ANNUAL REPORT 2009

For the year ended March 31, 2009

Otsuka

Otsuka-people creating new products for better health worldwide

Otsuka Holdings Co., Ltd.

Corporate Philosophy

Otsuka-people creating new products for better health worldwide

These words embody our commitment to:

Creating innovative products

Improving human health

Contributing to the lives of people worldwide

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

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

Contents

Disclaimer

This annual report summarizes the operating and financial results of Otsuka Holdings Co., Ltd. and its subsidiaries and affiliates for fiscal 2008 (April 1, 2008 to March 31, 2009). It also includes information regarding selected material events which occurred between March 31, 2009 and the date of publication. This annual report contains forward-looking statements pertaining to plans, projections, strategies, and prospects for the Otsuka Group. These statements are based upon current analysis and belief in light of the information available on the issuing date of this annual report. As such, actual results may differ subject to risks and uncertainties that may affect Otsuka Group operations.

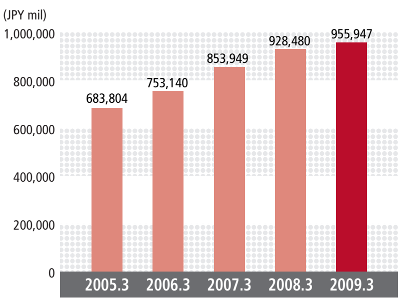
Note: The information regarding pharmaceutical products (including products under development) is not intended for any kind of advertising, promotion or medical advice.

Financial Highlights

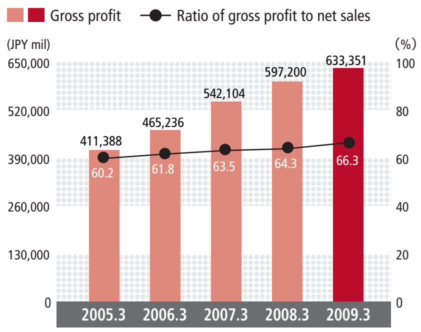
	2005.3	2006.3	2007.3	2008.3	2009.3 Millions of Yen	2009.3 Millions of U.S. dollars (Note 1)
Net sales	¥683,804	¥753,140	¥853,949	¥928,480	**¥955,947**	**$9,755**
Operating income	56,400	58,850	91,490	118,254	**91,520**	**934**
Net income	37,025	26,594	52,874	61,865	**47,084**	**480**
Per share of common stock-basic (Yen and U.S. dollars)	2,792	1,980	4,009	4,693	**2,727**	**28**
Per share of common stock-diluted (Yen and U.S. dollars)	—	1,971	4,003	4,690	**2,725**	**28**
Dividends per share (Yen and U.S. dollars)	70	75	150	300	**250**	**3**
Capital expenditures	23,772	28,301	35,304	36,852	**35,438**	**362**
Depreciation and amortization	29,524	29,444	26,682	32,283	**40,296**	**411**
R&D expenses	86,744	103,704	105,256	101,804	**135,900**	**1,387**
Total assets	836,650	881,134	982,114	1,033,976	**1,298,790**	**13,253**
Net assets (Note 2)	356,366	392,171	667,781	731,782	**863,816**	**8,814**
Return on equity	11.0%	7.1%	12.6%	13.0%	**7.2%**	**7.2%**
Equity ratio	42.6%	44.5%	45.9%	48.6%	**62.3%**	**62.3%**
Number of shares issued	13,582,462	13,582,462	13,582,462	13,582,462	**23,518,869**	**23,518,869**
Number of employees	17,133	18,448	19,498	20,036	**22,928**	**22,928**

*Figures up to 2008 represent the consolidated results of Otsuka Pharmaceutical Co., Ltd.
Notes: 1. Financial information in U.S. dollars has been converted at the rate of US$1=98Yen as of March 31, 2009
2. From March 2007, minority interests have been included in net assets.

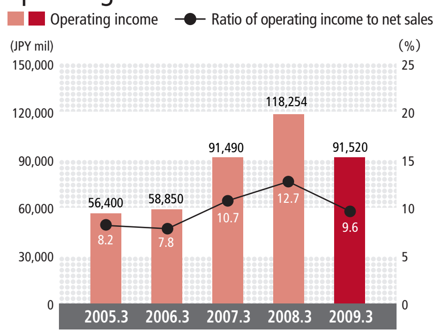
Net Sales



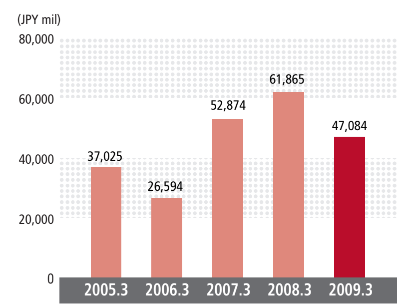
Gross Profit



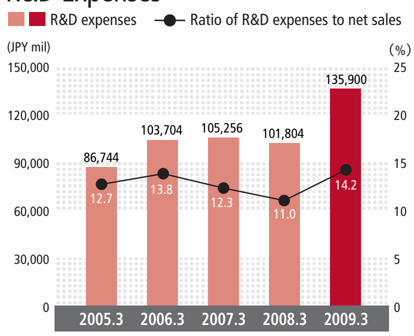
Operating Income



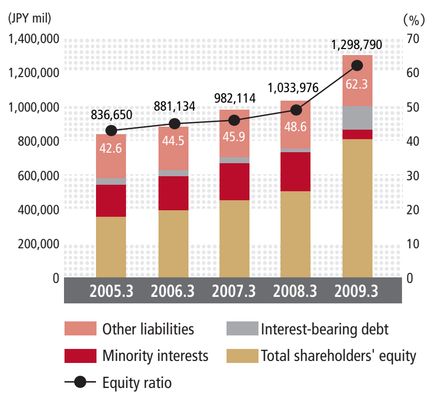
Net Income



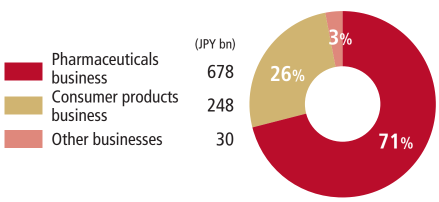
R&D Expenses



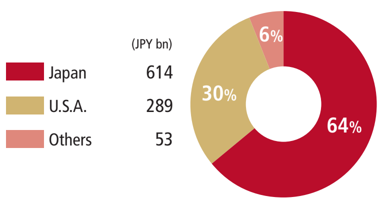
Composition of Total Capital Employed



Sales by business segments



Sales by geographical segments



JISSHO & *SOZOSEI*

(Proof through Execution) (Creativity)

Monuments embodying the Otsuka Group Philosophy
Giant Tomato Trees / Bent Giant Cedar / Floating Stone

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

Message from the President

Chairman, Representative Director
Akihiko Otsuka

President and Representative Director, CEO
Tatsuo Higuchi

Vice Chairman, Representative Director
Kenichiro Otake

"Creating innovative products contributing to the health of people the world over"

Dear shareholders,

I would like to express my gratitude for your continued support, as I am pleased to present you our annual report for the year ended March 31, 2009, and the first annual report by Otsuka Holdings which we established last year integrating all of our group's business activities.

Prompted by the recent financial crisis in the US, stock prices have seen a historic decline and the currency market has experienced dramatic fluctuations, drawing the global economy into a prolonged economic slump. The pharmaceutical industry is also facing an increasingly severe market environment as a result of measures designed to contain medical costs such as the global push toward use of generic drugs and issues including the expiry of patents on major pharmaceutical products.

On July 8 2008, Otsuka Holdings Co., Ltd. was established as a holding company for the Otsuka Group. The new company is adopting a long-term business perspective to creating innovative products in both the pharmaceuticals and consumer products fields that will sustain and enhance the health of people around the world, with the aim of improving the corporate value of the Group as a whole.

Each of the companies in the Otsuka Group exploits its own unique strengths, at the same time maintaining a liberal corporate culture that embraces diversity and respects individuality. Strengthened by the unity and coherence of a corporate entity with a shared purpose, the Group also has the ability to respond flexibly to external change.

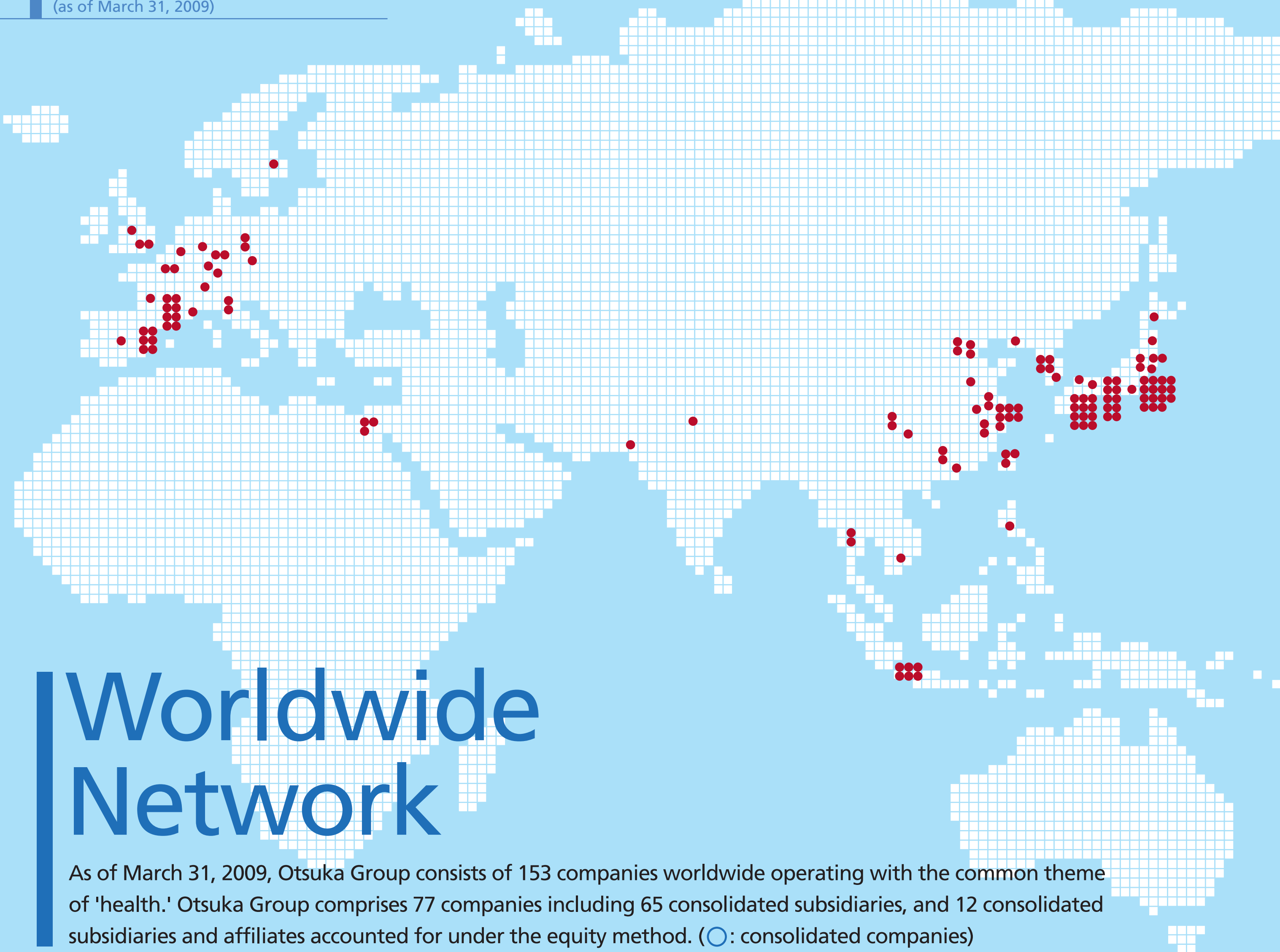
We conduct our business activities in the spirit of integration with and development of our local communities and in harmony with the natural environment, while striving to develop and nurture original and innovative products. We consider it our mission to contribute to the health and prosperity of people around the world in a manner befitting a company committed to improving the quality of human life.

We appreciate your continued support of our efforts.

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

Group Companies

(as of March 31, 2009)



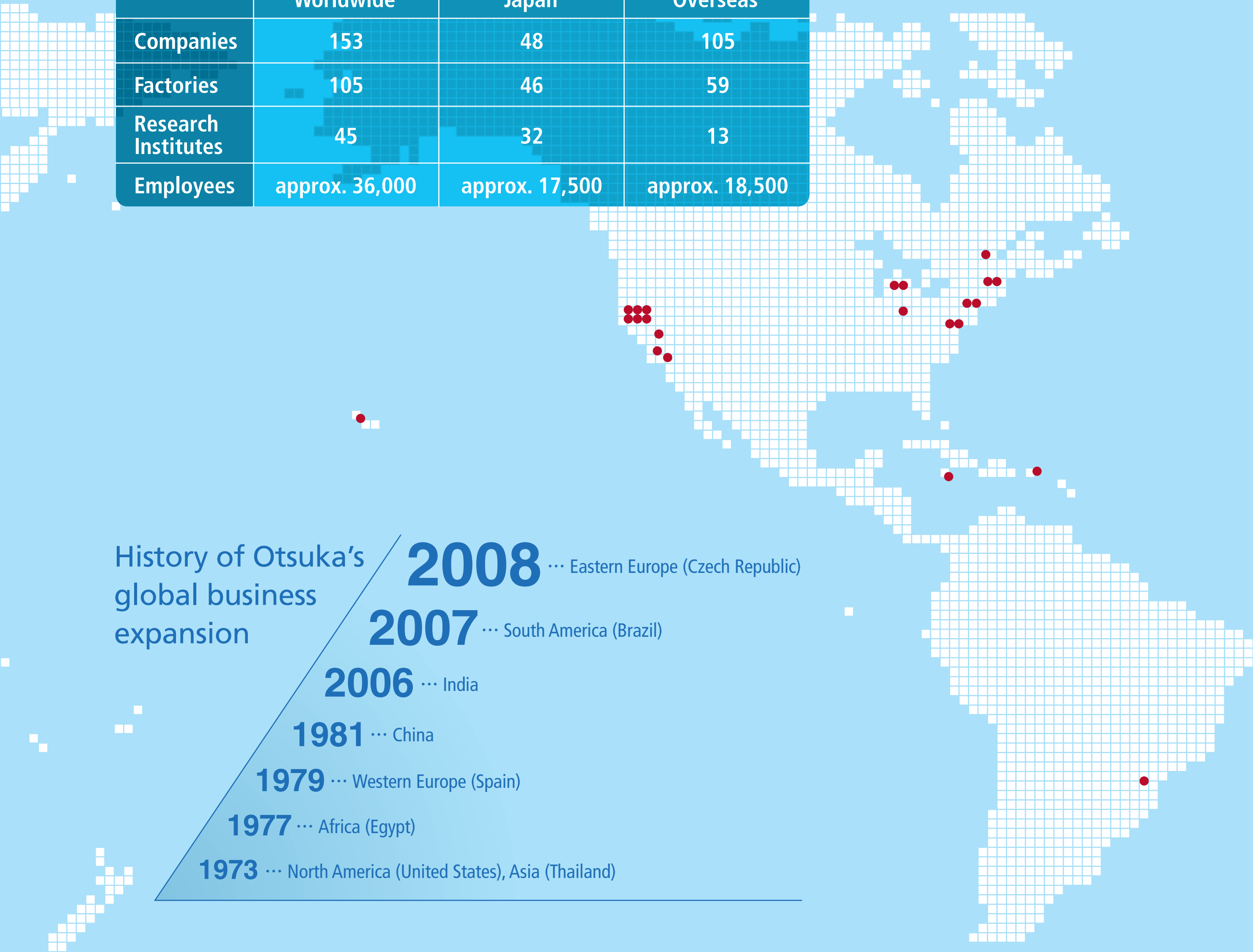
Worldwide Network

As of March 31, 2009, Otsuka Group consists of 153 companies worldwide operating with the common theme of 'health.' Otsuka Group comprises 77 companies including 65 consolidated subsidiaries, and 12 consolidated subsidiaries and affiliates accounted for under the equity method. (○: consolidated companies)

- ○ Otsuka Holdings Co., Ltd.
- ○ Otsuka Pharmaceutical, Co., Ltd.
- ○ Otsuka Pharmaceutical Factory, Inc.
- ○ Taiho Pharmaceutical, Co., Ltd.
- ○ Otsuka Warehouse Co., Ltd.
- ○ Otsuka Chemical Holdings Co., Ltd.
- ○ JIMRO Co., Ltd.
- ○ EN Otsuka Pharmaceutical Co., Ltd.
- ○ Otsuka Beverage Co., Ltd.
- ○ Otsuka Electronics Co., Ltd.
- ○ Otsuka Techno Corporation
- ○ J.O.Pharma Co., Ltd.
- ○ Otsuka Packaging Industries Co., Ltd.
- ○ Otsuka Chemical Co.,Ltd.
- ○ Otsuka Foods Co.,Ltd.
- ○ Earth Chemical Co., Ltd.
- ○ Earth Environmental Service Co., Ltd.
- ● Nippon Pharmaceutical Chemicals Co., Ltd.
- ● Otsuka Sensory Institute Co., Ltd.
- ● Otsuka Venex LLP
- ● Otsuka Naruto Development Co., Ltd.
- ● Naruto Cruise Service Co.,Ltd.
- ● Otsuka Ridge Co., Ltd.
- ● Okayama Taiho Pharmaceutical Co., Ltd.
- ● HAIESU Service Co., Ltd.
- ● Dairin Integrated Transportation Co., Ltd.
- ● Otsuka Ohmi Ceramics Co., Ltd.
- ● Otsuka Furniture Manufacturing and Sales Co.,Ltd.
- ● Otsuka Chilled Foods Co., Ltd.
- ● Agri Best Co.,Ltd.
- ● MGC Otsuka Chemical Co.,Ltd.
- ● Youekidoko Saibai Kenkyusho Co.,Ltd.
- ● Gunma Otsuka Foods Co.,Ltd.
- ● Otsuka Turftech Co.,Ltd.
- ● Organ Technologies Inc.
- ● ILS Inc.
- ● Kitasato Otsuka Biomedical Assay Laboratories Co., Ltd.
- ● RIBOMIC Inc.
- ● Bean Stalk Snow Co., Ltd.
- ● NEOS Corporation
- ● Tokushima Vortis Co.,Ltd.
- ● Naruto Solt Mfg. Co.,Ltd.
- ● NICHIBAN Co., Ltd.
- ● Big Bell Co., Ltd.
- ● Awa Union Transportation Co., Ltd.
- ● Yoshino Farm
- ● Marukita Furniture Center
- ● Earth Biochemical Co.,Ltd.
- ○ Otsuka America, Inc.
- ○ Otsuka America Pharmaceutical, Inc.
- ○ Otsuka Pharmaceutical Development & Commercialization Inc.
- ○ Otsuka Maryland Medicinal Laboratories, Inc.
- ○ Cambridge Isotope Laboratories, Inc.
- ○ CIL Isotope Separations, LLC
- ○ 2768691 Canada, Inc.
- ○ Membrane Receptor Technologies LLC
- ○ Pharmavite LLC
- ○ Ridge Vineyards, Inc.
- ○ Crystal Geyser Water Company
- ○ Soma Beverage Company, LLC
- ○ Otsuka Pharmaceutical Europe Ltd.
- ○ Otsuka Pharmaceuticals (U.K.) Ltd.
- ○ Otsuka Pharmaceutical, S.A.
- ○ Otsuka Pharma GmbH
- ○ Otsuka Pharma Scandinavia AB
- ○ Cambridge Isotope Laboratories (Europe), GmbH
- ○ Euriso-Top S.A.S
- ○ Euriso-Top GmbH
- ○ Advanced Biochemical Compounds, GmbH
- ○ M-fold Biotech, GmbH
- ○ Nutrition & Sante SAS
- ○ Nutrisan Iberia SL
- ○ Dietisa SL
- ○ Nutrition & Sante Iberia SL
- ○ Narmag 1 SAS
- ○ Narmag 2 SAS
- ○ Nardobel SAS
- ○ Nutrition & Soja SAS

Number of operations and employees of Otsuka Group

	Worldwide	Japan	Overseas
Companies	153	48	105
Factories	105	46	59
Research Institutes	45	32	13
Employees	approx. 36,000	approx. 17,500	approx. 18,500



History of Otsuka's global business expansion

2008 … Eastern Europe (Czech Republic)

2007 … South America (Brazil)

2006 … India

1981 … China

1979 … Western Europe (Spain)

1977 … Africa (Egypt)

1973 … North America (United States), Asia (Thailand)

○ Laboratoires Dietetique et Sante SAS
○ Nutrition & Nature SARL
○ Cerealpes SAS
○ Financiere Nardobel SAS
○ Nutrition & Sante Italia SpA
○ Sanutri AG
○ Nutrition & Sante Benelux SA
○ Otsuka (China) Investment Co., Ltd.
○ Korea Otsuka Pharmaceutical Co., Ltd.
○ Guangdong Otsuka Pharmaceutical Co., Ltd.
○ Zhejiang Otsuka Pharmaceutical Co., Ltd.
○ Sichuan Otsuka Pharmaceutical Co., Ltd.
○ Taiwan Otsuka Pharmaceutical Co., Ltd.
○ P.T. Otsuka Indonesia
○ P.T. Merapi Utama Pharma
○ P.T. Widatra Bhakti
○ Egypt Otsuka Pharmaceutical Co., S.A.E.
○ Tianjin Otsuka Beverage Co., Ltd.
○ Giant Harvest Limited
○ P.T. Amerta Indah Otsuka
○ P.T. Otsuka Jaya Indah
○ Otsuka Pakistan Ltd.
○ CG Roxane LLC
○ ALMA S.A.
○ China Otsuka Pharmaceutical Co., Ltd.
○ Micro Port Medical (Shanghai) Co., Ltd.
○ Microport Scientific Corporation
○ Thai Otsuka Pharmaceutical Co., Ltd.
○ Dong-A Otsuka Co., Ltd.
○ VV Food & Beverage Co., Ltd.
○ King Car Otsuka Co., Ltd.
● Galenea Corp.
● Otsuka OPV Co., Ltd.
● Graceland Fruit, Inc.
● Trocellen GmbH
● Oncomembrane Inc.
● Otsuka Global Insurance, Inc.
● Otsuka Pharmaceutical France SAS
● Otsuka Frankfurt Research Institute GmbH
● Otsuka Pharmaceutical Italy S.R.L.
● Interpharma Praha, a.s.
● Korea OIAA Co., Ltd.
● Hangzhou Linan Kangle Pharmaceutical Co., Ltd.
● Otsuka Beijing Research Institute
● Otsuka Shanghai Research Institute
● Otsuka (Philippines) Pharmaceutical, Inc.
● Otsuka Pharmaceutical (H.K.) Ltd.
● Otsuka Sims (Guangdong) Beverage Co., Ltd.
● Otsuka Saha Asia Research Co., Ltd.
● Otsuka Trading Africa Co. (SAE)
● Otsuka Import Export LLC
● Otsuka Electronics Korea Co., Ltd.
● Otsuka Tech Electronics Co., Ltd.
● Suzhou Otsuka Pharmaceutical Co., Ltd.
● Leshan Otsuka Techno Co., Ltd.
● Taiho Pharma U.S.A., Inc.
● Taiho Pharma Europe, Limited
● Taiho Pharmaceutical of Beijing Co.,Ltd.
● American Peptide Company, Inc.
● Otsuka America Foods Inc.
● Otsuka Chemical do Brasil
● Trocellen Iberica S.A.
● Hebron S.A.
● Vagora S.L.
● KOC Co.,Ltd.
● Shanghai Otsuka Foods Co., Ltd.
● Otsuka (Shanghai) Food Safety Research & Development Co., Ltd.
● Zhangjiagang Otsuka Chemical Co., Ltd.
● Chongqing Otsuka Huayi Chemical Co., Ltd.
● Dalian Otsuka Furnuture Co., Ltd.
● MOC Chemicals Trading (Shanghai) CO.,LTD.
● Taicang Otsuka Chemical Co.,Ltd.
● Ito Life Sciences (Shanghai) Co., Ltd.
● P.T.Lautan Otsuka Chemical
● Otsuka Chemical (India) Limited

*On June 30, 2009, Otsuka Chemical Holdings Co., Ltd. merged with Otsuka Chemical Co., Ltd. Subsequently, Otsuka Chemical Holdings Co., Ltd., the surviving entity, changed its corporate name to Otsuka Chemical Co., Ltd.

Interview with the President

Q How would you characterize the Otsuka Group?

The Otsuka Group follows a diversified business model with four main areas of activity: pharmaceuticals, nutraceuticals*, consumer products and other businesses. Our strength lies in the fact that rather than specializing in a particular area, the relatively widely-defined theme of 'health' makes it easier for each group company to pursue a variety of businesses.

This approach contrasts with the strategy chosen by many global pharmaceutical companies which now focus on therapeutic drugs after spinning off related businesses. Within the Otsuka Group, all entities cooperate through a network linking all health-related businesses, from prevention to the diagnosis and therapy of medical disorders as well as the maintenance and promotion of a healthy life style, allowing us to provide people around the world with a comprehensive approach that covers all aspects of health.

The fundamental values of the Otsuka Group are "*JISSHO*" (Proof through Execution) and "*SOZOSEI*"(Creativity), which together with the concepts 'No Imitations,' 'Respect for Diversity' and 'Globalization' are at the heart of our strive to take independent views and to create solutions that are immune to short-lived trends.

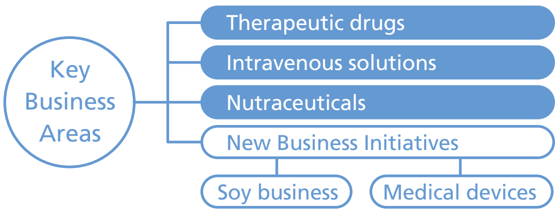
The Otsuka Group has developed several new product categories, created new markets, and in each case we have established top brands. In the future, we will continue to create original products reflecting Otsuka's unique approach, supported by both, a corporate culture where we take a long-term view with regard to investing in research and development and in our employees, and a well-functioning organization characterized by its ability to act flexibly and with explosive force where and when necessary.

*Coined from combining the words 'nutrition' and 'pharmaceuticals.'

Q Please tell us about the vision of Otsuka Holdings in terms of future sustainable growth.

The vision of the Otsuka Group is to develop its integrated health-care business on a global scale and to achieve exponential growth in new areas by actively investing in health-related businesses in and outside our existing business portfolio.

Within the Group's existing strategic areas, Otsuka Holdings focuses in particular on therapeutic drugs, intravenous solutions and nutraceuticals while taking the challenge of creating two new product segments, soy-based products and medical devices. At the same time, Otsuka Holdings seeks to strengthen the bond between group companies to increase corporate value through facilitating the realization of synergies across the group backed up by the intellectual capital and experience cultivated by each of our group companies.



1. Therapeutic Drugs

Our therapeutic drug activities are led by Otsuka Pharmaceutical and Taiho Pharmaceutical. Otsuka Pharmaceutical develops innovative pharmaceutical products especially focusing on the central nervous system, oncology, the cardiovascular system and gastroenterology. Taiho Pharmaceutical, a leading player in oncology, will continue to cement its position in this area while continuing its additional research and development efforts to find therapies for allergies and urologic disorders.

As part of our group's continuing move towards globalizing its pharmaceuticals business, we work on strengthening our world-wide research and development platform as well as our overseas marketing and distribution functions. In particular, Otsuka Pharmaceutical plans to create a more comprehensive marketing system in the US and Asia and build its own distribution system in the major countries of Europe. Leveraging its foothold in China, Taiho Pharmaceutical aims to expand further into Asia.

2. Intravenous Solutions

In our intravenous solutions business which is led by Otsuka Pharmaceutical Factory Inc. we are focusing on further overseas expansion, in particular in Asia, where we have been creating a comprehensive business network for most of our clinical nutrition activities. These efforts are not only designed to take our intravenous solutions business to the next level, but rather to provide further momentum to the group's overseas expansion in general.

3. Nutraceuticals

The development of our nutraceuticals business falls largely within the domain of Otsuka Pharmaceutical. As well as developing products with the capacity to create new categories best represented by typical Otsuka products such as *Pocari Sweat*, *Calorie Mate* and *SOYJOY*, the company is also seeking and supporting the development of various growth opportunities, including expansion into the field of cosmedics.**

**The term 'cosmedics' has been coined from the words 'cosmetic' and 'medicine'.

4. New Business Initiatives

In addition to our main strategic segments outlined above, we also want to be active in the areas of soy products and medical devices.

(1) Soy business

All parts of the Otsuka Group will be involved in developing a soy products business, which has not only commercial potential but is also likely to be one solution to 21st century issues such as environmental and energy problems, global warming and securing an adequate food supply in the future. We are using the term 'Soylution' (from 'soy' and 'solution') to express our ambition to contribute to the solution of these problems with products based on soybeans.

(2) Medical devices

In our medical devices business, our aim is to utilize therapeutic drugs and technology developed in our pharmaceuticals business to add-value to the field of medical devices in a way that is unique to the Otsuka Group.

Q Which characteristic about Otsuka's culture has enabled it to create its unique long-sellers and groundbreaking therapeutic drugs?

The Otsuka Group was founded on a technology for refining inorganic salts, but after World War II, we developed a set of key pharmaceutical technologies then used for the manufacturing of intravenous solutions using the products of the refinement process, which finally facilitated our move into pharmaceuticals. These unique skills and technologies were further developed over time and applied to various other business areas leading to the creation of a unique pattern of product development.

Furthermore, our research has gone beyond the formulation of intravenous solutions to include the development of pioneering packaging and container designs.

Oronamin-C Drink, the group's first nutritional drink, is a carbonated beverage containing vitamins such as Vitamin C and amino acids. It has been a long-seller since its launch in 1965 and is still a favorite with many people today.

3 years later, in 1968, Otsuka pioneered a new market in foods with the launch of *Bon Curry*, the world's first consumer food packaged in plastic pouch bags.

The year 1980 saw the release of *Pocari Sweat*, creating an entirely new product category with a product developed around the concept of 'the intravenous fluid you can drink,' which today symbolizes the creativity and originality of the Otsuka Group.

Several years later, in 1983, the balanced nutritional food *Calorie Mate* was developed from the concept of enteral nutrition, and more recently, in 2006, we released *SOYJOY*, a nutritional bar made with whole soybeans, firmly establishing a completely new food culture.

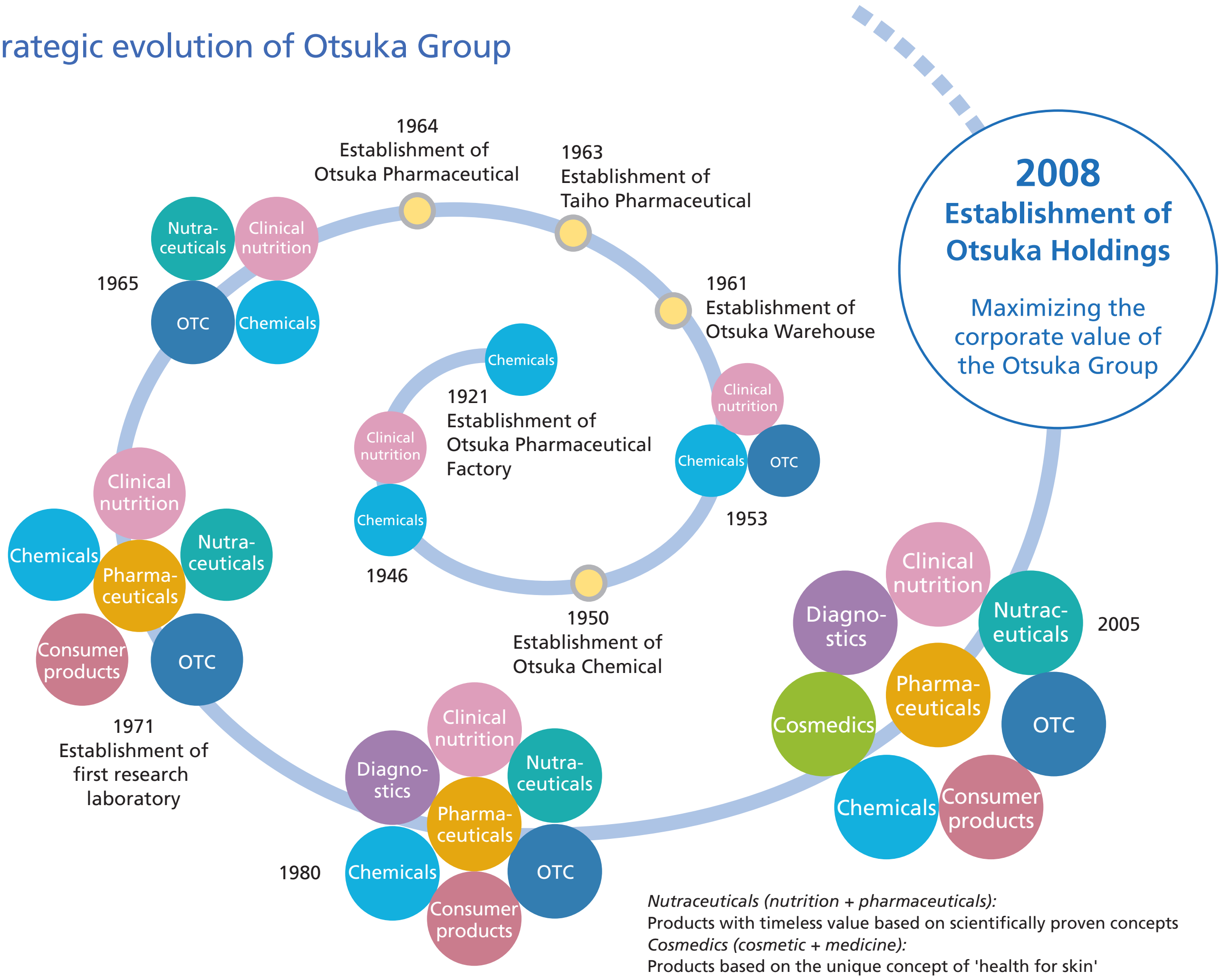
In the field of therapeutic drugs, Otsuka Pharmaceutical established its own research institute in 1971 and released the company's first proprietary drug, the beta-blocker *Mikelan* and the bronchodilator *Meptin*, in 1980, followed by products such as the antiplatelet agent *Pletaal*, and the anti-gastritis and anti-gastric ulcer agent *Mucosta*. Launched in the US in 2002 and in Japan in 2006, *ABILIFY* is an atypical antipsychotic drug with a novel mechanism of action known as a dopamine partial agonist. To date, *ABILIFY* has been approved for sale in over 70 countries around the world. We are also in the process of developing a novel drug to treat tuberculosis, a disease that has received renewed attention in recent years.

Taiho Pharmaceutical, viewed as the leader in the field of anti-cancer drugs in Japan, released its first anticancer drug *Futraful* in 1974, and has since launched improved products: *UFT* in 1984 followed by *TS-1 Capsules* in 1999.

The secret behind the establishment of these long-running products and top brands in various product categories is undoubtedly Otsuka's corporate culture, which fosters determination, and encourages creativity and taking on new challenges under the umbrella theme of '*JISSHO* and *SOZOSEI*.'

History of the Otsuka Group

Strategic evolution of Otsuka Group



Nutraceuticals (nutrition + pharmaceuticals):
Products with timeless value based on scientifically proven concepts
Cosmedics (cosmetic + medicine):
Products based on the unique concept of 'health for skin'

The history of the Otsuka Group began in 1921, when Busaburo Otsuka established a factory manufacturing chemical compounds in Naruto, Tokushima Prefecture (now Otsuka Pharmaceutical Factory Inc.). After this beginning as small-scale manufacturer of chemical raw materials, in 1946 the company began producing and selling intravenous solutions, marking its entry into the pharmaceutical products market.

In 1950, the organic chemicals division split off from Otsuka Pharmaceutical Factory to form Otsuka Chemical and Medical Products, Inc. (now Otsuka Chemical Co., Ltd.), which continues to contribute to human health with pharmaceutical intermediates and other chemical products.

In 1961, the Otsuka Pharmaceutical Factory transport and warehousing division split off from the company to become Otsuka Warehouse Co., Ltd., now involved mainly in pharmaceuticals and food products distribution.

Taiho Pharmaceutical Co., Ltd was established in 1963, with operations specializing in oncology. Otsuka Pharmaceutical Co., Ltd. was established in 1964. Initially pursuing growth in OTC products and nutraceuticals to support the daily health of people, Otsuka Pharmaceutical established its first research laboratory in Tokushima in 1971, marking the start of research into the development of proprietary drugs, based on the concept of creating innovative pharmaceutical products.

In the Nutraceuticals business, Otsuka Pharmaceutical has leveraged its pharmaceuticals research expertise to develop proprietary products and business models, creating various innovative products that anticipated consumer needs and established entirely new market of their own.

In 2005, Otsuka Pharmaceutical entered the skin care market with products based on the concept of "healthy skin."

Otsuka Holdings was established in July 2008 as a holding company of the Group, with the aim of maximizing the corporate value of the Otsuka Group, a comprehensive corporate group dedicated to integrated healthcare.

The Otsuka Group will function as a unified group under this holdings structure as we strive to contribute to the health and prosperity of people worldwide.

Group Structure and Overview of Main Operating Companies

Otsuka Holdings Co., Ltd. was established on July 8, 2009 as a holding company for the Otsuka Group to improve corporate value of the Group as a whole. Otsuka Holdings will support sustainable growth of group companies, maximize the Group's synergies by integrating management resources, increase management efficiency and empower employees and organizations.

Group structure

(as of July 1, 2009)

Otsuka Holdings

- Otsuka Pharmaceutical
- Otsuka Pharmaceutical Factory
- Taiho Pharmaceutical
- Otsuka Warehouse
- Otsuka Chemical *

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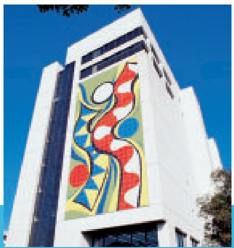
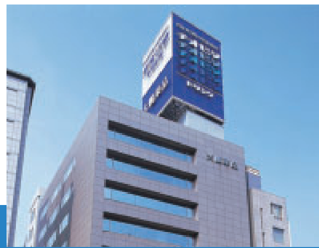


Otsuka Pharmaceutical Co., Ltd.

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

Otsuka Pharmaceutical Factory, Inc.

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



Taiho Pharmaceutical Co., Ltd.

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

Otsuka Warehouse Co., Ltd.

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

Otsuka Chemical Co., Ltd.

Established in 1950 as Otsuka Chemical and Medical Products, the company has since been involved in a diverse range of businesses, including chemicals, agriculture, food and beverages as well as furniture, aspiring to be perceived as a trusted manufacturer that uses creative technology to respond to customer needs with a focus on the key words of 'safety,' 'security,' 'health' and 'environment.' On July 1, 2009, Otsuka Chemical has made a new start as a wholly-owned subsidiary of Otsuka Holdings and will continue in its efforts to grow as a valued and respected company.

Business Segments

From April 2009, the Otsuka Group conducts its business with four main areas of activity: pharmaceuticals, nutraceuticals, consumer products and other businesses.

Pharmaceuticals	Nutraceuticals	Consumer products	Other
Pharmaceuticals (Central nervous system, Oncology, Cardiovascular, Gastrointestinal, Respiratory, Ophthalmics, Dermatology, Infectious Diseases, Allergy, Urology)	Nutraceuticals*	Mineral water	Chemical products
Parenteral nutrition (Clinical nutrition)	Medical foods	Foods	Pharmaceutical intermediates
Diagnostics	Cosmedics**	Beverages	Distribution
Medical devices	OTC products, Quasi-drugs	Wine	Packaging
			Electronic equipment

*nutrition + pharmaceuticals
**cosmetic + medicine

Pharmaceuticals business overview

The Otsuka Group pursues an integrated pharmaceuticals model providing comprehensive health care solutions spanning from diagnostics to therapeutic treatments for a variety of disorders. Otsuka Pharmaceutical strives to create innovative drugs focusing primarily on the central nervous system and oncology, but also on a variety of other therapeutic areas including cardiovascular disorders, gastroenterology, respiratory disorders, infectious diseases and ophthalmology and dermatology. Taiho Pharmaceutical is a leading company in the area of anticancer treatments and cancer supportive care. Our parenteral nutrition business is conducted through Otsuka Pharmaceutical Factory with a view to develop this area on a global scale. The Group is recently also exploring new opportunities in medical devices with a view to developing a strategic footprint in this area.

Pharmaceuticals	Otsuka Pharmaceutical	Central nervous system, Oncology, Cardiovascular area, Gastroenterology, Respiratory system, Infectious diseases, Ophthalmology, Dermatology
	Taiho Pharmaceutical	Oncology, Allergies, Urology
Parenteral nutrition	Otsuka Pharmaceutical Factory	Intravenous solutions, Enteral nutrition, Contract manufacturing
Diagnostics	Otsuka Pharmaceutical	Influenza diagnostic agent, Helicobacter pylori testing kit, Other products
Medical devices	JIMRO	Development of therapeutic systems for treating intractable diseases
	Other affiliates	Manufacturing, sales and export of medical devices

Marketing activities

Pharmaceuticals business

Core product groups

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

Central nervous system

Sales of *Abilify*, Otsuka Pharmaceutical's atypical antipsychotic, have grown steadily since its initial launch in the U.S. in 2002 with approval obtained in over 70 countries. In FY2008, global sales reached approximately ¥300 billion (an 8.5% increase over FY2007). In May 2008, the U.S. Food and Drug Administration (FDA) approved *Abilify* as maintenance treatment of manic and mixed episodes associated with Bipolar I Disorder with or without psychotic features in pediatric patients (aged 10-17) and maintenance treatment of schizophrenia in adolescents (aged 13-17). *ABILIFY* is also granted an indication, by European Medicines Agency (EMEA), for the treatment of moderate to severe manic episodes in bipolar I disorder and for the prevention of a new manic episode. In April 2009, *ABILIFY Oral Solution* 0.1% was launched in Japan.

In April 2009, Otsuka Pharmaceutical announced that it extended its U.S. agreement with Bristol-Myers Squibb for the development and commercialization of *Abilify*, which is expected to enhance the potential for further growth in the future.

Cardiovascular segment

Sales of Otsuka Pharmaceutical's antiplatelet agent *Pletal* continue to expand, supported by a wide range of communication tools addressing the drugs efficacy with regard to reducing the risk of recurrent cerebral infarction. In November 2007, *Pletal* was approved for treating the symptoms of intermittent claudication in Sweden, Spain, Italy and France. The product is available in over 20 countries and regions around the world.

Oncology

Taiho Pharmaceutical markets therapeutic drugs to provide modern and comprehensive care for cancer patients. In particular, Taiho has been exploring combination therapies to respond to patients' needs, treatments to reduce side-effects of anticancer therapy such as nausea and vomiting, and treatment of cancer-associated pain. In 2008, efforts focused on promoting therapies helping cancer patients to tolerate the prolonged administration *TS-1 Capsules*, and measures promoting administration of *UFT* as adjuvant therapy following surgery in cases of breast cancer and lung cancer. In addition, reduced folic acid formulation *Uzel* is now available in an easy-to-swallow small tablet size which supported sales of the drug in Japan.

IV Busulfex, a drug administered prior to bone marrow transplant surgery to treat chronic myelogenous leukemia which was acquired by Otsuka Pharmaceutical in 2008, has been performing well in the U.S.

Gastroenterology

Sales of Otsuka Pharmaceutical's antigastritis and antigastric ulcer agent *Mucosta* were again slightly higher due to additional data supporting the product's efficacy. Sales of *Protecadin*, Taiho's H_2-receptor antagonist, increased. The drug continues to receive high marks for its unique mechanism of action.

Ophthalmology and dermatology

Sales of Otsuka Pharmaceutical's *Mikelan* ophthalmic solution LA for treatment of glaucoma and ocular hypertension were boosted by long-term prescriptions following the initial one-year term where the drug could only be prescribed for two weeks. Increased sales of the broad-spectrum anti-bacterial ophthalmic solution *Ozex* Ophthalmic Solution, which has now also been approved for the treatment of children, were supported by more focused communication of the drug's unique profile.

Allergies, urology

Taiho Pharmaceutical's antiallergenic agent *IPD* has shown a sound performance. Marketing measures have also been stepped up for *BUP-4*, for urinary incontinence and overactive bladder, to compete with other products, including generics.

Parenteral nutrition (clinical nutrition) business

Core product groups

Product name	Category	Company
NEOPAREN (No.1 and No.2 Injection)	Carbohydrate, electrolyte, amino acid and multivitamin injection for central vein infusion	Otsuka Pharmaceutical Factory
B-FLUID for IV infusion	Amino acid and glucose injection with electrolytes and vitamin B1	Otsuka Pharmaceutical Factory
RACOL	Enteral nutrition formula (for either enteral or oral administration)	Otsuka Pharmaceutical Factory

1500 ml versions of Otsuka Pharmaceutical Factory's high-calorie infusions *NEOPAREN* No. 1 Injection and *NEOPAREN* No. 2 Injection contributed to higher sales at Otsuka Pharmaceutical Factory. *B-FLUID* Injection, enteral formula *RACOL*, and *Otsuka* Normal Saline 10mL and Otsuka Normal Saline 20mL continued to perform well. Prescription volume of *ARTCEREB* irrigation and perfusion solution for cerebrospinal surgery, which is the first product approved for this indication in Japan and was launched in May 2008, increased especially at neurosurgeon-approved training facilities.

NEOPAREN

Diagnostics business

Core product groups

Product name	Category	Company
UBIT	Diagnostic agent for H.pylori	Otsuka Pharmaceutical
Quick Navi-Flu	Influenza virus test kit	Otsuka Pharmaceutical
Uropaper III 'Eiken'	Urinalysis test strip	Otsuka Pharmaceutical

In August 2008, Otsuka Pharmaceutical released the influenza virus test kit *Quick Navi-Flu*, an agent for in vitro diagnosis. *Quick Navi-Flu* has high detection sensitivity to viruses and a short reaction time, making it capable of rapid and accurate diagnosis. The product is being very well received by physicians across Japan.

Japan's Gastric Ulcer Treatment Guidelines recommend testing for infection with and elimination of the Helicobacter pylori bacteria, leading to strong growth in sales of *UBIT*, a test kit for diagnosing infection with H. pylori. Sales of *Uropaper III 'Eiken'*, a urinalysis test strip co-promoted with Eiken Chemical Co., Ltd. have also been very favorable.

Medical devices business

Core product groups

Product name	Category	Company
Adacolumn	Apheresis device for leukocyte adsorption	JIMRO
Scipio, Catenaccio	Balloon catheter	MicroPort Medical

Adacolumn, JIMRO's apheresis device to treat ulcerative colitis, received additional approval for health insurance cover from January 2009, for the treatment of Crohn's disease, marking an important step to make this technology further available to patients in Japan.

Sales of MicroPort Medical's balloon catheters increased, due in part to growth in the incidence of atherosclerotic cardiovascular diseases.

Otsuka Holdings is also in the process of consolidating the Group's medical device activities and exploring new product opportunities, to grow this area into a strategic business in the future.

Research and development activities

Otsuka Pharmaceutical

Otsuka Pharmaceutical utilizes its global research network for the research and development of therapies targeted at unmet medical needs. Main areas of focus are the central nervous system and oncology, with a secondary focus on the cardiovascular segment, gastroenterology, respiratory systems, infectious diseases, as well as ophthalmology and dermatology.

In Japan, basic research is conducted at Tokushima Research Institute (safety and drug delivery), First Institute of New Drug Discovery (cardiovascular and endocrine systems), Third Institute of New Drug Discovery (respiratory and digestive systems), Microbiological Research Institute (infectious diseases), Medical Chemistry Research Institute (organic compound synthesis), Formulation Research Institute (drug formulation), Quests Research Institute (central nervous system), Institute of Biomedical Innovation (basic technology), Fujii Memorial Research Institute (oncology), Ako Research Institute (ophthalmology and dermatology-related diseases) and the R&D department of the Diagnostic Division (diagnostics).

Overseas, basic research is conducted in the U.S. at Otsuka Maryland Medicinal Laboratories Inc. (central nervous and cardiovascular systems) and in China at Otsuka Shanghai Research Institute (infectious diseases and central nervous system). Clinical research is conducted through Otsuka Pharmaceutical Development & Commercialization Inc. in the U.S. (clinical research, strategic planning), Otsuka Frankfurt Research Institute GmbH in Germany (clinical development), and Otsuka Beijing Research Institute in China (clinical development).

Our research institutes in Japan and overseas are managed as a global R&D network aimed at the simultaneous development of pharmaceuticals in all our major markets.

Taiho Pharmaceutical

Taiho Pharmaceutical is a focused pharmaceutical company with three focus areas: oncology, allergies and urology. New drug development is conducted at four research centers: Hanno Research Center, Tokushima Research Center, CMC Research Center and Clinical Research & Development Center. All centers have a high level of specialist expertise and work together closely in their ongoing development activities and search for unique new drugs.

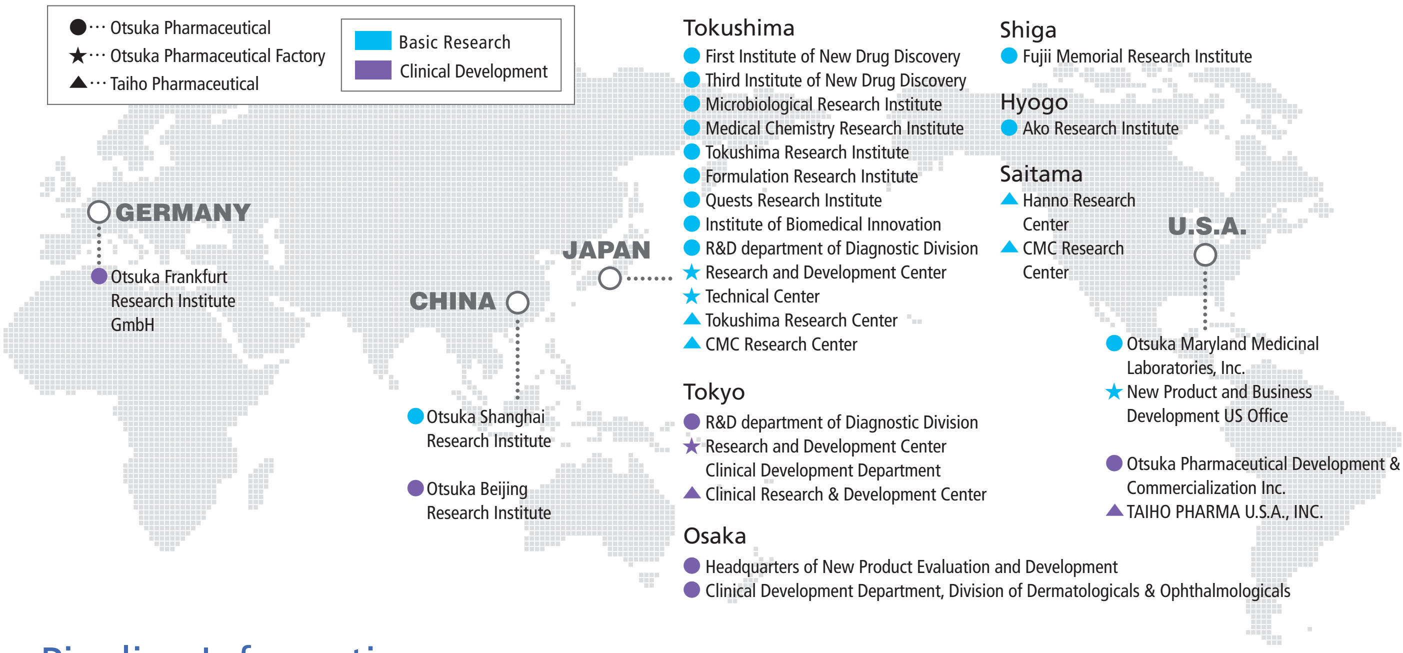
Taiho Pharma U.S.A., Inc. is responsible for clinical trials overseas.

Otsuka Pharmaceutical Factory

Otsuka Pharmaceutical Factory conducts extensive research, including basic research, drug discovery and new drug formulation research in Naruto City in Tokushima Prefecture, the birthplace of the Otsuka Group.

IV solutions are developed for our parenteral nutrition business, and pharmaceutical manufacturing technology is developed for our contract manufacturing business. Research and development is also being conducted for new products in the following areas: disinfectants, adhesion prevention agents and organ storage solutions.

Overseas R&D Facilities



Pipeline Information (As of June 30, 2009)

Development Code	Generic name	Origin	Category	Indication/Dosage form	Country/Region	Status
Central nervous system						
OPC-14597	Aripiprazole	Otsuka	Dopamine partial agonist	Schizophrenia in Adolescent/Tablet	EU	Filed
				Autism/Tablet	US	Filed
				Major depressive disorder/Tablet	EU	Filed
				Schizophrenia/Depot injection	US, EU	Phase III
				Bipolar disorder/Tablet	JP	Phase III
				Major depressive disorder/Tablet	JP	Phase III
				Tourette syndrome/Tablet	Korea	Phase III
L059	Levetiracetam	UCB	Anti epileptic drug	Epilepsy (partial onset seizures)/Tablet	JP	Filed
SPM-962	Rotigotine	UCB	Dopamine agonist	Parkinson's disease/Patch	JP	Phase II
				Restless legs syndrome/Patch	JP	Phase II
OPC-34712		Otsuka	Dopamine partial agonist	Major depressive disorder/Tablet	Global	Phase II
Cardiovascular						
OPC-41061	Tolvaptan	Otsuka	V_2-vasopressin receptor antagonist	Hyponatremia/Tablet	EU	Filed
				Cardiac edema/Tablet	JP	Filing in process
				Autosomal dominate polycystic kidney disease/Tablet	Global	Phase III
				Hepatic edema/Tablet	JP	Phase II
				Hyponatremia/Tablet	China	Phase II
Gastrointestinal						
CDP870	Certolizmab pegol	UCB	PEGylated anti-TNF α drug	Crohn's disease/Injection	JP	Filing in process
				Chronic rheumatoid arthritis/Injection	JP	Phase III
OPC-6535	Tetomilast	Otsuka	Anti-inflammatory	Crohn's disease/Tablet	JP	Phase II
OPC-12759	Rebamipide	Otsuka	Intestinal therapeutic drug	Ulcerative colitis/Colonic enema	JP	Phase II

Formulation Research Institute (Otsuka Pharmaceutical)

Tokushima Reseach Center (Taiho Pharmaceutical)

Otsuka Maryland Medicinal Laboratories, Inc.

Development Code	Generic name	Origin	Category	Indication/Dosage form	Country/ Region	Status
Anticancer and cancer-supportive care						
ABI-007	Albumin-bound nanoparticle paclitaxel	Abraxis Bioscience	Anticancer (nanoparticle)	Breast cancer/Injection	JP	Filing in process
				NSCLC/Injection	JP	Phase III
				Gastric cancer/Injection	JP	Phase II
PALO	Palonosetron	Helsinn Healthcare	$5\text{-}HT_3$ receptor antagonist	Antiemetic (nausea and vomiting)/Injection	JP	Filing in process
OVF	Fentanyl	Cephalon	Narcotic analgesic	Cancer pain/Oral	JP	Phase III
S-1		Taiho	Anticancer (Antimetabolite)	Gastric cancer/Oral	US, EU	Phase III
			Anticancer (Antimetabolite)	Uterocervical cancer/Oral	JP, Asia	Phase III
			Anticancer (Antimetabolite)	Pancreatic cancer, NSCLC/Oral	US	Phase II
			Anticancer (Antimetabolite)	Prostatic, renal cell, hepatocellular cancer/Oral	JP	Phase II
TSU-68		SUGEN	Anticancer (Molecularly-targeted drug)	Hepatocellular carcinoma/Oral	JP	Phase II
			Anticancer (Molecularly-targeted drug)	Breast cancer/Oral	JP, Asia	Phase II
TAC-101	Amsilarotene	Taiho	Anticancer (Molecularly-targeted drug)	Hepatocellular carcinoma/Oral	JP, US	Phase II
TAS-102		Taiho	Anticancer (Antimetabolite)	Colorectal cancer/Oral	JP	Phase II
			Anticancer (Antimetabolite)	Colorectal cancer/Oral	US	Phase II
TAS-106		Taiho	Anticancer (Antimetabolite)	Carcinoma of head and neck/Injection	US, Asia	Phase II
TAS-108		Taiho/SRI	Hormone agent	Breast cancer/Oral	JP, US	Phase II
TAS-109		Taiho	Anticancer (Antimetabolite)	Colorectal cancer/Injection	US	Phase II
OPC-18	Interferon α	Hayashibara Biochemical Labs	Natural interferon α	Late-stage hepatic cancer (combination with 5-FU)/Injection	JP	Phase II
OPC-33300 (Sativex)		GW Pharmaceuticals	Cannabinoid (THC, CBD)	Cancer pain/Oral spray	US	Phase II
OPB-31121		Otsuka	Anticancer	Anticancer/Tablet	US, Asia	Phase I
Other areas						
ODK-0501		Otsuka	Diagnostic agent of pneumococcus infection	Extracorporeal/diagnostic agent	JP	Filing in process
FRG-8813	Lafutidine	Fujirebio	H_2-receptor antagonist	Reflux esophagitis/Tablet	JP	Phase III
P4	Propiverine Hydrochloride	Apogepha	Therapeutic drug for urinary incontinence and frequency	Overactive bladder/Tablet	JP	Filing in process
OPC-12759	Rebamipide	Otsuka	Mucin-production enhancing agent	Dry eyes/Eye drops	US	Phase III
				Dry eyes/Eye drops	JP	Phase II
OPC-262	Saxagliptin	Bristol-Myers Squibb	DPP-4 inhibitor	Diabetes/Tablet	JP	Phase II
OPC-6535	Tetomilast	Otsuka	Novel antiinflammatory agent	COPD/Tablet	JP, US, China, Korea	Phase II
OPC-67683		Otsuka	Antituberculosis agent	Tuberculosis/Tablet	Global	Phase II
TAC-201		Meiji Dairies Corporation	Recombinant peptide for immumotherapy of Japanese cedar pollinosis	Cedar pollen allergy/Injection	JP	Phase II

Research and development

Central nervous system

In the U.S. and Europe, *Abilify* (aripiprazole) has moved into Phase III for the development of a depot injection. In Japan, development activities for two additional indications, bipolar disorder and major depressive disorder, are progressing well.

In FY2008, Otsuka Pharmaceutical signed an agreement with UCB S.A. to co-develop and co-promote the antiepileptic *Keppra* (levetiracetam) in Japan. The research collaboration on central nervous system disorders with Galenea Corporation of the US was extended.

Oncology

R&D activities are being conducted in preparation for the approval of new indications for Taiho Pharmaceutical's anticancer drug *TS-1*, which include gastric cancer and pancreatic cancer in the U.S. and Europe and cervical cancer in Asia. The company is also developing actively not only antimetabolite but also molecularly targeted drug.

In April 2009, Otsuka Pharmaceutical established a global oncology collaboration with Bristol-Myers Squibb for two anticancer compounds—*SPRYCEL* (dasatinib) and *IXEMPRA* (ixabepilone).

With cancer therapy, there is a need for comprehensive support to treat side-effects such as nausea and vomiting and cancer-associated pain in addition to the actual cancer treatment, and both Otsuka Pharmaceutical and Taiho Pharmaceutical play to their respective strengths in the research and development of drugs to support total cancer treatment, such as OPC-33300 (*Sativex*) and OVF (fentanyl) for treatment of cancer pain.

Cardiovascular system

SAMSCA (tolvaptan) is a compound discovered by Otsuka Pharmaceutical that is currently the subject of global clinical development. In May 2009, the FDA approved *SAMSCA* for the treatment of hyponatremia, including patients with heart failure, cirrhosis, and the syndrome of inappropriate anti-diuretic hormone (SIADH). *SAMSCA* also received positive opinion for approval by committee for Medical Products for Human Use (CHMP) in Europe in May 2009. In Japan, clinical trials for cardiac edema are completed, and filing for approval is in process.

Gastroenterology

Otsuka Pharmaceutical's new anti-inflammatory agent *Tetomilast* for Crohn's disease is currently both in Phase II trials in Japan.

In addition, filing is in process for approval of PEGylated anti-TNF *Cimzia* (certolizumab pegol), which Otsuka Pharmaceutical and UCB S.A. agreed in June 2008 to co-develop and co-promote in Japan for the treatment of Crohn's Disease. *Cimzia* is also in Phase III trials in Japan for treatment of rheumatoid arthritis.

Ophthalmology

In addition to developing proprietary compounds, Otsuka Pharmaceutical is also working to expand its development projects through active promotion of in-licensing activities. In September 2008, Otsuka Pharmaceutical entered a global co-development agreement with U.S. company Acucela Inc. for ACU-4429, which is being developed for the treatment of age-related macular degeneration. The two companies have also entered a co-development agreement in the U.S. for Otsuka proprietary compound *Rebamipide* ophthalmic suspension, and development for treating dry eyes is now in Phase II in Japan and Phase III in the U.S.

Clinical nutrition

In July 2008, Otsuka Pharmaceutical Factory obtained approval to manufacture *Otsuka* Normal Saline 10mL and *Otsuka* Normal Saline 20mL. In March 2009, *Neoparen* No. 1 and *Neoparen* No. 2, high-calorie infusions containing glucose, electrolytes, amino acids, vitamins and trace element solution, were approved for manufacture.

Other areas

Otsuka Pharmaceutical is currently collaborating internationally on clinical trials in areas where there as yet exists no satisfactory treatment. These activities include a new tuberculosis (TB) drug for treating multi-drug-resistant TB (MDR-TB) and extensively drug-resistant TB (XDR-TB), currently in Phase II trials.

Otsuka Pharmaceutical is also currently conducting Phase II trials of DPP-4 inhibitor Saxagliptin, which has a new mechanism of action for diabetes.

Overview of Nutraceuticals and related businesses

The Otsuka Group's Nutraceuticals*1 and related businesses are comprised of Nutraceuticals, medical foods, Cosmedics*2, OTC drugs and quasi-drugs that aid in the maintenance or improvement of day-to-day well-being. Highly functional products based on scientifically proven concepts have created new markets and earned the favor of consumers for many years. The Group will continue to utilize our global business network to develop and create a range of products based on original research and concepts.

*1 nutrition + pharmaceuticals
*2 cosmetic + medicine

As of July 2009

Nutraceuticals

Pocari Sweat

In 1980, Otsuka Pharmaceutical launched *Pocari Sweat*, an electrolyte drink based on the concept of "the IV solution you can drink." Both the accumulation of scientifically-based data and ongoing promotional activities have served to continuously add brand value. The new environmentally-friendly version of the original 500ml PET bottle is 30% lighter helping us to save valuable resources. *Pocari Sweat* was adopted as the sponsor beverage at both the G8 Hokkaido Toyako Summit and the 4th Tokyo International Conference on African Development (TICAD IV).

Oronamin C

Oronamin C, containing various vitamins and amino acids, was launched in 1965 as Japan's first carbonated nutritional beverage. While recent marketing campaigns and promotions have given the brand a modern fresh image, *Oronamin C* has maintained its long-seller appeal to a wide age group, and sales continue to grow.

SOYJOY

In 2006, Otsuka Pharmaceutical launched *SOYJOY*, a baked bar made of whole soybean dough and dried fruits. *SOYJOY* is packed with soybean nutrients, soy protein, isoflavone and dietary fiber. In keeping with increased health consciousness, *SOYJOY* is proving popular across all age groups. In addition, Otsuka Pharmaceutical is promoting its 'Soylution' concept around the world based on the belief that soybeans could provide a solution to health and dietary issues. *SOYJOY* is currently sold in Japan, the U.S., China, Taiwan, Korea, Indonesia and Singapore, a total of seven different countries and regions around the world. Promotion of the healthy image of soybeans and the launch of the *SOYJOY Plus* range fortified with the essential soy components of iron, folic acid and calcium are supporting sustained growth in sales.

CalorieMate

Otsuka Pharmaceutical released *CalorieMate* in 1983, creating a new market for balanced nutritional foods. Launched as a balanced nutritional supplement that can be eaten "anytime, anywhere," *CalorieMate* has maintained top share of the balanced nutritional food market ahead of several competing brands.

Medical Foods

Medical foods, a business area developed by Otsuka Pharmaceutical Factory, are nutritional products or foods for special dietary use that can be used at medical facilities, nursing homes or at home. *OS-1* is widely used for oral rehydration to supplement water and electrolytes in cases of dehydration caused by diarrhea, vomiting, fever, excessive perspiration, or poor dietary intake among the elderly. High-density liquid diet product range *Hine* is being increasingly used to manage nutritional intake at home following surgery, and sales are rising steadily.

Cosmedics

In the field of Cosmedics (cosmetic + medicine = Cosmedics), which are based on the concept of 'health for skin,' Otsuka Pharmaceutical released face and body skin care brand *UL-OS* in September of 2008 with the goal of creating a category in men's skin care. The *InnerSignal* skin care brand for women has expanded the product range with the release of newly formulated products and introduced marketing methods emphasizing consultation, measures that have strengthened the brand and increased sales.

OTC products & Quasi-drugs

Tiovita

With the aging of society and compulsory health checks for metabolic syndrome introduced in 2008, consumers are becoming increasingly conscious of health and self-medication. In this context, *Tiovita*, a vitamin health drink of Taiho Pharmaceutical, is achieving growing market success with a product range that caters to a diverse range of consumer needs and promotions through mass media.

Solmack

Solmack is a crude-drug gastrointestinal remedy from Taiho Pharmaceutical for the relief of symptoms of hangover, overeating and nausea. This long-selling brand has been on the market for 30 years and has maintained the top share of the liquid gastrointestinal remedy market and has proven largely insensitive to the economic climate.

Oronine-H Ointment

Released in 1953, this long-selling brand has been known for over half a century as an effective medication for treating various skin conditions including cuts, pimples, frostbite, cracks and chapping. *Oronine-H Ointment* was the first product to bring wide recognition to the 'Otsuka' name in the public.

Otsu Skin Care Research Institute (Shiga, Japan)

Main nutraceuticals and related products

Pocari Sweat

Health drink enabling smooth replenishment of fluid and ions (electrolytes) lost through perspiration. An optimal ion balance aids quick absorption by the body, making *Pocari Sweat* the ideal rehydration drink for use during and after sport activities or after taking a hot bath.

Oronamin C Drink

Carbonated nutritional drink containing Vitamin C and other vitamins. With its small 120ml size, *Oronamin C* is a perfect drink to recharge and refresh.

CalorieMate

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

SOYJOY

Novel nutrition bar baked entirely from whole soybean dough with a generous amount of dried fruits. Consumers can enjoy nutritional elements of soybeans including soy protein and soy isoflavones in a smart and tasty way.

Amino Value

Highly concentrated BCAA (barine, leusine, isoleusine) drink supplying three kinds of branched-chain amino acids central in building muscle tissue. Enhances physical performance in general and during sports activities.

Nature Made

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

Fibe Mini

Fiber drink for consumers with a diet lacking in fiber. Optimal as supplement for irregular diets, diets lacking in vegetables, and to support general health and beauty.

UL•OS

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

InnerSignal

A skin care brand offering a basic product range consisting of essence, lotion, emulsion and cream and other products formulated with active ingredient InnerSignal AMP, which acts uniquely to suppress accumulation of melanin and prevent blemishes and freckles.

Tiovita Drink

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

Solmack Plus

A gastrointestinal remedy (approved as crude drug) for symptoms of hangover, overeating and nausea. A bitter-tasting and aromatic tonic, Solmack aids gastric health.

OS-1

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

Overview of Consumer Products Business

In its Consumer Products business, the Otsuka Group has developed a wide range of foods and beverages that have become familiar names to consumers everywhere. These include Crystal Geyser Mineral Water from California, Bon Curry, launched more than 40 years ago and now an established favorite, and Sugoi Daizu, a soy drink made from whole soy beans.

*as of June 2009 *Nescafé canned coffee is co-promoted product with Nestle Group


CRYSTAL GEYSER


CRYSTAL GEYSER SPARKLING


CRISTALINE


COURMAYEUR

JAVA TEA STRAIGHT

MATCH

BON CURRY GOLD 21

BON CURRY NEO

ReSOLA


MANNAN HIKARI


RIDGE

SUGOI DAIZU Yoghurt Type

As of June 2009

Mineral Water

Otsuka Beverage Co., Ltd. ("Otsuka Beverage") markets an extensive lineup of mineral waters under the theme "Enjoy life with mineral water," including *Crystal Geyser*, *Cristaline*, and *Courmayeur* to meet consumer needs in a variety of different situations and lifestyles.

The steadily rising demand for bottled mineral water in Japan slowed in fiscal 2008 due to an unseasonably cool summer and a decline in consumer spending in the wake of the economic slowdown. While mineral water sales across the Otsuka Group declined year on year, within the category, net sales of *Crystal Geyser* ranked second among imported mineral waters in Japan, while in the sub-500-ml small PET bottle market, the brand secured the top market share thanks to brand strengthening efforts.

Other Beverages

Otsuka Beverage re-launched its long-selling *Sinvino Java Tea*, first launched in 1989, in March 2009 as *Sinvino Java Tea Straight Red*. In April 2009, the company launched a green-tea version, *Sinvino Java Tea Straight Green*, which expands its range of tea products. As *Java Tea* is positioned as a tea with "distinctive taste," made from "strong tea leaves grown under the equatorial sun," and "strong brand" that cannot be imitated by other teas."

Otsuka Foods Co., Ltd. ("Otsuka Foods") markets Ridge Vineyards California wines in Japan. In 2006, Ridge took first place for both original vintage and new vintage wines at the "30 year re-enactment of the judgment of Paris" in London and California. The 1997 *Ridge Monte Bello Cabernet Sauvignon* won high praise when it was selected and served at the Japanese Prime Minister's banquet dinner during the 2008 G8 Summit in Hokkaido on July 7, 2008.

Food Products

In 1968, Otsuka Foods launched *Bon Curry*, the world's first commercially available food in plastic pouch bags. Since then, *Bon Curry* has become synonymous with instant curry. On February 12, 2009, with *Bon Curry* in its 41st year, *Bon Curry Neo* was launched to mark "*Bon Curry Day*."

This new version builds upon the original *Bon Curry* while remaining true to its original concept: "pure deliciousness created with love for the family" using potatoes and carrots sourced in Japan.

In March 2009, Otsuka Chilled Foods Co., Ltd. launched a new product in the soy *Sugoi Daizu* drinks series — *Sugoi Daizu Yoghurt Type*. This new yoghurt-type product uses only Japan-grown soybeans, is free of any dairy constituents and contains plant-derived lactic bacteria.

Overview of Other Businesses

Other businesses in the Otsuka Group span a range of several areas, including chemicals, agrichemical producrs, transportation and warehousing, and electronic equipment.

Chemicals

Otsuka Chemical Co., Ltd. ("Otsuka Chemical) plays the central role in the Otsuka Group's chemicals business, providing functional chemicals, functional materials, fine chemicals, and agrichemical products.

Unifoam AZ, a chemical foaming agent in the area of functional chemicals, is a highly valued material for wallpapers and floor materials with high insulation, soundproofing, and cushioning properties, and for forming sneaker soles and automobile interior materials. In the functional materials area, *POTICON* is used as a component for mobile phones. In the fine chemicals area, *GCLE* is an antibiotic intermediate developed by Otsuka Chemical. In the agrichemical area, *Oncol*, *Otsuka House Fertilizers*, *Drip Irrigation Systems*, and a range of other products support a variety of agricultural activities in Japan and overseas that help produce safe crops for consumers.

GCLE

Transportation and Warehousing

The Otsuka Group's transportation and warehousing operations are conducted by Otsuka Warehouse Co., Ltd.("Otsuka Warehouse"). Since its establishment in 1961, Otsuka Warehouse has been consistently devoted to the distribution of pharmaceutical and food products. Utilizing this accumulated know-how, the company designs logistics matched to customers' needs, builds distribution systems, and carries out logistics operations in an effort to reduce distribution costs and improve distribution quality. In addition to business-to-business (B-to-B) logistics, Otsuka Warehouse began participating in business-to-consumer (B-to-C) direct sales support services in 2006. The direct sales business support system provided by the Harumi Fulfillment Center (FFC) is steadily increasing the volume of orders received by Otsuka Warehouse.

As a member of the global community, Otsuka Warehouse promotes environmentally friendly logistics that reduce CO_2 emissions through modal shifts, collaborative distribution, and other means.

Electronic Equipment

Otsuka Electronics Co., Ltd. ("Otsuka Electronics") develops, produces, and markets flat panel displays (FPDs), equipment for optical evaluation/inspection of FPDs and constituent materials, as well as and medical equipment and clinical diagnosis equipment. In the FPD field in particular, the company has won support and trust within the industry, and its advanced development and technical capabilities are highly regarded. Otsuka Electronics' *Motion Picture Resolution Evaluation System MR-2000* won a Grand Prize in the Display Test/Repair/Measurement Equipment Category of the 14th Advanced Display of the Year (ADY2009) sponsored by Reed Exhibitions Japan Ltd.

MR-2000

Americas

The Otsuka Group's US operations in the Americas achieved annual sales of ¥315 billion, with *Abilify* making a substantial contribution to these results. Sales of *IV Busulfex* (busulfan) for administration prior to bone marrow transplant surgery, which was acquired by Otsuka Pharmaceutical from PDL BioPharma in 2008, contributed to results for the first time. Nutraceuticals sales were supported by sales of *Nature Made*. Operating income for the year amounted to a total of ¥9.9 billion.


Staffs of Otsuka America Pharmaceutical, inc.

Pharmaceuticals business

In May 2008, *Abilify*, co-promoted with Bristol-Myers Squibb, received new indications for adjunctive therapy to either lithium or valproate for the acute treatment of manic and mixed episodes associated with bipolar disorder in adults, and as a maintenance treatment for schizophrenia in adolescents (aged 13-17) and bipolar disorder in pediatric patients (aged 10-17). The new indications, combined with active dissemination of information, led to favorable growth in sales. *Abilify* was ranked second in terms of market share in prescriptions of atypical antipsychotics, contributing significantly to our pharmaceuticals business overall.

In the area of cancer therapies, sales of *IV Busulfex* sold by Otsuka America Pharmaceutical, Inc. showed further growth.

Marketing activities for *BreathTek*, a kit for diagnosing the presence of Helicobacter pylori bacteria, helped to increase sales for this product.

In April 2009, Otsuka Pharmaceutical extended its partnership with Bristol-Myers Squibb with regard to *Abilify* in the U.S. until April of 2015, and is aiming to expand its business in central nervous system area.

Otsuka Pharmaceutical and Bristol-Myers Squibb also signed a collaboration agreement regarding the two therapeutic drugs *SPRYCEL* and *IXEMPRA*, which are expected to strengthen the Otsuka Group's global presence in oncology.

In May 2009, *SAMSCA* (tolvaptan) received FDA approval for the treatment of hyponatremia (including patients with heart failure, cirrhosis, and the syndrome of inappropriate anti-diuretic hormone [SIADH]). *SAMSCA* is a selective V_2-vasopressin receptor antagonist discovered by Otsuka Pharmaceutical and developed together with Otsuka Pharmaceutical Development and Commercialization, Inc. *SAMSCA*, the first oral drug for hyponatremia, is expected to provide an important treatment option to medical practitioners.

Sales of Wyeth Pharmaceutical's *Zosyn* (injection), which uses Taiho Pharmaceutical's antibiotic tazobactam and is marketed in 94 countries, contributed significantly to results.

Nutraceuticals business

Nature Made, the VMS brand marketed by Pharmavite LLC, continued to hold the top share of retail sales in the U.S. supplement market. In addition to the traditional tablet form, liquid capsule technology is being used in the development of new products to better meet customer needs.

Brand awareness for *SOYJOY*, launched in the U.S. in 2007, is increasing following further promotions for *SOYJOY's* healthy image and the health benefits of soybeans in a move to increase the number of retail outlets selling *SOYJOY* throughout the U.S.

Consumer products business

Crystal Geyser Alpine Spring Water mineral water is manufactured, marketed and exported for distribution in Japan by Otsuka Pharmaceutical's affiliate CG Roxanne LLC. To respond to last year's general economic slowdown which affected business conditions as consumers cut personal spending, promotions have continued based on *Crystal Geyser's* image of health and safety.

Other businesses

Otsuka Chemical continued to integrate its Brazilian operations Otsuka Chemical do Brasil which it had acquired in 2007 from Trocellen GmbH, the German foaming agents company co-owned by Otsuka Chemical and Furukawa Electric. Otsuka Chemical do Brasil is Otsuka Chemical's first operation in South America.

Europe

Group sales in Europe for the period were ¥20.9 billion. Sales of *Abilify* showed further growth. All Otsuka Group companies in Europe further developed their business infrastructure. Last year, the Group expanded its European business with the acquisition of Nutrition & Santé group., European market leader in functional and dietetic foods, and a strategic stake in the leading French mineral water company Alma S.A., providing us with valuable strategic opportunities in the European nutraceuticals market. In addition, our acquisition of Interpharma Praha a.s. in the Czech Republic will help us to develop a pharmaceuticals business in Eastern Europe.

Pharmaceuticals business

Abilify, co-promoted with Bristol-Myers Squibb, was approved for bipolar disorder in April 2008 and as intra-muscular injection. Applications have been filed for treatment of adolescent schizophrenia and as adjunctive therapy for major depressive disorder.

In addition to the U.K. and Germany, *Pletal* is now marketed in Sweden and other European markets, and sales are steadily increasing as the product becomes more widely available.

In May 2009, *SAMSCA* (tolvaptan), a V_2-vasopressin receptor antagonist developed by Otsuka Pharmaceutical, received positive opinion for approval by Committee for Medical Products for Human Use (CHMP).

Adacolumn, JIMRO's device for the adsorption of leukocytes, marked its seventh year on the market in Europe last year. Now sold in 11 countries around the world, it is performing particularly well in Spain, Italy and Northern Europe. While *Adacolumn* is indicated for five conditions (ulcerative colitis, Crohn's disease, Behcet's disease, systemic lupus erythematosus and rheumatoid arthritis), it is predominantly applied in treating ulcerative colitis and Crohn's disease. *Adacolumn* has CE marking* approval.

*Mark indicating products that meet EU safety standards

In August 2008, Otsuka Pharmaceutical acquired 100% of the outstanding shares of Interpharma Praha, a.s., headquartered in the Czech Republic. This company has a research track record not only in pharmaceuticals but also in functional ingredients that offer potential for use in nutraceuticals. This acquisition offers possibilities for further strengthening Otsuka Pharmaceutical's R&D and product development functions. Interpharma Praha a.s. will play an important role in the diversification of our overseas business as the Otsuka Group's first strategic investment in eastern Europe.

Nutraceuticals business

In December 2008, Otsuka Pharmaceutical acquired the Nutrition & Santé group, a European market leader in functional and dietetic foods, as a platform for building Otsuka's European nutraceuticals business. Otsuka Pharmaceutical will promote and expand the Group's nutraceuticals business in Europe together with the Nutrition & Santé group.

Nutrition & Santé

Consumer products business

In May 2008, Otsuka Pharmaceutical purchased a stake in Alma S.A., a leading French mineral water company. Alma operates factories at natural springwater sources across Europe, and markets several major French mineral water brands including *Cristaline* and *Courmayeur*. Through its partnership with Alma, the Otsuka Group aims to further expand its mineral water product range in Asia, including Japan and China, as well as to strengthen its mineral water business in the U.S.

Other businesses

Otsuka Chemical's subsidiary Hebron S.A., which manufactures and distributes foaming agents and chemicals, recorded higher earnings due favorable first half results which offset a weaker performance in the second half of 2008.

Trocellen group, which manufactures and distributes foams, was forced to adjust production capacity to absorb the rise in polyethylene resin prices and the slowing of its main markets, cars and housing construction.

Asia and Middle East

Pharmaceuticals business

Otsuka Group started a pharmaceuticals business in Asia in 1973 with the intravenous solutions business of Thai Otsuka Pharmaceutical Co., Ltd. In 1981, China Otsuka Pharmaceutical Co., Ltd. was established as the first pharmaceutical joint venture involving a foreign company and participated in the initial stages of modernizing China's medical infrastructure.

Apart from its businesses in China and Thailand, the Otsuka Group now operates pharmaceuticals businesses in Taiwan, Korea, the Philippines, Indonesia, Vietnam, Pakistan, and Egypt.

The Group's Asian business performed well in 2008, with revenues at MicroPort Medical (Shanghai) Co., Ltd. continuing to grow due largely to sales of its main product *Firebird*, a coronary artery stent. Sales of pharmaceutical products in Korea, Taiwan and Thailand and of intravenous solutions in China and Vietnam were higher. Sales of *Pletal* in the region were higher with approvals obtained in Turkey, Australia and the UAE. In our intravenous solutions business, manufacturing capacity for soft containers was added in China, Indonesia and Thailand.

Sales of *TS-1 Capsules* in Korea increased. In addition, Taiho Pharmaceutical Beijing Co., Ltd., established in August 2008, obtained import approval in January 2009 for *TS-1 Capsules* in China and preparations are underway to launch the product in the first half of FY2009. *TS-1* has also been filed for approval in Taiwan and Singapore.

Nutraceuticals business

Pocari Sweat, *SOYJOY* and *Oronamin C* are the main nutraceuticals products marketed in Asia and the Middle East. Sales of *Pocari Sweat* in Indonesia rose by 46% in 2008 to 380 million bottles. Given continuously growing demand, the construction of a new *Pocari Sweat* plant in Indonesia is completed. *SOYJOY* was initially launched in Japan and China in 2006 and is now sold across Asia, strengthening its position as a global brand, by promoting of the healthy image of soybeans and its benefit.

Other businesses

Otsuka Chemical (India) Limited established in January 2006 started commercial production of the pharmaceutical intermediate *GCLE*, the main ingredient of the antibiotic cephalosporin, in August of 2008. In the hydrazine business, the weakening Korean won helped to boost exports from KOC Co., Ltd. P.T. Lautan Otsuka Chemical in Indonesia took various measures to counter rising raw material prices for its foaming agents.

Children with Pocari Sweat (Indonesia)

Korea Otsuka Phamaceutical Co., Ltd.

Key Principles

Otsuka Holdings was established as a holding company to strengthening corporate governance through separating management supervisory functions from operational business functions.

Based on the corporate philosophy of *Otsuka-people creating new products for better health worldwide*, Otsuka Holdings has established the Otsuka Group Code of Conduct and a Compliance Program, to fulfill our social responsibilities and unequivocally comply with laws and regulations in an effort to contribute to society as good corporate citizens. The principles guiding the professional behavior of each Otsuka employee are set out in the so-called "OtsukaWays," and the Group ensures that these principles are observed at every level.

The Otsuka Group, an umbrella organization with subsidiaries and affiliates, engages in several businesses, including pharmaceuticals, nutraceuticals, consumer products, and other businesses globally through five operating companies. Each of these operating companies is a direct subsidiary of Otsuka Holdings and takes operational responsibility for its respective business areas.

Otsuka Holdings has adopted the Corporate Officer System with directors elected at the annual shareholders' meeting make business decisions and supervise the execution of those decisions, while operating officers oversee business operations. This system ensures management transparency and swift execution.

Corporate Governance System

Otsuka Holdings' work regulations determine which decisions require the approval and will be implemented by its board of directors, individual directors, corporate officers, and divisional managers.

A board meeting is held once a month to approve material proposals and other material items regarding the management of the company as set out by the Companies Act, as well as to provide a forum for directors to report or exchange opinions regarding their respective business areas. As of June 26, 2009, the Company has 12 directors.

The fulfillment of the directors' fiduciary duties is audited by statutory auditors who attend board meetings and other important internal meetings, and in accordance with the audit policy and the audit plan approved by monthly meetings of the Board of Statutory Auditors, they conduct interviews with the president, directors, and divisional managers as well as field audits. As of June 26, 2009, the Company had three statutory auditors including two external auditors.

Deloitte Touche Tohmatsu LLC is assigned to audit the accounts of Otsuka Holdings in accordance with the Companies Act and the Financial Instruments and Exchange Act. The statutory auditors, Internal Audit Department, and Internal Control Department exchange information at meetings with the auditing firm and receive the audit report.

Compliance Promotion Activities

Otsuka Holdings' Risk Management Committee, chaired by the Company's president, promotes compliance and activities to educate employees and ensure adherence to laws and regulations. Otsuka Holdings' Compliance Program is approved and thorough implementation is supervised by the board of directors.

Internal Controls for Financial Reporting

In view of the social responsibilities of an organization the size of Otsuka Holdings, the company believes it needs internal controls that are no less robust than those of listed companies. For this reason, an internal control system in relation to financial reporting has been set up led by the Internal Control Department (ICD) which reports directly to the president. The internal control system started operations in fiscal 2008 and releases Internal Control Reports.

Information Management

Otsuka Holdings has established Corporate Document Control Regulations and rigorously controls the management of important documents relating to management decision-making and material documents relating to financial information, and promotes appropriate information disclosure.

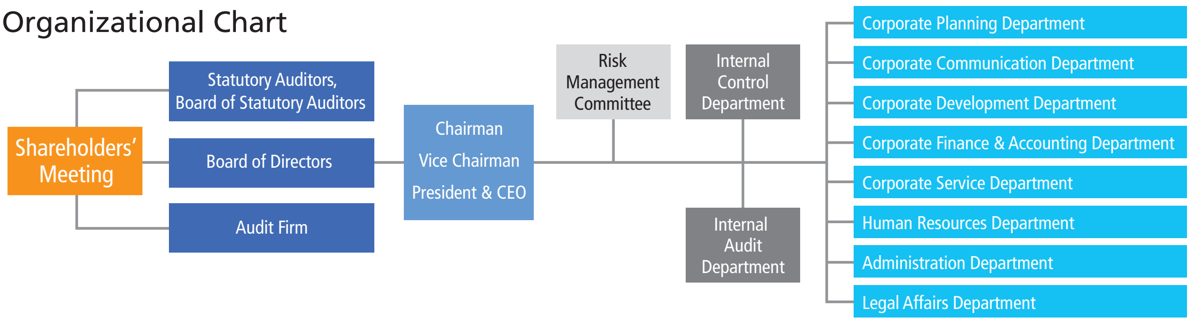
The company has also established Rules for Information Security and devises measures to prevent unauthorized external access to, and outflow of, information, and protects personal information through Confidentiality Rules regarding Personal Information.

Risk Management

To manage business and other risks, Otsuka Holdings has established Risk Management Rules and a Risk Management Committee to lead its risk management efforts.

Otsuka Holdings is in the process of developing a Business Continuity Plan (BCP) that focuses on decentralization of distribution bases, accumulation of inventories, and back-up of production lines, while reinforcing links with suppliers to secure alternative sources of materials and resources in an effort to avoid or mitigate damage from disasters or accidents.

Organizational Chart



Social Responsibility

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

Peshawar Refugee Camp Clinic

Otsuka Pharmaceutical, Otsuka Pakistan, and group companies across the Asia region established the Otsuka Welfare Clinic in 2003 to provide relief to refugees in Peshawar, the capital of Pakistan's Northwest Frontier Province. Staffed by doctors, pharmacists, and nurses, the clinic treats patients free of charge. Since its establishment, it has treated an average of 300 patients a day – mainly women and children – for respiratory disease, diarrhea, gynecological and other diseases.

Otsuka Health Comic Library 20th Anniversary

Otsuka Health Comic Library was started in 1989 by Otsuka Pharmaceutical to teach children about the human body and to learn how to stay healthy through entertaining illustrated explanations. One volume a year has been issued for the past 20 years. The series is donated to elementary and junior high schools throughout Japan and to Japanese schools overseas. As well as being read by the children whenever they like, the comics are often used as teaching materials in school lessons. So that still more people can read them, some of the issues are posted on Otsuka Pharmaceutical's website.

http://www.otsuka.co.jp/environment/comiclibrary/

Environmental Metropolis: "Adopt an Eco-School" Project

Three Otsuka Group companies – Otsuka Pharmaceutical, Taiho Pharmaceutical, and Otsuka Chemical – collaborate in the "Adopt an Eco-School" program, an environmental education initiative sponsored by Tokushima Prefecture and local universities as an alliance of business, government and academia. The three Otsuka companies have "adopted" and sponsor environmental activities at Tokushima City Kawauchi Junior High School. As one aspect of the project, Otsuka Group employees act as instructors, giving talks on environmental issues. The program aims to instill awareness of environmental issues through water quality surveys on the Yoshino River, observation of factory water treatment facilities, and other activities.

Assistance in Rebuilding After Sichuan Earthquake

The day after the Sichuan Earthquake, which struck on May 12, 2008, Otsuka (China) Investment established a Response Headquarters in Shanghai. Through the local Red Cross and the Chinese Embassy in Japan, Otsuka Pharmaceutical and 12 local subsidiaries that conduct business in China provided intravenous solutions and other pharmaceuticals, nutraceuticals such as *Pocari Sweat* and *SOYJOY*, relief funds, and various assistance to a total value of ¥300 million.

Otsuka Museum of Art

Established in Naruto City, Tokushima Prefecture in 1998 to commemorate the Otsuka Group's 75th anniversary, the Otsuka Museum of Art is the world's only art museum featuring famous masterpieces reproduced on ceramic panels. From ancient murals to contemporary works displayed in more than 190 galleries in 25 countries around the world, Otsuka Ohmi Ceramics uses a special manufacturing technique to create full-size reproductions, preserving the aesthetic values of more than 1,000 original works that represent the essence of Western art.

In addition to its role as a museum for masterworks on ceramic panels, experimental programs aim to add new dimensions of appeal. These have included fusing the artworks with a range of cultural activities such as an exhibition of the works of designer Kansai Yamamoto in the museum's exhibit space, classical concerts and shogi (Japanese chess) title matches in the Sistine Hall, as well as seminars by experts and teaching activities for children.

(Photo: Tokushima Vortis)

Supporting Tokushima Vortis

Otsuka Pharmaceutical, Earth Chemical, Taiho Pharmaceutical, Otsuka Pharmaceutical Factory, Otsuka Chemical, Otsuka Beverage, and Otsuka Foods all sponsor Tokushima Vortis – Shikoku's first J-League football team – and support the team's activities.

Awa-odori Dance Festival

The major event of the summer is held in Tokushima City over four days from August 12 each year. This is the lively Awa-odori Dance Festival, which attracts more than 1.3 million spectators from all over Japan. Every year the Otsuka Group joins in the spirit of the festival by entering dance units formed of employees from each Group company. These include the *Otsuka-Ren* dance unit from Otsuka Pharmaceutical, the *Otsuka Uzumaki-Ren* from Otsuka Pharmaceutical Factory, the *Otsuka Hatsuratsu-Ren* from Otsuka Chemical, and the *TIOVITA-Ren* from Taiho Pharmaceutical. In April 2008, the *Otsuka-Ren* unit delighted Europeans with a performance of a traditional Japanese Awa-odori dance at the opening ceremony for Hannover Messe 2008, the world's largest trade fair, held in Hannover, Germany.

Outdoor Concerts

The Otsuka Pharmaceutical Wajiki Factory's grassy square, decorated with art objects and open to the local people in the manner of a "factory park," is much cherished as a relaxing space that is always open to all. The "Exciting Summer In Wajiki" concert, held here every year to coincide with the Awa-odori Festival, is supported by Otsuka Pharmaceutical and Otsuka Techno Corporation, along with other local businesses and organizations, to help contribute to the vitalization and development of the region. This year's 2009 event was the 20th such concert.

Financial highlights

On July 8, 2008, Otsuka Holdings Co., Ltd., was established as the holding company of the Otsuka Group to increase value across our businesses.

During the fiscal year ended March 31, 2009, the global financial crisis triggered by the US subprime loan problem worsened, leading to a dramatic slow down in global economic activity.

Despite monetary easing policies adopted by major countries in their efforts to stabilize financial markets, the outlook for the global economy still remains uncertain.

In Japan, in addition to the economic slowdown caused by the financial crisis, the appreciation of the yen is exerting pressures on corporate earnings and Japanese consumers are cutting down on personal spending in view of increasing uncertainty about the future.

In the pharmaceuticals industry, the major players continue to expand their businesses through mergers and acquisitions as well as business alliances, further impacting future financial performance.

In the pharmaceuticals segment, conditions in the Japanese market continue to be difficult due to the most recent downward revision in drug reimbursement prices averaging 5.2%, promotion of generic drugs by the government and an increasing presence of non-Japanese global pharmaceutical companies.

To respond to these market challenges, we have been focusing on research and development targeting unmet medical needs as well as strengthening our marketing activities.

In the consumer products segment, raw material prices continued to soar along with high oil prices during the first half of 2008, followed by a rapid decline in personal spending. To respond to these extraordinary market conditions, major Japanese food and beverage companies have accelerated their globalization through strategic investments overseas.

In our consumer products business, we continue to focus on meeting the needs of our consumers, developing environmentally friendly products and strengthening our key brands. We have also made a number of strategic investments with the objective to accelerate the globalization of our business operations.

These efforts resulted in consolidated net sales of ¥955.9 billion for the fiscal year ended March 31, 2009 and operating income of ¥91.5 billion, and net income of ¥47.1 billion.

Operating results by business segments

Our pharmaceuticals business achieved ¥678.3 billion in global net sales backed by strong domestic sales of *Abilify*, *Mucosta*, *Pletal*, and *TS-1*. In addition, *Abilify* performed well in the United States, Europe, and Asia.

Consumer product sales were ¥249.3 billion, partly influenced by higher sales of *SOYJOY* and the new *Pocari Sweat* environmentally friendly 500ml PET bottle.

Net sales in other businesses were ¥52.5 billion.

Gross profit amounted to ¥633.4 billion and selling, general and administrative expenses totaled ¥541.8 billion, with ¥158.3 billion being spent on sales promotion, ¥135.9 billion on research and development, and ¥68.7 billion on salaries and bonuses. As a result, operating income amounted to ¥91.5 billion.

Net non-operating expense was ¥1.4 billion, with major items including interest and dividend income (¥4.1 billion) and loss on valuation of investment securities (¥4.0 billion).

As a result, net income before tax was ¥90.1 billion and net income amounted to ¥47.1 billion.

(1) Pharmaceuticals business

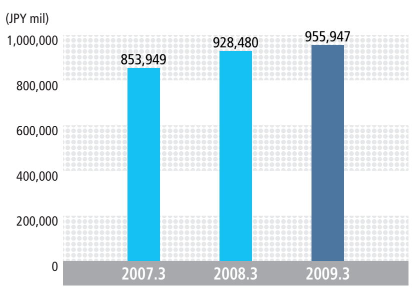
Sales of therapeutic drugs increased due to the strong performance of *Pletal*, *Mucosta*, and *Abilify*.

Pletal was launched in Sweden, expanding the territory in Europe from the UK and Germany, and contributing to the sales increase.

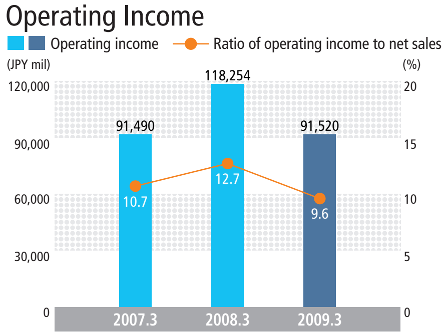
Mucosta continued to show strong performance in Japan and across Asia.

Abilify has been approved in over 70 countries worldwide, and has been widely accepted as a novel atypical antipsychotic drug with a new mechanism of action. Sales of *Abilify* grew by 8.5% globally, driven by sales in the U.S. and Europe, benefiting from new indications. In Japan, prescriptions grew

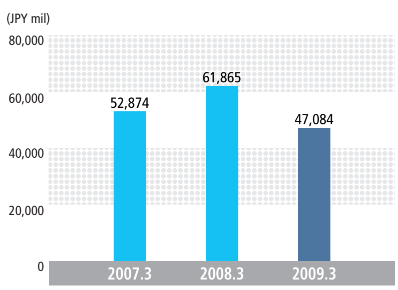
Net Sales



Operating Income



Net Income



as a result of a more focused communication strategy, and a new formulation, "*ABILIFY Oral Solution 0.1%*," was approved in January 2009.

In June 2008, an agreement was signed with UCB S.A. to co-develop and co-promote the anti-epileptic drug *Keppra*, and the anti-TNF alpha drug *Cimzia* in Japan.

Taiho Pharmaceutical continues to focus on the promotion of its core product *TS-1*. Sales of *Uzel* tablet grew as a result of introduction of a smaller tablet formulation and *Protecadin* performed well because of its unique mechanism of action.

Zosyn, an injectable antibiotic made from *Tazobactam* which is licensed to Wyeth Pharmaceuticals, is now sold in 94 countries around the world. In Japan, *Zosyn* was launched by Taisho Toyama Pharmaceutical in October 2008.

Otsuka Pharmaceutical Factory's clinical nutrition business maintained a strong performance with the introduction of large-size container of the high-calorie infusion *Neoparen No. 1* and *Neoparen No. 2*, and steady sales of *BFLUID Infusion* and *Racol*.

In May 2008, Otsuka Pharmaceutical Factory introduced *ARTCEREB Irrigation and Perfusion Solution for Cerebrospinal Surgery*, the first product to receive this indication in Japan. Prescriptions are growing especially in the neurosurgeon-approved training facilities.

Pharmaceuticals sales for the year ended March 31, 2009 were ¥678.3 billion, and operating income was ¥113.0 billion.

(2) Consumer products business

In the Consumer Products segment, the soy nutrition bar *SOYJOY* is currently sold in seven countries worldwide and is being developed as a global brand.

In Japan, additions of new flavors and strong promotional efforts have resulted in increasing sales. During 2008, construction of the second *SOYJOY* plant in Japan was completed at the Itano Factory site in April and the Strawberry and Orange Folic Acid Plus flavors were introduced.

In response to growing concern for the environment, *Pocari Sweat* light weight bottle was developed, resulting in a 30% weight reduction of bottles used. The *Pocari Sweat* 500-ml "eco-bottle" won widespread praise and was chosen as the official drink for the G8 Hokkaido Toyako Summit and the 4th Tokyo International Conference on African Development (TICAD IV). *Pocari Sweat* sales continue to grow overseas, selling over 380 million bottles annually in Indonesia.

In the Cosmedics (Cosmetic + Medicine) field, the skin care brand *UL-OS* was launched in September 2008 with the aim of developing a new category in the men's skin care market. Sales of *InnerSignal*, women's skin care line have shown robust growth as a result of the strong branding that has been established through introduction of new formulations, a wider lineup, and a consultation-oriented sales approach.

Crystal Geyser Alpine Spring Water, marketed by Otsuka Beverage has maintained its position as the second largest imported mineral water brand in Japan through the introduction of additional bottle sizes and other marketing activities.

However, revenues and earnings have been negatively impacted by the effects of the cool summer, economic slowdown, price pressure, an unfavorable exchange rate and increased promotional spending.

Consumer Products sales for the year ended March 31, 2009 were ¥249.3 billion and operating loss was ¥6.7 billion.

(3) Other businesses

Otsuka Warehouse's warehousing business experienced a slowdown in August and September as the handling of beverages decreased due to the poor weather. However, insurance and other businesses this negative impact was compensated by particularly the expansion of the business in the Harumi Fulfillment Center (FFC), which provides full-range logistical support to web and catalog businesses.

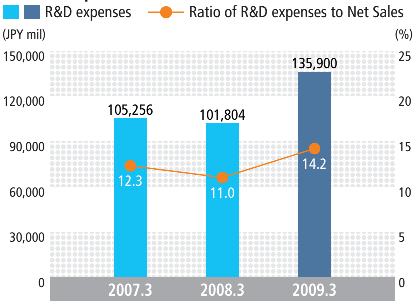
Net sales in other businesses for the year ended March 31, 2009 were ¥52.5 billion and operating income was ¥2.1 billion.

Operating results by geographical segment

(1) Japan

Otsuka's pharmaceuticals business was driven by *Pletal*, *Mucosta* and *Abilify*. Sales increase was primarily due to a more focused communication strategy as well as additions of new formulations.

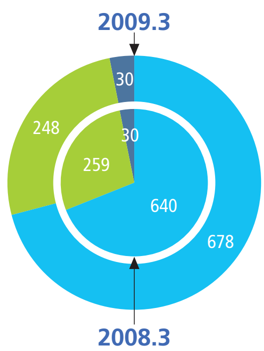
R&D Expenses



Sales by Business Segments

*External Sales

	2008.3 (JPY bn)	2009.3 (JPY bn)
Pharmaceuticals Business	640	678
Consumer Products Business	259	248
Other Businesses	30	30



Taiho Pharmaceutical increased sales both in oncology and other areas. Oncology sales were driven by the anticancer drugs, *TS-1* and *UFT*, and *Uzel* tablets primarily as a result of focused messaging and addition of a new formulation.

In other areas, marketing efforts for *Protecadin* and *BUP-4* tablets have been strengthened amidst tougher competition and sales of *Tazobactam*, an antibiotic licensed to Taisho Toyama Pharma and used as an active ingredient, showed a strong increase primarily due to the launch of *Zosyn* in October 2008.

In the clinical nutrition business, Otsuka Pharmaceutical Factory's high-calorie infusion *Neoparen No. 1* and *Neoparen No. 2* significantly increased sales with the introduction of the 1500-ml containers.

BFLUID Infusion, *Racol*, and the *OTSUKA* 10 and 20-ml saline injection syringes all increased sales and saline syringe *OTSUKA* became the leader in the prefilled saline syringe formulation market. In May 2008, Otsuka Pharmaceutical Factory introduced *ARTCEREB Irrigation* and *Perfusion Solution for Cerebrospinal Surgery*, the first product to receive this indication in Japan. Prescriptions of the product are increasing particularly in the neurosurgeon-approved training facilities.

Net sales in Japan for the year ended March 31, 2009 were ¥688.9 billion with operating income of ¥73.8 billion.

(2) United States

Sales increase of *Abilify* was primarily due to the addition of new indications and formulations, and strong promotional efforts. In the category of atypical antipsychotics, *Abilify* ranked second in terms of prescription volume, and has made a large contribution to the growth in the U.S. business.

In the oncology field, *IV Busulfex*, a preconditioning agent for use in hematopoietic stem cell transplants, continues to perform well.

Pharmavite LLC increased its sales on a local currency basis by focusing on the *Nature Made* and *SOYJOY* brands but sales decreased on a yen basis as a result of the appreciation of the Japanese yen.

Net sales in the U.S. for the year ended March 31, 2009 were ¥315.0 billion and operating income was ¥9.9 billion.

(3) Others

In Europe, sales increase of *Abilify* has helped improve the financial position of the European business significantly. Sales increase in *Abilify* was primarily due to the addition of new indications and strong promotional efforts.

Pletal was launched in Sweden, France, and Italy, adding to the existing markets of the UK and Germany.

In 2008, Otsuka Pharmaceutical acquired a strategic stake in Alma S.A., a leading mineral water company in France and signed an agreement to acquire 100% of the shares in Nutrition & Sante.

In Asia, in spite of unfavorable exchange rates, the business continued to expand. The growth in the consumer products business was driven by *Pocari Sweat* which sold over 380 million bottles annually in Indonesia.

Net sales excluding Japan and the U.S. for the year ended March 31, 2009 were ¥55.6 billion and operating income was ¥5.2 billion.

Cash flow

Net cash provided by operating activities was ¥58.5 billion.

Although income tax paid amounted to ¥55.2 billion, income before income taxes and minority interests (¥90.1 billion) and depreciation and amortization (¥37.9 billion) contributed to positive cash flows provided by operating activities.

Net cash used in investing activities amounted to ¥213.6 billion. Main investing activities were the purchase of stock of unconsolidated subsidiaries and affiliated companies (¥131.5 billion) and the investments in subsidiaries resulting in a change in the scope of consolidation (¥34.5 billion).

Net cash provided by financing activities amounted to ¥172.2 billion. The Company raised ¥94.9 billion through third-party allocations and ¥73.6 billion from long-term bank borrowings.

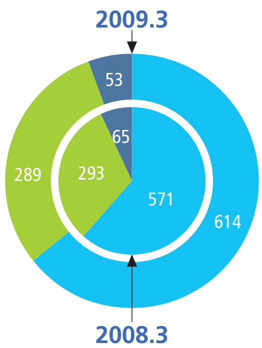
Operational risks

Below we set out some of the major risk factors which may have an impact on the Group's operating and financial performance. This explanation is not intended to be complete and there may be other risks affecting the Group's

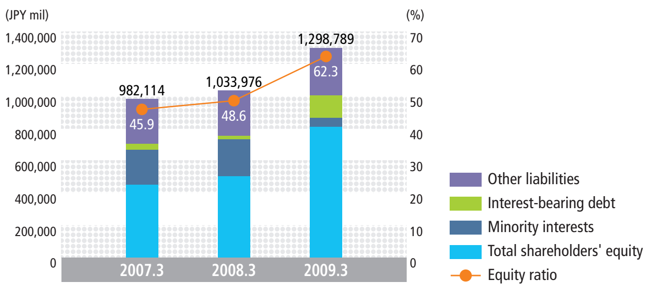
Operating Results by Geographical Segment

*External Sales

	2008.3 (JPY bn)	2009.3 (JPY bn)
Japan	571	614
U.S.A.	293	289
Others	65	53



Composition of Total Capital Employed



performance not listed below. Forward-looking information reflects our judgment on the basis of information available as of March 31, 2009.

(1) Pharmaceuticals business

We apply high standards to ensure the safety and quality of our pharmaceutical products. However, due to unexpected side effects or sudden accidents which are beyond our control, we may be forced to recall or suspend sales of the respective products. Furthermore, since our pharmaceuticals business is subject to pharmaceutical industry regulations and other legal restrictions, both domestically and overseas, approval from national authorities prior to the sale of new drugs is required.

If clinical trials do not prove the efficacy of our product, we may not receive new drug approval by the regulating authorities, and the launch of products under development may have to be delayed or potentially abandoned. In addition, a change in regulation may lead to the approval being withdrawn, which may force us to suspend sales of the drug and to recall products already sold. In addition, authorities in the countries where we operate may lower drug prices following changes in their national health policies. In Japan, drug prices established by the National Health Insurance are revised every two years.

The research and development of new pharmaceutical products requires substantial investment. However, if the efficacy of therapeutic drugs cannot be established in clinical trials, additional trials may be necessary or the development of the respective product may be suspended or terminated.

The Group devotes substantial effort to extend the life cycle of its pharmaceutical products by pursuing the approval of additional indications and dosage forms, however, these efforts are not always successful and sales may be negatively impacted by generic competition.

Our pharmaceutical products are protected by various types of patents with respect to raw materials, formulations, production processes and application, for a certain period of time. Following the expiration of a patent, competition from generic drugs may lead to a decline in price and prescription volume with negative impact on both sales and operating profit.

While we strictly manage our intellectual property rights and constantly monitor possible infringements, if an infringement occurred, we may suffer economic damage. In the course of business, we may also violate intellectual property rights of other parties and face claims for indemnification. To mitigate or eliminate the risk of infringement of the intellectual property of third parties, the Group conducts investigations of related intellectual property rights in advance and implements necessary measures to avoid infringement of third-party patents and other intellectual property rights.

(2) Consumer products business

Since our consumer products business is subject to regulatory restrictions, including the Japanese Food Sanitation Law and recycling-related regulation, the Group's activities in this area may be restricted due to unexpected new regulation.

Adverse weather conditions such as cool summers or typhoons may influence trends in consumer behavior, which may have a negative effect on the Group's performance and financial condition.

The Group applies high standards to ensure the safety, quality and reliability of its consumer products. We apply the same strict quality control to products manufactured by other companies on our behalf. While the Group operates a comprehensive quality control system, unforeseeable events such as the sudden outbreak of an epidemic (e.g. BSE or pandemic influenza) may result in a recall of some of our products.

(3) Other risks

The Group may face litigation, for example with regard to product liability.

If the Group's manufacturing facilities were to suffer damage due to fire or natural disasters such as a large earthquake, our overall production capacity may decrease due to the potential stoppage of manufacturing or other facilities and we may incur substantial costs in repairing or replacing damaged facilities.

Outside Japan, the Group's earnings and prospects may be adversely affected by changes in exchange rates, by the deterioration of public safety, and by unexpected changes in the legal, regulatory, and tax environment.

Consolidated Balance Sheet

ASSETS	Millions of yen 2009.3	Thousands of U.S. dollars (Note 1) 2009.3
Current assets:		
Cash and cash equivalents (Note 7)	¥ 230,104	$ 2,348,000
Time deposits	5,735	58,520
Marketable securities (Note 4)	12,241	124,908
Receivables (Note 7)		
Trade notes	14,108	143,959
Trade accounts	210,049	2,143,357
Unconsolidated subsidiaries and affiliated companies	2,539	25,908
Other	5,564	56,776
Allowance for doubtful receivables	(490)	(5,000)
Inventories (Notes 5 and 7)	104,008	1,061,306
Deferred tax assets (Note 10)	19,865	202,704
Other current assets	18,565	189,439
Total current assets	622,288	6,349,877
Property, plant and equipment: (Note 7)		
Land (Note 6)	69,980	714,082
Buildings and structures	255,514	2,607,286
Machinery and equipment	252,795	2,579,541
Furniture and fixtures	61,499	627,541
Lease assets	12,808	130,694
Construction in progress	5,341	54,500
Other	13,092	133,591
Total	671,029	6,847,235
Accumulated depreciation	(426,702)	(4,354,102)
Net property, plant and equipment	244,327	2,493,133
Investments and other assets:		
Investment securities (Note 4)	107,473	1,096,663
Investments in and advances to unconsolidated subsidiaries and affiliated companies	192,156	1,960,776
Goodwill (Note 6)	41,649	424,990
Intangible assets	44,801	457,153
Deferred tax assets (Note 10)	27,981	285,520
Other assets	18,115	184,847
Total investments and other assets	432,175	4,409,949
Total	¥ 1,298,790	$13,252,959

The accompanying notes are an integral part of these statements.

LIABILITIES AND EQUITY	Millions of yen 2009.3	Thousands of U.S. dollars (Note 1) 2009.3
Current liabilities:		
Short-term borrowings (Note 7)	¥ 23,950	$ 244,388
Current portion of long-term debt (Note 7)	17,058	174,061
Payables:		
Trade notes	8,319	84,888
Trade accounts	73,736	752,408
Construction	4,720	48,163
Unconsolidated subsidiaries and affiliated companies	3,155	32,194
Other	31,894	325,449
Income taxes payable	9,272	94,612
Accrued expenses	49,530	505,408
Other current liabilities	11,653	118,908
Total current liabilities	233,287	2,380,479
Long-term liabilities:		
Long-term debt (Note 7)	98,439	1,004,480
Liability for employees' retirement benefits (Note 8)	40,614	414,429
Retirement benefits for directors and corporate auditors	3,212	32,776
Negative goodwill	33,862	345,531
Deferred tax liabilities (Note 10)	15,565	158,826
Other long-term liabilities	9,995	101,989
Total long-term liabilities	201,687	2,058,031
Commitments and contingent liabilities (Notes 12,14 and 15)		
Equity (Notes 9 and 18):		
Common stock:	42,946	438,224
Authorized - 80,000,000 shares in 2009		
Issued - 23,518,869 shares in 2009		
Capital surplus	355,816	3,630,776
Retained earnings	468,065	4,776,173
Unrealized gain on available-for-sale securities	(716)	(7,306)
Foreign currency translation adjustments	(34,608)	(353,143)
Treasury stock, at cost	(22,073)	(225,234)
2,122,063 shares in 2009		
Total	809,430	8,259,490
Minority interests	54,386	554,959
Total equity	863,816	8,814,449
Total	¥ 1,298,790	$13,252,959

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries as of March 31, 2009

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2009.3	2009.3
Net sales	¥ 955,947	$9,754,561
Cost of sales	322,596	3,291,796
Gross profit	633,351	6,462,765
Selling, general and administrative expenses (Note 11)	541,831	5,528,887
Operating income	91,520	933,878
Other income (expenses):		
Interest and dividend income	4,060	41,429
Interest expense	(1,560)	(15,919)
Foreign exchange loss, net	(2,951)	(30,112)
Amortization of negative goodwill	2,464	25,143
Equity in earnings of unconsolidated subsidiaries and affiliates	1,782	18,184
Loss on impairment of long-lived assets (Note 6)	(1,565)	(15,969)
Loss on valuation of investment securities	(4,017)	(40,990)
Other, net (Note 8)	385	3,928
Other expenses, net	(1,402)	(14,306)
Income before income taxes and minority interests	90,118	919,572
Income taxes (Note 10):		
Current	35,601	363,276
Deferred	549	5,602
Total income taxes	36,150	368,878
Minority interests in net income	6,884	70,245
Net income	¥ 47,084	$ 480,449

	Yen	U.S. dollars
	2009.3	2009.3
Per share of common stock (Notes 2(q) and 17):		
Basic net income	¥ 2,727.20	$ 27.83
Diluted net income	2,725.10	27.81
Cash dividends applicable to the year	250	2.55

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Equity

Otsuka

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries as of March 31, 2009

	Thousands	Millions of yen									
	Issued number of shares of common stock	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2008	13,582	¥6,791	¥69,794	¥427,788	¥5,992	¥18	¥(2,586)	¥(5,166)	¥502,631	¥229,151	¥731,782
Unification of Accounting Policies Applied to Foreign Subsidiaries				(1,792)					(1,792)		(1,792)
Issuance of new shares (Note 9)	4,223	49,084	45,821						94,905		94,905
Share transfer (Note 3)		(13,209)	13,209						–		–
Stock-for-stock exchanges (Notes 3 and 16)	5,742	280	226,992						227,272		227,272
Cash dividends, ¥300 per share				(4,066)					(4,066)		(4,066)
Net income				47,084					47,084		47,084
Purchase of treasury stock								(1,677)	(1,677)		(1,677)
Retirement of treasury stock	(28)			(383)				383	–		–
Change of company status to consolidated subsidiaries from equity method affiliates								(15,613)	(15,613)		(15,613)
Change of scope of consolidation				(566)					(566)		(566)
Net change in the year					(6,708)	(18)	(32,022)		(38,748)	(174,765)	(213,513)
Balance, March 31, 2009	23,519	¥42,946	¥355,816	¥468,065	¥(716)	–	¥(34,608)	¥(22,073)	¥809,430	¥54,386	¥863,816

	Thousands of U.S dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2008	$69,296	$712,184	$4,365,184	$61,143	$184	$(26,388)	$(52,714)	$5,128,889	$2,338,275	$7,467,164
Unification of Accounting Policies Applied to Foreign Subsidiaries			(18,286)					(18,286)		(18,286)
Issuance of new shares (Note 9)	500,857	467,561						968,418		968,418
Share transfer (Note 3)	(134,786)	134,786						-		-
Stock-for-stock exchanges (Notes 3 and 16)	2,857	2,316,245						2,319,102		2,319,102
Cash dividends, ¥300 per share			(41,490)					(41,490)		(41,490)
Net income			480,449					480,449		480,449
Purchase of treasury stock							(17,112)	(17,112)		(17,112)
Retirement of treasury stock			(3,908)				3,908	-		-
Change of company status to consolidated subsidiaries from equity method affiliates							(159,316)	(159,316)		(159,316)
Change of scope of consolidation			(5,776)					(5,776)		(5,776)
Net change in the year				(68,449)	(184)	(326,755)		(395,388)	(1,783,316)	(2,178,704)
Balance, March 31, 2009	$438,224	$3,630,776	$4,776,173	$(7,306)	-	$(353,143)	$(225,234)	$8,259,490	$554,959	$8,814,449

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Otsuka Holdings Co., Ltd. and Consolidated Subsidiaries as of March 31, 2009

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2009.3	2009.3
Operating activities:		
Income before income taxes and minority interests	¥ 90,118	$ 919,572
Adjustments for :		
Income taxes paid	(55,245)	(563,724)
Depreciation and amortization	37,926	387,000
Foreign exchange loss, net	2,951	30,112
Amortization of negative goodwill	(2,464)	(25,143)
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,782)	(18,184)
Loss on impairment of long-lived assets	1,565	15,969
Loss on valuation of investment securities	4,017	40,990
Changes in assets and liabilities:		
Increase in trade receivable	(7,292)	(74,408)
Increase in inventories	(9,264)	(94,531)
Decrease in trade payable	(5,222)	(53,286)
Other, net	3,163	32,276
Net cash provided by operating activities	58,471	596,643
Investing activities:		
Proceeds from sales of property, plant and equipment	748	7,633
Purchases of property, plant and equipment	(30,188)	(308,041)
Proceeds from sales and redemption of investment securities	11,178	114,061
Purchases of investment securities	(20,707)	(211,296)
Purchases of stock of unconsolidated subsidiaries and affiliated companies	(131,503)	(1,341,867)
Purchase of investments in subsidiaries resulting in change in scope of consolidation (Note 16)	(34,470)	(351,735)
Proceeds from withdrawal of time deposits	3,518	35,898
Payments into time deposits	(9,078)	(92,633)
Other, net	(3,108)	(31,714)
Net cash used in investing activities	(213,610)	(2,179,694)
Financing activities:		
Increase in short-term debt-net	19,335	197,296
Proceeds from long-term debt	73,556	750,571
Repayments of long-term debt	(6,353)	(64,827)
Issuance of common stock	94,905	968,419
Dividends paid	(4,066)	(41,490)
Dividends paid to minority interests in consolidated subsidiaries	(1,049)	(10,704)
Other, net	(4,131)	(42,152)
Net cash provided by financing activities	172,197	1,757,113
Foreign currency translation adjustments on cash and cash equivalents	(9,696)	(98,939)
Net increase in cash and cash equivalents	7,362	75,123
Cash and cash equivalents of newly consolidated subsidiaries	95	969
Cash and cash equivalents, beginning of year	222,647	2,271,908
Cash and cash equivalents, end of year	¥ 230,104	$2,348,000

The accompanying notes are an integral part of these statements.

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Otsuka Holdings Co., Ltd. (the "Company") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange on March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements as of March 31, 2009, include the accounts of the Company and its 65 significant subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 1 unconsolidated subsidiary and 11 affiliated companies are accounted for by the equity method.

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

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

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

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

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

(1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements,

(2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process,

(3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material:

1) amortization of goodwill;
2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity;
3) expensing capitalized development costs of R&D;
4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting;
5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and
6) exclusion of minority interests from net income, if contained.

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

The Company applied this accounting standard effective April 1, 2008. The effect of this change was to decrease operating income by ¥381 million ($3,888 thousand) and to increase income before income taxes and minority interests by ¥1,095 million ($11,173 thousand). In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

(c) Business combination

In October 2003, the Business Accounting Council (the “BAC”) issued a Statement of Opinion, “Accounting for Business Combinations,” and on December 27, 2005, the ASBJ issued ASBJ Statement No.7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No.10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.” These new accounting pronouncements were effective for fiscal years beginning on or after April 1, 2006.

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

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

(d) Cash equivalents

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

(e) Securities

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

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

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

(f) Inventories

Prior to April 1 2008, inventories were stated at cost determined by the first-in first-out method or the average method. In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to decrease operating income by ¥932 million ($9,510 thousand) and income before income taxes and minority interests by the same amount.

(g) Property, plant and equipment

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

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

The range of useful lives is from 3 to 65 years for buildings and structures and from 3 to 20 years for machinery and equipment.

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

(h) Intangible assets

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

(i) Long-lived assets

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

(j) Retirement benefits

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

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

Certain domestic companies transferred part of their defined benefit pension plans to their defined contribution plan as of April 1, 2008. As a result of this transfer, a gain on abolishment of retirement benefit plan of ¥1,097 million ($11,194 thousand) has been recognized as other income for the year ended March 31, 2009.

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

(k) Research and development expenses

Research and development expenses are charged to income as incurred.

(l) Leases

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

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

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

(m) Income taxes

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

(n) Foreign currency transactions

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

(o) Foreign currency translation

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

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

(p) Derivative financial instruments

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

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

i) all derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statements of income.

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

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

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

(q) Per share information

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

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

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

(r) New accounting pronouncements

1) Business Combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No.21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired by the business combination is capitalized as an intangible asset.
(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

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

The current accounting standard requires unification of accounting policies within the consolidation group. However, the current guidance allows applying the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No.16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

3) Asset retirement obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. Business combination

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

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

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

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

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

On October 1, 2008, by means of absorption-type company split ("Kyushu-bunkatsu") Otsuka Pharmaceutical Co., Ltd.

transferred to the Company all of its shareholdings in Otsuka Chemical Holdings Co., Ltd., Otsuka Pharmaceutical Factory, Inc. and Otsuka Warehouse Co., Ltd.

(3) Stock-for-stock exchange with Otsuka Pharmaceutical Factory, Inc.
On October 31, 2008, the Company completed the stock-for-stock exchange with Otsuka Pharmaceutical Factory, Inc., and as a result, Otsuka Pharmaceutical Factory, Inc. became a wholly-owned subsidiary of the Company.

In this transaction, 30 shares of the Company's stock were allotted to each share of Otsuka Pharmaceutical Factory's stock excluding shares owned by the Company. The Company issued 1,920,000 new shares valued at ¥80,256 million ($818,939 thousand), and combined with acquisition costs of ¥45 million ($459 thousand), the total costs to the Company was ¥80,301 million ($819,398 thousand). Neither positive nor negative goodwill arose from this transaction.

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

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

(6) Stock-for-stock exchange with Taiho Pharmaceutical Co., Ltd.
On January 1, 2009, Otsuka Holdings Co., Ltd. completed a stock-for-stock exchange with Taiho Pharmaceutical Co., Ltd., and as a result Taiho Pharmaceutical Co., Ltd. became a wholly-owned subsidiary of the Company. In this transaction, 20 shares of the Company's stock were allotted to each share of Taiho Pharmaceutical's stock excluding shares owned by the Company. The Company issued 3,822,280 new shares valued at ¥147,016 million ($1,500,163 thousand), and combined with acquisition costs of ¥45 million ($459 thousand), the total costs to the Company were ¥147,061 million ($1,500,622 thousand). Neither positive nor negative goodwill arose from this transaction.

4. Securities

Securities as of March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Current:		
Government and corporate bonds	¥ 12,174	$ 124,224
Other	67	684
Total	¥ 12,241	$ 124,908
Non-Current:		
Marketable equity securities	¥ 38,125	$ 389,031
Government and corporate bonds	55,405	565,357
Other	13,943	142,275
Total	¥107,473	$1,096,663

The costs and aggregate fair values of marketable and investment securities at March 31, 2009 were as follows:

March 31, 2009	Millions of yen			
	Cost	Unrealized gains	Unrealized losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥38,208	¥6,667	¥6,750	¥38,125
Held-to-maturity	67,479	865	59	68,285

March 31, 2009	Thousands of U.S. dollars			
	Cost	Unrealized gains	Unrealized losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$389,878	$68,031	$68,878	$389,031
Held-to-maturity	688,561	8,827	602	696,786

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2009 were as follows:

Carrying amount	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Available-for-sale:		
Equity securities	¥11,444	$116,776
Other	2,665	27,194
Held-to-maturity	-	-
Total	¥14,109	$143,970

Proceeds from sales of available-for-sale securities for the year ended March 31, 2009 was ¥475 million ($4,847 thousand). Gross realized gains and losses on these sales, computed on the moving average cost basis was gains of ¥49 million ($500 thousand) and no losses.

The carrying values of debt securities and others by contractual maturities for securities classified held-to-maturity at March 31, 2009, were as follows:

March 31, 2009	Millions of yen	Thousands of U.S. dollars
Due in one year or less	¥12,174	$124,224
Due after one year to five years	56,105	572,500
Due after five years to ten years	800	8,163
Due after ten years	1,000	10,205
Total	¥70,079	$715,092

5. Inventories

Inventories at March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Finished products and merchandise	¥ 55,285	$ 564,133
Semi-finished products and work-in-process	19,473	198,704
Raw material and supplies	29,250	298,469
Total	¥104,008	$1,061,306

6. Long-lived assets

The Group reviewed its long-lived assets for impairment as of March 31, 2009, and as a result, recognized an impairment loss of ¥1,565 million ($15,969 thousand) as other expense mainly relating to unutilized land and goodwill. The recoverable amount of the impaired land was measured at net realizable value and mainly determined based on real estate appraisals.

7. Short-term borrowings and long-term debt

Short-term borrowings at March 31, 2009 represented loans, principally from banks. The weighted-average interest rate on these borrowings was approximately 2.8%.

Long-term debt at March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Secured loans from banks and financial institutions		
Due 2009 to 2015, with a weighted-average interest rate of 6.7%	¥20,562	$ 209,816
Unsecured loans from banks and financial institutions		
Due 2009 to 2018, with a weighted-average interest rate of 1.1%.	85,760	875,102
Lease liabilities	9,175	93,623
Total	115,497	1,178,541
Less-portion due within one year		
Loans	13,472	137,469
Lease liabilities	3,586	36,592
Long-term debt, less current portion	¥98,439	$1,004,480

Annual maturities of long-term debt after March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 17,058	$ 174,061
2011	28,580	291,633
2012	22,980	234,490
2013	5,023	51,255
2014	33,775	344,643
2015 and thereafter	8,081	82,459
Total	¥115,497	$1,178,541

The carrying amounts of assets pledged as collateral for short-term borrowings of ¥2,488 million ($25,388 thousand), other long-term liabilities of ¥7,207 million ($73,541 thousand) and the above collateralized long-term debt at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 602	$ 6,143
Receivables-trade accounts	10,183	103,908
Inventories	4,975	50,765
Property, plant and equipment -net of accumulated depreciation	7,401	75,520
Other	37	378
Total	¥23,198	$236,714

8. Retirement benefits

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

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

Certain domestic companies transferred part of their defined benefit pension plans to the defined contribution plan as of April 1, 2008. As a result of this transfer, a gain on abolishment of retirement benefit plans of ¥1,097 million ($11,194 thousand) has been recognized as other income for the year ended March 31, 2009.

The liability for employees' retirement benefits at March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Projected benefit obligation	¥191,670	$1,955,817
Fair value of plan assets	(116,861)	(1,192,459)
Unrecognized prior service cost	7,141	72,867
Unrecognized actuarial loss	(39,373)	(401,765)
Unrecognized transitional obligation	(2,537)	(25,888)
Prepaid pension cost	574	5,857
Net liability for employees' retirement benefits	¥ 40,614	$ 414,429

Note: Impact of transferring part of defined benefit pension plans to defined contribution plans:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Decrease in Projected benefit obligation	¥(17,177)	$(175,276)
Decrease in Unrecognized transitional obligation	207	2,112
Decrease in Unrecognized actuarial loss	1,944	19,837
Decrease in Unrecognized prior service cost	444	4,531
Decrease in Liability for employees' retirement benefits	¥(14,582)	$(148,796)

Value of the Plan Assets transferred to the defined contribution plan: ¥13,485 millions ($137,602 thousand).

The components of net periodic retirement benefit costs for the year ended March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Service cost	¥ 7,557	$ 77,112
Interest cost	3,701	37,765
Expected return on plan assets	(3,988)	(40,694)
Amortization of unrecognized prior service cost	(3,167)	(32,316)
Recognized actuarial loss	2,140	21,837
Amortization of transitional obligation	2,171	22,153
Net periodic retirement benefit costs	8,414	85,857
Additional benefit	378	3,857
Contributions to defined contribution pension plan	1,750	17,857
Total	¥10,542	$107,571

Assumptions used for the year ended March 31, 2009, were as follows:

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

9. Equity

Since May 1, 2006, Japanese companies have been subject to the new Companies Act of Japan (the "Companies Act"). Significant changes in the Companies Act that affect financial and accounting matters are summarized below:

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

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock resulting in "the amount available for distribution to the shareholders." The amount of net assets after dividends must be maintained at no less than ¥3 million.

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

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also contains provisions regarding treasury stock purchases and disposals of treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders as determined by a specific formula. Under the Companies Act, stock acquisition rights are now presented as a separate component of equity. The Companies Act also contains provisions regarding the purchase of both treasury stock acquisition rights and treasury stock by the company. Treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(d) Issuance of new shares through third-party allocation
1) On July 7, 2008, Otsuka Pharmaceutical Co., Ltd issued 1,352,500 new shares valued at ¥23,155 million ($236,275 thousand) in a third-party allocation of new shares. On July 8, 2008, Otsuka Holdings Co., Ltd. was established through sole share transfer by Otsuka Pharmaceutical Co., Ltd.
2) On September 30, 2008, the Company issued 2,700,000 new shares valued at ¥67,500 million ($688,776 thousand) in a third-party allocation of new shares.
3) On December 25, 2008, the Company issued 170,000 new shares valued at ¥4,250 million ($43,367 thousand) in a third-party allocation of new shares.

10. Income taxes

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

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

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Deferred tax assets:		
Liability for employees' retirement benefits	¥13,755	$140,357
Unrealized intercompany profits from inventories	8,878	90,592
Accrued expenses	9,402	95,939
Tax loss carryforwards	9,765	99,643
Research and development expenses	7,261	74,092
Loss on devaluation of investment securities	5,046	51,489
Loss on impairment of long-lived assets	2,071	21,133
Other	10,532	107,469
Less valuation allowance	(15,978)	(163,041)
Total	50,732	517,673
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	269	2,745
Unrealized gain on full revaluation resulting from inclusion of consolidated subsidiaries	6,766	69,041
Revaluation of Brands	7,086	72,306
Other	4,565	46,581
Total	18,686	190,673
Net deferred tax assets	¥32,046	$327,000

Analysis of the difference between the normal effective statutory tax rate (40.6%) and the actual effective tax rate

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

At March 31, 2009, certain consolidated subsidiaries have tax loss carryforwards aggregating to ¥32,300 million ($329,592 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 1,321	$ 13,480
2011	1,728	17,633
2012	4,210	42,959
2013	2,610	26,633
2014 and thereafter	22,431	228,887
Total	¥32,300	$329,592

11. Research and development expenses

Research and development expenses for the year ended March 31, 2009 were ¥135,900 million ($1,386,735 thousand).

12. Leases

The Group leases certain assets, mainly machinery and equipment. The Company applied the revised accounting standard for leases effective April 1, 2008, which requires that all finance lease transactions be capitalized. Finance leases which existed at the transition date and which are not deemed to transfer ownership of the leased property to the lessee were accounted for as if such leased assets had been acquired at the transition date at cost measured at the obligation under the finance leases.

The future minimum lease payments under non-cancellable operating leases at March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009.3	2009.3
Due within one year	¥ 2,427	$ 24,765
Due after one year	11,254	114,837
Total	¥13,681	$139,602

13. Related party transactions

During the year ended March 31, 2009, the Company acquired additional shares in Otsuka Chemical Holdings Co., Ltd. ("OCH") valued at ¥52,470 million ($535,408 thousand) in total, which were issued in a third-party allocation of new shares, and as a result, OCH became a consolidated subsidiary of the Company. As of March 31, 2009, the Company directly owns 49.0% and indirectly owns 1.3% of voting rights of OCH. Prior to the transaction, OCH was an affiliated company of the Company accounted for under the equity method.

14. Derivatives

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

All derivative transactions are entered into to hedge business-related interest and foreign currency exposures. Accordingly, market risk in these derivatives is in principle offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk. Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

The Group had the following derivatives contracts outstanding at March 31, 2009:

2009.3	Millions of yen		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency related contracts			
Foreign exchange forward			
Buying:			
U.S.$	¥ 5	¥ 4	¥ (1)
Euro	342	366	24
Singapore $	2	2	0
Canada $	134	133	(1)
Foreign exchange option			
U.S.$	11,327	(780)	(780)
Foreign currency related contracts total	¥11,810	¥(275)	¥(758)
Interest rate related contracts			
Interest rate swaps			
Receive float, pay float:	¥25,899	¥(454)	¥(454)
Interest rate caps			
Buying:	13,282	44	44
Interest rate related contracts total	¥39,181	¥(410)	¥(410)

2009.3	Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)
Foreign currency related contracts			
Foreign exchange forward			
Buying:			
U.S.$	$ 51	$ 41	$ (10)
Euro	3,490	3,735	245
Singapore $	20	20	0
Canada $	1,367	1,357	(10)
Foreign exchange option			
U.S.$	115,592	(7,960)	(7,960)
Foreign currency related contracts total	$120,520	$(2,807)	$(7,735)
Interest rate related contracts			
Interest rate swaps			
Receive float, pay float:	$264,275	$(4,633)	$(4,633)
Interest rate caps			
Buying:	135,531	449	449
Interest rate related contracts total	$399,806	$(4,184)	$(4,184)

15. Contingent liabilities

At March 31, 2009, contingent liabilities were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted	¥ 559	$ 5,704
Loan guarantees	¥24,957	$254,663

16. Cash flow information

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥106,007	$1,081,704
Non-current assets	78,802	804,102
Goodwill	27,996	285,673
Current liabilities	(38,618)	(394,061)
Long-term liabilities	(53,811)	(549,092)
Treasury stock	22,381	228,378
Foreign currency transaction adjustments	(14)	(143)
Minority interests	(45,807)	(467,418)
Carrying values of investments in newly consolidated companies at the date of acquisition	(16,160)	(164,898)
Acquisition costs	80,776	824,245
Cash and cash equivalent of newly consolidated companies	(46,306)	(472,510)
Payments for the acquisitions	¥ 34,470	$ 351,735

(2) Non-monetary transactions

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

	Millions of yen	Thousands of U.S. dollars
Capital	¥ 280	$ 2,857
Capital surplus	226,992	$2,316,245
Total	¥227,272	$2,319,102

17. Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2009 was as follows:

For the year ended March 31, 2009	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	¥47,084	17,265	¥2,727.20	$27.83
Effect of dilutive securities				
Warrants issued by affiliated companies	(36)	–		
Diluted EPS				
Net income for computation	¥47,048	17,265	¥2,725.10	$27.81

18. Subsequent event

(1) Appropriation of retained earnings

The following appropriations of retained earnings at March 31, 2009 were approved at the Company's Board of Directors held on May 14, 2009:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥250 ($2.55) per share	¥5,879	$59,990

(2) Extension of the agreement regarding ABILIFY with Bristol-Myers Squibb Company

On April 4, 2009, Otsuka Pharmaceutical Co., Ltd., a wholly-owned subsidiary of the Company reached an agreement with Bristol-Myers Squibb Company to extend the U.S. portion of the companies' long-standing agreement for the development and commercialization of ABILIFY® (aripiprazole) from the currently scheduled end date of November 2012 until April 2015. Under the term of the new agreement, Otsuka Pharmaceutical Co., Ltd.'s share of ABILIFY net sales in the U.S. increases gradually from January 2010. In addition, Otsuka Pharmaceutical Co., Ltd. received an upfront payment of $400 million in April 2009.

Otsuka Pharmaceutical Co., Ltd. has accounted for this upfront payment as long-term deferred income to be amortized over the agreement period.

(3) Stock split

On May 8, 2009 the Company's Board of Directors passed a resolution regarding a stock split as outlined below:

1) Objective of the stock split: To smoothly complete the stock-for-stock exchange with Otsuka Chemical Holdings Co., Ltd. ("OCH") scheduled on July 1, 2009
2) Stock split ratio: One share of stock held by the shareholders of record at the close of business on June 1, 2009 will be split into 20 shares.
3) Number of shares
   Number of issued shares before the stock split: 23,518,869 shares
   Increase in number of issued shares: 446,858,511 shares
   Number of issued shares after the stock split: 470,377,380 shares
4) Schedule
   Closing date of shareholders' registration: June 1, 2009
   Effective date of the stock split: June 30, 2009
5) Others
   -If this stock split had taken place at the beginning of this fiscal year, net assets per share, earnings per share, and diluted earnings per share would have been ¥1,800.26 ($18.37), ¥136.36 ($1.39), and ¥136.25 ($1.39) respectively.
   -Concurrent with the stock split, the Company will increase the number of authorized shares in its articles of incorporation by 1,520,000,000 to 1,600,000,000 shares.

(4) Stock-for-stock exchange with OCH

On May 8, 2009, the Company's Board of Directors passed a resolution regarding a stock-for-stock exchange with OCH, and on the same day, the Company concluded an agreement with OCH to this effect. This agreement was later approved at the Company's shareholders meeting held on June 26, 2009.

1) Objective of the stock-for-stock exchange
   This transaction is part of Otsuka Group's efforts in reorganizing group companies under the leadership of the Company.
2) Stock exchange ratio
   Effective July 1, 2009, each share of OCH's stock will be exchanged for one share of the Company's stock excluding shares already owned by the Company.
3) Basis for calculating the stock exchange ratio
   To ensure the fairness of the stock exchange ratio, the Company engaged Nomura Securities Co., Ltd. and OCH engaged Clifix Consulting Co., Ltd. to obtain independent valuations from third-parties. Taking into consideration the valuation results obtained as well as current and projected financials of the two companies, the two companies discussed and agreed on a stock exchange ratio subject to the Company successfully completing its one-for-twenty stock split scheduled on June 30, 2009. This agreement of the stock-for-stock exchange was then approved by both OCH's and the Company's board of directors on May 8, 2009. In the event of any material change in the conditions on which the agreed stock exchange ratio is calculated, the stock exchange ratio may be revised by both companies.
4) Effective date: July 1, 2009
5) Accounting
   The Company will apply "Accounting Standard for Business Combinations (BAC, October 31, 2003)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ, Guidance No. 10)" and treat this transaction as a business transaction under common control.

(5) Absorption-type company split transaction with OCH

On May 8, 2009, the Company's Board of Directors passed a resolution on the absorption-type company split transaction with OCH, and on the same date the Company concluded the agreement with OCH. This resolution was later approved at the Company's shareholders meeting held on June 26, 2009.

1) Objective of the company split
   This transaction is part of Otsuka Group's efforts in reorganizing group companies under the leadership of the Company.
2) Procedure
   In this absorption-type company split, the Company is the succeeding company while OCH is the splitting company. The transaction will be conducted without the approval of OCH's shareholders meeting, since at the time of the transaction, OCH will have become a wholly-owned subsidiary of the Company as a result of the stock-for-stock exchange scheduled for July 1, 2009.
3) Effective date: August 1, 2009
4) Assets and liabilities to be transferred:
   Assets: all of the shareholdings in the Company and Otsuka Beverage Co., Ltd held by OCH as of the effective date of this transaction.
   Liabilities: The Company assumes no liabilities from OCH.
5) Allotment of shares in the absorption-type split
   Since OCH will be a wholly-owned subsidiary of the Company at the time of this transaction, the Company will not issue any shares or other consideration to OCH in lieu of the assets transferred to the Company from OCH.
6) Accounting
   The company will apply "Accounting Standard for Business Combinations (BAC, October 31, 2003)" and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10)" and treat this transaction as a business transaction under common control.

19. Segment information

(a) Business segments

The Group has classified its businesses into three segments: "Pharmaceuticals," "Consumer products" and "Other." The pharmaceuticals business comprises research and development, production and sales of prescription drugs for the treatment of cardiovascular, respiratory and other disorders as well as parenteral and other clinical nutrition. The consumer products business comprises production and sales of functional drinks and foods. Other businesses comprise logistics, warehousing, packaging and electronics.

Business segment information for the fiscal year ended March 31, 2009, was as follows:

2009.3	Millions of yen					
	Pharmaceuticals	Consumer products	Other	Total	Eliminations /Corporate	Consolidated
Sales to customers	¥677,798	¥248,081	¥30,068	¥ 955,947	¥ -	¥ 955,947
Intersegment sales	528	1,223	22,474	24,225	(24,225)	-
Total	678,326	249,304	52,542	980,172	(24,225)	955,947
Operating expenses	565,338	256,018	50,443	871,799	(7,372)	864,427
Operating income	¥112,988	¥ (6,714)	¥ 2,099	¥ 108,373	¥ (16,853)	¥ 91,520
Total assets, depreciation, impairment loss and capital expenditures:						
Total assets	¥639,330	¥342,184	¥97,848	¥1,079,362	¥219,428	¥1,298,790
Depreciation	25,775	10,610	1,587	37,972	2,324	40,296
Impairment loss	1,244	-	106	1,350	215	1,565
Capital expenditures	20,455	37,078	842	58,375	5,060	63,435

2009.3	Thousands of U.S. dollars					
	Pharmaceuticals	Consumer products	Other	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 6,916,306	$2,531,439	$306,816	$ 9,754,561	$ -	$ 9,754,561
Intersegment sales	5,388	12,480	229,326	247,194	(247,194)	-
Total	6,921,694	2,543,919	536,142	10,001,755	(247,194)	9,754,561
Operating expenses	5,768,755	2,612,429	514,724	8,895,908	(75,225)	8,820,683
Operating income	$1,152,939	$ (68,510)	$ 21,418	$ 1,105,847	$ (171,969)	$ 933,878
Total assets, depreciation, impairment loss and capital expenditures:						
Total assets	$6,523,776	$3,491,673	$998,449	$11,013,898	$2,239,061	$13,252,959
Depreciation	263,010	108,265	16,194	387,469	23,715	411,184
Impairment loss	12,694	-	1,082	13,776	2,193	15,969
Capital expenditures	208,724	378,347	8,592	595,663	51,633	647,296

Changes in accounting policy

1) As discussed in Note 2.(b)., effective April 1, 2008, the Company applied PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The effect of this change was to decrease operating income of "Pharmaceuticals" by ¥ 381 million ($ 3,888 thousand) for the year ended March 31, 2009.

2) As discussed in Note 2.(f)., effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of "Pharmaceuticals" by ¥ 889 million ($ 9,071 thousand), operating income of "Consumer products" by ¥ 23 million ($ 235 thousand) and operating income of "Other" by ¥ 19 million ($ 194 thousand) for the year ended March 31, 2009.

(b) Geographical segments

Geographical segments are classified as "Japan," "U.S." and "Other." Consistent with the business segment information, corporate administrative expenses that cannot be classified into any specific segments are included in "Eliminations/Corporate."

The geographical segment information for the year ended March 31, 2009, was as follows:

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

2009.3	Thousands of U.S. dollars					
	Japan	U.S.	Other	Total	Eliminations /Corporate	Consolidated
Sales to customers	$ 6,261,551	$2,948,051	$ 544,959	$ 9,754,561	$ -	$ 9,754,561
Intersegment sales	768,551	266,316	22,398	1,057,265	(1,057,265)	-
Total	7,030,102	3,214,367	567,357	10,811,826	(1,057,265)	9,754,561
Operating expenses	6,276,602	3,113,469	513,928	9,903,999	(1,083,316)	8,820,683
Operating income	$ 753,500	$ 100,898	$ 53,429	$ 907,827	$ 26,051	$ 933,878
Total assets	$12,360,296	$1,071,235	$1,060,163	$14,491,694	$(1,238,735)	$13,252,959

Changes in accounting policy

1) As discussed in Note 2.(b), effective April 1, 2008, the Company applied PITF No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The effect of this change was to decrease operating income of "U.S." by ¥376 million ($3,837 thousand) and operating income of "Other" by ¥5 million ($51 thousand) for the year ended March 31, 2009.

2) As discussed in Note 2.(f)., effective April 1, 2008, the Company applied ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of "Japan" by ¥932 million ($9,510 thousand).

(c) Overseas sales

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

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

2009.3	Thousands of U.S. dollars		
	U.S.	Other	Total
Overseas sales	$3,350,245	$680,520	$4,030,765
Consolidated net sales			$9,754,561

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheet of Otsuka Holdings Co., Ltd. (the "Company") and consolidated subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Otsuka Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 18 to the consolidated financial statements, on April 4, 2009 Otsuka Pharmaceutical Co., Ltd., a wholly owned subsidiary of the Company, reached an agreement with Bristol-Myers Squibb Company to extend the U.S. portion of the companies' long-standing agreement for the development and commercialization of ABILIFY® (aripiprazole) from the currently scheduled end date of November 2012 until April 2015. Under the term of the new agreement, Otsuka Pharmaceutical Co., Ltd.'s share of ABILIFY net sales in the U.S. increases gradually from January 2010. In addition, Otsuka Pharmaceutical Co., Ltd. received an upfront payment of $400 million in April 2009 and has accounted for this upfront payment in long-term deferred income to be amortized over the agreement period.

As discussed in Note 18 to the consolidated financial statements, on May 8, 2009 the Company's Board of Directors passed a resolution on the stock split.

As discussed in Note 18 to the consolidated financial statements, on May 8, 2009 the Company's Board of Directors passed a resolution on the stock-for-stock exchange with Otsuka Chemical Holdings Co., Ltd. ("OCH") and on the same day, the Company concluded the agreement with OCH. This agreement was later approved at the Company's shareholders meeting held on June 26, 2009.

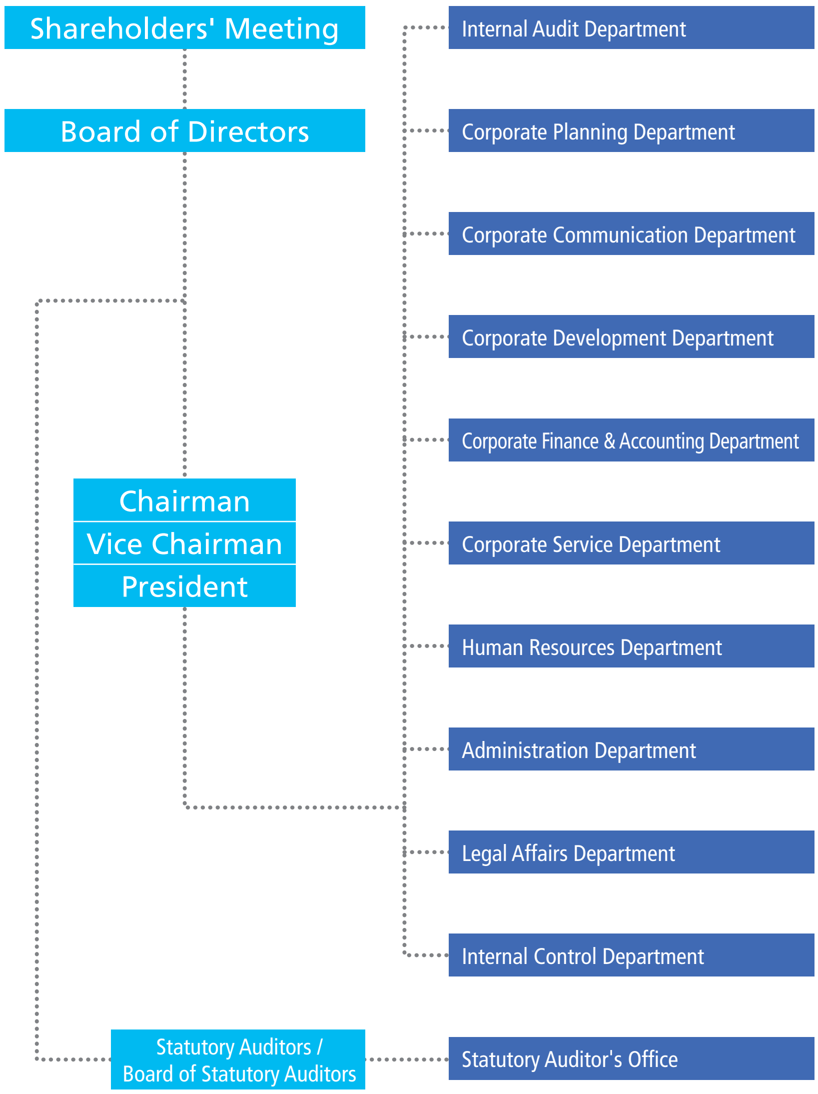
Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 26, 2009

Member of
Deloitte Touche Tohmatsu

Company organization



Board of directors (as of July 1, 2009)

Chairman, Representative Director
Akihiko Otsuka

Vice Chairman, Representative Director
Kenichiro Otake

President and Representative Director, CEO
Tatsuo Higuchi

Senior Managing Director, Finance
Atsumasa Makise

Managing Director, Corporate Planning
Katsuya Yamasaki

Managing Director, Corporate Development
Noriko Tojo

Managing Director, Administration
Yoshiro Matsuo

Executive Directors
Ichiro Otsuka
Yujiro Otsuka
Yukio Kobayashi
Sadanobu Tobe

Non-Executive Director
Kazuyo Katsuma

Standing Statutory Auditor
Masahiko Kato

Statutory Auditors
Yasuhisa Katsuta
Norikazu Yahagi

Corporate profile (as of March 31, 2009)

Company name	Otsuka Holdings Co., Ltd.
Established	July 8, 2008
Capital	JPY 42,946 million
Registered address	2-9 Kanda-Tsukasamachi, Chiyoda-ku, Tokyo 101-0048
Tokyo headquarters	Shinagawa Grand Central Tower, 2-16-4 Konan, Minato-ku, Tokyo 108-8241, Japan
Number of employees	42
Business description	Control, management and related activities with respect to the Company's subsidiaries and affiliates active in the pharmaceutical industry, consumer products and other areas.
Public notices (in English)	http://www.otsuka.com/en/

Shareholder Information

(as of March 31, 2009)

Number of shares authorized	80,000,000
Number of shares issued	23,518,869
Number of shareholders	5,335

Major shareholders

Name	Number of shares held (Thousands)	Percentage of ownership Voting (%)
Otsuka Chemical Holdings Co., Ltd.	2,066	8.78
Otsuka Estate Limited	2,004	8.52
Otsuka Group Employee Shareholding Fund	1,078	4.58
Nomura Trust and Banking Co., Ltd., Otsuka Group Employee Shareholding Fund Trust Account	749	3.18
Nomura Holdings, Inc.	609	2.59
Otsuka Asset Co., Ltd.	600	2.55
The Awa Bank, Limited	548	2.33
Ichiro Otsuka	280	1.19
Resona Bank, Ltd.	228	0.97
Koyo Co., Ltd.	202	0.86

*On June 30, 2009, Otsuka Holdings Co., Ltd. (the "Company") will conduct a one-for-twenty stock split. At the same time, the number of authorized shares as set out in the Company's articles of incorporation will be changed to 1,600,000,000.

*Otsuka Chemical Holdings Co., Ltd. will be renamed Otsuka Chemical Co., Ltd. effective 30 June, 2009. Upon completion of the stock split conducted by the Company, the Company will acquire the remaining shares in Otsuka Chemical Co., Ltd. through a one-for-one share exchange on July 1, 2009.

Classification of shareholders

	Number of shares	Percentage Holding	Number of shareholders
Other corporations*	9,293,701	39.5	92
Securities firms	9,684	0.1	1
Banks	1,525,952	6.5	3
Foreign corporations	30,300	0.1	2
Individuals and other	12,659,232	53.8	5,237
Total	23,518,869	100.00	5,335

*Including Nomura Holdings, Inc.

Otsuka

Otsuka Holdings Co., Ltd.

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