1H FY03/19

Financial Results Briefing Presentation

November 8, 2018

Anicom Holdings, Inc.
(Securities Code: 8715)

1．Consolidated recurring revenue, recurring profit, adjusted profit

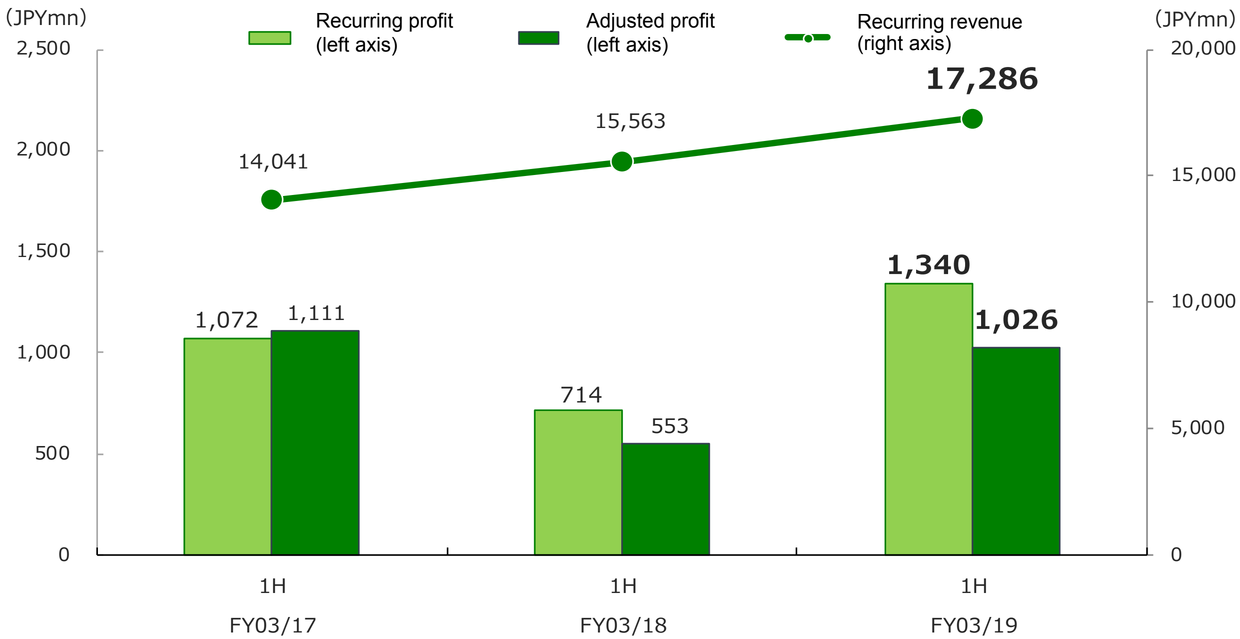
- Recurring revenue: JPY17,286mn (FY03/18: JPY15,563mn; **+11.1% YoY**)
  (of which underwriting revenue: JPY16,695mn, FY03/18: JPY15,157mn; +10.1 % YoY)
- Recurring profit: JPY1,340mn (FY03/18: JPY714mn; **+87.8% YoY**)

・**The number of policies in force expanded at a steady pace** (+9.4% YoY) on a strengthening of new initiatives and stable renewal rates. Underwriting revenue saw **a double-digit YoY growth** (+10.1% in FY03/19).

・Due to improvements in Anicom Insurance's (non-consolidated) loss ratio and expense ratio, **the adjusted profit (Note), which shows the effective profits/losses from the pet insurance business, increased considerably.**

・Other recurring revenue, including operation of hospitals, also expanded at a steady pace. As a result, **the group's consolidated recurring profit ended up better than expected in terms of both the YoY increase and compared to the group's plan.**

(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.



2．1H FY03/19　consolidated earnings overview

(JPYmn)

	1H FY03/18	**1H FY03/19**	Change
Recurring revenue	15,563	**17,286**	11.1 %
Underwriting revenue	15,157	**16,695**	10.1 %
Investment revenue	166	**148**	-10.7 %
Other recurring revenue	238	**442**	85.3 %
Recurring expenses	14,849	**15,945**	7.4 %
Underwriting expenses	10,596	**11,428**	7.9 %
Net claims paid	(8,174)	**(9,064)**	10.9 %
Loss adjustment expenses	(495)	**(499)**	0.9 %
Net commission and collection expenses	(1,258)	**(1,490)**	18.5 %
Provision for reserve for outstanding losses and claims	(198)	**(111)**	-43.7 %
Provision for underwriting reserves	(471)	**(262)**	-44.2 %
Of which unearned premiums	(561)	**(414)**	-26.2 %
Of which catastrophe reserve	(-90)	**(-151)**	-19.3 %
Investment expenses	-	**2**	- %
Operating and general administrative expenses	4,170	**4,358**	4.5 %
Other recurring expenses	82	**156**	90.0 %
Recurring profit	714	**1,340**	87.8 %
Net profit	501	**953**	90.2 %

	1H FY03/18	**1H FY03/19**	Change
Earned premiums	14,596	**16,281**	11.5 %
Claims incurred (including loss adjustment expenses)	8,867	**9,675**	9.1 %
E/I loss ratio (1)	60.8 %	**59.4 %**	-1.4 pt
Expense ratio (based on earned premiums) (2)	35.5 %	**33.9 %**	-1.6 pt
Combined ratio (based on earned premiums) (1)+(2)	96.3 %	**93.3 %**	-3.0 pt

Major accounting items and reasons for changes

(1) Underwriting revenue (for details, refer to “4. Recurring revenue indicators”(P.6))
- Number of policies in force increased 9.4% YoY.
- Cumulative number of new policies increased 7.7% YoY.
- Growth in renewed policies and higher insurance premiums (including raised premium rate) accompanying advancing age of animals also delivered some contributions.

(2) Investment revenue
- Secured investment revenue mainly from domestic securities investment and REITs.

(3) Other recurring revenue
- Other non-insurance recurring revenue, including operation of hospitals, also expanded at a steady pace.

(4) Net claims paid
- Insurance payouts increased in tandem with growth in the number of policies in force.

(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 “(4) 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 “Underwriting revenue.”
- Subtracting the provision for unearned premiums from “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.

(9) Combined ratio (earned premiums basis)
- The combined ratio was down YoY for Anicom Insurance(non-consolidated). It tends to be improving as we planed.

3 . Consolidated balance sheet summary

(JPYmn)

	1H FY03/18	**1H FY03/19**	Change
Total assets	31,164	**35,646**	14.4 %
Cash and deposits	19,078	**23,108**	21.1 %
Marketable securities	4,625	**4,791**	3.6 %
Tangible fixed assets	1,359	**1,369**	0.7 %
Intangible fixed assets	1,462	**1,468**	0.4 %
Other assets	4,104	**4,424**	7.8 %
Deferred tax assets	623	**572**	-8.2 %
Allowance for doubtful accounts	-88	**-87**	- %
Total liabilities	17,576	**18,355**	4.4 %
Reserve for insurance policy liabilities	14,508	**14,883**	2.6 %
Of which payment reserves	1,952	**2,063**	5.7 %
Of which underwriting reserves	12,556	**12,819**	2.1 %
Other liabilities	2,845	**3,228**	13.4 %
Provision for bonus	173	**192**	11.0 %
Reserve for price fluctuations	48	**51**	6.7 %
Total net assets	13,587	**17,290**	27.3 %
Shareholders' equity	13,546	**17,189**	26.9 %
Of which capital	4,443	**5,756**	29.6 %
Of which capital surplus	4,333	**5,646**	30.3 %
Of which retained earnings	4,770	**5,786**	21.3 %
Of which treasury shares	0	**0**	- %
Valuation and transaction adjustments	-128	**-84**	- %
Subscription rights to shares	169	**186**	9.5 %
Total liabilities and net assets	31,164	**35,646**	14.4 %

Major accounting items and reasons for changes

(1) Cash and deposits

・Increased due to the increased annual premium revenue and issuance of shares (financing), etc. resulting from the exercising of subscription rights to shares.

(2) Marketable securities

・ Mainly investment in domestic securities investment and REITS.

(3) 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.

(4) Underwriting reserves

・Recorded as the total for 1. normal underwriting reserves (JPY11,968mn; unearned premiums) and 2. catastrophe reserve (JPY850mn; 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.

(5) Capital, capital surplus

・Increased due to the issuance of shares (financing), etc. resulting from the exercising of subscription rights to shares.

4．Consolidated cash flows summary

(JPYmn)

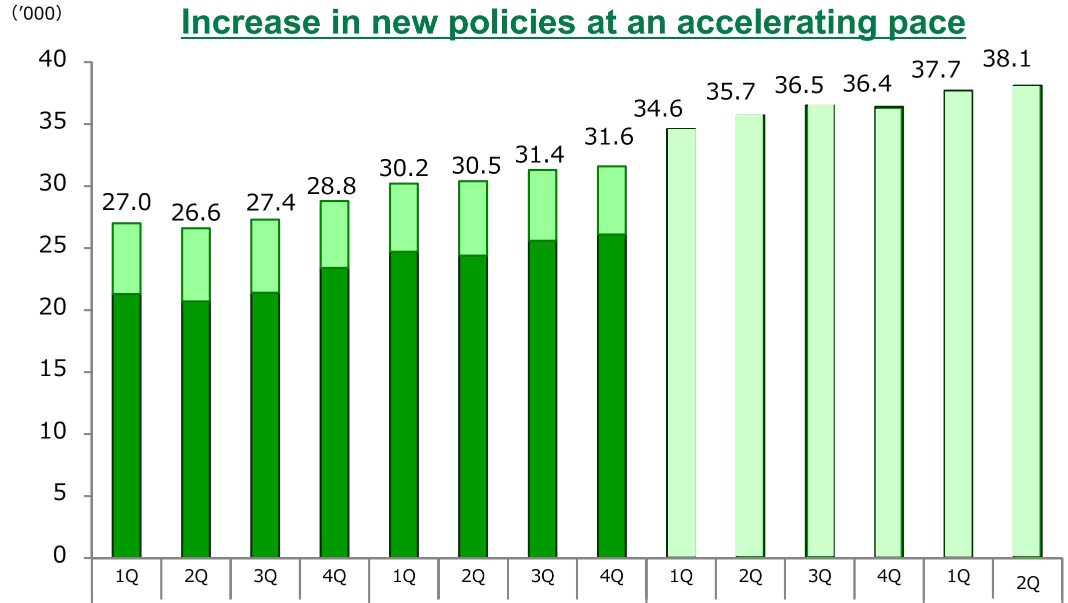
	1H FY03/18	**1H FY03/19**
Cash flow from **operating activities**	1,396	**2,048**
Cash flow from **investing activities**	-749	**-575**
Cash flow from **financing activities**	-73	**2,557**
Change in cash and cash equivalents	573	**4,030**
Year-start balance for cash and cash equivalents	13,492	**17,128**
Year-end balance for cash and cash equivalents	14,065	**21,158**

- 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 is revenue due to the issuance of shares, etc. (financing) resulting from the exercising of subscription rights to shares.

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

■ Quarterly trend in number of new policies

Increase in new policies at an accelerating pace

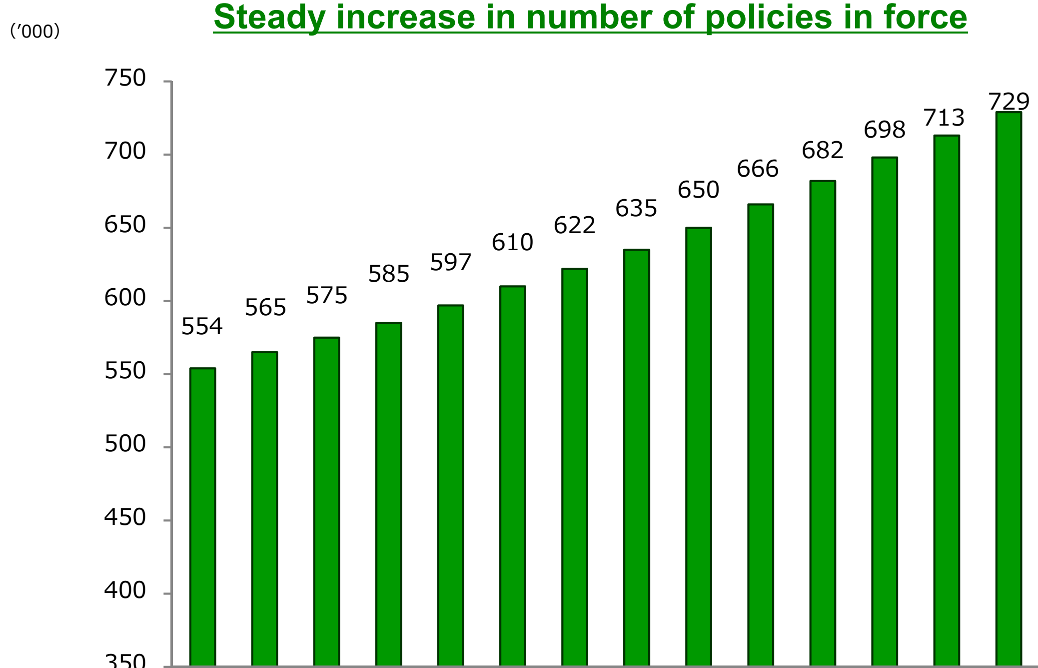


	FY03/16				FY03/17				FY03/18				FY03/19	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
General	5.7	5.9	5.9	5.4	5.5	6	5.7	5.5	–	–	–	–	–	–
New born	21.3	20.7	21.4	23.4	24.7	24.4	25.6	26.1	–	–	–	–	–	–
Total	27.0	26.6	27.4	28.8	30.2	30.5	31.4	31.6	34.6	35.7	36.5	36.4	37.7	38.1

＊Newborn: Pet shop channel

■ Quarterly trend in number of policies in force

Steady increase in number of policies in force



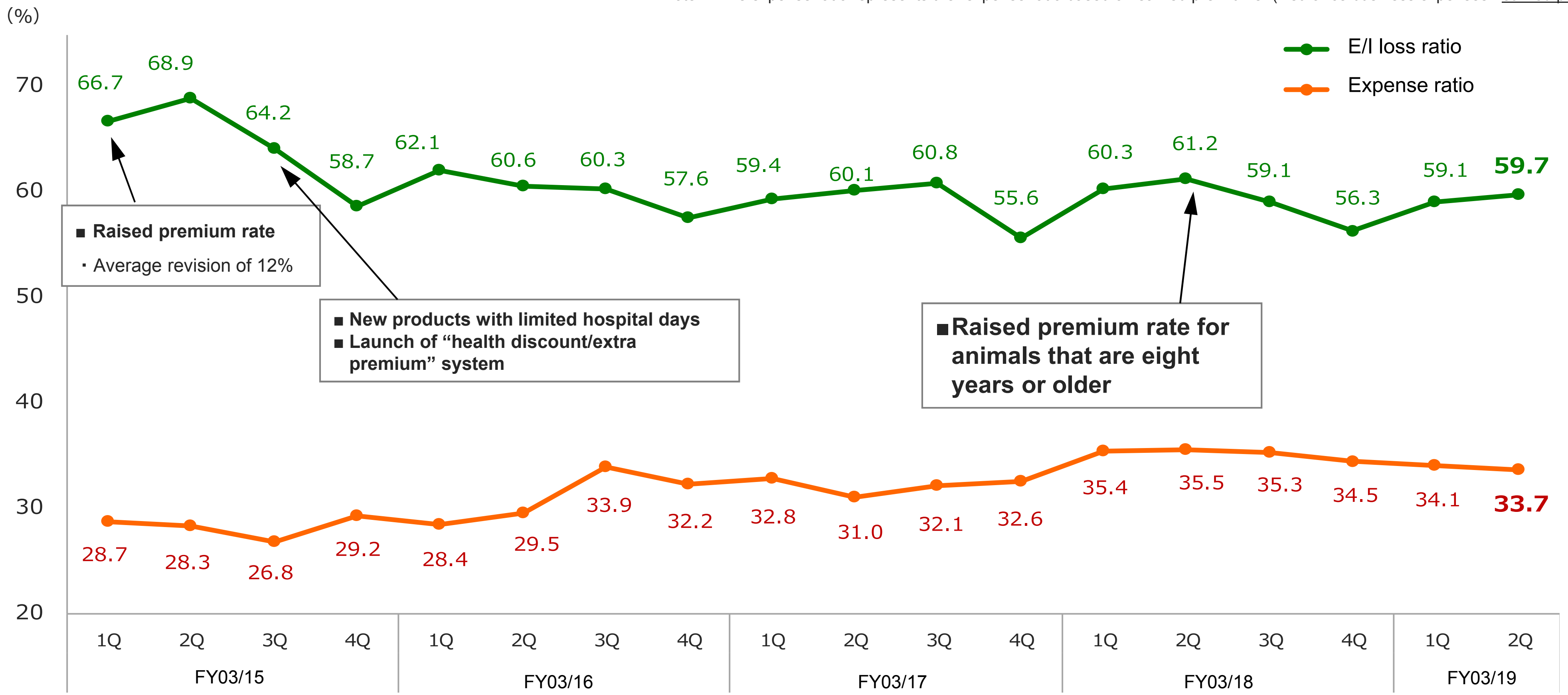
	FY03/16				FY03/17				FY03/18				FY03/19	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
No. of policies	554	565	575	585	597	610	622	635	650	666	682	698	713	729

- **The number of new policies is continuing to increase at a steady pace**. Newborn and general channels both exhibiting YoY growth. We will strive for increased efficiency of online advertising, etc. as we proceed.
- **Renewal rate of existing policies solid at around 88% even after our product revisions and raised premium rate were announced**.
- 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.

6.Anicom Insurance (non-consolidated):Recurring expenses indicators

(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 03/19.
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 coincides with the busiest period for animal hospitals, followed by an improvement in 3–4Q, when the frequency of hospital visits declines. **There was also a YoY improvement** in 2Q FY03/19 due to steady improvements to the product portfolio resulting from an increase in new policies as well as the raised premium rate for the elderly cluster gradually having an effect.
- Despite continual investment aimed at scale expansion, **there was a YoY improvement in the expense ratio** due to a partial reduction in expenses, etc.
- 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.**

7. Mid-term management plan: progress of FY03/19 priority measures

1. Expand sales

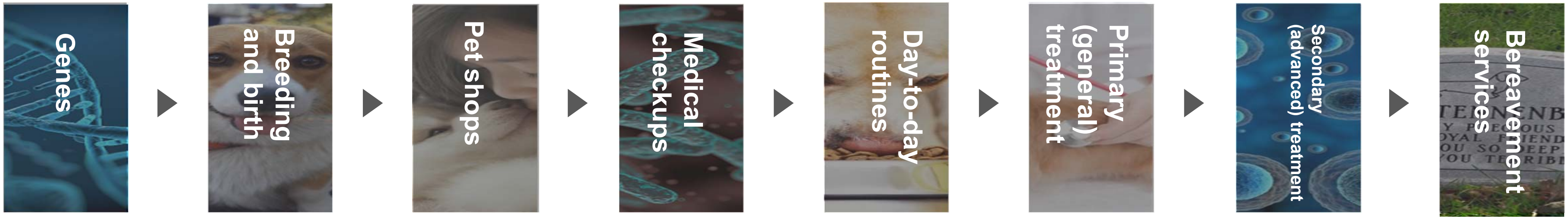
Priority measures	Recent progress
(1) Acquire large volume of policies via general channel (efficient online strategy) (2) Further expand pet shop channel (3) Pioneer new channels (breeders, adoption sessions, etc.) (4) Increase renewal rate of no claim policies and second-year contracts of newborn policies (5) Develop new products	■Started the first service in the industry that makes it possible to buy insurance through LINE. ■Started selling pet insurance with Sumitomo Mitsui Banking Corporation. ■Agreed to a business partnership with Seibu Pet Care Co., Ltd. ■Announced a new product including medical-checkup-service aimed at prevention-oriented insurance. ■Stable renewal rate trend. **⇒ New polices and policies in force are on a steadily increasing trend.**

2. Improve expenses

Priority measures	Recent progress
(1) Normalize insurance payouts (rigorous prevention of erroneous and false claims) (2) Expand lifestyle-related disease prevention programs for pets	■Ongoing implementation of various preventive measures (otitis externa, fracture prevention, etc.). ■Started up doubutsushinryouhi.com (literally “animal medical expenses.com”). **⇒ The loss ratio is also on an improving trend.**

3. Investment in new business · Prevention strategy overview

Upstream → Midstream → Downstream



	Priority measures		Recent progress
(1)	Enhance genetic testing business (support business)	Upstream	■Currently conducting genetic testing business trials, started forming partnerships with start-up companies. ■Continued research related to breeding and birth. ■Currently implementing treatment support for breeders. ■Conference presentation: “the degree of inbreeding and genetic structure of dogs and cats based on collective genome analysis”.
(2)	Expand sales of services such as gut microbiota testing	Midstream	■Start providing insurance including gut microbiota measurement and a medical-examination recommendation service (starting in December).
(3)	Promote preventative veterinary care	Midstream	■Continued operating hospitals specializing in illness prevention and implementing preventive measures.
(4)	Grow and add new features to medical records management system	Midstream	■Stared collaborating with EPARK business. Started co-handling reservations through a website which you can search for animal hospitals accepting Anicom.
(5)	Practical application and expansion of cell therapy and regenerative medicine	Downstream	■Started providing cell treatment targeting canine intractable diseases (keratoconjunctivitis sicca, chronic enteropathy).
(6)	Begin overseas expansion of animal hospital business	―	■Opened an animal hospital in Shanghai.
(7)	Other	―	■Started providing a veterinarian evaluation service.

Financing

1. Flow from product revisions/Mid-term Management Plan FY03/21 revisions to financing

2. Peripheral new-business revenue opportunities and synergy with pet insurance

1. Flow from product revisions/Mid-term Management Plan FY03/21 revisions to financing

The flow of everything from product revisions and mid-term plan revisions to financing is linked.

2018.5.9

- **Announced the FY03/18 financial results.**
- **Announced the Mid-term Management Plan FY03/21** (a plan assuming financing).

2018.7.24

- **Announced product revisions.**

Product revision points:
- Added the new service Doubutsu Kenkatsu (literally "Healthy Animal Life").
- Revised insurance premiums and breed classes.
- Expanded the range of policyholders.

2018.8.8

- **Announced the 1Q FY03/19 financial results.**
- **Revised the Mid-term Management Plan FY03/21** (disclosed revisions to eliminate undisclosed information for financing purposes).

Revisions compared to the mid-term management plan announced in May:
- Impact of the raised premium rate.
- Applied the costs of newly added services.

* The impact of the consumption-tax increase was not considered.

▶ Temporary negative impact on recurring profit due to a decrease in the reversal of catastrophe reserves resulting from loss ratio improvement due to increased insurance premium sales (a profit increase based on the adjusted profit)

2018.8.15

- **Issued sixth subscription rights to shares with provisions to revise the exercise price (exercise/suspension provisions) to be allocated via third-party allotment.**

Key points of this scheme:
- The number of issued shares is fixed to limit dilution.
- The exercise price is subject to a revision to 92% of the TSE closing price on the trading day immediately prior to the date of exercise notification.
- It is possible to suspend/resume the ability to exercise rights depending on the share price/rights exercising situation.

2018.10.3

- **Announced the decision to exercise the suspension option.**

Rights exercising progress of 1.3 million shares (65%) as of October 3.
Average exercise price: 3,371 yen.

2018.10.19

- **Anicom Insurance capital increase through shareholder allocation**

Raised 3 billion yen of *investment capital to continuously expand the share of the pet insurance business.*

2. Peripheral new-business revenue opportunities and synergy with pet insurance

anicom

Animal life

New-business revenue opportunities

- **Genes**
  - ▼ Genetic testing business
- **Breeding and birth**
  - ▼ Matching website
  - ▼ Breeding support
  - ▼ Sperm bank
- **Pet shops**
  - ▼ Issue genetic information certificates
- **Medical checkups**
  - ▼ Gut microbiota measurement business
  - ▼ Newly added insurance services
- **Day-to-day routines**
  - ▼ Food development and sales
  - ▼ Partnerships with other companies
- **Primary (general) treatment**
  - ▼ Sales of Electronic medical record system
  - ▼ Management of primary hospitals (including overseas)
  - ▼ Reservation and referral business
- **Secondary (advanced) treatment**
  - ▼ Provision of regenerative treatments
  - ▼ Management of secondary hospitals
- **Bereavement services**
  - ▼ Pet cemetery referral service
  - ▼ Lifelong pet care facilities

Contribution to insurance business

▼ Upstream contributions

- Underwriting diagnosis and insurance-premium design based on genetics
- Expand newborn channel
- Reduce loss ratio due to a decrease in hereditary disorders

▼ Midstream contributions

- Improve added value for insurance
- Reduce loss ratio due to the prevention of lifestyle-related diseases
- Corporate group acquisition

▼ Downstream contributions

- Reduce loss ratio due to the prevention of increased disease severity
- Reduce loss ratio due to the establishment of intractable-disease treatment
- Expansion to include elderly persons, etc. caring for pets.

Setting up an animal database

▶ Increase utilization for new business/insurance business

APPENDIX

1．Major management indicators

1． Major management indicators

	① 1H FY03/18	② End-FY03/18	③ 1H FY03/19	③－① YoY Numbers	③－① YoY Rate	③－② Vs. previous year-end Numbers	③－② Vs. previous year-end Rate	End-FY03/19 (forecast as of May 9)
① Policies in force	666,917	698,566	729,842	62,925	9.4 %	31,276	4.5 %	776,080
② New policies	70,414	143,365	75,852	5,438	7.7 %	-	-	166,000
③ Renewal rate	88.1 %	88.2 %	88.1 %	-	-	-	-	88.2 %
④ Insurance payout cases	1,506 ,000	3,006 ,000	1,599 ,000	92 ,000	6.1 %	-	-	3,218 ,000
⑤ Animal hospitals accepting Anicom	6,147	6,265	6,353	206	3.4 %	88	1.4 %	6,400

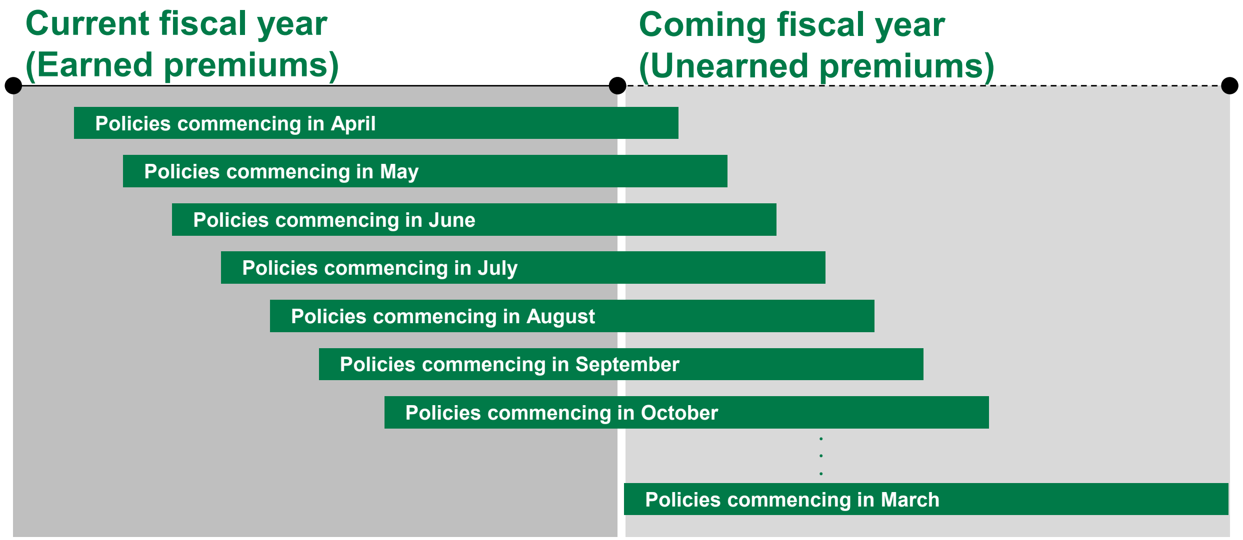
	1H FY03/18	1H FY03/19	YoY change	End-FY03/19 (forecast as of May 9)
⑥ E/I loss ratio	60.8 %	59.4 %	Up 1.4 Pt	59.0 %
⑦ Expense ratio (based on earned premiums)	35.5 %	33.9 %	Up 1.6 Pt	34.5 %
⑧ Combined ratio (based on earned premiums)	96.3 %	93.3 %	Up 3.0 Pt	93.5 %

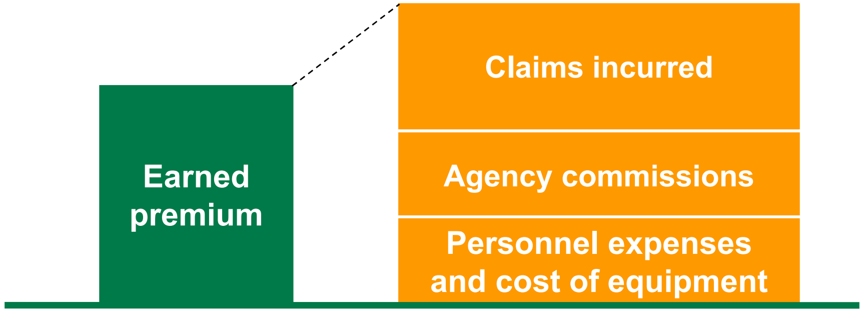
	End-FY03/18	1H FY03/19	Vs. previous year-end	End-FY03/19 (forecast as of May 9)
⑨ Solvency margin ratio (non-consolidated)	305.6 %	310.6 %	5.0 pt	Around 315.0 %

1. Impact of growth in premium on recurring profits/losses (Based on Japanese non-life insurance accounting)

・Generally, the growth in premium contributes to an increase in recurring revenue, but Japanese non-life insurance business laws require non-life insurance companies to carry unearned premium portion over to the coming fiscal year as underwriting reserve (unearned premium). Conversely, expenses such as claims incurred, agency commissions, personnel expenses as well as cost of equipment are required to be accounted to that fiscal year.

・There is, therefore, a negative impact on recurring profits/losses when expenses exceed earned premium in current fiscal year even if sales rise due to growth in premium.





(Reference) Impact of insurance accounting on recurring profits/losses ②

2. Impact of catastrophe reserves on recurring profits/losses (Based on Japanese non-life insurance accounting)

・Every non-life insurance company must accumulate catastrophe reserves each fiscal year in order to prepare for the natural catastrophic disasters.

・The reserve is liquidated (decreases the expenses) when the net loss ratio* exceeds 50%.
*Net claims paid ÷ Net premiums written

3. Adjusted profit

・Anicom in house indicator, reflecting effective profits/losses from pet insurance business, adjusts for impact of: catastrophe reserves (exclusive to Japanese non-life insurance business), investment revenue/expenses and other recurring revenue/expenses. The calculation formula is below.

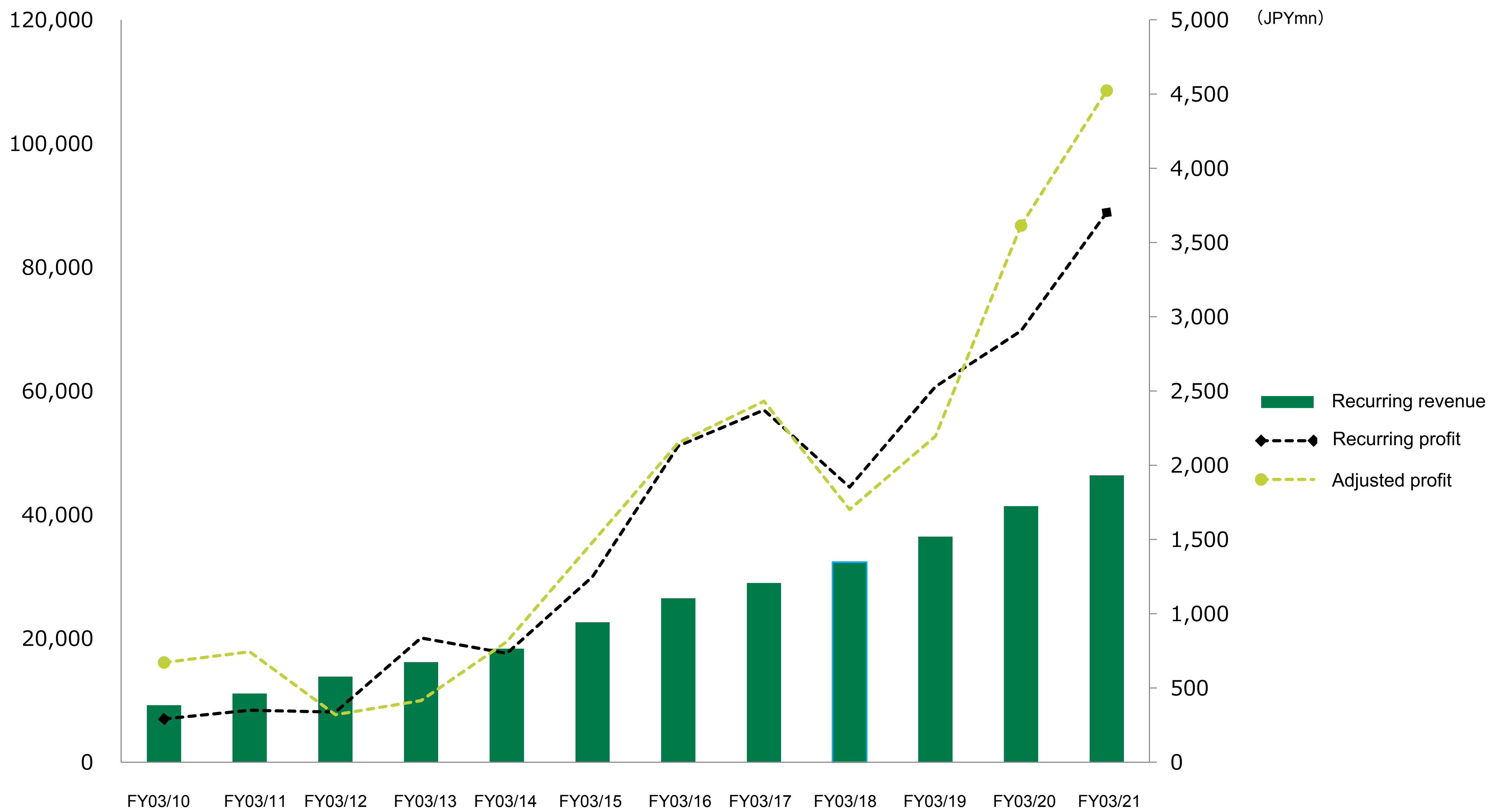
・The *adjusted profit*, which is not impacted by the above catastrophe reserves, etc.(*), is considered an important indicator for showing the *effective profits/losses from pet insurance business*. If factors such as catastrophe reserves are excluded, the *adjusted profit* might increase even if the recurring profit has decreased.

*Does not include the impact of unearned premium shown in 1.

Method to calculate the Anicom's adjusted profit

Adjusted profit = Recurring profit ± Impact of catastrophe reserves ± Investment revenue/expenses ± Other recurring revenue/expenses. + General administrative expenses other than insurance underwriting

(Reference) Transition of recurring revenue, recurring profit and adjusted profit



* The values for FY 2018 are *expected* and the values for FY 2019 and FY 2020 are *planned*.

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