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**Two Patents Related to NK Cells, Jointly Applied with Kyushu University, was Approved
—Successful Manufacture of High-Performance NK Cells (ZNK[®] Cells) From a Variety of Cell Sources—**

tella, Inc. (Head office: Minato-ku, Tokyo; President & Representative Director: Yuichiro Yazaki) has been performing joint development with the National University Corporation Kyushu University concerning natural killer cells (NK cells), which we call ZNK[®] cells, that are highly effective killing cancer cells. Patents for two technologies related to ZNK[®] cells have now been approved in Japan.

NK cells are cytotoxic cells that can kill virus infection cells and cancer cells. The cells are believed to help prevent diseases. In people with advanced cancer, there are declines in the number and activity of NK cells. As a result, there were hopes that culturing and invigorating NK cells outside the body would be effective for cancer treatment.

However, clinical researches performed mainly in Europe and the United States have been unable to achieve a sufficient increase in NK cells and their activation outside the body. This prevented the cells from being highly effective at killing tumors. Scientists worldwide have been seeking a method to overcome this problem.

The two recently approved patents are new technologies developed by tella in collaboration with Kyushu University, which, by optimizing a number of important parameters, enable the culturing of highly pure NK cells (ZNK[®] cells) with highly maximized cytotoxic activity. One of these technologies amplifies NK cells from a human peripheral blood derived mononuclear cells several hundred times, while the other amplifies NK cells from a human cord blood cells about 10,000 times.

Almost 100% of the ZNK[®] cells cultured using this technology produce CD69 which is a lymphocytic cell activation marker. Furthermore, the ZNK[®] cells contain several times to 10 times more perforin and granzyme B, which are the cell killing molecules, than before culturing. Based on the cancer cell (K562 cell) used as the standard marker for NK cell activation, tests have shown that ZNK[®] cells cultured in peripheral blood derived mononuclear cells can kill almost all cancer cells at a ratio of one ZNK[®] cell for each cancer cell. Moreover, this process requires only about two hours. Compared with culturing methods that have already been announced, this new technology has an outstanding cell killing activity. This breakthrough raises expectations for the creation of a practical ZNK[®] cell immunotherapy method that is even more effective at treating cancer.

The mechanism of the NK cell therapy is different than for the dendritic cell (DC) vaccine Vaccell®, for which tella has performed R&D activities. Due to the different mechanisms, these two treatments are expected to be mutually complementary. As a result, combining the two treatments may result in an even more effective method for fighting cancer.

Furthermore, with regard to treatments using NK cells, we can expect, in theory, more significant therapeutic effects using homologous cells (cells from someone else) rather than autologous cells (cells from one's own body). Homologous cells are being used in many of the clinical trials using NK cells already being conducted in Europe and the United States. The two patents that have been approved are technologies that can manufacture ZNK[®] cells from a variety of cells, without placing a burden on cancer patients, enabling the clinical application of ZNK[®] cell immunotherapy using homologous cells.

tella will continue to perform R&D activities involving NK cells and other useful cells used in cancer treatment. The goal is to give the large number of cancer patients more treatment options.

This matter will have only a negligible effect on results of operations in fiscal 2014.