Diagnostic Report on Hidden Potential

Japan Tissue Engineering Co., Ltd.

March 31, 2009

The company’s growth lies in strengthening ties with external stakeholders and getting them involved.

The structure of this report corresponds to the Guidelines for Statements of Intellectual Capital Management issued by the Ministry of Economy, Trade and Industry (METI), which is a report on financial information, and the content of EBC Framework Version 2.1. However, it may not necessarily cover all items outlined within these Guidelines.

Terminology

- **External stakeholders**: customers, suppliers, competitors, media and other individuals or organizations that are involved in the business environment.
- **Intellectual capital**: the knowledge, abilities, and information that the organization possesses.
- **Technology and know-how score**: the score given to the company’s technology and know-how, reflecting the company’s ability to develop and use intellectual capital.
- **Business score**: the score given to the company’s business, reflecting the company’s ability to generate income and profits.
- **Company Profile**: the description of the company’s current status, financial condition, and future prospects.

Guidelines followed by this Report

- **Relevant terms and definitions**: the terms and definitions used in this report are consistent with those defined by J-TEC.
- **Three levels of Intellectual Capital**: initial level (minimal accumulated intellectual capital; management is haphazard; a confused state), replicable level (accumulation of foundation-level experience in intellectual capital through self-refinement), and under control level (possesses adequate intellectual capital and its maintenance and enhancement is managed quantitatively as a structure).

Corporation

- **Human resource (HR) score**: the score given to the company’s human resources, reflecting the company’s ability to attract, develop, and retain talented individuals.
- **Business process and reliability**: the score given to the company’s business processes and reliability, reflecting the company’s ability to deliver products and services efficiently and effectively.
- **Brand**: the score given to the company’s brand, reflecting the company’s ability to establish and maintain a positive reputation and image.

Characteristics and Strengths

- **Business environment**: the factors that influence the company’s business environment, such as market conditions, competitors, and regulatory requirements.
- **Company Profile**: the description of the company’s current status, financial condition, and future prospects.

Overall Diagnosis by ACTCELL

- **Business Strategy**: the strategies and objectives that the company has in place to achieve its goals.
- **Company Profile**: the description of the company’s current status, financial condition, and future prospects.

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Japan Tissue Engineering

Description and Special Characteristics of the Company

March 31, 2009

J-TEC is a bio-venture corporation that was established with the objective of "aiming to create a fundamental treatment through tissue regeneration." This treatment is based on tissue engineering techniques that will bring about real qualitative changes in medicine. J-TEC aims to develop a business that will change 21st century medicine itself. One of the company’s principal business objectives involves the development, manufacture, and sale of Tissue-Engineered Medical Products ("TEMPs") and other related products.

Tissue engineering is a concept that uses living cells to artificially create tissue or organs that retain their original functions to the fullest extent possible. This is based on the results of interdisciplinary studies that prove that tissue and organs with vital functions can be produced through an appropriate combination of the three elements of "cells," "materials," and "physiologically active substances.

Regenerative medicine is a discipline that focuses on restoring parts of the human body that may have been lost or damaged due to an accident or illness. Producing tissue or organs using tissue engineering techniques is one effective method for realizing regenerative medicine.

In addition to its tissue engineering techniques (from which the company’s name is derived), J-TEC’s fundamental business activities deal with cell culture technologies required for converting its products into commercial realities, including manufacturing plant and equipment, and capitalized under the Pharmaceutical Affairs Law; manufacturing methods refined through research and development activities, quality control-related know-how, and sales-related organizational structure and know-how.

J-TEC’s business can be classified in the two areas of Tissue-Engineered Medical Products ("TEMPs") (namely, autologous cultured epidermis, autologous cultured cartilage, and autologous cultured corneal epithelium) which are applicable under the Pharmaceutical Affairs Law, and Research & Development Support Business (cultured human tissue for research purposes), which is not applicable under the Pharmaceutical Affairs Law.

The Ministry of Health, Labor and Welfare (MHLW) granted manufacturing approval for J-TEC’s autologous cultured epidermis in October 2007 as Japan’s first medical product to use human cells and tissue. The product's retail name is JACE (J-TEC Autologous Cultured Epidermis), and indications include serious burns (large area burns). This product was newly approved for coverage by Japan’s National Health Insurance (NHI) in January 2009.

J-TEC completed its clinical trials for autologous cultured cartilage in March 2007, and is currently preparing to submit its application for manufacture and sale of this product. J-TEC also submitted its application to start a clinical trial for autologous cultured corneal epithelium in May 2007, and is working towards being granted compliance. In April 2005, J-TEC began utilizing the LifeCycle series of human cultured tissue for research purposes as development reagents in medical and cosmetic products, etc.

As a "manufacturing-style" business model, J-TEC is working towards "industrializing regenerative medicine," by undertaking to perform not only all of its own research & development, but also the functional processes that range from business development through to manufacturing, sales and post-marketing activities, all in-house.

Regenerative medicine endeavors to be a future industry of the 21st century, and is an industry that no other organization has ever attempted. "Regenerative medicine" is something that we believe to be conscious of when running a bio-venture company. As a company involved in healthcare, we hope to steadily develop our business activities and become an industry that provides healthcare that society really needs. As a result, we aim to continue to grow as a company for as long as the human race exists.

Please describe your business and tell us about your approach.

As a "manufacturing-style" business model, J-TEC is committed to "industrializing regenerative medicine," which is something that no other organization has ever attempted. Regenerative medicine endeavors to be a future industry of the 21st century, and is an industry that no other organization has ever attempted. "Regenerative medicine" is something that we believe to be conscious of when running a bio-venture company. As a company involved in healthcare, we hope to steadily develop our business activities and become an industry that provides healthcare that society really needs. As a result, we aim to continue to grow as a company for as long as the human race exists.

Aiming to Industrialize Regenerative Medicine

Mr. Yusuke Ozawa
President and CEO
Japan Tissue Engineering Co., Ltd. (J-TEC)

Please describe the qualities J-TEC demands from its employees.

As mentioned previously, J-TEC is committed to "industrializing regenerative medicine," which is something that no other organization has ever attempted. We look for personnel that can work together with us, just as a soccer player would do for his/her team. In other words, we look for people who are capable of flexibility, and ability to seamlessly switch between your fields of expertise, rather than sticking to a single, specific area of business. We don’t believe it is sufficient for an employee to simply possess specialist knowledge in medicine and biology. Regardless of whether a person works within our Research & Development, Manufacturing, Pharmaceutical, or Quality Control Departments, they are also expected to become involved in the business activities of other divisions, and to strengthen those respective departmental bonds. In addition to the smooth implementation of the aforementioned activities, the field of regenerative medicine also requires a multitude of other skills such as expression, negotiation and analysis. Consequently, we have developed our own ‘Employer Education & Training Program’ in an effort to improve the capabilities and capacities of all of our employees. I hope that J-TEC can serve as a place where we can accomplish the goal of "living better," in accordance with our corporate philosophy.

What are the main aspects of running a bio-venture company?

Generally speaking, venture companies tend to lack management resources, namely people, materials, and money. However, J-TEC is blessed with stakeholders including stockholders, and has gathered together more than 100 very talented employees from all over Japan. We have our own manufacturing facility and have raised capital worth approximately JPY 9 billion so far (comprising just over JPY 6 billion before going public, and just over JPY 3 billion at the time of our public offering). We believe that the main aspects to be considered when running a bio-venture company in this bioindustry-specific environment are as follows.

1. Producing results in the main businesses.
2. Resolving managerial mistakes promptly.
3. Always preparing for the "worst-case scenario" when running the business.

Regenerative medicine has virtually no precedents within the biotechnology. Accordingly, Points 1 and 3 above will fall under the responsibility of the company’s president, and in J-TEC it is driven by its CEO. Points 2 and 3 above is vital for our employees to have the backbone and tenacity to enable our company to progress as much as it can, and that we must create an environment in which these facets can be accomplished.
The Ministry of Health, Labor and Welfare (MHLW) granted manufacturing approval for J-TEC's autologous cultured epidermis in October 2007 as Japan’s culture technologies required for converting its products into commercial realities; having manufacturing plant and equipment authorized and licensed appropriate combination of the three elements of ‘cells’, ‘materials’ and ‘physiologically active substances’.

Regenerative medicine is a discipline that focuses on restoring parts of the human body that may have been lost or damaged due to an accident or illness. Producing tissue or organs using tissue engineering techniques is one effective method for realizing regenerative medicine.

In addition to its tissue engineering techniques (from which the company’s name is derived), J-TEC’s fundamental business activities deal with cell culture technologies required for converting its products into commercial realities; having manufacturing plant and equipment authorized and licensed under the Pharmaceutical Affairs Law; manufacturing methods refined through research and development activities; quality control-related know-how; and sales-related organizational structure & know-how.

J-TEC’s business can be classified in the two areas of Tissue-Engineered Medical Products ("TEMPS") (namely, autologous cultured epidermises, autologous cultured cartilage, and autologous cultured corneal epithelium) which are applicable under the Pharmaceutical Affairs Law, and Research & Development Support Business (cultured human tissue for research purposes), which is not applicable under the Pharmaceutical Affairs Law.

The Ministry of Health, Labor and Welfare (MHLW) granted manufacturing approval for J-TEC’s autologous cultured epidermis in October 2007 as Japan’s first medical product to have been approved for use in human cells and tissue. The product’s retail name is JACE (J-TEC Autologous Cultured Epidermis), and indications include serious burns (large area burns). This product was newly approved for coverage by Japan’s National Health Insurance (NHI) in January, 2009.

In April 2005, J-TEC began selling the LabCyte series of human cultured tissue for research purposes as development reagents in medical and cosmetic products, etc.

As a ‘manufacturing-style’ business model bio-venture corporation, J-TEC is working towards “industrializing regenerative medicine,” by undertaking to perform not only all of its own research & development, but also the functional processes that range from business development through to manufacturing, sales and post-marketing practices, all in-house.

J-TEC completed its clinical trials for autologous cultured cartilage in March 2007, and is currently preparing to submit its application for manufacturing and sale of this product. J-TEC also submitted its application to start a clinical trial for autologous cultured corneal epithelium in May 2007, and is working towards being granted compliance.

In 2005-06 J-TEC set the LabCyte series of human cultured tissue for research purposes as development reagents in medical and cosmetic products, etc.

The tissue-engineered medical products ("TEMPS") currently being developed by J-TEC are cultivated in our factory using tissue from the actual patient, harvested from the actual patient. These are then used in autologous transplantations whereby the cultured tissue is grafted back onto the same patient. Autologous transplantations generally pose a minimal risk of immunological rejection and are said to have a high survival rate after grafting on the body. To manufacture and sell this type of TEMPS, regulatory permission and authorization must be granted by MHLW in accordance with the Pharmaceutical Affairs Law. As part of the process for obtaining approval to manufacture JACE autologous cultured epidermis, J-TEC had acquired the necessary cell culture technolo for making the product a commercial reality, as well as accumulating know-how with regard to manufacturing methods and quality control refilled through research and development activities. This is all in addition to our tissue engineering techniques, which (from which the company’s name is derived). J-TEC’s production facility has been granted GMP (Good Manufacturing Practice) accreditation by MHLW, making it the only plant in Japan capable of producing TEMPS on a commercial basis.

As I mentioned previously, J-TEC is committed to “industrializing regenerative medicine,” which is something that no other organization has ever attempted. Regenerative medicine endeavors to be a curative technique by restoring tissue and/or organs that have been lost as a result of an accident or illness, to their former state. J-TEC will provide this new treatment method known as regenerative medicine to patients, in addition to existing treatments incorporating pharmacology or surgery, in order to contribute to improving their Quality Of Life (QOL). In October 2007, autologous cultured epidermises (offered under the name JACE) became Japan’s first medical product using human cells and tissue to be granted manufacturing approval by the Ministry of Health, Labor and Welfare (MHLW), and in January 2009, J-TEC was further approved to be listed as covered under National Health Insurance (NHI). Development of additional two products, namely, autologous cultured cartilage and autologous cultured corneal epithelium, is also progressing smoothly. As a manufacturer, J-TEC pursues quality and safety in its Tissue-Engineered Medical Products (abbreviated as "TEMPS") in order to deliver products that excel in both these qualities to its customers.

To begin with, we will concentrate J-TEC’s management philosophy around 3 areas. J-TEC currently uses "JACE" autologous cultured epidermises. As Japan’s first tissue-engineered medical product, the efficacy and safety of JACE needs to be thoroughly demonstrated and firmly grounded, with a view to industrializing regenerative medicine. Following this, we will proceed with licensing we can bring J-TEC’s next pipeline products, autologous cultured cartilage and autologous cultured corneal epithelium, to market. In the medium- to long-term, we foresee an increase in the number of people we employ, business tie-ups with many other companies, and formation of a complete regenerative medicine industry. When this takes place, J-TEC would be bolstered by the professionalism of its personnel in addition to creating tissue-engineered medical products (TEMPS) and a regenerative medicine industry. It can be said that J-TEC also educates and nurtures its people. As a company involved in healthcare, we hope to steadily develop our business activities and become something that society really needs. As a result, we aim to continue to grow as a company as long as the human race exists.

What are the main aspects of running a bio-venture company?

Generally speaking, venture companies tend to lack management resources, namely people, materials, and money. However, J-TEC is blessed with stakeholders including stockholders, and has gathered together more than 100 very talented employees from all over Japan. We have our own manufacturing facility and have raised capital worth approximately JPY 3 billion so far (comprising just over JPY 1 billion before going public, and just under JPY 1 billion at the time of public offering). We believe that the main aspects to be considered of when running a bio-venture company in this bioindustry-specific environment are as follows:

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Visualizing Hidden Potential

Autologous cultured epithelium - JACE

In October, 2007, this product became the very first tissue engineering medical product in Japan to be approved by the Ministry of Health, Labor and Welfare (MHLW) for clinical use. In January, 2009, approval was granted to start manufacturing autologous cultured epithelium, which is already approved for insurance coverage, listing on Japan National Health Insurance (NHI).

- "Autologous cultured epidermis - 'JACE'"
  - Approval granted for listing of autologous cultured epidermis ('JACE') as covered under National Health Insurance (NHI).
  - Advisory contract concluded with Professor Howard Green of Harvard University.
  - Becoming a NEO-listed company on the JASDAQ securities exchange.
  - Submission of application for manufacture and sales of autologous cultured epidermis ('JACE').
  - Approval obtained from the Pharmaceutical Affairs Biotechnology Subcommittee of the Pharmaceutical Affairs and Food Sanitation Council (PAFSC) for application to start clinical trials of autologous cultured epidermis ('JACE').
  - Approval granted for application to start clinical trials in 2008.
  - Approval granted to start future manufacturing of TEMPs.
Company History

1999 - Japan Tissue Engineering Co., Ltd. was founded in Gamagori City, Aichi Prefecture, through joint capital investment funded by Nidek Co., Ltd., INAX Corporation, Toyama Chemical Co., Ltd. (now a group company of Fuji Film Holding Corporation) and Central Capital K.K. (now Mitsubishi UFJ Capital Co., Ltd.).

2003 - Approval obtained from the Pharmaceutical Affairs Biotechnology Subcommittee of the Pharmaceutical Affairs and Food Sanitation Council (PAFSC) for application to start process using both autologous and allogeneic cultured epidermis.

2004 - Approval obtained from MHLW to manufacture and sell autologous cultured epidermis (JACE) as Japan's first medical product using human cells and tissues.

2005 - Submission of application for starting clinical trial of autologous cultured cartilage to MHLW.

2006 - Approval received from MHLW for priority review on autologous cultured epidermis (JACE).

2007 - Approval granted for listing of autologous cultured epidermis (JACE) as covered under National Health Insurance (NHI).

2008 - Completion of, and relocation to, new company premises in Miyakitadoori, Gamagori City, Aichi Prefecture.

Company Financial Performance

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>2005/March</th>
<th>2006/March</th>
<th>2007/March</th>
<th>2008/March</th>
<th>2009/March</th>
<th>2010/March (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (million JPY)</td>
<td>40</td>
<td>68</td>
<td>103</td>
<td>111</td>
<td>114</td>
<td>261</td>
</tr>
<tr>
<td>Operating income (million JPY)</td>
<td>-712</td>
<td>-810</td>
<td>-973</td>
<td>-507</td>
<td>-1,012</td>
<td>-1,550</td>
</tr>
<tr>
<td>Ordinary income (million JPY)</td>
<td>-691</td>
<td>-793</td>
<td>-912</td>
<td>-1,249</td>
<td>-2,173</td>
<td>-3,173</td>
</tr>
<tr>
<td>Net income (million JPY)</td>
<td>-578</td>
<td>-690</td>
<td>-916</td>
<td>-1,084</td>
<td>-1,133</td>
<td>-1,177</td>
</tr>
<tr>
<td>Net income per share (JPY)</td>
<td>-9,719</td>
<td>-10,026</td>
<td>-12,269</td>
<td>-13,074</td>
<td>-11,218</td>
<td>-11,626</td>
</tr>
<tr>
<td>Dividend per share (JPY)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(Home Risk)

The following issues are some of the potential risk factors our company foresees might occur as our business develops. Please refer to our company’s financial reports for further details.

1. Market focus of Japan Tissue Engineering
2. Competition
3. Intellectual Property Rights
4. Relationship with Universities and other Research Institutions
5. Research and Development Activities
6. Company Promises

Hopes & Expectations for J-TEC

Dr. Norio KUMAGAI
Professor, Department of Plastic and Reconstructive Surgery
St. Marianna University School of Medicine
University Website: http://www.marianna-u.ac.jp

I have been conducting research on autologous cultured epidermises, which was developed by Professor Howard Green of Harvard Medical School, since the 1980s. I reported the first case of treating severe burns in Japan using Dr. Green's autologous cultured epidermises technique. In the past 25 years, we have treated almost 500 cases of severe burns, scarring, vitiligo and even (birthmarks) in clinical practice using both autologous and allogenic cultured epidermises.

A key feature of autologous cultured epidermises is that a large volume can be cultivated from a small sample of the patient's skin tissue. Furthermore, there is an extremely low risk of rejection response following grafting of the cultured epidermises to the patient, as the patient's own cells are used for cultivation. Conversely, there are individual differences in the proliferating abilities of cells when cultivating a patient's own cells. Dr. Green's autologous cultured epidermises uses a superb technique for propagating cells with 373-372 cells as the feeder layer to supplement these individual differences.

The number of physicians in Japan with practical experience in the use of tissue engineered medical products (abbreviated as TEMPs) is extremely limited. Therefore, I have high expectations that J-TEC will fulfill its mission of providing information and research materials to physicians and healthcare facilities, as well as educating them and proactively supporting educational activities, to ensure that physicians can provide appropriate treatment for cell harvesting and grafting as well as in post-graft patient care. Through these efforts, I feel sure that J-TEC will be able to establish a mechanism for popularizing regenerative medicine.

Dr. Kohichiro YOSHINO
President and CEO
Carna Biosciences Inc.
Website: http://www.carnabio.com

My company, Carna Biosciences Inc., aims to create medical products targeting an enzyme known as kinase, a type of protein. Like J-TEC, Carna Biosciences is also listed publicly on the JASDAQ NED. During my regular discussions with Mr. Ozawa, we often speak of promoting NED (New Entrepreneurs’ Opportunity) throughout our efforts, and encourage each other with our dreams of further growing the biotechnology industry to become one that can support the nation.

Under Mr. Ozawa’s energetic leadership, J-TEC has succeeded in industrializing regenerative medical products in the brand new medical field of tissue engineering. In January this year, autologous cultured epidermises (“JACE”) was listed as one of the three covered under Japan’s National Health Insurance (NHI). Healthcare industry insiders viewed this as a landmark breakthrough, signifying that a new era in healthcare was beginning. It is necessary to demonstrate both safety and effectiveness in order to successfully industrialize this new field of healthcare known as regenerative medicine. As there are no precedents in this new field, every progressive step needs to be taken in close consultation with the Ministry of Health, Labor and Welfare (MHLW), and thus it became clear that bringing the product to commercial realization was an even more difficult task than had been imagined. Mr. Ozawa is optimistic, tenacious and full of ideas, which is exactly why he has succeeded with these great achievements.

In the future, we hope that Japan’s NHI will agree to cover autologous cultured cartilage and autologous cultured corneal epithelium as promptly as possible, to facilitate the supply of these vital products to the many patients eagerly awaiting their industrialization.
As a result of these efforts, we hope to enable all of our stakeholders to live a better life.

<table>
<thead>
<tr>
<th>Item</th>
<th>Benchmark Figures</th>
<th>Remarks and Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of lecture presentations given: 27</td>
<td>Between April 2008 and March 2009</td>
<td>Example of virtual presentation</td>
</tr>
<tr>
<td>The 8th AGM of the Japanese Society for Regenerative Medicine, &quot;Venture 2008 Tokyo&quot; and so on.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Received the &quot;Japan Bio-venture Grand Prix&quot; at the 2009 Japan Bio-venture Grand Prix</td>
<td>Held by Fujisawa Business</td>
<td></td>
</tr>
<tr>
<td>Received the &quot;Highest Award&quot; at the 2006 Chubu Economic Federation New Business Awards</td>
<td>November 2006</td>
<td>Held by Chubu Economic Federation</td>
</tr>
<tr>
<td>Patient Acquisition Status</td>
<td>Under examiners: 65 cases (of which, 14/134)</td>
<td>Registration of rights: 24 cases (of which, 13/134)</td>
</tr>
<tr>
<td></td>
<td>Current as of March 2009</td>
<td></td>
</tr>
<tr>
<td>Qualification Acquisition Status</td>
<td>Philosophy / clinical laboratory technicians</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Current as of March 2009</td>
<td></td>
</tr>
<tr>
<td>Business fields considered as national strategies</td>
<td>Millennium Genome Project</td>
<td>July 2000, Prime Minister's First Report</td>
</tr>
<tr>
<td></td>
<td>Broad Outline of Biotechnology Strategy</td>
<td>December 2006, Biotechnology Strategy Meeting held by the Prime Minister's Office</td>
</tr>
<tr>
<td>Business fields considered as super special districts</td>
<td>Cutting-edge medical development districts</td>
<td>November 2006, Cabinet Office</td>
</tr>
</tbody>
</table>

In particular, it is not possible for products in the category of tissue engineering and regenerative medicine to be licensed in Japan unless they have been thoroughly evaluated and approved by the Ministry of Health, Labour, and Welfare (MHLW) and regulatory authorities. Furthermore, the regulations governing such products are highly specific and are applied only to cases where the product cannot be used as a drug. However, a possible personnel shortage has been predicted in order to support the development of regenerative medicine products. Therefore, the workforce itself will be the key to the future success of the company.

The effectiveness of these personnel strategies will be evaluated on the basis of the company's objectives and key performance indicators (KPIs). These KPIs will include measures such as the number of employees trained, the number of projects completed, and the percentage of employees who achieve their personal development goals.

In order to support the development of regenerative medicine products, the company will need to establish a comprehensive training program for its employees. This will include on-the-job training, as well as external training and education. The company will also need to develop a mentoring program to support the development of its employees.

In summary, the company is committed to developing regenerative medicine products in order to support the development of regenerative medicine products. The company will need to establish a comprehensive training program for its employees, as well as develop a mentoring program to support the development of its employees. This will enable the company to be successful in developing regenerative medicine products.
Outward Focus

As a result of these efforts, we hope to enable all of our stakeholders to live a better life. The value creation process is a series of processes that incorporate a combination of “human resource strengths,” “inward focus” and “outward focus” to create value.

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<tr>
<td>Number of lecture presentations given</td>
<td>27</td>
<td>Between April 2008 and March 2009, the total number of presentations given by J-TEC was 43. (As of April 2009)</td>
</tr>
<tr>
<td>Example of virtual presentation</td>
<td>The 8th AGM of the Japanese Society for Regenerative Medicine, &quot;Venture 2008 Kansai&quot; and so on.</td>
<td></td>
</tr>
<tr>
<td>Notable Achievement Awards</td>
<td>J-TEC has been recognized by the Japan Business Venture Grand Prix in November 2006.</td>
<td>Held by Fuji Sankyo Business Institute.</td>
</tr>
<tr>
<td>Status</td>
<td>Under examination: 63 cases (of which, 14 cases are in 2008, and 48 cases are in 2009).</td>
<td>Current as at March 2009.</td>
</tr>
<tr>
<td>Qualification Status</td>
<td>Current as at March 2009.</td>
<td></td>
</tr>
<tr>
<td>Business fields considered as national strategies</td>
<td>&quot;Broad Outline of Biotechnology Strategy&quot;</td>
<td>December 2006, Biotechnology Strategy Meeting held by the Prime Minister’s Office.</td>
</tr>
<tr>
<td>Number of employees</td>
<td>105 (54 male, 51 female) (current as at March 31, 2009)</td>
<td>Current as at March 31, 2009.</td>
</tr>
</tbody>
</table>

Outward Focus

Inward Focus

The information presented in this document is as of March 31, 2009, and is subject to change without notice. The results of operations, financial position, and other performance criteria are subject to change due to various factors including changes in technology, product development, and marketing strategies. The statements made in this document are not intended to serve as a guarantee or representation of future performance or results. J-TEC, Inc. reserves the right to change any part of this document at any time without notice.

Inward Focus

Effective leadership in management ensures that the company’s strategies are translated into effective organizational practices. In this respect, J-TEC’s value chain (both its corporate philosophy and technical know-how) and the workforce itself is seen as a network of highly motivated and motivated people who are committed to the company’s ongoing success. The corporate culture and strategic planning that J-TEC has been able to achieve is strongly influenced by the company’s unique corporate philosophy. Thus, HR strengths play a vital role in a company’s ability to sustain the future of the business.

Inward Focus

J-TEC has boldly taken up the challenge to “industrialize regenerative medicine.” A fact that no one else has succeeded in so far. Although the company has broken new ground in this field, J-TEC is also mindful of the need for its employees to be highly motivated and committed to the company’s success. As a pioneering company with an ability to accumulate its technologies, it is very important that J-TEC continually reinforce its corporate culture. J-TEC has already succeeded in overcoming obstacles in the field of regenerative medicine.

Outward Focus

As Japan Tissue Engineering, J-TEC is now committed to "outward focus" to create value. The company’s philosophy is to "outward focus" to create value, this means that the company’s strategy is to create value by focusing on the needs and expectations of its stakeholders, including employees, customers, and partners. The company has been able to achieve this by implementing various strategies and initiatives that focus on creating value for its stakeholders.

Inward Focus

HR Strengths

In order to create value with our employees and customers, we are committed to creating a business environment that fosters operational excellence, innovation and competitiveness. J-TEC has implemented a number of initiatives that focus on creating value for employees, including providing opportunities for professional development, creating a positive and inclusive work environment, and promoting diversity and inclusion.

Outward Focus

The company’s Corporate Culture is focused on the vision of "being the most innovative and successful regenerative medicine company in the world." This vision is reflected in the company’s strategies and initiatives, which are designed to create value for employees, customers, and partners. The company’s focus on innovation is highlighted by its commitment to developing new products and technologies, as well as its focus on creating a culture of continuous improvement.

Inward Focus

J-TEC’s HR strategy is designed to create value for its employees. The company’s HR strategy is focused on creating a culture that fosters operational excellence, innovation and competitiveness. J-TEC has implemented a number of initiatives that focus on creating value for employees, including providing opportunities for professional development, creating a positive and inclusive work environment, and promoting diversity and inclusion.

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ABOUT THIS REPORT

March 31, 2009

JAPAN TISSUE ENGINEERING

GUIDELINES FOLLOWED BY THIS REPORT

This structure of this Report corresponds to the Guidelines for Statements of Intellectual Capital Management issued by the Ministry of Economy, Trade and Industry (METI), which is a report on our intellectual information, and the content of ECBF Framework Version 3.1. However, it may not necessarily cover all items outlined.

Foundation for Statements of Intellectual Capital Management

March 31, 2009

JAPAN TISSUE ENGINEERING

DIAGNOSTIC REPORT ON HIDDEN POTENTIAL

March 31, 2009

JAPAN TISSUE ENGINEERING CO., LTD.

Company Profile

Frontrunner in Regenerative Medicine

A ‘manufacturing-style’ business model venture aiming to "industrialize regenerative medicine"

Overall Diagnosis by ACTCELL

Business Environment and Company Position

"Industrialize regenerative medicine" is a business model that utilizes the regenerative and healing abilities of cells to regenerate artificially injured or destroyed tissue. Japan Tissue Engineering (J-TEC) was established in 2002 with the aim of commercializing the findings of Japanese researchers. Having overcome several obstacles, J-TEC is now pursuing the promising potential of a novel business model, which may help fulfill the demand for regenerative medicine.

Regenerative medicine is a treatment method that uses the regenerative and healing abilities of cells to regenerate artificially injured or destroyed tissue. It is a model organism for the medical field and has the potential to address intractable diseases. The need for this type of treatment is growing rapidly, and the market is expected to grow significantly.

Japan Tissue Engineering has been recognized as a "promising high-growth company" by the Financial Intelligence Company (FIC), Inc., and is expected to continue to grow in the future.

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