

Company Name: Japan Tissue Engineering Co., Ltd. (J-TEC)
Representative: Yosuke Ozawa, President and CEO (Code: 7774 NEO)
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Announcement Regarding Issuance of New Shares by Third Party Allocation, and a Change in the Largest Shareholder

Japan Tissue Engineering Co., Ltd. (also known as J-TEC) has resolved at its Board of Directors meeting convened on August 30, 2010 to issue new shares by third party allocation as detailed below. This allocation of new shares to a third party will be subject to an approval at the extraordinary shareholders' meeting to be held on October 28, 2010.

This third party allocation is also expected to change the largest shareholder.

Details

1. Outline of Third Party Allocation

(1) Date of issuance	October 29, 2010
(2) Number of new shares to be issued	75,500 common shares
(3) Issue price	53,000 yen per share
(4) Aggregate amount of issue	4,001,500,000 yen
(5) Amount to be incorporated into capital	26,500 yen per share
(6) Total amount to be incorporated into capital	2,000,750,000 yen
(7) Method of allocation (Allottee)	Allocation to a third party FUJIFILM Corporation 75,500 shares
(8) Other	The above terms and conditions are subject to an approval at the extraordinary shareholders' meeting, and to the effectuation of notification under Japan's Financial Instruments and Exchange Law.

2. Purposes of Capital Increase

J-TEC develops two business groups, the "Regenerative Medicine Business" and the "R&D Support Business", based on the science of tissue engineering (technology using living cells to artificially grow tissue and organs which would then be capable of carrying out their normal functions). Currently, J-TEC has three product pipelines for the Regenerative Medicine Business; autologous cultured epidermis (JACE), autologous cultured cartilage, and autologous cultured corneal epithelium. JACE is the first domestic medical device utilizing human cell and tissue to be approved by Japan's Ministry of Health, Labor and Welfare (MHLW) in October 2007, having become eligible for insurance coverage from January 2009. In spite of the reimbursement condition imposed on JACE, the product has been successfully launched in the market. For FY2010, the condition was partially deregulated on April 1, 2010, and thus the sales opportunity has been greatly expanded. Autologous cultured cartilage is a product being developed with the aim of complementing or repairing of

damaged knee cartilage as well as improving the knee function, and J-TEC has submitted an application for manufacturing and sales in August 2009. J-TEC has submitted an application for starting clinical trial of autologous cultured corneal epithelium in May 2007. As for the R&D Support Business, sales have been launched of LabCyte, a human cultured tissue model, since April 2005.

J-TEC recorded the sales of 211 million yen in FY2009, while posting the ordinary loss and net loss of -1,096 and -1,099 million yen respectively. J-TEC expects to register losses in the next three years as projected in its midterm business plan, and as the regenerative medicine business takes a long time to progress requiring regulatory procedures, reinforcement of financial standing by strengthening the capital base is considered a top priority.

However, cash and cash equivalents at the end of last fiscal year were 1,475 million yen, and the amount is not satisfactory for the funds sufficient to carry out the business plan J-TEC disclosed of next three years. In addition to the challenge of small market size of JACE due to the limitation to severe burn patient, various factors in autologous cultured cartilage business are unclear at this moment (e.g. approval timing, indication, insurance coverage and list price). Thus, the possibility that the business may not turn out as planned remains as a risk.

Under these circumstances, J-TEC has decided to raise capital by about 4 billion yen through third party allocation. The purpose of this capital increase is to reinforce the company's financial base and further stabilize its management foundations, making the future business expansion possible.

3. Outline of Allottee

(As of March 31, 2010)

(1) Allottee name	FUJIFILM Corporation	
(2) Head office	26-30, Nishiazabu 2-chome, Minato-ku, Tokyo 106-8620, Japan	
(3) Representative	Shigetaka Komori, President and CEO	
(4) Main business areas	Development, production and marketing of products in the Imaging Solutions business (color films, digital cameras, photofinishing equipment and color paper, chemicals and services for photofinishing) and Information Solutions business (equipment and materials for medical diagnostics and life science, equipment and materials for graphic arts, flat panel display materials, recording media, optical devices, electronic materials and inkjet materials).	
(5) Capital	40,000 million yen	
(6) Date of foundation	October 2, 2006	
(7) Number of shares issued	1,000 shares	
(8) Fiscal end	March 31	
(9) Number of employees	7,284	
(10) Major business partners	Private companies in manufacturing, distribution and service industries, and public offices	
(11) Main financing bank	Sumitomo Mitsui Banking Corporation	
(12) Major shareholder and percent of shares	FUJIFILM Holdings Corporation	100%
(13) Relationship with J-TEC	Capital	None
	Trade	None
	Personal	One outside auditor of J-TEC doubles as an employee of allottee.
	Relevance to related parties	None

(14) Recent business performance and financial data			(in million yen)
	FY2007	FY2008	FY2009
Net assets	1,281,071	1,230,383	1,225,687
Total assets	1,479,420	1,379,567	1,395,238
Shareholders' equity per share (yen)	1,281.07	1,230.38	1,225.69
Sales	776,843	627,463	618,533
Operating profit	97,890	-19,907	12,247
Net income before taxes	93,117	-26,351	7,056
Net income	56,765	-7,681	-20,561
Net income per share (yen)	56.77	-7.68	-20.56
Dividends per share (yen)	18	23	0

The allottee, its board members and major shareholders have confirmed to have no relationship with gangs or any organized crime group, and have submitted a written confirmation to the Osaka Securities Exchange.

4. Major Shareholders and Percent of Shares after Capital Increase

Before (March 31, 2010)		After	
NIDEK	19.70%	FUJIFILM Corporation	41.30%
Toyama Chemical	7.73%	NIDEK	11.56%
INAX	4.19%	Toyama Chemical	4.54%
Mitsubishi UFJ Capital	4.05%	INAX	2.46%
JAFCO Biotechnology No.1 Fund	1.88%	Mitsubishi UFJ Capital	2.38%
Chubu Shiryo	1.86%	JAFCO Biotechnology No.1 Fund	1.10%
Yoko Maeda	1.49%	Chubu Shiryo	1.09%
Mitsui Sumitomo Insurance	1.40%	Yoko Maeda	0.88%
Gastec Service	1.40%	Mitsui Sumitomo Insurance	0.82%
Yosuke Ozawa	1.12%	Gastec Service	0.82%

5. Outstanding Number of Shares

Outstanding shares before issuance (as of March 31, 2010)	107,301 shares
Outstanding shares after issuance	182,801 shares

6. Future Outlook

As the purpose of this third party allocation is to reinforce the company's financial base further stabilizing its operating foundations, the impact on the business results, forecasts and midterm plans shall be minimal. J-TEC will announce as soon as possible when influence on the business results becomes evident.

NOTE: This press release is an abstract and excerpt from the original J-TEC press release, covering the main points of the information. Please read the original (Japanese) for full contents. <http://www.jp-tec.co.jp/>