



NEWS RELEASE

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Name of Listed Company:	TSUMURA & CO.	Exchange:	Tokyo Stock Exchange
Code:	4540	URL:	https://www.tsumura.co.jp
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Tsumura Announces Establishment of Conclusion of Letter of Intent for Capital Alliance with Tianjin China Medico Technology Co., Ltd. by Ping An Tsumura Inc.

Tsumura & Co. (Headquarters: Tokyo, Japan; President & CEO: Terukazu Kato; hereafter, “Tsumura”) announces that at a meeting held on November 6, 2019, its Board of Directors passed a resolution concluding a letter of intent regarding Tianjin China Medico Technology Co., Ltd. (hereafter, “China Medico”) becoming a subsidiary of Ping An Tsumura Inc. (hereafter, “Ping An Tsumura”), a group company in China, through a capital alliance after a discussion with Gang Li, Chairman of China Medico.

Tsumura and China Medico have developed the alliance based on the Business Alliance Agreement signed on May 11, 2016. After reaching a basic agreement on a new partnership concept, we have begun specific discussions.

1. Outline of capital alliance

(1) Purpose and reasons of capital alliance

1. Purpose of capital alliance

- 1) Strengthening of the stable supply system of crude drugs for export to Japan
- 2) Expansion of business in China by acquiring experienced human resources in the traditional Chinese medicine industry
- 3) Strengthening of the stable supply system of crude drugs for business in China (including traditional Chinese medicinal products)

2. Reasons of capital alliance

China Medico has been in business with Tsumura Group since its establishment in 2011 as the main supplier of crude drugs in China, while Tsumura has been a major customer to China Medico, accounting for about 70% of its sales. In 2016, Tsumura and China Medico signed a comprehensive business alliance agreement and have promoted the supply and procurement of crude drugs, research on crude drug cultivation and processing, quality control of crude drugs, and overall management of place of production of crude drugs. In March 2018, Tsumura established TSUMURA SHENGSHI PHARMACEUTICAL CO., LTD, a joint venture in Tianjin, China, and is preparing to enter the Kampo extract powder (intermediate for Kampo preparation) and the traditional Chinese medicinal product business.

To contribute to the health of the Chinese people, Tsumura and China Medico will share Tsumura's knowhow in the Kampo and crude drug business and China Medico's unique knowledge to work on traditional Chinese medicine and other businesses with their strengthened relationship, and continue to combine their strengths in a variety of fields, including technology and market routes.

Considering the need to share important information in the future as well as the current mutual business dependency, Tsumura determined that it would be important to hold a certain number of China Medico's shares and decided to enter into a capital alliance along with the business alliance. Tsumura and China Medico will establish a strong long-term strategic partnership and aim to be a leading company in crude drugs and related fields.

(2) Outline of capital alliance

- 1) Ping An Tsumura Inc., Tsumura's group company in China, will receive part of China Medico's shares held by Chairman Gang Li and all shares held by other shareholders, resulting in holding 80% of shares in China Medico.
- 2) After receiving an investment from Ping An Tsumura Inc., China Medico will become a subsidiary of Ping An Tsumura Inc. However, its management will continue to be entrusted to Mr. Gang Li. Tsumura expects Mr. Gang Li, as general manager of the joint venture, to exhibit excellent management skills with expertise on the traditional Chinese medicine industry with a wide range of duties.

2. Outline of China Medico

(1)	Name of company	Tianjin China Medico Technology Co., Ltd.
(2)	Location	Room 206, 2nd Floor, No. 18, Gaofu Rd, Binhai Science Park, Binhai New Coastal Area, Tianjin, China
(3)	Representative	Li Gang, Chairman
(4)	Business description	Production, manufacturing, sales of traditional Chinese medicine and chinese crude drug pieces
(5)	Capital	174 million RMB (approximately 2.69 billion yen) 1 RMB = 15.46 yen
(6)	Date of foundation	July 13, 2011
(7)	Major shareholder and stockholding	Li Gang, Chairman of China Medico: 65.82%
(8)	Relationship between Tsumura and China Medico	
	Capital relationship	N/A
	Personal relationship	N/A
	Transactional relationship	Tsumura has procured raw crude drugs for Kampo preparations mainly from China Medico.
	Status as related party	China Medico does not fall under a related party of Tsumura. China Medico's related parties and affiliated companies do not fall under Tsumura's related parties.

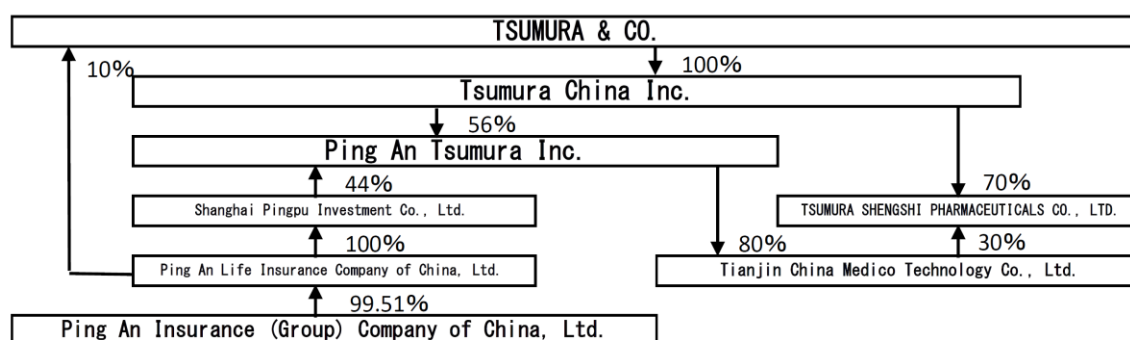
Business performance and financial condition over the last three years (1 RMB = 15.46 yen)

	2016	2017	2018
Total Sales	657 million RMB (10,157million yen)	703 million RMB (10,868 million yen)	931 million RMB (14,393 million yen)
Sales to Tsumura	498 million RMB (7,699 million yen)	505 million RMB (7,807 million yen)	664 million RMB (10,265million yen)
Sales to others	159 million RMB (2,458 million yen)	198 million RMB (3,061million yen)	267 million RMB (4,127 million yen)
Operating profit	62 million RMB (958million yen)	84 million RMB (1,298 million yen)	110 million RMB (1,700 million yen)
Ordinary profit	82 million RMB (1,267 million yen)	95 million RMB (1,468 million yen)	117 million RMB (1,808 million yen)
Net profit	82 million RMB (1,267 million yen)	94 million RMB (1,453 million yen)	117 million RMB (1,808 million yen)
Current assets	940 million RMB (14,532 million yen)	983 million RMB (15,197 million yen)	1,913 million RMB (29,574 million yen)
Non-current assets	272 million RMB (4,205 million yen)	267 million RMB (4,127 million yen)	292 million RMB (4,514 million yen)
Total assets	1,213 million RMB (18,752 million yen)	1,250 million RMB (19,325 million yen)	2,205 million RMB (34,089 million yen)
Current liabilities	651 million RMB (10,064 million yen)	616 million RMB (9,523 million yen)	1,429 million RMB (22,092 million yen)
Non-current liabilities	225 million RMB (3,478 million yen)	222 million RMB (3,432 million yen)	247 million RMB (3,818 million yen)
Net assets	336 million RMB (5,194 million yen)	411 million RMB (6,354 million yen)	528 million RMB (8,162 million yen)
Total liabilities and net assets	1,213 million RMB (18,752 million yen)	1,250 million RMB (19,325 million yen)	2,205 million RMB (34,089 million yen)

3. Outline of Ping An Tsumura

Name of company	Ping An Tsumura Inc.
Location	Shenzhen, Guangdong Province, China
Representative	Tung Hoi, Chairman
Capital	1,000 million RMB (approximately 15.46 billion yen) 1 RMB = 15.46 yen
Business description	Business related to strengthening of crude drug procurement system Business related to analytical research with a focus on traditional Chinese medicine Business related to traditional Chinese medicine, health food, health care-related daily necessities and other business fields
Date of establishment	June 8, 2018
Investment ratio	Tsumura China Inc.56%, Shanghai Pingpu Investment Co., Ltd. 44%

* Capital relationship diagram



4. Future schedule

Based on this letter of intent, Tsumura and China Medico will proceed with specific discussions and conclude joint venture agreements by December 2019.

5. Impact on the business performance

The impact of this transaction on Tsumura's consolidated business results for the fiscal year ending March 2020 will be disclosed as soon as it is clear.