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NEWS RELEASE

Name of Listed Company: TSUMURA & CO.
Listing: TSE Prime Market
Securities code: 4540
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Tsumura Announces Conclusion of Agreement Regarding Acquisition of Equity Interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. by Ping An Tsumura Inc.

Tsumura & Co. (Headquarters: Tokyo, Japan; President Representative Director and CEO: Terukazu Kato; hereinafter, “Tsumura”) hereby announces that at a meeting held on March 24, 2023, the Board of Directors passed a resolution to conclude an equity interest transfer agreement on April 13, 2023 for the acquisition of a 100% equity interest in Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd. (hereinafter “Unisplendour”) by Ping An Tsumura Inc. (hereinafter, “Ping An Tsumura”), a group company of Tsumura in China.

1. Reasons for the equity interest acquisition

Tsumura and its affiliates (hereinafter “the Group”) has established a long-term management vision, Tsumura Vision “Cho-WA” 2031, Creating a Future that Achieves “Cho-WA” (harmony). The goal of the long-term vision is to contribute to people’s wellbeing by providing evidence-based products and services, including Kampo medicines and traditional Chinese medicine^{*1}, suited to the life stages of each individual, symptoms, genetic predispositions, living environment, and other factors. In its business in China, the Group plans to acquire a traditional Chinese medicinal product company to increase sales of crude drugs and crude drug pieces for traditional Chinese medicinal products^{*2} and Yakushokudogen products, as well as to enter the traditional Chinese medicinal product^{*3} business, under the first medium-term management plan ending in fiscal year 2024. In doing so, the Group seeks to contribute to the health of the people of China and ensure the stable procurement and supply of crude drugs.

Ping An Tsumura which was established jointly with Ping An Insurance Group of China in 2018, is aspiring to become a trusted traditional Chinese medicine company in the Chinese market by combining the quality, technologies, and experience developed by Tsumura in the cultivation of crude drugs for Kampo preparation and the manufacturing of Kampo products and customer base and medical online platform of the Ping An Insurance Group. Currently in China, Ping An Tsumura operates its business based on three platforms, including drug preparation (the function of manufacturing and selling traditional Chinese medicinal products), crude drugs (the function of manufacturing and selling crude drugs for Kampo preparation, crude drug pieces, Yakushokudogen products, etc.), and research (establishing quality standards for all supply chains from seeds and saplings to the end products of crude drugs and the function of research and development of traditional Chinese medicinal products).

Tsumura has acquired Unisplendour for the purpose of business development based on this drug preparation platform.

The drug preparation platform aims to become a trusted traditional Chinese medicine company in China by leveraging its expertise in traditional Chinese medicinal products made particularly of classic prescriptions*⁴. Unisplendour has 147 licenses for traditional Chinese medicinal products, including a number of classic prescriptions. These classic prescriptions are similar to Tsumura's Kampo products. Tsumura will improve the quality of classic prescriptions held by Unisplendour, the acquired company, by leveraging its expertise and experience in evidence development, manufacturing technologies, etc. to establish Tsumura's brand as a traditional Chinese medicinal product company and production sales growth.

2. Outline of Ping An Tsumura

(1) Name of company	Ping An Tsumura Inc.
(2) Location	Shanghai, China
(3) Representative	Tung Hoi, Chairman
(4) Business description	Business related to strengthening the crude drug procurement structure, business related to analysis and research focusing on traditional Chinese medicines, and business related to traditional Chinese medicines, health food and healthcare-related daily necessities and other operations and markets, etc.
(5) Capital	2,000 million RMB (approximately 38.1 billion yen) 1RMB = 19.05 yen
(6) Date of foundation	June 8, 2018
(7) Major shareholder and stockholding	- Tsumura China Inc.: 56% - China Ping An Life Insurance Co., Ltd.: 44%

3. Outline of the transferred subsidiary (Unisplendour)

(1) Name of company	Shaanxi Unisplendour Life Care Pharmaceutical Co., Ltd.		
(2) Location	Baoji, Shaanxi Province, China		
(3) Representative	Jiang Chao Wen, Chairman		
(4) Business description	Production and contract production of pharmaceuticals, sale of pharmaceuticals, and other businesses related to such fields of operation		
(5) Capital	80.073 million RMB (approximately 1.525 billion yen) 1RMB = 19.05 yen		
(6) Date of foundation	December 23, 1997		
(7) Major shareholder and stockholding	- Tongfang Pharmaceutical Group Co., Ltd.: 66% - Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.: 34%		
(8) Relationship between the listed company and the relevant company	Capital relationship	There is no related information.	
	Personal relationship	There is no related information.	
	Business relationship	There is no related information.	
(9) Consolidated business performance and consolidated financial status over the most recent three years 1RMB = 19.05 yen			
Fiscal year	December 2020	December 2021	December 2022
Consolidated net assets	34,123 thousand RMB (650 million yen)	37,421 thousand RMB (713 million yen)	39,465 thousand RMB (752 million yen)
Consolidated total assets	87,333 thousand RMB (1,664 million yen)	199,961 thousand RMB (3,809 million yen)	211,320 thousand RMB (4,026 million yen)
Consolidated net sales	54,382 thousand RMB (1,036 million yen)	67,473 thousand RMB (1,285 million yen)	62,320 thousand RMB (1,187 million yen)
Consolidated operating profit	-2,914 thousand RMB (-56 million yen)	1,890 thousand RMB (36 million yen)	801 thousand RMB (15 million yen)
Profit attributable to owners of parent	-2,988 thousand RMB (-57 million yen)	2,161 thousand RMB (41 million yen)	2,044 thousand RMB (39 million yen)

4. The entity acquiring the equity

(1) Name of company	Tongfang Pharmaceutical Group Co., Ltd.	
(2) Location	Beijing, China	
(3) Representative	Jiang Chao wen, Chairman	
(4) Business description	Production and sale of pharmaceuticals, food products, mechanical machinery and disinfectants, and cosmetics, import and export of cargo, and technologies, technology development, consulting services for technologies, etc.	
(5) Capital	200 million RMB (approximately 3.81 billion yen) 1RMB = 19.05 yen	
(6) Date of foundation	December 8, 1993	
(7) Net assets	448,652 thousand RMB (approximately 8.55 billion yen) 1RMB = 19.05 yen	
(8) Total assets	824,222 thousand RMB (approximately 15.7 billion yen) 1RMB = 19.05 yen	
(9) Major shareholder and stockholding	KINGWOOD LIMITED: 100%	
(10) Relationships between the listed company and the relevant company	Capital relationship	There is no related information.
	Personal relationship	There is no related information.
	Business relationship	There is no related information.
	Applicability to related parties	There is no related information.

(1) Name of company	Shaanxi Xinhuiyuan Pharmaceutical Technology Co., Ltd.	
(2) Location	Shaanxi Xixian New Area, China	
(3) Representative	Wang Rui Cheng, Executive Director	
(4) Business description	Promotion, transfer, etc. of technologies related to pharmaceuticals, healthcare products, medical machinery, and cosmetics	
(5) Capital	5 million RMB (95.25 million yen) 1RMB = 19.05 yen	
(6) Date of foundation	May 23, 2013	
(7) Net assets	17,090 thousand RMB (approximately 0.33 billion yen) 1RMB = 19.05 yen	
(8) Total assets	17,159 thousand RMB (approximately 0.33 billion yen) 1RMB = 19.05 yen	
(9) Major shareholder and stockholding	-Wang Rui Cheng: 64% -Liu Ming: 23% -Chen Qing Zhe: 13%	
(10) Relationships between the listed company and the relevant company	Capital relationship	There is no related information.
	Personal relationship	There is no related information.
	Business relationship	There is no related information.
	Applicability to related parties	There is no related information.

5. Equity interest to be acquired by Ping An Tsumura, acquisition cost, and percentage of equity interest before and after the transfer

(1) Number of shares held before the transfer	0%
(2) Number of shares acquired	100% of equity interest
(3) Acquisition price	254,788 thousand RMB (approximately 0.854 billion yen) RMB = 19.05 yen
(4) Number of shares held after the transfer	100% of equity interest

6. Schedule

(1) Date of resolution by the Board of Directors	March 24, 2023
(2) Contract date	April 13, 2023
(3) Date of share transfer	Late April 2023 (tentative)

7. Impact of capital increase on business results

The impact of this acquisition on the Group's consolidated results for the fiscal year ended March 31, 2023 will be negligible. The impact on consolidated results after fiscal year 2023 is currently investigated.

***1 Traditional Chinese medicine**

Medicine used in Chinese medicine (traditional Chinese medicinal products, drug pieces, etc.).

***2 Crude drug pieces**

Raw material crude drugs that have been chopped. Crude drug pieces for decoction.

***3 Traditional Chinese medicinal products**

Formulations based on the theory of Chinese medicine which have been shaped into granules or pills, etc.

***4 Classical prescriptions**

Prescriptions described in classic medical books compiled in or before the Qing dynasty, which have been used for many years. The Chinese government has been promoting research and development and drug registration as a policy in recent years with the aim of passing down and developing such classic prescriptions.