

Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2010

February 10, 2011

Company name: tella, Inc. Stock Exchange Listing: Osaka Securities Exchange
 Stock code: 2191 URL: <http://www.tella.jp/> (JASDAQ)
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Scheduled date of annual general meeting of shareholders: March 30, 2011

Scheduled date of filing of securities report: March 31, 2011

Scheduled date of dividend payment: March 31, 2011

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

1. Financial Results for the Fiscal Year Ended December 31, 2010 (January 1, 2010 to December 31, 2010)

(1) Operating results

(Percentages shown for net sales, operating income, ordinary income and net income 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	%
FY12/2010	1,145	17.5	144	(38.1)	131	(33.4)	76	(29.8)
FY12/2009	974	78.5	233	112.4	197	84.1	109	82.9

	Net income per share	Diluted net income per share	Return on equity	Return on assets	Operating income to net sales
	Yen	Yen	%	%	%
FY12/2010	6.39	6.08	8.5	8.2	12.6
FY12/2009	9.68	8.84	17.0	17.7	23.9

Reference: Equity in earnings (losses) of affiliates (millions of yen) FY12/2010: - FY12/2009: -

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY12/2010 (as of Dec. 31)	1,719	940	54.7	77.89
FY12/2009 (as of Dec. 31)	1,508	853	56.5	72.07

Reference: Shareholders' equity (millions of yen) Dec. 31, 2010: 940 Dec. 31, 2009: 853

(3) 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
FY12/2010	186	(230)	93	671
FY12/2009	245	(258)	471	621

2. Dividends

	Dividend per share					Total cash dividends	Dividend payout ratio	Dividends on equity
	1Q-end	2Q-end	3Q-end	Yearend	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY12/2010	-	0.00	-	1.00	1.00	11	10.3	1.7
FY12/2009	-	0.00	-	0.60	0.60	7	9.4	0.8
FY12/11 (Forecast)	-	0.00	-	0.40	0.40		10.7	

3. Forecast for the Fiscal Year Ending December 31, 2011 (January 1, 2011 to December 31, 2011)

(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	791	-	24	-	20	-	6	-	0.58
Full year	1,665	-	89	-	83	-	46	-	3.85

Note: tella is announcing a forecast for consolidated results of operations because the Company will start preparing consolidated financial statements for the first time in 2011 due to the acquisition of a company that is now a subsidiary. No non-consolidated forecast is presented because there is no significant difference with the consolidated forecast.

4. Others

(1) Changes in significant accounting policies

- 1) Changes caused by revision of accounting standards: None
- 2) Other changes: None

(2) Number of shares outstanding (common stock)

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

Dec. 31, 2010:	12,079,000 shares	Dec. 31, 2009:	11,837,000 shares
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2) Number of treasury stock at the end of period

Dec. 31, 2010:	211 shares	Dec. 31, 2009:	88 shares
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Note: Please refer to "Per Share Information" on page 40 for the number of shares used in calculating net income per share.

* Cautionary statement with respect to forward-looking statements

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company at the time the materials were created. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Review of Operation (1) Analysis of Operating Results" on page 3 for forecast assumptions and notes of caution for usage.

1. Review of Operations

(1) Analysis of Operating Results

1) Summary of current fiscal year

The Japanese economy started showing signs of a recovery in 2010, the fiscal year under review, as corporate earnings improved and capital expenditures rebounded. However, the economy remains weak because of high unemployment, concerns about a downturn in overseas economies, the yen's strength and other factors.

As in 2009, tella continued to perform R&D involving the dendritic cell (DC) vaccine therapy, which is one type of cancer vaccine therapy. We conducted sales activities targeting medical institutions nationwide with the aim of sustaining steady growth by increasing the use of immune maximizing therapy (hereinafter, "I-Max therapy") for cancer. In addition, we continued academic and information activities, which include mainly using seminars and other methods to provide information to patients and making announcements at academic events.

Regarding sales activities targeting medical institutions across Japan, we signed alliance agreements with Tokyo Midtown Medical Center (formerly Advanced Medicine) in Minato-ku, Tokyo in January 2010 and with Matsumoto Dental University Hospital in March 2010 in Shiojiri city, Nagano. Under these alliances, we now supply these hospitals with technologies and other know-how. In March 2010, we began providing technologies and other know-how to the Selen Clinic in Kobe city, Hyogo. In May 2010, the scope of patients who receive DC vaccine therapy was enlarged at the National Hospital Organization Kagoshima Medical Center in Kagoshima city, Kagoshima. As a result, the number of medical institutions using tella technologies and know-how increased from 14 at the end of 2009 to 17 at the end of 2010. This makes it possible to provide DC vaccine therapy and I-Max therapy for cancer to a larger number of patients.

To provide information to patients, we held Cancer Treatment Seminars and Public Information Courses jointly with contracted medical institutions that have contracts with tella in the service areas of these clinical affiliated medical institutions. In August 2010, we began operating an "Anshin* Therapy for Cancer Website" (* "peace of mind" in Japanese) that provides simplified explanations of the I-Max therapy for cancer. We also extended support for publishing *The Immune Cell Therapy Method That Doctors Choose* (published in September 2010), a book for the general public about cancer treatment that was written by physicians at contracted medical institutions. In addition to these activities to provide information to patients, we strengthened our public relations activities. The result was more newspaper, television and other media exposure for tella.

There were a number of R&D collaborations launched during 2010. In April, we started clinical research with National University Corporation Ehime University concerning the DC vaccine therapy using patients' own cancer cells to treat malignant oral tumors. In June, we conducted R&D with National University Corporation Hokkaido University concerning the method for inducing antigen-specific human T-cells and the evaluation method for monitoring immunity. In August, we started clinical research with the gastroenterological and liver internal medicine departments of Kashiwa Hospital of Jikei University of Medicine. This research involves the DC vaccine therapy for advanced pancreatic cancer and advanced bile duct cancer. The therapy uses two new peptides: WT1 class II peptides and class I peptides.

There were also a number of academic presentations delivered. We announced the results of clinical trials with contracted medical institutions and R&D programs at several events: the AACR Annual Meeting 2010 in April; the 65th Annual Meeting of the Japanese Society of Gastroenterological Surgery and the 14th Joint Meeting of the International Association of Pancreatology and Japan Pancreas Society in July; the 1st International Society for Cellular Therapy Asia-Pacific Regional Meeting, 48th Annual Meeting of Japan Society of Clinical Oncology and 3rd International Oncoplastic Breast Surgery Symposium in October; and the 23rd Japan Biological Therapy Conference in December. All these activities helped increase the awareness of tella's activities among clinical physicians and research scientists.

Regarding business alliances, we reached an agreement with SANYO Electric Co., Ltd. in June 2010 to hold discussions about starting a comprehensive support business in the field of cell/tissue therapy with this company's Biomedical Division. We are moving forward with these discussions. In October, we signed a memorandum of understanding with JW CreaGene Inc. (formerly CreaGene Inc.), a subsidiary of JW Shin-Yak Corporation (formerly

Choongwae Shin-Yak Corporation), to start discussions concerning a technology alliance and joint R&D activities.

Due to all of these activities, there were approximately 1,400 cases during 2010 in which the DC vaccine therapy was used. This raises to about 3,500 the total number of DC vaccine therapy cases since tella was established.

In 2010, the increase in the use of the DC vaccine therapy resulting from the start of technology and know-how agreements with three clinical affiliated medical institutions caused operating revenue to increase 17.5% to 1,145,832 thousand yen. Earnings were lower due to higher depreciation expenses, personnel expenses and other expenses. These expenses increased because of the larger number of basic affiliated medical institutions as a result of new technology and know-how agreements, activities to increase the number of affiliated medical institutions, and activities involving new businesses and R&D programs. The result was a 38.1% decrease in operating income to 144,281 thousand yen, a 33.4% decrease in ordinary income to 131,790 thousand yen, and a 29.8% decrease in net income to 76,534 thousand yen.

2) Outlook for the Next Fiscal Year

Although unemployment is expected to remain high in Japan for the time being, there are expectations for a recovery of the Japanese economy in 2011 backed by an improvement in overseas economies and benefits of government economic stimulus measures.

More growth is expected in the medical care sector involving cell immunotherapy treatment for cancer. While competition among medical institutions is increasing along with growth in the number of medical institutions that use cancer immunotherapy, increasing use will lead to greater awareness and understanding of cell immunotherapy treatment for cancer.

tella will continue to work on improving technologies involving the DC vaccine therapy. Another goal is making qualitative improvements to the I-Max therapy for cancer and increasing the use of this therapy.

In 2011, we expect an increase in the number of treatments at Nagasaki University Hospital, where we recently started providing technologies and know-how, and at Sendai Ekimae AER Clinic, which has become a basic affiliated medical institution. In addition, we are investing in equipment and development activities to strengthen ties among medical institutions with the goal of signing new contracts with client medical institutions. We also plan to provide a comprehensive support business in the field of cellular therapy. This business is handled by BMS Inc., which became a subsidiary in January 2011.

In the field of R&D, we will continue to conduct joint clinical research with university medical institutions concerning new DC vaccine therapy methods. We plan to use these researches to collect more evidence. Depending on it, plans also include holding discussions concerning submitting applications with university medical institutions for the approval of advanced medical treatment.

In a new business development, we have started studying opportunities and making preparations for entering overseas markets, mainly in Asia.

tella will start preparing consolidated financial statements in 2011 because BMS Inc. has become a subsidiary.

In 2011, we forecast consolidated net sales of 1,665,143 thousand yen, operating income of 89,465 thousand yen, ordinary income of 83,875 thousand yen and net income of 46,990 thousand yen.

We are not announcing a non-consolidated forecast because this forecast is almost the same as the consolidated forecast.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Current assets

Current assets totaled 976,246 thousand yen at the end of 2010, 82,879 thousand yen more than one year earlier. One

reason was a 49,393 thousand yen increase in cash and deposits, the net result of growth in working capital resulting mainly from new bank loans and bonds, capital investments, loan repayments and bond redemptions. There was also an increase of 43,491 thousand yen in accounts receivable-trade.

Noncurrent assets

Noncurrent assets increased 127,659 thousand yen to 743,116 thousand yen. There were increases of 311,356 thousand yen from capital expenditures primarily at basic affiliated medical institutions and 36,750 thousand yen in investment securities and a 13,442 thousand yen reversal of the allowance for doubtful accounts. There were decreases of 205,530 thousand yen due to depreciation, 6,354 thousand yen in intangible assets due to impairment and 7,800 thousand yen in lease deposits due mostly to the completion of the lease at the former head office building.

Current liabilities

Current liabilities decreased 72,299 thousand yen to 364,601 thousand yen. This was mainly the net result of a 46,000 thousand yen increase in the current portion of bonds and decreases of 47,134 thousand yen in short-term loans payable and 76,553 thousand yen in income taxes payable.

Noncurrent liabilities

Noncurrent liabilities increased 195,020 thousand yen to 413,902 thousand yen. There were increases of 169,000 thousand yen in long-term loans payable, 23,500 thousand yen in bonds payable due to new issue, 24,470 thousand yen in lease obligations due to new leases and 18,207 thousand yen in long-term lease deposits. Lease obligations decreased 22,481 thousand yen because of lease repayments.

Net assets

Net assets increased 87,817 thousand yen to 940,857 thousand yen. The increase was mainly the result of net income of 76,534 thousand yen, increases of 23,232 thousand yen in capital stock and capital surplus due to the exercise of subscription rights to shares, and the payment of 11,836 thousand yen in dividends from retained earnings.

2) Cash Flows

Cash and cash equivalents (hereinafter, "Cash") as of the end of 2010, the fiscal year under review, increased by 49,393 thousand yen from the end of 2009, the previous fiscal year, to 671,028 thousand yen.

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

Cash Flow from Operating Activities

Net cash provided by operating activities was 186,486 thousand yen. Major sources of cash were income before income taxes of 140,256 thousand yen, depreciation and amortization of 205,530 thousand yen while there were a net increase of 43,491 thousand yen in accounts receivable-trade and income taxes paid of 129,243 thousand yen.

Cash Flow from Investing Activities

Net cash used in investing activities was 230,958 thousand yen. There were payments of 230,452 thousand yen for the purchase of property, plant and equipment to support basic affiliated medical institutions, proceeds of 23,838 thousand yen from sales of property, plant and equipment, payments of 36,750 thousand yen for purchases of investment securities and proceeds of 18,207 thousand yen from long-term deposits received.

Cash Flow from Financing Activities

Net cash provided by financing activities was 93,866 thousand yen. There were proceeds of 142,000 thousand yen from short-term loans payable, 330,000 thousand yen from long-term loans payable, 146,442 thousand yen from issuance of bonds and 22,988 thousand yen from stock issued due to the exercise of subscription rights to shares. There were payments of 307,534 thousand yen for the repayment of short-term loans payable, 42,600 thousand yen for the repayment of long-term loans payable, 80,500 thousand yen for bond redemptions, 42,558 thousand yen for the repayments of lease obligations, 62,687 thousand yen for the repayment of installment payables and 11,573 thousand yen for cash dividends paid.

(Reference) Cash flow indicators

	FY12/2006	FY12/2007	FY12/2008	FY12/2009	FY12/2010
Shareholders' equity ratio (%)	42.7	69.9	59.1	56.5	54.7
Shareholder's equity ratio on a market value basis (%)	-	-	-	910.0	512.1
Interest-bearing debt to cash flow ratio (%)	-	-	108.1	179.7	334.1
Interest coverage ratio (Times)	-	-	-	32.0	15.5

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 expenses

Notes: 1. No market value basis equity ratio is shown for years prior to FY12/2009 because the Company was privately owned.

2. The stock value on a market basis is calculated using the closing price quoted at the period end times the number of shares outstanding (less treasury stocks).

3. Cash flows are calculated using the figures for operating cash flows in the statements of cash flows.

4. Interest-bearing debt includes all liabilities on the balance sheets that incur interest.

5. No interest coverage ratio is shown for FY12/2008 because the Company made no interest payments that year even though there were interest-bearing debts.

(3) Profit Allocation Policy and Dividend Payment Plan for the Current and Next Fiscal Years

Returning earnings to shareholders while strengthening the financial position and becoming more competitive is one of the highest priorities of tella. Management is committed to conducting business operations while adapting swiftly to changes in the operating environment and preserving the Company's competitive edge. To accomplish this, the Company has a policy of distributing earnings by taking into account results of operations and the financial position and by reflecting growth in earnings along with the need to increase retained earnings. The dividend policy is to link the dividend to earnings by allocating about 10% of net income to dividends while placing emphasis on reinvesting earnings to support our corporate growth.

Based on this policy, tella plans to pay a year-end dividend of 0.6 yen per share applicable to 2010. Since there was no interim dividend, this payment will result in an annual dividend of 0.6 yen per share for 2010. This is a dividend payout ratio of 9.4%.

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 Company Law. 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 Company 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 Company'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 Company as of the date of the release of these materials.

*1) Risks Associated with Business Activities**i) Cost of medical care and number of patients*

tella provides technologies and know-how concerning treatment methods 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 earnings.

If there is a decline in the medical fees for treatments contracted medical institutions provide for some reason as actions

are taken to increase the use of tella's therapies and other cancer immunotherapy methods, if there is a revision in rate of fees that tella 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 Company's performance and financial condition.

ii) Competition with peers in the pricing of services

The innovative nature and growth potential of I-Max therapies in which various therapies are combined around 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 immunotherapy. This creates the possibility of the DC vaccine therapy, as a therapy of the immunotherapy category, being mistakenly viewed as a treatment that is similar to other therapies belonging to this category. tella will continue to work on differentiating its therapies from other similar treatment methods. However, the emergence of many competitors offering various immunotherapy methods along with more heated competition may result in competitive pressure on prices paid for these services. If this happens, there may be an impact on the Company's performance and financial condition.

iii) Decline in the public's perception of the immunotherapy industry

tella provides technologies and know-how concerning the DC vaccine therapy. Currently, this therapy is provided in Japan as a discretionary treatment that patients pay for on their own. That means the DC vaccine therapy can be used without having first completed the strict clinical trials that are required for treatments covered by the national health insurance. Consequently, DC vaccine therapy is in relative terms generally a mixture of treatments that are good and bad. Some competitors that offer 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 immunotherapy may have an impact on the Company's performance and financial condition.

iv) Changes in market conditions or demand

tella's earnings are vulnerable to changes in the cancer therapy market, the market for treatments not covered by insurance, the cancer immunotherapy market, and demand for DC vaccine therapy and I-Max 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 cancer treatments which are not covered by the national health insurance may fall as insurance coverage is enlarged for certain new cancer therapies or that cancer treatments other than DC vaccine therapy and I-Max therapies may emerge in the immunotherapy domain. Any of these events may have an impact on the Company'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 Company's business domain. Many R&D projects are under way to create new cancer drugs and other ways to treat cancer. tella performs R&D programs based on the understanding of the need to constantly make revisions to its DC vaccine therapy and I-Max therapy based on new ideas. If the Company loses its competitive edge because other companies develop technologies first or the Company falls behind in developing new and better technologies, there may be an impact on the Company's performance and financial condition.

vi) Framework for assisting with quality assurance

tella provides contracted medical institutions with technologies and know-how concerning the DC vaccine therapy. However, the contracted medical institutions grow cells in a cell culture themselves. This step is not performed by tella. tella provides the following support to contracted medical institutions to assist them in growing high-quality cells for therapy.

(a) To prevent contamination by microbes, cell cultures are located in a cell processing facility that has air cleanliness

conforming to GMP standards and sterility is maintained during the cell processing stage.

- (b) Contracted medical institutions are asked to establish Standard Operating Procedures (SOP) for all tasks and ensure that these procedures are followed. This minimizes the possibility of human error during the cell processing stage.
- (c) They are asked to purchase cell culture fluids, reagents and other materials required to grow cells in accordance with contracts with suppliers that have exacting and carefully defined terms. This helps prevent the receipt of defective products and the degradation of products received. tella also asks them to upgrade their purchasing, storage and inspection systems.
- (d) tella 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 tella'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, there may be an impact on the Company's performance and financial condition.

2) Risks Associated with Sudden Changes in Financial Position, Operating Results and Cash Flows

i) Recent establishment of tella

tella was established in June 2004 to conduct a medical care support business, and began recording operating revenue in its second fiscal year. There were ordinary and net losses in the first three years after which the Company started reporting ordinary and net income. Operating cash flows have also been positive. In addition, tella makes capital expenditures to purchase equipment that is loaned to basic affiliated medical institutions. Cash flows from investing activities have been negative since fourth year, i.e. 2007 because of these capital expenditures.

We believe that there are many uncertainties about tella's future because, as is explained above, the Company was established in June 2004 and has been operating for only a few years. Furthermore, since there are not enough past years of data on the tella's financial condition and results of operations to facilitate year-to-year comparisons, past data may not be sufficient to forecast upcoming results of operations and financial position or to reach investment decisions.

Financial Summary

(Thousands of yen)

Terms	3 rd	4 th	5 th	6 th	7 th
Fiscal years ended	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010
Operating revenue	94,150	269,297	546,009	974,861	1,145,832
Ordinary income (loss)	(10,490)	63,634	107,483	197,855	131,790
Net income (loss)	(10,780)	69,890	59,627	109,075	76,534
Capital stock	140,318	247,628	247,628	406,343	418,009
Net assets	83,193	367,704	427,331	853,040	940,857
Total assets	194,655	526,290	722,559	1,508,823	1,719,362
Net cash provided by (used in) operating activities	(17,619)	73,977	92,493	245,869	186,486
Net cash provided by (used in) investing activities	19,823	(144,366)	(85,904)	(258,475)	(230,958)
Net cash provided by (used in) financing activities	3,712	151,437	37,394	471,541	93,866

- Notes: 1. Operating revenue do not include consumption taxes.
2. Financial statements for FY12/2006 have been audited by Deloitte Touche Tohmatsu in accordance with Article 193-2 of the former Securities and Exchange Law and financial statements for all following years in accordance with Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Law. Due to a change in the categories of auditing firms, Tohmatsu became Deloitte Touche Tohmatsu LLC on July 1, 2009.

ii) Possibility of asset impairment charges

tella makes capital expenditures to purchase equipment that is loaned to basic affiliated medical institutions. When determining the value of noncurrent assets, the Company applies "Accounting for Impairment of Fixed Assets" and

“Guidance for Accounting Standard for Impairment of Fixed Assets.” If there is a need for any additional asset impairment for some reason, there may be an impact on the Company’s performance and financial condition.

In addition, at the end of 2010, the current fiscal year, due to the decision that exclusive licensing rights with little prospect for sale in the future are effectively idle assets, the book value of these rights were reduced to the amount that can be recovered..

3) Reliance on Particular Customers, Products and Technologies

i) Reliance on particular customers

tella provides technologies and know-how to medical institutions. At this time, basic affiliated medical institutions account for a large percentage of revenue and earnings. 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 basic affiliated medical institutions or a change in the relationships of current basic affiliated medical institutions with tella, there may be an impact on the Company’s performance and financial condition.

Sales to major customers and the ratio to net sales

(Thousands of yen, %)

Medical institution	FY12/2008 (Jan. 1 – Dec. 31, 2008)		FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)	
	Sales	Pct. of total	Sales	Pct. of total	Sales	Pct. of total
SEREN CLINIC	230,797	42.3	245,387	25.2	193,462	16.9
Midland clinic	30,241	5.5	193,366	19.8	180,927	15.8
Clinic Saint Louis	151,099	27.7	209,763	21.5	148,537	13.0
Shin-Yokohama Kato-clinic	14,200	2.6	60,965	6.3	115,612	10.1
Fukuoka-imaxclinic	-	-	29,612	3.0	100,952	8.8

- Notes:
1. The above amounts do not include consumption and other taxes.
 2. SEREN CLINIC and Midland clinic were renamed on April 1, 2009 when approval was received to become a medical corporation.
 3. Clinic Saint Louis was renamed on September 1, 2009 when approval was received to become a medical corporation.
 4. Shin-Yokohama Kato-clinic was renamed on December 1, 2010 when approval was received to become a medical corporation.

ii) Contracts with contracted medical institutions

tella has alliance agreements with contracted medical institutions concerning the use of the DC vaccine therapy, I-Max therapy and others. 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 tella of the terms of contracts with contracted medical institutions. If this happens, there may be an impact on the Company’s performance and financial condition.

iii) Reliance on particular physicians and cell culture specialists at contracted medical institutions

tella’s earnings are derived primarily from medical treatment 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 or I-Max therapy or a cell culture technician resigns or for some other reason. If this happens, there may be an impact on the Company’s performance and financial condition.

iv) Infringement of intellectual property rights

tella 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.

v) Leaks of technologies and know-how

The provision of technologies and know-how involving the DC vaccine therapy and I-Max therapy to contracted medical institutions is tella'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. tella is also purchasing exclusive licenses, exclusive utilization rights and other rights concerning materials involving the DC vaccine therapy, which is the core therapy of the I-Max therapy for cancer. These purchases are intended to prevent parties that do not have a contract with tella from performing a similar DC vaccine therapy and I-Max therapy even in the unlikely event of a leak of tella's technologies or know-how. Nevertheless, a leak of technologies or know-how may have an impact on the Company's performance and financial condition.

vi) Inability to receive permission from holders of rights

In some instances, tella uses WT1 peptide as artificial antigen with regard to the technologies and know-how provided for performing the DC vaccine therapy. We have acquired the exclusive right 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 tella of the contract terms, or for some other reason. If this happens, there may be an impact on the Company's performance and financial condition.

vii) R&D activities and expenditures

tella 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 I-Max therapy for cancer. 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 Company's performance and financial condition.

4) Regulatory Restrictions, Business Practices and Management Policies

i) Reliance on a particular individual

tella president and representative director Yuichiro Yazaki is the Company's chief executive officer. Dr. Yazaki has extensive knowledge and experience as a physician and research scientist involving the DC vaccine therapy, I-Max therapy and other 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 tella. Consequently, if Dr. Yazaki is no longer able to perform his duties at tella for some reason, there may be an impact on the Company's performance and financial condition.

ii) Small size of company

tella is a small company with six directors, three corporate auditors and 49 employees as of December 31, 2010. The internal management framework is also small. We plan to increase the workforce as the scale of business operations increases. We also plan to strengthen internal management systems along with this growth. However, if we are unable to establish a proper and sufficient organizational framework in relation to the growth of business activities and the workforce or if a large number of employees resign over a short period of time, there may be an impact on the Company's performance and financial condition.

iii) Recruiting and training activities

The business activities of tella require the recruitment and training of individuals with highly specialized skills, such as research scientists and cell processing technology consultants. We are committed to hiring talented individuals and using on-the-job training and other programs to upgrade the skills of these individuals. However, the inability to recruit talented individuals or to develop the skills of these individuals may limit the Company's ability to grow, thereby impacting the Company's performance and financial condition.

iv) Stock options

tella has a system for granting stock options.

Please refer to "Stock Options" on page 35 for more information.

The value of each share of tella stock may be diluted if stock options currently outstanding are exercised. On December 31, 2010, stock options outstanding represented a total of 610,000 shares of tella stock. If all of these options had been exercised, the resulting shares issued would have been equivalent to 5.05% of the 12,079,000 shares issued as of December 31, 2010.

tella 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 tella stock.

In addition, for newly granted stock options, tella is required to post expenses for stock options in accordance with "Accounting Standard for Stock Options" (Accounting Standards Board of Japan (ASBJ) Statement No. 8) and "Guidance on Accounting Standard for Stock Options" (ASBJ Guidance No. 11). As a result, new stock options may impact the Company's results of operations.

v) Venture capital

Certain venture capital companies and investment partnerships formed by venture capital companies owned 2,092,828 shares of tella stock as of December 31, 2010, which was 17.32% of all shares issued. These venture capital companies and partnerships have held these shares since before tella's initial public offering.

In general, venture capital companies invest in privately owned companies for the purpose of earning capital gains by selling stock after an initial public offering. Therefore, these venture capital companies and partnerships are expected to sell their tella stock at some time. Since the sale of this stock may have a short-term detrimental effect on the balance between supply and demand for tella stock, there may be an impact on the stock price.

vi) Advertising and marketing

Advertising and marketing for contracted medical institutions is another core support service that tella provides to these institutions. We plan to conduct extensive advertising and marketing activities for the purposes of increasing use of I-Max therapy and attracting more patients to contracted medical institutions. However, if these activities do not produce the expected benefits, there may be an impact on the Company's performance and financial condition.

vii) Internal ethical standards (system for investigations)

tella has an Ethics Committee that includes professionals from outside the Company. 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 institution. Based on contracts with contracted medical institutions, these institutions assume responsibility for providing treatments that use tella 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 tella among medical institutions and patients. If this happens, there may be an impact on the Company's performance and financial condition.

viii) Laws and regulations

Services provided by tella are governed by the Pharmaceutical Affairs Act, Medical Practitioners Act, Medical Care Act and other laws and regulations. For example, Article 12 of the Pharmaceutical Affairs Act stipulates that a party that has not received permission to manufacture pharmaceuticals, etc. may not conduct a business for the purpose of manufacturing and selling pharmaceuticals, etc.” Furthermore, Article 17 of the Medical Practitioners Act states that “a medical care business can be performed only by a physician.”

When tella provides technologies and know-how, cell cultures are performed by staff members of the contracted medical institutions under the direction of that institution’s physicians. Furthermore, all aspects of medical care, including cell cultures, are handled to completion by the same medical institution. In addition, tella does nothing other than supply technologies and know-how to contracted medical institutions. The Company is not involved at all in the management of these institutions.

When tella was established, management carefully created a business model that would not violate these applicable laws and regulations. Consequently, business operations at this time are not in violation of any of them. However, future changes to applicable laws, regulations and other items may have an impact on the Company’s performance and financial condition.

*5) Significant Litigation**i) Litigation concerning medical treatment*

Thus far, tella 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 Company’s performance and financial condition.

*6) Others Items**i) Risks involving natural disasters*

Although earthquakes and other natural disasters cannot be predicted, damage resulting from such a disaster at tella or a contracted medical institution may have an impact on the Company’s performance and financial condition.

ii) New business activities

tella 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. However, if market conditions change rapidly, greater than expected expenses are needed for recruiting, equipment and other items, or a business plan falls far behind schedule, there may be an impact on the Company’s performance and financial condition.

2. Group Organization

The Company had no parent company, subsidiaries or affiliates at the end of 2010, the current fiscal year.

Business Activities

tella is engaged in the medical care assistance business with the mission of “contributing to the future of people by creating innovative medical care technologies and services.”

We provide this exclusive cancer treatment technology and know-how (I-Max therapy) to contracted medical institutions. tella aims to efficiently attack cancer with I-Max therapy, by using primarily the dendritic cell (DC) vaccine therapy, which is one type of cancer vaccine therapy of the cancer immunotherapy category, and by combining it as a core with chemical therapy (metronomic chemo-therapy), radiation therapy (minimally invasive radiation therapy) and other measures,.

There are three types of contracted medical institutions, depending on the type of contract used: (1) basic affiliated medical institutions, (2) clinical affiliated medical institutions and (3) client medical institutions.

(1) Basic Affiliated Medical Institutions

At these medical institutions, tella loans equipment, provides technologies and know-how, performs marketing activities, distributes information to medical institutions and patients, and provides licensing agreements associated with the I-Max therapy for cancer. In return, the Company receives equipment utilization fees, technology and know-how fees and fees for the utilization of licensed rights based on the number of treatments provided. For newly established medical institutions, the Company also supplies support for the establishment process.

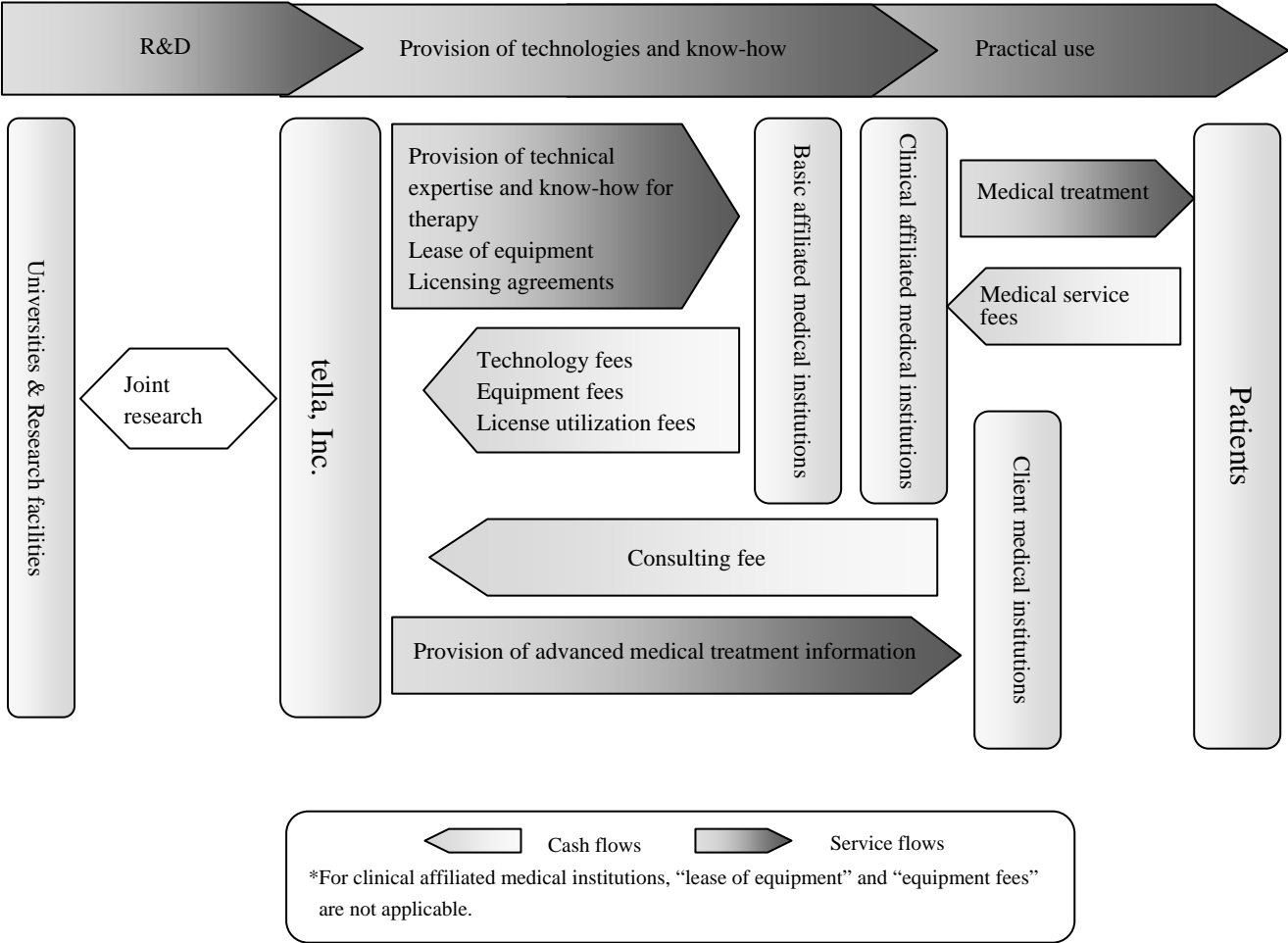
(2) Clinical Affiliated Medical Institutions

At these medical institutions, tella provides technologies and know-how, performs marketing activities, distributes information to medical institutions and patients, and provides licensing agreements associated with the I-Max therapy for cancer. In return, the Company receives technology and know-how fees and fees for the utilization of licensed rights based on the number of treatments provided. Unlike with basic affiliated medical institutions, no equipment utilization fees are received because tella does not loan any equipment to these medical institutions.

(3) Client Medical Institutions

These medical institutions have outpatient consultation facilities for the basic affiliated medical institutions. tella conducts marketing activities that target medical institutions, distributes information to medical institutions and patients, coordination for medical care professionals at medical institutions, and other forms of support. In return, the Company receives a consulting fee based on the number of treatments provided at the associated basic affiliated medical institution.

Business diagram



3. Management Policies

(1) Fundamental Management Policy

tella is dedicated to fulfilling the mission of “contributing to the future of people by creating innovative medical care technologies and services.” By developing and providing innovative medical care technologies and know-how, we aim to conduct business activities that contribute to a better future for everyone, both patients and people in good health, as well as society as a whole.

Based on this fundamental management policy, we conduct R&D concerning new technologies and know-how concerning the DC vaccine therapy, a type of cancer vaccine therapy, and other types of cell/tissue therapy. At the same time we improve the quality of I-Max therapy for cancer, promote the use of these therapies, and perform other activities. We thereby aim to increase earnings, continue to grow and increase corporate value.

tella also bases its activities on a commitment to corporate social responsibility (CSR) so that its growth and development makes a contribution to society.

(2) Targeted Performance Indicators

The medical care sector involving cancer immunotherapy (cell/tissue therapy) is growing steadily along with the spreading use of this type of therapy, and this growth is expected to continue. Against this backdrop the Company aims to achieve growth while establishing an even more stable base of operations through the following activities. By using the DC vaccine therapy, a type of cancer vaccine therapy, and by combining it as a core with chemical therapy (metronomic chemo-therapy), radiation therapy (minimally invasive radiation therapy) and other measures, we aim to efficiently attack cancer. tella conducts R&D involving this exclusive cancer treatment technology and know-how (I-Max therapy) and provides technologies and know-how concerning these cancer therapies to contracted medical institutions.

tella places emphasis on two performance indicators: operating revenue and ordinary income as a percentage of revenue. Operating revenue has increased every year since our establishment, and our goal is to maintain double-digit growth in revenue. Our goal for ordinary income is a ratio of at least 10% in relation to operating revenue.

(3) Medium- and Long-term Management Strategy

tella is dedicated to making more improvements to technologies involving the DC vaccine therapy and to achieving more progress in increasing the quality and utilization of I-Max therapies. In addition, we will acquire rights to new cancer antigens and other substances that are vital to the DC vaccine therapy and I-Max therapies in order to facilitate the practical use of these therapies in actual medical care. Furthermore, we plan to increase the use of these therapies in Japan and other countries. By supplying a comprehensive line of assistance in the field of cell/tissue therapy, we will continue to fulfill our corporate mission.

With these goals in mind, we will conduct R&D activities centered on cancer therapies that are focused on the following themes: cancer, cell/tissue therapy, immunotherapy, cancer vaccines, dendritic cells and regenerative medicine.

(4) Key Issues

The following is a list of key issues associated with tella’s business activities, which involve the provision of exclusive cancer treatment technology and know-how (I-Max therapy). The goal of these activities is to use primarily the dendritic cell (DC) vaccine therapy, which is one type of cancer vaccine therapy, and combine it with chemical therapy (metronomic chemo-therapy), radiation therapy (minimally invasive radiation therapy) and other measures in order to efficiently attack cancer.

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.

tella has agreements that grant exclusive rights to use patents for six types of WT1 peptides* for the DC vaccine therapy and other therapies. In addition, we have a contract granting exclusive rights to use a peptide that can target the Survivin cancer antigen. Since this peptide can be combined with WT1 peptides, we hope to use this peptide to make the DC vaccine therapy even more effective.

* WT1 peptides

In September 2009, WT1 peptides were ranked first as an ideal cancer antigen among 75 types of cancer antigens in Clinical Cancer Research (2009 Volume 15, pages 5323-37), an academic publication of the American Association for Cancer Research (AACR).

ii) Improving dendritic cell quality and the cell culture efficiency

The quality of dendritic cells given to a patient has an enormous influence on the clinical efficacy of the DC vaccine therapy. tella's technology and know-how in dendritic cell culture 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 clinical use of the DC vaccine therapy. However, we believe there is a need for more progress regarding the quality of dendritic cells and the efficiency of cell culture methods.

2) Issues involving I-Max therapy

To further improve the quality of I-Max therapy, tella is conducting research involving benefits from combining the DC vaccine therapy with chemical therapy (metronomic chemo-therapy) and combining the DC vaccine therapy with radiation therapy (minimally invasive radiation therapy). The following issues must be resolved in order to achieve this improvement.

i) Improvements to technologies and know-how

Combining the DC vaccine therapy with chemical therapy (metronomic chemo-therapy), radiation therapy (minimally invasive radiation therapy) or other therapies has turned out to produce a clinical efficacy that is higher than with the DC vaccine therapy alone. tella is performing research with university hospitals and medical centers concerning the combined use of these therapies with the goal of further refining technologies and know-how concerning the I-Max therapy.

ii) Establishment of evaluation methods

There is already scientific proof of the clinical efficacy of some of the therapies that make up the I-Max therapy. However, I-Max therapy that combines two or more of these therapies affects the body in many ways. As a result, there is no method established for scientifically evaluating clinical efficacy. For the purpose of increasing the use of the I-Max therapy as well, we believe there is a need for progress regarding the scientific verification of various therapies. This information can be used as the base for establishing suitable evaluation methods for the applicable therapies.

3) Greater awareness and understanding among medical care professionals and patients

Until recently, medical care professionals in Japan have generally recommended treatments that are not covered by insurance in very rare instances. Furthermore, we believe there is a lack of awareness and understanding about the DC vaccine therapy and I-Max therapies centered around this because these therapies use new technologies and know-how.

Increasing the use of the DC vaccine therapy and I-Max therapies will require a better understanding of these therapies among medical care professionals and patients. This is why we 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.

4) Recruiting and training of cell processing technology consultants

Cell processing technology consultants at tella provide 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 cell processing technology consultants who can provide assistance involving these advanced cell culture technologies.

We plan to meet this requirement by recruiting talented individuals based on a plan 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. Non-consolidated Financial Statements

(1) Balance Sheets

	(Thousands of yen)	
	FY12/2009 (As of Dec. 31, 2009)	FY12/2010 (As of Dec. 31, 2010)
Assets		
Current assets		
Cash and deposits	621,634	671,028
Accounts receivable-trade	234,959	278,450
Prepaid expenses	19,180	14,205
Deferred tax assets	9,877	825
Accounts receivable-other	7,291	10,624
Other	422	1,110
Total current assets	893,366	976,246
Noncurrent assets		
Property, plant and equipment		
Buildings, net	221,336	264,259
Tools, furniture and fixtures, net	174,253	236,836
Lease assets, net	90,038	79,003
Construction in progress	2,625	-
Total property, plant and equipment	* 488,253	* 580,099
Intangible assets		
Software	4,265	4,095
Software in progress	-	2,709
Right of using patent	35,895	23,791
Total intangible assets	40,161	30,596
Investments and other assets		
Investment securities	-	36,750
Lease deposits	75,989	68,189
Deferred tax assets	10,846	10,142
Insurance funds	14,657	18,124
Other	1,124	1,348
Allowance for doubtful accounts	(15,575)	(2,133)
Total investments and other assets	87,041	132,420
Total noncurrent assets	615,457	743,116
Total assets	1,508,823	1,719,362

	(Thousands of yen)	
	FY12/2010	
	(As of Dec. 31, 2009)	(As of Dec. 31, 2010)
Liabilities		
Current liabilities		
Accounts payable-trade	2,920	4,575
Short-term loans payable	182,734	17,200
Current portion of bonds	55,000	101,000
Current portion of long-term loans payable	-	118,400
Lease obligations	24,604	28,300
Accounts payable-other	43,836	60,700
Accounts payable-installment purchase	30,750	15,968
Income taxes payable	81,100	4,546
Accrued consumption taxes	10,327	6,253
Other	5,627	7,656
Total current liabilities	436,901	364,601
Noncurrent liabilities		
Long-term loans payable	-	169,000
Bonds payable	110,000	133,500
Lease obligations	68,722	55,661
Long-term accounts payable-other	2,625	-
Long-term lease deposited	37,534	55,741
Total noncurrent liabilities	218,882	413,902
Total liabilities	655,783	778,504
Net assets		
Shareholders' equity		
Capital stock	406,343	418,009
Capital surplus		
Legal capital surplus	278,140	289,706
Total capital surpluses	278,140	289,706
Retained earnings		
Other retained earnings		
Retained earnings brought forward	168,703	233,400
Total retained earnings	168,703	233,400
Treasury stock	(147)	(258)
Total shareholders' equity	853,040	940,857
Total net assets	853,040	940,857
Total liabilities and net assets	1,508,823	1,719,362

(2) Statement of Income

	(Thousands of yen)	
	FY12/2009	FY12/2010
	(Jan. 1 – Dec. 31, 2009)	(Jan. 1 – Dec. 31, 2010)
Operating revenues	974,861	1,145,832
Operating cost	251,975	391,122
Operating gross profit	722,886	754,709
Selling, general and administrative expenses		
Directors' compensations	51,765	56,040
Salaries and allowances	72,603	123,955
Legal welfare expenses	12,507	18,926
Advertising expenses	114,591	123,408
Entertainment expenses	27,102	15,235
Traveling and transportation expenses	24,699	30,714
Commission fee	17,410	25,745
Compensations	56,523	58,431
Depreciation	4,501	5,654
Contribution	25,332	31,880
Research and development expenses	*1 39,769	*1 42,240
Provision of allowance for doubtful accounts	2,000	-
Other	40,835	78,195
Total selling, general and administrative expenses	489,642	610,428
Operating income	233,243	144,281
Non-operating income		
Interest income	215	229
Rent income of real estate	52,230	79,481
Subsidy income	10,424	2,563
Other	461	3,051
Total non-operating income	63,331	85,325
Non-operating expenses		
Interest expenses	6,127	8,431
Interest on bonds	1,676	3,036
Bond issuance cost	2,009	3,388
Rent cost of real estate	52,230	79,481
Stock issuance cost	10,804	243
Going public expenses	11,646	-
Guarantee commission	-	1,242
Provision of allowance for doubtful accounts	13,574	-
Other	649	1,993
Total non-operating expenses	98,719	97,816
Ordinary income	197,855	131,790

	(Thousands of yen)	
	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Extraordinary income		
Gain on sales of noncurrent assets	-	7,145
Reversal of allowance for doubtful accounts	-	10,609
Total extraordinary income	-	17,754
Extraordinary loss		
Loss on abandonment of noncurrent assets	-	*2 1,442
Impairment loss	-	*3 6,354
Loss on cancellation of lease contracts	-	1,491
Loss on adjustment for changes of accounting standard for lease transactions	1,283	-
Total extraordinary losses	1,283	9,288
Income before income taxes	196,572	140,256
Income taxes-current	103,875	53,966
Income taxes-deferred	(16,378)	9,756
Total income taxes	87,496	63,722
Net income	109,075	76,534

Operating Cost Statement

(Thousands of yen)

	Note	FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)	
		Amount	%	Amount	%
I Labor cost		57,917	23.2	99,381	25.4
II Expenses	*	189,315	75.8	291,740	74.6
III Cost of purchased goods		2,566	1.0	-	-
Subtotal		249,798	100.0	391,122	100.0
Beginning goods		2,176		-	
Ending goods		-		-	
Cost of operating revenues		251,975		391,122	

(Footnote)

(Thousands of yen)

FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)	
* Breakdown of expenses		* Breakdown of expenses	
Depreciation	121,400	Depreciation	191,299
Licensing fees	31,123	Licensing fees	39,390
Traveling and transportation expenses	14,788	Traveling and transportation expenses	19,406
Repair expenses	7,817	Supplies expenses	9,954
Patent license amortization	5,416	Consulting fees	5,980
Taxes and dues	4,149	Repair expenses	5,789

(3) Statement of Changes in Net Assets

	(Thousands of yen)	
	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	247,628	406,343
Changes of items during the period		
Issuance of new shares	142,600	-
Issuance of new shares-exercise of subscription rights to shares	16,115	11,666
Total changes of items during the period	158,715	11,666
Balance at the end of current period	406,343	418,009
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	120,075	278,140
Changes of items during the period		
Issuance of new shares	142,600	-
Issuance of new shares-exercise of subscription rights to shares	15,465	11,566
Total changes of items during the period	158,065	11,566
Balance at the end of current period	278,140	289,706
Total capital surplus		
Balance at the end of previous period	120,075	278,140
Changes of items during the period		
Issuance of new shares	142,600	-
Issuance of new shares-exercise of subscription rights to shares	15,465	11,566
Total changes of items during the period	158,065	11,566
Balance at the end of current period	278,140	289,706
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the end of previous period	59,627	168,703
Changes of items during the period		
Dividends from surplus	-	(11,836)
Net income	109,075	76,534
Total changes of items during the period	109,075	64,697
Balance at the end of current period	168,703	233,400
Total retained earnings		
Balance at the end of previous period	59,627	168,703
Changes of items during the period		
Dividends from surplus	-	(11,836)
Net income	109,075	76,534
Total changes of items during the period	109,075	64,697
Balance at the end of current period	168,703	233,400

	(Thousands of yen)	
	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Treasury stock		
Balance at the end of previous period	-	(147)
Changes of items during the period		
Purchase of treasury stock	(147)	(111)
Total changes of items during the period	(147)	(111)
Balance at the end of current period	(147)	(258)
Total shareholders' equity		
Balance at the end of previous period	427,331	853,040
Changes of items during the period		
Issuance of new shares	285,200	-
Dividends from surplus	-	(11,836)
Issuance of new shares-exercise of subscription rights to shares	31,580	23,232
Purchase of treasury stock	(147)	(111)
Net income	109,075	76,534
Total changes of items during the period	425,708	87,817
Balance at the end of current period	853,040	940,857
Total net assets		
Balance at the end of previous period	427,331	853,040
Changes of items during the period		
Issuance of new shares	285,200	-
Dividends from surplus	-	(11,836)
Issuance of new shares-exercise of subscription rights to shares	31,580	23,232
Purchase of treasury stock	(147)	(111)
Net income	109,075	76,534
Total changes of items during the period	425,708	87,817
Balance at the end of current period	853,040	940,857

(4) Statement of Cash Flows

(Thousands of yen)

	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	196,572	140,256
Depreciation and amortization	132,342	205,530
Loss (gain) on adjustment for changes of accounting standard for lease transactions	1,283	-
Impairment loss	-	6,354
Increase (decrease) in allowance for doubtful accounts	15,575	(13,442)
Interest and dividends income	(215)	(229)
Interest expenses paid on loans and bonds	7,804	11,468
Subsidy income	(10,424)	(2,563)
Stock issuance cost	10,804	243
Going public expenses	11,646	-
Loss (gain) on sales of property, plant and equipment	-	7,145
Decrease (increase) in accounts receivable-trade	(56,414)	(43,491)
Decrease (increase) in inventories	2,176	-
Increase (decrease) in accounts payable-trade	1,417	1,654
Loss on abandonment of noncurrent assets	-	1,442
Loss (gain) on cancellation of insurance contract	-	1,958
Loss on cancellation of leases	-	1,491
Decrease (increase) in prepaid expenses	(12,056)	5,396
Decrease (increase) in accounts receivable-other	(2,201)	(3,333)
Increase (decrease) in accounts payable-other	1,180	5,455
Increase (decrease) in accrued expenses	2,556	300
Increase (decrease) in accrued consumption taxes	798	(4,074)
Other, net	7,668	16,405
Subtotal	310,513	323,678
Interest and dividends income received	216	229
Interest expenses paid	(7,678)	(12,029)
Subsidies received	15,202	3,852
Income taxes paid	(72,383)	(129,243)
Net cash provided by (used in) operating activities	245,869	186,486

	(Thousands of yen)	
	FY12/2009	FY12/2010
	(Jan. 1 – Dec. 31, 2009)	(Jan. 1 – Dec. 31, 2010)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(188,500)	(230,452)
Proceeds from sales of property, plant and equipment	-	23,838
Purchase of investment securities	-	(36,750)
Purchase of intangible assets	(27,350)	(5,334)
Payments for investments in capital	-	(10)
Purchase of insurance funds	(9,137)	(7,276)
Proceeds from cancellation of insurance funds	-	1,851
Payments for lease deposits	(49,450)	-
Collection of lease deposits	50	4,967
Repayments of long-term deposits received	(50)	-
Proceeds from long-term deposits received	15,963	18,207
Net cash provided by (used in) investing activities	(258,475)	(230,958)
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	223,993	142,000
Decrease in short-term loans payable	(41,266)	(307,534)
Proceeds from long-term loans payable	-	330,000
Repayment of long-term loans payable	-	(42,600)
Proceeds from issuance of bonds	96,708	146,442
Redemption of bonds	(35,000)	(80,500)
Proceeds from issuance of common stock	284,808	-
Purchase of treasury stock	(147)	(111)
Cash dividends paid	-	11,573
Payments for issuance of common stock	(21,604)	-
Repayments of lease obligations	(21,830)	42,558
Proceeds from issuance of stock resulting from exercise of subscription rights to shares	31,178	22,988
Repayments of installment payables	(45,300)	(62,687)
Net cash provided by (used in) financing activities	471,541	93,866
Net increase (decrease) in cash and cash equivalents	458,935	49,393
Cash and cash equivalents at beginning of period	162,698	621,634
Cash and cash equivalents at end of period	* 621,634	* 671,028

(5) Going Concern Assumption

Not applicable.

(6) Significant Accounting Policies

	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
1. Valuation standards and methods for securities	—————	(1) Securities Available-for-sale securities Securities without market quotations: Moving average cost method.
2. Depreciation and amortization of noncurrent 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 major assets are as follows: Buildings 14 to 17 years Attached structures 8 to 18 years Tools, furniture and fixtures 3 to 10 years (2) Intangible assets (excluding lease assets) Straight-line method. Depreciation periods of principle 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 with no residual value is applied with the lease period used as the useful life of the assets.	(1) Property, plant and equipment (excluding lease assets) Same as on the left. (2) Intangible assets (excluding lease assets) Same as on the left. (3) Lease assets Same as on the left.
3. Accounting for significant deferred assets	(1) Stock issuance cost Stock issue cost is charged to income as accrued. (2) Bond issuance cost Bond issuance cost is charged to income as accrued.	(1) Stock issuance cost Same as on the left. (2) Bond issuance cost Same as on the left.
4. Accounting for allowance	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.	Allowance for doubtful accounts Same as on the left.
5. Cash and cash equivalents in 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.	Same as on the left.
6. Other significant accounting policies	Accounting for consumption taxes: The consumption taxes are accounted by the tax-exclusion method.	Accounting for consumption taxes Same as on the left.

(7) Change in Accounting Policy

FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
<p><i>Application of accounting standards for lease transactions</i></p> <p>Effective from the current fiscal year, the Company has adopted “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13: revised on March 30, 2007 by the Accounting Standards Board of Japan); and “Guidance on Accounting Standards for Lease Transactions” (ASBJ Guidance No. 16: revised on March 30, 2007 by the ASBJ). Regarding finance lease transactions where there is no transfer of ownership, lease assets are booked as the Company has changed from an accounting method that is based on the method used for ordinary lease transactions to an accounting method that is based on the method used for ordinary purchases and sales transactions.</p> <p>For the depreciation of lease assets, the straight-line method with no residual value is applied with the lease period used as the useful life of the asset.</p> <p>The effect of this change was to increase property, plant and equipment by 68,718 thousand yen, current liabilities by 20,082 thousand yen, noncurrent liabilities by 51,508 thousand yen, and operating income by 2,966 thousand yen, and to decrease ordinary income and income before income taxes by 1,589 thousand yen and 2,872 thousand yen, respectively.</p>	<p>_____</p>

(8) Reclassifications

FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
<p><i>Statement of income</i></p> <p>“Supplies expenses” in selling, general and administrative expenses, stated as a separate line item in the previous fiscal year, is included in “Other” in selling, general and administrative expenses, due to its declining importance. “Supplies expenses” in the current fiscal year totaled 6,789 thousand yen.</p>	<p>_____</p>

(9) Notes to Non-consolidated Financial Statements**Balance Sheets**

(Thousands of yen)

FY12/2009 (As of Dec. 31, 2009)		FY12/2010 (As of Dec. 31, 2010)	
* Accumulated depreciation on noncurrent assets		* Accumulated depreciation on noncurrent assets	
Accumulated depreciation on property, plant and equipment	245,352	Accumulated depreciation on property, plant and equipment	423,901

Statement of Income

(Thousands of yen)

FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)							
*1. Total amount of research and development expenses		*1. Total amount of research and development expenses							
Research and development expenses included in general and administrative expenses	39,769	Research and development expenses included in general and administrative expenses	42,240						
_____		*2. Loss on abandonment of noncurrent assets was 1,442 thousand yen for tools, furniture and fixture.							
_____		*3. The Company recognized an impairment loss on the following groups of assets.							
		<table border="1"> <thead> <tr> <th>Use</th> <th>Item</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Idle assets</td> <td>Right to exclusive use</td> <td>6,354</td> </tr> </tbody> </table>	Use	Item	Amount	Idle assets	Right to exclusive use	6,354	
Use	Item	Amount							
Idle assets	Right to exclusive use	6,354							
		The Company uses individual clinics to group its business assets. Idle assets with no prospects for use in the future are assigned to these asset groups individually.							
		At the end of 2010, the current fiscal year, due to the decision that exclusive licensing rights with little prospect for sale in the future are effectively idle assets, the book value of these rights were reduced to the amount that can be recovered. This reduction was posted as an impairment loss included in extraordinary losses.							
		Since there are no prospects for the sale of these rights, the amount that can be recovered is nil.							

Statement of Changes in Net Assets

FY12/2009 (Jan. 1 – Dec. 31, 2009)

1. Type and number of outstanding shares (Shares)

Class of stock	Number of shares as of Dec. 31, 2008	Increase	Decrease	Number of shares as of Dec. 31, 2009
Common stock	10,082,000	1,755,000	-	11,837,000

Outline of changes

The number of shares outstanding increased as follows:

- Public offering of new shares (book building method) 1,000,000 shares
- Issuance of new shares due to the exercise of stock options: 755,000 shares

2. Type and number of treasury stock

Class of stock	Number of shares as of Dec. 31, 2008	Increase	Decrease	Number of shares as of Dec. 31, 2009
Common stock	-	88	-	88

Outline of changes

The number of treasury stock increased as follows:

- Purchase of shares below basic lot: 88 shares

3. Items related to subscription rights to shares

Not applicable.

4. Dividends

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Regular Board of Directors' meeting on Jan. 14, 2010	Common stock	Retained earnings	11,836	1.00	Dec. 31, 2009	Mar. 31, 2010

FY12/2010 (Jan. 1 – Dec. 31, 2010)

1. Type and number of outstanding shares (Shares)

Class of stock	Number of shares as of Dec. 31, 2009	Increase	Decrease	Number of shares as of Dec. 31, 2010
Common stock	11,837,000	242,000	-	12,079,000

Outline of changes

The number of shares outstanding increased as follows:

- Exercise of stock options: 242,000 shares

2. Type and number of treasury stock

Class of stock	Number of shares as of Dec. 31, 2009	Increase	Decrease	Number of shares as of Dec. 31, 2010
Common stock	88	123	-	211

Outline of changes

The number of treasury stock increased as follows:

- Purchase of shares below basic lot: 123 shares

3. Items related to subscription rights to shares

Not applicable.

4. Dividends

Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Source of funds	Total amount of dividend (Thousands of yen)	Dividend per share (Yen)	Record date	Effective date
Extraordinary Board of Directors' meeting on Jan. 31, 2011	Common stock	Retained earnings	7,247	0.60	Dec. 31, 2010	Mar. 31, 2011

Notes to Statements of Cash Flows

(Thousands of yen)

FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)	
*Reconciliation of balance sheet items to cash and cash equivalents in statements of cash flows		*Reconciliation of balance sheet items to cash and cash equivalents in statements of cash flows	
Cash and deposits	621,634	Cash and deposits	671,028
Cash and cash equivalents	621,634	Cash and cash equivalents	671,028

Lease Transactions

FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Finance lease transactions (lessee) Finance lease transactions where there is no transfer of ownership: 1) Breakdown of lease assets Property, plant and equipment: Mainly instruments, equipment and office equipment (“Tools, furniture and fixtures”) used for cell cultures. 2) Depreciation of lease assets The straight-line method with no residual value is applied with the lease period used as the useful life of the assets.	Same as on the left.

Financial Instruments

FY12/2010 (Jan. 1 – Dec. 31, 2010)

1. Conditions of financial instruments

(1) Management policy

tella procures funds as required (mainly using bank loans and issuing bonds) in line with a plan for capital expenditures. Bank loans are used to meet short-term working capital requirements. The Company does not use derivatives.

(2) Details of financial instruments and their risks

Operating receivables consisting of accounts receivable-trade are generally exposed to the credit risk of customers.

Lease deposits that have been submitted for real estate leases are exposed to the credit risk of the lessors.

Operating debt consisting of accounts payable-trade and accounts payable-other are largely due two months or less.

Loans, bonds and lease obligations for finance leases are used primarily to procure funds for working capital and capital expenditures.

Maturities of these instruments are no more than four years.

(3) Risk management system for financial instruments

1) Management of credit risk (risk of default by customers)

The Company takes measures to reduce exposure to credit risk associated with accounts receivable-trade in accordance with rules for managing credit. For lease deposits, the Company thoroughly examines the credit standing of the counterparty for a new transaction. The department overseeing credit risk monitors the status of deposit counterparties. This system allows the Company to quickly identify any concerns about the repayment of a deposit due to a worsening financial condition or other problem at a counterparty, thereby reducing the possibility of losing a deposit.

2) Management of market risk (risks associated with fluctuations in foreign exchange and interest rates)

The Company does not hedge risks involving interest rate volatility because only a small percentage of loans and bonds have floating interest rates.

3) Management of liquidity risk associated with financing activities (risk of failing to meet payment obligation on the maturity date)

To manage liquidity risk, the Company's Finance and Accounting Department prepares and updates a cash flow plan based on reports received from other departments, maintains the required level of liquidity and takes other actions.

(4) Supplemental explanation concerning fair value of financial instruments

Fair value of the financial instrument is measured at a quoted market price, if available, or reasonably assessed value if a quoted market price is not available. As the calculation of the reasonably assessed value incorporates varying factors, the amount may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount on the balance sheets, fair value, and their differences as of December 31, 2010 are shown as follows. However, financial instruments, whose fair value is deemed to be extremely difficult to measure, are not included. (Please refer to Notes 2 below.)

	(Thousands of yen)		
	Carrying value	Fair value	Valuation gain (loss)
(1) Cash and deposits	671,028	671,028	-
(2) Accounts receivable-trade	278,450	278,450	-
(3) Accounts receivable-other	10,624	10,624	-
(4) Lease deposits	68,189	55,144	(13,044)
Assets total	1,028,293	1,015,249	(13,044)
(5) Accounts payable-trade	4,575	4,575	-
(6) Short-term loans payable	17,200	17,200	-
(7) Current portion of bonds	101,000	103,112	2,112
(8) Current portion of long-term loans payable	118,400	120,756	2,356
(9) Lease obligations (current liabilities)	28,300	31,409	3,108
(10) Accounts payable-other	60,700	60,700	-
(11) Accounts payable-installment purchase	15,968	15,968	-
(12) Income taxes payable	4,546	4,546	-
(13) Accrued consumption taxes	6,253	6,253	-
(14) Long-term loans payable	169,000	165,657	(3,342)
(15) Bonds payable	133,500	132,663	(836)
(16) Lease obligations (noncurrent liabilities)	55,661	55,032	(629)
(17) Long-term lease deposited	55,741	45,318	(10,422)
Liabilities total	770,848	763,195	(7,652)

Notes: 1. Calculation of fair value of financial instruments

Assets

(1) Cash and deposits, (2) Accounts receivable-trade, (3) Accounts receivable-other

Fair value of the above financial instruments is deemed to be equal to their carrying amount because they are settled within a short period of time.

(4) Lease deposits

Fair value of lease deposits is the present value of deposits that is calculated by discounting the amounts to be received upon completion of leases using the Japanese government bond yield or other suitable interest rate.

Liabilities

(5) Accounts payable-trade, (6) Short-term loans payable, (10) Accounts payable-other, (11) Accounts payable-installment purchase, (12) Income taxes payable, (13) Accrued consumption taxes

Fair value of the above financial instruments is deemed to be equal to their carrying amount because they are settled within a short period of time.

(7) Current portion of bonds, (15) Bonds payable

Since there are no market prices for some of the Company's bonds, the fair value of such bonds is determined by calculating the present value of principal and interest payments by using a discount rate that reflects the time remaining until maturity of the bonds and credit risk.

(8) Current portion of long-term loans payable, (14) Long-term loans payable

The fair value of loans is the present value of principal and interest payments that are discounted using the same interest rate that would apply if the Company obtained a similar new loan.

(9) Lease obligations (current liabilities), (16) Lease obligations (noncurrent liabilities)

The fair value of lease obligations is the present value of principal and interest payments using the same interest rate that would apply if the Company obtained a similar new lease.

(17) Long-term lease deposited

Fair value of lease deposits is the present value of deposits that is calculated by discounting the amounts to be received upon completion of leases using the Japanese government bond yield or other suitable interest rate.

2. Financial instruments whose fair value is deemed to be extremely difficult to measure

(Thousands of yen)

Item	Carrying value
Unlisted stocks	36,750

These instruments are not included in "2. Fair value of financial instruments" because there is no market price and the fair value is deemed to be extremely difficult to determine.

3. The amount of money claims scheduled to be redeemed subsequent to the balance sheet date

(Thousands of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	671,028	-	-	-
Accounts receivable-trade	278,450	-	-	-
Accounts receivable-other	10,624	-	-	-
Lease deposits	-	-	-	68,189
Total	960,104	-	-	68,189

4. The amounts of bonds payable, long-term loans payable, lease obligations and other interest-bearing debt scheduled to be redeemed subsequent to the balance sheet date

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Long-term loans payable	118,400	109,200	59,800	-	-	-
Bonds payable	101,000	71,000	42,500	20,000	-	-
Lease obligations	28,300	25,457	16,354	8,597	5,252	-
Total	247,700	205,657	118,654	28,597	5,252	-

Supplementary Information

“Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008) were applied effective from the current fiscal year.

Securities

(Jan. 1 – Dec. 31, 2009)

Not applicable because the Company held no securities.

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Securities without market quotations (As of Dec. 31, 2010)

(Thousands of yen)

Item	Carrying value
Other securities	
Unlisted stocks	36,750

Derivatives

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Not applicable because the Company had no derivative transactions.

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable because the Company had no any derivative transactions.

Retirement Benefits

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Not applicable because the Company adopts no retirement benefit program.

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable because the Company adopts no retirement benefit program.

Stock Options

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Description, scale of and changes in stock options

The Company conducted a 1-to-100 stock split on August 1, 2008 and a 1-to-10 stock split on December 6, 2008. As a result, the prescribed adjustments have been made to the class of stock and the number of shares to be granted, the number of stock options, and the exercise price.

(1) Description of stock options

	Stock option No. 1	Stock option No. 2
Resolution date	April 25, 2005	September 18, 2007
Classification and number of grantees	Company's directors (2) Company's employees (2) Representative of business partner (1)	Company's directors (3) Company's employees (5)
Class of stock and number of shares to be granted	Common stock: 80,000 shares	Common stock: 410,000 shares
Grant date	May 30, 2005	September 28, 2007
Vesting condition	Not applicable.	Not applicable.
Requisite service period	Not established.	Not established.
Exercise period	From January 1, 2008 to December 31, 2014	From October 1, 2009 to August 31, 2017

	Stock option No. 3	Stock option No. 4
Resolution date	September 18, 2007	September 18, 2007
Classification and number of grantees	Company's director (1)	Company's advisor (1)
Class of stock and number of shares to be granted	Common stock: 400,000 shares	Common stock: 30,000 shares
Grant date	September 28, 2007	September 28, 2007
Vesting condition	Not applicable.	Not applicable.
Requisite service period	Not established.	Not established.
Exercise period	From October 1, 2007 to August 31, 2017	From October 1, 2009 to August 31, 2017

(2) Scale of and changes in stock options

1) Number of stock options

	Stock option No. 1	Stock option No. 2	Stock option No. 3	Stock option No. 4
Resolution date	April 25, 2005	September 18, 2007	September 18, 2007	September 18, 2007
Non-vested rights (shares)				
Balance as of January 1, 2009	-	407,000	-	30,000
Granted	-	-	-	-
Forfeited	-	-	-	-
Rights vested	-	407,000	-	30,000
Balance of non-vested rights	-	-	-	-
Vested rights (shares)				
Balance as of January 1, 2009	770,000	-	400,000	-
Rights vested	-	407,000	-	30,000
Rights exercised	650,000	75,000	-	30,000
Forfeited	-	-	-	-
Balance of unexercised rights	120,000	332,000	400,000	-

2) Price information

	Stock option No. 1	Stock option No. 2	Stock option No. 3	Stock option No. 4
Resolution date	April 25, 2005	September 18, 2007	September 18, 2007	September 18, 2007
Exercise price (yen)	25	146	146	146
Average stock price at the time of exercise (yen)	350	1,222	-	1,191
Fair value (as of the grant date) (yen)	-	-	-	-

(3) Method of calculating the fair value of stock options

The Company was a privately owned company when the first through fourth issues of stock options were granted. As a result, the fair unit prices for these stock options were calculated by estimating the intrinsic value per unit.

In addition, the value of tella stock, which is the basis for determining the intrinsic value per unit, was calculated by using the discounted cash flow method.

No stock options were granted in the current fiscal year.

(4) Method for estimating the number of vested stock options

Because it is difficult to rationally estimate the number of unexercised options in the future, we have essentially adopted a method of only reflecting actual unexercised options.

(5) Total intrinsic value of stock options at the end of the current fiscal year and total intrinsic value of stock options exercised in the current fiscal year as of the exercise dates

1) Total intrinsic value of stock options at the end of the current fiscal year

892,968 thousand yen

2) Total intrinsic value of stock options exercised in the current fiscal year as of the exercise dates

440,815 thousand yen

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Description, scale of and changes in stock options

The Company conducted a 1-to-100 stock split on August 1, 2008 and a 1-to-10 stock split on December 6, 2008. As a result, the prescribed adjustments have been made to the class of stock and the number of shares to be granted, the number of stock options, and the exercise price.

(1) Description of stock options

	Stock option No. 1	Stock option No. 2
Resolution date	April 25, 2005	September 18, 2007
Classification and number of grantees	Company's directors (2) Company's employees (2) Representative of business partner (1)	Company's directors (3) Company's employees (5)
Class of stock and number of shares	Common stock: 80,000 shares	Common stock: 410,000 shares
Grant date	May 30, 2005	September 28, 2007
Vesting condition	Not applicable.	Not applicable.
Requisite service period	Not established.	Not established.
Exercise period	From January 1, 2008 to December 31, 2014	From October 1, 2009 to August 31, 2017

	Stock option No. 3
Resolution date	September 18, 2007
Classification and number of grantees	Company's director (1)
Class of stock and number of shares	Common stock: 400,000 shares
Grant date	September 28, 2007
Vesting condition	Not applicable.
Requisite service period	Not established.
Exercise period	From October 1, 2007 to August 31, 2017

(2) Scale of and changes in stock options

1) Number of stock options

	Stock option No. 1	Stock option No. 2	Stock option No. 3
Resolution date	April 25, 2005	September 18, 2007	September 18, 2007
Non-vested rights (shares)			
Balance as of January 1, 2010	-	-	-
Granted	-	-	-
Forfeited	-	-	-
Rights vested	-	-	-
Balance of non-vested rights	-	-	-
Vested rights (shares)			
Balance as of January 1, 2010	120,000	332,000	400,000
Rights vested	-	-	-
Rights exercised	100,000	142,000	-
Forfeited	-	-	-
Balance of unexercised rights	20,000	190,000	400,000

2) Price information

	Stock option No. 1	Stock option No. 2	Stock option No. 3
Resolution date	April 25, 2005	September 18, 2007	September 18, 2007
Exercise price (yen)	25	146	146
Average stock price at the time of exercise (yen)	1,038	1,024	-
Fair value (as of the grant date) (yen)	-	-	-

(3) Method of calculating the fair value of stock options

The Company was a privately owned company when the first through third issues of stock options were granted. As a result, the fair unit prices for these stock options were calculated by estimating the intrinsic value per unit.

In addition, the value of tella stock, which is the basis for determining the intrinsic value per unit, was calculated by using the discounted cash flow method.

No stock options were granted in the current fiscal year.

(4) Method for estimating the number of vested stock options

Because it is difficult to rationally estimate the number of unexercised options in the future, we have essentially adopted a method of only reflecting actual unexercised options.

(5) Total intrinsic value of stock options at the end of the current fiscal year and total intrinsic value of stock options exercised in the current fiscal year as of the exercise dates

1) Total intrinsic value of stock options at the end of the current fiscal year

358,050 thousand yen

2) Total intrinsic value of stock options exercised in the current fiscal year as of the exercise dates

181,548 thousand yen

Tax Effect Accounting

(Thousands of yen)

FY12/2009 (As of Dec. 31, 2009)	FY12/2010 (As of Dec. 31, 2010)
1. Breakdown of deferred tax assets	1. Breakdown of deferred tax assets
Deferred tax assets	Deferred tax assets
<i>Current assets</i>	<i>Current assets</i>
Accrued enterprise tax	Accrued enterprise tax
Bonuses	Total deferred tax assets (current)
Other	<i>Noncurrent assets</i>
Total deferred tax assets (current)	Right of using patent
<i>Noncurrent assets</i>	Depreciation in excess of tax allowance
Right of using patent	Impairment loss
Depreciation in excess of tax allowance	Allowance for doubtful accounts (investments and
Allowance for doubtful accounts (investments and	other assets)
other assets)	Other
Other	Total deferred tax assets (noncurrent)
Total deferred tax assets (noncurrent)	Total deferred tax assets
Total deferred tax assets	
2. Significant components of differences between the statutory tax	2. Significant components of differences between the statutory tax
and effective tax rate	and effective tax rate
Statutory tax rate	Statutory tax rate
<i>Adjustments</i>	<i>Adjustments</i>
Entertainment expenses not deductible for tax	Entertainment expenses not deductible for tax
purposes	purposes
Other	Other
Effective tax rate	Effective tax rate

Business Combinations

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Not applicable.

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable.

Equity in Income of Affiliates

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Not applicable because the Company had no affiliates.

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable because the Company had no affiliates.

Related-Party Transactions with

FY12/2009 (Jan. 1 – Dec. 31, 2009)

Not applicable

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable

Investment and Rental Property

FY12/2010 (Jan. 1 – Dec. 31, 2010)

Not applicable.

Per Share Information

(Yen)

FY12/2009 (Jan. 1 – Dec. 31, 2009)		FY12/2010 (Jan. 1 – Dec. 31, 2010)	
Net assets per share	72.07	Net assets per share	77.89
Net income per share	9.68	Net income per share	6.39
Diluted net income per share	8.84	Diluted net income per share	6.08

Note: The bases of calculating the per share information are as follows:

1. Net assets per share

(Thousands of yen)

	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Total net assets on balance sheets	853,040	940,857
Deduction on total net assets	-	-
Net assets applicable to common stock	853,040	940,857
Number of shares of common stock at the yearend (Thousands of shares)	11,836	12,078

2. Net income per share and diluted net income per share

(Thousands of yen)

	FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
Net income per share		
Net income	109,075	76,534
Amount not available to shareholders of common stock	-	-
Net income applicable to common stock	109,075	76,534
Average number of shares of common stock outstanding during period (Thousands of shares)	11,271	11,975
Diluted net income per share		
Adjusted to net income	-	-
Increase in common stock (Thousands of shares)	1,071	610

Material Subsequent Events

FY12/2009 (Jan. 1 – Dec. 31, 2009)	FY12/2010 (Jan. 1 – Dec. 31, 2010)
<p>1. Bond issue The Company's Board of Directors approved a resolution on March 30, 2010 to sell the third issue of unsecured bonds. These bonds were issued on March 31, 2010 with the following terms.</p> <p>1) Name: tella Inc. Unsecured Bonds No.3 (guaranteed by Mizuho Bank, Ltd. and targeted to qualified institutional investors)</p> <p>2) Amount issued: 150 million yen</p> <p>3) Coupon rate: 0.690%</p> <p>4) Amount paid: 100 yen per 100 yen of face value</p> <p>5) Redemption price: 100 yen per 100 yen of face value</p> <p>6) Maturity: 3 years</p> <p>7) Redemption method: Periodic redemptions every six months</p> <p>8) Issue date: March 31, 2010</p> <p>9) Collateral: None</p> <p>10) Use of proceeds: Capital expenditures to assist in the establishment of basic affiliated medical institutions</p>	<p>1. Purchase of private placement of stock by BMS Inc. The Company purchased 20 shares of BMS Inc. through a private placement by this company. Following this purchase, BMS became a consolidated subsidiary of the Company.</p> <p>(1) Profile of new consolidated subsidiary</p> <p>1) Company name: BMS Inc.</p> <p>2) Head office: 7-15, 7cho-me, Saitoasagi, Ibaraki city, Osaka</p> <p>3) Established: December 10, 2010</p> <p>4) Capital: 2 million yen</p> <p>5) Representative: Makoto Ota</p> <p>6) Business activities: Outsourced operation of cell processing equipment and maintenance and management of this equipment; sale of supplies, equipment and other items; and outsourced clinical tests, etc.</p> <p>7) Scale: No results of operations or financial condition because BMS Inc. was established in December 2010</p> <p>(2) Summary of private placement</p> <p>1) Date of subscription contract: January 31, 2011</p> <p>2) Payment date: February 1, 2011</p> <p>3) Shares purchased: 20 shares</p> <p>4) Total payment: 1 million yen (50 thousand yen per share)</p> <p>5) Ownership after purchase: 50%</p> <p>(3) Number of shares acquired, acquisition cost and changes in shareholding</p> <p>1) Ownership before acquisition: 0 shares (ownership ratio: 0%)</p> <p>2) Number of shares acquired: 20 shares (total cost: 1 million yen)</p> <p>3) Ownership after acquisition: 20 shares (ownership ratio: 50%)</p> <p>(4) Reason for purchasing BMS stock tella purchased BMS stock for the purpose of expanding its comprehensive support business by strengthening its relationship with SANYO Electric Co., Ltd. in the field of cell/tissue therapy. tella plans to have SANYO Electric send directors to BMS and provide other forms of support to this company.</p>

5. Others

(1) Changes in Directors

An announcement will be made separately once a decision has been reached concerning changes in directors.

(2) Other

Not applicable

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.