



### 3. Forecasts of Consolidated Financial Results for FY2015 (January 1, 2015 to December 31, 2015)

(% 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)	710,000	-	55,000	-	60,000	-	40,000	-	73.82
FY2015	1,370,000	-	110,000	-	120,000	-	80,000	-	147.65

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

The Company changed its fiscal year-end from March 31 to December 31 in FY2014. Financial results for FY2014 and FY2015 are not directly comparable, since FY2014 only consisted of 9 months (FY2015: 12 months).

### 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: None
  - 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
- (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):
 

March 31, 2015	557,835,617 shares
December 31, 2014	557,835,617 shares
  - 2) Number of shares of treasury stock as of the end of the reporting period:
 

March 31, 2015	16,004,375 shares
December 31, 2014	16,037,940 shares
  - 3) Average number of shares outstanding during the reporting period:
 

Quarter ended March 31, 2015	541,815,585 shares
Quarter ended June 30, 2014	541,643,292 shares

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

This quarterly financial report is exempt from quarterly review procedures as stipulated under the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial report, the quarterly financial statement review procedures have been completed as stipulated under the Financial Instruments and Exchange Act of Japan, and the quarterly review report has been received on May 8, 2015.

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

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please see “(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 May 13, 2015. Presentation materials and the audio of the conference call will be available on the Company’s website promptly after the conference call.

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## 1. Qualitative Information for the First Quarter of FY2015

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

Following approval of the partial amendments of the Articles of Incorporation at the 6<sup>th</sup> Annual Shareholders Meeting held on June 27, 2014, the Company changed its consolidated fiscal year-end from March 31 to December 31.

As a result, the consolidated statements of income and consolidated statements of comprehensive income stated in

“3. Quarterly Consolidated Financial Statements (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income” are consolidated based on the period from April 1 to June 30 for FY2014 and from January 1 to March 31 for FY2015.

Therefore, to provide a comparison with last year’s quarterly results, we have calculated results for the period from January 1 to March 31, 2014 for all consolidated companies, which are shown for reference purposes below.

#### <Summary of Operating Results for the Three Months Ended March 31, 2015>

For the first three months of FY2015 (from January 1 to March 31, 2015), the Otsuka Group recorded consolidated net sales of ¥385,079 million (up 10.8% from ¥347,545 million for the same period in the previous year), with operating income of ¥51,586 million (up 198.1% from ¥17,302 million for the same period in the previous year), ordinary income of ¥51,474 million (up 178.6% from ¥18,478 million for the same period in the previous year) and net income of ¥33,960 million (up 183.4% from ¥11,984 million for the same period in the previous year).

Results by business segment are as follows:

(Results for the Three Months Ended March 31, 2015)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	288,660	63,598	9,158	34,082	(10,420)	385,079
Operating income (loss)	60,619	439	(653)	1,284	(10,103)	51,586

(Reference: Results for the Three Months Ended March 31, 2014)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	258,294	57,042	9,603	32,396	(9,791)	347,545
Operating income (loss)	29,596	(1,225)	(376)	1,267	(11,958)	17,302

#### 1) Pharmaceuticals

In the area of central nervous system (“CNS”) disorders, antipsychotic agent *ABILIFY* continued to register strong sales worldwide, rising more than 5% compared with the same period in the previous fiscal year. In the U.S., sales of *ABILIFY* grew more than 15% compared with the same period in the previous fiscal year, supported by forex factors and an increase in new prescriptions for adjunctive therapy in major depressive disorder and for bipolar disorder as a result of stepped up sales promotion activities. In Europe, sales of *ABILIFY* declined from the same period in the previous fiscal year, reflecting the impact of generic products launched in November 2014. In Asia, sales of *ABILIFY* rose on the back of an increase in prescriptions for adjunctive therapy in major depressive disorder and for pediatric indication with Tourette disorder in South Korea. In Japan, sales of *ABILIFY* declined compared with the same period in the previous fiscal year, when there was a temporary spike in demand ahead of the consumption tax hike in 2014. However, prescriptions for orally disintegrating tablets increased for the three indications of schizophrenia, manic episodes of bipolar disorder and major depressive disorder.

Aripiprazole intramuscular depot formulation *Abilify Maintena* (once-monthly injection), one of the drugs launched under the global alliance with H. Lundbeck A/S (“Lundbeck”) to develop five compounds\*<sup>1</sup>, registered steady sales growth in the U.S., supported by efforts to promote the drug based on data showing efficacy for the treatment of acutely relapsed adults with schizophrenia, and the launch of a new injectable formulation in a ready-to-use prefilled syringe in March 2015. In Europe, *Abilify Maintena* had been launched in 19 countries as of March 31, 2015. *Abilify Maintena* was also launched in Canada in May 2014 and in Australia in March 2015, adding to the growing number of markets worldwide where the drug is now available.

In Japan, antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, maintained its position as the top-selling brand\*<sup>2</sup> in the domestic antiepileptic drug market, achieving further growth in market share. This reflected the drug’s recognized efficacy, growth in prescriptions for pediatric indications and approval in February 2015 for the indication of monotherapy treatment of epileptic partial-onset seizures. *Neupro Patch* benefited from increased uptake as a patch-based treatment for Parkinson’s disease and restless legs syndrome. In particular, the drug is gaining growing recognition for its ability to improve wearing-off\*<sup>3</sup> symptoms in Parkinson’s disease, supporting strong growth in sales.

On January 13, 2015, Otsuka Pharmaceutical Co., Ltd. completed the acquisition of U.S. company Avanir Pharmaceuticals, Inc., which sells *NUDEXTA*, the world’s first and only treatment for the neurologic disease pseudobulbar affect (PBA). Sales of *NUDEXTA* are growing, supported by efforts to reinforce the sales network in the U.S.

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

compared with the same period in the previous fiscal year due to NHI drug price reductions and other factors. Global sales of the drug increased slightly compared with the same period in the previous fiscal year due to higher sales in overseas markets. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined, due mainly to NHI drug price reductions and a temporary spike in demand ahead of the consumption tax hike in 2014. Sales of *Aloxi*, a long-acting 5-HT<sub>3</sub> receptor antagonist antiemetic agent were firm, while sales of anti-cancer agent *Abraxane* grew strongly compared with the same period in the previous fiscal year, supported by an increase in prescriptions due to its approval for the additional indication of pancreatic cancer in December 2014. *Lonsurf*, a new anti-cancer agent was launched in May 2014. Prescriptions for the indications of unresectable advanced or recurrent colorectal cancer are rising, leading to steady growth in sales of the drug.

In the area of hematological cancer, anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS\*<sup>4</sup>, 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 the Group and its partners in more than 50 markets worldwide, and it has become established as the standard drug for use as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. Growing recognition of the drug worldwide is driving strong sales growth.

In the area of cardiovascular system, *Samsca*, a vasopressin V<sub>2</sub>-receptor antagonist developed by Otsuka Pharmaceutical, was on sale in 20 markets worldwide as of March 31, 2015. The drug is gaining more acceptance among medical specialists due to the new value it brings and its method of use as an oral aquaretic agent, supporting a large rise in global sales compared with the same period in the previous fiscal year. In Japan, *Samsca* was approved as a treatment for autosomal dominant polycystic kidney disease (ADPKD) in March 2014, becoming the world's first drug therapy for this intractable kidney disease. Prescriptions for the drug are growing steadily. Sales of antiplatelet agent *Pletaal/Pletal* declined due to the impact of promotion of generics in hospitals and NHI drug price revision in Japan.

In the area of digestive system, *TAKECAB*®, co-promoted with Takeda Pharmaceutical Company Limited, has been adopted in the drug formulary list in a large number of hospitals since its launch in February 2015. Sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined compared with the same period in the previous fiscal year due to the impact of promotion of generics in hospitals and NHI drug price revision in Japan.

In other areas, 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 slightly compared with the same period in the previous fiscal year due to firm sales reflecting active sales promotion efforts targeting chronic-stage medical care, despite the impact of NHI drug price reductions.

As a result, net sales in the pharmaceutical segment for the three months ended March 31, 2015 totaled ¥288,660 million (up 11.8% from the same period in the previous year), with operating income of ¥60,619 million (up 104.8%).

\*<sup>1</sup>: *Abilify Maintena*, *brexipiprazole*, Lu AE58054 and two new compounds currently being researched and developed by Lundbeck.

\*<sup>2</sup>: © 2015 IMS Health. Estimated based on "Japan Pharmaceutical Market, March 2015." All rights reserved, no reproduction without permission.

\*<sup>3</sup>: 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.

\*<sup>4</sup>: Bristol-Myers Squibb Company

## 2) Nutraceuticals

In the *Pocari Sweat* electrolyte supplement drink range, sales volume in Japan increased compared with the same period in the previous fiscal year due to the success of winter sales campaigns, despite a weak domestic market for sports drinks\*<sup>5</sup>. Also, Otsuka Pharmaceutical, Otsuka Wellness Vending Co., Ltd. and Asahi Soft Drinks Co., Ltd. formed a business partnership to carry each other's leading products in their reciprocal vending machines. As a result, Asahi Soft Drinks began selling *Pocari Sweat* through its vending machine network in the second half of March 2015. Overseas, where *Pocari Sweat* is sold in 17 markets worldwide, we continued efforts to cultivate consumers and promote the product's benefits. In China, sales volume rose compared with the same period in the previous fiscal year, reflecting promotion strategies using the characteristics of each retail channel and successful sales promotion activities. However, total overseas sales volume declined compared with the same period in the previous fiscal year, reflecting a year-on-year decline in sales volume due to competition from rival products in Indonesia.

The Tokyo Marathon 2015, one of Asia's largest metropolitan marathon events, was held in February 2015. For the first time, the Otsuka Group supported the Tokyo Marathon as the first corporate group sponsor, providing both hydration and nutrition support to the roughly 36,000 runners from around the world. Specifically, we supplied *Amino-Value* (containing BCAA amino acids) before the start of the race, *Pocari Sweat* (water and ion) during the race, and *Calorie Mate* (source of five major nutrients) at the end of the race.

Sales volume for carbonated nutritional drink *Oronamin C* declined compared with the same period in the previous fiscal year due to a drop in the number of consumers buying 10-bottle packs due to the consumption tax hike, and a temporary spike in demand ahead of the consumption tax hike in 2014. However, there was steady growth in the number of new accounts due to the relaunch of *Oronamin C Royalpolis*, which contains royal jelly, propolis, honey and vitamin B1, in mid-March 2015. Also, the Group opened a new *Oronamin C* production site and started sales of the product in February 2015 in South Korea, where the nutritional drink market is expanding. *Oronamin C* is now sold in eight countries\*<sup>6</sup>.

Balanced nutrition food *Calorie Mate* registered only a modest decline in sales volume compared with the same period in the previous fiscal year, despite the impact of a temporary spike in demand ahead of the consumption tax hike in 2014. Sales volume was supported by ongoing efforts to increase consumer understanding about the product by further raising awareness of

the *Calorie Mate* concept, and by stepping up communication with consumers during the exam season.

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, a new flavor, *SOYJOY Almond & Chocolate*, was added to the *SOYJOY* soy bar range in April 2014. This new product led to an increase in the number of users, including desk workers, supporting double-digit growth in *SOYJOY* sales volume compared with the same period in the previous fiscal year. *SOYJOY Strawberry* and *SOYJOY Blueberry* were also relaunched in March 2015. The new versions have the same amount of soybeans as before but contain more strawberry and blueberry ingredients.

The Group launched women’s health food product *EQUELLE* in April 2014 as a readily available daily source of equol. Since then, the Group has been providing information and raising awareness about the product with a focus on the relationship between equol and the physical and emotional changes experienced by women during menopause, leading to steady growth in sales.

Subsidiary Pharmavite LLC of the U.S. supplies the *Nature Made* supplements, which is recommended by pharmacists and has been the number one retail national vitamin and supplement brand in the U.S. for eight consecutive years since 2007\*<sup>7</sup>. Sales of *Nature Made* supplements rose in the US amid a recovery in the market. Also, Pharmavite acquired FoodState Inc. in the U.S. in December 2014. Sales of the company’s natural food-based supplements, *MegaFood* and *INNATE* were also firm.

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 *Gerblé* nutrition and health food brand continued to drive growth, while sales of organic food products and soy products also grew steadily.

In the cosmetics area, where the focus is on the concept of “healthy skin,” sales in the *UL•OS* men’s skincare brand increased compared with the same period in the previous fiscal year in South Korea, supported by steady efforts to develop the brand and grow the number of stores that stock the *UL•OS* range. In Japan, in March 2015 the Group relaunched *UL•OS Refresh Sheet (medicated cosmetic)* and launched two new refreshing sheets made with specifications and functions in mind, *UL•OS Adult Body Sheet* and *UL•OS Adult Facial Sheet*, which are specifically designed for the face and body. As a result, the *UL•OS* range now has 16 products in eight different categories. Sales of the *InnerSignal* brand aimed at women who seek healthy and beautiful skin increased compared with the same period in the previous fiscal year as a result of steady progress in building a loyal base of customers to acquire new customers and boost repeat business.

Sales volume for nutrient tonic *Tiovita* declined compared with the same period in the previous fiscal year, mainly due to the shrinking market for nutrient tonics and competition from rival products.

There was a substantial increase compared with the same period in the previous fiscal year in sales volume of oral rehydration solution *OS-1*, reflecting the success of activities to emphasize the appeal of the product as a countermeasure for dehydration resulting from diarrhea and vomiting due to infectious disease in winter and the like, and from fever.

With respect to *Oronine H Ointment*, although there was a decline in sales compared with the same period in the previous fiscal year in Japan due to the impact of a temporary spike in demand ahead of the consumption tax hike in 2014, sales in Hong Kong grew compared with the same period in the previous fiscal year reflecting the success of sales promotions.

As a result, net sales in the nutraceutical segment for the three months ended March 31, 2015 totaled ¥63,598 million (up 11.5% from the same period in the previous year), with operating income of ¥439 million (compared with an operating loss of ¥1,225 million for the same period in the previous year).

\*<sup>5</sup>: Inryo Soken data: Sales in January–March 2015 –7%

\*<sup>6</sup>: UAE, Kuwait, Bahrain, Oman, Saudi Arabia, Qatar, South Korea and Japan

\*<sup>7</sup>: 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, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company.

\*<sup>8</sup>: Nielsen xAOC through 01/31/15 +5.3% for the last 4 periods).

### 3) Consumer Products

Sales volume for *Match*, a carbonated electrolyte drink containing vitamins, declined slightly compared with the same period in the previous fiscal year. We continued to implement an aggressive marketing strategy and sales promotion activities mainly targeting the high school student market, along with other steps to reinforce the brand, such as the launch of 1.5L PET bottles and new product *Match Pink*. This led to growth in new customers that reconnected and reenergized the brand in the market, but sales were affected by the impact of a temporary spike in demand ahead of the consumption tax hike in 2014. Sales volume for mineral water products, centered on *Crystal Geyser*, declined compared with the same period in the previous fiscal year due to a temporary spike in demand ahead of consumption tax hike and competition from rival products, despite stepped up marketing activities and efforts to boost brand value. In the *Bon Curry* range of instant curry dishes, sales volume increased sharply compared with the same period in the previous fiscal year due to a stepped up marketing strategy and sales promotion activities that boosted brand value. This included the launch of new products, such as the upgraded *Bon Curry Gold* from 2013, which can be heated in a microwave oven without removing the curry pouch from the box, special winter products for a limited period only, and *The Bon Curry* – the highest-quality product in the range so far. In the consumer products segment, the Group is continuing its efforts to quickly improve profitability by reviewing marketing strategies and sales promotion activities and improve the expense-to-sales ratio.

As a result, net sales in the consumer products segment for the three months ended March 31, 2015 totaled ¥9,158 million (down 4.6% from the same period in the previous year), with operating loss of ¥653 million (compared with an operating loss of ¥376 million for the same period in the previous year).

#### 4) Others

In the specialty chemical business, sales of non-halogen flame retardant agents used in mobile devices and ultraviolet absorbing agents used in LCD backlights declined compared with the same period in the previous fiscal year, but sales of *TERPLUS*, pigment dispersing agents used in LCD displays and other applications, were firm compared with the same period in the previous fiscal year due to new users and an increase in sales to existing users. As a result, sales overall in the specialty chemical business were steady compared with the same period in the previous fiscal year.

In the fine chemical business, sales volume declined year on year due to the impact of increased competition from rival products on pharmaceutical intermediate *DACTA*.

In the transportation and warehousing business, the volume of products handled increased, driven by increase in external customers in line with the promotion of a common distribution platform (distribution of products to market for the Group as well as for other firms). As a result, sales increased compared with same period in the previous fiscal year.

As a result, net sales in the other businesses for the three months ended March 31, 2015 totaled ¥34,082 million (up 5.2% from the same period in the previous year), with operating income of ¥1,284 million (up 1.4%).

<Research and Development Activities>

Research and development expenses for the three months ended March 31, 2015 totaled ¥44,700 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 three months ended March 31, 2015 in the area of therapeutic drugs are summarized below.

Category	Brand Name, (Generic Name), Development Code	Status
Central nervous system	<i>ABILIFY for extended-release injectable suspension, for intramuscular use</i> (aripiprazole)	<Japan> <i>ABILIFY for extended-release injectable suspension, for intramuscular use</i> was approved in March 2015 for the maintenance treatment of schizophrenia.
	<i>E Keppra</i> (levetiracetam)	<Japan> A partial change approval was granted in February 2015 for effects and efficacy of monotherapy treatment of epileptic for partial-onset seizures. An application was filed in March 2015 for the treatment of epileptic for generalized onset seizures.
	(nalmefene) Lu AA36143	<Japan> Phase III trial was initiated in February 2015 for the reduction of alcohol consumption in patients with alcohol dependence.
	(dextromethorphan, quinidine) AVP-923	A development drug secured through the acquisition of Avanir Pharmaceuticals, Inc. in January 2015. The drug's development status is as follows: <U.S.> Currently in Phase II trial for the treatment of agitation associated with Alzheimer's disease. Currently in Phase II trial for the treatment of dyskinesia associated with Parkinson's disease.
	(deuterium-modified dextromethorphan, quinidine) AVP-786	A development drug secured through the acquisition of Avanir Pharmaceuticals, Inc. in January 2015. The drug's development status is as follows: <U.S.> Currently in Phase II trial for the treatment of major depressive disorder.
	(sumatriptan) AVP-825	A development drug secured through the acquisition of Avanir Pharmaceuticals, Inc. in January 2015. The drug's development status is as follows: <U.S.> NDA filing for an indication of acute migraine currently being reviewed by the FDA.

Category	Brand Name, (Generic Name), Development Code	Status
Oncology	<i>Lonsurf</i> TAS-102	<U.S.> An application was accepted in February 2015 for the treatment of colorectal cancer. <Europe> An application was filed in February 2015 for the treatment of colorectal cancer. <Japan> A partial change approval was granted in March 2015 for effects and efficacy of colorectal cancer.
	(guadecitabine) SGI-110	<U.S. and Europe> Phase III trial for the treatment of AML was initiated in March 2015. <Japan> Phase I trial for the treatment of AML was initiated in January 2015.
	TAS-117	<Japan> Phase I trial for the treatment of solid cancer was initiated in February 2015.
	TAS-118	<Japan> Phase III trial for the treatment of gastric cancer was initiated in January 2015.
	(trabectedin) ET-743	<Japan> An application was filed in January 2015 for an indication of malignant soft tissue sarcoma.
Cardiovascular system	<i>Samsca</i> (tolvaptan)	<Europe> Received a positive opinion for the maintenance treatment of autosomal dominant polycystic kidney disease (ADPKD) by the European Medicines Agency in February 2015.

## 2) Diagnostic

The *Otsuka Major BCR-ABL mRNA Measurement Kit*, which is used as a marker to monitor treatment effectiveness for chronic myeloid leukemia, was launched in Japan in November 2014 and covered by Health Insurance in Japan in April 2015.

Research and development expenses for the pharmaceutical business for the three months ended March 31, 2015 were ¥42,279 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.

Otsu Skin Care Research Institute relaunched *UL•OS Refresh Sheet (medicated cosmetic)* and launched two new refreshing sheets, *UL•OS Adult Body Sheet* and *UL•OS Adult Facial Sheet* in March 2015, specifically designed for the face and body. As a result, the *UL•OS* range now has 16 products in eight different categories.

Research and development expenses for the nutraceutical business for the three months ended March 31, 2015 were ¥1,272 million.

## (Consumer products)

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

Research and development expenses for the consumer products business for the three months ended March 31, 2015 were ¥101 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 three months ended March 31, 2015 were ¥1,047 million.

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

### **1) Assets**

Total assets as of March 31, 2015 were ¥2,392,230 million, an increase of ¥214,045 million compared to ¥2,178,184 million at the end of the previous fiscal year. This increase was due to the ¥166,929 million decrease in current assets, ¥380,976 million increase in fixed assets and ¥1 million decrease in deferred assets.

#### **(Current Assets)**

Total current assets as of March 31, 2015 were ¥1,078,673 million, a decrease of ¥166,929 million compared to ¥1,245,602 million at the end of the previous fiscal year. This decrease was mainly due to decreases in cash and deposits by ¥140,433 million, notes and accounts receivable-trade by ¥64,266 million, and other current assets by ¥11,321 million, while there were increases in marketable securities by ¥43,165 million and inventory by ¥5,919 million.

#### **(Fixed Assets)**

Total fixed assets as of March 31, 2015 were ¥1,313,498 million, an increase of ¥380,976 million compared to ¥932,522 million at the end of the previous fiscal year. This increase was mainly due to a ¥384,648 million increase in intangible fixed assets due to full consolidation of Avanir Pharmaceuticals, Inc., a ¥6,019 million decrease in investment securities, and a ¥3,185 million increase in net defined benefit asset.

### **2) Liabilities**

#### **(Current Liabilities)**

Total current liabilities as of March 31, 2015 were ¥490,385 million, an increase of ¥53,358 million compared to ¥437,026 million at the end of the previous fiscal year. This increase was mainly due to increases in the reserve for bonuses by ¥7,837 million and short-term loans payable by ¥94,490 million, while there were decreases in notes and accounts payable-trade by ¥22,318 million and other current liabilities by ¥25,582 million.

#### **(Fixed Liabilities)**

Total fixed liabilities as of March 31, 2015 were ¥234,360 million, an increase of ¥151,803 million compared to ¥82,557 million at the end of the previous fiscal year. This increase mainly resulted from a ¥150,159 million increase in long-term loans payable arranged with regard to the acquisition of Avanir Pharmaceuticals, Inc.

### **3) Net Assets**

Total net assets as of March 31, 2015 were ¥1,667,484 million, an increase of ¥8,884 million compared to ¥1,658,600 million at the end of the previous fiscal year. This increase was mainly due to a ¥21,671 million payment of dividends, a ¥11,829 million increase in total shareholders' equity as a result of quarterly net income of ¥33,960 million, and a ¥4,218 million decrease of accumulated other comprehensive income due to a ¥5,726 million increase in unrealized gains on available-for-sale securities and a ¥9,515 million decrease in foreign currency translation adjustments.

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

There are no changes to the Q2 cumulative and full year consolidated forecast released on February 13, 2015.

## **2. Other Information**

### **(1) Changes in significant subsidiaries during the period**

None

While not directly relating to changes in significant subsidiary, Avanir Pharmaceuticals, Inc. was newly included in the scope of consolidation due to the acquisition of its shares in the first quarter of FY2015.

### **(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**

None

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

	(Millions of yen)	
	As of December 31, 2014	As of March 31, 2015
<b>ASSETS</b>		
Current assets		
Cash and deposits	523,135	382,701
Notes and accounts receivable-trade	406,431	342,165
Marketable securities	48,535	91,701
Finished products and merchandise	80,011	85,582
Work-in process	31,783	32,281
Raw materials and supplies	41,915	41,765
Other current assets	114,330	103,009
Allowance for doubtful receivables	(541)	(534)
Total current assets	1,245,602	1,078,673
Fixed assets		
Tangible fixed assets	344,784	345,641
Intangible fixed assets		
Goodwill	93,162	475,726
Other intangible fixed assets	128,010	130,094
Total intangible fixed assets	221,173	605,821
Investments and other assets		
Investment securities	270,804	264,784
Investments in capital	42,538	43,510
Net defined benefit asset	17,486	20,672
Other assets	36,574	33,907
Allowance for investment loss	(78)	(77)
Allowance for doubtful receivables	(759)	(761)
Total investments and other assets	366,565	362,036
Total fixed assets	932,522	1,313,498
Deferred assets	59	57
Total assets	2,178,184	2,392,230
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	130,784	108,465
Short-term loans payable	70,178	165,119
Income taxes payable	14,498	13,489
Reserve for bonuses	8,563	16,400
Provisions	613	103
Other current liabilities	212,389	186,806
Total current liabilities	437,026	490,385
Long-term liabilities		
Long-term loans payable	22,251	172,410
Other allowances	2,787	2,333
Net defined benefit liability	10,921	10,716
Negative goodwill	19,691	19,075
Other long-term liabilities	26,904	29,824
Total long-term liabilities	82,557	234,360
Total liabilities	519,584	724,745

**Consolidated Balance Sheets—Continued**

	(Millions of yen)	
	As of December 31, 2014	As of March 31, 2015
<b>NET ASSETS</b>		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	512,747	512,718
Retained earnings	990,906	1,002,665
Treasury stock	(47,415)	(47,316)
Total shareholders' equity	1,537,928	1,549,757
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	13,152	18,878
Deferred gain on derivatives under hedge accounting	392	25
Foreign currency translation adjustments	57,161	47,645
Remeasurements of defined benefit plans	19,167	19,105
Total accumulated other comprehensive income	89,873	85,655
Minority interests	30,798	32,072
Total net assets	1,658,600	1,667,484
Total liabilities and net assets	2,178,184	2,392,230

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

	(Millions of yen)	
	FY2014 (From April 1, 2014 to June 30, 2014)	FY2015 (From January 1, 2015 to March 31, 2015)
Net sales	386,344	385,079
Cost of sales	113,064	109,566
Gross profit	273,279	275,512
Selling, general and administrative expenses		
Promotion expenses	56,482	73,002
Salaries and bonuses	26,905	25,291
Reserve for bonuses	4,737	10,941
Retirement benefit expenses	521	733
Amortization of goodwill	1,219	6,367
Research and development expenses	50,149	44,700
Other	67,698	62,889
Total selling, general and administrative expenses	207,714	223,926
Operating income	65,565	51,586
Non-operating income		
Interest income	318	369
Dividend income	525	444
Amortization of negative goodwill	616	642
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3,898	1,024
Other	618	509
Total non-operating income	5,976	2,991
Non-operating expenses		
Interest expenses	457	957
Foreign exchange loss, net	1,354	1,893
Other	246	251
Total non-operating expenses	2,058	3,102
Ordinary income	69,482	51,474
Extraordinary income		
Gain on sales of fixed assets	22	13
Gain on change in equity	104	—
Subsidy income	—	6
Other	—	3
Total extraordinary income	127	23
Extraordinary loss		
Loss on retirement of fixed assets	22	101
Impairment loss	8	6
Loss on sales of shares of subsidiaries	—	553
Other	5	243
Total extraordinary loss	37	905
Income before income taxes and minority interests	69,572	50,592
Income taxes		
Current	9,427	14,213
Deferred	14,604	2,357
Total income taxes	24,031	16,571
Income before minority interests	45,541	34,021
Minority interests in net income	294	61
Net income	45,246	33,960

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2014 (From April 1, 2014 to June 30, 2014)	FY2015 (From January 1, 2015 to March 31, 2015)
Income before minority interests	45,541	34,021
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(291)	5,844
Deferred gain (loss) on derivatives under hedge accounting	1	(366)
Foreign currency translation adjustments	(4,635)	(5,269)
Remeasurements of defined benefit plans	(1,136)	(219)
Share of other comprehensive income of equity method affiliates	(1,680)	(4,563)
Total other comprehensive income	(7,741)	(4,574)
Total comprehensive income	37,799	29,446
Total comprehensive income attributable to:		
Owners of the parent	37,681	29,488
Minority interests	117	(41)

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

Not applicable

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

Not applicable

**(Segment Information)****For the first three months of FY2014 (from April 1, 2014 to June 30, 2014)**

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

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	275,403	75,267	11,847	23,826	386,344	—	386,344
Intersegment sales	—	1,789	36	10,133	11,958	(11,958)	—
Total	275,403	77,056	11,884	33,959	398,303	(11,958)	386,344
Segment income (loss)	65,678	8,453	109	1,967	76,208	(10,643)	65,565

Notes:

- Adjustments to segment income (loss) of ¥(10,643) million include intersegment eliminations of ¥27 million and unallocated corporate expenses of ¥(10,670) million. Corporate expenses include headquarter costs and other indirect expenses.
- Segment income (loss) is adjusted to operating income as stated in the quarterly consolidated statement of income.

**For the first three months of FY2015 (from January 1, 2015 to March 31, 2015)**

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

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	288,660	61,658	9,047	25,712	385,079	—	385,079
Intersegment sales	—	1,939	110	8,370	10,420	(10,420)	—
Total	288,660	63,598	9,158	34,082	395,499	(10,420)	385,079
Segment income (loss)	60,619	439	(653)	1,284	61,689	(10,103)	51,586

Notes:

- Adjustments to segment income (loss) of ¥(10,103) million include intersegment eliminations of ¥152 million and unallocated corporate expenses of ¥(10,255) million. Corporate expenses include headquarter costs and other indirect expenses.
- Segment income (loss) is adjusted to operating income as stated in the quarterly consolidated statement of income.

## 2) Assets by reporting segment

Assets by reporting segment for the first quarter of FY2015 changed significantly compared to the previous fiscal year end as follows:

Segment assets increased by ¥421,839 million in the "Pharmaceuticals" segment due to the acquisition of Avanir Pharmaceuticals, Inc. in the first quarter of FY2015.

## 3) Impairment losses and goodwill by reporting segment

(Significant changes in goodwill)

As stated in "Business Combinations," Avanir Pharmaceuticals, Inc. was fully consolidated in the "Pharmaceuticals" segment in the first quarter of FY2015 due to the acquisition of its shares. As a result, goodwill increased by ¥387,932 million in the first quarter of FY2015. The amount of goodwill is provisional as the allocation of the acquisition price is not yet completed.

## **(Business Combinations)**

Business combinations due to acquisition

- (1) Overview of business combination
  - 1) Name of company acquired and nature of business  
Name of company acquired: Avanir Pharmaceuticals, Inc.  
Nature of business: Research, development, manufacturing and marketing of pharmaceuticals
  - 2) Rationale for business combination  
Avanir Pharmaceuticals, Inc. (“Avanir”) is a biopharmaceutical venture company specializing in the area of central nervous system (“CNS”) diseases. It was founded in 1988 in Southern California and now employs approximately 500 people. Avanir developed and launched NUEDEXTA® (dextromethorphan hydrobromide/quinidine sulfate) 20 mg/10 mg capsules in the U.S. in February 2011 as the world’s first and only approved treatment for the pseudobulbar affect (PBA: Pseudobulbar affect). Avanir markets NUEDEXTA in the U.S. through its own sales organization of over 300 sales representatives, 150 of whom were medical representatives hired to accelerate the continued growth of NUEDEXTA for PBA.  
The company’s pipeline includes programs in Alzheimer’s disease, Parkinson’s disease, migraine, and other CNS indications. The promising new chemical entity AVP-786, with a target indication for behavioral disorders (agitation) associated with Alzheimer’s disease, is being prepared to enter Phase III clinical trials.  
The acquisition of Avanir will bring Otsuka Pharmaceutical Co., Ltd. (“Otsuka Pharmaceutical”) three distinct values: 1) NUEDEXTA, created to treat the under-recognized neurologic disease PBA; 2) the late-stage investigational compound AVP-786 in clinical development to treat agitation associated with Alzheimer’s disease; and 3) Avanir’s clinical development and commercial expertise in neurologic diseases, which complements Otsuka Pharmaceutical’s capabilities in psychiatric diseases. These will accelerate Otsuka Pharmaceutical’s existing expansion strategy in the neurologic area, widening the overall CNS portfolio, inclusive of the psychiatric and neurologic areas, supporting both short- and medium-term growth.  
This acquisition is consistent with the Group’s investment philosophy: invest in companies and businesses with which we can share a common management philosophy, human resources, products and technology to enhance corporate value, and invest with long-term perspective. The acquisition is based on the Group’s central concepts of creativity and proof through execution.
  - 3) Date of business combination  
January 13, 2015 (U.S. Eastern Standard Time)
  - 4) Legal type of business combination  
All-cash tender offer
  - 5) Name of resulting entity  
Avanir Pharmaceuticals, Inc.
  - 6) Share of voting rights acquired  
100%
  - 7) Main rationale for selecting the acquiring entity  
The acquisition company (Bigarade Corporation), a subsidiary of the Company, has acquired all shares of Avanir Pharmaceuticals, Inc. for cash.
- (2) Period of performance of the acquired company included in the consolidated financial statements  
January 13, 2015 to March 31, 2015
- (3) Total acquisition price and breakdown  
Acquisition price: US\$3,507 million in cash  
Direct costs related to the acquisition: US\$20 million
- (4) Amount, cause, amortization method and period of goodwill generated
  - 1) Amount of goodwill generated  
¥387,932 million  
The amount of goodwill is provisional as the allocation of the acquisition price is not yet completed.
  - 2) Rationale for goodwill generation  
The acquisition price exceeded the net amount of acquired assets and liabilities, and the exceeding amount was recognized as goodwill.
  - 3) Method and period of amortization  
Straight-line method over 20 years