

Accelerating Transformation into a Global Health Care Company

Acquisition of U.S.-based Veloxis Pharmaceuticals Inc.

November 25, 2019
Asahi Kasei Corporation

Asahi**KASEI**

Today's announcement

- Asahi Kasei has decided to acquire Veloxis Pharmaceuticals Inc. (Veloxis), a U.S.-based pharmaceutical company
- The equity consideration is approximately ¥143.2 billion
- Veloxis is expected to achieve high revenue growth through sales of Envarsus XR, an immunosuppressant product utilizing its proprietary drug delivery technology to help prevent organ rejection in patients who have had a kidney transplant
- By leveraging the Veloxis commercial infrastructure and employee base, Asahi Kasei can accelerate its transformation into a Global Health Care Company

Goal of the acquisition

- Establish a position in the U.S. pharmaceutical market



- Leverage the acquired business platform to maximize the value of both the Japanese and U.S. pharmaceuticals businesses



- Grow the pharmaceutical and medical device businesses together to accelerate the transformation into a Global Health Care Company



- Contribute to a sustainable increase in Asahi Kasei's corporate value through growth in the Health Care sector

1. Position within Asahi Kasei's Medium-term Management Initiative

2. Purpose of the acquisition

3. Overview of Veloxis

4. Benefits of the transaction for Asahi Kasei

5. Overview of the transaction and its financial impact

Policies for Health Care toward fiscal 2025

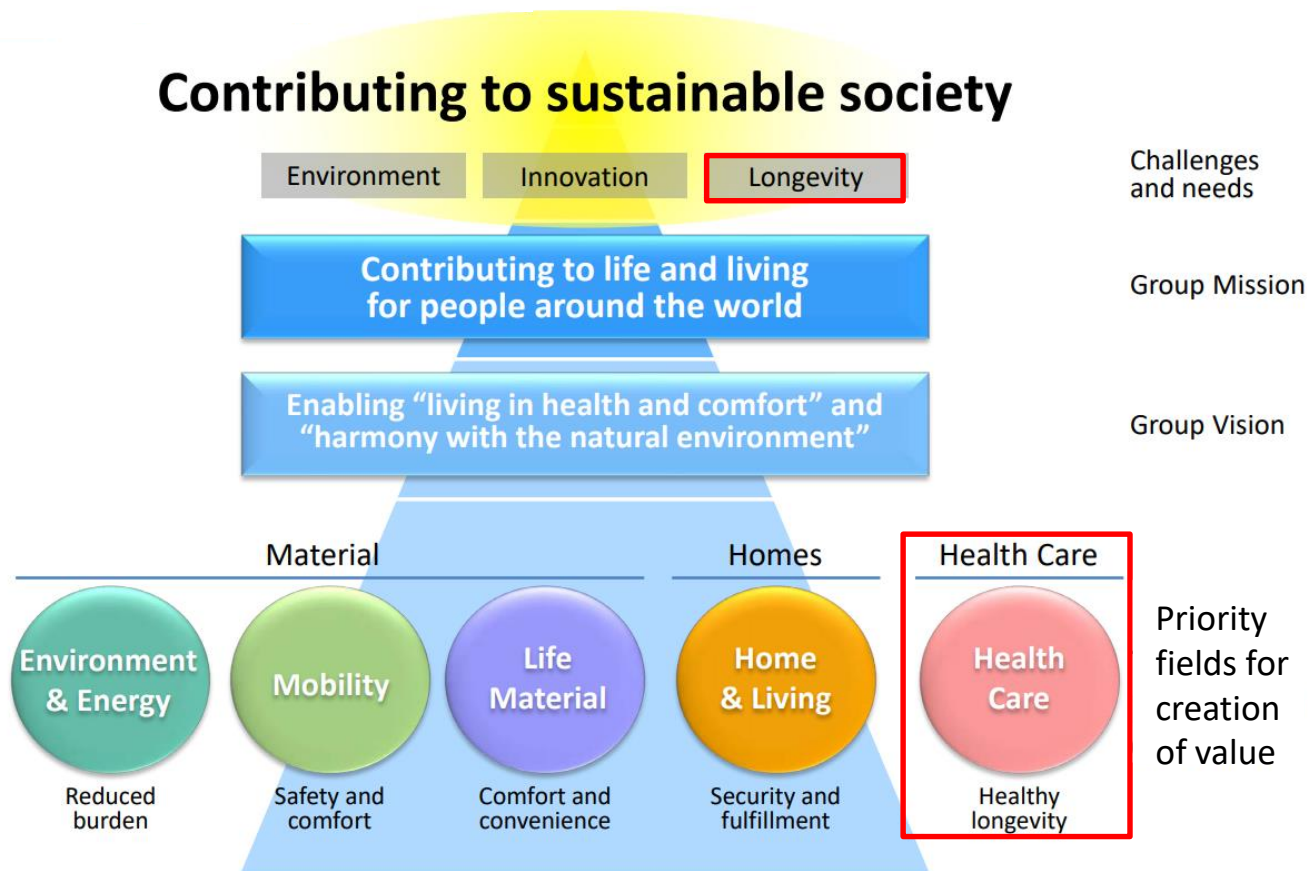
Health Care to become the third major pillar and growth driver of the Asahi Kasei Group

- ✓ **Accelerate transformation into a Global Health Care Company**
- ✓ **Strengthen profitability and raise growth of both pharmaceutical and medical device businesses**
- ✓ **Target sales of ¥600 billion and operating income of ¥80 billion in fiscal 2025**
- ✓ **Leverage M&A opportunities in addition to organic growth**

Medium-term Management Initiative

“Cs+ for Tomorrow 2021”

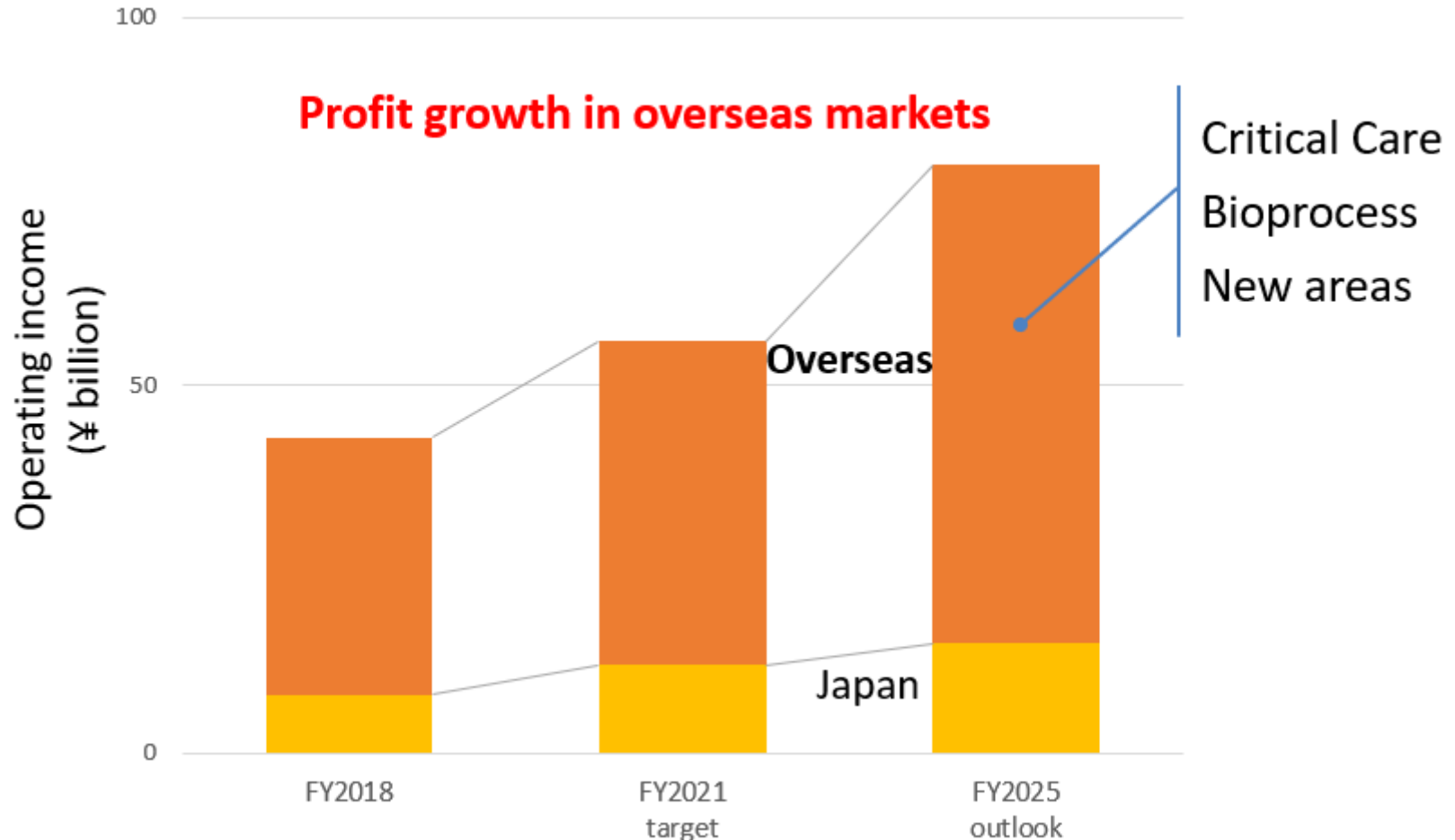
- Providing solutions to the world’s challenges in the 3 sectors of Material, Homes, and Health Care, contributing to a sustainable society.
- Providing value in Health Care to contribute to a society of healthy longevity.



Medium-term Management Initiative

“Cs+ for Tomorrow 2021”

- Basic strategy of Health Care:
“Accelerate the transformation into a Global Health Care Company”



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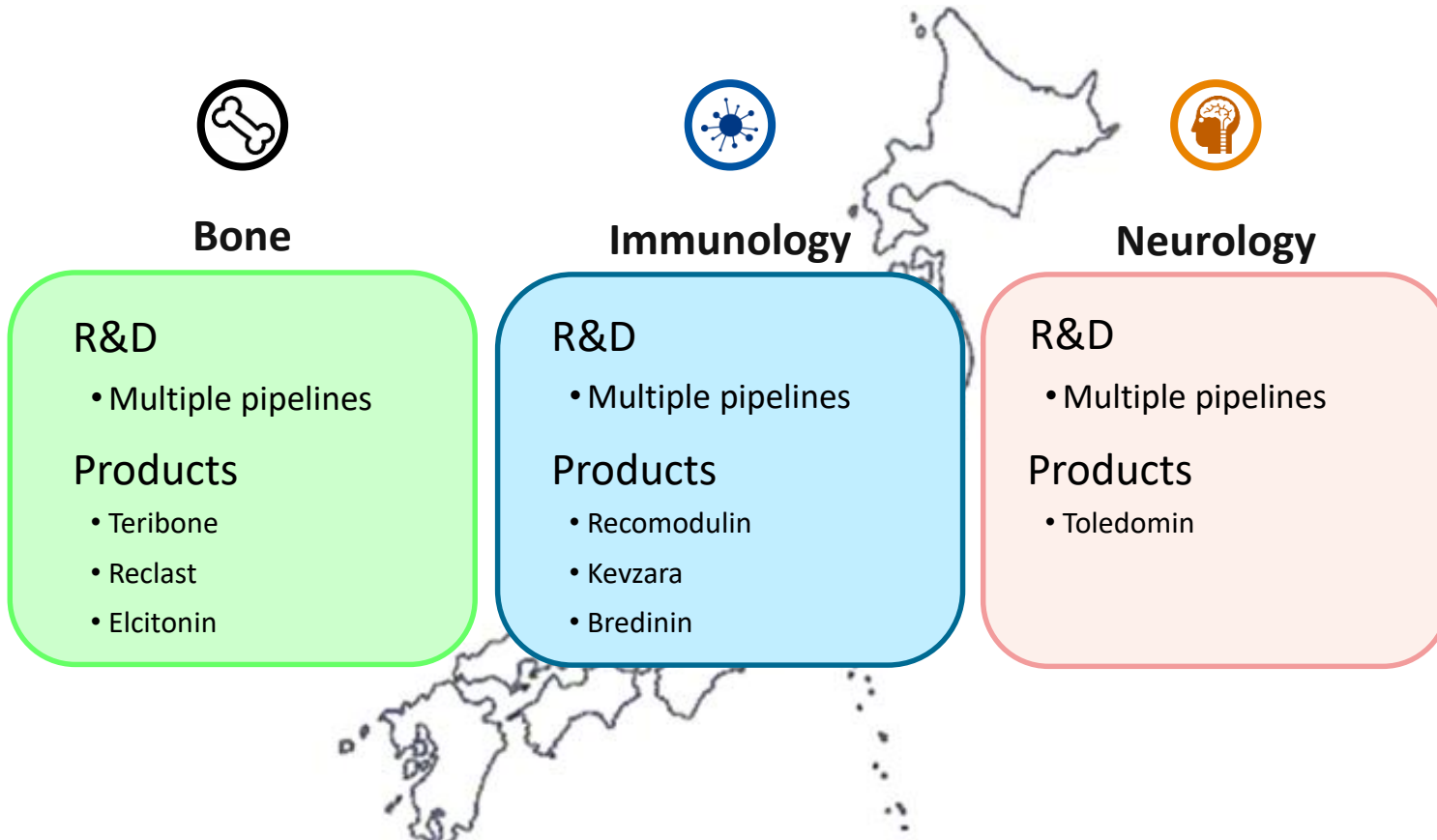
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Strengths of Asahi Kasei's Pharmaceuticals business

- ✓ Strong R&D capabilities, customer base (Japan) and regulatory functions in areas of bone, immunology and neurology including pain

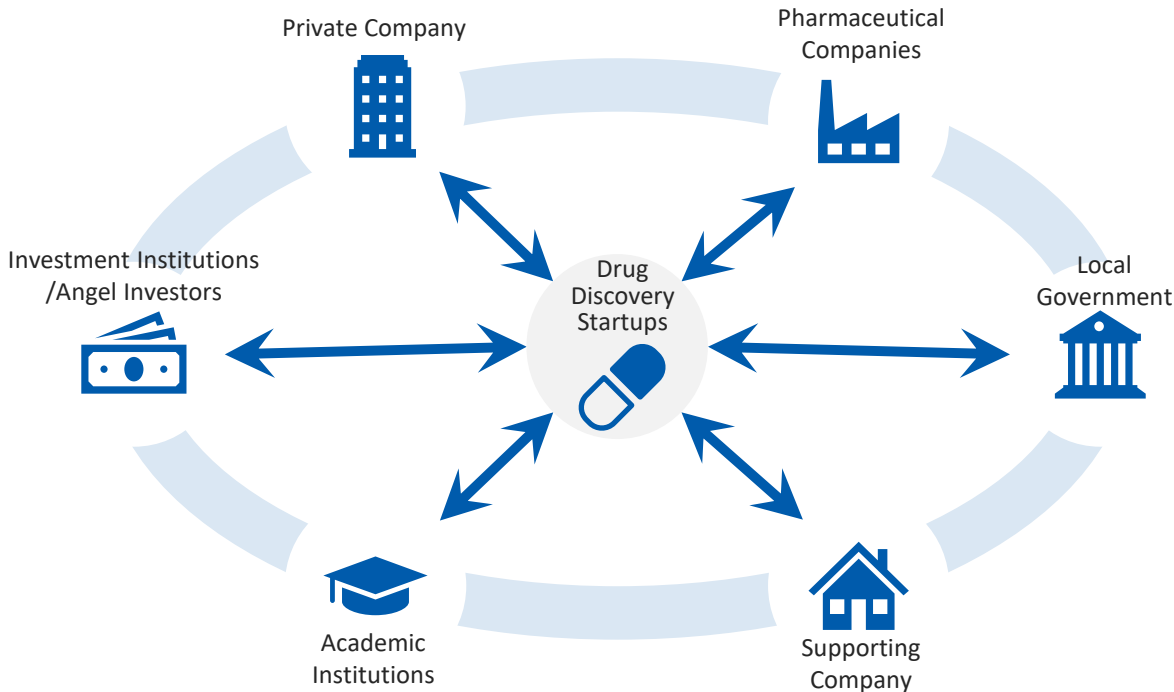


With geographic focus currently limited to Japan, achieving strong growth is a challenge

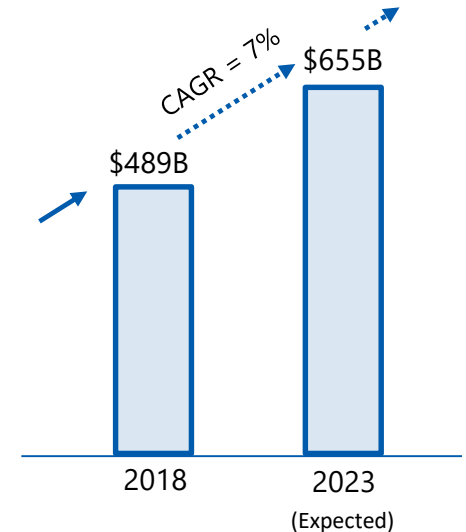
U.S. pharmaceutical market and its ecosystem

The U.S. pharmaceutical market is the largest pharmaceutical market and has an established “ecosystem” that supports strong growth

Ecosystem that creates innovation



U.S. pharmaceutical market growth



Source: IQVIA

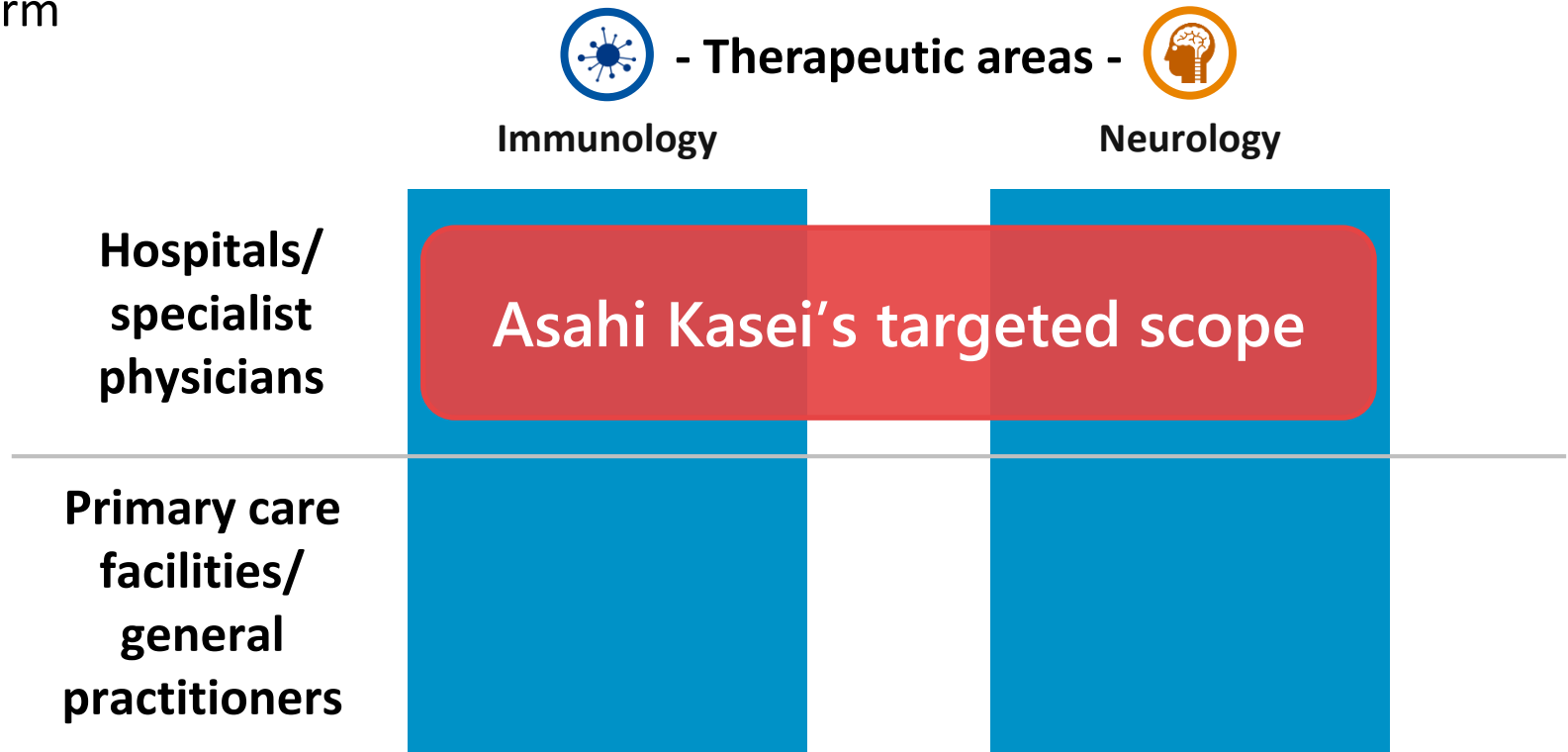
- The U.S. pharmaceutical market is \$489 billion and has an expected annual growth rate of 7%, one of the highest rates among advanced countries
- Over half of all major pharmaceutical products are first launched in the U.S. where there is a large investment in innovation

Acquiring a business platform in the U.S. market enables the pharmaceuticals business to achieve greater growth

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Approach to establish a position in the U.S. pharmaceutical market

- Expand in immunology and neurology, areas where we can leverage our strengths
- Focus on hospitals and specialist physicians; build an efficient, high-earnings platform



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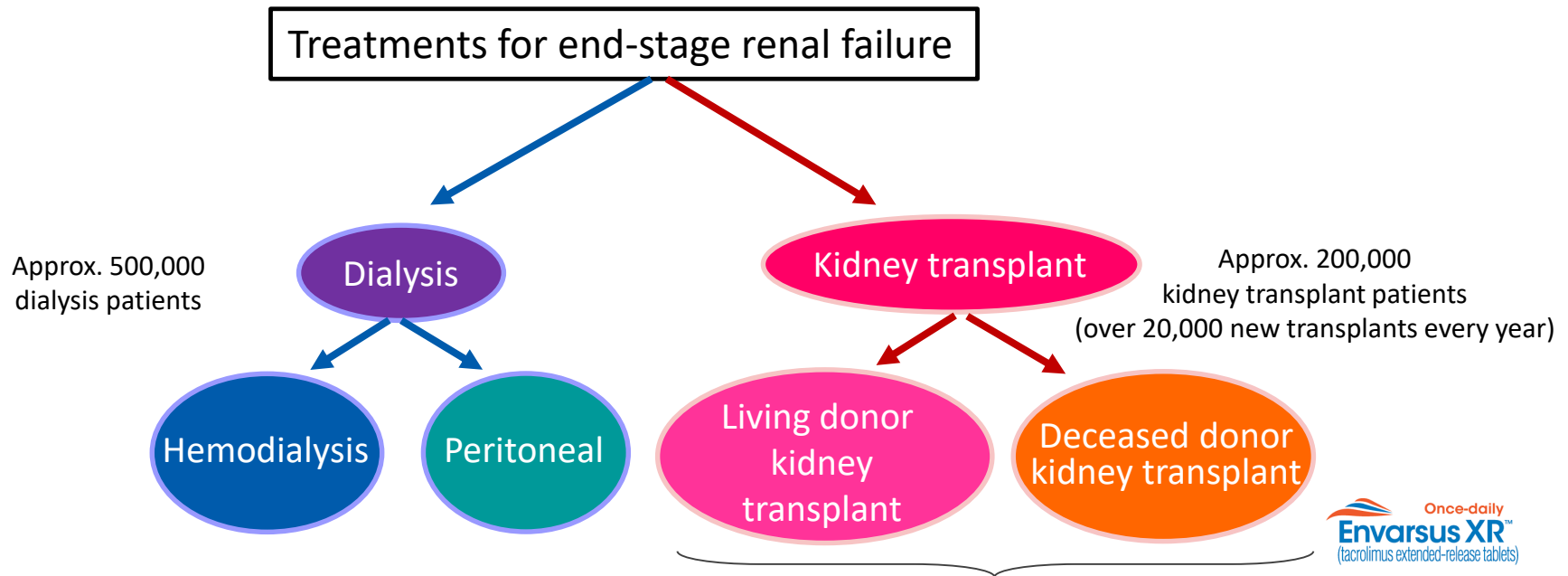
Overview of Veloxis

Company name	Veloxis Pharmaceuticals Inc.
Establishment	Established in June 2002 as the former LifeCycle Pharma A/S, a spin-off from H. Lundbeck A/S
Location	Cary, North Carolina, the United States
CEO	Craig A. Collard
Business overview	Sale of Envarsus XR, an immunosuppressant drug used following kidney transplant which uses a proprietary drug delivery technology*
Revenue	2016 \$9 million 2017 \$30 million 2018 \$39 million 2019 \$75-82 million (Veloxis guidance) (Fiscal year ends at December)

* Technology to enhance oral bioavailability and control the release of a drug to improve efficacy and/or reduce side effects.

Renal failure / transplant market in the U.S.

- 37 million people in the U.S. (1/6 of the adult population) reportedly have chronic kidney disease, of which 700,000 have end-stage renal failure requiring dialysis or transplant
- There are approximately 20,000 kidney transplants conducted each year; the number is expected to grow by approximately 6% annually
- Kidney transplant surgery has better patient outcomes and superior medical economics compared to dialysis



Source: National Kidney Foundation

Immunosuppressant administered for life following transplant to prevent rejection

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Once-daily
Envarsus XR™
(tacrolimus extended-release tablets)



Product overview

Product Name: Envarsus XR (immunosuppressant)

Target patient: Kidney transplant patient

- Proprietary extended-release technology suppresses the rise in maximum blood concentration after administration and extends the duration that effective blood concentration is maintained
- This enables once-daily administration and reduces side-effects

 **Once-daily**
Envarsus XR™
(tacrolimus extended-release tablets)



(extended-release formulation of tacrolimus)

Veloxis' Strengths and Future Potential

Excellent management team

- ◆ CEO and key management have a history of growing pharmaceutical companies specializing in advanced medical care

Efficient sales team

- ◆ Focused on the largest 200 transplant centers
- ◆ 20 sales representatives

Clear business strategy

- ◆ Focused on maximizing the value of its marketed product Envarsus XR
- ◆ Clear product profile and target patients

Steady business expansion

- ◆ Profitability forecasted in 2019
- ◆ 30% of targeted centers have designated Envarsus XR as an essential drug after transplant
- ◆ Ongoing adoption of the product underpinning future growth

Growth potential

- ◆ Growth of the U.S. organ transplant market
- ◆ Possibility to in-license transplant-related products

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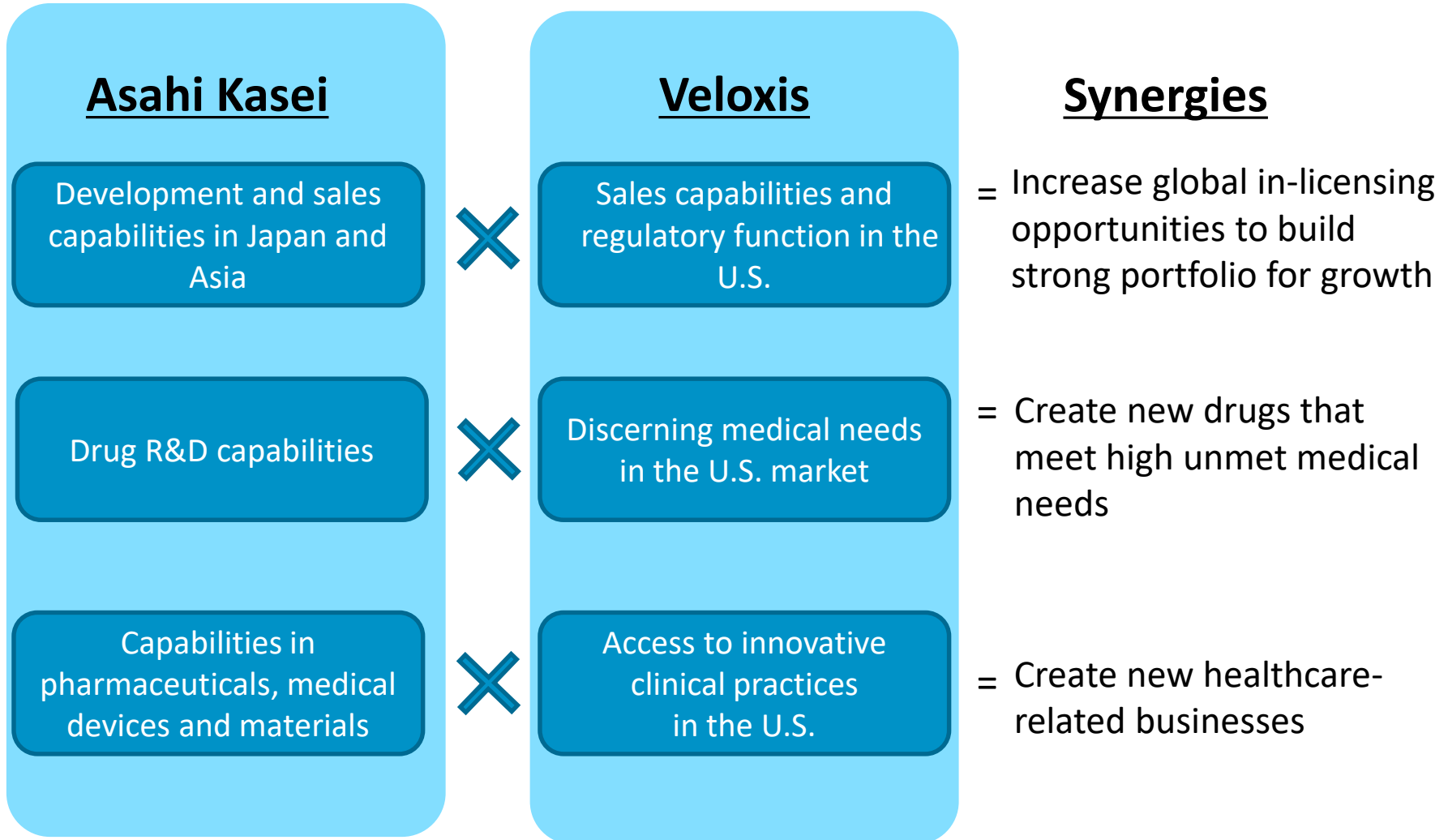
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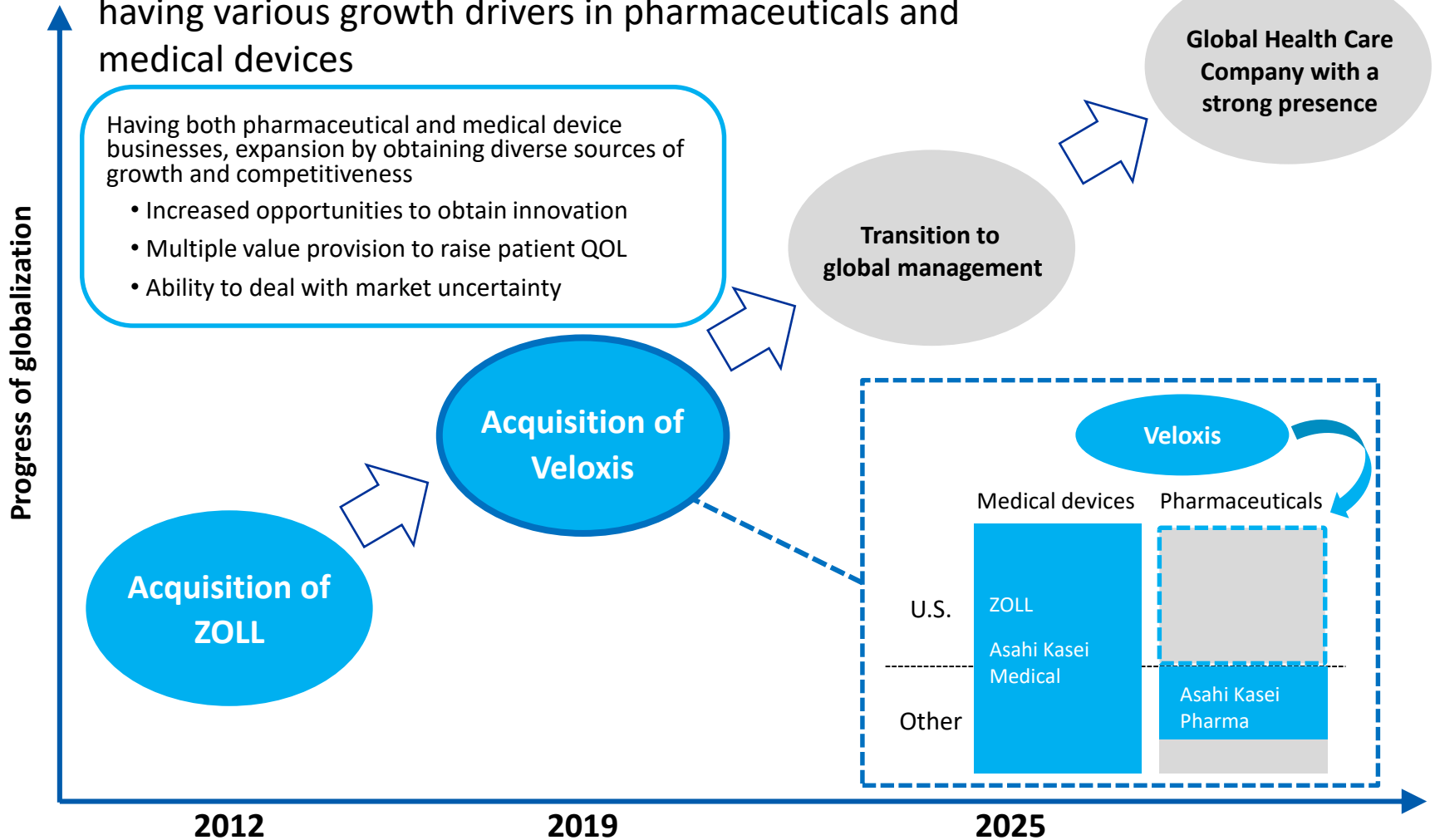
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Expected synergies from the transaction



Transforming into a Global Health Care Company

Accelerate transformation into a Global Health Care Company having various growth drivers in pharmaceuticals and medical devices



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Acquisition overview and financial impact

Acquisition structure	<ul style="list-style-type: none">● Asahi Kasei subsidiary in Denmark to conduct a voluntary tender offer for Veloxis DK of Denmark, the 100% owner of Veloxis● The two largest shareholders of Veloxis DK, the directors and management of Veloxis DK, and the management of Veloxis have signed irrevocable undertakings in support of the tender offer (representing 81.2% of outstanding shares and warrants)● The tender offer is expected to start in December
Acquisition price	<ul style="list-style-type: none">● Approximately DKK 8,897 million, ¥143.2 billion in total● Offer price of DKK 6.00 per share (however, DKK 4.45 per share for abovementioned parties which signed irrevocable undertakings) <small>(at rate of ¥16.09/DKK on November 22, 2019)</small>
Source of funds	<ul style="list-style-type: none">● A combination of cash and new bridge loan to finance the transaction, then to consider take-out financing to be completed later with the goal of optimizing Asahi Kasei's balance sheets
Financial impacts	<ul style="list-style-type: none">● Impact on balance sheets, such as goodwill and intangible assets, to be announced after closing● D/E ratio will be approximately 0.48, which is within the range expected under the medium-term management initiative● Operating income after amortization of goodwill and other intangible assets forecasted to be positive by fiscal 2023

Creating for Tomorrow

The commitment of the Asahi Kasei Group:

To do all that we can in every era to help the people of the world make the most of life and attain fulfillment in living.

Since our founding, we have always been deeply committed to contributing to the development of society, boldly anticipating the emergence of new needs.

This is what we mean by “Creating for Tomorrow.”

AsahiKASEI

– Disclaimer –

The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.