Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 [Japan GAAP]

May 12, 2011

Company name	: **Otsuka Holdings Company Limited**
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: http://www.otsuka.com/en/
Representative	: Tatsuo Higuchi President and Representative Director, CEO
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Scheduled date of annual general meeting of shareholders	: June 29, 2011
Scheduled date of dividend payment commencement	: June 30, 2011
Scheduled date of securities report submission	: June 30, 2011
Supplementary materials for financial results	: Yes
Earnings announcement for financial results	: Yes

(Figures are rounded down to the nearest million yen unless otherwise stated)

1. Consolidated Financial Results for the FY2010 (April 1, 2010 to March 31, 2011)

(1) Consolidated Operating Results

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2010	1,090,212	0.5	117,502	19.3	126,518	16.0	81,001	20.1
FY2009	1,084,291	13.4	98,481	7.6	109,057	13.5	67,443	43.2

(Note) Comprehensive income: FY2010 ¥59,859 million (-24.1%)
FY2009 ¥78,841 million (-%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income as a percentage of total assets	Operating margin
	Yen	Yen	%	%	%
FY2010	161.78	161.59	7.8	8.3	10.8
FY2009	143.50	143.47	7.7	7.9	9.1

(Note) Equity in earnings of affiliates: FY2010 ¥3,308 million
FY2009 ¥4,922 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of March 31, 2011	1,589,639	1,163,247	72.4%	2,061.74
As of March 31, 2010	1,458,375	948,456	64.2%	1,964.70

(Note) Shareholders' equity: As of March 31, 2011 ¥1,150,124 million
As of March 31, 2010 ¥936,289 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2010	86,393	(130,878)	113,655	387,325
FY2009	173,508	(59,014)	(28,139)	321,306

2. Dividends

	Annual dividend per share					Total dividends	Dividend pay-out ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2009	-	-	-	12.50	12.50	5,972	8.7	0.7
FY2010	-	-	-	28.00	28.00	15,619	17.3	1.4
FY2011	-	20.00	-	25.00	45.00		30.6	

3. Projected Consolidated Financial Results for FY 2011 (April 1, 2011 through March 31, 2012)

(% change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (YTD)	598,000	4.2	63,000	(9.8)	67,000	(9.4)	45,000	(15.4)	80.66
FY2011	1,170,000	7.3	120,000	2.1	127,000	0.4	82,000	1.2	146.99

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No

(2) Changes in accounting principles and procedures, and methods of presentation
   1) Changes due to revisions of accounting standards: Yes
   2) Changes due to other reasons: No
   (Note) Please see “Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements” on page 28 for further details.

(3) Number of shares issued and outstanding (common stock)
   1) Number of shares issued and outstanding as of the end of the reporting period (including treasury stock):
      March 31, 2011 557,835,617 shares
      March 31, 2010 519,156,817 shares
   2) Number of shares of treasury stock as of the end of the reporting period:
      March 31, 2011 2,044 shares
      March 31, 2010 41,321,260 shares
   3) Average number of shares outstanding during the reporting period:
      March 31, 2011 500,599,047 shares
      March 31, 2010 469,832,719 shares

*** Information Regarding Audit Procedures**

At the time of disclosure of this financial report, the consolidated financial statements audit procedure as stipulated under the Financial Instruments and Exchange Act of Japan is still in process.

*** Disclaimer Regarding Forward-Looking Statements**

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please see “Analysis of Operating Results” for details on the assumptions used and other related matters concerning the forecast of consolidated financial results (page 4).

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1. Results of Operations

(1) Analysis of Operating Results

In the fiscal year under review, the Japanese economy faced a heightened sense of uncertainty due to factors driven by the unstable economic situation including unstable employment and income, and risks of exchange rate fluctuation. In addition, the whole of the Japanese economy has been greatly impacted by the Great East Japan Earthquake.

The Otsuka Group recorded consolidated net sales of ¥1,090,212 million (0.5% increase year-on-year) for the fiscal year ended March 31, 2011, with ordinary income of ¥126,518 million (16.0% increase year-on-year) and net income of ¥81,001 million (20.1% increase year-on-year).

Some of the factories, warehouses, and other facilities of the Otsuka Group's consolidated subsidiaries were damaged by the Great East Japan Earthquake, but this did not have a major impact on the Group's assets or business results during the fiscal year ended March 31, 2011.

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	721,402	251,757	47,443	106,510	(36,901)	1,090,212
Segment income (loss)	134,432	17,860	(2,081)	4,350	(37,059)	117,502

1) Pharmaceuticals

In the area of the central nervous system, the antipsychotic agent *ABILIFY*, which is marketed in 65 countries, continued to perform well in the U.S. due to strong promotional efforts, despite the effects of the sluggish market and healthcare reform. During the fiscal year under review, Otsuka expanded its North American business with its establishment of Otsuka Canada Pharmaceutical Inc. (OCPI) and began co-promotion with Bristol-Myers Squibb Canada from October 2010. In Japan, the increase in sales of *ABILIFY Oral Solution 0.1%* and reinforcement of the sales promotion activities contributed to sales growth. From September 2010, the antiepileptic drug *E Keppra*, co-developed and co-promoted with UCB, was launched in Japan.

In the area of anti-cancer and cancer-supportive care, sales of anti-cancer agent *TS-1* remained flat and anti-cancer agent *UFT* and *Uzel*, a reduced folic acid formulation decreased due to the NHI price revision and increased competition. However, domestic oncology sales as a total increased as a result of the launches of two new products: *Aloxi*, a 5-HT_3 receptor antagonist antiemetic agent which was launched in April 2010, and *Abraxane*, an antineoplastic agent which was launched in September 2010. Co-promotion of the anti-cancer agent *SPRYCEL* began in the U.S. in November 2010 and in Japan in January 2011, and Otsuka recorded sales according to the agreement with Bristol-Myers Squibb Company. *BUSULFEX*, which is sold in over 50 countries, is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved in the U.S. and is established as the standard drug as a conditioning agent used prior to bone marrow transplant in Europe.

In the area of cardiovascular system, the world's first and only oral vasopressin V_2-receptor antagonist *SAMSCA* was launched in Japan in December 2010, following the U.S. and Europe. Sales of antiplatelet agent *Pletaal/Pletal* remained steady as a result of sales activities focusing on the positive outcomes from the large scale clinical trial studies, despite the NHI price revision and expiration of the exclusivity period for the indication of prevention of recurrent strokes in September 2010.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* (rebamipide) declined as a result of the NHI price revision and the introduction of generics in Japan. In the area of ophthalmology, application for *Mucosta* ophthalmic suspension was submitted for regulatory approval in Japan. In the U.S., Otsuka expanded its alliance partnership with Acucela Inc. by signing a co-development and co-promotion agreement for the compound "OPA-6566", which is currently under development for the treatment of glaucoma, in addition to rebamipide ophthalmic suspension and "ACU-4429", currently under development for the treatment of Dry AMD (Age-related Macular Degeneration).

In the area of clinical nutrition, high-calorie TPN solutions *ELNEOPA*, formulated with glucose, electrolytes, amino acids, multi-vitamins, and trace elements, recorded steady growth.

As a result, net sales of the pharmaceutical segment for the fiscal year ended March 31, 2011 totaled ¥721,402 million (0.8% increase year-on-year), with operating income of ¥134,432 million (1.2% increase year-on-year).

2) Nutraceuticals

Sales of *Pocari Sweat*, an electrolyte supplement drink, showed significant increase as a result of successful promotional activities focusing on the core concept of the product, such as education aimed at raising awareness of heat stroke, and the hot summer in Japan. In Indonesia, sales of *Pocari Sweat* in local currency terms decreased slightly due to the temporary shortage in supply caused by the delay in the start-up of the new factory. Sales of *Oronamin C* remained steady as a result of strong promotional activities. Sales of *Calorie Mate* remained flat but it was re-recognized as a food containing essential nutrients after the Great East Japan Earthquake.

The Otsuka Group is currently engaged in the soy business, and is working to introduce soy as a solution to our 21st century health, nutrition, and environment issues, under the concept of "Soylution." Although domestic sales of *SOYJOY*, the first soylution product, decreased, the *SOYJOY* business has expanded to 11 countries and regions with launches in France, Belgium, Italy and Spain beginning in February 2011. The second soylution product *SOYSH*, soy soda, which was developed based on the innovative concept of combining soy with carbonated drink was launched through its on-line store in July 2010 and has expanded to retail stores across Japan in March 2011.

In the Cosmedics area, which is based on the concept of "healthy skin," the *UL・OS* face and body skincare lineup was expanded with the release of *Medicated Skin Wash* in April 2010.

Sales of the *Tiovita* brand showed steady growth as a result of enhanced sales promotion and the launch of *Tiovita Drink Aivitas* in June 2010.

Profitability in the nutraceutical segment improved as a result of ongoing cost reductions and by promotional activities re-emphasizing the concept of the products.

As a result, net sales of the nutraceutical segment for the fiscal year ended March 2011 totaled ¥251,757 million (1.2% increase year-on-year), with operating income of ¥17,860 million (691.9% increase year-on-year).

3) Consumer Products

Although sales of *Match*, a carbonated electrolyte drink containing vitamins, showed positive growth as a result of successful marketing efforts, sales of *Crystal Geyser* and *Java Tea* struggled and sales of *Nescafe* brand remained steady.

In the consumer products segment, Otsuka is carrying out initiatives aimed at improving profitability, including ongoing cost reductions.

As a result, net sales of the consumer products segment for the fiscal year ended March 31, 2011 totaled ¥47,443 million (7.2% decrease year-on-year), with operating loss of ¥2,081 million.

4) Others

Sales in the specialty chemical business, which supplies materials for the IT and automotive sectors, recorded positive growth as the respective markets recovered.

The transportation and warehousing businesses recorded solid growth as the volume of goods handled increased.

As a result, net sales of other businesses for the fiscal year ended March 31, 2011 totaled ¥106,510 million (1.4% increase year-on-year), with operating income of ¥4,350 million (1.9% decrease year-on-year).

(Projected Consolidated Financial Results for FY2011)

(Millions of yen)

	FY2010	FY2011	Change	% Change
Net sales	1,090,212	1,170,000	79,787	7.3%
Operating Income	117,502	120,000	2,497	2.1%
Ordinary Income	126,518	127,000	481	0.4%
Net Income	81,001	82,000	998	1.2%

R&D Expense	164,507	189,000	24,492	14.9%

(Note) FY2011 exchange rate: 85 yen/USD 115 yen/EUR

Sales of atypical antipsychotic agent *ABILIFY* is expected to increase despite the slow down in the US market and the effects of the healthcare reform. Additionally, sales of *Samsca*, *E Keppra*, *Aloxi* and *Abraxane* are also expected to contribute to the sales growth.

Operating income is expected to increase despite the 14.9% increase in R&D expenses related to the development of pharmaceutical compounds such as OPC-34712, as the fees payable to Bristol-Myers Squibb Company will be reduced from 58% to 53.5% beginning on January 1, 2011. The Group is continuing its review of the cost structure in the Nutraceutical segment to improve the profitability in the business segment.

As a result, operating income is projected to increase by 2.1% to ¥120,000 million and ordinary income is projected to increase by 0.4% to ¥127,000 million and net income is expected to increase by 1.2% to ¥82,000 million.

(2) Research and Development Activities

Research and development expenses for the fiscal year ended March 31, 2011 totaled ¥164,507 million.
The primary areas of research and development were as follows:

(Pharmaceuticals)
1) Therapeutic drugs
The Otsuka Group conducts research and development with a primary focus on addressing unmet medical needs in the areas of central nervous system and oncology. The Group also conducts research and development on cardiovascular, ophthalmology and other areas.

Research and development activities carried out during the fiscal year ended March 31, 2011 in the area of therapeutic drugs are summarized below.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	*E Keppra*	• In cooperation with UCB, the antiepileptic drug *E Keppra* received manufacturing and marketing approval in Japan in July 2010, and co-promotion with UCB Japan began in September 2010. • Phase III trials for generalized epileptic seizures and pediatric partial seizures began in Japan.
	ABLIFY	• In January 2011, an application was submitted in Japan for an additional indication for improving manic symptoms in bipolar disorder. • In February 2011, FDA approval was obtained in the U.S. for an additional indication for adjuvant therapy with either lithium or valproate in maintenance treatment of bipolar I disorder. • An independent data monitoring committee recommended early conclusion of phase III trials on intramuscular depot in the U.S., since the interim analysis results had reached the criteria for efficacy pre-established in the protocol. A new drug application will be submitted for this formulation to the FDA in 2011. • Phase III trials for intramuscular depot began in Japan. • Phase III trials for combination of aripiprazole and antidepressants for major depressive disorder began in the U.S. • Phase I trials for once-weekly tablet for Tourette syndrome began in the U.S.
	OPC-34712	• Phase II trials for depression and schizophrenia in the U.S. were concluded. Phase III trials are expected to begin in 2011. • Phase II trials for ADHD began in the U.S. • Phase I trials on schizophrenia patients in Japan were concluded. Preparation is underway for phase II trials.
Anti-cancer and cancer-supportive care	*Aloxi*	• 5-HT_3 receptor antagonist antiemetic *Aloxi* launched in Japan in April 2010.
	Cannabinoid	• Extension of cannabinoid research collaboration agreement with GW Pharmaceuticals (U.K.) was signed in June 2010.
	Abraxane	• Anti-cancer agent *Abraxane* launched in Japan in September 2010.
	SPRYCEL	• *SPRYCEL* is an anti-cancer agent, discovered by Bristol-Myers Squibb Company, and co-developed and co-promoted by Otsuka Pharmaceutical. An additional indication for *SPRYCEL* as a first line treatment for adult chronic-phase chronic myelogenous leukemia was approved in the U.S. in October and in the EU in December 2010.

Category	Brand Name / Generic Name / Development Code	Status
	TSU-68	• Phase III trials on hepatocellular carcinoma began in Japan, South Korea, and Taiwan. • Phase II trials on stomach cancer are in progress in Japan, phase II trials for colorectal cancer are in progress in South Korea, and phase I trials on non-small-cell lung cancer are in progress in Japan.
	OCV-101	• OCV-101 is an angiogenesis-inhibitor being developed collaboratively with Oncotherapy Science, Inc. The Phase-II study for treatment of pancreatic cancer has been initiated.
	TS-1 (name of product in EU submission: Teysuno)	• In March 2011, TS-1 was approved by the European Commission for first-line treatment of advanced gastric cancer in combination with cisplatin.
Cardiovascular	*Pletaal/Pletal*	• Results of CSPS 2 (Cilostazol Stroke Prevention Study 2), a large-scale clinical trial, were published in *The Lancet Neurology* in September 2010.
	SAMSCA	• Applications for hyponatremia filed in China and Canada. • Following launch in the U.S. and the EU, *SAMSCA Tablets 15 mg* was launched in Japan in December 2010.
Other categories (Ophthalmology and others)	OPA-6566	• Otsuka Pharmaceutical and Acucela Inc. entered into a definitive agreement in September 2010 to co-develop and co-promote OPA-6566, an adenosine A2a receptor agonist discovered and developed by Otsuka for the treatment of glaucoma, in the U.S., thereby strengthening the alliance with Acucela.
	Mucosta ophthalmic suspension	• Application filed in October 2010 for regulatory approval in Japan to manufacture and market *Mucosta* ophthalmic suspension for treatment of dry eye.
	L-Cartin Tablets	• *L-Cartin Tablets* was approved in Japan for carnitine deficiency in March 2011.

2) Clinical nutrition

Applications for *HEPAFILLED for Dialysis 150 Units/mL SYRINGE 20mL* and *HEPAFILLED for Dialysis 200 Units/mL SYRINGE 20mL* were submitted in Japan in June 2010. *Bicanate injection*, a bicarbonate-Ringer-solution, was launched in 500 mL formulation in October and 1,000 mL formulation in November. In March 2011, the blood substitute *Sodium Phosphate Correction Solution* was listed on Japan’s official drug price list.

3) Diagnostic

QUICKNAVI-RSV, which is an external-use diagnostic kit for respiratory syncytial virus, was launched in April 2010 and *RAPIRUN Pneumococcus*, which is a diagnostic kit for *Streptococcus pneumoniae*, was launched in October 2010. In addition, manufacturing and marketing authorization for *RAPIRUN H. Pylori Antibody Stick*, which is a diagnostic kit for *Helicobacter pylori*, was received in June 2010.

Research and development expenses for the pharmaceutical business were ¥153,302 million.

(Nutraceuticals**)**

In the nutraceutical business, the Otsuka Group is engaged in the research and development of functional food and beverages that support the maintenance and improvement of day-to-day well-being.

Research and development expenses for the nutraceutical business were ¥5,096 million.

(Consumer products)

In the consumer products business, the Otsuka Group is engaged in the research and development of original and unique products in the food and beverage field.

As a new introduction in retort pouched meals, the *My Size* brand was launched to meet the healthier diet needs.

Research and development expenses for the consumer products business were ¥452 million.

(Others)
Research and development expenses for other businesses were ¥5,656 million.

(3) Analysis of Financial Position

1) Assets

Total assets as of March 31, 2011 were ¥1,589,639 million, an increase of ¥131,263 million compared to ¥1,458,375 million at the end of the previous fiscal year. The increase was due to the ¥169,637 million increase in current assets, ¥38,380 million decrease in fixed assets and ¥7 million increase in deferred assets.

(Current Assets)
Total current assets as of March 31, 2011 were ¥921,153 million, an increase of ¥169,637 million compared to ¥751,515 million at the end of the previous fiscal year. The increase was due mainly to the ¥86,852 million increase in cash and deposits and ¥72,323 million increase in marketable securities as a result of the issuance of common stock and disposal of treasury stock related to the initial public offering.

(Fixed Assets)
Total fixed assets as of March 31, 2011 were ¥668,416 million, a decrease of ¥38,380 million compared to ¥706,797 million at the end of the previous fiscal year. The decrease was due mainly to the declines in foreign currency based fixed assets and investments in equity method affiliated companies in yen terms resulting from the effect of the appreciation of the yen.

2) Liabilities

(Current Liabilities)
Total current liabilities as of March 31, 2011 were ¥275,559 million, a decrease of ¥36,250 million compared to ¥311,809 million at the end of the previous fiscal year. The decrease was due mainly to the ¥22,030 million decrease in income taxes payable. The prior year balance included income tax related to the $400 million payment received from Bristol-Myers Squibb Company as part of the extension of the U.S. portion of the development and commercialization collaboration agreement for Abilify. Short-term borrowings also decreased by ¥9,502 million as a result of repayment of debts.

(Fixed Liabilities)
Total fixed liabilities as of March 31, 2011 were ¥150,832 million, a decrease of ¥47,276 million compared to ¥198,109 million at the end of the previous fiscal year. The decrease was due mainly to the ¥33,624 million decrease in long-term debt as a result of repayment and reclassification to short-term borrowings, and ¥7,607 million decrease in other fixed liabilities. In April 2009, the Group and Bristol-Myers Squibb Company agreed to extend the U.S. portion of the development and commercialization collaboration agreement for Abilify. Under the terms of the agreement, the Group received $400 million, which was recorded as unearned revenues and is being amortized as revenue over the period beginning January 2010 to April 2015. The decrease in other fixed liabilities was a result of the reclassification of the current portion (revenues to be recognized within a year) from fixed liabilities to current liabilities.

3) Net Assets

Total net assets as of March 31, 2011 was ¥1,163,247 million, an increase of ¥214,791 million compared to ¥948,456 million at the end of the previous fiscal year. The increase was due mainly to the ¥38,744 million increases in common stock and capital surplus as a result of the issuance of new shares related to the initial public offering, and the ¥39,412 million increase in capital surplus and ¥45,354 million decrease in treasury stock as a result of the disposal of treasury stock related to the initial public offering.

(4) Analysis of Cash Flows

Cash and cash equivalents increased by ¥66,019 million during the fiscal year ended March 31, 2011 to ¥387,325 million. Net cash provided by operating activities and financing activities were ¥86,393 million and ¥113,655 million, respectively, while net cash used in investing activities was ¥130,878 million.

(Cash Flows from Operating Activities)
Net cash provided by operating activities was ¥86,393 million in the fiscal year ended March 31, 2011, a decrease of ¥87,115 million, compared to ¥173,508 million in the previous fiscal year. Although income before income taxes and minority interests increased by ¥19,335 million to ¥121,274 million, this was offset by the increase in trade receivables (¥16,557 million) and the decrease in long-term unearned revenue (¥7,321 million) as well as the ¥59,569 million income tax payment (income tax payment in the previous year was ¥27,677 million.)

(Cash Flows from Investing Activities)
Net cash used in investing activities was ¥130,878 million in the fiscal year ended March 31, 2011, an increase of ¥71,864 million, compared to the previous fiscal year. Investing activities during the fiscal year ended March 31, 2011 included ¥34,756 million in purchases of property, plant and equipment, ¥33,195 million in purchases of investment securities, ¥27,732 million in proceeds from sales and redemption of investment securities, ¥2,099 million in proceeds from the spin-off of the AgriTechno business and ¥96,936 million in payments into time deposits using mainly part of the proceeds from the initial public offering.

Purchases of property, plant and equipment included the development of a new research center and pharmaceutical manufacturing facility in Japan and a new Pocari Sweat production facility in Indonesia.

(Cash Flows from Financing Activities)

Net cash provided by financing activities was ¥113,655 million in the fiscal year ended March 31, 2011, an increase of ¥141,794 million, compared to the previous fiscal year. Financing activities during the fiscal year ended March 31, 2011 included ¥33,647 million in repayments of long-term debt and ¥77,489 million in proceeds from issuance of common stock and ¥85,246 million in proceeds from disposal of treasury stock as a result of the initial public offering.

(Cash Flow Indicator Ratios)

	FY2008	FY2009	FY2010
Equity ratio	62.3%	64.2%	72.4%
Market capitalization to total assets ratio	-	-	72.1%
Cash flow to debt ratio	66.0%	62.5%	70.1%
Interest coverage ratio	75.0	63.5	84.1

Equity ratio: total shareholders' equity/total assets
Market capitalization to total assets ratio: total market capitalization/total assets
Cash flow to debt ratio: interest-bearing debt/cash flow
Interest coverage ratio: cash flow/interest paid

(Notes)

1. All indicator ratios are calculated on a consolidated basis
2. Total market capitalization is calculated based on the outstanding shares (excluding treasury shares) and the closing market price at fiscal year-end
3. Cash flow equals net cash provided by operating activities, less interest expense and income taxes paid.
4. Interest-bearing debt includes all liabilities reported on the consolidated balance sheet which is subject to interest payments. Interest paid represents the amount of interest payment as reported on the consolidated statement of cash flow.
5. Market capitalization to total assets ratio is not available for FY2008 and FY2009 as the Company was not publicly listed and the share price information was undeterminable.

(5) Basic Policy for Profit Distribution and Dividends for FY2010 and FY2011

The Company views the distribution of profits to shareholders as one of the key management issues. Our basic policy regarding profit distribution is to provide a stable profit distribution in line with the profit level while securing an appropriate amount of internal reserve necessary for future growth and to react to changes in the business environment.

Based on this policy, the Company plans to pay a dividend of ¥28 per share for the fiscal year ended March 31, 2011. As a result, the planned consolidated payout ratio for the fiscal year ended March 31, 2011 is 17.3%.

For FY2011, the Company plans to pay an annual dividend of ¥45 per share (of which ¥20 is planned as interim dividend and ¥25 as year-end dividend.)

2. Group Overview

The Otsuka Group consists of Otsuka Holdings Co., Ltd., its 121 subsidiaries and 29 affiliates. Otsuka is a globally operating diversified healthcare group engaged in pharmaceuticals, nutraceuticals, consumer products and other, which includes logistical services, optical inspection and measurement equipments and chemicals.

As the Group's holding company, Otsuka Holdings directs the group's strategic planning, monitors group operations and provides various services to its group companies.

The group companies in their respective business segments are as follows:

(Pharmaceutical Segment)

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc. and Taiho Pharmaceutical Co., Ltd. are mainly responsible for the sales of pharmaceutical products in Japan while Otsuka America Pharmaceutical, Inc. and Otsuka Pharmaceutical Europe Ltd. are mainly responsible for the sales of pharmaceutical products outside Japan.

In the therapeutic area, Otsuka Pharmaceutical Co., Ltd. and Taiho Pharmaceutical Co., Ltd. are responsible for the manufacture and sales in Japan. Otsuka Pharmaceutical Co., Ltd. also exports pharmaceutical products to Otsuka America Pharmaceutical, Inc., Otsuka Pharmaceutical Europe Ltd. and other group companies. In the clinical nutrition area, manufacturing and sales are conducted locally. Otsuka Pharmaceutical Factory, Inc. and EN Otsuka Pharmaceutical Co., Ltd. are mainly responsible for the manufacture and sales in Japan. Other territories include China, Indonesia and Egypt. Research and development activities are conducted mainly in Japan and the US. Otsuka Pharmaceutical Co., Ltd. outsources part of its development activities to its US subsidiaries, Otsuka Pharmaceutical Development & Commercialization, Inc. and Otsuka Maryland Medicinal Laboratories, Inc. and other group companies.

(Nutraceutical Segment)

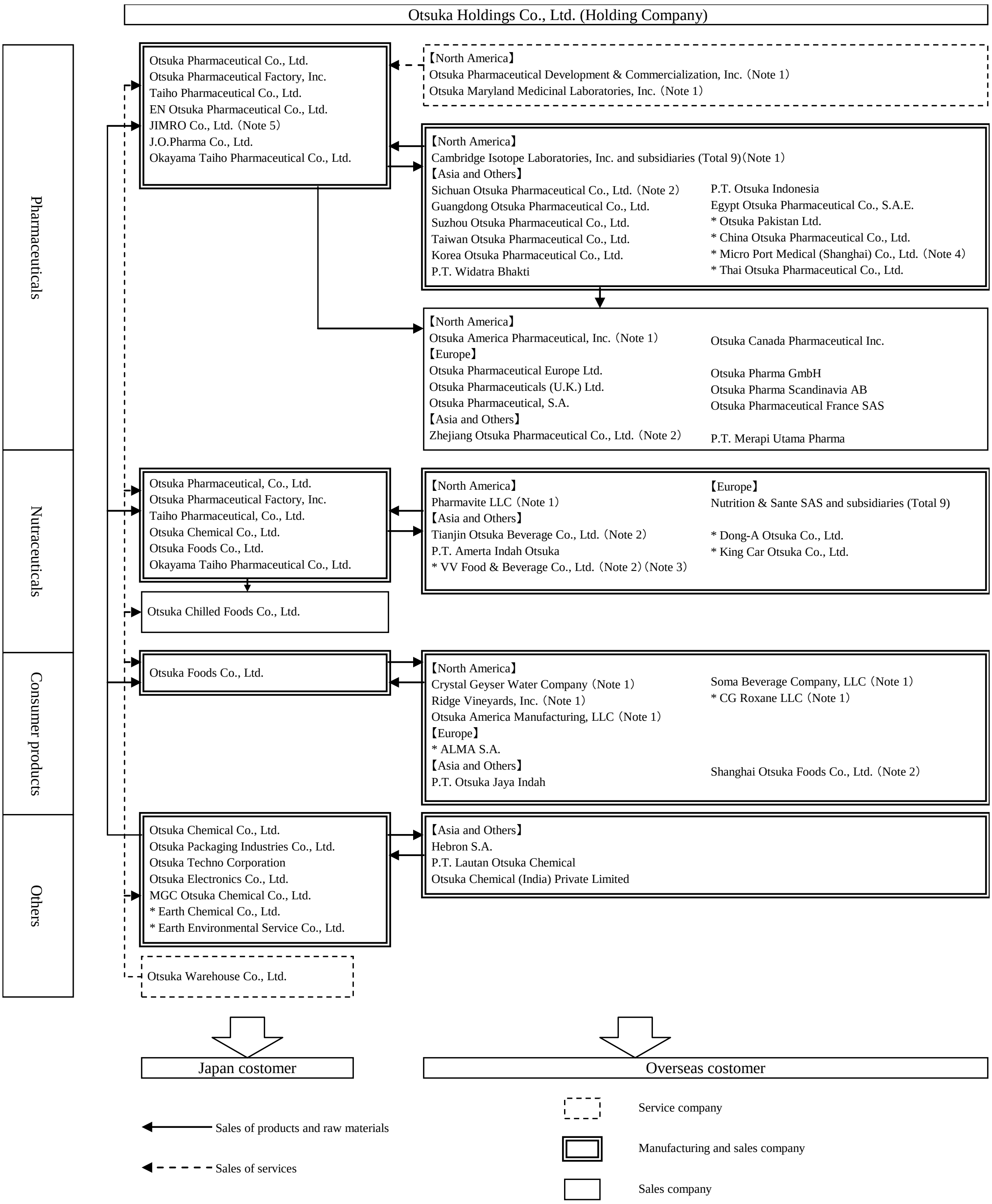
Otsuka Pharmaceutical Co., Ltd. and Taiho Pharmaceutical Co., Ltd. are mainly responsible for the manufacture and sales of nutraceutical products in Japan while Pharmavite LLC, P.T. Amerta Indah Otsuka, Nutrition & Sante SAS, VV Food & Beverage Co., Ltd. are mainly responsible for the manufacture and sale of nutraceutical products outside Japan. Otsuka Pharmaceutical Co., Ltd. purchases part of its products from other consolidated subsidiaries, including Otsuka Pharmaceutical Factory, Inc., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd. and Pharmavite LLC.

(Consumer Product Segment)

Otsuka Foods Co., Ltd. is responsible for the manufacture and sales of consumer products in Japan while CG Roxane LLC and ALAM S.A. are mainly responsible for the manufacture and sale of mineral water outside Japan.

(Other Segment)

Otsuka Chemical Co., Ltd. is responsible for the manufacture and sales of chemical products and Otsuka Electronics Co., Ltd. is responsible for the manufacture, sale and import of optical inspection and measurement devices. Otsuka Packaging Industries Co., Ltd. conducts printing and packaging and Otsuka Techno Corporation manufactures plastic containers for intravenous solutions and other pharmaceutical products on behalf of the domestic group companies. Otsuka Warehouse Co., Ltd. provides logistical services to Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd. and other domestic group companies.



Note
1. Shares held by the holding company, Otsuka America, Inc.
2. Shares held by the holding company, Otsuka (China) Investment Co., Ltd.
3. Shares held by the holding company, Giant Harvest Limited
4. Shares held by the holding company, Microport Scientific Corporation
5. Otsuka Medical Devices Co., Ltd. was established as the holding company of the medical device business companies. On April 1, 2011, by means of an absorption-type company split (“Kyushu-bunkatsu”), Otsuka Holdings Co., Ltd. and Otsuka Pharmaceutical Co., Ltd. transferred part of its shareholdings in the medical device business companies to Otsuka Medical Devices Co., Ltd.

3. Management Policy

(1) Basic Management Policy

Based on our corporate philosophy "Otsuka-people creating new products for better health worldwide", we strive to develop innovative, original products that enable people around the world to lead healthier lives.

To accomplish this, we are focused on our two main businesses: Pharmaceuticals, where we meet the entire range of medical needs from diagnosis to treatment of medical disorders; and Nutraceuticals, where we help people to maintain and improve their daily health and well-being. As a corporate group in the comprehensive healthcare business, our mission is to discover and develop original technologies and solutions and deliver the resulting products and services to the people who need them.

(2) Target Management Indicators

To sustain the Group's growth, management recognizes the importance of efficiency in its invested capital. The Group thus considers ROE as an important management indicator in addition to operating margin and net income.

(3) First Medium-Term Management Plan for FY2011 to FY2013

Based on the corporate philosophy "Otsuka-people creating new products for better health worldwide", the Group has established initiatives to be implemented during the fiscal years 2011 to 2013. Details of these initiatives will be available in the First Medium-Term Management Plan for FY2011 to FY2013, which is scheduled to be announced on May 16, 2011.

(4) Key Issues to be Addressed

The Otsuka Group was listed on the First Section of the Tokyo Stock Exchange in December 2010. From here on, Otsuka will build up its infrastructure as a public company, make efforts to strengthen its internal controls systems, and ensure the timely and appropriate disclosure of information. Moreover, Otsuka will further reinforce its crisis management system through verification of the Group's handling of the recent earthquake.

The Otsuka Group is proceeding with specific initiatives with the aim of fulfilling its corporate philosophy of "Otsuka-people creating new products for better health worldwide."

The Group will pursue further global expansion led by the two core businesses: the pharmaceutical business, which contributes to the diagnosis and treatment of disease, and the nutraceutical business, which supports the maintenance and enhancement of day-to-day wellbeing.

A. Delivering value and maximizing earnings in the pharmaceutical business

- In the *ABILIFY* business, product value will be maximized through continuous research and development, such as the development of the intramuscular depot formulation, once weekly tablet, and combination drug. Income will also be maximized through a change in profit sharing based on the amended contract with Bristol-Myers Squibb Company.
- In the field of anti-cancer and cancer-supportive care, product lineup will be enhanced in the areas of metabolic antagonists, molecular-targeted agents, cancer vaccines, and supportive care in an effort to expand business in a manner that covers the entire spectrum of cancer treatment.
- Further growth will be pursued through the cultivation of new products *SAMSCA* and *E Keppra* and through the launch and cultivation of new ophthalmologic drugs such as *Mucosta* ophthalmic suspension, which is currently in the development stage.

B. Expansion and profit growth in the nutraceutical business

- Global development will be accelerated by focusing corporate resources on the growth of global strategic products *Pocari Sweat* and *SOYJOY* in the growing Asian markets and by expanding the *SOYJOY* business in the EU.
- Existing brands will continue to be strengthened while the new product *SOYSH* will be built into a core brand.
- Improvement in profitability will be pursued through focus on promotional activities emphasizing the core concept of the products as well as ongoing review of the cost structure.

C. Strategic initiatives for future growth

- The medical device business will be built into one of Otsuka Group's core businesses, led by Otsuka Medical Devices Co., Ltd., which was established in February 2011.
- The Otsuka Group will develop and globally promote soy products based on the *Soylution* concept, which takes soy, a familiar and highly nutritious food, as the solution to our 21st century health, nutrition, and environment issues. Going forward, development of the soy business will be accelerated and it will be built into one of Otsuka Group's core businesses.
- The Otsuka Group will pursue sustainable growth through continuous evaluation of its business model, personnel development and efficient use of its resources.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
ASSETS		
Current assets		
Cash and deposits	300,668	387,520
Notes and accounts receivable-trade	231,734	239,554
Marketable securities	50,211	122,535
Finished products and merchandise	64,163	62,300
Work-in process	22,948	23,613
Raw materials and supplies	28,308	28,948
Deferred tax assets	28,290	24,632
Other current assets	25,588	32,397
Allowance for doubtful receivables	(397)	(350)
Total current assets	751,515	921,153
Fixed assets		
Tangible fixed assets		
Buildings and structures	275,703	280,699
Accumulated depreciation	(175,960)	(179,682)
Buildings and structures, net	99,743	101,017
Machinery and equipment	271,308	276,332
Accumulated depreciation	(217,705)	(222,831)
Machinery and equipment, net	53,603	53,501
Furniture and fixtures	66,232	69,017
Accumulated depreciation	(54,799)	(58,236)
Furniture and fixtures, net	11,433	10,781
Land	75,816	74,925
Lease assets	16,159	18,251
Accumulated depreciation	(5,920)	(7,966)
Lease assets, net	10,238	10,285
Construction in progress	10,099	6,321
Total tangible fixed assets	260,935	256,832
Intangible fixed assets		
Goodwill	44,751	41,444
Other intangible fixed assets	43,647	35,643
Total intangible fixed assets	88,399	77,088
Investments and other assets		
Investment securities	278,522	261,203
Investments in capital	24,349	22,009
Long-term loans receivable	3,335	600
Deferred tax assets	33,974	32,245
Other assets	20,012	21,347
Allowance for investment loss	(2,445)	(2,818)
Allowance for doubtful receivables	(286)	(92)
Total investments and other assets	357,463	334,495
Total fixed assets	706,797	668,416
Deferred assets	62	69
Total assets	1,458,375	1,589,639

	As of March 31, 2010	As of March 31, 2011
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	93,967	88,113
Short-term borrowings	62,707	53,205
Lease obligations	3,592	3,370
Income taxes payable	35,331	13,301
Reserve for bonuses	16,153	15,878
Provision for directors’ bonuses	289	312
Provision for sales returns	160	143
Other current liabilities	99,606	101,233
Total current liabilities	311,809	275,559
Long-term liabilities		
Long-term debt	62,388	28,763
Lease obligations	7,601	7,062
Deferred tax liabilities	13,193	10,796
Liability for employees’ retirement benefits	45,081	44,333
Retirement benefits for directors and corporate auditors	3,313	3,416
Negative goodwill	31,397	28,933
Other long-term liabilities	35,133	27,526
Total long-term liabilities	198,109	150,832
Total liabilities	509,919	426,392
NET ASSETS		
Shareholders’ equity		
Common stock	42,946	81,690
Capital surplus	432,482	510,639
Retained earnings	532,032	605,882
Treasury stock	(45,354)	(4)
Total shareholders’ equity	962,105	1,198,208
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	4,258	358
Deferred loss on derivatives under hedge accounting	(14)	(3)
Foreign currency translation adjustments	(30,059)	(48,438)
Total accumulated other comprehensive income	(25,816)	(48,084)
Stock acquisition rights	-	464
Minority interests	12,166	12,658
Total net assets	948,456	1,163,247
Total liabilities and net assets	1,458,375	1,589,639

(2) Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statements of Income)

(Millions of yen)

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net sales	1,084,291	1,090,212
Cost of sales	356,607	367,092
Gross profit	727,683	723,120
Selling, general and administrative expenses		
Promotion expenses	198,682	167,714
Salaries and bonuses	77,915	78,719
Reserve for bonuses	9,888	9,434
Retirement benefit expenses	7,891	6,989
Provision for directors' and corporate auditors' retirement benefits	711	600
Provision for directors' bonuses	289	312
Depreciation	14,661	13,836
Amortization of goodwill	4,284	4,614
Research and development expenses	151,848	164,507
Other	163,028	158,887
Total selling, general and administrative expenses	629,202	605,617
Operating income	98,481	117,502
Non-operating income		
Interest income	1,380	1,280
Dividend income	1,568	1,219
Amortization of negative goodwill	2,464	2,495
Equity in earnings of unconsolidated subsidiaries and affiliates	4,922	3,308
Revenues related to extension of co-promotion agreement	1,830	7,321
Other	2,693	1,957
Total non-operating income	14,859	17,583
Non-operating expenses		
Interest expenses	3,167	1,481
Foreign exchange loss, net	595	5,731
IPO expenses	-	777
Other	519	577
Total non-operating expenses	4,282	8,567
Ordinary income	109,057	126,518
Extraordinary income		
Gain on sales of fixed assets	43	225
Gain on change in equity interest	-	5,571
Subsidy income	237	41
Other	89	71
Total extraordinary income	370	5,909

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Extraordinary loss		
Loss on retirement of fixed assets	1,121	872
Impairment loss	2,359	2,642
Loss on valuation of investment securities	1,559	1,900
Provision of allowance for investment loss	1,458	632
Effect of adoption of accounting standard for asset retirement obligations	-	426
Loss on transfer of business	-	1,900
Disaster related loss	-	1,840
Other	988	936
Total extraordinary loss	7,488	11,153
Income before income taxes and minority interests	101,939	121,274
Income taxes		
Current	52,642	33,197
Deferred	(19,157)	5,511
Total income taxes	33,485	38,708
Income before minority interests	-	82,565
Minority interests in net income	1,011	1,564
Net income	67,443	81,001

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Income before minority interests	-	82,565
Other comprehensive income		
Unrealized loss on available-for-sale securities	-	(3,851)
Deferred gain on derivatives under hedge accounting	-	11
Foreign currency translation adjustments	-	(10,726)
Share of other comprehensive income of equity method affiliates	-	(8,140)
Total other comprehensive income	-	(22,706)
Total comprehensive income	-	59,859
Total comprehensive income attributable to owners of the parent		58,902
Total comprehensive income attributable to minority interests		956

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Shareholders' Equity		
Common stock		
Beginning balance	42,946	42,946
Changes during the period		
Issuance of new shares	-	38,744
Total changes during the period	-	38,744
Ending balance	42,946	81,690
Capital surplus		
Beginning balance	355,816	432,482
Changes during the period		
Stock-for-stock exchanges	76,665	-
Issuance of new shares	-	38,744
Disposal of treasury stock	-	39,412
Total changes during the period	76,665	78,157
Ending balance	432,482	510,639
Retained earnings		
Beginning balance	468,065	532,032
Changes during the period		
Change in scope of consolidation	2,403	(1,193)
Dividends from surplus	(5,879)	(5,956)
Net income	67,443	81,001
Total changes during the period	63,967	73,850
Ending balance	532,032	605,882
Treasury stock		
Beginning balance	(22,073)	(45,354)
Changes during the period		
Stock-for-stock exchanges	(23,271)	-
Disposal of treasury stock	-	45,354
Purchase of treasury stock	(8)	(4)
Total changes during the period	(23,280)	45,350
Ending balance	(45,354)	(4)
Total shareholders' equity		
Beginning balance	844,753	962,105
Changes during the period		
Change in scope of consolidation	2,403	(1,193)
Stock-for-stock exchanges	53,393	-
Dividends from surplus	(5,879)	(5,956)
Issuance of new shares	-	77,489
Disposal of treasury stock	-	84,766
Purchase of treasury stock	(8)	(4)
Net income	67,443	81,001
Total changes during the period	117,352	236,102
Ending balance	962,105	1,198,208
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities		
Beginning balance	(715)	4,258
Changes during the period		
Net changes in items other than shareholders' equity	4,974	(3,900)
Total changes during the period	4,974	(3,900)
Ending balance	4,258	358

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Deferred loss on derivatives under hedge accounting		
Beginning balance	-	(14)
Changes during the period		
Net changes in items other than shareholders' equity	(14)	11
Total changes during the period	(14)	11
Ending balance	(14)	(3)
Foreign currency translation adjustments		
Beginning balance	(34,608)	(30,059)
Changes during the period		
Net changes in items other than shareholders' equity	4,548	(18,379)
Total changes during the period	4,548	(18,379)
Ending balance	(30,059)	(48,438)
Total accumulated other comprehensive income		
Beginning balance	(35,324)	(25,816)
Changes during the period		
Net changes in items other than shareholders' equity	9,507	(22,268)
Total changes during the period	9,507	(22,268)
Ending balance	(25,816)	(48,084)
Stock acquisition rights		
Beginning balance	-	-
Changes during the period		
Net changes in items other than shareholders' equity	-	464
Total changes during the period	-	464
Ending balance	-	464
Minority interests		
Beginning balance	54,385	12,166
Changes during the period		
Net changes in items other than shareholders' equity	(42,218)	491
Total changes during the period	(42,218)	491
Ending balance	12,166	12,658
Total Net Assets		
Beginning balance	863,815	948,456
Changes during the period		
Change in scope of consolidation	2,403	(1,193)
Stock-for-stock exchanges	53,393	-
Dividends from surplus	(5,879)	(5,956)
Issuance of new shares	-	77,489
Disposal of treasury stock	-	84,766
Purchase of treasury stock	(8)	(4)
Net income	67,443	81,001
Net changes in items other than shareholders' equity	(32,711)	(21,311)
Total changes during the period	84,641	214,791
Ending balance	948,456	1,163,247

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2009 (From April 1, 2009 to March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Operating activities:		
Income before income taxes and minority interests	101,939	121,274
Depreciation and amortization	42,796	42,968
Impairment loss	2,359	2,642
Amortization of goodwill	1,820	2,118
Increase in liability for employees' retirement benefits	4,215	309
Decrease in allowance for doubtful receivables	(26)	(143)
Interest and dividend income	(2,949)	(2,500)
Interest expense	3,167	1,481
Equity in earnings of unconsolidated subsidiaries and affiliates	(4,922)	(3,308)
Gain on change in equity interest	-	(5,565)
Loss on transfer of business	-	1,900
Decrease (increase) in account receivables-trade	193	(16,557)
Increase in inventories	(7,375)	(7,285)
Increase in account payables-trade	5,296	1,928
Increase (decrease) in long-term unearned revenues	29,896	(7,321)
Other, net	19,096	8,044
Subtotal	195,507	139,986
Interest and dividends received	8,895	7,732
Interest paid	(3,216)	(1,756)
Income taxes paid	(27,677)	(59,569)
Net cash provided by operating activities	173,508	86,393
Investing activities:		
Purchases of property, plant and equipment	(39,719)	(34,756)
Proceeds from sales of property, plant and equipment	158	494
Purchases of investment securities	(28,764)	(33,195)
Proceeds from sales and redemptions of investment securities	15,718	27,732
Payments for investments in capital	-	(1,794)
Proceeds from transfer of business	-	2,099
Payments of loans receivables	(1,367)	(249)
Proceeds from collection of loans receivables	111	410
Payments into time deposits	(8,996)	(96,936)
Proceeds from withdrawal of time deposits	8,704	11,157
Other, net	(4,858)	(5,840)
Net cash used in investing activities	(59,014)	(130,878)
Financing activities:		
Increase (decrease) in short-term debt-net	13,468	(6,645)
Proceeds from long-term debt	3,472	2,430
Repayments of long-term debt	(27,607)	(33,647)
Redemption of bonds	(7,591)	-
Proceeds from issuance of common stock	-	77,489
Proceeds from disposal of treasury stock	-	85,246
Dividends paid	(5,879)	(5,957)
Dividends paid to minority interest in consolidated subsidiaries	(914)	(359)
Other, net	(3,087)	(4,900)
Net cash used in financing activities	(28,139)	113,655
Foreign currency translation adjustments on cash and cash equivalents	958	(4,689)
Net increase in cash and cash equivalents	87,313	64,481
Cash and cash equivalents, beginning of period	230,104	321,306
Increase in cash and cash equivalents resulting from change in scope of consolidation	3,889	1,538
Cash and cash equivalents, end of period	321,306	387,325

(5) Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
1. Scope of Consolidation	(1) Consolidated subsidiaries: 65 Significant consolidated subsidiaries Otsuka Pharmaceutical Co., Ltd. Otsuka Pharmaceutical Factory, Inc. Taiho Pharmaceutical Co., Ltd. Otsuka Warehouse Co., Ltd. Otsuka Electronics Co., Ltd. Otsuka Chemical Co., Ltd. Otsuka Foods Co., Ltd. Otsuka America, Inc. Otsuka America Pharmaceutical, Inc. Pharmavite LLC P.T. Amerta Indah Otsuka Nutrition & Sante SAS	(1) Consolidated subsidiaries: 69 Significant consolidated subsidiaries: Otsuka Pharmaceutical Co., Ltd. Otsuka Pharmaceutical Factory, Inc. Taiho Pharmaceutical Co., Ltd. Otsuka Warehouse Co., Ltd. Otsuka Electronics Co., Ltd. Otsuka Chemical Co., Ltd. Otsuka Foods Co., Ltd. Otsuka America, Inc. Otsuka America Pharmaceutical, Inc. Pharmavite LLC P.T. Amerta Indah Otsuka Nutrition & Sante SAS
	Okayama Taiho Pharmaceutical Co., Ltd., MGC Otsuka Chemical Co., Ltd., Otsuka Pharmaceutical France SAS and six other companies were newly included in the scope of consolidation from the fiscal year ended March 31, 2010 due to the increase in materiality.	Suzhou Otsuka Pharmaceutical Co., Ltd. was newly included in the scope of consolidation from the fiscal year ended March 31, 2011 due to the increase in materiality.
	On June 30, 2009, Otsuka Chemical Holdings Co., Ltd. merged with Otsuka Chemical Co., Ltd., with Otsuka Chemical Holdings Co., Ltd. as the surviving corporation. The company name was subsequently changed to Otsuka Chemical Co., Ltd.	Three new subsidiaries, Otsuka Canada Pharmaceutical, Inc., Otsuka America Manufacturing, LLC, and Otsuka Medical Devices Co., Ltd., were established and newly included in the scope of consolidation from the fiscal year ended March 31, 2011.
	On September 1, 2009, Otsuka Foods Co., Ltd. merged with Gunma Otsuka Foods Co., Ltd. with Otsuka Foods Co., Ltd. as the surviving corporation.	
	Financiere Nardobel SAS and its 5 subsidiaries went through a series of corporate reorganizations in the fiscal year ended March 31, 2010, with Nutrition & Sante SAS, Nardobel SAS and Nutrition & Sante Iberia SL as the surviving corporations.	
	On January 1, 2010, Otsuka Foods Co., Ltd. merged with Otsuka Beverages Co., Ltd., with Otsuka Foods Co., Ltd. as the surviving corporation.	

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
1. Scope of Consolidation	(2) Non-consolidated subsidiaries Significant non-consolidated subsidiaries: Otsuka Pakistan Ltd. Otsuka Pharmaceutical (H.K.) Ltd. Interpharma Praha, a.s. Non-consolidated subsidiaries are small in size and the aggregate total assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.	(2) Non-consolidated subsidiaries Significant non-consolidated subsidiaries: Otsuka Pakistan Ltd. Otsuka Pharmaceutical (H.K.) Ltd. Interpharma Praha, a.s. Non-consolidated subsidiaries are small in size and the aggregate total assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.
2. Application of the Equity Method	(1) Non-consolidated subsidiary accounted for by the equity method Otsuka Pakistan Ltd. (2) Affiliated companies accounted for by the equity method: 11 Significant companies: Earth Chemical Co., Ltd. ALMA S.A. CG Roxane LLC VV Food & Beverage Co., Ltd. China Otsuka Pharmaceutical Co., Ltd. (3) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method Significant companies: Otsuka Pharmaceutical (H.K.) Ltd. Interpharma Praha, a.s. Based on the Company's ownership share of net income and retained earnings, and other factors, non-consolidated subsidiaries and affiliated companies that have not been accounted for by the equity method do not have a material effect on the consolidated financial statements. (4) The fiscal year end date of certain companies accounted for by the equity method are different from the consolidated fiscal year end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end date. The fiscal year of Otsuka Pakistan Ltd. ends on June 30. The tentative financial statements as of December 31 are used for the preparation of the consolidated financial statements.	(1) Non-consolidated subsidiary accounted for by the equity method Otsuka Pakistan Ltd. (2) Affiliated companies accounted for by the equity method: 11 Significant companies: Earth Chemical Co., Ltd. ALMA S.A. CG Roxane LLC VV Food & Beverage Co., Ltd. China Otsuka Pharmaceutical Co., Ltd. (3) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method Significant companies: Otsuka Pharmaceutical (H.K.) Ltd. Interpharma Praha, a.s. Based on the Company's ownership share of net income and retained earnings, and other factors, non-consolidated subsidiaries and affiliated companies that have not been accounted for by the equity method do not have a material effect on the consolidated financial statements. (4) The fiscal year end date of certain companies accounted for by the equity method are different from the consolidated fiscal year end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end date. The fiscal year of Otsuka Pakistan Ltd. ends on June 30. The tentative financial statements as of December 31 are used for the preparation of the consolidated financial statements.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
3. Fiscal Year End Date of Consolidated Subsidiaries	Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd. and ten other subsidiaries have a fiscal year ending March 31. Other than Giant Harvest Limited which has a fiscal year ending July 31, 50 other consolidated subsidiaries have a fiscal year ending December 31. In preparing the consolidated financial statements, other than Giant Harvest Limited, the Company uses the financial statements as of the subsidiary's respective fiscal year end date. The Company uses the tentative financial statements as of January 31 for Giant Harvest Limited. For major transactions which occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.	Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd. and eleven other subsidiaries have a fiscal year ending March 31. Other than Giant Harvest Limited which has a fiscal year ending July 31, 53 other consolidated subsidiaries have a fiscal year ending December 31. In preparing the consolidated financial statements, other than Giant Harvest Limited, the Company uses the financial statements as of the subsidiary's respective fiscal year end date. The Company uses the tentative financial statements as of January 31 for Giant Harvest Limited. For major transactions which occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.
4. Accounting Standards (1) Valuation of major assets		
a. Inventories	Finished products, work-in-process and raw materials are valued at the lower of cost or net selling value, determined mainly by the gross average method. Merchandise and supplies are valued at the lower of cost or net selling value, determined mainly by the first-in, first-out method.	Finished products, work-in-process and raw materials are valued at the lower of cost or net selling value, determined mainly by the gross average method. Merchandise and supplies are valued at the lower of cost or net selling value, determined mainly by the first-in, first-out method.
b. Securities	Held-to-maturity securities are valued at amortized cost (straight-line method.) Marketable securities classified as available-for-sale are valued at fair value with unrealized gain or losses, net of applicable taxes, stated in a separate component of equity and cost of security sold is primarily calculated using the moving average method. Non-marketable securities classified as available-for-sale are valued at cost, determined mainly by the moving average method.	Held-to-maturity securities are valued at amortized cost (straight-line method.) Marketable securities classified as available-for-sale are valued at fair value with unrealized gain or losses, net of applicable taxes, stated in a separate component of equity and cost of security sold is primarily calculated using the moving average method. Non-marketable securities classified as available-for-sale are valued at cost, determined mainly by the moving average method.
c. Derivatives	Derivatives are valued at fair value.	Derivatives are valued at fair value.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
(2) Method of Depreciation for Major Fixed Assets		
a. Tangible fixed assets (excluding lease assets)	The Company and its domestic subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April, 1998, the straight-line method is employed. Foreign consolidated subsidiaries outside Japan primarily use the straight-line method. Estimated useful lives for the major fixed assets are as follows: Buildings and structures: 3-65 years Machinery and equipment: 2-25 years Prior to April 1, 2009, art ceramics were classified as non-depreciable assets due to their scarcity and lack of physical deprecation. Technological advances in the field of art ceramics have made the recognition of functional depreciation possible. As a result, the company has begun depreciation for art ceramics by the declining-balance method effective April 1, 2009. The effect of this change was to increase depreciation expense by ¥707 million and decrease operating income, ordinary income and income before income taxes and minority interests by the same amount. Effective April 1, 2009, art ceramics are classified mainly as buildings and structures. The balance in the art ceramics account at March 31, 2009 was ¥13,092 million and was reclassified from “Other property, plant and equipment” to “Buildings and structures” in the consolidated balance sheet. Please see (9) Notes to Consolidated Financial Statements for the effect on the segment information.	The Company and its domestic subsidiaries primarily use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April, 1998, the straight-line method is employed. Foreign consolidated subsidiaries outside Japan primarily use the straight-line method. Estimated useful lives for the major fixed assets are as follows: Buildings and structures: 3-65 years Machinery and equipment: 2-25 years
b. Intangible fixed assets (excluding lease assets)	The Company mainly uses the straight-line method over their estimated useful lives. Software for internal use are depreciated by the straight-line method based on internal guidelines (3 to 5 years.)	The Company mainly uses the straight-line method over their estimated useful lives. Software for internal use are depreciated by the straight-line method based on internal guidelines (3 to 5 years.)
c. Lease assets	The Company uses the straight-line method over the terms of their respective leases with a zero residual value.	The Company uses the straight-line method over the terms of their respective leases with a zero residual value.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
(3) Major reserves a. Allowance for doubtful receivables	To protect against potential losses from uncollectable notes and accounts receivables, a provision is made on general receivables based on historical rates and specific cases are evaluated individually.	To protect against potential losses from uncollectable notes and accounts receivables, a provision is made on general receivables based on historical rates and specific cases are evaluated individually.
b. Reserve for employees' bonuses	To appropriate funds for the payment of bonuses to employees, the Company and its domestic subsidiaries set up a reserve in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.	To appropriate funds for the payment of bonuses to employees, the Company and its domestic subsidiaries set up a reserve in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.
c. Provision for directors' bonuses	To appropriate funds for the payment of bonuses to directors, the Company and its certain domestic subsidiaries set up a provision in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.	To appropriate funds for the payment of bonuses to directors, the Company and its certain domestic subsidiaries set up a provision in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.
d. Provision for sales returns	To protect against potential losses from sales returns, certain domestic subsidiaries set up a provision based on historical return rates and profit margins.	To protect against potential losses from sales returns, certain domestic subsidiaries set up a provision based on historical return rates and profit margins.
e. Liability for employees' retirement benefits	To prepare for payments of retirement benefits to employees, provisions have been made based on an estimate of the projected retirement benefit obligation and the fair value of the pension fund assets. Transitional provisions are recognized as an expense on a straight-line basis over 5 to 15 years. Prior service cost is amortized by the straight-line method over a fixed number of years (5 to 23 years) which is within the average remaining service period at the time of occurrence. Unrecognized net actuarial gains and losses are amortized starting in the period following the period of occurrence, by the straight-line method over a fixed number of years (5 to 15 years) which is within the average remaining service period at the time of occurrence.	To prepare for payments of retirement benefits to employees, provisions have been made based on an estimate of the projected retirement benefit obligation and the fair value of the pension fund assets. Transitional provisions are recognized as an expense on a straight-line basis over 5 to 15 years. Prior service cost is amortized by the straight-line method over a fixed number of years (5 to 23 years) which is within the average remaining service period at the time of occurrence. Unrecognized net actuarial gains and losses are amortized starting in the period following the period of occurrence, by the straight-line method over a fixed number of years (5 to 15 years) which is within the average remaining service period at the time of occurrence.
f. Retirement benefits for directors and corporate auditors	Retirement benefits for directors and corporate auditors of certain consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.	Retirement benefits for directors and corporate auditors of certain consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date.
g. Allowance for investment loss	To protect against potential future losses on non-marketable securities, the Company recognizes a reserve as deemed necessary.	To protect against potential future losses on non-marketable securities, the Company recognizes a reserve as deemed necessary.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
(4) Translation of major assets and liabilities denominated in foreign currencies	All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate.	All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate.
(5) Principal Methods of Hedge Accounting		
a. Methods of Hedge Accounting	Hedging activities are principally accounted for under the deferral hedge accounting. Designation is applied to forward exchange contracts and other foreign exchange contracts, and designated exceptional accounting to interest-rate swaps that meet their respective requirements.	Hedging activities are principally accounted for under the deferral hedge accounting. Designation is applied to forward exchange contracts and other foreign exchange contracts, and designated exceptional accounting to interest-rate swaps that meet their respective requirements.
b. Hedging instruments, hedged items and hedging policies	Certain consolidated subsidiaries use foreign currency forward contracts, foreign currency option contracts, interest rate swaps to reduce foreign currency exchange risk and interest rate risks.	Certain consolidated subsidiaries use foreign currency forward contracts, foreign currency option contracts, interest rate swaps to reduce foreign currency exchange risk and interest rate risks.
c. Evaluation of effectiveness of hedges	Evaluation of the effectiveness of hedges are omitted as hedging instruments and hedged items are the same currencies or are under the same conditions and changes in the cash flow are expected to completely offset.	Evaluation of the effectiveness of hedges are omitted as hedging instruments and hedged items are the same currencies or are under the same conditions and changes in the cash flow are expected to completely offset.
(6) Other	Consumption taxes are excluded from revenues and expenses.	Consumption taxes are excluded from revenues and expenses.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
5. Valuation of assets and liabilities of consolidated subsidiaries	Assets and liabilities of consolidated subsidiaries are evaluated by the full market value method.	
6. Amortization of goodwill	Goodwill and negative goodwill are amortized on a straight-line basis over a period of 5 or 20 years.	Goodwill and negative goodwill are amortized on a straight-line basis over a period of 5 or 20 years.
7. Scope of cash and cash equivalents in the consolidated statements of cash flows	Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposit and short-term investments, which mature within three months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.	Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposit and short-term investments, which mature within three months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

(6) Changes in the Basis of Presentation and Summary of Significant Accounting Policies for the Preparation of Consolidated Financial Statements

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Retirement Benefits	Effective from the fiscal year ended March 31, 2010, the Group adopted ASBJ Statement No. 19 “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)”. There was no impact on the Group’s consolidated financial statements as a result of this change.	
Asset Retirement Obligations		Effective from the fiscal year ended March 31, 2011, the Group adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008). The effect of this change was to decrease operating income and ordinary income by ¥16 million and income before income taxes and minority interests by ¥442 million. The increase in the asset retirement obligation amount as a result of the application of the accounting standard was ¥560 million.
Unification of accounting policies applied to foreign associated companies for the equity method		Effective from the fiscal year ended March 31, 2011, the Group adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 issued on March 10, 2008). There was no impact on the Group’s consolidated financial statements as a result of this change.

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Business combinations		Effective from the fiscal year ended March 31, 2011, the Group adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on December 26, 2008), "Partial amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No. 23 issued on December 26, 2008), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on December 26, 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on December 26, 2008). There was no material impact on the Group's consolidated financial statements as a result of these changes.

(7) Changes in Method of Presentation

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Consolidated Statements of Income		Effective from the fiscal year ended March 31, 2011, the Group adopted the "Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation of Consolidated Financial Statements" (Cabinet Office Ordinance No. 5 issued on March 24, 2009) in accordance with the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008) and included the line item "Income Before Minority Interests" in the consolidated financial statement for the current period.

(8) Additional Information

Item	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Presentation of Comprehensive Income		Effective from the fiscal year ended March 31, 2011, the Group adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010). Valuation and translation adjustments and total valuation and translation adjustments are used for the prior year balances of accumulated other comprehensive income and total accumulated other comprehensive income.
Accounting for Employee Shareholding Incentive Plan		The Company adopts a "Trust-type Employee Shareholding Incentive Plan (E-Ship)" (the "Plan") in order to provide benefits and an incentive to increase the long-term enterprise value for its Group's employees. Under the Plan, the "Employee Stock Holding Trust" (the "Trust") will acquire shares expected to be purchased by the "Otsuka Group Employee Stock Holding Plan" in the five year period from July 2008 through a third-party allocation of new shares by the Company. Until termination, the Trust will be responsible for transferring shares to the Employee Stock Holding Plan and receiving dividends from the Company. If any money remains within the Trust, such money is to be distributed as residual assets to those employees that fulfill the requirements for eligible beneficiaries. The Company guarantees the Trust's borrowings for the acquisition of Company shares but the Trust has repaid all of the borrowings as of March 31, 2011. The Company does not recognize the shareholdings of the Trust on its balance sheet and has increased its common stock and capital surplus at the time of the third-party allocation of new shares. As of March 31, 2011, the Trust holds 2,673 thousand Company shares and the balance of the account is ¥2,288 million.

(9) Notes to Consolidated Financials Statements

(Consolidated Statement of Comprehensive Income)

For the Fiscal Year Ended March 31, 2011

1. Comprehensive income in the previous fiscal year

	(Millions of yen)
Comprehensive income attributable to owners of the parent	76,951
Comprehensive income attributable to minority interests	1,889
Total	78,841

2. Other comprehensive income in the previous fiscal year

Unrealized gain on available-for-sale securities	5,160
Deferred gain on derivatives under hedge accounting	0
Foreign currency translation adjustments	3,717
Share of other comprehensive income of equity method affiliates	1,508
Total	10,386

(Segment Information)

a. Business Segments

Business segment information for the fiscal year ended March 31, 2010 is as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Eliminations /Corporate	Consolidated
Net sales							
Sales to customers	715,901	246,969	50,113	71,308	1,084,291	-	1,084,291
Intersegment sales	9	1,806	1,003	33,766	36,585	(36,585)	-
Total	715,911	248,775	51,116	105,074	1,120,877	(36,585)	1,084,291
Operating expenses	583,044	246,519	59,515	100,638	989,718	(3,908)	985,810
Operating income (loss)	132,866	2,255	(8,399)	4,436	131,159	(32,677)	98,481
Total assets	432,916	197,748	147,455	125,255	903,376	554,999	1,458,375
Depreciation & amortization	20,380	15,103	1,127	5,337	41,949	4,676	46,626
Impairment loss	42	1,788	179	100	2,111	248	2,359
Capital expenditures	21,109	23,128	848	7,708	52,794	9,661	62,456

(Notes)

1. Businesses are classified on the basis used for internal management purposes.
2. Main businesses by segment:
   (1) Pharmaceuticals — prescription drugs and clinical nutrition
   (2) Nutraceuticals — functional foods, over-the-counter drugs and nutritional supplements
   (3) Consumer products — mineral water, beverages and food products
   (4) Other — logistics, warehousing, chemical products, agricultural products and electronics
3. Operating expenses include ¥33,796 million in intersegment eliminations and unallocated corporate expenses. Corporate expenses are primarily costs associated with headquarter and basic research functions.
4. Total assets include ¥561,456 million in intersegment eliminations and corporate assets. Corporate assets are primarily assets associated with headquarter and basic research functions.
5. Depreciation & amortization and capital expenditures include goodwill, long-term prepaid expenses and related depreciation and amortization expenses.
6. As discussed in (2) Method of Depreciation for Major Fixed Assets, effective April 1, 2009, the Company has begun depreciation of art ceramics by the declining-balance method. The effect of this change was to decrease operating income in the Eliminations/Corporate segment by ¥707 million.

b. Geographical Segments

Geographical segment information for the fiscal year ended March 31, 2010 is as follows:

(Millions of yen)

	Japan	U.S.	Others	Total	Eliminations /Corporate	Consolidated
Net sales						
Sales to customers	597,272	369,762	117,256	1,084,291	-	1,084,291
Intersegment sales	112,104	36,422	4,316	152,844	(152,844)	-
Total	709,377	406,185	121,573	1,237,135	(152,844)	1,084,291
Operating expenses	622,876	394,880	113,151	1,130,908	(145,098)	985,810
Operating income	86,500	11,304	8,422	106,227	(7,745)	98,481
Total assets	1,344,431	124,161	130,644	1,599,257	(140,881)	1,458,375

(Notes)

1. Geographical segments are classified on the basis of geographical proximity.
2. Countries and regions included in each segment other than Japan:
   (1) U.S. United States of America
   (2) Others Countries other than the United States of America
3. As discussed in (2) Method of Depreciation for Major Fixed Assets, effective April 1, 2009, the Company has begun depreciation of art ceramics by the declining-balance method. The effect of this change was to decrease operating income of Japan by ¥707 million.

c. Overseas sales

Overseas sales for the fiscal year ended March 31, 2010 were as follows:

(Millions of yen)

	U.S.	Others	Total
Overseas net sales	388,433	137,082	525,516
Consolidated net sales			1,084,291
Percentage of overseas net sales to consolidated net sales	35.8%	12.6%	48.4%

(Notes)

1. Geographical segments are classified on the basis of geographical proximity.
2. Countries and regions included in each segment other than Japan:
   (1) U.S. United States of America
   (2) Countries other than the United States of America
3. Overseas net sales are sales of the Company and its consolidated subsidiaries outside of Japan.

d. Reporting Segments

The Group's reporting segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors, in order to make decisions on allocation of business resources and to evaluate the business performances of the respective segments.

The Group's core business is in healthcare and the Group categories the "Pharmaceuticals", "Nutraceuticals", "Consumer products" and "Other" businesses as the four reporting segments.

The Group defines the reporting segments as follows:

- Pharmaceuticals, which is comprised of research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which is comprised of production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which is comprised of mineral water, beverages and food products.
- Other, which encompasses other operations, comprised of logistics, warehousing, chemical products and electronics.

Reporting segment information for the fiscal year ended March 31, 2010 were as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	715,901	246,969	50,113	71,308	1,084,291	-	1,084,291
Intersegment sales	9	1,806	1,003	33,766	36,585	(36,585)	-
Total	715,911	248,775	51,116	105,074	1,120,877	(36,585)	1,084,291
Segment income (loss)	132,866	2,255	(8,399)	4,436	131,159	(32,677)	98,481
Segment asset	437,379	204,206	147,455	125,255	914,298	544,077	1,458,375
Depreciation	17,930	13,822	972	5,173	37,898	4,897	42,796
Goodwill amortization	2,388	1,630	140	124	4,284	-	4,284
Investment in equity method companies	9,037	9,137	120,283	9,898	148,356	-	148,356
Increase in tangible and intangible fixed assets	21,626	23,079	841	7,654	53,202	7,642	60,844

Reporting segment information for the fiscal year ended March 31, 2011 were as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	721,402	249,489	46,751	72,569	1,090,212	-	1,090,212
Intersegment sales	-	2,267	692	33,941	36,901	(36,901)	-
Total	721,402	251,757	47,443	106,510	1,127,113	(36,901)	1,090,212
Segment income (loss)	134,432	17,860	(2,081)	4,350	154,562	(37,059)	117,502
Segment asset	459,230	189,007	134,958	119,068	902,266	687,373	1,589,639
Depreciation	17,817	14,241	777	4,948	37,785	5,182	42,968
Goodwill amortization	2,628	1,702	131	150	4,614	-	4,614
Investment in equity method companies	14,346	8,961	108,334	10,335	141,977	-	141,977
Increase in tangible and intangible fixed assets	24,262	11,513	804	2,889	39,470	4,691	44,161

(Notes)

1. For the fiscal year ended March 31, 2011, adjustments to segment income of ¥(37,059) million include intersegment eliminations of ¥1,736 million and unallocated expenses of ¥(38,796) million and adjustments to segment asset of ¥687,373 million include intersegment eliminations of ¥(6,717) million and corporate assets of ¥694,091 million. Corporate expenses and assets are primarily costs and assets associated with headquarter and basic research functions of the Company and certain consolidated subsidiaries.
2. For the fiscal year ended March 31, 2010, adjustments to segment income of ¥(32,677) million include intersegment eliminations of ¥1,119 and unallocated corporate expenses of ¥(33,796) million and adjustments to segment assets of ¥544,077 million include intersegment eliminations of ¥(6,456) million and corporate assets of ¥550,534 million. Corporate expenses and assets are primarily costs and assets associated with headquarter and basic research functions of the Company and certain consolidated subsidiaries.
3. Adjustments to depreciation include depreciation and amortization of tangible and intangible fixed assets and long-term prepaid expenses of the Company and certain consolidated subsidiaries.
4. Segment income is adjusted to the operating income in the consolidated statements of income.

e. Other information

1. Net sales by product

(Millions of yen)

	ABILIFY	Others	Total
Sales to customers	365,823	724,389	1,090,212

2. Territory information

(1) Net Sales

(Millions of yen)

Japan	North America	Others	Total
574,745	374,205	141,261	1,090,212

(Note) Net sales are based on the location of the customers and are classified by their country or region.

(2) Tangible fixed assets

(Millions of yen)

Japan	Others	Total
210,150	46,682	256,832

3. Major customers

There are no customers which account for more than 10% of the net sales in the consolidated statement of income.

f. Impairment loss

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Impairment loss	-	2,249	137	13	243	2,642

g. Goodwill

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	2,628	1,702	131	150	-	4,614
Unamortized balance	7,915	30,571	641	2,316	-	41,444

The amortization amount and unamortized balance of the negative goodwill acquired before April 1, 2010 are as follow:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	2,207	-	-	287	-	2,495
Unamortized balance	26,079	-	-	2,854	-	28,933

(Additional Information)

Effective from the fiscal year ended March 31, 2011, the Group adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ statement No. 17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information” (ASBJ Guidance No. 20 issued on March 21, 2008).

(Per Share Information)

	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Net assets per share	¥1,964.70	¥2,061.74
Net income per share (basic)	¥143.50	¥161.78
Net income per share (diluted)	¥143.47	¥161.59

On June 30, 2009, the Company executed a twenty-for-one stock split by way of a free share distribution. Below are the figures for the fiscal year ended March 31, 2009 had the stock split been executed at the beginning of FY2008.

	FY2008 (From April 1, 2008 To March 31, 2009)
Net assets per share	¥1,800.26
Net income per share (basic)	¥136.36
Net income per share (diluted)	¥136.25

Basis for the calculation of basic net income per share and diluted net income per share

(Millions of yen)

	FY2009 (From April 1, 2009 To March 31, 2010)	FY2010 (From April 1, 2010 to March 31, 2011)
Basic net income per share		
Net income	67,443	81,001
Net income attributable to common stock	67,424	80,989
Amounts not attributable to common stock	18	12
Average number of common stock outstanding during the year	469,832,719 shares	500,599,047 shares
Diluted net income per share		
Adjustments to net income	(16)	(22)
(including minority interest)	(16)	(22)
Increase in number of common stocks	-	443,398 shares
(including stock acquisition rights)	(-)	(443,398 shares)
Residual securities that were not used in calculating diluted net income per share due to the lack of dilutive effects	-	Stock option No.2 (32,000 shares) Stock option No.4 (620,000 shares)

(Subsequent events)

For the fiscal year ended March 31, 2010

1. Reduction in legal capital surplus

   The reduction in legal capital surplus of ¥10,000 million was approved at the Company's shareholders meeting held on June 29, 2010. Legal capital surplus of ¥10,000 million, out of ¥703,072 million, was transferred to other capital surplus effective immediately in accordance with Article 448 Section 1 of the Companies Act.

   The purpose of the transfer was to increase the amount available for distribution and to allow the Company to adopt a flexible capital management policy.

2. Stock option plan

   The following stock option plan for the Company's and its affiliates' directors, corporate auditors and corporate officers were approved at the Company's shareholders meeting and the Company's Board of Directors which was held on June 29, 2010.

For the fiscal year ended March 31, 2011

There was no significant subsequent event.

5. Other

(1) Changes in Officers (as of June 29, 2011)

1. Candidate for New Corporate Auditor
   Masatoshi Taniguchi (currently, Advisor, Otsuka Chemical Co., Ltd.)

2. Director Scheduled to Resign
   Katsuya Yamasaki (currently Managing Director, Corporate Planning)

3. Corporate Auditor Scheduled to Resign
   Masahiko Kato (currently, Standing Corporate Auditor)