

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

August 9, 2016

Company name : **Otsuka Holdings Company Limited**  
 Stock exchange listing : Tokyo Stock Exchange  
 Code number : 4578  
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 Scheduled date of quarterly securities report submission : August 10, 2016  
 Scheduled date of dividend payment commencement : September 5, 2016  
 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 FY2016 (January 1, 2016 to June 30, 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 | 594,754     | (20.3) | 66,170           | (35.9) | 65,388          | (40.2) | 46,722                                      | (32.7) |
| FY2015 | 745,804     | —      | 103,159          | —      | 109,382         | —      | 69,474                                      | —      |

(Note) Comprehensive income: FY2016 ¥(65,540) million -%  
 FY2015 ¥88,022 million -%

|        | Basic earnings per share | Diluted earnings per share |
|--------|--------------------------|----------------------------|
|        | Yen                      | Yen                        |
| FY2016 | 86.22                    | 86.22                      |
| FY2015 | 128.22                   | 128.20                     |

(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, 2016     | 2,318,604    | 1,591,436   | 67.5                       | 2,887.80             |
| As of December 31, 2015 | 2,528,510    | 1,683,436   | 65.4                       | 3,053.82             |

(Reference) Shareholders' equity: As of June 30, 2016 ¥1,564,755 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            | -                         | 50.00          | -             | 50.00    | 100.00 |
| FY2016 (forecast) | -                         | -              | -             | 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                      |
| FY2016 | 1,200,000   | (17.0) | 100,000          | (34.1) | 100,000         | (37.5) | 75,000                                      | (10.8) | 138.41                   |

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

#### 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 10 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):
 

|                   |                    |
|-------------------|--------------------|
| June 30, 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:
 

|                   |                   |
|-------------------|-------------------|
| June 30, 2016     | 15,986,171 shares |
| December 31, 2015 | 15,985,891 shares |
  - 3) Average number of shares outstanding during the reporting period:
 

|                             |                    |
|-----------------------------|--------------------|
| Quarter ended June 30, 2016 | 541,849,644 shares |
| Quarter ended June 30, 2015 | 541,828,050 shares |

#### \* Information Regarding 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 8, 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 Second Quarter of FY2016 (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 a meeting for institutional investors, analysts and the press on August 9, 2016. Presentation materials and a webcast will be available on the Company's website promptly after the meeting.

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## 1. Qualitative Information for the Second Quarter of FY2016

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

#### <Summary of Operating Results for the Six Months Ended June 30, 2016>

For the six months of FY2016 (from January 1 to June 30, 2016), the Otsuka Group recorded consolidated net sales of ¥594,754 million (down 20.3% year on year), with operating income of ¥66,170 million (down 35.9%), ordinary income of ¥65,388 million (down 40.2%) and net income attributable to owners of parent of ¥46,722 million (down 32.7%).

The “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and others have been applied starting from the first quarter of FY2016, and consequently, “net income” is now referred to as “net income attributable to owners of parent.”

Results by business segment are as follows:

(Results for the Six Months Ended June 30, 2016)

(Millions of yen)

|                         | Pharmaceuticals | Nutraceuticals | Consumer products | Others | Adjustments | Total   |
|-------------------------|-----------------|----------------|-------------------|--------|-------------|---------|
| Net sales               | 369,830         | 157,791        | 19,359            | 70,079 | (22,306)    | 594,754 |
| Operating income (loss) | 62,699          | 17,393         | (786)             | 4,138  | (17,273)    | 66,170  |

#### 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 Japan, sales of *ABILIFY* declined due to the impact of NHI price revisions, although 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*<sup>\*1</sup> (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 site at 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 30. In Japan also, sales of *ABILIFY* for extended-release injectable suspension, for intramuscular use, which was launched in May 2015 and for which an additional administration site at the deltoid muscle was approved in March 2016, are rising steadily. The new antipsychotic agent *REXULTI*<sup>\*1</sup> 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 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, registered firm growth in market share as the top-selling brand<sup>\*2</sup> in the domestic antiepileptic drug market. This reflected growth in prescriptions for epileptic pediatric patients and for the monotherapy treatment of partial-onset seizures, the launch of a drip formulation in December 2015, and approval for the indication of adjunctive therapy for generalized tonic-clonic seizures in February 2016. *Neupro Patch*, the world’s only transdermal dopamine agonist on the market for the treatment of Parkinson’s disease and restless legs syndrome, registered continued strong growth in sales particularly due to increased understanding of patch-based treatments for Parkinson’s disease and growing recognition of its effect in improving wearing-off<sup>\*3</sup> symptoms. Also, a new 18mg patch was launched in June 2016 for patients requiring higher doses.

Sales of *NUDEXTA* climbed significantly. *NUDEXTA* 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 addition, in January 2016, the U.S. FDA approved *ONZETRA Xsail* (sumatriptan nasal powder) for the acute treatment of migraine using a new intranasal medication delivery system. Sales of *ONZETRA Xsail* began in May 2016.

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 impacts of NHI price revisions and rival products 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<sub>3</sub> receptor antagonist antiemetic agent *Aloxi* increased compared with the same period in the previous year, supported by growth of prescription for patients with pancreatic cancer. Sales of anti-cancer agent *Abraxane* grew 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. Global sales of *LONSURF*, a new anti-cancer agent, have been growing steadily. The drug was launched in Japan in May 2014 as a treatment of unresectable advanced or recurrent colorectal cancer, and Taiho Oncology Inc., a subsidiary of Taiho Pharmaceutical Co., Ltd., also started to sell the drug in the U.S. in October 2015, through in-house sales platform for the same indication.

Anti-cancer agent *SPRYCEL*, which is being promoted in Japan, the U.S. and Europe in collaboration with BMS<sup>\*4</sup>, has been widely recognized in the global market as a first-line treatment for chronic myeloid leukemia. However, distributions on a yen basis received by the Company based on sales declined compared with the same period in the previous year due to forex factors.

*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 the U.S.

In the area of cardiovascular system, despite NHI price revisions in Japan, *Samsca*, a vasopressin V<sub>2</sub>-receptor antagonist developed by Otsuka Pharmaceutical, is gaining more acceptance among medical specialists due to its value as an oral aquaretic agent, supporting an increase in global sales compared with the same period in the previous year. Globally *Samsca/JINARC*<sup>\*5</sup> 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 prescriptions for the drug have increased, as understanding of the drug has grown after the drug has been approved for this additional indication in March 2014. Sales of the drug for the treatment of ADPKD also started in Canada and Europe in 2015. As of June 30, 2016, *Samsca/JINARC* was available for both indications in 22 markets worldwide. Sales of antiplatelet agent *Pietaal/Pletal* declined compared with the same period in the previous year due to the impact of promotion of generic products and NHI price revisions in Japan.

In the area of digestive system, the ban on long-term prescriptions of *TAKECAB*<sup>®</sup>, co-promoted with Takeda Pharmaceutical Company Limited since its launch in February 2015, was lifted in March 2016 and prescriptions grew steadily. Also, sales of pack formulations for eradication of *Helicobacter pylori* started in June 2016. 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 and NHI price revisions 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* remained level 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.

In the area of diagnostics, sales of *Helicobacter pylori* diagnostic agents and other products declined due to the impact of NHI price revisions, but sales rose overall mainly due to higher sales of *Otsuka Major BCR-ABL mRNA Measurement Kit*, which is used as a marker to monitor treatment effectiveness for chronic myeloid leukemia, and *QuickNavi*<sup>™</sup>-*Flu Influenza Diagnostic Kit*.

As a result, net sales in the pharmaceutical segment for the six months ended June 30, 2016 totaled ¥369,830 million (down 29.0% from the same period in the previous year), with operating income of ¥62,699 million (down 42.2%).

\*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-June 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 for 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<sup>\*6</sup>. Growth was supported by stepped up advertising targeting younger consumers and the early launch of initiatives ahead of the peak summer demand period. In April 2016, new *Pocari Sweat Jelly* for "edible hydration" was launched and sold at convenience stores nationwide. Also *Pocari Sweat Ion Water*, the thirst-quenching beverage that supports optimum day-to-day condition, was relaunched. In June 2016, *Pocari Sweat Ion Water Powder (for 750ml)* was launched and is being steadily rolled out in the market. Overseas, where *Pocari Sweat* is sold in 19 markets worldwide, global sales volume was slightly down compared with the same period in the previous year, mainly on account of the slowing Chinese economy, despite growth in sales volume in Indonesia due to ongoing efforts to cultivate consumers and promote the product's benefits.

Sales volume for carbonated nutritional drink *Oronamin C* declined compared with the same period in the previous year, due to the impact of fewer consumers buying nutritional drinks. However, sales volume has been recovering since April 2016 when sales promotion activities were stepped up.

Balanced nutrition food *Calorie Mate* registered growth in sales volume compared with the same period in the previous year. Growth was supported by communication activities based on new lifestyle themes targeting adult and student consumers, spurring demand. In addition, *Calorie Mate Jelly* was launched in May 2016 with three flavors (*Apple, Lime & Grapefruit and Fruity Milk*) to suit different tastes and situations. Sales volume is growing steadily.

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. In Japan, Otsuka Pharmaceutical started to sell *SOYJOY Crispy*, a new type of *SOYJOY* range with a different texture in April 2016. *SOYJOY Crispy* comes in three flavors, *Plain, Mixed Berry and Golden Berry*. The *SOYJOY Crispy* range is being bought by a different type of customer to the customers who purchase original *SOYJOY* products, helping to drive significant growth in sales volume across the entire *SOYJOY* range.

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 subsidiary Pharmavite LLC of the U.S. ("Pharmavite"), has been the number one retail vitamin and supplement brand in the U.S. for nine consecutive years<sup>\*7</sup>. Demand for *Nature Made* supplements continues to rise steadily on

the back of an upswing in the U.S. market<sup>\*8</sup>, but sales on a yen basis declined compared with the same period in the previous year due to forex factors. Sales were also firm for *MegaFood* and *INNATE*, natural food-based supplements of FoodState Inc. of the U.S. In Japan a steady growth in sales was registered with rises in the five items: *Lutein*, *Astaxanthin*, *Fish Oil Pearl*, *Super Fish Oil*, and *Ginkgo Biloba*, for which notification regarding them being Foods with Nutrient Function Claims has been accepted by Consumer Affairs Agency in 2015, and multivitamin supplements.

Sales were steady at Nutrition & Santé SAS, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, supported by growth in health food products sold under the *Gerblé* nutrition and health food brand and other brands, gluten-free food products, and organic and soy products.

*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 and sales of the product increased significantly. Sales of *Kenja-no-shokutaku Double Support* are also rising steadily in Hong Kong, where the product was launched in 2015.

In the cosmetics area, sales of the *UL•OS* men's skincare brand rose steadily overall, driven by growth in sales for cleansing-related products such as *Medicated Skin Wash* and *Medicated Scalp Shampoo*. In August 2015, the Group launched *UL•OS Medicated Skin Whitening*, a pen-type skin treatment that inhibits dark spots. Activities to communicate product value are leading to growth in the number of users. In South Korea, sales of the brand increased significantly, supported by efforts to develop the brand. Sales of the women's skincare brand *InnerSignal* registered steady growth as a result of acquiring new customers and expanding the base of loyal users.

Sales volume of nutrient tonic *Tiovita* increased compared with the same period in the previous year, reflecting in-store sales promotions and advertising to attract new users.

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 increased understanding about the product.

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 increased compared with the same period in the previous year due to moves to reinforce the marketing structure linked to volume retailers and distributors.

As a result, net sales in the nutraceutical segment for the six months ended June 30, 2016 totaled ¥157,791 million (up 2.2% from the same period in the previous year), with operating income of ¥17,393 million (up 46.0%). 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 (01/04/2016 to 06/19/2016 -4.1%)

\*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 6/18/2016 +2.2% for the last 4 periods.

### 3) Consumer products

Sales volume of *MATCH*, a carbonated electrolyte drink containing vitamins, increased slightly 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 GEYSER*, rose 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, while there are impacts of competition, etc., 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 six months ended June 30, 2016 totaled ¥19,359 million (down 7.4% from the same period in the previous year), with operating loss of ¥786 million (compared with an operating loss of ¥1,660 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 higher sales of deodorizers for construction materials, 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 six months ended June 30, 2016 totaled ¥70,079 million (down 2.4% from the same period in the previous year), with operating income of ¥4,138 million (up 14.8 %).

<Research and Development Activities>

Research and development expenses for the six months ended June 30, 2016 totaled ¥71,798 million.

The primary areas of research and development as well as the status of new product development by business segment were as follows:

(Pharmaceuticals)

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 expenses for the pharmaceutical business for the six months ended June 30, 2016 were ¥67,532 million.

Research and development activities carried out during the six months ended June 30, 2016 for the pharmaceutical business are summarized below.

| Category  | Brand Name,<br>(Generic Name),<br>Development Code | Status   |
|---|--|--|
| Central nervous system / other neurological disorders | AVP-786  | <U.S.><br><ul style="list-style-type: none"> <li>Phase II trial for the disinhibition syndrome in neurodegenerative disorders was initiated in May 2016.</li> </ul>  |
|   | <i>ONZETRA Xsail</i><br>(sumatriptan)<br>AVP-825   | <U.S.><br><ul style="list-style-type: none"> <li>Approval was granted in January 2016 for the indications of acute migraine. Also, sales started in May 2016.</li> </ul>   |
|   | <i>E Keppra</i><br>(levetiracetam)                 | <Japan><br><ul style="list-style-type: none"> <li>Approval was granted in February 2016 for the additional indication of adjunctive therapy for generalized tonic-clonic seizures.</li> </ul>  |
|   | TAS-205  | <Japan><br><ul style="list-style-type: none"> <li>Phase II trial for the treatment of duchenne muscular dystrophy was initiated in May 2016.</li> </ul>  |
| Oncology  | <i>LONSURF</i><br>TAS-102                          | <Japan, U.S. and Europe><br><ul style="list-style-type: none"> <li>Phase III trial for the treatment of gastric cancer was initiated in February 2016.</li> </ul> <Europe><br><ul style="list-style-type: none"> <li>Approval was granted in April 2016 for the indications of colorectal cancer.</li> </ul> |
|   | ASTX727  | <U.S.><br><ul style="list-style-type: none"> <li>Phase II trial for the treatment of myelodysplastic syndrome was initiated in January 2016.</li> </ul>  |
|   | TAS3681  | <U.S. and Europe><br><ul style="list-style-type: none"> <li>Phase I trial for the treatment of prostate cancer was initiated in March 2016.</li> </ul>   |
|   | TAS-116  | <Japan><br><ul style="list-style-type: none"> <li>Phase II trial for the treatment of gastrointestinal stromal tumor was initiated in May 2016.</li> </ul>   |
|   | <i>Yondelis</i><br>ET-743                          | <Japan><br><ul style="list-style-type: none"> <li>Phase I trial for the treatment of ovarian cancer was initiated in April 2016.</li> </ul>  |

| Category         | Brand Name,<br>(Generic Name),<br>Development Code | Status   |
|------------------|--|--|
| Other categories | OPC-108459   | <Japan and U.S.><br><ul style="list-style-type: none"> <li>Development was halted as Phase I trials for the treatment of paroxysmal and persistent atrial fibrillation did not provide sufficient scientific data to justify progression to Phase II.</li> </ul>   |
|                  | (emixustat)<br>ACU-4429                            | <U.S.><br><ul style="list-style-type: none"> <li>It was decided to discontinue trial for the treatment of dry age-related macular degeneration in May 2016 as Phase II/ III trial did not meet the primary endpoint. An agreement with Acucela Inc. for the co-development and commercialization of the drug was terminated in June 2016.</li> </ul> |
|                  | (tetomilast)<br>OPC-6535                           | <Japan, U.S. and Asia><br><ul style="list-style-type: none"> <li>Development was halted as Phase II trial for the treatment of chronic obstructive pulmonary disease did not provide sufficient scientific data to justify progression to Phase III.</li> </ul>  |

(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 foods and beverages that support the maintenance and improvement of day-to-day well-being.

*SOYJOY Crispy*, a new addition to the *SOYJOY* baked soy bar range, was launched in April 2016. Characterized by the light and crunchy texture of puffed soy, *SOYJOY Crispy* is available in three flavors (*Plain*, *Mixed Berry* and *Golden Berry*). In the *Pocari Sweat* range, *Pocari Sweat Jelly* for “edible hydration” was launched in April 2016, the first new form of *Pocari Sweat* since it was launched 36 years ago. *Pocari Sweat Ion Water Powder* (for 750ml) was launched in June 2016. In the *Calorie Mate* range of balanced nutrition food, *Calorie Mate Jelly* was launched in May 2016 with three flavors (*Apple*, *Lime & Grapefruit* and *Fruity Milk*) to suit different tastes and situations.

Research and development expenses for the nutraceutical business for the six months ended June 30, 2016 were ¥2,291 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 six months ended June 30, 2016 were ¥202 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 six months ended June 30, 2016 were ¥1,771 million.

## (2) Qualitative Information on Consolidated Financial Position

### 1) Assets

Total assets as of June 30, 2016 were ¥2,318,604 million, a decrease of ¥209,906 million compared to ¥2,528,510 million at the end of the previous fiscal year due to decreases of ¥77,763 million in current assets, ¥132,137 million in non-current assets and ¥5 million in deferred assets.

#### (Current Assets)

Total current assets as of June 30, 2016 were ¥1,099,119 million, a decrease of ¥77,763 million compared to ¥1,176,882 million at the end of the previous fiscal year due to reductions in notes and accounts receivable-trade by ¥75,086 million, marketable securities by ¥51,489 million, and other current assets by ¥4,739 million, while there were cash and deposits increase by ¥52,510 million and inventory by ¥991 million.

#### (Non-current Assets)

Total non-current assets as of June 30, 2016 were ¥1,219,441 million, a decrease of ¥132,137 million compared to ¥1,351,578 million at the end of the previous fiscal year. Reasons include decreases in property, plant and equipment by ¥9,818 million, intangible assets by ¥92,823 million, and investment securities by ¥18,077 million.

### 2) Liabilities

#### (Current Liabilities)

Total current liabilities as of June 30, 2016 were ¥393,269 million, a decrease of ¥73,806 million compared to ¥467,075 million at the end of the previous fiscal year. This decrease was mainly due to decreases in notes and accounts payable-trade by ¥3,000 million, income taxes payable by ¥3,821 million, provision for bonuses by ¥4,635 million, and other current liabilities by ¥61,790 million.

#### (Non-current Liabilities)

Total non-current liabilities as of June 30, 2016 were ¥333,898 million, a decrease of ¥44,100 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 ¥29,780 million and other non-current liabilities by ¥12,110 million.

### 3) Net Assets

Total net assets as of June 30, 2016 were ¥1,591,436 million, a decrease of ¥91,999 million compared to ¥1,683,436 million at the end of the previous fiscal year. This was mainly due to a ¥27,092 million payment of dividends, a ¥20,101 million increase in total shareholders' equity as a result of quarterly net income attributable to owners of parent of ¥46,722 million, and a ¥110,091 million decrease of accumulated other comprehensive income due to exchange rate changes.

#### <Cash Flow Position>

Cash and cash equivalents decreased by ¥45,049 million during the six months ended June 30, 2016 to ¥415,559 million compared to the end of the previous fiscal year. Net cash provided by operating activities was ¥93,451 million, while net cash used in investing activities and financing activities were ¥69,320 million and ¥43,427 million, respectively.

#### (Cash Flows from Operating Activities)

Net cash provided by operating activities was ¥93,451 million in the six months ended June 30, 2016. Net cash provided by operating activities resulted from ¥64,632 million of income before income taxes and minority interest, a ¥59,045 million decrease in trade receivables, ¥29,202 million in depreciation and amortization, a ¥27,216 million decrease in accrued expenses, and ¥25,559 million in income taxes paid.

#### (Cash Flows from Investing Activities)

Net cash used in investing activities was ¥69,320 million in the six months ended June 30, 2016, resulting from ¥16,030 million in proceeds from sales of investment securities, a ¥59,561 million increase in time deposits, and ¥21,420 million in purchases of property, plant and equipment.

#### (Cash Flows from Financing Activities)

Net cash used in financing activities was ¥43,427 million in the six months ended June 30, 2016. This was mainly due to ¥27,092 million in dividends paid and ¥15,564 million in repayments of long-term loans payable.

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

The consolidated financial results forecast for FY2016 as announced on February 12, 2016, has been amended based upon actual results for the six months ended June 30, 2016, and taking into account projections of net sales, selling, general and administrative expenses, and foreign exchange rates for the remainder of the fiscal year. The forecast also reflects the estimated extraordinary income resulting from the previously announced sale of part of the Group's shareholding in VV Food & Beverage Co., Ltd.

Amendments to the consolidated financial results forecast for FY2016 (January 1, 2016 to December 31, 2016)

|  | 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                      |
| Previous forecast (A)                      | 1,250,000   | 70,000           | 80,000          | 50,000                                      | 92.27                    |
| Revised forecast (B)                       | 1,200,000   | 100,000          | 100,000         | 75,000                                      | 138.41                   |
| Amount of change (B-A)                     | (50,000)    | 30,000           | 20,000          | 25,000                                      |                          |
| Change (%)                                 | (4.0)       | 42.9             | 25.0            | 50.0  |                          |
| (Reference) Consolidated results of FY2015 | 1,445,227   | 151,837          | 159,899         | 84,086                                      | 155.12                   |

Projected foreign exchange rates are as follows:

|  | USD        | EUR        |
|--|------------|------------|
| Previous forecast                                  | 120.00 yen | 135.00 yen |
| Revised forecast                                   | 108.00 yen | 120.00 yen |
| Foreign exchange rate for the six months of FY2016 | 111.69 yen | 124.51 yen |

## 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, the "Consolidated Financial Statements Accounting Standard"), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, 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 have been 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.

In the consolidated statement of cash flows of the current fiscal year, cash flows associated with purchase or sales of shares of subsidiary not resulting in changes in the scope of consolidation are included in "cash flows from financing activities." Cash flows associated with the acquisition costs of shares in subsidiaries resulting in changes in the scope of consolidation or expenses in relation to the purchase or sale of shares in subsidiaries not resulting in changes in the scope of consolidation are included in "cash flows from operating activities."

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.

These changes will not have a material impact on the Company's profits and its capital surplus account during this fiscal year.

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

|                                     | (Millions of yen)          |                        |
|-------------------------------------|----------------------------|------------------------|
|                                     | As of<br>December 31, 2015 | As of<br>June 30, 2016 |
| <b>ASSETS</b>                       |                            |                        |
| Current assets                      |                            |                        |
| Cash and deposits                   | 439,377                    | 491,888                |
| Notes and accounts receivable-trade | 379,459                    | 304,372                |
| Marketable securities               | 127,601                    | 76,112                 |
| Merchandise and finished goods      | 71,254                     | 73,686                 |
| Work-in process                     | 34,725                     | 33,510                 |
| Raw materials and supplies          | 38,908                     | 38,682                 |
| Other                               | 86,288                     | 81,548                 |
| Allowance for doubtful receivables  | (733)                      | (683)                  |
| Total current assets                | <u>1,176,882</u>           | <u>1,099,119</u>       |
| Non-current assets                  |                            |                        |
| Property, plant and equipment       | 356,422                    | 346,603                |
| Intangible assets                   |                            |                        |
| Goodwill                            | 233,971                    | 195,999                |
| In-process research and development | 238,301                    | 173,957                |
| Other                               | 170,219                    | 179,712                |
| Total intangible assets             | <u>642,492</u>             | <u>549,668</u>         |
| Investments and other assets        |                            |                        |
| Investment securities               | 258,928                    | 240,850                |
| Investments in capital              | 42,917                     | 35,869                 |
| Net defined benefit asset           | 22,769                     | 25,701                 |
| Other                               | 28,831                     | 21,100                 |
| Allowance for investment loss       | (75)                       | (64)                   |
| Allowance for doubtful accounts     | (707)                      | (288)                  |
| Total investments and other assets  | <u>352,663</u>             | <u>323,169</u>         |
| Total non-current assets            | <u>1,351,578</u>           | <u>1,219,441</u>       |
| Deferred assets                     | 49                         | 43                     |
| Total assets                        | <u>2,528,510</u>           | <u>2,318,604</u>       |
| <b>LIABILITIES</b>                  |                            |                        |
| Current liabilities                 |                            |                        |
| Notes and accounts payable-trade    | 82,690                     | 79,689                 |
| Short-term loans payable            | 79,679                     | 79,244                 |
| Income taxes payable                | 19,336                     | 15,514                 |
| Provision for bonuses               | 14,149                     | 9,513                  |
| Other provision                     | 270                        | 147                    |
| Other                               | 270,950                    | 209,159                |
| Total current liabilities           | <u>467,075</u>             | <u>393,269</u>         |
| Non-current liabilities             |                            |                        |
| Long-term loans payable             | 234,229                    | 204,448                |
| Other provision                     | 2,495                      | 2,294                  |
| Net defined benefit liability       | 9,753                      | 8,977                  |
| Negative goodwill                   | 17,227                     | 15,995                 |
| Other                               | 114,292                    | 102,182                |
| Total non-current liabilities       | <u>377,998</u>             | <u>333,898</u>         |
| Total liabilities                   | <u>845,073</u>             | <u>727,167</u>         |

**Consolidated Balance Sheets—Continued**

|   | (Millions of yen)          |                        |
|---|----------------------------|------------------------|
|   | As of<br>December 31, 2015 | As of<br>June 30, 2016 |
| <b>NET ASSETS</b>                                     |                            |                        |
| Shareholders' equity                                  |                            |                        |
| Capital stock   | 81,690                     | 81,690                 |
| Capital surplus                                       | 512,702                    | 513,174                |
| Retained earnings                                     | 1,025,663                  | 1,045,293              |
| Treasury shares                                       | (47,262)                   | (47,263)               |
| Total shareholders' equity                            | 1,572,793                  | 1,592,895              |
| Accumulated other comprehensive income                |                            |                        |
| Valuation difference on available-for-sale securities | 27,053                     | 26,665                 |
| Deferred gains on hedges                              | 130                        | 5                      |
| Foreign currency translation adjustment               | 41,749                     | (66,474)               |
| Remeasurements of defined benefit plans               | 13,019                     | 11,664                 |
| Total accumulated other comprehensive income          | 81,952                     | (28,139)               |
| Subscription rights to shares                         | —                          | 24                     |
| Non-controlling interests                             | 28,689                     | 26,657                 |
| Total net assets                                      | 1,683,436                  | 1,591,436              |
| Total liabilities and net assets                      | 2,528,510                  | 2,318,604              |

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

|   | (Millions of yen)                                       |   |
|---|---|---|
|   | FY2015<br>(From January 1,<br>2015 to June 30,<br>2015) | FY2016<br>(From January 1,<br>2016 to June 30,<br>2016) |
| Net sales   | 745,804   | 594,754   |
| Cost of sales   | 215,126   | 196,109   |
| Gross profit  | 530,677   | 398,645   |
| Selling, general and administrative expenses                  |   |   |
| Promotion expenses  | 115,410   | 52,696  |
| Salaries and bonuses  | 66,422  | 64,536  |
| Provision for bonuses   | 6,476   | 7,306   |
| Retirement benefit expenses                                   | 1,602   | 2,392   |
| Amortization of goodwill                                      | 12,829  | 6,174   |
| Research and development expenses                             | 95,080  | 71,798  |
| Other   | 129,697   | 127,569   |
| Total selling, general and administrative expenses            | 427,518   | 332,474   |
| Operating income  | 103,159   | 66,170  |
| Non-operating income  |   |   |
| Interest income   | 806   | 976   |
| Dividend income   | 981   | 1,065   |
| Amortization of negative goodwill                             | 1,462   | 1,232   |
| Share of profit of entities accounted for using equity method | 5,126   | 6,809   |
| Other   | 1,302   | 2,461   |
| Total non-operating income                                    | 9,678   | 12,544  |
| Non-operating expenses  |   |   |
| Interest expenses   | 1,993   | 1,830   |
| Foreign exchange losses                                       | 793   | 10,938  |
| Other   | 669   | 557   |
| Total non-operating expenses                                  | 3,456   | 13,326  |
| Ordinary income   | 109,382   | 65,388  |
| Extraordinary income  |   |   |
| Gain on sales of non-current assets                           | 609   | 152   |
| Gain on sales of investment securities                        | 1   | 286   |
| Subsidy income  | 331   | 66  |
| Gain on insurance adjustment                                  | 256   | —   |
| Other   | 30  | 103   |
| Total extraordinary income                                    | 1,230   | 608   |
| Extraordinary losses  |   |   |
| Loss on sales of shares of subsidiaries                       | 557   | —   |
| Loss on valuation of investment securities                    | —   | 857   |
| Other   | 583   | 507   |
| Total extraordinary loss                                      | 1,140   | 1,364   |
| Income before income taxes                                    | 109,471   | 64,632  |
| Income taxes  |   |   |
| Current   | 13,623  | 16,092  |
| Deferred  | 26,034  | 1,024   |
| Total income taxes  | 39,658  | 17,116  |
| Net income  | 69,813  | 47,516  |
| Net income attributable to non-controlling interests          | 339   | 794   |
| Net income attributable to owners of parent                   | 69,474  | 46,722  |

Consolidated Statements of Comprehensive Income

|  | (Millions of yen)                                       |   |
|--|---|---|
|  | FY2015<br>(From January 1,<br>2015 to June 30,<br>2015) | FY2016<br>(From January 1,<br>2016 to June 30,<br>2016) |
| Net income   | 69,813  | 47,516  |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | 12,914  | (319)   |
| Deferred losses on hedges  | (401)   | (124)   |
| Foreign currency translation adjustments   | 8,512   | (94,688)  |
| Remeasurements of defined benefit plans  | (1,640)   | (1,355)   |
| Share of other comprehensive income of entities accounted for<br>using equity method | (1,177)   | (16,568)  |
| Total other comprehensive income   | <u>18,208</u>   | <u>(113,057)</u>  |
| Total comprehensive income   | <u>88,022</u>   | <u>(65,540)</u>   |
| Total comprehensive income attributable to:  |   |   |
| Owners of parent   | 87,555  | (63,369)  |
| Non-controlling interests  | 466   | (2,171)   |

**(3) Consolidated Statements of Cash Flows**

|  | (Millions of yen)                            |  |
|--|--|--|
|  | For the six months<br>ended June 30,<br>2015 | For the six months<br>ended June 30,<br>2016 |
| Operating activities:  |  |  |
| Income before income taxes and minority interests                                      | 109,471                                      | 64,632                                       |
| Depreciation and amortization  | 23,821                                       | 29,202                                       |
| Impairment loss  | 127  | 30   |
| Amortization of goodwill   | 11,367                                       | 4,942  |
| Increase (decrease) in allowance for doubtful receivables                              | 11   | 29   |
| Decrease/increase in net defined benefit asset/liability                               | (5,516)                                      | (2,691)                                      |
| Interest and dividend income   | (1,787)                                      | (2,041)                                      |
| Interest expense   | 1,993  | 1,830  |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies (gain)      | (5,126)                                      | (6,809)                                      |
| Gain on sales of subsidiaries' stocks (gain)   | 557  | —  |
| (Increase) decrease in trade receivables   | 91,631                                       | 59,045                                       |
| (Increase) decrease in inventories   | (7,858)                                      | (10,476)                                     |
| Increase (decrease) in trade payables  | (49,529)                                     | 3,935  |
| Increase (decrease) in accounts payable - other  | 9,627  | 955  |
| Increase (decrease) in accrued expenses  | 72,959                                       | (27,216)                                     |
| Increase (decrease) in long-term unearned revenues                                     | (5)  | 1,787  |
| Other, net   | (22,318)                                     | (193)  |
| Subtotal   | <u>229,426</u>                               | <u>116,963</u>                               |
| Interest and dividends received  | 3,564  | 3,852  |
| Interest paid  | (1,808)                                      | (1,806)                                      |
| Income taxes paid  | (3,660)                                      | (25,559)                                     |
| Net cash provided by operating activities  | <u>227,522</u>                               | <u>93,451</u>                                |
| Investing activities:  |  |  |
| (Increase) decrease in short-term investment securities                                | (41,304)                                     | 8,801  |
| Purchases of property, plant and equipment   | (31,748)                                     | (21,420)                                     |
| Proceeds from sales of property, plant and equipment                                   | 97   | 671  |
| Purchases of intangible assets   | (12,843)                                     | (7,522)                                      |
| Purchases of investment securities   | (4,086)                                      | (2,711)                                      |
| Proceeds from sales and redemptions of investment securities                           | 6,548  | 16,030                                       |
| Payments for investments in capital  | —  | (622)  |
| Purchases of investments in subsidiaries resulting in change in scope of consolidation | (383,893)                                    | —  |
| Payments of loans receivables  | (583)  | (2,534)                                      |
| Proceeds from collection of loans receivables  | 19,360                                       | 1,567  |
| (Increase) decrease in time deposits   | 15,090                                       | (59,561)                                     |
| Other, net   | (659)  | (2,018)                                      |
| Net cash used in investing activities  | <u>(434,023)</u>                             | <u>(69,320)</u>                              |

**Consolidated Statements of Cash Flows—Continued**

|  | (Millions of yen)                         |   |
|--|---|---|
|  | For the six months<br>ended June 30, 2015 | For the six months<br>ended June 30, 2016 |
| Financing activities:  |   |   |
| Increase (decrease) in short-term loans payable  | (24,904)                                  | (38)                                      |
| Proceeds from long-term loans payable  | 264,457                                   | 732                                       |
| Repayments of long-term loans payable  | (2,915)                                   | (15,564)                                  |
| Proceeds from disposal of treasury stock   | 106                                       | —   |
| Purchases of treasury stock  | (6)                                       | (1)                                       |
| Dividends paid   | (21,671)                                  | (27,092)                                  |
| Dividends paid to minority interests in consolidated subsidiaries                        | (366)                                     | (472)                                     |
| Proceeds from share issuance to minority shareholders                                    | 54  | 412                                       |
| Other, net   | (1,091)                                   | (1,403)                                   |
| Net cash used in financing activities  | 213,662                                   | (43,427)                                  |
| Foreign currency translation adjustments on cash and cash equivalents                    | (2,759)                                   | (25,753)                                  |
| Net increase (decrease) in cash and cash equivalents                                     | 4,401                                     | (45,049)                                  |
| Cash and cash equivalents, beginning of period   | 456,540                                   | 460,609                                   |
| Increase (decrease) in cash and cash equivalents due to change in scope of consolidation | 2,542                                     | —   |
| Cash and cash equivalents, end of period   | 463,484                                   | 415,559                                   |

**(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 FY2015 (from January 1, 2015 to June 30, 2015)**

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

(Millions of yen)

|                       | 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      |

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.

1) 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.

**For the six months of FY2016 (from January 1, 2016 to June 30, 2016)**

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

(Millions of yen)

|                       | Pharmaceuticals | Nutra-ceuticals | Consumer products | Others | Total   | Adjustments | Consolidated |
|-----------------------|-----------------|-----------------|-------------------|--------|---------|-------------|--------------|
| Net sales             |                 |                 |                   |        |         |             |              |
| Sales to customers    | 369,830         | 152,662         | 19,139            | 53,122 | 594,754 | —           | 594,754      |
| Intersegment sales    | —               | 5,129           | 219               | 16,957 | 22,306  | (22,306)    | —            |
| Total                 | 369,830         | 157,791         | 19,359            | 70,079 | 617,061 | (22,306)    | 594,754      |
| Segment income (loss) | 62,699          | 17,393          | (786)             | 4,138  | 83,443  | (17,273)    | 66,170       |

Notes:

1) Adjustments to segment income (loss) of ¥(17,273) million include intersegment eliminations of ¥447 million and unallocated corporate expenses of ¥(17,721) 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.