

**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2014 [Japan GAAP]**

August 8, 2013

Company name	: <b>Otsuka Holdings Company Limited</b>
Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
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Scheduled date of quarterly securities report submission	: August 9, 2013
Scheduled date of dividend payment commencement	: -
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts and the press)

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

**1. Consolidated Financial Results for the First Quarter of FY2013 (April 1, 2013 to June 30, 2013)**

(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	%
FY2013	323,526	12.3	50,544	3.4	56,821	16.6	39,703	24.4
FY2012	288,001	(0.1)	48,861	5.4	48,732	5.3	31,929	2.5

(Note) Comprehensive income: FY2013 ¥57,049 million (37.9%)  
FY2012 ¥41,365 million (11.3%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2013	72.61		72.31	
FY2012	57.36		56.98	

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of June 30, 2013	1,805,838	1,343,963	73.5%	2,450.02
As of March 31, 2013	1,779,207	1,325,071	73.7%	2,381.64

(Reference) Shareholders' equity: As of June 30, 2013 ¥1,326,716 million  
As of March 31, 2013 ¥1,310,497 million

**2. Dividends**

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2012	-	28.00	-	30.00	58.00
FY2013	-				
FY2013 (forecast)		30.00	-	35.00	65.00

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

**3. Forecasts of Consolidated Financial Results for FY 2013 (April 1, 2013 to March 31, 2014)**

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

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (YTD)	672,000	12.2	103,000	10.2	107,000	12.0	73,000	16.5	134.16
Full Year	1,370,000	12.5	205,000	20.8	210,000	13.8	138,000	12.7	254.22

(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: No
  - 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
- (4) Number of shares issued and outstanding (common stock)
  - 1) Number of shares issued and outstanding as of the end of the reporting period (including treasury stock):

June 30, 2013	557,835,617 shares
March 31, 2013	557,835,617 shares
  - 2) Number of shares of treasury stock as of the end of the reporting period:

June 30, 2013	16,323,323 shares
March 31, 2013	7,593,160 shares
  - 3) Average number of shares outstanding during the reporting period:

Quarter ended June 30, 2013	546,768,504 shares
Quarter ended June 30, 2012	556,560,558 shares

#### \* Information Regarding the Quarterly Review Procedures

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

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

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please see "Qualitative Information on Consolidated Operating Results Forecast" on page 9 for information regarding the forecast of consolidated financial results.

The company is planning to hold an earnings release conference call for institutional investors, analysts and the press on August 8, 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 First Quarter of FY2013

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

#### <Summary of Operating Results for the Three Months Ended June 30, 2013>

For the first three months of fiscal 2013 (from April 1 to June 30, 2013), the Otsuka Group recorded consolidated net sales of ¥323,526 million (up 12.3% year on year), with operating income of ¥50,544 million (up 3.4%), ordinary income of ¥56,821 million (up 16.6%) and net income of ¥39,703 million (up 24.4%).

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	224,113	68,341	11,087	31,675	(11,691)	323,526
Operating income (loss)	55,948	5,135	(686)	1,885	(11,738)	50,544

#### 1) Pharmaceuticals

In the area of the central nervous system, sales of antipsychotic agent *ABILIFY*, which is sold in over 60 markets worldwide, continued to expand on a global basis, rising more than 20% year on year. In the U.S., sales of *ABILIFY* grew more than 20% year on year, mainly supported by a rise in prescriptions for adjunctive therapy in major depressive disorder and for bipolar disorder. The drug was also ranked first\*<sup>1</sup> in U.S. drug sales between January and March 2013, which followed its top sales ranking between October and December 2012. In Europe, amid a slump in the market for atypical antipsychotics, sales of *ABILIFY* grew mainly on the back of an increase in prescriptions for the treatment of manic episodes of bipolar disorder. In addition, Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical"), a wholly owned subsidiary of the Company, and H. Lundbeck A/S ("Lundbeck") began co-promotion of *ABILIFY* in Europe in April 2013. In Asia, sales of *ABILIFY* continued to expand, mainly supported by an increase in prescriptions for adjunctive therapy in major depressive disorder and for pediatric indications (Tourette syndrome) in South Korea. In Japan, sales of *ABILIFY* increased steadily mainly due to growth in prescriptions for the treatment of schizophrenia and for manic episodes of bipolar disorder, as well as for orally disintegrating tablets. *ABILIFY* was also approved for the additional indication of major depressive disorder in June 2013.

Under the alliance with Lundbeck, Otsuka Pharmaceutical and Lundbeck began sales of *Abilify Maintena*, aripiprazole intramuscular depot formulation (once-monthly injection), in the U.S. in March 2013. Prescriptions have been growing steadily since the launch.

In Japan, sales of antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, increased steadily, growing more than 50% year on year. In addition, *E Keppra* was approved for the treatment of children aged four years and older (additional pediatric indication and dosage) in May 2013, and *E Keppra Dry Syrup 50%*, a new *E Keppra* formulation, was approved for marketing in June 2013. *Neupro Patch*, the world's first transdermal dopamine agonist, which was launched in February 2013, registered steady growth in prescriptions for the treatment of Parkinson's disease and restless legs syndrome.

In the area of the cardiovascular system, global sales of *SAMSCA* (generic name: tolvaptan), a first-in-class drug vasopressin V<sub>2</sub>-receptor antagonist developed by Otsuka Pharmaceutical and sold in 14 markets worldwide, rose more than 90% year on year. This increase was supported by the drug's growing acceptance among medical specialists due to the new value it brings and its method of use as an oral aquaretic agent. In Japan, *Samsca 7.5mg tablets* were launched in June 2013. The new dosage, which reduces the existing dosage by half, is mainly aimed at elderly patients. In April 2013, the U.S. FDA accepted a new drug application for tolvaptan as a treatment for autosomal dominant polycystic kidney disease (ADPKD), for which there is currently no therapeutic agent. In Japan, an application for the additional indication of ADPKD was also filed in May 2013.

Sales of antiplatelet agent *Pletaal/Pletal* have been affected by generics in Japan. However, sales held up well and were steady compared with the same period of the previous fiscal year.

In the area of anti-cancer and cancer-supportive care, anti-cancer agent *TS-1 Combination OD Tablets T20, T25* were launched in Japan in June 2013, but *TS-1* sales declined year on year due to a drop in prescriptions, mainly for the treatment of gastric cancer, owing to the impact of rival products. Overseas, *TS-1* is gradually being rolled out in European markets and is currently sold in 22 markets worldwide, as of June 30, 2013. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined year on year as a result of competition. Sales of *Aloxi*, a 5-HT<sub>3</sub> receptor antagonist antiemetic agent, increased on the back of steady growth in prescriptions, while sales of anti-cancer agent *Abraxane* grew at a double-digit pace compared with the same period of the previous fiscal year, mainly supported by its approval for the additional indications of gastric cancer and non-small-cell lung cancer in February 2013. Anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS\*<sup>2</sup>, registered a large rise in distributions compared with the same period of the previous fiscal year. This reflected the drug's solid growth as a first-line treatment for chronic myeloid leukemia in markets worldwide and a substantial increase from January 2013 in the ratio used to calculate distributions received by the Company based on sales. *BUSULFEX*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. FDA, is now sold by the Company and its partners in more than 50 countries. *BUSULFEX* has become established as the standard drug for use as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. Otsuka Pharmaceutical took over sole responsibility for the *BUSULFEX* business in Japan and Asia from April 1, 2013, in addition to the exclusive marketing rights the Group already owns for *BUSULFEX* in the U.S. and Canada.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined year on year due to the impact of generics, but *Mucosta* remained the fourth\*<sup>3</sup> most prescribed drug in Japan. In the area of ophthalmology, sales for dry eye treatment *Mucosta ophthalmic suspension UD 2%* grew steadily, supporting a significant increase in prescriptions compared with the

same period of the previous fiscal year.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased year on year. This growth, spurred by the inclusion of inpatient pharmaceutical services in medical fee reimbursements from April 2012, reflected an increase in the number of hospitals adopting *ELNEOPA* and growth in prescriptions. *ELNEOPA* has gained in popularity among hospital pharmaceutical departments due to the ease and convenience of dispensing trace elements.

As a result, net sales in the pharmaceutical segment for the three months ended June 30, 2013 totaled ¥224,113 million (up 14.8% year on year), with operating income of ¥55,948 million (up 5.5%).

\*<sup>1</sup>: © 2013 IMS Health. All rights reserved. Estimated based on “MIDAS Quantum 1Q/2013 Sales data.” Reprinted with permission.

\*<sup>2</sup>: Bristol-Myers Squibb Company

\*<sup>3</sup>: © 2013 IMS Japan K.K. All rights reserved. Estimated based on 2012 Japan Medical Data Index. Reprinted with permission.

## 2) Nutraceuticals

In *Pocari Sweat* electrolyte supplement drink brand, the Group launched a new version called *Pocari Sweat Ion Water* in Japan in April 2013. The new version is a low-calorie beverage with subtle sweetness and a refreshing after-taste that retains all the functionality of the original version. *Pocari Sweat Ion Water* helped consumers to reconnect with the brand by creating more opportunities to enjoy *Pocari Sweat* and by offering the choices by customers' tastes. This spurred a double-digit increase in sales volume year on year. Overseas, where *Pocari Sweat* is sold in 17 markets, sales volume continued to expand, supported by aggressive marketing activities in Indonesia and China.

The Otsuka Group is developing its soy-related business, based on 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. Soy bar *SOYJOY*, which is sold in 11 markets worldwide, registered sales volume growth of more than 30% year on year in Japan, reflecting a large rise in the number of new customers following the launch of new flavor *SOYJOY Peanuts* in April 2013. In order to attract more customers to *SOYJOY* and the two other products in the soy-products range – soy soda beverage *SOYSH* and healthy soy snack *SoyCarat* – the Group held seminars run by soy specialists and extended its activities to dietary education to encourage wider understanding among consumers of the nutritional benefits of soy.

Subsidiary Pharmavite LLC (“Pharmavite”) of the U.S. supplies *Nature Made* supplements, which have been selected as the leading pharmacist-recommended brand in seven categories\*<sup>4</sup> in the U.S. and have been the number one retail national vitamin and supplement brand in the U.S. from 2007 through 2012\*<sup>5</sup>. The Group reinforced its manufacturing framework for *Nature Made* supplements with the completion of a new plant in the eastern U.S. state of Alabama in June 2013. Pharmavite also launched new types of supplements in U.S., such as gummy and orally disintegrating pastilles, and reinforced research and development.

Sales volume for carbonated nutritional drink *Oronamin C* increased year on year, thanks to the success of continued sales promotions that clearly communicated the product's features. These efforts raised awareness among homemakers and led to an increase in consumption.

At Nutrition & Santé SAS, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, the sugar-free and gluten-free food products business continued to perform well. In Japan, the number of stores that sell *Gerble* and *Gerlinea*, the leading\*<sup>6</sup> calorie control brand in France's diet food market, continued to increase steadily across the country.

In the cosmetics area, where the focus is on the concept of “healthy skin,” sales in the *UL•OS* men's skincare brand saw a double-digit increase year on year, reflecting the addition of a new sun block product to the range and strong sales of products such as *Refresh Sheet* and *Skin Wash*, due to the hot weather in Japan. In the *InnerSignal* brand aimed at women who seek healthy, beautiful skin, the Group continued to make steady progress in building a loyal base of customers by using the mail-order sales channel to acquire new customers and boost repeat business.

Sales volume for nutrient tonic *Tiovita* declined year on year, mainly reflecting the impact of the shrinking market for nutrient tonics and inventory adjustments at retailers.

As a result, net sales in the nutraceutical segment for the three months ended June 30, 2013 totaled ¥68,341 million (up 8.1% year on year), with operating income of ¥5,135 million (down 6.1%).

\*<sup>4</sup>: Pharmacy Times 2012 Ed.

\*<sup>5</sup>: 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)

\*<sup>6</sup>: IRI Value Share of market–Total 2011

## 3) Consumer Products

Sales volume for mineral water products, centered on *Crystal Geyser*, saw a double-digit increase year on year, reflecting stepped up marketing activities and efforts to boost brand value. Sales volume for *Match*, a carbonated electrolyte drink containing vitamins, declined slightly year on year, despite the ongoing implementation of an aggressive marketing strategy and sales promotion activities mainly targeting the high school student market. To mark the 45th anniversary of *Bon Curry Gold*, a range of instant curry dishes, the Group upgraded its products so they can be heated in a microwave oven without removing the curry pouch from the box. It also launched *Bon Curry Gold (Super Hot)* in June 2013.

In the consumer products segment, the Group steps up marketing initiatives and continues to implement a range of initiatives

aimed at improving profitability.

As a result, net sales in the consumer products segment for the three months ended June 30, 2013 totaled ¥11,087 million (down 11.2% year on year), with operating loss of ¥686 million (compared with an operating loss of ¥302 million in the same period of the previous fiscal year).

4) Others

In the specialty chemical business, sales of friction materials *TISMO* and *Terracess* were firm on the back of an upturn in the automotive field in North America. Although sales volumes for products such as tire raw materials declined due to the impact of the protracted economic crisis in Europe, sales of specialty chemicals increased overall year on year. In the fine chemical business, sales declined year on year due to a drop in sales volume for pharmaceutical intermediate *DACTA*.

In the transportation and warehousing business, sales rose year on year owing to increases in handling volumes for pharmaceuticals, beverages and other products. Sales in the direct sales support business saw double-digit growth due to an increase in the number of orders.

As a result, net sales in the other businesses for the three months ended June 30, 2013 totaled ¥31,675 million (up 11.9% year on year), with operating income of ¥1,885 million (up 35.8%).

< Research and Development Activities >

Research and development expenses for the three months ended June 30, 2013 totaled ¥51,474 million.

The primary areas of research and development by business segment 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 anti-cancer and cancer-supportive care. The Group also conducts research and development in fields such as cardiovascular disease and ophthalmology.

Research and development activities carried out during the three months ended June 30, 2013 in the area of therapeutic drugs are summarized below.

Category	Brand Name, (Generic Name), Development Code	Status
Central nervous system	<i>ABILIFY</i> <i>Abilify Maintena</i> (U.S.) (aripiprazole)	<Japan> <ul style="list-style-type: none"> <li>• <i>ABILIFY</i> was approved in June 2013 for the additional indication of major depressive disorder.</li> </ul>
	<i>E Keppra</i> (levetiracetam)	<Japan> <ul style="list-style-type: none"> <li>• <i>E Keppra</i> was approved in May 2013 for the treatment of children aged four years and older (additional pediatric indication and dosage).</li> <li>• <i>E Keppra Dry Syrup 50%</i> obtained manufacturing and marketing approval in June 2013.</li> <li>• An application was filed in June 2013 for <i>Levetiracetam Injection</i> for the treatment of epileptic partial seizures.</li> </ul>
Anti-cancer and cancer-supportive care	<i>TS-1</i>	<Japan> <ul style="list-style-type: none"> <li>• <i>TS-1 Combination OD Tablets T20, T25</i> were launched in June 2013.</li> </ul>
	(fentanyl citrate) OVF	<Japan> <ul style="list-style-type: none"> <li>• The drug was approved in June 2013 as an analgesic for the treatment of acute pain in cancer patients receiving regular doses of powerful opioid analgesics.</li> </ul>
	OPB-111077	<Asia> <ul style="list-style-type: none"> <li>• Phase I trials were initiated in June 2013 for the treatment of solid cancer.</li> </ul>
Cardiovascular system	<i>SAMSCA</i> (tolvaptan)	<U.S.> <ul style="list-style-type: none"> <li>• An application for the additional indication of autosomal dominant polycystic kidney disease (ADPKD) was accepted for review by the FDA in April 2013.</li> </ul> <Japan> <ul style="list-style-type: none"> <li>• An application was filed in May 2013 for the additional indication of autosomal dominant polycystic kidney disease (ADPKD).</li> <li>• <i>Samsca 7.5mg tablets</i>, a low-dosage version of <i>Samsca 15 mg tablets</i> were launched in June 2013.</li> </ul>

## 2) Diagnostic

ODK-0902 (H. influenzae ELISA kit *Otsuka*) was launched in April 2013. ODK-1003 (WT1 mRNA assay kit II *Otsuka*) obtained manufacturing and marketing approval in May 2013.

Research and development expenses for the pharmaceutical business for the three months ended June 30, 2013 were ¥49,476 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.

In functional beverages, the Group developed a new product called *Pocari Sweat Ion Water*, a low-calorie beverage with subtle sweetness that retains all the functionality of original *Pocari Sweat*.

The Group's Research Institute of New Functional Products Development in Tokushima continues to focus on the research and development of products that promote the nutrition in soy to consumers around the world in a familiar form.

Research and development expenses for the nutraceutical business for the three months ended June 30, 2013 were ¥1,009 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 three months ended June 30, 2013 were ¥167 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 three months ended June 30, 2013 were ¥820 million.

## (2) Qualitative Information on Consolidated Financial Position

### 1) Assets

Total assets as of June 30, 2013 were ¥1,805,838 million, an increase of ¥26,630 million compared to ¥1,779,207 million at the end of the previous fiscal year. The increase was due to the ¥20,311 million increase in current assets, ¥6,313 million increase in fixed assets and ¥4 million increase in deferred assets.

#### (Current Assets)

Total current assets as of June 30, 2013 were ¥1,100,954 million, an increase of ¥20,311 million compared to ¥1,080,642 million at the end of the previous fiscal year. The increase was due mainly to increases in marketable securities, inventory and other current asset by the ¥6,320 million, the ¥11,249 million and the ¥14,990 million, respectively, while there were the ¥6,856 million decrease in cash and deposits and the ¥5,329 million decrease in notes and accounts receivable-trade .

#### (Fixed Assets)

Total fixed assets as of June 30, 2013 were ¥704,812 million, an increase of ¥6,313 million compared to ¥698,498 million at the end of the previous fiscal year. The increase was due mainly to the ¥15,660 million increase in tangible fixed assets and the ¥3,012 million increase in intangible fixed assets while there was ¥13,502 million decrease in investment securities.

### 2) Liabilities

#### (Current Liabilities)

Total current liabilities as of June 30, 2013 were ¥356,451 million, an increase of ¥9,979 million compared to ¥346,472 million at the end of the previous fiscal year. The increase was due mainly to ¥15,456 million increase in notes and accounts payable-trade and ¥29,057 million increase in other current liabilities while there were the ¥23,282 million decrease in income taxes payable caused by tax payment and the ¥10,203 million decrease in reserve for bonuses.

#### (Fixed Liabilities)

Total fixed liabilities as of June 30, 2013 were ¥105,423 million, a decrease of ¥2,241 million compared to ¥107,664 million at the end of the previous fiscal year. The decrease was due mainly to the ¥2,712 million decrease in liability for employees' retirement benefits.

### 3) Net Assets

Total net assets as of June 30, 2013 were ¥1,343,963 million, an increase of ¥18,892 million compared to ¥1,325,071 million at the end of the previous fiscal year. The increase was due mainly to the ¥961 million increase in total shareholders' equity as a result of the ¥39,703 million positive quarterly net income, ¥16,507 million payment of dividends and the ¥30,000 million purchase of treasury stock and the ¥15,257 million increase in accumulated other comprehensive income due to currency rate fluctuation and ¥2,673 million increase in minority interests.

**(3) Qualitative Information on Consolidated Operating Results Forecast**

There are no changes to the Q2 cumulative and full year consolidated forecast released on May 14, 2013 with the FY2012 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**

No

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

(Millions of yen)

	As of March 31, 2013	As of June 30, 2013
<b>ASSETS</b>		
Current assets		
Cash and deposits	414,380	407,523
Notes and accounts receivable-trade	318,087	312,758
Marketable securities	137,768	144,089
Finished products and merchandise	71,243	77,539
Work-in process	25,842	29,687
Raw materials and supplies	35,266	36,375
Other current assets	78,597	93,588
Allowance for doubtful receivables	(543)	(606)
Total current assets	<u>1,080,642</u>	<u>1,100,954</u>
Fixed assets		
Tangible fixed assets	275,967	291,627
Intangible fixed assets		
Goodwill	37,787	37,746
Other intangible fixed assets	36,062	39,116
Total intangible fixed assets	<u>73,850</u>	<u>76,862</u>
Investments and other assets		
Investment securities	276,296	262,793
Investments in capital	31,574	30,993
Other assets	43,164	44,349
Allowance for investment loss	(1,569)	(1,018)
Allowance for doubtful receivables	(785)	(796)
Total investments and other assets	<u>348,680</u>	<u>336,321</u>
Total fixed assets	<u>698,498</u>	<u>704,812</u>
Deferred assets	66	71
Total assets	<u>1,779,207</u>	<u>1,805,838</u>
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	97,523	112,979
Short-term borrowings	51,789	52,873
Income taxes payable	33,514	10,232
Reserve for bonuses	15,928	5,724
Provisions	2,399	267
Other current liabilities	145,317	174,374
Total current liabilities	<u>346,472</u>	<u>356,451</u>
Long-term liabilities		
Long-term debt	6,251	8,454
Liability for employees' retirement benefits	40,570	37,858
Other allowances	3,107	2,493
Negative goodwill	24,005	23,389
Other long-term liabilities	33,729	33,227
Total long-term liabilities	<u>107,664</u>	<u>105,423</u>
Total liabilities	<u>454,136</u>	<u>461,875</u>

	As of March 31, 2013	As of June 30, 2013
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,423	512,992
Retained earnings	768,314	796,574
Treasury stock	(18,392)	(48,259)
Total shareholders' equity	<u>1,342,036</u>	<u>1,342,998</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	8,284	8,273
Deferred gain on derivatives under hedge accounting	—	8
Foreign currency translation adjustments	(39,823)	(24,564)
Total accumulated other comprehensive income	<u>(31,539)</u>	<u>(16,281)</u>
Stock acquisition rights	104	104
Minority interests	14,468	17,141
Total net assets	<u>1,325,071</u>	<u>1,343,963</u>
Total liabilities and net assets	<u>1,779,207</u>	<u>1,805,838</u>

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	FY2012 (From April 1, 2012 to June 30, 2012)	FY2013 (From April 1, 2013 to June 30, 2013)
Net sales	288,001	323,526
Cost of sales	92,580	98,451
Gross profit	195,420	225,075
Selling, general and administrative expenses		
Promotion expenses	37,837	35,072
Salaries and bonuses	20,491	25,390
Reserve for bonuses	2,661	3,353
Retirement benefit expenses	1,891	964
Amortization of goodwill	1,222	1,038
Research and development expenses	36,430	51,474
Other	46,023	57,237
Total selling, general and administrative expenses	146,558	174,530
Operating income	48,861	50,544
Non-operating income		
Interest income	364	277
Dividend income	789	508
Amortization of negative goodwill	616	616
Equity in earnings of unconsolidated subsidiaries and affiliated companies	453	577
Foreign exchange gain, net	—	4,637
Other	757	403
Total non-operating income	2,980	7,021
Non-operating expenses		
Interest expenses	454	388
Foreign exchange loss, net	2,538	—
Other	117	355
Total non-operating expenses	3,110	744
Ordinary income	48,732	56,821
Extraordinary income		
Gain on sales of fixed assets	87	178
Gain on sales of investment securities	26	—
Gain on sales of subsidiaries' stock	—	257
Other	5	21
Total extraordinary income	119	457
Extraordinary loss		
Loss on retirement of fixed assets	135	131
Impairment loss	63	92
Loss on valuation of investment securities	173	17
Other	24	7
Total extraordinary loss	396	248
Income before income taxes and minority interests	48,454	57,031
Income taxes		
Current	13,483	11,454
Deferred	2,809	5,555
Total income taxes	16,293	17,009
Income before minority interests	32,161	40,021
Minority interests in net income	232	317
Net income	31,929	39,703

## Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	FY2012 (From April 1, 2012 to June 30, 2012)	FY2013 (From April 1, 2013 to June 30, 2013)
Income before minority interests	32,161	40,021
Other comprehensive income		
Unrealized loss on available-for-sale securities	(1,496)	(34)
Deferred (loss) gain on derivatives under hedge accounting	(6)	8
Foreign currency translation adjustments	5,834	11,078
Share of other comprehensive income of equity method affiliates	4,873	5,975
Total other comprehensive income	9,204	17,028
Total comprehensive income	41,365	57,049
Total comprehensive income attributable to:		
Owners of the parent	40,703	56,051
Minority interests	661	998

**(3) Notes regarding Quarterly Consolidated Financial Statements****(Note regarding Assumption of Going Concern)**

Not applicable

**(Note regarding Significant Changes in the Amount of Shareholders' Equity)****For the first three months of fiscal 2013 (from April 1, 2013 to June 30, 2013)**

The Company repurchased 8,784,800 shares of common stock at a cost of ¥29,999 million in accordance with the resolution of board of directors held on May 14, 2013.

Additionally, as a result of disposal of 31,297 treasury stocks at a cost of ¥132 million due to exercise of stock options, the Company holds 16,323,323 treasury stocks at a cost of ¥48,259 million as of June 30, 2013.

**(Segment Information)****For the first three months of fiscal 2012 (from April 1, 2012 to June 30, 2012)**

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

(Millions of yen)

	Pharma- ceuticals	Nutra- ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	195,153	62,131	11,928	18,787	288,001	—	288,001
Intersegment sales	—	1,115	555	9,525	11,195	(11,195)	—
Total	195,153	63,247	12,483	28,312	299,197	(11,195)	288,001
Segment income (loss)	53,045	5,470	(302)	1,388	59,601	(10,739)	48,861

Notes:

- 1) Adjustments to segment income (loss) of ¥(10,739) million include intersegment eliminations of ¥111 million and unallocated corporate expenses of ¥(10,850) million. Corporate expenses include costs associated with headquarter.
- 2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

**For the first three months of fiscal 2013 (from April 1, 2013 to June 30, 2013)**

1) Net sales and segment income (loss) by reporting segment

(Millions of yen)

	Pharmaceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	224,113	66,885	11,055	21,472	323,526	—	323,526
Intersegment sales	—	1,455	32	10,203	11,691	(11,691)	—
Total	224,113	68,341	11,087	31,675	335,218	(11,691)	323,526
Segment income (loss)	55,948	5,135	(686)	1,885	62,282	(11,738)	50,544

Notes:

- 1) Adjustments to segment income (loss) of ¥(11,738) million include intersegment eliminations of ¥145 million and unallocated corporate expenses of ¥(11,884) million. Corporate expenses include costs associated with headquarter.
- 2) Segment income (loss) is adjusted to the operating income in the quarterly consolidated statement of income.

**(Subsequent Events)**

**For the first three months of fiscal 2013 (from April 1, 2013 to June 30, 2013)**

Business combination

On December 7, 2012, Otsuka Pharmaceutical Factory, Inc. (“OPF”), a consolidated subsidiary, entered into an agreement with Claris Lifesciences Limited (“Claris”), one of the leading manufacturers and distributors of IV solutions and generic pharmaceuticals in India, and Mitsui & Co., Ltd. (“Mitsui”) that OPF would jointly acquire an equity stake with Mitsui in an IV solutions business company (“Claris Otsuka”) newly established by Claris. On July 31, 2013, Claris transferred the IV solutions business into Claris Otsuka. Then OPF and Mitsui subscribed to a third-party allocation of new shares in Claris Otsuka. As a result, the equity ownership for each company is OPF: 60%, Mitsui: 20%, and Claris: 20%.

**(1) Outline of the Transaction**

1) Name and Business of Acquired Company

Claris Otsuka Limited

Manufacture and distribution of basic solution and clinical nutrition products

2) Outline and Purpose of the Transaction

OPF, a leading company of IV solutions business in Japan, aims to enter into the growing Indian pharmaceutical market.

3) Effective Date of Business Combination

July 31, 2013

4) Legal Form of Business Combination

Acquisition of shares in Claris Otsuka by OPF’s subscribing to a third-party allocation

5) Name of the Company after Business Combination

Claris Otsuka Limited

6) Share of Voting Rights Acquired

60.00%

7) Main Reason of the Determination of Acquiring

OPF, a consolidated subsidiary, has the majority of the voting shares due to share acquisition by subscribing to a third-party allocation of shares in Claris Otsuka

**(2) Acquisition Cost of Acquired Company and its Breakdown**

The acquisition cost of acquired company: Cash ¥13,315 million

The expense directly related to the acquisition: Not determined yet

**(3) Goodwill, Reason for Recognizing Goodwill, Amortization Method and Amortization Term**

1) Amount of Goodwill and Reason for Recognizing Goodwill

Not determined yet because the purchase price allocation is not completed

2) Method and Term to Amortize Goodwill

Not determined yet