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NEWS RELEASE

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**Tsumura Announces Capital and Business Alliance  
with Ping An Insurance (Group) Company of China, Ltd.,  
Issuance of New Shares and Disposal of Treasury Shares by Way of Third-Party Allotment,  
and Planned Change in Largest Shareholder Among Major Shareholders**

TSUMURA & CO. (Headquarters: Tokyo, Japan; President & CEO: Terukazu Kato; hereinafter “Tsumura”) announces that, at a meeting held on September 22, 2017, its Board of Directors passed resolutions to form a capital and business alliance (hereinafter “the Capital and Business Alliance”) with Ping An Insurance (Group) Company of China, Ltd. (Headquarters: Guangdong Province, China; hereinafter “Ping An Insurance”) with a view to building a strong, long-term strategic partnership, and to implement the issuance of new shares and disposal of treasury shares by way of third party-allotment (hereinafter referred to collectively as “the Third-Party Allotment”) to Ping An Life Insurance Company of China, Ltd. (Headquarters: Guangdong Province, China; hereinafter “Ping An Life”), which is a subsidiary of Ping An Insurance, and that Tsumura concluded a Capital and Business Alliance Agreement (hereinafter “the Capital and Business Alliance Agreement”) concerning the Capital and Business Alliance with Ping An Insurance on the same date. Tsumura also announces that the largest shareholder among its major shareholders is expected to change as a result of the Third-Party Allotment.

I. Outline of the Capital and Business Alliance

1. Purposes of and Reasons for the Capital and Business Alliance

- (1) Purposes of the Capital and Business Alliance
  - (i) To contribute to the further development of the traditional Chinese medicine industry in China and to the health care and health of the Chinese people
  - (ii) To build a business model that covers everything from quality standards for traditional Chinese medicines (\*) and the cultivation of crude drugs to final products
  - (iii) To ensure Tsumura’s stable procurement of crude drugs and raw materials

(\*) Traditional Chinese medicines: Medicines used in traditional Chinese medicine (or TCM)

- (2) Reasons for the Capital and Business Alliance

In its new Medium-Term Management Plan (Fiscal 2016 - 2021): Creation of New Value through Innovation of Kampo

announced in May 2016, Tsumura specified “Taking on the challenge of new businesses in China” as one of its strategic agendas. Committed to achieving its new Medium-Term Management Plan and to contributing to China, its main supplier of raw materials and crude drugs, and the health of the Chinese people, Tsumura intends to continue building and maintaining even better relations with China through new business in the future.

As part of these initiatives, at SHENZHEN TSUMURA MEDICINE CO., LTD., Tsumura’s base in China for the procurement, processing, and storage of raw material crude drugs for Kampo formulation for prescription in the Japanese market, Tsumura launched the business of crude drug pieces for decoction for the Chinese market in FY2016. At the same time, Tsumura established SPH TSUMURA PHARMACEUTICALS CO., LTD. in a joint venture with Shanghai Traditional Chinese Medicine Co., Ltd., to conduct research and development, etc. for the production of traditional Chinese medicine compound granules for the Chinese market.

Ping An Insurance is one of China’s big four insurance firms and its A-Shares are listed on the Shanghai Stock Exchange. It is a comprehensive financial services group, offering Internet financial services in addition to its main insurance, banking and investment businesses. In line with its strategic goal of being a “world-leading personal financial services provider”, Ping An Insurance positions financial services and healthcare as strategic markets, and is creating a competitive advantage in the health care and health sciences markets through associates such as Ping An Health Insurance, China’s largest private health insurer, Ping An Good Doctor, China’s largest online medical service platform, and Pingan Wanjia Clinic, China’s largest standardized community clinics management platform. With Ping An Insurance exploring opportunities for collaboration with traditional Chinese medicine manufacturers to further develop the health care market and further improve the health care services available to customers and wanting to contribute to the development of the traditional Chinese medicine industry as a whole, China Ping An Insurance Overseas (Holdings) Limited (in Hong Kong), which is in charge of overseas investment within the Ping An Insurance Group, and Ping An Japan Investment Co., Ltd. (in Tokyo) took the lead in examining collaboration with Japanese firms. This examination resulted in a collaboration proposal to Tsumura, which supplies high quality Kampo medicines to the Japanese market.

The collaboration between Tsumura and Ping An Insurance will combine Tsumura’s expertise in the crude drug and Kampo business with the features and strengths of Ping An Insurance’s management assets and customer base and its healthcare business, and is thus expected to generate synergies and further enhance the corporate value of both companies. Tsumura and Ping An Insurance decided to form a business alliance, believing that this will allow them to promote the further development of the traditional Chinese medicine business in China, contribute to the health care and health of the Chinese people, and build a business model that covers everything from quality standards for traditional Chinese medicines and the cultivation of crude drugs to final products, and that this will also ensure Tsumura’s stable procurement of crude drugs and raw materials while helping improve the quality of crude drugs in China and protect crude drug resources.

In the process of consultation about the business alliance, Tsumura and Ping An Insurance decided to form a capital alliance by third-party allotment alongside the business alliance, judging that it is important for the Ping An Insurance Group to hold a certain number of shares in Tsumura to build a long-term and strong strategic partnership. Since Ping An Insurance, which is the partner in the Capital and Business Alliance, is a financial holding company and does not make direct capital contributions to general operating companies engaged in other businesses besides financial services, Tsumura and Ping An Insurance decided through consultation, taking factors such as the aim and content of the Capital and Business Alliance and the scale of the capital contribution into consideration, to allot the shares in the Third-Party Allotment to Ping An Life, which is one of Ping An Insurance’s major subsidiaries with the ability to make capital contributions.

## 2. Details of the Capital and Business Alliance

### (1) Details of the Business Alliance

An outline of the business alliance agreed at present between Tsumura and Ping An Insurance is as follows.

#### (i) Establishment of joint venture

Tsumura will establish a joint venture in China with Ping An Insurance, and the joint venture will mainly conduct the businesses described in (ii) to (iv) below.

Tsumura and Ping An Insurance plan to reach agreement on the establishment of the joint venture by October 31, 2017. Tsumura will announce the details of the agreement promptly after they are determined.

(ii) Business related to strengthening the crude drug procurement structure

Since the markets for Kampo medicine in Japan and for traditional Chinese medicine, etc. in China are currently expanding, demand for raw material crude drugs is increasing, and prices for certain raw material crude drugs are volatile. Tsumura believes that it is necessary to increase the supply capacity of local producers that cultivate, process and prepare raw material crude drugs, to ensure the stable procurement of raw material crude drugs that are stable price and satisfy Tsumura's quality requirements. As one means to this end, the joint venture will be involved in areas such as the procurement of land for cultivation and the development of cultivation techniques (improvement of efficiency through cultivation of crude drugs derived from wild plants, mechanization, etc.), the construction and development of crude drug processing plants, and the development of processing technologies (improvement of efficiency through the improvement of drying methods, mechanization, etc.).

(iii) Business related to analysis and research focusing on traditional Chinese medicines

When entering the business of manufacturing and selling traditional Chinese medicines, etc. described in (iv) below, the joint venture will be required to conduct quality management across the entire process from cultivation of crude drugs to final products and to establish quality standards in order to offer high-quality products. It will, therefore, establish an analysis and research center focusing on traditional Chinese medicines and engage in activities such as the development of analysis and research techniques and the provision of analysis and testing services.

(iv) Business related to traditional Chinese medicines, health food and health care-related daily necessities and other operations and markets

In China, TCM is becoming more widespread and demand for traditional Chinese medicines used in TCM is also increasing. The joint venture will use Tsumura's Kampo medicine manufacturing knowhow to conduct the business of manufacturing and selling traditional Chinese medicines, etc., in order to contribute to the further development of the traditional Chinese medicine industry, which is expected to continue growing in the future, and to the health care and health of the Chinese people.

(2) Details of the Capital Alliance

In the Third-Party Allotment, Tsumura will allot 7,675,900 shares of its common stock to Ping An Life (the ratio of the voting rights held to total number of voting rates after the Third-Party Allotment will be 10.04%, and the ratio of shares held to the total number of shares issued after the Third-Party Allotment will be 10.00%). Please see II. Issuance of New Shares and Disposal of Treasury Shares by Way of Third-Party Allotment below for further details of the Third-Party Allotment.

3. Outline of the Other Party to the Capital and Business Alliance (as of December 31, 2016 unless otherwise specified)

(1) Name of Company	Ping An Insurance (Group) Company of China, Ltd.
(2) Location	Ping An Finance Centre, NO.5033 Yi Tian Road, Futian District, Shenzhen, Guangdong Province, China
(3) Representative	Ma Mingzhe, Chairman & CEO
(4) Business Description	Insurance business, banking business and investment business
(5) Capital	18,280 million RMB
(6) Date of Foundation	May 27, 1988
(7) Number of Shares Issued	10,832,664,498 A-Shares; 7,447,576,912 H-Shares
(8) Fiscal-year End	December
(9) Number of Employees	1.428 million (including 1.11 million insurance sales representatives) (Consolidated)
(10) Main Customers	—
(11) Main Banks	—

(12)	Major Shareholders and Shareholding Ratios	Hong Kong Securities Clearing Company Nominees Limited	32.09%
		Shenzhen Investment Holdings Co.,Ltd.	5.27%
		All Gain Trading Limited	4.32%
		Huaxia Life Insurance Co., Ltd.	4.31%
		China Securities Finance Corporation Limited	3.79%
		Bloom Fortune Group Limited	2.77%
		Central Huijin Asset Management Ltd.	2.65%
		Business Fortune Holdings Limited	1.43%
		Shum Yip Group Limited	1.41%
		Hong Kong Securities Clearing Company Limited	1.21%

(13)	Relationship Between the Parties		
	Capital Relationship	There is no relationship to be disclosed between the parties.	
	Personal Relationship	There is no relationship to be disclosed between the parties.	
	Transactional Relationship	There is no relationship to be disclosed between the parties.	
	Status as Related Party	There is no relationship to be disclosed between the parties.	

(14)	Business Performance and Financial Position in the Past Three Fiscal Years (million RMB, unless specified otherwise)			
	Accounting Period	FY Ended Dec. 2014	FY Ended Dec. 2015	FY Ended Dec. 2016
	Consolidated Net Assets	353,816	413,571	486,461
	Consolidated Total Assets	4,005,911	4,765,159	5,576,903
	Shareholders' Equity per Share (RMB)	16.28	18.28	20.98
	Consolidated Net Sales	462,882	619,990	712,453
	Consolidated Operating Income	62,341	92,947	93,368
	Consolidated Ordinary Income	—	—	—
	Profit attributable to owners of parent	39,279	54,203	62,394
	Consolidated Net Income per Share (RMB)	2.47	2.98	3.50
	Dividend per Share (RMB)	0.375	0.53	0.75

- (Notes) 1 Main customers and main banks are omitted because Ping An Insurance, which is the other party to the Capital and Business Alliance, is a holding company and has no main customers or main banks.
- 2 In (14) Business Performance and Financial Position in the Past Three Fiscal Years, figures for consolidated ordinary income are omitted because the accounting standards adopted by the other party to the Capital and Business Alliance are different from JGAAP.

#### 4. Schedule

(1) Resolution of the Board of Directors	September 22, 2017
(2) Execution of the Capital and Business Alliance Agreement	September 22, 2017
(3) Payment for the Third-Party Allotment	October 13, 2017 (Plan)

#### 5. Future Prospects

The impact of the Capital and Business Alliance on consolidated results for the fiscal year ending March 31, 2018 will be insignificant. Tsumura will promptly announce any matters that need announcing in the future.

## II. Issuance of New Shares and Disposal of Treasury Stock by Way of the Third-Party Allotment

### 1. Outline of Offering

(1)	Payment Date	October 13, 2017
(2)	Number of New Shares to be Issued and Number of Shares to be Disposed of (Number of Shares to be Offered)	7,675,900 shares of Tsumura's common stock, which is the total of (i) and (ii) below (i) Number of new shares to be issued 5,986,700 shares (ii) Number of shares to be disposed of 1,689,200 shares
(3)	Payment Amount	JPY 3,559.5 per share
(4)	Amount of Capital to be Raised	JPY 27,322,366,050
(5)	Method of Offering or Allotment (Allottee)	By way of third-party allotment (Ping An Life Insurance Company of China, Ltd.)
(6)	Other	Each of the foregoing items is conditional upon the taking effect of the Securities Registration Statement filed in accordance with the Financial Instruments and Exchange Act.

### 2. Purposes of and Reasons for the Offering

As stated in I. Outline of the Capital and Business Alliance 1. Purposes of and Reasons for the Capital and Business Alliance, the Third-Party Allotment of shares to Ping An Life will be implemented as part of the Capital and Business Alliance with Ping An Insurance, which is the parent company of Ping An Life, and is intended to better ensure the progress of business related to "Taking on the challenge of new businesses in China", which is one of Tsumura's strategic agendas, and to build a long-term and strong strategic partnership with the Ping An Insurance Group.

Accordingly, the Third-Party allotment will have a dilutive effect on the ownership ratios of existing shareholders, but Tsumura believes that the Capital and Business Alliance with Ping An Insurance will help enhance Tsumura's corporate value because Tsumura can expect to gain new earning opportunities through business expansion in the Chinese market and will ultimately lead to improvement of returns for existing shareholders.

### 3. Amount of Capital to be Procured, Uses and Scheduled Time of Payment

#### (1) Amount of capital to be procured

(i)	Total amount to be paid in	JPY 27,322,366,050
(ii)	Estimated cost of issuance and disposal	JPY 116,230,000
(iii)	Estimated net proceeds	JPY 27,206,136,050

- (Notes) 1 The total amount to be paid in, estimated cost of issuance and disposal, and estimated net proceeds are calculated based on the issuance of new shares and the disposal of treasury shares by way of the Third-Party Allotment, and the estimated cost of issuance and disposal is estimated cost for the issuance of new shares and disposal of treasury shares by way of the Third-Party Allotment.
- 2 Estimated cost of issuance and disposal is exclusive of consumption tax, etc.
- 3 The estimated cost of issuance and disposal includes estimated amounts of legal costs, registration costs, costs for preparing securities registration statements and costs for researching the allottee.

#### (2) Specific uses of capital to be procured

	Specific use	Amount (JPY million)	Scheduled time of payment
(i)	Business related to strengthening the crude drug procurement structure	10,300	FY2018 to FY2020

(ii)	Business related to analysis and research focusing on traditional Chinese medicines	2,100	FY2018 to FY2022
(iii)	Business related to manufacturing and selling traditional Chinese medicines, etc.	14,806	FY2018 to FY2022

(Note) The procured capital will be managed in a bank account until it is actually used.

As stated above in I. Outline of the Capital and Business Alliance 2. Details of the Capital and Business Alliance (1) Details of the Business Alliance (i) Establishment of joint venture, Tsumura and Ping An Insurance plan to establish a joint venture, and the capital will be applied to the following businesses through the joint venture.

(i) Business related to strengthening the crude drug procurement structure

As stated above in I. Outline of the Capital and Business Alliance 2. Details of the Capital and Business Alliance (1) Details of the Business Alliance (ii) Business related to strengthening the crude drug procurement structure, one aspect of the Capital and Business Alliance involves activities such as the procurement of land for cultivation and the development of cultivation techniques (improvement of efficiency through cultivation of crude drugs derived from wild plants, mechanization, etc.), the construction and development of crude drug processing plants, and the development of processing technologies (improvement of efficiency through the improvement of drying methods, mechanization, etc.), and JPY 10,300 million will be used for this.

(ii) Business related to analysis and research focusing on traditional Chinese medicines

As stated above in I. Outline of the Capital and Business Alliance 2. Details of the Capital and Business Alliance (1) Details of the Business Alliance (iii) Business related to analysis and research focusing on traditional Chinese medicines, when entering the business of manufacturing and selling traditional Chinese medicines, etc. described in (iii) below as part of the Capital and Business Alliance, the joint venture will be required to conduct quality management across the entire process from cultivation of crude drugs to final products and to establish quality standards in order to offer high-quality products. It will, therefore, establish an analysis and research center focusing on traditional Chinese medicines and engage in activities such as the development of analysis and research techniques and the provision of analysis and testing services. JPY 2,100 million will be applied to the construction and working capital of this analysis and research center.

(iii) Business related to manufacturing and selling traditional Chinese medicines, etc.

In China, TCM is becoming more widespread and demand for traditional Chinese medicines used in TCM is also increasing. As stated above in I. Outline of the Capital and Business Alliance 2. Details of the Capital and Business Alliance (1) Details of the Business Alliance (iv) Business related to traditional Chinese medicines, health food and health care-related daily necessities and other operations and markets, the joint venture will use Tsumura's Kampo medicine manufacturing knowhow to conduct the business of manufacturing and selling traditional Chinese medicines, etc. as part of the Capital and Business Alliance, in order to contribute to the further development of the traditional Chinese medicine industry, which is expected to continue growing in the future, and to the health care and health of the Chinese people. JPY 14,806 million will be applied to such research and development of traditional Chinese medicines and to the construction and working capital of a manufacturing plant in China.

4. View on the reasonableness of the use of funds

Tsumura believes that applying the funds to the uses described above in 3. Amount of Capital to be Procured, Uses and Scheduled Time of Payment (2) Specific uses of capital to be procured will help enhance Tsumura's corporate value and will ultimately lead to the improvement of returns for existing shareholders and judges that the use of funds raised through the Third-Party Allotment is reasonable.

## 5. Reasonableness of the Issuance Conditions, etc.

### (1) Basis of Calculation of the Amount to Be Paid and Details Thereof

Referring to 3,955 yen, the closing price of the shares of Tsumura on the Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on the business day (September 21, 2017) immediately preceding the day on which the Third-Party Allotment was resolved at its Board of Directors’ Meeting, the amount to be paid is determined through consultation with Ping An Insurance to be 3,559.5 yen per share (discount rate is 10.00%).

The reason for using the closing price of the business day immediately preceding the day on which the Third-Party Allotment was resolved at the Board of Directors’ Meeting is because this price is judged to represent Tsumura’s corporate value most appropriately and this decision was reached through consultation with Ping An Insurance. As for the discount rate, Tsumura received a request for a discount of 10.00% from Ping An Insurance in light of factors such as the Third-Party Allotment is based on the assumption that, owing to the Capital and Business Alliance, Ping An Life will hold Tsumura’s shares over the medium to long term; the allottee is in a position where is inevitably exposed to the risk of a fall in stock price prior to delivery because the amount to be paid in was determined with reference to the business day immediately preceding the day of the resolution on issuance, which is approximately two weeks before the payment date, as well as recent fluctuations in the Tsumura’s stock price. Tsumura judged that reasonable examination of a discount in light of these factors was necessary, given that the Capital and Business Alliance with Ping An Insurance will combine Tsumura’s expertise in the crude drug and Kampo business with the features and strengths of Ping An Insurance’s management assets and customer base and its healthcare business, and is thus likely to generate synergies and further enhance the corporate value of both companies, as stated above in I. Outline of the Capital and Business Alliance 1. Purposes of and Reasons for the Capital and Business Alliance, and that Ping An Life, which is the allottee in the Third- Party Allotment, intends to hold Tsumura’s stock over the medium to long term, and Tsumura engaged in much careful negotiation and consultation with Ping An Insurance, taking into account the Guidelines Concerning Treatment of Capital Increase by Allotment to a Third Party of the Japan Securities Dealers Association regarding regulation of the favorable issuance of shares under the Companies Act of Japan. Tsumura’s Board of Directors then deliberated implementation of the Third-Party Allotment at the amount to be paid based on a comprehensive consideration of factors such as risk of stock price fluctuation for the allottee, the dilutive effect of the Third-Party Allotment, its importance in terms of medium-to-long term business strategy given Tsumura’s business environment and competition environment, and improvement of shareholder value in the medium and long term through maximization of the effect of the Capital and Business Alliance. As a result of deliberation, Tsumura judged that setting the discount rate at 10.00% was appropriate.

The amount to be paid represents a discount of 10.00% on 3,955 yen, which is the closing price of the shares of the common stock of Tsumura on the business day immediately preceding the day of the resolution of the Board of Directors, a discount of 12.15% on 4,052 yen (rounded off to the nearest yen), which is the simple average of the closing prices for the one-month period (from August 22, 2017 to September 21, 2017) directly preceding the day of the resolution of the Board of Directors, a discount of 16.11% on 4,243 yen (rounded off to the nearest yen), which is the simple average of the closing prices for the three-month period (from June 22, 2017 to September 21, 2017) directly preceding the day of the resolution of the Board of Directors, and a discount of 11.92% on 4,041 yen (rounded off to the nearest yen), which is the simple average of the closing prices for the six-month period (from March 22, 2017 to September 21, 2017) directly preceding the day of the resolution of the Board of Directors, and Tsumura judged that the paid in amount complies with the Guidelines Concerning Treatment of Capital Increase by Allotment to a Third Party of the Japan Securities Dealers Association and does not fall under favorable issuance.

Meetings of the Board of Directors relating to the Third-Party Allotment were attended by Tsumura’s three Audit & Supervisory Board Members (of which two are Outside Audit & Supervisory Board Members), and the opinion that the amount to be paid was not particularly favorable for the allottee and was lawful because it was determined with reference to the market price, which is an objective indication of the value of Tsumura’s stock, and was also determined based upon consideration of the guidelines of the Japan Securities Dealers Association was expressed as the opinion of the Audit & Supervisory Board.

### (2) Basis for the Judgment that the Number of Shares to Be Issued and the Number of Shares to be Disposed of and the

## Level of Dilution of Shares are Reasonable

In the Third-Party Allotment, the ratio of shares newly allotted to the total number of issued shares of common stock of Tsumura as of September 22, 2017 (70,771,662 shares) will be 10.85%, and the ratio of the voting rights newly allotted to the allottee (76,759) to the total number of voting rates (687,450) will be 11.17%, and the Third-Party Allotment will have a dilutive effect for existing shareholders.

However, at a meeting held on September 22, 2017, Tsumura's Board of Directors concluded that the Third-Party Allotment would help enhance Tsumura's corporate value and would ultimately lead to improvement in returns for existing shareholders and, on this basis, judged that the number of shares to be issued and the number of shares to be disposed of in the Third-Party Allotment as well as the level of dilution are reasonable.

## 6. Reasons for Selecting the Allottee, etc.

### (1) Outline of the Allottee(as of December 31, 2016 unless otherwise specified)

(1)	Name of Company	Ping An Life Insurance Company of China, Ltd.		
(2)	Location	9F, 10F, and 11F, Galaxy Development Center, Fu Hua No. 3 Road Futian District, Shenzhen, Guangdong Province, China		
(3)	Representative	Ding Xinmin, Chairman & CEO		
(4)	Business Description	Life insurance		
(5)	Capital	RMB 33,800		
(6)	Date of Foundation	December 17, 2002		
(7)	Number of Shares Issued	33,800,000,000 shares		
(8)	Fiscal-year End	December		
(9)	Number of Employees	96,149 (Consolidated)		
(10)	Main Customers	Private individuals		
(11)	Main Banks	Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Ping An Bank, Agricultural Bank of China		
(12)	Major Shareholders and Shareholding Ratios	Ping An Insurance (Group) Company of China, Ltd. 99.51%		
(13)	Relationship Between the Parties			
	Capital Relationship	There is no relationship to be disclosed between the parties.		
	Personal Relationship	There is no relationship to be disclosed between the parties.		
	Transactional Relationship	There is no relationship to be disclosed between the parties.		
	Status as Related Party	There is no relationship to be disclosed between the parties.		
(14)	Business Performance and Financial Position in the Past Three Fiscal Years (RMB million, unless specified otherwise)			
	Accounting Period	FY Ended Dec. 2014	FY Ended Dec. 2015	FY Ended Dec. 2016
	Consolidated Net Assets	92,006	116,988	107,814
	Consolidated Total Assets	1,379,336	1,648,210	1,858,618
	Consolidated Net Assets per Share (RMB)	2.72	3.46	3.19
	Consolidated Net Sales	241,191	326,357	372,393
	Consolidated Operating Income	20,268	36,921	32,156
	Consolidated Ordinary Income	—	—	—
	Profit attributable to owners of parent	16,995	21,146	24,360



Consolidated Net Income per Share (RMB)	0.50	0.63	0.72
Dividend per Share (RMB)	0.18	0.20	0.51

(Notes) 1 In (14) Business Performance and Financial Position in the Past Three Fiscal Years, figures for consolidated ordinary income are omitted because the accounting standards adopted by the allottee are different from JGAAP.

2 Tsumura requested that JP Research & Consulting, Inc. (3-7-12 Toranomom, Minato-ku, Tokyo, Japan; Keisuke Furuno, Representative Director), a third-party investigative body, investigate whether the allottee, the officers, parent company or major subsidiaries of the allottee anticipated as of the payment date of the Third-Party Allotment, and the major shareholders of the allottee are antisocial forces, etc. or have any relations with antisocial forces, etc., and subsequently received investigation results to the effect that no such relations could be confirmed. Tsumura thus confirmed that neither the allottee, its officers, parent company and subsidiaries nor its major shareholders have any relations whatsoever with antisocial forces, etc., and Tsumura submitted a letter of confirmation to this effect to the Tokyo Stock Exchange.

#### (2) Reasons for Selecting the Allottee

As stated above in I. Outline of the Capital and Business Alliance 1. Purposes of and Reasons for the Capital and Business Alliance.

#### (3) Holding Policy of the Allottee

Tsumura has received an explanation from the allottee to the effect that it intends to hold the shares it will acquire through the Third-Party Allotment over the medium and long term.

The allottee has agreed with Tsumura that (i) for a period of one year after completion of the Third-Party Allotment, the allottee shall not sell or assign any or all of the shares issued to the allottee and disposed of through the Third-Party Allotment to any third party without the prior written consent of Tsumura, and that (ii) Ping An Insurance or a company over which Ping An Insurance has or will have substantial control (includes the allottee) shall not, for the duration of the Capital and Business Alliance Agreement, engage in any additional acquisition or other trading of the shares of Tsumura without Tsumura's prior written consent

Tsumura plans to acquire from the allottee before the payment date a written commitment agreeing that if the allottee assigns all or any of the shares of common stock of Tsumura acquired in the Third-Party Allotment in the two years after the payment date, the allottee will immediately report details such as the name and address of the assignee, the number of shares assigned, the assignment date, the assignment price, the reason for assignment and the method of assignment to Tsumura in writing, Tsumura will report the content of the report to the Tokyo Stock Exchange in writing, and the content of the report will be made available to the public.

#### (4) Confirmation of the Property Required for the Payment by the Allottee

Tsumura received a report from the allottee to the effect that it has the funds required to pay the total amount to be paid (issue price) in the Third-Party Allotment. Tsumura also confirmed that the allottee has a sufficient deposit balance by checking financial statements, etc. audited by PwC Zhong Tian LLP as of the end of December 2016 disclosed by the allottee.

### 7. Major Shareholders and Shareholding Ratios After the Third-Party Allotment

Before the Third-Party Allotment (as of March 31, 2017)	After the Third-Party Allotment
Japan Trustee Services Bank, Ltd. (Trust Account) 6.48%	BANK OF CHINA (HK) LIMITED - CUSTODY ACCOUNT 10.00% (Standing Proxy: Citibank, N.A., Tokyo Branch) (Note 1)

The Master Trust Bank of Japan, Ltd. (Trust Account)	5.74%	Japan Trustee Services Bank, Ltd. (Trust Account)	5.97%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4.52%	The Master Trust Bank of Japan, Ltd. (Trust Account)	5.30%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.11%	Japan Trustee Services Bank, Ltd. (Trust Account 9)	4.17%
Tsumura Group Employee Stock Ownership Association	2.69%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.86%
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	2.57%	Tsumura Group Employee Stock Ownership Association	2.48%
JP MORGAN CHASE BANK 385632 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	2.25%	THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	2.37%
DAIICHI SANKYO COMPANY, LIMITED	2.15%	JP MORGAN CHASE BANK 385632 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	2.07%
THE BANK OF NEW YORK 133524 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1.87%	DAIICHI SANKYO COMPANY, LIMITED	1.99%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.83%	THE BANK OF NEW YORK 133524 (Standing Proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Division)	1.73%

- (Notes)
- 1 Tsumura received a report from Ping An Insurance, which is the partner in the Capital and Business Alliance, stating that it plans to entrust the 7,675,900 shares of stock to be held by Ping An Life as a result of the Third-Party Allotment to the BANK OF CHINA (HK) LIMITED - CUSTODY ACCOUNT, and that the right to instruct exercise of the voting rights will be reserved by Ping An Life.
  - 2 Major shareholders and shareholding ratios before the Third-Party Allotment are based on the Shareholders' Registry as of March 31, 2017.
  - 3 The shareholding ratios are calculated with their third decimal place rounded off to the second decimal place.
  - 4 The shareholding ratios after the Third-Party Allotment are calculated based on 76,758,362 shares, which is total number of shares issued as of March 31, 2017 (70,771,662) plus the increase in the number of shares as a result of the Third-Party Allotment (5,986,700 shares).
  - 5 The 1,989,282 shares of treasury stock of Tsumura (as of March 31, 2017) will be reduced to 300,082 shares after disposal of 1,689,200 shares of treasury stock by way of the Third-Party Allotment. However, this does not include the number of shares that will result from the purchase of shares less than one unit from April 1, 2017.

#### 8. Future Prospects

Please refer to I. Outline of the Capital and Business Alliance 5. Future Prospects above.

#### 9. Matters relating to Procedures Based on the Code of Conduct of Corporations

The Third-Party Allotment does not require an opinion to be obtained from independent third parties or any procedure to confirm the intent of shareholders as stipulated in Article 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange because (i) the dilution ratio is less than 25%, and (ii) it does not involve a change of controlling shareholder.

## 10. Business Performance and Equity Finance in the Past Three Fiscal Years

### (1) Business Performance in the Past Three Fiscal Years (Consolidated)

	FY Ended Mar. 2015	FY Ended Mar. 2016	FY Ended Mar. 2017
Consolidated Net Sales	JPY 110,438 million	JPY 112,625 million	JPY 114,954 million
Consolidated Operating Income	JPY 19,491 million	JPY 19,826 million	JPY 15,983 million
Consolidated Ordinary Income	JPY 21,583 million	JPY 19,494 million	JPY 16,399 million
Profit attributable to owners of parent	JPY 14,075 million	JPY 12,557 million	JPY 12,488 million
Consolidated Net Income per Share	JPY 199.58	JPY 178.06	JPY 179.46
Dividend per Share	JPY 64.00	JPY 64.00	JPY 64.00
Consolidated Net Assets per Share	JPY 2,103.04	JPY 2,169.13	JPY 2,250.34

### (2) Current Number of Issued Shares and Dilutive Shares (as of March 31, 2017)

	Number of shares	Ratio to total number of issued shares
Total number of issued shares	70,771,662 shares	100%
Number of dilutive shares at current conversion price (exercise price)	-	-
Number of dilutive shares at minimum conversion price (exercise price)	-	-
Number of dilutive shares at maximum conversion price (exercise price)	-	-

### (3) Recent Stock Prices

#### (i) Stock Prices in the Past Three Fiscal Years

	FY Ended Mar. 2015	FY Ended Mar. 2016	FY Ended Mar. 2017
Opening	JPY 2,497	JPY 2,938	JPY 2,699
High	JPY 3,125	JPY 3,630	JPY 3,635
Low	JPY 2,224	JPY 2,491	JPY 2,410
Closing	JPY 2,971	JPY 2,702	JPY 3,490

#### (ii) Stock Prices in the Past Six Months

	April 2017	May	June	July	August	September
Opening	JPY 3,520	JPY 3,605	JPY 4,075	JPY 4,525	JPY 4,315	JPY 4,160
High	JPY 3,620	JPY 4,145	JPY 4,745	JPY 4,585	JPY 4,345	JPY 4,175
Low	JPY 3,335	JPY 3,560	JPY 4,070	JPY 4,295	JPY 3,945	JPY 3,915
Closing	JPY 3,605	JPY 4,045	JPY 4,560	JPY 4,295	JPY 4,145	JPY 3,955

(Note) Prices for September 2017 are for the period from September 1-21, 2017.

#### (iii) Stock Price on the Business Day Immediately Preceding the Date of the Resolution on Issuance

	September 21, 2017
Opening	JPY 3,950
High	JPY 3,960
Low	JPY 3,920
Closing	JPY 3,955

#### (4) Equity Finance in the Past Three Fiscal Years

Not applicable.

#### 11. Terms and Conditions of Issuance and Disposal

(1) Class and Number of Shares	7,675,900 shares of Tsumura's common stock, which is the total of (i) and (ii) below (i) Number of new shares to be issued 5,986,700 shares (ii) Number of shares to be disposed of 1,689,200 shares
(2) Amount to be Paid	JPY 3,559.5 per share
(3) Total Amount to be Paid	JPY 27,322,366,050
(4) Amount of Stated Capital to be Increased	JPY 10,654,829,325
(5) Amount of Additional Paid-in Capital to be Increased	JPY 10,654,829,325
(6) Method of Subscription or Allotment	By way of third-party allotment
(7) Subscription Date	October 11, 2017
(8) Payment Date	October 13, 2017
(9) Allottee	Ping An Life Insurance Company of China, Ltd.
(10) Others	Each of the items above shall be conditional upon the taking effect of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.

### III. Change in Largest Shareholder Among Major Shareholders

#### 1. Background to the Change

Ping An Life Insurance Company of China, Ltd., which is the allottee in the Third-Party Allotment, is expected to newly become the largest shareholder among the major shareholders of Tsumura as a result of the Third-Party Allotment.

#### 2. Outline of Shareholder to be Changed

Please refer to II. Issuance of New Shares and Disposal of Treasury Stock by Way of the Third-Party Allotment 6. Reasons for Selecting the Allottee, etc. (1) Outline of the Allottee (as of December 31, 2016, unless otherwise specified) above.

#### 3. Number of Voting Rights Held (Number of Shares Held by Relevant Shareholder and Ratio to Total Number of Voting Rights of Shareholders before and after Change)

Ping An Life Insurance Company of China, Ltd.

	Number of voting rights (Number of shares held)	Ratio to total number of voting rights of shareholders	Rank in major shareholders
Before Change (As of March 31, 2017)	— (—)	—	—
After Change (October 13, 2017 – Plan)	76,759 (7,675,900 shares)	10.04%	First

(Notes) 1 The number of shares without voting rights that is deducted from the total number of issued shares: 337,462 shares

2 Total number of issued shares as of March 31, 2017: 70,771,662 shares

3 Ratio to total number of voting rights of shareholders after change is the ratio of the number of voting rights expected to be newly acquired by the allottee as a result of the Third-Party Allotment (76,759) to the total number of voting rights (764,209) obtained when the increase in voting rights resulting from the Third-Party Allotment (76,759) is added to the total number of voting rights as of March 31, 2017 (687,450).

- 4 The ratio of the number of voting rights held to the total number of voting rights of shareholders is calculated with its third decimal place rounded off to the second decimal place.

4. Planned Date of Change

October 13, 2017

5. Future Prospects

Please refer to I. Outline of the Capital and Business Alliance 5. Future Prospects above.