



1H FY03/18

Financial Results Briefing Presentation

November 7, 2017
Anicom Holdings, Inc.
(Securities Code: 8715)

Company	Anicom Holdings, Inc.
Business description	Nonlife insurance operations (pet insurance), animal hospital support operations, etc.
Location	Sumitomo Fudosan Shinjuku Grand Tower 39F, 8-17-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Date of establishment	July 5, 2000
Representative	Nobuaki Komori, President
Capital	JPY4.41bn (As of September 30, 2017)
Number of employees (consolidated basis)	683 (of which 98 veterinarians; all data as of September 30, 2017; includes contract employees)
Group companies	Anicom Insurance, Inc., Anicom Pafe, Inc., Anicom Frontier, Inc., Anicom Specialty Medical Institute, Inc., Anicom Capital, Inc.

1. 1H FY03/18 results highlights

Consolidated group earnings

- **Recurring revenue: JPY15.563bn** (1H FY03/17: JPY14.041bn; **+10.8% YoY**)
(of which underwriting revenue: JPY15.157bn; 1H FY03/17: JPY13.642bn; +11.1% YoY)
- **Recurring profit: JPY714mn** (1H FY03/17: JPY1.072bn; **-33.4% YoY**)
 - **The number of policies in force expanded at a steady pace** (+9.3% YoY) on a further strengthening of initiatives related to newborn channel operations. Underwriting revenue **grew at a double-digit pace in line with plan**. The number of policies acquired from general channels also trended upward, reflecting stronger online advertising and other factors.
 - **The loss ratio remained in line with plan**, as it increased slightly YoY, but growth in new policies supported steady improvement in our product portfolio.
 - **The expense ratio rose YoY**, reflecting strict cost control and system-centric improvements in operations, as well as higher sales agent commissions due to a strengthening of newborn channel sales, and investments geared toward expansion in pet insurance operations (stronger online advertising, etc.).
 - Based on the above, recurring profit **finished in line with plan**.

Anicom Insurance non-consolidated loss ratio (E/I)

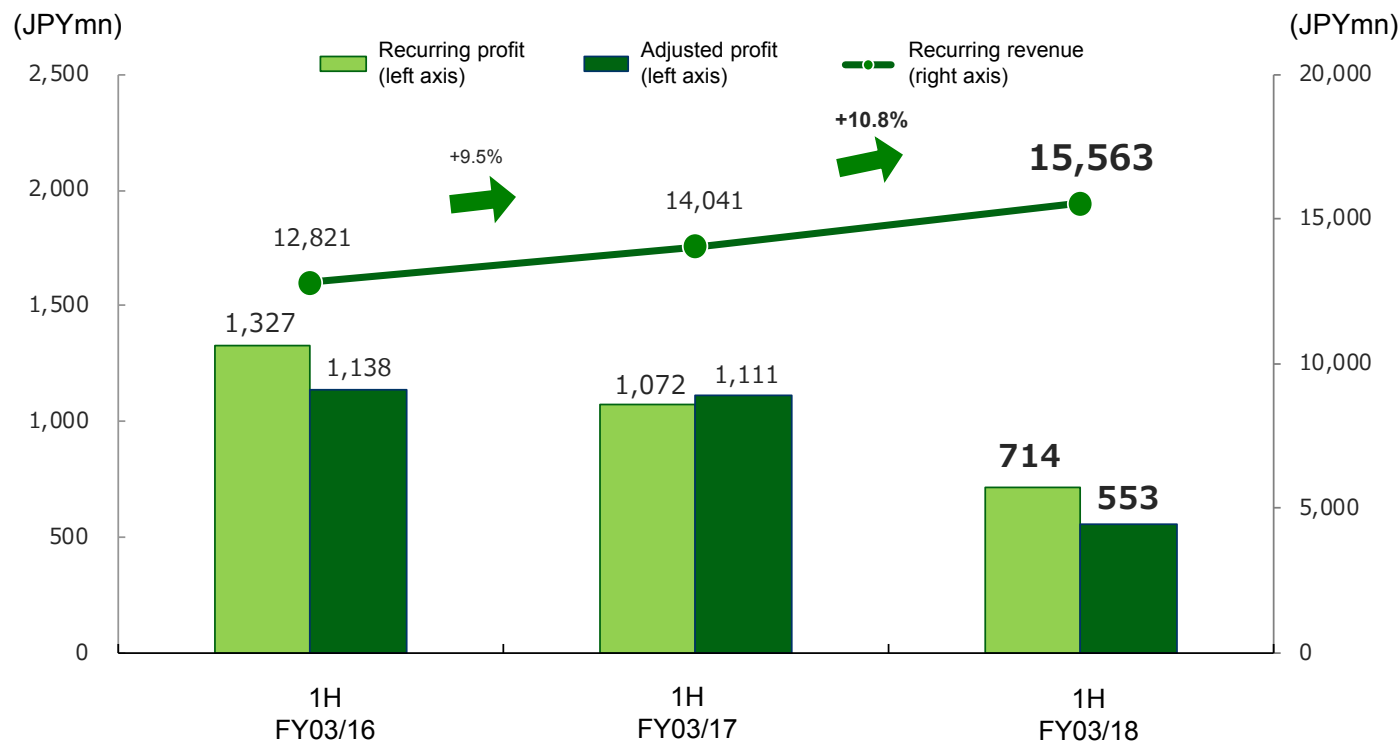
- **1H: 60.8%** (1H FY03/17: 59.7%; **+1.1pt YoY**)
- **2Q: 61.2%** (2Q FY03/17: 60.1%; **+1.1pt YoY**)
 - While an expansion in new policies supported an improvement in our product portfolio (increase in products with limited hospital visit days), increase in insurance payouts in tandem with advancing age of animals led to a **modest YoY increase** in the loss ratio. (Insurance premium rate for animals that are eight years old and above were raised starting July 2017.)

Anicom Insurance non-consolidated expense ratio (based on earned premiums)

- **1H: 35.5%** (1H FY03/17: 31.9%; **+3.6pt YoY**)
- **2Q: 35.5%** (2Q FY03/17: 31.0%; **+4.5pt YoY**)
 - Business expenses were driven higher by an increase in sales agent commissions. This was due to a strengthening of newborn channel sales, and by higher SG&A expenses on stronger online advertising to expand general channels. Although growth in insurance premium revenue partially redeemed, we saw a **YoY increase** in the expense ratio.

2. Consolidated recurring revenue, recurring profit, adjusted profit

(Note) Adjusted profit:
 In-house indicator used at Anicom Group to reflect effective profits/losses generated by the pet insurance business. It is calculated as follows: Recurring profit ± Impact from catastrophe reserves ± Operating and general administrative expenses other than insurance underwriting ± investment revenue/expenses ± Other revenue/expenses.



- Sales remained on a steady uptrend thanks to a 16.0% YoY increase in the number of new policies (see page 12), a rise in the number of renewed policies reflecting stable renewal rates, and a rise in insurance premiums accompanying advancing age of pets.
- Adjusted profit, which reflects effective profit generated by the pet insurance business, contracted YoY due to an increase in business expenses accompanying stronger sales initiatives, but this is trending in line with our expectations.

3. 1H FY03/18 consolidated earnings overview

(JPYmn)

	1H FY03/17	1H FY03/18	YoY change
Recurring revenue	14,041	15,563	10.8 %
Underwriting revenue	13,642	15,157	11.1 %
Investment revenue	191	166	- 12.9 %
Other recurring revenue	207	238	14.9 %
Recurring expenses	12,968	14,849	14.5 %
Underwriting expenses	9,194	10,596	15.3 %
Net claims paid	(7,299)	(8,174)	12.0 %
Loss adjustment expenses	(476)	(495)	4.0 %
Net commission and collection expenses	(923)	(1,258)	36.2 %
Provision for reserve for outstanding losses and claims	(162)	(198)	21.9 %
Provision for underwriting reserves	(331)	(471)	42.1 %
Of which unearned premiums	(353)	(561)	58.9 %
Of which catastrophe reserve	(-21)	(-90)	- 313.0 %
Investment expenses	0	0	0.0 %
Operating and general administrative expenses	3,660	4,170	13.9 %
Other recurring expenses	113	82	- 27.7 %
Recurring profit	1,072	714	- 33.4 %
Net profit	633	501	- 20.8 %
Earned premiums	13,288	14,596	9.8 %
Claims incurred (including loss adjustment expenses)	7,938	8,867	11.7 %
E/I loss ratio (1)	59.7 %	60.8 %	1.1 pt
Expense ratio (based on earned premiums) (2)	31.9 %	35.5 %	3.6 pt
Combined ratio (based on earned premiums) (1)+(2)	91.6 %	96.3 %	4.7 pt

Major accounting items and reasons for changes

(1) Underwriting revenue (for details, refer to "4. Recurring revenue indicators")

- Number of policies in force increased 9.3% YoY.
- Cumulative number of new policies increased 16.0% YoY.
- Growth in renewed policies and higher insurance premiums accompanying advancing age of animals also delivered some contributions.

(2) Investment revenue

- Secured stable investment revenue mainly from domestic securities and REITs.

(3) Net claims paid

- Insurance payouts increased in tandem with growth in the number of policies in force.

(4) Loss adjustment expenses

- Insurance payout assessment department expenses, including personnel costs. Increased in tandem with insurance payout cases.

(5) Net commissions and collection expenses

- Mainly commissions paid to sales agents. Increased in proportion to the growth in underwriting revenue.

(6) Provision for reserve for outstanding losses and claims

- Provision to prepare for future insurance payouts.
- Calculated as reserve for outstanding losses and claims (B/S) year-end balance minus year-start balance.
- Adding this to "(3) Net claims paid" results in claims incurred.

(7) Provision for unearned premiums

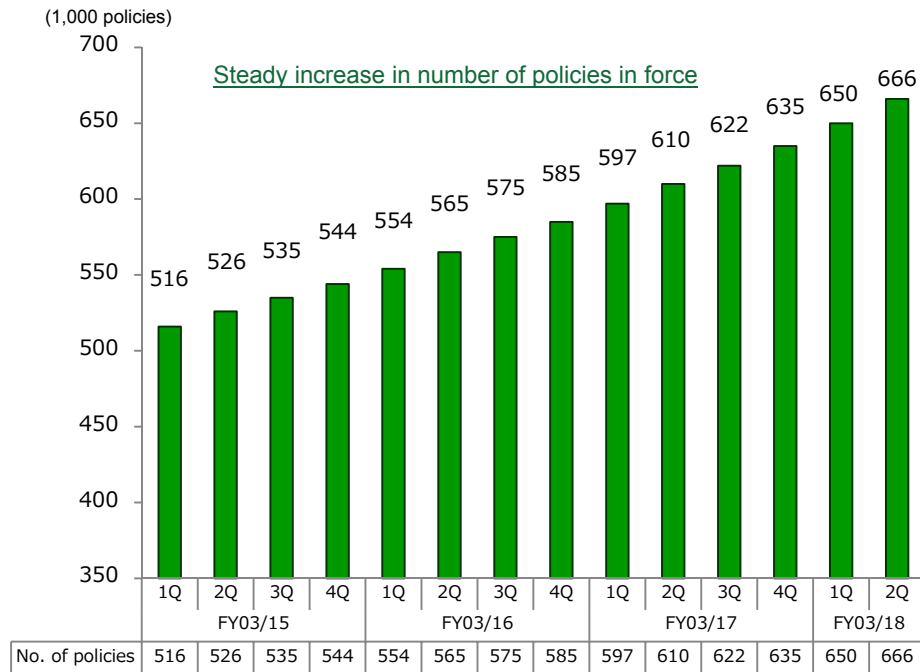
- Among annual premium revenue, deferred premiums corresponding to the next fiscal year and beyond.
- Provision is calculated as year-end balance minus year-start balance. In addition, the year-end balance is equivalent to 35–40% of "(1) Underwriting revenue."
- Subtracting the provision for unearned premiums from "(1) Underwriting revenue" results in earned premiums (= accrued premiums)

(8) Catastrophe reserve

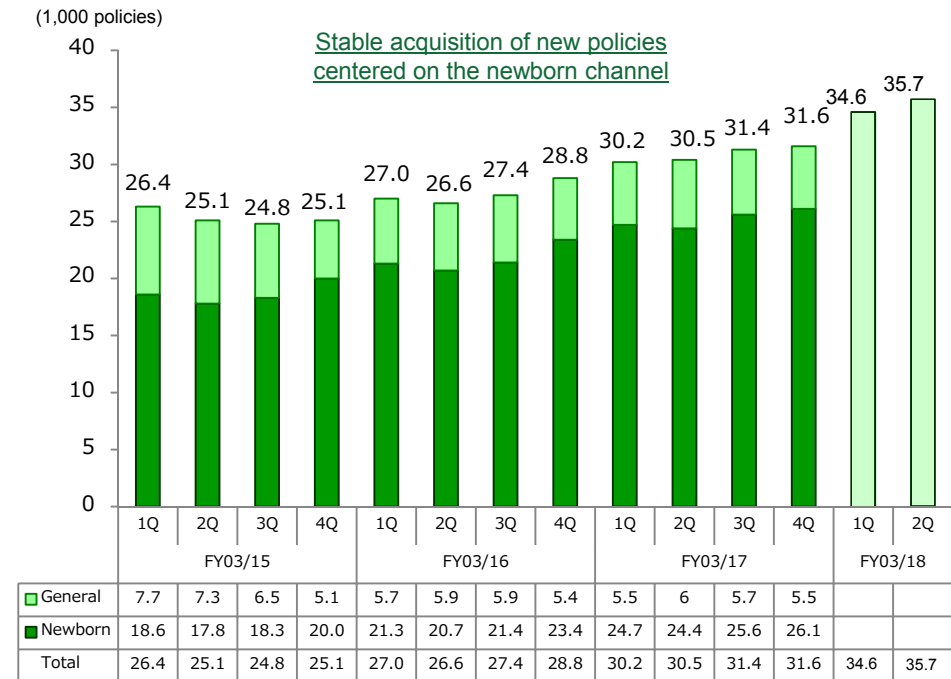
- Reserve to which 3.2% of annual premium revenue is systematically allocated each fiscal year.
- At the same time, the reserve may be drawn down until the net loss ratio reaches 50% with the year-start balance serving as the limit. The provision is recorded as a net amount.
- Over the full year, an amount roughly equivalent to "the sales increase portion x 3.2%" is recorded as a provision.

4. Recurring revenue indicators (Anicom Insurance (non-consolidated): trend in number of pet insurance policies in force / new policies)

■ Quarterly trend in number of policies in force



■ Quarterly trend in number of new policies

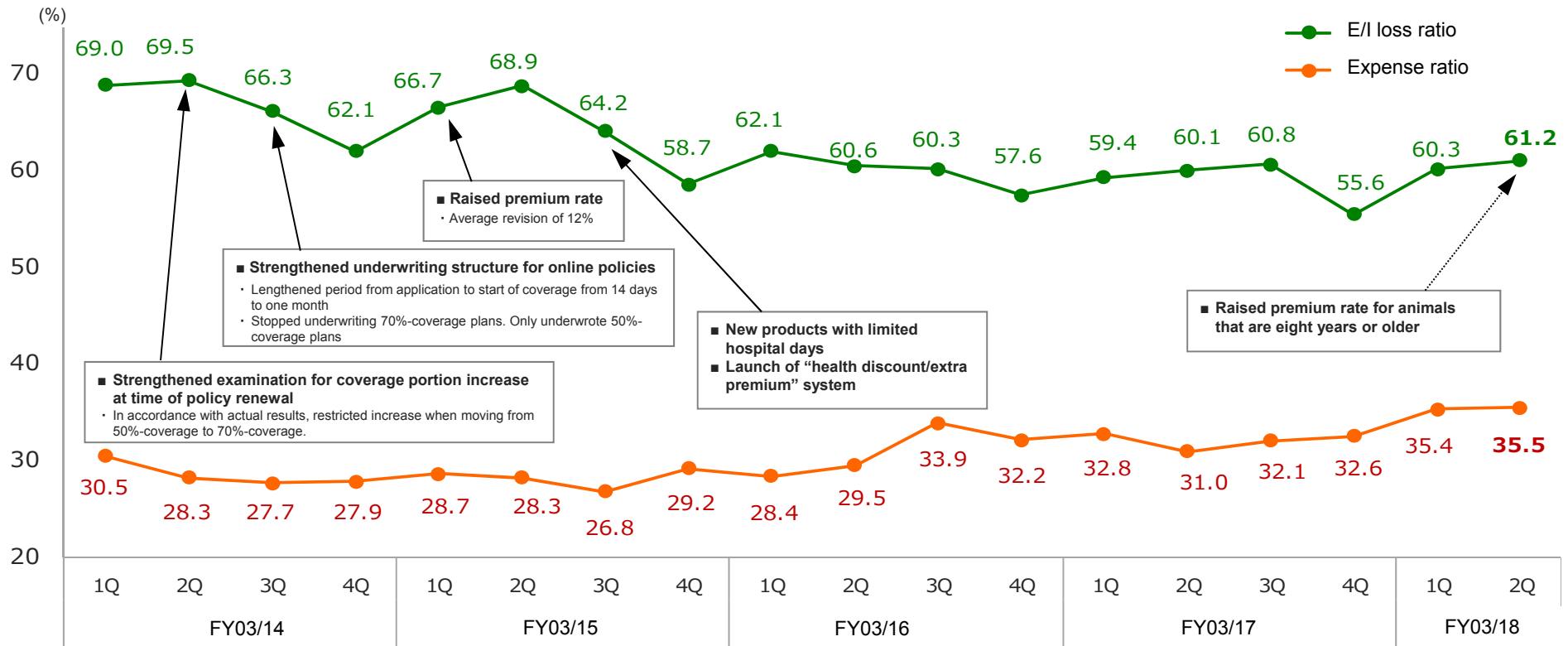


* Newborn: Pet shop channel

- **Steady acquisition of new policies.** Newborn and general channels both exhibiting YoY growth. Initiatives to strengthen online advertising are being continued with effects being periodically verified.
- **Renewal rate of existing policies solid at around 88%.**
- Based on the above, **the number of policies in force is steadily increasing.**
- The ratio of 50%-coverage plans to 70%-coverage plans is roughly 60:40 for total policies in force, with 50%-coverage plans accounting for a larger share. However, 70%-coverage plans account for over 50% of newly acquired policies.

5. Recurring expenses indicators (Anicom Insurance (non-consolidated): Loss ratio (E/I), expense ratio based on earned premiums)

Note 1: The graph below shows quarterly average values, and the data therefore may differ from average values for 1H FY03/18.
 Note 2: The expense ratio represents the "expense ratio based on earned premiums" (insurance business expenses / earned premiums).



- **The E/I loss ratio** is subject to seasonality in the form of an uptrend in 1–2Q, which coincide with the busiest period for animal hospitals, followed by an improvement in 3–4Q, when the frequency of hospital visits declines. In 2Q FY03/18, the loss ratio increased YoY, which is consistent with the trend seen in typical years. At the same time, our product portfolio steadily improved thanks to an increase in new policies. As a result, the **E/I loss ratio was in line with plan**.
- Despite great business volume, strict cost controls, and systemic improvements in operations, higher sales agent commissions due to a strengthening of newborn channel sales, and higher SG&A expenses attributable to stronger online advertising kept the **expense ratio slightly above plan**.
- Aiming for a balance between booking stable profits and making new investments, our **policy is to keep the combined ratio (loss ratio + expense ratio) at around 90% over the medium term (outcome is expected to be higher in FY03/18, which coincides with a phase of investment)**.

6. Consolidated balance sheet summary

(JPYmn)

Major accounting items and reasons for changes

	FY03/17	1H FY03/18	Change
Total assets	28,123	29,345	4.3 %
Cash and deposits	15,242	16,015	5.1 %
Marketable securities	5,914	5,965	0.9 %
Tangible fixed assets	1,432	1,401	- 2.2 %
Intangible fixed assets	904	1,218	34.6 %
Other assets	4,171	4,270	2.4 %
Deferred tax assets	597	610	2.2 %
Allowance for doubtful accounts	- 140	- 134	- 3.9 %
Total liabilities	15,842	16,668	5.2 %
Reserve for insurance policy liabilities	12,993	13,663	5.2 %
Of which payment reserves	1,739	1,938	11.4 %
Of which underwriting reserves	11,253	11,724	4.2 %
Other liabilities	2,635	2,778	5.4 %
Provision for bonus	172	181	5.3 %
Reserve for price fluctuations	41	45	11.0 %
Total net assets	12,281	12,676	3.2 %
Shareholders' equity	12,233	12,662	3.5 %
Of which capital	4,402	4,410	0.2 %
Of which capital surplus	4,292	4,300	0.2 %
Of which retained earnings	3,539	3,951	11.6 %
Of which treasury shares	- 0	- 0	- %
Valuation difference on available-for-sale securities	- 100	- 167	- %
Subscription rights to shares	148	182	22.5 %
Total liabilities and net assets	28,123	29,345	4.3 %

(1) Marketable securities

- Mainly investment in domestic securities and REITS.

(2) Reserve for outstanding losses and claims

- Amounts payable recorded to prepare for future insurance payouts. Reflects the total for 1. normal reserve for outstanding losses and claims (claims already received) and 2. incurred but not reported (IBNR) reserves (accidents subject to insurance but for which claims have yet to be received).
- Insurance payouts tend to increase basically in tandem with growth in the number of policies in force.

(3) Underwriting reserves

- Recorded as the total for 1. normal underwriting reserves (JPY10.915bn; unearned premiums) and 2. catastrophe reserve (JPY808mn; reserve for catastrophic events).
- Normal underwriting reserves tend to increase in tandem with growth in the number of policies in force, and are recorded as a balance equivalent to roughly 35–40% of net premiums written.

7. Consolidated cash flows summary

(JPYmn)

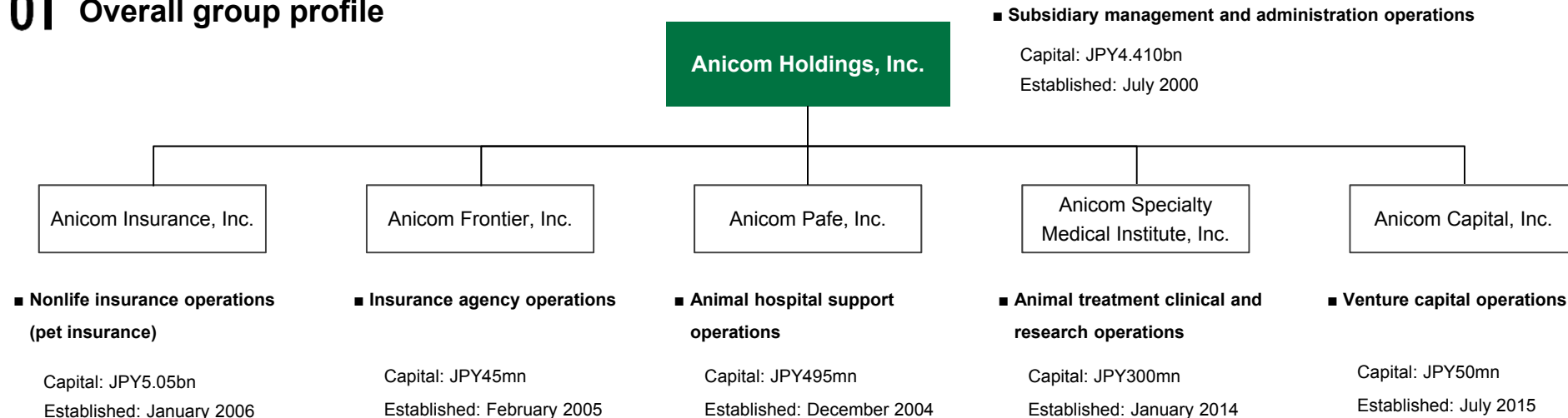
	1H FY03/17	1H FY03/18
Cash flow from operating activities	1,421	1,396
Cash flow from investing activities	3,139	- 749
Cash flow from financing activities	- 85	- 73
Change in cash and cash equivalents	4,474	573
Year-start balance for cash and cash equivalents	6,106	13,492
Year-end balance for cash and cash equivalents	10,581	14,065

- Steady growth in the number of policies in force has led to stable cash flows from operating activities.
- Cash flows from investment activities are being controlled via ongoing investment in assets and recovery through asset sales.
- Cash flows from financing activities reflect expenditures in the form of dividends from surplus.

APPENDIX

1. Group profile
2. Anicom Insurance business
3. Other group company businesses
4. Other services

01 Overall group profile



02 Group history

Apr 2000	Established anicom as voluntary association (mutual aid association for pets)	Jan 2008	Start of sales of pet insurance by Anicom Insurance, Inc.
Jul 2000	Based on anicom, established BSP Inc. as an animal insurance business entrustment company. (Changed trade name to Anicom International, Inc. in January 2005, and to Anicom Holdings, Inc. in June 2008)	Apr 2008	Start of pet insurance coverage by Anicom Insurance, Inc.
		Jan 2009	Published "White Paper on Household Animals" (published annually thereafter)
Dec 2004	Established Anicom Pafe, Inc.	Mar 2010	Anicom Holdings, Inc. listed on the Tokyo Stock Exchange Mothers market; (securities code: 8715)
Feb 2005	Established Anicom Frontier, Inc.	Jan 2014	Established the Japan Animal Specialty Medical Institute, Inc. (currently, Anicom Specialty Medical Institute, Inc.)
Jan 2006	Established Anicom Insurance Planning, Inc. to prepare for the establishment of an insurance company (changed trade name to Anicom Insurance, Inc. in December 2007)	Jun 2014	Anicom Holdings, Inc. shares moved to First Section of Tokyo Stock Exchange
		Jul 2015	Established Anicom Capital, Inc.
Dec 2007	Anicom Insurance, Inc. acquired a nonlife insurance business license Anicom International, Inc. acquired certification as an insurance holding company	Apr 2016	Established Celltrust Animal Therapeutics Co., Ltd. as a joint venture between Anicom Holdings, Inc. (49% stake) and Fujifilm Corporation (51%)

01 Major management indicators

	①	②	③	③ - ①		③ - ②		End-FY03/18 (forecast as of May 9)
	1H FY03/17	End-FY03/17	1H FY03/18	YoY		Vs. previous year-end		
				Numbers	Rate	Numbers	Rate	
① Policies in force	610,350	635,670	666,917	56,567	9.3 %	31,247	4.9 %	690,000
② New policies	60,710	123,849	70,414	9,704	16.0 %	-	-	149,000
③ Renewal rate	88.0 %	88.2 %	88.1 %	-	-	-	-	88.1 %
④ Insurance payout cases	1,407 ,000	2,823 ,000	1,506 ,000	99 ,000	7.1 %	-	-	2,988 ,000
⑤ Animal hospitals accepting Anicom	6,011	6,083	6,147	136	2.3 %	64	1.1 %	6,200

	1H FY03/17	1H FY03/18	YoY change	End-FY03/18 (forecast as of May 9)
⑥ E/I loss ratio	59.7 %	60.8 %	Up 1.1 Pt	59.3 %
⑦ Expense ratio (based on earned premiums)	31.9 %	35.5 %	Up 3.6 Pt	32.9 %
⑧ Combined ratio (based on earned premiums)	91.6 %	96.3 %	Up 4.7 Pt	92.3 %

	End-FY03/17	1H FY03/18	Vs. previous year-end	End-FY03/18 (forecast as of May 9)
⑨ Solvency margin ratio (non-consolidated)	297.5 %	292.6 %	Down 4.9 pt	Around 310 %

02 Anicom pet insurance characteristics and highlights

(1) Pet health insurance issued for widest range of animals in the animal insurance industry



Within the scope of a maximum payment limit, Anicom provides insurance payouts that partially cover medical costs arising from animal injuries and illnesses subject to insurance. (No coverage for deaths). We offer insurance for 13 types of animals, the largest number in the animal insurance industry.

(4) Pet training workshops, health consultation sessions, and other events



Anicom organizes highly popular face-to-face pet training workshops and pet health consultations sessions for policyholders. We plan to expand these services based on constructive dialogue with our customers.

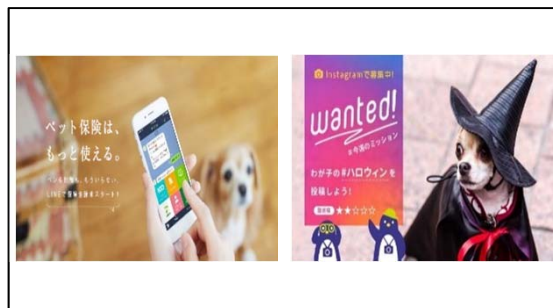
(2) Employees consist of affiliated industry professionals, including veterinarians



Anicom employs many affiliated industry professionals such as veterinarians, pharmacists, and attorneys. We not only disseminate information about preventive practices, but also provide insurance claim assessments, audits and monitoring services that leverage our specialized knowledge.

NEW !

(5) Growing SNS presence (LINE, Instagram, etc.)



Anicom started offering insurance claim services using LINE in 1H of 2017, and established an Animal Hotline facilitating direct consultations with Anicom veterinarians from June 13.

Additionally, we created an Instagram page, where we post information on weekly topics (#shitapero [dog picture] campaign or #Halloween).

NEW !

(3) New product "Petit" goes on sale (October 2, 2017)



Our new product Animal Insurance Petit went on sale on October 2017. Petit is geared specifically toward hospitalization and surgery and lowers premiums to roughly one third of traditional products. The product caters to the needs of customers who look for insurance to prepare for "just-in-case" situations.

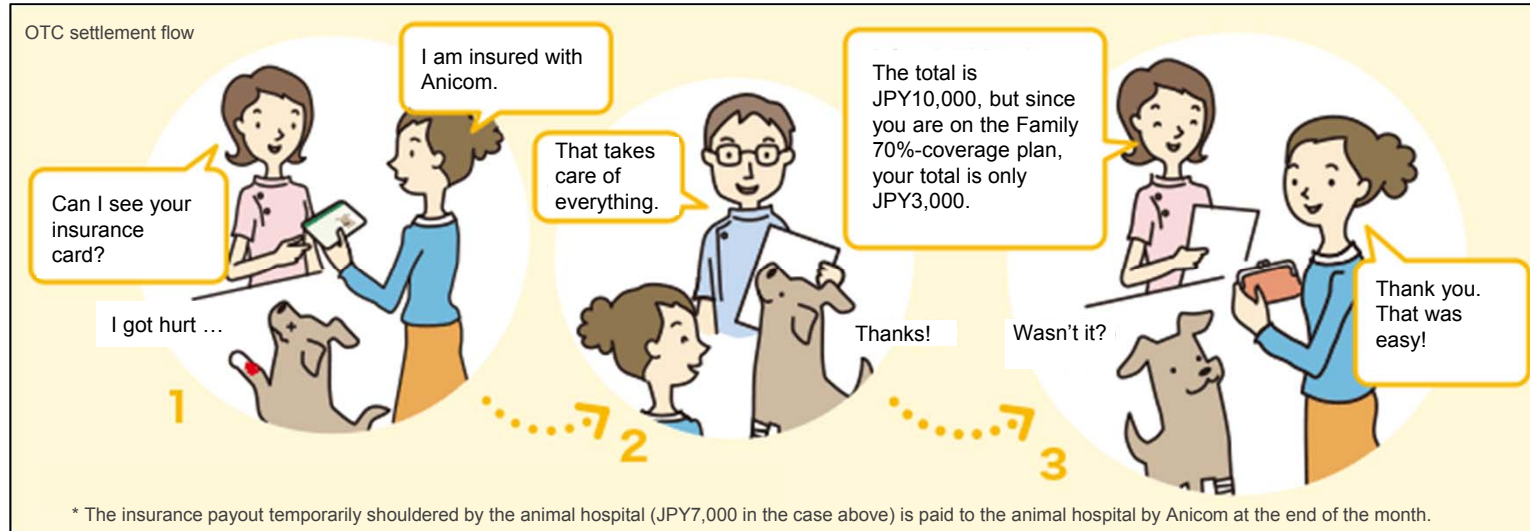
(6) Partnership with Benesse Holdings, Inc.



On May 23, 2017, Anicom announced a business partnership with Benesse Holdings, Inc. aimed at strengthening services geared toward pet owners, including sales of pet insurance through magazines such as *Inu no Kimochi* and *Neko no Kimochi*.

03 Major strengths of Anicom Insurance

Establishment of OTC insurance settlement system



01 High customer convenience

We were the first company to establish an [over-the-counter \(OTC\) settlement system](#) for animals in Japan, allowing policyholders to pay only uncovered amounts out of pocket simply by presenting their insurance card at the hospital (similar to the National Health Insurance system). This business model is centered on increasing the ease of use of insurance. This is important as medical treatment for animals is characterized by low cost but high frequency. "Ease of use", therefore is Anicom Insurance's greatest strength.

02 Many hospitals accepting Anicom

Since the establishment of the company, we have worked continuously to expand the number of [animal hospitals accepting Anicom insurance](#) which exceeds 6,100 today (over half of all animal hospitals in Japan). This is vastly higher than that of our competitors. In addition, Anicom is highly competitive because veterinarians who establish a new hospital are more likely to partner with an insurance company that has a broad presence in the market as their first choice.

03 Low administrative costs

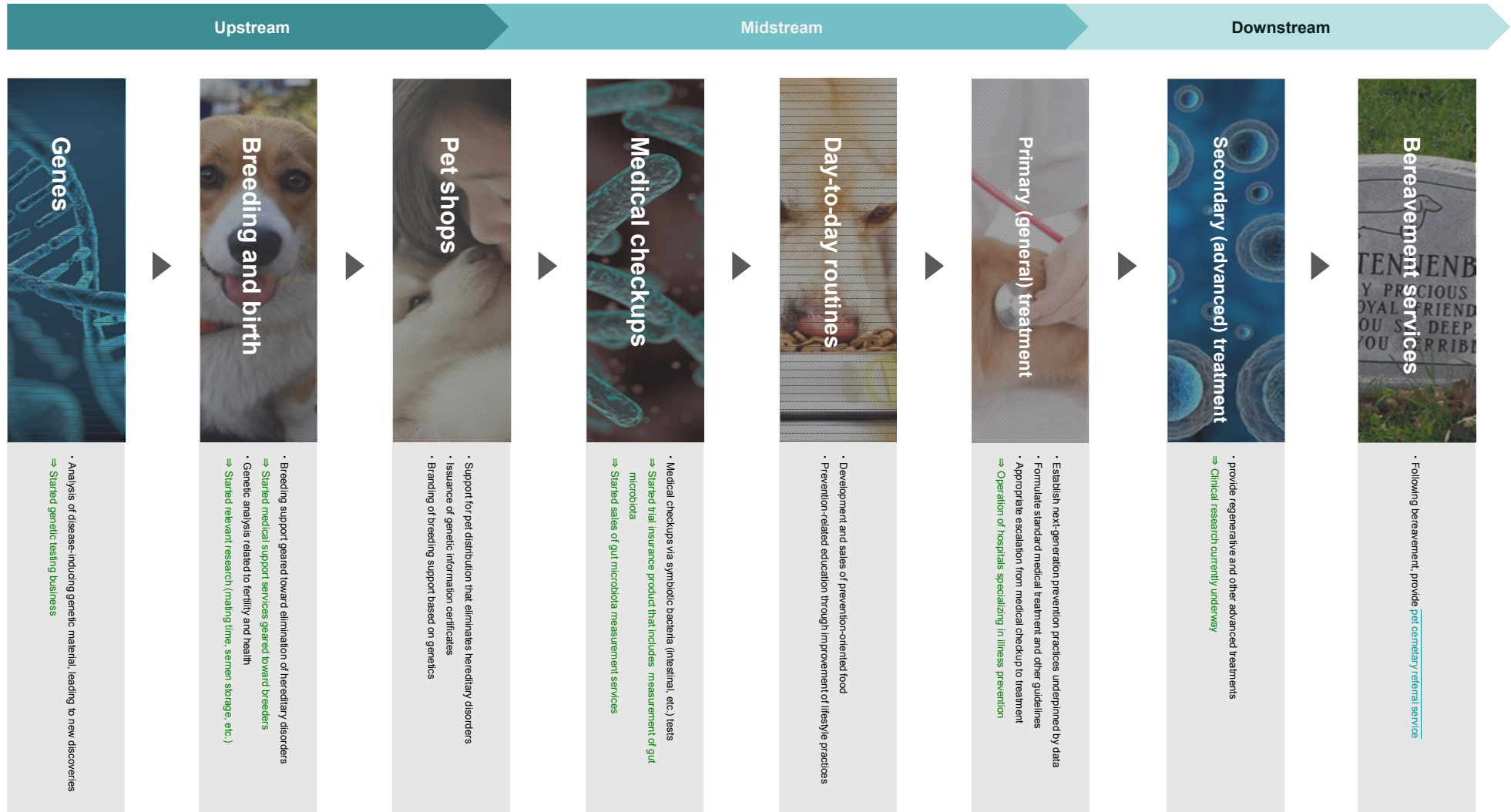
Conventional business models that require policyholders to mail their claims to the insurance company incur administrative costs for each case. These costs include bank transfer fees, postage and appraisal fees. Such fees are significantly reduced through our OTC settlement system. Of the annual 2.8 million claims we receive, roughly 90% are settled over the counter, resulting in high business efficiency.

3. Other group company businesses

Strategy for Anicom Group's new businesses

Excerpt from mid-term management plan FY03/20

We are developing the following business and research programs with the aim of building “infrastructure business that covers all aspects of a pet’s lifespan.” Anicom Group pursues this management strategy for its new businesses as it seeks to become a prevention-oriented insurance company.



3. Other group company businesses

Excerpt from mid-term management plan FY03/20

[Upstream] Eliminating hereditary disorders of pets

In their role as working animals (partners to humans), dogs have been bred throughout history into various breeds in accordance with particular needs. However, this has often involved inflexible and irresponsible breeding which has led to a number of hereditary disorders. While hereditary conditions for people can be extremely difficult to address, similar afflictions for pets could be eradicated through responsible breeding and other practices.



(Logo of genetic disorder assessment and elimination project)

01 Breeding support to eliminate hereditary disorders



For example: [Degenerative Myelopathy \(DM\)](#) is a hereditary disorder that commonly occurs in Welsh Corgis. Once the disease develops, it cannot be cured and in many cases leads to death within a period of about 18 months. However, some Welsh Corgis do not carry this abnormal genetic condition. At the breeding stage, it should in theory be possible to eradicate DM by matching dogs that are clear of the condition. By providing such breeding support, we aim to promote the distribution of healthy cats and dogs that are free of hereditary disorders. We also aim to provide information related to previously unknown genetic predispositions to certain illnesses, and reduce the number of animals suffering from hereditary disorders, accordingly.

02 Development of genetic testing business



Anicom Specialty Medical Institute conducts [research on disease-inducing genes](#), and has had success in developing analytical technologies. Going forward, we look to expand the breadth and depth of such research, discover new hereditary disorders, develop proprietary testing technology and commercialize such tests. By going beyond testing and concurrently pursuing treatment-related research, we aim to create an environment that fosters reassurance even when animals have been diagnosed with a hereditary predisposition to illness. Specifically, we aim to remove hereditary disorder risk. Further, by establishing a brand for our animal genetics-related business, we aim to raise awareness about hereditary disorders and how they can be eradicated.

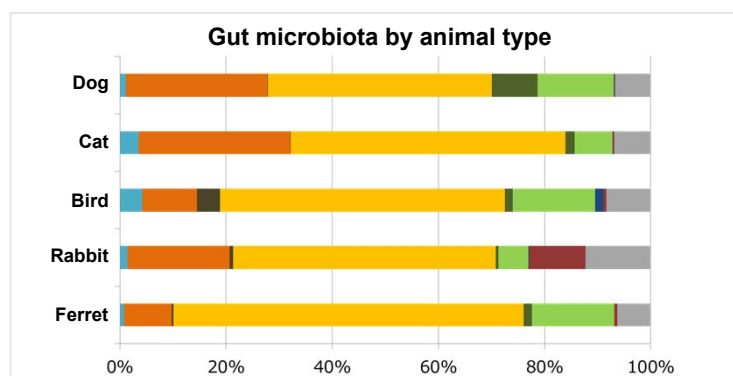
3. Other group company businesses

Excerpt from mid-term management plan FY03/20

[Midstream] Enhancing symbiosis with bacteria that hold unlimited potential

Because of their considerable potential symbiotic bacteria (e.g. gut, oral, skin microbiota) have attracted the attention of researchers from around the world. Anicom started research related to animal microbiota in 2016, and has since accumulated a vast amount of data from over 10,000 tests. We aim to find commercial applications for this data, and support extension of animals' healthy lifespan accordingly.

01 Wealth of research achievements



Anicom started symbiotic bacteria (intestinal, etc.) tests on animals in 2016, and has conducted over 10,000 of such tests. [Anicom's research](#) suggests that different types of animals have different and distinctive gut microbiota.

By comparing symbiotic bacteria test data with insurance claims and our [Animal Kokusei Survey](#) (Anicom survey on lifestyle practices), we are identifying correlations between some illnesses and lifestyle practices and intend to publish such findings in research articles and the like going forward. We also aim to expand our policyholder-oriented gut microbiota tests to non-policyholders and commercialize this business accordingly.

02 Business development centered on symbiotic bacteria



We aim to develop various businesses and services based on the research results shown in 01. For example, we are pursuing research related to food and drink, which are strongly correlated with symbiotic bacteria. By clearly identifying the optimal diets and lifestyle practices for each animal category, we look to develop pet foods and supplements either individually or in partnership with others.

We will work to increase revenue through development of non-insurance businesses revolving around symbiotic bacteria, while also reducing insurance payouts through prevention of disease outbreaks and escalation into serious conditions.

3. Other group company businesses

Excerpt from mid-term management plan FY03/20

[Downstream] Leveraging treatment data toward prevention: data from over 15 million claims

Anicom has access to big data such as insurance claim data derived from over 15 million cases, data from the [Animal Kokusei Survey](#) and [Anicom Receptor](#) (our management system for treatment records). Anicom aims to leverage these assets to establish next-generation prevention services that can help reduce insurance payouts.

01 Largest veterinary statistics publication in Japan



Released as a free publication since 2009, the [White Paper on Household Animals](#) conducts multifaceted analysis using reference data related to health management for household animals and animal illness statistics derived from insurance payout data. Representing the largest collection of epidemiological data in the country, the publication is widely cited in newspapers and other publications, and now contributes to the broad-based development of veterinary medicine and other segments of the pet industry.

02 AI-assisted development of next-gen preventive services



We are working to develop next-generation prevention services by utilizing insurance claim data in combination with our Animal Kokusei Survey results, and [Anicom Receptor](#) data (our management system for treatment records). Additionally, we will utilize a vast and diverse collection of other data such as genetic data and test data on symbiosis bacteria.

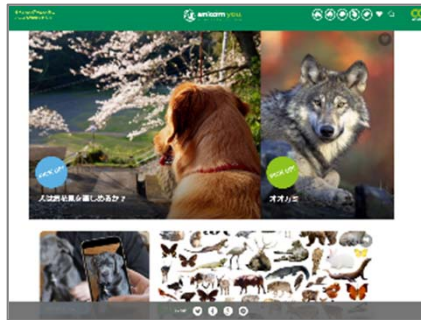
In addition to expert human analysis, we are leveraging [deep learning](#) (AI) to support the establishment of next-generation prevention services that only Anicom can deliver. Importantly, this includes such things as reporting illnesses before they develop.

4. Other services

* Clicking the pictures below will open the relevant website in your browser.

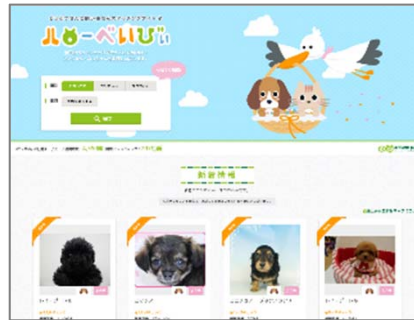
01 anicom you

Online magazine that disseminates information about preventive practices and fun facts related to pets, as well as information about rare animals and species threatened with extinction.



02 Hello baby

A matching support site that disseminates information about pets for sale at nationwide pet shops.



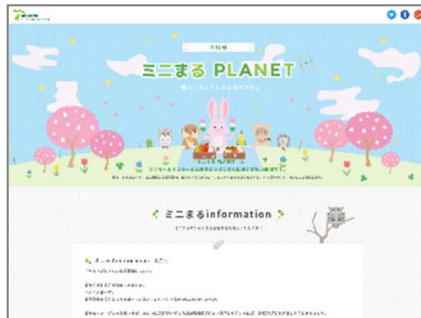
03 STOP heatstroke

A project that raises awareness of preventive practices with the aim of reducing cases of heatstroke among dogs. We also operate a project to stop accidental ingestion cases.



04 Minimaru PLANET

An online magazine that disseminates information related to exotic animals (i.e., animals other than cats and dogs).



05 Animal life support

A service under which Anicom insurance policyholders can receive benefits when visiting affiliated dog cafes, hotels and other facilities.



06 Various SNS services

Various services offered through LINE, Facebook, and Instagram. You can find us there under "Anicom."





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