

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 third 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: Yes

Note) For details, please refer to P5 (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. : 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)

Third quarter of FY ending March 31, 2010	128,579 shares
FY ended March 31, 2009	127,079 shares

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

Third quarter of FY ending March 31, 2010	-
FY ended March 31, 2009	-

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

Third quarter of FY ending March 2010	127,413 shares
Third quarter of FY ended March 2009	124,369 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) The business performance forecast (announced on May 14, 2009) has not been revised.

Qualitative Information/Financial Statements

1. Qualitative Information about Operating Results

During the 3rd quarter under review, our company has addressed a further increase in the pipelines, joint study tie-ups, licensing -out and fundraising.

In terms of business, the Phase II clinical trial of Paclitaxel micelle (NK-105), an anti-cancer agent which is one of our major pipelines, is in progress by our licensee Nippon Kayaku Co., Ltd. As for Cisplatin derivative micelle (Nanoplatin TM (NC-6004)), we are engaged in the Phase I/II clinical trial, together with our licensee and joint-development partner, Orient Europharma Co., Ltd. Also, our licensee Debiopharm S.A. is carrying out the Phase I clinical trial of DACH-platin micelle (NC-4016) in Europe.

Regarding other activities, we succeeded in the development of sustained-release Docetaxel DDS formulation and we have started activities for licensing-out mainly addressed to pharmaceutical companies in November 2009. Also, we concluded an exclusive licensing agreement in the area of genetic therapies with The University of Tokyo and TODAI TLO. Ltd., in December 2009, and subsequently concluded a licensing agreement in the same area with NOF CORPORATION.

With respect to the fundraising, we implemented issuance of a Sixth Series Equity Warrant via third-party allotment (with an adjustment clause of anti-dilution exercise price conditions) for the clinical trial of the major pipeline and non-clinical studies of new pipelines. As of the end of December 2009, we have raised 44,119 thousand yen by exercise of 1,500 units (1,500 shares) of the warrants.

As a result, net sales in the 3rd quarter under review were 59,200 thousand yen (down 56.0% compared with the 3rd quarter of the previous year), mainly coming from the revenue based on the supply of clinical trial drugs for NC-4016 to Debiopharm S.A. Operating loss was 86,766 thousand yen (operating loss of the 3rd quarter of the previous year was 145,257 thousand yen), mainly as a result of the R&D promotion with the utmost saving of expenses. Ordinary loss was 87,914 thousand yen (ordinary loss of the 3rd quarter of the previous year was 145,473 thousand yen), and net loss for the quarter was 88,548 thousand yen (net loss for the 3rd quarter of the previous year was 146,107 thousand yen).

2. Qualitative Information about Financial Condition and Cash Flow

Total assets as of the end of the 3rd quarter under review decreased by 286,655 thousand yen from the end of the previous year, to 1,242,672 thousand yen. This is mainly due to a decrease in cash and deposit. Total liabilities increased by 34,995 thousand yen from the end of the previous year, to

106,080 thousand yen. This is mainly due to an increase in deposits. Total net assets decreased by 321,650 thousand yen from the end of the previous year, to 1,136,592 thousand yen. This is mainly because of the decrease in retained earnings due to the appropriation of net loss for the quarter, which exceeded the increase in capital stock and additional paid-in-capital from the exercise of equity warrants during the 3rd quarter accounting period.

With respect to cash flow, cash and cash equivalents (hereafter “cash”) as of the end of the 3rd quarter cumulative period under review decreased by 290,041 thousand yen from the end of the previous year, to 1,078,961 thousand yen. A summary of the cash flow for the 3rd quarter cumulative period under review is shown below.

(Cash flow from operating activities)

Cash flow from operating activities decreased by 379,341 thousand yen (decreased by 409,560 thousand yen in the 3rd quarter cumulative period of the previous year) because of factors leading to a decrease in cash, including 370,859 thousand yen of pretax net loss, mainly from the expenditure of R&D expenses and increase in accounts receivable of 17,497 thousand yen, which exceeded the increasing factors, such as depreciation and amortization expense of 12,202 thousand yen.

(Cash flow from investing activities)

Cash flow from investing activities decreased by 8,065 thousand yen (decreased by 3,763 thousand yen in the 3rd quarter cumulative period of the previous year) due to the appropriation of expenditure for the acquisition of intangible fixed assets of 5,650 thousand yen which mainly accompanied to the receiving of licensing of intellectual property rights.

(Cash flow from financing activities)

Cash flow from financing activities increased by 97,366 thousand yen (increased by 74,993 thousand yen in the 3rd quarter cumulative period of the previous year) by appropriation of revenue of 44,119 thousand yen by revenue from exercise of the Six Series Equity Warrant (with an adjustment clause of anti-dilution exercise price conditions) and revenue of 50,336 thousand yen by deposits equal to investment in equity warrant to shares.

3. Qualitative Information about Prospects for the Next Period

With respect to future prospects, we expect sales based on our new candidate partnership and revenue from formulations, etc. in the 4th quarter to follow.

While we 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 expect to accomplish annual sales of 505,000 thousand yen, and there is no revision to our annual business performance forecast announced on May 14, 2009 in light of the above-mentioned expectation of sales.

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 rational method of measurement based on the actual physical stocktaking as of the end of the second quarter under review.

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

There is no corresponding item.

5. Quarterly Financial Statements

(1) Balance Sheets

(Thousands of yen)

	Third quarter of FY2010 (As of December 31, 2009)	FY ended March 31, 2009 (As of March 31, 2009)
< Assets >		
Current asset		
Cash and deposit	624,279	914,865
Accounts receivable	60,775	43,277
Securities	454,682	454,136
Materials	7,085	11,431
Others	22,677	26,044
Total current assets	1,169,498	1,449,755
Fixed assets		
Tangible fixed assets	25,128	29,217
Intangible fixed assets	36,722	38,225
Investments and other assets	11,323	12,128
Total fixed assets	73,174	79,572
Total assets	1,242,672	1,529,327
< Liabilities >		
Current liabilities		
Accounts payable	8,143	8,537
Accrued income taxes	4,607	7,954
Others	93,329	54,593
Total current liabilities	106,080	71,085
Total liabilities	106,080	71,085
< Net Assets >		
Shareholders' equity		
Capital stock	2,691,719	2,667,589
Additional paid-in-capital	2,672,932	2,648,802
Retained earnings	-4,230,823	-3,858,149
Total shareholders' equity	1,133,827	1,458,242
Equity warrant	2,764	-
Total net assets	1,136,592	1,458,242
< Total Liabilities and Net Assets >	1,242,672	1,529,327

(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)	Third quarter of FY 2010 (From April 1, 2009 to December 31, 2009)
Net sales	285,443	98,740
Cost of goods sold	206,155	47,465
Gross profit	79,288	51,274
Selling and general administrative expenses	520,591	420,486
Operating loss(-)	-441,302	-369,211
Non-operating income		
Interest income	5,648	2,376
Others	1,530	61
Total non-operating income	7,178	2,438
Non-operating expense		
Stock delivery expense	567	-
Equity warrant issue expense	-	3,994
Foreign exchange loss	872	63
Total non-operating expense	1,439	4,057
Ordinary loss(-)	-435,563	-370,830
Extraordinary gain		
Gain on sale of fixed assets	1,661	-
Total extraordinary gain	1,661	-
Extraordinary loss		
Loss from on retirement of fixed assets	29	28
Total extraordinary loss	29	28
Net loss before income taxes(-)	-433,931	-370,859
Income taxes	1,815	1,815
Total income taxes	1,815	1,815
Net loss for the period(-)	-435,746	-372,674

(The third quarter period)

(Thousands of yen)

	Third quarter of FY 2009 (From October 1, 2008 to December 31, 2008)	Third quarter of FY 2010 (From October 1, 2009 to December 31, 2009)
Net sales	134,399	59,200
Cost of goods sold	164,890	13,105
Gross profit (loss :-)	-30,490	46,094
Selling and general administrative expenses	114,766	132,861
Operating loss(-)	-145,257	-86,766
Non-operating income		
Interest income	1,540	590
Others	6	-
Total non-operating income	1,547	590
Non-operating expense		
Equity warrant issue expense	-	1,708
Foreign exchange loss	1,762	29
Total non-operating expense	1,762	1,737
Ordinary loss(-)	-145,473	-87,914
Extraordinary loss		
Loss from on retirement of fixed assets	29	28
Total extraordinary loss	29	28
Net loss before income taxes(-)	-145,502	-87,943
Income taxes	605	605
Total income taxes	605	605
Net loss for the period(-)	-146,107	-88,548

(3) Statements of Cash Flows

	(Thousands of yen)	
	For third quarter cumulative period of FY 2009 (From April 1, 2008 to December 31, 2008)	For third quarter cumulative period of FY 2010 (From April 1, 2009 to December 31, 2009)
Cash flow from operating activities		
Net loss before taxes(-)	-433,931	-370,859
Depreciation and amortization	12,144	12,202
Interest and dividends received	-5,648	-2,376
Gains or losses from sales on retirement of fixed assets (gain: -)	-1,632	28
Change in trade receivables (increase: -)	-77,237	-17,497
Change in inventory (increase: -)	108,538	4,345
Change in accrued consumption taxes (increase: -)	5,353	5,113
Change in prepaid expense (increase: -)	30,144	-2,566
Change in accounts payable (decrease: -)	-1,782	-393
Change in accrued payable (decrease: -)	-59,516	-9,675
Change in accrued expense (decrease: -)	-6,320	-3,105
Change in deposit (decrease: -)	21,654	2,435
Others	-4,555	3,050
Sub-total	-412,789	-379,298
Interest and dividends received	5,648	2,376
Income taxes paid	-2,420	-2,420
Net cash used in operating activities	-409,560	-379,341
Cash flow from investing activities		
Payments for purchase of tangible fixed assets	-2,735	-2,435
Payments for purchase of intangible fixed assets	-1,500	-5,650
Others	471	20
Net cash used in investing activities	-3,763	-8,065
Cash flow from financing activities		
Revenue from stock issue	74,993	44,119
Revenue from equity warrant issue	-	2,910
Revenue from deposits equal to investment in equity warrant to shares	-	50,336
Net cash provided by financing activities	74,993	97,366
Effect of exchange rate changes on cash and cash equivalents	-	-
Net change in cash and cash equivalents (decrease: -)	-338,330	-290,041
Beginning balance of cash and cash equivalents	1,754,627	1,369,002
Ending balance of cash and cash equivalents	1,416,297	1,078,961

(4) Notes regarding premise of going concern

There is no corresponding item.

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

Our company issued a Sixth Series Equity Warrant via third-part allotment as of October 15, 2009. By issuance of 1,500 new shares which accompanied exercise of the equity warrants during the third quarter accounting period under review, capital stock and additional paid-in-capital increased 24,129 thousand yen each during the third quarter accounting period under review, and capital stock and additional paid-in-capital as of the end of the third quarter accounting period became 2,691,719 thousand yen and 2,672,932 thousand yen, respectively.

6. Other information

There is no corresponding item.