Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 [Japan GAAP]

May 14, 2014

Company name:	**Otsuka Holdings Company Limited**
Stock exchange listing:	Tokyo Stock Exchange
Code number:	4578
URL:	http://www.otsuka.com/en/
Representative:	Tatsuo Higuchi President and Representative Director, CEO
Contact:	Takuma Kimura Director, Investor Relations Department Telephone: +81-3-6361-7411
Scheduled date of annual general meeting of shareholders:	June 27, 2014
Scheduled date of dividend payment commencement:	June 30, 2014
Scheduled date of securities report submission:	June 30, 2014
Supplementary materials for financial results:	Yes
Earnings announcement for 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 FY2013 (April 1, 2013 to March 31, 2014)

(1) Consolidated Operating Results

(% change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2013	1,452,759	19.3	198,702	17.1	215,235	16.7	150,989	23.3
FY2012	1,218,055	5.5	169,660	14.1	184,462	21.3	122,429	32.8

(Note) Comprehensive income: FY2013 ¥212,870 million (40.3%)
FY2012 ¥151,737 million (78.1%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income as a percentage of total assets	Operating margin
	Yen	Yen	%	%	%
FY2013	278.07	277.52	10.8	11.3	13.7
FY2012	221.90	221.41	9.7	10.7	13.9

(Reference) Equity in earnings of affiliates: FY2013 ¥3,221 million
FY2012 ¥3,140 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	2,028,399	1,510,759	73.2	2,740.89
As of March 31, 2013	1,779,207	1,325,071	73.7	2,381.64

(Reference) Shareholders' equity: As of March 31, 2014 ¥1,484,569 million
As of March 31, 2013 ¥1,310,497 million

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2013	226,461	(108,514)	(66,695)	417,538
FY2012	119,340	(91,228)	(71,889)	347,571

2. Dividends

	Annual dividend per share					Total dividends	Dividend pay-out ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter	Second quarter	Third quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2012	-	28.00	-	30.00	58.00	31,895	26.1	2.6
FY2013	-	30.00	-	35.00	65.00	35,202	23.4	2.5
FY2014	-	35.00	-	40.00	75.00		31.2	

3. Projected Consolidated Financial Results for FY2014 (April 1, 2014 through December 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)	795,000	13.7	120,000	7.4	125,000	2.5	83,000	(4.6)	153.24
FY2014	1,200,000	-	190,000	-	195,000	-	130,000	-	240.01

The Company intends to change its fiscal year end from March 31 to December 31 under the condition that "the partial amendment of articles of incorporation" will be approved at the Annual Shareholders Meeting to be held on June 27, 2014. The same change is to be applied to the Company's consolidated subsidiaries in Japan whose current year end is not December 31. Consequently, the consolidated financial projection in the transitional period for FY2014 represents nine months (April 1 to December 31 of 2014). Therefore, percentage changes compared to the previous fiscal year (twelve-month period) are not applicable.

4. Others

(1) Changes in significant subsidiaries during the period (changes in subsidiaries resulting in a change in scope of consolidation): None

(2) 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: None
3) Changes in accounting estimates: None
4) Restatements of prior period financial statements due to error correction: None

(Note) Please see "Notes to Consolidated Financial Statements (Changes in Accounting Policies)" on page 28 for further details.

(3) 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):
   March 31, 2014 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:
   March 31, 2014 16,211,155 shares
   March 31, 2013 7,593,160 shares
3) Average number of shares outstanding during the reporting period:
   March 31, 2014 542,866,117 shares
   March 31, 2013 551,639,623 shares

*** Information Regarding Audit Procedures**

At the time of disclosure of this financial report, the audit of our consolidated financial statements, as stipulated under the Financial Instruments and Exchange Act of Japan, is still in process.

*** Disclaimer Regarding Forward-Looking Statements**

Forecasts and other forward-looking statements included in this report are not guarantees of future results 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 "1. Analyses of Operating Results and Financial Position (1) Analysis of Operating Results" for details on the assumptions used and other related matters concerning the forecast of consolidated financial results (page 7).

The Company is planning to hold a meeting for institutional investors, analysts and the press on May 14, 2014. Presentation materials and a webcast of the meeting will be made available on the Company's website promptly after the meeting.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

In the fiscal year under review, the Japanese economy experienced a mild recovery, with quarterly real GDP growing at a higher rate compared to the previous year. The corporate operating environment continued to improve gradually assisted by a weaker yen. Outside Japan, economic growth in emerging economies has started to slow down, while economic indicators in Europe and the United States improved.

Within this global operating environment, the Otsuka Group reported consolidated net sales of ¥1,452,759 million (up 19.3% year on year) for the fiscal year ended March 31, 2014, with operating income of ¥198,702 million (up 17.1%), ordinary income of ¥215,235 million (up 16.7%) and net income of ¥150,989 million (up 23.3%).

Results by business segment are as follows:

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	1,035,080	287,133	43,925	130,339	(43,719)	1,452,759
Segment income (loss)	212,755	25,362	(2,166)	7,235	(44,484)	198,702

1) Pharmaceuticals

In the area of the central nervous system ("CNS") disorders, global sales of atypical antipsychotic agent *ABILIFY* rose 30% year on year on a yen basis. The drug was also ranked seventh*[1] in global drug sales. In the U.S., an increase in *ABILIFY* prescriptions for adjunctive therapy in major depressive disorder and for bipolar disorder, as well as price increases, supported double-digit growth in sales on a local currency basis compared with the previous fiscal year. *ABILIFY* also became the best-selling drug*[2] in the U.S. in Jan-Dec 2013. In Europe, Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical"), a wholly owned subsidiary of the Company, and H. Lundbeck A/S ("Lundbeck") began collaborating on sales of *ABILIFY* in April 2013. Sales of *ABILIFY* grew significantly, mainly due to an increase in prescriptions for the treatment of manic episodes of bipolar disorder. 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, such as Tourette disorder, in South Korea. In Japan, *ABILIFY* became the first atypical antipsychotic agent to be approved for the additional indication of major depressive disorder in June 2013. This additional indication and growth in prescriptions for orally disintegrating tablets supported double-digit sales growth compared with the previous fiscal year.

As part of our global alliance with Lundbeck including the development of five compounds*[3], both companies began sales of *Abilify Maintena*, an aripiprazole intramuscular depot formulation (once-monthly injection), in the U.S. in March 2013 for the maintenance treatment of schizophrenia. Prescriptions of the drug, the first to be developed as part of the global alliance, have been growing steadily due to recognition of the drug's good safety and tolerability. In Europe, *Abilify Maintena* received marketing approval from the European Commission (EC) for the maintenance treatment of schizophrenia in November 2013. As of the end of March 2014, the drug was on sale in the U.K. and two other European countries. In addition to our global alliance, Otsuka Pharmaceutical and Lundbeck agreed in October 2013 to collaborate on developing and commercializing nalmefene in Japan. Nalmefene, which is based on a new therapeutic concept, is indicated for the reduction of alcohol consumption. In December 2013, the two companies also signed an agreement to collaborate on the development of Lu AF20513, an Alzheimer's disease vaccine.

In Japan, antiepileptic drug *E Keppra*, co-promoted with UCB Japan, was approved for the treatment of children aged four years and older (additional pediatric indication and dosage) in May 2013. In addition, *E Keppra Dry Syrup 50%* was launched in August 2013, aimed at patients who have difficulty swallowing tablets. These factors led to strong growth in domestic sales compared to the previous fiscal year. *Neupro Patch*, the world's only transdermal dopamine agonist helping to maintain stable blood concentration levels of the drug for 24 hours, registered steady growth in prescriptions for the treatment of Parkinson's disease.

As part of our CNS efforts, Otsuka Pharmaceutical and IBM concluded a strategic alliance in March 2014 that brings together both companies' specialist expertise, technologies and know-how. Through a global collaboration, the partners plan to develop care coordination solutions that improve medical service provision and contribute to the treatment and care outcomes of patients with mental health conditions.

In the area of the cardiovascular disorders, global sales of *Samsca*, a first-in-class vasopressin V_2-receptor antagonist available in 14 markets worldwide, increased by more than 60% year on year. This increase was supported by the drug's growing acceptance among medical specialists due to the new value it brings to clinical practice and because of its formulation as an oral aquaretic agent. In Japan, *Samsca 7.5mg tablets* were launched as a new formulation in June 2013. It was also granted an additional indication for the treatment of fluid retention in patients with hepatic cirrhosis in September 2013. In March 2014, *Samsca* was also approved in Japan for the additional indication of suppressing the progression of autosomal dominant polycystic kidney disease (ADPKD), becoming the world's first drug therapy for this condition. The Group is working to grow the value of *Samsca* through continuing education of physicians with regard to the drug's safety profile and optimal usage in the clinical setting.

Antiplatelet agent *Pletaal/Pletal* is viewed positively by domestic medical practitioners as a convenient orally disintegrating tablet for patients who have had onset cerebral infarction. However, sales of the drug have been affected by generics in Japan, with domestic sales declining year on year. Overseas sales of *Pletaal/Pletal* increased year on year, supported mainly by sales growth in South Korea.

In the area of oncology, *TS-1 Combination OD Tablets T20, T25* were launched as an additional formulation of anti-cancer agent *TS-1* in Japan in June 2013. Also, sales promotions utilizing evidence-based medicine (EBM) helped raise awareness of the drug as a treatment for colorectal cancer, head and neck cancer and pancreatic cancer, supporting stable sales. Overseas, *TS-1* is gradually being rolled out in Europe and is now (as of March 31, 2014) available in 27 countries worldwide. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined year on year. Sales of *Aloxi*, a long-acting 5-HT_3 receptor antagonist antiemetic agent, were higher supported by steady growth in prescriptions, while sales of anti-cancer agent *Abraxane* expanded significantly year on year, supported by its approval for the additional indications of gastric cancer and non-small-cell lung cancer in February 2013. *Lonsurf*, an anti-cancer agent with a new mechanism of action, was approved in Japan for the treatment of unresectable advanced or recurrent colorectal cancer (limited to cases where standard treatments are not practical) in March 2014.

Revenues from anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS*[4], increased sharply due to the drug's increasing global sales as a first-line treatment for chronic myeloid leukemia and due to an increase in our sales-based revenue quota starting from January 2013.

Busulfex, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. Food and Drug Administration (FDA), is now sold by the Group and its partners in more than 50 countries. *Busulfex* has become established as 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 promotion of *Busulfex* in Japan and Asia from April 2013, in addition to the exclusive marketing rights the Group already owns for *Busulfex* in the U.S. and Canada. Also, in March 2014, Otsuka Pharmaceutical acquired the rights from Eisai Inc. of the U.S. to develop and sell DNA methylation inhibitor *Dacogen* worldwide, excluding Mexico.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined year on year due to generic competition, although steps were taken to strengthen the *Mucosta* brand, including the launch of tablets with the brand name printed on both the front and back side. In the area of ophthalmology, prescriptions for dry eye treatment *Mucosta ophthalmic suspension UD 2%* grew steadily, supporting a large increase in sales compared with the previous fiscal year. In addition, Otsuka Pharmaceutical and Takeda Pharmaceutical Company Limited signed an agreement in March 2014 for the co-promotion of sales in Japan of TAK-438, a treatment for acid-related diseases.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased year on year, as a result of an increase in the number of hospitals adopting *ELNEOPA* and growth in prescriptions. These developments partly reflected greater awareness of the solution as a TPN kit product containing trace elements recommended in the 2013 guidelines of the Japanese Society for Parenteral and Enteral Nutrition (JSPEN). They were also the result of the solution's other benefits, such as reduced risk of infection and a reduction in time and labor required for mixing and preparation.

To further strengthen the global development of the Group's pharmaceutical operations, Otsuka Pharmaceutical established Otsuka Europe Development and Commercialisation Ltd. ("OEDC") in London, U.K., in July 2013 as its new European center for the clinical development of pharmaceuticals. In October 2013, Otsuka Pharmaceutical acquired Astex Pharmaceuticals, Inc. ("Astex") of the U.S. through its wholly-owned subsidiary Otsuka America, Inc. Astex's current oncology pipeline and its fragment-based drug discovery technology will strengthen not only Otsuka Pharmaceutical's development portfolio, but also its research capabilities in next generation drug discovery in CNS and other therapeutic areas. In July 2013, Otsuka Pharmaceutical Factory, Inc. acquired a stake in Claris Otsuka Limited ("Claris Otsuka"), based in Ahmedabad, India.

As a result, net sales in the pharmaceutical segment for the fiscal year ended March 31, 2014 totaled ¥1,035,080 million (up 21.7% year on year), with operating income of ¥212,755 million (up 13.3%).

*[1]: © 2014 IMS Health. All rights reserved. Estimated based on "World Review Preview 2013 (Year 2013 Sales Data)." Reprinted with permission.
*[2]: © 2014 IMS Health. All rights reserved. Estimated based on "MIDAS Quantum 4Q/2013 Sales data." Reprinted with permission.
*[3]: *Abilify Maintena*, brexpiprazole, Lu AE58054 and two new compounds currently being researched and developed by Lundbeck.
*[4]: Bristol-Myers Squibb Company

2) Nutraceuticals

Sales volume for our *Pocari Sweat* range of products increased during the fiscal year under review. In April 2013, the Group launched *Pocari Sweat Ion Water*, a new addition to its *Pocari Sweat* electrolyte drink range in Japan, with activities focusing on sales promotions, including taste testing. In combination with the traditional *Pocari Sweat* product, *Pocari Sweat Ion Water* provides a new choice for customers depending on drinking occasion, for example during exercise or while working in the office, or taste preference. Overseas, where *Pocari Sweat* is sold in 16 markets worldwide, consumption expanded in Indonesia along with the growing number of middle-income earners. IT-based efficiency improvements to our marketing system in China also resulted in an increase in new customers.

The Otsuka Group continues to develop its soy-related business, based on the concept of "Soylution," which sees soy as a solution to various health and environmental issues faced by consumers today. Our soy bar *SOYJOY*, which is sold in 11 countries, registered strong growth in market share, new customers and sales volume compared with the previous fiscal year. This reflected the launch of new flavor *SOYJOY Peanuts* in Japan in April 2013, which helped attract more customers, mainly men, to the *SOYJOY* brand. Two new flavors were added to the *SoyCarat* range in October 2013 – *Nori & Natto* and *Olive Oil & Garlic*. Brand visibility and popularity of *SoyCarat*, a healthy soy snack, has improved, partly as a result of promoting the product as a healthy snack before meals and bedtime. The Group is also working on dietary education initiatives to encourage a wider understanding among consumers of the nutritional benefits of the Group's soy products, including *SoyCarat*, *SOYJOY* and the soy soda beverage *SOYSH*, which is mainly sold through the Group's online shopping website.

The Group implemented sales promotions for carbonated nutritional drink *Oronamin C* using TV commercials and other approaches. The promotions focused on clearly communicating the product's features in order to boost *Oronamin C*'s value as a functional and trusted brand. These efforts raised awareness of the product's features among female consumers, supporting a year-on-year increase in sales volume.

Sales volume for the balanced nutrition food *Calorie Mate* rose slightly from the previous fiscal year due to sales promotions focused on the product's qualities as a balanced nutrition food.

Subsidiary Pharmavite LLC ("Pharmavite") of the U.S. supplies *Nature Made* supplements, which have been selected as the leading pharmacist-recommended brand in eight categories[*5] in the U.S. and have been the number one retail national vitamin and supplement brand in the U.S. for seven consecutive years, from 2007 through 2013[*6]. The Group reinforced its manufacturing and supply framework for *Nature Made* supplements with the completion of a new plant in the U.S. state of Alabama in June 2013. In Japan, *Nature Made VitaMelts* supplements (five versions), which dissolve without water, were launched in November 2013. *VitaMelts* were launched as part of efforts to strengthen the *Nature Made* brand, mainly among consumers that are not yet accustomed to taking supplements.

At Nutrition & Santé SAS, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, sugar-free and gluten-free food products sold under the *Gerble* nutrition and health food brand continued to drive growth, while sales of organic food products and soy products also remained strong.

In the cosmedics area, where the focus is on the concept of "healthy skin," the Group's two brands – one aimed at men and the other at women – registered very strong growth. In the *UL•OS* men's skincare brand, which is marking its fifth anniversary, *Skin Lotion* and *Skin Milk* now offer the added efficacy of minimizing fine lines and wrinkles caused by dryness. *UL•OS* is currently the leading brand in the men's skincare category based on sales growth*[7]. In South Korea, where *UL•OS* was launched in March 2012, the brand continued to steadily gain ground. This was illustrated by its selection as the top male cosmetics brand for quality in the country's 2013 consumer choice awards, the second year in a row that the brand has won the award, and growth in the number of stores that stock the *UL•OS* range. In the *InnerSignal* brand aimed at women who seek healthy and 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.

Oronine H Ointment, which is marking its 60th anniversary, registered growth in sales volume due to efforts to promote a tube-type product aimed at younger consumers.

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

As a result, net sales in the nutraceutical segment for the fiscal year ended March 31, 2014 totaled ¥287,133 million (up 14.0% year on year), with operating income of ¥25,362 million (up 18.7%).

*[5]: Based on 2013 US News & World Report - Pharmacy Times Survey, *Nature Made* is the #1 Pharmacist Recommended Brand in Eight Segments - Letter Vitamins, Omega-3/Fish Oil, Coenzyme Q10, Flax Seed Oil, Herbal supplements, Cholesterol Management-Natural, Garlic (tie) and Diabetic Multivitamins (tie).

*[6]: Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week period ending 04/12/2014 in US Food Drug Mass channels; and for the 52-week period ending 04/12/2014 in US xAOC channels. ©2014 The Nielsen Company

*[7]: Based on INTAGE POS data extrapolation (top five brands) for the period 04/01/2013 to 03/30/2014.

3) Consumer Products

Sales volume for mineral water products, centered on *Crystal Geyser*, saw a slight increase year on year, reflecting stepped up marketing activities and efforts to boost brand value. 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 while also strengthening its marketing strategy and sales promotion activities to boost brand value. On the other hand, sales volume for *Match*, a carbonated electrolyte drink containing vitamins, declined year on year as a result of competition and other factors, despite the ongoing implementation of an aggressive marketing strategy and sales promotion activities mainly targeting the high school student market. Steps were also taken to strengthen the brand following the launch of new product *Match Pink* in March 2014.

In the consumer products segment, the Group is working to quickly improve profitability by reviewing marketing strategies and sales promotion activities and improve the expense-to-sales ratio.

Net sales in the consumer products segment for the fiscal year ended March 31, 2014 totaled ¥43,925 million (down 6.3% year on year), with operating loss of ¥2,166 million.

4) Others

In the specialty chemical business, sales increased year on year due to firm sales of tire additives and brake friction material modifiers *TISMO* and *Terracess* and wider adoption of new products such as capacitor electrolyte solution, amid strong demand from the automotive sector. In the construction field, continued firm demand for foaming agents used in building materials, hardeners used in coating materials, and other chemicals also contributed to sales growth, supporting a large increase in overall sales in the specialty chemical business compared with the previous fiscal year. In the fine chemical business, sales slightly declined year on year mainly 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 growth due to an increase in the number of orders.

As a result, net sales in the other businesses for the fiscal year ended March 31, 2014 totaled ¥130,339 million (up 16.7% year on year), with operating income of ¥7,235 million (up 84.6%).

(Projected Consolidated Financial Results for FY2014)

(Millions of yen)

	FY March, 2013 (Actual)	FY December, 2014 (Forecast)	Change	% Change
Net sales	1,452,759	1,200,000	-	-
Operating Income	198,702	190,000	-	-
Ordinary Income	215,235	195,000	-	-
Net Income	150,989	130,000	-	-
R&D Expense	249,010	180,000	-	-

(Note) FY2014 exchange rate: 100 yen/USD 140 yen/EUR

The Company intends to change its fiscal year end from March 31 to December 31 under the condition that "the partial amendment of articles of incorporation" will be approved at the Annual Shareholders Meeting to be held on June 27, 2014. The same change is to be applied to the Company's consolidated subsidiaries in Japan whose current closing date is not December 31. Consequently, the projected financial results in the transitional period for FY2014 represent nine months (April 1 to December 31 of 2014). Therefore, percentage changes compared to the previous fiscal year are not applicable. For financial comparisons between the previous fiscal year ended March 2014 and the fiscal year ending December 2014, as explained below, we have used nine-month pro-forma results based on unaudited pro-forma financial statements for the nine-month period from April 1, 2013 to December 31, 2013.

In our pharmaceutical business, we expect sales of atypical antipsychotic agent *ABILIFY* to remain strong despite the effects of the latest NHI price revision. In addition, increasing sales of *Abilify Maintena*, *SAMSCA*, *E Keppra*, and *Abraxane* are expected to contribute to growing sales. In our nutraceutical business, sales are expected to be driven by the growth of global products such as *Pocari Sweat*, *Nature Made*, and *Nutrition & Santé*'s products.

While we project both promotion expenses in the U.S. and Europe and R&D expenses for the development of our oncology business to increase, we expect an overall increase in consolidated operating income. In the nutraceutical segment, the Group will continue to focus on developing new customers and new products while targeting an operating income margin of 10%.

As a result, we project sales to reach ¥1,200,000 million (an increase of 5.8% over the pro-forma nine-month results for April-December 2013) and an increase in operating income of 3.8% to ¥190,000 million. Ordinary income is projected to decrease slightly by 2.3% to ¥195,000 million, and net income is expected to decrease by 6.7% to ¥130,000 million (all compared to the nine-month period from April to December 2013).

(2) Research and Development Activities

Research and development expenses for the fiscal year ended March 31, 2014 totaled ¥249,010 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 focus on the strategic areas of the central nervous system and oncology. The Group also conducts research and development in fields such as cardiovascular disease and ophthalmology.

Research and development activities carried out during the fiscal year ended March 31, 2014 in the area of therapeutic drugs are summarized below.

Category	*Brand Name*, (Generic Name), Development Code	Status
Central nervous system	*ABILIFY* *Abilify Maintena* (aripiprazole)	<Japan> Phase III trials of *Abilify Maintena* for the treatment of bipolar disorder were initiated in May 2013. *ABILIFY* was approved in June 2013 for the additional indication of major depressive disorder. An application was filed for *Abilify Maintena* in January 2014 for the maintenance treatment of schizophrenia. <U.S.> An application was filed for *ABILIFY* in February 2014 for the treatment of Tourette disorder. <Europe> *Abilify Maintena* obtained marketing authorization for the maintenance treatment of schizophrenia in November 2013 from the EC.
	E Keppra (levetiracetam)	<Japan> *E Keppra* was approved in May 2013 for the treatment of children aged four years and older (additional pediatric indication and dosage). *E Keppra Dry Syrup 50%* obtained manufacturing and marketing approval in June 2013 and was launched in August 2013. A new drug application was filed in June 2013 for *Levetiracetam Injection* for the treatment of epileptic partial seizures. An application was filed in March 2014 for the additional indication of monotherapy for epileptic partial seizures.
	(brexpiprazole) OPC-34712	<Japan> The drug was given the generic name brexpiprazole in August 2013. <U.S. and Europe> Phase III trials for the treatment of agitation associated with dementia of the Alzheimer's type were initiated in August 2013. Phase III trials were initiated in January 2014 for the treatment of post-traumatic stress disorder (PTSD).

Category	*Brand Name*, (Generic Name), Development Code	Status
	Lu AE58054	At the Alzheimer's Association International Conference (AAIC) in July 2013, Lundbeck announced Phase II clinical data on efficacy for Lu AE58054 as an add-on to donepezil for the treatment of Alzheimer's disease. <U.S. and Europe> Phase III trials were initiated in October 2013 for the treatment of Alzheimer's disease.
	(aripiprazole, sertraline) ASC-01	<Japan and Asia> Phase III trial was initiated in February 2014 for the treatment of major depressive disorder.
Anti-cancer and cancer-supportive care	*TS-1*	<Japan> *TS-1 Combination OD Tablets T20, T25* were launched in June 2013.
	E-fen Buccal Tablets (fentanyl citrate) OVF	<Japan> 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. *E-fen Buccal Tablets 50μg*, *100μg*, *200μg*, *400μg* were launched in September 2013, and *600μg*, *800μg* of the same were launched in October.
	Lonsurf (trifluridine and tipiracil hydrochloride) TAS-102	<Japan and Europe> Phase II trial for the treatment of small cell lung cancer was initiated in July 2013. <Asia> Phase III trials for the treatment of colorectal cancer was initiated in October 2013. <Japan> Approval was granted in March 2014 for the treatment of unresectable advanced or recurrent colorectal cancer (limited to cases where standard treatments are not practical).
	TAS-118	<Japan and Asia> Phase III trials for the treatment of pancreatic cancer were initiated in July 2013.
	OCV-501	<Japan and Asia> Phase II trials for the prevention of relapse of acute myeloid leukemia (AML) in elderly patients were initiated in October 2013.
	OPB-111077	<Asia> Phase I trial for the treatment of solid cancer was initiated in June 2013.

Category	*Brand Name*, (Generic Name), Development Code	Status
	SGI-110	Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: <U.S. and Europe> Phase II trials for the treatment of ovarian cancer are currently under way. Phase II trials for hepatocellular carcinoma are currently under way. <U.S.> Phase II trials for the treatment of AML and myelodysplastic syndrome (MDS) are currently under way.
	AT13387	Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: <U.S. and Europe> Phase II trials for the treatment of prostate cancer are currently under way. Phase II trials for the treatment of non-small cell lung cancer are currently under way.
	AT7519	Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: <U.S.> Phase II trials for the treatment of multiple myeloma are currently under way.
	OPB-111001	<Europe> Phase I trial was initiated in February 2014 for the treatment of solid cancer.
Cardiovascular system	*Samsca* (tolvaptan)	<Japan> An application was filed in May 2013 for the additional indication of autosomal dominant polycystic kidney disease (ADPKD), followed by approval in March 2014. At the same time, *Samsca 30mg tablets* were approved. *Samsca 7.5mg tablets*, a low-dosage version of *Samsca 15mg tablets*, were launched in June 2013. *Samsca 7.5mg tablets* received approval in September 2013 for the additional indication of the treatment of fluid retention in patients with hepatic cirrhosis. Phase II trials for the treatment of fluid retention associated with hemodialysis were initiated in July 2013. Phase II trials for the treatment of fluid retention associated with peritoneal dialysis were initiated in September 2013. <U.S.> The U.S. FDA accepted an application for the additional indication of ADPKD in April 2013. However, Otsuka Pharmaceutical received a complete response letter from the FDA in August 2013 stating that the application could not be approved based on the data in the initial application. <Europe> An application for the additional indication of ADPKD was accepted for review by the European Medicines Agency (EMA) in December 2013.

Category	*Brand Name*, (Generic Name), Development Code	Status
Other categories (Ophthalmology and others)	*Mucosta ophthalmic suspension UD 2%* OPC-12759E	<U.S.> The decision was taken in September 2013 to terminate the development of the drug in the U.S., as primary outcome measure was not attained in Phase III trials for the treatment of dry eyes. <Japan> Phase II trials for the treatment of keratoconjunctival epithelial disorder have been terminated.
	(delamanid) OPC-67683	<Europe> In November 2013, the drug received a recommendation for approval from the European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP) for the treatment of multidrug-resistant tuberculosis. Phase II trials for the treatment of multidrug-resistant tuberculosis in children were initiated in August 2013.
	(bilastine) TAC-202	<Japan> Phase II trials for the treatment of allergic rhinitis were initiated in September 2013.
	OPF-105	<Japan> Phase III trials for the treatment of post-operative digestive organ patients requiring peripheral parenteral nutrition were initiated in October 2013.

2) Diagnostic

ODK-0902 (H. influenzae ELISA kit *Otsuka*) was launched in Japan in April 2013. ODK-1003 (WT1 mRNA assay kit II *Otsuka*) obtained domestic manufacturing and marketing approval in May 2013 and was launched in September 2013. The *Fingraph* fingertip blood sampler, which measures sodium and potassium electrolytes, was launched in Japan in August 2013. A Phase II trial was initiated in the U.S. in July 2013 to evaluate the performance of in vivo diagnostic agent C13-URA (13C-uracil breath test kit) in patients with dyspepsia. An application was filed in October 2013 for the manufacture and marketing in Japan of ODK-1201-01 (CML diagnostic aid kit).

Research and development expenses for the pharmaceutical business for the fiscal year ended March 31, 2014 were ¥240,846 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 has developed a new product called *Pocari Sweat Ion Water*, a low-calorie beverage with subtle sweetness that retains all the functionality of the original *Pocari Sweat*. This product was launched in April 2013. Also, in September 2013, Otsuka Pharmaceutical launched *Omugi Seikatsu*, a product with a high content of barley β-glucans, a type of soluble dietary fiber found in barley. Cooked rice with β-glucan enriched barley has been proven to control postprandial glucose response and achieve a second-meal effect*[1].

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 familiar formats. During the period under review, two new flavors were developed to the *SoyCarat* range of healthy soy snacks and were launched in October 2013.

Research and development expenses for the nutraceutical business for the fiscal year ended March 31, 2014 were ¥4,272 million.

*[1]: "Effect of Cooked Rice with β-glucan Enriched Barley on Postprandial Glucose Response and Its Second Meal Effect," Fukuhara et al., published in Japanese Pharmacology and Therapeutics, August 20, 2013.

(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 fiscal year ended March 31, 2014 were ¥523 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 fiscal year ended March 31, 2014 were ¥3,367 million.

(3) Analysis of Financial Position

1) Assets

Total assets as of March 31, 2014 were ¥2,028,399 million, an increase of ¥249,191 million compared to ¥1,779,207 million at the end of the previous fiscal year consisting of a ¥88,198 million increase in current assets, a ¥160,999 million increase in fixed assets, and a ¥6 million decrease in deferred assets.

(Current Assets)

Total current assets as of March 31, 2014 were ¥1,168,841 million, an increase of ¥88,198 million compared to ¥1,080,642 million at the end of the previous fiscal year. The increase was mainly due to a ¥40,918 million increase in cash and deposits, a ¥9,206 million increase in notes and accounts receivable-trade, a ¥19,511 million increase in inventories, a ¥13,711 million increase in deferred tax assets, and a ¥24,702 million increase in other current assets despite a ¥19,793 million reduction in the amount of marketable securities held.

(Fixed Assets)

Total fixed assets as of March 31, 2014 were ¥859,498 million, an increase of ¥160,999 million compared to ¥698,498 million at the end of the previous fiscal year. The increase was mainly due to the ¥39,217 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., the initial investment in a manufacturing facility at the Alabama Factory of Pharmavite LLC, the newly-consolidated manufacturing assets of Claris Otsuka Limited, and the ¥118,413 million increase in intangible fixed assets resulting from the first-time consolidation of Claris Otsuka Limited, Astex Pharmrceuticals, Inc. and one other company.

2) Liabilities

(Current Liabilities)

Total current liabilities as of March 31, 2014 were ¥437,420 million, an increase of ¥90,948 million compared to ¥346,472 million at the end of the previous fiscal year. The increase was mainly due to a ¥35,377 million increase in notes and accounts payable-trade, a ¥17,549 million increase in income taxes payable, and a ¥35,571 million increase in other current liabilities.

(Long-term Liabilities)

Total long-term liabilities as of March 31, 2014 were ¥80,219 million, a decrease of ¥27,444 million compared to ¥107,664 million at the end of the previous fiscal year. The decrease was mainly due to a ¥32,439 million decrease in net defined benefit liability (“liability for employees’ retirement benefits” in the previous fiscal year).

3) Net Assets

Total net assets as of March 31, 2014 were ¥1,510,759 million, an increase of ¥185,688 million compared to ¥1,325,071 million at the end of the previous fiscal year. Shareholders’ equity increased by ¥96,235 million due to share buy-backs amounting to ¥30,002 million, dividends payments of ¥32,752 million and ¥150,989 million of net income, while total accumulated other comprehensive income increased by ¥77,836 million mainly due to an exchange rate impact and the adoption of revised Accounting Standard for Retirement Benefits. Minority interests increased by ¥11,616 million.

(4) Analysis of Cash Flows

Cash and cash equivalents increased by ¥69,967 million during fiscal year ended March 31, 2014 to ¥417,538 million. Net cash provided by operating activities was ¥226,461 million, while net cash used in investing activities and financing activities was ¥108,514 million and ¥66,695 million, respectively.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥226,461 million in the fiscal year ended March 31, 2014, an increase of ¥107,121 million compared to ¥119,340 million in the previous fiscal year. Main components were ¥210, 225 million from income before income taxes and minority interests, ¥46,032 million from depreciation and amortization, an increase of ¥19,551 million in note and account payables-trade, a decrease of ¥12,391 million in note and account receivables-trade, and payment of income taxes for ¥66,130.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥108,514 million in the fiscal year ended March 31, 2014, an increase of ¥17,285 million compared to ¥91,228 million in the previous fiscal year. Investing activities during the fiscal year ended March 31, 2014 included ¥95,356 million in investments in subsidiaries resulting in a change in the scope of consolidation, ¥48,777 million in purchases of property, plant and equipment, ¥21,166 million in purchases of intangible assets, and a ¥59,140 million decrease in time deposits.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥66,695 million in the fiscal year ended March 31, 2014, a decrease of ¥5,194 million compared to ¥71,889 million in the previous fiscal year. Financing activities during the fiscal year ended March 31, 2014 included ¥32,752 million in payment of dividends and ¥30,002 million in payments for purchase of treasury stock.

(Cash Flow Indicator Ratios)

	FY2009	FY2010	FY2011	FY2012	FY2013
Equity ratio (%)	64.2	72.4	72.5	73.7	73.2
Market capitalization to total assets ratio (%)	-	72.1	82.0	102.1	82.4
Cash flow to debt ratio (%)	62.5	69.2	40.1	33.1	21.5
Interest coverage ratio (times)	63.5	81.2	90.8	157.7	243.4

Equity ratio: total shareholders' equity / total assets
Market capitalization to total assets ratio: Aggregate market value of shares / total assets
Cash flow to debt ratio: interest-bearing debt / cash flow
Interest coverage ratio: cash flow / interest paid

(Notes)

1. All indicator ratios are calculated on a consolidated basis.
2. Total market capitalization is calculated based on the outstanding shares (excluding treasury shares) and the closing market price at fiscal year-end.
3. Cash flow equals net cash provided by operating activities, less interest expense and income taxes paid.
4. Interest-bearing debt includes all liabilities reported on the consolidated balance sheet which is subject to interest payments. Interest paid represents the amount of interest payment as reported on the consolidated statement of cash flow.
5. Market capitalization to total assets ratio is not available for FY2009 as the Company was not publicly listed then and the share price information was undeterminable.
6. Amounts for FY2010 are adjusted retrospectively based on a new currency translation method applied in FY2011, while amounts for FY 2009 is not adjusted retrospectively.

(5) Basic Policy for Profit Distribution and Dividends for FY2013 and FY2014

The Company views the distribution of profits to shareholders as one of key management priorities. Our basic policy regarding profit distribution is to provide a stable profit distribution in line with profitability while securing an appropriate amount of internal reserve necessary for future growth and to react to changes in the business environment.

Based on this policy the Company plans to pay a year-end dividend of ¥35 per share and an interim dividend of ¥30 per share, a sum of ¥65 per share for the fiscal year ended March 31, 2014. As a result, the planned consolidated payout ratio for the fiscal year ended March 31, 2014 is 23.4%.

For FY2014, the Company plans to pay an annual dividend of ¥75 per share (of which ¥35 is planned as interim dividend and ¥40 as year-end dividend.)

2. Group Overview

The Otsuka Group consists of Otsuka Holdings Co., Ltd., its 131 subsidiaries and 34 affiliates. Otsuka is a globally operating diversified healthcare group engaged in pharmaceuticals, nutraceuticals, consumer products and other, which includes logistical services, optical inspection and measurement equipments and chemicals.

As the Group's holding company, Otsuka Holdings directs the Group's strategic planning, monitors group operations and provides various services to its group companies.

The group companies in their respective business segments are as follows:

(Pharmaceutical Segment)

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., and Taiho Pharmaceutical Co., Ltd. are mainly responsible for sales of pharmaceutical products in Japan while Otsuka America Pharmaceutical, Inc. and Otsuka Pharmaceutical Europe Ltd. are mainly responsible for sales of pharmaceutical products overseas.

In therapeutic area, Otsuka Pharmaceutical Co., Ltd. and Taiho Pharmaceutical Co., Ltd. are responsible for manufacturing and sales in Japan. Otsuka Pharmaceutical Co., Ltd. also exports pharmaceutical products to Otsuka America Pharmaceutical, Inc., Otsuka Pharmaceutical Europe Ltd., and other group companies. In clinical nutrition area, manufacturing and sales are conducted domestically: Otsuka Pharmaceutical Factory, Inc. and EN Otsuka Pharmaceutical Co., Ltd. are mainly responsible for Japanese market; China, Indonesia and Egypt for overseas market. Research and development activities are conducted mainly in Japan and the U.S. Otsuka Pharmaceutical Co., Ltd. outsources part of its development activities to its U.S. subsidiaries such as Otsuka Pharmaceutical Development & Commercialization, Inc., and Otsuka Maryland Medicinal Laboratories, Inc.

(Nutraceutical Segment)

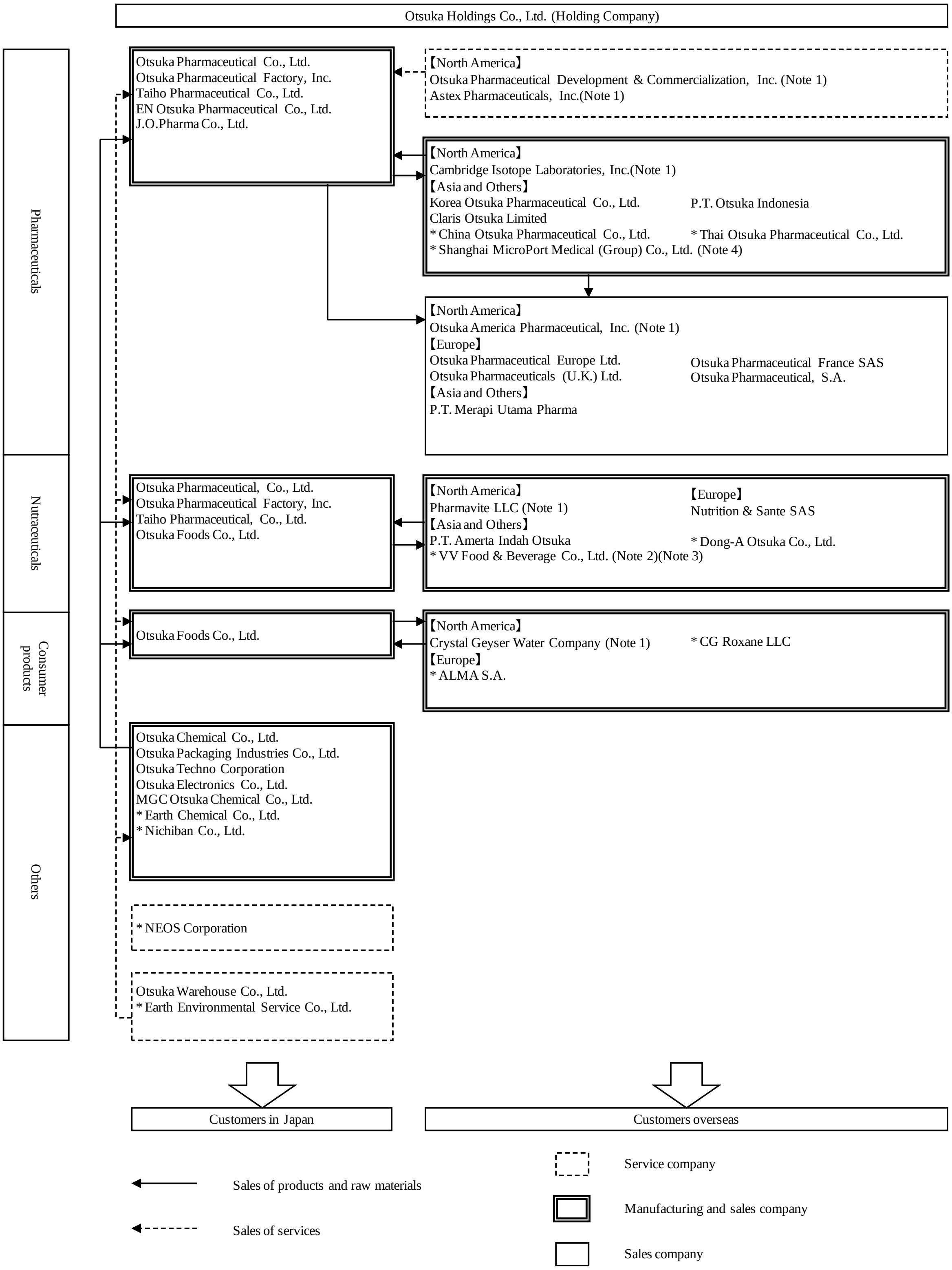
Otsuka Pharmaceutical Co., Ltd. and Taiho Pharmaceutical Co., Ltd. are mainly responsible for manufacturing and sales of nutraceutical products in Japan while Pharmavite LLC, P.T. Amerta Indah Otsuka, Nutrition & Santé SAS, and VV Food & Beverage Co., Ltd. are mainly responsible for manufacturing and sales of nutraceutical products overseas. Otsuka Pharmaceutical Co., Ltd. purchases part of its products from other consolidated subsidiaries, including Otsuka Pharmaceutical Factory, Inc., Otsuka Foods Co., Ltd., and Pharmavite LLC.

(Consumer Product Segment)

Otsuka Foods Co., Ltd. is responsible for manufacturing and sales of consumer products in Japan while CG Roxane LLC and ALMA S.A. are mainly responsible for manufacturing and sales of mineral water overseas.

(Other Segment)

Otsuka Chemical Co., Ltd. is responsible for manufacturing and sales of chemical products and Otsuka Electronics Co., Ltd. is responsible for manufacturing, sales and import of optical inspection and measurement devices. Otsuka Packaging Industries Co., Ltd. conducts printing and packaging and Otsuka Techno Corporation manufactures plastic containers for intravenous solutions and other pharmaceutical products as supplier for other domestic group companies. Otsuka Warehouse Co., Ltd. provides logistical services to Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd. and other domestic group companies.



Not marked Consolidated subsidiaries

* Equity method affiliated companies

Note

1. Shares held by the holding company, Otsuka America, Inc.
2. Shares held by the holding company, Otsuka (China) Investment Co., Ltd.
3. Shares held by the holding company, Giant Harvest Limited
4. Shares held by the holding company, Microport Scientific Corporation (Note 5)
5. Shares held by the holding company, Otsuka Medical Devices Co., Ltd.

3. Management Policy

(1) Basic Management Policy

Based on our corporate philosophy "Otsuka-people creating new products for better health worldwide", we strive to develop innovative and original products that enable people around the world to lead healthier lives.

To accomplish this, we focus on our two main businesses: Pharmaceuticals, where we meet a whole range of medical needs from diagnosis to treatment of medical disorders; and Nutraceuticals, where we support people to maintain and improve their daily health and well-being. As a corporate group active in the comprehensive healthcare business, our mission is to discover and develop technologies and solutions that are unique to us, and to deliver our products and services to people all over the world.

(2) Target Performance Indicators

To sustain the Group's growth, management recognizes the importance of efficiently investing the Group's capital based on a medium to long-term perspective. The Group thus considers ROE as one of several important performance indicators along with operating margin and net income.

(3) Medium and Long Term Management Plan

There are no material changes from the disclosure in May 16, 2011. Documents from this disclosure can be obtained at the following URL.

(Otsuka Holdings Co., Ltd. website (News Releases))
http://www.otsuka.com/en/hd_release/release/
(Tokyo Stock Exchange website (Listed Company Information))
http://www5.tse.or.jp/tseHpFront/HPLCDS0101E.do?method=init&callJorEFlg=1

(4) Key Issues to be Addressed

The Otsuka Group is implementing concrete initiatives under its First Medium-Term Management Plan in order to realize its corporate philosophy, "Otsuka-people creating new products for better health worldwide."

The key initiatives of the Medium-Term Management Plan are as follows:

A. Delivering value and maximizing earnings in the pharmaceutical business

- In the area of the central nervous system, the Otsuka Group will work with global alliance partner Lundbeck to create a long-term collaborative global framework, centered on *Abilify Maintena*, and brexpiprazole (OPC-34712), which were both developed by the Company, in order to rapidly maximize the medical and commercial value of both companies in this field and step up investment in order to create new value.
- In the *ABILIFY* business, product value will be maximized through continuous research and development, including the development of additional indications and combination drugs. Earnings will also be maximized through joint efforts with alliance partner Bristol-Myers Squibb Company.
- In the field of oncology, the product lineup will be enhanced in the areas of metabolic antagonists, molecular-targeted agents, new mechanism anti-cancer drug, cancer vaccines, and cancer-supportive care (antiemetic agents, cancer pain analgesics) in order to expand the business in a way that covers the entire spectrum of cancer treatment.
- The Otsuka Group will pursue further growth through the cultivation of new products such as *Samsca, E Keppra, Aloxi, Abraxane, Mucosta ophthalmic suspension*, and *Neupro Patch*.
- The Otsuka Group will tackle unmet medical needs of patients, aiming to create a wide range of new values including new drugs in order to satisfy those needs.

B. Expansion and profit growth in the nutraceutical business

- Targeting growth in overseas sales, the Group will accelerate overseas development by expanding the *Pocari Sweat* business in the growing markets of Asia, the *Nature Made* business in the U.S., and the nutrition and health food product business of Nutrition & Santé SAS in Europe.
- The Otsuka Group will also develop the cosmedics business with a view to global expansion, underpinned by the *UL•OS* and *InnerSignal* brands.
- Improvement in profitability will be pursued through a focus on implementing promotional activities emphasizing the core concept of the products as well as through an ongoing review of the cost structure.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of March 31, 2014
ASSETS		
Current assets		
Cash and deposits	414,380	455,298
Notes and accounts receivable-trade	318,087	327,294
Marketable securities	137,768	117,974
Finished products and merchandise	71,243	83,820
Work-in process	25,842	30,626
Raw materials and supplies	35,266	37,416
Deferred tax assets	40,837	54,549
Other current assets	37,760	62,463
Allowance for doubtful receivables	(543)	(602)
Total current assets	1,080,642	1,168,841
Fixed assets		
Tangible fixed assets		
Buildings and structures	293,665	333,291
Accumulated depreciation	(194,619)	(210,551)
Buildings and structures, net	99,045	122,739
Machinery and equipment	301,419	345,361
Accumulated depreciation	(245,959)	(270,437)
Machinery and equipment, net	55,459	74,923
Furniture and fixtures	75,072	83,729
Accumulated depreciation	(64,936)	(70,678)
Furniture and fixtures, net	10,135	13,051
Land	76,496	80,991
Lease assets	16,857	15,342
Accumulated depreciation	(8,515)	(7,743)
Lease assets, net	8,342	7,598
Construction in progress	26,487	15,880
Total tangible fixed assets	275,967	315,185
Intangible fixed assets		
Goodwill	37,787	70,595
Other intangible fixed assets	36,062	121,668
Total intangible fixed assets	73,850	192,263
Investments and other assets		
Investment securities	276,296	268,536
Investments in capital	31,574	35,994
Long-term loans receivable	881	5,260
Net defined benefit asset	-	11,113
Deferred tax assets	26,466	16,938
Other assets	15,816	14,960
Allowance for investment loss	(1,569)	(62)
Allowance for doubtful receivables	(785)	(692)
Total investments and other assets	348,680	352,049
Total fixed assets	698,498	859,498
Deferred assets	66	60
Total assets	1,779,207	2,028,399

Consolidated Balance Sheets—Continued

		(Millions of yen)
	As of March 31, 2013	As of March 31, 2014
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	97,523	132,900
Short-term borrowings	51,789	53,426
Lease obligations	2,589	2,237
Income taxes payable	33,514	51,064
Reserve for bonuses	15,928	18,667
Provision for directors' bonuses	317	584
Provision for sales returns	153	60
Provision for loss on business liquidation	1,928	-
Other current liabilities	142,727	178,479
Total current liabilities	346,472	437,420
Long-term liabilities		
Long-term debt	6,251	14,281
Lease obligations	5,860	5,692
Deferred tax liabilities	11,258	16,658
Liability for employees' retirement benefits	40,570	-
Retirement benefits for directors and audit & supervisory board members	3,107	2,587
Net defined benefit liability	-	8,131
Negative goodwill	24,005	21,541
Other long-term liabilities	16,611	11,326
Total long-term liabilities	107,664	80,219
Total liabilities	454,136	517,640
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	510,423	512,895
Retained earnings	768,314	891,615
Treasury stock	(18,392)	(47,928)
Total shareholders' equity	1,342,036	1,438,272
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	8,284	13,819
Deferred gain (loss) on derivatives under hedge accounting	-	(7)
Foreign currency translation adjustments	(39,823)	12,152
Remeasurements of defined benefit plans	-	20,331
Total accumulated other comprehensive income	(31,539)	46,296
Stock acquisition rights	104	104
Minority interests	14,468	26,085
Total net assets	1,325,071	1,510,759
Total liabilities and net assets	1,779,207	2,028,399

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

(Consolidated Statements of Income)

(Millions of yen)

	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Net sales	1,218,055	1,452,759
Cost of sales	393,830	441,632
Gross profit	824,224	1,011,126
Selling, general and administrative expenses		
Promotion expenses	156,214	192,030
Salaries and bonuses	85,385	107,135
Reserve for bonuses	9,541	11,234
Retirement benefit expenses	7,810	4,609
Provision for directors' and audit & supervisory board members' retirement benefits	636	478
Provision for directors' bonuses	317	584
Depreciation	14,464	16,896
Amortization of goodwill	4,848	3,713
Research and development expenses	192,364	249,010
Other	182,981	226,730
Total selling, general and administrative expenses	654,564	812,424
Operating income	169,660	198,702
Non-operating income		
Interest income	1,374	1,251
Dividend income	1,501	1,254
Amortization of negative goodwill	2,464	2,647
Equity in earnings of unconsolidated subsidiaries and affiliates	3,140	3,221
Foreign exchange gain, net	6,203	7,923
Other	1,965	2,529
Total non-operating income	16,649	18,827
Non-operating expenses		
Interest expenses	1,210	1,237
Other	636	1,058
Total non-operating expenses	1,847	2,295
Ordinary income	184,462	215,235
Extraordinary income		
Gain on sales of fixed assets	130	538
Gain on sales of investment securities	29	302
Gain on sales of shares of subsidiaries	-	257
Gain on reversal of stock acquisition rights	83	-
Subsidy income	15	875
Other	10	44
Total extraordinary income	269	2,018
Extraordinary loss		
Loss on retirement of fixed assets	686	897
Impairment loss	2,571	3,399
Loss on valuation of investment securities	4,407	211
Extra retirement payments	51	1,937
Other	75	583
Total extraordinary loss	7,792	7,028
Income before income taxes and minority interests	176,939	210,225
Income taxes		
Current	61,990	81,255
Deferred	(8,206)	(23,584)
Total income taxes	53,783	57,671
Income before minority interests	123,155	152,553
Minority interests in net income	726	1,564
Net income	122,429	150,989

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Income before minority interests	123,155	152,553
Other comprehensive income		
Unrealized gain on available-for-sale securities	7,592	5,468
Deferred gain (loss) on derivatives under hedge accounting	(10)	(7)
Foreign currency translation adjustments	11,999	35,697
Share of other comprehensive income of equity method affiliates	8,999	19,158
Total other comprehensive income	28,581	60,316
Total comprehensive income	151,737	212,870
Total comprehensive income attributable to owners of the parent	150,034	209,448
Total comprehensive income attributable to minority interests	1,703	3,421

(3) Consolidated Statements of Changes in Net Assets
FY2012 (From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	81,690	510,639	675,410	(8)	1,267,732
Changes during the period					
Change in scope of consolidation			(191)		(191)
Dividends from surplus			(29,333)		(29,333)
Purchase of treasury stock				(20,002)	(20,002)
Disposal of treasury stock		(215)		1,618	1,402
Net income			122,429		122,429
Net changes in items other than shareholders' equity					
Total changes during the period	-	(215)	92,903	(18,383)	74,304
Ending balance	81,690	510,423	768,314	(18,392)	1,342,036

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total Net Assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income			
Beginning balance	750	10	(59,904)	-	(59,144)	1,134	13,041	1,222,764
Changes during the period								
Change in scope of consolidation								(191)
Dividends from surplus								(29,333)
Purchase of treasury stock								(20,002)
Disposal of treasury stock								1,402
Net income								122,429
Net changes in items other than shareholders' equity	7,534	(10)	20,081	-	27,604	(1,029)	1,426	28,001
Total changes during the period	7,534	(10)	20,081	-	27,604	(1,029)	1,426	102,306
Ending balance	8,284	-	(39,823)	-	(31,539)	104	14,468	1,325,071

FY2013 (From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' Equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	81,690	510,423	768,314	(18,392)	1,342,036
Changes during the period					
Change in scope of consolidation		2,586	5,063		7,650
Dividends from surplus			(32,752)		(32,752)
Purchase of treasury stock				(30,002)	(30,002)
Disposal of treasury stock		(114)		465	351
Net income			150,989		150,989
Net changes in items other than shareholders' equity					
Total changes during the period	-	2,472	123,300	(29,536)	96,235
Ending balance	81,690	512,895	891,615	(47,928)	1,438,272

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total Net Assets
	Unrealized gain on available-for -sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other com-prehensive income			
Beginning balance	8,284	-	(39,823)	-	(31,539)	104	14,468	1,325,071
Changes during the period								
Change in scope of consolidation								7,650
Dividends from surplus								(32,752)
Purchase of treasury stock								(30,002)
Disposal of treasury stock								351
Net income								150,989
Net changes in items other than shareholders' equity	5,535	(7)	51,976	20,331	77,836	-	11,616	89,452
Total changes during the period	5,535	(7)	51,976	20,331	77,836	-	11,616	185,688
Ending balance	13,819	(7)	12,152	20,331	46,296	104	26,085	1,510,759

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Operating activities:		
Income before income taxes and minority interests	176,939	210,225
Depreciation and amortization	40,614	46,032
Impairment loss	2,571	3,399
Amortization of goodwill	2,384	1,066
Increase (decrease) in liability for employees' retirement benefits	(4,655)	-
Increase (decrease) in allowance for doubtful receivables	178	(180)
Increase (decrease) in provision for loss on business liquidation	(257)	(1,928)
Decrease/increase in net defined benefit asset/liability	-	(13,808)
Interest and dividend income	(2,875)	(2,505)
Interest expense	1,210	1,237
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(3,140)	(3,221)
Loss (gain) on sales of shares of subsidiaries	-	(257)
Decrease (increase) in note and account receivables-trade	(47,240)	12,391
Decrease (increase) in inventories	(5,516)	(1,805)
Increase (decrease) in note and account payables-trade	(3,868)	19,551
Increase (decrease) in long-term unearned revenues	(1,864)	(7,714)
Other, net	25,664	23,291
Subtotal	180,144	285,774
Interest and dividends received	7,212	8,025
Interest paid	(1,188)	(1,206)
Income taxes paid	(66,828)	(66,130)
Net cash provided by operating activities	119,340	226,461
Investing activities:		
Decrease (increase) in short-term investment securities	(19,995)	12,694
Purchases of property, plant and equipment	(50,540)	(48,777)
Proceeds from sales of property, plant and equipment	318	1,188
Purchases of intangible assets	(8,913)	(21,166)
Purchases of investment securities	(16,675)	(5,304)
Proceeds from sales and redemptions of investment securities	16,166	12,351
Payments for investments in capital	(3,306)	(1,080)
Payments for investments in subsidiaries resulting in change in scope of consolidation	(1,539)	(95,356)
Payments of loans receivables	(697)	(22,323)
Proceeds from collection of loans receivables	1,426	583
Decrease (increase) in time deposits	(9,091)	59,140
Other, net	1,619	(463)
Net cash used in investing activities	(91,228)	(108,514)

Consolidated Statements of Cash Flows—Continued

		(Millions of yen)
	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Financing activities:		
Increase (decrease) in short-term debt	1,094	5,006
Proceeds from long-term debt	3,394	7,936
Repayments of long-term debt	(16,120)	(13,045)
Proceeds from disposal of treasury stock	248	351
Payments for purchase of treasury stock	(20,002)	(30,002)
Dividends paid	(29,333)	(32,752)
Dividends paid to minority interest in consolidated subsidiaries	(453)	(394)
Other, net	(10,715)	(3,794)
Net cash used in financing activities	(71,889)	(66,695)
Foreign currency translation adjustments on cash and cash equivalents	6,223	9,480
Net increase (decrease) in cash and cash equivalents	(37,554)	60,733
Cash and cash equivalents, beginning of period	384,194	347,571
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	931	9,233
Cash and cash equivalents, end of period	347,571	417,538

(5) Notes to Consolidated Financial Statements

(Notes Regarding Going Concern Assumption)

Not applicable.

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Consolidated subsidiaries: 95

Significant consolidated subsidiaries:

Otsuka Pharmaceutical Co., Ltd.	Otsuka Pharmaceutical Factory, Inc.	Taiho Pharmaceutical Co., Ltd.
Otsuka Warehouse Co., Ltd.	Otsuka Electronics Co., Ltd.	Otsuka Chemical Co., Ltd.
Otsuka Foods Co., Ltd.	Otsuka America, Inc.	Otsuka America Pharmaceutical, Inc.
Pharmavite LLC	P.T. Amerta Indah Otsuka	Nutrition & Santé SAS

Claris Otsuka Limited, Astex Pharmaceuticals, Inc. and one other company were newly included in the scope of consolidation from the fiscal year ended March 31, 2014 as a result of the acquisition of their shares.

Nippon Pharmaceutical Chemicals Co., Ltd. and 24 other companies were newly included in the scope of consolidation from the fiscal year ended March 31, 2014 due to their increase in materiality.

We sold our shares in Chongqing Otsuka Huayi Chemical Co., Ltd. which was consequently removed from the scope of consolidation for the fiscal year ended March 31, 2014.

Otsuka America Manufacturing, LLC, a previously consolidated subsidiary, was absorbed by Crystal Geyser Water Company. Valpiform SAS and one other company, which had been in the scope of consolidation, were absorbed by Nutrition & Nature SAS.

(2) Non-consolidated subsidiaries

Significant non-consolidated subsidiaries:

Otsuka Pakistan Ltd.	Otsuka Pharmaceutical Italy S.r.l.	Kisco International SAS

Non-consolidated subsidiaries are small in size and the aggregate total assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.

2. Application of the Equity Method

(1) Non-consolidated subsidiary accounted for by the equity method

Otsuka Pakistan Ltd.

(2) Affiliated companies accounted for by the equity method: 16

Significant companies:

Earth Chemical Co., Ltd.	ALMA S.A.	CG Roxane LLC
VV Food & Beverage Co., Ltd.	China Otsuka Pharmaceutical Co., Ltd.	Nichiban Co., Ltd.

Nichiban Co., Ltd. and two other companies were newly included as affiliated companies accounted for by the equity method in the fiscal year ended March 31, 2014 due to their increase in materiality.

(3) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

Significant companies:

Otsuka Pharmaceutical Italy S.r.l.	Kisco International SAS

Based on the Company's ownership share of net income, retained earnings, and other factors, non-consolidated subsidiaries and affiliated companies that have not been accounted for by the equity method do not have a material effect on the consolidated financial statements.

(4) The fiscal year end date of certain companies accounted for by the equity method are different from the consolidated fiscal year end date. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end date.

The fiscal year of Otsuka Pakistan Ltd. ends on June 30. The tentative financial statements as of December 31 are used for the preparation of the consolidated financial statements.

3. Fiscal Year End Date of Consolidated Subsidiaries

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd. and 22 other subsidiaries have a fiscal year ending March 31, and 69 consolidated subsidiaries have a fiscal year ending December 31.

In preparing the consolidated financial statements the Company uses the financial statements as of the subsidiary's respective fiscal year end. For major transactions which occurred between the fiscal year end of December 31 and March 31, appropriate adjustments have been made in the consolidated financial statements.

During the fiscal year under review, Giant Harvest Limited changed its fiscal year end from July 31 to December 31. Therefore, for the purpose of preparing the Group's consolidated financial statements, the financial results of Giant Harvest Limited for the six-month period preceding July 31, 2013 were added to the results for the five-month period preceding December 31, 2013.

4. Accounting Standards

(1) Valuation of major assets

a. Securities

-Held-to-maturity securities are valued at amortized cost (straight-line method).

-Marketable securities classified as available-for-sale are valued at fair value with unrealized gain or losses, net of applicable taxes, stated in a separate component of equity and cost of securities sold is mainly calculated using the moving average method.

-Non-marketable securities classified as available-for-sale are valued at cost, determined mainly by the moving average method.

b. Derivatives

-Derivatives are valued at fair value.

c. Inventories

-Finished products, work-in-process and raw materials are valued at the lower of cost or net selling value, determined mainly by the gross average method.

-Merchandise and supplies are valued at the lower of cost or net selling value, determined mainly by the first-in, first-out method.

(2) Method of depreciation for major fixed assets

a. Tangible fixed assets (excluding lease assets)

-The Company and its domestic subsidiaries mainly use the declining-balance method. However, for buildings (excluding attached facilities) acquired on or after April 1, 1998, the straight-line method is employed. Consolidated subsidiaries overseas mainly use the straight-line method.

-Estimated useful lives for major fixed assets are as follows:

Buildings and structures: 2-65 years

Machinery and equipment: 2-30 years

b. Intangible fixed assets (excluding lease assets)

-The Company and its subsidiaries mainly use the straight-line method over their estimated useful lives. Software for internal use is depreciated by the straight-line method based on internal guidelines (3-5 years).

c. Lease assets

- The Company and its subsidiaries use the straight-line method over the terms of their respective leases with zero residual value.

(3) Major reserves

a. Allowance for doubtful receivables

-To provide for potential losses from uncollectable notes and accounts receivable, a provision is made on general receivables based on historical rates. Specific cases are evaluated individually.

b. Reserve for employees' bonuses

-To set aside funds for the payment of bonuses to employees, the Company and its domestic subsidiaries set up a reserve in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.

c. Provision for directors' bonuses

- To set aside funds for the payment of bonuses to directors, the Company and its certain domestic subsidiaries set up a provision in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.

d. Provision for sales returns

-To provide for potential losses from sales returns, certain domestic subsidiaries set up a provision based on historical return rates and profit margins.

e. Retirement benefits for directors, audit and supervisory board members, and corporate officers

- Based on internal accounting rules, certain consolidated subsidiaries record a reserve for the payment of retirement benefits to directors, audit and supervisory board members, and corporate officers at the amount that would be required if all directors, audit and supervisory board members, and corporate officers retired at the balance sheet date.

f. Allowance for investment loss

-To provide for potential future losses on non-marketable securities, the Company recognizes a reserve as deemed necessary.

(4) Methods of Retirement Benefit Accounting

To provide for payments of retirement benefits to employees, defined retirement benefit liabilities or assets for the fiscal year ended March 31, 2014 have been recognized based on the difference between the estimated retirement benefit obligations and plan assets.

1) Methods to determine the estimated retirement benefits to be attributed to the reporting period

In determining retirement benefit obligations at the reporting period, the straight-line method is used.

2) Recognition of actuarial gains and losses, prior service costs, and transitional obligations

Actuarial gains and losses are amortized on a straight-line basis over a certain period (5-20 years, but within the average remaining service period per employee at the time the actuarial gains and losses have occurred), starting from the year following the fiscal year in which the differences in valuation of benefit obligations have been incurred due to the change in accounting standards.

Prior service costs are amortized starting in the fiscal year incurred using a straight-line method over a certain period (5-23 years), but within the average remaining service period of employees.

Transitional obligations are amortized over 5 to 15 years.

(5) Translation of major assets and liabilities denominated in foreign currencies

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income. The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate. Differences arising from such translation are stated as "Foreign currency translation adjustments" in a separate component of equity.

(6) Principal Methods of Hedge Accounting

a. Methods of Hedge Accounting

-Hedging activities are principally accounted for under the deferral hedge accounting.

-Designation is applied to forward exchange contracts and other foreign exchange contracts, and designated exceptional accounting to interest-rate swaps that meet their respective requirements.

b. Hedging instruments, hedged items and hedging policies

-Certain consolidated subsidiaries use foreign currency forward contracts, foreign currency option contracts, interest rate swaps to reduce foreign currency exchange risk and interest rate risks.

c. Evaluation of effectiveness of hedges

-Evaluation of the effectiveness of hedges are omitted as hedging instruments and hedged items are the same currencies or are under the same conditions and changes in the cash flow are expected to completely offset.

(7) Amortization of goodwill

Goodwill and negative goodwill are amortized on a straight-line basis over a period of 5 to 20 years.

(8) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposit and short-term investments, which mature within three months of the date of acquisition, that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

(9) Other

Consumption taxes are excluded from revenues and expenses.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Retirement Benefits)

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ([ASBJ]) Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) have been adopted (excluding the stipulations in Article 35 of the Accounting Standard and an Article 67 of the Guidance), and accordingly, the difference between retirement benefit obligations and plan assets is recognized as net defined benefit liability or net defined benefit asset. Unrecognized actuarial gains and losses and unrecognized prior service costs are accounted for as net defined benefit liability or net defined benefit asset.

In accordance with the transitional accounting principles as stipulated in Article 37 of the Accounting Standard for Retirement Benefits, any differences resulting from the adoption of the Accounting Standard for Retirement Benefits will be added to or subtracted from "remeasurements of defined benefit plans" within accumulated other comprehensive income in fiscal year ended March 31, 2014.

As a result, ¥11,113 million were recognized in net defined benefit asset and ¥8,131 million in net defined benefit liability in the fiscal year ended March 31, 2014. Accumulated other comprehensive income increased by ¥20,331 million, and minority interests increased by ¥56 million.

Net assets per share increased by ¥37.43.

(Changes in Presentation)

(Consolidated Statements of Income)

In the previous fiscal year, "Gain on sales of investment securities" and "Subsidy income" were included in "Other" under "Extraordinary income," however, these items are now separately presented since they exceed 10% of total extraordinary income. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been adjusted and items have been reclassified accordingly.

As a result, ¥54 million previously presented as "Other" under "Extraordinary income" is now presented as ¥29 million in "Gain on sales of investment securities," ¥15 million in "Subsidy income," and ¥10 million in "Other."

In the previous fiscal year, "Extra retirement payments" was included in "Other" under "Extraordinary loss," however, this item is now presented separately, because it exceeds 10% of total extraordinary losses. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been adjusted and items have been reclassified accordingly.

As a result, ¥126 million previously presented as "Other" under "Extraordinary loss" is now presented as ¥51 million in "Extra retirement payments" and ¥75 million in "Other."

(Consolidated Statements of Cash Flows)

In the previous fiscal year, "Purchase of intangible assets" was included in "Other" under "Investing activities," however, this item is now presented separately due to an increase in financial materiality. To reflect this change in method of presentation, the consolidated financial statements for the previous fiscal year have been adjusted and the item has been reclassified accordingly.

As a result, ¥(7,294) million that had previously been presented as "Other" under "Investing activities" is now presented as ¥(8,913) million in "Purchase of intangible assets" and ¥1,691 million in "Other."

(Segment Information)

a. Reporting Segments

1. Overview

The Group's reporting segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors, in order to make decisions on allocation of business resources and to evaluate the business performances of the respective segments.

The Group's core business is in healthcare, and the Group categorizes "Pharmaceuticals", "Nutraceuticals", "Consumer products" and "Other" businesses as four reporting segments.

The Group defines the reporting segments as follows:

- Pharmaceuticals, which is comprised of research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which is comprised of production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which is comprised of mineral water, beverages and food products.
- Other, which encompasses other operations, comprised of logistics, warehousing, chemical products and electronics.

2. Calculation methods for sales, income (or loss), assets, and other items

Methods of accounting procedures for reported business segments are the same as those for statements in "Basis of Presenting Consolidated Financial Statements."

Income of reported segments is the figure based on operating income. Intersegment profit or transfer is based on market price.

3. Sales, income (or loss), assets, and other items by segment

(For the fiscal year ended March 31, 2013)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	850,861	246,928	45,237	75,027	1,218,055	-	1,218,055
Intersegment sales	-	4,844	1,652	36,636	43,132	(43,132)	-
Total	850,861	251,772	46,889	111,663	1,261,187	(43,132)	1,218,055
Segment income (loss)	187,853	21,367	(2,446)	3,918	210,692	(41,032)	169,660
Segment asset	589,861	207,679	133,677	124,190	1,055,408	723,799	1,779,207
Other items							
Depreciation	18,994	10,222	1,756	4,493	35,466	5,148	40,614
Goodwill amortization	2,807	1,851	62	126	4,848	-	4,848
Investment in equity method companies	21,456	10,121	104,963	10,914	147,456	-	147,456
Increase in tangible and intangible fixed assets	37,950	14,938	2,735	3,973	59,598	3,657	63,256

(For the fiscal year ended March 31, 2014)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	1,035,080	281,146	43,770	92,762	1,452,759	-	1,452,759
Intersegment sales	-	5,986	155	37,577	43,719	(43,719)	-
Total	1,035,080	287,133	43,925	130,339	1,496,478	(43,719)	1,452,759
Segment income (loss)	212,755	25,362	(2,166)	7,235	243,186	(44,484)	198,702
Segment asset	802,803	216,807	141,716	147,439	1,308,766	719,633	2,028,399
Other items							
Depreciation	23,775	11,425	1,442	4,394	41,037	4,994	46,032
Goodwill amortization	1,707	1,759	117	129	3,713	-	3,713
Investment in equity method companies	28,610	11,986	115,333	17,455	173,385	-	173,385
Increase in tangible and intangible fixed assets	154,513	10,144	2,912	4,358	171,928	7,055	178,984

(Notes)

1. Adjustments to segment income (loss) and asset are as follows:

(Millions of yen)

Segment income (loss)	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Intersegment eliminations	638	757
Unallocated expenses*	(41,671)	(45,241)
Total	(41,032)	(44,484)

*Unallocated expenses consist mainly of costs of the headquarter functions of the Company and certain consolidated subsidiaries.

(Millions of yen)

Segment asset	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Intersegment eliminations	(7,370)	(7,466)
Corporate assets*	731,169	727,099
Total	723,799	719,633

*Corporate assets are mainly assets associated with headquarter and basic research functions of the Company and certain consolidated subsidiaries.

Other items

Depreciation:

Adjustments to depreciation include depreciation and amortization of tangible and intangible fixed assets and long-term prepaid expenses as assets associated with headquarter of the Company and certain consolidated subsidiaries.

Increase in tangible and intangible fixed assets:

Adjustments to increase in tangible and intangible fixed assets include assets associated with headquarter and basic research functions of the Company and certain consolidated subsidiaries.

2. Segment income (loss) is adjusted to the operating income in the consolidated statements of income.

b. Other information

(For the fiscal year ended March 31, 2013)

1. Net sales by product

(Millions of yen)

	ABILIFY	Others	Total
Sales to customers	438,513	779,541	1,218,055

2. Territory information

(1) Net Sales

(Millions of yen)

Japan	North America	Others	Total
595,308	445,678	177,068	1,218,055

(Note) Net sales are based on the location of the customers and are classified by their country or region.

(2) Tangible fixed assets

(Millions of yen)

Japan	North America	Others	Total
211,888	23,437	40,641	275,967

3. Major customers

(Millions of yen)

Customer	Net sales	Segment
McKesson Corporation	133,693	Pharmaceuticals
Cardinal Health Inc	128,931	Pharmaceuticals

(For the fiscal year ended March 31, 2014)

1. Net sales by product

(Millions of yen)

	ABILIFY	Others	Total
Sales to customers	575,731	877,027	1,452,759

2. Territory information

(1) Net Sales

(Millions of yen)

Japan	North America	Others	Total
628,318	599,558	224,882	1,452,759

(Note) Net sales are based on the location of the customers and are classified by their country or region.

(2) Tangible fixed assets

(Millions of yen)

Japan	North America	Others	Total
217,048	32,193	65,943	315,185

(Change in presentation)

In the previous fiscal year, "North America" was included in "Other," however, it is now presented separately, since fixed assets in our operations in North America now exceed 10% of tangible fixed assets on a consolidated basis. To reflect this change in method of presentation, item "2. Territory information (2) Tangible fixed assets" shown for the previous fiscal year has been reclassified. As a result, the ¥64,079 million that had previously been presented as "Other" was reclassified as ¥23,437 million in "North America" and ¥40,641 million in "Other."

3. Major customers

(Millions of yen)

Customer	Net sales	Segment
McKesson Corporation	177,713	Pharmaceuticals
Cardinal Health Inc	161,699	Pharmaceuticals

c. **Impairment loss**

(For the fiscal year ended March 31, 2013)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Impairment loss	1,131	953	213	201	70	2,571

(For the fiscal year ended March 31, 2014)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Impairment loss	33	2,844	459	7	55	3,399

d. **Goodwill**

(For the fiscal year ended March 31, 2013)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	2,807	1,851	62	126	-	4,848
Unamortized balance	7,101	28,085	538	2,062	-	37,787

The amortization amount and unamortized balance of the negative goodwill acquired before April 1, 2010 are as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	2,207	-	-	256	-	2,464
Unamortized balance	21,663	-	-	2,341	-	24,005

(For the fiscal year ended March 31, 2014)

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	1,707	1,759	117	129	-	3,713
Unamortized balance	41,469	26,669	478	1,978	-	70,595

The amortization amount and unamortized balance of the negative goodwill acquired before April 1, 2010 are as follows:

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Corporate/ Eliminations	Consolidated
Current year amortization	2,207	-	-	440	-	2,647
Unamortized balance	19,455	-	-	2,085	-	21,541

e. **Negative Goodwill**

Not applicable.

(Per Share Information)

	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Net assets per share	¥2,381.64	¥2,740.89
Net income per share (basic)	¥221.90	¥278.07
Net income per share (diluted)	¥221.41	¥277.52

Basis for the calculation of basic net income per share and diluted net income per share

(Millions of yen)

	FY2012 (From April 1, 2012 to March 31, 2013)	FY2013 (From April 1, 2013 to March 31, 2014)
Basic net income per share		
Net income	122,429	150,989
Net income attributable to common stock	122,411	150,955
Amounts not attributable to common stock		
Dividends from overseas consolidated subsidiaries other than common stock	18	33
Average number of common stock outstanding during the year	551,639,623 shares	542,866,117 shares
Diluted net income per share		
Adjustments to net income	(152)	(245)
(including minority interest)	(152)	(245)
Increase in number of common stocks	524,511 shares	193,281 shares
(including stock acquisition rights)	(524,511 shares)	(193,281 shares)
Residual securities that were not used in calculating diluted net income per share due to the lack of dilutive effects	-	-

(Subsequent Events)

Not applicable.

4. Other

(1) Changes in Officers (as of June 27, 2014)

1. Changes in Representatives

   ･Prospective New Representative

   Representative Vice Chairman Ichiro Otsuka (Incumbent Senior Vice President)

2. Changes in other officers

   ･Prospective New Directors

   Director Sadanobu Tobe

   (Incumbent President and Representative Director of Otsuka Foods Co. Ltd.)

   Director Tatsuro Watanabe

   (Incumbent Managing Director (Human Resources and Legal Affairs) of Otsuka Pharmaceutical Co., Ltd.)

   (Incumbent Director of Otsuka Pharmaceutical Europe Ltd.)

   Director Tadaaki Kounose

   (Incumbent Administrative Council member of University of Miyazaki, a National University Corporation)

   (Note) Tadaaki Kounose is a prospective outside director

   ･Directors Scheduled to Resign

   Director Yujiro Otsuka

   Director Yukio Kobayashi

   ･Prospective New Audit and Supervisory Board Members

   (Standing) Audit and Supervisory Board Member Takaharu Imai

   (Incumbent Outside Audit and Supervisory Board Member of Otsuka Chemical Co., Ltd.)

   Audit and Supervisory Board Member Akihito Nakai

   (Incumbent Standing Audit and Supervisory Board Member of Otsuka Pharmaceutical Factory, Inc.)

   (Incumbent Audit and Supervisory Board Member of Otsuka Warehouse Co., Ltd.)

   ･Audit and Supervisory Board Member Scheduled to Resign

   Audit and Supervisory Board Member Yasuhisa Katsuta

3. Scheduled Date of Assuming Office

   June 27, 2014