

Main Substance of the Question and Answer Session
Critical Care Business Briefing held on November 29, 2022
Asahi Kasei Corp.

Speaker:

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Sleep apnea-related devices

- What is the competitive landscape, outlook for future revenue growth, and market potential?
 - We acquired Respicardia and Itamar in FY 2021. The **remedē**[®] System of Respicardia is the only device approved in the U.S. for treatment of central sleep apnea, and our goal with WatchPAT[®] System of Itamar is to diagnose patients who are not being served today for both obstructive and central sleep apnea. We refrain from providing specific revenue forecasts for individual businesses, but we expect both to be significant in accelerating ZOLL's growth over the balance of the decade.
- What are the prospects for synergies with the existing heart failure-related businesses?
 - We think there is a great opportunity for those products, as approx. 80% of cardiology patients have some form of sleep apnea, yet the vast majority of them are not even being diagnosed today, let alone treated. We have a unique opportunity to add value to the cardiology practice.
 - Prior to the **remedē**[®] System being approved and coming on the market, it wasn't that common to even screen for central sleep apnea. Now that there is an effective treatment available, we believe the need for diagnosis will also increase.

Arrhythmia Management System (AMS) and Heart Failure Management System (HFMS)

- What is the market potential and the competitive situation?
 - AMS is the one of the rare cases in our patient services strategy where there is an existing established market today for mobile cardiac telemetry (MCT), with several major companies. As we have always done at ZOLL, we only enter a market if we think we have a differentiated offering to bring to it. The clinical research showed that there were tangible benefits to providing cardiologists a richer dataset with AMS, which changed a majority of the patients' treatment plans. We think that is potentially disruptive to the MCT industry.
 - On the other hand, HFMS is a latent market opportunity. Heart failure management is probably the most costly healthcare problem in the U.S. There really aren't any good non-invasive, continuous monitoring solutions for fluid buildup, which is a principal precipitating event of acute decompensation.

LifeVest[®]

- What are your thoughts on the entry of competitors? What is their regulatory approval status?
 - One competitor received conditional FDA approval in 2021 and is conducting a post-market trial. Another company is currently conducting clinical trials to obtain regulatory approval.

- We believe the opportunity for wearable defibrillators in the U.S., if it were fully penetrated, would be worth more than \$3 billion a year to the industry, but it would not be possible for just us to fully tap the potential market. We've been working to raise awareness in physicians for 20 years by ourselves. The entry of competition helps reinforce the need for the product and it reinforces the benefits of wearable defibrillators. We think that we can grow faster with competition.
 - We have also been adding non-shock related capabilities to LifeVest®. It's increasingly important to clinicians to manage whole healthcare of their patients. Although most patients will not end up needing a lifesaving shock, they'll get benefit from wearing the device while they're protected.
- What is the situation of the LifeVest® business outside the U.S.?
- We are operating in several countries outside the U.S. The most significant of those are Germany, France, and Japan. We are seeing good growth in those marketplaces, although the scale is still much smaller than in the U.S.
 - LifeVest® is durable medical equipment and a rented device. We carefully look at the reimbursement environment when laying out our strategy for which international markets to enter, as every healthcare system in the world is different.

Defibrillators for professional use and AEDs

- Under the supply chain disruptions, what kind of parts procurement was difficult specifically? What self-help efforts were made to improve the situation?
- The primary challenge was procuring semiconductors. There are generally over a thousand components in any given one of our defibrillators, and if any one of them is missing, the device cannot be made. A very large number of different parts have been difficult to procure and costs have increased, but we have managed procurement one-by-one. In some cases, we also got help from our parent company and Asahi Kasei Microdevices. The procurement difficulties bottomed out in H1 2022 and are now improving.
- Your market share in defibrillators was estimated to be around 40% a few years ago. What about the present?
- We believe we are the market leader in all segments of the external defibrillator business in which we compete.

Other

- While the gross profit margin will increase with the expansion of patient services, what about the operating margin, given that SG&A is expected to increase, too?
- We have multiple strategies to achieve the top-line goals, including adding new technologies to ZOLL that are good fits with our mission and scope, as you've seen over the last decade. Those acquisitions may have short term dilutive accounting effects, but we will offset that with other businesses. We believe, while achieving the top-line targets, we can grow our profits faster than our revenue.
- With regard to M&A, are you considering the software and cloud areas as well as the devices?
- In recent years, we have made acquisitions that fit with our strategies, including med-tech companies and software companies. If there are opportunities that make sense for our strategies

going forward, we would pursue them.

- What's the export ratio of AEDs and LifeVest[®], respectively?
 - As for AEDs, that's roughly half. But overall, including LifeVest[®], the majority of business is still in the U.S. at this time. We keep trying to diversify. Our international businesses are growing faster than our domestic businesses, and we keep adding businesses that are also domestic-opportunity based.
- How is the tight labor market impacting your growth and operating margins? What are you doing to mitigate that situation and how that's affecting your business?
 - The job market is particularly tight in the U.S. these days. It is not as easy to find exactly the right talent in all parts of our operation. In certain areas, we've changed some of our hiring criteria and are open to candidates from non-traditional backgrounds, with positive results. We've always had to be able to find good people to keep up with our growth. We need to make sure that we're an attractive and competitive employer.
- In comparison to the critical care in which you have traditionally been engaged, will the development into the area of sleep apnea and other long-term treatments raise the risk of litigation?
 - As we get larger, and we treat and service more patients, so does the risk. But we mitigate that by giving our top priority to providing the highest quality products and services under strict regulations. There is some view that implantable products may be higher risk than the worn products, but we do not believe this to be the case, based on 5-year clinical trial data on the safety of the **remedē**[®] System.