

November 8, 2011

To Whom It May Concern:

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Consolidated Financial Report FY2010 (FY2010: October 2010 - September 2011)

1. Consolidated Financial Highlights – FY2010 (October 2010 – September 2011)

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

(1) Sales & Income

	Net Sales		Operating Profit (Loss)		Ordinary Profit (Loss)		Net Income (Loss)	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
FY2010	2,674	(16.5)	(303)	—	(353)	—	(542)	—
FY2009	3,202	10.4	334	13.7	366	13.1	438	78.4

	Net Income (Loss) per Share	Diluted Net Income per Share	Return on Equity	Return on Assets	Operating Profit Margin
	Amount (Yen)	Amount (Yen)	%	%	%
FY2010	(759.42)	—	(11.6)	(5.1)	(11.4)
FY2009	693.75	669.08	12.2	7.6	10.4

(Note) Comprehensive Income FY2010: -467million yen (—%) FY2009: 419million yen(—%)

(2) Financial Position

	Total Assets	Net Assets	Equity per Total Assets	Equity per Share
	Amount	Amount	%	Amount (Yen)
End of FY2010	8,024	5,486	68.4	7,486.82
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	Amount	Amount
FY2010	(251)	(721)	2,869	4,858
FY2009	528	(73)	1,112	2,962

2. Consolidated Earnings Forecasts – FY2011 (October 2011 – September 2012)

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

	Net Sales		Operating Loss		Ordinary Loss		Net Loss		Net Loss per Share
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount (Yen)
Interim, FY2011	1,210	(16.1)	(320)	—	(320)	—	(325)	—	(443.53)
Full Year, FY2011	2,650	(0.9)	(400)	—	(400)	—	(410)	—	(559.53)

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3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

All amounts are rounded down in thousands of yen.

	End of FY2009 (Sep. 30, 2010)	End of FY2010 (Sep. 30, 2011)
Assets		
Current assets		
Cash and deposits	2,962,074	1,858,684
Trade accounts receivable	560,696	551,326
Marketable securities	—	2,999,914
Raw materials and supplies	30,351	132,481
Deferred tax assets	140,707	—
Others	133,800	201,000
Total current assets	3,827,630	5,743,407
Noncurrent assets		
Property, plant and equipment		
Buildings and fixtures	829,172	881,106
Accumulated depreciation	(431,081)	(496,241)
Buildings and fixtures(net)	398,091	384,865
Machinery and equipment	67,401	94,626
Accumulated depreciation	(39,547)	(58,281)
Machinery and equipment(net)	27,854	36,344
Lease assets	29,769	77,669
Accumulated depreciation	(4,013)	(13,758)
Lease assets(net)	25,755	63,910
Construction in progress	27,224	—
Others	413,868	516,967
Accumulated depreciation	(348,610)	(372,429)
Others(net)	65,257	144,537
Total property, plant and equipment	544,183	629,658
Intangible assets	66,782	209,232
Investment and other assets		
Investment securities	479,790	608,804
Long-term prepaid expenses	714,993	699,920
Others	126,357	133,355
Total investments and other assets	1,321,141	1,442,080
Total noncurrent assets	1,932,107	2,280,971
Total assets	5,759,737	8,024,379
Liabilities		
Current liabilities		
Trade accounts payable	142,077	137,100
Short-term loans payable	—	800,000
Lease obligations	5,158	14,970
Other accounts payable	579,645	307,003
Income taxes payable	18,987	20,818
Reserve for bonuses	107,441	52,072
Asset retirement obligations	—	2,700
Others	29,971	21,707
Total current liabilities	883,281	1,356,372

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	End of FY2009 (Sep. 30, 2010)	End of FY2010 (Sep. 30, 2011)
Noncurrent liabilities		
Convertible bond type debt with equity warrant	1,000,000	1,000,000
Lease obligations	21,004	50,280
Deferred tax liabilities	—	50,729
Asset retirement obligations	—	76,793
Others	—	4,200
Total noncurrent liabilities	1,021,004	1,182,003
Total liabilities	1,904,285	2,538,375
Net assets		
Equity		
Share capital	2,582,161	3,631,011
Share premium	3,994,721	5,043,571
Retained earnings	(2,702,405)	(3,244,932)
Total equity	3,874,477	5,429,650
Accumulated other comprehensive income		
Revaluation difference on investment securities and others	(19,026)	56,353
Total accumulated other comprehensive income	(19,026)	56,353
Total net assets	3,855,451	5,486,003
Total liabilities and net assets	5,759,737	8,024,379

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**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive income
(Consolidated Statements of Income)**

All amounts are rounded down in thousands of yen.

	FY2009	FY2010
	(Oct. 2009 - Sep. 2010)	(Oct. 2010 – Sep. 2011)
Net sales	3,202,490	2,674,190
Cost of sales	1,029,184	993,962
Gross profit	2,173,306	1,680,228
Selling, general and administrative expenses	1,839,293	1,983,822
Operating profit (loss)	334,012	(303,594)
Non-operating income		
Interest income	9,761	6,205
Dividends income	1	–
Gain on revaluation on foreign exchange	31,801	–
Rental income on facilities	–	2,475
Contracted service revenue	–	2,700
Others	13,661	950
Total non-operating income	55,225	12,332
Non-operating expenses		
Interest expenses	380	6,109
Loss on investment in LLP	13,351	15,959
Expenses on issuance of convertible bond type debt and Equity warrant	4,066	–
Expenses of issuance of shares	–	19,632
Loss on revaluation of foreign exchange	–	16,169
Others	5,168	4,326
Total non-operating expenses	22,967	62,197
Ordinary profit (loss)	366,270	(353,459)
Extraordinary profit		
Gain on sales of non-current assets	63	–
Gain on sales of investment securities	–	12
Gain on expiration of equity warrant	2,400	–
Total extraordinary profit	2,463	12
Extraordinary loss		
Loss on retirement of non-current assets	1,733	3,343
Loss with applying accounting standard for asset retirement obligations	–	20,630
Loss on revaluation of investment securities	60,209	1,199
Total extraordinary losses	61,943	25,173
Income (loss) before income taxes	306,790	(378,620)

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	FY2009	FY2010
	(Oct. 2009 - Sep. 2010)	(Oct. 2010 – Sep. 2011)
Income taxes		
Current	8,942	10,038
Deferred	(140,707)	153,867
Total income taxes	(131,765)	163,906
Loss before minority interests	–	(542,527)
Net income (loss)	438,556	(542,527)

(Consolidated Statement of Comprehensive Income)

All amounts are rounded down in thousands of yen

	FY2009	FY2010
	(Oct. 2009 - Sep. 2010)	(Oct. 2010-Sep.2011)
Loss before minority interests	–	(542,527)
Other comprehensive income		
Revaluation difference of investment securities and others	–	75,379
Total other comprehensive income	–	75,379
Comprehensive income	–	(467,147)
Comprehensive income attributable to		
Shareholders	–	(467,147)
Minority interests	–	–

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(3) Consolidated Statements of Changes in Equity

All amounts are rounded down in thousands of yen.

	FY2009 (Oct. 2009-Sep.2010)	FY2010 (Oct. 2010-Sep. 2011)
Equity		
Share capital		
Balance at the end of previous period	2,521,487	2,582,161
Changes of items during the period		
Issuance of new shares	60,673	1,048,850
Total changes of items during the period	60,673	1,048,850
Balance at the end of current period	2,582,161	3,631,011
Share premium		
Balance at the end of previous period	3,934,047	3,994,721
Changes of items during the period		
Issuance of new shares	60,673	1,048,850
Total changes of items during the period	60,673	1,048,850
Balance at the end of current period	3,994,721	5,043,571
Retained earnings		
Balance at the end of previous period	(3,140,961)	(2,702,405)
Changes of items during the period		
Net income (loss)	438,556	(542,527)
Total changes of items during the period	438,556	(542,527)
Balance at the end of current period	(2,702,405)	(3,244,932)
Total Equity		
Balance at the end of previous period	3,314,573	3,874,477
Changes of items during the period		
Issuance of new shares	121,347	2,097,700
Net income (loss)	438,556	(542,527)
Total changes of items during the period	559,904	1,555,172
Balance at the end of current period	3,874,477	5,429,650
Accumulated other comprehensive income		
Revaluation difference on investment securities and others		
Balance at the end of previous period	–	(19,026)
Changes of items during the period		
Changes of items other than equity during the period (net)	(19,026)	75,379
Total changes of items during the period	(19,026)	75,379
Balance at the end of current period	(19,026)	56,353
Total accumulated comprehensive income		
Balance at the end of previous period	–	(19,026)
Changes of items during the period		
Changes of items other than equity during the period (net)	(19,026)	75,379
Total changes of items during the period	(19,026)	75,379
Balance at the end of current period	(19,026)	56,353

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	FY2009 (Oct.2009-Sep.2010)	FY2010 (Oct.2010-Sep.2011)
Equity warrant		
Balance at the end of previous period	2,995	—
Changes of items during the period		
Changes of items other than equity during the period	(2,995)	—
Total changes of items during the period	(2,995)	—
Balance at the end of current period	—	—
Net assets		
Balance at the end of previous period	3,317,568	3,855,451
Changes of items during the period		
Issuance of new shares	121,347	2,097,700
Net income (loss)	438,556	(542,527)
Changes of items other than equity during the period (net)	(22,021)	75,379
Total changes of items during the period	537,883	1,630,552
Balance at the end of current period	3,855,451	5,486,003

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(4) Consolidated Statements of Cash Flows

All amounts are rounded down in thousands of yen

	FY2009	FY2010
	(Oct. 2009 – Sep. 2010)	(Oct. 2010 – Sep. 2011)
Net cash from operating activities		
Income (loss) before income taxes	306,790	(378,620)
Depreciation and amortization	129,380	154,352
Decrease of reserve for bonuses	(39,342)	(55,369)
Interest and dividends income	(9,762)	(6,205)
Interest expenses	380	6,109
Loss on revaluation of investment securities	60,209	1,199
Loss on investments in LLP	13,351	15,959
Loss(gain) on revaluation of foreign exchange	(31,568)	15,913
Loss on retirement of property, plant and equipment	1,733	3,343
Gain on sales of property, plant and equipment	(63)	–
Gain on expiration of equity warrant	(2,400)	–
Loss with applying accounting standard for asset retirement obligations	–	20,630
Expenses on issuance of shares	1,682	19,632
Expenses on issuance of convertible bond type debt and equity warrant	4,066	–
Decrease in trade accounts receivable	38,714	9,369
Decrease (increase) of raw materials and supplies	(7,780)	(102,130)
Decrease in trade accounts payable	1,514	(4,977)
Increase in other accounts payable	(36,776)	41,414
Increase (decrease) in accrued consumption tax	(48,907)	–
Other net cash inflow (net cash outflow)	146,060	17,771
Subtotal	527,283	(241,608)
Interest and dividends income received	10,043	5,646
Interest expenses paid	(380)	(6,537)
Income taxes paid	(8,942)	(9,074)
Net cash from operating activities	528,004	(251,574)

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	FY2009	FY2010
	(Oct. 2009 – Sep. 2010)	(Oct. 2010 – Sep. 2011)
Net cash from investing activities		
Net cash outflow from purchase of property, plant and equipment	(80,650)	(24,335)
Net cash inflow from sales of property, plant and equipment	585	–
Net cash outflow from purchase of intangible assets	(24,720)	(134,186)
Net cash outflow from long-term prepaid expenses paid	(227,490)	(470,316)
Increase in investment securities	(163,383)	(61,820)
Net cash inflow from sales of investment securities	–	152
Net cash inflow from redemption of investment securities	64,503	5,226
Net cash inflow from long-term loans receivable	43,740	–
Increase in short-term loans receivable	–	(32,500)
Net cash outflow from short-term loans receivable	(1,060,000)	–
Net cash inflow from short-term loans receivable	1,375,000	–
Net cash outflow from guarantee deposits	(1,760)	
Net cash inflow from guarantee deposits	240	
Other net cash inflow (net cash outflow)	–	(3,809)
Net cash from investing activities	(73,935)	(721,589)
Net cash from financing activities		
Increase in short-term loans payable	–	800,000
Net cash inflow from issuance of convertible bond type debt with equity warrant	995,933	–
Net cash inflow from issuance of shares	119,040	2,078,067
Repayments of lease obligations	(2,298)	(8,811)
Net cash from financing activities	1,112,675	2,869,256
Exchange adjustment on cash and cash equivalents	13	431
Net increase in cash and cash equivalents	1,566,758	1,896,524
Cash and cash equivalents at the beginning of period	1,395,316	2,962,074
Cash and cash equivalents at the end of period	2,962,074	4,858,598

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4. Business Results

Financial Results

In 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 to medical doctors and medical professionals, such as expected efficacy, clinical evidence and recent achievements of its R&D activities. As a result of the marketing activities, the number of Contracted Medical Institutions and their Allied Medical Institutions conducting the Immuno-Cell Therapy has increased to 69 facilities by the end of FY2010. Such an increase in the number of the 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 should have been increased.

On March 11, 2011, the Great East Japan Earthquake was occurred, and influenced in its business activities for FY2010. Its sales was influenced by 1) a decrease in the number of patients who receive Immuno-Cell Therapy due to the continual aftershock of the Earthquake and the restriction of transportation network caused from Power Supply Restriction by Tokyo Electric Power Company Incorporated, 2) a decrease in number of new patients who receive Immuno-Cell Therapy by its Contracted Medical Institutions' decision, which the Institutions temporarily stopped accepting new patients by a concern of material shortage for cell cultivation due to logistics disruptions and damages at suppliers' facilities under the Earthquake and 3) the halt of its planned marketing activities due to the self-restraint following the Earthquake. Furthermore, once MEDINET resumed marketing activities for bringing back its sales of FY2010 after its self-restraint, but the continual aftershock of the Earthquake was greater than expected, so that the contribution from such marketing activities was much smaller than FY2009.

As a result, MEDINET Group earned JPY 2,674,190 thousand as its consolidated net sales for FY2010 (October 2010 – September 2011) (a year-on-year decrease of JPY 528,300 thousand, 16.5%).

Consolidated operating loss was JPY 303,594 thousand (its consolidated operating profit was JPY 334,012 thousand, a year-on-year).

Consolidated ordinary loss was JPY 353,459 thousand (its ordinary profit was JPY 366,270 thousand, a year-on-year), due to expenses of JPY 19,632 thousand related to new issuance of shares resulting from the secondary offering, an increase in non-operating expenses, mainly loss of JPY 16,169 thousand on foreign exchange, and loss of JPY 15,959 thousand on investment in LLP.

In addition, its consolidated net income loss was JPY 542,527 thousand (its net income was JPY 438,556 thousand, a year-on-year), due to loss of JPY 20,630 thousand on applying accounting standard for asset retirement obligations and write-off of deferred tax income after assessing the uncertainty of realizability of deferred tax income.

As its R&D activities for 2010, MEDINET continues to prioritize the following subjects: a) accumulating clinical evidence for Immuno-Cell Therapy, b) developing new technology which leads to

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higher expected efficacy of Immuno-Cell Therapy, and c) improving cell culturing process and technology as well as logistics for processed cells.

For moving toward accumulating clinical evidences of the Immuno-Cell Therapy, MEDINET has pursued joint clinical studies with leading medical institutions, such as university hospitals. In FY2010, MEDINET entered into the following collaborative studies: a) a clinical study to statistically analyze therapeutic efficacy of Immuno-Cell Therapy with Kanazawa University (Faculty of Medicine, Institute of Medical, Pharmaceutical and Health Sciences), Kanazawa Advanced Medical Center, and Seta Clinic Group, Non-Profit Medical Corporation KOSHIKAI in November 2010, b) a clinical study with Tokyo Medical University and other medical institutions to investigate therapeutic efficacy on combination therapy of radiofrequency ablation (RFA) therapy and gamma-delta T Cell Therapy against hepatitis C virus-related primary hepatocellular carcinoma in November 2010, and c) a clinical study of a combined therapy using Dendritic Cell therapy and the standard adjunctive chemotherapy, which is to be used as a post-operative therapy after resection for primary lung cancer with Seta Clinic Group, Non-Profit Medical Corporation KOSHIKAI in June 2011.

Moreover, in order to accelerate its development of new technology and to nurture seeds of new business, MEDINET has put emphasis on integration of new technology with a significant cell therapeutic company as “Open Innovation.” In June 2011, MEDINET reached an agreement with NK BIO Co., LTD. (Korea) to conduct technical studies into natural killer (NK) cell cultivation methods owned by NK BIO Co., LTD. (“NK BIO”). The technical studies aim for developing novel cell cultivation technology on NK cell therapy by combining MEDINET’s own proprietary cell cultivation know-how with NK BIO’s cell cultivation technology.

MEDINET also believes that intellectual property is an essential management resource for infrastructure of its business activities, and MEDINET, therefore, has obtained and maintained all necessary intellectual property rights. In FY2010, MEDINET acquired the following intellectual property: 1) MEDINET acquired the Japanese patents for Proliferation Potential-Related Proteins (PP-RP) from the Kumamoto Techno Industrial Foundation in March 2011 and 2) MEDINET acquired European Patent Application (No.03791418.1) in the 11 designated countries from the European Patent Office in August 2011.

Financial Position

At the end of FY2010, MEDINET recorded its total assets as JPY 8,024,379 thousand, increasing by JPY 2,264,642 thousand from the end of FY2009.

Its liabilities was JPY 2,538,375 thousand, increasing by JPY 634,090 thousand from the end of FY2009. This increase is mainly resulted from the increase in short-term loans payable of JPY 800,000 thousand, the decrease in other accounts payable of JPY 272,641 thousand and the decrease of reserve for bonuses of JPY 55,369 thousand.

Total net assets was JPY 5,486,003 thousand, increasing by JPY 1,630,552 thousand, which was mainly resulted from the consolidated net income loss of JPY 542,527 thousand and an increase in JPY 2,097,700 thousand 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 2011 (October 2011 – September 2012), MEDINET Group expects to achieve JPY 1,210 million as its consolidated net sales for interim FY2011, decreasing by 16.1 % from the same period for FY 2010, as well as JPY 2,650 million as its consolidated net sales for full year FY2011, decreasing by 0.9 % from FY2010.

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MEDINET expects that its consolidated operating loss will be JPY 400 million for FY2011 (its consolidated operating loss was JPY 303 million, a year-on-year), its consolidated ordinary loss will be JPY 400 millions (its consolidated loss was JPY 353 million, a year-on-year), and its net income loss will be JPY 410 millions (its consolidated net income loss was JPY 524 million, a year-on-year).

5. 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 treatments, 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 with insurance-covered medical treatment by a medical doctor, whole medical service is not covered by NHIJ. Therefore, a medical service charge for each course of Immuno-Cell Therapy at our Contracted Medical Institutions will be JPY1.5 – 2.1 million, 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 bio-venture companies entered into Immuno-Cell Therapy market with a similar to our business model, and participation of such competitors will have great impacts upon the market. While such market movement contributes to expand the Immuno-Cell Therapy market, it may deteriorate patients' benefits from low-quality service, provided by newly entered business entities. If such a newly entered bio-venture company makes a medical problem of 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 in fast-forward, 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.

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(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.

(a) Securement of Abacterial Environment

In order to avoid bacterial contamination and to keep abacterial in cell processing operation, air cleanness at Cell Processing Centers ("CPC") 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

CPC manages 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, we set strict criteria for quality of materials. Our criteria is whether materials are; 1) pharmaceuticals approved under the Pharmaceutical Affair Law, 2) specialized or customized materials developed with major pharmaceutical or media manufacturer, and 3) recommended or selected materials by medical doctors or other experts of material selection.. 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 in Japan as a regulation for such services. Although, at this moment, MEDINET's "Immuno-Cell Therapy Total Support Service" is out of the scope of aforesaid the Pharmaceutical Affairs Law, changes in such regulation 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

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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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