

Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2015 [Japan GAAP]

August 7, 2015

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 Stock exchange listing : Tokyo Stock Exchange
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 Scheduled date of quarterly securities report submission : August 10, 2015
 Scheduled date of dividend payment commencement : September 7, 2015
 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 FY2015 (January 1, 2015 to June 30, 2015)

(1) Consolidated Financial 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	%
FY2015	745,804	—	103,159	—	109,382	—	69,474	—
FY2014	788,283	12.7	136,650	22.3	148,124	21.4	99,503	14.4

(Note) Comprehensive income: FY2015 ¥88,022 million —%
 FY2014 ¥116,798 million (1.4)%

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY2015	128.22		128.20	
FY2014	183.70		183.64	

(Note) The Company changed its fiscal year-end from March 31 to December 31 in FY2014. Therefore, results of the second quarter of FY2015 (January 1 to June 30) are not directly comparable to the second quarter of FY2014 (April 1 to September 30).

(2) Consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio		Book value per share	
	Million yen		Million yen		%		Yen	
As of June 30, 2015	2,493,393		1,725,995		67.9		3,125.47	
As of December 31, 2014	2,178,184		1,658,600		74.7		3,004.38	

(Reference) Shareholders' equity: As of June 30, 2015 ¥1,693,529 million
 As of December 31, 2014 ¥1,627,801 million

2. Dividends

	Annual dividend per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen				
FY2014	—	35.00	—	40.00	75.00
FY2015	—	50.00	—	—	—
FY2015 (forecast)	—	—	—	50.00	100.00

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

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
FY2015	1,380,000	—	120,000	—	125,000	—	80,000	—	147.65

(Note) Revisions to financial forecast most recently announced: Yes

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):

June 30, 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:

June 30, 2015	15,987,751 shares
December 31, 2014	16,037,940 shares
 - 3) Average number of shares outstanding during the reporting period:

Quarter ended June 30, 2015	541,828,050 shares
Quarter ended September 30, 2014	541,650,988 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 August 7, 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 “1. Qualitative Information for the Second Quarter of FY2015 (3) Qualitative Information on Consolidated Financial Results Forecast” on page 11 for information regarding the forecast of consolidated financial results.

The Company plans to hold a meeting for institutional investors, analysts and the press on August 7, 2015. Presentation materials and the webcast of the meeting will be available on the Company’s website promptly after the meeting.

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1. Qualitative Information for the Second Quarter of FY2015

(1) Qualitative Information on Consolidated Financial Results

Following approval of the partial amendments of the Articles of Incorporation at the 6th 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 September 30 for FY2014 and from January 1 to June 30 for FY2015.

Therefore, to provide a comparison with last year’s quarterly results, we have calculated results for the period from January 1 to June 30, 2014 for all consolidated companies, which are shown for reference purposes below.

<Summary of Financial Results for the Six Months Ended June 30, 2015>

For the six months of FY2015 (from January 1 to June 30, 2015), the Otsuka Group recorded consolidated net sales of ¥745,804 million (up 1.6% from ¥733,889 million for the same period in the previous year), with operating income of ¥103,159 million (up 24.5% from ¥82,868 million for the same period in the previous year), ordinary income of ¥109,382 million (up 24.4% from ¥87,961 million for the same period in the previous year) and net income of ¥69,474 million (up 21.4% from ¥57,231 million for the same period in the previous year).

Results by business segment are as follows:

(Results for the Six Months Ended June 30, 2015)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	520,920	154,382	20,896	71,838	(22,233)	745,804
Operating income (loss)	108,501	11,915	(1,660)	3,604	(19,201)	103,159

(Reference: Results for the Six Months Ended June 30, 2014)

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	533,698	134,098	21,487	66,355	(21,750)	733,889
Operating income (loss)	95,275	7,227	(267)	3,235	(22,602)	82,868

1) Pharmaceuticals

In the area of central nervous system (“CNS”) disorders, global sales of antipsychotic agent *ABILIFY* fell more than 20% compared with the same period in the previous year due to loss of exclusivity in the U.S., as well as in Europe. In the U.S., sales of *ABILIFY* declined more than 20% year on year, reflecting the impact of generic products approved in April 2015. Sales of *ABILIFY* in Europe also declined from the same period in the previous year as generic products were launched in more countries. In Asia, sales of *ABILIFY* declined in South Korea due to loss of exclusivity, but sales in Asia grew overall on the back of higher sales in China and other Asian markets. In Japan, sales of *ABILIFY* rose compared with the same period in the previous year, supported by an increase in prescriptions for orally disintegrating tablets for the 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*¹, registered steady sales growth in the U.S., supported by efforts to promote the drug’s efficacy for the treatment of acutely relapsed adults with schizophrenia and the merits of a ready-to-use prefilled syringe launched in March 2015. In Europe, *Abilify Maintena* had been launched in 19 countries as of June 30, 2015. *Abilify Maintena* was also launched in Canada in May 2014 and in Australia in March 2015, as well as in Japan in May 2015 as *ABILIFY for extended-release injectable suspension, for intramuscular use*, 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*² in the domestic antiepileptic drug market, achieving firm growth in market share. This reflected the drug’s high reputation for 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*, the world’s only transdermal dopamine agonist, benefited from increased uptake as a patch-based treatment for Parkinson’s disease and restless legs syndrome. The drug is also gaining growing recognition for its ability to improve wearing-off*³ symptoms in Parkinson’s disease, supporting strong growth in sales.

Sales of *NUDEXTA*, the world’s first and only treatment for the neurologic disease pseudobulbar affect (PBA), continued to grow, supported by efforts to reinforce the sales network in the U.S. *NUDEXTA* is sold by U.S. company Avanir Pharmaceuticals, Inc., which became part of the Otsuka Group in January 2015.

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 gastric cancer and colorectal cancer. However, sales declined compared with the same period in the previous year due to NHI drug price reductions in 2014 and the impact of generics. Global sales of the drug were steady

year on year due to higher sales in overseas markets. Sales of anti-cancer agent *UFT* declined as a result of NHI drug price reductions, but sales of reduced folic acid formulation *Uzel* were steady year on year on the back of renewed efforts to promote the drug using existing data. Sales of long-acting 5-HT₃ receptor antagonist antiemetic agent *Aloxi* increased, supported by an increase in prescriptions in hematology and its use in a new clinical department. Sales of anti-cancer agent *Abraxane* grew strongly compared with the same period in the previous 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 Japan 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 treatment, anti-cancer agent *SPRYCEL*, which is being collaborated 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 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 drove strong sales growth.

In the area of cardiovascular system, *Samsca/Jinarc*, a vasopressin V₂-receptor antagonist developed by Otsuka Pharmaceutical, was on sale in 20 markets worldwide as of June 30, 2015. The drug is gaining more acceptance among medical specialists due to the new value it brings and its new, low-volume method of use as an oral aquaretic agent, supporting a large rise in global sales compared with the same period in the previous 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. The drug was also launched in Canada in May 2015 and was approved in Europe in the same month. Sales of antiplatelet agent *Pletaal/Pletal* declined due to the impact of promotion of generics in hospitals in Japan.

In the area of digestive system, *TAKECAB*[®], co-promoted with Takeda Pharmaceutical Company Limited, has seen steady growth in prescriptions due to an increase in the number of hospitals that have adopted the drug 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 year due to the impact of promotion of generics in hospitals in Japan.

In other areas, prescriptions for dry eye treatment *Mucosta ophthalmic suspension UD 2%* expanded steadily and sales grew firmly.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased, compared with the same period in the previous due to firm sales reflecting active sales promotion efforts targeting chronic-stage medical care.

As a result, net sales in the pharmaceutical segment for the six months ended June 30, 2015 totaled ¥520,920 million (down 2.4% from the same period in the previous year), with operating income of ¥108,501 million (up 13.9%).

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

*2: ©2015 IMS Health. Estimated based on "Japan Pharmaceutical Market, June 2015." 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 in Japan increased compared with the same period in the previous year due to enhanced linkage between advertising and in-store sales promotions, spurring more demand from users despite a weak domestic market for sports drinks*⁵. 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 year, reflecting promotion strategies using the characteristics of each retail channel and successful sales promotion activities. However, total overseas sales volume was level with that of the same period in the previous year, reflecting a decline in sales volume in Indonesia compared with the same period in the previous year due mainly to the impact of rival products in the first half of 2015. In China, we renewed the first *Pocari Sweat* factory established in the north of the country, and started operations there in June 2015.

Total brand sales volume for carbonated nutritional drink *Oronamin C* has recovered to roughly level with that of the same period in the previous year, supported by steady growth in the number of stores that handle *Oronamin C Royalpolis*, which was relaunched in March 2015. *Oronamin C* was launched in South Korea in February 2015 and then in Hong Kong, where the growing nutritional drink market*⁶, in May 2015. *Oronamin C* is now sold in nine markets worldwide.

Sales volume for balanced nutrition food *Calorie Mate* increased compared with the same period in the previous year. This reflected ongoing efforts to increase consumer understanding about the product and further raise awareness of the *Calorie Mate* concept, and growth in the number of users since the launch of the plain flavor in September 2014. We also stepped up direct communication with students preparing for entrance exams and office workers.

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, *SOYJOY Strawberry* and *SOYJOY Blueberry* were fully relaunched in March 2015, supporting steady growth in the number of stores that handle *SOYJOY* products.

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 running sales promotions and providing information with a focus on the relationship between equol and the physical and emotional changes experienced by women during menopause. This has led to greater understanding about

the product among consumers, supporting steady 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^{*7}. Sales of *Nature Made* supplements rose in the U.S. amid an upswing in the market^{*8}. 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, 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.

Kenja-no-shokutaku (wise man's dining) *Double Support*, a Food for Specified Health Use, has the functions of slowing down the body's absorption of both sugars and lipids, thereby reducing the rise in blood glucose levels and triglycerides after meals. Sales of the product continued to grow at a double-digit pace, supported by highly targeted advertising and sampling, driving growth in the user base. In April 2015, *Kenja-no-shokutaku Double Support* was launched in Hong Kong, the product's first overseas market.

In the cosmetics area, where the focus is on the concept of "healthy skin," sales of the *UL•OS* men's skincare brand increased compared with the same period in the previous year in South Korea, supported by steady efforts to develop the brand, leading to growth in the number of stores that handle the *UL•OS* range and increased brand exposure. In Japan, there was steady growth in the number of stores that handle *UL•OS Adult Body Sheet* and *UL•OS Adult Facial Sheet*, which were launched in March 2015. Sales of the *InnerSignal* brand aimed at women who seek healthy and beautiful skin increased compared with the same period in the previous 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 year, due mainly to the shrinking market for nutrient tonics and competition from rival products.

Sales volume for oral rehydration solution *OS-1* increased compared with the same period in the previous year. This reflected focused activities targeting medical personnel in clinics with the aim of getting them to recommend the product to patients, and heightened awareness of the product due mainly to support activities for the Hidden Dehydration Committee and active sales promotion efforts such as television commercials and sampling.

Sales of *Oronine H Ointment* increased year on year in Japan, where sales promotion was focused on a tube-type product. Sales also rose in Hong Kong compared with the same period in the previous year, supported by reinforcement of the sales structure.

As a result, net sales in the nutraceutical segment for the six months ended June 30, 2015 totaled ¥154,382 million (up 15.1% from the same period in the previous year), with operating income of ¥11,915 million (up 64.9%).

*5: Inryo Soken data: Down 6% in sales in January–June 2015

*6: Nielsen energy and sports drink 2014 (2013: approximately 268 million HKD (approximately ¥4.1 billion), up 14% year on year)

*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, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company.

*8: Nielsen xAOC through 05/23/15 Up 1.7% for the last 4 periods

3) Consumer Products

Sales volume for *Match*, a carbonated electrolyte drink containing vitamins, declined compared with the same period in the previous year. Nevertheless, we are working to reenergize the brand in the market by continuing 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 work to further establish the product *Match Pink*. Although sales volume for mineral water products, centered on *Crystal Geysler*, declined compared with the same period in the previous year, we have reinforced our communication efforts targeting growth in new customers. In the *Bon Curry* range of instant curry dishes, sales volume increased sharply compared with the same period in the previous 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 and summer 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 six months ended June 30, 2015 totaled ¥20,896 million (down 2.8% from the same period in the previous year), with operating loss of ¥1,660 million (compared with an operating loss of ¥267 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 displays declined compared with the same period in the previous year, but sales of *TERPLUS*, pigment dispersing agents used in color filters and inkjets increased substantially compared with the same period in the previous year due to increases in the number of new users and sales to existing users. As a result, sales overall in the specialty chemical business were steady compared with the same period in the previous year.

In the fine chemical business, sales volume declined year on year due to the impact of increased sales volume of pharmaceutical intermediates overseas.

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)” business. As a result, sales increased compared with same period in the previous year.

As a result, net sales in the other businesses for the six months ended June 30, 2015 totaled ¥71,838 million (up 8.3% from the same period in the previous year), with operating income of ¥3,604 million (up 11.4%).

<Research and Development Activities>

Research and development expenses for the six months ended June 30, 2015 totaled ¥95,080 million.

The primary areas of research and development as well as the status of new product 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 focusing on fields that are yet to be fully addressed such as cardiovascular system and ophthalmology.

Research and development activities carried out during the six months ended June 30, 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> Approval was granted in March 2015 for the indication of schizophrenia and the drug was launched in May 2015.
	<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-type dementia. 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.> New Drug Application (NDA) filing for approval of an indication of acute migraine currently being reviewed by the FDA.
	Lu AF20513	<Europe> Phase I trial for the treatment of Alzheimer-type dementia was initiated in April 2015.

Category	Brand Name, (Generic Name), Development Code	Status
	<i>REXULTI</i> (brexpiprazole)	(Additional information) <U.S.> Approval was granted in July 2015 for the indications of schizophrenia and adjunctive therapy in major depressive disorder.
Oncology	<i>Lonsurf</i> TAS-102	<U.S.> An application was accepted in February 2015 for the indications of colorectal cancer. <Europe> An application was filed in February 2015 for the indications of colorectal cancer. A license agreement was concluded with Servier in June 2015 for the development and commercialization of TAS-102 in Europe and other countries (excluding North America and Asia). <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 acute myeloid leukemia (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 and Asia> 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 the indications of malignant soft tissue sarcoma.
	Cardiovascular system	<i>Samsca/Jinarc</i> (tolvaptan)
Other categories	<i>Zosyn</i> (tazobactam, piperacillin)	<Japan> Approval was granted in June 2015 for an additional indication of febrile neutropenia.
	<i>OLANEDINE</i> (olanexidin) OPB-2045G	(Additional information) <Japan> Approval was granted in July 2015 as antiseptics for external use.

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 six months ended June 30, 2015 were ¥90,174 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 products and beverages that support the maintenance and improvement of day-to-day well-being.

In the cosmetics business, the Group 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 six months ended June 30, 2015 were ¥2,501 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 June 30, 2015 were ¥233 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 June 30, 2015 were ¥2,170 million.

(2) Qualitative Information on Consolidated Financial Position

<Analysis of Financial Position>

1) Assets

Total assets as of June 30, 2015 were ¥2,493,393 million, an increase of ¥315,208 million compared to ¥2,178,184 million at the end of the previous fiscal year. This increase was due to an ¥84,162 million decrease in current assets, a ¥399,376 million increase in non-current assets and a ¥4 million decrease in deferred assets.

(Current Assets)

Total current assets as of June 30, 2015 were ¥1,161,440 million, a decrease of ¥84,162 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 ¥48,832 million, notes and accounts receivable-trade by ¥89,177 million, and other current assets by ¥39,742 million, while there were increases in marketable securities by ¥86,418 million and inventory by ¥7,179 million.

(Non-current Assets)

Total non-current assets as of June 30, 2015 were ¥1,331,898 million, an increase of ¥399,376 million compared to ¥932,522 million at the end of the previous fiscal year. This increase was mainly due to increases in intangible assets due to full consolidation of Avanir Pharmaceuticals, Inc. by ¥385,350 million, property, plant and equipment by ¥7,339 million, net defined benefit asset by ¥5,508 million, and investment securities by ¥4,213 million.

2) Liabilities

(Current Liabilities)

Total current liabilities as of June 30, 2015 were ¥428,673 million, a decrease of ¥8,353 million compared to ¥437,026 million at the end of the previous fiscal year. This decrease was mainly due to decreases in notes and accounts payable-trade by ¥50,088 million, short-term loans payable by ¥14,589 million, income taxes payable by ¥3,714 million, while there was an increase in other current liabilities by ¥60,221 million.

(Non-current Liabilities)

Total non-current liabilities as of June 30, 2015 were ¥338,724 million, an increase of ¥256,167 million compared to ¥82,557 million at the end of the previous fiscal year. This increase mainly resulted from a ¥249,751 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 June 30, 2015 were ¥1,725,995 million, an increase of ¥67,394 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 ¥47,377 million increase in total shareholders' equity as a result of quarterly net income of ¥69,474 million, and a ¥18,350 million increase of accumulated other comprehensive income reflecting the strong stock market.

<Cash Flow Position>

Cash and cash equivalents increased by ¥6,944 million during the six months ended June 30, 2015 to ¥463,484 million compared to the end of the previous fiscal year. Net cash provided by operating activities and financing activities were ¥227,522 million and ¥213,662 million respectively, while net cash used in investing activities was ¥434,023 million.

(Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥227,522 million in the six months ended June 30, 2015. This was mainly due to ¥109,471 million in income before income taxes and minority interest, a ¥91,931 million decrease in trade receivables, and ¥23,821 million in depreciation and amortization.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥434,023 million in the six months ended June 30, 2015. This was mainly due to ¥383,893 million in purchases of investments in subsidiaries resulting in change in scope of consolidation, a ¥41,304 million increase in short-term investment securities, ¥31,748 million in purchases of property, plant and equipment, and ¥19,360 million in proceeds from collection of loans receivables.

(Cash Flows from Financing Activities)

Net cash provided by financing activities was ¥213,662 million in the six months ended June 30, 2015. This was mainly due to ¥264,457 million in proceeds from long-term loans payable, a ¥24,904 million decrease in short-term loans payable, and ¥21,671 million in dividends paid.

(3) Qualitative Information on Consolidated Financial Results Forecast

The full-year consolidated financial results forecast for FY2015 announced on February 13, 2015 has been amended based upon the actual results for the six months ended June 30, 2015 and taking into account projected research and development expenses and future investment in the second half of the fiscal year.

Amendments to the consolidated financial results forecast for FY2015 (January 1, 2015 to December 31, 2015)

	Net Sales	Operating income	Ordinary income	Net income	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	1,370,000	110,000	120,000	80,000	147.65
Revised forecast (B)	1,380,000	120,000	125,000	80,000	147.65
Amount of change (B-A)	10,000	10,000	5,000	—	
Change (%)	0.7	9.1	4.2	—	
(Reference) Consolidated results of FY2014*	1,224,298	196,528	217,210	143,143	264.20

*FY2014 represents nine months.

Projected foreign exchange rate is as follows:

	USD	EUR
Previous forecast	120.00 yen	130.00 yen
Revised forecast	120.00 yen	134.00 yen
Foreign exchange rate for the six months of FY2015	120.30 yen	134.10 yen

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 June 30, 2015
ASSETS		
Current assets		
Cash and deposits	523,135	474,303
Notes and accounts receivable-trade	406,431	317,254
Marketable securities	48,535	134,954
Finished products and merchandise	80,011	81,685
Work-in process	31,783	36,742
Raw materials and supplies	41,915	42,462
Other current assets	114,330	74,587
Allowance for doubtful receivables	(541)	(550)
Total current assets	1,245,602	1,161,440
Non-current assets		
Property, plant and equipment	344,784	352,123
Intangible assets		
Goodwill	93,162	476,510
Other intangible assets	128,010	130,013
Total intangible assets	221,173	606,523
Investments and other assets		
Investment securities	270,804	275,018
Investments in capital	42,538	44,728
Net defined benefit asset	17,486	22,994
Other assets	36,574	31,335
Allowance for investment loss	(78)	(80)
Allowance for doubtful receivables	(759)	(745)
Total investments and other assets	366,565	373,251
Total non-current assets	932,522	1,331,898
Deferred assets	59	54
Total assets	2,178,184	2,493,393
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	130,784	80,695
Short-term loans payable	70,178	55,588
Income taxes payable	14,498	10,783
Reserve for bonuses	8,563	8,929
Provisions	613	64
Other current liabilities	212,389	272,611
Total current liabilities	437,026	428,673
Non-current liabilities		
Long-term loans payable	22,251	272,003
Other allowances	2,787	2,445
Net defined benefit liability	10,921	11,076
Negative goodwill	19,691	18,459
Other non-current liabilities	26,904	34,740
Total non-current liabilities	82,557	338,724
Total liabilities	519,584	767,397

Consolidated Balance Sheets—Continued

	(Millions of yen)	
	As of December 31, 2014	As of June 30, 2015
NET ASSETS		
Shareholders' equity		
Common stock	81,690	81,690
Capital surplus	512,747	512,703
Retained earnings	990,906	1,038,179
Treasury stock	(47,415)	(47,267)
Total shareholders' equity	<u>1,537,928</u>	<u>1,585,305</u>
Accumulated other comprehensive income		
Unrealized gain on available-for-sale securities	13,152	25,863
Deferred gain (loss) on derivatives under hedge accounting	392	(8)
Foreign currency translation adjustments	57,161	64,672
Remeasurements of defined benefit plans	19,167	17,696
Total accumulated other comprehensive income	<u>89,873</u>	<u>108,223</u>
Minority interests	<u>30,798</u>	<u>32,465</u>
Total net assets	<u>1,658,600</u>	<u>1,725,995</u>
Total liabilities and net assets	<u>2,178,184</u>	<u>2,493,393</u>

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

	(Millions of yen)	
	FY2014 (From April 1, 2014 to September 30, 2014)	FY2015 (From January 1, 2015 to June 30, 2015)
Net sales	788,283	745,804
Cost of sales	221,366	215,126
Gross profit	566,917	530,677
Selling, general and administrative expenses		
Promotion expenses	120,687	115,410
Salaries and bonuses	52,136	66,422
Reserve for bonuses	11,079	6,476
Retirement benefit expenses	971	1,602
Amortization of goodwill	2,436	12,829
Research and development expenses	102,723	95,080
Other	140,232	129,697
Total selling, general and administrative expenses	430,267	427,518
Operating income	136,650	103,159
Non-operating income		
Interest income	694	806
Dividend income	564	981
Amortization of negative goodwill	1,232	1,462
Equity in earnings of unconsolidated subsidiaries and affiliated companies	5,342	5,126
Foreign exchange gain, net	3,810	—
Other	1,226	1,302
Total non-operating income	12,870	9,678
Non-operating expenses		
Interest expenses	971	1,993
Foreign exchange loss, net	—	793
Other	424	669
Total non-operating expenses	1,396	3,456
Ordinary income	148,124	109,382
Extraordinary income		
Gain on sales of non-current assets	56	609
Gain on change in equity	124	—
Subsidy income	3	331
Gain on insurance adjustment	—	256
Other	66	32
Total extraordinary income	250	1,230
Extraordinary loss		
Loss on retirement of non-current assets	215	196
Impairment loss	15	127
Extra retirement payments	558	—
Loss on sales of shares of subsidiaries	—	557
Other	60	259
Total extraordinary loss	849	1,140
Income before income taxes and minority interests	147,525	109,471
Income taxes		
Current	32,587	13,623
Deferred	14,614	26,034
Total income taxes	47,202	39,658
Income before minority interests	100,323	69,813
Minority interests in net income	819	339
Net income	99,503	69,474

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2014 (From April 1, 2014 to September 30, 2014)	FY2015 (From January 1, 2015 to June 30, 2015)
Income before minority interests	100,323	69,813
Other comprehensive income		
Unrealized gain (loss) on available-for-sale securities	(521)	12,914
Deferred gain (loss) on derivatives under hedge accounting	16	(401)
Foreign currency translation adjustments	14,836	8,512
Remeasurements of defined benefit plans	(2,397)	(1,640)
Share of other comprehensive income of equity method affiliates	4,539	(1,177)
Total other comprehensive income	16,475	18,208
Total comprehensive income	116,798	88,022
Total comprehensive income attributable to:		
Owners of the parent	115,036	87,555
Minority interests	1,761	466

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	For the six months ended September 30, 2014	For the six months ended June 30, 2015
Operating activities:		
Income before income taxes and minority interests	147,525	109,471
Depreciation and amortization	26,653	23,821
Impairment loss	15	127
Amortization of goodwill	1,204	11,367
Increase (decrease) in allowance for doubtful receivables	562	11
Decrease/increase in net defined benefit asset/liability	(5,993)	(5,516)
Interest and dividend income	(1,258)	(1,787)
Interest expense	971	1,993
Equity in earnings of unconsolidated subsidiaries and affiliated companies (gain)	(5,342)	(5,126)
Gain on sales of subsidiaries' stocks (gain)	—	557
(Increase) decrease in trade receivables	24	91,631
(Increase) decrease in inventories	3,287	(7,858)
Increase (decrease) in trade payables	1,107	(49,529)
Increase (decrease) in long-term unearned revenues	(5,564)	(5)
Other, net	(24,586)	60,267
Subtotal	138,608	229,426
Interest and dividends received	4,886	3,564
Interest paid	(985)	(1,808)
Income taxes paid	(62,277)	(3,660)
Net cash provided by operating activities	80,232	227,522
Investing activities:		
(Increase) decrease in short-term investment securities	4,240	(41,304)
Purchases of property, plant and equipment	(19,684)	(31,748)
Proceeds from sales of property, plant and equipment	78	97
Purchases of intangible assets	(4,252)	(12,843)
Purchases of investment securities	(4,376)	(4,086)
Proceeds from sales and redemptions of investment securities	1,000	6,548
Payments for investments in capital	(123)	—
Purchases of investments in subsidiaries resulting in change in scope of consolidation	(6,141)	(383,893)
Payments of loans receivables	(1,540)	(583)
Proceeds from collection of loans receivables	150	19,360
(Increase) decrease in time deposits	33,067	15,090
Other, net	(278)	(659)
Net cash used in investing activities	2,140	(434,023)

Consolidated Statements of Cash Flows—Continued

(Millions of yen)

	For the six months ended September 30, 2014	For the six months ended June 30, 2015
Financing activities:		
Increase (decrease) in short-term loans payable	8,166	(24,904)
Proceeds from long-term loans payable	8,147	264,457
Repayments of long-term loans payable	(857)	(2,915)
Proceeds from disposal of treasury stock	73	106
Purchases of treasury stock	(1)	(6)
Dividends paid	(18,956)	(21,671)
Dividends paid to minority interests in consolidated subsidiaries	(322)	(366)
Proceeds from share issuance to minority shareholders	807	54
Other, net	(1,202)	(1,091)
Net cash used in financing activities	<u>(4,144)</u>	<u>213,662</u>
Foreign currency translation adjustments on cash and cash equivalents	5,130	(2,759)
Net increase (decrease) in cash and cash equivalents	<u>83,359</u>	<u>4,401</u>
Cash and cash equivalents, beginning of period	417,538	456,540
Increase (decrease) in cash and cash equivalents due to change in scope of consolidation	951	2,542
Decrease in cash and cash equivalents due to change of fiscal year end	(128)	—
Cash and cash equivalents, end of period	<u>501,720</u>	<u>463,484</u>

(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)
 Not applicable

(Segment Information)

For the six months of FY2014 (from April 1, 2014 to September 30, 2014)

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

	Pharmaceuticals	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

(Millions of yen)

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.

For the six months of FY2015 (from January 1, 2015 to June 30, 2015)

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

	Pharmaceuticals	Nutra-ceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	520,920	150,613	20,743	53,527	745,804	—	745,804
Intersegment sales	—	3,768	153	18,311	22,233	(22,233)	—
Total	520,920	154,382	20,896	71,838	768,038	(22,233)	745,804
Segment income (loss)	108,501	11,915	(1,660)	3,604	122,361	(19,201)	103,159

(Millions of yen)

Notes:

- 1) Adjustments to segment income (loss) of ¥(19,201) million include intersegment eliminations of ¥331 million and unallocated corporate expenses of ¥(19,533) 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) Assets by reporting segment
 Assets by reporting segment for the six months 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.