

Briefing on “Asahi Kasei to Acquire Veloxis Pharmaceuticals Inc.” held on November 25, 2019

Participants

Hideki Kobori, President

Shuichi Sakamoto, Director, Primary Executive Officer, Executive Officer for Health Care business sector (joint)

Richard Packer, Primary Executive Officer, Executive Officer for Health Care business sector (joint)

Yoshikazu Aoki, President, Asahi Kasei Pharma Corp.

Main Substance of Questions and Answers

Q: Tell us about the market size of immunosuppressant for kidney transplant patients and market share of Envarsus XR.

A: The market size in the US is approximately \$1.5 billion in 2018. In the US, there are approximately 20,000 kidney transplants conducted each year and the number is expected to grow by approximately 6% annually. The market share of Envarsus XR is slightly above 5% in 2019, but in a new kidney transplants submarket, its market share is approximately 20% and we expect it to grow to 30%.

Q: What are the competitive advantages of Envarsus XR? What about the competitive landscape?

A: Envarsus XR utilizes proprietary extended-release technology, which 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. Veloxis targets the approximately 200 transplant centers and 30% of targeted centers have designated Envarsus XR as an essential drug after transplant. We aim to increase the market share by expanding such designation.

Q: You mentioned that Veloxis incurred losses in FY 2018 and is expected to be profitable in FY 2019. Please explain the earnings prospects.

A: In FY 2019, the sales of Envarsus XR are expected to be \$75-82 million. Based on its current indication, we estimate the peak sales of Envarsus XR to be achieved in FY 2028 at ¥70-80 billion. That does not include future pipelines. Operating income after amortization of goodwill and other intangible assets is forecasted to be positive by FY 2023, which is subject to PPA (Purchase Price Allocation).

Q: The offer price seems relatively low as compared to the peak sales and the current stock price. Please provide us with your views on the price.

A: We believe the offer price is reasonable. We presume that the strong sales of Envarsus XR have boosted the stock price.

Q: Are there any contingent liabilities or litigation risks?

A: We conducted due diligence, and did not find any particular issues

Q: Why did you decide to acquire Veloxis?

A: With the aim to expand our pharmaceuticals business, we considered M&A with the following 4 criteria.

1. A highly capable management team who shares Asahi Kasei's management philosophy and has the acumen in the US healthcare sector
2. Good compatibility with disease areas where our pharmaceuticals business has strengths
3. Product that will be a growth driver in the near-term
4. Total acquisition price that fits in our financial discipline contemplated in our medium-term management initiative

Based on the above criteria, we have decided to acquire Veloxis after we spent over 3 years doing a research on hundreds of companies. It is also a key factor that the management team has high motivation for business growth.

Q: Who will run Veloxis after the acquisition?

A: Like in the ZOLL acquisition, the current CEO of Veloxis will continue to run the company. He will closely coordinate with our executive officers (Sakamoto and Packer) responsible for our Health Care business.

Q: What kind of synergies with the Asahi Kasei Group do you expect?

A: Our pharmaceuticals business has strengths in R&D, drug discovery, clinical trials and marketing, mainly in areas of bone, immunology and neurology. After we acquire a US platform by this transaction, we will expand our business overseas by leveraging such strengths.

Q: What is your idea on future cash infusion?

A: To achieve Veloxis' further growth, we will infuse cash leveraging our financial base, when Veloxis needs more cash than the company can generate, for example, for the purpose of expanding indications or marketing areas of Envarsus XR, as well as seeking various license-in opportunities.

Q: What is your plan to expand business outside the US?

A: Currently, Veloxis directly sells products only in the US. Envarsus XR was licensed out in Europe. We are considering whether to expand the business to areas other than the above.