

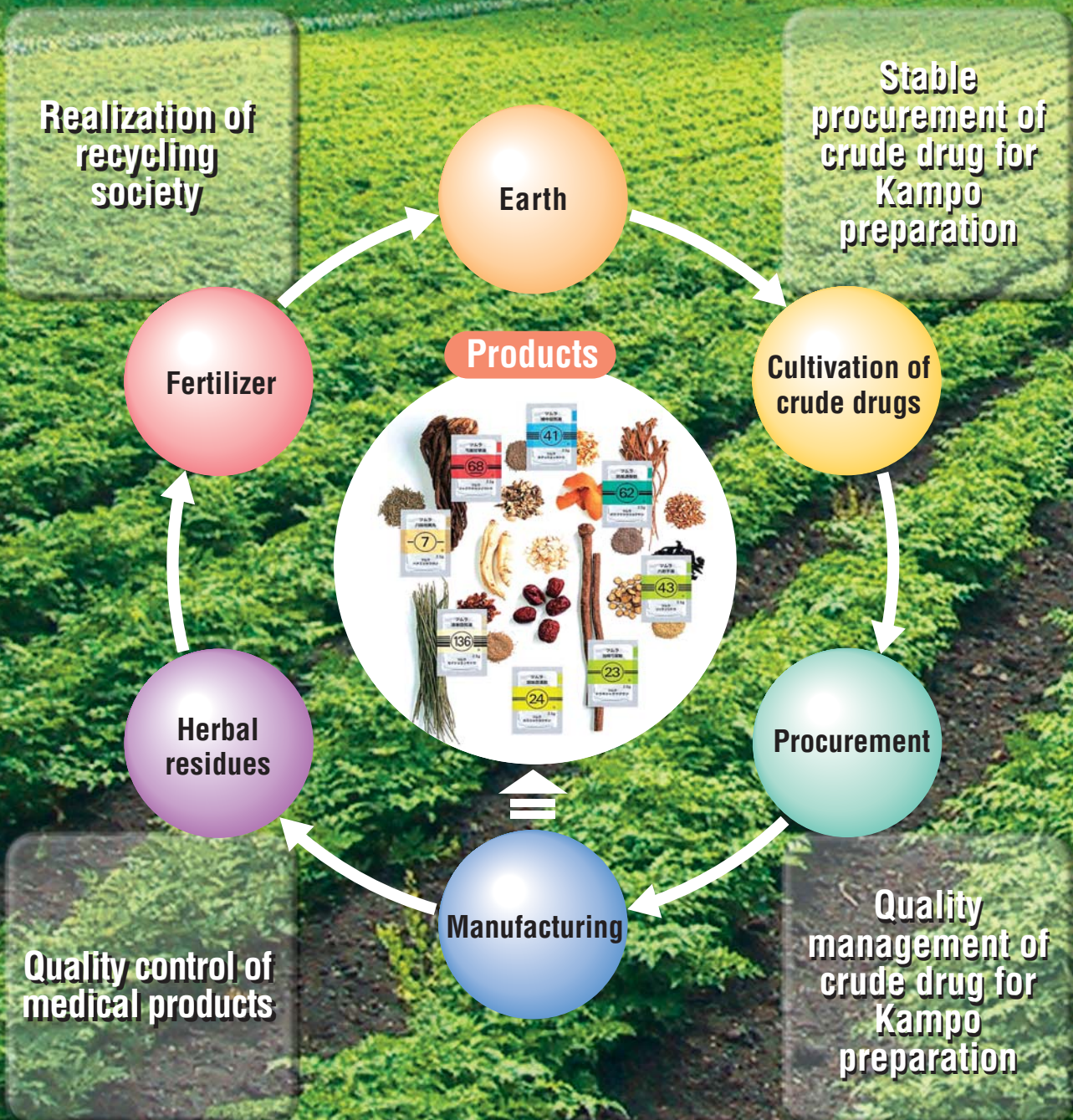
TSUMURA Environmental and Corporate Social Responsibility Activities Report 2008



Living with Nature

As a life science company, we fulfill our corporate responsibility through Kampo. It is precisely because we make our business out of Kampo, nature's bounty, which we believe it is our responsibility to build a cyclical process that can coexist with nature.

Tsumura's Business Cycle and Four Core Components



**Highlight Navigation for
TSUMURA Environmental and Corporate Social
Responsibility Activities Report 2008**

Special Feature PP. 9–12
Reporting Tsumura's efforts to supply safe and secure crude drugs for Kampo preparations.



Corporate Governance PP. 13–14
Reporting the progress of Internal Control and Risk Management Projects to meet our social responsibilities toward sustainable development.

Quality Control System PP. 19–20
Reporting the scenes of our Quality Control System for producing the final products from raw materials, under a rigid quality standard to maintain the products' effectiveness, safety, and uniformity.

Environmental Conservation PP. 35–47
Quality crude drugs grow in sound natural environments. See the results of Tsumura's environmental conservation activities, such as reducing greenhouse gas emissions.



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Tsumura Group Network

Tsumura & Co.

■Corporate profile (As of March 31, 2008)

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: 2,480

■Our Products

Prescription Medicines



The Company's share of the domestic market for ethical Kampo formulation was 82.4% as of fiscal year 2007. © IMS Japan KK 2008 Reference: IMS pharmaceutical market statistics
Period: March 2008 MAT

Tsumura & Co. provides prescription products centering on 129 ethical Kampo formulation, as well as new prescription drugs and crude drug pieces for decoction for subsequent formulation. Among the Company's new prescription drugs are Metalite 250 Capsules, an agent for treating Wilson's disease, and Astat, an external antifungal drug. These products all contribute to medical care.

OTC Medicines



In the field of OTC pharmaceuticals, Tsumura provides the superb benefits of Kampo to a broader customer base by offering a product lineup based on 42 Kampo preparations. In addition to cold and digestive medicines, our Company markets tonics with nutritional and invigorative effects, Kampo troches, and various other distinctive products based on our Company's extensive research in crude drugs for Kampo preparation and Kampo medicines.

Creative Service Inc.



Creative Service Inc. was established in 1986 for the diffusion of Kampo as an insurance pharmacy primarily for the dispensing of Kampo prescriptions. This pharmacy provides various Kampo preparations centering on Tsumura's products, and has the system to respond to a variety of needs regarding Kampo by always having crude drug pieces for decoction stipulated by the Japanese Pharmacopoeia readily available.

Logitem Tsumura Co., Ltd.



Logitem Tsumura Co., Ltd. is in charge of Tsumura Group's logistics, developing businesses such as distribution, storage, and distributive processing of medicines and household products. Tsumura Group's distribution bases include two bases for our medicine business and three bases for our household products business. Products are shipped across the nation in accordance with the management criteria based on the Pharmaceutical Law. Furthermore, our proposals on the optimum logistics have contributed to a reduction in Tsumura Group's distribution costs.

Shanghai Tsumura Pharmaceuticals Co., Ltd.

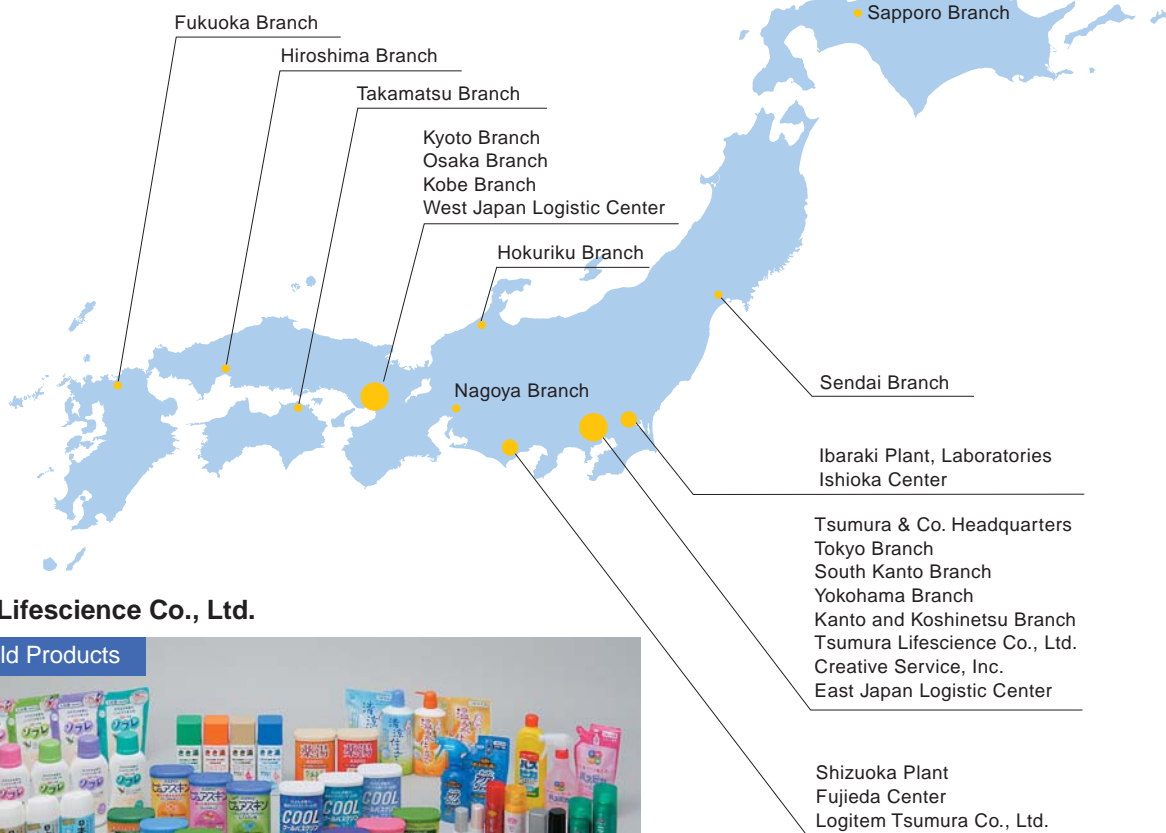


Shanghai Tsumura was established in July 2001 in Shanghai China, as a Japan-China joint venture to enable Tsumura to produce powder extracts and interim products of Kampo preparations, for the first time overseas. Procuring crude drug for Kampo preparation from Shenzhen Tsumura, a group company in China, it processes and exports powder extracts to Japan. In this way, Shanghai Tsumura is playing a role in stabilizing the supply of our Company's products.

Shenzhen Tsumura Medicine Co., Ltd.



Shenzhen Tsumura has the role of procurement, selection, initial processing, quality control, and storage of crude drug for Kampo preparation made in China in order to provide quality-guaranteed materials to Tsumura & Co. and Shanghai Tsumura. It also collects and organizes data on origins as a basis for our traceability system.



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 bathroom-related products including bath additives, such as Bathclin, body soaps and bathroom cleansers, as well as a range of other household products such as hair-growth agents. Tsumura has resolved to transfer all shares in Tsumura Lifescience to Plumeria Co., Ltd., on July 15, 2008. For details, please visit News Release on the following website.

<http://www.tsumura.co.jp/english/>

Corporate Philosophy: The Best of Nature and Science

Basic Direction: Tradition and Innovation

Management Policy:

- Contributing to the provision of the unprecedented premium medicines by fusing Kampo and Western medicine
- Using our advantages with selection of focus and centralization
- Flexibly responding to changes in management environments
- Fulfilling social responsibilities through Kampo, as a life science company
- Creating new corporate culture



As a corporation based on crude drug, which is the gift of nature, it is our important responsibility to coexist with nature and ensure the stable supply of “safe and secure” Kampo products.

■ Business development specialized in Kampo and crude drug

In FY2007, we generally achieved our management objectives as scheduled. Especially in Kampo preparations, the growth in sales volume has accelerated and shipping volume has also increased by 8.2%, reaching a very high level. We really feel that our social responsibility to provide high-quality Kampo preparations stably has become increasingly important.

In addition, the first commitment period of the Kyoto Protocol started from FY2008. The way to reduce greenhouse gas while the production of Kampo preparations is expected to expand is the significant issue for Tsumura who operates its business with crude drug grown in nature. Consequently, Tsumura Group will address this issue as a whole.

■ Stable supply of secure and safe crude drug

While it is the top-priority issue to ensure a stable amount of crude drug, their quality must be assured for security and safety as crude drug are used to produce ethical drugs. The establishment of the traceability system to stably ensure crude drug for

Progress of action plan objectives

Establishing kampo medicine as a modern method of medical treatment	Out of 80 medical colleges and universities with medical schools in Japan, 65 have made at least eight kampo courses compulsory, and 66 established kampo outpatient clinics (as of the end of March, 2008)	P. 21
Pursuing drug fostering and the evolution of kampo	Journal articles have been publicized through clinical and basic research on working mechanisms and scientific evidence on the efficacy of kampo	P. 22
Internationalizing the understanding and use of kampo	Tolerability test has been complete for Daikenchuto in the U.S. confirming the absence of safety and medication compliance for postsurgical patients	P. 22
Expanding the production system	Promote the installation of granulation and packing processes, renewal of existing facilities, and allocation of staff in Shizuoka and Ibaraki Plant from FY2009.	
Establishing a traceability system	A computer-assisted traceability system has been established to confirm the information such as places of production, results of quality test and distribution records.	P. 9,18
Creating an "open" company	Internal control has been enhanced to improve the value and efficiency of operations, therefore to ensure the reliability of our financial statements.	P. 13

secure and safe Kampo preparations has been promoted mainly by Botanical Raw Materials Division, which was established in October 2006 to promote the traceability system, and the Analytical Technology Department, which was established in April 2007 exclusively for quality control. Presently, for the thorough control of information on crude drug, we are building a system to confirm origins and suppliers, results of quality tests, distribution history, etc., on the screen of a computer. Since April 2007, we have started to deliver production standards for crude drug to growers in China and have been enhancing the system to control data obtained from these growers, such as cultivation areas, history of cultivation, processing, and agrichemicals.

Furthermore, the quality control system in Shenzhen Tsumura has been drastically improved. All crude drug procured in China are sent to Shenzhen Tsumura, and their quality is examined precisely by cutting-edge analysis equipment at the same level as in Japan.

■ Creating an "open" company

We are addressing the construction of the management system aiming to create and improve our corporate value. Companies conduct business activities in relationship with their various stakeholders. Accordingly, companies must be responsible not only for compliance with laws and profit contribution, but also for building relationships of trust with

stakeholders in various social considerations including efforts for environmental issues. We actively and widely disclose accurate information on our business attitude and business content internally and externally on the basis of our strict corporate governance system. Moreover, we are making efforts to enhance our corporate structure further by complying with laws involved in corporate activities and preserving assets. In particular, for internal controls to secure appropriateness of financial statements, we aim to conduct higher-quality corporate management by making our major group companies' internal control systems function properly, and improving the availability and efficiency of our business.

Please expect the development and growth of Tsumura, which aims to contribute to the provision of the best and unique medicines in the world by the fusion of Kampo medicine and Western medicine, under our corporate philosophy of "The Best of Nature and Science".

August 2008



Junichi Yoshii
President, Representative Director

Things that Kampo Can Do

Drawing out the power of crude drugs promotes an individuals' natural ability to heal. Kampo medicine has its roots in ancient China, and has been developed independently in Japan. Through scientific elucidation, such as the traditionally rooted power of Kampo, should have its potential expanded to contribute to today's broader society.



Apricot kernel*

What is Kampo?

The basic approach of Kampo is to promote the natural ability of an individual to heal. Kampo refers to those 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 the leaf, stem, and roots with medicinal properties. The efficacy of Kampo is now being scientifically proven through basic and clinical researches. Drug forms of Kampo come in a variety such as infusions, powders, pills, and extracts. After ethical Kampo extract formulation were covered by national health insurance (NHI) reimbursements, portable and fuss-free Kampo extracts have become widely used in many medical institutions, especially in university hospitals nationwide.

Kampo is a 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 evolved independently into Japan's traditional medicine being adapted to Japan's climate and constitution of the Japanese people.

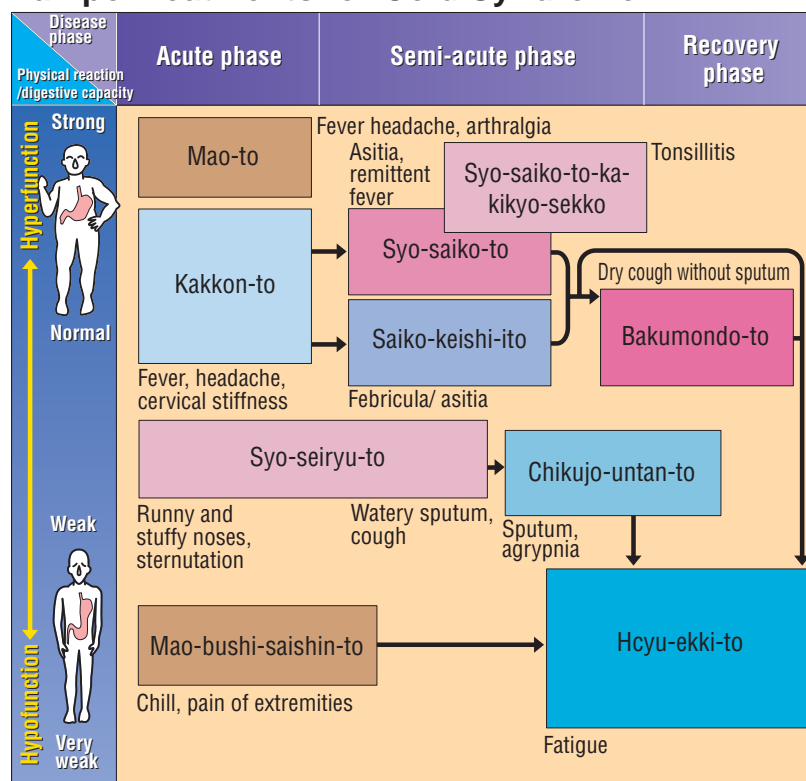
Undergoing a period of especially major development in the 17th century, Kampo took on the form that is practiced today. The word "Kampo" was attached to this form of medicine to distinguish from "Rampo", which was used for Western medicine introduced to Japan by the Dutch; but, Kampo also differs from traditional Chinese medicine in many respects. Kampo is certainly a medicine that is unique to 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 prescriptions, multiple crude drugs are combined to suite the patients' state of disease and individual constitutions. This is also effective to overcome the limitations in medicinal effects of a single drug. The combinations have been systematized from many years of experience on the human body as Kampo medicine, and therefore perform the integral therapeutic effects.

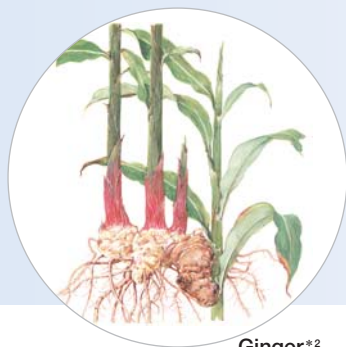
Despite the popular misconception, Kampo medicines do have side effects. Taking Kampo requires the same attention as Western medicines. Besides, strong medication against Kampo diagnosis and over-dose may induce various symptoms. It is important to follow a doctor's advice on dosage administration.

Kampo Treatments for Cold Syndrome



(Reprinted from "ABC's of Kampo Treatments for Cold Syndrome" supervised by Dr. Kunio Matsui)

* 1 All botanical illustrations are crude drug for Kampo preparation for Kampo preparations.



Ginger*2



Carrot*2



Japanese pepper*2

*2 These three botanical illustrations are raw materials contained in Daiken-chu-to. (Actually, Kankyo (steamed and dried ginger) is used.)

■ 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 risk of side effects.

Kampo medicines treat diverse symptoms

Modern Kampo medicine uses multiple crude drugs, mainly from plants (includes 118 kinds of crude drug for Kampo preparation for Tsumura's Kampo medicines). By having the multiple ingredients work together, Kampo medicines act on diverse symptoms.



Chinese cinnamon

■ Modern medical care and Kampo

Gender-oriented medicine and Kampo

As people have become more aware of gender between male and female in society, gender-oriented medicines have been attracting attention even in the medical world. Medical institutes tend to organize open women's clinic to deal with female-specific disorders and symptoms. The number of those institutes is presently more than 300 across the nation. Kampo is expected to sensitively respond to symptoms such as indefinite complaints that are peculiar to women.

The elderly and Kampo

It can be often seen that elderly people with lower physical and immunological capacity according to aging have diverse complaints and disorders respectively; therefore, problems occur. For example, certain persons have to see multiple

doctors of various departments and have to take too many medicines prescribed for each complaint and disorder. It was reported that Kampo increases immunological capacity and a single preparation has the benefit of a compound treatment. Consequently, certain features of Kampo that cannot be seen in western medicines are attracting attention in terms of patients' drug taking and medical economy.

Economic efficiency of Kampo medicines

In spite of the image that Kampo is expensive and not covered by health insurance ethical, Kampo foemulations are actually covered by health insurance. Furthermore, a single preparation may treat multiple symptoms. Comparing cases of Western medicines to ones of Kampo in the treatment of cold syndrome, it was reported that the average total medication cost per patient for Kampo was reduced to one-third of that for western medicines *3. Also in abdominal surgeries or laparoscopic surgeries for colon cancer, it was reported that the number of days in hospital in any of the cases in which Daikenchuto, one of the Kampo formulae, was administered after operation was less than those cases without it *4. As indicated in these examples, there is possibility that Kampo brings in significant economic advantages in fields in which only Western medicine have been used for treatment so far.



Bupleuri radix

*3 Akase *et al.* Japanese Journal of Oriental Medicine 2000, 50(4),p655-663

*4 Kabashima *et al.* The Japanese Journal of Gastroenterological Surgery 2005, 38(6), P.592-597

Stable Supply of Safe and Secure Crude Drugs for Kampo Preparation

By establishing “a traceability system for crude drugs for Kampo preparation”, we are making day-to-day efforts to ensure a stable supply of safer and more secure crude drugs for Kampo preparation under a more efficient quality control system at a higher standard in order to supply high quality Kampo preparations to patients.

Traceability system

Presently, our traceability system, in which historical information on all products can be traced in manufacturing processes (from a plant exclusively for processing accepted crude drug for Kampo preparation through to a production plant for Kampo preparations) and distribution process (from our distribution centers through to delivery to medical institutions via agencies) are in operation.

Furthermore, we are presently improving the traceability system for crude drug for Kampo preparation. The “traceability system for crude drug for Kampo preparation” is a system in which records on cultivation, drying and preparation, distribution and storage, etc., are collected and stored at each stage right from the origins of crude drug for Kampo preparation through delivery to plants for exclusively processing them, to facilitate tracing and data retroaction.

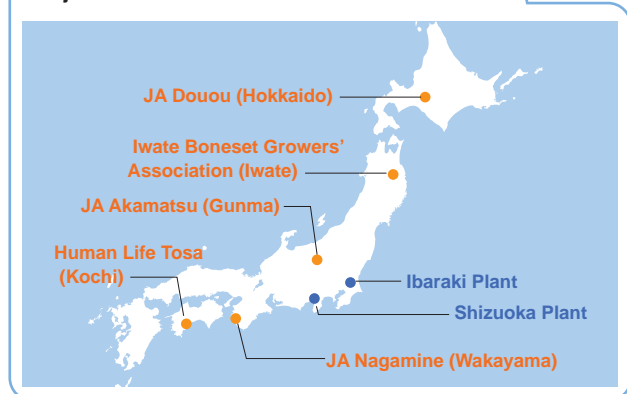
In addition, this system will enable us to trace historical data on manufacturing and distribution processes, and any other historical data from medical institutes to origins of crude drug for Kampo preparation. Consequently, “the establishment of a traceability system” that we are aiming at will be realized.

Domestic procurement system for crude drugs for Kampo preparations

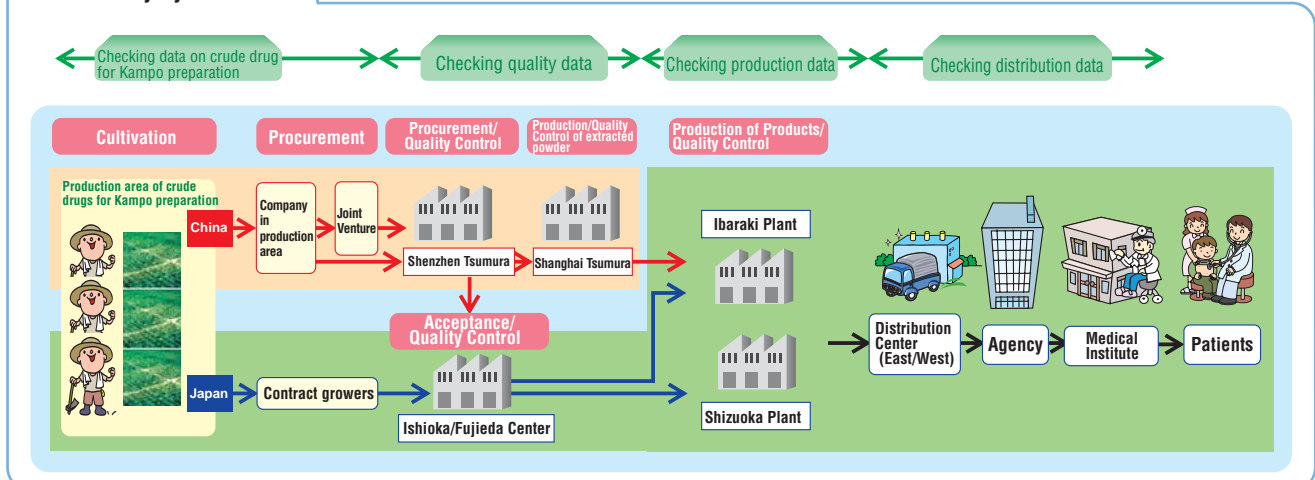
We have been fostering plantations for the stable procurement and ensuring quality by domestic cultivation of crude drugs for Kampo preparations by contract for a long time. The management of a database on cultivation conditions, such as fertilizers and agrichemicals, was already started.

In contract cultivation, a system has been established to provide a guide to producers, based on the production standards for crude drug for Kampo preparation in which the method of cultivation, agrichemicals used, and the method of drying and preparation are described. By providing instructions, we are aiming at the stable production of secure crude drugs for Kampo preparations, improvement in crop yields, and quality stability.

Major Five Bases of Domestic Contract Growers



Traceability System





Pinching top of Saiko



Sorting out of Japanese peppers



Cultivation guidance

Production site of crude drugs for Kampo preparations

“Human Life Tosa”, an agricultural corporation that has made cultivation contracts with Tsumura, is in a watershed area of the Niyodo River where the water quality is at the highest level in Shikoku. Here, 230 members are implementing large-scale production of Mishima-Saiko and Japanese peppers, and it is regarded as an important seedling production base. Crude drug for Kampo preparation are harvested by each farm, gathered by Human Life Tosa, and shipped after working processes such as drying, etc.

In particular, in response to the anticipated growth in demand for Japanese peppers, which is one of the components of “Daikenchutou”, one of Tsumura’s primary prescriptions, its production is presently being expanded. The skin of Japanese peppers are used, but the seeds and stems cannot be removed completely by machine alone.

Therefore, members carefully do these jobs manually one-by-one. The pepper seeds are also harvested to produce crude drugs for Kampo preparations of which the origin is clearly known.

As Human Life Tosa is making various efforts for the efficient production of high-quality crude drugs for Kampo preparations, Chinese farmers visit them every year to see their work.

While we instruct producers based on the production standard for crude drugs for Kampo preparations, Human Life Tosa has surpassed higher standards than we expected. Also in July 2007, we invited members of Human Life Tosa for a tour of the production process at the Ibaraki Plant to deepen this mutual understanding. We believe that building a relationship of trust backed by performance beyond the limit of mere business relationship will benefit our customers, as well as the production of safe and secure quality crude drugs for Kampo preparations.

Voice

To provide high-quality crude drugs for Kampo preparations

Tsuguo Kataoka,

Representative Director, Human Life Tosa

With regard to the cultivation of crude drug for Kampo preparation, I have thoroughly made our members conscious of producing not just ordinary agricultural commodities but raw materials for medicines. We are also making efforts every day to understand how to produce high-quality crude drug for Kampo preparation efficiently by trial and error. The selection of farm fields in which quality crude drug for Kampo preparation can be efficiently cultivated with less agrichemicals, the optimum methods of planting and top pinching, and the efficient method of loading when shipping have thus far been devised. Since crude drug for Kampo preparation are cultivated in nature, all things cannot go as planned. However, based on this relationship of trust among the members of our association, we are addressing these issues with wisdom and a spirit of cooperation. We are proud of the outcomes from our efforts to grow safe and quality crude drug for Kampo preparation efficiently. We intend to be committed to instruct our members to provide crude drug for Kampo preparation that we can continue to be proud of in the future.



Column

Cooperative project to grow forests



A cooperatively grown forest

It is important to preserve the natural environment of plantations for the continuous procurement of quality crude drug for Kampo preparation for Kampo preparations. Based on this concept, since June 2008 we have cooperated with the “Cooperative project to grow a forest” conducted by Kochi Prefecture. We intend to deepen our relationship of trust in this area in order to construct a system for the continuous provision of crude drug for Kampo preparation, growing forests by planting and thinning trees and preserving the water quality in botanical raw material plantations.

Construction of a traceability system for crude drugs for Kampo preparations in production centers in China

China is an important base from which about 80% of crude drugs for our Kampo preparations are procured. In 1991, we established Shenzhen Tsumura, a subsidiary in Shenzhen City, Guang Dong Province. Presently, we have enhanced a stable supply system through procurement routes directly connected with the production centers of crude drug for Kampo preparation, in cooperation with subsidiaries and affiliated companies established in Jilin Province, Anhui Province, Hubei Province and Sichuan Province.

From the viewpoint that it is ideal to educate producers to ensure safe and secure quality materials, data on fertilizers and agrichemicals used by major farms and conditions of cultivation are being collated into a database that is scheduled for completion in FY2009. So far, a database of approximately 10,000 major farms has been prepared.

Roles of Shenzhen Tsumura and Shanghai Tsumura

The crude drugs for Kampo preparations procured within China are first delivered to Shenzhen Tsumura with a GMP certificate for the prepared slices of Chinese crude drugs*1. All delivered materials are screened to remove impurities such as foreign matters and defects based on "Tsumura's material screening standards". Those crude drug for Kampo preparation which go through quality checks for residual pesticides, etc., of which the quality and security is guaranteed, are provided to plants in Japan (Shizuoka/Ibaraki) or China (Shanghai) for subsequent production processes in Kampo preparations.

Shanghai Tsumura produces the powder extracts, which are an interim product of Kampo preparations, that are to be supplied to Tsumura, with crude drugs for Kampo preparations provided from Shenzhen Tsumura, under the same production and quality control standards as our domestic plants*2. Also in Shanghai Tsumura, just like our domestic plants, extracted powder samples from each lot are examined for quality.



Screening of crude drug for Kampo preparation (Shenzhen Tsumura)

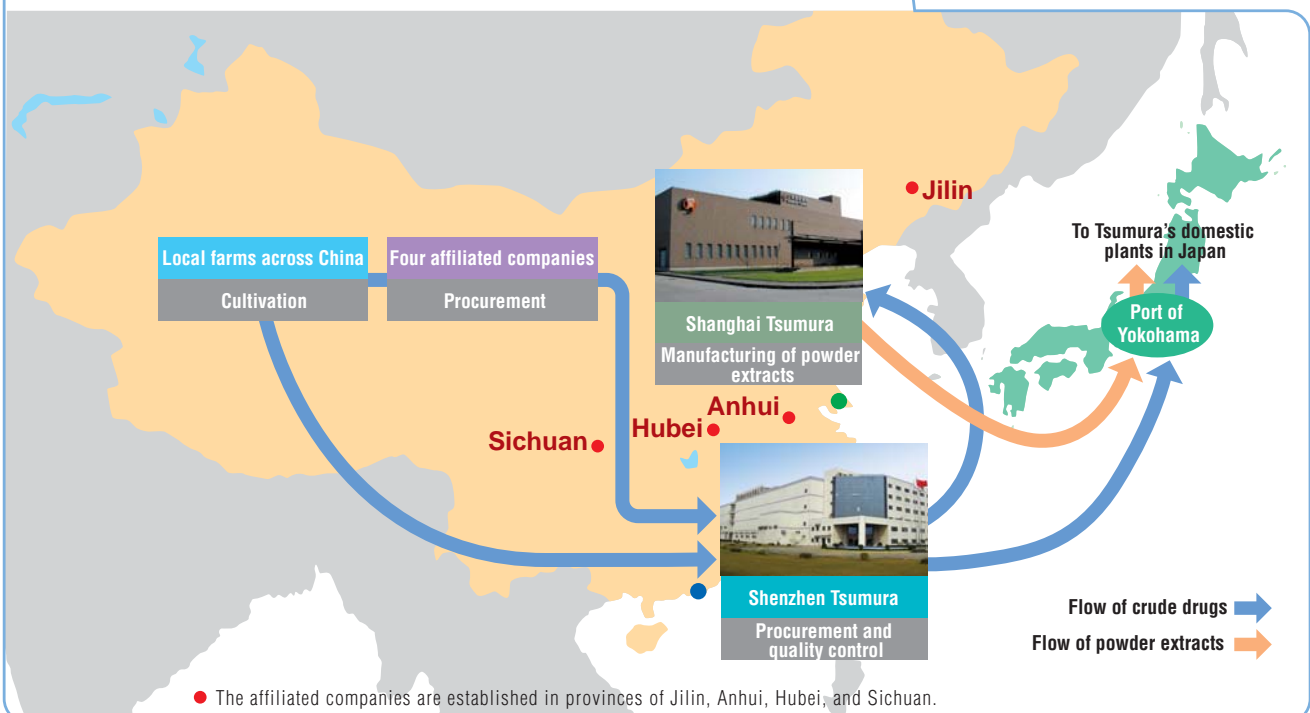


Scene of analyses (Shenzhen Tsumura)

*1 GMP certificate for prepared slices of Chinese crude drugs: manufacturing and quality control standard for sliced crude drug for Kampo preparation in China.

*2 Shenzhen Tsumura and Shanghai Tsumura implement manufacturing and quality control based on individual GMP of both China and Japan. The manufacturing plant introduces facilities of the same level as our Ibaraki Plant in Japan.

Roles of Two Chinese Sites within the Production of Kampo Preparations of Tsumura



Quality control system for “safe and secure crude drug for Kampo preparation”

Kampo preparations are made from natural raw materials. Quality control of the materials to be used is very important for producing specific quality products from materials of erratic quality. In addition to examinations based on Japanese Pharmacopoeia standards*3, our quality control is conducted in accordance with our own quality control standards including tests for component quantification and residual pesticides. The quality of Chinese crude drugs delivered via Shenzhen Tsumura and Japanese crude drugs delivered to both Ishioka and Fujieda Centers is managed by our Botanical Raw Materials Quality Control Department, and only qualified materials are provided to our production plants. In case that any queries arise concerning residual agrichemicals and foreign compounds in the quality test, we make synthetic determinations based on the results of examinations conducted by our Analytical Technology Department by using more advanced analysis equipment and technologies. In this way, we build a system to provide safe and secure crude drug for Kampo preparation through an organic connection to both departments for quality control.

*3 Japanese Pharmacopoeia: Standards of quality of medicines in Japan

Column

Low temperature chemical-free insecticide equipment



Appearance of low temperature insecticide equipment

Despite carefully paying attention to the transportation and storage conditions of crude drugs for Kampo preparations, on rare occasions insect pests do appear.

Apart from a method for controlling pests by which medicines are fumigated, we have introduced our own self-developed, “low-temperature insecticide equipment” to exterminate invisible insect pests by processing crude drugs for Kampo preparations at low temperatures for specific periods, without chemical contamination.

Standard of residual agrichemicals on crude drug for Kampo preparation

For the stable supply of Kampo preparations, the quality and quantity of crude drug for Kampo preparation must be maintained. Therefore, since it is necessary to reduce losses caused by pests and weeds as much as possible, the minimum amount of agrichemicals should be used. However, strict control is considered important to prevent damaging health due to residual agrichemicals.

The quantity of residual agrichemicals on crude drug for Kampo preparation is restricted by Japanese Pharmacopoeia. In Japanese Pharmacopoeia, residual standards for two kinds of agrichemicals (total BHC and total DDT) were established for three types of crude drug for Kampo preparation (carrot, red ginseng, and Senna) for the first time in 1997, and presently for 14 types of crude drug for Kampo preparation.

Apart from the Japanese Pharmacopoeia, we have voluntarily established a test system for a total of 73 agrichemicals, including those listed in foreign standards for medicines such as the European Pharmacopoeia and Pharmacopoeia of the United States of America. We have also started the examination of all lots of crude drug for Kampo preparation since 2006. We will develop the examination methods to expand target agrichemicals.

Standards for residual agrichemicals on crude drugs for Kampo preparations

Standard	Targeted crude drugs for Kampo preparations	Targeted agrichemical
The Japanese Pharmacopoeia Fifteenth Edition. (JP XV)	14 kinds of crude drugs for Kampo preparations including 20 items such as carrot, red ginseng, and Senna	2 kinds of organochlorine agrichemicals (Total BHC, Total DDT)
Self-imposed regulation of Japan Kampo Medicine Manufacturers Association (JKMA) (Added in June 2005)	13 kinds of crude drugs for Kampo preparations such as a carrot, Senna, and others	2 kinds of organochlorine agrichemicals (Total BHC, Total DDT)
Tsumura's in-house standard	All crude drugs for Kampo preparations handled	29 kinds of organochlorine agrichemicals*4 25 kinds of organophosphorous agrichemicals 5 kinds of pyrethroid series agrichemicals 5 kinds of other agrichemicals 9 kinds of dithiocarbamate agrichemicals*5

*4 Including total BHC and total DDT

*5 Applied to a cross section of crude drug for Kampo preparation

Voice

To construct a more advanced and efficient quality test system

Kazuaki Niitsu, Director of Analysis Research Center, Analytical Technology Department

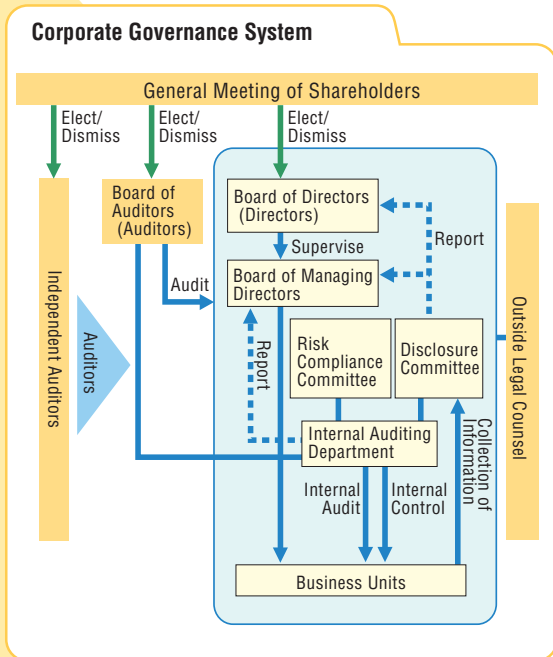
We are planning to establish an “Analysis Center” combining the quality test functions of both Ibaraki and Shizuoka plants and a test development function of the Research Department.

With the establishment of this center, we expect to improve our ability to examine quality, consolidating quality tests conducted presently in both plants, and to enable the exchange of detailed information and personnel along with the research development function of our testing. In addition, by consolidating domestic quality testing, it will become easier to exchange data on quality tests with the Chinese centers (Shenzhen and Shanghai). We believe that this will lead to an improvement in the level of quality testing for the Tsumura Group. In particular, we are convinced that we will be able to with more certainty guarantee the “safety and security” of our products.



Corporate Governance

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



Enhancement of corporate governance system

Tsumura has adopted various systems to enhance corporate governance, such as the corporate officer system and the election of an outside director, etc. Since the audit by statutory auditors is functioning satisfactorily, the existing audit system has 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 integrity of its business. The Company had adopted two outside auditors including a certified public auditor and a lawyer.

As for internal control to ensure the appropriateness of financial reports, we are aiming to conduct higher quality corporate management by enabling the system to function properly while improving the effectiveness and efficiency of our operations. For effective assessment of internal controls that are to be implemented from FY2008, we have decided the basic policy and plan and shall be implementing these after the completion of improving the company-wide management system, in accordance with the criteria for implementation as published by the Business Accounting Council and Financial Services Agency.

Strengthening of internal control

We have started a “Project to Construct Internal Control” from April 2006, and have built a self-verification system for the internal control of the Tsumura Group. For this purpose, we have made a series of efforts such as the company-wide control including consolidated affiliated companies (internal control concerning matters with significant impact on all financial reporting), investigation on current conditions of business processes and IT, documentation of control, organization of manuals, and implementation of information system. We have also implemented the effectiveness assessment of the improvement and operating status.

Internal control has been fully implemented since April 2008. We are further enhancing internal control by confirming defects in the below-mentioned items that are important for building the internal control system concerning financial reporting and, if necessary, taking measures for improvement.

1. Board of directors and internal auditor function
2. The construction of an appropriate organizational structure
3. Clarification of sharing of authority and responsibilities and division of duties
4. Organization of individual business procedure according to company-wide office regulations or as required.



Briefing session on internal control

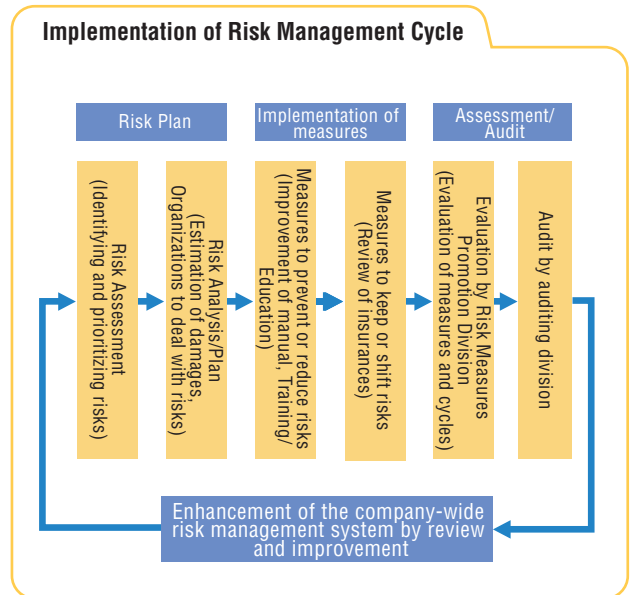
Enhancement of risk management system

During the period from October 2007 to the end of March 2008, we developed the Risk Management Project. The objectives of this project were to identify, assess and prioritize risks to promote the risk management of the entire businesses of the Tsumura Group. Specifically, from the viewpoint that is different to that of the existing risk compliance committee, about 2,300 risks were extracted by category such as compliance, management, business, finance, technology, and human resources in consideration of our various stakeholders.

The number of primary risks was then narrowed down by responsible officials from each department and outside consultants. Furthermore, a risk confirmation survey that has been conducted by experts in both of the Shizuoka and Ibaraki Plants was implemented in Shanghai Tsumura and Shenzhen Tsumura subsidiaries in China, as well as the Ishioka and Fujioka Centers. With reviewing risk finance*, the validity of insurance was verified and considered to transfer risks more efficiently.

In the future, the Risk Measures Promotion Division will primarily establish and implement measures against high priority risks by deciding its schedules in cooperation with various divisions and group companies. Based on the evaluation of its findings and the results of audits implemented by the audit office, measures have been improved and a series of PDCA cycles are continuously implemented to enhance the risk management system.

* Risk finance: Financial measures in preparation for exposed risks.



Risk compliance committee

Column

Improvement of risk management system at the time of disaster



Safety confirmation system screen display

We have adopted "e-Kakushinn", a SECOM safety confirmation system, as a part of our risk management system. This is a system by which text messages regarding safety confirmation are simultaneously sent to pre-registered mobile phones to enable administrators to fully comprehend the status of safety at the time of a disaster such as earthquakes. By rapidly confirming the safety of employees and their families and collecting information on the conditions of each person and each area, the quick rescue and recovery of our business operations is facilitated. Furthermore, in an attempt to minimize any needless confusion and secondary disasters due to earthquakes and to ensure the safety of our employees, "Digital Catfish", equipment for receiving emergency earthquake warnings, has been installed in six bases such as our company Headquarters, Shizuoka Plant and Ibaraki Plant in May 2008.

"Digital Catfish" is equipment that calculates forecasted seismic intensities and time until occurrence soon after receiving emergency earthquake warnings distributed by the Meteorological Agency and informs users by texts and voice messages before large earthquakes occur. Regular drills are planned to enable employees to respond to actual emergency warnings.



Digital Catfish: equipment to receive emergency earthquake warnings

Compliance

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

Tsumura Action Charter

Under our corporate philosophy of “The Best of Nature and Science”, Tsumura & Co., as a life-science enterprise that places its highest priority on “the dignity of life”, aims to contribute to human health and medicine by fusing Kampo, which has been cultivated in the Japanese tradition, with Western medicine under scientific support. For this purpose, our board members and employees must act with a higher sense of ethics and understanding in accordance with the spirit of the charter below, as well as related laws. In case that an event that goes against the spirit of this charter occurs, our senior management will be responsible for solving such problems, and make every effort to investigate the causes and prevent reoccurrence. Furthermore, while the responsibilities of the company are clarified, those involved, including senior management, will be punished severely.

1. Satisfying patients and customers and winning their trust
2. Appropriate research and development activities
3. Provision of proper product information
4. Fair trade and competition
5. Management and utilization of information and intellectual properties
6. Improvement in corporate value
7. Promotion of business transparency
8. Respecting employees and fostering vital corporate culture
9. Environmental harmonization
10. Contribution to society
11. Confronting antisocial forces
12. Compliance with foreign laws and contribution to local development



For further details, visit our web site.
<http://www.tsumura.co.jp/kaisha/annai/kodo.html>



Compliance system

The “Tsumura Compliance Program” has been enacted to promote observance of the law and to foster a company sense of ethics. The content is summarized in the compliance guidebook and is distributed to all directors and employees. As a result, our directors and employees follow the “Tsumura Action Charter” that stipulates the principles of compliance.

Each department develops and executes the annual compliance promotion plan. The “Risk compliance committee” examines the outcomes of each departmental plan, and report the approach of engagement on a regular basis to the Managing Board.

Compliance education

New recruits and new managerial staff receive compliance training, in addition to self-enlightenment seminars and education by duty position, the departmental education opportunities for responding to the individual laws that are crucially relevant to conducting business. Moreover, compliance study meetings are held in each department.

The element of compliance is input into a personnel system. As a part of our ongoing efforts to improve the employees’ awareness, problems related to compliance are included the in-house promotion tests, and each employee sets their compliance action targets in addition to their business target.

Compliance Education Implemented in FY 2007

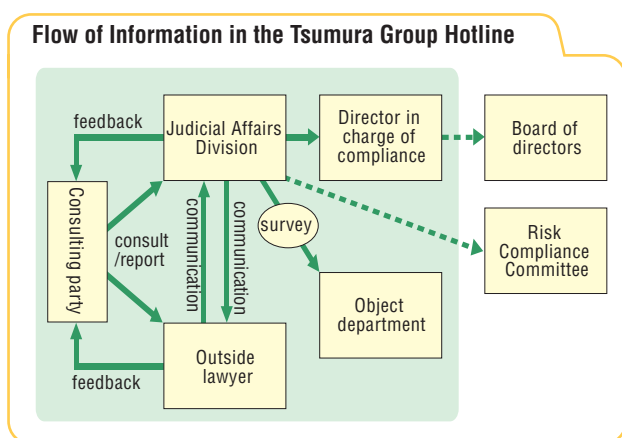
Category	Frequency	No. of participants
Study session of officers	1	13
Seminar by lawyers	2	118
Education by duty position	6	109
Education by department	23	712
Total	32	952



Compliance education for new managerial staff

Tsumura Group Hotline

The “Tsumura Group Hotline” is set up as a consultation service for problems concerning compliance that cannot be resolved in the work place. There are two contact points, in-house (Judicial Affairs Division) and outside the company (lawyers), through which the directors and employees of the domestic group enterprises can use this service. This prohibits unfair treatment of the consulting party and protects his/her privacy by accepting anonymous calls.



Observance of promotion code and fair competition rule

We thoroughly observe the “Tsumura ethical drug promotion code” (ethical drug code), “Regulations for the fair competition of ethical drug manufacturers and distributors” (fair competition rule), and “In-house guidelines concerning acts related to business entertainment”. In order to promote proper marketing practice, persons in charge are appointed at headquarters and each branch office to verify the monitoring situation of the fair competition rules, and all promotion materials are also examined. The results are finally reported to the management. The number of promotion materials examined in FY2007 was 3,585.

Moreover, introductory and continued training, e-learning and others concerning the ethical drug code and fair competition rules are frequently provided. In conjunction with the “ethical drug code awareness month” of the Japan Pharmaceutical Manufacturers Association, in November, a presentation seminar is held to keep all the directors and MRs (medical representatives) informed about these issues.

Fair and transparent trade

Mutual trust and partnership with clients and 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 constructing such relationships, the procurement section plays a critical role. Upon execution, we follow the “Purchase dealings action agenda” settled under the consideration of compliance and purchasing ethics.

Protection of intellectual properties

● Preventing violation of intellectual property rights

To prevent the violation of others’ rights such as patent, trademark and design rights, etc., we conduct investigations, take measures to avoid violation of rights, and appropriately obtain licenses.

● Incentive scheme for invention – “Compensation for application and registration” and “Compensation for performance”

With internal rules in compliance with Article 35 of the patent law, we appropriately transfer our employees’ rights to the Company. Accordingly, “compensation for application” or “compensation for registration” are paid to those employees concerned (25 persons in FY2007), and “compensation for performance” based on sales may be reimbursed (12 persons in FY 2007). In consideration of the changes in social situation, the calculation method of “compensation for performance” will be reconsidered as required.

Protection of personal information

We have enacted a “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 trustees of personal information.

Animal testing policy

In order to assure security of medicines, it is necessary to confirm non-toxicity by administering an agent to animals. In the company, methods of substitution are first examined in order to ensure that tests are conducted on animal only when legally necessary. Unavoidable testing is conducted with a minimum number of animals, in methods to eliminate or reduce animal pain and distress. Moreover, a “Laboratory animal memorial cenotaph” was built in the laboratory site and a memorial festival is held in the autumn of every year so that each employee can express our gratitude to the laboratory animals.

Society and Tsumura



Tsumura Green Photo Contest 2007
Grand prize and Gold prize in spring, "The nature I want to conserve"
category
"Row of cherry blossom trees"
Isao Yokoyama, Shimodouma Plant, Manufacturing Dept., Logitem
Tsumura

I enjoy the seasonal changes in nature in Oigawa when I go there to take pictures or act as a guide for my friends. This is the scene of the "Cherry blossom festival" that I happened to see last spring. I definitely want to conserve this nature.



Tsumura Green Photo Contest 2007
Gold prize in summer, "The nature I want to conserve"
category
"Tsurugidake after typhoon"
Takeshi Abe, Quality assurance section, Quality
control department, Shizuoka Plant

I took this picture when I went to Tsurugidake 4 years ago. Although a typhoon was coming, I luckily avoided it and was blessed with wonderful weather in this area for a change. I took this picture looking back after climbing down that mountain.

Society and Tsumura

For customers: Procurement of Raw Materials for Crude Drugs

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



Cultivation area of Saiko

Concept of Traceability of Crude Drugs for Kampo preparations

Safe

Quality assurance of medicines

Secure

Grasping the production records of crude drug for Kampo preparation

Stable

Stable supply of crude drug for Kampo preparation

Establishment of Traceability System



Efforts for stable procurement of crude drugs for Kampo preparations

● Domestication research & protection

The Company has been successful in the domestication of *Atractylodes Lancea* so far, and large-scale domestication research has been conducted on ma huang and licorice. We have scheduled to start to use them partly as crude drug for Kampo preparation. Moreover, a basic research on cultivation has been 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 for protecting wild rhubarb rhizome resources. Rhubarb rhizome is an important medical plant that has been traditionally used and exported not only to China but also around the world. Tsumura, recognizing the protection of this species was an important issue for the company, has launched the construction of a wild rhubarb protection site in a gross area of 43,000ha. Tsumura and China Meheco Corporation shall conduct further research for rhubarb protection and enhancement at this site.

● Development of new production centers

Test growing of medical plants has been implemented since FY 2005, and it was confirmed that some kinds of plants fulfill our quality standards. The scale of test growing is planned to expand in the future to confirm their yield amount and stability of quality.

What is the traceability of crude drugs for Kampo preparations?

For production to assure customers of security, the Company is promoting the introduction of traceability system of crude drugs for Kampo preparations.

The traceability system enables us to trace the information by collecting and storing records on each stage from a production area of crude drugs for Kampo preparations through to delivery to a production and processing plant. The purposes of this system are defined by the following three points.

Safe

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

Secure

To grasp the production record of crude drugs for Kampo preparations to secure access to the information of the cultivation processes so that a sense of security can be provided for customers.

Stable

To stabilize the quantity, quality, and cost of crude drugs for Kampo preparations by improving the efficiency of cultivation, processing, and circulation.

The introduction of a new system was started in April 2007, and the first stage of the system construction is scheduled for completion in March 2010. The accuracy improvement and the expansion of the scope of application are scheduled for continuous advancement.

Society and Tsumura

For Customers: Quality Control System

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

To ensure homogeneous quality of products

It is very important to consider the quality of raw materials for crude drug to be used in manufacturing stable-quality products from erratic quality materials. We have ensured the homogeneous quality of our products by deciding in-house quality control standards and conducting quality test of crude drugs for Kampo preparations according to the standards. Also, should the regulations on crude drugs for Kampo preparations be changed in China and other countries, it is a significant issue to consider and respond to its impact on preparations for ensuring homogeneous quality. In addition, we verify all quality assurance and testing in Japan, Shenzhen Tsumura, subsidiaries and affiliated companies to improve efficiency and consistency across the Tsumura Group.



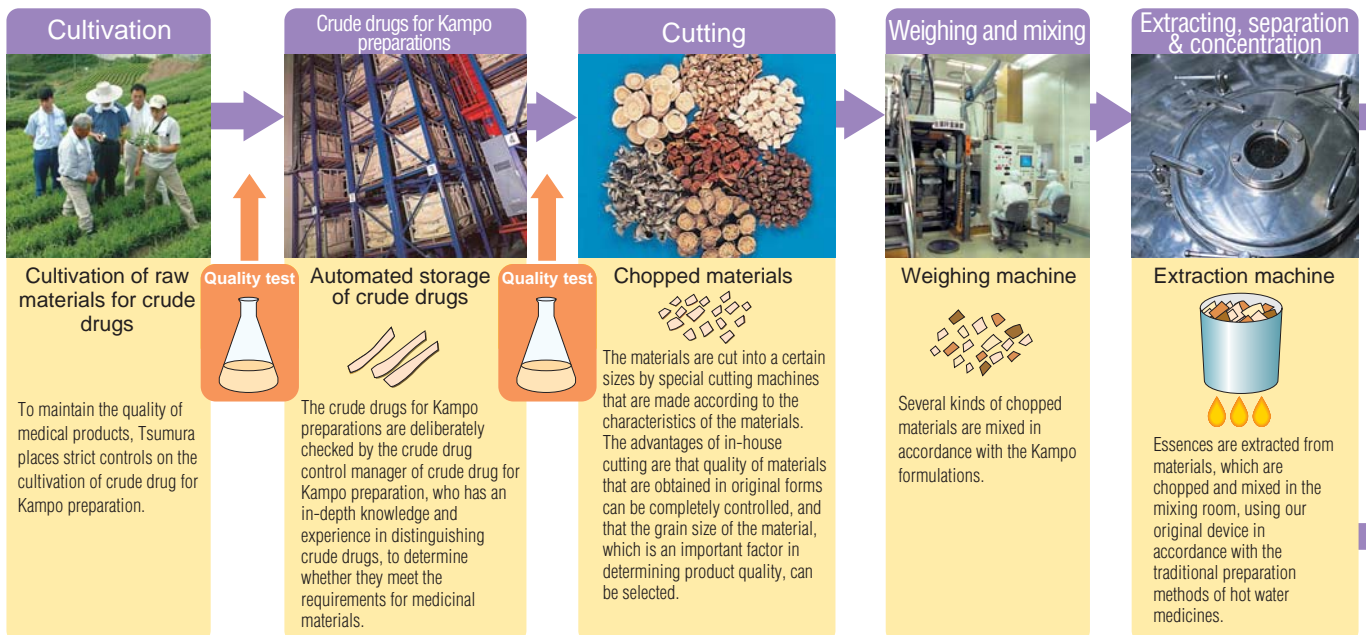
Column

Robot of the Year 2007 Outstanding performance award

The "Articulated robot for exchanging medicine containers" was developed jointly by Fuji Heavy Industry Ltd. and Tsumura and has already been used in the Shizuoka Plant. It earned an outstanding performance award in the industrial robot category, in Robot of the Year Award 2007 that is awarded to the most active robot of the year (sponsored by METI, etc.). With the introduction of robots, quality control is improving even further.



Manufacturing Flow of a Kampo Preparation



To assure security and quality of crude drug for Kampo preparation and products

We assure the quality and security of crude drugs for Kampo preparations and products using various means including test methods based on standards from an official compendium*. It is necessary to pay close attention to residual agrichemicals, heavy metals, and microbes on natural crude drug for Kampo preparation and products made of them. Therefore, Tsumura's unique standard for all products has been set up to assure security and quality, by referring to domestic and foreign security standards, so as not to cause health damage to the consumer patients. We are conducting research and development of test methods to assure security and quality of crude drug for Kampo preparation and products.

In an attempt to realize assurance at even higher level, we are working on the development of test methods using cutting-edge science and technology and application to quality testing. In particular, as a test of residual agrichemicals that have been recently attracting attention, we are advancing the introduction of newer technologies that are scheduled to be applied to the testing of crude drug for Kampo preparation in Japan and China in FY2009. Accordingly, it will be possible to provide securer, safer, and higher-quality products.

* Official compendium: Standards of medicine as typified by the Japanese Pharmacopoeia



Examination of microbes (Ibaraki Plant)

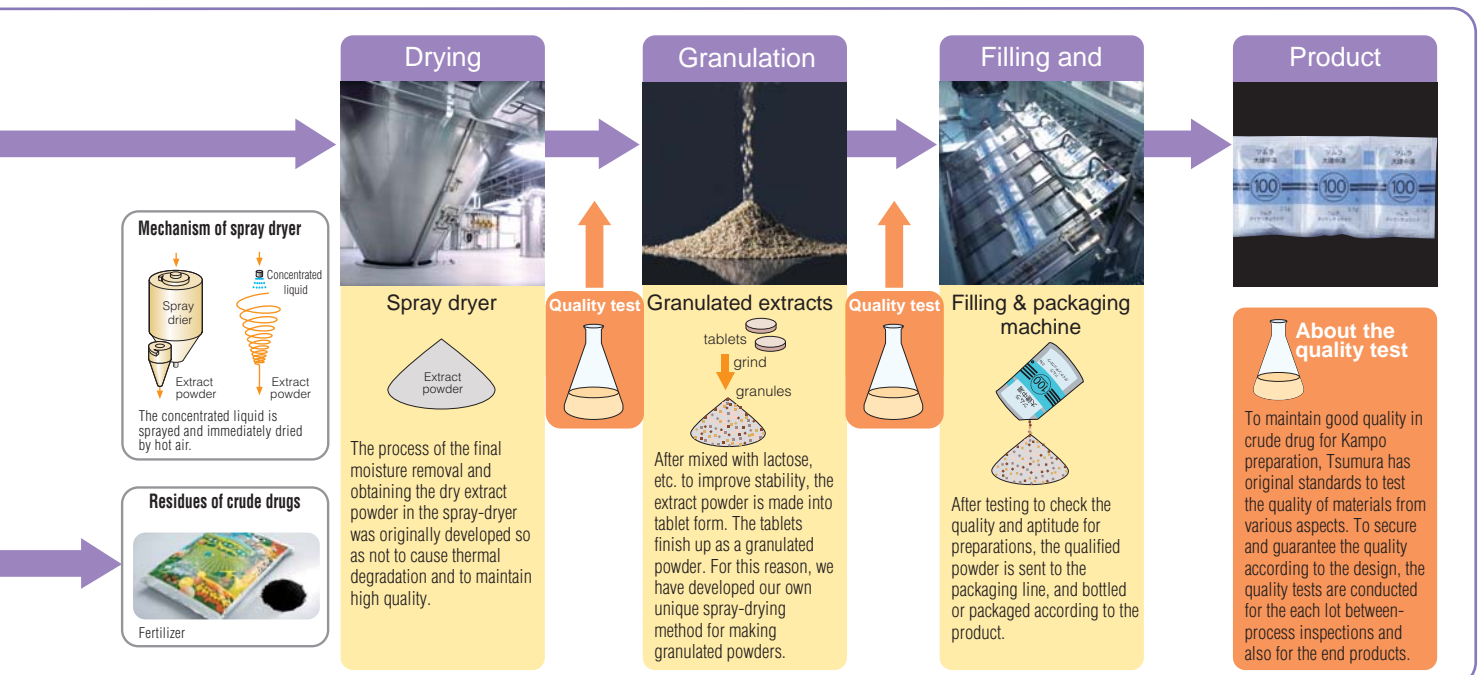
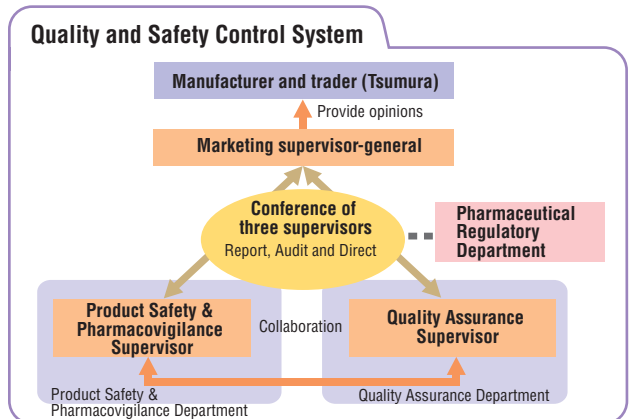


Quality test of agricultural chemical residues (Ishioka Center)

Quality and safety control system

Tsumura has constructed a corporate structure to promote a stable supply of high-quality medicines and their proper use to ensure safety based on Good Quality Practice (GQP) as stipulated by the Pharmaceutical Affairs Law and Good Vigilance Practice (GVP).

In specific terms, our Quality Assurance department and Product Safety & Pharmacovigilance Department and sections in charge of businesses concerning GQP and GVP respectively have been set up under the Marketing Supervisor-General who has the general responsibility for the product quality and safety control. In addition, our Pharmaceutical Regulatory Department for supporting the legal aspects was established to cooperate closely with the relevant sections. With this system, we are able to assure quality of our products, collect and assess used data on products, and take the appropriate necessary measures to fulfill our responsibilities as a manufacturer and trader.



Society and Tsumura

For Customers: Establishment of Kampo Medicine

Tsumura supports education of Kampo medicine and accumulation of evidence to disseminate and penetrate Kampo medicine that is unique to Japan.



Policy toward establishment of Kampo medicine

In recent years, disease structures have been drastically changing in Japan. In medical institutes, the number of cases that are difficult to treat diseases only with Western medicine is increasing. Therefore, it is further desired to promote education, research, and clinical practices of Kampo medicine.

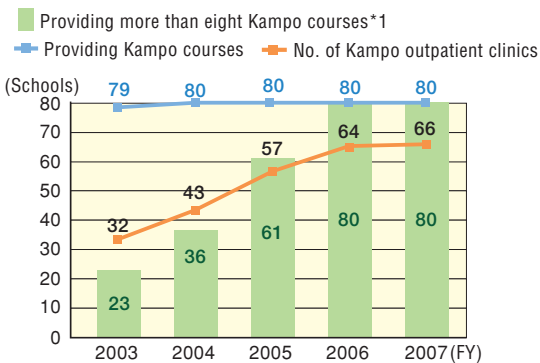
We are making every effort to diffuse and educate people about Kampo medicine through the provision of data on Kampo medicine to medical students, implementation of seminars for medical doctors and pharmacists, and the provision of information on Kampo to the general public.

Kampo education and clinics

Tsumura pursues the establishment of Kampo medicine by expanding our support for Kampo education in medical colleges and universities. 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 66 university hospitals, rapidly expanding the understanding of Kampo medicine.

We will continuously make efforts to enhance education of Kampo medicine and establish Kampo outpatient clinics, in order to establish Kampo medicine as a part of Japanese medicine. Consequently, medical practitioners will have as much knowledge and skills of Kampo medicine as Western medicine, and be able to select and execute either or both Western and Kampo medicine according to the patients' conditions.

Trend of introduction of Kampo education and outpatient clinics in medical schools in Japan



*1: The minimum number of courses required in order to understand Kampo medicine

Column

Support for Dementia Forum

Presently, the number of dementia patients is said to be about 2 million, and is expected to reach 3 million by 2050. With an increase in the number of dementia patients, the nursing care of these patients is attracting attention as a social problem.

Tsumura supported the "Dementia Forum" (hosted by NHK, NHK Public Welfare Organization, and Yomiuri Shimbun) held at eight venues in Japan in FY2007.

The total number of applicants was about 9,000 for eight venues including about 4,400 participants selected by lot, indicating a high concern about dementia.

The forum, conducted in a form of a symposium, featured basic knowledge of dementia, the latest medical information, and efforts for nursing care and others.

In the questionnaire after the forum, many participants said that it had been very informative, and almost 90% of participants answered that they were satisfied with contents of the forum. The contents of the forum were broadly publicized to readers and audiences through newspaper articles and TV programs. We are also supporting "ninchisho-forum.com", a website posting information on the forum and dementia.

In FY2008, we are continuing to support the "Dementia Forum" and "ninchisho-forum.com" aiming to allow more people to properly understand dementia.

* Venues in FY2008: 5 cities including Tokyo, Miyazaki, Aomori, Gifu and Okayama



Dementia Forum

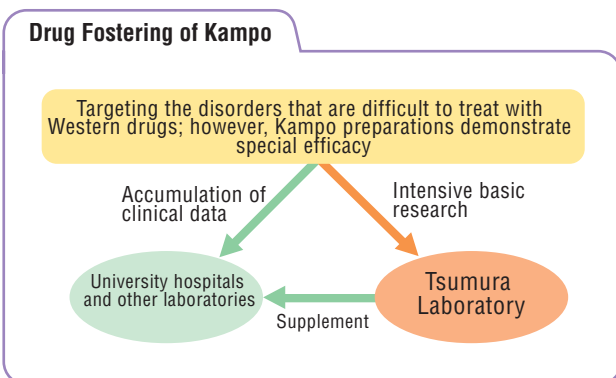
Drug fostering of Kampo

Drug fostering is implemented 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 the following drugs to be the focus of our drug fostering: Tsumura Yokukansan, for peripheral symptoms of dementia*²; Tsumura Rikkunshito, for disorders of upper abdominal indefinite complaints caused by functional dyspepsia, gastroesophageal reflux disease, and other diseases; and Tsumura Daikenchuto, for the improvement of intestinal movement.

As a recent achievement, eight papers have been presented on Rikkunshito at the Digestive Disease Week meeting hosted by the American Gastroenterological Association in San Diego in May 2008. The presentations attracted a high degree of attention from international experts.

Yokukansan is currently drawing a lot of attention due to a report on its treatment benefits, whereby peripheral symptoms of dementia improve without lowering daily activities such as eating, changing cloths, and walking.

*2 Peripheral symptoms of dementia
Dementia has core symptoms such as memory defects and disorientation, and peripheral symptoms such as anxiety, dysphoria, and delirium.



Internationalization of Kampo

We have conducted clinical trials based on GCP (Good Clinical Practice: standard for implementation of clinical trials for medicines) under a FDA (U.S. Food and Drug Administration) investigator license.

Presently, the clinical trials for “TU-100 (Daikenchuto)” for improving intestinal paralysis soon after operation is being conducted. In FY2007, a tolerability test on patients was completed, and it was confirmed that there was no problem in tolerability (security and administration) of Daikenchuto. We will also be implementing tests, such as a clinical pharmacological test and an exploratory second phase clinical test, to demonstrate the effectiveness of Kampo. Tsumura is advancing the internationalization of Kampo based on results of scientific tests, with authorization in the U.S.

Fostering and supporting MRs (Medical Representatives)

Tsumura’s MRs are required to have not only knowledge as a leading maker of Kampo preparations, but also a high sense of ethics as individuals performing a medical role and skills to communicate knowledge accurately. Periodic training with well-balanced educational programs is implemented to improve MRs’ qualifications aimed at fostering reliable MRs in clinical practices.

Our MRs consider that it is the greatest satisfaction to mitigate the pain of patients, and to act consistently with a sense of purpose to contribute to society through Kampo.

Voice

Drug Fostering Department for Kampo

Kazuya Maemura, Chief of Drug Fostering Department, Drug Sales Headquarters

The Drug Fostering Department was newly established as a special department to accumulate research data, especially clinical data, on the prescription of fostered drugs in order to further promote drug fostering. This department includes a section specializing in the prescription of three fostered drugs, and a section to analyze clinical data. We ask medical doctors who are authorities on the targeted diseases of prescription of each fostered drug for our research. The results of such research is announced to the public and accumulated as clinical data. In specific symptoms and diseases, the efficacy of Kampo has been recognized in the analysis with methods of Western medicine. Furthermore, new mechanisms which Western drugs do not possess are being discovered one after another. We intend to post these results in international leading specialty journals to allow many patients who need these drugs to take advantage of them.



Society and Tsumura

For Customers: Communication

We value customer requirements and actively offer the information to provide customers with support for using Kampo medicine and our products.



Customer communication policy

Tsumura established its “Consumer Information Service Center” in 1995 so that patients were able to take these medicines at ease and health care practitioners may use them properly. Since then, the Center has received nearly 180,000 consultations in thirteen years, including over 30,000 received in 2007. We will continue to provide proper information in order to win trust and comfort customers so that they can take advantage of the abundant information provided in consultations.

Handling of customers’ private information

The Consumer Information Service Center does not surrender customers’ private information to any third party without prior consent of the customers. This information is only used to provide answers to the consultations and to make requested materials available. Private information is strictly managed based on the Company’s “Protection of individual information policy”.

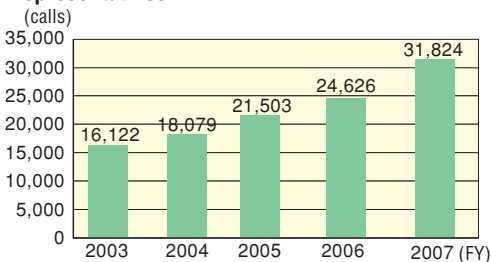
For further satisfaction

We introduced a new consultation service system to respond to inquiries from customers more quickly and accurately in October 2007. This system is contributing to improvements in reliability and promptness of response to consultations by recording and organizing contents of previous consultations and answers as FAQ’s to quickly refer to upon receiving similar consultations, as well as enhancing the partnership with MRs in each area.

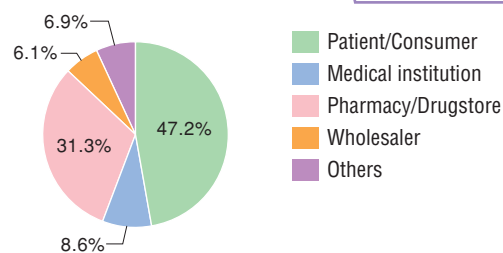
Reflecting our customers’ voices

Each inquiry received from a customer is valuable information for the Company. In fiscal 2006, we set up the “CS conference” consisting of related directors, chaired by the president. We positively accept and share the complaints from the customers, and examine them in the conferences to utilize these in improving our business operations. In FY2007, we improved controversial points for considering how to introduce our efforts for product safety and what kind of PR activities to implement for further diffusion of Kampo preparations, so that patients who take drugs and medical practitioners can use them with confidence. The customers’ voices will be shared among the relative departments, including senior management, for further improvement.

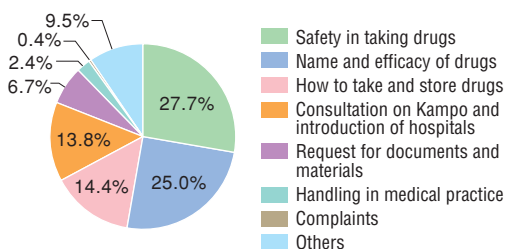
Calls Received by Tsumura Customer Service Representatives



FY2007 Breakdown of Consulters



FY2007 Breakdown of Consultation Issues



Tsumura's supporting websites



<http://www.gokinjo.co.jp/kampo/>
Kampo-no Oishasan Sagashi (Searching for a Kampo doctor)
An Internet site for searching Kampo doctors in your neighborhood



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



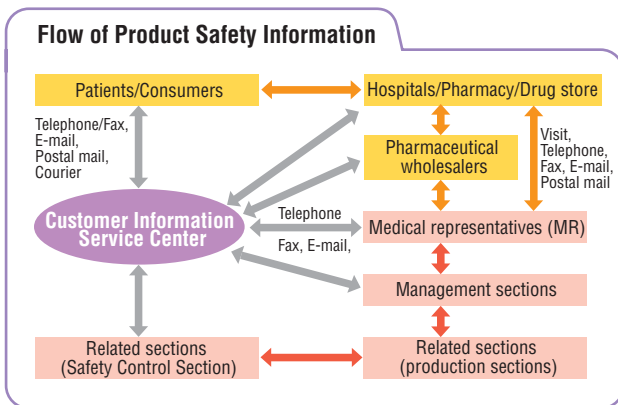
<http://www.ninchisho-forum.com/>
Ninchisho Forum.com
Website to describe the latest information and fundamentals of dementia in a way that is easy to understand

Information on product safety

The consumer Information Service Center receives a lot of consultations concerning the safety of products, such as using a combination of medicines, medication during pregnancy or breast-feeding, and side effects. In FY2007, about 30% of 30,000 inquiries were consultations concerning safety issues.

Moreover, the Center receives information on side effects that may be caused by our preparations from medical practitioners and patients. After hearing investigations with the reporter, such information is reported to our Product Safety & Pharmacovigilance Department and the relative sections such as our Business Management Department in accordance with laws and in-house standards. After scrutinizing this information, in those cases where medicines are involved, it is reported to Ministry of Health, Labor and Welfare through the Pharmaceuticals and Medical Devices Agency, and finally released to the public.

As a company manufacturing and selling medicines, we have set up structures to collect and report information about product safety promptly and satisfactorily by this flow of information.



Provision of diverse information concerning Kampo

As for websites, we are making efforts to increase information on Kampo and improve usability and hosting the “Tsumura Kampo Square”, a website setup for medical practitioners. Moreover, we are supporting “Kampo-no Oishasan Sagashi” (Find a Kampo Doctor), a website to search for doctors familiar with Kampo; “Kampo view”, a general website with diverse information on Kampo; and “Ninchisho Forum.com”, a website with information on dementia.

Having presented the “Woman’s salon”, a TV program for health information targeting women since FY 2007, we have produced an infomercial to communicate basic information on Kampo.

Future development and targets

As a leading manufacturer of Kampo medicines, we think it important that larger public have a proper understanding for Kampo, the traditional medicine of Japan. Therefore, we attempt to further communicate various information on a variety of media.

Our Customer Information Service Center is advancing the introduction of a free phone service so as to enable customers to easily access us for consultation. Presently, the Information Service Center system is being enhanced, and the free phone service is scheduled to be set up in FY2008.

As a Customer Information Service Center of a pharmaceutical company, we will make every effort to respond to various consultations, placing first priority on reassuring patients who take drugs and winning the trust of medical practitioners who prescribe drugs.

Voice

One day at the Customer Information Service Center

Kaoru Yamada, Customer Information Service Group, Corporate Communication Department

In 2007, we received a letter about “Lamour-Q”, a women’s medicine marketed after improvement and renewal.

“I suffered from headache, stiff shoulder, and feeling fatigue, but Lamour-Q was very effective to my symptoms. The tablet is so small and handy that I can take it easily. I am grateful for your long-term research and your many staff. I became depressed and less happy day by day until I discovered Lamour-Q. Now I am very happy and would like to express my deepest gratitude to you.”

Reading this letter, we felt that our efforts were rewarded. It is the greatest pleasure for members of Customer Information Service Center to hear such appreciative words. The Customer Information Service Group tries to empathetically handle any consultations including calls about medicines to satisfy our customers by bearing in mind the various appreciative words that we receive.



Questions or comments to customer Information Service Center

Call 03-5574-6600

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



e-mail (accessed from our company’s website)

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

Society and Tsumura

For Shareholders and Investors

We aim to improve corporate value to make us a Company that is trusted by shareholders and investors through proactive investor relations activities at home and overseas.



Improvement of shareholder value

Tsumura has settled on a new medium-term plan in fiscal 2007, which is the starting year of our business development specializing in Kampo medicine and crude drug for Kampo preparation. The action plan objectives under the medium-term 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. Internationalization of understanding and use of Kampo
4. Expanding the production system
5. Establishing a traceability system
6. Creating an “open” company

We will regard efficient capital investment to respond to a steady increase in demand for Kampo preparations as a significant issue for the time being, and be certain to get our business on track.

Engagements in FY2007

In FY2007, the first year of the three-year plan, we achieved almost all of our management objectives, and we can confirm that our plan has been advancing steadily.

Hospitality program for shareholders

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

The Company gives 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.

Hospitality Gifts for Shareholders (2008)

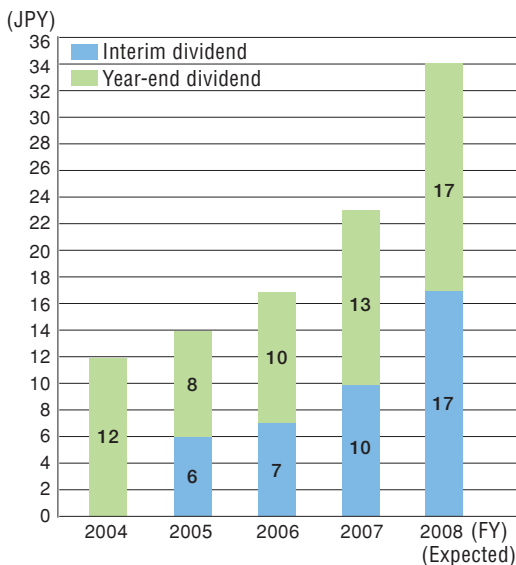


Trends of dividends per share

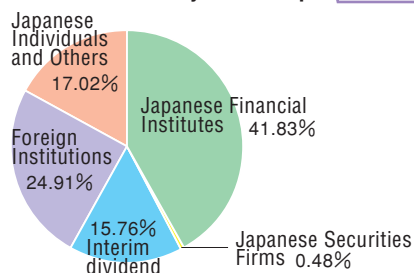
The amount of annual dividend per share at the end of FY2007 was upwardly revised to ¥23, increasing by ¥3 from the estimated dividend and by ¥6 from the previous year. In FY2008, the annual dividend is expected to be ¥34, with a year-on-year increase of ¥11.

We proactively consider return to shareholders, generally taking into account investment in necessary facilities and R&D, etc. and the amount of interest-bearing debt.

Trend of Dividends per Share



Distribution of Shares by Ownership



As of March 31, 2008

Communication

Tsumura holds information meetings for investors and analysts twice a year regarding our business results. About 100 visitors attend these meetings consistently. At these meetings, the President explains the management strategy and reviews the financial results, inviting active discussions with the participants. In addition, individual meetings with IR personnel and small-group discussions with the corporate directors are conducted for fostering better communications with our investors. The comments and suggestions from our investors are communicated to the corporate directors and relative sections.

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

Furthermore, we are addressing IR activities from the viewpoint of individual investors, holding “IR briefing sessions for individual investors” in corporation with securities firms.



IR briefing session

Information disclosure

● Company brochure

We have revised our company brochure completely with the concept of “highlighting Tsumura’s Kampo, and communicating present-day Tsumura.”

● Annual Report

From the viewpoint of timely disclosure, we are making efforts to disclose information appropriately on a timely basis. Our Internet Homepage is actively used as a tool for information disclosure. English translations of disclosed important items are quickly posted to the website, so as to actively transmit information to foreign investors.

In FY2007, our annual report won an honorable mention in the “10th Nikkei Annual Report Award”.

● Interim/Full-Year Business Results

In FY2007, we completely renewed our “Interim/Full-Year Business Results” to be provided to shareholders twice a year as a communication tool to inform them of our business activities in a way that is easy to understand.



Annual Report 2007



The 72nd Interim Business Results

Foreign IR activities

Communication with foreign investors has become increasingly important. We are making every effort to explain about our Kampo business and others directly by visiting institutional investors in Europe, North America, and Asian countries.

Incorporation in SRI funds

As our business centering on Kampo and CSR activities are valued, Tsumura’s shares have been incorporated into our SRI (Social Responsibility Investment)* Fund. Our positive efforts towards the aging of society, ensuring the safety of raw materials, and family-friendly personnel policies have been praised favorably.

* SRI (Social Responsibility Investment): Investment behavior of which investment criteria includes the fulfillment of social responsibilities in terms of social, ethical and environmental phases, in addition to conventional investment criteria with financial analysis. This is backed by the concept that companies fulfilling social responsibilities can be more expected to grow continuously in the long term.

Future development and targets

We intend to build relationships of trust, being always aware of fair and timely disclosure, and communicating with domestic and foreign investors and shareholders actively to continuously convey our good bearing.

Society and Tsumura

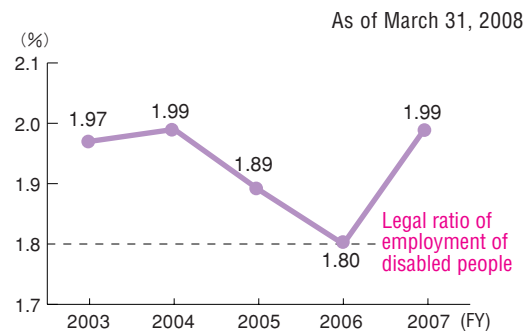
For Employees

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

Personnel Philosophy

Under our management philosophy, we foster independent organizational persons, improve the environment in which employees can challenge their goals by using their strengths to develop vital corporate culture.

Ratio of employment of disabled people



*1 The Universal Declaration of Human Rights: Adopted in the 3rd UN General Assembly in 1948. It provides "common standards" that all countries and all people should achieve to respect and ensure human rights and freedom.

*2 ILO International Labor Standards: Providing the basic norms of labor, consisting of ①Freedom of association and effective recognition of collective bargaining ②Elimination of all forms of forced or compulsory labor ③ Effective elimination of child labor and ④Elimination of discrimination in employment and profession. In 1998, it was adopted as Declaration on Fundamental Principles and Rights at Work.

*3 Yakuji Nippo dated April 2, 2008

*4 PAT Evaluation: Process-Achievement-Total Evaluation

*5 TAPS: Tsumura Active Personnel System

A Family-friendly company

While the "Law to promote measures to support the development of the next generation" has been enacted, simply establishing an action plan and institutions cannot support the development of the next generation.

Under our Personnel Philosophy, we are promoting improvement in our internal systems to enable our all employees to create a happy family life, raise healthy children, and to be happy and cooperate with each other. We are making efforts to create such a corporate culture and working climate.

With the globalization of business activities, Tsumura respects the spirit of The Universal Declaration of Human Rights*¹, an international norm of human rights, and complies with ILO*² (International Labor Organization) decreed International Labor Standards for indicating basic labor criteria as our basic stance of our activities for human rights on a global footing.

Efforts in recruitment activities

Tsumura implements people-oriented recruitment activity by respecting individual personalities. As recruitment activities, we mainly participate in events for recruitment, hold briefing sessions in universities, and explain our corporate activities and job contents on our website in a way that is easy to understand.

In FY2007, we addressed diverse activities such as renewal of our "Company Brochure" to deliver to job applicants, holding "Open Seminar" where employees working in the frontline explain the various job outlines so that students can better understand Tsumura & Co. As a result of these activities, we ranked the 5th among the popular companies in the medical industry in Japan, as selected by 17,153 students.*³

Even in the present severe recruitment environment, we start the selection process for recruitment from April in accordance with the ethical charter of the Japan Federation of Economic Organizations. The recruitment of disabled people is continuous and actively implemented through the year and various opportunities.

Fair evaluation and treatment

Tsumura has adopted two evaluation methods, "PAT Evaluation"*⁴ to assess the process and achievement to a semi-annually decided objective and "Performance Review" to clarify the rank of employees with analysis of their vocational ability.

To promote understanding of the evaluation process, we have implemented training for evaluators since 2006. As of April 2008, 356 people have attended these classes. Also, to facilitate appropriate understanding of our personnel system, the "Personnel System Guide Book (TAPS)"*⁵ is delivered to all employees.

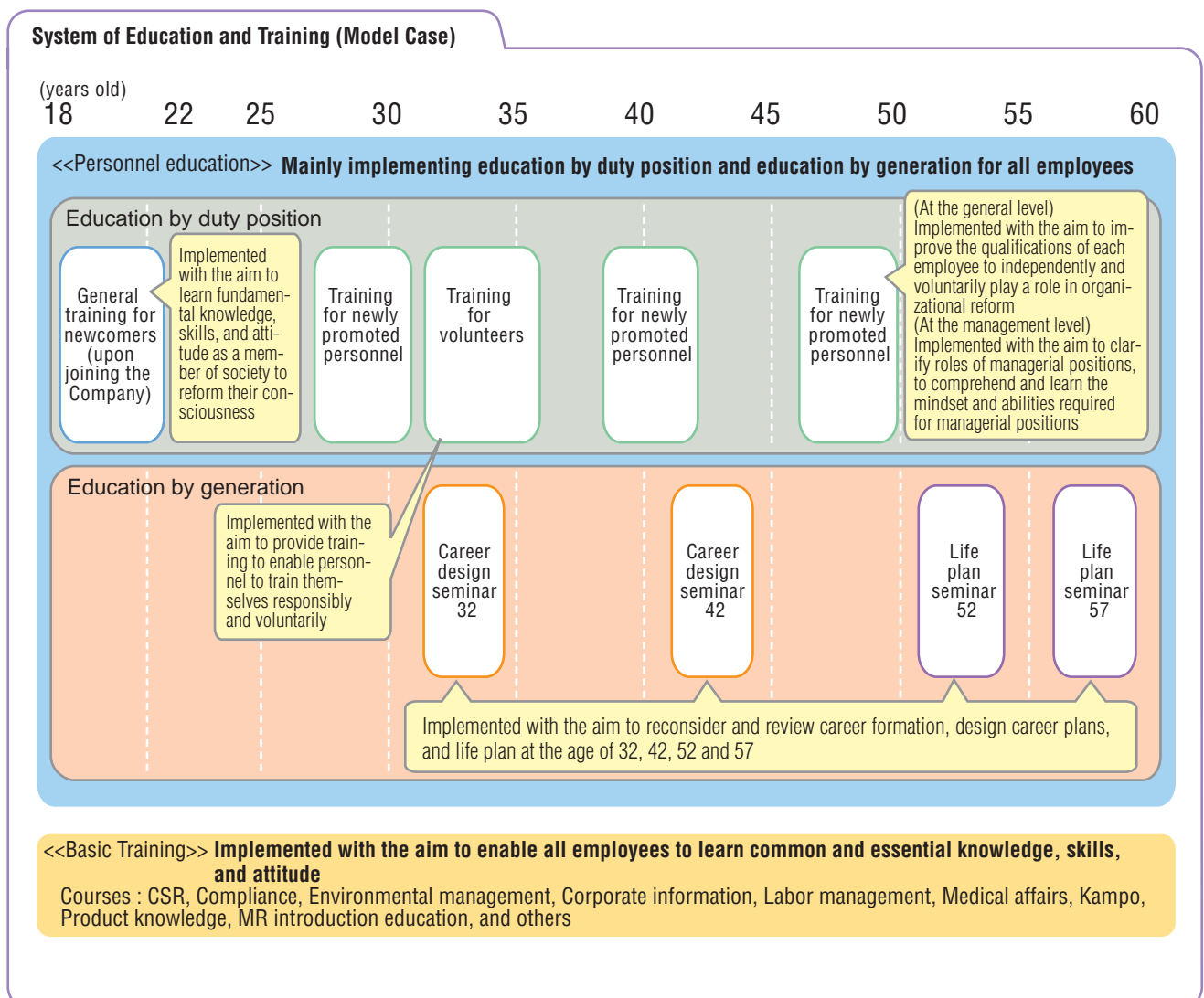
Relationship with labor union

By adopting a union-shop system, we have set up a “Personnel and Labor Committee” to regularly exchange opinions between senior management and the labor union once a month. The committee consists of workers and employers, aiming at “creating a proud company”, “developing vital corporate culture”, and “fostering independent organizational persons” as a basic guideline. Objectives of the committee are to consider various personnel and labor issues based on our management philosophy, business guidelines, and personnel philosophy, and to promote study on institutional reform and design to solve and improve problems in response to environmental changes surrounding the company. Under the committee, the following six working teams have been organized and put into operation.

1. Work-life balance promotion team
2. Review team for appropriate treatment
3. Promotion team for management of working hours
4. Promotion team for “proud company”
5. Review team for labor security and health system
6. Review team of personnel system

Policy and system of education and training

The human resources development center of our personnel department implements education and training to foster “independent organizational personnel aiming at self-actualization”, ideal personnel required by the Company, by dividing trainees into two groups: the personnel education group and the basic education group.



Realization of ideal working environment

● Assistance on the work-life balance

Tsumura enhances the working environment so that employees can balance their work and life at various life stages. In FY2007, we revised the system with the introduction of wiiw, a support program for employees on childcare leave to return to work, and partly paid nursing leave (using invalid paid leave), so that employees can use the parental and nursing leave system more easily.

As for the action plan based on the Law for Measures to Support the Development of the Next Generation, new objectives for three years have been established and carried out since April 2007, following certification as a business entity conforming to the standard in the first period.

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

● Comeback program

Some employees leave the Company for certain reasons as child and family care. In order to provide such retired employees with opportunities to work again at the Company, we have started a "comeback program" since FY2007. A total of three employees have used the program by the end of FY2007.

● Month to promote taking leave

In an attempt to strengthen employees' health and promote an affluent life based on work-life balance, a month for promote taking leave is set up in July, August and November every year. From FY2008, June was newly designated as such a month. It is recommended that our employees take designated long-term paid leave.

● Preventing violation of human rights

Senior management shall pay attention to violation of human rights, based on the Law for Equal Employment Opportunity of Men and Women and Ministry of Health, Labour and Welfare guidelines. By making a provision for disciplinary punishment in our Company Rules, we have vowed not to permit any sexual harassment and power harassment as an internal rule. Furthermore, briefing sessions for personnel labor management is implemented for managerial personnel in order to promote the understanding of basic knowledge regarding violation of human rights and its countermeasures.

Objectives and Achievements of Tsumura's Action Plan to Support the Development of the Next Generation (The 2nd period: April 1, 2007 ~ March 31, 2010)

Plan	Achievements
1 To boost the childcare leave targets within the target period Female employees: 90% or more Male employees: three or more	Female employees: 100% Male employees: two
2 To expand and publicize the overtime exemption system targeting those employees who have direct responsibility for children of preschool age.	Enlarged the scope to those employees who have direct responsibility for children of preschool age.
3 To expand and publicize the nursing leave system	Revised the system to use invalid paid leave for nursing leave
4 To boost the leave acquisition to an average of 10 days	11.7 days (on average for union members)
5 To hold company visits for employees' children	Implemented in company headquarters, Ibaraki Plant, and R&D center
6 To create a system for mutual communication with employees on childcare leave * Regarded as one of measures in Objective 1 in FY2007, this has become one of objectives since April 2008 to promote more enriched measures.	Introduced wiiw, a support program for employees on childcare leave to return to work
7 To enhance environments regarding health management during pregnancy * By extracting problems in 2007, we added this item to the objectives in April 2008.	Promoted the use of a communication cards for instructions of maternity health management

Employees consultation service counter

Internal and outside consultation service counters have been set up, so that employees can discuss human rights and mental and physical health concerns at ease to continue to work actively. The service is available to all employees, including contracted and dispatched employees.

Employees Consultation Service Counters and Their Functions

Service Counter	Primary item of consultations
Group hotline	Compliance
KSS Line	Consultations about health via e-mail
Angel Line	Balancing pregnancy, childbirth, childcare, and working
Mental health consultation	Consultations about mental health via e-mail
Health consultation	Consultations with our industrial physician
Health support program	Outside consultations on health, medicine, and nursing

Voice

Working mother and Tsumura

Yukie Shiroya,
CSR Promotion Group, Corporate
Communication Department

Presently, I am on childcare leave for my second child. Just before I took maternal leave for our second child, wiiw was introduced. Among the advantages of using this system, I appreciate the periodic communication with my boss the most.

During childcare leave, it is difficult for employees on leave to contact the workplace because of bad timing in childcare and due to feeling somewhat timid when considering the busy nature of the workplace. However, I am very happy and feel grateful because the boss actively keeps in contact with me.



Policy of health and safety at work

With the basic stance that safety is our first priority to eradicate accidents at work, we have conducted Health and Safety management by enacting rules of Health and Safety management and enforcing Health and Safety management standards. Also by implementing Health and Safety mutual auditing, each department has been improved. While a business establishment with 50 employees or more is obligated by Law to set a health committee, we have set our health committees and selected industrial physicians and health administrators in all branches, beyond the legal provision. Aiming to improve the management level of health committees all over the nation, the “Health Promotion Conference” is held twice a year by a gathering of representatives. Tsumura intend to promote activities for Health and Safety at work, aiming to completely eliminate labor and traffic accidents and build mental and physical health. Specifically, we boost awareness of safety through our safety risk forecast training* and traffic risk forecast training, and conduct risk assessment of newly introduced facilities and chemical substances in order to improve Health and Safety at work.

* Risk forecast training: Training in which employees are routinely engaged in a certain tasks in a plant forecast and point out the potential risks in that task in advance, for the purpose of preventing accidents and disasters.

Engagements in FY 2007

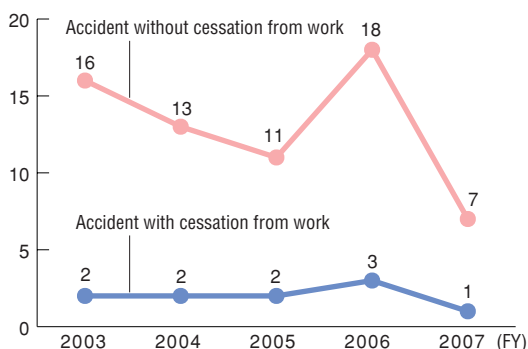
In our Ishioka Center, an accident occurred in which three people were injured while working in a high place. We immediately stopped work in high places and outsourced these tasks, while boosting awareness of safety. Although there are no tasks that are carried out in high places in our routine daily operations, a vehicle for working in high places was introduced in September 2007 to facilitate safety when work is required high places; for example, changing lights in high-ceiling warehouses and production areas. Users of this vehicle are obligated to attend a special class on health and safety to teach them how to use the vehicle for working in high places, to prepare and confirm the management standards prior to use, and to how to wear protective equipment such as a helmet and a safety belt.

In FY 2007, “Mental health diagnosis” that had been conducted in advance in Ibaraki Plant and R&D Center was implemented in headquarters and Shizuoka Plant. It is scheduled to be conducted throughout the entire Group in FY2008.

Achievement of Activities Concerning Health and Safety at Work in FY2007

Name of site	Description of activity
Shizuoka Plant	<ul style="list-style-type: none"> Conducted safety patrols once a month, centering on the Safety Group, and improved 36 cases. Conducted 334 risk forecast activities, in particular before non-routine work, as a primary theme. Conducted education to the health and safety promotion committee three times a year, to explain about the duties of the members of the promotion committee and revised points in Industrial Health and Safety Law, with practical training of risk assessment, and report other activities of each groups regarding safety.
Ibaraki Plant	<ul style="list-style-type: none"> Launched full-scale efforts to obtain OSHMS (Occupational Safety and Health Management System) from the Japan Industrial Safety & Health Association. Centering on reduction in risks with promotion of risk assessment, implemented PDCA cycle through system auditing and review, and promoted the construction of the management system. Implemented voluntary patrol by each department, routine patrol around work place by Health and Safety administrators, and Health and Safety patrol by the safety group and the health group. The number of hazardous places has been reduced. Implemented risk assessment activities from FY2004. Among over 2,000 risks indentified, improved those with higher level of risk in decreasing order. Educated employees about our occupational health and safety management system, assorted special vehicles such as a forklift trucks and a cranes, mental health, and others.
Ishioka Center	<ul style="list-style-type: none"> Implemented health and safety patrol by all employees, routine patrol around work place by health and safety administrators and industrial physician. The number of has been reduced. Conducted risk assessment and reduced hazards by improving 44 cases. Appointed the health and safety promotion committee in each workplace, and promoted activities such as safety risk forecast training Introduced a vehicle for high place work, reviewed stock amounts stored in the warehouse for a small amount of hazardous substances.
Fujieda Center	<ul style="list-style-type: none"> Held health and safety committee meetings every month and implemented workplace patrols and patrol by health administrators. In addition, safety and traffic risk forecast training were conducted in each section to improve employees' ability to forecast risks. Achieved no disasters for one year (continued for 1,516 days as of the end of FY2007)

Frequency and number of accidents at work



Vehicle for high place work (Ishioka Center)

Society and Tsumura

For Society: Diffusion of Kampo Medicine

As an “open” company, Tsumura values communication with our local communities and continues activities to popularize Kampo medicine to the broader society.



Seminars and Lectures held in FY2007

Category		Number of Seminars (participants)
Postgraduate seminars for Kampo	Introductory seminar	156 (2,303)
	Introductory seminar – II	49 (904)
	Step-up seminar	80 (1,404)
	Subtotal	285 (4,611)
Seminars for doctors attending clinical research laboratories		32 (843)
Seminars for university hospital doctors		16 (282)
Seminars for female gynecology doctors		6 (127)
Seminars for pharmacists		17 (2,322)
Public Seminars	Kampo seminars for women	7 (7,462)
	Dementia Forum	8 (4,352)
	Subtotal	15 (11,814)
Total		371 (19,999)

Diffusion and education activities for Kampo medicine

● Seminars and workshops

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 an interactive program between the lecturers and participants.

Postgraduate seminars on Kampo medicine are offered for those physicians who have prescribed Kampo formulations, but who are not familiar with Kampo diagnosis and treatments. These seminars consist of introductory programs for participants to acquire basic knowledge and techniques, and a step-up program to learn the practice of Kampo medicines including diagnosis methods.

Moreover, our Company offers various specialized seminars for doctors attending clinical research laboratories, university hospital doctors who support undergraduate education of Kampo medicine, and female gynecologists in outpatient clinics with a greater medical need of Kampo treatments.

Through continuously providing such seminars in diverse programs, our Company supports the achievement of providing the best and unique medicines in the world.

● Courses by donation

The Company has donated to courses for Kampo in some medical schools to promote education, research, and to provide further clinical support activities of Kampo through academic-industrial alliances.

● Public Seminars

The Company supports public seminars for the purpose of providing proper knowledge of Kampo and useful information for everyday life. In FY2007, we provided correct knowledge and information about Kampo to more than 10,000 general public through the opportunities as “Dementia forum” (see p.21) and “Kampo seminar for woman” on the theme of menopause, held at seven cities around the nation.

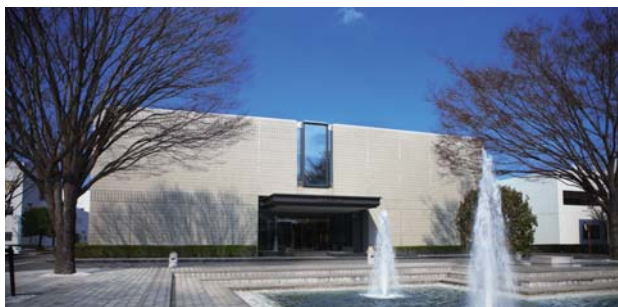


Kampo seminar for women

Tsumura Museum

The Tsumura Museum was completely refurbished and reopened in April 2008 as a part of the memorial projects for our 15th anniversary. The theme of the museum is “Tradition and Renovation”. High-level science and technology of Kampo and crude drug for Kampo preparation, our advantages, and the latest information on these, ranging from the history of Kampo, samples of crude drug for Kampo preparation, the latest papers, and the traceability system of crude drug for Kampo preparation, through production and quality control of Kampo preparations, are rigorously exhibited.

The museum has bright space making the most of the two-story hall structure of approximately 1,600 square meters wide, consisting of an experience corner to actually pick up crude drug for Kampo preparation, an information retrieval library, and a multi-purposed hall in which workshops on Kampo can be held. As the only museum specializing in Kampo and crude drug for Kampo preparation, the museum will continuously communicate the latest information to all our stakeholders.



Tsumura Museum

Open: 10:00~17:00 (enter by 16:00)

Contact: 029-889-2167 (direct to Tsumura Museum)

Prior booking essential for visit

Yoshihara3586 Ami-cho, Inashiki-gun, Ibaraki, 300-1192

As an “open” company in local communities

Also in FY2007, the Company accepted students on our internship program and held tours of our plants and headquarters, and “Kids’ visiting day” when employees’ children visit the company. Tsumura Lifescience Co., Ltd. also conducted “Kids Researchers”, the annual project in which school children and their parents experience how to prepare bath additives by themselves.

Shenzhen Tsumura accepts students for laboratory training of Chinese pharmacy in partnership with the Hong Kong Baptist University.

Toward “Creating an open company”, advocated as one of objectives in the mid-term management plan, we will make efforts to coexist with our local communities.

Number of Acceptance of Factory Tours and Internship in FY2007
(No. of participants in parentheses)

Name of establishment	Internships	Factory tours	Company visits
Headquarters	1 (1)	6 (40)	
Shizuoka Plant	1 (2)	16 (240)	1 (1)
Ibaraki Plant	2 (4)	81 (967)	3 (21)
Laboratories	1 (1)	29 (167)	
Tsumura Lifescience		23 (125)	1 (6)
Shenzhen Tsumura	1 (2)	25 (226)	
Shanghai Tsumura	1 (16)	18 (91)	



Acceptance of company visits (Tsumura Lifescience)



Kids' visiting day (the Headquarters)

Society and Tsumura

For Society: Social Contribution Activities

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



Policy of social contribution activities

Making our business from Kampo made from crude drug for Kampo preparation, nature's bounty, Tsumura makes efforts to coexist with nature through environmental conservation activities and develops active social contribution activities aiming to improve our relationship of trust with society as "a good corporate citizen".

City beautification and adoption campaign

In February 2005, we registered with the Fujieda City Beautification and Adoption Campaign for the first time as a corporation. Since then, we have participated in an environmental beautification campaign around the entire area of a nearby park and the Plant vicinity. In FY2007, 255 people participated, including employees and their families of the Shizuoka Plant, Fujieda Center, and the Shizuoka Plant of Tsumura Lifescience.

Additionally, the range was extended to the Shimada City Achigaya district where recycled fertilizer Tsumuland is produced.

Major supported organizations

The Company supports organizations working toward environmental protection and sound development of youth.

Major Supported Organizations in FY2007

Organization	Activities	Support content (annual fee/donation)
WWF Japan	Promotion of nature conservation activities through the conservation of biodiversity and the minimization of negative environmental impacts	Corporate member's annual fee: ¥200,000; Supported over 20 years as a corporate member.
Youth Friendship Association	Promotion of sound development of youth through outdoor cultural education	Special member: Annual fee ¥200,000
OISCA-International (The Organization for Industrial, Spiritual and Cultural Advancement-International)	Promotion of education and development through environmental protection, local development, and human resource development	Corporate member, annual fee ¥100,000

Contributions and donations

Since FY2007, Shizuoka Plant, Tsumura Lifescience Shizuoka Plant, and Logitem Tsumura have participated in the "Fujieda City Mottainai Campaign". In this campaign, 5% of sales from beverage vending machines set up in these companies are allocated to production costs of eco-friendly shopping bags.

Shizuoka Plant contributed ¥83,000 to the headquarters of Fujieda City Mottainai Campaign in FY2008. In addition, they also donate to volunteer activities such as "Green Fund". Ibaraki Plant also donates to medical and welfare activities such as the Japanese Red Cross and others.



Fujieda City Beautification and Adoption Campaign (Shizuoka Plant)



Iishioka Center clean-up campaign



Shenzhen Tsumura clean-up campaign



Participation to Asaza Project*

* Asaza Project: Kasumigaura Restoration Project sponsored by NPO "Asaza Fund".

In this project, ecological restoration, conservation of rural natural areas, and prevention of exotic species around the lake have been conducted in cooperation with elementary and junior high school students, citizens, local governments, and companies in watershed areas.

Cleanup activities

Our Company is working on beautifying the vicinities of our operation sites.

Major Cleanup Activities in FY2007

Sites	Activities, No. of times	No. of participants
Shizuoka Plant	8	53
Ibaraki Plant	4	52
Ishioka Center	4	36
Fujieda Center	3	13
West Japan Distribution Center	1	8
Tsumura Lifescience	1	3
Shenzhen Tsumura	1	360

Cooperation and support of NPO/NGO

●Asaza Project in Kasumigaura and Kitaura Lakes

As a part of our environmental protection activities that are conducted under the environmental policy of the Ibaraki Plant, the Plant has participated in Asaza Project. Every year between May and August, voluntary employees seed and raise Asaza saplings, an endangered plant species of the Lake, in the Plant pond and then plant them back into the lake. In FY2007, a total of 48 employees participated, centering on those less experienced employees from each establishment.

Labor union social contribution activities

Labor Union Social Contribution Activities in FY2007

Activity targets	Description of activities
Ami-cho, Ibaraki	Voluntary participation in regional beautification campaign
Social contribution groups	Collection and contribution of pull-tabs, used stamps, telephone cards, and pre-paid cards per establishment
Local communities	Implementation of volunteer work for regional cleaning on occasions of public welfare activities
General Federation of Trade Unions for the Drug Industry	Donation through social contribution funds of the federation and participation in the social contribution forum held by the Federation

Participation in the creation of a bright society

Logitem Tsumura cooperates by presenting yellow bags for traffic safety to first grade pupils at elementary schools.

Support for emergency restoration

●Provision of support goods to the stricken area of the Niigata Chuetsu offshore earthquake

Upon request from the locale, Tsumura sent support goods (a total of 3,000 bottles of drinking water and 4,560 pieces of portable wet tissues) to the stricken area in Niigata Prefecture that had received substantial damage from the Niigata Chuetsu Offshore Earthquake that had occurred in July 2007. Moreover, the Company contributed five million yen through the Japan Red Cross.

●Donations for Sichuan earthquake in China

For the Sichuan Earthquake in China that occurred on May 12, 2008, the Company donated a total of 1.5 million yuan (about 22.5 million yen) including 1 million yuan to the China Red Cross and 0.5 million yuan to its Sichuan Branch. Shanghai Tsumura and Shenzhen Tsumura, our Chinese subsidiaries, donated 100,000 yuan respectively.

Additionally, we collected donations of ¥3,707,702 from officers at our domestic and foreign Group Companies, and these monies were donated to the China Red Cross. A part of the donation was directly sent to some employees of Shenzhen Tsumura whose family houses were damaged.

Corporative project to grow forests

Kochi Prefecture has been developing a “Corporative project to grow forests” under the partnership with corporations, aiming at “regeneration of forests” and “exchange with local communities”.

In agreeing with this project to facilitate environmental conservation in cultivation areas of crude drug for Kampo preparation and exchange with local citizens, partnership agreement was concluded between four parties (Kochi Prefecture, Ochi Town, Human Life Tosa, and Tsumura) in June 2008.



Ceremony for conclusion of agreement for “Corporative project to grow forests”



Tosa Tsumura's Forest

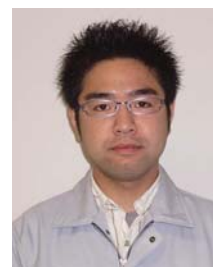
Voice

Participation in Fujieda City Beautification and Adoption Campaign

Takashi Miyoshi, Environmental Management Section, Shizuoka Plant

Renge Temple Pond Park in Fujieda City serves as a citizens' meeting ground for recreation and relaxation, with an athletic field around the pond and an amphitheater. I feel that the Shizuoka Plant has been able to operate for over 40 years and accumulate its long history thanks to cooperation from local citizens.

As a sign of my gratitude, I participate in the cleanup campaigns. After cleaning the park, while feeling the changes of the seasons, it is more refreshing for me to use the neat and clean park. I am often told by people walking, “Thank you for cleaning the park”. At that moment, I am very happy. Since it is also enjoyable to interact with participants and their families in other departments, I will continue to actively participate in this campaign.



Environment and Tsumura



Tsumura Green Photo Contest 2007
Gold prize in autumn,
"The nature I want to conserve" category
"Twilight in late autumn"
Noriyuki Ishimaru, The 2nd Group of Formulation Quality Research,
Formulation/Quality Research Center, Department of Formulation Technology

In the twilight of late autumn, I saw fantastic sunset clouds spreading over the sky on the way back from a walk with my child. While I hoped that it had not been caused by abnormal weather, I thought I should preserve such a beautiful glowing sunset for children in the future.



Tsumura Green Photo Contest 2007
Gold prize in winter
"The nature I want to conserve" category
"Village of houses with steep thatched roofs covered with snow"
Masanori Akazawa
Environmental Management Section, Department of General Affairs,
Ibaraki Plant

This is the historic village of houses with steep thatched roofs in Shirakawa-go, a world heritage site, covered with snow. Shirakawa-go looks most beautiful in the snowy season, but is being threatened by global warming. Each of us should be more aware of the environment and act practically to preserve the important world heritage sites in Japan.

Environment and Tsumura

Trend of Major Environmental Performance Indices from FY2003-2007

Reporting Period		FY2003	FY2004	FY2005	FY2006	FY2007	Coverage	Corresponding pages in this report
Total Energy [GJ]		879,398	862,624	888,718	953,205	931,860		P.41・44
Material Input	crude drug [t]	6,189	6,072	6,146	6,342	6,703	*4	P.41
	containers and packaging [t]	3,774	4,270	4,555	5,267	6,533		P.41
Water Resource Input [t]		852,459	891,375	899,175	984,223	1,000,708	*5	P.41・42
Chemical Input	acetonitrile [t]	4.1	2.8	4.1	3.6	3.8		P.41・49
Green Purchase Rate [%]		72	75	78	81	80	*6	P.49
Production of ethical Kampo extract granules [t]		4,140	4,425	4,800	5,052	5,521	*7	P.41
Emission of greenhouse gases [t-CO ₂]		51,300	47,600	47,600	47,400	44,800		P.41・43
Waste	Waste emission [t]	10,696	11,460	12,897	15,460	16,391	*8	P.41・45
	Final disposal [t]	58	30	32	19	2		
	Percentage of waste recycled [%]	98.5	98.9	99.0	99.0	99.8		
Effluent discharge [t]		696,094	783,916	784,528	895,323	910,282	*5	P.41・42
Eco-efficiency for GHG reduction* ¹ [million yen/t-CO ₂]		1.6	1.8	1.9	1.9	2.1		—
Eco-efficiency for waste reduction* ² [million yen/t]		7.7	7.4	7.0	5.9	5.8		—
Net sales (consolidated) [million yen]		82,155	84,837	90,419	91,227	94,799		P.51
Total assets (consolidated) [million yen]		124,011	122,674	135,158	143,378	135,146		P.51

The calculation above consists of only the performance data of Tsumura & Co. and Tsumura Lifescience Co., Ltd. that was spun off in October 2006, though the gathering of data of the following Tsumura Group companies began in FY2007: Logitem Tsumura Co., Ltd., Creative Service Co., Ltd., Shanghai Tsumura Pharmaceuticals Co., Ltd., and Shenzhen Tsumura Medicine Co., Ltd.

Because the headquarters moved to a leased building in May 2007, water, utility gas, general wastes, and electricity for sectors other than the occupied areas are not included.

*1 Greenhouse gases: six kinds of gases including CO₂, CH₄, N₂O, HFCs, PFCs and SF₆ are designated as greenhouse gases in the Kyoto Protocol.

*2 Eco-efficiency for GHG reduction: [Net sales]/[Emission of GHG]

*3 Eco-efficiency for waste reduction: [Net sales]/[Waste emission]

*4 Volume of crude drugs used for the process of extraction in the Shizuoka Plant and Ibaraki Plant

*5 Excluding domestic branches and service offices, and Tsumura Lifescience Co., Ltd.

*6 Excluding Tsumura Lifescience Co., Ltd. from October 2006

*7 Kampo extract granules for prescription and OTC

*8 Excluding branches, service offices, distribution centers, recreation facilities, and Tsumura Lifescience Co., Ltd.

■ Important Notice about Environmental Performance

- Shizuoka Plant achieved zero emissions in FY2007.
- Ibaraki Plant has continuously achieved zero emissions since FY2006.
- Ibaraki Plant purchased electricity from GTF Green Power Co., Ltd.
- Tsumura has started calculating the environmental performance data of the Group Companies (including Chinese subsidiaries).

■ Reporting Organizations

Domestic offices and plants of Tsumura & Co., Ltd and Tsumura Lifescience Co., Ltd.

■ Compliance of Environmental Regulations

There was no violation of the environmental regulatory controls that accompany the guidance, recommendations, instructions, and penalties by the regulator in FY2007.

Environment and Tsumura

Environmental Principle /Policy and Environmental Objectives /Achievements

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

Tsumura Environmental Principle

(Enacted in October 2000)

As a company pursuing “The Best of Nature and Science”, Tsumura promotes corporate activities that consider environmental harmonization for global environmental conservation and enrichment of peoples’ lives.

Tsumura Environmental Policy

(Enacted in October 2000)

1. Efforts for environmental conservation

Promote corporate activities in consideration of environmental harmonization by recognizing the protection of our precious planet earth as an important issue.

2. Construction and improvement of the environmental management system

Construct an environmental management system and conduct voluntary audits while setting, implementing, and assessing those environmental objectives that are to be addressed in order to make efforts to continuously improve the system.

3. Reduction in environmental impact

Make efforts for conserving the environment by striving to reduce environmental impact, such as saving resources and energy cycles and reducing wastes in various aspects of our corporate activities.

4. Development of green products and technology

Implement manufacturing in consideration of reducing the environmental impact and make efforts to develop technologies for the efficient use of resources and energy at each stage of the product lifecycle from R&D through to disposal.

5. Compliance with environmental regulatory controls

Comply with requirements in laws, agreements, and industrial voluntary standards concerning the environment while promoting improvements in our environmental conservation activities.

6. Improvement in environmental education and awareness

Promote environmental education and enlightenment activities to enable all employees to continuously work on environmental conservation through self-reliance based on the environmental principle and policy.

7. Efforts for information disclosure

Disclose as much information on environmental efforts as possible and provide environmental information on products as and when required.

8. Participation in social contribution activities

As a company and as individuals, we address environmental conservation voluntarily and participate in social contribution activities.

Tsumura Medium-Term Environmental Objectives

(Enacted in March 2007)

1. GHG Emissions Reduction

To reduce GHG emissions by 14% on average during the period from FY2008 to FY 2012 (including Tsumura Lifescience Co., Ltd.)*1 compared with our performance in FY1990

2. Social Contribution Activities (Environmental Conservation)

To establish company-wide activities for social contribution concerning environmental conservation by FY2009




3. Efforts as a member of FPM AJ*2













To reduce paper and plastic material inputs by 2% and 3% respectively from FY2004 level by 2010

*1 Revised in March 2008

*2 FPM AJ: The Federation of Pharmaceutical Manufacturers' Associations of Japan

Achievements and Evaluation of FY2007

 100% of target or higher
  80% of target or higher
  Less than 80% of target

Category	FY2007 Targets	FY2007 Achievements	Evaluation	
Environmental Management	Enhance environmental education and awareness programs	<ul style="list-style-type: none"> Held exhibition and briefing session on environmental issues Implemented educational sessions in branch offices and plants Implemented sessions to increase awareness in low-performing offices and plants. 		
	Expand activities across the Tsumura Group	Started calculation of data on environmental impact of Tsumura group companies including Chinese subsidiaries		
	Establish Green Procurement Policy	<ul style="list-style-type: none"> Establishing more advanced CSR Procurement Policy (draft) than Green Procurement Scheduled to become established as CSR Procurement Policy in the next fiscal year 		
Chemical substances	Revise management standards	Revision of standards has not been achieved		
Energy, resources, and wastes	Energy	Reduce greenhouse gas emissions by 20% compared with the performance figures in FY1990	Reduced by 22% from FY1990 level	
	Waste**	[Shizuoka Plant] 192.5Kg/t or less	185Kg/t	
		[Ibaraki Plant] 2,150Kg/t or less	2,229Kg/t	
	Recycling	[Laboratories/plants] Recycling ratio of 99.5% or higher	Recycling ratio: 99.9%	
	Paper	Volume of office paper used: Reduce from the previous fiscal year	Reduced by 1% from the previous fiscal year	
Green procurement	Procurement rate: Increase from the previous fiscal year	Decreased by 1 point from the previous fiscal year		
Social contributions	Promote environmental conservation activities	<ul style="list-style-type: none"> Shizuoka Plant – Participated in “Green Donations”, “Fujieda City Mottainai Campaign” and others Ibaraki Plant – Implemented plantation of Asaza in Kasumigaura 		
	Promote regional contribution activities	<ul style="list-style-type: none"> Conducted mowing and cleaning around plants and other facilities Implemented Fujieda City Beautification and Adoption Campaign Participated in the environmental exhibition held by Ibaraki Prefecture 		

※ Targets set for ISO14001 at Shizuoka and Ibaraki Plant.
 ※ Excluding Tsumura Lifescience Co., Ltd.

FY2008 Tsumura Company-wide Environmental Targets

(Enacted in March 2008)

Reduce emission of greenhouse gases by 19% in FY2008 compared with the performance in FY1990

(*Tsumura & Co. and Tsumura Lifescience Co., Ltd.)

In an attempt to prevent global warming, enhance visual reduction in greenhouse gases not only at our production plants but also at our business offices.

2008年度		環境目標	
2007年度CO ₂ 排出量実績	236,448 kg	事業所長	
2008年度CO ₂ 排出量目標	231,719 kg	担当者	
2008年度CO ₂ 削減量	4,729 kg		
目標達成日	2008年7月1日	部門人数	人
		エアコン使用台数	台
削減に記入	行動目標「削減内容」	部門削減量	
	1 エコドライブ/エアコンの使用を控える。	8,372 kg	
	2 エコドライブ/アイドリングストップを心がける。	1,440 kg	
	3 空調の温度設定は「夏は室温26℃」を基準とする。	103 kg	
	4 パソコンの電源プラグを抜く。	700 kg	
	合計	10,614 kg	

Environmental target setting sheet

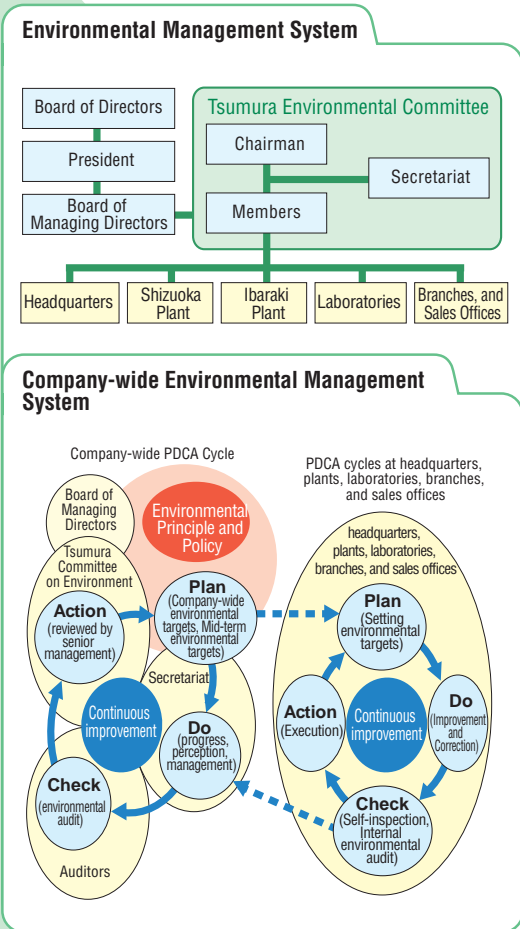


Briefing session on environmental targets

Environment and Tsumura

Environmental Management

Tsumura enhances its environmental management system based on the “Environmental Principle” and “Environmental Basic Policy” to promote continuous environmental conservation activities.



Policy and system for environmental management

To start full-scale environmental activities, in June 2000 we launched the “Tsumura Environmental Committee” chaired by the director in charge of environmental management. The committee members are made up from heads of each section, plant managers, and general managers of those production departments with heavier environmental impact acting as vice-chairpersons.

In the committee meeting held in March 2008, the progress of the mid-term environmental targets and company-wide environmental targets in FY2007 were confirmed. Moreover, the committee set the new mid-term environmental targets and company-wide environmental targets for FY2008 and discussed the editorial policy of the environmental and CSR activities report.

Environmental management system

Our PDCA cycle is operated to achieve our “Company-wide Environmental Targets” set annually based on Tsumura Environmental Principle and Policy. The Shizuoka Plant (certified in March 2001) and Ibaraki Plant (certified in May 2001) that operates the environmental management system under ISO14001 are working on ISO14001 targets set in accordance with the company-wide environmental targets.

Environmental audit

Shizuoka Plant and Ibaraki Plant appoint auditors from among those who have attended internal environmental auditor training courses and lecturers. The internal environment audit and the external examination by registered organizations are conducted annually under the framework of ISO14001 at the Shizuoka and Ibaraki Plants. As the result of these examinations conducted by registered organizations for ISO14001, both plants were certified in February 2008.



Training how to handle equipment to prevent leakage in Shizuoka Plant

Emergency response

Both of the Shizuoka and Ibaraki plants conduct regular drills in anticipation of environmental emergencies. In FY2007, the following emergency drills were conducted:

- CFC leakage
- Hazardous substance leakage
- Chemical (caustic soda, hydrochloric acid, and organic solvents) leakage
- Industrial smoke disasters
- Effluent treatment facility disasters
- Operation of steam safety valves
- Noxious emissions
- Decolorization treatment equipment disasters
- Photochemical oxidant hazard warnings

Development and future targets

Implementation of environmental audits will be transferred from the CSR promotion department in the company headquarters to our Audit Office in order to secure audit objectivity. The scope of calculation of environmental performance data has been expanded since FY2007, with adding data of each group company including our subsidiaries in China to Tsumura & Co. and Tsumura Lifescience Co., Ltd. Tsumura will advance the construction of its management system by working with the group companies.

Accordingly, in FY2008, we will review and establish the environmental performance calculation standards, environmental accounting guidelines, and environmental management regulations.



Environmental Education

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

Environmental education

We have conducted environmental education since FY 2001, aiming to promote our employees' continuous engagement in environmental conservation activities according to Tsumura's Environmental Principle and Policy. In FY2007, in addition to departmental training concerning environmental issues, education for new employees and newly promoted managerial staff was provided based on the relationship between our business and the natural environment and our company-wide environmental targets. Furthermore, we also issue monthly environmental news to raise awareness among our employees.

Tsumura green photo contest

Tsumura has held the "Tsumura green photo contest", which is intended for our directors and employees to think about environmental issues by using the medium of photography since 2001. In 2007, photos were accepted from all four seasons of the "nature I want to conserve" or "immediate environmental issues" categories. The selected works were carried on this environmental report and our in-house magazine, in addition to being broadly used as materials for promoting activities for the purpose of environmental enlightenment.

Future development and targets

We will revise our mid-term environmental targets, hold briefing sessions for the company-wide environmental targets, and familiarize all our employees with these. Furthermore, we are making efforts to reduce greenhouse gas emissions across the entire company while also implementing education in visualization considerations at not only our plants but also at our offices.

Environmental exhibition

In 2007, we held the "Tsumura Environmental Exhibition" at our company headquarters to enlighten our employees towards environmental awareness. The theme of the exhibition was defined "Global Warming" and issues on global warming, and efforts to prevent it were introduced by interactive exhibits. About 180 people visited the exhibition. In addition, explanatory meetings concerning environmental conservation activities were held at our offices.

Achievement of Environmental Education in FY2007

Category	Frequency	No. of Participants
General education	139	2,216
Special education (Education for specialists*)	78	876
Education of internal auditors	2	12
Guidance on environmental policy and requests to contractors	as required	—
Collection of environmental slogans (Ibaraki Plant) (Education activity)	1	all employees of Ibaraki Plant (No. of application = 474)
Emergency drills	24	674

* Specialist: Employees engaged in operations requiring correct skills such as operation and management of equipment that may cause significant impacts on the environment

Voice

Recipient of the Green Photo Contest Grand Prize

Isao Yokoyama, Shimodouma Factory, Logitem Tsumura



I was surprised at unexpectedly receiving the grand prize. I have taken photos for many years and recently used a convenient digital camera with which I can develop pictures by myself soon after taking them. Despite being an amateur, I have displayed seasonal photos upon request in a hospital, a community center, a welfare facility, and also in the Company restaurant to allow people to relax during their break. I take photos of rare alpine plants while walking around the mountains. My themes for taking photos are "Natural seasonal tradition" and "Macroscopic views of plants". I took this prize-winning work, moved by this view when I happened to stop by the Cherry Blossom Festival upstream of Ohigawa. In Shizuoka, there are various notable sites of cherry trees and autumnal leaves, such as cherry blossoms covering whole mountains, ancient living cherry trees, and cherry trees in the castle, temples, and parks. In particular, I was impressed with these cherry blossoms falling on both sides of street in a rural natural area. I took this memorial picture, forgetting the approach of dusk.



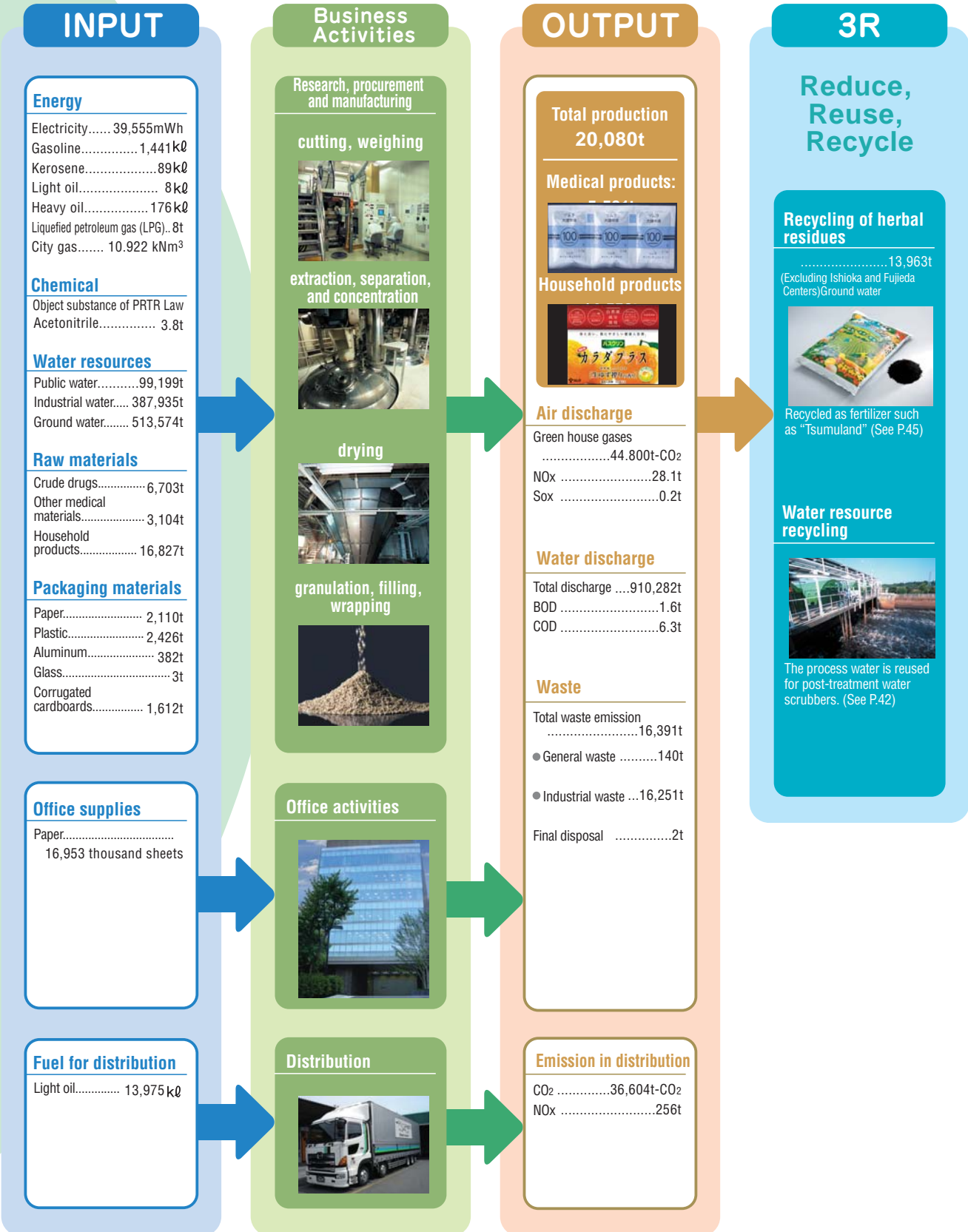
Row of cherry blossom trees

Environment and Tsumura

Energy and Material Flow

We inject necessary resources in the process of our business activities, and generate environmental impact. Therefore, we are making efforts to comprehend and reduce the impacts at each stage of business activities.

[Reporting organizations] Domestic offices and plants of Tsumura, Co., Ltd. and Tsumura Lifescience Co., Ltd
 [Period covered] April 1, 2007 to March 31, 2007



Considerations for Ecosystem and Biodiversity/Water Resource Protection

Bountiful nature is an important business base for companies using raw materials for crude drugs. We are making efforts for sustainable use of water and biological resources.

Relationship between ecosystem/biodiversity and business of Tsumura

The global natural resources of medicinal plants are generally decreasing, and many plant species are under threat. In this context, Tsumura is working on the domestication and protection of medical herbs, in an attempt to avoid the destruction of the natural environment due to over harvesting, to secure the quality and stability of resource procurement, and clarify information for traceability. These efforts are essential for Tsumura to develop sustainable businesses based on natural resources.

Policy concerning sustainable use of biological resources

Under the Washington Convention, to protect endangered species of wild fauna and flora, the international trade of plant raw materials such as *Gastrodia elata* and *Saussureae radix* are regulated. Although we need these plants as materials for Kampo formulations for prescriptions, we use cultivated varieties that excluded from the regulations in place of wild resources. *Gastrodia elata* is procured by the appropriate procedures for obtaining import and export permits. Furthermore we have changed most supply sources of *Saussureae radix* to contract cultivation in Japan.

Raw materials that are listed on the CITES list are not used for general drugs.

Efforts for water resource protection

Shizuoka Plant has been recycling water, used in the production processes of extracted powders for cleaning containers and other miscellaneous purposes, continuously from the previous year.

Ibaraki Plant intakes water from Lake Kasumigaura and uses it as post-treatment process water in the on-site facilities. To ensure effective use of water resources, a part of the process water is recycled and the wastewater is reused in the water scrubbers*¹ at the post-treatment laboratory. In addition, measures to save water, for example the introduction of automatic water faucets and low flow devices, have also been implemented.

*¹ Water scrubber: Facility to reduce hazardous substances emitted to the atmosphere by cleaning exhaust gas emissions with water

Achievements concerning water resource protection in FY2007

At the Shizuoka Plant, water leakage was checked and trouble spots were repaired. In addition, nine flowmeters have been newly installed and one was moved to initiate the achievement of control. In FY2007, the water collection rate*² was 51.1%.

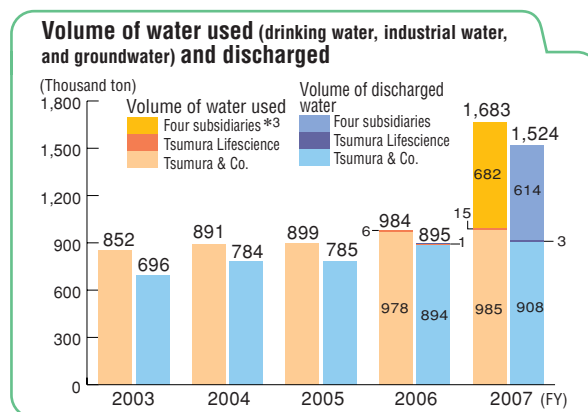
Since the Ibaraki Plant is in the nearby area of Lake Kasumigaura, the quality of discharged water is strictly regulated especially for BOD (Biochemical Oxygen Demand), COD (Chemical Oxygen Demand), SS (Suspended Solids), and the discharge of Nitrogen and Phosphorus, which are linked to water pollution. To comply with these regulations, the plant sets stricter voluntary standards in the effluent treatment facility, and operates the plant stably by constantly monitoring the water quality.

*² Collection rate: the percentage of collected and reused water in the entire volume of water used

Related data:
[Water consumption and discharged by establishment.....P.50](#)
[Discharge of water pollution substances P.50](#)

Future development and targets

The water supply system in the plant will be changed from well water to production water. Furthermore, we are working on continuous water saving activities, reusing discharged water from machines to produce purified water for water scrubbers and other miscellaneous purposes. Discharged water will be thoroughly managed in accordance with laws and regulations.



*³ Four subsidiaries: Logitem Tsumura, Creative Service, Shanghai Tsumura, and Shenzhen Tsumura

Voice

Water Resource Protection at the Ibaraki Plant



Top-left: Tatsuya Okumura, Top-right: Hiroshi Jinbo, Bottom-left: Manabu Akiba, Bottom-right: Masao Sugaya

The members in charge of water resource protection at Ibaraki Plant

Ibaraki Plant takes in water from Lake Kasumigaura and uses it in the plant for post-treatment production. In 2007, we reviewed the operation of the water purification plant and realized the operation has become more stable. As a result of this, we were able to save more water and reduce the volume of water used for cleaning equipment. In the effluent treatment facility, the regional environmental conservation activities are actively implemented by strictly managing the water quality and complying with effluent standards for the purpose of improving the environment in the nearby area of Kasumigaura that is being promoted by Ibaraki Prefecture.

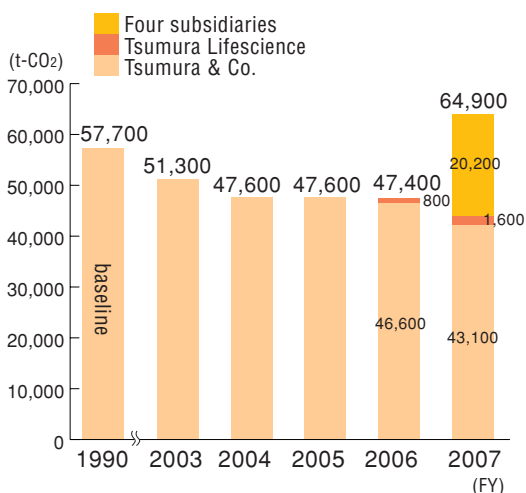
Environment and Tsumura

Prevention of Global Warming

To save energy and reduce greenhouse gas emissions, Tsumura examines various measures from medium-to-long-term viewpoints and advances its approach towards global environmental conservation.



Performance of Greenhouse Gas Emissions



Reducing greenhouse gas emissions

Recognizing greenhouse gas emissions to be the primary cause of global warming, Tsumura is making company-wide efforts towards the abatement of its emissions.

In FY2007, while the production volume of medical extracted granules increased by 9.3% from the previous year, the emission of greenhouse gases decreased by 5.5% from the previous year and by 22.4% in comparison with the level in FY1990 due to efforts such as fuel conversion.

Furthermore, by enlarging the scope of calculating the aggregate environmental performance data, including greenhouse gas emissions, to include domestic and foreign group companies, we were able to comprehend the emissions of the entire Tsumura Group from FY2007.

Related data:

Greenhouse gas emissions by establishment.....P.48

Energy usage by establishment.....P.48

Greenhouse gas emissions relative to distribution

In FY2007, Tsumura's greenhouse gas emissions relative to distribution was 36,604t. With our annual transportation of goods at 11,170,000 ton-kilometers (weight x distance traveled) for Tsumura & Co and 12,690,000 ton-kilometers for Tsumura Lifescience, in FY2007 we were not a designated cargo owner (30,000,000 ton-kilometers or over per year) as stipulated by the Energy Saving Law on rationalization of energy usage.

Notwithstanding, we are making efforts to improve our distribution efficiency in cooperation with Logitem Tsumura Co., Ltd., our logistic subsidiary.

In April 2008, we moved our East Japan Distribution Center, which formerly had been on the premises of the Ibaraki Plant, to Hanyu City in Saitama prefecture in order to make distribution more efficient in response to expected expansion in distribution volumes in the future.

Logitem Tsumura's approach to reducing environmental impact in distribution

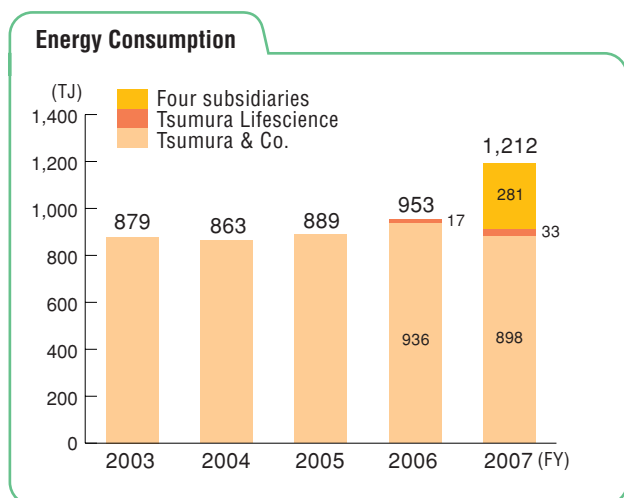
Logitem Tsumura Co., Ltd. is making efforts to reduce environmental impact primarily in the haulage business. In particular, they have focused on the implementation of stopping the practice of idling, driving without sudden starting and acceleration, and accurate inspection and maintenance. 10 Articles for actions to promote eco-driving have been established. As a result, in FY2007, the overall fuel efficiency improved by 102% and greenhouse gas emissions decreased by about 20 tons (CO₂ equivalent) from the previous year. Furthermore, the ecodriving practice achievements of each driver are announced every month in their periodic environmental education classes for the purpose of improving ecodriving skills by mutual evaluation. They are planning and promoting activities including precise measures for further efficient transportation and reduction in future environmental impact.



Logitem Tsumura Co., Ltd. acquired Green Management certification in December 2005.

Engagements for global warming prevention in FY2007

Establishment	Description of engagement	Achievement
Headquarters	<ul style="list-style-type: none"> ● More efficient air conditioning after moving ● Explanations about the promotion of ecodriving were given in the safety driving seminar for new MR 	—
Shizuoka Plant	<ul style="list-style-type: none"> ● Exchanged a freezer for a highly efficient model air conditioning unit in the 1st building for crude drug products. ● Exchanged a freezer for freezing granules in the building to a highly efficient model in March 2008 ● Participated in the “Lights Down” campaign backed by Ministry of the Environment. 	339t-CO ₂ reduction — —
Ibaraki Plant	<ul style="list-style-type: none"> ● Switched a supplier of electric power to GTF Green Power (July 2007 ~ March 2008) ● Introduced more efficient equipment when renewing equipment 	537t-CO ₂ reduction —
R&D Center:	<ul style="list-style-type: none"> ● Exchanged two freezers for highly efficient model air conditioning units in the drugs building. ● Changed boiler fuel for the steam supply lines from heavy oil to gas 	70t-CO ₂ reduction 248t-CO ₂ reduction
Ishioka Center	<ul style="list-style-type: none"> ● Introduced reheating coils to the 3rd low-temperature warehouse to improve thermal efficiency 	—
Branches and sales offices	<ul style="list-style-type: none"> ● Reduced office space by an approximate total of 470m² in 10 bases. 	—
Shenzhen Tsumura	<ul style="list-style-type: none"> ● Changed shower water heaters in the employees’ accommodation from a boiler to a solar water heater 	57t-CO ₂ reduction



J (joule): The unit of power in International System of Units
One joule is the work done, or energy expended, by a force of one Newton moving one meter along the direction of the force

Future development and targets

The “mid-term environmental target” is aiming to reduce greenhouse gas emissions by 14% on average by comparison to the level in FY1990 during the first commitment period of the Kyoto Protocol from FY2008 to FY2012.

To achieve this target, plants will conduct continuous energy saving activities such as improving the equipment operation and management methods, introducing highly efficient equipment and devices, and reducing energy consumption by centralized control of compressed air sources. The business offices will also set discernable reduction targets and enhance efforts. Furthermore, the techniques for emission reduction will be promoted by considering the introduction of new technologies, reducing the space of branches and offices, and education for employees.

Environment and Tsumura

Waste Reduction and Recycling

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



Policy for waste reduction and recycling

Tsumura defines zero emissions to be a 100% recycling rate of industrial waste*, and is making efforts to minimize final disposal volumes. As for unavoidable waste disposal, we select appropriate waste treatment contractors. Although waste generation inevitably increases as production increases, we will actively promote reductions and recycling to minimize absolute waste volumes.

* Recycling rate of industrial wastes (%) = Volume of industrial waste recycled/Volume of industrial waste emissions x 100

Approach to waste reduction and recycling

In FY2007, Shizuoka Plant achieved zero emissions by recycling all industrial waste (including industrial waste under special management). Ibaraki Plant has achieved zero emissions since FY2006. They have also achieved cost reductions by unifying their waste operations with the R & D Center and have converted wastes to valuable resources. In addition, they are addressing a reduction in materials by using reuse corners and cardboard boxes.

As the result of these efforts, the recycle rate reached 99.8% in 16,415t of the Company-wide total waste emissions (including general wastes).

Recycled fertilizer

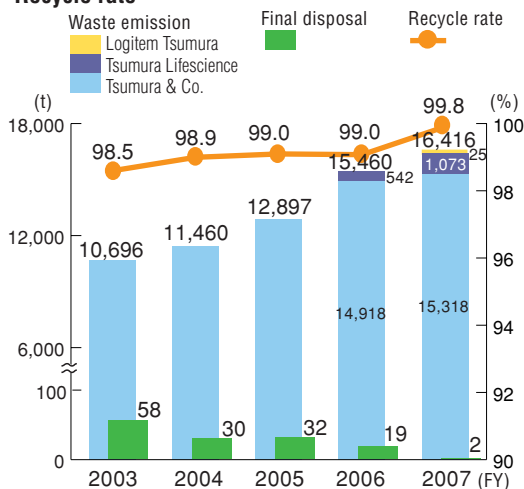
100% of 13,963t of botanical residues generated in FY2007 (103% compared with the performance in the previous year) through the manufacturing process of Kampo formulation for prescriptions is recycled as a fertilizer named "Tsumuland".

Tsumuland is successfully applied to growing turf in soccer stadiums and golf courses, as well as organic farm products.

Future development and targets

The Company will consider methods of effective utilization, including reuse and reduction of botanical residues, major waste, and conversion of these into valuable resources. Furthermore, the Company will continue its zero emissions of industrial waste (including one under special management) by converting waste plastic into valuable resources and by reviewing packaging materials such as plastic bags and cardboard boxes.

Waste emission, Final disposal, and Recycle rate



Related data: Waste emitted, disposed and recycled by establishment.....P.49

Column

Rules of documentation management



Example of use of labels indicating the period of document storage

After moving headquarters, the Company is familiarizing all employees with the rules of documentation management. For example, documents and files stored are basically shared, unnecessary copying and storage of duplicate documents should be avoided as much as possible, and ecological goods such as files should be used. In addition, the period to store documents should be clarified using labels indicating their expiration dates and, soon after the end of these periods, documents should be disposed of quickly and appropriately. In disposing of documents, paper should be classified and converted into good quality materials for recycled paper. By putting these rules into practice, we are promoting waste paper reduction and recycling.

Chemicals Management

We are appropriately managing chemicals by constructing a chemicals management system, clarifying management criteria, and also addressing the prevention of soil pollution.

Chemicals management policy

We promote the monitoring of chemical consumption and substitution in compliance with the “Tsumura Management Standard for Chemical Substances” enacted in FY2002, which is a voluntary standard for the purchase, reduction, and prohibition of chemicals according to their hazardous properties. Chemicals are purchased through the “Cyber Reagent Mall (CR Mall)” on the corporate intranet, so that the stockpile of chemical substances is recorded. In addition, the Company’s chemical management efforts include monitoring the circulation of pollutants, meeting the regulations on maximum stock amounts, securing of toxic and hazardous substances, and conducting emergency training for chemical leakages.



Cyber Reagent Mall

Both plants in Shizuoka and Ibaraki have reduced the consumption of chloroform for quality testing by introducing alternative methods without utilizing hazardous reagents. We have obtained the latest MSDS (Material Safety Data Sheet) indicating chemical substances used in the Plants, and we have confirmed that they all comply with the legal requirements. We will periodically renew the MSDS, improve the operation and management of newly introduced chemical substances, educate concerning the laws and regulations related to chemicals, and implement patrols and emergency drills in the future.

In the Ibaraki Plant, the risk assessment system for chemicals has begun operating in 2007.

Management of asbestos

There was no airborne asbestos detected in either Shizuoka or Ibaraki Plants or the Laboratory. Tsumura have identified a hazardous place of airborne asbestos and have observed regulations such 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 Shizuoka Plant, the recovery of fluorocarbon in old equipment such as packaged ACs and refrigerator-freezers was conducted appropriately in accordance with the Revised Law Concerning the Recovery and Destruction of Fluorocarbons in and after October 2007 (9 units, 143.85 kg).

In the Ibaraki Plant, the substitution of regulated chlorofluorocarbons in certain equipment was completed by FY2005. In FY2007, 13 domestic type appliance refrigerators were properly disposed.

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, in addition to the installation of dikes and outflow prevention pits at the 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 at the Company.



Dike for a caustic soda tank at the Ibaraki Plant

Proper management of PCB

There are 52 high-pressure capacitors, fluorescent ballasts, and the high-pressure transformers at the Shizuoka Plant, and six high-pressure capacitors and transformers at the Ishioka Center.

All of the above equipment is registered and managed properly. Among these, each one of the high-pressure capacitors at the Shizuoka Plant and Ishioka Center has completed the early registration of Japanese Environmental Safety Cooperation (JESCO) in FY 2006.

At the Ishioka Center, to conduct new strict storage and proper management due to an aging conventional storage site, 2 used 12-foot freight containers were installed.



Storage locker for PCB in Ishioka Center

Environment and Tsumura

Environmental Consideration on Household Products

Since the beginning of Tsumura Group's long history beginning in the Meiji era, Tsumura Lifescience Co., Ltd. has developed and provided products that can coexist with the nature, facilitate harmonization between people and environments, and actively expand healthy and abundant living.



Difficult to separate paper coated with aluminum



Possible to separate paper from plastic easily



Reduced packaging materials: approx. 3t per year by abolishing labels on the lid

Bathclin Quality

- Medicinal bath additive
 - Chlorine removal
 - Passed skin test
 - Remaining water available for washing
 - Sulfur not used
- Patch test on human skin
(Not free from irritation for all people)
- Use clear water for rinsing
- Contains no sulfur that may damage bathtubs and water heaters.

Tsumura Lifescience's policy for product development

The principle of product development is the actualization of comfortable life and environmental harmonization. To realize these, we are actively developing and improving our products. Bathclin, our magnum opus, was born with effective use of fine crude drugs for bathwater additive. Since 1999, we have used recycled paper for containers in consideration of segregation of waste and recycling of resources. Also for other products, refills are sold and thinner-walled plastic containers are used.

Engagements in environmental considerations

For the purpose of saving earth's resources, the inner box containing three packages of "Mouga", a hair restoration product, has been subsequently abolished since June 2007. Consequently, we have contributed to waste reduction, saving about 2.4t of paper per year.



Inner box containing three packages



Existing package specifications



Package specifications after abolishment of the inner box

Future development and targets

Products of Tsumura Lifescience are closely involved in peoples' lives, touching the skin. It is always essential to consider the environment supporting peoples' lives and be gentle to people through commitment to quality. One of these commitments is the brand value called "Bathclin Quality". We are contributing to peoples' lives through reliable manufacturing to improve such brand value from various viewpoints by promoting more effective utilization of resources for raw materials.

Voice

Comment of staff in charge of development

Takeshi Nezu, Marketing Department, Tsumura Lifescience Co., Ltd.

Whenever we develop products, we thoroughly consider our customers at all times. In very simple terms, we fully think what kind of people will buy our products and in what kind of circumstances, and how they will use, feel, and dispose of them. Accordingly, we can specifically identify the best product design for those customers including product shape, size, package design, materials, and texture.

The better product design for customers is essentially synonymous with eco-friendly design. For example, a "handy product" leads to a "lighter container", a "safe product for human body" to "using natural materials", and an "easy-to-dispose of product" to an "easy-to-separate container". We will devote ourselves to create better products for our customers and the environment by practicing "Customer Creed".



Data Appendix

- The performances of Tsumura's distribution center and recreation facility have been added to the headquarters since FY2005.
- Nihon Syoyaku Co., Ltd. was taken over by Tsumura and renamed as Ishioka and Fujieda Centers since October 2005.
- The Tsumura Lifescience split from Tsumura in October 2006.
- The headquarters moved to a leased building in May 2007.

■ Prevention of Global Warming

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

Name of establishment	FY2003	FY2004	FY2005	FY2006	FY2007
Headquarters	972	846	1,220	1,100	658
Shizuoka Plant	26,900	24,900	23,400	19,800	16,700
Ibaraki Plant	15,100	13,800	14,300	16,400	17,300
Laboratories	4,270	3,910	3,980	3,970	3,150
Ishioka Center			507	1,110	1,170
Fujieda Center			247	606	689
Branch and sales offices	4,110	4,120	3,970	3,610	3,460
Tsumura Lifescience				835	1,620
Subtotal	51,300	47,600	47,600	47,400	44,800
Creative Service					24
Logitem Tsumura					1,370
Shanghai Tsumura					12,500
Shenzhen Tsumura					6,260
Total	51,300	47,600	47,600	47,400	64,900

* Calculated based on the manual for "Calculation/report/announcement of GHG emissions" in "Law concerning promotion of measures for controlling global warming".

* Emissions derived from purchased electricity is calculated with emission factors that are provided by each electric power company and publicized by the Ministry of Environment.

* For Shanghai Tsumura and Shenzhen Tsumura, the electric emission factor of the latest GHG Protocol (0.788 kg-CO₂/kWh) is used.

* For Shanghai Tsumura, the steam emission factor in the "Laws concerning the promotion of measures for controlling global warming" (0.069 kg-CO₂/MJ) is used.

Energy usage by establishment (heat amount equivalent) [GJ]

Name of establishment	FY2003	FY2004	FY2005	FY2006	FY2007
Headquarters	20,578	21,319	30,061	26,928	16,030
Shizuoka Plant	424,796	408,991	397,734	387,137	328,994
Ibaraki Plant	283,715	279,876	289,922	332,475	367,630
Laboratories	82,199	84,595	87,862	88,549	81,838
Ishioka Center			13,046	29,423	33,458
Fujieda Center			5,428	13,180	14,266
Branch and sales offices	68,108	67,843	64,666	58,352	56,350
Tsumura Lifescience				17,160	33,293
Subtotal	879,398	862,624	888,718	953,205	931,860
Creative Service					701
Logitem Tsumura					22,426
Shanghai Tsumura					175,661
Shenzhen Tsumura					81,817
Total	879,398	862,624	888,718	953,205	1,212,466

* The factor by time (daytime: 9.97 MJ/kWh, nighttime: 9.28 MJ/kWh) is used only for purchased electricity at production bases based on Energy Saving Law.

* The purchased electricity factor in Shanghai Tsumura and Shenzhen Tsumura is 9.97 MJ/kWh.

* The conversion factor of the calorific value of city gas was revised from 41.1 MJ/Nm³ to factors provided by each supplier retroactively.

* As for our Headquarters, electricity usage only for the occupied area was included in and after June. City gas was not used.

■ Air Pollution Control

Emission of air pollution substances [t]

Name of establishment		FY2003	FY2004	FY2005	FY2006	FY2007
Tsumura & Co.	NOx	43.00	41.74	40.48	34.46	28.07
Logitem Tsumura						
Total		43.00	41.74	40.48	34.46	34.41
Tsumura & Co.	SOx	5.32	5.60	3.31	1.52	0.15
	Dust	0.78	0.94	1.09	0.28	0.27

* The scope of calculations includes Shizuoka and Ibaraki Plants, Laboratories, Branches and sales offices, and Logitem Tsumura's own vehicles.

* NOx from commercial vehicles was added retroactively.

* From FY2007, the calculation methods were unified.

Data Appendix

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

Name of establishment	Chemicals	Annual consumption	Release			On-site landfill	Transfer		
			Air	Public water	Soil		Waste	Public sewer	Outside facilities
Shizuoka Plant	Acetonitrile	1.2 (1.3)	0 (0)	0 (0)	0 (0)	0 (0)	1.2 (1.3)	0 (0)	0 (0)
Ibaraki Plant Laboratories	Acetonitrile	2.5 (2.3)	0 (0)	0 (0)	0 (0)	0 (0)	2.5 (2.3)	0 (0)	0 (0)

* Performances in FY2006 are shown in parentheses

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

Name of establishment		FY2003	FY2004	FY2005	FY2006	FY2007
Headquarters	Emission	123	190	141	234	59
	Final disposal	44	21	22	9	0
	Recycle rate	58.4%	85.2%	82.9%	87.0%	89.6%
Shizuoka Plant	Emission	7,496	8,223	9,062	8,861	7,443
	Final disposal	5	1	1	1	1
	Recycle rate	99.8%	99.8%	99.9%	99.9%	99.8%
Ibaraki Plant	Emission	3,022	2,982	3,367	5,318	7,505
	Final disposal	2	2	1	1	0
	Recycle rate	98.1%	98.3%	99.5%	99.6%	99.9%
Laboratories	Emission	56	66	217	247	132
	Final disposal	8	6	5	7	0
	Recycle rate	29.2%	45.7%	85.1%	93.7%	100.0%
Ishioka Center	Emission			45	142	137
	Final disposal			2	1	0
	Recycle rate			32.3%	85.8%	99.0%
Fujieda Center	Emission			65	116	41
	Final disposal			2	0	0
	Recycle rate			97.0%	100.0%	99.3%
Tsumura Lifescience	Emission				542	1,073
	Final disposal				0	0
	Recycle rate				99.2%	99.9%
Subtotal	Emission	10,696	11,460	12,897	15,460	16,391
	Final disposal	58	30	32	19	2
	Recycle rate	98.5%	98.9%	99.0%	99.0%	99.8%
Logitem Tsumura	Emission					25
	Final disposal					0
	Recycle rate					97.6%
Total	Emission	10,696	11,460	12,897	15,460	16,416
	Final disposal	58	30	32	19	2
	Recycle rate	98.5%	98.9%	99.0%	99.0%	99.8%

* Industrial wastes including general waste and industrial waste under special management are included in the scope of calculation.

* Recycle rate = Recycle amount / Waste emission amount x 100

* The domestic branches, sales offices, distribution centers, recreation facilities, the headquarters of Tsumura Lifescience, Creative Service, Shanghai Tsumura, and Shenzhen Tsumura are excluded.

* General waste from headquarters is excluded from FY2007.

* Since FY2005, the performance of the Laboratories, which had been included in the Ibaraki Plant data, has been calculated on a pro-rata basis.

* 78t of burnt residue emitted by the disposal of buried objects on the premises of Ishioka Center are excluded.

* The calculation method for Tsumuland in Shizuoka Plant was revised retroactively.

Environmental Considerations in the Workplace

Green purchase rate and office paper consumption

	FY2003	FY2004	FY2005	FY2006	FY2007
Green purchase rate [%]	72	75	78	81	80
Office paper consumption [thousand sheets]	20,823	19,674	18,440	17,757	16,953

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

* Tsumura Lifescience has been excluded from the calculation of Green purchase rate since October 2006.

Water Resource Protection Water consumption and discharge by establishment [t]

Name of establishment		FY2003	FY2004	FY2005	FY2006	FY2007
Headquarters	Consumption	8,797	9,900	14,883	12,884	4,549
	Discharge	8,797	9,900	14,883	12,884	4,549
Shizuoka Plant	Consumption	581,694	571,010	547,524	550,033	520,004
	Discharge	481,525	483,779	473,385	485,227	458,389
Ibaraki Plant	Consumption	230,626	265,446	285,265	350,634	402,343
	Discharge	205,772	290,237	290,131	381,681	429,307
Laboratories	Consumption	31,342	45,019	45,374	49,833	43,356
	Discharge	* Included in the water discharge from Ibaraki Plant				
Ishioka Center	Consumption			3,593	9,964	10,276
	Discharge			3,593	9,964	10,276
Fujieda Center	Consumption			2,536	4,384	5,211
	Discharge			2,536	4,384	5,211
Tsumura Lifescience	Consumption				6,491	14,969
	Discharge				1,183	2,550
Subtotal	Consumption	852,459	891,375	899,175	984,223	1,000,708
	Discharge	696,094	783,916	784,528	895,323	910,282
Creative Service	Consumption					328
	Discharge					328
Logitem Tsumura	Consumption					2,584
	Discharge					2,584
Shanghai Tsumura	Consumption					500,996
	Discharge					450,853
Shenzhen Tsumura	Consumption					177,938
	Discharge					160,145
Total	Consumption	852,459	891,375	899,175	984,223	1,682,554
	Discharge	696,094	783,916	784,528	895,323	1,524,191

* It is assumed that, except for production bases, water consumption equals water discharge.

* The domestic branches, sales offices, and the headquarters of Tsumura Lifescience Co., Ltd. are excluded.

* From FY2007, the headquarters building is excluded (however, the distribution center and recreation facility are included).

Discharge of water pollution substances [t]

Water from Shizuoka Plant, Ibaraki Plant, and the laboratories is treated in the same wastewater treatment plant.

Shizuoka Plant

	FY2003	FY2004	FY2005	FY2006	FY2007
BOD	0.79	1.01	0.69	0.65	0.89
COD	2.36	2.16	2.14	2.24	2.08
SS	0.86	0.91	0.99	0.94	0.89
Nitrogen	0.00	1.05	0.47	0.47	0.54
Phosphate		0.027	0.026	0.030	0.027

* Including Tsumura Lifescience.

* Measurement of Phosphate began in 2004.

Ibaraki Plant

	FY2003	FY2004	FY2005	FY2006	FY2007
BOD	0.11	0.60	0.49	0.43	0.67
COD	0.94	1.14	1.07	1.59	4.19
SS	0.39	0.33	0.14	0.24	0.19
Nitrogen	0.72	0.60	0.73	0.81	0.79
Phosphate	0.006	0.008	0.004	0.010	0.013

* Including the laboratories.

Environmental Accounting

Scope: Domestic plants and offices of Tsumura & Co., Tsumura Lifescience Co., Ltd.

Period covered: April 1st, 2007 to May 31st, 2008

Reference: MOE Environmental Accounting Guidelines (2005)

Environmental Conservation Cost [thousands of yen]

Category	Major activities	Investment	Expenses
(1) Business area costs		237,306	743,865
Pollution prevention	Prevention of air and water pollution, odor, etc.	23,499	224,902
Global environmental conservation	Prevention of global warming, energy saving, and prevention of ozone layer depletion	211,630	93,544
Resource circulation	Efficient use of resources, waste recycling, treatment, and disposal, etc.	2,177	425,419
(2) Upstream/downstream costs	Reduction of negative environmental impact of container wrapping, recovery, recycling, and proper processing of waste products, etc.	0	99,961
(3) Administration costs	Development and operation of environmental management, information disclosure, environmental advertising, and environmental education, etc.	5,952	170,407
(4) R&D costs	Research and development of products that contribute to environmental protection	0	7,195
(5) Social activity costs	Contribution and support to environmental protection groups, etc.	0	940
(6) Environmental damage costs	Restoration of natural environment, provision of reserves, and insurance costs, etc.	0	3,874
(7) Other costs:	Prevention of radiation injuries	0	4,288
Total		243,258	1,030,530

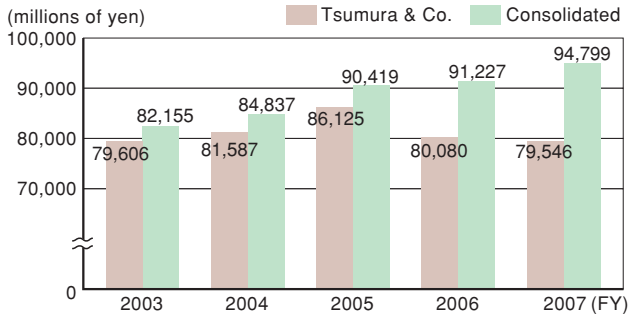
Economic Benefit of Environmental Conservation [thousands of yen]

	Detail of Benefits	Total
Direct economic benefits	Sales of valuable resources	9,686
Cost saving benefits	Waste disposal cost saving from conversion of packaging materials into valuable resources	12,583
Total		22,269

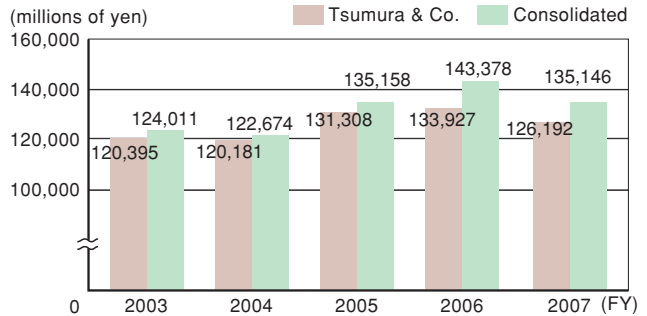
Data Appendix

Financial Report

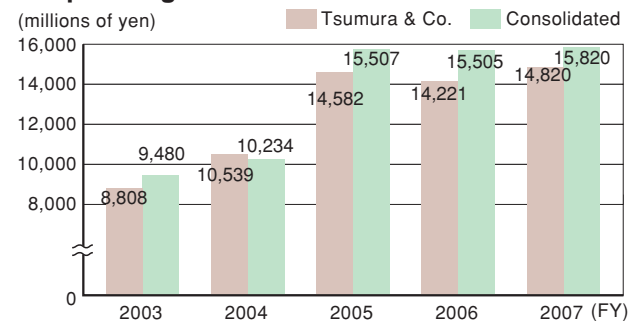
Net Sales



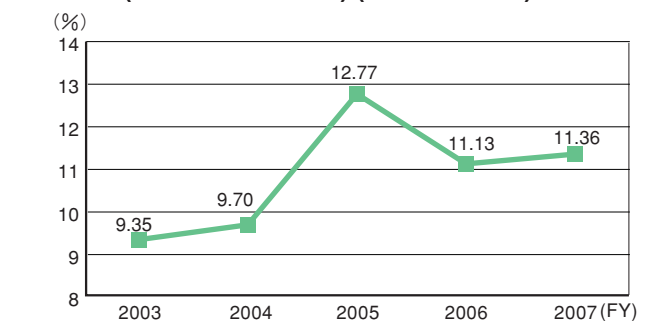
Total Assets



Operating Profit



ROA (Return on Assets) (Consolidated)



State of Employment

No. of employees

	FY2003	FY2004	FY2005	FY2006	FY2007
Tsumura & Co.	2,332	2,316	2,362	2,156	2,172
Consolidated	2,689	2,763	2,759	2,750	2,773

* Consolidated data based on Financial Statements

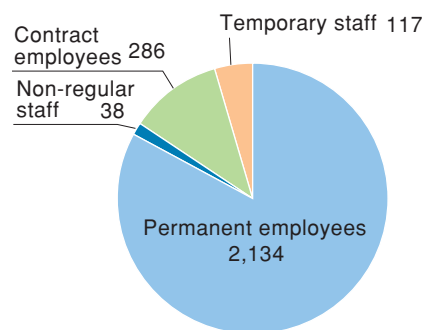
No. of new graduates (Tsumura & Co.)

	FY2003	FY2004	FY2005	FY2006	FY2007
New graduate	46	42	29	23	30
(Female)	(16)	(21)	(13)	(6)	(14)

Average service years (Tsumura & Co.)

	FY2003	FY2004	FY2005	FY2006	FY2007
Average service years	15.3	16.1	16.8	17.4	17.9

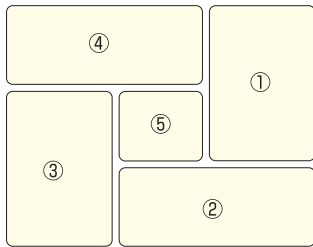
Ratio by employment status (Tsumura & Co.) (at the end of March 2008)



Turnover Ratio (Tsumura & Co.) (at the end of March 2008) 2.4%

History of Environmental and Social Activities

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 opened.	
1930	● Aromatic bathing medicine "Bathclin" goes on sale.	
1936	● Tsumura Juntendo Ltd. is established.	
1964	● Shizuoka Plant is completed:	● Compliance to antipollution measures and regulatory controls (Treatment of wastewater and smoke discharge, prevention of odor and noise, and waste control, etc.)
1974	● Kampo extract formulation for prescription goes on sale.	
1976	● Kampo extract formulation for 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.	
1986	● The new headquarters building is completed and moves.	● The pollution control conservancy is started at the Ibaraki Plant.
1988	● Corporate identity project is implemented and the name of the company is changed to "Tsumura Ltd."	● First cogeneration system is introduced at the Shizuoka Plant.
1991	● Shenzhen Tsumura Medicine Co., Ltd. is established.	●
1992		● Second cogeneration system is introduced at the Shizuoka Plant. ● Shizuoka Plant wins "Prize of the Secretariat of the Agency of National Resources and Energy".
1993	● The 100th founding anniversary:	● 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 inaugurated at the Ibaraki Plant.
1997	● Contract concluded with Sanofi Pharmaceuticals, Inc. of France for the market research of Kampo products	● Committee on Environment is inaugurated at the Shizuoka Plant.
1998	● The corporate website is established.	● Chemical purifying facility "Water scrubber" is set up in the laboratories. Facilities for the use of industrial water are completed at the Ibaraki Plant.
1999	● Tsumura FAX Information Service is started:	● Tsumura Standard (action charter and behavioral standards) is enacted. ● Industrial water facilities start operation at Ibaraki Plant.
2000	● The Shanghai office is established:	● Environmental Management Section is set up in the General Affairs Department. ● Tsumura Committee on Environment is inaugurated. ● Tsumura Environmental Principle and Policy are enacted. ● Ice thermal storage goes into operation at the Ibaraki Plant. ● New container of Bathclin wins "Prize of the Head of the 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 of the Japan Package Contest sponsored by Japan Packaging Institute. ● Shizuoka Plant acquires ISO14001 certification.
2001	● Shanghai Tsumura Pharmaceuticals Co., Ltd. is established. ● Shanghai Tsumura Trading Co., Ltd. is established. ● Agreement concluded for collaborative research on the domestication of medical plants in China. ● Sales of ten Tsumura OTC Kampo formulations begin in South Korea.	● The recycling activities of herbal residues win "Minister of Health, Labor and Welfare Prize" in recognition of contribution to promoting recycling. ● Ibaraki Prefecture recognizes Ibaraki Plant as an excellent recycling office. ● Ibaraki Plant acquires ISO14001 certification.
2002	● Supports the website ㄨKampo-no Oishasan Sagashi ㄨ (Search 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 founding anniversary ● "Tsumura's hot spring science project" website is launched:	● Tsumura-OISCA Yichang Ecology Memorial Forest Project is started. ● Shizuoka Plant is commended by the governor of Shizuoka for its 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 in the Asaza Project, an environmental conservation project. ● Participation in the Fujieda City Beautification and Adoption Campaign.
2005	● Merger of consolidated subsidiary Nihon Syoyaku Co., Ltd.	● Fuel conversion to the city gas begins at the Shizuoka Plant.
2006	● Old corporate headquarters 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 the Ibaraki Plant. ● Participation in Team Minus 6% ● Tsumura & Co. wins the Commendation of the Head of the Fair Trade Commission.
2007	● Transfer of the headquarters building ● Tsumura & Co. wins the outstanding performance award of the best robot of the year in the industrial robot category: ● Honorable mention was given to Tsumura's annual report at Nikkei Annual Report Awards.	● Shizuoka and Ibaraki Plants achieve zero emission. ● Ibaraki Plant purchases electricity from GTF Green Power. ● Shizuoka Plant participates in the "Fujieda City Mottainai Campaign". ● NHK Education TV introduces Tsumura's environmental efforts in TV program, "Business Miraijin". ● Ibaraki Plant is registered as an eco-friendly establishment in Ibaraki Prefecture.



■ Description of the cover page

- ① Harvest of Japanese peppers (Human Life Tosa in Kochi Prefecture)
- ② Research investigation into cultivation of crude drug for Kampo preparation
- ③ Nature inspection of crude drug for Kampo preparation (Ishioka Center)
- ④ Sorting out of crude drug for Kampo preparation
- ⑤ Illustration of a crude drug, "Japanese pepper (Sanshou)"

TSUMURA & CO.

■ Editorial policy

Tsumura has reported our environmental performance on our website since 2001, and issued Environmental Reports since 2002 for the purpose of communicating our concept of environmental protection and details of our activities. Beginning in 2005, we have issued an "Environmental and Corporate Social Responsibility Activities Report" to disclose the relationship between Tsumura and its various stakeholders and enhance the contents of our social responsibility concepts and activities. Upon preparation of this report, Environmental Reporting guidelines 2007, Japan Ministry of the Environment, were used as references. In this report, Tsumura refers to Tsumura & Co., and Tsumura Group refers to Tsumura & Co. and its consolidated subsidiaries.

■ Reporting period

This report contains the performance data obtained in fiscal year 2007 (from April 1, 2007 to March 31, 2008). Some qualitative reports are based on activities performed in fiscal year 2008 and stated in each case.

■ Scope of this report

The performance data in this report was provided by Tsumura & Co., its domestic sites, Tsumura Lifescience Co., Ltd., Creative Service Inc., Logitem Tsumura Co., Ltd., Shanghai Tsumura Pharmaceuticals Co., Ltd., and Shenzhen Tsumura Medicine Co., Ltd.

In those cases where the scope differs from the above, the scope of this report is stated in each case.

■ Changes from the previous report

The scope of performance data was enlarged.

■ Dates of issues

Previous report: September 2007
 This report: August 2008
 Next report: August 2009

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