

(Translation)

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June 5, 2013
Tatsuo Higuchi
President and Representative Director
Otsuka Holdings Co., Ltd.
2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo

Notice for the Calling of the 5th Annual Shareholders Meeting
(for FY2012)

Dear Shareholders,

You are cordially invited to attend the 5th Annual Shareholders Meeting of Otsuka Holdings Co., Ltd. (the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights by either of the following methods. Prior to voting, please examine the attached Reference Documents for Shareholders Meeting and exercise your voting rights so that your vote is received by 5:30 p.m. (the close of business hours) on Wednesday, June 26, 2013 (JST).

To exercise your voting rights by post

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

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

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

Details

1. Date and Time:

Thursday, June 27, 2013, at 10:00 a.m.

2. Place:

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

3. Purpose of the Meeting

Matters to be reported:

- a. Business Report and Consolidated Financial Statements, as well as the audit reports of the Independent Auditors and the Audit & Supervisory Board for Consolidated Financial Statements, for the 5th Fiscal Year (from April 1, 2012 to March 31, 2013)
- b. Financial Statements for the 5th Fiscal Year (from April 1, 2012 to March 31, 2013)

Matters to be resolved:

Proposal 1: Election of Nine (9) Directors

Proposal 2: Election of One (1) Audit & Supervisory Board Member

Notes:

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

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

Guidance for Exercising Voting Rights

Please exercise your voting rights after examining the Reference Documents for Shareholders Meeting (pages 5–9).

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

1. Attendance

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

Please also bring with you “Notice for the Calling of the 5th Annual Shareholders Meeting” (this document).

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

2. Mail

Please indicate on the “Voting Form” whether you approve or disapprove of each proposal and mail it. The voting forms that arrive by mail before 5:30 p.m. on Wednesday, June 26, 2013 will be valid.

3. Internet

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

The deadline by which voting rights must be exercised is 5:30 p.m. on Wednesday, June 26, 2013. Please refer to the following page for details.

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

Website for exercising voting rights

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

How to exercise your voting rights via the Internet

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

Handling of voting rights when they are exercised more than once

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

Expenses necessary to access the Website for Exercising Voting Rights

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

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

Electronic voting platform

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

Reference Documents for Shareholders Meeting

Proposal 1: Election of Nine (9) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, aiming to further strengthen and enhance the management base, the Company proposes to elect nine (9) Directors to increase the number of Directors by two.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
1	<p style="text-align: center;"><u>Reappointment</u></p> <p>Akihiko Otsuka (July 21, 1937)</p> <p>Position and areas of responsibility in the Company: Chairman and Representative Director</p>	<p>March 1960 Joined Otsuka Pharmaceutical Factory</p> <p>June 1976 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>December 1998 Resigned as President and Representative Director, Otsuka Pharmaceutical Co., Ltd. Senior Advisor and Executive Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>June 2000 Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 2008 Chairman and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>September 2008 Executive Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>June 2009 Executive Director, Otsuka Chemical Holdings Co., Ltd. (present day Otsuka Chemical Co., Ltd.)</p> <p>January 2010 Chairman and Representative Director, Otsuka Foods Co., Ltd.</p> <p>June 2010 Chairman, Otsuka Foods Co., Ltd. (Current Position)</p> <p>April 2011 Chairman, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Chairman, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Pharmaceutical Factory, Inc. Chairman, Otsuka Foods Co., Ltd. President and Representative Director, Otsuka Estate Ltd. Chairman and Representative Director, Otsuka Asset Co., Ltd.</p>	3,505,146
2	<p style="text-align: center;"><u>Reappointment</u></p> <p>Tatsuo Higuchi (June 14, 1950)</p> <p>Position and areas of responsibility in the Company: President and Representative Director</p>	<p>March 1977 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>June 1998 Senior Managing Director, Otsuka Pharmaceutical Co., Ltd. (Pharmavite)</p> <p>November 1998 Vice President and Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 1999 Executive Director, responsible for U.S. Business, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2000 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2008 Executive Director, Otsuka Pharmaceutical Co., Ltd. (Current Position)</p> <p>July 2008 President and Representative Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>December 2011 Executive Director, Otsuka Chemical Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Executive Director, Otsuka Pharmaceutical Co., Ltd. Executive Director, Otsuka Chemical Co., Ltd.</p>	90,000

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
3	<p><u>Reappointment</u></p> <p>Ichiro Otsuka (February 15, 1965)</p> <p>Position and areas of responsibility in the Company: Vice President and Executive Director</p>	<p>April 1987 Joined Otsuka Pharmaceutical Factory, Inc.</p> <p>June 1997 Executive Director, Director of Consumer Products Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 1998 Managing Director, responsible for Consumer Products, Publicity, Promotion and Development Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>December 2001 Executive Director, Research and Development, Otsuka Pharmaceutical Factory, Inc.</p> <p>May 2002 Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2003 Vice President and Representative Director, Otsuka Pharmaceutical Factory, Inc.</p> <p>December 2004 President and Representative Director, Otsuka Pharmaceutical Factory, Inc. (Current Position)</p> <p>July 2008 Executive Director, Otsuka Holdings Co., Ltd.</p> <p>June 2010 Vice President and Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>[Significant concurrent positions outside the Company] President and Representative Director, Otsuka Pharmaceutical Factory, Inc. Vice President and Representative Director, Otsuka Estate Ltd. President and Representative Director, Otsuka Asset Co., Ltd.</p>	6,338,920
4	<p><u>Reappointment</u></p> <p>Atsumasa Makise (June 17, 1958)</p> <p>Position and areas of responsibility in the Company: Senior Managing Director, Corporate Finance</p>	<p>December 1987 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2002 Operating Officer, Director of ODPI Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2003 Operating Officer, Director, Finance Department of OIAA Division, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2007 Managing Director, Finance and Accounting, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 2008 Senior Managing Director, Corporate Finance, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>May 2009 Chairman and CEO, Otsuka America Inc.</p> <p>April 2010 Chairman, Otsuka America Inc. (Current Position)</p> <p>[Significant concurrent positions outside the Company] Chairman, Otsuka America Inc.</p>	50,000
5	<p><u>Reappointment</u></p> <p>Yoshiro Matsuo (November 3, 1960)</p> <p>Position and areas of responsibility in the Company: Managing Director, Corporate Administration</p>	<p>April 1985 Joined Otsuka Pharmaceutical Co., Ltd.</p> <p>January 2003 Operating Officer, Associate General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>June 2006 Operating Officer, General Manager of the General Affairs Department, Otsuka Pharmaceutical Co., Ltd.</p> <p>November 2007 Senior Operating Officer, General Manager of the General Affairs Department with additional responsibility for Legal Affairs and External Relations, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 2008 Managing Director, Corporate Administration, Otsuka Holdings Co., Ltd. (Current Position)</p>	30,760

(Translation)

Candidate No.	Name (Date of birth)	Career summary and significant concurrent positions outside the Company	Number of the Company's shares owned
6	<p><u>Reappointment</u></p> <p>Yujiro Otsuka (July 27, 1941)</p> <p>Position and areas of responsibility in the Company: Executive Director</p>	<p>March 1964 Joined Otsuka Pharmaceutical Factory</p> <p>June 1976 Executive Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>July 1976 President and Representative Director, Otsuka Warehouse Co., Ltd.</p> <p>November 1986 President and Representative Director, Otsuka Chemical Co., Ltd.</p> <p>July 2001 Chairman and Representative Director, Otsuka Warehouse Co., Ltd.</p> <p>September 2002 President and Representative Director, Otsuka Chemical Holdings Co., Ltd.</p> <p>May 2006 Chairman and Representative Director, Otsuka Chemical Holdings Co., Ltd.</p> <p>July 2008 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p> <p>June 2009 Chairman, Otsuka Chemical Holdings Co., Ltd. (present day Otsuka Chemical Co., Ltd.)</p> <p>June 2011 Senior Advisor and Executive Director, Otsuka Chemical Co., Ltd.</p>	418,602
7	<p><u>Reappointment</u></p> <p>Yukio Kobayashi (January 26, 1931)</p> <p>Position and areas of responsibility in the Company: Executive Director</p>	<p>January 1954 Joined Otsuka Pharmaceutical Factory</p> <p>June 1963 President and Representative Director, Taiho Pharmaceutical Co., Ltd.</p> <p>February 1989 Chairman and Representative Director, Nichiban Co., Ltd.</p> <p>January 1999 President and Representative Director, Otsuka Pharmaceutical Co., Ltd.</p> <p>September 2001 Chairman and Representative Director, Taiho Pharmaceutical Co., Ltd.</p> <p>July 2008 Executive Director, Otsuka Holdings Co., Ltd. (Current Position)</p>	1,542,816
8	<p><u>New appointment</u></p> <p>Candidate for Outside Director</p> <p>Yasuyuki Hirotochi (June 15, 1954)</p> <p>Position and areas of responsibility in the Company: -</p>	<p>April 1978 Joined The Daiwa Bank, Ltd. (present day Resona Bank, Limited)</p> <p>October 2003 Executive Officer, Resona Bank, Limited</p> <p>June 2005 Managing Executive Officer, Resona Bank, Limited</p> <p>April 2008 Senior Executive Officer, Resona Bank, Limited</p> <p>June 2008 Director and Senior Executive Officer, Resona Bank, Limited</p> <p>June 2009 Vice President and Representative Director and Executive Officer, Resona Bank, Limited</p> <p>June 2011 Director, The Kinki Osaka Bank, Ltd.</p>	0
9	<p><u>New appointment</u></p> <p>Candidate for Outside Director</p> <p>Juichi Kawaguchi (November 1, 1937)</p> <p>Position and areas of responsibility in the Company: -</p>	<p>March 1963 Joined Osaka Sanso Kogyo, Ltd. (present day AIR LIQUIDE Japan Ltd.)</p> <p>February 1985 Chief of the Secretarial Section, Osaka Sanso Kogyo, Ltd.</p> <p>May 1987 Representative Director, Daisan Inc.</p> <p>July 1990 General Manager of the General Affairs Department, Osaka Sanso Kogyo, Ltd.</p> <p>December 1997 Audit & Supervisory Board Member, Osaka Sanso Kogyo, Ltd.</p>	0

Notes:

1. The candidate Yasuyuki Hirotoomi was Vice President and Representative Director of Resona Bank, Limited until March 2013. The aforesaid company is a major creditor of the Company. The other candidates have no special interests in the Company.
2. The numbers of the Company's shares owned by Akihiko Otsuka, Ichiro Otsuka and Yujiro Otsuka are those actually held, including shares in the Otsuka Founders Shareholding Fund Trust Account.
3. Yasuyuki Hirotoomi and Juichi Kawaguchi are candidates for Outside Director.
4. The Company deems that Yasuyuki Hirotoomi can provide useful statements from an impartial and objective viewpoint based on abundant experience and extensive knowledge gained through many years in corporate management. Therefore, the Company elected him as candidate for Outside Director.
5. The Company expects Juichi Kawaguchi can perform the function of supervising and checking the corporate management of the Company based on his knowledge and experience as a corporate executive acquired through his career. Therefore, the Company elected him as candidate for Outside Director.
6. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company plans to execute agreements with Yasuyuki Hirotoomi and Juichi Kawaguchi which limit the indemnity liability under Article 423, Paragraph 1 of the same Act to the amount provided for in the laws and regulations. However, the limitation of liability specified in these agreements shall be limited to times when the Outside Director is without knowledge and not grossly negligent in performing the duties as Outside Director that cause liability.

(Translation)

Proposal 2: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Masatoshi Taniguchi will resign at the closure of this Annual Shareholders Meeting. Accordingly, the Company proposes to elect one (1) Audit & Supervisory Board Member as the substitute.

The Audit & Supervisory Board has consented to this proposal.

The candidate for an Audit & Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and significant concurrent positions outside the Company		Number of the Company's shares owned
<u>New appointment</u> Sadanobu Tobe (April 18, 1941) Position in the Company: -	April	1976	Senior Managing Director and Representative Director, Shinko Foods Co., Ltd. (present day Otsuka Foods Co., Ltd.)
	July	1993	Vice President and Representative Director, Otsuka Foods Co., Ltd.
	November	2004	Vice President and Representative Director, Otsuka Chemical Holdings Co., Ltd. (present day Otsuka Chemical Co., Ltd.)
	May	2006	President and Representative Director, Otsuka Chemical Holdings Co., Ltd.
	July	2008	Executive Director, Otsuka Holdings Co., Ltd.
	June	2009	Vice Chairman and Representative Director, Otsuka Foods Co., Ltd.
	June	2011	Chairman and Representative Director, Otsuka Chemical Co., Ltd.
	June	2012	Vice Chairman, Otsuka Foods Co., Ltd. (Current Position)
	June	2013	Vice Chairman, Otsuka Foods Co., Ltd. (scheduled to resign)
	[Significant concurrent positions outside the Company] Vice Chairman, Otsuka Foods Co., Ltd.		368,320

Notes:

1. The candidate has no special interests in the Company.
2. Sadanobu Tobe is scheduled to resign from his position of Vice Chairman of Otsuka Foods Co., Ltd. on June 10, 2013.
3. The number of the Company's shares owned by the candidate is that actually held, including shares in the Otsuka Founders Shareholding Fund Trust Account.

Attached documents**Business Report**

(For the fiscal year from April 1, 2012 to March 31, 2013)

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

In the current fiscal year, the Japanese economy saw a moderate improvement in the corporate operating environment amid expectations for the new government and a correction to the persistently strong yen. Overseas, the economic outlook remained uncertain due to the economic crisis in Europe and slowing growth in emerging economies.

Against this backdrop, the Otsuka Group (the "Group") reported consolidated net sales of ¥1,218,055 million (5.5% increase year on year) for the current fiscal year, with operating income of ¥169,660 million (14.1% increase year on year), ordinary income of ¥184,462 million (21.3% increase year on year) and net income of ¥122,429 million (32.8% increase year on year).

Results by business segment are as follows:

Net sales by business area during the current fiscal year						(Millions of yen)
	Pharmaceuticals	Nutraceuticals	Consumer Products	Other	Adjustments	Consolidated
Net sales	850,861	251,772	46,889	111,663	(43,132)	1,218,055
Segment income (loss)	187,853	21,367	(2,446)	3,918	(41,032)	169,660

ii) Major business activities (as of March 31, 2013)

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

Pharmaceuticals

In the area of the central nervous system, atypical antipsychotic agent *ABILIFY* was ranked seventh^{*1} in global drug sales between January and December 2012. In the U.S., prescriptions of *ABILIFY* increased for adjunctive therapy in major depressive disorder and for bipolar disorder, leading to higher sales year on year. The drug was also ranked first^{*2} in U.S. drugs sales between October and December 2012. In Europe, although drug price reductions, enforced by government fiscal austerity measures, contributed to a slump in the market for atypical antipsychotic agents, sales of *ABILIFY* grew on the back of an increase in prescriptions for the treatment of manic episodes of bipolar disorder. However, sales in Europe on a yen basis declined year on year due to the impact of yen appreciation. Sales of *ABILIFY* expanded steadily in Asia, growing at a double-digit pace due to rising sales in China, where the drug was included in the national medical insurance system, and additional indications in South Korea, where it was approved for chronic tic disorder and Tourette syndrome. In Japan, *ABILIFY* sales grew at a double-digit pace due to approval for an additional indication for manic episodes of bipolar disorder received in 2012, in

addition to the existing indication for schizophrenia. The launch of a new orally disintegrating tablet also supported sales growth. Also, an application was filed in August 2012 for an additional indication as an adjunctive therapy in major depressive disorder.

Under the alliance with H. Lundbeck A/S (“Lundbeck”), the two companies began sales of *Abilify Maintena*, aripiprazole intramuscular depot formulation (once-monthly injection), in the U.S. in March 2013. The companies also submitted a new drug application for the same drug to the European Medicines Agency (EMA) in December 2012.

In addition, Otsuka Pharmaceutical Co., Ltd. (“Otsuka Pharmaceutical”) and Lundbeck further expanded their global alliance in the field of the central nervous system with the conclusion of a codevelopment and co-commercialization agreement for Lu AE58054 in March 2013, which is currently under development for Alzheimer’s disease treatment by Lundbeck.

In Japan, the antiepileptic drug *E Keppra*, which is copromoted with UCB Japan, registered substantial sales growth. In addition, *Neupro Patch*, the world’s first transdermal dopamin agonist introduced by UCB was launched in February 2013 for the treatment of both Parkinson’s disease and restless legs syndrome.

In the area of the cardiovascular system, first-in-class drug vasopressin V₂-receptor antagonist *SAMSCA* is now sold in 14 markets worldwide, and the new value it brings and its method of use as an oral aquaretic agent is leading to wider use by medical specialists. As a result, sales in the U.S. continued to grow at a double-digit pace compared with the previous fiscal year. In Japan, prescriptions of *SAMSCA* increased considerably amid growing awareness of the drug as a new treatment option for edema in heart failure, supporting sales growth in excess of double digits compared with the previous fiscal year. Sales volume was stable for antiplatelet agent *Pletaal/Pletal* due to promotion of the drug as a convenient orally disintegrating tablet for patients who have had onset cerebral infarction. However, sales declined year on year owing to the impact of drug price reductions and generics.

In the area of anticancer and cancer-supportive care, sales in Japan of anticancer agent *TS-1* were solid on the back of increased awareness of the drug through the use of evidence-based medicine (EBM) approaches. Overseas, *TS-1* is gradually being rolled out in European markets and is sold in 18 markets worldwide as of March 31, 2013.

Sales of anticancer agent *UFT* declined as a result of competition, while sales of reduced folic acid formulation *Uzel* grew on the back of increased awareness of the drug through the use of EBM approaches. Sales of *Aloxi*, a 5-HT₃ receptor antagonist antiemetic agent, and anticancer agent *Abraxane* both continued to grow at a double-digit pace. Anticancer agent *SPRYCEL*, which is being copromoted in Japan, the U.S. and Europe with BMS^{*3}, showed solid sales growth as a first-line treatment for chronic myeloid leukemia in markets worldwide. This sales growth, along with a substantial increase from January 2013 in the ratio used to calculate distributions received by the Company based on sales, contributed to a large rise in distributions compared with the previous fiscal year. *BUSULFEX*, which is the only allogeneic hematopoietic stem cell pre-transplanting regimen approved by the U.S. FDA, has now become established as the standard drug for use as a conditioning agent administered prior to bone marrow transplants in place of total-body radiation. The rights to develop and market *BUSULFEX* in Japan and Asia were returned to Otsuka Pharmaceutical under an agreement with Kyowa Hakko Kirin Co., Ltd., with Otsuka Pharmaceutical taking over sole responsibility for the business in those markets from April 1, 2013. This complements the exclusive marketing rights the Group already owns for *BUSULFEX* in the U.S.

In other areas, anti-gastritis and anti-gastric ulcer agent *Mucosta* remained the fourth^{*4} most prescribed drug in Japan. However, sales declined compared with the previous fiscal year due to the impact of drug price reductions and generics. In the area of ophthalmology, *Mucosta ophthalmic suspension UD 2%*, a treatment for dry eyes, showed a significant increase in sales following its approval for long-term prescriptions in December 2012. In addition, *L-Cartin FF oral solution 10%* and *L-Cartin FF injection 1000 mg* were launched in February 2013.

In the area of clinical nutrition, sales of the high-calorie TPN solution *ELNEOPA* increased. This growth, spurred by the inclusion of inpatient pharmaceutical services in medical fee reimbursements from April 2012, mainly reflected an increase in the number of hospitals adopting the product and growth in prescriptions. *ELNEOPA* has gained in popularity among hospital pharmaceutical departments due to the ease and convenience of dispensing trace elements.

In addition, Otsuka Pharmaceutical and Abdi Ibrahim, the leading pharmaceutical company in Turkey, newly established a joint venture in October 2012. The new company, Abdi Ibrahim Otsuka Pharmaceutical Company, will operate as a new marketing base for the pharmaceutical business.

In the current fiscal year, research and development expenses in the pharmaceutical segment increased, due mainly to the alliance with Lundbeck to develop new compounds.

As a result of the above, net sales in the pharmaceutical segment for the current fiscal year totaled ¥850,861 million (8.8% increase year on year), with operating income of ¥187,853 million (11.5% increase year on year).

*1: © 2013 IMS Health. All rights reserved. Estimated based on “World Review Preview 2013 (Year 2012 Sales Data),” Reprinted with permission.

*2: © 2013 IMS Health. All rights reserved. Estimated based on “MIDAS Quantum 4Q/2012 Sales data,” Reprinted with permission.

*3: Bristol-Myers Squibb Company

*4: © 2013 IMS Japan K.K. Estimated based on 2011 Japan Medical Data Index. Reprinted with permission.

Nutraceuticals

Pocari Sweat, an electrolyte supplement drink, is now sold in 17 markets worldwide following its launch in Vietnam in August 2012. Overseas, sales volume continued to grow at a strong pace, supported by continued efforts in both Indonesia and China to cultivate consumers and promote the product’s benefits. In Japan, sales volume in the second half of the fiscal year grew at a stronger pace than in the same period a year earlier, thanks to successful sales promotions that focused on the benefits of drinking *Pocari Sweat*, particularly after taking a bath and in the dry season. However, sales volume for the full year declined year on year.

The Otsuka Group is focusing on the development of its soy-related business, based on the concept of “Soylution,” which aims to make full use of the nutrition in soy as a solution to various health and environmental issues faced by people today. The Group added healthy soy snack *SoyCarat* to its lineup of soy products in April 2012. Steps were taken to attract new customers to this product, as well as the soy bar *SOYJOY*, which is sold in 11 markets around the world, and the soy soda beverage *SOYSH*. In Japan, the Group held seminars run by soy specialists in 46 locations across the country. The seminars were aimed at educating opinion-leaders and consumers and are part of ongoing marketing activities to promote the value of the Group’s soy products as a way of benefiting from the wholesome nutrition of soy.

For the carbonated nutritional drink *Oronamin C*, the market environment surrounding the brand remained difficult due to intensifying competition. However, sales volume declined only slightly from the previous fiscal year, thanks to successful sales promotions that clearly communicated the product’s features.

Sales volume of the balanced nutrition food *Calorie Mate* declined slightly from the previous fiscal year, despite sales promotions focused on brand value and marketing activities showing how *Calorie Mate* can be a useful food for people who have difficulty getting home from work during natural disasters.

In December 2012, Nutrition & Santé SAS, an Otsuka Group subsidiary that operates in more than 40 countries, mainly in Europe, acquired a gluten-free food company from Lactalis Group, the world’s largest dairy products company. This acquisition gives Nutrition & Santé SAS the ability to seamlessly develop, produce and sell gluten-free foods, providing the base to support faster growth in the company’s expanding gluten-free food product business. In Japan, the number of stores that sell *Gerble* and *Gerlinea*, the leading^{*5} calorie control brand in France’s diet food market, continued to increase steadily across the country.

In the U.S., *Nature Made* supplements are supplied by subsidiary Pharmavite LLC. *Nature Made* has been the number one retail national vitamin and supplement brand in the U.S. from 2007 through 2012^{*6} and selected as the number-one, pharmacist-recommended brand in seven categories^{*7}. During the current fiscal year, sales of the brand in the U.S. grew at a steady pace.

In the cosmetics area, where the focus is on the concept of “healthy skin,” the Group ran a marketing campaign for the *UL•OS* men’s skincare brand, targeting middle-aged men and focusing on the brand’s scalp shampoo. The campaign supported strong double-digit sales growth for the brand. In February 2013, the Group added an SPF 50 sun block product to the range, as part of efforts to steadily expand *UL•OS* as a skincare brand for daily use that contains a comprehensive lineup of products for all areas of men’s skincare.

In the *InnerSignal* brand for women, the Group continued to make steady progress in acquiring customers through the mail-order sales channel, supporting a doubling in sales.

Sales of nutrient tonic *Tiovita* declined from the previous fiscal year. This reflected a drop in sales volume due to stockpiling demand in the aftermath of the earthquake and poor weather in early summer.

As a result of the above, net sales in the nutraceutical segment for the current fiscal year totaled ¥251,772 million (1.2% decrease year on year), with operating income of ¥21,367 million (3.5% decrease year on year).

*5: IRI Value Share of market–Total 2011

*6: Pharmavite calculation based on data reported by Nielsen through its Scantrack Service for the vitamins category for 52-week periods ending 12/22/2012, for the xAOC and FDM Markets. Copyright (c) 2013, The Nielsen Company.

*7: Pharmacy Times 2012 Ed.

Consumer Products

Sales volume for *Crystal Geysler* and other mineral water products decreased, mainly in reaction to stockpiling demand in the aftermath of the earthquake. Sales volume grew steadily for *Match*, a carbonated electrolyte drink containing vitamins, due to the continuation of aggressive marketing strategy and sales promotion activities mainly targeting high school student market, which led to the acquisition of new customers and growth in the consumer base. In February 2013, to mark the 45th anniversary of *Bon Curry Gold*, a range of instant curry dishes, the Group launched a new product that can be heated in the microwave oven without removing the curry pouch from the box.

In the consumer products segment, the Group will continue to implement a range of initiatives aimed at improving profitability, as well as stepping up marketing initiatives.

As a result of the above, net sales in the consumer products segment for the current fiscal year totaled ¥46,889 million (4.7% decrease year on year), with operating loss of ¥2,446 million.

Others

In the specialty chemical business, sales of compound materials, flame retardant *Phosphazene*, and friction materials *TISMO* and *Terracess* were firm on the back of demand for camera parts for smartphones and tablet devices and an upturn in the automotive field in North America. However, sales volumes for products such as tire raw materials declined due to the impact of the protracted economic crisis in Europe, leading to a decrease in sales. In the fine chemical business, output of *GCLE* was expanded in India, supporting an increase in sales volume and resulting in sales growth. Ongoing steps were also taken to boost profitability, including productivity improvements for pharmaceutical intermediate *DACTA*.

In the transportation and warehousing business, there was a decline in the volume of beverages handled due to unseasonable weather in early summer, but sales grew year on year owing to increases in handling volumes for pharmaceuticals and other products. Sales in the direct sales support business increased due to growth in the number of orders and expansion of operations.

As a result of the above, net sales in the other businesses segment for the current fiscal year totaled ¥111,663 million (2.8% increase year on year), with operating income of ¥3,918 million (101.7% increase year on year).

iii) Research and Development Activities

Research and development expenses for the current fiscal year totaled ¥192,364 million.

Research and development expenses for the pharmaceutical business amounted to ¥183,485 million, those for the nutraceutical business amounted to ¥3,930 million, those for the consumer products business amounted to ¥588 million and those for others amounted to ¥4,359 million.

a. Therapeutic drugs

The Otsuka Group conducts research and development with a primary focus on addressing unmet medical needs in the areas of central nervous system and anticancer and cancer-supportive care. The Group also conducts research and development in fields such as cardiovascular and ophthalmology, focusing on diseases with unmet medical needs.

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

Category	Brand Name / Generic Name / Development Code	Status
Central nervous system	<i>ABILIFY</i> <i>Abilify Maintena</i> (U.S.) (aripiprazole)	<p>[U.S.]</p> <ul style="list-style-type: none"> • Aripiprazole intramuscular depot formulation <i>Abilify Maintena</i> (once-monthly injection) was approved for the treatment of schizophrenia in February 2013 and launched in March. • Phase III trials were initiated in August 2012 for aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of bipolar disorder. • Phase III trials were initiated in November 2012 for aripiprazole oral formulation for the treatment of Tourette syndrome. <p>[Europe]</p> <ul style="list-style-type: none"> • Aripiprazole oral formulation was approved in January 2013 for the additional indication for improvement of manic episodes of bipolar I disorder in adolescents. • A new drug application for aripiprazole intramuscular depot formulation (once-monthly injection) for the treatment of schizophrenia was filed in December 2012. <p>[Japan]</p> <ul style="list-style-type: none"> • Sales of orally disintegrating tablet, <i>ABILIFY OD Tablets</i> began in May 2012. • An application was filed in August 2012 for aripiprazole oral formulation for an additional indication as an adjunctive therapy in major depressive disorder • Phase III trials were initiated in July 2012 for aripiprazole oral formulation for the treatment of autism.
	OPC-34712	<p>[Global]</p> <ul style="list-style-type: none"> • The drug was given the generic name brexpiprazole. • The drug is in Phase III trials for adjunctive therapy for schizophrenia and major depressive disorder.
	<i>Neupro Patch</i>	<p>[Japan]</p> <ul style="list-style-type: none"> • <i>Neupro Patch</i> was approved in December 2012 for the treatment of both Parkinson's disease and restless legs syndrome and launched in February 2013.
	<i>E Keppra</i>	<p>[Japan]</p> <ul style="list-style-type: none"> • An application was filed in June 2012 for an additional indication for the treatment of epileptic partial seizures in children. An application for a new dry syrup formulation was filed at the same time.

Category	Brand Name / Generic Name / Development Code	Status
Anticancer and cancer-supportive care	TAS-102	[Global] • Phase III trials were initiated in June 2012 in Japan, the U.S. and Europe for the treatment of colorectal cancer. [Japan] • An application was filed in February 2013 for the treatment of colorectal cancer.
	TAS-114	[Global] • Phase I trials were initiated in June 2012 in Japan, the U.S. and Europe for the treatment of solid cancer.
	<i>Abraxane</i> ABI-007	[Japan] • <i>Abraxane</i> was approved in February 2013 for the additional indication of gastric cancer and non-small-cell lung cancer. • Phase I/II trials were initiated in November 2012 for the treatment of pancreatic cancer.
	ET-743	[Japan] • Phase II trials were initiated in September 2012 for the treatment of malignant soft tissue sarcoma.
	OCV-C02	[Japan] • Phase I trials were initiated in March 2013 for the treatment of colorectal cancer.
	OPB-111077	[U.S.] • Phase I trials were initiated in June 2012 for the treatment of solid cancer.
Cardiovascular system	<i>SAMSCA</i> (tolvaptan)	[U.S.] • Application was filed in March 2013 for an additional indication for the treatment of autosomal dominant polycystic kidney disease (ADPKD). (Application was accepted for review in April) [Japan] • An application was filed in July 2012 for an additional indication for the treatment of hepatic edema. • Phase II trials were initiated in December 2012 for the treatment of carcinomatous edema. [Asia] • An application was filed in September 2012 for an additional indication for the treatment of hepatic edema. • Phase III trials were initiated in August 2012 for the treatment of cardiac edema.
	<i>ONGLYZA</i> (saxagliptin) OPC-262	[Japan] • An application was filed in April 2012 for the treatment of Type 2 diabetes mellitus. In June 2012, Otsuka Pharmaceutical concluded an agreement to transfer Japanese rights for saxagliptin to Kyowa Hakko Kirin Co., Ltd. Approval for the drug was received in March 2013, and Otsuka Pharmaceutical plans to continue supporting the process until the completion of the transfer to Kyowa Hakko Kirin Co., Ltd.
Other categories (Ophthalmology and others)	<i>Mucosta ophthalmic suspension UD 2%</i> OPC-12759E	[U.S.] • UD (unit dose): Phase III trials were initiated in July 2012 for the treatment of dry eyes. [Japan] • MD (multi dose): Phase III trials were initiated in September 2012 for the treatment of dry eyes.
	(Emixustat) ACU-4429	[U.S.] • Phase II b/III trials were initiated in February 2013 for the treatment of dry age-related macular degeneration.

Category	Brand Name / Generic Name / Development Code	Status
	OPA-15406	[U.S.] • Phase I trials were initiated in August 2012 for the treatment of atopic dermatitis.
	<i>Meptin</i>	[Japan] • An application was filed in December 2012 for a new dry powder inhaler formulation.
	(delamanid) OPC-67683	[Global] • The results of late Phase II trials to assess the efficacy and safety of delamanid were published in The New England Journal of Medicine in June 2012. [Japan] • A new drug application was filed in March 2013 for the treatment of multidrug-resistant tuberculosis.
	<i>L-Cartin FF oral solution 10%</i> <i>L-Cartin FF injection 1000 mg</i>	[Japan] • Two new drug forms were approved in December 2012 for the treatment of carnitine deficiency, and the drugs were launched in February 2013.

b. Diagnostics

In the diagnostics area, applications were filed in June 2012 for ODK-1003 (WT1 mRNA assay kit II *Otsuka*), a monitoring marker for minimal residual disease (MRD) in acute myeloid leukemia (AML), and a diagnostic aid/in-vitro diagnostic agent for myelodysplastic syndrome (MDS). With ODK-1003, the time taken to make diagnoses is 2.5 hours, which is considerably shorter than with the existing WT1 mRNA assay kit *Otsuka*.

iv) Capital Investments

Capital investments during the current fiscal year amounted to ¥63,256 million. These investments were funded by own capital and borrowings.

Capital investments in the pharmaceutical business totaled ¥37,950 million. Principal investments included Taiho Pharmaceutical Co., Ltd.'s pharmaceutical manufacturing facility at the Kitajima Factory and the renewal of existing facilities.

Capital investments in the nutraceutical business totaled ¥14,938 million. Principal investments included the supplements manufacturing facility at Pharmavite LLC's Alabama Factory and renewal of existing facilities.

Capital investments in the consumer business totaled ¥2,735 million, while those in other businesses totaled ¥3,973 million, and corporate investments totaled ¥3,657 million.

(2) Key issues to be addressed

The Otsuka Group is implementing concrete initiatives under its First Medium-Term Management Plan ending in FY2013, in order to realize its corporate philosophy, “Otsuka-people creating new products for better health worldwide.”

The key initiatives during the period of the Medium-Term Management Plan are as follows.

i) Delivering value and maximizing earnings in the pharmaceutical business

- In the area of the central nervous system, the Otsuka Group will work with global alliance partner Lundbeck to create a long-term collaborative global framework, centered on *Abilify Maintena*, aripiprazole intramuscular depot formulation (once-monthly injection), and brexpiprazole (OPC-34712), which were both discovered by the Company, in order to more rapidly maximize the medical and commercial value of both companies in this field and step up investment in order to create new value.
- In the *ABILIFY* business, product value will be maximized through continuous research and development, including the development of additional indications, and the once-weekly tablet and other formulations. Earnings will also be maximized through a change in profit sharing based on the amended contract with alliance partner Bristol-Myers Squibb Company.
- In the field of anticancer and cancer-supportive care, the product lineup will be enhanced in the areas of metabolic antagonists, molecular-targeted agents, new mechanism cancer vaccines, and cancer-supportive care (antiemetic agents, cancer pain analgesics) in order to expand the business in a way that covers the entire spectrum of cancer treatment.
- The Otsuka Group will pursue further growth through the cultivation of new products such as *SAMSCA*, *E Keppra*, *Aloxi*, *Abraxane*, *Mucosta ophthalmic suspension*, and *Neupro Patch*.
- The Otsuka Group will also target the unresolved medical issues of patients, aiming to create a wide range of new value, including new drugs, in order to tackle those issues.

ii) Expansion and profit growth in the nutraceutical business

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

iii) Strategic initiatives for future growth

- The medical device business will be built into one of Otsuka Group’s core businesses, led by Otsuka Medical Devices Co., Ltd. In November 2011, the Group acquired KiSCO Co., Ltd., a medical devices company with a specialty in the orthopedic surgery field. In December 2011, it acquired a stake in Era Endoscopy S.r.l. of Italy, an innovator in self-propelled robotic colonoscopy. Going forward, the Group plans to develop its medical device business in Japan and overseas, mainly in Asia.
- Based on the idea of soy, a readily available and highly nutritious food, as a solution to various health and environmental issues faced by people today (“Soylution”), the Otsuka Group will push ahead with the development and global expansion of tasty products that make full use of the nutrition in soy. In April 2012, the Group launched soy-based snack *SoyCarat*, its third Soylution product after soy bar *SOYJOY* and soy soda beverage *SOYSH*. All these Soylution products keep well and are tasty, even for people in countries where soy is not part of the traditional diet. Going forward, the Group plans to accelerate the development of its soy business to grow it into one of the Group’s core businesses.
- The Otsuka Group will pursue continuous growth by (1) reforming its business model, (2)

developing personnel, and (3) making indirect expenses more efficient to create a system that drives reform within the Group.

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

The Company established its First Medium-Term Management Plan and regards the three years covered by the plan—fiscal 2011 to fiscal 2013—as the time to develop a world-class structure as a global healthcare company.

This Medium-Term Management Plan was launched with the aim of enhancing corporate value through the steady implementation of the principal measures shown below. The main progress made during the first two years of the plan is as follows.

Theme of the First Medium-Term Management Plan

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

Principal Measures

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

Progress on Principal Measures

Development of innovative proprietary pharmaceuticals

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

- Antipsychotic agent *ABILIFY* was the top seller* among all prescription drugs in the U.S. in the last quarter (October to December) of fiscal 2012.
- In the area of the central nervous system, the Company launched the proprietary pharmaceutical *Abilify Maintena* in the U.S. on March 18, 2013 in partnership with global alliance partner Lundbeck.
- In the area of anticancer, the Company filed an application for manufacturing and marketing approval for new anticancer agent TAS-102 to the Ministry of Health, Labour and Welfare for the treatment of unresectable and recurrent colorectal cancer.
- In the area of the cardiovascular system, the Company filed a new drug application for tolvaptan to the U.S. Food and Drug Administration (FDA) for the treatment of autosomal dominant polycystic kidney disease (ADPKD), and the drug was designated for investigation in a “Priority Review.” If the drug is approved, it will be the world’s first treatment for ADPKD.
- In other area, the Company filed a new drug application for delamanid for the treatment of multidrug-resistant tuberculosis (MDR-TB) in Japan in March 2013 following the application filed in Europe in 2011. This is the first drug application in Japan seeking an indication for treatment of MDR-TB.

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

The Medium-Term Management Plan calls for securing profit growth in the nutraceutical business. As indicated below, the Company made aggressive efforts to expand the market by opening up new areas with *Pocari Sweat* and other global products, and to increase sales by creating new markets with new product launches. Meanwhile, revenue was improved by pushing the reduction of production costs and the optimization of expenses and through the balanced allocation of resources for creating new markets.

The operating profit margin reached 8.5 percent in fiscal 2012 and has been progressing smoothly.

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

Sales growth

Outside Japan: sales growth for *Pocari Sweat* and other global products

In Japan: sales growth centering around new products

Customer development

Created new markets through pull marketing

Reduction of manufacturing costs

Optimization of expenses

Next-generation business incubation through strategic alliances and other measures

As part of the effort to fulfill the measures in the Medium-Term Management Plan, Otsuka Pharmaceutical signed a global alliance agreement in the area of the central nervous system in November 2011 with Danish company Lundbeck, a global leader in the field. More evolved development of this business area can be expected as Lundbeck, which is experienced in depression and anxiety disorder treatment, and Otsuka Pharmaceutical, which has a steady track record in antipsychotic drugs, cooperate based on the agreement. The progress made since the signing of the agreement is as follows.

Progress Since Signing of Agreement

- Agreement for the rights to codevelop and co-commercialize Lu AE58054, a selective 5-HT₆-receptor antagonist, signed in March 2013
- Approval for *Abilify Maintena* granted by U.S. FDA in the U.S. on February 28, 2013 and launched in March 2013
- New drug application for *ABILIFY* intramuscular depot formulation filed in Europe in December 2012
- Start of co-promotion of *ABILIFY* in Europe
- Start of Phase III clinical trials of brexpiprazole
- Start of two Phase III clinical trials of *Abilify Maintena*
- Results of Phase III clinical trials of *Abilify Maintena* announced at the Annual Meeting of the American Psychiatric Association (APA) held in May 2012

Outlook for Fiscal 2013 (Third Year of the First Medium-Term Management Plan)

In the pharmaceutical business, sales of *ABILIFY* are expected to hold steady, and growth of new products such as *Abilify Maintena*, *Aloxi*, *Abraxane*, *E Keppra*, *SAMSCA*, *Mucosta ophthalmic suspension*, and *Neupro Patch* is expected to drive sales growth. R&D expenses will increase in line with progress of the development, such as the next-generation antipsychotic agent brexpiprazole (OPC-34712) in central nervous system area, but this is a necessary investment for future growth.

In the nutraceutical business, efforts will be made to expand sales and improve the profit structure, through the continued promotion of product value in marketing activities for new products including *Pocari Sweat Ion Water*, *SOYJOY Peanuts* and *SoyCarat* as well as flagship products such as *Pocari Sweat* and *Nature Made*, etc.

(Translation)

Fiscal 2013 performance forecast

	FY2012 actual	FY2013 (forecast)	Year-on-year change (forecast)		FY2013 plan of the Medium-Term Management Plan
			Amount change	Percent change	
Net sales (Billions of yen)	1,218.1	1,370.0	151.9	12.5%	1,330.0
Operating income (Billions of yen)	169.7	205.0	35.3	20.8%	200.0
Ordinary income (Billions of yen)	184.5	210.0	25.5	13.8%	-
Net income (Billions of yen)	122.4	138.0	15.6	12.7%	130.0
R&D expenses (Billions of yen)	192.4	200.0	7.6	4.0%	200.0
EPS (Yen)	221.90	250.79			230.00
Dividend per share (Yen)	58	65			-

Actual rates for fiscal 2012: USD\$1 = ¥79.80; Euro 1 = ¥102.55

Estimated rate for fiscal 2013: USD\$1 = ¥90.00; Euro 1 = ¥120.00

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

Item	The 2nd fiscal year (Ended March 31, 2010)	The 3rd fiscal year (Ended March 31, 2011)	The 4th fiscal year (Ended March 31, 2012)	The 5th fiscal year (Ended March 31, 2013)
Net sales (Millions of yen)	1,084,291	1,127,589	1,154,573	1,218,055
Ordinary income (Millions of yen)	109,057	128,400	152,119	184,462
Net income (Millions of yen)	67,443	82,369	92,174	122,429
Net income per share (Yen)	143.50	164.51	165.20	221.90
Total assets (Millions of yen)	1,458,375	1,589,717	1,666,767	1,779,207
Net assets (Millions of yen)	948,456	1,163,325	1,222,764	1,325,071
Net assets per share (Yen)	1,964.70	2,061.88	2,166.55	2,381.64

Notes:

- Effective on June 30, 2009 in the 2nd fiscal year, the Otsuka Group executed a twenty-for-one common share split. Net income per share is computed as if the share split had been conducted at the beginning of the fiscal year.
- Until the 3rd fiscal year, income and expenses of overseas subsidiaries, etc. were converted into yen at the spot exchange rate of the financial closing date of such overseas subsidiaries, etc. However, the Group, effective from the 4th fiscal year, has changed the method of yen conversion to the use of the average exchange rate of the period. In addition, revenues from up-front payments received associated with consent for license were posted to "Revenues related to extension of co-promotion agreement" and "Other" included in non-operating income until the 3rd fiscal year. However, the Group has changed the method to post such revenue to net sales effective from the 4th fiscal year. The figures under consolidated operating results and assets for the 3rd fiscal year (ended March 31, 2011) reflect the retroactive application of these changes made.

(4) Significant subsidiaries (as of March 31, 2013)

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

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

(Translation)

(5) Major offices and factories (as of March 31, 2013)

The Company

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

Significant subsidiaries

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

(6) Employees (as of March 31, 2013)

i) Employees of the Otsuka Group

Business segment	Number of employees		Increase / Decrease from the previous fiscal year	
Pharmaceuticals	14,660	(946)	up 597	(up 363)
Nutraceuticals	5,729	(927)	up 307	(up 154)
Consumer products	831	(91)	up 12	(down 1)
Other	2,429	(639)	down 61	(down 29)
Corporate (Common)	1,681	(311)	down 120	(up 10)
Total	25,330	(2,914)	up 735	(up 497)

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

ii) Employees of the Company

Number of employees	Increase / Decrease from the previous fiscal year	Average age	Average service years
70 (64)	up 5 (down 1)	44.4	2.5

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

(Translation)

(7) Major creditors (as of March 31, 2013)

Creditor	Balance of borrowings
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	19,225 million yen
Sumitomo Mitsui Banking Corporation	11,645 million yen
Resona Bank, Ltd.	6,075 million yen
Mizuho Corporate Bank, Ltd.	5,735 million yen
The Awa Bank, Limited	3,521 million yen

2. Current Status of the Company

(1) Shares (as of March 31, 2013)

- i) Total number of authorized shares: 1,600,000,000 shares
- ii) Total number of issued shares: 557,835,617 shares
- iii) Number of shareholders: 41,810
- iv) Principal shareholders (top 10 shareholders):

Name of shareholder	Number of shares held (thousand)	Shareholding ratio (%)
The Nomura Trust and Banking Co., Ltd. Otsuka Founders Shareholding Fund Trust Account	64,966	11.81
Otsuka Estate Ltd.	31,011	5.64
Otsuka Group Employee Shareholding Fund	24,776	4.50
Japan Trustee Services Bank, Ltd. (trust account)	16,091	2.92
The Master Trust Bank of Japan, Ltd. (trust account)	14,219	2.58
The Awa Bank, Limited	10,970	1.99
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	9,949	1.81
Otsuka Asset Co., Ltd.	9,190	1.67
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	6,027	1.10
Toho Holdings Co., Ltd.	5,670	1.03

Notes:

- 1. Number of shares held is rounded down to the nearest thousand.
- 2. Although the Company holds 7,593,160 of its own shares, treasury stock is excluded from the above list.
- 3. Shareholding ratio is calculated after treasury stock is deducted.

(2) Status of stock acquisition rights

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

(as of March 31, 2013)

	No. 1 stock acquisition rights	No. 2 stock acquisition rights
Date of resolution on issuance	June 29, 2010	June 29, 2010
Number of stock acquisition rights	50,000	19,400
Class and number of shares underlying stock acquisition rights	Common stock: 50,000 shares (One share per stock acquisition right)	Common stock: 19,400 shares (One share per stock acquisition right)
Amount to be paid in for stock acquisition rights for subscription	No payment required	No payment required
Value of property to be contributed when such stock acquisition rights are exercised	¥1 per stock acquisition right (¥1 per share)	¥2,100 per stock acquisition right (¥2,100 per share)
Period during which stock acquisition rights may be exercised	From July 23, 2012 to July 31, 2015	From July 23, 2012 to July 31, 2015
Conditions for exercise of stock acquisition rights	(See Note)	(See Note)
Status of holdings of Directors and Audit & Supervisory Board Members	Number of Directors of the Company: 1	Number of Audit & Supervisory Board Members of the Company: 3

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

- a. A party having received an allotment of stock acquisition rights (hereafter, "holder of stock acquisition rights") must

(Translation)

hold the same position in the Company at the time of exercising the stock acquisition rights as that held at the time of the allotment of stock acquisition rights. However, the Company's Board of Directors may waive this limit if they deem it appropriate.

- b. A holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights in the event the holder of stock acquisition rights, without obtaining prior approval from the Board of Directors of the Company or a subsidiary, assumes or agrees to assume an office either as an executive or employee of another company, or engages in a business that competes directly or indirectly with the business of the Company or its subsidiary.
- c. A holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights in the event the holder of stock acquisition rights commits a major violation of laws and regulations or the internal rules of the Company or a subsidiary.
- d. A holder of stock acquisition rights shall not pledge or dispose of the stock acquisition rights in any other way.
- e. In the event of the death of a holder of stock acquisition rights, the heirs of the deceased holder of stock acquisition rights shall not be permitted to exercise stock acquisition rights.
- f. A stock acquisition right shall not be split for exercising.
- g. Other conditions for exercising of stock acquisition rights shall be as provided in the agreement for the allotment of stock acquisition rights entered into between the Company and the holders of stock acquisition rights based on the resolution of the Company's Board of Directors.

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

i) Directors and Audit & Supervisory Board Members (as of March 31, 2013)

Position in the Company	Name	Areas of Responsibility and Significant Concurrent Positions
Chairman, Representative Director	Akihiko Otsuka	Chairman of Otsuka Pharmaceutical Co., Ltd. Executive Director of Otsuka Pharmaceutical Factory, Inc. Chairman of Otsuka Foods Co., Ltd. President and Representative Director of Otsuka Estate Ltd. Chairman and Representative Director of Otsuka Asset Co., Ltd.
President and Representative Director	Tatsuo Higuchi	Executive Director of Otsuka Pharmaceutical Co., Ltd. Executive Director of Otsuka Chemical Co., Ltd.
Vice President, Executive Director	Ichiro Otsuka	President and Representative Director of Otsuka Pharmaceutical Factory, Inc. Vice President and Representative Director of Otsuka Estate Ltd. President and Representative Director of Otsuka Asset Co., Ltd.
Senior Managing Director	Atsumasa Makise	In charge of Corporate Finance Chairman of Otsuka America, Inc.
Managing Director	Yoshiro Matsuo	In charge of Corporate Administration
Executive Director	Yujiro Otsuka	
Executive Director	Yukio Kobayashi	
Standing Audit & Supervisory Board Member	Masatoshi Taniguchi	
Audit & Supervisory Board Member	Yasuhisa Katsuta	Outside Audit & Supervisory Board Member of Otsuka Pharmaceutical Co., Ltd.
Audit & Supervisory Board Member	Norikazu Yahagi	Outside Audit & Supervisory Board Member of Square Enix Holdings Co., Ltd. Outside Audit & Supervisory Board Member of T.D.I. Co., Ltd.
Audit & Supervisory Board Member	Hiroshi Sugawara	Outside Audit & Supervisory Board Member of Otsuka Pharmaceutical Co., Ltd. Vice President of Will Capital Management Co., Ltd.

Notes:

- Audit & Supervisory Board Members, Yasuhisa Katsuta, Norikazu Yahagi and Hiroshi Sugawara are Outside Audit & Supervisory Board Members.
- Audit & Supervisory Board Member, Hiroshi Sugawara is a certified public accountant and has extensive knowledge of finance and accounting.
- The Company appoints Norikazu Yahagi and Hiroshi Sugawara as an Independent Officers as provided for under the rules of Tokyo Stock Exchange, Inc. and have registered them with the exchange.
- Changes in Directors and Audit & Supervisory Board Members during the current fiscal year are as follows:
[Resignation]
Vice Chairman and Representative Director, Kenichiro Otake (resigned as of July 13, 2012)
Managing Director, Noriko Tojo (retired from office due to expiration of her term of office as of June 28, 2012)
Executive Director, Sadanobu Tobe (retired from office due to expiration of his term of office as of June 28, 2012)

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

Classification	Number of persons paid	Amount of compensations paid (millions of yen)
Directors	10	730
Audit & Supervisory Board Members [incl. Outside Audit & Supervisory Board Members]	4 (3)	55 (28)
Total [incl. Outside Directors and Audit & Supervisory Board Members]	14 (3)	786 (28)

Notes:

- There are no Directors of the Company who concurrently serve as employees.
- The above includes two Directors who retired at the conclusion of the 4th Annual Shareholders Meeting held on June 28, 2012 and one Director who retired on July 13, 2012.
- The upper limit of compensation for Directors is set at ¥1,500 million per year (does not include the portion of salary for an employee position) as resolved at the 2nd Annual Shareholders Meeting on June 29, 2010. Issuance of stock acquisition rights of up to 500,000 shares of common stock of the Company as stock options was resolved separately at the 2nd Annual Shareholders Meeting on June 29, 2010. For details, please refer to the section of “2. Current Status of the Company (2) Status of stock acquisition rights: Holding of stock acquisition rights issued as compensation for the execution of duties by Directors and Audit & Supervisory Board Members.”
- The upper limit of compensation for Audit & Supervisory Board Members is set at ¥80 million per year as resolved at the 2nd Annual Shareholders Meeting on June 29, 2010. Issuance of stock acquisition rights of up to 32,000 shares of common stock of the Company as stock options was resolved separately at the 2nd Annual Shareholders Meeting on June 29, 2010. For details, please refer to the section of “2. Current Status of the Company (2) Status of stock acquisition rights: Holding of stock acquisition rights issued as compensation for the execution of duties by Directors and Audit & Supervisory Board Members.”
- The above amounts of compensation include the following.
 - Bonuses for 7 Directors: ¥198 million
 - Compensation based on stock options for 10 Directors: ¥139 million

iii) Matters concerning Outside Audit & Supervisory Board Members

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

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

Audit & Supervisory Board Member, Norikazu Yahagi, serves as outside Audit & Supervisory Board Member of Square Enix Holding Co., Ltd. and T.D.I. Co., Ltd. The Company has no transactions with the said firms.

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

b. Major activities during the current fiscal year

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

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

Audit & Supervisory Board Member, Hiroshi Sugawara attended all thirteen (13) meetings of the Board of Directors and all thirteen (13) meetings of the Audit & Supervisory Board held during the current fiscal year, and provided appropriate comments based on his expertise as a certified public accountant.

(Translation)

c. Overview of the agreement for limitation of liability

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

(4) Accounting auditor

- i) Name of accounting auditor (Independent Auditor): Deloitte Touche Tohmatsu LLC
ii) Amount of compensations

	Payment (millions of yen)
Total compensations for the current fiscal year	86
Total of monies and other property benefits, which the Company and subsidiaries should pay to the accounting auditor	373

Notes:

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

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

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

The Audit & Supervisory Board shall, if noting any deficiency in the execution of duties by the accounting auditor or if judging the necessity thereof, request the Board of Directors to address dismissal or non-reappointment of the accounting auditor as an item of the agenda of a shareholders meeting.

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

(5) System to ensure appropriate operations

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

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

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

The Company formulates the Otsuka Group Code of Conduct in order to ensure compliance with laws and regulations, the Articles of Incorporation, and other relevant rules and the underlying concepts, and to ensure corporate activities are carried out based on high ethical standards. The Otsuka Holdings Compliance Program is established to provide specific guidelines

that reflect the Otsuka Group Code of Conduct, based on which the Risk Management Committee leads efforts to ensure thorough education for employees and to promote establishment, maintenance, and improvement of the compliance system.

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

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

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

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

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

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

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

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

iv) System to ensure efficient execution of duties by Directors

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

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

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

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

Subsidiaries and affiliates shall report matters provided for in the Affiliate Management Regulations to the Company as necessary, and seek approval from the Company for any significant matters under the framework to establish a collaborative system within the Otsuka Group.

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

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

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

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

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

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

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

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

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

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

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

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

(6) Policy on decisions on dividends from surplus

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

Based on this policy, the Company has resolved to pay a year-end dividend of ¥30 per share for the current fiscal year. Combined with the interim dividend of ¥28 per share that was paid on December 3, 2012, this amounts to annual dividends of ¥58 per share. The effective date of the year-end dividend for the current fiscal year is June 28, 2013.

In addition, the Company resolved at the meeting of the Board of Directors held on May 14, 2013, to acquire its own shares pursuant to Article 459, Paragraph 1 of the Companies Act, and it completed the acquisition of a portion of its own shares based on the aforesaid resolution.

1) Details of the resolution at the meeting of the Board of Directors held on May 14, 2013

- | | |
|---------------------------------------------|--------------------------------------|
| (i) Class of shares to be acquired: | Common stock |
| (ii) Total Number of shares to be acquired: | 9,000,000 shares (maximum) |
| (iii) Aggregate amount of acquisition cost: | 30,000 million yen (maximum) |
| (iv) Period of acquisition: | From May 15, 2013 to August 30, 2013 |

(Translation)

2) Acquisition of Own Shares (as of May 16, 2013)

- | | |
|---------------------------------------|--------------------------------------------------------------|
| (i) Class of shares acquired: | Common stock |
| (ii) Total number of shares acquired: | 5,119,800 shares |
| (iii) Total cost of acquisition: | 18,456 million yen |
| (iv) Method of acquisition: | Acquisition through ToSTNeT-3 of the
Tokyo Stock Exchange |

Consolidated Balance Sheet

(As of March 31, 2013)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	1,080,642	Current liabilities	346,472
Cash and deposits	414,380	Notes and accounts payable-trade	97,523
Notes and accounts receivable-trade	318,087	Short-term borrowings	51,789
Marketable securities	137,768	Lease obligations	2,589
Merchandise and finished goods	71,243	Accounts payable-other	73,960
Work in process	25,842	Accrued expenses	39,681
Raw materials and supplies	35,266	Income taxes payable	33,514
Deferred tax assets	40,837	Provision for bonuses	15,928
Other current assets	37,760	Provision for directors' bonuses	317
Allowance for doubtful accounts	(543)	Provision for loss on business liquidation	1,928
Noncurrent assets	698,498	Other current liabilities	29,239
Property, plant and equipment	275,967	Long-term liabilities	107,664
Buildings and structures	99,045	Long-term debt	6,251
Machinery and equipment	55,459	Lease obligations	5,860
Furniture and fixtures	10,135	Deferred tax liabilities	11,258
Land	76,496	Liability for retirement benefits	40,570
Lease assets	8,342	Liability for directors' retirement benefits	3,107
Construction in progress	26,487	Negative goodwill	24,005
Intangible assets	73,850	Other long-term liabilities	16,611
Goodwill	37,787	Total Liabilities	454,136
Patent rights	1,569	Net Assets	
Software	13,259	Shareholders' equity	1,342,036
Other intangible assets	21,232	Common stock	81,690
Investments and other assets	348,680	Capital surplus	510,423
Investment securities	276,296	Retained earnings	768,314
Investments in capital	31,574	Treasury stock, at cost	(18,392)
Long-term loans receivable	881	Accumulated other comprehensive income	(31,539)
Deferred tax assets	26,466	Unrealized gain on available-for-sale securities	8,284
Other assets	15,816	Foreign currency translation adjustments	(39,823)
Allowance for investment loss	(1,569)	Stock acquisition rights	104
Allowance for doubtful accounts	(785)	Minority interests	14,468
Deferred assets	66	Total net assets	1,325,071
Total Assets	1,779,207	Total Liabilities and Net Assets	1,779,207

(Translation)

Consolidated Statement of Income

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	Amount	
Net sales		1,218,055
Cost of sales		393,830
Gross profit		824,224
Selling, general and administrative expenses		654,564
Operating income		169,660
Non-operating income		
Interest and dividend income	2,875	
Amortization of negative goodwill	2,464	
Equity in earnings of unconsolidated subsidiaries and affiliates	3,140	
Foreign exchange gain, net	6,203	
Other	1,965	16,649
Non-operating expenses		
Interest expense	1,210	
Other	636	1,847
Ordinary income		184,462
Extraordinary income		
Gain on sales of noncurrent assets	130	
Gain on reversal of stock acquisition rights	83	
Other	54	269
Extraordinary loss		
Loss on retirement of noncurrent assets	686	
Impairment loss	2,571	
Loss on valuation of investment securities	4,407	
Other	126	7,792
Income before income taxes and minority interests		176,939
Income taxes-current	61,990	
Income taxes-deferred	(8,206)	53,783
Income before minority interests		123,155
Minority interests in net income		726
Net income		122,429

(Translation)

Consolidated Statement of Changes in Net Assets

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Beginning balance as of April 1, 2012	81,690	510,639	675,410	(8)	1,267,732
Changes in the year					
Change in scope of consolidation			(191)		(191)
Dividends			(29,333)		(29,333)
Purchase of treasury stock				(20,002)	(20,002)
Disposal of treasury stock		(215)		1,618	1,402
Net income			122,429		122,429
Net changes other than shareholders' equity					
Total changes in the year	-	(215)	92,903	(18,383)	74,304
Ending balance as of March 31, 2013	81,690	510,423	768,314	(18,392)	1,342,036

	Accumulated other comprehensive income				Stock acquisition rights	Minority interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Beginning balance as of April 1, 2012	750	10	(59,904)	(59,144)	1,134	13,041	1,222,764
Changes in the year							
Change in scope of consolidation							(191)
Dividends							(29,333)
Purchase of treasury stock							(20,002)
Disposal of treasury stock							1,402
Net income							122,429
Net changes other than shareholders' equity	7,534	(10)	20,081	27,604	(1,029)	1,426	28,001
Total changes in the year	7,534	(10)	20,081	27,604	(1,029)	1,426	102,306
Ending balance as of March 31, 2013	8,284	-	(39,823)	(31,539)	104	14,468	1,325,071

Notes to Consolidated Financial Statements

1. Notes to Basis of Presenting Consolidated Financial Statements

(1) Scope of Consolidation

i) Consolidated subsidiaries

- Number of consolidated subsidiaries: 71
- Names of principal consolidated subsidiaries:
Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd., Otsuka Electronics Co., Ltd., Otsuka Chemical Co., Ltd., Otsuka Foods Co., Ltd., Otsuka America, Inc., Otsuka America Pharmaceutical, Inc., Pharmavite LLC, P.T. Amerta Indah Otsuka, Nutrition & Santé SAS

ii) Unconsolidated subsidiaries

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

(2) Application of the Equity Method

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

- Number of unconsolidated subsidiaries and affiliates accounted for by the equity method: 14
- Names of principal equity method companies:
Otsuka Pakistan Ltd., Earth Chemical Co., Ltd., ALMA S.A., CG Roxane LLC, VV Food & Beverage Co., Ltd., China Otsuka Pharmaceutical Co., Ltd.

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

- Names of principal companies:
Otsuka Pharmaceutical (H.K.) Ltd., Interpharma Praha, a.s.
- Reasons for excluding from the scope of the equity method
Based on the Company's ownership share of net income and retained earnings, and other factors, exclusion of certain unconsolidated subsidiaries and affiliates from being accounted for by the equity method does not have a material effect on the consolidated financial statements.

iii) Special note on the application of the equity method

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

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

Otsuka Furniture Manufacturing and Sales Co., Ltd. and KiSCO Co., Ltd. have been newly included in the scope of consolidation from the current fiscal year due to the increase in materiality.

Since GlyTech, Inc. was established by divestiture from Otsuka Chemical Co., Ltd., the consolidated subsidiary, it had been in the scope of consolidation from the current fiscal year. However, GlyTech, Inc. was excluded from the scope of consolidation at the end of the current year, as a result of sales of the shares.

Valpiform SAS and one company have been newly included in the scope of consolidation from the current fiscal year as a result of acquisition of their shares.

Crystal Geyser Brand Holdings, LLC was newly established and has been included in the scope of affiliates accounted for by the equity method from the current fiscal year.

(4) Fiscal Year End of Consolidated Subsidiaries

Otsuka Pharmaceutical Co., Ltd., Otsuka Pharmaceutical Factory, Inc., Taiho Pharmaceutical Co., Ltd., Otsuka Warehouse Co., Ltd. and 13 other consolidated subsidiaries have a fiscal year ending March 31. Other than Giant Harvest Limited which has a fiscal year ending July 31, 53 other consolidated subsidiaries have a fiscal year ending December 31.

In preparing the consolidated financial statements, other than Giant Harvest Limited, the Company uses the financial statements as of the respective fiscal year ends of its subsidiaries. The Company uses the tentative financial statements as of January 31 for Giant Harvest Limited. For major transactions that occurred between the fiscal year end of those companies and March 31, appropriate adjustments have been made in the consolidated financial statements.

(5) Accounting Policies

i) Valuation of Major Assets

a. Held-to-maturity securities:

Stated at amortized cost (straight-line method).

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

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

c. Other securities

• Marketable securities classified as available-for-sale:

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

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

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

d. Valuation of inventories

• Merchandise and supplies:

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

• Finished goods, work in process and raw materials:

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

e. Derivatives:

Stated at fair value.

ii) Depreciation and Amortization of Major Depreciable and Amortizable Assets

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

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

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

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

b. Intangible assets (excluding lease assets):

The Group mainly uses the straight-line method.

c. Lease assets

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

iii) Reserves

a. Allowance for doubtful accounts

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

b. Provision for bonuses

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

c. Provision for directors' bonuses

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

d. Provision for loss on business liquidation

In order to cover loss on business liquidation, provisions have been booked based on the estimated amount of possible loss.

e. Liability for retirement benefits

In order to cover payment of retirement benefits to employees, provisions have been booked based on an estimate of the projected retirement benefit obligation and the fair value of the pension fund assets at the end of the current fiscal year.

f. Liability for directors' retirement benefits

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

g. Allowance for investment loss

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

iv) Principal Methods of Hedge Accounting

a. Methods of hedge accounting

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

b. Hedging instruments and hedged items

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

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

c. Hedging policies

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

d. Evaluation of effectiveness of hedges

a. Currency exchange forward contracts and foreign currency deposits

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

b. Interest rate swaps

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

(Translation)

- v) Amortization of goodwill and negative goodwill
Goodwill and negative goodwill are amortized on the straight-line method over a period of 5 or 20 years.
- vi) Other
Accounting method for consumption taxes:
Consumption taxes are excluded from revenues and expenses.

2. Notes to Changes in Accounting Policies

(Change in depreciation method)

Effective from the current fiscal year, the Company and its domestic consolidated subsidiaries changed the depreciation method for the relevant tangible fixed assets newly acquired from April 1, 2012 according to the amendment of Corporation Tax Act in Japan.

This change had only minor impact on operating income, ordinary income and income before income taxes and minority interests for the current fiscal year.

3. Notes to Additional Information

(Amendment of level of retirement benefit)

Certain domestic consolidated subsidiaries determined in January 2013 that they amended their level of retirement benefit effective after April 1, 2013 in response to introduction of continued employment systems. Due to this amendment, ¥13,134 million of an unrecognized prior service cost (reduced obligation) occurred and it has been amortized by the straight-line method over a fixed number of years which is within the average remaining service period of employees. As a result, operating income, ordinary income and income before income taxes and minority interests increased by ¥414 million for the current fiscal year.

4. Notes to Consolidated Balance Sheet**(1) Assets Pledged as Collateral and Secured Liabilities**

		(Millions of yen)
Cash and deposits	¥	1,325
Notes and accounts receivable-trade		762
Merchandise and finished goods		1,065
Work in process		370
Raw materials and supplies		1,029
Buildings and structures		1,369
Machinery and equipment		1,466
Furniture and fixtures		143
Land		429
Lease assets		317
Total	¥	8,280

The properties above are pledged as collateral for short-term borrowings of ¥96 million, lease obligations (current liabilities) of ¥38 million, and long-term debt of ¥532 million.

(2) Accumulated Depreciation on Property, Plant and Equipment 514,032 million yen

(3) Contingent Liabilities

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

		(Millions of yen)
American Peptide Company Inc.	¥	1,034
Trocellen GmbH		663
Otsuka OPV Co., Ltd.		392
Dairin Integrated Transportation Co., Ltd.		379
Otsuka Sims (Guangdong) Beverage Co., Ltd.		151
Three other companies		228
Total	¥	2,850

ii) Compensation in case of contract cancellation

On April 4, 2009, Otsuka Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, signed an agreement with Bristol-Myers Squibb Company (BMS) to extend the contract period for the U.S. portion of the development and commercialization collaboration agreement for *ABILIFY* from November 2012 to April 2015, and to increase the profit share of *ABILIFY* U.S. net sales that Otsuka Pharmaceutical Co., Ltd. records effectively in January 2010. Under the terms of the agreement, Otsuka Pharmaceutical Co., Ltd. received \$400 million in April 2009, which was recorded as unearned revenue and long-term unearned revenue, and is amortized as revenue over the period beginning on January 1, 2010 until the end of the contract in April 2015. The balance of the amount of the up-front payment received, reduced by the amortization, is recorded as unearned revenue and long-term unearned revenue at each fiscal year end. In the current fiscal year, ¥7,321 million were recognized as net sales.

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

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

With regard to the aforementioned contracts, a provision went into effect on January 1, 2010 stipulating that if during the above contract period, generic products of *ABILIFY* were launched in the U.S. and BMS requests cancellation of the contract, Otsuka Pharmaceutical Co., Ltd. is obligated to pay compensation including the above up-front payment as agreed

(Translation)

upon under the agreement. The amount of the compensation minus the unearned revenue balance represents the contingent liability at each fiscal year end. As of March 31, 2013, the contingent liability balance was ¥72,120 million. BMS also retains the right to cancel the contracts for *SPRYCEL* and *IXEMPRA* in the event generic products of *ABILIFY* are launched in the U.S. prior to February 22, 2014.

In the U.S., Otsuka Pharmaceutical Co., Ltd. filed patent infringement actions against a number of generic drug companies which had sought FDA approval to commercialize generic versions of *ABILIFY*. Judgments in favor of Otsuka Pharmaceutical Co., Ltd. were finalized for these actions in February 2013.

- (4) Trade Notes Discounted ¥711 million
Trade Notes Endorsed ¥138 million

5. Notes to Consolidated Statement of Income

Net sales include ¥41,512 million recognized as revenue from the up-front licensing payments received.

6. Notes to Consolidated Statement of Changes in Net Assets

(1) Total Number of Issued Shares

Class of shares	Number of shares as of April 1, 2012	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2013
Common stock	557,835 thousand shares	-	-	557,835 thousand shares

(2) Number of Shares of Treasury Stock

Class of shares	Number of shares as of April 1, 2012	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2013
Common stock	3 thousand shares	8,257 thousand shares	668 thousand shares	7,593 thousand shares

Notes:

1. The 8,257-thousand-share increase in the number of shares of treasury stock is due to the purchase of an additional 8,256 thousand shares purchased for treasury stock by resolution of the Board of Directors and the purchase of an additional 1 thousand shares due to the purchase of shares less than one share unit.
2. The 668-thousand-share decrease in the number of shares of treasury stock is a decrease due to the exercise of stock options.

(Translation)

(3) Dividends

i) Payment of dividends

Resolution	Class of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 11, 2012	Common stock	13,945 million yen	25 yen	March 31, 2012	June 29, 2012
Meeting of the Board of Directors held on November 13, 2012	Common stock	15,388 million yen	28 yen	September 30, 2012	December 3, 2012

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

Resolution	Class of shares	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2013	Common stock	Retained earnings	16,507 million yen	30 yen	March 31, 2013	June 28, 2013

(4) Class and number of shares allocated for stock acquisition rights on March 31, 2013 (excluding all rights with exercise periods beginning after March 31, 2013)
Common stock 583,965 shares

7. Notes on Financial Instruments

(1) Matters Concerning Conditions of Financial Instruments

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

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

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

(2) Fair Value of Financial Instruments

Carrying amounts of financial instruments, fair values of financial instruments and their differences as of March 31, 2013 are as follows. Financial instruments whose fair value cannot be reliably determined are excluded (See Note 2 below).

(Millions of yen)			
	Carrying Amount	Fair value (Note 1)	Difference
i) Cash and deposits	414,380	414,380	-
ii) Notes and accounts receivable-trade Allowance for doubtful accounts (*1)	318,087 (528)		
	317,559	317,559	-
iii) Marketable and investment securities (Note 2)			
Investments in unconsolidated subsidiaries and affiliates	30,804	89,625	58,820
Held-to-maturity securities	83,505	83,915	410
Available-for-sale securities	158,435	158,435	-
Total Assets	1,004,684	1,063,915	59,230
i) Notes and accounts payable-trade	97,523	97,523	-
ii) Short-term borrowings (excluding current portion of long-term debt)	39,045	39,045	-
iii) Accounts payable-other	73,960	73,960	-
iv) Income taxes payable	33,514	33,514	-
v) Long-term debt (including current portion of long-term debt)	18,995	19,022	26
Total Liabilities	263,039	263,066	26
Derivative transactions (*2)	(3)	(21)	(17)

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

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

Notes:

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

Assets

- Cash and deposits
- Notes and accounts receivable-trade

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

- Marketable and investment securities

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

(Translation)

Liabilities

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

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

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

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

Derivatives

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

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

(Millions of yen)

	Carrying amount	
Marketable and investment securities		
Available-for-sale securities		14,610
Stocks of unconsolidated subsidiaries and affiliates	126,709	
Allowance for investment loss	(1,522)	125,187
		139,797
Investments in capital		
Investments in capital of unconsolidated subsidiaries and affiliates	31,574	
Allowance for investment loss	(46)	31,527

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

8. Notes to Per Share Information

- (1) Net assets per share 2,381.64 yen
(2) Net income per share 221.90 yen

(Translation)

Balance Sheet
(As of March 31, 2013)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	215,849	Current liabilities	20,398
Cash and deposits	130,117	Accounts payable-other	1,046
Marketable securities	75,000	Accrued expenses	33
Supplies	41	Income tax payable	138
Prepaid expenses	156	Deposits received from subsidiaries and affiliates	18,888
Income taxes receivable	9,166	Provision for bonuses	125
Other current assets	1,367	Provision for directors' bonuses	79
Noncurrent assets	737,570	Other current liabilities	87
Property, plant and equipment	88	Long-term liabilities	492
Buildings	38	Deferred tax liabilities	492
Structures	47	Total Liabilities	20,891
Furniture and fixtures	3	Net Assets	
Intangible assets	1,457	Shareholders' equity	931,534
Software	1,374	Common stock	81,690
Trademark rights	83	Capital surplus	810,524
Investments and other assets	736,024	Additional paid-in capital	731,816
Investment securities	12,759	Other capital surplus	78,708
Stocks of subsidiaries and affiliates	723,225	Retained earnings	57,710
Long-term prepaid expenses	21	Other retained earnings	57,710
Other assets	18	Retained earnings brought forward	57,710
		Treasury stock, at cost	(18,392)
		Valuation and translation adjustments	890
		Unrealized gain on available-for-sale securities	890
		Stock acquisition rights	104
		Total net assets	932,529
Total Assets	953,420	Total Liabilities and Net Assets	953,420

(Translation)

Statement of Income
(From April 1, 2012 to March 31, 2013)

(Millions of yen)

Item	Amount	
Operating revenues		48,906
Operating expenses		5,727
Operating income		43,178
Non-operating income		
Interest and dividend income	656	
Business consignment fees	608	
Other	85	1,350
Non-operating expenses		
Interest expense	6	
Commission fee	32	
Other	2	41
Ordinary income		44,487
Extraordinary income		
Gain on reversal of stock acquisition rights	83	83
Income before income taxes		44,571
Income taxes-current		10
Net income		44,561

(Translation)

Statement of Changes in Net Assets

(From April 1, 2012 to March 31, 2013)

(Millions of yen)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Beginning balance as of April 1, 2012	81,690	731,816	78,924	810,740	42,483	42,483	(8)	934,906
Changes in the year								
Dividends					(29,333)	(29,333)		(29,333)
Purchase of treasury stock							(20,002)	(20,002)
Disposal of treasury stock			(215)	(215)			1,618	1,402
Net income					44,561	44,561		44,561
Net changes other than shareholders' equity								
Total changes in the year	-	-	(215)	(215)	15,227	15,227	(18,383)	(3,372)
Ending balance as of March 31, 2013	81,690	731,816	78,708	810,524	57,710	57,710	(18,392)	931,534

	Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Unrealized gain (loss) on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance as of April 1, 2012	247	247	1,134	936,288
Changes in the year				
Dividends				(29,333)
Purchase of treasury stock				(20,002)
Disposal of treasury stock				1,402
Net income				44,561
Net changes other than shareholders' equity	643	643	(1,029)	(386)
Total changes in the year	643	643	(1,029)	(3,758)
Ending balance as of March 31, 2013	890	890	104	932,529

Notes to Financial Statements

1. Notes to Summary of Significant Accounting Policies

(1) Valuation of Major Assets

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

(2) Depreciation and Amortization of Non-current Assets

- i) Property, plant and equipment:
The Company uses the declining-balance method.
- ii) Intangible assets:
The Company uses the straight-line method over their estimated useful lives. Software for internal use is depreciated by the straight-line method based on internal guidelines (5 years).

(3) Reserves

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

(4) Other

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

2. Notes to Changes in Accounting Policies

(Change in depreciation method)

Effective from the current fiscal year, the Company changed the depreciation method for the relevant tangible fixed assets newly acquired from April 1, 2012 according to the amendment of Corporation Tax Act in Japan.

This change had only minor impact on operating income, ordinary income and income before income taxes for the current fiscal year.

3. Notes to Balance Sheet

- (1) Accumulated Depreciation on Property, Plant and Equipment 150 million yen
- (2) Monetary Assets from and Liabilities to Subsidiaries and Affiliates (Excluding Those Classified Separately in the Balance Sheet)
 - i) Short-term monetary assets 335 million yen
 - ii) Short-term monetary liabilities 191 million yen

(Translation)

4. Notes to Statement of Income

Transactions with Subsidiaries and Affiliates

i) Operating revenues	48,906 million yen
ii) Operating expenses	1,346 million yen
iii) Non-operating transactions	663 million yen

5. Notes to Statement of Changes in Net Assets

Number of Shares of Treasury Stock

Class of shares	Number of shares as of April 1, 2012	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares as of March 31, 2013
Common stock	3 thousand shares	8,257 thousand shares	668 thousand shares	7,593 thousand shares

Notes:

1. The 8,257-thousand-share increase in the number of shares of treasury stock is due to the purchase of an additional 8,256 thousand shares purchased for treasury stock by resolution of the Board of Directors and the purchase of an additional 1 thousand shares due to the purchase of shares less than one share unit.
2. The 668-thousand-share decrease in the number of shares of treasury stock is a decrease due to the exercise of stock options.

(Translation)

6. Notes to Income Taxes

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

Deferred tax assets		(Millions of yen)
Provision for bonuses	¥	44
Accrued directors' salaries		42
Accrued enterprise tax		47
Accrued business office taxes		1
Loss on valuation of stocks of subsidiaries and affiliates		140
Loss on extinguishment of tie-in shares		205
Adjustment of tax-basis book value of stocks of subsidiaries and affiliates		128
Share-based compensation expenses		37
Tax loss carryforwards		4,876
Subtotal		5,523
Valuation allowance		(5,523)
Total of deferred tax assets	¥	-
Deferred tax liabilities		(Millions of yen)
Unrealized gain on available-for-sale securities	¥	(492)
Total of deferred tax liabilities		(492)
Net deferred tax liabilities	¥	(492)

(Translation)

7. Notes to Related Party Transactions

(1) Subsidiaries

Type	Company name	Percentage Owned	Relationship		Transaction detail	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
			Interlocking directors and audit & supervisory board members	Business relationship				
Subsidiary	Otsuka Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	4	Investment in stock	Salaries of seconded employees (Note 1)	941	Accounts payable - other	49
							Accrued expenses	19
					Borrowing and lending of funds (Note 2)	19,972	Deposits received from subsidiaries and affiliates	4,403
					Receipt of interest (Note 3)	0		
					Payment of interest (Note 3)	3		
				Business consignment fees (Note 4)	388	Accounts receivable - other	166	
Subsidiary	Taiho Pharmaceutical Co., Ltd.	(Held by the Company) 100.0% direct (Held by the subsidiary) None	-	Investment in stock	Borrowing of funds (Note 2)	11,531	Deposits received from subsidiaries and affiliates	10,694
					Payment of interest (Note 3)	2		

Terms and conditions of transactions and policy on determination thereof

Notes:

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

(Translation)

(2) Officers and Significant Individual Shareholders, etc.

Type	Company name or individual's name	Percentage Owned	Relationship	Transaction detail	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
Director	Tatsuo Higuchi	(Held by the director) 0.0% direct	President and Representative Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	145	-	-
Director	Ichiro Otsuka	(Held by the director) 0.2% direct	Vice President and Executive Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	121	-	-
Director	Atsumasa Makise	(Held by the director) 0.0% direct	Senior Managing Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	96	-	-
Director	Yoshiro Matsuo	(Held by the director) 0.0% direct	Managing Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	96	-	-
Director	Yujiro Otsuka	(Held by the director) 0.0% direct	Executive Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	96	-	-
Director	Yukio Kobayashi	(Held by the director) 0.3% direct	Executive Director, Otsuka Holdings Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	96	-	-
Director of significant subsidiaries	Taro Iwamoto	(Held by the director) 0.0% direct	President, Representative Director, Otsuka Pharmaceutical Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	121	-	-
Director of significant subsidiaries	Masayuki Umeno	(Held by the director) 0.0% direct	Vice President, Representative Director, Otsuka Pharmaceutical Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	121	-	-
Director of significant subsidiaries	Kyoichi Komatsu	(Held by the director) 0.0% direct	Chairman and Representative Director, Otsuka Pharmaceutical Factory, Inc.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	12	-	-

(Translation)

Type	Company name or individual's name	Percentage Owned	Relationship	Transaction detail	Transaction amount (Millions of yen)	Item	Balance as of fiscal year end (Millions of yen)
Director of significant subsidiaries	Masayuki Kobayashi	(Held by the director) 0.0% direct	President and Representative Director, Taiho Pharmaceutical Co., Ltd.	Payment of consulting fee (Note 2)	12	-	-
Director of significant subsidiaries	Katsuya Yamasaki	(Held by the director) 0.0% direct	Chairman and Representative Director, Otsuka Warehouse Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1) Payment of consulting fee (Note 2)	96 12	- -	- -
Director of significant subsidiaries	Sadanobu Tobe	(Held by the director) 0.0% direct	Vice Chairman, Otsuka Foods Co., Ltd.	Disposal of treasury stock in accordance with exercising stock option (Note 1)	121	-	-
Director of significant subsidiaries	Noriko Tojo	(Held by the director) 0.0% direct	Executive Director, Pharmavite LLC	Disposal of treasury stock in accordance with exercising stock option (Note 1) Payment of consulting fee (Note 2)	96 10	- -	- -

Terms and conditions of transactions and policy on determination thereof

Notes:

1. Presented here are the exercising of rights in the current fiscal year of stock options granted by resolution of the Annual Shareholders Meeting held on June 29, 2010. The transaction amount represents the carrying amount at the time of treasury stock disposal.
2. Payment of consulting fee is decided by agreement between the two parties based on the details of the consulting agreement.

8. Notes to Per Share Information

- | | |
|--------------------------|--------------|
| (1) Net Assets per Share | 1,694.57 yen |
| (2) Net Income per Share | 80.77 yen |

(Translation)

Independent Auditor's Report (Consolidated Financial Statements)

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 9, 2013

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Tatsuaki Kitachi [Seal]

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Kenichi Kimura [Seal]

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2013 of Otsuka Holdings Co., Ltd. (the "Company") and consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2012 to March 31, 2013, and the related notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

(Translation)

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

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2013, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

Independent Auditor's Report (Financial Statements)

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 9, 2013

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Tatsuaki Kitachi [Seal]

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

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:
Kenichi Kimura [Seal]

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2013 of Otsuka Holdings Co., Ltd. (the "Company"), and the related statements of income and changes in net assets for the fifth fiscal year from April 1, 2012 to March 31, 2013, and the related notes and the accompanying supplemental schedules. The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

(Translation)

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

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

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

Audit Report of the Audit & Supervisory Board

AUDIT REPORT

Regarding the performance of duties by the Directors for the 5th Fiscal Year (for FY2012) from April 1, 2012 to March 31, 2013, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

1. Auditing Methods and Content of Audits

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

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

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

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

2. Results of Audit

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

May 13, 2013

Audit & Supervisory Board, Otsuka Holdings Co., Ltd.

Standing Audit & Supervisory Board Member	Masatoshi Taniguchi	[Seal]
Outside Audit & Supervisory Board Member	Yasuhisa Katsuta	[Seal]
Outside Audit & Supervisory Board Member	Norikazu Yahagi	[Seal]
Outside Audit & Supervisory Board Member	Hiroshi Sugawara	[Seal]