ANNUAL REPORT 2014/12

For the 9-month fiscal period ended December 31, 2014

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

"JISSHO" (Proof through Execution) and "SOZOSEI" (Creativity)

The Otsuka Group is a global healthcare group operating under the corporate philosophy of "Otsuka-people creating new products for better health worldwide." The Company takes an integrated approach to healthcare for the whole body, building its business on two main strategic pillars: the pharmaceutical business, which contributes to the diagnosis and treatment of disease, and the nutraceutical* business, which supports the maintenance and improvement of day-to-day well-being. Every day, Otsuka employees—in 27 countries and regions around the world—seek new solutions to health needs, with the mission of making humanity's universal wish for good health a reality for everyone.

*nutraceuticals = nutrition + pharmaceuticals

Creating our own unique and innovative products

Developing a truly global business

Building new category markets

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.

Contents in Brief

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Contents

In August 2014, Otsuka Holdings released its Second Medium-Term Management Plan. This five-year plan will carry us through to the end of fiscal 2018 on December 31, 2018.

During this period, we will focus on leveraging the quality asset that is the global performance of our pharmaceutical value chain, which came to play a major role under the First Medium-Term Management Plan, and on accelerating growth both globally and domestically. As a total healthcare company, the Otsuka Group is also determined to ensure sustained growth in its other pivotal business, the nutraceuticals segment. We have already launched structural reforms and will move forward during this period to strengthen the fundamental structure of this business.

The strength of our Group lies in the diversity of its business operations. In addition to the two driving forces of pharmaceuticals and nutraceuticals, Otsuka is also involved in the clinical nutrition, chemicals, and medical device businesses. Building on this strength, we aim to achieve larger scale and more rapid growth while improving the quality of our businesses by diversifying our earnings structure and implementing strategies to prepare for the sustainable, long-term growth we envision after 2018 in our Third Medium-Term Management Plan.

We will spare no effort to achieve our Group's ultimate goal of becoming an indispensable contributor to people's health worldwide. This goal is based on the corporate philosophy, "Otsuka-people creating new products for better health worldwide," proposed by Akihiko Otsuka, Chairman of Otsuka Holdings, who passed away in November 2014. With deep appreciation of your courtesies to him over the years, we thank you for your continued support and encouragement.

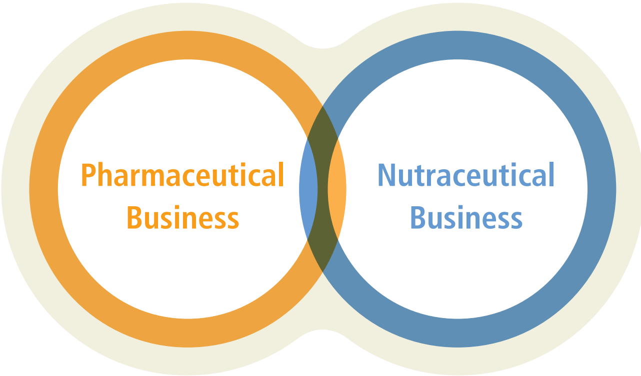
Tatsuo Higuchi
President and Representative Director, CEO
Otsuka Holdings Co., Ltd.

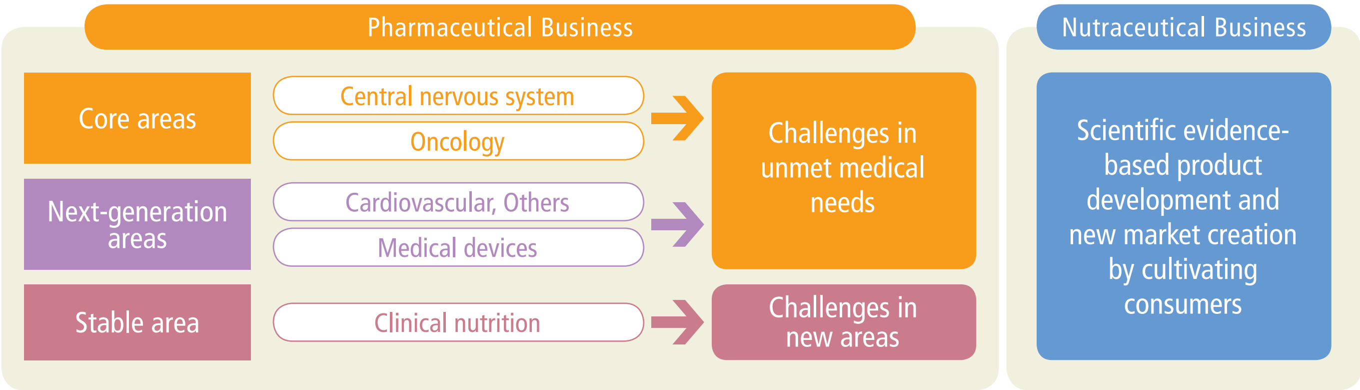
Global Expansion through Two Mainstay Businesses

The Otsuka Group has two core businesses: the pharmaceutical business and the nutraceutical business.

The pharmaceutical business provides comprehensive support for human health, meeting the entire range of medical needs, from diagnosis to treatment of disease. The nutraceutical business helps people to maintain and improve their daily health and well-being.

By carrying out its operations in these two core businesses, the Otsuka Group contributes to the health of people worldwide.

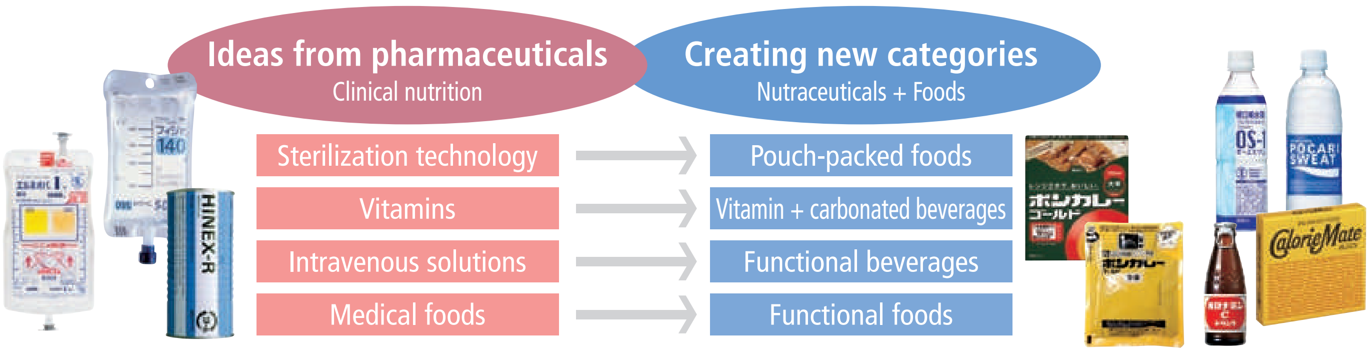




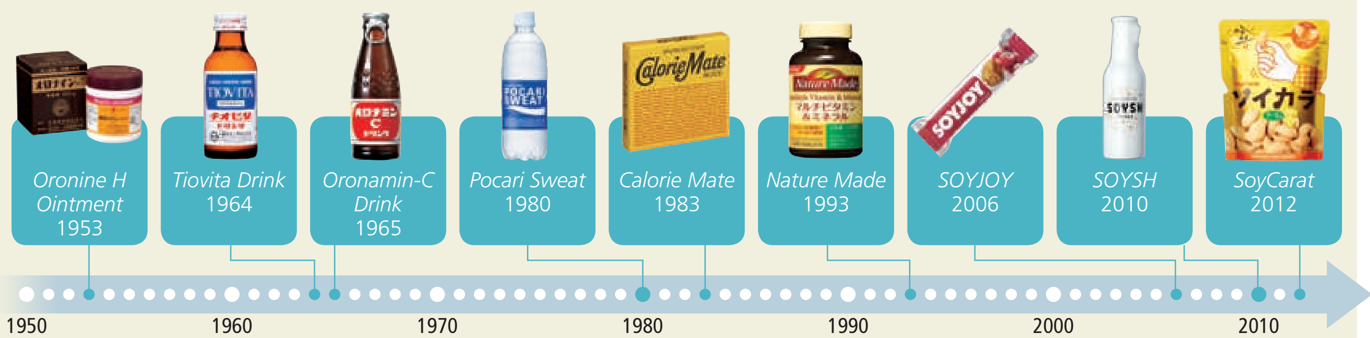
Synergy of Pharmaceuticals and Nutraceuticals

Otsuka develops products by leveraging its experience and knowhow in the intravenous solutions business and in clinical nutrition, which have been the Group's main business areas since its foundation.

Our products have created new markets thanks to their originality, and many of them have retained their brand strength as long-selling products.



Powerful brand equities



Financial Highlights

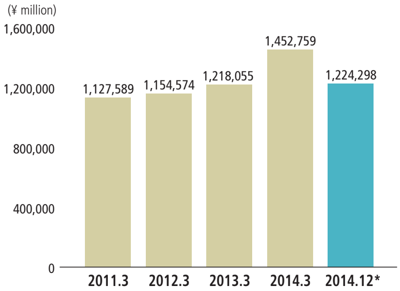
Important information regarding change in consolidated fiscal year end

Following a resolution on the partial amendment of the Articles of Incorporation at the 6th Annual Shareholders' Meeting held on June 27, 2014, the Company changed its consolidated fiscal year end from March 31 to December 31. Furthermore, 23 consolidated domestic subsidiaries also changed their fiscal year end from March 31 to December 31. Consequently, the consolidated financial report for the transitional FY2014 period represents the results for the nine-month period from April 1 to December 31, 2014.

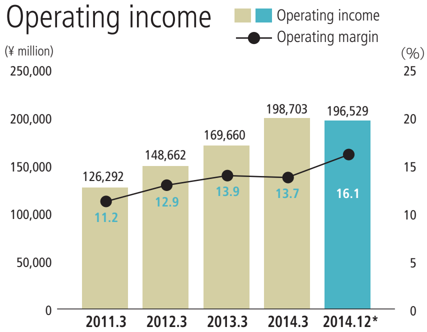
					Millions of Yen	Millions of U.S. Dollars (Note 1)
	2011.3 (FY2010) (Notes 3 and 4)	2012.3 (FY2011)	2013.3 (FY2012)	2014.3 (FY2013)	2014.12* (FY2014)	2014.12* (FY2014)
Net sales	¥1,127,589	¥1,154,574	¥1,218,055	¥1,452,759	¥1,224,298	$10,156
Operating income	126,292	148,662	169,660	198,703	196,529	1,630
Net income	82,370	92,174	122,429	150,990	143,144	1,187
Per share of common stock-basic (Yen and U.S. dollars)	164.52	165.20	221.90	278.07	264.20	2.19
Dividends per share (Yen and U.S. dollars)	28.00	45.00	58.00	65.00	75.00	0.62
Capital expenditures	44,793	43,302	63,256	178,984	88,226	732
Depreciation and amortization	48,097	48,062	45,463	49,746	45,538	378
R&D expenses	164,671	159,230	192,364	249,010	172,851	1,434
Total assets	1,589,717	1,666,767	1,779,208	2,028,400	2,178,184	18,069
Net assets (Note 2)	1,163,326	1,222,765	1,325,071	1,510,760	1,658,600	13,759
Return on equity	7.9%	7.8%	9.7%	10.8%	9.2%	9.2%
Equity ratio	72.4%	72.5%	73.7%	73.2%	74.7%	74.7%
Number of shares issued	557,835,617	557,835,617	557,835,617	557,835,617	557,835,617	557,835,617
Number of employees	25,188	24,595	25,330	28,288	29,482	29,482

Notes:
1. Financial information in U.S. dollars has been converted at US$1=¥120.55, the rate as of December 31, 2014.
2. Minority interests have been included in net assets.
3. Effective from FY2010, the Company applied "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 revised on June 30, 2010), "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 revised on June 30, 2010), and "Practical Solution on Accounting for Earnings Per Share" (ASBJ PITF No. 9 revised on June 30, 2010). Basic and diluted net incomes per share (EPS) for FY2010 have been adjusted retrospectively.
4. From FY2011, the Company changed its method of accounting for translating the revenue and expense of foreign subsidiaries and affiliated companies and its method of presentation for up-front licensing payments received. The FY2010 figures have been adjusted retrospectively to apply the changes in accounting policy and method of presentation described above. The cumulative effect of these changes up to FY2009 is reflected in the FY2010 beginning equity balances.

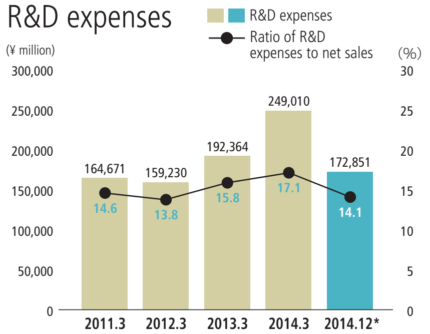
Net sales



Operating income

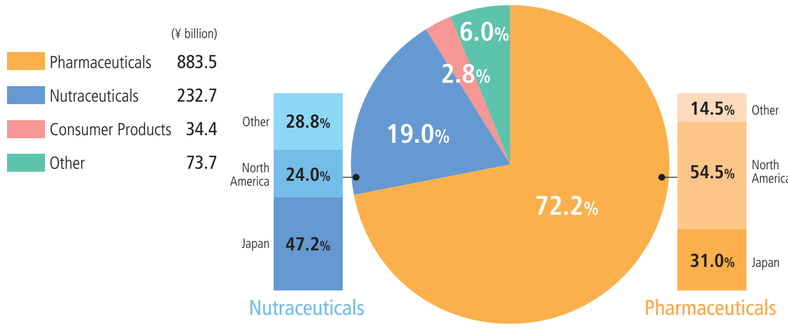


R&D expenses



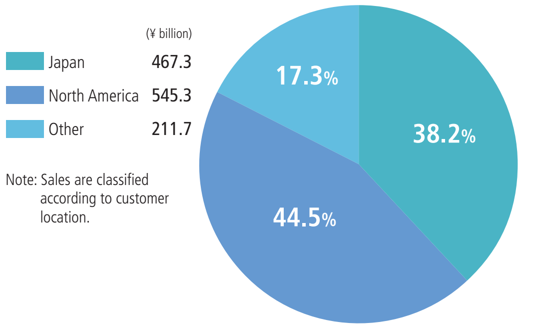
Sales by business segment

(External sales)



Sales by geographical area

(External sales)



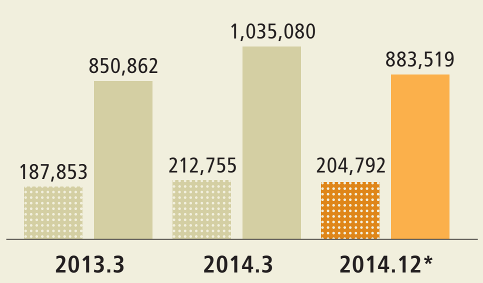
Note: Sales are classified according to customer location.

* 2014.12 (FY2014) represents nine months.

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

Pharmaceuticals

Performance (¥ million) Net sales Operating income

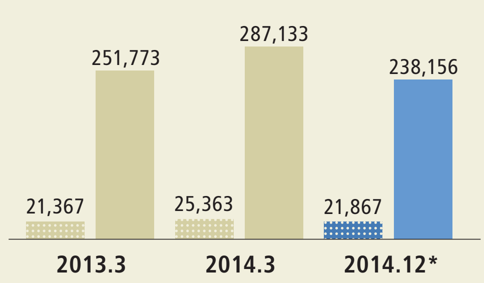


Our comprehensive approach to pharmaceutical research and development ranges from diagnosis to treatment of diseases targeted at unmet medical needs.

Pharmaceuticals / Clinical nutrition / Diagnostics / Medical devices

Nutraceuticals

Performance (¥ million) Net sales Operating income

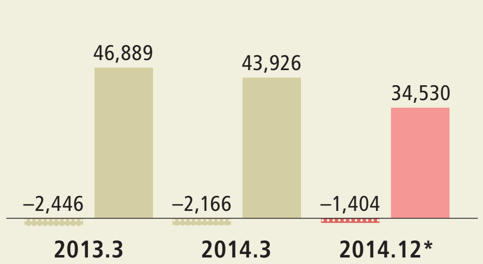


Expertise developed through our pharmaceuticals business is applied to the research and development of products that aid in the maintenance and improvement of day-to-day well-being.

Functional foods and beverages / Cosmedics** / OTC products, Quasi-drugs

Consumer Products

Performance (¥ million) Net sales Operating loss

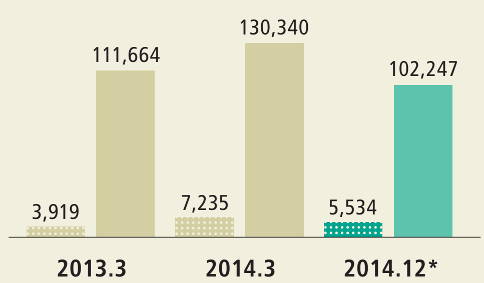


The Otsuka Group is engaged in the research and development of original and unique products in the food and beverage field.

Beverages / Foods / Alcoholic beverages

Other

Performance (¥ million) Net sales Operating income



This segment covers a wide range of businesses from chemical products to electronic equipment.

Specialty chemicals / Fine chemicals / Distribution / Packaging / Electronic equipment

* 2014.12 (FY2014) represents nine months. ** Cosmetics + medicine Note: Intersegment sales are included.

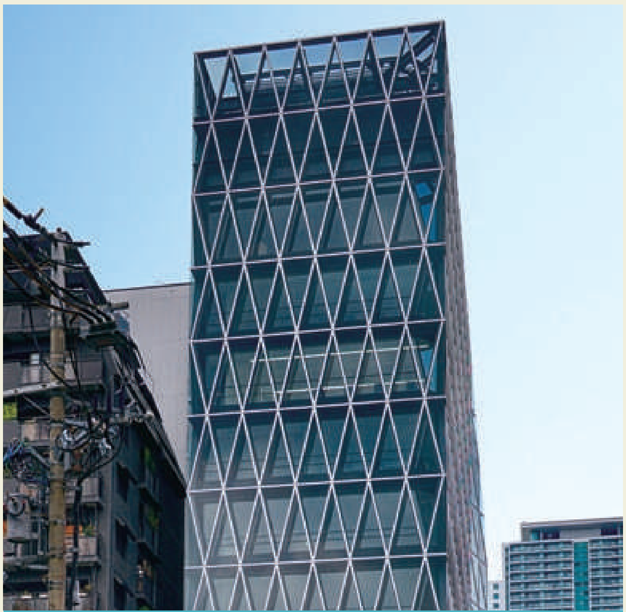
Otsuka Holdings was established on July 8, 2008 as a holding company for the Otsuka Group to improve overall Group corporate value. Otsuka Holdings will support the sustainable growth of Group companies, maximize the Group's synergies by integrating management resources, increase management efficiency,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

Group structure

(as of December 31, 2014)

Otsuka Holdings

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



Otsuka Pharmaceutical Co., Ltd.

Established in 1964, Otsuka Pharmaceutical is a total healthcare company. In keeping with its corporate philosophy of "Otsuka-people creating new products for better health worldwide," the company aims to care for people's overall health not only by treating illness, but also by sustaining day-to-day well-being. Otsuka Pharmaceutical operates a pharmaceutical business to provide new therapeutic agents, as well as a nutraceutical business to provide products that help people lead healthier and more active lives.

Taiho Pharmaceutical Co., Ltd.

Established in 1963, Taiho Pharmaceutical is a pioneer in the field of oral anti-cancer agents and is known in Japan as "Taiho, the anti-cancer drug maker." The company has also been developing unique and novel drugs in the fields of allergies, immunology and urology. In the consumer healthcare field, Taiho Pharmaceutical's product brands have been loved by consumers for decades. Based on its corporate philosophy, "We strive to improve human health and contribute to a society enriched by smiles," Taiho Pharmaceutical aspires to be an agile specialty pharmaceutical company that is trusted the world over.

Otsuka Pharmaceutical Factory, Inc.

Founded in 1921, Otsuka Pharmaceutical Factory is the original company of the Otsuka Group and meets a wide range of needs with its innovative products, including intravenous solutions, rehydration beverages, and medical foods. It also operates a consignment business that makes use of its proprietary intravenous solution technologies. The company is taking on the challenge of developing global markets, especially in Asia. With the aim of being the best partner for people worldwide in the field of clinical nutrition, the company constantly seeks to take on new challenges. Otsuka Pharmaceutical Factory will continue to deliver a stable supply of safe, high-quality products to patients and healthcare professionals.

Otsuka Chemical Co., Ltd.

Otsuka Chemical has been developing a range of businesses since 1950. These include operations in hydrazine-related business such as foaming agents, a fine chemicals business handling materials such as pharmaceutical intermediates, and a materials business that supplies titanate and engineering plastics compounds. Its corporate philosophy is, "Trusted by individuals, Trusted by the company, Trust is the dream of our society. Building trust with technology and commitment. Spreading trust with the people around the world." True to this philosophy, Otsuka Chemical is working creatively with customers to realize the full potential of chemical materials.

Otsuka Warehouse Co., Ltd.

In addition to providing product storage and logistics within the Group, Otsuka Warehouse distributes products to market for the Otsuka Group as well as for other firms. In recent years, Otsuka Warehouse has increased the percentage of its non-Group sales to over 50% through its strategy of promoting a common distribution platform for the three product areas of pharmaceuticals, food and beverages, and daily necessities. The company has also been forming partnerships with firms such as a leading instant noodle manufacturer and a pharmaceutical company. As a result of these efforts of this kind, the company received the Logistics Grand Prize (Management Innovation Award) in 2013, the most prestigious accolade in the Japanese logistics industry.

Otsuka Medical Devices Co., Ltd.

Otsuka Medical Devices was established in 2011 to oversee the Otsuka Group's medical device businesses. One such enterprise is JIMRO, which manufactures and sells *Adacolumn*, an apheresis device for granulocyte adsorption in inflammatory bowel disease. Other businesses include Achieva Medical and Microport Scientific, both located in Shanghai, China, as well as Era Endoscopy based in Pisa, Italy. Then there is KiSCO, which focuses on orthopedic implant devices for spinal disease. Otsuka Medical Devices is expanding its businesses globally, and aspires to become one of the Group's core businesses.

History of the Otsuka Group

Otsuka-people creating new products for better health worldwide

Foundation phase Started as a chemical raw material manufacturer in Naruto, Tokushima Prefecture, Japan

Growth phase Opened the Tokushima Research Institute with the aim of in-house drug development. Numerous nutraceutical products opened up new markets, diversifying the Group's business

- **1921** Established Otsuka Pharmaceutical Factory
- **1946**
- **1950** Established Otsuka Chemical
- **1953**
- **1955** Established Otsuka Foods
- **1961** Established Otsuka Warehouse
- **1963** Established Taiho Pharmaceutical
- **1964** Established Otsuka Pharmaceutical
- **1965**
- **1971**
- **1973** Undertook overseas business development in the U.S. and Thailand
- **1974** Established P.T. Otsuka Indonesia and Taiwan Otsuka Pharmaceutical

History of product development

1 1946 Entered pharmaceutical business (intravenous solutions)

3 1964 *Tiovita Drink*

5 1968 *Bon Curry*

7 1980 *Mikelan and Meptin*

9 1984 *UFT*

11 1990 *Mucosta*

13 1999 *TS-1*

2 1953 *Oronine H Ointment*

4 1965 *Oronamin C Drink*

6 1980 *Pocari Sweat*

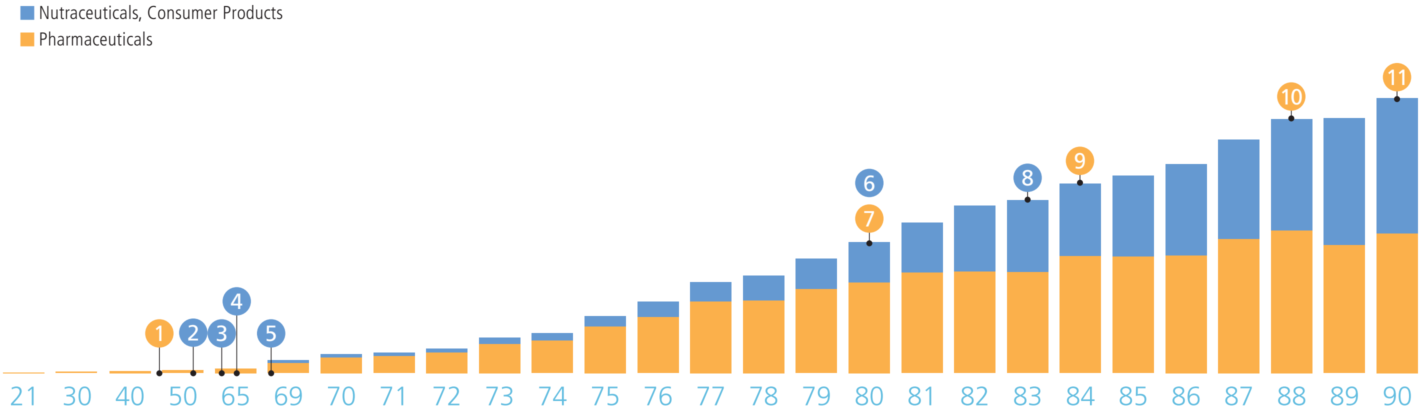
8 1983 *Calorie Mate*

10 1988 *Pletal*

12 1993 *Nature Made* (Japan)

14 2002 *ABILIFY*

Otsuka Group Sales Trend



History of M&A and alliances

*1: Crystal Geyser Water Company
*2: Bristol-Myers Squibb Company
*3: Nutrition & Santé

1980~

- **1989** Pharmavite joined the Otsuka Group
- **1990** Crystal Geyser*1 joined the Otsuka Group
- **1999** Co-development and co-commercialization agreement for *ABILIFY* with BMS*2 (U.S. and EU)

2000~

- **2004** Equity participation in MicroPort Medical
- **2005** Equity participation in VV Food & Beverage and expanded *SOYJOY* business in China
- **2008** Equity participation in major mineral water company, ALMA

Important information regarding change in consolidated fiscal year end

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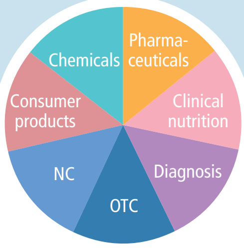
International business development phase — Started aggressive global expansion

Expansion phase — Pursuing further global growth

1977 Established Arab Otsuka Pharmaceutical

1980



1981 Established China Otsuka Pharmaceutical

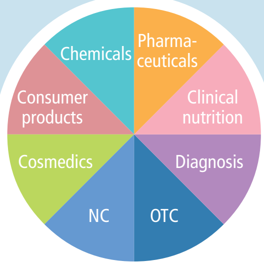
1982 Established Korea Otsuka Pharmaceutical

1988 Established Otsuka Pakistan

1993 Established Guangdong Otsuka Pharmaceutical

1998 Established Otsuka Pharmaceutical Europe

2005



2008 Established Otsuka Holdings

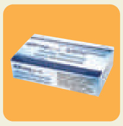
2010 Publicly listed the Company's shares

2011 Established Otsuka Medical Devices

15 2006 *SOYJOY*

17 2010 *SOYSH* and *Gerblé* (Japan)

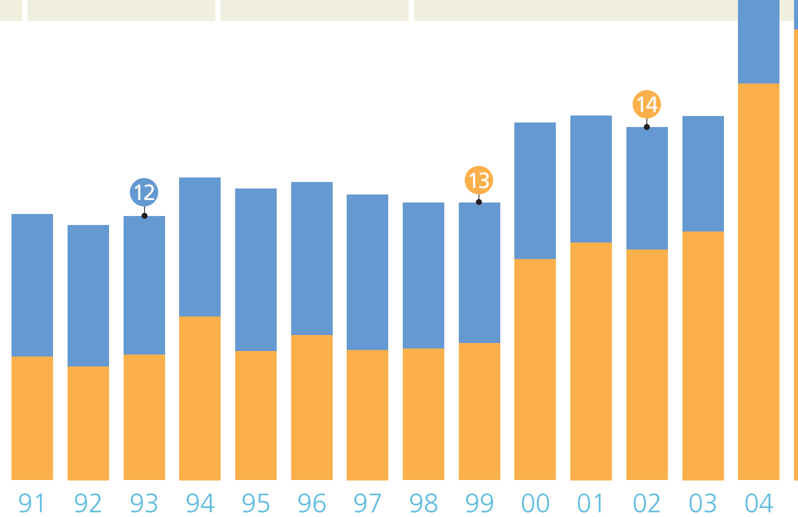
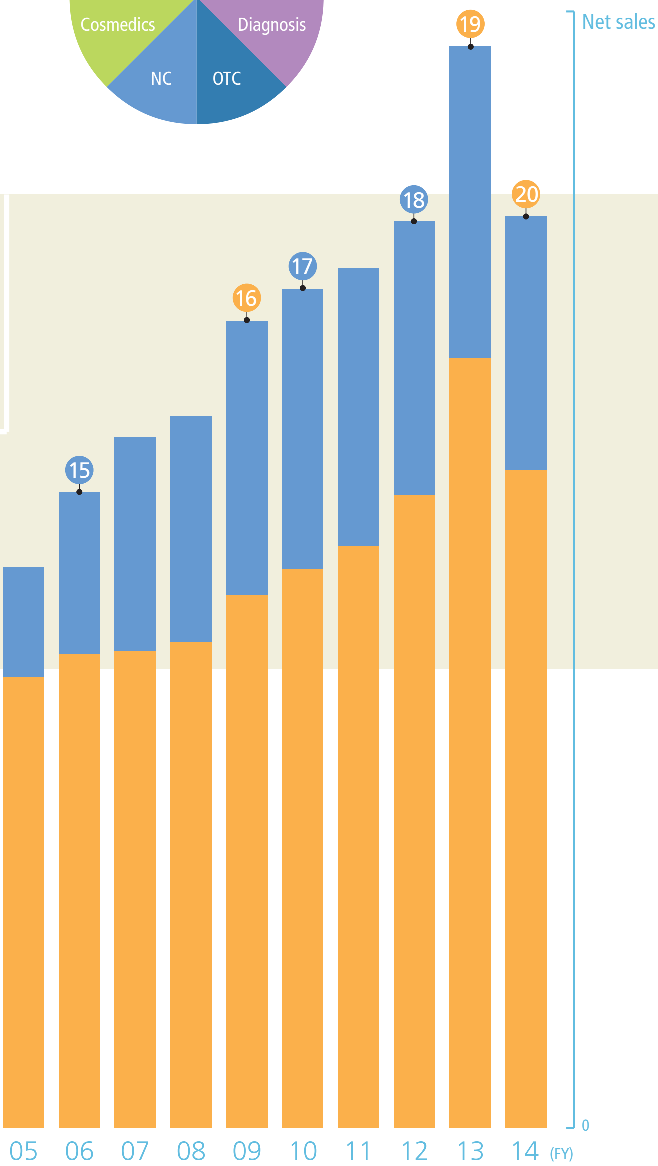
19 2013 *Abilify Maintena*



20 2014 *Lonsurf*

16 2009 *SAMSCA*

18 2012 *SoyCarat*

2009
- Co-development and co-commercialization agreement for *Sprycel* and *Ixempra* with BMS (Global)
- N&S*3 joined the Otsuka Group

2010~

2011
- Alliance agreement with Lundbeck in the CNS field (Global)

2012
- Valpiform joined the Otsuka Group

2013
- Astex joined the Otsuka Group

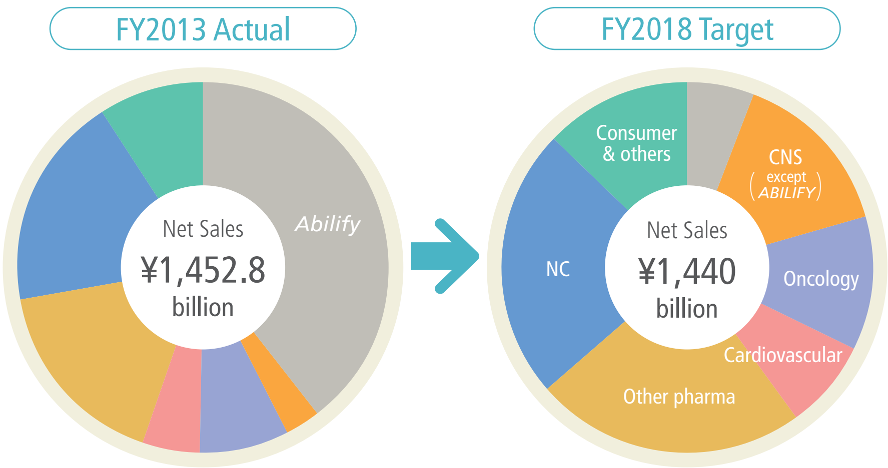
2014
- Jasmine joined the Otsuka Group
- Higashiyama Film joined the Otsuka Group
- FoodState joined the Otsuka Group

2015
- Avanir joined the Otsuka Group

The Second Medium-Term Management Plan

In August 2014, Otsuka Holdings announced its Second Medium-Term Management Plan, which covers a five-year period beginning with fiscal 2014. The plan focuses on establishing a diversified business portfolio and promoting sustainable growth through continued investment and corporate structural reform. The aim is to realize Otsuka's ultimate goal of becoming an indispensable contributor to people's health worldwide, in keeping with the Group's corporate philosophy, "Otsuka-people creating new products for better health worldwide."

2014-2018: Five-year period to establish diversified business portfolio



Active R&D investment and fostering next-generation businesses through strategic alliances will actualize diversification of the Group's sales and profit structure.

Performance targets

(¥ billion)	FY2013 Actual	FY2016 Target	FY2018 Target
Net sales	1,452.8	1,190	1,440
R&D expenses	249	170	170
Operating income	198.7	100	200
vs. net sales (%)	13.7	8.4	13.9
Net income	151	70	140

Notes:
Foreign currency exchange rate assumptions: US$1.00 = ¥100; €1.00 = ¥140.
These figures do not reflect external growth strategies.

The Nth Medium-Term Management Plan

Ultimate Goal of Otsuka

To become an indispensable contributor to people's health worldwide

Outline of the Second Medium-Term Management Plan

Pharmaceutical business

Strengthen core therapeutic areas

P.12 Pharmaceutical business strategy

Nutraceutical business

Structural reform and evolution to achieve growth

P.14 Nutraceutical business strategy

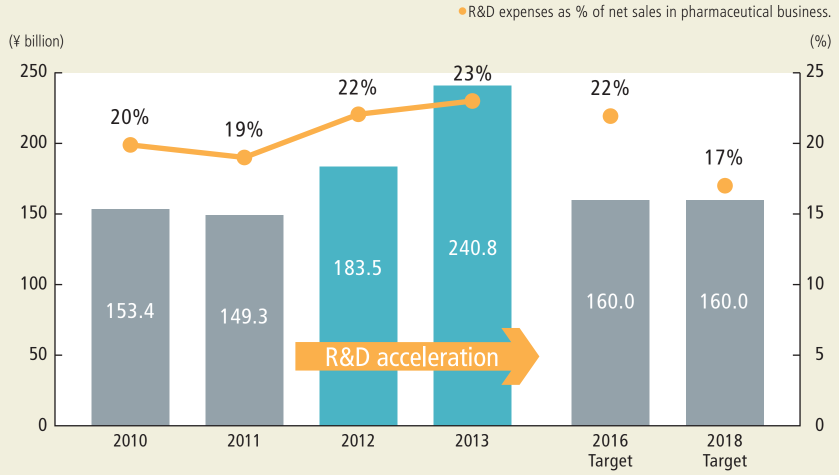
Active investment in new growth areas and focus on shareholder return

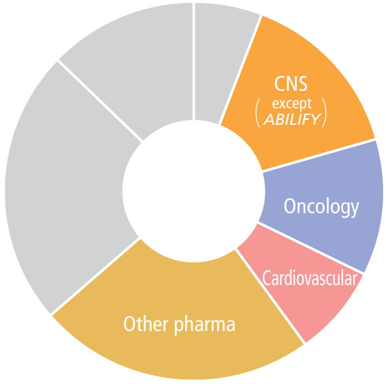
The global business expansion of the Otsuka Group is driven by initiatives designed to foster the development of innovative new products and maximize their value. With this expansion, the Group achieved net sales of ¥1,452.8 billion and operating income of ¥198.7 billion in fiscal 2013. From the First Medium-Term Management Plan, the Group has focused on building global infrastructure and fostering next-generation businesses through strategic alliances in order to establish sustainable growth during the Second Medium-Term Management Plan and beyond. Since fiscal 2012 in particular, the Group has prioritized the acceleration of pharmaceutical research and development (R&D) with active investment.

While sales and operating income will dip temporarily as the patent the atypical antipsychotic agent *Abilify*—a product that has driven Group growth—expires in the US, the Second Medium-Term Management Plan focuses on diversification of the sales and profit structure. This will create steady growth in products in major fields through the active investment made to date, and forecasts are for ¥1,440 billion in net sales and ¥200 billion in operating income in fiscal 2018, the final year of the plan. The Group will continue to invest in R&D under the second management plan in order to achieve sustainable growth from fiscal 2018 and beyond.

The Group's policy on shareholder return is to strike a balance between strategic investment for future growth and return to shareholders.

R&D expenses in pharmaceutical business



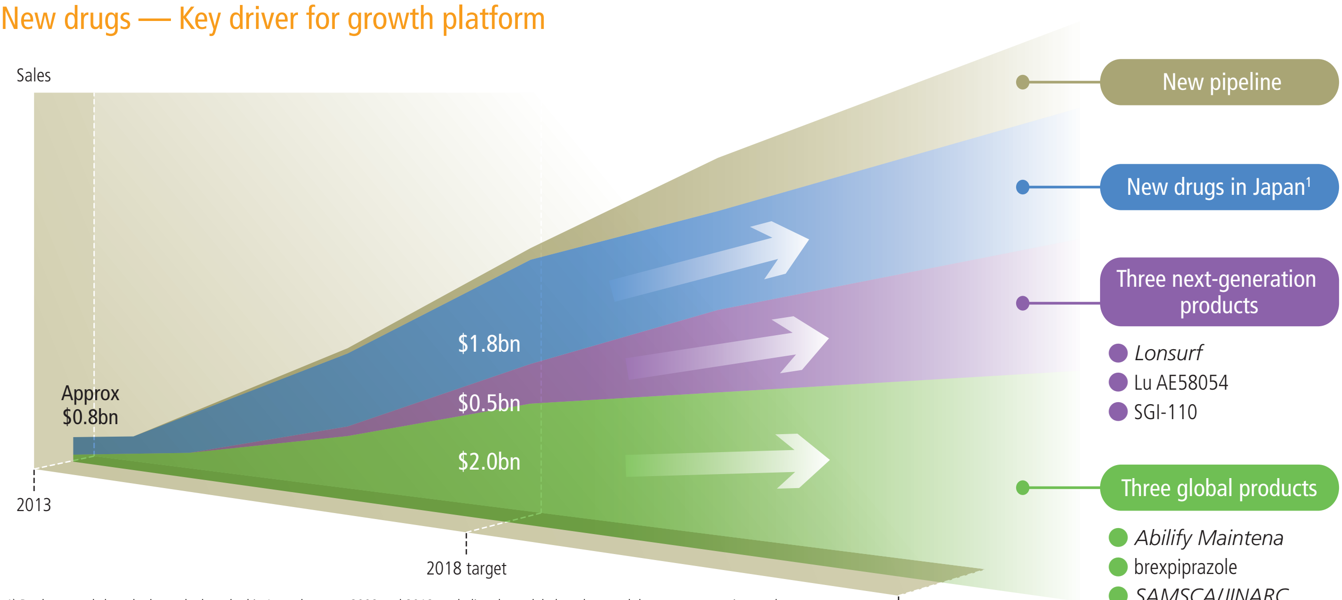


Strengthen Core Therapeutic Areas

Strengthening the Otsuka franchise in the fields of central nervous system (CNS) and oncology forms the strategic backbone of the Group's pharmaceutical business. Active investment in R&D since the First Medium-Term Management Plan period has positioned new drugs as the driving force behind sustainable growth in this business.

Sales of new drugs in fiscal 2018 are expected to reach ¥430 billion.

New drugs — Key driver for growth platform

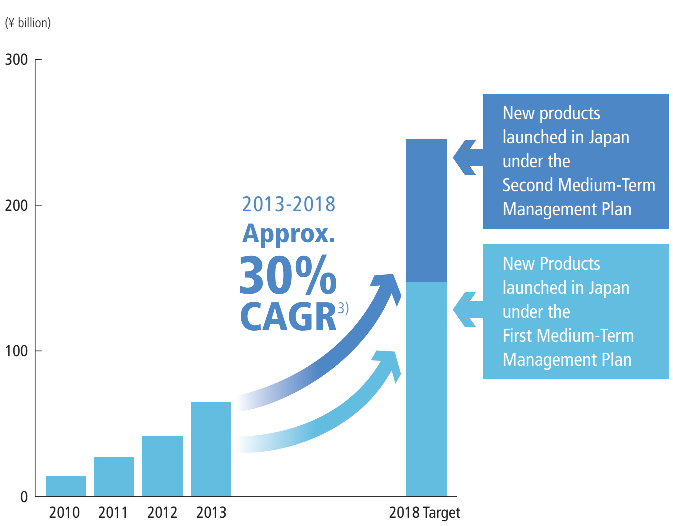


1) Products newly launched or to be launched in Japan between 2009 and 2018, excluding three global products and three next-generation products.
Note: Foreign currency exchange rate assumptions: US$1.00 = ¥100; €1.00 = ¥140.

New Drugs in Japan

Sales of new products launched during the First Medium-Term Management Plan exceeded initial estimates, reaching ¥65 billion in fiscal 2013. In addition to further growth for these products, accelerated growth for new products brought to market under the Second Medium-Term Management Plan is expected to position new drugs in Japan to contribute significantly to growth in Otsuka's pharmaceutical business.

Sales plan of new drugs in Japan[2)]



Lonsurf Oncology
- Launched in May 2014 for the indication of colorectal cancer

Abilify Maintena CNS
- Launched for the indication of schizophrenia in May 2015

Others

TAKECAB Other
- Signed agreement with Takeda Pharmaceuticals for co- promotion in March 2014
- Launched for the indication of acid-related diseases in February 2015

brexpiprazole CNS
- In phase 3 clinical trials for schizophrenia

Abraxane Oncology
- Additional indication of pancreatic cancer in December 2014

SAMSCA CV
- Additional indication of ADPKD in March 2014
- ADPKD designated as an intractable disease with subsidization of medical expenses in 2015

E Keppra CNS
- Additional indication of partial-onset seizures in epilepsy in February 2015
- Filed for additional indication of adjunctive therapy for generalized tonic-clonic seizures in March 2015

Aloxi Oncology
Mucosta eye drop Other
Neupro patch CNS
Elneopa Other

2) Products newly launched in Japan or to be launched in Japan between 2009 and 2018, including three global products and three next-generation products.
3) Compound annual growth rate

Three Global Products

Growth drivers under the Second Medium-Term Management Plan

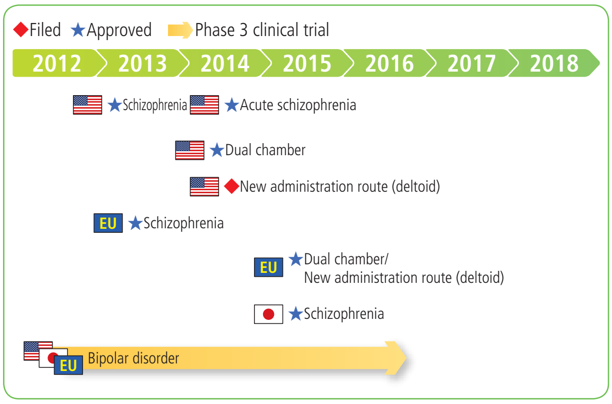
Abilify Maintena

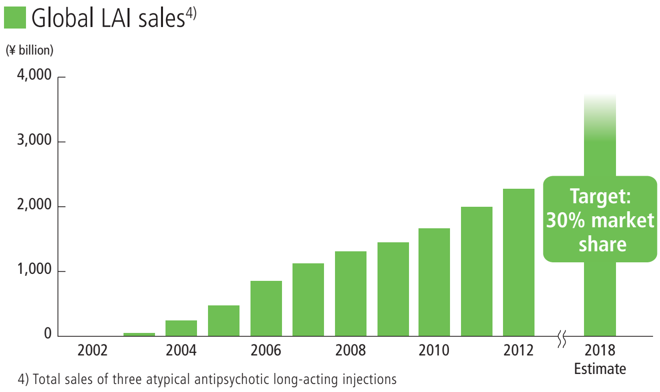
CNS

An atypical antipsychotic long-acting injection (LAI); intramuscular depot formulation of aripiprazole

- Co-development with Lundbeck

The global market for atypical antipsychotic long-acting injections is seeing dramatic growth. Otsuka aims to quickly maximize product value for *Abilify Maintena* by life-cycle management to acquire 30% of market share in fiscal 2018.





4) Total sales of three atypical antipsychotic long-acting injections
Source: Annual reports of each company, Datamonitor (2018 figures: Otsuka's estimates)

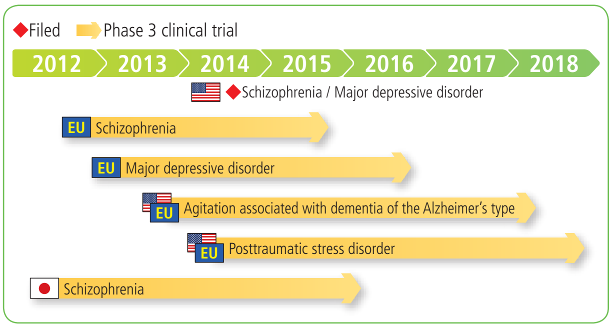
brexpiprazole

CNS

Next-generation atypical antipsychotic

- Co-development with Lundbeck

Otsuka Pharmaceutical is actively working to gain approval of the next-generation atypical antipsychotic brexpiprazole for the indications of agitation associated with dementia of the Alzheimer's type and posttraumatic stress disorder (PTSD), for which existing antipsychotics have not been approved, taking on the challenge on unmet medical needs.



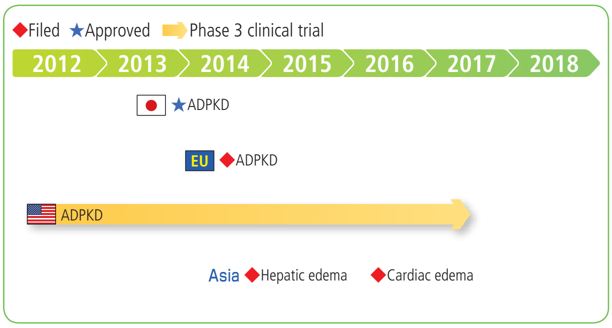
SAMSCA/JINARC

CV

Vasopressin V_2-receptor antagonist

- First-in-class aquaretic
- World's first therapeutic drug for ADPKD

In addition to the indication as an aquaretic, *SAMSCA/JINARC*[5] (tolvaptan) is being developed globally as the world's first therapeutic drug for autosomal dominant polycystic kidney disease (ADPKD), a chronic disease for which there has been no therapeutic drug to date.



5) Product name for ADPKD's therapeutic agent outside Japan.

Three Next-Generation Products

Growth drivers under the Second Medium-Term Management Plan and beyond

Lonsurf

Oncology

Anti-cancer

- Filed for indication of colorectal cancer in U.S. and Europe
- Building sales structure in U.S. and Europe to maximize product value

Lu AE58054

CNS

Anti-Alzheimer's disease

- Suppression of cognitive decline
- Co-development with Lundbeck
- In Phase 3 clinical trials in U.S. and Europe

SGI-110

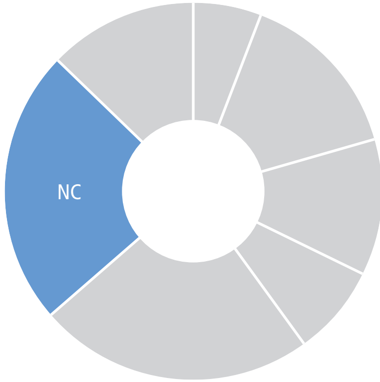
Oncology

Anti-cancer

- Demethylating agent
- In phase 3 clinical trial for acute myelogenous leukemia in U.S. and Europe.

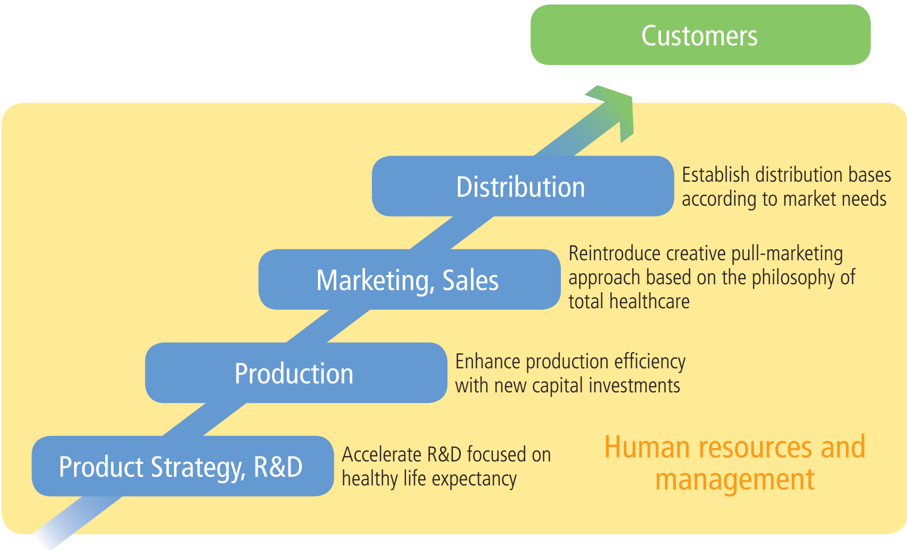
P.16 Otsuka Group, For Further Growth
• New Challenges in the Treatment of Central Nervous System Disorders — Neurological Diseases
• Strengthen Oncology Area — Total Care in the Treatment of Cancer

Structural Reform and Evolution to Achieve Growth



Review Business Assets that Support Value Chain

Under the Second Mediun-Term Management Plan, the Otsuka Group will thoroughly review the total business assets that support the nutraceutical business value chain. The plan calls for product development based on original ideas, consumer targeting, and accelerated research and development. Working from the consumer perspective in creating product value will reestablish the competitiveness of the Group's nutraceutical business through creative pull marketing based on the philosophy of total healthcare.

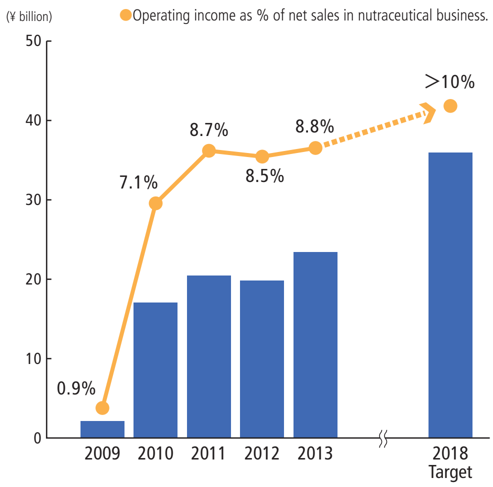


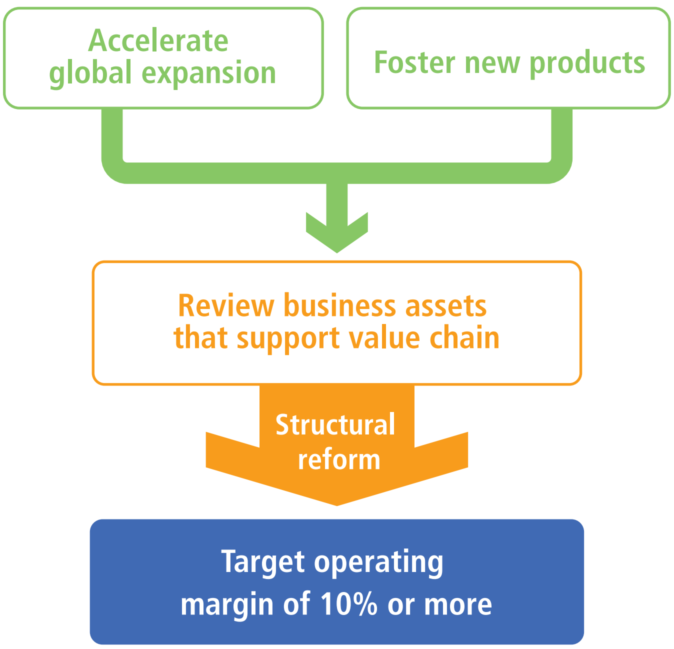
Improve Profitability and Structural Reform

With the goal of quickly achieving a 10% or more operating margin*, the Otsuka Group will reform its nutraceutical business structure by accelerating global expansion, fostering new products, and reevaluating business assets.

*Operating income as % of net sales in nutraceutical business.

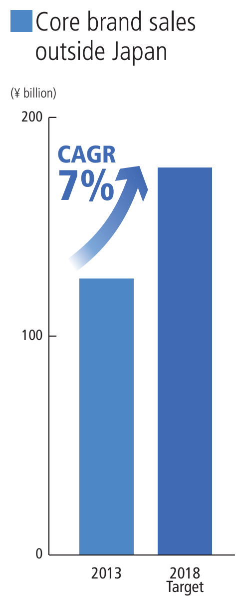
Operating income of nutraceutical business

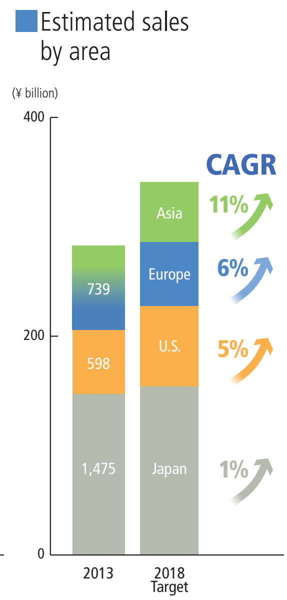




Accelerate Global Expansion

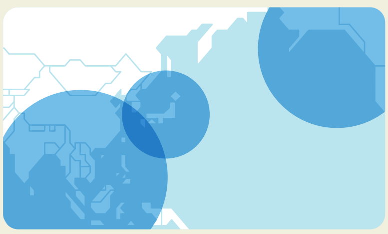
The global expansion of the nutraceutical business began with Asian sales of *Pocari Sweat* and now features worldwide sales of *Nature Made* by Pharmavite in the U.S., and European sales of health and functional foods by Nutrition & Santé in France. The Second Medium-Term Management Plan positions global sales of these products as a major driver for nutraceutical business growth. Growth of core Otsuka brands — *Pocari Sweat*, *Nature Made*, Nutrition & Santé brand products, and *SOYJOY* — will be accelerated by brand-building efforts in countries where these products are already on the market, as well as by entry into new markets. The current plan calls for an average growth rate (CAGR) of 7% for sales of these core brands outside of Japan.





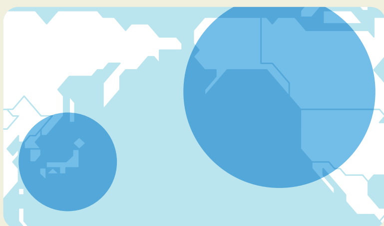
Japan and Asia

The Otsuka Group's functional beverages and food products have created new categories. Otsuka Pharmaceutical is leveraging its significant brand strength in Japan to actively expand its *Pocari Sweat* and *SOYJOY* businesses overseas. The Company is pursuing global business expansion focusing on *Pocari Sweat* in Indonesia, China, and other parts of Asia, and *SOYJOY* in the U.S. and Europe.



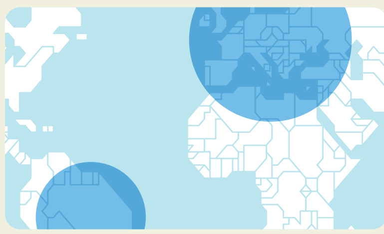
U.S.

Developed by Pharmavite, the *Nature Made* brand is a part of daily life in the U.S., a country that has pioneered the use of vitamin supplements. These high-quality vitamins have been selected as the number one retail national vitamin and supplement brand** in the U.S. With FoodState joining the Group in 2014, the company added natural food product segment, gaining new access to the natural & specialty channel and practitioner channel. Utilizing expertise developed in the U.S., where self-medication is quite common, the Otsuka Group will continue to expand its supplement business in the future.



Europe

In Europe, sales of Nutrition & Santé's sugar-free and gluten-free food products have been strong, and sales of organic foods and soybean products have been growing steadily. Following the Group entry of Jasmine in 2014, with its extensive sales network in Brazil, Nutrition & Santé is targeting new development in the South American market to follow the European and Japanese markets.



**Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales for the 52-week periods ending 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company

P.32 Nutraceutical Segment • Global Operation
P.34 Nutraceutical Segment • Topics

New Challenges in the Treatment of Central Nervous System Disorders — Neurological Diseases

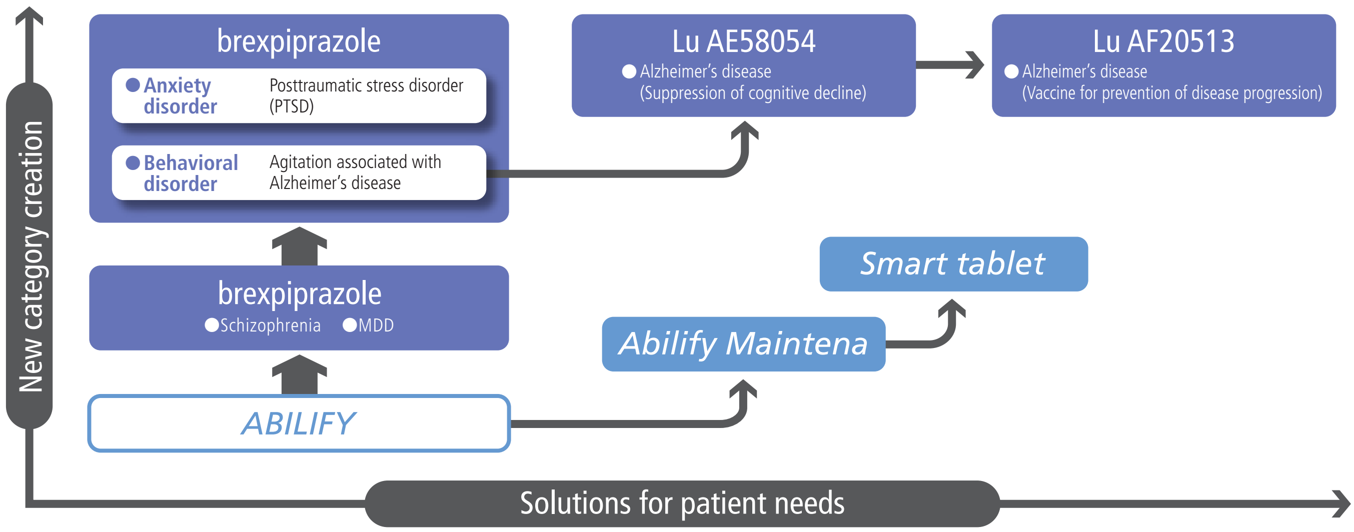
Creation of new market categories by responding to unmet medical needs

Product Evolution Improves Treatment of Central Nervous System Disorders

The culmination of 25 years of research and development, *ABILIFY*, the world's first dopamine D_2 receptor partial agonist, was launched by Otsuka Pharmaceutical in the U.S. in 2002 to treat patients with schizophrenia. Otsuka has expanded *ABILIFY*'s indications to include bipolar disorder, for which patient satisfaction had been low, and major depressive disorder, which often responds inadequately to conventional therapies.

A continuous daily medication regimen is difficult for many schizophrenic patients due to a lack of awareness of their illness and cognitive dysfunction, despite their need for long-term maintenance treatment. To address this, Otsuka Pharmaceutical developed *Abilify Maintena*, a long-acting injectable form of aripiprazole designed to ensure more stable treatment and improved patient adherence. *Abilify Maintena* was launched in the U.S. in 2013 and Europe in 2014.

For the future, Otsuka is seeking to maximize the value of its next-generation antipsychotic brexpiprazole by pursuing indications for the treatment of behavioral and anxiety disorders, in addition to indications for which *ABILIFY* was originally developed.

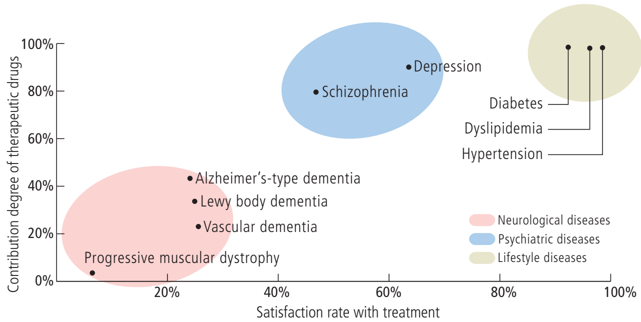


Strengthening in the Neurological Diseases Area to Complement Strengths in the Psychiatric Area

In addition to psychiatric diseases such as schizophrenia, in which Otsuka Pharmaceutical has established a strong track record, neurological diseases such as Alzheimer's-type dementia and Parkinson's disease are also categorized as central nervous system (CNS) disorders. These neurological diseases are recognized as areas with high unmet medical needs because of their low drug contribution and sub-optimal levels of patient and caregiver satisfaction.

In January 2015, Avanir Pharmaceuticals, a U.S.-based biotech with a strong record in the neurological diseases area, joined the Otsuka Group. In addition to developing and successfully commercializing *NUEDEXTA*, the world's first therapeutic agent for pseudobulbar affect (PBA), Avanir is also focused on the development of treatments for Alzheimer's-type dementia, Parkinson's disease, and migraine. Specifically, the company is preparing for phase 3 clinical trials for AVP-786, a drug targeting the treatment of the agitation associated with Alzheimer's-type dementia.

Otsuka will accelerate strategic expansion in the treatment of neurological diseases with Avanir's *NUEDEXTA* and AVP-786, as well as clinical development capabilities and market channels in the neurological diseases area. In addition, by integrating Otsuka's in-house research technologies with the proprietary fragment-based drug discovery technology of Astex Pharmaceuticals, which joined the Group in 2013, Otsuka aims to strengthen its growth over the mid- to long-term.



Domestic foundation survey (modified). Human Science Promotion Foundation (Japan, 2013).

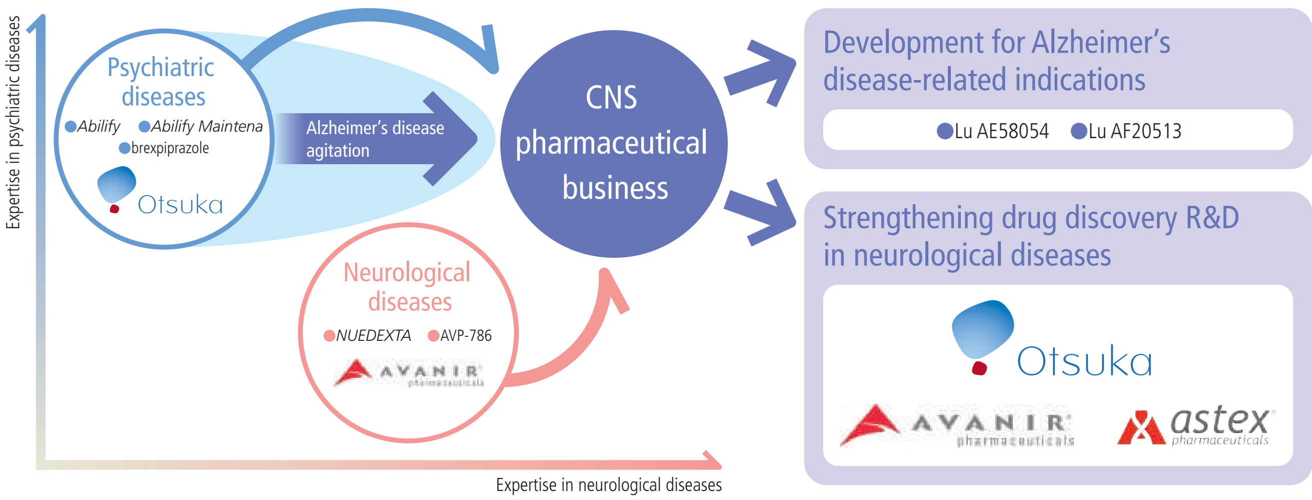
Challenges Treating Complications and Conditions Secondary to Alzheimer's-type Dementia

Alzheimer's disease is one of the neurological diseases on which Otsuka is focusing research efforts. Alzheimer's disease is characterized by progressive brain atrophy and cognitive impairment, but the exact cause remains unknown. The onset of confusion and behavioral disorders associated with the progression of cognitive impairment not only dramatically impacts the affected person's quality of life, but also places an emotional and physical burden on their caregivers. The global patient population of Alzheimer's disease is estimated at more than 30 million[1)] with the rate of incidence for those aged 65 years and older doubling every five years.[2)] In developed countries where populations are aging, the number of patients with Alzheimer's-type dementia is expected to rise further.

Otsuka Pharmaceutical is engaged in comprehensive development of therapies for Alzheimer's disease. Two drugs developed in a global alliance with Lundbeck are currently in phase 3 clinical trials – Lu AE58054, a therapeutic agent that may alleviate some symptoms and improve cognitive function, and brexpiprazole, a drug in development for several indications including the treatment of agitation associated with Alzheimer's disease. Lu AF20513 is in preclinical trials as a vaccine hypothesized to inhibit the progress of early-stage Alzheimer's disease. The addition of Avanir's AVP-786 also strengthens Otsuka's pipeline portfolio. This drug candidate seeks to address as yet unfulfilled medical needs of patients with Alzheimer's disease such as suppression of cognitive decline, alleviation of agitation, and prevention of disease progression.

Firm Commitment to Alzheimer's disease

Expected therapeutic effects	Pipelines
Improvement in agitation	brexpiprazole / AVP-786
Suppression of cognitive decline	Lu AE58054
Prevention of disease progression	Lu AF20513



1) Barnes DE, Yaffe K. The projected effect of risk factor reduction on Alzheimer's disease prevalence. Lancet Neurology. 2011; (9):819-28.
2) Chengxuan Qiu, Miia Kivipelto, Eva von Strauss, Epidemiology of Alzheimer's disease: occurrence, determinants, and strategies toward intervention. Dialogues in Clinical Neuroscience. 2009 June; 11(2): 111–128.

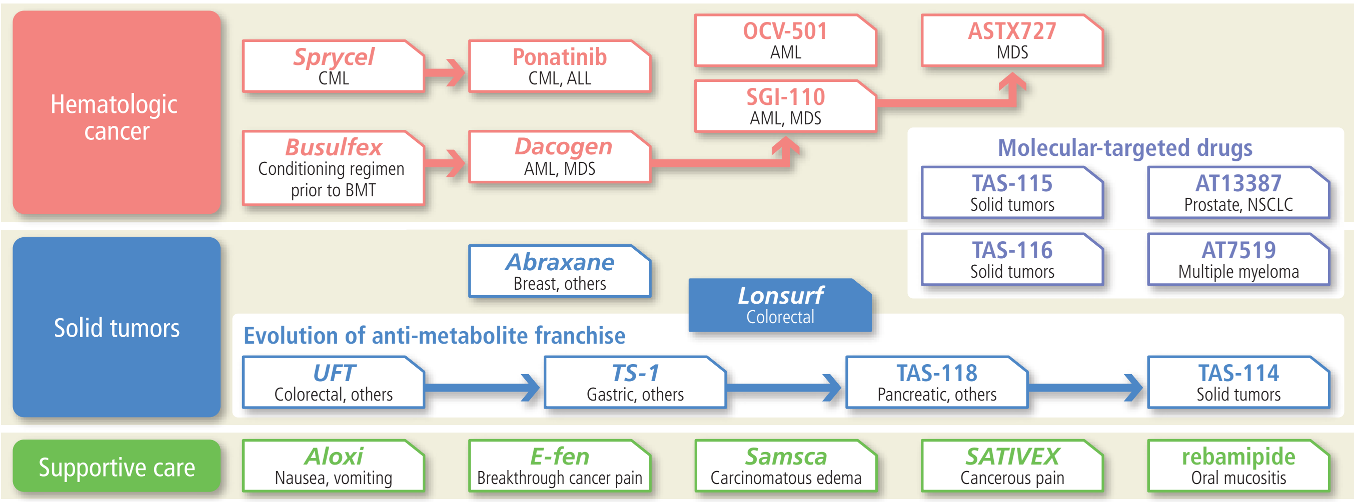
Strengthen Oncology Area

— Total Care in the Treatment of Cancer

Strengthen the Otsuka Portfolio with Unique Drug Discovery Technology and Partnerships

The Otsuka Group strives to contribute to patients by providing total oncological care, with products for solid tumors, hematological cancer, and supportive care. The development of solid tumor treatments at the Otsuka Group is undertaken primarily by Taiho Pharmaceutical, while hematological cancer treatments are the responsibility of Otsuka Pharmaceutical. Each company incorporates a variety of approaches to their work. The Group's research and development structure was enhanced with the addition of Astex Pharmaceuticals, which brought its strength in fragment-based drug discovery technology to the Otsuka Group in 2013.

Otsuka Group Pipeline in the Oncology Area



Note) AML: acute mylogeneous leukemia, MDS: myelodysplastic syndrome, CML: chronic myelogenous leukemia, NSCLC: non-small-cell lung cancer, BMT: bone marrow transplant, Oral mucositis: stomatitis associated with cancer chemoradiotherapy

For the Treatment of Solid Tumors — Driving Innovation with Unique Drug Discovery Technology

Taiho Pharmaceutical, a pioneer of oral anticancer agents and a specialist in the oncology area, is the Group's primary driver of solid tumor treatments, particularly through its research and development approach focusing on cancer cell-specific metabolism. In recent years, Taiho Pharmaceutical has pursued the research and development of anti-cancer agents based on a more expansive approach by strengthening its molecular-targeted drug discovery and infrastructuring fermentation research systems through the establishment of the Natural Product Frontier Research Laboratory in April 2014.

In March 2014, *Lonsurf* (TAS-102), a new oral nucleoside antitumor agent, received its world's first approval in Japan, for the indication of unresectable advanced or recurrent colorectal cancer (only if refractory to standard therapies), and the drug was subsequently launched in Japan in May 2014. The restriction to cases refractory to standard therapies was removed based on the results of a global phase 3 trial (trial name: RECOURSE) to investigate the efficacy and safety of TAS-102, and the indications were partially revised to "unresectable advanced or recurrent colorectal cancer" by priority review in March 2015. The RECOURSE trial is a global phase 3 trial conducted in 800 patients with metastatic colorectal cancer, whose disease had progressed after or who were intolerant to standard therapies. This trial met the primary efficacy endpoint of statistically significant improvement in overall survival for TAS-102 versus placebo and demonstrated a safety profile consistent with that observed in earlier clinical trials. In February 2015, the U.S. Food and Drug Administration (FDA) accepted the company's submission of a new drug application for the agent for review, and a marketing authorization application was also submitted in Europe in February 2015.

The Otsuka Group expects *Lonsurf* to provide a new treatment option that will further help patients with advanced or recurrent colorectal cancer.

For the Treatment of Hematological Cancer — Strengthen the Pipeline through Alliances

Otsuka Pharmaceutical is the primary driver of the Group's operations in the area of hematological cancer. In March 2008, the company handled the worldwide launch of *Busulfex*, an allogenic hematopoietic progenitor cell transplantation regimen. Since 2010, it has been working with Bristol Meyers Squibb to jointly develop *SPRYCEL*, a therapeutic agent for chronic myeloid leukemia and Philadelphia-chromosome positive acute lymphoid leukemia, for the Japan, U.S. and European markets. The Otsuka Group's portfolio of therapeutic agents for hematological cancer has been further strengthened by the pipelines from Astex Pharmaceuticals. This includes: Dacogen, a demethylating agent for myelodysplastic syndromes and elderly acute myeloid leukemia; SGI-110, a Dacogen subcutaneous injection pro-drug in a phase 3 trial; and ASTX727, a decitabine oral combination in the pre-clinical phase.

Moreover, in December 2014, Otsuka Pharmaceutical entered into an agreement with ARIAD Pharmaceuticals to develop and commercialize ARIAD's ponatinib, a therapeutic agent for refractory chronic myeloid leukemia and Philadelphia-chromosome positive acute lymphoblastic leukemia, in Japan and nine other Asian countries and regions. This drug is a tyrosine kinase inhibitor designed using a computational and structure-based drug-design platform. In contrast to conventional therapeutic agents, ponatinib is also able to effectively treat genetic mutations that confer resistance to treatment, as well.

The Otsuka Group aims to respond to unmet medical needs in hematological cancer treatment by driving efforts from diagnosis to treatment.

For Supportive Cancer Care
— Strengthen the Pipeline and Provide Cancer Patients with Information, Aiming at Total Care

In addition to developing new drugs, the Otsuka Group also strives to strengthen its pipeline in the area of supportive care. This includes agents for emesis, cancer pain, and carcinomatous edema. The Group's aim is to help improve the quality of life for cancer patients.

Under its SURVIVORSHIP concept, Taiho Pharmaceutical incorporates a range of approaches to solving the issues that patients, their families, healthcare practitioners, and others who experience cancer face in their day-to-day lives. SURVIVORSHIP.jp is a website based on joint research with the Shizuoka Cancer Center. The site currently has 10 different categories of content and features tips and hints for dealing with the difficulties faced by patients undergoing anti-cancer treatments and radiation therapy, and their families.

SURVIVORSHIP.jp (Japanese only)
http://survivorship.jp/

FY2014 Business Results

Report on FY2014 business activity

Pharmaceutical Segment

Pharmaceutical Segment Overview

The Otsuka Group's Pharmaceutical Business focuses on the core 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.

Therapeutic drugs	Central nervous system, Oncology, Cardiovascular system, Gastroenterology, Respiratory system, Infectious disease, Ophthalmology, Dermatology, Allergies, Urology, Other areas
Clinical nutrition	Intravenous solutions, Enteral nutrition, Contract manufacturing
Diagnostics	Influenza diagnostic agents, *Helicobacter pylori* test kit, Other products
Medical devices	Apheresis device for leukocyte adsorption, Drug-eluting stents, Spinal devices, Other products

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/Abilify Maintena (aripiprazole)	Antipsychotic	Schizophrenia, bipolar disorder (mania), major depression (adjunctive)	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
SAMSCA /JINARC (tolvaptan)	Vasopressin V_2-receptor antagonist	Hyponatremia, cardiac edema, hepatic edema, autosomal dominant polycystic kidney disease (ADPKD)	Otsuka Pharmaceutical
E Keppra (levetiracetam)	Antiepileptic	Adjunctive therapy in the treatment of partial onset seizures, with or without secondary generalisation, in patients with epilepsy	Otsuka Pharmaceutical UCB Japan
TS-1 (tegafur, gimeracil, oteracil)	Antimetabolite	Gastric cancer, colorectal cancer, head and neck cancer, non-small cell lung cancer, inoperable or recurrent breast cancer, pancreatic cancer, biliary tract cancer	Taiho Pharmaceutical
Aloxi (palonosetron)	5-HT_3 receptor antagonist antiemetic agent	Digestive symptoms (nausea and vomiting) (including delayed phase) following administration of antineoplastic agents (cisplatin, etc)	Taiho Pharmaceutical
Abraxane [paclitaxel (protein-bound particles for injectable suspension)]	Anti-cancer	Breast cancer, gastric cancer, non-small cell lung cancer, unresectable pancreatic cancer	Taiho Pharmaceutical
Lonsurf (trifluridine and tipiracil)	Anti-cancer	Unresectable advanced or recurrent colorectal cancer	Taiho Pharmaceutical
ELNEOPA (high-calorie TPN solution, containing glucose, electrolytes,amino acids, vitamins, and trace elements)	High-calorie TPN solution	Replenishment of liquids, electrolytes, calories, amino acids, vitamins, zinc, iron, copper, manganese, and iodine by intravenous infusion for management of nutritional requirements in patients unable to obtain adequate oral or enteric nutritional support	Otsuka Pharmaceutical Factory

Therapeutic Drug Business

Central Nervous System

The antipsychotic agent *ABILIFY* continued to register strong sales worldwide in fiscal 2014, rising more than 10% compared with the same period in the previous fiscal year. In the U.S., sales of *ABILIFY* grew more than 10% compared with the same period in the previous fiscal year, supported, among other things, by a price rise in January 2014 and by increased prescriptions as adjunctive therapy in major depressive disorder and for bipolar disorder as a result of enhanced promotion via the independent sales network of Otsuka Pharmaceutical. In Europe, sales of *ABILIFY* continued to grow compared with the same period in the previous fiscal year mainly on the back of co-promotions with Lundbeck. In Asia also, sales of *ABILIFY* continued to grow, supported by an increase in prescriptions as adjunctive therapy in major depressive disorder and for pediatric indications (Tourette's disorder) in South Korea. In Japan, prescriptions of orally disintegrating *ABILIFY* tablets increased for the three indications of schizophrenia, manic episodes of bipolar disorder and major depressive disorder. However, sales in Japan declined compared with the same period in the previous fiscal year, due to a pullback after the temporary sales expansion due to increased demand before the consumption tax rise at the end of fiscal 2013.

The aripiprazole intramuscular depot formulation *Abilify Maintena* (once-monthly injection), one of the drugs launched under the global alliance with Lundbeck to develop five compounds*[1], registered steady sales growth in the U.S., supported by ongoing efforts to promote the drug's efficacy for the treatment of schizophrenia. In addition, in September 2014, the U.S. Food and Drug Administration (FDA) approved a new injectable formulation of *Abilify Maintena* in a ready-to-use dual chamber prefilled syringe, and in December 2014, the FDA approved a labeling update to include new clinical data for the treatment of acutely relapsed adults with schizophrenia. In Europe, the deltoid muscle was approved as a new injection site for *Abilify Maintena* in January 2015, followed by dual chamber prefilled syringe approval in March 2015. *Abilify Maintena* is available in 19 European countries as of March 2015, starting with the United Kingdom, and was also launched in Canada and Australia, adding to the growing number of markets. In Japan, both the vial type (lyophilized powder preparation) and the dual chamber prefilled syringe type of the long-acting injectable form of *ABILIFY* were approved in March 2015 for schizophrenia.

In Japan, the antiepileptic drug *E Keppra*, which is co-promoted with UCB Japan, registered steady growth in prescriptions due to its recognized efficacy and the approval granted for additional pediatric indications and dosages. As a result, *E Keppra* remained the top-selling brand*[2] in the domestic antiepileptic drug market in April–December 2014 and saw further growth in market share. *E Keppra* also obtained an additional indication of monotherapy in addition to existing indications as adjunctive therapy in February 2015, making it possible to use it to treat partial-onset seizures in all patients aged four years and over. *Neupro Patch*, the world's only transdermal dopamine agonist, was approved for long-term prescription for the treatment of Parkinson's disease and restless leg syndrome in March 2014. The drug has also been gaining recognition for its ability to improve wearing-off*[3] symptoms in Parkinson's disease, supporting strong growth in sales.

On January 13, 2015, Otsuka Pharmaceutical completed the acquisition of U.S. company Avanir Pharmaceuticals, Inc., having concluded an agreement to acquire the company in December 2014. The acquisition is intended to give the Group full-scale entry to the neurological diseases area, extending its presence in the central nervous system (CNS) field by complementing its existing position in psychiatric diseases. Avanir has launched *NUEDEXTA*, the world's first and only treatment for the neurologic disease pseudobulbar affect (PBA), in the U.S., and is also developing other drugs in the CNS area such as treatments for Alzheimer-type dementia and Parkinson's disease.

Oncology

In the area of oncology, we continued to provide information in Japan about the anti-cancer agent *TS-1*, utilizing evidence-based medicine approaches for colorectal cancer, head and neck cancer and pancreatic cancer. However, sales in fiscal 2014 declined compared with the same period in the previous fiscal year due to large NHI price reductions and a decline in the number of patients with advanced gastric cancer suitable for chemotherapy. Sales of the anti-cancer agent UFT and the reduced folic acid formulation *Uzel* both declined due mainly to the impact of rival products. Sales of *Aloxi*, a long-acting 5-HT_3 receptor antagonist antiemetic agent, were steady, while sales of the anti-cancer agent *Abraxane* grew strongly compared with the same period in the previous fiscal year, supported by an increase in prescriptions due to its approval for the additional indications of gastric cancer and non-small-cell lung

cancer in February 2013. *Lonsurf*, an anti-cancer agent with a new mechanism of action, was launched in May 2014 for the indications of unresectable advanced or recurrent colorectal cancer (limited to cases where standard treatments are not practical). Sales of the drug are growing steadily.

In March 2015, the condition that restricted the drug's indication to "only if refractory to standard the therapies" was removed by approval for partial change in indications.

In the area of hematological cancer, the anti-cancer agent *SPRYCEL*, which is being co-promoted in Japan, the U.S. and Europe with Bristol-Myers Squibb, registered solid sales growth worldwide due to its position as a first-line treatment for chronic myeloid leukemia. *Busulfex*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. FDA, is now sold by the Group and its partners in more than 50 markets worldwide, and has become established as the standard drug for use as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. Growing recognition of the drug worldwide is driving strong sales growth. In March 2014, Otsuka Pharmaceutical acquired the rights to develop and commercialize the demethylating agent *Dacogen* worldwide, excluding Mexico. Transfer of the business has been completed and sales of the drug are now being booked.

In December 2014, Otsuka Pharmaceutical entered into an agreement with U.S. company ARIAD Pharmaceuticals, Inc. to develop and commercialize ARIAD's ponatinib, a refractory chronic myeloid leukemia treatment, in Japan and other Asian countries*[4], supplementing the Group's drug pipeline in the area of hematological cancer.

Cardiovascular System

In the area of the cardiovascular system, *Samsca*, a vasopressin V_2-receptor antagonist developed by Otsuka Pharmaceutical and sold in 14 markets worldwide, is gaining more acceptance among medical specialists due to the new value it brings and its method of use as an oral aquaretic agent. As a result, its global sales in fiscal 2014 rose more than 30% compared with the same period in the previous year. In Japan, *SAMSCA* was approved as a treatment for autosomal dominant polycystic kidney disease (ADPKD), becoming the world's first drug therapy for this intractable kidney disease. A new formulation for the condition, *SAMSCA* 30mg tablets, was also launched in May 2014 and prescriptions are increasing steadily. Sales of the antiplatelet agent *Pletaal/Pletal* declined due to the impact of promotion of generics in hospitals and NHI price revision in Japan.

Other Areas

In April 2014, the new tuberculosis drug *Deltyba* was granted approval by the European Commission (EC) for the indication of multidrug-resistant tuberculosis after many years of development. *Deltyba* was launched in the United Kingdom in May 2014, and then in Germany. The drug was also launched in Japan in September 2014, making it the first novel scaffold-based tuberculosis drug to be sold in the domestic market for 40 years.

Prescriptions of the dry eye treatment *Mucosta* ophthalmic suspension UD 2% expanded steadily and sales grew. Sales of the anti-gastritis and anti-gastric ulcer agent *Mucosta* dropped compared with the same period in the previous fiscal year due to the impact of promotion of generics in hospitals and NHI price revision in Japan.

*1: *Abilify Maintena*, brexpiprazole, Lu AE58054 and two new compounds currently being researched and developed by Lundbeck.
*2: © 2015 IMS Health. Estimated based on "Japan Pharmaceutical Market, January–December 2014." All rights reserved, no reproduction without permission.
*3: Wearing-off is a complication of dopamine agonist treatments, where symptoms of Parkinson's disease can repeatedly improve and worsen over the course of a day. It is one of the most serious issues affecting the everyday lives of Parkinson's disease sufferers.
*4: Japan, Indonesia, Malaysia, China (including Hong Kong), the Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Clinical Nutrition Business

The clinical nutrition business is handled primarily by Otsuka Pharmaceutical Factory, whose mission is to be the best partner of patients and healthcare professionals in the field of clinical nutrition. The achievements of this business include Japan's first plastic bottles utilizing advanced sterilization technology, aseptic, easy-use bags for administration of high-calorie infusion solutions, antibiotic solution kits, and a range of other products that precisely meet the needs of healthcare professionals.

Sales of the high-calorie TPN solution *ELNEOPA*, a core product of this business, gradually increased in Japan throughout fiscal 2014 due to expanded use and adoption in medical facilities. Both *RACOL-NF Semisolid for Enteral Use* and the plasma substitute *Voluven 6%* intravenous solution were introduced into the market quickly, securing steadily growing sales. Meanwhile, *Cefazolin Sodium Injection 1g Bag "Otsuka," Normal Saline Syringe "Otsuka,"* and other prefilled syringe products have gained a significant share of the market.

Otsuka Pharmaceutical Factory is also developing its clinical nutrition business in international markets, with production bases in eight*[5] countries other than Japan, mainly in Asia.

*5: Including affiliates accounted for by the equity method and non-consolidated companies

Diagnostics Business

The diagnostics business focuses on the research, development, manufacture and sale of intracorporeal and extracorporeal clinical diagnostic agents and research-use reagents. As anti-influenza drugs have become more commonly available, demand for remedies for the common cold and flu is quickly growing. Otsuka Pharmaceutical's influenza virus test kit, *Quick Navi-Flu*, is seeing growing demand, and this is spurring the growth of the diagnostics business as a whole. Following approval of the *WT1 mRNA Assay Kit II "Otsuka,"* the chronic myeloid leukemia monitoring marker kit Major BCR-ABL was also approved and introduced to the market.

Core products

Brand name	Category	Company
UBIT	Diagnostic agent for *H. pylori*	Otsuka Pharmaceutical
WT1 mRNA Assay Kit II "Otsuka"	Wilms tumor-1 gene (WT1) mRNA measurement kit	Otsuka Pharmaceutical
Quick Navi-Flu	Influenza virus test kit	Otsuka Pharmaceutical

Medical Devices Business

Otsuka Medical Devices was established in 2011 for strategic integration of the Otsuka Group's medical device business, which was developed with the aim of contributing to people's health from a new approach, different to that of the therapeutic drug business, based on total healthcare.

Its subsidiary JIMRO manufactures and markets *Adacolumn*, an apheresis device for granulocyte adsorption used to treat inflammatory bowel disease and intractable skin disease. In the field of orthopedics, KiSCO globally sells orthopedic implant devices for injuries and spinal disease. Other major affiliates include Microport Scientific Corporation (fields including cardiovascular disease and artificial joints) and Achieva Medical (Shanghai) (cerebral vascular field), both based in Shanghai, China, and Era Endoscopy (self-propelling robotic colonoscopy) based in Pisa, Italy.

Core products

Brand name	Category	Company
Adacolumn	Apheresis device for leukocyte adsorption	JIMRO
SUIREN	Pedicle screw system	KiSCO

SUIREN

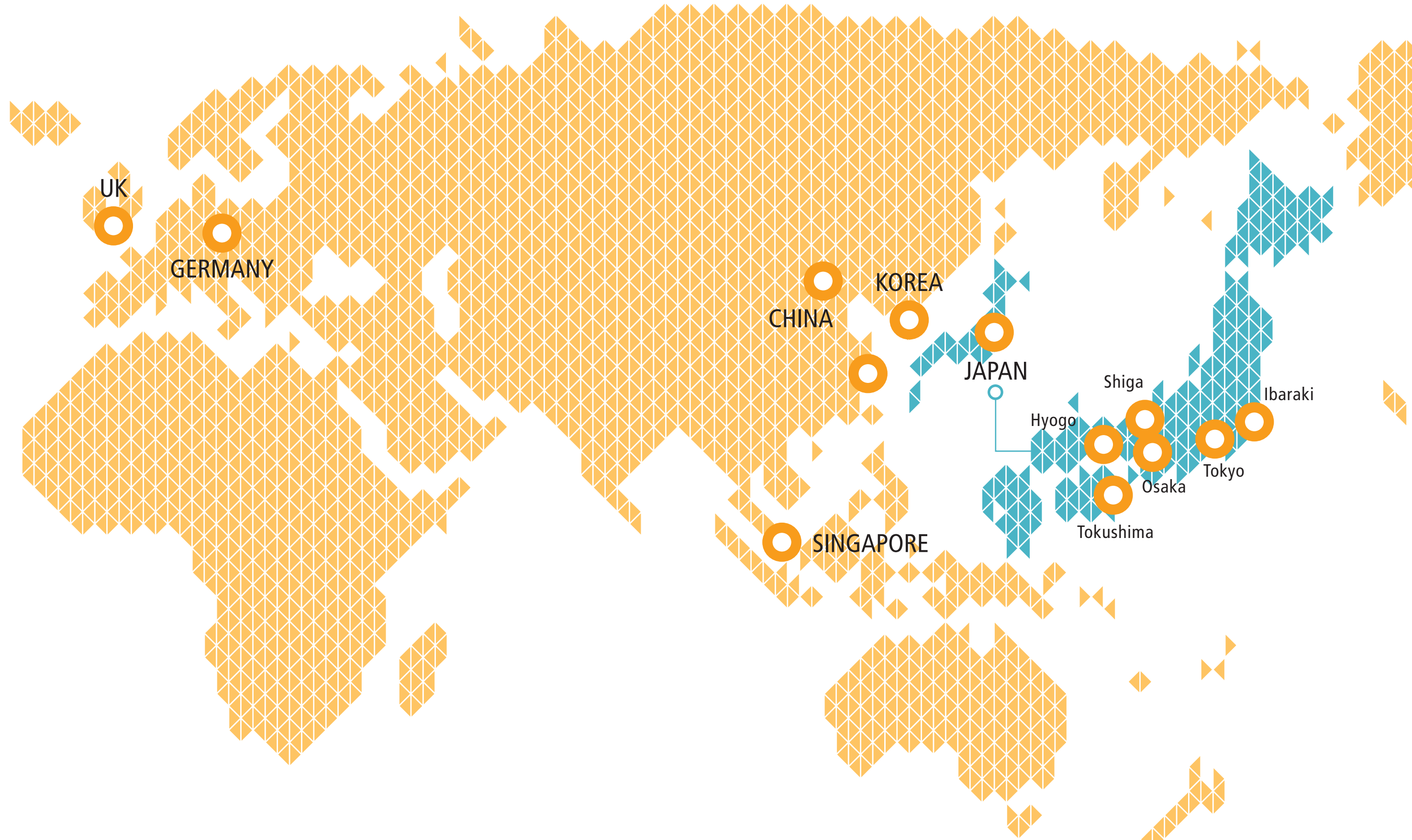
Pipeline Information (As of March 31, 2015)

Code/Brand name	Generic name	Origin	Category	Indication/Dosage form	Country/Region	Development status
Central nervous system						Phase 1 / Phase 2 / Phase 3 / Filed / Approved
OPC-14597 *ABILIFY* *Abilify Maintena*: Depot Injection	aripiprazole	Otsuka Pharmaceutical	Dopamine partial agonist	Schizophrenia/Depot injection	JP	Approved
				Autism/ Oral	JP	Phase 3
				Bipolar I/ Depot injection	JP, US, EU	Phase 3
				Agitation associated with dementia of the Alzheimer's type/ Oral	JP	Phase 3
L059 *E Keppra*	levetiracetam	UCB	Antiepileptic drug	Epilepsy (generalized onset seizures) / Oral, Injection	JP	Filed
				Epilepsy (partial onset seizures/ monotherapy) / Oral, Injection	JP	Approved
OPC-34712	brexpiprazole	Otsuka Pharmaceutical	Dopamine partial agonist	Adjunctive therapy for major depressive disorder / Oral	US	Filed
					EU	Phase 3
				Schizophrenia / Oral	US	Filed
					JP, EU	Phase 3
				ADHD (Adults) / Oral	US	Phase 2
				Agitation associated with dementia of the Alzheimer's type / Oral	US, EU	Phase 3
				Posttraumatic stress disorder (PTSD)/ Oral	US, EU	Phase 3
Lu AE58054	idalopiridine	Lundbeck	Selective serotonin 5-HT_6 receptor antagonist	Alzheimer's disease / Oral	US, EU	Phase 3
ASC-01	aripiprazole, sertraline	Otsuka Pharmaceutical	Dopamine partial agonist/ Selective serotonin reuptake inhibitor	Major depressive disorder / Oral	JP, Asia	Phase 3
AVP-923	dextromethorphan, quinidine	Avanir	NMDA receptor inhibitor / Sigma 1 receptor agonist	Agitation associated with dementia of the Alzheimer's type / Oral	US	Phase 2
				Dyskinesia associated with Parkinson's disease / Oral	US	Phase 2
AVP-786	deuterium-modified dextromethorphan, quinidine	Avanir	NMDA receptor inhibitor / Sigma 1 receptor agonist	Adjunctive therapy for major depressive disorder / Oral	US	Phase 2
AVP-825	sumatriptan	Avanir	Serotonin $5\text{-HT}_{1B/1D}$ receptor agonist	Acute migraine / Nasal powder	US	Filed
TAS-205		Taiho Pharmaceutical	Prostaglandin D synthase inhibitor	Duchenne muscular dystrophy / Oral	JP	Phase 1
Lu AA36143	nalmefene	Lundbeck	Opioid receptor antagonist	Lowering of alcohol consumption in alcohol dependence/ Oral	JP	Phase 3
Oncology						Phase 1 / Phase 2 / Phase 3 / Filed / Approved
S-1 *TS-1* (Japan) *TEYSUNO* (EU)	tegafur, gimeracil, oteracil potassium	Taiho Pharmaceutical	Anti-cancer (anti-metabolite)	Uterocervical cancer / Oral	JP, Asia	Phase 3
TAS-102 *Lonsurf*	trifluridine and tipiracil hydrochloride	Taiho Pharmaceutical	Anti-cancer	Colorectal cancer / Oral	US, EU	Filed
					Asia	Phase 3
TAS-118	tegafur, gimeracil, oteracil potassium, folinate	Taiho Pharmaceutical	Anti-cancer (anti-metabolite)	Pancreatic cancer / Oral	JP, Asia	Phase 3
				Gastric cancer / Oral	JP, Asia	Phase 3
SATIVEX	nabiximols	GW Pharmaceuticals	Cannabinoid (THC, CBD)	Cancer pain / Oral spray	US	Phase 3
OCV-101		OncoTherapy Science	Therapeutic cancer vaccine	Pancreatic cancer / Injection	JP	Phase 2
SPRYCEL	dasatinib	BMS	Anti-cancer (molecular-targeted drug)	Pancreatic cancer/ Oral	US, EU	Phase 2
SGI-110		Astex	Anti-cancer	Ovarian cancer / Injection	US, EU	Phase 2
				Hepatocellular carcinoma/ Injection	US, EU	Phase 2
				Acute myeloid leukemia·myelodysplastic syndrome / Injection	US	Phase 2
				Acute myeloid leukemia / Injection	US, EU	Phase 3
				Acute myeloid leukemia / Injection	JP	Phase 1
AT13387		Astex	Anti-cancer	Prostate cancer/ Injection	US, EU	Phase 2
				NSCLC/ Injection	US, EU	Phase 2
AT7519		Astex	Anti-cancer (molecular-targeted drug)	Multiple myeloma/ Injection	US	Phase 2
ASTX727		Astex	Anti-cancer	Myelodysplastic syndrome / Oral	US	Phase 1
ET-743	Trabectedin	PharmaMar	Anti-cancer (molecular-targeted drug)	Malignant soft tissue sarcoma/ Injection	JP	Filed
OPB-31121		Otsuka Pharmaceutical	Anti-cancer (molecular-targeted drug)	Anti-cancer / Oral	JP, Asia	Phase 1

Code/Brand name	Generic name	Origin	Category	Indication/Dosage form	Country/Region	Development status
OPB-51602		Otsuka Pharmaceutical	Anti-cancer (molecular-targeted drug)	Anti-cancer / Oral	JP, US, Asia	
OPB-111077		Otsuka Pharmaceutical	Anti-cancer	Solid tumors / Oral	US, Asia	
OPB-111001		Otsuka Pharmaceutical	Anti-cancer	Solid tumors / Oral	EU	
TAS-114		Taiho Pharmaceutical	Anti-cancer (anti-tumor enhancer)	Solid tumors / Oral	JP, US, EU	
TAS-115		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	JP	
TAS-116		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	JP	
TAS-117		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	JP	
TAS-119		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	US, EU	
TAS-120		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	JP, US, EU	
TAS-121		Taiho Pharmaceutical	Anti-cancer (molecular-targeted drug)	Solid tumors / Oral	JP	
OCV-501		Otsuka Pharmaceutical	WT1 targeted cancer vaccine	Secondary prevention of elderly acute myeloid leukemia / Injection	JP, Asia	
OCV-C02		OncoTherapy Science	Therapeutic cancer vaccine	Colorectal cancer / Injection	JP	
OPC-12759	rebamipide	Otsuka Pharmaceutical	Oral mucosal protectant/ mucosal healing agent	Stomatitis associated with cancer chemoradiotherapy / Solution	JP	
Cardiovascular						Phase 1 Phase 2 Phase 3 Filed Approved
OPC-41061 *SAMSCA / JINARC*	tolvaptan	Otsuka Pharmaceutical	Vasopressin V_2-receptor antagonist	Hepatic edema / Oral	Asia	
				Autosomal dominant polycystic kidney disease / Oral	EU	
					US	
				Cardiac edema / Oral	Asia	
				Carcinomatous edema / Oral	JP	
				Volume overload in hemodialysis/ Oral	JP	
				Volume overload in peritoneal dialysis / Oral	JP	
OPC-108459		Otsuka Pharmaceutical		Paroxysmal and persistent atrial fibrillation / Injection	JP, US	
Other areas						Phase 1 Phase 2 Phase 3 Filed Approved
YP-18 *ZOSYN*	tazobactam, piperacillin	Taiho Pharmaceutical	Antibiotic agent	Febrile neutropenia / Injection	JP	
TAC-202	bilastine	Faes Farma	Histamine H_1 antagonist	Allergic rhinitis / Oral	JP	
				Chronic urticaria, pruritus associated with skin disease/ Oral	JP	Phase II / III
OPC-67683 *Deltyba*	delamanid	Otsuka Pharmaceutical	Anti-tuberculosis agent	Multidrug-resistant tuberculosis / Oral	US	
				Multidrug-resistant tuberculosis for pediatrics / Oral	EU	
OPC-12759E *Mucosta* Ophthalmic Suspension	rebamipide	Otsuka Pharmaceutical	Mucin production-enhancing agent	Dry eyes / Eye drops MD (multi dose)	JP	
OPB-2045G	olanexidin	Otsuka Pharmaceutical Factory	Anti-septic	Patient preoperative preparation / Topical	JP	
OPF-105	Amino Acid, Carbohydrate, and Fat Emulsion Injection with Electrolytes and Vitamins	Otsuka Pharmaceutical Factory	Protein and amino acid preparation	Peripheral parenteral nutrition solution / Injection	JP	
OPF-108	Amino Acid and Carbohydrate, and with Electrolytes and Vitamins	Otsuka Pharmaceutical Factory	Protein and amino acid preparation	Total parenteral nutrition / Injection	JP	
OPC-6535	tetomilast	Otsuka Pharmaceutical	Anti-inflammatory agent	COPD / Oral	JP, US, Asia	
ACU-4429	emixustat	Acucela	Visual cycle modulator	Dry AMD / Oral	US	Phase IIb / III
OPA-6566		Otsuka Pharmaceutical	Adenosine A_{2a} receptor agonist	Glaucoma / Eye drops	US	Phase I / II
OPC-1085EL	carteolol, latanoprost	Otsuka Pharmaceutical	β-adrenergic receptor blocker/ prostaglandin $F_{2\alpha}$ analogue	Glaucoma / Eye drops	JP	
OPA-15406		Otsuka Pharmaceutical	PDE4 inhibitor	Atopic dermatitis / Ointment	US	
Diagnostics						Phase 1 Phase 2 Phase 3 Filed Approved
C13-URA	Uracil (2-13C)	Otsuka Pharmaceutical	13C-uracil breath test	For the diagnosis of gastric emptying disorders / *In-vivo* diagnostic drug	US	
C13-CAC	Calcium (13C)	Otsuka Pharmaceutical	13C-calcium carbonate breath test	For measurement of gastric acidity / *In-vivo* diagnostic agent	JP	

Note: In general, Otsuka discloses compounds that are in Phase 2 or later stage of development although some compounde in Phase 1 are disclosed in the above table.

Research and Development Activities



Global R&D Facilities (Pharmaceuticals)

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

Basic Research (green) Clinical Development (purple)

JAPAN	Tokushima	● First Institute of New Drug Discovery ● Formulation Research Institute ★ Technical Center ● Third Institute of New Drug Discovery ● Qs' Research Institute ★ Medical Foods Research Institute ● Microbiological Research Institute ● Institute of Biomedical Innovation ▲ Discovery and Preclinical Research Division (Tokushima Area) ● Medical Chemistry Research Institute ● R&D department of Diagnostic Division ● Tokushima Research Institute ★ Naruto Research Institute, Research and Development Center
	Shiga	● Fujii Memorial Research Institute
	Hyogo	● Ako Research Institute
	Ibaraki	▲ Discovery and Preclinical Research Division (Tsukuba Area)
	Tokyo	● R&D department of Diagnostic Division ▲ Clinical Development Division ★ Research and Development Center Clinical Development Department
	Osaka	● Division of New Product Evaluation and Development

U.S.	● Otsuka Maryland Medicinal Laboratories ● Astex Pharmaceuticals ● Otsuka Pharmaceutical Development & Commercialization ▲ Taiho Oncology
UK	● Astex Pharmaceuticals ● Otsuka Europe Development and Commercialisation
GERMANY	● Otsuka Novel Products
CHINA	● Otsuka Shanghai Research Institute ● Otsuka Beijing Research Institute ▲ Taiho Pharmaceutical of Beijing
KOREA	● Korea Otsuka Pharmaceutical
SINGAPORE	▲ Taiho Pharma Singapore

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

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

Fujii Memorial Research Institute (Otsuka Pharmaceutical)

Medical Foods Research Institute (Otsuka Pharmaceutical Factory)

Tsukuba Research Center (Taiho Pharmaceutical)

Tokushima Research Center (Taiho Pharmaceutical)

Otsuka Shanghai Research Institute

Otsuka Maryland Medicinal Laboratories

Nutraceutical Segment

Nutraceutical Segment Overview

The Otsuka Group's Nutraceutical Business focuses on functional beverages and foods that help maintain and promote day-to-day well-being.

In the *Pocari Sweat* electrolyte supplement drink range, sales promotion efforts in Japan were focused on younger consumers through events such as the All Japan Inter High School Tournament (Inter High) and the All Japan Junior High School Sports Festival. However, amid a weak domestic market for sports drinks*[1], sales volume in fiscal 2014 declined compared with the same period in the previous fiscal year due to the impact of unseasonal weather and rival products. *Pocari Sweat Ion Water* was promoted by stepping up its appeal as a beverage for new drinking occasions. Overseas, where *Pocari Sweat* is sold in 17 markets worldwide, sales volume increased compared with the same period in the previous fiscal year, supported by ongoing efforts to cultivate consumers and promote the product's benefits.

In the balanced nutrition food *Calorie Mate*, a new item – *Calorie Mate Block Plain* – was added to the range in September 2014. Amid increasingly diverse mealtime styles and eating habits, this new simple flavor was launched to suit everyday lifestyles by providing a balanced source of the five major nutritional elements "any time, any place, for everyone." Increased exposure in retail stores and sales promotion activities using TV commercials and online advertising led to growth in the number of users of the new flavor. The *Calorie Mate* brand overall registered growth in sales volume compared with the same period in the previous fiscal year, exceeding the rate of market growth*[2]. This reflected the success of efforts to raise awareness of the product's concept as a balanced nutrition food.

Sales volume for carbonated nutritional drink *Oronamin C* declined compared with the same period in the previous fiscal year due to the impact of the consumption tax rise. Intensifying competition due to the launch of new rival energy drinks also impacted sales volume.

The Otsuka Group operates its soy-related business in 11 markets worldwide, based on the concept of "Soylution," which sees soy as a solution to various health and environmental issues faced by consumers today. In Japan, a new flavor, *SOYJOY Almond & Chocolate*, was added to the *SOYJOY* soy bar range in April 2014. Efforts to promote the product based on its strengths and low glycemic index led to growth in the number of users. As a result, market share increased and sales volume expanded at a double-digit pace compared with the same period in the previous fiscal year. In *SoyCarat*, a healthy soy snack, *SoyCarat Chili Pepper* was added to the range in September 2014, which continued to enhance the product's value. In order to further develop the brands in the soy product range, the Group continued to work on building brand value through activities such as public seminars run by nutritionists, consumer cultivation events and other activities.

The Group launched the women's health food product *EQUELLE* in April 2014 as a readily available daily source of equol. The Group is working to raise awareness of the product among consumers and sales of *EQUELLE* are growing steadily.

Subsidiary Pharmavite of the U.S. supplies *Nature Made* supplements, which have been selected as the leading pharmacistrecommended brand in the U.S. and have been the number one retail vitamin and supplement brand in the U.S. for eight consecutive years, from 2007 through 2014*3. Although the market was weak in the first half of 2014, sales at the moment are firm. Also, Pharmavite acquired the U.S. natural food-based supplement pioneer FoodState in December 2014. This acquisition will give Pharmavite access to the natural food and specialty supplement store channel, the largest retail channel in the U.S. supplement market, helping to drive further growth in the Group's supplement business.

At Nutrition & Santé, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, sugar-free and gluten-free food products sold under the *Gerblé* nutrition and health food brand continued to drive growth, while sales of organic food products and soy products also grew steadily. In addition, Nutrition & Santé acquired Jasmine, Brazil's leading health and functional food company, in August 2014. In Japan, *Milical*, a diet food that has been sold in France for more than 50 years, was launched in April 2014.

In the cosmedics area, where the focus is on the concept of healthy skin, sales remained firm for men's skincare brand *UL·OS* products due to the launch in August 2014 and successful promotional campaigns over summer of *UL·OS Skin Conditioner*, an easy-to-use product aimed at men. In South Korea, sales of *UL·OS* products in fiscal 2014 increased compared with the same period in the previous fiscal year, supported by steady efforts to develop the brand and growth in the number of stores that stock the *UL·OS* range. Sales of the *InnerSignal* brand aimed at women who seek healthy and beautiful skin increased as a result of steady progress by using the mail-order sales channel to acquire new customers and boost repeat business.

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

*1: Inryo Soken data: Sales in January–December 2014 −10%
*2: INTAGE SRI (Cumulative revenues, nutritionally balanced foods market April – December 2014 +4.2%)
*3: Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week periods ending 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013, 1/4/2014 and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company

Main Nutraceutical Products

Pocari Sweat

A health drink to quickly replenish water and ions (electrolytes), based on the concept of a beverage to support the body during sweating. With a light sweetness, low-calorie *Pocari Sweat Ion Water* was launched in 2013. It is perfect for everyday refreshment in the office or whenever work or exercise makes you perspire.

SOYJOY

A new type of nutrition bar made using only soybean dough (wheat-free) and various other ingredients. It was the first product to be released under the "Soylution" concept. Renewed versions of strawberry and blueberry flavors containing an increased amount of fruit were released in March 2015.

Calorie Mate

Balanced nutritional bar containing all five major nutrients (protein, fat, carbohydrates, vitamins and minerals). Ideal as a nutritional supplement when under time pressure or when it is not possible to have a meal. The new *Calorie Mate* Block Plain was launched in September 2014.

SoyCarat

A healthy soy snack baked with whole soy flour. This snack makes an enjoyable sound, like beans rattling inside the shell. One bag contains the equivalent of about 50 soybeans.

New *SoyCarat Chili Pepper flavor* was launched in September 2014.

Oronamin C Drink

Oronamin C Drink is a carbonated nutritional drink that is a convenient, delicious source of Vitamin C, other vitamins and amino acids. It marked its 50th year on the market in 2015, and was launched in Korea and Hong Kong. In addition, renewed versions of *Oronamin C ROYALPOLIS* were released in March 2015,

SOYSH

A refreshing and clean-tasting soy soda beverage made from whole soybeans including the solids. It is a great choice for those who might not care for the distinctive aftertaste of soy.

P.36 Nutraceutical Segment • 50th Anniversary of *ORONAMIN C DRINK*

EQUELLE

Developed based on many years of soy research, *EQUELLE* is gaining attention for its potential. Across Japan, dedicated staff are now distributing information on *EQUELLE* with the aim of maintaining and improving the health of women and improving their quality of life.

Nature Made

Nature Made is the number one retail vitamin supplement brand* in the U.S. In 2014 in Japan, Otsuka launched *Nature Made Fish Oil Pearls*, small pearl-shaped capsules filled with a balanced blend of concentrated fish oils which contain significant quantities of such essential health-promoting ingredients as EPA and DHA.

Millical

With a history of more than 50 years, *Milical* is the bestselling diet food product sold in pharmacies in France. It was launched in Japan in April 2014. Using the unique *Milical* "3.2.2" one-week diet program, dieters can enjoy both snacks and regular meals. *Milical* offers a new way to diet that is easy to sustain.

Kenja no Shokutaku Double Support

This Japanese goverment-approved Food for Specified Health Use has the double function of suppressing absorption of both sugars and lipids. The product is a powder of digestion-resistant dextrin that dissolves instantly in any beverage, making it easy for consumers to take in meals at home or dining out. It comes in single-use stick-type packets for easy-to-carry convenience.

Tiovita Drink

Designated quasi-drug

A long-selling product that celebrates its 50th anniversary in 2014. This vitamin health drink contains vitamin B_1 and other B-group vitamins to help relieve physical exhaustion, as well as the active ingredient taurine and the digestive aid carnitine chloride.

Solmack Digestive Drink Plus

Designated quasi-drug

Solmack Digestive Drink Plus alleviates symptoms such as upset stomach associated with excessive eating or drinking. It contains selected natural ingredients with bitter and aromatic properties to improve stomach function.

UL·OS

This total body skin care brand for middle-aged men is based on Otsuka's unique cosmedics concept for skin health. Otsuka Pharmaceutical launched its *UL·OS Skin Conditioner*, an easy-to-use product for skin care beginners, in August 2014, followed by *Adult Refreshing Sheets for Face* and *Adult Refreshing Sheets for Body* in March 2015.

InnerSignal

A skincare brand for women that employs the active ingredient Energy Signal AMP. This ingredient has received new indication approval for complexion whitening as a quasi-drug.

Oronine H Ointment

Second-class OTC drug

An ointment for the treatment of skin ailments and injuries that is formulated with chlorhexidine gluconate, which has excellent antiseptic properties.

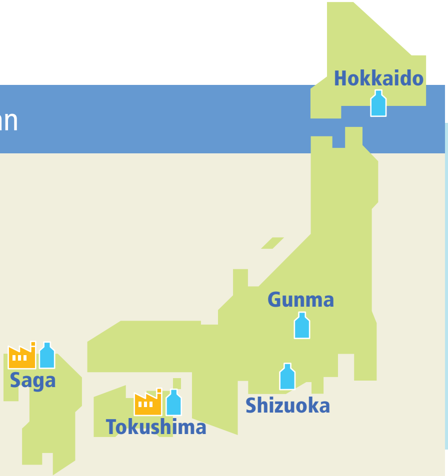
*Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week periods ending 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company

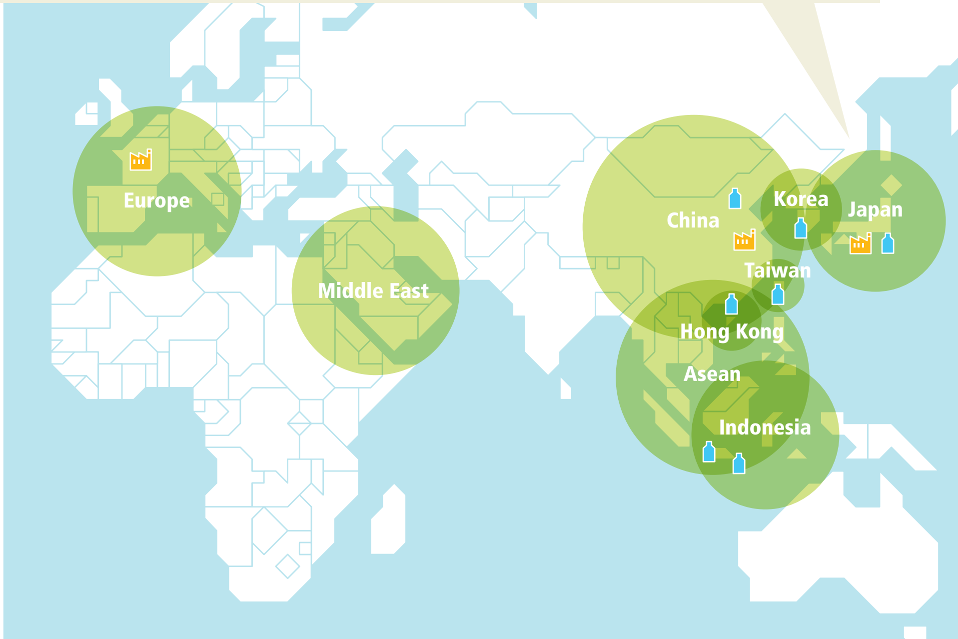
Nutraceutical Segment
Global Operation (As of March 2015)

South Korea

1987 Launched *Pocari Sweat*
2007 Launched *SOYJOY*
2015 Launched *Oronamin C Drink*

Japan





Beverage production site

Food and supplement production site

Note: Areas shown below include sales areas operated by unconsolidated subsidiaries.

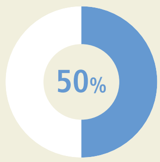
China

2003 Launched *Pocari Sweat*
2006 Launched *SOYJOY*

Europe

Nutrition & Santé, joining the Otsuka Group in 2009, does business in more than 40 countries. The company focuses primarily on sugar-free and gluten-free products as part of its nutrition and health food brand.

France
N&S share in French functional food markets*



2009 Nutrition & Santé joined the Otsuka Group

2011 Launched *SOYJOY*

Middle East

Countries where *Pocari Sweat* is sold and years launched

- Bahrain, Saudi Arabia, Oman (1983)
- U.A.E. (1984)
- Kuwait (1986)
- Qatar (2003)
- Egypt (2008)

1985 Launched *Oronamin C Drink*

ASEAN

Countries where *Pocari Sweat* is sold and years launched

- Singapore (1983)
- Thailand (1998)
- Malaysia (1999)
- Philippines (2007)
- Vietnam (2012)
- Myanmar (2015)

2008 Launched *SOYJOY* in Singapore

Hong Kong

1982 Launched *Pocari Sweat*
2007 Launched *SOYJOY*
2015 Launched *Kenja no Shokutaku* and *Oronamin C*

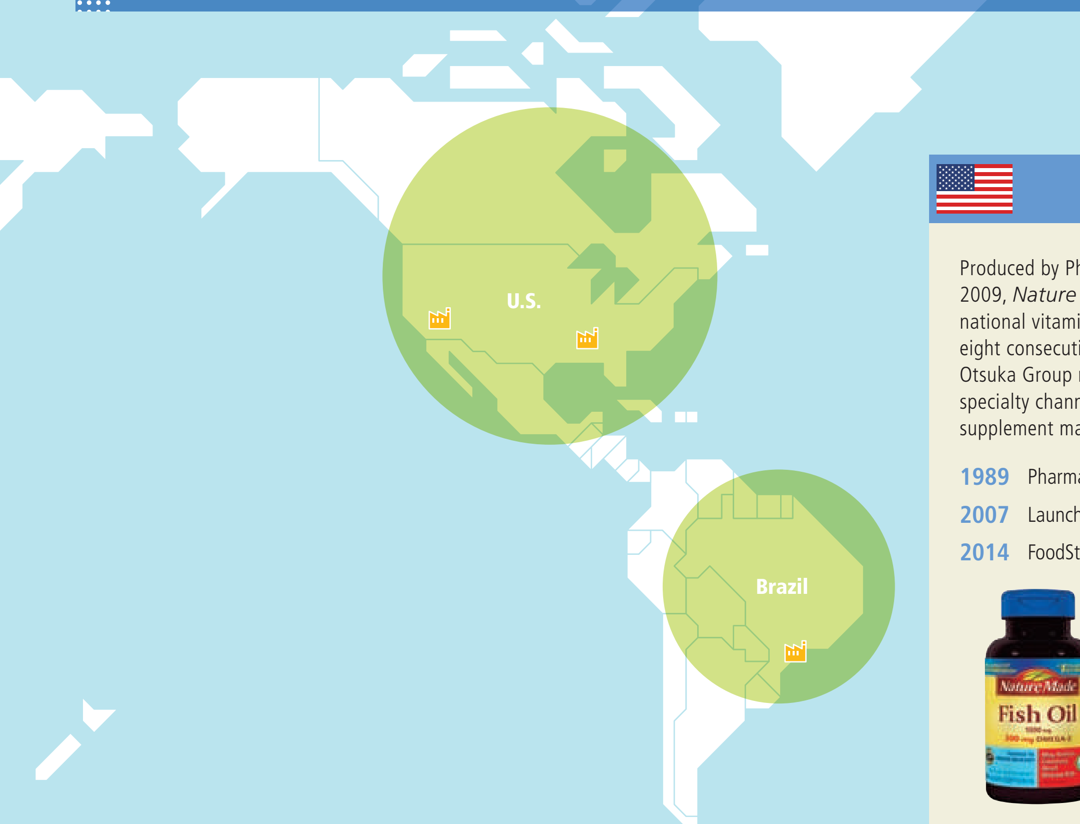
Indonesia

1989
Launched *Pocari Sweat*
2007
Launched *SOYJOY*

Global expansion of *Pocari Sweat*

Developed in Japan, *Pocari Sweat* has grown into a global product now sold in 18 countries and regions around the world. The Otsuka Group is focused on creating new markets for this drink through ongoing activities tailored to local culture and regional conditions that educate consumers on how to replenish electrolytes and stay hydrated in various situations.

Global growth of *Pocari Sweat*



U.S.

Produced by Pharmavite, which joined the Otsuka Group in 2009, *Nature Made* has been the number one retail national vitamin and supplement brand in the U.S.** for eight consecutive years. Adding FoodState in 2014, the Otsuka Group moved into the natural food and supplement specialty channel, which is the largest segment of the U.S. supplement market.

1989 Pharmavite joined the Otsuka Group
2007 Launched *SOYJOY*
2014 FoodState joined the Otsuka Group

P.35 Nutraceutical Segment • Topics

Taiwan

1982 Launched *Pocari Sweat*
2007 Launched *SOYJOY*
2014 Launched *Pocari Sweat Ion Water*

Brazil

In 2014, with the addition of Jasmine, the largest health and functional food company in Brazil, the Otsuka Group's nutraeutical segment started its first business in a South American market.

2014 Jasmine joined the Otsuka Group

P.34 Nutraceutical Segment • Topics

* ©Euromonitor International (Health and Wellness: Euromonitor from trade sources/national statistics)
** Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week period ending 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company

Nutraceutical Segment Topics

Nutrition & Santé Enters South American Market

In August 2014, Brazil's largest health and functional food company Jasmine joined the Otsuka Group member Nutrition and Santé, which operates a health and functional foods business mainly in Europe. This move into Brazil, which has enjoyed remarkable economic growth and has a rapidly growing health and functional food sector, is the first time the Otsuka Group's nutraceuticals business has entered a South American market. Going forward, Jasmine and Nutrition & Santé will work together to promote gluten-free products, food products for diabetics, and organic foods in Brazil, as well as to leverage the expertise of both companies in developing new products. The Otsuka Group will strengthen its structure to contribute to the health of consumers in Brazil, and is now targeting new growth in South American markets.

History of Jasmine

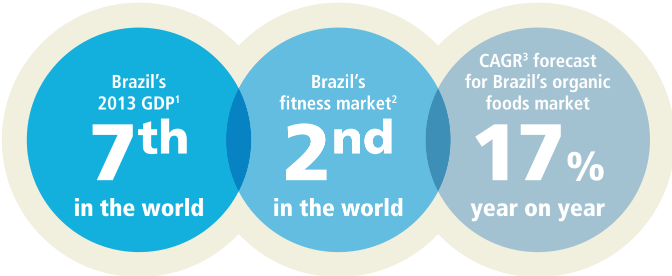
Established based on the concept "Eating well is living well"

1993 Launched first whole-grain muesli in Brazil

2004 Launched organic products

2007 Launched first whole-grain cookies for diabetics in Brazil

Jasmine
Coma bem, viva bem



1: Nominal GDP, IMF — World Economic Outlook Database 2014
2: www.ihrsa.org
3: Compound annual growth rate from FY2007 to FY2017 ©Euromonitor

Calorie Mate Block Plain Newly Launched
— Simple, Unadorned Flavor Marks a Return to *Calorie Mate* Origins after 32 Years

A new of *Calorie Mate Block Plain*, characterized by a refined, light sweetness and subtle taste, was launched nationwide in Japan in September 2014. Released in 1983, *Calorie Mate* created a new category of nutritionally balanced food products that provides the five major nutritional elements the body needs in convenient and compact form. As lifestyles and eating habits become increasingly diversified, the new *Calorie Mate Block Plain* is the result of efforts to provide a balanced source of the five major nutritional elements "any time, any place, for everyone." The first "plain" *Calorie Mate* in the 32 years since the launch is a simple flavor that can be easily integrated into daily life. The addition of this plain flavor gives consumers even more opportunity to enjoy *Calorie Mate* and further boosts the brand's support of healthy eating habits for everyone.

Pharmavite Gains U.S. Natural Foods Sales Channel

In December 2014, FoodState, a U.S. pioneer of natural food-based supplements, joined the Otsuka Group member Pharmavite, which operates a supplement business mainly in the U.S. In addition to the mass market channel in which *Nature Made* has been marketed, Pharmavite will now seek to expand its sales structure into the natural & specialty channel and the healthcare practitioners channel. Combining FoodState's unique technologies with Pharmavite's techniques for production of high-quality supplements, the Otsuka Group aims for further operational expansion in the supplement market.

MegaFood and *INNATE*: Natural Food-Based Supplements

FoodState owns a proprietary technology called Slo-Food process™. It effectively extracts nutrients from fresh vegetables and fruits produced by contracted farms. This process can dehydrate the foods, retain the nutrients and develop the supplements with minimum additives.

The company has used these techniques to develop two natural food-based supplements, *MegaFood* and *INNATE*, and forged a sales structure through the natural & specialty channel and the healthcare practitioners channel.

MegaFood

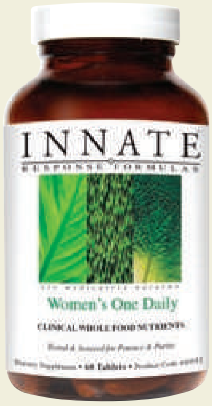
Natural food-based products in the US, developed and first marketed in 1983. The product has the concept "Fresh From Farm To Tablet" and sources fresh and local foods from family-owned North American farms.

Sales channels: Natural & Specialty channel (mainly natural food and supplement specialty stores)

INNATE

Launched in 2003, this product is unusual for a practitioner-oriented supplement in being derived from natural plant substances.

Sales channels: Practitioner channel



Otsuka Wellness Vending to Strengthen Vending Machine Business

The Otsuka Group established a new company to lead the Group's vending machine business, Otsuka Wellness Vending, in October 2014. The new company focuses on developing new products, services and sales channels in order to meet consumer needs for Otsuka Group foods and beverages. Increasing the scope and efficiency of vending machines, a favored purchase option for consumers, will contribute to consumer convenience as well as strengthen key Otsuka Group nutraceutical and consumer product businesses.

50th Anniversary of *ORONAMIN C DRINK*

Great-Tasting Carbonated Nutritional Drink That Kids and Adults Alike Want Every Day

元気ハツラツ!
オロナミンC

Creating a New Beverage Category — Nutritional Drinks with Carbonation

After World War II, a variety of new beverage products were launched in Japan and the market grew dramatically. In the process of expanding its operations as a manufacturer of intravenous solutions at the time, the Otsuka Group focused its contribution to the drinks market on the vitamins used as ingredients for its intravenous solutions, launching Glucuronic Acid Vitamin Drink in 1961. In the face of increasing competition among medicinal energy drinks within this sizable market, the Group looked to distinguish its nutritional drink from other products by adding carbonation, and with this innovative idea, *Oronamin C Drink* was launched. Before this, energy drinks had been marketed as medicine and sold in drugstores and pharmacies. When *Oronamin C Drink* was brought to market in 1965, the Group positioned the product as a soft drink that could also be sold at general retailers. The first part of the name *Oronamin C Drink*, ("Oron") was derived from *Oronine Ointment*, which was one of the Otsuka Group's best-selling products, and the second part ("amin C") communicated that the drink was rich in Vitamin C.

Enamel Signs Only Otsuka Could Create

The challenges involved in marketing *Oronamin C Drink* began with getting the drink into new sales channels. At the time, the Otsuka Group had cultivated relationships with Japan's 40,000 drugstores in the process of marketing its *Oronine Ointment*, but had no established channels with the country's 1.6 million general retail stores. The Group had begun producing ceramic boards and took advantage of this expertise to design signs featuring photos of faces cast in enamel to advertise *Oronamin C Drink*, distributing some 420,000 signs across the country over about a decade. These unique enamel signs withstood strong rain and wind, making for a highly effective and enduring method for advertising that brought about an immediate jump in name recognition for *Oronamin C Drink*.

History

- **1965** *Oronamin C Drink* launched
- **1985** Total number of bottles sold reaches 10 billion
- **1995** Total number of bottles sold reaches 20 billion
- **2000** *Oronamin C ROYALPOLIS* launched
- **2011** Total number of bottles sold reaches 30 billion
- **2015** 50th anniversary of *Oronamin C Drink*

Nutrition and Quality

Oronamin C Drink delivers essential vitamins, with a single bottle containing 220 mg of vitamin C, as well as vitamins B_2, B_6, and others. The drink does not contain artificial colors or preservatives, and gets its yellow color from the natural color of vitamin B_2. Sold in a brown bottle to prevent light from degrading the vitamins, the drink is produced under exacting standards of quality management. Most of the 500 million bottles produced each year are recycled, which also helps protect the environment by conserving resources and energy and reducing CO_2 emissions.

Safety and Security

While the drink's basic ingredients and logo design remain unchanged since *Oronamin C Drink* was first launched, the Otsuka Group has worked continually to make the drink more convenient for consumers, safer and more environment-friendly. The original crown cap has been replaced with a maxi cap to reduce the risk of contamination, by ensuring that the bottle cannot be recapped once it has been opened. The material used to make the cap has also been improved and is now aluminum rather than the originally used tinplate. The Group was the first manufacturer to adopt the kind of cap the drink currently uses, which features a resinous ring. The Group continues to adopt the latest technology to improve the brown bottle that protects the drink's ingredients, for instance coating the bottle to make it stronger and reducing bottle weight to make it more environmentally friendly.

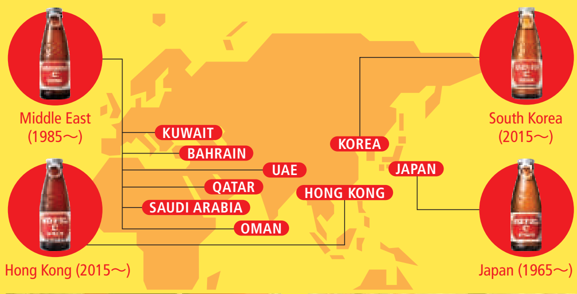
Recycling

100% of the bottles collected in Japan are recycled.

Expanding Worldwide

Oronamin C Drink is currently sold in nine countries* around the world. Since 1985, the drink has been provided through sales agencies in six Middle Eastern countries (United Arab Emirates [UAE], Kuwait, Bahrain, Oman, Saudi Arabia, and Qatar). In 2015, both manufacturing and sales commenced in South Korea, followed by launch in Hong Kong. Otsuka continues to promote the *Oronamin C Drink* concept of "full of vitality" in ways that suit the culture and customs of each region where the drink is sold. In the UAE, in particular, the drink's popularity has grown to the point where it is practically a national drink.

* As of May 2015



Selling *Oronamin C Drink* outside Japan

Consumer Products Segment

Consumer Products Segment Overview

The Otsuka Group's Consumer Products segment focuses on delivering familiar food and beverages that are delicious, safe, reassuring, and healthy.

Bon Curry Gold | *Bon Curry Neo* | *My Size* | *Mannan Hikari* | *MATCH* | *CRYSTAL GEYSER* | *Sinvino Java Tea Straight* | *Ridge Wine*

The Group's food products business has been going strong since the 1968 launch of *Bon Curry*, the world's first commercially available food product in a retort pouch. Then came *Mannan Hikari*, *My Size*, the *Rice Free* series, and many other products that were all ahead of their time. In 2014, Otsuka Foods redesigned all of its major pouch-packaged food products, making them microwavable in the box, thus eliminating the need for heating in boiling water. This evolution in food design offers consumers even greater ease and convenience.

In the beverages business, Otsuka Foods offers a product line suited to a variety of lifestyles and tastes, including the carbonated vitamin drink *MATCH*, the longtime best-seller *Sinvino JAVA Tea Straight* and *CRYSTAL GEYSER*, a soft mineral water bottled directly from a spring at the base of Mt. Shasta in the U.S.

TOPICS 1 Evolution of *Bon Curry*

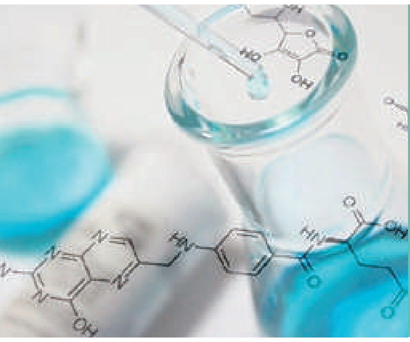
In 2013, Otsuka Foods expanded the classic lineup of *Bon Curry Gold* (mild, medium, hot, and very hot) with the first limited seasonal editions for summer and winter. These new additions have earned *Bon Curry* a host of new followers.

In February 2015, the company launched *The Bon Curry*, which is specially prepared using carefully selected ingredients for the highest level of quality ever in a *Bon Curry* product. Applying the expert techniques mastered over decades of preparing this delicious line of curries, *The Bon Curry* is a pouch-packaged curry made in a two-stage process with hand-selected ingredients of the finest caliber. Based on the concept, "Your mom's curry, made with a lot of time, effort and love," the *Bon Curry* series continues to evolve with the times as a pioneer in the world of pouch-packaged food products.

TOPICS 2 *Mannan Hikari Prepackaged Rice* Newly Launched

Developed by Otsuka Foods, *Mannan Hikari* is a rice-shaped processed food derived from konnyaku. Customers are able to easily control their calorie intake, and at the same time get more dietary fiber, simply by adding *Mannan Hikari* to the ordinary white rice that they usually have with meals. This packaged rice has been a favorite of health-conscious consumers since its launch in 2001 in both the commercial and industrial markets. In 2015, the company will launch *Mannan Hikari 25% Calorie-Reduced Rice*, pre-packaged rice that blends *Mannan Hikari* with Hokkaido-grown *yumepirika* rice and is prepared with the famous spring water from the Kurobe River delta. Consumers will be able to easily and conveniently control their calorie intake from rice, as easily as warming up the product in the microwave.

Other Segment



Other Segment Overview

The Otsuka Group's Other segment operates multiple businesses such as chemicals, transportation, warehousing, and electronic equipment.

Chemicals

In the chemical solution business, Otsuka Chemical has completed and brought online a manufacturing plant for its high-performance polymer *TERPLUS*, which is used as a material of liquid-crystal display. Its sales in fiscal 2014 have risen significantly due to the expansion of dispersant and adhesive application. Sales of the tire additive and brake friction material modifiers *TISMO* and *TERRACESS* increased compared with the same period in the previous fiscal year amid strong demand from the automotive sector. Sales of foaming agents declined due to decrease in overseas production. Total sales of hydrazine derivatives increased due to growth in overseas sales of curing agents for water-based paints, while their domestic sales declined due to decreased demand for housing-related products. Potassium nitrate for use in mobile terminals also performed well. *POTICON*, a resin composite material, expanded its sales as camera module parts application, but, total sales declined due to the impact of decrease in sales for LED reflector applications. Also, through the acquisition of Higashiyama Film by Otsuka Chemical, film business sales are consolidated as of December 2014. As a result, overall sales of the chemical solution business in fiscal 2014 increased in comparison with the same period of the previous fiscal year.

In the fine chemical business, sales volume for the pharmaceutical intermediate *YTR* increased due to the addition of new end product formulations. However, sales overall in the fine chemical business declined compared with the same period in the previous fiscal year due to the impact of increased competition from rival products on the pharmaceutical intermediate *DACTA*.

Higashiyama Film Joined the Otsuka Group

Moving into the Functional Film Sector

In November 2014, Otsuka Chemical acquired Higashiyama Film. Founded in 1949, Higashiyama Film's strength lies in the distinctive polyester film processing technologies it has developed over the years. Today, Higashiyama Film also researches, develops, manufactures, processes, and markets hardcoat films for use in smart phones, tablet terminals, and in-vehicle touch panels, as well as functional films for use as optical films in liquid crystal displays and other products.

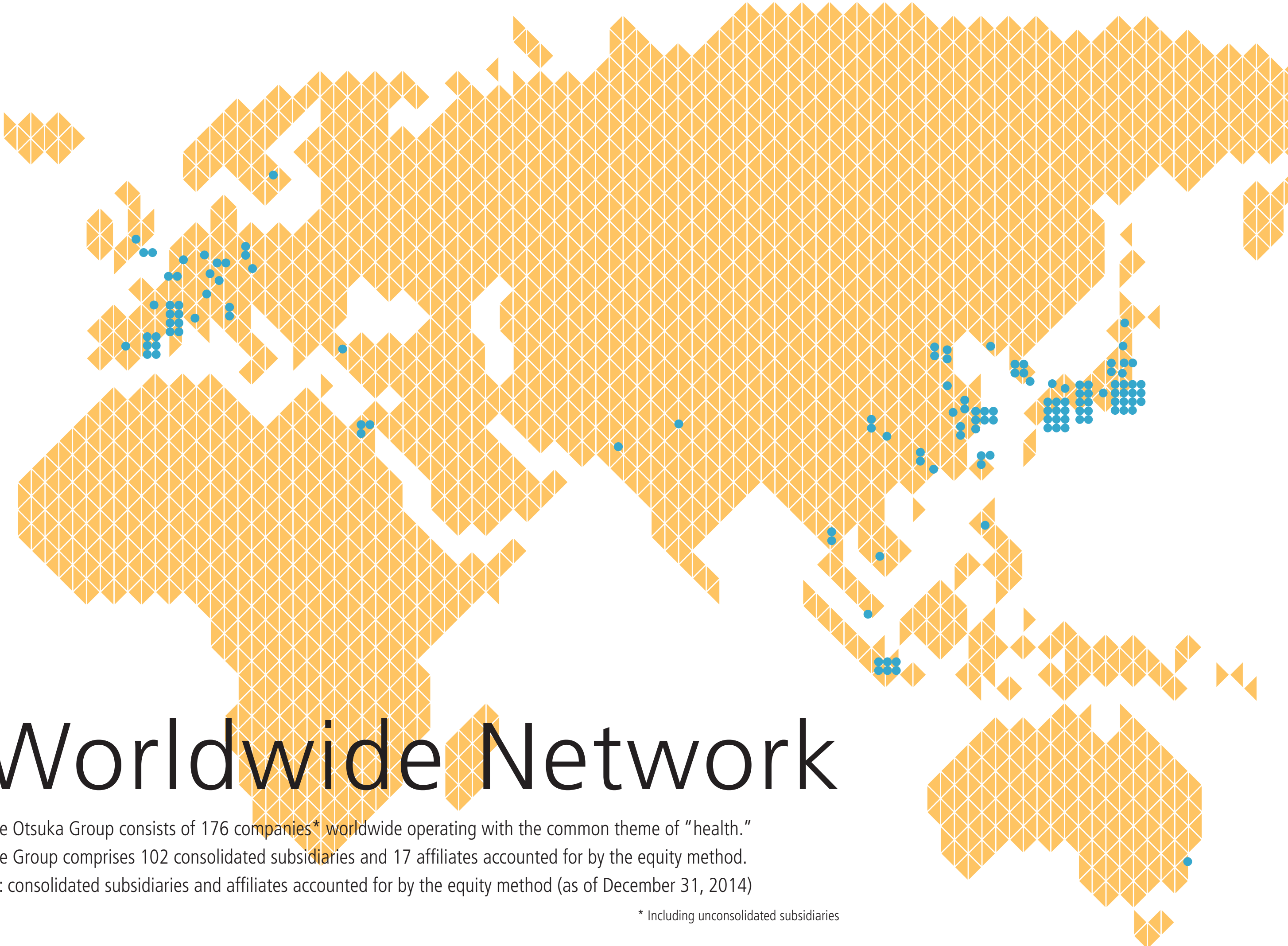
This acquisition represents Otsuka Chemical's first entry into the functional film sector. The company aims to further strengthen its management base by bolstering product quality and creating value added products through the integration of Higashiyama Film's unique technologies with its own innovative materials technologies.

Transportation and Warehousing

By distributing products to market for the Otsuka Group as well as for other firms, Otsuka Warehouse has experienced significant growth along with a rapid increase in the amount of inventory it handles. The company has met the challenge using its original data-driven "ID Warehouse" concept, promoting business systems optimization. Otsuka Warehouse has introduced tablet terminals at its distribution centers to integrate the processes involved in tracking the arrival of products at the warehouse, carrying out inventory management, and facilitating the shipping of products to market. As part of its business continuity planning, the company is developing the Pharmaceutical Distribution Center in Sanda, Hyogo, an ID Warehouse scheduled for completion in September 2015. With a continued focus on optimizing the distribution of products to market not only for the Otsuka Group but also for other clients, the company has also introduced new frameworks that allow for high-efficiency distribution of mixed cargo.

Electronic Equipment

Otsuka Electronics develops, manufactures, and markets optical evaluation/inspection equipment for LED light-source luminance and liquid crystal display 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.



Worldwide Network

The Otsuka Group consists of 176 companies* worldwide operating with the common theme of "health."
The Group comprises 102 consolidated subsidiaries and 17 affiliates accounted for by the equity method.
●: consolidated subsidiaries and affiliates accounted for by the equity method (as of December 31, 2014)

* Including unconsolidated subsidiaries

[Japan]
- Otsuka Holdings Co., Ltd.
- Otsuka Pharmaceutical Co., Ltd.
- Taiho Pharmaceutical Co., Ltd.
- Otsuka Pharmaceutical Factory, Inc.
- Otsuka Chemical Co., Ltd.
- Otsuka Warehouse Co., Ltd.
- Otsuka Medical Devices Co., Ltd.
- EN Otsuka Pharmaceutical Co., Ltd.
- Otsuka-MGC Chemical Company, Inc.
- Otsuka Furniture Manufacturing and Sales Co., Ltd.
- Otsuka Foods Co., Ltd.
- Otsuka Chilled Foods Co., Ltd.
- Otsuka Techno Corporation
- Otsuka Electronics Co., Ltd.
- Otsuka Packaging Industries Co., Ltd.
- Okayama Taiho Pharmaceutical Co., Ltd.
- KiSCO Co., Ltd.
- J.O. Pharma Co., Ltd.
- JIMRO Co., Ltd.
- ILS, Inc. (Former name: Ito Life Sciences Inc.)
- Otsuka Ohmi Ceramics Co., Ltd.
- Otsuka Turftech Co., Ltd.
- Otsuka Naruto Development, Inc.
- Otsuka Ridge Co., Ltd.
- Dairin Integrated Transportation Co., Ltd.
- Nippon Pharmaceutical Chemicals Co., Ltd.
- HAIESU Service Co., Ltd.
- Higashiyama Film Co., Ltd.
- Earth Chemical Co., Ltd.
- Earth Environmental Service Co., Ltd.
- Nichiban Co., Ltd.
- NEOS Corporation
- Agri Best Co., Ltd.
- Otsuka Wellness Vending Co., Ltd.
- Chuo Electronic Measurement Co., Ltd.
- Naruto Cruise Service Co., Ltd.
- Heartful Kawauchi Co., Ltd.
- Earth Biochemical Co., Ltd.
- Awa Union Transportation Co., Ltd.
- Kitasato-Otsuka Biomedical Assay Laboratories Co., Ltd.
- Tokushima Vortis Co., Ltd.
- Tokushima Air Terminal Building Co., Ltd.
- Naruto Salt Mfg. Co., Ltd.
- Bean Stalk Snow Co., Ltd.
- Big Bell Co., Ltd.
- Marukita Furniture Center (tentative)
- Yoshino Farm (tentative)
- Ribomic, Inc.
- NitteleOplus Co., Ltd

[Americas]
- Otsuka America, Inc.
- American Peptide Company, Inc.
- Astex Pharmaceuticals, Inc.
- Bigarade Corporation
- Cambridge Isotope Laboratories, Inc.
- CIL Isotope Separations, LLC
- Crystal Geyser Water Company
- FoodState, Inc.
- Membrane Receptor Technologies, LLC
- Otsuka America Foods, Inc.
- Otsuka America Pharmaceutical, Inc.
- Otsuka Global Insurance, Inc.
- Otsuka Maryland Medicinal Laboratories, Inc.
- Otsuka Pharmaceutical Development & Commercialization, Inc.
- Pharmavite LLC
- Pharmavite Direct LLC
- Ridge Vineyards, Inc.
- Otsuka Canada Pharmaceutical, Inc.
- 2768691 Canada, Inc.
- Jasmine Comercio de Produtos Alimenticios LTDA
- Nardobel Participações Ltda.
- Otsuka Chemical do Brasil Ltda.
- CG Roxane LLC
- Crystal Geyser Brand Holdings, LLC
- Oncomembrane, Inc.
- Otsuka Chemical America, Inc.
- Taiho Oncology, Inc.
- Galenea Corp.
- Graceland Fruit, Inc.

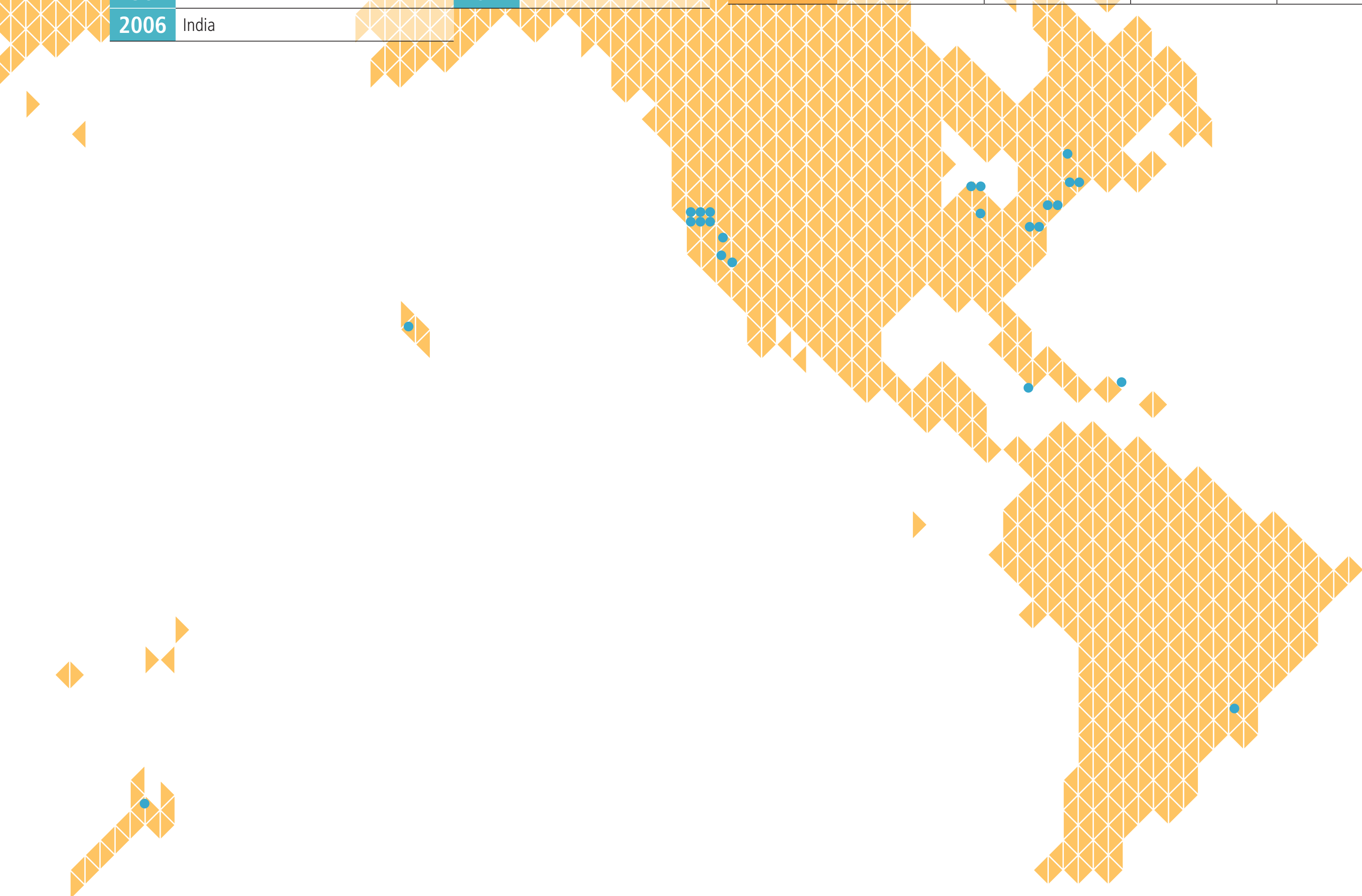
[Asia, others]
- Korea OIAA Co., Ltd.
- Korea Otsuka Pharmaceutical Co., Ltd.
- KOC Co., Ltd.
- Otsuka Electronics Korea Co., Ltd.
- Taiwan Otsuka Pharmaceutical Co., Ltd.
- Higashiyama (Shanghai) Function Film Co., Ltd.
- Sichuan Otsuka Pharmaceutical Co., Ltd.
- Otsuka (China) Investment Co., Ltd.
- Otsuka Beijing Research Institute
- Otsuka Pharmaceutical (H.K.) Ltd.

History of Otsuka's global business expansion

1973	North America (United States), Asia(Thailand)	2007	South America (Brazil)
1977	Africa (Egypt)	2008	Eastern Europe (Czech Republic)
1979	Western Europe (Spain)	2012	Turkey
1981	China	2014	Australia
2006	India		

Number of operations and employees of Otsuka Group

	Companies	Factories	Research Institutes	Employees
Worldwide	176	193	48	Approx. 43,000
Japan	49	52	26	Approx. 18,000
Overseas	127	141	22	Approx. 25,000



- Otsuka Sims (Guangdong) Beverage Co., Ltd.
- Pharmavite (Shanghai) Business Information Consultancy Co., Ltd.
- Shanghai Otsuka Foods Co., Ltd.
- Suzhou Otsuka Pharmaceutical Co., Ltd.
- Tianjin Otsuka Beverage Co., Ltd.
- Zhangjiagang Otsuka Chemical 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
- Claris Otsuka Private Limited
- Otsuka Chemical (India) Private Limited
- Egypt Otsuka Pharmaceutical Co., S.A.E.
- Otsuka (Philippines) Pharmaceutical, Inc.
- Giant Harvest, Ltd.
- Otsuka Pakistan Ltd.
- Dong-A Otsuka Co., Ltd.
- King Car Otsuka Co., Ltd.
- China Otsuka Pharmaceutical Co., Ltd.
- Guangdong Otsuka Pharmaceutical Co., Ltd.
- Shanghai MicroPort Medical (Group) Co., Ltd.
- VV Food & Beverage Co., Ltd.
- Thai Otsuka Pharmaceutical Co., Ltd.
- Diatranz Otsuka Limited
- MicroPort Scientific Corporation
- Higashiyama Film Korea Co., Ltd.
- Otsuka Tech Electronics Co., Ltd.
- Higashiyama film (Taiwan) tech Co., Ltd.
- Hangzhou Linan Kangle Pharmaceutical Co., Ltd.
- Changzhou Otsuka Econ Techno Co., Ltd.
- Dalian Otsuka Furniture Co., Ltd.
- Leshan Otsuka Techno Co., Ltd.
- MOC Chemicals Trading (Shanghai) Co., Ltd.
- Nanjing Otsuka Techbond Techno Co., Ltd.
- NOBLE SKILL LIMITED
- Otsuka (Shanghai) Foods Safety Research & Development Co., Ltd.
- Otsuka Electronics (Suzhou) Co., Ltd.
- Otsuka Electronics Shanghai Co., Ltd.
- Otsuka Material Science & Technology (Shanghai) Co., Ltd.
- Otsuka Shanghai Research Institute
- Otsuka South China Precision Instruments (Shenzhen) Co., Ltd.
- Taiho Pharmaceutical of Beijing Co., Ltd.
- Taiho Pharma Singapore Pte. Ltd.
- Otsuka Saha Asia Research Co., Ltd.
- Otsuka Ateco Pharma Egypt (Ahmed Zaghloul & Partners) Limited Partnership
- Otsuka Import Export, LLC
- Otsuka Trading Africa Co., S.A.E.
- Otsuka Thang Nutrition Co., Ltd.
- Otsuka Australia Pharmaceutical Pty Ltd.
- Xiamen United Medical Instruments Co., Ltd.
- Otsuka OPV Joint Stock Company
- Achieva Medical Limited

[Europe]

- Astex Therapeutics, Ltd.
- Otsuka Pharmaceutical Europe Ltd.
- Otsuka Pharmaceuticals (U.K.) Ltd.
- Nardobel SAS
- Euriso-Top SAS
- Laboratoire Diététique et Santé SAS
- Nutrition & Nature SAS
- Nutrition & Santé SAS
- Otsuka Pharmaceutical France SAS
- Advanced Biochemical Compounds GmbH
- Cambridge Isotope Laboratories (Europe) GmbH
- Euriso-Top GmbH
- Otsuka Frankfurt Research Institute GmbH
- Otsuka Pharma GmbH
- Hebron S.A.
- Nutrition & Santé Iberia SL
- Otsuka Pharmaceutical, S.A.
- Trocellen Iberica S.A.
- Nutrition & Santé Italia SpA
- Otsuka Pharmaceutical Italy S.r.l.
- Nutrition & Santé Benelux S.A.
- Nutrinat AG
- Otsuka Pharma Scandinavia AB
- Interpharma Praha, a.s.
- ALMA S.A.
- Otsuka Europe Development & Commercialisation, Ltd.
- Taiho Pharma Europe, Limited
- Kisco International SAS
- Otsuka Novel Products GmbH
- Otsuka S.A.
- Otsuka Pharmaceutical (Switzerland) GmbH
- Abdi Ibrahim Otsuka Ilac San. Ve Tic. A.S. / Abdi Ibrahim Otsuka Pharmaceutical Company
- Era Endoscopy S.r.l.

Americas

In the pharmaceutical business, the Otsuka Group welcomed Avanir Pharmaceuticals as a Group company in January 2015, looking to strengthen Otsuka's position in the CNS field even further. In oncology, the Group is building a marketing structure in the U.S. focused on Taiho Oncology In the nutraceutical business, the Otsuka Group welcomed new members in the Brazilian company Jasmine and the US-based FoodState in August and December 2014, respectively. These companies expand both the geographical reach of Otsuka and the variety of channels it has to reach markets.

Main Operating Companies

Otsuka America Pharmaceutical Inc.
(Rockville, Maryland)

Founded in 1989, Otsuka America Pharmaceutical performs marketing and sales of pharmaceuticals and medical devices in the U.S. The company currently sells products such as the antipsychotic drugs *ABILIFY* and *Abilify Maintena*, the aquaretic *SAMSCA*, the hematopoietic stem-cell pre-transplant regimen *Busulfex*, *the BreathTek* kit for diagnosing *Helicobacter pylori* infection, and the antiplatelet agent *Pletal*.

Pharmavite LLC
(Northridge, California)

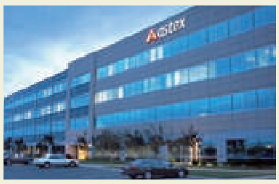
Pharmavite produces and markets *Nature Made* vitamin supplements and *SOYJOY* bars. *Nature Made* has been the best-selling vitamin supplement* in U.S. stores for eight consecutive years since 2007. In December 2014, Pharmavite acquired FoodState, a U.S. pioneer in the area of plant-based supplements.

*Pharmavite calculation based in part on data reported by Nielsen through its Scantrack® service for the Dietary Supplements category in dollar and unit sales, for the 52-week periods ending 12/29/2007 and 12/28/2008 in US Food Drug Mass channels; and for the 52-week periods ending 12/26/2009, 12/25/2010, 12/24/2011, 1/5/2013, 1/4/2014, and 1/3/2015 in US xAOC channels. ©2015 The Nielsen Company

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

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

Astex Pharmaceuticals Inc.
(Dublin, California)



Established in 1999, Astex Pharmaceuticals is known as a leading company in fragment-based drug discovery. It has a drug discovery center in Cambridge, UK, and a clinical development department in California, USA. Leveraging its proprietary fragment-based drug discovery technology, the company has advanced eight new compounds to the clinical R&D stage in the past eight years. In October 2013, the company became a subsidiary of Otsuka Pharmaceutical.

Avanir Pharmaceuticals, Inc.

(Aliso Viejo, California)

Founded in 1988, Avanir Pharmaceuticals successfully developed and commercialized *NUEDEXTA*, the world's first treatment for the neurologic disease pseudobulbar affect (PBA). Building on this success, the company now develops and markets medical therapies for CNS diseases with a particular focus on neurological disorders. In January 2015, the company became a subsidiary of Otsuka Pharmaceutical.

Taiho Oncology, Inc.

(Princeton, New Jersey)

Taiho Oncology was established in 2002 as a global development base for the anticancer drugs discovered by Taiho Pharmaceutical. The team of professionals in New Jersey works closely with Taiho Pharmaceutical's employees in Japan and cooperates with medical professionals and organizations in the U.S. and Europe to advance the development of new drugs that can contribute to cancer treatment globally. Currently, a sales infrastructure is being put in place for TAS-102 (*Lonsurf*), a novel anti-cancer agent which has been filed with the U.S. FDA.

FoodState, Inc.

(Manchester, New Hampshire)

A health food company established in 1973, FoodState is a pioneer in the area of supplements derived from plants. The company produces *MegaFood* brand products for natural food consumers and *INNATE* brand products for medical professionals. In December 2014, the company became a subsidiary of Pharmavite.

Jasmine Comercio de Produtos Alimenticios LTDA

(Curitioba, Parana, Brazil)

Brazil's leading health and functional food company, Jasmine, was established in 1990. Born of the principle that "eating well is living well," the mission of the company is to help create healthy eating habits and a sustainable future. In August 2014, the company became a subsidiary of Nutrition & Santé, which is a member of the Otsuka Group.

Europe

In the pharmaceutical business in Europe, sales have been strong for *Abilify Maintena*, an intramuscular depot formulation of aripiprazole approved for sale in November 2013 for the indication of schizophrenia. Meanwhile, Nutrition & Santé, a leading European company which has been a consolidated subsidiary since 2009, is contributing to the expansion of Otsuka's nutraceutical business.

Main Operating Companies

Otsuka Pharmaceutical Europe Ltd.

(Wexham, United Kingdom)

In October 2013, Otsuka Europe opened a new office to bring the research & development and commercial operations teams together for optimal collaboration. Otsuka Pharmaceutical Europe Ltd. is the central office for European marketing and sales of pharmaceuticals and medical devices, with offices in the U.K., France, Germany, Italy, Sweden and Spain. The company currently sells products such as the aquaretic *SAMSCA*, the antipsychotic drugs *ABILIFY* and *Abilify Maintena*, the antituberculosis *Deltyba*, the antiplatelet agent *Pletal*, and the apheresis device for leukocyte adsorption *Adacolumn*.

Asia and Middle East

The pharmaceutical segment in Asia and the Middle East was built on the foundation of the intravenous solution business that the Group began cultivating in the 1970s, and operates mainly through local subsidiaries in Korea, China and Indonesia. In July 2013, the joint venture Claris Otsuka was established in India. By providing high-quality clinical nutrition products, the Group aims to contribute to the advancement of medical care in India. The nutraceutical segment is promoting *Pocari Sweat* expansion in Asian countries, focusing on local needs.

Main Operating Companies

P.T. Amerta Indah Otsuka

(Jakarta, Indonesia)

Manufactures and sells *Pocari Sweat* and sells *SOYJOY* in Indonesia. Sales of *Pocari Sweat* continue to grow in the ASEAN market and the second *Pocari Sweat* factory in Indonesia was completed in 2010.

China Otsuka Pharmaceutical Co., Ltd.

(Tianjin, China) (Affiliated company)

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.

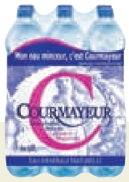
Otsuka Shanghai Research Institute (Shanghai, China)

(Unconsolidated subsidiary)

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.

Nutrition & Santé SAS (Revel, France)

Develops, manufactures, markets and sells health foods, functional foods, and sports nutrition foods, primarily in Europe. Major brands include *Gerblé*, *Gerlinéa*, and *Isostar*. In August 2014, Nutrition & Santé acquired Jasmine, a leader company of the health and functional food sector in Brazil, and extended its business to South America. The Nutrition & Santé Group's ninth factory was established within the site at Revel, and its opening ceremony was held on 20th November 2014. Producing bar-type functional foods, the new factory strengthens the company's manufacturing capacity of products for the European and Japanese markets.



ALMA S.A.

(Orne, France)

(Affiliated company)

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

P.T. Lautan Otsuka Chemical

(Jakarta, Indonesia)

Lautan Otsuka Chemical produces and markets foaming agents and is currently working to develop environmentally friendly inorganic foaming agents for use in automobiles, pallets, and building materials. The company marked its 25th anniversary in 2014.

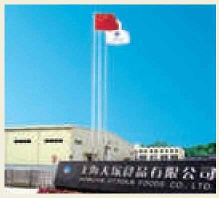
Zhangjiagang Otsuka Chemical Co., Ltd.

(Zhangjiagang, China)

This company produces and markets potassium titanate (product name *TERRACESS*), a frictional material used mainly in brake pads, as well as special engineering plastic compounds (product name *POTICON*). The company is also involved in research and development and has been certified as a high-tech company by the Jiangsu Science and Technology Department. Zhangjiagang Otsuka Chemical marked its 10th anniversary in 2014.

Shanghai Otsuka Foods Co., Ltd.

(Shanghai, China)



Shanghai Otsuka Foods was established in 2003 to disseminate and establish curry culture in China. The company manufactures and markets products such as curry in retort pouches, curry paste, and curry powder and is striving to develop a broad-reaching market by introducing products. Shanghai Otsuka Foods cooperates with the adjoining Otsuka (Shanghai) Food Safety Research & Development to provide safe, reliable, and high-quality products.

Otsuka Ateco Pharma Egypt

(El Obour City, Egypt) (Unconsolidated subsidiary)

In June 2014, Egypt Otsuka Pharmaceutical acquired Ateco Pharma Egypt, a company involved in the manufacture and sales of intravenous solutions in Egypt. In order to meet demand in this growing market, the company is working with Otsuka Pharmaceutical Factory to provide high-quality intravenous solutions to countries in the Middle East and Africa.

Claris Otsuka Ltd.

(Ahmedabad, India)

On July 31, 2013, Otsuka Pharmaceutical Factory, Mitsui & Co., and Claris Life Sciences a major manufacturer and marketer of intravenous solutions and pharmaceuticals in India, jointly established Claris Otsuka, a new company in the intravenous solutions business. The Indian market for intravenous products is expected to benefit from increasing demand driven by economic growth and the improvement in middle-class incomes, combined with the development of insurance systems and the increase in the number of medical institutions. In the future, India is expected to become one of the world's biggest users of these products. Otsuka Pharmaceutical Factory has identified India, which is achieving rapid economic development, as a priority country for its expansion outside Japan. By providing high-quality basic solution products, and in the future introducing new value-added clinical nutrition products, the company aspires to contribute to the advancement of medical care in India.

In keeping with its corporate philosophy "Otsuka-people creating new products for better health worldwide," the Otsuka Group values the natural environment and local communities and, as a good corporate citizen, actively develops social contribution activities to help better the health of people around the world.

Otsuka Welfare Clinic in Pakistan Receives Foreign Minister's Commendation for Treating Refugees

Otsuka Pharmaceutical and 23 affiliated companies operating in Asia and the Arab countries opened the Otsuka Welfare Clinic in 2003 in Peshawar, Pakistan, near the border with Afghanistan. Since 2001, approximately 1.8 million refugees have fled to Pakistan from neighboring Afghanistan with little food or clothing. Otsuka Pakistan initially supplied infusion-related products through the Red Cross, but as a healthcare company doing business in the region, the desire to help local refugees directly led the Group to establish a clinic to provide free medical care to refugees living in camps without adequate health services.

More than a decade later, the clinic still sees approximately 150 patients a day, primarily women and children, and has treated more than 700,000 patients free of charge over the past ten years. In recognition of the clinic's contribution to local medical services and care for Afghani refugees in Pakistan over the years, Otsuka was awarded the Foreign Minister's Commendation. The commendation was conferred by the Foreign Minister at an awards ceremony held on August 4, 2014 at the Ministry of Foreign Affairs.

As a group of companies involved in the healthcare, the Otsuka Group will continue to focus on activities rooted in local communities in order to better people's health around the world.

Distinguishing Features and Activities

- Drugs that patients need for their conditions provided, whether or not they are manufactured by Otsuka
- Female doctor always on duty in deference to local religious beliefs and cultural norms
- Services offered in both Afghani and Pakistani languages
- Relevant examinations provided free of charge for patients with hematological cancer cause by radioactivity
- Activities extended to meet local needs, including setting up a temporary treatment facility in areas hit by considerable damage from heavy flooding caused by severe rainfall

Otsuka Health Comic Library Donations Help Kids Learn about Health and the Body

Beginning in 1989 with the desire to promote children's health, Otsuka Health Comic Library activities have continued for 25 years with the sincere understanding and warm collaboration by the Japan Medical Association, the Japanese Society of School Health and a number of well-known Japanese manga artists. The Otsuka Group publishes a new volume each year dealing with subjects related to health, nutrition, and how the body works.

The Group donates the comics to approximately 23,000 elementary schools, special education schools, and national libraries across Japan, as well as some 300 Japanese schools in 82 countries around the world. The comics are kept in school libraries and nurses' offices where children have free access to them, and the series is also used as reference material for teachers and health education materials for school classes. To further the Group's efforts to contribute to the health education of school children, the Otsuka Group introduced a Child Participation Series project in 2013 to create comics based on drawings submitted by children.

Heartful Kawauchi Co., Ltd., a Special Otsuka Pharmaceutical Subsidiary, Certified as an Excellent Employer of Persons with Mental Disabilities

The Otsuka Group embraces normalization as a means of helping to create a society in which persons with disabilities are able to live on equal terms with persons with no disabilities. That is, living without being subjected to discrimination or without being considered different. The Group therefore actively encourages the hiring of persons with disabilities. Employed in various departments including research, production, accounting, and human resources, persons with disabilities are assigned to satisfying and meaningful positions that accommodate their disabilities and make the most of their skills.

In October 2011, Otsuka Pharmaceutical established Heartful Kawauchi Co., Ltd. as a special subsidiary that currently employs 29 persons with physical and mental challenges. (As of the end of March 2015, the company employed 7 with physical disabilities, 7 with intellectual disabilities, and 15 with mental health conditions.) As part of their corporate focus on, Heartful Kawauchi takes an innovative approach to all aspects of employing persons with physical and mental challenges, from the hiring stage through to human resource management.

The company employs counselors with expertise and many years of experience in providing support for persons with physical and mental challenges and has developed a work scheme under which employees are able to take paid vacation in one-hour units to accommodate the need for hospital visits. In these and other ways, the company strives to create a comfortable work environment for persons with mental health conditions.

In recognition of these efforts, Heartful Kawauchi was accredited on April 1, 2015 as an Excellent Employer of Persons with Mental Disabilities by Japan's Ministry of Health, Labour, and Welfare. By recognizing companies with progressive policies and active social contributions in the area of hiring of persons with mental health conditions, the accreditation program is designed to promote the hiring of persons with mental health conditions. Moving forward, the Otsuka Group will continue to focus on activities that provide persons with disabilities greater opportunities to work.

Excellent Employer of Persons with Mental Disabilities accreditation mark

The Excellent Employer of Persons with Mental Disabilities mark is bestowed on companies accredited for their employment practices.

The design evokes the concept of the yellow ribbon, highlighting the strong ties between society and persons with mental health conditions and symbolizing the company's active approach to fulfilling its social responsibilities. The mark conveys the idea that society and its enterprises understand well the hiring of persons with mental health conditions and provide the optimal support for employment.

Educating the Next Generation and Protecting the Environment to Help with Local Development

Employee plant trees at a nearby mountain as a part of local conservation efforts

Motivated by the desire to contribute to local development, P.T. Amerta Indah Otsuka, the Group company producing and marketing *Pocari Sweat* in Indonesia, has held charity events called *Satu Hati* (One Heart) since 2007. The funds raised at these events are used to build libraries and donate books to fulfill the project mission of "One Heart for education." Since 2009, the project has expanded its activities to include environmental protection as well, working with local communities and NGOs to promote "One Heart for environment." These activities were launched with the planting of broadleaf trees, fruit trees, sugar palm and other trees in the national park near the *Pocari Sweat* manufacturing plant. Developed from a long-term perspective, the project aims to not only help with watershed conservation, but also to provide economic support for local residents, building a model village where the local community conducts its own independent environmental protection activities.

Basic Approach

The Otsuka Group engages in the challenge of conducting research and development to create 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 stakeholders.

Corporate Governance Framework

Below is a diagram of Otsuka Holdings' corporate governance framework. The current framework was adopted to ensure the continuous progression of enterprise value and preservation of a governance structure with high transparency. This was achieved through the close cooperation of the Board of Directors, which includes several outside directors, and the Audit and Supervisory Board, also including several outside audit and supervisory board members, which enables effective exercise of the function of the Audit and Supervisory Board and strengthens the management oversight function.

• Corporate Organization

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

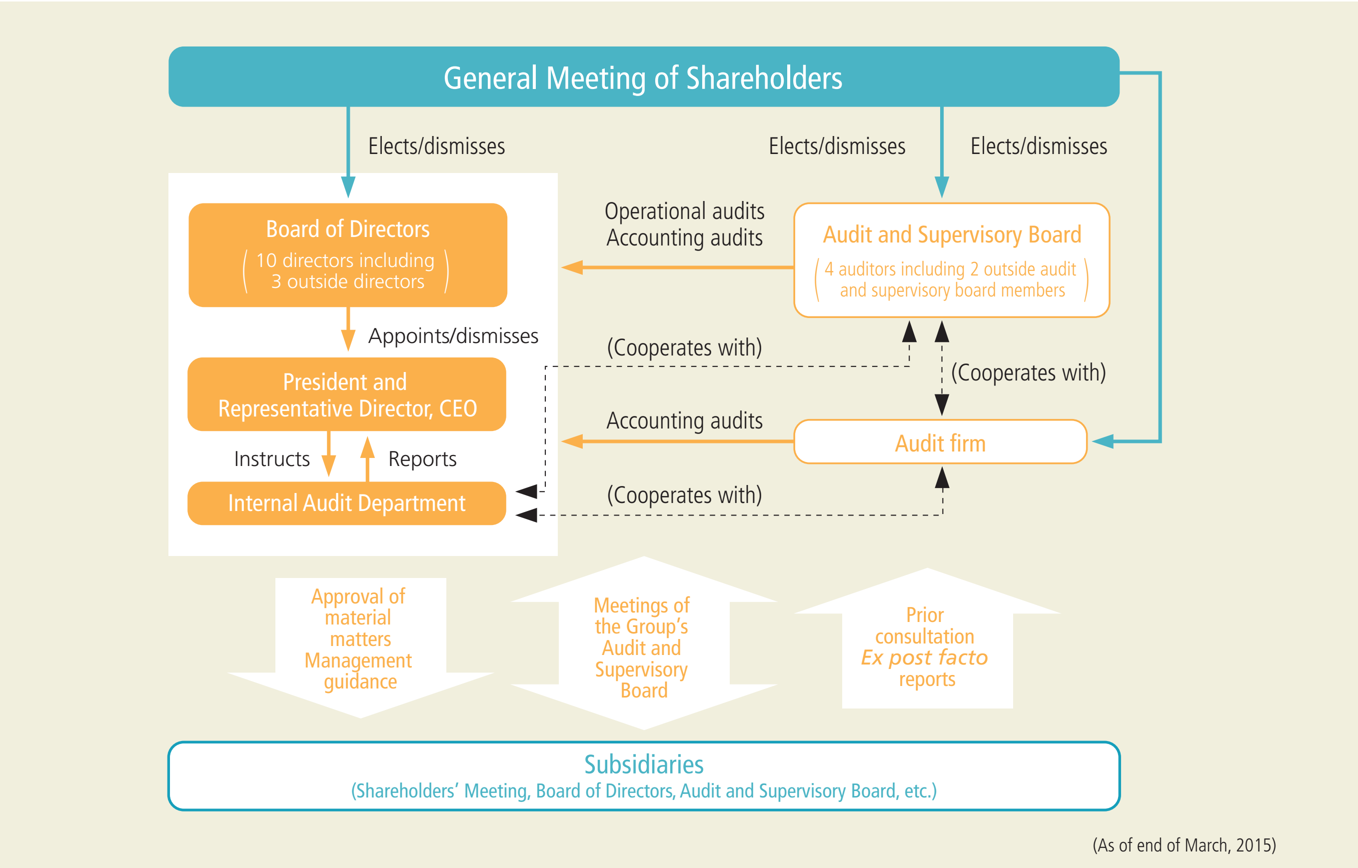
The Articles of Incorporation specify that the number of directors shall not exceed 18 in order to enable substantive discussion during Board meetings. The Articles of Incorporation also specify that the number of audit and supervisory board members shall not exceed five.

• Directors and 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 nine 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.

• Audit and Supervisory Board Members and the Audit and Supervisory Board

Otsuka Holdings has adopted a statutory auditor system. Each audit and supervisory board member 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 Audit and Supervisory Board at the core of this process.

Systems have been put in place for audit and supervisory board members 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 audit and supervisory board members are conducted effectively. An Audit and Supervisory Board Member's Office has been established to assist the duties of audit and supervisory board members. It conducts the work of convening meetings of the audit and supervisory board members and assisting in the duties of audit and supervisory board members independent of the chain of command of Board directors.

Furthermore, audit and supervisory board members 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.

Otsuka Holdings does not establish committees. An audit and supervisory board member, Hiroshi Sugawara, holds qualifications as a certified public accountant and has considerable expertise in financial affairs and accounting.

• Outside Directors and Outside Audit and Supervisory Board Members

Otsuka Holdings has three outside directors and two outside audit and supervisory board members.

The role of the outside directors is to enhance the governance function of the Board of Directors. This involves overseeing business execution and ensuring appropriate decision making through the provision of effective advice from a neutral and objective viewpoint, based on broad insight and a wealth of experience. When necessary, the outside directors also ascertain conditions at the Internal Control Department, while strengthening and enhancing the management oversight function through the various activities of the Board of Directors.

The outside audit and supervisory board members conduct audit work from a neutral and objective viewpoint, based on a wealth of experience relating to corporate management and deep insight into finance, accounting and management. Their role is to strengthen the oversight function while improving management transparency through appropriate advice to the Board of Directors. Outside audit and supervisory board members 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.

In addition to maintaining their independence, Otsuka's outside directors and outside audit and supervisory board members have deep insight and a wealth of experience in corporate management.

Until the end of March 2013, outside director Yasuyuki Hirotomi was Vice President and Representative Director of Resona Bank, Ltd. He currently serves as President of The Resona Foundation for Asia and Oceania, Outside Director of Elecom Co., Ltd., and Vice President, Director, and Executive Officer of Kyosei Steel Ltd. Resona Bank is one of Otsuka's principal lenders. The Otsuka Group has no transactions with The Resona Foundation for Asia and Oceania, Elecom, or Kyosei Steel. Outside director Juichi Kawaguchi has no prior relationship with Otsuka Holdings, and has no personal or capital interests in the Company, nor any business relationships with it. Until the end of April 2011, outside director Tadaaki Kounose was President and Representative Director of Megmilk Snow Brand Co., Ltd., and a member of the Administrative Council of the University of Miyazaki. Otsuka Holdings and Megmilk Snow Brand have transactions through each other's subsidiaries, but the monetary amount is insignificant. The Company has no transactions with the University of Miyazaki.

As of the date of submission of this report, outside audit and supervisory board members Norikazu Yahagi and Hiroshi Sugawara held 15,000 and 4,000 shares, respectively, of common stock in Otsuka Holdings. Norikazu Yahagi is also an outside audit and supervisory board member of T.D.I. Co., Ltd. Otsuka Holdings has no business relationship with this company. Hiroshi Sugawara is also an outside audit and supervisory board member for Otsuka Pharmaceutical Co., Ltd., and a vice president at Will Capital Management Co., Ltd. Otsuka Pharmaceutical is a subsidiary of Otsuka Holdings. The Company has no business relationship with Will Capital Management.

Otsuka Holdings has designated outside directors Juichi Kawaguchi and Tadaaki Kounose as well as outside audit and supervisory board members Norikazu Yahagi and Hiroshi Sugawara as independent officers, as regulated by the Tokyo Stock Exchange, and notified the Tokyo Stock Exchange thereof.

The following criteria are used for appointing outside directors and outside audit and supervisory board members.

Outside directors and outside audit and supervisory board members must be capable persons with abundant knowledge and experience in various fields. They must be able to demonstrate adequate oversight of the directors by performing fair and objective management supervision and monitoring, or auditing, from a neutral and objective viewpoint. One criterion for ensuring neutrality and objectivity is independence from the management team, and the Company demands that there be no risk of a conflict of interest with general shareholders developing between the Company and a candidate. The Company has not established formal criteria pertaining to past duties and career history, other than having not engaged in the administration of business matters in a Group company, as criteria for independence. However, bearing in mind the Criteria for Judgment of Independence specified by the Tokyo Stock Exchange,* the Company does stress that candidates must be able to make judgments substantially independent from managers, which it uses as an appointment criterion for outside directors and outside audit and supervisory board members.

* Criteria for Judgment of Independence specified by the Tokyo Stock Exchange
If a person designated as an independent officer falls under any of the following items "a." to "e.," the company must disclose the reason the person is designated as an independent officer and deemed as having no risk of a conflict of interest with general shareholders even given this fact.

a. An operating officer, etc. (referring to a person who is or was an operating officer; the same hereinafter) of the parent company or fellow subsidiaries of the company concerned
b. A person who has the company concerned as his/her main business partner or is an operating officer, etc. or is a main business partner of the company concerned or an operating officer, etc. of that business partner
c. A consultant, accounting professional, or legal professional who has gained a substantial amount of money or other assets besides officer's compensation or remuneration from the company concerned; or a person who belongs or used to belong to an entity, such as a corporation or association, that has gained said assets
d. A principal shareholder in the company concerned
e. A close relative of a person indicated in either (a) or (b) below (excluding persons who are not principal figures):
(a) A person indicated in "a." to "d." above
(b) An operating officer, etc. of the company concerned or its subsidiary (including, if an outside audit and supervisory board member is to be designated an independent officer: a director who is not an operating officer; or a person who was a director who was not an operating officer, an accounting advisor, or a person who was an accounting advisor)

• Internal Audit Department

The Company operates an Internal Audit Department (five auditors as of the date of submission of this report) which reports directly to 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 submits audit reports to the president, directors, and audit and supervisory board members. 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 audit and supervisory board members and the audit firm and in other ways cooperates with them.

• Internal Control Department

The Company operates an Internal Control Department to handle internal controls relating to financial reporting by the Company and its affiliated companies. The department formulates 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 the auditing firm Deloitte Touche Tohmatsu LLC to audit the Company's accounts from a fair and impartial stance. The certified public accountants who audited the Company's accounts were Mitsuru Hirano, Yukitaka Maruchi, and Koichi Niki. They were assisted by nine other certified public accountants and five 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 important matters in these reports. 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. An Audit and Supervisory Board has been established, enabling several of its members to audit the directors' performance of duties and thereby increase their effectiveness. Audit and supervisory board members 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 Audit and Supervisory Board, the audit and supervisory board members audit the execution of operations by the directors. Also, as a general rule, a meeting of the Group's audit and supervisory board members is convened quarterly.

Audit and supervisory board members 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 damage.

Change in Fiscal Year End

In order to improve the timeliness and accuracy of the Company's disclosure in light of its global activities and the large overseas portion of sales generated by its group companies, the Company changed the fiscal year end for its consolidated accounts from March 31 to December 31, following a resolution on the partial amendments of the Articles of Incorporation at the 6th Annual Shareholders Meeting held on June 27, 2014. Furthermore, 23 consolidated domestic subsidiaries also changed their fiscal year end from March 31 to December 31.

Consequently, the consolidated financial report for the transitional FY2014 period represents the results for the nine-month period from April 1 to December 31, 2014. Percentage changes compared to the previous fiscal year (twelve-month period) are therefore not stated in the below sections.

Financial Highlights (Graphs 1, 3 and 4)

During the fiscal year ended December 31, 2014, the business environment underwent several significant changes. These included the advancement of yen depreciation in the second half of 2014 in particular influenced by the expanding trade deficit and the expected continuation of the Bank of Japan's quantitative easing policy aimed at stimulating Japan's economic growth and consumer spending. While official inflation and GDP forecasts were lowered, signs of mild economic recovery are emerging partly aided by lower oil prices. In our overseas markets, while U.S. economic growth was solid and some of the emerging economies continued to grow, the European economy remained unstable in the aftermath of the financial crisis.

Within this global operating environment, the Otsuka Group (the "Group") reported consolidated net sales of ¥1,224,298 million for the current fiscal year, with operating income of ¥196,529 million and net income of ¥143,144 million.

Operating Results by Business Segment (Graphs 2, 3, 4 and 5)

1) Pharmaceuticals

Net sales of the pharmaceutical segment were ¥883,519 million consisting mainly of global sales of *ABILIFY*, *Pletaal*, *TS-1* and *SPRYCEL*.

2) Nutraceuticals

Net sales of the nutraceutical segment were ¥238,156 million consisting mainly of sales of *Pocari Sweat*, *Oronamin C*, *Calorie Mate* and *Nature Made* brand supplements as well as functional foods in the European market.

3) Consumer Products

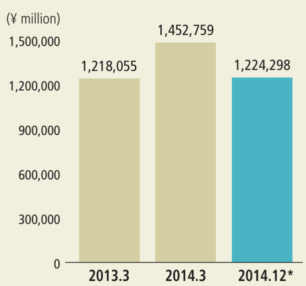
Net sales of the consumer products segment were ¥34,530 million consisting mainly of sales of *MATCH*, *CRYSTAL GEYSER*, and *Bon Curry*.

4) Others

Net sales of the other segment were ¥102,247 million consisting of sales of fine chemical and specialty chemical products, as well as revenues from the transportation and warehousing business.

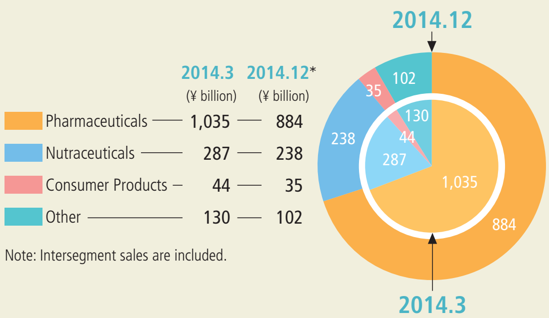
Graph 1

Net Sales



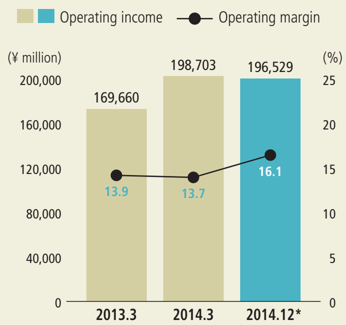
Graph 2

Sales by Business Segment



Graph 3

Operating Income



* 2014.12 (FY2014) represents nine months.

Selling, general and administrative expenses was ¥681,469 million resulting in operating income of ¥196,529 million. Major components of selling, general and administrative expenses included personnel expenses (¥97,860 million), sales promotion expenses (¥188,010 million) and research and development expenses (¥172,851 million).

Other income, totaling ¥13,737 million, included equity in earnings of unconsolidated subsidiaries and affiliated companies (¥3,874 million), foreign exchange gain (¥12,872 million), and impairment loss (¥5,378 million).

As a result, net income was ¥143,144 million.

Financial Position (Graph 6)

Total assets as of December 31, 2014 were ¥2,178,184 million, an increase of ¥149,784 million compared to ¥2,028,400 million at the end of the previous fiscal year, March 31, 2014. The increase was due to a ¥76,762 million increase in current assets and a ¥73,022 million increase in noncurrent assets.

Assets

(Current Assets)

Total current assets as of December 31, 2014 were ¥1,245,603 million, an increase of ¥76,762 million compared to ¥1,168,841 million at the end of the previous fiscal year. This increase was mainly due to increases in cash and cash equivalents by ¥39,002 million and in receivables by ¥73,862 million, while there were decreases in short-term investments by ¥27,080 million and in deferred tax assets by ¥16,766 million.

(Noncurrent Assets)

Total noncurrent assets as of December 31, 2014 were ¥932,581 million, an increase of ¥73,022 million compared to ¥859,559 million at the end of the previous fiscal year. This increase was mainly due to a ¥29,599 million increase in noncurrent assets including improvements to Otsuka Pharmaceutical's manufacturing facilities for *Pocari Sweat*, and a ¥13,192 million increase in noncurrent assets of newly consolidated companies, including Jasmine Comercio de Produtos Alimenticios LTDA, FoodState, Inc., Higashiyama Film Co., Ltd. and one other company, and a ¥22,567 million increase in goodwill.

Liabilities

(Current Liabilities)

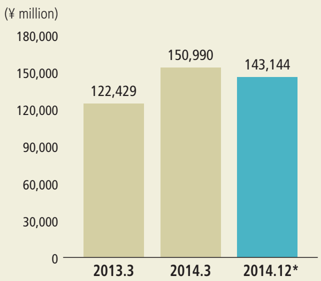
Total current liabilities as of December 31, 2014 were ¥437,027 million, a decrease of ¥394 million from ¥437,421 million at the end of the previous fiscal year. This change was mainly due to increases of ¥13,553 million in short-term borrowings, ¥9,002 million in payables, and ¥15,326 million in accrued expenses, and a reduction of ¥36,566 million in income taxes payable reduced by tax payments.

(Long-term Liabilities)

Total long-term liabilities as of December 31, 2014 were ¥82,557 million, an increase of ¥2,338 million compared to ¥80,219 million at the end of the previous fiscal year. This increase mainly resulted from the combined effect of a ¥7,998 million increase in long-term debt and a ¥4,631 million decrease in deferred tax liabilities.

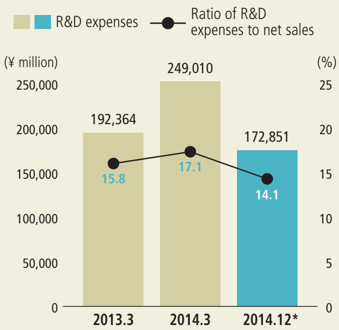
Graph 4

Net Income



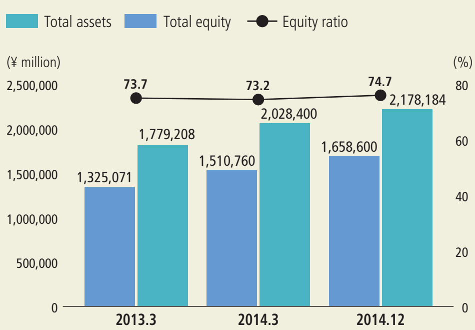
Graph 5

R&D Expenses



Graph 6

Total Assets, Total Equity and Equity Ratio



* 2014.12 (FY2014) represents nine months.

Equity

Total equity as of December 31, 2014 was ¥1,658,600 million, an increase of ¥147,840 million compared to ¥1,510,760 million at the end of the previous fiscal year. This change was mainly due to ¥37,915 million in dividend payments, ¥143,144 million in net income, a ¥43,576 million increase of accumulated other comprehensive income due to changes in foreign exchange rates, and a ¥4,714 million increase in minority interests.

Cash Flows (Graph 7)

Cash and cash equivalents increased by ¥39,002 million during the fiscal year ended December 31, 2014 to ¥456,540 million. Net cash provided by operating activities was ¥88,536 million, while net cash used in investing activities and financing activities was ¥28,682 million and ¥35,957 million, respectively.

(Cash Flows from Operating Activities)

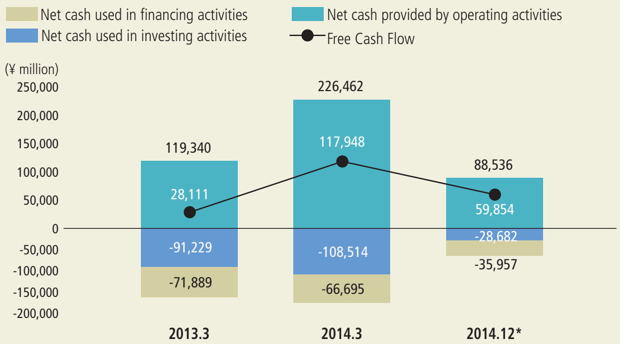
Net cash provided by operating activities was ¥88,536 million in the fiscal year ended December 31, 2014. Main components were ¥210,266 million from income before income taxes and minority interests, an increase of ¥61,285 million in trade receivables (a cash decrease), and ¥88,481 million in income taxes paid.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥28,682 million in the fiscal year ended December 31, 2014. Main investing activities included ¥32,888 million in purchases of property, plant and equipment, ¥26,704 million in investments in subsidiaries resulting in a change in the scope of consolidation, a ¥28,500 million decrease in short-term investments, and a ¥19,594 million decrease in marketable securities.

Graph 7

Cash Flows



* 2014.12 (FY2014) represents nine months.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥35,957 million in the fiscal year ended December 31, 2014. Main financing activities included ¥37,915 million in dividend payments, a ¥4,202 million decrease in short-term borrowings, and cash flow of ¥9,393 million from new long-term loans payable.

Operational Risks

The Group's business performance is subject to various risks, and may experience unexpected fluctuations due to the occurrence of risk events, despite the Group's effort to take preventive measures to avoid potential risks. Below are assumed risk factors that could cause a major impact on the Group's performance and financial position. However, there can be no assurance that these listed items represent all risks, and there may be other potential risks that could affect the Group's performance and business activities. Forward-looking statements contained in these items are based on the information available as of December 31, 2014.

(1) Risk as a holding company

The Company was established on July 8, 2008 as a pure holding company to strengthen the Group's overall corporate governance structure by directing the Group's strategic planning, allocating operating resources, and monitoring group operations.
The Company receives dividends and appropriate management fees from its subsidiaries in order to secure stable income. However, the Company's performance and financial position may be materially impacted depending on the subsidiaries' earnings conditions.

(2) Risk related to side effects

In the pharmaceutical business, clinical trials necessary for the approval of new drugs are conducted with limited numbers of participants, and thus there can be no assurance that the approved new drugs are safe for all the recipients, and side effects that were unknown at the time of launch may appear. The Group takes out an appropriate liability insurance including product liability, but this may not fully cover the damages for which it may be liable. As a result, there may be significant impact on the Group's performance and financial position should there be any side effects revealed in the pharmaceutical products that the Group manufactures or sells and the Group may be obliged to recall or discontinue sales. This could also adversely affect the Group's social trust, brand, and business operations.

(3) Risk related to R&D

Although development programs for pharmaceutical products require significant investment and time, the development may be postponed or discontinued depending on the clinical trial results. The Group is 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 respective regulatory authorities with respect to efficacy and safety requirements. These factors could result in unexpected delays in, or the termination of, initial plans to launch new products. There can be no assurance that any investment made in researching and development products will be recouped if the launch of pharmaceutical products is terminated or postponed. Although the Group works to prevent the above risks by focusing on unmet medical needs and enhancing multiple pipelines, not all risks are avoidable and this uncertainty in development may cause significant impact on the Group's performance and financial results.

(4) Risk related to reliance on a specific product

Net sales of the Group's top-selling pharmaceutical product *ABILIFY* constitute approximately 40% of the Group's total consolidated net sales.

It is possible that the sales of *Abilify* may decrease due to other competing products, expiration of the patent protection term*, and sales of generic pharmaceutical products as a result of unfavorable verdicts on patent effectiveness, or for any other reasons, which could materially and adversely affect the Group's performance and financial position.

*Note: Substance patents related to *ABILIFY* are scheduled to expire in Japan in January 2016 (including a two-year extension of the re-examination period due to the conducting of pediatric clinical trials), and in the U.S. in April 2015 (including the additional six-month pediatric exclusive period). The patent expired in Europe in October 2014.

(5) Risk related to government policies to reduce medical costs

In Japan, the Ministry of Health, Labor and Welfare has been reducing National Health Insurance prices for drugs and promoting use of generic drugs in order to curtail the growing medical expenses.

Similarly in the U.S., a significant market for the Group, there has been increasing pricing pressure on brand drugs by managed care institutions, insurance companies and the Patient Protection and Affordable Care Act enacted in March 2010 as well as promotion for the use of low-price generic drugs. Further implementation of such policies may have a material impact on the Group's performance and financial condition.

(6) Risk related to consumer trends

The Group sells products (especially beverage products) in the nutraceuticals business and consumer products business that are subject to fluctuations in demand based on consumer sentiment influenced by the weather and the economic environment. A change in consumer buying trends could cause a material impact on the Group's performance and financial condition.

(7) Risk related to food safety

The Group takes every possible measure to secure food safety for the customer in not only in-house products but also in products made by contract manufacturers. In recent years, however, both the domestic and international food industry have faced various problems such as contamination with harmful substances. The Group's performance, financial condition, and social trust may be significantly impacted should there be any incidents that exceed the Group's quality control capacity.

(8) Risk related to rising raw material price

Raw material prices fluctuate due to various factors including weather, natural disaster, market price, economic situation, fuel expense, and currency exchange. The manufacturing cost could rise if the raw material price were to rise for some reason. The Group intends to pass on the cost increase to the sales price, but there may be significant impact on the Group's performance and financial results should there be difficulties with the market situation, negotiation with clients, or procurement of raw materials due to supplier problems.

(9) Risk related to laws and regulations

The Group's subsidiaries and affiliated companies which operate in the pharmaceutical business are subject to rigid regulations under the Pharmaceutical Affairs Law, and receive approvals and licenses to operate various business activities. In order to receive these approvals and licenses, the Group works hard to comply with terms, conditions, and related regulations. At present, there is no event constituting grounds for the revocation of these approvals and licenses. However, in the event of approvals and licenses being revoked due to violation of laws, the Group might be required to recall and terminate certain products, or discontinue certain businesses, which could result in a significant impact on the Group's operations and business activities.

(10) Risk related to expiration of patent protection

Although the Group works to extend the life cycle of pharmaceutical products by adding indications or changing the formulation, the pharmaceutical products that the Group manufactures and sells could be exposed to severe competition with generics once the patent protection term during which the Group can exercise market exclusivity comes to an end. As a result, there may be significant impact on the Group's performance and financial condition.

(11) Risk related to patent infringement

While the Group strictly manages intellectual property rights including patents, and always keeps careful watch for potential infringement by a third party, expected earnings may be lost if the intellectual property rights held by the Group or licensed to the Group by other companies are infringed by a third party.

Also, while the Group always keeps careful watch for potential infringement of the intellectual property rights of a third party by the Group, it may be required to recall products, terminate manufacturing and sales, and pay substantial amounts of compensation if its in-house product is proven to have infringed a third party's intellectual property rights.

In the U.S., the Group filed patent infringement actions against a number of companies which had applied for approval to commercialize generic versions of *ABILIFY*. Judgments in favor of the Group were finalized in these actions in February 2013.

(12) Risk related to litigation

Regarding the Group's operational activities, there is a possibility that a suit may be brought to court relating to product liability, labor issues, patent infringement, breach of contract, environmental pollution, etc. As a result, there may be a significant impact on the Group's performance, financial condition, operational strategies and social trust should there be an unfavorable judgment, decision or settlement.

(13) Risk related to shutdown of manufacturing base

The Group's manufacturing facilities are dispersed in various regions in order to hedge against unexpected disaster, war, terrorism, broad-scale system failure, accidents, etc. However, in the case all or part of these manufacturing facilities were to shut down or all or part of product manufacturing to become difficult or impossible in the short or long term, there might be a significant impact on the Group's performance and financial results.

(14) Risk related to environmental pollution

The Group is subject to various environmental protection laws and regulations regarding waste generated in the process of manufacturing and air emission in the various regions in which the Group operates. The Group works to manage environmental burdens and reduce environmental risks by assessing the impact on the environment that each business operation has. As a result, the Group has not committed any material environmental violations in the past, but there can be no assurance that there will not be any environmental violation in the future. If soil or air contamination were to be found, legal actions might be required by the authorities and related expenditures and liability for damages could arise, which as a result could negatively affect the Group's performance, financial results, social trust and brands.

(15) Risk related to foreign exchange and stock price

In the fiscal year ended December 31, 2014, 61.8% of the Group's net sales were from customers outside of Japan, and a significant portion of net sales will continue to be based on foreign currencies from sources outside of Japan. There is a possibility that the Group's performance might be significantly impacted by a sharp appreciation of the yen on the foreign exchange markets exceeding the Company's expectation. In addition, because the financial statements of the Group's foreign subsidiaries and affiliated companies are denominated in foreign currencies, foreign exchange may have significant impact on the Group's performance and financial results when converting to yen.

If the stock market were to weaken, the Group's performance and financial results might be significantly impacted by valuation loss on the stocks that the Group holds and the increase in net defined benefit liability due to the decrease in pension plan assets.

(16) Risk related to business alliances and acquisitions

From time to time, the Group enters into technology alliances, business alliances, establishment of joint venture companies, partnership with third parties and acquisition of third party business in connection with research and development, manufacturing and sales activities. Regarding these alliances, the Group thoroughly assesses the business synergy, the business performance and the credibility of the partner. Regarding capital alliance and acquisition, the Group is committed to detailed due diligence of financial position and contract relationships of the third party to lower the risk. However, if the business environment changes after entering into the alliance or for other reasons, the alliances may not have the effect that the Group originally anticipated or the alliance may be terminated for any other reason, which as a result could have a significant impact on the Group's performance and financial position. When the alliance is contracted, the Group may experience material restriction of its future business strategies if it is obliged not to compete in certain regions, periods, or products.

A patent infringement action had been filed against a number of generic companies for the product *SPRYCEL*, whose patent is held by BMS and which is being co-developed and co-marketed by the Group. However, the parties reached a settlement in September 2013.

(17) Risk related to the operation of businesses in foreign countries

Outside of Japan, the Group conducts business operations mainly in the U.S., Europe and Asia, including research and development, manufacturing and sales activities. The Group is thus subject to risks related to maintaining global operations, including foreign laws and regulations, the economic environment, political instability and uncertain business environments, and as a result there may be severe impact on the Group's performance and financial results.

(18) Risk related to information management

The Group holds various material information including personal information. Regarding management of this information, the Group is committed to maintaining rules and regulations, educating employees in importance of information management and putting in place security system. However, there still is a possibility that there may be risks where information falsification, fraud, and leakage could occur due to system malfunctions and accidents. As a result, the Group's performance and social trust may be adversely affected.

Consolidated Balance Sheet

Otsuka Holdings Co., Ltd. and its Consolidated Subsidiaries as of December 31, 2014

ASSETS	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2014.12	2014.3	2014.12
Current assets:				
Cash and cash equivalents	9, 18	¥ 456,540	¥ 417,538	$ 3,787,142
Short-term investments	5, 18	70,199	97,279	582,323
Marketable securities	6, 18	44,932	58,456	372,725
Receivables:	9, 17, 18			
Trade notes		10,806	8,121	89,639
Trade accounts		393,204	316,969	3,261,750
Unconsolidated subsidiaries and affiliated companies		25,282	20,007	209,722
Other		7,552	17,946	62,646
Allowance for doubtful receivables		(541)	(602)	(4,488)
Inventories	7, 9	153,711	151,863	1,275,081
Deferred tax assets	13	37,783	54,549	313,422
Other current assets	9, 17	46,135	26,715	382,705
Total current assets		1,245,603	1,168,841	10,332,667
Property, plant and equipment:	8, 9			
Land		82,784	80,992	686,719
Buildings and structures		352,971	333,292	2,928,005
Machinery and equipment		373,883	345,361	3,101,477
Furniture and fixtures		88,869	83,730	737,196
Lease assets		14,600	15,342	121,112
Construction in progress		17,890	15,880	148,403
Total property, plant and equipment		930,997	874,597	7,722,912
Accumulated depreciation		(586,213)	(559,412)	(4,862,821)
Net property, plant and equipment		344,784	315,185	2,860,091
Investments and other assets:				
Investment securities	6, 18	112,847	116,619	936,101
Investments in and advances to unconsolidated subsidiaries and affiliated companies	17, 18	206,014	192,822	1,708,951
Goodwill		93,162	70,595	772,808
Intangible assets	8	128,011	121,668	1,061,891
Deferred tax assets	13	15,476	16,939	128,378
Net defined benefit asset	10	17,486	11,113	145,052
Other assets		14,801	14,618	122,779
Total investments and other assets		587,797	544,374	4,875,960
Total		¥2,178,184	¥2,028,400	$18,068,718

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheet

Otsuka Holdings Co., Ltd. and its Consolidated Subsidiaries as of December 31, 2014

LIABILITIES AND EQUITY	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2014.12	2014.3	2014.12
Current liabilities:				
Short-term borrowings	9,18	¥ 64,846	¥ 51,293	$ 537,918
Current portion of long-term debt	9,18	7,552	4,551	62,646
Payables:	18			
Trade notes		8,487	8,677	70,402
Trade accounts		121,208	122,556	1,005,458
Construction		23,833	7,314	197,702
Unconsolidated subsidiaries and affiliated companies		3,101	4,281	25,724
Other		76,123	80,922	631,464
Income taxes payable	18	14,498	51,064	120,265
Accrued expenses		76,305	60,979	632,974
Other current liabilities		41,074	45,784	340,723
Total current liabilities		437,027	437,421	3,625,276
Long-term liabilities:				
Long-term debt	9,18	28,072	20,074	232,866
Net defined benefit liability	10	10,922	8,131	90,601
Retirement benefits for directors, audit and supervisory board members		2,788	2,588	23,127
Negative goodwill		19,691	21,541	163,343
Long-term unearned revenues		147	5,683	1,219
Deferred tax liabilities	13	12,027	16,658	99,768
Other long-term liabilities		8,910	5,544	73,912
Total long-term liabilities		82,557	80,219	684,836
Commitments and contingent liabilities	16,19,20			
Equity:	11,12,24			
Common stock:		81,691	81,691	677,652
Authorized — 1,600,000,000 shares as of December 31 and March 31, 2014				
Issued — 557,835,617 shares as of December 31 and March 31, 2014				
Capital surplus		512,747	512,896	4,253,397
Stock acquisition rights		—	105	—
Retained earnings		990,906	891,615	8,219,876
Treasury stock, at cost:		(47,416)	(47,929)	(393,331)
16,037,940 shares as of December 31, 2014 16,211,155 shares as of March 31, 2014				
Accumulated other comprehensive income:				
Unrealized gain on available-for-sale securities		13,152	13,820	109,100
Deferred gain (loss) on derivatives under hedge accounting		393	(7)	3,260
Foreign currency translation adjustments		57,161	12,153	474,169
Defined retirement benefit plans	10	19,167	20,331	158,996
Total		89,873	46,297	745,525
Minority interests		30,799	26,085	255,487
Total equity		1,658,600	1,510,760	13,758,606
Total		¥2,178,184	¥2,028,400	$18,068,718

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Otsuka Holdings Co., Ltd. and its Consolidated Subsidiaries for the fiscal year ended December 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2014.12	2014.3	2014.12
Net sales	14	¥1,224,298	¥1,452,759	$10,155,935
Cost of sales		346,300	441,632	2,872,667
Gross profit		877,998	1,011,127	7,283,268
Selling, general and administrative expenses	4,15	681,469	812,424	5,652,999
Operating income		196,529	198,703	1,630,269
Other income (expenses):				
Interest and dividend income		2,237	2,505	18,557
Interest expense		(1,658)	(1,237)	(13,754)
Foreign exchange gain, net		12,872	7,923	106,777
Amortization of negative goodwill		1,848	2,648	15,330
Equity in earnings of unconsolidated subsidiaries and affiliated companies		3,874	3,222	32,136
Loss on impairment of long-lived assets	8	(5,378)	(3,399)	(44,612)
Loss on valuation of investment securities, investments in unconsolidated subsidiaries and affiliated companies	6	(1,483)	(211)	(12,302)
Other, net		1,425	71	11,821
Other income, net		13,737	11,522	113,953
Income before income taxes and minority interests		210,266	210,225	1,744,222
Income taxes:	13			
Current		46,219	81,255	383,401
Deferred		19,833	(23,584)	164,521
Total income taxes		66,052	57,671	547,922
Net income before minority interests		144,214	152,554	1,196,300
Minority interests in net income		1,070	1,564	8,876
Net income		¥ 143,144	¥ 150,990	$ 1,187,424

	Notes	Yen		U.S. Dollar
		2014.12	2014.3	2014.12
Per share of common stock:	3(t), 23			
Basic net income		¥264.20	¥278.07	$2.19
Diluted net income		264.12	277.52	2.19
Cash dividends applicable to the year		75.00	65.00	0.62

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 its Consolidated Subsidiaries for the fiscal year ended December 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2014.12	2014.3	2014.12
Net income before minority interests		¥144,214	¥152,554	$1,196,300
Other comprehensive income (loss):	21			
Unrealized (loss) gain on available-for-sale securities		(761)	5,468	(6,313)
Deferred gain (loss) on derivatives under hedge accounting		398	(7)	3,302
Foreign currency translation adjustments		42,402	35,698	351,738
Defined retirement benefit plans		(976)	—	(8,096)
Share of other comprehensive income in affiliated companies		12,327	19,158	102,256
Total other comprehensive income		53,390	60,317	442,887
Comprehensive income	21	¥197,604	¥212,871	$1,639,187
Total comprehensive income attributable to:	21			
Owners of the parent		¥194,330	¥209,449	$1,612,028
Minority interests		3,274	3,422	27,159

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Equity

Otsuka Holdings Co., Ltd. and its Consolidated Subsidiaries for the fiscal year ended December 31, 2014

	Thousands		Millions of Yen											
								Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Notes	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance as of April 1, 2013	550,242		¥81,691	¥510,423	¥105	¥768,315	¥(18,392)	¥ 8,284	¥ —	¥(39,824)	¥ —	¥1,310,602	¥14,469	¥1,325,071
Cash dividends, ¥60 per share						(32,753)						(32,753)		(32,753)
Net income						150,990						150,990		150,990
Disposal of treasury stock	167			(114)			466					352		352
Purchase of treasury stock	(8,785)						(30,003)					(30,003)		(30,003)
Change in scope of consolidation		3(a)		2,587		5,063						7,650		7,650
Net change in the year								5,536	(7)	51,977	20,331	77,837	11,616	89,453
Balance as of March 31, 2014	541,624		¥81,691	¥512,896	¥105	¥891,615	¥(47,929)	¥13,820	¥ (7)	¥ 12,153	¥20,331	¥1,484,675	¥26,085	¥1,510,760
Cumulative effect of changes in accounting policies		3(k)				(5,300)						(5,300)		(5,300)
Balance as of April 1, 2014	541,624		¥81,691	¥512,896	¥105	¥886,315	¥(47,929)	¥13,820	¥ (7)	¥ 12,153	¥20,331	¥1,479,375	¥26,085	¥1,505,460
Cash dividends, ¥70 per share						(37,915)						(37,915)		(37,915)
Net income						143,144						143,144		143,144
Disposal of treasury stock	174			(149)			514					365		365
Purchase of treasury stock							(1)					(1)		(1)
Change in scope of consolidation		3(a)				(816)						(816)		(816)
Increase in retained earnings due to change of fiscal year end		2				178						178		178
Net change in the year					(105)			(668)	400	45,008	(1,164)	43,471	4,714	48,185
Balance as of December 31, 2014	541,798		¥81,691	¥512,747	¥ —	¥990,906	¥(47,416)	¥13,152	¥393	¥ 57,161	¥19,167	¥1,627,801	¥30,799	¥1,658,600

The accompanying notes are an integral part of these statements.

		Thousands of U.S. Dollars (Note 1)											
							Accumulated other comprehensive income						
	Notes	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority Interests	Total equity
Balance as of March 31, 2014		$677,652	$4,254,633	$ 871	$7,396,226	$(397,587)	$114,641	$ (58)	$100,813	$168,652	$12,315,843	$216,383	$12,532,226
Cumulative effect of changes in accounting policies	3(k)				(43,965)						(43,965)		(43,965)
Balance as of April 1, 2014		$677,652	$4,254,633	$ 871	$7,352,261	$(397,587)	$114,641	$ (58)	$100,813	$168,652	$12,271,878	$216,383	$12,488,261
Cash dividends, $0.58 per share					(314,517)						(314,517)		(314,517)
Net income					1,187,424						1,187,424		1,187,424
Disposal of treasury stock			(1,236)			4,264					3,028		3,028
Purchase of treasury stock						(8)					(8)		(8)
Change in scope of consolidation	3(a)				(6,769)						(6,769)		(6,769)
Increase in retained earnings due to change of fiscal year end	2				1,477						1,477		1,477
Net change in the year				$(871)			(5,541)	3,318	373,356	(9,656)	360,606	39,104	399,710
Balance as of December 31, 2014		$677,652	$4,253,397	$ —	$8,219,876	$(393,331)	$109,100	$3,260	$474,169	$158,996	$13,503,119	$255,487	$13,758,606

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Otsuka Holdings Co., Ltd. and its Consolidated Subsidiaries for the fiscal year ended December 31, 2014

	Notes	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2014.12	2014.3	2014.12
Operating activities:				
Income before income taxes and minority interests		¥210,266	¥210,225	$1,744,222
Adjustments for:				
Income taxes paid		(88,481)	(66,130)	(733,978)
Depreciation and amortization		45,538	49,746	377,752
Amortization of negative goodwill		(1,848)	(2,648)	(15,330)
Equity in earnings of unconsolidated subsidiaries and affiliated companies		(3,874)	(3,222)	(32,136)
Loss on impairment of long-lived assets		5,378	3,399	44,612
Loss on valuation of investment securities, investments in unconsolidated subsidiaries and affiliated companies		1,483	211	12,302
Changes in assets and liabilities:				
(Increase) decrease in trade receivables		(61,285)	12,392	(508,378)
Decrease (increase) in inventories		17,700	(1,806)	146,827
(Decrease) increase in trade payables		(3,886)	19,552	(32,236)
Decrease in long-term unearned revenues		(5,567)	(7,714)	(46,180)
(Decrease) in liability for retirement benefits		(9,584)	(13,808)	(79,502)
Other, net		(17,304)	26,265	(143,542)
Net cash provided by operating activities		88,536	226,462	734,433
Investing activities:				
Decrease in marketable securities		19,594	12,694	162,538
Proceeds from sales of property, plant and equipment		499	1,188	4,139
Purchases of property, plant and equipment		(32,888)	(48,777)	(272,816)
Purchases of intangible assets		(7,072)	(21,166)	(58,664)
Proceeds from sales and redemptions of investment securities		1,347	12,351	11,174
Purchases of investment securities		(4,985)	(4,007)	(41,352)
Purchases of stock of unconsolidated subsidiaries and affiliated companies		(4,807)	(2,378)	(39,876)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	22	(26,704)	(95,356)	(221,518)
Decrease in short-term investments		28,500	59,140	236,416
Payments of loans receivable from unconsolidated subsidiaries and affiliated companies		(2,753)	(22,090)	(22,837)
Other, net		587	(113)	4,870
Net cash used in investing activities		(28,682)	(108,514)	(237,926)
Financing activities:				
Increase (decrease) in short-term borrowings		(4,202)	5,007	(34,857)
Proceeds from long-term debt		9,393	7,936	77,918
Repayments of long-term debt		(1,820)	(13,045)	(15,097)
Purchase of treasury stock		(1)	(30,003)	(8)
Proceeds from disposal of treasury stock		366	352	3,036
Dividends paid		(37,915)	(32,753)	(314,517)
Dividends paid to minority interests in consolidated subsidiaries		(363)	(395)	(3,011)
Proceeds from share issuance to minority shareholders		808	—	6,703
Other, net		(2,223)	(3,794)	(18,442)
Net cash used in financing activities		(35,957)	(66,695)	(298,275)
Foreign currency translation adjustments on cash and cash equivalents		14,282	9,480	118,474
Net increase in cash and cash equivalents		38,179	60,733	316,706
Cash and cash equivalents of newly consolidated subsidiaries		951	9,234	7,889
Cash and cash equivalents, beginning of year		417,410	347,571	3,462,547
Cash and cash equivalents, end of year		¥456,540	¥417,538	$3,787,142

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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ in certain respects from the application and disclosure requirements of accounting principles generally accepted in the United States of America ("U.S. GAAP") and the International Financial Reporting Standards.

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 consolidated financial statements of the fiscal year ended March 31, 2014 to conform to the classifications used in the fiscal year ended December 31, 2014.

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 ¥120.55 to US$1, the approximate rate of exchange as of December 31, 2014. 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. Change in consolidated fiscal year end

In order to make more timely and accurate disclosure of management information about global activities by the Company and its consolidated subsidiaries (together, the "Group"), whose overseas sales represent a large percentage of total sales, by standardizing its fiscal year with its overseas consolidated subsidiaries, the Company changed its fiscal year end for consolidated financial statements from March 31 to December 31, following resolution regarding the partial amendments to the Articles of Incorporation at the 6th Annual Shareholders Meeting held on June 27, 2014. Consequently, the consolidated financial results in the transitional period for FY2014 represent nine months (April 1, 2014 to December 31, 2014).

For the period of January 1, 2014 to March 31, 2014, profits or losses of consolidated subsidiaries with a December 31 fiscal year end have been adjusted within retained earnings. Furthermore, 23 consolidated domestic subsidiaries changed their fiscal year end from March 31 to December 31.

3. Summary of significant accounting policies

(a) Basis for preparing consolidated financial statements

The consolidated financial statements as of December 31, 2014 include the accounts of the Company and its 102 (95 as of March 31, 2014) significant subsidiaries. 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.

Investments in one (one as of March 31, 2014) unconsolidated subsidiary and 16 (16 as of March 31, 2014) affiliated companies are accounted for by the equity method.

During the fiscal year ended December 31, 2014, Jasmine Comercio de Produtos Alimenticios LTDA, FoodState, Inc., Higashiyama Film Co., Ltd. and one other company have been newly included in the scope of consolidation as a result of the acquisition of their shares.

Nardobel Paticipacoes Ltda. and Bigarade Corporation have been newly included in the scope of consolidation from the fiscal year ended December 31, 2014 as they were newly established.

Otsuka Pharmaceutical Italy S.r.l. and one company have been newly included in the scope of consolidation from the fiscal year ended December 31, 2014 due to their increase in materiality.

Soma Beverage Company, LLC, which had been in the scope of consolidation, was absorbed by Crystal Geyser Water Company, a consolidated subsidiary.

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 five to 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 (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 may be used tentatively 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 of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting
5) Exclusion of minority interests from net income, if contained

(c) Unification of accounting policies applied to foreign affiliated 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 affiliates' accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliates' financial statements are used in applying the equity method, unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or U.S. GAAP may be used tentatively 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 of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting
(5) Exclusion of minority interests from net income, if contained

(d) Business combinations

In October 2003, the Business Accounting Council 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 (IP R&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 periodically 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.

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

There were no material business combinations for the current fiscal year.

(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.

Nonmarketable 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 and booked in 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 is calculated mainly by the straight-line method over the estimated useful lives of the assets.

The range of useful lives is from two to 65 years for buildings and structures and from two to 30 years for machinery and equipment.

(Changes in accounting policies that are difficult to differentiate from changes in accounting estimates and changes in accounting estimates)

(Change in the depreciation method and the useful life of property, plant and equipment)

The Company and its consolidated domestic subsidiaries had previously adopted mainly the declining-balance method while its consolidated subsidiaries abroad adopted mainly the straight-line method for the depreciation of property, plant and equipment. From the beginning of the current fiscal year, the Company and its major consolidated domestic subsidiaries have changed the depreciation method from the declining-balance method to the straight-line method.

With the preparation of our "Second Medium-Term Management Plan" starting from the current fiscal year, the Company seeks to achieve "creative and sustainable growth as a total healthcare company" in both the pharmaceutical and nutraceutical businesses by 2020, through accelerating the development of its businesses globally and by further solidifying its already stable domestic income platform supported mainly by its core brands in Japan. To this end, the Company re-examined the respective method of depreciation for the Group's property, plant and equipment.

Based on the frequency of maintenance and replacement and the general condition of the property, plant and equipment, the Company did not find any rapid technical or economic obsolescence, leading to the conclusion that those assets can be operated stably over the remainder of their useful lives. Therefore, the Company changed the respective depreciation method to the straight-line method with expenses allocated equally over useful lives. Given the increasing importance of its overseas operation with the global development of its businesses, the objective was also to increase the degree of unification of the Group's global accounting treatments.

Furthermore, as a result of examining the actual usage status of property, plant and equipment with the preparation of the "Second Medium-Term Management Plan" and the change in depreciation method, the Company's major consolidated domestic subsidiaries changed the useful life of some property, plant and equipment starting from the beginning of the current fiscal year to better reflect their actual economic condition based on their estimated useful life.

In comparison with the former calculation method, these changes resulted in increases in the Company's operating income and income before income taxes and minority interests for the current fiscal year by ¥2,935 million (US$24,347 thousand) respectively.

The effects on segment performance are stated in Note 25 "Segment information."

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) Impairment loss

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or an asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or an 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 the 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 and pension plans

The majority of domestic consolidated subsidiaries have defined benefit pension plans held by jointly founded Otsuka Pharmaceuticals corporate pension fund (a type of fund in multi-employer plans) and defined contributory pension plans. The defined benefit pension plans consist of contributory funded corporate pension plans and lump-sum retirement payments plans.

Certain foreign consolidated subsidiaries have contributory funded or unfunded defined benefit pension plans, defined contributory pension plans, or a combination of them.

In order to cover payments of retirement benefits to employees, the net amount after deducting plan assets from retirement benefit obligations is recognized as net defined benefit liability (net defined benefit asset, in the event plan assets exceed retirement benefit obligations) based on the estimated amount as of the current fiscal year end.

(1) Methods of attributing estimated retirement benefits to accounting periods
When calculating retirement benefit obligations, the benefit formula is used to attribute estimated benefits to the period through the end of the current fiscal year.

(2) Recognition of actuarial gains and losses, prior service costs, and transitional obligations
Actuarial gains and losses are amortized in the succeeding years by the straight-line method over a certain number of years equal to or less than the average remaining service period of employees (5–20 years) at the time of occurrence.

Prior service costs are amortized by the straight-line method over a certain number of years equal to or less than the average remaining service period of employees (5–23 years) at the time of occurrence.

Transitional obligations are amortized over 5 to 15 years.

(Adoption of Accounting Standard for Retirement Benefits)
On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and prior service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus are recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and prior service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and prior service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and prior service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) The revised accounting standard made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

The Company applied the revised accounting standard for (1) and (2) above effective from fiscal year ended March 31, 2014, and has applied (3) above from fiscal year started April 1, 2014.

Accordingly, the methods for calculating retirement benefit obligations and service costs have been revised in the following respects: The method for attributing expected benefits to accounting periods has been changed from the straight-line basis to the benefit formula basis, and the method for determining the discount rate, previously derived from relevant bonds with a maturity close to the average remaining employment period, has been changed to a method whereby discount rates are used whose term matches with the respective projected timing of the retirement payments.

According to the transitional treatment provided in this accounting standard, the effect of changing the method for calculating retirement benefit obligations and service costs was recognized by adjusting retained earnings at the beginning of the current fiscal year.

As a result, an ¥8,959 million (US$74,318 thousand) decrease in net defined benefit asset, a ¥640 million (US$5,309 thousand) increase in net defined benefit liability, and a ¥5,300 million (US$43,965 thousand) decrease in retained earnings were recognized in the current fiscal year. The impact on operating income and income before income taxes and minority interests for the current fiscal year is immaterial.

Net assets per share decreased by ¥9.81 for the current fiscal year, and the impact on net income per share is immaterial.

Retirement benefits for directors and audit and supervisory board members of certain domestic consolidated subsidiaries are recorded to state the liability at the amount that would be required if all directors and audit and supervisory board members retired at the consolidated 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 property, plant and equipment and is associated with the retirement of such property, plant and equipment. 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 the 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.

(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 services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated 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.

(n) Research and development expenses

Research and development expenses are charged to income when 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.

(p) Income taxes

The provision for income taxes is calculated based on the pretax income included in the consolidated statement 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 bases of assets and liabilities. Deferred tax assets and liabilities are calculated by applying currently enacted income tax rates 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 statement of income except when they are 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. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the consolidated balance sheet.

(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.

(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 calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

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 fiscal year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year.

(u) 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 found, those statements are restated.

(v) Accounting Standards to be adopted

(Accounting Standards for Business Combination)

On September 13, 2013, the ASBJ issued following revised statements and guidance:

- "Accounting Standard for Business Combinations" (ASBJ Statement No. 21)
- "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22)
- "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7)
- "Accounting Standard for Net Income Per Share" (ASBJ Statement No. 2)
- "Guidance on Accounting Standards for Business Combinations and Business Divestitures" (ASBJ Guidance No. 10)
- "Guidance on Accounting Standard for Net Income Per Share" (ASBJ Guidance No. 4)

(1) Overview

◎ Under the revised accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted shall be accounted for as capital surplus as long as the parent retains control over its subsidiary. In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

◎ Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

◎ Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

◎ In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(2) Scheduled effective date
Beginning of fiscal year ending December 2016

(3) Effect of applying the revised standards
The effect of applying the revised standards on consolidated financial statements is not determined.

4. Additional information

(Accounting treatment of Branded Prescription Drug Fee levied on sales)

In the U.S., the Group is subject to the Patient Protection and Affordable Care Act enacted in 2010 and as such obligated to pay a so-called Branded Prescription Drug Fee ("BPD Fee"), which is imposed on entities engaged in the business of manufacturing branded prescription drugs.

On July 28, 2014, the U.S. Internal Revenue Service issued final regulations for the BPD Fee which require a BPD Fee to be recognized for an expense at the time of sales, as opposed to the previous regulations, which required the BPD Fee recognized for an expense in the current fiscal year to be based on sales in the preceding fiscal year.

As a result, an additional expense of ¥8,762 million (US$72,684 thousand) for the BPD Fee, which is based on the net sales in the current fiscal year, was recognized in selling, general and administrative expenses, and accordingly, the same amount has led to a reduction in operating income and income before income taxes and minority interests.

The effects on segment performance are stated in Note 25 "Segment information."

5. Short-term investments

Short-term investments as of December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Time deposits	¥70,199	¥97,279	$582,323
Total	¥70,199	¥97,279	$582,323

6. Securities

Securities as of December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Current:			
Government and corporate bonds	¥ 43,932	¥ 50,159	$364,430
Other	1,000	8,297	8,295
Total current	¥ 44,932	¥ 58,456	$372,725
Noncurrent:			
Marketable equity securities	¥ 61,737	¥ 63,894	$512,127
Government and corporate bonds	35,138	38,182	291,480
Other	15,972	14,543	132,494
Total noncurrent	¥112,847	¥116,619	$936,101

The costs and aggregate fair values of marketable and investment securities as of December 31, 2014 and March 31, 2014 were as follows:

December 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥43,030	¥20,270	¥1,563	¥61,737
Other	1,000	—	—	1,000
Held to maturity	79,070	220	3	79,287

March 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	¥50,981	¥23,012	¥1,802	¥72,191
Other	—	—	—	—
Held to maturity	88,341	261	18	88,584

December 31, 2014	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available for sale:				
Equity securities	$356,947	$168,146	$12,966	$512,127
Other	8,295	—	—	8,295
Held to maturity	655,910	1,825	25	657,710

Available-for-sale securities and held-to-maturity securities whose fair values are not determinable are disclosed in Note 18(4)(b).

The information of available-for-sale securities, which were sold during the fiscal years ended December 31, 2014 and March 31, 2014 was as follows:

December 31, 2014	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available for sale:			
Equity securities	¥345	¥—	¥5
Total	¥345	¥—	¥5

March 31, 2014	Millions of Yen		
	Proceeds	Realized Gains	Realized Losses
Available for sale:			
Equity securities	¥844	¥302	¥—
Total	¥844	¥302	¥—

December 31, 2014	Thousands of U.S. Dollars		
	Proceeds	Realized Gains	Realized Losses
Available for sale:			
Equity securities	$2,862	$—	$41
Total	$2,862	$—	$41

The impairment losses on equity securities for the fiscal years ended December 31, 2014 and March 31, 2014 were ¥1,483 million (US$12,302 thousand) and ¥211 million, respectively.

7. Inventories

Inventories as of December 31, 2014 and March 31, 2014 consisted the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Finished products and merchandise	¥ 80,011	¥ 83,820	$ 663,717
Work in process	31,784	30,626	263,658
Raw materials and supplies	41,916	37,417	347,706
Total	¥153,711	¥151,863	$1,275,081

8. Long-lived assets

The Group reviewed its long-lived assets for impairment as of December 31, 2014. As a result, the Group recognized an impairment loss of ¥5,378 million (US$44,612 thousand) for business properties due to decline in profitability of each business segment and for certain business properties related to each business segment due to low capacity utilization.

Impairment losses, which the Group recognized for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

Pharmaceuticals:	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Buildings and structures	¥1,179	¥11	$ 9,780
Machinery and equipment	3,601	5	29,871
Other	116	17	963
Total	¥4,896	¥33	$40,614

Nutraceuticals:	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Intangible assets	¥ —	¥ 732	$ —
Buildings and structures	59	255	489
Machinery and equipment	111	1,811	921
Other	6	46	50
Total	¥176	¥2,844	$1,460

Consumer products:	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Buildings and structures	¥10	¥126	$ 83
Machinery and equipment	44	300	365
Other	25	33	207
Total	¥79	¥459	$655

Other:	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Land	¥1	¥8	$8
Total	¥1	¥8	$8

Corporate:	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Land	¥226	¥55	$1,875
Total	¥226	¥55	$1,875

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 at their value in use with discount rate, primarily 6.2%, or net selling price at disposition. The recoverable amount of the impaired idle assets was measured at net realizable value as determined based on the net selling price or on real estate appraisals.

9. Short-term borrowings and long-term debt

Short-term borrowings as of December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Secured loans from banks and financial institutions			
With a weighted-average interest rate of 1.5% (2014.3)	¥ —	¥ 164	$ —
Unsecured loans from banks and financial institutions			
With a weighted-average interest rate of 1.2% (2014.12) and with a weighted-average interest rate of 1.3% (2014.3)	64,846	51,129	537,918
Total	¥64,846	¥51,293	$537,918

Long-term debt as of December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Secured loans from banks and financial institutions			
Due 2015 to 2022, with a weighted-average interest rate of 4.1% (2014.12) and due 2014 to 2022, with a weighted-average interest rate of 2.3% (2014.3)	¥ 2,158	¥ 1,495	$ 17,901
Unsecured loans from banks and financial institutions			
Due 2015 to 2021, with a weighted-average interest rate of 1.2% (2014.12) and due 2014 to 2021, with a weighted-average interest rate of 1.2% (2014.3)	25,426	14,920	210,917
Unsecured straight bonds by a consolidated subsidiary			
Due 2015 to 2016, with a weighted-average interest rate of 0.8% (2014.12) and due 2014 to 2016, with a weighted-average interest rate of 0.8% (2014.3)	100	280	830
Unsecured lease liabilities	7,940	7,930	65,864
Total	35,624	24,625	295,512
Less-portion due within one year			
Loans	5,332	2,133	42,231
Straight bonds	80	180	664
Lease liabilities	2,140	2,238	17,751
Long-term debt, less current portion	¥28,072	¥20,074	$232,866

Annual maturities of long-term debt as of December 31, 2014 were as follows:

Fiscal years ending December 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 7,552	$ 62,646
2016	5,458	45,276
2017	12,221	101,377
2018	5,486	45,508
2019	2,265	18,789
2020 and thereafter	2,642	21,916
Total	¥35,624	$295,512

The carrying amounts of assets pledged as collateral for long-term debt as of December 31, 2014 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,284	$ 10,651
Receivables-trade accounts	1,148	9,523
Inventories	4,056	33,646
Other current assets	52	431
Property, plant and equipment - net of accumulated depreciation	10,432	86,527
Total	¥16,972	$140,788

10. Retirement and pension plans

The majority of domestic consolidated subsidiaries have defined benefit pension plans held by jointly founded Otsuka Pharmaceuticals corporate pension fund (a type of fund in multi-employer plans) and defined contributory pension plans. The defined benefit pension plans consists of contributory funded corporate pension plans and lump-sum retirement payments plans.

Certain foreign consolidated subsidiaries have contributory funded or unfunded defined benefit pension plans or defined contributory pension plans, or a combination of them.

Defined benefit pension plan

(1) The changes in defined benefit obligation for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Balance at beginning of fiscal year	¥198,159	¥194,330	$1,643,791
Cumulative effect of changes in accounting policies	8,319	—	69,009
Balance after cumulative effect	206,478	194,330	1,712,800
Current service cost	5,504	7,462	45,657
Interest cost	2,955	3,616	24,513
Actuarial gains	14,696	(3,312)	121,908
Benefits paid	(7,498)	(8,633)	(62,198)
Change in scope of consolidation	154	1,501	1,277
Foreign currency translation adjustment	2,966	2,962	24,604
Others	182	233	1,510
Balance at end of fiscal year	¥225,437	¥198,159	$1,870,071

(2) The changes in plan assets for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Balance at beginning of fiscal year	¥201,142	¥171,107	$1,668,536
Expected return on plan assets	4,330	4,779	35,919
Actuarial gains	18,777	12,462	155,761
Contributions from the employer	13,034	17,467	108,121
Benefits paid	(7,275)	(7,729)	(60,348)
Change in scope of consolidation	—	1,232	—
Foreign currency translation adjustment	2,058	1,796	17,072
Others	(65)	27	(539)
Balance at end of fiscal year	¥232,001	¥201,141	$1,924,522

(3) Reconciliation between the liability (asset) recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Funded defined benefit obligation	¥222,260	¥195,587	$1,843,716
Plan assets	(232,001)	(201,141)	(1,924,522)
	(9,741)	(5,554)	(80,806)
Unfunded defined benefit obligation	3,177	2,572	26,355
Net asset arising from defined benefit obligation	(6,564)	(2,982)	(54,451)
Net defined benefit liability	10,922	8,131	90,601
Net defined benefit asset	(17,486)	(11,113)	(145,052)
Net asset arising from defined benefit obligation	¥ (6,564)	¥ (2,982)	$ (54,451)

(4) The components of net periodic benefit costs for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Service cost	¥ 5,504	¥ 7,462	$ 45,657
Interest cost	2,955	3,616	24,513
Expected return on plan assets	(4,330)	(4,779)	(35,919)
Amortization of prior service cost	(2,905)	(3,049)	(24,098)
Recognized actuarial losses	(2,270)	524	(18,830)
Amortization of transitional obligation	11	15	91
Extra retirement payments	244	240	2,024
Net periodic benefit costs	¥ (791)	¥ 4,029	$ (6,562)

(5) Other comprehensive income before adjusting tax effects on defined retirement benefit plans for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Prior service cost	¥ 739	¥—	$ 6,130
Actuarial losses	(2,272)	—	(18,847)
Transitional obligation	11	—	91
Total	¥(1,522)	¥—	$(12,626)

(6) Accumulated other comprehensive income before adjusting tax effects on defined retirement benefit plans for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Unrecognized prior service cost	¥ 9,488	¥12,098	$ 78,706
Unrecognized actuarial losses	19,583	18,624	162,447
Unrecognized transitional obligation	(33)	(44)	(274)
Total	¥29,038	¥30,678	$240,879

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2014.12	2014.3
Debt investments	42%	41%
Equity investments	32%	34%
Others	26%	25%
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the fiscal years ended December 31, 2014 and March 31, 2014 were set forth as follows:

	2014.12	2014.3
Discount rate	0.98% - 9.25%	1.10% - 9.25%
Expected rate of return on plan assets	2.50% - 8.00%	2.00% - 8.00%

(9) Contributions to defined contribution pension plan for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Contributions to defined contribution pension plan	¥3,105	¥3,639	$25,757

11. 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 outside audit and supervisory board member, (3) the company must have an audit and supervisory board, 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 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.

12. Stock options

The stock options outstanding as of December 31, 2014 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2010 Stock Option No. 2	Four audit and supervisory board members of the Company	32,000 shares	July 22, 2010	¥2,100 ($17)	From July 23, 2012 to July 31, 2015
2010 Stock Option No. 4	Five corporate officers of the Company, 31 directors of subsidiary, four audit and supervisory board members of subsidiary, and 21 corporate officers of subsidiary	620,000 shares	July 22, 2010	¥2,100 ($17)	From July 23, 2012 to July 31, 2015

The stock option activity is as follows:

For the fiscal year ended December 31, 2014	2010 Stock Option No. 1	2010 Stock Option No. 2	2010 Stock Option No. 4
Nonvested:			
March 31, 2014 – Outstanding	—	—	—
Granted	—	—	—
Canceled	—	—	—
Vested	—	—	—
December 31, 2014 – Outstanding	—	—	—
Vested:			
March 31, 2014 – Outstanding	50,000 shares	17,700 shares	348,795 shares
Vested	—	—	—
Exercised	—	2,700 shares	170,875 shares
Canceled	50,000 shares	—	—
December 31, 2014 – Outstanding	—	15,000 shares	177,920 shares
Exercise price	¥ 1 ($0)	¥2,100 ($17)	¥2,100 ($17)
Average stock price at exercise	— —	¥3,940 ($33)	¥3,459 ($29)
Fair value price at grant date	¥2,099 ($17)	— —	— —

The assumptions used to measure the 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 reasonable estimates about the number of future cancellations.

Information regarding intrinsic value:

1) The total intrinsic value of the stock options for the fiscal years ended December 31, 2014 and March 31, 2014 was ¥293 million (US$2,431 thousand) and ¥516 million, respectively.
2) The total intrinsic value of the stock option rights on the exercise date for the fiscal years ended December 31, 2014 and March 31, 2014 was ¥286 million (US$2,372 thousand) and ¥151 million, respectively.

13. Income taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal effective statutory tax rates of approximately 35.6% and 38.0% for the fiscal years ended December 31, 2014 and March 31, 2014 respectively. 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, as of December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Deferred tax assets:			
Net defined benefit liability	¥ 3,786	¥ 2,745	$ 31,406
Unrealized intercompany profits from inventories	18,362	24,570	152,319
Accrued expenses	8,997	12,329	74,633
Accrued enterprise tax	1,250	4,473	10,369
Tax loss carryforwards	28,556	29,451	236,881
Research and development expenses	44,896	34,943	372,426
Loss on devaluation of investment securities	4,557	3,921	37,802
Loss on impairment of long-lived assets	5,314	3,920	44,081
Long-term unearned revenue	4,395	11,639	36,458
Other	11,015	9,170	91,373
Less valuation allowance	(33,629)	(30,976)	(278,963)
Total deferred tax assets	97,499	106,185	808,785
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	7,096	7,542	58,864
Net defined benefit asset	6,240	3,964	51,763
Unrealized gain on full revaluation resulting from inclusion of consolidated subsidiaries	27,265	26,643	226,172
Revaluation of brands	3,963	4,245	32,874
Other	11,703	9,099	97,080
Total deferred tax liabilities	56,267	51,493	466,753
Net deferred tax assets	¥41,232	¥ 54,692	$342,032

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated financial statement of income for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	2014.12	2014.3
Normal effective statutory tax rate	35.6%	38.0%
Tax credit for research and development expenses	(8.6)	(15.2)
Reduction of ending deferred tax balance due to change in statutory tax rate	—	0.8
Expenses not deductible for income tax purposes	0.6	1.2
Valuation allowance	0.3	1.2
Difference in statutory tax rate of subsidiaries	(0.4)	0.0
Equity in earnings of affiliated companies	(0.3)	(0.1)
Branded Prescription Drug Fee	2.5	0.7
Other – net	1.7	0.8
Actual effective tax rate	31.4%	27.4%

Change in presentation method

"Branded Prescription Drug Fee" which was included in "other" has been separately disclosed due to the materiality of its amount. To reflect this change, the amount in "Reconciliation between the statutory tax rate and the actual effective tax rate" for last fiscal year has been reclassified.

As a result, 1.5% in "Other" last fiscal year has been reclassified to 0.7% in "Branded Prescription Drug Fee" and 0.8% in "Other," respectively.

As of December 31, 2014, certain consolidated subsidiaries had tax loss carryforwards aggregating ¥28,556 million (US$236,881 thousand) which are available to be offset against taxable income of such subsidiaries in future fiscal years. These tax loss carryforwards, if not utilized, will expire as follows:

Fiscal years ending December 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 1,250	$ 10,369
2016	835	6,927
2017	2,002	16,607
2018	2,652	21,999
2019 and thereafter	21,817	180,979
Total	¥28,556	$236,881

14. Up-front licensing payments received

Net sales recognized as revenue from the up-front licensing payments received for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Up-front licensing payments received	¥20,368	¥21,972	$168,959

15. Selling, general and administrative expenses

Selling, general and administrative expenses for the fiscal years ended December 31, 2014 and March 31, 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Sales promotion expenses	¥188,010	¥192,031	$1,559,602
Personnel expenses	97,860	124,042	811,779
Depreciation	22,897	16,896	189,938
Amortization of goodwill	3,813	3,714	31,630
Research and development expenses	172,851	249,010	1,433,853
Other	196,038	226,731	1,626,197
Selling, general and administrative expenses	¥681,469	¥812,424	$5,652,999

16. Leases

The Group leases certain assets, mainly machinery and equipment.

The future minimum lease payments under noncancelable operating leases as of December 31, 2014 were as follows:

2014.12	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 3,917	$ 32,493
Due after one year	15,069	125,002
Total	¥18,986	$157,495

17. Related-party transactions

(1) The material related-party transactions for the fiscal year ended December 31, 2014 were as follows:

(a) Related-party transactions between the Company and related parties (limited to individuals)

Type	Name	Relationship	Ownership (Owned) percentage	Transaction detail	Transaction amount	
					Millions of Yen	Thousands of U.S. Dollars
Director	Ichiro Otsuka	Vice Chairman and Representative Director of the Company	(Owned) Direct 0.2% Indirect 0.9% (Note 1)	Condolence Payment (Note 2)	¥60	$498
Close family member of Director	Kyoichi Komatsu	Chairman and Representative Director of Otsuka Pharmaceutical Factory, Inc.	(Owned) Direct 0.0%	Exercise of stock option (Note 3)	15	124

(b) Related-party transactions between subsidiary (Otsuka Medical Devices Co., Ltd.) and related parties

Type	Name	Business Description	Ownership (Owned) percentage	Transaction detail	Transaction amount (Note4)		Account	Transaction amount (Note4)	
					Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Affiliated Company	MicroPort Scientific Corporation	Medical Business (Holding Company)	(Owned) Indirect 33.2%	Loans (Note 5, 6, 7)	¥—	$—	Receivables: Unconsolidated subsidiaries and affiliated companies (Short-term loan receivable)	¥19,288	$160,000
							Investments in and advances to unconsolidated subsidiaries and affiliated companies (ling-term loan receivable)	4,822	40,000
				Interest Income (Note 5)	231	1,916	Other current assets (Accrued interest)	156	1,294

(c) Related-party transactions between the Company and related parties (limited to individuals)

Type	Name	Contrnts of Bussiness or Relationship	Ownership (Owned) percentage	Transaction detail	Transaction amount (Note4)		Account	Transaction amount (Note4)	
					Millions of Yen	Thousands of U.S. Dollars		Millions of Yen	Thousands of U.S. Dollars
Company whose majority of shares is owned by Director and his/her close family mamber	Tokushima Yakuhin Co., Ltd. (Note 8)	Pharmaceutical wholesaler	—	Purchase of raw materials by Otsuka Pahrmaceutical Co., Ltd.	¥659	$5,467	Payables: Trade accounts	¥79	$655
							Payables: Other	11	91
Director	Ichiro Otsuka	Vice Chariman and Representative Director of the Company	(Owned) Direct 0.2% Indirect 0.9% (Note 1)	Condolence payment from: Otsuka Pahrmaceutical Co., Ltd. (Note 2)	112	929	Payables: Other	112	929
Close family member or Director	Yujiro Otsuka	Advisor	(Owned) Direct 0.0%	Payment of consulting fee from Otsuka Warehouse Co., Ltd and others (Note 9)	25	207	—	—	—
Close family member or Director	Yukiko Kobayashi	Special advisor of Taiho Pharmaceutical Co., Ltd.	(Owned) Direct 0.2%	Payment of consulting fee from Taiho Pharmaceutical Co., Ltd. (Note 9)	18	149	—	—	—

(2) The material related-party transactions for the fiscal year ended March 31, 2014 were as follows:

(a) Related-party transactions between the Company and related parties (limited to individuals)

Type	Name	Relationship	Ownership (Owned) percentage	Transaction detail (Note 3)	Transaction amount
					Millions of Yen
Audit and supervisory board member	Yasuhisa Katsuta	Audit and supervisory board member of the Company	(Owned) Direct 0.0%	Exercise of stock option	¥13
Close family member of Director	Kyoichi Komatsu	Chairman and Representative Director of Otsuka Pharmaceutical Factory, Inc.	(Owned) Direct 0.0%	Exercise of stock option	15
Director of significant subsidiaries	Koichi Matsuda	Vice President, Representative Director of Taiho Pharmaceutical Co., Ltd.	(Owned) Direct 0.0%	Exercise of stock option	12

(b) Related-party transactions between subsidiary (Otsuka Medical Devices Co., Ltd.) and related parties

Type	Name	Business Description	Ownership (Owned) percentage	Transaction detail	Transaction amount (Note4)	Account	Transaction amount (Note4)
					Millions of Yen		Millions of Yen
Affiliated Company	MicroPort Scientific Corporation	Medical Business (Holding Company)	(Owned) Indirect 33.3%	Loans (Note 5, 6, 7)	¥20,972	Investments in and advances to unconsolidated subsidiaries and affiliated companies (ling-term loan)	¥16,467
						Investments in and advances to unconsolidated subsidiaries and affiliated companies (ling-term loan)	4,117
				Interest Income (Note 5)	62	Other current assets (Accrued interest)	62

(c) Related-party transactions between the Company and related parties (limited to individuals)

Type	Name	Business Description	Ownership (Owned) percentage	Transaction detail	Transaction amount (Note4)	Account	Transaction amount (Note4)
					Millions of Yen		Millions of Yen
Company whose majority of shares is owned by Director and his/her close family mamber	Tokushima Yakuhin Co., Ltd. (Note 8)	Pharmaceutical wholesaler	—	Purchase of raw materials by Otsuka Pahrmaceutical Co., Ltd.	¥933	Payables: Trade accounts	¥52
						Payables: Other	1

Notes:

1. Shares in the Otsuka Founders Shareholding Fund Trust Account are included for the calculation of the indirect owned percentage.
2. This refers to condolence money paid to the surviving family of Akihiko Otsuka, Chairman and Representative Director of the Company. The amount paid was calculated in accordance with the payment standard stipulated in the rules of the Group based on a resolution of the Board of Directors.
3. Presented here are the exercising of rights in the current fiscal year of stock options granted by resolution at the annual shareholders meeting held on June 29, 2010. The transaction amount represents the carrying amount at the time of treasury stock disposal.
4. Excluding consumption tax.
5. Interest rate is mutually agreed upon based on market rates.
6. Otsuka Medical Devices Co., Ltd. accepts business-related assets, including inventories and securities from subsidiaries of MicroPort Scientific Corporation as collateral for loans. Transaction amount of collateral equals to the balance of receivables as of December 31, 2014 and March 31, 2014.
7. Part of loans includes the conversion rights to the MicroPort Scientific Corporation stock.
8. Close family member of the Director of the Company owns a majority of the shares of Tokushima Yakuhin Co., Ltd.
9. Payment is decided by agreement between the two parties based on the details of the consulting agreement.

18. Financial instruments and related disclosures

(1) Group policy for financial instruments

The Group limits its investments to low-risk financial assets and uses borrowings from financial institutions, mainly banks, for its financing needs. 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 19 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 the early stages. 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 19 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 loans payable and bonds payable. Please see Note 19 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 19 for the details of fair value for derivatives.

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

December 31, 2014	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	¥ 456,540	¥ 456,540	¥ —
Short-term investments	70,199	70,199	—
Receivables	436,303	436,303	—
Marketable and investment securities	141,807	142,024	217
Investments in and advances to unconsolidated subsidiaries and affiliated companies	49,305	103,457	54,152
Total	¥1,154,154	¥1,208,523	¥54,369
Short-term borrowings	¥ 64,846	¥ 64,846	¥ —
Payables	232,752	232,752	—
Income tax payable	14,498	14,498	—
Long-term debt (excluding straight bonds issued by a consolidated subsidiary and lease liabilities)	27,584	27,538	(46)
Total	¥ 339,680	¥ 339,634	¥ (46)

March 31, 2014	Millions of Yen		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	¥ 417,538	¥ 417,538	¥ —
Short-term investments	97,279	97,279	—
Receivables	362,441	362,441	—
Marketable and investment securities	160,532	160,775	243
Investments in and advances to unconsolidated subsidiaries and affiliated companies	42,940	93,042	50,102
Total	¥1,080,730	¥1,131,075	¥50,345
Short-term borrowings	¥ 51,293	¥ 51,293	¥ —
Payables	223,750	223,750	—
Income tax payable	51,064	51,064	—
Long-term debt (excluding straight bonds issued by a consolidated subsidiary and lease liabilities)	16,415	16,404	(11)
Total	¥ 342,522	¥ 342,511	¥ (11)

December 31, 2014	Thousands of U.S. Dollars		
	Carrying amount	Fair value	Unrealized gain
Cash and cash equivalents	$3,787,142	$ 3,787,142	$ —
Short-term investments	582,323	582,323	—
Receivables	3,619,269	3,619,269	—
Marketable and investment securities	1,176,332	1,178,133	1,801
Investments in and advances to unconsolidated subsidiaries and affiliated companies	409,001	858,209	449,208
Total	$9,574,067	$10,025,076	$451,009
Short-term borrowings	$ 537,918	$ 537,918	$ —
Payables	1,930,750	1,930,750	—
Income tax payable	120,265	120,265	—
Long-term debt (excluding straight bonds issued by a consolidated subsidiary and lease liabilities)	228,818	228,436	(382)
Total	$2,817,751	$ 2,817,369	$ (382)

Cash and cash equivalents, short-term investments, and receivables

The carrying values of cash and cash equivalents, short-term investments, and receivables approximate fair value because of their short maturities.

Marketable and investment securities and investments in and advances to 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 6.

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 19.

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

	Millions of Yen		Thousands of U.S. Dollars
	Carrying amount		
	2014.12	2014.3	2014.12
Investments in and advances to unconsolidated subsidiaries and affiliated companies	¥156,709	¥149,882	$1,299,950
Investment securities	15,972	14,543	132,494

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

December 31, 2014	Millions of Yen			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	¥ 456,540	¥ —	¥ —	¥—
Short-term investments	70,199	—	—	—
Receivables	436,027	264	11	1
Marketable and investment securities:				
Held-to-maturity securities	43,934	33,650	1,500	—
Available-for-sales securities	1,000	—	—	—
Total	¥1,007,700	¥33,914	¥1,511	¥ 1

December 31, 2014	Thousands of U.S. Dollars			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
Cash and cash equivalents	$3,787,142	$ —	$ —	$—
Short-term investments	582,323	—	—	—
Receivables	3,616,980	2,190	91	8
Marketable and investment securities:				
Held-to-maturity securities	364,446	279,137	12,443	—
Available-for-sales securities	8,295	—	—	—
Total	$8,359,186	$281,327	$12,534	$ 8

Please see Note 9 for annual maturities of long-term debt, obligations under finance leases and straight bonds.

19. 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 hedge interest and foreign currency exposures incorporated within actual demand of 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.

Derivative 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 as of December 31, 2014 and March 31, 2014 were as follows:

December 31, 2014	Millions of Yen			
	Contract amount	Contract amount due after one yea	Fair value	Unrealized loss
Foreign currency forward contracts:				
Buying U.S. $	¥ 721	¥—	¥(1)	¥(1)
Buying Euro	1,003	—	5	5
Buying JP ¥	121	—	(3)	(3)
Buying Canadian $	133	—	(3)	(3)
Total	¥1,978	¥—	¥(2)	¥(2)

March 31, 2014	Millions of Yen			
	Contract amount	Contract amount due after one yea	Fair value	Unrealized loss
Foreign currency forward contracts:				
Buying U.S. $	¥ 574	¥ 568	¥ (7)	¥ (7)
Buying Euro	494	490	(4)	(4)
Buying JP ¥	107	6	(3)	(3)
Selling U.S. $	200	—	(11)	(11)
Total	¥1,375	¥1,064	¥(25)	¥(25)

December 31, 2014	Thousands of U.S. Dollars			
	Contract amount	Contract amount due after one yea	Fair value	Unrealized loss
Foreign currency forward contracts:				
Buying U.S. $	$ 5,981	$—	$ (8)	$ (8)
Buying Euro	8,320	—	41	41
Buying JP ¥	1,004	—	(25)	(25)
Buying Canadian $	1,103	—	(25)	(25)
Total	$16,408	$—	$(17)	$(17)

Derivative transactions to which hedge accounting is applied as of December 31, 2014 and March 31, 2014 were as follows:

December 31, 2014	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S. $	Forecasted transactions	¥92,292	¥—	¥609
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	1,000	—	(3)

March 31, 2014	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Foreign currency forward contracts:				
Buying U.S. $	Forecasted transactions	¥ 376	¥ —	¥(10)
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	1,800	1,000	(11)

December 31, 2014	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	$765,591	$—	$5,052
Interest rate swaps:				
(fixed rate payment, floating rate receipt)	Long-term debt	8,295	—	(25)

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.

20. Contingent liabilities

The Group's contingent liabilities as of December 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Trade notes discounted	¥ 330	$ 2,737
Trade notes endorsed	468	3,882
Guarantees and similar items of bank loans	1,615	13,397

21. Comprehensive income

The components of other comprehensive income for the fiscal years ended December 31, 2014 and March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Unrealized (loss) gain on available-for-sale securities:			
Gains arising during the year	¥ (1,363)	¥ 8,662	$ (11,307)
Reclassification adjustments to profit or loss	—	(302)	—
Amount before income tax effect	(1,363)	8,360	(11,307)
Income tax effect	602	(2,892)	4,994
Total	¥ (761)	¥ 5,468	$ (6,313)
Deferred (loss) gain on derivatives under hedge accounting:			
Gains arising during the year	¥ 650	¥ (28)	$ 5,392
Reclassification adjustments to profit or loss	(33)	18	(274)
Amount before income tax effect	617	(10)	5,118
Income tax effect	(219)	3	(1,816)
Total	¥ 398	¥ (7)	$ 3,302
Foreign currency translation adjustments:			
Adjustments arising during the year	¥42,492	¥35,653	$352,484
Reclassification adjustments to profit or loss	(90)	45	(746)
Amount before income tax effect	42,402	35,698	351,738
Income tax effect	—	—	—
Total	¥42,402	¥35,698	$351,738
Defined retirement benefit plans			
Adjustments arising during the year	¥ 3,633	¥ —	$ 30,137
Reclassification adjustments to profit or loss	(5,155)	—	(42,762)
Amount before income tax effect	(1,522)	—	(12,625)
Income tax effect	546	—	4,529
Total	¥ (976)	¥ —	$ (8,096)
Share of other comprehensive income in associates:			
Gains arising during the year	¥12,347	¥19,168	$102,422
Reclassification	(20)	(10)	(166)
Total	¥12,327	¥19,158	$102,256
Total other comprehensive income	¥53,390	¥60,317	$442,887

22. Cash flow information

(1) Details of assets and liabilities of the companies which the Company newly consolidated by acquiring their shares

December 31, 2014

Details of assets and liabilities and price and payments for the acquisition of Jasmine Comercio de Produtos Alimenticios LTDA, FoodState, Inc., Higashiyama Film Co., Ltd. and one other company are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Current assets	¥10,820	$ 89,755
Noncurrent assets	6,925	57,445
Goodwill	22,815	189,258
Current liabilities	(6,916)	(57,370)
Long-term liabilities	(1,410)	(11,696)
Minority interests	(553)	(4,588)
Cost of purchase of investments in subsidiaries	31,681	262,804
Account payables included in the acquisition price	(3,345)	(27,748)
Cash and cash equivalents of newly consolidated companies	(1,632)	(13,538)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥26,704	$221,518

March 31, 2014

Details of assets and liabilities and price and payments for the acquisition of Claris Otsuka, Astex and one other company are as follows:

	Millions of Yen
Current assets	¥16,146
Noncurrent assets	74,754
Goodwill	32,654
Current liabilities	(6,780)
Long-term liabilities	(10,377)
Minority interests	(6,860)
Cost of purchase of investments in subsidiaries	99,537
Cash and cash equivalents of newly consolidated companies	(4,181)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	¥95,356

(2) Nonmonetary transactions

There were no material nonmonetary transactions requiring disclosure for the fiscal years ended December 31, 2014 and March 31, 2014.

23. Net income per share

The reconciliation of the differences between basic and diluted net income per share (EPS) for the fiscal years ended December 31, 2014 and March 31, 2014 was as follows:

For the fiscal year ended December 31, 2014	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥143,112	541,679	¥264.20	$2.19
Effect of dilutive securities				
Warrants	—	—		
Stock options	—	160		
Diluted EPS				
Net income for computation	¥143,112	541,839	¥264.12	$2.19

For the fiscal year ended March 31, 2014	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥150,956	542,866	¥278.07
Effect of dilutive securities			
Warrants	(245)	—	
Stock options	—	193	
Diluted EPS			
Net income for computation	¥150,711	543,059	¥277.52

24. Subsequent events

• Acquisition of Avanir Pharmaceuticals, Inc.

On December 2, 2014, a consolidated subsidiary of the Company, Otsuka Pharmaceutical Co., Ltd., agreed to make an all-cash tender offer (the "Tender Offer") followed by a merger for cash (the "Merger") with Avanir Pharmaceuticals, Inc. ("Avanir"), through Bigarade Corporation, a wholly owned subsidiary of Otsuka America, Inc. Avanir is a company engaged in the research and development, as well as manufacturing and marketing, of pharmaceuticals.

In accordance with this agreement, the Tender Offer by Bigarade Corporation and the subsequent Merger, resulting in Avanir as the surviving company, were completed on January 13, 2015 (U.S. Eastern Standard Time), resulting in Avanir becoming a consolidated subsidiary of Otsuka Holdings.

(1) Overview of Business Combination

1) Name of company acquired and nature of business

Name of company acquired: Avanir Pharmaceuticals, Inc.
Nature of business: Research, development, manufacturing and marketing of pharmaceuticals

2) Rationale for business combination

Avanir Pharmaceuticals, Inc. ("Avanir") is a biopharmaceutical venture company specializing in the area of central nervous system ("CNS") diseases. It was founded in 1988 in Southern California and now employs approximately 500 people. Avanir developed and launched NUEDEXTA®

(dextromethorphan hydrobromide/quinidine sulfate) 20 mg/10 mg capsules in the U.S. in February 2011 as the world's first and only approved treatment for the pseudobulbar affect (PBA: Pseudobulbar affect). Avanir markets NUEDEXTA in the U.S. through its own sales organization of over 300 sales representatives, 150 of whom were medical representatives hired to accelerate the continued growth of NUEDEXTA for PBA.

The company's pipeline includes programs in Alzheimer's disease, Parkinson's disease, migraine, and other CNS indications. The promising new chemical entity AVP-786, with a target indication for behavioral disorders (agitation) associated with Alzheimer's disease, is being prepared to enter Phase III clinical trials.

The acquisition of Avanir will bring Otsuka Pharmaceutical Co., Ltd. ("Otsuka Pharmaceutical") three distinct values: 1) NUEDEXTA, created to treat the under-recognized neurologic disease PBA; 2) the late-stage investigational compound AVP-786 in clinical development to treat agitation associated with Alzheimer's disease; and 3) Avanir's clinical development and commercial expertise in neurologic diseases, which complements Otsuka Pharmaceutical's capabilities in psychiatric diseases. These will accelerate Otsuka Pharmaceutical's existing expansion strategy in the neurologic area, widening the overall CNS portfolio, inclusive of the psychiatric and neurologic areas, supporting both short- and medium-term growth.

This acquisition is consistent with the Group's investment philosophy: invest in companies and businesses with which we can share a common management philosophy, human resources, products and technology to enhance corporate value, and invest with long-term perspective. The acquisition is based on the Group's central concepts of creativity and proof through execution.

3) Date of business combination
January 13, 2015 (U.S. Eastern Standard Time)

4) Legal type of business combination
All-cash tender offer

5) Name of resulting entity
Avanir Pharmaceuticals, Inc.

6) Share of voting rights acquired
100%

7) Main rationale for selecting the acquiring entity
The acquisition company (Bigarade Corporation), a subsidiary of the Company, has acquired all shares of Avanir Pharmaceuticals, Inc. for cash.

(2) Total Acquisition Price and Breakdown
Acquisition price: US$3,507 million in cash
Direct costs related to the acquisition: US$20 million

(3) Amount of Goodwill Arising from the Acquisition, Amortization Method and Period

1) Amount of goodwill
Since the calculation of purchase price allocation has not been finalized, the amount of goodwill has not yet been determined.

2) Amortization method and period
Not yet determined.

(4) Funding of acquisition cost
The Company entered into a bridge loan agreement with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (the "Loan") in order to finance the acquisition.
Below is the summary of the Loan as of March 27, 2015.

Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Amount of Loan initially provided	US$3,540 million
Current Loan balance	US$1,550 million
Interest rate	Benchmark interest rate + spread
Effective date of Loan	January 13, 2015
Maturity date	December 7, 2015

Note: No collaterals, warranty or covenants have been provided on the above loan.

The Company plans to repay the above Loan using its own funds as well as converting to long-term loan, and part of the Loan has already been converted. Below is the summary of the borrowings as of March 27, 2015.

Lender	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Resona Bank, Limited., Sumitomo Mitsui Banking Corporation and Mizuho Bank, Ltd.
Amount of Loan initially provided	¥150,000 million
Current Loan balance	¥150,000 million
Interest rate	Benchmark interest rate + spread
Effective date of Loan	January 23, February 25, March 6 and March 20, 2015
Maturity date	December 26, 2022

Note: No collaterals, warranty or covenants have been provided on the above loan.

• Appropriation of retained earnings

The following appropriation of retained earnings as of December 31, 2014 was approved at a meeting of the Company's board of directors held on February 13, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40.0 (US$0.33) per share	¥21,672	$179,776

25. Segment information

For the fiscal years ended December 31, 2014 and March 31, 2014

1. Overview

The Group's reporting segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic reviews by the Board of Directors, in order to make decisions on allocation of business resources and to evaluate the business performances of the respective segments.

The Group's core business is in healthcare and the Group categorizes its business into four reporting segments: "Pharmaceuticals," "Nutraceuticals," "Consumer products" and "Other" businesses.

The Group defines the reporting segments as follows:

- "Pharmaceuticals" comprises research and development, manufacturing and sales of prescription drugs as well as clinical nutrition, including intravenous solutions.
- "Nutraceuticals" comprises manufacturing and sales of functional foods, over-the-counter drugs and supplements.
- "Consumer products" comprises manufacturing and sales of mineral water, beverages, and food products.
- "Other" operations encompass logistics, warehousing, manufacturing and sales of chemical products, evaluation systems for LED displays and spectroanalysis devices.

2. Calculation methods for sales, profit (loss), assets, and other items

Methods of accounting procedures for reported business segments are the same as those for statements in Note 3 "Summary of significant accounting policies." Income of reported segments is the figure based on operating income. Intersegment profits or transfers are based on market price.

(Change in the depreciation method and the useful life of property, plant and equipment)

As stated in Note 3(h) "Property, plant and equipment," the Company and the majority of its consolidated domestic subsidiaries had previously adopted the declining-balance method while consolidated subsidiaries abroad adopted the straight-line method for the depreciation of property, plant and equipment. From the beginning of this fiscal year, the Company and its major consolidated domestic subsidiaries have changed the depreciation method from the declining-balance method to the straight-line method.

Along with the above change in depreciation method, the Company and its major consolidated domestic subsidiaries changed useful lives of some property, plant and equipment.

The effect of these changes in comparison with the former calculation method was as follows: "Pharmaceuticals" segment income increased by ¥2,790 million (US$23,144 thousand), "Nutraceuticals" segment income decreased by ¥263 million (US$2,182 thousand), "Consumer products" segment income decreased by ¥1 million (US$8 thousand), "Others" segment income increased by ¥155 million (US$1,286 thousand), and "Adjustments" increased by ¥254 million (US$2,107 thousand).

(Accounting treatment of Branded Prescription Drug Fee levied on sales)

As stated in Note 4 "Additional information," in the U.S., the Group is subject to the Patient Protection and Affordable Care Act enacted in 2010 and as such obligated to pay a so-called Branded Prescription Drug Fee ("BPD Fee").

On July 28, 2014, the U.S. Internal Revenue Service issued final regulations for the BPD Fee which require expense recognition at the time of sales, while the previous regulation required expenses to be recognized based on sales in the preceding fiscal year.

As a result, an additional expense of ¥8,762 million (US$72,684 thousand) was recognized in selling, general and administrative expenses, and accordingly, has led to a reduction of ¥8,762 million (US$72,684 thousand) in "Pharmaceuticals" segment income.

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

Fiscal year ended December 31, 2014	Millions of Yen						
	Reportable segment					Reconciliations (Note 1)	Consolidated (Note 4)
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	¥ 883,519	¥232,741	¥ 34,372	¥ 73,666	¥1,224,298	¥ —	¥1,224,298
Intersegment sales and transfers	—	5,415	158	28,581	34,154	(34,154)	—
Total	883,519	238,156	34,530	102,247	1,258,452	(34,154)	1,224,298
Segment profit (loss)	204,792	21,867	(1,404)	5,534	230,789	(34,260)	196,529
Segment assets	887,093	274,340	147,984	176,626	1,486,043	692,141	2,178,184
Other:							
Depreciation (Note 2)	25,692	8,111	999	3,507	38,309	3,416	41,725
Amortization of goodwill	2,167	1,469	45	132	3,813	—	3,813
Investment in equity-method affiliates	32,823	13,509	118,131	18,922	183,385	—	183,385
Increase in property, plant and equipment and intangible assets (Note 3)	31,658	31,874	2,868	18,608	85,008	3,218	88,226

Fiscal year ended March 31, 2014	Millions of Yen						
	Reportable segment					Reconciliations (Note 1)	Consolidated (Note 4)
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	¥1,035,080	¥281,146	¥ 43,771	¥ 92,762	¥1,452,759	¥ —	¥1,452,759
Intersegment sales and transfers	—	5,987	155	37,578	43,720	(43,720)	—
Total	1,035,080	287,133	43,926	130,340	1,496,479	(43,720)	1,452,759
Segment profit (loss)	212,755	25,363	(2,166)	7,235	243,187	(44,484)	198,703
Segment assets	802,804	216,807	141,716	147,439	1,308,766	719,634	2,028,400
Other:							
Depreciation (Note 2)	23,775	11,426	1,443	4,394	41,038	4,994	46,032
Amortization of goodwill	1,707	1,760	118	129	3,714	—	3,714
Investment in equity-method affiliates	28,610	11,987	115,333	17,455	173,385	—	173,385
Increase in property, plant and equipment and intangible assets (Note 3)	154,514	10,144	2,912	4,359	171,929	7,055	178,984

Fiscal year ended December 31, 2014	Thousands of U.S. Dollars						
	Reportable segment					Reconciliations (Note 1)	Consolidated (Note 4)
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Total		
Sales							
Sales to external customers	$7,329,067	$1,930,659	$ 285,127	$ 611,082	$10,155,935	$ —	$10,155,935
Intersegment sales and transfers	—	44,920	1,310	237,088	283,318	(283,318)	—
Total	7,329,067	1,975,579	286,437	848,170	10,439,253	(283,318)	10,155,935
Segment profit (loss)	1,698,814	181,394	(11,647)	45,906	1,914,466	(284,197)	1,630,269
Segment assets	7,358,714	2,275,736	1,227,574	1,465,168	12,327,192	5,741,526	18,068,718
Other:							
Depreciation (Note 2)	213,123	67,283	8,287	29,092	317,785	28,337	346,122
Amortization of goodwill	17,976	12,186	373	1,095	31,630	—	31,630
Investment in equity-method affiliates	272,277	112,061	979,934	156,964	1,521,236	—	1,521,236
Increase in property, plant and equipment and intangible assets (Note 3)	262,613	264,405	23,791	154,359	705,168	26,694	731,862

Note 1: Reconciliations are as follows:

Segment profit (loss)	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Intersegment eliminations	¥ 116	¥ 758	$ 962
Corporate expenses*	(34,376)	(45,242)	(285,159)
Total	¥(34,260)	¥(44,484)	$(284,197)

*Corporate expenses include costs associated with indirect departments of the Company and certain consolidated subsidiaries' headquarters.

Segment assets	Millions of Yen		Thousands of U.S. Dollars
	2014.12	2014.3	2014.12
Intersegment eliminations	¥ (8,307)	¥ (7,466)	$ (68,909)
Corporate assets*	700,448	727,100	5,810,435
Total	¥692,141	¥719,634	$5,741,526

*Corporate assets include assets associated with the Company and certain consolidated subsidiaries' headquarters and research institutes.

Note 2: Depreciation consists of depreciation of property, plant and equipment, intangible assets and prepaid expenses long-term for common properties of the Company and certain consolidated subsidiaries' headquarters.

Note 3: Increase in property, plant and equipment and intangible assets consists of capital expenditures for common properties of the Company and certain consolidated subsidiaries' headquarters and research institutes.

Note 4: Consolidated segment profit (loss) is adjusted to the operating income in the consolidated statement of income.

4. Information about products and services

2014.12	Millions of Yen		
	ABILIFY	Other	Total
Sales to external customers	¥507,393	¥716,905	¥1,224,298

2014.3	Millions of Yen		
	ABILIFY	Other	Total
Sales to external customers	¥575,732	¥877,027	¥1,452,759

2014.12	Thousands of U.S. Dollars		
	ABILIFY	Other	Total
Sales to external customers	$4,208,984	$5,946,951	$10,155,935

5. Information about geographical areas

(1) Sales

Millions of Yen			
2014.12			
Japan	North America	Other	Total
¥467,327	¥545,329	¥211,642	¥1,224,298

Millions of Yen			
2014.3			
Japan	North America	Other	Total
¥628,317	¥599,559	¥224,883	¥1,452,759

Thousands of U.S. Dollars			
2014.12			
Japan	North America	Other	Total
$3,876,624	$4,523,675	$1,755,636	$10,155,935

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

(2) Property, plant and equipment

Millions of Yen			
2014.12			
Japan	North America	Other	Total
¥230,338	¥42,950	¥71,496	¥344,784

Millions of Yen			
2014.3			
Japan	North America	Other	Total
¥217,048	¥32,193	¥65,944	¥315,185

Thousands of U.S. Dollars			
2014.12			
Japan	North America	Other	Total
$1,910,726	$356,284	$593,081	$2,860,091

6. Information about major customers

2014.12	Millions of Yen	
	Net sales	Segment
McKesson Corporation	¥167,228	Pharmaceuticals
Cardinal Health Inc.	126,234	Pharmaceuticals

2014.3	Millions of Yen	
	Net sales	Segment
McKesson Corporation	¥177,713	Pharmaceuticals
Cardinal Health Inc.	161,699	Pharmaceuticals

2014.12	Thousands of U.S. Dollars	
	Net sales	Segment
McKesson Corporation	$1,387,209	Pharmaceuticals
Cardinal Health Inc.	1,047,151	Pharmaceuticals

7. Information about impairment losses on fixed assets

2014.12	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Impairment losses	¥4,896	¥ 176	¥ 79	¥1	¥226	¥5,378

2014.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Impairment losses	¥ 33	¥2,844	¥459	¥8	¥ 55	¥3,399

2014.12	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Impairment losses	$40,614	$1,460	$655	$8	$1,875	$44,612

8. Information about amortization of goodwill and goodwill balance

2014.12	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	¥ 2,167	¥ 1,469	¥ 45	¥ 132	¥ —	¥ 3,813
Balance	43,314	39,292	417	10,139	—	93,162

2014.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	¥ 1,707	¥ 1,760	¥118	¥ 129	¥ —	¥ 3,714
Balance	41,469	26,669	478	1,979	—	70,595

2014.12	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	$ 17,976	$ 12,186	$ 373	$ 1,095	$ —	$ 31,630
Balance	359,303	325,939	3,459	84,107	—	772,808

9. Information about amortization of negative goodwill arising before April 1, 2010

2014.12	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	¥ 1,656	¥ —	¥ —	¥ 192	¥ —	¥ 1,848
Balance	17,798	—	—	1,893	—	19,691

2014.3	Millions of Yen					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	¥ 2,208	¥ —	¥ —	¥ 440	¥ —	¥ 2,648
Balance	19,456	—	—	2,085	—	21,541

2014.12	Thousands of U.S. Dollars					
	Pharmaceuticals	Nutraceuticals	Consumer products	Other	Elimination/Corporate	Total
Amortization	$ 13,737	$ —	$ —	$ 1,593	$ —	$ 15,330
Balance	147,640	—	—	15,703	—	163,343

10. Information about gain on negative goodwill

In the fiscal years ended December 31, 2014 and March 31, 2014, there was no gain on negative goodwill.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of Otsuka Holdings Co., Ltd. and its consolidated subsidiaries as of December 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the fiscal year from April 1, 2014 to December 31, 2014, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

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 its consolidated subsidiaries as of December 31, 2014, and the consolidated results of their operations and their cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 24 to the consolidated financial statements, on January 13, 2015 (U.S. Eastern Standard Time), Otsuka Holdings Co., Ltd. acquired the shares of Avanir Pharmaceuticals, Inc. by a tender offer and made that company its consolidated subsidiary. Furthermore, Otsuka Holdings Co., Ltd. has obtained the funds necessary to complete the transaction through a loan arrangement. Our opinion is not qualified in respect of this matter.

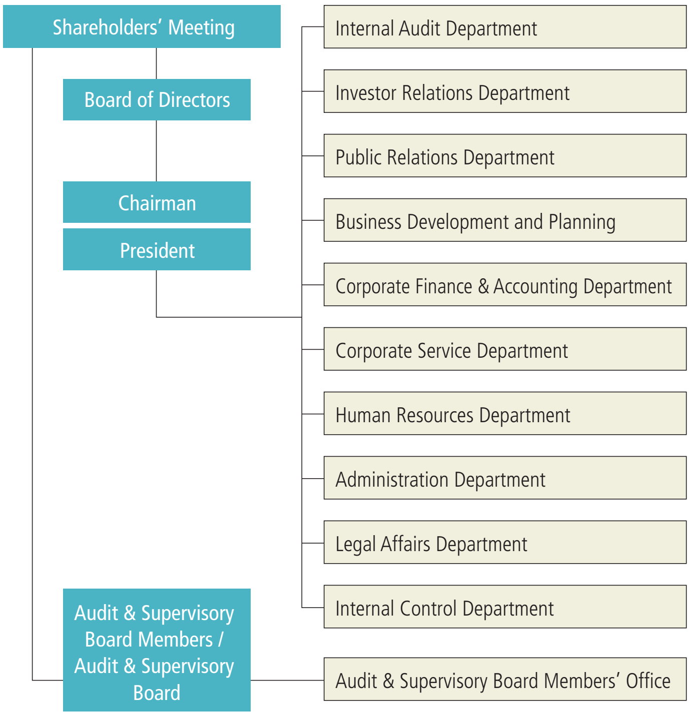
Convenience Translation

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

Deloitte Touche Tohmatsu LLC

March 27, 2015

Company organization (as of April 30, 2015)



Board members

Chairman and Representative Director
Ichiro Otsuka

President and Representative Director, CEO
Tatsuo Higuchi

Senior Managing Director
Atsumasa Makise

Managing Director
Yoshiro Matsuo

Executive Director
Sadanobu Tobe
Tatsuro Watanabe

Outside Directors
Yasuyuki Hirotomi
Juichi Kawaguchi
Tadaaki Kounose

Standing Audit & Supervisory Board Member
Takaharu Imai

Audit & Supervisory Board Member
Akihito Nakai

Outside Audit & Supervisory Board Members
Norikazu Yahagi
Hiroshi Sugawara

Corporate profile (as of December 31, 2014)

Company Name	Otsuka Holdings Co., Ltd.
Established	July 8, 2008
Capital	¥81.69 billion
Head Office	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
Telephone	+81-3-6717-1410 (switchboard)
Number of employees	73 (Consolidated: 29,482)
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.
URL	http://www.otsuka.com/en/

Website information

IR and SR information available on Otsuka Holdings website.

● Otsuka Holdings
http://www.otsuka.com/en/

● Investor Relations
http://www.otsuka.com/en/ir/

● Social Responsibility
http://otsuka.csrportal.jp/en/

Shareholder Information (As of December 31, 2014)

Number of shares authorized	1,600,000,000
Number of shares issued	557,835,617
Number of shareholders	57,667

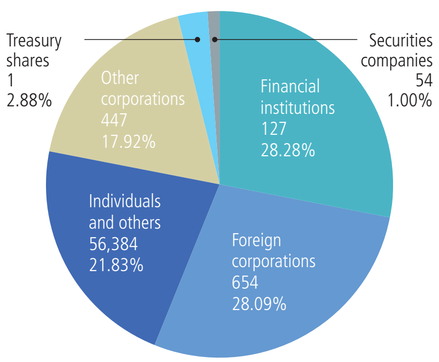
Principal shareholders

Name	Number of shares held (Thousands)	Shareholding ratio (%)
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	62,674	11.56
Otsuka Estate Limited	22,871	4.22
Otsuka Group Employee Shareholding Fund	16,592	3.06
Japan Trustee Services Bank, Ltd. (trust account)	13,569	2.50
The Master Trust Bank of Japan, Ltd. (trust account)	13,038	2.40
The Awa Bank, Ltd.	10,970	2.02
Otsuka Asset Co., Ltd.	7,380	1.36
THE BANK OF NEW YORK MELLON SA/NV 10	6,403	1.18
MEDIPAL HOLDINGS CORPORATION	6,148	1.13
CBNY-GOVERNMENT OF NORWAY	5,820	1.07

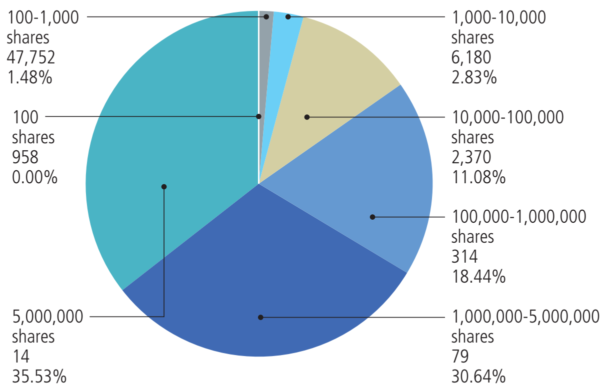
Notes：
1. Number of shares held is rounded down to the nearest thousand.
2. The Company holds treasury stock (16,037,940 shares) but is excluded from the principal shareholders listed above.
3. Shareholding ratio is calculated after treasury stock is deducted.

Stock distribution

Distribution of Shares by Type of Shareholder



Distribution of Shares by Number of Shares Owned



Disclaimer

This annual report summarizes the operating and financial results of Otsuka Holdings Co., Ltd. and its subsidiaries and affiliates for fiscal 2014 (April 1, 2014 to December 31, 2014). It also includes information regarding selected material events which occurred between January 1, 2015 and the date of publication. This annual report contains forward-looking statements pertaining to plans, projections, strategies, and prospects for the Otsuka Group. These statements are based upon current analysis and belief in light of the information available on the issuing date of this annual report. Actual results may therefore differ due to the to risks and uncertainties that may affect Otsuka Group operations.
Note: The information regarding pharmaceutical products (including products under development) is not intended as any kind of advertising, promotion or medical advice.

Otsuka

Otsuka Holdings Co., Ltd.

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