Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2014 [Japan GAAP]

November 13, 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
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Scheduled date of quarterly securities report submission	: November 14, 2014
Scheduled date of dividend payment commencement	: December 1, 2014
Supplementary materials for quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes (for institutional investors, analysts and the press)

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

1. Consolidated Financial Results for the Second Quarter of FY2014 (April 1, 2014 to September 30, 2014)

(1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2014	788,283	12.7	136,650	22.3	148,124	21.4	99,503	14.4
FY2013	699,411	16.8	111,720	19.6	121,987	27.7	87,016	38.9

(Note) Comprehensive income: FY2014 ¥116,798 million (1.4)%
FY2013 ¥118,398 million 90.1%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
FY2014	183.70	183.64
FY2013	159.92	159.45

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of September 30, 2014	2,094,229	1,596,023	74.8	2,893.28
As of March 31, 2014	2,028,399	1,510,759	73.2	2,740.89

(Reference) Shareholders' equity: As of September 30, 2014 ¥1,567,174 million
As of March 31, 2014 ¥1,484,569 million

2. Dividends

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2013	-	30.00	-	35.00	65.00
FY2014	-	35.00			
FY2014 (forecast)			-	40.00	75.00

(Note) Revisions to dividends forecast most recently announced: None

3. Forecasts of Consolidated Financial Results for FY 2014 (April 1, 2014 to 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
FY2014	1,200,000	-	190,000	-	195,000	-	130,000	-	240.00

(Note) Revisions to financial forecast most recently announced: None

Following approval of the partial amendments of the Articles of Incorporation at the Annual Shareholders Meeting held on June 27, 2014, the Company changed its fiscal year end from March 31 to December 31. Furthermore, 23 consolidated domestic subsidiaries changed their fiscal year end from March 31 to December 31. Consequently, the consolidated financial projection in the transitional period for FY2014 represents nine months (April 1 to December 31 of 2014) and thus 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 specified subsidiaries resulting in a change in scope of consolidation): None

(2) Adoption of accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

1) Changes in accounting policies due to revisions of accounting standards: Yes
2) Changes in accounting policies due to other reasons: Yes
3) Changes in accounting estimates: Yes
4) Restatements of prior period financial statements due to error correction: None

(Note) Please refer to “2. Other Information (3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction” on page 11 for further details.

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the end of the reporting period (including treasury stock):
   September 30, 2014 557,835,617 shares
   March 31, 2014 557,835,617 shares
2) Number of shares of treasury stock as of the end of the reporting period:
   September 30, 2014 16,177,154 shares
   March 31, 2014 16,211,155 shares
3) Average number of shares outstanding during the reporting period:
   Quarter ended September 30, 2014 541,650,988 shares
   Quarter ended September 30, 2013 544,126,028 shares

*** Information Regarding the Quarterly Review Procedures**

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

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

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please refer to “1. Qualitative Information for the Second Quarter of FY2014 (3) Qualitative Information on Consolidated Operating Results Forecast” on page 10 for information regarding the forecast of consolidated financial results.

The Company plans to hold an earnings release conference call for institutional investors, analysts and the press on November 13, 2014. Presentation materials and the audio of the conference call will be available on the Company’s website promptly after the conference call.

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1. Qualitative Information for the Second Quarter of FY2014

(1) Qualitative Information on Consolidated Operating Results

In order to improve the timeliness and accuracy of the Company's disclosure in light of its global activities and the large overseas portion of sales generated by its group companies, the Company changed its fiscal year end from March 31 to December 31, following approval of the partial amendments of the Articles of Incorporation at the Annual Shareholders Meeting held on June 27, 2014. Furthermore, 23 consolidated domestic subsidiaries changed their fiscal year end from March 31 to December 31.

As a result, the cumulated profit and loss statements of all consolidated companies, except for Jasmine Comercio de Produtos Alimenticios LTDA which was newly acquired in the second quarter, are now consolidated based on the period from April 1, 2014 to September 30, 2014. The cumulated profit and loss statements for the second quarter of the previous financial year were consolidated on the basis of financial results for the period from April 1, 2013 to September 30, 2013 for companies with a March year end, and for the period from January 1, 2013 to June 30, 2013 for companies with a December year end.

Therefore, to provide a comparison with last year's quarterly results, we have calculated results for the period from April 1 to September 30, 2013 for all consolidated companies, which are shown for reference purposes below.

<Summary of Operating Results for the Six Months Ended September 30, 2014>

For the six months of fiscal 2014 (from April 1 to September 30, 2014), the Otsuka Group recorded consolidated net sales of ¥788,283 million (up 7.6% from ¥732,282 million for the same period in the previous year), with operating income of ¥136,650 million (up 20.7% from ¥113,169 million for the same period in the previous year), ordinary income of ¥148,124 million (up 19.1% from ¥124,404 million for the same period in the previous year) and net income of ¥99,503 million (up 12.4% from ¥88,520 million for the same period in the previous year).

Results by business segment are as follows:

(Results for the Six Months Ended September 30, 2014)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	561,448	158,871	24,125	67,337	(23,500)	788,283
Operating income (loss)	135,660	16,790	(64)	4,309	(20,045)	136,650

(Reference: Results for the Six Months Ended September 30, 2013)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	501,639	163,389	24,455	66,479	(23,680)	732,282
Operating income (loss)	110,160	22,243	(1,060)	4,279	(22,453)	113,169

1) Pharmaceuticals

In the area of central nervous system ("CNS") disorders, antipsychotic agent *ABILIFY* continued to achieve expansion in global sales, rising more than 10% year on year. In the U.S., sales of *ABILIFY* grew more than 10% year on year, supported by price hikes in January 2014 and by continued steady prescriptions for adjunctive therapy in major depressive disorder and for bipolar disorder as a result of enhanced promotion via the independent sales network of Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical"). In Europe, sales of *ABILIFY* grew more than 10% year on year mainly on the back of co-promotions with H. Lundbeck A/S ("Lundbeck"). In Asia, sales of *ABILIFY* continued to grow, supported by an increase in prescriptions for adjunctive therapy in major depressive disorder and for pediatric indication with Tourette disorder in South Korea. In Japan, *ABILIFY* prescriptions of the orally disintegrating tablets increased for the three indications of schizophrenia, manic episodes of bipolar disorder and major depressive disorder. However, sales in Japan declined year on year, due to a pullback after the temporary sales expansion due to increased demand before the hike in consumption tax at the end of the previous fiscal year.

Abilify Maintena, an aripiprazole intramuscular depot formulation (once-monthly injection), is the first drug launched under our global alliance with Lundbeck to develop five compounds[*1]. In the U.S., prescriptions for the treatment of schizophrenia expanded on the back of efforts to promote the drug's efficacy. In addition, in September 2014, the U.S. Food and Drug Administration (FDA) additionally approved a new injectable formulation of *Abilify Maintena* in a ready-to-use prefilled syringe. In Europe, *Abilify Maintena* has been launched in more than ten countries such as the United Kingdom as of September 30, 2014. The drug was also launched in Canada in April 2014.

In Japan, antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, registered steady growth in prescriptions due to the drug's highly recognized efficacy and approval granted for additional pediatric indication and dosage. *E Keppra* was the top-selling brand[*2] in the domestic antiepileptic drug market also in April–September 2014. *Neupro Patch*, the world's only transdermal dopamine agonist, was approved for long-term prescriptions for the treatment of Parkinson's disease and restless legs syndrome in March 2014. The drug has also been gaining recognition for its ability to improve wearing-off symptoms[*3], supporting steady growth particularly in prescriptions for Parkinson's disease.

In the area of oncology, we continued to provide information in Japan about anti-cancer agent *TS-1*, utilizing evidence-based medicine (EBM) approaches for colorectal cancer, head and neck cancer and pancreatic cancer. However, sales declined year on year due to large NHI price reductions and increased demand before the hike in consumption tax at the end of the previous fiscal year. *TS-1* is gradually being rolled out overseas and is now available in 28 markets worldwide as of September 30, 2014. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined year on year due to the impact of rival products. Sales of *Aloxi*, a long-acting 5-HT_3 receptor antagonist antiemetic agent, were steady, while sales of anti-cancer agent *Abraxane* grew strongly year on year, supported by an increase in prescriptions due to 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 launched in May 2014 in Japan for the indications of unresectable advanced or recurrent colorectal cancer (limited to cases where standard treatments are not practical). Sales of the drug are growing steadily.

Anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS[*4], registered solid sales growth worldwide due to its position as a first-line treatment for chronic myeloid leukemia. *Busulfex*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. FDA, is now sold by Otsuka Pharmaceutical and its partners in more than 50 countries, and it has become established as standard drug for use as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. These factors are supporting steady sales of *Busulfex*. In March 2014, Otsuka Pharmaceutical acquired the rights to develop and commercialize DNA methylation inhibitor *Dacogen* worldwide, excluding Mexico. Transfer of the business has been completed and sales of the drug have started to be booked.

In the area of cardiovascular system, *Samsca*, a vasopressin V_2-receptor antagonist developed by Otsuka Pharmaceutical and sold in 14 markets worldwide, is gaining more acceptance among medical specialists due to the new value it brings and its method of use as an oral aquaretic agent. As a result, global sales of the drug have risen more than 30% compared with the same period in the previous year. In Japan, *Samsca* was approved as a treatment for autosomal dominant polycystic kidney disease (ADPKD), becoming the world's first drug therapy for this intractable kidney disease. A new formulation for the condition, *Samsca 30mg tablets*, was also launched in May 2014. Sales of antiplatelet agent *Pletaal/Pletal* declined year on year due to the impact of promotion of generics in hospitals and NHI price revision in Japan.

In April 2014, new tuberculosis drug *Deltyba* was granted approval by the European Commission (EC) for the indications of multidrug-resistant tuberculosis after many years of development. *Deltyba* went on sale in the United Kingdom in May 2014, and then in Germany after that. The drug was also launched in Japan in September 2014, making it the first tuberculosis drug to be sold in the domestic market for 40 years.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* dropped year on year due to the impact of promotion of generics in hospitals and NHI price revision in Japan. Prescriptions for dry eye treatment *Mucosta ophthalmic suspension UD 2%* expanded steadily and sales grew.

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.

As a result, net sales in the pharmaceutical segment for the six months ended September 30, 2014 totaled ¥561,448 million (up 11.9% from the same period in the previous year), with operating income of ¥135,660 million (up 23.1%).

*[1]: *Abilify Maintena*, *brexpiprazole*, Lu AE58054 and two new compounds currently being researched and developed by Lundbeck.
*[2]: © 2014 IMS Health. Estimated based on "Japan Pharmaceutical Market, April–September 2014." All rights reserved, no reproduction without permission.
*[3]: Wearing-off is a complication of dopamine agonist treatments, where symptoms of Parkinson's disease can repeatedly improve and worsen over the course of a day. It is one of the most serious issues affecting the everyday lives of Parkinson's disease sufferers.
*[4]: Bristol-Myers Squibb Company

2) Nutraceuticals

In the *Pocari Sweat* electrolyte supplement drink range, sales volume declined year on year due to the impact of unseasonal weather and rival products in Japan. *Pocari Sweat Ion Water* has been promoted by stepping up its appeal as a beverage for the office. Overseas, where *Pocari Sweat* is sold in 16 markets worldwide, sales volume increased year on year, with the Chinese market seeing particularly strong growth, supported by ongoing efforts to cultivate consumers and promote the product's benefits.

In the balanced nutrition food *Calorie Mate*, a new item – *Calorie Mate Block Plain* – was added to the range in September 2014. Amid increasingly diverse mealtime styles and eating habits, this new simple flavor was launched to suit everyday lifestyles by pursuing a balanced food product as a readily available "five major nutritional elements any time, any place" and "for everyone." Sales volume increased year on year, supported by continued efforts to raise awareness of the *Calorie Mate* brand as a balanced nutrition food, the product's concept.

Sales volume for carbonated nutritional drink *Oronamin C* declined year on year due to the impact of the hike in consumption tax and intensifying competition due to the launch of new rival energy drinks.

The Otsuka Group operates its soy-related business in 11 markets worldwide, based on the concept of "Soylution," which sees soy as a solution to various health and environmental issues faced by consumers today. In Japan, soy bar *SOYJOY* registered growth in market share[*5], reflecting an increase in the number of new customers after the launch of new flavor *SOYJOY Almond & Chocolate* in April 2014. As a result, sales volume expanded at a double-digit pace year on year. In *SoyCarat*, a healthy soy snack, two new items launched last year and sales promotions focused on the product's concept led to increased product visibility and better understanding of the brand concept. In September 2014, a new item – *SoyCarat Chili Pepper* – was added to the range, which will help to further boost product value. In order to further develop the three brands in the soy product range – *SOYJOY*, *SoyCarat* and soy soda beverage *SOYSH* –, the Group continued to work on building brand value through activities aimed at cultivating customers, such as publicly open seminars run by nutritionists and events that give consumers hands-on experience in soy cultivation, seminars for occupational health nurses and others.

Focusing on the relationship between equol and the physical and emotional changes experienced by women during menopause, the equol-based food *EQUELLE* was launched in April 2014, which gives women a readily available daily source of equol. Sales of *EQUELLE* are growing steadily.

Subsidiary Pharmavite LLC of the U.S. supplies *Nature Made* supplements, which have been selected as the leading pharmacist-recommended brand in eight categories[*6] 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[*7]. The market was weak in the first half of 2014, but sales at the moment are firm and rising, supported by a recovery in the market[*8 *9].

Nutrition & Santé SAS, an Otsuka Pharmaceutical's subsidiary that operates in more than 40 countries, mainly in Europe, acquired Jasmine, Brazil's leading health and functional food company, in August 2014. In Brazil, a key market where the health and functional food market is growing rapidly as the economy expands, Jasmine will become the Group's first nutraceutical-related business in South America. In addition, at Nutrition & Santé SAS, sugar-free and gluten-free food products sold under the *Gerblé* nutrition and health food brand continued to drive growth, while sales of organic food products and soy products also remained strong. In Japan, *Milical*, a diet food that has been sold in France for more than 50 years, was launched in April 2014. The rollout of the product in retail stores is progressing well, with the number of stores stocking the product exceeding our targets, especially in the drugstore sector.

In the cosmedics area, where the focus is on the concept of "healthy skin," sales were firm due to the launch in August 2014 and successful promotional campaigns over summer of *UL•OS* Skin Conditioner, an easy-to-use product aimed at men who have never used skincare products. In South Korea, sales of *UL•OS* products increased year on year, supported by steady efforts to develop the brand and growth in the number of stores that stock the *UL•OS* range. Sales of the *InnerSignal* brand aimed at women who seek healthy and beautiful skin increased as a result of steady progress in building a loyal base of customers by using the mail-order sales channel to acquire new customers and boost repeat business.

Sales volume for nutrient tonic *Tiovita* declined year on year, mainly due to the shrinking market for nutrient tonics and competition from rival products.

As a result, net sales in the nutraceutical segment for the six months ended September 30, 2014 totaled ¥158,871 million (down 2.8% from the same period in the previous year), with operating income of ¥16,790 million (down 24.5%).

*[5]: INTAGE Beverage/Food SRI-M (04/01/2013 to 08/31/2013: *SOYJOY* share 13.0%, 04/01/2014 to 08/31/2014 *SOYJOY* share 14.7%)
*[6]: 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).
*[7]: 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 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013 and 1/4/2014 in US xAOC channels.
*[8]: Nielsen xAOC 24-week period ending 09/13/2014 −0.3% versus prior year
*[9]: Nielsen xAOC 12-week period ending 06/21/2014 −1.0% versus prior year

3) Consumer Products

Despite stepped up marketing activities and efforts to boost brand value, sales volume for mineral water products, centered on *Crystal Geyser*, declined year on year due to a pullback in demand after the hike to consumption tax and competition from rival products. Sales volume for *Match*, a carbonated electrolyte drink containing vitamins, expanded year on year. This growth reflected the ongoing implementation of an aggressive marketing strategy and sales promotion activities mainly targeting the high school student market, and the launch of new product *Match Pink* in March 2014, which led to growth in new customers that reconnected the product with the market and reenergized the brand. Sales volume for *Bon Curry Gold*, a range of instant curry dishes, increased year on year due to various initiatives. Last year, products were upgraded so they can be heated in a microwave oven without removing the curry pouch from the box, and in the fiscal year under review, marketing strategy and sales promotion activities were reinforced to boost brand value, including adding new items to the range and launching special summer products.

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 six months ended September 30, 2014 totaled ¥24,125 million (down 1.3% from the same period in the previous year), with operating loss of ¥64 million (compared with an operating loss of ¥1,060 million for the same period in the previous year).

4) Others

In the specialty chemical business, sales of tire additives and brake friction material modifiers *TISMO* and *Terracess* increased year on year, while capacitor electrolyte solution and other products were adopted by more clients, amid strong demand from the automotive sector. In April 2014, a new plant commenced operation and sales of *TERPLUS*, advanced polymer synthesized by living radical polymerization, expanded due to success in securing new customers, contributing to higher sales. In the construction field, sales of foaming agents used in building materials, aldehyde catcher agents and other products declined year on year, mainly due to the impact of the hike in consumption tax. However, sales overall in the specialty chemical business increased year on year.

In the fine chemical business, sales declined year on year, mainly due to a drop in overseas sales volume for pharmaceutical intermediate *YTR*.

In the transportation and warehousing business, the volume of products handled increased, driven by expansion in distribution areas for existing customers and success in securing new customers. Also, the volume of products handled in the direct sales support business was largely steady year on year. However, sales overall declined compared with the same period in the previous year, mainly due to weaker volumes of beverages amid unseasonal weather.

As a result, net sales in the other businesses for the six months ended September 30, 2014 totaled ¥67,337 million (up 1.3% from the same period in the previous year), with operating income of ¥4,309 million (up 0.7%).

<Research and Development Activities>

Research and development expenses for the six months ended September 30, 2014 totaled ¥102,723 million.

The primary areas of research and development by business segment were as follows:

(Pharmaceuticals)

1) Therapeutic drugs

The Otsuka Group conducts research and development with a primary focus on addressing unmet medical needs in the areas of the central nervous system and oncology. The Group also conducts research and development in fields such as cardiovascular system and ophthalmology.

Research and development activities carried out during the six months ended September 30, 2014 in the area of therapeutic drugs are summarized below.

Category	*Brand Name*, (Generic Name), Development Code	Status
Central nervous system	(*brexpiprazole*) OPC-34712	<U.S.> An application was filed in July 2014 for the indications of schizophrenia and adjunctive therapy in major depressive disorder, and the application was accepted in September 2014.
	ABILIFY (aripiprazole)	<Japan> Phase III trials for the treatment of agitation associated with dementia of the Alzheimer's type were initiated in June 2014.
	Abilify Maintena (aripiprazole)	<U.S.> Approval was granted in September 2014 for a depot injection formulation in a pre-filled syringe. An application was filed in September 2014 for a depot injection formulation using the deltoid muscle as a new administration route.
	E Keppra (levetiracetam)	<Japan> Approval was granted in July 2014 for *E Keppra IV Drip Infusion* for the indications of epileptic partial-onset seizures. An application was filed in July 2014 for *E Keppra IV Drip Infusion* for the indications of monotherapy treatment of epileptic partial-onset seizures.
Oncology	*Abraxane* ABI-007	<Japan> An application was filed in April 2014 for the indications of pancreatic cancer.
	TAS-116	<Japan> Phase I trials for the treatment of solid cancer were initiated in April 2014.
	(rebamipide) OPC-12759	<Japan> Phase II trials for the treatment of oral mucositis during chemoradiation therapy for cancer were initiated in April 2014.

Category	*Brand Name*, (Generic Name), Development Code	Status
	ASTX727	<U.S.> Phase I trials for the treatment of myelodysplastic syndrome (MDS) were initiated in August 2014.
	TAS-119	<U.S. and Europe> Phase I trials for the treatment of solid cancer were initiated in September 2014.
	TAS-120	<Japan, U.S. and Europe> Phase I trials for the treatment of solid cancer were initiated in July 2014.
	TAS-121	<Japan> Phase I trials for the treatment of solid cancer were initiated in September 2014.
	Lonsurf TAS-102	<Japan> An application for an approval of partial change in accordance with the results from Phase III trials for the treatment of colorectal cancer was filed in September 2014. (Additional information) <U.S.> A rolling submission of new drug application for the indications of colorectal cancer was initiated in October 2014 after the FDA granted fast track designation.
Cardiovascular system	*Samsca* (tolvaptan)	<U.S.> Phase III trials for the treatment of autosomal dominant polycystic kidney disease (ADPKD) were initiated in June 2014.
Other categories	*Deltyba* (delamanid)	<Europe> Approval was granted by the EC in April 2014 for the indications of multidrug-resistant tuberculosis. <Japan> Marketing approval was granted in July 2014 for the indications of multidrug-resistant tuberculosis and sales began in September 2014.
	(gluconate olanexidin) OPB-2045G	<Japan> An application was filed in May 2014 for *OLANEDINE* antiseptic solution 1.5%, applicator 10 ml for *OLANEDINE* antiseptic solution 1.5%, and applicator 25 ml for *OLANEDINE* antiseptic solution 1.5%, for the indications of antiseptic preparation for skin subjected to surgery.
	OPF-108	<Japan> Phase III trials for the indications of treatment of post-operative digestive organ patients receiving total parenteral nutrition were initiated in June 2014.
	(carteolol hydrochloride/ latanoprost) OPC-1085EL	<Japan> Phase III trials for the treatment of glaucoma were initiated in April 2014.

Category	*Brand Name*, (Generic Name), Development Code	Status
	(bilastine) TAC-202	<Japan> Phase II and Phase III trials for the treatment of chronic urticaria and cutaneous pruritus were initiated in May 2014. Phase III trials for the treatment of allergic rhinitis were initiated in August 2014.
	OPA-15406	<U.S.> Phase II trials for the treatment of atopic dermatitis were initiated in June 2014.
	Zosyn (tazobactam piperacillin)	<Japan> An application was filed for the indications of febrile neutropenia in July 2014.

2) Diagnostic

Launched in Japan in April 2014, *QuickNavi Strep A* is a test kit for the detection of group A beta-hemolytic streptococcal antigen, and is the sixth product in the *QuickNavi* series of easy-to-use rapid testing kits. The *Major BCR-ABL mRNA Measurement Kit*, which is used as a marker to monitor treatment effectiveness for chronic myeloid leukemia, obtained manufacturing and marketing approval in Japan in September 2014. Also, Phase II trials of 13C-calcium carbonate breath test kit were initiated in Japan in August 2014 to evaluate the performance of in vivo diagnostic agent C13-CAC in patients with gastric disorders.

Research and development expenses for the pharmaceutical business for the six months ended September 30, 2014 were ¥98,413 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 1996, the Saga Nutraceuticals Research Institute began researching the relationship between equol and the physical and emotional changes experienced by women during menopause. This research resulted in the launch of equol-based food *EQUELLE* in April 2014, which gives women a readily available daily source of equol. Also, a new *Calorie Mate* product – *Calorie Mate Block Plain* – was launched in September 2014.

The Group’s research institute of new functional products development continues to focus on the research and development of products that promote the nutrition in soy to consumers around the world in as many familiar formats as possible. In September 2014, one new flavor – *SoyCarat Chili Pepper* – was added to the *SoyCarat* range of healthy soy snacks.

Research and development expenses for the nutraceutical business for the six months ended September 30, 2014 were ¥2,492 million.

(Consumer products)

In the consumer products business, the Otsuka Group is engaged in the research and development of original and unique products in the food and beverage field.

Research and development expenses for the consumer products business for the six months ended September 30, 2014 were ¥219 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 the other businesses for the six months ended September 30, 2014 were ¥1,598 million.

(2) Qualitative Information on Consolidated Financial Position

1) Assets

Total assets as of September 30, 2014 were ¥2,094,229 million, an increase of ¥65,829 million compared to ¥2,028,399 million at the end of the previous fiscal year. This increase was due to a ¥59,507 million increase in current assets, a ¥6,324 million increase in fixed assets and a ¥2 million decrease in deferred assets.

(Current Assets)

Total current assets as of September 30, 2014 were ¥1,228,348 million, an increase of ¥59,507 million compared to ¥1,168,841 million at the end of the previous fiscal year. This increase was mainly due to increases in cash and deposits by ¥3,645 million, notes and accounts receivable-trade by ¥3,697 million, marketable securities by ¥44,761 million, and inventory by ¥6,565 million.

(Fixed Assets)

Total fixed assets as of September 30, 2014 were ¥865,822 million, an increase of ¥6,324 million compared to ¥859,498 million at the end of the previous fiscal year. This increase was mainly due to a ¥7,568 million increase in tangible fixed assets caused by the initial investment in manufacturing facility, and a ¥1,117 million decrease in intangible fixed assets.

2) Liabilities

(Current Liabilities)

Total current liabilities as of September 30, 2014 were ¥419,178 million, a decrease of ¥18,242 million compared to ¥437,420 million at the end of the previous fiscal year. This decrease was mainly due to a reduction of ¥25,041 million in income taxes payable reduced by tax payments, decreases in notes and accounts payable trade by ¥9,140 million and other current liabilities by ¥7,992 million, while there was an increase in short-term loans payable by ¥24,836 million.

(Fixed Liabilities)

Total fixed liabilities as of September 30, 2014 were ¥79,027 million, a decrease of ¥1,191 million compared to ¥80,219 million at the end of the previous fiscal year. This decrease mainly resulted from the combined effect of a ¥4,729 million decrease in other long-term liabilities, a ¥1,234 million decrease in negative goodwill, and a ¥5,590 million increase in long-term loans payable.

3) Net Assets

Total net assets as of September 30, 2014 were ¥1,596,023 million, an increase of ¥85,263 million compared to ¥1,510,759 million at the end of the previous fiscal year. This increase was mainly due to a ¥18,956 million payment of dividends, a ¥74,681 million increase in total shareholders' equity as a result of quarterly net income of ¥99,503 million, a ¥7,923 million increase of accumulated other comprehensive income due to foreign exchange rates.

(3) Qualitative Information on Cash Flows

Cash and cash equivalents increased by ¥84,181 million during the six months ended September 30, 2014 to ¥501,720 million. Net cash provided by operating activities and investing activities were ¥80,232 million and ¥2,140 million respectively, while net cash used in financing activities was ¥4,144 million.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥80,232 million in the six months ended September 30, 2014, a decrease of ¥48,182 million compared to ¥128,414 million in the same period of the previous fiscal year, mainly due to the combined effect of ¥147,525 million in income before income taxes and minority interests and ¥62,277 million in income tax payments.

(Cash Flows from Investing Activities)

Net cash inflow from investing activities was ¥2,140 million in the six months ended September 30, 2014, an increase of ¥4,426 million compared to (¥2,285) million in the same period of the previous fiscal year. Investing activities during this six months period included ¥19,684 million in purchases of property, plant and equipment, ¥4,376 million used for the purchase of marketable securities, ¥6,141 million of investments in subsidiaries resulting in a change in scope of consolidation, and a ¥33,067 million decrease in time deposits-net.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥4,144 million in the six months ended September 30, 2014, a decrease of ¥52,817 million compared to ¥56,962 million in the same period of the previous fiscal year. Financing activities during the six months included a ¥8,166 million increase in short-term borrowings, a ¥8,147 million increase in long-term borrowings and ¥18,956 million paid dividends.

(4) Qualitative Information on Consolidated Operating Results Forecast

There are no changes to the full year consolidated forecast released on May 14, 2014.

2. Other Information

(1) Changes in significant subsidiaries during the period

None

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

None

(3) Changes in accounting policies, changes in accounting estimates and restatements of prior period financial statements due to error correction

(Adoption of Accounting Standard for Retirement Benefits)

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ([ASBJ]) Statement No. 26, May 17, 2012, hereinafter the "Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Guidance") have been adopted from the first quarter of the fiscal year ending December 31, 2014, in accordance with the provisions stated in Paragraph 35 of the Standard and Paragraph 67 of the Guidance. As a result, the methods for calculating retirement benefit obligations and service costs have been revised in the following ways: The method for attributing projected benefits to accounting periods has been changed from the straight-line basis to the benefit formula basis, and the discount rate, previously derived from relevant interest-bearing securities with a maturity close to the average remaining employment time, has been changed to a method whereby discount rates are used whose term matches with the respective projected timing of the retirement payments.

According to the transitional treatment set out in Paragraph 37 of the Standard, the effect of changing the method for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the current fiscal year ending December 31, 2014.

As a result, net defined benefit asset decreased by ¥8,959 million, net defined benefit liability decreased by ¥640 million, and retained earnings decreased by ¥5,299 million at the beginning of the current fiscal year ending December 31, 2014. The effect of this change on consolidated cumulative operating income, ordinary income and income before income taxes and minority interests for the six months ending December 31, 2014 is immaterial.

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimates, and change in accounting estimates)

(Change in the depreciation method and the useful life of tangible fixed assets)

The Company and majority of its consolidated domestic subsidiaries had previously adopted the declining-balance method while consolidated subsidiaries abroad adopted the straight-line method for the depreciation of tangible fixed assets. From the beginning of this fiscal year, the Company and its major consolidated domestic subsidiaries have changed the depreciation method from the declining-balance method to the straight-line method.

With the preparation of our "Second Mid-term Management Plan" starting this fiscal year we seek to achieve "creative and sustainable growth as a total healthcare company" in both our pharmaceutical and nutraceutical businesses by 2020, through accelerating the development of our business globally and by solidifying our already stable income platform supported by our core brands in Japan. To this end, we re-examined the respective method of depreciation for the Group's tangible fixed assets.

Based on the frequency of maintenance and replacement and the general condition of our tangible fixed assets, we did not find any rapid technical or economic obsolescence, leading to the conclusion that those assets can be operated safely over the remainder of their useful lives. Therefore, we changed the respective depreciation method to the straight-line method with expenses allocated equally over useful lives. Given the increasing importance of our overseas operation with the global development of our business, our objective was also to increase the degree of unification of the Group's global accounting standards.

Furthermore, with the preparation of the "Second Mid-term Management Plan" and the change in depreciation method, the Company's major consolidated domestic subsidiaries changed the useful life of some tangible fixed assets starting from the beginning of this fiscal year to better reflect their actual economic condition based on their estimated useful life.

In comparison with the former calculation method, these changes resulted in an increase of the Company's operating income, ordinary income and income before income taxes and minority interests for the fiscal year under review by ¥1,521 million.

The respective effects on segment performance are stated in the relevant sections.

(Additional Information)

(Accounting treatment of Branded Prescription Drug Fee levied on sales)

In the U.S., the Group is subject to the Patient Protection and Affordable Care Act enacted in 2010 and as such obligated to pay a so-called Branded Prescription Drug Fee ("BPD Fee").

On July 28, 2014, the U.S. Internal Revenue Service issued final regulations for the BPD Fee which requires expense recognition at the time of sales, while previous regulation required expenses to be recognized based on sales in the preceding year.

As a result, an additional expense of ¥8,225 million was recognized in "Other" under selling, general and administrative expenses, and accordingly, the same amount has led to a reduction in operating income, ordinary income, and income before income taxes and minority interests.

The respective effects on segment performance are stated in the relevant sections.

3. Management Policy

(1) Basic Management Policy

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

To accomplish this, the Group focuses on its two main businesses: Pharmaceuticals, where it meets a whole range of medical needs from diagnosis to treatment of medical disorders; and Nutraceuticals, where it supports people to maintain and improve their daily health and well-being. As a corporate group active in the comprehensive healthcare business, the Group's mission is to discover and develop technologies and solutions that are unique to itself, and to deliver the fruits of these efforts to people all over the world in the form of products and services.

(2) Target Performance Indicators

To sustain the Group's growth, management recognizes that when conducting business activities, it is important to efficiently invest 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

The Group announced its Second Medium-Term Management Plan on August 26, 2014. Documents from this disclosure can be obtained at the following URL.

(The Company's website (News Releases))

http://www.otsuka.com/en/hd_release/release/

(4) Key Issues to be Addressed

The Otsuka Group is implementing concrete initiatives under its Second Medium-Term Management Plan announced on August 26, 2014 in order to realize its corporate philosophy, "Otsuka-people creating new products for better health worldwide."

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

A. Strengthen core therapeutic areas

- In the area of the central nervous system, the Group will work with global alliance partner Lundbeck to create a long-term collaborative global framework centered on *Abilify Maintena* and *brexpiprazole* – our proprietary drugs – and on Lundbeck's drug *idalopirdine* (Lu AE58054), in order to more rapidly maximize the medical and commercial value of each product.
- In the field of Oncology, the Group will focus on a wide range of areas, including hematological cancer, solid cancer and cancer-supportive care. In particular, steps will be taken to maximize the global value of proprietary anti-cancer agent *Lonsurf*.
- In the *tolvaptan* business, the Group will work to maximize the medical value of *tolvaptan* as a diuretic with a new mechanism of action that promotes the excretion of free water only, and as a world-first drug treatment for autosomal dominant polycystic kidney disease (ADPKD).
- In Japan, the Group will further expand new products such as *E Keppra*, *Aloxi*, *Abraxane*, *Mucosta ophthalmic suspension* and *Neupro Patch*, which were launched during the period of the First Medium-Term Management Plan, and focus on launching and developing new products during the period of the Second Medium-Term Management Plan while building a collaborative framework with partners.
- The Group will actively invest to strengthen its pipeline, primarily in the core therapeutic areas of the central nervous system and oncology.
- The 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. Structural reform, evolution and growth of the nutraceutical business

- The Group will accelerate research and development related to the theme of "healthy life expectancy," carry out product value appealing sales promotion and cultivate new products.
- Targeting growth in overseas sales, the Group will expand the *Pocari Sweat* business in Asia, the *Nature Made* business in the U.S., and the nutrition and health food product business of Nutrition & Santé SAS in Europe.
- Aiming for sustainable growth over the long term, the Group will invest strategically in products and overseas sales channels, and actively promote proprietary brands overseas.
- In order to accelerate product development and overseas business expansion, the Group will review business assets that support the value chain and work toward implementing structural reforms.

4. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
ASSETS		
Current assets		
Cash and deposits	455,298	458,944
Notes and accounts receivable-trade	327,294	330,992
Marketable securities	117,974	162,736
Finished products and merchandise	83,820	88,498
Work-in process	30,626	32,770
Raw materials and supplies	37,416	37,158
Other current assets	117,012	118,485
Allowance for doubtful receivables	(602)	(1,238)
Total current assets	1,168,841	1,228,348
Fixed assets		
Tangible fixed assets	315,185	322,753
Intangible fixed assets		
Goodwill	70,595	76,304
Other intangible fixed assets	121,668	114,842
Total intangible fixed assets	192,263	191,146
Investments and other assets		
Investment securities	268,536	269,570
Investments in capital	35,994	39,622
Net defined benefit asset	11,113	7,451
Other assets	37,159	36,056
Allowance for investment loss	(62)	(62)
Allowance for doubtful receivables	(692)	(715)
Total investments and other assets	352,049	351,922
Total fixed assets	859,498	865,822
Deferred assets	60	58
Total assets	2,028,399	2,094,229
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	132,900	123,759
Short-term loans payable	53,426	78,262
Income taxes payable	51,064	26,022
Reserve for bonuses	18,667	18,072
Provisions	644	335
Other current liabilities	180,717	172,725
Total current liabilities	437,420	419,178
Long-term liabilities		
Long-term loans payable	14,281	19,872
Other allowances	2,587	2,617
Net defined benefit liability	8,131	7,282
Negative goodwill	21,541	20,307
Other long-term liabilities	33,677	28,948
Total long-term liabilities	80,219	79,027
Total liabilities	517,640	498,205

Consolidated Balance Sheets—Continued

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	512,895	512,866
Retained earnings	891,615	966,224
Treasury stock	(47,928)	(47,827)
Total shareholders' equity	1,438,272	1,512,954
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	13,819	13,268
Deferred gain (loss) on derivatives under hedge accounting	(7)	11
Foreign currency translation adjustments	12,152	23,052
Remeasurements of defined benefit plans	20,331	17,887
Total accumulated other comprehensive income	46,296	54,219
Stock acquisition rights	104	104
Minority interests	26,085	28,744
Total net assets	1,510,759	1,596,023
Total liabilities and net assets	2,028,399	2,094,229

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

Consolidated Statements of Income (cumulative)

(Millions of yen)

	FY2013 (From April 1, 2013 to September 30, 2013)	FY2014 (From April 1, 2014 to September 30, 2014)
Net sales	699,411	788,283
Cost of sales	215,327	221,366
Gross profit	484,083	566,917
Selling, general and administrative expenses		
Promotion expenses	86,222	120,687
Salaries and bonuses	48,171	52,136
Reserve for bonuses	9,948	11,079
Retirement benefit expenses	2,331	971
Amortization of goodwill	1,741	2,436
Research and development expenses	105,286	102,723
Other	118,661	140,232
Total selling, general and administrative expenses	372,363	430,267
Operating income	111,720	136,650
Non-operating income		
Interest income	571	694
Dividend income	534	564
Amortization of negative goodwill	1,415	1,232
Equity in earnings of unconsolidated subsidiaries and affiliated companies	2,911	5,342
Foreign exchange gain, net	5,340	3,810
Other	770	1,226
Total non-operating income	11,544	12,870
Non-operating expenses		
Interest expenses	664	971
Other	613	424
Total non-operating expenses	1,277	1,396
Ordinary income	121,987	148,124
Extraordinary income		
Gain on sales of fixed assets	353	56
Gain on sales of subsidiaries’ stock	257	―
Gain on change in equity	4	124
Subsidy income	634	3
Other	20	66
Total extraordinary income	1,270	250
Extraordinary loss		
Loss on retirement of fixed assets	261	215
Impairment loss	85	15
Extra retirement payments	―	558
Other	80	60
Total extraordinary loss	428	849
Income before income taxes and minority interests	122,830	147,525
Income taxes		
Current	34,049	32,587
Deferred	779	14,614
Total income taxes	34,828	47,202
Income before minority interests	88,001	100,323
Minority interests in net income	984	819
Net income	87,016	99,503

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	FY2013 (From April 1, 2013 to September 30, 2013)	FY2014 (From April 1, 2014 to September 30, 2014)
Income before minority interests	88,001	100,323
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	2,604	(521)
Deferred gain (loss) on derivatives under hedge accounting	(597)	16
Foreign currency translation adjustments	17,911	14,836
Remeasurements of defined benefit plans	―	(2,397)
Share of other comprehensive income of equity method affiliates	10,478	4,539
Total other comprehensive income	30,397	16,475
Total comprehensive income	118,398	116,798
Total comprehensive income attributable to:		
Owners of the parent	116,519	115,036
Minority interests	1,879	1,761

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2013	For the six months ended September 30, 2014
Operating activities:		
Income before income taxes and minority interests	122,830	147,525
Depreciation and amortization	21,330	26,653
Impairment loss	85	15
Amortization of goodwill	325	1,204
Increase (decrease) in liability for employees' retirement benefits	(6,518)	—
Increase (decrease) in allowance for doubtful receivables	(1)	562
Decrease/increase in net defined benefit asset/liability	—	(5,993)
Interest and dividend income	(1,106)	(1,258)
Interest expense	664	971
Equity in earnings of unconsolidated subsidiaries and affiliated companies (gain)	(2,911)	(5,342)
Gain on sales of subsidiaries' stocks (gain)	(257)	—
(Increase) decrease in trade receivables	37,030	24
(Increase) decrease in inventories	1,705	3,287
Increase (decrease) in trade payables	7,820	1,107
Increase (decrease) in long-term unearned revenues	(6,389)	(5,564)
Other, net	(12,629)	(24,586)
Subtotal	161,978	138,608
Interest and dividends received	4,938	4,886
Interest paid	(651)	(985)
Income taxes paid	(37,850)	(62,277)
Net cash provided by operating activities	128,414	80,232
Investing activities:		
(Increase) decrease in short-term investment securities	11,082	4,240
Purchases of property, plant and equipment	(22,529)	(19,684)
Proceeds from sales of property, plant and equipment	935	78
Purchases of intangible assets	(3,380)	(4,252)
Purchases of investment securities	(4,237)	(4,376)
Proceeds from sales and redemptions of investment securities	7,003	1,000
Payments for investments in capital	(1,068)	(123)
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(12,792)	(6,141)
Payments of loans receivables	(1,129)	(1,540)
Proceeds from collection of loans receivables	415	150
(Increase) decrease in time deposits-net	23,639	33,067
Other, net	(223)	(278)
Net cash used in investing activities	(2,285)	2,140

(Millions of yen)

	For the six months ended September 30, 2013	For the six months ended September 30, 2014
Financing activities:		
Increase (decrease) in short-term debt-net	(8,043)	8,166
Proceeds from long-term debt	922	8,147
Repayments of long-term debt	(1,533)	(857)
Proceeds from disposal of treasury stock	115	73
Purchases of treasury stock	(30,000)	(1)
Dividends paid	(16,507)	(18,956)
Dividends paid to minority interests in consolidated subsidiaries	(379)	(322)
Proceeds from share issuance to minority shareholders	―	807
Other, net	(1,536)	(1,202)
Net cash used in financing activities	(56,962)	(4,144)
Foreign currency translation adjustments on cash and cash equivalents	4,713	5,130
Net increase (decrease) in cash and cash equivalents	73,880	83,359
Cash and cash equivalents, beginning of period	347,571	417,538
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	9,233	951
Decrease in cash and cash equivalents due to change of fiscal year end	―	(128)
Cash and cash equivalents, end of period	430,685	501,720

(4) Notes regarding Quarterly Consolidated Financial Statements
(Note regarding Assumption of Going Concern)
Not applicable

(Note regarding Significant Changes in the Amount of Shareholders' Equity)
For the six months of FY2013 (from April 1, 2013 to September 30, 2013)
The Company repurchased 8,784,800 shares of common stock at a cost of ¥29,999 million in accordance with the resolution of board of directors held on May 14, 2013.
Additionally, as a result of disposal of 54,770 treasury stocks at a cost of ¥132 million due to exercise of stock options, the Company holds 16,323,351 treasury stocks at a cost of ¥48,259 million as of September 30, 2013.

For the six months of FY2014 (from April 1, 2014 to September 30, 2014)
Not applicable

(Segment Information)
For the six months of FY2013 (from April 1, 2013 to September 30, 2013)
1) Net sales and segment income (loss) by reporting segment

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	477,132	152,888	23,966	45,423	699,411	—	699,411
Intersegment sales	—	2,949	73	20,628	23,651	(23,651)	—
Total	477,132	155,837	24,040	66,052	723,062	(23,651)	699,411
Segment income (loss)	113,249	17,765	(958)	4,143	134,199	(22,479)	111,720

Notes:
1) Adjustments to segment income (loss) of ¥(22,479) million include intersegment eliminations of ¥349 million and unallocated corporate expenses of ¥(22,828) million. Corporate expenses include headquarter costs and other indirect expenses.
2) Segment income (loss) is adjusted to operating income as stated in the quarterly consolidated statement of income.

2) Impairment losses and goodwill by reporting segment
(Significant changes in goodwill amounts)
In the "Pharmaceuticals" segment, Claris Otsuka Limited was newly included in the scope of consolidation at the end of the second quarter of fiscal 2013 after its shares were acquired by the Group. The related increase in goodwill that occurred in the period was ¥3,381 million.

For the six months of FY2014 (from April 1, 2014 to September 30, 2014)
1) Net sales and segment income (loss) by reporting segment

(Millions of yen)

	Pharma-ceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	561,448	155,344	24,032	47,458	788,283	—	788,283
Intersegment sales	—	3,527	93	19,879	23,500	(23,500)	—
Total	561,448	158,871	24,125	67,337	811,784	(23,500)	788,283
Segment income (loss)	135,660	16,790	(64)	4,309	156,696	(20,045)	136,650

Notes:
1) Adjustments to segment income (loss) of ¥(20,045) million include intersegment eliminations of ¥108 million and unallocated corporate expenses of ¥(20,154) million. Corporate expenses include headquarter costs and other indirect expenses.
2) Segment income (loss) is adjusted to operating income as stated in the quarterly consolidated statement of income.

2) Changes regarding reporting segments
(Changes in depreciation method and useful life of tangible fixed assets)
As noted in "Changes in accounting policies etc.," for the depreciation method of tangible fixed assets, the Company and the majority of its consolidated domestic subsidiaries had previously adopted the declining-balance method while consolidated subsidiaries abroad used the straight-line method. From the beginning of this fiscal year, the Company and its major consolidated domestic subsidiaries changed the depreciation method from the declining-balance method to the straight-line method.
Along with the change in the depreciation method, useful lives for some tangible fixed assets have also been changed.

The effect of these changes was as follows: “Pharmaceuticals” segment income increased by ¥1,668 million, “Nutraceuticals” segment income decreased by ¥342 million, “Consumer products” segment income increased by ¥2 million, “Others” segment income increased by ¥20 million, and “Adjustments” increased by ¥172 million.

(Accounting treatment of Branded Prescription Drug Fee levied on sales)

In the U.S., the Group is subject to the Patient Protection and Affordable Care Act enacted in 2010 and as such obligated to pay a so-called Branded Prescription Drug Fee (“BPD Fee”).

On July 28, 2014, the U.S. Internal Revenue Service issued final regulations for the BPD Fee which requires expense recognition at the time of sales, while previous regulation required expenses to be recognized based on sales in the preceding year.

As a result, an additional expense of ¥8,225 million was recognized in “Other” under selling, general and administrative expenses, and accordingly, has led to a reduction of ¥8,225 million in “Pharmaceuticals” segment income.