



## Feature 2

# Aiming to Contribute in the China Business

### Back- ground

**We will contribute to the development of the traditional Chinese medicine industry through our core competence developed in the research and manufacture of Kampo formulations**

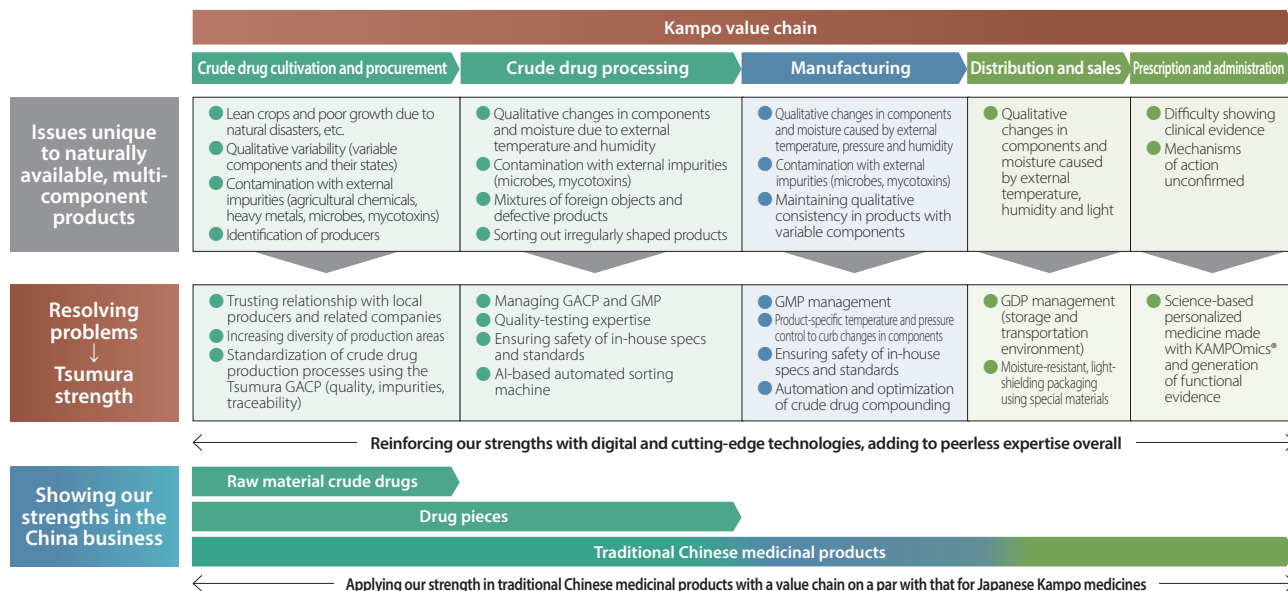
The Tsumura Group's sustainable growth depends on its partnership with China, which is the largest production area for raw material crude drugs, and a country with deep roots in traditional Chinese medicine, which treats people using drug pieces and traditional Chinese medicinal products that use the same crude drugs as Kampo medicines for raw materials.

In China, the licensing and medical education of physicians are separate for Western medicine and traditional Chinese medicine. Both play an essential role in people's health. On the other hand, in Japan the licensing system and education have shifted to Western medicine since the early Meiji era. Therefore, to establish an important position for Kampo formulations as a treatment option, it is necessary to prove their efficacy and safety in the field of Western medicine. Tsumura has been helping to spread and develop Kampo medicines in Japan by building evidence through continuing

basic and clinical research over many years. As a result, the Tsumura Group today has accumulated technologies that apply across the entire value chain for manufacturing high-quality pharmaceutical products from natural materials. Going forward, these technologies will constitute a core competence that will enable us to develop our business in the Chinese market (refer to the table below).

Even in China, where the traditional Chinese medicine market is approximately 60 times the size of the Japanese Kampo market, doctors of Western medicine are gaining a deeper understanding of traditional Chinese medicine treatment, and they are close to realizing healthcare that leverages the strengths of both systems. This is why we are confident that Tsumura's core competence will serve as a driving force both for the development of the traditional Chinese medicine industry and for the growth of the Group.

### Showing Our Strengths in the Kampo Value Chain and the China Business



## Using our three platforms of crude drugs, formulation, and research, we will build a value co-creation platform with local producers, physicians, and patients

In the China business, we are building three platforms to co-create value with the local community: crude drugs, formulation, and research.

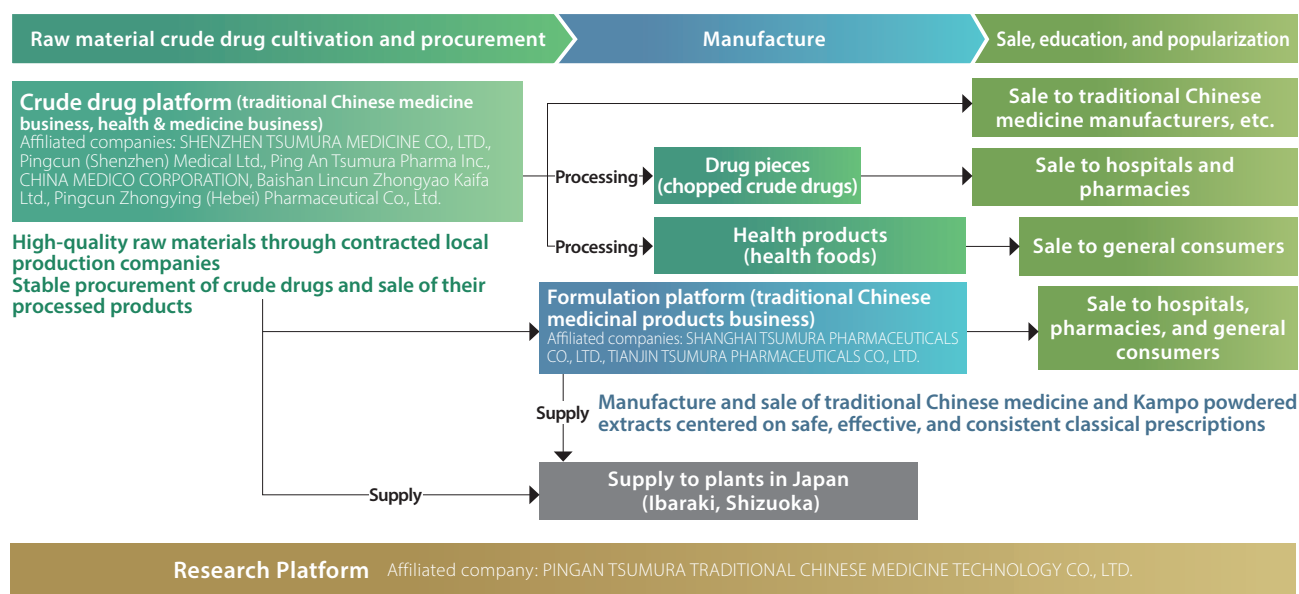
The crude drug platform serves the functions of cultivation, procurement, sorting, processing, and storage of raw material crude drugs used in Japan and in the China business. It also provides the function of manufacturing and selling raw material crude drugs, drug pieces, and health products\* in China. With regards to raw material crude drugs, Tsumura holds cultivated land under its own management throughout China, and we are cultivating and procuring high-quality crude drugs. In parallel with this, we are also promoting external sales of raw material crude drugs, mainly inside China.

We are also aiming to develop new sales channels for drug pieces, which are indispensable for personalized treatment in traditional Chinese medicine. Furthermore, we are focusing on spreading our “personalized medicine” processing service for increased consistency and portability of drug pieces.

Currently, we are focused intently on building the formulation platform, as the foundation for manufacturing traditional Chinese medicinal products, and the research platform for carrying out their development and research. By building these platforms, we will contribute to resolving issues in the traditional Chinese medicine industry, while cultivating relationships of trust with local doctors and patients.

\* Nutritional food products, functional food products, healthcare products, etc.

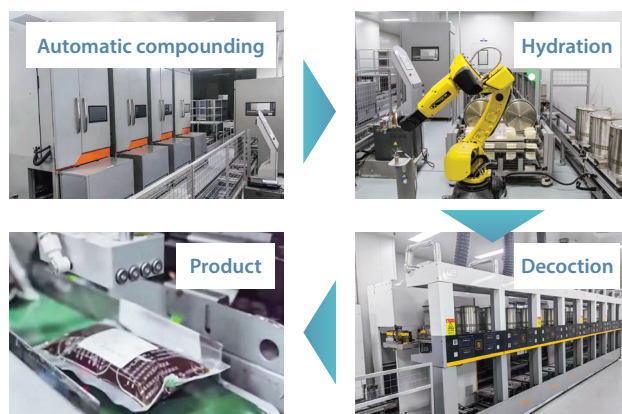
### Three Platforms Concept in the China Business (As of March 31, 2025)



Formulation of quality standards in the value chain and development and marketing of traditional Chinese medicinal products

### Expansion of the Drug Pieces Added-Value Service, “Personalized Medicine”

In 2020, we started “personalized medicine,” a processing service that saves patients the effort of decocting by processing and packaging drug pieces into various forms, such as decoction, fluid extract, and granules. This achieves a high level of storability and portability that has been praised by physicians and patients, and the repeat rate is increasing. We will promote its benefits to physicians by pointing out the consistency, stability, and formulation diversity of drug piece processing that can be achieved in a smart factory facility and focus on providing services through Chinese hospitals.



**We work to be a trusted manufacturer of traditional Chinese medicines that contributes to public health in China.**

Koin Toda

Co-COO (Co-Chief Operating Officer)  
General Representative for China



Business in China is a growth driver for the Tsumura Group and a top strategic priority in our vision for 50–100 years from now. The purpose of our China business is to help advance the traditional Chinese medicine industry and contribute to public health in China by leveraging the quality, technology, and experience the Group has built in the domestic Kampo business with external factors, like the customer base of Ping An Insurance (Group) Company. Reliable purchasing and supply of high-quality raw material crude drugs is an important mission as well. For Glycyrrhiza, for instance, we used to fully depend on collection in the wild, but large-scale cultivation of medicinal plants in Gansu Province has been realized through recently established cultivation technology based on joint research with Chinese companies and universities. This is a major achievement of which I am very proud.

In fiscal 2024, the China business saw roughly 10% year-on-year sales growth, to 20.6 billion yen, thanks to our effort to highlight the value of our higher-quality crude drugs, which boosted the sales volume primarily of raw material crude drugs.

Under our second medium-term management plan, we will work to expand sales, mainly of drug pieces, to build scale and earnings power. On top of expanding the variety and volume of high-quality drug pieces managed under the WHO's Good Agricultural and Collection Practices (GACP) regimen and an established traceability system, we plan to forge technological and business alliances with drug piece manufacturers with strong sales networks. In June 2025, we concluded an equity agreement with Shanghai Hongqiao Traditional Chinese Drug Pieces Co., Ltd. ("Hongqiao Drug Pieces") for joint business. Hongqiao Drug Pieces is a drug piece manufacturer with strong sales channels in the Shanghai region. We work to expand scale by combining its basic sales capacity with Tsumura's high-quality crude drugs, large fund of evidentiary research, and production expertise and experience in personalized medicine, thereby increasing the quality and convenience of the drug pieces they sell.

Within our formulation platform, we have considered partnering with manufacturers of traditional Chinese medicinal products and negotiated with various prospects to enter the industry. In addition to the several we have approached, many companies are expressing interest in partnering with us, and we will carefully discuss and negotiate with them individually. We will also be patient and tenacious in this, because entering the traditional Chinese medicinal product industry and

building a strong foundation are important themes in our second medium-term management plan.

Within our research platform, we continue developing classical prescriptions, following Chinese government policy promoting such efforts as well as the development of high-quality traditional Chinese medicines. We also have in mind development and commercialization of new traditional Chinese medicinal products in cooperation with universities and specialists. More practitioners of Western medicine acknowledge the efficacy of traditional Chinese medicines every year, and research results show that about 80% of traditional Chinese medicinal products are prescribed by Western medical practitioners. This trend leads to a need for stronger evidence of their efficacy. Tsumura's Kampo formulations have an edge thanks to procurement of high-quality GACP-compatible crude drugs and production methods for uniform quality. These strengths are attractive to people in China seeking safety and reliability in pharmaceuticals, and our ability to formulate them with little qualitative disparity between lots will carry broad advantages, particularly in clinical testing.

We think more seriously than others about preserving our natural environment and pursuing eco-friendly, sustainable cultivation of crude drugs, applying the technologies we are continuously developing. While putting high priority on contribution to local communities in the form of job creation related to cultivating and processing crude drugs and assistance to agricultural producers to help raise their quality of life, we will continue working to be a manufacturer of traditional Chinese medicines that is widely recognized and trusted by all stakeholders.

Current research results project that the trend toward lower birth rates and societal aging will likely accelerate in China as well. The Chinese government is promoting standardization and enhanced quality control of traditional Chinese medicinal products to develop the industry, and the market is projected to expand. We will continue and even reinforce our relationship with Ping An Insurance, our partner in the China business. With the belief of our founder, Jusha Tsumura, that "a good medicine is guaranteed to sell" in our hearts, and making the most of the Group's strengths in supply chains and rich experience, we plan to bring high-quality products to the Chinese market and, by raising our market profile and building trust, contribute to public health and a brighter future in China.

# FOCUS Characteristics of the Traditional Chinese Medicine Market

## Classification of Traditional Chinese Medicines

Traditional Chinese medicines are a general expression for medication that has been used by traditional Chinese medicine for over 2,700 years. Like Kampo medicines, it is manufactured using raw materials from nature, such as plants, animals, and minerals. Traditional Chinese medicine is based on classical theory, but with each era, its efficacy with common diseases has been tested, and new treatment methods have been incorporated into the system. As a result, a large number of formulations have been created, and traditional Chinese medicinal products have been continuously developed.

In traditional Chinese medicine, treatments are classified into traditional Chinese medicinal products and traditional Chinese drug pieces. There are also health foods that are made using crude drugs for healthcare (prevention).

## Traditional Chinese Medicine Market Trends

The traditional Chinese medicine market in China is valued at approximately 16 trillion yen, making it more than 60 times the size of the Japanese market for Kampo products and crude drugs. Within this, the market for traditional Chinese medicinal products is around 11 trillion yen, and the market for raw material crude drugs and traditional Chinese medicine drug pieces is around 5 trillion yen. Traditional Chinese medicinal products have been formulated from ancient times until the modern era, with approximately 9,000 formulations approved in China. Of these, the Pharmacopoeia of the People's Republic of China<sup>\*1</sup> listed approximately 1,600 formulations, while approximately 300 formulations originate from the principal classics.<sup>\*2</sup> There are around 600 types of traditional Chinese medicine drug pieces commonly used in traditional Chinese clinics. These have been made through improvement processing<sup>\*3</sup> of raw materials for traditional Chinese medicines.

The Chinese government's policy is to focus on the development of traditional Chinese medicines based on classical prescriptions, and to support and reinforce R&D and quality improvement of traditional Chinese medicines. There are around 2,400 companies that manufacture traditional

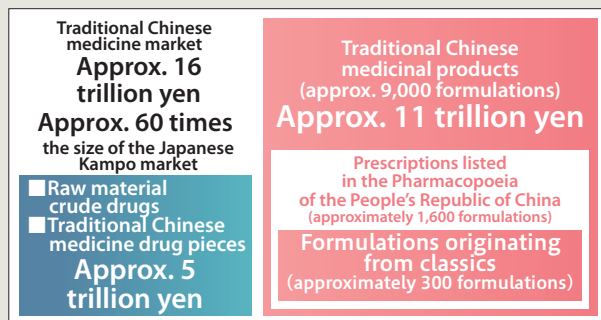
Chinese medicines, so the level of concentration in the market is not so high. However, groups of traditional Chinese medicine manufacturers are gradually being formed.

## Approach to the Market

The Healthy China 2030 initiative promoted by the Chinese government places importance on both modern medicine and Chinese medicine. It promotes the development of rules regarding traditional Chinese medicine production and also encourages expanding the scale of production. Within traditional Chinese medicines also, the key to the development of traditional Chinese medicinal products is standardization, and the Chinese government views the standardization of traditional Chinese medicinal products as a priority issue. The Tsumura Group seeks to achieve the standardization of traditional Chinese medicinal products and contribute to the development of the traditional Chinese medicine industry. We will do this by using our technologies and expertise related to safety, efficacy, and consistency, which have been honed in the Kampo business.

In addition, with regard to the sale of raw material crude drugs and drug pieces, we will contribute to the citizens of China and healthcare by supplying high-value-added services using high-quality crude drugs.

<sup>\*1</sup> A pharmaceutical product code promulgated by the Chinese National Medical Products Administration to guarantee the quality of pharmaceutical products by the state and guarantee the safety, efficacy, and quality control of drugs for use by the public  
<sup>\*2</sup> Treatments included in ancient medical texts compiled during the Qing dynasty and earlier  
<sup>\*3</sup> Processing by methods including steaming, boiling, and frying



Source: Created by Tsumura from data provided by the Chinese Ministry of Industry and Information Technology, the Chinese National Medical Products Administration, and the National Bureau of Statistics of China  
 Converted at 1 RMB = 20 yen

## China Business Product and Service Lineup



## Traditional Chinese Medicine Market Trend

