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NEWS RELEASE

Name of Listed Company	Tsumura & Co.
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Tsumura Announces Establishment of a Joint Venture in China

Tsumura & Co. (Headquarters: Tokyo, Japan; President & CEO: Terukazu Kato; hereafter, “Tsumura”) announces that it has entered a joint venture agreement with Shanghai Traditional Chinese Medicine Co., Ltd. (Headquarters: Shanghai, China; Chairman: Chen Junli; hereafter, “Shanghai Traditional Chinese Medicine”), a subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. (Headquarters: Shanghai, China; Chairman: Zhou Jie; hereafter, “Shanghai Pharmaceuticals Holding”). Tsumura signed the agreement on May 6, 2016, thereby enabling it to enter the business of traditional Chinese medicine compound granules.

1. Purpose of establishing the joint venture

Most traditional Chinese medicines*1 in China are crude drug pieces for decoction. In recent years, however, the preparation of traditional Chinese medicine compound granules*2 has become widespread. It is believed that demand for these granules has grown among medical institutions and patients partly because they are easy to carry and take, and partly because they have a long storage life.

Tsumura established SHENZHEN TSUMURA MEDECINE CO., LTD. in 1991 as its base in China for the procurement, processing, and storage of crude drugs for Kampo formulation for prescription in the Japanese market. In 2001, the company established SHANHAI TSUMURA PHARMACEUTICALS CO., LTD., a joint venture with Shanghai Traditional Chinese Medicine, to produce the extract powder used in the Kampo formulation for prescription.

Tsumura will work to contribute to Chinese society and the health of the Chinese people by making use of the expertise in research, technologies, quality control, and other elements related to the cultivation and processing of crude drugs it has developed in China, as well as the manufacturing technologies for Kampo extract, in the business of traditional Chinese medicine compound granules. The company agreed to establish this new joint venture believing that it will lead to an even more stable supply of crude drugs to Japan, while also helping to improve the quality of crude drugs in China and protect crude drug resources in the country.

The Tsumura Group will further improve the value of Kampo and ensure the stable supply of Kampo products, aiming to be a value creating company that contributes to people's health through Kampo.

*1: Traditional Chinese medicines

Traditional medicines used in China

*2: Traditional Chinese medicine compound granules

A single crude drug is extracted from crude drug pieces for decoction, made into a product through a series of processes that consists of separation, concentration, drying, and granulation, and used for preparation of a drug in the same way as crude drug pieces for decoction.

2. Outline of the joint venture

Name of company: SPH TSUMURA PHARMACEUTICALS CO., LTD.

Location: Shanghai

Representative: Chairman (To be determined in May)

Capital: 600 million RMB

Investment ratio: Shanghai Traditional Chinese Medicine: 51%, Tsumura: 49%

Business description: Manufacturing and sales of traditional Chinese medicine compound granules, establishment of criteria for traditional Chinese medicine compound granules, research and development of products, research and development of manufacturing methods, and other operations.

3. Joint venture partner

Name of company: Shanghai Traditional Chinese Medicine Co., Ltd.

Location: Shanghai

Representative: Chen Junli, Chairman & CEO

Capital: 648 million RMB

Parent company: Shanghai Pharmaceuticals Holding Co., Ltd.

Location: Shanghai

Representative: Zhou Jie, Chairman

Capital: 2,688 million RMB

Business performance in 2015: Net sales: 105,500 million RMB, Net income: 2,800 million RMB

Major shareholders: Shanghai Industrial Investment (Holdings) Co., Ltd., Shanghai Shangshi (Group) Co., Ltd., and Shanghai Pharmaceutical (Group) Co., Ltd.

Listed in: Shanghai Stock Exchange, Hong Kong Stock Exchange

4. Impact on the business performance

The establishment of the joint venture will have a minor impact on Tsumura's business performance for the term ending March 2017.