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

February 10, 2012

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	: February 10, 2012
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 Third Quarter of FY2011 (April 1, 2011 to December 31, 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	881,472	2.4	133,112	29.3	134,975	30.1	88,634	26.8
FY2010	860,606	5.3	102,924	13.2	103,763	4.7	69,890	6.7

(Note) Comprehensive income: FY2011 ¥78,811 million (47.7%)
FY2010 ¥53,349 million (-%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2011	158.89	158.43
FY2010	145.04	144.98

(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 its 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 December 31, 2011	1,660,416	1,216,391	72.4
As of March 31, 2011	1,589,717	1,163,325	72.4

(Reference) Shareholders' equity: As of December 31, 2011 ¥1,201,950 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: No

4. Others

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

(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 11 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):
December 31, 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:
December 31, 2011 3,750 shares
March 31, 2011 2,044 shares
3) Average number of shares outstanding during the reporting period:
Nine months ended December 31, 2011 557,832,562 shares
Nine months ended December 31, 2010 481,867,458 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 February 9, 2012.

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

The Company is planning to hold an earnings release conference call for institutional investors, analysts and the press on February 10, 2012. 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 for the Third Quarter of FY2011

(1) Qualitative Information on Consolidated Operating Results

<Summary of Operating Results for the Nine Months Ended December 31, 2011>

For the nine months ended December 31, 2011, the Otsuka Group recorded consolidated net sales of ¥881,472 million (2.4% increase year on year), operating income of ¥133,112 million (29.3% increase year on year), ordinary income of ¥134,975 million (30.1% increase year on year) and net income of ¥88,634 million (26.8% 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	586,879	203,252	40,047	82,524	(31,231)	881,472
Operating income (loss)	139,577	23,442	(1,218)	1,841	(30,531)	133,112

1) Pharmaceuticals

In the area of the central nervous system, in November, Otsuka Pharmaceutical signed an alliance agreement with H. Lundbeck A/S ("Lundbeck") of Denmark, a global leader in this field, for co-development and co-commercialization of aripiprazole[*1] depot formulation (once-monthly injection) and OPC-34712[*2]. This alliance will maximize the medical and commercial value of both companies in the area of the central nervous system. The alliance has also made it possible for Otsuka Pharmaceutical to expand beyond Japan, Asia and the U.S. into Lundbeck's existing sales channels in Europe and emerging countries. Under the terms of the agreement, Otsuka has received an upfront payment of USD 200 million, and part of this payment is recorded as sales in the third quarter of FY2011.

The antipsychotic agent *ABILIFY*, which is sold in 65 markets worldwide, continued to grow on a global basis. In the U.S., sales in U.S. dollars reached double-digit growth compared to the previous year, due to the implementation of a program to facilitate patients' access to the drug and an increase in prescriptions for adjunctive therapy in major depressive disorder. In Europe, although fiscal austerity policies led to drug price reductions, prescriptions for the treatment of manic symptoms of bipolar disorder grew. As a result, sales in Europe had a double-digit growth rate, despite a slump in the market for atypical antipsychotic agents. Similarly, sales increased in Asia as a result of growth in prescriptions in China due to *ABILIFY*'s inclusion in the country's national medical insurance system, and growth in prescriptions for the treatment of major depressive disorder in South Korea, Indonesia and Taiwan. In Japan, growth in sales accompanied continued strengthening of information provision regarding the treatment of schizophrenia.

The antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, showed a substantial sales growth following the approval of long-term prescriptions from October 2011.

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. This occurred despite growth in new prescriptions for conditions such as lung cancer and colorectal cancer driven by evidence-based medicine (EBM) approaches. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined as a result of competition. On the other hand, sales of *Aloxi*, a 5-HT3 receptor antagonist antiemetic agent, and antineoplastic agent *Abraxane* continued to grow steadily. The anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan and the U.S. with Bristol-Myers Squibb Company, showed solid growth in sales in the approval of the agent as a first-line treatment of chronic myeloid leukemia on a global level. However, the distributions received by the Company in line with sales volume declined slightly due to appreciation of yen. *BUSULFEX*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. Food and Drug Administration (FDA), is currently sold in over 50 countries, and has now become established in Europe as the standard drug as a conditioning agent used prior to bone marrow transplants in place of radiation.

In the area of the cardiovascular system, awareness grew gradually among medical specialists of *SAMSCA*, because of the new value it brings and its method of use as a diuretic that triggers excretion of water only. In the U.S., sales of *SAMSCA* were double those of the same period of the previous fiscal year. In Japan, now that one year has passed since its launch, awareness of *SAMSCA* as an important treatment option for edema in heart failure patients has grown. For the antiplatelet agent *Pletaal/Pletal*, the switch was completed to orally disintegrating tablets, which are more convenient as they can be administered without water, and the decline in its sales was kept to a minimum.

In other areas, the decline in sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* was limited to a slight decrease due to the strength of the brand, despite the impact of generics. *Mucosta ophthalmic suspension UD 2%*, in which *Mucosta* is applied as a treatment for dry eyes, was placed on the Standard Drug Price List on November 25. This treatment, which has a mechanism that stabilizes tear film, is the first dry eye treatment in Japan for which an improvement in the uncomfortable symptoms of dry eyes has been recognized.

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

In the nine months ended December 31, 2011, research and development expenses declined, mainly due to the impact of the strong yen and a review of the order of priority in clinical trials.

As a result, net sales in the pharmaceutical segment for the nine months ended December 31, 2011 totaled ¥586,879 million

(4.1% increase year on year), with operating income of ¥139,577 million (27.0% increase year on year).

[*1] Aripiprazole is the generic name of an active ingredient of *ABILIFY*.
[*2] A next-generation D2 dopamine receptor partial agonist

2) Nutraceuticals

Pocari Sweat, an electrolyte supplement drink, is sold in 16 markets, mainly in Asia. In markets outside Japan, sales volume grew by more than 20% year on year. Sales continued to be particularly favorable in Indonesia due to the continuation of promotion activities emphasizing product value. In the Japanese market, product promotion using the phrase "Every 100 ml contains 49 mg of sodium" continued in response to heightened public awareness about heat stroke prevention. Although sales volume was below that of the same period of the previous fiscal year, during which the severe summer heat had a favorable impact, sales volume defied the unseasonable summer weather to trend roughly as expected.

Nature Made, which is supplied by Pharmavite LLC of the U.S., maintained strong growth as brand confidence was used to acquire customers, emphasizing *Nature Made* as the No. 1[*1] pharmacist recommended supplement in the U.S. In Japan, *Super Multi Vitamins & Minerals* and *Super Fish Oil*, which were launched in June, contributed to growth in the brand. The two products have "one tablet a day" as a selling point.

Nutrition & Santé SAS of France, which operates in more than 40 countries, mainly in Europe, continued to achieve favorable sales for its core nutrition and health food products. In Japan, nationwide sales of the nutrition and health food brand *Gerble* began in October. Along with *Gerlinea*, the leading[*2] calorie control brand in the French diet food market, the addition of new items have strengthened the product lineup, contributing to the penetration of the brand.

The Otsuka Group is pushing forward with the development of soy products as a solution to various health, nutrition, and environmental issues faced by people today. The Group focused on promoting the value of the fruit soy bar *SOYJOY*, which is sold in 11 markets, to consumers as a product that makes full use of the nutrition in soy. For the soy soda *SOYSH*, the Group worked on acquiring customers by implementing a consumer awareness campaign 80,000 times nationwide, covering a total of more than 4,350,000 people.

Sales of the carbonated nutritional drink *Oronamin C* grew as its customer base expanded, particularly among young consumers. This was the result of the partnership with Ito En Limited regarding the vending machine business which started in April, in addition to continued efforts to acquire customers.

For the balanced nutrition food *Calorie Mate*, sales were below the level in the previous year, despite efforts to promote the product's value to consumers.

In the Cosmedics area, which is based on the concept of "healthy skin," *UL·OS Scalp Shampoo* (medicated) was launched in September in the *UL·OS* men's skincare brand. The shampoo helps to maintain a healthy hair and scalp. The *UL·OS* range now contains a comprehensive lineup of products for all areas of men's skincare.

Nutrient tonic *Tiovita* showed steady growth in sales volume owing to continued implementation of measures for in-store displays.

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 nine months ended December 31, 2011 totaled ¥203,252 million (1.1% decrease year on year), with operating income of ¥23,442 million (37.7% increase year on year).

[*1] Pharmacy Times, 2009
[*2] IRI, July 2009 (PDM volume CC á P7 source IRI)

3) Consumer Products

Sales volume for *Crystal Geyser* and other mineral waters grew as a result of aggressive sales promotion and marketing strategies, including the addition of new product standards and changes to pricing. Sales volume for *Nescafe* decreased, despite efforts to strengthen sales such as new product launches. For *Match*, a carbonated electrolyte drink containing vitamins, sales volume 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 due to 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 nine months ended December 31, 2011 totaled ¥40,047 million (5.0% increase year on year), and operating loss was ¥1,218 million (operating loss was ¥1,121 million in the same period of the previous fiscal year).

4) Others

Sales in the specialty chemical business grew on the back of higher sales of *BMH* and *PHZ*, which are specialty materials for tires. Sales in the fine chemical business declined due to factors such as impact from generics overseas on the antibiotic ingredient *YTR* and impact of the price decrease for the pharmaceutical intermediate *GCLE*.

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 nine months ended December 31, 2011 totaled ¥82,524 million (0.4% increase year on year), with operating income of ¥1,841 million (58.5% decrease year on year).

< Research and Development Activities>

Research and development expenses for the nine months ended December 31, 2011 totaled ¥114,972 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 first nine months ended December 31, 2011 in the area of therapeutic drugs are summarized below.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	*ABILIFY*	• A new once-weekly oral formulation for the treatment of Tourette syndrome advanced to Phase III trials in the U.S. • In the U.S., a new drug application for the aripiprazole depot formulation for the treatment of schizophrenia was accepted for review by the U.S. Food and Drug Administration. • A global alliance agreement was concluded with H. Lundbeck A/S in November for the co-development of aripiprazole depot formulation worldwide. • An oral formulation was approved in South Korea for chronic tic disorder and Tourette syndrome.
	OPC-34712	• OPC-34712 advanced to Phase III trials in the U.S. for major depressive disorder. It also advanced to Phase III trials in the U.S. and Europe as a treatment for schizophrenia. • Phase II trial results for the treatment of schizophrenia were presented at the 24th U.S. Psychiatric and Mental Health Congress in November. • Phase II trials in Japan have been initiated for the treatment of schizophrenia. • A global alliance agreement was concluded with H. Lundbeck A/S for the co-development of OPC-34712 worldwide.
	SPM-962	• SPM-962, which has been developed in Japan as a dopamine agonist transdermal patch preparation, was simultaneously filed in December for the treatment of two disorders: Parkinson's disease and restless legs syndrome.
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* (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 in June. • A co-development and co-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 chronic myeloid leukemia (CML) in adults was approved in Japan in June. • The drug has advanced 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.
	TAS-115	• Phase I trials have been initiated for the treatment of solid cancer.
	OCV-501	• OCV-501 is a WT1-targeted cancer vaccine being developed in collaboration with International Institute of Cancer Immunology, Inc. Phase I trials for the treatment of acute myelocytic leukemia (AML) in elderly patients have been initiated in Japan.
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.
	OPC-108459	• Phase I trials in Japan have been initiated for the treatment of paroxysmal and persistent atrial fibrillation.
Other categories (Ophthalmology and others)	*Mucosta ophthalmic suspension UD 2%*	• Following the granting of approval in September for the manufacture and sale in Japan of *Mucosta ophthalmic suspension UD 2%*, a treatment for dry eyes, the drug was placed on the Standard Drug Price List in November.
	OPC-67683 delamanid	• OPC-67683 advanced to Phase III trials in Japan, the U.S. and Europe. • In Europe, a new drug application has been filed for the treatment of multidrug-resistant tuberculosis.

2) 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.

3) Diagnostic

In the diagnostics area, 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).

RAPIRUN S. pneumoniae HS (otitis media, sinusitis), which is a diagnostic kit for *Streptococcus pneumoniae*, was launched in December. This product has higher sensitivity and thus can more easily detect the pneumococcal antigen than conventional products.

Research and development expenses for the pharmaceutical business for the nine months ended December 31, 2011 were ¥107,634 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 global 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 for the nine months ended December 31, 2011 were ¥3,188 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 for the nine months ended December 31, 2011 were ¥369 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 for the nine months ended December 31, 2011 were ¥3,779 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of December 31, 2011 were ¥1,660,416 million, an increase of ¥70,698 million compared to ¥1,589,717 million at the end of the previous fiscal year. The increase was due mainly to the ¥82,494 million increase in current assets, ¥11,791 million decrease in fixed assets and ¥3 million decrease in deferred assets.

(Current Assets)

Total current assets as of December 31, 2011 were ¥1,003,724 million, an increase of ¥82,494 million compared to ¥921,230 million at the end of the previous fiscal year. The increase was due mainly to the ¥10,267 million increase in cash and deposits, the ¥30,284 million increase in notes and accounts receivable-trade, and the ¥26,028 million increase in marketable securities as a result of the solid nine-month performance and the receipt of USD 200 million upfront licensing payment from Lundbeck under the global alliance agreement to focus on central nervous system.

(Fixed Assets)

Total fixed assets as of December 31, 2011 were ¥656,625 million, an decrease of ¥11,791 million compared to ¥668,416 million at the end of the previous fiscal year. The decrease was due mainly to the ¥3,096 million decrease in tangible fixed assets as a result of the depreciation exceeding the increase resulting from the completion of the *Pocari Sweat* manufacturing facility at the Saga Factory and the investment of medical production facility at the TokushimaWajiki Factory, and the ¥8,091 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 as well as the ¥603 million decrease in investments and other assets as a result of decrease in deferred tax assets due to changes in effective statutory tax rate .

2) Liabilities

(Current Liabilities)

Total current liabilities as of December 31, 2011 were ¥306,824 million, an increase of ¥31,264 million compared to ¥275,559 million at the end of the previous fiscal year. The increase was due mainly to the ¥14,390 million increase in notes and accounts payable-trade, and the ¥9,453 million increase in income taxes payable as a result of the solid nine-month performance.

(Fixed Liabilities)

Total fixed liabilities as of December 31, 2011 were ¥137,200 million, a decrease of ¥13,632 million compared to ¥150,832 million at the end of the previous fiscal year. The decrease was due mainly to the ¥10,118 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 December 31, 2011 were ¥1,216,391 million, an increase of ¥53,066 million compared to ¥1,163,325 million at the end of the previous fiscal year. The increase was due mainly to the ¥61,903 million increase in retained earnings as a result of the positive net income although there was a ¥7,969 million decrease in foreign currency translation adjustments as a result of the appreciation of the yen. Shareholders' equity ratio as of December 31, 2011 was 72.4%, the same as that as of March 31, 2011.

(3) Qualitative Information on Consolidated Operating Results Forecast

There has been no change to the consolidated performance forecasts announced on November 10, 2011, for the year ending March 31, 2012.

2. Other Information

(1) Changes in significant subsidiaries during the period

None

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

None

(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 third 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 third 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 increase the prior periods' basic and diluted earnings per share by ¥1.00 and ¥0.91, respectively.

1) Consolidated Balance Sheet
As of March 31, 2011

(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 nine months ended December 31, 2010 (from April 1, 2010 to December 31, 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	838,117	860,606	22,489	16,998	5,491
Cost of sales	281,991	288,609	6,618	6,618	-
Gross profit	556,126	571,997	15,871	10,379	5,491
Selling, general and administrative expenses	459,059	469,072	10,012	10,012	-
Operating income	97,066	102,924	5,858	367	5,491
Non-operating income	15,196	10,020	(5,176)	314	(5,491)
Non-operating expenses	9,144	9,181	37	37	-
Ordinary income	103,118	103,763	644	644	-
Extraordinary income	5,857	5,860	3	3	-
Extraordinary loss	4,230	4,237	7	7	-
Income before income taxes and minority interests	104,746	105,386	640	640	-
Income taxes					
Current	22,154	22,438	283	283	-
Deferred	11,874	11,716	(158)	(158)	-
Total income taxes	34,028	34,154	125	125	-
Income before minority interests	70,717	71,232	514	514	-
Minority interests in net income	1,306	1,341	35	35	-
Net income	69,410	69,890	479	479	-

(Changes in accounting policies)

Application of accounting standards relating to Earnings 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 method of computing diluted net income per share has been changed concerning the treatment of stock options that become exercisable after a certain period of service. Specifically, of such stock options’ fair value, the portion attributable to service yet to be provided to the company is now included in the amount to be paid upon exercise of the stock options.

As a result, the effect of the change was to increase the prior periods’ diluted earnings per share by ¥0.16.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
ASSETS		
Current assets		
Cash and deposits	387,520	397,788
Notes and accounts receivable-trade	239,648	269,933
Marketable securities	122,535	148,563
Finished products and merchandise	62,335	61,296
Work-in process	23,613	31,478
Raw materials and supplies	28,948	32,148
Other current assets	56,976	62,812
Allowance for doubtful receivables	(350)	(295)
Total current assets	921,230	1,003,724
Fixed assets		
Tangible fixed assets	256,832	253,736
Intangible fixed assets		
Goodwill	41,444	37,980
Other intangible fixed assets	35,643	31,016
Total intangible fixed assets	77,088	68,997
Investments and other assets		
Investment securities	261,203	267,916
Investments in capital	22,009	21,924
Other assets	54,194	45,172
Allowance for investment loss	(2,818)	(1,011)
Allowance for doubtful receivables	(92)	(110)
Total investments and other assets	334,495	333,892
Total fixed assets	668,416	656,625
Deferred assets	69	66
Total assets	1,589,717	1,660,416
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	88,113	102,503
Short-term borrowings	53,205	58,154
Income taxes payable	13,301	22,754
Reserve for bonuses	15,878	4,720
Provisions	456	197
Other current liabilities	104,604	118,492
Total current liabilities	275,559	306,824
Long-term liabilities		
Long-term debt	28,763	27,340
Liability for employees' retirement benefits	44,333	44,539
Other allowances	3,416	2,968
Negative goodwill	28,933	27,085
Other long-term liabilities	45,385	35,266
Total long-term liabilities	150,832	137,200
Total liabilities	426,392	444,024

	As of March 31, 2011	As of December 31, 2011
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,639	510,639
Retained earnings	609,967	671,870
Treasury stock	(4)	(7)
Total shareholders' equity	1,202,293	1,264,193
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	358	(1,835)
Deferred loss on derivatives under hedge accounting	(3)	8
Foreign currency translation adjustments	(52,446)	(60,416)
Total accumulated other comprehensive income	(52,091)	(62,243)
Stock acquisition rights	464	967
Minority interests	12,658	13,474
Total net assets	1,163,325	1,216,391
Total liabilities and net assets	1,589,717	1,660,416

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	For the nine months ended December 31, 2010	For the nine months ended December 31, 2011
Net sales	860,606	881,472
Cost of sales	288,609	295,303
Gross profit	571,997	586,168
Selling, general and administrative expenses		
Promotion expenses	138,181	128,651
Salaries and bonuses	63,812	64,591
Reserve for bonuses	3,497	3,305
Retirement benefit expenses	4,820	5,243
Amortization of goodwill	3,438	3,489
Research and development expenses	121,941	114,972
Other	133,381	132,801
Total selling, general and administrative expenses	469,072	453,056
Operating income	102,924	133,112
Non-operating income		
Interest income	909	1,147
Dividend income	920	984
Amortization of negative goodwill	1,879	1,848
Equity in earnings of unconsolidated subsidiaries and affiliated companies	4,843	2,954
Other	1,468	1,741
Total non-operating income	10,020	8,676
Non-operating expenses		
Interest expenses	1,182	1,317
Foreign exchange loss, net	6,905	4,959
IPO expenses	777	-
Other	316	537
Total non-operating expenses	9,181	6,813
Ordinary income	103,763	134,975
Extraordinary income		
Gain on sales of fixed assets	190	122
Gain on change in equity interest	5,571	2
Reversal of loss on disaster	-	471
Other	98	38
Total extraordinary income	5,860	634
Extraordinary loss		
Impairment loss	751	349
Loss on revaluation of investments securities	199	316
Effect of adoption of accounting standard for asset retirement obligations	426	-
Loss on transfer from business divestitures	1,900	662
Other	959	1,287
Total extraordinary loss	4,237	2,615
Income before income taxes and minority interests	105,386	132,994
Income taxes		
Current	22,438	42,267
Deferred	11,716	1,109
Total income taxes	34,154	43,376
Income before minority interests	71,232	89,617
Minority interests in net income	1,341	983
Net income	69,890	88,634

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For the nine months ended December 31, 2010	For the nine months ended December 31, 2011
Income before minority interests	71,232	89,617
Other comprehensive income		
Unrealized loss on available-for-sale securities	(2,601)	(2,285)
Deferred gain (loss) on derivatives under hedge accounting	(8)	12
Foreign currency translation adjustments	(7,638)	(5,845)
Share of other comprehensive income of equity method affiliates	(7,634)	(2,687)
Total other comprehensive income	(17,882)	(10,806)
Total comprehensive income	53,349	78,811
Total comprehensive income attributable to:		
Owners of the parent	52,424	78,502
Minority interests	924	309

(3) Note regarding Assumption of Going Concern
Not applicable

(4) Segment Information
For the nine months ended December 31, 2010 (from April 1, 2010 to December 31, 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	563,806	203,820	37,583	55,395	860,606	-	860,606
Inter segment sales	-	1,651	572	26,793	29,018	(29,018)	-
Total	563,806	205,472	38,156	82,189	889,625	(29,018)	860,606
Segment income (loss)	109,881	17,018	(1,121)	4,433	130,212	(27,287)	102,924

Notes:
1) Adjustments to segment income (loss) of ¥(27,287) million include intersegment eliminations of ¥1,203 million and unallocated corporate expenses of ¥(28,490) 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 "2(3) changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction" on page 11, 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 nine months ended December 31, 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 nine months ended December 31, 2010 have been reclassified to reflect the change in the method of presentation.

"Net sales and segment income by segment" for the nine months ended December 31, 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	545,335	200,349	37,256	55,176	838,117	-	838,117
Inter segment sales	-	1,647	569	26,793	29,010	(29,010)	-
Total	545,335	201,996	37,826	81,970	867,128	(29,010)	838,117
Segment income (loss)	104,151	16,800	(1,053)	4,421	124,319	(27,253)	97,066

Notes:
1) Adjustments to segment income (loss) of ¥(27,253) million include intersegment eliminations of ¥1,202 million and unallocated corporate expenses of ¥(28,455) 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 nine months ended December 31, 2011 (from April 1, 2011 to December 31, 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	586,879	200,660	39,139	54,792	881,472	-	881,472
Inter segment sales	-	2,591	907	27,731	31,231	(31,231)	-
Total	586,879	203,252	40,047	82,524	912,704	(31,231)	881,472
Segment income (loss)	139,577	23,442	(1,218)	1,841	163,644	(30,531)	133,112

Notes:

1) Adjustments to segment income (loss) of ¥(30,531) million include intersegment eliminations of ¥1,135 million and unallocated corporate expenses of ¥(31,667) 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

There was no significant subsequent event.