

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2013 [Japan GAAP]

November 13, 2012

Company name	: Otsuka Holdings Company Limited
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
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Scheduled date of quarterly securities report submission	: November 14, 2012
Scheduled date of dividend payment commencement	: December 3, 2012
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 Second Quarter of FY2012 (April 1, 2012 to September 30, 2012)

(1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2012	599,007	1.5	93,435	8.2	95,498	11.7	62,653	9.5
FY2011	590,283	0.6	86,379	18.4	85,483	16.2	57,201	7.8

(Note) Comprehensive income: FY2012 ¥62,281 million (4.4%)
FY2011 ¥59,680 million (52.4%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2012	113.26		112.95	
FY2011	102.54		102.17	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of September 30, 2012	1,689,572	1,250,909	73.2	2,249.46
As of March 31, 2012	1,666,767	1,222,764	72.5	2,166.55

(Reference) Shareholders' equity: As of September 30, 2012 ¥1,236,246 million
As of March 31, 2012 ¥1,208,588 million

2. Dividends

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2011	-	20.00	-	25.00	45.00
FY2012	-	28.00	-	-	-
FY2012 (forecast)	-	-	-	30.00	58.00

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

3. Consolidated Operating Results Forecast for FY 2012 (April 1, 2012 to March 31, 2013)

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
Full Year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	1,200,000	3.9	165,000	11.0	170,000	11.8	108,000	17.2	195.87

(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: No
 - 3) Changes in accounting estimates: No
 - 4) Restatements of prior period financial statements due to error correction: No

(Note) 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):

September 30, 2012	557,835,617 shares
March 31, 2012	557,835,617 shares
 - 2) Number of shares of treasury stock as of the end of the reporting period:

September 30, 2012	8,260,915 shares
March 31, 2012	3,978 shares
 - 3) Average number of shares outstanding during the reporting period:

Six months ended September 30, 2012	553,171,391 shares
Six months ended September 30, 2011	557,832,808 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 13, 2012.

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

Forecasts and other forward-looking statements included in this report are not guarantees of future achievements because they 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 a meeting for institutional investors, analysts and the press on November 13, 2012. 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 for the Second Quarter of FY2012

(1) Qualitative Information on Consolidated Operating Results

<Summary of Operating Results for the Six Months Ended September 30, 2012>

For the first six months of fiscal 2012 (from April 1 to September 30, 2012), the Otsuka Group recorded consolidated net sales of ¥599,007 million (up 1.5% year on year), with operating income of ¥93,435 million (up 8.2%), ordinary income of ¥95,498 million (up 11.7%) and net income of ¥62,653 million (up 9.5%).

Results by business segment are as follows:

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	398,057	139,243	26,821	57,945	(23,060)	599,007
Operating income (loss)	96,904	15,173	(633)	2,618	(20,627)	93,435

1) Pharmaceuticals

In the area of the central nervous system, sales of antipsychotic agent *ABILIFY*, which has become one of the top ten drugs worldwide based on sales*¹ and is sold in more than 60 markets, continued to grow on a global basis. In the U.S., prescriptions of *ABILIFY* for adjunctive therapy in major depressive disorder rose, leading to an increase in sales year on year. In Europe, although drug price reductions due to fiscal austerity policies contributed to a slump in the market for atypical antipsychotic agents, sales of *ABILIFY* grew on the back of increased prescriptions for the treatment of manic episodes of bipolar disorder. However, sales in Europe on a yen basis declined year on year due to the appreciation of the yen. Sales of *ABILIFY* grew at a double-digit pace in Asia, supported by increased sales in China, where the drug was included in the national medical insurance system, and by its approval for additional pediatric indications in South Korea. In Japan, sales activities were strengthened for an orally disintegrating tablet launched in May, and sales grew at a double-digit pace on the back of increased prescriptions for the treatment of manic episodes of bipolar disorder, for which *ABILIFY* received an indication in January in addition to the existing indication for schizophrenia.

The antiepileptic drug *E Keppra*, which is co-promoted in Japan with UCB Japan, showed substantial sales growth following the approval of long-term prescriptions from October 2011. *E Keppra* now ranks as one of Japan's leading antiepileptic drug brands.

In addition, under the agreement signed in November 2011 with H. Lundbeck A/S ("Lundbeck") in the area of the central nervous system, the Company booked part of the up-front licensing payment related to this agreement, as well as development milestone payment regarding OPC-34712 under sales in the first six months of fiscal 2012.

In the area of anti-cancer and cancer-supportive care, sales in Japan of anti-cancer agent *TS-1* were solid on the back of evidence-based medicine (EBM) approaches. Overseas, *TS-1* is gradually being rolled out in European markets. Sales of anti-cancer agent *UFT* declined as a result of competition, while sales of reduced folic acid formulation *Uzel* increased slightly thanks to strengthened promotions with respect to new EBM. On the other hand, sales of *Aloxi*, a 5-HT₃ receptor antagonist antiemetic agent, and anti-cancer agent *Abraxane* grew steadily. Anti-cancer agent *SPRYCEL*, which is co-promoted in Japan, the U.S. and Europe with BMS*², showed solid sales growth as a first-line treatment for chronic myeloid leukemia in markets worldwide, and distributions received by Otsuka Pharmaceutical Co., Ltd. in line with sales increased. *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 as the standard drug as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. In September, Otsuka Pharmaceutical Co., Ltd. announced that the rights to develop and market *BUSULFEX* in Japan and Asia will be returned from Kyowa Hakko Kirin Co., Ltd., with Otsuka Pharmaceutical Co., Ltd. taking over sole responsibility for the business in those markets from April 2013.

In the area of cardiovascular system, first-in-class drug vasopressin V₂-receptor antagonist *SAMSCA* is now sold in 13 countries, and the new value it brings and its method of use as an oral aquaretic agent is leading to wider use by medical specialists. As a result, sales in the U.S. continued to grow at a double-digit pace compared with the same period of the previous fiscal year. In Japan, prescriptions of *SAMSCA* increased considerably amid growing awareness of the drug as an important treatment option for edema in heart failure. Sales volume was stable for antiplatelet agent *Pletaal/Pletal* due to promotion of the drug as a convenient orally disintegrating tablet for patients who have had onset cerebral infarction. However, sales declined year on year owing to the impact of drug price reductions and generics.

In other areas, steps were taken to use the brand power of anti-gastritis and anti-gastric ulcer agent *Mucosta*, which is the fourth*³ most prescribed drug in Japan. However, sales declined owing to the impact of drug price reductions and generics. In the area of ophthalmology, efforts are being undertaken to further strengthen sales of *Mucosta ophthalmic suspension UD 2%*, a treatment for dry eyes with a new mechanism that promotes mucin secretion.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased, mainly because of wider adoption by hospitals and growth in prescriptions in response to promotion of the benefits of trace elements in the product and the convenience of its four-chamber bags.

In the first six months of fiscal 2012, research and development expenses in the segment declined, mainly due to the alliance agreement with Lundbeck, and a review of priorities in development projects.

As a result, net sales in the pharmaceutical segment for the six months ended September 30, 2012 totaled ¥398,057 million (up 4.4% year on year), with operating income of ¥96,904million (up 14.4%).

*1: "Top 20 Global Products, 2011," IMS Health website, 2012 IMS Health©, unauthorized reproduction prohibited.

*2: Bristol-Myers Squibb Company

*3: Based on 2011 Japan Medical Data Index, 2012 IMS Japan K.K.©, unauthorized reproduction prohibited.

2) Nutraceuticals

Regarding *Pocari Sweat*, an electrolyte supplement drink, sales grew at a double-digit pace in both Indonesia and China. In Indonesia, awareness of the brand as a first-aid drink grew, supported by continued marketing activities and ongoing efforts to educate consumers about the product's benefits. In China, growth is being driven by an increase in the number of new customers due to constant efforts since the product's launch to raise awareness among consumers. In Japan, the Group focused on communicating to consumers the dangers of heat stroke and conducted marketing activities featuring sports players who perform on the global stage in order to strengthen the appeal of the brand. However, sales volume in Japan was down from the same period of the previous fiscal year in reaction to stockpiling demand in the aftermath of the Great East Japan Earthquake that occurred last year and due to the impact of new products launched by various beverage companies.

The Group is pushing forward with the development of products that make full use of the nutrition in soy as a solution to various health and environmental issues faced by people today under the concept of "Soylution." The healthy soy snack *SoyCarat* was added to the lineup in April, and new customers are being acquired for this new brand as well as the fruit soy bar *SOYJOY*, which is sold in 11 markets around the world, and the soy soda beverage *SOYSH*. Since April 2012, the Group has held seminars in 20 cities around Japan in order to promote the value of its products packed with the wholesome nutrition of soy. The seminars, run by a soy researcher, were aimed at nutritionists and other opinion-leaders in the field of nutrition.

At Nutrition & Santé SAS, which is a subsidiary that operates in more than 40 countries, mainly in Europe, sales of the nutrition and health food brand *Gerble* remained favorable. The company has recently established a new production line of *Gerble* in the city of Annonay in France. In Japan, the number of stores that sell *Gerble* and *Gerlinea*, the leading*⁴ calorie control brand in France's diet food market, continued to grow steadily across the country. As part of efforts to attract new customers to the brands, the Group plans to add a new product to bring variation to the lineup in October.

In the U.S., *Nature Made* supplements are supplied by subsidiary Pharmavite LLC of the U.S. Seven of its items were selected as supplements recommended by pharmacists in the U.S.*⁵, and *Nature Made* has been the top-selling*⁶ supplement in the country for five consecutive years. Exports of the brand declined year on year, but sales remained firm in the U.S. In Japan, *Nature Made* has captured the leading share*⁷ in the retail market for multivitamin supplements. The Group plans to launch a new *Super Vitamin D* in October in Japan.

For the carbonated nutritional drink *Oronamin C*, the market environment surrounding the brand was difficult due to intensified competition from energy drinks launched by various companies. Sales volume, however, declined only slightly thanks to the strong trust that customers already have in the brand and ongoing efforts to deepen ties with customers, which strengthened the brand further, helping *Oronamin C* to stand out from ordinary nutritional drinks in the market.

Sales volume of the balanced nutrition food *Calorie Mate* was down from the same period of the previous fiscal year. *Calorie Mate* is a long-selling product that celebrates its 30th year in 2013. The Group is working to keep the brand fresh while focusing on building closer links with the next generation of consumers to attract new fans.

In the cosmetics area, where the Company focuses on the concept of "healthy skin," the Group ran a marketing campaign for the *UL•OS* men's skincare brand targeting new middle-aged male users. The campaign advertised *UL•OS* as a skincare brand for daily use that contains a comprehensive lineup of products for all areas of men's skincare. The marketing campaign resulted in firm sales volume. In South Korea, where *UL•OS* was launched in March 2012, the brand continued to gain ground, illustrated by its selection in July as the top male cosmetics brand for quality in the country's 2012 consumer choice awards. In the *InnerSignal* brand for women, the Group made steady progress in acquiring customers through the mail-order sales channel, with both the brand and sales registering growth.

Sales of nutrient tonic *Tiovita* declined year on year. This reflected a drop in sales volume due to stockpiling demand in the aftermath of the earthquake last year and poor weather in early summer.

The nutraceutical segment is focusing on implementing promotional activities emphasizing the core concept of its products. It is also working to boost profitability, including an ongoing review of the cost structure.

As a result, net sales in the nutraceutical segment for the six months ended September 30, 2012 totaled ¥139,243 million (down 5.0% year on year), with operating income of ¥15,173 million (down 26.2%).

*4: IRI Value Share of market–Total 2011

*5: Pharmacy Times 2012 Ed.

*6: Leading share of the U.S. retail market (2006-2010 Nielsen data on Food, Drug, Mass (FDMx) and Food, Drug, Mass and Club (FDMC) market channels)

*7: Leading share of the retail market for multivitamin supplements in Japan on a value basis (cumulative data for January 2006-July 2012, Intage SRI)

3) Consumer Products

Sales volume for *Crystal Geysler* and other mineral water products decreased, mainly in reaction to stockpiling demand in the aftermath of the earthquake last year. Sales volume grew steadily for *Match*, a carbonated electrolyte drink containing vitamins, due to aggressive marketing and sales promotion activities mainly targeting high-school students, which led to the acquisition of new customers and growth in consumers.

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, 2012 totaled ¥26,821 million (down 5.9% year on year), with an operating loss of ¥633 million (compared with an operating loss of ¥209 million in the same period of the previous fiscal year).

4) Others

In the specialty chemical business, sales of compound materials, flame retardant phosphazene, and friction materials *TISMO* and *Terracess* were strong on the back of growth in sales of camera parts for smartphones and a recovery in the automotive field in North America. However, sales of raw materials for tires declined due to the impact of the protracted sovereign debt crisis in Europe, and sales of raw materials for liquid crystal panels were weak. As a result, there was a slight decrease in sales overall. In the fine chemical business, the Group resumed production of pharmaceutical intermediate *DACTA*, which had been halted due to the earthquake last year. This, together with an increase in *GCLE* output in India resulting in an increase in sales volume, helped to boost sales.

In the transportation and warehousing business, sales decreased slightly following a decline in the volume of beverages handled due to poor weather in early summer. However, sales of the direct sales support business increased due to growth in the number of orders and expansion of operations.

As a result, net sales in the other businesses for the six months ended September 30, 2012 totaled ¥57,945 million (up 3.4% year on year), with operating income of ¥2,618 million (up 56.2%).

< Research and Development Activities>

Research and development expenses for the six months ended September 30, 2012 totaled ¥74,279 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 central nervous system and anti-cancer and cancer-supportive care. The Group also conducts research and development in fields such as cardiovascular disease and ophthalmology.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	<i>ABILIFY</i>	<p><U.S.></p> <ul style="list-style-type: none"> • The results of Phase III trials to assess the efficacy, safety and tolerability of aripiprazole intramuscular depot formulation (once-monthly injection) were announced at the 165th Annual Meeting of the American Psychiatric Association in May. • A complete response letter to a new drug application for aripiprazole intramuscular depot formulation (once-monthly injection) was received from the FDA in July. The letter cited deficiencies at a third-party supplier of sterile water. The FDA acknowledged receipt of the resubmission in September. • Phase III trials were initiated in August for aripiprazole intramuscular depot formulation (once-monthly injection) for bipolar disorder. <p><Japan></p> <ul style="list-style-type: none"> • An application was filed in August for the manufacture and marketing of <i>ABILIFY</i> as an adjunctive therapy in major depressive disorder. • Sales of the four dosages (3 mg, 6 mg, 12 mg, and 24 mg) of <i>ABILIFY OD Tablets</i> began in May.
	OPC-34712	<p><Global></p> <ul style="list-style-type: none"> • The drug was given the generic name brexpiprazole.
	<i>E Keppra</i>	<p><Japan></p> <ul style="list-style-type: none"> • An application was filed in June for epileptic partial seizures in children. An application for a new dry syrup formulation was filed at the same time.
Anti-cancer and cancer-supportive care	TAS-102	<p><Global></p> <ul style="list-style-type: none"> • TAS-102 advanced to Phase III trials in June in Japan, the U.S. and Europe for the treatment of colorectal cancer.
	TAS-114	<p><Global></p> <ul style="list-style-type: none"> • Phase I trials were initiated in June in Japan, the U.S. and Europe for the treatment of solid cancer.
	ET-743	<p><Japan></p> <ul style="list-style-type: none"> • ET-743 advanced to Phase II trials in September for the treatment of malignant soft tissue sarcoma.

Category	Brand Name / Generic Name / Development Code	Status
Cardiovascular system	SAMSCA	<Japan> <ul style="list-style-type: none"> An application was filed in July for SAMSCA, a new diuretic capable of selectively excreting only excess water, for an additional indication for the treatment of hepatic edema. <Asia> <ul style="list-style-type: none"> An application was filed in September for an additional indication for the treatment of hepatic edema.
	OPC-262 saxagliptin	<Japan> <ul style="list-style-type: none"> An application was filed in April for the treatment of Type 2 diabetes mellitus. In June, Otsuka Pharmaceutical Co., Ltd. transferred Japanese rights for saxagliptin to Kyowa Hakko Kirin Co., Ltd. It plans to continue working with the relevant authorities to obtain manufacturing and marketing approval, supporting the process until the completion of the transfer, even after approval is obtained.
Other categories (Ophthalmology and others)	OPC-12759E <i>(Mucosta ophthalmic suspension UD 2%)</i>	<U.S.> <ul style="list-style-type: none"> UD (unit dose): Phase III trials were initiated in July for the treatment of dry eyes. <Japan> <ul style="list-style-type: none"> MD (multi dose): Phase III trials were initiated in September for the treatment of dry eyes.
	OPC-67683 delamanid	<Global> <ul style="list-style-type: none"> The results of late Phase II trials to assess the efficacy and safety of delamanid were published in The New England Journal of Medicine in June.

2) Diagnostic

In the diagnostics area, applications were filed in June for ODK-1003 (WT1 mRNA assay kit II *Otsuka*), a monitoring marker for minimal residual disease (MRD) in acute myeloid leukemia (AML), and a diagnostic aid/in-vitro diagnostic agent for myelodysplastic syndrome (MDS). With ODK-1003, the time taken to make diagnoses can be made considerably shorter than with the existing WT1 mRNA assay kit *Otsuka*.

Research and development expenses for the pharmaceutical business for the six months ended September 30, 2012 were ¥70,218 million.

(Nutraceuticals)

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

The Group's Research Institute of New Functional Products Development in Tokushima, which specializes in soy, continually focuses on the research and development of products that promote the nutrition in soy to consumers around the world in a familiar form. An example of this work is the healthy soy snack *SoyCarat*, launched as the Group's third "Soylution" product in April. In addition, *Pocari Sweat* was launched in Vietnam in August, lifting the number of markets to 17.

Research and development expenses for the nutraceutical business for the six months ended September 30, 2012 were ¥1,946 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 six months ended September 30, 2012 were ¥237 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 six months ended September 30, 2012 were ¥1,876 million.

(2) Qualitative Information on Consolidated Financial Position

(Analysis of Financial Position)

1) Assets

Total assets as of September 30, 2012 were ¥1,689,572 million, an increase of ¥22,805 million compared to ¥1,666,767 million at the end of the previous fiscal year. The increase was due mainly to the ¥9,488 million increase in current assets and ¥13,317 million increase in fixed assets.

(Current Assets)

Total current assets as of September 30, 2012 were ¥1,021,787 million, an increase of ¥9,488 million compared to ¥1,012,299 million at the end of the previous fiscal year. The increase was due mainly to the increases in notes and accounts receivable-trade by the ¥21,211 million and inventory by the ¥10,888 million, exceeding the ¥1,472 million decrease in cash and deposits as a result of purchases of treasury stock, payment of income taxes and dividends and the ¥21,069 million decrease in marketable securities.

(Fixed Assets)

Total fixed assets as of September 30, 2012 were ¥667,722 million, an increase of ¥13,317 million compared to ¥654,404 million at the end of the previous fiscal year. The increase was due mainly to the ¥4,292 million increase in tangible fixed assets as a result of the initial investment in manufacturing facility at the Kitajima Factory of Taiho Pharmaceutical Co., Ltd. and the ¥9,719 million increase in other assets in investments and other assets.

2) Liabilities

(Current Liabilities)

Total current liabilities as of September 30, 2012 were ¥313,170 million, an increase of ¥1,811 million compared to ¥311,359 million at the end of the previous fiscal year. The increase was due mainly to the ¥19,820 million increase in notes and accounts payable-trade, exceeding the ¥6,163 million decrease in income taxes payable as a result of the payment, the ¥1,423 million decrease in short-term borrowings as a result of repayment and the ¥8,883 million decrease in other current liabilities as a result of payment for equipment vendor and seasonal fluctuations.

(Long-term Liabilities)

Total fixed liabilities as of September 30, 2012 were ¥125,493 million, a decrease of ¥7,149 million compared to ¥132,642 million at the end of the previous fiscal year. The decrease was due mainly to the ¥9,505 million decrease in long-term debt as a result of repayment and the ¥5,275 million increase in other fixed liabilities which was a result of the long-term unearned revenue related to up-front payment received from Lundbeck for OPC-34712 in the current period.

3) Net Assets

Total net assets as of September 30, 2012 were ¥1,250,909 million, an increase of ¥28,144 million compared to ¥1,222,764 million at the end of the previous fiscal year. The increase was due mainly to the ¥48,516 million increase in retained earnings as a result of the positive net income exceeding the ¥20,001 million purchases of treasury stock.

(Analysis of Cash Flows)

Cash and cash equivalents decreased by ¥36,427 million during the six months ended September 30, 2012 to ¥347,767 million. Net cash provided by operating activities was ¥69,807 million, while net cash used in investing activities and financing activities were ¥51,919 million and ¥55,167 million, respectively.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥69,807 million in the six months ended September 30, 2012, an increase of ¥20,756 million, compared to ¥90,564 million in the same period of the previous fiscal year. This increase is due to a combination of plus and minus factor. The plus one is ¥94,255 million in income before income taxes and minority interests (an increase of ¥10,481 million compared to ¥83,744 million for the same period of the previous fiscal year) and the receipt of up-front licensing payment from Lundbeck for OPC-34712. The minus one is increase of ¥19,914 million (¥7,203 million for the same period of previous fiscal year) in trade receivables, increase of ¥19,305 million (¥26,801 million for the same period of previous fiscal year) in trade payables, and payment of ¥39,794 million (¥15,187 million for the same period of previous fiscal year) in income taxes.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥51,919 million in the six months ended September 30, 2012, a decrease of ¥736 million compared to the same period of the previous fiscal year. Investing activities during the six months included ¥23,122 million in purchases of property, plant and equipment, ¥12,827 million in increase in time deposits-net, and ¥11,104 million in purchases of investment securities. Purchases of property, plant and equipment included acquisition of initial manufacturing facility at the Kitajima Factory of Taiho Pharmaceutical Co., Ltd. and updates of existing other facilities.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥55,167 million in the six months ended September 30, 2012, an increase of ¥38,162 million compared to the same period of the previous fiscal year. Financing activities during the six months included ¥20,001 million in purchases of treasury stock, ¥14,448 million in repayments of long-term debt and ¥13,945 million in payment of dividends.

(3) Qualitative Information on Consolidated Operating Results Forecast

There are no changes to the full year consolidated forecast released on May 11, 2012 with the FY2011 financial results since the consolidated results for the first six months of the fiscal 2012 proceeded as forecasted with some fluctuation of exchange rates and segment performance.

(Note) Expected exchange rates ¥78/US\$ ¥101/€

2. Other Information

(1) Changes in significant subsidiaries during the period

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

Change in depreciation method

Effective from the first quarter of the current fiscal year, the Company and its domestic consolidated subsidiaries changed the depreciation method for the relevant tangible fixed assets newly acquired from April 1, 2012 according to the amendment of Corporation Tax Act in Japan.

This change had only minor impact on operating income, ordinary income and income before income taxes and minority interests in the six months ended September 30, 2012.

3. Quarterly Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of September 30, 2012
ASSETS		
Current assets		
Cash and deposits	411,584	410,111
Notes and accounts receivable-trade	263,457	284,668
Marketable securities	151,777	130,708
Finished products and merchandise	60,778	71,617
Work-in process	26,931	26,655
Raw materials and supplies	31,656	31,981
Other current assets	66,502	66,423
Allowance for doubtful receivables	(389)	(380)
Total current assets	<u>1,012,299</u>	<u>1,021,787</u>
Fixed assets		
Tangible fixed assets	255,515	259,807
Intangible fixed assets		
Goodwill	36,825	39,124
Other intangible fixed assets	30,296	29,205
Total intangible fixed assets	<u>67,121</u>	<u>68,329</u>
Investments and other assets		
Investment securities	267,011	260,427
Investments in capital	23,332	28,257
Other assets	42,925	52,644
Allowance for investment loss	(1,010)	(1,011)
Allowance for doubtful receivables	(491)	(732)
Total investments and other assets	<u>331,767</u>	<u>339,585</u>
Total fixed assets	<u>654,404</u>	<u>667,722</u>
Deferred assets	63	62
Total assets	<u>1,666,767</u>	<u>1,689,572</u>
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	94,796	114,616
Short-term borrowings	39,692	38,269
Income taxes payable	33,822	27,659
Reserve for bonuses	16,141	15,090
Provisions	2,684	2,196
Other current liabilities	124,221	115,337
Total current liabilities	<u>311,359</u>	<u>313,170</u>
Long-term liabilities		
Long-term debt	25,947	16,442
Liability for employees' retirement benefits	44,708	43,281
Other allowances	3,091	2,830
Negative goodwill	26,469	25,237
Other long-term liabilities	32,425	37,700
Total long-term liabilities	<u>132,642</u>	<u>125,493</u>
Total liabilities	<u>444,002</u>	<u>438,663</u>

	As of March 31, 2012	As of September 30, 2012
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,639	510,639
Retained earnings	675,410	723,927
Treasury stock	(8)	(20,009)
Total shareholders' equity	1,267,732	1,296,247
Accumulated other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	750	(1,088)
Deferred gain on derivatives under hedge accounting	10	-
Foreign currency translation adjustments	(59,904)	(58,911)
Total accumulated other comprehensive income	(59,144)	(60,000)
Stock acquisition rights	1,134	1,343
Minority interests	13,041	13,318
Total net assets	1,222,764	1,250,909
Total liabilities and net assets	1,666,767	1,689,572

(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, 2011	For the six months ended September 30, 2012
Net sales	590,283	599,007
Cost of sales	197,057	196,769
Gross profit	393,225	402,238
Selling, general and administrative expenses		
Promotion expenses	88,449	84,959
Salaries and bonuses	36,709	37,769
Reserve for bonuses	8,755	8,771
Retirement benefit expenses	3,774	3,831
Amortization of goodwill	2,326	2,440
Research and development expenses	77,031	74,279
Other	89,799	96,751
Total selling, general and administrative expenses	306,846	308,803
Operating income	86,379	93,435
Non-operating income		
Interest income	741	723
Dividend income	664	843
Amortization of negative goodwill	1,232	1,232
Equity in earnings of unconsolidated subsidiaries and affiliated companies	2,065	2,576
Other	1,179	1,288
Total non-operating income	5,884	6,663
Non-operating expenses		
Interest expenses	907	778
Foreign exchange loss, net	5,479	3,575
Other	393	246
Total non-operating expenses	6,780	4,600
Ordinary income	85,483	95,498
Extraordinary income		
Gain on sales of fixed assets	185	110
Other	40	38
Total extraordinary income	225	148
Extraordinary loss		
Impairment loss	243	982
Loss on transfer from business	637	-
Other	1,053	408
Total extraordinary loss	1,935	1,390
Income before income taxes and minority interests	83,774	94,255
Income taxes		
Current	27,173	31,164
Deferred	(1,322)	(15)
Total income taxes	25,851	31,149
Income before minority interests	57,922	63,106
Minority interests in net income	721	453
Net income	57,201	62,653

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	For the six months ended September 30, 2011	For the six months ended September 30, 2012
Income before minority interests	57,922	63,106
Other comprehensive income		
Unrealized loss on available-for-sale securities	(1,938)	(1,858)
Deferred loss on derivatives under hedge accounting	(11)	(10)
Foreign currency translation adjustments	949	732
Share of other comprehensive income of equity method affiliates	2,759	309
Total other comprehensive income	1,758	(825)
Total comprehensive income	59,680	62,281
Total comprehensive income attributable to:		
Owners of the parent	58,799	61,797
Minority interests	881	483

(3) Quarterly Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the six months ended September 30, 2011	For the six months ended September 30, 2012
Operating activities:		
Income before income taxes and minority interests	83,774	94,255
Depreciation and amortization	20,957	19,746
Impairment loss	243	982
Amortization of goodwill	1,094	1,208
Increase (decrease) in liability for employees' retirement benefits	562	(1,639)
Decrease in allowance for doubtful receivables	(25)	(30)
Interest and dividend income	(1,406)	(1,567)
Interest expense	907	778
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(2,065)	(2,576)
Loss on transfer of business	637	-
Increase in trade receivables	(7,203)	(19,914)
Increase in inventories	(12,663)	(9,507)
Increase in trade payables	26,801	19,305
(Decrease) increase in long-term unearned revenues	(3,660)	4,525
Other, net	(5,509)	206
Subtotal	102,444	105,774
Interest and dividends received	4,390	4,604
Interest paid	(1,082)	(776)
Income taxes paid	(15,187)	(39,794)
Net cash provided by operating activities	90,564	69,807
Investing activities:		
Increase in short-term investment securities	(6,376)	(10,551)
Purchases of property, plant and equipment	(14,754)	(23,122)
Proceeds from sales of property, plant and equipment	398	160
Purchases of investment securities	(12,497)	(11,104)
Proceeds from sales and redemptions of investment securities	8,406	9,064
Payments for investments in capital	-	(2,145)
Proceeds from transfer of business	1,529	-
Payments for transfer of business	(1,323)	-
Payments of loans receivables	(523)	(203)
Proceeds from collection of loans receivables	86	1,272
Increase in time deposits-net	(25,311)	(12,827)
Other, net	(817)	(2,462)
Net cash used in investing activities	(51,182)	(51,919)

	(Millions of yen)	
	For the six months ended September 30, 2011	For the six months ended September 30, 2012
Financing activities:		
Increase in short-term debt-net	5,270	17
Proceeds from long-term debt	190	2,400
Repayments of long-term debt	(5,482)	(14,448)
Purchases of treasury stock	(2)	(20,001)
Dividends paid	(15,619)	(13,945)
Dividends paid to minority interests in consolidated subsidiaries	(165)	(205)
Other, net	(1,194)	(8,983)
Net cash used in financing activities	(17,004)	(55,167)
Foreign currency translation adjustments on cash and cash equivalents	(1,395)	(79)
Net increase (decrease) in cash and cash equivalents	20,981	(37,358)
Cash and cash equivalents, beginning of period	387,325	384,194
(Decrease) increase in cash and cash equivalents from change of scope of consolidation	(694)	931
Cash and cash equivalents, end of period	407,612	347,767

(4) Note regarding Assumption of Going Concern

Not applicable

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

For the six months of fiscal 2012 (April 1, 2012 to September 30, 2012)

The Company repurchased 8,256,200 shares of common stock at a cost of ¥19,999 million in accordance with the resolution of board of directors held on June 13, 2012.

As a result, the Company holds 8,260,915 treasury stocks at a cost of ¥20,009 million as of September 30, 2012.

(6) Segment Information

For the six months of fiscal 2011 (April 1, 2011 to September 30, 2011)

1) Net sales and segment income by reporting segment

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	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 functions.
- 2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

For the six months of fiscal 2012 (April 1, 2012 to September 30, 2012)

1) Net sales and segment income by reporting segment

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	398,057	136,957	26,028	37,964	599,007	-	599,007
Intersegment sales	-	2,286	793	19,980	23,060	(23,060)	-
Total	398,057	139,243	26,821	57,945	622,068	(23,060)	599,007
Segment income (loss)	96,904	15,173	(633)	2,618	114,062	(20,627)	93,435

Notes:

- 1) Adjustments to segment income (loss) of ¥(20,627) million include intersegment eliminations of ¥296 million and unallocated corporate expenses of ¥(20,924) million. Corporate expenses include costs associated with headquarter functions.
- 2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

(7) Subsequent Events

For the six months of fiscal 2012 (April 1, 2012 to September 30, 2012)

There was no significant subsequent event.