

1Q FY03/23

Financial Report

August 5, 2022



Securities Code:8715



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1. Overall summary (Recurring revenue and recurring profit)

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Recurring revenue

13,953 Million JPY

1Q FY03/22 JPY 13,259 mn +5.2% YoY Planned JPY 14,000 mn -0.3%
Of which, underwriting revenue: JPY 12,506 mn 1Q FY03/22 JPY 11,620 mn +7.6%YoY

Recurring profit

778 Million JPY

1Q FY03/22 JPY 698 mn +11.5% YoY Planned JPY 800 mn -2.7%

While the demand for pet ownership during COVID-19 pandemic subsided, we need to closely monitor further trends in demand for pet ownership and insurance payouts.

■ Recurring revenue (YoY)

- For Apr–Jun, the number of new policies was **53,000** and the number of policies in force totaled **1,049,000 (+10.3%)**, **continuing to grow at a solid pace**.
- Other recurring revenue was JPY**1,314** million (-4.4%), mainly because a slowdown of demand for pet ownership led to declines in the number of contracts concluded at SIMNET's breeder matching site and that of genetic testing conducted.
- Investment revenue was JPY**132** million (-49.6%), **progressing in line with the plan** despite a difficult investment environment shaped by global monetary tightening.

■ Recurring profit (YoY)

- Underwriting revenue and investment revenue were generally as planned. However, recurring profit was slightly below the planned target by 2.7% due to an increase in insurance payouts and a decline in other recurring revenue.
- Moving forward, we will continue working to achieve more preferable loss ratio, agency commissions, and sales administrative expense ratio while closely monitoring trends in demand for pet ownership and insurance payouts.

2. Income statement summary

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(JPYmn)

	1Q FY03/22	1Q FY03/23	Change
Recurring revenue	13,259	13,953	5.2
Underwriting revenue	11,620	12,506	7.6
Investment revenue	263	132	- 49.6
Other recurring revenue	1,375	1,314	- 4.4
Recurring expenses	12,561	13,175	4.9
Underwriting expenses	8,502	8,889	4.6
• Net claims paid	(6,168)	(6,691)	8.5
• Loss adjustment expenses	(275)	(278)	1.0
• Net commission and collection expenses	(1,299)	(1,277)	- 1.7
• Provision for reserve for outstanding losses and claims	(126)	(166)	32.2
• Provision for underwriting reserves	(631)	(474)	- 24.9
Of which unearned premiums	(564)	(455)	- 19.3
Of which catastrophe reserve	(67)	(18)	- 71.9
Investment expenses	33	0	- 100.0
Operating and general administrative expenses	3,608	3,852	6.8
Other recurring expenses	417	432	3.6
Recurring profit	698	778	11.5
Net profit	486	497	2.2

■ Reasons for changes in major accounting items

(1) Underwriting revenue

➤ The number of policies in force **increased by 97,609 (+10.3%)** while the number of new policies declined by **6,772 (-11.2%)**, year-on-year.

(2) Investment revenue

➤ In the investment environment characterized by significant price fluctuations, we secured investment revenue in the form mainly of income from the assets held.

(3) Other recurring revenue

➤ Other recurring revenue from genetic testing and other businesses fell, despite increases from animal hospitals and so forth, resulting in an overall year-on-year decline.

(4) Net claims paid

➤ Claims paid increased, primarily because the number of hospital visits remained high.

(5) Net commission and collection expenses

➤ Agency commissions improved thanks to the diversification of sales channels and the efficient acquisition of policies.

(Reference) Anicom Insurance's key insurance indicators

(JPYmn)

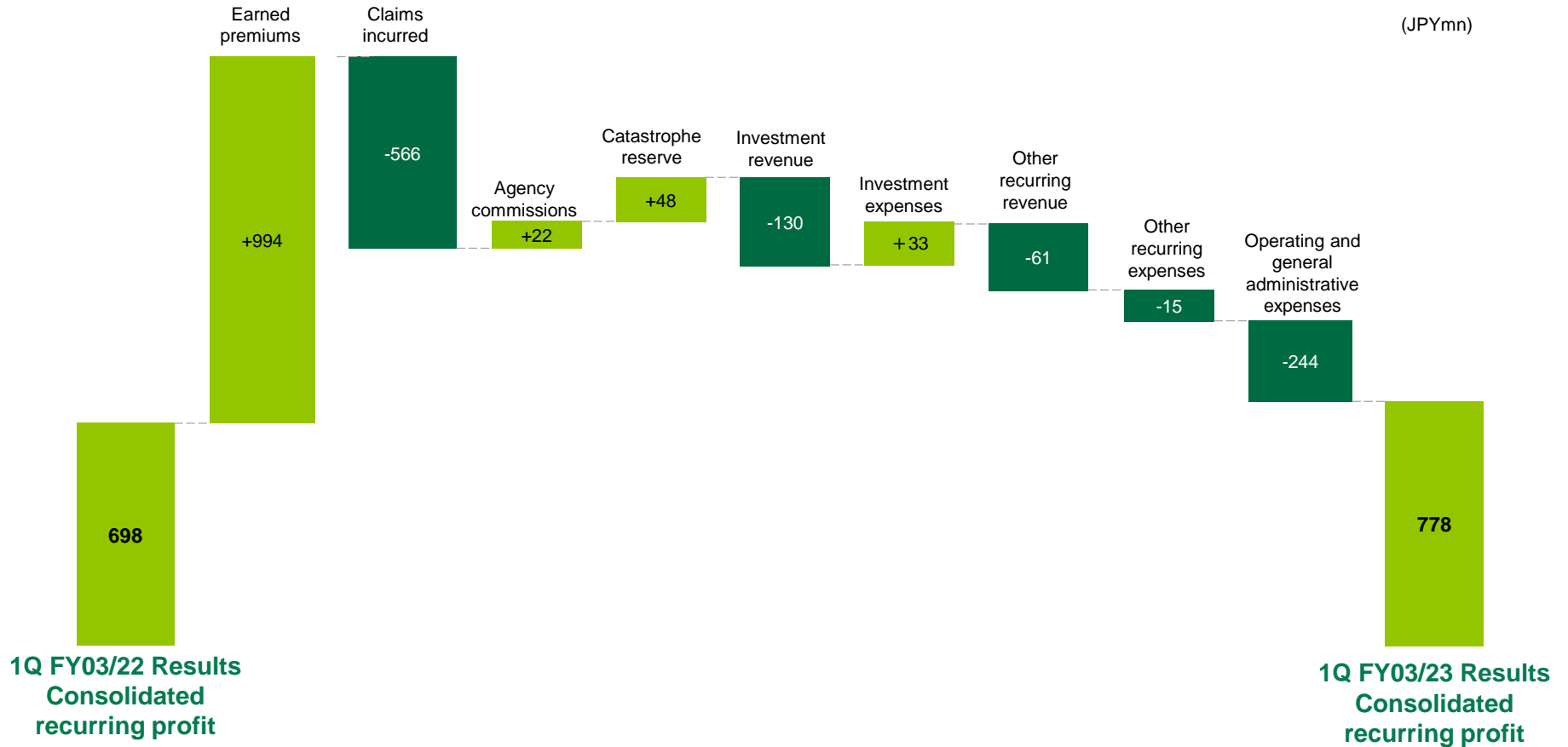
	1Q FY03/22	1Q FY03/23	Change
Earned premiums	11,097	12,093	9.0%
Claims incurred (including loss adjustment expenses)	6,570	7,137	8.6%
E/I loss ratio (1)	59.2%	59.0%	-0.2pt
Expense ratio (based on earned premiums) (2)	38.6%	35.5%	-3.1pt
Combined ratio (based on earned premiums) (1)+(2)	97.8%	94.5%	-3.3pt

3. Factors related to changes in recurring profit

(Comparison analysis with 1Q FY03/22 results)

Recurring profit increased due to an underwriting revenue increase, in addition to contribution from the improvement of agency commissions, etc.

Note 1) Earned premiums = Underwriting revenue - Provision for normal underwriting reserves (Unearned premiums)
 Note 2) Claims incurred = Net claims paid + Provision for reserve for outstanding losses and claims
 Note 3) Catastrophe reserve = Provision for Catastrophe reserve losses and claims + Reversal of Catastrophe reserve reimbursements



4. Balance sheet summary

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(JPYmn)

	End-FY03/22	End-1Q FY03/23	Change
Total assets	58,635	58,757	0.2
Cash and bank deposits	29,641	27,692	- 6.6
Marketable securities	16,570	18,468	11.5
Tangible fixed assets	6,020	5,937	- 1.4
Other assets	6,402	6,659	4.0
Total liabilities	31,319	31,850	1.7
Reserve for insurance policy liabilities	21,297	21,939	3.0
Of which loss reserves	2,705	2,872	6.2
Of which underwriting reserves	18,592	19,067	2.6
Corporate Bonds	5,000	5,000	-
Other liabilities	5,021	4,910	- 2.2
Total net assets	27,316	26,907	- 1.5
Shareholders' equity	27,658	27,954	1.1
Valuation and transaction adjustments	- 342	- 1,045	-
Total liabilities and net assets	58,635	58,757	0.2

■ Reasons for changes in major accounting items

(1) Marketable securities

- Expanded investment in bonds and other fixed income assets

(2) Corporate bonds

- Funds raised through the issuance of first series unsecured bonds in September 2020

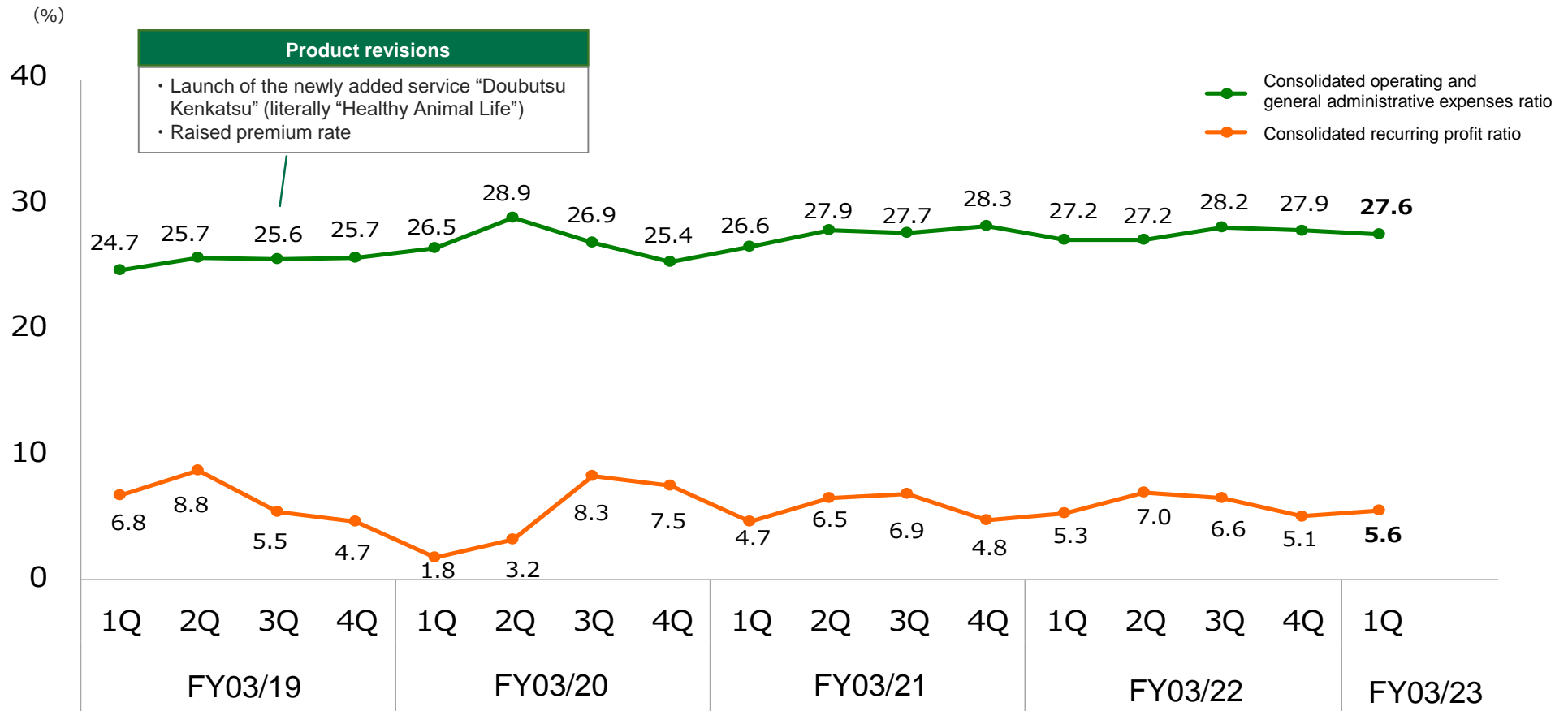
(3) Valuation and transaction adjustments

- Decrease in valuation difference on available-for-sale securities

5. Recurring expenses and profit indicators

*Operating and general administrative expenses ratio, recurring profit ratio (consolidated)

*Refer to the appendix for management indicators for Anicom Insurance on a non-consolidated basis (loss ratio, expense ratio, number of policies)



Progress of priority measures

1. Progress of priority measures (Insurance business and investment)
2. Progress of priority measures (Businesses generating synergies)
3. Topics



Insurance Business

Numbers of new policies and policies in force

- The number of new policies totaled over **53,000** for Apr–Jun, and the number of policies in force exceeded **1.04 million** as of June 30, 2022.

Expanding and strengthening sales channels

- Closer collaboration with SIMNET led to a steady increase in the number of new policies sold through the breeder channel.
- An ongoing effort was made to expand sales channels further, centered on corporate agencies.
- Enhancing online ads made a greater contribution to the number of new policies.

Building on the expansion and strengthening of sales channels, Anicom promoted the improvement in efficiency and costs in the insurance business

⇒ Acquired policies efficiently while strongly pushing the fusion of the real and digital worlds

Expanding products and services

- Owing to a steady increase in Doubutsu Kenkatsu applications, the renewal rate remained high for Apr–Jun at 87.8%.

Improving the loss ratio, agency commissions, and sales administrative expense ratio

- **Loss ratio (59.0% in 1Q) improvement**
The impact of COVID-19 started to wane; still, insurance payouts require close monitoring in 2Q and beyond.
Ongoing measures to improve the loss ratio
 - Promote the use of recommended health insurance treatment flowcharts to encourage more appropriate medical care, while recommending outstanding hospitals.
 - Refer more pet owners to outstanding hospitals using appointment functions.
- **Agency commissions (10.2% in 1Q) improvement**
A significant 1% improvement was made year-on-year owing mainly to the expanded breeder channel and diversified general channels.
- **Sales administrative expense ratio (27.6% in 1Q) improvement**
 - Reduce both the number of direct claims and processing cost per claim in insurance payout operations.
 - Save labor for handling various procedures and reduce paperwork costs.

Investment

- **As a result of flexible and opportunistic investment, solid progress was made in Apr–Jun.**

In an investment environment with high market risk, we pursued revenue while controlling risks with attention paid to unrealized capital gains or losses, risk amounts, and surplus funds for investment.

- **We plan to expand into commercial properties as part of breeding support, with the Shippo-no-sato [tail's home] project in Hakusan City, Ishikawa Prefecture.**

Provide breeding spaces, shelters, and such while gaining lease revenue.

- Our popular pet-friendly housing (anico flora Higashi-Nakano) remained full.



しっぽの郷



anico flora
HIGASHI-NAKANO

Other

- **As of June 30, 2022, we have filed a total of 34 patent applications, including one for a disease prediction system using pet photos (an increase of 18 applications year-on-year).**

- **Promotion of the “strategy of one patent per employee”**

Anicom has developed not only the insurance business but also businesses that touch each employee’s heart such as image recognition AI, food, gut microbiota measuring, and regenerative medicine. Consequently, **the number of inventors increased to 78 as of June 30, 2022**, from 13 as of December 31, 2020 (926 employees on a consolidated basis as of June 30, 2022).

Numbers of patents applied for and granted by field of technology

	Image recognition AI	Genes, food, and gut microbiota	Regenerative medicine	Other
Patents applied for	16	10	3	5
Patents granted	2	1	2	1



Note: “Patents applied for” include priority claim applications and divided applications, but exclude applications filed overseas.

- **Development of AI and a database (basic animal resident register)**

- Gather data to detect signs of labor or heat in animals.
- Develop a detection AI model using collected images and build it into cameras.

Before birth

Upstream



Enhancing the genetic testing business

- The number of samples for genetic testing exceeded **25,000** for Apr–Jun.
- Genetic testing for gastrointestinal polyposis in Jack Russell terriers was launched on July 18.
- We started to implement panel testing that makes it possible to check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test.

SIMNET results for Apr–Jun 2022

- Net sales: JPY**459** million
- Recurring profit: JPY**17** million
- Recurring profit ratio: **3.7%**

Note: Recurring profit above does not include amortization of goodwill.

Anicom has been expanding breeding support through the dog and cat breeders registered with its Minna no Breeder and Minna no Koneko Breeder websites

Strengthening breeding support

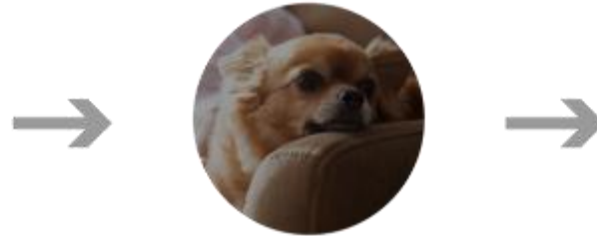
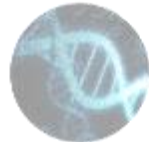
We have been actively advancing various breeding support initiatives, taking into account the amended Act on Welfare and Management of Animals and other developments.

- **Genetic testing** ⇒ Development of testing and matching services that help improve breeding efficiency (e.g., **analyzing the genetic information of animals that produce many offspring**)
- **Technological development** ⇒ Development of methods to detect the optimal mating period, **utilization of stem cells**, research aimed at improving technologies for the use of frozen sperms, etc.
- **Medical support** ⇒ **Positive response received to the expansion of house call service areas** (e.g., regular checkups and microchip implants)
- **Sales support** ⇒ **Expansion of the support center for direct sale from breeders (steady increase in the number of animals handed over, coupled with a high ratio of contracts concluded)**
- **Business support** ⇒ **An increase in the number of breeders recommending the Group's food**; development and trial start of a reproductive management system; provision [leasing] of breeding spaces, etc.
- **Support for adoption of retired breeding dogs and cats** ⇒ The ani TERRACE shelter began to rescue, care for, and facilitate the adoption of, dogs and cats (some adoptions already made) while also working to attract visitors utilizing its dog park and pet hotel

From day-to-day routines to curing the incurable

Midstream

Downstream



Commercializing health exams and food and products, etc.

- Over 52,000 applications were received for Doubutsu Kenkatsu service for Apr–Jun.
- Food for You series (DNA food and food for gut microbiota) have been on sale. We provide, on a one-on-one basis, food containing active ingredients that address the risks identified through tests. Food for gut microbiota, available only to our policyholders, received positive feedback in terms of purchase after free sample distribution (purchase rate 3–4%).
- A new product named “Minna no gohan (Food for everyone)” goes on sale. Sold mainly through the breeder channel.



Business related to animal healthcare treatments (from prevention to general practice/regenerative medicine)

- Directly-operated animal hospitals totaled 57 (14 capable of performing surgery), growing at a solid pace.
- As of June 30, 2022, 463 animal hospitals joined the Research and Development Partnership for Animal Regenerative Medicine (PARM) launched mainly by the Anicom Group for the purpose of spreading regenerative medicine. PARM aims to administer more than 300 doses of cells in FY2022 (compared with approx. 200 doses administered in FY2021).

動物再生医療技術研究組合
Research and Development Partnership for Animal Regenerative Medicine

Addressing social issues (ESG activities)

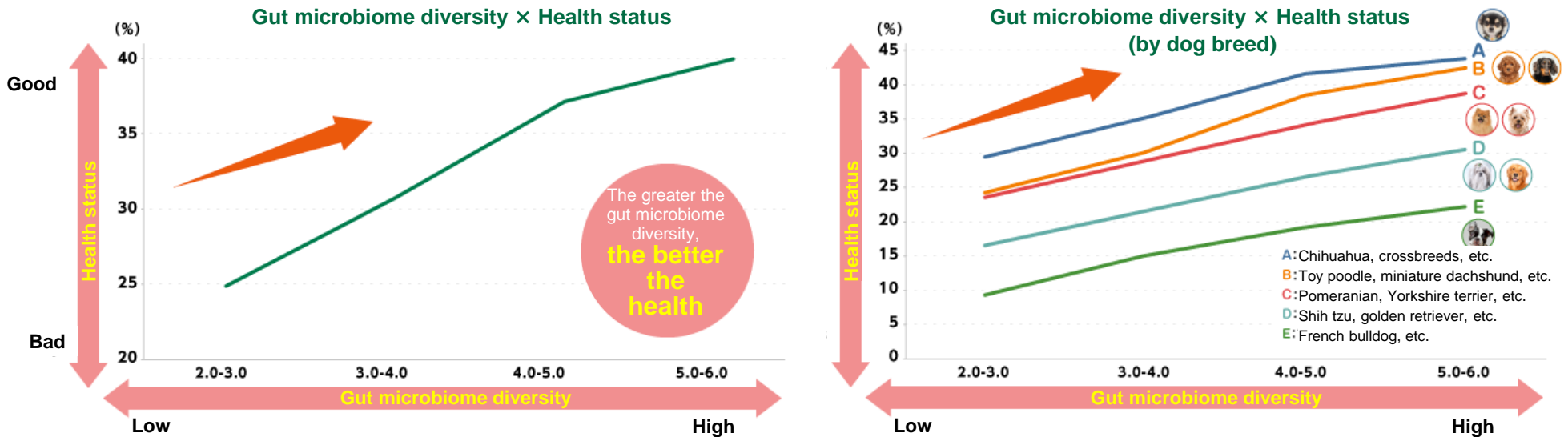
- The ani TERRACE shelter for rescue animals opened on April 29 (within the VISON commercial facility in Mie Prefecture).
- Initiative to support disaster recovery We rescued 32 dogs in the aftermath of a landslide in Shizuoka Prefecture in June.
- Initiative to promote, and educate the public about, animal well-being



We have helped educate children, such as by giving them opportunities to experience veterinary medicine firsthand at our directly-operated animal hospitals.



Gut bacteria make a difference to health status, which has recently been discovered by Anicom, an insurance company group



(N = 76,540; survey period: July 2019 to April 2022)

Notes: 1. "Gut microbiome diversity" above refers to the gut bacteria diversity expressed using the Shannon index.

2. "Health status" above refers to the percentage of the insurance policies surveyed for which no insurance claims were made. As such, the term does not indicate any link between individual animals and diseases. The insurance policies surveyed are the policies taken out to insure the animals aged 0 to 3 years for which [Doubutsu Kenkatsu \(gut microbiota measuring\)](#), a service ancillary to our pet insurance policies, was utilized during the survey period, excluding the animals for which insurance claims were made for specific injuries and accidents (bone fractures and accidental ingestion).

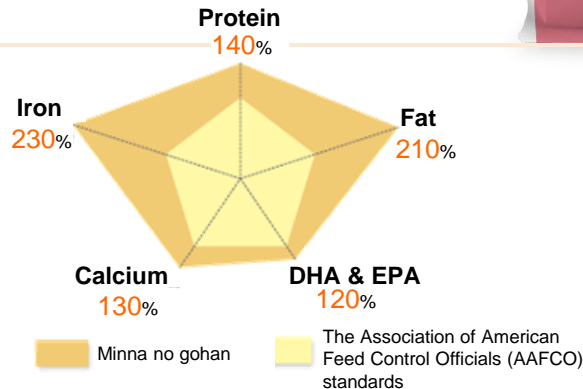
The health status of animals is not determined solely by congenital factors (breed and other genetic factors) but is also affected by acquired factors (such as food, living environment, and lifestyle habits). Therefore, it is possible to make pets healthier by improving their gut microbiomes.

Anicom will accelerate the efforts to prevent pet diseases by harnessing the data accumulated through the pet insurance business as well as the results of gut microbiota measuring, genetic testing, and other services. In parallel, we will advance the food business further.

3. Topics: (2) Minna no gohan goes on sale

Pet food that Anicom, an insurance company group, has developed by leveraging the big data on insurance and genes accumulated over 20 years, with a focus on improving gut microbiome diversity.

Minna no Gohan

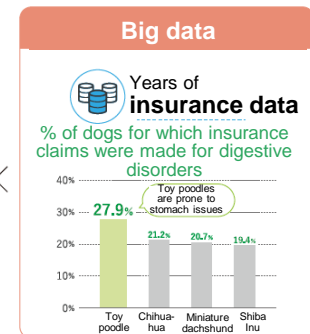
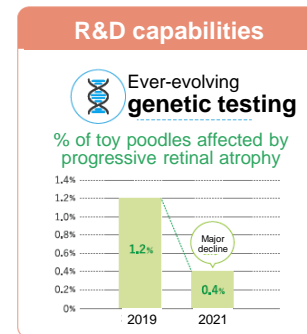


The percentage of dogs that immediately started eating after being fed **94%!**

● Ingredients specially added to help counter the weaknesses of each breed

Toy poodle <p>Help stomach function</p>	Oligosaccharides Provide a nutrient source for beneficial bacteria, helping maintain the balance in the gut flora and keep stomach healthy.	Psyllium husks Very rich in soluble and insoluble fiber and keep the gut microbiome healthy.
Chihuahua <p>Make the bones stronger</p>	BCAAs Refer collectively to three essential amino acids (valine, leucine, and isoleucine), which are an energy source for muscles during exercise.	Glucosamine Serves as a source of collagen and helps form new cartilage. It is often contained in human dietary supplements for maintaining joint health.
Shiba Inu <p>Maintain eye health</p>	Astaxanthin Has antioxidant properties and helps eyes focus and refocus, thereby contributing to maintaining eye health.	Tocotrienols Possess powerful antioxidant properties and are part of the vitamin E family, helping maintain eye health.
Miniature dachshund <p>Support metabolism and immune function</p>	Lutein Has antioxidant properties and helps maintain immune function.	Ergothioneine Has antioxidant properties and suppresses the function of active oxygen.

etc...



3. Topics: (3) Advancing regenerative medicine

Anicom announced the formation of a business partnership with CellSource Co., Ltd., a company engaged in a business related to regenerative medicine for humans, on June 13.




CellSource

- A proven track record in the business of human regenerative medicine
- Cutting-edge medical technologies for humans

CellSource is engaged in the regenerative medicine-related business, in which it offers contract processing of adipose-derived stem cells and blood for treating human patients.

The company has patented the method to prepare the PRP-derived cytokine named PFC-FD™,¹ which has been widely used to treat osteoarthritis, sports injuries, and the like.



anicom medical
Anicom Specialty Medical Institute, Inc.

- A network of animal hospitals
- A proven track record in the field of, and insurance data on, animal regenerative medicine

Anicom has been conducting clinical study to commercialize and disseminate mesenchymal stem cell treatment, by utilizing the Group's network of animal hospitals and establishing the Research and Development Partnership for Animal Regenerative Medicine (PARM).² It has also been working to develop pet insurance covering advanced medical care in order to alleviate the vet bill burden on pet owners and make advanced medical care more accessible.

Specific initiatives undertaken through the business partnership include:

- Develop therapies for animals, making use of blood processing technologies and so forth.
- Examine and develop next-generation regenerative medicine for animals.

As a first step, the partnership works primarily to establish, commercialize, and disseminate the technology to process canine blood; it will then consider developing next-generation regenerative medicine technologies other than therapies using blood processing technologies, as well as developing insurance covering advanced medical care.

Notes: 1. PFC-FD stands for platelet-derived factor concentrate freeze dry. The preparation method involves concentrating the growth factors of platelet-rich plasma (PRP) derived from blood, making them acellular, and lyophilizing and powdering them to allow for long-term storage at room temperature. Treatment using PFC-FD does not require surgery, and administering PFC-FD to affected areas is expected to be effective in pain relief and functional recovery. PFC-FD is a trademark of CellSource.

2. PARM is a nonprofit mutual benefit corporation engaged in joint research through the framework of industry-government-academia collaboration. Its aim is to standardize each process of yet-to-be established cell therapy services for pets (dogs and cats) and put into practice a mechanism that enables veterinarians at any medical facility to provide safe and effective cell therapy services. PARM was established on December 10, 2019.

APPENDIX

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



1. Major management indicators

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	1Q FY03/22	End-FY03/22	1Q FY03/23	Vs. previous year		Vs. previous year-end		End-FY03/23 (forecast as of May 11)
				Numbers	Rate	Numbers	Rate	
(1) Policies in force	952,078	1,028,831	1,049,687	97,609	10.3 %	20,856	2.0 %	1,120,000
(2) New policies	60,730	229,099	53,958	-6,772	-11.2 %	-	-	232,000
(3) Renewal rate	87.6 %	87.8 %	87.8 %	-	-	-	-	87.8 %
(4) Insurance payout cases	972 ,000	4,019 ,000	1,026 ,000	54 ,000	5.5 %	-	-	4,268 ,000
(5) Animal hospitals accepting Anicom	6,587	6,681	6,717	130	2.0 %	36	0.5 %	6,790

	1Q FY03/22	1Q FY03/23	YoY Change	End-FY03/23 (forecast as of May 11)
(6) E/I loss ratio	59.2 %	59.0 %	- 0.2 pt	58.1 %
(7) Expense ratio (based on earned premiums)	38.6 %	35.5 %	- 3.1 pt	35.9 %
(8) Combined ratio (based on earned premiums)	97.8 %	94.5 %	- 3.3 pt	94.0 %

	End-FY03/22	1Q FY03/23	Vs. previous year-end	End-FY03/23 (forecast as of May 11)
(9) Solvency margin ratio (non-consolidated)	334.6 %	319.4 %	- 15.2 pt	Around 320 %

	1Q FY03/22	1Q FY03/23	YoY Change
(10) No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	45,947	52,309	13.8 %
(11) No. of samples for genetic testing	28,256	25,662	- 9.2 %

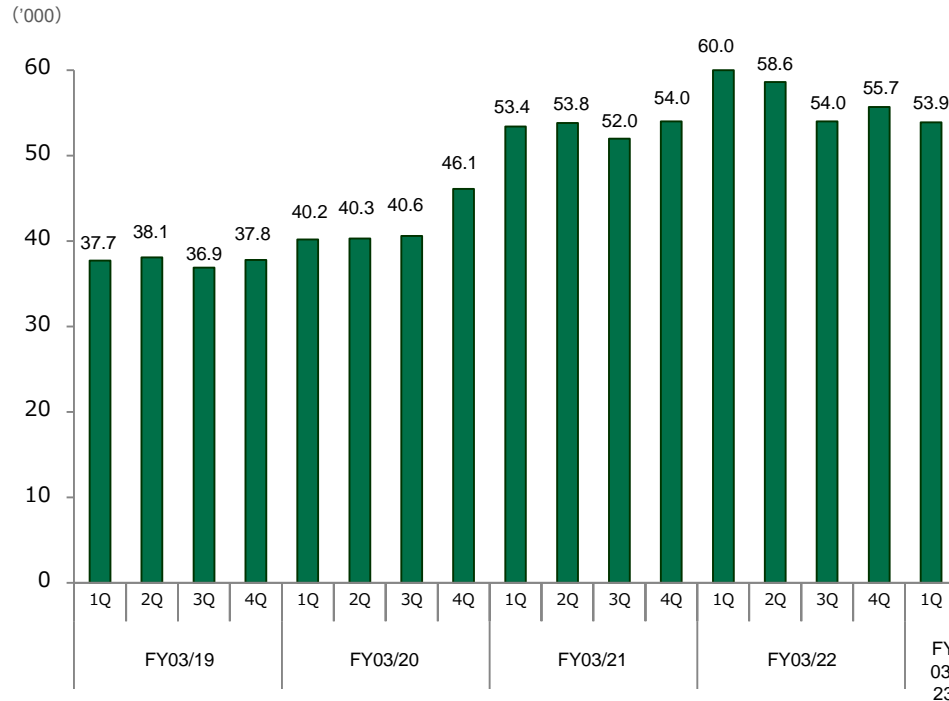
2. Anicom Insurance (non-consolidated): Recurring revenue indicators

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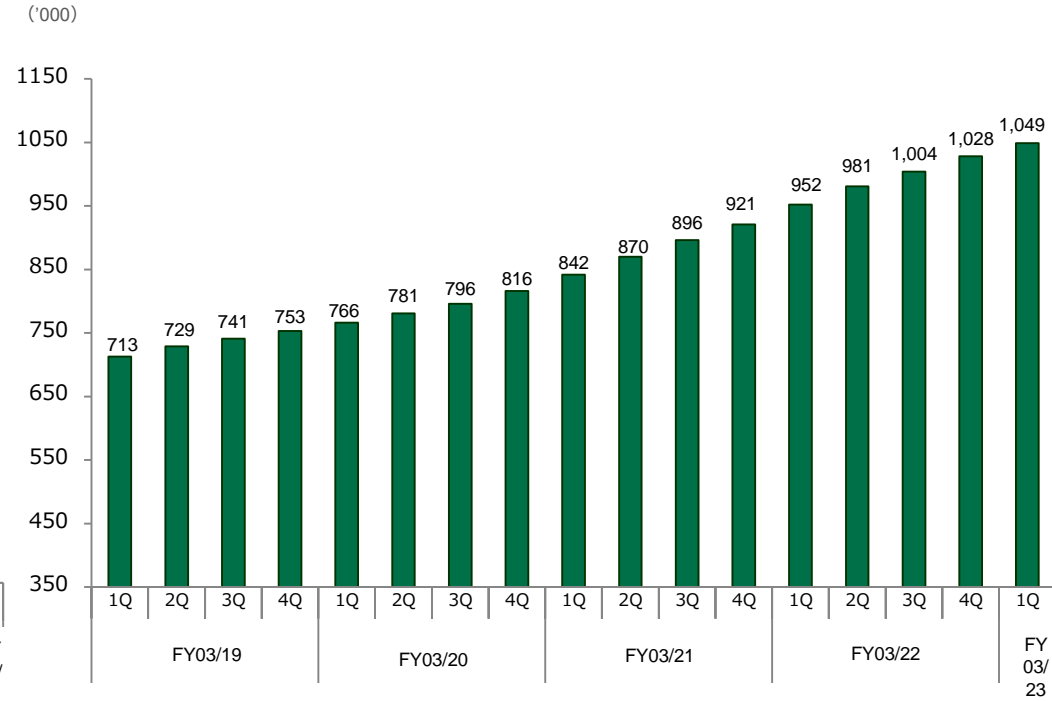
Quarterly trend in number of new policies



The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 50,000, achieving strong progress of 23.3% against the annual target of 232,000.

Quarterly trend in number of policies in force



Number of policies in force

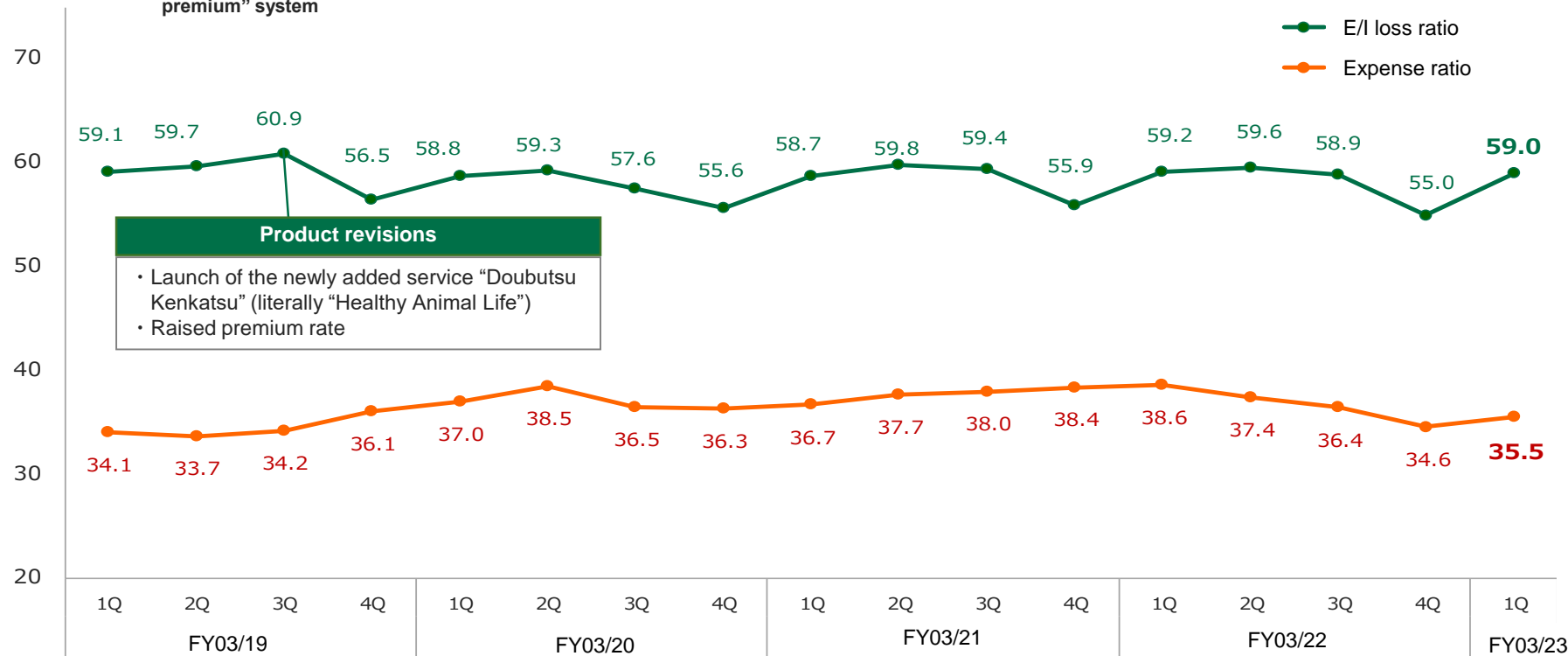
The number of policies in force totaled, progressing toward the annual target of 1,120,000.

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

[Reference information]

- 1Q FY03/15
 - Raised premium rate
 - Average revision of 12% (%)
- 3Q FY03/15
 - New products with limited hospital days
 - Launch of “health discount/extra premium” system
- 2Q FY03/18
 - Raised premium rate
 - Raised premium rate for animals that are eight years or older

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



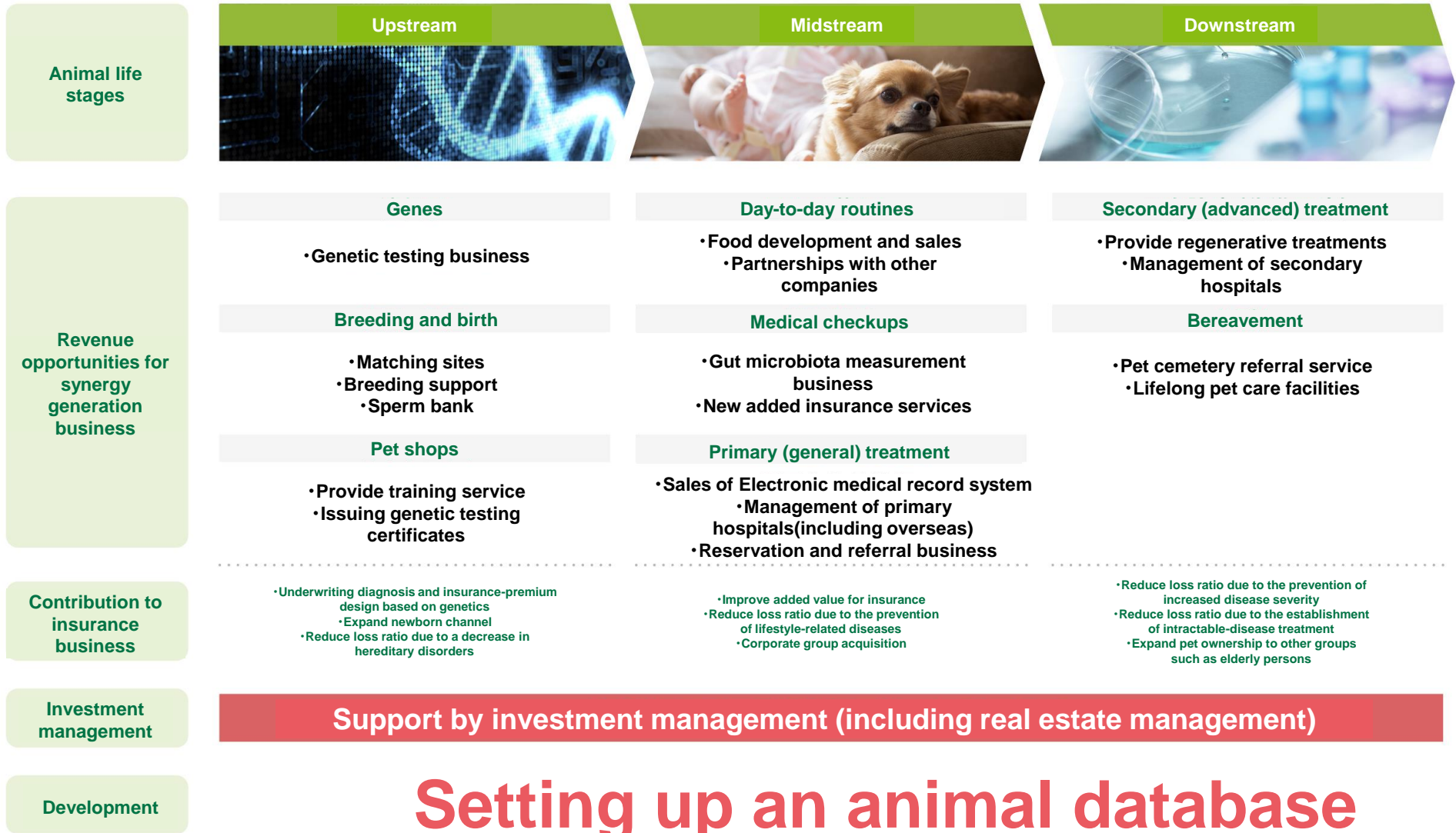
E/I loss ratio

The product portfolio continued to improve due to a significant increase in new policy acquisition since FY2020. Meanwhile, as claims paid increased due to the higher frequency of hospital visits caused by the impact of changes in behavior in the COVID-19 pandemic, as well as an increase in the average payout per claim, E/I loss ratio remained at a high level. Recently, however, such impact of the changes have reached its peak, and a tendency toward becoming stabilized has been confirmed.

Expense ratio

The expense ratio continued to trend upward due to the effects of continued proactive investment aimed at business expansion, increased costs in unique Doubutsu Kenkatsu service, the increased number of new policy contracts, and an increase in agency commissions due to intensifying competition in NB channels, etc. Recently, the shift of sales and other measures have led to improving efficiency and costs in the insurance business.

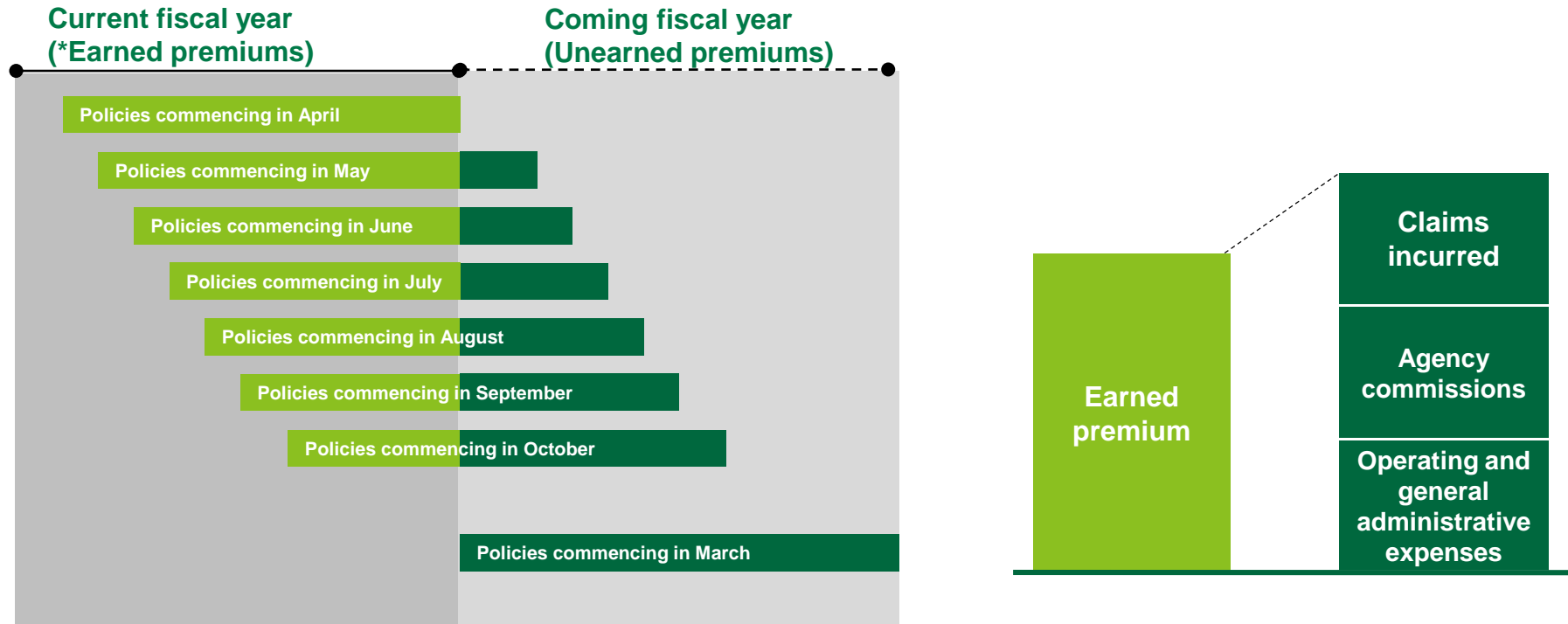
4. Relationship between Insurance Business and Synergy Generation Business



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

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



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