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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 5, 2022

Company name: Anicom Holdings, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Securities code: 8715
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 Representative: Nobuaki Komori, Representative Director
 Contact: Hiroshi Sato, General Manager, Corporate Planning Department
 Phone: +81-3-5348-3911
 Scheduled date of commencing dividend payments: -
 Scheduled date of filing quarterly securities report: August 12, 2022
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (For analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three months Ended June 30, 2022 (April 1, 2022 - June 30, 2022)

(1) Consolidated Operating Results (Accumulated) (% indicates changes from the previous corresponding period.)

	Recurring revenue		Recurring profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	13,953	5.2	778	11.5	497	2.2
June 30, 2021	13,259	13.4	698	26.7	486	38.9

(Note) Comprehensive income: Three months ended June 30, 2022: (205) million yen [(-)%]
 Three months ended June 30, 2021: 596 million yen [(17.6)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2022	6.12		-	
June 30, 2021	5.99		-	

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	58,757	26,907	45.8
As of March 31, 2022	58,635	27,316	46.6

(Reference) Equity: As of June 30, 2022: 26,907 million yen
 As of March 31, 2022: 27,316 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen				
Fiscal year ended March 31, 2022	-	0.00	-	2.50	2.50
Fiscal year ended March 31, 2023	-	-	-	-	-
Fiscal year ending March 31, 2023 (Forecast)	-	-	-	-	-

(Notes) Revision of the latest financial results forecasts: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Recurring revenue		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half (cumulative)	28,000	6.3	1,600	(0.6)	1,076	(16.0)	13.24
Full year	57,000	7.5	3,650	15.3	2,464	16.7	30.32

(Note) Revision of the latest financial results forecasts: None

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review: None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the year (including treasury shares):

As of June 30, 2022:	81,309,160 shares
As of March 31, 2022:	81,309,160 shares
 - 2) Total number of treasury shares at the end of the year:

As of June 30, 2022:	58,516 shares
As of March 31, 2022:	56,436 shares
 - 3) Average number of shares outstanding during the year:

Fiscal year ended June 30, 2022:	81,252,701 shares
Fiscal year ended June 30, 2021:	81,263,502 shares

* These quarterly financial results are outside the scope of quarterly audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes (Financial Results Forecast)

The forward-looking statements such as performance forecasts, contained herein are based on information currently available to Anicom Holdings, Inc. (“the Company”) and certain assumptions that the Company regards as reasonable. They are not intended as the Company’s commitment to achieving such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the forecasts and cautionary notes, etc. for using the forecasts, please refer to “Explanation of Consolidated Financial Results Forecast and Other Forward looking Statements” on page 3 of the Attachments.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months under review, the Japanese economy showed signs of recovery in consumption and corporate activities as economic and social activities gradually return to normal due to progress in vaccination against COVID-19 and the effects of infection control measures. Nonetheless, with the many downward risks affecting the Japanese economy, such as soaring resource prices due to the protracted situation in Russia and Ukraine and the sharp depreciation of the yen in exchange markets due to global monetary tightening, the future outlook remains uncertain.

Under these circumstances, to achieve the “further enhancement of the profitability of pet insurance”, which has been positioned as a priority measure of the Anicom Group’s core subsidiary, Anicom Insurance, Inc., efforts were focused on strengthening areas such as sales and marketing activities. This, combined with continued robust demand for pet ownership, resulted in a steady increase in the number of policies in force, which reached 1,049,687 policies, an increase of 20,856 or 2.0% from the end of the previous fiscal year. In addition, the E/I loss ratio*¹ improved by 0.2 points year on year to 59.0%, owing in part to the fact that effect of changes in pet owner behavior due to the impact of COVID-19 has reached its peak and stabilized. Expense ratio (based on earned premiums)*² improved by 3.1 point year on year to 35.5%, despite active investments aimed at expansion of scale and to an increase in the number of applicants for Doubutsu Kenkatsu (gut microbiota testing and medical checkups). As a result, the combined ratio (based on earned premiums), which is the sum of both E/I loss ratio and expense ratio (based on earned premiums), improved by 3.3 points year on year to 94.5%.

In addition, the Anicom Group has promoted efforts to further accelerate its initiatives in the second founding period phase. It has accelerated its efforts toward the priority measures in new businesses to grow into a prevention-type insurance company group that considers degrees of health by analyzing diseases and injuries from all data. In the genetic testing business, the Group will progress further toward the provision of breeding support by adding medical support to science, technology, and data, which involves conducting genetic testing in parents and offspring to prevent avoidable genetic diseases. The Group is also pursuing the popularization of animal health checks through its Doubutsu Kenkatsu service, the development and sales of pet foods with symbiotic bacteria as a key feature, and the commercialization of lifestyle consulting, etc. Furthermore, as well as striving for the practical application and expansion of advanced, cutting-edge medicine (cell therapy and regenerative medicine) in veterinary medicine, along with the expansion of medical records management system business (enhancement of booking systems and other functions), the Group is aiming to use data further in the development of preventive methods and expand its pet-related businesses into overseas markets.

As a result, the consolidated results for the Anicom Group are as follows.

Underwriting revenue increased by 7.6% year on year to 12,506 million yen, investment revenue decreased by 49.6% year on year to 132 million yen, and other recurring revenue, which includes new business, etc., decreased by 4.4% year on year to 1,314 million yen, total recurring revenue of 13,953 million yen, a 5.2% increase from the previous fiscal year. On the other hand, recurring expenses increased by 4.9% year on year to 13,175 million yen, including underwriting expenses of 8,889 million yen, up 4.6% year on year, and operating and general administrative expenses of 3,852 million yen, up 6.8% year on year. Consequently, recurring profit increased by 11.5% year on year to 778 million yen. Profit attributable to owners of parent was 497 million yen, up 2.2% year on year.

(Notes) 1. E/I loss ratio: Loss ratio based on claims

(Net claims paid + Increase (decrease) in loss reserves + Loss adjustment expenses) ÷ Earned premiums

2. Expense ratio (based on earned premiums): Ratio of business expenses based on claims to premiums based on claims made (earned premiums)

Non-life insurance business expenses ÷ Earned premiums

(2) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the first quarter under review increased by 121 million to 58,757 million yen compared to the previous year-end. This was primarily attributable to an increase in marketable securities of 1,897 million yen.

Total liabilities as of the end of the first quarter under review increased by 530 million to 31,850 million yen compared to the previous year-end. This was primarily attributable to an increase of 641 million yen in reserve for insurance policy liabilities due to an increase in insurance policies. There were no borrowings from financial institutions, etc.

Total net assets as of the end of the first quarter under review decreased by 409 million yen to 26,907 million yen compared to the previous year-end. This was primarily attributable to the decrease in valuation difference on available-for-sale securities.

2) Cash flows

Net cash provided by operating activities was 1,266 million yen, primarily due to an increase in underwriting reserves of 474 million yen resulting from the steady increase in policies in force. This represents an increase of 889 million yen year on year.

Net cash used in investing activities was 3,010 million yen. This represents an increase in cash outflow of 1,470 million yen year on year, primarily due to purchase of marketable securities.

Net cash used in financing activities was 205 million yen for the first quarter under review, compared with a cash outflow of 104 million yen in the previous first quarter.

As a result of the above, cash and cash equivalents at the end of the first quarter under review was 25,742 million yen, a decrease of 1,949 million yen from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

About consolidated financial results forecast among the consolidated financial results forecast for the fiscal year ending March 31, 2023, please refer to “Financial results forecast for the next consolidated fiscal year” of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 disclosed on May 11, 2022. If there are revisions in the future, notification will be promptly made.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Cash and bank deposits	29,641	27,692
Marketable securities	16,570	18,468
Loans receivable	3	7
Property, plant and equipment	2,550	2,566
Intangible assets	3,469	3,371
Other assets	5,481	5,534
Accounts receivable	2,208	2,206
Accrued premiums	571	620
Suspense payments	1,237	1,187
Rest of other assets	1,463	1,520
Deferred tax assets	951	1,150
Allowance for doubtful accounts	(33)	(33)
Total assets	58,635	58,757
Liabilities		
Reserve for insurance policy liabilities	21,297	21,939
Loss reserves	2,705	2,872
Underwriting reserves	18,592	19,067
Corporate bonds	5,000	5,000
Other liabilities	4,647	4,648
Provision for bonuses	274	157
Reserves under special laws	98	104
Reserve for price fluctuation	98	104
Total liabilities	31,319	31,850
Net assets		
Shareholders' equity		
Share capital	8,202	8,202
Capital surplus	8,092	8,092
Retained earnings	11,364	11,658
Treasury shares	(1)	(1)
Total shareholders' equity	27,658	27,953
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(342)	(1,045)
Total accumulated other comprehensive income	(342)	(1,045)
Total net assets	27,316	26,907
Total liabilities and net assets	58,635	58,757

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the Three Months Ended June 30, 2022 and 2021

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Recurring revenue	13,259	13,953
Underwriting revenue	11,620	12,506
[Of which net premiums written]	11,620	12,506
Investment revenue	263	132
[Of which interest and dividend income]	70	121
[Of which gain on sale of marketable securities]	193	6
Other recurring revenue	1,375	1,314
Recurring expenses	12,561	13,175
Underwriting expenses	8,502	8,889
[Of which net claims paid]	6,168	6,691
[Of which loss adjustment expenses]	275	278
[Of which net commission and collection expenses]	1,299	1,277
[Of which provision for reserve for outstanding losses and claims]	126	166
[Of which provision for underwriting reserves]	631	474
Investment expenses	33	—
[Of which loss on sale of marketable securities]	33	—
Operating and general administrative expenses	3,608	3,852
Other recurring expenses	417	432
[Of which interest expenses]	3	3
Recurring profit	698	778
Extraordinary losses	15	26
Loss on disposal of non-current assets	11	20
Provision of reserves under special laws	3	5
Provision of reserve for price fluctuation	3	5
Other	0	0
Profit before income taxes	682	752
Income taxes - current	47	179
Income taxes - deferred	148	74
Total income taxes	195	254
Net profit	486	497
Profit attributable to owners of parent	486	497

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2021
Net profit	486	497
Other comprehensive income		
Valuation difference on available-for-sale securities	110	(703)
Total other comprehensive income	110	(703)
Comprehensive income	596	(205)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	596	(205)
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	682	752
Depreciation	191	176
Amortization of goodwill	53	55
Increase (decrease) in loss reserves	126	166
Increase (decrease) in underwriting reserves	631	474
Increase (decrease) in allowance for doubtful accounts	(24)	(0)
Increase (decrease) in provision for bonuses	(107)	(117)
Increase (decrease) in reserve for price fluctuation	3	5
Interest and dividend income	(70)	(121)
Loss (gain) related to marketable securities	(160)	(11)
Share of loss (profit) of entities accounted for using equity method	(81)	(3)
Share-based payment expenses	10	5
Interest expenses	3	3
Loss (gain) related to property, plant and equipment	11	20
Decrease (increase) in other assets except for investing and financing activities	(158)	(53)
Increase (decrease) in liabilities except for investing and financing activities	(258)	283
Subtotal	853	1,636
Interest and dividend income received	76	132
Interest paid	(0)	(0)
Income taxes paid	(552)	(501)
Net cash provided by (used in) operating activities	377	1,266
Cash flows from investing activities		
Purchase of marketable securities	(2,204)	(2,858)
Proceeds from sale and redemption of marketable securities	963	41
Total of net cash provided by (used in) investment transactions	(1,240)	(2,817)
Total of net cash provided by (used in) operating activities and investment transactions	(863)	(1,550)
Purchase of property, plant and equipment	(166)	(73)
Purchase of intangible assets	(81)	(117)
Other, net	(52)	(2)
Net cash provided by (used in) investing activities	(1,540)	(3,010)
Cash flows from financing activities		
Repayments of lease obligations	(2)	(2)
Dividends paid	(101)	(203)
Net cash provided by (used in) financing activities	(104)	(205)
Net increase (decrease) in cash and cash equivalents	(1,266)	(1,949)
Cash and cash equivalents at beginning of period	28,833	27,691
Cash and cash equivalents at end of period	27,566	25,742

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable

(Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements)

Not applicable

(Changes in accounting policies)

We started to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021, hereinafter the "Fair Value Measurement Accounting Standard") at the beginning of the first quarter of the current fiscal year. Accordingly, we have decided to continue to apply the new accounting policies specified in the Fair Value Measurement Accounting Standard and related measures according to the provisional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Accounting Standard. This application has no impact on quarterly consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the first quarter of the fiscal year. As a result, accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter, "PITF No. 42"). Pursuant to the provision in Paragraph 32 (1) of PITF No. 42, the Company has judged that there is no impact from the change in accounting policies as a result of applying PITF No. 42.

(Segment information, etc.)
[Segment information]

For the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

1. Information on the amounts of recurring revenue, profit (loss), by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Amount recorded in consolidated financial statements (Note 2)
	Non-life insurance business	Pet-related internet services business	Total				
Recurring revenue from sales to external customers	11,894	432	12,327	932	13,259	—	13,259
Inter-segment recurring revenue or transfers	58	48	107	23	130	(130)	—
Total	11,953	481	12,435	955	13,390	(130)	13,259
Segment profit	623	66	689	8	698	—	698

- (Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the insurance agency operations, veterinary clinic support operations, and research and clinical operations in the veterinary medicine area.
2. Segment profit coincides with recurring profit in the consolidated statements of income.

2. Information about impairment loss or goodwill of non-current assets by reportable segment
(Significant change in the amount of goodwill)

(Million yen)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of goodwill	—	33	20	—	53
Balance at end of the fiscal year	—	1,838	489	—	2,328

For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on the amounts of recurring revenue, profit (loss), by reportable segment

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Amount recorded in consolidated financial statements (Note 2)
	Non-life insurance business	Pet-related internet services business	Total				
Recurring revenue from sales to external customers	12,640	432	13,073	880	13,953	—	13,953
Inter-segment recurring revenue or transfers	62	26	89	36	125	(125)	—
Total	12,703	459	13,162	917	14,079	(125)	13,953
Segment profit (loss)	952	(16)	936	(158)	778	—	778

- (Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the insurance agency operations, veterinary clinic support operations, and research and clinical operations in the veterinary medicine area.
2. Segment profit (loss) coincides with recurring profit in the consolidated statements of income.

2. Information about impairment loss or goodwill of non-current assets by reportable segment
 (Significant change in the amount of goodwill)

(Million yen)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of goodwill	—	33	22	—	55
Balance at end of the fiscal year	—	1,704	492	—	2,197

2. Additional Information

(1) Status of profit and loss for the three months ended June 30, 2022

(Million yen)

		For the three months ended June 30, 2021	For the three months ended June 30, 2022	Year-on-year change	Year-on-year change rate (%)
Recurring profit (loss)	Underwriting revenue	11,620	12,506	885	7.6
	[Of which, net premiums written]	[11,620]	[12,506]	[885]	[7.6]
	Underwriting expenses	8,502	8,889	386	4.6
	[Of which, net claims paid]	[6,168]	[6,691]	[522]	[8.5]
	[Of which, loss adjustment expenses]	[275]	[278]	[2]	[1.0]
	[Of which, net commission and collection expenses]	[1,299]	[1,277]	[(22)]	[(1.7)]
	[Of which, provision for reserve for outstanding losses and claims]	[126]	[166]	[40]	[32.2]
	[Of which, provision for underwriting reserves]	[631]	[474]	[(157)]	[(24.9)]
	Investment revenue	263	132	(130)	(49.6)
	[Of which, interest and dividend income]	[70]	[121]	[51]	[73.6]
	[Of which, gain on sale of marketable securities]	[193]	[6]	[(186)]	[(96.4)]
Investment expenses	33	—	(33)	—	
Operating and general administrative expenses	3,608	3,852	244	6.8	
Other recurring profit (losses)	957	881	(76)	(8.0)	
Recurring profit	698	778	80	11.5	
Extraordinary income (losses)	Extraordinary income	—	—	—	—
	Extraordinary losses	15	26	10	67.7
	Extraordinary income (losses)	(15)	(26)	(10)	67.7
Profit before income taxes		682	752	69	10.2
Income taxes - current		47	179	132	276.6
Income taxes - deferred		148	74	(73)	(49.4)
Total income taxes		195	254	58	30.1
Profit attributable to owners of parent		486	497	10	2.2

(2) Status of recurring revenue

The table below shows recurring revenue by segment.

Segment	For the three months ended June 30, 2021	For the three months ended June 30, 2022	Year-on-year increase (decrease) rate
	Amount (Million yen)	Amount (Million yen)	(%)
Non-life insurance business (pet insurance)	11,894	12,640	6.3
Non-life insurance (Anicom Insurance, Inc.)	11,894	12,640	6.3
(Of which, net premiums written)	11,620	12,506	7.6
Pet-related internet services business	432	432	0.1
Other businesses	932	880	(5.6)
Veterinary clinic support	67	75	11.5
Insurance agencies	3	3	0.6
Clinical and research operations in the veterinary medicine area	473	546	15.6
Genetic testing, etc.	151	109	(27.5)
Other	236	144	(38.9)
Total	13,259	13,953	5.2

(3) Insurance premiums and insurance claims by type

The table below shows the insurance underwriting results by Anicom Insurance, Inc.

1) Direct net premiums (including premiums of saving-type insurance)

	For the three months ended June 30, 2021			For the three months ended June 30, 2022		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	11,620	100.0	10.0	12,506	100.0	7.6
Total	11,620	100.0	10.0	12,506	100.0	7.6
[Of which, premiums of saving-type insurance]	[-]	[-]	[-]	[-]	[-]	[-]

(Note) 1. Direct net premiums (including premiums of saving-type insurance) refers to direct premiums from which direct cash surrender value and direct other refunds have been deducted. (Includes deposit premiums for savings-type insurance)

2. Figures are amounts after the elimination of inter-segment transactions.

2) Net premiums written

	For the three months ended June 30, 2021			For the three months ended June 30, 2022		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	11,620	100.0	10.0	12,506	100.0	7.6
Total	11,620	100.0	10.0	12,506	100.0	7.6

(Note) 1. Figures are amounts after the elimination of inter-segment transactions.

3) Net claims paid

	For the three months ended June 30, 2021			For the three months ended June 30, 2022		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	6,168	100.0	12.2	6,691	100.0	8.5
Total	6,168	100.0	12.2	6,691	100.0	8.5

(Note) 1. Figures are amounts after the elimination of inter-segment transactions.

(4) Marketable securities

A list of items that are material to the operations of the corporate group and have undergone significant changes compared to the end of the previous consolidated fiscal year is as follows.

1. Held-to-maturity securities

Not applicable.

2. Available-for-sale securities

Previous fiscal year (as of March 31, 2022)

	Acquisition cost (Million yen)	Amount recorded in consolidated balance sheets (Million yen)	Difference (Million yen)
Shares	8	24	15
Other	15,275	14,784	(491)
Total	15,284	14,809	(475)

(Note) Shares, etc. without market prices and investments in partnerships are not included in the above table.

Three months under review (as of June 30, 2022)

	Acquisition cost (Million yen)	Amount recorded in consolidated balance sheets (Million yen)	Difference (Million yen)
Shares	8	20	11
Other	17,739	16,276	(1,463)
Total	17,748	16,296	(1,452)

(Note) Shares, etc. without market prices and investments in partnerships are not included in the above table.

(5) Solvency margin ratio

The table below shows solvency margin ratio of Anicom Insurance, Inc.

	As of March 31, 2022 (Million yen)	As of June 30, 2022 (Million yen)
(A) Total amount of solvency margin	21,467	20,891
Stated capital or funds, etc.	20,288	20,666
Reserve for price fluctuation	98	104
Contingency reserve	-	-
Catastrophe reserve	1,522	1,541
General allowance for doubtful accounts	1	2
Unrealized gains (losses) on available-for-sale securities before tax effect deductions	(475)	(1,452)
Unrealized gains (losses) on land	30	30
Excess of premium refund reserve	-	-
Subordinated debt, etc.	-	-
Amounts within "Excess of premium refund reserve" and "Subordinated debt, etc." not calculated into the margin	-	-
Deductions	-	-
Other	-	-
(B) Total amount of risk $\sqrt{\{(R1 + R2)^2 + (R3 + R4)^2\}} + R5 + R6$	12,830	13,081
General insurance risk (R1)	12,447	12,716
Third sector insurance risk (R2)	-	-
Assumed interest rate risk (R3)	-	-
Asset management risk (R4)	1,596	1,445
Business administration risk (R5)	280	283
Major catastrophe risk (R6)	-	-
(C) Solvency margin ratio on a non-consolidated basis (%) [(A) / {(B) x 1/2}] x 100	334.6%	319.4%

(Note) The above amounts and figures are calculated in accordance with Articles 86 and 87 of the Regulation for Enforcement of the Insurance Business Act and Public Notice No. 50 issued by the Ministry of Finance in 1996.

Solvency Margin Ratio

- Non-life insurance companies set aside reserves to cover the payment of insurance claims in the event of an insured event and payments of maturity refunds for savings-type insurance policies. However, they must also maintain sufficient solvency in order to cover risks that exceed the normally predictable range, such as the occurrence of a major catastrophe or a significant decline in the value of assets held by the non-life insurance companies.
- The "solvency margin ratio on a non-consolidated basis" ((C) in the above table) indicates the ratio of the "solvency margin of an insurance company in terms of its stated capital, reserves, etc." (i.e. total amount of solvency margin: (A) in the above table) to the "total amount of risk" ((B) in the above table), which represents "risks that exceed the normally predictable range," calculated in accordance with the Business Insurance Act, etc.
- "Risks that exceed the normally predictable range" are the total amount of the risks described below.
 - 1) Risk on underwriting of insurance : Risk that may occur due to the incidence rate of insured events being in excess of normally predictable range (excluding major catastrophe risk)
 - (General insurance risk)
 - (Third-sector insurance risk)

- 2) Assumed interest rate risk : Risk that may occur due to the actual yields of invested assets falling below the yields assumed for the calculation of premiums for savings-type insurance
 - 3) Asset management risk : Risk that may occur due to the value of assets such as marketable securities held fluctuating in excess of the normally predictable range
 - 4) Business administration risk : Risks that may occur in the operation of business in excess of the normally predictable range other than 1) to 3) above and 5) below
 - 5) Major catastrophe risk : Risk that may occur due to a major catastrophe (equivalent to the Great Kanto Earthquake or the Isewan Typhoon) in excess of the normally predictable range
- The “solvency margin of an insurance company in terms of its stated capital, reserves, etc.” (total amount of solvency margin) refers to the total of the insurance company’s net assets (excluding the amount of scheduled disbursement, etc.), various reserves (reserve for price fluctuation, catastrophe reserve, etc.), part of its unrealized gains on land, etc.
 - The solvency margin ratio is one objective indicator used by government authorities to determine the soundness of insurance companies’ management in its supervision of insurance companies. It is understood that a ratio of 200% or more indicates an appropriate level of solvency of an insurance company in terms of its ability to pay insurance claims, etc.