did not reached at net sales in the previous fiscal year, MEDINET keeps its earnings forecasts announced on November 5, 2010 because it estimates sales related to the commercialization project of highly advanced medical technology in Okinawa Prefecture in the second quarter and because MEDINET sees financial influence of loss on applying with accounting standard for asset retirement obligations is limited.

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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