

3. Forecasts for FY Ending March 2010 (April 1, 2009 – March 31, 2010)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	505	42.8	-253	-	-254	-	-257	-	-2,022.81

Note: Revision of the forecast in the second quarter of FY ending March 2010: No

4. Others

(1) Adoption of simplified method in accounting method and special accounting method for quarterly financial statements: No

(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. : None

2) Changes other than 1): None

(3) Number of shares outstanding (Ordinary shares)

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

Second quarter of FY ending March 31, 2010 127,079 shares

FY ended March 31, 2009 127,079 shares

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

Second quarter of FY ending March 31, 2010 -

FY ended March 31, 2009 -

3) Average number of shares during the period (Cumulative period)

Second quarter of FY ending March 2010 127,079 shares

Second quarter of FY ended March 2009 123,007 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 September 24, 2009, the business performance forecast for the 2nd quarter cumulative period of the FY ending March 2010 (April 1, 2009 – September 30, 2009)

which was announced on May 14, 2009, the forecast for the full year has not been revised.

Qualitative Information/Financial Statements

1. Qualitative Information about Operating Results

During the 2nd quarter under review, our company has addressed acceleration in the development of major pipelines, early licensing-out of newly developed pipelines, joint research tie-ups and fund raising.

In terms of business, one of the major pipelines Paclitaxel micelle (NK-105) , an anti-cancer agent, which has been licensed-out to Nippon Kayaku Co., Ltd. is in the midst of the Phase II clinical trial. As for NanoplatinTM (Cisplatin derivative micelle, hereafter “NanoplatinTM (NC-6004)”), we are engaged in the Phase I/II clinical trial, in joint efforts with Orient Europharma Co., Ltd, to which we have licensed-out for the Asian area. Also, Debiopharm S.A. is carrying out the Phase I clinical trial of DACH-platin micelle (NC-4016) in Europe which we have licensed-out to Debiopharm S.A. world-widely except for Japan. As we already disclosed in October 2009, the substance patent of NC-4016 has been applied for registration assessment in Europe, and the patent will be authorized in each European nation from now on.

Regarding other activities, research projects including NanoCarrier were selected for “Regional Innovation Creation Research and Development for the Fiscal Year 2009” of the Regional Economy and Industry Group of the Kanto Financial Bureau under the Ministry of Economy, Trade and Industry (METI) in July 2009, and for the “Cutting-edge Research and Development Support Program” of the Cabinet Office in September 2009.

In furtherance, we concluded the comprehensive joint research agreement with Medinet Co.,Ltd. for the field of cancer therapies as of October 13, 2009. Also, issue of the sixth series warrant (with anti dilution exercise price adjustment condition) via third-party allotment was determined at the meeting of the Board of Directors held on September 29, 2009, and the allotment was assigned to Japan Equity Value LTD. as of October 15, 2009.

As a result, net sales in the 2nd quarter under review was 32,251 thousand yen (down 78.6% compared with the 2nd quarter of the previous year), mainly coming from the revenue based on the clinical drug supply of DACH-platin micelle to Debiopharm S.A. Operating loss was 124,372 thousand yen (operating loss of the 2nd quarter of the previous year was 71,412 thousand yen), mainly as a result of appropriation of R&D expenses, promoting R&D with the utmost reduction of expenses. Ordinary loss was 125,800 thousand yen (ordinary loss of the 2nd quarter of the previous year was 66,638 thousand yen), and net loss for the quarter was 126,405 thousand yen (net loss for the 2nd quarter of the previous year was 66,581 thousand yen).

For the qualitative information about operating results of the 1st quarter ending March 2010, please refer to “Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2010 (Non consolidated)” (disclosed on July 30, 2009).

2. Qualitative Information about Financial Condition and Cash Flow

Total assets as of the end of the 2nd quarter under review decreased by 287,203 thousand yen from the end of the previous year, to 1,242,124 thousand yen. This is mainly due to a decrease in cash and cash equivalents. Total liabilities decreased by 3,076 thousand yen from the end of the previous year, to 68,008 thousand yen. This is mainly due to a decrease in accounts payable. Total net assets decreased by 284,126 thousand yen from the end of the previous year, to 1,174,116 thousand yen. This is because of the decrease in retained earnings due to the appropriation of net loss for the quarter.

With respect to cash flow, cash and cash equivalents (hereafter “cash”) as of the end of the 2nd quarter cumulative period under review decreased by 262,286 thousand yen (decreased by 430,159 thousand yen in the 2nd quarter cumulative period of the previous year) from the end of the previous year, to 1,106,715 thousand yen. A summary of the cash flow for the 2nd quarter cumulative period under review is shown below.

(Cash flow from operating activities)

Cash flow from operating activities decreased by 255,402 thousand yen (decreased by 501,381 thousand yen in the 2nd quarter cumulative period of the previous year) because of factors leading to a decrease in cash, including 282,916 thousand yen of net loss before income tax,, mainly by the expenditure of R&D expenses which accompanied the promotion of R&D, which exceeded the increasing factors, such as the decrease in trade receivable of 10,788 thousand yen and depreciation and amortization expense of 8,092 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities decreased by 6,884 thousand yen (decreased by 3,772 thousand yen in the 2nd quarter cumulative period of the previous year) due to the appropriation of expenditure for the acquisition of intangible fixed assets, for the purchase of software, of 5,650 thousand yen.

(Cash flow from financing activities)

We did not engage in financing activities during the 2nd quarter under review (It was an increase of 74,993 thousand yen in the 2nd quarter cumulative period of the previous year).

3. Qualitative Information about Prospects for the Next Period

With respect to the future prospects, we expect revenue based on contracted business from our existing partners and new candidate partners, as well as revenue from the supply of study drugs, etc. from the 3rd quarter to follow. We are also promoting the securement of new partners, with our basic policy of earlier licensing-out of newly developed pipelines.

While we have revised the business performance forecast as of September 24, 2009 due to the delay of revenue from contracted business, which was expected in the 2nd quarter under review, to the 3rd quarter or later, we have not made any revision to the business performance forecast for the full year as we expect appropriation of the revenue in the 3rd quarter or after.

4. Others

(1) Application of simple accounting procedures and 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

There is no corresponding item.

5. Quarterly Financial Statements

(1) Balance Sheets

(Thousands of yen)

	Second quarter of FY2010 (As of September 30, 2009)	FY ended March 31, 2009 (As of March 31, 2009)
< Assets >		
Current asset		
Cash and deposit	652,172	914,865
Accounts receivable	32,489	43,277
Securities	454,542	454,136
Materials	6,581	11,431
Others	20,064	26,044
Total current assets	1,165,851	1,449,755
Fixed assets		
Tangible fixed assets	25,739	29,217
Intangible fixed assets	38,776	38,225
Investments and other assets	11,757	12,128
Total fixed assets	76,273	79,572
Total assets	1,242,124	1,529,327
< Liabilities >		
Current liabilities		
Accounts payable	6,856	8,537
Accrued income taxes	6,653	7,954
Others	54,498	54,593
Total current liabilities	68,008	71,085
Total liabilities	68,008	71,085
< Net Assets >		
Shareholders' equity		
Capital stock	2,667,589	2,667,589
Additional paid-in-capital	2,648,802	2,648,802
Retained earnings	-4,142,275	-3,858,149
Total shareholders' equity	1,174,116	1,458,242
Total net assets	1,174,116	1,458,242
< Total Liabilities and Net Assets >	1,242,124	1,529,327

(2) Statements of Income

(The second quarter cumulative period)

(Thousands of yen)

	Second quarter of FY 2009 (From April 1, 2008 to September 30, 2008)	Second quarter of FY 2010 (From April 1, 2009 to September 30, 2009)
Sales	151,044	39,540
Cost of goods sold	41,265	34,360
Gross profit	109,779	5,180
Selling and general administrative expenses	405,825	287,624
Operating loss(-)	-296,045	-282,444
Non-operating income		
Interest income	4,107	1,786
Foreign exchange gain	890	-
Others	1,523	61
Total non-operating income	6,521	1,848
Non-operating expense		
Share distribution expense	567	-
Subscription right to shares issuance cost	-	2,286
Foreign exchange loss	-	34
Total non-operating expense	567	2,320
Ordinary loss(-)	-290,090	-282,916
Extraordinary gain		
Gain on sale of fixed assets	1,661	-
Total extraordinary gain	1,661	-
Net loss before income taxes(-)	-288,429	-282,916
Income taxes	1,210	1,210
Total income taxes	1,210	1,210
Net loss for the period(-)	-289,639	-284,126

(The second quarter period)

(Thousands of yen)

	Second quarter of FY 2009 (From July 1, 2008 to September 30, 2008)	Second quarter of FY 2010 (From July 1, 2009 to September 30, 2009)
Sales	150,944	32,251
Cost of goods sold	40,927	20,194
Gross profit	110,016	12,056
Selling and general administrative expenses	181,429	136,429
Operating loss(-)	-71,412	-124,372
Non-operating income		
Interest income	1,896	705
Foreign exchange gain	1,968	147
Others	1,475	5
Total non-operating income	5,341	858
Non-operating expense		
Share distribution expense	567	-
Subscription right to shares issuance cost	-	2,286
Total non-operating expense	567	2,286
Ordinary loss(-)	-66,638	-125,800
Extraordinary gain		
Gain on sale of fixed assets	661	-
Total extraordinary gain	661	-
Net loss before income taxes(-)	-65,976	-125,800
Income taxes	605	605
Total income taxes	605	605
Net loss for the period(-)	-66,581	-126,405

(3) Statements of Cash Flows

	(Thousands of yen)	
	For second quarter cumulative period of FY 2009 (From April 1, 2008 to September 30, 2008)	For second quarter cumulative period of FY 2010 (From April 1, 2009 to September 30, 2009)
Cash flow from operating activities		
Net loss before taxes	-288,429	-282,916
Depreciation and amortization	7,803	8,092
Gains or losses from sales of fixed assets (gain: -)	-1,661	-
Interest and dividends received	-4,107	-1,786
Change in trade receivables (increase: -)	-138,100	10,788
Change in inventory (increase: -)	-42,407	4,849
Change in accrued consumption taxes (increase: -)	6,232	6,544
Change in prepaid expense (increase: -)	31,725	-2,165
Change in accounts payable (decrease: -)	1,505	-1,680
Change in accrued payable (decrease: -)	-60,569	625
Change in accrued expense (decrease: -)	-1,189	-864
Change in deposit (decrease: -)	-12,348	1,399
Others	-1,522	2,345
Sub-total	-503,069	-254,768
Interest and dividends received	4,107	1,786
Income taxes paid	-2,420	-2,420
Net cash used in operating activities	-501,381	-255,402
Cash flow from investing activities		
Payments for purchase of tangible fixed assets	-2,232	-1,254
Payments for purchase of intangible fixed assets	-1,500	-5,650
Others	-40	20
Net cash used in investing activities	-3,772	-6,884
Cash flow from financing activities		
Revenue from stock issue	74,993	-
Net cash provided by financing activities	74,993	-
Net change in cash and cash equivalents (decrease: -)	-430,159	-262,286
Beginning balance of cash and cash equivalents	1,754,627	1,369,002
Ending balance of cash and cash equivalents	1,324,468	1,106,715

(4) Notes regarding premise of going concern

There is no corresponding item.

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

There is no corresponding item.

6. Other information

There is no corresponding item.