Consolidated Financial Results for the Fiscal Year Ended December 31, 2014

[Japanese GAAP]

February 6, 2015

Company name: tella, Inc. Stock Exchange Listing: Tokyo Stock Exchange (JASDAQ)
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Executive Officer, General Manager, President Office
Scheduled date of annual general meeting of shareholders: March 24, 2015
Scheduled date of filing of securities report: March 25, 2015
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Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2014 (Jan. 1, 2014 to Dec. 31, 2014)

(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	%
FY12/2014	1,865	21.2	(293)	-	(330)	-	(402)	-
FY12/2013	1,539	(0.3)	23	(89.5)	(24)	-	(58)	-

Note: Comprehensive income (millions of yen) FY12/2014: (395) (n.a.) FY12/2013: (34) (n.a.)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
FY12/2014	(29.27)	-	(20.9)	(11.4)	(15.7)
FY12/2013	(4.44)	-	(4.1)	(1.1)	1.5

Reference: Equity in earnings (losses) of affiliates (millions of yen) FY12/2014: (6) FY12/2013: -

(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, 2014	3,396	2,499	70.8	174.44
As of Dec. 31, 2013	2,387	1,529	60.8	109.68

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2014: 2,406 As of Dec. 31, 2013: 1,450

(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
FY12/2014	(119)	(523)	1,312	1,749
FY12/2013	4	(314)	359	1,080

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	%	%
FY12/2013	-	0.00	-	0.00	0.00	0	-	-
FY12/2014	-	0.00	-	0.00	0.00	0	-	-
FY12/2015 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2015 (Jan. 1, 2015 to Dec. 31, 2015)

(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	1,207	17.1	(194)	-	(171)	-	(184)	-	(13.40)
Full year	2,221	19.1	(365)	-	(353)	-	(381)	-	(27.66)

*** Notes**

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

(2) 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

(3) Number of shares outstanding (common stock)

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

As of Dec. 31, 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 Dec. 31, 2014:	239 shares	As of Dec. 31, 2013:	239 shares

3) Average number of shares outstanding during the period

FY12/2014:	13,767,659 shares	FY12/2013:	13,144,181 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2014 (Jan. 1, 2014 to Dec. 31, 2014)

(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	%
FY12/2014	1,099	0.1	(232)	-	(256)	-	(304)	-
FY12/2013	1,098	(9.4)	(46)	-	(94)	-	(77)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY12/2014	(22.09)	-
FY12/2013	(5.93)	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2014	3,252	2,458	75.3	177.51
As of Dec. 31, 2013	2,203	1,411	63.3	105.40

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2014: 2,448 As of Dec. 31, 2013: 1,394

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 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 "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations, Outlook for the Next Fiscal Year" on page 4 of the attachments for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

1) Summary of the Current Fiscal Year

In 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. Additional two laws that were passed in November 2013 were enforced in November 2014. 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. We conducted sales activities targeting medical institutions nationwide, and academic and information activities. In particular, we provide information to patients using seminars and other methods, and present research results at academic conferences. 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, the CRO business, small-amount short-term insurance business and the pharmaceuticals business.

In February 2014, the tella Group established consolidated subsidiary AllGene, Inc. (renamed from GenoCipher Inc. in September 2014). Through this new subsidiary, we plan to enter the genetic diagnosis support business with the goal of starting a new B-to-B service for personalized medical care.

In April 2014, tella signed an agreement for a capital and business alliance with Kohjin Bio Co., Ltd. We plan to combine the extensive culture media production technology of Kohjin Bio. The aim is to speed up the development of culture media and other items that can make the cell culture more efficient. In addition, we plan to expand operations jointly with this company.

In August 2014, the tella Group approved a resolution to purchase all shares of mini-insurer Co., Ltd. (the company was renamed Tella Small Amount and Short term Insurance Inc. in October 2014) and to make this company a consolidated subsidiary. We started operations of a small-amount short-term insurance business for the purpose of providing a new type of protection that covers the latest advances in cancer treatments.

In 2014, net sales increased 325,891 thousand yen, or 21.2% from one year earlier to 1,865,884 thousand yen 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 293,449 thousand yen compared with operating income of 23,234 thousand yen one year earlier. One reason is that development activities were performed for obtaining pharmaceutical approval of the DC vaccine Vaccell®. In addition, there were higher research and development, advertising and other expenses in the Cell Medicine Business and Pharmaceuticals Business as well as start-up expenses at a consolidated subsidiary. Ordinary loss was 330,257 thousand yen compared with 24,247 thousand yen one year earlier. The net loss was 402,931 thousand yen compared with 58,296 thousand yen one year earlier due to the reversal of deferred tax assets and booking of tax expense.

Fiscal year 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 pharmaceutical 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 2014 use the previous year's figures that have been revised to match the new segments.

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.

To provide information to patients, we held cancer treatment seminars jointly with contracted medical institutions in the prefectures of Hokkaido, Miyagi, Tokyo, Kanagawa, Saitama, Yamanashi, Shizuoka, 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. Client medical institution agreements were newly established with the following medical institutions: Hakusan-dori Clinic (Koto-ku, Tokyo) in January 2014; Tokyo Ginza SHINTANI Oral & Maxillofacial Surgery Clinic (Chuo-ku, Tokyo) in March 2014; Edogawa Hospital (Edogawa-ku, Tokyo) in September 2014; and Tamana Regional Health Medical Center (Tamana City, Kumamoto) and Tougou Medical Center Clinic Ginowan (Ginowan City, Okinawa) in October 2014. In addition, tella signed an alliance agreement in December 2014 with Fukushima Medical University (Fukushima City, Fukushima). Adding these alliances raised to 37 the number of contracted medical institutions.

Regarding R&D activities, a research paper concerning studies about the effectiveness and prognosis factors of DC vaccine Vaccell® for treating unresectable locally advanced pancreatic cancer was published in the April 2014 issue of Cancer Immunology, Immunotherapy (CII) (2014 Volume 63, page 797). 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 Volume 7). In July 2014, a research paper about Vaccell® was published in Clinical Cancer Research (2014 Volume 20, page 4228), 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 December 2014, a case report concerning the local recurrence of stomach cancer was published in World Journal of Surgical Oncology (2014 Volume 12), a British academic journal on tumor surgery.

In April 2014, a patent was approved in Japan for the MAGE-A4 peptides, a new cancer antigen, and tella has the exclusive right to use these peptides in Japan.

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 new cancer antigen. In Japan, tella has received the exclusive right to use these 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.

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 August 2014, tella completed the procedure for obtaining the exclusive right to use two patents associated with gene therapy that employs immune cells: method for producing modified target T cells and pharmaceuticals and method for producing target T cells and pharmaceuticals.

Due to all of these activities, there were approximately 330 cases during the fourth quarter (October-December) of 2014 and there were approximately 1,300 cases during 2014 in which the DC vaccine Vaccell® was used. This raised the total number of DC vaccine therapy cases since the establishment of tella to about 8,900.

Segment sales in 2014 increased 8,533 thousand yen, or 0.8%, from one year earlier to 1,106,915 thousand yen because the number of cases using Vaccell® was about the same as in 2013. Operating loss totaled 171,131 thousand yen, compared with 46,454 thousand yen one year earlier due to an increase in selling, general and administrative expenses, including advertising expenses, that was mainly the result of activities to increase awareness of Vaccell®.

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, sales of small-amount short-term insurance, the CRO business and the genetic diagnosis support business.

Segment sales in 2014 increased 373,752 thousand yen, or 79.0%, from one year earlier to 847,037 thousand yen. This was mainly due to the receipt of a large order for cell processing devices, and inclusion of sales in the CRO business that was started in 2013. Earnings were affected by an increase in purchases of cell processing devices for sale and start-up expenses for the CRO business, genetic diagnosis support business and small-amount short-term insurance business. As a result, operating loss totaled 34,770 thousand yen, compared with an operating income of 75,642 thousand yen one year earlier.

Pharmaceuticals Business

Tella Pharma Inc., which was established in January 2014, is strengthening its development operations for the purpose of receiving pharmaceutical 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 totaled 85,215 thousand yen.

2) Outlook for the Next Fiscal Year

In the Cell Medicine Business, the goal for 2015 is to increase sales and become profitable. One step is increasing the number of contracted medical institutions while strengthening relationships with current contracted medical institutions. For example, we will provide support for establishing operating frameworks that comply with the Act concerning the Assurance of Safety for Regenerative Medicine. We will also pursue academic activities for physicians to raise awareness of cell medicine and conduct branding activities. Another activity is work on creating a practical new cancer antigen. All these measures are aimed at becoming more competitive and increasing the number of cases.

In the Medical Support Business, the goal is to increase sales by capturing new orders for cell processing devices and establishing foundations for the growth of the CRO business, genetic diagnosis support business and small-amount short-term insurance business.

In the Pharmaceuticals Business, we will increase the pace of activities for receiving pharmaceutical approval of the DC vaccine Vaccell® as a regenerative medicine product for treating cancer.

By taking these actions, we expect sales to be higher than in 2014 in the Cell Medicine and Medical Support businesses. But we anticipate an operating loss, ordinary loss and net loss because of a substantial increase in expenses for developing the DC vaccine Vaccell® and losses at some consolidated subsidiaries that are still in a start-up phase.

The consolidated forecasts for 2015 are as follows. (Millions of yen)

	FY12/2014	FY12/2015	Change
Net sales	1,865	2,221	+355 million yen (19.1%) YoY
Operating income	(293)	(365)	-72 million yen YoY
Ordinary income	(330)	(353)	-23 million yen YoY
Net income	(402)	(381)	+21 million yen YoY

Note: The above forecasts are based on information currently available to the Company. Consequently, these statements incorporate many uncertainties. Actual performance may differ from the above forecasts due to changes in economic conditions and other factors.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets, liabilities and net assets at the end of the current fiscal year were as follows. (Thousands of yen)

	FY12/2013	FY12/2014	Change
Total assets	2,387,234	3,396,666	1,009,432
Total liabilities	858,039	896,841	38,801
Net assets	1,529,194	2,499,825	970,630

Total assets increased 1,009,432 thousand yen from the end of the previous fiscal year to 3,396,666 thousand yen as of the end of the current fiscal year. It was mainly due to increases of 669,369 thousand yen in cash and deposits, 65,863 thousand yen in intangible assets, and 242,585 thousand yen in investment securities.

Liabilities increased 38,801 thousand yen to 896,841 thousand yen. It was mainly due to an increase of 37,890 thousand yen in long-term loans payable.

Net assets increased 970,630 thousand yen to 2,499,825 thousand yen, mainly due to an increase of 1,358,540 thousand yen in total of capital stock and legal capital surplus due to the exercise of subscription rights to shares, a decrease of 402,931 thousand yen in retained earnings due to the booking of net loss, a decrease of 5,850 thousand yen in subscription rights to shares and an increase of 20,872 thousand yen in minority interests.

2) Cash Flows

Cash flows by category were as follows. (Thousands of yen)

	FY12/2013	FY12/2014	Change
Cash flow from operating activities	4,674	(119,983)	(124,658)
Cash flow from investing activities	(314,778)	(523,441)	(208,663)
Cash flow from financing activities	359,661	1,312,794	953,133
Net increase (decrease) in cash and cash equivalents	49,557	669,369	619,811
Cash and cash equivalents at end of period	1,080,109	1,749,478	669,369

Cash and cash equivalents as of the end of the current fiscal year totaled 1,749,478 thousand yen, 669,369 thousand yen more than as of the end of the previous fiscal year.

Net cash used in operating activities totaled 119,983 thousand yen. Major items included loss before income taxes and minority interests of 330,482 thousand yen, depreciation of 179,578 thousand yen, a decrease in prepaid expenses of 23,545 thousand yen.

Net cash used in investing activities totaled 523,441 thousand yen. In addition to the expenditures of 191,945 thousand yen for the purchase of property, plant and equipment to support our facilities and basic affiliated medical institutions, 9,405 thousand yen for the purchase of intangible assets, there were payments of 248,738 thousand yen for the purchase of investment securities, 26,978 thousand yen for the purchase of shares of subsidiaries resulting in change in scope of consolidation, and 18,321 thousand yen for lease and guarantee deposits.

Net cash provided by financing activities totaled 1,312,794 thousand yen. There were 195,000 thousand yen in proceeds from long-term loans payable, 137,250 thousand yen in repayment of long-term loans payable, 73,200 thousand yen in redemption of bonds, 8,438 thousand yen in payments for purchase of treasury subscription right to share, and 1,344,615 thousand yen in proceeds from issuance of shares resulting from exercise of subscription rights to shares.

Reference: Cash flow indicators

	FY12/2011	FY12/2012	FY12/2013	FY12/2014
Shareholders' equity ratio (%)	58.3	67.3	60.8	70.8
Shareholder's equity ratio on a market value basis (%)	244.0	537.0	1,460.7	568.6
Interest-bearing debt to cash flow ratio (%)	524.5	100.5	13,833.1	-
Interest coverage ratio (Times)	9.2	35.1	0.6	-

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 began preparing consolidated financial statements starting from FY12/2011, there are no figures for the prior fiscal years.
2. Market capitalization is calculated using the closing price quoted at the period end multiplied by the number of shares outstanding (less treasury shares).
3. Cash flows are calculated using the figures for operating cash flows in the statement of cash flows.
4. Interest-bearing debt includes all liabilities on the consolidated balance sheet that incur interest.
5. Interest-bearing debt to cash flow ratio and interest coverage ratio are not presented because operating cash flows were negative.

(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, tella has decided to pay no year-end dividend for 2014 because of results of operations in this year. For 2015, tella again plans to pay no dividend because of the need to retain funds for reinvestments required for its medium-term growth strategy. For example, there will be expenditures to obtain approval for the DC vaccine Vaccell®.

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 Companies Act. 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 end of the current fiscal year.

1) Risks Associated with Business Activities

i) Cost of medical care and number of patients

The Group provides technologies and know-how concerning the DC vaccine Vaccell® 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 in the course of increasing 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 Vaccell® for which tella provides technologies and know-how is one type of immunotherapy. This creates the possibility that the DC vaccine therapy, as a therapy of the immunotherapy category, may be mistaken 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, there may be competitive pressure on prices paid for immunotherapy treatments if, following the November 2014 enactment of the Act concerning the Assurance of Safety for Regenerative Medicine, competition becomes heated as more companies enter the immunotherapy sector. For example, other companies that provide immunotherapy treatments may start new business models by beginning a cell processing business. If this happens, there may be an impact on the Group's performance and financial condition.

iii) Decline in the public's perception of the DC vaccine Vaccell® and other therapies

The Group provides technologies and know-how concerning the DC vaccine Vaccell® and other therapies. Currently, these therapies are provided in Japan as an advanced medical treatment and 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 cancer 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 Vaccell® and other therapies 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 cancer 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 Vaccell® 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 Vaccell® 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 for some reason, 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 and other assets. When determining the value of non-current 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) Acquisition or establishment of new companies

The Group may establish more subsidiaries and affiliates to increase business opportunities. However, there is no assurance that these companies will be able to conduct business activities as planned. Furthermore, higher expenses from these business activities or other aspects of these activities may have a negative impact on the Group's performance.

3) Reliance on Particular Customers, Products and Technologies

i) Reliance on particular customers

The Group provides technologies and know-how to medical institutions. Currently, there is a significant reliance on four medical institutions that accounted for sales of 550,057 thousand yen (29.48% of consolidated sales) in 2014. These institutions are Seren Clinic Tokyo (Minato-ku, Tokyo), Seren Clinic Nagoya (Naka-ku, Nagoya City, Aichi), Seren Clinic Kobe (Chuo-ku, Kobe City, Hyogo), and Seren Clinic Fukuoka (Chuo-ku, Fukuoka City, Fukuoka). 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.

ii) Contracts with contracted medical institutions

The Group has alliance agreements with contracted medical institutions concerning the use of the DC vaccine Vaccell® 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 Vaccell® 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. If this happens, there may be an impact on the Group's performance and financial condition.

v) Leaks of technologies and know-how

The provision of technologies and know-how involving the DC vaccine Vaccell® 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 Vaccell® 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 the DC vaccine Vaccell®. We have acquired the exclusive right from the original holder 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 Vaccell® 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. In particular, the Group is currently conducting activities with the goal of receiving approval of the DC vaccine Vaccell® as a regenerative medicine product for treating cancer. However, there are many R&D activities involving new drugs for treating cancer. If a drug is developed that is highly effective at treating cancer, 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 Vaccell® 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) 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.

iii) Stock options

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.

The Company issued the No. 12 to No. 14 series of stock acquisition rights in March 2014, and the No. 15 to No. 16 series of stock acquisition rights in December 2014. The value of each share of tella stock may be diluted if these and other stock options outstanding are exercised. On December 31, 2014, stock options outstanding represented a total of 1,486,000 shares of stock. If all of these options had been exercised, the resulting shares issued would have been equivalent to 10.77% of the 13,795,156 shares issued as of December 31, 2014.

iv) 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.

v) Laws and regulations

The Group has been providing technologies and expertise to contracted medical institutions in compliance with the Pharmaceutical Affairs Act, Medical Practitioners Act, Medical Care Act and other laws and regulations governing the Group's services. In addition, the Group must comply with the Act concerning the Assurance of Safety for Regenerative Medicine and the Act concerning the Assurance of Quality, Efficacy and Safety for Pharmaceuticals and Medical Devices, both of which were promulgated on November 27, 2013 and enacted on November 25, 2014.

The Group has assembled a business model with care in order to avoid any violations of these laws and regulations. The Group will continue to examine these laws and regulations and make thorough preparations for compliance in order to prevent violations in the future. However, there may be an event that the Group cannot anticipate regarding compliance with a new law or regulation or the Group may violate a provision that results in an unforeseen penalty. In either of these cases, in additional to the associated expenses, the public's confidence in the Group and its contracted medical institutions may be damaged by the resulting fines or other penalties. These events may have an impact on the Group's performance and financial condition. Moreover, future changes to applicable laws, regulations and other items may have an impact on the Group's performance and financial condition.

5) Significant Litigation

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 natural disaster at the Group or a contracted medical institution may have an impact on the Group's performance and financial condition.

ii) Protection of personal information

The Group handles the personal information of consumers in association with the small-amount short-term insurance business of subsidiary Tella Small Amount and Short Term Insurance Inc. This information is managed with extreme care by using a variety of information security measures. The Group will continue to block external access to the main server where personal information is stored and conduct information security education programs for full-time and part-time employees and agents who use this information. There will also be more rigorous internal audits and other actions involving compliance in order to create an even stronger information management infrastructure. However, a natural disaster or other event may disrupt the operations of the security system. There is also a possibility of an internal or external information leak, which may be caused by an intentional or unintentional act by an individual or by the malicious actions of a third party. These events may have an effect on the Group's subsequent business activities and performance by significantly interfering with the Group's information management operations, damaging the public's trust in the Group, leading to litigation that forces the Group to pay damages, and causing other problems. In addition, if events such as these occur at a related company or a company used for outsourcing, there may be a loss of public trust in the Group that would affect results of operations. Note that the Group is exposed to new risk factors that are associated with the unique characteristics of the small-amount short-term insurance business of Tella Small Amount and Short Term Insurance Inc. and other new business activities.

iii) New business activities

The Group is engaged in the provision of technologies and know-how concerning the DC vaccine Vaccell® 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. For new business activities, there may be rapid changes in market conditions, greater than expected expenses for recruiting, equipment and other items, or a business plan that falls far behind schedule. In addition, the Group is exposed to new risks due to the characteristics of the new business activities. The occurrence of any problems involving these risk factors may have an impact on the Group’s performance and financial condition.

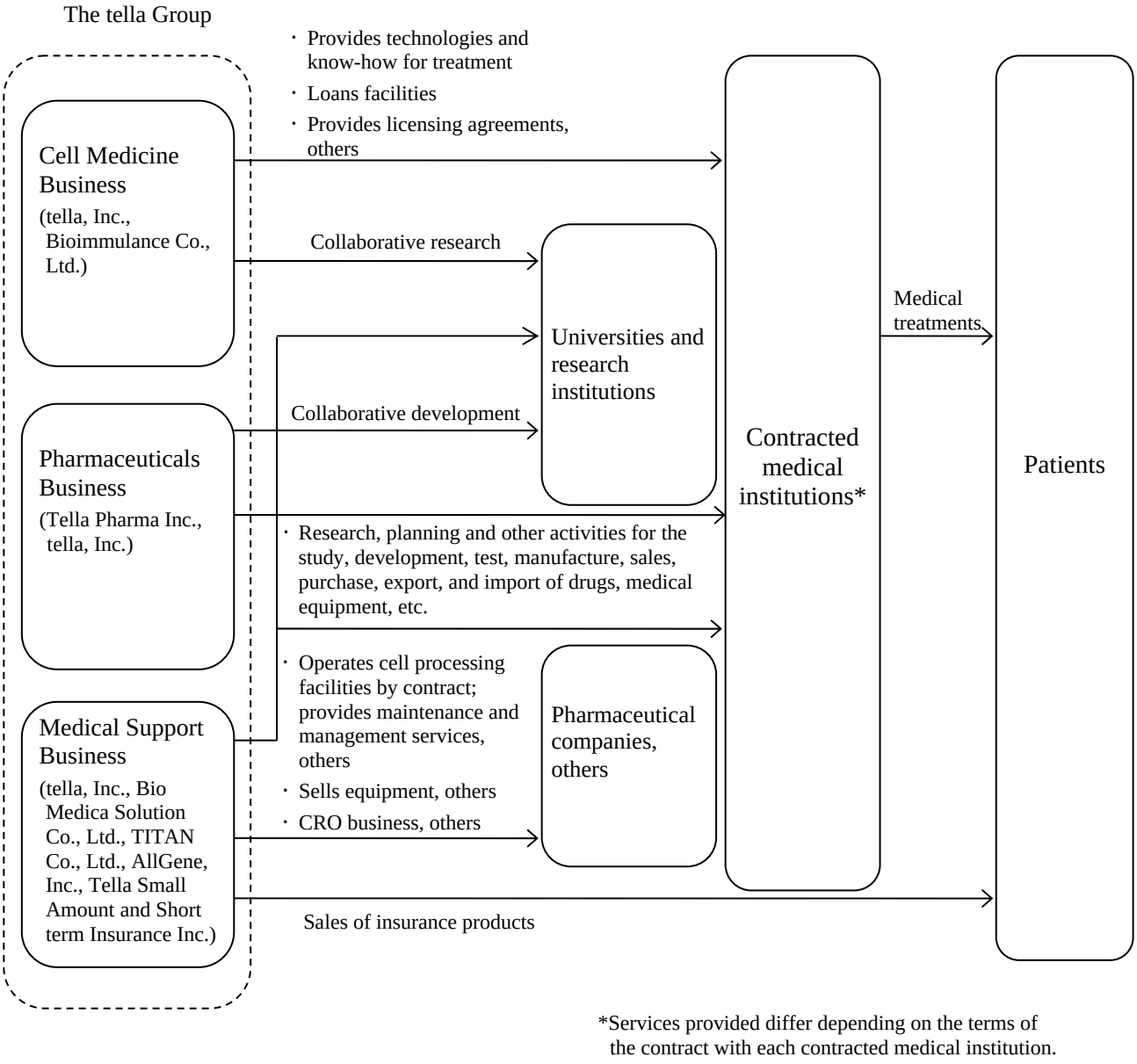
2. Group Organization

Business Activities

The tella Group consists of tella Inc., six consolidated subsidiaries and one affiliate. In the first nine months of 2014, tella established Tella Pharma Inc. in January and GenoCipher Inc. in February (renamed AllGene Inc. on September 1, 2014). In addition, tella acquired the shares of following companies that are now consolidated subsidiaries: Bioimmulance Co., Ltd. in June and mini-insurer Co., Ltd. in August (renamed Tella Small Amount and Short Term Insurance Inc. on October 27, 2014). In the second quarter, tella made an investment in BioVerde Inc., which is now an equity-method affiliate.

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: Cell Medicine, Medical Support, and Pharmaceuticals.

A business diagram of business operations after the realignment 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 services, we aim to conduct business activities that contribute to a better future for everyone, both patients and people in good health, in Japan and around the world.

Based on this fundamental management policy, we conduct R&D concerning technologies and know-how that involve cancer immunotherapy, primarily the DC vaccine Vaccell®. Additionally, we develop and provide new healthcare services for innovative peripheral medical businesses. Our objective is to increase earnings while achieving the sustained growth of our group and its corporate value.

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

(2) Targeted Performance Indicators

The Group places emphasis on two performance indicators: net sales and the ratio of ordinary income to net sales. Our goal for net sales is consistent double-digit growth. For the ordinary income ratio, our goals are to return the Cell Medicine Business to profitability in 2015 and maintain an ordinary income ratio of at least 10% in the following years. Furthermore, our medium to long-term goal is to achieve consistent profitability on a consolidated basis.

(3) Medium- and Long-term Management Strategy

The Group is dedicated to making more improvements to technologies involving the DC vaccine Vaccell® 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 Vaccell® in order to facilitate the practical use of these therapies. Furthermore, we plan to start overseas operations for the DC vaccine therapy as well as to develop regenerative medicine drugs and other drugs in order to receive approval for a pharmaceuticals business centered on Tella Pharma Inc. In addition, we plan to use the network of medical institutions and medical research scientists in our Cell Medicine Business to support the Medical Support Business (Bio Medica Solution Co., Ltd.), CRO business (TITAN Co., Ltd.), genetic diagnosis support business (AllGene Inc.), small-amount short-term insurance business (Tella Small Amount and Short Term Insurance Inc.), and other business activities. We want to become a healthcare group capable of developing and providing revolutionary medical technologies and services for patients and people in good health while benefiting from synergies with the Cell Medicine Business.

(4) Key Issues

This section lists key issues associated with the Group’s business activities, which involve R&D primarily associated with the DC vaccine Vaccell® which is one type of cancer vaccine, 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 Vaccell® and make this therapy more effective.

The Group has a contract granting exclusive rights to use patents involving the use of WT1*, MAGE-A4 and Survivin peptides for the DC vaccine Vaccell® and other therapies. Since these peptides can be combined with each other, we hope to use these combinations to make the DC vaccine therapy even more effective.

* WT1 peptides

In September 2009, WT1 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 for culturing DC vaccine Vaccell® 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 continuous improvement is necessary 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. We plan to accumulate and analyze data involving basic and clinical research and perform other activities in order to strengthen the scientific evidence. We will accomplish this by using medical care provided at 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 among medical care professionals and patients because this therapy uses new technologies and know-how.
Increasing the use of the DC vaccine Vaccell® will require a better understanding of this therapy among medical care professionals and patients. This is why we continue to 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 deliberately 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) Establishment of Internal Systems for New Restrictions

We will pursue activities that are needed to comply with new legal restrictions. For example, the Law concerning the Comprehensive Promotion of Measures for the Rapid and Safe Use of Regenerative Medicine in Japan was passed in April 2013 and the Law concerning the Assurance of Safety for Regenerative Medicine and Law concerning the Assurance of Quality, Efficacy and Safety for Pharmaceuticals and Medical Devices were passed in November 2013 and became effective in November 2014.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY12/2013 (As of Dec. 31, 2013)	FY12/2014 (As of Dec. 31, 2014)
Assets		
Current assets		
Cash and deposits	1,080,109	1,749,478
Notes and accounts receivable-trade	273,120	297,662
Raw materials	4,237	9,027
Prepaid expenses	61,566	37,883
Advances paid	54,204	20,301
Deferred tax assets	23,736	156
Income taxes receivable	26,034	45
Other	20,752	71,536
Allowance for doubtful accounts	(250)	(196)
Total current assets	1,543,510	2,185,896
Non-current assets		
Property, plant and equipment		
Buildings, net	212,325	227,056
Tools, furniture and fixtures, net	187,493	227,135
Leased assets, net	26,442	18,451
Construction in progress	37,421	-
Total property, plant and equipment	463,681	472,643
Intangible assets		
Software	15,595	91,415
Software in progress	74,103	-
Goodwill	-	47,969
Right of using patent	10,291	20,133
Other	-	6,335
Total intangible assets	99,991	165,854
Investments and other assets		
Investment securities	136,750	379,335
Lease deposits	107,302	110,062
Insurance funds	11,639	13,596
Deferred tax assets	22,495	4,340
Other	1,863	64,935
Total investments and other assets	280,050	572,271
Total non-current assets	843,723	1,210,769
Total assets	2,387,234	3,396,666

(Thousands of yen)

	FY12/2013 (As of Dec. 31, 2013)	FY12/2014 (As of Dec. 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	41,071	29,049
Current portion of bonds	73,200	20,000
Current portion of long-term loans payable	122,500	152,360
Lease obligations	16,437	12,814
Outstanding claims	-	2,085
Policy reserve	-	253
Accounts payable-other	57,605	100,594
Income taxes payable	13,131	10,936
Asset retirement obligations	6,000	-
Other	22,339	36,725
Total current liabilities	352,285	364,819
Non-current liabilities		
Bonds payable	40,000	20,000
Long-term loans payable	382,500	420,390
Lease obligations	11,998	14,607
Long-term lease deposited	50,537	50,537
Asset retirement obligations	10,924	19,622
Deferred tax liabilities	-	3,598
Other	9,793	3,264
Total non-current liabilities	505,754	532,021
Total liabilities	858,039	896,841
Net assets		
Shareholders' equity		
Capital stock	652,908	1,332,178
Capital surplus	524,585	1,203,855
Retained earnings	273,584	(129,346)
Treasury shares	(270)	(270)
Total shareholders' equity	1,450,808	2,406,417
Subscription rights to shares	16,978	11,128
Minority interests	61,407	82,279
Total net assets	1,529,194	2,499,825
Total liabilities and net assets	2,387,234	3,396,666

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Net sales	1,539,993	1,865,884
Cost of sales	573,938	871,485
Gross profit	966,054	994,399
Selling, general and administrative expenses	942,820	1,287,849
Operating income (loss)	23,234	(293,449)
Non-operating income		
Interest income	207	1,863
Rent income of real estate	76,881	77,498
Subsidy income	147	432
Other	2,160	6,728
Total non-operating income	79,397	86,523
Non-operating expenses		
Interest expenses	4,983	7,168
Interest on bonds	1,650	799
Share of loss of entities accounted for using equity method	-	6,152
Rent cost of real estate	76,881	77,498
Head Office Transfer Related Cost	19,458	-
Depreciation	20,947	18,205
Share issuance cost	83	5,384
Guarantee commission	817	549
Other	2,055	7,572
Total non-operating expenses	126,878	123,331
Ordinary loss	(24,247)	(330,257)
Extraordinary income		
Gain on sales of non-current assets	1,465	-
Total extraordinary income	1,465	-
Extraordinary losses		
Loss on retirement of non-current assets	396	224
Loss on abandonment of non-current assets	46	-
Total extraordinary losses	442	224
Loss before income taxes and minority interests	(23,225)	(330,482)
Income taxes-current	31,283	19,578
Income taxes-deferred	(19,726)	45,333
Total income taxes	11,556	64,911
Loss before minority interests	(34,782)	(395,393)
Minority interests in income	23,514	7,537
Net loss	(58,296)	(402,931)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Loss before minority interests	(34,782)	(395,393)
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	(34,782)	(395,393)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(58,296)	(402,931)
Comprehensive income attributable to minority interests	23,514	7,537

(3) Consolidated Statement of Changes in Equity

FY12/2013 (Jan. 1 – Dec. 31, 2013)

(Thousands of yen)

	Shareholders' equity					Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of current period	593,017	464,694	342,390	(270)	1,399,832	-	37,892	1,437,725
Changes of items during period								
Issuance of new shares-exercise of subscription rights to shares	59,890	59,890			119,781			119,781
Net loss			(58,296)		(58,296)			(58,296)
Net changes of items other than shareholders' equity						-	23,514	23,514
Total changes of items during period	59,890	59,890	(68,806)	-	50,975	16,978	23,514	91,468
Balance at end of current period	652,908	524,585	273,584	(270)	1,450,808	16,978	61,407	1,529,194

FY12/2014 (Jan. 1 – Dec. 31, 2014)

(Thousands of yen)

	Shareholders' equity					Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at beginning of current period	652,908	524,585	273,584	(270)	1,450,808	16,978	61,407	1,529,194
Changes of items during period								
Issuance of new shares-exercise of subscription rights to shares	679,270	679,270			1,358,540			1,358,540
Net loss			(402,931)		(402,931)			(402,931)
Net changes of items other than shareholders' equity						(5,850)	20,872	15,021
Total changes of items during period	679,270	679,270	(402,931)	-	955,609	(5,850)	20,872	970,630
Balance at end of current period	1,332,178	1,203,855	(129,346)	(270)	2,406,417	11,128	82,279	2,499,825

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Cash flows from operating activities		
Loss before income taxes and minority interests	(23,225)	(330,482)
Depreciation	165,630	179,578
Amortization of goodwill	-	5,975
Share-based compensation expenses	-	9,798
Increase (decrease) in allowance for doubtful accounts	(10,203)	(54)
Interest and dividend income	(207)	(1,863)
Interest expenses paid on loans and bonds	6,633	7,967
Subsidy income	(147)	(432)
Share of (profit) loss of entities accounted for using equity method	-	6,152
Loss (gain) on sales of non-current assets	(1,465)	-
Loss on retirement of non-current assets	396	224
Loss on abandonment of non-current assets	46	-
Share issuance cost	83	5,384
Decrease (increase) in notes and accounts receivable-trade	18,547	(16,037)
Decrease (increase) in inventories	(847)	(4,790)
Increase (decrease) in notes and accounts payable-trade	22,986	(12,021)
Decrease (increase) in prepaid expenses	(10,155)	23,545
Increase (decrease) in accounts payable-other	3,737	18,806
Other, net	(48,068)	(6,198)
Subtotal	123,740	(114,445)
Interest and dividend income received	207	1,795
Interest expenses paid	(7,940)	(8,078)
Proceeds from subsidy income	1,622	1,413
Income taxes paid	(112,955)	(26,702)
Income taxes refund	-	26,034
Net cash provided by (used in) operating activities	4,674	(119,983)
Cash flows from investing activities		
Purchase of property, plant and equipment	(134,362)	(191,945)
Proceeds from sales of property, plant and equipment	5,500	-
Purchase of intangible assets	(41,321)	(9,405)
Payments for transfer of business	-	(43,988)
Purchase of investment securities	(100,000)	(248,738)
Collection of lease receivables	-	2,872
Purchase of insurance funds	(1,957)	(1,957)
Payments for lease and guarantee deposits	(42,675)	(18,321)
Proceeds from collection of lease and guarantee deposits	39	15,021
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(26,978)
Net cash provided by (used in) investing activities	(314,778)	(523,441)

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Cash flows from financing activities		
Increase in short-term loans payable	150,000	275,000
Decrease in short-term loans payable	(150,000)	(275,000)
Proceeds from long-term loans payable	500,000	195,000
Repayments of long-term loans payable	(133,900)	(137,250)
Redemption of bonds	(95,900)	(73,200)
Repayments of lease obligations	(37,206)	(19,514)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	119,070	1,344,615
Proceeds from issuance of subscription rights to shares	17,690	1,330
Payments for purchase of treasury subscription right to share	-	(8,438)
Proceeds from stock issuance to minority shareholders from newly consolidated subsidiary	-	9,800
Proceeds from share issuance to minority shareholders	-	500
Cash dividends paid	(10,092)	(47)
Net cash provided by (used in) financing activities	359,661	1,312,794
Net increase (decrease) in cash and cash equivalents	49,557	669,369
Cash and cash equivalents at beginning of period	1,030,551	1,080,109
Cash and cash equivalents at end of period	1,080,109	1,749,478

(5) Going Concern Assumption

Not applicable.

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

1. Scope of consolidation

All subsidiaries are included in the consolidation.

(1) Number of consolidated subsidiaries: 6

(2) Name of main consolidated subsidiaries: Bio Medica Solution Co., Ltd.

2. Application of equity method

Number of affiliates accounted for under the equity method: 1
Name of affiliate: BioVerde Inc.

3. Fiscal year of consolidated subsidiary

The fiscal year of the consolidated subsidiary Bio Medica Solution Co., Ltd. ends on November 30. The financial statements of this subsidiary as of its balance sheet date are used for consolidation purpose where appropriate adjustments are made for significant transactions during December 1 to December 31, the balance sheet date of the consolidated financial statements.

The fiscal years of the consolidated subsidiaries Bioimmulance Co., Ltd. and Tella Small Amount and Short term Insurance Inc. end on March 31. The consolidated financial statements include the preliminary financial statements of these subsidiaries as of the consolidated balance sheet date.

The fiscal years of the other consolidated subsidiaries end on the same closing date of the consolidated financial statements.

4. Accounting standards

(1) Valuation standards and methods for principal assets

Securities

Available-for-sale securities

Securities with market quotations
Stated at market value on the balance sheet date (valuation difference is included directly in net assets. Cost of securities sold is determined by the moving-average method).

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 21 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

Stock issuance cost: Expensed when they are incurred.

(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) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over a period of five years.

(6) Cash and cash equivalents in the consolidated statement 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.

(7) Other significant accounting policies in the preparation of consolidated financial statements

Accounting for consumption taxes

The consumption, national and local taxes are accounted by the tax-exclusion method.

(7) Notes to Consolidated Financial Statements

Segment and Other Information

Segment information

1. Overview of 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.

In the first quarter of FY12/2014, the tella Group started full-scale development activities for the purpose of receiving pharmaceutical 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 FY12/2014, the previous two segments were reorganized to the following three segments: the Cell Medicine, Medical Support, and Pharmaceuticals segments.

The Cell Medicine Business involves the provision of unique cancer treatment technologies and know-how, chiefly the DC vaccine therapy. The Medical Support Business involves the operation of cell processing facilities by contract, the provision of maintenance and management services for these facilities, sales of cell processing devices, sales of small-amount short-term insurance, the CRO business and the genetic diagnosis support business, and others. The Pharmaceuticals Business involves the development activities for the purpose of receiving pharmaceutical approval of the DC vaccine Vaccell® as a regenerative medicine product for treating cancer.

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

FY12/2013 (Jan. 1 – Dec. 31, 2013) (Thousands of yen)

	Reportable segment				Total	Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Cell Medicine	Medical Support	Pharmaceuticals	Subtotal			
Net sales							
External sales	1,098,381	441,611	-	1,539,993	1,539,993	-	1,539,993
Inter-segment sales and transfers	-	31,673	-	31,673	31,673	(31,673)	-
Total	1,098,381	473,285	-	1,571,666	(31,673)	(31,673)	1,539,993
Segment profit (loss)	(46,454)	75,642	-	29,188	29,188	(5,953)	23,234
Segment assets	2,203,305	219,674	-	2,422,979	2,422,979	(35,745)	2,387,234
Segment liabilities	792,019	66,619	-	858,638	858,638	(598)	858,039
Other items							
Depreciation	156,421	4,650	-	161,071	161,071	(370)	160,701
Increase in property, plant and equipment and intangible assets	197,167	-	-	197,167	197,167	-	197,167

Notes: 1. Adjustments are as follows.

(1) The -5,953 thousand yen adjustment to segment profit includes elimination for inter-segment transactions of -6,324 thousand yen and non-current assets of 370 thousand yen.

(2) The -35,745 thousand yen adjustment to segment assets includes elimination for inter-segment transactions of -31,598 thousand yen and non-current assets of -4,146 thousand yen.

(3) The -598 thousand yen adjustment to segment liabilities comprises elimination for inter-segment transactions.

2. Segment profit is adjusted with operating income shown on the consolidated statement of income.

FY12/2014 (Jan. 1 – Dec. 31, 2014) (Thousands of yen)

	Reportable segment				Total	Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Cell Medicine	Medical Support	Pharmaceuticals	Subtotal			
Net sales							
External sales	1,106,915	758,969	-	1,865,884	1,865,884	-	1,865,884
Inter-segment sales and transfers	-	88,068	-	88,068	88,068	(88,068)	-
Total	1,106,915	847,037	-	1,953,952	1,953,952	(88,068)	1,865,884
Segment loss	(171,131)	(34,770)	(85,215)	(291,118)	(291,118)	(2,331)	(293,449)
Segment assets	2,944,646	586,874	357,816	3,889,337	3,889,337	(492,670)	3,396,666
Segment liabilities	801,011	298,479	5,260	1,104,751	1,104,751	(207,910)	896,841
Other items							
Depreciation	139,465	13,897	-	153,362	153,362	(4,902)	148,460
Increase in property, plant and equipment and intangible assets	219,762	77,049	4,271	301,083	301,083	(9,950)	291,133

Notes: 1. Adjustments are as follows.

(1) The -2,331 thousand yen adjustment to segment profit includes elimination for inter-segment transactions of 2,923 thousand yen and non-current assets of -5,254 thousand yen.

(2) The -492,670)thousand yen adjustment to segment assets includes elimination for inter-segment transactions of -820,603 thousand yen and non-current assets of -7,395 thousand yen.

(3) The -207,910 thousand yen adjustment to segment liabilities comprises elimination for inter-segment transactions.

2. Segment loss is adjusted with operating income (loss) shown on the consolidated statement of income.

Related information

FY12/2013 (Jan. 1 – Dec. 31, 2013)

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
Tokyo Midtown Medical Center	181,479	Cell Medicine Medical Support
SEREN CLINIC Nagoya	177,821	Cell Medicine Medical Support
Panasonic Healthcare Co., Ltd.	174,377	Medical Support

FY12/2014 (Jan. 1 – Dec. 31, 2014)

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
RIKEN	218,274	Medical Support
SEREN CLINIC Nagoya	178,572	Cell Medicine Medical Support
Panasonic Healthcare Co., Ltd.	171,749	Medical Support

Information related to impairment losses of non-current assets for each reportable segment

FY12/2013 (Jan. 1 – Dec. 31, 2013)
Not applicable.

FY12/2014 (Jan. 1 – Dec. 31, 2014)
Not applicable.

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

FY12/2013 (Jan. 1 – Dec. 31, 2013)
Not applicable.

FY12/2014 (Jan. 1 – Dec. 31, 2014)
Goodwill was booked in the Medical Support segment as a result of the business combination relating to acquisition of business and the acquisition of a new consolidated subsidiary, and an additional investment in a consolidated subsidiary.
Amortized goodwill in the current fiscal year was 5,975 thousand yen, and the unamortized balance of goodwill 47,969 thousand yen.

Information related to gain on bargain purchase for each reportable segment

FY12/2013 (Jan. 1 – Dec. 31, 2013)
Not applicable.

FY12/2014 (Jan. 1 – Dec. 31, 2014)
Not applicable.

Per-share Information

(Yen)

FY12/2013 (Jan. 1 – Dec. 31, 2013)		FY12/2014 (Jan. 1 – Dec. 31, 2014)	
Net assets per share	109.68	Net assets per share	174.44
Net loss per share	(4.44)	Net loss per share	(29.27)
Diluted net income per share	-	Diluted net income per share	-

Notes: 1. Diluted net income per share is not presented since the Company posted a net loss.

2. Basis for calculation of net assets per share

Item	FY12/2013 (As of Dec. 31, 2013)	FY12/2014 (As of Dec. 31, 2014)
Total net assets carried on the consolidated balance sheet (Thousands of yen)	1,529,194	2,499,825
Net assets applicable to common stock (Thousands of yen)	1,450,808	2,406,417
Breakdown of differences (Thousands of yen)		
Minority interests	61,407	82,279
Subscription rights to shares	16,978	11,128
Number of shares of common stock outstanding (Thousands of shares)	13,228	13,795
Number of shares of treasury common stock (Thousands of shares)	0	0
Number of shares of common stock used in calculation of net assets per share (Thousands of shares)	13,228	13,794

3. Basis for calculation of net loss per share and diluted net income per share

Item	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
(1) Net loss per share		
Net loss carried on the consolidated statement of income (Thousands of yen)	(58,296)	(402,931)
Net loss applicable to common stock (Thousands of yen)	(58,296)	(402,931)
Amount not available to shareholders of common stock (Thousands of yen)	-	-
Average number of shares of common stock outstanding during period (Thousands of shares)	13,144	13,767
(2) Diluted net income per share		
Adjusted to net income (Thousands of yen)	-	-
Increase in common stock (Thousands of shares)	-	-
Summary of potential stock not included in the calculation of diluted net income per share since there was no dilutive effect	-	-

Material Subsequent Events

Not applicable.

5. Non-consolidated Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY12/2013 (As of Dec. 31, 2013)	FY12/2014 (As of Dec. 31, 2014)
Assets		
Current assets		
Cash and deposits	936,179	1,084,351
Accounts receivable-trade	216,533	234,535
Prepaid expenses	61,016	28,922
Accounts receivable-other	15,973	25,165
Advances paid	54,204	-
Short-term loans receivable	-	200,000
Income taxes receivable	26,034	43
Lease receivables	-	3,222
Deferred tax assets	22,383	-
Other	5,309	1,515
Total current assets	1,337,633	1,577,757
Non-current assets		
Property, plant and equipment		
Buildings, net	211,952	207,557
Tools, furniture and fixtures, net	183,861	196,954
Leased assets, net	26,442	10,637
Construction in progress	37,421	-
Total property, plant and equipment	459,677	415,149
Intangible assets		
Software	15,595	80,260
Software in progress	74,103	-
Right of using patent	10,291	5,791
Total intangible assets	99,991	86,052
Investments and other assets		
Investment securities	136,750	335,328
Shares of subsidiaries and associates	31,000	681,360
Long-term loans receivable	-	30,000
Long-term lease assets	-	52,071
Lease deposits	104,905	90,432
Insurance funds	11,639	13,596
Deferred tax assets	19,845	-
Other	1,863	1,090
Allowance for doubtful accounts	-	(30,000)
Total investments and other assets	306,002	1,173,879
Total non-current assets	865,671	1,675,081
Total assets	2,203,305	3,252,839

(Thousands of yen)

	FY12/2013 (As of Dec. 31, 2013)	FY12/2014 (As of Dec. 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	5,688	8,169
Current portion of bonds	73,200	20,000
Current portion of long-term loans payable	122,500	152,360
Lease obligations	16,437	8,227
Asset retirement obligations	6,000	-
Accounts payable-other	52,754	73,008
Income taxes payable	-	5,976
Accrued consumption taxes	-	2,914
Other	9,684	10,953
Total current liabilities	286,264	281,610
Non-current liabilities		
Bonds payable	40,000	20,000
Long-term loans payable	382,500	420,390
Lease obligations	11,998	3,771
Long-term lease deposited	50,537	50,537
Asset retirement obligations	10,924	11,094
Deferred tax liabilities	-	3,598
Other	9,793	3,264
Total non-current liabilities	505,754	512,656
Total liabilities	792,019	794,267
Net assets		
Shareholders' equity		
Capital stock	652,908	1,332,178
Capital surplus		
Legal capital surplus	524,585	1,203,855
Total capital surpluses	524,585	1,203,855
Retained earnings		
Other retained earnings		
Retained earnings brought forward	217,083	(86,989)
Total retained earnings	217,083	(86,989)
Treasury shares	(270)	(270)
Total shareholders' equity	1,394,307	2,448,774
Subscription rights to shares	16,978	9,798
Total net assets	1,411,286	2,458,572
Total liabilities and net assets	2,203,305	3,252,839

(2) Statement of Income

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Operating revenue	1,098,381	1,099,715
Operating cost	281,238	290,576
Operating gross profit	817,143	809,138
Selling, general and administrative expenses		
Directors' compensations	84,375	71,250
Salaries and allowances	159,614	169,238
Legal welfare expenses	26,112	26,294
Advertising expenses	121,751	209,409
Entertainment expenses	8,636	8,745
Traveling and transportation expenses	42,008	30,635
Commission fee	27,432	41,042
Compensations	70,798	90,562
Depreciation	17,777	15,295
Contribution	1,550	8,510
Research and development expenses	232,203	208,563
Provision of allowance for doubtful accounts	(10,243)	30,000
Other	81,579	131,744
Total selling, general and administrative expenses	863,597	1,041,291
Operating loss	(46,454)	(232,153)
Non-operating income		
Interest income	187	3,650
Rent income of real estate	76,881	77,498
Subsidy income	147	432
Other	959	8,520
Total non-operating income	78,176	90,101
Non-operating expenses		
Interest expenses	4,983	6,703
Interest on bonds	1,650	799
Rent cost of real estate	76,881	77,498
Head office transfer related cost	19,458	4,987
Depreciation	20,947	18,205
Share issuance cost	83	5,384
Guarantee commission	817	549
Other	1,626	23
Total non-operating expenses	126,450	114,152
Ordinary loss	(94,727)	(256,203)

(Thousands of yen)

	FY12/2013 (Jan. 1 – Dec. 31, 2013)	FY12/2014 (Jan. 1 – Dec. 31, 2014)
Extraordinary income		
Gain on sales of non-current assets	1,465	-
Total extraordinary income	1,465	-
Extraordinary losses		
Loss on retirement of non-current assets	396	224
Loss on abandonment of non-current assets	46	-
Total extraordinary losses	442	224
Loss before income taxes	(93,705)	(256,428)
Income taxes-current	2,251	1,817
Income taxes-deferred	(18,052)	45,827
Total income taxes	(15,800)	47,644
Net loss	(77,905)	(304,073)

(3) Statement of Changes in Equity

FY12/2013 (Jan. 1 – Dec. 31, 2013)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	593,017	464,694	464,694	305,498	305,498
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	59,890	59,890	59,890		
Dividends of surplus				(10,509)	(10,509)
Net loss				(77,905)	(77,905)
Issuance of subscription rights to shares					
Exercise of subscription rights to shares					
Total changes of items during period	59,890	59,890	59,890	(88,414)	(88,414)
Balance at end of current period	652,908	524,585	524,585	217,083	217,083

(Thousands of yen)

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	(270)	1,362,940	-	1,362,940
Changes of items during period				
Issuance of new shares-exercise of subscription rights to shares		119,781		119,781
Dividends of surplus		(10,509)		(10,509)
Net loss		(77,905)		(77,905)
Issuance of subscription rights to shares		-	17,690	17,690
Exercise of subscription rights to shares		-	(711)	(711)
Total changes of items during period	-	31,367	16,978	48,345
Balance at end of current period	(270)	1,394,307	16,978	1,411,286

FY12/2014 (Jan. 1 – Dec. 31, 2014)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings
Balance at beginning of current period	652,908	524,585	524,585	217,083	217,083
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	679,270	679,270	679,270		
Net loss				(304,073)	(304,073)
Net changes of items other than shareholders' equity					
Total changes of items during period	679,270	679,270	679,270	(304,073)	(304,073)
Balance at end of current period	1,332,178	1,203,855	1,203,855	(86,989)	(86,989)

(Thousands of yen)

	Shareholders' equity		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	(270)	1,394,307	16,978	1,411,286
Changes of items during period				
Issuance of new shares-exercise of subscription rights to shares		1,358,540		1,358,540
Net loss		(304,073)		(304,073)
Net changes of items other than shareholders' equity			(7,180)	(7,180)
Total changes of items during period	-	1,054,466	(7,180)	1,047,286
Balance at end of current period	(270)	2,448,774	9,798	2,458,572

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.