Consolidated Financial Results for the Fiscal Year Ended December 31, 2015

[Japanese GAAP]

February 9, 2016

Company name:	tella, Inc.	Stock Exchange Listing: Tokyo Stock Exchange (JASDAQ)	
Stock code:	2191	URL: http://www.tella.jp/	
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Scheduled date of annual general meeting of shareholders: March 29, 2016
Scheduled date of filing of Securities Report: March 30, 2016
Scheduled date of dividend payment: -
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

Note: The original disclosure in Japanese was released on February 9, 2016 at 18:00 (GMT +9).

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2015 (Jan. 1, 2015 to Dec. 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	%
FY12/2015	1,909	2.3	(601)	-	(623)	-	(990)	-
FY12/2014	1,865	21.2	(293)	-	(330)	-	(402)	-

Note: Comprehensive income (millions of yen) FY12/2015:(1,007) (n.a.) FY12/2014: (395) (n.a.)

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
FY12/2015	(71.06)	-	(51.5)	(21.6)	(31.5)
FY12/2014	(29.27)	-	(20.9)	(11.4)	(15.7)

Reference: Equity in earnings (losses) of associates (millions of yen) FY12/2015: (9) FY12/2014: (6)

(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, 2015	2,377	1,491	60.6	103.00
As of Dec. 31, 2014	3,396	2,499	70.8	174.44

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2015: 1,441 As of Dec. 31, 2014: 2,406

(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
FY12/2015	(386)	(371)	(87)	899
FY12/2014	(119)	(523)	1,312	1,749

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	%	%
FY12/2014	-	0.00	-	0.00	0.00	0	-	-
FY12/2015	-	0.00	-	0.00	0.00	0	-	-
FY12/2016 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2016 (Jan. 1, 2016 to Dec. 31, 2016)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	1,126	3.0	(123)	-	(134)	-	(140)	-	(10.01)
Full year	2,052	7.5	(316)	-	(328)	-	(349)	-	(24.96)

*** Notes**

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

Newly added: - Excluded: -

(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, 2015:	13,995,156 shares	As of Dec. 31, 2014:	13,795,156 shares

2) Number of treasury shares at the end of period

As of Dec. 31, 2015:	253 shares	As of Dec. 31, 2014:	239 shares

3) Average number of shares outstanding during the period

FY12/2015:	13,940,666 shares	FY12/2014:	13,767,659 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2015 (Jan. 1, 2015 to Dec. 31, 2015)

(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	%
FY12/2015	1,024	(6.8)	(206)	-	(172)	-	(909)	-
FY12/2014	1,099	0.1	(232)	-	(256)	-	(304)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY12/2015	(65.26)	-
FY12/2014	(22.09)	-

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Dec. 31, 2015	2,320	1,580	67.9	112.64
As of Dec. 31, 2014	3,252	2,458	75.3	177.51

Reference: Shareholders’ equity (millions of yen) As of Dec. 31, 2015: 1,576 As of Dec. 31, 2014: 2,448

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, 2) 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

The tella Group's operating environment during the current fiscal year was as follows. Two laws became effective on November 25, 2014. One is the Act for Ensuring the Quality, Efficacy and Safety of Drugs, Medical Devices and Other Products (hereinafter "the Drugs and Medical Devices Act"), which newly defines regenerative medicine products and establishes the conditional (accelerated) approval system for these products. The other is the Act for Ensuring Safety of Regenerative Medicine (hereinafter "the Regenerative Medicine Safety Act"), which is aimed at facilitating the commercialization of cell processing operations. These laws have helped accelerate the practical application and commercialization of regenerative medicine and cell therapy. In September 2015, two products became the first regenerative medicine products approved for manufacturing and selling under the Drugs and Medical Devices Act. The approval was given within just one year after the application. One of these products has obtained conditional (accelerated) approval and was added to Japan's National Health Insurance Price List. In such a changing environment, the tella Group aims at obtaining approval of the dendritic cell (DC) vaccine as a regenerative medicine product for treating cancer.

Additionally, the Regenerative Medicine Safety Act prescribes the three-level standards for provision of drugs for a clinical trial and the procedures for filing a plan, which are commensurate with the risk of regenerative medicine; and also the standards and approval procedures for cell culture and processing facilities. All of which create the environment that allows us to offer regenerative medicine and cell medicine more smoothly and promptly.

The tella Group performs R&D activities involving the DC vaccine therapy, which is one type of cancer immunotherapies. We provide cancer treatment technologies and know-how, which incorporate many exclusive modifications of ours, to contracted medical institutions. We conduct 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. We also operate cell processing facilities by contract chiefly at universities and research institutions and provide maintenance and management services for these facilities, sell cell processing devices, and operate a CRO business, small-amount short-term insurance business and pharmaceuticals business.

In October 2015, tella made a capital investment in Karydo TherapeutiX, Inc., which works on the development of an innovative technology platform for the early diagnosis and prevention of cancer and other diseases. With this investment, tella has entered a business involving the early diagnosis and prevention of diseases.

During the current fiscal year, net sales increased 43,549 thousand yen, or 2.3%, from one year earlier to 1,909,434 thousand yen mainly because of an increase in sales of cell processing devices supplied by the Medical Support Business segment. In terms of profitability, there were losses due mainly to up-front development expenses in the Pharmaceuticals Business segment in association with full-scale development activities to receive regulatory approval of the DC vaccine as regenerative medicine products. In addition, some of the consolidated subsidiaries in the Medical Support Business segment are in the start-up phase of their operations. As a result, operating loss increased from 293,449 thousand yen one year earlier to 601,136 thousand yen, ordinary loss increased from 330,257 thousand yen to 623,210 thousand yen and net loss increased from 402,931 thousand yen to 990,662 thousand yen.

Fiscal year performance by reportable segment was as follows.

Cell Medicine Business

In this business segment, tella provides unique cancer treatment technologies and know-how, chiefly the DC vaccine therapy, to contracted medical institutions.

To provide information to patients, we held cancer treatment seminars jointly with contracted medical institutions in the prefectures of Hokkaido, Akita, Miyagi, Tokyo, Kanagawa, Aichi, Kyoto, Hyogo, 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. We established a client medical institution agreement with Ageo Central General Hospital in September 2015. This brought the total number of contracted medical institutions in Japan to 37. In the same month, Fukushima Medical University Hospital, which is one of tella's contracted medical institutions, started providing the "WT1 peptide pulsed DC vaccine therapy" as an advanced medical treatment for stomach cancer, esophageal cancer and lung cancer.

Regarding R&D activities for the current fiscal year, a report about prognostic factors for pancreatic cancer patients who were treated with a combination of the DC vaccine and anticancer drugs was published in Anticancer Research magazine in January and World Journal of Gastroenterology in November. In addition, a report on the results of clinical research for the DC vaccine was also presented in Cancer Science in March. In July, tella signed a joint research agreement with the Jikei University School of Medicine Malignant Tumor Treatment Research Department in July and started research concerning the establishment of dendritic cells derived from human iPS cells. The purpose is to develop detection methods for endotoxins and other pyrogenic substances that contaminate pharmaceuticals and other substances.

During the fourth quarter (October to December) of 2015, there were approximately 290 cases in which the DC vaccine therapy was used in the contracted medical institutions. This raised the total number of these therapy cases during the current fiscal year to about 1,180 and since the establishment of tella to about 10,100.

Segment sales in 2015 decreased 73,640 thousand yen, or 6.7%, from one year earlier to 1,033,274 thousand yen due to the decline in the number of cases from one year earlier. Operating loss totaled 213,919 thousand yen, compared with operating loss of 171,131 thousand yen one year earlier.

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.

In November 2015, Tella Small Amount and Short Term Insurance, one of our subsidiaries, started selling a policy called Cancer Survivor Recurrence Treatment Insurance, which is for people who have undergone treatment for cancer once in the past and are diagnosed with cancer again.

Segment sales in 2015 increased 126,810 thousand yen, or 15.0%, from one year earlier to 973,848 thousand yen. This was mainly due to an increase in sales of cell culture devices. As some of the consolidated subsidiaries are in the start-up phase of their operations, operating loss totaled 257,535 thousand yen, compared with operating loss of 34,770 thousand yen one year earlier.

Pharmaceuticals Business

In the Pharmaceuticals Business, we are making further efforts to put in place a development system and accelerating the development activities for the purpose of obtaining pharmaceutical approval for the DC vaccine as a regenerative medicine product for pancreatic cancer.

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. We will transfer this right to Tella Pharma Inc., one of our subsidiaries, which aims to create a practical use for this cryopreservation solution for the transport of the DC vaccine. The goal is to speed up preparations for the receipt of regulatory approval for regenerative medicine product.

During the current fiscal year, we started to manufacture and sell the cell preservation solution, and recorded the first sales of 41,296 thousand yen. There was operating loss of 122,746 thousand yen, compared with operating loss of 85,215 thousand yen one year earlier due to development activities to obtain pharmaceutical approval.

2) Outlook for the Next Fiscal Year

It is imperative that for the next fiscal year the combined operating results of the Cell Medicine Business and Medical Support Business segments be profitable at the operating income level in order to cover the development expenses that are expected to be incurred in the Pharmaceuticals Business segment.

Accordingly, the tella Group as a whole has been implementing a policy of selection and concentration in terms of expenses since 2015 to realize significant cost reduction. Specifically, we carried out the selection policy by reducing rent and other fixed costs and evaluating the effectiveness of advertising expenses and other variable costs, and at the same time took certain actions to minimize research and development expenses as the R&D activities are now in the phase to pursue practical application.

On the sales front, we will continue to work on increasing sales in the Cell Medicine Business through promoting a new alliance for accelerating growth as well as actively deploying various efforts: increasing more customers such as medical institutions, expanding the variety of treatment, giving supports related to an advanced medical treatment, and growing an acceptance of inbound patients from abroad. In the Medical Support Business, we will grow sales of cell culture devices and small-amount short-term insurance.

We are committed to implementing all of the above efforts during FY12/2016.

The consolidated forecasts for 2016 are as follows.

(Millions of yen)

	FY12/2015	FY12/2016	Change
Net sales	1,909	2,052	+143 million yen (7.5%) YoY
Operating income	(601)	(316)	+284 million yen YoY
Ordinary income	(623)	(328)	+294 million yen YoY
Net income	(990)	(349)	+641 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)

	FY12/2014	FY12/2015	Change
Total assets	3,396,666	2,377,331	(1,019,335)
Total liabilities	896,841	885,713	(11,128)
Net assets	2,499,825	1,491,617	(1,008,207)

Total assets decreased 1,019,335 thousand yen from the end of the previous fiscal year to 2,377,331 thousand yen as of the end of the current fiscal year. It was mainly due to decreases of 850,408 thousand yen in cash and deposits, 88,715 thousand yen in intangible assets and 137,300 thousand yen in investment securities due to a write-down.

Total liabilities decreased 11,128 thousand yen from the end of previous fiscal year to 885,713 thousand yen.

Net assets decreased 1,008,207 thousand yen from the end of the previous fiscal year to 1,491,617 thousand yen. This was mainly due to a decrease of 1,002,341 thousand yen in retained earnings due to booking of net loss and a decrease of 6,668 thousand yen in subscription rights to shares.

2) Cash Flows

Cash flows by category were as follows.

(Thousands of yen)

	FY12/2014	FY12/2015
Cash flow from operating activities	(119,983)	(386,993)
Cash flow from investing activities	(523,441)	(371,383)
Cash flow from financing activities	1,312,794	(87,041)
Net increase (decrease) in cash and cash equivalents	669,369	(845,418)
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(4,990)
Cash and cash equivalents at end of period	1,749,478	899,069

Cash and cash equivalents as of the end of the current fiscal year totaled 899,069 thousand yen, 850,408 thousand yen less than as of the end of the previous fiscal year.

Net cash used in operating activities totaled 386,993 thousand yen. The major causes of this cash outflow include booking of loss before income taxes and minority interests of 1,013,231 thousand yen, depreciation of 200,100 thousand yen, impairment loss of 224,202 thousand yen and loss on valuation of investment securities of 155,096 thousand yen.

Net cash used in investing activities totaled 371,383thousand yen. The major causes of this cash outflow include the expenditures of 247,309 thousand yen for the purchase of items of property, plant and equipment to support our facilities and basic affiliated medical institutions, 62,580 thousand yen for the purchase of intangible assets and 68,404 thousand yen for lease and guarantee deposits.

Net cash used in financing activities totaled 87,041 thousand yen. The major causes of this cash outflow include expenditures of 167,360 thousand yen in repayment of long-term loans payable, 20,000 thousand yen in redemption of bonds and 13,715 thousand yen in repayment of lease obligations, which were partially offset by proceeds of 100,000 thousand yen from long-term borrowing and 29,057 thousand yen from issuance of shares upon exercise of subscription rights to shares.

Reference: Cash flow indicators

	FY12/2011	FY12/2012	FY12/2013	FY12/2014	FY12/2015
Shareholders' equity ratio (%)	58.3	67.3	60.8	70.8	60.6
Shareholder's equity ratio on a market value basis (%)	244.0	537.0	1,460.7	568.6	460.3
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. All of the above figures are calculated on a consolidated basis.
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 for FY12/2014 and FY12/2015 are not presented because operating cash flows were negative.

(3) Profit Distribution 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.

However, tella has regrettably decided to pay no year-end dividend for 2015 due to continuously occurring operating losses, partly resulted from expenses that are incurred prior to earnings associated with research and business development to obtain approval for the DC vaccine and other activities.

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 therapy 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 therapy for which tella provides technologies and know-how is one type of cancer immunotherapies. 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. Two laws were enacted and became effective in November 2014. One is the Act for Ensuring the Quality, Efficacy and Safety of Drugs, Medical Devices and Other Products, which newly defines regenerative medicine products and establishes the conditional (accelerated) approval system for these products. The other is the Act for Ensuring Safety of Regenerative Medicine, which is aimed at facilitating the commercialization of cell processing operations. There is a progress toward establishing an environment for this businesses and even creating an industry for these activities. Along with increasingly intensified competition and entries by players currently active in this business sector as well as two or more new competitors with a new business model, if competition with peers in the pricing of services happens, there may be an impact on the Group's performance and financial position.

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

The Group provides technologies and know-how concerning the DC vaccine therapy 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 therapy 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 therapy 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 therapy 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 dedicated high cleanliness 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 business entities and intellectual property rights and other assets. When determining the value of non-current assets, the Group applies Accounting Standard for Impairment of Fixed Assets and Guidance on Accounting Standard for Impairment of Fixed Assets (ASBJ Guidance No. 6). If there is a need for any additional asset impairment for certain reasons, there may be an impact on the Group's performance and financial position.

ii) Acquisition or establishment of new companies

The Group may establish more subsidiaries and associates 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.

iii) Material events

The tella Group performs R&D activities involving the DC vaccine therapy, which is one type of cancer immunotherapies. We make up-front investments to make medical institutions aware of technologies incorporating many exclusive modifications of ours and to increase the use of these technologies. Furthermore, expenses are incurred prior to earnings involving R&D and medical support services associated with cancer treatment technologies and other know-how. For these reasons, there are significant doubts about the going concern assumption because of the resulting operating losses year after year.

By taking measures to overcome and improve the current situation, we believe that there are no significant uncertainties regarding the going concern assumption. The specific measures to overcome and improve the current situation are described in 6) Important Information about Going Concern Assumption.

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 525,609 thousand yen (27.53% of consolidated sales) in 2015. These institutions are Seren Clinic Tokyo (which was relocated to Chiyoda-ku, Tokyo from Minato-ku, Tokyo in October 2015), 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 therapy 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 therapy 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 therapy 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 therapy 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 therapy. 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 therapy 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 therapy as a regenerative medicine product. 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 therapy 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" (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 value of each share of tella stock may be diluted if stock options issued and outstanding and those to be granted in the future are exercised. As of December 31, 2015, stock options issued and outstanding represented a total of 1,217,000 shares of stock. If all of these options had been exercised, the resulting shares issued would have been equivalent to 8.70% of the 13,995,156 shares issued as of December 31, 2015.

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 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) Important Information about Going Concern Assumption

The tella Group performs R&D activities involving the DC vaccine therapy, which is one type of cancer immunotherapy. We make up-front investments to make medical institutions aware of technologies incorporating many exclusive modifications of ours and to increase the use of these technologies. Furthermore, expenses are incurred prior to earnings involving R&D and medical support services associated with cancer treatment technologies and other know-how. For these reasons, there are significant doubts about the going concern assumption because of the resulting operating losses year after year.

At this time, we believe that there are no concerns about the continuity of our business operations after considering cash and cash equivalents at the end of the current fiscal year and the outlook for cash flows. Furthermore, group companies are improving operating efficiency and holding down investments and operating expenses as much as possible in order to defuse the current situation. We aim to become profitable on a consolidated basis over a period of two years starting from January 1, 2016 and ending on December 31, 2017 as we establish more relationships with medical institutions with respect to business operations and technologies.

We will continue to work on improving profitability by taking these actions and we have secured adequate working capital for upcoming business activities. Consequently, we believe that there are no significant uncertainties regarding the going concern assumption.

7) 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.

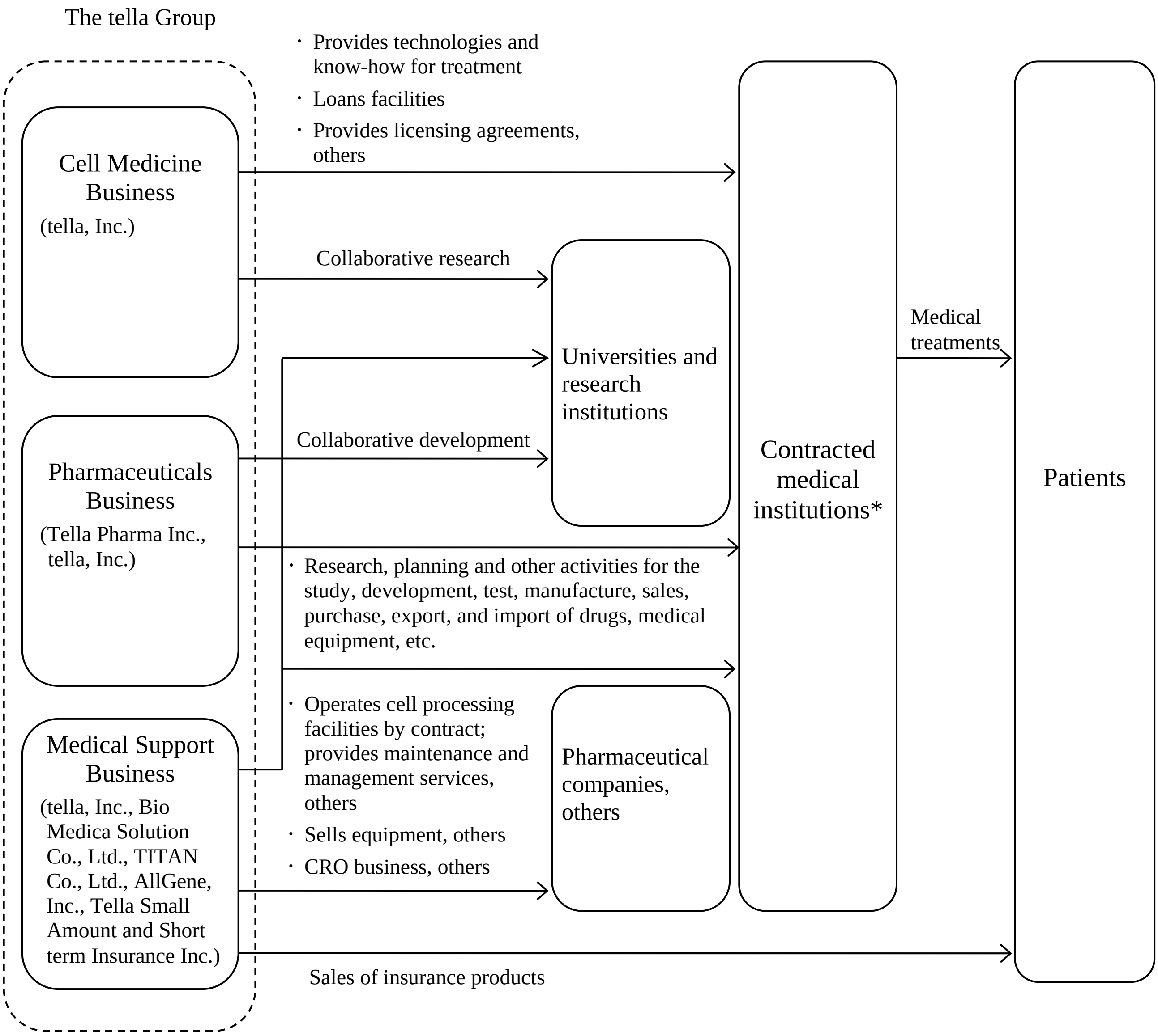
iii) New business activities

The Group is engaged in the provision of technologies and know-how concerning the DC vaccine therapy 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

The tella Group consists of tella Inc., five consolidated subsidiaries and two associates. As for the current fiscal year, Bioimmulance Co., Ltd. was excluded from the scope of consolidation in December, 2015. In the fourth quarter of the current fiscal year, tella acquired shares of Karydo TherapeutiX Inc. and made it an entity accounted for under the equity method.

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” with “cancer,” “immunity” and “cell” as our key words. We aim to increase corporate value by contributing to those who suffer from cancer by means of developing and providing innovative medical care technologies and services.

We also base our 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 reported operating losses because expenses associated with research and business development based on this fundamental management policy are incurred prior to earnings. Nevertheless, we make it a critical performance target to become profitable on a consolidated basis over two years starting from January 1, 2016 and ending on December 31, 2017. While focusing on improving operating efficiency of the Group and selecting and holding down expenses in order to defuse the current situation, we reinforce selling and marketing and promote new alliances for fueling growth.

(3) Medium- and Long-term Management Strategy

The Group strives to achieve the sustained growth of our group and its corporate value through the realization of the following 4 visions. Those are to obtain approval for DC vaccine as a regenerative medicine product, to expand our cell medicine business, to operate abroad, and to manage innovative peripheral medical businesses.

In the Pharmaceuticals Business, we aim at receiving approval of the DC vaccine as a regenerative medicine product, and proceed with some preparations for a clinical trial with pancreatic cancer.

In the Cell Medicine Business, we will work toward practical use of a new type of treatment by increasing use of the new cancer antigen and utilizing past achievements of R&D activities, while making more improvements to technologies of immunotherapy, chiefly the current DC vaccine therapy provided as medical care not covered by insurance. Moreover, we have provided an advanced medical care at Shinshu University Hospital and Fukushima Medical University Hospital, and will support to enable doctors to provide the care at other medical institutions.

In operating abroad, we will pursue measures against growing number of alien patients accepted in contracted medical institutions and consider provision of our technologies to local medical institutions and companies.

In managing innovative peripheral medical businesses, we set out to become profitable at an early date by promoting expansions of sales of cell processing devices and small-amount short-term insurance. In addition, tella made an investment in Karydo TherapeutiX, Inc. in October 2015, which works on the development of an innovative technology platform for the early diagnosis and prevention of cancer and other diseases. Our goal is, while benefiting from synergies with the Cell Medicine Business, to become a healthcare group capable of developing and providing revolutionary medical technologies and services for cancer patients as well as people in good health.

(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 therapy which is one type of cancer immunotherapies, 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 therapy and make this therapy more effective.

The Group has a contract granting exclusive rights to use patents involving the use of WT1* peptides for the DC vaccine therapy and other therapies. Also, the Group has patents for MAGE-A4 and Survivin peptides. 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
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 5,323-37), 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 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.

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 therapy 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. Basic Policy for Selection of Accounting Standards

The tella Group prepared consolidated financial statements in conformity with accounting principles generally accepted in Japan (Japanese GAAP). As for application of International Financial Reporting Standards (IFRS), we will make an appropriate response in light of domestic and international situations with due consideration.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY12/2014 (As of Dec. 31, 2014)	FY12/2015 (As of Dec. 31, 2015)
Assets		
Current assets		
Cash and deposits	1,749,478	899,069
Notes and accounts receivable-trade	297,662	334,846
Merchandise	-	2,328
Work in process	-	12,601
Raw materials	9,027	5,053
Prepaid expenses	37,883	40,046
Advances paid	20,301	16
Deferred tax assets	156	2,533
Income taxes receivable	45	7,589
Other	71,536	50,136
Allowance for doubtful accounts	(196)	-
Total current assets	2,185,896	1,354,221
Non-current assets		
Property, plant and equipment		
Buildings, net	227,056	285,057
Tools, furniture and fixtures, net	227,135	133,193
Leased assets, net	18,451	13,161
Total property, plant and equipment	472,643	431,412
Intangible assets		
Software	91,415	62,736
Goodwill	47,969	739
Right of using patent	20,133	13,663
Other	6,335	-
Total intangible assets	165,854	77,139
Investments and other assets		
Investment securities	379,335	242,035
Long-term loans receivable	-	18,075
Lease deposits	110,062	176,721
Insurance funds	13,596	15,238
Deferred tax assets	4,340	1,249
Other	64,935	61,238
Total investments and other assets	572,271	514,557
Total non-current assets	1,210,769	1,023,109
Total assets	3,396,666	2,377,331

(Thousands of yen)

	FY12/2014 (As of Dec. 31, 2014)	FY12/2015 (As of Dec. 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	29,049	79,335
Current portion of bonds	20,000	20,000
Current portion of long-term loans payable	152,360	172,360
Deferred tax liabilities	-	648
Lease obligations	12,814	7,927
Outstanding claims	2,085	728
Policy reserve	253	1,388
Accounts payable-other	100,594	103,063
Income taxes payable	10,936	5,807
Asset retirement obligations	-	12,016
Other	36,725	28,604
Total current liabilities	364,819	431,880
Non-current liabilities		
Bonds payable	20,000	-
Long-term loans payable	420,390	333,030
Lease obligations	14,607	18,400
Long-term lease deposited	50,537	88,124
Asset retirement obligations	19,622	8,942
Deferred tax liabilities	3,598	5,335
Other	3,264	-
Total non-current liabilities	532,021	453,832
Total liabilities	896,841	885,713
Net assets		
Shareholders’ equity		
Capital stock	1,332,178	1,346,778
Capital surplus	1,203,855	1,218,455
Retained earnings	(129,346)	(1,131,687)
Treasury shares	(270)	(282)
Total shareholders’ equity	2,406,417	1,433,264
Valuation difference on available-for-sale securities	-	8,228
Total accumulated other comprehensive income	-	8,228
Subscription rights to shares	11,128	4,459
Minority interests	82,279	45,665
Total net assets	2,499,825	1,491,617
Total liabilities and net assets	3,396,666	2,377,331

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Net sales	1,865,884	1,909,434
Cost of sales	871,485	1,023,187
Gross profit	994,399	886,247
Selling, general and administrative expenses	1,287,849	1,487,383
Operating loss	(293,449)	(601,136)
Non-operating income		
Interest income	1,863	1,191
Dividend income	-	450
Rent income of real estate	77,498	95,771
Subsidy income	432	-
Other	6,728	16,145
Total non-operating income	86,523	113,558
Non-operating expenses		
Interest expenses	7,168	8,095
Interest on bonds	799	329
Share of loss of entities accounted for using equity method	6,152	9,404
Rent cost of real estate	77,498	95,771
Depreciation	18,205	7,964
Share issuance cost	5,384	142
Guarantee commission	549	332
Other	7,572	13,593
Total non-operating expenses	123,331	135,633
Ordinary loss	(330,257)	(623,210)
Extraordinary income		
Gain on sales of non-current assets	-	2,065
Gain on reversal of subscription rights to shares	-	20
Total extraordinary income	-	2,085
Extraordinary losses		
Loss on change in equity	-	7,480
Impairment loss	-	224,202
Loss on retirement of non-current assets	224	5,326
Loss on valuation of investment securities	-	155,096
Total extraordinary losses	224	392,105
Loss before income taxes and minority interests	(330,482)	(1,013,231)
Income taxes-current	19,578	3,785
Income taxes-deferred	45,333	(970)
Total income taxes	64,911	2,814
Loss before minority interests	(395,393)	(1,016,045)
Minority interests in income (loss)	7,537	(25,383)
Net loss	(402,931)	(990,662)

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Loss before minority interests	(395,393)	(1,016,045)
Other comprehensive income		
Valuation difference on available-for-sale securities	-	8,228
Total other comprehensive income	-	8,228
Comprehensive income	(395,393)	(1,007,817)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(402,931)	(982,433)
Comprehensive income attributable to minority interests	7,537	(25,383)

(3) Consolidated Statement of Changes in Equity

FY12/2014 (Jan. 1 – Dec. 31, 2014)

(Thousands of yen)

	Shareholders' equity					Total other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities			
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									
Purchase of treasury shares					-				-
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)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation					-				-
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

FY12/2015 (Jan. 1 – Dec. 31, 2015)

(Thousands of yen)

	Shareholders' equity					Total other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities			
Balance at beginning of current period	1,332,178	1,203,855	(129,346)	(270)	2,406,417	-	11,128	82,279	2,499,825
Changes of items during period									
Purchase of treasury shares				(12)	(12)				(12)
Issuance of new shares-exercise of subscription rights to shares	14,600	14,600			29,200				29,200
Net loss			(990,662)		(990,662)				(990,662)
Decrease in retained earnings resulting from exclusion of subsidiaries from consolidation			(11,678)		(11,678)				(11,678)
Net changes of items other than shareholders' equity						8,228	(6,668)	(36,614)	(35,053)
Total changes of items during period	14,600	14,600	(1,002,341)	(12)	(973,153)	8,228	(6,668)	(36,614)	(1,008,207)
Balance at end of current period	1,346,778	1,218,455	(1,131,687)	(282)	1,433,264	8,228	4,459	45,665	1,491,617

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Cash flows from operating activities		
Loss before income taxes and minority interests	(330,482)	(1,013,231)
Depreciation	179,578	200,100
Amortization of goodwill	5,975	11,657
Share-based compensation expenses	9,798	(8,388)
Increase (decrease) in allowance for doubtful accounts	(54)	(196)
Interest and dividend income	(1,863)	(1,641)
Interest expenses paid on loans and bonds	7,967	8,424
Subsidy income	(432)	-
Share of (profit) loss of entities accounted for using equity method	6,152	9,404
Loss on retirement of non-current assets	224	5,326
Impairment loss	-	224,202
Loss (gain) on change in equity	-	7,480
Loss (gain) on sales and valuation of investment securities	-	155,096
Share issuance cost	5,384	142
Decrease (increase) in notes and accounts receivable-trade	(16,037)	(38,048)
Decrease (increase) in inventories	(4,790)	(10,956)
Increase (decrease) in notes and accounts payable-trade	(12,021)	50,285
Decrease (increase) in prepaid expenses	23,545	(2,141)
Increase (decrease) in accounts payable-other	18,806	(8,234)
Other, net	(6,198)	43,470
Subtotal	(114,445)	(367,247)
Interest and dividend income received	1,795	2,736
Interest expenses paid	(8,078)	(8,502)
Proceeds from subsidy income	1,413	-
Income taxes paid	(26,702)	(14,046)
Income taxes refund	26,034	65
Net cash provided by (used in) operating activities	(119,983)	(386,993)
Cash flows from investing activities		
Purchase of property, plant and equipment	(191,945)	(247,309)
Purchase of intangible assets	(9,405)	(62,580)
Payments for transfer of business	(43,988)	-
Purchase of investment securities	(248,738)	(14,900)
Collection of lease receivables	2,872	54,974
Payments for long-term deposits	-	(46,500)
Payments of short-term loans receivable	-	(32,735)
Collection of short-term loans receivable	-	32,735
Payments of long-term loans receivable	-	(16,000)
Purchase of insurance funds	(1,957)	(1,948)
Payments for lease and guarantee deposits	(18,321)	(68,404)
Proceeds from collection of lease and guarantee deposits	15,021	2,285
Proceeds from long-term deposits received	-	46,573
Additional purchase of shares of subsidiaries	-	(17,919)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(26,978)	-
Other, net	-	345
Net cash provided by (used in) investing activities	(523,441)	(371,383)

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Cash flows from financing activities		
Proceeds from disposal of treasury shares of subsidiaries	-	16,000
Purchase of treasury shares of subsidiaries	-	(32,735)
Increase in short-term loans payable	275,000	185,000
Decrease in short-term loans payable	(275,000)	(185,000)
Proceeds from long-term loans payable	195,000	100,000
Repayments of long-term loans payable	(137,250)	(167,360)
Redemption of bonds	(73,200)	(20,000)
Repayments of lease obligations	(19,514)	(13,715)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	1,344,615	29,057
Proceeds from issuance of subscription rights to shares	1,330	2,880
Payments for purchase of treasury subscription right to share	(8,438)	(1,140)
Proceeds from share issuance to minority shareholders from newly established consolidated subsidiary	9,800	-
Proceeds from share issuance to minority shareholders	500	-
Purchase of treasury shares	-	(12)
Cash dividends paid	(47)	(16)
Net cash provided by (used in) financing activities	1,312,794	(87,041)
Net increase (decrease) in cash and cash equivalents	669,369	(845,418)
Cash and cash equivalents at beginning of period	1,080,109	1,749,478
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(4,990)
Cash and cash equivalents at end of period	1,749,478	899,069

(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: 5

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

Bioimmulance Co., Ltd., a former consolidated subsidiary, is subject to special liquidation that was resolved at the extraordinary general meeting of shareholders held on November 30, 2015. It was removed from the scope of consolidation because it was beyond the substantial control of the Group after a court had accepted a start of the special liquidation as of December 15, 2015.

2. Application of equity method

(1) Number of associates accounted for under the equity method: 2
(2) Name of associates: BioVerde Inc., Karydo TherapeutiX Inc.

Karydo TherapeutiX, Inc. was included in the entities accounted for under the equity method of tella, as it came to fall under the associate as a result of new acquisition of its shares in 2015.

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 year of the consolidated subsidiary Tella Small Amount and Short Term Insurance Inc. ends 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 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.

Merchandise

Stated at cost based on the first-in first-out method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Work in process

Stated at cost based on the specific identification method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Raw materials

Stated at cost based on the first-in first-out 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 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.

Useful lives 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.

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 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

FY12/2014 (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
Goodwill amortization	-	3,790	-	3,790	3,790	2,185	5,975
Investments in entities accounted for under equity method	-	-	-	-	-	44,007	44,007
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 corporate assets of 335,328 thousand yen, 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.

(4) The 44,007 thousand yen adjustment of investments in entities accounted for under equity method is not included in reportable segment of investments in associates accounted for under the equity method.

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

FY12/2015 (Jan. 1 – Dec. 31, 2015) (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	1,033,274	834,863	41,296	1,909,434	1,909,434	-	1,909,434
Inter-segment sales and transfers	-	138,984	-	138,984	138,984	(138,984)	-
Total	1,033,274	973,848	41,296	2,048,419	2,048,419	(138,984)	1,909,434
Segment loss	(213,919)	(257,535)	(122,746)	(594,200)	(594,200)	(6,935)	(601,136)
Segment assets	2,119,336	373,946	250,967	2,744,251	2,744,251	(366,920)	2,377,331
Segment liabilities	739,388	402,377	26,735	1,168,501	1,168,501	(282,788)	885,713
Other items							
Depreciation	156,668	29,484	-	186,153	186,153	(6,139)	180,014
Goodwill amortization	-	5,484	-	5,484	5,484	6,172	11,657
Investments in entities accounted for under equity method	-	-	-	-	-	39,502	39,502
Increase in property, plant and equipment and intangible assets	301,834	54,600	2,885	359,321	359,321	(46,021)	313,299

Notes: 1. Adjustments are as follows.

(1) The -6,935 thousand yen adjustment to segment profit includes elimination for inter-segment transactions of 33,134 thousand yen and non-current assets of -40,070 thousand yen.

(2) The -366,920 thousand yen adjustment to segment assets includes corporate assets of 202,532 thousand yen, elimination for inter-segment transactions of -549,821 thousand yen and non-current assets of -19,631 thousand yen.

(3) The -282,788 thousand yen adjustment to segment liabilities comprises elimination for inter-segment transactions.

(4) The 39,502 thousand yen adjustment of investments in entities accounted for under equity method is not included in reportable segment of investments in associates accounted for under the equity method.

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

Related information

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 Business
SEREN CLINIC Nagoya	178,572	Cell Medicine Business / Medical Support Business
Panasonic Healthcare Co., Ltd.	171,749	Medical Support Business

FY12/2015 (Jan. 1 – Dec. 31, 2015)

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
Japan Science and Technology Agency	215,584	Medical Support Business
SEREN CLINIC Nagoya	178,765	Cell Medicine Business / Medical Support Business
SEREN CLINIC Kobe	158,893	Cell Medicine Business / Medical Support Business

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

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

FY12/2015 (Jan. 1 – Dec. 31, 2015)

(Thousands of yen)

	Reportable segment				Corporate and Eliminations (*)	Total
	Cell Medicine Business	Medical Support Business	Pharmaceuticals Business	Total		
Impairment loss	72,815	116,887	4,430	194,132	30,069	224,202

(*) Corporate and eliminations are related to corporate assets that do not belong to any reporting segment.

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

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.

FY12/2015 (Jan. 1 – Dec. 31, 2015)
Goodwill was booked as a result of trading treasury shares in the Medical Support Business segment and purchasing of treasury subscription right to share in the Pharmaceuticals Business segment. Amortized goodwill in the current fiscal year was 11,657 thousand yen, and the unamortized balance of goodwill 739 thousand yen.

Unamortized goodwill for the current fiscal year are as follows.

(Thousands of yen)

	Reportable segment				Corporate and Eliminations (*)	Total
	Cell Medicine Business	Medical Support Business	Pharmaceuticals Business	Total		
Balance at end of period	-	739	-	739	-	739

Information related to gain on bargain purchase for each reportable segment

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

FY12/2015 (Jan. 1 – Dec. 31, 2015)
Not applicable.

Per-share Information

(Yen)

FY12/2014 (Jan. 1 – Dec. 31, 2014)		FY12/2015 (Jan. 1 – Dec. 31, 2015)	
Net assets per share	174.44	Net assets per share	103.00
Net loss per share	(29.27)	Net loss per share	(71.06)
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	FY12/2014 (As of Dec. 31, 2014)	FY12/2015 (As of Dec. 31, 2015)
Total net assets carried on the consolidated balance sheet (Thousands of yen)	2,499,825	1,491,617
Net assets applicable to common stock (Thousands of yen)	2,406,417	1,441,492
Breakdown of differences (Thousands of yen)		
Minority interests	82,279	45,665
Subscription rights to shares	11,128	4,459
Number of shares of common stock outstanding (Thousands of shares)	13,795	13,995
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)	13,794	13,994

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

Item	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
(1) Net loss per share		
Net loss carried on the consolidated statement of income (Thousands of yen)	(402,931)	(990,662)
Net loss applicable to common stock (Thousands of yen)	(402,931)	(990,662)
Amount not available to shareholders of common stock (Thousands of yen)	-	-
Average number of shares of common stock outstanding during period (Thousands of shares)	13,767	13,940
(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.

6. Non-consolidated Financial Statements

(1) Balance Sheet

(Thousands of yen)

	FY12/2014 (As of Dec. 31, 2014)	FY12/2015 (As of Dec. 31, 2015)
Assets		
Current assets		
Cash and deposits	1,084,351	517,559
Accounts receivable-trade	234,535	222,788
Prepaid expenses	28,922	34,669
Accounts receivable-other	25,165	44,279
Short-term loans receivable	200,000	-
Income taxes receivable	43	141
Lease receivables	3,222	-
Other	1,515	2,156
Total current assets	1,577,757	821,595
Non-current assets		
Property, plant and equipment		
Buildings, net	207,557	319,623
Tools, furniture and fixtures, net	196,954	137,420
Leased assets, net	10,637	13,161
Total property, plant and equipment	415,149	470,205
Intangible assets		
Software	80,260	62,736
Right of using patent	5,791	11,850
Total intangible assets	86,052	74,587
Investments and other assets		
Investment securities	335,328	202,532
Shares of subsidiaries and associates	681,360	456,560
Long-term loans receivable	30,000	-
Long-term loans receivable from subsidiaries and associates	-	260,000
Long-term lease assets	52,071	-
Lease deposits	90,432	145,984
Insurance funds	13,596	15,238
Other	1,090	48,788
Allowance for doubtful accounts	(30,000)	(175,434)
Total investments and other assets	1,173,879	953,668
Total non-current assets	1,675,081	1,498,461
Total assets	3,252,839	2,320,056

(Thousands of yen)

	FY12/2014 (As of Dec. 31, 2014)	FY12/2015 (As of Dec. 31, 2015)
Liabilities		
Current liabilities		
Accounts payable-trade	8,169	7,159
Current portion of bonds	20,000	20,000
Current portion of long-term loans payable	152,360	172,360
Lease obligations	8,227	2,997
Asset retirement obligations	-	12,016
Accounts payable-other	73,008	61,801
Income taxes payable	5,976	4,496
Accrued consumption taxes	2,914	5,423
Other	10,953	8,267
Total current liabilities	281,610	294,521
Non-current liabilities		
Bonds payable	20,000	-
Long-term loans payable	420,390	333,030
Lease obligations	3,771	11,716
Long-term lease deposited	50,537	88,124
Asset retirement obligations	11,094	-
Long-term accounts payable-other	3,264	-
Deferred tax liabilities	3,598	5,335
Other	-	6,660
Total non-current liabilities	512,656	444,866
Total liabilities	794,267	739,388
Net assets		
Shareholders’ equity		
Capital stock	1,332,178	1,346,778
Capital surplus		
Legal capital surplus	1,203,855	1,218,455
Total capital surpluses	1,203,855	1,218,455
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(86,989)	(996,782)
Total retained earnings	(86,989)	(996,782)
Treasury shares	(270)	(282)
Total shareholders’ equity	2,448,774	1,568,169
Valuation difference on available-for-sale securities	-	8,228
Total valuation and translation adjustments	-	8,228
Subscription rights to shares	9,798	4,269
Total net assets	2,458,572	1,580,667
Total liabilities and net assets	3,252,839	2,320,056

(2) Statement of Income

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Operating revenue	1,099,715	1,024,474
Operating cost	290,576	301,644
Operating gross profit	809,138	722,829
Selling, general and administrative expenses		
Directors' compensations	71,250	61,150
Salaries and allowances	169,238	181,480
Legal welfare expenses	26,294	28,004
Advertising expenses	209,409	164,072
Entertainment expenses	8,745	3,990
Traveling and transportation expenses	30,635	27,513
Commission fee	41,042	64,530
Compensations	90,562	91,024
Depreciation	15,295	29,419
Contribution	8,510	22,480
Research and development expenses	208,563	153,636
Provision of allowance for doubtful accounts	30,000	-
Other	131,744	102,071
Total selling, general and administrative expenses	1,041,291	929,372
Operating loss	(232,153)	(206,542)
Non-operating income		
Interest income	3,650	6,293
Dividend income	-	450
Rent income of real estate	77,498	95,771
Subsidy income	432	-
Other	8,520	49,192
Total non-operating income	90,101	151,706
Non-operating expenses		
Interest expenses	6,703	7,650
Interest on bonds	799	329
Rent cost of real estate	77,498	95,771
Head office transfer related cost	4,987	1,052
Depreciation	18,205	7,964
Share issuance cost	5,384	142
Guarantee commission	549	332
Other	23	4,814
Total non-operating expenses	114,152	118,056
Ordinary loss	(256,203)	(172,892)

(Thousands of yen)

	FY12/2014 (Jan. 1 – Dec. 31, 2014)	FY12/2015 (Jan. 1 – Dec. 31, 2015)
Extraordinary income		
Gain on reversal of subscription rights to shares	-	20
Total extraordinary income	-	20
Extraordinary losses		
Impairment loss	-	72,815
Loss on retirement of non-current assets	224	5,326
Loss on valuation of investment securities	-	155,096
Loss on valuation of shares of subsidiaries and associates	-	328,439
Provision of allowance for doubtful accounts	-	175,434
Total extraordinary losses	224	737,112
Loss before income taxes	(256,428)	(909,985)
Income taxes-current	1,817	2,141
Income taxes-deferred	45,827	(2,333)
Total income taxes	47,644	(192)
Net loss	(304,073)	(909,792)

(3) Statement of Changes in Equity

FY12/2014 (Jan. 1 – Dec. 31, 2014)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
				Other retained earnings	Total retained earnings
		Legal capital surplus	Total capital surplus	Retained earnings brought forward	
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		
Purchase of treasury shares					
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		Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
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
Purchase of treasury shares		-			-
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

FY12/2015 (Jan. 1 – Dec. 31, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus		Retained earnings	
				Other retained earnings	Total retained earnings
		Legal capital surplus	Total capital surplus	Retained earnings brought forward	
Balance at beginning of current period	1,332,178	1,203,855	1,203,855	(86,989)	(86,989)
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares	14,600	14,600	14,600		
Purchase of treasury shares					
Net loss				(909,792)	(909,792)
Net changes of items other than shareholders' equity					
Total changes of items during period	14,600	14,600	14,600	(909,792)	(909,792)
Balance at end of current period	1,346,778	1,218,455	1,218,455	(996,782)	(996,782)

(Thousands of yen)

	Shareholders' equity		Total valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
Balance at beginning of current period	(270)	2,448,774	-	9,798	2,458,572
Changes of items during period					
Issuance of new shares-exercise of subscription rights to shares		29,200			29,200
Purchase of treasury shares	(12)	(12)			(12)
Net loss		(909,792)			(909,792)
Net changes of items other than shareholders' equity			8,228	(5,528)	2,700
Total changes of items during period	(12)	(880,604)	8,228	(5,528)	(877,904)
Balance at end of current period	(282)	1,568,169	8,228	4,269	1,580,667

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.