



**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2015  
(Three Months Ended March 31, 2015)**

[Japanese GAAP]

May 1, 2015

Company name: tella, Inc. Stock Exchange Listing: Tokyo Stock Exchange (JASDAQ)  
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Scheduled submission of Quarterly Report: May 8, 2015

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 May 1, 2015 at 15:30 (GMT +9).

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

**1. Consolidated Financial Results for the Three Months Ended March 31, 2015 (Jan. 1, 2015 to Mar. 31, 2015)**

(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	%
Three months ended Mar. 31, 2015	640	95.0	(84)	-	(93)	-	(96)	-
Three months ended Mar. 31, 2014	328	(5.4)	(106)	-	(123)	-	(84)	-

Note: Comprehensive income (millions of yen) Three months ended Mar. 31, 2015:(100) (- %)

Three months ended Mar. 31, 2014: (86) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Mar. 31, 2015	(6.97)	-
Three months ended Mar. 31, 2014	(6.15)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2015	3,675	2,397	62.9
As of Dec. 31, 2014	3,396	2,499	70.8

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2015: 2,310 As of Dec. 31, 2014: 2,406

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY12/2014	-	0.00	-	0.00	0.00
FY12/2015	-	-	-	-	-
FY12/2015 (Forecast)	-	0.00	-	0.00	0.00

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

**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)

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 Mar. 31, 2015:	13,795,156 shares	As of Dec. 31, 2014:	13,795,156 shares
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2) Number of treasury shares at the end of period

As of Mar. 31, 2015:	239 shares	As of Dec. 31, 2014:	239 shares
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3) Average number of shares outstanding during the period

Three months ended Mar. 31, 2015:	13,794,917 shares	Three months ended Mar. 31, 2014:	13,684,370 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 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 "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 quarter of 2015, 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 were passed in November 2013. 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 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 by using seminars and other methods and present research results at academic conferences. Activities also include the provision of cell processing facility maintenance and management services by contract chiefly to universities and research institutions, sales of cell processing devices, the CRO business, the small-amount short-term insurance business and the pharmaceuticals business.

First quarter net sales increased 312,013 thousand yen, or 95.0%, from one year earlier to 640,306 thousand yen because of a larger number of cases in the Cell Medicine Business and a strong performance by the Medical Support Business. There were losses in the first quarter due mainly to up-front development expenses in the Pharmaceuticals Business in association with full-scale development activities to receive regulatory approval, increases in the purchases of cell culture devices for sale in the Medical Support Business, and some consolidated subsidiaries are in the start-up phase of their operations. The operating loss decreased from 106,590 thousand yen one year earlier to 84,810 thousand yen, the ordinary loss decreased from 123,960 thousand yen to 93,347 thousand yen and the net loss increased from 84,147 thousand yen to 96,219 thousand yen.

Performance by reportable segment was as follows.

#### (a) Cell Medicine Business

In this business segment, we provide unique cancer treatment technologies and know-how, chiefly the dendritic cell 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, Aichi, Kyoto, Hyogo, Hiroshima, Fukuoka, and Kumamoto.

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.

Regarding R&D activities, there was a report in the January 2015 issue of *Anticancer Research* magazine about prognostic factors for pancreatic cancer patients who were treated with a combination of the dendritic cell vaccine Vaccell® and anticancer drugs. There was also a report on the results of clinical research for Vaccell® in the March 2015 issue of *Cancer Science*.

Due to all of these activities, there were approximately 310 cases during the first quarter (January-March) of 2015 in which the dendritic cell vaccine Vaccell® was used. This raised the total number of dendritic cell vaccine therapy cases since the establishment of tella to about 9,250.

Segment sales for the first quarter increased 19,861 thousand yen, or 7.9%, from one year earlier to 271,209 thousand yen because of the higher number of cases. The segment loss was smaller mainly because of the increase in sales and lower research and development expenses and other selling, general and administrative expenses. Operating loss totaled 17,881 thousand yen, compared with an operating loss of 55,979 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 culture devices, sales of small-amount short-term insurance, the CRO business and the genetic diagnosis support business.

Segment sales for the first quarter increased 207,808 thousand yen, or 128.8%, from one year earlier to 369,097 thousand yen. This was mainly due to strong sales of cell culture devices and sales growth in the imaging CRO business and the insurance business. Despite the sharp increase in sales, earnings were affected by an increase in purchases of cell culture devices for sale and start-up expenses for certain consolidated subsidiaries being in the start-up phase. Operating loss totaled 39,963 thousand yen compared with an operating loss of 5,913 thousand yen one year earlier.

### **(c) Pharmaceuticals Business**

In the Pharmaceuticals Business, we are strengthening development operations for the purpose of receiving pharmaceutical approval for the dendritic cell vaccine as a regenerative medicine product for treating cancer. In addition, we are concentrating on performing these development activities.

In March 2015, tella has received the exclusive standard utilization right for the manufacture and sale of a cryopreservation solution for immune cells. This is a key technology for regenerative medicine and cell therapy. tella will transfer this right to subsidiary Tella Pharma Inc., which aims to create a practical use for this cryopreservation solution for the transport of the dendritic cell vaccine Vaccell®. The goal is to speed up preparations for the receipt of regulatory approval for this vaccine.

There was an operating loss of 34,395 thousand yen compared with an operating loss of 38,778 thousand yen one year earlier, because development activities were performed for obtaining pharmaceutical approval.

## **(2) Explanation of Financial Position**

Total assets increased 278,690 thousand yen from the end of 2014 to 3,675,356 thousand yen as of the end of the first quarter of 2015. Current assets increased 230,546 thousand yen to 2,416,443 thousand yen, mainly due to an increase in cash and deposits resulting from loans from financial institutions. Non-current assets increased 48,143 thousand yen to 1,258,913 thousand yen. The main reason for this increase was an increase in payments for lease deposits in the Cell Medicine Business.

Total liabilities increased 381,485 thousand yen to 1,278,327 thousand yen. Current liabilities increased 295,762 thousand yen to 660,582 thousand yen. The main reason for this increase was an increase in notes and accounts payable-trade associated with sales of cell culture devices in the Medical Support Business. Non-current liabilities increased 85,723 thousand yen to 617,745 thousand yen.

Net assets decreased 102,795 thousand yen to 2,397,029 thousand yen, and shareholders' equity ratio was 62.9%.

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

There are no revisions to the forecast in the Consolidated Financial Results for the Fiscal Year Ended December 31, 2014 [Japanese GAAP] that was announced on February 6, 2015.

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)	
	FY12/2014 (As of Dec. 31, 2014)	First quarter of FY12/2015 (As of Mar. 31, 2015)
Assets		
Current assets		
Cash and deposits	1,749,478	1,987,904
Notes and accounts receivable-trade	297,662	258,686
Raw materials	9,027	7,129
Prepaid expenses	37,883	41,565
Advances paid	20,301	36,736
Deferred tax assets	156	2,601
Income taxes receivable	45	178
Other	71,536	81,786
Allowance for doubtful accounts	(196)	(145)
Total current assets	2,185,896	2,416,443
Non-current assets		
Property, plant and equipment		
Buildings, net	227,056	219,227
Tools, furniture and fixtures, net	227,135	213,253
Leased assets, net	18,451	26,389
Total property, plant and equipment	472,643	458,870
Intangible assets		
Software	91,415	85,892
Goodwill	47,969	46,128
Right of using patent	20,133	33,134
Other	6,335	5,884
Total intangible assets	165,854	171,041
Investments and other assets		
Investment securities	379,335	376,233
Lease deposits	110,062	156,138
Insurance funds	13,596	13,610
Deferred tax assets	4,340	3,976
Other	64,935	79,042
Total investments and other assets	572,271	629,001
Total non-current assets	1,210,769	1,258,913
Total assets	3,396,666	3,675,356

	(Thousands of yen)	
	FY12/2014 (As of Dec. 31, 2014)	First quarter of FY12/2015 (As of Mar. 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	29,049	224,452
Short-term loans payable	-	95,000
Current portion of bonds	20,000	20,000
Current portion of long-term loans payable	152,360	172,360
Lease obligations	12,814	12,119
Outstanding claims	2,085	1,018
Policy reserve	253	257
Accounts payable-other	100,594	89,082
Income taxes payable	10,936	3,385
Other	36,725	42,906
<b>Total current liabilities</b>	<b>364,819</b>	<b>660,582</b>
<b>Non-current liabilities</b>		
Bonds payable	20,000	10,000
Long-term loans payable	420,390	462,300
Lease obligations	14,607	23,418
Long-term lease deposited	50,537	97,111
Asset retirement obligations	19,622	19,685
Deferred tax liabilities	3,598	3,598
Other	3,264	1,632
<b>Total non-current liabilities</b>	<b>532,021</b>	<b>617,745</b>
<b>Total liabilities</b>	<b>896,841</b>	<b>1,278,327</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,332,178	1,332,178
Capital surplus	1,203,855	1,203,855
Retained earnings	(129,346)	(225,565)
Treasury shares	(270)	(270)
<b>Total shareholders' equity</b>	<b>2,406,417</b>	<b>2,310,198</b>
Subscription rights to shares	11,128	17,310
Minority interests	82,279	69,520
<b>Total net assets</b>	<b>2,499,825</b>	<b>2,397,029</b>
<b>Total liabilities and net assets</b>	<b>3,396,666</b>	<b>3,675,356</b>

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

(Thousands of yen)

	First three months of FY12/2014 (Jan. 1 – Mar. 31, 2014)	First three months of FY12/2015 (Jan. 1 – Mar. 31, 2015)
Net sales	328,292	640,306
Cost of sales	131,109	387,633
Gross profit	197,183	252,673
Selling, general and administrative expenses	303,773	337,483
Operating loss	(106,590)	(84,810)
Non-operating income		
Interest income	402	595
Rent income of real estate	19,412	19,514
Subsidy income	432	-
Other	167	2,531
Total non-operating income	20,415	22,641
Non-operating expenses		
Interest expenses	1,669	1,876
Interest on bonds	287	108
Share of loss of entities accounted for using equity method	-	3,102
Rent cost of real estate	19,412	19,514
Share issuance cost	5,384	-
Guarantee commission	166	84
Other	10,863	6,491
Total non-operating expenses	37,784	31,178
Ordinary loss	(123,960)	(93,347)
Extraordinary losses		
Loss on change in equity	-	7,480
Loss on retirement of non-current assets	-	454
Total extraordinary losses	-	7,935
Loss before income taxes and minority interests	(123,960)	(101,283)
Income taxes-current	676	1,407
Income taxes-deferred	(37,813)	(2,080)
Total income taxes	(37,137)	(672)
Loss before minority interests	(86,822)	(100,610)
Minority interests in loss	(2,674)	(4,391)
Net loss	(84,147)	(96,219)

**Quarterly Consolidated Statement of Comprehensive Income****For the Three-month Period**

	(Thousands of yen)	
	First three months of FY12/2014 (Jan. 1 – Mar. 31, 2014)	First three months of FY12/2015 (Jan. 1 – Mar. 31, 2015)
Loss before minority interests	(86,822)	(100,610)
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	(86,822)	(100,610)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(84,147)	(96,219)
Comprehensive income attributable to minority interests	(2,674)	(4,391)

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

Not applicable.

**Significant Changes in Shareholders' Equity**

There was no significant change in shareholders' equity compared to the end of the previous fiscal year.

**Segment and Other Information****Segment Information**

I First three months of FY12/2014 (Jan. 1 – Mar. 31, 2014)

**1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

	Reportable segment				Total	Adjustments (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Cell Medicine	Medical Support	Pharmaceuticals	Subtotal			
Net sales							
External sales	251,347	76,945	-	328,292	328,292	-	328,292
Inter-segment sales and transfers	-	84,343	-	84,343	84,343	(84,343)	-
Total	251,347	161,288	-	412,635	412,635	(84,343)	328,292
Segment loss	(55,979)	(5,913)	(38,778)	(100,671)	(100,671)	(5,918)	(106,590)

Notes: 1. The -5,918 thousand yen adjustment to segment loss includes elimination for inter-segment transactions of -1,162 thousand yen and an adjustment of 7,080 thousand yen to non-current assets.

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

**2. Information related to goodwill, etc. for each reportable segment****Significant change in goodwill**

Goodwill was booked in the Medical Support segment as a result of the business combination relating to acquisition of business.

The event caused an increase of goodwill by 27,424 thousand yen for the first three months of FY12/2014.

II First three months of FY12/2015 (Jan. 1 – Mar. 31, 2015)

**1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

	Reportable segment				Total	Adjustments (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	Cell Medicine	Medical Support	Pharmaceuticals	Subtotal			
Net sales							
External sales	271,209	369,097	-	640,306	640,306	-	640,306
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	271,209	369,097	-	640,306	640,306	-	640,306
Segment loss	(17,881)	(39,963)	(34,395)	(92,240)	(92,240)	7,430	(84,810)

Notes: 1. The 7,430 thousand yen adjustment to segment loss includes an elimination for inter-segment transactions of 6,501 thousand yen and an adjustment of 928 thousand yen to non-current assets.

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

*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.*