**Consolidated Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2016 [Japan GAAP]**

May 13, 2016

| | |
|---|---|
| Company name | : **Otsuka Holdings Company Limited** |
| Stock exchange listing | : Tokyo Stock Exchange |
| Code number | : 4578 |
| URL | : http://www.otsuka.com/en/ |
| Representative | : Tatsuo Higuchi<br>President and Representative Director, CEO |
| Contact | : Yuji Kogure<br>Director, Investor Relations Department<br>Telephone: +81-3-6361-7411 |
| Scheduled date of quarterly securities report submission | : May 13, 2016 |
| Scheduled date of dividend payment commencement | : - |
| Supplementary materials for quarterly financial results | : Yes |
| Earnings announcement for quarterly financial results | : Yes (for institutional investors, analysts and the press) |

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

## 1. Consolidated Financial Results for the First Quarter of FY2016 (January 1, 2016 to March 31, 2016)

(1) Consolidated Operating Results (cumulative)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2016 | 282,580 | (26.6) | 26,762 | (48.1) | 27,285 | (47.0) | 18,642 | (45.1) |
| FY2015 | 385,079 | - | 51,586 | - | 51,474 | - | 33,960 | - |

(Note) Comprehensive income: FY2016 ¥(25,605) million -%
FY2015 ¥29,446 million -%

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| FY2016 | 34.40 | 34.40 |
| FY2015 | 62.67 | 62.66 |

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

(2) Consolidated Financial Position

| | Total assets | Net assets | Shareholders' equity ratio | Book value per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of March 31, 2016 | 2,415,913 | 1,631,459 | 66.3 | 2,958.06 |
| As of December 31, 2015 | 2,528,510 | 1,683,436 | 65.4 | 3,053.82 |

(Reference) Shareholders' equity: As of March 31, 2016 ¥1,602,672 million
As of December 31, 2015 ¥1,654,746 million

## 2. Dividends

| | Annual dividend per share | | | | |
|---|---|---|---|---|---|
| | First Quarter | Second Quarter | Third Quarter | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY2015 | - | 50.00 | - | 50.00 | 100.00 |
| FY2016 | - | | | | |
| FY2016 (forecast) | | 50.00 | - | 50.00 | 100.00 |

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

## 3. Forecasts of Consolidated Financial Results for FY2016 (January 1, 2016 to December 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Q2 (YTD) | 608,000 | (18.5) | 25,000 | (75.8) | 30,000 | (72.6) | 20,000 | (71.2) | 36.91 |
| FY2016 | 1,250,000 | (13.5) | 70,000 | (53.9) | 80,000 | (50.0) | 50,000 | (40.5) | 92.27 |

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

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

(Note) Please see “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 9 for detailed information.

(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 shares):
   March 31, 2016 557,835,617 shares
   December 31, 2015 557,835,617 shares
2) Number of shares of treasury shares as of the end of the reporting period:
   March 31, 2016 15,985,971 shares
   December 31, 2015 15,985,891 shares
3) Average number of shares outstanding during the reporting period:
   Quarter ended March 31, 2016 541,797,656 shares
   Quarter ended March 31, 2015 541,815,585 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 10, 2016.

*** 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 First Quarter of FY2016 (3) Qualitative Information on Consolidated Operating Results Forecast” on page 8 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, 2016. 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 FY2016

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

**<Summary of Operating Results for the Three Months Ended March 31, 2016>**

For the first three months of FY2016 (from January 1 to March 31, 2016), the Otsuka Group recorded consolidated net sales of ¥282,580 million (down 26.6% year on year), with operating income of ¥26,762 million (down 48.1%), ordinary income of ¥27,285 million (down 47.0%) and net income of ¥18,642 million (down 45.1%).

Results by business segment are as follows:

(Results for the Three Months Ended March 31, 2016)

(Millions of yen)

| | Pharmaceuticals | Nutraceuticals | Consumer products | Others | Adjustments | Total |
|---|---|---|---|---|---|---|
| Net sales | 181,744 | 68,845 | 8,959 | 33,636 | (10,605) | 282,580 |
| Operating income (loss) | 28,814 | 5,589 | (249) | 1,465 | (8,858) | 26,762 |

1) Pharmaceuticals

In the area of central nervous system (“CNS”) disorders, global sales of the antipsychotic agent *ABILIFY* fell more than 70% compared with the same period in the previous year due to the impact of the loss of exclusivity in the U.S. and Europe. In the U.S., sales of *ABILIFY* declined sharply, approximately 90% year on year, following the approval of generic products in April 2015. Sales of *ABILIFY* in Europe also declined steeply from the same period in the previous year as generic products were launched in more countries. In Asia, sales of *ABILIFY* continued to grow sharply overall on the back of higher sales in China and other Asian markets. In Japan, prescriptions and sales share for *ABILIFY* orally disintegrating tablets were firm for the three approved indications of schizophrenia, manic episodes of bipolar disorder and major depressive disorder.

Global sales of *ABILIFY* intramuscular depot formulation *Abilify Maintena*[*1] (once-monthly injection) increased significantly due to the growing number of markets. *Abilify Maintena* registered significant sales growth in the U.S., supported by an increase in use for the treatment of acutely relapsed adults with schizophrenia and the merits of a ready-to-use prefilled syringe launched in March 2015 and an additional administration route using the deltoid muscle approved in July 2015. In Europe, sales of *Abilify Maintena* continued to increase as the number of countries in Europe, where it has been launched, expanded to 27. In Japan, sales of *ABILIFY for extended–release injectable suspension, for intramuscular use*, which was launched in May 2015, are rising steadily, and an additional administration route using the deltoid muscle was approved in March 2016. The new antipsychotic agent *REXULTI* (generic name: brexpiprazole)[*1] received approval from the U.S. Food and Drug Administration (FDA) in July 2015 simultaneously for indications of schizophrenia and adjunctive therapy in major depressive disorder. Prescriptions have been growing steadily since the drug was launched in the U.S. in August 2015.

In Japan, antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, has firmly achieved growth in market share as the top-selling brand[*2] in the domestic antiepileptic drug market. This reflected growth in prescriptions for pediatric patients, approval for the monotherapy treatment of epileptic partial-onset seizures in February 2015, and the launch of an additional type of drip formulation in December 2016. In addition, *E Keppra* was approved for the additional indication of adjunctive therapy for generalized tonic-clonic seizures in February 2016. *Neupro Patch*, the world’s only transdermal dopamine agonist, benefited from increasing understanding of use of the patch formulation and growing recognition of its effect in improving wearing-off[*3] symptoms in indications of Parkinson’s disease and restless legs syndrome, and is seeing continued strong growth in sales.

Sales of *NUEDEXTA* climbed significantly. *NUEDEXTA* is developed by U.S. company Avanir Pharmaceuticals, Inc., which became part of the Otsuka Group in January 2015 and has strengths to develop drugs in the area of neurologic diseases. The drug’s growth in prescriptions and stronger sales reflected its increasingly recognized status as the world’s first and only treatment for the neurologic disease pseudobulbar affect (“PBA”) on the back of the strengthened sales network in the U.S.

In the area of oncology, global sales of anti-cancer agent *TS-1* declined compared with the same period in the previous year, mainly due to the impact of rival products for gastric cancer in Japan. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined compared with the same period in the previous year, due mainly to the impact of rival products. Sales of long-acting 5-$HT_3$ receptor antagonist antiemetic agent *Aloxi* increased compared to the same period in the previous year, supported by the use in new clinical departments. 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 as a treatment of unresectable advanced or recurrent colorectal cancer, and sales have been growing steadily. In the U.S., prescriptions for *LONSURF* have been rising steadily since the Group started to sell the drug through in-house sales platform for the same indication in October 2015.

The anti-cancer agent *SPRYCEL*, which is being promoted in Japan, the U.S. and Europe, in collaboration with BMS[*4], has seen growth in prescriptions worldwide as a first-line treatment for chronic myeloid leukemia. *Busulfex*, an allogeneic hematopoietic stem cell pre-transplanting regimen now sold in more than 50 markets worldwide, has established a standard drug therapy approach as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. However, sales of *Busulfex* decreased compared with the same period in the previous year, due to the impact of generic products launched in Europe.

In the area of cardiovascular system, *Samsca*, a vasopressin $V_2$-receptor antagonist developed by Otsuka Pharmaceutical, is gaining more acceptance among medical specialists due to its value as an oral aquaretic agent, supporting a large increase in global sales compared with the same period in the previous year. Globally the drug (*Samsca/JINARC*[*5]) has also started to be used as the world's first drug for the autosomal dominant polycystic kidney disease ("ADPKD"), an intractable kidney disease. In Japan, the drug has been approved for this additional indication in March 2014, and the prescriptions have increased as understanding of the drug has increased. Sales of the drug for the treatment of ADPKD also started in Canada and Europe in 2015. As of March 31, 2016, *Samsca/JINARC* was available for both indications in 22 markets worldwide. Sales of antiplatelet agent *Pletaal/Pletal* declined compared with the same period in the previous year due to the impact of promotion of generic products in Japan.

In the area of digestive system, the ban on long-term prescriptions of *TAKECAB*®, co-promoted with Takeda Pharmaceutical Company Limited since its launch in February 2015, was lifted in March 2016 and prescriptions have been growing steadily. 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 generic products in Japan.

In other areas, prescriptions for dry eye treatment *Mucosta ophthalmic suspension UD 2%* expanded steadily and sales grew compared with the same period in the previous year.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased compared with the same period in the previous year. This reflected recognition 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") and ongoing efforts to promote the solution to welfare facilities.

As a result, net sales in the pharmaceutical segment for the three months ended March 31, 2016 totaled ¥181,744 million (down 37.0% from the same period in the previous year), with operating income of ¥28,814 million (down 52.5%).

*1: Alliance products, under the global alliance with H. Lundbeck A/S, developed by Otsuka Pharmaceutical
*2: ©2016 IMS Health. Estimated based on "Japan Pharmaceutical Market, January-March 2016." 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
*5: The brand name in Japan is *Samsca*. The brand name overseas is *JINARC*.

2) Nutraceuticals

Sales volume of the *Pocari Sweat* electrolyte supplement drink increased in Japan compared with the same period in the previous year, despite a weak domestic market for sports drinks[*6]. The result reflected demand from users, stimulated by provision of health information based on scientific evidence and by the success of winter sales campaigns. Overseas, sales volume increased compared with the same period in the previous year, supported by growth in sales volume particularly in Indonesia due to ongoing efforts to cultivate consumers and promote the product's benefits. In the Philippines, where *Pocari Sweat* was launched in 2007, a joint venture (OTSUKA-SOLAR Philippines, Inc.) was established in January 2016 to operate a functional beverages and food business.

The Tokyo Marathon 2016, one of Asia's largest metropolitan marathon events, was held in February 2016. This marked the tenth time the event has been run. Together with Otsuka Holdings, Otsuka Pharmaceutical handed out *Pocari Sweat*, *Amino-Value* and *Calorie Mate*, providing total support before, during and after the race to the roughly 37,000 runners from around the world who took part.

Sales volume of carbonated nutritional drink *Oronamin C* declined compared with the same period in the previous year, partly reflecting a drop in sales of *Oronamin C Royalpolis*, which was relaunched in 2015. As of March 2016, *Oronamin C* was sold in nine markets worldwide. In Hong Kong, where *Oronamin C* was launched in 2015, the roll out of products is going smoothly.

Balanced nutrition food *Calorie Mate* registered growth in sales volume compared with the same period in the previous year. The result reflected demand from users, stimulated by reinforced efforts to increase consumer understanding about the product, and by stepping up communication with consumers during the entrance 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. Among the *SOYJOY* baked soy bar range, the Group relaunched *Strawberry*, *Blueberry*, *Raisin*, *Apple* and *Hawthorn Berry* in 2015. Sales volume has progressed steadily. In addition, Otsuka Pharmaceutical announced the launch of *SOYJOY Crispy*, a new type of *SOYJOY* range with a different texture in March 2016. *SOYJOY Crispy* comes in three flavors, *Plain*, *Mixed Berry* and *Golden Berry*. The new range will be marketed as a source of soy for people who have rushed breakfasts.

Sales of *EQUELLE*, a food product containing equol for supporting women's health, progressed steadily, reflecting the Group's efforts to provide information with a focus on the relationship between equol and physical and emotional changes in women.

*Nature Made*, supplied by the subsidiary Pharmavite LLC of the U.S. ("Pharmavite"), has been the number one retail national vitamin and supplement brand in the U.S. for nine consecutive years[*7]. Sales of *Nature Made* supplements rose compared with the same period in the previous year in conjunction with an upswing in the U.S. market[*8]. In Japan, Otsuka Pharmaceutical relaunched five items in 2015 as Foods with Nutrient Function Claims under the *Nature Made* brand: *Lutein*, *Astaxanthin*, *Fish Oil Pearl*, *Super Fish Oil*, and *Ginkgo Biloba* (Japan's first Food with Nutrient Function Claims for cognitive function). These products are registering growth in the number of new accounts and sales. Sales were also firm for *MegaFood* and *INNATE*, natural food-based supplements of FoodState Inc. of the U.S. a subsidiary that Otsuka Pharmaceutical Co., Ltd. acquired.

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 have been growing 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. The product's user base grew through activities targeting a clearly defined customer segment, resulting in a significant growth in sales. Sales of *Kenja-no-shokutaku Double Support* are also rising steadily in Hong Kong, where the product was launched in 2015.

In the cosmedics area, sales of the *UL•OS* men's skincare brand rose steadily overall, reflecting activities to communicate the value of the product range, particularly *UL•OS Medicated Skin Whitening*, which was launched in August 2015. In South Korea, sales of the brand increased, supported by efforts to develop the brand. Sales of the women's skincare brand *InnerSignal* increased as a result of acquiring new customers and expanding the base of loyal users.

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

Sales volume of oral rehydration solution *OS-1* increased compared with the same period in the previous year, reflecting greater awareness of the product and the success of winter promotion activities.

Sales of *Oronine H Ointment* increased steadily in Japan, supported by efforts to promote the benefits of a new laminated tube product launched in August 2015, which attracted new customers. Sales in Hong Kong also increased compared with the same period in the previous year due to rising sales of tube-type products and moves to reinforce the marketing structure linked to volume retailers and distributors.

As a result, net sales in the nutraceutical segment for the three months ended March 31, 2016 totaled ¥68,845 million (up 8.3% from the same period in the previous year), with operating income of ¥5,589 million (compared with an operating income of ¥439 million for the same period in the previous year). In this business, the Group is making improvements to the value chain, such as rebuilding its product strategy to emphasize growth and profitability.

*6: INTAGE SRI (12/28/2015 to 03/20/2016 -5.8%)

*7: Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Total Vitamins Category in dollar and unit sales, for the 52-week periods ending 12/27/2008 in the US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009 through 12/19/2015 in the US xAOC channels. © 2016, The Nielsen Company

*8: Nielsen xAOC through 03/26/16 +3.8% for the last 4 periods.

3) Consumer Products

Sales volume of *MATCH*, a carbonated electrolyte drink containing vitamins, increased compared with the same period in the previous year, reflecting the launch of new flavor *Berry MATCH* in March 2016 and efforts to reenergize the brand by continuing to implement an aggressive marketing strategy, sales promotion activities and other initiatives. Sales volume for mineral water products, centered on *CRYSTAL GEISER*, rose strongly compared with the same period in the previous year due to the success of communication initiatives targeting growth in new customers. In the *Bon Curry* range of instant curry dishes, ongoing steps were taken to increase brand value, such as implementing product strategies tailored to consumer needs and stepping up marketing and sales promotion activities.

As a result, net sales in the consumer products segment for the three months ended March 31, 2016 totaled ¥8,959 million (down 2.2% from the same period in the previous year), with operating loss of ¥249 million (compared with an operating loss of ¥653 million for the same period in the previous year). In the consumer products segment, the Group is continuing its efforts to improve profitability by reviewing marketing strategies and sales promotion activities and improve the expense-to-sales ratio.

4) Others

In the specialty chemical business, sales increased compared with the same period in the previous year, reflecting contributions from increases in sales of flame retardant agents used in mobile devices and conducting materials.

In the fine chemical business, sales decreased compared with the same period in the previous year, mainly due to making price reductions on pharmaceutical intermediates overseas and forex factors.

In the transportation and warehousing business, there were increases in new external customers and in new deals in the overseas distribution business resulting from 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 the same period in the previous year. Sales in the direct sales support business increased compared with the same period in the previous year due to growth in the volume of orders handled.

As a result, net sales in the other businesses for the three months ended March 31, 2016 totaled ¥33,636 million (down 1.3% from the same period in the previous year), with operating income of ¥1,465 million (up 14.1 %).

**<Research and Development Activities>**

Research and development expenses for the three months ended March 31, 2016 totaled ¥36,025 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 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 three months ended March 31, 2016 in the area of therapeutic drugs are summarized below.

| Category | Brand Name, (Generic Name), Development Code | Status |
|---|---|---|
| Central nervous system | *E Keppra*<br>(levetiracetam) | <Japan><br>• Approval was granted in February 2016 for the additional indication of adjunctive therapy for generalized tonic-clonic seizures. |
| | *ONZETRA Xsail*<br>(sumatriptan)<br>AVP-825 | <U.S.><br>• Approval was granted in January 2016 for the indications of acute migraine. |
| Oncology | *LONSURF*<br>TAS-102 | <Japan, U.S. and Europe><br>• Phase III trial for the treatment of gastric cancer was initiated in February 2016. |
| | ASTX727 | <U.S.><br>• Phase II trial for the treatment of myelodysplastic syndrome (“MDS”) was initiated in January 2016. |
| | TAS3681 | <U.S. and Europe><br>• Phase I trial for the treatment of prostate cancer was initiated in March 2016. |
| Other categories | (tetomilast)<br>OPC-6535 | <Japan, U.S. and Asia><br>• Development was halted as Phase II trials for the treatment of chronic obstructive pulmonary disease did not provide sufficient scientific data to justify progression to Phase III trials. |

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 covered by Health Insurance in Japan from April 2015 and prescriptions have been growing steadily. In addition, sales of the *QuickNavi*™*-Flu Influenza Diagnostic Kit* increased due to a persistent outbreak of influenza.

Research and development expenses for the pharmaceutical business for the three months ended March 31, 2016 were ¥33,946 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.
Research and development expenses for the nutraceutical business for the three months ended March 31, 2016 were ¥1,175 million.

(Consumer products)
In the consumer products business, the 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, 2016 were ¥91 million.

(Others)
In the other businesses, the 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, 2016 were ¥811 million.

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

1) Assets

Total assets as of March 31, 2016 were ¥2,415,913 million, a decrease of ¥112,597 million compared to ¥2,528,510 million at the end of the previous fiscal year. This decrease was due to the ¥58,447 million decrease in current assets, ¥54,146 million decrease in non-current assets and ¥2 million decrease in deferred assets.

(Current Assets)
Total current assets as of March 31, 2016 were ¥1,118,434 million, a decrease of ¥58,447 million compared to ¥1,176,882 million at the end of the previous fiscal year. This decrease was mainly due to decreases in notes and accounts receivable-trade by ¥64,231 million, marketable securities by ¥34,917 million, and other current assets by ¥2,108 million, while there were increases in cash and deposits by ¥38,580 million and inventory by ¥4,223 million.

(Non-current Assets)
Total non-current assets as of March 31, 2016 were ¥1,297,432 million, a decrease of ¥54,146 million compared to ¥1,351,578 million at the end of the previous fiscal year. This was mainly due to decreases in intangible assets by ¥37,589 million, investment securities by ¥3,835 million, investments in capital by ¥4,499 million and other investments by ¥7,522 million.

2) Liabilities

(Current Liabilities)
Total current liabilities as of March 31, 2016 were ¥420,692 million, a decrease of ¥46,383 million compared to ¥467,075 million at the end of the previous fiscal year. This decrease was mainly due to decreases in income taxes payable by ¥7,753 million and other current liabilities by ¥47,669 million, while there were increases in short-term loans payable by ¥4,463 million and provision for bonuses by ¥3,903 million.

(Non-current Liabilities)
Total non-current liabilities as of March 31, 2016 were ¥363,761 million, a decrease of ¥14,236 million compared to ¥377,998 million at the end of the previous fiscal year. This decrease was mainly due to reductions in long-term loans payable by ¥9,652 million and other non-current liabilities by ¥3,531 million.

3) Net Assets

Total net assets as of March 31, 2016 were ¥1,631,459 million, a decrease of ¥51,977 million compared to ¥1,683,436 million at the end of the previous fiscal year. This decrease was mainly due to a ¥27,092 million payment of dividends, a ¥8,426 million decrease in total shareholders' equity as a result of quarterly net income attributable to owners of parent of ¥18,642 million, and a ¥43,647 million decrease of accumulated other comprehensive income due to a ¥2,556 million increase in valuation differences on available-for-sale securities and a ¥45,905 million decrease in foreign currency translation adjustment.

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

There are no changes to the Q2 cumulative and full year consolidated forecast released on February 12, 2016.

## 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

(Application of Revised Accounting Standards for Business Combinations and related standards)

The “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013, hereinafter referred to as the “Business Combinations Accounting Standards”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013, hereinafter referred to as the “Consolidated Financial Statements Accounting Standard”), and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter referred to as the “Business Divestitures Accounting Standard”) have been applied starting from the first quarter of FY2016. Consequently, changes in the equity of subsidiaries which continue to be controlled by the Company will be included in capital surplus, and costs associated with the acquisition of shares will be treated as expenses in the consolidated fiscal year in which they are incurred. In addition, the final determination of provisional acquisition costs allocations for business combinations closed after the start of the first quarter of FY2016 will be reflected in the quarterly consolidated financial statements for the quarter in which the business combination closed. Additionally, the Company has changed the method of presenting consolidated quarterly net income. “Minority interests” are now referred to as “non-controlling interests.” These changes are also reflected in the Company’s previous first quarter consolidated financial statements and its annual consolidated financial statements for the previous fiscal year.

The Company applies Business Combinations Accounting Standard 58-2 (4), Consolidated Financial Statements Accounting Standard 44-5 (4), and Business Divestitures Accounting Standard 57-4 (4) for the provisional accounting treatment of business combinations from the beginning of the first quarter of FY2016 into the future.

These changes will not have a material impact on the Company’s profits and its capital surplus account.

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

(Millions of yen)

| | As of December 31, 2015 | As of March 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 439,377 | 477,958 |
| Notes and accounts receivable-trade | 379,459 | 315,227 |
| Marketable securities | 127,601 | 92,684 |
| Merchandise and finished goods | 71,254 | 75,538 |
| Work-in process | 34,725 | 34,057 |
| Raw materials and supplies | 38,908 | 39,515 |
| Other | 86,288 | 84,180 |
| Allowance for doubtful receivables | (733) | (728) |
| Total current assets | 1,176,882 | 1,118,434 |
| Non-current assets | | |
| Property, plant and equipment | 356,422 | 353,683 |
| Intangible assets | | |
| Goodwill | 233,971 | 217,975 |
| In-process research and development | 238,301 | 190,451 |
| Other | 170,219 | 196,475 |
| Total intangible assets | 642,492 | 604,903 |
| Investments and other assets | | |
| Investment securities | 258,928 | 255,093 |
| Investments in capital | 42,917 | 38,418 |
| Net defined benefit asset | 22,769 | 24,676 |
| Other | 28,831 | 21,308 |
| Allowance for investment loss | (75) | (71) |
| Allowance for doubtful accounts | (707) | (579) |
| Total investments and other assets | 352,663 | 338,845 |
| Total non-current assets | 1,351,578 | 1,297,432 |
| Deferred assets | 49 | 46 |
| Total assets | 2,528,510 | 2,415,913 |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 82,690 | 83,433 |
| Short-term loans payable | 79,679 | 84,143 |
| Income taxes payable | 19,336 | 11,583 |
| Provision for bonuses | 14,149 | 18,052 |
| Other provision | 270 | 199 |
| Other | 270,950 | 223,280 |
| Total current liabilities | 467,075 | 420,692 |
| Non-current liabilities | | |
| Long-term loans payable | 234,229 | 224,577 |
| Other provision | 2,495 | 2,349 |
| Net defined benefit liability | 9,753 | 9,461 |
| Negative goodwill | 17,227 | 16,611 |
| Other | 114,292 | 110,761 |
| Total non-current liabilities | 377,998 | 363,761 |
| Total liabilities | 845,073 | 784,453 |

**Consolidated Balance Sheets—Continued**

(Millions of yen)

| | As of December 31, 2015 | As of March 31, 2016 |
|---|---|---|
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 81,690 | 81,690 |
| Capital surplus | 512,702 | 512,725 |
| Retained earnings | 1,025,663 | 1,017,213 |
| Treasury shares | (47,262) | (47,262) |
| Total shareholders' equity | 1,572,793 | 1,564,367 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 27,053 | 29,609 |
| Deferred gains on hedges | 130 | 468 |
| Foreign currency translation adjustment | 41,749 | (4,155) |
| Remeasurements of defined benefit plans | 13,019 | 12,382 |
| Total accumulated other comprehensive income | 81,952 | 38,305 |
| Non-controlling interests | 28,689 | 28,786 |
| Total net assets | 1,683,436 | 1,631,459 |
| Total liabilities and net assets | 2,528,510 | 2,415,913 |

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

Consolidated Statements of Income

(Millions of yen)

| | FY2015 (From January 1, 2015 to March 31, 2015) | FY2016 (From January 1, 2016 to March 31, 2016) |
|---|---|---|
| Net sales | 385,079 | 282,580 |
| Cost of sales | 109,566 | 94,333 |
| Gross profit | 275,512 | 188,246 |
| Selling, general and administrative expenses | | |
| Promotion expenses | 73,002 | 24,694 |
| Salaries and bonuses | 25,291 | 24,703 |
| Provision for bonuses | 10,941 | 11,171 |
| Retirement benefit expenses | 733 | 1,332 |
| Amortization of goodwill | 6,367 | 3,209 |
| Research and development expenses | 44,700 | 36,025 |
| Other | 62,889 | 60,348 |
| Total selling, general and administrative expenses | 223,926 | 161,484 |
| Operating income | 51,586 | 26,762 |
| Non-operating income | | |
| Interest income | 369 | 503 |
| Dividend income | 444 | 516 |
| Amortization of negative goodwill | 642 | 616 |
| Share of profit of entities accounted for using equity method | 1,024 | 2,566 |
| Other | 509 | 1,438 |
| Total non-operating income | 2,991 | 5,640 |
| Non-operating expenses | | |
| Interest expenses | 957 | 955 |
| Foreign exchange losses | 1,893 | 3,675 |
| Other | 251 | 486 |
| Total non-operating expenses | 3,102 | 5,117 |
| Ordinary income | 51,474 | 27,285 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 13 | 82 |
| Gain on sales of investment securities | 1 | 286 |
| Subsidy income | 6 | 62 |
| Other | 1 | 93 |
| Total extraordinary income | 23 | 525 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 101 | 29 |
| Impairment loss | 6 | 21 |
| Loss on sales of shares of subsidiaries | 553 | — |
| Loss on valuation of investment securities | — | 433 |
| Other | 243 | 1 |
| Total extraordinary loss | 905 | 486 |
| Income before income taxes | 50,592 | 27,325 |
| Income taxes | | |
| Current | 14,213 | 8,809 |
| Deferred | 2,357 | (534) |
| Total income taxes | 16,571 | 8,274 |
| Net income | 34,021 | 19,050 |
| Net income attributable to non-controlling interests | 61 | 407 |
| Net income attributable to owners of parent | 33,960 | 18,642 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | FY2015 (From January 1, 2015 to March 31, 2015) | FY2016 (From January 1, 2016 to March 31, 2016) |
|---|---|---|
| Net income | 34,021 | 19,050 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,844 | 2,706 |
| Deferred gains or losses on hedges | (366) | 338 |
| Foreign currency translation adjustments | (5,269) | (40,660) |
| Remeasurements of defined benefit plans | (219) | (601) |
| Share of other comprehensive income of entities accounted for using equity method | (4,563) | (6,437) |
| Total other comprehensive income | (4,574) | (44,655) |
| Total comprehensive income | 29,446 | (25,605) |
| Total comprehensive income attributable to: | | |
| Owners of parent | 29,488 | (25,004) |
| Non-controlling interests | (41) | (600) |

## (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 FY2015 (from January 1, 2015 to March 31, 2015)**

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 | 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:

1) 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.

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 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)

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.

**For the first three months of FY2016 (from January 1, 2016 to March 31, 2016)**

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 | 181,744 | 66,344 | 8,881 | 25,609 | 282,580 | — | 282,580 |
| Intersegment sales | — | 2,500 | 78 | 8,026 | 10,605 | (10,605) | — |
| Total | 181,744 | 68,845 | 8,959 | 33,636 | 293,185 | (10,605) | 282,580 |
| Segment income (loss) | 28,814 | 5,589 | (249) | 1,465 | 35,620 | (8,858) | 26,762 |

Notes:

1) Adjustments to segment income (loss) of ¥(8,858) million include intersegment eliminations of ¥229 million and unallocated corporate expenses of ¥(9,087) 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.