

# anicom

## Integrated Report 2023

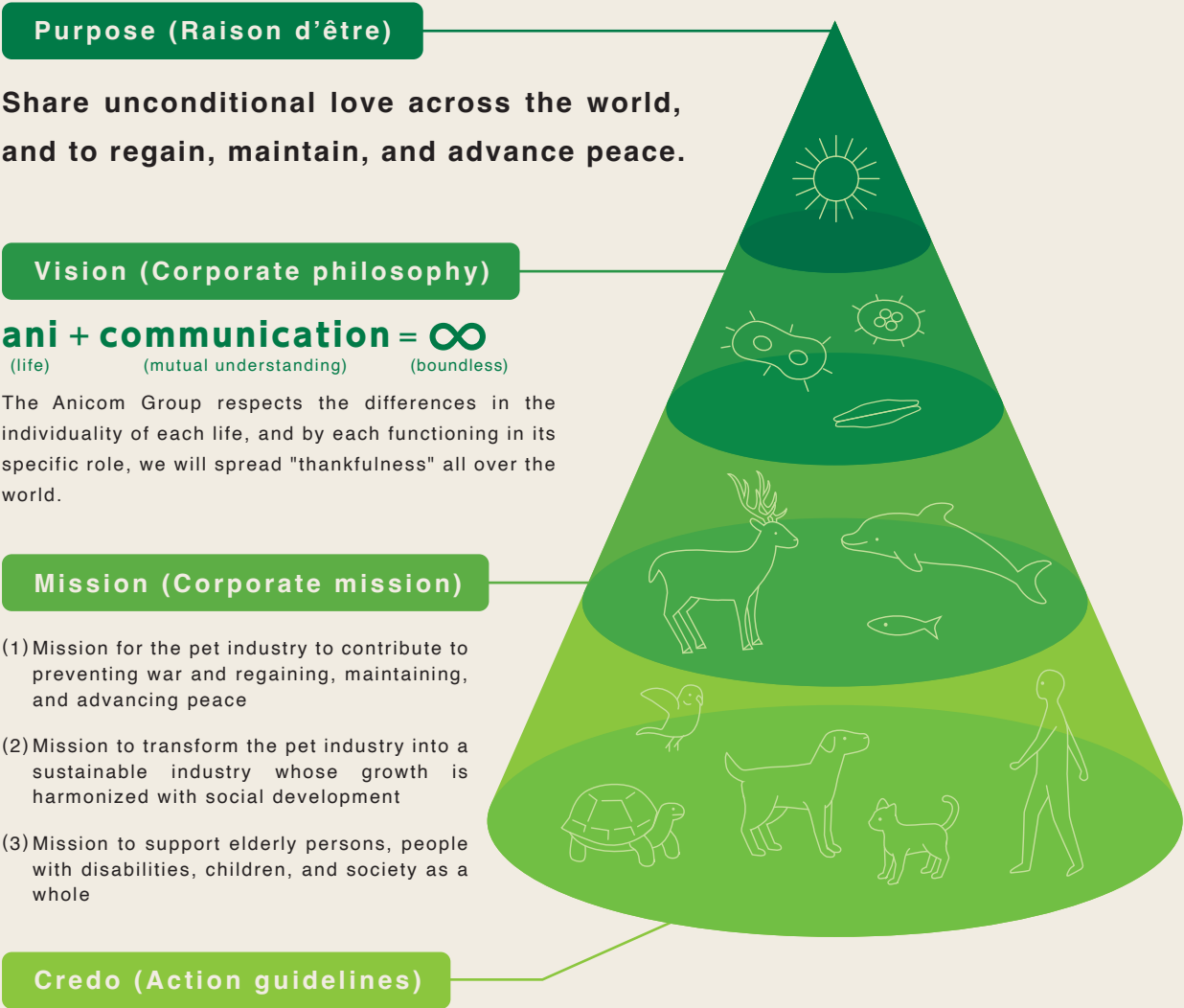
For the  
Healthy Future of Pets



# Anicom Group Philosophy Framework

Our Group Philosophy Framework is our highest-order management concept, consisting of our Purpose (Raison d'être), Vision (Corporate philosophy), Mission (Corporate mission), and Credo (Action guidelines).

Under the new Group Philosophy Framework and principles, we will implement the Mid-term Management Plan and other management strategies to achieve the creation of economic and social value.



## 1. Open oriented

We aim to be a company that is open and receptive to dialogue. We will strive to ensure that no matter how large our organization becomes, the voices of our customers and stakeholders will reach every corner of the company. This is consistent with our aim to be a company that is open and receptive to dialogue, where our customers and stakeholders feel seen and heard.

## 2. Market-out oriented

We strive to create new value always from the perspective of customers. With the perspective of our customers always in mind, we will thoroughly implement management that consciously looks outward toward the market (responding to customers' true needs), creating services that customers want. In doing so, we will strive to realize our customers' wishes and create new value.

## 3. Role oriented: we each fulfill our roles

We promote dramatic growth of both the individual and the organization by each fulfilling their roles to the best of their abilities. By clarifying the role of each individual and the organization as a whole, and by playing those roles to the best of our abilities, we will continue to take on any and all challenges boldly, constantly absorb new skills, and practice management that promotes dramatic growth.

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Editorial Policy  
In editing this report, we referred to the IFRS Foundation's "International Integrated Reporting Framework", and the Ministry of Economy, Trade and Industry's "Value Creation Guidance" to provide an easy-to-understand explanation of the economic and social value we provide to our stakeholders through our value creation process and business model. This report also serves as disclosure material prepared in accordance with Article 271-25 of the Insurance Business Law and Article 210-10-2 of its Enforcement Regulations.



# The Pet Industry's Mission

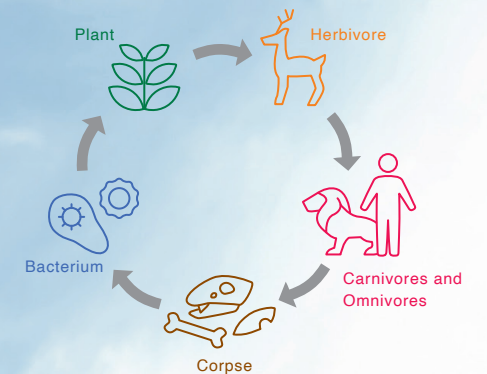
A decade ago, having pets was a "hobby" for a small group of pet lovers. This has changed dramatically on a global scale. Although living with pets is not prohibited in any country, regulations on the sale of animals are being tightened, and the details of these regulations vary widely. This is because the social role of the pet industry has not been clearly defined, and the regulations that should be in place have not been standardized.

All industries are mutually cooperating with each other to fulfill their respective social missions to enrich society. What is the social mission of the pet industry which supports the lives of ordinary households by providing them with animals (pets) that are raised neither for consumption nor for labor. The influence of science and technology created by human society is so great that it presents the danger of destroying all life if wrongly used. This includes human beings, and the environment which sustains all life. In this social climate the pet industry, which deals with life itself, is charged with three unique missions concerning matters related to the existence of life itself.

## 1 The Interconnectedness of Life

The earth does not belong only to humans

In places where modern civilizations have evolved, relationships with other life forms have become increasingly rare. This is causing a tendency to mistakenly believe that human beings can survive on their own. Therefore, we have a mission to convey to people, through the existence of life (pets) which is familiar to us, that life is neither noble nor lowly, and that only through the interconnectedness of diverse life forms can the survival of all life be maintained.



## 2 The Importance of Unconditional Love

To avert further war crisis

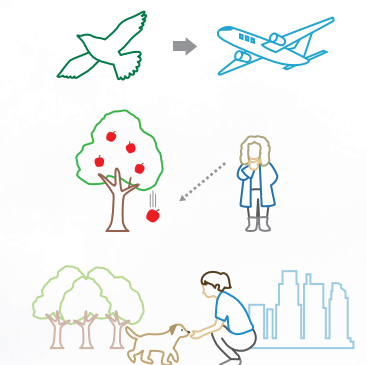
Pets are created through inbreeding so that they inherit traits favorable to humans. They are like a bundle of love, with "0% power to survive on their own and 100% power to love and be loved." Humans wage war based on their own logic, but war destroys not only the parties involved but also other lives and the environment. Therefore, pets play a role in spreading the importance of environmental protection through their "unconditional love," which is not based on logic but on love.



## 3 The Need to Learn from Nature

Facilitating human sociological evolution

Important discoveries and inventions in history have come about through observation of the natural world. In order to hone this observational ability and promote human sociological evolution, we will fulfill our mission to inform society that pets themselves are a representative example of nature close at hand.





## Anicom's Mission

**To create a society  
where people,  
pets and all life,  
can shine together**

Healthy pets are essential for the pet industry to fulfill these missions, and we believe that making pets healthy is the mission of the Anicom Group, an infrastructure provider in the pet industry.

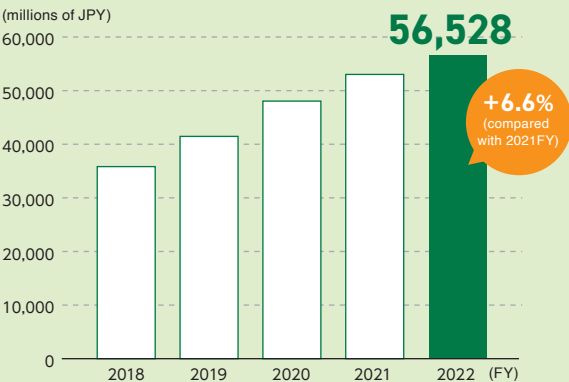
Anicom group will analyze diverse data on injuries and illnesses and provide the results to pet owners and their pets and thereby improve pet health. Our ultimate aim therefore, is to become a prevention based insurance company group. Pets become healthier with Anicom.





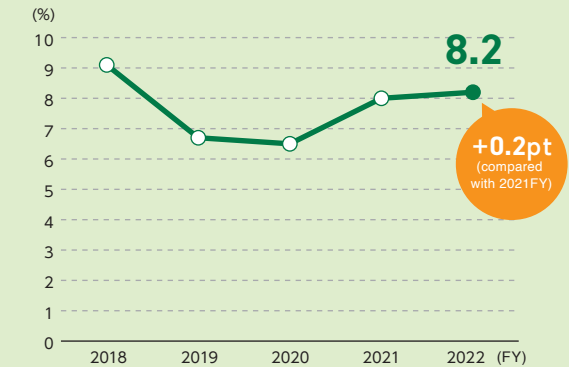
# Financial Highlights

## Consolidated recurring revenue



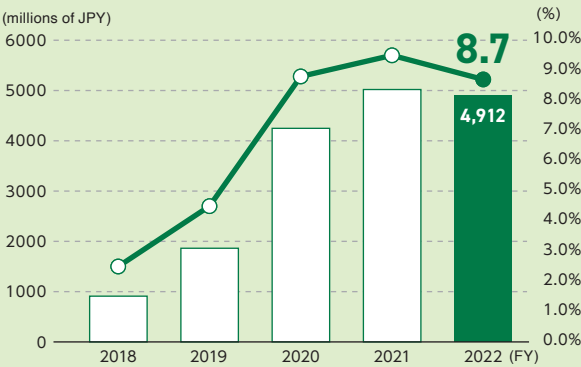
As a result of efforts to link solid pet-owning demands to the acquisition of new pet insurance policies, and efforts to improve policy acquisition costs, consolidated ordinary revenues and consolidated ordinary income reached record highs for both the third consecutive year since the Company's listing and for the third consecutive fiscal year.

## Consolidated ROE



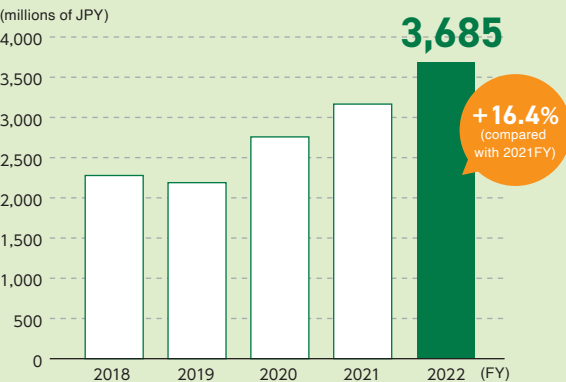
We have improved our capital efficiency, which was lowered by the equity financing in FY 2018, to a level higher than our cost of capital.

## Synergy generation business sales and sales ratio

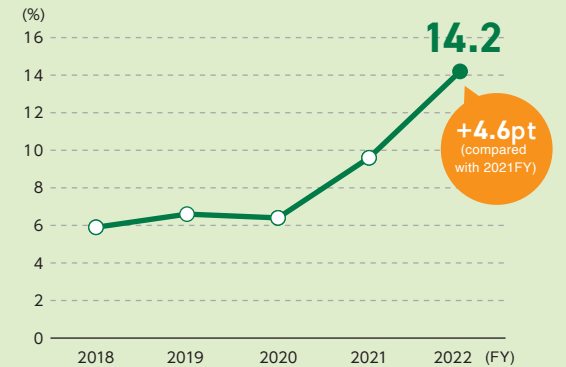


We aim to expand business that has synergy with our pet insurance business. This includes the implementation of mergers and acquisitions to achieve sales growth.

## Consolidated recurring profit

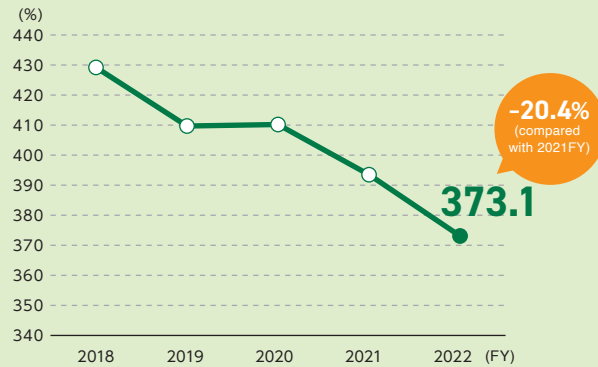


## Dividend payout ratio



We have continued to pay dividends since FY 2015, and we are implementing a phased increase in dividends to improve the dividend payout ratio to the 20% level under the Mid-term Management Plan 2022-2024.

## Solvency margin ratio (non-consolidated)



We will strive to achieve an optimal capital structure going forward. Concurrent to this, discussions related to the review of regulations (risk coefficients) and pertaining to insurance soundness over the medium term are underway.

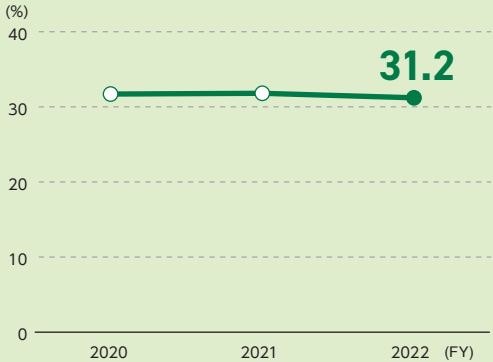
# Non-Financial Highlights

## People

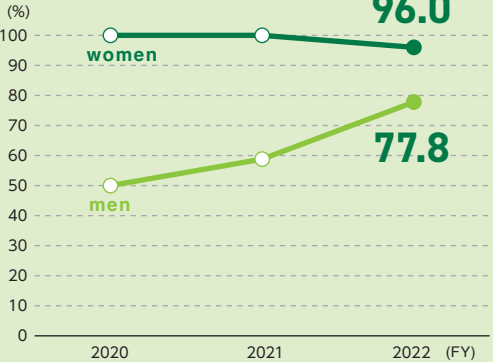
To close the gender gap, we are actively promoting women to management positions and encouraging men to take maternity leave.

\*1 Calculated for the Company and its consolidated subsidiaries.  
\*2 Managers are defined as "those with subordinates, and higher positions. Those who are in equivalent positions even if they do not have "subordinates," excluding "executives" are also defined as managers.

## Percentage of women in managerial positions



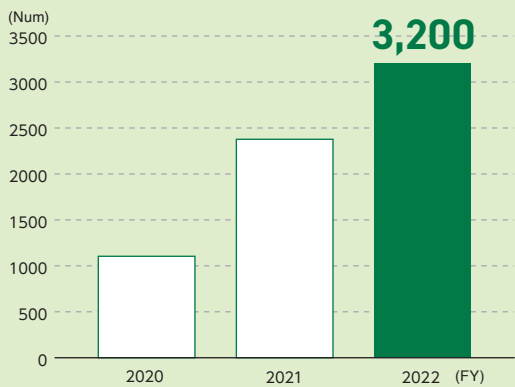
## Rate of maternity leave taken (women and men)



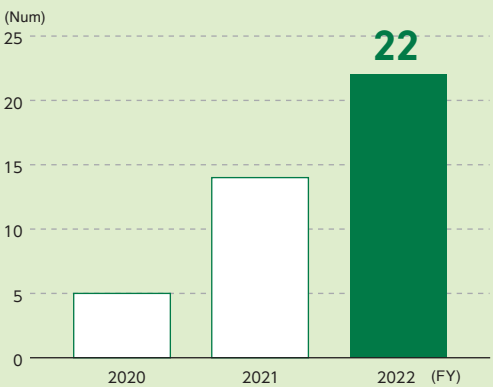
## Pets

Supporting the adoption of shelter dogs and cats, is one of the things we do to solve the culling problem which is an issue in the pet industry.

## Number of adoption through "hugU," a foster parent matching website



## Number of adoption events assisted

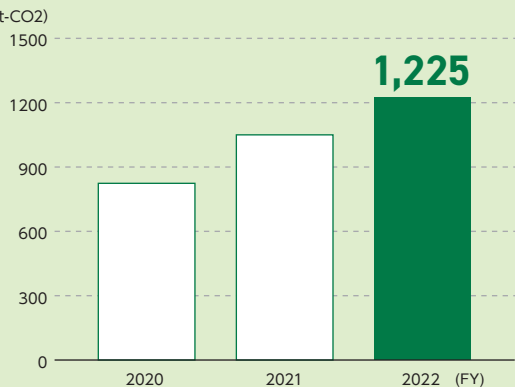


## Environment

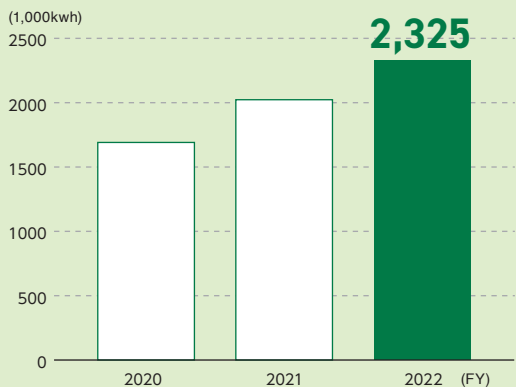
To achieve carbon neutrality, we will work to reduce CO2 emissions and electricity consumption.

\*1 Calculated for the company and its consolidated subsidiaries, excluding 6.5 gas emissions.  
Some animal hospitals are excluded because they do not have data collection systems in place; data coverage is 99% on a sales basis.  
Data coverage rate (%) = Total sales sources where data collection is possible / Total sales of group companies subject to calculation  
\*2 Scope 1+2 emissions are calculated using "adjusted emissions" of "emission factors by electric utility" published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

## Scope1+2 emissions



## Electric power consumption



## Message from the CEO

As people become policy holders utilizing our services, their pets become healthier, adding new value to their lives, bringing smiles to both pets and people.

Anicom Holdings, Inc.  
Representative Director

小森 伸昭

### As the pet insurance market accelerates expansion, Anicom reaffirms its origins.

From time immemorial, life has existed only in relation to its environment and other life. However, humans have advanced technology allowing us to live free and secure from hunger and danger. And now, in our quest for freedom, we have gone so far as to gain a certain amount of freedom from the bonds of companionship and family. The result, ironically, is that we are now living in a modern world where we are rapidly becoming more and more lonely. There are plenty of amusements available to relieve loneliness, but amusements cannot relieve essential loneliness. We believe that pets not only relieve this loneliness, but also provide us with unconditional love.

In recent years, the world has been hit by Covid 19 and the threat of war. This has caused increased anxiety among people. Against this backdrop, pets as a fundamental cure for loneliness have become more important than ever to companies in Japan. The reason for this is that companies have been able to dramatically lower the cost of communicating with their customers by using

pets as a way to engage with them.

Within the pet industry, there has been a particular focus on pet insurance. We believe that this is because insurers are also aiming to efficiently acquire customer databases through pet insurance and to use those databases for their future business aims. In fact, over the past year or two, the Japanese pet insurance industry has become one of the most fiercely competitive sectors in insurance history.

Looking back on this intensely competitive environment, we believe that no new insurance services developed to date can surpass the convenience that our Group offers. Additionally, Anicom Group has been able to reduce the prices of its products and services. Furthermore, there are now many strategies being used in the pet insurance sector that focus on price sensitivity; that is to say "low prices". This indicates that the existence of pet insurance has finally become commonplace in the world.

Therefore, from now on, we will continue to put all our efforts in pursuing the goal we have sought since our establishment: "insurance that makes pets healthier by providing new medical services".







with "Miitan", the meerkat who is part of our family

## What is the true role of a pet insurance company?

I believe the true role of an insurance company is to provide information to customers to prevent accidents and illnesses from occurring in the first place. This is accomplished by analyzing why accidents and illnesses occur. Before founding Anicom, I worked for a property and casualty insurance company, but at that time I was frustrated that I could not eliminate accidents and illnesses. I believe that it is not enough to pay insurance claims quickly and without mistakes.

What makes this "health insurance (that makes you healthier)" possible is a vast amount of data. Anicom has data on more than 1.1 million pet insurance policies, more than 6,700 affiliated animal hospitals, more than 4 million insurance payments per year, and data on more than 500,000 genetic and gut microbiome tests. Based on this vast amount of data, we identify the causes of injuries and illnesses one by one and provide preventive information to our customers. By doing so, we can prevent injuries and illnesses, and keep animals and their owners healthy and smiling. This is what we are aiming for with our new service that makes pets healthier when they join and stay with Anicom.

## Transforming huge amounts of raw data into high quality usable data, and creating new services

Historically, inbreeding methods have been widely utilized in creating the pets we know today. This has made pets genetically vulnerable. Genetic research is, therefore, extremely important when considering pet health. Consistent with this, Anicom has established a comprehensive system for genetic testing and is conducting research to prevent genetic diseases.

In addition, specialized care is important to mitigate congenital vulnerabilities. In particular, we believe that gut care and oral care are key. Increasing the diversity of food stimuli is important in intestinal care. To foster a healthy gut microbiome pets must be fed varied, nutritional foods which changes daily, rather than feeding an unchanging, though generally nutritional diet. Anicom has developed One to One food derived from the measurement results of gut microbiome and genetic test data. Although there were individual differences in the response to One to One food, the overwhelming trend was improvement in gut microbiome diversity. In the future, we intend to expand our food business by expanding our partnerships with pet stores and food manufacturers.



Also, as it is commonly said in Japan that "teeth are life". Proper oral care is closely related to proper food intake and hygiene. These are essential in preventing periodontal disease, which is a source of systemic inflammation. Anicom research has shown that periodontal disease occurs in pets as early as age 0, and that periodontal infection increases the probability of other subsequent diseases by a factor of 1.4. However, the importance of oral care is still not fully recognized by pet owners. In order to improve this situation, Anicom intends to promote research and development of drugs that eliminate the bacteria that cause gingivitis and periodontal disease.

In the past, it was not possible to identify the factors that increase the risk of disease and to elucidate the probability of onset. We believe that now however, a disease prevention mechanism is finally being established. From now on, we will use our vast amount of data, transforming it from "quantity" into "quality."

## Like the name Anicom... The thoughts behind the "One Employee, One Patent" strategy

The company name "Anicom" expresses our desire to make possible what was once thought to be impossible by helping all living things (anima) understand each other and work together toward a single goal (communication). While human beings and all life are finite, the environment is nigh infinite. Stock prices may suddenly plummet, or unprecedented natural disasters and epidemics may occur. In order to successfully confront these unpredictable and unstoppable changes in the environment, we will combine people with completely different skills and personalities, compensating for each other's shortcomings, and through the power of infinite combinations, continue to create new value.

As Anicom's unique mechanism for drawing out the collective wisdom of the organization, we are implementing the "All Employees, One Patent, One Person Strategy." The most important role of life is to leave behind a legacy, but what can we leave behind as members of society? We believe that we can leave behind a sociological legacy of intellectual property and patents.

In the past, the results and discoveries of work accomplished by a company or organization were generally left behind in the name of the company or organization, and very few discoveries were left behind in the name of the individual. At Anicom, we want to completely revamp this concept and have our employees proudly tell their families and the next generation, "I made this new invention, and through this invention, I have improved society, the community, Japan, and the earth." This is the idea behind our All Employees, One Patent, One Person strategy.

## Anicom enters its "second founding phase" New business development

There is a theory called the "Central Limit Theorem" that is closely related to the "normal distribution" whose concept was established by Gauss, who is considered one of the greatest mathematicians in history. This is a theorem that shows that by repeating measurements and taking an average among the measured values, one can obtain a result that approaches the true value. The true answer exists between error and error, wrong and wrong, in the measurement values. The more times you repeat the number of trials, the more accurate. The more we accumulate, the closer we get to the true value with certainty. In other words, it has been mathematically

proven that all efforts, if the direction is correct, will surely lead to the true value with each repeated trial.

It is also known that ice can undergo a phase transition to liquid water when heated, and to gaseous water vapor when heated even more, and therefore on to something completely different, though they are the same substance. We believe that in business as well, a phase in which "quantity" transforms into "quality" will appear. If you keep trying over and over again to learn to ride a bicycle without the training wheels, your body will eventually imprint a sense of balance and you will be able to ride a bicycle. If you continue to study a foreign language, you will suddenly become able to use it at a certain stage, even though you had previously had difficulty speaking, listening, writing, and reading. In this way, we believe that the dimension of "quality" will change rapidly as you continue to accumulate "quantity" without giving up. On the other hand, if we are satisfied with the status quo and stop striving, all growth will stop there.

In the 23 years since our founding, we have worked hard, through good times and bad, to establish and promote preventive services, and as a result, we have established ourselves as a leading pet insurance company in Japan. We recognize that we are finally at the threshold of promoting true health-enhancing insurance and medical care.

Anicom has entered the second phase of its foundation. We will further develop new business aggressively by converting the vast amount of data we have accumulated so far into quality such as intellectual property.

As a company based on life, we will continue to fulfill our social mission and aim to increase our corporate value.





# The Value Creation Process

Through the investment and optimization of management resources, we are executing our business strategy and seeking the solution of social issues. We aim to realize our long-term vision by building a cycle that enables continuous and sustainable value creation, and by creating a virtuous cycle with our stakeholders.

## Philosophy

Management Philosophy

ani+com=anicom The Anicom Group respects the differences in the individuality of each life, and by each functioning in its specific roles, we will spread "thankfulness" all over the world.

## Vision

Vision for 2030

Provide unlimited value to society as an infrastructure provider that connects upstream to downstream in the animal industry in a progressive manner

## Strengths

### Trust in the Anicom brand

- Insurance policy renewal rate: 88.2
- Dissemination of information through veterinary consultation, lost-pet search service, and owned media
- Pet care for people who became infected with the corona virus: 102 pets
- Fundraising and donations to help Ukraine / Turkey and Syria earthquakes

### Great customer convenience and high operational efficiency with over-the-counter payment system

- Number of animal hospitals supported: 6,789
- Percentage of claims settled over the counter: 86.8%

### Sales force covering the whole country and abundant channels

- Number of pet shops/breeder agents: 4,168
- Number of general agents: 8,572
- Breeders, pet shops, web agencies, insurance companies, banks, local co-ops, etc.

### Creating new value through abundant data and data analysis

- Data on over 4 million insurance claims per year
- Total number of applications for intestinal flora measurement: approx. 660,000
- Cumulative number of genetic testing samples: approx. 460,000

### Active promotion of diverse professional human resources

- Veterinary license holders: 148
- Doctor of Medicine/Agriculture/Physical Science/Pharmaceutical Science, Lawyer, Certified Public Accountant, Actuary, Patent Attorney, Designer, etc.

## External Environment

- Special breeding demand due to the COVID-19 disaster appears to be calming down, but remains strong
- Major companies and others entering the pet insurance industry one after another
- Distribution revolution accelerating through the fusion of breeder and pet store businesses following the tightening of regulations under the Animal Welfare Law
- Increasing frequency of animal hospital visits and rising unit medical fees

## A business model for making animals' lives richer and healthier.



## Social Value



- Providing a sense of purpose in life
- Contribution to community revitalization
- Fairness in educational opportunities

- Strengthening social functions
- Health and wellbeing



- Mental and physical health
- Transparency in the supply chain
- Improved status of pets



- Reduction of environmental impact
- Biodiversity conservation

See p. 37.

Pursuing both social and economic value

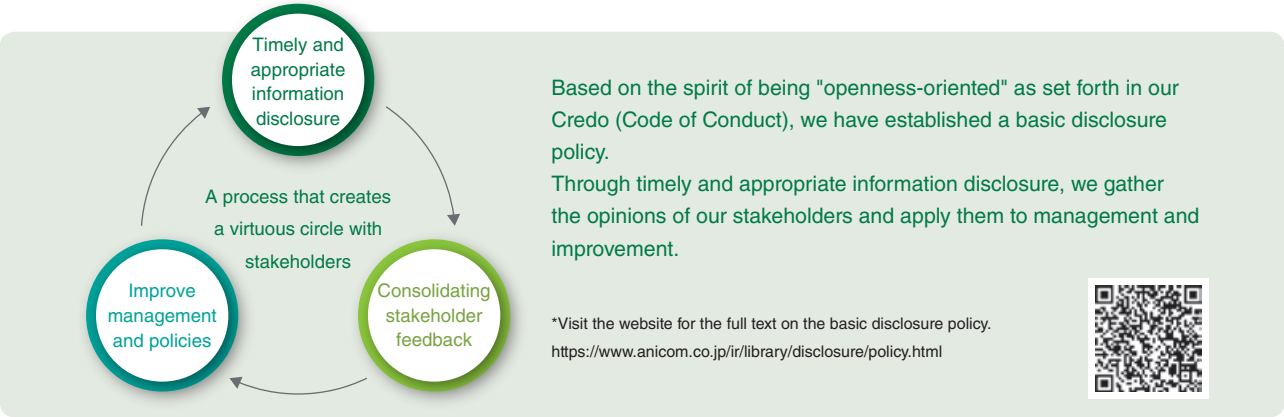
## Economic Value






- Consolidated recurring revenue: **56,528 million yen**
- Consolidated recurring profit **3,685 million yen**
- Consolidated ROE **8.2%**
- Dividend payout ratio **14.2%**
- Synergy-generating business sales ratio **8.7%**
- Solvency margin ratio of Anicom Insurance, Inc. on a non-consolidated basis **373.1%**



# Stakeholder Relations

As a leading company in the pet industry with over 20 years of knowledge and more than 1.1 million policies, we believe that we have a responsibility to contribute to the sound development of the industry. To fulfill this responsibility, we strive to enhance our corporate value and social value through engagement with our stakeholders, aiming to realize a society where humans and animals can live happily together.



	Stakeholder Expectations/Responsibilities		Structure to Meet Stakeholder Expectations and Fulfill Responsibilities
Customers	 <p>Our Group's policy is to "consistently put ourselves in the customer's position and thoroughly manage our business with an awareness of market-out (meeting the true needs of our customers)" to create the services that our customers want. Our action guideline is "We will strive to create services our customers demand."</p>		<ul style="list-style-type: none"><li>01   Efforts to utilize customer feedback in management<ul style="list-style-type: none"><li>Total number of complaints: 12,672, Complaint rate: 1.1% of policies in force, Mini-Market Out Committee meetings: 7 times</li></ul></li><li>02   Provision of products and services suitable for customers</li><li>03   Provision of easy-to-understand information</li><li>04   Prompt and appropriate payment of insurance claims</li><li>05   Appropriate management of conflicts of interest</li><li>06   Efforts toward customer-oriented business operations</li></ul>
Shareholders and Investors	 <p>We aim to build a relationship of trust with our shareholders and investors through active and effective information disclosure and accountability; to ensure timeliness and fairness in information disclosure, to form an appropriate share price that accurately reflects our corporate value, and to shape our social reputation; and to use the feedback of our shareholders and investors to improve our corporate value through two-way communication and by providing feedback to management.</p>		<ul style="list-style-type: none"><li>01   Financial results and business strategy briefings for institutional investors and analysts (5 times) and online briefings for individual investors (2 times)</li><li>02   Conducted individual meetings (141 times) with domestic and foreign investors</li><li>03   Dialogue with shareholders at general shareholders' meetings and encouragement to exercise voting rights</li><li>04   Appropriate information disclosure through website and disclosure materials</li></ul>
Partners	 <p>We believe our various business partners, such as breeders, pet shops, and animal hospitals, to be important partners in creating value. To transform the pet industry into a more sustainable industry, we work together to improve animal welfare and animal protection, and promote fair and equitable transactions based on trust.</p>		<ul style="list-style-type: none"><li>01   Providing Breeding Support<ul style="list-style-type: none"><li>Number of genetic testing specimens 92,313</li></ul></li><li>02   Insurance managers and insurance key person system</li><li>03   Conducting audits for fair and equitable transactions<ul style="list-style-type: none"><li>38 insurance agency audits, 20 animal hospital audits</li></ul></li></ul>
Employees	 <p>We promote diversity with the aim of encouraging all employees to respect and learn from the relationships between people, thereby promoting their own growth and contributing to the growth of the company and the development of society. We promote diversity with the aim of contributing to the growth of the company and society. We also strive to educate and develop human resources by always providing open and fair educational opportunities, respecting individual abilities and aptitudes while cooperating and freely competing with each other in order to achieve accelerated growth.</p>		<ul style="list-style-type: none"><li>01   Conducting regular employee engagement surveys</li><li>02   Publication of in-house newsletters "Anicom Diary" and "Anico Smile"</li><li>03   Holding weekly morning meetings with group-wide participation</li></ul>
Local Communities	 <p>As a member of local communities, we work in partnership and collaboration with local governments and other organizations throughout Japan to resolve social issues on themes such as animal welfare and disaster prevention. We are also promoting carbon neutral initiatives to address climate change and other social issues.</p>		<ul style="list-style-type: none"><li>01   Implementing animal welfare initiatives in cooperation and collaboration with local governments nationwide<ul style="list-style-type: none"><li>Number of municipalities with which agreements have been concluded: 5</li></ul></li><li>02   Promote initiatives to achieve net zero CO<sub>2</sub> emissions<ul style="list-style-type: none"><li>Scope 1+2 emissions 1,225 t-CO<sub>2</sub></li></ul></li></ul>