

FY03/21

# Financial Report

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May 12

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Security Code:8715



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# Results Overview

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1. Impact of COVID-19 pandemic on Anicom and its response
2. Recurring revenue and recurring profit
3. Income statement summary
4. Factors related to changes in recurring profit (Comparison analysis with FY2019 results)
5. Balance sheet summary
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7. Sales trends (Increases in other recurring revenue)



## Business Management Environment

- Changes in lifestyle as people spend more time at home
- Increase in pet ownership demand

### Positive impacts

- **Record-high 213,000 new policies** (up 28% year-on-year)
- **921,000 policies in force** (as of March 31, 2021)  
Portfolio improved with continued decline in “no-cap policies,” the main cause of high loss ratio (**No-cap policies: Percentage of total policies 32% ⇒ 25%; percentage of total claims incurred 63.9% ⇒ 57.1%**)
- **Expansion of animal hospital and genetic testing businesses and of matching business of SIMNET Co., Ltd.**

Animal hospital/genetic testing/other revenue: JPY2.66 billion

SIMNET revenue: JPY1.57 billion

### CSR Activities

- **Promoted social contribution activities, including #StayAnicom Project**
- **This project received a certificate of appreciation from the Minister of the Environment in recognition of its contribution to preventing the spread of COVID-19** (March 2021)

### Negative impacts

- **Increase in claims incurred due to increased hospital visits**
- **Increase in agency commissions, etc. due to intensifying competition**  
(cost increases in final phase of competition)

## 2. Recurring revenue, recurring profit

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### Recurring revenue

**Record high** **48,049** Million JPY

FY03/20 JPY41,465 mn **+15.9%** YoY Planned JPY45,600 mn **+5.4%** YoY  
Of which, underwriting revenue: JPY43,312 mn FY03/20 JPY39,105 mn **+10.8%**

### Recurring profit

**Record high** **2,758** Million JPY

FY03/20 JPY2,189 mn **+26.0%** YoY Planned JPY2,900 mn **-4.9%** YoY

- **Number of policies in force and underwriting revenue increased (+12.9% and +10.8%, respectively) as a result of increased pet ownership demand, strengthening of new initiatives in pursuit of uniqueness by also utilizing group company services, and other factors.**
- **Recurring revenue achieved mid-term management plan target ahead of schedule**  
\* Mid-term management plan indicator target (formulated in May 2019) for recurring revenue was set at a compound average growth rate of 10% (to the level of JPY47,700–50,000 million by the end of FY2021).
- **Steady increase in both other recurring revenue and profit (year on year) mainly as a result of making SIMNET Co., Ltd. a subsidiary, operation of hospitals, and genetic testing**
- **Against targets, recurring profit fell short due to factors including**
  - (1) **Impact of increased time spent at home due to COVID-19 pandemic and other factors led to an increase in hospital visits → an increase in claims incurred**
  - (2) **An increase in agency commissions, etc. due to intensified competition (cost increases in final phase of competition)**
  - (3) **An increase in provision for normal underwriting reserves (unearned premiums) due to an increase in new policies**



### 3. Income statement summary

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(JPYmn)

	FY03/20	FY03/21	Change
Recurring revenue	<b>41,465</b>	<b>48,049</b>	<b>15.9 %</b>
Underwriting revenue	39,105	<b>43,312</b>	10.8 %
Investment revenue	496	<b>488</b>	-1.6 %
Other recurring revenue	1,863	<b>4,248</b>	128.0 %
Recurring expenses	<b>39,275</b>	<b>45,290</b>	<b>15.3 %</b>
Underwriting expenses	27,212	<b>30,512</b>	12.1 %
• Net claims paid	(20,492)	<b>(23,226)</b>	13.3 %
• Loss adjustment expenses	(1,109)	<b>(1,098)</b>	-1.0 %
• Net commission and collection expenses	(3,674)	<b>(4,539)</b>	23.5 %
• Provision for reserve for outstanding losses and claims	(179)	<b>(211)</b>	17.6 %
• Provision for underwriting reserves	(1,756)	<b>(1,437)</b>	-18.2 %
Of which unearned premiums	(1,404)	<b>(1,488)</b>	5.9 %
Of which catastrophe reserve	(351)	<b>(-50)</b>	- %
Investment expenses	109	<b>141</b>	29.1 %
Operating and general administrative expenses	11,153	<b>13,283</b>	19.1 %
Other recurring expenses	800	<b>1,353</b>	69.1 %
Recurring profit	<b>2,189</b>	<b>2,758</b>	<b>26.0 %</b>
Net profit	<b>1,525</b>	<b>1,586</b>	<b>4.0 %</b>

## ■ Reasons for changes in major accounting items

### (1) Underwriting revenue

- Number of policies in force **increased by 105,619 (+12.9%)**, and number of new policies for the year **increased by 46,050 (+27.5%)** year-on-year.

### (2) Investment revenue

- In addition to stock investment trusts and REITs, investment in bonds, etc. were expanded to secure steady investment revenue

### (3) Other recurring revenue

- Major expansion in other recurring revenue, including breeder matching, animal hospitals, and genetic testing

### (4) Net claims paid

- Claims paid increased due to increases in hospital visits and the number of policies in force

### (5) Net commissions and collection expenses

- Increased due to an increase in the number of new policies and intensifying competition

### (6) Underwriting reserves (unearned premiums)

- Unearned premiums increased due to an increase in the number of new policies

## (Reference) Anicom Insurance's key insurance indicators

(JPYmn)

	FY03/20	FY03/21	Change
Earned premiums	37,701	41,997	11.4%
Claims incurred (including loss adjustment expenses)	21,781	24,535	12.6%
E/I loss ratio (1)	57.8%	58.4%	0.6%
Expense ratio (based on earned premiums) (2)	37.1%	37.7%	0.6%
Combined ratio (based on earned premiums) (1)+(2)	94.9%	96.1%	1.2%

# 4. Factors related to changes in recurring profit

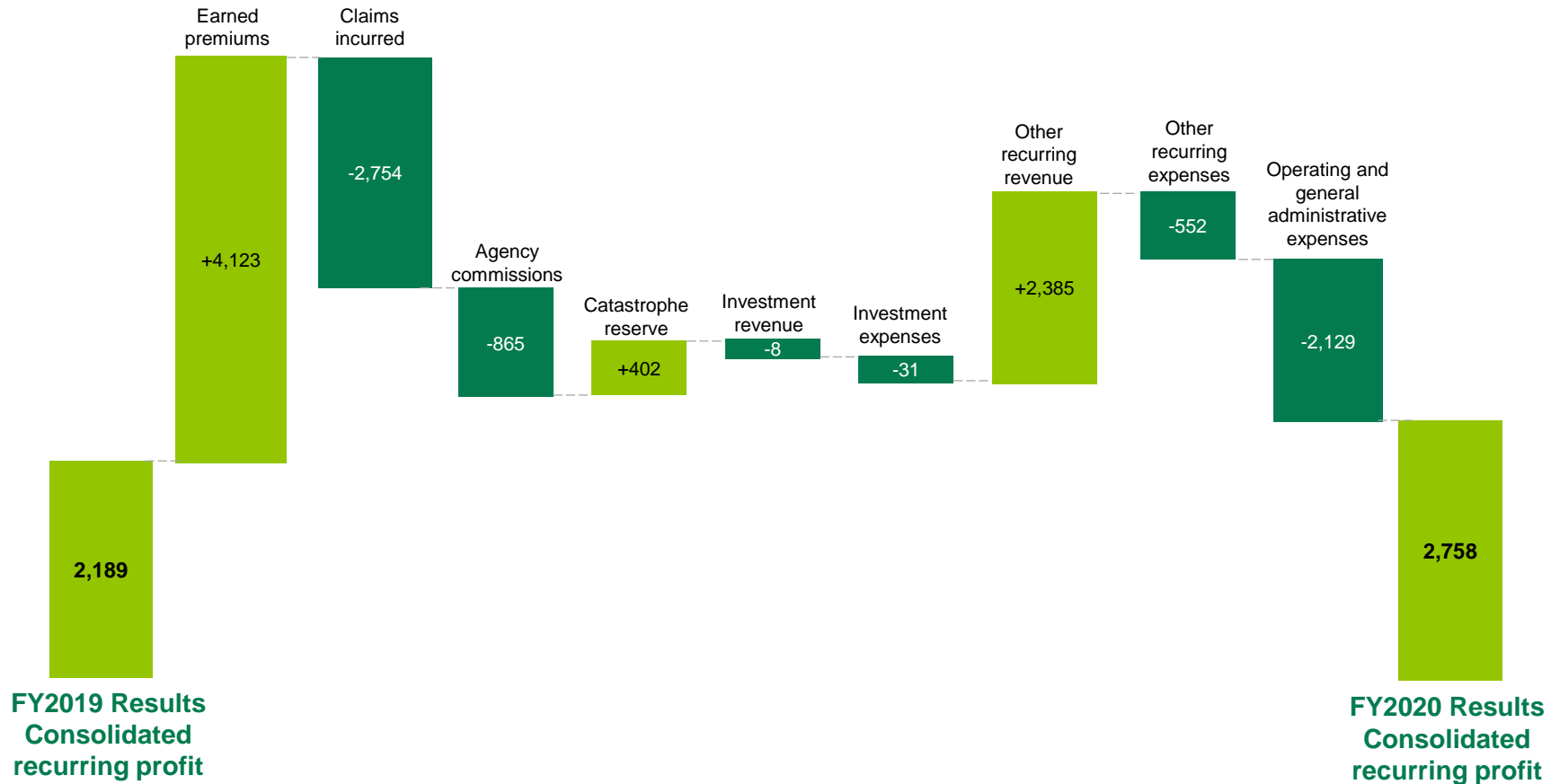
(Comparison analysis with FY2019 results)

## Recurring profit increased due to an underwriting revenue increase, in addition to contribution from an increase in other recurring revenue

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





## 5. Balance sheet summary

	End-FY03/20	End-FY03/21	Change
<b>Total assets</b>	<b>45,598</b>	<b>55,459</b>	<b>21.6 %</b>
Cash and bank deposits	24,427	31,683	29.7 %
Marketable securities	9,999	11,667	16.7 %
Tangible fixed assets	5,814	5,987	3.0 %
Other assets	5,357	6,121	14.3 %
<b>Total liabilities</b>	<b>22,273</b>	<b>29,741</b>	<b>33.5 %</b>
Reserve for insurance policy liabilities	17,977	19,626	9.2 %
Of which loss reserves	2,328	2,539	9.1 %
Of which underwriting reserves	15,649	17,087	9.2 %
Corporate Bonds	–	5,000	– %
Other liabilities	4,294	5,115	19.1 %
<b>Total net assets</b>	<b>23,325</b>	<b>25,717</b>	<b>10.3 %</b>
Shareholders' equity	23,719	25,648	8.1 %
Valuation and transaction adjustments	-530	69	– %
Subscription rights to shares	135	–	– %
<b>Total liabilities and net assets</b>	<b>45,598</b>	<b>55,459</b>	<b>10.3 %</b>

### ■ Reasons for changes in major accounting items

#### (1) Marketable securities

- In addition to stock investment trusts and REITs, etc., investment in bonds, etc. were expanded

#### (2) Fixed assets

- Goodwill, etc. increased due to increased hospital succession

#### (3) Corporate bonds

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

## 6. Recurring expenses and profit indicators

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

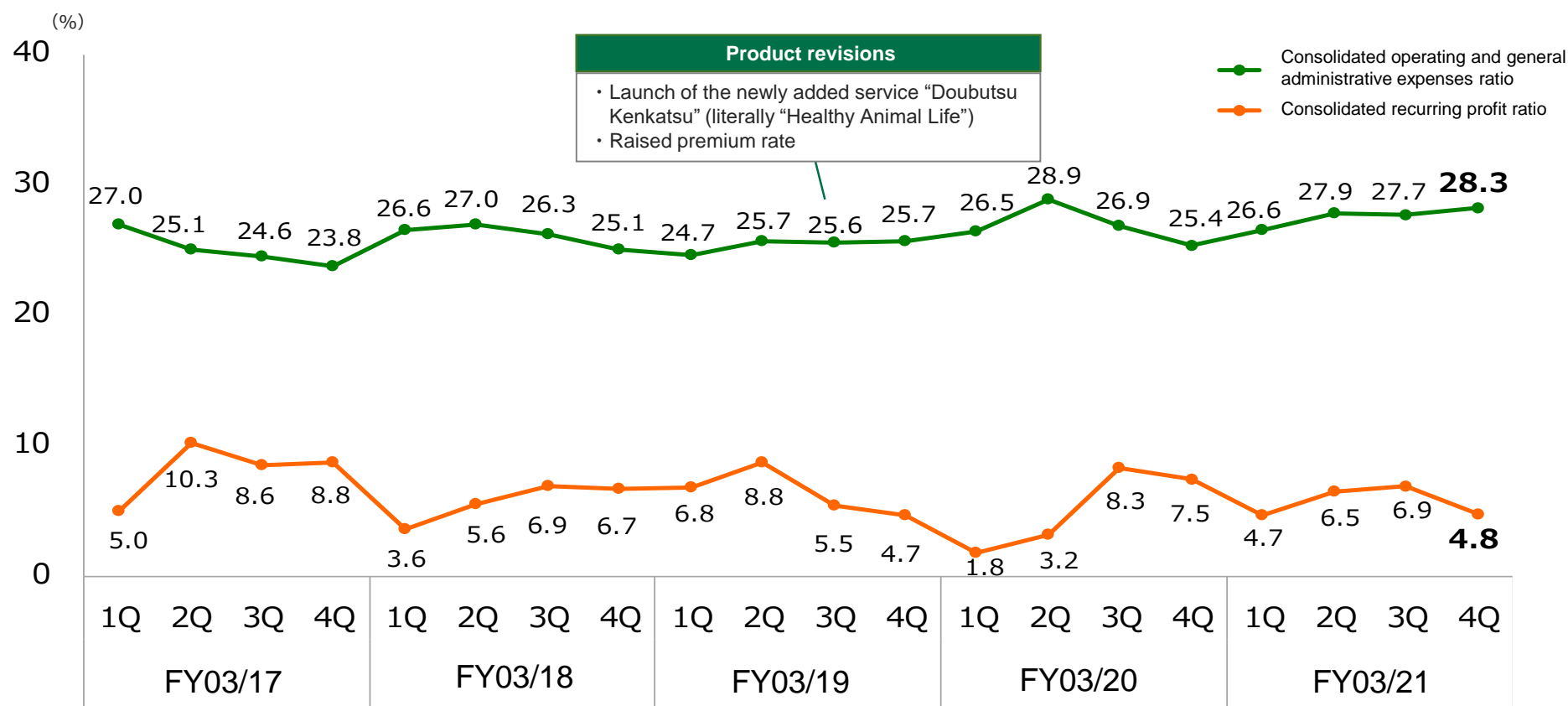
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\*Refer to the appendix for management indicators for Anicom Insurance on a non-consolidated basis (loss ratio, expense ratio, number of policies)

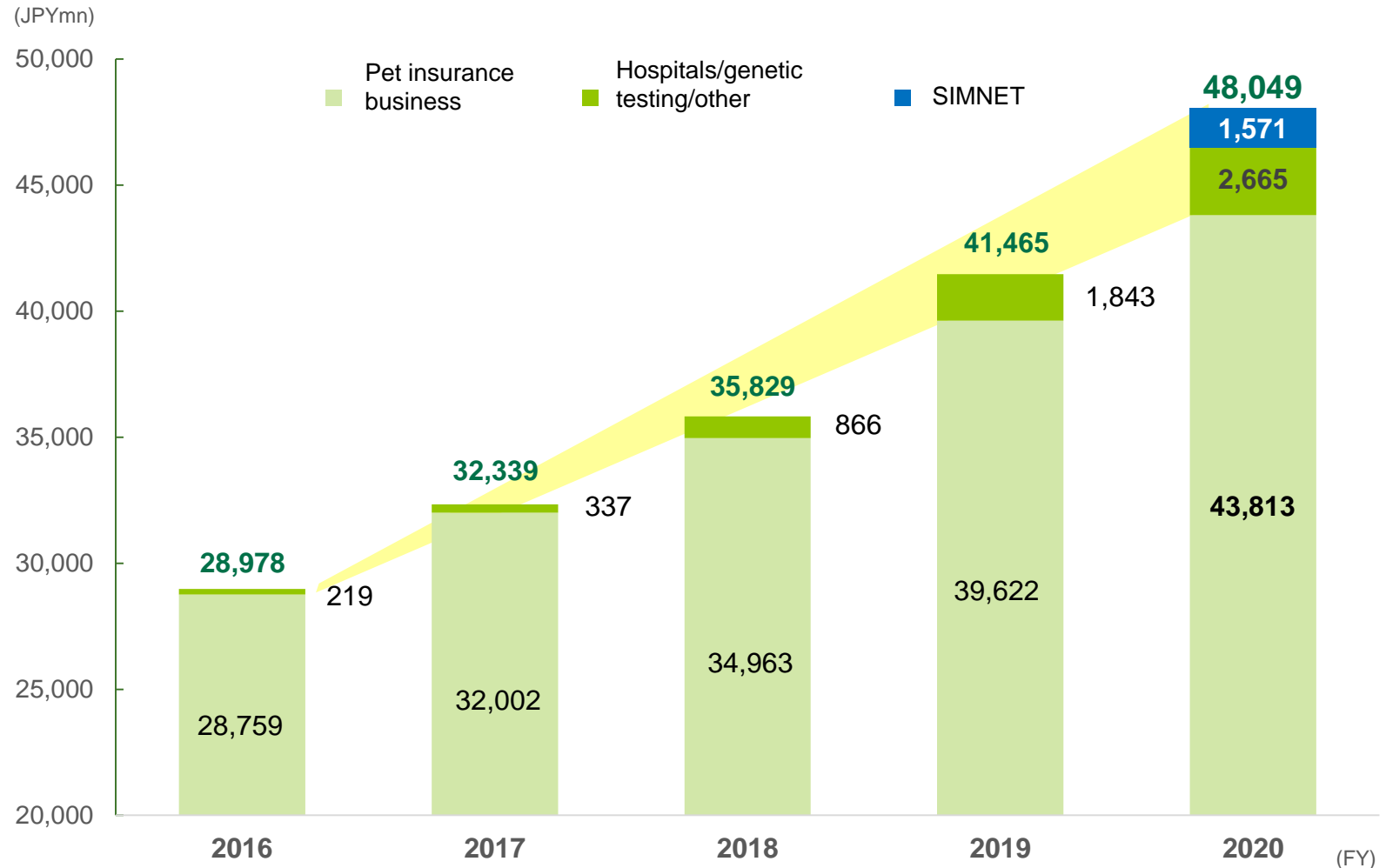


### Operating and general administrative expenses ratio, recurring profit ratio (consolidated)

Despite an increase in claims incurred as a result of increased hospital visits during the COVID-19 pandemic and an increase in agency commissions, etc. due to intensified competition, these cost increases were absorbed by increases in the number of new policies and in other recurring revenue.

# 7. Sales trends (Increase in other recurring revenue)

In addition to pet insurance business, other recurring revenue is trending upward every year



# Review of second year of mid-term management plan

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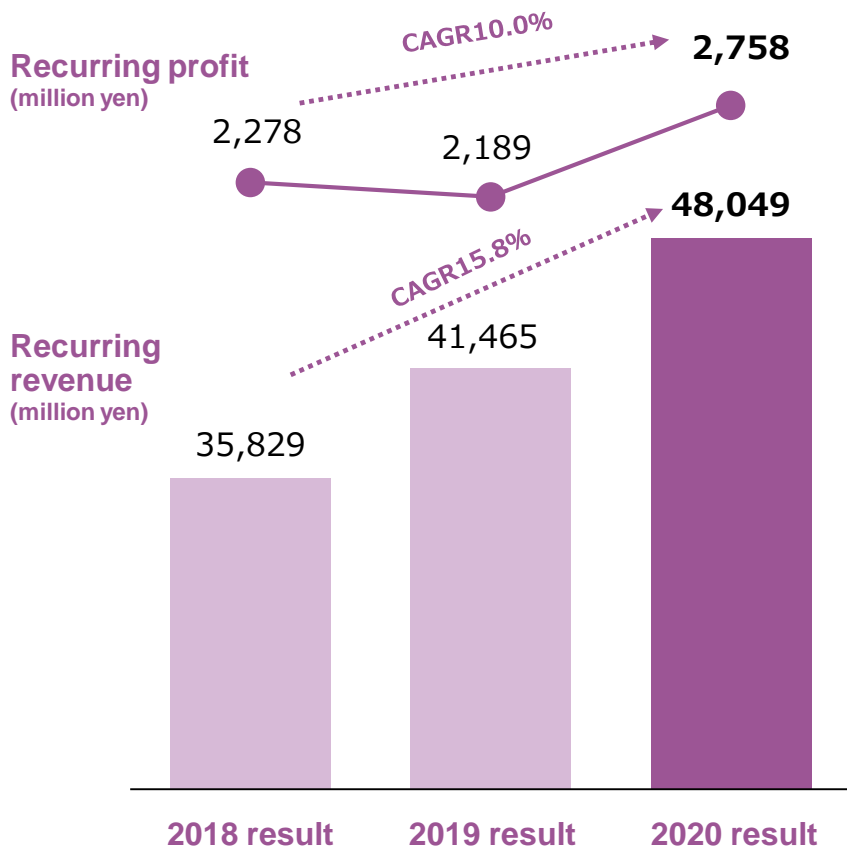
1. Progress against management indicator targets
2. Progress of priority measures



# 1. Progress against management indicator targets (1)

Two-year average top-line growth rate remained favorable at 15.8% due to high pet ownership demand during the COVID-19 pandemic.

## 2nd-year results against consolidated management indicator targets



※CAGR : Compound Average Growth Rate

Target

Recurring revenue has continued to grow since listing

3-year CAGR

At least 10%

For recurring profit, aim for growth while also actively investing in business expansion

3-year CAGR

At least 20%

Result

- ◆ 2-year CAGR for recurring revenue progressed at 15.8%, a pace faster than expected in the mid-term management plan, achieving the target ahead of schedule
  - ◆ For recurring profit, the compounding of
    - increases in unearned premiums and agency commissions, etc. from prioritizing new policy acquisition, based on high pet ownership demand, and
    - an increase in claims incurred due to increased hospital visits during the COVID-19 pandemic curbed profit growth (2-year CAGR of 10%).
- ⇒ When the mid-term management plan was formulated, the aim was to grow profits while investing toward business expansion, but with the increase in pet ownership demand, priority was given to expanding the revenue side at a pace well above the target, including improving the portfolio of policies in force, rather than full-scale reaping of profits

# 1. Progress against management indicator targets (2)

ROE fell to 6.5% in FY2020 (from 6.7% in FY2019), and equity spread was 0.2%.

Maintaining financial soundness and continuing dividend payments will be taken into account, while continuing with capital allocation aimed at business expansion and enhancement of corporate value.

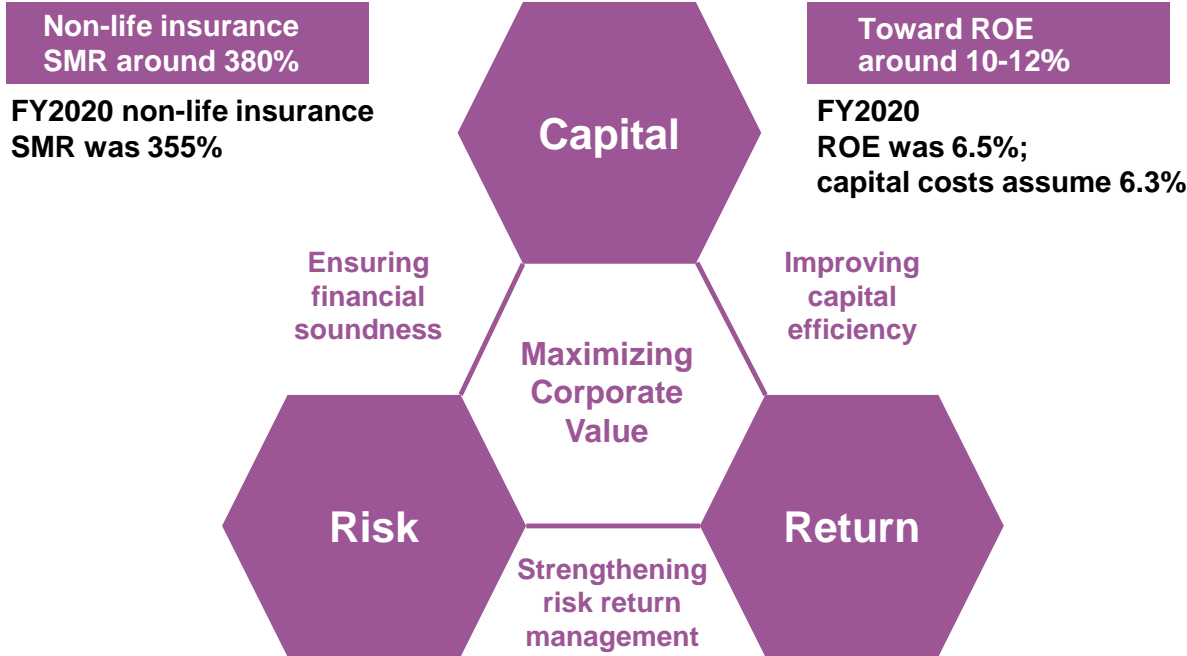
### Approach to capital allocation

- Maintain financial soundness
- Improve capital efficiency and raise corporate value through appropriate capital allocation



- Strengthen and further expand pet insurance business
- Priority allocations toward the expansion of non-insurance businesses (animal hospitals, genetic testing, breeding support, etc.)

### Performance for Enterprise Risk Management (ERM) indicators





### Insurance Business

- **Steady growth in the number of new policies and policies in force due to increased pet ownership demand during the COVID-19 pandemic**
  - **Expansion of insurance sales in various channels, including online, breeder matching websites, and breeder direct-sales**
  - **Improvement in insured rate through promotion of “real” and “digital” fusion at SIMNET**
- The number of new policies reached 213,000, the number of policies in force reached 921,000
- Loss ratio on the rise due to increased hospital visits

### Investment

- **Achieved the target due to flexible and dynamic investment**
- **Collaboration of investment and pet-friendly initiatives (popularization and promotion of pet-friendly rental apartment housing, etc.)**

Applications opened for tenants of pet-friendly rental apartment housing, “anico flora Higashi-Nakano”

The most  
livable place for  
companion  
animals



# Initiatives with Meiji Yasuda Life Insurance



### Meiji Yasuda Life Insurance began selling Anicom's pet insurance policies

- From October 2020: Began advance selling over the counter in stores
- From April 2021: Began selling by “MY Life Plan Advisors”



損害保険商品 (引受損害保険会社 アニコム損保)

Meiji Yasuda Life Insurance's pet insurance logo

### Flying start since full-scale launch of sales in April

- Also confirmed effectiveness of original services such as **Doubutsu Kenkatsu** (literally “Healthy Animal Life”)
- Built up new face-to-face sales know-how and continued to increase customers through regular channels
- Aim for **taking out pet insurance to be the normal thing to do**

# Animal Life

Before birth

Upstream

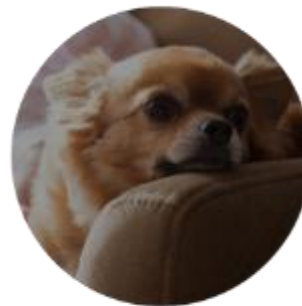


Genes / breeding & birth/pet shops



Day-to-day routines

Midstream



Medical checkups / day-to-day  
routines / primary treatment



Cure the incurable

Downstream



Secondary treatment /  
bereavement services

Before birth

Upstream



### Genetic testing business

**Declared eradication and management of preventable hereditary disorders in corgis, shepherds, and shiba inu breeds**

- Promoted initiatives to eradicate hereditary disorders
- Provided genetic testing to breeders and pet shops and proposed appropriate breeding and sales methods based on the test results



### Breeding support business

**Accelerated preparations for launching business**

- As well as genetic testing to identify hereditary disorders, promoted development of various support offerings, including responses to the amended Animal Welfare Act

#### Breeding Support Offerings

- Genetic testing
- Reproductive and breeding support
- Medical support
- IT systems and business support
- Take in or transfer retired/rescue cats and dogs

### Inclusion of SIMNET to the Group

**Contributed to financial results through high investment returns**

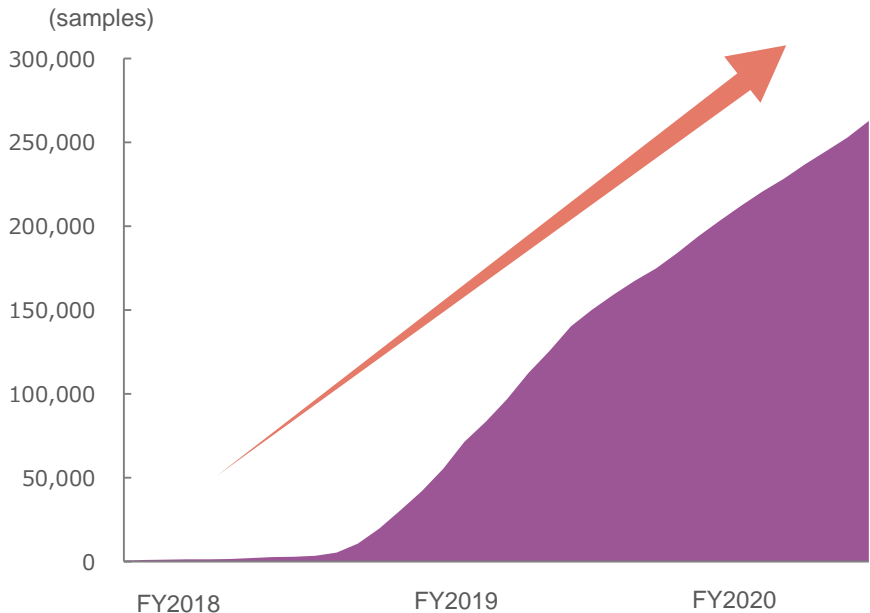
- Increased number of registered breeders and steadily captured growing pet demand
- Contributed to consolidated financial results and Group business through high matching numbers (profitability) and investment efficiency

#### SIMNET FY2020 Results

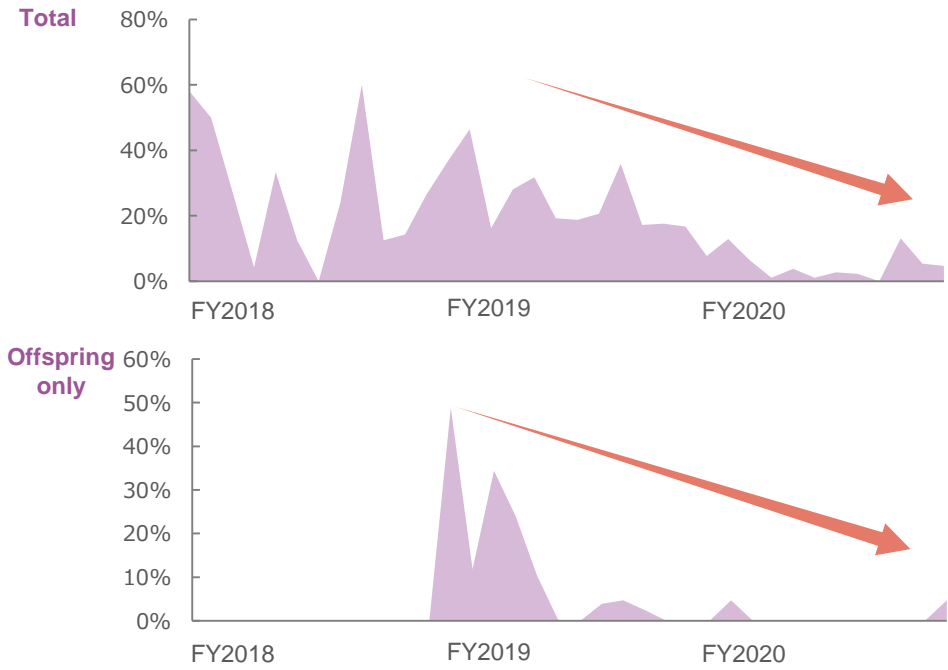
- Net sales: **JPY1,730 million**
- Recurring profit: **JPY370 million**
- Total assets: **JPY2,910 million**
- ROA: **12.7%**  
(Return on total assets)

## Toward the eradication of preventable genetic disease

### Number of genetic tests (cumulative)



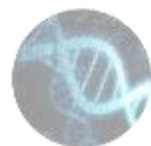
### The percentage of corgis affected with DM



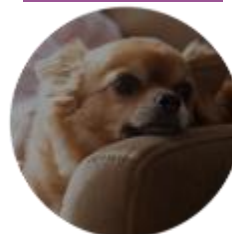
\*DM: Degenerative myelopathy \*\*Affected: Animal carrying a genetic mutation related to DM and having a high risk of developing the disease

- Number of genetic tests provided to breeders, pet shops, etc. has increased
- The rate of corgis affected with DM, etc. has fallen due to breeding based on genetic testing
- Issued declaration of eradication and management of preventable genetic disease

### Day-to-day routines – Cure the incurable



Midstream



Downstream



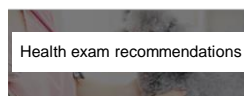
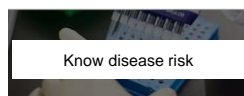
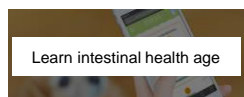
#### Promotion of healthy lifestyle habits

#### Market penetration of “Doubutsu Kenkatsu”

- Number of applications in FY2020 **over 149,000**
- Also contributed to insurance business (new and renewed policies)

Increase in renewal rate of applicants via the newborn channel

- Prevent diseases from becoming severe by referring customers to designated hospitals at the health exam stage



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

#### Anicom Specialty Medical Institute, Inc. taking over veterinary regenerative medicine business

- The Anicom Group takes over the business of Celltrust Animal Therapeutics Co., Ltd., which was established in a joint venture with FUJIFILM Corporation with the aim of commercializing and popularizing regenerative medicine ⇒ The whole Group will promote in earnest going forward
- The Research and Development Partnership for Animal Regenerative Medicine started delivering mesenchymal stem cells to animal hospitals nationwide
- More than 200 animal hospitals have joined the Partnership, which provides cell therapy services for 14 canine diseases (chronic enteropathy, etc.) and 12 feline diseases (kidney diseases, etc.)



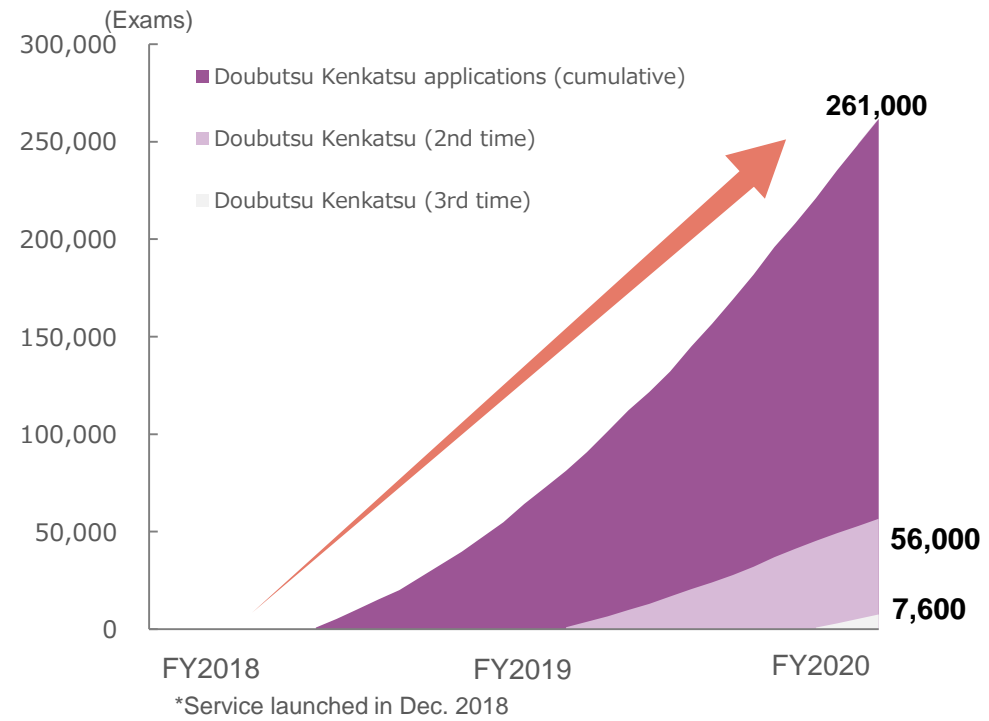
\* Picture of mesenchymal stem cells from canine fat

#### Expansion of Group animal hospitals

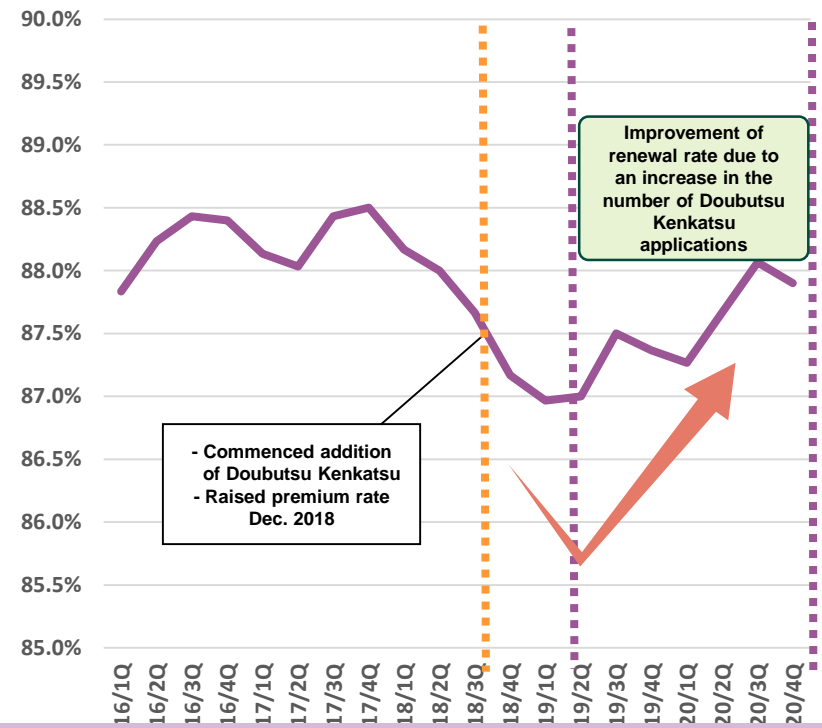
- Anicom Specialty Medical Institute, Inc. has 54 directly-operated animal hospitals (12 capable of performing surgery) and the number is steadily increasing



## Number of Doubutsu Kenkatsu (gut microbiota testing) applications (cumulative)



## Trend in overall renewal rate (quarterly)



- Steady increase in applications for gut microbiota testing
  - Steady increase in applications for 2nd and 3rd exams, leading to further accumulation of various data on the same animals
  - Pursued uniqueness of insurance products with the addition of this service, contributing to an increase in renewal rate
  - Developing new services of evaluating risk of illness using accumulated data and gut microbiota testing results by narrowing down a target from the customers' data sampled by their insurance claims (large amounts/significant difference, etc.) (early detection of illness predictors ⇒ refer customers to an appropriate animal hospital)
- Patent pending**

# Financial Forecasts

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1. Outlook for business management environment and Group strategies
2. Overall picture of business plan
3. Profit forecasts
4. Factors related to changes in recurring profit (Comparison analysis with FY2020 forecasts)
5. FY2021 priority measures
6. Anicom Group's corporate value creation model



## Management Environment in FY2021

During the COVID-19 pandemic,

- increase in pet ownership demand will continue at a certain level, and
- more pet owners are expected to become more conscious of their pets' health management from now on

Increased demand in the pet-related market, including pet insurance, is expected to continue

## Strategies of the Anicom Group

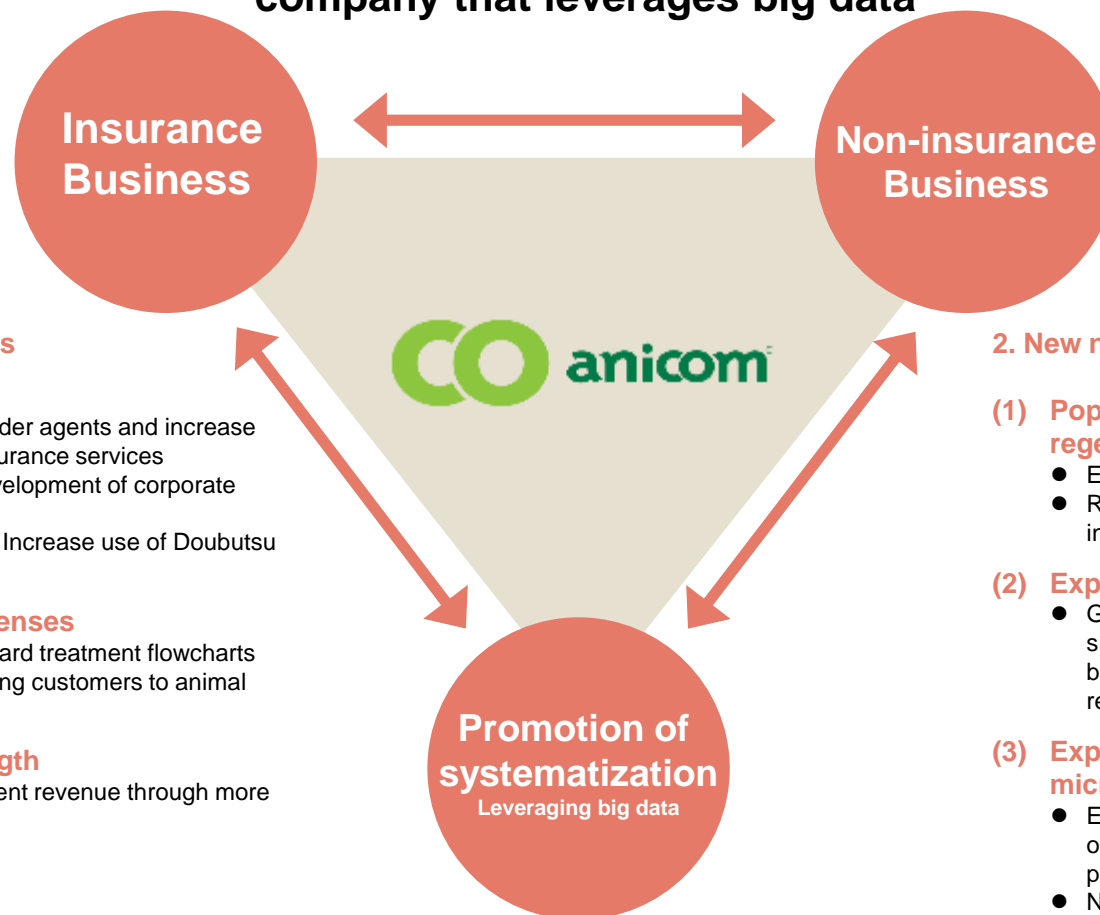
To capture the newly generated demand for pet insurance, etc. with certainty, place priority on

- securing both short-term and future profit, and,
- expanding revenue and collecting data, etc. by acquiring new policyholders to establish a preventive insurance company and build more unique services,

with the aim of sustainable growth not only from short-term perspectives, but also for the medium to long term.

### Establish “an insurance company that brings better health” and become a Bio-Insur-Tech

company that leverages big data



#### 1. Insurance business

##### (1) Expand sales

- NB: Develop new breeder agents and increase rate of undertaking insurance services
- General: Proactive development of corporate and online channels
- Increase renewal rate: Increase use of Doubutsu Kenkatsu

##### (2) Improve cost expenses

- Use and expand standard treatment flowcharts
- Build system for referring customers to animal hospitals

##### (3) Improve BS strength

- Secure stable investment revenue through more advanced investments

#### 3. Promotion of IT systematization

##### (1) Invent and obtain patents on systems using AI and DL

- Build barriers for preventing market entry to gain competitive advantage, and gain license revenue

##### (2) Constructing and leveraging big data

#### 2. New non-insurance businesses

##### (1) Popularization and expansion of regenerative medicine

- Establish and monetize new treatment methods
- Reduce insurance payouts by curing the incurable

##### (2) Expansion of breeding support business

- Genetic testing, reproductive and breeding support, medical support, IT systems and business support, intake or transfer of retired/rescue cats and dogs

##### (3) Expansion of genetic testing and gut microbiota testing businesses

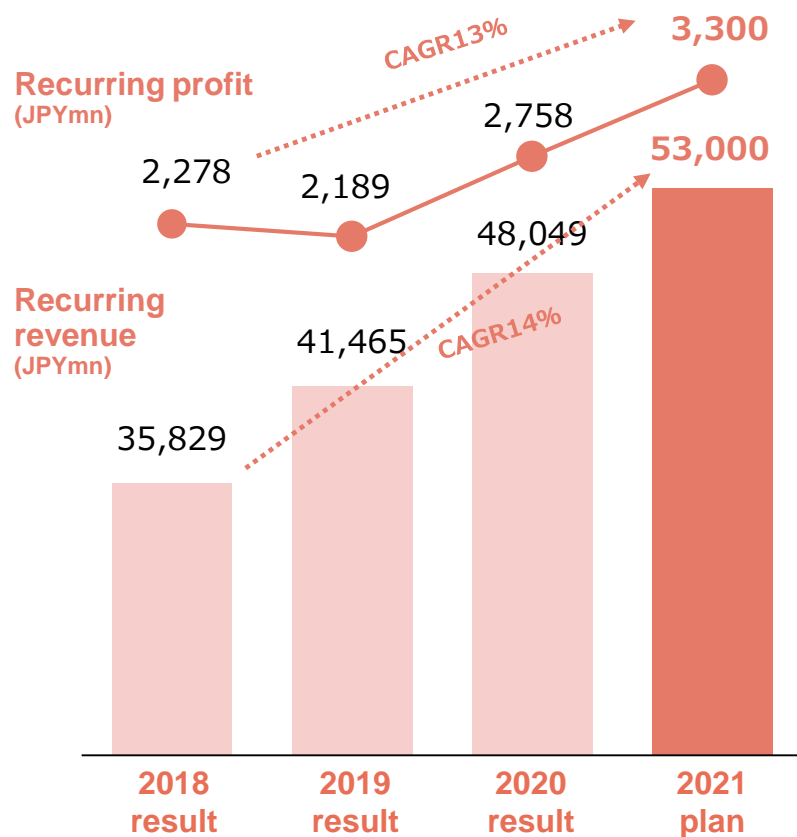
- Eradication of hereditary disorders ⇒ Expansion of number of tests/reduction in insurance payouts
- New tests for predisposition/breed determination, etc. ⇒ Apply to pet food, etc.

##### (4) Expansion of animal hospital business

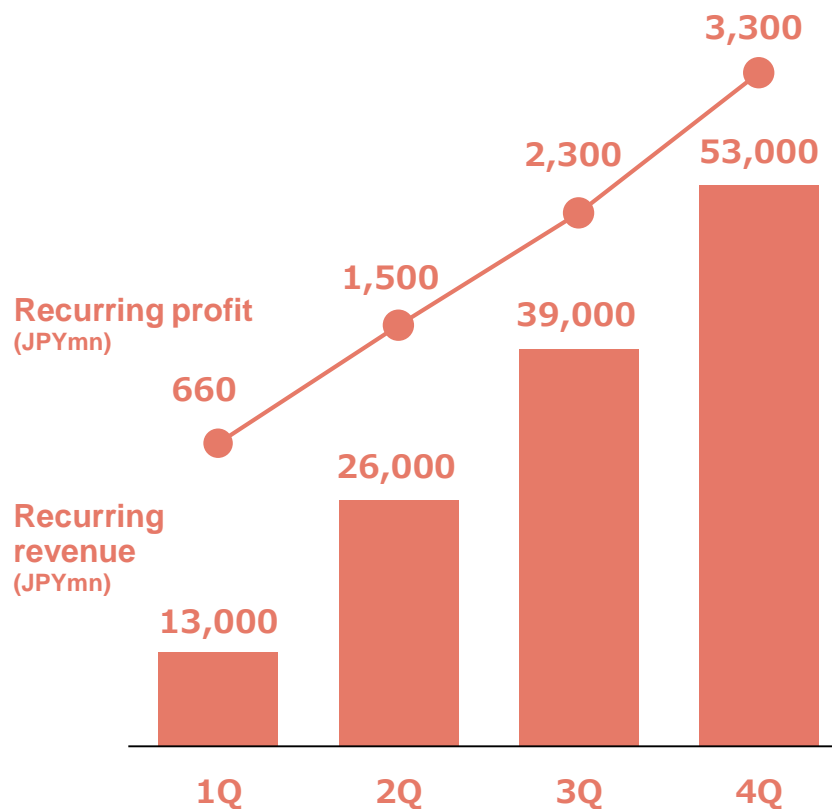
##### (5) Expansion of SIMNET's business

**Recurring revenue will greatly exceed mid-term management plan target levels**  
**Establishing a plan to separate recurring profit from the mid-term management plan, in anticipation of changes to business management environment**

[Annual projections]



[Quarterly projections]

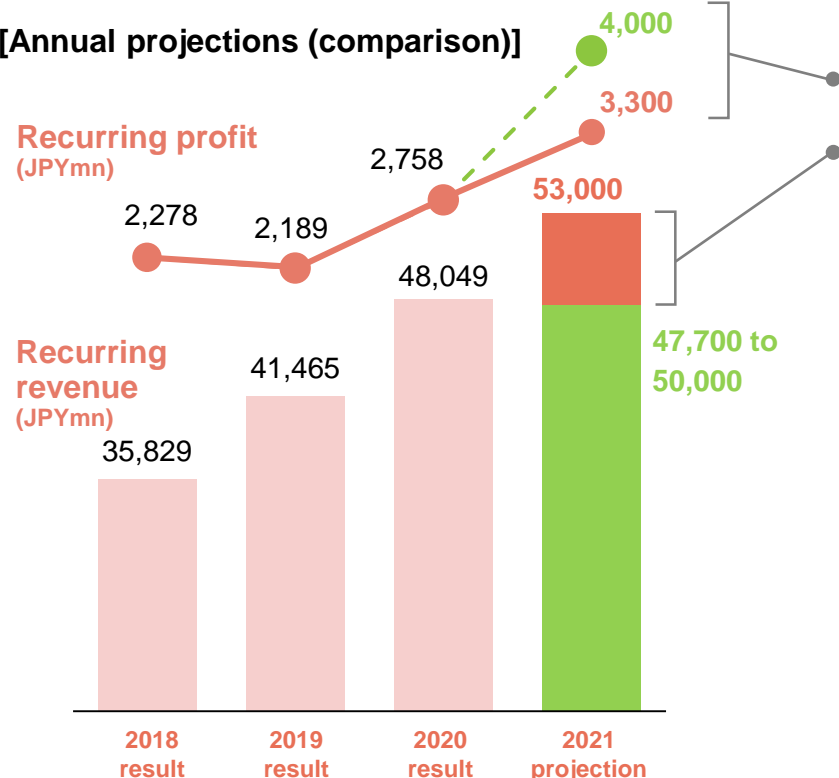


\* Mid-term management plan target indicators set in May 2019: Recurring revenue: 3-year CAGR of at least 10%, Recurring profit: 3-year CAGR of at least 20%

# 3. Profit forecasts

(Difference from mid-term management plans/changes in business management environment)

[Annual projections (comparison)]



## (Reference) Responses to mid-term management plan 2019 – 2021

Self-assessment of the degree of achievement of mid-term management plan target indicators resulted in the estimate that,

- assuming recurring revenue progress was on target (JPY47,700 million (3-year CAGR 10%)),
- recurring profit would achieve target (JPY4,000 million (3-year CAGR 20%)) (the estimate above can be achieved by curbing new policy acquisition)

### However, as a result

- We would be unable to capture the immediate increased pet ownership demand that takes into account the changes in our business management environment
- We would be forced to divert from our Group strategies of establishing a preventive insurance company and pursuing uniqueness, and we would be caught up in price competition in the medium to long term

- Recurring revenue will grow by approx. 14%, well over the target indicators (3-year CAGR of 10%), by capturing new demand for pet insurance with certainty
  - Due to priority on expanding revenue, recurring profit projection will become apart from the target indicator (3-year CAGR of 20%, JPY4,000 million)
- ⇒ Establish a plan to realize enhancement of medium- to long-term substantial corporate value by striving to improve the portfolio of policies in force and to maximize future revenue



### 3. Profit forecasts

(Responses to changes in business management environment)

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## Responses to changes in business management environment



### New policy acquisition

Continued strong outlook for acquiring new policies by capturing increased pet ownership demand

### Revenue from businesses other than pet insurance

Outlook is for steady increase

### Increase in claims incurred

Impact of COVID-19 pandemic is expected to continue  
Outlook is for continued trend of increased claims incurred due to increased hospital visits



**Respond with preventive measures, from early detection using illness predictors (intestinal flora, AI, etc.) and penetration of standard clinical practices to refer customers to appropriate animal hospitals**

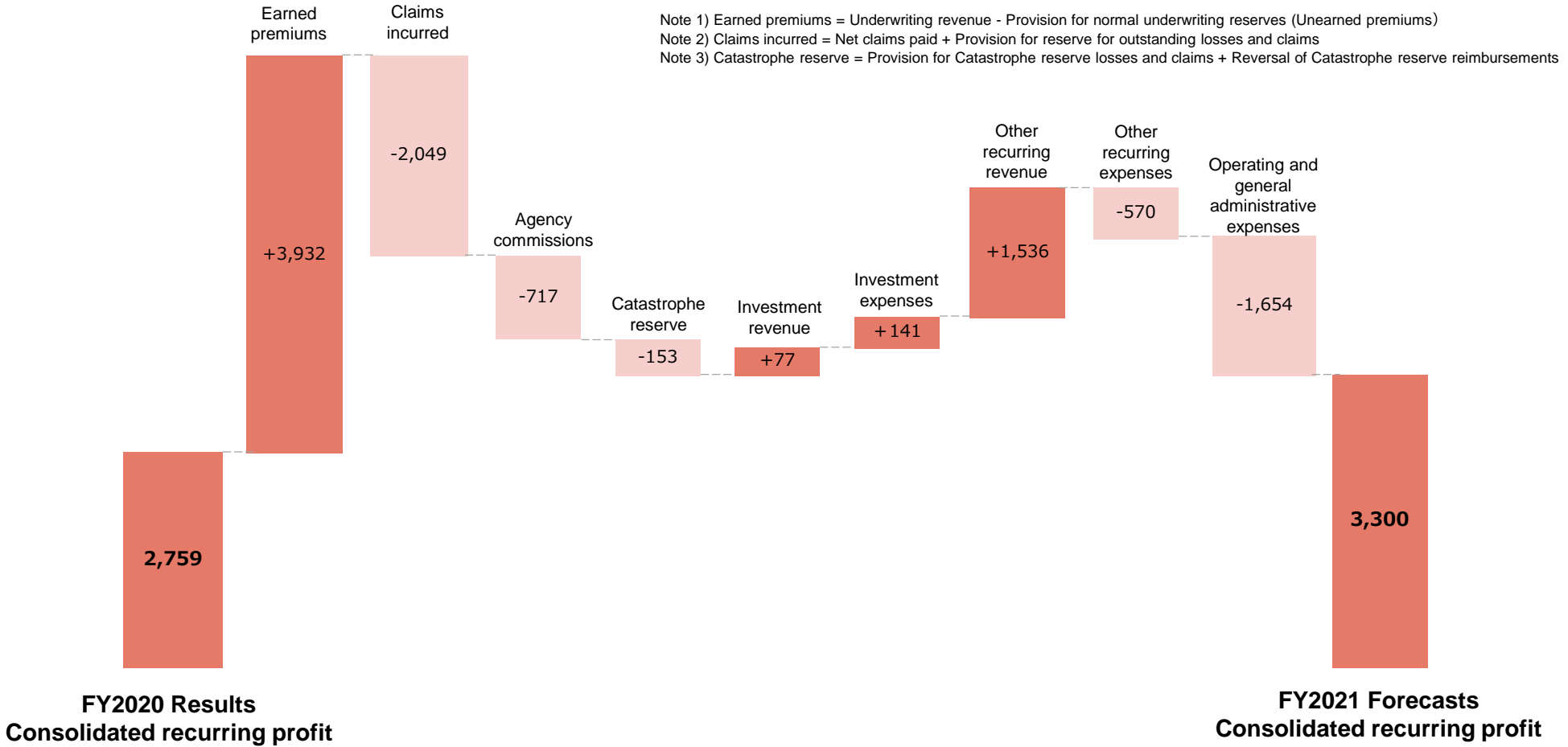
### Competition to acquire policies

Although competition for insurance policy acquisition is in its final phase, the costs of acquiring policies are expected to increase and stay high



**Further shift toward means of acquiring policies that do not depend on high-cost sales agents (general channel, etc.)**

# 4. Factors related to changes in recurring profit (compared with FY2020 forecasts)



# 5. FY2021 priority measures

(Construction of databases and promotion of IP protection)

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Genetic Testing

Gut Microbiota  
Testing

Regenerative  
Medicine

Standard Clinical  
Practices Flowchart

Application of AI

Constructing  
and leveraging  
big data

×

Patents  
and IP  
protection

Gain further advantage

## 5. FY2021 priority measures (1)

(Reduce insurance payouts through expansion of genetic testing)

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Priority measure  
project  
(investment)

# Genetic Testing

Objective/  
Effect  
(Return)

**Realize monetization and reduce insurance payouts  
as an independent business** (Solving a social issue)

Further  
return

## Breeder support business

(Increase distribution and production efficiency of cute and healthy animals)

## Expand live animal sales channels

(Create agencies and increase policy acquisition)

### Business scale, etc. (envisaged)

- (1) Assuming provision of genetic testing of ●● % of the animals distributed (400,000 to 500,000 animals) at JPY10,000 per animal, business scale would be JPY● billion.
- (2) Assuming a ●●% reduction in genetic disease-derived insurance payouts (direct and indirect) by eradicating hereditary disorders, the impact would be JPY● billion.
- (3) If 2,000 support offerings are provided to eligible breeders at JPY● per month, business scale would be JPY● billion.

## 5. FY2021 priority measures (2)

(Reduce insurance payouts through early detection of illness)

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Priority measure  
project  
(investment)

# Gut Microbiota Testing

Objective/  
Effect  
(Return)

**Reduce insurance payouts and improve renewal rates**

Further  
return

**Development and sales of pet food**  
**Development and provision of new treatments**

Business scale, etc. (envisaged)

Assuming a ●% reduction in claims incurred (approx. JPY25 billion) through early detection using illness predictors, referring customers to appropriate animal hospitals, and illness prevention by pet food, etc., the effect would be JPY ● billion + pet food sales.

## 5. FY2021 priority measures (3)

(Reduce insurance payouts through expansion of regenerative medicine)

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Priority measure  
project  
(investment)

# Regenerative Medicine

Objective/  
Effect  
(Return)

**Realize monetization and reduce insurance payouts as an independent business**

Further  
return

**Expand applications and develop new technologies**

**Business scale, etc. (envisaged)**

- (1) Assuming provision of regenerative medicine at JPY ● per treatment to ●% of pet cats and dogs (18 million in number), business scale would be JPY ● billion .
- (2) Assuming a ●●% reduction in insurance payouts on targeted diseases through regenerative medicine, the effect would be JPY ● billion.

## 5. FY2021 priority measures (4)

(Reduce insurance payouts through penetration of standard clinical practices)

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# Standard Clinical Practices Flowchart

Objective/  
Effect  
(Return)

**Reduce insurance payouts**

Further  
return

**Improve customer satisfaction and expand reservation-based services**

Business scale, etc. (envisaged)

Assuming a ●% reduction in claims incurred (approx. JPY25 billion) by raising pet owners' awareness of appropriate clinical practices and providing appropriate treatment, the effect would be JPY● billion.

## 5. FY2021 priority measures (5) (Reduce insurance payouts through application of AI)

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(investment)

# Application of AI

Objective/  
Effect  
(Return)

**Reduce insurance payouts and offer unique insurance services**

Further  
return

**Development of new services, such as animal  
identification**

Business scale, etc. (envisaged)

Assuming a ●% reduction in claims incurred (approx. JPY25 billion) through early detection using illness predictors and referring to appropriate animal hospitals, the effect would be JPY● billion.



## Granted a patent for the world's first system\* for disease prediction using face photos of pets

Our new patented disease prediction system is a step toward “autonomous health management”!

In addition to the traditional “prevention” through knowledge dissemination and awareness raising using insurance payout data (e.g., breed, age, claim detail) , **the patent enables a certain level of prediction of disease risks based solely on face photos using Artificial Intelligence (AI)**



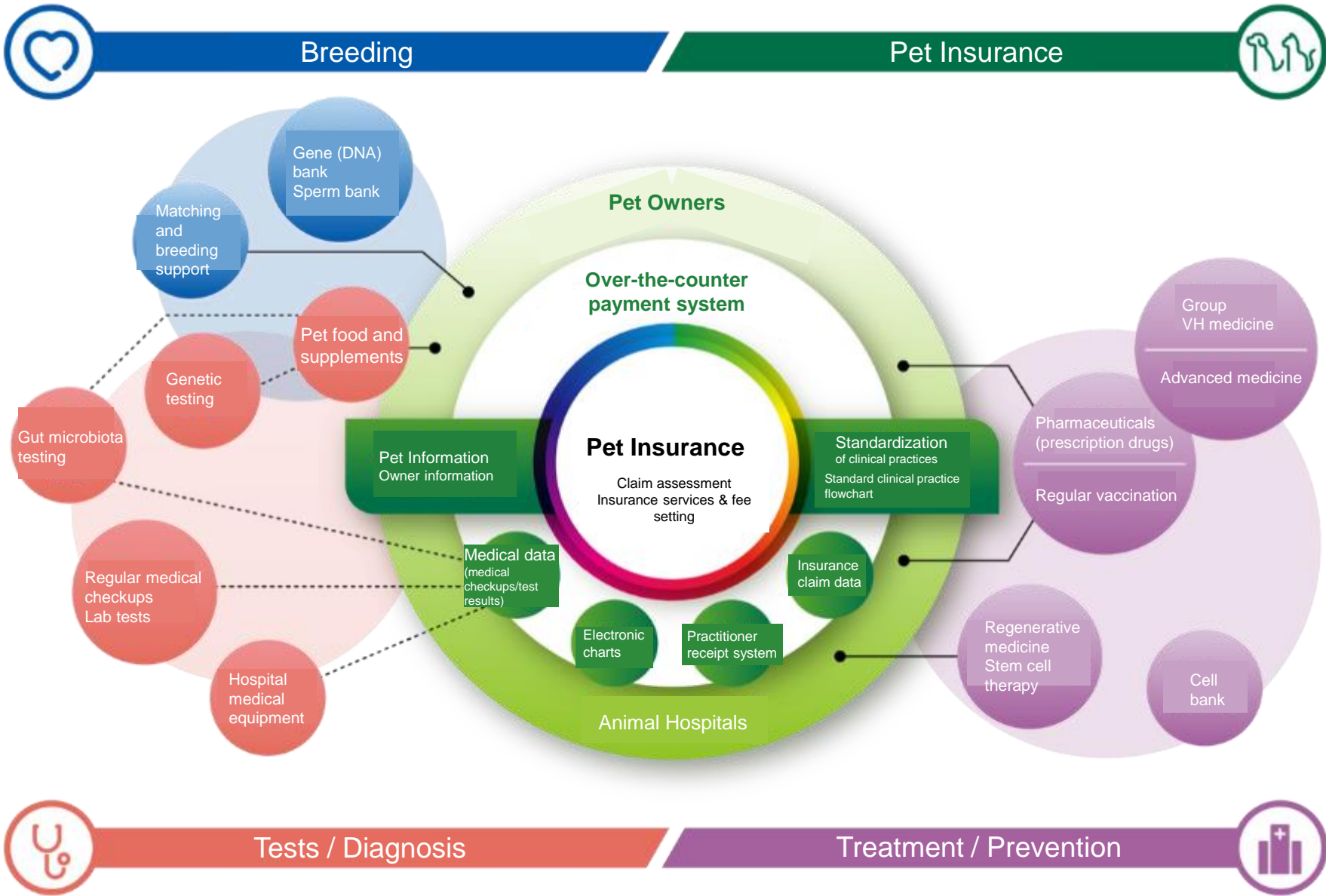
The prediction accuracy of ophthalmic diseases of toy poodle within a year was about 70%

\* The world's first (based on our research) system and method to predict diseases based on face photos of animals using a learned model trained with face photos of animals and whether they did or did not develop diseases within a certain period of time from the day the photos were taken.

Patent  
pending

Going forward, through the collection and utilization of more data, we are developing new services of evaluating risk of further segmented illness for each individual animal and of animal identification by narrowing down a target from the customers' data sampled by their insurance claims (large amounts/significant difference, etc.)

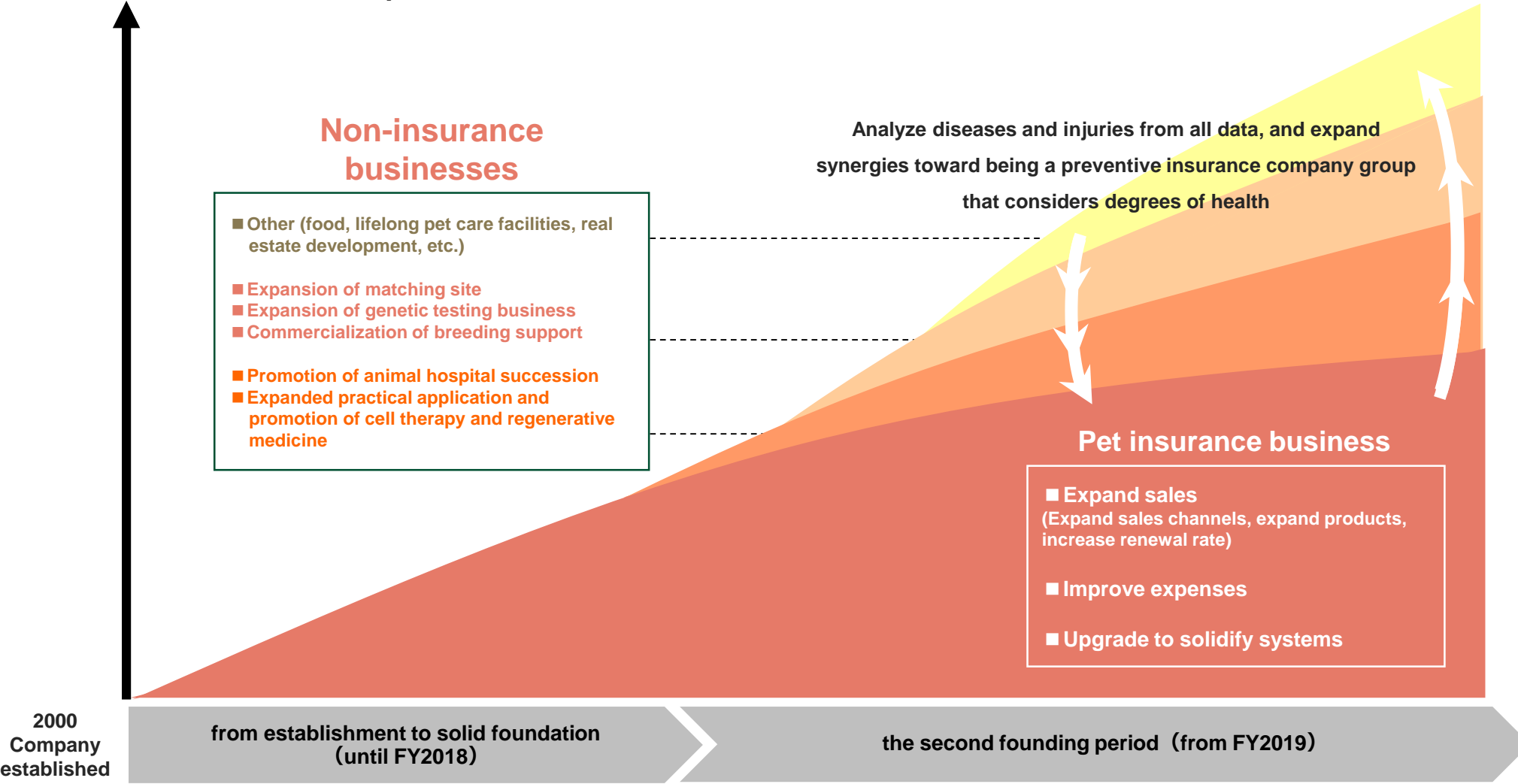
# 6. Anicom Group's corporate value creation model (1)



# 6. Anicom Group's corporate value creation model (2)

Corporate value creation (recurring revenue)

**Create new corporate value and continue high growth through synergies between pet insurance business and non-insurance businesses**



# APPENDIX

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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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	End-FY03/20	End-FY03/21	Vs. previous year-end		End-FY03/22 (forecast as of May 12)
			Numbers	Rate	
① Policies in force	816,254	921,873	105,619	12.9 %	1,010,000
② New policies	167,318	213,368	46,050	27.5 %	223,000
③ Renewal rate	87.2 %	87.7 %	-	-	87.1 %
④ Insurance payout cases	3,407,000	3,752,000	344,000	10.1 %	4,000,000
⑤ Animal hospitals accepting Anicom	6,466	6,541	75	1.2 %	6,650

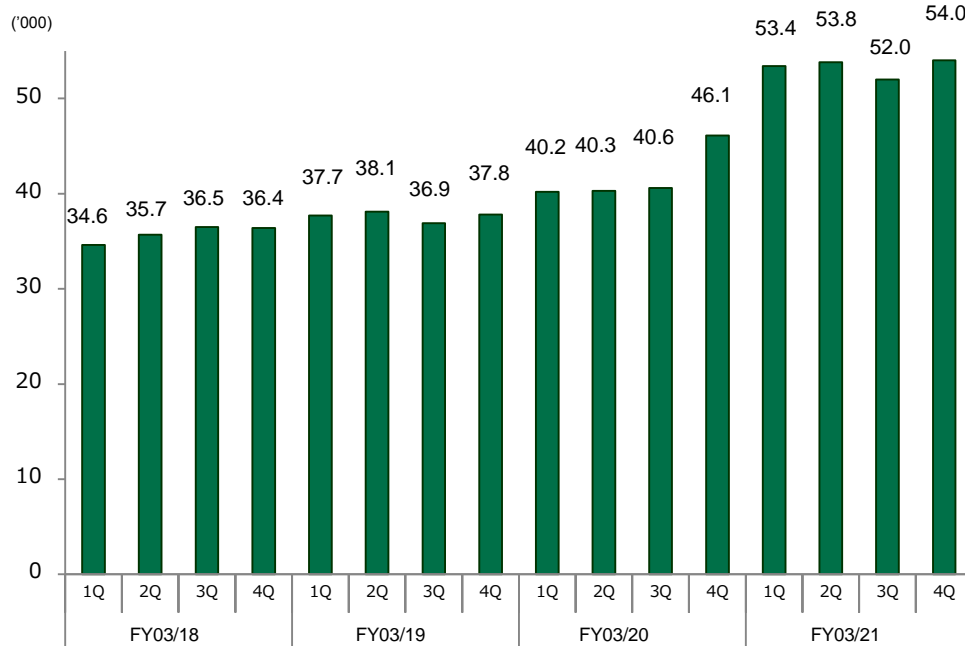
	End-FY03/20	End-FY03/21	YoY Change	End-FY03/22 (forecast as of May 12)
⑥ E/I loss ratio	57.8 %	58.4 %	0.6 %	58.0 %
⑦ Expense ratio (based on earned premiums)	37.1 %	37.7 %	0.6 %	38.0 %
⑧ Combined ratio (based on earned premiums)	94.9 %	96.1 %	1.2 %	96.0 %

	End-FY03/20	End-FY03/21	YoY Change	End-FY03/22 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	357.0 %	355.5 %	-1.5 %	Around 350 %

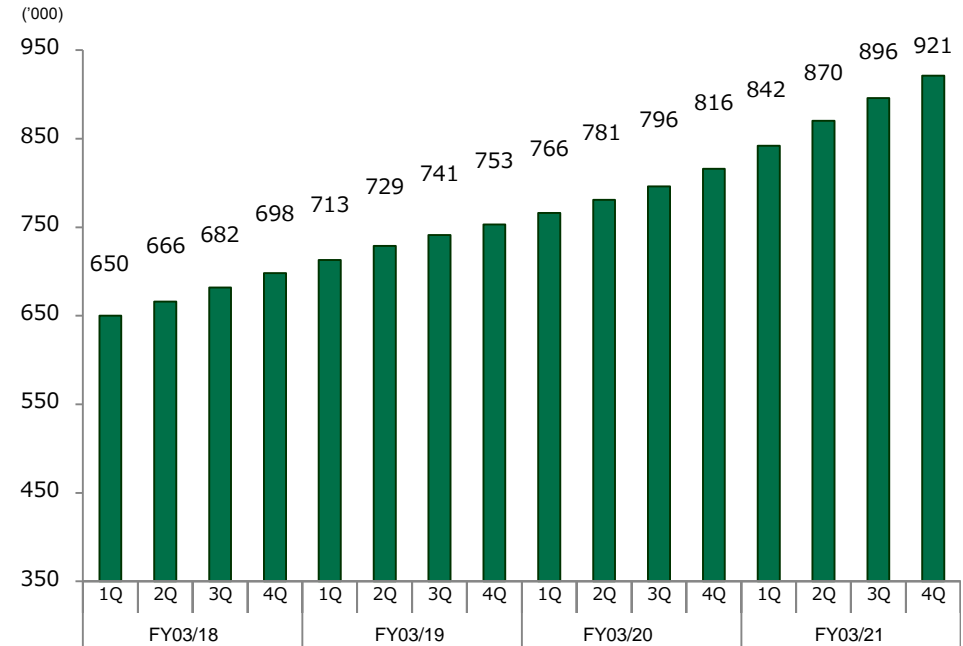
	End-FY03/20	End-FY03/21	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	96,949	149,269	54.0 %
⑪ No. of samples for genetic testing	148,535	103,658	-30.2 %

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

Quarterly trend in number of new policies



Quarterly trend in number of policies in force



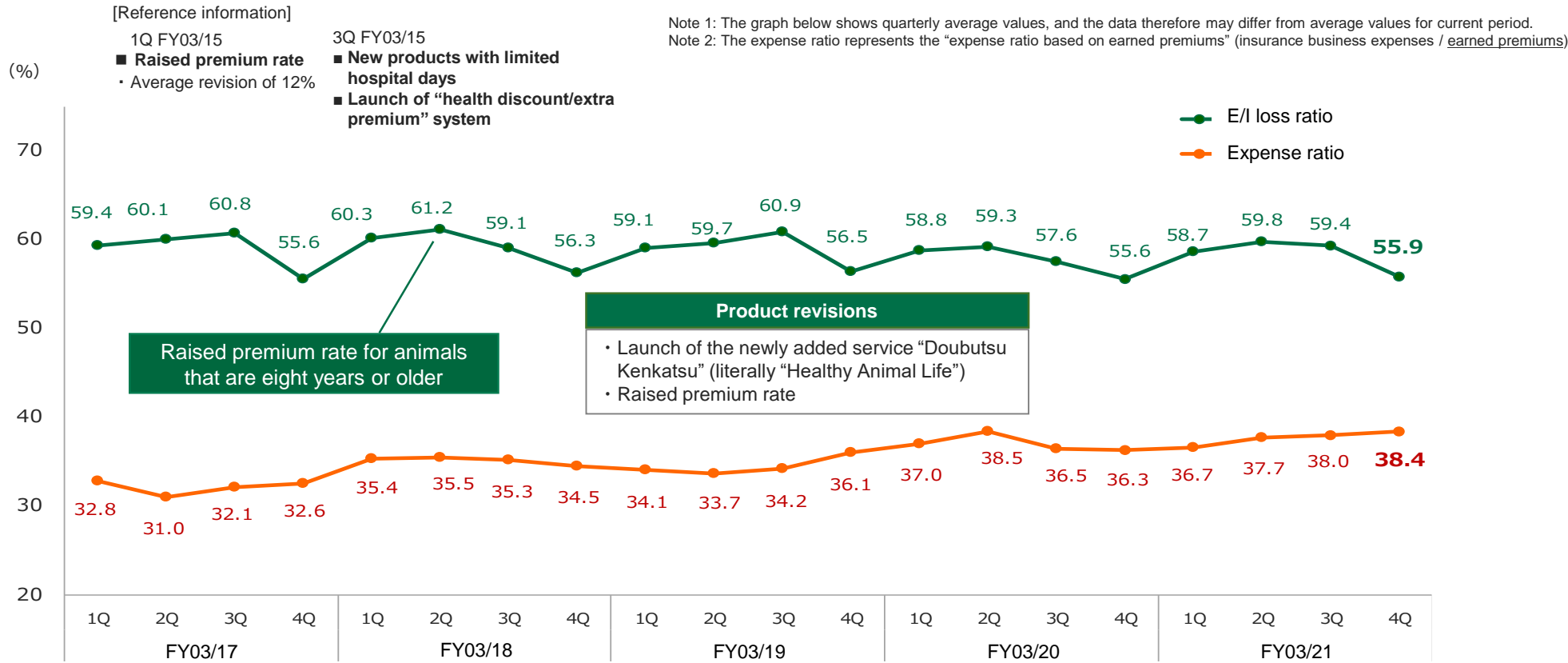
### The number of new policies increased steadily

On a combined newborn/general channels basis, amounted over 210,000, going above the annual target of 183,000.

### Numbers of policies in force

amounted over 921,000, going largely above the annual target of 885,000.

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



## E/I loss ratio

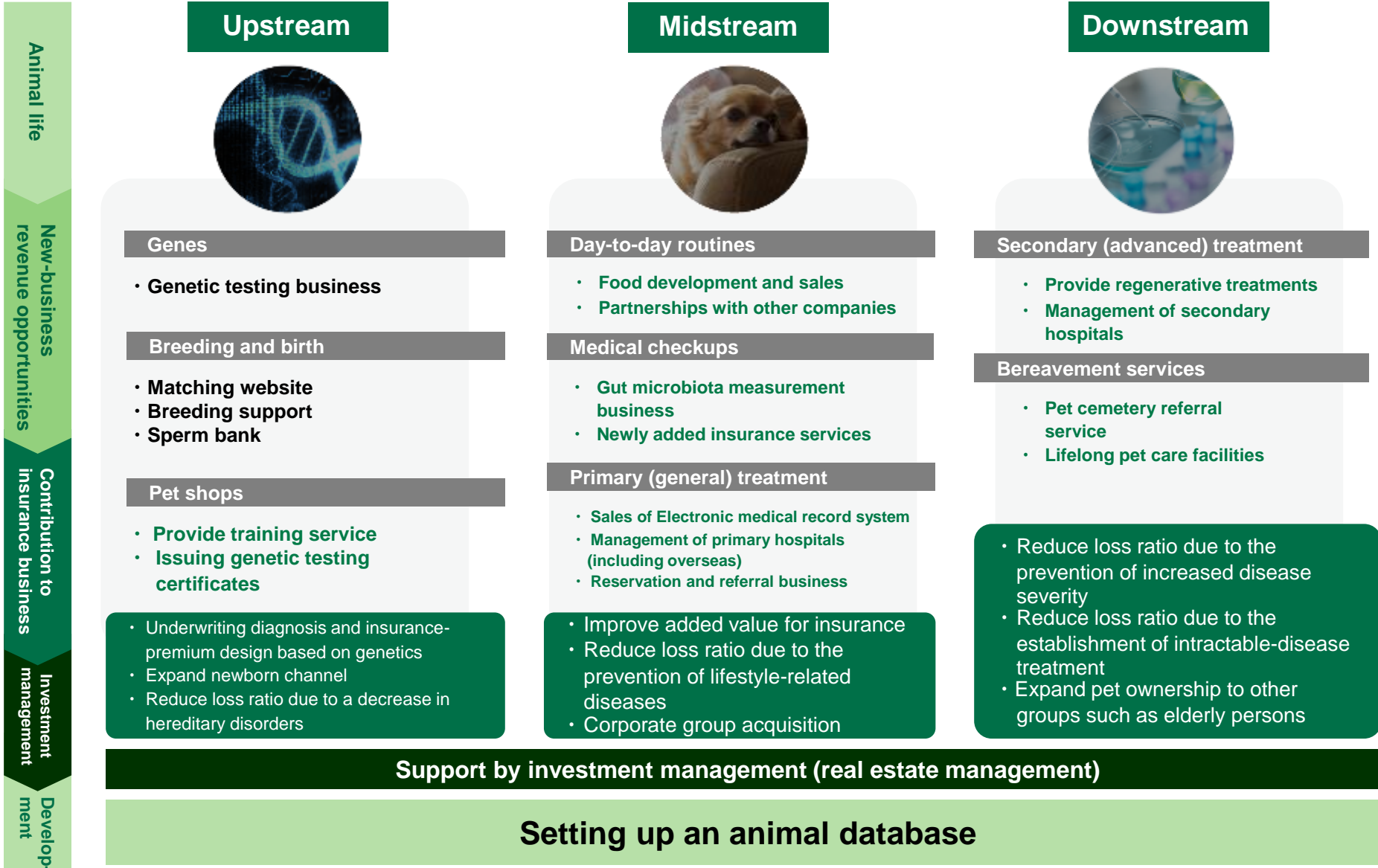
In FY2020, product portfolio continued to improve due to an increase in new policies, but with owners staying at home more due to the COVID-19 pandemic, they noticed more changes in their pets, leading to an increase in hospital visits and consequently increased insurance payouts. The E/I loss ratio is trending at a high level as a result.

## Expense ratio

The expense ratio is trending upward due to effects of continued proactive investment aimed at business expansion, increased costs in unique Doubutsu Kenkatsu service, an increase in agency commissions due to intensifying competition in NB channels, etc.



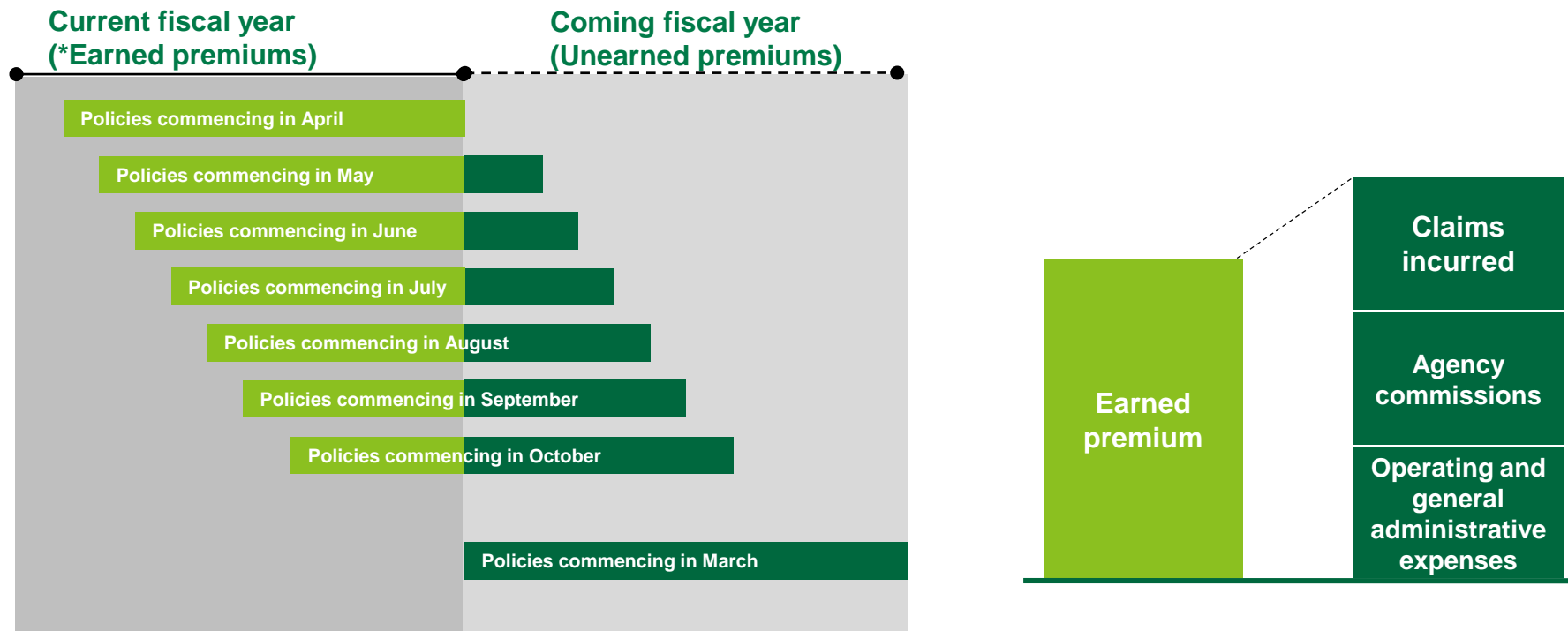
# 4. Peripheral new-business revenue opportunities and synergy with pet insurance





## 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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