

CSR Report

TSUMURA Corporate Social Responsibility Report

Corporate Social Responsibility Report

2012



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 of patients 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



As our business is based on nature's bounty, we believe that we should be responsible for building a cyclical process that can coexist with nature.

Editorial Policy

Beginning in FY2005, Tsumura has issued a "Corporate Social Responsibility Report" to disclose information to our stakeholders. This report fully covers topics of high interest and concern amongst Tsumura's stakeholders and employees.

"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. Activities upon which we especially focused, including research for cultivation are featured in the "Close-up" sections.

Furthermore, four new illustrations drawn by Michiko Tachimoto (colobockle), a picture book writer, appeared in the Report, which have been used for Tsumura's poster. She drew "a human life" and "seasonal medicinal herbs" on the basis of the idea of Kampo

Medicine. The illustrations represent Tsumura's hope to provide lifetime support for people's physical and mental health.

The Report was compiled in reference to "Environmental Report Guidelines FY2012" published by the Ministry of the Environment and GRI's "Sustainability Reporting Guidelines version 3.1".

In the Report, "the Company" refers to TSUMURA & CO., and "Tsumura Group" refers to TSUMURA & CO. and its group companies. Whereas "Tsumura" is used in the text, "TSUMURA" is used especially for titles, figures, and tables.

JACO is attached to data which has been verified and confirmed by third parties.

Environmental data over the past five years are posted on the Website.

CONTENTS

TSUMURA's Business

What TSUMURA Places Importance On.....	1
Editorial Policy	1
TSUMURA Group Network	3
Top Commitment	5
CSR at TSUMURA	7

Potential of Kampo

9

Interview/Close-up

Interview: Living with Society	15
Close-up 1: Securing a stable supply of safe botanical raw materials	17
Close-up 2: Contribution to society through cultivation of botanical raw materials	19

Quality Control/Stable Procurement

21

Society and TSUMURA

With Society	27
With Customers and Business Partners	31
With Employees	33

Environment and TSUMURA

TSUMURA Environmental Principle/Policy	39
Energy and Material Flow	41
Environmental Management	42
Contribution to a Low Carbon Society.....	43
Aiming to be a Recycling Society.....	45
Chemicals Management/Prevention of Air and Water Pollution	47
Consideration for Biodiversity	48
Environmental Performance Data.....	49

With Shareholders and Investors

With Shareholders and Investors	51
Financial Report	52

Compliance/Corporate Governance

Compliance	53
Corporate Governance	55
Third Party Verification	57
On-site Report	58



Plantation of bupleurum root (Japan)

Reporting period

This Report contains the performance data obtained in fiscal year 2011.

- TSUMURA & CO., LOGITEM TSUMURA CO., LTD., CREATIVE SERVICE INC. YUBARI TSUMURA CO., LTD: From April 1, 2011 to March 31, 2012
- SHENZHEN TSUMURA MEDICINE CO., LTD AND SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD : From January 1, 2011 to December 31, 2012

Some qualitative reports are based on activities performed in fiscal 2012 and its scope is stated in each case.

Scope of this report

The performance data in this report was provided by TSUMURA & CO., LOGITEM TSUMURA CO., LTD., CREATIVE SERVICE INC., YUBARI TSUMURA CO., LTD., SHENZHEN TSUMURA MEDICINE CO., LTD., and SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.

The scope is stated in each case where it differs from the above mentioned.

 **TSUMURA Website**
<http://www.tsumura.co.jp/english/index.htm>

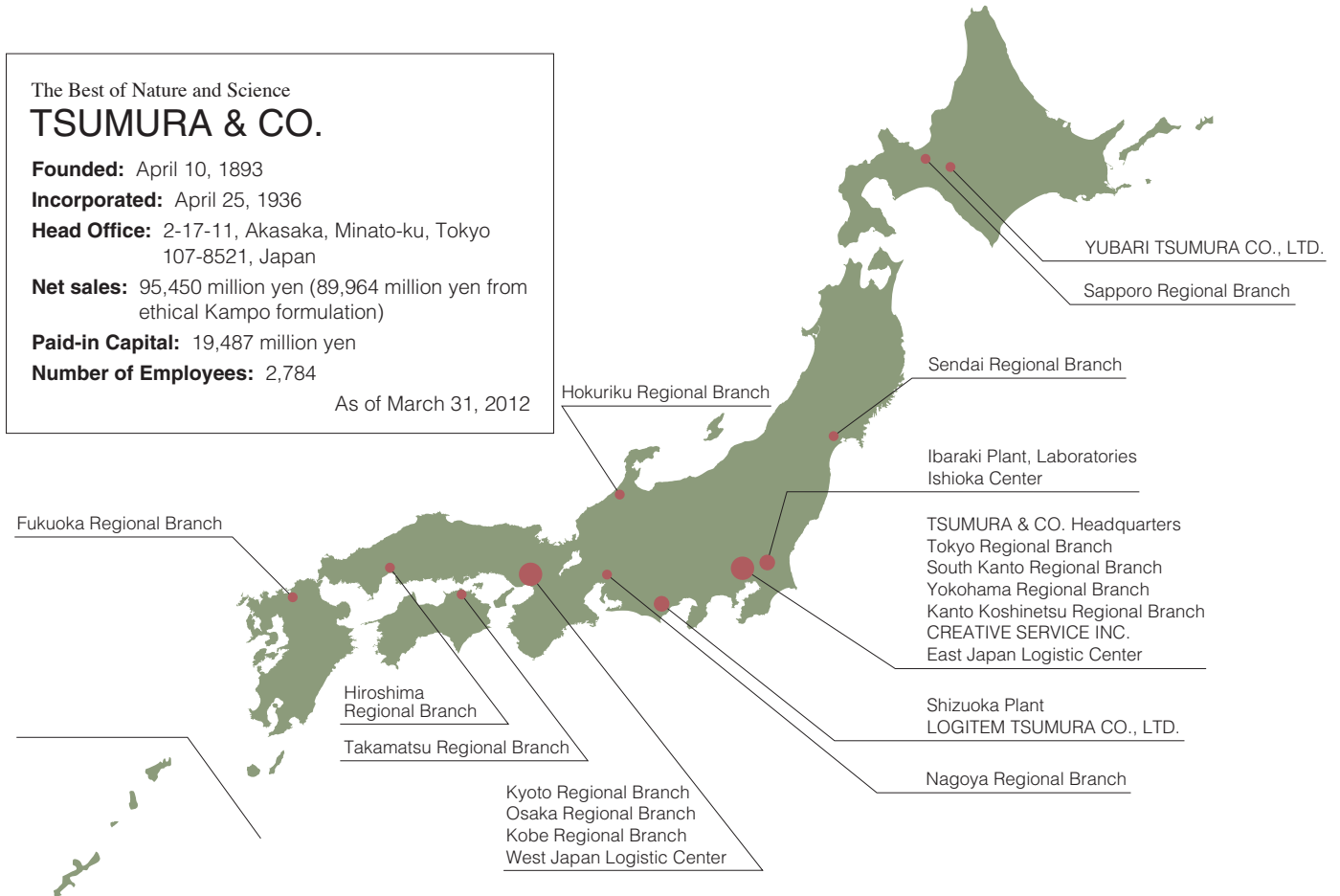
Index of Contents Corresponding to GRI's Guidelines/ISO26000

This Report falls in the category of the application level C+ defined in GRI's Sustainability Reporting Guidelines version 3.1, and was verified by a third-party organization.

The index of contents corresponding to GRI's Guidelines and ISO26000 is listed at the website.

Issue Date: August 2012
 Previous Issue: August 2011
 Next Issue: August 2013

TSUMURA Group Network



Our Products



Prescription medicine

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 Formulations was 83.3% as of fiscal year 2011.

©2012 IMS Japan K.K.

Reference: IMS pharmaceutical market statistics, Period: March 2012 MAT, Authorized duplication only



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.

Base in China for procuring, processing, 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 metals to provide quality-guaranteed materials to Shanghai Tsumura and the Japan-based plants. Shenzhen Tsumura, which also fulfills a role as the base of a traceability system of botanical raw materials produced in China, collects data from and supervises production sites.

Base for production, processing, and storage of botanical raw materials in Hokkaido

YUBARI TSUMURA CO., LTD.



Yubari Tsumura Co., Ltd. was established in July 2009 for the purpose of expanding the domestic production volume and storage capacity of botanical raw materials in response to increasing demands. The company conducts research and technology studies to improve cultivation efficiency of botanical raw materials grown on its own farm, produces seeds and seedlings, procures botanical raw materials from across Hokkaido, as well as processes and conducts the primary sorting and storage of botanical raw materials. In November 2010, the construction of processing facilities and warehouses for botanical raw materials was completed. Yubari Tsumura is regarded as a base for the production, processing, and storage of botanical raw materials in Hokkaido, making use of large-scale automatic cultivation, convenience in transportation, as well as a cool climate suitable for storage of botanical raw materials.

Production plant in China with facilities equivalent to those in Japan

SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.



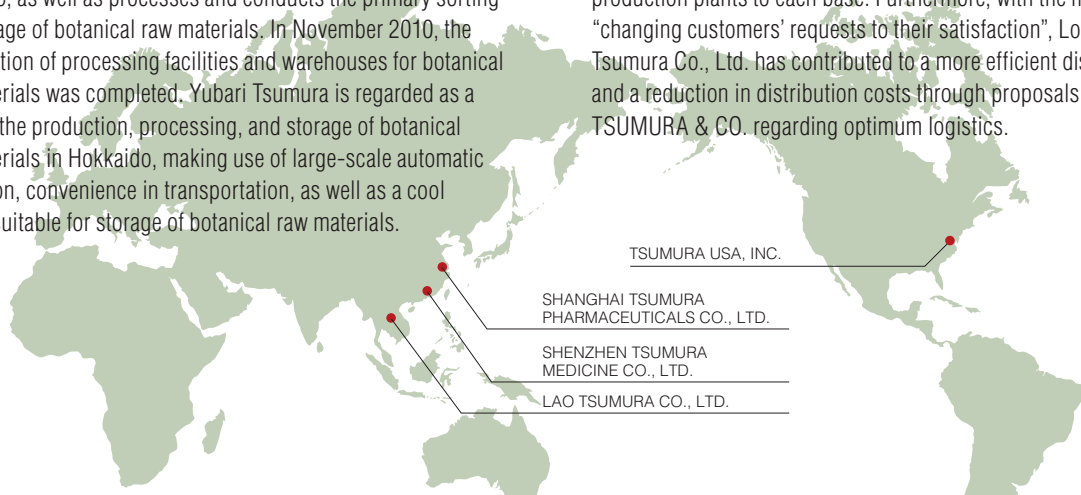
The China joint venture was established in 2001 to enable Tsumura to produce powder extracts which are the intermediary products of Kampo preparations. Procuring botanical raw materials from Shenzhen Tsumura, Shanghai Tsumura processes and exports powder extracts to plants in Japan. In this way, Shanghai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

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, licensed based on the Pharmaceutical Affairs Act, manage the operations of the distribution bases centering on the storage and distribution of our Company's products. They 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 a more efficient distribution and a reduction in distribution costs through proposals to TSUMURA & CO. regarding optimum logistics.



TSUMURA'S Business

Potential of Kampo

Interview/Close-up

Quality Control/ Stable Procurement

Society and TSUMURA

Environment and TSUMURA

With Shareholders and Investors

Compliance Corporate Governance

Third Party Verification On-site Report

Top Commitment

Aiming to be a company group in which individual employees work together as a team with a sense of mission, so as to achieve great results.



CORPORATE PHILOSOPHY

The best of Nature and Science

CORPORATE MISSION

To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine

BASIC DIRECTION

To become a people-friendly company that contributes to society and humanity

SIX ACTION TARGETS

- Establish Kampo medicine
- Promote drug fostering and evolution of Kampo
- Internationalize Kampo
- Increase production capacity and enhance the quality control system
- Secure the stable supply of safe botanical raw materials
- Create an open company

I am Terukazu Kato, and assumed the office of President in June 2012. Tsumura Group fulfills social responsibilities including stable supply of ethical Kampo preparations and provision of information, in order to contribute to people's mental and physical health through business centering on Kampo and crude drugs. While following the existing management policies, we will evolve them to deeply penetrate into the organization.

■ Management based on the philosophy

Our corporate philosophy of "the Best of Nature and Science" is a universal value which Tsumura Group should pursue. In other hand, our corporate mission, "To contribute to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine", is a reason why we are needed by the society and continue to exist. Regarding the management philosophy and corporate mission as our fundamental ideas on which our decision-making in management is based, we will pursue management loyal to those ideas.

Growth of a company is a growth of an organization, and a growth of organization is attributable only to a growth of "humans". It would become the foundation of all that employees have a sense of mission that each of them constitutes the organization and supports its management. I believe business should be conducted by the organization with "humans" aiming at self-fulfillment in compliance with the vision of the company group, as sharing the basic ideas.

■ As a leading company for ethical Kampo preparations

We promote activities to provide information such as data of security and efficacy of ethical Kampo preparations, so that patients can take drugs without anxiety in an appropriate manner, benefitting from efficacy of treatment.

Basic and clinical studies on five prescriptions which are targets of drug fostering have made progress, including Daikenchuto, Rikkunshito, Yokukansan, Hangeshashinto, and Goshajinkigan. Furthermore, in the clinical development of TU-100 (Daikenchuto) in U.S., evidence (scientific basis) of ethical Kampo preparations has been being established.

As with Kampo medicine which has continued to develop as Japanese traditional medicine, Tsumura, as a leading company for ethical Kampo preparations, will steadily fulfill a role to contribute to patient's mental and physical health in cooperation with physicians and pharmacists in medical institutes in Japan.

■ **Continuous and stable procurement of safe botanical raw materials**

With an expansion in demand for Kampo preparations, we are striving to ensure safe and secure botanical raw materials in a stable manner, pursuing appropriate quality, quantity, and prices. To be more specific, we are expanding plantations which the Group directly manages in China, Japan, and Laos. In addition, studies on cultivation of wild medicinal plants and their commercialization are accelerated in order to realize systematic and continuous procurement of botanical raw materials. In China, joint development to establish cultivation technologies for wild medicinal plants such as licorice and rhubarb has been conducted for long years. We will enhance a partnership with China. As with in China and Laos, we are expanding the number of items and area for cultivation also in Japan. Some domestic regions have realized stable agricultural business by combining agricultural crops such as rice and vegetables, and cultivation of botanical raw materials. We hope to further expand cultivation of botanical raw materials suitable to climate and conditions of soil in each region.

■ **Realization of a recycling-oriented company**

We regard environmental initiatives as an important business issue. Tsumura Group has strived to recycle all industrial waste, for example, converting botanical drug residues, our major waste, to fertilizers, etc. We are also tackling development of production technology to use water resources and energy efficiently. It is precisely because our business centering on Kampo medicines made from botanical raw materials is based on the natural bounty that we have to build a cyclical system necessary to co-exist with the nature in order to realize a "recycling-oriented company".

I believe my most important mission as a corporate manager is to provide all employees of Tsumura Group opportunities, so that they can lively work with dream and pride. Therefore, I will take leadership to realize a corporate group in which employees work as a team with a sense of mission, while individually understanding the Company's philosophy, vision and objectives, in order to achieve great results, and finally can share a sense of accomplishment.

August 2012



President, Representative Director

■ **Mid-term Management Plans from 2009 to 2011**

Action Targets	General Overview
<p>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.</p>	<p>Among 80 medical schools in Japan, 78 require students to take at least 8 Kampo courses. 79 have implemented a system to train lecturers for Kampo medicine (FD: Faculty Development), and 79 have established Kampo outpatient clinics. → P.12</p>
<p>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.</p>	<p>Evidence for "TJ-100 (Daikenchuto)", "TJ-43 (Rikkunshito)", "TJ-54 (Yokukansan)", "TJ-107 (Goshajinkigan)", and "TJ-14 (Hangeshashinto)" has been accumulated through basic and clinical tests. → P.13</p>
<p>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).</p>	<p>With the aim of marketing "TJ-100 (Daikenchuto)" in the United States, clinical trials for patients were started in the United States. → P.14</p>
<p>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.</p>	<p>We have responded to a growth in volume by building additional facility for powder extracts in Ibaraki Plant. Products for about two months are in stock by item. The inspection of radioactive substances was implemented in accordance with the guideline for determination of radioactive materials in crude drugs and the like (formulated by the Federation of Pharmaceutical Manufacturers' Associations of Japan). → P.23-25</p>
<p>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.</p>	<p>In cooperation with the China Meheco Corporation and Beijing University of Chinese Medicine, a large-scale cultivation technology for licorice was established. In order to push ahead with joint development of a carrot, one of botanical raw materials, we made an agreement with the local government of Baishan, Jilin in China. YUBARI TSUMURA CO., LTD. and LAO TSUMURA CO., LTD. were established respectively in 2009 and 2010. → P.15-22</p>
<p>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 various stakeholders.</p>	<p>Hoping to be "a people-friendly company that contributes to society and humanity" through our business, we have been making efforts regarding employment of people with disabilities, as well as environmental efforts aiming to be a recycling-oriented company. → P.8, P.34</p>

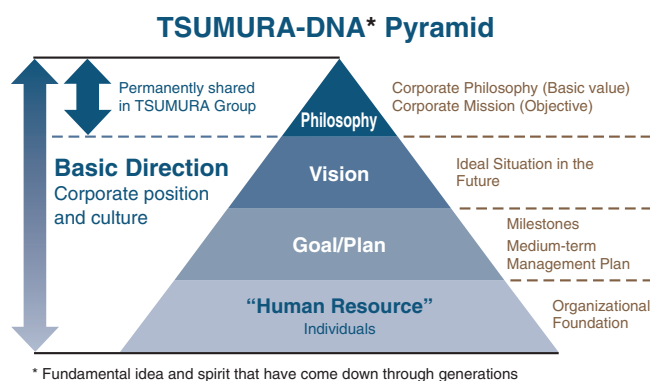
CSR at TSUMURA

**We aim to be “a people-friendly company
that contributes to society and humanity”
through our Kampo business.**

Management and Social Responsibility

Under the corporate philosophy, “The Best of Nature and Science”, Tsumura is aiming to become “a people-friendly company that contributes to society and humanity”, and fulfill our social responsibilities by “contributing to the unparalleled medical therapeutic power of the combination of Kampo medicine and Western medicine” through our main business.

We believe it is important to continue to co-exist with society and increase the trust of society with the strong awareness that the Company is a member of society. All officers and employees of Tsumura will act under the Tsumura Action Charter based on the common value as sharing the corporate philosophy, in order to enhance trust relationships with various stakeholders, and pursue further growth as a company.



TSUMURA Action Charter

Putting the dignity of lives first, Tsumura will contribute to people’s health and medical care with a scientifically supported fusion of Kampo medicine cultivated in the Japanese tradition as well as Western medicine, under the corporate philosophy “the Best of Nature and Science”.

To this end, our officers and employees will act in accordance with a higher standard of ethics by respecting human rights and complying with all laws and regulations, codes of conduct and its spirit both in Japan and overseas, based on the following action principles.

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

(Revised in April 2009)

CSR Efforts in FY2011

Area	Item	Objective	Result	Reference	
1	Society	Contribution to society	Creation of employment, Contribution to local economies	Activities of YUBARI TSUMURA Activities of LAO TSUMURA CO., LTD.	P.15-16, 19 P.15-16, 20
			Environmental conservation of botanical raw materials production areas, Exchange with the local community	Participation in the "Tosa Tsumura's Forest" Project	P.29
			Donations	Relief money for restoration after the Great East Japan Earthquake	P.29
			Cooperation with and support for NPO/NGOs	Support for WWF activities, Participation in the Asaza project, Ecocap Movement, etc.	P.29
			Communication with local communities	Exchange with the local community, Cleanup activities, Beautification of local environments	P.30
2	Shareholders/ Investors	IR	Fostering a trust relationship	Communication with shareholders and investors	P.51
			Improvement of corporate value	Stable payment of dividends on the increase basis IR activities	P.51 P.51
3	Customers (Patients/ Medical personnel)	Improvement in customer satisfaction (CS)	Education of Kampo medicine	Education activities of Kampo medicine for the general public and medical personnel	P.11-12, 14 P.27-28
			Provision of information on Kampo medicine	Provision of information on Kampo medicine to medical personnel, Drug fostering, Customer Information Service Center	P.11-14, P.31-32
			Establishment of Kampo medicine	Educational support for Kampo medicine	P.11-12
			Product improvement including packages	Customer Satisfaction Meetings	P.32
4	Business partners	Procurement/ Supply	Stable supply, Ensuring quality	Establishment of traceability system for botanical raw Materials	P.17-18, P.21-26
			Fair and transparent trade	Purchase based on "Purchase dealings action agenda"	P.53
			Promotion of appropriate use	Education of Kampo medicines to agencies	P.32
5	Employees	Compliance	Compliance with laws and regulations	Education for all employees	P.53-54
		Risk	Risk management	Publicity and measures	P.56
		Improvement in employee satisfaction (ES)	Employment	Employment of persons with disabilities and disaster victims, Employment of disaster victims, Promotion of employment of local citizens overseas	P.34
			Utilization of diverse human resources	Human resource development, Cooperation among group companies	P.35
			Promotion of work-life balance	P.37	
			Improvement in work environment for a more comfortable workplace	Enhancement of systems for childcare and nursing Support for fostering the next generation	P.37-38
			Support for career development	Labor safety and health system Improvement in education and training systems	P.36 P.35
6	Environment	Reduction of environmental impact	Enhancement of environmental management	Preparation of Environmental Management Manual and Environmental Action Standards Environmental education and awareness	P.42 P.42
			Contribution to a low carbon society	Reduction of greenhouse gases, Energy saving activities	P.43-44
			Building a recycling society	Promotion of 3 Rs	P.45
			Reduction in pollutant release	Chemicals management, Air and water pollution control	P.47
			Conservation of biodiversity	Protection of gene resources, Protection of wild medicinal plants, Cultivation research	P.17-18, P.48

Awarded the Grand Prize for Most Valued Companies in Japan (METI Minister Award)

Tsumura won the Grand Prize for Most Valued Companies in Japan (METI Minister Award). The Company was recommended by others to be a nominee. For applying for the award, companies must fulfill the below-mentioned five requirements over the past five years. In the examination, we had to asked questions about further detailed items. Finally, Having fulfilled the various requirements, we ultimately won the prize.

1. No workforce adjustment and dismissal because of the company
2. Not force contractors and suppliers to reduce prices
3. Rate of employment of persons with disabilities over 1.8%
4. Business in the black
5. No serious labor disasters



Awarding ceremony

Potential of Kampo

Kampo medicine comprehensively captures an individual clinical condition from both physical and mental viewpoints, and has roots in ancient China, with further independent development in Japan.

We believe that continuously and scientifically unraveling the traditionally rooted power of Kampo medicine will widely lead to contribution to medical services in today's society.

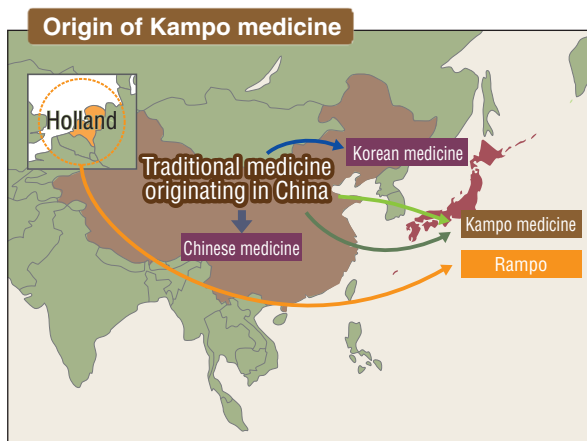


Chrysanthemum

Kampo Medicine

Kampo Medicine is Japanese traditional medicine with its roots in China, which was introduced to Japan directly from China or by way of the Korean Peninsula and independently developed in Japan. Traditional medicine originating in China is called Chinese medicine in China, Korean medicine in Korea, which have formed systems of medicine different from Kampo medicine despite having the same root.

Looking back over history, the name Kampo medicine had not existed until the Edo period. In the midst of the period, Dutch medicine which is different from conventional medicine was introduced to Japan and called "Rampo" after "Oranda (Holland)." In order to distinguish conventional medicine from Rampo, the name "Kampo" became used as primary classic books of Kampo were written in the Kan period.



"Shokanron", an original text of Kampo medicine, was written by Chou Chupei in the Kan period in the ancient China, and published in Song. ("Shokanron, Sogn version" a reprinted edition in Japanese in 1813)

Basic Concept of Kampo Medicine

In addition to "Sho" which is one of the most important concepts of Kampo medicine, concepts including "Kyojitsu", "Kan Netsu", and "Vital Power, Blood, and Water" are used to detect deviation from healthy condition.

Kyojitsu indicates a rise and a decline of evil and vital spirits. The condition in which evil spirit is dominant is defined as "Jitsu (hyper-function) and the condition in which vital spirit is lacking as "Kyo (hypo-function)." "Jitsu" shows symptoms such as active motion without perspiration show. In cases of "Kyo", symptoms such as slack motion with light-headedness, poor appetite, and short breath manifest. The concept of "Kan Netsu" represents constitution of diseases. "Netsu" is accompanied by sensation of burning and reddening, etc. on a part of or the entire body. "Kan" is accompanied by symptoms such as chilly sensation and coldness. While patients with "Netsu" generally have a flushed face, perspiration, and dry mouth feeling, ones with "Kan" have a pale face and cold limbs without dry mouth. The concepts of "Vital Power, Blood, and Water" are elements to maintain life and mental activities of a biological body, which feature the biological body when it is comprehended by Kampo medicine. "Vital Power" means fundamental energy of all things. "Blood and Water" is the general term for physical things of a human body. "Blood" means red fluid of a body and "Water" is other fluid than it. While "Vital Power" vitalizes life and mental activities, "Blood and Water" work to inhibit them, in order to keep a balance within the body. In Kampo medicine, it is considered that people become sick when losing this balance.

*"Sho": Results of diagnosis comprehensively judged with diagnosis methods which are peculiar to 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 suffer from 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 blood clots.		2
Total Score		

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

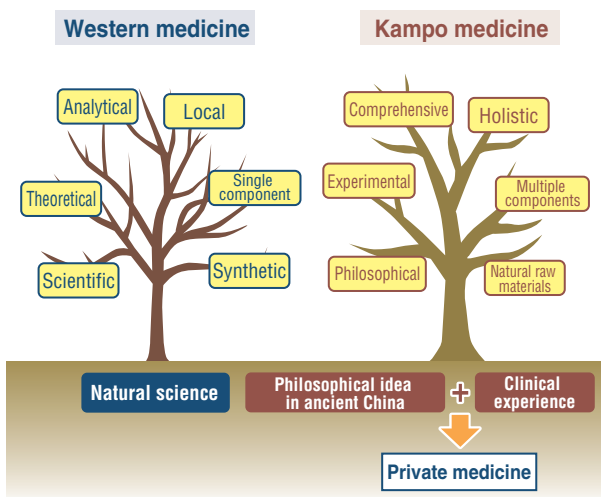
If your total score is 0 or less, you are a hypo-functioning type. For a score of 2-6 points, you are normal. For 8 points or more, you are a hyper-functioning type.

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".

Difference between Kampo and Western medicine

Western medicine and Kampo are different in various aspects. First of all, there is a difference derived from their foundations. While Western medicine is scientific and theoretical, Kampo medicine is philosophical and experimental. Western medicine identifies focus of disease with analytical methods and way of viewing at last. On the other hand, Kampo medicine regulates the entire balance of a body, comprehensively understanding mental and physical conditions. Including the idea of a holistic medicine in which patients' individual clinical conditions are mentally and physically understood for treatment, Kampo medicine is often called "Private medicine."

Medicines used in Western medicine are basically synthetic compounds containing a single ingredient. Meanwhile, Kampo medicines contain multiple ingredients, combining natural botanical raw materials. Although it is difficult to ravel its action mechanism due to multiple components, Kampo medicines are featured by mild action and less adverse effects.



Difference between Kampo and native medicine and herbs

Native medicines are medical plant products which have been handed down and used throughout the ages, including tea, artemisia, and adlay. Many of them are broadly used in everyday life. Kampo and native medicines are different in various points. Native medicines are based on only experiences in folk legends and books on medical herbs, of which efficacy is vague. However, Kampo is supported by theories stated in medical books even with experimental usage, and its efficacy is accurate. Most native medicines are composed of a singly botanical raw material.

Distinctive aspects of Kampo

Kampo refers to medicines made by combining prescribed amounts of specific botanical raw materials on the basis of theories of Kampo medicine and clinical experience. With the exception of a few, almost all Kampo medicines contain two botanical raw materials or more.

The most important feature of Kampo medicines is that its efficacy significantly varies depending on combinations of botanical raw materials, for example, enhancing the efficacy of a specific botanical raw material, expanding indications, or inhibiting its toxicity. As the efficacy is not equal to the sum of botanical raw materials composing the Kampo, it is necessary to regard prescription as an independent unit of medicine in Kampo medicine.

Dosage and Administration

Western and Kampo medicines differ in various points, such as the number of contained ingredients, and durability of the efficacy. In principle, Kampo medicines are taken before or between meals on an empty stomach in order to avoid interaction with food.

Although Kampo and Western medicines are sometimes used together, it should be noted that some combinations of Kampo and Western medicines are contraindicated or need to be carefully used.

Despite popular misconceptions, Kampo medicines can have side effects.

Strong medication used against one's symptom or constitution, or over-dosage may induce unexpected symptoms. It is important therefore to follow your doctor's or pharmacist's advice on dosage and administration.



Corydalis Tuber

Use of Kampo Medicines in Medical Institutes

As scientific grounds (evidence) of Kampo treatment have been further unravelled, the amount of Kampo medicines prescribed has increased. According to the survey on the situation of Kampo usage conducted by Japan Kampo Medicines Manufacturers Association in 2011, 89.0% of doctors answered that they used ethical Kampo preparations in the present treatment, which is a 5.5% increase from 2008. Reasons for their prescribing Kampo medicines are as follows: Kampo treatment was found to be effective to the case on which treatment with Western medicines did not work; patients made request for use of Kampo medicines; evidence was reported at scientific meeting; and it was felt that there is the limitation of treatment only with Western medicines. Some doctors appreciate Kampo medicines from the viewpoints of improvement in patient's quality of life (QOL) and possibility of holistic medicine.

89.0%

of doctors prescribe ethical Kampo preparations.

Source: "Survey on actual situation of Kampo usage in 2011" by Japan Kampo Medicines Manufacturers Association

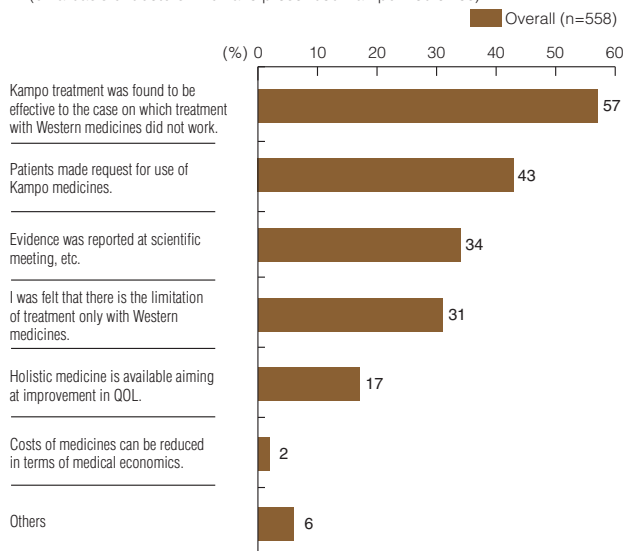
Result of Survey on actual situation of Kampo usage

	2008	2011
Presently using Kampo preparation	83.5%	89.0%
Sometimes choose Kampo preparation as the first choice	52.7%	59.0%
Treatment is highly effective	43.4%	50.2%
Level of satisfaction is high	49.0%	53.6%
Treatment is not sufficiently effective	32.7%	23.2%
Evidence is not sufficient	39.8%	34.8%

Source: "Survey on actual situation of Kampo usage in 2011" by Japan Kampo Medicines Manufacturers Association

Reason for prescribing Kampo medicines

(on a basis of doctors who have prescribed Kampo medicines)



Source: "Survey on actual situation of Kampo usage in 2011" by Japan Kampo Medicines Manufacturers Association

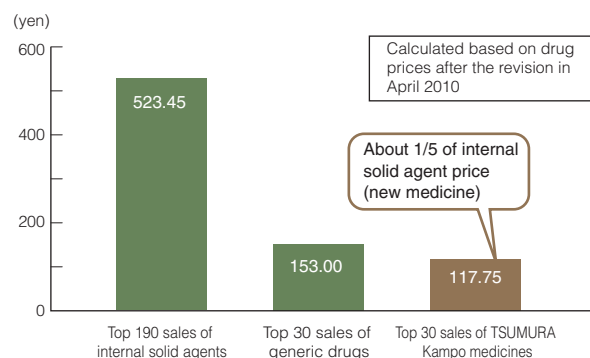
Ethical Kampo preparations are effective and economical medicines

According to a report from Keio University Hospital, as Daikenchuto administered after a surgical operation for colon cancer improved symptoms associated with paralyzed bowels, hospitalization period was shortened by about 3.5 days and medical expense was reduced by 140,000 yen.

Additionally, when comparing the simple average of drug prices per day of Kampo preparations with internal solid agents which sell well, the average price of Kampo medicine is about one fifth or less of the price of internal solid agents, and also cheaper than the price of the generic version of these drugs.

From the two viewpoints of quick recovery after surgical operations and a reduction in medical expenses, expectations for ethical Kampo preparations are further increasing.

High sales of internal solid agents, Generic drugs, High sales of TSUMURA Kampo medicines comparison of drug prices per day (simple average) JACO



* Average of 190 items excluding anticancer drugs from among top 200 sales of internal solid agents

* Among the generic drugs, Vancomycin was excluded from the calculation as it was included in the injectable drugs.

(Surveyed by TSUMURA)

Toward the establishment of Kampo medicine

In recent years, disease components have been drastically changing in Japan. In medical institutes, it is often difficult to treat these with only Western medicine. Therefore, the expectation of Kampo medicine is increasing. 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. Kampo courses have been introduced at 80 medical colleges and universities in Japan as of FY2004. Among them, 78 medical schools presently provide over eight credits*1 of compulsory Kampo courses. Moreover, Kampo outpatient clinics have been established at 79 university hospitals, and activities to train instructors for Kampo medicine education (FD*2) 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 the Kampo Medical Symposium once a year on the subject of Kampo medicine education, and invite those involved in university education.

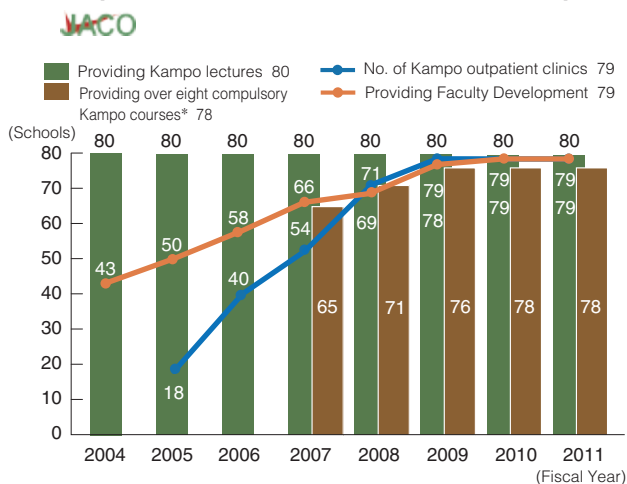
*1 The minimum number of credits required to understand Kampo medicine

*2 FD: Faculty Development



Kampo Medical Symposium

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



* Survey for the number of schools providing over eight compulsory courses started from 2007
(As of the end of March 2012: Surveyed by TSUMURA)

Expansion of Kampo Medicine Education at Medical Universities

In March 2001, “Medical Education Model/Core Curriculum – Guideline for Education Contents” was publicized at the “Meeting of research and study regarding the concept of medical and dental education” of the Ministry of Education, Culture, Sports, Science and Technology, referring to education of Kampo medicine for the first time, as a goal to attain before graduation.

In the revised version which was publicized in March 2011, the goal was changed from “student’s ability to give an outline of Kampo medicine” to “ability to outline features and usage of Kampo medicine. Clearly stating “Kampo medicines”, the goal to be attained became further concrete. In response to the revised guideline, the enhancement of educational contents of Kampo medicine at medical schools of universities can be expected.

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 about 20 people according to the needs and levels of participants to ensure the lectures are understandable.

These seminars consist of introductory programs to acquire basic knowledge and techniques for physicians who have not had an opportunity to systematically study diagnosis and treatments peculiar to Kampo medicine, 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 and for gynecologists in outpatient clinics.

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.

■ Seminars and Lectures held in FY2011

Category	Results		
	No. of seminars	No. of participants	
Postgraduate seminars for Kampo	Introductory seminar	111	2,004
	Introductory seminar II	30	552
	Step-up seminar	66	1,422
	Subtotal	207	3,978
Seminars for doctor attending clinical research laboratories	58	1,495	
Seminars for gynecologists in outpatient clinics	5	106	
Seminars for pharmacists	20	2,329	

Drug fostering of Kampo

While we have been implementing drug fostering, the most frequent reason for doctors not to prescribe ethical Kampo preparations was that they have “no scientific basis”. In recent years, disease components have drastically changed 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. From among total 129 preparations, we selected the following five drugs to be the focus of our drug fostering: TJ-54 (Yokukansan), TJ-43 (Rikkunshito), TJ-100 (Daikenchuto), TJ-107 (Goshajinkigan), and TJ-14 (Hangeshashinto). Currently, we have accumulated research data about TJ-54 (Yokukansan), for behavioral and psychological symptoms of dementia (excitement, irritation, sleep disorder, etc.); TJ-43 (Rikkunshito), for anorexia associated with FD (functional dyspepsia) and GERD (gastro esophageal reflux disease); and TJ-100 (Daikenchuto), for the improvement of intestinal movement and blood flow. Presently, various new Western drugs have been developed for cancer treatment. While they are effective to cure cancer, there are all too frequent cases in which treatment must be discontinued due to the strong side effects caused by the drugs. We have been conducted various studies to reduce the side effects of anticancer drugs. TJ-107 (Goshajinkigan) is expected in particular to lessen disorder of peripheral nerve (a sense of numbness), and TJ-14 (Hangeshashinto) to ease mucosal damage such as diarrhea and stomatitis.



VOICE



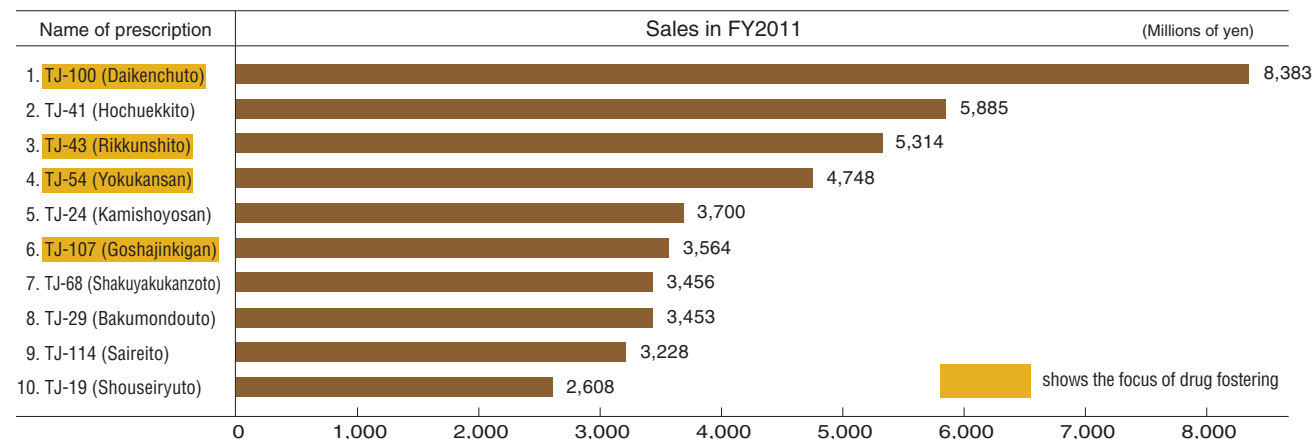
Dr. Hiroaki Kusunoki

Kawasaki Medical School
Lecturer of General Medicine Department

Kampo Preparations Attracting Attention

It is believed that Kampo preparations which are medical compounds of crude drugs with multiple effects are most effective when used for patients with appropriate “Sho” (symptoms and findings) in syndromes accompanied by complicated clinical conditions composed of multiple factors. In recent years, Kampo preparations have been used for functional-dyspepsia (FD), in which abnormalities cannot be clearly detected with an endoscopic examination, in spite of prolonged symptoms such as poor appetite, stomach upset after eating, and pain in the epigastrium. While, in tests using animals and their tissues, it was found that Rikkunshito, a Kampo preparation, eases problems of gastrointestinal motility, it had not been adequately considered whether the Kampo preparation is effective for patients with FD. However, it was revealed that Rikkunshito is really effective for patients with FD, by using a testing method called external ultrasound. The study result was presented at U.S. Digestive Disease Week (DDW) in 2010, and after that appeared on a journal in English of Japanese Society of Internal Medicine. As the problem of a lack in evidence is resolving, Kampo preparations will attract further attention as a remedy which covers fields in which Western medicines do not work well.

Top 10 sales of TSUMURA ethical Kampo preparations JACO



Internationalization of Kampo

Contents of clinical trials in the United States

We are presently planning and conducting clinical trials towards the objective of gaining authorization of TU-100 (Daikenchuto) as an ethical drug in the U.S. In FY2005, we started development of TU-100 (Daikenchuto) according to the Guidance for Industry on Botanical Drug Products issued by FDA (U.S. Food and Drug Administration) in 2004. In FY2008, we completed the tolerability evaluation as well as confirmed the safety and drug compliance of TU-100 (Daikenchuto) for post-operative patients suffering from intestinal ileus*1. In FY2009, a randomized double blind placebo*2-controlled intergroup trial*3 for healthy subjects was conducted in the U.S. Upon a comparative examination of the effects, it was suggested that the movement of the intestinal tract was significantly increased for the group given TU-100 (Daikenchuto) compared to the group given the placebo.

We have conducted clinical trials for patients with constipation due to lower movement capacity of the digestive tract since 2010, and for patients with Crohn's disease which is an inflammatory bowel disease since 2011. In this way, the development of TU-100 (Daikenchuto) has been conducted for three types of diseases.

*1 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.

*2 Placebo: Non-medicine-containing drug used to examine effects of medicines.

*3 Randomized double blind placebo-controlled intergroup trial: Evaluation method in which a group given the placebo and a group given the drug are determined at random to reduce biases of data.

Japan-U.S. Cooperation

Through the drug fostering alliance, we have developed a structure to utilize the latest data of basic and clinical studies obtained with drug fostering in Japan for clinical trials in the U.S. for a more efficient R&D process of TU-100 (Daikenchuto). In order to disclose objective safety information regarding TU-100 (Daikenchuto), we had conducted a survey in Japan of the results of administration (investigation on frequency of side effects) since FY2010. Presently, questionnaires were completely collected from patients, and have been analyzed. Now, we are aiming at marketing TU-100 (Daikenchuto) in 2017. We are promoting the internationalization of Kampo medicine by marketing TU-100 (Daikenchuto) in the U.S. so as to help treatment of patients in the country. We will also make efforts for providing medical doctors in Japan with information on evidence established through R&D in the U.S.

Presentation at international academic societies

In international academic societies, Kampo preparations have been increasingly adopted as study subjects. At the U.S. Digestive Disease Week (DDW) held in May 2012, 20 papers on Kampo preparations were presented. Furthermore, results of studies on Kampo preparations were presented at the American Psychiatric Association (APA) and the World Congress on Gastrointestinal Cancer (WCGIC).

U.S. Digestive Disease Week (DDW)

	Venue	Number of Papers	Contents (Number of Papers)
2012	San Diego	20	Rikkenshito: 16 papers (Basic 13, Clinical 3) Daikenchuto: 3 papers (Basic 3) Hangeshashinto: 1 paper (Basic 1)
2011	Chicago	21	Rikkenshito: 16 papers (Basic 16) Daikenchuto: 5 papers (Basic 5)
2010	New Orleans	21	Rikkenshito: 14 papers (Basic 8, Clinical 6) Daikenchuto: 6 papers (Basic 3, Clinical 3) Shakuyakukanzoto: 1 paper (Clinical 1)
2009	Chicago	13	Rikkenshito: 10 papers (Basic 7, Clinical 3) Daikenchuto: 3 papers (Basic 3)
2008	San Diego	8	Rikkenshito: 8 papers (Basic 5, Clinical 3)

American Psychiatric Association (APA)

	Venue	Number of Papers	Contents (Number of Papers)
2011	Honolulu	2	Yokukansan: 2 papers (Clinical 2)

World Congress on Gastrointestinal Cancer (WCGIC)

	Venue	Number of Papers	Contents (Number of Papers)
2011	Barcelona	2	Hangeshashinto: 1 paper (Clinical 1) Goshajinkigan: 1 paper (Clinical 1)



U.S. Digestive Disease Week (DDW)

Initiatives at International Surgical Week

At International Surgical Week (ISW) held at PACIFICO YOKOHAMA in 2011, three papers concerning Daikenchuto, Rikkenshito, and Hochuekkito were presented as general subjects as an ongoing topic from the conference held in the U.S. in 2009. Tsumura held the Luncheon Seminar entitled "Nature's Challenge to Science from Empirical to Evidence-based Medicine".

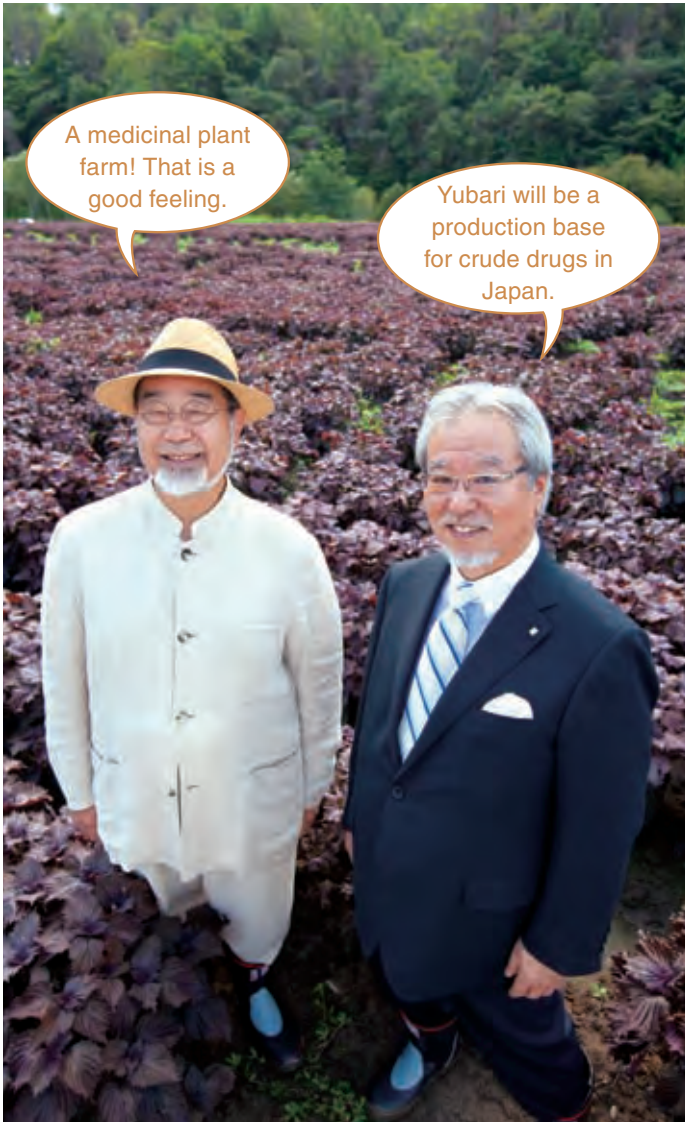


International Surgical Week (ISW) 2011

Interview

Living with Society

To continue to be “a people-friendly company that contributes to society and humanity”, Tsumura is making efforts for growing with the society, for example, to conduct research to ensure stable crop yields, and to employ persons with disabilities.



A medicinal plant farm! That is a good feeling.

Yubari will be a production base for crude drugs in Japan.

Photos presented by Nikkei Money, taken by Satoru Yoshida

Profile of speakers

Minoru Kamata

Medical doctor, Writer

Works: “Ganbaranai (Don't work hard)” and “Sentimental Capitalism”, etc.

Junichi Yoshii

1995: Joined TSUMURA & CO.

June 2004: President & Representative Director

June 2012: Chairman

Initiatives at Yubari Tsumura Co., Ltd. were introduced in a serial column written by Dr. Minoru Kamata on “Nikkei Money” issued in December 2011. The column was based on an interview between Dr. Kamata and Yoshii who visited a processing plant and a farm at Yubari Tsumura.

“I heard from my friend who is a physician that Tsumura would build a processing plant for botanical raw materials of Kampo medicines in Yubari City, Hokkaido, which had gone into bankruptcy. I understand that this plan also aims to create new employment in Yubari City, which I believe is an excellent decision by Tsumura.

Reasons for building the processing plant in Yubari City, Hokkaido

Kamata: Importing about 80% of botanical raw materials from China, Tsumura has been highly dependent on China. I guess the decision was made with an eye to reducing such a risk.

Yoshii: In recent years, prices of crude drugs have skyrocketed due in part to an increase in commodity prices in China. Amid the growth of demand in China, it is necessary to ensure the required amount of high quality crude drugs. Meanwhile, Chinese government asked Tsumura for cooperation in technologically support.

Kamata: In other words, since ensuring of crude drugs is the most critical issue for Tsumura's continuous growth in business, you are establishing production bases for crude drugs in Japan, while keeping a cooperative relationship with China. Is that correct?

Yoshii: Yes. Sales volumes of Tsumura' Kampo medicines have continued to grow about 9% per year. It means that the double amount of crude drugs or more will be needed in ten years. However, we are confirming whether domestic crude drugs contain the same constituents as ones produced in China. It may take 3 to 7 years to obtain results concerning some crude drugs.

Framework to link the cultivation of botanical raw materials with employment of persons with disabilities

Kamata: When will the processing plant and the farm at Yubari Tsumura create full-scale employment of local citizens and person with disabilities?

Yoshii: I think it will be getting possible to expand the employment as cultivation increases. I was delighted to hear that a facility for the mentally disabled in Hokkaido established an agricultural company to undertake cultivation and harvesting operation of Tsumura's botanical raw materials. If this experiment succeeds, it can be a model case to cooperate with facilities for persons with disabilities all over Hokkaido.

Kamata: That's great! With monthly fixed income from such an agricultural company in addition to a disability pension, they can be financially independent. Moreover, it would be pleasant to work at the farm under the blue sky.

Yoshii: Now, let's go to the farm.

In addition to Yubari, Tsumura has had a farm in the village in Laos, which was attacked with cluster bombs during the Vietnam War. Tsumura thoroughly investigated and removed the bombs over the years in and around the planned site for Tsumura's farm. It also built a school and presented uniforms, shoes, and soccer balls for local children. The community became safer and richer with people who found jobs and gather there. While earning profit, Tsumura steadily contributes to the society. Employees are proud of such a company."

Abstract of the article partly modified from Nikkei Money issued in December 2011

Cultivation research, See P.17-18
 YUBARI TSUMURA CO., LTD., See P.19
 LAO TSUMURA CO., LTD., See P.20
 Employment of people with disabilities,
 See P.34

Living with Society

Companies should not only earn profit, but also be aware of proactively living with society while conducting business activities in the society. Following our business direction, Tsumura is aiming to become "a people-friendly company that contributes to society and humanity". To this end, we proactively work on studies on a production method with fewer impacts on the environment, environmental conservation activities, and employment of people with disabilities.

Aware that we cannot live alone, we will push ahead with those initiatives so as to grow with citizens in communities as thinking about others.



Yubari Tsumura Co., Ltd. has entrusted cultivation of botanical raw materials to Temiru Farm, an agricultural production company, in order to provide employment opportunities to people with disabilities. Members of Temiru Farm are in the photo above.



Photos presented by Nikkei Money, taken by Satoru Yoshida

Close-up 1

Securing a stable supply of safe botanical raw materials

For protecting resources of botanical raw materials and sustainable use of resources

Experimental production area of astragalus root (Japan)

Cultivation research

Some botanical raw materials used for Kampo medicines depend on wild plants picking. In order to make supply of botanical raw materials sustainable, efforts to cultivate those wild plants overseas and in Japan have been made. In China, we have implemented joint studies on cultivation of wild plants in cooperation with the China Meheco Corporation and relevant research institutes. Diffusion of cultivation has contributed to protection of wild resources and prevention of desertification.

In Laos, we established a local company, and have enhanced a system in accordance with the Tsumura standards for management of botanical raw materials production (the Tsumura GACP*¹) with large-scale cultivation of botanical raw materials at the local company's own farm. (See P. 22)

In Japan, we have conducted the research for improving crop yield of botanical raw materials and keeping quality consistent mainly in Hokkaido, in addition to the research for cultivation of botanical raw materials derived from wild plants. Furthermore, joint studies with domestic research institutes have advanced.

As a result, with the advance in cultivation of botanical raw materials, the dependence on only wild plants has been decreased. It becomes possible to secure stable supply of safe botanical raw materials by facilitating cultivation.

*1 GACP: Good Agricultural and Collection Practices



Harvesting of astragalus root (Japan)



Experimental production area of sinomenium stem (Japan)

Establishment of Licorice Cultivation Technology

We established a cultivation technology of licorice used as botanical raw materials for various Kampo preparations with joint research collaboration amongst the China Meheco Corporation, Beijing University of Chinese Medicine, and Tsumura. Licorice is an important medicinal plant, contained in about 70% of Kampo preparations. However, most of this raw material was dependent on wild plants growing in dry regions in Northern China. Due to a recent increase in demand and restriction of export from China, it has been a challenge to secure stable supply of licorice.

As the result of joint research over a decade from FY2001, we established the licorice cultivation technology in conformity to the standard of Japanese Pharmacopoeia*². In FY2011, we harvested licorice cultivated with machinery for the first time. The improvement with large-sized machines has been under consideration in order to expand the scale of cultivation.

*2 In conformity to the standard of Japanese Pharmacopoeia:

It is an essential requirement for materials for medicinal products to conform to this standard. Licorice is required to contain over 2.5% or more of glycyrrhizic acid, a main ingredient.



Production area of licorice (China)



Cultivated licorice

Joint Development of a Carrot

In order to push ahead with joint development of a carrot, one of botanical raw materials, Tsumura made an agreement with the local government of Baishan, Jilin in China in October 2011. Baishan City is a primary production area of carrots in China. Accepting an offer from the local government of Baishan City to establish a long-term relationship with Tsumura for the purpose of industrial promotion and continuous development, we decided to pursue the establishment of a large-scale carrot cultivation base by providing expertise and technologies for cultivation, quality control, and production management. The growth of local communities with carrot-related industries is also expected.



Signing ceremony (China)

Stable supply of rhubarbs

A rhubarb is a polygonaceous perennial growing wild in a high-altitude grassland over 3,000m in China. Cultivated rhubarbs in China could not fulfill Tsumura's standards in terms of components. Therefore, since 2007, Tsumura has conducted studies on resource protection and cultivation in the field of wild rhubarbs in cooperation with Institute of Medicinal Plant Development of Chinese Academy of Medical Sciences and the China Meheco Corporation. Consequently, the studies on protection of fields of wild rhubarbs and sustainable use of resources achieved certain results and the cultivation technology could be established. With those efforts, stable supply of rhubarbs became possible, contributing to protection of wild resources.



Rhubarb production area (China)

For establishing trust relationships with people in production areas

In order to convey to officers and employees of local production companies in China our appreciation for day-to-day supports, and help them further understand Tsumura's policies and initiatives concerning botanical raw materials such as implementation of tests for residual pesticides, the "Tsumura Cooperation Meeting in China" has been annually held since 2008.

Since FY2009, a system has been introduced in which Tsumura presents an award to companies which have distinguished achievements which serve as a role model for others. FY2011, five companies in production areas are honored for their contributions to stable supply and improvement in quality of botanical raw materials.

At the Tsumura Cooperation Meeting in China, participants have increasingly deepened trust relationships with each other. Since it is significant to share details of initiatives by each company in production areas, we will continue to hold this meeting.



TSUMURA Cooperation Meeting in China



Close-up²

Contribution to society through cultivation of botanical raw materials

With nature, With people

Production area of perillae folium (Yubari)

Yubari

YUBARI TSUMURA CO., LTD.

With an increase in demand for botanical raw materials, Yubari Tsumura Co., Ltd., a wholly-owned company, was established in Hokkaido in July 2009 in response to the necessity of expanding cultivation of botanical raw materials also in Japan, in addition to China.

The company conducts studies to improve cultivation efficiency of botanical raw materials grown on its own farm, and produces seeds and seedlings. Furthermore, it procures, primarily processes, and store botanical raw materials produced mainly all over Hokkaido. Various facilities are planned to be reinforced in a step-by-step manner. In November 2010, a procession plant and a warehouse for botanical raw materials were completed, and started to operate.



YUBARI TSUMURA CO., LTD.



The processing plant for botanical raw materials

Revitalization of local communities

Yubari Tsumura is making efforts for activating use of lands by making a contract to use unused farmlands*¹ where cultivation has been abandoned due to the aging population and a labor shortage as its own farm. Also in Yubari City, such lands have been utilized. Yubari Tsumura has also employed citizens mainly in Yubari City as contract workers for cultivation, processing and sorting of botanical raw materials. In the harvest season of FY2011, 70 to 80 people per day, and a total of 1,562 people were employed.

*1 Unused farmland: A farmland on which any crops has not been planted over the past one year, and are not planned to be planted in the future. The increase of unused farmlands would not only ruin farmlands, but also lead to stagnation in local economy and a deterioration of peripheral agricultural management and living environment.

Cooperation with people with disabilities

Making a contract with “Temiru Farm*²”, an agricultural production company, to entrust it with cultivation of botanical raw materials in April 2010, Yubari Tsumura has provided people with disabilities with opportunities to engage in cultivation of botanical raw materials. In FY2011, Temiru Farm started cultivation for the purpose of ensuring seeds and seedlings in order for improved crop yields and consistent quality, in addition to cultivation of botanical raw materials.

*2 Temiru Farm: An agricultural production company established in April 2010 with the aim of enabling people with mental disabilities to be independent by “Harunire no Sato”, a social welfare corporation with 50 business offices and facilities in Sapporo City and Ishikari City, Hokkaido.



Weeding

Future Plan

Yubari Tsumura has presently cultivated botanical raw materials such as senkyu on its own farm of 24.5 ha. We plan to expand the entire cultivation area to 1,000ha, and production volume to 2,000t, including commissioned cultivation within 10 years. We will also aim at a more efficient production and stable supply with cultivation research and production of seeds and seedlings in order for improved crop yields and consistent quality.

In the processing plant for botanical raw materials, a barrier-free design of workplace is under consideration, which enables sorting botanical raw materials and other operations in wheelchairs, with an eye to creation of working environment in which people with disability can comfortably work. Yubari Tsumura intends to conduct activities to contribute to economic development in Yubari region through the botanical business.

Laos



LAO TSUMURA CO.,LTD.



Entrance ceremony of lower-secondary school

LAO TSUMURA CO.,LTD.

As the traceability system of botanical raw materials has been steadily enhanced in China and Japan, cultivation methods, agricultural chemicals used, and processing methods, etc. for most botanical raw materials are managed. However, a small amount of botanical raw materials are procured from other countries than China and Japan. In order to enhance a traceability for them, Lao Tsumura Co.,Ltd. (hereinafter referred to as “Lao Tsumura”), a local wholly-owned subsidiary, was established in Laos in February 2010, and has conducted in-house cultivation.

Businesses of Lao Tsumura are planned in the primary industry in accordance with the “2+3 policy*³” promoted by the Lao government, thus creating jobs and improving the social and economic infrastructure in local communities. Therefore, the Lao government is expected Lao Tsumura’s businesses.

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



Production area of cassia

Contribution to local communities

Lao Tsumura has presently adopted 27 local regular employees (as of the end of April 2012). In FY2011, it also temporarily hired an average of 300 people per day, and a total of 80,000 people.

In addition to improvement of its production area, the local company supports local citizen’s lives through improving infrastructures such as roads and irrigation equipment.

Upon the request of the Laongam district of Saravanh Province, the local company cooperated in constructing a building of lower-secondary school. In October 2011, the first entrance ceremony was held with 75 new students.



People working at a production area in Laos

The first public-private initiative under new program

In June 2011, Tsumura’s proposal to cultivate botanical raw materials for crude drugs under Lao Tsumura Co., Ltd. has qualified for a new Japanese government program to promote the public-private initiative*⁴ “public-private partnership for accelerating growth.” This is first case that a proposal by a private company has been approved for the program since its launch. (Announced by Foreign Ministry on June 21, 2011)

Our Proposal and Action

Description:

Survey and removal of unexploded ordnance to ensure the safety of the land for the cultivation of botanical raw materials for crude drugs in Laongam, Saravan province, Laos.

Reason for the Proposal Acceptance:

The following main activities involved in the cultivation of botanical raw materials have been recognized for their contribution to the economic development of Laos.

- Ensuring the safety of people exposed to danger of unexploded ordnance and better lives for mountain farmers through the creation of more than 1,000 jobs
- Improvement of agricultural technology through its transfer and diffusion
- Shift from a dependence on slash-and-burn agriculture toward recycling agriculture allowing sustainable land use (Promotion of local economy by industrializing cultivation of higher value-added botanical raw materials for crude drugs than conventional products)

Action:

The Japan Mine Action Service (JMAS)*⁵, an authorized specified non-profit corporation, which received grant aid for Japanese NGO projects removed unexploded ordnance from the 200ha proposed site for the cultivation of botanical raw materials for crude drugs as the first project. (Taking into account implementation in the first project and performance of Lao Tsumura, the plan for and after the second project is under consideration.)

*4 Public-private initiative:

A governmental program begun in April 2008 to accept proposals from private companies for the purpose of contributing to the expansion of job opportunities, technology transfer, and trade and investment promotion, which ODA (Official Development Assistance) cannot pursue alone, through the cooperation between private companies’ activities and the ODA in developing countries.

*5 Japan Mine Action Service (JMAS):

An organization established for the purpose of supporting and cooperating in the disposal of mines, unexploded ordnance, or its equivalent and cooperating in activities carried out by other organizations, and thereby contribute to the autonomous development of all regions and people.

Future Plan

We plan to increase the area of Lao Tsumura’s own farm from about 156ha at the present time to 356ha, adding 200 ha of land of which safety was assured thanks to the first project to remove unexploded ordnance, and then to 1,000ha in the future. With this expansion in cultivation area, more employment would be created.

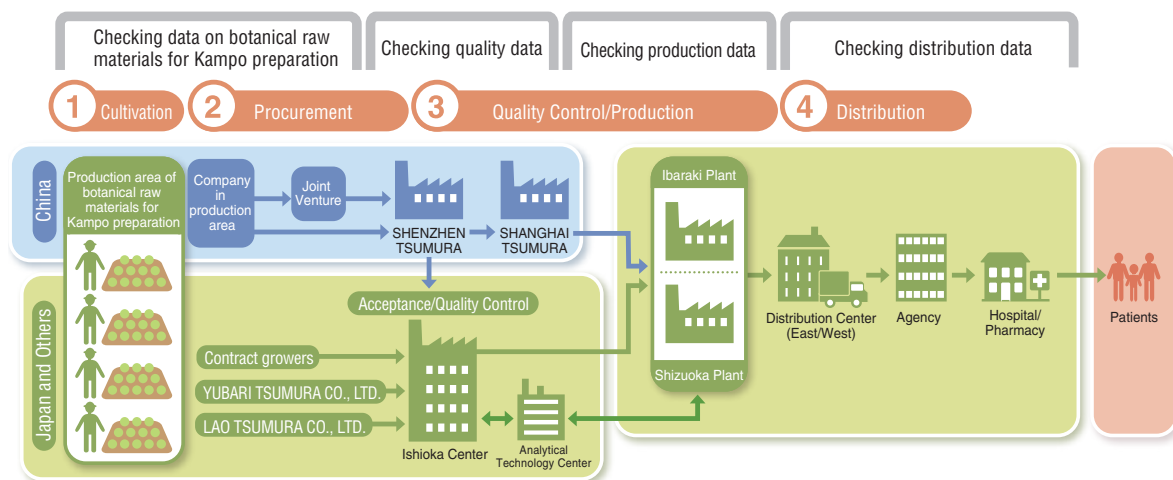
The company will continue its contributions, such as the expansion of job opportunities, and agricultural technology transfer and diffusion, to the Laotian economic development through the cultivation of botanical raw materials.

Quality Control/Stable Procurement

Tsumura has accumulated efforts for providing safe and secure Kampo preparations made from botanical raw materials grown in abundant natural environment in a stable manner.

Traceability System from Cultivation of Botanical Raw Materials to Distribution

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



1 Cultivation

For stability in quality and improvement in crop yield

We have long 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 instruction for the producers based on the production standards for botanical raw materials for Kampo preparation. In the



Educating employees of SHENZHEN TSUMURA about cultivation (Japan)

standards, the method of cultivation, agrichemicals used, and the method of drying and preparation are described. The system of contract cultivation is also assisted by the management of a database on cultivation conditions, such as the use of fertilizers and agrichemicals.

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 preserve the biodiversity in the production areas of botanical raw materials and realize a sustainable harvest of botanical raw materials, Tsumura has been 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 other research institutions, and has also implemented our unique research for cultivation. Tsumura will proactively protect resources of botanical raw materials and tackle environmental issues by promoting the cultivation of wild medicinal plants.

2 Procurement

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, called the Tsumura GACP, for the purpose of guaranteeing the safety and quality of botanical raw materials for Kampo preparations. The Tsumura GACP is composed mainly of "Tsumura GACP Guideline" "Standards of crude drugs production", "production history of crude drugs", and "audit", with the aim of producing crude drugs in a safe and appropriate manner.

Systems for procurement and distribution of botanical raw materials for Kampo preparations

About 80% of botanical raw materials for our Kampo preparations are imported from China. The 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. Shenzhen Tsumura conducts operations such as removal of foreign bodies, selection, and quality tests equivalent to the level in Japan for heavy metals, residual pesticides, and microbes. Then, the company sends only botanical raw materials meeting Tsumura's quality standards to Ishioka Center and Shanghai Tsumura. Botanical raw materials procured in Japan

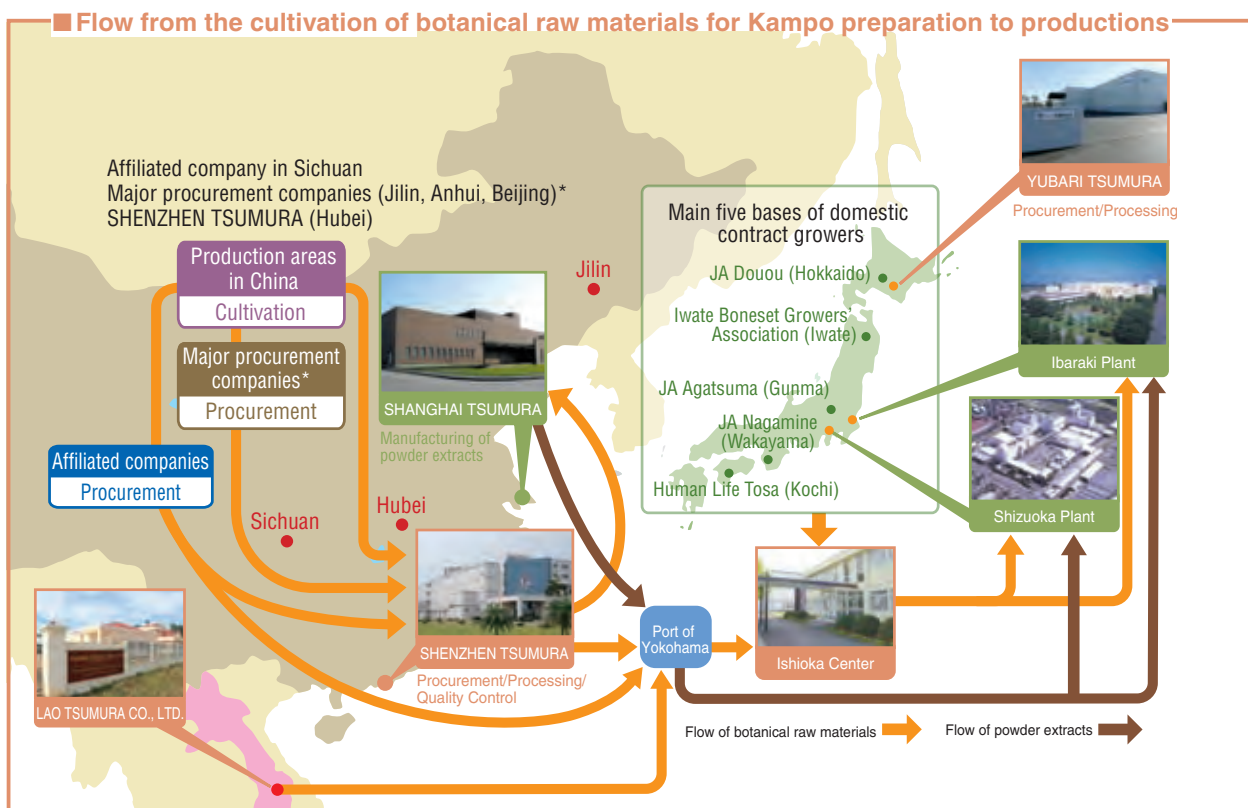
are also sent to Ishioka Center for selection and quality tests.

Enhancement of an audit system

In the Tsumura GACP, standards for production of safe botanical raw materials with consistent quality, Tsumura's unique audit method was incorporated in reference to the GAP (Good Agricultural Practice) certification system. In FY2011, on-site audit started to confirm whether actual production processes of crude drugs are consistent with Tsumura GACP Guideline and Standards of crude drugs production. Further enhancement of the Tsumura GACP including this audit system will lead to the stable procurement of safe botanical raw materials for Kampo preparation.



Audit of producers (China)



TSUMURA'S Business
Potential of Kampo
Interview/Close-up
Quality Control/
Stable Procurement
Society and TSUMURA
Environment and
TSUMURA
With Shareholders
and Investors
Compliance
Corporate Governance
Third-Party Verification
On-site Report

3 Quality Control/Production

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 examined by the Ishioka Center Quality Control Department, and only materials which pass inspection are provided to our production plants. As with products' quality, tests of residual agrichemicals are conducted by Analytical Technology Center (Shenzhen Tsumura for Chinese materials). In this way, we are building a system to provide safe and secure botanical raw materials for Kampo preparation through an organic connection of Ishioka Center Quality Control Department and Analytical Technology Center under speedy and stable quality control.

To supply Kampo preparations with consistent quality

In order to manufacture products with constant quality in a stable manner by precisely reproducing to quality specifications in factory productions, 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). Component quantitative test with mechanical analysis is an important item. In addition, as our own standard, quality tests are conducted by the Analytical Technology Center in terms of safety against residual agrichemicals and microbes.



Quality test (Ibaraki Plant)

Measurement of radioactive substances

The Compliance and Narcotics Division, Pharmaceutical and Food Safety Bureau, Ministry of Health, Labour and Welfare has issued a notification on the appropriate methods of assessing radioactive materials in crude drugs for Kampo preparations. The authorities instructed pharmaceutical manufacturers, distributors and other related entities to employ the inspection methods prescribed in the guideline for determination of radioactive materials in crude drugs and the like through the Federation of Pharmaceutical Manufacturers' Associations of Japan. Under these instructions, Tsumura will ensure the safety of botanical raw materials, Kampo preparations and water for production, as well as a strict quality control, under an inspection system that is compliant with the "guideline for determination of radioactive materials in crude drugs and the like."

Manufacturing flow of Kampo preparations



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. In terms of development of test methods, we continue to make efforts to improve and unify test methods to obtain same results with the same method so that our customers can take our products with confidence, and we are considering the introduction of new technologies in various physical and chemical tests. As the core of the quality control function of Tsumura Group, the 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 not only the Shizuoka and Ibaraki Plants, but also with Shanghai Tsumura and Shenzhen Tsumura.

Management 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 FY2010, we have examined 191 agrichemicals used in cultivation of medicinal plants.

Management of 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, it is necessary to store them at a temperature which is resistant to microbe growth. We also confirm the safety of powder extracts and preparations with the microbial test. As for contamination of heavy metals and hazardous elements such as arsenic, we supply safer products, complying with the standards of Japanese Pharmacopoeia. We also conduct analyses using the latest technology (ICP-MS).*

* ICP-MS: inductive coupled plasma - mass spectrometer



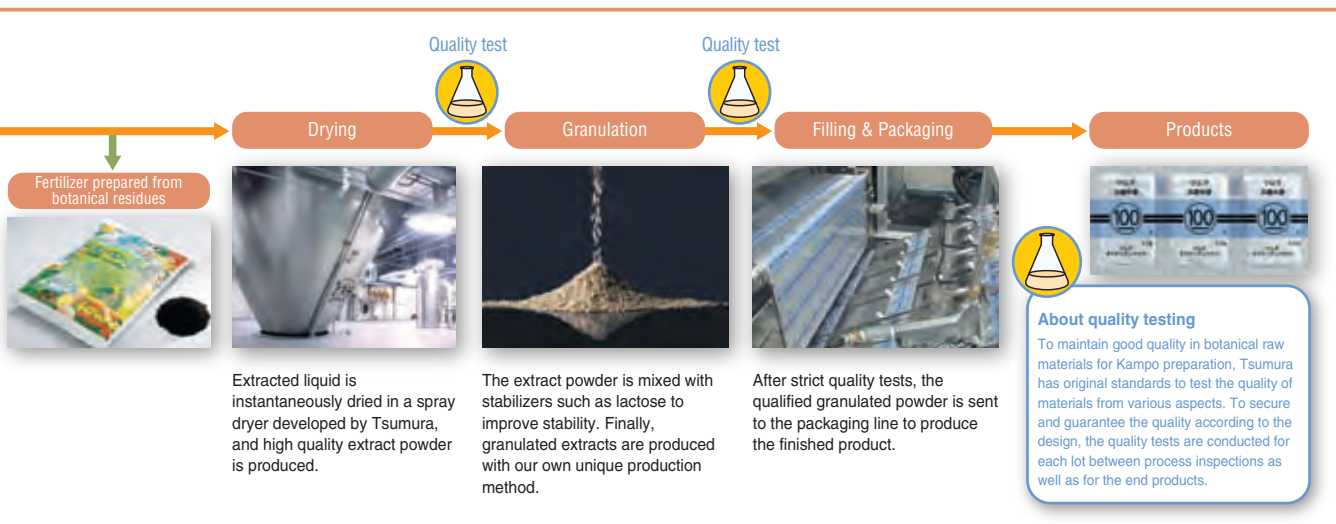
Microbe test (Analytical Technology Center)

■ Standards for residual agrichemicals on botanical raw materials for Kampo preparations and TSUMURA in-house standard

Standard	Targeted botanical raw materials for Kampo preparation	Targeted agrichemical
The Japanese Pharmacopoeia Sixteenth Edition*1	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 agrichemicals of total BHC and total DDT
TSUMURA in-house standard	All botanical raw materials for Kampo preparations handled	2006-73 kinds of agrichemicals including total BHC and total DDT
		2010- In addition to the above, 191 kinds of agrichemicals used in cultivation of botanical raw materials*2

*1 Enacted from April 2011

*2 The number of targeted agrichemicals is different according to each botanical raw material



4 Distribution

Initiatives at distribution centers

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 service and to manage risks in the event of a disaster. In order to handle an increase in shipping volume and a stable supply of ethical Kampo preparations, the East Japan Logistic Center completed an expansion project of warehouses in May 2012, and the West Japan Logistic Center built new warehouses in August 2010. We will expand our storage capacity step by step in response to an increase in distribution.

Visual inspections and 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

For stable supply

During a certain period after the Great East Japan Earthquake, as manufacturing activities of Ibaraki Plant and Ishioka Center was cut off, we were forced to limit product supply. Therefore, as a part of countermeasures against disasters, we increased ethical Kampo preparations in stock from conventional volume for a month and a half in average to volume for about two months by item. By verifying appropriate inventory, each kind of stocks, such as products, materials in process, and raw materials is managed and controlled from a viewpoint of the entire inventory assets.



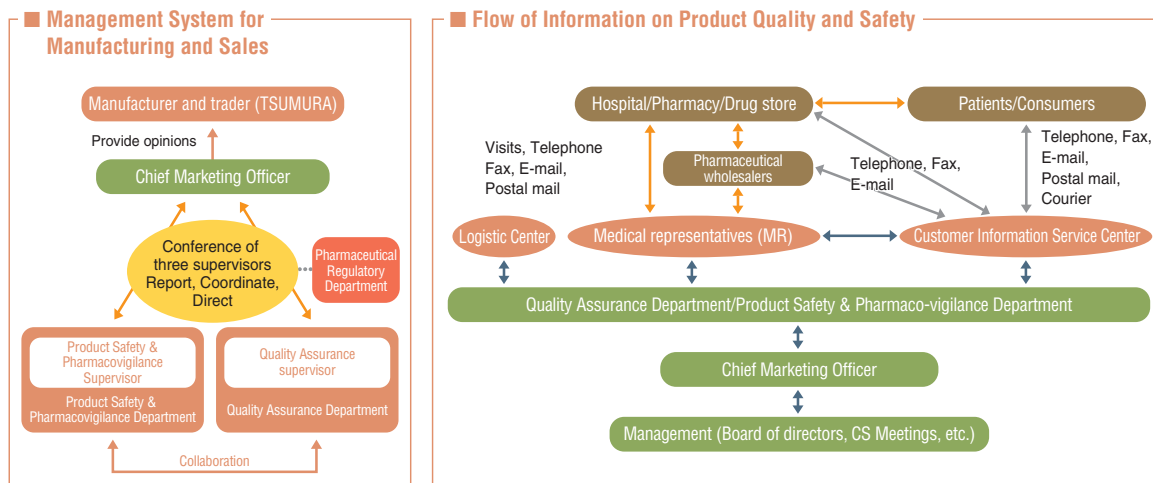
Product warehouse (East Japan Logistic Center)

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 & Pharmaco-vigilance Department

in charge of businesses relating to Good Quality Practice (GQP) and Good Vigilance Practice (GVP) respectively have constantly and closely worked together through discussion amongst the 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.



VOICE

Tsumura's business cycle has four core components to ensure stable supply of safe and secure products, and coexist with nature. Voices of employees who are working on activities for each core are introduced below.



Hiroyuki Noguchi
Chief of Environmental Management Section
Administration Department,
Production Division, Ibaraki Plant

Realization of a recycling society

The majority of Tsumura's wastes are botanical drug residues, all of which have been recycled as fertilizers, etc. We have also pursued possibility of converting them to bio-ethanol and materials of bio plastics, and are conducting research on effective use of them.

In FY2011, aiming to keep a balance between the effective use of resources and a reduction in environmental impact, we considered the use of botanical drug residues as biomass fuel for thermal power plants, have conducted trial tests with a power firm, and finally succeeded at full-scale use as fuel to generate electric power. Furthermore, as the result of reassessing the value of botanical drug residues as materials for fertilizers, we realised their value and will convert all our botanical drug residues to valuable resources. We will also make efforts for continuous achievement of zero emissions for other wastes, thus pushing ahead with recycling business activities.



Staff of Quality Inspection Section
Quality Control Department
Production Division, Shizuoka Plant

Quality control of pharmaceutical products

Quality inspections are based on standards and testing methods. There are two kinds of standards; the standards provided for by the certificate of approval for manufacturing and trading issued by the Ministry of Health, Labour and Welfare; and in-house standards set up independently by the Company. Setting up stricter criteria (management level) than those standards, Quality Inspection Section is making day-to-day efforts for keeping quality within management level range.

To be more specific, the appropriateness of management level is confirmed with LIMS, a quality information management system. Even if the result of inspection is within management level range, we confirm the time series data on products by lot and by test. In a case where risks which may impact the management level are found, we would quickly convey information to relevant divisions, and strive to resolve the issue in cooperation with them. With those efforts, we support manufacturing activities so as to manufacture products with consistent quality in a stable manner.

Keiko Yoshizawa
Procurement Section I,
Crude Drug Procurement Department,
Crude Drug Division

Stable procurement of botanical raw materials for Kampo preparation

As crude drugs are not only materials of pharmaceutical products, but also agricultural products, their stable supply is not possible without the cooperation of each production area and producer. With our basic direction of "a people-friendly company that contributes to society and humanity" in mind, we hope to achieve the goal of securing safe crude drugs in a stable manner, conducting activities which are conscious about contribution to local society and industries in order to revitalize local communities through production of botanical raw materials for Kampo preparation.

Specifically, we are aiming at further efficient and stable production by establishing a cooperative system with local government, stabilizing agricultural management of producers with contract cultivation, creating local employment (main agricultural workforce), effectively using unused and abandoned farmlands, and working on a large-scale automated production. Those activities would result in further consistent quality, and further stable production of safe and secure botanical raw materials.



Realization of a recycling society

Stable procurement of botanical raw materials for Kampo preparation

Stable supply of safe and secure products

Quality control of pharmaceutical products

Quality control of botanical raw materials for Kampo preparation

Ryoichi Matsui
Quality Control Section, Quality Control Department
Crude Drug Division, Ishioka Center

Quality control of botanical raw materials for Kampo preparation

I am responsible for management of botanical raw materials prescribed in the Tsumura GMP for pharmaceutical products.

The requirements for this position are to have expertise on botanical raw materials and ability to judge their quality, and be familiar with how to handle botanical raw materials through business experience for five years or over. My duties include; i) appraising botanical raw materials and comprehensively judging their quality in order to secure inventory of crude drugs with quality required for manufacturing Kampo preparations; ii) making precise recommendations for handling various botanical raw materials; iii) giving instructions on blend ratios of botanical raw materials in order to produce Kampo preparations with consistent quality using natural botanical raw materials, of which quality would vary depending on harvest year, production area, and climate. Those efforts have been made to supply products with consistent quality.



TSUMURA'S Business
Potential of Kampo
Interview/Cross-up
Quality Control/
Stable Procurement
Society and TSUMURA
Environment and
TSUMURA
With Shareholders
and Investors
Compliance
Corporate Governance
Third Party Verification
On-site Report



With Society

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



TSUMURA Kampo Museum

TSUMURA Kampo Museum

The Tsumura Kampo Museum which features a medical herb garden is aiming to be a place to communicate information about Kampo to our stakeholders in an easy and friendly manner. In FY2011, the museum was closed for four months for renovation work and conservation of electric power in summer season due to the impact of the Great East Japan Earthquake. Nevertheless, the number of guests, mostly medical students, was 2,497 in a year, with an average of 300 per month which was a record high, reaching 10,000 since its opening. For visitors from overseas, audio guide service using iPod touch in Japanese, English or Chinese was introduced.

We believe it is our important mission to let visitors know the gentleness and greatness of Kampo preparations made of botanical raw materials and natural bounties, and to convey our sincere thanks to each visitor. We could confirm the various opinions, impressions and over 90% satisfaction rate of our guests through post-tour questionnaires.

TSUMURA Kampo Museum

Yoshihara 3586 Ami-cho, Inashiki-gun, Ibaraki, 300-1192

Please contact us for reservations prior to your visit



Celebrating the achievement of 10,000 visitors with participants in Modern Kampo Class of Marunouchi Morning College

Questionnaires about CSR initiatives

On March 6 and 7, 2012, we asked 82 pharmacy interns who visited Tsumura Kampo Museum for their experiences in learning how to prepare questionnaires about Tsumura's CSR initiatives. The valuable feedbacks were shared throughout the entire Group to use them in future CSR activities. We will work on our CSR activities taking into account the opinions of various stakeholders such as customers, business partners, students, and investors.



Implementation of the questionnaire about CSR initiatives

Kampo Seminar for Women

In response to general people's needs to try to take Kampo medicines and know more about Kampo, we implement various activities. Especially, women are very interested in Kampo. Therefore, in "Kampo Seminar for Women" held every year, we explain about "mental and physical mechanism of women" and "Kampo treatment used by doctor for malfunctions peculiar to women" in an easy-to-understand way, for example, discussion with medical doctors and celebrities.

In FY2011, the seminar was held at eight venues in Japan, with 10,822 participants. Contents of the seminar were featured on TV and newspapers.



Kampo Seminar for Women

Kampo education activities through the Internet

We have sponsored "Kampo View", a portal website for Kampo. The website enables people to learn knowledge about Kampo through an interview with doctors who actually prescribe Kampo medicines. It also exhibits a variety of contents to support women's health, for example, "Kampo by problem" in which symptoms with which people are annoyed are explained in terms of both Western and Kampo medicine; and explanation and advice by physicians about women-specific mental and physical change, as well as various malfunctions and troubles. The number of members of and the traffic to "Kampo View" have been increasing year by year.



Kampo View

 <http://www.kampo-view.com>

Dementia and Kampo

Yokukansan which has efficacy for improving symptoms of dementia such as getting easily excited, irritated, offended, as well as sleeplessness, which has made positive effects on behaviors and psychological symptoms of dementia. Therefore, with this Kampo medicine, it would be possible to improve patient's quality of life, and reduce the burden on caregivers.

The reasons that dementia has become a social issue include a rapid expansion in the number of dementia patients, anxiety about the burden of nursing care, and a lack of correct knowledge. Tsumura is working on educational activities for dementia and supporting local environments to face to dementia.

Support for treatment of dementia

Dementia Forum

In "Dementia Forum", which Tsumura has supported since 2007, the basic knowledge of dementia, latest medical information, and efforts for nursing care in communities are presented. In FY2011, 5,465 participants visited seven venues in total. Featured in newspapers and TV programs, the contents of this forum were broadly publicized to the general public. Furthermore, a website which we have supported called "ninchisho-forum.com" provides a video of the "Dementia Forum" as well as a variety of information on dementia. The average hit count is about 25,000 per month, and the total number of pages browsed is about 150,000.



Dementia Forum

BPSD Support Area Project

In order to foster medical practitioners and care staff that can appropriately diagnose and treat behavioral and psychological symptoms of dementia (BPSD), Tsumura has held workshops in cooperation with "NPO Local Dementia Support Bridge" since 2008. This project is presently being developed in sixteen areas. In total, about 2,700 medical doctors and care staff have so far participated in the workshops. We will continue to spread and support this project to create as many communities in which dementia patients and their families can lead secure lives as possible.



A workshop of BPSD Support Area Project

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 have participated in Kochi Prefecture's corporative project to grow forests since June 2008. In this project, the companies and local communities aim to jointly facilitate revitalization of forests as well as local exchange. We concluded a partnership agreement with Kochi Prefecture, Ochi Town, and Human Life Tosa which is an organization to cultivate medicinal plants to support environmental conservation activities in the 58.6ha 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 initiatives to conserve local environments as a token of our thanks. We believe 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.

In FY2011, we conducted a visiting lecture and forestry experience learning in November, with 43 participants consisting of students and teachers of Ochi Junior High School. Also in March, 42 first grade students of the school produced models of vegetables grown in Ochi as a memory of this project. 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.



Experience of planting trees



Production of vegetable models

Asaza Project

As an environmental conservation activity around Kasumigaura which is a primary water resource for production, the Ibaraki Plant and the Laboratories have participated in the Asaza Project conducted by NPO Asaza Foundation, since FY2004. So far, a total of over 401 employees have participated in this project, including 49 employees who participated in FY2011.



Asaza Project (Ibaraki Plant, Laboratories)



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).

Our head office, the Shizuoka and Ibaraki Plants, the research districts, and some regional branches and sales offices have participated in the "Ecocap Movement" to provide vaccines such as polio vaccines to children in developing countries through the NPO Ecocap Movement and the NPO Ecocap Movement Network. In FY2011, we collected 139,852 PET bottle caps, enough to buy polio vaccines for 175 children.

Donation Activities

In FY2011, officers and employees of the Tsumura Group and its business partners in China donated a total of ¥128,645,623 as relief money for the Great East Japan Earthquake.

For the purpose of improving educational environment for children in Laos, we conducted various activities, including donations to "NPO Action with Lao Children" and "STUDY FOR TWO", a student social entrepreneurial organization.

Other donations and contributions in FY2011

FY2011 JACO		
TSUMURA	Red Feather Community Chest	10,000 yen
	NPO Action with Lao Children (collection of postcards with written mistakes)	147 Laotian picture books
	STUDY FOR TWO	24 textbooks
Shizuoka Plant	Fujieda City Mottainai Campaign	179,022 yen
	Red Feather Community Chest	135,307 yen
	Green Fund	122,749 yen
	Fund-raising for supporting volunteers through vending machines	95,454 yen
	Donation of newspaper by Harmonia	867.6 kg
Ibaraki Plant	Fund-raising for drug abuse prevention activity of UN	27,900 yen
	Red Feather Community Chest	10,000 yen
	Japanese Red Cross, Ibaraki branch	30,000 yen
	Sponsored for "Mai Ami Matsuri"	50,000 yen
	Community chest for Ami-cho Social Welfare Council (such as "collection box of love")	3,485 yen
Laboratories	Fund-raising for drug abuse prevention activity of UN	30,767 yen
Ishioka Center	Fund-raising for drug abuse prevention activity of UN	4,451 yen
	Donation to Ishioka City Social Welfare Council (used stamps)	Old stumps
LOGITEM TSUMURA	Fujieda City Mottainai Campaign	67,468 yen
	Presented yellow bags for traffic safety to the first-grade elementary school pupils	10,000 yen
	Social Welfare Cooperation Fujieda Sumire Kai	5,000 yen
YUBARI TSUMURA	Donation of "Kampo no Himitsu" Yubari Elementary School	2 books
SHENZHEN TSUMURA	Donation for "Tree planting to commemorate the Universiade in April 2011"	10,000 yuan About 127,000 yen
LAO TSUMURA	Fence of Phokhem-TSUMURA Friendship Junior High School	30,000 yen
	Ceremony for completion of Phokhem-TSUMURA Friendship Junior High School	34,000 yen
	Thanksgiving for elders in Saravanh Province	2,000 yen
	Teams of Saravanh Province participating in the 9 th interscholastic athletic competition	5,000 yen

* Relief money for the Great East Japan Earthquake was stated in the CSR Report for FY2011.

Communication with neighborhood residents

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

The Shizuoka Plant, Ibaraki Plant, the Laboratories, and Ishioka Center hold a summer festival every year, in which employees pass their time in a meaningful way, for example, promoting mutual friendship among employees, expressing gratitude for their families, and activating exchange with local citizens.



Summer festival (Shizuoka Plant)



Summer festival (Ibaraki Plant/Laboratories)



Summer festival (Ishioka Center)

Major Cleanup Activities in FY2011 JACO

Site	Number of times	Number of participants
Shizuoka Plant	9	283
Ibaraki Plant/Laboratories	9	226
Ishioka Center	12	66
LOGITEM TSUMURA	3	16
YUBARI TSUMURA	1	2
SHENZHEN TSUMURA	2	409
LAO TSUMURA	2	30

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 and to provide students working experience.

* 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

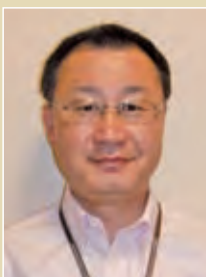
Number of Acceptance of Facility Tours and Internship in FY2011 JACO

Site	Facility Tour		Internship	
	No. of acceptance	Visitors	No. of acceptance	Visitors
Headquarters	5	26	0	0
Shizuoka Plant	12	36	4	22
TSUMURA Kampo Museum, Ibaraki Plant, Laboratories	162	2,497	2	7
Ishioka Center	2	3	2	4
YUBARI TSUMURA	29	401	0	0
SHENZHEN TSUMURA	37	118	1	13
SHANGHAI TSUMURA	19	71	4	10
LAO TSUMURA	4	15	0	0



Work-study program for pharmacy students

VOICE



Norihisa Takezawa

Chairman of Social Contribution Subcommittee, Environmental Committee
Production Headquarters, Shizuoka Plant

Social contribution activities at Shizuoka Plant

In January 2012, Shizuoka Plant received the certification as a cooperative business institute from Fujieda City Fire Company, in recognition of contribution to activities of the fire company which are a core of local disaster prevention. Fujieda City Beautification and Volunteer Cleanup Activity has been steadily established, with over 1,600 participants in total since its inception in February 2005, as of the end of FY2011.

Some employees often individually participate in social contribution activities in various fields, such as local disaster prevention, sports, and cultural activities. We will proactively work on social contribution activities, as a good corporate citizen.



Certification as a cooperative business institute for fire-fighting operation



With Customers and Business Partners

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



MRs at Sendai Sales Office which was recognized as an excellent sales office in FY2011

Consumer 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 promote proper use of medicines.

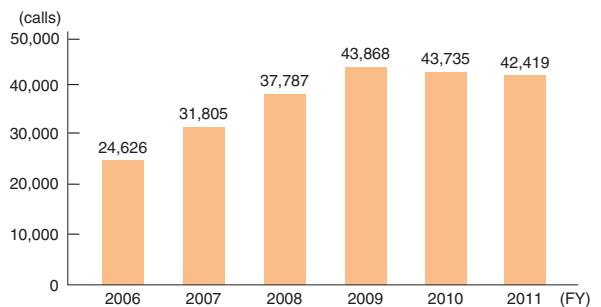
Established in 1995, the Center has received over 340,000 consultations in seventeen years. We introduced a web-based e-mail service in FY2004 and a toll free number in FY2007 so as to activate communication with customers and make effective use of the abundant information provided by our customers through consultations.

In FY2011, Consumer Information Service Center at the headquarters in Tokyo was temporarily shut down due to the Great East Japan Earthquake. However, with another service center in Osaka, we could continue to provide consultation service.

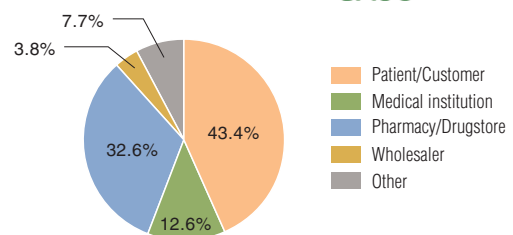
Customer Information Service Center

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)

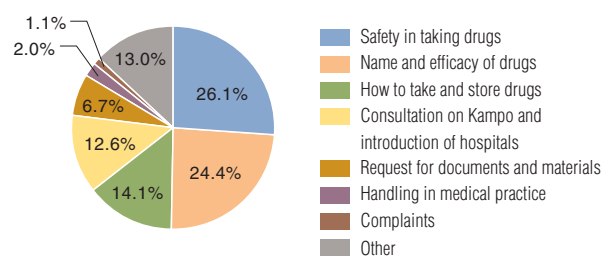
Calls received by Customer Information Service Center JACO



FY2011 Breakdown of Consulters JACO



FY2011 Breakdown of Consultation Issues JACO



Consumer Satisfaction (CS) Conference

Since FY2006, in order to proactively utilize the inquiries received from medical personnel and patients in our corporate activities, we have established the “Customer Satisfaction (CS) Conference” consisting of related directors and chaired by the president, and regularly reviewed various issues aiming at an improvement in customer satisfaction.

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.

Cooperation with agencies

Every year, we gather managers of agencies which we have entrusted with sales of our ethical Kampo preparations, and inform them of our policies and the progress of our activities. Thankfully, they have tried to spread Kampo medicine.

At request of marketing specialists (MS) of agencies who desire to study Kampo medicine, we are developing the self-study environment on our website, using Kampo handbook for MS as learning materials.



Supporting site for MS of an agency to study Kampo

Kampo education activities for medical personnel

“Tsumura Kampo Square”, a website for medical personnel, provides enriched contents ranging from the latest study results and information on lectures and workshops to menus to actually learn how to use Kampo medicines.



Kampo Square

Activities of MRs (Medical Representatives)

MRs visit medical institutions in order to provide, collect, and communicate the latest information on the quality, efficacy, safety, and appropriate use of ethical drugs.

Tsumura's ideal MRs are required to be able to suggest optimal treatment combining Kampo and Western medicine from the patient's standpoint. As members of leading maker of ethical Kampo preparations, Tsumura's MRs are conducting information provision activities consistently with a sense of purpose to become “a company that contributes to society and humanity”, considering it is the greatest satisfaction to mitigate the pain of patients suffering from disease.



MR activities



Hiroshi Matsubara
Pharmaceutical Product Section III,
Tachikawa Sales Office,
Pharmaceutical Product Department,
Tokyo Branch

We MRs are inspired by the word “Thank you”.

MRs conduct activities to provide information to medical personnel such as doctors and pharmacists for the sake of patients every day.

I often hear word of thanks from doctors, for example, “Thank you for information you gave me the other day. Yokukansan you taught me was very effective. As the patient has calmed down and seems to feel at ease, his family was pleased. I really appreciate it.” Every time hearing the word “thank you”, I can be helpful for patients and their families through Tsumura's Kampo. This is my driving force to work as a MR.

I will suggest optimal treatment combining Kampo and Western medicine from the patient's standpoint, fulfilling social missions as Tsumura's MR.



With Employees

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



Presentation meeting on president's policy

Presentation meetings on president's policy

With the new president's assumption of office in June 2012, presentation meetings on president's policy were held at a total of 12 venues including 10 venues in Japan, Shenzhen Tsumura, and Shanghai Tsumura. The president directly explained to all employees about the concept of "management based on the philosophy", including the corporate philosophy which represents our basic value, and management in faithful accordance with corporate mission as significance of our existence. In addition to a vision in ten years and an image of the corporate group we should aim at, the president expressed his view as follows: As a growth of a company and an organization is attributable only to a growth of "humans", and the "humans" that are a foundation of an organization underlie a company, each employee should be clearly aware of supporting the company.

Personnel Philosophy

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

Personnel Philosophy

Under our corporate 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.

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 abuses, prohibition of discrimination at the workplace, and prohibition of child labor.

Evaluation and Employee Compensation Package

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 an analysis of their vocational abilities. Also, to facilitate appropriate understanding of our personnel system, the "Personnel System Guide Book (TAPS)" is delivered to all employees.

Employment Track Record

We wish to respect the diversity of our employees and realize an ideal working environment. We have introduced re-employment systems for retired workers. As of the end of FY2011, 34 employees who reached the mandatory retirement age and hoped for re-employment have been employed.



■ Number of employees (unit: persons)

	FY2007	FY2008	FY2009	FY2010	FY2011
TSUMURA & CO.	2,172	2,205	2,265	2,263	2,292
Consolidated	2,773	2,631	2,702	2,717	2,784

■ Number of union members and non-union members (TSUMURA & CO.) (unit: persons)

	FY2007	FY2008	FY2009	FY2010	FY2011
Union member	1,458	1,460	1,483	1,461	1,474
Non-union member	714	745	782	802	818

■ Number of new graduates (TSUMURA & CO.) (unit: persons)

	April 2007	April 2008	April 2009	April 2010	April 2011
New graduate	30	56	67	28	32
(Female)	14	29	24	10	12

■ Average years in service (TSUMURA & CO.) (unit: years)

	FY2007	FY2008	FY2009	FY2010	FY2011
Average years in service	17.9	18.4	18.2	18.9	19.2

■ Number of employees by employment status (TSUMURA & CO.) (unit: persons)

	FY2007	FY2008	FY2009	FY2010	FY2011
Permanent Employees (including non-regular staff)	2,172	2,205	2,265	2,263	2,292
Contract employees	286	329	369	450	484
Temporary staff	117	113	89	35	21

■ Turnover Ratio (TSUMURA & CO., excluding those who retired at the age limit) (unit: %)

	FY2007	FY2008	FY2009	FY2010	FY2011
Turnover Ratio	1.9	0.8	1.1	0.7	0.7

Promotion of local employment overseas

In both Shenzhen Tsumura and Shanghai Tsumura, local employment has advanced with a local person serving as a chairperson*. Furthermore, the appointment of local employees as managerial staff has been promoted. As of the end of December 2011, the rate of managerial staff who was locally employed is 85.3% of all managerial staff in Shenzhen Tsumura, and 83.3% in Shanghai Tsumura.

* Chairperson: Head of the highest decision-making body in Chinese companies

Recruitment

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. We also 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. and our business.

We applied to Hello Work (Japan's quasigovernmental unemployment benefits and job introduction agency) for recruiting people who were affected by or whose job offers were rescinded due to the Great East Japan Earthquake, and employed 6 persons. We will make efforts for supporting the recovery from the disaster to the extent possible.

Employment of people with disabilities

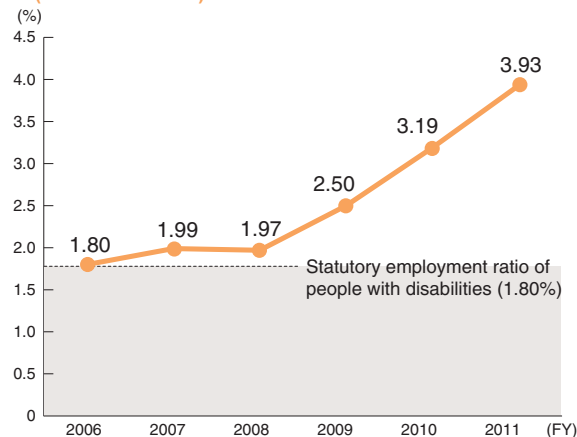
The recruitment of people with disabilities is continuously implemented throughout the year. We have made efforts for providing them with better working environment in which they can exercise their individuality and abilities through hearings and interviews.

The headquarters building which is qualified in accordance with the new barrier-free law is equipped with an elevator for people with disabilities, barrier-free toilets and spaces which are easy to use and move with a wheelchair.

While statutory employment ratio of people with disabilities is 1.8%, we conducted proactive recruitment activities aiming at 4% at the end of FY2011. As a result, Tsumura's employment ratio of people with disabilities became 3.93% at the end of FY2011.

We hope to be a people-friendly company in which all employees can actively work with a sense of satisfaction.

■ Employment ratio of people with disabilities (TSUMURA & CO.)



The Effort Award from the chairperson of Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers

The Ministry of Health, Labour and Welfare and Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers present awards to business establishments which are excellent in employment of people with disabilities every year, for the purpose of promoting the employment of people with disabilities and stabilizing their jobs.

In September 2011, Tsumura won the Effort Award from the chairperson of Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers in recognition of our proactive efforts for employment of people with disabilities.

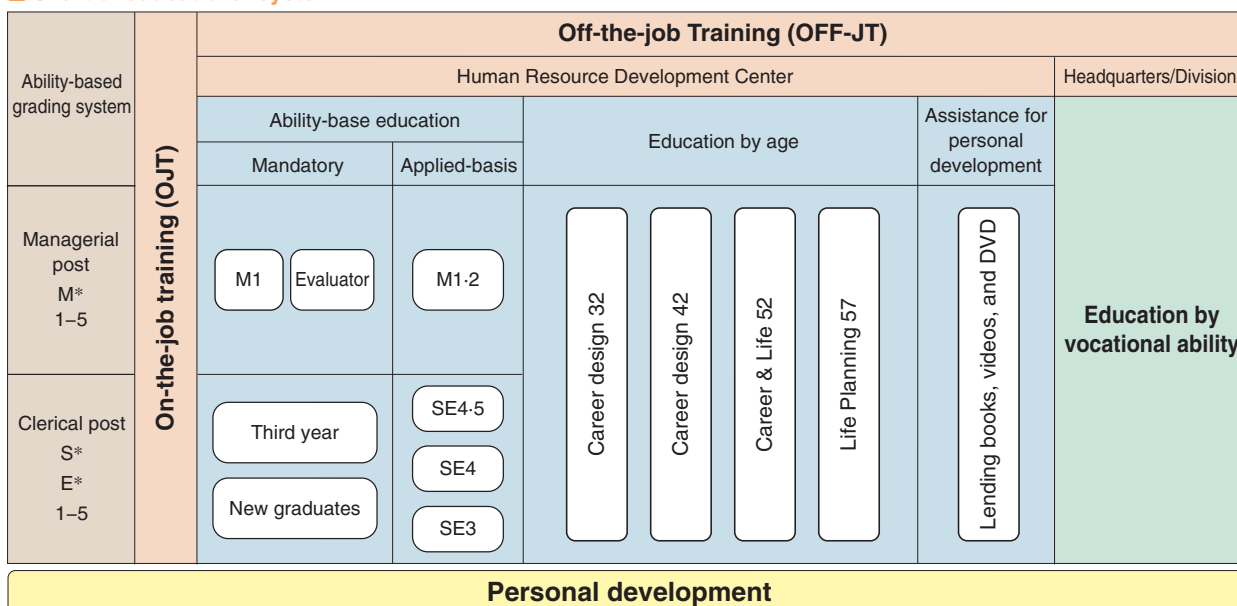


Awarding ceremony

Human resource development

Tsumura promotes human resource development, seeking "independent organizational personnel pursuing self-fulfillment", who can voluntarily act to realize the corporate philosophy. We are developing educational programs in which trainees voluntarily think and grow as finding many things. The programs are mainly composed of ability-base education according to roles of each grade, education by age focusing on trainee's career and life, and education by vocational ability which is directly linked to operations at workplace. In education concerning pharmaceutical products, education on Kampo and Western medicine has been conducted on the basis of contents designated by MR Education Center, with the goal of becoming capable to suggest optimal treatment from the patient's standpoint.

■ Chart of educational system



* M: Aiming to develop career at managerial post

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

* E: Aiming at development of career at clerical post

Cooperation in the TSUMURA Group

We provided training programs for mainly managerial staff including 5 from Shenzhen Tsumura and 4 from Shanghai Tsumura at Headquarters, Ibaraki Plant, and Ishioka Center. We strive to strengthen a sense of unity as a member of Tsumura group, and deepen mutual understanding and trust.



Training for managerial post of SHENZHEN TSUMURA and SHANGHAI TSUMURA (Headquarters)

Employees' consultation service counter

We strive to manage the mental and physical health of our employees by setting up internal and outside consultation service counters so that employees can freely discuss their concerns in order to continue to work actively.

■ 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

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. 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.

5S activities

In accordance with the basic policy, "providing products that our customers can use with confidence based on the 5S* activities", the Production Division has conducted the activities, and obtained numerous results since 2007.

Presently, efforts for maintenance management and improvement in quality are being made. All members participate voluntarily in the activities, striving to create a pleasant workplace by fostering a feeling of trust mutually through conversation and caring for each other.

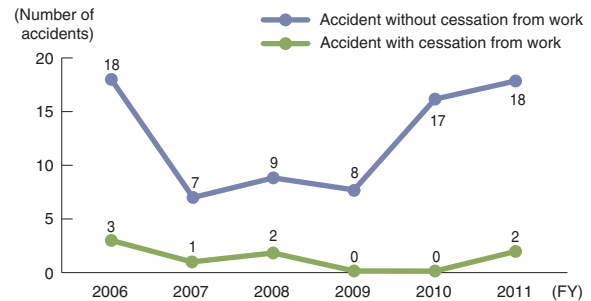
In addition to Production Division, the activities were started in the head office, the Laboratories, Ishioka Center, Shenzhen Tsumura and Shanghai Tsumura.

*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

The Shizuoka and Ibaraki Plants, the Laboratories 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 (TSUMURA & CO.) JACO



5S meeting (Shizuoka Plant)



5S meeting (Ibaraki Plant)

5S activities

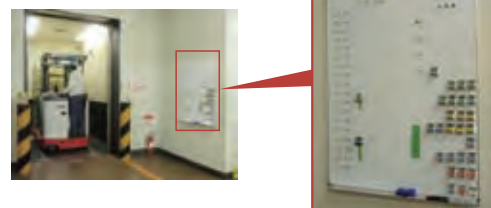
5S activities at Shizuoka and Ibaraki Plants entered its 5th year, since started in 2007. Through 5S activities, employees more actively communicate with others, and more frequently help each other in brighter atmosphere at workplace. We will promote the activities with all employees participating, basically focusing on more active communication and friendly working environment.

An example at Shizuoka Plant



In consideration of workability, the conventional arrangement of tools was improved, so that right-handed people can more easily pick them up. Aiming to create comfortable working environment in which employees can easily communicate with each other, we will promote such 5S activities in a pleasant mood.

An example at Ibaraki Plant



The way to indicate schedule of use of elevators for cargo at the crude drug warehouse was changed to indicating it with magnets and clips from writing down on a whiteboard. With this change, each worker became able to adjust the schedule so as to work more efficiently. All employees will participate in and promote the activities through active communication.

Welfare programs

Tsumura creates the environment in which all employees can equally receive welfare services. We have entered into a partnership with companies to provide welfare services, in order to allow employees and their families to enjoy welfare services such as availability of various accommodations nationwide, in addition to recreation facilities owned by Tsumura. As part of support for volunteer activities, we have a leave system for bone-marrow donors in order to create the environment in which employees who want to donate their bone marrow through bone-marrow banks can more readily do so by reducing their burden.

Work-life balance

We have made various efforts for achieving harmonization of work and life, responding to various lifestyles and needs in each stage of life, such as childcare and nursing care.

As an effort related to working hours, the following measures have been taken: Introduction of a flex-time system and a memorial leave system apart from paid leaves; setting a month to encourage employees to take leaves (four times a year); recommending employees to take designated long-term paid leave over three days as refreshment leave; and no overtime work day twice a week.

At the headquarters, we strive to reduce overtime work by operating rules under which, if employees will work after 19:00, they are required to be approved by their boss and apply to the personnel department.

Mental health care

To respond to mental issues caused by various factors including stress, we have established an in-house consultation service counter for mental health care with industrial physicians. Outside the company, health support programs and mental health consultation by health insurance associations are available. We also implement mental health checkups using questionnaires every year, in cooperation with the industrial physicians.

When employees take medical leaves, they can be supported with a rehabilitation program to help them return to work smoothly after recovery, including care during the period of leaves, returning to work, and follow-up care after that.

Leave system for childcare/nursing care

We strive to enhance and improve the childcare/nursing care leave system with an eye to harmonizing work with childcare and nursing care.

The childcare leave can be taken until a child becomes two years old. The nursing care leave can be taken consecutively for up to one year per person requiring nursing care in the family.

During the period of childcare leave, a support program for return to work "wiwiw" is used, so that employees who take childcare leaves can raise a child without anxiety and smoothly return to work. Furthermore, working hours can be reduced until the child becomes the fourth grade at elementary school. In FY2011, the rate of return to work after childcare leaves was 100%, as with the previous year.

■ Data on working hours and days off JACO

Annual average of union members	FY2007	FY2008	FY2009	FY2010	FY2011
The number of days taken as paid leave (unit: day)	11.7	11.7	11.6	11.4	10.9
The number of days including makeup and special holidays (unit: day)	17.9	17.5	16.6	17.6	17.0
Overtime (including work on holiday) (unit: hour)	216.6	221.0	203.8	190.4	181.6
Total working hours (unit: hour)	1,930.1	1,937.2	1,911.7	1,898.5	1,902.2
Regular working hours (unit: hour)	1,852.25	1,852.25	1,836.75	1,844.50	1,852.25

Thanks Card

As one of approaches to become "a people-friendly company that contributes to society and humanity" based on our basic direction, we have promoted use of "thanks card" as a communication tool.

In FY2011, as operations of Ibaraki Plant was cut off, affected by the Great East Japan Earthquake, some product items were forced to be produced at Shizuoka Plant. While Ibaraki Plant was making recovery efforts, Shizuoka Plant continued production activities 24 hours a day even during Golden Week holidays, with 30 employees who came from Ibaraki Plant to help the production. Under such circumstances, many sales offices all over the nation sent thanks cards to staff engaged in the production activities at Shizuoka Plant and Ibaraki Plant, expressing gratitude for their efforts.

We have been fostering kindness and warmth by expressing a feeling of gratitude in daily jobs and having more communication regardless of positions and departments through the card.



Thanks cards presented to the plants

Child sickness leave and nursing care leave

When a child under elementary school age needs to be nursed due to sickness or injuries, and receives immunizations or checkups, an employee can take child sickness leaves. When a family member needs nursing care, an employee can take up to five days off per year as nursing care leaves. In a case of two family members or more requiring nursing care, he/she can take up to 10 days off.

Use of expired paid leaves

In FY2008, Tsumura introduced the expired paid leave system to automatically accumulate and save up to 40 days of annual paid leaves which were not taken for two years from the date on which the leave became valid. The expired paid leaves can be used when an employee cannot work for a certain period due to personal injuries and diseases. In FY2010, the system was improved, so that employees can use this system when their children up to the sixth grade at elementary school receive immunization and checkups, or when their family member needs nursing care. In FY2011, the number of days of expired paid leaves used was 650 days.

To Enhance and improve the systems for childcare and nursing care

In FY2011, the questionnaire survey was conducted for the purpose of understanding the degree of employees' awareness of the systems for childcare and nursing care. Then, inconvenient points of the systems in terms of usability were analyzed by business location, gender, age, and position in order to improve the systems. In consideration of the results, we will strive to create better working environment to keep a balance between work and childcare/nursing care.

Children's visiting day/Company tour

Tsumura conducts a company tour with an eye to help children understand the society and the company and to be interested in working, and deepen communication with parents and children. In FY2011, 33 children from three years old to the first grade at junior high school participated in the tour at the headquarters, and 21 children at Ishioka Center.



Children's visiting day

Action plan for next generation development support

In FY2007, Tsumura obtained "Kurumin logo" certification, recognized as a company in compliance with Act for Measures to Support the Development of the Next Generation which promotes improvement in the corporate environment to allow employees to comfortably raise children. We formulated the action plan in accordance with the Act, and achieved the goals from Phase I to Phase III. Now, we are making efforts toward achievement of the goal of Phase IV.

Phase III Action Plan for Next Generation Development Support and Achievement (April 1, 2010 – March 31, 2012)



Plan		Achievement
Goal 1	Have five or more male employees take childcare leave during the action plan period	The number of male employees who took childcare leave: 5
Goal 2	Expand the scope of employees who can use the shorter working hours system	In June 2010, the scope was expanded, so that employees with a child up to the third grade at elementary school can use the system.
Goal 3	Enhance the leave system for nursing care	In June 2010, the system was enhanced to enable use of expired paid leave which were accumulated and saved as nursing care leave.
Goal 4	Familiarize all employees with Goal 2 and Goal 3	Activities to disseminate them were regularly conducted with in-house newsletters and bulletin boards in accordance with the procedures.
Goal 5	Have an employee take 10 days off or more in average for a year	The number of days off taken: 12.9 days a year per person

* Target: regular employees and contract employees (Goal 3 targets only regular employees)

VOICE



Kuniko Nishikawa
 Pharmaceutical product section II,
 Chiba No.1 sales office
 Pharmaceutical product department
 South Kanto Branch

Use of the childcare leave system

Giving birth to my second child, I have used the childcare leave system. During the period of childcare leave, I was very happy to spend much time with my children. When I gave birth to my first child, I took childcare leave for a year. After returning to work, I was transferred to the area in the vicinity of my home and a day-care center through the good offices of the Company. At first, I was often depressed as I could not do well at work and childcare as I intended. However, when I was absent from work due to sickness of all family members, I realized that my children and family are most invaluable for me. After that, I became able to work, taking things easy.

In sales activities, trustworthy relationships with doctors are very important. Therefore, in the event that I have to take a day off with very short notice, I have asked my boss and senior staff to support me, and I try not to make so many appointments and schedule so many brief sessions. I am really grateful for the understanding and cooperation of my boss and colleagues. I will do my best to do what I can do now.



Environment and TSUMURA

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 midterm and annual environmental objectives to achieve continuous improvements.



2012 Grand Prix of TSUMURA Green Photo Contest “Autumn leaves in Hiraizumi”
Takashi Saito, Production Technology Development Center
(Technology Development 1G), Production Division

TSUMURA Environmental Principle

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.

(Revised October 2009)

TSUMURA Environmental Policy

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.

(Revised October 2009)

Mid-term Environmental Objectives

Since FY2009, with the Mid-term Environmental Objectives set corresponding to the period of the Mid-term Management Plan, we have strived to achieve the objectives. From FY2012, we will work on further improvement, setting new Mid-term Environmental Objectives.

Mid-term Environmental Objectives (FY2009-2011)

Reduction in greenhouse gas emissions

Target: Reduce average of greenhouse gas emissions for three years by 19% compared with the performance figures in FY1990
(Total emission: 140,257t-CO₂ or less)

Achievement: Reduced average for three years by 21% compared with the performance figures in FY1990 (Total emission: 136,228t-CO₂)

Targets and Achievements (by fiscal year)

TSUMURA & CO.		FY2009	FY2010	FY2011	For 3 years
Target	Reduction rate	19.7%	20.9%	16.4%	19.0%
	Total emission (t-CO ₂)	46,350	45,648	48,259	140,257
Achievement	Reduction rate	21.8%	23.9%	18.2%	21.3%
	Total emission (t-CO ₂)	45,099	43,919	47,210	136,228

Reduction Rate: Compared with the performance figures in FY1990 (Total emission of greenhouse gas in FY1990 was 57,700t-CO₂.)

Targets and Achievements by Segment

	Target											
Production Sectors	<p>Reduce average of greenhouse gas emissions for three years by 15% compared with the performance figures in FY1990 (Total emission: 129,894t-CO₂ or less)</p> <ul style="list-style-type: none"> Promote further energy saving with introducing and renewing facilities with higher efficiency 	<p>Reduce by 18% on average per year compared with the figure in FY1990</p> <table border="1"> <tr> <td>Shizuoka Plant</td> <td>50,417 t-CO₂</td> </tr> <tr> <td>Ibaraki Plant</td> <td>60,826 t-CO₂</td> </tr> <tr> <td>The Laboratories</td> <td>9,861 t-CO₂</td> </tr> <tr> <td>Ishioka Center</td> <td>3,487 t-CO₂</td> </tr> <tr> <td>Total emission</td> <td>124,591 t-CO₂</td> </tr> </table>	Shizuoka Plant	50,417 t-CO ₂	Ibaraki Plant	60,826 t-CO ₂	The Laboratories	9,861 t-CO ₂	Ishioka Center	3,487 t-CO ₂	Total emission	124,591 t-CO₂
Shizuoka Plant	50,417 t-CO ₂											
Ibaraki Plant	60,826 t-CO ₂											
The Laboratories	9,861 t-CO ₂											
Ishioka Center	3,487 t-CO ₂											
Total emission	124,591 t-CO₂											
Non-production Sectors	<p>Reduce average of greenhouse gas emissions for three years by 2% compared with the performance figures in FY2008 (Total emission: 10,363 t-CO₂ or less)</p> <ul style="list-style-type: none"> Promote further energy saving (Air conditioner, lighting, PCs) Reduce use of paper Promote eco-driving, and introduce hybrid cars 	<p>Reduce by 1.8% on average per year compared with the figure in FY2008 (Reduce by 45% compared with the figure in FY1990)</p> <table border="1"> <tr> <td>Headquarters</td> <td>1,169 t-CO₂</td> </tr> <tr> <td>Branch/Sales Office</td> <td>10,469 t-CO₂</td> </tr> <tr> <td>Total emission</td> <td>11,638 t-CO₂</td> </tr> </table>	Headquarters	1,169 t-CO ₂	Branch/Sales Office	10,469 t-CO ₂	Total emission	11,638 t-CO₂				
Headquarters	1,169 t-CO ₂											
Branch/Sales Office	10,469 t-CO ₂											
Total emission	11,638 t-CO₂											

Summary

For three years from FY2009, total emission of greenhouse gases decreased an average of 21.3% per year compared with the figure in FY1990, while there were factors of an increase in greenhouse gases, for example, enhancement of production facilities for ethical Kampo extract granules, of which production increased 8.8% on average per year.

In Production Sector, higher energy efficiency and further energy saving was achieved by introduction of a highly efficient device to regenerate cooling water, a steam generator using heat pump technology, and a highly efficient concentrating device. In Non-Production Sector, energy saving was promoted by checking progress with visualization of greenhouse gas emissions, conserving electric power in response to the policy for power supply and demand, and promoting eco-driving.

Calculation of greenhouse gas emissions

- Six kinds of gases designated as greenhouse gases in the Kyoto Protocol.
- 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.

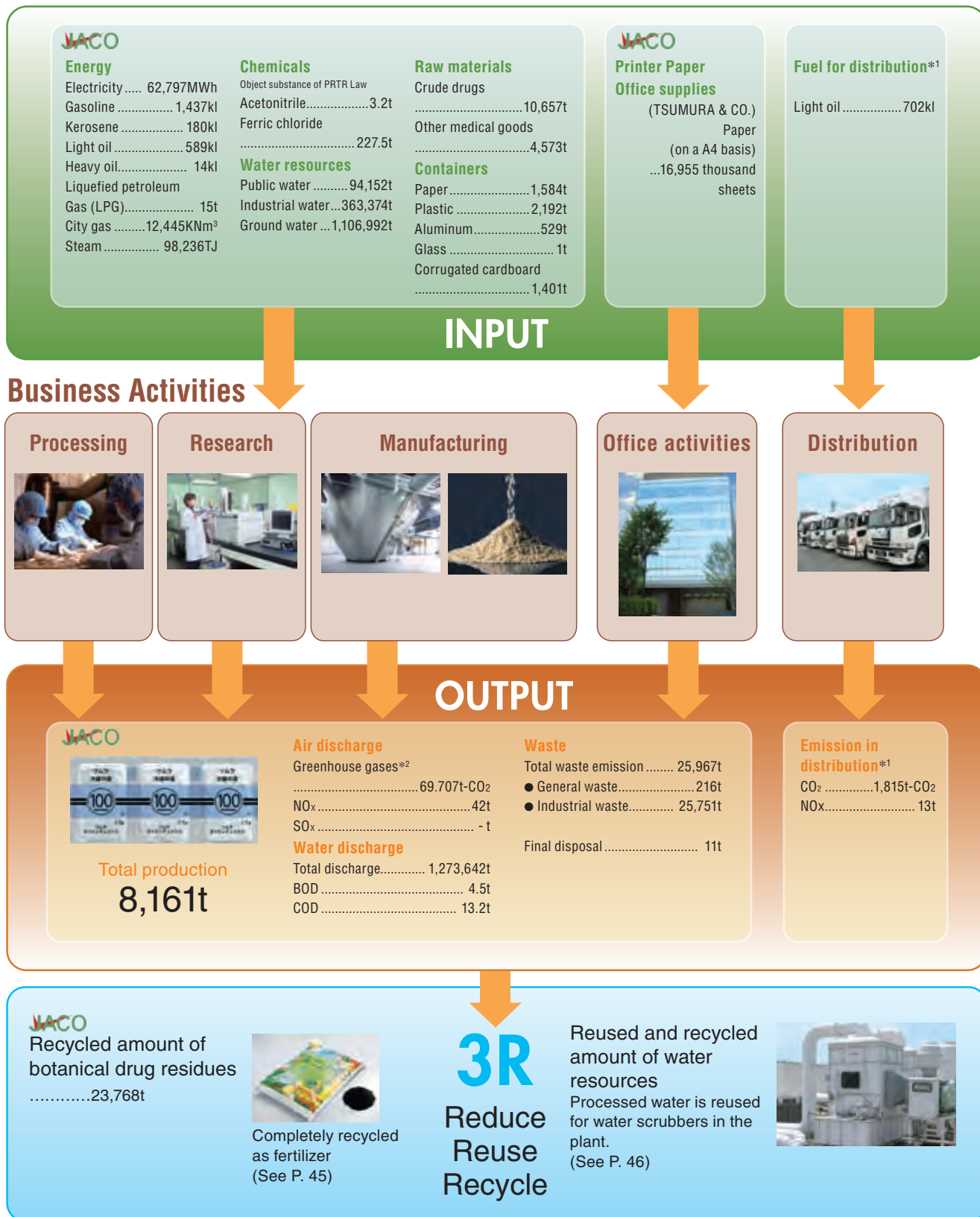
New Mid-term Environmental Objectives

New Mid-term Environmental Objective to start from FY2012 has been presently formulated, and will be publicized at the time of disclosing information on the Mid-term Management Plan. As themes of New Mid-term Environmental Objectives, we will work on a reduction of waste and protection of water resources as measures for conservation of resources, in addition to energy saving and countermeasures against global warming.

Energy and Material Flow

[Reporting organization] TSUMURA & CO., LOGITEM TSUMURA CO. LTD., CREATIVE SERVICE, INC., YUBARI TSUMURA CO., LTD., SHENZHEN TSUMURA MEDICINE CO., LTD. and SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.

[Period covered] April 1, 2011 to March 31, 2012
January 1, 2011 to December 31, 2011 (SHENZHEN TSUMURA and SHANGHAI TSUMURA)



*1 Fuel for distribution and Emission in distribution at Logitem Tsumura and other contract carriers were calculated according to the amended tonkilometer method defined by Energy Saving Act. Transport within China or from China to Japan is not included.

*2 For Shenzhen Tsumura and Shanghai Tsumura, the electric emission factor of the latest GHG Protocol (0.788 kg-CO₂/kWh) is used. For Shanghai Tsumura, the steam emission factor in the "Laws concerning the promotion of measures for controlling global warming" (0.060 kg-CO₂/MJ) is used.

Environmental Management

Tsumura enhances its environmental management system based on our “Environmental Principle” and “Environmental Policy” in order to continuously promote environmental conservation activities.

Environmental Management Policy/System

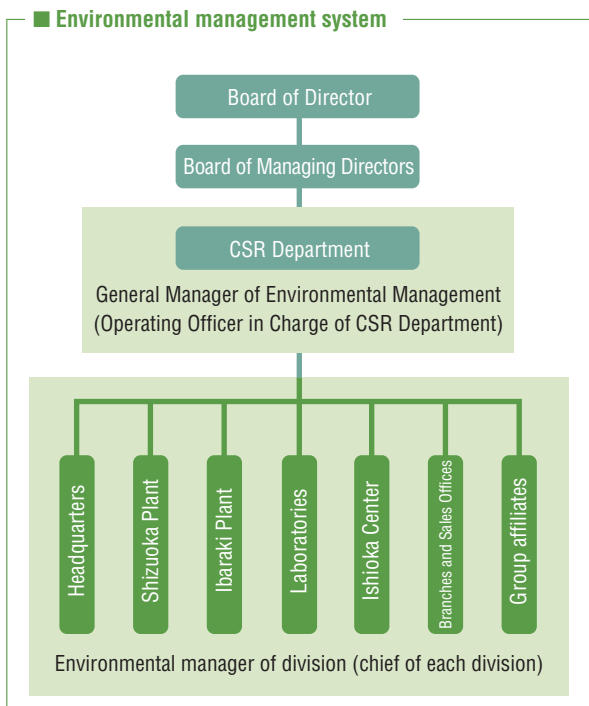
In order to respond to changes in business conditions and increasing expectation for corporate efforts for conserving biodiversity, Tsumura revised the “Environmental Principle” which is an action principle for environmental conservation activities, and the “Environmental Policy” which is an action policy to realize the principle in 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. With the Rules, we clarified roles of the environmental management 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, and roles of a division chief as an environmental manager of each division. In FY2011, we formulated “Environmental Management Manual” with the aim of standardizing environmental management activities, and “Environmental Code of Behavior” in which specific actions for activities are indicated, in order to clarify procedures of practical operations. “Environmental Management Rules” was established by Shenzhen Tsumura in 2010, and by Shanghai Tsumura in 2011. Under each of the Rules, they are promoting environmental conservation activities.

Environmental Management System

Over ten years have passed since the domestic production bases, the Shizuoka and Ibaraki Plants acquired ISO14001, an international standard of environmental management in 2001. During the period, they went through the maintenance and renewal assessments for ISO14001 by its certification body. In the both plants, audit is implemented by internal environmental auditors, including confirmation of evidence regarding consistency of documents, practices, and records. Ishioka Center is striving to obtain the certification in 2013. In branches and sales offices, their environmental activities are reviewed at the time of business audit by the audit department. Like this, the company-wide environmental management system has been constructed.

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. In FY2011, we made efforts for helping employees improve their knowledge and deepen understanding through general training for new recruits, in-house education concerning environmental laws and cases such as energy saving and conservation of resources, and company tours. We raised employees’ environmental awareness by issuing “Environmental News” every month, holding “Tsumura Green Photo Contest”, inviting environmental slogans, and implementing Energy Saving Contest.



General training for new recruits

Achievements of environmental education in FY2011

Category	Frequency	No. of Participants
General education	130	2,726
Special education	29	664
Education of internal auditors	3	9
Guidance on environmental policy for contractors	37	192
Collection of environmental slogan	3	457
Emergency drills	27	716

Contribution to a Low Carbon Society – Prevention of Global Warming –

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

Policies of energy saving and global warming prevention

For the purpose of environmental conservation, Tsumura is committed to reducing environmental impacts caused in various aspects of corporate activities. We continue to effectively promote energy-saving activities such as introduction of new technologies by setting discernible reduction targets of energy use. Production sections*1 promote energy saving and curb the greenhouse gas emissions by introducing new highly efficient facilities. Non-production sectors also promote measures for power saving and eco-friendly driving. As new Mid-term Environmental Objectives started from FY2012, “reducing basic unit of energy consumption” and “reducing greenhouse gas emissions” were set. Each division pledged to make new efforts for energy saving. Like this, Tsumura is working together to achieve the Mid-term Environmental Objectives as a whole.

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

Ibaraki Plant reduced power consumption for freezers by 200kW or more by changing water for manufacturing to well water which is colder than industrial water. It also reduced power consumption by an average of 723kW from July to September with a shutdown of a part of clean water systems, integrating areas in laboratories, and closing of Tsumura Kampo Museum. Purchased electricity was also reduced 3.5% year on year with an increase in operating time of the cogeneration system. Ishioka Center cut down power consumption at peak hours of power needs in summer with operational coordination.

As a result, at most, monthly power consumption at peak hour was reduced 8.0% at Ibaraki Plant/Laboratories, and 21.2% at Ishioka Center from in summer of 2010. The head office also reduced monthly power consumption at peak hours by 19.4% by taking proactive measures for conservation of electricity, such as turning off unnecessary lights, temperature control of air conditioners, and setting the energy saving mode of PC.

Efforts in FY2011

Measures for conservation of electricity after the Great East Japan Earthquake

To respond to electric power shortage caused by impacts from the Great East Japan Earthquake, a 15% reduction in the power consumption at peak hours of power needs was required by the government in the service areas of Tokyo Electric Power (TEPCO) and Tohoku Electric Power companies in summer in which power needs increase. Especially for commercial-scale utility consumers (500kW or over), legally binding power usage restrictions were invoked, based on Electricity Business Act. For the Ibaraki Plant and Laboratories, and the Ishioka Center with facilities in which electricity is constantly used for manufacturing and storing ethical drugs accounts, the usage restrictions were eased to the peak level of usage in the previous year. However, they proactively strived to conserve electricity.

Power consumption at peak hours of power needs in FY2011 JACO

	Power consumption at peak hours in FY2010 (kW)	Monthly power consumption at peak hours		
		Date and Time	Power consumption at peak hours (kW)	Reduction rate
Ibaraki Plant/Laboratories	5,130	12:00 to 13:00 on July 26	4,810	-6.2%
		17:00 to 18:00 on August 9	4,720	-8.0%
		15:00 to 16:00 on September 13	4,740	-7.6%
Ishioka Center	1,197	15:00 to 16:00 on July 11	1,010	-15.6%
		17:00 to 18:00 on August 9	995	-16.9%
		12:00 to 13:00 on September 16	943	-21.2%
Headquarters	360	July 12	290	-19.4%
		August 18	290	-19.4%
		September 2	290	-19.4%

VOICE



Shigetoshi Mochizuki

Plant Manager
Ibaraki Plant, Production Division

Energy saving with development of a highly efficient concentrating device

Aware that “protection of invaluable earth environment is our critical issue”, Ibaraki Plant is working on environmental conservation activities. By continuously reviewing energy used in terms of energy-saving technology and operation, we are promoting energy saving.

Since FY2011, introducing into the manufacturing process of Kampo powder extracts a new energy-saving equipment with the development of a vapor compression system to efficiently collect steam of concentrated liquid from a concentrating device, we have largely improved efficiency in recycling heat waste. With this, increased recycling rate of heat waste by 95 to 96%, reduced power consumption by 18% and use of steam by 99% compared with the conventional system, and finally achieved energy saving and a reduction in the greenhouse gas emissions. We will contribute to curbing the global warming by continuing to make such efforts.

Energy Saving

While usage of energy increased with a growth in production of ethical Kampo extract granules, we reduced the greenhouse gas emissions which are included in the Mid-term Environmental Objectives by 18.2% compared with the figure in FY1990, attaining the goal for FY2011.

Shizuoka Plant reduced the emission of CO₂ by about 175t-CO₂ with increased efficiency in transformation of electric substation equipment and introduction of inverter processing water pump. Ibaraki Plant reduced CO₂ by 1,024t-CO₂ per year by operating MVR*² and reviewing the number of boilers in service. Furthermore, in FY2012, the energy saving committee was set up to promote further energy saving. As a part of energy saving activities, the Laboratories switched to highly efficient turbo freezing machine, and Ishioka Center reduced power consumption for lighting and air conditioning.

Non-production sectors have continued to work on energy saving activities also in FY2012, proactively taking measures for conservation of electricity, such as temperature control of air conditioners, switching to LED lights and turning off unnecessary lights, and setting the energy saving mode of PC. Furthermore, in order to ensure safety and lower fuel consumption, existing sales vehicles have been gradually switched to compact cars.



MVR (Ibaraki Plant)



Boiler room (Ibaraki Plant)

Turbo freezing machine (Laboratories)

*² MVR: Mechanism to efficiently collect steam of a concentrating device

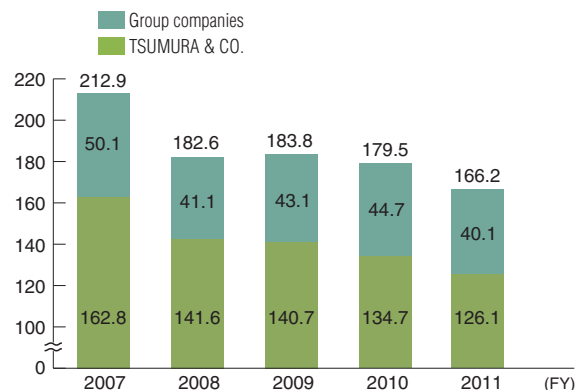
■ Performance of greenhouse gas emissions JACO



■ Energy consumption JACO



■ Base unit of energy consumption*⁴ JACO



*³ Group companies: LOGITEM TSUMURA, CREATIVE SERVICE, YUBARI TSUMURA and SHENZHEN TSUMURA

*⁴ Base unit of energy consumption: usage of energy for manufacturing 1t of ethical Kampo extract granules

Aiming to be a Recycling Society – Promotion of the 3 Rs –

We are building systems for cyclical use of resources, for example, converting botanical drug residues into fertilizers and fuel for power generation, and recycling water resources.

Policies of waste reduction and recycling

We define zero emission as a 100% recycling rate of industrial waste (including industrial waste subject to special management)*1. As for industrial waste generated by necessity, we are striving to reduce as much final disposal as possible by selecting appropriate waste treatment contractors. 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.

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, Shizuoka Plant, Ibaraki Plant/the Laboratories, Ishioka Center, and Shanghai Tsumura have continuously achieved zero emissions.

In addition, the head office and Logitem Tsumura newly attained zero emission in FY2011.

As the result of these efforts, the recycle rate reached 99.4% in 25,967t of the Group-wide total waste emissions (including general wastes) in FY2011.

Tsumura and its domestic group companies will further promote such initiatives, aiming at achievement of a 100% recycling rate of industrial waste as a new mid-term environmental objective.

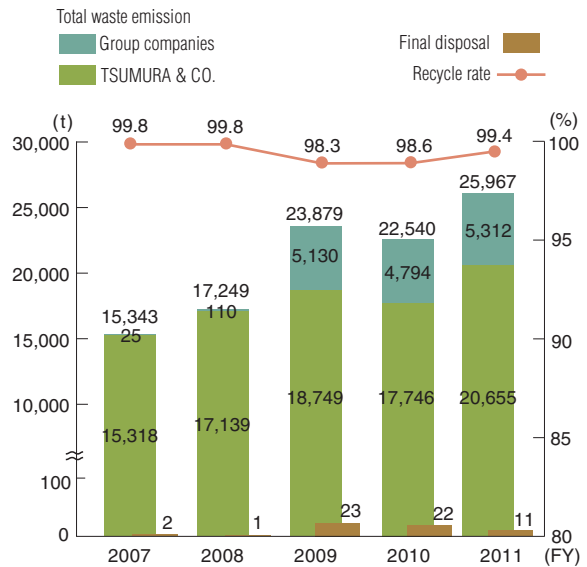
*1 Recycling rate of industrial wastes (%) = Volume of industrial waste recycled / Volume of industrial waste emissions × 100

Recycling of botanical drug residues

The volume of botanical drug residues generated through the manufacturing process of Kampo extracts is accounting for 90% or over of total industrial wastes. All of those botanical drug residues have been recycled as fertilizers, etc. in not only the Shizuoka and Ibaraki Plants, but also Shanghai Tsumura.

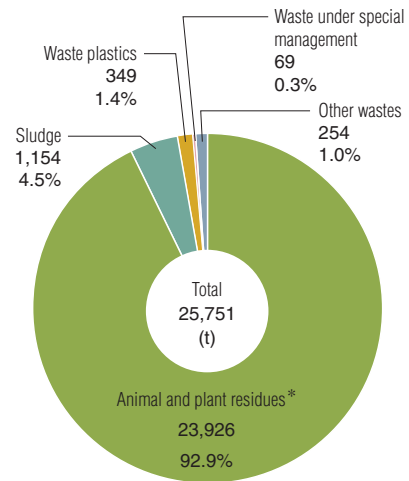
As for recycling botanical drug residues, we have sought and considered new processing methods with less impact on environment. Considered use of them as biomass fuel for thermal power plants, Ibaraki Plant decided full-scale use as fuel for power generation. We will push ahead with conversion of botanical drug residues into valuable things, including materials of fertilizers.

Total waste emission, Final disposal, and Recycle rate JACO



* SHENZHEN TSUMURA and SHANGHAI TSUMURA have been included since FY2009, and Yubari Tsumura since 2011. Final disposal and recycle rate are values of the TSUMURA Group total.

Breakdown of industrial waste emission in FY 2011 JACO



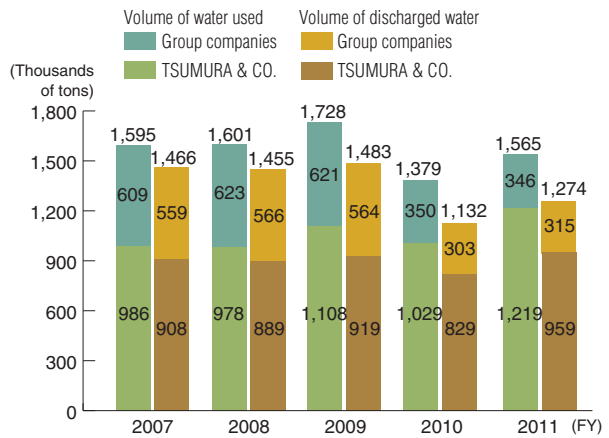
* Animal and plant residues include residues of botanical raw materials.

Water Resource Protection

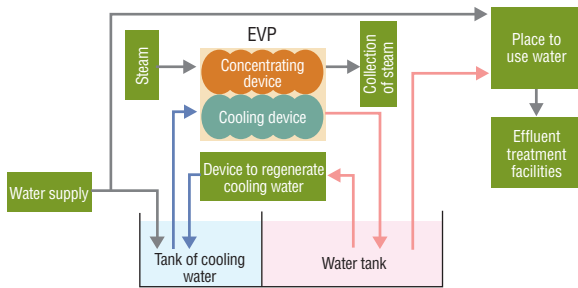
Deeply involving water from cultivation of botanical raw materials through manufacturing, Tsumura's business activities are supported by healthy ecological systems. Since using a large volume of water, nature's bounty, we are aiming at water resource protection through the reduction and cyclical use of water 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. As Shanghai Tsumura has also started reuse of cooling water from FY2010, a significant amount of water used has been reduced. The collection ratios*2 of water in FY2011 of the Shizuoka Plant, Ibaraki Plant, and Shanghai Tsumura were 55.8%, 51.5%, and 55.4%, respectively. The wastewater after effluent treatment is reused for water scrubbers*3 and other miscellaneous purposes.

Since FY2010, Ibaraki Plant has reduced usage of water by reviewing washing time of demisters (separator) in the drying process to make operations more efficient. It has also continued to consider possibility of reduction in other processes. At the energy committee set up in FY2012, Ibaraki Plant is deliberating efficient use of water. Setting a reduction in water usage through efficient use of water and promotion of recycling as new mid-term environmental objectives, Tsumura and its domestic group companies are committed to water resource protection with an eye to conservation of biodiversity.

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



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



*2 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)

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

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

VOICE



Akira Hirono
Vice president, SHANGHAI TSUMURA

Water resource protection at SHANGHAI TSUMURA

For manufacturing Kampo preparations, a large volume of water, nature's bounty, is used. Water condition in Shanghai is far severer than in Japan. Shanghai Tsumura is working on various activities for water resource protection which has been set in the environmental policy. Especially in the concentration process using the largest amount of water in all processes of manufacturing Kampo preparations, the system to regenerate cooling water which was introduced in May 2010 has shown successful results.

With this system, 40°C water which was used as cooling water is reused for the same purpose after lowering the temperature in a cooling tower. As water for manufacturing and washing is heated with steam, using the cooling water leads to a reduction in usage of water and steam.

With the introduction of this system, usage of water (base unit) was reduced by 56% to 379m³/t in 2011 from 870m³/t in 2009. Usage of steam was also reduced by 5.4% year on year, or about 1,800t per year.

We will work on recycling and conservation of water for effective use of valuable water resources, aiming to be a highly recycling-oriented company.

Chemicals Management/Prevention of Air and Water Pollution

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", which is a voluntary standard for the purchase, reduction, and prohibition of chemicals according to their hazardous properties. As a result, among chemicals we use, ones subject to the PRTR (Pollutant Release and Transfer Register) System have been only acetonitrile and ferric chloride. Acetonitrile is used as a solvent in constituent inspections from botanical raw materials through products. Ferric chloride which has become subject to the PRTR system due to the revision of the law is used as flocculating agent at the effluent treatment facility.

As for chloroform of which substitution had been continuously considered, Ibaraki Plant completely abolished the substance in FY2011, and Shizuoka Plant has used it only for part of inspection of preparations.

Chemicals are purchased through the "Cyber Regent Mall" on the corporate intranet, so that the stockpile of chemical substances is recorded. Furthermore, we have made efforts for improving the operation management, for example, the periodical renewal of the (M)SDS*, education concerning the laws and regulations related to chemicals, and implementation of patrols and emergency drills. We have also managed deleterious substances such as acid and alkali in an appropriate manner.

* (M) SDS ((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 prevent air and water pollution, domestic and overseas production bases have complied with relevant local laws and regulations, set strict voluntary standards, and implemented management based on them. Water pollutant release of each base is regularly measured internally and by an outside environmental certificate authority of measurement to confirm that the pollutant level is below the limit. Smoke is also measured by the outside environmental certificate authority on a regular basis to confirm that the level of air pollutant emission is lower than the limit.

LOGITEM TSUMURA's approach

For Logitem Tsumura Co., Ltd. engaged mainly in haulage business, a reduction in environmental impact is a critical issue. In FY2011, they achieved a 1.7% improvement in fuel efficiency with thorough implementation of stopping the practice of idling, driving without sudden starting and acceleration. It leads to not only a reduction in greenhouse gas emissions, but also prevention of air pollution. They have also conducted activities from various angles, for example, shifting to fuel-saving tires and introducing fuel-economy cars.

Amount of pollutant release and transfer according to PRTR System in FY2011



(unit: t)

	Chemicals	Annual consumption	Release				Transfer	
			Air	Public water	Soil	On-site landfill	Public sewer	Outside facilities
Ibaraki Plant, Laboratories	Acetonitrile	2.3 (2.1)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	2.3 (2.1)
	Ferric chloride	227.5 (171.4)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)
Shizuoka Plant	Acetonitrile	0.9 (0.7)	0 (0)	0 (0)	0 (0)	0 (0)	0 (0)	0.9 (0.7)

* Performance in FY2010 is shown in parentheses.

* As it would be necessary for Shizuoka Plant to report to government authorities any pollutant release and transfer in a case of increase of production volume, the Plant is managed accordingly.

Emission of air pollution substances in FY2011



(unit: t)

	NO _x	SO _x	Dust
TSUMURA & CO.	31.33	-	0.13
LOGITEM TSUMURA	4.91	-	-
YUBARI TSUMURA	0.14	-	-
SHENZHEN TSUMURA	5.96	-	-
Total	42.34	-	0.13

Load of water pollution substance in FY2011



(unit: t)

		BOD	COD	SS	Nitrogen	Phosphate
TSUMURA & CO.	Shizuoka Plant	0.53	2.42	1.38	0.78	0.030
	Ibaraki Plant	0.92	3.05	0.52	1.14	0.032
SHANGHAI TSUMURA		3.05	7.77	2.51	0.11	-
Total		4.50	13.24	4.40	2.03	0.063

Consideration for biodiversity

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 species" and "protection of gene resources".

TSUMURA's efforts for biodiversity

We believe 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.

Furthermore, we amended the Tsumura Environmental Policy in 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". With the aim of maintaining biodiversity in the production areas of botanical raw materials and realizing the sustainable harvest of botanical raw materials, Tsumura is working on the cultivation and protection of wild medicinal plants for botanical raw materials.

Biodiversity of fields of botanical raw materials

It is said that modern agriculture which depends on agrichemicals such as weed killer and pesticide has put an excessive impact to the environment. We are paying attention to use of agrichemicals in the cultivation of botanical raw materials for ethical Kampo preparations. For example, in an attempt to reduce the environmental impact, we instruct producers to minimize use of agrichemicals, and carefully spray them preventing from scattering 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, considering the environmental impact. We believe such approaches would lead to protection and fostering of local abundant ecological systems.

Towards the protection of genetic resources

In a stage before cultivation, we investigate the fields on which medicinal plants grow and identify species. Through publications of international academic magazines concerning the research and study of wild plants including endangered species for over 80 years, Tsumura has been committed for many years towards the understanding of the genetic structure of medicinal plants from which Kampo medicines are made.

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 crude drugs, 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.

Cultivation research and practice

We have systematically harvested wild plants 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. (See P. 17, 18)

Towards the conservation of wild plants

Some botanical raw materials grow in grasslands in China. Among them the cultivation of rhubarb and licorice has been studied in corporation with the China Meheco Corporation. The spread of cultivation will prevent overharvest of wild plants, and thus lead to the conservation of grasslands.

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. (See P. 17, 18)



Wild licorice (China)



Wild rhubarb (China)

Environmental Performance Data

Trend of Major Environmental Performance Indices from FY2007 to FY2011

Reporting Period		FY2007	FY2008	FY2009	FY2010	FY2011	Scope	Corresponding pages in this report
Total Energy Input [GJ]		898,730	899,451	962,506	953,152	1,029,307		P.41/44
Material Input	Botanical raw materials [t]	6,221	6,365	7,408	6,923	8,584	*3	P.41
	Containers and packaging [t]	3,899	4,439	4,911	4,844	5,582		P.41
Water Resource Input [t]		985,739	978,140	1,107,550	1,029,063	1,218,766	*4	P.41/46
Chemical Input	Acetonitrile [t]	3.8	4.2	3.3	2.8	3.2	*5	P.41/47
	Ferric chloride [t]	–	–	–	171.4	227.5	*6	P.41/47
Green Purchase Rate [%]		80	84	80	79	82	*7	–
Production of ethical Kampo extract granules [t]		5,521	6,353	6,839	7,075	8,161	*8	P.41
Emission of greenhouse gases [t-CO ₂]		43,200	44,900	45,100	43,919	47,210	*9	P.40/41/44
Waste	Waste emission [t]	15,318	17,139	18,749	17,746	20,655	*10	P.41/45
	Final disposal [t]	2	1	1	6	5		P.41/45
	Percentage of waste recycled [%]	99.8	99.8	99.9	99.8	99.7		P.45
Effluent discharge [t]		907,732	889,108	919,406	829,453	958,831	*4	P.41/46
Eco-efficiency for GHG reduction*1 [t-CO ₂ /million yen]		7.82	7.07	6.59	6.21	5.78		–
Eco-efficiency for waste reduction*2 [t/million yen]		2.77	2.70	2.74	2.51	2.53		–
Net sales [million yen]		94,799	90,016	90,933	94,778	95,450		P.52
Total assets [million yen]		135,146	126,824	134,697	141,549	151,874		P.52

The gathering of data of the following Tsumura Group companies began in FY2007: LOGITEM TSUMURA CO. LTD., CREATIVE SERVICE, INC., SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD. and SHENZHEN TSUMURA MEDICINE CO., LTD.

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

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

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

*4 Excluding headquarters, domestic regional branches, and sales offices.

*5 Data of acetonitrile is provided by Shizuoka Plant, Ibaraki Plant, and the Laboratories.

*6 Ferric chloride has become subject to the PRTR system since FY2010.

*7 Data of general office supplies is covered.

*8 Kampo extract granules for prescription and OTC

*9 With the revision of the Law concerning promotion of measures for controlling global warming, significant figures are not processed but rounded down to whole number.

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

Reporting Organization

TSUMURA & CO. and its group companies

Important Notice about Environmental Performance

- Shizuoka Plant, Ibaraki Plant, the Laboratories, Ishioka Center, and Shanghai Tsumura have continuously achieved zero emission.
- The gathering of data of Yubari Tsumura began from November 2010.

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 FY2011.
- Shizuoka Plant, Ibaraki Plant, the Laboratories, Ishioka Center, Logitem Tsumura, and Yubari Tsumura have complied with the criterion values and reporting obligations of Air pollution control act, Water quality pollution control act, Wastes disposal and public cleansing act (including wastes subject to special control), and the PRTR system. The head office has appropriately reported according to Rationalization in energy use law.

Environmental Accounting

■ Environmental Conservation Cost [thousands of yen]

Category of environmental conservation cost	Major activities	FY2010		FY2011	
		Investment	Expenses	Investment	Expenses
(1) Business area costs		256,591	713,855	1,671,923	816,828
Pollution prevention	Prevention of air and water pollution, odor, etc.	21,552	174,430	304,998	259,413
Global environmental conservation	Prevention of global warming, energy saving, and prevention of ozone layer depletion	231,003	144,820	1,357,916	185,608
Resource circulation	Efficient use of resources, waste recycling, treatment, and disposal, etc.	4,036	394,606	9,009	371,807
(2) Upstream/downstream costs	Reduction of negative environmental impact of container wrapping, recovery, recycling, and proper processing of waste products, etc.	0	37,679	565	62,820
(3) Administration costs	Development and operation, information disclosure, environmental advertising and environmental education of environmental management	0	200,557	3,711	206,166
(4) R&D costs	Research and development of products that contribute to environmental protection	0	33,380	0	81,863
(5) Social activity costs	Contribution and support to environmental protection groups, etc.	3,436	2,642	1,410	2,897
(6) Environmental damage costs	Restoration of natural environment, provision of reserves, and insurance costs, etc.	0	517	0	1,402
Total		260,027	988,631	1,677,609	1,171,975

■ Environmental Conservation Benefit

Category	Environmental Performance (Unit)	FY2010	FY2011	Conservation benefit
Benefit concerning resource input to the business operation	Total energy input [GJ]	953,152	1,029,307	76,155
	Total water resource input [t]	1,029,063	1,218,766	189,703
Benefit concerning the emission of waste and other environmental loads from the business	Discharge of greenhouse gas emission [t-CO ₂]	43,919	47,210	3,291
	Total water discharge [t]	829,453	958,831	129,378
	Total waste emission [t]	17,746	20,655	2,909

* Total production of ethical Kamפו formulation increased 1,086t from 7,075t in FY2010 to 8,161t in FY2011.

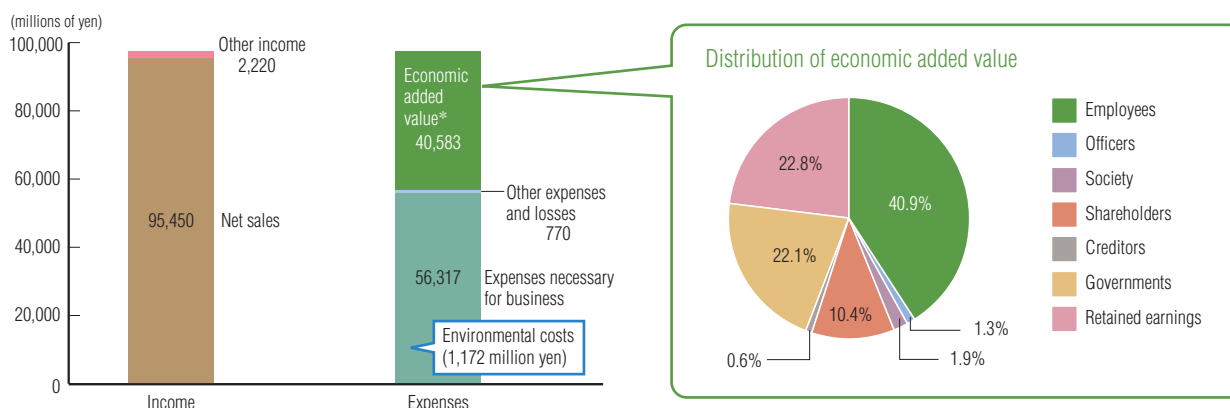
■ Economic Benefit of Environmental Conservation [thousands of yen]

	Detail of benefits	FY2010	FY2011
Direct economic benefits	Sales of valuable resources	7,727	9,788
Cost saving benefits	Waste disposal cost saving from conversion of packaging materials into valuable resources (excluding metal)	15,036	38,105
Total		22,763	47,894

Reference: The Ministry of the Environment, Environmental Accounting Guidelines (2005)

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 (communication, social action programs) as economic relation between stakeholders and the Tsumura Group.



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

With Shareholders and Investors

We aim to be a company that is trusted by shareholders and investors by promoting proactive IR activities at home and overseas and fair and timely disclosure of corporate information.

IR activities

In addition to IR information meetings twice a year and small group discussions with corporate directors, we have conducted IR activities through IR staff's direct visit to their offices for meetings. The individual meetings enable us to provide information according to each investor's interest and needs. Investors' opinions are fed back to directors and relevant divisions so as to reflect outside voices in management.

Furthermore, we invite investors to Tsumura Kampo Museum and the plant facility tour to provide them opportunities to touch botanical raw materials and observe production processes in an effort for keeping better communication with them.

In FY2011, we received honorable mention of the 14th Nikkei Annual Report Award for our Annual Report issued for overseas investors every year.



Commendation ceremony for Nikkei Annual Report Award

General meeting of shareholders

We strive to enhance the contents of "the Notice of Convocation" of the Ordinary General Meeting of Shareholders held in June every year, including details of activities for the fiscal year under review and future business targets. We also make efforts for compile it in an easy-to-understand manner. With the introduction of electronic voting system in FY2010, shareholders can exercise voting rights via Internet.



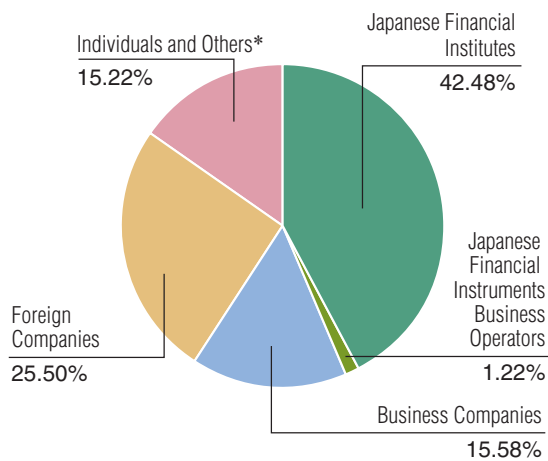
Notice of Convocation

Dividend policy

The amount of annual dividend per share for FY2011 was 60 yen, increasing by 2 yen from the previous year. In FY2012, the annual dividend is expected to be 60 yen, equal to the amount in the previous year.

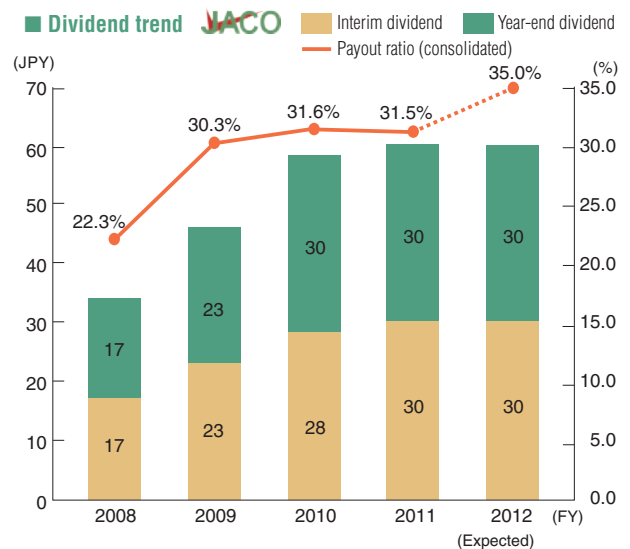
In principle, we consider returning profits to shareholders as a corporate important policy. Therefore, we intend to pay dividends in a stable manner on the premise of increase, generally taking into account capital investment, business performance for each term, dividend payout ratio, and other factors,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

Distribution of shares by owner



(As of March 31, 2012)

* Individuals and Others include treasury stock of 244,847 shares



Selected as an issue with the theme of ESG by Tokyo Stock Exchanges (TSE)

As part of activities for Japan economy support project, TSE Group announces issues with a specific theme. Under the first theme of "Environmental, Social, and Governance", TSUMURA & CO. was selected as ESG issue, in recognition of its recycling-oriented business development and educational activities for Kampo medicine in July 2012.

Financial Reports

Business Results

In FY2011, the consolidated net sales increased 0.7% year-on-year to ¥95,450 million. Operating profit decreased 1.5% year on year to ¥21,233 million, Ordinary income increased 0.3% year on year to ¥21,783 million, and Net income increased 3.8% year on year to ¥13,431 million.

Due to the Great East Japan Earthquake on March 11, 2011, the Ibaraki Plant which is a main plant for ethical Kampo preparations had been shut down until the beginning of May, hence shipping volume of some products was forced to be adjusted until stable supply of the products was ensured in the beginning of June. Furthermore, we refrained from holding various Kampo seminars, lectures, and workshops. Those factors had impacts on the consolidated net sales and profits in FY2011.

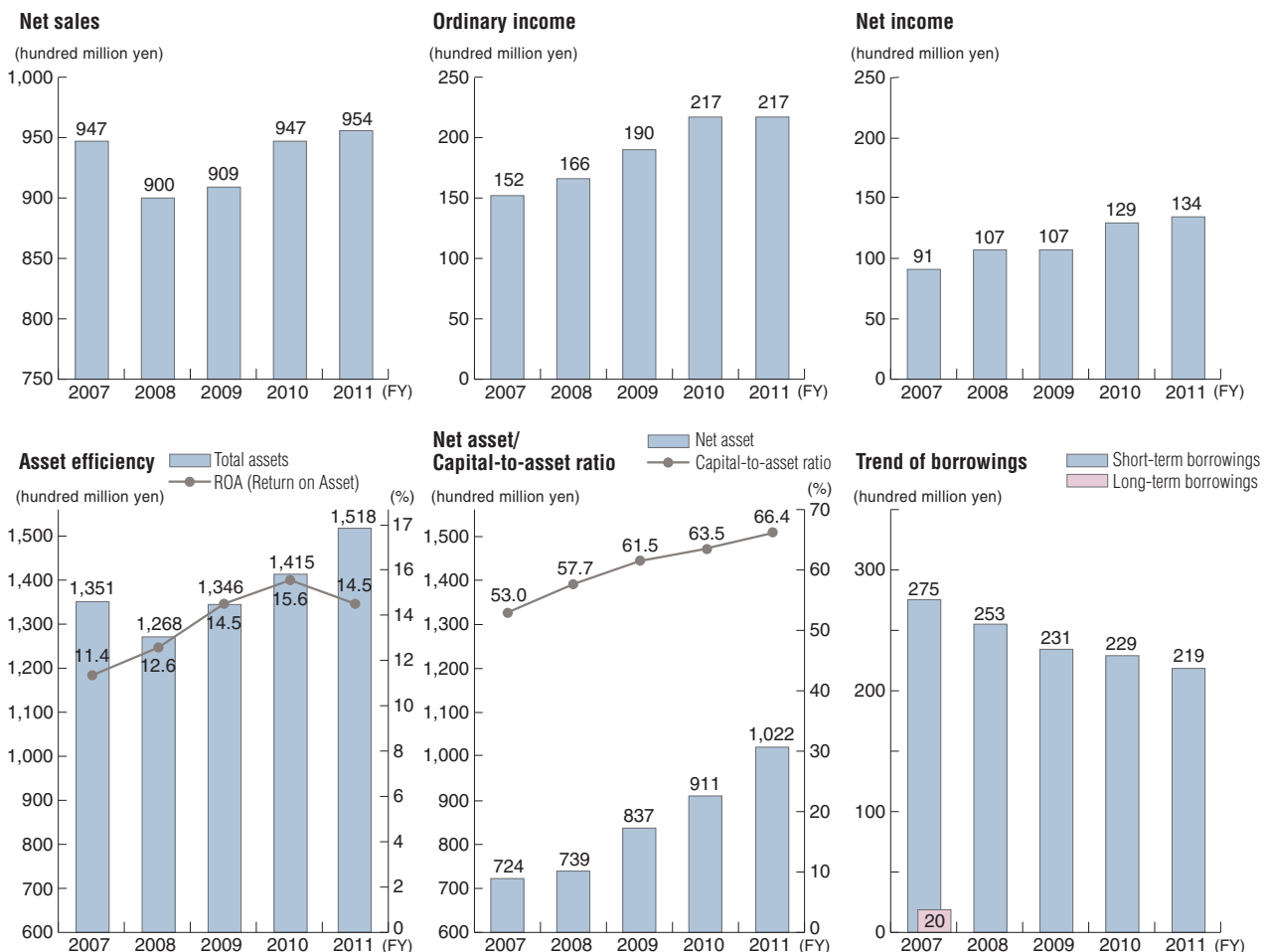
However, with the growth in sales of ethical Kampo preparations and improvement of efficiency in operations and costs, sales and ordinary income increased from a year earlier. In spite of extraordinary

loss of ¥320 million caused by the disaster, Net income increased year on year as gain on sale of investment securities at ¥1,381 million was recorded as extraordinary income.

In the business projection for fiscal year ending March 2013, while affected by revision of drug prices and skyrocketing prices of botanical raw materials in China, net sales are expected to increase 3.8% to ¥99,100 million. However, operating profit, ordinary income, and net income are forecasted to decrease respectively to ¥19,200 million (down 9.6%), ¥19,400 million (down 10.9%), and ¥12,100 million (down 9.9%).

While prices of botanical raw materials in China have generally tended to increase, those which rapidly increased due to drought, water disasters, and market speculation, hit their peak and are showing a downturn tendency.

Financial Indicators



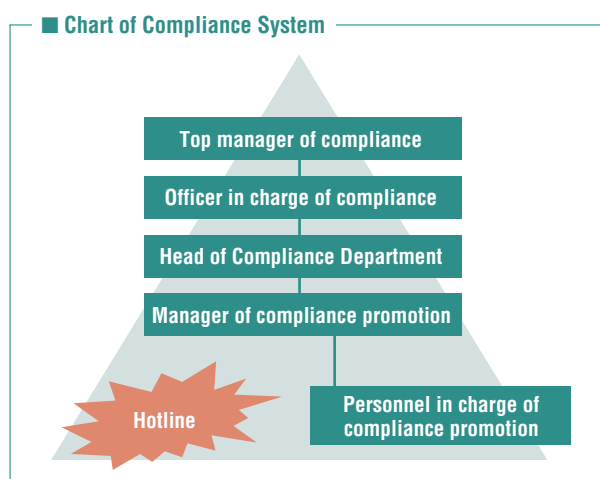
Compliance/Corporate Governance

Compliance

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

Compliance System

For the purpose of further enhancement of compliance promotion systems, the Compliance Department was newly established in May 2011. 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 FY2011, we implemented 40 compliance seminars in total for domestic and overseas group companies. 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.

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 (10,607 in FY2011), and to verify the observance 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 every 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.

TSUMURA Transparency Policy

With “Tsumura Transparency Policy” enacted for the purpose of ensuring transparency in corporate activities with medical institute/personnel, etc., Tsumura decided to disclose information on corporate activities involved in medical institutes and personnel.

While close cooperation with medical institutes and personnel is necessary in all stages from research to manufacturing and trading, ensuring of the transparency in the cooperation would lead to progress in life science including medical and pharmaceutical science. We believe it is very important to broadly have people in the society know that the activities have been conducted with high ethical standards. According to this policy, we will push ahead with further transparent corporate activities.

Fair and transparent trade

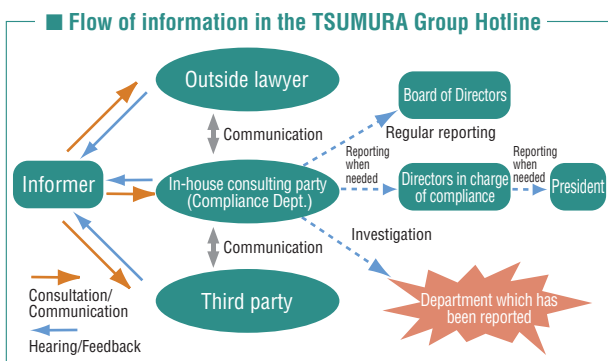
In procurement, we believe that it is important to establish a trust relationship with clients and enhance the partnership through fair and transparent trade. The Purchasing Department is conducting faithful purchase activities in accordance with the “Purchase management rules” and “Purchase dealings action agenda”, aiming to build better relationship with clients.

TSUMURA Group Hotline

The “Tsumura Group Hotline” is set up as a consultation service for problems concerning compliance that cannot be resolved in the work place. There are three contact points inside and outside the company (Compliance Department,

lawyers, and third parties) through which the directors and employees of the domestic group companies 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. The contact points for consultation service have also been set up respectively in Shenzhen Tsumura and Shanghai Tsumura.

From FY2011, Tsumura Group Hotline became available for business partners. In Lao Tsumura, a special contact point was set up. In FY2011, the Hotline received 24 inquiries.



Measures against harassment

According to the revised Equal Employment Opportunity Law which went into effect on April 1, 2007, and the guideline of the minister of Health, Labour, and Welfare, etc., we have taken measures for matters business owners should consider. Stipulating a disciplinary code in the working rules, we have thoroughly disseminated the internal rules that any harassment including sexual and power harassment is completely unacceptable. Educational training on preventive measures, etc. is provided to managerial staff. Booklets to raise awareness of prevention of harassment have been delivered to all employees, and workshops are continuously held at each workplace. We have made efforts for creation of working environment free from harassment, through conducting surveys with questionnaires on a regular basis, and providing via intranet information and educational materials for workshops. Since 2011, aiming at comfortable company climate, we have implemented measures to improve communication using thanks cards (See P. 37).

Information Security

“Information Security Management Rules” and “Criteria of Information Security Measures” have been established for the purpose of preventing diverse problems which may happen in using information devices and systems, and properly managing information systems such as computers and networks.

For information devices and systems, confidentiality, integrity, and availability in terms of information security have been ensured with “personal authentication using IC cards”, “access restriction by person”, “password setting”, “countermeasures against virus with antivirus software”, and “preventive measures against information leakage”. We are striving to maintain continuous information security by building systems to prevent illegal access and information leakage.

Personal Information Protection

We have enacted “Personal Information Protection Policy” of which main purpose is to appropriately protect personal information of customers, business partners, medical personnel, shareholders, and employees which may be used in business, complying with the Act on the Protection of Personal Information and related laws and regulations. According to “Personal Information Protection Rule” which provides for basic matters to be observed at the time of handling personal information, we have tackled improvements to internal systems and thoroughly secure handling of personal information. This rule is applied to persons engaged in business of the Company, such as officers (directors, auditors, and operating officers), advisors/consultants, employees (including non-regular or contingent workers), part-timers, and temporary staff. Regardless of digitized or analogue information, we have strived to properly manage internal and outside personal information handled by the Company.

Animal testing policy

In order to assure the safety and efficacy of medicines, animal testing is necessary. The Company has established the internal rules concerning animal testing based on the Act on welfare and management of animals, the basic policy of the Ministry of Health, Labour and Welfare, and the guideline of Science Council of Japan. Animal testing is implemented in accordance with the internal rules in an appropriate manner with approval by a head of authority after deliberation at the Animal Care and Ethical Committee on scientific necessity and animal welfare (3Rs: replacement, reduction in the number of animals to use, refinement to ease pain). Moreover, educational programs about animal welfare and ethics have been implemented on a regular basis for all persons engaged in animal testing. We also conduct self-inspections for the conditions of animal testing and facility operations once a year. A memorial service ceremony is held in front of a “Laboratory Animal Memorial Cenotaph” every year, so that each researcher will continue to feel gratitude for and offer sincere condolences to the contribution of laboratory animals.

Corporate Governance

Under the corporate philosophy, “the Best of Nature and Science”, we have enhanced our corporate governance system as one of our primary management priorities, in order to achieve sustained growth and development, and fulfill our social responsibility.

Corporate Governance

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

Tsumura’s Board of Directors is composed of directors familiar with internal situations and outside directors who are highly independent, in order to make business decisions flexibly and rationally, and enhance transparency and neutrality. Furthermore, with highly independent and specialized outside auditors appointed, the objectivity of functions to supervise management has been ensured.

Avoidance of conflict of interest problems

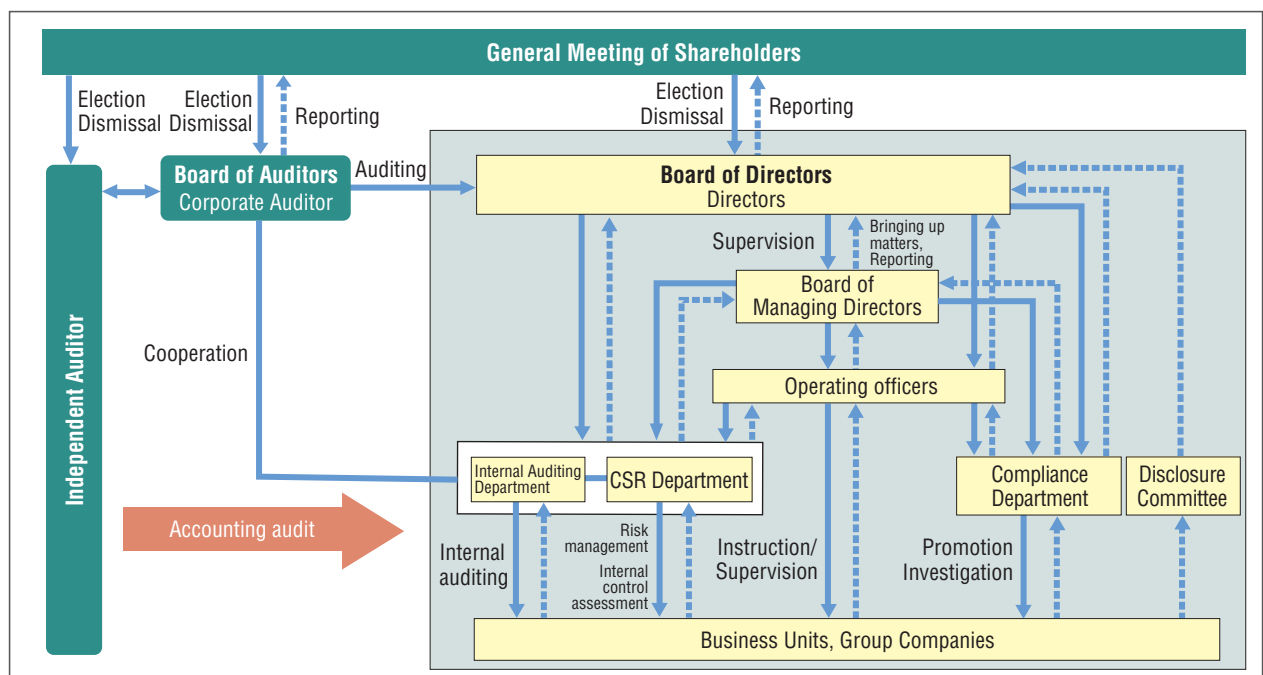
In cases of, for example, co-signing for an officer’s debts or officer’s trading with the Company for the sake of himself/herself or a third party, transactions with officers and their close relatives, or companies of which voting rights are owned by the close relatives are verified in writing to avoid transactions contradicting the Company’s interest. In this way, we prevent conflict of interest risks.

Internal Control

Aiming at “pursuing effective and efficient business” and “being beneficial for observing relevant laws”, in addition to responding to the Financial Instrument and Exchange Law, we are flexibly promoting internal control activities, putting emphasis on areas which are judged to be highly risky by the assessment of business bases and processes, for example, a complicated business structure, management of affiliated companies, and prevention of misconduct. In the assessment, we should proactively be aware of ideal situation without being bound by formal standards providing full of detailed rules.

To this end, we are focusing on patiently fostering personnel who can surely execute internal control activities until the processes are taken for granted, while having people at site understand what the activities are conducted for. That is consequently a short way to reach our goal. We have been striving to have business processes visible, standardized and integrated, pursuing more effective and efficient operations by promoting human resource development. We have also been building and practicing strong systems to eliminate errors and misconducts.

■ Chart of Corporate Governance System JACO



Risk management

Establishment of risk management rules

Risk management rules have been established to properly assess and respond 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 put into practices the risk management in the Tsumura Group.

Practice of risk management

In accordance with the “Manual for promoting risk management” formulated in FY2011, each division identified risks and prepared risk records. Among the identified risks, we quickly take action for those which should be dealt with within the current fiscal year on the basis of prepared risk management sheet.

“Risk management meeting” is implemented to share information on risks in the entire Company.

In FY2011, as educational activities concerning risks, we conducted training to increase understanding about and sensitivity to disaster prevention activities in basic education for employees.

Completely incorporating details of risk management into items to be audited by Audit Department, we will ensure risk management through PDCA cycle of the Tsumura Group.

Emergency responses to disasters, etc.

Formulation of disaster control standards

We established a disaster control system by deciding basic items related to disaster control in domestic Group companies, and raised employee's awareness of disaster prevention. The disaster control system has been enhanced by appointing a general manager for disaster control, managers for disaster control at each business location, managers for disaster control, personnel responsible for safety confirmation in order to clarify authority, responsibility, and role of each position.

Formulation of a disaster control manual

Based on the disaster control manual, the disaster control manual for domestic business establishments of TSUMURA & CO. and the Group companies has been prepared for the purpose of preventing chaos caused by earthquakes and other disasters, and reducing damages after the disaster. The manual contained various matters like the following: preventive measures including regular inspections/maintenance; ensuring of rescue tools and stockpiles; the first responses at the time of disaster; and roles of officers and employees in fire-fighting operations.



The disaster control manual placed on each floor of the head office

Website for crisis management

The website for crisis management has been built on the intranet, which is accessible to all directors and employees, and in which information on situation of and measures for various predicable disasters and accidents is available. In preparation for H1N1 virus, earthquakes, fires, weather disasters, the ways to handle such accidents and disasters and a relevant manual are posted. At the time of disaster, officers and employees staying at home can access to the website via Internet to know the situation of damages and instructions from the Company.

Taking anti-disaster measures

As a countermeasure against earthquakes, buildings of our business establishments have had seismic resistance reinforcement works done to prevent customers, officers or employees from being injured by falling equipment, fixtures and fittings, or broken glass.

We have also had equipment in place at nine bases including the head office, and Shizuoka Plant, Ibaraki Plants/Laboratories, and Ishioka Center, which receives the earthquake early warnings for advanced users delivered by the Japan Meteorological Agency.

In preparation of unavailability of phone lines in the event of a disaster, the head office, Shizuoka Plant, Ibaraki Plants/Laboratories, and Ishioka Center, these four places have satellite cell-phones in place.

Furthermore, the safety confirmation system for officers, employees, and their families has been introduced for emergencies. With this system, safety confirmation e-mails are sent simultaneously to pre-registered cell-phones, and a system manager can completely know their status of safety. We have conducted drills in a regular basis so as to master the system and accurately confirm safety.

With the standards of stockpiles for disaster prevention formulated, essential stockpiles were built at branches and sales offices in FY2011.

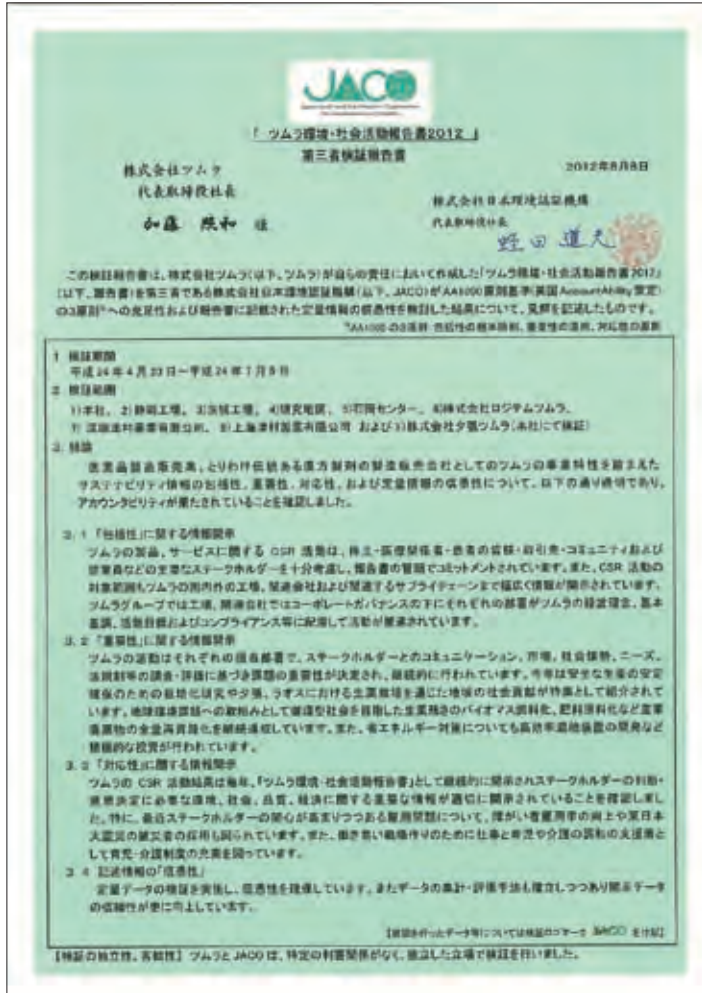
■ Standard stockpiles at branches and sales offices

	Item	Branch	Sales office
Contents	First aid kit*	1	1
	Manual rechargeable radio (available for recharging mobile phones)	1	1
	Flashlight (battery)	1	1
	Helmet	for the number of persons	for the number of persons
	Portable toilet	for the number of persons	for the number of persons
	Water	Water server	2L × No. of persons
	Foods (alpha rice, etc.)	3 days × No. of staying persons	—
	Masks	for the number of persons	for the number of persons
	Cotton work gloves	for the number of persons	for the number of persons
	Pre-moistened wipe	for the number of persons	for the number of persons
	Sanitary articles	Necessary volume is reviewed by each business establishments	—
	Hammer for evacuation from sales vehicles	for the number of sales vehicles	for the number of sales vehicles

* Contents of first aid kit: band-aids, antiseptic solution, bandages, gauze, and medical goods, etc.

Third Party Verification

As corporate non-financial information has an increasing impact on the decision making of investors and other stakeholders, the reliability of reports is further important. In order to increase credibility, information provided by TSUMURA & CO. has been verified by a third party.



Evaluation of Corporate Social Responsibility Report 2012

Mr. Masaru Kuramizu

Leader of Verification Team
Japan Audit and Certification Organization for Environment and Quality (JACO)



In March 2012, Tsumura won the Grand Prize for Most Valued Companies in Japan (METI Minister Award). This award is supposed to be given to companies which have met the strict criteria in terms of sustainability, such as a growth in business, employment, environment, and social contribution, over three years. In other words, receiving this award is evidence that Tsumura's CSR initiatives have been highly appreciated outside. While severely affected by the Great East Japan Earthquake in March 2011, Tsumura has proactively employed disaster victims. Employment ratio of people with disabilities reached 3.93%, exceeding statutory ratio. In recognition of this effort, Tsumura won the Effort Award from the Chairperson of Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers.

Meanwhile, in cultivation and procurement of botanical raw materials, the Company has strived to ensure stable procurement of botanical raw materials, while putting emphasis on communication with local governments, municipalities, and farmers for botanical raw materials, and securing local employment based on strong trust relationship with them. At the same time, cultivation research and technological development, etc. has been continuously conducted for the purpose of protection of natural environment and stable procurement of botanical raw materials.

As CSR Department of the headquarters has been positioned as part of corporate governance, environmental and CSR activities have been surely promoted in business management. As a result, performance of CSR activities improved.

I will expect Tsumura's CSR activities to be further enhanced and improve.



Yasunori Fuji
Director corporate officer
Chief of CSR Department

Result of verification on "TSUMURA Corporate Social Responsibility Report 2012" by a third party

Since FY2009, we asked Japan Audit and Certification Organization for Environment and Quality (JACO) to verify our Corporate Social Responsibility Report. Also in the fiscal year under review, staff of JACO directly visited Tsumura Group's major bases in Japan and overseas to verify those sites. In addition to verification of credibility of environmental performance data, we usually receive various opinions and advice from the viewpoint of engineers with abundant experience at sites. According to them, we have made efforts for leading things pointed out to steady improvement in process and infrastructures.

Recently, we often received compliments. Keeping a sense of humility toward listening to opinions from various people, we consider it the most important for individual persons to fulfill their roles at their own position as sharing corporate philosophy, mission, and future vision among all employees and officers, in order to meet expectations from all stakeholders.

On-site Report

■ SHENZHEN TSUMURA MEDICINE CO., LTD.

Enhancement of storage capacity for botanical raw materials

Shenzhen Tsumura is a base with important four functions, such as procurement, processing, quality test, and storage of botanical raw materials. In response to the increasing demand for Kampo preparations in Japan, we have gradually built additional storage warehouses for botanical raw materials. In 2013, another 2,000t are planned to be added to the present storage capacity of about 12,000t as of April 2012.



Newly built storage warehouse

Environmental management activities

In 2010, enacting "Environmental Management Rules" in which basic matters concerning environmental management have been stipulated, Shenzhen Tsumura started its environmental management activities. Since 2011, the company has worked on various approaches in order to achieve environmental objectives set in relation to a reduction in the greenhouse gas emissions, energy saving, and recycling of industrial waste, etc. With a new wastewater treatment facility built in December 2011, the company has further tackled protection of water resources.

■ SHANGHAI TSUMURA PHARMACEUTICALS CO., LTD.

Expanding production volume of Kampo powder extracts

In response to an increase in demand for Kampo preparations in Japan, the second-term project to build additional facilities started at Shanghai Tsumura in July 2011. The new facilities are scheduled to be completed in September 2012. After test operation and production inspection, manufacturing activities are planned to start in October 2013. Accordingly, Shanghai Tsumura will be a primary base as its annual production volume will increase from 700t at present to 1,400t, which would account for 30% of all production volume in the entire Tsumura Group. With the slogan of safety first, quality first, Shanghai Tsumura will contribute to the availability of medicines of unprecedented quality, through sustaining Tsumura's production system.

Environmental management activities

In 2011, enacting "Environmental Management Rules" in which basic matters concerning environmental management have been stipulated, Shanghai Tsumura clarified a management system and roles. For the purpose of curbing a growth in environmental impacts with increasing production volume in the future, in April 2012, the company started its environmental management activities, holding the first environmental management committee and setting up an energy saving subcommittee and a resource conservation committee.

In 2011, with the introduction of a cooling water recycling system, water usage was significantly reduced. Furthermore, 100% of botanical drug residues were recycled in 2010 and 2011.

The 20th anniversary of foundation

Marking the 20th anniversary of its foundation in March 2011, the company reaffirmed that the entire company would make efforts for realizing a company which are trusted by customers, business partners, and all of local citizens as a member of the Tsumura Group.

In the ceremony for the anniversary of foundation held in December 2012, an employee was commended for his 20 years' service with the company, and 25 employees were commended for their 10 years' service, and 36 employees for 5 years' service.



The ceremony for the 20th anniversary of foundation

The 10th anniversary of foundation

Shanghai Tsumura marked the 10th anniversary of its foundation in 2011. In the celebration to commemorate the 10th anniversary, employees looked back at the ten-year history of the company since its foundation, and renewed their pledge that all members of Shanghai Tsumura would work together to produce powder extracts with quality equivalent to or higher than products of plants in Japan.

Although Japanese representatives have been mainly engaged in management of the company, the management led by local employees will advance in the future.



The celebration to commemorate the 10th anniversary



TSUMURA & CO.

Contact us for more information:

TSUMURA & CO.

CSR Department

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

Tel: +81(3)6361-7102 Fax: +81(3)5574-6634

Download this report from:



<http://www.tsumura.co.jp/corporate/csr/index.htm>