

Asahi Kasei Corp.
November 25, 2019
Security code: 3407

Asahi Kasei to Acquire Veloxis Pharmaceuticals Inc.
to Accelerate Transformation into a Global Health Care Company

Asahi Kasei Corp. (Head office: Chiyoda-ku, Tokyo; President: Hideki Kobori; hereinafter “Asahi Kasei”) decided today that Asahi Kasei’s Danish subsidiary will indirectly acquire U.S. pharmaceutical company Veloxis Pharmaceuticals Inc. (Head office: North Carolina, the U.S.; CEO: Craig A. Collard; hereinafter “Veloxis”) (“the Acquisition”) through a voluntary tender offer for Veloxis Pharmaceuticals A/S (Head office: Copenhagen, Denmark; CEO: Craig A. Collard; listed on Nasdaq Copenhagen; hereinafter “Veloxis DK”) (the tender offer pursuant to Danish Laws, “the Tender Offer”), which owns 100% of Veloxis.

Asahi Kasei will offer to acquire all of the ordinary shares and warrants of Veloxis DK, offering DKK 6.00 per share to the public shareholders of Veloxis DK through the Tender Offer. Lundbeckfond Invest A/S, Novo Holdings A/S, as well as the Board of Directors of Veloxis DK, the executive management of Veloxis DK and the management of Veloxis (which own approximately 81.2% of the ordinary shares and warrants in the aggregate on a fully-diluted basis) have signed irrevocable undertakings, subject to customary conditions, in support of the Tender Offer at a price of DKK 4.45 per share for their shares and warrants. The Acquisition has been approved by the Boards of Directors of Asahi Kasei and Veloxis DK, respectively. The Acquisition implies a total equity value for Veloxis DK of approximately USD 1.3 billion. The closing of the Acquisition is subject to the satisfaction of customary closing conditions including antitrust clearances.

1. Significance of the Acquisition

(1) Position of the Health Care sector for Asahi Kasei

Asahi Kasei has grown by contributing to solutions to social issues since its establishment in 1922. In its Cs+ for Tomorrow 2021 medium-term management initiative which began in the current fiscal year, Asahi Kasei set forth a policy of providing value for healthy longevity as part of its overall effort to contribute to sustainable society.

Asahi Kasei expects that the health care industry will exhibit stable growth in developed

countries which are addressing the needs of aging populations, and other unmet medical needs. Expanding in the field of health care is a key element for Asahi Kasei's growth.

Asahi Kasei believes that it is important to provide multiple health care solutions to contribute to healthy longevity for society. Under this belief, Asahi Kasei is involved in both pharmaceutical and medical device businesses, and Asahi Kasei has significant experience, expertise, and resources in both areas.

Asahi Kasei's Health Care business has become one of its core businesses as a result of acquisition-driven growth in the acute critical care space coupled with strong organic growth. In fiscal 2018, Health Care business accounted for 15% of its net sales and 19% of its operating income.

(2) Background of the Acquisition

Asahi Kasei is focused on the need to accelerate its transformation into a Global Health Care Company. For several years, Asahi Kasei has been pursuing business development activities in the U.S., the largest market in the world and a source of innovation.

Asahi Kasei had been seeking acquisition opportunities in the pharmaceutical field in the U.S. that satisfy the following criteria:

1) Operates in areas that have high unmet medical needs and where Asahi Kasei's existing knowledge and expertise can be leveraged,

2) Has a highly capable management team, with a track record of success, that would be excited to continue to manage and grow the business as part of the Asahi Kasei Group.

Veloxis' product, Envarsus XR, is a once-daily immunosuppressive drug to help prevent organ rejection in people who have had a kidney transplant. By using its proprietary drug delivery technology (Note 1), they differentiate themselves from competitors and meet unmet medical needs. Also, the CEO and management team of Veloxis have rich experience in operating pharmaceutical companies focusing on advanced medical care and are committed to operate Veloxis to achieve further growth even after the Acquisition.

Asahi Kasei's Health Care business has achieved high growth by making investments in business operations and human resources of acquired companies, as demonstrated by the acquisition of ZOLL in 2012. The Acquisition of Veloxis will enable Asahi Kasei's Health Care business to establish a position in the U.S. pharmaceutical market and accelerate Asahi Kasei's transformation into a Global Health Care Company.

(3) Objectives of the Acquisition

Asahi Kasei seeks to accelerate the globalization of its pharmaceutical and medical device businesses by acquiring a U.S. pharmaceutical business platform and maximizing

the value of both the existing and acquired pharmaceutical businesses. This will accelerate Asahi Kasei's growth in Health Care and also contribute to a sustainable increase in corporate value. Asahi Kasei aims to achieve the following synergies through the Acquisition:

- Enhance licensing activity to obtain new pharmaceuticals as growth drivers by leveraging Asahi Kasei's business platform in Japan and Asia together with Veloxis' business platform in the U.S.
- Discover and develop new pipeline opportunities that will meet high unmet medical needs by combining Asahi Kasei's drug discovery capabilities and Veloxis' ability to identify medical needs in the U.S.
- Accelerate the creation of new health care businesses by leveraging access to innovation and clinical practices in the U.S.

(Note 1) The technologies for enhancing the effects of drugs and/or reducing their side effects by controlling the distribution of drugs (absorption, distribution, metabolism and excretion) in the human body

2. Overview of the Acquisition

(1) Offeror:

Asahi Kasei Pharma Denmark A/S

(2) Target Company:

Veloxis DK

(3) Offer Period (Expected):

Commencement of the Tender Offer: Within December 2019

The Tender Offer is expected to commence as soon as the Tender Offer document is approved by the Denmark Financial Supervisory Authority.

(4) Offer Price:

DKK 6.00 per share*

(Approximately JPY 97 per share, at DKK 1 = JPY 16.09 exchange rate as of November 22, 2019. Using the same FX rate in this release), representing a premium of 6% compared to the 30-trading day volume weighted average share price of DKK 5.68 and 14% compared to the 60-trading day volume weighted average share price of DKK 5.25

* DKK 4.45 per share (approximately JPY 72 per share) to Lundbeckfond Invest A/S, Novo Holdings A/S, as well as the Board of Directors of Veloxis DK, the executive management of Veloxis DK and the management of Veloxis who signed irrevocable undertakings to accept the Tender Offer

- (5) Total Consideration:
Approximately DKK 8.9 billion (approximately JPY 143 billion) in total. This amount will be funded by cash on hand, bank loans, etc.
- (6) Minimum Acceptance Level:
The completion of the Tender Offer is subject to minimum acceptance representing more than 80% of the number of the total ordinary shares and voting rights of Veloxis DK (calculated on a fully-diluted basis).
- (7) Financial Advisors
Guggenheim Securities, LLC is serving as the financial advisor to Asahi Kasei on the transaction. Goldman Sachs Japan Co., Ltd. is also serving as a co-advisor to Asahi Kasei. MTS Health Partners, L.P. is serving as the financial advisor to Veloxis DK.

3. Overview of Veloxis DK (Note 2)

(1) Company Name	Veloxis Pharmaceuticals A/S	
(2) Address	c/o Plesner Advokatpartnerselskab Amerika Plads 37, 2100 København Ø, Denmark	
(3) Representative	Craig A. Collard, Chief Executive Officer	
(4) Business description	Development, manufacture and sale of immunosuppressive drugs that are used during and after transplant surgery of organs	
(5) Capital	DKK 174 million	
(6) Date of establishment	June 13, 2002	
(7) Major shareholders and shareholding ratio (as of November 25, 2019)	Lundbeckfond Invest A/S	36.6 %
	Novo Holdings A/S	36.6 %
	Others	
(8) Relationship between Asahi Kasei and	Capital Relationship	None
	Personnel Relationship	None

Veloxis DK	Business Relationship	None	
(9) Veloxis DK's consolidated operating results and consolidated financial position for the past three years			
Accounting Period (Unit: thousands of USD)	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018
Total equity	10,195	5,316	4,614
Total assets	29,884	41,921	77,117
Total equity per ordinary share (USD)	0.01	0.00	0.00
Revenue	9,194	30,167	39,494
Operating result	(28,768)	(8,359)	(5,836)
Ordinary result	-	-	-
Net result for the year	(10,135)	(9,542)	(5,285)
Basic and diluted EPS (USD)	(0.01)	(0.01)	(0.00)
Dividend paid per ordinary share (USD)	-	-	-

(Note 2) Per-share figures and ownership % are calculated on a fully-diluted basis (assuming all outstanding warrants are converted into ordinary shares)

4. Overview of Tendering Major Shareholders

Lundbeckfond Invest A/S

(1) Company Name	Lundbeckfond Invest A/S
(2) Address	Scherfigsvej 7, DK-2100 Copenhagen Ø, Denmark
(3) Representative	Lene Skole
(4) Business description	The object of Lundbeckfond Invest A/S is to operate within production, sale and investment businesses, including investments in other companies. Lundbeckfond Invest A/S manages holding and investments activities for Lundbeckfonden A/S.
(5) Capital	DKK 450 million
(6) Date of establishment	1 July 1999
(7) Net assets	DKK 18,999 million (as of December 31, 2018)

(8)	Total assets	DKK 19,619 million (as of December 31, 2018)	
(9)	Major shareholders and shareholding ratio (as of November 25, 2019)	Lundbeckfonden A/S	100.0 %
(10)	Relationship between Asahi Kasei and tendering shareholder	Capital Relationship	None
		Personnel Relationship	None
		Business Relationship	None
		Status as Related Party	None

Novo Holdings A/S

(1)	Company Name	Novo Holdings A/S	
(2)	Address	Tuborg Havnevej 19, DK-2900 Hellerup, Denmark	
(3)	Representative	Kasim Kutay, Chief Executive Officer	
(4)	Business description	Novo Holdings A/S is the holding company of the Novo Group and is responsible for managing the assets of the Novo Nordisk Foundation A/S.	
(5)	Capital	DKK 500 million	
(6)	Date of establishment	8 September 1999	
(7)	Net assets	DKK 96,590 million (as of December 31, 2018)	
(8)	Total assets	DKK 109,948 million (as of December 31, 2018)	
(9)	Major shareholders and shareholding ratio (as of November 2], 2019)	Novo Nordisk Foundation A/S	100.0%
(10)	Relationship between Asahi Kasei and tendering shareholder	Capital Relationship	None
		Personnel Relationship	None
		Business Relationship	None
		Status as Related Party	None

5. Number of Shares to be Acquired, Purchase Price, and the Status of Ownership of Shares before and after the Acquisition (Note 3)

(1)	Number of shares already	0 shares
-----	--------------------------	----------

	acquired	(Number of voting rights: 0) (Percentage of voting rights: 0%)
(2)	Number of shares to be acquired	1,937,421,762 shares (as of November 25, 2019) (Number of voting rights: 1,937,421,762)
(3)	Transaction Consideration	Approximately DKK 8,897 million (Approximately JPY 143 billion)
(4)	Number of shares held after the transfer	1,937,421,762 shares (Number of voting rights: 1,937,421,762) (Percentage of voting rights: 100.0%)

(Note 3) Includes ordinary shares and warrants

The ownership after the Tender Offer above assumes that Asahi Kasei acquires all the ordinary shares (assuming all outstanding warrants are converted into ordinary shares) in Veloxis DK through the Tender Offer. If Asahi Kasei acquires more than 90.0% of Veloxis DK's total ordinary shares and voting rights, Asahi Kasei aims to make Veloxis DK a wholly-owned subsidiary, in accordance with the Danish Companies Act.

For reference: Veloxis DK share price DKK 6.60 (Nasdaq Copenhagen closing price as of November 22, 2019)

6. Schedule

(1)	Date of resolution by the Board of Directors	November 22, 2019
(2)	Date of agreement	November 25, 2019

At the Board of Directors meeting held on November 22, it was resolved that the President & Representative Director of Asahi Kasei is entitled to make final decisions on the Acquisition and execution of agreements on the Acquisition within the scope of the resolution.

7. Financial Impact of the Acquisition

Financial impact of the Acquisition is currently under examination. An announcement will be published after the closing of the Acquisition.

8. Note Regarding Forward Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of

the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements discuss expectations, identify strategies, contain our projections or state other forward-looking information and include, but are not limited to, statements related to the expected structure and schedule for completion of the Acquisition and related matters described in this press release, the management and prospects of Veloxis' business after the completion of the Acquisition, Asahi Kasei's current plans with respect to the Acquisition and the business of Veloxis, and the management and prospects of Asahi Kasei. These statements do not guarantee business performance in the future; they carry known or unknown risks, uncertainties, and other factors that may differ significantly from the actual performance, development or financial position of Asahi Kasei and Veloxis in the future. These forward-looking statements can be identified by the use of forward looking terminology, such as "aim," "believes," "expects," "estimate," "may," "anticipates," "plans," "intends," "should," "will," "seeks," "forecasts," "in the future", or the negative of these terms or similar expressions, or in particular by discussions about "strategy," "target," "plan," or "intention." There is a possibility that actual business results may greatly differ from those expressed in or implied by such forward-looking statements due to various factors. Such factors include, but are not limited to, the following: (i) uncertainties related to the structure and schedule for completion of the transaction, (ii) Veloxis shareholders may or may not tender into the transaction, (iii) a proposal that competes with the transaction may be made, (iv) the risk that the regulatory and other conditions, which are necessary for the completion of the transaction, will not be satisfied, (v) the possibility that the announcement of the transaction may cause difficulty in keeping the relations with Veloxis' management, employees, customers, suppliers and other trading partners, (vi) the risk that a shareholder-related lawsuit on the transaction will be filed and the defense thereof may cost a significant expenses or lead to large payments, (vii) the impact of changes in the legislative system, accounting standards and other management environments related to the relevant parties, (viii) issues in implementing business strategies, (ix) the impact of financial uncertainties and changes in other general economic and industrial conditions, (x) transaction costs, (xi) fixed or contingent liabilities that may materialize, (xii) other risks set forth in documents publicly disclosed by Asahi Kasei or Veloxis. Neither the Asahi Kasei nor Veloxis has a duty of updating the forward-looking statements as a result of the emergence of new information, future circumstances and others, unless the updating is explicitly required by law. The forward-looking statements in the announcement are subject to these notices.

For more information, please contact:

Asahi Kasei Corp.

Corporate Communications

Phone: +81-(0)3-6699-3008

Fax: +81-(0)3-6699-3187