ANNUAL REPORT 2011

For the year ended March 31, 2011

Otsuka

Otsuka-people creating new products for better health worldwide

Otsuka Holdings Co., Ltd.

Corporate Philosophy

Otsuka-people creating new products for better health worldwide

In keeping with the corporate philosophy and Otsuka's mottos "*JISSHO*" (Proof through Execution) and "*SOZOSEI*" (Creativity), we strive to utilize our Group's unique assets and skills to develop differentiating scientific solutions which contribute to the lives of people worldwide in the form of innovative and creative products ranging from pharmaceuticals to consumer products.

Otsuka Group is striving to cultivate a culture and a dynamic corporate climate reflecting our vision as a healthcare company. As such we are dedicated to achieving global sustainability, to our relationships with local communities and to the protection of the natural environment.

Contents

JISSHO and *SOZOSEI*

(Proof through Execution) (Creativity)

Monuments embodying the Otsuka Group Philosophy

Giant Tomato Trees / Bent Giant Cedar / Floating Stone

These three monuments embody the Otsuka Group philosophy, reminding all who visit the birthplace of the Otsuka Group in Tokushima of the importance of being creative and open-minded to new ideas.

Akihiko Otsuka, Chairman & Representative Director, ringing a bell during the listing ceremony.

Otsuka Holdings Co., Ltd., listed on the First Section of the Tokyo Stock Exchange

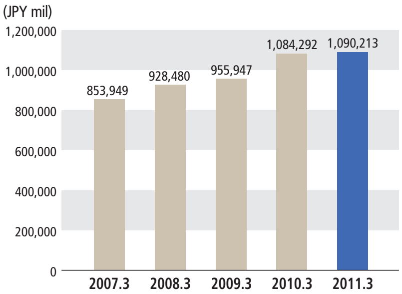
Otsuka Holdings was listed on the First Section of the Tokyo Stock Exchange on December 15, 2010. Congratulations were received from many people concerned with the market during formalities held at the Tokyo Stock Exchange on the day of listing, when a listing certificate presentation ceremony and a bell ringing ceremony were also conducted with due decorum.

Financial Highlights

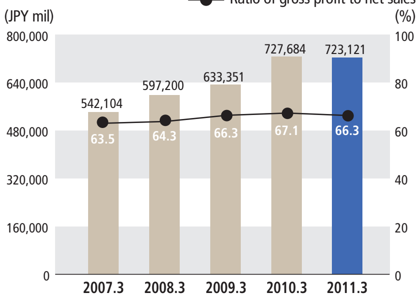
	2007.3	2008.3	2009.3	2010.3	2011.3	2011.3
	Millions of yen					Millions of U.S. dollars (Note 1)
Net sales	¥853,949	¥928,480	¥955,947	¥1,084,292	**¥1,090,213**	**$13,111**
Operating income	91,490	118,254	91,520	98,481	**117,503**	**1,413**
Net income	52,874	61,865	47,084	67,443	**81,002**	**974**
Per share of common stock-basic (Yen and U.S. dollars)	4,009	4,693	2,727	143.51	**161.78**	**1.95**
Per share of common stock-diluted (Yen and U.S. dollars)	4,003	4,690	2,725	143.47	**161.60**	**1.94**
Dividends per share (Yen and U.S. dollars)	150	300	250	12.50	**28.00**	**0.34**
Capital expenditures	35,304	36,852	35,438	62,456	**44,161**	**531**
Depreciation and amortization	26,682	32,283	40,296	46,626	**47,582**	**572**
R&D expenses	105,256	101,804	135,900	151,849	**164,507**	**1,978**
Total assets	982,114	1,033,976	1,298,790	1,458,376	**1,589,640**	**19,118**
Net assets (Note 2)	667,781	731,782	863,816	948,457	**1,163,249**	**13,990**
Return on equity	12.6%	13.0%	7.2%	7.7%	**7.8%**	**7.8%**
Equity ratio	45.9%	48.6%	62.3%	64.2%	**72.4%**	**72.4%**
Number of shares issued	13,582,462	13,582,462	23,518,869	519,156,817	**557,835,617**	**557,835,617**
Number of employees	19,498	20,036	22,928	24,589	**25,188**	**25,188**

*figures up to 2008 represent the consolidated results of Otsuka Pharmaceutical Co., Ltd.
*On June 30, 2009, Otsuka Holdings Co., Ltd conducted a one-for-twenty stock split.
Notes:
1. Financial information in U.S. dollars has been converted at US$1=¥83.15, the rate of March 31, 2011.
2. From March 2007, minority interests have been included in net assets.

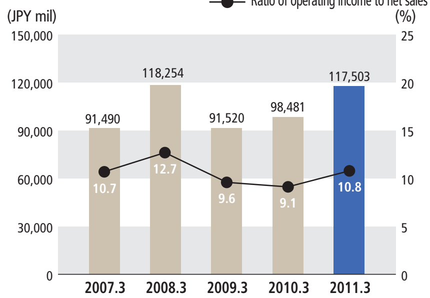
Net Sales



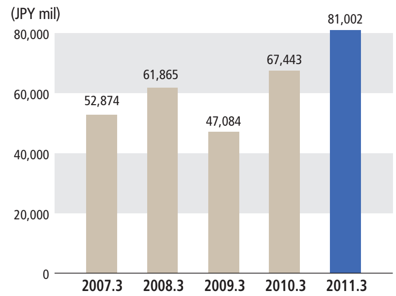
Gross Profit



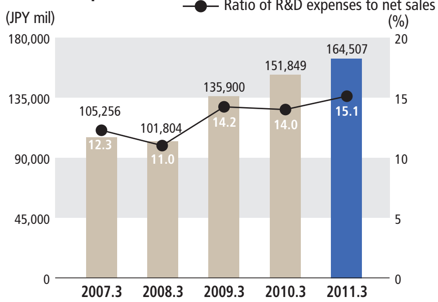
Operating Income



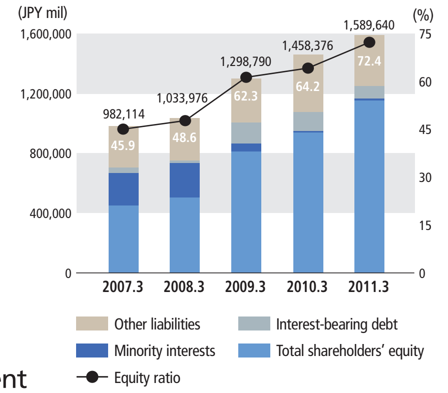
Net Income



R&D Expenses

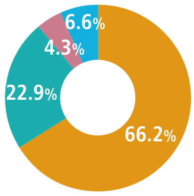


Composition of Total Capital Employed



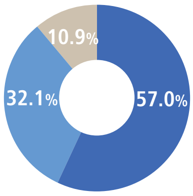
Sales by business segment

	(JPY bn)
Pharmaceutical segment	721
Nutraceutical segment	249
Consumer products segment	47
Other segment	73



Sales by geographical segment

	(JPY bn)
Japan	621
U.S.	350
Others	119



Creativity — The Key to a New Era of Growth as a Global Healthcare Enterprise

This year the Great East Japan Earthquake inflicted an unprecedented disaster upon Japan. I offer my heartfelt condolences to all those who lost loved ones and would like to convey my sincere sympathies to everyone who was affected directly or indirectly by the disaster. I also wish to voice my prayers for the soonest possible recovery in the afflicted areas.

Otsuka Holdings was listed on the First Section of the Tokyo Stock Exchange on December 15, 2010. This accomplishment was only possible thanks to the support and guidance we received from our shareholders and also from our other stakeholders, to all of whom I express my deepest gratitude.

Otsuka Holdings is a global healthcare company operating under the corporate philosophy of "Otsuka-people creating new products for better health worldwide." We take an integrated approach to healthcare, building on two main strategic pillars: our pharmaceutical business, which contributes to the diagnosis and treatment of disease, and our nutraceutical* business, which supports the maintenance and improvement of day-to-day wellbeing. Every day, our Group's employees in 23 countries and regions around the world seek new solutions to health needs with the objective of making humanity's universal wish for good health a reality for everyone.

In the fiscal year ended March 31, 2011, we achieved growth in both revenue and profits despite being severely affected by the continued strength of the yen. Our business performance was underpinned in the pharmaceutical business by the sustained growth of *ABILIFY* in the U.S. and the contribution of the new drugs *Aloxi*, *Abraxane*, *E Keppra*, and *SAMSCA* in Japan, and in the nutraceutical business by considerable growth in sales of *Pocari Sweat*, which marked its 30th anniversary last year.

We have established the First Medium-Term Management Plan, which begins in fiscal 2011, to guide our efforts to move to a new era of growth.

This year the Otsuka Group will celebrate its 90th anniversary. In all that time Otsuka has always insisted on being a company of true craftsmanship by holding to our core values of *Sozosei* ("creativity") - or skill in the art of creating unique and unequaled products - and *Jissho* ("proof through execution"), which means delivering tangible results. Going forward, we will continue to pursue our growth strategy by utilizing Otsuka's unique set of assets and skills to develop innovative products and services that contribute to the health of people worldwide.

We look forward to your continued support as the Otsuka Group takes this step into a new era of growth.

Tatsuo Higuchi
President and Representative Director, CEO
Otsuka Holdings Co., Ltd.

* Nutraceuticals = nutrition + pharmaceuticals

How was the Otsuka Group affected by the Great East Japan Earthquake?

The earthquake caused a temporary shutdown of operations at the Hanamaki Factory in Iwate Prefecture. The Factory belongs to EN Otsuka Pharmaceutical, which manufactures enteral nutritional products, and is a consolidated subsidiary of Otsuka Holdings. The earthquake also toppled some goods in warehouses located in the cities of Sendai (Miyagi Prefecture) and Urayasu (Chiba Prefecture) that belong to Otsuka Warehouse, which handles logistics for the Group. Thus the Group sustained some damage, but there was no major effect on business performance.

It is assumed that the electricity situation may have an effect on production at some factories in the future, and we plan to cooperate actively in efforts to save energy. We will also exert maximum effort to fulfill our responsibility as a manufacturer to maintain a stable supply of products by installing private power generators, transferring production to other plants, and taking other appropriate measures.

What do you see as the Otsuka Group's key features?

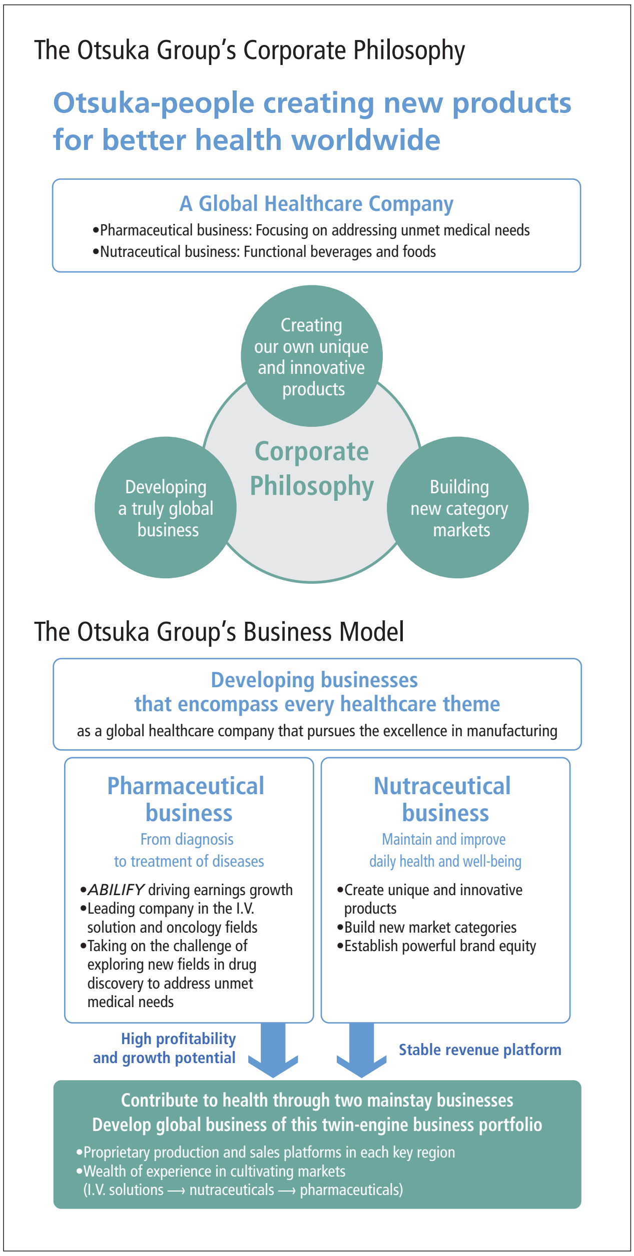
In line with our corporate philosophy, the Otsuka Group is a group of global healthcare companies that aspire to contribute to the health of people worldwide by creating new markets with creative products through initiatives taken in a variety of health-related areas.

A key feature of the Otsuka Group is that it has two core businesses: a pharmaceutical business, where we meet the entire range of medical needs, from diagnosis to treatment of disease, and a nutraceutical business, where we help people to maintain and improve their daily health and well-being.

In the pharmaceutical business we focus our efforts on the central nervous system and the field of oncology as well as the cardiovascular and ophthalmology fields to address unmet medical needs.

In the nutraceutical business, we aim to contribute to health through the concept of helping people get nutrition in their daily lives through functional beverages and foods developed based on scientific approaches. The word nutraceutical was coined from the words "nutrition" and "pharmaceuticals" and represents products that have both a scientific basis and universal value.

Thus far, our pharmaceutical business has given the world a number of innovative new drugs such as the antipsychotic *ABILIFY*, which is the world's first dopamine partial agonist, and *SAMSCA*, the world's first oral aquaretic, which was approved in Japan for the indication of improvement of water retention in cardiac failure patients following approval outside Japan for the indication of hyponatremia. The Otsuka Group has also established a position as a leading company in Japan in I.V. solutions, which have been a core business since the Group's founding, and in the field of oncology. In our nutraceutical business we have come up with many products that are ahead of the times, such as *Pocari Sweat* and *Calorie Mate*, which created the new markets of functional beverages and balanced nutritional foods. This creativity and the fact that these products have become long-sellers are also key features of the Otsuka Group.



In recent years we have been developing soy-based products based on the concept of "Soylution" that the soybean is the solution to many of humanity's problems, including health, food supply, and the environment. This has already resulted in the launch of a number of unique products such as *SOYJOY* in 2006 and *SOYSH* in 2010.

What is the objective behind the stock exchange listing of Otsuka Holdings?

Otsuka Holdings was listed on the First Section of the Tokyo Stock Exchange on December 15, 2010. This raised our corporate brand value and has allowed us to pursue growth strategies with wider options, including the hiring of world-class talent and the raising of funds from the capital market. In our pharmaceutical business, we will enhance and expand our ongoing research and development and our pipeline of products under development. In our nutraceutical business we will accelerate our global expansion drive.

Otsuka Holdings has grown by taking on diverse challenges and making innovative changes. Through our listing on the stock exchange, we will work to innovatively change and to meet new challenges in pursuit of growth.

Moreover, we intend to raise corporate transparency still further in order to gain the trust of all stakeholders by making efforts to strengthen information disclosure, compliance, and corporate governance.

What was the business environment like and what were the consolidated results in the fiscal year under review?

With financial insecurity in Europe, prolongation of the strong yen, further progress on measures to curb medical expenses in the U.S. and Japan, and the effect on the market of the Great East Japan Earthquake, the economic situation in the world remained uncertain.

Despite these circumstances, the consolidated net sales for fiscal 2010 achieved to ¥1,090.2 billion, a 0.5% increase year on year. Operating income climbed 19.3% to ¥117.5 billion. Ordinary income meanwhile rose 16.0% to ¥126.5 billion and net income surged 20.1% to ¥81 billion. Thus the Group posted an increase in both sales and income.

Net sales in the pharmaceutical segment increased by 0.8% to ¥721.4 billion year on year and continue to drive the Group's overall performance. Net sales in the nutraceutical segment, consumer products segment and other segment were ¥249.5 billion (up 1.0%), ¥46.8 billion (down 6.7%) and ¥72.6 billion (up 1.8%), respectively.

Operating income, on the other hand, increased by 1.2% to ¥134.4 billion in the pharmaceutical segment, and surged 691.9% to ¥17.9 billion in the nutraceutical segment. The consumer products segment posted an operating loss of ¥2.1 billion, while the other segment also recorded an operating income of ¥4.4 billion (down 1.9%). We will continue pursuing initiatives aimed at improving earnings, including expanding our business and revising our cost structure.

What is the outlook for fiscal 2011?

In our Pharmaceutical Business, although there may be some effect from healthcare reforms in the U.S., we anticipate sales of *ABILIFY* will continue growing. We also expect expansion of the new products *Aloxi*, *Abraxane*, and *E Keppra* to contribute to increased sales. On the other hand, R&D expenses will increase greatly along with the development of products in our pharmaceutical pipeline for central nervous system, including an aripiprazole intramuscular depot and the next-generation antipsychotic OPC-34712. However, we believe this is a necessary investment for future growth.

In our Nutraceutical Business, we will continue focusing on promotion that highlights product value and will improve our income structure.

FY 2011 Budget

(100 million yen)

	FY2010 Actual	FY2011 Budget	Year-on-Year	
			Change	% Change
Net Sales	10,902	11,700	798	7.3%
Operating Income	1,175	1,200	25	2.1%
Ordinary Income	1,265	1,270	5	0.4%
Net Income	810	820	10	1.2%
R&D Expenses	1,645	1,890	245	14.9%
Earnings Per Share (Yen)	162	147	-15	-9.1%
Dividends Per Share (Yen)	28	45	17	60.7%

Budget exchange rate: (USD) 85 JPY
Budget exchange rate: (EUR) 115 JPY

1900s

Foundation phase

Growth phase

Sales
Nutraceuticals, Consumer Products
Pharmaceuticals

1964
Launched
Tiovita Drink

1968
Launched
Bon Curry

1983
Launched
Calorie Mate

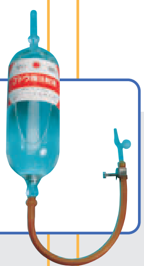
1953
Launched
Oronine Ointment

1965
Launched
Oronamin-C

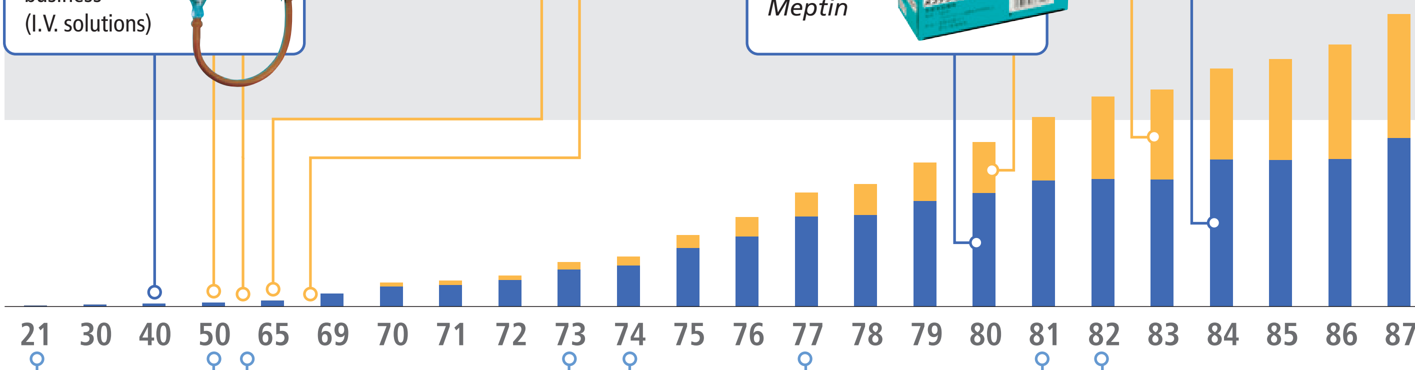
1980
Launched
Pocari Sweat

1984
Launched
UFT

1946
Entered the pharmaceutical business
(I.V. solutions)



1980
Launched
Mikelan, Meptin



1921
Commenced chemical raw material activities at Otsuka Seiyaku Kogyo-bu

1950
Established Otsuka Chemical Co., Ltd.

1955
Established Otsuka Foods Co., Ltd.

1961
Established Otsuka Warehouse Co., Ltd.

1963
Entered the oncology field
Established Taiho Pharmaceutical Co., Ltd.

1964
Established Otsuka Pharmaceutical Co., Ltd.

1973
Undertook overseas business development activities in the U.S., and Thailand

1974
Established P.T. Otsuka Indonesia and Taiwan Otsuka Pharmaceutical Co., Ltd.

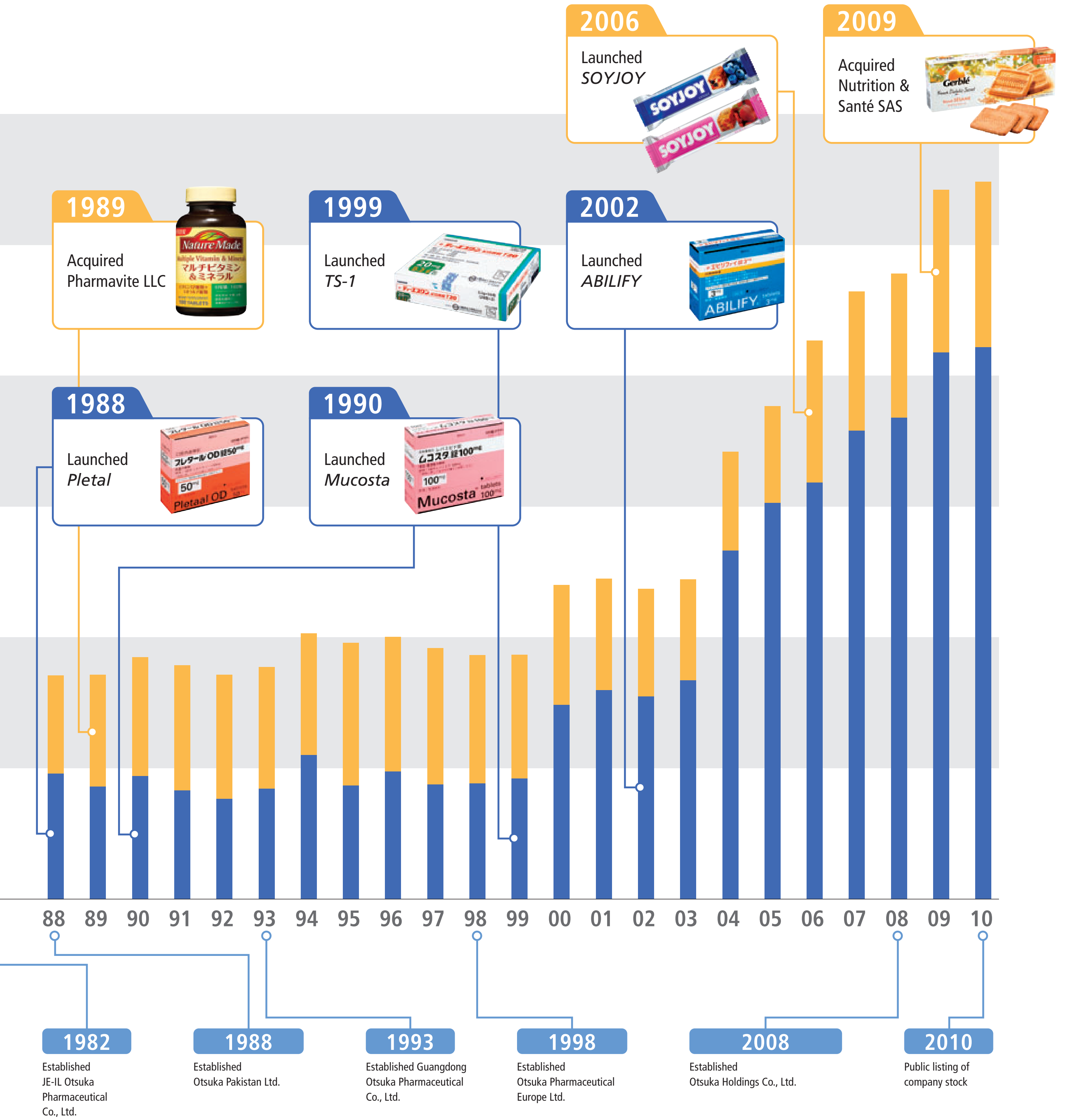
1977
Established Arab Otsuka Pharmaceutical S.A.E.

1981
Established China Otsuka Pharmaceutical Co., Ltd.

2000s

International business development phase

Expansion phase



Group Structure & Overview of Main Operating Companies

Otsuka Holdings Co., Ltd. was established on July 8, 2008 as a holding company for the Otsuka Group to improve corporate value of the Group as a whole. Otsuka Holdings will support the sustainable growth of group companies, maximize the Group's synergies by integrating management resources, increase management efficiency and empower employees and organizations.

Group structure

(as of March 2011)

Otsuka Holdings

- Otsuka Pharmaceutical
- Otsuka Pharmaceutical Factory
- Taiho Pharmaceutical
- Otsuka Warehouse
- Otsuka Chemical
- Otsuka Medical Devices

Otsuka Pharmaceutical Co., Ltd.

Otsuka Pharmaceutical was established in 1964 as the pharmaceutical arm of the Otsuka Group with the objective of contributing to the health of people worldwide. With its two strategic segments, 'pharmaceuticals to treat illness' and the 'nutraceutical segment to prevent illness and sustain everyday health,' the company is engaged in the research, development, manufacturing, and marketing of innovative and unique products. While striving to create value on a global scale, Otsuka Pharmaceutical cultivates an ethical perspective and pro-active corporate culture appropriate for a company striving to improve the quality of human life. Otsuka Pharmaceutical views itself as an integral part of the local communities it operates in and is dedicated to protecting the natural environment.

Otsuka Pharmaceutical Factory, Inc.

Otsuka Pharmaceutical Factory was the first company in the Otsuka Group founded by Busaburo Otsuka in 1921. Specializing in I.V. (intravenous) solutions, the company has developed products to suit the treatment of a range of different conditions and dose regimens. It has initiated the development and spread of plastic containers and packaging, dual-chamber bags for the administration of high-calorie infusion solutions, and kits for aseptic delivery of antibiotic solutions, thereby making a significant contribution to advances in intravenous solution therapy and product technology both in and outside Japan. Otsuka Pharmaceutical Factory aims to be a leading company and the best partner of both patients and healthcare professionals in the field of clinical nutrition.

Taiho Pharmaceutical Co., Ltd.

Established in 1963 and based on a corporate philosophy of "striving to improve human health and contribute to a prosperous society," Taiho Pharmaceutical has won acclaim both in Japan and overseas as a top company in the area of treatments for cancer. In addition, the company's over-the-counter (OTC) business provides unique and superior quality OTC drugs under the motto of supporting a "loving and caring lifestyle." Taiho Pharmaceutical proactively addresses environmental issues and engages in an extensive range of community projects.

Otsuka Warehouse Co., Ltd.

Since its establishment in 1961, Otsuka Warehouse has engaged in the distribution of pharmaceuticals as well as of food and beverages. The company is well recognized for its track record in safety and security, a product of its history and experience. As a member of the global community, Otsuka Warehouse promotes environment-friendly distribution methods such as the introduction of modal shift* and joint distribution to reduce CO_2 emissions. In its role as a "Logistics Services Provider," the company strives to create new dimensions in the distribution business to leave a prosperous and beautiful environment for the next generation.

* Changing the mode of transport from truck and air freight to ships, trains and other modes that generate less CO_2 emission.

Otsuka Chemical Co., Ltd.

Established in 1950 as Otsuka Chemical and Medical Products, the company has since been involved in a diverse range of businesses, including chemicals, agriculture, food and beverages. It aspires to be perceived as a trusted manufacturer that uses creative technology to respond to customer needs, emphasizing health, the environment and quality of life. The company will continue in its efforts to grow as a valued and respected organization.

Otsuka Medical Devices Co., Ltd.

Otsuka Medical Devices was established in February 2011 as a holding company to oversee the Otsuka Group's medical devices business. Its objective is to grow the business, which currently operates mainly in Asia, including Japan and China, into one of the Group's core businesses. Otsuka Medical Devices will pursue further growth for the Group by meeting new medical needs through the concentration of the Group's experience and expertise in the medical devices business.

Otsuka Group established its First Medium-Term Management Plan, which begins in fiscal 2011.

Positioning of the First Medium-Term Management Plan

Over the three-year period of the plan, we will complete the establishment of a structure and system to be a world-class global healthcare company with the two mainstay businesses of pharmaceuticals and nutraceuticals.

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

Priority measures

1 Provide added-value in the pharmaceutical business and maximize profit

- Secure sustainable growth by maximizing pharmaceutical value
- Create unique and innovative new products

2 Expand the nutraceutical business and increase profit

- Growth through the introduction of new products and regional focus
- Improve profitability

3 Lay the groundwork for the next medium-term management plan

- Foster new businesses
- Establish a framework for facilitating reform

4 Engage in activities to maximize corporate value, and secure shareholder return

- Investment for growth, alliance strategies, and shareholder return policy

Performance Targets of the First Medium-Term Management Plan

- Achieve constant profit growth rates of over 15%
- Expand forward-looking investment in preparation for the following period of the medium-term management plan

(¥ billion)		FY2010 actual	FY2013 plan	CAGR
Net sales		1,090.2	1,330.0	6.9%
(Ratio of overseas sales to net sales)		47%	50%	
R&D expenses		164.5	200.0	6.7%
	vs. net sales	15.1%	15.0%	
Operating income		117.5	200.0	19.4%
	vs. net sales	10.8%	15.0%	
Net income		81.0	130.0	17.1%
EPS (Yen)		162	230	12.4%
ROE		7.8%	10% or more	

Notes: 1. Assumptions regarding foreign currency exchange rates: $1 = ¥85; Euro 1 = ¥115

2. Excluding external growth

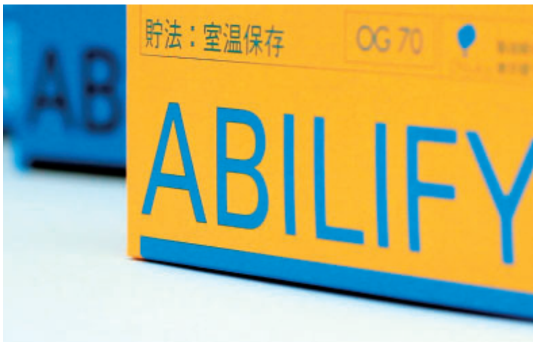
First Medium-Term Management Plan Priority Measure 1

Provide added-value in the pharmaceutical business and maximize profit

In the pharmaceuticals segment, the main drivers of growth in the medium-term management plan are continuing growth of atypical antipsychotic *ABILIFY*, and increase in its earnings distribution in the U.S., increasing earnings from collaboration with Bristol-Myers Squibb (BMS) in the field of oncology, and rising sales from the launch of new drugs in Japan. The Group will also invest in R&D to ensure steady progress in its pipeline for continued growth in the future.

Maximizing Profit from *ABILIFY* Business

The Company is taking measures for sustainable growth of *ABILIFY* through life cycle management (LCM) in each geographic region. Extension of the collaboration agreement with BMS will contribute greatly to enhancing income through future increase in earnings distributions from *ABILIFY* in the U.S.



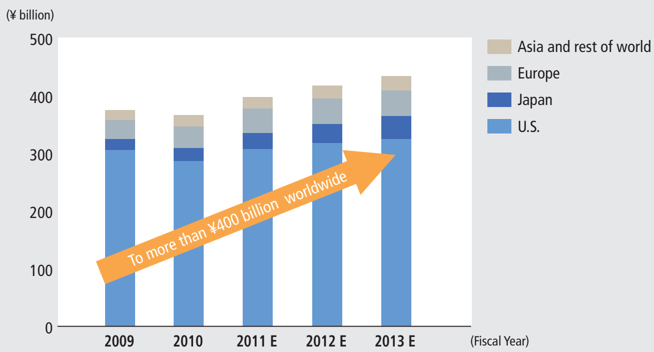
Maximize product value by continuous life cycle management

U.S.	Pediatric autism: approved 2010; Intramuscular (IM) Depot formulation: to be filed in 2011; once-weekly formulation for Tourette's syndrome: Phase 1.
Europe	Pediatric bipolar disorder: filed in 2010; IM Depot formulation: Phase 3.
Japan	Bipolar mania: filed in 2011; orally disintegrating tablet, major depression: Phase 3; IM Depot formulation: Phase 3. Exclusivity period: until 2016.

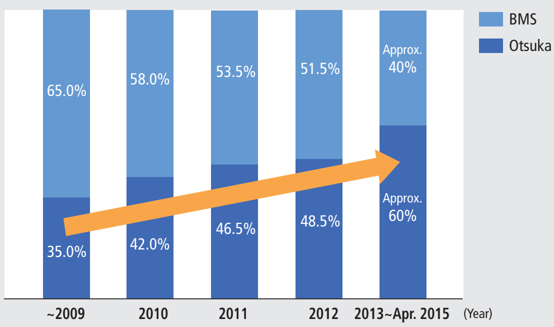
Increasing profit share in the U.S.

- Phased increase in profit share up to 2015 on basis of agreement with BMS

ABILIFY sales forecast by region



ABILIFY's share of U.S. profit
(as proportion of net sales before sales promotion cost)



Aripiprazole IM Depot

In October 2010 an independent data monitoring committee (IDMC) recommended early termination of phase 3 trials (schizophrenia, placebo-controlled) of an aripiprazole IM depot based on its interim analysis results, which found that the drug had achieved efficacy and safety evaluation criteria two years ahead of schedule. The Company plans submission to the FDA during 2011.

Aripiprazole: Highly evaluated safety profile + In-house formulation technology (administration at 4-week intervals) = Depot formulation with excellent compliance and long-term safety

Europe and Japanese development

- Phase 3 schizophrenia study in progress (comparison with *ABILIFY* tablets)
- Submission scheduled for 2013 in Europe and Japan

Differentiation from currently available drugs

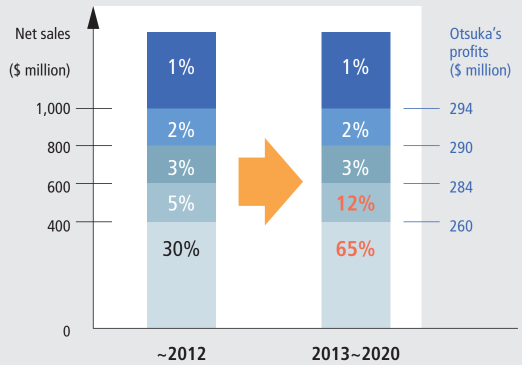
- Compared to the existing depot formulations, *ABILIFY* has high tolerability as suggested by its safety profile
- IM injection: Administration frequency of once every 4 weeks, and easy to carry out
- Room-temperature storage
- Fine injection needle, so limited discomfort for patients

Maximization of Profit in Oncology Field

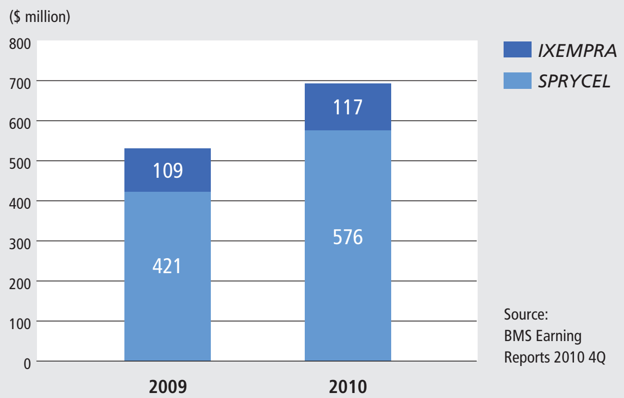
Based on a collaboration agreement with BMS, distributions received in line with the sales volume of the two oncology drugs *SPRYCEL* and *IXEMPRA* in Japan, the U.S., and Europe will be recognized Otsuka Group earnings. Up to a limit of $400 million, nearly 30% of the two drugs' global (Japan, the U.S., and Europe) net sales up to 2012, and nearly 65% from 2013 to 2020, will contribute to Otsuka earnings.

Collaboration Fee Arrangement

Based on combined Sprycel and Ixempra Net Sales (U.S., Japan & Europe)



Global sales of *SPRYCEL* and *IXEMPRA*



Strategy in Oncology Field

In the field of oncology Otsuka covers diverse regimens from antimetabolites and molecular-targeted therapies to new categories. The Group also strives to provide total cancer care by investing aggressively in supportive care such as cancer vaccines, analgesics, and antiemetics.

In-house
Licensed in

Antimetabolites	• Make full use of strengths to generate novel compounds through in-house drug discovery • Make them a part of the standard regimens	TAS-102, *TS-1*, *UFT*
Molecular-targeted agents	• Make full scale in-house drug discovery efforts. Complement antimetabolites • Concomitant administration with other agents to remain mainstream	OPB-31121, OPB-51602, TSU-68, *SPRYCEL*
Cancer vaccines	• Intensive investment to position as anticancer agents with new mechanism of action • Also for concomitant use with antimetabolites or molecular-targeted agents	OTS102, OCV-101
Supportive care	• Rapidly develop as one of the key businesses through in-licensing • Expansion possible irrespective of stage & types of cancer, or treatment method	*Aloxi*, OVF, *Sativex*

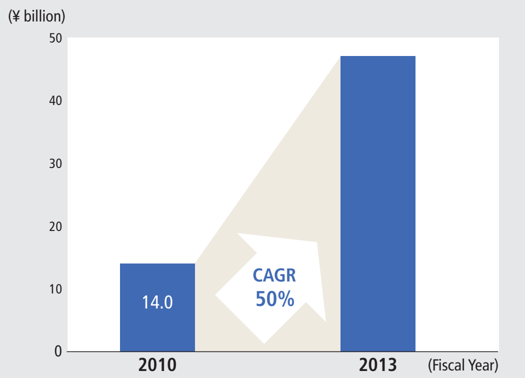
Increasing Profits with Major New Drugs in Japan

The medium-term management plan proposes the maintenance of earnings from existing products in Japan plus an increase in sales of about ¥35 billion from new drugs.

New drug	Launch	Indication	Principal characteristics
E Keppra	Sep. 2010	Partial seizures (in combination with other antiepileptic agents)	• No.1 concomitant drug, due to different mechanism of action from other drugs • Antiepileptic agent with anti-epileptogenic activity
Aloxi	Apr. 2010	Delayed gastrointestinal symptoms due to anti-tumor agents	• Approved and launched in 64 countries • The only serotonin antagonist effective against delayed emesis
Abraxane	Sep. 2010	Breast cancer	• Improves paclitaxel efficacy • No need for pretreatment, and shortened infusion time from 3 hours to 30 minutes
SAMSCA	Dec. 2010	Cardiac edema	• Alleviates fluid retention in heart failure patients • Alleviates edema when existing diuretics insufficiently effective
Mucosta ophthalmic suspension	Filed	Dry-eye syndrome	• Improves tear quality by increasing mucin secretion
rotigotine	2013 (prospect)	Parkinson's disease Restless-legs syndrome	• Applied In-house percutaneous absorption technology

- New drug sales in FY2010 (including infusions): ¥14 billion
- CAGR from FY2010 to FY2013: +50%

Sales of new drugs in Japan, including infusions

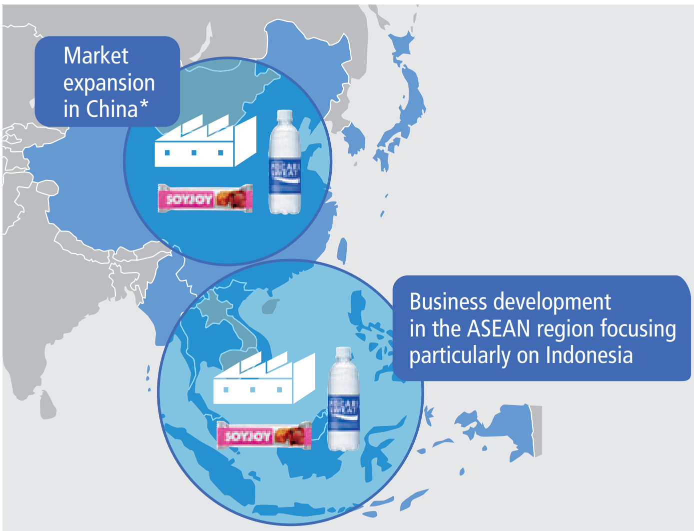


Expand the nutraceutical business and increase profit

In the nutraceutical segment, improving profitability through expanded sales outside Japan and improvement of the cost structure is the focal point of the medium-term management plan.

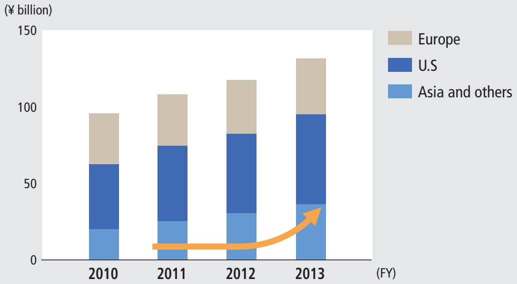
Expanding Sales of Nutraceutical Business Outside Japan

In the nutraceutical segment the Group plans to expand sales outside Japan by accelerating the international expansion of the global strategic products *Pocari Sweat* and *SOYJOY* as well as increasing sales from new products in Japan. Specifically in Asia, the Group plans to expand its market in China, Indonesia and other ASEAN member countries, growing Asian sales in this segment to about ¥35 billion in fiscal 2013, which will raise the percentage of sales outside Japan from 38% in fiscal 2010 to 42% in fiscal 2013.



*SOYJOY is marketed in China by VV Food & Beverage Co., Ltd., an equity method affiliated company

Overseas sales of nutraceutical business by region excluding Japan



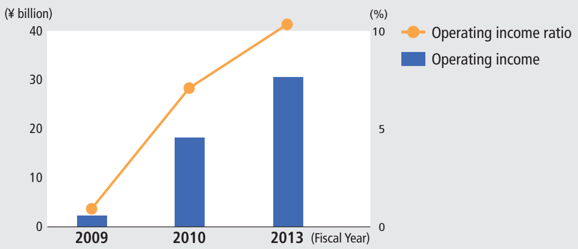
CAGR FY2010-FY2013		
U.S.	Europe	Asia
10.5%	4.6%	21.7%

Profit Growth Driven by Sales Increase Due to Market Expansion and Cost Structure Improvement

At the same time as increasing sales through new product launches and market expansion, the Group plans to optimize expenses by reducing production costs and revising advertisement and distribution expenses, thereby improving this segment's operating margin by at least 10% in fiscal 2013.

Improved profitability (operating profit ratio)

0.9% ➡ 7.1% ➡ 10% or more



First Medium-Term Management Plan Priority Measure 3

Lay the groundwork for the next medium-term management plan

As a strategic move toward further growth, medical devices and soy business are two new businesses that the Group will nurture during the period of the medium-term management plan.

Foster New Businesses

With the central role played by Otsuka Medical Devices, which was established in February 2011, the Group will bring together its experience and know-how in the medical devices business and grow this business into one of the Group's core segments.

Medical Device Project: Established in October 2009

Otsuka Medical Devices Co., Ltd.: Established in February 2011

- Build up value chain to achieve cutting-edge technology, high quality, and low cost
- Expand business focusing on Asia, especially Japan and China

Brain and heart diseases

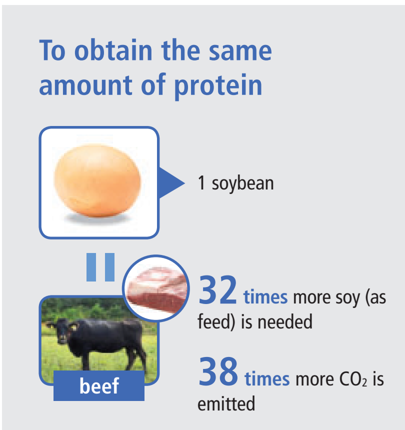
- Drug-eluting stents

Gastrointestinal diseases

- Granulocyte adsorption therapy for ulcerative colitis and Crohn's disease
- Large intestine endoscopy

Globalization of the Soy Business

Based on the concept of "Soylution" that the common and nutrient-rich soybean is the solution to many of the world's problems relating to health, food supply, and the environment in the 21st century, the Otsuka Group is expanding and developing the soy business worldwide.



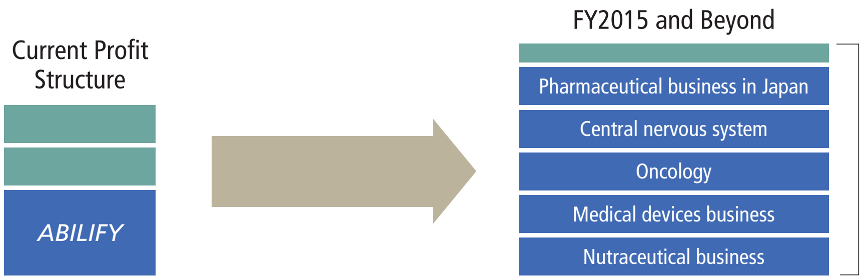
First Medium-Term Management Plan   Priority Measure 4

Engage in activities to maximize corporate value, and secure shareholder return

At present, the atypical antipsychotic *ABILIFY* accounts for about 50% of the Company's income. From now on, the Company plans to establish a structure that can achieve sustainable growth while distributing business risk and allowing diverse businesses to contribute to income.

The Company regards the return of profits to shareholders as an important management policy. Its basic principle is to continuously return profits to shareholders in line with growth in income while securing the retained earnings needed to cope with changes in the management environment.

Direction: A diversified profit structure



Contributions to profits from various businesses

- Grasp wide-ranging growth opportunities
- Diversify business risk

Priority investment fields

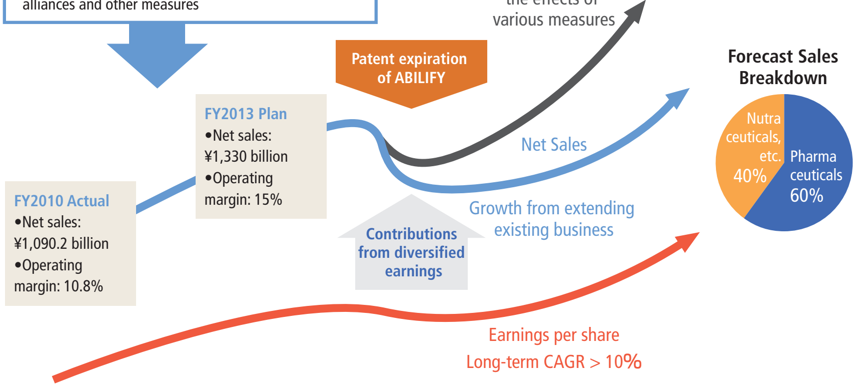
Pharmaceutical business	• Focus on the central nervous system and oncology fields • Concentrate on joint research and the introduction of new products ⇒Take account of risks at each development phase and build up the pipeline • Focus on new next-generation mechanisms • Concentrate on global development potential
Nutraceutical business	• Upgrade and expand brands (Soylution) • Strengthen sales channels for each product line and region
Medical devices business	• Strengthen brands in each field (blood, GI, brain and cardiovascular) • Solidify sales channels focusing particularly on Asia

Long-term Business Strategy

The aim for the three years covered by the medium-term management plan is to create a world-class structure as a global healthcare company built upon two mainstay businesses: pharmaceuticals and nutraceuticals. The Company's target is ¥1.5 trillion in sales in fiscal 2020, which it aims to achieve through various measures to roll out reform during these three years and to overcome the impact of *ABILIFY* patent expiration in 2015.

Implement various measures that facilitate reform

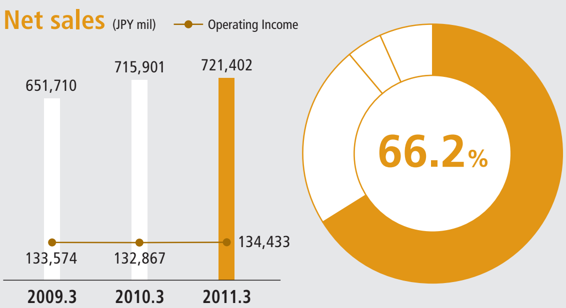
- Development of innovative proprietary pharmaceuticals
- Structural reform aimed at generating growth in nutraceutical business
- Fostering next-generation businesses through strategic alliances and other measures



Business Segments

The Otsuka Group conducts business in four main areas of activity: pharmaceuticals, nutraceuticals, consumer products and other businesses.

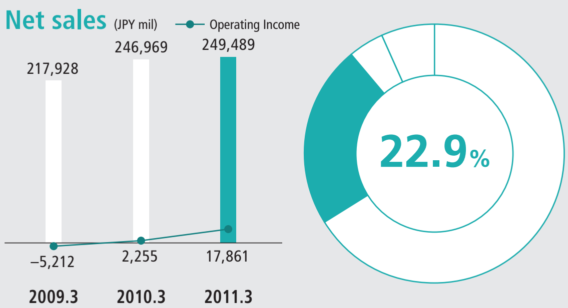
Pharmaceuticals



Our comprehensive approach to pharmaceutical research and development ranges from diagnosis to treatment of diseases targeted at unmet medical needs.

- Pharmaceuticals
- Clinical nutrition
- Diagnostics
- Medical devices

Nutraceuticals

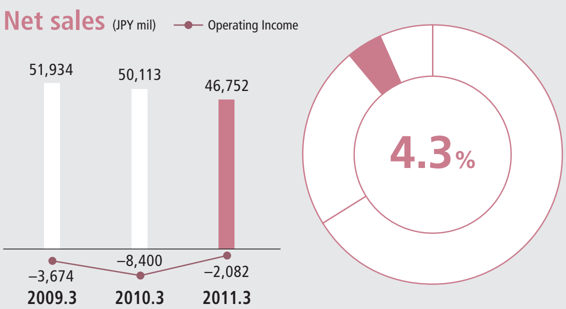


Expertise developed through our pharmaceuticals business is applied to the research and development of products that aid in the maintenance and improvement of day-to-day well-being.

- Functional foods and beverages
- Cosmedics*
- OTS products, Quasi-drugs

* cosmetic + medicine

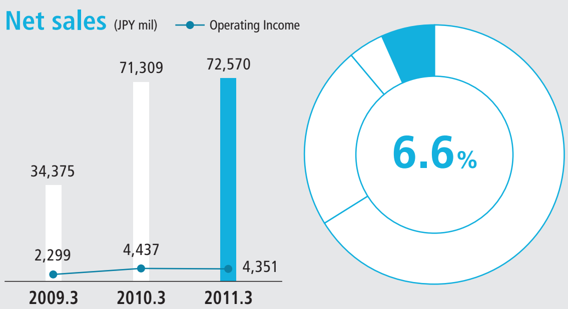
Consumer Products



The Otsuka Group is engaged in the research and development of original and unique products in the food and beverage field.

- Beverages
- Foods
- Alcoholic beverages

Other



Research and development initiatives extend to chemical products and electronic equipment.

- Functional chemicals
- Fine chemicals
- Distribution
- Packaging
- Electronic equipment

Pharmaceutical Segment

Pharmaceutical Segment Overview

The Otsuka Group's Pharmaceutical Business focuses on the priority areas of the central nervous system and oncology in order to address unmet medical needs. Furthermore, the Group is engaged in a wide range of fields and businesses, including the cardiovascular system, gastroenterology, ophthalmology, diagnostics, and the clinical nutrition and medical device businesses in order to provide comprehensive healthcare solutions ranging from diagnosis to the treatment of disease.

Pharmaceuticals	Central nervous system, Oncology, Cardiovascular system, Gastroenterology, Respiratory system, Infectious disease, Ophthalmology, Dermatology, Allergies, Urology
Clinical nutrition	Intravenous solutions, Enteral nutrition, Contract manufacturing
Diagnostics	Influenza diagnostics agents, Helicobacter pylori test kit, and others
Medical devices	Apheresis device for leukocyte adsorption, Drug-eluting stents, and others

Marketing activities

Otsuka Pharmaceutical, Taiho Pharmaceutical and Otsuka Pharmaceutical Factory operate globally, primarily in the pharmaceutical business.

Core products

Brand name (generic name)	Therapeutic category	Major indications	Company
ABILIFY (aripiprazole)	Antipsychotic	Schizophrenia	Otsuka Pharmaceutical
Pletaal/Pletal (cilostazol)	Antiplatelet agent	Improvement of ischemic symptoms including ulcers, pain and coldness associated with chronic arterial obstruction, prevention of recurrent cerebral infarction	Otsuka Pharmaceutical
Mucosta (rebamipide)	Antigastritis and antigastric ulcer agent	Gastritis, gastric ulcers	Otsuka Pharmaceutical
TS-1 (tegafur, gimeracil, oteracil potassium)	Antimetabolite	Gastric cancer, head and neck cancer, colorectal cancer, non-small cell lung cancer, pancreatic cancer, bile duct cancer, inoperable or recurrent breast cancer	Taiho Pharmaceutical
UFT (tegafur, uracil)	Antimetabolite	Gastric cancer, head and neck cancer, colorectal cancer, liver cancer, pancreatic cancer, cancer of the gallbladder/bile duct, lung cancer, breast cancer, bladder cancer, prostate cancer, cervical cancer	Taiho Pharmaceutical
Uzel (calcium folinate)	Reduced folic acid formulation	Folinate and tegafur/uracil combination therapy enhances efficacy of tegafur-uracil in treating colorectal cancer	Taiho Pharmaceutical

Central nervous system

In fiscal 2010, the global sales of Otsuka Pharmaceutical's atypical antipsychotic *ABILIFY* (aripiprazole) totaled ¥365.8 billion. Sales of the product have been growing continuously with additional indications and formulations. Especially in the United States, effective promotion measures resulted in growth despite the effects of healthcare reform and economic stagnation. In October 2010, the Company established Otsuka Canada Pharmaceutical Inc. and began co-promotion of *ABILIFY* with Bristol-Myers Squibb Canada, thereby expanding its business in North America. In Japan, the Company strengthened its promotion structure and grew sales through promotion measures focused on *ABILIFY Oral Solution 0.1%*. *ABILIFY* was developed as an antipsychotic with a new mode of action, and its efficacy and superior stability mean that patients can continue using the drug for long periods of time. *ABILIFY* has therefore gained attention for its usefulness in preventing relapses and allowing patients to return to a fulfilling life.

In September 2010, *E Keppra* (levetiracetam), an antiepileptic drug for which Otsuka Pharmaceutical has a co-development and marketing alliance with UCB S.A., received regulatory approval in Japan.

Oncology

Since releasing *Futraful* in 1974, Taiho Pharmaceutical has been a pioneer in the field of oral anticancer agents with products including *UFT* (tegafur uracil) and *TS-1 Capsules* (tegafur, gimeracil, oteracil potassium). Utilizing its many years of experience developing fluoropyrimidine anticancer agents, the Company has continuously presented useful clinical data on gastric cancer, breast cancer, lung cancer, colorectal cancer, pancreatic cancer and other types of cancerous tumors. *TS-1 Capsules* in particular has become standard chemotherapy for gastric cancer, making it a core drug even in the age of polypharmacy. In March 2011, *TS-1 Capsules* received approval from the European Commission (EC) as a first-line treatment in combined use with cisplatin for advanced gastric cancer patients.

In Japan, sales of the serotonin 5-HT_3 receptor antagonist antiemetic agent *Aloxi* (palonosetron hydrochloride) began in April 2010. *Aloxi*, which is acclaimed for its safety and efficacy against delayed onset nausea and vomiting, has been approved in more than 60 countries and is the medication recommended by the National Comprehensive Cancer Network (NCCN)'s Antiemesis Guidelines.

Sales of the antineoplastic agent *Abraxane* (paclitaxel) commenced in Japan in September 2010. *Abraxane* has been approved for breast cancer treatment in more than 40 countries including the U.S. and Europe.

Globally, Otsuka Pharmaceutical and Bristol-Myers Squibb Company began co-promotion of the antineoplastic agent *SPRYCEL* (dasatinib hydrate) in the U.S. in November 2010 and in Japan in January 2011. Distributions received, based on the co-promotion agreement, are recorded as sales.

Cardiovascular

In the cardiovascular field, the selective V_2-vasopressin antagonist *SAMSCA* (tolvaptan), a proprietary product of Otsuka Pharmaceutical, was released in Japan in December 2010 following launches in the U.S. and EU, making a new treatment method available.

Otsuka Pharmaceutical maintained sales of the antiplatelet agent *Pletaal* (cilostazol) with an aggressive information-sharing campaign, including data from a large-scale clinical trial, despite the expiration of the drug's patent rights at the end of September 2010 for the indication for stroke recurrence inhibition and the downward revision of drug prices in Japan's National Health Insurance (NHI) scheme.

Gastroenterology

Strong sales of Otsuka Pharmaceutical's antigastritis and antigastric ulcer agent *Mucosta* (rebamipide) had continued due to ongoing validation, but in fiscal 2010, revenue declined on the back of NHI drug price revisions and the impact of generics. Approval of reflux esophagitis as an indication helped spur a strong increase in prescriptions of Taiho's H_2-receptor antagonist *PROTECADIN* (lafutidine).

Ophthalmology

In November 2010, the Company applied for approval in Japan of *Mucosta* ophthalmic solution, which applies the antigastritis and antigastric ulcer agent *Mucosta* to the field of ophthalmology. Outside Japan the Company expanded its alliance with Acucela Inc. It signed a new co-development and co-marketing agreement for OPA-6566, a glaucoma treatment with a novel mechanism of action, in addition to existing agreements regarding rebamipide ophthalmic solution and ACU-4429, which is for the dry form of age-related macular degeneration (AMD). The alliance with Acucela has now been expanded to three compounds and has strengthened the Company's new business structure in the U.S.

Allergies, urology

Taiho Pharmaceutical's antiallergenic drug *IPD* (suplatast tosilate) recorded solid sales. Taiho terminated a co-promotion contract for the urinary incontinence/urinary frequency agent *BUP-4* (propiverine hydrochloride) with UCB Japan and began exclusive sales in August 2010. In addition, sales of the benign prostatic hyperplasia treatment agent *Avolve* (dutasteride), which the Company is co-promoting with GlaxoSmithKline K.K., grew steadily.

Clinical Nutrition Business

● Core products

Brand name	Category	Manufacture and marketing
ELNEOPA (No. 1 Injection and No. 2 Injection)	High-calorie TPN solution containing glucose, electrolytes, amino acids, multi-vitamins and trace elements	Otsuka Pharmaceutical Factory
B-FLUID for IV infusion	Amino acid and glucose injection with electrolytes and vitamin B1	Otsuka Pharmaceutical Factory
RACOL-NF Liquid for Enteral Use	Enteral nutrition formula (for either enteral or oral administration)	EN Otsuka Pharmaceutical

The I.V. solutions (clinical nutrition) business is carried out primarily by Otsuka Pharmaceutical Factory, whose company creed is to be the "best partner of patients and healthcare professionals in the field of clinical nutrition." The Company has contributed to parenteral management by developing a full lineup of products with outstanding quality to meet the needs of physicians, based on its advanced sterilization technology. These products include Japan's first plastic bottle pack and an aseptically prepared antibiotic kit. With intravenous solution production bases in seven countries* besides Japan, mainly in Asia, the Company operates the I.V. solutions business not only in Japan but also in international markets.

ELNEOPA No. 1 Injection and *ELNEOPA No. 2 Injection*, which the Company released in September 2009, are ground-breaking parenteral formulations, the world's first aseptically prepared solutions containing glucose, electrolytes, amino acids, multi-vitamins, and trace elements in quadruple-chamber bags. These products are the most highly valued in the high-calorie I.V. solution field. Additionally, *B-FLUID Injection* is the product most used for peripheral intravenous nutrient transfusion in clinical settings.

* Including non-consolidated subsidiaries and affiliated companies accounted for by equity method.

Diagnostics Business

● Core products

Brand name	Category	Manufacture and marketing
UBIT	Diagnostic agent for H.pylori	Otsuka Pharmaceutical
Quick Navi-Flu	Influenza virus test kit	Otsuka Pharmaceutical
Uropaper III Eiken	Urinalysis test strip	Otsuka Pharmaceutical

The diagnostics business focuses on the development and sale of intracorporeal and extracorporeal diagnostic agents for clinical use and research-use reagents. In the field of infectious diseases, sales of Otsuka Pharmaceutical's influenza virus test kit *Quick Navi-Flu*, an agent for in vitro diagnosis, have met significant demand and contributed to the growth of the diagnostics business.

Medical Devices Business

● Core products

Brand name	Category	Manufacture and marketing
Adacolumn	Apheresis device for leukocyte adsorption	JIMRO

In the medical devices business, JIMRO manufactures and markets *Adacolumn*, an apheresis device for leukocyte adsorption in intractable inflammatory bowel disease. *Adacolumn*, which is used in the treatment of inflammatory bowel disease, works mainly by removing granulocytes and monocytes from peripheral blood using extracorporeal circulation.

In February 2011, Otsuka Medical Devices Co., Ltd., was established with the aim of developing the medical devices business into one of the Otsuka Group's core businesses.

Otsuka Pharmaceutical, Co., Ltd.

A Researcher Who Doesn't Give Up and a Company That Supports Him

Undaunted Determination Produces Creative New Drug *SAMSCA*—A Selective V_2-vasopressin Antagonist that Triggers Excretion of Water Only

Yoichi Yabuuchi
Executive Fellow - Research, Pharmaceutical Business Division
Otsuka Pharmaceutical Co., Ltd.

SAMSCA (tolvaptan), a compound discovered and developed by Otsuka Pharmaceutical, has a mode of action that promotes excretion from the body of water only without directly affecting the excretion of electrolytes such as sodium. It does this by causing a decrease in the reabsorption of water from urine back into the blood through inhibition of the antidiuretic hormone vasopressin, which maintains body fluids. The R&D project, which began in response to the request from a clinician for a diuretic that causes excretion of water only, took 30 years to come to fruition. After conducting research globally in U.S., Europe, Japan and other parts of Asia, marketing of the oral selective V_2-vasopressin antagonist *SAMSCA* began for the first time in 2009 in the U.S., followed by release in Europe the same year and the acquisition of manufacturing and marketing approval in Japan in October 2010. *SAMSCA* is expected to be a new treatment method that will solve an old challenge. Here we ask Yoichi Yabuuchi, Executive Fellow - Research in the Pharmaceutical Business Division and the leader of *SAMSCA* development about Otsuka Pharmaceutical's commitment to drug discovery.

What triggered the start of *SAMSCA* development?

It all started one day in the 1980s when the president of the Company at that time happened to meet a doctor from Osaka University's Department of Nephrology at an airport and asked him what drug he would like to have more than any other. He immediately replied, "a diuretic that causes excretion of water only." I clearly remember even now saying to the president, "I'll get onto it right away," when he contacted me about it by phone. At the time it was the heyday of diuretics. But, there was still the issue that electrolyte depletion could not be avoided with existing drugs. So, our challenge was to meet that clinical need. As chance would have it, vasopressin was the topic of my graduation thesis at college, and so I instantly had the idea that an aquaretic needed to be a vasopressin antagonist.

The fruit of stubborn determination

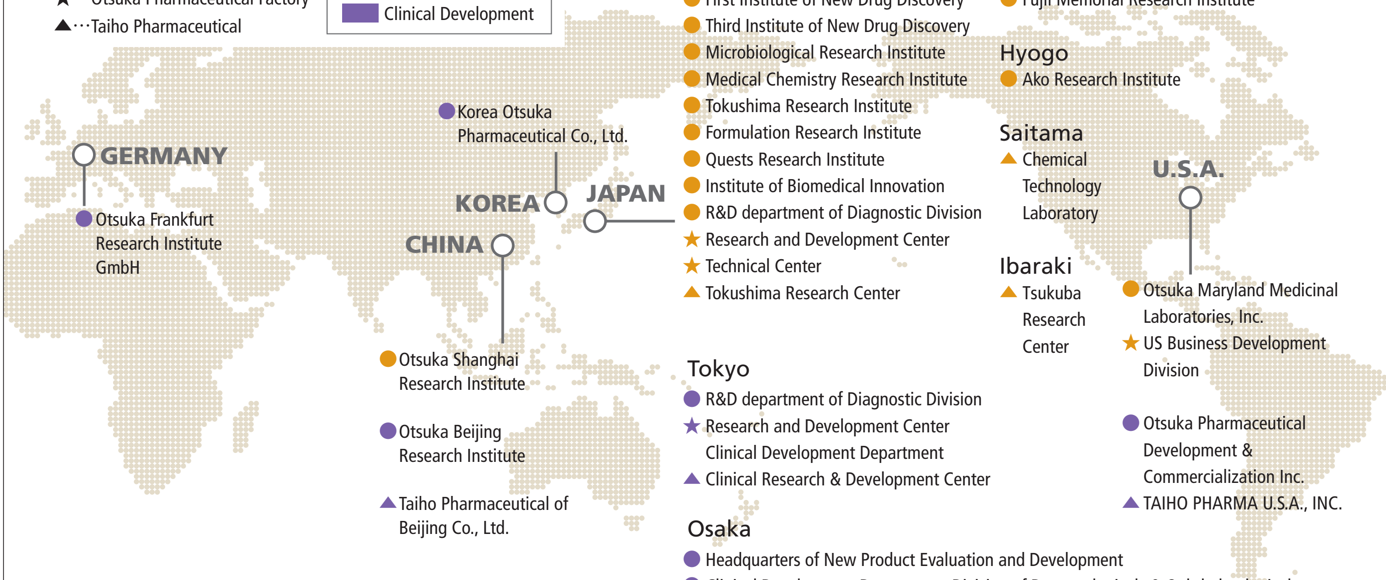
But after that the troubles began. The project started in 1983 and it was 1990 when we discovered the structure of tolvaptan, which became *SAMSCA*. Until then, day in and day out we repeated the process of testing thousands of compounds at a speed that the synthesis team could barely keep up with. Drug discovery is a difficult process until the lead compound is found. In the case of *SAMSCA*, we found it in 1987, but after that there were cases where a compound advanced all the way to the clinical development stage did not bring results, and so we would reluctantly give up and switch to a different drug. In this situation, I think it is normal for management to decide to discontinue the research. But the Company waited patiently. When it comes to a first-in-class or world-first drug, Otsuka makes an effort to keep going with undaunted determination. Our ultimate goal is to create something beneficial for the world that will help patients.

To put it another way, Otsuka waited and trusted his research, but the difficulties continued. When things are difficult, you start wanting to find an easy way out, but that is the worst thing to do. It was thanks to this sustaining and nurturing environment that the research project to find a diuretic that causes excretion of water only finally blossomed with the launch of *SAMSCA* in the U.S. in 2009.

Commitment to drug discovery

Nowadays personal computers are very advanced, giving us instantaneous access to all kinds of information. But I think that we have to prevent ourselves from being too reliant on computers. In the old days, creative work was done without computers. I think that, at the very least, first-in-class drugs are handmade creations. The most important thing is to trust people's intuition, to keep going and to keep moving forward patiently without giving up hope. And the environment in Otsuka that allows us to do that translates into creative drug discovery.

Otsuka Group R&D Facilities



●···Otsuka Pharmaceutical
★···Otsuka Pharmaceutical Factory
▲···Taiho Pharmaceutical

Basic Research (orange)
Clinical Development (purple)

GERMANY
● Otsuka Frankfurt Research Institute GmbH

KOREA
● Korea Otsuka Pharmaceutical Co., Ltd.

CHINA
● Otsuka Shanghai Research Institute
● Otsuka Beijing Research Institute
▲ Taiho Pharmaceutical of Beijing Co., Ltd.

JAPAN

Tokushima
- ● First Institute of New Drug Discovery
- ● Third Institute of New Drug Discovery
- ● Microbiological Research Institute
- ● Medical Chemistry Research Institute
- ● Tokushima Research Institute
- ● Formulation Research Institute
- ● Quests Research Institute
- ● Institute of Biomedical Innovation
- ● R&D department of Diagnostic Division
- ★ Research and Development Center
- ★ Technical Center
- ▲ Tokushima Research Center

Tokyo
- ● R&D department of Diagnostic Division
- ★ Research and Development Center
  Clinical Development Department
- ▲ Clinical Research & Development Center

Osaka
- ● Headquarters of New Product Evaluation and Development
- ● Clinical Development Department, Division of Dermatologicals & Ophthalmologicals

Shiga
- ● Fujii Memorial Research Institute

Hyogo
- ● Ako Research Institute

Saitama
- ▲ Chemical Technology Laboratory

Ibaraki
- ▲ Tsukuba Research Center

U.S.A.
- ● Otsuka Maryland Medicinal Laboratories, Inc.
- ★ US Business Development Division
- ● Otsuka Pharmaceutical Development & Commercialization Inc.
- ▲ TAIHO PHARMA U.S.A., INC.


Hi-Z Tower, Tokushima Research Institute (Otsuka Pharmaceutical)


Tsukuba Research Center (Taiho Pharmaceutical)

10th Research Center, Tokushima Research Institute (Otsuka Pharmaceutical)

Otsuka Shanghai Research Institute


Fujii Memorial Research Institute


Otsuka Maryland Medicinal Laboratories, Inc.

Highlight

Taiho Pharmaceutical Co., Ltd.

Striving to Create Innovative New Drugs as Experts in Cancer Treatment

Efforts in the field of anticancer agents

Taiho Pharmaceutical focuses its research and development activities on three areas: oncology, its foremost field of activity, allergy, and urology. The company is well recognized among medical professionals in Japan, particularly in the area of cancer, and has gained significant trust and market share as a leading company in the field of antimetabolites. Taiho Pharmaceutical began the development of anticancer agents in 1969 with the in-licensing of *FT-207* (later called *Futraful*) from the former Soviet Union. As an anticancer agent available for oral use, it made outpatient treatment possible, significantly reducing the burden on patients compared with the intravenous drip infusions available at the time. The company has continued to grow, mainly due to successful launching of the next generation of anticancer agents, *UFT* and *TS-1*. Research and development is currently focused on next-generation antimetabolites and molecular-targeted drugs, discovered through the Company's wealth of accumulated experience, as well as supportive drugs to control side effects and for palliative care. In this way, the goal is to provide total care to cancer patients.

Challenges in developing new anticancer agents

Progress continues in the development of anticancer agents that inhibit the enzymes needed for cancer cell proliferation, anticancer agents that inhibit DNA and RNA synthesis in cancer cells, and angiogenesis inhibitors that work to starve cancer cells by inhibiting the production of new blood vessels that would allow them to gain nutrients and oxygen.

Strength and unique features of Taiho Pharmaceutical's research and development

In clinical settings, most cancer treatment involves multiple drugs, and antimetabolites are still widely used as a key drug in these treatment regimens. Original research and development focuses on both key antimetabolite drugs and molecular-targeted drugs.

Taiho Pharmaceutical's employees, from researchers to individual medical representatives, are cancer treatment experts, and its strength lies in its ability to incorporate a wealth of data into comprehensive solutions.

Establishment of Tsukuba Research Institute

In March 2011 Taiho Pharmaceutical consolidated its in-house drug discovery function at the Tsukuba Research Institute, marking a new start in R&D. The company is applying the latest cutting-edge technologies, including molecular design, bioinformatics, and biomarkers.

Researchers with different backgrounds now work together under the banner of "Quickly delivering innovative new drugs to patients affected by cancer." This is Taiho Pharmaceutical's new strength.

Current status and future plans for expansion outside Japan

TS-1 Capsules, which are a standard chemotherapy for gastric cancer in Japan, were approved by the European Commission (EC) as a first-line therapy in the EU in March 2011. Additional Phase 3 trials were begun in the U.S. In August 2010, marketing approval was received in Taiwan, expanding the drug's market in Asia following releases in South Korea, China, and Singapore.

The worldwide adoption of an effective anticancer agent developed in Japan is of great importance. In China and the rest of Asia in particular, the company is able to utilize a great deal of the existing clinical evidence. Taiho Pharmaceutical is working hard to become a global specialty pharmaceutical company with a special focus on oncology, as well as allergy and urology.

Research and Development Topics

Central nervous system

In January 2011, an application was submitted in Japan for improvement of manic symptoms in bipolar disorder as an additional indication of the antipsychotic *ABILIFY*. In February 2011, FDA approval was obtained in the U.S. for *ABILIFY* in the additional indication of adjuvant therapy with either lithium or valproate in maintenance treatment of bipolar I disorder. As an important result in clinical development, early conclusion was recommended in October 2010 for Phase 3 trials of an aripiprazole intramuscular (IM) depot, which is under development in the U.S., since an interim analysis showed that the efficacy and safety criteria had been met. This increased the possibility of providing a new option in the treatment of schizophrenia. The next-generation antipsychotic OPC-34712, which is developing for schizophrenia, adjuvant therapy in major depression, and adult ADHD (attention-deficit hyperactivity disorder), completed Phase 2 trials for schizophrenia and major depression in the U.S. and is in preparation for Phase 3 trials in 2011.

The antiepileptic drug *E Keppra*, which has been co-promoted in Japan with UCB Japan since September 2010, began Phase 3 trials in Japan for generalized epileptic seizures and pediatric partial seizures.

Oncology

TS-1 Capsules were approved as a first-line treatment for advanced gastric cancer patients in the EU in March 2011 and began additional Phase 3 trials in the U.S. Noninferiority was shown for carboplatin-*TS-1* combination therapy versus carboplatin-paclitaxel combination therapy, which is the standard therapy in primary treatment of non-small-cell lung cancer, providing new evidence for *TS-1*. This result was announced at a meeting of the American Society of Clinical Oncology (ASCO) in June 2010 and was published in the Journal of Clinical Oncology in November. In the field of advanced pancreatic cancer, noninferiority was shown for *TS-1* monotherapy versus gemcitabine monotherapy, which is the standard treatment. This result was announced at an ASCO meeting in June 2011.

The antiangiogenic agent TSU-68 began Phase 3 trials for hepatocellular carcinoma in Japan and other Asian countries. ET-743, an agent in-licensed from PharmaMar S.A. of Spain, was designated in June 2011 as a pharmaceutical for rare disease treatment, specifically for malignant soft tumors associated with chromosomal translocation.

SPRYCEL, an anticancer agent discovered by BMS, and for which BMS entered into a global collaboration with Otsuka Pharmaceutical, was approved as a first-line treatment for adult patients with chronic myeloid leukemia in the chronic phase as an additional indication in the U.S. in October 2010, in the EU in December, and in Japan in June 2011.

The fentanyl oral mucosal absorbent OVF started Phase 3 trials for cancer pain in Japan.

In the field of cancer vaccines, clinical development in Japan of OTS102—an angiogenesis inhibitor under co-development by Otsuka Pharmaceutical, OncoTherapy Science, Inc., (OTS), and Fuso Pharmaceutical Industries, Ltd.—is progressing steadily in development for the treatment of pancreatic cancer and biliary tract cancer. OCV-101, an angiogenesis inhibitor under co-development with OTS, started Phase 2 trials for pancreatic cancer in February 2010. R&D efforts into a peptide vaccine for cancer treatment are also underway.

Cardiovascular

Results of CSPS 2 (Cilostazol Stroke Prevention Study 2), a large-scale clinical trial on the antiplatelet agent *Pletal*, were published in *The Lancet Neurology* in September 2010.

An application was filed in China in January 2011 for regulatory approval of the vasopressin V_2-receptor antagonist *SAMSCA* for the indication of hyponatremia, while approval was obtained for the same in Canada in July 2011.

Other fields

Tuberculosis

Otsuka Pharmaceutical has carried out R&D on tuberculosis for nearly 30 years. At present it is conducting Phase 2 trials on an antitubercular agent for multi-drug-resistant tuberculosis.

Ophthalmology

An application was filed in October 2010 for regulatory approval in Japan to manufacture and market *Mucosta* ophthalmic suspension for treatment of dry eye. Outside Japan, an agreement was entered into with Acucela Inc. in September 2010 to co-develop and co-promote OPA-6566, a treatment for glaucoma, in the U.S., thereby strengthening the alliance with Acucela.

Immunology/Allergy

The new antipruritic agent NST-141, co-developed with Nippon Shinyaku Co., Ltd., began Phase 2 trials in Japan.

Clinical nutrition

Bicanate Injection, a bicarbonate Ringer solution, was launched in a 500 mL formulation in October 2010 and a 1000 mL formulation in November. In March 2011 *Sodium Phosphate Corrective Injection 0.5 mmol/mL* was added to the National Health Insurance price listing. Applications for *HEPAFILLED for Dialysis 150 Units/mL SYRINGE 20mL* and *HEPAFILLED for Dialysis 200 Units/mL SYRINGE 20mL* were approved in Japan in July 2011.

Diagnostics

The in vitro diagnostic RS virus kit *Quick Navi-RSV* and the *Streptococcus pneumoniae* kit *Rapirun S* were released in April and October 2010, respectively. In June 2010, manufacturing and marketing approval were obtained for the *Helicobacter pylori* antibody kit *Rapirun H. Pylori Antibody Stick*.

Pipeline Information (as of Jun 30, 2011)

Code/ Brand name	Generic name	Origin	Category	Indication/Dosage form	Country/ Region	Development status
Central nervous system						
OPC-14597 (ABILIFY*)	aripiprazole	Otsuka Pharmaceutical	Dopamine partial agonist	Manic episode associated with bipolar I disorder / Oral Tic disorder and Tourette's disorder / Oral Schizophrenia / Depot injection Adjunctive therapy for major depressive disorder / Oral Major depressive disorder / Combination of aripiprazole and antidepressants Tourette's disorder / Once-weekly tablet	JP Asia US, EU, JP JP US US	Submitted Submitted Phase III Phase III Phase III Phase I
L059 (KEPPRA*)	levetiracetam	UCB	Anti-epileptic drug	Epilepsy (partial onset seizures for pediatric patients) / Oral Epilepsy (generalized onset seizures) / Oral	JP JP	Phase III Phase III
SPM-962 (NEUPRO*)	rotigotine	UCB	Dopamine agonist	Parkinson's disease / Patch Restless legs syndrome / Patch	JP JP	Phase III Phase III
OPC-34712		Otsuka Pharmaceutical	Dopamine partial agonist	Adjunctive therapy for major depressive disorder / Oral Schizophrenia / Oral ADHD(Adults) / Oral Schizophrenia / Oral	US US, EU US JP	Phase II Phase II Phase II Phase I
Anti-cancer and cancer-supportive care						
S-1 TS-1 (Japan, Korea) TEYSUNO* (EU) TS-ONE (Singapore) 愛斯万 (China) 愛斯萬 (Taiwan)	tegafur, gimeracil, oteracil potassium	Taiho Pharmaceutical	Anticancer（Antimetabolite）	Gastric cancer / Oral Uterocervical cancer / Oral Hepatocellular cancer / Oral Prostate cancer / Oral Renal cell cancer / Oral	US JP、Asia JP JP JP	Phase III Phase III Phase III Phase II Phase II
ABI-007 (Abraxane)	paclitaxel protein-bound particle for injectable suspension	Celgene（Abraxis Bioscience）	Anticancer (nanoparticle)	NSCLC / Injection Gastric cancer / Injection	JP JP	Phase III Phase II
OVF	fentanyl	Cephalon（Cima）	Narcotic analgesic	Cancer pain / Oral	JP	Phase III
TSU-68	Orantinib	（SUGEN）	Anticancer（Molecular targeted drug）	Hepatocellular carcinoma / Oral Breast cancer / Oral Gastric cancer / Oral Colorectal cancer / Oral NSCLC / Oral	JP、Asia JP、Asia JP Asia JP	Phase III Phase II Phase II Phase II Phase I
SATIVEX*	nabiximols	GW Pharmaceuticals	Cannabinoid (THC, CBD)	Cancer pain / Oral spray	US	Phase III in Preparation
OTS102	elpamotide	OncoTherapy Science	Therapeutic cancer vaccine	Pancreatic cancer / Injection Biliary tract cancer / Injection	JP JP	Phase II / III Phase II
OCV-101***		OncoTherapy Science	Therapeutic cancer vaccine	Pancreatic cancer / Injection	JP	Phase II
TAS-102		Taiho Pharmaceutical	Anticancer（Antimetabolite）	Colorectal cancer / Oral	JP	Phase II
TAS-106		Taiho Pharmaceutical	Anticancer（Antimetabolite）	Solid cancer / Injection	US	Phase I / II
ET-743	trabectedin	PharmaMar	Anticancer	Malignant soft tissue tumors / Injection	JP	Phase I / II
OPB-31121		Otsuka Pharmaceutical	Anticancer	Anticancer / Oral	US, JP,Asia	Phase I
OPB-51602		Otsuka Pharmaceutical	Anticancer	Anticancer / Oral	US, JP,Asia	Phase I
OCV-105		OncoTherapy Science	Therapeutic cancer vaccine	Pancreatic cancer / Injection	JP	Phase I
Cardiovascular						
OPC-41061 (SAMSCA*)	tolvaptan	Otsuka Pharmaceutical	Vasopressin V_2-receptor antagonist	Hyponatremia / Oral Autosomal dominant polycystic kidney disease / Oral Hepatic edema / Oral	Asia US, EU, JP JP, Asia	Filed Phase II - III** Phase III
Other areas						
OPC-12759E (Mucosta Ophthalmic Suspension)	rebamipide	Otsuka Pharmaceutical	Mucin-production enhancing agent	Dry eyes / Eye drops	JP US	Filed Phase II
YP-18 (ZOSYN*)	piperacillin, tazobactam	Taiho Pharmaceutical	β-lactamase inhibitor-antibiotic agent	Peritonitis, intra-abdominal abscess, liver abscess, cholecystitis, cholangitis / Injection	JP	Phase III
CDP870 (CIMZIA*)	certolizumab pegol	UCB	PEGylated anti-TNF α drug	Rheumatoid arthritis / Injection	JP	Phase II / III
ONGLYZA*	saxagliptin	Bristol-Myers Squibb	DPP-IV inhibitor	Type2 diabetes mellitus / Oral	JP	Phase II / III
OPC-6535	tetomilast	Otsuka Pharmaceutical	Anti-inflammatory agent	Crohn's disease / Oral COPD / Oral	JP,Asia JP,US,Asia	Phase II / III Phase II
OPC-67683	delamanid	Otsuka Pharmaceutical	Anti-tuberculosis agent	Multidrug-resistant tuberculosis / Oral	EU, JP, US	Phase II
ACU-4429		Acucela	Visual cycle modulator	Dry AMD / Oral	US	Phase II
TAC-201		Meiji Dairies Corporation	Recombinant peptide for immunotherapy of Japanese cedar pollinosis	Cedar pollen allergy / Injection	JP	Phase II
NST-141		Nippon Shinyaku	Anti-pruritus agent	Pruritus in atopic dermatitis / external	JP	Phase II
Diagnostics						
ODK-0901 (RAPIRUN S. pneumoniae HS (otitis media, rhinosinusitis))	S. pneumoniae kit	Otsuka Pharmaceutical	Diagnostic aid for S. pneumoniae infection	In-vitro diagnostic agent	JP	Approved
ODK-0902 (H. infuluenzae ELISA kit [Otsuka])	H. influenzae ELISA kit	Otsuka Pharmaceutical	Diagnostic aid for H. influenzae infection	In-vitro diagnostic agent	JP	Filed

Note 1: In general, we disclose compounds that are in Phase II or later stage of development, although some compounds in Phase I are disclosed in the above table.
Note 2: Product names with asterisk '*' are the names used outside Japan.
Note 3: ** Preparation for additional study.

Nutraceutical Segment

Overview of Nutraceutical Segment

The Otsuka Group's Nutraceutical Business focuses on functional beverages and foods that help maintain and promote day-to-day wellbeing. In recent years the Group has been developing a soy-based business based on the concept of "Soylution"that the soybean is the solution to many of humanity's problems, including health, food supply, and the environment.

Otsuka Pharmaceutical

Otsuka Pharmaceutical leverages the know-how it has cultivated in medical research to develop nutraceutical products to support and maintain health in people's daily lives.

The company aims to contribute to the maintenance and improvement of health through the creation of new product categories by developing innovative products such as the electrolyte drink *Pocari Sweat*, based on the concept of "a sweat drink," and the balanced nutritional food *Calorie Mate*, which makes it easy to access the five major nutrients.

In recent years, the company developed the fruit and soy bar *SOYJOY* and the carbonated soy beverage *SOYSH*, based on the belief that soybeans, which are an integral part of Japanese food culture, could provide a solution to global health, dietary, and environmental issues. Otsuka is giving the world new ways to enjoy soy, with all of its abundant nutrition.

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory is engaged in research and development mainly of medical food, and foods for special dietary use, that can be used in medical facilities, nursing homes, or at home. *OS-1*, a food for special dietary use by the ill, is put to use in many situations as an oral rehydration supplement that effectively replenishes water and electrolytes in patients suffering from dehydration. *ENGELEAD*, a food for special dietary use by people who have difficulty chewing and swallowing, helps the nutritional management of these patients. The *HINE* series of high-density liquid diet products is useful in the nutritional management of people who cannot take meals.

Taiho Pharmaceutical

Taiho Pharmaceutical is actively engaged in developing OTC products that are used for a variety of health conditions and symptoms, with a unique lineup of products with proven effectiveness and special attributes. The vitamin health drink *Tiovita Drink*, the crude drug gastrointestinal remedy *Solmack*, and *Harncare*, a crude drug for mild incontinence and urinary frequency, are all well-known brands. *Henseki*, which is effective for adipositas, has potential for growth.

Sales Activities

The electrolyte supplement drink *Pocari Sweat* has celebrated its 30th anniversary. The Otsuka Group now offers a 900ml sized bottle that is suitable for small families. Since 1991, the Group has promoted activities focusing on the core features of the product, such as education aimed at raising awareness of heat stroke, and the hot summer in Japan.

In Indonesia, sales of *Pocari Sweat* in local currency terms decreased slightly due to a temporary shortage in supply caused by the delay due to introduction new technology in the start-up of the new factory. Sales of *Oronamin C* remained steady as a result of strong promotional activities. Sales of *Calorie Mate* remained flat but it was recognized afresh as a food containing essential nutrients in the wake of the Great East Japan Earthquake.

The Otsuka Group is actively engaged in the soy business, and is working to introduce soy as a solution to our 21st century health, nutrition, and environment issues, under the concept of "Soylution."

Although domestic sales of *SOYJOY*, the first soylution product, decreased, the *SOYJOY* business has expanded to 11 countries and regions, with launches in France, Belgium, Italy and Spain beginning in February 2011.

The second soylution product *SOYSH*, soy soda, which was developed based on the innovative concept of combining soy with a carbonated drink, was launched through the Otsuka on-line store in July 2010 and sales were expanded to retail stores across Japan in March 2011.

In the Cosmedics area, which is based on the concept of "healthy skin," the *UL-OS* face and body skincare lineup was expanded with the release of *Medicated Skin Wash* in April 2010.

Sales of the *Tiovita* brand showed steady growth as a result of enhanced sales promotion and the launch of *Tiovita Drink Aivitas* in June 2010.

Nutraceutical Segment—Topics

SOYSH & SOYJOY Fruity Tomato launched

The soy carbonated drink *SOYSH*, the second wave in the Otsuka Group's launch of "Soylution" products, was launched in July 2010 exclusively through Otsuka's direct on-line sales service, but went on sale in stores across Japan in March 2011. Since February 2011, the fruit and soy bar *SOYJOY* is being sold in four European countries (France, Belgium, Italy, and Spain) through Nutrition & Santé SAS. In April, new flavor Fruity Tomato was launched in Japan.

Oronamin C Drink reaches the 30 billion bottle milestone—A first in Japan for a small-volume bottled vitamin drink

On May 18, 2011, Otsuka Pharmaceutical's carbonated nutritional drink *Oronamin C Drink* reached the milestone of total sales of 30 billion bottles, a first in Japan for a small-volume bottled vitamin drink.*

After its launch in 1965, sales of *Oronamin C* expanded over the years under the slogan *Genki hatsuratsu* (full of energy), topping 10 billion bottles in 1985 and 20 billion bottles in 1995. From now on, the product sales will continue to grow, while giving many people of different generations an energy boost.

*According to a survey on nutritional drinks conducted in 2011 by Total Planning Center OSAKA

Two new series of once daily nutritional supplements launched under the Nature Made brand, the top brand in stores in the U.S. five years running*: Super Multiple Vitamin & Minerals and Super Fish Oil

In June 2011, Otsuka Pharmaceutical created the new "Super" series of nutritional supplements under the *Nature Made* brand, offering an easy way to take nutritional supplementation with only one tablet per day (standard dose). *Super Multiple Vitamin & Minerals* and *Super Fish Oil* were launched as the first products in the Super series.

*2006-2010 Nielsen data: Share of sales in the distribution market in supermarkets, drug stores, mass retailers, and membership stores

Simple skincare companion for active men UL-OS Refresh Sheet (medicated cosmetics)

In April 2011 Otsuka Pharmaceutical released *UL-OS* Refresh Sheet (medicated cosmetics) in the *UL-OS* skincare brand for men. This product supports skincare for middle-aged men, making it possible to wipe away sweat and dirt, to fight odors, and to retain moisture, all at the same time with a single sheet.

Anti-inflammatory and analgesic poultice Zahappu FelbinacS launched

In May 2011, Taiho Pharmaceutical launched *Zahappu FelbinacS*, which is manufactured and sold by Okayama Taiho Pharmaceutical Co., Ltd. Adhering to the *Zahappu* brand concepts of a rapid sensation of cooling and quarter size (7 cm × 5 cm) for one-handed application, the anti-inflammatory and analgesic ingredient *Felbinac* was added to increase the analgesic effect. The product is made of non-woven fabric that fits gently and stays snugly on the skin.

Main Nutraceutical Products

Oronine H Ointment (1953)

Known for over half a century as an effective medication for treating various skin conditions, *Oronine H Ointment* was the first product to make the Otsuka name widely recognized.

Tiovita Drink (1964)

This vitamin health drink contains vitamins B1, B2, B6 and niacinamide in addition to inositol, taurine, the digestive aid carnitine chloride, and anhydrous caffeine as a pick-me-up. In addition to *Tiovita Drink* (designated a quasi-drug), the lineup also includes *Tiovita Gold*, a revitalizing OTC drug.

Oronamin C Drink (1965)

Carbonated nutritional drink containing Vitamin C and other vitamins. Only 120ml in size, *Oronamin C* provides a refreshing burst of energy.

Pocari Sweat (1980)

Health drink swiftly replenishing fluids and ions (electrolytes) lost through perspiration. An optimal ion balance aids quick absorption by the body, making *Pocari Sweat* the ideal rehydration drink for use during and after sports activities or after taking a hot bath.

Calorie Mate (1983)

Balanced nutritional bar containing all 5 major nutrients (vitamins, minerals, protein, fat, carbohydrates). Ideal as a nutritional supplement when under time pressure or when it is not possible to have a meal.

Nature Made (1993)

The number one brand in the U.S.* for vitamins, minerals and supplements essential for maintaining health, *Nature Made* contains no artificial colors, flavors or preservatives.

*2006-2010 Nielsen data: Share of sales in the distribution market in supermarkets, drug stores, mass retailers, and membership stores

Amino-Value (2003)

Highly concentrated drink supplying the branched-chain amino acids (valine, leucine, isoleucine) needed to support an active body. It supports your physical condition whether performing daily activities or working out.

OS-1 (2005)

An oral rehydration supplement formulated with an optimal balance of glucose and electrolytes. A medical food to supply and maintain water and electrolyte levels in patients suffering from mild to moderate dehydration, *OS-1* is used to treat dehydration resulting from conditions including diarrhea, vomiting and fever caused by infectious enteritis or the common cold, insufficient oral intake of fluids among the elderly, or excessive perspiration.

SOYJOY (2006)

Novel nutrition bar made using only soybean dough (wheat-free) with a generous amount of dried fruit. Consumers can enjoy the nutritional elements of soybeans including soy protein and soy isoflavones in a smart and tasty way.

UL-OS (2008)

A face and body skin care brand targeting middle-aged men based on the cosmedics concept of healthy skin support. Formulated with moisturizing ingredient AMP*, application of *UL-OS* corrects imbalances between skin sebum and moisture and leads to healthy skin.

*Adenosine monophosphate

Gerblé (2010)

A French health and nutrition food with a commitment to nutrition and fine ingredients, including wheat germ and fruits. Created in 1928, *Gerblé* has continued to be loved by the French, who are particular about flavor and ingredients, and enjoy well balanced meals: It is the top-selling brand in the French nutrition and health food market.*

*France IRI data MAT dec 2009

SOYSH (2010)

A beverage that creates a new category combining soy and carbon. Each 100 ml bottle contains the equivalent of about 21 large soybeans (grown in Japan), providing the full nutrition of soy contained in soy solids. *SOYSH* can be enjoyed without the distinctive aftertaste of soy thanks to the refreshing quality provided by carbonation.

Soylution

The Otsuka Group is developing business on the concept of "Soylution," based on the belief that soybeans, which are an integral part of Japanese food culture, could provide a solution to global health, dietary, and environmental issues.

One of the three issues that soy can resolve is the ability to guard against lifestyle-related diseases and make a positive contribution to health problems that come from unbalanced nutrition. Soy has been in the spotlight since 1999 when the U.S. Food and Drug Administration (FDA) approved the health claim that "25 g of soy protein a day (6.25 g per serving) may reduce the risk of heart disease."

The second issue is the food problem. No more than 6%*1 of soybeans grown are eaten directly by people. The United States is the world's largest producer of soybeans, but the annual U.S. consumption of soy products is about 40 grams*2 per person. This is less than the amount eaten by the average Japanese in a single day.

The fact is that most soybeans are used as feed for livestock. It is said to take 10 kg of grain to produce 1 kg of beef. As the habit of eating meat increases globally, it is thought that the food problem will become extremely serious. If, on the other hand, the people of countries that are not accustomed to eating soy start to do so, that should be a major step forward toward resolving this issue.

The third issue is environmental problems. It is said that the CO_2 emitted in the production of soybeans is only 1/12 that emitted in the production of beef.*3 Moreover, data shows that soy production takes only 1/20th of the water and 1/50th of the energy used in producing beef.*4

Soy—an integral part of Japanese food culture.
The Otsuka Group will use its original ideas and technology to propose to the world new ways to enjoy soy, with all of its abundant nutrition.

*1 United States Department of Agriculture statistics *2 Food and Agriculture Organization of the United Nations statistics *3 Calculated using the *Embodied Energy and Emission Intensity Data for Japan Using Input-Output Tables* published by the Center for Global Environmental Research, National Institute for Environmental Studies *4 Data from Professor David Pimentel of Cornell University in the U.S.

Otsuka Group's research, development and technological capabilities underpin the soy business

Basic research on soy—creating added value, accumulating evidence

Saga Nutraceuticals Research Institute
(Otsuka Pharmaceutical)

The Saga Nutraceuticals Research Institute discovered that the *Lactococcus* 20-92 strain of lactic acid bacteria produces equol, which improves symptoms associated with menopause, from daidzein, one of the isoflavones in soybeans. Given this discovery, food products that contain equol can be expected to positively affect the health of people whose intestines lack the bacterium that produces equol*.

* It is said that about 50% of Japanese people, and about 30% of Europeans and Americans, are able to internally produce equol.

Product development technologies applied to soybeans

First Research Institute of New Functional Products Development (Otsuka Pharmaceutical)

SOYSH is a carbonated soy beverage based on the new concept of combining soy and carbon. In addition to overcoming the fact that soy milk coagulates when carbon is added, *SOYSH* was developed as a drink that can be enjoyed without a noticeable soy aftertaste. As a successor to *SOYJOY*, *SOYSH* is the result of our efforts that aim to develop new ways to ingest soy. *SOYSH* now helps to promote soy globally as part of the "Soylution" concept.

Soy processing technologies

Biwako Research Institute
(Otsuka Foods)

The Biwako Research Institute has developed the whole soybean beverage *SUGOIDAIZU*, using technology to bring out the natural flavor of soy in a smooth, easy-to-drink beverage. This technology for fresh soybean powderization formed the basis for the development of the *SOYJOY* fruit soy bar.

Production technology for soy products

Tokushima Itano Factory
(Otsuka Pharmaceutical)

SOYJOY fruit soy bars contain different fruit ingredients in each flavor type, and the amount of moisture content in each differs as well. Otsuka applied its own production technology, originally developed for the balanced nutritional bar *Calorie Mate*, and adjusted the temperature by 1–2 degrees when baking each type of bar to control the amount of moisture.

Global Expansion of *Pocari Sweat* and *SOYJOY*

Pocari Sweat

Pocari Sweat was launched in Japan in 1980 as a health drink that swiftly replenishes fluids and electrolytes lost through perspiration. It is currently sold in 16 countries and regions around the world.

SOYJOY

Otsuka Pharmaceutical launched the *SOYJOY* fruit soy bar, developed based on soy flour, in 2006 as a product to spread the possibilities and value of soy globally. In addition to the seven countries and regions where the product was already sold—Japan, China, the U.S., Taiwan, South Korea, Indonesia, and Singapore—four European countries were added in February 2011, making 11 countries and regions where *SOYJOY* is sold at present. Seven flavors are sold in Europe, including strawberry and blueberry, which are popular in Japan, where the lineup features 12 flavors, including the new Fruity Tomato *SOYJOY*.

Marketing Areas and Launch Year

16 countries and regions (as of May 2011)

Pocari Sweat

1980	Japan	**1989**	Indonesia
1982	Taiwan	**1998**	Thailand
1983	Singapore	**1999**	Malaysia
1983	Bahrain	**2003**	China
1983	Saudi Arabia	**2003**	Kuwait
1983	Oman	**2003**	Qatar
1984	UAE	**2007**	Philippines
1987	South Korea	**2008**	Egypt

11 countries and regions (as of May 2011)

SOYJOY

2006	Japan	**2011**	Belgium
2006	China	**2011**	Italy
2007	USA	**2011**	Spain
2007	Taiwan		
2007	South Korea		
2007	Singapore		
2007	Indonesia		
2011	France		

Note: Map includes operations carried out by non-consolidated subsidiaries, affiliates accounted for under the equity methods and agents

Consumer Products Segment

Overview of the Consumer Products Segment

The Otsuka Group's consumer products segment provides a wide range of foods and beverages that are an integral part of consumers' lives, including *Bon Curry*, which was launched 43 years ago, *Mannan Hikari*, which is a food in the shape of rice that enables calorie control, *CRYSTAL GEYSER*, which is a brand of soft mineral water from California, and *Sinvino Java Tea Straight*, which has no added sugar, flavors, or colors.

Otsuka Foods

Otsuka Foods has opened up new markets by creating high value-added products that offer suggestions for new lifestyles, under the caption "delicious, safe, reassuring, and healthy."

In the foods business, the company introduced a number of industry-leading products, including *Bon Curry*, *Micro Magic*, and *Mannan Hikari*. *Bon Curry*, released in 1968, created a new market and food culture as the world's first commercially available food in a plastic pouch bag, and has maintained its popularity over the years, becoming synonymous with "instant curry" in Japan. In 2010, taking note of changes in customers' lifestyles and the portions of food they eat, the company launched the *My Size* series, based on the concept of "sizes that are just right for me, in terms of amount and calories."

In the beverages business, Otsuka Foods offers a lineup of products that match customers' tastes, including *Java Tea*, which has become a long-seller, *CRYSTAL GEYSER*, which is a soft mineral water bottled directly from a spring at the base of Mount Shasta, and *MATCH*, a carbonated vitamin drink.

Mannan Hikari

Although people have become more conscious of calories in recent years, the truth is that not many of us are creative in the kitchen and not all of us get regular exercise.

Mannan Hikari enables people to control calories comfortably with their daily meals, while also getting dietary fiber. The product has been helping customers with their diet since its launch in 2001 for both the consumer and industrial markets. In fiscal 2011, *Mannan Hikari* became the top-seller in the rice-related category.

Going forward, the company will continue striving to expand its business, aiming to enter more new markets.

CRYSTAL GEYSER

CRYSTAL GEYSER mineral water from Mount Shasta in northern California, USA, is a soft water (hardness 38 mg/L) that suits the Japanese palate.

Consumption of mineral water has been increasing year after year and individuals are drinking larger volumes. With this in mind, the company launched a new 650 ml bottle in April 2011.

CRYSTAL GEYSER is now offered in a diverse lineup of sizes—310 ml, 500 ml, 650 ml, 1 L, and 3.78 L—giving customers the freedom to choose according to the situation or purpose.

Bon Curry Gold 21

Bon Curry Neo

My Size

ReSOLA

Mannan Hikari

Micro Magic

CRYSTAL GEYSER

CRYSTAL GEYSER SPARKLING WATER

VICHY Célestins

Java Tea Straight

MATCH

RIDGE

Other Segment

Overview of the Other Segment

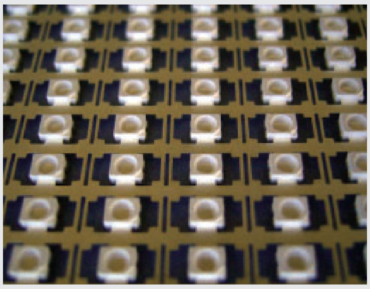
The Otsuka Group operates a range of businesses in areas that include chemicals, transportation and warehousing, and electronic equipment.

Chemicals

Otsuka Chemical plays the central role in the Otsuka Group's chemicals business, providing various chemical products to the automotive, electrical, electronic, and building materials sectors. During the fiscal year under review, sales of *POTICON*, a composite material of functional material products, expanded with growth in the LED market. Sales of *TISMO* and *TERRACESS*, which are intended for automotive uses, grew with the recovery of the market.

Uses of *POTICON*

Automotive parts
Clutch sleeve bearing
(sliding bearing supporting an aluminum shaft)



Electronic part
LED reflectors
(reflector that increases light extraction efficiency)

Transportation and Warehousing

Otsuka Warehouse carries out the Otsuka Group's logistics operations. The company designs logistics matched to customers' needs, and builds and operates logistics systems to reduce distribution costs and improve distribution quality. In addition to business-to-business (B-to-B) logistics, services to support direct sales were launched in 2006, and the volume of orders is showing steady growth.

As a member of the global community, Otsuka Warehouse uses modal shift and collaborative distribution to promote environment-friendly logistics that reduce CO_2 emissions.

Electronic Equipment

Otsuka Electronics develops, manufactures, and markets optical evaluation/inspection equipment for LED light-source luminance and liquid crystal display (LCD) panel materials and finished products, as well as medical equipment and clinical diagnostic equipment. With the recent expansion in the application of electronic and lighting equipment fitted with LEDs, the company's LED evaluation/inspection equipment is widely used.

LED evaluation system

Americas

Severely affected by currency exchange, sales in the Otsuka Group's U.S. operations declined 5.4% from the previous year to ¥349.8 billion.

In the pharmaceutical segment, the antipsychotic *ABILIFY* (aripiprazole) continued to record solid sales. *ABILIFY* is co-promoted with BMS, a global biopharmaceutical company. In 2010, Otsuka Canada Pharmaceutical Inc. was established in Canada, which has an advanced healthcare economy, and began sales in October, thereby expanding Otsuka's business in North America. Prescriptions of *SAMSCA* (tolvaptan) are also rising. The nutraceutical segment is recording stronger sales of the top U.S. vitamin brand *Nature Made* manufactured and marketed by Pharmavite LLC.

Main Operating Companies

Otsuka America Pharmaceutical, Inc. (OAPI) (Rockville, Maryland)

Established in 1989, OAPI today carries out marketing and sales of pharmaceuticals and medical devices in the U.S. OAPI currently handles the antipsychotic *ABILIFY*, the oral selective vasopressin antagonist *SAMSCA* (tolvaptan), IV *BUSULFEX*, a drug administered prior to bone marrow transplant to treat chronic myelogenous leukemia, *BreathTek*, a kit for diagnosing Helicobacter pylori infection, and the antiplatelet agent *Pletal* (cilostazol).

Otsuka Pharmaceutical Development & Commercialization, Inc. (OPDC) (Princeton, New Jersey)

OPDC conducts clinical development covering a range of disorders in areas including the central nervous system, cardiovascular, oncology, ophthalmology and infectious diseases as a global development center for the pharmaceutical products of Otsuka Pharmaceutical.

Pharmavite LLC (Northridge, California)

Manufactures and sells *Nature Made* supplements and the *SOYJOY* fruit soy bar. *Nature Made* is recognized as the No. 1* supplement in the U.S. in terms of retail sales.

*2006-2010 Nielsen data: Share of sales in the distribution market in supermarkets, drug stores, mass retailers, and membership stores.

Otsuka Maryland Medicinal Laboratories, Inc. (OMML) (Rockville, Maryland)

A basic research facility established in 1985 as the Otsuka Group's first research facility in the U.S., OMML conducts basic research to support clinical trials and drug discovery research in conjunction with Otsuka Pharmaceutical.

CG Roxane, LLC (Olancha, California)

Sources, bottles, sells, and exports to Japan *CRYSTAL GEYSER ALPINE SPRING WATER*.

(affiliated company)

Europe

The antipsychotic *ABILIFY*, antiplatelet agent *Pletal* (cilostazol), bronchodilator *Meptin* (procaterol hydrochloride hydrate), and vasopressin V_2-receptor antagonist *SAMSCA*, which was launched in Europe in 2009 following its release in the U.S., all posted strong sales for the pharmaceutical segment. Development of diagnostic agents, such as the diagnostic agent for Helicobacter pylori infection *UBIT* (^{13}C-urea), and of diagnostic devices was also progressed, with European-wide initiatives producing positive results in parallel with measures to respond to the policies of individual countries in the areas of medical expense reduction and drug price revision.

In the nutraceutical segment, Nutrition & Santé SAS, an Otsuka Group company and the European leader in functional and dietetic foods, began introducing *SOYJOY* in four European countries in February 2011, marking the first step taken in this business in the EU.

Main Operating Companies

Otsuka Pharmaceutical Europe Ltd. (Middlesex, United Kingdom)

Central office for European manufacturing, marketing and sales of pharmaceuticals and medical devices. With offices in the U.K., France, Germany, Italy, Sweden and Spain, Otsuka Europe sells the antipsychotic *ABILIFY*, the oral selective vasopressin antagonist *SAMSCA*, the antiplatelet agent *Pletal*, the device for leukocyte adsorption *Adacolumn*, the beta blocker *Mikelan* (carteolol hydrochloride), and *UBIT* (^{13}C-urea), a diagnostic agent for Helicobacter pylori infection.

Nutrition & Santé SAS (Revel, France)

Develops, manufactures, markets and sells health food, functional food, and sports nutrition food, primarily in Europe. Major brands include *Gerblé, Gerlinéa, and Isostar*.

ALMA S.A. (Paris, France)

With bottling plants at natural springs across Europe, handles many brands including *CRISTALINE* and *COURMAYEUR* mineral water.

(affiliated company)

Hebron S.A. (Barcelona, Spain)

Manufactures and sells foaming agents, plastic additives, and pharmaceutical intermediates within Europe, and exports to the Middle East and Africa.

Asia and Middle East

The pharmaceutical segment in Asia and the Middle East has expanded mainly around local subsidiaries in South Korea and China, built upon a foundation in the I.V. solution business that the Group began cultivating in the 1970s. The antipsychotic *ABILIFY* posted strong sales for the pharmaceutical segment, while the medical devices segment continued to grow, with an Otsuka Group affiliate being listed on the Hong Kong securities market.

In the nutraceutical segment, the *Pocari Sweat* business grew significantly in Indonesia and China with efforts to meet local needs. At the Expo 2010 Shanghai, a video was shown on the theme of "Soylution," and popularity increased for *SOYJOY*, which offers new ways to enjoy soy.

Main Operating Companies

China Otsuka Pharmaceutical Co., Ltd. (Tianjin, China)

The Otsuka Group has a long history in China, beginning with the establishment of China Otsuka in 1981 as China's first pharmaceutical joint venture with a foreign company. China Otsuka currently has more than 1,000 employees, and handles basic intravenous solutions, preparations in ampoule, and ophthalmic solutions in 21 Chinese provinces and autonomous regions.

(Affiliated company)

P.T. Amerta Indah Otsuka (Jakarta, Indonesia)

Manufactures and sells *Pocari Sweat* and sells *SOYJOY* in Indonesia. The sales of *Pocari Sweat* continues to grow in ASEAN market and second factory in Indonesia of *Pocari Sweat* completed in 2010.

Otsuka Shanghai Research Institute (Shanghai, China)

A basic research institution and one of three centers of the basic research network (Japan, the U.S., and China), working to create innovative drugs, with research focusing on infectious diseases and the central nervous system.

(Non-consolidated subsidiary)

Otsuka Chemical India Ltd. (Delhi, India)

Manufactures and sells the pharmaceutical intermediate *GCLE* as a raw material for cephalosporin antibiotics, which are gaining a growing share of the Indian market.

P.T. Widatra Bhakti (Jakarta, Indonesia)

Established in 1973 and a member of the Otsuka Group since 1995, today the company manufactures and sells basic I.V. solutions in Indonesia. Business is going well, with sales up nearly 33% year on year and an annual sales volume of about 53 million bottles, which is 52.4% of the market share (the top share). Aiming for further growth, the company is currently constructing a new plant that is expected to go into operation in 2012.

Shanghai Otsuka Foods Co., Ltd. (Shanghai, China)

The company strives from day to day to produce high quality products to provide Chinese consumers with "delicious, safe, reassuring, and healthy" foods. In an effort to open up the Chinese market, the company has sold *Otsuka Set Cooked Rice* since 2005. Later it introduced Chinese consumers to new choices such as *Morning Rice Porridge*, *Japanese Style Curry Rice*, *Fish Eggs Curry Noodles*, and *Dream Curry Jiang*.

Basic Approach

The Otsuka Group engages in the challenge of conducting research and development into innovative, creative pharmaceutical and nutritional products with the objective of contributing to medical care and the health of people worldwide. The Group strives to live together harmoniously with local communities and the natural environment while aiming to live up to the trust of its shareholders and all other stakeholders.

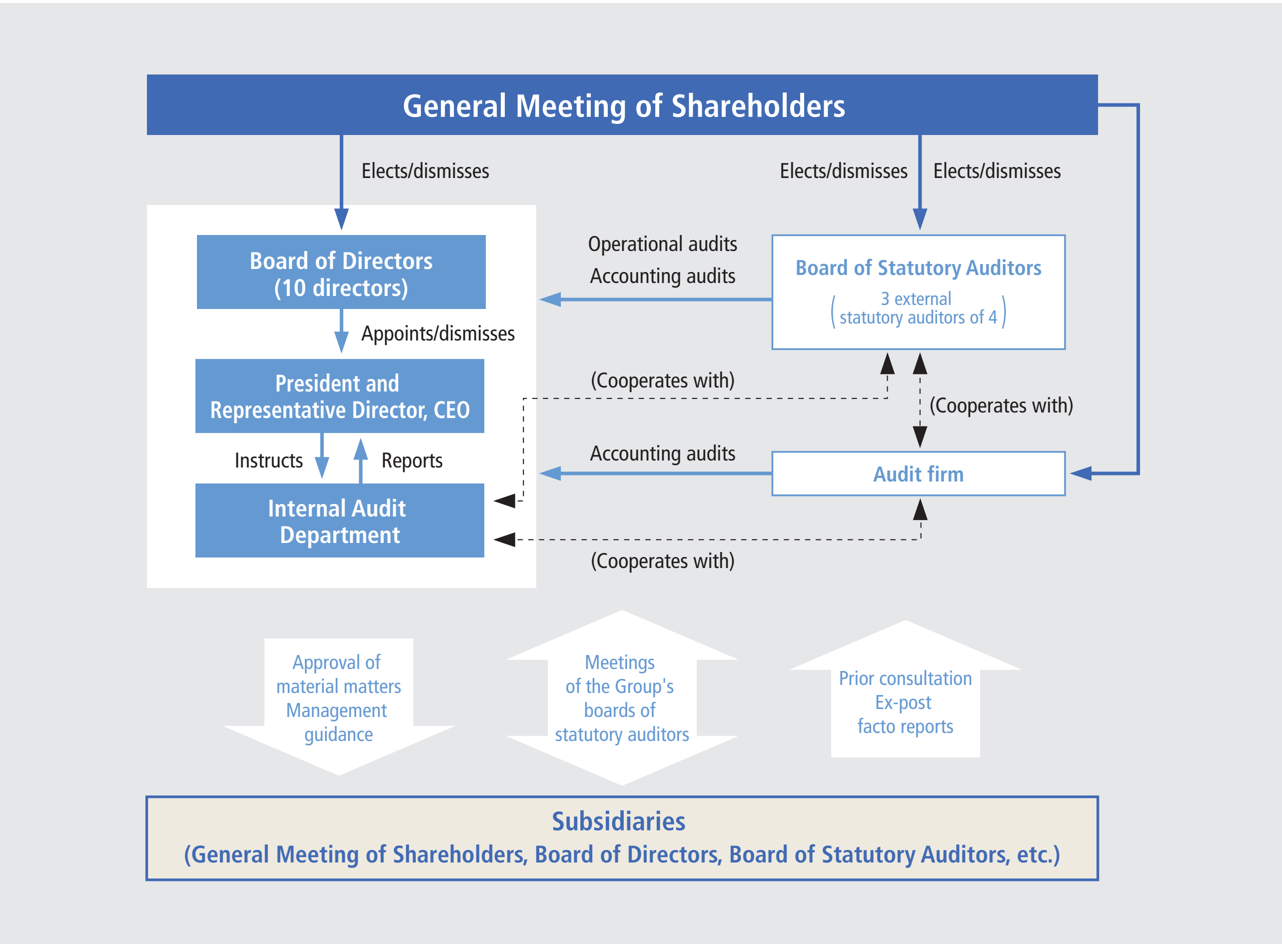
Corporate Governance Framework

Below is a diagram of Otsuka Holdings' corporate governance framework.

•Corporate organization

As a company with a board of corporate auditors, Otsuka Holdings has established a Board of Directors and a Board of Statutory Auditors, and engages an audit firm. The Company pursues sound business management by filling more than half the seats on its Board of Statutory Auditors with external auditors and by increasing the Board of Statutory Auditors' monitoring capabilities.

The articles of incorporation specify that the number of directors shall not exceed 18 in order to enable substantive discussion during Board meetings. The articles of incorporation also specify that the number of members of the Board of Statutory Auditors shall not exceed five.



•Directors & the Board of Directors

In accordance with the Board regulations, the Board of Directors convenes once a month and holds extraordinary meetings as necessary to make important business decisions and supervise the execution of operations. As of the date of submission of this report, there are ten directors. Information related to directors' performance of duties is stored and managed appropriately and reliably and maintained in an accessible format where needed, in accordance with the Company Documents Management Rules.

•Statutory Auditors and the Board of Statutory Auditors

Otsuka Holdings has adopted a statutory auditor system. Each statutory auditor attends and expresses opinions in meetings of the Board of Directors and monitors the legality and soundness of management as represented by the directors' performance of their duties, with audits by the Board of Statutory Auditors at the core of this process.

Systems have been put in place for statutory auditors to interview directors and employees about the status of business execution, to review internal consultation documents and other important documents pertaining to business execution, and to promptly make reports on the execution of operations when asked to do so in order to ensure that audits by statutory auditors are conducted effectively. A Statutory Auditor's Office has been established to assist the duties of statutory auditors. It conducts the work of convening meetings of the Board of Statutory Auditors and assisting the duties of statutory auditors independent of the chain of command of Board directors.

Furthermore, statutory auditors share information and exchange opinions as appropriate with relevant departments such as the Internal Audit Department, Internal Control Department, Administration Department, and the Corporate Finance and Accounting Department, as well as the audit firm, in an effort to improve the effectiveness of their audits.

Otsuka Holdings does not establish committees. Statutory Auditor Hiroshi Sugawara holds qualifications as a certified public accountant and has considerable expertise in financial affairs and accounting.

•External statutory auditors

The statutory auditors monitor the Board of Directors, which makes business decisions and manages and supervises the execution of operations. Otsuka Holdings has strengthened this monitoring of manegement by appointing three of four statutory auditors as external auditors. Objective, neutral monitoring of management from the outside is regarded as an important aspect of corporate governance. Otsuka Holdings believes that the monitoring of its management from the outside is sufficiently carried out through auditing by a Board of Statutory Auditors that includes three external auditors. This is why the Company has not appointed external directors.

As statutory auditors, external auditors share information and exchange opinions as appropriate with relevant departments such as the Internal Audit Department, Internal Control Department, Administration Department, and Corporate Finance and Accounting Department, as well as the audit firm, in an effort to improve the effectiveness of their audits.

As of the date of submission of this report, outside statutory auditors Yasuhisa Katsuta and Norikazu Yahagi each held 100,000 shares of common stock in Otsuka Holdings. Yasuhisa Katsuta is also an outside statutory auditor for Otsuka Pharmaceutical Co., Ltd. Besides the above, there are no personal, capital, trade, or other relationships involving special interests between Otsuka Holdings and the external statutory auditors.

•Internal Audit Department

The Company established an Internal Audit Department under the direct control of the president. The department regularly conducts audits based on the Internal Audit Rules to verify that operations are being executed appropriately and efficiently regarding the assets and overall affairs of the Company and its affiliated companies, and it submits audit reports to the president, directors, and statutory auditors. When the need for improvements is indicated, the department issues recommendations for improvement and afterward confirms the status of implementation in an effort to optimize the performance of duties. The department also shares information with statutory auditors and the audit firm and in other ways cooperates with them.

•Internal Control Department

The Company established an Internal Control Department to handle internal controls relating to financial reporting by the Company and its affiliated companies. The department establishes rules and manuals pertaining to internal controls, provides training and ensures thorough familiarity with operational rules, continuously monitors the status of operation in cooperation with the Internal Audit Department, and has established a system in which the assessment of internal controls covering executives is conducted reliably.

•Corporate officer system

Otsuka Holdings has adopted a corporate officer system that clearly divides the role of corporate officer, which is to execute business operations, from that of the Board of Directors, which is to make business decisions and exercise a supervisory function. This system ensures management transparency and the efficiency of business operations.

•Status of account auditing

Otsuka Holdings has signed an auditing agreement with Deloitte Touche Tohmatsu Limited as its auditing firm, which audits the Company's accounts from a fair and impartial stance. The certified public accountants who audited the Company's accounts were Tatsuaki Kitachi, Kenichi Kimura, and Yukitaka Maruchi. They were assisted by seven certified public accountants, one assistant certified public accountant, and six other people. All of the certified public accountants who audited the Company's accounts have done so continuously for less than seven years.

System for ensuring appropriateness of operations in Otsuka Holdings and the corporate group consisting of its subsidiaries

As a holding company responsible for maximizing the corporate value of the Otsuka Group, Otsuka Holdings has established a system to ensure the appropriateness of operations from a Group-wide perspective.

Affiliated companies report matters prescribed in the Affiliated Companies Management Rules to Otsuka Holdings as needed and the approval of Otsuka Holdings is needed for pivotal matters. In this way, we have established a system for coordination within the Otsuka Group.

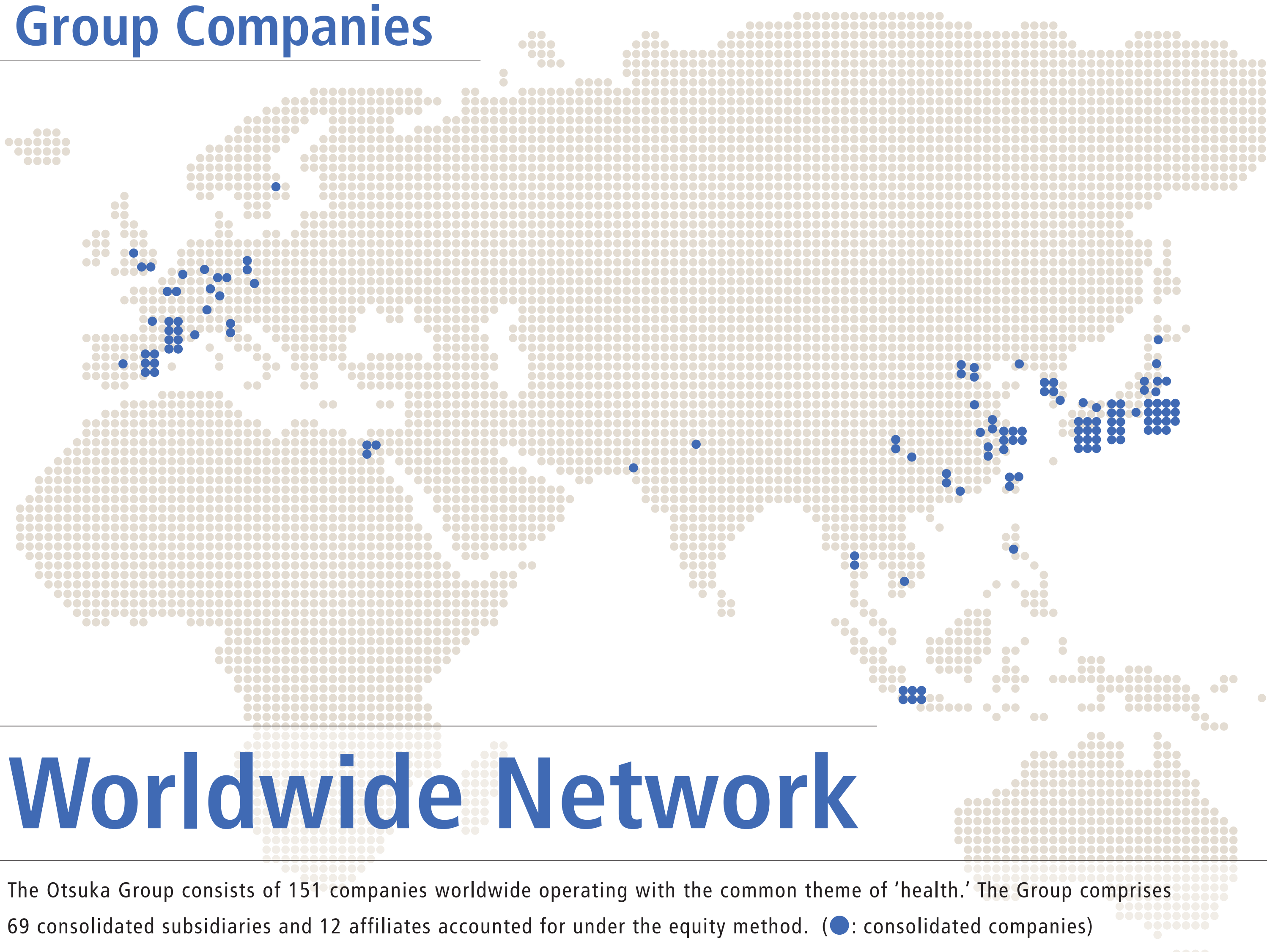
Otsuka Holdings and its main subsidiaries have adopted a statutory auditor system. A Board of Statutory Auditors has been established so that several statutory auditors can audit the directors' performance of duties and thereby increase their effectiveness. Statutory auditors attend meetings of the Board of Directors as well as other important meetings. In accordance with the auditing guidelines and auditing plan established at the meetings of the Board of Statutory Auditors, the auditors audit the execution of operations by the directors. Also, as a general rule, a meeting of the Group's statutory auditors is convened twice a year. Auditors from each company share information and strengthen links and are requested to report on each company's business conditions.

Additionally, Otsuka Holdings' Internal Audit Department, pursuant to the Internal Audit Rules, supervises or conducts audits that also include affiliated companies. In this way the Company has established a cross-divisional risk management system and compliance system that ensure the appropriateness of operations throughout the Group.

Risk management system

To defend against latent risks relating to the performance of duties, Otsuka Holdings has established rules regarding risk management, provides thorough risk management training to all employees, and has established a risk management system. In the event of an unforeseen incident, the Company will respond promptly, set up risk management committees as needed, and establish a system to minimize the spread of damages.

Group Companies



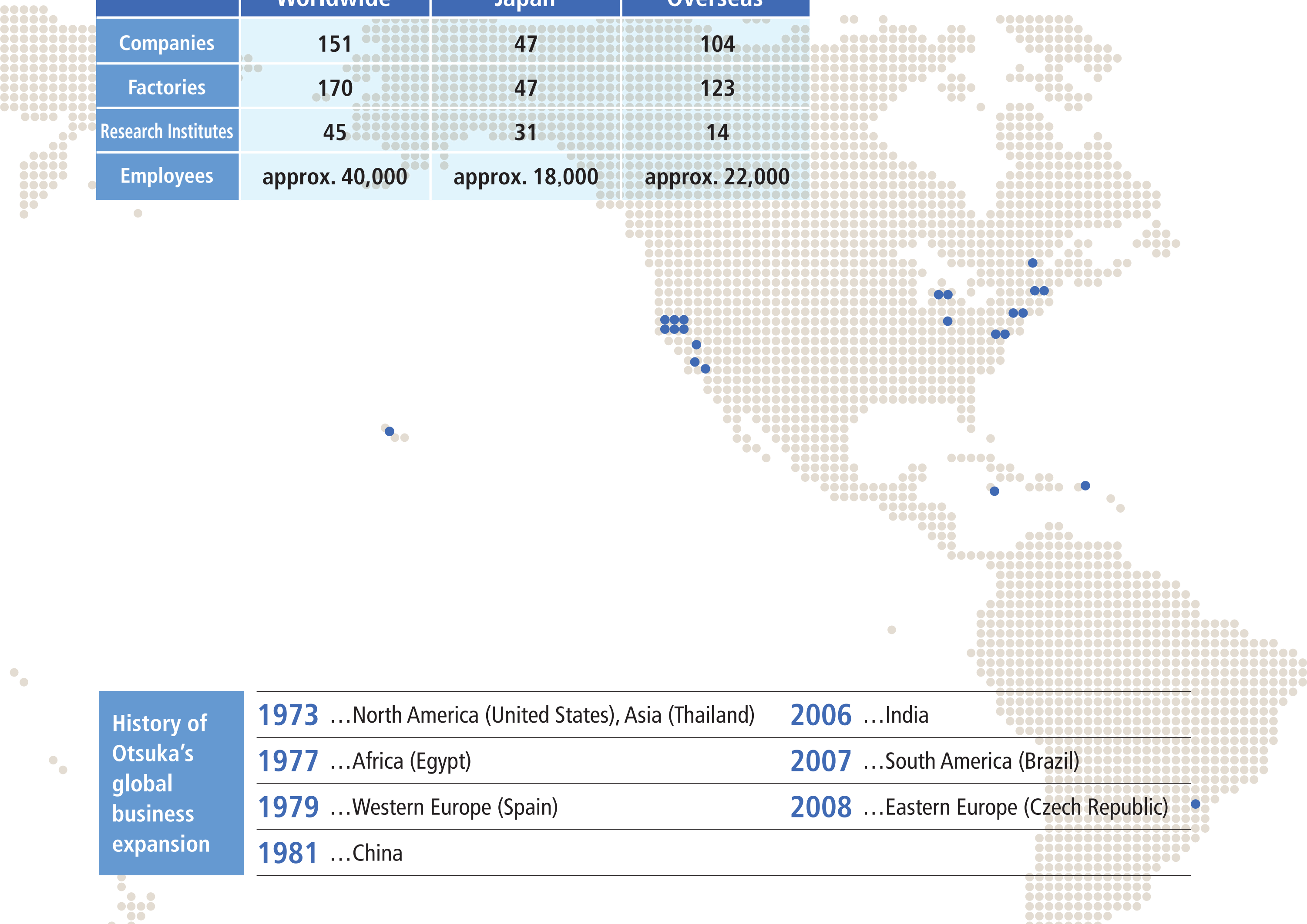
Worldwide Network

The Otsuka Group consists of 151 companies worldwide operating with the common theme of 'health.' The Group comprises 69 consolidated subsidiaries and 12 affiliates accounted for under the equity method. (●: consolidated companies)

- ●Otsuka Holdings Co., Ltd.
- ●Otsuka Pharmaceutical Co., Ltd.
- ●Otsuka Pharmaceutical Factory, Inc.
- ●Taiho Pharmaceutical Co., Ltd.
- ●Otsuka Warehouse Co., Ltd.
- ●Otsuka Medical Devices Co., Ltd.
- ●EN Otsuka Pharmaceutical Co., Ltd.
- ●MGC Otsuka Chemical Co., Ltd.
- ●Okayama Taiho Pharmaceutical Co., Ltd.
- ●JIMRO Co., Ltd.
- ●J.O. Pharma Co., Ltd.
- ●Otsuka Chilled Foods Co., Ltd.
- ●Otsuka Techno Corporation
- ●Otsuka Chemical Co., Ltd.
- ●Otsuka Foods Co., Ltd.
- ●Otsuka Electronics Co., Ltd.
- ●Otsuka Packaging Industries Co., Ltd.
- ●Earth Chemical Co., Ltd.
- ●Earth Environmental Service Co., Ltd.
- Agri Best Co., Ltd.
- Awa Union Transportation Co., Ltd.
- Bean Stalk Snow Co., Ltd.
- Big Bell Co., Ltd.
- Chuo Electronics Measurement Co., Ltd.
- Dairin Integrated Transportation Co., Ltd.
- Earth Biochemical Co., Ltd.
- GlycoGene, Inc.
- HAIESU Service Co., Ltd.
- ILS Inc. (Former name, Ito Life Sciences Inc.)
- Kitasato Otsuka Biomedical Assay Laboratories Co., Ltd.
- Marukita Furniture Center
- Naruto Cruise Service Co., Ltd.
- Naruto Salt Mfg. Co., Ltd.
- NEOS Corporation
- NICHIBAN Co., Ltd.
- Nippon Pharmaceutical Chemicals Co., Ltd.
- Organ Technologies Inc.
- Otsuka Furniture Manufacturing and Sales Co.,Ltd.
- Otsuka Naruto Development Co., Ltd.
- Otsuka Ohmi Ceramics Co., Ltd.
- Otsuka Ridge Co., Ltd.
- Otsuka Turftech Co., Ltd.
- Otsuka Venex LLP
- RIBOMIC Inc.
- Tokushima Air Terminal Building Co., Ltd.
- Tokushima Vortis Co.,Ltd.
- Yoshino Farm
- ●Otsuka America, Inc.
- ●Otsuka America Pharmaceutical, Inc.
- ●Otsuka Pharmaceutical Development & Commercialization, Inc.
- ●Otsuka Maryland Medicinal Laboratories, Inc.
- ●Otsuka America Manufacturing, LLC
- ●Cambridge Isotope Laboratories, Inc.
- ●CIL Isotope Separations, LLC
- ●Crystal Geyser Water Company
- ●Membrane Receptor Technologies LLC
- ●Pharmavite LLC
- ●Ridge Vineyards, Inc.
- ●Soma Beverage Company, LLC
- ●Otsuka Canada Pharmaceutical Inc.
- ●2768691 Canada, Inc.
- ●CG Roxane LLC
- American Peptide Company, Inc.
- Galenea Corp.
- Graceland Fruit, Inc.
- Oncomembrane Inc.
- Otsuka America Foods Inc.
- Otsuka Global Insurance, Inc.
- Taiho Pharma U.S.A., Inc.
- ●Otsuka Pharmaceutical Europe Ltd.
- ●Otsuka Pharmaceuticals (U.K.) Ltd.
- ●Otsuka Pharmaceutical France SAS
- ●Otsuka Pharma Scandinavia AB
- ●Otsuka Pharmaceutical, S.A.
- ●Otsuka Pharma GmbH
- ●Nutrition & Sante SAS
- ●Cerealpes SAS

Number of operations and employees of Otsuka Group

	Worldwide	Japan	Overseas
Companies	151	47	104
Factories	170	47	123
Research Institutes	45	31	14
Employees	approx. 40,000	approx. 18,000	approx. 22,000



History of Otsuka's global business expansion

- 1973 …North America (United States), Asia (Thailand)
- 1977 …Africa (Egypt)
- 1979 …Western Europe (Spain)
- 1981 …China
- 2006 …India
- 2007 …South America (Brazil)
- 2008 …Eastern Europe (Czech Republic)

- Laboratoires Dietetique et Sante SAS
- Nardobel SAS
- Nutrition & Nature SAS
- Nutrition & Sante Italia SpA
- Nutrinat AG
- Nutrition & Sante Iberia SL
- Nutrition & Sante Benelux SA
- Advanced Biochemical Compounds, GmbH
- Cambridge Isotope Laboratories (Europe), GmbH
- Euriso-Top GmbH
- M-fold Biotech, GmbH
- Euriso-Top S.A.S
- Hebron S.A.
- ALMA S.A.
- Interpharma Praha, a.s.
- Otsuka Frankfurt Research Institute GmbH
- Otsuka Novel Products GmbH
- Otsuka Pharmaceutical Italy S.r.l.
- Otsuka S.A.
- Taiho Pharma Europe, Limited
- Trocellen GmbH
- Trocellen Iberica S.A.
- Guangdong Otsuka Pharmaceutical Co., Ltd.
- Otsuka (China) Investment Co., Ltd
- Shanghai Otsuka Foods Co., Ltd.
- Sichuan Otsuka Pharmaceutical Co., Ltd.
- Suzhou Otsuka Pharmaceutical Co., Ltd.
- Tianjin Otsuka Beverage Co., Ltd.
- Zhejiang Otsuka Pharmaceutical Co., Ltd.
- P.T. Amerta Indah Otsuka
- P.T. Merapi Utama Pharma
- P.T. Otsuka Indonesia
- P.T. Otsuka Jaya Indah
- P.T. Widatra Bhakti
- P.T. Lautan Otsuka Chemical
- Korea Otsuka Pharmaceutical Co., Ltd.
- Taiwan Otsuka Pharmaceutical Co., Ltd.
- Otsuka Chemical (India) Private Limited
- Egypt Otsuka Pharmaceutical Co., S.A.E.
- Giant Harvest Limited
- China Otsuka Pharmaceutical Co., Ltd.
- Micro Port Medical (Shanghai) Co., Ltd.
- VV Food & Beverage Co., Ltd
- Dong-A Otsuka Co., Ltd.
- King Car Otsuka Co., Ltd.
- Thai Otsuka Pharmaceutical Co., Ltd.
- Otsuka Pakistan Ltd.
- Microport Scientific Corporation
- Achieva Medical Limited
- Chongqing Otsuka Huayi Chemical Co., Ltd.
- Dalian Otsuka Furniture Co., Ltd.
- Hangzhou Linan Kangle Pharmaceutical Co., Ltd.
- ILS (Shanghai) Co., Ltd
- Leshan Otsuka Techno Co., Ltd.
- MOC Chemicals Trading (Shanghai) CO., LTD
- Nanjing Otsuka Techbond Techno Co., Ltd.
- Otsuka (Shanghai) Foods Safety Research & Development Co., Ltd.
- Otsuka Beijing Research Institute
- Otsuka Electronics (Suzhou) Co., Ltd.
- Otsuka Pharmaceutical (H.K.) Ltd.
- Otsuka Shanghai Research Institute
- Otsuka Sims (Guangdong) Beverage Co., Ltd
- Taiho Pharmaceutical of Beijing Co., Ltd.
- Zhangjiagang Otsuka Chemical Co., Ltd.
- KOC Co., Ltd.
- Korea OIAA Co., Ltd.
- Otsuka Electronics Korea Co., Ltd.
- Otsuka Tech Electronics Co., Ltd
- Otsuka Import Export LLC
- Otsuka Trading Africa Co. (SAE)
- Otsuka Saha Asia Research Co., Ltd.
- Otsuka (Philippines) Pharmaceutical, Inc.
- Otsuka Chemical do Brasil
- Otsuka OPV Co., Ltd.

Social Responsibility

Based on our corporate philosophy 'Otsuka-people creating new products for better health worldwide,' the Otsuka Group is deeply committed to the natural environment and the local communities it operates in. Our social and cultural activities are part of our mission to contribute to the health and well-being of people worldwide.

Relief for the Great East Japan Earthquake

Based on the consensus of its 39,000 employees* working in 23 countries around the world, the Otsuka Group donated the equivalent of ¥10,000 per employee (¥390 million) to the Japanese Red Cross Society. It also delivered products from Group companies to the afflicted areas as relief goods, including beverages and foods, ethical drugs, over-the-counter medicines, and other daily necessities.

All members of the Otsuka Group hope that these relief donations will help the affected areas recover as soon as possible.

* Including at non-consolidated Group companies.

Status of relief goods (as of May 31, 2011)

Beverages and foods	*Pocari Sweat*, *OS-1*, *Oronamin C Drink*, *Tiovita Drink*, *CRYSTAL GEYSER*, *Calorie Mate*, *SOYJOY*, *Nature Made Multi-Vitamin*, *Bon Curry*, and medical foods products (total: equivalent to about 1.75 million meals)
Ethical drugs	I.V. solutions, liquid diets, antiseptic solutions, therapeutic drugs
Over-the-counter medicines	
Other daily necessities	

Relief efforts by employees and persons connected to the Otsuka Group

Installation of Cogeneration Systems

In Tokushima, where many of the Otsuka Group's factories are located, the Group is making an effort to reduce CO_2 emissions by switching fuel sources and consolidating its facilities. The cogeneration system installed at Otsuka Chemical's Tokushima Factory supplies electric power and steam to nearby factories belonging to Otsuka Pharmaceutical, Otsuka Foods, and Taiho Pharmaceutical, making effective use of both the steam that is produced and the electric power generated. Such efforts resulted in a reduction of about 2,500 tons of CO_2 in fiscal 2010.

A cogeneration system has also been installed at Otsuka Pharmaceutical Factory's Matsushige Factory. This began full-scale operations in August 2010. The system also supplies electric power to facilities belonging to Otsuka Chemical and Otsuka Warehouse on the same site, in an effort to reduce the environmental impact of the entire Otsuka Group.

Peshawar Refugee Camp Clinic

Otsuka Pharmaceutical, Otsuka Pakistan, and Group companies across the Asian region established the Otsuka Welfare Clinic in 2003 to provide relief to Afghan refugees in Peshawar, the capital of Pakistan's former North-West Frontier Province. The clinic treats patients needing aid free of charge. At present, the clinic has three doctors and a fulltime staff of eight, including nurses, midwives, and pharmacists. Since its opening, the clinic has treated an average of 260 patients a day and more than 600,000 patients have visited the clinic to date.

Environmental Metropolis: "Adopt an Eco-School" Project

Three Otsuka Group companies (Otsuka Pharmaceutical, Taiho Pharmaceutical, and Otsuka Chemical) collaborate in the "Adopt an Eco-School" project, an environmental education initiative sponsored by Tokushima Prefecture and local universities as an alliance of business, government and academia. Since fiscal 2007, the three Otsuka companies have "adopted," and sponsor environmental activities, at junior high schools in Tokushima. In fiscal 2010, they held a study briefing, an environmental survey of a nearby river, and a tour of factory water treatment facilities for 163 first year students at Tokushima Junior High School. At the group presentation that concluded the learning activities, the students voiced opinions such as, "We learned that the wastewater that comes from our own lives is what dirties the nearby water environment," demonstrating a raised awareness of environmental preservation.

Otsuka Museum of Art

Established in Naruto, Tokushima Prefecture, in 1998 to commemorate the Otsuka Group's 75th anniversary, the Otsuka Museum of Art is the world's only art museum featuring famous masterpieces reproduced on ceramic panels. Including ancient relics and church frescoes, over 1,000 pieces from ancient to contemporary works held in more than 190 galleries in 25 countries around the world are reproduced in their original size using Otsuka Ohmi Ceramics' special manufacturing technique. With the original colors preserved from fading, the esthetic value of the original works is conveyed. The museum has three floors below ground and two floors above, with displays ingeniously laid out as "environmental displays," "displays categorized by historical development" and "thematic displays," giving a first-hand sense of the changes that have occurred over 3,000 years of Western art history. A variety of events is also held in cooperation with the local community, including concerts, lectures, and educational programs for children.

Japanese & Western Collaboration

Sistine Kabuki Performances of *Susanoo*

On November 13 and 14, 2010, the new kabuki play *Susanoo* was staged in the Otsuka Museum of Art's Sistine Hall, a three-dimensional, full-size recreation of the Sistine Chapel in the Vatican. The performances for both days were sold out, reflecting the great interest in the unprecedented attempt at the joint staging of Western and Eastern culture represented by setting the perfect harmony of kabuki theater, whose motifs come from Japanese mythology, within the world of the Bible as depicted by master artist Michelangelo in his paintings of the *Book of Genesis* and the *Last Judgment*.

Otsuka Museum of Art website

http://www.o-museum.or.jp/english/

Awa-Odori (dance) Festival

Held in the city of Tokushima and lasting four days from August 12 every year, the lively Awa-Odori Festival attracts more than 1.3 million spectators from all over Japan. Every year the Otsuka Group takes part in the festival by entering dance groups made up of employees of Group companies. These include the Otsuka-Ren dance group from Otsuka Pharmaceutical, the Otsuka Uzumaki-Ren from Otsuka Pharmaceutical Factory, the Otsuka Hatsuratsu-Ren from Otsuka Chemical, Otsuka Warehouse and Otsuka Foods, and the *Tiovita-Ren* from Taiho Pharmaceutical.

Outdoor Concerts

The Otsuka Pharmaceutical Wajiki Factory's grassy square, decorated with art objects and open to the local community as a "factory park," is popular among locals as a green space that is always open to all. The 2011 concert—Exciting Summer in Wajiki—is our 22nd and coincides every year with the Awa-Odori Festival. The concert is supported by Otsuka Pharmaceutical and Otsuka Techno Corporation, along with other local businesses and organizations, to help contribute to the revitalization and development of the region.

Financial highlights

During the fiscal year ended March 31, 2011, the Japanese economy faced a heightened sense of uncertainty due to factors driven by the unstable economic situation including concerns over employment and income situation, and the risk of exchange rate fluctuation. In addition, the whole of the Japanese economy has been greatly impacted by the Great East Japan Earthquake.

The Otsuka Group recorded consolidated net sales of ¥1,090,213 million (0.5% increase from the previous year) for the fiscal year ended March 31, 2011, with operating income of ¥117,503 million (19.3% increase) and net income of ¥81,002 million (20.1% increase).

Some of the factories, warehouses, and other facilities of the Otsuka Group's consolidated subsidiaries were damaged by the Great East Japan Earthquake, but this did not have a major impact on the Group's assets or business results during the fiscal year ended March 31, 2011.

Results by business segment are as follows:

Operating results by business segment

Net sales of the pharmaceutical segment amounted to ¥721,402 million (0.8% increase from the previous year), consisting mainly of domestic sales of *ABILIFY*, *Mucosta*, *Pletaal* and *TS-1* and *ABILIFY* sales in the United States and Europe.

Net sales of the nutraceutical segment reached ¥251,757 million (1.2% increase from the previous year), which consist mainly of domestic sales of *Pocari Sweat*, *Oronamin C*, *SOYJOY* and *Nature Made* brand supplements as well as functional foods in the European market.

Net sales of the consumer products segment came to ¥47,444 million (7.2% decrease from the previous year), consisting mainly of sales of *CRYSTAL GEYSER*, *Java Tea* and *MATCH*.

Net sales of the other segment totaled ¥106,511 million (1.4% increase from the previous year), consisting mainly of sales of fine chemical and specialty chemical products, as well as revenues from the logistics business.

Selling, general and administrative expenses amounted to ¥605,618 million (3.7% decrease from the previous year), resulting in an operating income of ¥117,503 million (19.3% increase from the previous year). Major components of selling, general and administrative expenses included salaries and bonuses (¥78,720 million), sales promotion expenses (¥167,714 million) and research and development expenses (¥164,507 million).

Net non-operating income came to ¥3,772 million (9.1% increase from the previous year). Other income (expenses) included equity in earnings of unconsolidated subsidiaries and affiliated companies (¥3,308 million), revenues related to extension of a co-promotion agreement (¥7,322 million), foreign exchange loss (¥5,732 million), IPO expenses (¥777 million), gain on change in equity interest (¥5,571 million), and loss on impairment of long-lived assets (¥2,643 million).

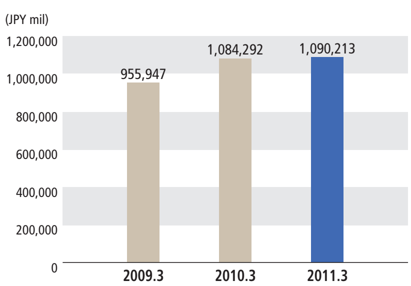
As a result, net income totaled ¥81,002 million (20.1% increase from the previous year).

(1) Pharmaceutical business

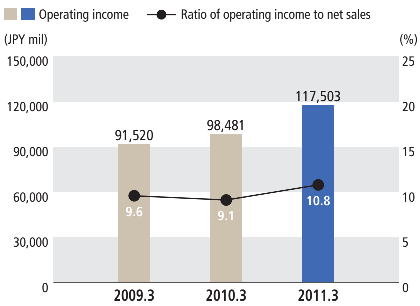
In the area of the central nervous system, the antipsychotic agent *ABILIFY*, which is marketed in 65 countries, continued to perform well in the U.S. due to strong promotional efforts, despite the effects of the sluggish market and healthcare reform. During the fiscal year ended March 31, 2011, Otsuka expanded its North American business with the establishment of Otsuka Canada Pharmaceutical Inc. (OCPI) and the commencement of co-promotion with Bristol-Myers Squibb Canada in October 2010. In Japan, the increase in sales of *ABILIFY* Oral Solution 0.1% and reinforcement of sales promotion activities contributed to sales growth. In September 2010, the antiepileptic drug *E Keppra*, co-developed and co-promoted with UCB, was launched in Japan.

In the area of anticancer and cancer-supportive care, sales of the anticancer agent *TS-1* remained flat while sales of the anticancer agent *UFT* and *Uzel*, a reduced folic acid formulation, decreased due to the NHI price revision and increased competition. However, domestic oncology sales as a total increased as a result of the launch

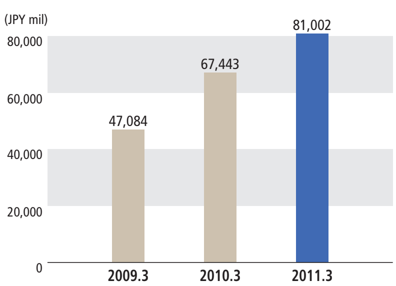
Net Sales



Operating Income



Net Income



of two new products: *Aloxi*, a $5\text{-}HT_3$ receptor antagonist antiemetic agent launched in April 2010, and *Abraxane*, an antineoplastic agent launched in September 2010. Co-promotion of the anticancer agent *SPRYCEL* began in the U.S. in November 2010 and in Japan in January 2011, and Otsuka recorded sales in accordance with the agreement with Bristol-Myers Squibb. *BUSULFEX*, which is sold in over 50 countries, is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the FDA in the U.S. and is established as the standard drug for use as a conditioning agent prior to bone marrow transplant in Europe.

In the area of the cardiovascular system, the world's first and only oral vasopressin V_2-receptor antagonist *SAMSCA* was launched in Japan in December 2010 following release in the U.S. and Europe. Sales of the antiplatelet agent *Pletaal/Pletal* remained steady as a result of sales activities focusing on the positive outcomes of a large-scale clinical trial despite the NHI price revision and the expiration in September 2010 of the exclusivity period for the indication of prevention of recurrent strokes.

In other areas, sales of the antigastritis and antigastric ulcer agent *Mucosta* (rebamipide) declined as a result of the NHI price revision and the introduction of generics in Japan. In the area of ophthalmology, an application was submitted for regulatory approval of *Mucosta* ophthalmic suspension in Japan. In the U.S., Otsuka expanded its alliance partnership with Acucela Inc. by signing a co-development and co-promotion agreement for the compound OPA-6566, which is currently under development for the treatment of glaucoma, in addition to rebamipide ophthalmic suspension and ACU-4429, currently under development for the treatment of Dry AMD (Age-related Macular Degeneration).

In the area of clinical nutrition, the high-calorie TPN solutions *ELNEOPA*, formulated with glucose, electrolytes, amino acids, multi-vitamins, and trace elements, recorded steady growth.

As a result, net sales of the pharmaceutical segment for the fiscal year ended March 31, 2011 totaled ¥721,402 million (0.8% increase from the previous year), with operating income of ¥134,433 million (1.2% increase).

(2) Nutraceutical business

Sales of *Pocari Sweat*, an electrolyte supplement drink, showed significant increase as a result of successful promotional activities focusing on the core concept of the product, such as education aimed at raising awareness of heat stroke, and the hot summer in Japan. In Indonesia, sales of *Pocari Sweat* in local currency terms decreased slightly due to the temporary shortage in supply caused by delay in the new factory startup. Sales of *Oronamin C* remained steady as a result of strong promotional activities. Although sales of *Calorie Mate* remained flat, it was recognized afresh as a food containing essential nutrients in the wake of the Great East Japan Earthquake.

The Otsuka Group is currently engaged in the soy business and is working to introduce soy as a solution to our 21st century health, nutrition, and environment issues under the concept of "Soylution." Although domestic sales of *SOYJOY*, the first soylution product, decreased, the *SOYJOY* business has expanded to 11 countries and regions with launches in France, Belgium, Italy and Spain beginning in February 2011. The second soylution product, *SOYSH*, soy soda, which was developed based on the innovative concept of combining soy with a carbonated drink, was launched through the on-line store in July 2010 and rolled out to retail stores across Japan in March 2011.

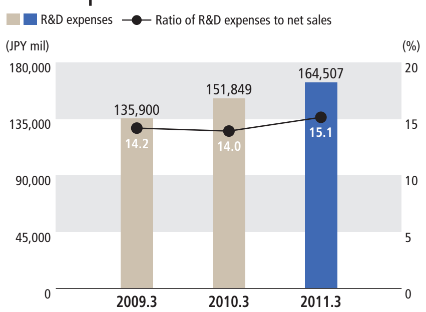
In the Cosmedics area, which is based on the concept of "healthy skin," the *UL·OS* face and body skincare lineup was expanded with the release of *Medicated Skin Wash* in April 2010.

Sales of the *Tiovita* brand showed steady growth as a result of enhanced sales promotion and the launch of *Tiovita Drink Aivitas* in June 2010.

Profitability in the nutraceutical segment improved as a result of ongoing cost reductions and promotional activities re-emphasizing the product concept.

As a result, net sales of the nutraceutical segment for the fiscal year ended March 2011 totaled ¥251,757 million (1.2% increase from the previous year), with operating income of ¥17,861 million (691.9% increase).

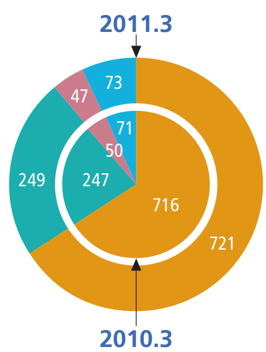
R&D Expenses



Sales by Business Segment

*External sales

	2010.3 (JPY bn)	2011.3 (JPY bn)
Pharmaceuticals Business	716	721
Nutraceuticals Business	247	249
Consumer Products Business	50	47
Other Businesses	71	73



(3) Consumer products business

Although sales of *MATCH*, a carbonated electrolyte drink containing vitamins, showed positive growth as a result of successful marketing efforts, sales of *CRYSTAL GEYSER* and *Java Tea* struggled and sales of the *Nescafe* brand remained steady.

In the consumer products segment, Otsuka is carrying out initiatives aimed at improving profitability, including ongoing cost reductions.

As a result, net sales of the consumer products segment for the fiscal year ended March 31, 2011 totaled ¥47,444 million (7.2% decrease from previous year), with operating loss of ¥2,082 million.

(4) Other businesses

Sales in the specialty chemical business, which supplies materials for the IT and automotive sectors, recorded positive growth as the respective markets recovered.

The transportation and warehousing businesses recorded solid growth as the volume of goods handled increased.

As a result, net sales of other businesses for the fiscal year ended March 31, 2011 totaled ¥106,511 million (1.4% increase year on year), with operating income of ¥4,351 million (1.9% decrease).

Cash flows

Cash and cash equivalents increased by ¥66,020 million during the fiscal year ended March 31, 2011 to ¥387,326 million. Net cash provided by operating activities and financing activities came to ¥86,394 million and ¥113,655 million, respectively, while net cash used in investing activities totaled ¥130,878 million.

Net cash provided by operating activities amounted to ¥86,394 million in the fiscal year ended March 31, 2011, a decrease of ¥87,115 million compared to ¥173,509 million in the previous fiscal year. Although income before income taxes and minority interests increased by ¥19,335 million to ¥121,275 million, this was offset by the increase in trade receivables (¥16,558 million) and the decrease in long-term unearned revenue (¥7,322 million) as well as the ¥59,569 million income tax payment (income tax payment in the previous year was ¥27,678 million.)

Net cash used in investing activities reached ¥130,878 million in the fiscal year ended March 31, 2011, an increase of ¥71,863 million compared to the previous fiscal year. Investing activities during the fiscal year ended March 31, 2011 included ¥34,756 million in purchases of property, plant and equipment, ¥31,474 million in purchases of investment securities, ¥27,732 million in proceeds from sales and redemption of investment securities, ¥2,100 million in proceeds from the spin-off of the AgriTechno business and ¥96,937 million in payments into time deposits using mainly part of the proceeds from the initial public offering. Purchases of property, plant and equipment included the development of a new research center and pharmaceutical manufacturing facility in Japan and a new *Pocari Sweat* production facility in Indonesia.

Net cash provided by financing activities totaled ¥113,655 million in the fiscal year ended March 31, 2011, an increase of ¥141,795 million compared to the previous fiscal year. Financing activities during the fiscal year ended March 31, 2011 included ¥33,647 million in repayments of long-term debt and ¥77,489 million in proceeds from issuance of common stock and ¥85,246 million in proceeds from disposal of treasury stock as a result of the initial public offering.

Operational risks

The scope of the Group's operations and the number of industries in which the Group operates means that the Group's business performance is exposed to various risks.

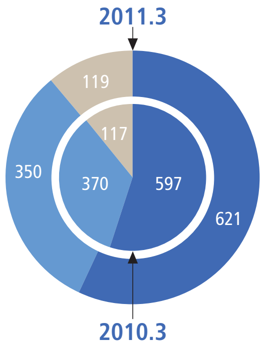
Below are the major risk factors that could have a major impact on the Group's financial position and results of operations.

This explanation is not intended to be complete and there may be other risks affecting the Group's performance not listed below. Forward-looking information reflects our judgment on the basis of information available as of March 31, 2011.

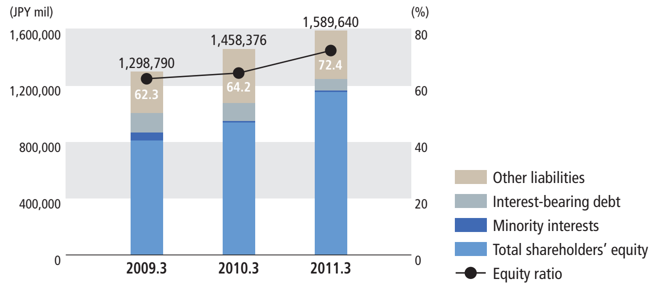
Operating Results by Geographical Segment

*External sales

	2010.3 (JPY bn)	2011.3 (JPY bn)
Japan	597	621
U.S.	370	350
Others	117	119



Composition of Total Capital Employed



(1) Our ability to pay dividends is substantially dependent on our subsidiaries and affiliated companies

As a holding company, dividends and management fees from our subsidiaries and affiliated companies represent a substantial portion of our cash flow. Under some circumstances, various statutory or contractual provisions may restrict the amount of dividends that our subsidiaries and affiliated companies are able to pay us. Also, if our subsidiaries and affiliated companies do not have sufficient earnings, they will be unable to pay dividends and management fees, and we may in turn be unable to pay dividends on our common stocks.

(2) Our pharmaceutical products could have previously unknown side effects

While our pharmaceutical products are subjected to clinical testing during the approval process, there are inherent restrictions on the adequacy of such tests, including the limited number of patients on which such tests are conducted and the limited ability to perform long-term monitoring. There can therefore be no assurance that our pharmaceutical products will not exhibit previously unknown side effects. In the event that such unknown side effects are discovered, we may be required to recall and terminate sales of such products. We could also be subject to liability to users of such products. Although we take out a product liability insurance, such insurance coverage is expensive and may be difficult to maintain on acceptable terms or at all. In addition, our insurance coverage is subject to limits, and claims brought against us could significantly exceed such limits. Damage to our reputation and brand value could also arise. As a result, our business, financial condition and results of operations could be materially and adversely affected.

(3) Research and development for pharmaceutical products are subject to uncertainties

Researching and developing a new product requires significant time. It is costly and subject to numerous factors that may delay or prevent the development of new pharmaceutical products. We are also subject to applicable laws and regulations in Japan and other jurisdictions that regulate pharmaceutical products, including approval processes that involve significant uncertainties in terms of the length of time required for approval and whether the products meet the criteria of regulatory authorities with respect to efficacy and safety requirements. These could lead to unexpected delays in, or the termination of, our plans to introduce new products after significant investments of financial and human resources. In addition, there can be no assurance that any investment in research and development will be recouped, even if we are successful in acquiring regulatory approval or commercializing those products. As a result, we may not be able to earn the return on investment that we originally anticipated or any return, and our financial condition and results of operations could be materially and adversely affected.

(4) We are subject to risks related to our reliance on a specific product for a significant portion of our total net sales

Sales of our top-selling pharmaceutical product *ABILIFY* constitute more than 30% of our total consolidated net sales. If the sales of this product decrease due to competition from other products, including generic versions of the product becoming available upon the expiration of related patents, or otherwise, our financial condition and results of operations will be materially and adversely affected.

We maintain a worldwide commercialization agreement with Bristol-Myers Squibb ("BMS"), to co-develop and co-promote *ABILIFY*, except in Japan, China and eight other mainly Asian countries. Under the terms of the agreement, BMS retains the right to terminate the contract before the expiration date upon the advent of a generic competitor to *ABILIFY*. We will be required to make a payment to BMS based on a pre-determined schedule upon such termination, and this would have an adverse effect on our financial position and results of operations.

Note: The protection period for the substance patent of *ABILIFY* will expire in January 2016 in Japan (including the two-year pediatric exclusivity), in April 2015 in the U.S. (including the six-month pediatric exclusivity) and in October 2014 in Europe.

(5) We are subject to risks related to government policies to reduce medical costs

A manufacturer of pharmaceutical products in Japan must have new products listed on a National Health Insurance ("NHI") price list published by the Ministry of Health, Labor and Welfare ("MHLW"). The NHI price list provides rates for calculating the price of pharmaceutical products used in medical services provided under various public medical care insurance systems. Prices on the NHI price list are subject to revision, generally once every two years, on the basis of the actual prices at which the pharmaceutical products are purchased by medical institutions after discounts and rebates. The MHLW, concerned by the prospect of spiraling healthcare costs, has been exerting pressure to restrain drug costs. Similarly, in the United States, the second largest market for our pharmaceutical products, managed care, insurance companies and the government have been promoting the use of generic drugs and there has been increasing pressure to lower prescription drug prices. Further implementation of such policies could have a material and adverse effect on our financial condition and results of operations.

(6) Some of our products are subject to risks related to consumer sentiment

We sell products in our Nutraceuticals business and Consumer Products business that are subject to fluctuations in demand based on consumer sentiment which in turn is subject to seasonal changes and the general economic environment. A worsening of consumer sentiment could have a material adverse effect on such businesses.

(7) We are subject to risks related to food safety

In recent years, there have been incidents in Japan where concerns over tainted foods, including foods containing highly toxic materials, have led to widespread criticism of food companies, and the sensitivity to food safety in Japan remains high. If our products are found or suspected to have safety problems, sales of our products and our reputation could be materially and adversely affected.

(8) We depend on outside source for the materials for our products

We are generally dependent on third-party sources for the raw materials used in our products. The price and availability of the raw materials for our products, including chemical compounds, agricultural products, minerals and other commodities, are subject to the effects of weather, natural disasters, market forces, the economic environment, fuel costs and foreign exchange rates. If our cost for such materials increases, we may not be able to make corresponding increases in the prices of our products due to market conditions or our relationships with customers, and as a result, our profitability could be materially and adversely affected.

(9) We are subject to risks related to laws and regulations

Our Pharmaceutical business is subject to extensive regulation under the Pharmaceutical Affairs Law in Japan and relevant laws in other jurisdictions in which we operate. Our Other businesses are also subject to regulation in Japan under the Food and Sanitation Law, recycling-related laws and others, as well as similar laws in other jurisdictions. In the event we are found to have violated any such laws and regulations, we may be required to recall the relevant product, terminate sales of such product or suspend operations of the relevant business. In some cases where we believe there is a risk of violation, we may decide to take such actions voluntarily. Furthermore, we may become subject to increased compliance costs or restrictions on our business operations as a result of future changes in applicable laws and regulations.

(10) Our pharmaceutical products are subject to significant competition

The pharmaceutical industry is highly competitive, requiring us to maintain ongoing, extensive research for technological innovations. In addition, new products of competitors or the development of new medical technologies and treatments could make our products or technologies lose their competitiveness or become obsolete. Our proprietary rights to our pharmaceutical products are generally based on related patents. Upon the expiration of such patents, our products will become open to competition from generic drugs, which are bioequivalent but lower in price, and could lead to a decline in demand for our products. An increase in competition due to any of the foregoing factors could have a material adverse effect on our financial condition and results of operations.

(11) We are subject to risks related to the infringement of intellectual property rights

If our patent and other intellectual property rights are infringed by third parties, we may not be able to take full advantage of existing demand for our products. We are also subject to the risk of infringement claims directed to us by third parties. If we are found to have infringed the intellectual property rights of others, or if we agree to settle under such terms, we may be required to recall the relevant products, terminate manufacturing and sales of such products, pay significant damages or pay significant royalties.

Currently, we have filed patent infringement actions against a number of generic drug companies for the product *ABILIFY*. Although the U.S. District Court for the District of New Jersey issued a judgment dated November 15, 2010 in favor of the Company, Teva Pharmaceuticals USA, Inc. and four other companies have filed notices of appeal to the U.S. Court of Appeals for the Federal Circuit challenging the November 15, 2010 judgment.

Any unfavorable ruling, decision or settlement resulting in the launch of generic versions of *ABILIFY* in the U.S. would likely result in substantial decrease in the sales of *ABILIFY* in the United States, which would have a material adverse effect on our financial condition and results of operations.

(12) We are subject to litigation risk

We are subject to the risk of litigation from third parties with respect to the operation of our business, including claims related to product liability, labor issues, infringement of intellectual property rights, contract disputes and environment issues. In the event of an adverse decision or settlement, our business, financial condition and results of operations could be materially and adversely affected.

(13) We are subject to the risk of natural disasters and accidents

While our facilities, including our manufacturing facilities, are broadly dispersed geographically, a significant portion of such facilities are concentrated in Japan. We thus continue to be subject to stoppage, damage and other risks related to natural disasters such as earthquakes and typhoons as well as accidents. If our facilities are damaged or destroyed due to such incidents, the manufacture or distribution of materials and products could be significantly disrupted, consumer confidence in us could decrease, and we may incur significant expenses to repair, reconstruct or replace such facilities.

(14) Our results of operations and reputation could be harmed if we are found or perceived to have violated environmental regulations

We are subject to various environmental laws and regulations in the various regions in which we operate. In the event we are found to have violated such laws and regulations, including those relating to wastewater discharge, air emissions, handling of hazardous materials, disposal of solid and hazardous wastes and remediation of soil and groundwater contamination, we could be subject to significant fines, imposition of damages, clean-up costs, suspension of production, cessation of operations or a delay in disposition of unused property. There can be no assurance that there will not be any environmental violation in the future that results in a material adverse effect on our financial condition and results of operations. In addition, even the perception of such violations could have an adverse affect on our reputation and thus negatively affect our results of operations.

(15) We are subject to market risk

In the fiscal year ended March 31, 2011, 47.3% of our net sales were from customers outside of Japan, and we believe that a significant portion of our net sales will continue to be based on foreign currencies from sources outside of Japan. As a result, fluctuations in foreign exchange rates, particularly of the U.S. dollar, beyond levels anticipated by us could have a material effect on our results of operations. In addition, because the financial statements of our foreign subsidiaries are denominated in foreign currencies, fluctuations in foreign currencies and their effects on the yen-equivalent amounts could have an impact on our financial condition and results of operations.

Costs related to our pension and retirement benefit plans may increase if the fair value of our pension plan assets declines or if there is a change in the actuarial assumptions on which the calculations of the retirement benefit obligation are based, which could have a material effect on our financial condition and results of operations.

(16) We face risks related to strategic alliances

From time to time, we enter into various alliances with third parties in connection to research and development, manufacturing and sales activities. If the business environment changes after entering into an alliance or for other reasons, the alliances may not have the effect that we originally anticipated. In addition, to the extent we are subject to non-compete obligations with respect to a particular region, time period or product, our financial condition and results of operations could be materially and adversely affected.

Currently, a patent infringement action has been filed against a number of generic companies for the product *SPRYCEL*, whose patent is held by BMS and is being co-developed and co-marketed by us. Any unfavorable ruling, decision or settlement resulting in the launch of generic versions of *SPRYCEL* in the U.S. could have a material adverse effect on our financial condition and results of operations.

(17) We are subject to risks related to the operation of businesses in foreign countries

Outside of Japan, we conduct business operations mainly in the United States, Europe and Asia, including research and development, manufacturing and sales activities. We are thus subject to risks related to maintaining global operations, including risks related to foreign laws and regulations, the economic environment, political instability and uncertain business environments. If any of the events listed above or other similar events in relation to our international operations should occur, our business, results of operations and financial condition could be adversely affected.

(18) We may be subject to liability and regulatory action if we are unable to protect personal and other confidential information

In connection with our internet sales of nutraceuticals and consumer products, we hold various information on individual customers that is considered personal information under the Law Concerning Protection of Personal Information of Japan (Law No. 57 of 2003, as amended), a law generally designed to protect the personal information of individuals. Under such law, relevant authorities may issue recommendations or orders against us if we fail to protect the personal information of our customers, and we may be required to provide compensation for economic loss and emotional distress arising out of a failure to protect personal information in accordance with this law. In addition, incidents of mishandling of personal information could create a negative public perception of our operations, which might in turn lead to reduced sales or otherwise materially and adversely affect our business, financial condition and results of operations.

Consolidated Balance Sheets

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011.3	2010.3	2011.3
Current assets:			
Cash and cash equivalents (Notes 8 and 17)	¥ 387,326	¥ 321,306	$ 4,658,160
Time deposits (Note 17)	91,195	6,362	1,096,753
Marketable securities (Notes 5 and 17)	31,535	23,211	379,254
Receivables (Notes 8 and 17):			
Trade notes	11,691	12,636	140,601
Trade accounts	226,350	217,822	2,722,189
Unconsolidated subsidiaries and affiliated companies	1,812	1,524	21,792
Other	15,098	7,625	181,575
Allowance for doubtful receivables	(350)	(398)	(4,209)
Inventories (Notes 6 and 8)	114,863	115,420	1,381,395
Deferred tax assets (Note 12)	24,633	28,290	296,248
Other current assets	17,000	17,718	204,450
Total current assets	921,153	751,516	11,078,208
Property, plant and equipment (Notes 7 and 8):			
Land	74,926	75,817	901,094
Buildings and structures	280,700	275,704	3,375,827
Machinery and equipment	276,333	271,309	3,323,307
Furniture and fixtures	69,018	66,233	830,042
Lease assets	18,252	16,160	219,507
Construction in progress	6,321	10,098	76,019
Total	725,550	715,321	8,725,796
Accumulated depreciation	(468,717)	(454,386)	(5,637,005)
Net property, plant and equipment	256,833	260,935	3,088,791
Investments and other assets:			
Investment securities (Notes 5 and 17)	103,169	115,295	1,240,758
Investments in and advances to unconsolidated subsidiaries and affiliated companies (Note 17)	177,516	188,636	2,134,889
Goodwill (Note 7)	41,445	44,752	498,437
Intangible assets	35,643	43,647	428,659
Deferred tax assets (Note 12)	32,245	33,975	387,793
Other assets	21,636	19,620	260,204
Total investments and other assets	411,654	445,925	4,950,740
Total	¥1,589,640	¥1,458,376	$19,117,739

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011.3	2010.3	2011.3
Current liabilities:			
Short-term borrowings (Notes 8 and 17)	¥ 29,683	¥ 39,450	$ 356,981
Current portion of long-term debt (Notes 8 and 17)	26,894	26,850	323,440
Payables (Note 17):			
Trade notes	7,533	7,923	90,595
Trade accounts	78,853	84,289	948,322
Construction	5,379	6,995	64,690
Unconsolidated subsidiaries and affiliated companies	3,202	2,914	38,509
Other	38,766	37,508	466,218
Income taxes payable (Note 17)	13,301	35,332	159,964
Accrued expenses	50,675	53,837	609,441
Other current liabilities	21,272	16,711	255,827
Total current liabilities	275,558	311,809	3,313,987
Long-term liabilities:			
Long-term debt (Note 8)	35,826	69,990	430,860
Liability for employees’ retirement benefits (Note 9)	44,334	45,081	533,181
Retirement benefits for directors and corporate auditors	3,417	3,314	41,094
Negative goodwill	28,933	31,398	347,962
Long-term unearned revenues (Note 19)	22,575	29,896	271,497
Deferred tax liabilities (Note 12)	10,796	13,193	129,838
Other long-term liabilities	4,952	5,238	59,555
Total long-term liabilities	150,833	198,110	1,813,987
Commitments and contingent liabilities (Notes 15, 18 and 19)			
Equity (Notes 10, 11 and 23):			
Common stock:	81,691	42,946	982,453
Authorized — 1,600,000,000 shares in 2011 and 2010 Issued — 557,835,617 shares in 2011 Issued — 519,156,817 shares in 2010			
Capital surplus	510,639	432,482	6,141,179
Stock acquisition rights	465	—	5,592
Retained earnings	605,883	532,032	7,286,627
Treasury stock, at cost	(4)	(45,354)	(48)
2,044 shares in 2011 42,610,147 shares in 2010			
Accumulated other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	359	4,259	4,317
Deferred gain (loss) on derivatives under hedge accounting	(4)	(15)	(48)
Foreign currency translation adjustments	(48,439)	(30,060)	(582,550)
Total	(48,084)	(25,816)	(578,281)
Minority interests	12,659	12,167	152,243
Total equity	1,163,249	948,457	13,989,765
Total	¥1,589,640	¥1,458,376	$19,117,739

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011.3	2010.3	2009.3	2011.3
Net sales	¥1,090,213	¥1,084,292	¥955,947	$13,111,401
Cost of sales	367,092	356,608	322,596	4,414,817
Gross profit	723,121	727,684	633,351	8,696,584
Selling, general and administrative expenses (Note 13)	605,618	629,203	541,831	7,283,440
Operating income	117,503	98,481	91,520	1,413,144
Other income (expenses):				
Interest and dividend income	2,500	2,949	4,060	30,066
Interest expense	(1,481)	(3,168)	(1,560)	(17,811)
Foreign exchange loss, net	(5,732)	(596)	(2,951)	(68,936)
Amortization of negative goodwill	2,496	2,464	2,464	30,018
Equity in earnings of unconsolidated subsidiaries and affiliated companies	3,308	4,923	1,782	39,784
Loss on impairment of long-lived assets (Note 7)	(2,643)	(2,360)	(1,565)	(31,786)
Loss on valuation of investment securities and investments in unconsolidated subsidiaries and affiliated companies	(2,533)	(3,018)	(4,017)	(30,463)
Revenues related to extension of co-promotion agreement (Note 19)	7,322	1,830	—	88,058
Gain on change in equity interest	5,571	—	—	66,999
Disaster related loss (Note 14)	(1,841)	—	—	(22,141)
Loss on transfer of business	(1,901)	—	—	(22,862)
IPO expenses	(777)	—	—	(9,345)
Other, net (Note 9)	(517)	435	385	(6,217)
Other income (expenses), net	3,772	3,459	(1,402)	45,364
Income before income taxes and minority interests	121,275	101,940	90,118	1,458,508
Income taxes (Note 12):				
Current	33,198	52,643	35,601	399,254
Deferred	5,511	(19,157)	549	66,278
Total income taxes	38,709	33,486	36,150	465,532
Net income before minority interests	82,566	—	—	992,976
Minority interests in net income	1,564	1,011	6,884	18,809
Net income	¥ 81,002	¥ 67,443	¥ 47,084	$ 974,167

	Yen			U.S. Dollar
	2011.3	2010.3	2009.3	2011.3
Per share of common stock (Notes 2(t) and 22):				
Basic net income	¥161.78	¥143.51	¥136.36	$1.95
Diluted net income	161.60	143.47	136.26	1.94
Cash dividends applicable to the year	28.00	12.50	12.50	0.34

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Otsuka-people creating new products for better health worldwide

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011.3	2011.3
Net income before minority interests	¥82,566	$992,976
Other comprehensive income (loss) (Note 20):		
Unrealized loss on available-for-sale securities	(3,851)	(46,314)
Deferred gain on derivatives under hedge accounting	11	132
Foreign currency translation adjustments	(10,726)	(128,996)
Share of other comprehensive income in affiliated companies	(8,140)	(97,895)
Total other comprehensive income (loss)	(22,706)	(273,073)
Comprehensive income (loss) (Note 20)	¥59,860	$719,903
Total comprehensive income attributable to (Note 20):		
Owners of the parent	¥58,903	$708,394
Minority interests	957	11,510

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Equity

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2011, 2010 and 2009

	Thousands	Millions of Yen										
							Accumulated other comprehensive income					
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale-securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority interests	Total equity
Balance, April 1, 2008	13,181	¥ 6,791	¥ 69,794	¥ —	¥427,788	¥ (5,166)	¥5,992	¥ 18	¥ (2,586)	¥ 502,631	¥229,151	¥ 731,782
Unification of accounting policies applied to foreign subsidiaries					(1,792)					(1,792)		(1,792)
Issuance of new shares (Note 10)	4,223	49,084	45,821							94,905		94,905
Share transfer (Note 4)		(13,209)	13,209							—		—
Stock-for-Stock exchanges (Notes 4 and 21)	5,742	280	226,992							227,272		227,272
Cash dividends, ¥15 per share					(4,066)					(4,066)		(4,066)
Net income					47,084					47,084		47,084
Purchase of treasury stock	(123)					(1,677)				(1,677)		(1,677)
Retirement of treasury stock					(383)	383				—		—
Change of company status to consolidated subsidiaries from equity method affiliates	(542)					(15,613)				(15,613)		(15,613)
Change in scope of consolidation					(566)					(566)		(566)
Net change in the year							(6,708)	(18)	(32,022)	(38,748)	(174,765)	(213,513)
Balance, March 31, 2009	22,481	¥42,946	¥355,816	¥ —	¥468,065	¥(22,073)	¥ (716)	¥ —	¥(34,608)	¥ 809,430	¥ 54,386	¥ 863,816
Cash dividends, ¥12.5 per share					(5,880)					(5,880)		(5,880)
Stock-split (Note 10)	427,137											
Stock-for-Stock exchanges (Notes 4 and 21)	26,937		76,666			(23,272)				53,394		53,394
Net income					67,443					67,443		67,443
Purchase of treasury stock	(8)					(9)				(9)		(9)
Adjustments of retained earnings for newly consolidated subsidiaries (Note 2(a))					2,404					2,404		2,404
Net change in the year							4,975	(15)	4,548	9,508	(42,219)	(32,711)
Balance, March 31, 2010	476,547	¥42,946	¥432,482	¥ —	¥532,032	¥(45,354)	¥4,259	¥ (15)	¥(30,060)	¥ 936,290	¥ 12,167	¥ 948,457
Cash dividends, ¥12.5 per share					(5,957)					(5,957)		(5,957)
Issuance of new shares (Note 10)	38,679	38,745	38,745							77,490		77,490
Net income					81,002					81,002		81,002
Disposal of treasury stock	42,610		39,412			45,354				84,766		84,766
Purchase of treasury stock	(2)					(4)				(4)		(4)
Adjustment of retained earnings for newly consolidated subsidiaries and affiliated companies (Note 2(a))					(1,194)					(1,194)		(1,194)
Net change in the year				465			(3,900)	11	(18,379)	(21,803)	492	(21,311)
Balance, March 31, 2011	557,834	¥81,691	¥510,639	¥465	¥605,883	¥ (4)	¥ 359	¥ (4)	¥(48,439)	¥1,150,590	¥ 12,659	¥1,163,249

The accompanying notes are an integral part of these statements.

	Thousands of U.S Dollars (Note 1)										
						Accumulated other comprehensive income					
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Minority Interests	Total equity
Balance, March 31, 2010	$516,488	$5,201,227	$ —	$6,398,461	$(545,448)	$51,221	$(180)	$(361,515)	$11,260,254	$146,326	$11,406,580
Cash dividends, $0.15 per share				(71,642)					(71,642)		(71,642)
Issuance of new shares (Note 10)	465,965	465,965							931,930		931,930
Net income				974,167					974,167		974,167
Disposal of treasury stock		473,987			545,448				1,019,435		1,019,435
Purchase of treasury stock					(48)				(48)		(48)
Adjustment of retained earrings for newly consolidated subsidiaries and affiliated companies (Note 2(a))				(14,359)					(14,359)		(14,359)
Net change in the year			5,592			(46,904)	132	(221,035)	(262,215)	5,917	(256,298)
Balance, March 31, 2011	$982,453	$6,141,179	$5,592	$7,286,627	$ (48)	$ 4,317	$ (48)	$(582,550)	$13,837,522	$152,243	$13,989,765

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries for the years ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2011.3	2010.3	2009.3	2011.3
Operating activities:				
Income before income taxes and minority interests	¥121,275	¥101,940	¥ 90,118	$1,458,508
Adjustments for :				
Income taxes paid	(59,569)	(27,678)	(55,245)	(716,404)
Depreciation and amortization	47,582	47,081	37,926	572,243
Amortization of negative goodwill	(2,496)	(2,464)	(2,464)	(30,018)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(3,308)	(4,923)	(1,782)	(39,784)
Gain on change in equity interest	(5,571)	—	—	(66,999)
Loss on transfer of business	1,901	—	—	22,862
Loss on impairment of long-lived assets	2,643	2,360	1,565	31,786
Loss on valuation of investment securities and investments in unconsolidated subsidiaries and affiliated companies	2,533	3,018	4,017	30,463
Changes in assets and liabilities:				
(Increase) decrease in trade receivables	(16,558)	193	(7,292)	(199,134)
Increase in inventories	(7,285)	(7,376)	(9,264)	(87,613)
Increase (decrease) in trade payables	1,929	5,297	(5,222)	23,199
(Decrease) increase in long-term unearned revenues	(7,322)	29,896	—	(88,058)
Other, net	10,640	26,165	6,114	127,963
Net cash provided by operating activities	86,394	173,509	58,471	1,039,014
Investing activities:				
Proceeds from sales of property, plant and equipment	495	159	748	5,953
Purchases of property, plant and equipment	(34,756)	(39,720)	(30,188)	(417,992)
Proceeds from sales and redemptions of investment securities	27,732	15,718	11,178	333,518
Proceeds from transfer of business (Note 21)	2,100	—	—	25,256
Purchases of investment securities	(31,474)	(26,856)	(20,707)	(378,521)
Purchases of stock of unconsolidated subsidiaries and affiliated companies	(3,516)	(1,909)	(131,503)	(42,285)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 21)	—	—	(34,470)	—
Proceeds from withdrawal of time deposits	11,157	8,704	3,518	134,179
Payments into time deposits	(96,937)	(8,997)	(9,078)	(1,165,809)
Other, net	(5,679)	(6,114)	(3,108)	(68,298)
Net cash used in investing activities	(130,878)	(59,015)	(213,610)	(1,573,999)
Financing activities:				
(Decrease) increase in short-term debt, net	(6,646)	13,469	19,335	(79,928)
Proceeds from long-term debt	2,431	3,473	73,556	29,236
Repayments of long-term debt	(33,647)	(35,200)	(6,353)	(404,654)
Issuance of common stock	77,489	—	94,905	931,918
Proceeds from disposal of treasury stock	85,246	—	—	1,025,207
Dividends paid	(5,958)	(5,880)	(4,066)	(71,654)
Dividends paid to minority interests in consolidated subsidiaries	(359)	(914)	(1,049)	(4,317)
Other, net	(4,901)	(3,087)	(4,131)	(58,941)
Net cash provided by (used in) financing activities	113,655	(28,139)	172,197	1,366,867
Foreign currency translation adjustments on cash and cash equivalents	(4,689)	958	(9,696)	(56,392)
Net increase in cash and cash equivalents	64,482	87,313	7,362	775,490
Cash and cash equivalents of newly consolidated subsidiaries	1,538	3,889	95	18,497
Cash and cash equivalents, beginning of year	321,306	230,104	222,647	3,864,173
Cash and cash equivalents, end of year	¥387,326	¥321,306	¥230,104	$4,658,160

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain respects from the application and disclosure requirements of generally accepted accounting principles in the United States of America ("U.S. GAAP") and the International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and presentational changes have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 and 2009 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Otsuka Holdings Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements as of March 31, 2011 include the accounts of the Company and its 69 significant (65 as of March 31, 2010 and 2009) subsidiaries (together, the "Group"). Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

During the year ended March 31, 2011, four subsidiaries were newly included in the consolidated financial statements, one due to the increase in materiality and three as a result of establishment of new subsidiaries.

Investments in one (one as of March 31, 2010 and 2009) unconsolidated subsidiary and 11 (11 as of March 31, 2010 and 2009) affiliated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of cost of investments in consolidated subsidiaries over fair value of their net assets or the excess of net assets of consolidated subsidiaries over purchase cost at the date of acquisition is amortized on a straight-line basis over a period of 5 or 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group has also been eliminated.

(b) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes:

(1) The accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements.
(2) Financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or U.S. GAAP tentatively may be used for the consolidation process.
(3) However, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:
    1) amortization of goodwill;
    2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity;
    3) expensing capitalized development costs of R&D;
    4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting;
    5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and
    6) exclusion of minority interests from net income, if contained.

PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

The Company applied this accounting standard effective April 1, 2008. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

(c) Unification of accounting policies applied to foreign associated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

(1) amortization of goodwill;
(2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity;

(3) expensing capitalized development costs of R&D;
(4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting;
(5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and
(6) exclusion of minority interests from net income, if contained.

This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

(d) Business combination

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows:

(1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed.
(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired in the business combination is capitalized as an intangible asset.
(3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase allocation.

This standard was applicable to business combinations undertaken on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010.

(e) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits and certificate of deposits, all of which mature or become due within three months of the date of acquisition.

(f) Securities

Securities other than equity securities issued by subsidiaries and affiliated companies are classified into held-to-maturity and available-for-sale securities. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as available-for-sale securities are carried at fair value with unrealized gains or losses, net of applicable taxes, stated in a separate component of equity.

Non-marketable securities classified as available-for-sale securities are stated at cost as determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

(g) Inventories

Inventories are stated at the lower of cost, determined mainly by the average method for finished products, work in process and raw materials and mainly by the first-in, first-out method for merchandise and supplies, or net selling value.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed principally by the declining-balance method over the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998.

Consolidated foreign subsidiaries mainly compute depreciation by the straight-line method.

The range of useful lives is from 3 to 65 years for buildings and structures and from 2 to 25 years for machinery and equipment.

Lease assets are depreciated using the straight-line method over the terms of their respective leases with a zero residual value.

(i) Intangible assets

Intangible assets are amortized mainly by the straight-line method over their estimated useful lives.

(j) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from continued use and eventual disposition of the asset or the current net selling price at disposition.

(k) Retirement benefits

Certain domestic consolidated subsidiaries have adopted retirement benefit plans consisting of lump-sum retirement payments, defined pension plans and defined contribution pension plans. Certain foreign consolidated subsidiaries have adopted defined benefit pension plans or defined contribution pension plans, or a combination of the two.

Provisions have been made for employees' retirement benefits, based on an estimate of the projected retirement benefit obligation and the fair value of the pension fund assets.

Retirement benefits for directors and corporate auditors of certain domestic consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and corporate auditors retired at the balance sheet date. These amounts are paid only after an approval of the shareholders meeting in accordance with the Companies Act of Japan (the "Companies Act").

(l) Asset retirement obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥16 million ($192 thousand) and income before income taxes and minority interests by ¥442 million ($5,316 thousand).

(m) Stock options

In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Company has applied this accounting standard for stock options to those granted on and after May 1, 2006.

(n) Research and development expenses

Research and development expenses are charged to income as incurred.

(o) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were required to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

The Company applied the revised accounting standard, effective April 1, 2008. In addition, the Company accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as if such leased assets had been acquired at the transition date at costs measured at the obligations under the finance leases. This change had no effect on the consolidated results of the Company.

All other leases are accounted for as operating leases.

(p) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

(q) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(r) Foreign currency translation

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for shareholders' equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the current exchange rate.

(s) Derivative financial instruments

The Group uses foreign currency forward contracts, foreign currency option contracts and interest rate swaps to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivative transactions for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

(1) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of income; and

(2) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the related losses or gains on the hedged items are recognized.

If foreign currency forward contracts and foreign currency option contracts qualify for hedge accounting and meet specific matching criteria, assets and liabilities denominated in foreign currencies are translated at the contract rates and no gains or losses on derivative transactions are recognized.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized as and included in interest expense or income.

(t) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if stock options were exercised into common stock. Diluted net income per share of common stock assumes full exercise of outstanding stock options at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, and are retroactively adjusted for stock splits.

(u) New accounting pronouncements
Accounting changes and error corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections."

Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. Additional information

Accounting method for employee shareholding incentive plan

The Company adopted a "Trust-type Employee Shareholding Incentive Plan (E-Ship)" (the "Plan") in order to provide an enhanced benefits package and an incentive to increase the long-term enterprise value for the Group's employees.

Under the Plan, the "Employee Stock Holding Trust" (the "Trust") acquired the number of Company shares which were expected to be purchased by the "Otsuka Group Employee Stock Holding Plan" in the five-year period from July 2008 through a third-party allocation of new shares by the Company. Until termination, the Trust is responsible for transferring shares to the Employee Stock Holding Plan and receiving dividends from the Company. If any money remains within the Trust, such money will be distributed as residual assets to those employees that fulfill the requirements for eligible beneficiaries.

The Company guarantees the Trust's borrowings from financial institutions for the acquisition of Company shares. The Trust has repaid all of the borrowings as of March 31, 2011.

The Company does not recognize the Company shares owned by the Trust on its balance sheet as treasury stock and increased its common stock and additional paid-in capital (a component of capital surplus) at the time of the third-party allocation of new shares. As of March 31, 2011, the Trust holds 2,673 thousand Company shares and the balance of the account is ¥2,288 million.

4. Business combination

In the fiscal year ended March 31, 2010, the Group went through a series of corporate reorganizations with the objective of enhancing the efficiency and effectiveness of the operations for further business development.

To all of the transactions explained in this section, the Company applied "Accounting Standard for Business Combinations (BAC, October 31, 2003)" and "Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ, Guidance No. 10)" and treated them as business transactions under common control.

(1) Merger of Otsuka Chemical Holdings Co., Ltd. and Otsuka Chemical Co., Ltd.

On June 30, 2009, Otsuka Chemical Holdings Co., Ltd. merged with Otsuka Chemical Co., Ltd., with Otsuka Chemical Holdings Co., Ltd. as the surviving corporation. The company name was subsequently changed to Otsuka Chemical Co., Ltd.

(2) Stock-for-stock exchange with Otsuka Chemical Co., Ltd.

On July 1, 2009, Otsuka Holdings Co., Ltd. completed a stock-for-stock exchange with Otsuka Chemical Co., Ltd., and as a result Otsuka Chemical Co., Ltd. became a wholly owned subsidiary of the Company.

In this transaction, one share of the Company's stock was allotted to each share of Otsuka Chemical's stock excluding shares owned by the Company. The Company issued 48,779,437 new shares valued at ¥77,325 million, and combined with the acquisition cost of ¥25 million, the total cost to the Company was ¥77,350 million. The company recorded goodwill of ¥8,056 million as a result of this transaction.

(3) Absorption-type company split transaction with Otsuka Chemical Co., Ltd.

On August 1, 2009, by means of an absorption-type company split ("Kyushu-bunkatsu"), Otsuka Chemical Co., Ltd. transferred to the Company all of its shareholdings in Otsuka Holdings Co., Ltd. and Otsuka Beverage Co., Ltd.

(4) Merger of Otsuka Foods Co., Ltd. and Otsuka Beverage Co., Ltd.

On January 1, 2010, Otsuka Foods Co., Ltd. merged with Otsuka Beverage Co., Ltd., with Otsuka Foods Co., Ltd. as the surviving corporation.

In the fiscal year ended March 31, 2009, the Otsuka Group went through a series of corporate reorganizations beginning with the establishment of Otsuka Holdings Co., Ltd. on July 8, 2008. The objective of these transactions was to reorganize the businesses of the Otsuka Group under the leadership of the newly established holding company and enhance efficiency and effectiveness of the operations for further business development.

To all of the transactions explained in this section, the Company applied "Accounting Standard for Business Combinations (BAC, October 31, 2003)" and "Guidance on Accounting Standard for Business Combinations and Business Divestitures (ASBJ, Guidance No. 10)" and treated them as business transactions under common control.

(1) Establishment of Otsuka Holdings Co., Ltd. through a sole share transfer

On July 8, 2008, the Company was established as a wholly owning parent company of Otsuka Pharmaceutical Co., Ltd., through a sole share transfer by Otsuka Pharmaceutical Co., Ltd.

(2) Absorption-type company split transaction with Otsuka Pharmaceutical Co., Ltd.

On October 1, 2008, by means of an absorption-type company split ("Kyushu-bunkatsu"), Otsuka Pharmaceutical Co., Ltd. transferred to the Company all of its shareholdings in Otsuka Chemical Holdings Co., Ltd., Otsuka Pharmaceutical Factory, Inc. and Otsuka Warehouse Co., Ltd.

(3) Stock-for-stock exchange with Otsuka Pharmaceutical Factory, Inc.

On October 31, 2008, the Company completed a stock-for-stock exchange with Otsuka Pharmaceutical Factory, Inc., and as a result, Otsuka Pharmaceutical Factory, Inc. became a wholly owned subsidiary of the Company. In this transaction, 30 shares of the Company's stock were allotted to each share of Otsuka Pharmaceutical Factory's stock excluding shares owned by the Company. The Company issued 1,920,000 new shares valued at ¥80,256 million, and combined with acquisition costs of ¥45 million, the total costs to the Company was ¥80,301 million. Neither positive nor negative goodwill arose from this transaction.

(4) Absorption-type company split transaction with Otsuka Pharmaceutical Factory, Inc.

On November 1, 2008, by means of an absorption-type company split ("Kyushu-bunkatsu"), Otsuka Pharmaceutical Factory, Inc. transferred to the Company all of its shareholdings in Taiho Pharmaceutical Co., Ltd. and Otsuka Chemical Holdings Co., Ltd.

(5) Absorption-type company split transaction with Otsuka Warehouse Co., Ltd.

On November 1, 2008, by means of an absorption-type company split ("Kyushu-bunkatsu"), Otsuka Warehouse Co. Ltd. transferred to the Company all of its shareholdings in Taiho Pharmaceutical Co., Ltd. and Otsuka Chemical Holdings Co., Ltd.

(6) Stock-for-stock exchange with Taiho Pharmaceutical Co., Ltd.

On January 1, 2009, the Company completed a stock-for-stock exchange with Taiho Pharmaceutical Co., Ltd., and as a result Taiho Pharmaceutical Co., Ltd. became a wholly owned subsidiary of the Company. In this transaction, 20 shares of the Company's stock were allotted to each share of Taiho Pharmaceutical's stock excluding shares owned by the Company. The Company issued 3,822,280 new shares valued at ¥147,016 million, and combined with acquisition costs of ¥45 million, the total costs to the Company were ¥147,061 million. Neither positive nor negative goodwill arose from this transaction.

5. Securities

Securities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Current:			
Government and corporate bonds	¥ 31,394	¥ 23,097	$ 377,559
Other	141	114	1,695
Total	¥ 31,535	¥ 23,211	$ 379,254
Non-Current:			
Marketable equity securities	¥ 40,482	¥ 49,950	$ 486,855
Government and corporate bonds	51,107	57,810	614,636
Other	11,580	7,535	139,267
Total	¥103,169	¥115,295	$1,240,758

The costs and aggregate fair values of marketable and investment securities at March 31, 2011 and 2010 were as follows:

March 31, 2011	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥37,636	¥7,314	¥4,468	¥40,482
Other	140	—	—	140
Held-to-maturity	82,501	681	191	82,991

March 31, 2010	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥42,595	¥10,312	¥2,957	¥49,950
Other	113	—	—	113
Held-to-maturity	80,907	1,014	110	81,811

March 31, 2011	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$452,628	$87,962	$53,734	$486,855
Other	1,684	—	—	1,684
Held-to-maturity	992,195	8,190	2,297	998,088

Available-for-sale securities and held-to-maturity securities whose fair values are not determinable are disclosed in Note 17.

The information of available-for-sale securities which were sold during the year ended March 31, 2011 and 2010 were as follows:

March 31, 2011	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥13	¥ —	¥1
Total	¥13	¥ —	¥1

March 31, 2010	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥5	¥5	¥1
Total	¥5	¥5	¥1

March 31, 2011	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	$156	$ —	$12
Total	$156	$ —	$12

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 were ¥475 million. Gross realized gains on these sales, computed on the moving average cost basis, were ¥49 million for the year ended March 31, 2009.

The impairment losses on equity securities for the years ended March 31, 2011, 2010 and 2009 were ¥1,901 million ($22,862 thousand), ¥1,560 million and ¥3,903 million, respectively.

6. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Finished products and merchandise	¥ 62,300	¥ 64,164	$ 749,248
Work-in process	23,614	22,948	283,993
Raw materials and supplies	28,949	28,308	348,154
Total	¥114,863	¥115,420	$1,381,395

7. Long-lived assets

The Group reviewed its long-lived assts for impairment as of March 31, 2011. As a result, the Group recognized an impairment loss of ¥2,643 million ($31,786 thousand) as other expenses for certain intangible assets and business properties related to Nutraceuticals and Consumer products due to a decline in profits of these segments, and certain idle assets due to substantial decline in their fair market value. The carrying amounts of these assets were written down to the recoverable amount.

Impairment losses which the Group recognized for the year ended March 31, 2011 and 2010 were as follows:

Pharmaceuticals:	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Machinery and equipment	¥ —	¥19	$ —
Total	¥ —	¥19	$ —

Nutraceuticals:	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Intangible assets	¥1,487	¥ —	$17,883
Buildings and structures	419	861	5,039
Machinery and equipment	323	688	3,885
Other	20	109	240
Total	¥2,249	¥1,658	$27,047

Consumer products:	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Goodwill	¥137	¥ —	$1,648
Software	—	77	—
Furniture and fixtures	—	42	—
Other	—	61	—
Total	¥137	¥180	$1,648

Other:	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Furniture and fixtures	¥ —	¥51	$ —
Total	¥ —	¥51	$ —

Idle assets:	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Land	¥231	¥195	$2,778
Machinery and equipment	26	129	313
Other	—	128	—
Total	¥257	¥452	$3,091

The Group bases its grouping for assessing impairment losses on its business segments. However, certain assets such as idle assets are evaluated on an individual basis. The recoverable amounts in each business segment were measured mainly at their value in use. Discount rate of 7.5% was used for the computation of present value of future cash flows for the intangible assets in the Nutraceutical business. The use of a discount rate was omitted due to the negative cash flows for other assets. The recoverable amount of the impaired idle assets was measured at net realizable value as determined based mainly on real estate appraisals.

The Group recorded an impairment loss of ¥1,565 million for the year ended March 31, 2009 mainly relating to unutilized land and goodwill.

8. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2011 and 2010 represented loans, principally from banks. The weighted-average interest rates on these borrowings were 2.1% and 1.6% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Secured loans from banks and financial institutions			
Due 2011 to 2015, with a weighted-average interest rate of 1.9% (2011) and due 2010 to 2015, with a weighted-average interest rate of 3.5% (2010)	¥ 1,469	¥ 2,558	$ 17,667
Unsecured loans from banks and financial institutions			
Due 2011 to 2018, with a weighted-average interest rate of 0.9% (2011) and due 2010 to 2018, with a weighted-average interest rate of 1.0% (2010)	50,818	83,089	611,161
Lease liabilities			
Secured	426	19	5,123
Unsecured	10,007	11,174	120,349
Total	62,720	96,840	754,300
Less-portion due within one year			
Loans	23,523	23,258	282,898
Lease liabilities	3,371	3,592	40,541
Long-term debt, less current portion	¥35,826	¥69,990	$430,860

Annual maturities of long-term debt, at March 31, 2011, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥26,894	$323,440
2013	7,946	95,562
2014	24,586	295,683
2015	1,186	14,263
2016	574	6,903
2017 and thereafter	1,534	18,449
Total	¥62,720	$754,300

The carrying amounts of assets pledged as collateral for short-term bank loans of ¥244 million ($2,934 thousand) and the above collateralized long-term debt at March 31, 2011 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 622	$ 7,480
Receivables-trade accounts	662	7,962
Inventories	1,779	21,395
Property, plant and equipment - net of accumulated depreciation	2,951	35,490
Total	¥6,014	$72,327

9. Retirement benefits

Certain domestic consolidated subsidiaries have adopted retirement benefit plans consisting of lump-sum retirement payments, defined benefit pension plans and defined contribution pension plans. Certain foreign consolidated subsidiaries have adopted defined benefit pension plans or defined contribution pension plans, or a combination of the two.

Provisions have been made for employees' retirement benefits, based on an estimate of the projected retirement benefit obligation and the fair value of the pension fund assets.

Certain domestic companies transferred part of their defined benefit pension plans to the defined contribution plan as of April 1, 2008. As a result of this transfer, a gain on abolishment of retirement benefit plans of ¥1,097 million was recognized as other income for the year ended March 31, 2009.

The liability for employees' retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Projected benefit obligation	¥194,750	¥195,608	$2,342,153
Fair value of plan assets	(136,118)	(133,282)	(1,637,017)
Unrecognized prior service cost	3,513	3,135	42,249
Unrecognized actuarial loss	(17,749)	(20,122)	(213,458)
Unrecognized transitional obligation	(62)	(258)	(746)
Net liability	¥ 44,334	¥ 45,081	$ 533,181

The components of net periodic retirement benefit costs for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2011.3	2010.3	2009.3	2011.3
Service cost	¥ 7,489	¥ 7,819	¥ 7,557	$ 90,066
Interest cost	4,170	4,192	3,701	50,150
Expected return on plan assets	(3,528)	(3,355)	(3,988)	(42,429)
Amortization of prior service cost	205	(4,076)	(3,167)	2,465
Recognized actuarial loss	3,015	6,667	2,140	36,260
Amortization of transitional obligation	273	2,427	2,171	3,284
Net periodic benefit costs	11,624	13,674	8,414	139,796
Additional benefit	307	330	378	3,692
Contributions to defined contribution pension plan	2,077	1,851	1,750	24,979
Total	¥14,008	¥15,855	¥10,542	$168,467

Assumptions used for the years ended March 31, 2011, 2010 and 2009 are set forth as follows:

	2011.3	2010.3	2009.3
Discount rate	2.00-9.00%	2.00-12.00%	2.00-12.00%
Expected rate of return on plan assets	2.50-12.00%	2.00-12.00%	2.00-10.00%
Amortization period of prior service cost	5-23 years	5-23 years	5-23 years
Recognition period of actuarial gain/loss	5-15 years	5-15 years	5-15 years
Amortization period of transitional obligation	5-15 years	5-15 years	5-10 years

10. Equity

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon a resolution at the shareholders meeting. More specifically, companies that meet the following criteria can provide in their articles of incorporation that the board of directors can declare dividends (except for dividends in kind) at their discretion. These criteria are: (1) the company must have a Board of Directors, (2) the company must have an independent auditor, (3) the company must have a Board of Corporate Auditors, and (4) the term of service of the directors must be one year (rather than the normal term of two years). The Company meets all the above criteria.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon a resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock purchases and dispose of such treasury stock by a resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Stock split

On June 30, 2009, the Company executed a twenty-for-one stock split by way of a free share distribution.

Issuance of new shares through third-party allocation

1) On July 7, 2008, Otsuka Pharmaceutical Co., Ltd. issued 1,352,500 new shares valued at ¥23,155 million in a third-party allocation of new shares. On July 8, 2008, the Company was established through a sole share transfer by Otsuka Pharmaceutical Co., Ltd.
2) On September 30, 2008, the Company issued 2,700,000 new shares valued at ¥67,500 million in a third-party allocation of new shares.
3) On December 25, 2008, the Company issued 170,000 new shares valued at ¥4,250 million in a third-party allocation of new shares.

Issuance of new shares through initial public offering

On December 15, 2010, the Company issued 38,678,800 new shares valued at ¥77,490 million in an initial public offering of new shares.

11. Stock options

The stock options outstanding as of March 31, 2011 are as follows:

Stock Option	Persons Granted	Number of Options granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock option No. 1	11 Company directors	490,000 shares	2010.7.22	¥1 ($0)	From July 23, 2012 to July 31, 2015
2010 Stock option No. 2	4 Company corporate auditors	32,000 shares	2010.7.22	¥2,100 ($25)	From July 23, 2012 to July 31, 2015
2010 Stock option No. 3	3 wholly owned subsidiary directors	150,000 shares	2010.7.22	¥1 ($0)	From July 23, 2012 to July 31, 2015
2010 Stock option No. 4	5 Company corporate officers, 31 subsidiary directors, 4 subsidiary corporate auditors and 21 subsidiary corporate officers	620,000 shares	2010.7.22	¥2,100 ($25)	From July 23, 2012 to July 31, 2015

The stock option activity is as follows:

For the year ended March 31, 2011	2010 Stock option No. 1	2010 Stock option No. 2	2010 Stock option No. 3	2010 Stock option No. 4
Non-vested:				
March 31, 2010 - Outstanding	—	—	—	—
Granted	490,000 shares	32,000 shares	150,000 shares	620,000 shares
Canceled	—	—	—	—
Vested	—	—	—	—
March 31, 2011 - Outstanding	490,000 shares	32,000 shares	150,000 shares	620,000 shares
Vested:				
March 31, 2010 - Outstanding	—	—	—	—
Vested	—	—	—	—
Exercised	—	—	—	—
Canceled	—	—	—	—
March 31, 2011 - Outstanding	—	—	—	—
Exercise price	¥1 ($0)	¥2,100 ($25)	¥1 ($0)	¥2,100 ($25)
Average stock price at exercise	— —	— —	— —	— —
Fair value price at grant date	¥2,099 ($25)	¥0 ($0)	¥2,099 ($25)	¥0 ($0)

The assumptions used to measure fair value of 2010 Stock options

As the Company was a privately held company as of the grant date, the fair value of options at grant date is equal to the intrinsic value of the options at grant date.

The assumptions used to measure the number of vested stock options

The Company uses only the actual cancellations due to the difficulty in determining the reasonable assumption to measure the number of future cancellations.

Information regarding intrinsic value

1) The total intrinsic value of the stock options was ¥1,315 million ($15,815 thousand) at March 31, 2011.
2) The total intrinsic value of the stock option rights on the exercise date: No information relevant for the fiscal year ended March 31, 2011.

12. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for each of the fiscal years ended March 31, 2011, 2010 and 2009.

Foreign consolidated subsidiaries are subject to income taxes in the countries in which they operate.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011.3	2010.3	2011.3
Deferred tax assets:			
Liability for employees' retirement benefits	¥16,551	¥15,609	$ 199,050
Unrealized intercompany profits from inventories	11,066	12,037	133,085
Accrued expenses	9,856	9,564	118,533
Accrued enterprise tax	1,276	3,360	15,346
Tax loss carryforwards	12,583	13,338	151,329
Research and development expenses	7,051	6,762	84,799
Loss on devaluation of investment securities	6,314	6,000	75,935
Loss on impairment of long-lived assets	2,373	2,358	28,539
Long-term unearned revenue	12,138	15,110	145,977
Other	8,164	8,564	98,183
Less valuation allowance	(24,952)	(23,571)	(300,084)
Total	¥62,420	¥69,131	$ 750,692
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 1,033	¥2,913	$ 12,423
Unrealized gain on full revaluation resulting from inclusion of consolidated subsidiaries	6,389	6,350	76,837
Revaluation of brands	4,857	6,942	58,413
Other	4,193	3,987	50,427
Total	¥16,472	¥20,192	$ 198,100
Net deferred tax assets	¥45,948	¥48,939	$ 552,592

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated financial statements of income for the years ended March 31, 2011 and 2010 were as follows.

	2011.3	2010.3
Normal effective statutory tax rate	40.6%	40.6%
Tax credit for research and development expenses	(9.8)	(14.8)
Expenses not deductible for income tax purposes	2.4	2.9
Valuation allowance	1.0	5.4
Difference in statutory tax rate of subsidiaries	(0.7)	(0.6)
Equity in earnings of affiliated companies	(0.6)	(0.9)
Gain on change in equity interest	(1.8)	—
Other – net	0.8	0.2
Actual effective tax rate	31.9%	32.8%

Analysis of difference between the normal effective statutory tax rate (40.6%) and the actual effective tax rate (40.1%) for the year ended March 31, 2009 is omitted because the difference is less than 5% of the normal effective tax rate.

At March 31, 2011, certain consolidated subsidiaries had tax loss carryforwards aggregating ¥36,430 million ($438,124 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	¥ 2,354	$ 28,310
2013	2,221	26,711
2014	2,814	33,842
2015	5,054	60,782
2016 and thereafter	23,987	288,479
Total	¥36,430	$438,124

13. Research and development expenses

Research and development expenses charged to income were ¥164,507 million ($1,978,437 thousand), ¥151,849 million and ¥135,900 million for the years ended March 31, 2011, 2010 and 2009 respectively.

14. Disaster related loss

Disaster related loss relates to the Great East Japan Earthquake of 2011 and primarily includes costs of exchanging damaged goods for customers in the disaster-stricken areas, monetary donations and relief supplies.

15. Leases

The Group leases certain assets, mainly machinery and equipment.

The future minimum lease payments under non-cancelable operating leases at March 31, 2011 were as follows:

2011.3	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 2,292	$ 27,565
Due after one year	10,435	125,496
Total	¥12,727	$153,061

16. Related party transactions

There were no material related party transactions for the years ended March 31, 2011 and 2010.

During the year ended March 31, 2009, the Company acquired additional shares in Otsuka Chemical Holdings Co., Ltd. valued at ¥52,470 million in total, which were issued in a third-party allocation of new shares, and as a result, Otsuka Chemical Holdings Co., Ltd. became a consolidated subsidiary of the Company. Prior to the transaction, Otsuka Chemical Holdings Co., Ltd. was an affiliated company of the Company accounted for under the equity method.

17. Financial instruments and related disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group policy for financial instruments

The Group uses financial instruments, mainly long-term debt such as bank loans and lease obligations, based on its capital financing plan. Short-term bank loans are used to fund its ongoing operations. Cash surpluses, if any, are invested in low risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Receivables in foreign currencies are also exposed to the market risk of fluctuation in foreign currency exchange rates. Marketable and investment securities, mainly held-to-maturity debt securities and available-for-sale equity securities, are exposed to the risk of market price fluctuations and credit risk.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates. Part of the bank loans are exposed to market risks from changes in variable interest rates. Part of the bank loans in foreign currencies are also exposed to the market risk of fluctuation in foreign currency exchange rates.

Derivatives mainly include forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and interest-rate swaps, which are used to manage exposure to changes in interest rates of bank loans. Please see Note 18 for more details about derivatives.

(3) Risk management for financial instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group manages its credit risk from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of major customers to identify the default risk of customers in early stage. With respect to held-to-maturity investments, the Group manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with its internal guidelines. Please see Note 18 for details about derivatives.

Market risk management (foreign exchange risk and interest rate risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. Marketable and investment securities are managed by monitoring market values and the financial position of issuers on a regular basis. Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of loan payables and bond payables. Please see Note 18 for details about derivatives.

Liquidity risk management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligation in full on the maturity date. The Group manages its liquidity risk by maintaining an adequate volume of liquid assets, along with adequate financial planning by the corporate treasury department.

(4) Fair values of financial instruments

Fair values of financial instruments are based on the quoted prices in active markets. If a quoted price is not available, a theoretical value is calculated using a valuation technique that is based on internal assumptions. A change in such assumptions may result in a different value. Also please see Note 18 for the details of fair value for derivatives.

(a) Fair value of financial instruments whose fair value can be reliably determined

March 31, 2011	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥387,326	¥387,326	¥ —
Time deposits	91,195	91,195	—
Receivables	254,601	254,601	—
Marketable and investment securities	123,123	123,613	490
Investments in unconsolidated subsidiaries and affiliated companies	26,893	77,173	50,280
Total	¥883,138	¥933,908	¥50,770
Short-term borrowings	¥ 29,683	¥ 29,683	¥ —
Payables	133,733	133,733	—
Long-term debt (excluding lease liabilities)	52,287	52,293	6
Total	¥215,703	¥215,709	¥ 6

March 31, 2010	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥321,306	¥321,306	¥ —
Time deposits	6,362	6,362	—
Receivables	239,209	239,209	—
Marketable and investment securities	130,970	131,874	904
Investments in unconsolidated subsidiaries and affiliated companies	18,098	62,341	44,243
Total	¥715,945	¥761,092	¥45,147
Short-term borrowings	¥ 39,450	¥ 39,450	¥ —
Payables	139,629	139,629	—
Income tax payable	35,332	35,332	—
Long-term debt (excluding lease liabilities)	85,646	85,651	5
Total	¥300,057	¥300,062	¥ 5

March 31, 2011	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	$ 4,658,160	$ 4,658,160	$ —
Time deposits	1,096,753	1,096,753	—
Receivables	3,061,948	3,061,948	—
Marketable and investment securities	1,480,734	1,486,627	5,893
Investments in unconsolidated subsidiaries and affiliated companies	323,428	928,118	604,690
Total	$10,621,023	$11,231,606	$610,583
Short-term borrowings	$ 356,981	$ 356,981	$ —
Payables	1,608,334	1,608,334	—
Long-term debt (excluding lease liabilities)	628,828	628,900	72
Total	$ 2,594,143	$ 2,594,215	$ 72

Cash and cash equivalents, time deposits and receivables

The carrying values of cash and cash equivalents, time deposits and receivables approximate fair value because of their short maturities.

Marketable and investment securities and investments in unconsolidated subsidiaries and affiliated companies

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information regarding the fair value for the marketable and investment securities by classification is included in Note 5.

Payables, short-term borrowings and income tax payable

The carrying values of payables, short-term borrowings and income tax payable approximate fair value because of their short maturities.

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 information of the fair value for derivatives is included in Note 18.

(b) Financial instruments whose fair values cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	Carrying amount		
	2011.3	2010.3	2011.3
Investments in unconsolidated subsidiaries and affiliated companies	¥150,333	¥167,035	$1,807,974
Investment securities	¥ 11,581	¥ 7,536	$ 139,278

(5) Maturity analysis for financial assets and securities with contractual maturities

March 31, 2011	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥387,326	¥ —	¥ —	¥ —
Time deposits	91,195	—	—	—
Receivables	254,951	—	—	—
Marketable and investment securities:				
Held-to-maturity securities	31,400	48,100	2,000	1,000
Available-for-sales securities	140	—	—	—
Total	¥765,012	¥48,100	¥2,000	¥1,000

March 31, 2011	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$4,658,160	$ —	$ —	$ —
Time deposits	1,096,753	—	—	—
Receivables	3,066,158	—	—	—
Marketable and investment securities:				
Held-to-maturity securities	377,631	578,473	24,053	12,026
Available-for-sales securities	1,684	—	—	—
Total	$9,200,386	$578,473	$24,053	$12,026

Please see Note 8 for annual maturities of long-term debt and obligations under finance leases.

18. Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The Group also enters into foreign currency option contracts (zero-cost options) to obtain U.S. dollars for the payment of foreign currency payables. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain debts.

All derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within the Group's business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivatives transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010.

At March 31, 2011	Millions of Yen			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 268	¥ —	¥ —	¥ —
Buying Euro	213	—	(3)	(3)
Buying JP¥	2	—	—	—
Selling U.S.$	324	—	(5)	(5)
Foreign exchange option:				
U.S.$	5,532	2,663	(1,072)	(1,072)
Total	¥ 6,339	¥2,663	¥(1,080)	¥(1,080)
Interest rate swaps				
(floating rate receipt, floating rate payment)	¥10,423	¥ —	¥ (327)	¥ (327)
Total	¥10,423	¥ —	¥ (327)	¥ (327)

At March 31, 2010	Millions of Yen			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying U.S.$	¥ 312	¥ —	¥ (27)	¥ (27)
Buying Euro	360	—	(14)	(14)
Buying JP¥	—	—	—	—
Selling U.S.$	213	—	—	—
Selling Euro	86	—	—	—
Foreign exchange option:				
U.S.$	8,431	5,532	(912)	(912)
Total	¥ 9,402	¥ 5,532	¥(953)	¥(953)
Interest rate swaps				
(floating rate receipt, floating rate payment)	¥12,751	¥12,286	¥(746)	¥(746)
Total	¥12,751	¥12,286	¥(746)	¥(746)

At March 31, 2011	Thousands of U.S. Dollars			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Buying U.S.$	$ 3,223	$ —	$ —	$ —
Buying Euro	2,562	—	(36)	(36)
Buying JP¥	24	—	—	—
Selling U.S.$	3,897	—	(60)	(60)
Foreign exchange option:				
U.S.$	66,530	32,026	(12,892)	(12,892)
Total	$ 76,236	$32,026	$(12,988)	$(12,988)
Interest rate swaps				
(floating rate receipt, floating rate payment)	$125,352	$ —	$ (3,933)	$ (3,933)
Total	$125,352	$ —	$ (3,933)	$ (3,933)

Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010

At March 31, 2011	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	¥ 423	¥ —	¥ (6)
Interest rate swaps				
(fixed rate payment, floating rate receipt)	Long-term debt	¥1,910	¥1,000	¥(18)

At March 31, 2010	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	¥ 329	¥ —	¥(21)
Interest rate swaps				
(fixed rate payment, floating rate receipt)	Long-term debt	¥11,090	¥2,050	¥(44)

At March 31, 2011	Thousands of U.S. Dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S.$	Forecasted transactions	$ 5,087	$ —	$ (72)
Interest rate swaps				
(fixed rate payment, floating rate receipt)	Long-term debt	$22,971	$12,026	$(216)

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

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

19. Contingent liabilities

At March 31, 2011, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 287	$ 3,452
Guarantees and similar items of bank loans	¥8,665	$104,209

In October 2009, the Group sold part of its shareholding in NEOS Corporation ("NEOS") to ITO EN, LTD. ("ITO-EN") for ¥979 million. In the event ITO-EN requests the Group to repurchase the shares within 5 years from the date of contract execution because NEOS fails to resolve its negative net worth or for any other reason, the Group is obligated to buy back the shares in NEOS for the original selling price.

On April 4, 2009, Otsuka Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, signed an agreement with Bristol-Myers Squibb ("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. records effective January 2010. Under the terms of the agreement, Otsuka Pharmaceutical Co., Ltd. received $400 million in April 2009, which was recorded as unearned revenue (current and long-term portion), and is being amortized as revenue from the period which began on January 1, 2010 until the end of the contract in April 2015. The unamortized balance of the lump-sum payment received is recorded as unearned revenue at each fiscal year-end. In the fiscal year ended March 31, 2011, ¥7,322 million ($88,058 thousand) was recognized as revenues related to the extension of the co-promotion agreement and included in other income.

In addition to the above, Otsuka Pharmaceutical Co., Ltd. and BMS entered into a contract regarding the anticancer agents *SPRYCEL* and *IXEMPRA* as described below, and revenues associated with this contract have been recognized beginning from January 1, 2010.

a. Otsuka Pharmaceutical Co., Ltd. co-develops and co-promotes *SPRYCEL* with BMS in the U.S., Japan and major countries in Europe, and incurs certain expenses in the U.S., Europe, and Japan.
b. From 2010 to 2020, Otsuka Pharmaceutical Co., Ltd. receives a profit share based on the total sales amount of *SPRYCEL* and *IXEMPRA*.

With regard to the aforementioned contracts, a provision went into effect on January 1, 2010 stipulating that if during the above contract period generic products for *ABILIFY* were launched in the U.S. and BMS requests cancellation of the contract, Otsuka Pharmaceutical Co., Ltd. is obligated to pay compensation, including the above agreements lump-sum payment, as agreed upon under the agreement. The amount of the compensation minus the unearned revenue balance, represents the contingent liability at each fiscal year-end. As of March 31, 2011, the contingent liability balance was ¥25,863 million ($311,040 thousand). BMS also retains the right to cancel the contracts for *SPRYCEL* and *IXEMPRA* in the event generic products of *ABILIFY* are launched in the U.S. prior to February 22, 2014.

20. Comprehensive income

Other comprehensive income (loss) for the year ended March 31, 2010 consists of the following:

	Millions of Yen
Other comprehensive income (loss):	
Unrealized gain on available-for-sale securities	¥ 5,160
Foreign currency translation adjustments	3,718
Share of other comprehensive income in affiliated companies	1,509
Total other comprehensive income (loss)	¥10,387

Total comprehensive income for the year ended March 31, 2010 comprises the following:

	Millions of Yen
Total comprehensive income attributable to:	
Owners of the parent	¥76,951
Minority interests	1,890
Total comprehensive income	¥78,841

21. Cash flow information

(1) Assets and liabilities of companies newly consolidated through acquisitions for the fiscal year ended March 31, 2009

	Millions of Yen
Current assets	¥106,007
Non-current assets	78,802
Goodwill	27,996
Current liabilities	(38,618)
Long-term liabilities	(53,811)
Treasury stock	22,381
Foreign currency transaction adjustments	(14)
Minority interests	(45,807)
Carrying values of investments in newly consolidated companies at the date of acquisition	(16,160)
Acquisition costs	80,776
Cash and cash equivalent of newly consolidated companies	(46,306)
Payments for the acquisitions	¥ 34,470

(2) Assets and liabilities of business transfer for the fiscal year ended March 31, 2011.

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥5,095	$ 61,275
Non-current Assets	1,734	20,854
Current liabilities	(1,592)	(19,146)
Long-term liabilities	(735)	(8,839)
Other comprehensive income	(1)	(13)
Cost on transfer of business	4,501	54,131
Loss on transfer of business	(1,901)	(22,862)
Price on transfer of business	2,600	31,269
Cash and cash equivalent, business	(500)	(6,013)
Proceeds from transfer business	¥2,100	$ 25,256

(3) Non-monetary transactions

Increase in capital and capital surplus as a result of the stock-for-stock exchanges:

	Millions of Yen			Thousands of U.S. Dollars
	2011.3	2010.3	2009.3	2011.3
Capital	¥ —	¥ —	¥ 280	$ —
Capital surplus	—	76,666	226,992	—
Treasury stock	—	(23,272)	—	—
Total	¥ —	¥53,394	¥227,272	$ —

22. Net income per share

The following is a reconciliation of the differences between basic and diluted net income per share ("EPS"), after retroactive restatement of stock split, for the years ended March 31, 2011, 2010 and 2009.

For the year ended March 31, 2011	Millions of Yen	Thousands of shares	Yen	U.S.Dollars
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥80,989	500,599	¥161.78	$ 1.95
Effect of Dilutive Securities				
Warrants	(23)	—		
Stock options	—	443		
Diluted EPS				
Net income for computation	¥80,966	501,042	¥161.60	$ 1.94

For the year ended March 31, 2010	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders	¥67,425	469,833	¥143.51
Effect of Dilutive Securities			
Warrants	(17)	—	
Diluted EPS			
Net income for computation	¥67,408	469,833	¥143.47

For the year ended March 31, 2009	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
Basic EPS			
Net income available to common shareholders	¥47,084	345,291	¥136.36
Effect of Dilutive Securities			
Warrants	(36)	—	
Diluted EPS			
Net income for computation	¥47,048	345,291	¥136.26

23. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the Company's Board of Directors held on May 12, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥28.0($0.34) per share	¥15,619	$187,841

24. Segment information

For the years ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Group's core business is in healthcare and consists of the "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Other" businesses. The Group defines the reporting segments as follows:

- Pharmaceuticals, which comprises research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which comprises production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which comprises mineral water, beverages and food products.
- Other, which encompasses other operations, comprising logistics, warehousing, chemical products and electronics.

2. Methods of measurement for the amounts of sales, profit (loss), assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit (loss), assets and other items is as follows.

2011.3	Millions of Yen						
	Reportable segment					Reconciliations	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	¥721,402	¥249,489	¥ 46,752	¥ 72,570	¥1,090,213	¥ —	¥1,090,213
Intersegment sales and transfers	—	2,268	692	33,941	36,901	(36,901)	—
Total	721,402	251,757	47,444	106,511	1,127,114	(36,901)	1,090,213
Segment profit (loss)	134,433	17,861	(2,082)	4,351	154,563	(37,060)	117,503
Segment assets	459,231	189,008	134,959	119,068	902,266	687,374	1,589,640
Other:							
Depreciation	17,818	14,241	778	4,948	37,785	5,183	42,968
Amortization of goodwill	2,629	1,703	132	150	4,614	—	4,614
Investment of equity-method affiliated companies	14,346	8,961	108,335	10,336	141,978	—	141,978
Increase of tangible and intangible fixed assets	¥ 24,263	¥ 11,514	¥ 804	¥ 2,889	¥ 39,470	¥ 4,691	¥ 44,161

2010.3	Millions of Yen						
	Reportable segment					Reconciliations	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	¥715,901	¥246,969	¥ 50,113	¥ 71,309	¥1,084,292	¥ —	¥1,084,292
Intersegment sales and transfers	10	1,806	1,003	33,767	36,586	(36,586)	—
Total	715,911	248,775	51,116	105,076	1,120,878	(36,586)	1,084,292
Segment profit (loss)	132,867	2,255	(8,400)	4,437	131,159	(32,678)	98,481
Segment assets	437,380	204,207	147,456	125,255	914,298	544,078	1,458,376
Other							
Depreciation	17,930	13,823	972	5,173	37,898	4,898	42,796
Amortization of goodwill	2,389	1,630	141	124	4,284	—	4,284
Investment of equity-method affiliated companies	9,037	9,138	120,283	9,899	148,357	—	148,357
Increase of tangible and intangible fixed assets	¥ 21,627	¥ 23,079	¥ 841	¥ 7,655	¥ 53,202	¥ 7,643	¥ 60,845

2011.3	Thousands of U.S. Dollars						
	Reportable segment					Reconciliations	Consolidated
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	$8,675,911	$3,000,469	$ 562,261	$ 872,760	$13,111,401	$ —	$13,111,401
Intersegment sales and transfers	—	27,276	8,322	408,190	443,788	(443,788)	—
Total	8,675,911	3,027,745	570,583	1,280,950	13,555,189	(443,788)	13,111,401
Segment profit (loss)	1,616,753	214,805	(25,039)	52,326	1,858,845	(445,701)	1,413,144
Segment assets	5,522,922	2,273,097	1,623,079	1,431,966	10,851,064	8,266,675	19,117,739
Other							
Depreciation	214,287	171,269	9,357	59,507	454,420	62,333	516,753
Amortization of goodwill	31,618	20,481	1,587	1,804	55,490	—	55,490
Investment of equity-method affiliated companies	172,532	107,769	1,302,886	124,305	1,707,492	—	1,707,492
Increase of tangible and intangible fixed assets	$ 291,798	$ 138,473	$ 9,669	$ 34,744	$ 474,684	$ 56,416	$ 531,100

Notes:

1) Adjustments to segment profit of ¥37,060 million ($445,701 thousand) include intersegment eliminations of ¥1,736 million ($20,878 thousand) and unallocated corporate expenses of ¥38,796 million ($466,579 thousand) for the year ended March 31, 2011. Adjustments to segment profit of ¥32,678 million include intersegment eliminations of ¥1,119 million and unallocated corporate expenses of ¥33,797 million for the year ended March 31, 2010. Corporate expenses include costs associated with headquarter and research functions.
2) Adjustments to segment assets of ¥687,374 million ($8,266,675 thousand) include intersegment eliminations of ¥6,717 million ($80,781 thousand) and corporate assets of ¥694,091 million ($8,347,456 thousand) for the year ended March 31, 2011. Adjustments to segment assets of ¥544,078 million include intersegment eliminations of ¥6,456 million and corporate assets of ¥550,534 million for the year ended March 31, 2010. Corporate assets include assets associated with headquarter and research institutes.
3) Adjustments to depreciation consist of depreciation of tangible fixed assets, intangible fixed assets and prepaid expenses-long for common properties of the Company and some consolidated subsidiary's headquarters and research institutes.
4) Adjustments to increase of tangible and intangible fixed assets consist of capital expenditures of common properties of the Company and some consolidated subsidiary's headquarters and research institutes.
5) Segment profit is adjusted to the operating income in the consolidated statement of income.

4. Information about products and services

2011.3	Millions of Yen		
	ABILIFY	Other	Total
Sales to external customers	¥365,823	¥724,390	¥1,090,213

2011.3	Thousands of U.S. Dollars		
	ABILIFY	Other	Total
Sales to external customers	$4,399,555	$8,711,846	$13,111,401

5. Information about geographical areas

(1) Sales

Millions of Yen 2011.3			
Japan	North America	Other	Total
¥574,745	¥374,206	¥141,262	¥1,090,213

Thousands of U.S. Dollars 2011.3			
Japan	North America	Other	Total
$6,912,147	$4,500,373	$1,698,881	$13,111,401

Note: Sales are classified in countries or regions based on location of customers.

(2) Tangible fixed assets

Millions of Yen 2011.3		
Japan	Other	Total
¥210,151	¥46,682	¥256,833

Thousands of U.S. Dollars 2011.3		
Japan	Other	Total
$2,527,372	$561,419	$3,088,791

6. Information about major customers

In the fiscal year ended March 31, 2011, there were no individual customers exceeding 10% of total net sales.

7. Information about impairment losses on fixed assets

2011.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Impairment losses	—	¥ 2,249	¥137	¥ 14	¥243	¥ 2,643

2011.3	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Impairment losses	—	$ 27,047	$1,648	$ 169	$2,922	$ 31,786

8. Information about amortization of goodwill and goodwill balance

2011.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 2,629	¥ 1,703	¥132	¥ 150	—	¥ 4,614
Goodwill at March 31, 2011	¥ 7,915	¥30,571	¥641	¥2,318	—	¥41,445

2011.3	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization of goodwill	$ 31,618	$ 20,481	$1,587	$ 1,804	—	$ 55,490
Goodwill at March 31, 2011	$ 95,189	$367,661	$7,709	$27,878	—	$498,437

9. Information about amortization of negative goodwill arising before April 1, 2011

2011.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization of negative goodwill	¥ 2,208	—	—	¥ 288	—	¥ 2,496
Negative goodwill at March 31, 2011	¥26,079	—	—	¥2,854	—	¥28,933

2011.3	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization of negative goodwill	$ 26,554	—	—	$ 3,464	—	$ 30,018
Negative goodwill at March 31, 2011	$313,638	—	—	$34,324	—	$347,962

10. Information about gain on negative goodwill

In the fiscal year ended March 31, 2011, there was no gain on negative goodwill other than the amortization of pre-2011 amounts.

For the years ended March 31, 2010 and 2009

The Group operates in the following businesses:

- Pharmaceuticals, which comprises research and development, production and sales of prescription drugs and clinical nutrition.
- Nutraceuticals, which comprises production and sales of functional foods, over-the-counter drugs and supplements.
- Consumer products, which comprises mineral water, beverages and food products.
- Other, which encompasses other operations, comprising logistics, warehousing, chemical products, agricultural products and electronics.

Information about business segments, geographical segments and overseas sales of the Group for the years ended March 31, 2010 and 2009 is as follows:

(1) Business segments

a. Sales and Operating income

2010.3	Millions of Yen						
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥715,901	¥246,969	¥50,113	¥ 71,309	¥1,084,292	¥ —	¥1,084,292
Intersegment sales	10	1,806	1,003	33,767	36,586	(36,586)	—
Total sales	715,911	248,775	51,116	105,076	1,120,878	(36,586)	1,084,292
Operating expenses	583,044	246,520	59,516	100,639	989,719	(3,908)	985,811
Operating income (loss)	¥132,867	¥ 2,255	¥ (8,400)	¥ 4,437	¥ 131,159	¥(32,678)	¥ 98,481

2009.3	Millions of Yen						
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥651,710	¥217,928	¥51,934	¥34,375	¥955,947	¥ —	¥955,947
Intersegment sales	468	1,223	146	25,748	27,585	(27,585)	—
Total sales	652,178	219,151	52,080	60,123	983,532	(27,585)	955,947
Operating expenses	518,604	224,363	55,754	57,824	856,545	7,882	864,427
Operating income (loss)	¥133,574	¥ (5,212)	¥ (3,674)	¥ 2,299	¥126,987	¥(35,467)	¥ 91,520

b. Total assets, Depreciation, Impairment loss and Capital expenditures

2010.3	Millions of Yen						
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥432,916	¥197,748	¥147,456	¥125,256	¥903,376	¥555,000	¥1,458,376
Depreciation	20,381	15,104	1,127	5,337	41,949	4,677	46,626
Impairment loss	42	1,789	180	100	2,111	249	2,360
Capital expenditures	21,110	23,128	849	7,708	52,795	9,661	62,456

2009.3	Millions of Yen						
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥345,719	¥194,132	¥148,473	¥122,123	¥810,447	¥488,343	¥1,298,790
Depreciation	22,285	10,516	675	2,488	35,964	4,332	40,296
Impairment loss	930	—	—	106	1,036	529	1,565
Capital expenditures	16,292	36,759	545	2,572	56,168	7,267	63,435

(2) Geographical segments

The geographical segments of the Company and its subsidiaries for the years ended March 31, 2010 and 2009 were summarized as follows:

2010.3	Millions of Yen					
	Japan	U.S.	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 597,273	¥369,762	¥117,257	¥1,084,292	¥ —	¥1,084,292
Intersegment sales	112,105	36,423	4,316	152,844	(152,844)	—
Total sales	709,378	406,185	121,573	1,237,136	(152,844)	1,084,292
Operating expenses	622,877	394,880	113,152	1,130,909	(145,098)	985,811
Operating income	¥ 86,501	¥ 11,305	¥ 8,421	¥ 106,227	¥ (7,746)	¥ 98,481
Total assets	¥1,344,431	¥124,162	¥130,664	¥1,599,257	¥(140,881)	¥1,458,376

2009.3	Millions of Yen					
	Japan	U.S.	Other	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥ 613,632	¥288,909	¥ 53,406	¥ 955,947	¥ —	¥ 955,947
Intersegment sales	75,318	26,099	2,195	103,612	(103,612)	—
Total sales	688,950	315,008	55,601	1,059,559	(103,612)	955,947
Operating expenses	615,107	305,120	50,365	970,592	(106,165)	864,427
Operating income	¥ 73,843	¥ 9,888	¥ 5,236	¥ 88,967	¥ 2,553	¥ 91,520
Total assets	¥1,211,309	¥104,981	¥103,896	¥1,420,186	¥(121,396)	¥1,298,790

(3) Overseas sales

Overseas sales for the year ended March 31, 2010 and 2009 were as follows:

2010.3	Millions of Yen		
	U.S.	Other	Total
Overseas sales	¥388,433	¥137,083	¥ 525,516
Consolidated net sales			¥1,084,292
Overseas sales as a percentage of consolidated net sales	35.8%	12.6%	48.4%

2009.3	Millions of Yen		
	U.S.	Other	Total
Overseas sales	¥328,324	¥66,691	¥395,015
Consolidated net sales			¥955,947
Overseas sales as a percentage of consolidated net sales	34.3%	7.0%	41.3%

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Otsuka Holdings Co., Ltd. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income for each of the three years in the period ended March 31, 2011, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for each of the three years in the period ended March 31, 2011, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Otsuka Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

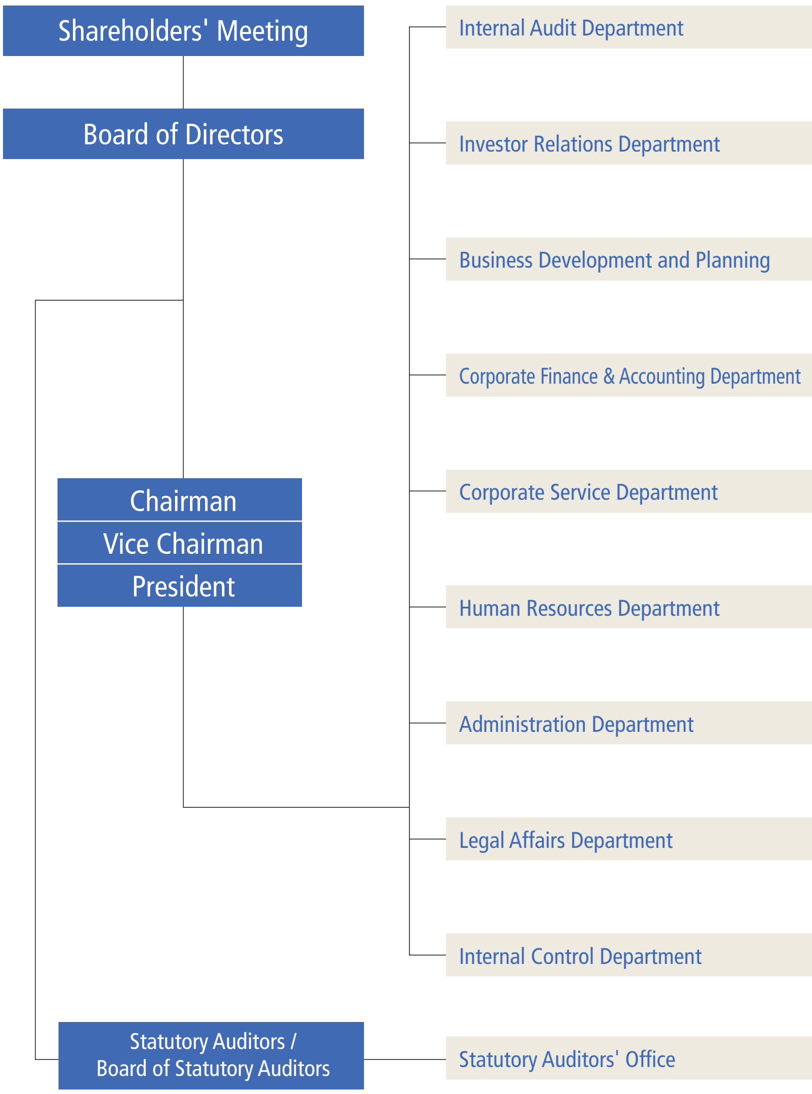
Deloitte Touche Tohmatsu LLC

June 23, 2011

Member of
Deloitte Touche Tohmatsu Limited

Corporate Information

Company organization (as of July 1, 2011)



Board of directors (as of July 1, 2011)

Chairman, Representative Director
Akihiko Otsuka

Vice Chairman, Representative Director
Kenichiro Otake

President and Representative Director, CEO
Tatsuo Higuchi

Senior Managing Director, Finance
Atsumasa Makise

Managing Director, Business Development and Planning
Noriko Tojo

Managing Director, Administration
Yoshiro Matsuo

Executive Directors
Yujiro Otsuka
Yukio Kobayashi
Sadanobu Tobe

Standing Statutory Auditor
Masatoshi Taniguchi

External Statutory Auditors
Yasuhisa Katsuta
Norikazu Yahagi
Hiroshi Sugawara

Corporate profile (as of March 31, 2011)

Company name	Otsuka Holdings Co., Ltd.
Established	July 8, 2008
Capital	JPY 81.69 billion
Registered address	2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo 101-0048, Japan
Tokyo headquarters	Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan Tel +81-3-6717-1410
Number of employees	73 (Consoldated: 25,188)
Business description	Control, management and related activities with respect to the Company's subsidiaries and affiliates active in the pharmaceutical industry, nutraceutical industry, consumer products and other areas.
Public notices	http://www.otsuka.com/en/

Shareholder Information

As of March 31, 2011

Number of shares authorized	1,600,000,000
Number of shares issued	557,835,617
Number of shareholders	61,141

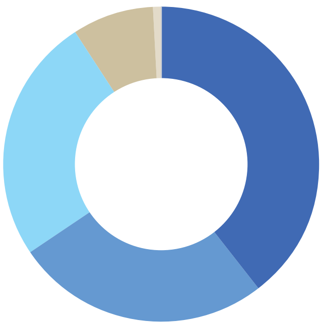
Principal shareholders

Name	Number of shares held (thousands)	Percentage of voting rights (%)
The Nomura Trust and Banking Co., Ltd. (Otsuka Founders Shareholding Fund Trust Account)	64,981	11.64
Otsuka Estate Ltd.	40,529	7.26
Otsuka Group Employee Shareholding Fund	30,224	5.41
Japan Trustee Services Bank, Ltd. (Trust Account)	15,349	2.75
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,171	2.54
Nomura Holdings, Inc.	12,195	2.18
Otsuka Asset Co., Ltd.	12,000	2.15
The Awa Bank, Limited	10,970	1.96
Toho Holdings Co., Ltd.	7,670	1.37
Resona Bank, Ltd.	5,064	0.90

Notes
1) Holdings of less than one thousand are rounded down.
2) For the purpose of calculating the percentage of voting rights, treasury stock (2,044 shares) has been excluded.

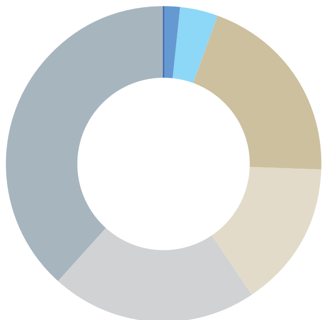
Stock distribution

Distribution of Shares by Type of Shareholder



Individuals and others	59,730	39.50%
Financial institutions	73	26.19%
Other corporations	949	25.40%
Foreign corporations	346	8.24%
Securities companies	42	0.67%
Treasury shares	1	0.00%

Distribution of Shares by Number of Shares Owned



1-99 shares	610	0.00%
100-999 shares	46,366	1.80%
1,000-9,999 shares	9,836	3.97%
10,000-99,999 shares	3,926	19.98%
100,000-999,999 shares	334	15.08%
1,000,000-4,999,999 shares	59	20.96%
More than 5,000,000 shares	10	38.21%

Otsuka

Otsuka Holdings Co., Ltd.

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