

TSUMURA Environmental and Corporate Social Responsibility Activities Report 2007

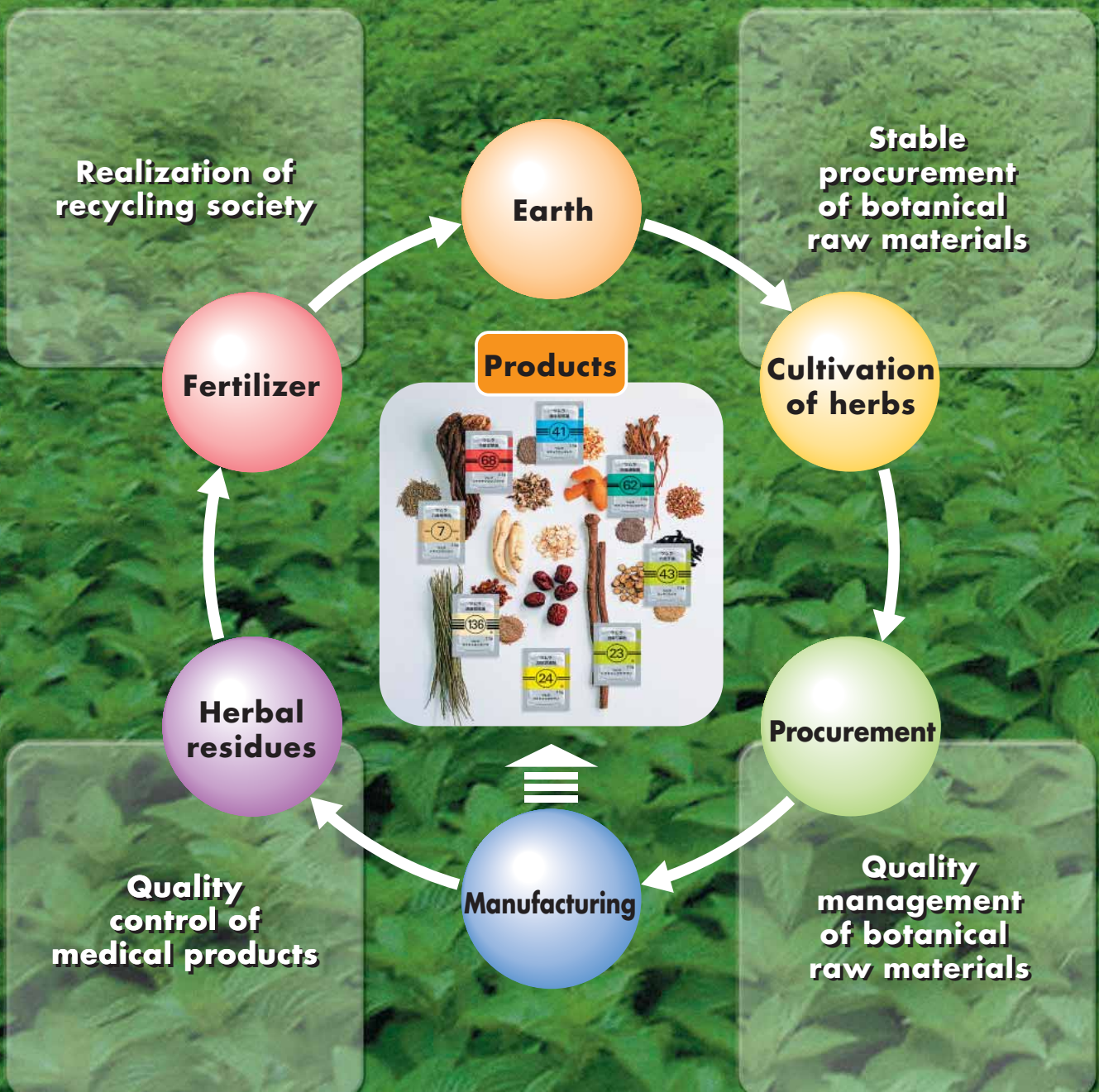


Living with Nature

As a life science company, we fulfill our corporate responsibility through kampo.

Precisely because we make our business out of kampo, the bounty of nature, we believe it is our responsibility to build a cyclical process that can coexist with nature.

Tsumura's Business Cycle and Four Core Components





Our Products

Tsumura & Co.

Prescription Medicines



The Company's share of domestic market for prescription kampo preparation was 81.5% as of fiscal year 2006.
IMS Japan KK 2007 Reference: IMS pharmaceutical market statistics Period: March 2007 MAT

Tsumura & Co. provides prescription products centering on 129 prescriptions of kampo preparations, as well as new prescription drugs and chopped botanical raw materials for subsequent formulation. Among the Company's new prescription drugs are Metalite 250 Capsules, an agent for treating Wilson's disease, and Astat, for treating mycotic diseases. Through the formulation of optimal pharmaceuticals, the chopped medical raw materials contribute to patients by meeting their individual medical needs.

OTC Medicines



In the field of OTC pharmaceuticals, Tsumura provides the superb benefits of kampo to broader customers by offering a product lineup based on 42 kampo preparations. As well as cold and digestive medicines, the Company markets tonics with nutritional and invigorative effects, kampo troches and various other distinctive products based on the Company's extensive research on botanical raw materials and kampo medicine.

Tsumura Lifescience Co., Ltd.

Household Products



In October 2006, the household products business was spun off into Tsumura Lifescience Co., Ltd. The Company provides various bath-related products including bath additives as Bathclin, body soaps and bathroom cleansers, as well as a range of other household products such as hair-growth agents. The Company's research performance on botanical raw materials and the favorable effects of hot spring minerals has been utilized for an assortment of settings in daily life.

Tsumura's Business

Living with Nature - Tsumura's Business Cycle and Four Core Components	1
Our Products	2
Message from the President	3
Things That Kampo Can Do	5
Special Feature	7

Compliance/Governance

Compliance	11
Corporate Governance	13

Social Activities Report

Society and Tsumura	14
With Customers: Stable Procurement of Botanical Raw Materials	15
With Customers: Quality Control	16
With Customers: Establishment of Kampo Medicine	18
With Customers: Communication	20
With Shareholders and Investors	22
With Employees	24
With Society	26

Environmental Activities Report

Environment and Tsumura	30
Trend of Major Environmental Performance Indices from 2002-2006	31
Environmental Objectives and Achievements	32
Environmental Management	34
Environmental Education	35
Energy and Material Flow	36
Considerations for Ecosystem and Biodiversity	37
Prevention of Global Warming	38
Water Resource Protection	39
Chemicals Management	40
Waste Reduction and Recycling	41
Other Environmental Considerations	42

Data Appendix

Prevention of Global Warming / Air Pollution Control	43
Water Resource Protection / Chemicals Management / Waste Reduction / Recycling	44
Environmental Considerations in Workplace / Environmental Accounting	45
Corporate Data	46
History of Environmental and Social Activities	47

Message
from
the President

The Starting Year of Business Development Specialized in Kampo and Botanical Raw Materials

Under our corporate philosophy of “The Best of Nature and Science”, we conduct our business through the production and distribution of kampo, which has been cultivated through Japanese traditions.

As a Life-science enterprise, the most important responsibility for the Company is a stable supply of high-quality prescription kampo preparations for the market. Since the botanical raw materials are natural products grown from the earth, their yields are affected by weather conditions and other natural environments. On the other hand, the consumption of prescription kampo preparations is increasing every year, being expected to double in the next ten years. To cope with the increasing demand, we recognize the challenges such as conservation and enhancement of botanical raw materials and stable procurement through domestication of wild herbs. We are now in the process of establishing a traceability system to enable a safe and secure supply of premium materials.

Stable Supply of Safe and Secure Botanical Raw Materials through the Establishment of a Traceability System

The botanical raw materials for the prescription of kampo preparations need to fulfill both “quality assurance for safety and security” and “quantitative assurance for a stable supply”. The botanical raw materials procured in China are sent to a primary processing at Shenzhen Tsumura Medicine Co., Ltd. and Shanghai Tsumura Pharmaceuticals Co., Ltd. only after passing examinations for quality assurance and residual pesticides. As for the materials procured in Japan, Ishioka Center and Fujisawa Center under Botanical Raw Materials Division is in charge of quality management. The quality management system is operated at the same level whether in China or in Japan.

Currently, there is an increasing safety concern about foods and other products imported from China. As far as our botanical raw materials are concerned, we carry out thorough quality control both in China and in Japan, and the particular information can be traced to the local production associations. In additions, we are working toward an ideal quality control system including the supervision of cultivation. It means the enlargement of contract farms, which will lead to the quantitative stability for procurement. The specific content of our scheme is to establish a traceability system. Details of quality control activities in Chinese manufacturing sites are introduced in this report (see Special Feature from pages 7 to 10).



Tsumura's Corporate Philosophy

“The Best of Nature and Science”

Creating an “Open” Company

The Company would find it difficult to exist by itself; instead, we conduct business in relation with various stakeholders in society such as patients, medical workers, and shareholders. To enable the Company's sustainable development, we recognize the importance of high ethical standards and environmental conservation, as well as the trusting relationship established with stakeholders that is essential in conducting the kampo-related business. In building such relationships, we need to disclose the Company's attitude and operating information.

The Company puts emphasis on investors relations based on “fair and timely disclosure” with accuracy confirmed. We also consolidate the company structure to meet our customers' expectations. As part of such efforts, the Company board shares the customers' voices received through customer service representative and medical representatives. Furthermore, we continually reiterate the importance of clarity by means of education.



December 2007

A handwritten signature in black ink that reads "Junichi Yoshii". The signature is written in a fluid, cursive style.

Junichi Yoshii
President, Representative Director

Things That Kampo Can Do

Drawing out the power of botanical raw materials, promotes an individuals' natural ability to heal. The Kampo medicine has its roots in ancient China, and been developed independently in Japan. Through a scientific elucidation, such traditionally-rooted power of kampo should expand its possibility to contribute to a broader society of the day.

What is kampo?

The basic approach of kampo is to promote individuals' natural ability to heal. Kampo refers to the medications used in kampo medicine, which are basically prepared as a combination of more than two different materials of herbal, animal and mineral origins. The herbal materials are mainly dried parts of reef, stem and roots with medicinal properties. The efficacy of kampo is now being scientifically proven through basic and clinical researches. Drug forms of kampo are as variable as infusion, powder, pill and extract. After kampo extracts were listed for national health insurance (NHI) reimbursement in Japan in 1976, portable and fuss-free kampo extracts have become widely used in many medical institutions, especially in university hospitals nationwide.

Kampo is the unique medicine in Japan

Kampo is an experience-based medicine in which observations of how people react to a variety of medicinal herbs and treatments have been systemized into a method of medical treatment. Rooted in ancient China, kampo was introduced into Japan around the 5th to 6th century. Thereafter, Kampo had evolved independently into Japan's traditional medicine being adapted to Japan's climate and constitution of Japanese people.

Undergoing a period of especially major development in the 17th century, kampo took on the form that is practiced today. The word "kampo" was attached to this form of medicine to distinguish from "rampo", which was used for Western medicine introduced to Japan by the Dutch, but kampo also differs from traditional Chinese medicine in many respects. Kampo is certainly the unique medicine in Japan.

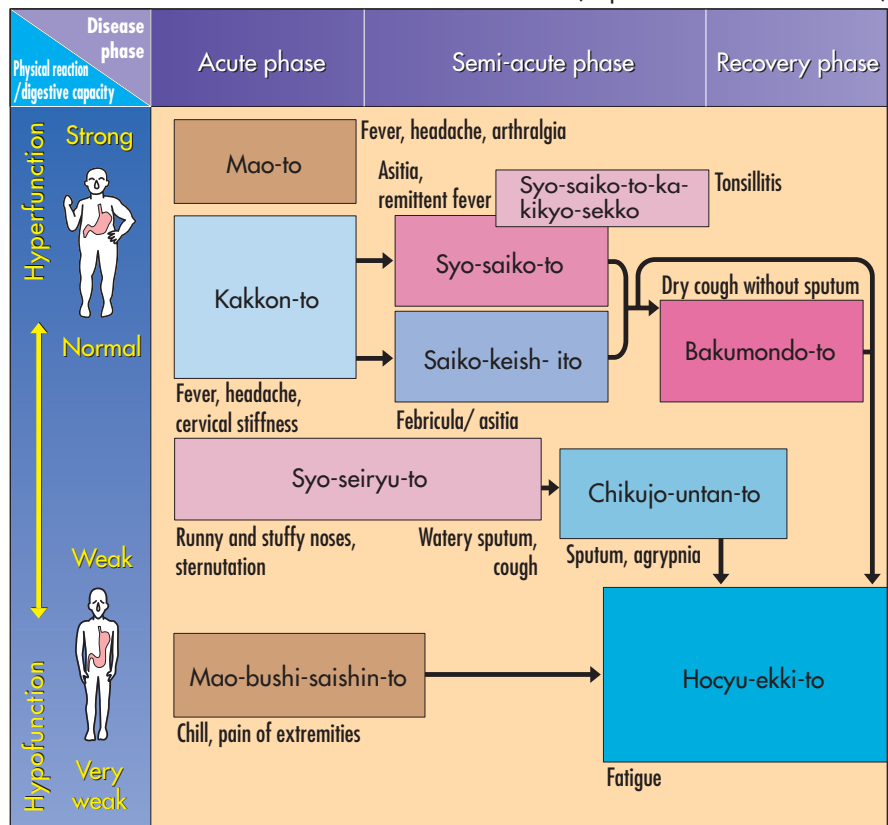
The distinctive aspects of kampo

As one can call it a "tailor-made medicine", kampo medicine does not diagnose patients based on the name of the disease alone but takes into consideration the state of disease in individual patients as well as their constitutions in determining the most appropriate kampo medicines to use in treatments. In kampo prescription, multiple raw materials are combined to suite the patients' state of disease and individual constitutions. This is also effective to overcome the limits in medicinal effect, and mitigate possible side-effects of each single material. The combinations have been systematized from many years of experience on the human body, and therefore perform the integral therapeutic effects with alleviated side effects.

Despite the popular misconception, kampo medicines do have side effects. Strong medication against kampo diagnosis* and over-dose may bring on various symptoms. Taking kampo needs the same attention as Western medicines. It is important to follow a doctor's advice on dosage and administration.

ABC's of Kampo Treatments for Cold Syndrome

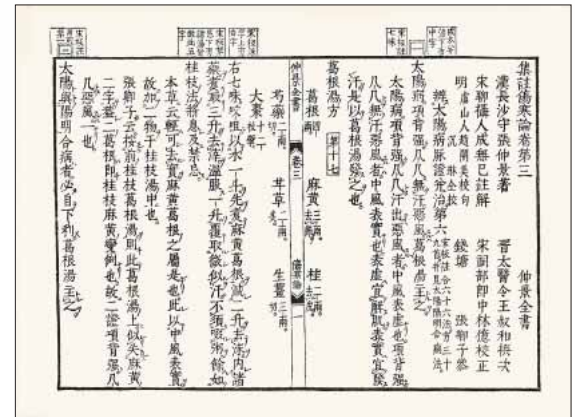
(Supervisor: Dr. Kunio Matsui)



* Kampo diagnosis: the set holistic pattern of a patient's symptoms that indicates the appropriate kampo formulation



▲ The sourcebook of kampo medicine, Shang Han Lun, The Theory of Injuries by Coldness was written by Zhang Zhong Jing in the Han Dynasty, and published during the Song Dynasty. The above are Japanese reprints issued in 1813.



▲ Article of Kakkon-to in Shang Han Lun: The use of Kakkon-to is shown for the first stage of an acute febrile disease.

🟡 Kampo's difference from Western medicine

Western medicines are sharp and fast-acting medicines

Chemically-synthesized active ingredients make Western medicines sharp and fast-acting. On the other hand, incorrect use may increase the chance of side-effects.

Kampo medicines treat diverse symptoms

Modern Kampo medicine uses approximately 200 medical herbs, mainly from edible plants. Having the multiple ingredients work together, kampo medicine features gentle action and minor side effects over diverse symptoms.

🟡 The great potential of kampo

Drug fostering of kampo

Kampo has special efficacy for disorders that are difficult to treat with Western drugs. Tsumura has focused on these disorders as targets of clinical data compilation and intensive basic research to build a body of scientific evidence on the use of specific kampo preparations as therapeutic medicine. Such “drug fostering” is one of the activities the Company has promoted to obtain acceptance on efficacy of kampo in Western medical approach. Achievements in drug fostering should make a great contribution to healthcare as a whole, and also to the establishment of kampo medicine.

Internationalization of kampo

Daikenchuto (TU-100) is a kampo preparation that improves post-operative ileus, or lower abdominal symptoms. Phase II clinical trials of Daikenchuto have been carried out in the U.S. to obtain approval of this kampo preparation for the U.S. market. Success of placing kampo preparations on the U.S. market should lead to the “internationalization of kampo”. In view of this, Tsumura & Co. has put one of the highest priorities to R&D activities in the U.S., and aims for an early launch in the U.S. market (see P.19).

The fusion of kampo and Western medicine

One of the primary advantages of kampo is the benefit of compound treatment by a single preparation. It also has the efficacy to control and activate vital functions, lower one's chances of getting a disease. Such aspects of kampo should contribute to the reduction of medical costs in the aging society. Once it is fully established, Japan's unique medicine which brings out the best in both kampo and Western medicine, should offer the highest level of health care without parallel in the world.



Special Feature

Two Operation Sites in China for Safe and Reliable Procurement of Raw Botanical Materials and Production of Medical Products

As part of the Tsumura Group, Shenzhen Tsumura Medicine Co., Ltd. (Shenzhen Tsumura) in Guangdong province and Shanghai Tsumura Pharmaceuticals Co., Ltd. (Shanghai Tsumura) in Shanghai City provide safe and reliable botanical raw materials and interim products for kampo preparations. The two operations step up efforts to guarantee the quality of botanical raw materials under manufacturing and quality control system at the same high level with Tsumura's plants in Japan.

The Role of Shenzhen Tsumura (est. 1991, 422 local employees, 7 employees of Tsumura & Co.)

Shenzhen Tsumura has a role of procurement, selection, initial processing, and quality control of botanical raw materials to be provided to Shanghai Tsumura and Tsumura, Co. in Japan. Shenzhen Tsumura comply with the requirement of Accreditation certificate of foreign drug manufacturer*1, and is the first certified manufacturer of GMP certificate for prepared slices of Chinese crude drugs*2 in Shenzhen City.

*1 Accreditation certificate of foreign drug manufacturer: the Japanese government's accreditation of medical products manufacturer outside Japan.
 *2 GMP certificate for prepared slices of Chinese crude drugs: manufacturing and quality control standard for sliced botanical raw materials in China.

Stable Procurement and Quality Control

The botanical raw materials procured within China are first delivered to Shenzhen Tsumura. The procurement is carried out under the management rule of a crude drug purchasing*3 through Tsumura's joint ventures or local production associations which manage individual farms across China. Prior to the procurement, we make effort on promoting contract farming and supervision, or at least collect information about local production sites.

All the materials delivered to Shenzhen Tsumura go through visual inspection for foreign matters and fungus, and then examined for components and residual pesticides.

The botanical raw materials accepted by incoming inspection are stored until shipment to Shanghai Tsumura and Tsumura & Co., in a climate-controlled storage.

In Shenzhen Tsumura, we offer thorough guidance for employees in charge of this series of quality control operations based on GMP*4. For this purpose, we have prepared rules, standards and SOP*5 to disseminate, and held read-through sessions of "GMP handbook" distributed to all the employees.

Above all, Shenzhen Tsumura conducts business



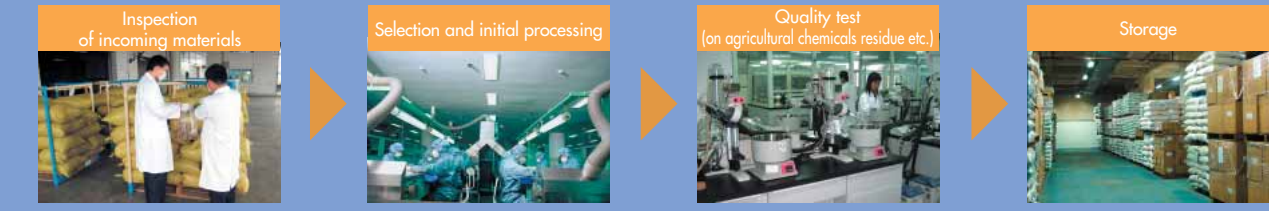
▲ GMP handbook



▲ Quality test

Roles of Shenzhen Tsumura and Shanghai Tsumura

Shenzhen Tsumura



under four management policies of “safety” “quality” “standardization” and “collaborative development”.

Since fiscal 2006, Shenzhen Tsumura has launched regular committee to gather local production associations across China. It aims to secure safe and reliable raw botanical materials from the stage of farming. In the committee, guidance on cultivation management is given to the companies as a means to establish a traceability system.

In addition to these activities, Shenzhen Tsumura enhances the quality management through a technology exchange with Hong Kong Baptist University. The Company also accepts students for laboratory training to build deeper cooperation between businesses and universities.

*3 management rule of crude drug purchasing: a set of rules for the procurement process of raw botanical materials

*4 GMP: Good Manufacturing Practice

*5 SOP: Standard Operating Procedure

The Role of Shanghai Tsumura (est. 2001, 153 local employees, 18 employees of Tsumura & Co.)

Shanghai Tsumura produces the extracted powder, or interim products of kampo preparations supplied to Tsumura & Co. Shanghai Tsumura has a production capacity of 600t per year, of which manufacture and quality control are conducted at the same*6 level with the Company in Japan. So far the production performance of Shanghai Tsumura is 220t in fiscal 2005, 360t in fiscal 2006, and will step up to the maximum capacity by fiscal 2009.

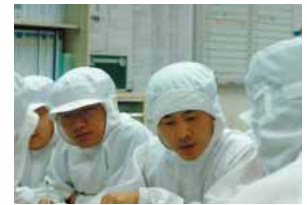
*6 Shanghai Tsumura conducts manufacturing and quality control based on individual GMP of both China and Japan. The manufacturing plant introduces facilities of the same level with Ibaraki Plant in Japan.

Stable Supply and Quality Guarantee of Products

Approximately 80% of Tsumura's kampo preparations are made from botanical raw materials produced in China. However, some of the materials are under export restriction at present. Therefore, Tsumura & Co. does not import those materials directly;

however, Shanghai Tsumura intermediates the process to produce the extracted powder for a stable supply of the products.

Extracted powder samples from each lot is examined for quality, and stored in climate-controlled storage until shipped to Tsumura & Co., Japan.



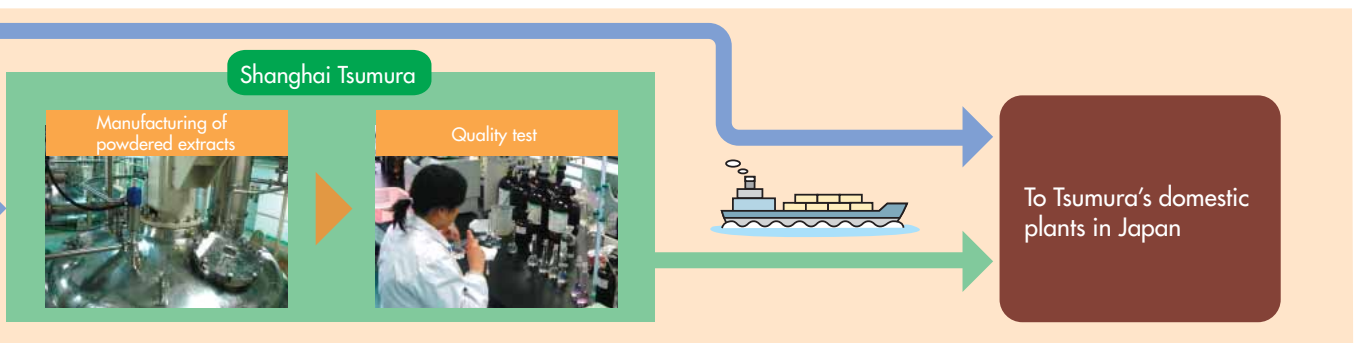
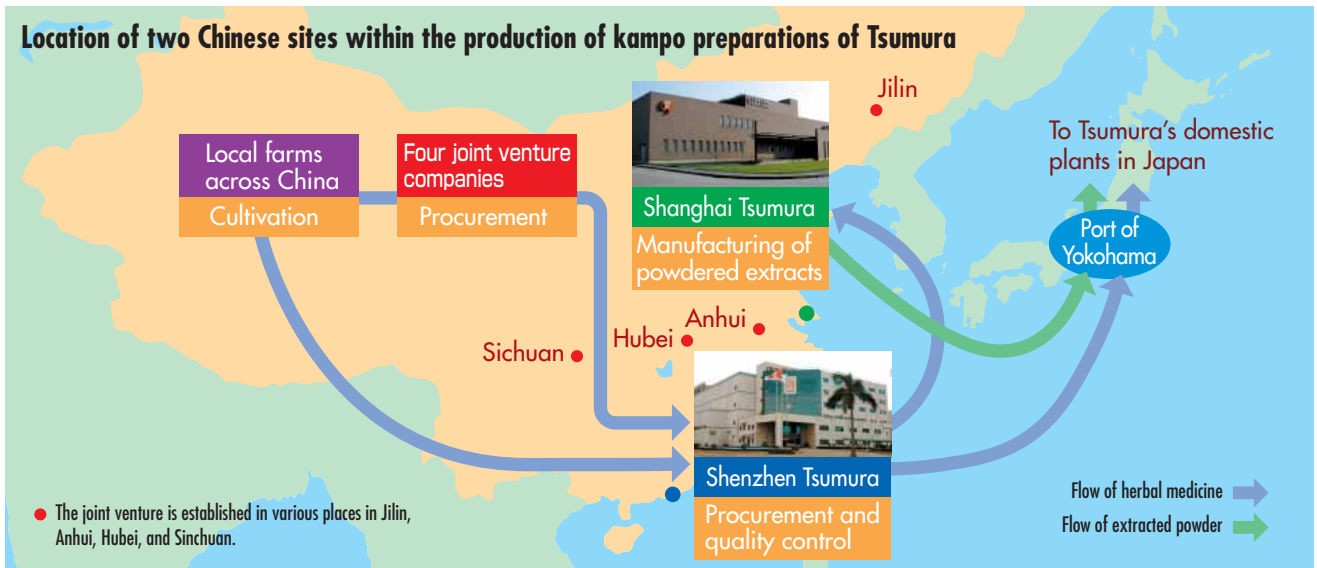
▲ Manufacturing meeting



▲ Manufacturing management



▲ Storage of botanical raw materials



Environmental Conservation Activities

Shenzhen Tsumura

The environmental protection agency of the Shenzhen City collects the industrial wastes from the Plant, consisting of waste organic solvent, herbal debris, used containers and face guards generated from quality testing. Even though the amount is small, Shenzhen Tsumura asked the waste fluid collection agency to assist with proper disposal to reduce environmental impact.

Basic activities such as energy and resource conservation have been practiced in the offices thus far. In fiscal 2006, monitoring instruments were installed in order of facilities with larger environmental impacts to identify the energy consumption.

In fiscal year 2007, Shenzhen Tsumura has set an environmental goal to carry forward the activities.

Currently, light oil is the energy source for the boiler. However, a natural gas pipeline is scheduled to reach the industrial area where Shenzhen Tsumura is located. We are examining the benefits of converting to natural gas, which has less greenhouse gas discharge.



▲ The purification of the exhaust with water scrubber and the photocatalyst (Shenzhen Tsumura)

Shanghai Tsumura

In the manufacturing process of kampo extract preparation, a large amount of herbal residues (strained lees of the botanical materials) are generated. All the residues are recycled thermally*7.

The hazardous waste such as organic solvents is consigned to accredited waste treatment traders according to the local regulation. Sludge and domestic wastes are also recycled thermally.

Additionally, plant wastes generated from the management of greening in the factory site are consigned for composting.

*7 Thermal recycling: Recycle as a heat source



▲ Waste water treatment facility (Shanghai Tsumura)

Better Environment as a Working Place

Occupational Safety and Health

Shenzhen Tsumura

Safety and health committee's members has held monthly patrol and committee meetings in the factory. Moreover, an annual tournament to quiz "safety knowledge" is held to raise awareness about health and safety issues.



▲ Quiz contest concerning "safety knowledge"



▲ Urgent shower provided for chemical accidents

Shanghai Tsumura

Safety patrol is dispatched to each of the four specified areas every month throughout the site premises. The patrol members immediately instruct corrective measures needed for identified problem area at the site, and reports corrective actions at the labor safety committee. The system concerning safe labor is documented as "Health and safety rules".



▲ Installation of safety cover of cutting machine



▲ Well-maintained waste fluid depository

Impartial Personnel Evaluation and Treatment

Shenzhen Tsumura

It is important to motivate and educate the local employees to construct Shenzhen Tsumura by themselves. Improving the working environment is consistent to one of the Company's management policies "collaborative development". On the basis of the concept of "people-oriented"^{*8}, Shenzhen Tsumura is making efforts at reforming personnel affairs to improve employees' career planning and the wage system.

*8 people-oriented: a Chinese term that aims at total development of individuals through the process of socio-economic development

Shanghai Tsumura

After an initial trial period, a new personnel assignment evaluation system has been in operation since July 2006 to achieve an impartial treatment process of accomplishing goals in accordance with "management by objectives". Upon establishment of the system, local employee's opinions were reflected as much as possible.



Communication with Local Employees

To improve mutual understanding through communications with local employees and promote cooperation as group businesses, CSR Promotion Group in Corporate Communications Room of Tsumura & Co., held presentation sessions and round-table discussions in Shenzhen and Shanghai.

Presentation Sessions about CSR

Meetings were held concerning corporate social responsibility (CSR) to share the awareness as group businesses in Shenzhen and Shanghai Tsumura.



▲ Presentation sessions in Shenzhen Tsumura



▲ Presentation sessions in Shanghai Tsumura

Round-table Discussions with Local Employees

● Shenzhen Tsumura

In the discussion, demands and improvements were heard concerning the company's working environment, vacation system, and work life balance, etc. In addition, there was positive interaction between local employees and Group Headquarters. Their demands were later communicated to management and Director of Personnel department of Shenzhen Tsumura.



▲ Round-table discussions in Shenzhen Tsumura



● Shanghai Tsumura

The local union members of Shanghai Tsumura and the employees of Tsumura & Co. engaged freely in fulfilling discussions. Improving communication between local employees of the two countries was a topic, as well as public welfares, working hours, vacation system, retirement allowance system, checkups, etc. The difference between government-run and the Western enterprises, and gaps in the ideas of Tsumura Co. were also discussed.

Shanghai Tsumura's management was informed separately of the employees' requests received during this occasion. After the discussion, it was confirmed that the regular communication opportunities will be held in coming years. Local employees expressed, "it was a significant opportunity to have such a discussion" and "the labor union would like to talk periodically with the company in the future".



▲ Round-table discussions in Shanghai Tsumura

Compliance

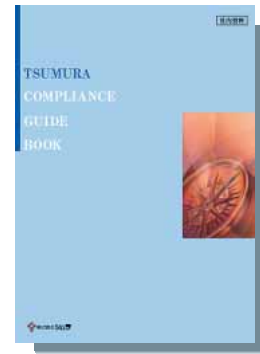
As an enterprise that conducts business directly related to human life and health, we value a higher standard of ethics to maintain social responsibility.



[Chrysanthemum morifolium]

Tsumura Compliance Program

To promote the observance of the law and to strengthen ethical standards company-wide, "Tsumura Compliance Program" has been enacted. The content is summarized in the compliance guide book, and distributed to all directors and employees. As a result, our directors and employees follow "Tsumura Action Charter" that provides the principle of compliance. Each department develops and executes the annual compliance promotion plan. Important issues concerning compliance are examined by "Risk compliance committee" and the approach of engagement is reported to Managing Board every six months.



▲ Compliance Guidebook

Compliance Education

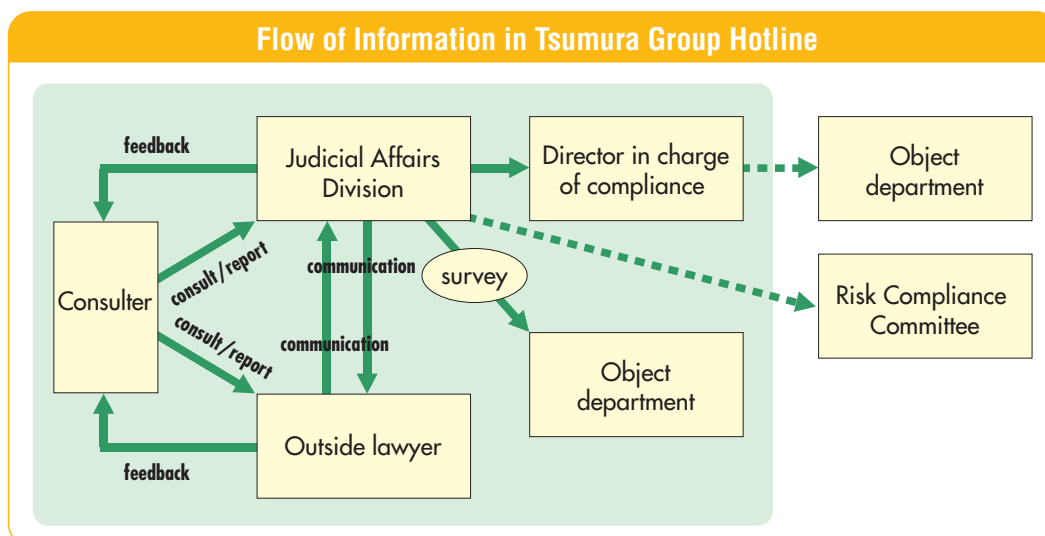
New recruits and new managerial staff receive compliance training, in addition to the departmental education opportunities to respond to the individual laws significant in conducting business. Lecturers are sent to domestic and foreign group businesses to compliance education. Moreover, compliance study meetings are in each department.

The element of compliance is put into a personnel system. As part of our ongoing efforts to improve the employees' awareness, problems related to compliance is on the in-house promotion test, and each employee sets the compliance action target in addition to the business target.

FY 2006 Educational activities executed by Compliance section	
category	frequency(number of participants)
education by department	2 (55)
education by duty position	24 (787)
seminar at headquarters	2 (171)
domestic group businesses	2 (33)
foreign group businesses	3 (41)
Total	33 (1,087)

Tsumura Group Hot Line

"Tsumura group hot line" is set up as a consultation service for problems concerning compliance that cannot be solved in the work place. There are two contact points, in-house (Judicial Affairs Division) and outside the company (lawyer), through which the directors and employees of the domestic group enterprises can use the service. It prohibits unfair treatment of a consulter and protects his / her privacy by accepting anonymous calls.





▲ Compliance education



▲ Booklet of promotion code

Observance of Promotion Code and Fair Competition Rule

We thoroughly observe “Medicine promotion code for the Tsumura medical treatment” (code of medical terms) and “Medicine manufacturing sales industry fair competition rule for the medical treatment.”

In order to promote proper marketing practice, persons in charge are appointed at headquarters and each branch office to verify the observance situation of “In-house guideline concerning the act related to business entertainment” and fair competition rule. All promotion materials are also examined, and the results are reported to the management. The number of promotion materials examined in fiscal 2006 was 3,538, combining the numbers of examination associations in the headquarters and branches.

Moreover, in-house education opportunities as introductory and continued training, e-learning and other forms are frequently provided concerning the promotion code and fair competition rule. In conjunction with the “Promotion Code Awareness Month” of Japan Pharmaceutical Manufacturers Association in every October, Tsumura publishes an in-house magazine posting the Promotion Code Committee Chairman’s contribution. Besides, presentation seminar is held to keep all the directors and MRs (medical representative persons) informed about the issues.

Fair and Transparent Trade in Procurement

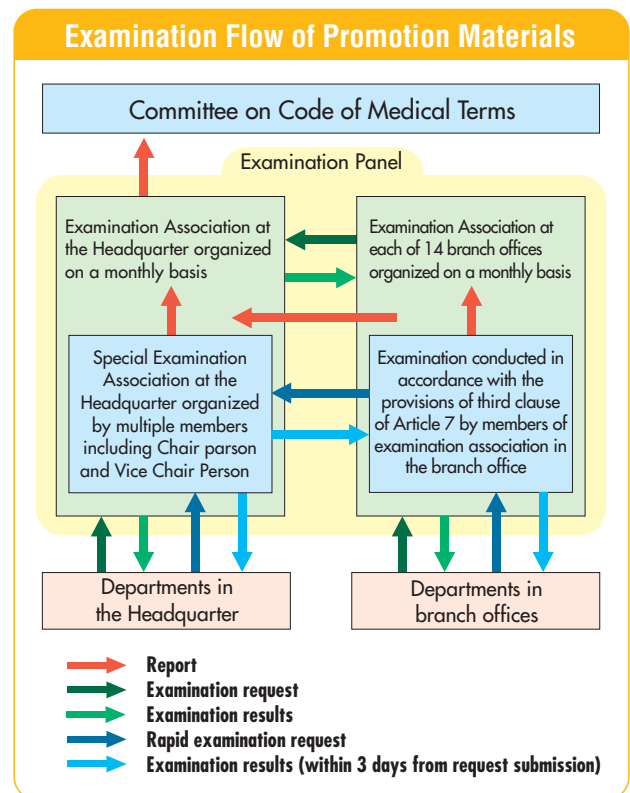
Mutual trust, partnership, fairness and transparency in trade are going to be more important in an increasingly severe environment for the procurement of chemical and packaging materials. In construction of such relationship, procurement section plays a critical role. Upon execution, we follow “Purchase dealings action agenda” settled under consideration of compliance and purchase ethics.

Animal Testing Policy

We create medicine for human consumption; as a result, cases arise to necessitate animal testing during its research and development. For instance, administering an agent to animals to ensure safety and non-toxicity (side effects) is required. In the Company, methods of substitution are first examined in order to ensure that tests are conducted on animal only when absolutely necessary. Unavoidable testing is conducted with a minimum number of animals, in methods to eliminate or reduce animal pain and distress.

As a solidified pledge to the ethical treatment of animals, Tsumura has enacted the “animal testing bylaw” in pursuant of related legislations as “Law of Humane Treatment and Management of Animals”, “Basic guidelines for conducting animal testing in laboratories under the jurisdiction of Ministry of Health, Labor and Welfare,” “Standard for breeding, housing, and pain alleviation of laboratory animals,” “Guidelines for Proper Conduct of Animal Experiments.” In addition to familiarizing all research staff with the bylaw, all animal test plans are discussed in a council.

Moreover, “Laboratory animal memorial cenotaph” is built in the laboratory site and a memorial festival is executed in the autumn of every year so that employees can express gratefulness to the laboratory animals.



Protection of Personal Information

The company enacts “Protection of personal information policy” and “Protection of personal information rule”. Under these regulations, employee education and security-related activities are promoted as well as supervision of the management consignment.

Corporate Governance

Having a strong sense of mission in achieving sustained growth and development and social responsibility, we have enhanced the system of corporate governance as one of the top priorities in management.

Corporate Governance System

Tsumura has adopted various systems to enhance corporate governance, such as corporate officer system and the election of outside director, etc.

Since the audit by statutory auditors is functioning well, the existing audit system is remained while promoting reform of the board of directors. Under this framework, we believe the Company will be able to maintain and improve the transparency, efficiency, and soundness of its business.

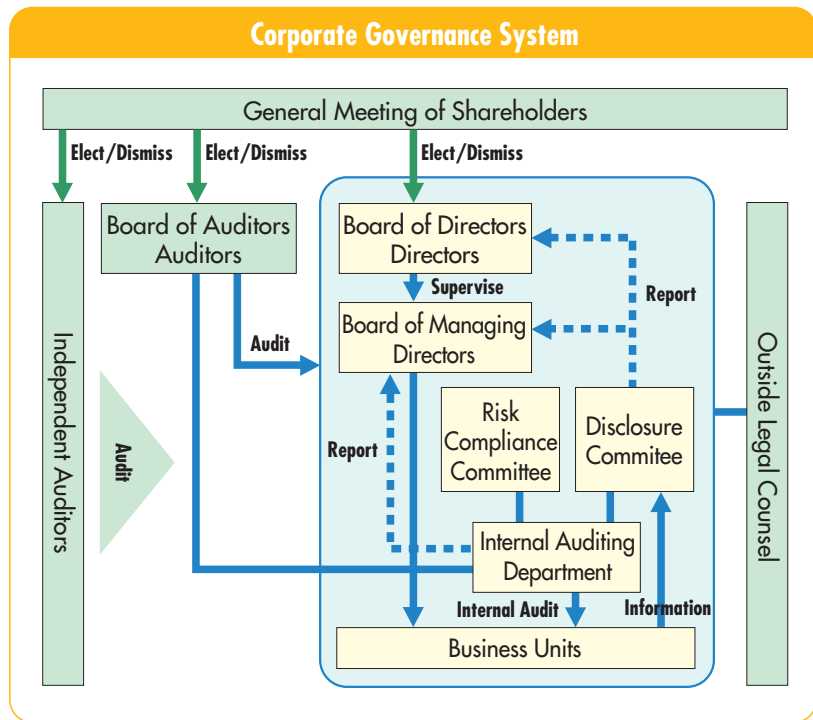
In fiscal 2007, the Company had appointed two outside auditors: a certified public accountant (CPA) and a lawyer (the first female board member).

Activities during the Fiscal 2006 Information disclosure committee

It was held six times during fiscal 2006. In aiming at better disclosure, the committee discussed and confirmed the observance of the relevant laws and propriety of financial reports to be issued, such as the disclosure material of the quarter, the brief announcement of the financial results, and financial statements, etc. The discussion results were reported from the committee chairman to the board of managing directors and managing board, and the financial reporting is disclosed through the approval of the board of managing directors and managing board. Moreover, the content of the "corporate governance report" that had been submitted to Tokyo Stock Exchange in May 2006 had also been discussed.

Risk compliance committee

It was held twice during fiscal 2006. The introduction of the safety validation system was examined to attempt strengthening an urgent reporting system, and introduced in February, 2007. The operational outline of Tsumura hot line was also reported and examined for further approach from the viewpoint of compliance.



Approaches for the Construction of Management System to Improve the Corporate Value

It is necessary to clarify the business attitude and operating information to build a good relationship with various stakeholders surrounding the Company.

In fiscal 2007, briefing sessions were held outlining corporate social responsibility to the directors and department heads. Under the cooperation of a third-party organization, it was analyzed the present state of the Company's management structure. As a result, advance point and problems were proposed to the management layer.



▲ Briefing sessions about corporate social responsibility

Society and Tsumura

Effectively using kampo to make social contributions commensurate with its responsibilities as a life-science enterprise.

– An excerpt from Tsumura principal management objectives (revised in April 2006).



[*Sophora flavescens*]



Tsumura Green Photo Contest 2006
Gold prize in spring, "the nature I want to conserve" category

"Blooming Spring"

Ms. Keiko Kawaguchi
Personnel Department

"Though we can hardly feel the change of seasons by temperature in urban settings, an impressive carpet of flowers in Nokonoshima Island made me realize that spring had arrived. Spring warmed my heart upon seeing the blooming flowers and fresh green!"

Tsumura Green Photo Contest 2006
Gold prize in summer, "the nature I want to conserve" category

"The sea of Kohamajima Island"

Mr. Tsutomu Yamashita
Nagoya Branch, Sales & Marketing Department

"A NHK TV drama 'Chura-san' made Kohamajima Island famous these days. Taking a 25-minute ferry ride, I enjoyed touring around the island. The panoramic west coast view overlooking Iriomote Island made me feel like I was in a dream world".



* The photographs are prize-winning works of "Tsumura Green Photo Contest 2006" organized for the corporate directors and employees (see P.35).

With Customers: Stable Procurement of Botanical Raw Materials

Since kampo preparations are made from raw materials cultivated in nature, we make continuous efforts to secure a stable supply of high-quality product.

What is the Traceability of Botanical Raw Materials that Tsumura considers?

The traceability of botanical raw materials is a mechanism that enables us to trace the information as marketing channel and industrial processing record, etc. It is the linkage of information between each stage of manufacturing from cultivation of botanical materials to factory delivery, such as information of material production sites and record of suppliers, etc. The purposes of this system are the following three points.

Safe

To assure the safety of products by preventing accidents in the medicine manufacturing process. If an accident should happen, the system ensures safety by facilitating the investigation and the recall.

Secure

To grasp the production record of botanical raw materials to secure the access to the information of cultivation processes, so that sense of security may be provided for customers.

Stable

To stabilize the quantity, quality and cost of botanical raw materials by improving the efficiency of cultivation, processing, and circulation.

Concept of Traceability of Botanical Raw Materials

Safe

Secure

Stable

Establishment
of
Traceability
System

Relevant sections were integrated to set up Botanical Raw Materials Division to complete the system in October 2006. The division started the introduction of a new system in April 2007, and targets 2010 for the completion of the first stage of the system construction. The accuracy improvement and the expansion of the scope of application are scheduled to be continuously advanced.

Development of the Procurement Route of Botanical Raw Materials

Since the botanical raw materials are the product of nature, they are profoundly affected by weather such as a cold summer, droughts, and frequent rains. In order to correspond to the weather risk, it is necessary to geographically disperse the cultivation site of the materials.

Hence, the Company works on the development of a novel site for cultivation and expansion of contract farms. Moreover, in order to secure the botanical raw materials from regions other than China, cultivation testing has also been executed in Laos since 2004.

Research and Guidance of Cultivation Method

Because botanical raw materials are finite natural resource, some of the materials have a possibility of depletion in the near future under the current demand expansion. Tsumura works on research and guidance of the cultivation method of the medical herbs to secure raw materials for future stability.

The Company conducts joint research on domestication, resource management and protection of wild herbs under the cooperative relationship that has been built over many years with China. Especially, the collaborative project has been advanced for ten years since 2001. The cultivation method that considers the environmental conservation has been examined for mahuang and licorice indispensable for kampo preparations. As a result, the quality of cultivated mahuang is now comparable to the wild ones, and partly phased in as raw material of the product.



▲ Experimental farm in Laos



▲ Ginseng farm under cultivation supervision

With Customers: Quality Control

To secure effectiveness, safety, and the uniformity of the product, we practice thorough quality control from raw materials to products under strict quality standards.

Procurement of Botanical Raw Materials

Tsumura procures botanical raw materials from the suppliers which fulfill the corporate criterion. It is confirmed to fulfill the following criterion before starting business with a new supplier.

- Confirmation of plant origin (by site investigation and laboratory analysis of the plant specimen)
- Site investigation of production or stock volume and production status (cultivation method and preparation procedure)
- Quality inspection of novel herbal samples to confirm the quality equivalency with the existing standard

Quality Testing of Agricultural Chemicals Residues

Botanical raw materials procured in China are first collected in Shenzhen Tsumura. After testing the samples of early lot, all delivered lots are checked for the quality, especially the content of agricultural chemicals residues (See P.7). Moreover, quality testing of the materials procured in Japan and others countries are conducted at the Ishioka Center in Ibaraki Prefecture. After these processes, residues of agricultural chemicals and other substances is once again tested in the production departments of the individual factories in Japan.

In this way, we confirm the safety of botanical raw materials by double or threefold quality testing at each stage from procurement to the production process.

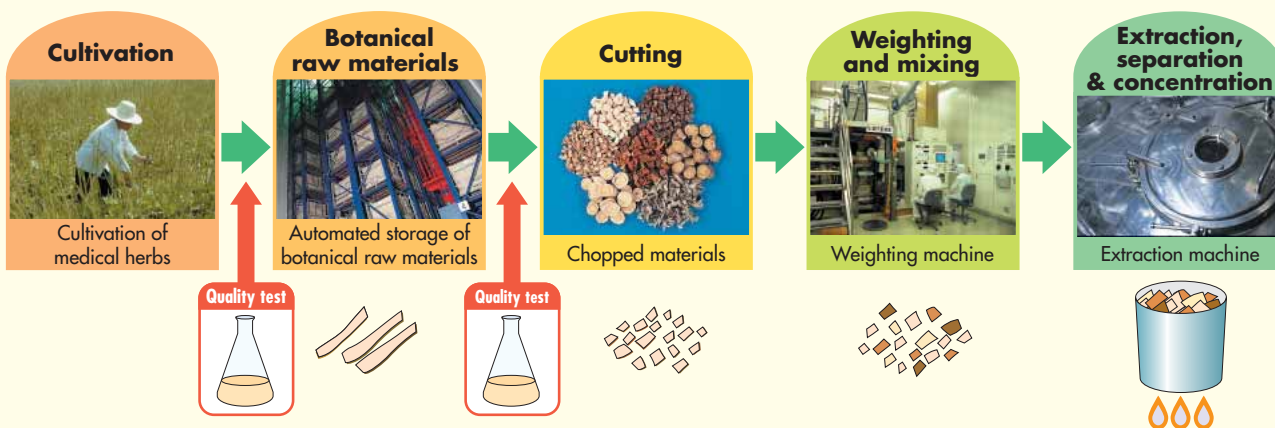
Control of Pharmaceutical Quality

The quality-assured materials are cut into a certain size, weighted, mixed, and infused to obtain the extract material. Concentrating and drying the liquid extract, powdered extract is produced. Kampo preparation is formulated by granulating the powdered extracts.

Unlike Western medicine that consists of a single element, kampo preparation is an agent of multi-component. Therefore, we carry out examination of agricultural chemicals residue and microbial limit test besides the designated examinations by Japanese Pharmacopeia about the samples collected by each phase of manufacturing to offer kampo preparations as pharmaceutical products. Moreover, it is necessary to stock a constant amount of raw materials to supply the products with stability. We therefore store the raw materials in storages where the temperature and humidity are kept constant so that the natural herbal materials should not cause the quality degradation during a long-term storage.

As above, Tsumura practices thorough manufacturing management and quality control based on Good Manufacturing Practice (GMP) from the acceptance of botanical raw materials to the final product to guarantee the pharmaceutical quality.

Manufacturing Flow of a kampo preparation



To maintain the quality of medical products, Tsumura places strict controls on the cultivation of botanical raw material.

The botanical raw material is deliberately checked whether to meet the requirement for the medical material through the physical and chemical examinations by chief administrator of botanical raw materials with in-depth knowledge and the experience in the discrimination of the botanical raw materials.

The materials are cut into a certain size with the special cutting machine made according to the characteristic of the material. The advantage of in-house cutting is that the grain size of the material, which is a powerful factor to determine the product quality, can be controlled.

Several kinds of chopped materials are mixed following the kampo formulations.

The mixed materials are extracted with our original device in accordance with the traditional preparation method of hot water medicines. The extracted material is separated with the centrifuge from the residues, and concentrated to a constant concentration.



▲ Selection of botanical raw materials



▲ Quality test of agricultural chemical residues

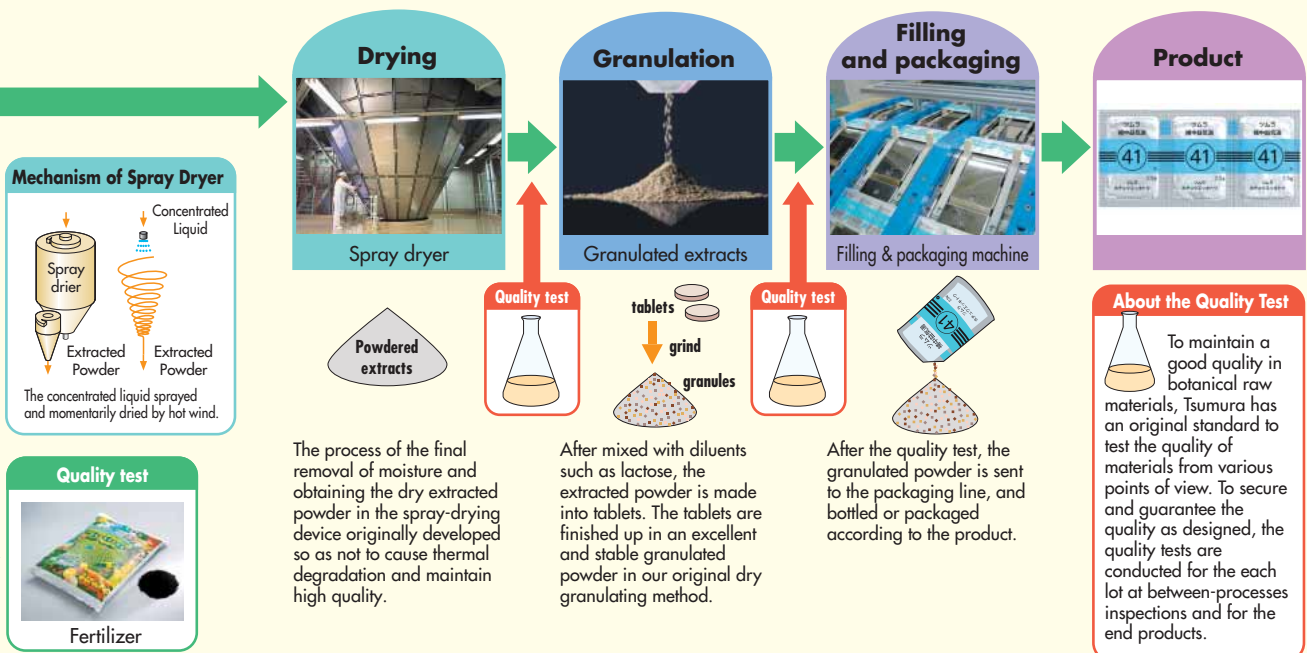
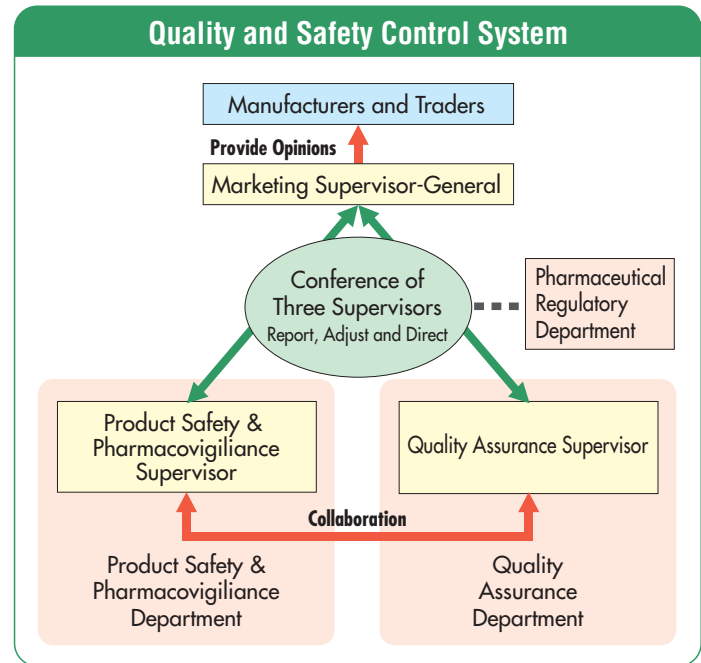


▲ Quality test of pharmaceutical products

Quality and safety control system

Tsumura has constructed a corporate structure to take the necessary steps for a stable supply of high-quality medicines and ensure their proper use. This is achieved by the collection and evaluation of Information about the medicine, based on Good Vigilance Practice (GVP) and Good Quality Practice (GQP) provided by the Pharmaceutical Affairs Law.

Concretely, Quality Assurance Department and Product Safety & Pharmacovigilance Department, sections in charge of the business concerning GQP and GVP, respectively, are set up under Marketing Supervisor-General having a general responsibility for the quality and safety control of the products. Besides, Pharmaceutical Regulatory Department supports the legal aspect. Under this structure, Tsumura is making the utmost effort to supply a high-quality medicine through close cooperation with related sections.



With Customers : Establishment of Kampo Medicine

Tsumura supports the advancement of kampo education and research to disseminate and penetrate kampo medicine that is unique to Japan.

Kampo Education and Clinic

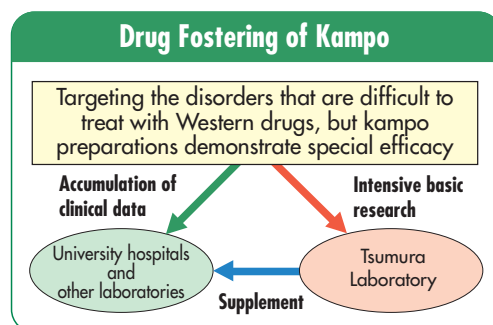
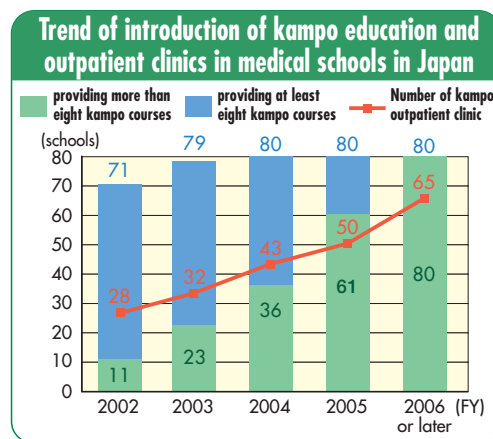
Tsumura pursues the establishment of kampo medicine by expanding our support for kampo education in medical colleges and universities with medical schools. In addition, we are continuing our promotion of the opening of kampo outpatient clinics at hospitals. At present, kampo courses are introduced in all 80 medical colleges and universities in Japan. Moreover, kampo outpatient clinics are established in 65 university hospitals, rapidly expanding the understanding to kampo medicine. The company will continuously support the set up of kampo outpatient clinics in all the university hospitals in Japan, together with the dissemination activities in the future.

Drug Fostering of Kampo

One of our important research themes is the drug fostering of kampo. Drug fostering is to accumulate the scientific evidence focusing on the field where kampo preparations demonstrate special efficacy for disorders that are difficult to treat with Western drugs.

Currently, we have selected Tsumura Yokukansan, Tsumura Rikkunshito, and Tsumura Daikenchuto to be the focus of our drug fostering. Yokukansan is a kampo preparation that is used for patients of a weak constitution to treat neurosis, insomnia, over excitability and irritability. The drug fostering of Yokukansan targets its efficacy in treating the symptoms around behavioral and psychological symptoms of dementia (BPSD). Likewise, accumulation of scientific evidences is continued on the efficacies of Rikkunshito on the target disorders as upper abdominal indefinite complaints caused by functional dyspepsia (FD), gastroesophageal reflux disease (GERD) and other diseases, and of Daikenchuto on the improvement of intestinal movement.

As a recent achievement, there were three papers presented on Rikkunshito out of six kampo-related papers at the Digestive Disease Week meeting hosted by the American Gastroenterological Association in LA, California in 2006. The presentations draw a high degree of attention from international experts.



Research presentations concerning Rikkunshito in Digestive Disease Week 2006	
Title	Presenter
Improvement of anorexia by rikkunshito via increased ghrelin secretion	Dr. Hiroshi Takeda, Associate Professor, Hokkaido University
Rikkunshito improves induction therapy for depression with SSRI	Dr. Takakazu Oka, Lecturer, University of Occupational and Environmental Health Japan
Establishment of New Oral Treatment for NERD Patients	Dr. Akinori Koide, Director, Koide Clinic of internal and digestive

VOICE

What I expect for the leading company of kampo medicine



Dr. Kenji Watanabe

(Associate Professor, Department of Kampo Medicine, Keio University School of Medicine)

It is necessary to clarify the mechanism of the efficacy and action of kampo so that the traditional medicine of Japan may contribute to the health of the world. A lot of research has been conducted so far, and the scientific data has been accumulated. For instance, it was shown in our research that the duration of hospital stays was shortened by applying kampo to prevent intestinal obstruction after operations on colorectal cancer.

Kampo medicines should bring big possibilities to the medical treatment of aging society, such as the expansion of patients' choices and the reductions in the medical expense. I expect Tsumura to work on the construction of evidence of kampo medicine as a supporter of a new culture of medical treatment by integrating Western medicine in the future.



Internationalization of Kampo

Under the growing interest for herbal medicine in the United States, Tsumura advanced research on diseases to which kampo is effective but is difficult to treat by Western medicines.

So far we have conducted clinical trials for Keishibukuryogan (TU-025) and Daikenchuto (TU-100). Based on our trial progress at the University of Minnesota, we decided to terminate the clinical trials for Keishibukuryogan. Although the efficacy of the preparation was recognized, it was anticipated that the development period was going to be prolonged and development costs increased to obtain additional information. At least for the time being, therefore, we will focus our R&D effort on Daikenchuto.

If kampo medicine is authorized by the U.S. Food and Drug Administration (FDA) as an ethical pharmaceutical, it will create a big foothold of “Internationalization of kampo.”

Activities of Medical Representatives (MR)

Tsumura’s medical representatives (MR) visit medical institutions around the country to offer, collect, and communicate the latest information about the quality, effectiveness, safety, and proper use of pharmaceutical medicines including kampo. Moreover, they conduct the dissemination and enlightening activities to promote understanding of kampo medicine. Playing a part in medical services, our MRs are making daily efforts with the social mission to contribute to public health through kampo.

Training and Support System for MR

Basic qualifications of Tsumura’s MR are summarized as follows:

- Possess high ethics
- Acquires the knowledge related to drugs in general and kampo medicines including the corporate products.
- Improves the skills to fully exert the above qualifications.

Therefore, our company offers a well-balanced education and the training program to improve the above qualifications. To solidify these education commitment the Company provides “Introduction training” and “Continuing training” that fulfill the requirement of MR Education & Accreditation Center of Japan’s educational training outline.

Moreover, the Company provides separate training opportunities to meet the needs of each business operations as sales and administrative works. The qualification test is also conducted to ensure the MRs have a uniform high quality about the knowledge and skills over corporate products.

VOICE

The role of MR

Mr. Hidenobu Miyamoto

Fukuoka Regional Branch, Sales & Marketing Division

The role of us Tsumura MR is to help the patients through kampo medicine. For this purpose, it is very important to construct mutual trust with doctors and gather information. Though there are a variety of methods to build mutual trust, I believe that enthusiasm is the most important in addition to knowledge and courtesy.

A complete understanding of kampo medicines, various knowledge on diseases and their treatment are needed for the activity of MR. Since I am taking charge of the university hospital now, knowledge building is especially important. So it is a continuous learning experience for me with clinical training, reading technical journals, research via the Internet and through conversation with doctors.

I also feel worthwhile to work as MR of Tsumura. I am delighted when the doctors tell me “That medicine has worked” and “The patient was pleased”, after applying kampo formulations I had introduced.

I would like to contribute to the construction of the evidence of kampo medicine in the university hospitals I take charge, and get involved in the spread of kampo medicine in the future.



With Customers: Communication

We value customer requirements and actively offer the information to provide customers relief for using kampo medicine and our products.

Customer Information Service Center

Tsumura established “Consumer Information Service Center” in 1995 so that the patients were able to take the medicine at ease, and the health care practitioners may use them properly. Since then, the Center has received nearly 150,000 consultations in twelve years. We continuously offer various information in order to facilitate proper use of our pharmaceutical products.

Handling of Customers’ Private Information

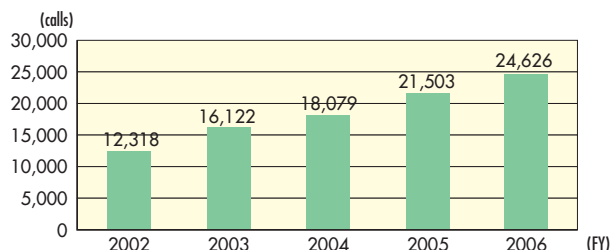
The Consumer Information Service Center does not offer customers’ private information to the third party without prior consent of the customers. The information is only used to answer to the consultation and to offer requested materials. Private information is strictly managed based on the Company’s “Protection of individual information policy”.

Information on Product Safety

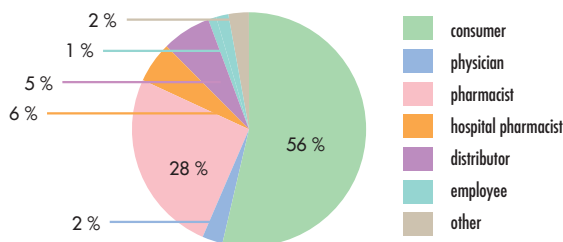
The Consumer Information Service Center receives a lot of consultations concerning the safety of products, such as combination use of medicines, medication during pregnancy or breast-feeding, and side effects. In fiscal 2006, 7,300 was a consultation concerning the safety out of 25,000 inquiries. The personnel of the Center listen to the customers and explain to make them rest assured.

Moreover, the Center receives information on the side effect from doctors, pharmacists, and patients. Based on the information, the Center conducts hearing investigation with the reporter in accordance with in-house procedures, which are reported to Product Safety & Pharmacovigilance Department, the management and related sections. Tsumura has set up the structure to collect and report the information of the product safety promptly and adequately with this flow of information.

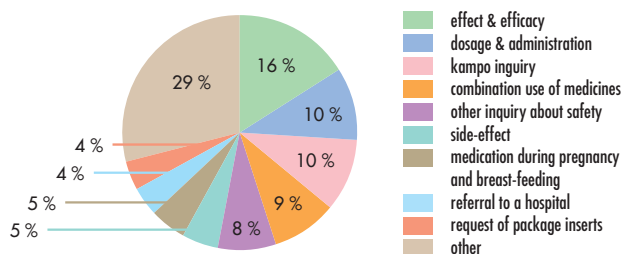
Calls received at Tsumura customer service representative



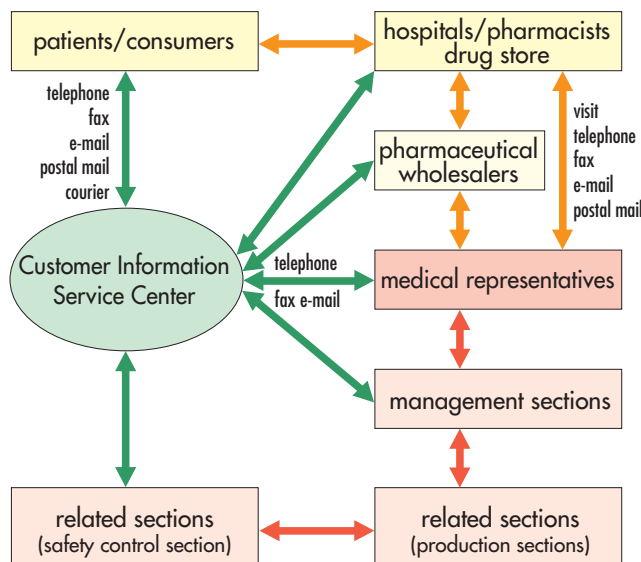
fiscal 2006 breakdown of consulters



fiscal 2006 breakdown of consultation issues



Flow of information on the product safety





Installation of CS (customer satisfaction) conference

Each inquiry from a customer is valuable information for the Company. In fiscal 2006, we set up the “CS conference” consisting of related directors, headed by the president. The theme of this conference is The pursuit of Tsumura’s approach for patients and everybody involved in medical care can gain further satisfaction. The goal is to build a shared customer creed and create a new corporate culture.

Among a broad array of consultations received by the customer service representative, some complaints to the Company are included. We positively accept and share the complaint from the customers, and examine in the conference to utilize and improve in the business operations. Moreover, the customer-driven approach is introduced for the business improvement responding to the customer requirements and the proposals.

Internet sites concerning kampo

The Company is supporting the Internet search site of kampo doctors and “Kampo view”, the general information site concerning kampo.

Site name	Access / month	Membership
Kampo-no Oisyasan Sagashi	35,000	-
Kampo view	37,000	6,436

Tsumura's supporting sites

Kampo-no Oisyasan Sagashi (searching for a kampo doctor)

An internet site for searching kampo doctors around your neighborhood
(<http://www.gokinjo.co.jp/kampo/index.html>)



Kampo view

A general information site to study kampo for healthier body and mind
(<http://www.kampo-view.com/>)



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Communication with customers

Mr. Toshihiro Tsuji

Consumer Information Service Center, Corporate Communication Department

“After five years of suffering from paranasal sinusitis, I was relieved from the pain by one month kampo medication. I wish I had known of kampo earlier.” This is a delightful moment for a person in charge of customer information service.

The other day, I received an e-mail from a female customer, saying, “I am worried because of symptom of dizziness and perspiration appeared after taking a kampo preparation”. I first replied to the customer by e-mail, and then made a phone call to hear for further details. When I explained the effects of kampo and other issues of concern, the customer told me, “receiving a call from you brought a sense of security and the physical condition has also been improved. Thank you so much.”

We offer this service to bring a sense of security and trust to our customers and will continue to do this in the future.



Questions or comments to Consumer Information Service Center

Call 03-5574-6600

(9:00 to 17:30 on weekdays, except the corporate holidays)

e-mail (accessed from the corporate website)

http://www.tsumura.co.jp/qa/q&a_index.htm

With Shareholders and Investors

We aim at the improvement of corporate value to make the Company trusted by shareholders and investors through proactive activities for investor relations at home and abroad.

For the Improvement of Shareholder Value (new mid-term management plan)

Tsumura settled on a new medium-term plan in fiscal 2007, which is the starting year of the business development to be specialized in kampo medicine and botanical raw materials.

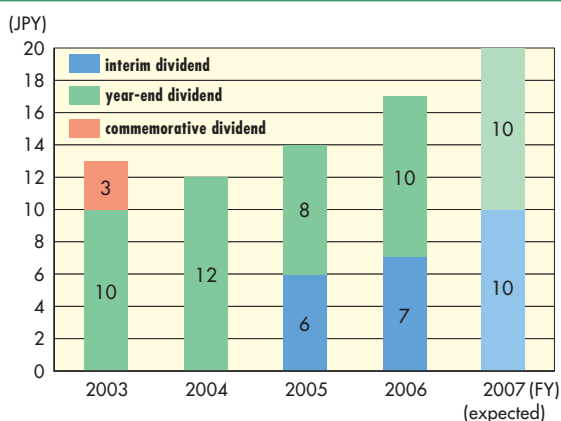
The framework of new medium-term management plan is explained on the right. The action plan objectives under the new management plan are as follows.

1. Establishing kampo medicine as a modern method of medical treatment
2. Pursuing drug fostering and the evolution of kampo
3. Internationalizing the understanding and use of kampo
4. Expanding the production system
5. Establishing a traceability system
6. Creating an “open” company

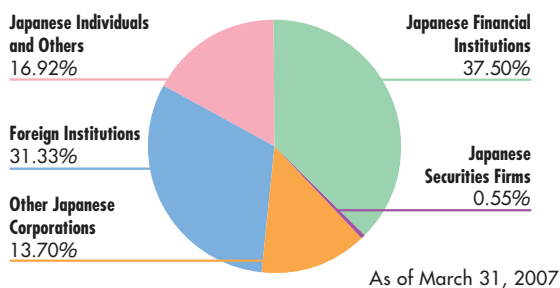
Change in Number of Stock-trading Unit

Tsumura reduced its stock-trading unit from 1,000 shares to 100 shares on February 2007, aiming at expanding the individual shareholder base and increasing the liquidity of our shares on the market.

Trend of Dividends per Share



Ownership and Distribution of Shares



The Outline of New Medium-term Management Plan

1 Sales and profit

Given the prescription kampo preparation grows approximately 7% annually on a unit basis; we are aiming for net sales of 104.5 billion yen, operating profit of 20.0 billion yen.

2 Important management performance indicator

We will enhance our capital efficiency ratio and continue to use ROA (return on asset) as an important management performance indicator from the point of view of increasing profitability, thus setting our ROA target at 13.5% for fiscal 2009.

3 About capital investment

To cope with the expanding demand for kampo preparations, we will launch the construction of new plant within the Ibaraki Plant in addition to the update of existing facilities.

4 About the interest-bearing debt

We make continuous effort to compress the interest-bearing debt, targeting at 23 billion yen fiscal 2009.

5 About the dividend

We examine the increased dividend payouts in view of the business circumstances as investment.

Hospitality Program for Shareholders

After the change in number of stock-trading unit, Tsumura established a hospitality program for shareholders who own more than 100 and less than 1,000 company stocks.

The Company gives the preferential treatment to every shareholder on the list of substantial shareholders with more than 100 stocks (one trading unit) as of March 31 every year.

The contents of hospitality program for shareholders

Ownership of shares	Hospitality gifts
More than 1,000 stocks	Products of Tsumura Group valued at 3,000 yen
More than 100 and less than 1,000 stocks	Products of Tsumura Group valued at 1,500 yen

Hospitality gifts for shareholders



For more than 1,000 stocks (products valued at 3,000 yen)

For more than 100 and less than 1,000 stocks (products valued at 1,500 yen)



Communication

Tsumura holds information meetings for investors and analysts twice a year regarding our business results, attended by about 100 visitors consistently. In the meetings, the President explains the management strategy and outline of the financial results, inviting active discussions with the participants. In addition, individual meeting with IR personnel, small-group discussion with the corporate directors, and tours of our Plants are all conducted for better communication with our investors. The comments and suggestions from our investors are communicated to the corporate directors and related sections.

To meet the increase of private investors, we have introduced a visually-aided presentation to explain the activities and achievements of Tsumura Group in the fixed general meeting held every June.



▲ IR information meeting

Information Disclosure

To ensure the timely disclosure of correct material and information on the Company to shareholders and investors, we have established an appropriate disclosure organization based on our Tsumura Information Disclosure Rules.

As one of our IR activities, we established an IR Web site for investors, through which we disclose various information. For example, we were the first in the pharmaceutical industry to disclose monthly sales trends in a timely manner to enable our investors to examine sales forecasts. In addition, we explain our business model and kampo medicine in an easy-to-understand manner using tables and graphs.

For our foreign investors, we distribute an annual report in English. The important information and business results are also uploaded on our English Web site.

IR Web site: <http://www.tsumura.co.jp/english/ir/index.htm>



▲ Tsumura's IR Web site

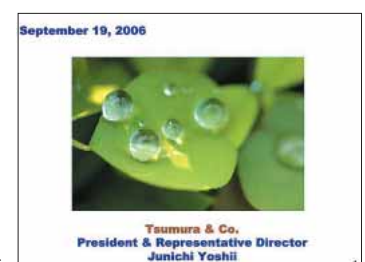
Participation to SRI Conference

In September 2006, the President of Tsumura participated in the Socially Responsible Investment (SRI) conference hosted by Oddo securities in Paris, France.

In the conference, the President explained our activities on the dissemination of kampo medicines, drug fostering, kampo's role in a gender-oriented medicine, traceability system of botanical raw materials. The presentation was widely applauded by institutional investors in attendance.



▲ SRI conference in Paris



The presentation material for the SRI conference ►

With Employees

We think it is a part of Corporate Social Responsibility to develop a worthwhile workplace environment and systems to bring out the best in each employee.

Occupational Health and Safety in the Plants

In Shizuoka and Ibaraki Plants, occupational health and safety activities are promoted centering three themes of health and safety, physical fitness, and traffic safety. Despite the various activities, there were a total of eleven industrial accidents, 6 in the first half, 5 in the second half of fiscal 2006. Moreover, there were fifteen traffic accidents in fiscal 2006. To take steps to prevent an accident, we will promote employee awareness through the risk prediction training and safety patrol attended by the members of safety group and safety promotion committee.

Mental and Physical Health of Employees

Tsumura supports the employees' fitness and work-life balance in order to improve their motivation and family life. We consider all these activities benefit the working efficiency, securing an excellent human resource, while boosting employee morale.

Objectives and achievements of mental and physical health of employees in FY2006	
Objectives	Achievements
Improvement of fitness	Organization of the fitness exhibition
Reduction of workplace stress	1. Organization of line-care training session in 14 branch offices attended by 234 managers 2. Distribution of Q&A booklet putting together the feedback from the training session
Recurrence prevention of mental trouble after return-to-work	Individual treatment (interview) of employees with mental troubles
Reduction of occupational illness and injury	1. Settlement of health and safety management rule, health and safety management standard, and hygiene control standard 2. Organization of critical care training
Measures to support the development of the next generation	Achievement of the first action plan (from April 2005 to March 2007) through the development of internal rule and publicity activities

Assistance on the work-life balance and development of next generation

Tsumura enhances the working environment so that the employees can balance their work and life at various life stages.

In March 2007, the Company has achieved action plan objectives based on the Law for Measures to Support the Development of the Next Generation, and therefore certified as the business entity conforming to the standard by the Tokyo Labor Bureau as of May 24, 2007.

The Company shall further enhance the corporate systems and provide working conditions for employees' work-life balance.

Objectives and achievements of Tsumura's action plan to support the development of the next generation (from April 2005 to March 2007)	
Objectives	Achievements
To boost the child-care leave targets of more than 80% for female and more than one male employee within the target period	Four male employees and 100% female employees took child-care leave
To set up a vacation system for attending on children's check-ups and vaccinations targeting the employees directly responsible for children of pre-school-age	Set up the system in April 2005
To boost the leave acquisition to an average of 10 days	The average vacation days per an employe: 12.6 day/year
To enhance the systems for internship, plant and company tours	<ul style="list-style-type: none"> ● accepted more college students for plant tour, especially as an ● introduction training program for schools of medicine enhanced 3-days internship for students from high schools ● provided one-day career experience with distinctive program of pharmaceutical company for junior high school students



▲ Next generation certification mark

Objectives of Tsumura's action plan to support the development of the next generation (from April 2007 to March 2010)

1. To boost the child-care leave targets of more than 80 % for female and more than one male employee within the target period
2. To expand and publicize over-time exemption system targeting the employees who have direct responsibility for children of pre-school-age
3. To expand and publicize nursing leave system
4. To boost the leave acquisition to an average of 10 days from April 2007 to March 2010
5. To hold a company visit for employees' children



▲ Health care exhibition at the headquarter



▲ Traffic safety leader training at Shizuoka Plant



▲ Emergency drill at Ibaraki Plant

Education and Training

Tsumura provides education programs to meet every grade and professional background of all the employees.

● Entry-level general training

Support new employees acquire basic knowledge, skills and attitudes required for members of society.

● Life plan training

Career support and life planning of the employees at the ages of 52 and 57.

● Training for newly promoted employees

Encourage newly promoted employees' initiative to lead the innovation of the Company. As for new managers, clarify the responsibilities of managers and improve the qualifications and quality of all personnel.

Employment of Persons with Disabilities

As of March 2007, Tsumura employs 27 persons with disabilities, which accounts for 1.80% of total employment. They are working in various workplaces according to their interests and skills. The Company actively promotes the employment of disabled personnel as well as improving working conditions for all employees.

Personnel System

Tsumura conducted a questionnaire survey targeting employees in order to identify issues in the personnel system and to improve employees' understanding of it. As a result, with a response rate of 96.8%, many opinions are received about promotion exams and evaluation from employees in both general and managerial jobs.

The Company also conducts personnel rater training for the appropriate implementation of management by objective. In fiscal 2006, 97 raters attended in 4 training sessions. In fiscal 2007, 9 sessions were planned to target more than 200 raters.



▲ Entry-level general training



▲ Personnel rater training

Employee Consultation Services and Their Functions

Tsumura Group hot line	Compliance, human rights, personnel affairs
KSS line	e-mail counseling about health issues
Angel line	Pregnancy, childbirth and nursing
Mental health Consultation	e-mail counseling about mental health issues
health consultation	Consultation with industrial physician
Health promotion program	Consultation with outside service about health, medical care, nursing care issues

VOICE

Experience of child-care leave



Mr. Makoto Sakagami, Saitama Sales Office, Sales & Marketing Division

I took one-week leave during my wife's hospitalization for the delivery of our second child. Starting from breakfast preparation, washing, cleaning, airing the beddings and shopping for dinner, to helping the elder daughter's doing homework...time flies when dealing with housework. This experience reminded me how hard the child rearing and household affairs, and made me feel grateful to my wife. It was very satisfying week for me to think about parenting from a new perspective.

With Society

As an “open” company, Tsumura values the communication with local communities and continues activities to spread the kampo medicine to a broad society.

Seminars on Kampo Medicine

We offer various seminars for healthcare professionals to study kampo medicine systematically. The seminars are held for small groups of around 20 people according to the learning level of kampo medicine, to achieve the interactive program between the lecturers and participants.

Postgraduate seminars on kampo medicine are for the physicians who have prescribed kampo formulations, but not familiar with kampo diagnosis and treatment. The seminars are consisting of introductory programs for participants to acquire basic knowledge and techniques, and step-up program to learn the practice of kampo medicine including diagnosis method.

Moreover, the Company offers various specialized seminars for doctors attending clinical research laboratories, university hospital doctors who support undergraduate education of kampo medicine, and female gynaecologist in outpatient clinic with higher medical needs of kampo treatment.

Through continuously providing such seminars in diverse programs, the Company supports the achievement of diagnosis and treatment based on the fusion of Japanese traditional kampo medicine with Western medicine in everyday situations.

Seminars for Pharmacist

The Company also offers seminars for pharmacists to learn about kampo. In fiscal 2006, it was held in 14 sites across Japan.

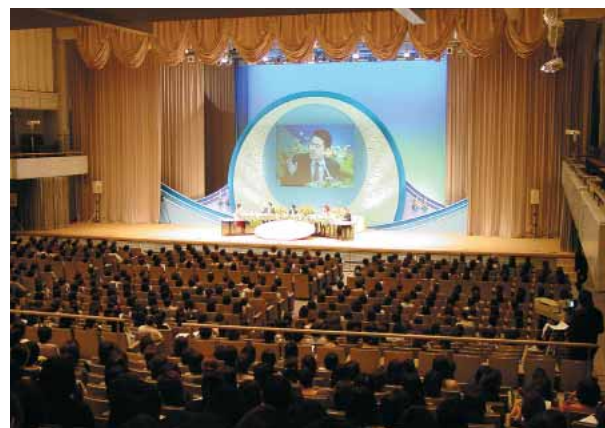
Public Seminars

In order to promote the correct recognition of kampo medicine, Tsumura continuously hold public seminars for citizens. In fiscal 2006, Tsumura held tie-up well-being fair with NHK in 10 sites, and seminars for working women at 7 sites across the nation attracting many participants.

Tsumura Museum

Tsumura Museum is scheduled to reopen within the site of Ibaraki Plant in April 2008. It is planned to exhibit more than a thousand pieces of valuable materials from the ancient Nara Period to Edo, Meiji, Taisho and Showa Era, to make visitors enjoy the exhibition and feel familiar to kampo medicine.

Seminars and Lectures held in FY2006		
Category		Number of Seminars (participants)
Postgraduate seminars	Introductory seminar	165 (2,486)
	Introductory seminar-II	49 (709)
	Step-up seminar	79 (1,536)
	Subtotal	293 (4,731)
Seminars for doctors attending clinical research laboratories		36 (623)
Seminars for university hospital doctors		17 (298)
Seminars for female gynaecology doctors		6 (101)
Seminars for pharmacists		14 (1,700)
Public Seminars	Well-being fair	10 (26,400)
	Kampo seminars for working women	7 (7,255)
	Subtotal	17 (33,655)
Total		383(41,108)



▲ Public Seminar



▲ Tsumura Museum



▲ Internship at the Plant

As an “Open” Company in the Local Community

Tsumura invites children of neighboring communities of the Plants for factory tours to promote their understanding of our business operations and environmental protection activities. In fiscal 2006, 1,028 people visited Shizuoka Plant, and 383 visitors at Ibaraki Plant. Moreover, Ibaraki Plant participated in the environmental fair sponsored by Ibaraki Prefecture, and introduced the approaches of environmental protection at the Plant.

The Company positively accepts students in internship programs and corporate visits from the local communities as part of action plans to support bringing up the next generation. In fiscal 2006, four students were accepted upon the request of a high school and a university of the region, and given a training concerning the quality testing of the medicines.

Tsumura Lifescience Co., Ltd. also conducted “Kids Researchers” project to invited school children and their parents to the laboratory. In fiscal 2006, the project was held in August (summer vacation time) and March (spring vacation time) for children’s sake. The participants enjoyed studying about bath additives and hot springs, and prepared bath additives by themselves.

Number of Acceptance of Factory Tours and Internship in FY2006 (number of participants in parentheses)			
	Shizuoka Plant	Ibaraki Plant	Laboratories
Factory tour	25 (383)	83 (1,028)	-
Internship	1 (2)	1(2)	-
Company visit	-	1 (14)	2 (28)

Cleanup Activities around Operation Sites

The Company is working on beautification of the vicinities of the headquarter office, Ibaraki and Shizuoka Plants, Fujieda Center, and a distribution center.

Major Beautification Activities in FY2006			
Sites	Activities	Number of times	Number of participants
Headquarters	Clean-up campaigns of Chiyoda Ward in June and November	2	104
Shizuoka Plant	Clean-up of canals, weed mowing, etc. in May and August	2	27
Ibaraki Plant	Beautification in May and December Clean-up of industrial estate in March	3	56
Fujieda Center	Clean-up of canals, weed mowing, etc. in May, July, and September	3	10
Distribution Center	Clean-up around the site in May	1	6

Social Contribution Activities of Labor Union

A variety of social contribution activities are conducted by the Tsumura labor union. The main activities are as follows.

- Participation in the social contribution forum and donation through the social contribution fund of Japanese Federation of Pharmaceutical Industry Trade Unions.
- Voluntary participation in regional beautification campaign in Ami Town, Ibaraki Prefecture.
- Collection and contribution of pull-tabs, used stamps, telephone cards, and pre-paid cards to social contribution groups.
- Execution of volunteer work of regional cleaning in occasions of public welfare activities.



▲ Acceptance of factory tour and company visit



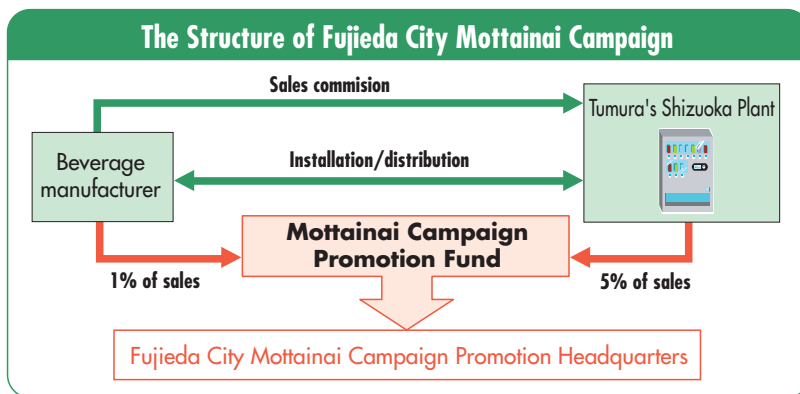
▲ Clean-up campaign of Chiyoda ward

With Society

As a good corporate citizen, we actively promote social contribution activities to coexist in harmony with the society.

Fujieda City “Mottainai” Campaign

Tsumura’s Shizuoka Plant installed automated vending machines, from which a portion of sales (5% from the Company and 1% from the beverage manufacturer) is donated to the activities for waste reduction. This is a part of Fujieda City’s Mottainai (waste reduction) Campaign, and the Plant was the first corporation to join the campaign. The donation is utilized to produce environmentally friendly “eco-bags,” to be used in lieu of wasteful plastic shopping bags.



Fujieda City Beautification and Adopt Campaign

In February of 2005, as gratitude to the local community, we took the occasion of our Shizuoka Plant’s 40th anniversary of establishment to register with the Fujieda City Beautification and Adopt Campaign. Since then, we have participated in an environmental beautification campaign around the whole area of the Renge-ji Temple Pond Park and the Plant vicinity. In fiscal 2006, 113 employees of our company participated.

Additionally, the range was expanded to the Shimada City Achigaya district where recycled fertilizer Tsumuland (See P.41) is produced.

Contribution and Support to External Institution

● Donating of stationery

Accompanying the transfer of headquarter building, there had been generated excess files and stationery goods that are still usable. We donated them to 27 facilities of social welfare council and volunteer centers in Tokyo. The total of about 4,600 files was received with gratitude by the donating destinations. Afterward the Company received letters of acknowledgment and the magazines announcing the event to the public.

● The support goods offered to the stricken area of the Noto peninsula earthquake.

Upon the request from the locale, Tsumura sent the support goods (a total of 12,500 pieces of portable wet tissue and 2,500 bottles of drinking water.) to the stricken area in Ishikawa Prefecture that had received especially big damage from the Noto peninsula earthquake that had occurred in March, 2007. Moreover, the Company contributed five million yen to the Japan Red Cross Ishikawa Prefecture branch.



▲ Fujieda City Mayor (right) and Shizuoka Plant manager (left) with “Mottainai” sticker during ceremony of the first machine installation in Shizuoka Plant



▲ The Shizuoka Shimbun article on 16 May.



▲ Fujieda city beautification activity



▲ Letters of acknowledgment and magazines announcing the stationery donations



▲ Participation in Asaza Project



▲ Asaza flowers in Lake Kasumigaura

Cooperation and Support of NPO/NGO

● Asaza Project in Kasumigaura and Kitaura Lakes

As a part of environmental protection activities that are conducted under the environmental policy of Ibaraki Plant, the Plant has participated to Asaza Project, which aims for the conservation of Lake Kasumigaura and its catchment area, the water resource of the Plant. Every year between May and August, voluntary employees seed and raise the sapling of Asaza at the Plant, the endangered plant species of the Lake, and plant them back to the lake. Since the first year of participation in fiscal 2003, many employees have participated in the Project so far, and in fiscal 2006, the Plant received a letter of appreciation from Asaza Fund that operates the Project.

● Other Supported Organizations

The Company support other organizations working toward environmental protection and sound development of youth. The major supported organizations in fiscal 2006 are as follows.



▲ Planting of Asaza

The major supported organizations in fiscal 2006

Organizations	Activities	Support content
WWF Japan	Promotion of nature conservation activities through the conservation of biodiversity,utilization of renewable natural resource, and the minimization of negative environmental impacts from environmental pollution and utilization of resources and energy.	Corporate member annual fee ¥200,000
Youth Friendship Association	Promotion of sound development of youth through the outdoor cultural educations such as family outdoor experiences, fun walk, green adventure, leader development course for nature experience educations, etc.	Special member Annual fee ¥200,000
OISCA-International (The Organization for Industrial, Spiritual and Cultural Advancement-International)	Promotion of education and development thtough environmental protection, local development, and human resource development.	Corporate member annual fee ¥100,000

VOICE

Joining in the Asaza Planting

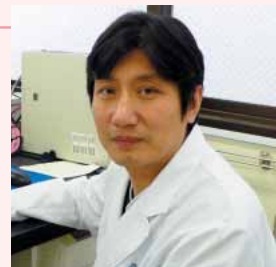
Mr. Kenpei Tai, Production Division, Ibaraki Plant

Though I did not know what kind of plant Asaza was, I agreed readily saying to my colleagues "will you go to plant Asaza?" It was the first time for most participants including myself to join this event, and everyone was excited as if going on a school expedition.

The temperature rose quickly in the afternoon, and a sweet smell of the fresh green drifted through the early summer wind. Lake Kasumigaura had not seen green, where rows and rows of rice have exclusively lived.

Fully willing I put on a pair of waders and entered the water as deep as one meter, which was cool and comfortable at first. As the planting progressed, I began to sweat. Though it was a lot of work to dig up the soil under water, fix the Asaza roots with wires not to be washed away by the waves, I was immersed in planting. After the work, when I looked around our achievement, the round leaves of Asaza was floating on the waves. I felt the of pleasure achievement watching the Asaza leaves as if expressing the gratitude for our help.

We plant Asaza little by little, and slowly regenerate the natural beauty of Lake Kasumigaura. After this event, I became to feel like calling for people to improve their environmental conservation awareness by participating in such a project, and do not destroy the environment any further. If you want to receive from nature, you need to love it!



Environment and Tsumura

As a company that scientifically approaches nature and health, Tsumura conducts business activities in harmony with nature in order to achieve a balance between prosperous life and conservation of the global environment.

Excerpt from Tsumura Environmental Principle (established in October 2000)

[*Astragalus membranaceus*]



Tsumura Green Photo Contest 2006
Grand prize and Gold prize in autumn,
“the nature I want to conserve” category

“Autumn Valley and Kiyomizu-Dera Temple”

Ms. Masako Aoyama
Business Promotion Department

“During one of my trips to Kyoto in autumn, I had to take a shot of Kiyomizu-Dera and its surrounding autumn leaves in perfect harmony. I wish this beautiful nature to be preserved and keep us inspired now and forever.”

Tsumura Green Photo Contest 2006
Gold prize in winter,
“the nature I want to conserve” category

“Ice Lake ... Creeping Impact of Global Warming”

Ms. Masami Tachikawa
Tsumura Lifescience Co., Ltd.,
Marketing Division

“Bespangled with ice, the lake was so beautiful. I wonder whether the lake would ice in the future due to increased global warming. This year’s warm winter give us the opportunity to think about this issue. Let us reflect on our lifestyles and strive to save energy.”



Trend of Major Environmental Performance Indices from 2002-2006

From the trend of environmental performance indices in the recent years, we review the action plans and management system to set up objectives for environmental conservation.

Reporting Period (FY)	2002	2003	2004	2005	2006	Coverage	Corresponding pages in this report	
Total Energy [GJ]	890,430	860,802	833,802	857,360	919,820	*3	P.37・39	
Material Input	botanical raw materials [t]	5,399	5,788	5,710	7,295	5,243		P.37
	containers and packaging [t]	3,583	3,774	4,270	4,555	5,267	*4	P.37
Water Resource Input [m ³]	825,711	852,459	891,375	899,175	977,932	*5	P.37・40	
Chemical Input	acetonitrile [t]	2.8	4.1	2.8	4.1	3.6		P.37・45
	chloroform [t]	1.5	1.5	1.5	0.8	0.6		P.41
Green Purchase Rate [%]	69	72	75	78	81		P.43	
Production of extracted granules [t]	4,036	4,140	4,426	4,800	5,051		P.37	
Emission of greenhouse gases [t-CO ₂]	51,500	51,500	47,500	47,500	47,200		P.37・39	
Waste	Waste emission [t]	7,798	7,886	8,975	9,071	9,904	*6	P.37・42
	Final disposal [t]	94	58	30	32	19		
	Percentage of waste recycled [%]	95.8	97.9	98.6	98.5	98.98		
Effluent discharge [m ³]	659,403	696,094	783,916	784,528	894,340	*5	P.37・40	
Eco-efficiency for GHG reduction [million yen/t-CO ₂]*1	1.6	1.6	1.8	1.9	1.9		—	
Eco-efficiency for waste reduction [million yen/t]*2	10.4	10.4	9.5	10.0	9.2		—	
Net sales [million yen]	81,411	82,155	84,837	90,419	91,227		P.47	
Total assets [million yen]	116,101	124,011	122,674	135,158	143,378		P.47	

*1 Eco-efficiency for GHG reduction [million yen/ t-CO₂] *2 Eco-efficiency for waste reduction [million yen/ t] *3 Exclude in-house power generation

*4 Include cardboard from fiscal 2006 *5 Exclude branch and service offices around Japan

*6 Exclude branch and service offices, distribution center, recreation facility, and headquarter of Tsumura Lifescience Co., Ltd.

Although the household products business was spun off to Tsumura Lifescience Co., Ltd. in October 2006, the performance data was continuously included in the calculation range of environmental indices, so that the trend did not show a significant change for this reason.

In FY2007, the performance data of the following Tsumura Group companies are to be included in the calculation; Tsumura Lifescience Co., Ltd., Shenzhen Tsumura Medicine Co., Ltd., Shanghai Tsumura Pharmaceuticals Co., Ltd., Logitem Tsumura Co., Ltd., Creative Service, Co., Ltd.

Important Notice about Environmental Performance

- Ibaraki Plant achieved zero emission in FY2006
- Shizuoka Plant is also scheduled to achieve zero emission because the recycling routes were established for flammable and toxic waste oil
- For new spray-dry unit has started operation since January 2007 in Ibaraki Plant, the energy consumption is expected to increase in FY2007. In order to curb the increase, we plan to consume electricity from a power company with lower CO₂ emission coefficient

Reporting Organizationse

Offices and plants of Tsumura, Co., Ltd. and Tsumura Lifescience Co., Ltd. within Japan

Compliance of Environmental Regulations

There was no violation of the environmental regulatory control that accompanies the guidance, recommendation, instruction, and punishment by the regulator in fiscal 2006.

Environmental Objectives and Achievements

Under our corporate philosophy of “The Best of Nature and Science”, Tsumura established environmental principle and basic policy. The Company also set medium-term and yearly environmental objectives to achieve the continuous improvements.

Tsumura Medium-Term Environmental Objectives

1. GHG Emission Reduction

To reduce GHG emission by 10% from fiscal 1990 level by fiscal 2010

2. Social Contribution (Environmental Conservation)

To establish the company-wide activities for social contribution concerning environmental conservation by 2009




3. Efforts as a member of FPMAJ*

To reduce paper and plastic material inputs by 2% and 3%, respectively, from fiscal 2004 level by 2010


















* FPMAJ: The Federation of Pharmaceutical Manufacturers' Associations of JAPAN

photo : Farm field of mahang (China)



 100% or more of goal
  80% or more of goal
  Less than 80% of goal

Achievements and Evaluation of FY 2006, and Goals of FY 2007

Category	FY2006 Goals	FY2006 Achievements	Evaluation	FY2007 Goals	
Environmental Management	Implement an environmental audit	Conducted in 17 sites			
	Implement environmental education and awareness programs	- held exhibition and seminar on environmental issues - e-learning about environmental report - education sessions held upon audit occasions		Expand and improve environmental education and awareness programs	
	Expand activities across the Tsumura Group	Explained the group entities the purpose and outline of environmental impact data acquisition		Expand activities across the Tsumura Group	
	Set medium-term environmental goals	Set the goal and implementing		Set goals for green procurement	
Products	Promote 3Rs (reduce, reuse, recycle)	Simplified the wrapping and mounted degassing equipment on the aerosol can among products of Tsumura Life science Co., Ltd.			
	Promote use of environmental-friendly raw materials	No novel material used			
	Promote green procurement	Conducted questionnaire survey to confirm the environmental engagements of major suppliers			
Chemical substance	Revise management standards	Conducted questionnaire survey to identify problems in the related departments		Revise management standards	
Energy, resource, and waste	Energy	[Companywide] Reduce greenhouse gas emissions to a level less than in the prior fiscal year		Reduce greenhouse gas emissions by 20% from FY1990 level	
	Waste	[Head office] Promote waste recycling following the moves from the head office and Rokubancho building	- Introduced dissolution treatment for paper recycling - Donated stationary to welfare organizations		
		[Plants] Attain a waste volume production unit of less than 1,077kg/t *1	Production unit: 1,111kg/t		[Plants] Attain a waste volume production unit of less than 1,132kg/t *1
	Recycling	[Research center, plants] Achieve a higher recycling rate compared with the previous fiscal year	Improved by 0.18 percentage points from the previous fiscal year *3		[Research center, plants] Achieve a recycling rate of 99.5%
	Paper	Reduce the volume of office paper used from the previous fiscal year	Reduced by 3% from the previous fiscal year *4		Reduce the volume of office paper used from the previous fiscal year
	Green procurement	Attain a green procurement rate higher than the prior fiscal year	Improved by 3 percentage points from the previous fiscal year		Attain a green procurement rate higher than the prior fiscal year
Environmental communications	Expand and enhance content in the environmental report	Enhanced the information content of social activities and feature articles			
Social contributions	Promote greening of the environment	Conducted planting of an endangered plant to Lake Kasumigaura		Promote environmental conservation activities	
	Promote regional contribution activities	- Conducted mowing and cleaning around headquarter building - Participated to the environmental exhibition by Ibaraki Prefecture		Promote regional contribution activities	

*1 Waste management goals are set according to the ISO 14000 standards at each plant.

*2 Since the method of calculating greenhouse gas emissions has been changed, figures for the previous fiscal year have been adjusted.

*3 Since the method of determining recycling rates and the definition of waste volume were changed, figures for the previous fiscal year have been adjusted.

*4 Since the household products business spun off to Tsumura Lifescience Co., Ltd, figures for the previous fiscal year have been adjusted for comparison.

Environmental Management

Tsumura set up environmental management system and implement environmental audit in order to promote independent activities for conservation of global environment.

Structure for Environmental Management

We launched “Tsumura Committee on Environment” chaired by the director in charge of environmental management in June 2000. The committee is composed of the head of each section and each plant manager as members, and the general manager of the production department as vice-chairman.

The committee is held twice in fiscal 2006. Company-wide environmental goals and the progress of the fiscal year were reported in the committee. Moreover, the committee set the mid-term environmental goals and company-wide environmental goals of fiscal 2007, and discussed the editorial policy of environmental and CSR activities report.

Environmental Management System

The EMS is operated in the “Plan, Do, Check, Act” cycle. A management system interfaced with that of Tsumura’s main body is under construction for Tsumura Lifescience Co., Ltd., which spun-off in October 2006.

[Plan] “Company-wide environmental goals” are set yearly based on the Tsumura Environmental Principle, the Policy and the previous year’s results. The company-wide goals are broken down to department goals of the headquarters, laboratory, branches and sales offices to secure the achievement. Moreover, the Shizuoka Plant (certified in March 2001) and Ibaraki Plant (certified in May 2001) that operate the environmental management system under ISO14001 are working on ISO14001 targets set in accordance with company-wide original target.

[Do/Check] The secretariat of EMS conducts the audit to understand the progress of all environmental activities and to promote the accomplishment of the goal. Each of the headquarters, laboratory, branches and sales offices execute the self-check of the performance and report to the secretariat at the end of the fiscal. The goals of underachievement are projected into the next fiscal year.

[Action] The achievement status and the audit results of company-wide environmental goals are reported in Tsumura Committee on Environment.

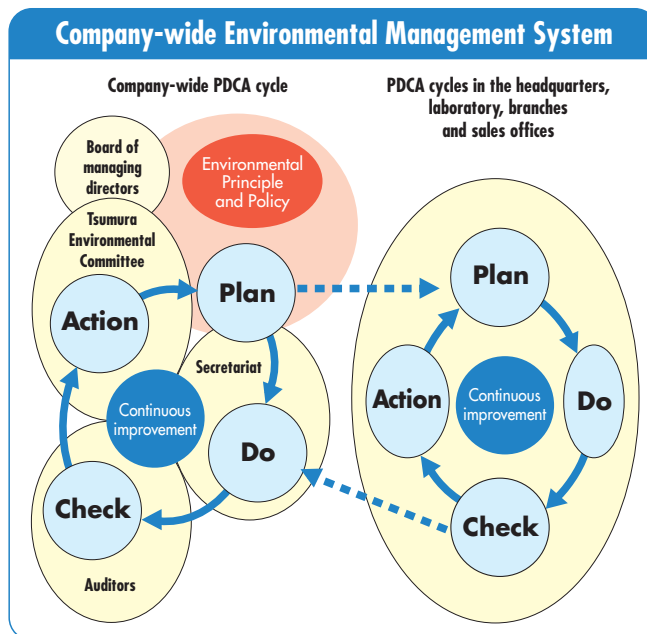
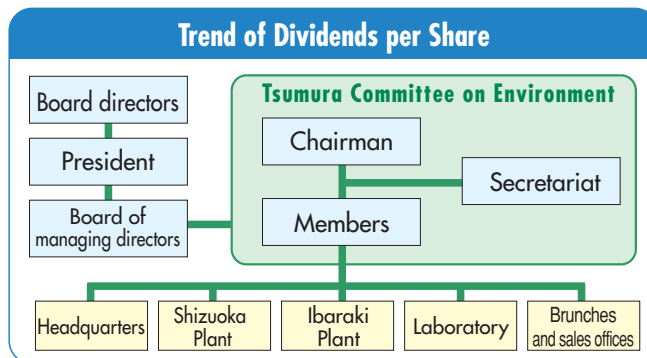
Environmental Audit

To confirm and evaluate the performance and the approaches of EMS, the environmental audit has been executed according to “Tsumura Company-wide Environmental Audit Guideline” since fiscal 2001. The guideline is a program to check and correct the progress and achievements, and see whether the environmental activities are appropriately operated under Tsumura Environmental Principle and Policy at each section.

In fiscal 2006, an audit was executed intensively for the sections with low performance toward company-wide environmental goals. The audit is combined with a confirmation of approaches, information interchange, and communications with each section. Moreover, the internal environment audit and external examination by the registered organization are conducted annually under the framework of ISO14001 in Shizuoka and Ibaraki Plants.

Emergency Response

Both plants in Shizuoka and Ibaraki conduct regular trainings for emergency response. In FY2006, the following trainings were conducted: **refrigerant leakage, hazardous substance leakage, chemical (caustic soda, hydrochloric acid, and organic solvent) leakage, photochemical smog generation, and odor emission.**



Environmental Education

To improve employees' awareness to the global environmental issues, and lead to the practice of conservation activities, Tsumura promotes environmental education and enlightening activities.

Environmental Education

We have conducted environmental education mainly targeting new employees and new managers since fiscal 2001. It aims to promote employees' continuous engagement in environmental conservation according to Tsumura's Environmental Principle and Policy. In fiscal 2006, education was provided on the general environmental issues and company-wide environmental goals, in addition to the departmental training concerning environmental issues.

Moreover, 11 new internal environment auditors were certified in Shizuoka and Ibaraki Plants.

Environmental Exhibition

We held "Tsumura environmental exhibition" to enlighten employee's environmental awareness in fiscal 2006 at the headquarters and Ibaraki Plant. The theme of exhibition at the headquarters was defined to be "Circulation of Tsumura", and it introduced the business of our company that was acting for the recycling society. In this connection, we held a swap shop where employees mutually exchanged unnecessary things. Moreover, explanatory meetings are held concerning the national project "Team minus 6%" for the global warming prevention, and "3Rs (reduce, reuse, recycle) of the office" for the headquarter relocation.

Tsumura Green Photo Contest

Tsumura has held "Tsumura green photo contest" since 2001, intended for our directors and employees to think about environmental problems through photography.

In 2006, photos were accepted from all four seasons of "the nature I want to conserve" or "immediate environmental problem", and the selected works were carried on the environmental report and the quarterly in-house magazine for the purpose of environmental enlightenment.



▲ Environmental exhibition (the headquarters)



▲ Explanation session of 3Rs of the office

VOICE

"Receiving the Grand Prize of Green Photo Contest"



Ms. Masako Aoyama

Business Promotion Department

I enjoy the time to take pictures of plants and sceneries that make me feel the season's transition, and sometimes reflect when looking at photos. Last year, I went to Kyoto to shoot the autumn leaves. Though I'd visited Kyoto several times since I became an adult, its beauty never fails to inspire me. The Kiyomizu-dera Temple, of which photograph I applied to the contest was one of my favorite spots in Kyoto. From the "stage" of the Kiyomizu-dera Temple, you can see a beautiful panoramic view of the whole city of Kyoto. Walking down the slope from the stage,

I looked back to find it so beautiful and took a shot of the temple seen through the crimson foliage of maples. One of the reasons I like Kyoto is the panoramic harmony between nature and ancient constructions. This work is a constant reminder of such inspiration.



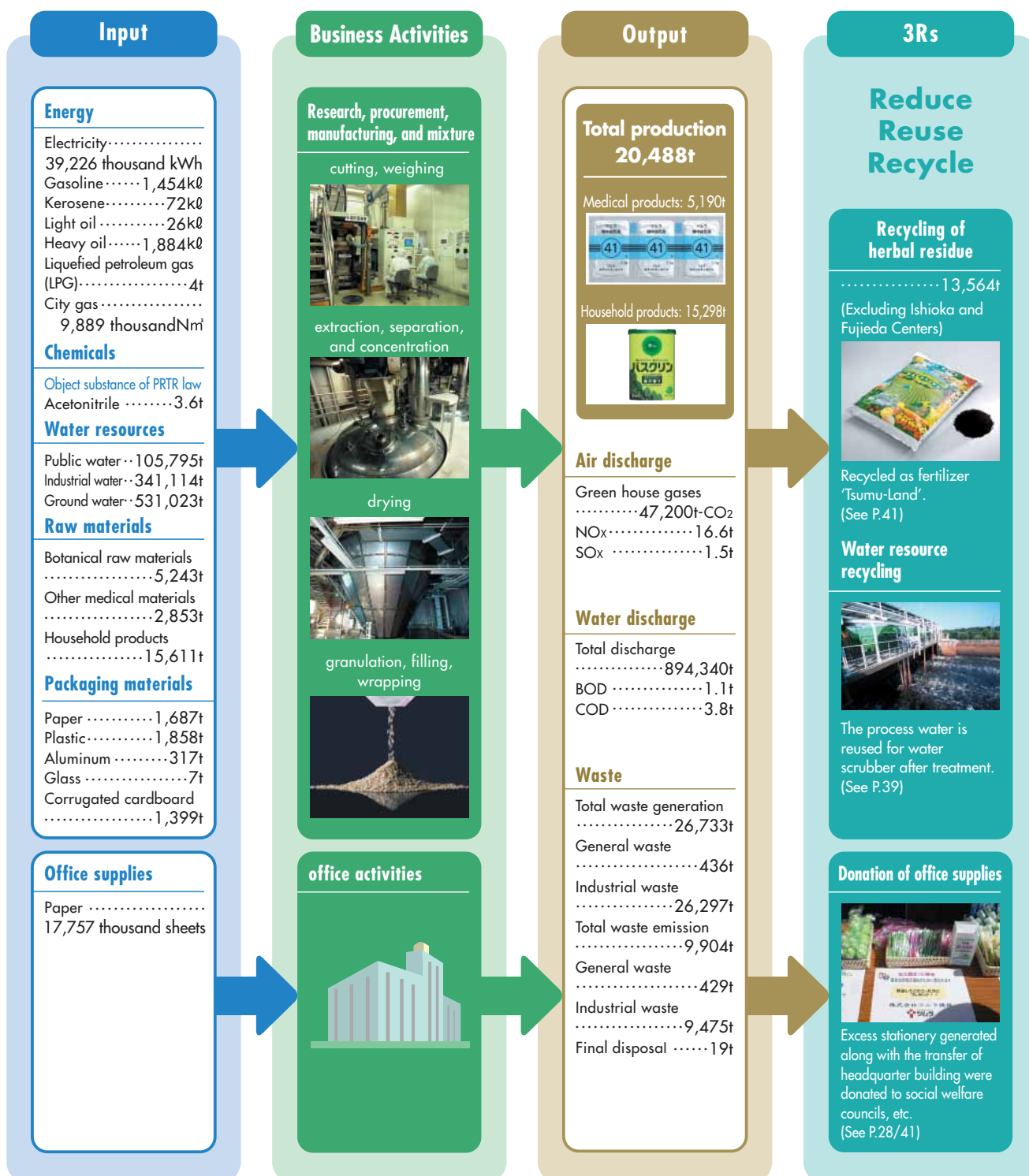
▲ "Autumn Valley and Kiyomizu-Dera Temple"

Energy and Material Flow

We monitor the major environmental impact of our business operation at each stage from manufacturing to transportation, sales, and use of the products.

[Reporting organizations] Offices and plants of Tsumura, Co., Ltd. and Tsumura Lifescience Co., Ltd. within Japan

[Period covered] April 1, 2006 to March 31, 2007



Considerations for Ecosystem and Biodiversity

Bountiful nature is an important business base for the Company using botanical raw materials. We promote research on the protection and domestication of wild plants for the sustainable use of the biological resource.

Protection of Wild Plant Resources

The wild resources of the medicinal plant worldwide are generally decreasing, and many plant species are threatened. In this context, Tsumura is working on the domestication of medical herbs to avoid over harvesting and destruction of the natural environment. It also aims to secure the quality and stability of resource procurement, and the clarification of information for traceability. The Company has been successful in the domestication of *Atractylodes Lancea* so far, and large-scale domestication research has been conducted on mahuang and licorice. Moreover, a basic research on cultivation is advanced sequentially on other medicinal herbs.

In July 2007, Tsumura concluded a contract with China Meheco Corporation, the largest trade and manufacturing company of medical and health products in China, on the collaborative agreement of wild rhubarb rhizome resource protection. Rhubarb rhizome is an important herbal medicine that has been traditionally used, and exported not only to China but around the world. Although wild rhubarb has not been listed as a threatened plant in China, Tsumura recognized the protection of this species was an important issue for our company, and launched the construction of a wild rhubarb protection site in gross area of 43,000ha. Tsumura and China Meheco Corporation shall conduct further research for rhubarb protection and enhancement at this site.

Expansion of production area of medicinal herbs

Tsumura is making effort to expand the exclusive farms for medicinal herbs for sustainable use of resources for botanical raw materials.

The acreage of medicinal herbs by independent producers frequently changes according to the market price, creating an unstable supply. Therefore, Tsumura promotes the expansion of the farms of medicinal herbs to stabilize supply for the Company by signing long-term contracts.



▲ Chinese Pharmaceutical News on July 10th, 2007, reporting the Collaborative Agreement of Wild Rhubarb Rhizome Resource Protection



▲ Rhubarb Cultivation Research

COLUMN

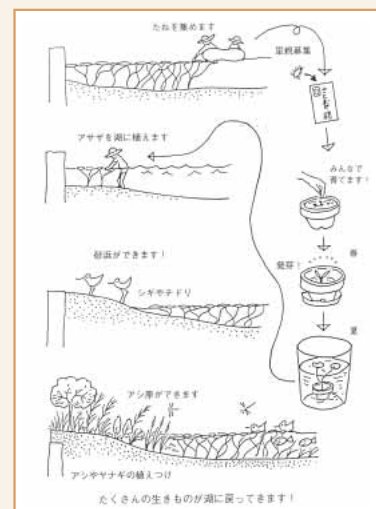
The Relationship between Asaza and Ecosystem Restoration

The ecosystem of the lake brings various blessings to a person's livelihood. For instance, it offers rich resources of fish and shellfish, and the water purification functions through the interaction of various living things centering on plant species. Moreover, the scenery that consists of green and water bring comfort to human mind. It is not only humans that enjoy the blessings. The plants grow on the waterside provide cradles for many lives.

However, in Lake Kasumigaura, the diversity of aquatic plants has decreased rapidly through the development of the lakeside. The ecosystem of the lake has also changed greatly, and Asaza (floating heart), one of the typical plants seen in Kasumigaura, was very close to disappearing from the lake.

Under these circumstances, an approach is in process to regain the bountiful lake as once before by regenerating the vegetation zone of the lakeshore including Asaza. Tsumura has been actively participating by grow Asaza seedlings and plant them at the lakeshore (see P.29).

Illustration offered by Asaza Fund ▶



Prevention of Global Warming

For the reduction of greenhouse gas emissions and energy saving, Tsumura examines the measures in medium-to long-term viewpoints and advance the approaches on global environmental conservation.

Greenhouse Gas Emissions Reduction

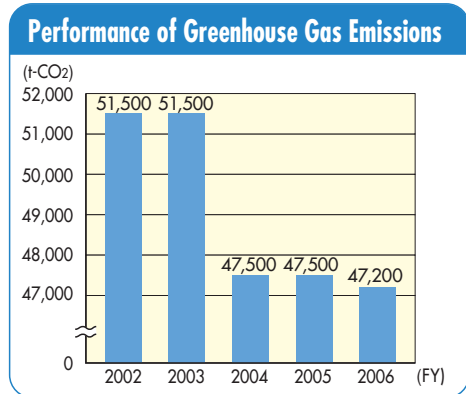
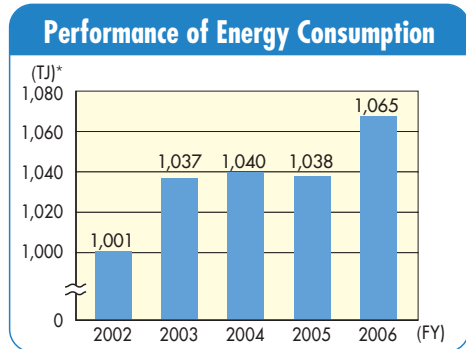
Recognizing the greenhouse gas emissions as the primary cause of global warming, Tsumura is making a company-wide effort toward the abatement of its emissions.

The reduction of the greenhouse gas emissions was included in the medium-term environmental goals set in fiscal 2007. The goal of the Company is a 10% reduction (By fiscal 2010 compared with fiscal 1990), which is stricter than the reduction target 6% of the Japanese government in the Kyoto Protocol. Since the demand increase of kampo preparations is anticipated, the production of the extract granulated powder is projected to increase about 80% compared with fiscal 1990 by fiscal 2010. Taking considerations of the above situation, the Company plans to implement the following measures; examination of the introduction of new technology, fuel conversion, scaling down of office space, and the employee education.

In fiscal 2006, greenhouse gas emission was reduced by 1% compared with the previous fiscal year, despite the fact that production of the extract-granulated powder increased by 5% compared with the previous fiscal year. The Company continues efforts for a further abatement of emissions in fiscal 2007.

The related data: [Greenhouse gas emissions by sites ... P.43](#)
[Greenhouse gas emissions by types ...P.43](#)
[Energy usage by sites ... P.43](#)

* TJ=1,000 GJ (giga joules)
 J (joule): The unit of power in International System of Units.
 When the power of 1N (newton) moves the object by 1m, the workload is 1J (joule).



Engagements for global warming prevention in FY2006	
Shizuoka Plant	Ibaraki Plant
Fuel conversion from heavy oil to city gas at two 10-tons boilers and a dryer	Switch of employees' commuter buses to wagons
Maintenance of pipes and valves to stop steam leakage	Maintenance of relevant data and start monitoring of emission status of GHG
Resizing and installation of inverter on water pump	Education sessions held for all employees regarding global warming and its prevention

COLUMN

“Team Minus 6%”

Tsumura participates in the national project for global warming prevention “Team minus 6%” that the Japanese government has promoted since April 2006.

The Company introduces six concrete actions of the project in “Tsumura environmental news” which is issued every month, and an in-house event “Tsumura environmental exhibition” to enlighten the employee’s environmental awareness.

Moreover, the president of Tsumura appealed for “Cool biz” or summer dress code as one of the top executives who positively worked on this issue in fiscal 2007. The Company promoted the casual days in this summer for the CO₂ emission reduction in the office section.



▲ A poster of Cool Biz Executives



▲ The posters displayed at the Shinjuku Station from June 4th to 10th, 2007

Water Resource Protection

Tsumura works on the water resource protection by observance of severe voluntary standards concerning water pollution and the decrease of negative environmental impact by continuous management of water usage and discharge.

Reduction in Water Consumption and Discharge

The Ibaraki Plant intakes water from Lake Kasumigaura and uses as process water after treatment at the on-site facilities. To ensure effective use of water resource, a part of the process water is recycled, and the waste water is reused for the water scrubber*1 at the laboratory after treatment.

In the Shizuoka Plant, the circulation use of process water is partially conducted. Moreover, "Reduction in water usage and promotion of circulation use" was added to the plant environmental policy in fiscal 2006, and further activities are promoted.

The related data: [Water consumption and discharge by sites...P.44](#)

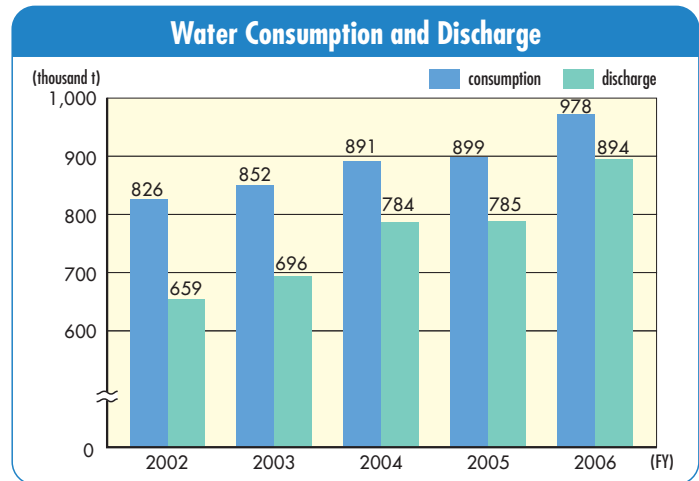
*1 Water scrubber: purifying facility for the exhaust gas from draft chambers (local exhaust equipment of harmful gases).

Water Pollution Prevention

About discharge of BOD*2, COD*3, and SS*4 related to water pollution, voluntary standards are applied, which is stricter than the regulatory control.

The related data: [Discharge of water pollution substances...P.44](#)

- *2 BOD: Biochemical Oxygen Demand
The amount of oxygen required when the microorganism decomposes the organic matters. Used as the indicator of the pollutant discharged to the river.
- *3 COD: Chemical Oxygen Demand
The amount of the oxygen consumed when the organism in water is decomposed with the oxidizer chemical. Used as the indicator of organic pollutant discharged into the sea.
- *4 SS: Suspended Solids
The amount of suspending and floating substances in water.



▲ Water purification facility (Ibaraki Plant)



▲ Water purification facility (Ibaraki Plant)



upper left **Mr. Hiromi Chino** upper right **Mr. Hironori Osughi**
 lower left **Mr. Susumu Morishita** lower right **Mr. Tomio Kawamura**

Approach of Water Resource Protection at Shizuoka Plant

VOICE

The members in charge of water resource protection at Shizuoka Plant

"Reduction in water usage and promotion of circulation use" was added to an environmental policy of the Shizuoka Plant in fiscal 2006, and we started the engagement as the target of resource saving project. In fiscal 2006, the investigation of actual conditions of consumption reduction and circulating use was executed in addition to calling for water saving at the morning gatherings.

In fiscal 2007, we plan to promote water-saving measures according to the facility plan, including the installation of automatic faucet, flow meter, steam instantaneous water heater (with plate-type indirect exchanger) and water leakage control by direct piping.

Chemicals Management

Proper management of chemical substances by construction of the chemical management system and the clarification of management criteria is done and it helps to prevent soil pollution.

Management of Chemical Substances

We promote the monitoring of chemical consumption and substitution according to "Tsumura Management Standard for Chemical Substances" enacted in fiscal 2002, which is a voluntary standard for purchase, reduction and prohibition of hazardous chemicals. The purchase of chemicals is made through the corporate intranet, so that the stockpile of chemical substances is recorded. Moreover, the Company's chemical management efforts include monitoring the circulation of pollutants, meeting the regulation on the maximum stocks, locking of toxic and hazardous substances and conducting of emergency trainings for chemical leakages.

Both plants in Shizuoka and Ibaraki have reduced the consumption of chloroform by introducing alternative methods without using hazardous reagents for quality testing. As for Shizuoka Plant, the reduction rate accounted for 80% in fiscal 2006. Moreover, in fiscal 2006, Ibaraki Plant succeeded in a total ban of benzene, which had already been accomplished at Shizuoka Plant in fiscal 2005. The other chemical substances management approaches range from the examination of VOC reduction measures, review of management and operation method regarding the environmental pollutants in Shizuoka Plant. In Ibaraki Plant, local exhaust ventilation was installed for places handling organic solvents and specified chemical substance for the improvement of employee health and safety. Instructions were offered for the use of personal protective equipment (such as gas protection masks and gloves), and patrolling to verify the proper use of the equipment.

The Company shall make continuous effort to examine alternative testing and operation methods, to improve the management of MSDS, promote the management of new chemical substances under the framework of EMS (ISO14001), employee education regarding regulations on chemical substances, as well as patrolling and training for emergency control.

The related data: Release and transfer of chemicals under PRTR Law ...P.44

*PRTR (Pollutant Release and Transfer Register) Law:

The law to promote voluntary management of hazardous substances and prevent negative environmental impacts.

The Management of Asbestos

There was no airborne asbestos detected in either Shizuoka or Ibaraki Plants or the Laboratory. Tsumura have identified the hazardous place of airborne asbestos, and observe the regulations as Waste Management Law, Air Pollution Control Law, and Industrial Safety and Health Law upon the removal and disposal of the substance.

Management of Chlorofluorocarbon (CFC) Chemicals

In Ibaraki Plant, the substitution of regulated chlorofluorocarbons used for equipment and utility to Hydrochlorofluorocarbon is completed by fiscal 2005, as well as the reduction of some equipment as industrial refrigerators using chlorofluorocarbons.

In Shizuoka Plant, the recovery of fluorocarbon in old equipment such as packaged ACs and refrigerator-freezers was conducted by the METI and MOE certified consignment contractors. (Recovery of 3.28kg in four pieces of equipment in fiscal 2006.)



▲ Chemical Reagents Mall



▲ Water Scrubber at the laboratory

Soil Pollution Prevention

Soil pollution is prevented by periodic inspections and maintenance of standpipes and other equipment in the external chemical tank and the waste fluid depository, besides the installation of dikes and outflow prevention pits in Ibaraki and Shizuoka Plants and the Laboratory.

The Company has developed emergency procedures as a contingency plan, and provides employee training and materials to prevent leakage.

There is no facility subject to the special measures law on dioxins in the Company.

Proper Management of PCB

There are 49 high-pressure capacitors, fluorescent ballasts, and the high-pressure transformers at Shizuoka Plant, and six high-pressure capacitors and transformers at Ishioka Center. All of the above equipment is registered and managed properly. Among the above, one each of the high-pressure capacitors at Shizuoka Plant and Ishioka Center have completed the early registration of Japanese Environmental Safety Cooperation (JESCO) in fiscal 2006.

Waste Reduction and Recycling

Tsumura works toward the achievement of a recycling society and zero emission* by reducing the emission of industrial waste and promoting recycling.

Approach on Recycling

As the stringency of the final disposal dump being recognized as a social issue, the reduction in the amount of final disposal is one of the top challenges. Defining zero emission to be a 100% recycling rate of industrial waste, Tsumura works toward the achievement of zero emission by minimizing the final disposal, and selecting an appropriate waste treatment contractor regarding unavoidable waste disposal.

In fiscal 2006, a recycling rate of 99.99% was achieved at Shizuoka Plant and the zero emission was achieved at Ibaraki Plant. The recycling rate of all company waste amount 9,904t (non-industrial waste included) was 98.98%.

Although the waste generation inevitably increases as production increases, the Company would promote reduction and reuse to minimize the absolute amount of waste.

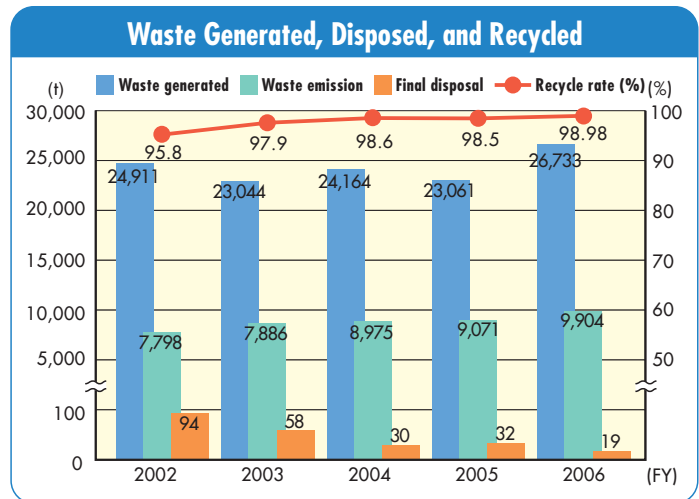
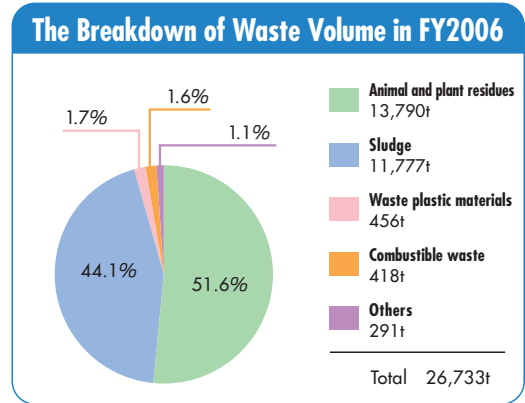
* The zero emission: In general, it is defined as the minimization of final waste disposal (reclamation) by reducing the generated waste by the dewatering and incineration, or recycling in another usage.

Recycled Fertilizer

Among a 13,564t of botanical residues generated in fiscal 2006 (103% compared with the performance in the previous fiscal year), through the manufacturing process of kampo preparations, 51.4% (6,967t) is recycled as fertilizer named "Tsmuland". Tsmuland is successfully applied to grow turf in soccer stadiums and golf courses, as well as organic farm products.



Tsmuland, the recycled fertilizer ▶



Waste Reduction Activities in FY 2006

Shizuoka Plant	Ibaraki Plant
Developed a recycling route for flammable and hazardous waste oils. Scheduled to achieve zero emission in FY 2007	Achieved zero emission
Sold 174t of disused article as valuable resources	Sold 237t of disused article as valuable resources
Reconsidered the operation of waste separation criterion Reduced combustible emission	

The related data: Waste generated, disposed and recycled by sites ...P.44

COLUMN

Approach of Waste Reduction in New Headquarters Building

Among the large amount of waste generated upon the transfer of the headquarters building, there were a lot of items still usable. Therefore, to promote reuse from the viewpoint of 3R, the excess files and stationery items were donated to some social welfare councils and a volunteer center (see P.28).

In the new company building, waste reduction was encouraged in the office by setting up a common stationery corner on each floor. It also improved the efficiency of the stock space. Moreover, the 22 separation criteria were provided in order to improve the recycle rate of office waste.



▲ Waste separation at the headquarters

◀ Common stationery corner

Other Environmental Considerations





The product design and technology development are carried out upon the environmental considerations as well as the quality and safety of the product. Environmental considerations are made on all aspects of our business operations.

Product Development

Disposed aerosol cans generally have contents remaining that slow the recycling flow and can cause fires at waste treatment facilities and collection vehicles. In response, the aerosol industry and related government agencies are promoting the attachment of a gas excretion mechanism to aerosol cans.

Aiming at aerosol can safety and smoother recycling, Tsumura began mounting the gas excretion mechanism (degassing cap) on the aerosol sprays of hair restoration products “Mouga Incent” and “Mouga L Multi” that had been put on the market in February 2007. Simultaneously, the inner box for this series of products was abolished aiming at the reduction of waste at the distribution level.

Degassing Procedure for the Aerosol Spray Can

1. After the contents are used completely, put the cap on a flat space.
Please cover the floor surface to protect from the spill
2. Remove the nozzle from the spray can.
3. Invert the can and push the nozzle into the hole at the center of the cap strongly.
4. After the jet sound disappears completely, dispose the can according to the method determined by each municipality.

Please make sure to finish up the contents and degas in the outdoors without fire.

Green Purchase

Tsumura has introduced a purchase system to order business supplies on the company intranet. This purchase system also provides a special site for green products to facilitate users to select those products easily. The green purchase rate*1 is calculated in relation to the purchase of business supplies with environmental considerations. The rate is managed under a set target of the year. The green purchase rate in fiscal 2006 was 81%, improving three points from the previous fiscal year. We shall work on the further improvement of green purchase rate in fiscal 2007.

The related data:
Green purchase rate and office paper consumption... P.45


*1 The scope of green purchase rate: The OA papers, files, pens and pencils, business supplies, notebooks and paper products among articles of consumption for general clerical work.

Promotion of Eco-drive


The consumption of gasoline was reduced by 112 kl compared with the previous fiscal 2006, by promoting employee enlightenment by reducing the number of vehicles and introduction of low-emission vehicles*2 for MRs in the branch and sales offices. Eco-drive training and educational booklets also helped to contribute to awareness. This reduction corresponds to 260t in the greenhouse gas emission.

*2 Cars that achieved early stage fuel cost standard (top runner standard) based on “Law pertaining to rationalization in the use of energy” (Law Concerning Rational Use of Energy).

Tsumura's Green Purchase Criteria



▲Eco-mark



▲Green-mark

- On-spec products of Green Purchase Law
- Listed products on GPN data book



▲ Sticker for a car that achieved fuel cost standard

Data Appendix



[*Paeonia lactiflora*]

We will report on the detailed data of environmental performances in recent years.

- The performances of Tsumura's distribution center and recreation facility have been added to the headquarters since fiscal 2005.
- Nihon Syoyaku Co., Ltd. was taken over by Tsumura and renamed as Ishioka and a Fujieda Centers since October of fiscal 2005.
- The Tsumura Lifescience was split from Tsumura in October of fiscal 2006.

Prevention of Global Warming

Greenhouse gas emissions by sites (CO₂ equivalent) [t-CO₂]

FY	2002	2003	2004	2005	2006
Headquarters	879	971	845	1,220	1,100
Shizuoka Plant	26,800	26,900	24,900	23,400	19,600
Ibaraki Plant	15,900	15,200	13,700	14,100	16,200
Laboratories	3,680	4,270	3,910	3,980	3,970
Ishioka Center				507	1,110
Fujieda Center				247	606
Branch and sales offices	4,250	4,130	4,130	3,980	3,610
Tsumura Lifescience					989
Total	51,500	51,500	47,500	47,500	47,200

Greenhouse gas emissions by types

FY	2002	2003	2004	2005	2006
Carbon dioxide [t-CO ₂]	51,500	51,200	47,400	47,500	47,100
Methane [t-CH ₄]	0.002	0.002	0.002	0.022	0.019
Dinitrogen oxide [t-N ₂ O]	0.03	0.07	0.09	0.10	0.19
Hydrofluorocarbon [t-HFC]	0	0	0	0	8
Sulfur hexafluoride [t-SF ₆]	3	300	0	0	0

- The method of calculation was changed according to the revised "Law concerning promotion of measures for controlling global warming". For this reason, the last year's reported value had been corrected. (Only the sulfur hexafluoride is calculated in the method of "Guidelines of the method of calculating corporate GHG emissions".)

Energy usage by sites (heat quantity equivalent) [GJ]

FY	2002	2003	2004	2005	2006
Headquarters	21,756	20,242	20,970	29,602	26,541
Shizuoka Plant	526,932	532,810	485,778	445,649	377,509
Ibaraki Plant	302,676	334,943	381,696	393,584	452,549
Laboratories	78,680	81,330	83,712	86,937	87,733
Ishioka Center				12,872	29,019
Fujieda Center				5,352	12,996
Branch and sales offices	70,499	67,872	67,616	64,466	58,185
Tsumura Lifescience					20,545
Total	1,000,542	1,037,198	1,039,772	1,038,462	1,065,077

Air Pollution Control

Emission of air pollution substances [t]

FY	2002	2003	2004	2005	2006
NO _x	29.47	30.33	28.84	27.86	16.57
SO _x	9.61	5.32	5.60	3.31	1.52
Dust	0.76	0.78	0.94	1.09	0.28

- The scope of calculations is Shizuoka and Ibaraki Plants and the Laboratories.

Water Resource Protection

Water consumption and discharge by sites [t]

	FY	2002	2003	2004	2005	2006
Headquarters	consumption	8,674	8,797	9,900	14,883	12,884
	discharge	8,674	8,797	9,900	14,883	12,884
Shizuoka Plant	consumption	563,551	581,694	571,010	547,524	550,033
	discharge	458,807	481,525	483,779	473,385	485,227
Ibaraki Plant	consumption	211,467	230,626	265,446	285,265	350,634
	discharge	191,922	205,772	290,237	290,131	381,681
Laboratories	consumption	42,019	31,342	45,019	45,374	49,833
	discharge	Included in the water discharge from Ibaraki Plant				
Ishioka Center	consumption				3,593	9,964
	discharge				3,593	9,964
Fujieda Center	consumption				2,536	4,384
	discharge				2,536	4,384
Tsumura Lifescience	consumption					201
	discharge					201
Total	consumption	825,711	852,459	891,375	899,175	977,852
	discharge	659,403	696,094	783,916	784,528	894,340

Discharge of water pollution substances [t]

	FY	2002	2003	2004	2005	2006
BOD		1.51	0.90	1.61	1.18	1.08
COD		2.77	3.30	3.30	3.21	3.83
SS		1.59	1.25	1.24	1.13	1.18
Nitrogen		2.62	2.60	2.57	2.57	2.63
Phosphate		0.003	0.006	0.008	0.000	0.010

- It is assumed that water consumption equals water discharge except the laboratories and the both Plants in Ibaraki and Shizuoka.
- The national branches, sales offices, and the headquarters of Tsumura Lifescience Co., Ltd. are excluded.

Chemicals Management Amount of pollutant release and transfer according to the PRTR Law [t]

Sites	Chemicals	Annual Consumption	Release			On-site Landfill	Transfer		
			Air	Public Water	Soil		Waste	Public Sewer	Outside facilities
Shizuoka	Acetonitrile	1.3(1.2)	0(0)	0(0)	0(0)	0(0)	1.3(1.2)	0(0)	0(0)
Ibaraki	Acetonitrile	2.3(2.9)	0(0)	0(0)	0(0)	0(0)	2.3(2.9)	0(0)	0(0)
Laboratories	Trichlorofluoromethane (CFC-11)	0.0(1.0)	0(0)	0(0)	0(0)	0(0)	0.0(1.0)	0(0)	0(0)

- Performances in FY2005 are shown in parentheses

Waste Reduction / Recycling Waste generated, emitted, disposed and recycled by sites [t]

	FY	2002	2003	2004	2005	2006
Headquarters	Generation	138	124	190	141	234
	Emission	138	123	190	141	234
	Final disposal	44	44	21	22	9
	Recycle rate (%)	51.0	58.4	85.2	82.9	87.0
Shizuoka Plant	Generation	12,292	12,396	12,043	12,225	11,879
	Emission	4,831	4,684	5,738	5,236	3,305
	Final disposal	33	5	1	1	1
	Recycle rate (%)	96.2	99.7	99.8	99.8	99.6
Ibaraki Plant	Generation	12,439	10,903	11,865	8,869	12,598
	Emission	2,787	3,022	2,982	3,367	5,318
	Final disposal	2	2	2	1	1
	Recycle rate (%)	98.6	98.1	98.3	99.5	99.6
Laboratories*	Generation	43	56	66	1,716	1,222
	Emission	43	56	66	217	247
	Final disposal	14	8	6	5	7
	Recycle rate (%)	6.2	29.2	45.7	85.1	93.7
Ishioka Center	Generation				45	142
	Emission				45	142
	Final disposal				2	1
	Recycle rate (%)				32.3	85.8
Fujieda Center	Generation				65	116
	Emission				65	116
	Final disposal				2	0
	Recycle rate (%)				97.0	99.96
Tsumura Lifescience	Generation					542
	Emission					542
	Final disposal					0.2
	Recycle rate (%)					99.2
Total	Generation	24,911	23,044	24,164	23,061	26,733
	Emission	7,798	7,886	8,975	9,071	9,904
	Final disposal	94	58	30	32	19
	Recycle rate (%)	95.8	97.9	98.6	98.5	98.98

- The method of calculation of recycle rate was changed: recycle rate = recycle amount / waste emission amount
- The national branches, sales offices, distribution center, recreation facility, and the headquarters of Tsumura Lifescience Co., Ltd. are excluded.
- * The performance of the Laboratories, which had been included in Ibaraki Plant, was calculated on a pro-rata basis.

Environmental Considerations in Workplace

Green purchase rate and office paper consumption

FY	2002	2003	2004	2005	2006
Green purchase rate* [%]	69	72	75	78	81
Office paper consumption [thousand sheets]	20,699	20,823	19,674	18,440	17,757

● Tsumura's Eco-products Criteria: Products with Eco-mark or Green-mark, on-spec products of Green Purchase Law, listed products on GPN data book.

* The national branches, sales offices, distribution center, recreation facility, and the headquarters of Tsumura Lifescience Co., Ltd. are excluded.

Environmental Accounting

Scope: Tsumura & Co.

Period covered: April 1st, 2006 to May 31st, 2007

Reference: MOE Environmental Accounting Guidelines (2005)

* Tsumura Lifescience Co., Ltd. is excluded from the calculation due to the splitting of the household business since October, 2006.

Environmental Conservation Cost [thousands of yen]

Category	Major activities	Investment	Expenses
(1) Business area cost		204,094	975,492
Pollution prevention	Prevention of air and water pollution, odor, etc.	10,789	272,589
Global environmental conservation	Prevention of global warming, energy saving, and prevention of ozone layer depletion	191,862	231,872
Resource circulation	Efficient use of resources, waste recycling, treatment, and disposal, etc.	1,443	471,031
(2) Upstream/downstream cost	Reduction of negative environmental impact about container wrapping, recovery, recycling and proper processing of waste products, etc.	0	167,453
(3) Administration cost	Development and operation of environmental management, information disclosure, environmental advertising, and environmental education etc.	62	186,627
(4) R&D cost	Research and development of products that contribute to environmental protection	0	12,041
(5) Social activity cost	Contribution and support to groups for environmental protection, etc.	0	988
(6) Environmental damage cost	Restoration of natural environment, provision of the reserve, and insurance cost, etc.	0	2,565
(7) Other cost	Prevention of radiation injur	0	12,046
Total		204,156	1,357,211

Environmental Conservation Benefit

Category / Environmental Performance Index	2005	2006	Conservation benefit
(1) Benefit concerning resource input to the business operation			
Total energy input [GJ]	1,053,399	1,044,532	8,867
Total water resource input [t]	902,768	977,732	▲74,963
(2) Benefit concerning the emission of waste and other environmental loads from the business			
Discharge of greenhouse gas emission [t-CO ₂]	47,997	46,196	1,801
Amount of release and transfer of specified chemical substance [t]	5.1	3.6	1.5
Total waste emission [t]	9,116	9,362	▲246
Of which, final disposal [t]	33	19	14
Total water discharge [t]	788,121	894,140	▲106,019
BOD, COD, Suspended Solid [t]	5.5	6.1	▲0.6
NO _x , SO _x , and Dust [t]	32.3	18.4	13.9
(3) Benefit concerning the goods and services produced from the business operation			
Consumption of containers and packaging [t]	2,479	2,577	▲98

* Includes the performances of Ishioka and a Fujieda Centers, which were taken over by Tsumura and renamed from Nihon Syoyaku Co., Ltd. since October of fiscal 2005.

Economic Benefit of Environmental Conservation [thousands of yen]

Contents of Benefit		Total
Direct economic benefit	Sales of recycled fertilizer	25,185
	Sales of valuable resources	4,802
Cost saving benefit	Cost saving from energy conservation	118
	Cost saving from resource conservation	999
	Waste disposal cost saving from recycling and resource conservation	34,790
Total		65,895

Corporate Data

Corporate Profile (As of March 31, 2007)

Tsumura & Co.

Founded : April 10, 1893

Incorporated : April 25, 1936

Head Office : 2-17-11, Akasaka, Minato-ku,
Tokyo 107-8521, Japan
(Transferred in May 2007)

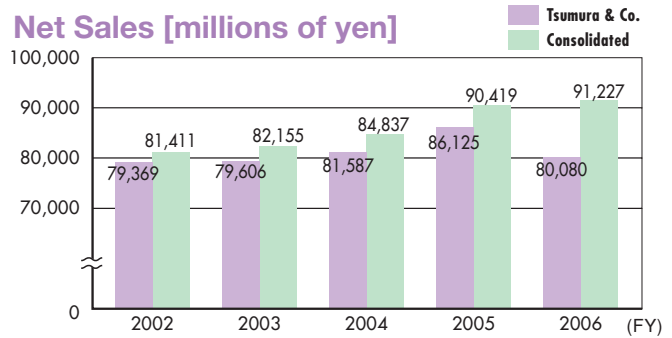
Paid-in Capital : ¥19,487 million

Number of Employees : 2,156 (Tsumura & Co.),
2,750 (Consolidated)

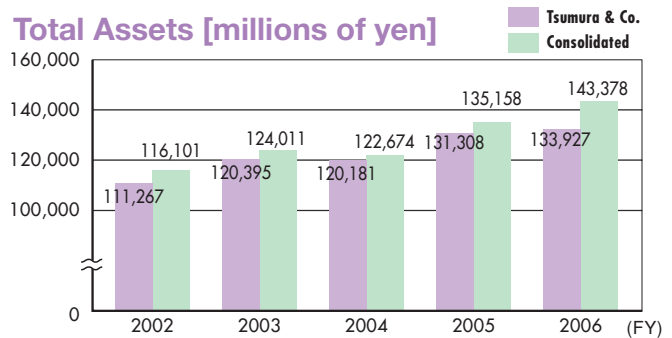
Subsidiaries and Affiliates:

- ① Tsumura Lifescience Co., Ltd.
- ② Logitem Tsumura Co., Ltd.
- ③ Creative Service, Inc.
- ④ Shenzhen Tsumura Medicine Co., Ltd.
- ⑤ Shanghai Tsumura Pharmaceuticals Co., Ltd.
- ⑥ Tsumura USA, Inc.
- ⑦ Pacific Marketing Alliance, Inc.

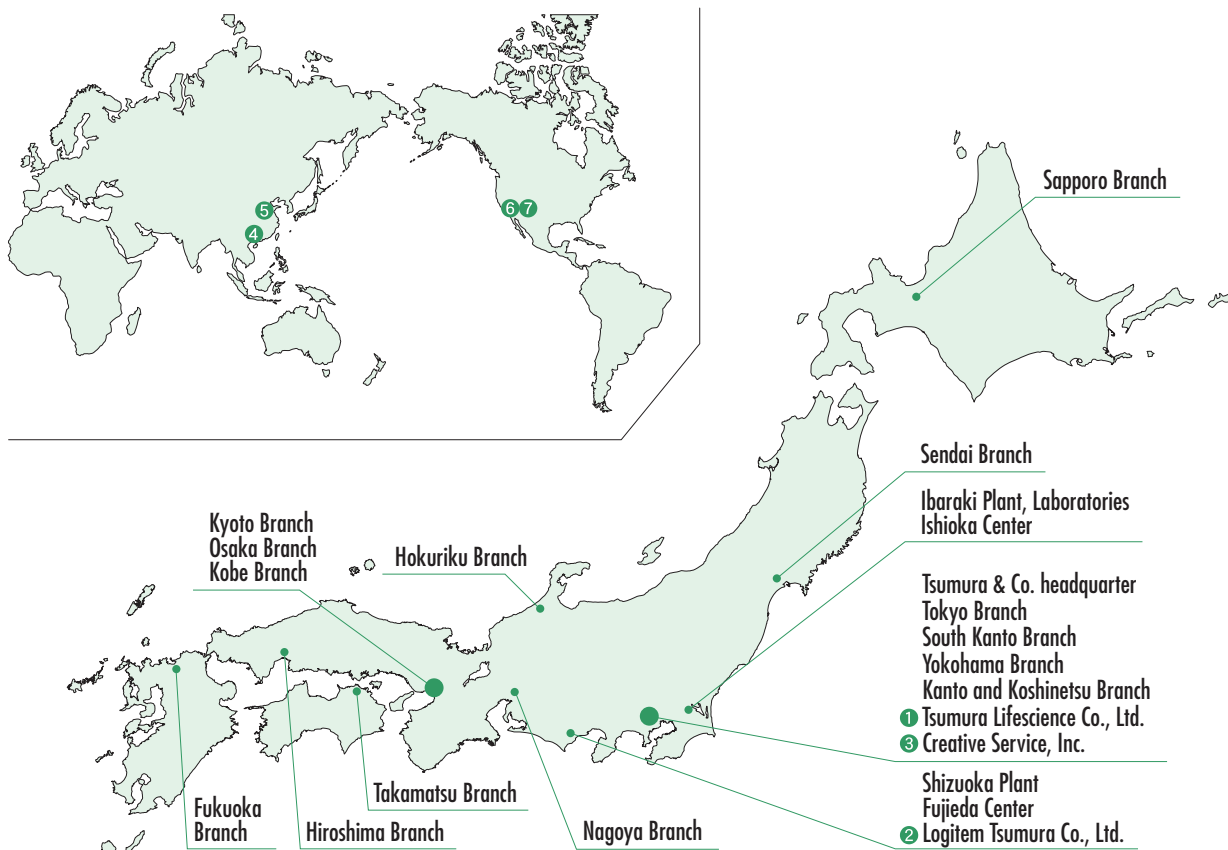
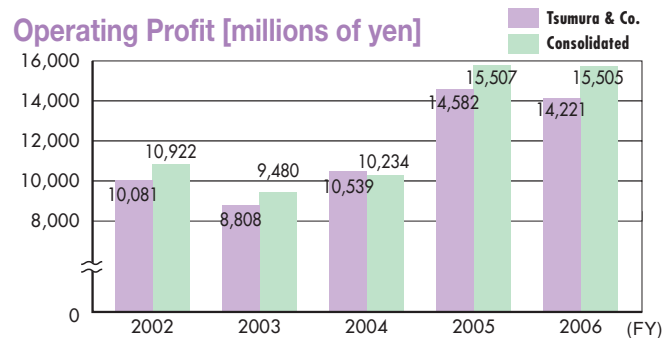
Net Sales [millions of yen]



Total Assets [millions of yen]



Operating Profit [millions of yen]



History of Environmental and Social Activities

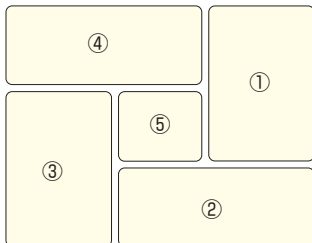


▲ Chujoto



▲ Head office of Tsumura Juntendo at its foundation

FY	Tsumura's History	Environmental and Social Activities
1893	• Tsumura Juntendo is founded: Starting the manufacturing sales of female medicine "Chujoto".	
1924	• Tsumura Research Institute for Pharmaceutical Science and Tsumura Herbal Garden open.	
1930	• Aromatic bathing medicine "Bathclin" is put on the market.	
1936	• Tsumura Juntendo Ltd. is established.	
1964	• The Shizuoka Plant is completed.	
1974	• The kampo preparation for the medical treatment is put on the market.	
1976	• Kampo medicines (33 prescriptions) are listed on the National Health Insurance Drug Price Tariff and approved for reimbursement.	
1982	• Tsumura's stock listing is upgraded to the first section of the Tokyo Stock Exchange.	
1983	• The Ibaraki factory is completed, and the laboratory is moved in the same site. • The international kampo symposium is held.	• Correspondence to antipollution measure and regulatory control (Treatment of waste water and smoke exhaust, prevention of odor and noise, waste control, etc.).
1986	• The new headquarter building is completed and moves.	• The pollution control conservancy is started at the Ibaraki Plant.
1988	• Corporate identity project is executed and the name of the company is changed to "Tsumura Ltd."	• Introduce the first cogeneration system in Shizuoka Plant.
1991	• Shenzhen Tsumura Medicine Co., Ltd. is established.	
1992		• Introduce the second cogeneration system in Shizuoka Plant. • Shizuoka Plant wins "Prize of the secretary of Agency of National Resources and Energy".
1993	• The 100th anniversary of founding.	• Completion of Edosaki Center.
1995		• Completion of Achigaya Center.
1996	• Contract concluded with Phytera, Inc. of the United States for joint research on new compounds derived from medicinal plants.	• The environmental management committee is started at Ibaraki Plant.
1997	• Contract concluded with Sanofi Pharmaceuticals, Inc. of France for the market research of kampo preparation.	• Committee on Environment is started at Shizuoka Plant.
1998	• The corporate website is established.	• Chemical purifying facility "Water scrubber" is set up in the Laboratory. • Facilities for the use of industrial water are completed in Ibaraki Plant.
1999	• Tsumura FAX Information Service is started.	• Tsumura Standard (action charter and standard of behavior) is enacted. • The industrial water facilities start operation at Ibaraki Plant.
2000	• The Shanghai office is established.	• Environmental Management Section in the General Affairs Department is set up. • Tsumura Committee on Environment is started. • Tsumura Environmental Principle and Policy are enacted. • Ice thermal storage is operated at Ibaraki Plant. • New container of Bathclin wins "Prize of the head of Ministry of International Trade and Industry Consumer Goods Service Industries Bureau" in Japan packaging competition (JPC). • Ibaraki Plant wins Ibaraki Prefecture's "Earth Friendly Enterprise" in the energy conservation section. • New container of Bathclin wins "Good Packaging Prize" in toiletry wrapping section in the Japan Package Contest sponsored by Japan Packaging Institute. • Shizuoka Plant acquires ISO14001 certification.
2001	• The Shanghai Tsumura Pharmaceuticals Co., Ltd. is established. • Shanghai Tsumura Trading Co., Ltd. is established. • Agreement concluded for the collaborative research on the domestication of medical plants in China. • Sales of ten Tsumura OTC kampo preparations begin in South Korea.	• The recycling activities of herbal residue win "Minister of Health, Labor and Welfare Prize" in recognition of contribution to the recycling promotion. • Ibaraki Prefecture recognizes Ibaraki Plant as an excellent office of recycling. • Ibaraki Plant acquires ISO14001 certification.
2002	• Supports the website "Kampo-no Oisyan Sagashi" (searching for a kampo doctor).	• Tsumura & Co. wins the Commendation of the Head of the Fair Trade Commission of Economic and Trade Affairs Bureau. • The Tsumura compliance program is enacted. • Environmental Report is issued for the first time.
2003	• The 110th anniversary of founding • Website "Tsumura's science of hot spring project" is established.	• Tsumura-OISCA Yichang Ecology Memorial Forest Project is begun. • Shizuoka Plant commended by the governor of Shizuoka for the contribution to the promotion of industrial waste propriety processing in fiscal 2002. • Ibaraki Plant wins Ibaraki Prefecture's "Earth Friendly Enterprise" in the environmental project section. • The cogeneration system is introduced at Ibaraki Plant.
2004	• Corporate distribution center is completed.	• Participation to Asaza Project, an environmental conservation project. • Participation to Fujieda City Beautification and Adopt Campaign.
2005	• The merger of consolidated subsidiary Nihon Syoyaku Co., Ltd.	• The fuel conversion to the city gas is begun at Shizuoka Plant.
2006	• Old corporate headquarter building clearance. • Split of household products business (Tsumura Lifescience Co., Ltd.). • Expansion of the kampo extracted powder production facility in the Ibaraki Plant. • Change in number of unit stocks.	• Zero emission is achieved at Ibaraki Plant.



About the Cover

1. Quality control in Shenzhen Tsumura Medicine Co., Ltd.
2. Employees in Shanghai Tsumura Pharmaceuticals Co., Ltd.
3. The farm field of Plantaginis Semen (in China)
4. Production meeting in Shanghai Tsumura Pharmaceuticals Co., Ltd.
5. Illustrated medical herb Ophiopogonis Tuber

TSUMURA & CO.

Editorial policy

Tsumura has reported our environmental performance on the website since 2001, and issued Environmental Reports since 2002. Beginning in 2005, we have issued an "Environmental and Corporate Social Responsibility Activities Report" to disclose the relationship between Tsumura and its various stakeholders, enhancing the contents of our social responsibility concept and activities.

Upon preparation of this report, Environmental Reporting Guidelines 2007, Ministry of the Environment, Japan, was used as a reference.

Reporting period

This report contains the performance data obtained in fiscal year 2006 (from April 1, 2006 to March 31, 2007). Some qualitative reports are based on activities performed in fiscal year 2007, and stated in each case.

Scope of this report

The performance data in this report was provided by Tsumura & Co., its domestic sites and Tsumura Lifescience Co., Ltd. (after October 1, 2006). The special feature contains the activities performed in production sites in China.

Changes from the previous report

In October 1, 2006, the household products business was spun off into Tsumura Lifescience Co., Ltd, the fully-owned subsidiary of Tsumura & Co.

Dates of Issue

Previous report: December 2006

This report: September 2007

Next report: September 2008

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