

## Summary of Financial Report for the 1<sup>st</sup> Quarter of FY ending March 2011 (Non-Consolidated)

July 30, 2010

Listed Company Name: Japan Tissue Engineering Co., Ltd.  
Stock Code: 7774  
Representative: Yosuke Ozawa, President  
Contact: Masahito Obayashi, Director

Listed Securities Exchange: JQ NEO  
URL <http://www.jpte.co.jp>

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(Rounding down to the nearest million yen)

### 1. Results for the 1<sup>st</sup> Quarter of FY2010 (April 1, 2010 to June 30, 2010)

(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 | % |
| 1 <sup>st</sup> quarter of FY2010 | 73          | 203.4 | -287             | — | -296            | — | -297        | — |
| 1 <sup>st</sup> quarter of FY2009 | 24          | 5.7   | -297             | — | -303            | — | -304        | — |

|                                   | Net income per share | Net income per share, diluted |
|-----------------------------------|----------------------|-------------------------------|
|                                   | yen                  | yen                           |
| 1 <sup>st</sup> quarter of FY2010 | -2,770.21            | —                             |
| 1 <sup>st</sup> quarter of FY2009 | -3,005.47            | —                             |

### (2) Financial Condition

|                                   | Total assets | Net assets  | Equity ratio | Net assets per share |
|-----------------------------------|--------------|-------------|--------------|----------------------|
|                                   | million yen  | million yen | %            | yen                  |
| 1 <sup>st</sup> quarter of FY2010 | 3,193        | 1,344       | 42.1         | 12,528.52            |
| FY2009                            | 3,197        | 1,641       | 51.3         | 15,298.74            |

Note: Capital 1<sup>st</sup> quarter of FY2010: 1,344 million yen FY2009: 1,641 million yen

### 2. Cash Dividends

|                   | Dividends per share |        |     |          |        |
|-------------------|---------------------|--------|-----|----------|--------|
|                   | Q1 end              | Q2 end | Q3  | Term end | Annual |
|                   | yen                 | yen    | yen | yen      | yen    |
| FY2009            | —                   | 0.00   | —   | 0.00     | 0.00   |
| FY2010            | —                   | —      | —   | —        | —      |
| FY2010 (Forecast) | —                   | 0.00   | —   | 0.00     | 0.00   |

Note: Revisions to cash dividends this quarter No

### 3. Forecast for FY2010 (April 1, 2010 to March 31, 2011)

(% indicate increase/decrease on previous year)

|                                   | Sales       |       | Operating income |   | Ordinary income |   | Net income  |   | Net income per share |     |
|-----------------------------------|-------------|-------|------------------|---|-----------------|---|-------------|---|----------------------|-----|
|                                   | million yen | %     | million yen      | % | million yen     | % | million yen | % | yen                  | yen |
| 2 <sup>nd</sup> quarter of FY2010 | 210         | 118.2 | -569             | — | -577            | — | -579        | — | -5,404.11            |     |
| FY2010                            | 505         | 138.9 | -1,033           | — | -1,051          | — | -1,054      | — | -9,831.30            |     |

Note: Revisions to forecast this quarter No

\*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 1st Quarter of FY2010**  
(April 1, 2010 - June 30, 2010)

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

(In thousands yen)

|   | <b>FY2010 Q1</b>    | <b>FY2009</b>        |
|---|---------------------|----------------------|
|   | As of June 30, 2010 | As of March 31, 2010 |
| <b>Assets</b>                                   |                     |                      |
| Current assets                                  |                     |                      |
| Cash and cash equivalents                       | 1,517,413           | 1,475,027            |
| Trade notes and accounts receivable             | 59,919              | 43,175               |
| Finished goods                                  | 88                  | 194                  |
| Work in process                                 | 20,543              | 35,792               |
| Raw materials and supplies                      | 46,671              | 51,768               |
| Other   | 19,727              | 38,445               |
| <b>Total current assets</b>                     | <b>1,664,363</b>    | <b>1,644,403</b>     |
| Non-current assets                              |                     |                      |
| Property, plant and equipment                   |                     |                      |
| Buildings, net                                  | 860,703             | 874,806              |
| Land  | 537,814             | 537,814              |
| Other, net                                      | 80,269              | 85,880               |
| <b>Total property, plant and equipment</b>      | <b>1,478,787</b>    | <b>1,498,501</b>     |
| Intangible assets                               | 40,175              | 42,521               |
| Investments and other assets                    | 5,308               | 5,424                |
| <b>Total non-current assets</b>                 | <b>1,524,271</b>    | <b>1,546,447</b>     |
| Deferred assets                                 | 4,870               | 6,932                |
| <b>Total assets</b>                             | <b>3,193,504</b>    | <b>3,197,783</b>     |
| <b>Liabilities</b>                              |                     |                      |
| Current liabilities                             |                     |                      |
| Trade notes payable                             | 26,735              | 39,410               |
| Short-term loans                                | 300,000             | —                    |
| Current installments of long-term loans payable | 249,292             | 239,692              |
| Income taxes and enterprise taxes payable       | 5,718               | 13,710               |
| Reserve for bonuses                             | 27,731              | 41,287               |
| Other   | 158,227             | 102,489              |
| <b>Total current liabilities</b>                | <b>767,704</b>      | <b>436,589</b>       |
| Non-current liabilities                         |                     |                      |
| Long-term loans                                 | 970,614             | 1,008,762            |
| Reserve for directors' retirement benefits      | 100,600             | 100,600              |
| Other   | 10,262              | 10,262               |
| <b>Total non-current liabilities</b>            | <b>1,081,476</b>    | <b>1,119,624</b>     |
| <b>Total liabilities</b>                        | <b>1,849,181</b>    | <b>1,556,214</b>     |
| <b>Net assets</b>                               |                     |                      |
| Shareholders' equity                            |                     |                      |
| Capital   | 5,714,950           | 5,714,950            |
| Capital surplus                                 | 3,544,950           | 3,544,950            |
| Retained earnings                               | -7,915,576          | -7,618,330           |
| <b>Total shareholders' equity</b>               | <b>1,344,323</b>    | <b>1,641,569</b>     |
| <b>Total net assets</b>                         | <b>1,344,323</b>    | <b>1,641,569</b>     |
| <b>Total liabilities and net assets</b>         | <b>3,193,504</b>    | <b>3,197,783</b>     |

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

(In thousands yen)

|  | <b>FY2009 Q1</b>        | <b>FY2010 Q1</b>        |
|--|-------------------------|-------------------------|
|  | April 1 - June 30, 2009 | April 1 - June 30, 2010 |
| Sales  | 24,085                  | 73,070                  |
| Cost of sales  | 27,325                  | 87,373                  |
| Gross profit   | -3,240                  | -14,303                 |
| Selling, general and administrative expenses             | 294,175                 | 273,486                 |
| Operating Loss (-)                                       | -297,415                | -287,790                |
| Non-operating income                                     |                         |                         |
| Interest income  | 932                     | 154                     |
| Dividends income   | 0                       | 0                       |
| Other  | 452                     | 639                     |
| Total non-operating income                               | 1,385                   | 794                     |
| Non-operating expenses                                   |                         |                         |
| Interest expenses  | 4,962                   | 7,238                   |
| Amortization of stock issuance expenses                  | 2,359                   | 2,062                   |
| Other  | 5                       | —                       |
| Total non-operating expenses                             | 7,326                   | 9,301                   |
| Ordinary loss (-)  | -303,356                | -296,296                |
| Loss before income taxes (-)                             | -303,356                | -296,296                |
| Income taxes including inhabitants' and enterprise taxes | 950                     | 950                     |
| Total income taxes                                       | 950                     | 950                     |
| Net loss (-)   | -304,306                | -297,246                |

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

(In thousands yen)

|  | <b>FY2009 Q1</b>        | <b>FY2010 Q1</b>        |
|--|-------------------------|-------------------------|
|  | April 1 - June 30, 2009 | April 1 - June 30, 2010 |
| <b>Cash flows from operating activities</b>  |                         |                         |
| Loss before income taxes (-)   | -303,356                | -296,296                |
| Depreciation and amortization  | 23,877                  | 25,924                  |
| Increase / decrease in provision for bonuses<br>(-: decrease)                        | -17,236                 | -13,556                 |
| Increase / decrease in provision for directors' retirement<br>benefits (-: decrease) | 4,900                   | —                       |
| Interest and dividends income  | -933                    | -154                    |
| Interest expenses  | 4,962                   | 7,238                   |
| Foreign exchange losses/gains (-: gains)   | 5                       | —                       |
| Increase / decrease in trade receivables (-: increase)                               | 1,837                   | -16,744                 |
| Increase / decrease in inventory assets (-: increase)                                | -2,788                  | 20,452                  |
| Increase / decrease in accounts payable (-: decrease)                                | 5,304                   | -12,675                 |
| Increase / decrease in other accounts payable<br>(-: decrease)                       | 32,251                  | 39,234                  |
| Increase / decrease in accrued consumption taxes<br>(-: decrease)                    | 322                     | 22,990                  |
| Other  | 1,905                   | 10,073                  |
| <b>Sub-total</b>   | <b>-248,948</b>         | <b>-213,514</b>         |
| Interest and dividends income received   | 780                     | 87                      |
| Interest expenses paid   | -3,866                  | -5,809                  |
| Income taxes paid  | -3,956                  | -3,857                  |
| <b>Net cash provided by (used in) operating activities</b>                           | <b>-255,990</b>         | <b>-223,094</b>         |
| <b>Cash flows from investing activities</b>  |                         |                         |
| Proceeds from withdrawal of time deposits  | 100,000                 | —                       |
| Payments for purchase of tangible fixed assets                                       | -510,349                | -5,617                  |
| Payments for purchase of intangible fixed assets                                     | -26,281                 | -470                    |
| Other  | 5,246                   | 116                     |
| <b>Net cash provided by (used in) investing activities</b>                           | <b>-431,384</b>         | <b>-5,972</b>           |
| <b>Cash flows from financing activities</b>  |                         |                         |
| Proceeds from short-term loans   | —                       | 300,000                 |
| Proceeds from long-term loans  | 520,000                 | —                       |
| Repayments of long-term loans  | —                       | -28,548                 |
| <b>Net cash provided by (used in) financial activities</b>                           | <b>520,000</b>          | <b>271,452</b>          |
| <b>Effect of exchange rate changes on cash and cash<br/>equivalents</b>              | <b>-5</b>               | <b>—</b>                |
| <b>Net increase / decrease in cash and cash equivalents<br/>(-: decrease)</b>        | <b>-167,380</b>         | <b>42,385</b>           |
| <b>Cash and cash equivalents at beginning of period</b>                              | <b>956,286</b>          | <b>1,014,377</b>        |
| <b>Cash and cash equivalents at end of period</b>                                    | <b>788,906</b>          | <b>1,056,763</b>        |