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

November 10, 2011

Company name	: **Otsuka Holdings Company Limited**
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
URL	: http://www.otsuka.com/en/
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Scheduled date of quarterly securities report submission	: November 10, 2011
Scheduled date of dividend payment commencement	: December 2, 2011
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts)

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

1. Consolidated Financial Results for the Second Quarter of FY2011 (April 1, 2011 to September 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	590,283	0.6	86,379	18.4	85,483	16.2	57,201	7.8
FY2010	586,853	6.0	72,930	20.9	73,561	13.9	53,039	17.1

(Note) Comprehensive income: FY2011 ¥59,680 million (52.4%)
FY2010 ¥39,168 million (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2011	102.54	102.17
FY2010	111.29	-

(Note 1) From the first quarter of FY2011, the company changed its method of translating revenue and expense accounts of foreign subsidiaries and affiliated companies 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.

(Note 2) The company granted stock options during the second quarter of FY2010. However, diluted EPS information is not calculable for the six months ended September 30, 2010 as the company was a privately held company and the average stock price was not determinable.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2011	1,675,541	1,208,249	71.2
As of March 31, 2011	1,589,717	1,163,325	72.4

(Reference) Shareholders' equity: As of September 30, 2011 ¥1,193,405 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 and affiliated companies. 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	-	20.00			
FY2011 (forecast)			-	25.00	45.00

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

3. Consolidated Operating Results Forecast 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
Full Year	1,150,000	2.0	145,000	14.8	145,000	12.9	94,000	14.1	168.50

(Note) Revisions to financial forecast most recently announced: Yes
For further details, please see "Qualitative Information on Consolidated Operating Results Forecast" on page 9.

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 affiliated companies 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 10 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):
September 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:
September 30, 2011 3,426 shares
March 31, 2011 2,044 shares
3) Average number of shares outstanding during the reporting period:
Six months ended September 30, 2011 557,832,808 shares
Six months ended September 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 been completed as stipulated under the Financial Instruments and Exchange Act of Japan and the quarterly review report has been received on November 8, 2011.

*** 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 9 for information regarding the consolidated operating results forecast.

The company is planning to hold a meeting for institutional investors and analysts on November 11, 2011. Presentation materials and video of the meeting will be available on the Company's website promptly after the meeting.

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(1) Qualitative Information on Consolidated Operating Results

<Summary of Operating Results for the Six Months Ended September 30, 2011>

The Otsuka Group recorded consolidated net sales of ¥590,283 million (0.6% increase year-on-year) for the six months ended September 30, 2011, with operating income of ¥86,379 million (18.4% increase year-on-year), ordinary income of ¥85,483 million (16.2% increase year-on-year) and net income of ¥57,201 million (7.8% 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 affiliated companies 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	381,127	146,535	28,504	56,056	(21,940)	590,283
Operating income (loss)	84,715	20,568	(209)	1,676	(20,371)	86,379

1) Pharmaceuticals

In the area of central nervous system antipsychotic agent *ABILIFY*, which is marketed in 65 countries worldwide, performed well on a global basis. In the U.S., effective marketing initiatives supported continued growth in terms of both prescription volume and sales, but after translated into yen, sales declined slightly due to the appreciation of the yen. In Europe, although fiscal austerity policies led to drug price reductions, growth in prescriptions for the treatment of bipolar disorder, among other factors, supported continued steady expansion. In Asia, sales in China expanded due to the inclusion in the country's national medical insurance system, while sales in other Asian countries rose on the back of marketing efforts focused on treatments for major depressive disorder. In Japan, sales of *ABILIFY Oral Solution*, which improves medication adherence, increased, leading to greater benefits for patients. The antiepileptic drug *E Keppra*, co-developed and co-promoted with UCB, has seen a steady increase in prescriptions since its launch.

In the area of anti-cancer and cancer-supportive care, sales in Japan of anti-cancer agent *TS-1* decreased slightly due to a decline in the number of gastric cancer patients for chemotherapy, despite growth in new prescriptions for lung cancer and colorectal cancer. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined as a result of competition. Sales of *Aloxi*, a 5-HT_3 receptor antagonist antiemetic agent, and antineoplastic agent *Abraxane*, both launched last year, continued to grow steadily. Co-promotion of the anti-cancer agent *SPRYCEL* has started in the U.S. and Japan, and the Company began recognition of sales in accordance with the co-promotion agreement with Bristol-Myers Squibb Company. *SPRYCEL* is approved in the U.S., Europe and Japan as a first-line treatment for chronic myeloid leukemia (CML) in adults.

In the area of cardiovascular system, steps were taken to increase awareness of *SAMSCA* among medical specialists, with a focus on cardiac edema in Japan, hyponatremia in the U.S., and syndrome of inappropriate antidiuretic hormone secretion (SIADH) in Europe. *SAMSCA* is the world's first oral vasopressin V_2-receptor antagonist for the treatment of volume overload in patients with heart failure. The switch to orally disintegrating tablets for antiplatelet agent *Pletaal/Pletal* has been progressing, but sales declined due to the impact of generics.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined as a result of increased generic competition in Japan.

In the area of clinical nutrition, the high-calorie TPN solution *ELNEOPA* showed steady growth in new customers and sales volume in response to promotion of the benefits of trace elements in the product.

In the first six months ended September 30, 2011, research and development expenses declined, due to appreciation of the yen, changes to clinical trial plans and the carry-over of research and development expenses to the third quarter and later.

As a result, net sales in the pharmaceutical segment for the six months ended September 30, 2011 totaled ¥381,127 million (1.7% increase year on year), with operating income of ¥84,715 million (18.8% increase year on year).

2) Nutraceuticals

Concerning *Pocari Sweat*, an electrolyte supplement drink, in the Japanese market, sales growth was achieved in the 900 ml bottles targeting small-sized households, as a result of sustained marketing activities using the phrase "Ensuring the right balance of electrolytes when you perspire," which has raised public awareness about heat stroke prevention indoors and outdoors. However, sales overall were lower than the same period of the previous fiscal year when summer temperatures were higher than usual. In overseas markets (*Pocari Sweat* is sold in 16 countries), sales volume grew substantially in Indonesia due to aggressive marketing campaigns emphasizing product value, which led to growth in the customer base. In China, a strategy aimed at raising consumer awareness led to greater visibility for *Pocari Sweat* and better understanding about the product's merits. As a result, combined overseas sales volume grew by more than 20% year on year.

The Otsuka Group believes soy offers a solution to various health, nutrition, and environmental issues faced by people today, and is marketing its soy products under the concept of "Soylution." The first Soylution product *SOYJOY*, a fruit soy bar, is now sold in 11 countries. A new flavor, "Fruity Tomato" was launched in Japan in April, and this helped to expand the customer base. *SOYJOY* was also launched in four European countries (France, Belgium, Italy, and Spain) from February this year, and the number of customers steadily expanded, mainly in larger cities. For the second Soylution product, the soy soda *SOYSH*, the Company is putting its efforts into acquiring new customers through direct mail orders and sales activities at general retailers, while a campaign targeting around 3.3 million consumers was rolled out to raise awareness of the Soylution concept.

Sales of *Oronamin C* exceeded sales in the same period of the previous fiscal year, due in part to the partnership with Ito En Limited 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 this long-selling product.

The balanced nutrition food *Calorie Mate* expanded its customer base, particularly with respect to female customers, as a result of growing awareness of its nutritional benefits amid the circumstances of the Great East Japan Earthquake. However, because customers stocked up on the product causing a spike in demand in March, sales subsequently declined, leading to lower sales year on year in this first six months.

Sales in the Cosmedics[*1] area, which is based on the concept of "healthy skin," grew steadily. In the *UL·OS* men's skincare brand, the product lineup was expanded with the launch of *Refresh Sheet* (medicated) in April and *Scalp Shampoo* (medicated) in September. This new shampoo does not contain silicon but still leaves the hair feeling moist after rinsing, without hair conditioner. The *UL·OS* brand now contains a comprehensive lineup of products for all areas of men's skincare.

Consolidated subsidiary Nutrition & Santé SAS (France), which operates in more than 40 countries, mainly in Europe, reported steady sales of nutrition and health food. In Japan, the customer base for Nutrition & Santé products expanded as the emphasis shifted from test marketing to nationwide sales of *Gerble*, a nutrition and health food brand, and *Gerlinea*, the leading calorie control brand in the French diet food market[*2].

U.S. consolidated subsidiary Pharmavite LLC, which supplies *Nature Made*, the top-selling supplement brand in the U.S.[*3], continued to perform well In Japan, *Super Multi Vitamins & Minerals* and *Super Fish Oil* were launched in June, leading to renewed awareness of the *Nature Made* brand and supporting growth in the customer base, especially among male consumers. The Company is emphasizing the advantages of these U.S.-style supplements, which provide a sufficient amount of daily required nutrients in a single tablet.

Nutrient tonic *Tiovita* showed steady growth in sales volume due to a significantly expanded in-store presence compared with the same period of the previous fiscal year.

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

As a result, net sales in the nutraceutical segment for the six months ended September 30, 2011 totaled ¥146,535 million (1.2% decrease year on year), with operating income of ¥20,568 million (19.7% increase year on year).

[*1] Cosmedics = Skin care products targeting healthy skin based on Otsuka Pharmaceutical's innovative principle of Cosmetics + Medicine

[*2] IRI, July 2009 (PDM volume CC a P7 source IRI)

[*3] 2006-2010 Nielsen data on Food, Drug, Mass (FDMx) and Food, Drug, Mass and Club (FDMC) market channels

3) Consumer Products

Sales volume for *Crystal Geyser* and other mineral waters improved as a result of aggressive sales promotion and marketing strategies, including the addition of new sized bottles and changes to pricing strategy. Sales of *Nescafe* brand rose slightly on the back of new product launches that offer new value. Sales of *Match*, a carbonated electrolyte drink containing vitamins, grew steadily due to aggressive marketing and sales promotion activities that led to the acquisition of new customers and expansion in the customer base. Also, sales of tea beverages grew as a result of the partnership with Ito En Limited in the vending machine business.

In the consumer products segment, the Company continues to implement a range of initiatives aimed at improving profitability, in addition to stepping up marketing initiatives.

As a result, net sales in the consumer products segment for the six months ended September 30, 2011 totaled ¥28,504 million (6.2% increase year on year), with operating loss of ¥209 million.

4) Others

Sales in the specialty chemical business grew on the back of higher sales of BMH, a specialty material for large tires, and solid sales of Terracess, a brake pad friction material. Sales in the fine chemical business declined due to factors such as the earthquake's impact on manufacturing capacity of our customers.

The transportation and warehousing business recorded solid growth owing to an increase in the volume of beverages handled and the acquisition of new customers.

As a result, net sales in other businesses for the six months ended September 30, 2011 totaled ¥56,056 million (3.1% decrease year on year), with operating income of ¥1,676 million (50.4% decrease year on year).

< Research and Development Activities>

Research and development expenses for the six months ended September 30, 2011 totaled ¥77,031 million.

The primary areas of research and development were as follows:

(Pharmaceuticals)

The Otsuka Group conducts research and development with a primary focus on addressing unmet medical needs.

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 first six months ended September 30, 2011 in the area of therapeutic drugs are summarized below.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	*ABILIFY*	• The drug is currently undergoing evaluation as a new once-weekly oral formulation for the treatment of Tourette syndrome and moved to Phase III trials in the U.S.
	OPC-34712	• OPC-34712 moved to Phase III trials in the U.S. to determine efficacy for major depressive disorder. It also moved to Phase III trials in the U.S. and Europe as a treatment for schizophrenia. • (Additional information) Phase II trial results for the treatment of schizophrenia were presented at the 24th U.S. Psychiatric and Mental Health Congress in November.
	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 presented at the 15th International Congress of Parkinson’s Disease and Movement Disorders in June.
Cardiovascular system	*SAMSCA*	• *SAMSCA*, regarded as a first-in-class drug in new diuretics capable of selectively excreting only excess water, was approved in Canada in July and in South Korea and China in September as a treatment for hyponatremia.
Anti-cancer and cancer-supportive care	OCV-105	• OCV-105 is a cancer vaccine being developed in collaboration with OncoTherapy Science, Inc. Phase I trials for the treatment of pancreatic cancer have been initiated in Japan.
	TS-1/*Teysuno* (approved drug name in Europe)	• The results of clinical trials for anti-cancer agent *TS-1* for the treatment of unresectable colorectal cancer (clinical trial name: FIRIS) and for the treatment of advanced pancreatic cancer (clinical trial name: GEST) were presented at the 47th Annual Meeting of the American Society of Clinical Oncology (ASCO) in June. • A joint development and commercialization agreement for the European market was concluded with the Nordic Group BV of the Netherlands in July.
	SPRYCEL	• *SPRYCEL* is an anti-cancer agent discovered by Bristol-Myers Squibb Company and is being co-developed and co-promoted globally. An additional indication for *SPRYCEL* as a first-line treatment for adult CML was approved in Japan in June. • The drug has moved to Phase II trials in the U.S. and Europe as a treatment for pancreatic cancer.

Category	Brand Name / Generic Name / Development Code	Status
	TAS-102	• Phase II trials have confirmed the efficacy of TAS-102 for extending the survival period of patients with recurrent colorectal cancer that does not respond to standard treatments. The results of these trials were presented at the 9th Annual Meeting of the Japanese Society of Medical Oncology (Yokohama) in July and the European Multidisciplinary Cancer Congress (Stockholm) in September.
Other categories (Ophthalmology and others)	*Mucosta ophthalmic suspension UD 2%*	• Approval was granted in September for the manufacture and marketing in Japan of *Mucosta ophthalmic suspension UD 2%*, as treatment for dry eyes. Phase III trials in Japan confirmed improvement in patients with corneal-conjunctival disorders and marked improvement in patients with subjective symptoms. The results of these trials were announced at the Annual Meeting of the Association for Research in Vision and Ophthalmology in May.

1) Clinical nutrition

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

2) Diagnostic

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

WT1 mRNA assay kit *Otsuka*, which is already included in NHI coverage and widely used as a monitoring marker for acute myeloid leukemia (AML) and minimal residual disease (MRD), was additionally approved for NHI coverage in August for myelodysplastic syndrome (MDS).

Research and development expenses for the pharmaceutical business were ¥72,101 million.

(Nutraceuticals**)**

In the nutraceutical business, the Otsuka Group draws on its knowledge in the pharmaceutical business to conduct research and development into functional food and beverages that support the maintenance and improvement of day-to-day well-being.

The Otsuka Group’s Research Institute of New Functional Products Development in Tokushima specializes in soy. It is working on the development of additional innovative soy products that make it easier to enjoy soy’s significant health benefits, particularly in markets such as the U.S. and Europe where soy is not part of the traditional diet.

Research and development expenses for the nutraceutical business were ¥2,142 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 ¥264 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 ¥2,523 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of September 30, 2011 were ¥1,675,541 million, an increase of ¥85,824 million compared to ¥1,589,717 million at the end of the previous fiscal year. The increase was due mainly to the ¥85,485 million increase in current assets and ¥338 million increase in fixed assets.

(Current Assets)

Total current assets as of September 30, 2011 were ¥1,006,715 million, an increase of ¥85,485 million compared to ¥921,230 million at the end of the previous fiscal year. The increase was due mainly to the ¥49,611 million increase in cash and deposits, the ¥9,320 million increase in notes and accounts receivable-trade, and the ¥6,021 million increase in marketable securities as a result of the solid first half performance.

(Fixed Assets)

Total fixed assets as of September 30, 2011 were ¥668,755 million, an increase of ¥338 million compared to ¥668,416 million at the end of the previous fiscal year. The increase was due mainly to the ¥2,129 million increase in tangible fixed assets as a result of the completion of the Pocari Sweat manufacturing facility at the Saga Factory, and the ¥2,226 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, partially offset by the ¥4,017 million decrease in intangible fixed assets as a result of the decrease in trademark resulting from the divestiture of part of the nutraceutical business in Europe and goodwill amortization.

2) Liabilities

(Current Liabilities)

Total current liabilities as of September 30, 2011 were ¥323,274 million, an increase of ¥47,715 million compared to ¥275,559 million at the end of the previous fiscal year. The increase was due mainly to the ¥27,283 million increase in notes and accounts payable-trade, and the ¥12,343 million increase in income taxes payable as a result of the solid first half performance.

(Fixed Liabilities)

Total fixed liabilities as of September 30, 2011 were ¥144,018 million, a decrease of ¥6,814 million compared to ¥150,832 million at the end of the previous fiscal year. The decrease was due mainly to the ¥5,173 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, and the decrease in lease obligations.

3) Net Assets

Total net assets as of September 30, 2011 were ¥1,208,249 million, an increase of ¥44,923 million compared to ¥1,163,325 million at the end of the previous fiscal year. The increase was due mainly to the ¥41,626 million increase in retained earnings as a result of the positive net income and the ¥3,461 million decrease in foreign currency translation adjustments as a result of the appreciation of the yen.

(3) Qualitative Information on Consolidated Operating Results Forecast

The outlook for the consolidated results for the fiscal year ending FY2011 has been revised from the previous forecast announced on May 12, 2011 as follows, taking into consideration the current half year results and the anticipated foreign exchange rates and R&D activities in the second half of the year.

Amendments to the consolidated operating results forecast for FY2011 (April 1, 2011 to March 31, 2012)

	Net sales	Operating income	Ordinary income	Net income	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	1,170,000	120,000	127,000	82,000	146.99
Revised forecast (B)	1,150,000	145,000	145,000	94,000	168.50
Amount changed (B-A)	(20,000)	25,000	18,000	12,000	-
Change (%)	(1.7)%	20.8%	14.2%	14.6%	-
(Reference) FY2010 consolidated results	1,127,589	126,292	128,400	82,369	164.51

(Note 1) 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.

(Note 2) The assumed exchange rates are as follows:

	USD	Euro
	Yen	Yen
Previous forecast	85.00	115.00
Revised forecast	80.00	110.00
FY2011 Q2 exchange rate	82.00	115.03

The assumed exchange rates for the second half of the year are ¥78 against the U.S. dollar and ¥103 against the euro, resulting in ¥80 against the U.S. dollar and ¥110 against the euro for the full year.

2. Other Information

(1) Changes in significant subsidiaries during the period

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 and affiliated companies

Previously, revenue and expense accounts of consolidated foreign subsidiaries and affiliated companies 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 and affiliated companies 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 second 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 second 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 ¥0.32.

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 six months ended September 30, 2010 (from April 1, 2010 to September 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	573,994	586,853	12,858	9,197	3,660
Cost of sales	192,521	197,192	4,671	4,671	-
Gross profit	381,472	389,660	8,187	4,526	3,660
Selling, general and administrative expenses	311,602	316,729	5,126	5,126	-
Operating income	69,870	72,930	3,060	(600)	3,660
Non-operating income	10,813	7,394	(3,419)	241	(3,660)
Non-operating expenses	6,733	6,764	30	30	-
Ordinary income	73,950	73,561	(389)	(389)	-
Extraordinary income	5,805	5,806	1	1	-
Extraordinary loss	3,791	3,805	13	13	-
Income before income taxes and minority interests	75,963	75,562	(401)	(401)	-
Income taxes					
Current	20,700	20,856	155	155	-
Deferred	1,337	909	(427)	(427)	-
Total income taxes	22,037	21,766	(271)	(271)	-
Income before minority interests	53,926	53,796	(130)	(130)	-
Minority interests in net income	738	756	18	18	-
Net income	53,188	53,039	(149)	(149)	-

3) Consolidated Statement of Cash Flow

For the six months ended September 30, 2010 (from April 1, 2010 to September 30, 2010)

(Millions of yen)

	Before retrospective adjustment and reclassification	After retrospective adjustment and reclassification	Diff	Effect of change in translation method
Net cash provided by operating activities	34,927	35,256	329	329
Net cash used in investing activities	(25,237)	(25,429)	(192)	(192)
Net cash used in financing activities	(38,003)	(37,919)	83	83
Foreign currency translation adjustments on cash and cash equivalents	(2,746)	(2,967)	(220)	(220)
Net decrease in cash and cash equivalents	(31,060)	(31,060)	-	-
Cash and cash equivalents, beginning of period	321,306	321,306	-	-
Cash and cash equivalents of newly consolidated subsidiaries	1,538	1,538	-	-
Cash and cash equivalent, end of period	291,784	291,784	-	-

(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 September 30, 2011
ASSETS		
Current assets		
Cash and deposits	387,520	437,132
Notes and accounts receivable-trade	239,648	248,969
Marketable securities	122,535	128,556
Finished products and merchandise	62,335	71,478
Work-in process	23,613	24,174
Raw materials and supplies	28,948	32,275
Other current assets	56,976	64,518
Allowance for doubtful receivables	(350)	(388)
Total current assets	921,230	1,006,715
Fixed assets		
Tangible fixed assets	256,832	258,962
Intangible fixed assets		
Goodwill	41,444	39,138
Other intangible fixed assets	35,643	33,931
Total intangible fixed assets	77,088	73,070
Investments and other assets		
Investment securities	261,203	263,758
Investments in capital	22,009	22,490
Other assets	54,194	51,573
Allowance for investment loss	(2,818)	(1,012)
Allowance for doubtful receivables	(92)	(87)
Total investments and other assets	334,495	336,722
Total fixed assets	668,416	668,755
Deferred assets	69	70
Total assets	1,589,717	1,675,541
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	88,113	115,396
Short-term borrowings	53,205	59,618
Income taxes payable	13,301	25,645
Reserve for bonuses	15,878	15,066
Provisions	456	179
Other current liabilities	104,604	107,368
Total current liabilities	275,559	323,274
Long-term liabilities		
Long-term debt	28,763	27,960
Liability for employees’ retirement benefits	44,333	44,964
Other allowances	3,416	3,180
Negative goodwill	28,933	27,701
Other long-term liabilities	45,385	40,211
Total long-term liabilities	150,832	144,018
Total liabilities	426,392	467,292

	As of March 31, 2011	As of September 30, 2011
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,639	510,639
Retained earnings	609,967	651,594
Treasury stock	(4)	(6)
Total shareholders' equity	1,202,293	1,243,917
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	358	(1,513)
Deferred loss on derivatives under hedge accounting	(3)	(15)
Foreign currency translation adjustments	(52,446)	(48,984)
Total accumulated other comprehensive income	(52,091)	(50,512)
Stock acquisition rights	464	799
Minority interests	12,658	14,044
Total net assets	1,163,325	1,208,249
Total liabilities and net assets	1,589,717	1,675,541

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Net sales	586,853	590,283
Cost of sales	197,192	197,057
Gross profit	389,660	393,225
Selling, general and administrative expenses		
Promotion expenses	95,438	88,449
Salaries and bonuses	36,369	36,709
Reserve for bonuses	9,291	8,755
Retirement benefit expenses	3,561	3,774
Amortization of goodwill	2,245	2,326
Research and development expenses	80,226	77,031
Other	89,596	89,799
Total selling, general and administrative expenses	316,729	306,846
Operating income	72,930	86,379
Non-operating income		
Interest income	592	741
Dividend income	615	664
Amortization of negative goodwill	1,263	1,232
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3,769	2,065
Other	1,154	1,179
Total non-operating income	7,394	5,884
Non-operating expenses		
Interest expenses	832	907
Foreign exchange loss, net	5,678	5,479
Other	253	393
Total non-operating expenses	6,764	6,780
Ordinary income	73,561	85,483
Extraordinary income		
Gain on sales of fixed assets	156	185
Gain on change in equity interest	5,571	2
Other	78	37
Total extraordinary income	5,806	225
Extraordinary loss		
Impairment loss	734	243
Provision of allowance for investment loss	301	-
Effect of adoption of accounting standard for asset retirement obligations	426	-
Loss on transfer from business divestitures	1,900	637
Other	441	1,053
Total extraordinary loss	3,805	1,935
Income before income taxes and minority interests	75,562	83,774
Income taxes		
Current	20,856	27,173
Deferred	909	(1,322)
Total income taxes	21,766	25,851
Income before minority interests	53,796	57,922
Minority interests in net income	756	721
Net income	53,039	57,201

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Income before minority interests	53,796	57,922
Other comprehensive income		
Unrealized loss on available-for-sale securities	(1,931)	(1,938)
Deferred gain (loss) on derivatives under hedge accounting	14	(11)
Foreign currency translation adjustments	(5,494)	949
Share of other comprehensive income of equity method affiliates	(7,216)	2,759
Total other comprehensive income	(14,627)	1,758
Total comprehensive income	39,168	59,680
Total comprehensive income attributable to:		
Owners of the parent	38,822	58,799
Minority interests	346	881

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Operating activities:		
Income before income taxes and minority interests	75,562	83,774
Depreciation and amortization	21,269	20,957
Impairment loss	734	243
Amortization of goodwill	981	1,094
Increase in liability for employees’ retirement benefits	723	562
Decrease in allowance for doubtful receivables	(168)	(25)
Interest and dividend income	(1,207)	(1,406)
Interest expense	832	907
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3,769)	(2,065)
Gain on change in equity interest	(5,571)	(2)
Loss on transfer of business	1,900	637
Increase in account receivables-trade	(16,484)	(7,203)
Increase in inventories	(9,721)	(12,663)
Increase in account payables-trade	11,138	26,801
Decrease in long-term unearned revenues	(3,660)	(3,660)
Other, net	(4,150)	(5,506)
Subtotal	68,408	102,444
Interest and dividends received	4,888	4,390
Interest paid	(943)	(1,082)
Income taxes paid	(37,097)	(15,187)
Net cash provided by operating activities	35,256	90,564
Investing activities:		
Increase in marketable securities	-	(6,376)
Purchases of property, plant and equipment	(19,778)	(14,754)
Proceeds from sales of property, plant and equipment	290	398
Purchases of investment securities	(18,988)	(12,497)
Proceeds from sales and redemptions of investment securities	17,736	8,406
Payments for investments in capital	(726)	-
Proceeds from transfer of business	2,099	1,529
Payments for transfer of business	-	(1,323)
Payments of loans receivables	(50)	(523)
Proceeds from collection of loans receivables	178	86
Increase in time deposits-net	(2,125)	(25,311)
Other, net	(4,065)	(817)
Net cash used in investing activities	(25,429)	(51,182)

(Millions of yen)

	For the six months ended September 30, 2010	For the six months ended September 30, 2011
Financing activities:		
(Decrease) increase in short-term debt-net	(3,777)	5,270
Proceeds from long-term debt	1,954	190
Repayments of long-term debt	(28,068)	(5,482)
Dividends paid	(5,957)	(15,619)
Dividends paid to minority interest in consolidated subsidiaries	(144)	(165)
Other, net	(1,924)	(1,196)
Net cash used in financing activities	(37,919)	(17,004)
Foreign currency translation adjustments on cash and cash equivalents	(2,967)	(1,395)
Net (decrease) increase in cash and cash equivalents	(31,060)	20,981
Cash and cash equivalents, beginning of period	321,306	387,325
Increase (decrease) in cash and cash equivalents from change of scope of consolidation	1,538	(694)
Cash and cash equivalents, end of period	291,784	407,612

(4) Note regarding Assumption of Going Concern
Not applicable

(5) Segment Information
For the six months ended September 30, 2010 (from April 1, 2010 to September 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	374,603	147,243	26,396	38,610	586,853	-	586,853
Intersegment sales	-	1,044	444	19,224	20,713	(20,713)	-
Total	374,603	148,287	26,841	57,835	607,566	(20,713)	586,853
Segment income (loss)	71,279	17,189	(173)	3,380	91,676	(18,745)	72,930

Notes:
1) Adjustments to segment income (loss) of ¥(18,745) million include intersegment eliminations of ¥782 million and unallocated corporate expenses of ¥(19,527) 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 10, the Company has changed the calculation method of segment income (loss).

(Change in the method of translating revenue and expense accounts of foreign subsidiaries and affiliated companies)
Previously, revenue and expense accounts of consolidated foreign subsidiaries and affiliated companies 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 and affiliated companies 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 six months ended September 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 six months ended September 30, 2010 have been reclassified to reflect the change in the method of presentation.

"Net sales and segment income by segment" for the six months ended September 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	365,081	144,254	26,285	38,373	573,994	-	573,994
Intersegment sales	-	1,043	443	19,224	20,711	(20,711)	-
Total	365,081	145,297	26,729	57,597	594,706	(20,711)	573,994
Segment income (loss)	68,301	17,082	(150)	3,370	88,603	(18,733)	69,870

Notes:
1) Adjustments to segment income (loss) of ¥(18,733) million include intersegment eliminations of ¥782 million and unallocated corporate expenses of ¥(19,515) 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 six months ended September 30, 2011 (from April 1, 2011 to September 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	381,127	144,899	27,932	36,324	590,283	-	590,283
Intersegment sales	-	1,636	571	19,732	21,940	(21,940)	-
Total	381,127	146,535	28,504	56,056	612,223	(21,940)	590,283
Segment income (loss)	84,715	20,568	(209)	1,676	106,751	(20,371)	86,379

Notes:

1) Adjustments to segment income (loss) of ¥(20,371) million include intersegment eliminations of ¥761 million and unallocated corporate expenses of ¥(21,133) 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.

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

Not applicable

(7) Subsequent Events

For the six months ended September 30, 2011

There was no significant subsequent event.