

1Q FY03/21
Financial Results Briefing Presentation


August 7, 2020



Security Code : 8715

Even with the impact of COVID-19 expected to persist and consumer sentiment cooling, pet ownership demand remains firm at the moment. As a result, the number of insurance policies has also steadily increased.

- The number of policies in force as of June 30 surpassed 842,000, achieving 9.9% YoY increase.
- The number of new policies in Apr–Jun surpassed 53,000, a record high for a single quarter.
- Recurring revenue and recurring profit both achieved the initial targets primarily due to an increase in the number of new policies and strong performance of SIMNET Co., Ltd.
- The solid pet ownership demand is thought to be due to people's staying home in response to the call such as self-restraint, special cash payment from the government, and shifts from other consumption demand (overseas travel, etc.).

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With no end to COVID-19 in sight, the situation remains uncertain, but even under these conditions, the mainstay pet insurance business held steady. Amid this, the Anicom Group, which is aiming to be a major infrastructure player in the pet industry, is carrying on the initiative to contribute to society (#StayAnicom Project).

The group will continue to work to achieve increases in revenue and profit while both expanding its business and contributing to the pet industry.

1Q FY03/21 results overview

1. Consolidated recurring revenue, recurring profit, adjusted profit
2. FY03/21 consolidated earnings overview
3. Factors related to changes in consolidated recurring profit (1Q FY2019 Results vs 1Q FY2020 Results))
4. Consolidated balance sheet summary
5. Consolidated cash flows summary
6. Consolidated recurring expenses and profit indicators
7. Mid-term management plan: progress of FY2020 priority measures
8. Topics (Concept of change in the cost structure of the preventive insurance to become healthy by getting insured)
9. Topics (Securing a means of dynamic fundraising)

1. Consolidated recurring revenue, recurring profit, adjusted profit

■ **Recurring revenue** : JPY11,689 mn (1Q FY03/20 JPY 9,989 mn **+17.0%** Planned JPY10,800 mn **+8.2%**)
 (of which underwriting revenue : JPY10,560 mn 1Q FY03/20 JPY 9,511 mn **+11.0%**)

■ **Recurring profit** : JPY550 mn (1Q FY03/20 JPY175 mn **+214.4%** Planned JPY500 mn **+10.2%**)

• **On a year-on-year basis, the number of policies in force and underwriting revenue both increased steadily** (+9.9% and +11.0%, respectively) as a result of strengthening new initiatives, etc. in pursuit of uniqueness by also utilizing group company services.

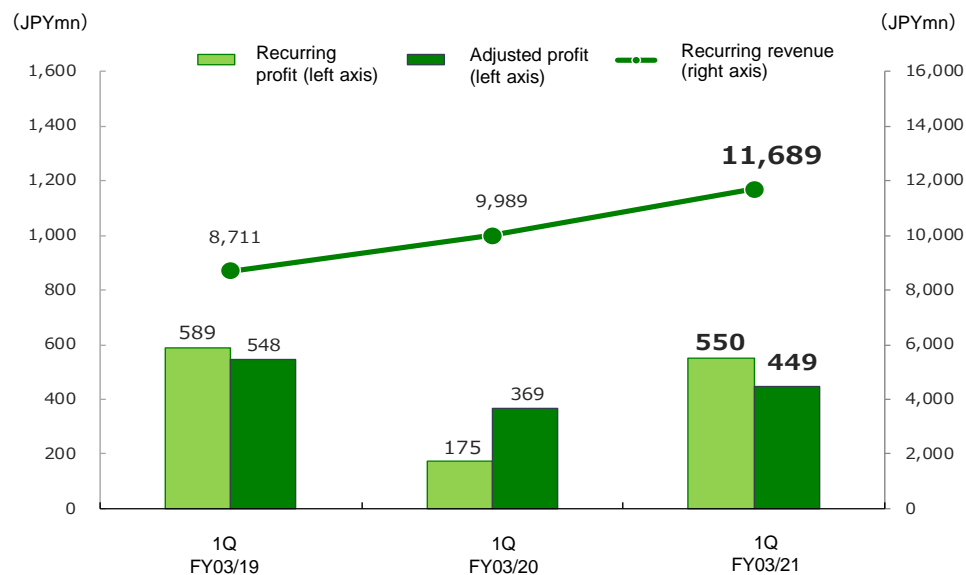
• **On a year-on-year basis, the group’s consolidated recurring revenue and recurring profit both steadily increased** on steady growth in other recurring revenue such as genetic testing, operation of hospitals, and making SIMNET Co., Ltd. a subsidiary.

• Adjusted profit ^(Note), which expresses the effective profit/losses of the pet insurance business, increased YoY due to the increase in recurring 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 ± Investment revenue/expenses ± Other recurring revenue/expenses etc.



2. FY03/21 consolidated earnings overview

(JPYmn)

	1Q FY03/20	1Q FY03/21	Change
Recurring revenue	9,989	11,689	17.0 %
Underwriting revenue	9,511	10,560	11.0 %
Investment revenue	80	113	40.6 %
Other recurring revenue	397	1,015	155.3 %
Recurring expenses	9,814	11,138	13.5 %
Underwriting expenses	7,005	7,688	9.8 %
Net claims paid	(4,736)	(5,495)	16.0 %
Loss adjustment expenses	(263)	(289)	9.8 %
Net commission and collection expenses	(869)	(1,059)	21.9 %
Provision for reserve for outstanding losses and claims	(259)	(122)	-52.7 %
Provision for underwriting reserves	(876)	(721)	-17.7 %
Of which unearned premiums	(570)	(539)	-5.4 %
Of which catastrophe reserve	(306)	(181)	-40.6 %
Investment expenses	1	0	-47.3 %
Operating and general administrative expenses	2,647	3,114	17.7 %
Other recurring expenses	160	334	108.0 %
Recurring profit	175	550	214.4 %
Net profit	104	350	236.7 %
Earned premiums	8,940	10,067	12.6 %
Claims incurred (including loss adjustment expenses)	5,259	5,907	12.3 %
E/I loss ratio (1)	58.8 %	58.7 %	-0.1 pt
Expense ratio (based on earned premiums) (2)	37.0 %	36.7 %	-0.3 pt
Combined ratio (based on earned premiums) (1)+(2)	95.8 %	95.4 %	-0.4 pt

Major accounting items and reasons for changes

(1) Underwriting revenue (For details, refer to "Anicom Insurance (non-consolidated): Recurring revenue indicators" (P. 11))

- Number of policies in force increased 9.9% YoY.
- Cumulative number of new policies increased 33.0% YoY.
- Growth in renewed policies, product (rate) revisions, and higher insurance premiums accompanying advancing age of animals also delivered contributions.

(2) Investment revenue

- Secured solid investment revenue mainly through domestic stocks, investment trusts and domestic REITs.

(3) Other recurring revenue

- Other recurring revenue from non-insurance business, including operation of hospitals, breeder matching, and genetic testing business also expanded at a steady pace.

(4) Net claims paid

- Insurance payouts were trending higher due to an increase in the number of policies in force.

(5) Net commissions and collection expenses

- Mainly commissions paid to sales agents; trending higher 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. 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

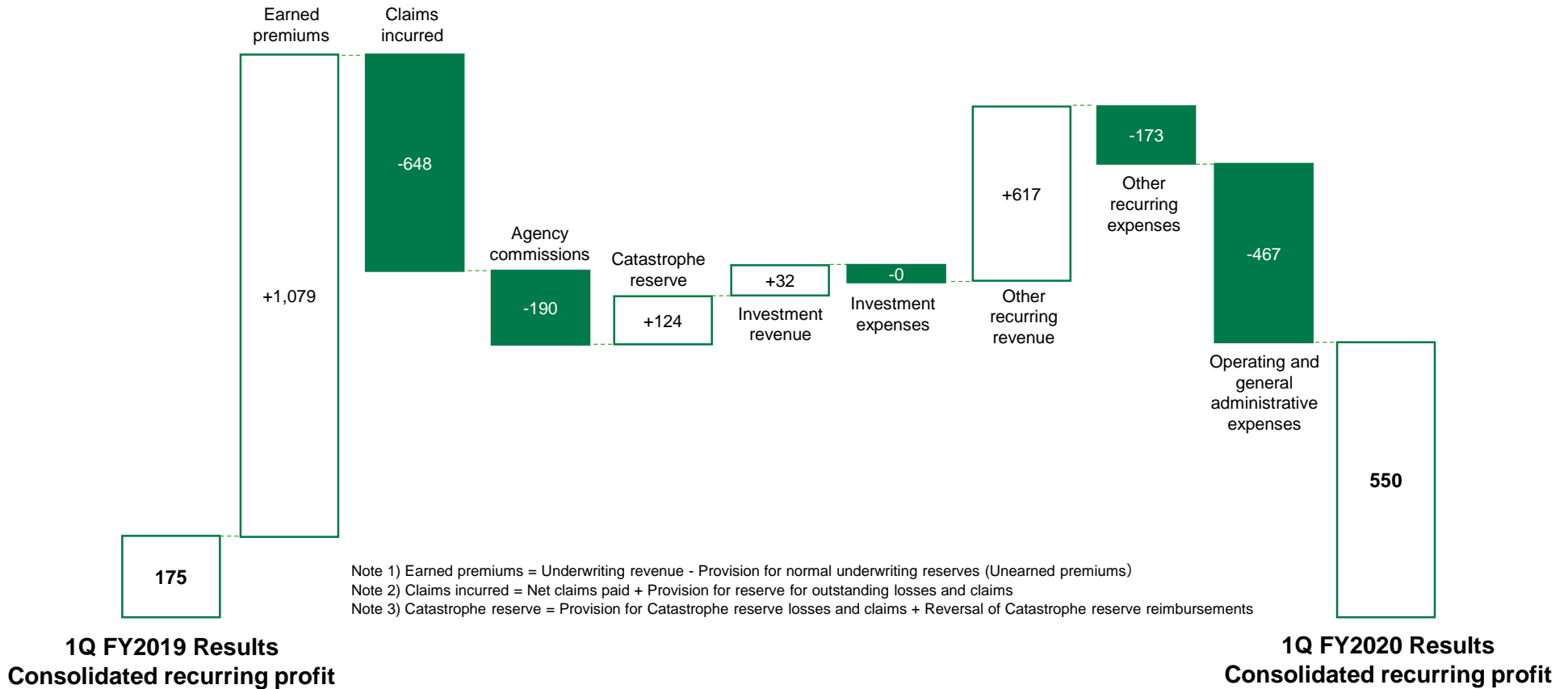
- Reserve to which 3.2% of annual premium revenue is systematically allocated each fiscal year.
- At the same time, the reserve may be drawn down until the net loss ratio reaches 50% with the year-start balance serving as the limit. The provision is recorded as a net amount.
- Over the full year, an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

(9) Operating and general administrative expenses

- Include goodwill amortization due to making SIMNET Co., Ltd. a subsidiary and hospital succession.

Profit increased due to improvement in the loss ratio in addition to increases in the number of policies in force and underwriting revenue.

(JPYmn)



4. Consolidated balance sheet summary

(JPYmn)

	FY03/20	1Q FY03/21	Change
Total assets	45,598	46,857	2.8 %
Cash and bank deposits	24,427	24,348	-0.3 %
Marketable securities	9,999	11,580	15.8 %
Tangible fixed assets	1,858	1,823	-1.9 %
Intangible fixed assets	3,956	3,850	-2.7 %
Other assets	4,390	4,430	0.9 %
Deferred tax assets	1,041	900	-13.6 %
Allowance for doubtful accounts	-75	-76	- %
Total liabilities	22,273	22,824	2.5 %
Reserve for insurance policy liabilities	17,977	18,821	4.7 %
Of which loss reserves	2,328	2,450	5.3 %
Of which underwriting reserves	15,649	16,371	4.6 %
Other liabilities	4,018	3,808	-5.2 %
Provision for bonus	209	122	-41.4 %
Reserve for price fluctuations	68	71	5.2 %
Total net assets	23,325	24,032	3.0 %
Shareholders' equity	23,719	24,078	1.5 %
Of which capital	7,981	8,036	0.7 %
Of which capital surplus	7,871	7,925	0.7 %
Of which retained earnings	7,868	8,117	3.2 %
Of which treasury shares	- 0	- 0	- %
Valuation and transaction adjustments	-530	-156	- %
Subscription rights to shares	135	110	-18.8 %
Total liabilities and net assets	45,598	46,857	2.8 %

Major accounting items and reasons for changes

(1) Investment securities

- Mainly investment in domestic securities investment and REITS.

(2) Intangible fixed assets

- Include goodwill due to making SIMNET Co., Ltd. a subsidiary and hospital succession.

(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 (JPY14,730mn; unearned premiums) and 2. catastrophe reserve (JPY1,640mn; 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.

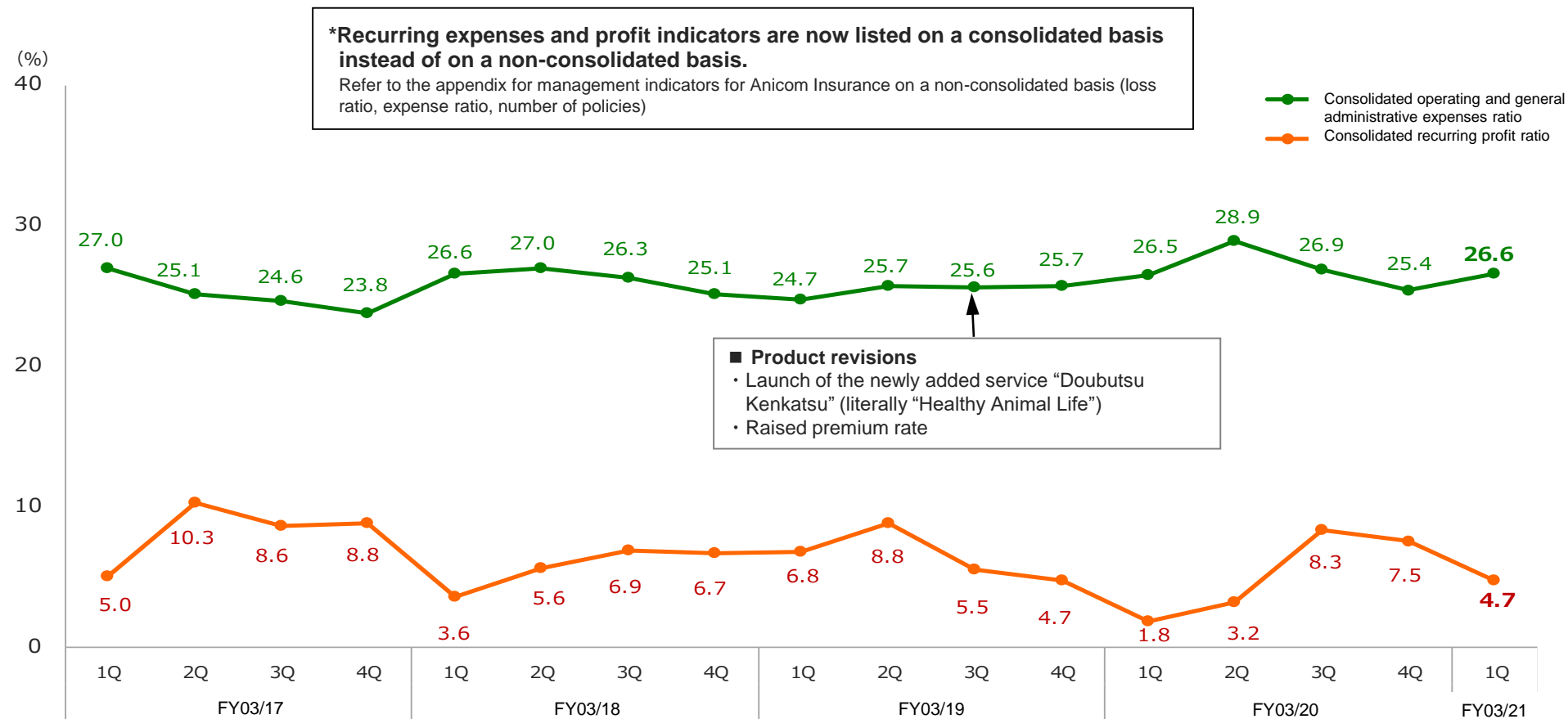
5. Consolidated cash flows summary

(JPYmn)

	1Q FY03/20	1Q FY03/21
Cash flow from operating activities	630	991
Cash flow from investing activities	-3,667	-1,050
Cash flow from financing activities	-103	-18
Change in cash and cash equivalents	-3,140	-78
Year-start balance for cash and cash equivalents	27,693	21,577
Year-end balance for cash and cash equivalents	24,552	21,498

- Steady growth in the number of policies in force has led to stable cash flows from operating activities.
- Cash flows from investment activities reflect the acquisition of marketable securities.
- Cash flows from financing activities reflect expenditures in the form of dividends from surplus.

6. Consolidated Recurring revenue indicators (*Consolidated operating and general administrative expenses ratio, consolidated recurring profit ratio)



- The **consolidated operating and general administrative expenses ratio** did not increase significantly despite robust acquisition of new policies and increased applications for Doubutsu Kenkatsu.
- With regard to the **consolidated recurring profit ratio**, insurance payouts in the insurance business normally increase in 1Q and 2Q because this is the busy period for animal hospitals, due to rabies inoculations and other factors, and then the ratio improves in 3Q and 4Q as hospital visits decline. Making SIMNET Co., Ltd. a subsidiary also contributed in 1Q of this year.

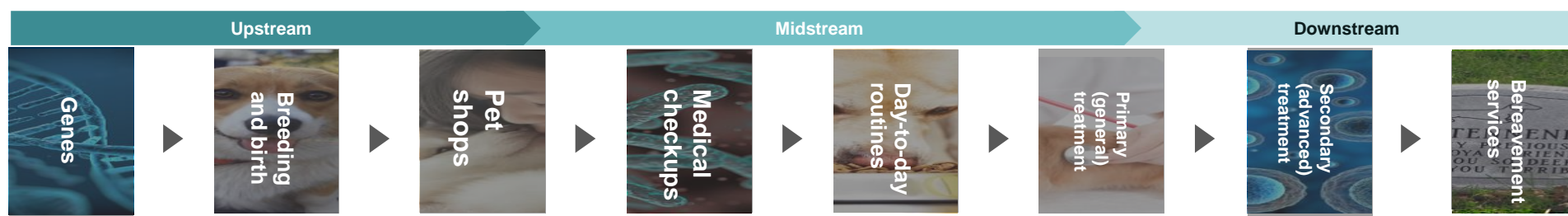
7. Mid-term management plan: progress of FY2020 priority measures

Further increase profitability and pursue uniqueness of the pet insurance business (reduction in insurance payouts and expenses)

Priority measures	Latest progress
(1) Expand and strengthen sales channels (breeders, adoption, animal hospitals, etc.)	<ul style="list-style-type: none"> ■ Promoted to expand sales channels such as online, matching sites, breeders, adoption, animal hospitals, etc. ■ Promoted to increase satisfaction with “Doubutsu Kenkatsu” and expand sales of “Animal Insurance Senior”. ■ Promoted to raise the insured rate and to realize “real” and “digital” fusion based on the amended Animal Welfare Act in collaboration with SIMNET. ● The number of new policies in Apr–Jun surpassed 53,000 (+33.0% YoY). ● The number of policies in force surpassed 840,000 (+9.9% YoY). ● Loss ratio was 58.7%, improving 0.1pt YoY. ● Secured solid investment revenue in 1Q.
(2) Expand products and services (enhance unique services including “Doubutsu Kenkatsu”)	
(3) Enhance preventive initiatives for each disease and optimize insurance payouts	
(4) Upgrade and solidify core systems for the future	
(5) Expand group synergies with SIMNET (promote “real” and “digital” fusion)	
(6) Reinforce investment (flexible and dynamic investment, acquisition and development of real estate contributing to group businesses)	

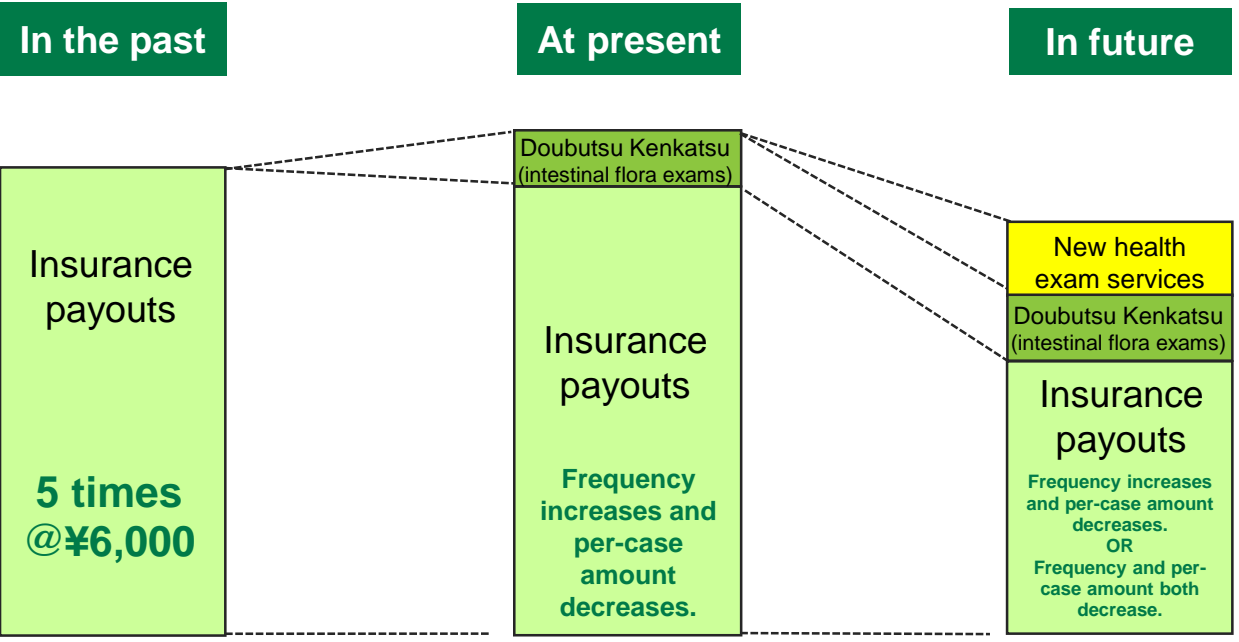
Expansion of new business and acceleration of monetization

(Note)“Doubutsu Kenkatsu”: microbiota measurement + medical checkups



Priority measures	Latest progress
(1) Enhance the genetic testing business	<p>Upstream</p> <ul style="list-style-type: none"> ■ Strengthened the genetic testing structure through introduction of robots. ■ Have become able to check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test and are preparing for implementation.
(2) Commercialize breeding support	<p>Upstream</p> <ul style="list-style-type: none"> ■ Continued research on breeding and birth (diagnosis of optimal timing for breeding, research aimed at improving technology for storing frozen sperm, etc.). ■ Discussing measures utilizing the services provided by SIMNET.
(3) Promote commercialization of health exams and food and products, etc.	<p>Midstream</p> <ul style="list-style-type: none"> ■ The number of applications for “Doubutsu Kenkatsu” exceeded 8,000 per month, showing a steady increase. ■ Continuing joint research on the relationship between behavior and injuries/illness of cats. ■ Jointly developed supplements for pets in collaboration with food manufacturers, etc. and started sales.
(4) Promote animal hospital succession	<p>Midstream</p> <ul style="list-style-type: none"> ■ Further expanded hospital management and added core regional hospitals to the group. Continuing implementation of preventive measures as well.
(5) Expand and promote practical application of cell therapy and regenerative medicine	<p>Downstream</p> <ul style="list-style-type: none"> ■ Conducting paid clinical research for 14 diseases. ■ Started nationwide transport of “canine subcutaneous adipose-derived mesenchymal stem cells (cMSC)” for the use at the Research and Development Partnership for Animal Regenerative Medicine.
(6) Development of business that considers elderly people and elderly pets	<p>Downstream</p> <ul style="list-style-type: none"> ■ Examination of development of new services and new products for elderly people and elderly pets.
(7) Others (measures related to investment, etc.)	<ul style="list-style-type: none"> ■ Business alliance with ADVANCE NET Co. (popularization and promotion of pet-friendly housing, etc.) ■ Business alliance with Forest Hills, Inc. (mutual cooperation and strengthening of various businesses in the pet business domain)

8. Topics (Concept of change in the cost structure of the preventive insurance to become healthy by getting insured)



Average number of claims per year per policyholder @ Claimed amount per case

Note) The chart is for illustrative purposes.

Point of the preventive insurance to become healthy by getting insured!

- Early detection of diseases (ex. kidney disease in cats, etc.) with Doubutsu Kenkatsu (intestinal flora exams), together with
 - Addition of new health exam services for various diseases
- Providing services that make policyholders happy for having Anicom's insurance, which is not a non-refundable insurance.

Adding values also contributes to:
- New policies
- Increased renewal rate

(1) Even though the frequency of hospital visits increases, per-visit amount will decrease.
(Decrease in insurance payouts)

(2) Promote home care (diet therapy, etc.) with no visits to the hospital
(Decrease in insurance payouts)

**Decrease in the total amount of insurance payouts and incidental service expenses
(Decrease in the combined ratio)**

9. Topics (Securing a means of dynamic fundraising)

Acquired long-term issuer ratings for the first time as the Anicom Group and secured a means of dynamic fundraising.

■ Acquired long-term issuer ratings from Japan Credit Rating Agency, Ltd. (JCR) (July 16, 2020)

[Rating results]

Anicom Holdings, Inc. (securities code: 8715)

[Assignment]

Long-term Issuer Rating: **A**
 Outlook : **Stable**

Anicom Insurance, Inc.

[Assignment]

Long-term Issuer Rating: **A**
 Outlook : **Stable**

[Objectives for acquiring credit ratings]

- Securing a means of dynamic and flexible fundraising
- Enabling ROE-sensitive fundraising
- Creditworthiness represented by Rating A expected to give us advantage in future external negotiations such as M&As

* Completed registration for issuing corporate bonds (July 29, 2020)

This disclosure has been made to announce information regarding the issuance of corporate bonds of the Company to the general public and has not been made for the purpose of soliciting investment or any similar activities in Japan or overseas.

APPENDIX

Impact of COVID-19 and Anicom's response and activities

1. Major management indicators
2. Anicom Insurance (non-consolidated): Recurring revenue indicators (trend in new policies / number of pet insurance policies in force)
3. Anicom Insurance (non-consolidated): Recurring expenses indicators (Loss ratio (E/I), expense ratio based on earned premiums)
4. Peripheral new-business revenue opportunities and synergy with pet insurance

Customer activities

Expanded insurance coverage (March 6)

Special measure to extend coverage to include hospital visits without one's pet

Forbearance for renewal procedures and premium payments (April 8)

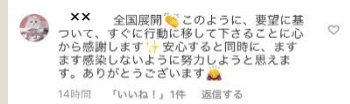
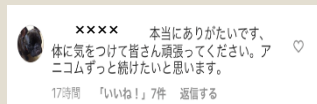
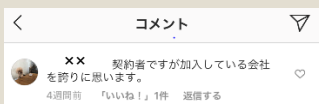
Special measures for policyholders having difficulty with regular policy procedures

#StayAnicom Project (April 10)

Through this project, Anicom takes in pets free of charge for pet owners who are infected by COVID-19 and must stay in the hospital or a quarantine facility, and Anicom employees, led by the company's veterinarians, look after the pets for that period of time. **The project began with the first pet taken in on May 1 (the number continues to increase). The pets are given multiple PCR tests in the laboratory of our group, and if they come out negative, they are transferred to a hospital utilizing group's animal hospital network. The test results for some pets taken in came out positive, which we disclosed on August 3, but subsequent test results turned negative.**



#Response on Instagram to #StayAnicom Project



Solatium payments to customers diagnosed with COVID-19 (April 20)

Began support for policyholders and insured parties diagnosed with COVID-19 infection in the form of solatium payments. JPY50,000 across the board, maximum of JPY30mn

従業員への安全対策について

The business of a financial institution must continue even with a state of emergency declaration, so opportunities for interpersonal contact are being reduced in order to reduce infection risk for employees.

The following measures are being conducted.

Reduced contact opportunities during working hours

- Actively implementing a working at home system, including teleworking.
- Development of system for working in shifts, including weekend work
- Not conducting face-to-face interviews, etc., in principle, and conducting teleconferencing, etc.

Reduced contact opportunities while commuting

- Commuting by car or bicycle, or staying at a hotel near the office, are being recommended, with Anicom providing monetary assistance for these options
- Active implementation of staggered commutes

1. Major management indicators

	① 1Q FY03/20	② End-FY03/20	③ 1Q FY03/21	③-① YoY		③-② Vs. previous year-end		End-FY03/21 (forecast as of May 12)
				Numbers	Rate	Numbers	Rate	
① Policies in force	766,774	816,254	842,754	75,980	9.9 %	26,500	3.2 %	885,000
② New policies	40,204	167,318	53,456	13,252	33.0 %	-	-	183,600
③ Renewal rate	87.0 %	87.2 %	87.3 %	-	-	-	-	87.0 %
④ Insurance payout cases	795,000	3,407,000	889,000	94,000	11.8 %	-	-	3,586,000
⑤ Animal hospitals accepting Anicom	6,448	6,466	6,477	29	0.4 %	11	0.2 %	6,650

	1Q FY03/20	1Q FY03/21	YoY Change	End-FY03/21 (forecast as of May 12)
⑥ E/I loss ratio	58.8 %	58.7 %	- 0.1 Pt	57.6 %
⑦ Expense ratio (based on earned premiums)	37.0 %	36.7 %	- 0.3 Pt	37.2 %
⑧ Combined ratio (based on earned premiums)	95.8 %	95.4 %	- 0.4 Pt	94.8 %

	End-FY03/20	1Q FY03/21	Vs. previous year-end	End-FY03/21 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	357.0 %	364.9 %	7.9 pt	Around 370.0 %

	1Q FY03/20	1Q FY03/21	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	17,760	32,671	14,911
⑪ No. of samples for genetic testing	31,408	24,893	- 6,515

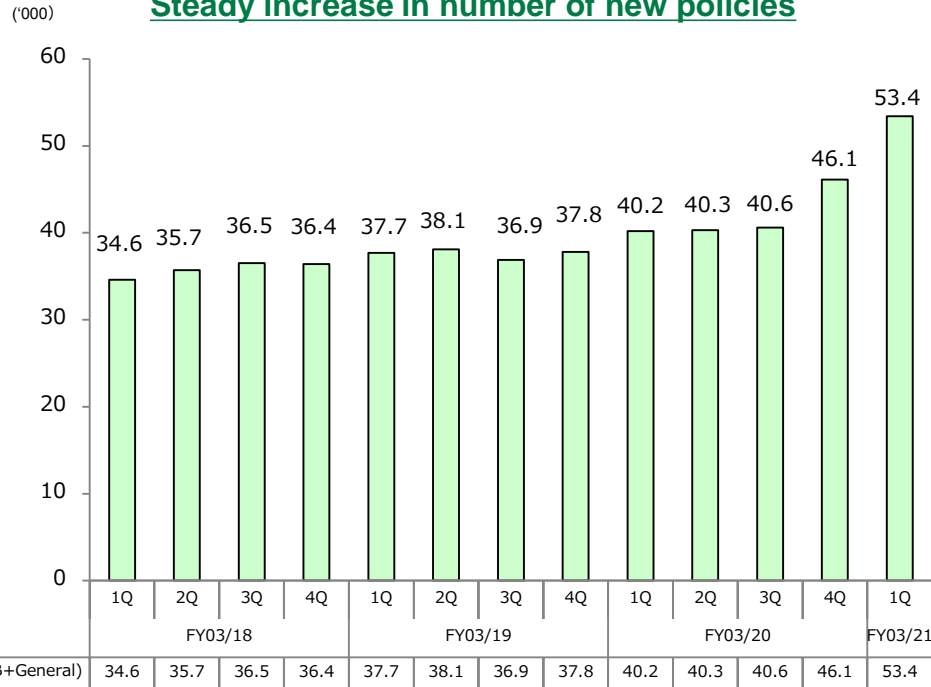
2. Anicom Insurance (non-consolidated): Recurring revenue indicators

(trend in new policies / number of pet insurance policies in force)



■ Quarterly trend in number of new policies

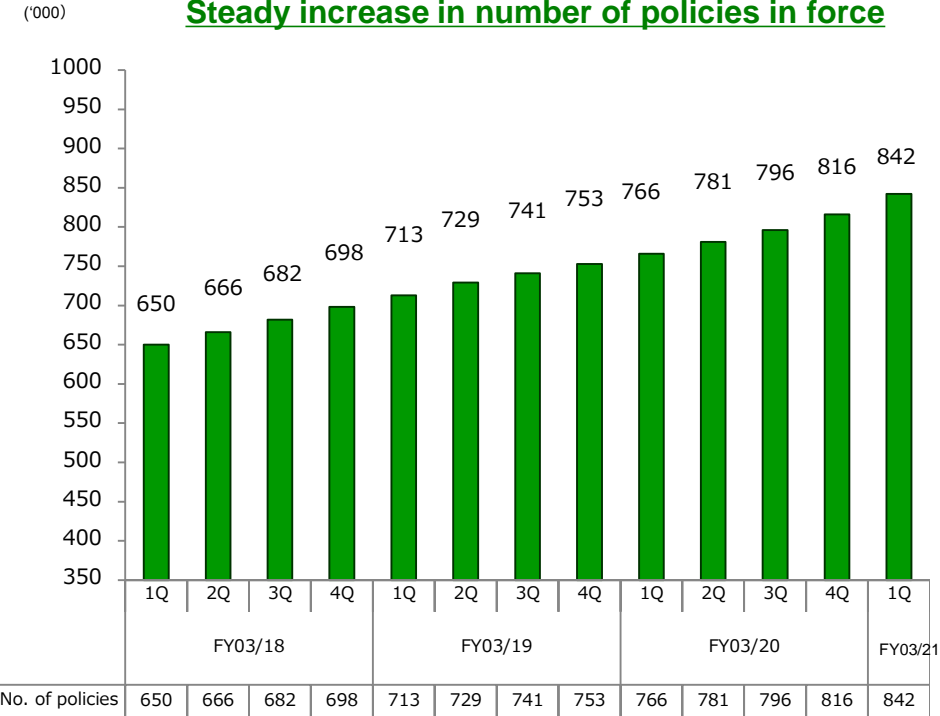
Steady increase in number of new policies



※ NB : Pet shop channel

■ Quarterly trend in number of policies in force

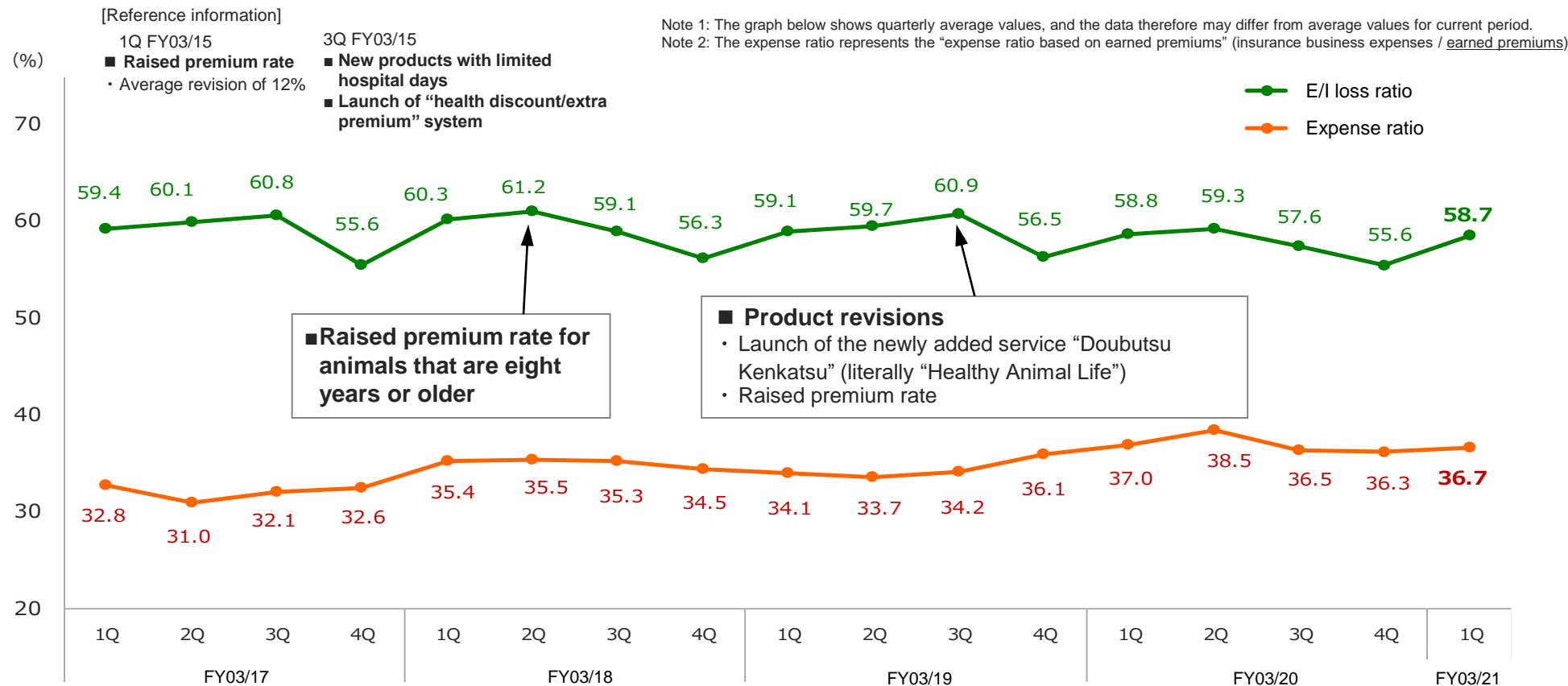
Steady increase in number of policies in force



- **The number of new policies increased steadily.** On a combined newborn/general channels basis, amounted to 53,000, going above the target line with a progress rate of 29% to the annual target of 183,000.
- **The renewal rate of existing policies was stable at upper half of 87%.**
- Under these circumstances, **the number of policies in force increased steadily.**
- 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.

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

(Loss ratio (E/I), expense ratio based on earned premiums)

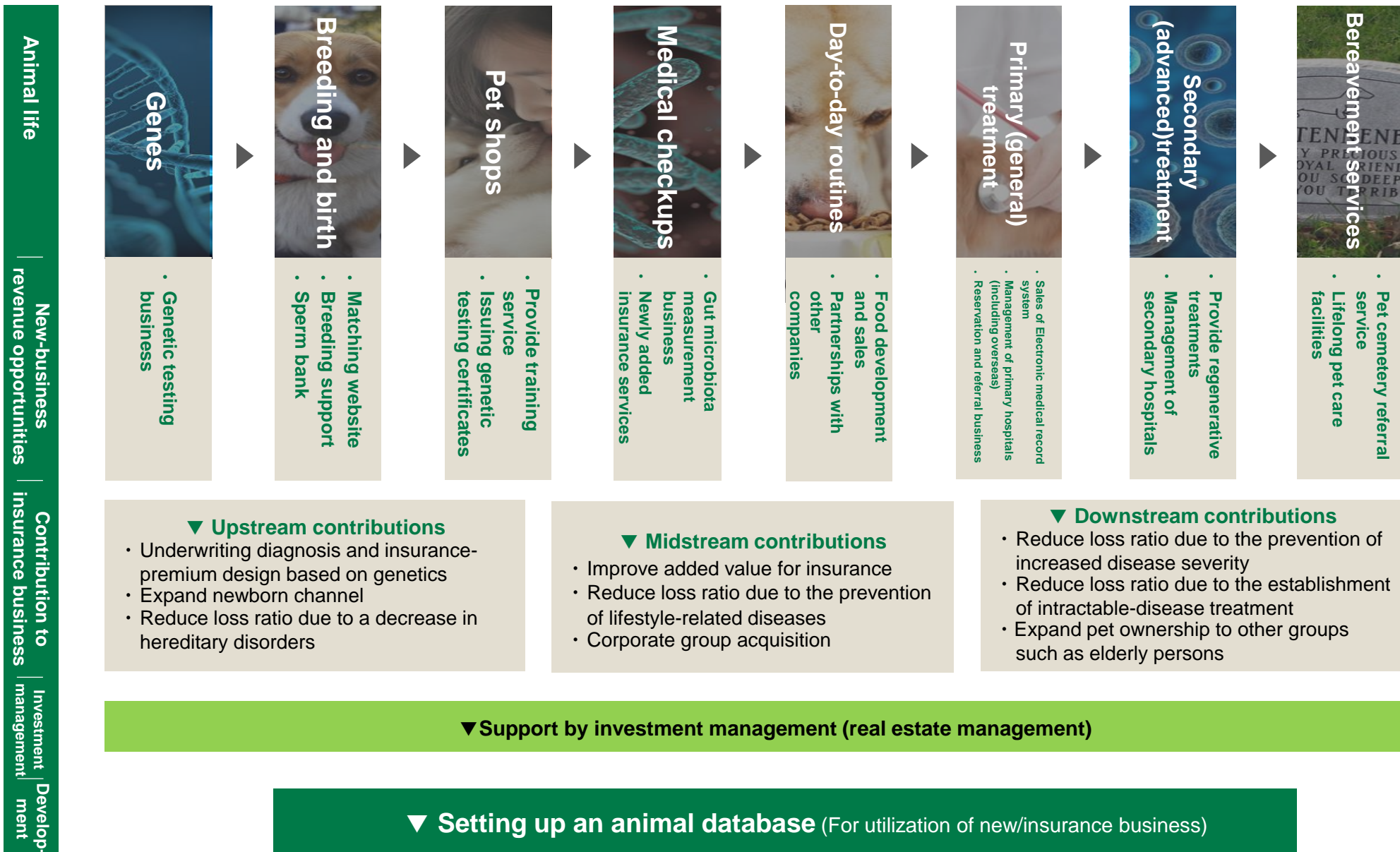


• **The E/I loss ratio** is affected by seasonal factors: it normally increases in 1Q and 2Q because this is the busy period for animal hospitals, due to rabies inoculations and other factors, and improves in 3Q and 4Q as hospital visits decline. In 1Q FY03/21, in addition to an increase in new policies supporting improvement in our product portfolio, as the effect of the raised premium rate due to the product revisions in December 2018 came full circle, the E/I loss ratio **improved YoY**.

• **The expense ratio increased YoY** as the group continued to positively make investments to expand business scale.

This is due to **cost increases from "Doubutsu Kenkatsu", a unique service, impacting Anicom Insurance; consolidated operating and general administrative expenses ratio is trending in line with plans.**

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

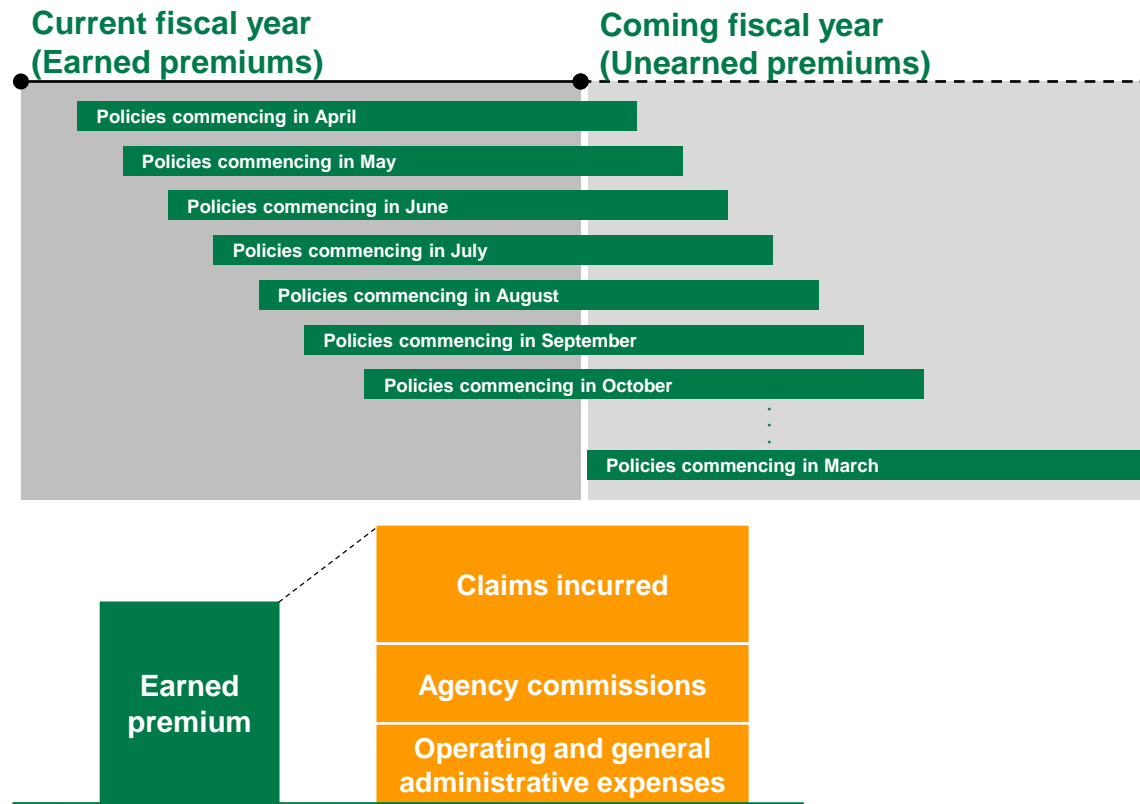


(Reference) Impact of insurance accounting on recurring profits/losses ①

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 any unearned premium portion over to the coming fiscal year as an underwriting reserve (unearned premium). Conversely, expenses such as claims incurred, agency commissions, operating and general administrative expenses are required to be accounted to that fiscal year.

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



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

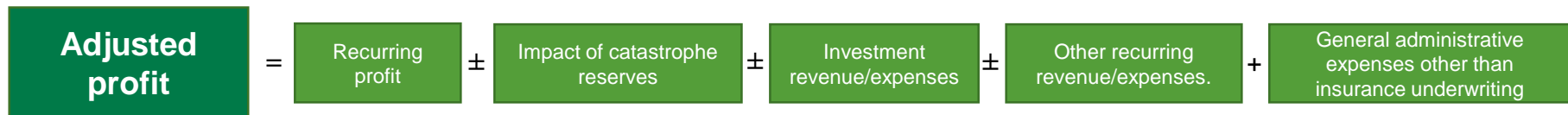
- Every non-life insurance company must accumulate catastrophe reserves each fiscal year in order to prepare for natural disasters.
- The reserve is liquidated (decreases expenses) when the net loss ratio* exceeds 50%.
*Net claims paid ÷ Net premiums written

3. Adjusted profit

- Anicom's in house indicator, which reflects 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





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