

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

February 13, 2013

|  |   |
|--|---|
| Company name<br>Stock exchange listing<br>Code number<br>URL<br>Representative<br><br>Contact<br><br>Scheduled date of quarterly securities report submission<br>Scheduled date of dividend payment commencement<br>Supplementary materials for quarterly financial results<br>Earnings announcement for quarterly financial results | : <b>Otsuka Holdings Company Limited</b><br>: Tokyo Stock Exchange<br>: 4578<br>: <a href="http://www.otsuka.com/en/">http://www.otsuka.com/en/</a><br>: Tatsuo Higuchi<br>President and Representative Director, CEO<br>: Takuma Kimura<br>Director, Investor Relations Department<br>Telephone: +81-3-6361-7411<br>: February 14, 2013<br>: -<br>: Yes<br>: 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 FY2012 (April 1, 2012 to December 31, 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 | 892,563     | 1.3 | 131,414          | (1.3) | 140,848         | 4.4  | 91,196      | 2.9  |
| FY2011 | 881,472     | 2.4 | 133,112          | 29.3  | 134,975         | 30.1 | 88,634      | 26.8 |

(Note) Comprehensive income:  
 FY2012    ¥91,529 million (16.1%)  
 FY2011    ¥78,811 million (47.7%)

|        | Basic earnings per share |  | Diluted earnings per share |  |
|--------|--------------------------|--|----------------------------|--|
|        | Yen                      |  | Yen                        |  |
| FY2012 | 165.18                   |  | 164.83                     |  |
| FY2011 | 158.89                   |  | 158.43                     |  |

#### (2) Consolidated Financial Position

|                         | Total assets | Net assets  | Shareholders' equity ratio | Book value per share |
|-------------------------|--------------|-------------|----------------------------|----------------------|
|                         | Million yen  | Million yen | %                          | Yen                  |
| As of December 31, 2012 | 1,650,566    | 1,265,019   | 75.8                       | 2,273.51             |
| As of March 31, 2012    | 1,666,767    | 1,222,764   | 72.5                       | 2,166.55             |

(Reference) Shareholders' equity:  
 As of December 31, 2012    ¥1,250,986 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 |
|-----------|-------------|-----|------------------|------|-----------------|------|-------------|------|--------------------------|
|           | Million yen | %   | Million yen      | %    | Million yen     | %    | Million yen | %    | Yen                      |
| Full Year | 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):

December 31, 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:

December 31, 2012 7,593,040 shares

March 31, 2012 3,978 shares

3) Average number of shares outstanding during the reporting period:

Nine months ended December 31, 2012 552,096,852 shares

Nine months ended December 31, 2011 557,832,562 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 8, 2013.

#### \* 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 an earnings release conference call for institutional investors, analysts and the press on February 13, 2013. 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 FY2012

### (1) Qualitative Information on Consolidated Operating Results

#### <Summary of Operating Results for the Nine Months Ended December 31, 2012>

For the first nine months of fiscal 2012 (from April 1 to December 31, 2012), the Otsuka Group recorded consolidated net sales of ¥892,563 million (up 1.3% year on year), with operating income of ¥131,414 million (down 1.3%), ordinary income of ¥140,848 million (up 4.4%) and net income of ¥91,196 million (up 2.9%).

Results by business segment are as follows:

|                         | Pharmaceuticals | Nutraceuticals | Consumer products | Others | Adjustments | Total   |
|-------------------------|-----------------|----------------|-------------------|--------|-------------|---------|
| Net sales               | 606,653         | 195,809        | 37,899            | 85,351 | (33,149)    | 892,563 |
| Operating income (loss) | 141,748         | 17,267         | (1,407)           | 4,255  | (30,448)    | 131,414 |

(Millions of yen)

#### 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\*<sup>1</sup> and is sold in more than 60 markets, continued to grow on a global basis. In the U.S., prescriptions of *ABILIFY* increased for adjunctive therapy in major depressive disorder and for bipolar disorder, leading to higher 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 an increase in 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* expanded steadily in Asia, growing at a double-digit pace due to demand in China, where the drug was included in the national medical insurance system, and in South Korea, where it was approved for additional pediatric indications. In Japan, sales grew at a double-digit pace on the back of an increase in 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, and strengthened sales activities for an orally disintegrating tablet launched in May.

Also in Japan, the antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, registered substantial sales growth following the approval of long-term prescriptions. In addition, in December, transdermal dopamin agonist *Neupro Patch* was approved in Japan for the treatment of both Parkinson's disease and restless legs syndrome.

Regarding work conducted with H. Lundbeck A/S ("Lundbeck") in the area of the central nervous system, the two companies resubmitted a new drug application for aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of schizophrenia to the U.S. Food and Drug Administration (FDA) at the end of August. The companies also submitted a new drug application for the same drug to the European Medicines Agency (EMA) in December.

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 and is currently sold in 16 markets. Sales of anti-cancer agent *UFT* declined as a result of competition, while sales of reduced folic acid formulation *Uzel* increased on the back of EBM approaches. Sales of *Aloxi*, a 5-HT<sub>3</sub> receptor antagonist antiemetic agent, and anti-cancer agent *Abraxane* also grew steadily. Anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS\*<sup>2</sup>, showed solid sales growth as a first-line treatment for chronic myeloid leukemia in markets worldwide, and distributions received in line with sales increased. *BUSULFEX*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the 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 the cardiovascular system, first-in-class drug vasopressin V<sub>2</sub>-receptor antagonist *SAMSCA* is now sold in 13 markets, 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. Despite the impact of generics, 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.

In other areas, steps were taken to use the brand power of anti-gastritis and anti-gastric ulcer agent *Mucosta*, which is the fourth\*<sup>3</sup> most prescribed drug in Japan. However, sales declined owing to the impact of drug price reductions and generics. In the area of ophthalmology, *Mucosta ophthalmic suspension UD 2%*, a treatment for dry eyes with a new mechanism that promotes mucin secretion, showed an increase in sales following its approval for long-term prescriptions in December.

In addition, Otsuka Pharmaceutical Co., Ltd. and Abdi Ibrahim, the leading pharmaceutical company in Turkey, established a joint venture in Istanbul in October. The new company, Abdi Ibrahim Otsuka Pharmaceutical Company, will operate as a new marketing base for the pharmaceutical business.

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.

As a result, net sales in the pharmaceutical segment for the nine months ended December 31, 2012 totaled ¥606,653 million (up 3.4% year on year), with operating income of ¥141,748 million (up 1.6%).

\*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, 2013 IMS Japan K.K.©, unauthorized reproduction prohibited.

## 2) Nutraceuticals

Sales volume for *Pocari Sweat*, an electrolyte supplement drink, grew at a strong pace overseas, supported by continued promotional activities and ongoing efforts in both Indonesia and China to educate consumers about the product's benefits. In Japan, thanks to sales promotions focusing on communicating to consumers the benefits of drinking *Pocari Sweat*, particularly after taking a bath, during colds and in the dry season, sales volume in the third quarter (October to December 2012) increased year on year. However, this was insufficient to offset the downturn in sales volume during the first half of the fiscal year.

The Group held seminars in 41 locations across Japan about its soy product range, including the fruit soy bar *SOYJOY*, which is sold in 11 markets, soy soda beverage *SOYSH* and healthy soy snack *SoyCarat*. The seminars, run by a soy researcher, were aimed at educating opinion-leaders and consumers and were designed to promote the value of these products packed with the wholesome nutrition of soy. In November, the Group installed a new production line for *SoyCarat*, which has enjoyed growing recognition in the market since its launch in April. The Group will continue to focus on its soy-related business and cultivate new customers using these three soy products under the concept of "Soylution," which aims to make full use of the nutrition in soy as a solution to various health and environmental issues faced by people today.

For the carbonated nutritional drink *Oronamin C*, the market environment surrounding the brand remained difficult due to intensified competition from rival products launched by various companies. However, sales volume declined only slightly from the same period of the previous fiscal year, thanks to ongoing efforts to deepen ties with customers and sales promotions designed to clearly communicate the product's features.

Sales volume of the balanced nutrition food *Calorie Mate* declined slightly from the same period of the previous fiscal year, despite highly targeted sales promotions and marketing activities showing how *Calorie Mate* can be a useful food for people who have difficulty getting home from work during natural disasters.

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 firm, and the company also saw strong growth in the soy and organic food product categories. Even so, overall sales on a yen basis declined due to the appreciation of the yen. In Japan, the number of stores that sell *Gerble*, the lineup for which was expanded in October, and *Gerlinea*, the leading\*<sup>4</sup> calorie control brand in France's diet food market, continued to grow steadily across the country.

In the U.S., *Nature Made* supplements are supplied by subsidiary Pharmavite LLC. Seven of its items have been selected as supplements recommended by pharmacists in the U.S.\*<sup>5</sup>, and *Nature Made* has been the top-selling\*<sup>6</sup> supplement in the country for five consecutive years. Sales of the brand remained firm in the U.S. market. In Japan, sales of *Nature Made* supplements declined year on year due to sluggish growth in the overall market for multivitamin supplements.

In October, *Kenja no Shokutaku (The Wise Man's Dining) Double Support* was approved by Japan's Consumer Affairs Agency as a Food for Specified Health Use with the double function of suppressing absorption of both sugars and lipids. The product went on sale in the domestic market the following November.

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, focusing on the brand's scalp shampoo, which has now been on the market for a year. This campaign helped to lift sales of the brand overall, supporting steady growth. The Group will continue to target new middle-aged male users with *UL•OS*, positioning it as a skincare brand for daily use that contains a comprehensive lineup of products for all areas of men's skincare. In the *InnerSignal* brand for women, the Group continued to make steady progress in acquiring customers through the mail-order sales channel, supporting sales 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 in 2011 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 nine months ended December 31, 2012 totaled ¥195,809 million (down 3.7% year on year), with operating income of ¥17,267 million (down 26.3%).

\*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)

### 3) Consumer Products

Sales volume for *Crystal Geyser* and other mineral water products decreased, mainly in reaction to stockpiling demand in the aftermath of the earthquake in 2011. Sales volume grew steadily for *Match*, a carbonated electrolyte drink containing vitamins, due to the continuation of 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 will continue 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, 2012 totaled ¥37,899 million (down 5.4% year on year), with an operating loss of ¥1,407 million (compared with an operating loss of ¥1,218 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 tablet devices as well as a recovery in the automotive field in North America. However, sales volumes of products including raw materials for tires declined due to the impact of the protracted sovereign debt crisis in Europe, leading to a decrease in sales. In the fine chemical business, the Group resumed production of pharmaceutical intermediate *DACTA*, which had been halted due to the earthquake in 2011. 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, although there was a decline in the volume of beverages handled due to unseasonable weather in early summer, sales were roughly the same year on year owing to increases in handling volumes of drugs and other products. 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 nine months ended December 31, 2012 totaled ¥85,351 million (up 3.4% year on year), with operating income of ¥4,255 million (up 131.0%).

< Research and Development Activities >

Research and development expenses for the nine months ended December 31, 2012 totaled ¥116,396 million.

The primary areas of research and development by business segment 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,<br>(Generic Name),<br>Development Code | Status   |
|------------------------|--|--|
| Central nervous system | <i>ABILIFY</i><br>(aripiprazole)                   | <p>&lt;U.S.&gt;</p> <ul style="list-style-type: none"> <li>• The results of Phase III trials to assess the efficacy, safety and tolerability of aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of schizophrenia were announced at the 165th Annual Meeting of the American Psychiatric Association in May.</li> <li>• A complete response letter to a new drug application for aripiprazole intramuscular depot formulation (once-monthly injection) was received from the FDA in July, with the letter citing deficiencies at a third-party supplier of sterile water. The new drug application was resubmitted at the end of August.</li> <li>• Phase III trials were initiated in August for aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of bipolar disorder.</li> <li>• Phase III trials were initiated in November for tablets for the treatment of Tourette's disorder.</li> </ul> <p>&lt;Japan&gt;</p> <ul style="list-style-type: none"> <li>• Sales of the four dosages (3 mg, 6 mg, 12 mg, and 24 mg) of <i>ABILIFY OD Tablets</i> began in May.</li> <li>• Phase III trials were initiated in July for tablets for the treatment of autism.</li> <li>• An application was filed in August for an additional indication as an adjunctive therapy in major depressive disorder.</li> </ul> <p>&lt;Europe&gt;</p> <ul style="list-style-type: none"> <li>• A new drug application for aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of schizophrenia was accepted for review by the EMA in December.</li> </ul> |
|                        | OPC-34712<br>(brexpiprazole)                       | <p>&lt;Global&gt;</p> <ul style="list-style-type: none"> <li>• The drug was given the generic name brexpiprazole.</li> </ul>   |
|                        | <i>E Keppra</i>                                    | <p>&lt;Japan&gt;</p> <ul style="list-style-type: none"> <li>• An application was filed in June for an additional indication for the treatment of epileptic partial seizures in children. An application for a new dry syrup formulation was filed at the same time.</li> </ul>   |
|                        | <i>Neupro Patch</i>                                | <p>&lt;Japan&gt;</p> <ul style="list-style-type: none"> <li>• <i>Neupro Patch</i> was approved in December for the treatment of both Parkinson's disease and restless legs syndrome.</li> </ul>  |

| Category                                  | Brand Name,<br>(Generic Name),<br>Development Code | Status  |
|---|--|---|
| Anti-cancer and<br>cancer-supportive care | TAS-102  | <Global><br><ul style="list-style-type: none"> <li>• TAS-102 advanced to Phase III trials in June in Japan, the U.S. and Europe for the treatment of colorectal cancer.</li> </ul>  |
|   | TAS-114  | <Global><br><ul style="list-style-type: none"> <li>• Phase I trials were initiated in June in Japan, the U.S. and Europe for the treatment of solid cancer.</li> </ul>  |
|   | ET-743   | <Japan><br><ul style="list-style-type: none"> <li>• ET-743 advanced to Phase II trials in September for the treatment of malignant soft tissue sarcoma.</li> </ul>  |
|   | <i>Abraxane</i><br>ABI-007                         | <Japan><br><ul style="list-style-type: none"> <li>• Phase I/II trials were initiated in November for the treatment of pancreatic cancer.</li> </ul>   |
|   | OPB-111077   | <U.S.><br><ul style="list-style-type: none"> <li>• Phase I trials were initiated in June for the treatment of solid cancer.</li> </ul>  |
| Cardiovascular system                     | <i>SAMSCA</i><br>(tolvaptan)                       | <Japan><br><ul style="list-style-type: none"> <li>• An application was filed in July for an additional indication for the treatment of hepatic edema.</li> <li>• Phase II trials were initiated in December for the treatment of carcinomatous edema.</li> </ul> <Asia><br><ul style="list-style-type: none"> <li>• Phase III trials were initiated in August for the treatment of cardiac edema.</li> <li>• An application was filed in September for an additional indication for the treatment of hepatic edema.</li> </ul> <U.S.><br><ul style="list-style-type: none"> <li>• The results of Phase III trials for tolvaptan for the treatment of autosomal dominant polycystic kidney disease (ADPKD) were presented at the American Society of Nephrology annual meeting on November 3, and published in The New England Journal of Medicine.</li> </ul> |
|   | (saxagliptin)<br>OPC-262                           | <Japan><br><ul style="list-style-type: none"> <li>• An application was filed in April for the treatment of Type 2 diabetes mellitus, and 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.</li> </ul>  |

| Category  | Brand Name,<br>(Generic Name),<br>Development Code                                   | Status  |
|---|--|---|
| Other categories<br>(Ophthalmology and<br>others) | <i>Mucosta ophthalmic<br/>suspension UD 2%</i><br>OPC-12759E                         | <U.S.><br>• UD (unit dose): Phase III trials were initiated in July for the treatment of dry eyes.<br><br><Japan><br>• MD (multi dose): Phase III trials were initiated in September for the treatment of dry eyes. |
|   | (delamanid)<br>OPC-67683   | <Global><br>• 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.   |
|   | <i>Meptin</i>  | <Japan><br>• An application was filed in December for an indication as a bronchodilator in new dry powder inhaler form.   |
|   | <i>L-Cartin FF oral solution<br/>10%</i><br><i>L-Cartin FF injection 1000<br/>mg</i> | <Japan><br>• Two new drug forms were approved in December for the treatment of carnitine deficiency.  |

## 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 nine months ended December 31, 2012 were ¥109,945 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.

Research and development expenses for the nutraceutical business for the nine months ended December 31, 2012 were ¥2,900 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, 2012 were ¥451 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, 2012 were ¥3,098 million.

## **(2) Qualitative Information on Consolidated Financial Position**

### **(Analysis of Financial Position)**

#### 1) Assets

Total assets as of December 31, 2012 were ¥1,650,566 million, an decrease of ¥16,200 million compared to ¥1,666,767 million at the end of the previous fiscal year. The decrease was due mainly to the ¥31,672 million decrease in current assets, ¥15,473 million increase in fixed assets and ¥1 million decrease in deferred assets.

#### (Current Assets)

Total current assets as of December 31, 2012 were ¥980,626 million, an decrease of ¥31,672 million compared to ¥1,012,299 million at the end of the previous fiscal year. The decrease was due mainly to the ¥14,778 million decrease in cash and deposits as a result of purchases of treasury stock, payment of income taxes and dividends and the ¥30,732 million decrease in marketable securities, exceeding the increases in inventory by the ¥11,659 million.

#### (Fixed Assets)

Total fixed assets as of December 31, 2012 were ¥669,878 million, an increase of ¥15,473 million compared to ¥654,404 million at the end of the previous fiscal year. The increase was due mainly to the ¥5,259 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. , ¥4,904 million increase in investment of capital and the ¥5,744 million increase in other assets in investments and other assets.

#### 2) Liabilities

#### (Current Liabilities)

Total current liabilities as of December 31, 2012 were ¥276,009 million, an decrease of ¥35,350 million compared to ¥311,359 million at the end of the previous fiscal year. The decrease was due mainly to the ¥24,149 million decrease in income taxes payable as a result of the payment and the ¥10,959 million decrease in reserve for bonuses.

#### (Long-term Liabilities)

Total fixed liabilities as of December 31, 2012 were ¥109,538 million, a decrease of ¥23,104 million compared to ¥132,642 million at the end of the previous fiscal year. The decrease was due mainly to the ¥19,378 million decrease in long-term debt as a result of repayment.

#### 3) Net Assets

Total net assets as of December 31, 2012 were ¥1,265,019 million, an increase of ¥42,254 million compared to ¥1,222,764 million at the end of the previous fiscal year. The increase was due mainly to the ¥61,671 million increase in retained earnings as a result of the positive net income exceeding the ¥18,383 million increase in treasury stock.

## **(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.

## 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 December 31, 2012.

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

(Millions of yen)

|  | As of<br>March 31, 2012 | As of<br>December 31, 2012 |
|--|-------------------------|----------------------------|
| <b>ASSETS</b>                                |                         |                            |
| Current assets                               |                         |                            |
| Cash and deposits                            | 411,584                 | 396,806                    |
| Notes and accounts receivable-trade          | 263,457                 | 271,421                    |
| Marketable securities                        | 151,777                 | 121,045                    |
| Finished products and merchandise            | 60,778                  | 73,751                     |
| Work-in process                              | 26,931                  | 25,523                     |
| Raw materials and supplies                   | 31,656                  | 31,750                     |
| Other current assets                         | 66,502                  | 60,718                     |
| Allowance for doubtful receivables           | (389)                   | (390)                      |
| Total current assets                         | <u>1,012,299</u>        | <u>980,626</u>             |
| Fixed assets                                 |                         |                            |
| Tangible fixed assets                        | 255,515                 | 260,775                    |
| Intangible fixed assets                      |                         |                            |
| Goodwill                                     | 36,825                  | 38,287                     |
| Other intangible fixed assets                | 30,296                  | 29,835                     |
| Total intangible fixed assets                | <u>67,121</u>           | <u>68,122</u>              |
| Investments and other assets                 |                         |                            |
| Investment securities                        | 267,011                 | 266,397                    |
| Investments in capital                       | 23,332                  | 28,236                     |
| Other assets                                 | 42,925                  | 48,669                     |
| Allowance for investment loss                | (1,010)                 | (1,564)                    |
| Allowance for doubtful receivables           | (491)                   | (758)                      |
| Total investments and other assets           | <u>331,767</u>          | <u>340,980</u>             |
| Total fixed assets                           | <u>654,404</u>          | <u>669,878</u>             |
| Deferred assets                              | 63                      | 61                         |
| Total assets                                 | <u>1,666,767</u>        | <u>1,650,566</u>           |
| <b>LIABILITIES</b>                           |                         |                            |
| Current liabilities                          |                         |                            |
| Notes and accounts payable-trade             | 94,796                  | 97,130                     |
| Short-term borrowings                        | 39,692                  | 45,070                     |
| Income taxes payable                         | 33,822                  | 9,673                      |
| Reserve for bonuses                          | 16,141                  | 5,182                      |
| Provisions                                   | 2,684                   | 2,129                      |
| Other current liabilities                    | 124,221                 | 116,822                    |
| Total current liabilities                    | <u>311,359</u>          | <u>276,009</u>             |
| Long-term liabilities                        |                         |                            |
| Long-term debt                               | 25,947                  | 6,569                      |
| Liability for employees' retirement benefits | 44,708                  | 41,872                     |
| Other allowances                             | 3,091                   | 2,982                      |
| Negative goodwill                            | 26,469                  | 24,621                     |
| Other long-term liabilities                  | 32,425                  | 33,493                     |
| Total long-term liabilities                  | <u>132,642</u>          | <u>109,538</u>             |
| Total liabilities                            | <u>444,002</u>          | <u>385,547</u>             |

|  | As of<br>March 31, 2012 | As of<br>December 31, 2012 |
|--|-------------------------|----------------------------|
| <b>NET ASSETS</b>  |                         |                            |
| Shareholders' equity                                       |                         |                            |
| Common stock   | 81,690                  | 81,690                     |
| Capital surplus  | 510,639                 | 510,423                    |
| Retained earnings  | 675,410                 | 737,082                    |
| Treasury stock   | (8)                     | (18,391)                   |
| Total shareholders' equity                                 | <u>1,267,732</u>        | <u>1,310,804</u>           |
| Accumulated other comprehensive income                     |                         |                            |
| Unrealized gain on available-for-sale securities           | 750                     | 939                        |
| Deferred gain (loss) on derivatives under hedge accounting | 10                      | (1)                        |
| Foreign currency translation adjustments                   | (59,904)                | (60,755)                   |
| Total accumulated other comprehensive income               | <u>(59,144)</u>         | <u>(59,817)</u>            |
| Stock acquisition rights                                   | 1,134                   | 188                        |
| Minority interests   | 13,041                  | 13,843                     |
| Total net assets   | <u>1,222,764</u>        | <u>1,265,019</u>           |
| Total liabilities and net assets                           | <u>1,666,767</u>        | <u>1,650,566</u>           |

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

(Millions of yen)

|   | For the nine months<br>ended December 31,<br>2011 | For the nine months<br>ended December 31,<br>2012 |
|---|---|---|
| Net sales   | 881,472   | 892,563   |
| Cost of sales   | 295,303   | 295,172   |
| Gross profit  | 586,168   | 597,391   |
| Selling, general and administrative expenses                                  |   |   |
| Sales promotion expenses  | 128,651   | 122,880   |
| Salaries and bonuses  | 64,591  | 67,299  |
| Reserve for bonuses   | 3,305   | 3,610   |
| Retirement benefit expenses   | 5,243   | 5,253   |
| Amortization of goodwill  | 3,489   | 3,663   |
| Research and development expenses   | 114,972   | 116,396   |
| Other   | 132,801   | 146,873   |
| Total selling, general and administrative expenses                            | 453,056   | 465,976   |
| Operating income  | 133,112   | 131,414   |
| Non-operating income  |   |   |
| Interest income   | 1,147   | 1,048   |
| Dividend income   | 984   | 1,234   |
| Amortization of negative goodwill   | 1,848   | 1,848   |
| Equity in earnings of unconsolidated subsidiaries and<br>affiliated companies | 2,954   | 3,805   |
| Foreign exchange gain, net  | -   | 1,268   |
| Other   | 1,741   | 1,520   |
| Total non-operating income  | 8,676   | 10,725  |
| Non-operating expenses  |   |   |
| Interest expenses   | 1,317   | 980   |
| Foreign exchange loss, net  | 4,959   | -   |
| Other   | 537   | 311   |
| Total non-operating expenses  | 6,813   | 1,291   |
| Ordinary income   | 134,975   | 140,848   |
| Extraordinary income  |   |   |
| Gain on sales of fixed assets   | 122   | 119   |
| Gain on reversal of disaster-related loss                                     | 471   | -   |
| Other   | 41  | 40  |
| Total extraordinary income  | 634   | 160   |
| Extraordinary loss  |   |   |
| Loss on impairment of long-lived assets                                       | 349   | 1,867   |
| Loss on valuation of investments securities                                   | 316   | 1,182   |
| Loss on transfer from business  | 662   | -   |
| Other   | 1,287   | 339   |
| Total extraordinary loss  | 2,615   | 3,388   |
| Income before income taxes and minority interests                             | 132,994   | 137,619   |
| Income taxes  |   |   |
| Current   | 42,267  | 37,798  |
| Deferred  | 1,109   | 7,675   |
| Total income taxes  | 43,376  | 45,474  |
| Income before minority interests  | 89,617  | 92,145  |
| Minority interests in net income  | 983   | 949   |
| Net income  | 88,634  | 91,196  |

## Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

|  | For the nine months<br>ended December 31,<br>2011 | For the nine months<br>ended December 31,<br>2012 |
|--|---|---|
| Income before minority interests                                   | 89,617  | 92,145  |
| Other comprehensive income   |   |   |
| Unrealized (loss) gain on available-for-sale securities            | (2,285)   | 235   |
| Deferred gain (loss) on derivatives under hedge accounting         | 12  | (11)  |
| Foreign currency translation adjustments                           | (5,845)   | (921)   |
| Share of other comprehensive income of equity method<br>affiliates | (2,687)   | 81  |
| Total other comprehensive income                                   | (10,806)  | (616)   |
| Total comprehensive income   | 78,811  | 91,529  |
| Total comprehensive income attributable to:                        |   |   |
| Owners of the parent   | 78,502  | 90,523  |
| Minority interests   | 309   | 1,006   |

**(3) Note regarding Assumption of Going Concern**

Not applicable

**(4) Note regarding Significant Changes in the Amount of Shareholders' Equity****For the nine months of fiscal 2012 (April 1, 2012 to December 31, 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.

The Company holds 7,593,040 treasury stocks at a cost of ¥18,391 million as of December 31, 2012, as a result of disposal of 668,035 treasury stocks at a cost of ¥1,618 million due to exercise of stock options.

**(5) Segment Information****For the nine months of fiscal 2011 (April 1, 2011 to December 31, 2011)**

## 1) Net sales and segment income by reporting segment

(Millions of yen)

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

**For the nine months of fiscal 2012 (April 1, 2012 to December 31, 2012)**

## 1) Net sales and segment income by reporting segment

(Millions of yen)

|                       | Pharmaceuticals | Nutra-ceuticals | Consumer products | Others | Total   | Adjustments | Consolidated |
|-----------------------|-----------------|-----------------|-------------------|--------|---------|-------------|--------------|
| Net sales             |                 |                 |                   |        |         |             |              |
| Sales to customers    | 606,653         | 192,259         | 36,794            | 56,856 | 892,563 | -           | 892,563      |
| Intersegment sales    | -               | 3,550           | 1,104             | 28,494 | 33,149  | (33,149)    | -            |
| Total                 | 606,653         | 195,809         | 37,899            | 85,351 | 925,713 | (33,149)    | 892,563      |
| Segment income (loss) | 141,748         | 17,267          | (1,407)           | 4,255  | 161,863 | (30,448)    | 131,414      |

Notes:

- 1) Adjustments to segment income (loss) of ¥(30,448) million include intersegment eliminations of ¥423 million and unallocated corporate expenses of ¥(30,871) 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.

**(6) Subsequent Events****For the nine months of fiscal 2012 (April 1, 2012 to December 31, 2012)**

There was no significant subsequent event.