



**Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2014
(Six Months Ended June 30, 2014)**

[Japanese GAAP]

August 5, 2014

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 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: Yes

Note: The original disclosure in Japanese was released on August 5, 2014 at 16:20 (GMT +9).

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

1. Consolidated Financial Results for the Six Months Ended June 30, 2014 (Jan. 1, 2014 to Jun. 30, 2014)

(1) Consolidated 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 | % |
| Six months ended Jun. 30, 2014 | 1,031 | 19.2 | (105) | - | (125) | - | (129) | - |
| Six months ended Jun. 30, 2013 | 865 | 7.0 | 142 | (11.3) | 132 | (15.3) | 46 | (27.5) |

Note: Comprehensive income (millions of yen) Six months ended Jun. 30, 2014: (108) (n.a.)
 Six months ended Jun. 30, 2013: 78 (down 2.4%)

| | Net income per share | Diluted net income per share |
|--------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended Jun. 30, 2014 | (9.44) | - |
| Six months ended Jun. 30, 2013 | 3.51 | 3.45 |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Jun. 30, 2014 | 3,671 | 2,775 | 73.0 |
| As of Dec. 31, 2013 | 2,387 | 1,529 | 60.8 |

Reference: Shareholders' equity (millions of yen) As of Jun. 30, 2014: 2,679 As of Dec. 31, 2013: 1,450

2. Dividends

| | Dividend per share | | | | |
|----------------------|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY12/2013 | - | 0.00 | - | 0.00 | 0.00 |
| FY12/2014 | - | 0.00 | - | - | - |
| FY12/2014 (Forecast) | - | - | - | 0.00 | 0.00 |

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2014 (Jan. 1, 2014 to Dec. 31, 2014)

(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 | 2,040 | 32.5 | (316) | - | (351) | - | (324) | - | (23.53) |

Note: Revision to the most recently announced consolidated forecast: None

*** Notes**

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

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

| | | | |
|----------------------|-------------------|----------------------|-------------------|
| As of Jun. 30, 2014: | 13,795,156 shares | As of Dec. 31, 2013: | 13,228,431 shares |
|----------------------|-------------------|----------------------|-------------------|

2) Number of treasury shares at the end of period

| | | | |
|----------------------|------------|----------------------|------------|
| As of Jun. 30, 2014: | 239 shares | As of Dec. 31, 2013: | 239 shares |
|----------------------|------------|----------------------|------------|

3) Average number of shares outstanding during the period

| | | | |
|---------------------------------|-------------------|---------------------------------|-------------------|
| Six months ended Jun. 30, 2014: | 13,739,949 shares | Six months ended Jun. 30, 2013: | 13,136,761 shares |
|---------------------------------|-------------------|---------------------------------|-------------------|

Note 1: Information regarding the implementation of quarterly review procedures

At the time of disclosure, the review procedures based on the Financial Instruments and Exchange Act for the quarterly consolidated financial statements had been completed.

Note 2: Cautionary statement with respect to forward-looking statements and other special items

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 "Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 5 of the attachments for forecast assumptions and notes of caution for usage.

Contents of Attachments

| | |
|--|----|
| 1. Qualitative Information on Quarterly Consolidated Financial Performance | 2 |
| (1) Explanation of Results of Operations | 2 |
| (2) Explanation of Financial Position | 4 |
| (3) Explanation of Consolidated Forecast and Other Forward-looking Statements | 5 |
| 2. Matters Related to Summary Information (Notes) | 5 |
| (1) Changes in Significant Subsidiaries during the Period | 5 |
| (2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements | 5 |
| (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements | 5 |
| 3. Quarterly Consolidated Financial Statements | 6 |
| (1) Quarterly Consolidated Balance Sheet | 6 |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income | 8 |
| Quarterly Consolidated Statement of Income | |
| For the Six-month Period | 8 |
| Quarterly Consolidated Statement of Comprehensive Income | |
| For the Six-month Period | 9 |
| (3) Quarterly Consolidated Statement of Cash Flows | 10 |
| (4) Notes to Quarterly Consolidated Financial Statements | 12 |
| Going Concern Assumption | 12 |
| Significant Changes in Shareholders' Equity | 12 |
| Segment and Other Information | 12 |
| Material Subsequent Events | 13 |

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of 2014, the tella Group's operating environment was as follows. The promotion of regenerative and cell medicine is one of the main elements of the Abenomics growth strategy. One result was the April 2013 passage of the Act concerning the Comprehensive Promotion of Measures for the Rapid and Safe Use of Regenerative Medicine in Japan. In November 2013, two more laws were passed. One is the Act concerning the Assurance of Quality, Efficacy and Safety for Pharmaceuticals and Medical Devices, which newly defines regenerative medicine products and establishes a system for quick approvals of these products with certain conditions. The other is the Act concerning the Assurance of Safety for Regenerative Medicine, which is aimed at facilitating the commercialization of cell processing operations. Overall, there is a progress toward establishing an environment for regenerative medicine and cell therapy businesses and even creating an industry for these activities.

Against this backdrop, the tella Group continued to perform R&D involving the dendritic cell (DC) vaccine Vaccell®, which is one type of cancer 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 provision of maintenance and management services of cell processing facilities by contract chiefly to universities and research institutions, sales of cell processing devices, CRO business and pharmaceuticals business.

In April 2014, tella signed an agreement for a capital and business alliance with Kohjin Bio Co., Ltd. Based on the extensive culture media production technology of Kohjin Bio, we plan to speed up the development of culture media and other items that can make the cell culture more efficient. In addition, we plan to use this alliance for business operations in Japan and overseas.

In August 2014, the Board of Directors of tella approved a resolution to purchase all shares of mini-insurer Co., Ltd., which is primarily a provider of short-term insurance with small benefit payments, and make this company a consolidated subsidiary. We plan to use this company to start selling small-amount, short-term insurance for the purpose of providing a new type of protection that covers the latest advances in cancer treatments.

In the first half of 2014, net sales increased 19.2% from one year earlier to 1,031,844 thousand yen. Sales increased mainly because of higher sales in the Medical Support Business resulting from the receipt of a large order for cell processing devices and other products.

There was an operating loss of 105,293 thousand yen compared with operating income of 142,699 thousand yen one year earlier, because of higher selling, general and administrative expenses mainly in the Cell Medicine Business and Pharmaceuticals Business along with the full-scale development activities for obtaining approval for the DC vaccine Vaccell®. Ordinary loss was 125,769 thousand yen compared with ordinary income of 132,409 thousand yen one year earlier. The net loss was 129,675 thousand yen compared with net income of 46,110 thousand yen one year earlier.

Performance by reportable segment was as follows.

In the first quarter of 2014, the tella Group started full-scale development activities for the purpose of receiving approval of the DC vaccine Vaccell® as a regenerative medicine product for treating cancer. In association with the start of these development activities, we have reexamined the framework for group business operations as well as its administrative structure. This reexamination resulted in these development activities, which were previously part of the Cell Therapy Technology Development segment, to be included in the new Pharmaceuticals segment. In addition, to more accurately describe the activities of the previous two segments, the Cell Therapy Technology Development segment has been renamed the Cell Medicine segment and the Cell Therapy Support segment has been renamed Medical Support segment. As a result, beginning from the first quarter of 2014, the previous two segments were reorganized to the following three segments: the Cell Medicine, Medical Support, and Pharmaceuticals segments.

As a result, business segment performance comparisons and analysis for the first half of 2014 use year-ago figures that have been revised to match the new segments.

(a) Cell Medicine Business

In this business segment, we provide unique cancer treatment technologies and know-how, chiefly the DC vaccine Vaccell®, to contracted medical institutions.

Regarding R&D activities, which primarily involve Vaccell®, a research paper concerning studies about the effectiveness and prognosis factors of Vaccell® for treating unresectable locally advanced pancreatic cancer was published in the April 29, 2014 issue of the electronic version of Cancer Immunology, Immunotherapy (CII). In May 2014, a research paper concerning studies about the clinical effectiveness and prognosis factors of Vaccell® for treating recurrent ovarian cancer was published in the Journal of Ovarian Research (2014, 7:48). In July 2014, a research paper about Vaccell® was published in the July 23, 2014 edition of the electronic version of Clinical Cancer Research, a publication of the American Association of Cancer Research (AACR). This paper examined the safety and efficacy of WT1 class I peptide and a new class II peptide pulsed DC vaccine Vaccell® that is used in conjunction with anticancer drugs for treating advanced pancreatic and biliary cancers.

In May 2014, tella has signed a research outsourcing contract with Tokyo Women's Medical University to start performing phase I and II clinical studies to determine the safety and efficacy of the NK cell therapy used in combination with rituximab, a molecularly targeted drug, to fight B-cell malignant lymphoma.

In June 2014, a patent was approved in Japan and Australia for survivin peptides, which are a next-generation cancer antigen. In Japan, tella has received the exclusive right to use these peptides. In addition, a patent has been granted in Japan for the MAGE-A4 peptides, a cancer antigen, and tella has the exclusive right to use these peptides in Japan.

In July 2014, tella has signed a joint research agreement with Medical Corporation Isokai (Seren Clinic Tokyo) to begin a clinical study with Seren Clinic Tokyo for Vaccell® using the survivin peptides and MAGE-A4 peptides.

In July 2014, a patent was approved in Japan for two technologies concerning ZNK® cells, which are being developed jointly by tella and Kyushu University. One of these technologies amplifies NK cells from a human peripheral blood derived mononuclear cells several hundred times, while the other amplifies NK cells from a human cord blood cells about 10,000 times.

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

Regarding sales activities targeting medical institutions across Japan, we conducted a broad range of activities to raise awareness of our technologies and operations. These activities were primarily cancer therapy forums for physicians and other types of seminars.

Due to all of these activities, there were approximately 330 cases during the second quarter (Apr-Jun) of 2014 in which the DC vaccine Vaccell® was used. This raises to about 8,250 the total number of DC vaccine therapy cases since tella was established.

Segment sales for the first half decreased 41,366 thousand yen, or 7.3%, from one year earlier to 525,317 thousand yen because of slower growth in the number of cases. Profits were affected mainly by the decline in sales, higher research and development expenses, and an increase in selling, general and administrative expenses including advertising expenses. As a result, operating loss totaled 95,302 thousand yen, compared with an operating income of 39,921 thousand yen one year earlier.

(b) Medical 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, sales of replacement supplies and cell processing devices, CRO business and others.

Segment sales for the first half increased 291,797 thousand yen, or 97.6%, from one year earlier to 590,870 thousand yen. This was mainly due to the receipt of a large order for cell processing devices. Operating income decreased 54,775 thousand yen, or 53.3%, from one year earlier to 48,002 thousand yen due to an increase in purchases of cell

processing devices and other equipment for sale to customers and start-up expenses for the CRO business.

(c) Pharmaceuticals Business

Tella Pharma Inc., which was established in January 2014, is strengthening its development operations for the purpose of receiving approval for the DC vaccine Vaccell® as a regenerative medicine product for treating cancer. In addition, this company concentrated on performing these development activities. As a result, operating loss for the first half totaled 54,926 thousand yen.

(2) Explanation of Financial Position

(a) Assets, Liabilities and Net Assets

Total assets increased 1,284,242 thousand yen from the end of 2013 to 3,671,476 thousand yen as of the end of the second quarter of 2014. Current assets increased 885,185 thousand yen to 2,428,696 thousand yen, mainly due to an increase in cash and deposits resulting from No. 8 and No. 9 issues of stock acquisition rights and loans from financial institutions. Non-current assets increased 399,056 thousand yen to 1,242,780 thousand yen, mainly due to the new acquisition of non-current assets due to the establishment of new basic affiliated medical institutions, the recording of goodwill due to the business transfer to the consolidated subsidiary TITAN Co., Ltd, and the purchase of investment securities.

Total liabilities increased 38,120 thousand yen to 896,160 thousand yen. Current liabilities increased 78,947 thousand yen to 431,232 thousand yen, mainly as a result of an increase in short-term loans payable from financial institutions, and an increase in notes and accounts payable-trade associated with sales of cell processing devices in the Medical Support Business. Non-current liabilities decreased 40,826 thousand yen to 464,928 thousand yen.

Net assets increased 1,246,121 thousand yen to 2,775,315 thousand yen, and shareholders' equity ratio was 73.0%.

(b) Cash Flows

Cash and cash equivalents as of the end of the first half of 2014 totaled 2,055,713 thousand yen, 975,604 thousand yen more than as of the end of 2013.

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

Cash Flow from Operating Activities

Net cash provided by operating activities totaled 59,459 thousand yen, compared with net cash provided of 112,885 thousand yen one year earlier. Major items included loss before income taxes and minority interests of 125,769 thousand yen, depreciation of 86,246 thousand yen, a decrease in notes and accounts receivable-trade of 30,486 thousand yen, a decrease in prepaid expenses of 13,968 thousand yen and income taxes refund of 26,034 thousand yen.

Cash Flow from Investing Activities

Net cash used in investing activities totaled 403,395 thousand yen, compared with net cash used of 176,089 thousand yen one year earlier. Major items included purchase of property, plant and equipment of 123,510 thousand yen, payments for transfer of business of 43,988 thousand yen, and purchase of investment securities of 230,160 thousand yen.

Cash Flow from Financing Activities

Net cash provided by financing activities totaled 1,319,540 thousand yen, compared with net cash used of 139,447 thousand yen one year earlier. There were 180,000 thousand yen in proceeds from short-term loans payable, 90,000 thousand yen in repayment of short-term loans payable, 72,500 thousand yen in repayment of long-term loans payable, 36,700 thousand yen in redemption of bonds, 12,592 thousand yen in repayments of lease obligations, and 1,350,000 thousand yen in proceeds from issuance of shares resulting from exercise of subscription rights to shares.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The consolidated forecast for 2014 that was announced on February 7, 2014 was revised on August 1, 2014. The primary reasons for the revision were the decrease in sales in the first half of the year and start-up expenses for new businesses.

| | 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 |
| Previous forecast (A) | 2,090 | (135) | (156) | (154) | (11.68) |
| Revised forecast (B) | 2,040 | (316) | (351) | (324) | (23.53) |
| Change (B-A) | (49) | (181) | (194) | (169) | - |
| Change (%) | (2.4) | - | - | - | - |
| (Reference) 2013 results | 1,539 | 23 | (24) | (58) | (4.44) |

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. Matters Related to Summary Information (Notes)**(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Not applicable.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

| | FY12/2013 (As of Dec. 31, 2013) | Second quarter of FY12/2014 (As of Jun. 30, 2014) |
|-------------------------------------|------------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,080,109 | 2,055,713 |
| Notes and accounts receivable-trade | 273,120 | 251,138 |
| Lease receivables | - | 3,176 |
| Raw materials | 4,237 | 4,645 |
| Prepaid expenses | 61,566 | 47,516 |
| Deferred tax assets | 23,736 | 16,013 |
| Income taxes receivable | 26,034 | - |
| Advances paid | 54,204 | 280 |
| Other | 20,752 | 50,465 |
| Allowance for doubtful accounts | (250) | (254) |
| Total current assets | 1,543,510 | 2,428,696 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 212,325 | 232,805 |
| Tools, furniture and fixtures, net | 187,493 | 223,120 |
| Leased assets, net | 26,442 | 21,053 |
| Construction in progress | 37,421 | - |
| Total property, plant and equipment | 463,681 | 476,979 |
| Intangible assets | | |
| Software | 15,595 | 80,749 |
| Software in progress | 74,103 | - |
| Goodwill | - | 26,053 |
| Right of using patent | 10,291 | 25,486 |
| Other | - | 7,207 |
| Total intangible assets | 99,991 | 139,497 |
| Investments and other assets | | |
| Investment securities | 136,750 | 366,749 |
| Lease deposits | 107,302 | 109,710 |
| Insurance funds | 11,639 | 13,570 |
| Deferred tax assets | 22,495 | 80,306 |
| Long-term lease assets | - | 53,694 |
| Other | 1,863 | 2,271 |
| Total investments and other assets | 280,050 | 626,303 |
| Total non-current assets | 843,723 | 1,242,780 |
| Total assets | 2,387,234 | 3,671,476 |

| | (Thousands of yen) | |
|--|------------------------------------|--|
| | FY12/2013 (As of Dec. 31, 2013) | Second quarter of FY12/2014 (As of Jun. 30, 2014) |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 41,071 | 32,784 |
| Short-term loans payable | - | 90,000 |
| Current portion of bonds | 73,200 | 46,500 |
| Current portion of long-term loans payable | 122,500 | 100,000 |
| Lease obligations | 16,437 | 13,953 |
| Accounts payable-other | 57,605 | 69,221 |
| Income taxes payable | 13,131 | 35,736 |
| Asset retirement obligations | 6,000 | - |
| Other | 22,339 | 43,036 |
| Total current liabilities | 352,285 | 431,232 |
| Non-current liabilities | | |
| Bonds payable | 40,000 | 30,000 |
| Long-term loans payable | 382,500 | 342,500 |
| Lease obligations | 11,998 | 17,319 |
| Long-term lease deposited | 50,537 | 50,537 |
| Asset retirement obligations | 10,924 | 18,041 |
| Other | 9,793 | 6,529 |
| Total non-current liabilities | 505,754 | 464,928 |
| Total liabilities | 858,039 | 896,160 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 652,908 | 1,332,178 |
| Capital surplus | 524,585 | 1,203,855 |
| Retained earnings | 273,584 | 143,909 |
| Treasury shares | (270) | (270) |
| Total shareholders' equity | 1,450,808 | 2,679,673 |
| Subscription rights to shares | 16,978 | 3,338 |
| Minority interests | 61,407 | 92,303 |
| Total net assets | 1,529,194 | 2,775,315 |
| Total liabilities and net assets | 2,387,234 | 3,671,476 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income
For the Six-month Period**

(Thousands of yen)

| | First six months of FY12/2013 (Jan. 1 – Jun. 30, 2013) | First six months of FY12/2014 (Jan. 1 – Jun. 30, 2014) |
|---|---|---|
| Net sales | 865,746 | 1,031,844 |
| Cost of sales | 300,980 | 516,712 |
| Gross profit | 564,766 | 515,131 |
| Selling, general and administrative expenses | 422,067 | 620,424 |
| Operating income (loss) | 142,699 | (105,293) |
| Non-operating income | | |
| Interest income | 110 | 850 |
| Rent income of real estate | 38,340 | 38,592 |
| Subsidy income | 147 | 432 |
| Other | 1,780 | 3,390 |
| Total non-operating income | 40,378 | 43,265 |
| Non-operating expenses | | |
| Interest expenses | 2,524 | 3,318 |
| Interest on bonds | 941 | 498 |
| Share of loss of entities accounted for using equity method | - | 160 |
| Rent cost of real estate | 38,340 | 38,592 |
| Share issuance cost | - | 5,384 |
| Guarantee commission | 448 | 322 |
| Other | 8,413 | 15,465 |
| Total non-operating expenses | 50,668 | 63,741 |
| Ordinary income (loss) | 132,409 | (125,769) |
| Extraordinary losses | | |
| Loss on abandonment of non-current assets | 46 | - |
| Total extraordinary losses | 46 | - |
| Income (loss) before income taxes and minority interests | 132,362 | (125,769) |
| Income taxes-current | 49,912 | 32,898 |
| Income taxes-deferred | 4,373 | (50,089) |
| Total income taxes | 54,286 | (17,190) |
| Income (loss) before minority interests | 78,076 | (108,578) |
| Minority interests in income | 31,966 | 21,096 |
| Net income (loss) | 46,110 | (129,675) |

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Period

(Thousands of yen)

| | First six months of FY12/2013 (Jan. 1 – Jun. 30, 2013) | First six months of FY12/2014 (Jan. 1 – Jun. 30, 2014) |
|---|---|---|
| Income (loss) before minority interests | 78,076 | (108,578) |
| Other comprehensive income | | |
| Total other comprehensive income | - | - |
| Comprehensive income | 78,076 | (108,578) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 46,110 | (129,675) |
| Comprehensive income attributable to minority interests | 31,966 | 21,096 |

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

| | First six months of FY12/2013 (Jan. 1 – Jun. 30, 2013) | First six months of FY12/2014 (Jan. 1 – Jun. 30, 2014) |
|--|---|---|
| Cash flows from operating activities | | |
| Income (loss) before income taxes and minority interests | 132,362 | (125,769) |
| Depreciation | 73,044 | 86,246 |
| Amortization of goodwill | - | 1,048 |
| Increase (decrease) in allowance for doubtful accounts | (8,649) | 4 |
| Interest and dividend income | (110) | (850) |
| Interest expenses paid on loans and bonds | 3,466 | 3,816 |
| Share of (profit) loss of entities accounted for using equity method | - | 160 |
| Subsidy income | (147) | (432) |
| Share-based compensation expenses | - | 3,338 |
| Loss on abandonment of non-current assets | 46 | - |
| Decrease (increase) in notes and accounts receivable-trade | 3,752 | 30,486 |
| Decrease (increase) in inventories | (885) | (407) |
| Increase (decrease) in notes and accounts payable-trade | (5,651) | (8,287) |
| Decrease (increase) in prepaid expenses | (19,722) | 13,968 |
| Decrease (increase) in accounts receivable-other | 11,045 | 6,119 |
| Increase (decrease) in accounts payable-other | (7,736) | 7,721 |
| Increase (decrease) in accrued expenses | 4,427 | 1,620 |
| Increase (decrease) in accrued consumption taxes | 4,373 | (5,157) |
| Other, net | (7,597) | 34,444 |
| Subtotal | 182,017 | 48,071 |
| Interest and dividend income received | 110 | 829 |
| Interest expenses paid | (3,499) | (3,862) |
| Proceeds from subsidy income | 1,622 | 1,413 |
| Income taxes paid | (67,365) | (13,026) |
| Income taxes refund | - | 26,034 |
| Net cash provided by (used in) operating activities | 112,885 | 59,459 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (11,521) | (123,510) |
| Purchase of intangible assets | (20,000) | (1,782) |
| Payments for transfer of business | - | (43,988) |
| Purchase of investment securities | (100,000) | (230,160) |
| Collection of lease receivables | - | 1,296 |
| Purchase of insurance funds | (1,931) | (1,931) |
| Payments for lease and guarantee deposits | (42,675) | (16,932) |
| Proceeds from collection of lease and guarantee deposits | 39 | 14,524 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | - | (911) |
| Net cash provided by (used in) investing activities | (176,089) | (403,395) |

(Thousands of yen)

| | First six months of FY12/2013 (Jan. 1 – Jun. 30, 2013) | First six months of FY12/2014 (Jan. 1 – Jun. 30, 2014) |
|--|---|---|
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 150,000 | 180,000 |
| Decrease in short-term loans payable | (150,000) | (90,000) |
| Repayments of long-term loans payable | (69,200) | (72,500) |
| Redemption of bonds | (59,200) | (36,700) |
| Repayments of lease obligations | (18,709) | (12,592) |
| Proceeds from stock issuance to minority shareholders from newly consolidated subsidiary | - | 9,800 |
| Proceeds from issuance of shares resulting from exercise of subscription rights to shares | - | 1,350,000 |
| Proceeds from issuance of subscription rights to shares | 17,690 | - |
| Payments for purchase of treasury subscription right to share | - | (8,438) |
| Cash dividends paid | (10,027) | (28) |
| Net cash provided by (used in) financing activities | (139,447) | 1,319,540 |
| Net increase (decrease) in cash and cash equivalents | (202,651) | 975,604 |
| Cash and cash equivalents at beginning of period | 1,030,551 | 1,080,109 |
| Cash and cash equivalents at end of period | 827,899 | 2,055,713 |

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Following the exercise of subscription rights to shares, capital stock and capital surplus increased 679,270 thousand yen each during the first six months of FY12/2014, to 1,332,178 thousand yen and 1,203,855 thousand yen, respectively, at the end of the first six months of FY12/2014.

Segment and Other Information

I First six months of FY12/2013 (Jan. 1 – Jun. 30, 2013)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | | | Total | Adjustments | Amounts shown on quarterly consolidated statement of income |
|-----------------------------------|--------------------|-----------------|-----------------|----------|---------|-------------|---|
| | Cell Medicine | Medical Support | Pharmaceuticals | Subtotal | | | |
| Net sales | | | | | | | |
| External sales | 566,683 | 299,063 | - | 865,746 | 865,746 | - | 865,746 |
| Inter-segment sales and transfers | - | 10 | - | 10 | 10 | (10) | - |
| Total | 566,683 | 299,073 | - | 865,756 | 865,756 | (10) | 865,746 |
| Segment profit | 39,921 | 102,777 | - | 142,699 | 142,699 | - | 142,699 |

Note: Total segment profit is adjusted to be consistent with operating income shown on the quarterly consolidated statement of income.

II First six months of FY12/2014 (Jan. 1 – Jun. 30, 2014)

1. Information related to net sales and profit or loss for each reportable segment

(Thousands of yen)

| | Reportable segment | | | | Total | Adjustments | Amounts shown on quarterly consolidated statement of income |
|-----------------------------------|--------------------|-----------------|-----------------|-----------|-----------|-------------|---|
| | Cell Medicine | Medical Support | Pharmaceuticals | Subtotal | | | |
| Net sales | | | | | | | |
| External sales | 525,317 | 506,527 | - | 1,031,844 | 1,031,844 | - | 1,031,844 |
| Inter-segment sales and transfers | - | 84,343 | - | 84,343 | 84,343 | (84,343) | - |
| Total | 525,317 | 590,870 | - | 1,116,187 | 1,116,187 | (84,343) | 1,031,844 |
| Segment profit (loss) | (95,302) | 48,002 | (54,926) | (102,227) | (102,227) | (3,065) | (105,293) |

Notes: 1. The -3,065 thousand yen adjustment to segment loss includes an elimination for inter-segment transactions of -5,454 thousand yen and an adjustment of 2,388 thousand yen to non-current assets.

2. Segment loss is adjusted to be consistent with operating loss shown on the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

In the first quarter of FY12/2014, the tella Group started full-scale development activities for the purpose of receiving approval of the DC vaccine Vaccell® as a regenerative medicine product for treating cancer. In association with the start of these development activities, we have reexamined the framework for group business operations as well as its administrative structure. This reexamination resulted in these development activities, which were previously part of the Cell Therapy Technology Development segment, to be included in the new Pharmaceuticals segment. In addition, to more accurately describe the activities of the previous two segments, the Cell Therapy Technology Development

segment has been renamed the Cell Medicine segment and the Cell Therapy Support segment has been renamed Medical Support segment. As a result, beginning from the first quarter of 2014, the previous two segments were reorganized to the following three segments: the Cell Medicine, Medical Support, and Pharmaceuticals segments.

The segment information for the first six months of FY12/2013 is prepared and disclosed based on the reportable segment structure after the realignment.

3. Information related to goodwill, etc. for each reportable segment

Significant change in goodwill

Goodwill was booked in the Medical Support segment as a result of the business combination relating to acquisition of business. The event caused an increase of goodwill by 26,053 thousand yen for the first six months of FY12/2014.

Material Subsequent Events

Acquisitions of companies by purchasing stock

On August 5, 2014, the Board of Directors of tella approved a resolution to purchase all the shares of mini-insurer Co., Ltd. A contract to purchase this stock was signed the same day and this company is now a consolidated subsidiary.

(1) Objectives of acquisition

tella is engaged in R&D activities for the DC cancer vaccine Vaccell® and other products. Vaccell® is a technology that can powerfully induce the most effective reaction for an immune system response to cancer. Combining Vaccell® with WT1 peptides, a cancer antigen for which tella has the exclusive right of use and has much potential to become an even more effective treatment for cancer. Number of cases at medical institutions reached about 8,250 as of the end of June 2014. Currently, tella is conducting activities for the purpose of receiving approval for the use of DC vaccine Vaccell®.

mini-insurer Co., Ltd., which is a new subsidiary of tella and, a small-amount and short-term insurance only, sells highly distinctive insurance products that target specific market needs, such as policies that provide benefits when a woman is diagnosed with breast cancer.

Now that mini-insurer is a wholly owned subsidiary, tella plans to rename this company tella Small Amount & Short Term Insurance Co., Ltd. and start selling a broad range of products that utilize the advantages of small-amount, short-term insurance. For example, tella plans to sell a new type of cancer insurance and policies that cover many types of regenerative and cell medicine. For cancer insurance, tella will consider ways to enable individuals to select immunology treatments sooner. These treatments include DC vaccine Vaccell®, which reduces the expense of cancer treatments and has only minimal side effects. For regenerative and cell medicine, tella will examine ways to create products involving cancer coverage that can help protect patients. One example is policies that reduce the financial burden of cancer treatments.

(2) Overview of sellers

Seiji Kobayashi, and 11 other shareholders

(3) Overview of the company acquired

- (a) Name: mini-insurer Co., Ltd.
- (b) Location: 4-10-1, Hacchobori, Chuo-ku, Tokyo
- (c) Representative: Seiji Kobayashi, President
- (d) Business: Smal-amount and short-term insurance provider
- (e) Capital: 100 million yen

(f) Establishment: February 2008

(4) Date of acquisition

August 5, 2014

(5) Number of shares acquired, acquisition costs and equity interest after acquisition

(a) Number of shares held before acquisition: 0 share (Ownership ratio: 0%)

(b) Number of shares to be acquired: 4,000 shares (Ownership ratio: 100%)

(c) Acquisition price: 40,000 thousand yen*

*Does not include expenses directly required for the acquisition.

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.