

(Translation)

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June 5, 2014
Tatsuo Higuchi
President and Representative Director
Otsuka Holdings Co., Ltd.
2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo

Notice for the Calling of the 6th Annual Shareholders Meeting
(for FY2013)

Dear Shareholders,

You are cordially invited to attend the 6th Annual Shareholders Meeting of Otsuka Holdings Co., Ltd. (the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by either of the following methods. Prior to voting, please examine the attached Reference Documents for Shareholders Meeting and exercise your voting rights so that your vote is received by 5:30 p.m. (the close of business hours) on Thursday, June 26, 2014 (JST).

To exercise your voting rights by post

Please indicate on the enclosed “Voting Form” whether you approve or disapprove of each proposal and return the completed form by the designated time above. → Please refer to page 3.

To exercise your voting rights via electromagnetic method (Internet, etc.)

Please access to the Website for Exercising Voting Rights designated by the Company (<http://www.evotc.jp/>) and follow the instructions on the screen to input your approval or disapproval for each proposal by the designated time above. → Please refer to pages 3 and 4.

Details

1. Date and Time:

Friday, June 27, 2014, at 10:00 a.m.

2. Place:

ANA InterContinental Tokyo, B1F, Prominence
1-12-33 Akasaka, Minato-ku, Tokyo

3. Purpose of the Meeting

Matters to be reported:

- a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Independent Auditors and the Audit & Supervisory Board for Consolidated Financial Statements, for the 6th Fiscal Year (from April 1, 2013 to March 31, 2014)
- b. Financial Statements for the 6th Fiscal Year (from April 1, 2013 to March 31, 2014)

Matters to be resolved:

Proposal 1: Partial Amendment of Articles of Incorporation

Proposal 2: Election of Ten (10) Directors

Proposal 3: Election of Four (4) Audit & Supervisory Board Members

Notes:

- * You are kindly requested to present the enclosed "Voting Form" to the receptionist when you attend the meeting.
- * You may designate one other shareholder with voting rights as your proxy to exercise your voting rights in accordance with the Articles of Incorporation. In such a case, your proxy will be required to submit documentation indicating his/her authority in advance to act as your proxy.
- * If any changes have been made to items in the Reference Documents for Shareholders Meeting, Business Report, Financial Statements, or Consolidated Financial Statements, such changes will be posted on our website.

Our website <http://www.otsuka.com/>

Guidance for Exercising Voting Rights

Please exercise your voting rights after examining the Reference Documents for Shareholders Meeting (pages 5–12).

You may exercise your voting rights using the following three methods.

1. Attendance

Please present the enclosed “Voting Form” to the receptionist.

Please also bring with you “Notice for the Calling of the 6th Annual Shareholders Meeting” (this document).

If you choose this first method (1) attending on the day, you are not required to perform either of the other two methods (2) Mail (“Voting Form”), and (3) exercising voting rights by the internet, etc.

2. Mail

Please indicate on the “Voting Form” whether you approve or disapprove of each proposal and mail it. The voting forms that arrive by mail before 5:30 p.m. on Thursday, June 26, 2014 will be valid.

3. Internet

Please access the Website for Exercising Voting Rights designated by the Company (<http://www.evotc.jp/>), using a personal computer (PC), a smartphone or a cellular phone and follow the instructions on the screen to input your approval or disapproval for each proposal.

The deadline by which voting rights must be exercised is 5:30 p.m. on Thursday, June 26, 2014. Please refer to the following page for details.

Key Points When Exercising Voting Rights via the Internet, etc.

Website for exercising voting rights

- You may exercise your voting rights via the Internet only by visiting the Website for Exercising Voting Rights designated by the Company (<http://www.evotep.jp/>), using a personal computer (PC), a smartphone or a cellular phone (i-mode, EZweb, Yahoo! Keitai)*. (However, the website is closed from 2:00 a.m. to 5:00 a.m. every day.)
- When exercising your voting rights using a PC, a smartphone or a cellular phone, please note that you might not be able to exercise your voting rights via the Internet depending on the Internet environment, services provided, or the model of the cellular phone. For details, please direct your inquiries to the Help Desk shown below.
- * i-mode, EZweb, and Yahoo! are the trademarks or the registered trademarks of NTT DOCOMO, INC., KDDI CORPORATION and Yahoo! Inc. of the U.S., respectively.

How to exercise your voting rights via the Internet

- Please access the Website for Exercising Voting Rights (<http://www.evotep.jp/>) using the login ID and provisional password provided on the Voting Form, and follow the instructions that appear on the screen to input approval or disapproval to each of the agenda items.
- Please note that shareholders who utilize the Website for Exercising Voting Rights will be asked to change the provisional password on the Website for Exercising Voting Rights in order to prevent people other than shareholders from accessing it illegally (impersonating shareholders) or falsifying the content of votes.
- Shareholders will be notified of a new login ID and provisional password each time we call for a Shareholders Meeting.

Handling of voting rights when they are exercised more than once

- Please note that your online vote will prevail should you exercise your voting rights both by post and via the Internet.
- If you exercise your voting rights more than once via the Internet, only the last vote shall be deemed effective. In addition, if you exercise your voting rights more than once using a PC, a smartphone and a cellular phone, only the last vote shall be deemed effective.

Expenses necessary to access the Website for Exercising Voting Rights

- Expenses necessary to access the Website for Exercising Voting Rights (including those for Internet connection, etc.) shall be borne by shareholders. When you utilize a cellular phone, etc., expenses necessary for packet communication or other cellular-phone usage shall also be borne by shareholders.

For inquiries about the system for exercising voting rights, please contact: Corporate Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation Phone: 0120-173-027 (toll free (Japan only); 9:00 to 21:00 (Japan Time))

Electronic voting platform

If nominal shareholders (including standing proxies), such as management trust banks, apply in advance for the use of the platform for electronic exercise of voting rights for institutional investors, which is operated by ICJ, Inc., a joint venture set up by Tokyo Stock Exchange, Inc. and other companies, they may utilize the said platform as a method for exercising voting rights via an electromagnetic method for this Annual Shareholders Meeting of the Company, in addition to the exercise of voting rights via the Internet, specified above.

Reference Documents for Shareholders Meeting

Proposal 1: Partial Amendment of Articles of Incorporation

1. Reasons for the Proposal

The Company's fiscal year currently commences on April 1 of each year and ends on March 31 of the following year. However, the Company aims to make more timely and accurate disclosure of management information about global activities by its group, whose overseas sales represent a large percentage of total sales, by standardizing its fiscal year with its overseas consolidated subsidiaries. To this end, the Company intends to change its fiscal year so that it commences on January 1 of each year and ends on December 31 of the same year. Accordingly, the Company proposes to make the necessary amendments to Articles 12, 13, 40 and 42 of the current Articles of Incorporation.

Furthermore, because this change will cause the 7th fiscal year of the Company to become nine months commencing on April 1, 2014, and ending on December 31, 2014, the Company proposes to establish new supplementary provisions as a transitional measure.

2. Details of the Amendments

The details of amendments are as follows:

(Underlined portions indicate the proposed amendments.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter III Shareholders Meetings</p> <p>Article 12. Calling of Shareholders Meetings An Annual Shareholders Meeting shall be called for in <u>June</u> of each year, and an Extraordinary Shareholders Meeting may be called for whenever necessary.</p> <p>Article 13. Record Date of an Annual Shareholders Meeting The record date for voting rights at an Annual Shareholders Meeting shall be <u>March</u> 31 of each year.</p> <p>Article 14. to Article 39. (Omitted)</p>	<p>Chapter III Shareholders Meetings</p> <p>Article 12. Calling of Shareholders Meetings An Annual Shareholders Meeting shall be called for in <u>March</u> of each year, and an Extraordinary Shareholders Meeting may be called for whenever necessary.</p> <p>Article 13. Record Date of an Annual Shareholders Meeting The record date for voting rights at an Annual Shareholders Meeting shall be <u>December</u> 31 of each year.</p> <p>Article 14. to Article 39. (Unchanged)</p>
<p>Chapter VII Accounts</p> <p>Article 40. Fiscal Year The fiscal year of the Company shall be one year commencing on <u>April</u> 1 of each year and ending on <u>March</u> 31 of the <u>following</u> year.</p> <p>Article 41. (Omitted)</p> <p>Article 42. Record Date of Dividends from Surplus</p> <p>1. The Company's record date of year-end dividends from surplus shall be <u>March</u> 31 of each year.</p> <p>2. The Company's record date of interim dividends from surplus shall be <u>September</u> 30 of each year.</p>	<p>Chapter VII Accounts</p> <p>Article 40. Fiscal Year The fiscal year of the Company shall be one year commencing on <u>January</u> 1 of each year and ending on <u>December</u> 31 of the <u>same</u> year.</p> <p>Article 41. (Unchanged)</p> <p>Article 42. Record Date of Dividends from Surplus</p> <p>1. The Company's record date of year-end dividends from surplus shall be <u>December</u> 31 of each year.</p> <p>2. The Company's record date of interim dividends from surplus shall be <u>June</u> 30 of each year.</p>

Current Articles of Incorporation	Proposed Amendments
Article 43. (Omitted) (New)	Article 43. (Unchanged) <u>Supplementary Provisions</u> <u>Article 1.</u> <u>Notwithstanding the provision of Article 40, the 7th fiscal year of the Company commencing on April 1, 2014, shall be nine months ending on December 31 of the same year.</u> <u>Article 2.</u> <u>Notwithstanding the provision of Article 42, the Company's record date of interim dividends from surplus for the 7th fiscal year shall be September 30, 2014.</u> <u>Article 3.</u> <u>The preceding two Articles and this Article shall be deleted once the 7th fiscal year has elapsed.</u>

Proposal 2: Election of Ten (10) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, aiming to further strengthen and enhance the management base, the Company proposes to elect ten (10) Directors to increase the number of Directors by one.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
1	<p><u>Reappointment</u></p> <p>Akihiko Otsuka (July 21, 1937)</p> <p>Position and areas of responsibility in the Company: Chairman and Representative Director</p>	<p>March 1960 Joined Otsuka Pharmaceutical Factory (present day Otsuka Pharmaceutical Factory, Inc.)</p> <p>June 1976 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>December 1998 Resigned as President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>December 1998 Senior Advisor and Executive Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>June 2000 Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 2008 Chairman and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>September 2008 Executive Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>June 2009 Executive Director, Otsuka Chemical Holdings Co., Ltd. (present day Otsuka Chemical Co., Ltd.)</p> <p>January 2010 Chairman and Representative Director, Otsuka Foods Co., Ltd.</p> <p>June 2010 Chairman, Otsuka Foods Co., Ltd.</p> <p>April 2011 Chairman, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Chairman, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Pharmaceutical Factory, Inc. President and Representative Director, Otsuka Estate Ltd. Chairman and Representative Director, Otsuka Asset Co., Ltd.</p>	3,505,146
2	<p><u>Reappointment</u></p> <p>Ichiro Otsuka (February 15, 1965)</p> <p>Position and areas of responsibility in the Company: Vice President and Executive Director</p>	<p>April 1987 Joined Otsuka Pharmaceutical Factory, Inc.</p> <p>June 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>December 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.</p> <p>May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2003 Vice President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>July 2008 Executive Director, Otsuka Holdings Co., Ltd.</p> <p>June 2010 Vice President and Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] President and Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice President and Representative Director, Otsuka Estate Ltd. President and Representative Director, Otsuka Asset Co., Ltd.</p>	6,338,920

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
3	<p data-bbox="288 371 424 398"><u>Reappointment</u></p> <p data-bbox="288 439 443 488">Tatsuo Higuchi (June 14, 1950)</p> <p data-bbox="288 528 475 667">Position and areas of responsibility in the Company: President and Representative Director</p>	<p data-bbox="517 259 676 286">March 1977</p> <p data-bbox="517 293 676 320">June 1998</p> <p data-bbox="517 349 676 376">November 1998</p> <p data-bbox="517 405 676 432">June 1999</p> <p data-bbox="517 461 676 488">June 2000</p> <p data-bbox="517 517 676 544">June 2008</p> <p data-bbox="517 573 676 600">July 2008</p> <p data-bbox="517 629 676 656">December 2011</p> <p data-bbox="517 685 1050 712">[Significant concurrent positions outside the Company]</p> <p data-bbox="517 719 1026 745">Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p data-bbox="517 752 970 779">Executive Director, Otsuka Chemical Co., Ltd.</p>	90,000
4	<p data-bbox="288 835 424 862"><u>Reappointment</u></p> <p data-bbox="288 902 464 952">Atsumasa Makise (June 17, 1958)</p> <p data-bbox="288 992 475 1131">Position and areas of responsibility in the Company: Senior Managing Director, Corporate Finance</p>	<p data-bbox="517 797 676 824">December 1987</p> <p data-bbox="517 853 676 880">June 2002</p> <p data-bbox="517 909 676 936">June 2003</p> <p data-bbox="517 965 676 992">June 2007</p> <p data-bbox="517 1021 676 1048">July 2008</p> <p data-bbox="517 1077 676 1104">May 2009</p> <p data-bbox="517 1133 676 1160">April 2010</p> <p data-bbox="517 1189 1050 1216">[Significant concurrent positions outside the Company]</p> <p data-bbox="517 1223 826 1249">Chairman, Otsuka America Inc.</p>	50,000
5	<p data-bbox="288 1200 424 1227"><u>Reappointment</u></p> <p data-bbox="288 1267 488 1317">Yoshiro Matsuo (November 3, 1960)</p> <p data-bbox="288 1357 475 1496">Position and areas of responsibility in the Company: Managing Director, Corporate Administration</p>	<p data-bbox="517 1193 676 1220">April 1985</p> <p data-bbox="517 1249 676 1276">January 2003</p> <p data-bbox="517 1305 676 1332">June 2006</p> <p data-bbox="517 1361 676 1388">November 2007</p> <p data-bbox="517 1417 676 1444">July 2008</p>	30,760

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
6	<p><u>New appointment</u></p> <p>Sadanobu Tobe (April 18, 1941)</p> <p>Position and areas of responsibility in the Company: -</p>	<p>April 1976 Senior Managing Director and Representative Director, Shinko Foods Co., Ltd. (present day Otsuka Foods Co., Ltd.)</p> <p>July 1993 Vice President and Representative Director, Otsuka Foods Co., Ltd.</p> <p>November 2004 Vice President and Representative Director, Otsuka Chemical Holdings Co., Ltd. (present day Otsuka Chemical Co., Ltd.)</p> <p>May 2006 President and Representative Director, Otsuka Chemical Holdings Co., Ltd.</p> <p>July 2008 Executive Director, Otsuka Holdings Co., Ltd.</p> <p>June 2009 Vice Chairman and Representative Director, Otsuka Foods Co., Ltd.</p> <p>June 2011 Chairman and Representative Director, Otsuka Chemical Co., Ltd.</p> <p>June 2012 Vice Chairman, Otsuka Foods Co., Ltd.</p> <p>June 2013 Standing Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd.</p> <p>November 2013 President and Representative Director, Otsuka Foods Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] President and Representative Director, Otsuka Foods Co., Ltd.</p>	710,288
7	<p><u>New appointment</u></p> <p>Tatsuro Watanabe (August 10, 1954)</p> <p>Position and areas of responsibility in the Company: -</p>	<p>March 1978 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2000 Status of Operating Officer, General Manager of Human Resources Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2002 Operating Officer, General manager of Human Resources Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2006 Senior Operating Officer, General Manager of Human Resources Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2008 Managing Director, responsible for Human Resources, General Affairs, Legal Affairs, and External Relations, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2010 Managing Director, responsible for Human Resources and Legal Affairs, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p>November 2013 Executive Director, Otsuka Pharmaceutical Europe Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Managing Director, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Pharmaceutical Europe Ltd.</p>	34,000
8	<p><u>Reappointment</u></p> <p><u>Candidate for Outside Director</u></p> <p>Yasuyuki Hirotsomi (June 15, 1954)</p> <p>Position and areas of responsibility in the Company: Outside Director</p>	<p>April 1978 Joined The Daiwa Bank, Ltd. (present day Resona Bank, Limited)</p> <p>October 2003 Executive Officer, Resona Bank, Limited</p> <p>June 2005 Managing Executive Officer, Resona Bank, Limited</p> <p>April 2008 Senior Executive Officer, Resona Bank, Limited</p> <p>June 2008 Director and Senior Executive Officer, Resona Bank, Limited</p> <p>June 2009 Vice President and Representative Director and Executive Officer, Resona Bank, Limited</p> <p>June 2011 Director, The Kinki Osaka Bank, Ltd.</p> <p>June 2013 President, The Resona Foundation for Asia and Oceania (Current Position)</p> <p>June 2013 Outside Director, ELECOM CO., LTD. (Current Position)</p> <p>June 2013 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] President, The Resona Foundation for Asia and Oceania Outside Director, ELECOM CO., LTD.</p>	0

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
9	<p><u>Reappointment</u></p> <p><u>Candidate for Outside Director</u></p> <p>Juichi Kawaguchi (November 1, 1937)</p> <p>Position and areas of responsibility in the Company: Outside Director</p>	<p>March 1963 Joined Osaka Sanso Kogyo, Ltd. (present day AIR LIQUIDE Japan Ltd.)</p> <p>February 1985 Chief of the Secretarial Section, Osaka Sanso Kogyo, Ltd.</p> <p>May 1987 Representative Director, Daisan Inc.</p> <p>July 1990 General Manager of the General Affairs Department, Osaka Sanso Kogyo, Ltd.</p> <p>December 1997 Audit & Supervisory Board Member, Osaka Sanso Kogyo, Ltd.</p> <p>June 2013 Outside Director, Otsuka Holdings Co., Ltd. (Current Position)</p>	0
10	<p><u>New appointment</u></p> <p><u>Candidate for Outside Director</u></p> <p>Tadaaki Kounose (July 26, 1946)</p> <p>Position and areas of responsibility in the Company: -</p>	<p>April 1970 Joined Snow Brand Milk Products Co., Ltd. (present day MEGMILK SNOW BRAND Co., Ltd.)</p> <p>June 2002 President and Representative Director, Snow Brand Milk Products Co., Ltd.</p> <p>October 2009 President and Representative Director, MEGMILK SNOW BRAND Co., Ltd.</p> <p>April 2011 Director and Advisor, MEGMILK SNOW BRAND Co., Ltd.</p> <p>June 2011 Special Advisor, MEGMILK SNOW BRAND Co., Ltd. (scheduled to resign in June 2014)</p> <p>September 2011 Administrative Council member, University of Miyazaki, a National University Corporation</p> <p>[Significant concurrent positions outside the Company]</p> <p>Administrative Council member, University of Miyazaki, a National University Corporation</p>	0

Notes:

1. The candidate Yasuyuki Hirotoimi was Vice President and Representative Director of Resona Bank, Limited until March 2013. The aforesaid company is a major creditor of the Group. The other candidates have no special interests in the Company.
2. The numbers of the Company's shares owned by Akihiko Otsuka, Ichiro Otsuka and Sadanobu Tobe are those actually held, including shares in the Otsuka Founders Shareholding Fund Trust Account.
3. Yasuyuki Hirotoimi, Juichi Kawaguchi and Tadaaki Kounose are candidates for Outside Directors. The Company has registered Juichi Kawaguchi as an Independent Officer as provided for under the rules of Tokyo Stock Exchange, Inc.
4. The Company deems that Yasuyuki Hirotoimi can provide useful statements from an impartial and objective viewpoint based on abundant experience and extensive knowledge gained through many years in corporate management. Therefore, the Company elected him as candidate for Outside Director. His term of office as Outside Director will be one year at the conclusion of this Annual Shareholders Meeting.
5. The Company expects Juichi Kawaguchi can perform the function of supervising and checking the corporate management of the Company based on his knowledge and experience as a corporate executive acquired through his career. Therefore, the Company elected him as candidate for Outside Director. His term of office as Outside Director will be one year at the conclusion of this Annual Shareholders Meeting.
6. The Company deems that Tadaaki Kounose can provide useful statements based on abundant experience and extensive knowledge gained through many years in corporate management in the food industry.
7. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has executed agreements with Yasuyuki Hirotoimi and Juichi Kawaguchi which limit their indemnity liability under Article 423, Paragraph 1 of the same Act, and if their reappointments are approved, the Company plans to continue these agreements. Furthermore, if Tadaaki Kounose's election is approved, the Company plans to execute the same agreement with him. Their indemnity liability based on these agreements is limited to the amount provided for in the laws and regulations. The limitation of liability specified in these agreements shall be limited to times when the Outside Directors are without knowledge and not grossly negligent in performing the duties as Outside Director that cause liability.

Proposal 3: Election of Four (4) Audit & Supervisory Board Members

The terms of office of all three (3) Audit & Supervisory Board Members will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, aiming to enhance the audit system, the Company proposes to elect four (4) Audit & Supervisory Board Members to increase the number of Audit & Supervisory Board Members by one.

The Audit & Supervisory Board has consented to this proposal.

The candidates for Audit & Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
1	<p style="text-align: center;">New appointment</p> <p>Takaharu Imai (April 16, 1949)</p> <p>Position in the Company: -</p>	<p>April 1972 Joined TORAY INDUSTRIES, INC.</p> <p>June 2003 General Manager of International Department, TORAY INDUSTRIES, INC.</p> <p>July 2005 General Manager of Accounting Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>April 2006 Operating Officer, General Manager of Accounting Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2007 Operating Officer, Finance of OIAA Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2010 Senior Operating Officer, General Manager of OIAA Finance, Accounting Department, Otsuka Pharmaceutical Co., Ltd. (scheduled to resign in June 2014)</p> <p>December 2011 Outside Audit & Supervisory Board Member, Otsuka Chemical Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Outside Audit & Supervisory Board Member, Otsuka Chemical Co., Ltd.</p>	12,500
2	<p style="text-align: center;">New appointment</p> <p>Akihito Nakai (May 21, 1941)</p> <p>Position in the Company: -</p>	<p>March 1960 Joined Otsuka Pharmaceutical Factory (present day Otsuka Pharmaceutical Factory, Inc.)</p> <p>July 1979 Audit & Supervisory Board Member, Otsuka Warehouse Co., Ltd. (Current Position)</p> <p>December 1982 Status of Operating Officer, General Manger of Accounting Department, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 1985 Executive Director, General Manager of Accounting Department, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 1990 Managing Director, General Manager of Accounting Department, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 1998 Executive Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2000 Managing Director, General Manager of Corporate Planning Department, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2001 Senior Managing Director, General Manager of Corporate Planning Department, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2005 Standing Audit & Supervisory Board Member, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Standing Audit & Supervisory Board Member, Otsuka Pharmaceutical Factory, Inc. Audit & Supervisory Board Member, Otsuka Warehouse Co., Ltd.</p>	26,633

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company		Number of the Company's shares owned
3	<u>Reappointment</u>	April 1966	Joined IBM Japan Ltd.	15,300
		March 1999	Statutory Auditor, IBM Japan Ltd.	
	<u>Candidate for Outside Audit & Supervisory Board Member</u>	June 2002	External Audit & Supervisory Board Member, SQUARE CO., LTD. (present day SQUARE ENIX HOLDINGS CO., LTD.)	
	Norikazu Yahagi (December 2, 1942)	October 2002	Executive Director, Japan Audit & Supervisory Board Members Association	
		June 2004	Outside Audit & Supervisory Board Member, T.D.I. CO., LTD. (Current Position)	
		July 2008	Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (Current Position)	
Position in the Company: Outside Audit & Supervisory Board Member	[Significant concurrent positions outside the Company] Outside Audit & Supervisory Board Member, T.D.I. CO., LTD.			
4	<u>Reappointment</u>	October 1997	Joined Chuo Audit Corporation	4,000
		October 2000	Joined Deloitte Touche Tohmatsu (present day Deloitte Touche Tohmatsu LLC)	
	<u>Candidate for Outside Audit & Supervisory Board Member</u>	February 2006	Vice President, Will Capital Management Co., Ltd. (Current Position)	
	Hiroshi Sugawara (March 13, 1970)	June 2010	Outside Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (Current Position)	
		June 2012	Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. (Current Position)	
		October 2013	Outside Director, NIPPON PARKING DEVELOPMENT Co., Ltd. (Current Position)	
		November 2013	Standing Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd. (Current Position)	
	Position in the Company: Standing Audit & Supervisory Board Member	[Significant concurrent positions outside the Company] Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. Vice President, Will Capital Management Co., Ltd. Outside Director, NIPPON PARKING DEVELOPMENT Co., Ltd.		
Outside Audit & Supervisory Board Member				

Notes:

1. The candidates have no special interests in the Company.
2. Norikazu Yahagi and Hiroshi Sugawara are candidates for Outside Audit & Supervisory Board Members. The Company has registered them as Independent Officers as provided for under the rules of Tokyo Stock Exchange, Inc.
3. The Company deems that Norikazu Yahagi is a suitable candidate for Outside Audit & Supervisory Board Member as he has provided useful statements from an impartial and objective viewpoint based on experience and extensive knowledge gained as an outside audit & supervisory board member at mainly publicly listed companies. His term of office as Outside Audit & Supervisory Board Member will be five years and eleven months at the conclusion of this Annual Shareholders Meeting.
4. The Company deems that Hiroshi Sugawara is a suitable candidate for Outside Audit & Supervisory Board Member as he has provided useful statements based on abundant practical experience and advanced specialist knowledge gained as a certified public accountant. His term of office as Outside Audit & Supervisory Board Member will be four years at the conclusion of this Annual Shareholders Meeting.
5. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has executed agreements with Norikazu Yahagi and Hiroshi Sugawara which limit their indemnity liability under Article 423, Paragraph 1 of the same Act, and if their reappointments are approved, the Company plans to continue these agreements. Their indemnity liability based on these agreements is limited to the amount provided for in the laws and regulations. The limitation of liability specified in these agreements shall be limited to times when the Audit & Supervisory Board Members are without knowledge and not grossly negligent in performing the duties as Audit & Supervisory Board Member that cause liability.

Attached documents**Business Report**

(For the fiscal year from April 1, 2013 to March 31, 2014)

1. Business Progress and Achievement of the Otsuka Group**(1) Overview of business during the current fiscal year****i) Business activity and results**

In the fiscal year under review, the Japanese economy experienced a mild recovery, with quarterly real GDP growing at a higher rate compared to the previous year. The corporate operating environment continued to improve gradually assisted by a weaker yen. Outside Japan, economic growth in emerging economies has started to slow down, while economic indicators in Europe and the United States improved.

Within this global operating environment, the Otsuka Group (the “Group”) reported consolidated net sales of ¥1,452,759 million (19.3% increase year on year) for the current fiscal year, with operating income of ¥198,702 million (17.1% increase year on year), ordinary income of ¥215,235 million (16.7% increase year on year) and net income of ¥150,989 million (23.3% increase year on year).

Results by business segment are as follows:

Net sales by business segment during the current fiscal year (Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer Products	Other	Adjustments	Consolidated
Net sales	1,035,080	287,133	43,925	130,339	(43,719)	1,452,759
Segment income (loss)	212,755	25,362	(2,166)	7,235	(44,484)	198,702

ii) Major business activities (as of March 31, 2014)

Business segment	Business activities
Pharmaceuticals	Manufacture, purchase, and sale of pharmaceutical products Consignment of research and development of new drugs Manufacture and sale of analytical and measurement equipment Manufacture, sale, and consigned analysis of reagents for research use Development and sale of therapeutic systems
Nutraceuticals	Manufacture, purchase, and sale of functional foods, quasi-pharmaceuticals, nutritional supplements, and others
Consumer products	Manufacture, purchase, and sale of consumer products
Other	Warehousing and transport business Liquid crystal and spectroscope business Manufacture and sale of printing and packaging goods Manufacture and sale of resin compound Manufacture and sale of chemical products

Pharmaceuticals

In the area of the central nervous system (“CNS”) disorders, global sales of atypical antipsychotic agent *ABILIFY* rose 30% year on year on a yen basis. The drug was also ranked seventh*¹ in global drug sales. In the U.S., an increase in *ABILIFY* prescriptions for adjunctive therapy in major depressive disorder and for bipolar disorder, as well as price increases, supported double-digit growth in sales on a local currency basis compared with the previous fiscal year. *ABILIFY* also became the best-selling drug*² in the U.S. in Jan-Dec 2013. In Europe, Otsuka Pharmaceutical Co., Ltd. (“Otsuka Pharmaceutical”), a wholly owned subsidiary of the Company, and H. Lundbeck A/S (“Lundbeck”) began collaborating on sales of *ABILIFY* in April 2013. Sales of *ABILIFY* grew significantly, mainly due to an increase in prescriptions for the treatment of manic episodes of bipolar disorder. In Asia, sales of *ABILIFY* continued to expand, mainly supported by an increase in prescriptions for adjunctive therapy in major depressive disorder and

for pediatric indications, such as Tourette disorder, in South Korea. In Japan, *ABILIFY* became the first atypical antipsychotic agent to be approved for the additional indication of major depressive disorder in June 2013. This additional indication and growth in prescriptions for orally disintegrating tablets supported double-digit sales growth compared with the previous fiscal year.

As part of our global alliance with Lundbeck including the development of five compounds^{*3}, both companies began sales of *Abilify Maintena*, an aripiprazole intramuscular depot formulation (once-monthly injection), in the U.S. in March 2013 for the maintenance treatment of schizophrenia. Prescriptions of the drug, the first to be developed as part of the global alliance, have been growing steadily due to recognition of the drug's good safety and tolerability.

In Europe, *Abilify Maintena* received marketing approval from the European Commission (EC) for the maintenance treatment of schizophrenia in November 2013. As of the end of March 2014, the drug was on sale in the U.K. and two other European countries. In addition to our global alliance, Otsuka Pharmaceutical and Lundbeck agreed in October 2013 to collaborate on developing and commercializing nalmefene in Japan. Nalmefene, which is based on a new therapeutic concept, is indicated for the reduction of alcohol consumption. In December 2013, the two companies also signed an agreement to collaborate on the development of Lu AF20513, an Alzheimer's disease vaccine.

In Japan, antiepileptic drug *E Keppra*, co-promoted with UCB Japan, was approved for the treatment of children aged four years and older (additional pediatric indication and dosage) in May 2013. In addition, *E Keppra Dry Syrup 50%* was launched in August 2013, aimed at patients who have difficulty swallowing tablets. These factors led to strong growth in domestic sales compared to the previous fiscal year. *Neupro Patch*, the world's only transdermal dopamine agonist helping to maintain stable blood concentration levels of the drug for 24 hours, registered steady growth in prescriptions for the treatment of Parkinson's disease.

As part of our CNS efforts, Otsuka Pharmaceutical and IBM concluded a strategic alliance in March 2014 that brings together both companies' specialist expertise, technologies and know-how. Through a global collaboration, the partners plan to develop care coordination solutions that improve medical service provision and contribute to the treatment and care outcomes of patients with mental health conditions.

In the area of the cardiovascular disorders, global sales of *Samsca*, a first-in-class vasopressin V₂-receptor antagonist available in 14 markets worldwide, increased by more than 60% year on year. This increase was supported by the drug's growing acceptance among medical specialists due to the new value it brings to clinical practice and because of its formulation as an oral aquaretic agent. In Japan, *Samsca 7.5mg tablets* were launched as a new formulation in June 2013. It was also granted an additional indication for the treatment of fluid retention in patients with hepatic cirrhosis in September 2013. In March 2014, *Samsca* was also approved in Japan for the additional indication of suppressing the progression of autosomal dominant polycystic kidney disease (ADPKD), becoming the world's first drug therapy for this condition. The Group is working to grow the value of *Samsca* through continuing education of physicians with regard to the drug's safety profile and optimal usage in the clinical setting.

Antiplatelet agent *Pletaal/Pletal* is viewed positively by domestic medical practitioners as a convenient orally disintegrating tablet for patients who have had onset cerebral infarction. However, sales of the drug have been affected by generics in Japan, with domestic sales declining year on year. Overseas sales of *Pletaal/Pletal* increased year on year, supported mainly by sales growth in South Korea.

In the area of oncology, *TS-1 Combination OD Tablets T20, T25* were launched as an additional formulation of anti-cancer agent *TS-1* in Japan in June 2013. Also, sales promotions utilizing evidence-based medicine (EBM) helped raise awareness of the drug as a treatment for colorectal cancer, head and neck cancer and pancreatic cancer, supporting stable sales. Overseas, *TS-1* is gradually being rolled out in Europe and is now (as of March 31, 2014) available in 27 countries worldwide. Sales of anti-cancer agent *UFT* and reduced folic acid formulation *Uzel* both declined year on year. Sales of *Aloxi*, a long-acting 5-HT₃ receptor antagonist antiemetic agent, were higher supported by steady growth in prescriptions, while sales of anti-cancer agent *Abraxane* expanded significantly year on year, supported by its approval for the additional indications of gastric cancer and non-small-cell lung cancer in February 2013. *Lonsurf*, an anti-cancer agent with a new mechanism of action, was approved in Japan for the treatment of unresectable advanced or

recurrent colorectal cancer (limited to cases where standard treatments are not practical) in March 2014.

Revenues from anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with BMS*⁴, increased sharply due to the drug's increasing global sales as a first-line treatment for chronic myeloid leukemia and due to an increase in our sales-based revenue quota starting from January 2013. Also, in March 2014, Otsuka Pharmaceutical acquired the rights from Eisai Inc. of the U.S. to develop and sell DNA methylation inhibitor *Dacogen* worldwide, excluding Mexico.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined year on year due to generic competition, although steps were taken to strengthen the *Mucosta* brand, including the launch of tablets with the brand name printed on both the front and back side. In addition, Otsuka Pharmaceutical and Takeda Pharmaceutical Company Limited signed an agreement in March 2014 for the co-promotion of sales in Japan of TAK-438, a treatment for acid-related diseases.

In the area of ophthalmology, prescriptions for dry eye treatment *Mucosta ophthalmic suspension UD 2%* grew steadily, supporting a large increase in sales compared with the previous fiscal year.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased year on year, as a result of an increase in the number of hospitals adopting *ELNEOPA* and growth in prescriptions. These developments partly reflected greater awareness of the solution as a TPN kit product containing trace elements recommended in the 2013 guidelines of the Japanese Society for Parenteral and Enteral Nutrition (JSPEN). They were also the result of the solution's other benefits, such as reduced risk of infection and a reduction in time and labor required for mixing and preparation.

To further strengthen the global development of the Group's pharmaceutical operations, Otsuka Pharmaceutical established Otsuka Europe Development and Commercialisation Ltd. ("OEDC") in London, U.K., in July 2013 as its new European center for the clinical development of pharmaceuticals. In October 2013, Otsuka Pharmaceutical acquired Astex Pharmaceuticals, Inc. ("Astex") of the U.S. through its wholly-owned subsidiary Otsuka America, Inc. Astex's current oncology pipeline and its fragment-based drug discovery technology will strengthen not only Otsuka Pharmaceutical's development portfolio, but also its research capabilities in next generation drug discovery in CNS and other therapeutic areas. In July 2013, Otsuka Pharmaceutical Factory, Inc. acquired a stake in Claris Otsuka Limited ("Claris Otsuka"), based in Ahmedabad, India.

As a result, net sales in the pharmaceutical segment for the current fiscal year totaled ¥1,035,080 million (21.7% increase year on year), with operating income of ¥212,755 million (13.3% increase year on year).

*1: © 2014 IMS Health. All rights reserved. Estimated based on "World Review Preview 2013 (Year 2013 Sales Data)." Reprinted with permission.

*2: © 2014 IMS Health. All rights reserved. Estimated based on "MIDAS Quantum 4Q/2013 Sales data." Reprinted with permission.

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

*4: Bristol-Myers Squibb Company

Nutraceuticals

Sales volume for our *Pocari Sweat* range of products increased during the fiscal year under review. In April 2013, the Group launched *Pocari Sweat Ion Water*, a new addition to its *Pocari Sweat* electrolyte drink range in Japan, with activities focusing on sales promotions, including taste testing. In combination with the traditional *Pocari Sweat* product, *Pocari Sweat Ion Water* provides a new choice for customers depending on drinking occasion, for example during exercise or while working in the office, or taste preference. Overseas, where *Pocari Sweat* is sold in 16 markets worldwide, consumption expanded in Indonesia along with the growing number of middle-income earners. IT-based efficiency improvements to our marketing system in China also resulted in an increase in new customers.

The Group continues to develop its soy-related business, based on the concept of “Soylution,” which sees soy as a solution to various health and environmental issues faced by consumers today. Our soy bar *SOYJOY*, which is sold in 11 countries, registered strong growth in market share, new customers and sales volume compared with the previous fiscal year. This reflected the launch of new flavor *SOYJOY Peanuts* in Japan in April 2013, which helped attract more customers, mainly men, to the *SOYJOY* brand. Two new flavors were added to the *SoyCarat* range in October 2013 – *Nori & Natto* and *Olive Oil & Garlic*. Brand visibility and popularity of *SoyCarat*, a healthy soy snack, has improved, partly as a result of promoting the product as a healthy snack before meals and bedtime. The Group is also working on dietary education initiatives to encourage a wider understanding among consumers of the nutritional benefits of the Group’s soy products, including *SoyCarat*, *SOYJOY* and the soy soda beverage *SOYSH*, which is mainly sold through the Group’s online shopping website.

The Group implemented sales promotions for carbonated nutritional drink *Oronamin C* using TV commercials and other approaches. The promotions focused on clearly communicating the product’s features in order to boost *Oronamin C*’s value as a functional and trusted brand. These efforts raised awareness of the product’s features among female consumers, supporting a year-on-year increase in sales volume.

Sales volume for the balanced nutrition food *Calorie Mate* rose slightly from the previous fiscal year due to sales promotions focused on the product’s qualities as a balanced nutrition food.

Subsidiary Pharmavite LLC (“Pharmavite”) of the U.S. supplies *Nature Made* supplements, which have been selected as the leading pharmacist-recommended brand in eight categories*⁵ in the U.S. and have been the number one retail national vitamin and supplement brand in the U.S. for seven consecutive years, from 2007 through 2013*⁶. The Group reinforced its manufacturing and supply framework for *Nature Made* supplements with the completion of a new plant in the U.S. state of Alabama in June 2013. In Japan, *Nature Made VitaMelts* supplements (five versions), which dissolve without water, were launched in November 2013. *VitaMelts* were launched as part of efforts to strengthen the *Nature Made* brand, mainly among consumers that are not yet accustomed to taking supplements.

At Nutrition & Santé SAS, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, sugar-free and gluten-free food products sold under the *Gerble* nutrition and health food brand continued to drive growth, while sales of organic food products and soy products also remained strong.

In the cosmetics area, where the focus is on the concept of “healthy skin,” the Group’s two brands – one aimed at men and the other at women – registered very strong growth. In the *UL•OS* men’s skincare brand, which is marking its fifth anniversary, *Skin Lotion* and *Skin Milk* now offer the added efficacy of minimizing fine lines and wrinkles caused by dryness. *UL•OS* is currently the leading brand in the men’s skincare category based on sales growth*⁷. In South Korea, where *UL•OS* was launched in March 2012, the brand continued to steadily gain ground. This was illustrated by its selection as the top male cosmetics brand for quality in the country’s 2013 consumer choice awards, the second year in a row that the brand has won the award, and growth in the number of stores that stock the *UL•OS* range. In the *InnerSignal* brand aimed at women who seek healthy and beautiful skin, the Group continued to make steady progress in building a loyal base of customers by using the mail-order sales channel to acquire new customers and boost repeat business.

Oronine H Ointment, which is marking its 60th anniversary, registered growth in sales volume due to efforts to promote a tube-type product aimed at younger consumers.

Sales volume for nutrient tonic *Tiovita* declined year on year, mainly reflecting the shrinking market for nutrient tonics and inventory adjustments at retailers.

As a result, net sales in the nutraceutical segment for the current fiscal year totaled ¥287,133 million (14.0% increase year on year), with operating income of ¥25,362 million (18.7% increase year on year).

*5: Based on 2013 US News & World Report - Pharmacy Times Survey, *Nature Made* is the #1 Pharmacist Recommended Brand in Eight Segments - Letter Vitamins, Omega-3/Fish Oil, Coenzyme Q10, Flax Seed Oil, Herbal supplements, Cholesterol Management-Natural, Garlic (tie) and Diabetic Multivitamins (tie).

*6: Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week period ending 04/12/2014 in US Food Drug Mass channels; and for the 52-week period ending 04/12/2014 in US xAOC channels. ©2014 The Nielsen Company

*7: Based on INTAGE POS data extrapolation (top five brands) for the period 04/01/2013 to 03/30/2014.

Consumer Products

Sales volume for mineral water products, centered on *Crystal Geyser*, saw a slight increase year on year, reflecting stepped up marketing activities and efforts to boost brand value. To mark the 45th anniversary of *Bon Curry Gold*, a range of instant curry dishes, the Group upgraded its products so they can be heated in a microwave oven without removing the curry pouch from the box while also strengthening its marketing strategy and sales promotion activities to boost brand value. On the other hand, sales volume for *Match*, a carbonated electrolyte drink containing vitamins, declined year on year as a result of competition and other factors, despite the ongoing implementation of an aggressive marketing strategy and sales promotion activities mainly targeting the high school student market. Steps were also taken to strengthen the brand following the launch of new product *Match Pink* in March 2014.

In the consumer products segment, the Group is working to quickly improve profitability by reviewing marketing strategies and sales promotion activities and improve the expense-to-sales ratio.

Net sales in the consumer products segment for the current fiscal year totaled ¥43,925 million (6.3% decrease year on year), with operating loss of ¥2,166 million.

Other

In the specialty chemical business, sales increased year on year due to firm sales of tire additives and brake friction material modifiers *TISMO* and *Terracess* and wider adoption of new products such as capacitor electrolyte solution, amid strong demand from the automotive sector. In the construction field, continued firm demand for foaming agents used in building materials, hardeners used in coating materials, and other chemicals also contributed to sales growth, supporting a large increase in overall sales in the specialty chemical business compared with the previous fiscal year. In the fine chemical business, sales slightly declined year on year mainly due to a drop in sales volume for pharmaceutical intermediate *DACTA*.

In the transportation and warehousing business, sales rose year on year owing to increases in handling volumes for pharmaceuticals, beverages and other products. Sales in the direct sales support business saw growth due to an increase in the number of orders.

As a result, net sales in the other businesses for the current fiscal year totaled ¥130,339 million (16.7% increase year on year), with operating income of ¥7,235 million (84.6% increase year on year).

iii) Research and Development Activities

Research and development expenses for the current fiscal year totaled ¥249,010 million.

Research and development expenses for the pharmaceutical business amounted to ¥240,846 million, those for the nutraceutical business amounted to ¥4,272 million, those for the consumer products business amounted to ¥523 million and those for others amounted to ¥3,367 million.

Pipeline information

The following compounds are in phase III or later stage of development as of March 31, 2014.

Therapeutic area	Code / (Brand name) <Generic name>	Indication / Dosage form	Development status					
			JP		US		EU	
			Phase III	Filed	Phase III	Filed	Phase III	Filed
Central nervous system	OPC-14597 (ABILIFY*) <aripiprazole>	Schizophrenia / Depot injection		•				
		Autism / Oral	•					
		Tourette's disorder / Oral				•		
		Tourette's disorder / Once-weekly Tablet			•			
		Bipolar I / Depot injection	•		•		•	
	L059 (E KEPPRA) <levetiracetam>	Epilepsy (generalized onset seizures) / Oral	•					
		Epilepsy (partial onset seizures) / injection		•				
		Epilepsy (partial onset seizures/mono therapy) / Oral		•				
	OPC-34712 <brexpirazole>	Adjunctive therapy for major depressive disorder / Oral			•		•	
		Schizophrenia / Oral	•		•		•	
		Agitation associated with dementia of the Alzheimer's type / Oral			•		•	
		Posttraumatic stress disorder (PTSD) / Oral			•		•	
	Lu AE58054	Alzheimer's disease / Oral			•		•	
ASC-01 <aripiprazole, sertraline>	Major depressive disorder / Oral	•						
Oncology	S-1 (TS-1) Japan, Korea (TEYSUNO*) EU (TS-ONE*) Singapore (愛斯万*) China (愛斯萬*) Taiwan <tegafur, gimeracil, oteracil>	Gastric cancer / Oral			•			
		Uterocervical cancer / Oral	•					
	TSU-68 <orantinib>	Hepatocellular carcinoma / Oral	•					
		TAS-102 (Lonsurf) <trifluridine, tipiracil>	•	approved	•		•	
		(SATIVEX*) <nabiximols>			•			
		TAS-118 <tegafur, gimeracil, oteracil, folinate>	•					
		OPC-41061 (SAMSCA*) <tolvaptan>	Autosomal dominant polycystic kidney disease / Oral		approved		•	•

(Translation)

Therapeutic area	Code / (Brand name) <Generic name>	Indication / Dosage form	Development status					
			JP		US		EU	
			Phase III	Filed	Phase III	Filed	Phase III	Filed
Other areas	YP-18 (ZOSYN*) <tazobactam• piperacillin>	Febrile neutropenia / Injection	•					
	OPC-12759E (Mucosta Ophthalmic Suspension) <rebamipide>	Dry eyes / Eye drops MD (Multi Dose)	•					
	ACU-4429 <emixustat>	Dry AMD / Oral			•**			
	OPC-67683 <delamanid>	Multidrug-resistant tuberculosis / Oral	•	•	•		•	•
	OPB-2045G <olanexidin>	Patient preoperative preparation / Topical	•					
	OPF-105 <Amino Acid, Carbohydrate, and Fat Emulsion Injection with Electrolytes and Vitamins>	Peripheral parenteral nutrition solution / Injection	•					
Diagnostics	ODK-1201-01 <Major bcr-abl mRNA kit>	For the diagnosis of bcr-abl / In-vitro diagnostic agent		•				

Product names with asterisk '*' are the names used outside Japan.

** Phase II / III

a. Therapeutic drugs

The Otsuka Group conducts research and development with a focus on the strategic areas of the central nervous system and oncology. The Group also conducts research and development in fields such as cardiovascular disease and ophthalmology.

Research and development activities carried out during the current fiscal year in the area of therapeutic drugs are summarized below.

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	<i>ABILIFY</i> <i>Abilify Maintena</i> (aripiprazole)	<p>[Japan]</p> <ul style="list-style-type: none"> Phase III trials of <i>Abilify Maintena</i> for the treatment of bipolar disorder were initiated in May 2013. <i>ABILIFY</i> was approved in June 2013 for the additional indication of major depressive disorder. An application was filed for <i>Abilify Maintena</i> in January 2014 for the maintenance treatment of schizophrenia. <p>[U.S.]</p> <ul style="list-style-type: none"> An application was filed for <i>ABILIFY</i> in February 2014 for the treatment of Tourette disorder. <p>[Europe]</p> <ul style="list-style-type: none"> <i>Abilify Maintena</i> obtained marketing authorization for the maintenance treatment of schizophrenia in November 2013 from the EC.
	<i>E Keppra</i> (levetiracetam)	<p>[Japan]</p> <ul style="list-style-type: none"> <i>E Keppra</i> was approved in May 2013 for the treatment of children aged four years and older (additional pediatric indication and dosage). <i>E Keppra Dry Syrup 50%</i> obtained manufacturing and marketing approval in June 2013 and was launched in August 2013. A new drug application was filed in June 2013 for <i>Levetiracetam Injection</i> for the treatment of epileptic partial seizures. An application was filed in March 2014 for the additional indication of monotherapy for epileptic partial seizures.
	(brexpiprazole) OPC-34712	<p>[U.S. and Europe]</p> <ul style="list-style-type: none"> Phase III trials for the treatment of agitation associated with dementia of the Alzheimer's type were initiated in August 2013. Phase III trials were initiated in January 2014 for the treatment of post-traumatic stress disorder (PTSD).
	Lu AE58054	<ul style="list-style-type: none"> At the Alzheimer's Association International Conference (AAIC) in July 2013, Lundbeck announced Phase II clinical data on efficacy for Lu AE58054 as an add-on to donepezil for the treatment of Alzheimer's disease. <p>[U.S. and Europe]</p> <ul style="list-style-type: none"> Phase III trials were initiated in October 2013 for the treatment of Alzheimer's disease.
	(aripiprazole, sertraline) ASC-01	<p>[Japan and Asia]</p> <ul style="list-style-type: none"> Phase III trial was initiated in February 2014 for the treatment of major depressive disorder.

Category	Brand Name / Generic Name / Development Code	Status
Oncology	<i>E-fen Buccal Tablets</i> (fentanyl citrate) OVF	[Japan] <ul style="list-style-type: none"> The drug was approved in June 2013 as an analgesic for the treatment of acute pain in cancer patients receiving regular doses of powerful opioid analgesics. <i>E-fen Buccal Tablets 50µg, 100µg, 200µg, 400µg</i> were launched in September 2013, and <i>600µg, 800µg</i> of the same were launched in October.
	<i>Lonsurf</i> (trifluridine and tipiracil hydrochloride) TAS-102	[Asia] <ul style="list-style-type: none"> Phase III trial for the treatment of colorectal cancer was initiated in October 2013. [Japan] <ul style="list-style-type: none"> Approval was granted in March 2014 for the treatment of unresectable advanced or recurrent colorectal cancer (limited to cases where standard treatments are not practical).
	TAS-118	[Japan and Asia] <ul style="list-style-type: none"> Phase III trials for the treatment of pancreatic cancer were initiated in July 2013.
	SGI-110	<ul style="list-style-type: none"> Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: [U.S. and Europe] <ul style="list-style-type: none"> Phase II trials for the treatment of ovarian cancer and hepatocellular carcinoma are currently under way. [U.S.] <ul style="list-style-type: none"> Phase II trials for the treatment of AML and myelodysplastic syndrome (MDS) are currently under way.
	AT13387	<ul style="list-style-type: none"> Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: [U.S. and Europe] <ul style="list-style-type: none"> Phase II trials for the treatment of prostate cancer and non-small cell lung cancer are currently under way.
	AT7519	<ul style="list-style-type: none"> Drug currently under development, acquired through the purchase of Astex in October 2013. The drug's development status is as follows: [U.S.] <ul style="list-style-type: none"> Phase II trials for the treatment of multiple myeloma are currently under way.
Cardiovascular system	<i>Samsca</i> (tolvaptan)	[U.S.] <ul style="list-style-type: none"> The U.S. Food and Drug Administration (FDA) accepted an application for the additional indication of autosomal dominant polycystic kidney disease (ADPKD) in April 2013. However, Otsuka Pharmaceutical received a complete response letter from the FDA in August 2013 stating that the application could not be approved based on the data in the initial application. [Japan] <ul style="list-style-type: none"> An application was filed in May 2013 for the additional indication of ADPKD, followed by approval in March 2014. At the same time, <i>Samsca 30mg tablets</i> were approved. <i>Samsca 7.5mg tablets</i> received approval in September 2013 for the additional indication of the treatment of fluid retention in patients with hepatic cirrhosis. [Europe] <ul style="list-style-type: none"> An application for the additional indication of ADPKD was accepted for review by the European Medicines Agency (EMA) in December 2013.

Category	Brand Name / Generic Name / Development Code	Status
Other categories (Ophthalmology and others)	<i>Mucosta</i> <i>ophthalmic</i> <i>suspension UD 2%</i> OPC-12759E	[U.S.] • The decision was taken in September 2013 to terminate the development of the drug in the U.S., as primary outcome measure was not attained in Phase III trials for the treatment of dry eyes.
	(delamanid) OPC-67683	[Europe] • In November 2013, the drug received a recommendation for approval from the European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP) for the treatment of multidrug-resistant tuberculosis.
	OPF-105	[Japan] • Phase III trials for the treatment of post-operative digestive organ patients requiring peripheral parenteral nutrition were initiated in October 2013.

b. Diagnostic

ODK-0902 (H. influenzae ELISA kit *Otsuka*) was launched in Japan in April 2013. ODK-1003 (WT1 mRNA assay kit II *Otsuka*) obtained domestic manufacturing and marketing approval in May 2013 and was launched in September 2013. The *Fingraph* fingertip blood sampler, which measures sodium and potassium electrolytes, was launched in Japan in August 2013. A Phase II trial was initiated in the U.S. in July 2013 to evaluate the performance of in vivo diagnostic agent C13-URA (13C-uracil breath test kit) in patients with dyspepsia. An application was filed in October 2013 for the manufacture and marketing in Japan of ODK-1201-01 (CML diagnostic aid kit).

iv) Capital Investments

Capital investments during the current fiscal year amounted to ¥178,984 million. These investments were funded by own capital and borrowings.

Capital investments in the pharmaceutical business totaled ¥154,513 million. Principal investments included the acquisition of Claris Otsuka and Astex, Taiho Pharmaceutical Co., Ltd.'s pharmaceutical manufacturing facility at the Kitajima Factory and the renewal of existing facilities.

Capital investments in the nutraceutical business totaled ¥10,144 million. Principal investments included the supplements manufacturing facility at Pharmavite LLC's Alabama Factory and renewal of existing facilities.

Capital investments in the consumer business totaled ¥2,912 million, while those in other businesses totaled ¥4,358 million, and corporate investments totaled ¥7,055 million.

(2) Key issues to be addressed

The Otsuka Group is implementing concrete initiatives under its First Medium-Term Management Plan in order to realize its corporate philosophy, “Otsuka-people creating new products for better health worldwide.”

i) Delivering value and maximizing earnings in the pharmaceutical business

- In the area of the central nervous system, the Otsuka Group will work with global alliance partner Lundbeck to create a long-term collaborative global framework, centered on *Abilify Maintena*, and brexpiprazole (OPC-34712), which were both developed by the Company, in order to rapidly maximize the medical and commercial value of both companies in this field and step up investment in order to create new value.
- In the *ABILIFY* business, product value will be maximized through continuous research and development, including the development of additional indications and combination drugs. Earnings will also be maximized through joint efforts with alliance partner Bristol-Myers Squibb Company.
- In the field of oncology, the product lineup will be enhanced in the areas of metabolic antagonists, molecular-targeted agents, new mechanism anti-cancer drug, cancer vaccines, and cancer-supportive care (antiemetic agents, cancer pain analgesics) in order to expand the business in a way that covers the entire spectrum of cancer treatment.
- The Otsuka Group will pursue further growth through the cultivation of new products such as *Samsca*, *E Keppra*, *Aloxi*, *Abraxane*, *Mucosta ophthalmic suspension*, and *Neupro Patch*.
- The Otsuka Group will tackle unmet medical needs of patients, aiming to create a wide range of new values including new drugs in order to satisfy those needs.

ii) Expansion and profit growth in the nutraceutical business

- Targeting growth in overseas sales, the Group will accelerate overseas development by expanding the *Pocari Sweat* business in the growing markets of Asia, the *Nature Made* business in the U.S., and the nutrition and health food product business of Nutrition & Santé SAS in Europe.
- The Otsuka Group will also develop the cosmeceuticals business with a view to global expansion, underpinned by the *UL•OS* and *InnerSignal* brands.
- Improvement in profitability will be pursued through a focus on implementing promotional activities emphasizing the core concept of the products as well as through an ongoing review of the cost structure.

Status of the First Medium-Term Management Plan and Progress on Principal Measures

The Company regards the period covered by the Medium-Term Management Plan until fiscal 2013 as a three-year period to develop a world-class structure as a global healthcare company. Its aim is to enhance corporate value through the steady implementation of the principal measures shown below. The main progress made is as follows:

Theme of the First Medium-Term Management Plan

To develop a world-class structure as a global healthcare company with the two mainstay businesses of pharmaceuticals and nutraceuticals during the three years covered by the plan.

Principal Measures

- Development of innovative proprietary pharmaceuticals
- Profit structure improvement aimed at securing profit growth in the nutraceutical business
- Next-generation business incubation through strategic alliances and other measures

Progress on Principal Measures

Development of innovative proprietary pharmaceuticals

Growth in major products and development of key pipeline in the First Medium-Term Management Plan are progressing steadily, as shown below.

- Antipsychotic agent *ABILIFY* was the top seller* among all prescription drugs in the U.S. in 2013 (January to December).
 - In the central nervous system field, following on from its launch in the U.S., *Abilify Maintena* was launched jointly in Europe with global alliance partner Lundbeck in January 2014. An application for manufacture and marketing approval for Japan was made in January 2014.
 - In the oncology field, manufacture and marketing approval was obtained for Japan in March 2014 for the novel anti-cancer agent *Lonsurf combination tablets* (development code TAS-102) with the indication of unresectable advanced/recurrent colorectal cancer.
 - In the area of the cardiovascular system, manufacture and marketing approval was obtained for Japan in March 2014 for *Samsca* for an additional indication for the treatment of autosomal dominant polycystic kidney disease (ADPKD). An application for approval was accepted for review in Europe in December 2013. In the U.S. a complete response letter has been received from the FDA, and consultations are currently underway regarding additional data and other matters.
 - In the other areas, *Deltyba* (generic name: delamanid) was approved in Europe in April 2014 for the treatment of multidrug-resistant tuberculosis (MDR-TB). Application has been made for manufacture and marketing approval for Japan.
- * © 2014 IMS Health. All rights reserved. Estimated based on “MIDAS Quantum 4Q/2013 Sales data,” Reprinted with permission.

Profit structure improvement aimed at securing profit growth in the nutraceutical business

The First Medium-Term Management Plan calls for securing profit growth in the nutraceutical business. The Company made aggressive efforts to increase overseas sales of *Pocari Sweat* and other global products, and to increase sales by creating new markets with new products, such as *Pocari Sweat Ion Water* and *SoyCarat*. Meanwhile, revenue was improved by pushing the reduction of production costs and the optimization of expenses and through the balanced allocation of resources for creating new markets.

The operating profit margin reached 8.8 percent in fiscal 2013 and has been progressing smoothly.

Sales Increase through Market Expansion and Profit Growth by Cost Structure Review

(1) Profit structure improvement in Japan

- Increase sales by fostering newly developed products
- Suitably control expenses

(2) Expand the sales share of high profitability overseas sales

Increase the sales share of overseas sales by 6 percentage points by means of the high overseas sales growth rate

Next-generation business incubation through strategic alliances and other measures

As part of the effort to fulfill the measures in the First Medium-Term Management Plan, Otsuka Pharmaceutical signed a global alliance agreement in the area of the central nervous system in November 2011 with Danish company Lundbeck, a global leader in the field. Through both companies collaborating together based on this agreement, development of the further-advanced core business is available. The progress made since the signing of the agreement is as follows:

Progress Since Signing of Agreement with Lundbeck

- March 2013 *Abilify Maintena* was launched in U.S. and co-promotion was started.
- March 2013 Lundbeck agreed to co-develop and co-commercialize the new compound Lu AE58054 under development as a treatment for Alzheimer’s disease.
- April 2013 Co-promotion of *ABILIFY* was started in Europe.
- November 2013 *Abilify Maintena* was approved in Europe.
- January 2014 *Abilify Maintena* was launched in UK and co-promotion started.

(Translation)

- March 2014 Result of phase III trial on brexpiprazole for treatment of major depressive disorder (MDD) was presented at the European Psychiatry Association Conference (EPA 2014).

In October 2013, Otsuka Pharmaceutical acquired Astex of the U.S. through its wholly-owned subsidiary Otsuka America, Inc. Astex's current oncology pipeline and its fragment-based drug discovery technology will strengthen not only Otsuka Pharmaceutical's development portfolio, but also its research capabilities in next generation drug discovery in CNS and other therapeutic areas.

First Medium-Term Management Plan Performance Goal and Result

Items	FY2013 plan of the Medium-Term Management Plan	FY2013 (Actual)	Percentage of Achievement
Net sales (Billions of yen)	1,330.0	1,452.8	109.2%
R&D expenses (Billions of yen)	200.0	249.0	124.5%
Operating income (Billions of yen)	200.0	198.7	99.4%
Net income (Billions of yen)	130.0	151.0	116.2%
EPS (Earnings per share) (Yen)	230.0	278.07	120.9%
ROE (Return on equity)	10 % or more	10.80%	Achieved

(3) Trends in consolidated operating results and assets for and at the end of the current fiscal year and the most recent three fiscal years

Item	The 3rd fiscal year (Ended March 31, 2011)	The 4th fiscal year (Ended March 31, 2012)	The 5th fiscal year (Ended March 31, 2013)	The 6th fiscal year (Ended March 31, 2014)
Net sales (Millions of yen)	1,127,589	1,154,573	1,218,055	1,452,759
Ordinary income (Millions of yen)	128,400	152,119	184,462	215,235
Net income (Millions of yen)	82,369	92,174	122,429	150,989
Net income per share (Yen)	164.51	165.20	221.90	278.07
Total assets (Millions of yen)	1,589,717	1,666,767	1,779,207	2,028,399
Net assets (Millions of yen)	1,163,325	1,222,764	1,325,071	1,510,759
Net assets per share (Yen)	2,061.88	2,166.55	2,381.64	2,740.89

Note: Until the 3rd fiscal year, income and expenses of overseas subsidiaries, etc. were converted into yen at the spot exchange rate of the financial closing date of such overseas subsidiaries, etc. However, the Group, effective from the 4th fiscal year, has changed the method of yen conversion to the use of the average exchange rate of the period. In addition, revenues from up-front payments received associated with consent for license were posted to "Revenues related to extension of co-promotion agreement" and "Other" included in non-operating income until the 3rd fiscal year. However, the Group has changed the method to post such revenue to net sales effective from the 4th fiscal year. The figures under consolidated operating results and assets for the 3rd fiscal year (ended March 31, 2011) reflect the retroactive application of these changes made.

(Translation)

(4) Significant subsidiaries (as of March 31, 2014)

Company name	Country	Capital	Percentage of voting rights held by the Company	Major business activities
Otsuka Pharmaceutical Co., Ltd.	Japan	20,000 million yen	100.00%	Manufacture and sale of pharmaceuticals, clinical inspections and medical devices, food products, and cosmetic products
Otsuka Pharmaceutical Factory, Inc.	Japan	80 million yen	100.00%	Manufacture and sale of pharmaceutical products
Taiho Pharmaceutical Co., Ltd.	Japan	200 million yen	100.00%	Manufacture and sale of pharmaceutical products
Otsuka Warehouse Co., Ltd.	Japan	800 million yen	100.00%	Warehousing and transport business
Otsuka Chemical Co., Ltd.	Japan	5,000 million yen	100.00%	Sale of beverages, manufacture and sale of chemical products
Otsuka Foods Co., Ltd.	Japan	1,000 million yen	*100.00%	Manufacture and sale of food and beverages, sale of alcoholic drinks (wine)
Otsuka America Pharmaceutical, Inc.	U.S.	50,000 thousand U.S. dollars	*100.00%	Manufacture and sale of pharmaceutical products
Pharmavite LLC	U.S.	1,032 thousand U.S. dollars	*100.00%	Manufacture and sale of nutritional products
Nutrition & Santé SAS	France	45,150 thousand euro	*100.00%	Manufacture and sale of food products

Note: The asterisk (*) in "Percentage of voting rights held by the Company" includes the percentage of voting rights held indirectly.

(5) Major offices and factories (as of March 31, 2014)

The Company

Head Office	2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo
Tokyo Headquarters	2-16-4 Konan, Minato-ku, Tokyo

Significant subsidiaries

Company name	Location
Otsuka Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo
Otsuka Pharmaceutical Factory, Inc.	Naruto, Tokushima
Taiho Pharmaceutical Co., Ltd.	Chiyoda-ku, Tokyo
Otsuka Warehouse Co., Ltd.	Minato-ku, Osaka
Otsuka Chemical Co., Ltd.	Chuo-ku, Osaka
Otsuka Foods Co., Ltd.	Chuo-ku, Osaka
Otsuka America Pharmaceutical, Inc.	Maryland, U.S.
Pharmavite LLC	California, U.S.
Nutrition & Santé SAS	Midi-Pyrénées, French Republic

(Translation)

(6) Employees (as of March 31, 2014)

i) Employees of the Otsuka Group

Business segment	Number of employees		Increase / Decrease from the previous fiscal year	
Pharmaceuticals	16,578	(1,173)	up 1,918	(up 227)
Nutraceuticals	6,405	(1,201)	up 676	(up 274)
Consumer products	654	(96)	down 177	(up 5)
Other	2,928	(609)	up 499	(down 30)
Corporate (Common)	1,723	(345)	up 42	(up 34)
Total	28,288	(3,424)	up 2,958	(up 510)

Note: The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees is separately indicated in parentheses.

ii) Employees of the Company

Number of employees	Increase / Decrease from the previous fiscal year	Average age	Average service years
75 (85)	up 5 (up 21)	44.9	2.8

Note: The number of employees indicates the number of employees currently on duty and the yearly average number of part-time and temporary employees is separately indicated in parentheses.

(7) Major creditors (as of March 31, 2014)

Creditor	Balance of borrowings
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	29,185 million yen
Resona Bank, Ltd.	13,083 million yen
Mizuho Bank, Ltd.	7,073 million yen
The Awa Bank, Limited	3,354 million yen
Sumitomo Mitsui Banking Corporation	3,332 million yen

2. Current Status of the Company

(1) Shares (as of March 31, 2014)

- | | |
|---------------------------------------------------|----------------------|
| i) Total number of authorized shares: | 1,600,000,000 shares |
| ii) Total number of issued shares: | 557,835,617 shares |
| iii) Number of shareholders: | 53,188 |
| iv) Principal shareholders (top 10 shareholders): | |

Name of shareholder	Number of shares held (thousand)	Shareholding ratio (%)
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	62,936	11.61
Otsuka Estate Ltd.	25,511	4.71
Otsuka Group Employee Shareholding Fund	18,964	3.50
The Master Trust Bank of Japan, Ltd. (trust account)	15,100	2.78
Japan Trustee Services Bank, Ltd. (trust account)	14,763	2.72
The Awa Bank, Limited	10,970	2.02
GOLDMAN, SACHS & CO.REG	7,824	1.44
Otsuka Asset Co., Ltd.	7,720	1.42
Toho Holdings Co., Ltd.	7,270	1.34
Resona Bank, Ltd.	5,568	1.02

- Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. Although the Company holds 16,211,155 of its own shares, treasury stock is excluded from the above list.
3. Shareholding ratio is calculated after treasury stock is deducted.

(2) Status of stock acquisition rights

Holding of stock acquisition rights issued as compensation for the execution of duties by Directors and Audit & Supervisory Board Members

(as of March 31, 2014)

	No. 1 stock acquisition rights	No. 2 stock acquisition rights
Date of resolution on issuance	June 29, 2010	June 29, 2010
Number of stock acquisition rights	50,000	9,700
Class and number of shares underlying stock acquisition rights	Common stock: 50,000 shares (One share per stock acquisition right)	Common stock: 9,700 shares (One share per stock acquisition right)
Amount to be paid in for stock acquisition rights for subscription	No payment required	No payment required
Value of property to be contributed when such stock acquisition rights are exercised	¥1 per stock acquisition right (¥1 per share)	¥2,100 per stock acquisition right (¥2,100 per share)
Period during which stock acquisition rights may be exercised	From July 23, 2012 to July 31, 2015	From July 23, 2012 to July 31, 2015
Conditions for exercise of stock acquisition rights	(See Note)	(See Note)
Status of holdings of Directors and Audit & Supervisory Board Members	Number of Directors of the Company: 1	Number of Audit & Supervisory Board Members of the Company: 3

Note: Matters relating to conditions for exercise of stock acquisition rights are as follows:

- A party having received an allotment of stock acquisition rights (hereafter, "holder of stock acquisition rights") must hold the same position in the Company at the time of exercising the stock acquisition rights as that held at the time of the allotment of stock acquisition rights. However, the Company's Board of Directors may waive this limit if they deem it appropriate.
- A holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights in the event the holder of stock acquisition rights, without obtaining prior approval from the Board of Directors of the Company or a subsidiary, assumes or agrees to assume an office either as an executive or employee of another company, or engages in a business that competes directly or indirectly with the business of the Company or its subsidiary.
- A holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights in the event the holder of stock acquisition rights commits a major violation of laws and regulations or the internal rules of the Company or a subsidiary.
- A holder of stock acquisition rights shall not pledge or dispose of the stock acquisition rights in any other way.
- In the event of the death of a holder of stock acquisition rights, the heirs of the deceased holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights.
- A stock acquisition right shall not be split for exercising.

(Translation)

- g. Other conditions for exercising of stock acquisition rights shall be as provided in the agreement for the allotment of stock acquisition rights entered into between the Company and the holders of stock acquisition rights based on the resolution of the Company's Board of Directors.

(3) Directors and Audit & Supervisory Board Members of the Company

i) Directors and Audit & Supervisory Board Members (as of March 31, 2014)

Position in the Company	Name	Areas of Responsibility and Significant Concurrent Positions
Chairman and Representative Director	Akihiko Otsuka	Chairman, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Pharmaceutical Factory, Inc. President and Representative Director, Otsuka Estate Ltd. Chairman and Representative Director, Otsuka Asset Co., Ltd.
President and Representative Director	Tatsuo Higuchi	Executive Director, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Chemical Co., Ltd.
Vice President and Executive Director	Ichiro Otsuka	President and Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice President and Representative Director, Otsuka Estate Ltd. President and Representative Director, Otsuka Asset Co., Ltd.
Senior Managing Director	Atsumasa Makise	In charge of Corporate Finance Chairman, Otsuka America, Inc.
Managing Director	Yoshiro Matsuo	In charge of Corporate Administration
Executive Director	Yujiro Otsuka	
Executive Director	Yukio Kobayashi	
Executive Director	Yasuyuki Hiroto	President, The Resona Foundation for Asia and Oceania Outside Director, ELECOM CO., LTD.
Executive Director	Juichi Kawaguchi	
Standing Audit & Supervisory Board Member	Hiroshi Sugawara	Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd. Vice President, Will Capital Management Co., Ltd. Outside Director, NIPPON PARKING DEVELOPMENT Co., Ltd.
Audit & Supervisory Board Member	Yasuhisa Katsuta	Outside Audit & Supervisory Board Member, Otsuka Pharmaceutical Co., Ltd.
Audit & Supervisory Board Member	Norikazu Yahagi	Outside Audit & Supervisory Board Member, T.D.I. CO., LTD.

- Notes: 1. Directors, Yasuyuki Hiroto and Juichi Kawaguchi are Outside Directors.
2. Audit & Supervisory Board Members, Hiroshi Sugawara, Yasuhisa Katsuta and Norikazu Yahagi are Outside Audit & Supervisory Board Members.
3. Audit & Supervisory Board Member, Hiroshi Sugawara is a certified public accountant and has extensive knowledge of finance and accounting.
4. The Company appoints Juichi Kawaguchi, Hiroshi Sugawara and Norikazu Yahagi as Independent Officers as provided for under the rules of Tokyo Stock Exchange, Inc. and have registered them with the exchange.
5. Changes in Directors and Audit & Supervisory Board Members during the current fiscal year are as follows:
[Assumption of Office]
Executive Director, Yasuyuki Hiroto (assumed his office as of June 27, 2013)
Executive Director, Juichi Kawaguchi (assumed his office as of June 27, 2013)
Standing Audit & Supervisory Board Member, Sadanobu Tobe (assumed his office as of June 27, 2013)
Standing Audit & Supervisory Board Member, Hiroshi Sugawara (assumed his office as of November 12, 2013)
[Resignation]
Standing Audit & Supervisory Board Member, Masatoshi Taniguchi (resigned as of June 27, 2013)
Standing Audit & Supervisory Board Member, Sadanobu Tobe (resigned as of November 13, 2013)

ii) Total compensations paid to Directors and Audit & Supervisory Board Members

Classification	Number of persons paid	Amount of compensations paid (millions of yen)
Directors [incl. Outside Directors]	9 (2)	560 (10)
Audit & Supervisory Board Members [incl. Outside Audit & Supervisory Board Members]	5 (3)	56 (19)
Total [incl. Outside Directors and Audit & Supervisory Board Members]	14 (5)	617 (30)

- Notes: 1. There are no Directors of the Company who concurrently serve as employees.
2. The above includes one Audit & Supervisory Board Member who retired at the conclusion of the 5th Annual Shareholders Meeting held on June 27, 2013 and one Audit & Supervisory Board Member who retired on November 13, 2013.
3. The upper limit of compensation for Directors is set at ¥1,500 million per year (does not include the portion of salary for an employee position) as resolved at the 2nd Annual Shareholders Meeting on June 29, 2010. Issuance of stock acquisition rights of up to 500,000 shares of common stock of the Company as stock options was resolved separately at the 2nd Annual Shareholders Meeting on June 29, 2010. For details, please refer to the section of “2. Current Status of the Company (2) Status of stock acquisition rights: Holding of stock acquisition rights issued as compensation for the execution of duties by Directors and Audit & Supervisory Board Members.”
4. The upper limit of compensation for Audit & Supervisory Board Members is set at ¥80 million per year as resolved at the 2nd Annual Shareholders Meeting on June 29, 2010. Issuance of stock acquisition rights of up to 32,000 shares of common stock of the Company as stock options was resolved separately at the 2nd Annual Shareholders Meeting on June 29, 2010. For details, please refer to the section of “2. Current Status of the Company (2) Status of stock acquisition rights: Holding of stock acquisition rights issued as compensation for the execution of duties by Directors and Audit & Supervisory Board Members.”
5. The above amounts of compensation include ¥184 million in bonuses for 7 Directors.

iii) Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

a. Significant concurrent positions at other companies and relationships between the Company and such other companies

Director, Yasuyuki Hirotomi, serves as President of The Resona Foundation for Asia and Oceania and Outside Director of ELECOM CO., LTD. The Group has no transactions with the said firms.

Audit & Supervisory Board Member, Hiroshi Sugawara, serves as outside Audit & Supervisory Board Member of Otsuka Pharmaceutical Co., Ltd., Vice President at Will Capital Management Co., Ltd. and Outside Director of NIPPON PARKING DEVELOPMENT Co., Ltd. Otsuka Pharmaceutical Co., Ltd. is a wholly-owned subsidiary of the Company. The Group has no transactions with Will Capital Management Co., Ltd. and NIPPON PARKING DEVELOPMENT Co., Ltd.

Audit & Supervisory Board Member, Yasuhisa Katsuta, serves as outside Audit & Supervisory Board Member of Otsuka Pharmaceutical Co., Ltd. Otsuka Pharmaceutical Co., Ltd. is a wholly-owned subsidiary of the Company.

Audit & Supervisory Board Member, Norikazu Yahagi, serves as outside Audit & Supervisory Board Member of T.D.I. CO., LTD. The Group has no transactions with the said firm.

b. Major activities during the current fiscal year

Director, Yasuyuki Hirotomi attended all ten (10) meetings of the Board of Directors held since his appointment as Director of the Company and provides appropriate comments based on his extensive experience and high-level insights acquired throughout many years in corporate management.

Director, Juichi Kawaguchi attended all ten (10) meetings of the Board of Directors held since his appointment as Director of the Company and provides appropriate comments based on his knowledge and experience as a corporate executive acquired through his career.

Audit & Supervisory Board Member, Hiroshi Sugawara attended all thirteen (13) meetings of the Board of Directors and all fourteen (14) meetings of the Audit & Supervisory Board held

during the current fiscal year, and provided appropriate comments based on his expertise as a certified public accountant.

Audit & Supervisory Board Member, Yasuhisa Katsuta, attended twelve (12) of the thirteen (13) meetings of the Board of Directors and thirteen (13) of the fourteen (14) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on his extensive experience and high-level insights acquired throughout many years in corporate management.

Audit & Supervisory Board Member, Norikazu Yahagi, attended all thirteen (13) meetings of the Board of Directors and all fourteen (14) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on his extensive experience and high-level insights acquired primarily as an outside Audit & Supervisory Board Member at other listed companies.

c. Overview of the agreement for limitation of liability

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has executed agreements with Outside Directors and Outside Audit & Supervisory Board Members which limit the Outside Directors and Outside Audit & Supervisory Board Members' indemnity liability under Article 423, Paragraph 1 of the same Act to the amount provided for in the laws and regulations.

(4) Accounting auditor

i) Name of accounting auditor (Independent Auditor): Deloitte Touche Tohmatsu LLC

ii) Amount of compensations

	Payment (millions of yen)
Total compensations for the current fiscal year	87
Total of monies and other property benefits, which the Company and subsidiaries should pay to the accounting auditor	564

- Notes: 1. The Company compensates the accounting auditor for advice and guidance, etc. concerning international financial reporting standards, which is a service other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act.
2. Of the Company's principal subsidiaries, Otsuka America Pharmaceutical, Inc. and two other companies are audited by a certified public accountant or an audit corporation (including parties holding qualifications comparable to those of a certified public accountant or an audit corporation in a country besides Japan) other than the accounting auditor of the Company (provided, however, that such parties fall under the provisions of the Companies Act or the Financial Instruments and Exchange Act (or foreign laws comparable to the said Acts)).
3. As compensations for audits based on the Companies Act and that based on the Financial Instruments and Exchange Act are not clearly distinguished under the audit agreement concluded between the Company and the accounting auditor nor can they be classified in practice, the amount of compensations for the accounting auditor in the current fiscal year, represents the aggregate amount for these audits.

iii) Policy for determining dismissal or non-reappointment of accounting auditor

In the event any deficiency is found in the execution of duties by the accounting auditor, or if judging the necessity thereof, the Board of Directors shall, with prior consent obtained from the Audit & Supervisory Board or based on a request from the Audit & Supervisory Board, address dismissal or non-reappointment of the accounting auditor as an item of the agenda of a shareholders meeting.

The Audit & Supervisory Board shall, if recognizing that the accounting auditor falls under any of the items in Article 340, Paragraph 1 of the Companies Act, dismiss the accounting auditor based on the unanimous consent of all Audit & Supervisory Board Members. In this case, the Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report the dismissal of accounting auditor and the reason thereof at the first shareholders meeting convened after dismissal.

(5) System to ensure appropriate operations

The Company defines the basic policies on internal control to ensure the appropriateness of operations (internal control system) as follows:

- i) System to ensure that the execution of the duties by the Directors and employees complies with the laws and regulations and the Articles of Incorporation

The Otsuka Group adopts a pure holding company system within the Company to strengthen corporate governance by separating the management supervisory function from the business execution function.

The Company formulates the Otsuka Group Code of Conduct in order to ensure compliance with laws and regulations, the Articles of Incorporation, and other relevant rules and the underlying concepts, and to ensure corporate activities are carried out based on high ethical standards. The Otsuka Holdings Compliance Program is established to provide specific guidelines that reflect the Otsuka Group Code of Conduct, based on which the Risk Management Committee leads efforts to ensure thorough education for employees and to promote establishment, maintenance, and improvement of the compliance system.

While promoting the establishment of an internal control system to perform appropriate accounting processes and ensure reliability of financial reporting based on the Financial Instruments and Exchange Act and other relevant laws and regulations, the Company continually assesses whether or not the said system is functioning appropriately, and implements necessary corrective action when it is inadequate.

The Company is resolute in its stance toward all anti-social forces and organizations that threaten social order and corporate soundness and has zero tolerance toward relations with such forces and organizations.

An Internal Audit Department established under the direct reporting line to the President shall periodically perform internal audits of the assets and the overall operations of the Company based on Internal Audit Regulations, and report the results to the President. Should a need for improvement be found, the Internal Audit Department provides comments on such improvement and subsequently follows up the status of such improvement.

- ii) System for preserving and managing information regarding the execution of duties by Directors

The Company shall appropriately and securely retain and manage records of meetings of the Board of Directors and circulars for managerial approval, etc., in accordance with Corporate Document Control Regulations and maintain a system to allow such records and circulars to be accessed as necessary.

- iii) Regulations and other systems for the management of risk of loss

To establish a risk management system for the Company and each of the Group companies, a Risk Management Committee along with Risk Management Rules shall be established. The Risk Management Committee shall evaluate and comprehensively manage risks that may impair improving the sustainable value of the Otsuka Group by managing each of the risk management departments within the organization.

In the event of an unforeseen situation, the Company shall promptly implement responsive measures to minimize any damage caused by the emergent situation.

- iv) System to ensure efficient execution of duties by Directors

In accordance with the Regulations of the Board of Directors, a regular Board meeting shall be held on a monthly basis and an extraordinary meeting whenever deemed necessary to discuss and determine important matters such as management policies and strategies.

A Corporate Officer system shall be put in place that clearly defines the roles of Corporate Officers executing business operations separately from the Board of Directors, which serves as the management decision-making and supervisory function, to ensure the transparency of management and prompt execution of business operations.

- v) System to ensure appropriate operations in the business group comprising the Company and its subsidiaries

The Company, as the holding company that undertakes the role of maximizing the corporate value of the Otsuka Group, shall put in place a system to secure the appropriateness of operations from the viewpoint of the entire Otsuka Group.

Subsidiaries and affiliates shall report matters provided for in the Affiliate Management

Regulations to the Company as necessary, and seek approval from the Company for any significant matters under the framework to establish a collaborative system within the Otsuka Group.

The Company shall ensure that audits of subsidiaries and affiliates are managed and conducted in accordance with the Internal Audit Regulations and promote the development of risk management and compliance systems across the Group to ensure that operations are uniformly and appropriately performed.

vi) Matters concerning employees in the event where Audit & Supervisory Board Members issue requests for employees to take charge of assisting them with their duties

The Company establishes an Audit & Supervisory Board Member's Office responsible for administering the convocation of meetings of the Audit & Supervisory Board and supporting the duties of Audit & Supervisory Board Members independently from the supervision of Directors.

vii) Matters concerning the independence of employees from Directors, as mentioned in the preceding paragraph

Personnel transfers and evaluations relating to the Audit & Supervisory Board Member's Office shall be determined by the Board of Directors based on prior approval obtained from the Audit & Supervisory Board and shall secure independence from Directors.

viii) Systems for reporting to Audit & Supervisory Board Members by Directors and employees and other systems for reporting to Audit & Supervisory Board Members

The Company shall ensure that specific means are in place to allow Audit & Supervisory Board Members to collect information concerning the execution of duties by Directors, including a system to have Directors and employees report to Audit & Supervisory Board Members in the event any of the following takes place.

- a. Any incident that has caused or may cause material damage to the Company
- b. Any violation of laws, regulations, or the Articles of Incorporation and any other important compliance matter
- c. Progress of business execution by the Company and each of the Group companies
- d. Status of internal audits performed
- e. Matters to be resolved at important meetings

ix) Other systems to ensure effective audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members may attend meetings of the Board of Directors and other important meetings to understand the process whereby important decisions are made and the status of Directors' and employees' performance of duties, question Directors and employees on the status of their performance of duties, and access important records relating to the business operations such as circulars for managerial approval.

Directors and employees, if so requested by Audit & Supervisory Board Members, shall promptly report matters relating to business executions.

Internal Audit Department, Administration Department, Corporate Finance & Accounting Department, Internal Control Department and any other relevant department shall provide Audit & Supervisory Board Members with information as necessary and cooperate in ensuring and improving the effectiveness of audits performed by Audit & Supervisory Board Members.

(6) Policy on decisions on dividends from surplus

The Company recognizes returning profits to shareholders to be one of the key management measures. The Company adopts a basic policy of continuously distributing profits to shareholders in line with the growth of profits while securing adequate internal reserves necessary to support future corporate growth and respond to changes in the business environment.

Based on this policy, the Company has resolved to pay a year-end dividend of ¥35 per share for the current fiscal year. Combined with the interim dividend of ¥30 per share that was paid on December 2, 2013, this amounts to annual dividends of ¥65 per share. The effective date of the year-end dividend for the current fiscal year is June 30, 2014.

(Translation)

Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	1,168,841	Current liabilities	437,420
Cash and deposits	455,298	Notes and accounts payable-trade	132,900
Notes and accounts receivable-trade	327,294	Short-term borrowings	53,426
Marketable securities	117,974	Lease obligations	2,237
Merchandise and finished goods	83,820	Accounts payable-other	91,003
Work in process	30,626	Accrued expenses	41,666
Raw materials and supplies	37,416	Income taxes payable	51,064
Deferred tax assets	54,549	Provision for bonuses	18,667
Other current assets	62,463	Provision for directors' bonuses	584
Allowance for doubtful accounts	(602)	Other current liabilities	45,869
Noncurrent assets	859,498	Long-term liabilities	80,219
Property, plant and equipment	315,185	Long-term debt	14,281
Buildings and structures	122,739	Lease obligations	5,692
Machinery and equipment	74,923	Deferred tax liabilities	16,658
Furniture and fixtures	13,051	Liability for directors' retirement benefits	2,587
Land	80,991	Net defined benefit liability	8,131
Leased assets	7,598	Negative goodwill	21,541
Construction in progress	15,880	Other long-term liabilities	11,326
Intangible assets	192,263	Total Liabilities	517,640
Goodwill	70,595	Net Assets	
Patent rights	167	Shareholders' equity	1,438,272
Software	17,964	Common stock	81,690
Other intangible assets	103,536	Capital surplus	512,895
Investments and other assets	352,049	Retained earnings	891,615
Investment securities	268,536	Treasury stock, at cost	(47,928)
Investments in capital	35,994	Accumulated other comprehensive income	46,296
Long-term loans receivable	5,260	Unrealized gain on available-for-sale securities	13,819
Deferred tax assets	16,938	Deferred loss on derivatives under hedge accounting	(7)
Net defined benefit asset	11,113	Foreign currency translation adjustments	12,152
Other assets	14,960	Remeasurements of defined benefit plans	20,331
Allowance for investment loss	(62)	Stock acquisition rights	104
Allowance for doubtful accounts	(692)	Minority interests	26,085
Deferred assets	60	Total Net Assets	1,510,759
Total Assets	2,028,399	Total Liabilities and Net Assets	2,028,399

(Translation)

Consolidated Statement of Income

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Amount	
Net sales		1,452,759
Cost of sales		441,632
Gross profit		1,011,126
Selling, general and administrative expenses		812,424
Operating income		198,702
Non-operating income		
Interest and dividend income	2,505	
Amortization of negative goodwill	2,647	
Equity in earnings of unconsolidated subsidiaries and affiliates	3,221	
Foreign exchange gain, net	7,923	
Other	2,529	18,827
Non-operating expenses		
Interest expense	1,237	
Other	1,058	2,295
Ordinary income		215,235
Extraordinary income		
Gain on sales of noncurrent assets	538	
Gain on sales of investment securities	302	
Gain on sales of shares of subsidiaries	257	
Subsidy income	875	
Other	44	2,018
Extraordinary loss		
Loss on retirement of noncurrent assets	897	
Impairment loss	3,399	
Loss on valuation of investment securities	211	
Extra retirement payments	1,937	
Other	583	7,028
Income before income taxes and minority interests		210,225
Income taxes-current	81,255	
Income taxes-deferred	(23,584)	57,671
Income before minority interests		152,553
Minority interests in net income		1,564
Net income		150,989

(Translation)

Consolidated Statement of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Beginning balance as of April 1, 2013	81,690	510,423	768,314	(18,392)	1,342,036
Changes in the year					
Change in scope of consolidation		2,586	5,063		7,650
Dividends			(32,752)		(32,752)
Purchase of treasury stock				(30,002)	(30,002)
Disposal of treasury stock		(114)		465	351
Net income			150,989		150,989
Net changes other than shareholders' equity					
Total changes in the year	-	2,472	123,300	(29,536)	96,235
Ending balance as of March 31, 2014	81,690	512,895	891,615	(47,928)	1,438,272

	Accumulated other comprehensive income					Stock acquisition rights	Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2013	8,284	-	(39,823)	-	(31,539)	104	14,468	1,325,071
Changes in the year								
Change in scope of consolidation								7,650
Dividends								(32,752)
Purchase of treasury stock								(30,002)
Disposal of treasury stock								351
Net income								150,989
Net changes other than shareholders' equity	5,535	(7)	51,976	20,331	77,836	-	11,616	89,452
Total changes in the year	5,535	(7)	51,976	20,331	77,836	-	11,616	185,688
Ending balance as of March 31, 2014	13,819	(7)	12,152	20,331	46,296	104	26,085	1,510,759

Notes to Consolidated Financial Statements

1. Notes to Basis of Presenting Consolidated Financial Statements

(1) Scope of Consolidation

i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 95
- Names of principal consolidated subsidiaries:
Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd., Otsuka Electronics Co., Ltd., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd., Otsuka America, Inc., Otsuka America Pharmaceutical, Inc., Pharmavite LLC, P.T. Amerta Indah Otsuka, Nutrition & Santé SAS

ii) Unconsolidated subsidiaries

- Names of principal unconsolidated subsidiaries:
Otsuka Pakistan Ltd., Otsuka Pharmaceutical Italy S.r.l., Kisco International SAS
- Reasons for excluding from the scope of consolidation
Unconsolidated subsidiaries are small in size and the aggregate total assets, sales, net income (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.

(2) Application of the Equity Method

i) Unconsolidated subsidiaries and affiliates accounted for by the equity method

- Number of unconsolidated subsidiaries and affiliates accounted for by the equity method: 17
- Names of principal equity method companies:
Otsuka Pakistan Ltd., Earth Chemical Co., Ltd., ALMA S.A., CG Roxane LLC, VV Food & Beverage Co., Ltd., China Otsuka Pharmaceutical Co., Ltd., Nichiban Co., Ltd.

ii) Unconsolidated subsidiaries and affiliates not accounted for by the equity method

- Names of principal companies:
Otsuka Pharmaceutical Italy S.r.l., Kisco International SAS
- Reasons for excluding from the scope of the equity method
Based on the Company's ownership share of net income and retained earnings, and other factors, exclusion of certain unconsolidated subsidiaries and affiliates from being accounted for by the equity method does not have a material effect on the consolidated financial statements.

iii) Special note on the application of the equity method

The fiscal year ends of certain companies accounted for by the equity method are different from the consolidated fiscal year end. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

(3) Changes in the Scope of Consolidation and the Scope of Equity-Method Application

Claris Otsuka Limited, Astex Pharmaceuticals, Inc. and one other company have been newly included in the scope of consolidation from the current fiscal year as a result of acquisition of their shares.

Nippon Pharmaceutical Chemicals Co., Ltd. and 24 other companies have been newly included in the scope of consolidation from the current fiscal year due to their increased materiality.

Chongqing Otsuka Huayi Chemical Co., Ltd. was excluded from the scope of consolidation in the current fiscal year as a result of sales of the shares.

Otsuka America Manufacturing, LLC, which had been in the scope of consolidation, was absorbed by Crystal Geyser Water Company, a consolidated subsidiary. Valpiform SAS and one other company, which had been in the scope of consolidation, were absorbed by Nutrition & Nature SAS, a consolidated subsidiary.

Nichiban Co., Ltd. and two other companies have been newly included in the scope of equity-method application from the current fiscal year due to their increased materiality.

(4) Fiscal Year End of Consolidated Subsidiaries

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd. and 22 other consolidated subsidiaries have a fiscal year ending March 31. 69 other consolidated subsidiaries have a fiscal year ending December 31.

In preparing the consolidated financial statements, the Company uses the financial statements as of the respective fiscal year ends of those of its subsidiaries whose fiscal year ends are different from the consolidated fiscal year end. For major transactions that occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.

During the current fiscal year, Giant Harvest Limited changed its fiscal year end from July 31 to December 31. Therefore, for the purpose of preparing the consolidated financial statements, the financial results of Giant Harvest Limited for the six-month period ended July 31, 2013 were added to the results for the five-month period ended December 31, 2013.

(5) Accounting Policies

i) Valuation of Major Assets

a. Held-to-maturity securities:

Stated at amortized cost (straight-line method).

b. Shares and investments in capital of unconsolidated subsidiaries, affiliates and limited liability entities not accounted for by the equity method:

Stated at cost, determined by the moving-average method.

c. Other securities

• Marketable securities classified as available-for-sale:

Stated at fair value based on the quoted market price at the end of the fiscal year with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets. The cost of securities sold is calculated using the moving-average method.

• Non-marketable securities classified as available-for-sale:

Stated at cost, determined primarily by the moving-average method.

d. Valuation of inventories

• Merchandise and supplies:

Merchandise and supplies of domestic consolidated subsidiaries are stated at the lower of cost or net selling value, determined primarily by the first-in, first-out method. Merchandise and supplies of foreign consolidated subsidiaries are stated at the lower of cost or market value, determined by the first-in, first-out method.

• Finished goods, work in process and raw materials:

Finished goods, work in process and raw materials of domestic consolidated subsidiaries are stated at the lower of cost or net selling value, determined primarily by the gross-average method. Finished goods, work in process and raw materials of foreign consolidated subsidiaries are stated at the lower of cost or market value, determined by the gross-average method.

e. Derivatives:

Stated at fair value.

ii) Depreciation and Amortization of Major Depreciable and Amortizable Assets

a. Property, plant and equipment (excluding leased assets):

The Company and its domestic consolidated subsidiaries primarily use the declining-balance method.

Foreign consolidated subsidiaries outside Japan primarily use the straight-line method.

However, for buildings (excluding attached facilities) acquired by the Company's domestic consolidated subsidiaries on or after April 1, 1998, the straight-line method is adopted.

b. Intangible assets (excluding leased assets):

The Group mainly uses the straight-line method.

c. Leased assets

The Group uses the straight-line method over the terms of their respective leases with a zero residual value for leased assets related to finance leases that do not transfer ownership.

iii) Reserves

a. Allowance for doubtful accounts

In order to cover potential losses from uncollectable notes and accounts receivable, provisions are made on general receivables based on historical loss rates while specific cases are evaluated individually.

b. Provision for bonuses

In order to cover payment of bonuses to employees, the Company and its domestic consolidated subsidiaries set up reserves in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.

c. Provision for directors' bonuses

In order to cover payment of bonuses to directors, the Company and its certain domestic consolidated subsidiaries set up provisions in the amount of estimated bonuses, which are attributable to the corresponding fiscal year.

d. Liability for directors' retirement benefits

In order to cover payment of retirement benefits to directors, audit & supervisory board members and corporate officers of some consolidated subsidiaries, the amount that would be required if all directors, audit & supervisory board members and corporate officers retired is recorded at the balance sheet date pursuant to the retirement benefit regulations for executive directors, retirement benefit regulations for audit & supervisory board members, and retirement benefit regulations for corporate officers (internal regulations).

e. Allowance for investment loss

In order to cover potential future losses on non-marketable securities, the Group recognizes reserves as deemed necessary.

iv) Principal Methods of Hedge Accounting

a. Methods of hedge accounting

Hedging activities are principally accounted for under the deferral hedge accounting method. The allocation method is applied to forward exchange contracts and other foreign exchange contracts, and designated exceptional treatment to interest rate swaps that meet their respective requirements.

b. Hedging instruments and hedged items

Hedging instruments: Currency exchange forward contracts, interest rate swaps and foreign currency deposits

Hedged items: Assets and liabilities denominated in foreign currencies, forecasted foreign currency transactions and long-term debt

c. Hedging policies

Certain consolidated subsidiaries conduct currency exchange forward contracts based on the principle of actual demand in order to hedge currency exchange fluctuation risk associated with foreign currency transactions and conduct interest rate swaps in order to hedge interest rate fluctuation risk.

d. Evaluation of effectiveness of hedges

a. Currency exchange forward contracts and foreign currency deposits

Evaluation of the effectiveness of hedges is omitted as hedging instruments and hedged items are the same currencies, and changes in the cash flow caused by foreign exchange rate fluctuations are expected to be completely offset.

b. Interest rate swaps

Evaluation of the effectiveness of hedges is omitted as hedging instruments and hedged items are under the same conditions, and changes in the cash flow are expected to be completely offset from the start of hedging activities onward.

- v) Amortization of goodwill and negative goodwill
Goodwill and negative goodwill are amortized by the straight-line method over a period of 5 to 20 years.
- vi) Other
 - (i) Accounting method of retirement benefits
In order to cover payments of retirement benefits to employees, net amount after deducting plan assets from retirement obligations is recognized as net defined benefit liability (net defined benefit asset, in the event plan assets exceed retirement obligations) based on the estimated amount as of the current fiscal year end.
 - a. Methods of attributing estimated retirement benefits to accounting periods
When calculating retirement benefit obligations, the straight-line method is used to attribute estimated benefits to the period through the end of the current fiscal year.
 - b. Recognition of actuarial gains and losses, prior service costs, and transitional obligations
Actuarial gains and losses are amortized in the succeeding years by the straight-line method over a certain number of years equal to or less than the average remaining service period of employees (5-20 years) at the time of occurrence.
Prior service costs are amortized by the straight-line method over a certain number of years equal to or less than the average remaining service period of employees (5-23 years) at the time of occurrence.
Transitional obligations are amortized over 5 to 15 years.
 - (ii) Accounting method for consumption taxes:
Consumption taxes are excluded from revenues and expenses.

2. Notes to Changes in Accounting Policies

(Adoption of Accounting Standard for Retirement Benefits)

The Group has applied “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) (except for the main clauses of Article 35 of the standard and the main clauses of Article 67 of the guidance) since the current fiscal year end. Under the new standard, plan assets are deducted from retirement obligations and the net amount is recognized as net defined benefit liability (net defined benefit asset, in the event plan assets exceed retirement benefit obligations). Unrecognized actuarial gains and losses and unrecognized prior service costs are recorded as net defined benefit asset or net defined benefit liability.

In accordance with the transitional accounting principles as stipulated in Article 37 of the standard, the effect of the changes in accounting policies is recognized as remeasurements of defined benefit plans in accumulated other comprehensive income at the current fiscal year end.

As a result, ¥11,113 million in net defined benefit asset and ¥8,131 million in net defined benefit liability were recognized in the current fiscal year. Accumulated other comprehensive income increased by ¥20,331 million, and minority interests increased by ¥56 million.

3. Notes to Changes in Method of Presentation

(Consolidated Statements of Income)

In the previous fiscal year, “gain on sales of investment securities” and “subsidy income” were included in “other” under “extraordinary income.” However, these items are now separately presented due to their increased materiality.

The amounts of “gain on sales of investment securities” and “subsidy income” that were included in “other” under “extraordinary income” in the consolidated statement of income in the previous fiscal year are ¥29 million and ¥15 million, respectively.

(Translation)

In the previous fiscal year, “extra retirement payments” was included in “other” under “extraordinary loss.” However, this item is now separately presented due to its increased materiality.

The amount of “extra retirement payments” that was included in “other” under “extraordinary loss” in the consolidated statement of income in the previous fiscal year was ¥51 million.

4. Notes to Consolidated Balance Sheet

(1) Assets Pledged as Collateral and Secured Liabilities

		(Millions of yen)
Cash and deposits	¥	1,039
Notes and accounts receivable-trade		851
Merchandise and finished goods		1,457
Work in process		473
Raw materials and supplies		1,088
Other current assets		6
Buildings and structures		2,241
Machinery and equipment		3,133
Furniture and fixtures		206
Land		848
Total	¥	11,346

The properties above are pledged as collateral for short-term borrowings of ¥320 million and long-term debt of ¥1,338 million.

(2) Accumulated Depreciation on Property, Plant and Equipment 559,411 million yen

(3) Contingent Liabilities

The Company guarantees the obligations of the below companies to financial and other institutions:

		(Millions of yen)
Trocellen GmbH	¥	747
Nanjing Otsuka Techbond Techno Co., Ltd.		483
Otsuka OPV Co., Ltd.		275
Marukita Furniture Center		166
Two other companies		64
Total	¥	1,737

(Additional Information)

On April 4, 2009, Otsuka Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, signed an agreement with Bristol-Myers Squibb Company (BMS) to extend the contract period for the U.S. portion of the development and commercialization collaboration agreement for *ABILIFY* from November 2012 to April 2015, and to increase the profit share of *ABILIFY* U.S. net sales that Otsuka Pharmaceutical Co., Ltd. recorded on and after January 2010. Under the aforementioned contracts, a provision stipulated that if during the above contract period, generic products of *ABILIFY* were launched in the U.S. and BMS requested cancellation of the contract, Otsuka Pharmaceutical Co., Ltd. was obligated to pay compensation payment as agreed upon under the agreement. Accordingly, the Company had been disclosing the amount of contingent liabilities associated with the aforementioned indemnity amount (¥72,120 million as of March 31, 2013). However, the period of indemnity based on the aforementioned contracts has ended and there are no contingent liabilities that need to be disclosed as of March 31, 2014.

(4) Trade Notes Discounted ¥492 million
Trade Notes Endorsed ¥375 million

(Translation)

5. Notes to Consolidated Statement of Income

Net sales include ¥21,972 million recognized as revenue from the up-front licensing payments received.

6. Notes to Consolidated Statement of Changes in Net Assets

(1) Total Number of Issued Shares

Class of shares	Number of shares as of April 1, 2013	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2014
Common stock	557,835 thousand shares	-	-	557,835 thousand shares

(2) Number of Shares of Treasury Stock

Class of shares	Number of shares as of April 1, 2013	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2014
Common stock	7,593 thousand shares	8,785 thousand shares	167 thousand shares	16,211 thousand shares

Notes:

1. The 8,785-thousand-share increase in the number of shares of treasury stock is due to the purchase of an additional 8,784 thousand shares purchased for treasury stock by resolution of the Board of Directors and the purchase of an additional 0 thousand shares due to the purchase of shares less than one share unit.
2. The 167-thousand-share decrease in the number of shares of treasury stock is due to the exercise of stock options.

(3) Dividends

i) Payment of dividends

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2013	Common stock	16,507 million yen	30 yen	March 31, 2013	June 28, 2013
Meeting of the Board of Directors held on November 13, 2013	Common stock	16,245 million yen	30 yen	September 30, 2013	December 2, 2013

ii) Dividends whose record date is in the current fiscal year, while the effective date falls in the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2014	Common stock	Retained earnings	18,956 million yen	35 yen	March 31, 2014	June 30, 2014

(4) Class and number of shares allocated for stock acquisition rights on March 31, 2014 (excluding all rights with exercise periods beginning after March 31, 2014)

Common stock 416,495 shares

7. Notes on Financial Instruments

(1) Matters Concerning Conditions of Financial Instruments

The Group limits its investments to low-risk financial assets and uses borrowings from financial institutions, mainly banks, for its financing needs. The Group manages its customer credit risk from receivables based on the credit management guidelines in an effort to reduce risk. Marketable and investment securities are primarily stocks and public and corporate bonds. Listed stocks are marked to market on a quarterly basis.

Borrowings are used for working capital (mainly short term) and for capital investments (long term).

The Group enters into foreign currency forward contracts and foreign currency option contracts to hedge foreign exchange fluctuation risk associated with foreign-currency-denominated transactions based on the principle of actual demand. The Group also enters into interest rate swap contracts to hedge interest rate fluctuation risk.

(2) Fair Value of Financial Instruments

Carrying amounts of financial instruments, fair values of financial instruments and their differences as of March 31, 2014 are as follows. Financial instruments whose fair value cannot be reliably determined are excluded (see Note 2 below).

(Millions of yen)			
	Carrying amount	Fair value (Note 1)	Difference
i) Cash and deposits	455,298	455,298	-
ii) Notes and accounts receivable-trade Allowance for doubtful accounts (*1)	327,294 (596)		
	326,697	326,697	-
iii) Marketable and investment securities (Note 2)			
Investments in unconsolidated subsidiaries and affiliates	38,822	88,925	50,102
Held-to-maturity securities	88,340	88,583	243
Available-for-sale securities	131,710	131,710	-
Total Assets	1,040,870	1,091,216	50,345
i) Notes and accounts payable-trade	132,900	132,900	-
ii) Short-term borrowings (excluding current portion of long-term debt)	51,293	51,293	-
iii) Accounts payable-other	91,003	91,003	-
iv) Income taxes payable	51,064	51,064	-
v) Long-term debt (including current portion of long-term debt)	16,414	16,403	(11)
Total Liabilities	342,676	342,665	(11)
Derivative transactions (*2)	(35)	(46)	(11)

(*1) Excludes amount of allowance for doubtful accounts included in notes and accounts receivable-trade.

(*2) Assets and liabilities arising from derivative transactions are presented on a net basis. Net liability is indicated in parentheses.

Notes:

1. Methods of measuring fair value of financial instruments and other matters concerning securities and derivatives.

Assets

i) Cash and deposits ii) Notes and accounts receivable-trade

The carrying values of cash and deposits and notes and accounts receivable-trade approximate fair value because of their short maturity.

iii) Marketable and investment securities

The fair value of bonds and equity securities is measured at the quoted market price of the exchange. The fair value of certificate of deposits is stated at carrying value as the carrying value approximates the fair value.

(Translation)

Liabilities

- i) Notes and accounts payable-trade ii) Short-term borrowings iii) Accounts payable-other
iv) Income taxes payable

The carrying values of payables and short-term borrowings approximate fair value because of their short maturity.

- v) Long-term debt (including current portion of long-term debt)

The fair value of long-term debt is determined by discounting the principal and interest payments at the refinancing rate.

Derivatives

The fair value of derivative transactions is measured at the quoted price obtained from financial and other institutions.

2. Financial instruments whose fair value cannot be reliably determined.

(Millions of yen)

	Carrying amount	
Marketable and investment securities		
Available-for-sale securities		14,543
Stocks of unconsolidated subsidiaries and affiliates		113,094
		127,637
Investments in capital		
Investments in capital of unconsolidated subsidiaries and affiliates	35,994	
Allowance for investment loss	(62)	35,932

The above items are excluded from marketable and investment securities and investments in capital, as they do not have a quoted market price in an active market and their fair value cannot be reliably determined.

8. Notes to Per Share Information

- (1) Net assets per share 2,740.89 yen
(2) Net income per share 278.07 yen

(Translation)

Balance Sheet
(As of March 31, 2014)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	233,622	Current liabilities	43,439
Cash and deposits	139,585	Lease obligations	8
Marketable securities	51,000	Accounts payable-other	899
Supplies	62	Accrued expenses	41
Prepaid expenses	198	Income tax payable	122
Short-term loans receivable from subsidiaries and affiliates	30,000	Deposits received from subsidiaries and affiliates	42,133
Income taxes receivable	12,209	Provision for bonuses	126
Other current assets	565	Provision for directors' bonuses	61
Noncurrent assets	738,823	Other current liabilities	48
Property, plant and equipment	132	Long-term liabilities	969
Buildings	33	Lease obligations	10
Structures	50	Deferred tax liabilities	958
Furniture and fixtures	31	Total Liabilities	44,408
Leased assets	17	Net Assets	
Intangible assets	1,377	Shareholders' equity	926,197
Software	1,306	Common stock	81,690
Trademark rights	71	Capital surplus	810,410
Investments and other assets	737,313	Additional paid-in capital	731,816
Investment securities	14,069	Other capital surplus	78,594
Stocks of subsidiaries and affiliates	723,225	Retained earnings	82,025
Other assets	18	Other retained earnings	82,025
		Retained earnings brought forward	82,025
		Treasury stock, at cost	(47,928)
		Valuation and translation adjustments	1,734
		Unrealized gain on available-for-sale securities	1,734
		Stock acquisition rights	104
		Total Net Assets	928,037
Total Assets	972,445	Total Liabilities and Net Assets	972,445

(Translation)

Statement of Income
(From April 1, 2013 to March 31, 2014)

(Millions of yen)

Item	Amount	
Operating revenues		62,477
Operating expenses		6,744
Operating income		55,733
Non-operating income		
Interest and dividend income	618	
Business consignment fees	654	
Other	188	1,460
Non-operating expenses		
Interest expense	9	
Commission fee	100	109
Ordinary income		57,084
Extraordinary loss		
Loss on retirement of noncurrent assets	6	6
Income before income taxes		57,077
Income taxes-current		9
Net income		57,067

(Translation)

Statement of Changes in Net Assets

(From April 1, 2013 to March 31, 2014)

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Beginning balance as of April 1, 2013	81,690	731,816	78,708	810,524	57,710	57,710	(18,392)	931,534
Changes in the year								
Dividends					(32,752)	(32,752)		(32,752)
Purchase of treasury stock							(30,002)	(30,002)
Disposal of treasury stock			(114)	(114)			465	351
Net income					57,067	57,067		57,067
Net changes other than shareholders' equity								
Total changes in the year	-	-	(114)	(114)	24,314	24,314	(29,536)	(5,336)
Ending balance as of March 31, 2014	81,690	731,816	78,594	810,410	82,025	82,025	(47,928)	926,197

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance as of April 1, 2013	890	890	104	932,529
Changes in the year				
Dividends				(32,752)
Purchase of treasury stock				(30,002)
Disposal of treasury stock				351
Net income				57,067
Net changes other than shareholders' equity	843	843	-	843
Total changes in the year	843	843	-	(4,492)
Ending balance as of March 31, 2014	1,734	1,734	104	928,037

Notes to Financial Statements

1. Notes to Summary of Significant Accounting Policies

(1) Valuation of Major Assets

- i) Stocks of subsidiaries and affiliates:
Stated at cost determined by the moving-average method.
- ii) Other securities
 - Marketable securities classified as available-for-sale:
Stated at fair value based on the quoted market price at the end of the fiscal year with unrealized gains or losses, net of applicable taxes, stated in a separate component of net assets. The cost of securities sold is calculated using the moving-average method.
 - Non-marketable securities classified as available-for-sale:
Stated at cost, determined by the moving-average method.
- iii) Valuation of inventories
 - Supplies:
Stated at the lower of cost or net selling value, determined by the first-in, first-out method.

(2) Depreciation and Amortization of Noncurrent Assets

- i) Property, plant and equipment (excluding leased assets):
The Company uses the declining-balance method.
- ii) Intangible assets:
The Company uses the straight-line method over their estimated useful lives. Software for internal use is amortized by the straight-line method based on internal guidelines (5 years).
- iii) Leased assets:
The Company uses the straight-line method over the terms of their respective leases with a zero residual value for leased assets related to finance leases that do not transfer ownership.

(3) Reserves

- i) Provision for bonuses:
In order to cover payment of bonuses to employees, the Company sets up a reserve in the amount of estimated bonuses, which is attributable to the corresponding fiscal year.
- ii) Provision for directors' bonuses:
In order to cover payment of bonuses to directors, the Company sets up a provision in the amount of estimated bonuses, which is attributable to the corresponding fiscal year.

(4) Other

- Accounting method for consumption taxes:
Consumption taxes are excluded from revenues and expenses.

2. Notes to Balance Sheet

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| (1) Accumulated Depreciation on Property, Plant and Equipment | 183 million yen |
| (2) Monetary Assets from and Liabilities to Subsidiaries and Affiliates (Excluding Those Classified Separately in the Balance Sheet) | |
| i) Short-term monetary assets | 388 million yen |
| ii) Short-term monetary liabilities | 170 million yen |

(Translation)

3. Notes to Statement of Income

Transactions with Subsidiaries and Affiliates

i) Operating revenues	62,477 million yen
ii) Operating expenses	1,410 million yen
iii) Non-operating transactions	784 million yen

4. Notes to Statement of Changes in Net Assets

Number of Shares of Treasury Stock

Class of shares	Number of shares as of April 1, 2013	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2014
Common stock	7,593 thousand shares	8,785 thousand shares	167 thousand shares	16,211 thousand shares

Notes:

1. The 8,785-thousand-share increase in the number of shares of treasury stock is due to the purchase of an additional 8,784 thousand shares purchased for treasury stock by resolution of the Board of Directors and the purchase of an additional 0 thousand shares due to the purchase of shares less than one share unit.
2. The 167-thousand-share decrease in the number of shares of treasury stock is due to the exercise of stock options.

(Translation)

5. Notes to Income Taxes

Major components of deferred tax assets and liabilities are as follows:

Deferred tax assets		(Millions of yen)
Provision for bonuses	¥	45
Accrued directors' salaries		43
Accrued enterprise tax		41
Accrued business office taxes		1
Loss on valuation of stocks of subsidiaries and affiliates		140
Loss on extinguishment of tie-in shares		205
Adjustment of tax-basis book value of stocks of subsidiaries and affiliates		128
Share-based compensation expenses		37
Tax loss carryforwards		5,620
Subtotal		6,264
Valuation allowance		(6,264)
Total of deferred tax assets	¥	-
Deferred tax liabilities		(Millions of yen)
Unrealized gain on available-for-sale securities	¥	(958)
Total of deferred tax liabilities		(958)
Net deferred tax liabilities	¥	(958)

6. Notes to Related Party Transactions**(1) Subsidiaries**

Type	Company name	Percentage owned	Relationship		Transaction details	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
			Interlocking directors and audit & supervisory board members	Business relationship				
Subsidiary	Otsuka Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	4	Investment in stock	Salaries of seconded employees (Note 1)	947		
					Borrowing and lending of funds (Note 2)	26,806	Accounts payable - other	50
					Lending of funds	60,000	Accrued expenses	22
					Collection of funds	30,000	Deposits received from subsidiaries and affiliates	28,564
					Receipt of interest (Note 3)	72	Accounts receivable - other	63
					Payment of interest (Note 3)	5	Short-term loans receivable from subsidiaries and affiliates	30,000
					Business consignment fees (Note 4)	384		
Subsidiary	Taiho Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	-	Investment in stock	Borrowing of funds (Note 2)	13,697	Deposits received from subsidiaries and affiliates	11,449
					Payment of interest (Note 3)	2		

Terms and conditions of transactions and policy on determination thereof

Notes:

1. The amount is mutually agreed upon based on salaries of seconded employees.
2. The Group utilizes an intercompany cash management process for efficient use of its funds. The transaction amount represents the average balance during the fiscal year.
3. Interest rate is mutually agreed upon based on market rates.
4. The Company's business support center performs certain indirect services for the Group companies. Terms of the transactions are mutually agreed upon based on actual service costs incurred.

(Translation)

(2) Officers and Significant Individual Shareholders, etc.

Type	Company name or individual's name	Percentage owned	Relationship	Transaction details	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
Audit & Supervisory Board Member	Yasuhisa Katsuta	(Held by the audit & supervisory board member) 0.0% direct	Audit & Supervisory Board Member, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note)	13	-	-
Close family member of Director	Kyoichi Komatsu	(Held by the close family member of Officer) 0.0% direct	Chairman and Representative Director, Otsuka Pharmaceutical Factory, Inc.	Disposal of treasury stock in accordance with exercising stock option (Note)	14	-	-

Terms and conditions of transactions and policy on determination thereof

Note: Presented here are the exercising of rights in the current fiscal year of stock options granted by resolution of the Annual Shareholders Meeting held on June 29, 2010. The transaction amount represents the carrying amount at the time of treasury stock disposal.

7. Notes to Per Share Information

- | | |
|--------------------------|--------------|
| (1) Net Assets per Share | 1,713.23 yen |
| (2) Net Income per Share | 105.12 yen |

Independent Auditor's Report (Consolidated Financial Statements)

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 7, 2014

To the Board of Directors of
Otsuka Holdings Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Mitsuru Hirano [Seal]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Yukitaka Maruchi [Seal]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Koichi Niki [Seal]

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2014 of Otsuka Holdings Co., Ltd. (the "Company") and consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2013 to March 31, 2014, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

(Translation)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2014, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Independent Auditor's Report (Financial Statements)

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 7, 2014

To the Board of Directors of
Otsuka Holdings Co., Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Mitsuru Hirano [Seal]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Yukitaka Maruchi [Seal]

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Koichi Niki [Seal]

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2014 of Otsuka Holdings Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the sixth fiscal year from April 1, 2013 to March 31, 2014, and the related notes and the accompanying supplemental schedules. The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

(Translation)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Audit Report of the Audit & Supervisory Board

AUDIT REPORT

Regarding the performance of duties by the Directors for the 6th Fiscal Year (for FY2013) from April 1, 2013 to March 31, 2014, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

1. Auditing Methods and Content of Audits

The Audit & Supervisory Board established the auditing policies, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding the status of his or her audit and the results thereof, as well as reports from the Directors and independent auditors regarding performance of their duties, and sought explanations as necessary.

In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board, the auditing policies and audit plan for the relevant fiscal year and the division of work, each Audit & Supervisory Board Member endeavored to collect information and established auditing circumstances through communication with Directors, the Internal Audit Department and other employees, and attended the Board of Directors' meeting and other important meetings to receive reports regarding performance of duties from Directors, the Internal Audit Department, etc. and sought explanations as necessary. Each Audit & Supervisory Board Member also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and principal offices.

In addition, with respect to contents of resolutions of the Board of Directors regarding the development of the system to ensure that the performance of duties by the Directors conforms to the laws and regulations and the Articles of Incorporation and other systems that are stipulated in Article 100 (1) and (3) of the Ordinance for Enforcement of the Companies Act as being necessary to ensure appropriateness of operations of a joint stock company, and also the systems (internal control systems) developed based on such resolutions, which are described in the Business Report, we periodically received reports from the Directors and other relevant personnel, sought explanations as necessary and made opinions, on the establishment and management of such systems. With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary. Based on the above methods, we examined the business report and supplementary schedules thereof related to the relevant fiscal year.

Furthermore, we monitored and verified whether the independent auditors maintained their independence and implemented appropriate audits, and we received reports from the independent auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the independent auditors that "the system for ensuring that duties are performed properly" (matters set forth in each Item of Article 131 of the Corporate Accounting Rules) is organized in accordance with the "product quality management standards regarding audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary. Based on the above methods, we examined the financial statements (Balance Sheets, Statements of Income, Statements of Changes in Net Assets, and Notes to Financial Statements), supplementary schedules thereof, as well as the Consolidated Financial Statements (Consolidated Balance Sheets, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements) related to the relevant fiscal year.

2. Results of Audit

- (1) Results of Audit of the Business Report, etc.
 - i) In our opinion, the business report and the accompanying supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
 - ii) With regard to the performance of duties by the Directors, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
 - iii) In our opinion, resolutions of the Board of Directors for internal control systems are fair and reasonable. And there is no problem with the contents of the Business Report and the performance of duties by the Directors with respect to internal control systems.
- (2) Results of Audit of Financial Statements and the Accompanying Supplementary Schedules
In our opinion, the methods and results employed and rendered by the independent auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.
- (3) Results of Audit of Consolidated Financial Statements
In our opinion, the methods and results employed and rendered by the independent auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

May 14, 2014

Audit & Supervisory Board, Otsuka Holdings Co., Ltd.		
Standing Audit & Supervisory Board Member	Hiroshi Sugawara	[Seal]
Outside Audit & Supervisory Board Member	Yasuhisa Katsuta	[Seal]
Outside Audit & Supervisory Board Member	Norikazu Yahagi	[Seal]