Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2012 [Japan GAAP]

August 9, 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 quarterly securities report submission	: August 12, 2011
Scheduled date of dividend payment commencement	: -
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the First Quarter of FY2011 (April 1, 2011 to June 30, 2011)

(1) Consolidated Operating Results (cumulative)

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2011	288,400	2.8	46,358	26.7	46,296	30.7	31,155	47.1
FY2010	280,531	7.6	36,597	46.3	35,433	29.9	21,185	7.4

(Note) Comprehensive income: FY2011 ¥37,166 million (96.3%)
FY2010 ¥18,935 million (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2011	55.85	55.78
FY2010	44.45	44.43

(Note) From the first quarter of FY2011, the company changed its method of translating revenue and expense accounts of foreign subsidiaries and the method of presentation for upfront licensing payments received. The FY2010 figures have been adjusted retrospectively to apply the changes in accounting policy and method of presentation described above. The % change from the previous year for FY2010 is based on the FY2010 figures retrospectively adjusted and the FY2009 figures not retrospectively adjusted for the changes.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2011	1,647,699	1,185,566	71.1%
As of March 31, 2011	1,589,717	1,163,325	72.4%

(Reference) Shareholders' equity: As of June 30, 2011 ¥1,171,111 million
As of March 31, 2011 ¥1,150,201 million

(Note) From the first quarter of FY2011, the company changed its method of translating revenue and expense accounts of foreign subsidiaries. The figures as of March 31, 2011 have been adjusted retrospectively to apply the changes in accounting policy.

2. Dividends

	Annual dividend per share				
	First Quarter	Second Quarter	Third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2010	-	-	-	28.00	28.00
FY2011	-				
FY2011 (forecast)		20.00	-	25.00	45.00

(Note) Revisions to dividends forecast most recently announced: No

3. Forecasts of Consolidated Financial Results for FY 2011 (April 1, 2011 to 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
Full Year	1,170,000	7.3	120,000	2.1	127,000	0.4	82,000	1.2	146.99

(Note) Revisions to financial forecast most recently announced: No

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): None

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

1) Changes in accounting policies due to revisions of accounting standards: Yes
2) Changes in accounting policies due to other reasons: Yes
3) Changes in accounting estimates: No
4) Restatements of prior period financial statements due to error correction: No

(Note) From the first quarter of FY2011, the company changed its method of translating revenue and expense accounts of foreign subsidiaries and the method of presentation for upfront licensing payments received. Please see "Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction" on page 8 for further details.

(4) 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):
   June 30, 2011 557,835,617 shares
   March 31, 2011 557,835,617 shares
2) Number of shares of treasury stock as of the end of the reporting period:
   June 30, 2011 2,922 shares
   March 31, 2011 2,044 shares
3) Average number of shares outstanding during the reporting period:
   Quarter ended June 30, 2011 557,833,224 shares
   Quarter ended June 30, 2010 476,546,670 shares

*** Information Regarding the Quarterly Review Procedures**

This quarterly financial report is exempt from quarterly review procedures as stipulated under the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial report, the quarterly financial statement review procedures have not been completed as stipulated under the Financial Instruments and Exchange Act of Japan.

*** Disclaimer Regarding Forward-Looking Statements and Other Items of Note**

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 "Qualitative Information on Consolidated Operating Results Forecast" on page 7 for information regarding the forecast of consolidated financial results.

The company is planning to hold an earnings release conference call for institutional investors, analysts and the press on August 9, 2011. Presentation materials and the audio of the conference call will be available on the Company's website promptly after the conference call.

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(1) Qualitative Information on Consolidated Operating Results

<Summary of Operating Results for the First Quarter of FY2011>

The Otsuka Group recorded consolidated net sales of ¥288,400 million (2.8% increase year-on-year) for the quarter ended June 30, 2011, with operating income of ¥46,358 million (26.7% increase year-on-year), ordinary income of ¥46,296 million (30.7% increase year-on-year) and net income of ¥31,155 million (47.1% increase year-on-year).

From the first quarter of FY2011, the company changed its method of translating revenue and expense accounts of foreign subsidiaries and the method of presentation for upfront licensing payments received. For comparative purposes, the figures for the same period of the previous fiscal year have been adjusted retrospectively.

Results by segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	190,100	66,886	14,014	27,926	(10,527)	288,400
Operating income	46,669	8,127	171	1,213	(9,822)	46,358

1) Pharmaceuticals

In the area of the central nervous system, the antipsychotic agent *ABILIFY*, which is marketed in 65 countries, performed well on a global basis. In the U.S., although the healthcare market was negatively impacted by the healthcare reform, effective marketing initiatives resulted in continued growth. In Europe, although fiscal austerity policies negatively impacted the healthcare market, reinforcement of marketing activities, especially for the treatment of bipolar disorder, resulted in positive growth. In Japan, prescriptions for *ABILIFY Oral Solution 0.1%* increased due to greater market acceptance of the formulation resulting from focused marketing activities. The antiepileptic drug *E Keppra*, co-developed and co-promoted with UCB, was launched in Japan in September 2010 and sales continued to grow.

In the area of anti-cancer and cancer-supportive care, Japan sales of the anti-cancer agent *TS-1* increased in spite of competition. However, sales of the anti-cancer agent *UFT* were down as a result of competition. Although sales of *Uzel*, a reduced folic acid formulation, were slightly down, sales of *Aloxi*, a 5-HT_3 receptor antagonist antiemetic agent, and the antineoplastic agent *Abraxane*, both launched last year, increased. Co-promotion of the anti-cancer agent *SPRYCEL* began in the U.S. and Japan, and Otsuka began recognition of sales according to the co-promotion agreement with Bristol-Myers Squibb Company. In June 2011, the Ministry of Health, Labour and Welfare in Japan approved a new indication for *SPRYCEL* for the first-line treatment of chronic myeloid leukemia in adults, which was already approved in the U.S. and Europe. This addition to the treatment option is expected to lead to increased sales.

In the area of the cardiovascular system, *SAMSCA*, the world’s first oral vasopressin V_2-receptor antagonist for the treatment of volume overload in patients with heart failure, was launched in Japan in December 2010, following the U.S. and Europe. Sales of *SAMSCA* showed increases in all three regions. Although prescription of the antiplatelet agent *Pletaal/Pletal* remained steady, sales in the first quarter of FY2011 decreased as a result of the advanced shipments in March in the wake of the Great East Japan Earthquake. In addition, switch to the orally disintegrating tablet in Japan is proceeding smoothly. In South Korea, sales were down due to change in the treatment guideline.

In other areas, sales of the anti-gastritis and anti-gastric ulcer agent *Mucosta* declined as a result of increased generic competition. The company is making efforts to take advantage of its brand appeal in this category.

In the area of clinical nutrition, the high-calorie TPN solution *ELNEOPA* showed steady growth due to increasing awareness of the benefits of trace elements in the product.

As a result, net sales for the pharmaceutical segment for the quarter ended June 30, 2011 totaled ¥190,100 million (2.7% increase year on year), with operating income of ¥46,669 million (17.1% increase year on year).

2) Nutraceuticals

Pocari Sweat, an electrolyte supplement drink, showed large sales growth as a result of marketing activities in Japan using the phrase “Every 100 ml contains 49 mg of sodium,” an increase in the number of customers due to an education program started in the 1990s to raise public awareness of heat stroke prevention, and increased sales of the 900 ml size drink to small-sized households. Overseas sales also increased due to the successful marketing campaigns in Indonesia designed to improve brand awareness, which resulted in increased consumer base.

Sales of *Oronamin C* in Japan exceeded sales from the same period of the previous year, due in part to the partnership with Ito En regarding the vending machine business which started in April. In May, *Oronamin C* reached the milestone of total sales of 30 billion bottles—the first in Japan for a small-volume bottled vitamin drink—underscoring the brand value of the long-selling product. Demand for the balanced nutrition food *Calorie Mate* increased in March as people stocked up on the product after the Great East Japan Earthquake reminded people of its value as a food containing essential nutrients. Although sales were lower compared to the first quarter of the previous year due to the stocking of the product, sales in retail stores remained steady.

The Otsuka Group is currently engaged in the soy business, and is working to introduce soy as a solution to 21st century health, nutrition, and environment issues, under the concept of “Soylution.” Sales of the first Soylution product *SOYJOY*, a fruit soy bar, increased due to the launch of a new flavor, “Fruity Tomato” in Japan. Business in Europe is being aggressively developed by focusing on the benefits of soy. Direct mail orders and sales activities at general retailers have led to acquisition of new customers for the second Soylution product, the soy soda *SOYSH*, and this has led to increasing recognition of Otsuka as a company that develops and sells revolutionary soy products around the world

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 *Refresh Sheet* (medicated cosmetics), a product used to wipe away sweat and dirt, reduce odor and moisturize the skin, in April 2010.

Introduction of the Nutrition & Sante products in Japan continued to expand with the expansion of the test marketing area in April for *Gerble*, a nutrition and health food brand, and the start of test marketing in June for *Gerlinea*, the number one[1] calorie control brand in the French diet food market, in Shizuoka Prefecture and Tokyo.

In the nutritional supplement business, the *Nature Made* brand, the top-selling supplement brand in the U.S.[2], continued to grow in Japan with the launch of *Super Multi Vitamins & Minerals* and *Super Fish Oil* in June. The company is emphasizing the fact that with the above products, one tablet a day provides a sufficient amount of daily required nutrients. Nutritional deficiencies after the Great East Japan Earthquake have raised awareness of the benefits of dietary supplements, and the *Nature Made* brand is working with the Japan Dietetic Association in supporting the areas affected by the earthquake.

Sales of the nutrient tonic *Tiovita* showed steady growth as a result of in-store promotions at pharmacies and drug stores, increased sales promotions at supermarkets and convenience stores, and new advertising campaigns.

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

As a result, net sales in the nutraceutical segment for the quarter ended June 30, 2011 totaled ¥66,886 million (3.5% increase year on year), with operating income of ¥8,127 million (69.6% increase year on year).

[1] IRI, July 2009 (PDM volume CC a P7 source IRI)
[2] 2006-2010 Nielsen data on Food, Drug, Mass (FDMx) and Food, Drug, Mass and Club (FDMC) market channels

3) Consumer Products

Sales of *Crystal Geyser* and other mineral waters improved as a result of increased marketing activities, while sales of *Nescafe* remained steady, and sales of *Match*, a carbonated electrolyte drink containing vitamins, increased due to acquisition of new customers. In May, *Java Tea White* was launched in Japan.

In the consumer products segment, Otsuka continues to carry out initiatives aimed at improving profitability, as well as expanded marketing initiatives.

As a result, net sales in the consumer products segment for the quarter ended June 30, 2011 totaled ¥14,014 million (9.8% increase year on year), with operating income of ¥171 million (previous year was a loss of ¥41 million).

4) Others

Sales in the specialty chemical business, which supplies materials for the IT and automotive sectors, showed positive growth as sales of materials for automobiles and LEDs increased. However, sales in the fine chemical business recorded decreased sales.

The transportation and warehousing business recorded solid growth as the increase in beverage sales resulted in an increase in the volume of goods handled.

As a result, net sales in other businesses for the quarter ended June 30, 2011 totaled ¥27,926 million (2.4% increase year on year), with operating income of ¥1,213 million (29.5% decrease year on year).

< Research and Development Activities>

Research and development expenses for the quarter ended June 30, 2011 totaled ¥38,461 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 the central nervous system and oncology. The Group also conducts research and development in fields such as cardiovascular disease and ophthalmology.

Research and development activities carried out during the quarter ending June 20, 2011 in the area of therapeutic drugs are summarized below.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	OPC-34712	• Phase II trials have showed the efficacy of OPC-34712, a novel D_2 dopamine partial agonist, for the treatment of major depression. These results were announced at the 164th Annual Meeting of the American Psychiatric Association in May.
	rotigotine	• Phase III trials in Japan showed the safety and efficacy of non-ergoline dopaminergic agent rotigotine, currently being developed as a skin patch preparation, for the treatment of Parkinson’s disease. These results were announced at the 15th International Congress of Parkinson’s Disease and Movement Disorders in June.
Anti-cancer and cancer-supportive care	OCV-105	• OCV-105 is a cancer vaccine being developed in collaboration with OncoTherapy Science, Inc. A Phase I trial for the treatment of pancreatic cancer has been initiated in Japan.
	TS-1/*Teysuno*	• The results of the clinical trials for the treatment of unresectable colorectal cancer (FIRIS) and the treatment of advanced pancreatic cancer (GEST) were announced at the 47th Annual Meeting of the American Society of Clinical Oncology in June.
	SPRYCEL	• *SPRYCEL* is an anti-cancer agent discovered by Bristol-Myers Squibb Company and being co-developed and co-promoted globally. An additional indication for *SPRYCEL* as a first-line treatment for adult chronic myeloid leukemia (CML) was approved in Japan in June, making it possible to administer the drug to newly diagnosed CML patients.
Other categories (Ophthalmology and others)	rebamipide ophthalmic suspension	• Phase III trials for the treatment of dry eye showed to improve corneal-conjuctival damage and subjective symptoms in comparison with 0.1% sodium hyaluronate ophthalmic solution. These results were announced at the Annual Meeting of the Association for Research in Vision and Ophthalmology in May.

2) Clinical nutrition

In the clinical nutrition area, the electrolyte correction solution *Sodium Phosphate Correction Solution 0.5 mmol/mL* was launched in April.

3) Diagnostic

In the diagnostics area, approval was granted in June for the manufacture and sales of *RAPIRUN S. pneumoniae HS* (otitis media, sinusitis), which is a diagnostic kit for *Streptococcus pneumoniae*. This drug has higher sensitivity and thus can more easily detect the pneumococcal antigen than conventional drugs.

Research and development expenses for the pharmaceutical business were ¥36,071 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.

Otsuka Group's Research Institute of New Functional Products Development in Tokushima specializes in soy and is working on the development of additional innovative soy products.

Research and development expenses for the nutraceutical business were ¥1,082 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.

Research and development expenses for the consumer products business were ¥104 million.

(Others)

In the other businesses, the Otsuka Group is primarily engaged in the research and development of specialty chemical products and fine chemicals.

Research and development expenses for other businesses were ¥1,203 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of June 30, 2011 were ¥1,647,699 million, an increase of ¥57,982 million compared to ¥1,589,717 million at the end of the previous fiscal year. The increase was due to the ¥50,030 million increase in current assets, ¥7,948 million increase in fixed assets and ¥3 million increase in deferred assets.

(Current Assets)

Total current assets as of June 30, 2011 were ¥971,260 million, an increase of ¥50,030 million compared to ¥921,230 million at the end of the previous fiscal year. The increase was due mainly to the ¥30,249 million increase in cash and deposits and the ¥9,715 million increase in notes and accounts receivable-trade as a result of the solid first quarter performance.

(Fixed Assets)

Total fixed assets as of June 30, 2011 were ¥676,365 million, an increase of ¥7,948 million compared to ¥668,416 million at the end of the previous fiscal year. The increase was due mainly to the ¥4,600 million increase in tangible fixed assets as a result of the completion of the Pocari Sweat manufacturing facility at the Saga Factory, and the ¥3,829 million increase in investments and other assets as a result of purchases of marketable securities and increase in long-term prepaid expense relating to research and development.

2) Liabilities

(Current Liabilities)

Total current liabilities as of June 30, 2011 were ¥312,694 million, an increase of ¥37,135 million compared to ¥275,559 million at the end of the previous fiscal year. The increase was due mainly to seasonal increases in accounts payable-other, accrued expenses and deposits received which resulted in a ¥32,047 million increase in other current liabilities.

(Fixed Liabilities)

Total fixed liabilities as of June 30, 2011 were ¥149,438 million, a decrease of ¥1,394 million compared to ¥150,832 million at the end of the previous fiscal year. The decrease was due mainly to the ¥1,559 million decrease in other fixed liabilities, which was a result of the reclassification of the current portion of long-term unearned revenue related to the $400 million upfront payment received from Bristol-Myers Squibb Company in April 2009, from fixed liabilities to current liabilities.

3) Net Assets

Total net assets as of June 30, 2011 were ¥1,185,566 million, an increase of ¥22,241 million compared to ¥1,163,325 million at the end of the previous fiscal year. The increase was due mainly to the ¥15,581 million increase in retained earnings as a result of the positive net income and the ¥6,489 million decrease in foreign currency translation adjustments as a result of the appreciation of the yen.

(3) Qualitative Information on Consolidated Operating Results Forecast

There are no changes to the Q2 cumulative and full year consolidated forecast released on May 12, 2011 with the FY2010 financial results.

2. Other Information

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries resulting in a change in a scope of consolidation)

None

(2) Adoption of accounting methods specific to quarterly consolidated financial statements

No

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

(Changes in accounting policies)

Change in the method of translating revenue and expense accounts of foreign subsidiaries

Previously, revenue and expense accounts of consolidated foreign subsidiaries were translated into Japanese yen at the spot rate prevailing as of the reporting date. From the first quarter of FY2011, the Company has changed to a translation method using the average exchange rate. The Company changed its method of translation to more accurately reflect the performances of foreign subsidiaries in the consolidated financial statements by eliminating the effects of temporary fluctuations in exchange rates, taking into consideration the recent fluctuations in exchange rates.

The prior year financial statements for the first quarter and full year have been adjusted retrospectively to apply the change in accounting policy.

(Additional information)

Change in the method of presentation for upfront licensing payments received

Previously, upfront payments received as part of licensing transactions have been recorded as "revenues related to extension of co-promotion agreement" and "other" under non-operating income. However, as such income is directly attributable to the core business activities in the pharmaceutical business and as such transactions are likely to grow in importance, the Company has changed its method of presentation to include such income as net sales from the first quarter of FY2011.

The prior year financial statements for the first quarter have been reclassified to reflect the change in the method of presentation.

(Effect of changes in accounting policies and method of presentation)

The major effects of the changes in accounting policies and method of presentation on the prior period financial statements were as follows. The cumulative effect on prior year's beginning net assets balance was to increase retained earnings by ¥2,716 million and decrease foreign currency translation adjustments by the same amount.

The effects of the change in translation method on "Per Share Information" were to decrease the prior periods' basic earnings per share and diluted earnings per share by 1.09 yen.

1) Consolidated Balance Sheet
As of March 31, 2010

(Millions of yen)

	Before retrospective adjustment	After retrospective adjustment	Diff	Effect of change in translation method
ASSETS				
Current assets				
Notes and accounts receivable-trade	239,554	239,648	94	94
Finished products and merchandise	62,300	62,335	35	35
Other current assets	57,029	56,976	(52)	(52)
Total current assets	921,153	921,230	77	77
Total assets	1,589,639	1,589,717	77	77
NET ASSETS				
Shareholders' equity				
Retained earnings	605,882	609,967	4,084	4,084
Total shareholders' equity	1,198,208	1,202,293	4,084	4,084
Accumulated other comprehensive income				
Foreign currency translation adjustments	(48,438)	(52,446)	(4,007)	(4,007)
Total accumulated other comprehensive income	(48,084)	(52,091)	(4,007)	(4,007)
Total net assets	1,163,247	1,163,325	77	77
Total liabilities and net assets	1,589,639	1,589,717	77	77

2) Consolidated Statement of Income

For the quarter ended June 30, 2010 (from April 1, 2010 to June 30, 2010)

(Millions of yen)

	Before retrospective adjustment and reclassification	After retrospective adjustment and reclassification	Diff	Effect of change in translation method	Effect of change in presentation method
Net sales	281,738	280,531	(1,206)	(3,037)	1,830
Cost of sales	93,178	92,319	(858)	(858)	-
Gross profit	188,559	188,212	(347)	(2,178)	1,830
Selling, general and administrative expenses	152,921	151,614	(1,306)	(1,306)	-
Operating income	35,638	36,597	959	(871)	1,830
Non-operating income	4,477	2,621	(1,856)	(25)	(1,830)
Non-operating expenses	3,786	3,784	(2)	(2)	-
Ordinary income	36,328	35,433	(894)	(894)	-
Extraordinary income	190	189	(1)	(1)	-
Extraordinary loss	1,468	1,468	0	0	-
Income before income taxes and minority interests	35,050	34,154	(896)	(896)	-
Income taxes					-
Current	5,769	5,727	(42)	(42)	-
Deferred	7,324	7,006	(317)	(317)	-
Total income taxes	13,094	12,733	(360)	(360)	-
Income before minority interests	21,956	21,420	(535)	(535)	-
Minority interests in net income	253	235	(18)	(18)	-
Net income	21,702	21,185	(517)	(517)	-

(Changes in accounting policies)

Application of accounting standards relating to Earning Per Share

From the first quarter of FY2011, the Company adopted revised accounting standards “Accounting Standard for Earnings Per Share” (ASBJ Statement No.2 issued June 30, 2010), “Guidance on Accounting Standard for Earnings Per Share” (ASBJ Guidance No.4 issued June 30, 2010), and “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No.9 issued June 30, 2010).

The adoption of the above accounting standards had no effect on “Per Share Information”.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of June 30, 2011
ASSETS		
Current assets		
Cash and deposits	387,520	417,770
Notes and accounts receivable-trade	239,648	249,364
Marketable securities	122,535	122,780
Finished products and merchandise	62,335	61,242
Work-in process	23,613	25,316
Raw materials and supplies	28,948	31,475
Other current assets	56,976	63,608
Allowance for doubtful receivables	(350)	(297)
Total current assets	921,230	971,260
Fixed assets		
Tangible fixed assets	256,832	261,433
Intangible fixed assets		
Goodwill	41,444	40,301
Other intangible fixed assets	35,643	36,305
Total intangible fixed assets	77,088	76,607
Investments and other assets		
Investment securities	261,203	262,976
Investments in capital	22,009	20,148
Other assets	54,194	56,308
Allowance for investment loss	(2,818)	(1,013)
Allowance for doubtful receivables	(92)	(95)
Total investments and other assets	334,495	338,324
Total fixed assets	668,416	676,365
Deferred assets	69	73
Total assets	1,589,717	1,647,699
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	88,113	96,566
Short-term borrowings	53,205	59,281
Income taxes payable	13,301	15,789
Reserve for bonuses	15,878	4,232
Provisions	456	172
Other current liabilities	104,604	136,652
Total current liabilities	275,559	312,694
Long-term liabilities		
Long-term debt	28,763	29,523
Liability for employees' retirement benefits	44,333	44,690
Other allowances	3,416	3,080
Negative goodwill	28,933	28,317
Other long-term liabilities	45,385	43,825
Total long-term liabilities	150,832	149,438
Total liabilities	426,392	462,132

	As of March 31, 2011	As of June 30, 2011
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,639	510,639
Retained earnings	609,967	625,549
Treasury stock	(4)	(5)
Total shareholders' equity	1,202,293	1,217,873
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	358	(780)
Deferred loss on derivatives under hedge accounting	(3)	(25)
Foreign currency translation adjustments	(52,446)	(45,956)
Total accumulated other comprehensive income	(52,091)	(46,762)
Stock acquisition rights	464	632
Minority interests	12,658	13,823
Total net assets	1,163,325	1,185,566
Total liabilities and net assets	1,589,717	1,647,699

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	FY2010 (From April 1, 2010 to June 30, 2010)	FY2011 (From April 1, 2011 to June 30, 2011)
Net sales	280,531	288,400
Cost of sales	92,319	94,223
Gross profit	188,212	194,177
Selling, general and administrative expenses		
Promotion expenses	43,643	40,000
Salaries and bonuses	20,100	20,698
Reserve for bonuses	2,878	2,528
Retirement benefit expenses	1,731	1,751
Amortization of goodwill	1,106	1,163
Research and development expenses	38,263	38,461
Other	43,890	43,214
Total selling, general and administrative expenses	151,614	147,818
Operating income	36,597	46,358
Non-operating income		
Interest income	295	363
Dividend income	506	546
Amortization of negative goodwill	647	616
Equity in earnings of unconsolidated subsidiaries and affiliated companies	681	267
Other	489	632
Total non-operating income	2,621	2,425
Non-operating expenses		
Interest expenses	579	478
Foreign exchange loss, net	3,081	1,804
Other	123	204
Total non-operating expenses	3,784	2,487
Ordinary income	35,433	46,296
Extraordinary income		
Gain on sales of fixed assets	134	21
Other	54	2
Total extraordinary income	189	24
Extraordinary loss		
Impairment loss	722	108
Loss on valuation of investment securities	16	294
Provision of allowance for investment loss	103	-
Effect of adoption of accounting standard for asset retirement obligations	426	-
Other	199	623
Total extraordinary loss	1,468	1,026
Income before income taxes and minority interests	34,154	45,293
Income taxes		
Current	5,727	15,787
Deferred	7,006	(2,031)
Total income taxes	12,733	13,756
Income before minority interests	21,420	31,537
Minority interests in net income	235	381
Net income	21,185	31,155

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	FY2010 (From April 1, 2010 to June 30, 2010)	FY2011 (From April 1, 2011 to June 30, 2011)
Income before minority interests	21,420	31,537
Other comprehensive income		
Unrealized loss on available-for-sale securities	(2,507)	(1,137)
Deferred gain (loss) on derivatives under hedge accounting	22	(21)
Foreign currency translation adjustments	1,689	3,336
Share of other comprehensive income of equity method affiliates	(1,690)	3,451
Total other comprehensive income	(2,485)	5,629
Total comprehensive income	18,935	37,166
Total comprehensive income attributable to:		
Owners of the parent	18,457	36,504
Minority interests	477	662

(3) Note regarding Assumption of Going Concern
Not applicable

(4) Segment Information
For the quarter ended June 30, 2010 (from April 1, 2010 to June 30, 2010)

1) Net sales and segment income by reporting segment

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	185,044	64,127	12,525	18,834	280,531	-	280,531
Intersegment sales	-	472	240	8,431	9,144	(9,144)	-
Total	185,044	64,600	12,765	27,266	289,676	(9,144)	280,531
Segment income (loss)	39,860	4,791	(41)	1,720	46,331	(9,734)	36,597

Notes:

1) Adjustments to segment income (loss) of ¥(9,734) million include intersegment eliminations of ¥212 million and unallocated corporate expenses of ¥(9,946) million. Corporate expenses include costs associated with headquarter and basic research functions.
2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

2) Notes regarding changes to reporting segment

In conjunction with the changes in accounting policies, as noted in “(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction” on page 8, the Company has changed the calculation method of segment income (loss).

(Change in the method of translating revenue and expense accounts of foreign subsidiaries)

Previously, revenue and expense accounts of consolidated foreign subsidiaries were translated into Japanese yen at the spot rate prevailing as of the reporting date. From the first quarter of FY2011, the Company has changed to a translation method using the average exchange rate. The Company changed its method of translation to more accurately reflect the performances of foreign subsidiaries in the consolidated financial statements by eliminating the effects of temporary fluctuations in exchange rates, taking into consideration the recent fluctuations in exchange rates.

The change in accounting policy has been retrospectively applied in calculating the segment income (loss) and “Net sales and segment income by reporting segment” for the first quarter ended June 30, 2010 reflects the change in the translation method.

(Change in the method of presentation for upfront licensing payments received)

Previously, upfront payments received as part of licensing transactions have been recorded as “revenues related to extension of co-promotion agreement” and “other” under non-operating income. However, as such income is directly attributable to the core business activities in the pharmaceutical business and as such transactions are likely to grow in importance, the Company has changed its method of presentation to include such income as net sales from the first quarter of FY2011.

“Net sales and segment income by reporting segment” for the quarter ended June 30, 2010 have been reclassified to reflect the change in the method of presentation.

“Net sales and segment income by segment” for the quarter ended June 30, 2010 before retrospective adjustment of the above changes are as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	185,805	64,504	12,565	18,862	281,738	-	281,738
Intersegment sales	-	474	240	8,431	9,146	(9,146)	-
Total	185,805	64,979	12,806	27,294	290,885	(9,146)	281,738
Segment income (loss)	38,881	4,820	(51)	1,726	45,377	(9,739)	35,638

Notes:

1) Adjustments to segment income (loss) of ¥(9,739) million include intersegment eliminations of ¥212 million and unallocated corporate expenses of ¥(9,951) million. Corporate expenses include costs associated with headquarter and basic research functions.
2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

For the quarter ended June 30, 2011 (from April 1, 2011 to June 30, 2011)

1) Net sales and segment income by reporting segment

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	190,100	66,138	13,740	18,420	288,400	-	288,400
Intersegment sales	-	748	273	9,506	10,527	(10,527)	-
Total	190,100	66,886	14,014	27,926	298,928	(10,527)	288,400
Segment income	46,669	8,127	171	1,213	56,180	(9,822)	46,358

Notes:

1) Adjustments to segment income of ¥(9,822) million include intersegment eliminations of ¥339 million and unallocated corporate expenses of ¥(10,162) million. Corporate expenses include costs associated with headquarter and basic research functions.
2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

(5) Note regarding Significant Changes in the Amount of Shareholders' Equity

Not applicable

(6) Subsequent Events

For the quarter ended June 30, 2011

There was no significant subsequent event.