



**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2014
(Nine Months Ended September 30, 2014)**

[Japanese GAAP]

November 7, 2014

Company name: tella, Inc. Stock Exchange Listing: Tokyo Stock Exchange (JASDAQ)
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Scheduled submission of Quarterly Report: November 7, 2014
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

Note: The original disclosure in Japanese was released on November 7, 2014 at 15:30 (GMT +9).

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

1. Consolidated Financial Results for the Nine Months Ended September 30, 2014 (Jan. 1, 2014 to Sep. 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	%
Nine months ended Sep. 30, 2014	1,436	16.9	(197)	-	(227)	-	(207)	-
Nine months ended Sep. 30, 2013	1,228	4.1	99	(51.5)	69	(64.9)	11	(87.3)

Note: Comprehensive income (millions of yen) Nine months ended Sep. 30, 2014: (195) (n.a.)
 Nine months ended Sep. 30, 2013: 37 (down 63.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Sep. 30, 2014	(15.07)	-
Nine months ended Sep. 30, 2013	0.86	0.84

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Sep. 30, 2014	3,632	2,695	71.6
As of Dec. 31, 2013	2,387	1,529	60.8

Reference: Shareholders' equity (millions of yen) As of Sep. 30, 2014: 2,601 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 Sep. 30, 2014:	13,795,156 shares	As of Dec. 31, 2013:	13,228,431 shares
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2) Number of treasury shares at the end of period

As of Sep. 30, 2014:	239 shares	As of Dec. 31, 2013:	239 shares
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3) Average number of shares outstanding during the period

Nine months ended Sep. 30, 2014:	13,758,473 shares	Nine months ended Sep. 30, 2013:	13,136,761 shares
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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 4 of the attachments for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months 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. Additional two laws that were passed in November 2013 will be 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 therapy. 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 make 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, the CRO business and the pharmaceuticals business.

In August 2014, the tella Group purchased all shares of mini-insurer Co., Ltd. (the company will be renamed Tella Small Amount and Short term Insurance Inc. on October 27, 2014), which is primarily a provider of short-term insurance with small benefit payments, and made this company a consolidated subsidiary. We plan to start operations of small-amount short-term insurance business through this subsidiary for the purpose of providing a new type of protection that covers the latest advances in cancer treatments including cancer cell immunotherapy.

In the first nine months of 2014, net sales increased 208,119 thousand yen, or 16.9% from one year earlier to 1,436,819 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 197,413 thousand yen compared with operating income of 99,764 thousand yen one year earlier. One reason is that full-scale development activities are now under way for obtaining 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 227,342 thousand yen compared with ordinary income of 69,564 thousand yen one year earlier. The net loss was 207,360 thousand yen compared with net income of 11,235 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 nine months of 2014 use the previous year's 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.

To provide information to patients, we held cancer treatment seminars jointly with contracted medical institutions in the prefectures of Hokkaido, Miyagi, Tokyo, Kanagawa, 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 established with following medical institutions: Edogawa Hospital (Edogawa-ku, Tokyo) in September 2014; Tamana Regional Health Medical Center (Tamana City, Kumamoto) and Tougou Medical Center Clinic Ginowan (Ginowan City, Okinawa) in October 2014. Adding these alliances raised to 36 the number of contracted medical institutions.

Regarding R&D activities, which primarily involve Vaccell®, 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 human peripheral blood derived mononuclear cells several hundred times, while the other amplifies NK cells from human cord blood cells about 10,000 times.

In July 2014, tella has signed a joint research agreement with its contracted medical institution 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.

Also 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 August 2014, tella completed the procedure for obtaining the exclusive right to use two patents associated with next-generation gene therapy that employs immune cells: method for producing modified target T cells and pharmaceuticals (patent 4111394) and method for producing target T cells and pharmaceuticals (patent 4035579).

Due to all of these activities, there were 340 cases during the third quarter (July-September) of 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 8,600.

Segment sales for the first nine months decreased 20,533 thousand yen, or 2.4%, from one year earlier to 818,247 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 122,858 thousand yen, compared with operating income of 16,644 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, sales of small-amount short-term insurance, the CRO business and the genetic diagnosis support business.

Segment sales for the first nine months increased 314,959 thousand yen, or 80.3%, from one year earlier to 707,037 thousand yen. This was mainly due to the receipt of a large order for cell processing devices. Operating income decreased 76,454 thousand yen, or 91.1%, from one year earlier to 7,491 thousand yen due to an increase in purchases of cell processing devices and start-up expenses at a consolidated subsidiary.

(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 nine months totaled 77,389 thousand yen.

(2) Explanation of Financial Position

Total assets increased 1,245,298 thousand yen from the end of 2013 to 3,632,532 thousand yen as of the end of the third quarter of 2014. Current assets increased 804,848 thousand yen to 2,348,359 thousand yen, mainly due to an increase in cash and deposits resulting from the No. 8 and No. 9 issues of stock acquisition rights and loans from financial institutions. Non-current assets increased 440,449 thousand yen to 1,284,172 thousand yen. The main reasons for this increase were purchases of investment securities, an increase in new acquisition of non-current assets due to the establishment of new basic affiliated medical institutions, and a goodwill resulting from the integration of companies from the purchase of a business, the acquisition of a new consolidated subsidiary and an additional investment in a consolidated subsidiary.

Total liabilities increased 79,133 thousand yen to 937,173 thousand yen. Current liabilities increased 93,553 thousand yen to 445,839 thousand yen, mainly as a result of an increase in short-term loans payable from financial institutions. Non-current liabilities decreased 14,420 thousand yen to 491,334 thousand yen.

Net assets increased 1,166,164 thousand yen to 2,695,358 thousand yen, and shareholders' equity ratio was 71.6%.

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

There are no revisions to the forecast in the Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2014 [Japanese GAAP] that was announced on August 5, 2014.

Forecasts regarding future performance in these materials are based on 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)	Third quarter of FY12/2014 (As of Sep. 30, 2014)
Assets		
Current assets		
Cash and deposits	1,080,109	1,970,271
Notes and accounts receivable-trade	273,120	236,603
Lease receivables	-	3,199
Raw materials	4,237	6,789
Prepaid expenses	61,566	48,362
Deferred tax assets	23,736	26,631
Income taxes receivable	26,034	43
Advances paid	54,204	2,161
Other	20,752	54,457
Allowance for doubtful accounts	(250)	(161)
Total current assets	1,543,510	2,348,359
Non-current assets		
Property, plant and equipment		
Buildings, net	212,325	230,791
Tools, furniture and fixtures, net	187,493	244,086
Leased assets, net	26,442	18,333
Construction in progress	37,421	-
Total property, plant and equipment	463,681	493,211
Intangible assets		
Software	15,595	78,843
Software in progress	74,103	2,224
Goodwill	-	51,679
Right of using patent	10,291	22,913
Other	-	6,786
Total intangible assets	99,991	162,446
Investments and other assets		
Investment securities	136,750	363,438
Lease deposits	107,302	110,062
Insurance funds	11,639	13,583
Deferred tax assets	22,495	75,098
Long-term lease assets	-	52,886
Other	1,863	13,445
Total investments and other assets	280,050	628,514
Total non-current assets	843,723	1,284,172
Total assets	2,387,234	3,632,532

	(Thousands of yen)	
	FY12/2013 (As of Dec. 31, 2013)	Third quarter of FY12/2014 (As of Sep. 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	41,071	21,353
Short-term loans payable	-	95,000
Current portion of bonds	73,200	20,000
Current portion of long-term loans payable	122,500	119,000
Lease obligations	16,437	14,098
Outstanding claims	-	987
Policy reserve	-	5,535
Accounts payable-other	57,605	127,622
Income taxes payable	13,131	12,214
Asset retirement obligations	6,000	-
Other	22,339	30,027
Total current liabilities	352,285	445,839
Non-current liabilities		
Bonds payable	40,000	20,000
Long-term loans payable	382,500	383,500
Lease obligations	11,998	13,739
Long-term lease deposited	50,537	50,537
Asset retirement obligations	10,924	18,659
Other	9,793	4,896
Total non-current liabilities	505,754	491,334
Total liabilities	858,039	937,173
Net assets		
Shareholders' equity		
Capital stock	652,908	1,332,178
Capital surplus	524,585	1,203,855
Retained earnings	273,584	66,223
Treasury shares	(270)	(270)
Total shareholders' equity	1,450,808	2,601,987
Subscription rights to shares	16,978	6,812
Minority interests	61,407	86,558
Total net assets	1,529,194	2,695,358
Total liabilities and net assets	2,387,234	3,632,532

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

	(Thousands of yen)	
	First nine months of FY12/2013 (Jan. 1 – Sep. 30, 2013)	First nine months of FY12/2014 (Jan. 1 – Sep. 30, 2014)
Net sales	1,228,700	1,436,819
Cost of sales	458,866	676,976
Gross profit	769,833	759,843
Selling, general and administrative expenses	670,068	957,256
Operating income (loss)	99,764	(197,413)
Non-operating income		
Interest income	203	1,452
Rent income of real estate	57,793	58,181
Subsidy income	147	432
Other	1,902	3,411
Total non-operating income	60,046	63,477
Non-operating expenses		
Interest expenses	3,407	5,150
Interest on bonds	1,334	688
Share of loss of entities accounted for using equity method	-	3,471
Rent cost of real estate	57,793	58,181
Share issuance cost	-	5,384
Guarantee commission	639	463
Other	27,072	20,066
Total non-operating expenses	90,247	93,406
Ordinary income (loss)	69,564	(227,342)
Extraordinary losses		
Loss on retirement of non-current assets	-	224
Loss on abandonment of non-current assets	46	-
Total extraordinary losses	46	224
Income (loss) before income taxes and minority interests	69,517	(227,567)
Income taxes-current	33,589	23,053
Income taxes-deferred	(1,944)	(55,498)
Total income taxes	31,644	(32,444)
Income (loss) before minority interests	37,873	(195,122)
Minority interests in income	26,637	12,237
Net income (loss)	11,235	(207,360)

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

	(Thousands of yen)	
	First nine months of FY12/2013 (Jan. 1 – Sep. 30, 2013)	First nine months of FY12/2014 (Jan. 1 – Sep. 30, 2014)
Income (loss) before minority interests	37,873	(195,122)
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	37,873	(195,122)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,235	(207,360)
Comprehensive income attributable to minority interests	26,637	12,237

(3) 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 nine months of FY12/2014, to 1,332,178 thousand yen and 1,203,855 thousand yen, respectively, at the end of the first nine months of FY12/2014.

Segment and Other Information**Segment Information****I First nine months of FY12/2013 (Jan. 1 – Sep. 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	838,781	389,919	-	1,228,700	1,228,700	-	1,228,700
Inter-segment sales and transfers	-	2,159	-	2,159	2,159	(2,159)	-
Total	838,781	392,078	-	1,230,859	1,230,859	(2,159)	1,228,700
Segment profit	16,644	83,946	-	100,591	100,591	(826)	99,764

Notes: 1. The -826 thousand yen adjustment to segment profit includes an elimination for inter-segment transactions.

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

II First nine months of FY12/2014 (Jan. 1 – Sep. 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	818,247	618,572	-	1,436,819	1,436,819	-	1,436,819
Inter-segment sales and transfers	-	88,465	-	88,465	88,465	(88,465)	-
Total	818,247	707,037	-	1,525,285	1,525,285	(88,465)	1,436,819
Segment profit (loss)	(122,858)	7,491	(77,389)	(192,756)	(192,756)	(4,656)	(197,413)

Notes: 1. The -4,656 thousand yen adjustment to segment loss includes an elimination for inter-segment transactions of 3,984 thousand yen and an adjustment of -8,641 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 FY12/2014, 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 nine 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 and the acquisition of a new consolidated subsidiary, and an additional investment in a consolidated subsidiary.

The event caused an increase of goodwill by 51,679 thousand yen for the first nine months of FY12/2014.

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.