

1 Q FY03/22

# Financial Report

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August 6, 2021

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Security Code:8715



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# Results Overview

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# 1. Overall summary (Recurring revenue and recurring profit)

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## Recurring revenue

**13,259** Million JPY

1Q FY03/21 JPY11,689 mn **+13.4%** YoY Planned JPY13,000mn **+2.0%**  
Of which, underwriting revenue: JPY11,620mn 1Q FY03/21 JPY10,560mn **+10.0%** YoY

## Recurring profit

**698** Million JPY

1Q FY03/21 JPY550 mn **+26.7%** YoY Planned JPY660mn **+5.8%**

Whereas revenue continued to grow fueled by robust demand for pet ownership, claims incurred remained at a high level

### ■ Recurring revenue (YoY)

- For Apr–Jun, the number of new policies surpassed **60,000 (+13.6%)**, hitting a **record high**, and the number of policies in force reached **952,000 (+13.0%)**.
- Other recurring revenue also grew strongly to JPY**1,375** million (**+35.5%**) as the animal hospital, genetic testing, breeder matching site, and other businesses performed well.
- Underwriting revenue, other recurring revenue, and investment revenue all achieved the target.

### ■ Recurring profit (YoY)

- Recurring profit amounted to JPY**698** million (**+26.7%**), exceeding the target by **5.8%**, due largely to increases in underwriting revenue and investment revenue.
- Hospital visits and the average payout per claim increased, affected in part by longer time spent at home and higher medical examination fee during the COVID-19 pandemic → An increase in claims incurred
- At the same time, more claims payments led to an increase in reversal of catastrophe reserve → A positive impact on profit

## 2. Income statement summary

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(JPYmn)

	1Q FY03/21	1Q FY03/22	Change
<b>Recurring revenue</b>	<b>11,689</b>	<b>13,259</b>	<b>13.4 %</b>
Underwriting revenue	10,560	11,620	10.0 %
Investment revenue	113	263	132.5 %
Other recurring revenue	1,015	1,375	35.5 %
<b>Recurring expenses</b>	<b>11,138</b>	<b>12,561</b>	<b>12.8 %</b>
<b>Underwriting expenses</b>	7,688	8,502	10.6 %
• Net claims paid	(5,495)	(6,168)	12.2 %
• Loss adjustment expenses	(289)	(275)	-4.8 %
• Net commission and collection expenses	(1,059)	(1,299)	22.7 %
• Provision for reserve for outstanding losses and claims	(122)	(126)	3.0 %
• Provision for underwriting reserves	(721)	(631)	-12.4 %
Of which unearned premiums	(539)	(564)	4.6 %
Of which catastrophe reserve	(181)	(67)	-63.1 %
<b>Investment expenses</b>	0	33	5,899.1 %
Operating and general administrative expenses	3,114	3,608	15.8 %
Other recurring expenses	334	417	25.0 %
<b>Recurring profit</b>	<b>550</b>	<b>698</b>	<b>26.7 %</b>
<b>Net profit</b>	<b>350</b>	<b>486</b>	<b>38.9 %</b>

### Reasons for changes in major accounting items

#### (1) Underwriting revenue

- The number of policies in force **increased by 109,324 (+13.0%)** and the number of new policies **increased by 7,274 (+13.6%)**, year-on-year.

#### (2) Investment revenue

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

#### (3) Other recurring revenue

- Expansion in other recurring revenue, including breeder matching sites, animal hospitals, and genetic testing.

#### (4) Net claims paid

- Claims paid increased due to increases in the number of policies in force, hospital visits, and the average payout per claim.

#### (5) Net commission and collection expenses

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

#### (6) Provision for underwriting reserves

- Decreased on account of an increase in reversal of catastrophe reserve.

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

(JPYmn)

	1Q FY03/21	1Q FY03/22	Change
Earned premiums	10,067	11,097	10.2%
Claims incurred (including loss adjustment expenses)	5,907	6,570	11.2%
E/I loss ratio (1)	58.7%	59.2%	0.5%
Expense ratio (based on earned premiums) (2)	36.7%	38.6%	1.9%
Combined ratio (based on earned premiums) (1)+(2)	95.4%	97.8%	2.4%

### 3. Factors related to changes in recurring profit

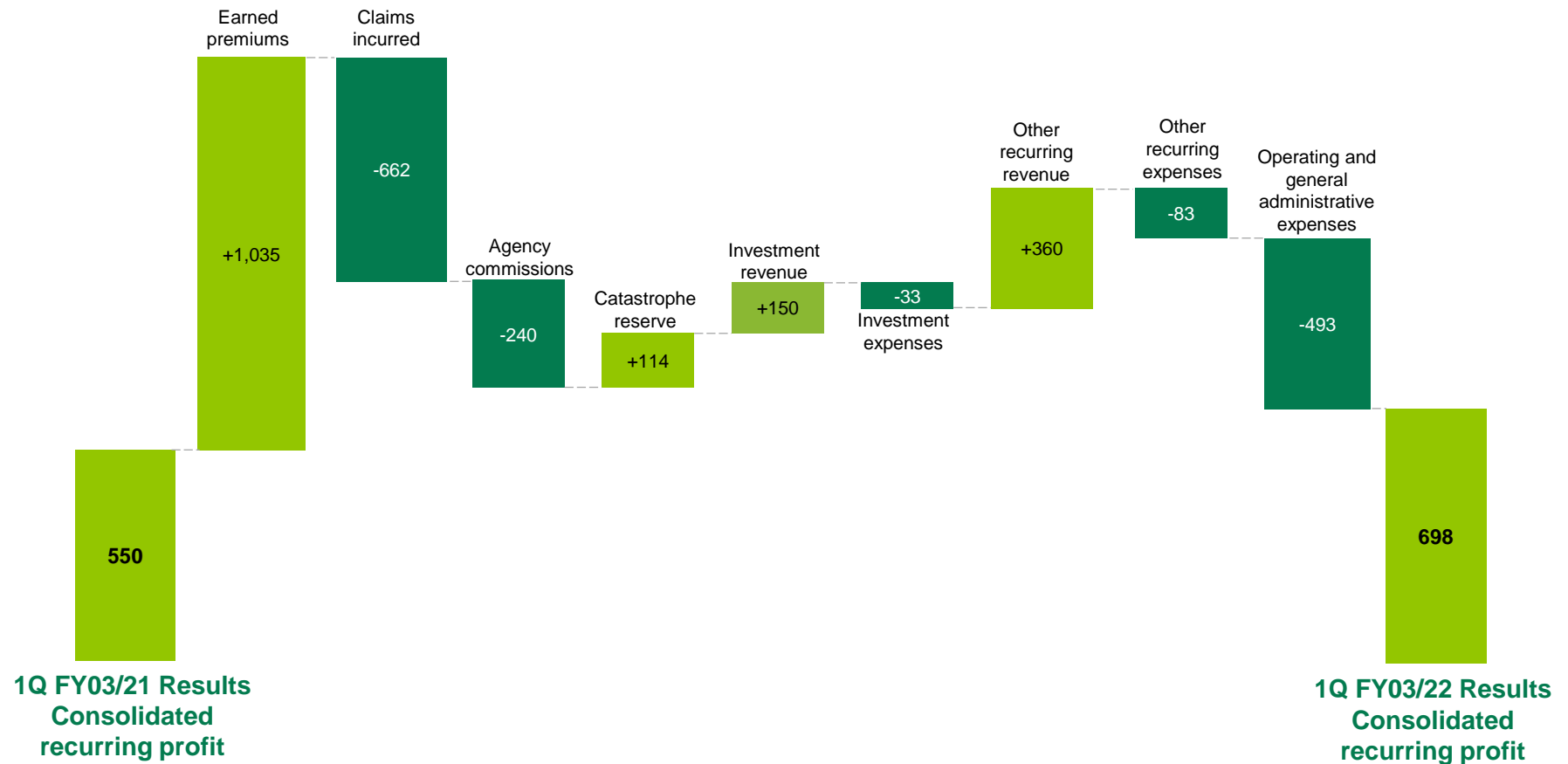
(Comparison analysis with 1Q FY03/21 results)

## 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



## 4. Balance sheet summary

	End-FY03/21	End-1Q FY03/22	Change
<b>Total assets</b>	<b>55,459</b>	<b>57,404</b>	<b>3.5 %</b>
Cash and bank deposits	31,683	30,416	-4.0 %
Marketable securities	11,667	14,705	26.0 %
Tangible fixed assets	5,987	5,902	-1.4 %
Other assets	6,121	6,379	4.2 %
<b>Total liabilities</b>	<b>29,741</b>	<b>31,191</b>	<b>4.9 %</b>
Reserve for insurance policy liabilities	19,626	20,384	3.9 %
Of which loss reserves	2,539	2,665	5.0 %
Of which underwriting reserves	17,087	17,718	3.7 %
Corporate Bonds	5,000	5,000	— %
Other liabilities	5,115	5,806	13.5 %
<b>Total net assets</b>	<b>25,717</b>	<b>26,212</b>	<b>1.9 %</b>
Shareholders' equity	25,648	26,033	1.5 %
Valuation and transaction adjustments	69	179	158.7 %
<b>Total liabilities and net assets</b>	<b>55,459</b>	<b>57,404</b>	<b>3.5 %</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) Corporate bonds

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

#### (3) Valuation and transaction adjustments

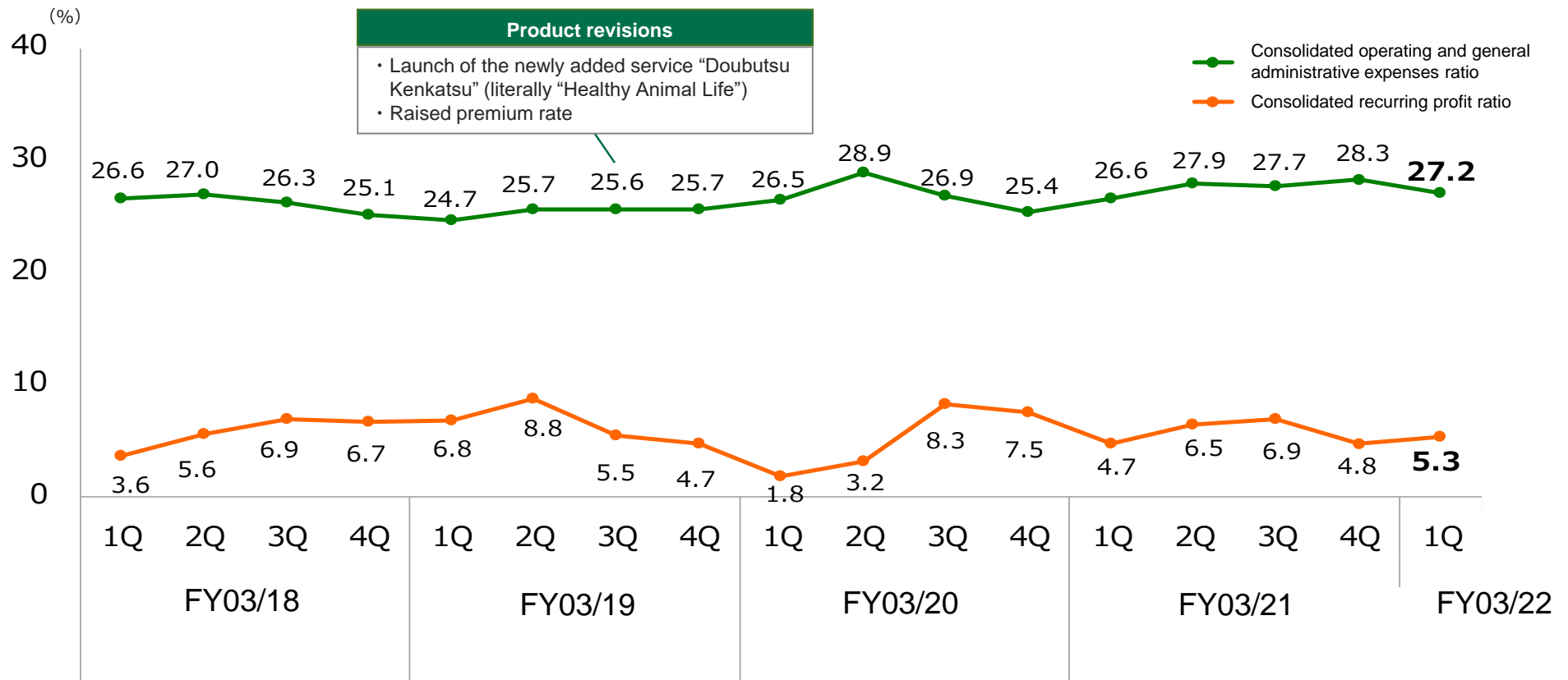
- Increase in valuation and transaction adjustments of other marketable securities



# 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)



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

Despite an increase in claims incurred as a result of increased hospital visits and average payout per claim 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.

# Progress of priority measures

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1. Progress of priority measures (Insurance business and investment)
2. Progress of priority measures (Other businesses)
3. Topics



## Insurance Business

### Numbers of new policies and policies in force

- For Apr–Jun, the number of new policies surpassed 60,000, hitting a record high, and the number of policies in force reached 952,000.

### Expanding and strengthening sales channels

- Collaboration with SIMNET led to a steady increase in the number of new policies sold through the breeder channel.
- Outcomes of initiatives with Meiji Yasuda Life Insurance contributed to the record-high number of new policies achieved for Apr–Jun.

明治安田生命



損害保険商品 (引受損害保険会社 アニコム損保)

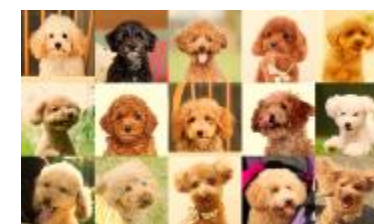
Meiji Yasuda Life Insurance's pet insurance logo

### Expanding products and services

- Owing in part to a steady increase in the number of Doubutsu Kenkatsu applications, the renewal rate remained firm at 87.6% for Apr–Jun.

### Introducing clinical practice flowcharts

- Clinical practice flowcharts were made publicly available on our website.
- The Veterinary Clinic Search Site was revamped to lead viewers to perform symptom-based searches and view clinical practice flowcharts.



## Investment

- Flexible and opportunistic investment led to steady progress in line with the target.
- **Lease revenue increased owing to the start of operation of a pet-friendly housing (anico flora Higashi-Nakano) that was designed to offer dwellings comfortable for both pets and their owners.**

The most  
livable place for  
companion  
animals



## Other

- **As of June 30, we have filed a total of 16 patent applications, including one for a disease prediction system using pet photos.**
- We signed a letter of intent on business partnership with China's Ping An Property Insurance. The two companies have since been exploring that possibility.
- We have retained our A credit rating with a stable outlook from Japan Credit Rating Agency, Ltd.

Before birth

Upstream



### Enhancing the genetic testing business

- The number of samples for genetic testing in Apr–Jun exceeded **28,000**.
- The genetic testing structure was strengthened by introducing robots.
- We made it possible to check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test. Preparations for implementation are underway.

### Commercializing breeding support

- In response to the amended Act on Welfare and Management of Animals, we have been providing various supports (e.g., medical, sales, and retired animal support).
- We continue research on breeding and birth (e.g., diagnosis of optimal timing for breeding, and research aimed at improving technology for storing frozen sperm).

### Generating synergies by making SIMNET a subsidiary

#### SIMNET 1Q FY2021 Results

- Net sales: JPY**481** million
- Recurring profit: JPY**66** million
- Recurring profit ratio: **13.7%**

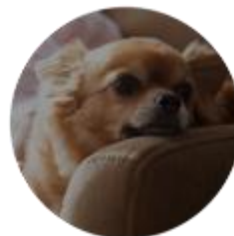
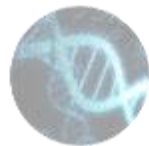
#### Progress on breeding support offerings

- Genetic testing ⇒ Development of custom array
- Reproductive and breeding support ⇒ Development of technologies for frozen sperm storage and for a simple test kit to diagnose optimal timing for breeding
- Medical support ⇒ Trial start of veterinarian house calls
- IT systems and business support ⇒ Development and trial use of systems
- Take in or transfer retired/rescue cats and dogs ⇒ Preparations for the opening of the facility named “ani terrace” in the VISON resort

### From day-to-day routines to curing the incurable

#### Midstream

#### Downstream



#### Commercializing health exams and food and products, etc.

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

#### Addressing social issues (CSR activities)

- **45,000** applications were received for the Doubutsu Kenkatsu service for Apr-Jun.
- **Food for You, custom food based on the pet's DNA, is scheduled to go on sale on September 1.** Preparations for launching food for gut microbiota are also underway.

- Anicom Specialty Medical Institute, Inc. has **54 directly-operated animal hospitals (12 capable of performing surgery)**, growing at a solid pace.
- **As of June 30, 266 animal hospitals (an increase of 76 for Apr-Jun)** joined the Research and Development Partnership for Animal Regenerative Medicine (PARM), which aims to spread regenerative medicine.
- **To promote the use of regenerative medicine, we launched a scheme whereby financial incentives are given to those having received regenerative medicine treatment at PARM, on July 15.**

- **We will open the ani terrace facility in January 2022, aspiring to create a society where dogs and cats live happy lives throughout.**



The facility will be part of VISON, one of Japan's largest commercial resorts, that has recently opened in Taki Town, Mie Prefecture.

#### Initiatives:

- Transfer of dogs and cats so that there will be no animals put down
- A nursing home for elderly dogs
- Other services for pet owners, such as pet hotels and dog runs

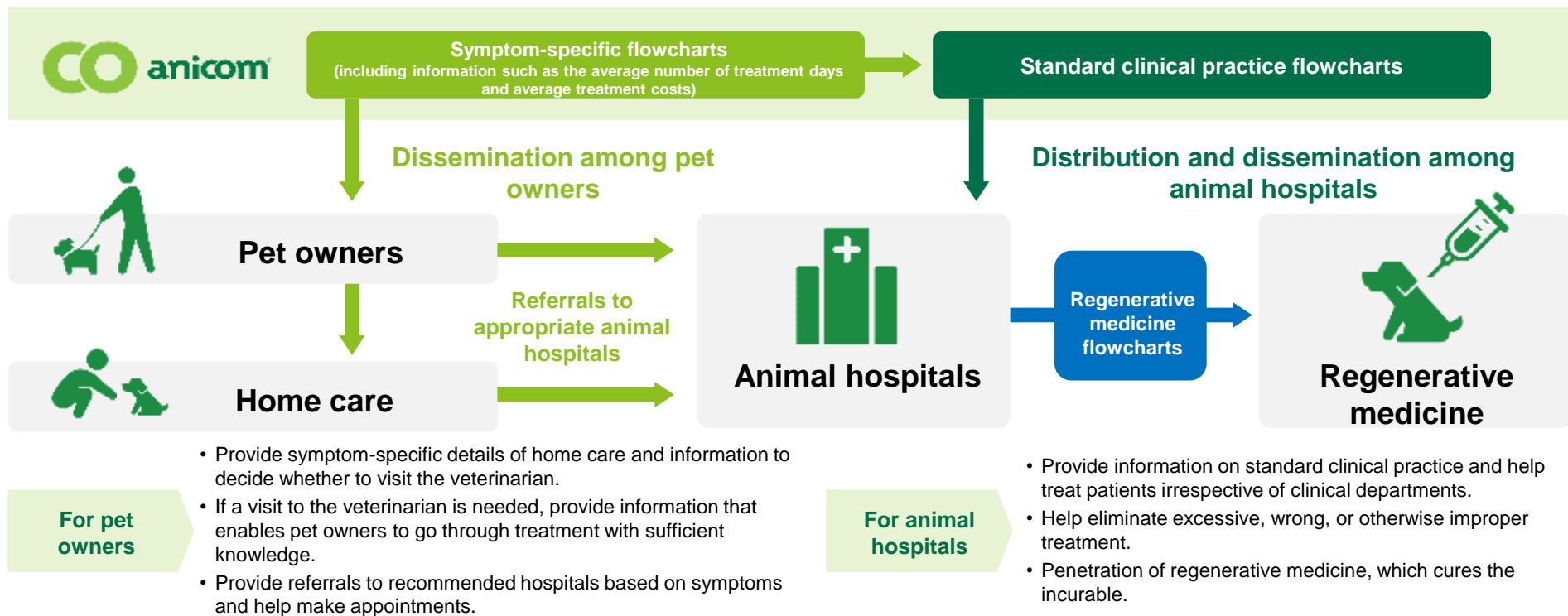
### 3. Topics (Relationships between clinical practice flowcharts and major management indicators)

Objectives of introducing clinical practice flowcharts

Optimize (standardize) non-insurance medical care

Raise pet owners' awareness of appropriate clinical practice and provide appropriate treatment

Reduce insurance payouts



**Major management indicators that reflect the degree of dissemination of clinical practice flowcharts**

(1) Number of page views of Animal Health Encyclopedia (indicator for dissemination)

(2) Number of page views of the Veterinary Clinic Search Site (indicator for referrals)

(3) Number of PARM hospitals (indicator for the penetration of regenerative medicine)

### 3. Topics (Relationships between clinical practice flowcharts and the Veterinary Clinic Search Site)

How clinical practice flowcharts lead viewers to the Veterinary Clinic Search Site



The Veterinary Clinic Search Site was revamped so that each owner can find the best hospital for their pet based on the symptoms using clinical practice flowcharts. The search user interface was improved to highlight the benefits individual hospitals offer and enhance convenience to pet owners.



Symptom-based search on the home page



Selection of applicable symptoms from the list



A list of recommended hospitals shown based on the symptoms

The new site makes it easier for animal hospitals to emphasize the benefits they offer





# 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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	1Q FY03/21	End-FY03/21	1Q FY03/22	Vs. previous year		Vs. previous year-end		End-FY03/22 (forecast as of May 12)
				Numbers	Rate	Numbers	Rate	
① Policies in force	842,754	921,873	952,078	109,324	13.0 %	30,205	3.3 %	1,010,000
② New policies	53,456	213,368	60,730	7,274	13.6 %	-	-	223,000
③ Renewal rate	87.3 %	87.7 %	87.6 %	-	-	-	-	87.1 %
④ Insurance payout cases	889 ,000	3,752 ,000	972 ,000	83 ,000	9.4 %	-	-	4,000 ,000
⑤ Animal hospitals accepting Anicom	6,477	6,541	6,587	110	1.7 %	46	0.7 %	6,650

	1Q FY03/21	1Q FY03/22	YoY Change	End-FY03/22 (forecast as of May 12)
⑥ E/I loss ratio	58.7 %	59.2 %	0.5 pt	58.0 %
⑦ Expense ratio (based on earned premiums)	36.7 %	38.6 %	1.9 pt	38.0 %
⑧ Combined ratio (based on earned premiums)	95.4 %	97.8 %	2.4 pt	96.0 %

	End-FY03/21	1Q FY03/22	Vs. previous year-end	End-FY03/22 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	355.5 %	354.2 %	-1.3 pt	Around 350 %

	1Q FY03/21	1Q FY03/22	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	32,671	45,947	40.6 %
⑪ No. of samples for genetic testing	24,893	28,256	13.5 %

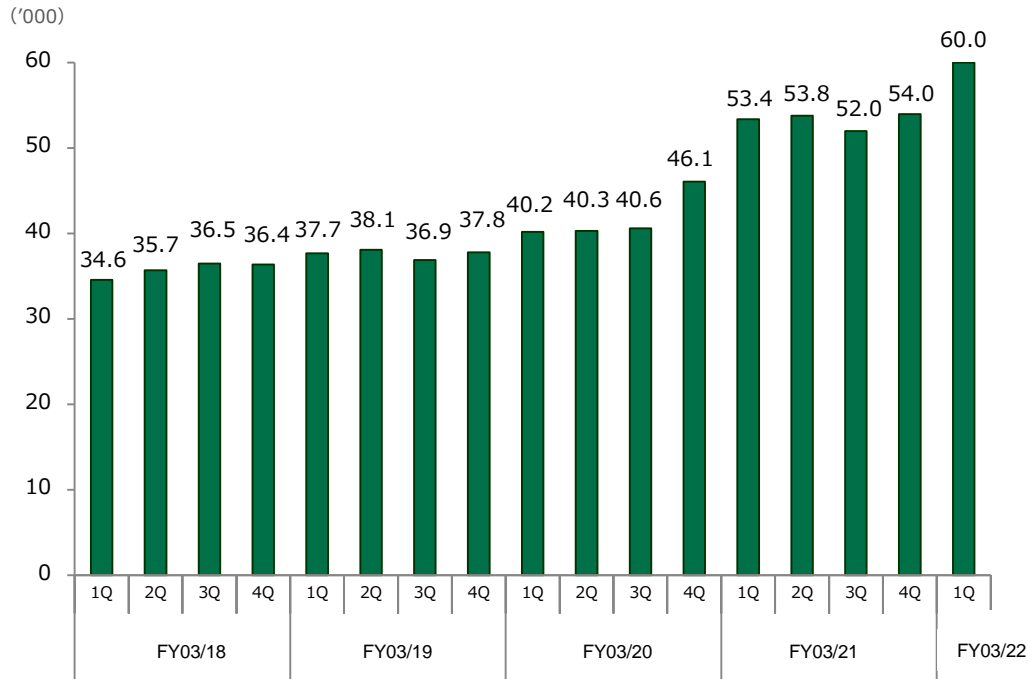
## 2. Anicom Insurance (non-consolidated): Recurring revenue indicators

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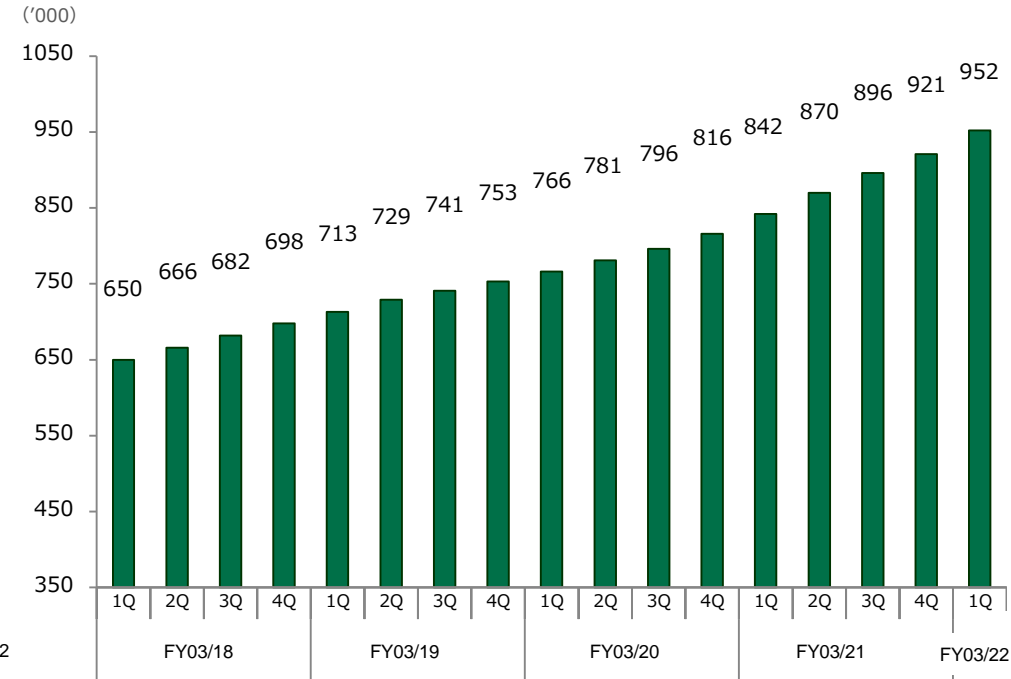
### Quarterly trend in number of new policies



### The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 60,000, achieving 27% of the annual target of 223,000.

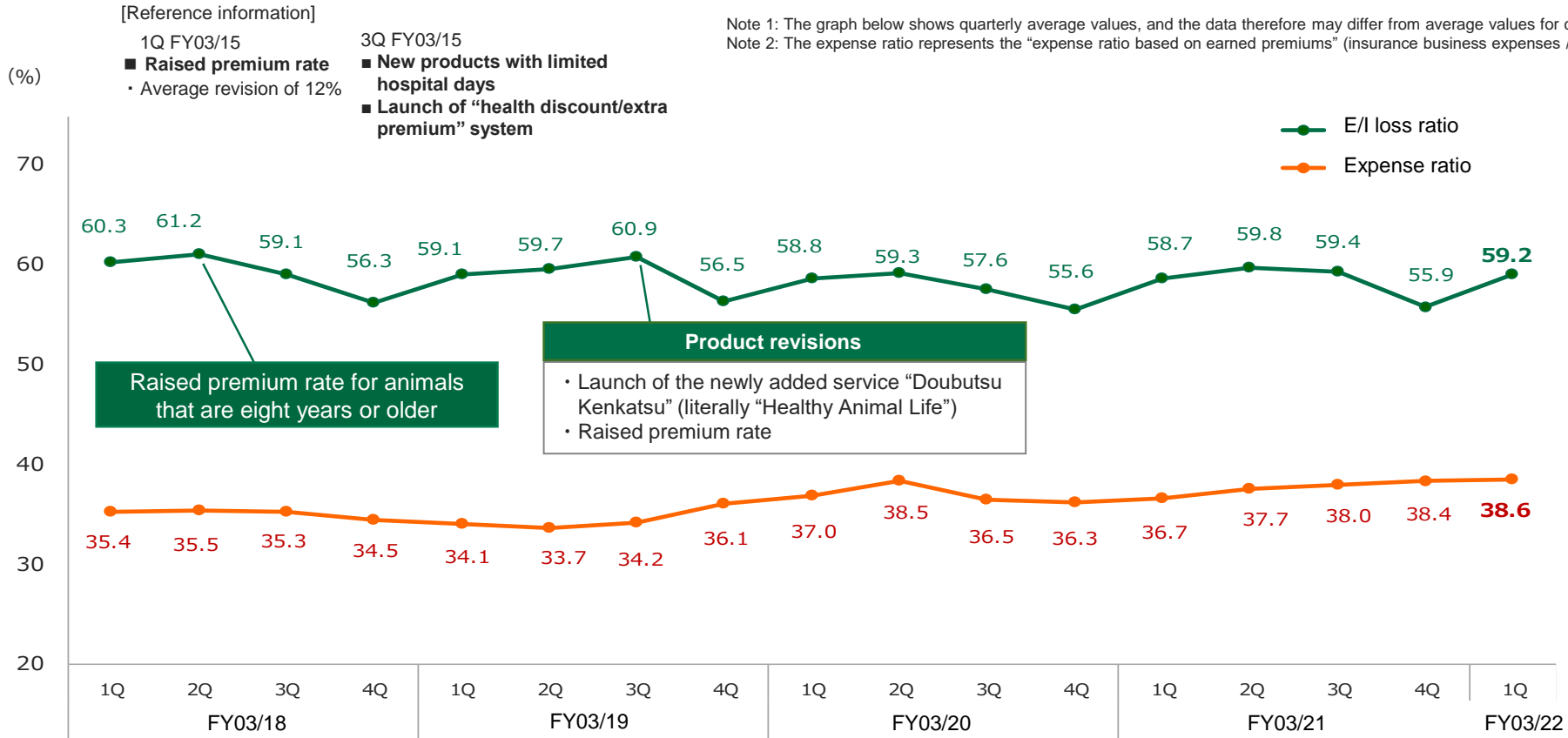
### Quarterly trend in number of policies in force



### Number of policies in force

The number of policies in force increased steadily to 952,000. Our target is to exceed one million during FY2021.

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



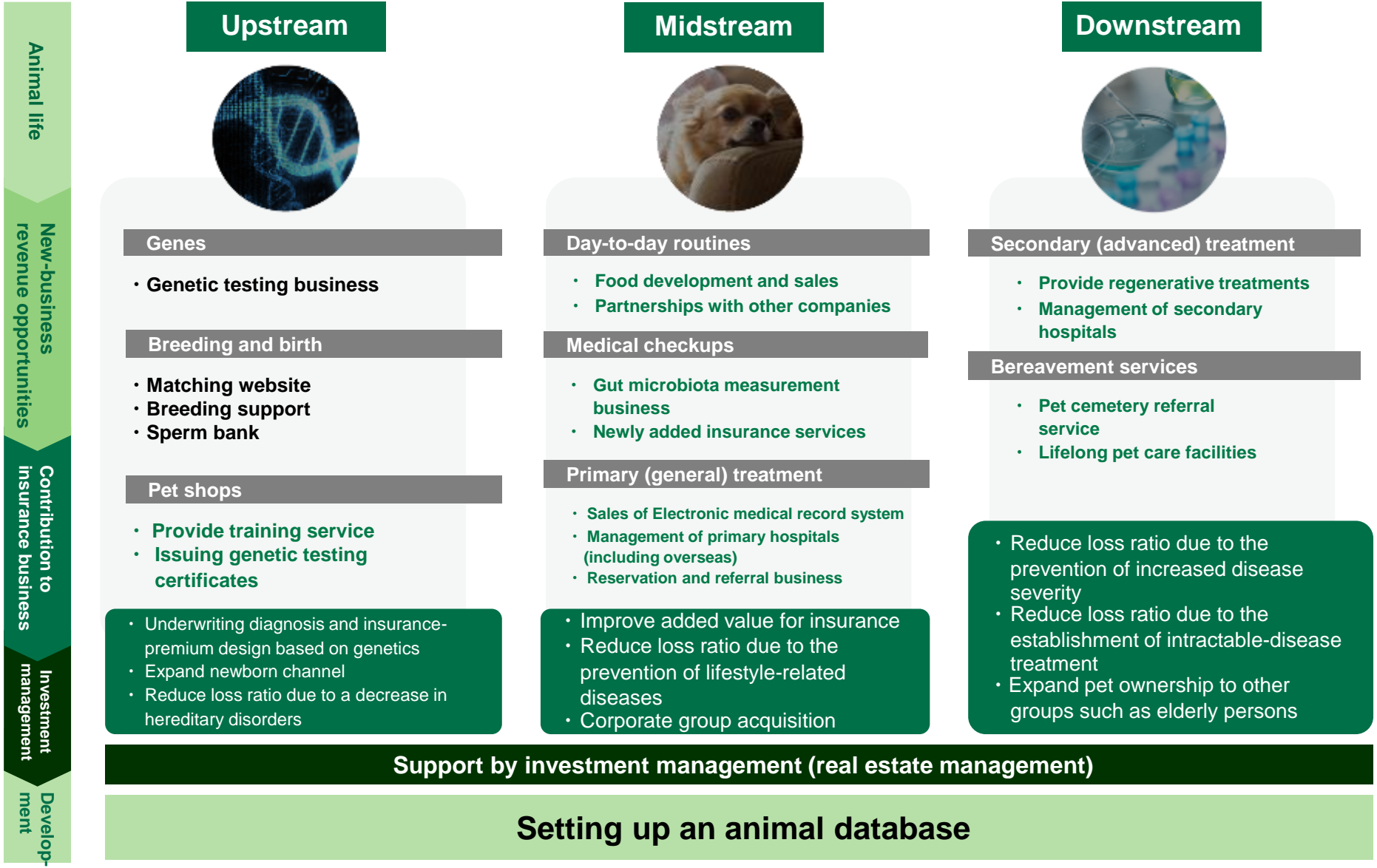
### E/I loss ratio

In 1Q FY2021, product portfolio continued to improve due to an increase in new policies. At the same time, with owners staying at home more due to the COVID-19 pandemic, they noticed more changes in their pets, leading to increases in hospital visits and the average payout per claim. As a result, claims incurred rose, causing the E/I loss ratio to trend at a high level.

### Expense ratio

The expense ratio is trending upward due to the effects of continued proactive investment aimed at business expansion, increased costs in unique Doubutsu Kenkatsu service, and a rise in agency commissions owing to an increase in new policies and 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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