

TSUMURA

Corporate Social Responsibility Report

2010



# What Tsumura places importance on

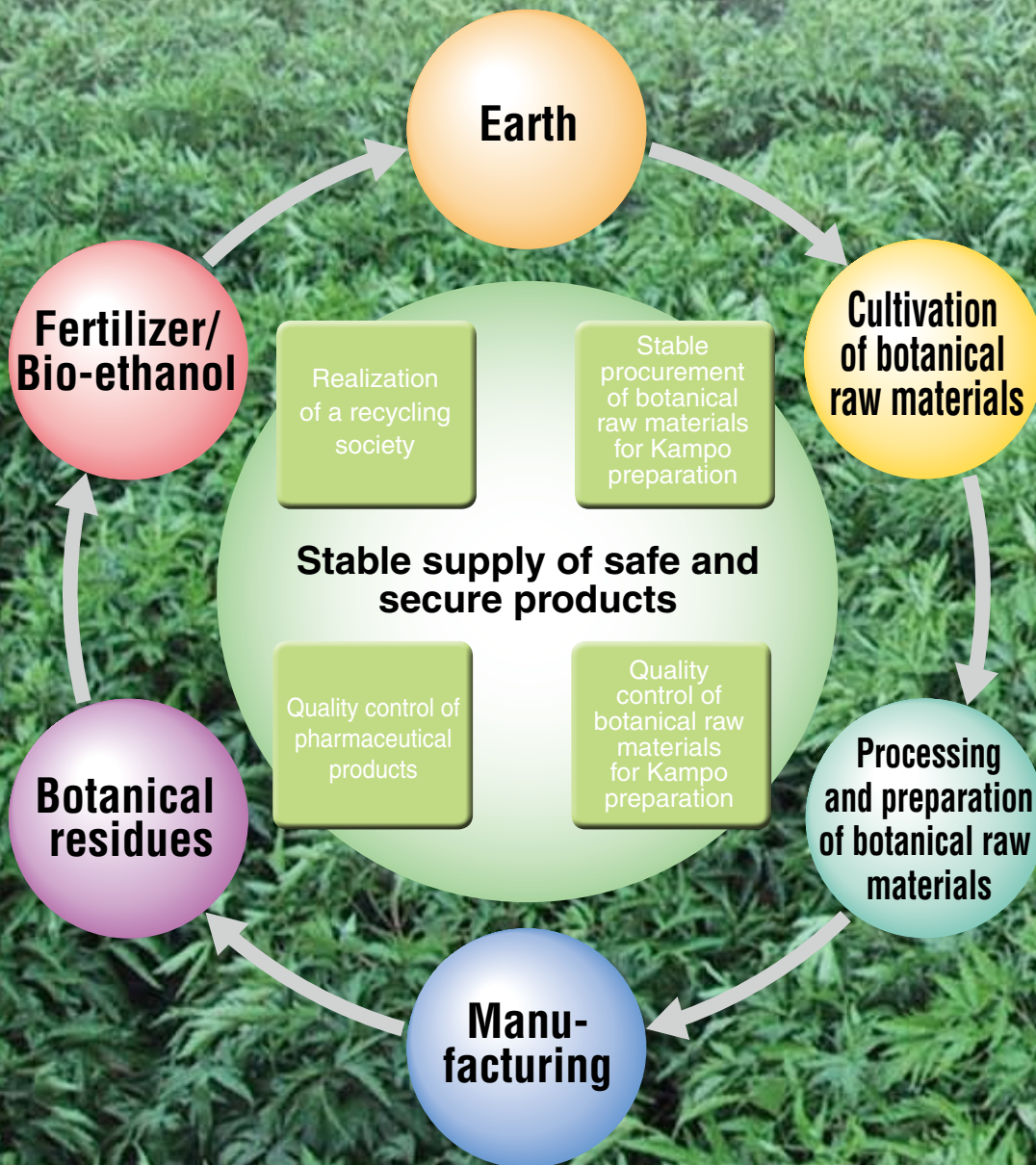
Tsumura's Corporate Philosophy is "The Best of Nature and Science".

It is the fundamental standpoint for our corporate activities to be appreciated by the society and continue business.

We desire to relieve as much pain as possible through producing Kampo, and contribute to people's health.

Tsumura will fulfill social responsibilities through Kampo, as a life science company.

## Tsumura's Business Cycle and Four Core Components



It is precisely because we make our business out of Kampo preparations made from botanical raw materials, nature's bounty, that it is our most important responsibility to supply high quality Kampo preparations in a stable manner. Furthermore, as our business is based on nature's bounty, we believe that we should be responsible to build a cyclical process that can coexist with nature.

## Editorial Policy

Beginning in FY2005, Tsumura has issued a "Corporate Social Responsibility Report" to report our social responsibility concept and relevant activities, as well as environmental approach on which Tsumura places the most importance.

In accordance with the policy that topics in which stakeholders are highly interested should be reported preferentially and intensively, we edited the Report for FY2010 based on 1560 questionnaire responses of our internal and external stakeholders regarding social trends and their opinions. "Things that Kampo Can Do" and "Quality Control and Supply of Safe and Secure Kampo Products" appear every year as basic information on the Group's business activities.

In FY2010, we feature the Group's approaches to social responsibilities and the preservation of biodiversity in connection with business development in Yubari, Hokkaido and Laos.

In preparing this Report, we referred to "Environmental Report Guidelines FY2007" published by the Ministry of the Environment and GRI's "Sustainability Reporting Guidelines version 3.0".

In the Report, the "Company" refers to TSUMURA & Co., and "Tsumura Group" refers to the TSUMURA & Co. and group subsidiaries.

## Reporting period

This report contains the performance data obtained in fiscal year 2009 TSUMURA & CO., LOGITEM TSUMURA CO., LTD., and CREATIVE SERVICE INC.: from April 1, 2009 to March 31, 2010; SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD. and SHENZHEN TSUMURA MEDICINE CO., LTD.: from January 1, 2009 to December 31, 2009).


Some qualitative reports are based on activities performed in fiscal year 2010 and its scope is stated in each case.


## Scope of this report

The performance data in this report was provided by TSUMURA & CO., its domestic sites, CREATIVE SERVICE INC., LOGITEM TSUMURA CO., LTD., SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD., and SHENZHEN TSUMURA MEDICINE CO., LTD. For cases in which the scope differs from the above, its scope is stated in each case.

## Index of Contents Corresponding to GRI's Guidelines

We declare that this Report complies with the standard of level C in GRI's "Sustainability Reporting Guidelines version 3.0 (G3)". The index of contents corresponding to GRI's Guidelines is listed at the website below.

 Tsumura Home Page  
<http://www.tsumura.co.jp>

 Tsumura Corporate Social Responsibility  
<http://www.tsumura.co.jp/csr/index.htm>

Issue Date: August 2010  
Previous Issue: August 2009  
Next Issue: August 2011



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# TSUMURA Group Network

The Best of Nature and Science

## TSUMURA & CO.

### Company Profile (As of March 31, 2010)

Founded: April 10, 1893

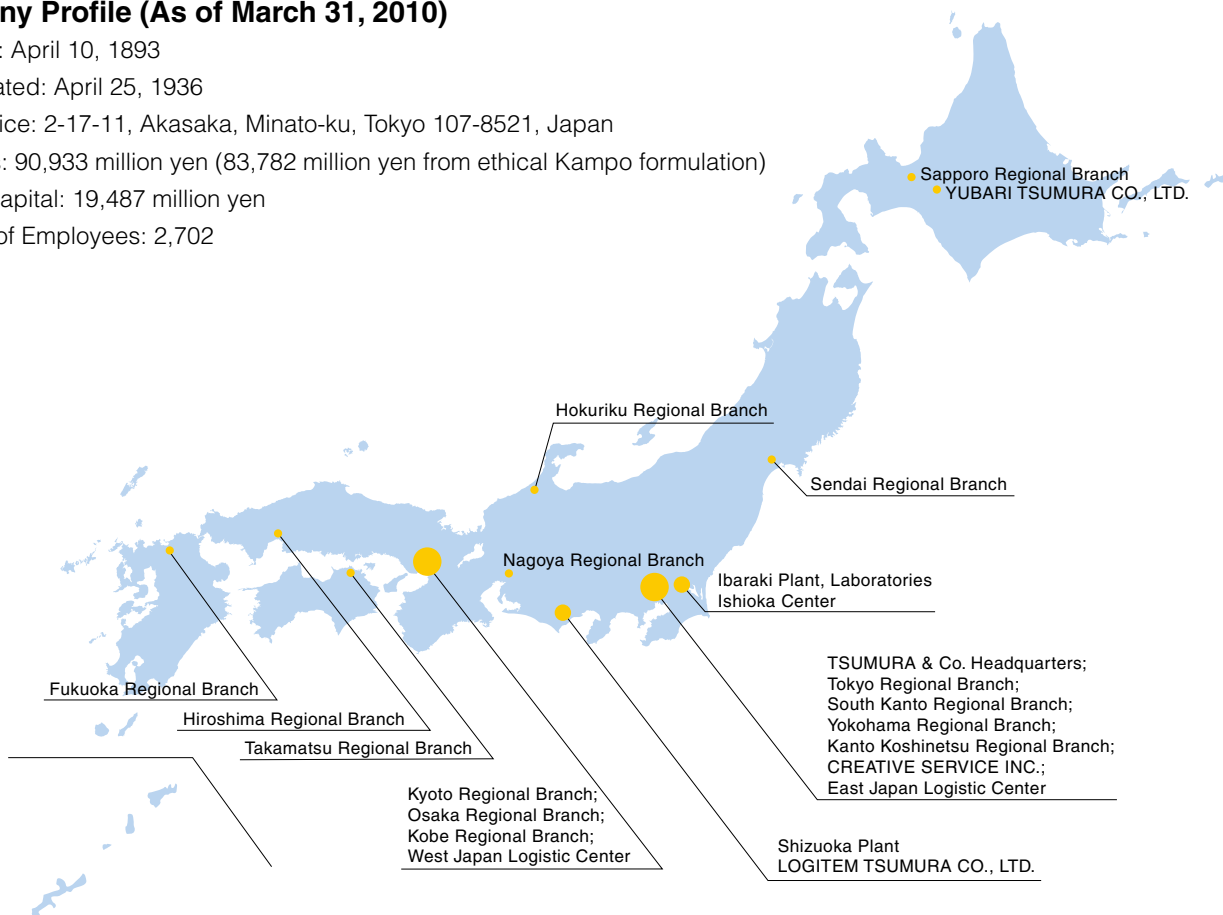
Incorporated: April 25, 1936

Head Office: 2-17-11, Akasaka, Minato-ku, Tokyo 107-8521, Japan

Net sales: 90,933 million yen (83,782 million yen from ethical Kampo formulation)

Paid-in Capital: 19,487 million yen

Number of Employees: 2,702



## Our Products



Prescription Medicines

TSUMURA & Co. provides prescription products centering on 129 ethical Kampo formulations, as well as new prescription drugs and chopped medicinal raw materials for subsequent formulation. Among the company's new prescription drugs is Metalite 250 Capsules, an agent for treating Wilson's disease which is a rare disease. These products all contribute to medical care.

The Company's share of the domestic market for ethical Kampo Formulation was 83.6 % as of fiscal year 2009.

©IMS Japan KK 2010

Reference: IMS pharmaceutical market statistics, Period: March 2010 MAT, Authorized duplication only

\* TSUMURA & Co. ceased sale of Synphase © T28, an oral contraceptive agent at the end of March 2010. Kaken Pharmaceutical Co., Ltd. sells the agent on and after April 1, 2010.



OTC Medicines

In the field of OTC pharmaceuticals, Tsumura provides the superb benefits of Kampo to a broader customer base by offering a product line-up based on 42 Kampo formulas. In addition to cold medicines, women's health supplements, 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 botanical raw materials for Kampo preparations and Kampo medicines. These products are familiar and widely used in everyday life.

Logistic Centers of Tsumura for stable supply of products  
**LOGITEM TSUMURA CO., LTD**



Logitem Tsumura Co., Ltd. has two distribution centers located at Gyoda in Saitama Prefecture and Kasai in Hyogo Prefecture. These wholesalers, which are licensed based on Pharmaceutical Affairs Act, manage the operations of the distribution bases centering on the storage and distribution of our Company's products, and also function as the Tsumura general logistic center by transporting products and botanical raw materials from the production plants to each base. Furthermore, with the motto, "changing customers' requests to their satisfaction", Logitem Tsumura Co., Ltd. has contributed to more efficient distribution and a reduction in distribution costs through proposals to TSUMURA & Co. regarding the optimum logistics.

Retail business for direct contact with patients  
**CREATIVE SERVICE, INC.**



Creative Service, Inc. was established in 1986 as an insurance pharmacy primarily for the dispensing of Kampo prescriptions. This pharmacy provides a variety of primarily Tsumura Kampo products, and is structured to respond to a variety of Kampo needs with readily available chopped medicinal raw materials stipulated by the Japanese Pharmacopoeia.

Base in China for procuring and storing botanical raw materials  
**SHENZHEN TSUMURA MEDICINE CO., LTD.**



Shenzhen Tsumura Medicine Co., Ltd. was established in 1991 for the procurement, selection, initial processing, quality control, and storage of botanical raw materials made in China. It conducts quality tests of botanical raw materials, as well as inspections for residual pesticides and harmful materials such as heavy metal to provide quality-guaranteed materials to Shanghai Tsumura and the Japan-based plants.

Also fulfilling the role for the base of traceability system of botanical raw materials produced in China, Shenzhen Tsumura collects data from and supervises production sites.

Production plant in China with facilities equivalent to those in Japan  
**SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.**



Shanghai Tsumura was established in 2001 as a Japan-China joint venture to enable Tsumura to produce powder extracts which are the intermediary products of Kampo preparations. Procuring botanical raw materials from Shenzhen Tsumura, Shanghai Tsumura processes and exports powder extracts to plants in Japan. In this way, Shanghai Tsumura is fulfilling a role in stabilizing the supply of our Company's products.



- TSUMURA USA, INC.
- SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.
- SHENZHEN TSUMURA MEDICINE CO., LTD.
- LAO TSUMURA CO., LTD.

**Through the Kampo and Botanicals business, we aim to become a people-friendly company that will contribute to society and humanity.**



At the budget screening during the government revitalization unit in November 2009, there was debate regarding whether to exclude ethical Kampo formulations from insurance coverage. We received a lot of opinions and words of encouragement from you, and we are pleased to say that ethical Kampo formulations will continue to be covered by health insurance. We greatly appreciate your support.

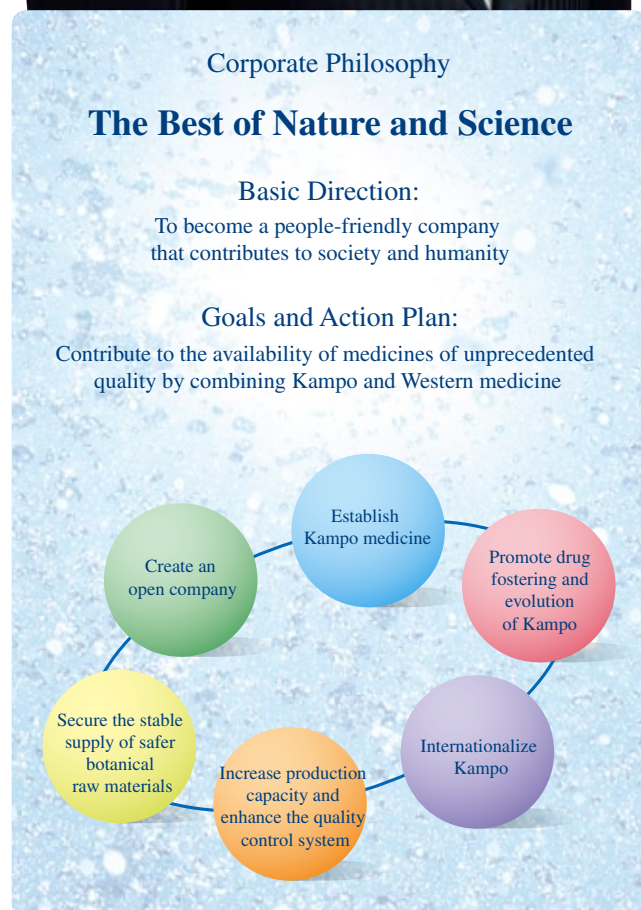
### Contributing to society through the Kampo and Botanicals business

The mission of TSUMURA & Co. is to contribute to the availability of medicines of unprecedented quality by combining Kampo and Western medicine through the production and distribution of Kampo preparations. As the cultivation of botanical raw materials underlies Kampo preparations which are made from botanical raw materials, nature's bounty, we believe that it is possible to contribute to the local development by being deeply involved in agriculture, a primary industry, while being a pharmaceutical company.

Since the demand for Kampo preparations has been increasing, it is our prime task to secure botanical raw materials. Tsumura established Yubari Tsumura Co., Ltd. and Lao Tsumura Co., Ltd. for the procurement of botanical raw materials. If the establishment of those companies leads to promotion of local economies and creation of employment, Tsumura and those local communities will have mutually good relations. Furthermore, the entire Tsumura Group including Yubari Tsumura Co., Ltd. is striving to create work environments in which people with disabilities can work with a sense of security. Aiming to not only pursue profits of the Company, but also be a people-friendly company that contributes to society and humanity through business as a basic direction, we will make efforts to become a truly strong company that can move people.

### A promising start to the Medium-term Management Plan from Fiscal 2009 to 2011

We have worked on the Medium-term Management Plan which started from FY2009, regarding it as the plan for the "development of a new stage specializing in Kampo medicine and botanical raw materials". We feel that we got off to a good start in the first year of the plan. As Kampo treatment has been adopted for



diseases in various regions, ethical Kampo formulations have been established as pharmaceutical agents essential for national medical care. The group companies will make great efforts in unison to realize six specific objectives of activities in order to realize the goal to contribute to the availability of medicines of unprecedented quality by combining Kampo and Western medicine.

### Enhancing the base for ensuring safe and secure Kampo preparations

In order to ensure stable supply of safe botanical raw materials, Tsumura is making efforts to establish a “botanical raw materials traceability system” for Kampo preparation. From our awareness that it is necessary to expand the cultivation of botanical raw materials peculiar to Japan, “Yubari Tsumura Co., Ltd.” was established in July 2010. Furthermore, “Lao Tsumura Co., Ltd.” was established in Laos to cultivate botanical raw materials which are difficult to trace in countries other than Japan and China. From FY2010, we have conducted inspections for 191 kinds of agrichemicals including ones used in the cultivation of botanical raw materials. We also

formulated the “Tsumura Botanical Production Management Standards – Tsumura GACP for Botanical Raw Materials” to enhance the base for safe and secure Kampo preparations.

### Aiming to be a green company

Botanical residues are generated in the manufacturing process of Kampo preparations. Recently, it was discovered that it is feasible to further investigate making bio-ethanol from botanical drug residues. Precisely because our business is based on nature’s bounty, we are aiming to be an eco-friendly “green company”, in which Kampo preparations made from natural botanical raw materials help patients, and botanical drug residues generated in the manufacturing process are used as fertilizer by farmers while CO<sub>2</sub> is reduced by using bio-ethanol.

August 2010



President, Representative Director

#### Action Targets in the Medium-term Management Plan from Fiscal 2009 to 2011

**Establish Kampo medicine:** We will continue to support the enhancement of Kampo education at 80 medical schools in Japan and establish outpatient Kampo clinics at medical school hospitals.

**Promote Drug Fostering and Evolution of Kampo:** We will continue to promote Drug Fostering and Evolution of Kampo to establish evidence by examining the components of modern diseases and focusing on disorders that are difficult to treat with modern drugs but for which Kampo preparations have shown specific results in areas where medical needs are high. We will also seek new Drug Fostering and Evolution of Kampo prescriptions.

**Internationalize Kampo:** In relation to the promotion of Drug Fostering and Evolution of Kampo, we will develop a system to link the latest basic and clinical data in Japan to clinical trial procedures in the United States. Moreover, we will encourage information exchange between leading doctors in Japan and the United States and will create a more efficient system for the development of TJ-100 (Daikenchuto).

**Increase production capacity and enhance the quality control system:** We will respond to increasing demand for prescription Kampo preparations by updating facilities, including expanding our extract powder production building, constructing a granulating building, introducing additional packaging equipment, and encouraging efficient personnel assignment. For quality control, we will seek to standardize and improve efficiency in inspections centering on the Analytical Technology Center.

**Secure the stable supply of safe botanical raw materials:** We will continue to take steps to secure a stable supply of safe botanical raw materials by developing a traceability system and standardizing cultivation methods and cultivation management at production areas in Japan and overseas.

**Create an open company:** We will continue efforts to build a management system that will improve corporate value and that will clearly disclose our position through communication with our stakeholders.

#### Progress in Fiscal 2009

Among 80 medical schools in Japan, 76 require students to take at least 8 Kampo courses. 79 have implemented a system to train lecturers for Kampo medicine (FD), and 78 have established Kampo outpatient clinics for the purpose of Kampo clinical training. → P. 12

Evidence for “TJ-100 (Daikenchuto)”, “TJ-43 (Rikkunshito)”, and “TJ-54 (Yokukansan)” is being established through various basic and clinical tests. “TJ-107 (Goshajikigan)” and “TJ-14 (Hangeshashinto)”, intended to reduce side effects from cancer chemotherapy, have been newly added to the Drug Fostering and Evolution of Kampo prescriptions. → P. 14

With the aim of marketing “TJ-100 (Daikenchuto)” in the United States, clinical trials for healthy subjects were conducted in the United States. → P. 13

We have responded to a growth in volume of prescription Kampo preparations by enhancing our operation systems and capacity of production facilities. In terms of quality control of botanical raw materials and products, we have improved the existing control system by identifying all 191 agrichemicals to be controlled on the basis of surveys and analyses on usage of agrichemicals in China and Japan. → P. 17

We formulated the “Tsumura Botanical Production Management Standards – Tsumura GACP for Botanical Raw Materials” to enhance the base for safe and secure Kampo preparations. With the aim of meeting the growing demand of ethical Kampo formulation, as well as enhancing the traceability system, we have established “Yubari Tsumura Co., Ltd.” and Lao Tsumura Co., Ltd. → P. 15, 16

We changed our basic direction, and started activities “to become a people-friendly company that will contribute to society and humanity”. → P. 7

**We are aiming to achieve further growth by deepening the trust relationship with various stakeholders by contributing to society through our main business and continuously communicating with them.**

## Management and CSR

### Concept of Tsumura CSR

Under the corporate philosophy, “The Best of Nature and Science”, Tsumura is engaged in its main business in order “to contribute to the availability of medicines of unprecedented quality by combining Kampo and Western medicine”, aiming to be “a people-friendly company that contributes to society and humanity”. In other words, we are aiming to fulfill our social responsibilities through the Kampo and Botanicals drug business.

For this purpose, we steadily practice activities which underlie corporate business activities, such as compliance with laws and regulations, corporate governance, risk management, and environmental management on a daily basis in the entire Group in order to win the trust of all stakeholders.

Aiming to become a human-friendly and truly strong company which can inspire people, all officers and employees of Tsumura will act under the Tsumura Action Charter with the strong awareness that the Company is a member of society.



### Tsumura Action Charter

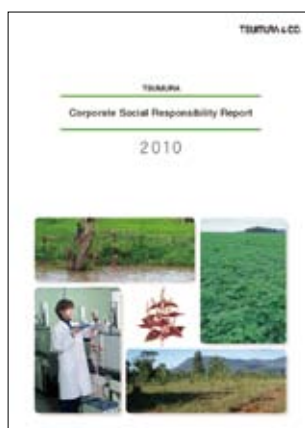
revised April 2009

1. Contributing to medical care by supplying high quality Kampo medicines
2. Providing appropriate R & D activities and accurate product information
3. Appropriate trade and distribution through fair and free competition
4. Appropriate protection and strict management of information
5. Creating an open company by disclosing information proactively and fairly
6. Actively making efforts for social contribution as a good corporate citizen while harmonizing with the environment
7. Realizing a secure and rewarding work environment by respecting the diversity of employees
8. Confronting antisocial forces with a resolute attitude
9. Contribution to the development of overseas countries while respecting their culture and complying with relevant laws
10. Top management leadership for realizing the spirit of this Charter in order to thoroughly ensure corporate ethics




## CSR Efforts in FY2009

Stakeholder	Item	Objective	Result	Reference
Society	Contribution to society	Creation of employment Contribution to local economy	Establishment of Lao Tsumura Co., Ltd.	P21
			Establishment of Yubari Tsumura Co., Ltd.	P22
		Environmental preservation of botanical raw materials production areas, Exchange with the local community	Participation in "Tosa Tsumura's Forest" Project	P27-28
		Support during times of disaster	Donation for emergency restoration in the wake of the Haiti earthquake	P29
		Cooperation with and support for NPO/NGOs,	Support for WWF activities, Participation in the Asaza project, Ecocap movement	P29
		Exchange with the local community, Beautification of local environments	Clean up activities in the local community, Local communication	P29
Shareholders/ Investors	IR	Fostering a trust relationship Improvement of corporate value	Stable payment of dividends on the increase basis	P30
			Various communication with shareholders and investors	P30
			International IR activities, Information disclosure	P30
Customers (Patients/Medical personnel)	Improvement in customer satisfaction (CS)	Education of Kampo medicine	Educational activities for the general public and medical personnel	P12,P32
		Provision of information of pharmaceutical products	Provision of information of pharmaceutical products to the general public and medical personnel, Customer Information Service Center	P12,P20,P31
		Establishment of Kampo medicine	Educational Support for Kampo medicine	P12
		Product improvement	Customer Satisfaction Meetings	P20,P31
Business partners	Procurement/ Supply	Stable supply, Ensuring quality	Establishment of traceability system for botanical raw materials	P15-18
		Fair and transparent trade	Purchase based on "Purchase dealings action agenda"	P25
		Promotion of appropriate use	Education of Kampo medicine to agencies	P19
Employees	Improvement in employee satisfaction (ES)	Utilization of diverse human resources	Stable employment (Promotion of employment of people with disabilities, etc.)	P33-34
		Improvement in work environment for more comfortable workplace	Promotion of work-life balance,	P34
			Labor safety and health system	P36
		Support for developing career	Improvement in education and training systems	P35
Environment	Reduction in environmental burdens	Enhancement of environmental management	Revision of environmental philosophy/policy	P37,P45
			Environmental education and awareness	P46
		Reduction in greenhouse gas	Energy saving activities	P40
		Construction of recycling society	Promotion of 3Rs	P41-42



"Tsumura Corporate Social Responsibility Report" is issued to summarize our CSR activities. Its Japanese, English and Chinese versions are available at our Website.

 Tsumura Corporate Social Responsibility  
<http://www.tsumura.co.jp/csr/index.htm>

# Things that Kampo Medicine Can Do

Kampo medicine which draws out the power of botanical raw materials and promotes an individuals' natural ability to heal has its roots in ancient China, and has been developed independently in Japan. Through scientifically unraveling the traditionally rooted power of Kampo medicine, its potential will expand to contribute to today's broader society.



Magnoliae Cortex

## What is Kampo?

The basic approach of Kampo is to promote the natural ability of an individual to heal. Kampo refers to medications used in Kampo medicine, which are basically prepared as a combination of more than two different materials of botanical, animal, and mineral origins. The botanical materials are mainly dried parts of the leaf, stem, and roots with medicinal properties. 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 nationwide at many medical institutions, especially at university hospitals. The efficacy of ethical Kampo extracts is now being scientifically proven through basic and clinical research.

## 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 plants and treatments have been systemized into a method of medical treatment. Rooted in ancient China, Kampo was introduced to Japan around the 5th to 6th century. Thereafter, Kampo evolved independently into Japan's traditional medicine being adapted to the climate of Japan and the constitution of the Japanese people. Undergoing a period of major development in the 17th century in particular, 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; however, Kampo also differs from traditional Chinese medicine and Korean medicine in many respects. Kampo is certainly a field of medicine that is unique to Japan.

## The First Step of Kampo Treatment: Knowing your "Sho" (Kampo diagnosis)

"Sho" is a diagnostic result in which the patient's constitution and symptoms are comprehensively determined with the methodology of Kampo medicine. Amongst a variety of measures to determine "Sho", "Kyojitsu" (hypo- or hyper-function) and "Vital Power, Blood, and Water" are explained below.

"Kyojitsu (hypo- or hyper-function)": "Kyojitsu" represents a patient's constitution, physical strength, and resistance to disease. Each patient should use different Kampo preparations depending on his or her "Kyojitsu" even if symptoms are similar to those of somebody else. Careful "Sho" diagnosis is required, as the patient cannot benefit from, but on the contrary, have adverse effects from Kampo preparations intended for a different "Sho".

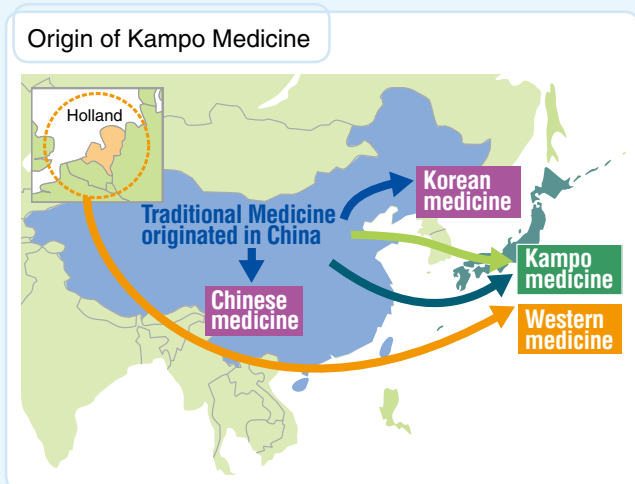
"Vital Power, Blood, and Water": In Kampo medicine, disease states are recognized with the observation of the three factors of vital power, blood, and water. "Vital power" is a kind of mental energy referring to a healthy or ill state of mind, and "Blood" primarily refers to the circulation of blood. "Water" refers to the metabolism of fluid other than blood, and relates to swelling and dizziness. Diseases are considered to be caused by influences from these three factors. A condition in which blood flow is stagnant is called "Oketsu." Since women tend to have congestion inside the pelvis due to menses, it is considered that many women's diseases are caused by "Oketsu" in Kampo medicine.

## Are you a hypo-functioning type, a hyper-functioning type, or normal?

Question	Checks	Score
1. I have relatively good strength.		2
2. I often have night sweats.		-2
3. I am ambitious, energetic, and active.		2
4. I have a strong stomach.		2
5. I often suffer from the summer heat, and get cold in winter.		-2
6. I have a healthy color and complexion.		2
7. I often have diarrhea after eating something cold.		-2
8. My stomach is elastic, and I have a strong bone structure.		2
9. I cannot eat quickly and robustly.		-2
10. I have pain on the early stage of menses with a large amount of menstrual bleeding containing		2
<b>Total Score</b>		

Source: "Low-Impact Medicine, Women's Health and Kampo"

If your total score is 0 or less, you are a hypo-functioning type. For a score of 2 – 6 points, you are normal. For 8 points or more, you are a hyper-functioning type. Please note that this is an approximate indication to help you understand your "Sho", and not an accurate diagnosis. See a specialist for a precise diagnosis of your "Sho".





Peony



Moutan Cortex

## Distinctive aspects of Kampo

Kampo can be said to be a “tailor-made medicine”, in which the most appropriate Kampo medicines are determined based on “Sho”.

In Kampo prescriptions, multiple botanical raw materials are combined to suit the patients’ state of disease and individual constitution. This is also effective to overcome the limitations of medicinal effects of a single drug. Having been based on a systematic establishment as Kampo medicine throughout many years of use and experience on the human body, integral therapeutic effects can be seen with these combinations.

## How to use Kampo

Despite popular misconceptions, Kampo medicines can have side effects. Strong medication used in an incorrect Kampo diagnosis or over-dosage may induce unexpected symptoms. It is important therefore to follow your doctor’s or pharmacist’s advice on dosage administration. For example, for treatment of the common cold, different medication may be chosen depending on the stage of disease and patient’s physical strength.

## Difference between Kampo and native medicine and herbs

Native medicine has been handed down as wisdom of living

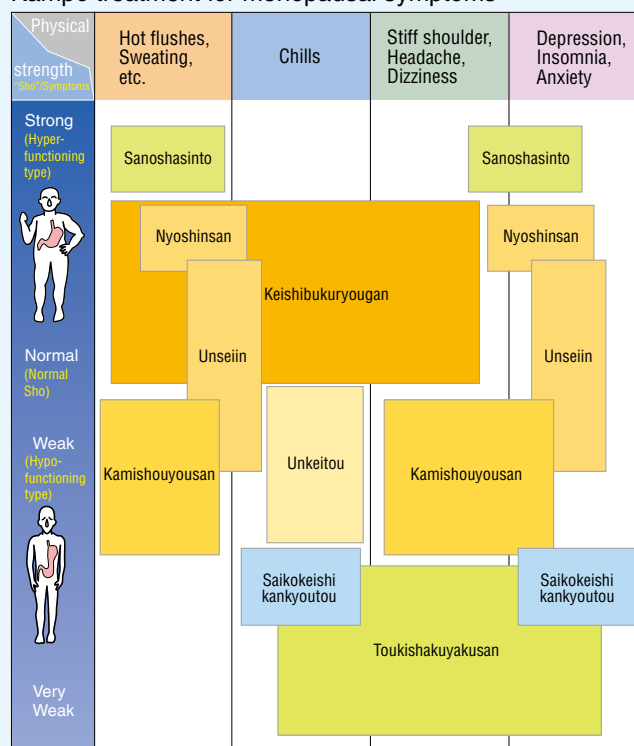
Native medicines are medical plant products, the knowledge of which has been handed down and used throughout the ages. Generally, only one kind of plant is used for a certain symptom. As the use of native medicines is a sort of wisdom of living derived from old lore of experiences, medical doctors don’t use them as prescription drugs.

Furthermore, herbs which have been popular in recent years are native medicines rooted in European culture since olden times. These are used for cooking and health promotion.

Kampo medicine is based on systematic theories.

A theoretical system unique to Kampo medicine has been established based on experience concerning efficacy and safety over thousands of years. According to the theory and patient’s symptoms, multiple botanical raw materials are combined.

## Kampo treatment for menopausal symptoms



Reprinted from the “ABC of Kampo Treatment for Menopausal Symptoms” supervised by Takao Koyama

## Difference between Kampo and Western medicine

Western medicine is sharp and fast-acting

As Western medicines are made from chemically-synthesized active ingredients, they are sharp and fast-acting. On the other hand, incorrect use may increase the risk of side effects.

Kampo medicine treats diverse symptoms

Modern Kampo medicine uses multiple botanical raw materials, mainly from plants (including 118 kinds of botanical raw materials for Kampo preparation for Tsumura Kampo formulations). By having the multiple ingredients work together, the Kampo formulations act on a wide variety of symptoms.

# Things that Kampo Medicine Can Do

## New Choices in Modern Medicine

A number of medical doctors have already recognized new ideas and effects for which Kampo medicine can be used for issues facing modern medicine.

A survey conducted in 2008 showed that over 80% of doctors are presently using ethical Kampo preparations for treatment. It was also found that an increasing number of doctors choose Kampo as the first medical choice for specific diseases and symptoms. Having achieved a variety of favorable results, Kampo medicine has attracted attention from research institutes and academic societies in Western countries. High-level research papers with a scientific approach to the efficacy of Kampo medicine, the aim of which cures not a disease but the entire body, continue to be published.

## Your opinions were heard by the government.

In November 2009, a working group of the government revitalization unit suggested in the budget screening that medicines similar to over-the-counter drugs be excluded from insurance coverage, referring to the necessity of further sufficient discussions regarding the applicable scope in which one of the conclusions of “reconsideration” was that of ethical Kampo preparations. In response to this, the ‘Iryou Shimin no Kai’, a citizen’s medical group, the NPO ‘Kenko Iryo Kaihatsu Kiko’, the Japan Society for Oriental Medicine, and the ‘Nihon Rinsho Kampo Ikai’ collected a total of 924,808 signatures for a petition to continue ethical Kampo preparations coverage by insurance, and submitted this to the Ministry of Health, Labor and Welfare. As a result, it was decided that ethical Kampo preparations will continue to be covered by insurance in FY2010.

The above-mentioned four organizations commented that as seen in the fact that such a great number of petition signatures could be collected in just three weeks since starting the petition campaign, it is public opinion that Kampo medicine is essential for public healthcare.

Tsumura will make continuous efforts to provide ethical Kampo preparations which will be accepted and supported in medical practice in Japan.

# 920,000 people

**signed the petition to request continuous coverage for ethical Kampo preparations. \*1**

\*1 Talled by the Japan Society for Oriental Medicine, NPO Kenko Iryo Kaihatsu Kiko, Nihon Rinsho Kampo Ikai, and Iryou Shimin no Kai as of December 12, 2009



# 83.5%

**Over 83.5% of doctors prescribe ethical Kampo preparations. \*2**

\*2 Source: “Survey on prescription of Kampo” in 2008 by the Japan Kampo Medicines Manufacturers Association

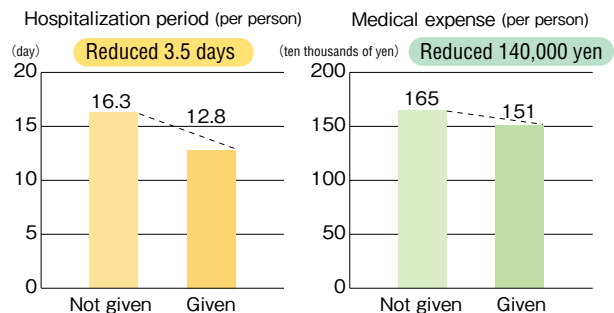
## Contributing to a reduction in medical expenses

Ethical Kampo preparations are considered helpful to reduce national medical expenses.

The following result was reported: As Daikenchuto administered after a surgical operation for colon cancer improved symptoms associated with paralyzed bowels, hospitalization period was shortened about 3.5 days and medical expense was reduced 140,000 yen. From the viewpoint of quick recovery after surgical operations and a reduction in medical expenses, expectations for ethical Kampo preparations are further increasing.

### Medical cost reduction effects of using Kampo

Effects of Daikenchuto (TJ-100) to reduce post-surgery hospitalization period and medical expenses



※ Not given: 126 cases Given: 343 cases

Hospitalization period: Modified data in Prog. Med. Vol.24 No.5 2004.5

Medical expense: Modified data in Kampo Preparation Research 2004 Vol.12 No.2

## Toward the establishment of Kampo medicine

In recent years, disease components have been drastically changing in Japan. In medical institutes, the number of cases that are difficult to treat with only Western medicine has been increasing. Therefore, it is further desired to promote the education, research, and clinical practice of Kampo medicine. We are making every effort to popularize 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 has proactively implemented activities to provide information for enhancing Kampo education at medical colleges and universities. At present, Kampo courses have been introduced at 80 medical colleges and universities in Japan. Among them, 76 medical schools provide over eight credits\* of compulsory Kampo courses. Moreover, Kampo outpatient clinics have been established at 78 university hospitals, and activities to train instructors for Kampo medicine education (Faculty Development) have been implemented at 79 medical schools, thus helping to rapidly expand the understanding of Kampo medicine. We will continuously promote activities to provide information in order to establish Kampo medicine as a part of Japanese medicine, so that medical practitioners will have as much knowledge and skills about Kampo medicine as Western medicine, and will be able to select and execute either or both Western and Kampo medicine for better treatment for each patient. As a part of these information provision activities, we hold Kampo Medical Symposium once a year on the subject of Kampo medicine education, inviting parties involved in university education.

\*The minimum number of credits required to understand Kampo medicine

## Popularization and education activities for Kampo medicine

We offer various seminars for healthcare professionals to systematically study Kampo medicine. The seminars are held for small groups of around 20 people according to the knowledge level of Kampo medicine to ensure the lectures are understandable.

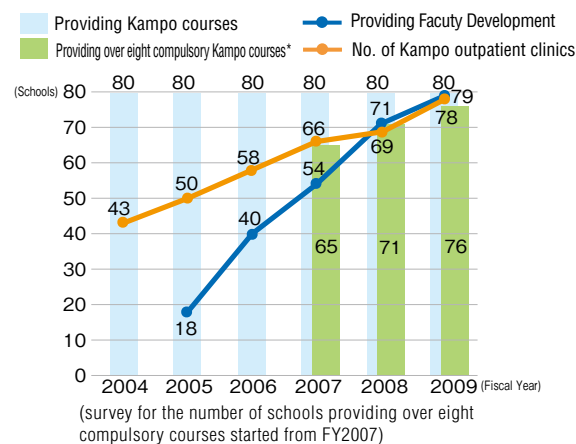
These seminars consist of introductory programs to acquire basic knowledge and techniques for physicians who have not yet systematically studied Kampo diagnosis and treatments, as well as a step-up program for learning practical Kampo medicines including diagnosis methods. Moreover, we offer various specialized seminars for doctors who teach residents, for female gynecologists in outpatient clinics, for doctors working at university hospitals, as well as seminars to train instructors for Kampo medicine. At present, almost 300

doctors have debuted as instructors for Kampo medicine. Through continuously providing such seminars in diverse programs, our Company supports the achievement of providing the best and unique medicines in the world by fusing Kampo and Western medicines.



Kampo Medical Symposium

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



(As of the end of March 2010)

### Seminars and Lectures held in FY2009

Category		Results	
		No. of seminars	No. of participants
Postgraduate seminars for Kampo	Introductory seminar	131	2,336
	Introductory seminar – II	43	861
	Step-up seminar	61	1,279
	Subtotal	235	4,476
Seminars for doctors attending clinical research laboratories		34	785
Seminars for university hospital doctors		8	108
Seminars for female gynecology doctors		6	132
Seminars for pharmacists		20	2,491

# Things that Kampo Medicine Can Do

## Drug fostering of Kampo

Drug fostering is implemented to accumulate scientific evidence\*1 focusing on areas in which Kampo preparations have demonstrated special efficacy for disorders that are difficult to treat with Western drugs. In recent years, disease components have been drastically changing in Japan. In medical institutes, the number of cases that are difficult to treat with only Western medicine has been increasing. Therefore, we have continuously developed activities to promote drug fostering to establish scientific evidence, focusing on diseases on which ethical Kampo preparations have shown special effects.

Currently, we have selected the following drugs to be the focus of our drug fostering: TJ-54 (Yokukansan), for behavioral and psychological symptoms of dementia; TJ-43 (Rikkunshito), for anorexia associated with FD (functional dyspepsia) and GERD (gastro esophageal reflux disease) and secretion defects of ghrelin, a hormone to increase appetite; and TJ-100 (Daikenchuto), for the improvement of intestinal movement and blood flow.

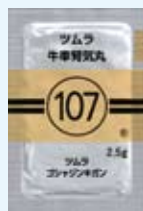
\* 1 Evidence: Scientific basis. Basis and results of examination showing the efficacy of a specific treatment approach on diseases and symptoms

## New focuses in our drug fostering

In FY2009, TJ-14 (Hangeshashinto) and TJ-107 (Goshajikigan) were newly included in drugs to be the focus of our drug fostering. Both drugs can be used to improve various symptoms in cancer treatment. TJ-14 (Hangeshashinto) is expected in particular to ease diarrhea and stomatitis, and TJ-107 (Goshajikigan) to lessen a sense of numbness.



TJ-14 (Hangeshashinto)



TJ-107 (Goshajikigan)

## VOICE

### Ethical Kampo preparations essential for treatment

Dr. Yoshiyuki Furukawa  
Chief surgeon of Tokyu Hospital



I first learned about Daikenchuto, a Kampo preparation said to have effects on the ileus, over ten years ago. I administered this to a patient with post-operative adhesive ileus\*2 and really found it effective. Though reduced gas movement of gas and discharge from the ileus tube are seen to some extent from the day after its administration, symptoms will improve with the continuous administration of Daikenchuto. Of course, should Daikenchuto have insufficient efficacy, surgery would be indicated. In sum, Daikenchuto can be used as an indicator to know when to move to surgical operation of the ileus.

Until now, surgical operation was considered the first choice for symptoms of the ileus. I think that it is very good news for patients that administration of Daikenchuto can reduce symptoms.

\*2 Ileus: Blockage of the intestine that prevents the contents of the intestine from passing to the lower bowel. It is also called intestinal obstruction or twisted bowel, and may cause acute abdomen distress.

## Top 10 sales of Tsumura ethical Kampo preparations for drug fostering

Name of prescription	Sales in FY2009	(Millions of yen)
1 TJ-100 (Daikenchuto)	7,428	
2 TJ-41 (Hochuekkito)	5,898	
3 TJ-43 (Rikkunshito)	4,393	
4 TJ-24 (Kamishoyosan)	3,489	
5 TJ-107 (Goshajikigan)	3,437	
6 TJ-114 (Saireito)	3,353	
7 TJ-68 (Shakuyakukanzoto)	3,079	
8 TJ-29 (Bakumondouto)	3,071	
9 TJ-54 (Yokukansan)	3,053	
10 TJ-19 Shouseiryuto	2,427	

shows the focus of our drug fostering

## Internationalization of Kampo

### Development of Daikenchuto in the United States

Toward authorization of TU-100 (Daikenchuto) as ethical drug in the U.S., we are presently planning and conducting clinical trials. In FY2005, we have started conducting clinical trials based on the Guidance for Industry on Botanical Drug Products issued by FDA (U.S. Food and Drug Administration) in 2004. In FY2008, we have completed the tolerability evaluation of “TU-100 (Daikenchuto)” for improving post-operative intestinal ileus, and confirmed the safety and drug compliance for the postoperative patients. In FY2009, clinical trials for healthy subjects were conducted in the U.S. In FY2010, clinical trials for patients are scheduled.

### Clinical trial in the United States

The clinical trial conducted in the U.S. was a randomized double blind placebo-controlled intergroup trial. A placebo (non-medicine-containing drug) and TU-100 (Daikenchuto) were given to healthy subjects, and their effects were compared. The results suggested that movement of intestinal tract is significantly increased for the group given TU-100 (Daikenchuto), compared to the group given the placebo. The result of this clinical trial was presented in the American Journal of Physiology issued on April 8th in 2010, and at the Digestive Disease Week (DDW) 2010 held in New Orleans.

### Japan-U.S. cooperation

In cooperation with drug fostering, we have developed the structure to utilize the latest data of basic and clinical studies in Japan for clinical trials in the U.S. to make R&D process more efficient.

In order to disclose objective security information regarding the safety of TU-100 (Daikenchuto) in Japan, we started a survey of then results of administration (investigation on frequency of side effects). The clinical development in U.S. is steadily advancing, and aiming at its marketing is aiming for around 2017.

We will further promote internationalization of Kampo by accumulating scientific evidence through the development of TU-100 (Daikenchuto) in the U.S. This will help contribute the local patients of the U.S., as well as broader use of Kampo medicine in the clinical treatment in Japan.

## Presentation at international academic societies

At the Digestive Disease Week (DDW) held every year in U.S., Kampo preparations for drug fostering have been adopted as study subjects.

In FY2010, 21 papers on Kampo preparations were presented at the DDW held in New Orleans.

### Papers on Kampo preparations presented at DDW

FY	Venue	Number of Papers
2010	New Orleans	Rikkenshito: 14 papers (Basic 8, Clinical 6) Daikenchuto: 6 papers (Basic 3, Clinical 3) Shakuyakukanzoto: 1 paper (Clinical 1)
2009	Chicago	Rikkenshito: 10 papers (Basic 7, Clinical 3) Daikenchuto: 3 papers (Basic 3)
2008	San Diego	Rikkenshito: 8 papers (Basic 5, Clinical 3)



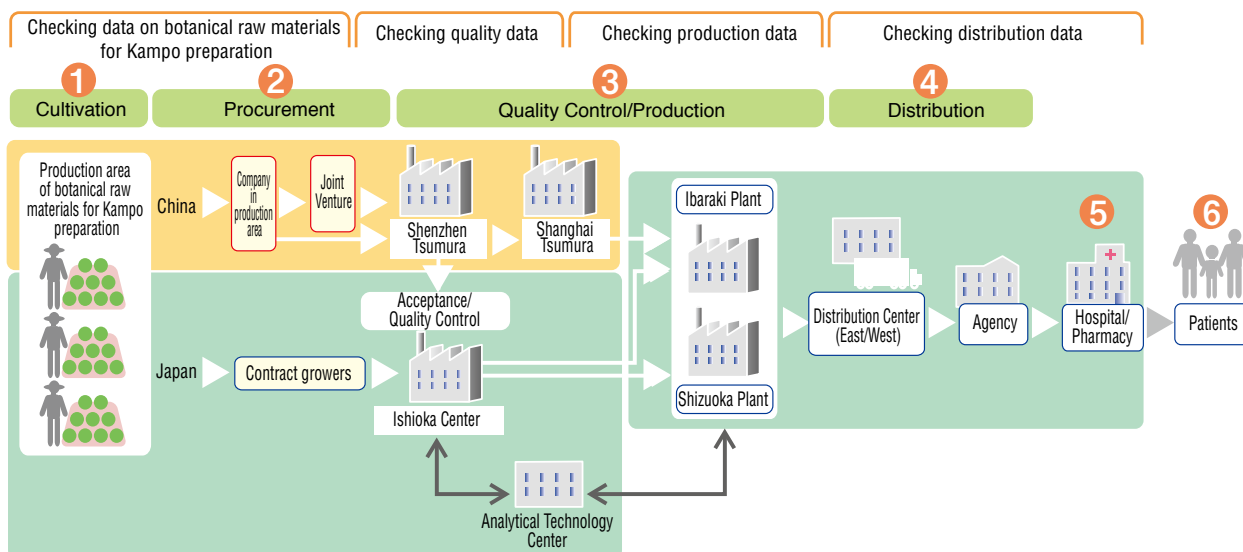
Digestive Disease Week

# Quality Control/Stable Procurement

## Traceability System from the Cultivation of Botanical Raw Materials to Distribution

### Traceability System

In order to maintain quality of Kampo preparations, a consistent traceability system has been realized from the cultivation of botanical raw materials for Kampo preparation which is "the most upstream stage", production, and shipment through distribution. Information of appropriate application and safety of ethical Kampo preparations from the viewpoint of patients are collected and provided to the downstream stage such as at hospitals, clinics and pharmacies all over the nation.



# 1

## Cultivation

### For stability in quality and improvement in crop yields

For some time, we have been cultivating plantations for the stable procurement and quality assurance with the cultivation of botanical raw materials for Kampo preparations by contract cultivation, a system which has been established to provide guide producers based on the production standards for botanical raw materials for Kampo preparation in which the method of cultivation, agrichemicals used, and the method of drying and preparation are described as well as assisted by the management of a database on cultivation conditions, such as fertilizers and agrichemicals. Newly established Yubari Tsumura Co., Ltd. and Lao Tsumura Co., Ltd. will be operated under the same management and systems.

(For further details, see Special Features on [P. 21 - P.22](#))

### For preservation of biodiversity and sustainable use of resources

The global natural resources of medicinal plants are generally decreasing, and many plant species are under threat. In order to maintain biodiversity in the production areas of botanical raw materials and realize a sustainable harvest of botanical raw materials, Tsumura is working on the cultivation and protection of wild medicinal plants for botanical raw materials in an effort to avoid the destruction of the natural environment due to over-harvesting. In China, Tsumura has facilitated cultivation in cooperation with the China Meheco Corporation and research institutions, and has also implemented our unique research for cultivation.

(For further details, see Special Features on [P. 23 - P.24](#))



Instruction for cultivation in Japan



2

## Procurement



Cooperation meeting in China

## Efforts for the stable procurement of safe botanical raw materials for Kampo preparation

In April 2010, we established the standards for management of botanical raw materials production, Tsumura GACP\*, for the purpose of guaranteeing safety and quality of botanical raw materials for Kampo preparations. We also established Yubari Tsumura Co., Ltd. as a cultivation base in Hokkaido, and Lao Tsumura Co., Ltd. as an overseas base in an area other than China in order to respond to the expanding demand for ethical Kampo preparations, and build up systems for thorough management of production in the Company's own farm and for traceability.

\* GACP : Good Agricultural and Collection Practices

(For further details, see Special Features on P. 21 - P.22)

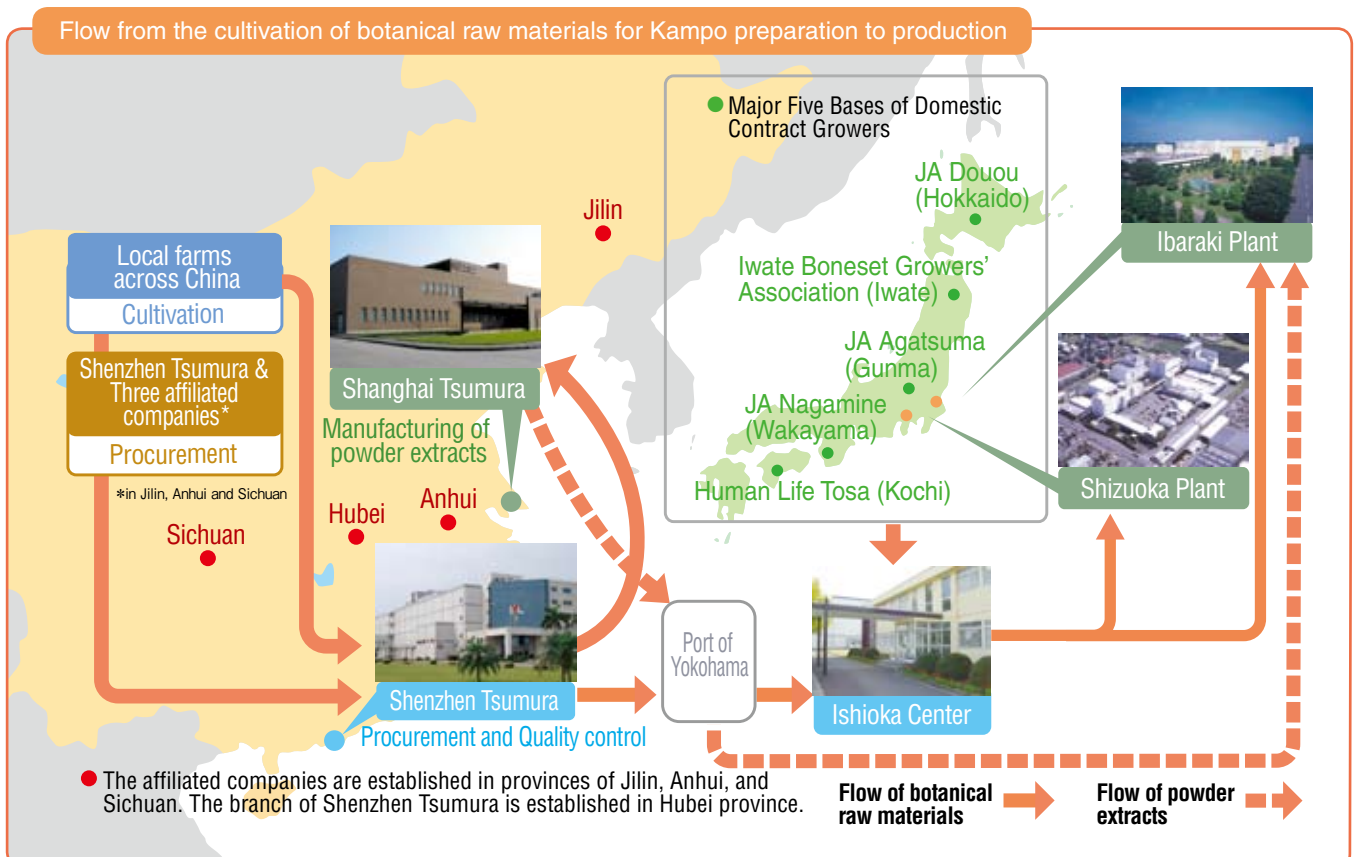
### Tsumura Cooperation Meeting in China

Around 80% of botanical raw materials for our Kampo preparations are imported from China. botanical raw materials for Kampo preparation produced by farms in China are collected by a company in each production area, and delivered to Shenzhen Tsumura directly or through joint ventures in China. The companies in each production area fulfill an important role to provide cultivation guidance to producers, in addition to the role to procure botanical raw materials for Kampo preparations. In

order to help the employees of companies in production areas understand Tsumura policies to procure safe and secure botanical raw materials for Kampo preparation in a stable manner, the "Tsumura Cooperation Meeting in China" has been held since 2008. In December 2009, we held the Meeting, inviting 109 executives in total from 92 firms in production areas, Shenzhen Tsumura, and five affiliated companies, and explained the progress of our activities conducted over the last year in China to ensure safe and secure botanical raw materials in a stable manner, as well as future policies.

As a new effort for improving levels of cultivation and processing technology of companies in production areas, remarkable and exemplary achievements contributing to Tsumura's supply of botanical raw materials for Kampo preparations were recognized and the details were revealed to all participants. This time, one achievement concerning processing technology for botanical raw materials, and two achievements concerning cultivation technology and an expansion in cultivation received prizes.

In the 2nd Tsumura Cooperation Meeting in China, all of participants reaffirmed their determination to strive to procure safe and secure botanical raw materials for Kampo preparation as a whole.



# Quality Control/Stable Procurement

3

## Quality Control/Production

### Role of the Analytical Technology Center

The Analytical Technology Center was established in October 2008 for the purpose of guaranteeing higher product quality by unifying tests of residual agrichemicals and microbes which had been conducted separately in each plant and integrating such quality test functions with the development function. We continue to make efforts to improve and unify test methods to obtain constant results with a specific method so that our customers can take our products with confidence. As the core of the quality control function of Tsumura Group, Analytical Technology Center is aiming to be a test research center with Tsumura's unique assessment technology for botanical raw materials for Kampo preparations by technical data exchange with Shanghai Tsumura and Shenzhen Tsumura.

### Quality and safety control of botanical raw materials for Kampo preparations

Kampo preparations are made from natural raw materials. Quality control of the materials to be used is very important for producing more stable quality products. In addition to examination based on the Japanese Pharmacopoeia standards, 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 botanical raw materials delivered via Shenzhen Tsumura and Japanese botanical raw materials delivered to the Ishioka Center is managed by our Botanical Raw Materials Quality Control Department, tests of residual agrichemicals are conducted respectively by Shenzhen Tsumura and Analytical Technology Center, and only materials which pass inspection are provided to our production plants. In this way, we are building a system to provide safe and secure botanical raw materials for Kampo preparation through an organic connection under speedy and stable quality control to both departments.

### Standard of residual agrichemicals on botanical raw materials for Kampo

For securing high-quality botanical raw materials for Kampo preparation, it is necessary to use the minimum amount of agrichemicals in order to reduce losses caused by pests and weeds in cultivating medicinal plants. However, strict control is considered important to prevent impact to human health due to residual agrichemicals. Apart from the Japanese Pharmacopoeia which restricts the quantity of residual agrichemicals on botanical raw materials for Kampo preparation, we have voluntarily established a test system for a total of 73 agrichemicals, including those listed in overseas standards for medicines such as the European Pharmacopoeia and the Pharmacopoeia of the United States of America. We have also started examination of all lots of botanical raw materials for Kampo preparation since 2006. Beginning from 2010, we have examined 191 agrichemicals used in cultivation of medicinal plants.

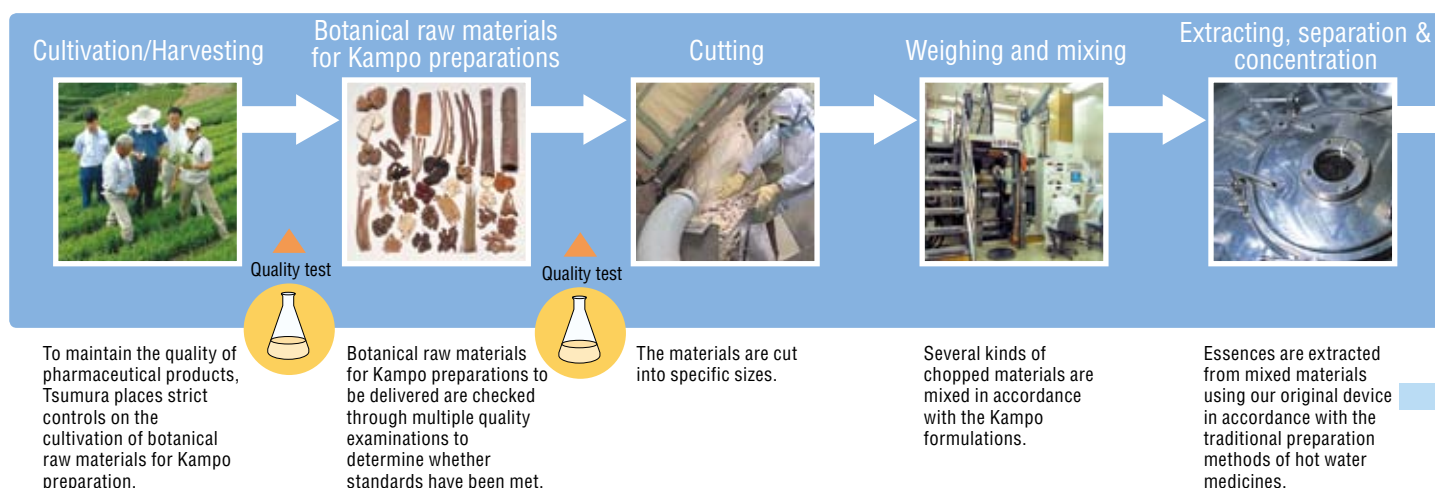
Standards for residual agrichemicals on botanical raw materials for Kampo preparations and Tsumura

Standard	Targeted botanical raw materials for Kampo preparations	Targeted agrichemical
The Japanese Pharmacopoeia Fifteenth Edition (JP XV) (Enacted from April 2006)	14 kinds of botanical raw materials for Kampo preparations including 20 items such as ginseng, red ginseng, and senna (including 6 items of botanical powder)	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 botanical raw materials for Kampo preparations such as ginseng and senna	2 kinds of organochlorine agrichemicals (Total BHC, Total DDT)
Tsumura in-house standard	All botanical raw materials for Kampo preparations handled	2006 - 29 kinds of organochlorine agrichemicals*1 25 kinds of organophosphorus agrichemicals 5 kinds of pyrethroid series agrichemicals 5 kinds of other agrichemicals 9 kinds of dithiocarbamate agrichemicals*2 2010 - In addition to the above-mentioned agrichemicals, 191 kinds of agrichemicals used in cultivation of botanical raw materials

\*1 Including total BHC and total DDT

\*2 Applied to a cross section of botanical raw materials for Kampo preparation

### Manufacturing Flow of Kampo Preparations



## System to examine microbes and heavy metals

The storage of botanical raw materials for Kampo preparations under inappropriate conditions may lead to growth of mold and development of microbes. Therefore, we store them at a temperature which is resistant to microbe growth, and confirm the safety of products with the microbial test. As for contamination of heavy metals such as cadmium and hazardous elements such as arsenic, we comply with the standards of Japanese Pharmacopoeia, and conduct analyses using the latest technology (ICP-MS)\* in order to supply safer products.

\* ICP-MS : inductive coupled plasma - mass spectrometer



Quality test (Microbial test)

### VOICE

**So that our customers can take our products with confidence**

**Yuichi Endo**

Manager of Environmental Biochemical Department, Analytical Technology Center



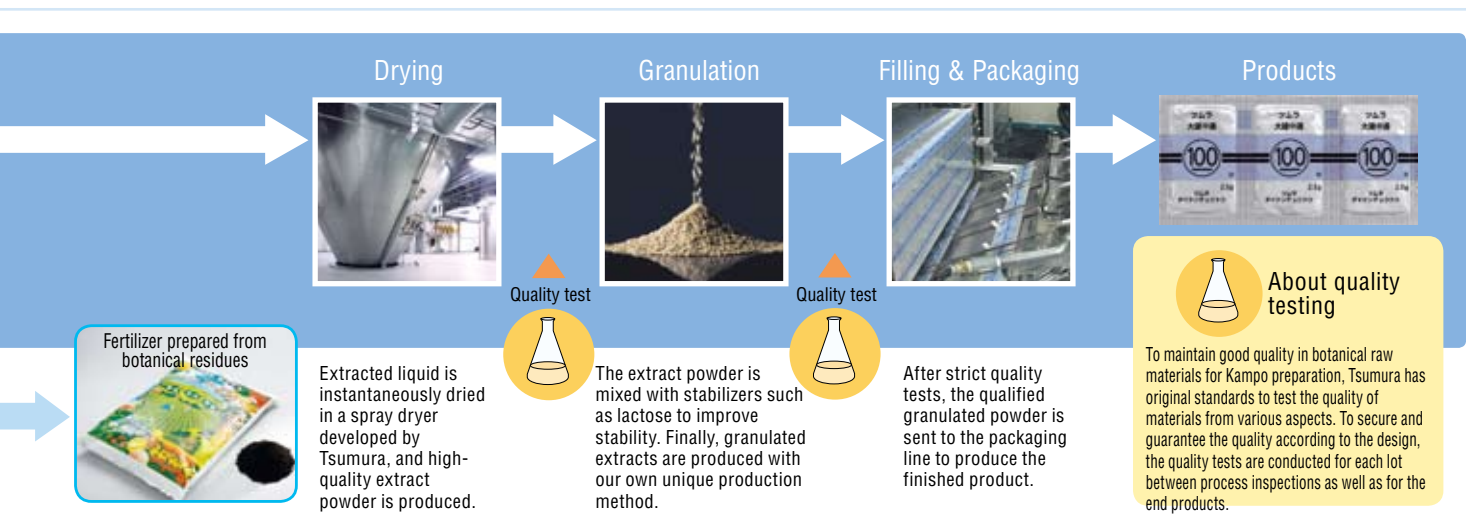
The environmental biochemical department is developing new test methods incorporating cutting-edge technology while conducting tests of residual agrichemicals and microbes for botanical raw materials and Kampo preparations. In particular, we have developed our unique method of residual agrichemical testing for botanical raw materials for Kampo preparations, which covers all agrichemicals used in cultivation of botanical raw materials, in addition to the agrichemicals that had been tested before. With the transfer of this method to the quality control center at Shenzhen Tsumura, a test department for botanical raw materials produced in China, the examination of all lots of botanical raw materials for Kampo preparation by the entire Tsumura Group has begun since 2010. We are also developing various methods to examine the safety of heavy metals, etc. We will make continuous efforts on a daily basis to undertake this responsibility so that our patients can take Tsumura products with confidence.

## To supply Kampo preparations with consistent quality

In factory production, to manufacture products with constant quality in a stable manner by precisely reproducing to quality specifications, we have built a computer system for the integrated information management of manufacturing, tests, and distribution of each process from the acceptance of botanical raw materials, production of extract powder, preparation, and filling and packaging to the finished products.

## Quality and Safety Management of Products

The present quality standards of Kampo preparations were formulated in accordance with notification from the Ministry of Health and Welfare in 1980 (Notification No. 804) and 1985 (Notification 2 No.120). Among them, the standards for pharmaceutical ingredients primarily include the standard for amount of 2 ~ 3 ingredients and a test to confirm that the product is made from prescribed botanical raw materials. In addition, as our own standard, quality tests are conducted by the Analytical Technology Center in terms of safety against residual agrichemicals, heavy metals, and microbes.



# Quality Control/Stable Procurement

Toward the establishment of quality control technology

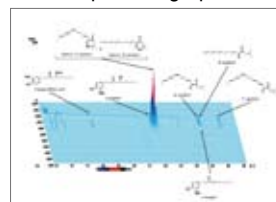
## Development of Quality Assessment Technology for Kampo Preparations

Fingerprint technology assesses the amounts of various ingredients derived from botanical raw materials contained in Kampo preparations by chromatographic profiling. When the kinds, volume, and quality of mixed botanical raw materials as well as the production method of extracts are consistent, such a prescription has its own unique fingerprint. Although fingerprints are internationally required by the “Guidance for Industry Botanical Drug Products”, the analysis method has not been indicated. Therefore, we have studied the analysis method using TU-100 (Daikenchuto). As a result, most primary ingredients of TU-100 were able to be identified with only one fingerprint. Consequently, it became possible to compare quantitative quality of each lot. We will continue to study fingerprint technology aiming to establish it as a quality control technology at production sites.

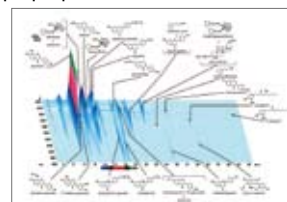
## Assurance of Efficacy

So far, a few specific kinds of ingredients have been able to be controlled. However, fingerprint technology enables the assessment of the entire image of ingredients to be expressed by chromatography as well as the high-level quality assessment concerning uniformity, safety, and efficacy. We successfully established the technology to objectively assess the homogeneity of each lot of Kampo preparations by quantifying and prescribing chromatographic patterns showing identical quality. Although this technology is still being studied with TU-100 (Daikenchuto), we think that the advance in studies with other formulations will lead to assurance of efficacy for each lot by confirming the uniformity of many ingredients in production of Kampo preparations.

An example of fingerprint of Kampo preparation



TJ-100 (Daikenchuto)



TJ-1 (Kakkonto)

## VOICE

### Internationalization of Kampo and Quality Assessment Technology

Masahiko Marumoto

Manager of Preparation and Quality Department, Technology & Quality Center, Production Division Analysis Center



Presently, clinical trials of “TU-100” are being conducted in the United States. Consistent quality as well as scientific results of clinical trials is required in order for Kampo to be recognized internationally, and to meet this challenge we have conducted research of the above-mentioned fingerprint technology. However, it is necessary not only to establish a new quality assessment method, but also to conduct research into the production of Kampo preparations with further consistent quality using the assessment method. Furthermore, research is required for the applicability of production and quality assessments by considering methods of applying new quality standards required for the synthesis of drugs to Kampo preparations in order to internationalize Kampo. The preparation and quality department primarily conducts research into the relationship between production and quality of extracts and preparations, acting as a bridge to the production level. We intend to continue the research, aiming to improve quality of Kampo preparations for international recognition.

4

Distribution

## Efforts of distribution centers and agencies

Presently, two distribution centers are in operation in the eastern and western areas of Japan, at Saitama Prefecture and Hyogo Prefecture, in order to improve customer services and to avoid risks in the event of a disaster. In order to handle an increase in shipping volume and the stable supply of ethical Kampo preparations, the East Japan Logistic Center completed an expansion project of warehouses in May 2009, and the West Japan Logistic Center is building new warehouses in which operations will begin from August 2010.

Visual inspections and lot number inspections using a handy terminal\* are implemented at each process from the factory storage of products to the delivery to freight companies so as to improve quality in storage and prevent errors in shipment. At the same time, we have implemented internal training for practices such as GMP (Good Manufacturing Practice) and JGSP (Japanese Good Supplying Practice). Furthermore, both the eastern and western distribution centers are providing better services to customers by using high-quality freight companies specializing in the stable supply of medicines.

\* handy terminal: a small portable unit to collect data

5

Hospital/Pharmacy

## Activities of MRs (Medical Representatives)

MRs visit medical institutions all over the nation in order to provide, collect and communicate the latest information on the quality, efficacy, safety and appropriate use of ethical drugs. Tsumura 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 the skills to communicate knowledge accurately. Our MRs consider that it is the greatest satisfaction to mitigate the pain of patients, acting consistently with a sense of purpose to contribute to society through Kampo.



Supporting site for MSs of agencies to study Kampo

6

Patients

Customer Information Service Center

25% of all inquires received by our Customer Information Service Center are consultations relating to the safety and confidence of taking medicines, for example, in combination with other drugs, medication during pregnancy or breast-feeding, and side effects. In response to the consultations, our staff at the Customer Information Service Center are making efforts to help customers take medicines without anxiety by explaining with simple and in layman's terms to enable them to easily understand. We have received various kinds of information from patients as well as medical practitioners. Information concerning the safety of products is reported to our Product Safety & Pharmacovigilance Department through MRs (medical representatives) and the Customer Information Service Center. After scrutinizing this information, cases in which products are involved are reported to Ministry of Health, Labor and Welfare through the Pharmaceuticals and Medical Devices Agency, and ultimately released to the public in compliance with laws and internal rules.

(See  P. 31)

Customer Information Service Center

Call 0120-329-930

(Telephone number for medical personnel: 0120-329-970)

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



Customer Information Service Center

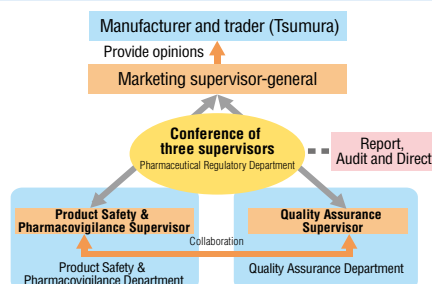
Management System for Manufacturing and Sales

Quality Assurance and Safety Control of Medicines

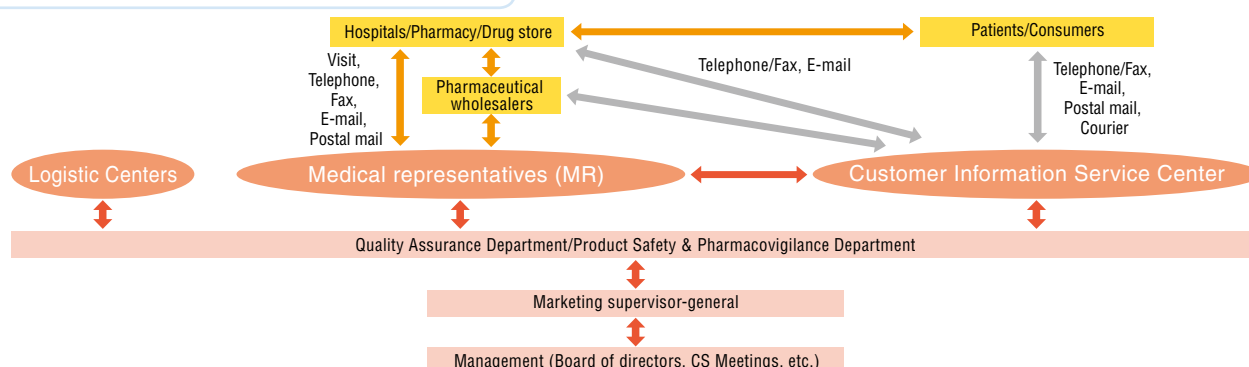
As a manufacturer and trader of medicines, Tsumura has constructed and smoothly operated a corporate structure to promote a stable supply of high-quality medicines and their proper use to ensure safety in compliance with the Pharmaceutical Affairs law and relevant laws. In specific terms, centering on the Marketing Supervisor-General who has the general responsibility for the product quality and safety control, our Quality Assurance department and Product Safety & Pharmacovigilance Department in charge of businesses relating to Good Quality Practice (GQP) and Good Vigilance Practice (GVP) respectively have constantly and closely worked together through a conference of three supervisors. In addition, our Pharmaceutical Regulatory Department has supported the legal aspects. With this system, we are able to assure quality of our

products, collect and assess usage data of products, and take the appropriate necessary measures to fulfill our responsibilities as a manufacturer and trader.

Management System for Manufacturing and Sales



Flow of Product Quality and Safety Information



With Nature and Human Beings ———

## Contribution to Communities through the Cultivation of Botanical Raw Materials

We will proactively contribute to the domestic and overseas local communities through business activities in Laos and Yubari. We will conduct activities beneficial to local communities from the global viewpoint, aiming to be a company that can contribute to people and society.



Scene of people working in a cultivation area in Laos

### Establishment of a local company in Laos People's Democratic Republic

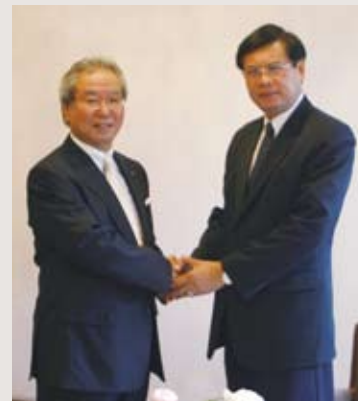
As a part of efforts for a “stable supply of safe and secure botanical raw materials”, we started a joint study on cultivation of botanical raw materials, currently procured from South East Asian countries, in cooperation with the Laos government in 2005, for the purpose of enhancing the traceability system for botanical raw materials. Obtaining favorable results in this cultivation study, we established a “Project Development Agreement” with the Laos government in February 2010, and established local company Lao Tsumura Co., Ltd. Accordingly, it will be possible to produce botanical raw materials with a large-scale managed cultivation in our own farm and trace the details of production.



Scene of people working in a cultivation area in Laos

### Contribution to Local Economy

Our businesses are planned in the primary industry in accordance with the 2+3 policy\*1 promoted by the Lao government, which have high hopes, as the local company will contribute to job creation and the development of economic and social infrastructure. At the request of the Laongam district of Saravanh Province where botanical raw materials will be cultivated, the



Meeting with Laos Prime Minister Bouasone Bouphavanh

local company has decided to cooperate in building a junior high school as part of its regional contribution through its businesses.

\*1 2+3 policy: Laos provides land and manpower, and overseas companies provide capital, technologies, and markets.

### Future Plan

The farm area of the local company was planned to be about 160 ha when the company was established. The company plans to expand this to about 1,000 ha in future. It also plans to complete a botanicals processing plant in 2011, and improve systems to contribute to the local community aiming at success in botanical raw materials business, and development of local economy in Laos.



Senkyu Plantation (Japan)

## Establishment of Yubari Tsumura Co., Ltd.

Yubari Tsumura Co., Ltd., a subsidiary, was established in July 2009, for the purpose of expanding domestic production volume of botanical raw materials in response to increasing demands for botanical raw materials. In Hokkaido, it can be expected to increase production volume and reduce production costs with a large-scale automated cultivation. Regarded as a base for production, processing, and storage of botanical raw materials in Hokkaido, Yubari Tsumura started the cultivation of botanical raw materials in its own farm from October 2009. As we have already possessed a processing facility for botanical raw materials in Chitose, it is aimed to make operations more efficient in cooperation with Yubari Tsumura.

## Relationship with Yubari City

The location of Yubari city is very convenient for transportation of botanical raw materials from each cultivation area in Hokkaido, processing, storage, and shipment to our plants as it has a highway in nearby area, and also is not far from Sapporo city, New Chitose Airport, and the Port of Tomakomai. Furthermore, its climate is suitable for storage of those raw materials. In “New Tourism Forum\*2” held in October 2009 in Yubari City, the presentation of the Tsumura Kampo business and future development of Yubari Tsumura was made. Seeing the packed hall, we rediscovered a high expectation for Yubari Tsumura.

We aim to economically contribute to the local community by creating employment and promote industries in Yubari City as our base in Hokkaido.

\*2 New Tourism Forum: As a part of activities to foster local industries in order to create employment in Yubari City, this forum is held to provide information on employment to citizens.



Meeting with Mr. Fujikura, a mayor of Yubari city



New Tourism Forum

## Future Plan

We plan to expand the entire cultivation area in Hokkaido to about 1,000 ha and production volume to 2,000 t within 10 years, centering on Yubari Tsumura as a base. In addition to a study to improve efficiency of cultivation by operating Tsumura’s own farms, and management of seeding, primary processing and storage of botanical raw materials from across Hokkaido is planned. Furthermore, in November 2010, the first period of construction works for processing facilities and warehouses for botanical raw materials are scheduled to be completed. We are also considering barrier-free processing facilities for botanical raw materials in order to create employment for the local people with disabilities.

## VOICE

**Aiming to be a company that can contribute to the local society**



**Masahiro Nishimura**  
President, Yubari Tsumura Co., Ltd.

Since the establishment of Yubari Tsumura Co., Ltd., as the company has been laying the foundation of company management, things have been going smoothly with projects, such as the promotion of a cultivation plan in Hokkaido, the preparation and planting for the cultivation of botanical raw materials in our own farm, as well as the preparation for construction of a processing facility and a warehouse for botanical raw materials. Although the number of staff is few, I think that we are getting to be able to contribute to the local people in the community who helped us in preparation for our farm and construction by employing them. The processing facility and the warehouse are scheduled to start operation from November 2010, expanding the range of our day-to-day activities. We will make active efforts for having local people consider us as a beneficial employer by working with them.

# Preservation of Biodiversity and Sustainable Use of Resources

In consideration for biodiversity stipulated in the Tsumura Environmental Policy, we will strive to reproduce an ecosystem with nature's bounty in the next generation through various activities such as "preservation and cultivation of rare seeds", "prevention of desertification" and "protection of gene resources".



Saiko Plantation (Japan)

## Tsumura's efforts for biodiversity

It is precisely because our business is the production and trade of Kampo preparations made from botanical raw materials, the natural bounty, that it is necessary to build a cyclical process necessary for coexisting with nature and pay attention to biodiversity in a responsible manner.

In order to maintain biodiversity in the production areas of botanical raw materials and realize the sustainable harvest of botanical raw materials, Tsumura is working on the cultivation and protection of wild medicinal plants for botanical raw materials in an effort to avoid the destruction of the natural environment due to over harvesting. Furthermore, we amended the Tsumura Environmental Policy in October 2009 in order to clearly state our policy to pay attention to biodiversity, saying "we will make efforts for preservation of biodiversity so as to enjoy nature's bounty in future".

We will continue discussions regarding specific action objectives to promote activities in consideration of preservation of biodiversity.

In December 2009, we agreed with the idea of the "Declaration of Biodiversity by Nippon Keidanren", and participated in this activity as a partner to take an initiative to conduct business activities in accordance with the declaration and its action policies.

## C o l u m n

### Biodiversity in the field of medicinal plants

It is said that modern agriculture which depends on agrichemicals such as pesticide puts an excessive burden on the environment.

We are paying attention to use of agrichemicals in the cultivation of botanical raw materials for ethical Kampo preparations of the Tsumura Group. For example, in an attempt to reduce the environmental burden, we instruct producers to minimize use of agrichemicals, and carefully spray them so as not to have adverse effects on nearby living natural habitats. In this way, we manage agrichemicals by regulating their kinds and methods of use. Meanwhile, we are striving to establish traceability by investigating the agrichemicals used in order to confirm their appropriate use.

Furthermore, for the purpose of preserving natural environments in the production areas of botanical raw materials, we are conducting activities to revitalize forests with the cultivation of medicinal trees leading to preservation of water resources and forests which are important for the cultivation of botanical raw materials in "Tosa Tsumura's Forest" in Kochi prefecture, a corporative project with Human Life Tosa, an organization which cultivates medicinal plants.

In the plantations managed in this way, a variety of living creatures unique to the region can be observed. Preserving and fostering the ecosystem with nature's bounty is one of important roles of the Group.



Japanese ratsnake



Hoptoad



Red-flanked Buetail





Mentha arvensis plantation (China)

## Cultivation research and practice

As botanical raw materials depend on the harvest of wild plants, Tsumura is careful not to deplete these resources. As concrete countermeasures, we have systematically harvested them within their natural resilience, and have studied the cultivation method of wild plants in cooperation with the China Meheco Corporation, a research institution in China. Accordingly, with advances in the cultivation of various botanical raw materials, we are less dependent on only wild plants for botanical raw materials. In this way, these advances contribute to the preservation of rare species of plants.

Furthermore, for over 80 years Tsumura has contributed to the protection of gene resources and the diffusion of botany and pharmacognosy with publications in international academic magazines concerning the research and study of wild plants including endangered species.

## Towards the prevention of desertification

Some botanical raw materials are grown in a semi-arid area in China. Among them, the cultivation of licorice which is used in large quantities has been studied in corporation with the China Meheco Corporation. The spread of cultivation will prevent over-harvest of wild plants, and thus desertification. Furthermore, we have conducted activities to invite botanist instructors of our production areas in China to Japan, and educate them about production methods.

Through such practical studies and education, we are contributing to the preservation of natural environments and biodiversity.

## Towards the protection of gene resources

Wild plants consist of groups with individual variations in diverse characteristics, such as external form, contained ingredients, resistance to disease and pest. Such individual variations reflect the diversity at the genetic level.

To obtain medicinal plants which become raw materials of botanical raw materials, we must depend on the harvest of wild plants. For Tsumura's continuous development, it is a critical issue to preserve the genetic diversity for sustainable use of those plants.



Rhubarb plantation (China)



Ephedra herb plantation (China)

## C o l u m n

### Joint study for the sustainable use of botanical drug resources and sharing the results



Investigation on reserves of rhubarb by remote sensing\*

Since 2001, a study of licorice has been conducted in cooperation with the China Meheco Corporation, Beijing University of Chinese Medicine, and Tsumura. The three parties jointly filed a patent application in connection with one of results obtained in the process of this study. From 2008, we also started an investigation on the reserves of rhubarb and a study on its preservation for sustainable use in cooperation with the Institute of Medicinal Plant Department of Chinese Academy of Medical Sciences and the China Meheco Corporation. We jointly presented a paper on a part of results of this study in a scientific journal with the above-mentioned organizations.

As for *Atractylodis lanceae* rhizome, we conducted an investigation of its reserves, studies on quality assessment and cultivation in cooperation with Jiangsu Institute of Botany from 1990. We invited researchers to our company for academic exchange and jointly presented a paper on the results of this study.

\*remote sensing: technology for acquisition of information of a remote object or phenomenon, by the use of sensing device(s) as radio-controlled model plain

# Compliance

Tsumura board members and employees will act in accordance with a higher standard of ethics by respecting human rights, complying with all laws and regulations, code of conduct and its spirit, both in Japan and overseas.

## Compliance system

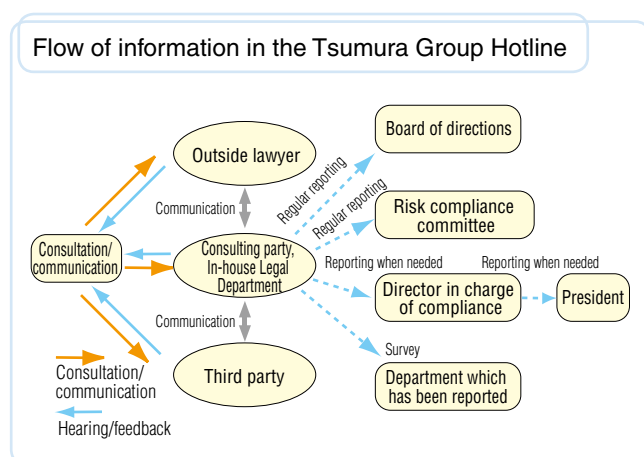
The “Tsumura Compliance Program” has been enacted to promote observance of the law and to foster a company sense of ethics. The content is summarized in the compliance guidebook and is distributed to all directors and employees, who must adhere to the principles in the “Tsumura Action Charter” (revised on April 1, 2009). The status of our compliance activities is reported to the Board of Directors on a regular basis.

## Compliance education

In addition to awareness seminars and education for officers and employees, new recruits and newly appointed managerial staff receive compliance training according to their position. In FY2009, we implemented 21 compliance seminars in total. As a part of our ongoing efforts to improve awareness of our employees, problems related to compliance are included in the in-house promotion examinations, and employees set their compliance action targets in addition to their business targets.

## 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. In order to improve accessibility to the Hotline, a consultation service via third parties has been started since April 1, 2009. There are three contact points inside and outside the company (Legal Department, lawyers, and third parties) through which the directors and employees of the domestic group enterprises can use this service. Moreover, so that a caller can use the Hotline without fear of repercussion, his or her privacy is protected with measures such as the acceptance of anonymous calls, and unfair treatment toward the caller is prohibited. In FY2009, the Hotline received seventeen inquiries.



## Observance of the Promotion Code and the Fair Competition Rule

We established the Promotion Code Committee and the Liaison Committee of personnel in charge of fair competition rule as an internal system to thoroughly observe the “Tsumura ethical drug promotion code” (ethical drug code) and “Regulations for the fair competition of ethical drug manufacturers and distributors” (fair competition rule).

In order to promote proper activities of medical representatives (MSs), persons in charge are appointed at headquarters and each regional branch office to examine all promotion materials (6,107 in FY2009), and to verify the monitoring situation of “In-house guidelines concerning acts related to business entertainment” and “Guidelines for congratulatory or condolence payments.” Moreover, company-wide training such as introductory and continued training, e-learning concerning the ethical drug code and fair competition rules are regularly implemented. In conjunction with the “Ethical Drug Code Awareness Month” in November, an awareness seminar for employees and a presentation seminar for all directors are held by a chairman of ethical drug code committee so as to keep them informed about these issues.

## Fair and transparent trade

In procurement, we think that it is important to establish a trust relationship with clients and enhance the partnership through fair and transparent trade.

The Purchasing Department is conducting faithful purchase activities in accordance with the “Purchase management rules” and “Purchase dealings action agenda”, aiming to build better relationship with clients.

## Animal testing policy

In order to assure the safety and efficacy of medicines, animal testing is essential, and is implemented in accordance with the internal rules concerning animal testing, in an appropriate manner with approval by a head of authority after deliberation at the Animal Care and Ethics Committee on methods of substitution, number of animals to use, and methods to eliminate or reduce animal pain and distress (3Rs\*).

A self-inspection of the conformity to the basic policy of the Ministry of Health, Labor and Welfare is implemented annually. Moreover, educational programs about animal welfare and ethics have been implemented, a “Laboratory Animal Memorial Cenotaph” was enshrined in the laboratory site, and a memorial service ceremony is held every year, so that each researcher will continue to feel gratitude for the contributions of laboratory animals.

\*3Rs: A principle of animal testing criteria standing for “Replacement, Reduction, Refinement”

# Corporate Governance

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

## Corporate Governance

Under our corporate philosophy of “The Best of Nature and Science”, TSUMURA & Co. is aware of the necessity to enhance our corporate governance systems to achieve sustained growth and development, and fulfill our social responsibilities in the future. Tsumura considers this as one of our primary management priorities.

The management system that can flexibly respond to changes in business environment will be established by introducing the executive officer system to clarify the supervising functions of directors and business executing functions of executive officers. We will also further improve the transparency, efficiency, and soundness of management under the current system.

Management judgment is made by the Board of directors consisting of directors familiar with internal situations in order to make business decisions flexibly and rationally. Though there are no outside directors currently appointed, outside lawyers and certified public accountants have been appointed as outside directors, as we consider that objectivity and neutrality of functions to supervise management is ensured by seeking opinions and advice from these outside consultants whenever needed.

We think that our corporate governance is working satisfactorily thanks to those efforts, and it is possible to establish the system that responds to social confidence in the Company.

## Internal Control

Apart from responding to the Financial Instrument and Exchange Law, the objectives of our internal control activities include “pursuing effective and efficient business” and “being beneficial for observing relevant laws”. To this end, we have been building and practicing strong systems to eliminate error and misconduct by having business processes visible, standardized and integrated.

We are aiming to establish the enterprise risk management (ERM) system including internal control, and identify and thus make visible the diverse and severe risks to be documented, assessed, and reviewed in the internal control activities. We are also aiming to establish a strong corporate structure through education and training.

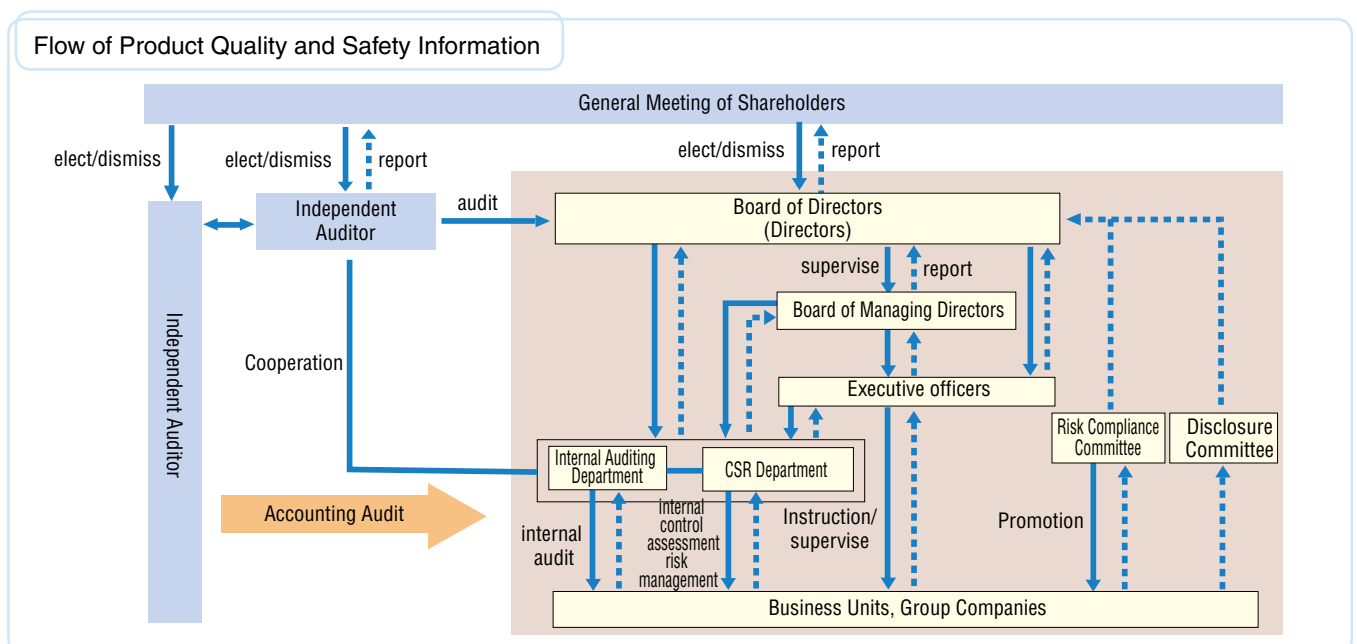
## Risk management

### ● Establishment of risk management rules

Risk management rules have been established as a corporate rule that all directors and employees shall comply with, in order to improve and manage the assessment of and responses to risks in the Tsumura Group. In the rule, fundamental matters of risk management are stipulated, for example, objectives of risk management, management policies, a system to promote management, and dealing with risks, so as to promote by putting into practice the risk management in the Tsumura Group.

### ● Practice of risk management

In the Risk Management Project implemented in 2008, we identified, assessed, and prioritized risks in the Tsumura Group. Measures against major risks on which high priority was placed in the Project and their schedules will be formulated mainly by the CSR Department established in FY2009. According to the schedule, the measures against risks will be implemented in cooperation with each department and group companies. Based on the evaluation of findings and the results of audits implemented by the Internal Auditing Department, measures have been improved and a series of PDCA cycles are continuously implemented to execute the risk management.



# Society and Tsumura

As a good corporate citizen, we actively implement various kinds of social contribution activities with an eye to coexist with society.

Wall painting by students of Ochi Junior High School "Sparkling nature surrounding Yokokura Mountain in Ochi Town"

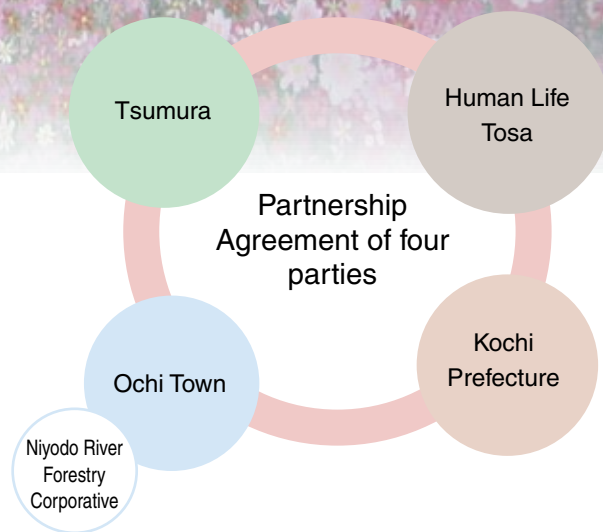
## With Society – Social Contribution Activity

### Tosa Tsumura's Forest

For the purpose of facilitating natural environmental conservation in cultivation areas of botanical raw materials for Kampo preparation as well as social exchange with local citizens, we concluded a partnership agreement in June 2008 on Kochi Prefecture's corporative project to grow forests together with Kochi Prefecture, Ochi Town, and Human Life Tosa which is an organization to cultivate medicinal plants. In this project, companies and local communities aim to jointly facilitate revitalization of forests as well as local exchange. We are supporting environmental preservation activities in the 56-ha forest called "Tosa Tsumura's Forest" in Ochi Town.

Having a good relationship with Human Life Tosa through the cultivation of botanical raw materials for Kampo preparation for over 25 years, Tsumura started activities to conserve local environments as a token of our thanks. We think that the environment for cultivation of botanical raw materials for Kampo preparation will be better with the improvement in conditions of the surrounding forests that leads to ensuring good quality water resources for the cultivation areas.

We intend to support natural environmental conservation in the cultivation areas of botanical raw materials for Kampo preparation, and develop various activities such as guided tours to experience the natural environment of forests and fields of medicinal plants, so as to build a trust relationship with the local citizens in the future.



Tosa Tsumura's Forest



Visiting lecture



On-site experience learning



Tree planting



## Forest revitalization activities

Forests account for 84% of the entire land of Kochi Prefecture, and 70% of those are man-made forests. As the number of people to take care of mountain environments has been decreasing due to depopulation and ageing of residents in the mountain areas, more forests have been lacking in maintenance. Thus, we decided to participate in the “Corporate Project for Forest Growing” in Kochi Prefecture to support forest revitalization activities. Although softwood trees have been primarily planted in plantation at Ochi Town which is a cultivation area of botanical raw materials for Kampo preparation, it was found that the area had originally been a hardwood forest. Accordingly, we carefully chose the kinds of trees to be planted in the forest growing project. The softwood forest in Tosa Tsumura’s Forest was groomed by trimming, and 200 young trees of maple, gardenia, and sawtooth oak were planted. We intend to continuously support activities to conserve the rich natural environment in the watershed area of Niyodo River by revitalizing forests together with the local citizens.



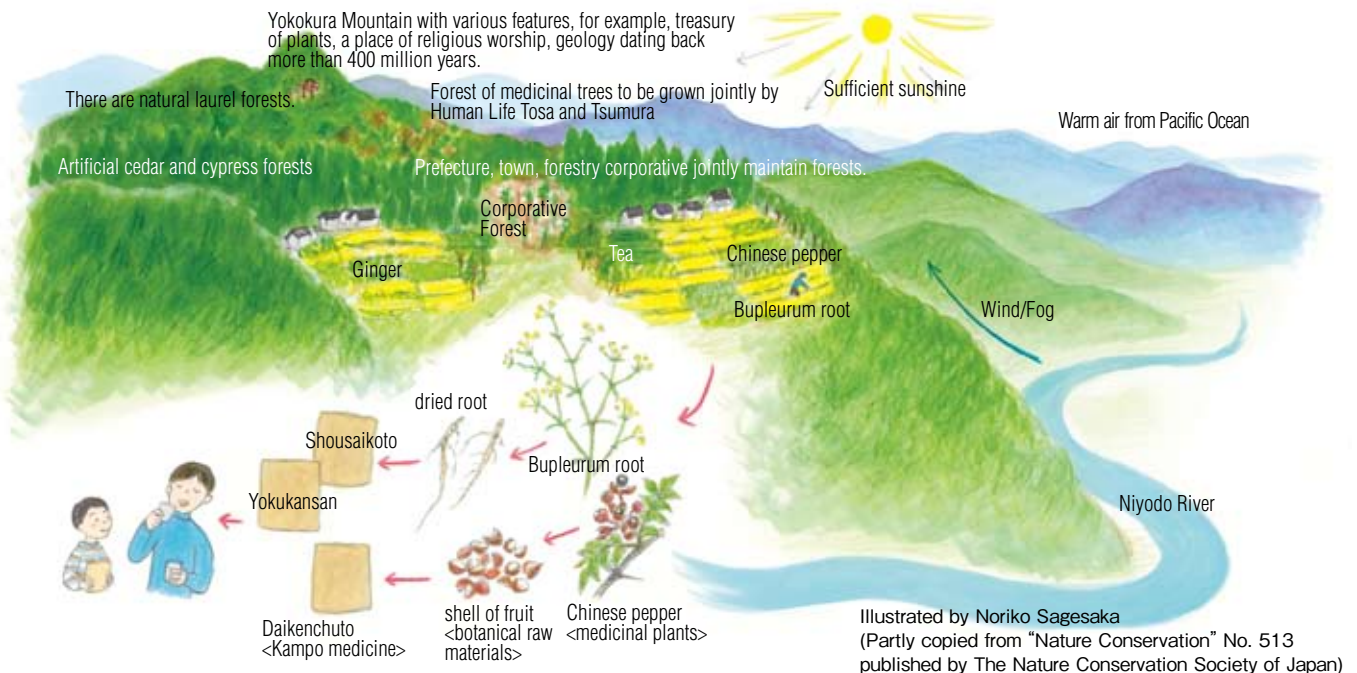
CO<sub>2</sub> Absorption Certificate

## Exchange with local citizens

We visited Ochi Junior High School to lecture on the relationship between Ochi Town and Tsumura. The aim of this visiting lecture is to help the pupils understand not only the importance of environmental conservation activities, but also the fact that medicinal plants cultivated in Ochi Town are fulfilling a significant role to eliminate the pain of patients as Kampo medicine. We also hope they will become further interested in Kampo medicine.

In the on-site experience learning, tree trimming and planting is implemented with junior high school students under the guidance of staff of the forestry corporative in Tosa Tsumura’s Forest so they can learn about the role of the forests and necessity of maintenance. In commemoration of conclusion of Tosa Tsumura’s Forest Partnership Agreement, 51 students in the second grade of Ochi Junior High School produced a wall painting entitled “Sparkling nature surrounding Yokokura Mountain in Ochi Town. A lush greenery landscape in which colorful cosmos flowers are blooming and Niyodo River is flowing was painted against the background of Yokokura Mountain.

( P.27 )



## VOICE

### Living with forests

#### Tsuguo Kataoka

Representative board member  
Human Life Tosa  
(Juridical Agricultural Union)



- As seen in the record of Edo era, it was found that a variety of wild plants have grown naturally in mountains of Tosa which have few flatlands which have never been suitable for agricultural fields throughout history.
- In Tosa Tsumura’s Forest which has been grown jointly by Tsumura and our union, some slopes reach a 1,000 meter elevation. Medicinal plants and trees for botanical raw materials such as magnolia cortex are accordingly planted in suitable areas.
- Since medicinal plants and trees can grow sufficiently even in severe environments, aged people who may otherwise find the constant care of delicate plants too difficult can cultivate them. Furthermore, as they are profitable, stable income can be earned, and a successor can be easily found. Presently, our union has additionally purchased desolate mountains and planted medicinal plants. The most important thing is for each of us to make concerted efforts to live here and work together to cultivate good quality medicinal plants.

### Support for emergency aid

#### ● Donation for the Haiti earthquake

For reconstruction support for the victims of the Haiti earthquake that occurred on January 12, 2010, the Company donated a total 3 million yen to the Japan Red Cross.

#### ● Donation for the Qinghai earthquake in China

For support for the victims of the Qinghai earthquake in China that occurred on April 14, 2010, the Company donated a total 3 million yen through the Chinese Embassy in Japan. Voluntary contribution was also made each 50 thousand yuan (about 680 thousand yen) from Shanghai Tsumura and Shenzhen Tsumura, 35,466 yuan (about 480 thousand yen) from the employees of the companies, and 56,300 yuan (about 760 thousand yen) from other affiliate companies within China.

#### ● Donation for the FMD epidemic in Miyazaki prefecture

For support of cattle farmers affected by the outbreak of foot and mouth disease in Miyazaki prefecture, the Company donated 1 million yen to the Community Chest of Miyazaki Prefecture.

### Support for marrow donors

In an attempt to reduce the burden on employees who wish to donate bone marrow to patients suffering from leukemia and other intractable diseases, we have established since 1997 a leave system to enable our employee to donate.

To date, there have been 17 employees who took leave for pre-donation registration and examination, and 2 employees who took leave for hospitalization for the actual donation of bone marrow.

### Cooperation and support of NPO/NGOs

We support the activities of the World Wide Fund for Nature Japan (WWF Japan), Youth Friendship Association and OISCA-International (The Organization for Industrial, Spiritual and Cultural Advancement-International).

As an environmental conservation activity around Kasumigaura which is a primary water resource for production, the Ibaraki Plant has participated in the Asaza Project\* since 2004. So far, a total of over 266 employees have participated in this project, including 47 employees who participated in FY2009.

Our head office, Shizuoka Plant, Ibaraki Plant, research districts, and some regional branches and sales offices have participated in the “Ecocap Movement” to provide polio vaccines to children in developing countries through the NPO Ecocap Movement and the NPO Ecocap Movement Network. In FY2009, we collected about 124,964 PET bottle caps, enough to buy polio vaccines for 156 children.



Participation in the Asaza Project (Ibaraki Plant)

\*Asaza Project: an environmental conservation activity around Kasumigaura conducted by NPO Asaza Foundation

### Communication with neighborhood residents

The Tsumura Group has participated in beautification campaigns in the vicinities of our business sites. In February 2005, the Shizuoka Plant registered with Fujieda City Beautification and Adoption Campaign for the first time as a corporation, and since then has participated in an environmental beautification campaign around the entire area of a nearby park.

In December 2009, the Shizuoka Plant donated a land of 67.32m<sup>2</sup> in area to Fujieda City, and conducted maintenance work for roadside ditches on the west side of the Plant, while encouraging a neighborhood association to ensure security and improve living environments.

The Shizuoka Plant and Ibaraki Plant hold a summer festival every year, inviting the families of employees, neighborhood residents, and staff of related companies.



Roadside ditches (Shizuoka Plant)

Summer festival (Shizuoka Plant)

Summer festival (Ibaraki Plant)

#### Major Cleanup Activities in FY2009

Sites, Activities	No. of times	No. of participants
Shizuoka Plant	22	215
Ibaraki Plant	4	55
Ishioka Center	12	62
Shenzhen Tsumura	1	102

### Contributions and donations

#### Contributions and donations

		(JPY)
Shizuoka Plant	Fujieda City Mottainai Campaign*	125,233
	Red Feather Community Chest	112,368
	Green Fund	116,841
	Chest for supporting volunteers through vending machines	90,405
	Donation of newspaper by Harmonia	793.6kg
Ibaraki Plant	Chest for drug abuse prevention activity of UN	32,283
	Chest for Social Welfare Council	919
	Red Feather Community Chest	10,000
	Japanese Red Cross, Ibaraki branch	30,000
	Donation for “Mai Ami Matsuri”	50,000
Research Center	Chest for drug abuse prevention activity of UN	22,063
Ishioka Center	Chest for drug abuse prevention activity of UN	2,649
	Donation to Ishioka City Social Welfare Council	used stamp
Shizuoka Plant	Fujieda City Mottainai Campaign	79,085
	Presented yellow bags for traffic safety to the first-grade elementary school pupils	10,000
	Donation to Fujieda City Social Welfare Council	used stamp

\*A letter of appreciation was presented to the Company by Fujieda City Mottainai Campaign Promotion Committee

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

## Dividend Policy

The amount of annual dividend per share for FY2009 was 46 yen, increasing by 12 yen from the previous year. In FY2010, the annual dividend is expected to be 52 yen, a year-on-year increase of 6 yen.

In principle, we consider returning profits to shareholders as a corporate important policy. Therefore, we intend to pay dividends in a stable manner on the premise of increase, generally taking into account capital investment, business performance for each term, dividend payout ratio, and other factors, with an eye to continuous growth in business in the future.

## A variety of communications with our shareholders and investors

As a part of our IR activities, Tsumura holds information meetings for investors and analysts twice a year regarding our business results. A number of visitors attend these meetings consistently. At these meetings, the President and directors explain 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 so as to take advantage of outside opinions regarding our business. For the ordinary general meeting of shareholders held in June every year, we further improved the contents of the Notice of Convocation of the Ordinary General Meeting of Shareholders to help private investors understand the contents of our activities, and introduced an electronic voting system from FY2009 in order to improve the environment to exercise voting rights.

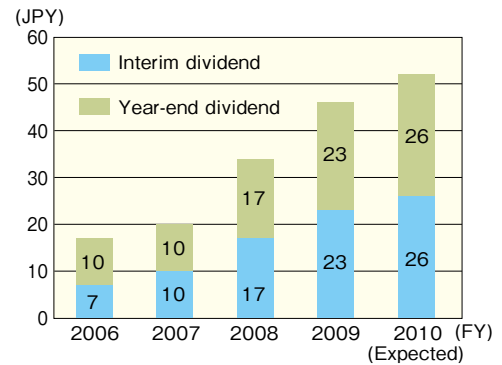


IR briefing session

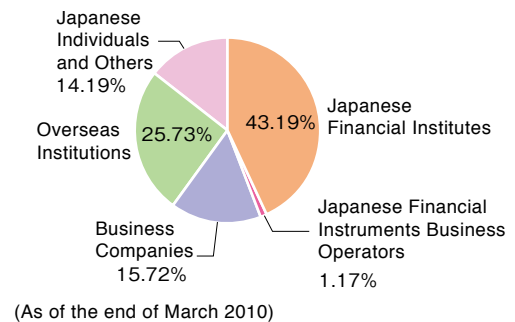
## Overseas IR activities

Communication with overseas investors has become increasingly important. We are making every effort to directly explain issues such as our business strategy through our director's visits to institutional investors in major cities in Europe, North America, and Asia.

### Contributions and donations



### Contributions and donations



## Information disclosure

From the viewpoint of timely disclosure, we are making efforts to disclose information appropriately on a timely basis. Our Internet web site is actively used as a tool for information disclosure. The video of IR briefing sessions are delivered through the Internet in both Japanese and English. In the page entitled "What is Kampo?" in our Annual Report, the key points of Kampo are explained in an easy-to-understand manner to assist overseas investors to correctly understand the Kampo business. The Tsumura Annual Report won the 12th Annual Nikkei Report Awards.



Nikkei Annual Report Award



2009 Annual Report

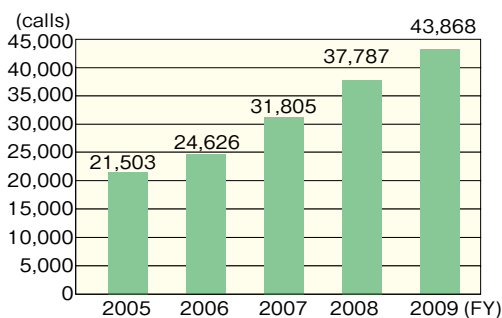
We value our customer opinions and proactively offer information on Kampo and our products, so that our customers can use our products with confidence.

### Customer Information Service Center

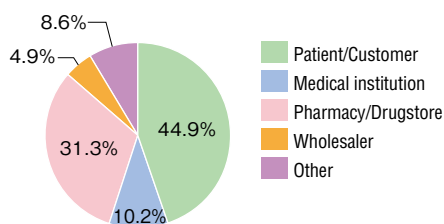
The policy of our Customer Information Service Center is to provide information with integrity based on objective facts and the latest data in order to support the promotion of proper use of medicines.

Established in 1995, the Center has received over 250,000 consultations in fifteen years. We have made efforts to actively communicate with our stakeholders while continuously improving our systems for consultation service. For example, we introduced a web-based e-mail service in FY 2004 and a toll free number in FY2007 so as to make significant use of the abundant information provided by our customers through consultations.

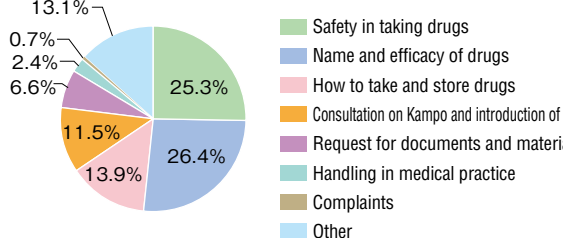
Calls Received by Customer Information Service Center



FY2009 Breakdown of Consulters



FY2009 Breakdown of Consultation Issues



### Consumer Satisfaction (CS) Conference

Since FY2006, in order to proactively utilize the inquiries received from customers in our corporate activities, we have established the “Customer Satisfaction (CS) Conference” consisting of related directors and chaired by the president, and regularly reviewed critical issues related to CS. In FY2009, we addressed an improvement in the form of granulated Kampo preparations and quicker communication of internal information. Apart from holding CS conferences, documents such as proposals from customers are delivered to the board members every month, and the presidents, other officers, and managers in relevant divisions also go through them one by one. The Company intends to meet customer expectations through CS conference as a whole by listening to our customers.

### VOICE

#### My expectations of Tsumura

Yasuo Tabei

Executive board member of Alzheimer's Association Japan, Gunma branch



When I started activities concerning dementia about 30 years ago, it had been said that dementia was incurable. However, in recent years, diagnostic technology has been advancing, new medicines were developed, and it was found that behavioral and psychological symptoms of dementia can be relieved by Yokukansan. Accordingly, patients have become able to lead their lives in peace thanks to those technologies, medicines, information, and efforts of Alzheimer's Association Japan.

Meanwhile, the expectations of caregivers and patients increase due to exaggerated news reports on the efficacy of medicines. When a patient's symptoms cannot be improved with the medicine, he or she may become terribly depressed about and dwell on that fact. If only favorable information is communicated, patients who cannot obtain such a desired result may become disappointed. Therefore, I would like the pharmaceutical manufacturers and other information providers to communicate information which is not exaggerated nor underestimated but appropriately and quickly.





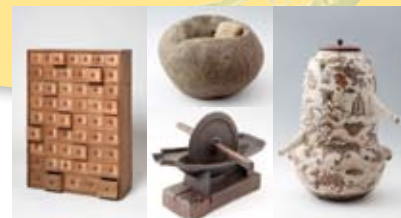
Tsumura Kampo Museum



In the Tsumura Kampo Museum



Hands-on exhibit of botanical raw materials



Special exhibition: "Tools for Kampo medicine in Edo era"

## Kampo education activities for the general public

The Company supports the below-mentioned activities for the purpose of providing information on Kampo and health to people suffering from diseases and disorders.

### ● Activities for women's health

In FY2009, a "Kampo Seminar for Woman" was held primarily for working women at seven sites around the nation. The number of applicants was 33,661, and the number of participants was 9,430 in total. The seminar was featured on TV and magazines. As women are especially interested in Kampo, the number of members of and the traffic to the Company's website "Kampo View" which exhibits a variety of contents have been increasing.



Kampo Seminar for Women

### ● Activities on the subject of dementia

In FY2009, the "Dementia Forum" was held with 3,205 participants in total at six sites around the nation. The contents of the forum were introduced on newspapers and television, and a video has been available on our website called the "Dementia Forum". As public concerns over dementia have been increasing year by year, we have also conducted an activity to publicize the "BPSD (Behavioral and Psychological Symptoms of Dementia) Support Area Project" which provides education in each region on BPSD to medical practitioners and their teams.



Kampo View

Describing Kampo medicines prescribed in clinical practice in an easy-to-understand manner with interview with medical practitioners at <http://www.kampo-view.com>



Dementia Forum.com

Information on dementia and the video of "Dementia Forum" held all over the nation are available at <http://www.ninchisho-forum.com>

### ● Other activities

We have also implemented activities to help the general public understand the present situation of ethical Kampo preparations. In the "NHK Educational Health Support Festa", evidence of Kampo medicines was introduced to 982 participants on the subject of "mental disorders of the aged". The "Kampo Medicine Forum" has been held mainly for newspaper reporters and medical journalists with an eye to helping them write and publish articles on the latest evidence and papers presented at an academic conferences. The "Kampo Press Meeting", a workshop on Kampo, has been held for female editors and writers. In publishing these article in newspapers and women's magazines, these activities are fulfilling an important role to provide correct information to general public.

## Tsumura Kampo Museum

The Tsumura Kampo Museum with a medical herb garden is aiming to be a place to communicate information on "Kampo" to our stakeholders in an easy and friendly manner. Since our reopening in April 2008 as a part of the memorial projects for our 115th anniversary, we have received over 5,000 guests including a diversity of stakeholders. Since February 5, 2010, the "Tools for Kampo medicine in Edo era (Koichi Takeuchi Collection)" has been held as special exhibition. Various tools for medicines used by Kampo practitioners in the Edo era have been displayed, and people can learn and know the development and history of Kampo medicine with old medical and natural history books.

### Tsumura Kampo Museum

Yoshihara 3586 Ami-cho, Inashiki-gun, Ibaraki, 300-1192  
Please contact us for reservations prior to your visit



In commemoration of achievement of 5,000 visitors

## Acceptance of Facility Tours and Internships

We accepted students on our internship\* programs and conducted tours of Tsumura Kampo Museum and other facilities to facilitate understanding of the Company and Kampo.

### Number of Acceptance of Facility Tours and Internship in FY2009

Site	Facility		Internships		Company	
	No. of acceptance	Visitors	No. of acceptance	Visitors	No. of acceptance	Visitors
Headquarters	4	21	0	0	0	0
Tsumura Kampo Museum, Ibaraki Plant	200	2,477	1	5	0	0
Shizuoka Plant	13	70	1	3	2	3
Laboratories (inc. Analytical Technology Center)	* 1	* 15	0	0	0	0
Ishioka Center	0	0	1	2	0	0
Logitem Tsumura	1	6	1	2	0	0
Shanghai Tsumura	26	232	2	2	0	0
Shenzhen Tsumura	43	134	2	18	0	0

\*The number of visitors who went to both Tsumura Kampo Museum and a laboratory is included in the "Tsumura Kampo Museum" column.

\* Internship: A learning system to obtain working experience, in which students work at a company related to their own specialty on a probationary basis. Work-study program

We will cultivate human resources who can personally improve corporate value, and create a work environment in which employees can actively work with pride.

## Personnel Philosophy

### 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 a vital corporate culture

Under our Personnel Philosophy, we are promoting the improvement to our personnel system and its operation, and the creation of a corporate culture and working climate.

## Respect for human rights

In the Tsumura Action Charter, we have declared our intent to act in accordance with a higher standard of ethics by respecting human rights and complying with all laws and regulations, code of conduct and its spirit both in Japan and overseas. Tsumura respects the spirit of The Universal Declaration of Human Rights and complies with ILO (International Labor Organization) decreed International Labor Standards for indicating basic labor criteria. In this way, we have been making efforts for the prevention of human-rights abuse, prohibition of discrimination at the workplace, and prohibition of child labor.

## 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 FY2009, we developed recruitment activities by holding an "Open Seminar" where employees working in the frontline explain the various job outlines in Tokyo and Osaka so that students can better understand TSUMURA & Co.

## Fair evaluation and treatment

Tsumura has adopted two evaluation methods, the "PAT Evaluation" to assess the process and achievement to a semi-annually decided objective and the "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 2010, 429 people have attended these classes. Also, to facilitate appropriate understanding of our personnel system, the "Personnel System Guide Book (TAPS)" is delivered to all employees.

## State of employment

We desire to respect the diversity of employees and realize an ideal working environment. To this end, we have introduced re-employment systems such as for retired workers and the Comeback Program to provide opportunities to work at Tsumura again for employees who left the Company for reasons including child and family care, or the job transfer of a spouse. As of the end of March 2009, 21 employees have been employed with the re-employment system for retired workers, and two employees with the Comeback Program.

### Results concerning Employment

No. of employees (unit: persons)					
	FY2005	FY2006	FY2007	FY2008	FY2009
TSUMURA & Co.	2,362	2,156	2,172	2,205	2,265
Consolidated	2,759	2,750	2,773	2,631	2,702
No. of union members and non-union members (TSUMURA & Co.) (unit: persons)					
	FY2005	FY2006	FY2007	FY2008	FY2009
Union member	1,641	1,478	1,458	1,460	1,483
Non-union member	721	678	714	745	782
No. of new graduates (TSUMURA & Co.) (unit: persons)					
	FY2005	FY2006	FY2007	FY2008	FY2009
New graduate (Female)	29 (13)	23 (6)	30 (14)	56 (29)	28 (10)
Average service years (TSUMURA & Co.) (unit: years)					
	FY2005	FY2006	FY2007	FY2008	FY2009
Average service years	16.8	17.4	17.9	18.4	18.2
No. of employees by employment status (TSUMURA & Co.) (unit: persons)					
	FY2005	FY2006	FY2007	FY2008	FY2009
Permanent Employees (including non-regular staff)	2,362	2,156	2,172	2,205	2,265
Contract employees	286	278	286	329	369
Temporary staff	90	89	117	113	89
Turnover Ratio (TSUMURA & Co.) (unit: %)					
	FY2005	FY2006	FY2007	FY2008	FY2009
Turnover ratio	2.2	9.7*	2.4	1.7	2.2

\* Due to company split-up of Tsumura Lifescience, Co., Ltd.

### Objectives and Achievements of the Tsumura Action Plan to Support

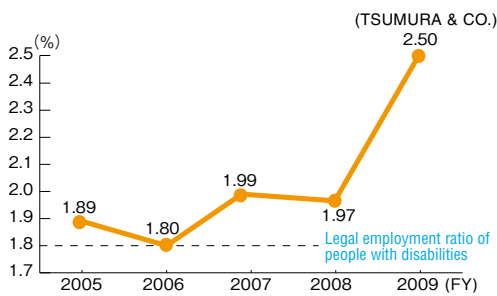
Plan for the Second Period (From April 1, 2007 to March 31, 2010)
1. To boost the childcare leave targets within the target period Male employees: three or more Female employees: 90% or more
2. To expand and publicize the overtime exemption system targeting those employees who have direct responsibility for children of preschool age.
3. To expand and publicize the nursing leave system
4. To boost the leave acquisition to an average of 10 days from April 2007 to March 2010
5. To hold company visits for employees' children
6. To create a system for mutual communication with employees on childcare leave
7. To enhance the environment regarding health management during pregnancy



## Employment of people with disabilities

The recruitment of people with disabilities is continuously and actively implemented throughout the year. We have provided them with a better working environment in which they can exercise their individuality and abilities through hearings and interviews. The headquarters building which is qualified in accordance with the new barrier-free law (formerly the Heart Building Law) is equipped with an elevator and parking lots for the people with disabilities. Barrier-free toilets on the first and second floor are accessible with wheelchairs. While the legal employment ratio of people with disabilities is 1.8%, we are aiming at about 4% in FY2011, with an eye to realizing a people-friendly company.

Employment ratio of people with disabilities



## Work-Life Balance

In an attempt to strengthen our employees' health and promote an affluent life based on work-life balance, the months of June, July, August and November are promoted annually for taking leave. In addition, we recommend our employees to take designated long-term paid leave over three consecutive days as refreshment leave. We also facilitate a reduction of overtime work with no overtime work day twice a week and rules for entering and leaving our head office. We have set up a "Personnel and Labor Committee" to regularly exchange opinions between senior management and the labor union once a month. In consideration of "work-life balance", the Committee has promoted a Tsumura Action Plan to Support the Development of the Next Generation to improve the environment in which healthy children can be born and brought up to play an important role in the next generation.



Company visits for employees' children (Headquarters)

## VOICE

### Aiming to create a pleasant working environment

Rie Ogawa

Health Promotion Center,  
Personnel Department



The Health Promotion Center has conducted activities to strengthen employees' health and to assist their work-life balance. I am mainly responsible for improving the working environment of the employees with disabilities and having interviews for life consulting in order to boost their ability to adapt to the workplace. While I am rather new in the Company, this is a challenging job for me. Thus, I carefully listen to what is said during the interview in order to perceive and consider their requests for improvement. We sometimes need to relay a delicate request to the section in which the interviewee belongs, and if it is physically possible to make improvements, we ask the relevant division to take action. I am glad to hear the interviewees were able to work smoothly after resolution of problems.

## the Development of the Next Generation

Achievements of the Second Period (Total No. from FY2007 to FY2009)	Plan for the Third Period (From April 1, 2010 to March 31, 2015)
<ul style="list-style-type: none"> <li>No. of male employees who took the childcare leave: four</li> <li>Ratio of Female employees who took the childcare leave: four: 97% (35 employees who took the childcare leave / 36 employees who gave birth X 100 = 97%)</li> </ul>	<ol style="list-style-type: none"> <li>To boost the No. of male employees to take childcare leave to over ten within the target period</li> </ol>
<ul style="list-style-type: none"> <li>October 1, 2008: Enlarged the scope to those employees who have direct responsibility for children in the third grade at elementary school and publicized it.</li> </ul>	<ol style="list-style-type: none"> <li>To enlarge the scope of the short-time working system</li> </ol>
<ul style="list-style-type: none"> <li>April 1, 2007: Introduced and publicized the system for paid leave for nursing leave</li> </ul>	<ol style="list-style-type: none"> <li>To expand the system to use invalid paid leave for nursing leave</li> </ol>
<ul style="list-style-type: none"> <li>13.02 days a year per person</li> </ul>	<ol style="list-style-type: none"> <li>To publicize Target 2 and 3</li> </ol>
<ul style="list-style-type: none"> <li>2007, 2008, 2009: Implemented in company headquarters, Ibaraki Plant and R&amp;D center</li> <li>October 1, 2007: Introduced "wiwiw", a support program for employees on childcare leave to return to work</li> </ul>	<ol style="list-style-type: none"> <li>To boost the leave acquisition to an average of 10 days a year per person or more from April 2010 to March 2015</li> </ol>
<ul style="list-style-type: none"> <li>From November 1, 2007: Promoted the use of communication cards for instructions of maternity health management</li> <li>October 1, 2008: Introduced paid leave for prenatal check-up (health guidance or checkup subject to Maternal and Child Health Law) (once a month)</li> <li>October 1, 2008: Introduced grant of unpaid leave before childbirth starting from the desired date in pregnancy</li> </ul>	

### Policy and system of education and training

Personnel who personally decide and take action to achieve high level results while responding flexibly to changes in social environments are demanded. With an educational mission of “fostering independent organizational personnel”, we have systematically educated personnel to build their careers at their early stage on the basis of independence and self-awareness. We have implemented a detailed education by building the curriculum considered necessary for age, vocational ability and position, as shown in the educational system chart below. Education concerning the provision of information on pharmaceutical products, a mission as a pharmaceutical company, has been conducted centering on education of Kampo medicine by the Marketing Training Department as designated by MR Education Center.



Career Design Seminar 32



General training for new recruits

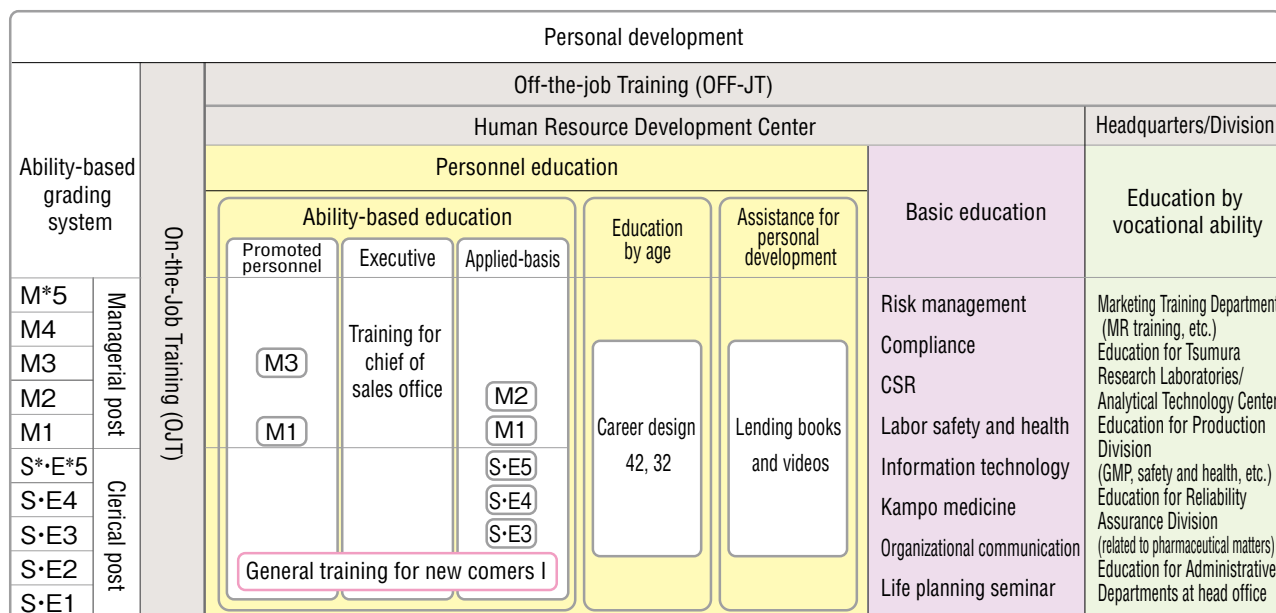
### Employees' consultation service counter

Internal and outside consultation service counters have been set up, so that employees can freely discuss their concerns in order 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
Tsumura Group hotline	Internal/Outside	Compliance violation
Consultations on crimes and public nuisances	Internal	Crimes and public nuisances
Personnel and labor consultation	Internal	Harassment
KSS Line	Internal	Consultations regarding health, nursing care, and concerns
Angel Line	Internal	Pregnancy, childbirth, and childcare
Mental health consultation	Industrial physicians	Mental health
Health consultation	Industrial physicians	Health
Health support program	Outside	Health, nursing care, mental health, etc
Mental health consultation by Health Insurance Association,	Outside	Mental health

#### Chart of Educational System



\*M: Aiming to develop career

\*S: Aiming at managerial post (M course) through development of career at clerical post

\*E: Aiming at development of career at clerical post



## 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 the Health and Safety Management and enforcing the Health and Safety Management standards. By implementing the Health and Safety mutual auditing, each department has been improved. While a business establishment with 50 employees or more is obligated by Law to establish a health committee, we have set our health committees and selected industrial physicians and health administrators in all regional branches, beyond the legal provision. Aiming to improve the management level of health and safety committees and health committees all over the nation, the "Health Promotion Conference" is held four times a year by a gathering of representatives.

## Promotion of "5S" activities

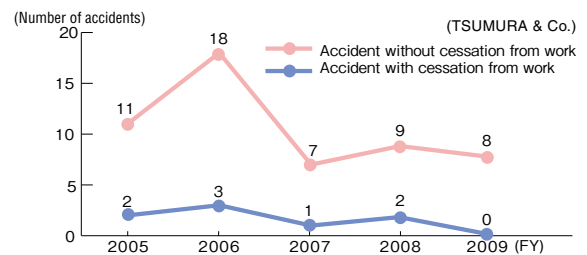
In accordance with the basic policy, "providing products that our customers can use with confidence based on the 5S\* activities", we have conducted a structured program to systematically achieve total organization, cleanliness, and standardization in the workplace, and obtained numerous results since 2007. Through the 5S activities at the Production Division, we aim to acquire a way of thinking as well as customs with a sense of beauty through basic behaviors such as organization and arrangement as a personal development. The 5S activities are conducted by all employees with an eye to become accustomed to behaving understandingly and responsibly by fostering a feeling of trust mutually through conversation.

\*5S: acronym stands for five Japanese words that start with the letter 'S': Seiri (organization), Seiton (arrangement), Seiso (clean-up), Seiketsu (cleanliness), and Shitsuke (discipline).

## Efforts to prevent accidents at work

Shizuoka and Ibaraki Plants, and Ishioka Center are improving Health and Safety at work, aiming to completely eliminate labor and traffic accidents and build mental and physical health.

### Number of accidents at work



5S conference  
(Shizuoka Plant)



5S conference  
(Ibaraki Plant)

## C o l u m n

### On-the-spot report on 5S activities

#### Feedback from Shizuoka Plant

We started 5S activities by reviewing basic manners such as greetings and grooming. As we noticed it was more difficult than we thought to do the things that ought to be "common-sense", we talked with each other, put our heads together, and made efforts for improvement, after which people began making comments like "this is neat and orderly", "it has become easier to work", and "the office is brighter", resulting in a more considerate and thoughtful work environment.

We intend to create a work environment that we can be publicly proud of, by continuing such activities with a confident "can do" attitude.

#### Feedback from Ibaraki Plant

When we started 5S activities with greeting and grooming, some people showed a negative attitude. However, after they became able to greet each other with a positive attitude and to be appropriately groomed, I actually felt that they were more positive than ever before. Now, we all can naturally discuss, consider, and carry out things together.

Presently, we are striving to eliminate unreasonable, unnecessary, and unbalanced things in operation after the 5S activities to organize and arrange our workplace. All of us will work on this activity based on the development of communication.



**Before**  
Space wide enough to conduct tests had not been ensured because of various tools and equipment left on the laboratory table in the testing room.



**After**  
Testing environments were improved by discarding, moving, and reorganizing tools in the testing room.



**Before**  
Files in different shape and size could not be easily pulled out from the shelf full of old catalogues and unnecessary things left out.



**After**  
Wasted time to retrieve information has been reduced thanks to a filing rule in which categories of files are unified and different colors are used for each category in spines of files.

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

(Revised in October 2009)

As a corporate group pursuing “The Best of Nature and Science”, Tsumura promotes corporate activities that consider harmony with nature for global environmental conservation and healthy living.

## Tsumura Environmental Policy

(Revised in October 2009)

### 1. Efforts for environmental conservation

Promote corporate activities in consideration of harmony with nature by recognizing as an important issue the protection of our precious planet earth.

### 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 and development of technologies for this purpose

Make practical efforts and develop new technologies for conserving the environment through the reduction of environmental impact, such as resource and energy saving, recycling, and reducing waste in various aspects of our corporate activities.

### 4. Consideration for biodiversity

Conduct appropriate procurement of raw materials with regard to biological diversity, in order to enjoy nature's bounty in the future years.

### 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. Promotion of environmental education and enlightenment

Promote environmental education and enlightenment activities to enable all executives and 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 our environmental efforts as possible.





### 8. Participation in social contribution activities

We will address environmental conservation voluntarily and participate in social contribution activities through our work of Kampo and botanicals business.



## Targets and Achievements of FY2009

Evaluation criteria:  100% of target or higher  80% of target or higher  Less than 80% of target

	The Mid-term Environmental Objectives (FY2009 – 2011)	Targets of FY2009	Achievements of FY2009	Evaluation
The entire Company	Reduce greenhouse gas emissions for three years by 19% compared with the performance figures in FY1990 (Total emission: 140,257t-CO <sub>2</sub> or less)	Reduce greenhouse gas emissions by 20% compared with the performance figures in FY1990 (Emission: 46,350t-CO <sub>2</sub> or less)	Reduced greenhouse gas emissions by 22% compared with the performance figures in FY1990 (Emission: 45,099t-CO <sub>2</sub> or less)	
Production Sectors including Shizuoka Plant, Ibaraki Plant, Ishioka Center, and the Laboratory	Reduce greenhouse gas emissions for three years by 15% compared with the performance figures in FY1990 (Total emission: 129,894t-CO <sub>2</sub> or less) -Promote further energy saving with introducing and renewing facilities with higher efficiency	Reduce greenhouse gas emissions by 16% compared with the performance figures in FY1990 (Emission: 42,514t-CO <sub>2</sub> or less) Shizuoka Plant: 16,655t-CO <sub>2</sub> or less Ibaraki Plant: 20,457t-CO <sub>2</sub> or less Ishioka Center: 1,234t-CO <sub>2</sub> or less the Laboratory: 4,168t-CO <sub>2</sub> or less	Reduced greenhouse gas emissions by 18% compared with the performance figures in FY1990 (Emission: 41,310t-CO <sub>2</sub> or less) Shizuoka Plant: 17,168t-CO <sub>2</sub> or less Ibaraki Plant: 19,488t-CO <sub>2</sub> or less Ishioka Center: 1,056t-CO <sub>2</sub> or less the Laboratory: 3,597t-CO <sub>2</sub> or less	
Sales Vehicles	Reduce greenhouse gas emissions for three years by 2% compared with the performance figures in FY2008 (Total emission: 7,405t-CO <sub>2</sub> or less) -Gradually introduce hybrid cars. -Practice eco-friendly driving and regularly organize the inside of vehicles.	Reduce greenhouse gas emissions by 2% compared with the performance figures in FY2008 (emission: 2,850t-CO <sub>2</sub> or less)	Reduce greenhouse gas emissions by 2% compared with the performance figures in FY2008 (emission: 2,978t-CO <sub>2</sub> or less) * Reduction by 1.2% per car on average	
Nonproduction sectors	Reduce greenhouse gas emissions for three years by 2% compared with the performance figures in FY2008 (Total emission: 2,958t-CO <sub>2</sub> or less) -Turn off unnecessary lights and keep room temperature around 28°C in summer and 20°C in winter. -Unplug the PCs when leaving office. -Make thorough efforts for reducing paper materials with two-sided printing, and monochrome copying. -Don't use elevators when moving to the floor right below or above.	Reduce greenhouse gas emissions by 2% compared with the performance figures in FY2008 (emission: 986t-CO <sub>2</sub> or less) Head office: 484t-CO <sub>2</sub> or less Regional branches/Sales offices: 502t-CO <sub>2</sub> or less	Reduced greenhouse gas emissions by 30% compared with the performance figures in FY2008 (emission: 811t-CO <sub>2</sub> or less) Head office: 394t-CO <sub>2</sub> or less Regional branches/Sales offices: 417t-CO <sub>2</sub> or less	

## Efforts in FY2009

In consideration of higher expectation for corporate efforts for conserving biodiversity and changes in business environments due to transfer of Tsumura Lifescience Co., Ltd., the Tsumura Environmental Principle and Policy was revised in October 2009 to expand its scope from TSUMURA & Co. to the Tsumura Group.

In August 2009, the “Environmental Management Rules” to which all group companies are subject was established to

clarify the environmental management system. In order to clarify roles of the chiefs of each section, the environmental targets of each section are regarded as their commitment in evaluation. The chiefs of each section take an initiative to act taking into account environments, make efforts to reduce the environmental burden, and instruct employees to achieve the environmental targets.

 See P. 45 )

## Trend of Major Environmental Performance Indices from FY2005 to FY2009

Reporting Period		FY2005	FY2006	FY2007	FY2008	FY2009	Coverage, Corresponding	pages in this report
Total Energy Input [GJ]		888,971	936,031	898,730	899,451	962,506		P.40·44·47
Material Input	botanical raw materials [t]	5,674	5,880	6,221	6,365	7,408	*4	P.44
	containers and packaging [t]	4,555	3,464	3,899	4,439	4,911		P.44
Water Resource Input [t]		899,175	977,732	985,739	978,140	1,107,550	*5	P.42·44·49
Chemical Input	acetonitrile [t]	4.1	3.6	3.8	4.2	3.3		P.43·44·48
Green Purchase Rate [%]		78	81	80	84	80		P.49
Production of ethical Kampo extract granules [t]		4,800	5,052	5,521	6,353	6,839	*6	P.44
Emission of greenhouse gases*1 [t-CO <sub>2</sub> ]		47,700	46,600	43,200	44,900	45,100		P.40·44·47
Waste	Waste emission [t]	12,897	14,918	15,318	17,139	18,749	*7	P.41·44·48
	Final disposal [t]	32	19	2	1	1		
	Percentage of waste recycled [%]	99.0	99.4	99.8	99.8	99.9		
Effluent discharge [t]		784,528	894,140	907,732	889,108	919,406	*5	P.42·44·49
Eco-efficiency for GHG reduction*2 [million yen/t-CO <sub>2</sub> ]		0.53	0.51	0.46	0.50	0.50		—
Eco-efficiency for waste reduction*3 [million yen/t]		0.14	0.16	0.16	0.19	0.21		—
Net sales (consolidated) [million yen]		90,419	91,227	94,799	90,016	90,933		P.51
Total assets (consolidated) [million yen]		135,158	143,378	135,146	126,824	134,697		P.51

The calculation above consists of only the performance data of TSUMURA & Co., 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.

\*1 Greenhouse gases: six kinds of gases designated as greenhouse gases in the Kyoto Protocol.

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

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

\*4 Volume of botanical raw materials used for the process of extraction in the Shizuoka Plant and Ibaraki Plant

\*5 Excluding headquarters, domestic regional branches and sales offices.

\*6 Kampo extract granules for prescription and OTC

\*7 Excluding regional branches, sales offices, West Japan Logistic Center and recreation facilities.

### ■ Important Notice about Environmental Performance

-Shizuoka Plant, Ibaraki Plant, the Laboratory, and Ishioka Center have continuously achieved zero emission in FY2009.

-The gathering of data on waste of Shanghai Tsumura and Shenzhen Tsumura began from FY2009.

### ■ Reporting Organizations

TSUMURA & Co. and its group companies

### ■ 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 FY2009.



## Expecting an increase in production volume, Tsumura Group is making efforts for energy saving and a reduction in greenhouse gas emissions in unison.

### Mid-term Environmental Objectives

With the Mid-term Environmental Objectives set corresponding to the period of the medium-term management plan, we are striving to reduce our greenhouse gas emission for three years from 2009 to 2011 by 19% on average in comparison with the level of FY1990. In FY2010, the upper limit of greenhouse gas emission is 45,648t-CO<sub>2</sub>. Making efforts for energy saving in not only production sections, but also sales vehicles and branches and sales offices, we are promoting “the reduction in greenhouse gas emission” as the company-wide activity.

### Engagements for global warming prevention in FY2009

In FY2009, while the production volume of medical extracted granules increased by 7.6% from the previous year, the emission of greenhouse gases decreased by 0.4% from the previous year, and by 21.8% in comparison with the level in FY1990.

Production sections\*1 have introduced and renewed facilities such as freezers and air conditioners basically taking into account high energy efficiency and energy saving.

At the Shizuoka Plant, it became possible to reduce CO<sub>2</sub> by 530t per year by updating a cold water reproducing device to highly efficient model (module chiller free cooling).

Ibaraki Plant introduced Japan’s first steam generator using heat pump technology of which heat source is waste warm water from a cogeneration system\*2. With this equipment, it will be possible to reduce CO<sub>2</sub> by about 350t per year.

Branches and sales offices are also promoting energy saving activities and eco-friendly driving by disclosing the monthly greenhouse gas emissions of each establishment to check progress. Hybrid cars have been introduced as a sales vehicle. Shanghai Tsumura and Shenzhen Tsumura are striving to reduce greenhouse gas emissions with efficient production plans and energy-saving activities.

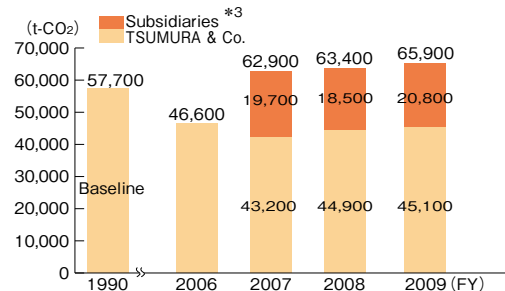
\* 1 Production sections: Including Shizuoka and Ibaraki Plants, Ishioka Center, and the Laboratory

\* 2 Cogeneration system: As seen in its name, it is a system to obtain multiple energies such as electric and thermal energies from only one energy.

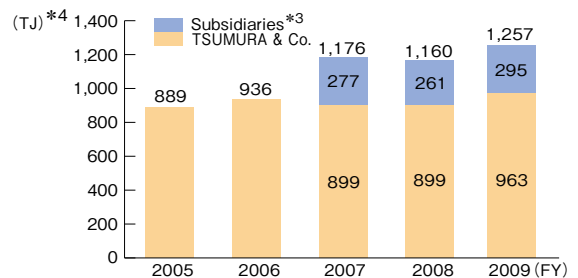
### Future developments and targets

While it is inevitable for energy consumption to increase due to the expansion in production volume, we will effectively promote energy-saving activities such as introduction of new technologies by setting discernable reduction targets to extinguish energy use. The Ibaraki Plant is presently introducing a facility to reuse steam with a hybrid method in the concentration process of Kampo extracted liquid. It is scheduled to start operation in the second half of 2011, and expected to reduce CO<sub>2</sub> by 2,000t per year. Based on the result in FY2009, branches and sales offices will conduct new energy saving activities, and increase their awareness by expressing the commitment of each section. In this way, the Company will strive to achieve the mid-term environmental objectives as a whole.

Performance of Greenhouse Gas Emissions



Energy Consumption



Related data:

Greenhouse gas emissions by establishment.....P.47

Energy consumption by establishment.....P.47

\* 3 Subsidiaries: Logitem Tsumura, Creative Service, Shanghai Tsumura, and Shenzhen Tsumura

\* 4 TJ=1,000GJ

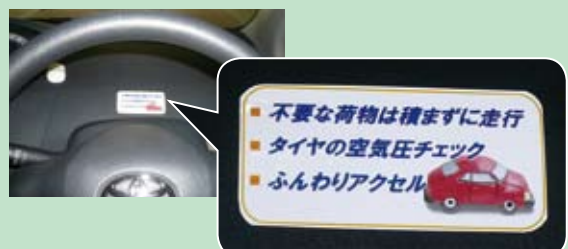
J (joule): The unit of power in International System of Units One joule is the work done, or energy expended, by a force of one Newton moving one meter along the direction of the force

## C o l u m n

### Awareness for energy saving of sales vehicles

Kobe Regional Branch prepared unique labels to remind drivers of eco-friendly driving. The labels are attached them to conspicuous places on the sales vehicles in order to increase awareness of practicing eco-friendly driving.

We are promoting eco-friendly driving in all establishments by placing such examples of good practice on “Tsumura Environmental News” to share information with other establishments.



## We are building systems for cyclical use of resources, for example, converting botanical drug residues into fertilizers and bio-ethanol, and recycling water resources.

### Policy for waste reduction and recycling

While it is inevitable for wastes to increase due to the expansion in production volume, we will make efforts for reducing final disposal volumes of waste with proactive reduction and reuse. As for industrial waste (including ones under special management), we are striving to continuously achieve zero emission (a 100% recycling rate of industrial waste\*) by selecting appropriate waste treatment contractors.

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

### Approach to waste reduction and recycling in FY2009

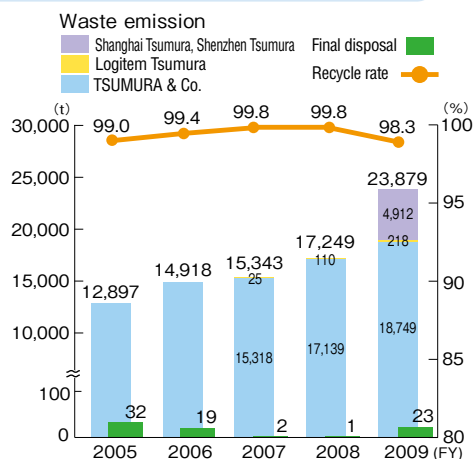
Although waste generation is increasing as production increases, we are striving to reduce emission by converting waste plastic and packaging materials such as plastic bags, cardboards, and wrapping paper into valuable resources. As for industrial waste, the Shizuoka and Ibaraki Plants, the Laboratory, and the Ishioka Center have continuously achieved zero emissions. In addition, branches and sales offices have made efforts for effective use of waste by setting reuse corners. As the result of these efforts, the recycle rate reached 98.3% in 23,879t of the Group-wide total waste emissions (including general wastes) in FY2009.

### Recycling of botanical drug residues

In FY2009, the volume of botanical drug residues generated through the manufacturing process of Kampo extracts was 20,672t, accounting for about 90% of total industrial wastes. While all of them have been recycled as fertilizers, we considered a new recycling method to convert botanical drug residues to bio-ethanol\*. As the result of consideration, it was found that ethanol with over 90% purity can be made from botanical drug residues, and used as fuel for boilers. It was also discovered that residues after production of bio-ethanol can be effectively used as bio-based fuels and organic fertilizers. Presently, we are considering in-house recycling of botanical drug residues as bio-ethanol.

\* Bio-ethanol: Ethanol made from fermented plants such as sugarcane.

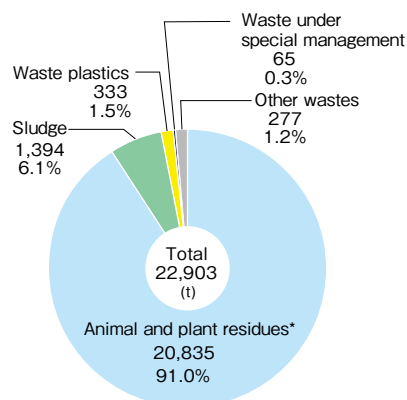
Industrial Waste emission, Final disposal, and Recycle rate



\*Shanghai Tsumura and Shenzhen Tsumura are included from FY2009. Final disposal and recycle rate are values of the group total.

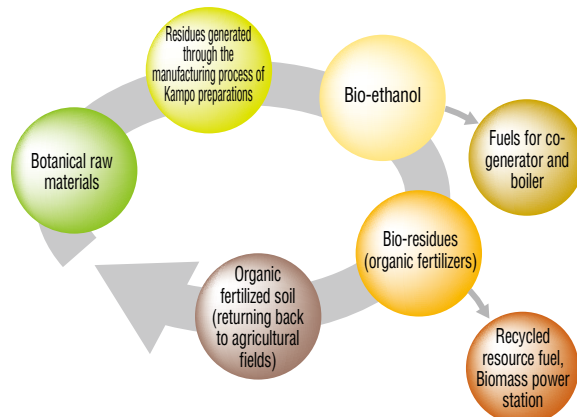
Related data: waste emitted, disposed and recycled by establishment .....P48

Breakdown of industrial waste emission



\* Animal and plant residues include residues of botanical raw materials.

Flow chart of recycling of botanical drug residues





## Water Resource Protection

Since we are using a large volume of water, nature's bounty, the reduction and cyclical use of water are our policies for the sustainable use of water.

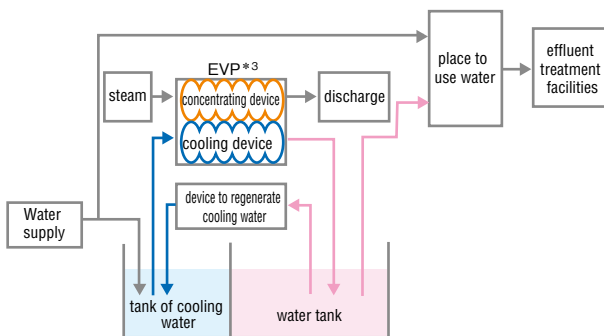
At the Shizuoka and Ibaraki Plants, cooling water used in the process to concentrate extracted liquid for Kampo preparation is collected and reused. In FY2009, the Shizuoka and Ibaraki Plants collected respectively 54.5% and 55.2% of the entire amount of cooling water\*1. Shanghai Tsumura has also started reuse of cooling water from FY2010. Discharged water from machines to produce purified water and the wastewater are reused for water scrubbers\*2 and other miscellaneous purposes. In addition, automatic water faucets have been sequentially introduced as a measure to save water.

\* 1 Collection ratio of water: the ratio of collected and reused water among the entire water consumption.  
 (Quotation: Water department, Land and Water Bureau, the Ministry of Land, Infrastructure, Transport and Tourism)  
 <Formula of collection ratio>

$$\text{Collection ratio (\%)} = \frac{\text{the entire water consumption} - \text{water supply}}{\text{the entire water consumption}} \times 100$$

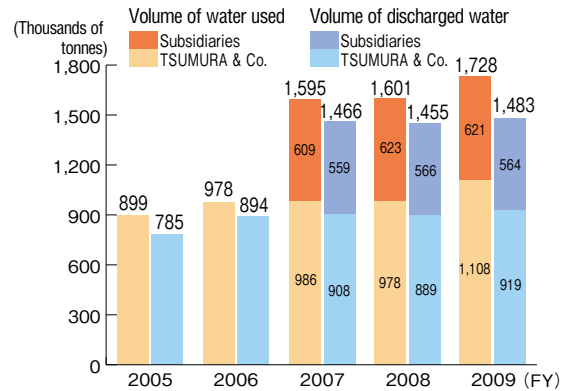
\* 2 Water scrubber: Facility to eliminate hazardous substances emitted to the atmosphere by cleaning exhaust gas emissions with water

### Flow chart of reuse of cooling water used in the process to concentration



\*3 EVP: Evaporation (Concentration step)

### Volume of water used (drinking water, industrial water, and groundwater)



Related data: Water consumption and discharge by establishment ... P49

Discharge of waterpollution substances ..... P49

## Future developments and targets

At the Ibaraki Plant, the production process of extracted powder was additionally built to increase production capacity, based on a long-term forecast of demand for ethical Kampo preparations. Accordingly, an increase in production volume is expected in the future. We will make efforts for realizing the recycling society by promoting the 3Rs (Reduce, Reuse, and Recycle), for example, in the conversion of wastes to valuable resources, continuous achievement of zero emission, reduction in water consumption and cyclical use of water resources.

## VOICE

### Building systems for resource circulation

Shigetoshi Mochizuki

Director of Ibaraki Plant, Production Division



Considering that we should aim to be an eco-friendly and recycling-oriented company, the Ibaraki Plant has continuously achieved a 100% of recycling rate from FY2006 to FY2009. While botanical drug residues which account for the largest part of industrial wastes have been completely recycled to products such as fertilizers through waste disposers, we started considering in-plant recycling of botanical drug residues as bio-ethanol and organic fertilizers, expecting the future increase in production volume. Furthermore, we have introduced a new innovative energy-saving facility to recycle exhaust heat in the concentration process of Kampo extracted liquid, and plan to start its operation in the latter half of 2011. With the operation of this facility, it will be possible to collect 95% of heat very efficiently, and thus supply of heat will be hardly needed. We expect the facility to save steam and electric energy, cut down on greenhouse gas emission, and reduce cooling water used in the concentration process to 1/8 of the prior amount without generation of excessive steam. In this way, we are creating systems for cyclical use of various resources.

**As a company to support human health, we are making efforts for creating a healthy environment with chemicals management and a reduction in pollutant release.**

### Chemicals management

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.

Among chemicals we use, one subject to the PRTR (Pollutant Release and Transfer Register) System has been only acetonitrile since FY2006 due to our steady efforts to reduce such substances. Acetonitrile is used as a solvent in constituent inspections from botanical raw materials through products. Following it, chloroform is the second most used substance. In FY2009, we successfully completed verification tests for granulated powder, extracts, tablets in Shizuoka Plant, and the test for extracts in Ibaraki Plant with a substitution for chloroform.

Chemicals are purchased through the “Cyber Reagent Mall” on the corporate intranet, so that the stockpile of chemical substances is recorded. Furthermore, we will make efforts for improving the operation management, for example, the periodical renewal of the MSDS\*, education concerning the laws and regulations related to chemicals, and implementation of patrols and emergency drills.

\* MSDS (Material Safety Data Sheet): A safety data sheet for chemicals in which information on nature of chemicals and how to handle them is stated.

### Air and water pollution Control

#### ● Activities of production bases

In an attempt to conserve water quality and prevent air pollution, domestic and overseas production bases have complied with relevant local laws and regulations, set strict voluntary standards, and implemented management based on these laws and regulations. Water pollutant release of each base is regularly measured to monitor water quality. Furthermore, facilities to treat exhaust gas and discharged water are inspected on a regular basis to confirm that they are not contaminated.

#### ● The Logitem Tsumura approach

For Logitem Tsumura Co., Ltd., engaged mainly in haulage business, a reduction in environmental burden is a critical issue. In FY2009, they achieved a year-on-year reduction of 9.4% in light oil consumption with thorough implementation of stopping the practice of idling, driving without sudden starting and acceleration. It leads to not only energy saving and a reduction in greenhouse gas emissions, but also prevention of air pollution. They have also conducted activities from various angles, for example, promotion of modal shift.



Patrol to manage chemicals (Laboratory)



Water scrubber (Shenzhen Tsumura)



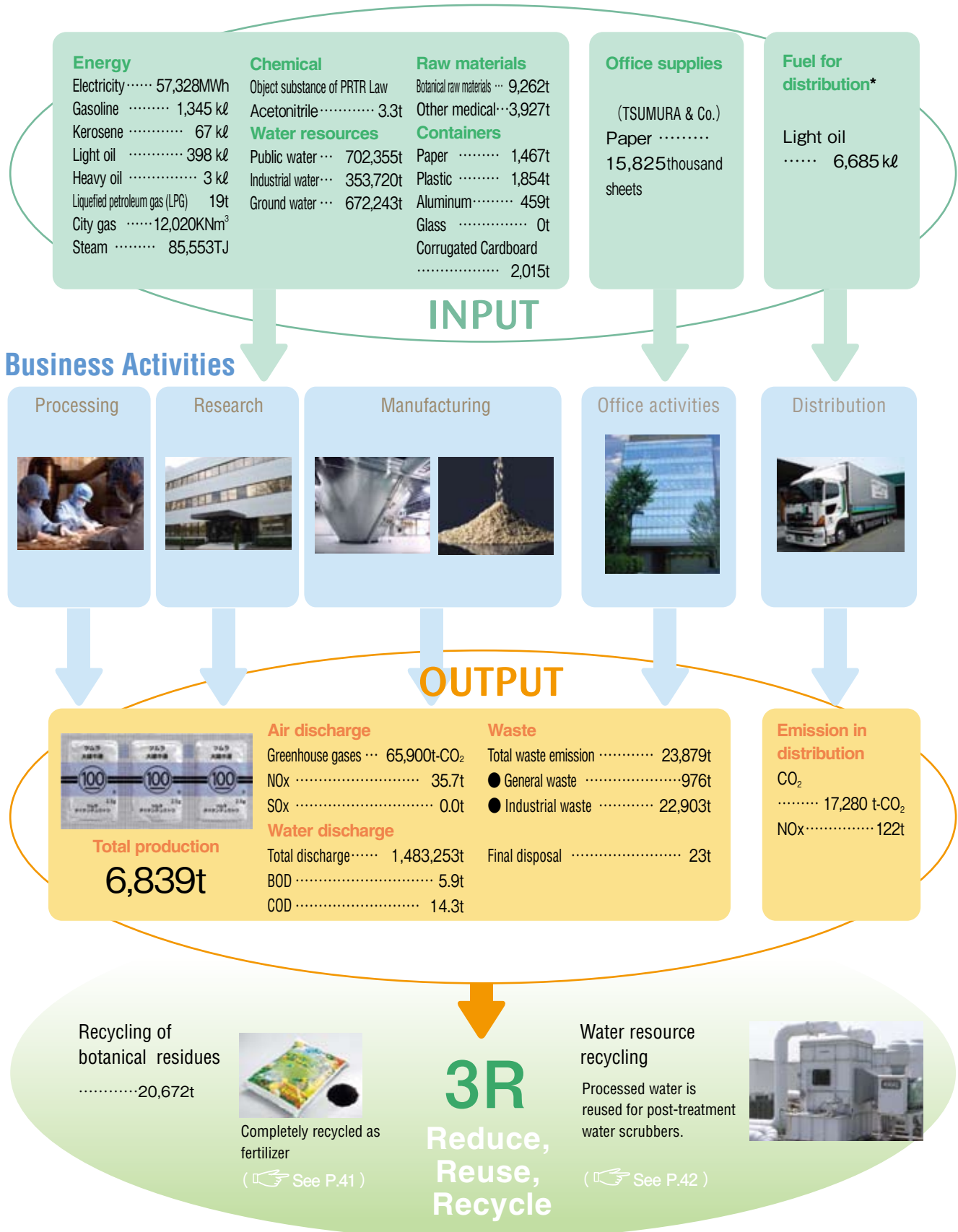
Effluent treatment facility (Shanghai Tsumura)



Promotion of eco-driving (Logitem Tsumura)

# Energy and Material Flow

[Reporting organization] TSUMURA & Co., Logitem Tsumura Co., Ltd., Creative Service, Inc., Shanghai Tsumura Pharmaceuticals Co., Ltd., and Shenzhen Tsumura Medicine Co., Ltd.  
 [Period covered] April 1, 2009 to March 31, 2010 January 1, 2009 to December 31, 2009 (Shanghai Tsumura and Shenzhen TSUMURA)



\* Fuel consumption at Logitem Tsumura and other contract carriers was calculated according to the conventional ton-kilometer method defined by Energy Saving Act. Transport within China or from China to Japan is not included.

## Tsumura enhances its environmental management system based on our “Environmental Principle” and “Environmental Policy”

### Environment Management Policy/System

In order to respond to changes in business conditions and increasing expectation for corporate efforts for conserving biodiversity, Tsumura revised the “Environmental Principle” which is an action principle for environmental conservation activities, and the “Environmental Policy” which is an action policy to realize the principle in October 2009. In August 2009, the “Tsumura Environmental Management Rules” was established, which clarifies the environmental management system of Tsumura Group, and provides for fundamental matters concerning environmental management. We are executing environmental management activities with the environmental system in which a specialized department is CSR Promotion Department, and the Operating officer in charge of CSR Promotion Department is General Manager of environmental management, while clarifying roles of a division chief as an environmental manager of each division.

### Environmental Management System

The domestic production bases, the Shizuoka and Ibaraki Plants acquired ISO14001, an international standard of environmental management in 2001, and have built its environmental management systems. In FY2009, the Shizuoka and Ibaraki Plants passed the third renewal assessment for ISO 14001 by its certification body.

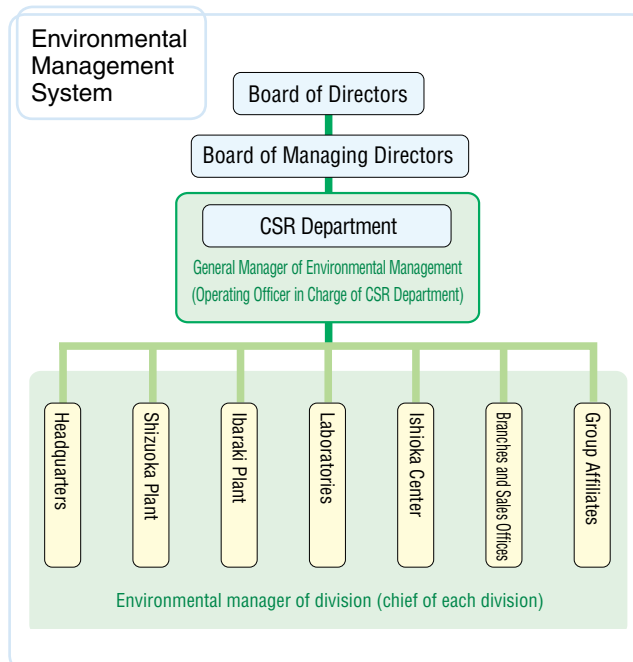
### Emergency response

In the production departments, 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



Emergency drill to be prepared for hazardous substance leakage (Ibaraki Plant)



### Activities of overseas bases

In December 2009, Shenzhen Tsumura established “Environmental Management Rules” which provides for fundamental matters concerning environmental management, which conducts environmental conservation activities with the environmental management system in which the president is a top environmental manager, a division chief is an environmental manager of each division, and a main division is a general accounting office, while clarifying each role. Shanghai Tsumura has also prepared “Environmental Management Rules”.

### Tsumura Green Photo Contest 2009



Grand prize  
“Healing scenery in the town”  
Shun Maeda, Otsu Sales Office, Kyoto Regional Branch



# Tsumura enhances its environmental management system based on our “Environmental Principle” and “Environmental Policy”

## Policy of environmental education and awareness

We have conducted environmental education since FY2001, aiming to promote continuous engagement in environmental conservation activities according to the Tsumura Environmental Principle and Policy. It is considered important to have all employees understand that as our business is deeply related to nature, coexistence with nature is required to continue business.



Environmental education in Shenzhen Tsumura

### Achievement of Environmental Education in FY2009

Category	Frequency	No. of Participants
General education	99	3,068
Special education	52	976
Education of internal auditors	2	18
Guidance on environmental policy for contractors	11	46
Collection of environmental slogan	1	454
Emergency drills	29	1,914

## Activities in FY2009

### ● CSR/Environmental Seminar

In June, an environmental awareness month, CSR Environmental Seminar was held for workers at the headquarters for the purpose of raising environmental awareness. We invited Mr. Yoshiyuki Yamamura of Kirin Brewery Co., Ltd. which, as with Tsumura, makes their business from nature’s bounty, where he delivered a lecture on CSR activity environmental efforts. 180 participants increased their awareness of CSR and the environment.



CSR/Environmental Seminar

### ● Biodiversity Seminar

In October 2009, the consideration for bio-diversity was added to “Environmental Policy”. Since our business is based on botanical raw materials which are blessings of nature, it is essential for us to consider bio-diversity. For the purpose of developing an understanding of bio-diversity, we held an internal seminar, inviting Dr. Seizo Sumida, a director general of Japan Bio-industry Association Research Institute, as a lecturer.



Bio-diversity Seminar

Tsumura has held the “Tsumura green photo contest”, in order to increase environmental awareness by using the medium of photography since 2001. In 2009, photos were accepted from all four seasons of the theme “The nature I want to conserve” or “Immediate environmental issues” categories. In addition to being broadly used as materials for promoting activities for the purpose of environmental awareness, the selected works have been published in this environmental report and our in-house magazine.



Gold prize in spring, “The nature I want to conserve” category  
“The spring landscape in central Tokyo”

Shigeru Hasegawa, Auditing group, Internal Auditing Department



Gold prize in summer, “The nature I want to conserve” category  
“Abundant coral reef in the sea of Miyako Island”

Mina Nishiwaki, Sales promotion section, Nagoya Regional Branch



Gold prize in autumn, “The nature I want to conserve” category  
“The hot-spring hotel at the foot of mountain covered by fog”

Hideki Hirayama, Microbial test group, Analytical Technology Center



Gold prize in winter, “The nature I want to conserve” category  
“Foggy river”

Kiyomi Morishita, Literature group, Tsumura Library



Gold Prize, “Immediate environmental issues” category  
“Heritage of the high-growth period (Gunkan Island)”

Shozo Tokunaga, Nagasaki Sales Office, Fukuoka Regional Branch

- The gathering of data of the following Tsumura Group companies began in FY2007: Creative Service Inc., Logitem Tsumura Co., Ltd., Shanghai Tsumura Pharmaceuticals Co., Ltd., and Shenzhen Tsumura Medicine Co., Ltd.
- The headquarters moved to a leased building in May 2007.
- The data of Fujieda Center has included in Shizuoka Plant since October 2009.
- The data of West Japan Logistic Center, which had been included in the Headquarters have been included in Logitem Tsumura Co., Ltd. from FY2009.

## ■ Prevention of Global Warming

### Greenhouse gas emissions by establishment (CO<sub>2</sub> equivalent) [t-CO<sub>2</sub>]

Name of establishment	FY2005	FY2006	FY2007	FY2008	FY2009
Headquarters	1,240	1,100	662	656	394
Shizuoka Plant	23,700	20,400	17,400	15,100	17,200
Ibaraki Plant	14,300	16,400	17,300	20,000	19,500
Laboratories	3,980	3,970	3,150	4,170	3,600
Ishioka Center	507	1,110	1,170	1,500	1,060
Regional branch and sales offices	3,980	3,620	3,480	3,440	3,400
Subtotal	47,700	46,600	43,200	44,900	45,100
Creative Service			1,370	1,130	1,170
Logitem Tsumura			24	28	22
Shanghai Tsumura			12,500	12,800	13,700
Shenzhen Tsumura			5,870	4,520	5,880
Total	47,700	46,600	62,900	63,400	65,900

- \* Calculated based on the manual for "Calculations, reports, and announcement of GHG emissions" in the "Law concerning promotion of measures for controlling global warming".
- \* Emissions derived from purchased electricity are 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-CO<sub>2</sub>/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-CO<sub>2</sub>/MJ) is used.
- \* From FY2009, the factor in the Ordinance of Enforcement of the Laws concerning the promotion of measures for controlling global warming which came into force in FY2010 is used.

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

Name of establishment	FY2005	FY2006	FY2007	FY2008	FY2009
Headquarters	30,314	26,914	16,104	14,471	9,189
Shizuoka Plant	403,162	400,317	343,261	302,219	361,938
Ibaraki Plant	289,922	332,475	367,630	403,075	414,073
Laboratories	87,862	88,549	81,838	89,792	90,487
Ishioka Center	13,046	29,423	33,546	34,937	31,307
Regional branch and sales offices	64,666	58,352	56,350	54,957	55,512
Subtotal	888,971	936,031	898,730	899,451	962,506
Creative Service			22,426	18,777	22,580
Logitem Tsumura			701	676	666
Shanghai Tsumura			177,078	183,067	196,119
Shenzhen Tsumura			76,616	58,324	75,248
Total	888,971	936,031	1,175,551	1,160,295	1,257,118

- \* The factor by time (daytime: 9.97 MJ/kWh, night-time: 9.28 MJ/kWh) is used only for purchased electricity at production bases in accordance with Energy Saving Law.
- \* The purchased electricity factor in Shanghai Tsumura and Shenzhen Tsumura is 9.97 MJ/kWh.
- \* The conversion factors of calorific value of city gas provided by each supplier are used.
- \* As for our Headquarters, electricity usage only for the occupied area was included in and after June. City gas was not used.
- \* From FY2009, the factor in the Ordinance of Enforcement of the Energy Saving Law which came into force in FY2010 is used.

## ■ Air Pollution Control

### Emission of air pollution substances [t]

Name of establishment		FY2005	FY2006	FY2007	FY2008	FY2009
TSUMURA & Co.	NO <sub>x</sub>	40.52	34.46	33.67	30.97	30.79
Logitem Tsumura				6.35	5.19	4.88
Total		40.52	34.46	40.02	36.16	35.67

TSUMURA & Co.	SO <sub>x</sub>	3.31	1.52	0.15	0.00	0.00
	Dust	1.09	0.28	0.27	0.14	0.17

- \* NO<sub>x</sub> from commercial vehicles was added.



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

Name of establishment	Chemicals	Annual consumption	Release			On-site landfill	Transfer		
			Air	Public water	Soil		Waste	Public sewer	Outside facilities
Shizuoka Plant	Acetonitrile	0.8(1.0)	0(0)	0(0)	0(0)	0(0)	0.8(1.0)	0(0)	0(0)
Ibaraki Plant	Acetonitrile	2.5(3.2)	0(0)	0(0)	0(0)	0(0)	2.5(3.2)	0(0)	0(0)

\*Performance in FY2008 is shown in parentheses.

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

Name of establishment		FY2005	FY2006	FY2007	FY2008	FY2009
Headquarters	Emission	141	234	59	10	7
	Final disposal	22	9	0	0	0
	Recycle rate	82.9%	87.0%	89.6%	100.0%	97.4%
Shizuoka Plant	Emission	9,062	8,861	7,443	6,575	8,715
	Final disposal	1	1	1	1	0
	Recycle rate	99.9%	99.9%	99.8%	99.8%	99.9%
Ibaraki Plant	Emission	3,367	5,318	7,505	9,853	9,691
	Final disposal	1	1	0	1	1
	Recycle rate	99.5%	99.6%	99.9%	99.9%	99.9%
Laboratories	Emission	217	247	132	428	180
	Final disposal	5	7	0	0	0
	Recycle rate	85.1%	93.7%	100.0%	98.8%	97.8%
Ishioka Center	Emission	45	142	137	236	129
	Final disposal	2	1	0	0	0
	Recycle rate	32.3%	85.8%	99.0%	100.0%	100.0%
Fujieda Center	Emission	65	116	41	36	27
	Final disposal	2	0	0	0	0
	Recycle rate	97.0%	100.0%	99.3%	88.4%	88.6%
Subtotal	Emission	12,897	14,918	15,318	17,139	18,749
	Final disposal	32	19	2	1	1
	Recycle rate	99.0%	99.4%	99.8%	99.8%	99.9%
Logitem Tsumura	Emission			25	110	218
	Final disposal			0	0	0
	Recycle rate			97.6%	100.0%	99.9%
Shanghai Tsumura	Emission					4,076
	Final disposal					0
	Recycle rate					100.0%
Shenzhen Tsumura	Emission					836
	Final disposal					21
	Recycle rate					54.5%
Total	Emission	12,897	14,918	15,343	17,249	23,879
	Final disposal	32	19	2	1	23
	Recycle rate	99.0%	99.4%	99.8%	99.8%	98.3%

\*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 regional branches, sales offices, West Japan Logistic Center, recreation facilities, and Creative Service are excluded.

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

\*General waste from headquarters has been excluded from FY2007.

\*The gathering of data of Shanghai Tsumura and Shenzhen Tsumura began in FY2009.

\*As for Fujieda Center, the performance in the first half is indicated herein, and the one in the second half is included in Shizuoka Plant.

\*Special disposal and treatment is required for solid wastes such as gloves and masks used in the production of botanical raw materials derive from toxic pinellia tuber and arisaema serratum.

## Water Resource Protection

Water consumption and discharge by establishment [t] (clean water, industrial water, and groundwater)

Name of establishment		FY2005	FY2006	FY2007	FY2008	FY2009
Headquarters	Consumption	14,883	12,884	4,549	5,398	3,915
	Discharge	14,883	12,884	4,549	5,398	3,915
Shizuoka Plant	Consumption	550,060	554,417	525,215	497,550	525,929
	Discharge	475,921	489,611	463,600	446,471	488,964
Ibaraki Plant	Consumption	285,265	350,634	402,343	433,927	527,911
	Discharge	290,131	381,681	429,307	428,196	415,473
Laboratories	Consumption	45,374	49,833	43,356	32,222	38,741
	Discharge	*Included in the water discharge from Ibaraki Plant				
Ishioka Center	Consumption	3,593	9,964	10,276	9,043	11,054
	Discharge	3,593	9,964	10,276	9,043	11,054
Subtotal	Consumption	899,175	977,732	985,739	978,140	1,107,550
	Discharge	784,528	894,140	907,732	889,108	919,406
Creative Service	Consumption			2,584	2,423	2,896
	Discharge			2,584	2,423	2,896
Logitem Tsumura	Consumption			328	343	313
	Discharge			328	343	313
Shanghai Tsumura	Consumption			500,996	566,930	569,110
	Discharge			450,896	510,237	512,189
Shenzhen Tsumura	Consumption			104,929	52,897	48,449
	Discharge			104,929	52,897	48,449
Total	Consumption	899,175	977,732	1,594,576	1,600,733	1,728,318
	Discharge	784,528	894,140	1,466,469	1,455,008	1,483,253

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

\*The domestic regional branches and sales offices are excluded.

\*From FY2007, the headquarters building is excluded (however, the recreation facility is included).

## Discharge of water pollution substances [t]

### Shizuoka Plant

	FY2005	FY2006	FY2007	FY2008	FY2009
BOD	0.69	0.65	0.89	0.80	1.04
COD	2.14	2.24	2.08	1.82	2.16
SS	0.99	0.94	0.89	0.93	1.43
Nitrogen	0.47	0.47	0.54	0.26	0.39
Phosphate	0.026	0.030	0.027	0.022	0.026

### Ibaraki Plant

	FY2005	FY2006	FY2007	FY2008	FY2009
BOD	0.49	0.43	0.67	0.67	0.39
COD	1.07	1.59	4.19	3.79	1.62
SS	0.14	0.24	0.19	0.17	0.20
Nitrogen	0.73	0.81	0.79	0.93	0.90
Phosphate	0.004	0.010	0.013	0.011	0.010

### Shanghai Tsumura

	FY2007	FY2008	FY2009
BOD	2.59	2.55	4.48
COD	4.12	5.94	10.48
SS	-	-	-
Nitrogen	0.05	0.06	0.04
Phosphate	-	-	-

## Environmental Considerations in the Workplace

Green purchase rate and office paper consumption

	FY2005	FY2006	FY2007	FY2008	FY2009
Green purchase rate [%]	78	81	80	84	80
Office paper consumption* (thousand sheets) *on a A4 paper basis	18,440	17,757	16,953	17,440	15,825

\*The data of general office supplies was gathered.

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

\*Creative Service, Logitem Tsumura, Shanghai Tsumura and Shenzhen Tsumura were excluded.

## Environmental Accounting

Scope: Domestic plants and offices of TSUMURA & Co.  
 Period covered: April 1st, 2009 to May 31st, 2010  
 Reference: MOE Environmental Accounting Guidelines (2005)

### Environmental Conservation Cost [thousands of yen]

Category of cost	Major activities	FY2008		FY2009	
		Investment	Expenses	Investment	Expenses
(1) Business area cost		548,792	581,223	339,994	677,130
Pollution prevention	Prevention of air and water pollution, odor, etc.	59,663	158,953	82,291	199,710
Global environmental conservation	Prevention of global warming, energy saving, and prevention of ozone layer depletion	456,399	88,328	252,779	111,087
Resource circulation	Efficient use of resources, waste recycling, treatment, and disposal, etc.	32,730	333,942	4,924	366,333
(2) Upstream/downstream costs	Reduction of negative environmental impact of container wrapping, recovery, recycling, and proper processing of waste products, etc.	0	16,942	0	16,505
(3) Administration costs	Development and operation of environmental management, information disclosure, environmental advertising, and environmental education, etc.	1,588	186,617	723	205,057
(4) R&D costs	Research and development of products that contribute to environmental protection	0	21,118	0	11,524
(5) Social activity costs	Contribution and support to environmental protection groups, etc.	0	2,289	0	2,372
(6) Environmental damage costs	Restoration of natural environment, provision of reserves, and insurance costs, etc.	0	42,773*	0	525
(7) Other costs	Prevention of radiation injuries	0	0	0	0
<b>Total</b>		<b>550,380</b>	<b>850,962</b>	<b>340,717</b>	<b>913,113</b>

\*Recorded as costs for disposal of soil and buried on the premises of Ishioka Center.

### Environmental Conservation Benefit

Category	Environmental Performance Index	FY2008	FY2009	Conservation benefit
Benefit concerning resource input to the business operation	Total energy input [GJ]	899,451	962,506	63,055
	Total water resource input [t]	978,140	1,107,550	129,410
Benefit concerning the emission of waste and other environmental loads from the business	Discharge of greenhouse gas emission [t-CO2]	44,900	45,100	200
	Total water discharge [t]	889,108	919,406	30,298
	Total waste emission [t]	17,139	18,749	1,610

\*Total production of ethical Kamפו formulation was increased by 486t from FY2008 (6,353t) to FY2009 (6,839t).

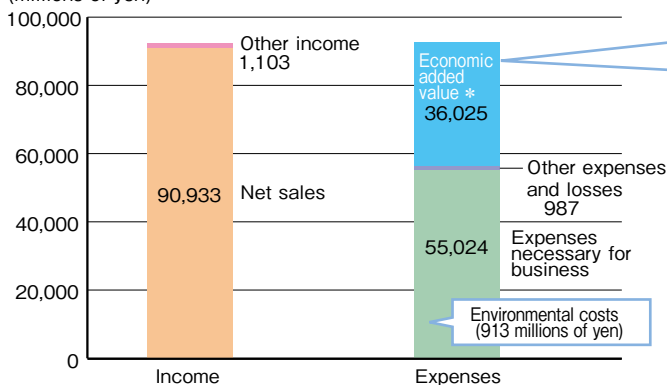
### Economic Benefit of Environmental Conservation [thousands of yen]

	Detail of Benefits	FY2008	FY2009
Direct economic benefits	Sales of valuable resources	14,398	6,593
Cost saving benefits	Waste disposal cost saving from conversion of packaging materials into valuable resources (excluding metal)	34,952	43,223
<b>Total</b>		<b>49,350</b>	<b>49,816</b>

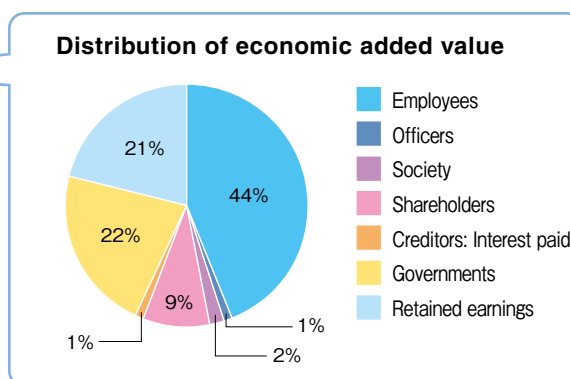
## Distribution of economic added value

“Distribution of economic added value” represents how to allocate profit earned in business activities targeting patients and customers to business partners, shareholders, governments, and a society as economic relation between stakeholders and the Tsumura Group.

(millions of yen)



\* Economic added value = Income - (general administrative expenses + other cost and deficit)



## Financial Report

### Consolidated Business Results

In FY2009, the consolidated net sales increased 1.0% year-on-year to ¥90,933 million.

Sales of 129 ethical Kampo preparations, our mainstay, continued to steadily increase 6.0% year-on-year to ¥83,782 million.

The reason why the consolidated net sales showed just a slight increase in spite of increased sales of ethical Kampo preparations is that we sold shares of Tsumura Lifescience Inc. and the manufacturing and sales rights for our external-use anti-fungal drug ASTAT in the previous fiscal year.

In FY2009, Cost of sales ratio decreased 0.9% year-on-year thanks to a growth of 8.2% in sales volume of ethical Kampo preparations, as well as the company-wide efforts for more efficient operations.

As for Selling, general and administrative expense, SGA

ratio showed an improvement of 1.6 points in comparison to the previous fiscal year, with efforts for further efficient costs. Consequently, Operating profit increased 14.9% year-on-year to ¥18,938 million.

Operating profit ratio was 20.8%, increasing 2.5 points from 18.3% in the previous consolidated fiscal year, as a steady result of specialization in Kampo.

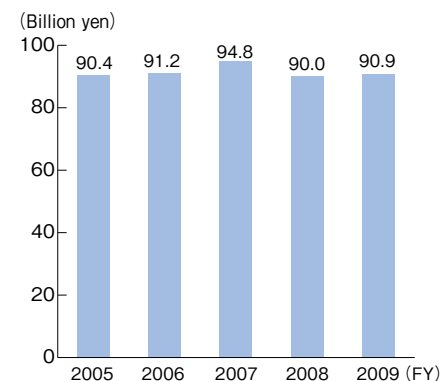
Ordinary profit increased 14.7% year-on-year to ¥19,071 million. Net income decreased 0.7% year-on-year to ¥10,704 million. Since extraordinary gains on sale of a consolidated subsidiary and the manufacturing and sales rights for ASTAT were posted in the previous consolidated fiscal year, net income slightly fell in FY2009.

Both Operating and Ordinary profits hit a record high in FY2009.

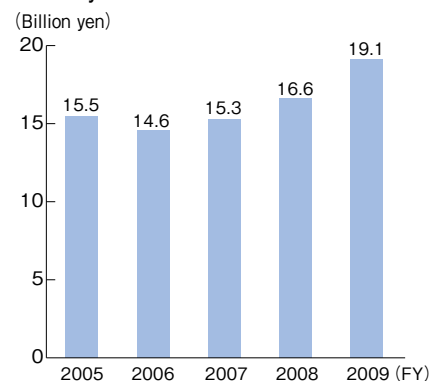
### Financial Indicators

(figures are rounded off to the 100 million)

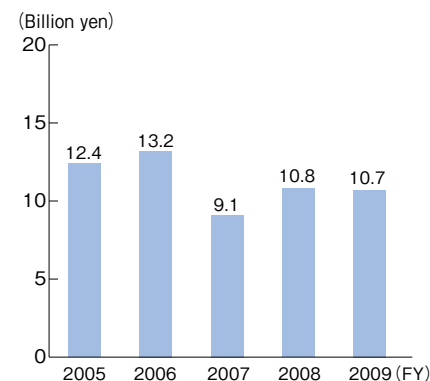
#### Net sales



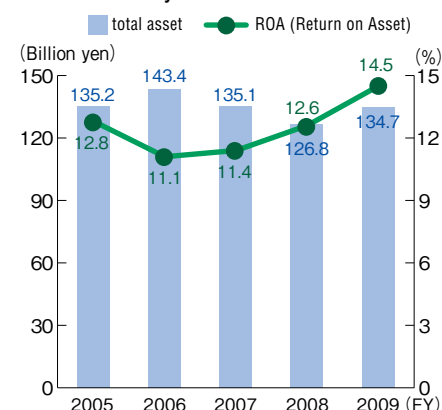
#### Ordinary income



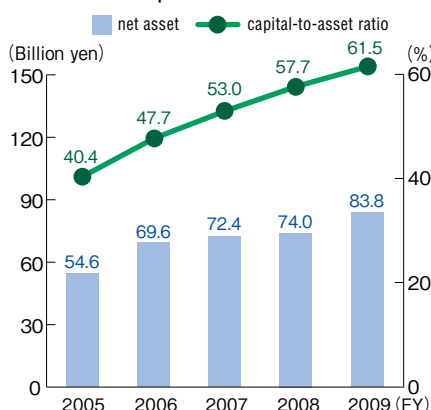
#### Net income



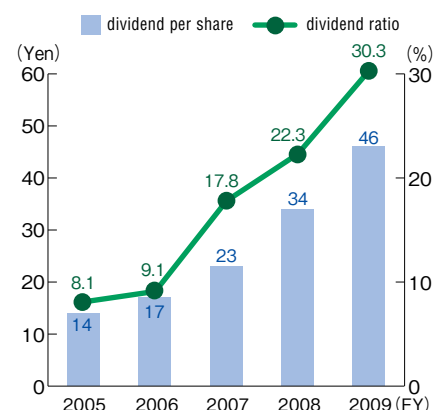
#### Asset efficiency



#### Net asset / Capital-to-asset ratio



#### Trend of dividend



Consolidated Balance Sheets		(Millions of Yen)			
	2006	2007	2008	2009	
<b>Assets</b>	<b>143,378</b>	<b>135,146</b>	<b>126,824</b>	<b>134,697</b>	
Cash and time deposits	19,897	13,833	14,603	15,401	
Trade notes and accounts receivable	29,659	30,383	31,156	31,546	
Securities	—	109	—	—	
Inventories	17,073	19,651	19,808	22,334	
Others	3,354	4,748	3,436	4,008	
<b>[Total current assets]</b>	<b>69,983</b>	<b>68,724</b>	<b>69,003</b>	<b>73,289</b>	
Tangible fixed assets	41,289	40,251	38,754	40,857	
Investments	30,714	24,879	18,659	20,242	
Intangible fixed assets	1,390	1,290	406	307	
<b>[Total fixed assets]</b>	<b>73,394</b>	<b>66,421</b>	<b>57,821</b>	<b>61,407</b>	
<b>Liabilities</b>	<b>73,760</b>	<b>62,734</b>	<b>52,855</b>	<b>50,944</b>	
Notes and Accounts payable	3,128	3,467	2,354	2,221	
Short-term loans	29,368	27,503	25,334	23,116	
Others	19,863	17,324	16,197	16,834	
<b>[Total current liabilities]</b>	<b>52,359</b>	<b>48,294</b>	<b>43,885</b>	<b>42,171</b>	
Long-term loans	6,186	2,069	—	—	
Others	15,214	12,371	8,970	8,773	
<b>[Fixed liabilities]</b>	<b>21,400</b>	<b>14,440</b>	<b>8,970</b>	<b>8,773</b>	
<b>Net assets</b>	<b>69,618</b>	<b>72,411</b>	<b>73,968</b>	<b>83,752</b>	
Shareholders' equity	58,699	65,409	73,917	81,790	
(Capital)	(19,487)	(19,487)	(19,487)	(19,487)	
Others	10,918	7,002	51	1,962	

Consolidated Statements of Income		(Millions of Yen)			
	2006	2007	2008	2009	
<b>Net sales</b>	<b>91,227</b>	<b>94,799</b>	<b>90,016</b>	<b>90,933</b>	
(Changes)	0.9%	3.9%	△5.0%	1.0%	
Cost of sales	29,438	31,609	29,028	28,518	
<b>Gross profit</b>	<b>61,788</b>	<b>63,190</b>	<b>60,987</b>	<b>62,414</b>	
Selling, general and administrative expense	46,282	47,369	44,504	43,475	
<b>(Operating profit)</b>	<b>15,505</b>	<b>15,820</b>	<b>16,483</b>	<b>18,938</b>	
(Changes)	△5.8%	2.0%	4.2%	14.9%	
Non-operating income and loss	862	562	△139	△133	
<b>(Ordinary income)</b>	<b>14,643</b>	<b>15,258</b>	<b>16,622</b>	<b>19,071</b>	
(Changes)	△5.6%	4.2%	8.9%	14.7%	
Extraordinary income or loss	△6,618	653	△1,318	361	
<b>Net income</b>	<b>13,152</b>	<b>9,139</b>	<b>10,777</b>	<b>10,704</b>	
(Changes)	6.2%	△30.5%	17.9%	△0.7%	

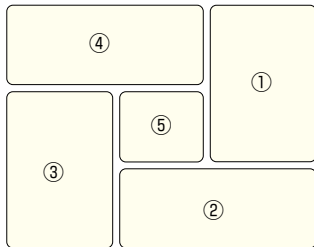
Consolidated Cash Flows		(Millions of Yen)			
	2006	2007	2008	2009	
Cash flows from operating activities	12,687	5,358	10,634	12,019	
Cash flows from investing activities	10,834	△4,049	△3,341	△6,155	
Cash flows from financing activities	△13,071	△7,419	△6,354	△5,085	
<b>Cash and cash equivalents at end of year</b>	<b>19,812</b>	<b>13,718</b>	<b>14,596</b>	<b>15,381</b>	

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

Chujoto  
(in the late Meiji period)Head office of Tsumura Juntendo  
(in the late Meiji period)

## History of Environmental and Social Activities

FY	History of Tsumura	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 Herb Garden opened.	
1936	● Tsumura Juntendo Ltd. is established.	
1964	● Shizuoka Plant is completed:	● Compliance to antipollution measures and regulatory controls (Treatment of waste water and smoke discharge, prevention of odor and noise, and waste control, etc.)
1974	● Kampo extract formulation for prescription goes on sale.	
1976	● Kampo extract formulations 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 is moved.	
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	
1996		● The environmental management committee is inaugurated at the Ibaraki Plant.
1997		● Committee on Environment is inaugurated at the Shizuoka Plant.
1998	● The Company's website is open.	● "Water scrubber", a facility to reduce hazardous substances, is installed at the laboratory.
1999		● 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, and Environmental Principle and Policy are enacted. ● Shizuoka Plant acquires ISO14001 certification. ● Ice thermal storage goes into operation at the Ibaraki Plant.
2001	● Shanghai Tsumura Pharmaceuticals Co., Ltd. is established. ● Agreement concluded for collaborative research on the cultivation of medical plants in China.	● Ibaraki Plant acquires ISO14001 certification. ● The recycling activities of botanical drug residues win "Minister of Health, Labour and Welfare Prize" in recognition of contribution to promoting recycling.
2002		● 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-OISCA Yichang Ecology Memorial Forest Project is started. ● The cogeneration system is introduced at Ibaraki Plant.
2004	● West Japan Logistic 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. ● Corporate Social Responsibility Report is issued.
2006	● Move from the old corporate headquarters building clearance. ● Split of household products business (Tsumura Lifescience Co., Ltd.). ● Change in number of unit stocks.	● Zero emission is achieved at the Ibaraki Plant/Laboratory. ● 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 2007 in the industrial robot category. ● Honorable mention was given to the Tsumura annual report at Nikkei Annual Report Awards.	● Shizuoka Plant and Ibaraki Plant/Laboratory achieve zero emission. ● Shizuoka Plant participates in the "Fujieda City Mottainai Campaign". ● Ibaraki Plant is registered as an eco-friendly establishment in Ibaraki Prefecture.
2008	● Tsumura Kampo is refurbished and reopened. ● Tsumura East Distribution Center is transferred. ● Business of Tsumuland is transferred. ● Stocks of Tsumura Lifescience Co., Ltd. are transferred. ● Tsumura Kampo Museum wins "Good Design Award". ● Approval to the production and marketing of Astaf®, an external antifungal drug, is transferred.	● Shizuoka Plant, Ibaraki Plant/Laboratory and Ishioka Center achieve zero emission. ● Donations for Sichuan earthquake in China ● The agreement on "Corporate project to grow forests (Tosa Tsumura's Forest)" is concluded. ● Ibaraki Plant acquires Occupational Health & Safety Management System (OHSMS) Certificate. ● Ishioka Center is registered as an eco-friendly establishment in Ibaraki Prefecture.
2009	● Yubari Tsumura Co., Ltd. is established. ● Honorable mention was given to the Tsumura annual report at Nikkei Annual Report Awards. ● Lao Tsumura Co., Ltd. is established. ● Sale of Synphase® T28, an oral contraceptive agent, is ceased due to the expiry of the agreement.	● Shizuoka Plant, Ibaraki Plant/Laboratory and Ishioka Center achieve zero emission. ● CSR Department is established. ● Donation for emergency restoration from Haiti earthquake ● Risk Management Rules are enacted. ● Environmental Management Rules are enacted. "Environmental Principle and Policy" are revised ● Participation in Challenge 25 Campaign



**Description of the cover page**

- ① Senkyu Plantation (Hokkaido)
- ② Keihi Plantation (China)
- ③ Analysis of pesticides residue
- ④ Children playing with water (Laos)
- ⑤ Botanical raw material: "Perilla Herb"

The plantations of botanical raw material in LAO TSUMURA and Hokkaido area around YUBARI TSUMURA, both reported in Special Feature, are placed on the cover page.

**TSUMURA & CO.**

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