

Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2011 [Japan GAAP]

February 14, 2011

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Stock exchange listing	: Tokyo Stock Exchange
Code number	: 4578
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Scheduled date of dividend payments	: -
Supplementary materials for the quarterly financial results	: Yes
Earnings announcement for quarterly financial results	: Yes

(Figures are rounded down to the nearest million yen unless otherwise stated)

1. Consolidated Financial Results for the First Nine Months of FY2010 (April 1 to December 31, 2010)

(1) Consolidated Operating Results (For the nine months ended December 31)

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First nine months of FY2010	838,117	2.5	97,066	6.7	103,118	4.1	69,410	6.0
First nine months of FY2009	817,462	-	90,936	-	99,104	-	65,504	-

(Note) % change from the previous year for the first nine months of FY 2009 is not available as the quarterly financial statements are not available prior to FY2009.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First nine months of FY2010	144.04	143.91
First nine months of FY2009	140.07	140.02

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Book value per share
	Million yen	Million yen	%	Yen
As of December 31, 2010	1,569,197	1,157,777	72.9%	2,052.46
As of March 31, 2010	1,458,375	948,456	64.2%	1,964.70

(Note) Shareholders' equity: As of December 31, 2010 1,144,637 million yen
As of March 31, 2010 936,289 million yen

2. Dividends

	Annual dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2009	-	-	-	12.50	12.50
FY2010	-	-	-	-	-
FY2010 (forecast)	-	-	-	28.00	28.00

(Note) Revisions to dividends forecast during the quarter: No

3. Forecast of Consolidated Financial Results for FY 2010 (April 1, 2010 through March 31, 2011)

(% change from FY2009)

	Net sales		Operating income		Ordinary income		Net income		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2010 (Forecast)	1,138,000	5.0	120,000	21.9	129,000	18.3	79,700	18.2	159.28

(Note) Revisions to financial forecast during the quarter: No

4. Others (please see page 9 "Other information" for further details.)

(1) Changes in significant subsidiaries during the current period: None

(Note) Indicates whether there were changes in the specified subsidiaries resulting in a change in the scope of consolidation during the current period.

(2) Adoption of simplified accounting procedures and specific accounting procedures: Yes

(Note) Indicates whether the Group has adopted simplified accounting procedures and accounting procedures specific to quarterly consolidated financial statements.

(3) Changes in accounting principles and procedures, and methods of presentation

1) Changes due to revisions of accounting standards: Yes

2) Changes due to other reasons: No

(Note) Indicates whether there were changes in accounting principles and procedures, and methods of presentation related to the quarterly consolidated financial statements to be stated in the section "Summary of Changes in Accounting Policies and Procedures, and Methods of Presentation."

(4) Number of shares issued and outstanding (common stock)

1) Number of shares issued and outstanding as of the end of the reporting period (including treasury stock):

December 31, 2010 557,835,617 shares

March 31, 2010 519,156,817 shares

2) Number of shares of treasury stock as of the end of the reporting period:

December 31, 2010 330 shares

March 31, 2010 42,610,147 shares

3) Average number of shares outstanding during the reporting period (cumulative):

December 31, 2010 481,867,458 shares

December 31, 2009 467,635,426 shares

* Information Regarding the Quarterly Review Procedures

This quarterly financial report is exempt from quarterly review procedures as stipulated under the Financial Instruments and Exchange Act of Japan. At the time of disclosure of this quarterly financial report, the quarterly financial statement review procedures have been completed as stipulated under the Financial Instruments and Exchange Act of Japan.

* Disclaimer Regarding Forward-Looking Statements

Forecasts and other forward-looking statements included in this report are based on information currently available and certain assumptions that the Company deems reasonable. Actual performance and other results may differ significantly due to various factors. Please see "Qualitative Information Concerning Consolidated Financial Results" for details on the assumptions used and other related matters concerning the forecast of consolidated financial results (page 8).

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1. Qualitative Information Concerning Consolidated Financial Results for the First Nine Months of FY2010

(1) Consolidated Operating Results

<Summary of Operating Results for the First Nine Months of FY2010>

The Otsuka Group recorded consolidated net sales of ¥838,117 million (2.5% increase year-on-year) for the nine months ended December 31, 2010, with operating income of ¥97,066 million (6.7% increase year-on-year), ordinary income of ¥103,118 million (4.1% increase year-on-year), and net income of ¥69,410 million (6.0% increase year-on-year).

Results by business segment are as follows:

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Adjustments	Total
Net sales	545,335	201,996	37,826	81,970	(29,010)	838,117
Segment income (loss)	104,151	16,800	(1,053)	4,421	(27,253)	97,066

(Millions of yen)

1) Pharmaceuticals

In the area of the central nervous system, anti-psychotic agent *ABILIFY* performed well in the United States due to strong promotional efforts, despite the effects of the sluggish market and healthcare reform. However, yen-based sales decreased year-on-year as a result of changes in exchange rate. Sales of *ABILIFY* in Japan grew as a result of the steady growth of *ABILIFY Oral Solution* 0.1%.

In the field of anti-cancer and cancer-supportive care, *SPRYCEL*, an anti-cancer agent co-promoted with Bristol-Myers Squibb Company, contributed positively to sales. Sales of anti-cancer agents *TS-1* and *UFT*, and *Uzel*, a reduced folic acid formulation decreased as a result of the NHI price revision and the expansion of indications for competing products. The 5-HT₃ receptor antagonist antiemetic agent *Aloxi*, launched in April, recorded steady sales growth.

In the area of the cardiovascular system, the antiplatelet agent *Pletaal/Pletal* recorded solid growth as a result of sales activities focusing on the positive outcomes from the Cilostazol Stroke Prevention Study 2 (CSPS 2), a large-scale clinical trial, and the launch of the new orally disintegrating formulation, *Pletaal OD Tablets*, in April in Japan.

In other areas, sales of anti-gastritis and anti-gastric ulcer agent *Mucosta* declined as a result of the NHI price revision and the introduction of generics in Japan.

In the area of clinical nutrition, high-calorie TPN solutions *ELNEOPA No. 1 Injection* and *ELNEOPA No. 2 Injection*, formulated with glucose, electrolytes, amino acids, multi-vitamins, and trace elements, performed well.

Research and development expenses increased for the nine months ended December 31, 2010, as development of pipeline products, including aripiprazole intramuscular (IM) depot and OPC-34712, moved forward.

As a result, net sales of the pharmaceutical segment for the nine months ended December 31, 2010 totaled ¥545,335 million (2.1% increase year-on-year), with operating income of ¥104,151 million (8.7% decrease year-on-year).

2) Nutraceuticals

Sales of *Pocari Sweat*, an electrolyte supplement drink, increased as a result of successful promotional activities focusing on the core concept of the product, as well as the hot summer in Japan. In Indonesia, sales of *Pocari Sweat* remained flat due to the temporary shortage in supply caused by the delay in the start-up of the new factory, and increased competition in the market as a result of the increasing health consciousness in Indonesia. A carbonated beverage boom in Japan led to solid sales of *Oronamin C* and sales of the *Tiovita* brand increased as a result of enhanced sales promotion. Sales of *Solmack* decreased slightly and sales of *Calorie Mate* and *SOYJOY* both declined due to the slow down of sales-increase effect generated by the expansion of the product-line in the previous year.

In the nutraceutical segment, the Company is carrying out initiatives aimed at improving profitability, including ongoing cost reductions.

As a result, net sales of the nutraceutical segment for the nine months ended December 31, 2010 totaled ¥201,996 million (5.1% increase year-on-year), with operating income of ¥16,800 million (217.6% increase year-on-year).

3) Consumer products

Although sales of *Match*, a carbonated electrolyte drink containing vitamins, showed positive growth as a result of successful marketing efforts, bottled water sales struggled and the sales of *Nescafe* brand remained flat.

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

As a result, net sales of the consumer products segment for the nine months ended December 31, 2010 totaled ¥37,826 million (10.2% decrease year-on-year), with operating income of ¥1,053 million (84.9% decrease year-on-year).

4) Others

Sales in the specialty chemical business, which supplies materials for the IT and automotive sectors, recorded positive growth as the respective markets recovered. The transportation and warehousing business recorded solid growth as the increase in beverage sales resulted in an increase in the volume of goods handled.

As a result, net sales of other businesses for the nine months ended December 31, 2010 totaled ¥81,970 million (5.1% increase year-on-year), with operating income of ¥4,421 million (62.0% increase year-on-year).

<Research and Development Activities and Achievements during the First Nine Months of FY2010>

Research and development expenses for the nine months ended December 31, 2010 totaled ¥121,961 million.

The primary areas of research and development were as follows.

(1) Pharmaceuticals

The Otsuka Group conducts research and development with a focus on addressing unmet medical needs.

1) Therapeutic drugs

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

Category	Company	Brand Name / Generic Name / Development Code	Status
Central nervous system	Otsuka Pharmaceutical	<i>E Keppra</i>	<ul style="list-style-type: none"> In cooperation with UCB, the antiepileptic drug <i>E Keppra</i> received manufacturing and marketing approval in Japan in July 2010, and co-promotion with UCB Japan began in September 2010. Phase III trials for generalized onset seizures of epilepsy began in Japan.
	Otsuka Pharmaceutical	<i>ABILIFY</i>	<ul style="list-style-type: none"> Phase III trials for intramuscular depot began in Japan. Phase III trials for combination of aripiprazole and antidepressants for major depressive disorder began in the U.S. Phase I trials for once-weekly tablet for Tourette syndrome began in the U.S.
	Otsuka Pharmaceutical	OPC-34712	<ul style="list-style-type: none"> Phase II trials for ADHD began in the U.S.
Cardiovascular	Otsuka Pharmaceutical	<i>Pletaal/Pletal</i>	<ul style="list-style-type: none"> Results of CSPPS 2 (Cilostazol Stroke Prevention Study 2), a large-scale clinical trial, were published in <i>The Lancet Neurology</i> in September 2010.
	Otsuka Pharmaceutical	<i>SAMSCA</i>	<ul style="list-style-type: none"> Application for hyponatremia filed in China and Canada. <i>SAMSCA Tablets 15 mg</i> was launched in Japan in December 2010.
Anti-cancer and cancer-supportive care	Otsuka Pharmaceutical	Cannabinoid	<ul style="list-style-type: none"> Extension cannabinoid research collaboration agreement with GW Pharmaceuticals (headquartered in the U.K.) was signed in June 2010.

Category	Company	Brand Name / Generic Name / Development Code	Status
	Otsuka Pharmaceutical	<i>SPRYCEL</i>	<ul style="list-style-type: none"> <i>SPRYCEL</i> was approved for the treatment of adult patients with newly diagnosed chronic myeloid leukemia (CML) in chronic phase in the US in October, and in Europe in December 2010. <i>SPRYCEL</i> is an anti-cancer agent which was discovered by Bristol-Myers Squibb and for which Otsuka Pharmaceutical entered into collaboration with Bristol-Myers Squibb.
	Taiho Pharmaceutical	<i>Aloxi</i>	<ul style="list-style-type: none"> 5-HT₃ receptor antagonist antiemetic <i>Aloxi</i> launched in Japan in April 2010.
	Taiho Pharmaceutical	<i>Abraxane</i>	<ul style="list-style-type: none"> Anti-cancer agent <i>Abraxane</i> launched in Japan in September 2010.
	Taiho Pharmaceutical	TSU-68	<ul style="list-style-type: none"> Phase III trials for hepatocellular carcinoma began in Japan, South Korea, and Taiwan. Phase II trials for stomach cancer are in progress in Japan, phase II trials for colorectal cancer are in progress in South Korea, and phase I trials for non-small-cell lung cancer are in progress in Japan.
Other categories	Otsuka Pharmaceutical	OPA-6566	<ul style="list-style-type: none"> Otsuka Pharmaceutical and Acucela Inc. entered into a definitive agreement in September 2010 to co-develop and co-promote OPA-6566, an adenosine A2a receptor agonist discovered and developed by Otsuka for the treatment of glaucoma, in the U.S.
	Otsuka Pharmaceutical	<i>Mucosta</i> ophthalmic suspension	<ul style="list-style-type: none"> Application filed in October 2010 for regulatory approval in Japan to manufacture and market <i>Mucosta</i> ophthalmic suspension for treatment of dry eye.

2) Clinical nutrition

The applications for *HEPAFILLED for Dialysis 150 Units/mL SYRINGE 20mL* and *HEPAFILLED for Dialysis 200 Units/mL SYRINGE 20mL* were submitted in Japan in June 2010 and are currently under review. *Bicanate injection*, a bicarbonate-Ringer-solution, was launched in 500 mL formulation in October and 1,000 mL formulation in November.

3) Diagnostics

Manufacturing and marketing approval were obtained in Japan for the *Streptococcus pneumoniae* kit, *RAPIRUN Pneumococcus*, and the *H. pylori* antibody kit, *RAPIRUN H. Pylori Antibody Stick*, in May and June 2010, respectively. *Streptococcus pneumoniae* detection kit *RAPIRUN S. pneumoniae HS* (otitis media, rhinosinusitis), *Haemophilus influenzae ELISA kit Otsuka*, and WT1 mRNA assay kit are in the application procedure.

Research and development expenses for the pharmaceutical business were ¥113,549 million.

(2) Nutraceuticals

SOYSH, soy soda, which was developed based on the innovative concept of combining soy with carbonated drink, was launched in July 2010.

The *Tiovita* brand lineup was enhanced with the release of the *Tiovita Drink Aivitas* in June 2010.

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

Research and development expenses for the nutraceutical business were ¥3,813 million.

(3) Consumer products

There were no significant changes in the status of research and development for the consumer products business during the nine months ended December 31, 2010.

Research and development expenses for the consumer products business were ¥364 million.

(4) Others

There were no significant changes in the status of research and development for other businesses during the nine months ended December 31, 2010.

Research and development expenses for other businesses were ¥4,233 million.

(2) Consolidated Financial Position

1) Assets

Total assets as of December 31, 2010 were ¥1,569,197 million, an increase of ¥110,821 million compared to ¥1,458,375 million at the end of the previous fiscal year. The increase was due to the ¥136,731 million increase in current assets, ¥25,913 million decrease in fixed assets and ¥3 million increase in deferred assets.

(Current Assets)

Total current assets as of December 31, 2010 were ¥888,247 million, an increase of ¥136,731 million compared to ¥751,515 million at the end of the previous fiscal year. The increase was due mainly to the ¥42,781 million increase in cash and deposits and ¥73,216 million increase in marketable securities as a result of the issuance of common stock and disposal of treasury stock related to the initial public offering.

(Fixed Assets)

Total fixed assets as of December 31, 2010 were ¥680,883 million, a decrease of ¥25,913 million compared to ¥706,797 million at the end of the previous fiscal year. The decrease was due mainly to the declines in foreign currency based fixed assets and investments in equity method affiliated companies in yen terms resulting from the effect of the appreciation of the yen.

2) Liabilities

(Current Liabilities)

Total current liabilities as of December 31, 2010 were ¥236,127 million, a decrease of ¥75,682 million compared to ¥311,809 million at the end of the previous fiscal year. The decrease was due mainly to the ¥20,717 million decrease in short-term borrowings as a result of the repayment of debt, ¥11,200 million decrease in reserve for bonuses as a result of the payment of the winter bonuses, and ¥30,278 million decrease in income taxes payable as a result of the income tax payment.

(Fixed Liabilities)

Total fixed liabilities as of December 31, 2010 were ¥175,292 million, a decrease of ¥22,816 million compared to ¥198,109 million at the end of the previous fiscal year. The decrease was due mainly to the ¥14,874 million decrease in long-term debt as a result of repayment and reclassification to short-term borrowings, and ¥5,586 million decrease in other fixed liabilities. In April 2009, the Group and Bristol-Myers Squibb Company agreed to extend the U.S. portion of the development and commercialization collaboration agreement for Abilify. Under the terms of the agreement, the Group received \$400 million, which was recorded as unearned revenues and is being amortized as revenue over the period from January 2010 to April 2015.

3) Net Assets

Total net assets as of December 31, 2010 was ¥1,157,777 million, an increase of ¥209,321 million compared to ¥948,456 million at the end of the previous fiscal year. The increase was due mainly to the ¥62,867 million increase in retained earnings, and ¥38,744 million increase in common stock, ¥78,157 million increase in capital surplus and ¥45,353 million decrease in treasury stock as a result of the initial public offering. This was partially offset by the ¥14,060 million decrease in foreign currency translation adjustments resulting from the effect of the appreciation of the yen.

(3) Consolidated Operating Results Forecast

	Net sales	Operating income	Ordinary income	Net income	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Full Year Forecast	1,138,000	120,000	129,000	79,700	159.28
FY2009	1,084,291	98,481	109,057	67,443	143.50

(Note) Basic earnings per share for FY 2009 is calculated based on the average number of shares outstanding during the reporting period and the basic earnings per share for the current full year forecast is calculated based on 500,376,531 shares, the expected average number of shares outstanding during the period.

2. Other Information

(1) Changes in significant subsidiaries during the current period

(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

None

(2) Adoption of simplified accounting procedures and specific accounting procedures

1) Valuation of inventories:

Inventories at the end of the third quarter are mainly calculated from the perpetual records in lieu of an actual physical inventory.

2) Depreciation of property, plant and equipment:

For property, plant and equipment depreciated using the declining-balance method, depreciation expense applicable to the fiscal year is allocated to the period on a pro-rata basis.

(3) Changes in accounting principles and procedures, and methods of presentation

1) Changes in accounting standards

(a) Asset retirement obligations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31, 2008).

The effect of this change was to decrease operating income for the nine months ended December 31, 2010 by ¥16 million and income before income taxes and minority interests for the nine months ended December 31, 2010 by ¥443 million. The increase in the asset retirement obligation amount as a result of the application of the accounting standard was ¥560 million.

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

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the “Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No.16 issued on March 10, 2008) and “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 issued on March 10, 2008).

There was no impact on the Group’s interim consolidated financial statements as a result of this change.

(c) Business combinations

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the “Accounting Standard for Business Combinations” (ASBJ Statement No.21 issued on December 26, 2008), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on December 26, 2008), “Partial amendments to Accounting Standard for Research and Development Costs” (ASBJ Statement No. 23 issued on December 26, 2008), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on December 26, 2008), “Revised Accounting Standard for Equity Method of Accounting for Investments” (ASBJ Statement No. 16 issued on December 26, 2008) and “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10 issued on December 26, 2008).

There was no material impact on the Group’s interim consolidated financial statements as a result of these changes.

2) Changes in methods of presentation

(a) Quarterly Consolidated Statement of Income

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the “Cabinet Office Ordinance for Partial Amendment of the Regulations for Terminology, Forms and Preparation of Consolidated Financial Statements” (Cabinet Office Ordinance No. 5 issued on March 24, 2009) in accordance with the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22 issued on December 26, 2008) and included the line item “Income Before Minority Interests” in the Consolidated Financial Statement for the current period.

3. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010 (Summary)
ASSETS		
Current assets		
Cash and deposits	343,450	300,668
Notes and accounts receivable-trade	251,845	231,734
Marketable securities	123,428	50,211
Finished products and merchandise	65,011	64,163
Work-in process	21,683	22,948
Raw materials and supplies	29,216	28,308
Other current assets	53,953	53,879
Allowance for doubtful receivables	(340)	(397)
Total current assets	888,247	751,515
Fixed assets		
Tangible fixed assets	258,580	260,935
Intangible fixed assets		
Goodwill	42,759	44,751
Other intangible fixed assets	38,231	43,647
Total intangible fixed assets	80,991	88,399
Investments and other assets		
Investment securities	267,915	278,522
Investments in capital	21,902	24,349
Other assets	54,354	57,322
Allowance for investment loss	(2,713)	(2,445)
Allowance for doubtful receivables	(147)	(286)
Total investments and other assets	341,311	357,463
Total fixed assets	680,883	706,797
Deferred assets	66	62
Total assets	1,569,197	1,458,375
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	80,770	93,967
Short-term borrowings	41,990	62,707
Income taxes payable	5,052	35,331
Reserve for bonuses	4,952	16,153
Other reserves	222	450
Other current liabilities	103,137	103,198
Total current liabilities	236,127	311,809
Long-term liabilities		
Long-term debt	47,513	62,388
Liability for employees' retirement benefits	44,543	45,081
Other reserves	3,343	3,313
Negative goodwill	29,549	31,397
Other long-term liabilities	50,342	55,928
Total long-term liabilities	175,292	198,109
Total liabilities	411,420	509,919

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010 (Summary)
NET ASSETS		
Shareholders' equity		
Common stock	81,690	42,946
Capital surplus	510,639	432,482
Retained earnings	594,899	532,032
Treasury stock	-	(45,354)
Total shareholders' equity	1,187,228	962,105
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	1,551	4,258
Deferred loss on derivatives under hedge accounting	(23)	(14)
Foreign currency translation adjustments	(44,119)	(30,059)
Total valuation and translation adjustments	(42,591)	(25,816)
Stock acquisition rights	297	-
Minority interests	12,843	12,166
Total net assets	1,157,777	948,456
Total liabilities and net assets	1,569,197	1,458,375

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	For the nine months ended December 31, 2009	For the nine months ended December 31, 2010
Net sales	817,462	838,117
Cost of sales	267,594	281,991
Gross profit	549,867	556,126
Selling, general and administrative expenses		
Promotion expenses	148,035	130,790
Salaries and bonuses	61,508	62,972
Reserve for bonuses	3,036	3,383
Retirement benefit expenses	5,509	4,771
Amortization of goodwill	3,195	3,438
Research and development expenses	104,788	121,961
Other	132,856	131,742
Total selling, general and administrative expenses	458,930	459,059
Operating income	90,936	97,066
Non-operating income		
Interest income	1,004	902
Dividend income	1,416	902
Amortization of negative goodwill	1,848	1,879
Equity in earnings of unconsolidated subsidiaries and affiliates	5,978	4,584
Revenues related to extension of co-promotion agreement	-	5,491
Other	1,964	1,436
Total non-operating income	12,212	15,196
Non-operating expenses		
Interest expenses	2,527	1,155
Foreign exchange loss, net	1,058	6,898
IPO expenses	-	777
Other	458	313
Total non-operating expenses	4,044	9,144
Ordinary income	99,104	103,118
Extraordinary income		
Gain on sales of fixed assets	30	187
Gain on change in equity interest	-	5,571
Other	86	98
Total extraordinary income	116	5,857
Extraordinary loss		
Impairment loss	219	751
Loss on valuation of investment securities	706	199
Provision of allowance for investment loss	1,229	271
Effect of adoption of accounting standard for asset retirement obligations	-	426
Loss on transfer of business	-	1,900
Other	1,254	680
Total extraordinary loss	3,409	4,230
Income before income taxes and minority interests	95,811	104,746
Income taxes		
Current	44,231	22,154
Deferred	(14,680)	11,874
Total income taxes	29,550	34,028
Income before minority interests	-	70,717
Minority interests in net income	756	1,306
Net income	65,504	69,410

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the nine months ended December 31, 2009	For the nine months ended December 31, 2010
Operating activities:		
Income before income taxes and minority interests	95,811	104,746
Depreciation and amortization	31,358	31,830
Impairment loss	219	751
Amortization of goodwill	1,347	1,559
Increase in liability for employees' retirement benefits	2,608	433
Decrease in allowance for doubtful receivables	(160)	(167)
Interest and dividend income	(2,421)	(1,804)
Interest expense	2,527	1,155
Equity in earnings of unconsolidated subsidiaries and affiliates	(5,978)	(4,584)
Gain on change in equity interest	-	(5,565)
Loss on transfer of business	-	1,900
Increase in account receivables-trade	(29,767)	(27,377)
Increase in inventories	(1,827)	(6,855)
Increase (decrease) in account payables-trade	901	(7,032)
(Decrease) increase in long-term unearned revenues	31,726	(5,491)
Other, net	(5,105)	(10,203)
Subtotal	121,240	73,295
Interest and dividends received	7,048	5,860
Interest paid	(2,557)	(1,449)
Income taxes paid	(23,403)	(54,842)
Net cash provided by operating activities	102,328	22,864
Investing activities:		
Purchases of property, plant and equipment	(24,773)	(27,501)
Proceeds from sales of property, plant and equipment	51	469
Purchases of investment securities	(17,632)	(27,306)
Proceeds from sales and redemptions of investment securities	12,857	28,232
Payments for investments in capital	-	(724)
Proceeds from transfer of business	-	2,099
Payments of loans receivables	(261)	(62)
Proceeds from collection of loans receivables	52	347
Payments into time deposits	(6,411)	(64,328)
Proceeds from withdrawal of time deposits	5,758	6,533
Other, net	(3,236)	(4,243)
Net cash used in investing activities	(33,594)	(86,485)
Financing activities:		
(Decrease) increase in short-term debt-net	21,439	(5,465)
Proceeds from long-term debt	1,247	2,538
Repayments of long-term debt	(21,837)	(28,879)
Redemption of bonds	(7,575)	-
Proceeds from issuance of common stock	-	77,489
Proceeds from disposal of treasury stock	-	85,246
Dividends paid	(5,879)	(5,957)
Dividends paid to minority interest in consolidated subsidiaries	(639)	(144)
Other, net	(2,416)	(2,965)
Net cash used in financing activities	(15,662)	121,862
Foreign currency translation adjustments on cash and cash equivalents	739	(4,206)
Net (decrease) increase in cash and cash equivalents	53,811	54,035
Cash and cash equivalents, beginning of period	230,104	321,306
Increase in cash and cash equivalents resulting from change of scope of consolidation	3,889	1,538
Cash and cash equivalents, end of period	287,803	376,879

(4) Segment Information

For the nine months ended December 31, 2010 (from April 1, 2010 to December 31, 2010)

[Reporting Segments]

Effective from the first quarter of the fiscal year ending March 31, 2011, the Group adopted the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ statement No. 17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 issued on March 21, 2008).

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

The Group’s core business is in healthcare and the Group categories the “Pharmaceuticals”, “Nutraceuticals”, “Consumer products” and “Other” businesses as the four reporting segments.

The Group defines the reporting segments as follows:

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

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total	Adjustments	Consolidated
Net sales							
Sales to customers	545,335	200,349	37,256	55,176	838,117	-	838,117
Intersegment sales	-	1,647	569	26,793	29,010	(29,010)	-
Total	545,335	201,996	37,826	81,970	867,128	(29,010)	838,117
Segment income (loss)	104,151	16,800	(1,053)	4,421	124,319	(27,253)	97,066

Note:

- 1) Adjustments to segment income of ¥27,253 million include intersegment eliminations of ¥1,202 million and unallocated corporate expenses of ¥28,455 million. Corporate expenses include costs associated with headquarter and basic research functions.
- 2) Segment income is adjusted to the operating income in the interim consolidated statement of income.

For the nine months ended December 31, 2009 (from April 1, 2009 to December 31, 2009)

[Business Segments]

Effective April 1, 2009, the Group modified its business segmentation from “Pharmaceuticals”, “Consumer products” and “Other” to “Pharmaceuticals”, “Nutraceuticals”, “Consumer products” and “Other” in order to separate the functional products, which are based on scientific concepts as “Nutraceuticals”, and to be able to monitor the business independently.

The Group defines the new segments as follows:

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

(Millions of yen)

	Pharmaceuticals	Nutraceuticals	Consumer products	Others	Total	Eliminations /Corporate	Consolidated
Net sales							
Sales to customers	534,087	190,727	41,521	51,125	817,462	-	817,462
Intersegment sales	9	1,386	595	26,878	28,870	(28,870)	-
Total	534,097	192,114	42,117	78,003	846,332	(28,870)	817,462
Operating income (loss)	114,051	5,289	(6,987)	2,729	115,082	(24,145)	90,936

[Geographical Segments]

The 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”.

(Millions of yen)

	Japan	U.S.	Others	Total	Eliminations /Corporate	Consolidated
Net sales						
Sales to customers	470,675	260,572	86,214	817,462	-	817,462
Intersegment sales	78,753	25,853	3,844	108,451	(108,451)	-
Total	549,429	286,425	90,058	925,914	(108,451)	817,462
Operating income	82,270	8,525	6,614	97,409	(6,472)	90,936

[Overseas sales]

(Millions of yen)

	U.S.	Others	Total
Overseas sales	275,720	100,567	376,287
Consolidated sales			817,462
Overseas sales as a percentage of consolidated net sales (%)	33.7	12.3	46.0

(5) Significant Changes in Shareholders' Equity

On December 14, 2010, the Company issued new shares and disposed of treasury stock through the book-building method. Additionally, the Company's consolidated subsidiaries, Taiho Pharmaceutical and Otsuka Warehouse and equity method company, Earth Chemical sold their shares of the Company on December 14, 2010 through the book-building method.

As a result, during the third quarter, common stock increased by ¥38,744 million, capital surplus increased by ¥78,157 million, and treasury stock decreased by ¥45,353 million. As of December 31, 2010, common stock was ¥81,690 million, capital surplus was ¥510,639 million and treasury stock was ¥0 million.