Consolidated Financial Results for the Fiscal Year Ended December 31, 2011

[Japanese GAAP]

February 10, 2012

Company name: tella, Inc. Stock Exchange Listing: Osaka Securities Exchange (JASDAQ)
Stock code: 2191 URL: http://www.tella.jp/
Representative: Yuichiro Yazaki, Representative Director and President
Contact: Ryohei Yamamoto, Director TEL: +81-3-6272-6477
Scheduled date of annual general meeting of shareholders: March 29, 2012
Scheduled date of filing of securities report: March 30, 2012
Scheduled date of dividend payment: -
Preparation of supplementary materials for financial results: None
Holding of financial results meeting: Yes (for institutional investors and securities analysts)

Note: The original disclosure in Japanese was released on February 10, 2012 at 15:30 (GMT +9)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2011 (Jan. 1, 2011 to Dec. 31, 2011)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY12/2011	1,322	-	71	-	52	-	16	-
FY12/2010	-	-	-	-	-	-	-	-

Note: Comprehensive income (millions of yen) FY12/2011: 25 (n.a.) FY12/2010: - (n.a.)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
FY12/2011	1.35	1.32	1.5	2.7	5.4
FY12/2010	-	-	-	-	-

Reference: Equity in earnings (losses) of affiliates (millions of yen) FY12/2011: - FY12/2010: -

Note: We have not included FY12/2010 figures and year-on-year comparisons because we prepare consolidated financial statements starting from FY12/2011.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2011	2,212	1,305	58.3	98.75
As of Dec. 31, 2010	-	-	-	-

Reference: Shareholders' equity (millions of yen) Dec. 31, 2011: 1,291 Dec. 31, 2010: -

Note: We have not included figures as of Dec. 31, 2010 because we prepare consolidated financial statements starting from FY12/2011.

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY12/2011	139	(77)	359	1,092
FY12/2010	-	-	-	-

Note: We have not included FY12/2010 figures because we prepare consolidated financial statements starting from FY12/2011.

2. Dividends

	Dividend per share					Total cash dividends	Dividend payout ratio (consolidated)	Dividends on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY12/2010	-	0.00	-	0.60	0.60	7	-	-
FY12/2011	-	0.00	-	0.00	0.00	-	-	-
FY12/2012 (Forecast)	-	0.00	-	0.00	0.00		-	

Note: We have not included dividend payout ratio and dividends on equity for FY12/2010 because we prepare consolidated financial statements starting from FY12/2011.

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2012 (Jan. 1, 2012 to Dec. 31, 2012)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	737	12.5	31	(36.9)	24	(37.1)	9	(37.6)	0.71
Full year	1,513	14.4	70	(1.6)	57	9.6	24	49.5	1.90

4. Others

(1) Changes in significant subsidiaries during the period (Change in scope of consolidation): None

(2) Changes in accounting principles, procedures, presentation methods, etc.

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Please refer to "4. Consolidated Financial Statements, (7) Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements" on page 24 for further information.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of period (including treasury stock)

Dec. 31, 2011: 13,074,000 shares Dec. 31, 2010: 12,079,000 shares

2) Number of shares of treasury stock at the end of period

Dec. 31, 2011: 211 shares Dec. 31, 2010: 211 shares

3) Average number of shares outstanding during the period

FY12/2011: 12,304,356 shares FY12/2010: 11,975,045 shares

Note: Please refer to "4. Consolidated Financial Statements, (9) Notes to Consolidated Financial Statements (Per-share Information)" on page 27 for further information.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2011 (Jan. 1, 2011 to Dec. 31, 2011)

(1) Results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY12/2011	1,193	4.2	45	(68.4)	22	(82.6)	3	(95.4)
FY12/2010	1,145	17.5	144	(38.1)	131	(33.4)	76	(29.8)

	Net income per share	Diluted net income per share
	Yen	Yen
FY12/2011	0.29	0.28
FY12/2010	6.39	6.08

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2011	2,154	1,277	59.3	97.75
As of Dec. 31, 2010	1,719	940	54.7	77.89

Reference: Shareholders' equity (millions of yen) Dec. 31, 2011: 1,277 Dec. 31, 2010: 940

Note 1: Indication of audit procedure implementation status

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the consolidated and non-consolidated financial statements have not been completed.

Note 2: Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Group at the time the materials were created. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Results of Operations, (1) Analysis of Operating Results, Outlook for the Next Fiscal Year" on page 3 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Results of Operations

(1) Analysis of Operating Results

1) Summary of the Current Fiscal Year

The Japanese economy in 2011, the fiscal year under review, showed signs of a recovery in some sectors following the downturn caused by the Great East Japan Earthquake. However, the outlook for the economy remains uncertain because of the sovereign debt crisis in Europe, exchange rate and stock price movements, and other reasons.

The tella Group continued to perform R&D of cancer immunotherapies, primarily the dendritic cell (DC) vaccine therapy. We conducted sales activities targeting medical institutions nationwide and academic and information activities which include mainly using seminars and other methods to provide information to patients and making announcements at academic events. Activities also include the ongoing provision of maintenance and management services of cell processing facilities by contract chiefly to university medical institutions.

In September 2011, tella signed a contract with Asahi Kasei Corporation for joint R&D activities, and has started a joint R&D project with this partner to create cell processing equipment for practical use that can grow high-quality cells consistently and efficiently in order to treat cancer. In December 2011, tella conducted a third-party allotment to sell newly issued shares to Asahi Kasei. Selling these shares will speed up the joint R&D project with Asahi Kasei and deepen tella's relationship with this company, which is an important business partner for new types of business activities.

In 2011, net sales totaled 1,322,465 thousand yen. This was attributable to an increase in DC vaccine therapy cases in the Cell Therapy Technology Development Business and to making Bio Medica Solution CO. LTD., which is involved in the Cell Therapy Support Business, a consolidated subsidiary. Earnings included the results of the newly added Cell Therapy Support Business but were affected by up-front expenses for initiatives associated with our medium-term growth strategy. As a result, operating income was 71,280 thousand yen, ordinary income was 52,220 thousand yen and net income was 16,614 thousand yen.

Since we have prepared consolidated financial statements for the first time in this fiscal year, there are no comparisons with the previous fiscal year.

Fiscal year performance for business segments was as follows.

Cell Therapy Technology Development Business

In this business segment, the tella Group provides unique cancer treatment technologies and know-how, chiefly the DC vaccine therapy, to contracted medical institutions.

Regarding sales activities targeting medical institutions nationwide, tella signed a joint research agreement in October 2011 with the National Center for Global Health and Medicine ("NCGM" hereafter),* an incorporated administrative agency. The objectives are to develop technologies for the DC vaccine therapy and perform research involving the clinical use of these technologies. tella plans to start supplying its DC vaccine therapy to NCGM in the spring of 2012. In December 2011, tella entered into client medical institution agreements with Tsurumi University, which is located in Tsurumi-ku, Yokohama, and Simamura Total Care Clinic and started providing technologies and other know-how to these new alliance partners. Adding these two alliances raised to 22 the number of contracted medical institutions.

To provide information to patients, we held cancer treatment seminars jointly with contracted medical institutions in the prefectures of Miyagi, Tokyo, Aichi, Kyoto, Hyogo, Hiroshima and Fukuoka.

Regarding R&D activities, tella signed a collaborative research agreement with NCGM in November 2011 for studies concerning the use of cancer antigens with dendritic cells. In addition, a collaborative research agreement was signed with the School of Medicine of Keio University. Based on this agreement, clinical studies for WT1 (or other cancer antigen) pulsed DC vaccine therapy in combination with anti-cancer drugs have started for the treatment of advanced and recurrent esophageal cancer and advanced melanoma (malignant melanoma predominantly occurs on the skin). In December 2011, another collaborative research agreement was signed with the School of Medicine of Keio University for the start of collaborative research involving the tumor infiltrating lymphocyte therapy.

There were also a number of academic presentations delivered. We announced the results of clinical trials with contracted medical institutions and R&D programs at several events: "70th Annual Meeting of the Japanese Cancer Association" and "49th Annual Meeting of the Japan Society of Clinical Oncology" in October 2011. All these activities helped increase the awareness of tella's activities among clinical physicians and research scientists.

Due to all of these activities, there were approximately 1,450 cases during 2011 in which the DC vaccine therapy was used. This raises to about 4,950 the total number of DC vaccine therapy cases since tella was established.

Segment sales in 2011 totaled 1,193,687 thousand yen. Sales at some contracted medical institutions were lower because of the Great East Japan Earthquake and more intense competition in some regions of Japan. But sales benefited from the generally steady growth in contracted medical institutions that signed to receive technologies and other know-how from tella during the fiscal year ended on December 31, 2010. Activities to sign up new affiliated medical institutions also weighed on earnings as well as increases in personnel expenses and R&D expenses associated with new businesses and R&D activities. In addition, advertising expenses increased for the purposes of making more patients aware of the DC vaccine therapy and reinforcing support provided to contracted medical institutions. The result was segment operating income of 45,544 thousand yen.

* The National Center for Global Health and Medicine is one of the six national centers for advanced and specialized medical care in Japan and plays a central role in policy-based medical services in Japan. This center is responsible for all areas of advanced health care. The center has a general hospital with a full range of medical departments in order to provide advanced comprehensive medical care, deal with international infections and extend cooperation for international medical care. In addition, there is a laboratory consisting of 14 departments and other activities. Since being transformed into an incorporated administrative agency in April 2010, the center has been engaged in clinical development and research programs mainly for "promotion of clinically-oriented R&D" and "promotion of R&D activities in hospitals" as medium-term goals.

Cell Therapy Support Business

Activities in this segment include the operation of cell processing facilities by contract for research and medical institutions, the provision of maintenance and management services for these facilities, and sales of replacement supplies, devices and others.

Since the business continued to perform well after the consolidation of this segment in February 2011, segment sales in 2011 totaled 128,778 thousand yen and segment operating income was 25,736 thousand yen.

2) Outlook for the Next Fiscal Year

The outlook for the Japanese economy is still uncertain because of the sovereign debt crisis in Europe, exchange rate and stock price movements, and other reasons. More growth is expected in the medical care sector involving immunotherapy treatment for cancer. While competition among medical institutions is increasing along with growth in the number of medical institutions that use cell immunotherapy treatment for cancer, larger use will lead to greater awareness and understanding of cancer immunotherapy.

In 2012, tella plans to increase the number of DC vaccine therapy cases by stepping up efforts to increase the number of client medical institutions that treat patients in association with its current contracted medical institutions. In addition, we plan to continue performing clinical studies and research in order to create a stronger base of scientific evidence. The aim is to make more patients and medical care professionals aware of the DC vaccine therapy and increase the use of this therapy. Furthermore, we will conduct joint activities with university and other medical institutions for the development and use of new cancer antigens and cell immunotherapy methods. We hope that contracted medical institutions can start using these new antigens and methods quickly. Regarding new business development, we started performing thorough surveys and studies in 2011 concerning the launch of overseas operations, mainly in Asia. In 2012, we will make preparations so that we can start operating in other countries as soon as possible. Bio Medica Solution CO. LTD. is engaged primarily in the operation of cell processing facilities by contract and the provision of maintenance and management services for these facilities, and taking steps to aim for more growth in its operations to expand the Cell

Therapy Support Business.

In 2012, we forecast consolidated net sales of 1,513,374 thousand yen, operating income of 70,149 thousand yen, ordinary income of 57,240 thousand yen and net income of 24,841 thousand yen.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets were 2,212,798 thousand yen at the end of 2011, including current assets of 1,505,641 thousand yen and noncurrent assets of 707,156 thousand yen.

Liabilities totaled 907,673 thousand yen, including current liabilities of 439,949 thousand yen and noncurrent liabilities of 467,724 thousand yen.

Net assets totaled 1,305,124 thousand yen.

Since we have prepared consolidated financial statements for the first time in this fiscal year, there are no figures for the previous fiscal year.

2) Cash Flows

Cash and cash equivalents at the end of 2011 totaled 1,092,670 thousand yen.

Since we have prepared consolidated financial statements for the first time in this fiscal year, there are no figures for the previous fiscal year.

The cash flow components during the current fiscal year and the main reasons for changes were as described below.

Cash Flow from Operating Activities

Net cash provided by operating activities was 139,984 thousand yen. Major items included income before income taxes and minority interests of 56,381 thousand yen, depreciation and amortization of 201,199 thousand yen, an increase in notes and accounts receivable-trade of 55,473 thousand yen, an increase in prepaid expenses of 38,697 thousand yen, and income taxes paid of 30,180 thousand yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 77,905 thousand yen. There were payments of 79,688 thousand yen for the purchase of property, plant and equipment to support our facilities and basic affiliated medical institutions and 10,000 thousand yen for the purchase of investment securities, and proceeds of 14,156 thousand yen from the purchase of investments in subsidiaries resulting in change in scope of consolidation.

Cash Flow from Financing Activities

Net cash provided by financing activities was 359,562 thousand yen. There were 298,595 thousand yen in proceeds from issuance of common stock, a 200,000 thousand yen increase in short-term loans payable, a 217,200 thousand yen decrease in short-term loans payable, 150,000 thousand yen in proceeds from long-term loans payable, 140,300 thousand yen in repayment of long-term loans payable, 195,924 thousand yen in proceeds from issuance of bonds, 101,000 thousand yen in redemption of bonds, 44,404 thousand yen in repayments of lease obligations, 7,017 thousand yen for cash dividends paid, 15,968 thousand yen in repayment of installment payables, and 40,713 thousand yen in proceeds from issuance of stock resulting from exercise of subscription rights to shares.

Reference: Cash flow indicators

	FY12/2011
Shareholders' equity ratio (%)	58.3
Shareholder's equity ratio on a market value basis (%)	244.0
Interest-bearing debt to cash flow ratio (%)	524.5
Interest coverage ratio (Times)	9.2

Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholder's equity ratio on a market value basis: Market capitalization / Total assets
Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments

Notes: 1. Since we have prepared consolidated financial statements for the first time in this fiscal year, there are no figures for the prior years.
2. Market capitalization is calculated using the closing price quoted at the period end times the number of shares outstanding (less treasury stocks).
3. Cash flows are calculated using the figures for operating cash flows in the statements of cash flows.
4. Interest-bearing debt includes all liabilities on the balance sheets that incur interest.

(3) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

Returning earnings to shareholders while strengthening the financial position and becoming more competitive is one of the highest priorities of tella. Management is committed to conducting business operations while adapting swiftly to changes in the operating environment and preserving the Company's competitive edge. To accomplish this, the Company has a policy of distributing earnings by taking into account results of operations and the financial position and by reflecting growth in earnings along with the need to increase retained earnings. The dividend policy is to link the dividend to earnings by allocating about 10% of net income to dividends while placing emphasis on reinvesting earnings to support our corporate growth.

However, due to performance in 2011, tella has decided to make no year-end dividend payment. Furthermore, tella plans to make no dividend payments for 2012 because of the need to retain funds for reinvestments required for its medium-term growth strategy.

The tella Articles of Incorporation include a provision allowing the Board of Directors to approve dividends from surplus as stipulated in Article 459 Paragraph 1 of the Company Law. Consequently, the Board of Directors is the decision-making body for both interim and year-end dividends.

(4) Business Risk

The following section presents significant information regarding business and financial matters that may affect the decisions of investors. In addition, from the standpoint of fully disclosing information to investors, this section includes items that may not be risks involving business operations but are significant with regard to investment decisions by investors. The Group is aware of these risks and takes actions aimed at preventing these problems and responds to these problems if they should occur. Before reaching a decision concerning an investment in the Group's stock, investors are cautioned to carefully study these risk factors as well as other information in this document.

Forward-looking statements are based on the judgment of the Group as of the date of the release of these materials.

1) Risks Associated with Business Activities

i) Cost of medical care and number of patients

The tella Group provides technologies and know-how concerning the DC vaccine therapy and other therapies, and receives contract-based fees according to the number of patients treated by contracted medical institutions. As a result, changes in the relevant medical fees of these treatments received by them and the number of patients have a significant effect on the Group's earnings.

If there is a decline in the medical fees for treatments contracted medical institutions provide for some reason as actions are taken to increase the use of cancer immunotherapies, primarily the DC vaccine therapy, if there is a revision in rate of fees that the Group receives in return for its services, or if there is a decline in the number of patients at contracted medical institutions, there may be an impact on the Group's performance and financial condition.

ii) Competition with peers in the pricing of services

The innovative nature and growth potential of cancer immunotherapies, primarily the DC vaccine therapy, may result in increasingly heated competition from companies currently active in this business sector as well as from new competitors. Furthermore, the DC vaccine therapy for which tella provides technologies and know-how is one type of immunotherapy. This creates the possibility of the DC vaccine therapy, as a therapy of the immunotherapy category, being mistakenly viewed as a treatment that is similar to other therapies belonging to this category. The Group will continue to work on differentiating its therapies from other apparently similar treatment methods. However, the emergence of many competitors offering various immunotherapy methods along with more heated competition may result in competitive pressure on prices paid for these services. If this happens, there may be an impact on the Group's performance and financial condition.

iii) Decline in the public's perception

The Group provides technologies and know-how concerning the DC vaccine therapy and other therapies. Currently, these therapies are provided in Japan as a discretionary treatment that patients pay for on their own. Discretionary treatments can be provided without having first completed the clinical studies that are required for treatments covered by the national health insurance. Compared with those covered by the national health insurance, discretionary treatments present a mixture of treatments that are good and bad in quality. Some competitors that offer immunotherapy may cause problems by providing technologies and know-how or services with inferior quality. If such problems occur, the resulting damage to the public's perception of the DC vaccine therapy may have an impact on the Group's performance and financial condition.

iv) Changes in market conditions or demand

The Group's earnings are vulnerable to changes in the cancer therapy market, the market for treatments not covered by the national health insurance, the cancer immunotherapy market, and demand for the DC vaccine therapy and other therapies. There may be a decline in the number of cancer patients in Japan because of the nation's falling population or advances and increasing utilization of cancer prevention technologies. There is also a possibility that the number of discretionary treatments may fall as insurance coverage is enlarged for certain new cancer therapies or that cancer treatments other than DC vaccine therapy may emerge in the immunotherapy domain. Any of these events may have an impact on the Group's performance and financial condition.

v) Advances in technology

The speed of technological innovation and progress is rapid in the field of cancer treatments, which is the Group's business domain. Many R&D projects are under way to create new cancer drugs and other ways to treat cancer. The Group performs R&D programs based on the understanding of the need to constantly make revisions to its DC vaccine therapy and other therapies based on new ideas. If the Group loses its competitive edge because other companies develop technologies first or the Group falls behind in developing new and better technologies, there may be an impact on the Group's performance and financial condition.

vi) Framework for assisting with quality assurance

The Group provides contracted medical institutions with technologies and know-how concerning the DC vaccine therapy and other therapies. However, the contracted medical institutions grow cells in a cell culture themselves. This step is not performed by the Group.

The Group provides the following support to contracted medical institutions to assist them in growing high-quality cells for therapy.

(a) To prevent contamination by microbes, cell cultures are located in a cell processing facility that has air cleanliness conforming to GMP standards and sterility is maintained during the cell processing stage.

(b) Contracted medical institutions are asked to establish Standard Operating Procedures (SOP) for all tasks and ensure that these procedures are followed. This minimizes the possibility of human error during the cell processing stage.

(c) They are asked to purchase cell culture fluids, reagents and other materials required to grow cells in accordance with contracts with suppliers that have exacting and carefully defined terms. This helps prevent the receipt of defective products and the degradation of products received. The Group also asks them to upgrade their purchasing, storage and inspection systems.

(d) The Group periodically inspects contracted medical institutions to check the quality of cells and the operation of associated facilities for the purpose of preventing a decline in quality.

However, even though a contracted medical institution complies with the Group's guidelines, there is a possibility of a decline in the quality of cells grown by a contracted medical institution and, as a result, a decline in the quality of therapies provided to patients. If this happens, there may be an impact on the Group's performance and financial condition.

2) Risks Associated with Sudden Changes in Financial Position, Operating Results and Cash Flows

i) Possibility of asset impairment charges

The Group makes capital expenditures to purchase equipment that is loaned to basic affiliated medical institutions and invests in intellectual property rights. When determining the value of noncurrent assets, the Group applies "Accounting for Impairment of Fixed Assets" and "Guidance for Accounting Standard for Impairment of Fixed Assets." If there is a need for any additional asset impairment for some reason, there may be an impact on the Group's performance and financial condition.

ii) Acquisitions of companies and establishment of new companies

The Group acquired Bio Medica Solution CO. LTD. in February 2011 for the purposes of strengthening maintenance and management services for cell processing equipment and facilities, selling replacement supplies, and performing inspections by contract.

The Group may continue to acquire companies or establish new companies in order to increase business opportunities. However, if these acquired or new companies are unable to conduct business activities as planned for any reason, there may be an impact on the Group's performance and financial condition.

3) Reliance on Particular Customers, Products and Technologies

i) Reliance on particular customers

The Group provides technologies and know-how to medical institutions. At this time, specific basic affiliated medical institutions account for a large percentage of revenue and earnings. We believe that our reliance on specific basic affiliated medical institutions will decrease over time as the number of contracted medical institutions increases. However, if there are delays in increasing the number of new basic affiliated medical institutions or a change in the relationships of current basic affiliated medical institutions with the Group, there may be an impact on the Group's performance and financial condition.

Sales to major customers and the ratio to net sales (Thousands of yen, %)

Major customers	FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)		FY12/2011 (Jan. 1 – Dec. 31, 2011)	
	Sales	Pct. of total	Sales	Pct. of total	Sales	Pct. of total
SEREN CLINIC Nagoya	193,366	19.8	180,927	15.8	165,237	12.5
SEREN CLINIC Kobe	-	-	99,005	8.6	164,110	12.4
SEREN CLINIC Tokyo	245,387	25.2	193,462	16.9	156,852	11.9

Notes: 1. The above amounts do not include consumption and other taxes.

2. SEREN CLINIC and Midland Clinic were approved as medical corporations on April 1, 2009. These companies changed their names to SEREN CLINIC Tokyo and SEREN CLINIC Nagoya on April 1, 2011.

ii) Contracts with contracted medical institutions

The Group has alliance agreements with contracted medical institutions concerning the use of the DC vaccine therapy and other therapies. In principle, these contracts are extended automatically upon their completion unless either party notifies the other party of its intent to terminate the contract within a certain period prior to the termination date. However, contracts may be terminated due to a change in the management policies of contracted medical institutions or cancelled due to a violation by the Group of the terms of contracts with contracted medical institutions. If this happens, there may be an impact on the Group's performance and financial condition.

iii) Reliance on particular physicians and cell culture specialists at contracted medical institutions

The Group's earnings are derived primarily from medical treatments and cell culture activities at contracted medical institutions. The provision of medical treatment depends on the decisions of physicians and cell culture activities depend on the skill of cell culture technicians. A contracted medical institution may no longer be able to provide proper medical treatment if a physician with expertise in DC vaccine therapy and other therapies or a cell culture technician resigns or for some other reason. If this happens, there may be an impact on the Group's performance and financial condition.

iv) Infringement of intellectual property rights

The Group may infringe on the patents or other intellectual property of other companies. We use technological consultants to perform studies of technologies and patents to prevent such infringements. However, in the field of cancer treatments, where technology-based competition is fierce, there is a possibility that patents or other intellectual property may exist without our knowledge. In this case, we may violate the rights of other companies.

v) Leaks of technologies and know-how

The provision of technologies and know-how involving the DC vaccine therapy and other therapies to contracted medical institutions is the Group's primary source of revenue. We have confidentiality agreements with all contracted medical institutions. In addition, we ask contracted medical institutions to have all associated employees and other associated parties sign confidentiality agreements. Furthermore, we have strict rules for the storage and handling of confidential documents and other materials. The Group is also purchasing exclusive licenses, exclusive utilization rights and other rights concerning materials involving the DC vaccine therapy and other therapies. These purchases are intended to prevent parties that do not have a contract with the Group from performing a similar therapy including the DC vaccine therapy even in the unlikely event of a leak of the Group's technologies or know-how. Nevertheless, a leak of technologies or know-how may have an impact on the Group's performance and financial condition.

vi) Inability to receive permission from holders of rights

In some instances, the Group uses WT1 peptide as artificial antigen with regard to the technologies and know-how provided for performing the DC vaccine therapy. We have acquired the exclusive right to use this peptide. There is a possibility of an increase in the cost of this utilization right or the loss of the approval to use WT1 peptide resulting from a change in the policies of the party holding this right, a violation by the Group of the contract terms, or for some other reason. If this happens, there may be an impact on the Group's performance and financial condition.

vii) R&D activities and expenditures

The Group conducts a variety of joint R&D programs with universities and other partners. One goal is to improve the clinical effectiveness of the DC vaccine therapy and other therapies. Another goal is to create new sources of earnings from a medium- and long-term perspective. If there is a significant increase in the cost of these R&D programs because of a change in the policies of a university or other partner, a project that requires more time than expected or for some other reason, there may be an impact on the Group's performance and financial condition.

4) Regulatory Restrictions, Business Practices and Management Policies

i) Reliance on a particular individual

The Company's president and representative director Yuichiro Yazaki is the Group's chief executive officer. As a physician and research scientist, Dr. Yazaki has extensive knowledge and experience involving the DC vaccine therapy and advanced medical treatment technologies. He uses his extensive personal relationships with individuals at medical institutions and research facilities for sales activities. Overall, Dr. Yazaki plays an enormous role in the business activities of the Group. Consequently, if Dr. Yazaki is no longer able to perform his duties at the tella Group for some reason, there may be an impact on the Group's performance and financial condition.

ii) Small size of company

The Group is a small company with eight directors, three corporate auditors and 44 employees as of December 31, 2011. The internal management framework is also small. We plan to increase the workforce as the scale of business operations increases. We also plan to strengthen internal management systems along with this growth. However, if we are unable to establish a proper and sufficient organizational framework in relation to the growth of business activities and the workforce or if a large number of employees resign over a short period of time, there may be an impact on the Group's performance and financial condition.

iii) Recruiting and training activities

Most of the business activities of the Group depend on research scientists, technicians and other individuals with highly specialized skills. We use on-the-job training and other programs to upgrade the skills of our employees. However, the inability to recruit a sufficient number of individuals in relation to the scale of our investments or to develop the skills of these individuals may limit the Group's ability to grow, thereby impacting the Group's performance and financial condition.

iv) Stock options

The Group has a system for granting stock options.

The value of each share of the Group stock may be diluted if stock options currently outstanding are exercised. On December 31, 2011, stock options outstanding represented a total of 312,000 shares of the Group stock. If all of these options had been exercised, the resulting shares issued would have been equivalent to 2.39% of the 13,074,000 shares issued as of December 31, 2011.

The Group is considering a continuation in the use of stock options as an incentive plan for recruiting and retaining talented individuals. Consequently, if stock options granted in the future are exercised, there may be dilution in the value of each share of the Group stock.

In addition, for newly granted stock options, the Group is required to post expenses for stock options in accordance with "Accounting Standard for Stock Options" (Accounting Standards Board of Japan (ASBJ) Statement No. 8) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11). As a result, new stock options may impact the Group's performance.

v) Advertising and marketing

Advertising and marketing for contracted medical institutions is another core support service that the Group provides to these institutions. We plan to conduct extensive advertising and marketing activities for the purposes of increasing use of cancer immunotherapy, primarily the DC vaccine therapy and attracting more patients to contracted medical institutions. However, if these activities do not produce the expected benefits, there may be an impact on the Group's performance and business operations.

vi) Internal ethical standards (system for investigations)

The Group has an Ethics Committee that includes professionals from outside the Group. The committee members study the suitability of new treatments and other services to be provided at contracted medical institutions from the standpoints of ethics and safety. The committee then decides if the treatment should be performed. If approval is granted, technologies and know-how for the applicable treatment are supplied to the contracted medical institutions. Based on contracts with contracted medical institutions, these institutions assume responsibility for providing treatments that use our technologies and know-how. However, an accident or other problem involving this treatment may, regardless of the cause, result in a loss of faith in the Group among medical institutions and patients. If this happens, there may be an impact on the Group's performance and financial condition.

vii) Laws and regulations

Services provided by the Group are governed by the Pharmaceutical Affairs Act, Medical Practitioners Act, Medical Care Act and other laws and regulations. For example, Article 12 of the Pharmaceutical Affairs Act stipulates that a party that has not received permission to manufacture pharmaceuticals, etc. may not conduct a business for the purpose of manufacturing and selling pharmaceuticals, etc." Furthermore, Article 17 of the Medical Practitioners Act states that "a medical care business can be performed only by a physician."

When the Group provides technologies and know-how, cell cultures are performed by staff members of the contracted medical institutions under the direction of that institution's physicians. In addition, the Group does nothing other than supply technologies and know-how to contracted medical institutions. The Group is not involved at all in the management of these institutions.

When the Group was established, management carefully created a business model that would not violate these applicable laws and regulations. Consequently, business operations at this time are not in violation of any of them. However, future changes to applicable laws, regulations and other items may have an impact on the Group's performance and financial condition.

5) Significant Litigation

i) Litigation concerning medical treatment

Thus far, the Group has not been named in any lawsuits filed by contracted medical institutions or their patients or other associated individuals that demand compensation for alleged damages. If there is such litigation in the future for whatever reason, there may be an impact on the Group's performance and financial condition.

6) Others Items

i) Risks involving natural disasters

Although earthquakes and other natural disasters cannot be predicted, damage resulting from such a disaster at the Group or a contracted medical institution may have an impact on the Group's performance and financial condition.

ii) New business activities

The Group is engaged in the provision of technologies and know-how concerning the DC vaccine therapy and other therapies to contracted medical institutions. To achieve further growth in corporate value, we are also moving quickly to start new business activities. Plans include building new business models, launching associated businesses, starting overseas operations and taking other actions. Investments in these businesses are made only after thorough research and other studies. However, if market conditions change rapidly, greater than expected expenses are needed for recruiting, equipment and other items, or a business plan falls far behind schedule, there may be an impact on the Group's performance and financial condition.

2. Group Organization

Business Activities

To fulfill its central mission of “Medical Care Creation,” the tella Group conducts business activities in two segments. The Cell Therapy Technology Development Business provides unique cancer treatment technologies and know-how that involve primarily the dendritic cell (DC) vaccine therapy. The Cell Therapy Support Business involves primarily the operation of cell processing facilities by contract and the provision of maintenance and management services for these facilities.

Business activities were divided into two reportable segments following the February 2011 acquisition of Bio Medica Solution CO. LTD., which became a consolidated subsidiary.

There are three types of contracted medical institutions, depending on the type of contract used, that receive services provided by the Cell Therapy Technology Development Business: (1) basic affiliated medical institutions, (2) clinical affiliated medical institutions and (3) client medical institutions.

(1) Basic Affiliated Medical Institutions

At these medical institutions, tella loans equipment, provides technologies and know-how, performs marketing activities, distributes information to medical institutions and patients, and provides licensing agreements associated with cancer immunotherapy, primarily the DC vaccine therapy. In return, we receive facility utilization fees, technology and know-how fees and fees for the utilization of licensed rights based on the number of treatments provided. For newly established medical institutions, we also supply support for the establishment process.

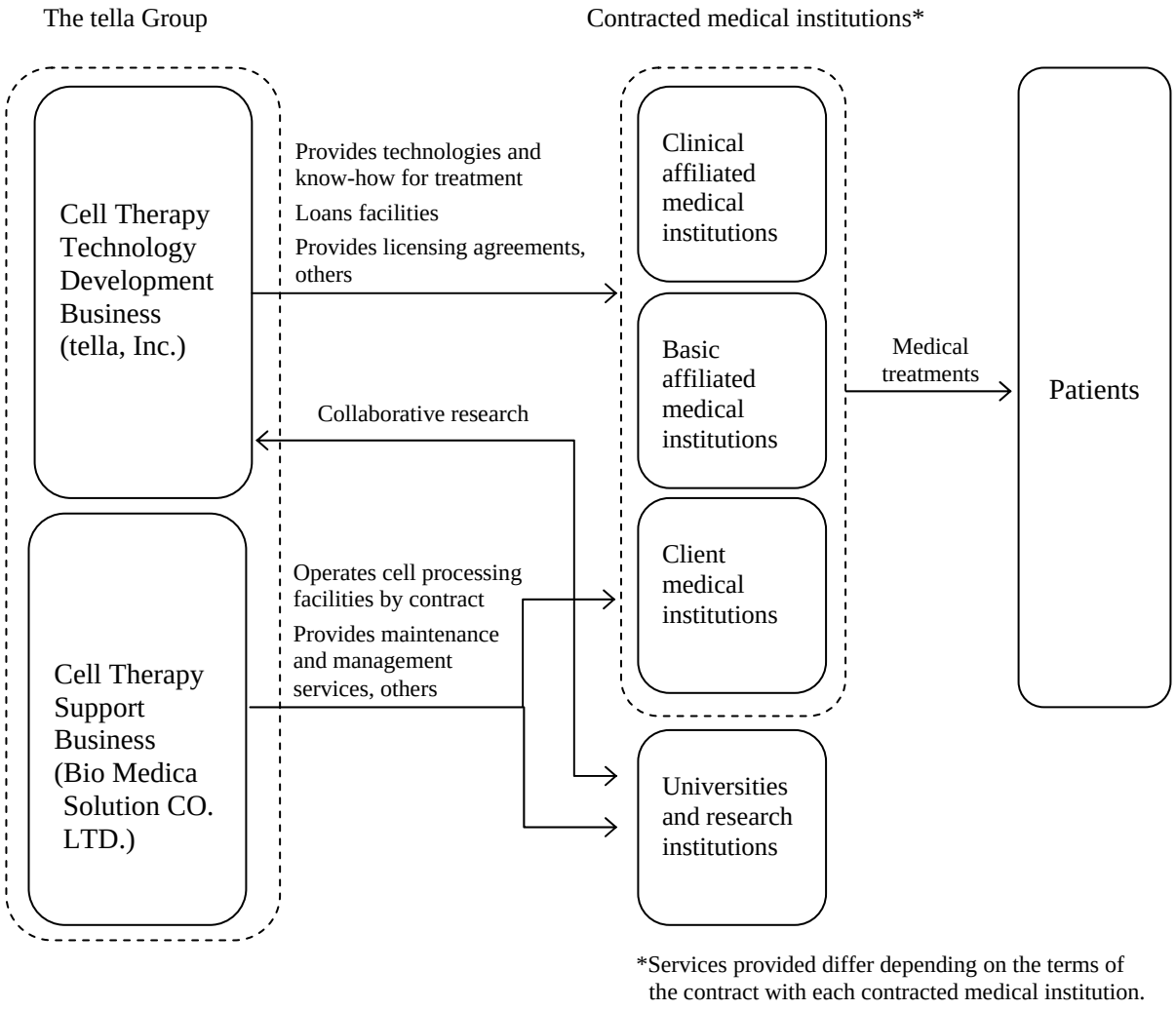
(2) Clinical Affiliated Medical Institutions

At these medical institutions, tella provides technologies and know-how, performs marketing activities, distributes information to medical institutions and patients, and provides licensing agreements associated with cancer immunotherapy, primarily the DC vaccine therapy. In return, we receive technology and know-how fees and fees for the utilization of licensed rights based on the number of treatments provided. Unlike with basic affiliated medical institutions, no facility utilization fees are received because we do not loan any equipment to these medical institutions.

(3) Client Medical Institutions

These medical institutions provide treatments in association with basic affiliated medical institutions or clinical affiliated medical institutions. tella provides technologies and know-how, distributes information to medical institutions and patients associated with cancer immunotherapy, primarily the DC vaccine therapy. In return, we receive fees for these services.

A business diagram of business operations is as follows.



*Services provided differ depending on the terms of the contract with each contracted medical institution.

3. Management Policies

(1) Fundamental Management Policy

The tella Group is dedicated to fulfilling the mission of "Medical Care Creation." By developing and providing innovative medical care technologies and know-how, we aim to conduct business activities that contribute to a better future for everyone, both patients and people in good health, as well as society as a whole.

Based on this fundamental management policy, we conduct R&D concerning new technologies and know-how that involve cancer immunotherapy, primarily the DC vaccine therapy. At the same time we improve the quality and utilization of cancer immunotherapy, and perform other activities. We thereby aim to increase earnings, continue to grow and raise corporate value.

We also base activities on a commitment to corporate social responsibility (CSR) so that the growth and development makes a contribution to society.

(2) Targeted Performance Indicators

The medical care sector involving cancer immunotherapy is growing steadily along with the spreading use of this type of therapy, and this growth is expected to continue. Against this backdrop, the Group is performing R&D activities concerning unique cancer treatment technologies and know-how that involve cancer immunotherapy, primarily the DC vaccine therapy. The Group aims to achieve growth while establishing an even more stable base of operations through providing technologies and know-how concerning these cancer treatments to contracted medical institutions.

The Group places emphasis on two performance indicators: net sales and ordinary income as a percentage of net sales. Net sales have increased every year since our establishment, and our goal is to maintain double-digit growth in net sales. Our goal for ordinary income is a ratio of at least 10% in relation to net sales.

(3) Medium- and Long-term Management Strategy

The Group is dedicated to making more improvements to technologies involving the DC vaccine therapy and to achieving more progress in increasing the quality and utilization of cancer immunotherapy, primarily the DC vaccine therapy. In addition, we will acquire rights to new cancer antigens and other substances that are vital to the DC vaccine therapy in order to facilitate the practical use of these therapies in actual medical care. Furthermore, we plan to increase the use of these therapies in Japan and other countries. By supplying a comprehensive line of assistance in the field of cell therapy, we will continue to fulfill our corporate mission.

With these goals in mind, we conduct R&D activities centered on cancer therapies that we believe will be key elements of our profit structure from a medium and long-term perspective. These therapies are focused on the following themes: cancer, cell therapy, immunotherapy, cancer vaccines, dendritic cells and regenerative medicine.

In addition, these R&D activities are in fields that can yield significant synergies with our current business model.

(4) Key Issues

This section lists key issues associated with the Group's business activities, which involve R&D associated with cancer immunotherapy, primarily the DC vaccine therapy, and the provision of unique cancer treatment technologies and know-how.

1) Issues Involving the DC Vaccine Therapy

i) Acquisition of artificial antigens

Artificial antigens are one of the most important substances that are required for the DC vaccine therapy. We believe that increasing the number of antigens available to us will broaden the scope of patients who can undergo the DC vaccine therapy and make this therapy more effective.

The Group has a contract granting exclusive rights to use patents involving the use of WT1 peptides* and peptides that can target the Survivin cancer antigen for the DC vaccine therapy and other therapies. Since peptides that can target the Survivin cancer antigen can also be combined with WT1 peptides, we hope to use these peptides to make the DC vaccine therapy even more effective.

* WT1 peptides

In September 2009, WT1 peptides were ranked first as an ideal cancer antigen among 75 types of cancer antigens in Clinical Cancer Research (2009 Volume 15, pages 5323-37), an academic publication of the American Association for Cancer Research (AACR).

ii) Improving dendritic cell quality and the cell culture efficiency

The quality of dendritic cells given to a patient has an enormous influence on the clinical efficacy of the DC vaccine therapy. The Group's technologies and know-how in dendritic cell culture is based on clinical research performed at The Institute of Medical Science at the University of Tokyo and at the University of Tokushima. Furthermore, we have been making constant improvements by using information gained from the practical use of the DC vaccine therapy. However, we believe there is a need for more improvements to make cell culture methods more efficient and stable and a need to develop cell processing equipment and quickly begin distributing this equipment.

iii) Increase the volume of scientific evidence

We would like to earn the support and understanding of even more medical professionals so that patients can obtain medical examinations with even greater confidence. This is why we plan to increase the volume and quality of scientific evidence by accumulating and analyzing data and performing other activities. We will accomplish this by using medical care provided at clinical affiliated medical institutions as well as by performing research jointly with universities and other research institutes.

2) Greater Awareness and Understanding among Medical Care Professionals and Patients

Until recently, medical care professionals in Japan have generally recommended discretionary treatments that are not covered by the national health insurance in very rare instances. Furthermore, we believe there is a lack of awareness and understanding about the DC vaccine therapy and other therapies centered around this because these therapies use new technologies and know-how.

Increasing the use of the DC vaccine therapy and other therapies will require a better understanding of these therapies among medical care professionals and patients. This is why we use academic conferences and seminars, the media and other means to provide information about the results of treatments at contracted medical institutions as well as new technologies and know-how. We will use these activities to increase the awareness and understanding of these therapies among medical care professionals and patients.

3) Recruiting and Training of Technicians

The Group provides cell culture specialists at contracted medical institutions with training concerning advanced technologies for culturing dendritic cells and other tissues used for medical therapies. As the number of contracted medical institutions increases, we will have to work harder on recruiting and training technicians who can provide assistance involving these advanced cell culture technologies.

We plan to meet this requirement by recruiting talented individuals based on a plan and by upgrading training programs for those individuals. We plan to use these measures to create a framework for the consistent training and supervision of cell culture specialists at contracted medical institutions.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	FY12/2011 (As of Dec. 31, 2011)
Assets	
Current assets	
Cash and deposits	1,092,670
Notes and accounts receivable-trade	338,881
Raw materials	4,540
Prepaid expenses	52,984
Deferred tax assets	5,874
Other	19,126
Allowance for doubtful accounts	(8,437)
Total current assets	1,505,641
Noncurrent assets	
Property, plant and equipment	
Buildings, net	247,186
Tools, furniture and fixtures, net	185,813
Lease assets, net	95,493
Total property, plant and equipment	528,492
Intangible assets	
Software	7,902
Software in progress	7,560
Right of using patent	19,291
Total intangible assets	34,753
Investments and other assets	
Investment securities	46,750
Lease deposits	69,163
Insurance funds	7,724
Deferred tax assets	15,998
Other	6,383
Allowance for doubtful accounts	(2,109)
Total investments and other assets	143,910
Total noncurrent assets	707,156
Total assets	2,212,798

(Thousands of yen)

	FY12/2011 (As of Dec. 31, 2011)
Liabilities	
Current liabilities	
Notes and accounts payable-trade	11,200
Current portion of bonds	124,400
Current portion of long-term loans payable	158,200
Lease obligations	44,432
Accounts payable-other	59,714
Income taxes payable	22,867
Other	19,135
Total current liabilities	439,949
Noncurrent liabilities	
Bonds payable	209,100
Long-term loans payable	138,900
Lease obligations	59,190
Long-term lease deposited	55,741
Asset retirement obligations	4,792
Total noncurrent liabilities	467,724
Total liabilities	907,673
Net assets	
Shareholders' equity	
Capital stock	588,418
Capital surplus	460,095
Retained earnings	242,767
Treasury stock	(258)
Total shareholders' equity	1,291,023
Minority interests	14,101
Total net assets	1,305,124
Total liabilities and net assets	2,212,798

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Net sales	1,322,465
Cost of sales	455,911
Gross profit	866,554
Selling, general and administrative expenses	795,273
Operating income	71,280
Non-operating income	
Interest income	142
Rent income of real estate	84,652
Subsidy income	1,103
Other	5,437
Total non-operating income	91,335
Non-operating expenses	
Interest expenses	12,774
Interest on bonds	2,644
Rent cost of real estate	84,652
Stock issuance cost	1,488
Bond issuance cost	2,156
Guarantee commission	1,283
Other	5,396
Total non-operating expenses	110,395
Ordinary income	52,220
Extraordinary income	
Reversal of allowance for doubtful accounts	23
Gain on reversal of subscription rights to shares	1,187
Gain on negative goodwill	4,274
Total extraordinary income	5,486
Extraordinary loss	
Loss on retirement of noncurrent assets	170
Loss on abandonment of noncurrent assets	55
Loss on cancellation of lease contracts	26
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,073
Total extraordinary losses	1,325
Income before income taxes and minority interests	56,381
Income taxes-current	41,237
Income taxes-deferred	(10,297)
Total income taxes	30,940
Income before minority interests	25,440
Minority interests in income	8,826
Net income	16,614

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Income before minority interests	25,440
Other comprehensive income	
Total other comprehensive income	-
Comprehensive income	25,440
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	16,614
Comprehensive income attributable to minority interests	8,826

(3) Consolidated Statements of Changes in Net Assets

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Shareholders' equity	
Capital stock	
Balance at the end of previous period	418,009
Changes of items during the period	
Issuance of new shares	149,855
Issuance of new shares-exercise of subscription rights to shares	20,554
Total changes of items during the period	170,409
Balance at the end of current period	588,418
Capital surplus	
Balance at the end of previous period	289,706
Changes of items during the period	
Issuance of new shares	149,855
Issuance of new shares-exercise of subscription rights to shares	20,534
Total changes of items during the period	170,389
Balance at the end of current period	460,095
Retained earnings	
Balance at the end of previous period	233,400
Changes of items during the period	
Dividends from surplus	(7,247)
Net income	16,614
Total changes of items during the period	9,367
Balance at the end of current period	242,767
Treasury stock	
Balance at the end of previous period	(258)
Balance at the end of current period	(258)
Total shareholders' equity	
Balance at the end of previous period	940,857
Changes of items during the period	
Issuance of new shares	299,710
Issuance of new shares-exercise of subscription rights to shares	41,088
Dividends from surplus	(7,247)
Net income	16,614
Total changes of items during the period	350,165
Balance at the end of current period	1,291,023

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Subscription rights to shares	
Balance at the end of previous period	-
Changes of items during the period	
Issuance of subscription rights to shares	1,187
Lapse of subscription rights to shares	(1,187)
Total changes of items during the period	-
Balance at the end of current period	-
Minority interests	
Balance at the end of previous period	-
Changes of items during the period	
Net changes of items other than shareholders' equity	14,101
Total changes of items during the period	14,101
Balance at the end of current period	14,101
Total net assets	
Balance at the end of previous period	940,857
Changes of items during the period	
Issuance of new shares	299,710
Issuance of new shares-exercise of subscription rights to shares	41,088
Dividends from surplus	(7,247)
Net income	16,614
Issuance of subscription rights to shares	1,187
Lapse of subscription rights to shares	(1,187)
Net changes of items other than shareholders' equity	14,101
Total changes of items during the period	364,266
Balance at the end of current period	1,305,124

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	56,381
Depreciation and amortization	201,199
Increase (decrease) in allowance for doubtful accounts	8,413
Interest and dividends income	(142)
Interest expenses paid on loans and bonds	15,418
Gain on negative goodwill	(4,274)
Subsidy income	(1,103)
Share-based compensation expenses	967
Loss on retirement of noncurrent assets	170
Loss on abandonment of noncurrent assets	55
Loss (gain) on cancellation of insurance contract	4,376
Stock issuance cost	1,488
Loss on cancellation of leases	26
Gain on reversal of subscription rights to shares	(1,187)
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,073
Decrease (increase) in notes and accounts receivable-trade	(55,473)
Decrease (increase) in inventories	(4,540)
Increase (decrease) in notes and accounts payable-trade	5,112
Decrease (increase) in prepaid expenses	(38,697)
Increase (decrease) in accounts payable-other	(4,065)
Other, net	81
Subtotal	185,278
Interest and dividends income received	142
Interest expenses paid	(15,256)
Income taxes paid	(30,180)
Net cash provided by (used in) operating activities	139,984
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(79,688)
Proceeds from sales of property, plant and equipment	30
Purchase of investment securities	(10,000)
Purchase of intangible assets	(7,931)
Purchase of insurance funds	(1,957)
Proceeds from cancellation of insurance funds	7,980
Payments for lease and guarantee deposits	(496)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	14,156
Net cash provided by (used in) investing activities	(77,905)

(Thousands of yen)

	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	200,000
Decrease in short-term loans payable	(217,200)
Proceeds from long-term loans payable	150,000
Repayment of long-term loans payable	(140,300)
Proceeds from issuance of bonds	195,924
Redemption of bonds	(101,000)
Proceeds from issuance of common stock	298,595
Cash dividends paid	(7,017)
Repayments of lease obligations	(44,404)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	40,713
Proceeds from issuance of subscription rights to shares	220
Repayments of installment payables	(15,968)
Net cash provided by (used in) financing activities	359,562
Net increase (decrease) in cash and cash equivalents	421,641
Cash and cash equivalents at beginning of period	671,028
Cash and cash equivalents at end of period	1,092,670

(5) Going Concern Assumption

Not applicable.

(6) Significant Accounting Policies in the Preparation of Consolidated Financial Statements

Item	FY12/2011 (Jan. 1 – Dec. 31, 2011)
1. Scope of consolidation	All subsidiaries are included in the consolidation. (1) Number of consolidated subsidiaries: 1 (2) Name of consolidated subsidiaries: Bio Medica Solution CO. LTD. Following the third-party allotment of its shares, Bio Medica Solution CO. LTD. became a consolidated subsidiary of the Company in the current fiscal year.
2. Application of equity method	There is no equity-method subsidiary and affiliate.
3. Fiscal years of consolidated subsidiaries	The fiscal year of the consolidated subsidiary Bio Medica Solution CO. LTD. ends on November 30, 2011. The financial statements of this subsidiary as of its balance sheet date are used for consolidateion purpose where appropriate adjustments are made for significant transactions during December 1 to December 31, the balance sheet date of the consolidated financial statements.
4. Accounting standards (1) Valuation standards and methods for principal assets	Securities Available-for-sale securities Securities without market quotations: Moving average cost method. Raw materials First-in first-out cost method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins)
(2) Depreciation and amortization method for major depreciable assets	1) Property, plant and equipment (excluding lease assets) Declining-balance method except for buildings (excluding attached structures), which are accounted for by the straight-line method. Useful lives of principal assets are as follows: Buildings: 14 to 17 years Attached structures: 8 to 18 years Tools, furniture and fixtures: 3 to 10 years 2) Intangible assets (excluding lease assets) Straight-line method. Amortization periods of principal assets are as follows: Software: 5 years Right of using patent: Shorter of 8 years or contract period 3) Lease assets Lease assets associated with finance lease transactions where there is no transfer of ownership: The straight-line method is applied over the lease period used as the useful life of the assets with no residual value.
(3) Accounting for significant deferred assets	1) Stock issuance cost Expensed when they are incurred. 2) Bond issuance cost Expensed when they are incurred.

Item	FY12/2011 (Jan. 1 – Dec. 31, 2011)
(4) Recognition of significant allowances	Allowance for doubtful accounts To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio and for bad receivables based on a case-by-case determination of collectibility.
(5) Cash and cash equivalents in the statements of cash flows	Cash and cash equivalents consists of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible to known amounts of cash and present insignificant risk of change in value.
(6) Other significant accounting policies	Accounting for consumption taxes The consumption taxes are accounted by the tax-exclusion method.

(7) Change in Significant Accounting Policies in the Preparation of Consolidated Financial Statements

FY12/2011 (Jan. 1 – Dec. 31, 2011)
(1) Application of Accounting Standard for Asset Retirement Obligations Beginning with the current fiscal year, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been applied. The effect of this change was to decrease operating income and ordinary income by 703 thousand yen each and income before income taxes and minority interests by 1,776 thousand yen. (2) Application of Accounting Standards for Business Combinations Beginning with the current fiscal year, the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been applied.

(8) Reclassifications

FY12/2011 (Jan. 1 – Dec. 31, 2011)
Beginning with the current fiscal year, “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) has been applied.

(9) Notes to Consolidated Financial Statements

Notes to Consolidated Statements of Comprehensive Income

FY12/2011 (Jan. 1 – Dec. 31, 2011)

Comprehensive income and other comprehensive income for FY12/2010 are not shown because we prepare consolidated financial statements starting from FY12/2011.

Segment and Other Information

Segment information

FY12/2011 (Jan. 1 – Dec. 31, 2011)

1. Overview of reportable segments

(1) Method of determining the reportable segments

Segments used for financial reporting are tella's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Company has two reportable segments that are based on services provided to customers: Cell Therapy Technology Development Business and Cell Therapy Support Business.

(2) Services by reportable segment

The Cell Therapy Technology Development Business involves the provision of unique cancer treatment technologies and know-how, chiefly the DC vaccine therapy. The Cell Therapy Support Business involves the operation of cell processing facilities by contract, the provision of maintenance and management services for these facilities, and others.

2. Methods of calculation of net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting treatment methods for reportable segments are generally the same as those listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating income figures.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY12/2011 (Jan. 1 – Dec. 31, 2011) (Thousands of yen)

	Reportable segment			Total	Elimination or corporate (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Cell Therapy Technology Development	Cell Therapy Support	Total			
Net sales						
External sales	1,193,687	128,778	1,322,465	1,322,465	-	1,322,465
Inter-segment sales and transfers	-	-	-	-	-	-
Total	1,193,687	128,778	1,322,465	1,322,465	-	1,322,465
Segment profit	45,544	25,736	71,280	71,280	-	71,280
Segment assets	2,154,704	60,123	2,214,827	2,214,827	(2,029)	2,212,798
Segment liabilities	876,781	31,921	908,703	908,703	(1,029)	907,673
Other items						
Depreciation	191,330	2,188	193,519	193,519	-	193,519
Increase in property, plant and equipment and intangible assets	141,459	17,520	158,979	158,979	-	158,979

Notes: 1. (1) Adjustment to segment assets amounting to -2,029 thousand yen represents eliminations for inter-segment transactions.
(2) Adjustment to segment liabilities amounting to -1,029 thousand yen represents eliminations for inter-segment transactions.
2. Segment profit is adjusted to be consistent with operating income shown on the consolidated statements of income.

Related information

FY12/2011 (Jan. 1 – Dec. 31, 2011)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

Not applicable because there are no sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

(Thousands of yen)

Name	Net sales	Related segments
SEREN CLINIC Nagoya	165,237	Cell Therapy Technology Development Cell Therapy Support
SEREN CLINIC Kobe	164,110	Cell Therapy Technology Development Cell Therapy Support
SEREN CLINIC Tokyo	156,852	Cell Therapy Technology Development Cell Therapy Support

Information related to impairment losses of noncurrent assets for each reportable segment

FY12/2011 (Jan. 1 – Dec. 31, 2011)
Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY12/2011 (Jan. 1 – Dec. 31, 2011)
Not applicable.

Information related to gain on negative goodwill for each reportable segment

FY12/2011 (Jan. 1 – Dec. 31, 2011)

In the Cell Therapy Support segment, a significant gain on negative goodwill was recorded because the purchase of stock of Bio Medica Solution CO. LTD. in the current fiscal year to make this company a consolidated subsidiary.

Accordingly, gain on negative goodwill of 4,274 thousand yen was recorded in the current fiscal year.

Additional Information

Beginning with the current fiscal year, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008) have been applied.

Per-share Information

(Yen)

FY12/2011 (Jan. 1 – Dec. 31, 2011)	
Net assets per share	98.75
Net income per share	1.35
Diluted net income per share	1.32

Notes: 1. Basis for calculation of net assets per share

Item	FY12/2011 (As of Dec. 31, 2011)
Total net assets carried on the consolidated balance sheets (Thousands of yen)	1,305,124
Net assets applicable to common stock (Thousands of yen)	1,291,023
Breakdown of differences (Thousands of yen)	
Minority interests	14,101
Number of shares of common stock outstanding (Thousands of shares)	13,074
Number of shares of treasury common stock (Thousands of shares)	0
Number of shares of common stock used in calculation of net assets per share (Thousands of shares)	13,073

2. Basis for calculation of net income per share and diluted net income per share

Item	FY12/2011 (Jan. 1 – Dec. 31, 2011)
(1) Net income per share	
Net income carried on the consolidated statements of income (Thousands of yen)	16,614
Net income applicable to common stock (Thousands of yen)	16,614
Amount not available to shareholders of common stock (Thousands of yen)	-
Average number of shares of common stock outstanding during period (Thousands of shares)	12,304
(2) Diluted net income per share	
Adjusted to net income (Thousands of yen)	-
Increase in common stock (Thousands of shares)	309
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	Subscription rights to shares No.5: 10,000 Subscription rights to shares No.6: 80,000 Subscription rights to shares No.7: 44,000 All of these stock acquisition rights were extinguished during the current fiscal year.

Material Subsequent Events

Not applicable.

5. Non-consolidated Financial Statements

(1) Balance Sheets

(Thousands of yen)

	FY12/2010 (As of Dec. 31, 2010)	FY12/2011 (As of Dec. 31, 2011)
Assets		
Current assets		
Cash and deposits	671,028	1,079,885
Accounts receivable-trade	278,450	316,137
Prepaid expenses	14,205	52,727
Deferred tax assets	825	3,941
Accounts receivable-other	10,624	18,208
Other	1,110	1,444
Allowance for doubtful accounts	-	(8,297)
Total current assets	976,246	1,464,046
Noncurrent assets		
Property, plant and equipment		
Buildings, net	264,259	246,649
Tools, furniture and fixtures, net	236,836	171,018
Lease assets, net	79,003	95,493
Total property, plant and equipment	580,099	513,161
Intangible assets		
Software	4,095	7,902
Software in progress	2,709	7,560
Right of using patent	23,791	19,291
Total intangible assets	30,596	34,753
Investments and other assets		
Investment securities	36,750	46,750
Stocks of subsidiaries and affiliates	-	1,000
Lease deposits	68,189	67,433
Insurance funds	18,124	7,724
Deferred tax assets	10,142	15,684
Other	1,348	6,259
Allowance for doubtful accounts	(2,133)	(2,109)
Total investments and other assets	132,420	142,742
Total noncurrent assets	743,116	690,657
Total assets	1,719,362	2,154,704

(Thousands of yen)

	FY12/2010 (As of Dec. 31, 2010)	FY12/2011 (As of Dec. 31, 2011)
Liabilities		
Current liabilities		
Accounts payable-trade	4,575	4,515
Short-term loans payable	17,200	-
Current portion of bonds	101,000	124,400
Current portion of long-term loans payable	118,400	158,200
Lease obligations	28,300	44,432
Accounts payable-other	60,700	56,268
Accounts payable-installment purchase	15,968	-
Income taxes payable	4,546	2,925
Accrued consumption taxes	6,253	11,434
Other	7,656	6,879
Total current liabilities	364,601	409,057
Noncurrent liabilities		
Bonds payable	133,500	209,100
Long-term loans payable	169,000	138,900
Lease obligations	55,661	59,190
Long-term lease deposited	55,741	55,741
Asset retirement obligations	-	4,792
Total noncurrent liabilities	413,902	467,724
Total liabilities	778,504	876,781
Net assets		
Shareholders' equity		
Capital stock	418,009	588,418
Capital surplus		
Legal capital surplus	289,706	460,095
Total capital surplus	289,706	460,095
Retained earnings		
Other retained earnings		
Retained earnings brought forward	233,400	229,666
Total retained earnings	233,400	229,666
Treasury stock	(258)	(258)
Total shareholders' equity	940,857	1,277,922
Total net assets	940,857	1,277,922
Total liabilities and net assets	1,719,362	2,154,704

(2) Statements of Income

(Thousands of yen)

	FY12/2010 (Jan. 1 – Dec. 31, 2010)	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Operating revenues	1,145,832	1,193,687
Operating cost	391,122	402,369
Operating gross profit	754,709	791,317
Selling, general and administrative expenses		
Directors' compensations	56,040	79,020
Salaries and allowances	123,955	137,900
Legal welfare expenses	18,926	21,975
Advertising expenses	123,408	165,871
Entertainment expenses	15,235	10,882
Traveling and transportation expenses	30,714	31,743
Commission fee	25,745	25,644
Compensations	58,431	80,571
Depreciation	5,654	5,717
Contribution	31,880	6,280
Research and development expenses	42,240	100,795
Provision of allowance for doubtful accounts	-	8,297
Other	78,195	71,072
Total selling, general and administrative expenses	610,428	745,773
Operating income	144,281	45,544
Non-operating income		
Interest income	229	138
Rent income of real estate	79,481	84,652
Subsidy income	2,563	1,103
Other	3,051	1,326
Total non-operating income	85,325	87,220
Non-operating expenses		
Interest expenses	8,431	12,774
Interest on bonds	3,036	2,644
Bond issuance cost	3,388	2,156
Rent cost of real estate	79,481	84,652
Stock issuance cost	243	1,488
Guarantee commission	1,242	1,283
Other	1,993	4,880
Total non-operating expenses	97,816	109,879
Ordinary income	131,790	22,885
Extraordinary income		
Gain on sales of noncurrent assets	7,145	-
Reversal of allowance for doubtful accounts	10,609	23
Gain on reversal of subscription rights to shares	-	1,187
Total extraordinary income	17,754	1,211

(Thousands of yen)

	FY12/2010 (Jan. 1 – Dec. 31, 2010)	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Extraordinary loss		
Loss on retirement of noncurrent assets	-	170
Loss on abandonment of noncurrent assets	1,442	55
Impairment loss	6,354	-
Loss on cancellation of lease contracts	1,491	26
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1,073
Total extraordinary losses	9,288	1,325
Income before income taxes	140,256	22,771
Income taxes-current	53,966	27,916
Income taxes-deferred	9,756	(8,658)
Total income taxes	63,722	19,257
Net income	76,534	3,513

(3) Statements of Changes in Net Assets

(Thousands of yen)

	FY12/2010 (Jan. 1 – Dec. 31, 2010)	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	406,343	418,009
Changes of items during the period		
Issuance of new shares	-	149,855
Issuance of new shares-exercise of subscription rights to shares	11,666	20,554
Total changes of items during the period	11,666	170,409
Balance at the end of current period	418,009	588,418
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	278,140	289,706
Changes of items during the period		
Issuance of new shares	-	149,855
Issuance of new shares-exercise of subscription rights to shares	11,566	20,534
Total changes of items during the period	11,566	170,389
Balance at the end of current period	289,706	460,095
Total capital surplus		
Balance at the end of previous period	278,140	289,706
Changes of items during the period		
Issuance of new shares	-	149,855
Issuance of new shares-exercise of subscription rights to shares	11,566	20,534
Total changes of items during the period	11,566	170,389
Balance at the end of current period	289,706	460,095
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the end of previous period	168,703	233,400
Changes of items during the period		
Dividends from surplus	(11,836)	(7,247)
Net income	76,534	3,513
Total changes of items during the period	64,697	(3,733)
Balance at the end of current period	233,400	229,666
Total retained earnings		
Balance at the end of previous period	168,703	233,400
Changes of items during the period		
Dividends from surplus	(11,836)	(7,247)
Net income	76,534	3,513
Total changes of items during the period	64,697	(3,733)
Balance at the end of current period	233,400	229,666

(Thousands of yen)

	FY12/2010 (Jan. 1 – Dec. 31, 2010)	FY12/2011 (Jan. 1 – Dec. 31, 2011)
Treasury stock		
Balance at the end of previous period	(147)	(258)
Changes of items during the period		
Purchase of treasury stock	(111)	-
Total changes of items during the period	(111)	-
Balance at the end of current period	(258)	(258)
Total shareholders' equity		
Balance at the end of previous period	853,040	940,857
Changes of items during the period		
Issuance of new shares	-	299,710
Issuance of new shares-exercise of subscription rights to shares	23,232	41,088
Dividends from surplus	(11,836)	(7,247)
Purchase of treasury stock	(111)	-
Net income	76,534	3,513
Total changes of items during the period	87,817	337,064
Balance at the end of current period	940,857	1,277,922
Subscription rights to shares		
Balance at the end of previous period	-	-
Changes of items during the period		
Issuance of subscription rights to shares	-	1,187
Lapse of subscription rights to shares	-	(1,187)
Total changes of items during the period	-	-
Balance at the end of current period	-	-
Total net assets		
Balance at the end of previous period	853,040	940,857
Changes of items during the period		
Issuance of new shares	-	299,710
Issuance of new shares-exercise of subscription rights to shares	23,232	41,088
Dividends from surplus	(11,836)	(7,247)
Purchase of treasury stock	(111)	-
Net income	76,534	3,513
Issuance of subscription rights to shares	-	1,187
Lapse of subscription rights to shares	-	(1,187)
Total changes of items during the period	87,817	337,064
Balance at the end of current period	940,857	1,277,922

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.