

August 7, 2015

## **Notice Concerning the Issuance of Stock Option (Share Warrants)**

In the Board of Directors held today, Terumo Corporation decided the details of issuance of Share Warrants as Stock Option to be issued to Directors and Executive Officers of the Company as well as the solicitation for subscriptions for the said Share Warrants.

### **1. The reason for issuing Share Warrants as Stock Option**

The Company issues the Share Warrants to clarifying the incentive to enhance the long-term corporate value of the Company to Directors, excluding Audit/Supervisory Committee members, and Executive Officers, and to foster the same perspective on corporate value with the shareholders.

### **2. Terms and Conditions of Share Warrants Issuance**

(1) Name of Sare Warrants            Terumo Corporation No.3 Share Warrants

(2) Total Number of Share Warrants            26,051 warrants

The above total number of warrants is based on an allocation plan and when the number of Share Warrants to be allocated decreased due to failure of subscription thereof, etc., the total outstanding number of Share Warrants to be issued shall be a total number of Share Warrants to be actually allocated.

(3) Class and Number of Share Warrants for Issuance

The class of Share Warrants for issuance shall be the Company's common shares and the number of shares for issuance of each Share Warrant (hereinafter referred to as the "Number of Shares to be Granted") shall be two (2) share; provided, however, that, since a date on which Share Warrants shall be allocated (hereinafter referred to as the "Allocation Date"), when the Company splits (including gratis allocation of the Company's common shares; hereinafter the same shall apply to any descriptions of share split) or merges its common shares, it shall adjust the number of shares that it will grant, using the following calculation formula, and round off any fraction less than one (1) share generated as a result of this adjustment:

The number of shares to be granted after adjustment = the number of shares to be granted before adjustment × the ratio of share split or reverse share split

The number of shares to be granted after adjustment shall apply after the following day of the base date of share split (or on a date on which such share split becomes effective when there is no such base date) for share split, and after the said effective date for reverse share split; provided, however, that when such share split is made on the condition that a proposal of reducing earnings retained and increasing capital or capital reserve will be approved at a general shareholders meeting and when any date before a conclusion of the said general shareholders meeting shall be defined as a base date for share split, the number of shares to be granted after adjustment shall apply after the following date of the conclusion of the said general shareholders meeting, retroactive to the following date of the said base date.

In addition, after the Allocation Date, when the Company needs to adjust the number of shares it will grant in case of company merger or demerger, it may adjust the said number of shares it will grant appropriately within reasonable limits.

When the Company adjusts the number of shares it will grant, it shall make a notice or public notice of necessary matters to respective persons holding respective Share Warrants described in the original register of Share Warrants (hereinafter referred to as the "Persons with Share Warrants") by a day before a date to which the number of shares that it will grant after adjustment shall apply; provided, however, that when the Company is unable to make a notice or public notice by a day before a date to which the said application shall be made, it shall do so promptly thereafter.

(4) Value of Properties to be Invested upon Exercise of Share Warrants

The value of properties to be invested upon exercise of respective Share Warrants shall be an amount of the exercise price per share of one (1) yen that the Company is entitled to receive by exercising the said respective Share Warrants, multiplied by the number of shares that it will grant.

(5) Period in which Share Warrants May be Exercised

From August 26, 2015 to August 25, 2045

(6) Matters Related to Increased Capital and Capital Reserve upon Share Issuance by Exercise of Share Warrants

(i) In case of share issuance by exercise of Share Warrants, an amount of increased capital shall be a half of the upper limit, such as capital to be calculated in accordance with Article 17, Paragraph 1 of the Company Calculation Rule, and any fraction less than one (1) yen to be generated from calculation shall be rounded up;

(ii) In case of share issuance by exercise of Share Warrants, an amount of increased capital reserve shall be the upper limit, such as the capital described in (i) above, less the increased capital provided in (i) above.

(7) Restriction on Acquisition of Share Warrants by Transfer

Any acquisition of Share Warrants by transfer shall require approval with the resolution of the Company's Board of Directors.

(8) Provision of Acquisition of Share Warrants

When the following Proposals (i), (ii), (iii), (iv) or (v) is approved at the Company's general shareholders meeting (in case where the resolution of the general shareholders meeting is not required, then when its resolution of the Board of Directors is made), it may acquire Share Warrants for free of charge on a date separately provided by the Board of Directors:

(i) Proposal of approving a merger agreement, under which the Company shall be a merged company;

(ii) Proposal of approving a split agreement or split plan, under which the Company shall be a split company;

(iii) Proposal of approving a share exchange agreement or share transfer plan, under which the Company shall be a wholly-owned subsidiary;

(iv) Proposal of approving any amendments to the Articles of Incorporation, which will provide requirement of the Company's approval for acquisition of all of its outstanding shares by transfer;

(v) Proposal of approving any amendments to the Articles of Incorporation, which will provide requirement of the Company's approval for acquisition of shares of a certain class by transfer to carry out the purpose of Share Warrants or the Company's acquisition of all of the said shares of the said class with the resolution of general shareholders meeting.

(9) Policy for Determining Details of Delivery of Share Warrants of Restructured Companies upon Organizational Restructuring

In case of merger (only when the Company will be extinct upon the merger), absorption-type demerger or incorporation-type demerger (only when the Company will be a demerged company in each case), or share exchange or share transfer (only when the Company will be a wholly-owned subsidiary in each case) (hereinafter collectively referred to as "Organizational Restructuring Action"), the Company shall provide Share Warrants of corporations listed in Article 236, Paragraph 1, Item 8, (i) – (ho) of the Companies Act (hereinafter referred to as the "Restructured Companies") respectively to Persons with Share Warrants who hold the Share Warrants remaining immediately before when Organizational Restructuring Action becomes effective (it shall mean a date on which absorption-type merger becomes effective for absorption-type merger, a date on which a corporation upon incorporation-type merger is established, a date on which share exchange becomes effective for share exchange, and a date on which a wholly-owning parent company upon share transfer is established for share transfer. Hereinafter the same shall apply) (hereinafter referred to as the

“Remaining Share Warrants”) in each case, only on the condition that delivery of Share Warrants of Restructured Companies shall be provided in an absorption-type merger agreement, an incorporation-type merger agreement, absorption-type demerger agreement, an incorporation-type demerger plan, share exchange agreement or share transfer plan in accordance with each of the following items:

(i) Number of Share Warrants of Restructured Companies to Deliver

The Company shall deliver Share Warrants in the same number as the remaining Share Warrants held by Persons with Share Warrants respectively;

(ii) Class of Shares of Restructured Companies to Carry out Purpose of Share Warrants

Shares of Restructured Companies shall be common shares.

(iii) Number of Shares of Restructured Companies to Carry out Purpose of Share Warrants

The number of shares of Restructured Companies shall be determined in accordance with (3) above, considering the conditions, etc. of Organizational Restructuring Action.

(iv) Value of Properties to be Invested upon Exercise of Share Warrants

The value of properties to be invested upon exercise of respective Share Warrants to deliver shall be an amount at which Share Warrants will be exercised after restructuring as provided below, multiplied by the number of shares of Restructured Companies to carry out the purpose of the said Share Warrants to be determined in accordance with (iii) above. An amount at which Share Warrants will be exercised after restructuring shall be one (1) yen per share of Restructured Companies that a person shall be entitled to receive Share Warrants by exercising Share Warrants delivered.

(v) Period during which Share Warrants May be Exercised

A period during which Share Warrants may be exercised shall be from either a commencement date of a period during which the Share Warrants provided in (5) above may be exercised or a date on which Organizational Restructuring Action becomes effective, whichever comes later, to a date on which a period in which the Share Warrants provided in 5. above may be exercised is expired.

(vi) Matters related to Increased Capital and Capital Reserve when Shares are Issued by Exercise of Share Warrants

They shall be determined in accordance with (6) above.

(vii) Restriction on Acquisition of Share Warrants by Transfer

An acquisition of Share Warrants by transfer shall require approval with the resolution of the Board of Directors of Restructured Companies.

(viii) Provision on Acquisition of Share Warrants

Acquisition of Share Warrants shall be determined in accordance with (8) above.

(ix) Other Conditions of Exercise of Share Warrants

They shall be determined in accordance with (11) below.

(10) Treatment of Fraction Less Than One (1) Share upon Exercise of Share Warrants

When a Person with Share Warrants who exercised Share Warrants has any fraction less than one (1), he/she shall round it off.

(11) Other Conditions of Exercise of Share Warrants

(i) A Person with Share Warrants may exercise Share Warrants on earlier of either August 26, 2018 or the following day of a date on which he/she lost a position of either Director, including Audit/Supervisory Committee members,, Executive Officer, Advisor or Corporate Advisor of the Company;

(ii) After when five (5) years have passed after the following day of a date on which a Person with Share Warrants lost a position of either Director, including Audit/Supervisory Committee members,, Executive Officer, Advisor or Corporate Advisor of the Company, or a final day of a period in which Share Warrants may be exercised, whichever comes earlier, Share Warrants shall not be exercised.

(iii) Items (i) and (ii) above shall not apply to persons who succeeded Share Warrants by inheritance;

(iv) A Person with Share Warrants may not exercise the said Share Warrants that he/she waived.

(12) Method of Calculating Amount at which Payment for Share Warrants shall be Made

Payment for respective Share Warrants shall be made at an option price per share calculated using the following base numbers (ii) - (vii) and using the following Black-Scholes Model (Any fraction less than one (1) yen shall be rounded), multiplied by the number of shares to be granted:

$$C = Se^{-qT} N(d) - Xe^{-rT} N(d - \sigma\sqrt{T})$$

Where,

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

- (i) Option price per share ( $C$ );
- (ii) Share price ( $S$ ): The closing price of common shares of the Company in regular transaction made at the Tokyo Stock Exchange on August 25, 2015 (When there is no such closing price, then the base price on the following transaction date)
- (iii) Exercise price ( $X$ ): 1 yen
- (iv) Estimated remaining period ( $T$ ) 11.3 years
- (v) Stock price variability ( $\sigma$ ): The stock price variability calculated using the closing price of the Company's common shares in regular transactions on each transaction date for 11.3 years (from April 25, 2004 to August 25, 2015)
- (vi) Risk-free interest rate ( $r$ ): Japanese government bonds' interest rate for the estimated remaining period = the remaining years
- (vii) Dividend yield ( $q$ ): Dividend per share (actual dividend for a fiscal year ended in March 2015)  $\div$  the stock price provided in (ii) above
- (viii) Cumulative distribution function of standard normal distribution ( $N(\cdot)$ )

Note : The amount of each Share Warrants calculated by using the above formula is a fair price and does not constitute a favorable issuance. The Company will pay the person to whom Share Warrants are allocated monetary compensation equal to the said amount and offset their rights to request compensation from the Company against their payment obligations to be paid for the Share Warrants.

- (13) Share Warrant Allocation Date August 25, 2015
- (14) Due Date for Payment for Share Warrants August 25, 2015
- (15) Persons to whom Share Warrants are to be allocated, the number of such persons, and the number of Share Warrants to be allocated
  - 16,869 Share Warrants to 10 Directors (except Audit/Supervisory Committee members and Independent Directors) of the Company, and
  - 9,182 Share Warrants to 26 Executive Officers of the Company