

February 12, 2009

## Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2009 (non-consolidated)

Name of Company: NanoCarrier Co., Ltd.

Listed market: Mothers, TSE

Code number: 4571

URL: <http://www.nanocarrier.co.jp>

Representative: (Title) President and CEO

(Name) Ichiro Nakatomi

Contact (Title) CFO and Director Administration

(Name) Tatsuo Nishiyama

Scheduled date to file Quarterly Report: February 13, 2009

Tel: 03-3548-0217

(Rounded down to the nearest million yen)

### 1. Financial Results for the Third Quarter of FY2008 (April 1, 2008 – December 31, 2008)

(1) Results of operations (Cumulative) (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter of FY ending March 2009	285	-	-441	-	-435	-	-435	-
Third quarter of FY ended March 2008	261	-	-309	-	-318	-	-319	-

	Net income per share	Diluted net income per share
	Yen	Yen
Third quarter of FY ending March 2009	-3,503.63	-
Third quarter of FY ended March 2008	-3,634.33	-

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third quarter of FY ending March 2009	1,633	1,547	94.7	12,173.74
FY ended March 2008	2,044	1,907	93.3	15,514.65

Reference: Shareholders' equity: Third quarter of FY ending March 2009 ¥1,546 million

FY ended March 2008 ¥1,907 million

### 2. Dividends

(Recorded date)	Dividend per share (Yen)				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
FY ended March 2008	-	0.00	-	0.00	0.00
FY ending March 2009	-	0.00	-	-	-
FY ending March 2009 (forecast)	-	-	-	0.00	0.00

Note: Revision of the forecast in the third quarter of FY ending March 2009: No

### 3. Forecasts for FY ending March 2009 (April 1, 2008 – March 31, 2009)

(Percentages represent year-on-year changes)

FY ending March 2009	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	380	44.6	-639	-	-640	-	-642	-	-5,141.96

Note: Revision of the forecast in the third quarter of FY ending March 2009: No

### 4. Others

(1) Adoption of simplified method in accounting method and special accounting method for quarterly financial statements: Yes

(Note) For details, please refer to p6 [Qualitative Information/Financial Statements] 4. Others

(2) Changes in accounting principles, procedures, and presentation for quarterly financial statements (matters to be in the section, Changes in Basic Important Matters for Preparation of Quarterly Financial Statements)

① Changes due to revision of accounting standards, etc. : Yes

② Changes other than ①: None

(Note) For details, please refer to p6 [Qualitative Information/Financial Statements] 4. Others

(3) Number of shares outstanding (Ordinary shares)

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

Third quarter of FY ending March 31, 2009 127,079 shares

FY ended March 31, 2008 122,963 shares

② Number of treasury shares as of the end of the period

Third quarter of FY ending March 31, 2009 -

FY ended March 31, 2008 -

③ Average number of shares during the period

Third quarter of FY ending March 2009 124,370 shares

Third quarter of FY ended March 2008 88,013 shares

We implemented a capital increase by a third party allotment of 4,116 shares allotted to Cyntec Co., Ltd. As a result, the number of shares outstanding as of the end of the third quarter under review became 127,079 shares.

\* Statement regarding proper use of financial forecasts and other notes.

(1) Disclaimer regarding forward-looking information including appropriate use of forecasted financial results

The forecasts are based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and other results may differ considerably from these forecasted figures due to various factors.

- (2) While we revised as of October 14, 2008, the business performance forecast for the 2<sup>nd</sup> quarter cumulative period of the FY ending March 2009 (April 1, 2008 – September 30, 2008) which was announced on May 12, 2008 at the time of the financial results announcement, the forecast for the full year has not been revised.
- (3) From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Statements” (ASBJ Statement No. 12 issued on March 14, 2007) and its Implementation Guidance (ASBJ Statement No. 14 issued on March 14, 2007).

## **Qualitative Information/ Financial Statements**

### **1. Qualitative Information about Operating Results**

During the 3<sup>rd</sup> quarter under review, the Japanese economy plunged into a serious recession resulting from a global decline in stock values and progressed appreciation of the Japanese yen which exerted a great impact on the real economy in the midst of spreading worldwide confusion in the financial markets triggered by the financial crisis in the U.S.

In the midst of such an environment, our company has addressed a further increase in speed of research activities and clinical development in order to achieve the enhancement of self-developed pipelines. We also decided on an organizational integration in order to attain even faster decision making and streamlining of operations, which was implemented in January, 2009.

With respect to our existing project, an anti-cancer agent Paclitaxel micelle (NK105) which has been licensed-out to Nippon Kayaku Co., Ltd., Phase II clinical trial is in progress as scheduled. As for our Nanoplatin (NC-6004) which has been licensed-out to Orient Europharma Co., Ltd. in Taiwan for the Asian area, we have obtained the approval to initiate Phase I/II clinical trial from the Department of Health, Executive Yuan of Taiwan. Also, regarding DACH-platin micelle (NC-4016) which was licensed-out to Debiopharm S.A. in Switzerland, the British MHRA (Medicine and Healthcare Products Regulatory Agency) approved to initiate Phase I clinical trial.

As a result, net sales in the 3<sup>rd</sup> quarter under review was 134,399 thousand yen mainly coming from the revenue of drug supply for the clinical trial of DACH-platin micelle and the milestone revenue based on the licensing agreement from Debiopharm S.A., and the milestone revenue from Orient Europharm Co., Ltd. which accompanied the conclusion of the licensing agreement. Operating loss was 145,257 thousand yen due to the appropriation of R&D costs for active promotion of our own development projects; ordinary loss was 145,473 thousand yen, and net loss for the quarter was 146,107 thousand yen.

For the qualitative information about operating results of the 1<sup>st</sup> quarter and 2<sup>nd</sup> quarter of the fiscal year ending March 2009, please refer to “Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009” (disclosed on August 12, 2008) and “Financial Results for the Second Quarter of the Fiscal Year Ending March 2009” (disclosed on November 14, 2008).

## **2. Qualitative Information about Financial Condition and Cash Flow**

Total assets as of the end of the 3<sup>rd</sup> quarter under review decreased by 410,517 thousand yen from the end of the previous year to 1,633,700 thousand yen. This is mainly due to a decrease in cash and cash equivalents. Total liabilities decreased by 49,764 thousand yen from the end of the previous year to 86,674 thousand yen. This is mainly due to a decrease in accrued payable. Total net assets decreased by 360,752 thousand yen from the end of the previous year to 1,547,026 thousand yen. This is mainly because of the decrease in retained earnings by appropriation of net loss for the quarter, which exceeded increase in capital and capital surplus resultant from implementation of the capital increase by a third party allotment which was implemented in the 2<sup>nd</sup> quarter accounting period..

With respect to cash flow, cash and cash equivalents (hereafter "cash") as of the end of the 3<sup>rd</sup> quarter under review increased by 91,828 thousand yen from the end of the previous year to 1,416,297 thousand yen. A summary of the cash flows for the 3<sup>rd</sup> quarter is shown below.

### ***(Cash flow from operating activities)***

Cash flow from operating activities increased by 91,820 thousand yen because of factors leading to an increase in cash including a 150,945 thousand yen decrease in inventory assets, a 60,863 thousand yen decrease in trade receivable and increase in deposit of 34,002 thousand yen, which exceeded the decreasing factors such as before tax net loss of 145,502 thousand yen mainly due to R&D expenditures.

### ***(Cash flow from investing activities)***

Cash flow from investing activities increased by 8 thousand yen mainly due to the appropriation of proceeds from the sale of tangible fixed assets in spite of appropriation of 503 thousand yen as expenditure for the acquisition of tangible fixed assets mainly for enhancement of research and analytical equipment.

### ***(Cash flow from financing activities)***

We did not engage in financing activities during the 3<sup>rd</sup> quarter accounting period.

## **3. Qualitative Information about Prospects for the Next Period**

While there seems to be no stoppage to the economic slowdown with its persistent severe conditions, we expect our business performance will be in line with the initial performance forecast in view of anticipated revenues etc. from Debiopharm S.A. and Orient Europharma Co., Ltd. in the 4<sup>th</sup> quarter.

Therefore, business performance forecast for the full year has not been revised from the announcement on May 12, 2008.

#### **4. Others**

(1) Application of simple accounting procedures and unique accounting procedures peculiar to preparation of quarterly financial statements.

1) Simple accounting procedures

Regarding the evaluation method of inventory assets, we omitted physical stocktaking in counting inventories as of the end of the third quarter under review, relying instead on a practical method of measurement based on the actual physical stocktaking as of the end of the second quarter.

2) Unique accounting procedures peculiar to preparation of quarterly financial statements

There is no corresponding item.

(2) Change in principle, procedure and method of the statement of accounting procedures in preparation of quarterly financial statements

1) Starting from the current fiscal year, we have applied the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No.12) and its Implementation Guidance (ASBJ Guidance No.14). We also prepare quarterly financial statements in accordance with the "Regulation for Quarterly Financial Reporting".

2) A. Change in accounting standard for measurement of inventories

In appropriation of inventory assets, we formerly used cost accounting method. However, starting from the 1<sup>st</sup> quarter under review, inventory assets have been calculated by the lower of cost or net selling value method (a method to reduce book value on the balance sheet to reflect a drop in profitability ) as a result of the application of "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9, issued on July 5, 2006). As a result, operating loss, ordinary loss and net loss before income taxes for the third quarter increased 41,444 yen respectively.

## 5. Quarterly Financial Statements

### (1) Balance Sheets

(Thousands of yen)

	Third Quarter of FY2009 (As of December 31, 2008)	FY ended March 31, 2008 (As of March 31, 2008)
<hr/>		
< Assets >		
Current asset		
Cash and deposit	962,537	1,302,327
Accounts receivable	77,551	313
Securities	453,759	452,300
Materials	12,629	59,570
Work-in-process	-	61,597
Others	44,753	78,891
Total current assets	1,551,231	1,955,000
Fixed assets		
Tangible fixed assets	29,440	32,289
Intangible fixed assets	40,173	45,015
Investments and other assets	12,855	11,911
Total fixed assets	82,468	89,217
Total Assets	1,633,700	2,044,217
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< Liabilities >		
Current liabilities		
Accounts payable	2,078	3,861
Accrued income taxes	4,631	8,430
Others	79,963	124,146
Total current liabilities	86,674	136,438
Total liabilities	86,674	136,438
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< Net Assets >		
Shareholders' equity		
Capital stock	2,667,589	2,630,093
Additional paid-in-capital	2,648,802	2,611,305
Retained earnings	-3,769,415	-3,333,669
Total Shareholders' equity	1,546,976	1,907,729
Subscription right to new shares	50	50
Total net assets	1,547,026	1,907,779
Total liabilities and net assets	1,633,700	2,044,217
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**(2) Statements of Income**

(The third quarter cumulative period)

(Thousands of yen)

	Third quarter of FY 2009 (From April 1, 2008 to December 31, 2008)
Sales	285,443
Cost of goods sold	206,155
Gross margin on sales	79,288
Selling and general administrative expenses	520,591
Operating loss(-)	-441,302
Non-operating income	
Interest income	5,648
Others	1,530
Total non-operating income	7,178
Non-operating expense	
Stock delivery cost	567
Foreign exchange loss	872
Total non-operating expense	1,439
Ordinary loss(-)	-435,563
Extraordinary gain	
Gain on sale of fixed assets	1,661
Total extraordinary gain	1,661
Extraordinary loss	
Loss on retirement of fixed assets	29
Total extraordinary loss	29
Net loss before income taxes(-)	-433,931
Income taxes	1,815
Total income taxes	1,815
Net loss for the period(-)	-435,746

**(The third quarter accounting period)**

(Thousands of yen)

	Third quarter of FY 2009 (From October 1, 2008 to December 31, 2008)
Sales	134,399
Cost of goods sold	164,890
Gross margin on sales	-30,490
Selling and general administrative expenses	114,766
Operating loss(-)	-145,257
Non-operating income	
Interest income	1,540
Others	6
Total non-operating income	1,547
Non-operating expense	
Foreign exchange loss	1,762
Total non-operating expense	1,762
Ordinary loss(-)	-145,473
Extraordinary loss	
Losses from retirement of fixed assets	29
Total extraordinary loss	29
Net loss before income taxes(-)	-145,502
Income taxes	605
Total income taxes	605
Net loss for the period(-)	-146,107

## Statements of Cash Flows

(Thousands of yen)

For third quarter cumulative period of FY 2009

(From April 1, 2008 to December 31, 2008)

Cash flow from operating activities	
Net loss before taxes	-433,931
Depreciation and amortization	12,144
Interest and dividends received	-5,648
Gains or losses from sales on disposal of fixed assets (gain: -)	-1,632
Change in trade receivables (increase: -)	-77,237
Change in inventory (increase: -)	108,538
Change in accrued consumption taxes (increase: -)	5,353
Change in prepaid expense (increase: -)	30,144
Change in accounts payable (decrease: -)	-1,782
Change in accrued payable (decrease: -)	-59,516
Change in accrued expense (decrease: -)	-6,320
Change in deposit (decrease: -)	21,654
Others	-4,555
Sub-total	-412,789
Interest and dividends received	5,648
Income taxes paid	-2,420
Net cash used in operating activities	-409,560
Cash flow from investing activities	
Payments for purchase of tangible fixed assets	-2,735
Payments for purchase of intangible fixed assets	-1,500
Others	471
Net cash used in investing activities	-3,763
Cash flow from financing activities	
Revenue from issue of shares	74,993
Net cash provided by financing activities	74,993
Effect of exchange rate changes on cash and cash equivalents	-
Net change in cash and cash equivalents (decrease: -)	-338,330
Beginning balance of cash and cash equivalents	1,754,627
Ending balance of cash and cash equivalents	1,416,297

From the current fiscal year, the Company adopts the “Accounting Standards for Quarterly Financial Reporting” (ASBJ Statement No. 12 issued on March 14, 2007) and its Implementation Guidance (ASBJ Guidance No. 14 issued on March 14, 2007). Also, the quarterly financial statements are prepared in accordance with the “Regulation for Quarterly Financial Statements”.

**(4) Notes regarding premise of going concern**

No items to report

**(5) Notes regarding significant changes in the amount of shareholders' equity**

As of September 29, 2008, the company received payment of a capital increase by a third party allotment from Cyntec Co., Ltd. As a result, capital and additional paid-in-capital increased by 37,496 thousand yen respectively in the second quarter accounting period and the capital and additional paid-in-capital became 2,667,589 thousand yen and 2,648,802 thousand yen respectively as of the end of the third quarter under review.