



Corporate Presentation

January 2017

NASDAQ: CAPN

www.capnia.com

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Participants in the Solicitation

Capnia and its executive officers and directors may be deemed to be participants in the solicitation of proxies from its stockholders with respect to the transactions contemplated by that certain agreement and plan of merger by and between Capnia, Company E Merger Sub, Inc., Essentialis, Inc. and Neil Cowen, solely in his capacity as Stockholders Representative, dated as of December 22, 2016 (the “Merger Agreement”), pursuant to which Merger Sub will merge with and into Essentialis, and Essentialis will become a wholly-owned subsidiary of Capnia. Information regarding the persons who may, under the rules of the Securities and Exchange Commission (the “SEC”), be deemed participants in the solicitation of Capnia stockholders in connection with the proposed issuance of shares of Capnia Common Stock under the Merger and the Financing is further described in Capnia’s preliminary proxy statement filed with the SEC on January 5, 2017. Information regarding Capnia’s executive officers and directors is included in Capnia’s Proxy Statement for its 2016 Annual Meeting of Stockholders, filed with the SEC on July 18, 2016. Copies of the foregoing documents may be obtained as provided above. Additional information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed issuance of shares of Capnia Common Stock under the Merger and the Financing, and a description of their direct and indirect interests in the proposed merger, which may differ from the interests of Capnia stockholders generally, is set forth in the preliminary proxy statement filed with the SEC on January 5, 2017.

Highlights

**Capnia and
Essentialis to
Merge**

**Creating a rare
disease
therapeutics
company**

Initial focus on PWS, a
high unmet need
indication with no
approved treatments

**New Lead Asset
DCCR**

**Compelling
product profile**

Addresses hallmark
symptoms of PWS,
including hyperphagia

Phase 2/3 ready

Established, decades-
long safety profile

Strong IP

**Well-Financed
Through Key
Milestones**

**Financing
concurrent with
planned merger**

Adequate to advance
DCCR through top-
line data

**Strong
Leadership**

**Highly
experienced
management
team**

Expertise in drug
development for rare
and orphan diseases

**Longer-Term
Pipeline
Opportunities**

**Multiple
downstream
orphan indications**

Hypothalamic obesity,
Smith-Magenis
syndrome

Post Merger Leadership Team

▶ **Anish Bhatnagar, M.D.**

Chief Executive Officer

▶ **David O'Toole**

Chief Financial Officer

▶ **Neil Cowen, Ph.D.¹**

Senior VP of Drug Development

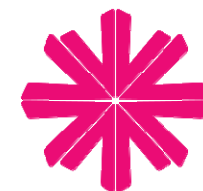
▶ **Kristen Yen, M.S.**

VP of Clinical Operations

▶ **Patricia Hirano, M.P.H.**

Regulatory Affairs

¹ Currently serves as Chief Scientific Officer of Essentialis



PRAHEALTHSCIENCES

Prader-Willi Syndrome (PWS)

- ▶ Complex genetic neurobehavioral/metabolic disorder due to the loss or lack of expression of a set of genes on chromosome 15
- ▶ Afflicts about 1:15,000-1:25,000 individuals
- ▶ Elevated mortality rates
- ▶ Highest unmet needs
 - hyperphagia
 - aggressive behaviors
 - body composition
- ▶ PWS families have low QOL - normal siblings show high rates of PTSD

***“Addressing these behavioral needs
will be life-changing for PWS families”***

- Dr. Jennifer Miller, University of Florida

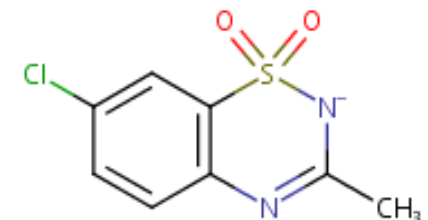
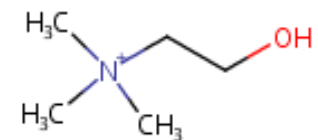


Diazoxide – Long History of Safe Use

DCCR – Extensive Pre-Clinical and Clinical Data

- ▶ Diazoxide I.V., Oral Capsule, and Oral Suspension
 - K_{ATP} channel agonist approved in 1976
 - Previously used as IV treatment for malignant hypertension
 - BID/TID oral suspension for the treatment of hypoglycemia due to hyperinsulinism in infants, children and adults - remains global standard of care
- ▶ Diazoxide Choline Controlled-Release (DCCR) Tablet
 - QD tablet formulation of choline salt of diazoxide
 - Characterized in 5 Phase I and 3 Phase II studies in obese, dyslipidemic and PWS subjects
 - More than 210 treated subjects
 - Protected by multiple issued patents, including composition of matter

Diazoxide Choline

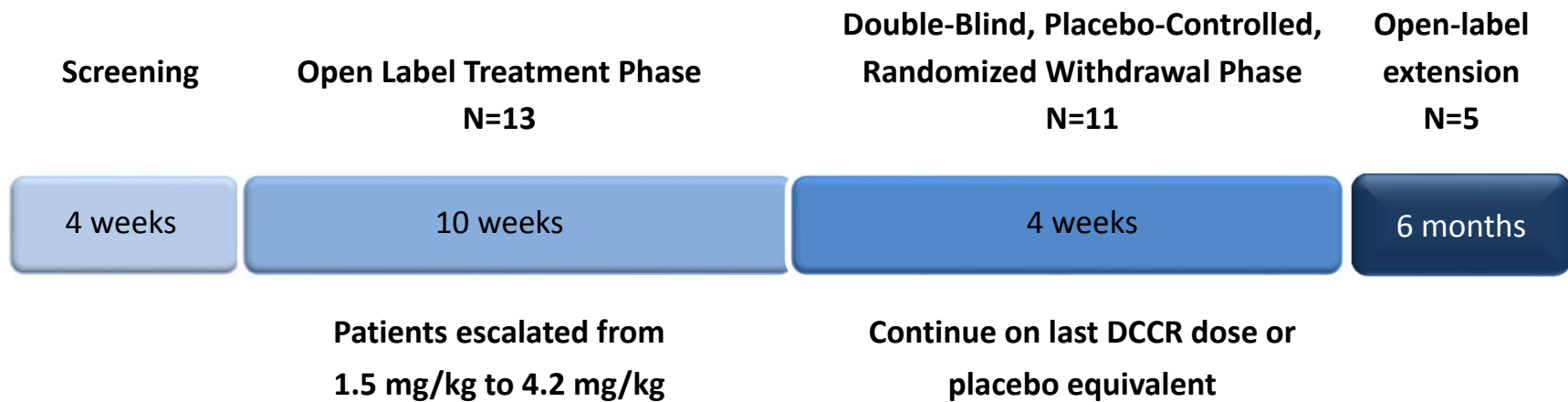


Potential DCCR Modes of Action

Target	Action	Outcome
Hypothalamus	Restores insulin and leptin sensitivity to POMC and NPY/AgRP neurons normalizing their regulation	Blunts central starvation signal
Adipocytes	Down-regulates de-novo fatty acid biosynthesis and upregulates β -oxidation of fat	Reduces fat mass
CNS	In the context of low GABA and low GABA receptor numbers, amplifies GABA signaling	Reduces aggressive and impulsive behaviors
Muscle	Limits excess atrophy and improves impaired mitochondrial function and energetic	Reduces hypotonia and increases muscle mass

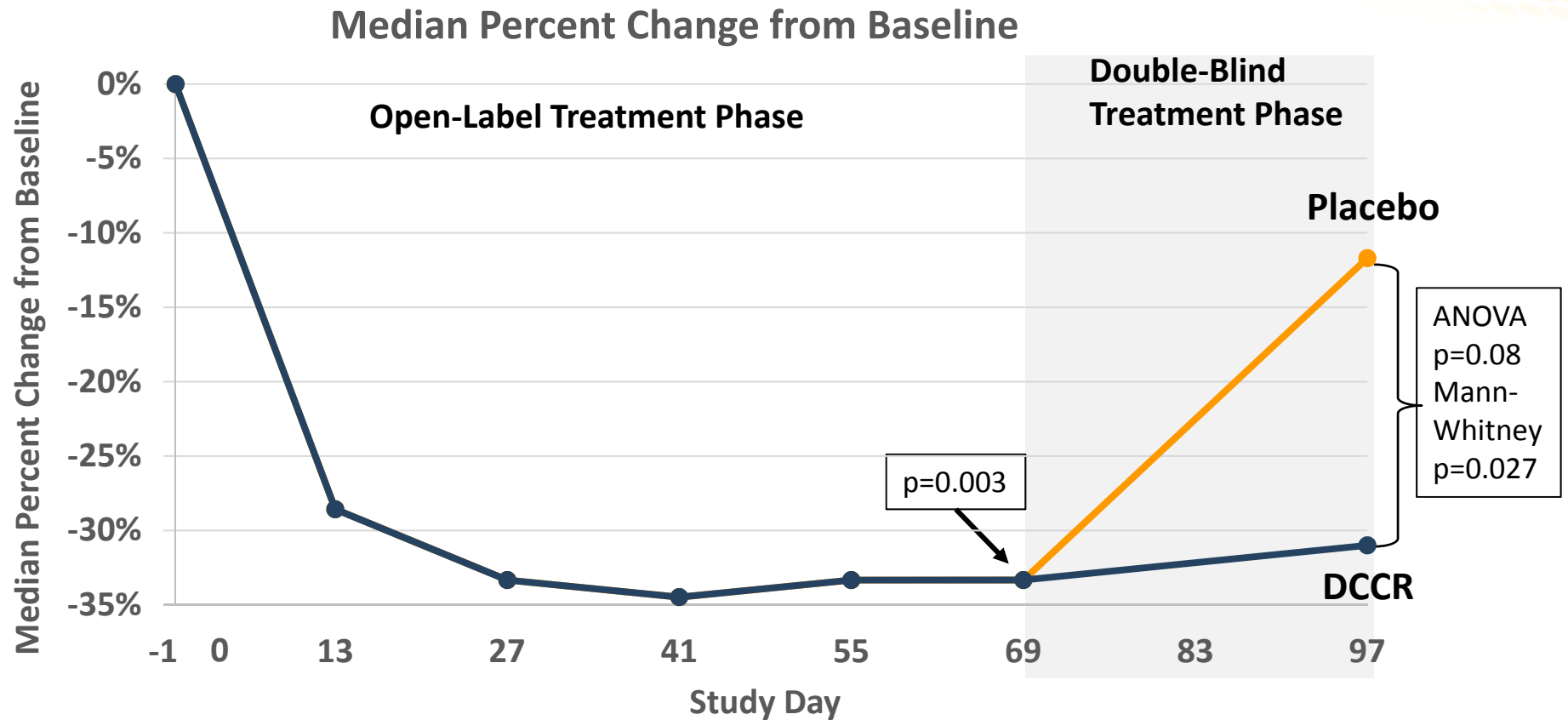
PC025 Pilot Study in PWS

- ▶ Randomized, Withdrawal, Single Center Trial of DCCR in overweight or obese, genetically-confirmed PWS patients between 10 and 22 years



The safety and efficacy results from the study were reviewed with a panel of PWS experts

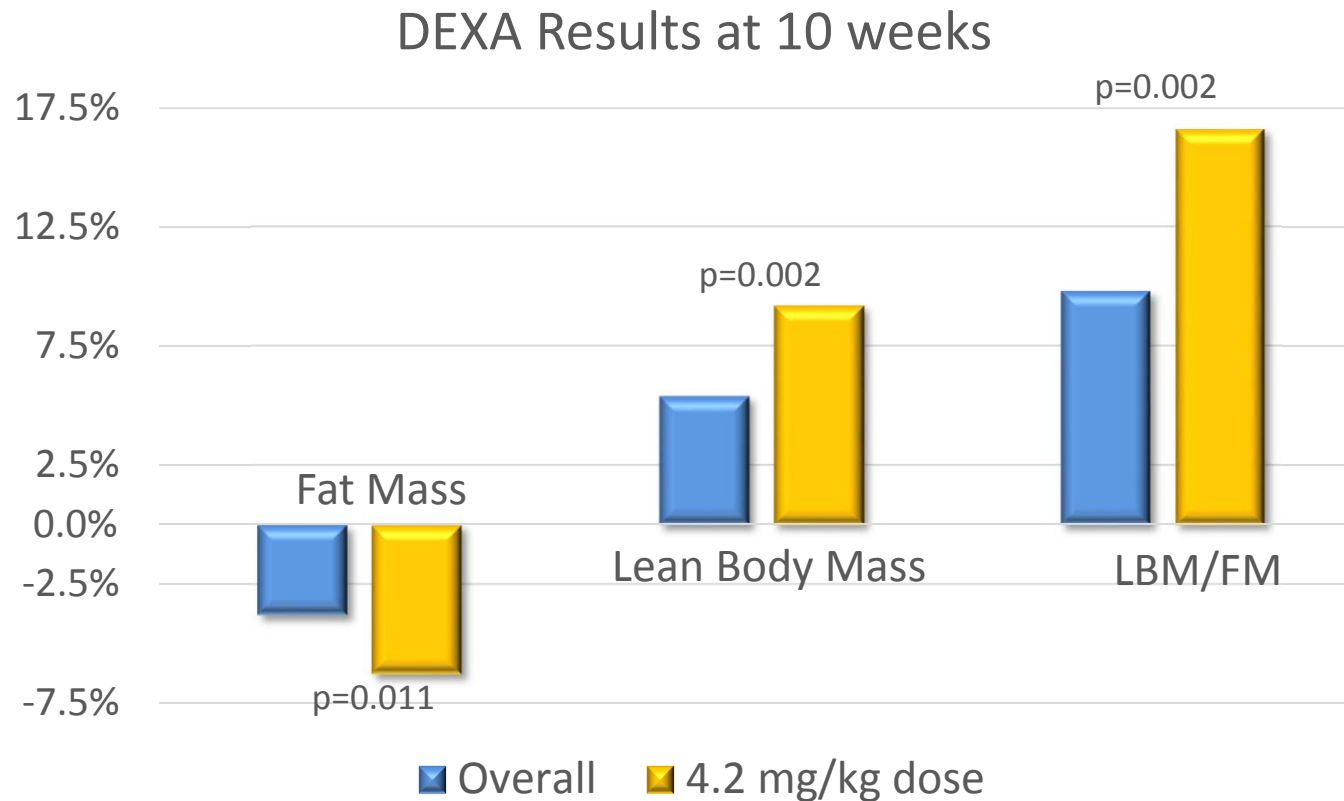
DCCR: Significant Hyperphagia Response



Hyperphagia was measured using a modified Dykens hyperphagia questionnaire, which assesses a range of PWS-specific food-related behaviors

Presented by Essentialis at the Annual Meeting of the Foundation for Prader-Willi Research on October 29, 2016

DCCR Impacts Fat/Lean Body Mass



“The impact on fat mass and lean body mass are huge, especially in the context of improvements in hyperphagia”

- Dr. Jennifer Miller, University of Florida

DCCR Reduces Aggressive Behaviors

- ▶ Based on the Behavioral Assessment Questionnaire from the Prader-Willi Syndrome Natural History Study
- ▶ DCCR improved a range of behaviors that are characteristic of PWS
 - Throwing objects
 - Foul language
 - Destructive behavior

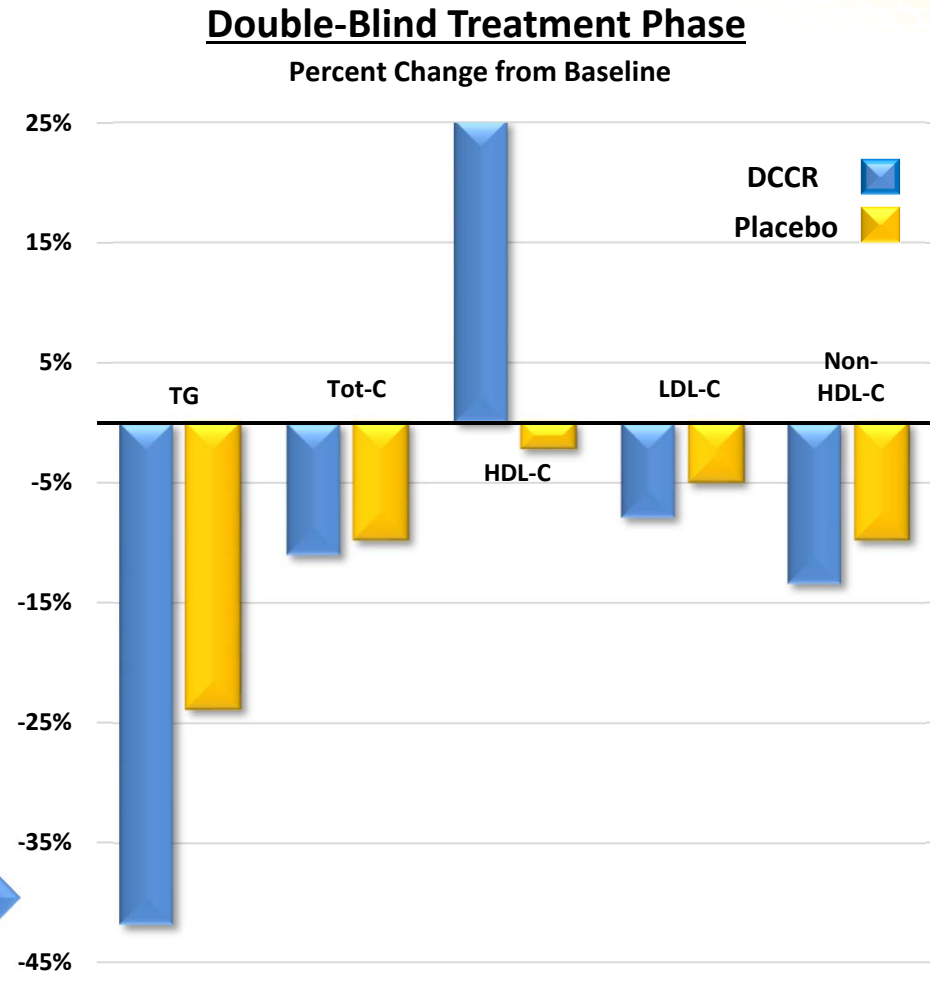
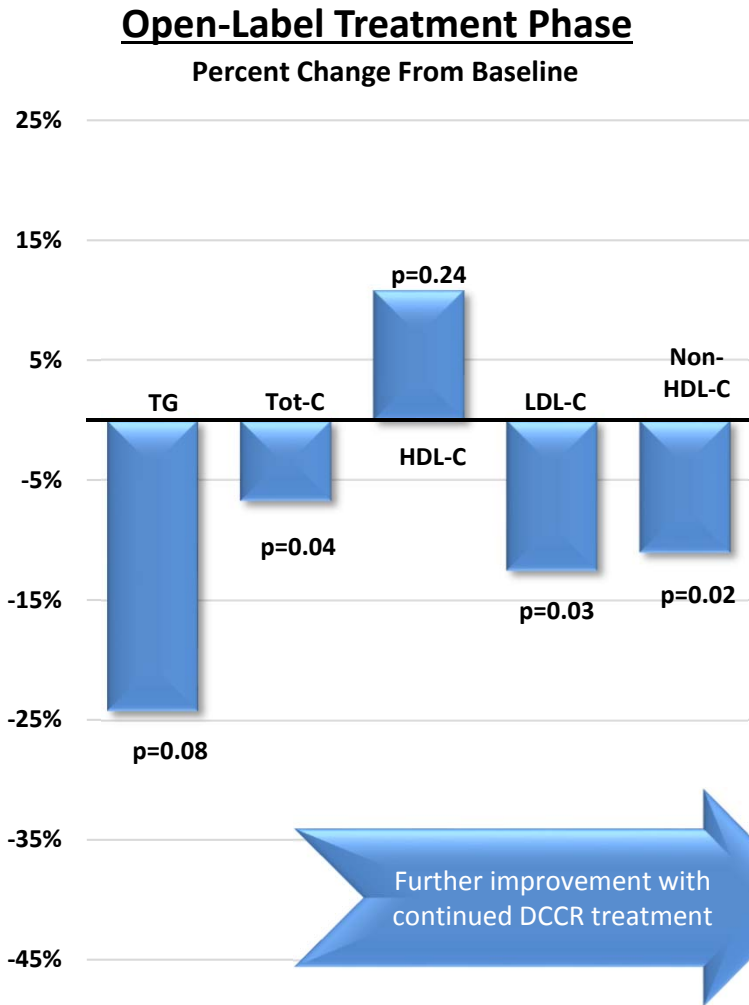
“From a family standpoint, the behavioral changes are huge. Aggression takes kids out of the home.”

- Dr. Theresa Strong, FPWR

“These behavioral changes can be life-changing for the family”

- Dr. Jennifer Miller, University of Florida

DCCR Impacts CV Risk Factors



Further improvement with continued DCCR treatment

Diazoxide – Long History of Safe Use

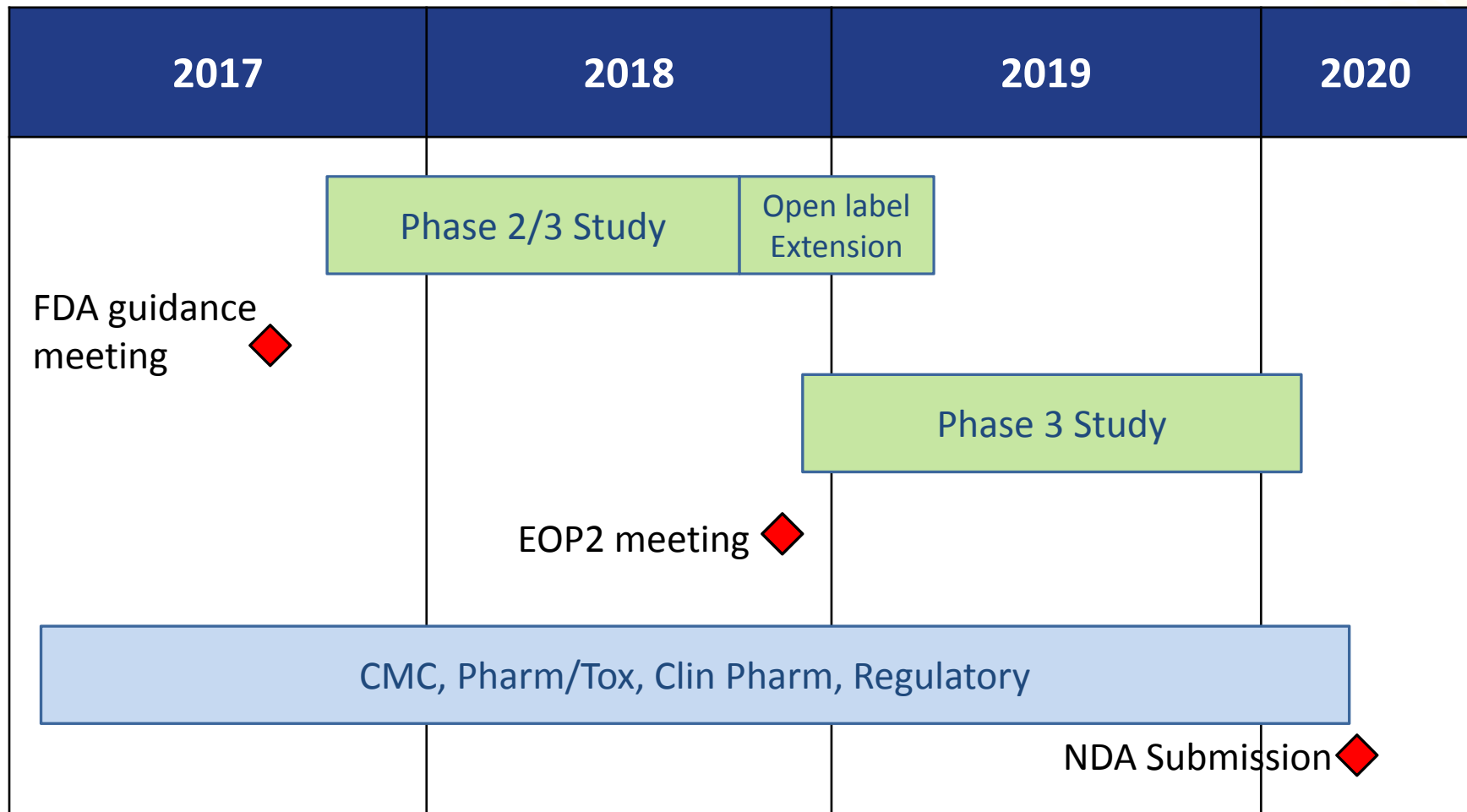
DCCR – Extensive Pre-Clinical and Clinical Data

- ▶ The safety profile of Proglycem in chronic use is well-known
- ▶ In the development of DCCR, there have been no new safety findings
- ▶ The doses of DCCR that will continue in development are at the low end or below the labeled range for Proglycem
- ▶ More than 120,000 patient years of chronic use

“The medication’s safety profile is well known. It’s a benign medication”

- Dr. Jennifer Miller, University of Florida

DCCR Estimated Development Timeline



Extensive IP Protection

▶ Issued/Granted Patents

- US: 3; EU: 3; JP: 1;
- Also in China, Canada and Australia
- Several pending applications
- Expire in 2026 to 2028
- Covers composition of matter, formulations, combinations, method of use and method of manufacture

▶ Protection in PWS

- In addition to the protection of the product, our filings cover method of use of any K_{ATP} channel activator, diazoxide and DCCR in PWS
- New filing based on data from PC025 could extend protection to 2035

Pipeline – Multiple Orphan Opportunities

Product	Indication	US Patient Population Estimate	Timing to NDA
DCCR	Prader-Willi Syndrome	12,500 - 21,000	2020
Upside opportunities for DCCR			
DCCR	Hypothalamic Obesity	3,750 – 9,700	2022
DCCR	Smith-Magenis Syndrome	12,500 – 21,000	2022

- ▶ Orphan drug designation has been granted for PWS



Capnia Product Portfolio

Diversified, Revenue Generating Product Portfolio



Serenz[®] Allergy Relief

Serenz is a hand-held device that is designed to provide rapid relief from the symptoms related to allergies.



CoSense[®] ETCO Monitor

The *CoSense* ETCO Monitor measures carbon monoxide levels in exhaled breath, which may be used to detect the rate of hemolysis.

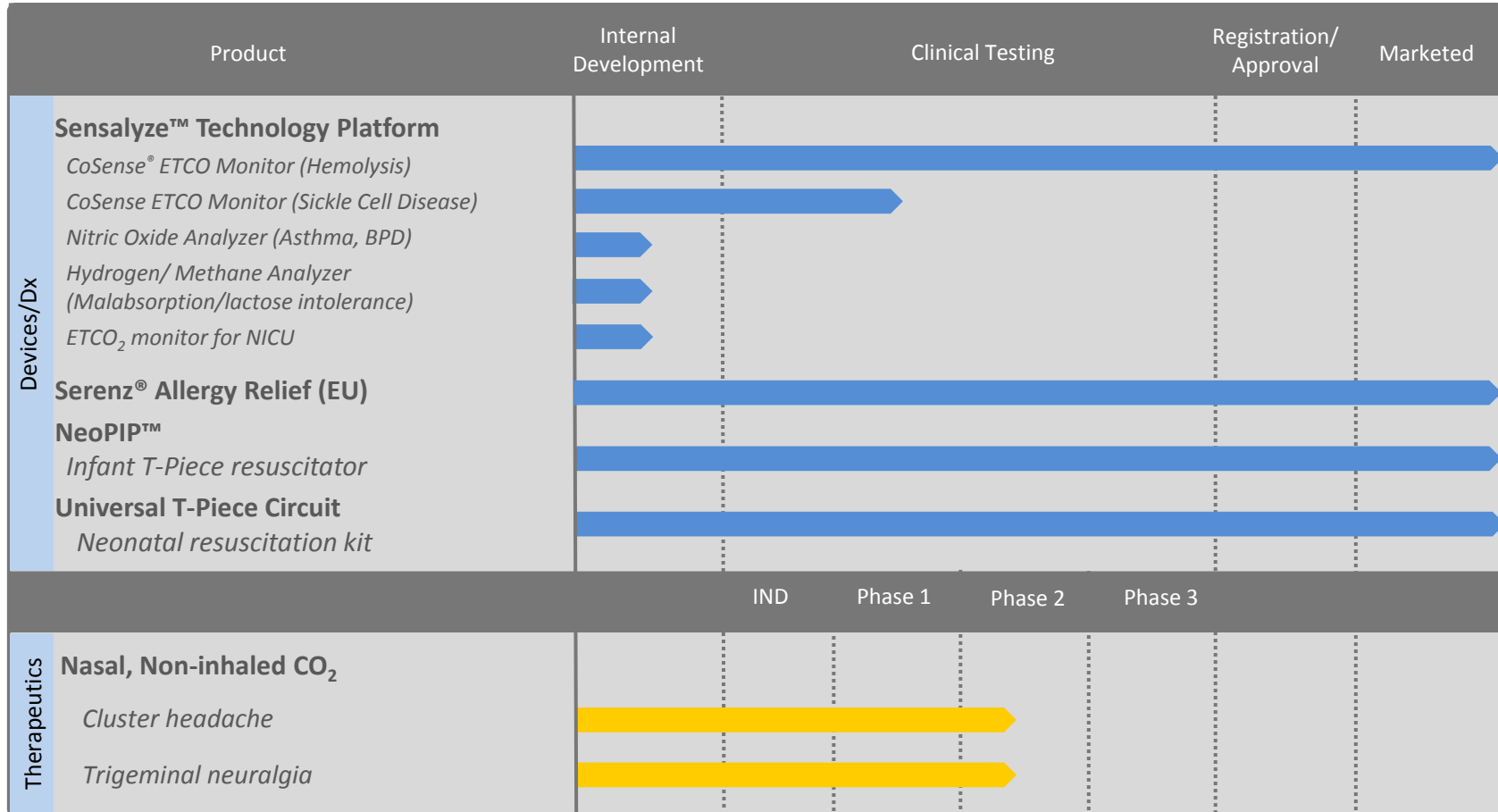


Infant Solutions

NeoForce is a portfolio of innovative pulmonary resuscitation solutions in the neonatal market.



Device and Therapeutic Assets



2017 Priorities and Milestones

- ▶ **1Q17** – Close merger transaction with Essentialis; complete concurrent \$8M financing
- ▶ **Mid-2017** – Complete FDA guidance meeting for DCCR
- ▶ **2H17** – Initiate Phase 2/3 clinical study evaluating DCCR for the treatment of PWS
- ▶ **2017** – Explore strategic alternatives for legacy marketed products and product candidates
- ▶ **2017** – Secure orphan drug designation for DCCR in additional indications beyond PWS



Financial Highlights

Cash runway to value creating milestones

(millions)

	Current ¹	Post-Merger ²
Cash	\$5.4	\$11.0
Debt	\$0	\$0
Shares outstanding:		
Common	16.0	58.0 to 69.8
Fully Diluted	39.0	67.5 to 79.2

1. As of September 30, 2016

2. Assumes an \$8 million equity financing completed at the close of the merger transaction. Additional \$2.7 million is possible.

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Thank you.

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