



**Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2011
(Six months ended June 30, 2011)**

[Japanese GAAP]

August 4, 2011

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Scheduled submission of Quarterly Report: August 4, 2011
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors)

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2011 (January 1, 2011 to June 30, 2011)

(1) Consolidated results of operating (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	%
Six months ended Jun. 30, 2011	655	-	49	-	38	-	14	-
Six months ended Jun. 30, 2010	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Jun. 30, 2011	1.23	1.19
Six months ended Jun. 30, 2010	-	-

Note: We have not included year-on-year comparisons because we prepare consolidated financial statements starting from the first quarter of 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 Jun. 30, 2011	1,824	974	52.6	78.87
As of Dec. 31, 2010	-	-	-	-

Reference: Shareholders' equity (millions of yen) Jun. 30, 2011: 960 Dec. 31, 2010: -

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

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Yearend	Total
	Yen	Yen	Yen	Yen	Yen
FY12/2010	-	0.00	-	0.60	0.60
FY12/2011	-	0.00	-	-	-
FY12/2011 (Forecast)	-	-	-	0.00	0.00

Note: Revision of dividend forecast during the period: None

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2011 (January 1, 2011 to December 31, 2011)

(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
Full year	1,384	-	40	-	19	-	7	-	0.59

Notes: 1. Revision of forecast during the period: None

2. We have not included year-on-year comparison because we prepare consolidated financial statements starting from the first quarter of FY12/2011.

4. Others (Please refer to “Other Information” on page 5 of the attachments for further information.)

(1) Changes in significant subsidiaries during the period: None

Note: Changes in specified subsidiaries affecting the scope of consolidation during the period

(2) Application of simplified accounting methods and special accounting methods: None

Note: Application of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements

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

1) Changes caused by revision of accounting standards: Yes

2) Other changes: None

Note: Changes in accounting principles, procedures, presentation methods, etc. for presenting quarterly consolidated financial statements described in “Changes in the Significant Accounting Policies for the Preparation of Quarterly Consolidated Financial Statements”

(4) Number of shares outstanding (common stock)

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

Jun. 30, 2011:	12,177,000 shares	Dec. 31, 2010:	12,079,000 shares
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2) Number of shares of treasury stock at the end of period

Jun. 30, 2011:	211 shares	Dec. 31, 2010:	211 shares
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3) Average number of shares outstanding during the period

Six months ended Jun. 30, 2011:	12,165,960 shares	Six months ended Jun. 30, 2010:	11,913,852 shares
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* Information regarding the implementation of quarterly review procedures

At the time of disclosure, we have completed the review process based on the Financial Instruments and Exchange Law for these consolidated statements.

* 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 Company at the time these materials were created. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “Qualitative Information Regarding Consolidated Forecast” on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Qualitative Information Regarding Consolidated Results of Operations

In the first six months of the current fiscal year, the Japanese economy began to show signs of a recovery as corporate earnings improved and capital expenditures rebounded. However, the economic environment remains uncertain because of high unemployment and other problems as well as the impact of the Great East Japan Earthquake struck on March 11, 2011.

The tella Group continued to perform R&D involving the dendritic cell (DC) vaccine therapy, which is one type of cancer vaccine therapy. We conducted sales activities targeting medical institutions nationwide. In addition, we conducted 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 operation, maintenance and management services of cell cultivation equipment by contract chiefly to university medical institutions.

In the first half of 2011, sales totaled 655,091 thousand yen. This was attributable to an increase in DC vaccine therapy cases in the Cell Therapy Technology Development Business and to making BMS Inc. a consolidated subsidiary in the first quarter. Up-front expenses involving our medium-term growth strategy negatively affected earnings, but the inclusion of sales in the Cell Therapy Support Business resulted in operating income of 49,494 thousand yen, ordinary income of 38,164 thousand yen and net income of 14,914 thousand yen.

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

Second quarter performance for business segments was as follows.

1) 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.

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

Regarding R&D activities, we signed a contract with the School of Medicine, Keio University for joint research concerning cell immunotherapy treatment for cancer in June 2011. We plan to use joint research activities to seek effective composite cell immunotherapy treatments for cancer.

Due to all of these activities, there were 390 cases during the second quarter of the current fiscal year in which the DC vaccine therapy was used. This raises to about 4,250 the total number of DC vaccine therapy cases since tella was established.

Second quarter segment sales totaled 595,501 thousand yen. Sales at some contracted medical institutions were lower. But sales benefited from the generally steady growth in contracted medical institutions that receive technologies and other know-how from tella during 2010. Expenses rose because of growth in 2010 in the number of basic affiliated medical institutions receiving technologies and other know-how. Activities to sign up new affiliated medical institutions also weighed on earnings as well as increases in depreciation expenses and personnel expenses associated with new businesses and R&D activities. Advertising expenses also increased for the purpose of reinforcing the support provided to contracted medical institutions. The result was segment operating income of 23,158 thousand yen.

2) Cell Therapy Support Business

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

Second quarter segment sales totaled 59,590 thousand yen and operating income was 26,335 thousand yen.

(2) Qualitative Information Regarding Consolidated Financial Position

1) Assets, Liabilities and Net Assets

Total assets were 1,824,473 thousand yen at the end of the second quarter of 2011, liabilities totaled 850,225 thousand yen, and net assets totaled 974,247 thousand yen.

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

2) Cash Flows

Cash and cash equivalents as of the end of the first six months of 2011 totaled 731,041 thousand yen.

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

The cash flow components during the first six months and the main reasons for changes are as described below.

Cash Flow from Operating Activities

Net cash provided by operating activities was 121,761 thousand yen. Major sources of cash were income before income taxes and minority interests of 41,156 thousand yen, and depreciation and amortization of 98,226 thousand yen, and a decrease of 21,844 thousand yen in notes and accounts receivable-trade, and an increase of 40,389 thousand yen in prepaid expenses.

Cash Flow from Investing Activities

Net cash used in investing activities was 50,272 thousand yen. There were payments of 64,557 thousand yen for the purchase of property, plant and equipment to support our facilities and basic affiliated medical institutions, and proceeds of 14,156 thousand yen from acquisition of consolidated subsidiary stock (that resulted in a change in the scope of consolidation).

Cash Flow from Financing Activities

Net cash used in financing activities was 11,475 thousand yen. There were proceeds of 100,000 thousand yen from short-term loans payable, 150,000 thousand yen from long-term loans payable, and 11,714 thousand yen from issuance of stock resulting from exercise of subscription rights to shares. Major outflow components were 117,200 thousand yen for the repayment of short-term loans payable, 59,200 thousand yen for the repayment of long-term loans payable, 53,000 thousand yen for bond redemptions, 21,079 thousand yen for the repayments of lease obligations, 6,961 thousand yen for cash dividends paid, and 15,968 thousand yen for the repayment of installment payables.

(3) Qualitative Information Regarding Consolidated Forecast

There are revisions in the forecast in the Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2010 that was announced on February 10, 2011.

For sales, we have reduced the first half forecast and expect sales to fall below the initial forecasts in the third and fourth quarters as well mainly because of continuing difficulties in the operations of some medical institutions.

We expect earnings to fall below the initial forecasts because of the lower-than-expected sales and anticipated expenses for increasing the number of contracted medical institutions, strengthening relationships with medical institutions and providing assistance for activities involving advanced medical care.

In the third and fourth quarters of 2011, we will continue to take actions aimed at achieving the objectives of our strategy for medium-term growth.

Consolidated forecasts for the fiscal year ending December 31, 2011

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	1,665	89	83	46	3.85
Revised forecast (B)	1,384	40	19	7	0.59
Change (B – A)	(280)	(49)	(64)	(39)	-
Percentage change (%)	(16.9)	(54.8)	(77.0)	(84.5)	-
(Reference) Previous year's results (Fiscal year ended Dec. 31, 2010)	1,145	144	131	76	6.39

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time these materials were created. Consequently, these statements incorporate many uncertainties. Actual performance may differ from these forecasts for a number of reasons.

2. Other Information

(1) Overview of Changes in Significant Subsidiaries

Not applicable.

(2) Application of Simplified Accounting Methods and Special Accounting Methods

Not applicable.

(3) Changes in Accounting Principles, Procedures, Presentation Methods, etc.

1) Accounting standard for asset retirement obligations

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (ASBJ) Statement No. 18, March 31, 2008) and “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 520 thousand yen each and income before income taxes by 1,594 thousand yen for the first six months under review.

2) Application of Accounting Standards for Business Combinations

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Business Combinations” ASBJ Statement No. 21, December 26, 2008), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008) have been applied.

(4) Overview of Important Information about Going Concern Assumption

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)
	Second quarter of FY12/2011
	(As of Jun. 30, 2011)
Assets	
Current assets	
Cash and deposits	731,041
Notes and accounts receivable-trade	261,563
Prepaid expenses	55,032
Deferred tax assets	4,430
Other	3,605
Total current assets	1,055,674
Noncurrent assets	
Property, plant and equipment	
Buildings, net	267,251
Tools, furniture and fixtures, net	226,472
Lease assets, net	118,356
Total property, plant and equipment	612,080
Intangible assets	
Right of using patent	21,541
Software	3,423
Software in progress	2,709
Total intangible assets	27,674
Investments and other assets	
Investment securities	36,750
Lease deposits	68,666
Insurance funds	7,698
Deferred tax assets	14,853
Other	3,185
Allowance for doubtful accounts	(2,109)
Total investments and other assets	129,043
Total noncurrent assets	768,798
Total assets	1,824,473
Liabilities	
Current liabilities	
Notes and accounts payable-trade	7,368
Current portion of long-term loans payable	166,300
Current portion of bonds	83,500
Lease obligations	47,405
Accounts payable-other	44,784
Income taxes payable	34,209
Other	16,720
Total current liabilities	400,288

	(Thousands of yen)
	Second quarter of FY12/2011
	(As of Jun. 30, 2011)
Noncurrent liabilities	
Bonds payable	98,000
Long-term loans payable	211,900
Lease obligations	79,542
Long-term lease deposited	55,741
Asset retirement obligations	4,753
Total noncurrent liabilities	<u>449,937</u>
Total liabilities	<u>850,225</u>
Net assets	
Shareholders' equity	
Capital stock	423,963
Capital surplus	295,640
Retained earnings	241,067
Treasury stock	(258)
Total shareholders' equity	<u>960,413</u>
Subscription rights to shares	739
Minority interests	<u>13,095</u>
Total net assets	<u>974,247</u>
Total liabilities and net assets	<u>1,824,473</u>

(2) Quarterly Consolidated Statements of Income
For the Six-month Period

	(Thousands of yen)
	First six months of FY12/2011 (Jan. 1 – Jun. 30, 2011)
Net sales	655,091
Cost of sales	216,180
Gross profit	438,910
Selling, general and administrative expenses	389,416
Operating income	49,494
Non-operating income	
Interest income	70
Rent income of real estate	42,468
Subsidy income	910
Other	1,089
Total non-operating income	44,538
Non-operating expenses	
Interest expenses	6,295
Interest on bonds	1,196
Rent cost of real estate	42,468
Stock issuance cost	173
Guarantee commission	571
Other	5,163
Total non-operating expenses	55,868
Ordinary income	38,164
Extraordinary income	
Gain on negative goodwill	4,274
Reversal of allowance for doubtful accounts	23
Gain on reversal of subscription rights to shares	15
Total extraordinary income	4,313
Extraordinary loss	
Loss on retirement of noncurrent assets	170
Loss on abandonment of noncurrent assets	51
Loss on cancellation of lease contracts	26
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,073
Total extraordinary losses	1,321
Income before income taxes and minority interests	41,156
Income taxes-current	26,129
Income taxes-deferred	(7,708)
Total income taxes	18,421
Income before minority interests	22,735
Minority interests in income	7,820
Net income	14,914

For the Three-month Period

	(Thousands of yen)
	Second quarter of FY12/2011 (Apr. 1 – Jun. 30, 2011)
Net sales	333,060
Cost of sales	112,309
Gross profit	220,751
Selling, general and administrative expenses	202,363
Operating income	18,387
Non-operating income	
Interest income	2
Rent income of real estate	20,970
Other	346
Total non-operating income	21,319
Non-operating expenses	
Interest expenses	3,313
Interest on bonds	550
Rent cost of real estate	20,970
Guarantee commission	260
Other	5,163
Total non-operating expenses	30,258
Ordinary income	9,448
Extraordinary income	
Reversal of allowance for doubtful accounts	23
Gain on reversal of subscription rights to shares	15
Total extraordinary income	38
Extraordinary loss	
Loss on retirement of noncurrent assets	170
Loss on abandonment of noncurrent assets	39
Loss on cancellation of lease contracts	26
Total extraordinary losses	236
Income before income taxes and minority interests	9,250
Income taxes-current	9,784
Income taxes-deferred	(4,968)
Total income taxes	4,816
Income before minority interests	4,434
Minority interests in income	1,979
Net income	2,455

(3) Quarterly Consolidated Statements of Cash Flows

	(Thousands of yen)
	First six months of FY12/2011 (Jan. 1 – Jun. 30, 2011)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	41,156
Depreciation and amortization	98,226
Increase (decrease) in allowance for doubtful accounts	(23)
Interest and dividends income	(70)
Interest expenses paid on loans and bonds	7,491
Gain on negative goodwill	(4,274)
Subsidy income	(910)
Share-based compensation expenses	534
Loss on retirement of noncurrent assets	170
Loss on abandonment of noncurrent assets	51
Loss (gain) on cancellation of insurance contract	4,376
Stock issuance cost	173
Loss on cancellation of leases	26
Gain on reversal of subscription rights to shares	(15)
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,073
Decrease (increase) in notes and accounts receivable-trade	21,844
Increase (decrease) in notes and accounts payable-trade	1,280
Decrease (increase) in prepaid expenses	(40,389)
Decrease (increase) in accounts receivable-other	7,132
Increase (decrease) in accounts payable-other	(9,964)
Increase (decrease) in accrued expenses	1,581
Increase (decrease) in accrued consumption taxes	583
Other, net	2,748
Subtotal	<u>132,801</u>
Interest and dividends income received	70
Interest expenses paid	(8,031)
Income taxes paid	(3,079)
Net cash provided by (used in) operating activities	<u>121,761</u>
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(64,557)
Proceeds from sales of property, plant and equipment	30
Purchase of intangible assets	(5,951)
Purchase of insurance funds	(1,931)
Proceeds from cancellation of insurance funds	7,980
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	14,156
Net cash provided by (used in) investing activities	<u>(50,272)</u>

	(Thousands of yen)
	First six months of FY12/2011 (Jan. 1 – Jun. 30, 2011)
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	100,000
Decrease in short-term loans payable	(117,200)
Proceeds from long-term loans payable	150,000
Repayment of long-term loans payable	(59,200)
Redemption of bonds	(53,000)
Cash dividends paid	(6,961)
Repayments of lease obligations	(21,079)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	11,714
Proceeds from issuance of subscription rights to shares	220
Repayments of installment payables	(15,968)
Net cash provided by (used in) financing activities	(11,475)
Net increase (decrease) in cash and cash equivalents	60,013
Cash and cash equivalents at beginning of period	671,028
Cash and cash equivalents at end of period	731,041

(4) Going Concern Assumption

Not applicable.

(5) Segment Information

Segment Information

1) Overview of reportable segment

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 and Cell Therapy Support.

The Cell Therapy Technology Development segment involves the provision of exclusive cancer treatment technologies and know-how, chiefly the DC vaccine therapy. The Cell Therapy Support segment involves the operation of cell culture equipment by contract, the provision of maintenance and management services for this equipment, and others.

2) Information related to net sales and profit or loss for each reportable segment

First six months of FY12/2011 (Jan. 1 – Jun. 30, 2011)

(Thousands of yen)

	Reportable segment			Total	Adjustments	Amounts shown on quarterly consolidated statement of income
	Cell Therapy Technology Development	Cell Therapy Support	Total			
Net sales						
External sales	595,501	59,590	655,091	655,091	-	655,091
Inter-segment sales and transfers	-	-	-	-	-	-
Total	595,501	59,590	655,091	655,091	-	655,091
Segment profit	23,158	26,335	49,494	49,494	-	49,494

Note: Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

Second quarter of FY12/2011 (Apr. 1 – Jun. 30, 2011)

(Thousands of yen)

	Reportable segment			Total	Adjustments	Amounts shown on quarterly consolidated statement of income
	Cell Therapy Technology Development	Cell Therapy Support	Total			
Net sales						
External sales	301,456	31,604	333,060	333,060	-	333,060
Inter-segment sales and transfers	-	-	-	-	-	-
Total	301,456	31,604	333,060	333,060	-	333,060
Segment profit	11,686	6,701	18,387	18,387	-	18,387

Note: Segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statements of income.

3) Reconciliation of reported quarterly consolidated income with total profit (or loss) for reportable segments

Not applicable.

4) Information related to impairment losses of noncurrent assets, goodwill, etc. for each reportable segment

Significant gain on negative goodwill

In the Cell Therapy Support segment, a significant gain on negative goodwill was recorded because the purchase of stock of BMS Inc. in the first quarter of the current fiscal year made this company a consolidated subsidiary.

A gain of negative goodwill of 4,274 thousand yen was recorded in the first six months under review in association with the acquisition of BMS Inc.

Additional Information

Beginning with the first quarter of the current fiscal year, “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “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.

(6) Significant Changes in Shareholders' Equity

Not applicable.

4. Reference: Quarterly Non-consolidated Financial Statements

tella started preparing quarterly consolidated financial statements in the first quarter of the current fiscal year. Non-consolidated financial statements for the first half/second quarter of the previous fiscal year and as of the end of the previous fiscal year are presented for reference.

(1) Balance Sheets

	(Thousands of yen)
	FY12/2010
	(As of Dec. 31, 2010)
Assets	
Current assets	
Cash and deposits	671,028
Accounts receivable-trade	278,450
Prepaid expenses	14,205
Deferred tax assets	825
Accounts receivable-other	10,624
Other	1,110
Total current assets	976,246
Noncurrent assets	
Property, plant and equipment	
Buildings, net	264,259
Tools, furniture and fixtures, net	236,836
Lease assets, net	79,003
Total property, plant and equipment	580,099
Intangible assets	
Software	4,095
Software in progress	2,709
Right of using patent	23,791
Total intangible assets	30,596
Investments and other assets	
Investment securities	36,750
Lease deposits	68,189
Deferred tax assets	10,142
Insurance funds	18,124
Other	1,348
Allowance for doubtful accounts	(2,133)
Total investments and other assets	132,420
Total noncurrent assets	743,116
Total assets	1,719,362

(Thousands of yen)	
FY12/2010	
(As of Dec. 31, 2010)	
Liabilities	
Current liabilities	
Accounts payable-trade	4,575
Short-term loans payable	17,200
Current portion of bonds	101,000
Current portion of long-term loans payable	118,400
Lease obligations	28,300
Accounts payable-other	60,700
Accounts payable-installment purchase	15,968
Income taxes payable	4,546
Accrued consumption taxes	6,253
Other	7,656
Total current liabilities	364,601
Noncurrent liabilities	
Long-term loans payable	169,000
Bonds payable	133,500
Lease obligations	55,661
Long-term lease deposited	55,741
Total noncurrent liabilities	413,902
Total liabilities	778,504
Net assets	
Shareholders' equity	
Capital stock	418,009
Capital surplus	
Legal capital surplus	289,706
Total capital surpluses	289,706
Retained earnings	
Other retained earnings	
Retained earnings brought forward	233,400
Total retained earnings	233,400
Treasury stock	(258)
Total shareholders' equity	940,857
Total net assets	940,857
Total liabilities and net assets	1,719,362

(2) Quarterly Statements of Income
For the Six-month Period

	(Thousands of yen)
	First six months of FY12/2010 (Jan. 1 – Jun. 30, 2010)
Operating revenues	491,482
Operating cost	172,636
Operating gross profit	318,845
Selling, general and administrative expenses	285,748
Operating income	33,096
Non-operating income	
Interest income	120
Rent income of real estate	36,836
Subsidy income	324
Other	2,278
Total non-operating income	39,559
Non-operating expenses	
Interest expenses	3,997
Interest on bonds	1,516
Bond issuance cost	3,388
Rent cost of real estate	36,836
Stock issuance cost	69
Other	2,512
Total non-operating expenses	48,319
Ordinary income	24,336
Extraordinary income	
Reversal of allowance for doubtful accounts	10,609
Total extraordinary income	10,609
Extraordinary loss	
Loss on abandonment of noncurrent assets	103
Total extraordinary losses	103
Income before income taxes	34,842
Income taxes-current	1,463
Income taxes-deferred	14,729
Total income taxes	16,193
Net income	18,649

For the Three-month Period

	(Thousands of yen)
	Second quarter of FY12/2010 (Apr. 1 – Jun. 30, 2010)
Operating revenues	264,726
Operating cost	97,559
Operating gross profit	167,166
Selling, general and administrative expenses	146,929
Operating income	20,237
Non-operating income	
Interest income	4
Rent income of real estate	20,671
Subsidy income	324
Other	275
Total non-operating income	21,275
Non-operating expenses	
Interest expenses	2,000
Interest on bonds	864
Rent cost of real estate	20,671
Other	2,372
Total non-operating expenses	25,908
Ordinary income	15,604
Extraordinary income	
Reversal of allowance for doubtful accounts	155
Total extraordinary income	155
Income before income taxes	15,759
Income taxes-current	1,348
Income taxes-deferred	6,298
Total income taxes	7,647
Net income	8,112

(3) Quarterly Statements of Cash Flows

	(Thousands of yen)
	First six months of FY12/2010 (Jan. 1 – Jun. 30, 2010)
Net cash provided by (used in) operating activities	
Income before income taxes	34,842
Depreciation and amortization	93,004
Increase (decrease) in allowance for doubtful accounts	(13,442)
Interest and dividends income	(120)
Interest expenses paid on loans and bonds	5,513
Subsidy income	(324)
Stock issuance cost	69
Loss (gain) on cancellation of insurance contract	1,958
Decrease (increase) in accounts receivable-trade	39,699
Decrease (increase) in prepaid expenses	3,104
Decrease (increase) in accounts receivable-other	2,802
Increase (decrease) in accounts payable-trade	1,477
Increase (decrease) in accounts payable-other	(10,146)
Increase (decrease) in accrued expenses	1,396
Increase (decrease) in accrued consumption taxes	(10,327)
Other, net	4,849
Subtotal	<u>154,358</u>
Interest and dividends income received	120
Interest expenses paid	(5,703)
Income taxes paid	(78,179)
Net cash provided by (used in) operating activities	<u>70,595</u>
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(226,012)
Proceeds from sales of property, plant and equipment	28
Purchase of investment securities	(36,750)
Payments for investments in capital	(10)
Purchase of insurance funds	(7,250)
Proceeds from cancellation of insurance funds	1,851
Collection of lease deposits	4,967
Proceeds from long-term deposits received	18,207
Net cash provided by (used in) investing activities	<u>(244,967)</u>
Net cash provided by (used in) financing activities	
Increase in short-term loans payable	90,000
Decrease in short-term loans payable	(180,534)
Proceeds from long-term loans payable	180,000
Repayment of long-term loans payable	(4,200)
Proceeds from issuance of bonds	146,442
Redemption of bonds	(27,500)
Repayments of installment payables	(30,634)
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	11,902
Purchase of treasury stock	(85)
Repayments of lease obligations	(12,124)
Cash dividends paid	(11,533)
Net cash provided by (used in) financing activities	<u>161,733</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,638)</u>
Cash and cash equivalents at beginning of period	<u>621,634</u>
Cash and cash equivalents at end of period	<u>608,996</u>

5. Supplementary Information

(1) Production, Orders and Sales

1) Production

There were no production activities.

2) Orders received

There were no production activities in response to orders received.

3) Sales

Sales by operating segment in the first six months of the current fiscal year are as follows. Since we have prepared consolidated financial statements for the first time in the first quarter of this fiscal year, there are no comparisons with the same quarter of the previous fiscal year.

(Thousands of yen)

Segment	Revenue
Cell Therapy Technology Development	595,501
Cell Therapy Support	59,590
Total	655,091

Notes: 1. Inter-segment transactions have been eliminated.
2. Sales to major customers and the ratio to net sales

(Thousands of yen, %)

Medical institution	First six months of FY12/2011 (Jan. 1 – Jun. 30, 2011)	
	Sales	Pct. of total
Iso-kai SEREN CLINIC NAGOYA	92,337	14.1
Iso-kai SEREN CLINIC KOBE	84,010	12.8
Iso-kai SEREN CLINIC TOKYO	75,742	11.6
Shinju-kai Shin-Yokohama Kato-clinic	57,752	8.8
Iso-kai Fukuoka-imaxclinic	57,410	8.8

3. The above amounts do not include consumption and other taxes.

Sales to major customers and the ratio to net sales in the first six months of FY12/2010 are as follows.

(Thousands of yen, %)

Medical institution	First six months of FY12/2010 (Jan. 1 – Jun. 30, 2010)	
	Sales	Ratio to net sales
Iso-kai SEREN CLINIC	98,810	20.1
Clinic Saint Louis	79,520	16.2
Iso-kai Midland clinic	78,867	16.0
Shin-Yokohama Kato-clinic	47,310	9.6

SEREN CLINIC and Midland clinic were renamed on April 1, 2011 to SEREN CLINIC TOKYO and SEREN CLINIC NAGOYA, respectively and Shin-Yokohama Kato-clinic was renamed to Shinju-kai Shin-Yokohama Kato-clinic on December 1, 2010 when approval was received to become a medical corporation.

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.