

## Summary of Financial Report for the FY ending March 2011 (Non-Consolidated)

April 28, 2011

Listed Company Name: Japan Tissue Engineering Co., Ltd.

Listed Securities Exchange: JQ

Stock Code: 7774

URL <http://www.jpte.co.jp>

Representative: Yosuke Ozawa, President

Contact: Masahito Obayashi, Director

TEL (0533) 66-2020

(Rounding down to the nearest million yen)

### 1. Results for the FY2010 (April 1, 2010 to March 31, 2011)

(1) Business Results (% indicate increase / decrease on previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2010	351	66.1	-1,145	-	-1,153	-	-1,156	-
FY2009	211	84.5	-1,067	-	-1,096	-	-1,099	-

	Net income per share	Net income per share, diluted	Return on equity	Return on assets	Operating Income Ratio
	yen	yen	%	%	%
FY2010	-8,314.25	-	-37.8	-25.5	-325.8
FY2009	-10,808.51	-	-54.2	-33.0	-504.3

Note: Profit (Loss) on investment    FY2010 - million yen    FY2009 - million yen

### (2) Financial Condition

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY2010	5,831	4,488	77.0	24,549.06
FY2009	3,197	1,641	51.3	15,298.74

Note: Capital    FY2010: 4,488 million yen    FY2009: 1,641 million yen

### (3) Cash Flow

	Operating cash flow	Investing cash flow	Financing cash flow	Cash and equivalents at end of term
	million yen	million yen	million yen	million yen
FY2010	-1,012	-908	3,748	2,842
FY2009	-1,021	244	834	1,014

### 2. Cash Dividends

	Dividends per share
	yen
FY2009	0
FY2010	0
FY2011 (Forecast)	0

### 3. Forecast for FY2011 (April 1, 2011 to March 31, 2012)

(% indicate increase / decrease on previous fiscal year)

	Sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
FY2011 Q2	203	38.5	-656	-	-660	-	-662	-	-3,624.15
FY2011	471	34.1	-1,172	-	-1,149	-	-1,153	-	-6,311.11

\*Disclaimer regarding appropriate use of forecasts and related points of note

The above-mentioned forecasts are based on the information available on the date of release of these materials and on various assumptions made on the date of release of these materials including uncertain factors and may affect future earnings. Actual operating results may differ significantly from those forecasts as a consequence of various factors.

**Japan Tissue Engineering Co., Ltd.**  
**Non-consolidated Financial Statements for FY2010**  
(April 1, 2010 - March 31, 2011)

**(1) Non-consolidated Balance Sheets**

(In thousands yen)

	<b>FY2009</b>	<b>FY2010</b>
	As of March 31, 2010	As of March 31, 2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	*1 1,475,027	*1 4,182,923
Trade notes receivable	1,141	5,192
Accounts receivable	42,034	72,832
Finished goods	194	-
Work in process	35,792	9,926
Raw materials and supplies	51,768	48,305
Advances	-	15,652
Prepaid expenses	9,931	9,872
Other	28,514	11,798
Total current assets	1,644,403	4,356,503
Non-current assets		
Property, plant and equipment		
Buildings	*1 1,302,220	*1 1,308,513
Accumulated depreciation	-427,414	-496,268
Buildings, net	874,806	812,245
Structures	18,127	18,127
Accumulated depreciation	-10,936	-12,754
Structures, net	7,190	5,372
Machinery and equipment	292,264	295,881
Accumulated depreciation	-237,025	-253,613
Machinery and equipment, net	55,238	42,268
Vehicles	410	410
Accumulated depreciation	-149	-312
Vehicles, net	260	97
Tools, instruments and supplies	176,709	182,340
Accumulated depreciation	-153,519	-162,466
Tools, instruments and supplies, net	23,190	19,874
Land	*1 537,814	*1 537,814
Total property, plant and equipment	1,498,501	1,417,673
Intangible assets		
Trademark right	124	65
Software	41,667	35,394
Other	730	679
Total Intangible assets	42,521	36,139
Investments and other assets		
Investments in capital	20	20
Long-term prepaid expenses	1,544	926
Other	3,860	7,126
Total Investments and other assets	5,424	8,072
Total non-current assets	1,546,447	1,461,885
Deferred assets		
Stock issuance expenses	6,932	13,564
Total deferred assets	6,932	13,564
Total assets	3,197,783	5,831,953

(In thousands yen)

	<b>FY2009</b>	<b>FY2010</b>
	As of March 31, 2010	As of March 31, 2011
<b>Liabilities</b>		
Current liabilities		
Trade notes payable	39,410	35,897
current installments of long-term loans payable	239,692	244,492
Accounts payable	87,143	110,092
Accrued expenses payable	6,715	8,276
Income taxes and enterprise taxes payable	13,710	21,625
Advances received	–	247
Deposits payable	3,432	4,397
Reserve for bonuses	41,287	45,425
Other	5,197	2,388
Total current liabilities	436,589	472,842
Non-current liabilities		
Long-term loans	1,008,762	764,270
Reserve for directors' retirement benefits	100,600	100,200
Other	10,262	6,557
Total non-current liabilities	1,119,624	871,027
Total liabilities	1,556,214	1,343,870
<b>Net assets</b>		
Shareholders' equity		
Capital	5,714,950	7,716,700
Capital surplus		
Capital surplus reserve	3,544,950	5,546,700
Total capital surplus	3,544,950	5,546,700
Retained earnings		
Other retained earnings		
Earned surplus carried forward	-7,618,330	-8,775,316
Total retained earnings	-7,618,330	-8,775,316
Total shareholders' equity	1,641,569	4,488,083
Total net assets	1,641,569	4,488,083
Total liabilities and net assets	3,197,783	5,831,953

**(2) Non-consolidated Statements of Income**

(In thousands yen)

	<b>FY2009</b>	<b>FY2010</b>
	Year ended March 31, 2010	Year ended March 31, 2011
<b>Sales</b>		
Contract development income	63,455	89,715
Sales of finished goods	148,204	261,858
<b>Total sales</b>	<b>211,659</b>	<b>351,574</b>
<b>Cost of sales</b>		
Contract development cost	60,427	83,352
<b>Cost of finished goods sold</b>		
Beginning inventories	274	194
Purchases of merchandise for the term	180,602	297,844
<b>Total</b>	<b>180,876</b>	<b>298,038</b>
Transfer to other accounts	*1 45,723	*1 18,306
Closing inventories	194	-
<b>Cost of finished goods sold</b>	<b>134,958</b>	<b>279,732</b>
<b>Total cost of sales</b>	<b>195,386</b>	<b>363,085</b>
<b>Gross profit</b>	<b>16,273</b>	<b>-11,511</b>
<b>Selling, general and administrative expenses</b>		
Directors' remuneration	84,388	86,407
Salaries and benefits	148,163	204,798
bonuses	14,983	16,507
Provision for reserve for bonuses	14,324	15,957
Provision for reserve for directors' retirement benefits	19,500	-
Retirement benefit expenses	1,696	2,276
Land and house rent	8,224	11,075
Taxes other than income taxes	43,282	37,723
Depreciation	78,755	67,675
R&D expenses	*2 425,242	*2 374,704
Fee payment	58,340	64,674
Supplies expenses	16,523	25,723
Donation	7,946	11,423
Other	162,304	215,056
<b>Total selling, general and administrative expenses</b>	<b>1,083,675</b>	<b>1,134,003</b>
<b>Operating Loss (-)</b>	<b>-1,067,402</b>	<b>-1,145,515</b>
<b>Non-operating income</b>		
Interest income	2,207	878
Dividends income	0	0
Grant income	-	28,788
Miscellaneous income	2,900	2,290
Insurance income	1,355	-
<b>Total non-operating income</b>	<b>6,463</b>	<b>31,958</b>

(In thousands yen)

	<b>FY2009</b>	<b>FY2010</b>
	Year ended March 31, 2010	Year ended March 31, 2011
<b>Non-operating expenses</b>		
Interest expenses	25,724	27,689
Amortization of stock issuance expenses	9,346	8,178
Miscellaneous losses	6	3,721
<b>Total non-operating expenses</b>	<b>35,077</b>	<b>39,590</b>
Ordinary loss (-)	-1,096,015	-1,153,146
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	*3 61	—
<b>Total extraordinary loss</b>	<b>61</b>	<b>—</b>
Loss before income taxes (-)	-1,096,077	-1,153,146
Income taxes including inhabitants' and enterprise taxes	3,840	3,840
Total income taxes	3,840	3,840
<b>Net loss (-)</b>	<b>-1,099,917</b>	<b>-1,156,986</b>

**(3) Non-consolidated Statements of Changes in Equity**

(In thousands yen)

	<b>FY2009</b>	<b>FY2010</b>
	Year ended March 31, 2010	Year ended March 31, 2011
<b>Shareholders' equity</b>		
Capital		
Balance at the end of previous period	5,553,450	5,714,950
Changes of items during the period		
Issuance of new stocks	161,500	2,001,750
Total changes of items during the period	161,500	2,001,750
Balance at the end of current period	5,714,950	7,716,700
Capital surplus		
Capital surplus reserve		
Balance at the end of previous period	3,383,450	3,544,950
Changes of items during the period		
Issuance of new stocks	161,500	2,001,750
Total changes of items during the period	161,500	2,001,750
Balance at the end of current period	3,544,950	5,546,700
Retained earnings		
Other retained earnings		
Earned surplus carried forward		
Balance at the end of previous period	-6,518,412	-7,618,330
Total changes of items during the period		
Net loss (-)	-1,099,917	-1,156,986
Total changes of items during the period	-1,099,917	-1,156,986
Balance at the end of current period	-7,618,330	-8,775,316
Total shareholders' equity		
Balance at the end of previous period	2,418,487	1,641,569
Changes of items during the period		
Issuance of new stocks	323,000	4,003,500
Net loss (-)	-1,099,917	-1,156,986
Total changes of items during the period	-776,917	2,846,513
Balance at the end of current period	1,641,569	4,488,083
Total net assets		
Balance at the end of previous period	2,418,487	1,641,569
Changes of items during the period		
Issuance of new stocks	323,000	4,003,500
Net loss (-)	-1,099,917	-1,156,986
Total changes of items during the period	-776,917	2,846,513
Balance at the end of current period	1,641,569	4,488,083

**(4) Non-consolidated Statements of Cash Flows**

(In thousands yen)

	FY2009	FY2010
	Year ended March 31, 2010	Year ended March 31, 2011
<b>Cash flows from operating activities</b>		
Loss before income taxes (-)	-1,096,077	-1,153,146
Depreciation and amortization	114,926	106,684
Increase / decrease in provision for bonuses (-: decrease)	3,047	4,138
Increase / decrease in provision for directors' retirement benefits (-: decrease)	19,500	-400
Interest and dividends income	-2,208	-879
Interest expenses	25,724	27,689
Foreign exchange losses/gains (-: gains)	5	23
Increase / decrease in trade receivables (-: increase)	-22,175	-34,849
Increase / decrease in inventory assets (-: increase)	-47,829	29,524
Increase / decrease in accounts payable (-: decrease)	14,437	-3,513
Increase / decrease in other accounts payable (-: decrease)	-1,709	21,559
Increase / decrease in accrued consumption taxes (-: decrease)	-10,055	18,187
Other	8,651	3,057
Sub-total	-993,763	-981,923
Interest and dividends income received	2,754	711
Interest expenses paid	-27,202	-27,508
Income taxes paid	-2,794	-3,431
Net cash provided by (used in) operating activities	-1,021,005	-1,012,151
<b>Cash flows from investing activities</b>		
Payments into time deposits	-1,221,300	-1,680,700
Proceeds from withdrawal of time deposits	2,021,300	801,000
Payments for purchase of tangible fixed assets	-524,153	-22,041
Payments for purchase of intangible fixed assets	-36,252	-3,620
Other	5,051	-3,266
Net cash provided by (used in) investing activities	244,645	-908,627
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	-	300,000
Repayments of short-term loans	-	-300,000
Proceeds from long-term loans	620,000	-
Repayments of long-term loans	-106,696	-239,692
Proceeds from issuance of common stock	321,152	3,988,690
Net cash provided by (used in) financial activities	834,456	3,748,998
Effect of exchange rate changes on cash and cash equivalents	-5	-23
Net increase / decrease in cash and cash equivalents (-: decrease)	58,091	1,828,195
Cash and cash equivalents at beginning of period	956,286	1,014,377
Cash and cash equivalents at end of period	* 1,014,377	* 2,842,573

**Notes to non-consolidated financial statements**

[Balance sheets]

(In thousands yen)

<b>FY2009</b> Year ended March 31, 2010	<b>FY2010</b> Year ended March 31, 2011																								
*1 Pledged assets and mortgaged debt are as follows. Assets pledged as collateral: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Time deposits</td> <td style="text-align: right;">140,350</td> </tr> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">874,806</td> </tr> <tr> <td style="padding-left: 20px;">Land</td> <td style="text-align: right;">537,814</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,552,970</td> </tr> </table> Mortgaged debt: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Liability for contribution by syndicated contract of suretyship</td> <td style="text-align: right;">338,450</td> </tr> <tr> <td style="padding-left: 20px;">Long-term loans</td> <td style="text-align: right;">600,000</td> </tr> </table>	Time deposits	140,350	Buildings	874,806	Land	537,814	Total	1,552,970	Liability for contribution by syndicated contract of suretyship	338,450	Long-term loans	600,000	*1 Pledged assets and mortgaged debt are as follows. Assets pledged as collateral: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Time deposits</td> <td style="text-align: right;">100,250</td> </tr> <tr> <td style="padding-left: 20px;">Buildings</td> <td style="text-align: right;">809,616</td> </tr> <tr> <td style="padding-left: 20px;">Land</td> <td style="text-align: right;">537,814</td> </tr> <tr> <td style="border-top: 1px solid black; padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">1,447,681</td> </tr> </table> Mortgaged debt: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Liability for contribution by syndicated contract of suretyship</td> <td style="text-align: right;">241,750</td> </tr> <tr> <td style="padding-left: 20px;">Long-term loans</td> <td style="text-align: right;">600,000</td> </tr> </table>	Time deposits	100,250	Buildings	809,616	Land	537,814	Total	1,447,681	Liability for contribution by syndicated contract of suretyship	241,750	Long-term loans	600,000
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[Statements of income]

(In thousands yen)

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[Statements of cash flows]

(In thousands yen)

<b>FY2009</b> Year ended March 31, 2010	<b>FY2010</b> Year ended March 31, 2011												
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