

1 H FY03/22

# Financial Report

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November 8, 2021

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Security Code:8715



# INDEX

**1**

**1H FY03/22 results overview**

**2**

**Progress of priority measures**

**3**

**APPENDIX**

# Results Overview

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1. Overall summary (Recurring revenue and recurring profit)
2. Income statement summary
3. Factors related to changes in recurring profit (Comparison analysis with 1H FY03/21 results)
4. Balance sheet summary
5. Recurring expenses and profit indicators



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

Results  
Overview

Priority  
Measures

Appendix

## Recurring revenue

**26,336** Million JPY

1H FY03/21 JPY23,595 mn **+11.6%** YoY Planned JPY26,000mn **+1.3%**  
Of which, underwriting revenue: JPY23,297mn 1H FY03/21 JPY21,190mn **+9.9%** YoY

## Recurring profit

**1,609** Million JPY

1H FY03/21 JPY1,330 mn **+21.0%** YoY Planned JPY1,500mn **+7.3%**

The number of new policies remained solid driven by robust demand for pet ownership, but loss ratio remained high due to increases in hospital visits and unit prices of treatment

### ■ Recurring revenue (YoY)

- For Apr–Sept, the number of new policies surpassed **119,000 (+11.2%)**, hitting a **record high**, and the number of policies in force reached **981,000 (+12.7%)**.
- Other recurring revenue also grew strongly to **JPY2,654 million (+25.2%)** 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 **JPY1,609 million (+21.0%)**, exceeding the target by **7.3%**, due to increases in underwriting revenue and investment revenue.
- The trend continued for hospital visits and unit prices of treatment to increase, affected in part by longer time spent at home, increases in first-time pet owners, and higher treatment fee during the COVID-19 pandemic → Loss ratios remained high but signs of stabilization began to be seen.
- 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

Results  
Overview

Priority  
Measures

Appendix

(JPYmn)

	1H FY03/21	1H FY03/22	Change
<b>Recurring revenue</b>	<b>23,595</b>	<b>26,336</b>	<b>11.6 %</b>
Underwriting revenue	21,190	23,297	9.9 %
Investment revenue	284	384	35.0 %
Other recurring revenue	2,120	2,654	25.2 %
<b>Recurring expenses</b>	<b>22,265</b>	<b>24,726</b>	<b>11.1 %</b>
<b>Underwriting expenses</b>	15,125	16,732	10.6 %
• Net claims paid	(11,346)	(12,586)	10.9 %
• Loss adjustment expenses	(561)	(552)	- 1.6 %
• Net commission and collection expenses	(2,158)	(2,599)	20.4 %
• Provision for reserve for outstanding losses and claims	(209)	(241)	15.2 %
• Provision for underwriting reserves	(850)	(753)	- 11.4 %
Of which unearned premiums	(835)	(866)	3.7 %
Of which catastrophe reserve	(14)	(-112)	- %
<b>Investment expenses</b>	38	33	- 12.7 %
Operating and general administrative expenses	6,433	7,165	11.4 %
Other recurring expenses	668	795	19.0 %
<b>Recurring profit</b>	<b>1,330</b>	<b>1,609</b>	<b>21.0 %</b>
<b>Net profit</b>	<b>718</b>	<b>1,281</b>	<b>78.3 %</b>

### Reasons for changes in major accounting items

#### (1) Underwriting revenue

- The number of policies in force **increased by 110,619 (+12.7%)** and the number of new policies **increased by 12,052 (+11.2%)**, 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 animal hospitals, genetic testing, and breeder matching sites.

#### (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)

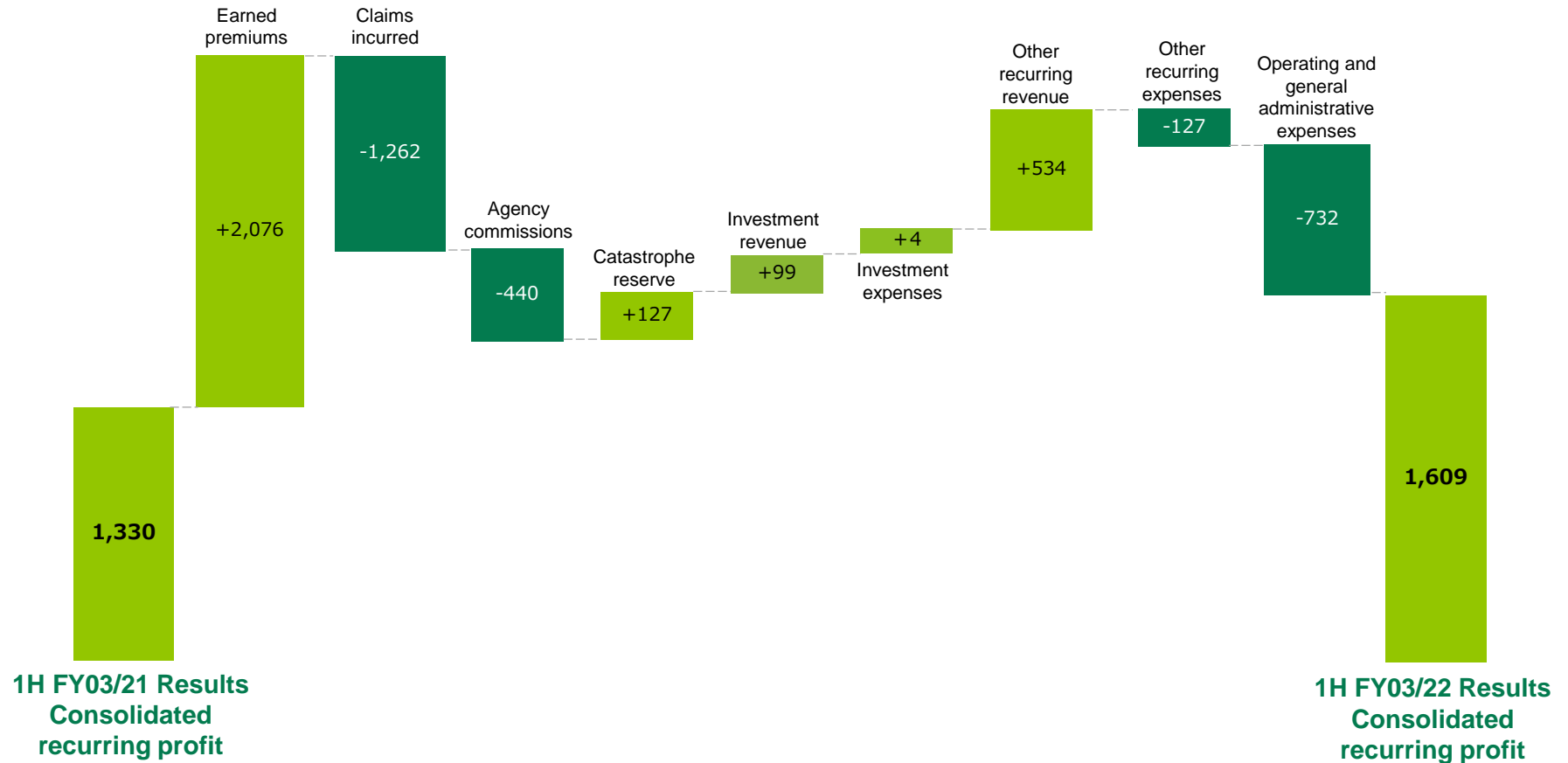
	1H FY03/21	1H FY03/22	Change
Earned premiums	20,445	22,518	10.1%
Claims incurred (including loss adjustment expenses)	12,117	13,379	10.4%
E/I loss ratio (1)	59.3%	59.4%	0.1%
Expense ratio (based on earned premiums) (2)	37.2%	38.0%	0.8%
Combined ratio (based on earned premiums) (1)+(2)	96.5%	97.4%	0.9%

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

(Comparison analysis with 1H 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-1H FY03/22	Change
<b>Total assets</b>	<b>55,459</b>	<b>58,338</b>	<b>5.2 %</b>
Cash and bank deposits	31,683	29,942	- 5.5 %
Marketable securities	11,667	15,768	35.2 %
Tangible fixed assets	5,987	6,160	2.9 %
Other assets	6,121	6,466	5.6 %
<b>Total liabilities</b>	<b>29,741</b>	<b>31,328</b>	<b>5.3 %</b>
Reserve for insurance policy liabilities	19,626	20,621	5.1 %
Of which loss reserves	2,539	2,780	9.5 %
Of which underwriting reserves	17,087	17,840	4.4 %
Corporate Bonds	5,000	5,000	- %
Other liabilities	5,115	5,707	11.6 %
<b>Total net assets</b>	<b>25,717</b>	<b>27,009</b>	<b>5.0 %</b>
Shareholders' equity	25,648	26,828	4.6 %
Valuation and transaction adjustments	69	181	162.0 %
<b>Total liabilities and net assets</b>	<b>55,459</b>	<b>58,338</b>	<b>5.2 %</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

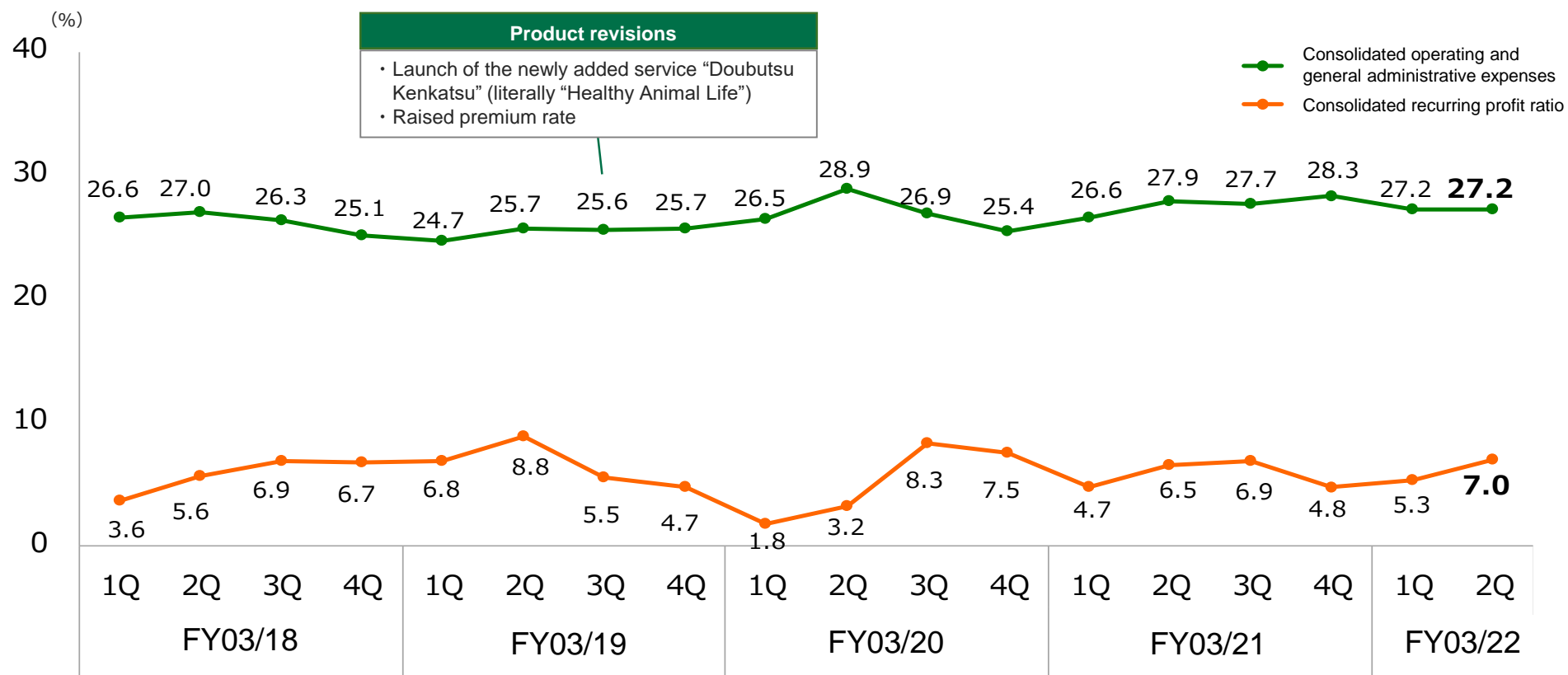
- Increase in valuation and transaction adjustments of other marketable securities



# 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–Sep, the number of new policies totaled 119,000, hitting a record high, and the number of policies in force reached 981,000, raising the possibility it may exceed 1 million by year-end.

### 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–Sep.

明治安田生命

えかおの



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 87.7% for Apr–Sep.

### Introducing clinical practice flowcharts

- Clinical practice flowcharts were made publicly available on our website.  
Disease flowchart: 75 diseases  
Flowchart for veterinarians: 90 diseases  
Dog symptom differentiation flowchart: 11 symptoms
- Symptom-based search function and function to lead viewers to view clinical practice flowcharts added to the Veterinary Clinic Search Site



Top page:  
"Search by symptoms"



Select applicable  
symptom from list



List of hospitals  
recommended for  
selected symptoms shown

## Investment

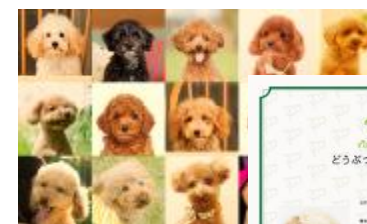
- **Flexible and opportunistic investment led to steady progress toward the annual target as of the end of September.**
- **Pet-friendly housing (anico flora Higashi-Nakano) remained full from August, contributing to lease revenue**

The most livable  
place for  
companion  
animals



## Other

- **As of September 30, we have filed a total of 20 patent applications, including one for a disease prediction system using pet photos.**
- **We began work to develop a database (basic animal resident register)**  
Development underway for a system that will identify individual animals using AI and register them in an basic animal resident register
- **Photo-based individual identification and disease prediction using AI**  
We are conducting tests (partially open to external parties) on a system to identify individuals and breeds using photos – an intuitive, easy-to-understand and easy-to-collect means for pet owners – aiming to offer experiences that move customers, boost customer satisfaction and provide prevention information.



Before birth

Upstream



### Enhancing the genetic testing business

- The number of samples for genetic testing in Apr–Sep exceeded **54,000**.
- 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 1H FY2021 Results

■ Net sales:	JPY <b>968</b> million
■ Recurring profit:	JPY <b>132</b> million
■ Recurring profit ratio:	<b>13.6%</b>

#### Progress on breeding support offerings

- Genetic testing ⇒ Launch of trial on DNA parentage certificate
- Reproductive and breeding support ⇒ Administration of stem cells, etc.
- Medical support ⇒ Trial start of regular veterinarian house call rounds
- Sales support ⇒ Consideration of scheme for pick-up from pet shops/hospitals etc.
- IT systems and business support ⇒ System development underway
- Take in or transfer retired/rescue cats and dogs ⇒ Preparations underway for the opening of the facility named “ani terrace” in the VISON resort

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



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

- **91,000** applications were received for the Doubutsu Kenkatsu service for Apr–Sep.
- **Food for You series**  
We launched DNA food (custom food based on the pet’s DNA) on September 2 and **food for gut microbiota on October 5**.
- **We provide, on one-on-one basis, food containing active ingredients with evidence for addressing the risks identified through tests.**



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

- **Directly-operated animal hospitals totaled 56 (13 capable of performing surgery),** growing at a solid pace.
- **As of September 30, 349 animal hospitals** joined the Research and Development Partnership for Animal Regenerative Medicine (PARM), which aims to spread regenerative medicine.
- **Regenerative medicine financial assistance system launched in July.**

### Addressing social issues (CSR activities)

- **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
  - Other services for pet owners, such as pet hotels and dog runs

### 3. Topics (Promotion of database building and intellectual properties)

Results  
Overview

Priority  
Measures

APPEN  
DIX

Anicom's core competence: Raising mental energy-generating capability, using data to help maintain health of animals

Genetic testing

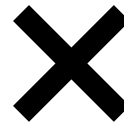
Gut microbiota measuring service

Regenerative medicine

Standard clinical practice flowcharts

Use of AI

Setting up  
an animal  
database



Registering  
patents

Increasing  
advantages



Provision of services that start from “**animal resident registration**” which verifies connection between lives and, as a result, proves existence of individuals

## Effort to develop “animal resident registration” system to protect “animal dignity”

### Society created by “animal resident registration”

(October 5: press release issued; November 1: press briefing held)

- Society in which registration and identification of individual animals based on their facial photos and videos using AI is practiced regularly
- Society in which animals are recognized as “individuals” and “family members”
- Society that protects health of animals and offers more fulfilling living for them
- Society in which lost animals can be searched in disasters and they can be protected from abandonment or abuse

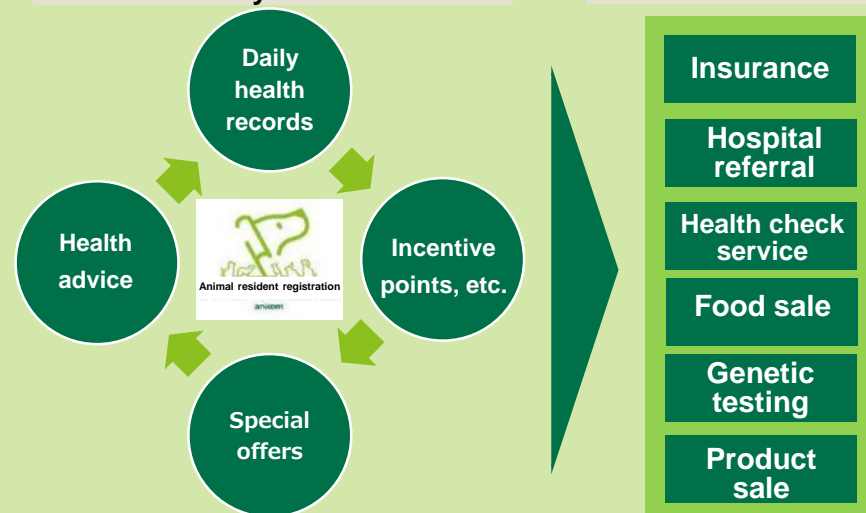


### To offer new values and experiences that moves customers, with “animal resident registration” as starting point

- Create “basic animal resident register” by realizing “animal resident registration” using AI individual identification
- Use of relative individual identification that combines breed, fur color, haircut, location of residence, etc. with individual identification using facial photos
- Help expand services of group companies by offering moving experiences that closely reflect customer needs

Example of experiences desired by customers

Examples of businesses/services





# 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

Results  
Overview

Priority  
Measures

Appendix

	1H FY03/21	End-FY03/21	1H 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	870,987	921,873	981,606	110,619	12.7 %	59,733	6.5 %	1,010,000
② New policies	107,295	213,368	119,347	12,052	11.2 %	-	-	223,000
③ Renewal rate	87.5 %	87.7 %	87.7 %	-	-	-	-	87.1 %
④ Insurance payout cases	1,857 ,000	3,752 ,000	2,003 ,000	146 ,000	7.9 %	-	-	4,000 ,000
⑤ Animal hospitals accepting Anicom	6,485	6,541	6,629	144	2.2 %	88	1.3 %	6,650

	1H FY03/21	1H FY03/22	YoY Change	End-FY03/22 (forecast as of May 12)
⑥ E/I loss ratio	59.3 %	59.4 %	0.1 %	58.0 %
⑦ Expense ratio (based on earned premiums)	37.2 %	38.0 %	0.8 %	38.0 %
⑧ Combined ratio (based on earned premiums)	96.5 %	97.4 %	0.9 %	96.0 %

	End-FY03/21	1H FY03/22	Vs. previous year-end	End-FY03/22 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	355.5 %	350.0 %	-5.5 %	Around 350 %

	1H FY03/21	1H FY03/22	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	69,509	91,669	31.9 %
⑪ No. of samples for genetic testing	53,031	54,688	3.1 %

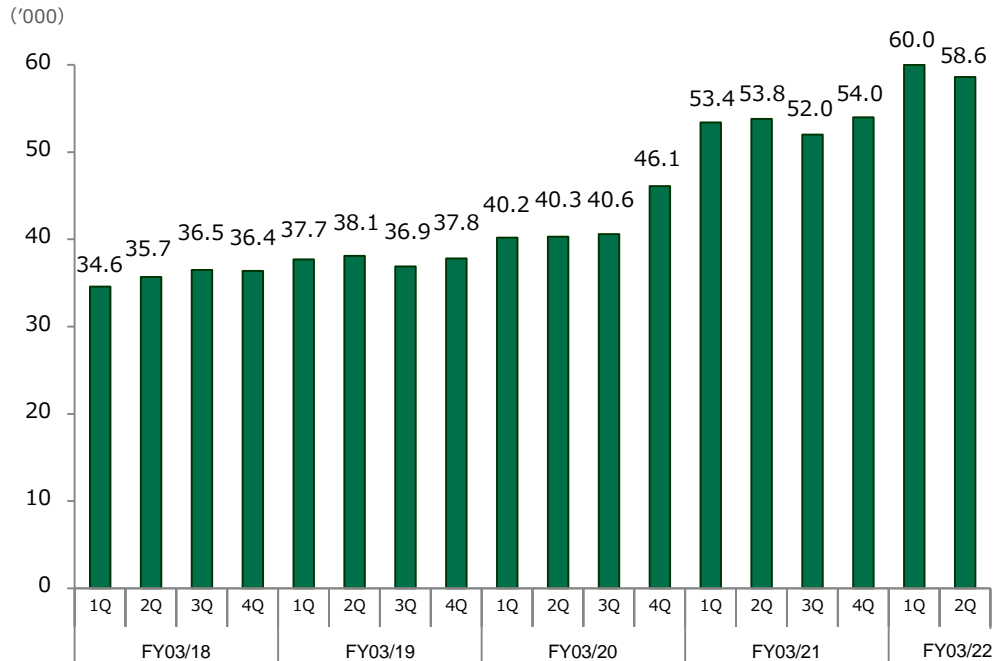
## 2. Anicom Insurance (non-consolidated): Recurring revenue indicators

Results  
Overview

Priority  
Measures

Appendix

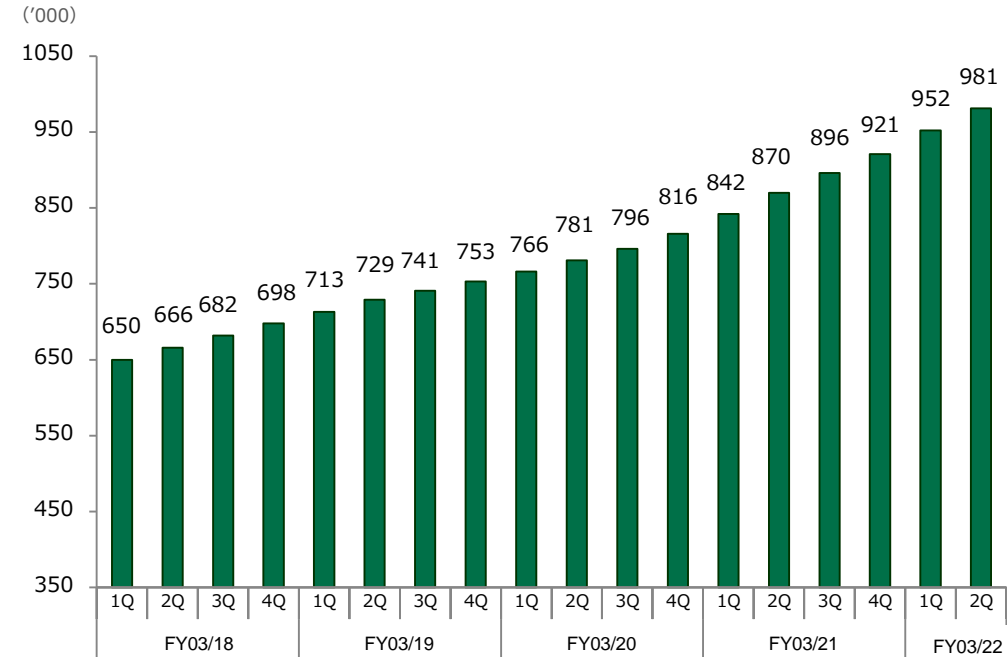
### Quarterly trend in number of new policies



### The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 119,000, achieving 53.5% of the annual target of 223,000.

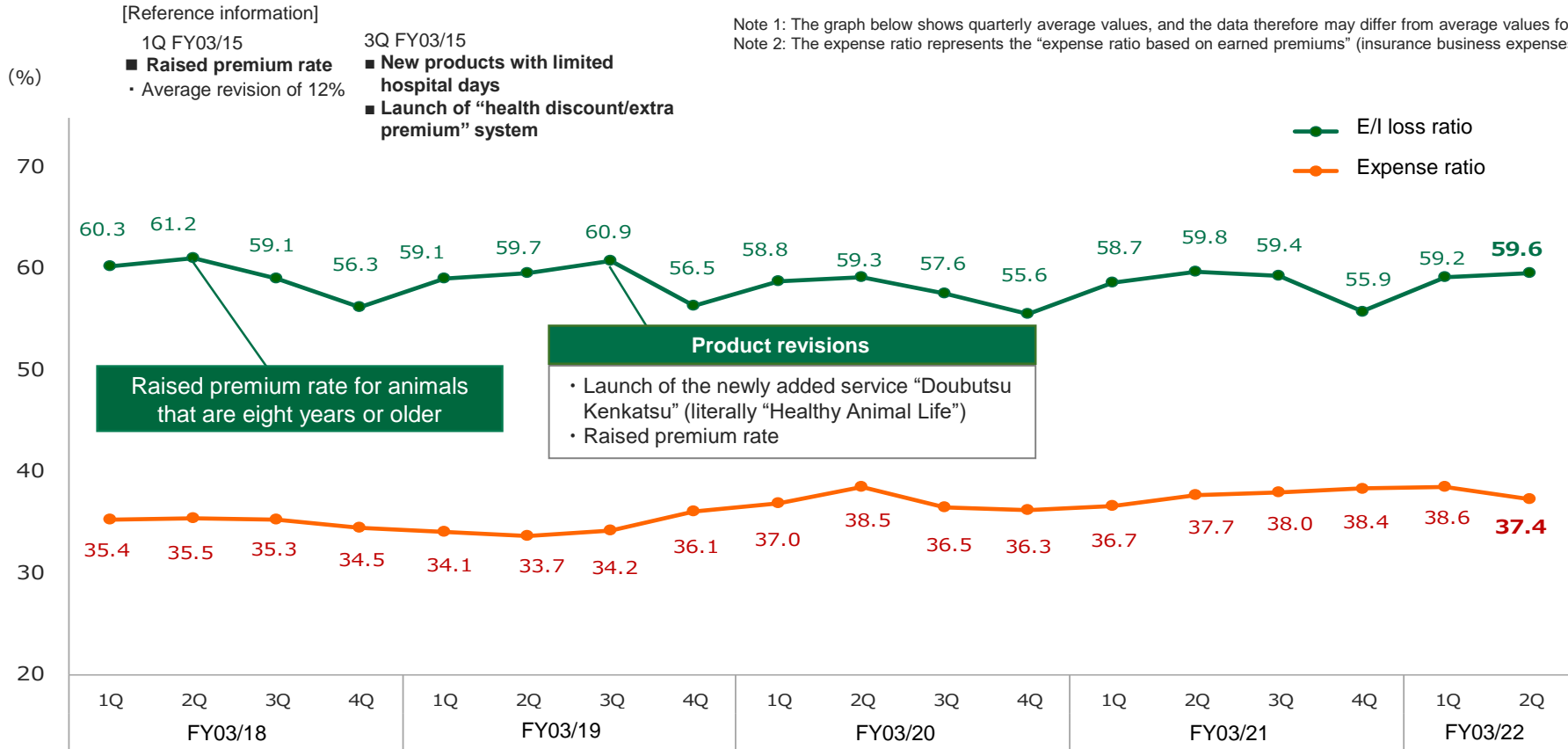
### Quarterly trend in number of policies in force



### Number of policies in force

The number of policies in force increased steadily to 981,000. Our target is to exceed one million during FY2021.

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



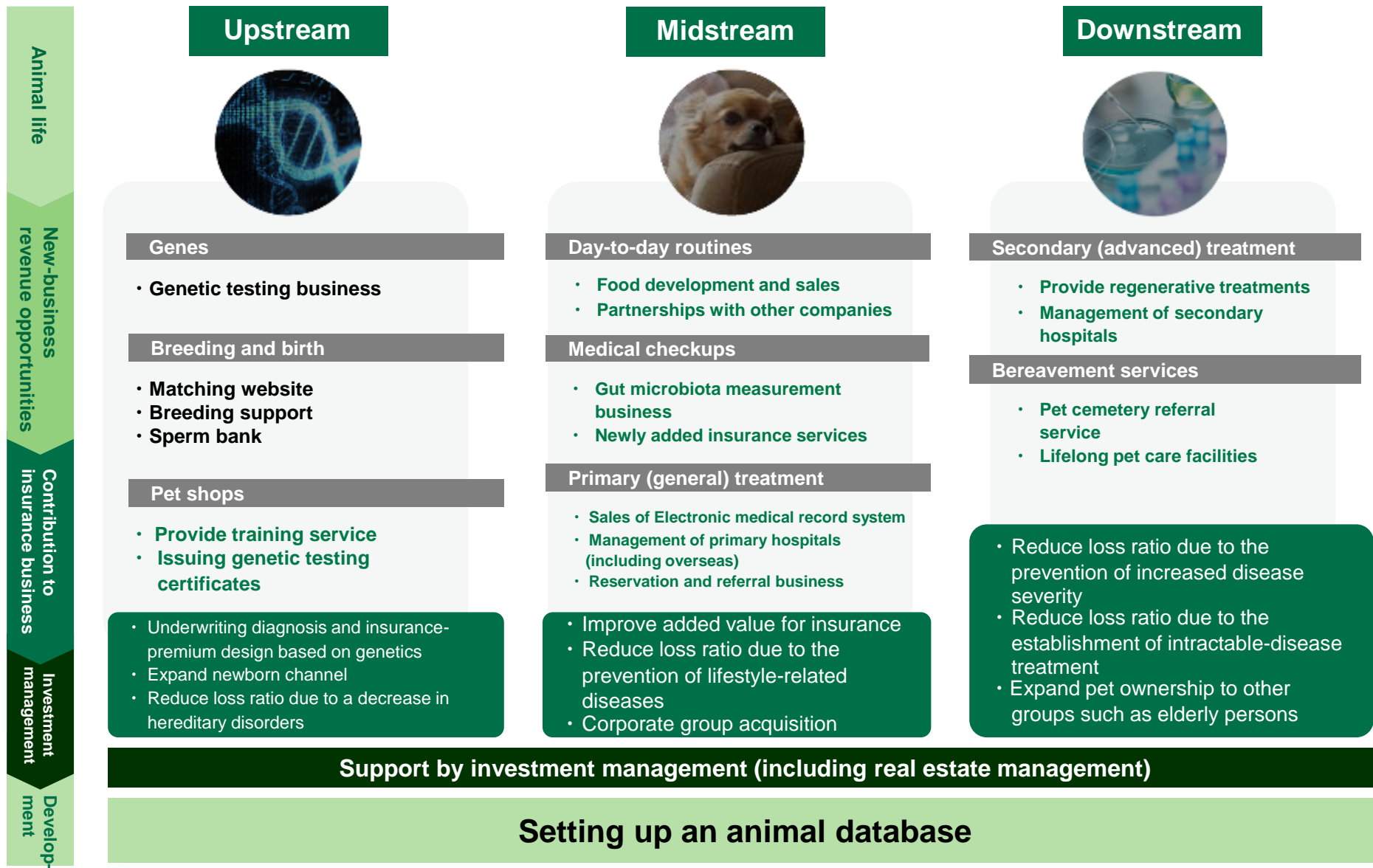
## E/I loss ratio

In 1H 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

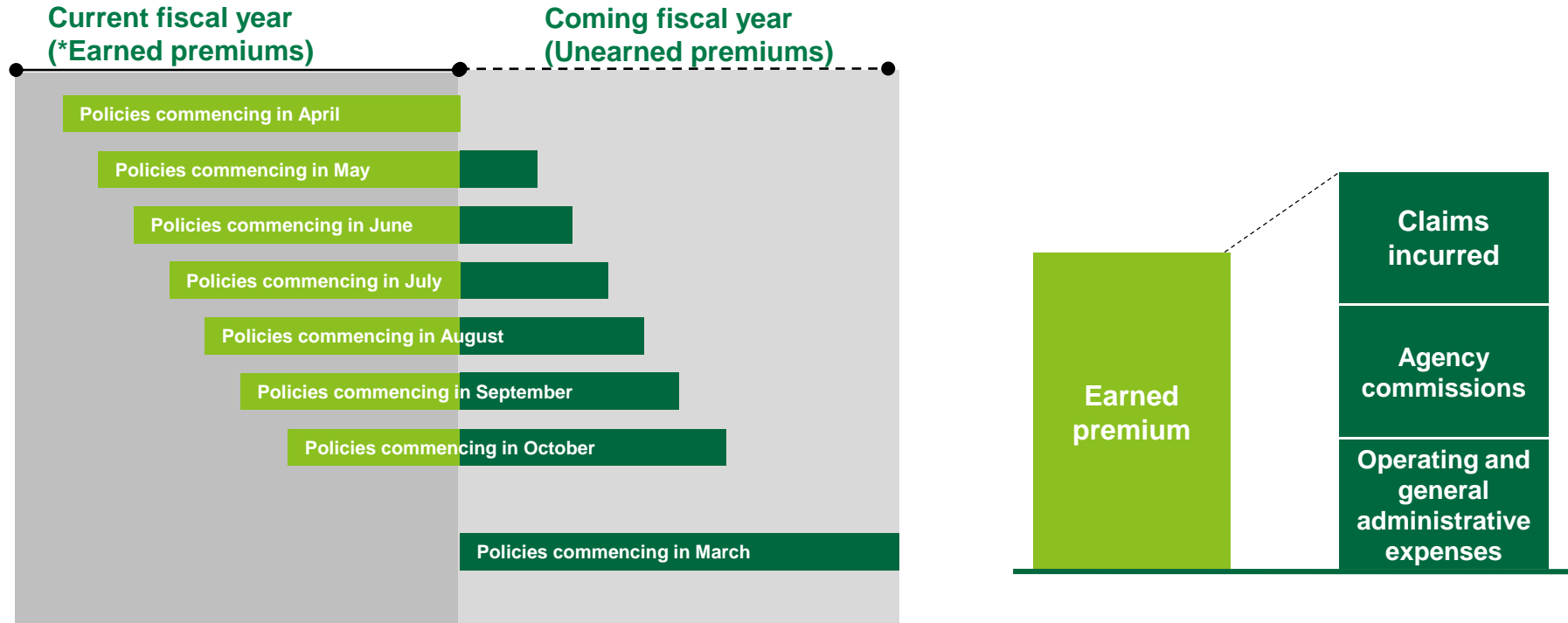
The expense ratio is trending upward due to the effects of continued proactive investment aimed at business expansion, increased costs in unique Doubutsu Kenkatsu service, and a rise in agency commissions owing to an increase in new policies and intensifying competition in NB channels, etc.

# 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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