

3Q FY03/22

Financial Report

February 7, 2022



Security Code:8715



INDEX

1

3Q FY03/22 results overview

2

Progress of priority measures

3

APPENDIX

Results Overview

1. Overall summary (Recurring revenue and recurring profit)
2. Income statement summary
3. Factors related to changes in recurring profit (Comparison analysis with 3Q 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

39,616 Million JPY

3Q FY03/21 JPY 35,689 mn **+11.0%** YoY Planned JPY 39,000 mn **+1.6%**
Of which, underwriting revenue: JPY 35,133 mn 3Q FY03/21 JPY 32,058 mn **+9.6%** YoY

Recurring profit

2,488 Million JPY

3Q FY03/21 JPY 2,169 mn **+14.7%** YoY Planned JPY 2,300 mn **+8.2%**

Robust demand for pet ownership during the COVID-19 pandemic seemingly started to somewhat subside, while the loss ratio also began showing a declining trend.

■ Recurring revenue (YoY)

- For Apr–Dec, the number of new policies was **173,000 (+8.8%)**; and the number of policies in force totaled **1,004,000 (+12.1%)**, **surpassing 1 million**.
- Other recurring revenue also grew strongly to **JPY3,923 million (+20.1%)** 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 **JPY2,488 million (+14.7%)**, exceeding the target by **8.2%**, due largely to increases in underwriting revenue and investment revenue.
- The impact of the COVID-19 pandemic on insurance payouts became less significant, and loss ratios apparently started to settle down to some extent. These trends, however, still need to be monitored.
- More claims payments led to an increase in reversal of catastrophe reserve → Note that no reversal will be recognized in 4Q as reversal of catastrophe reserve reached its upper limit for FY03/22 by December.

2. Income statement summary

Results
Overview

Priority
Measures

Appendix

(JPYmn)

	3Q FY03/21	3Q FY03/22	Change
Recurring revenue	35,689	39,616	11.0 %
Underwriting revenue	32,058	35,133	9.6 %
Investment revenue	365	558	53.0 %
Other recurring revenue	3,265	3,923	20.1 %
Recurring expenses	33,519	37,127	10.8 %
Underwriting expenses	22,670	24,940	10.0 %
• Net claims paid	(17,344)	(19,186)	10.6 %
• Loss adjustment expenses	(832)	(832)	0.0 %
• Net commission and collection expenses	(3,308)	(3,894)	17.7 %
• Provision for reserve for outstanding losses and claims	(260)	(247)	- 5.1 %
• Provision for underwriting reserves	(924)	(779)	- 15.7 %
Of which unearned premiums	(1,102)	(1,056)	- 4.2 %
Of which catastrophe reserve	(-178)	(-277)	- %
Investment expenses	41	61	47.4 %
Operating and general administrative expenses	9,787	10,915	11.5 %
Other recurring expenses	1,019	1,209	18.6 %
Recurring profit	2,169	2,488	14.7 %
Net profit	1,300	1,909	46.9 %

Reasons for changes in major accounting items

(1) Underwriting revenue

- The number of policies in force **increased by 108,666 (+ 12.1 %)** and the number of new policies **increased by 13,989 (+ 8.8 %)**, 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, and 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)

	3Q FY03/21	3Q FY03/22	Change
Earned premiums	31,089	34,207	10.0%
Claims incurred (including loss adjustment expenses)	18,437	20,266	9.9%
E/I loss ratio (1)	59.3%	59.2%	-0.1%
Expense ratio (based on earned premiums) (2)	37.5%	37.5%	0.0%
Combined ratio (based on earned premiums) (1)+(2)	96.8%	96.7%	-0.1%

3. Factors related to changes in recurring profit

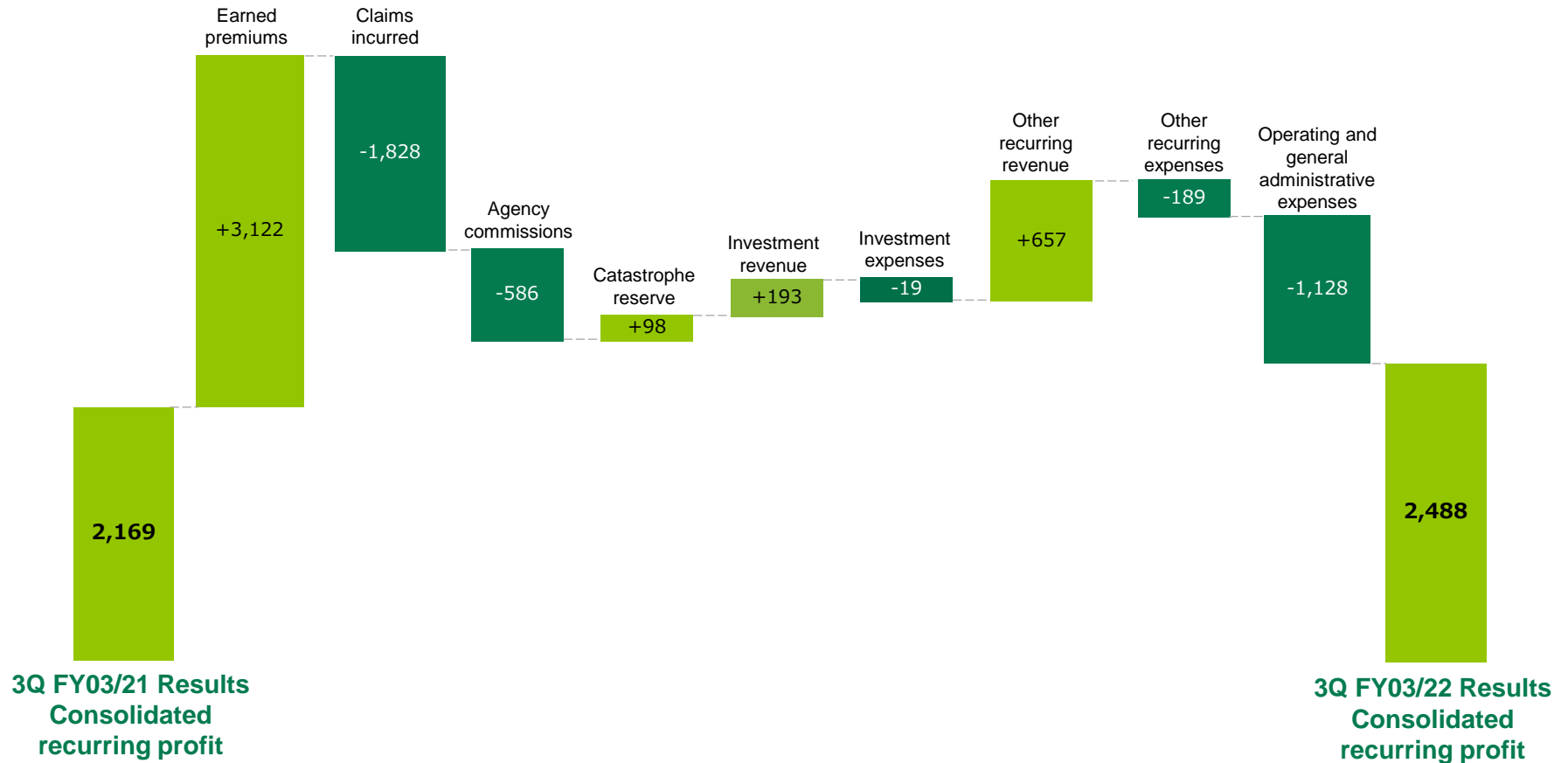
(Comparison analysis with 3Q FY03/21 results)

Recurring profit increased due to an underwriting revenue increase, in addition to contribution from an increase in Investment revenue and 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- 3Q FY03/22	Change
Total assets	55,459	57,853	4.3 %
Cash and bank deposits	31,683	29,284	- 7.6 %
Marketable securities	11,667	16,030	37.4 %
Tangible fixed assets	5,987	6,188	3.4 %
Other assets	6,121	6,350	3.7 %
Total liabilities	29,741	30,310	1.9 %
Reserve for insurance policy liabilities	19,626	20,653	5.2 %
Of which loss reserves	2,539	2,786	9.7 %
Of which underwriting reserves	17,087	17,866	4.6 %
Corporate Bonds	5,000	5,000	— %
Other liabilities	5,115	4,657	- 9.0 %
Total net assets	25,717	27,543	7.1 %
Shareholders' equity	25,648	27,456	7.0 %
Valuation and transaction adjustments	69	87	25.5 %
Total liabilities and net assets	55,459	57,853	4.3 %

■ 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

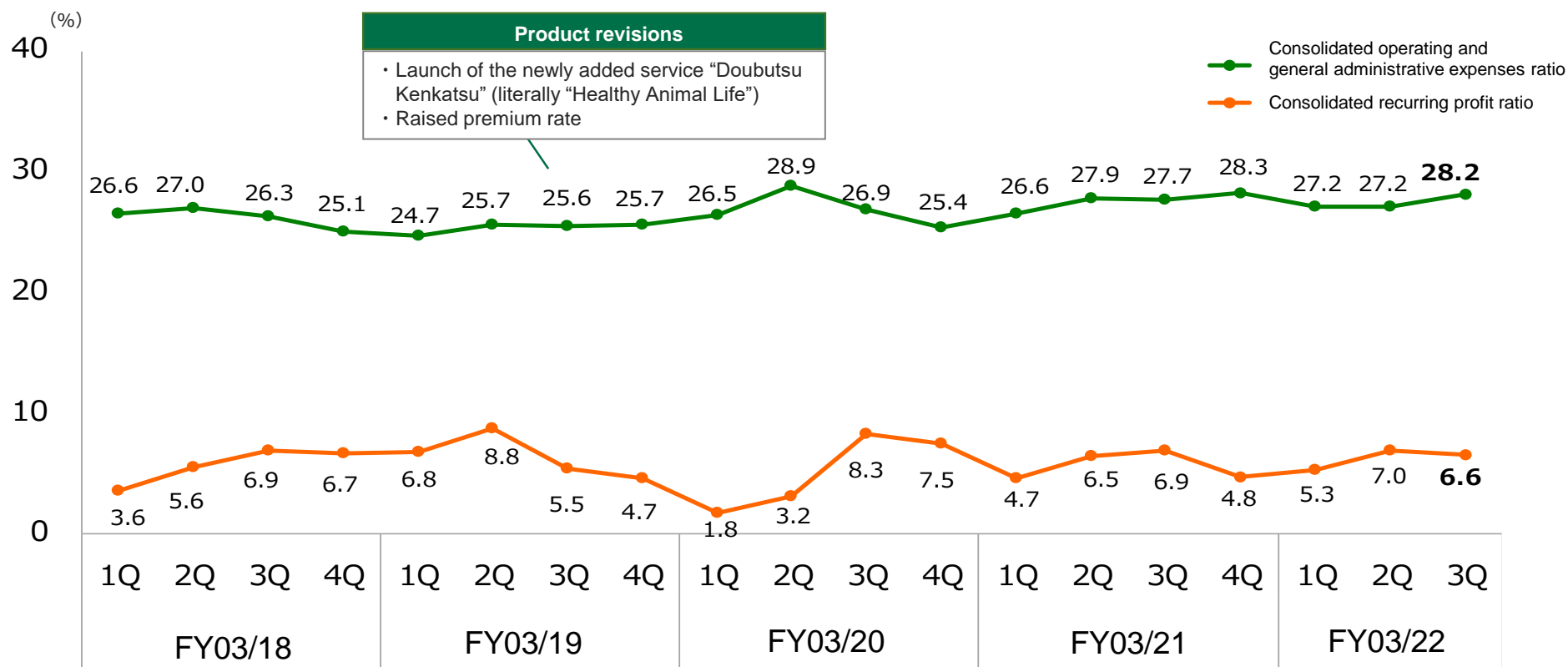
(3) Valuation and transaction adjustments

- 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

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

- The number of new policies totaled 173,000 for Apr–Dec, and the number of policies in force topped **1 million** as of December 31.

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 to diversify general channels, as typified by Meiji Yasuda Life Insurance, contributed to the number of new policies for Apr–Dec



Meiji Yasuda Life Insurance's pet insurance logo

Building on the expansion and strengthening of sales channels, Anicom embarked on improving efficiency and costs in the insurance business.

- ⇒ Shift to an approach whereby agency commissions and other items are allocated flexibly.

Expanding products and services

- Owing in part to a steady increase in the number of Doubutsu Kenkatsu applications, the renewal rate remained consistently high for Oct–Dec (87.8%).

Introducing clinical practice flowcharts to reduce insurance payouts

- Clinical practice flowcharts were made publicly available on our website (Animal Health Encyclopedia).
 - Disease flowchart: 75 diseases
 - Flowchart for veterinarians: 90 diseases
 - Dog symptom differentiation flowchart: 11 symptoms
 - Cat symptom differentiation flowchart: 3 symptoms published in December
- Veterinary Clinic Search Site was revamped
 - The version released in December allows users to search for clinics that provide regenerative medicine.

- Number of page views of Animal Health Encyclopedia
 - ⇒ More than 6.6 million (the accumulated total for Apr–Dec)
- Number of page views of Veterinary Clinic Search Site
 - ⇒ More than 1.29 million (the accumulated total for Apr–Dec)

Investment

- **As a result of flexible and opportunistic investment, progress as of December 31 exceeded the annual target.**
- **Pet-friendly housing (anico flora Higashi-Nakano) remained full from August, contributing to lease revenue.**
Moving forward, Anicom plans to expand into commercial properties that can generate synergies with breeding support and other Group businesses (e.g., provision [leasing] of breeding spaces and shelters).

The most livable place for companion animals



Other

- **As of December 31, we have filed a total of 23 patent applications, including one for a disease prediction system using pet photos.**
- **To build a database (basic animal resident register), the mechanism is being developed.**
As the requirements definition for customer pages have been completed, the development work is underway.
- **Photo-based individual identification and disease prediction using AI**
We conducted tests 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. Efforts are currently being made to enhance functionality and allow more accurate identification of individuals.



Before birth

Upstream



Enhancing the genetic testing business

- The number of samples for genetic testing in Apr–Dec exceeded **80,000**.
- 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).

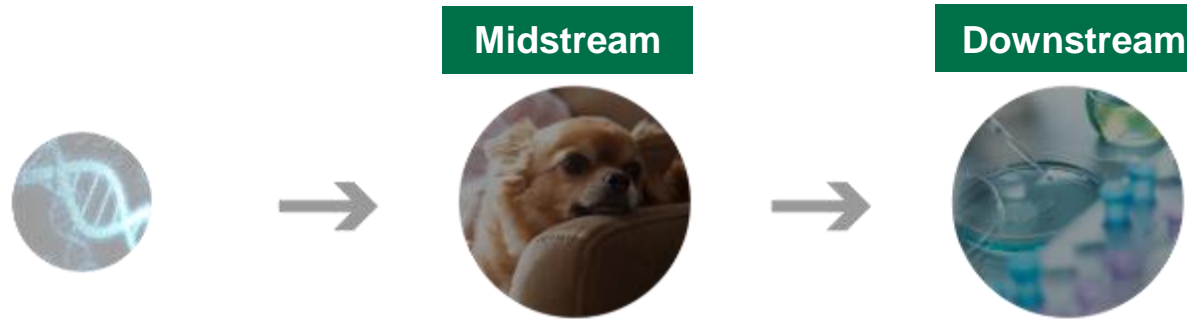
- Genetic testing ⇒ Development of genetic testing (custom array) and matching services
- Reproductive support ⇒ Administration of stem cells, research aimed at improving technology for storing frozen sperm, etc.
- Medical support ⇒ Trial start of house call services
- Sales support ⇒ Opening of a handover center (the KONOTORI strategy, which aims to help solve social issues by pursuing collaboration with pet shops, animal hospitals, and other stakeholders and by playing a part in the community's economic development)
- Business support ⇒ Development and trial start of a reproductive management system, and provision [leasing] of breeding spaces
- Support for transfer of retired dogs and cats ⇒ Building and operation of shelters, and establishment of transfer schemes

Generating synergies by making SIMNET a subsidiary

SIMNET 3Q FY2021 Results

■ Net sales:	JPY 1,435 million
■ Recurring profit:	JPY 155 million
■ Recurring profit ratio:	10.8 %

From day-to-day routines to curing the incurable



Commercializing health exams and food and products, etc.

- **138,000** applications were received for the Doubutsu Kenkatsu service for Apr–Dec.
- **Food for You series**
We provide, on one-on-one basis, food containing active ingredients with evidence for addressing the risks identified through tests.
- **DNA food (custom food based on the pet's DNA) and food for gut microbiota went on sale on September 2 and October 5, respectively.**
- **Food for gut microbiota received positive feedback despite the limited distribution of free samples.**



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 December 31, 388 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.**



Downstream

Addressing social issues (CSR activities)

- **Anicom and Kobe City entered into a partnership agreement concerning animal welfare promotion and other initiatives.**



Examples of specific initiatives:

- Post the dogs and cats the city wishes to transfer on the Anicom Group's hugU animal adoption site.
- Dispatch mobile veterinary clinics and veterinarians in times of major disasters.
- Promote the health management and transfer of dogs and cats, harnessing the Anicom Group's expertise in animal treatment and research.

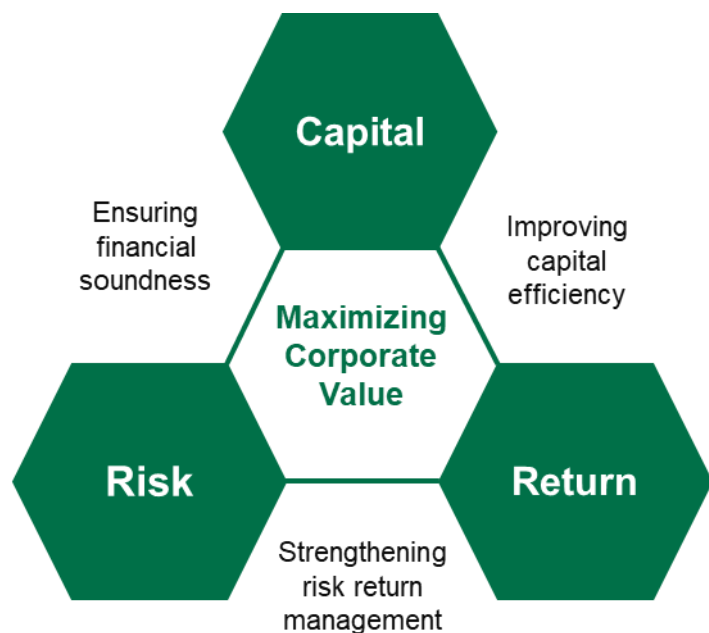
Announcement of revision to year-end dividend forecast (dividend increase) and gradual enhancement of shareholder returns in the future (December 22, 2021)

Enterprise Risk Management

Manage the balance of capital, risk and return, and balancing financial soundness with capital efficiency.

Implement continuous and stable shareholder returns

from a mid- to long-term perspective.



Developments leading up to the announcement of dividend increase

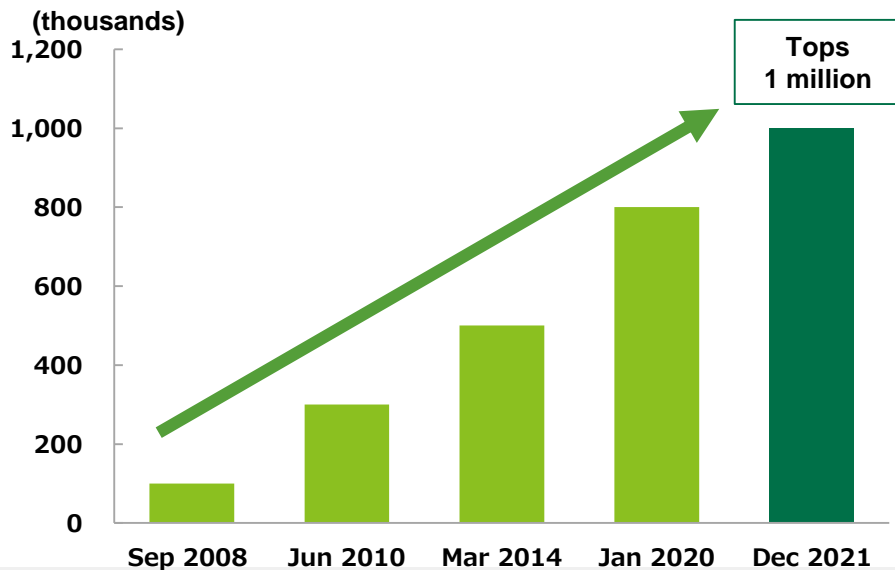
- Since the commencement of dividend payments in FY03/16, Anicom has maintained its annual dividend at JPY1.25 (JPY5.00 prior to the October 2020 share split).

- We consider ourselves to have **entered a phase where we should look ahead to the gradual enhancement of shareholder returns** albeit being a continuously growing entity.

- At present, **discussions are underway on regulatory changes** over the medium term with regard to the **financial soundness of insurance companies (e.g., risk coefficient)**. This could result in the generation of usable funds. **With an eye to the future regulatory changes, Anicom will examine what the optimal capital structure would be in stages.**

- As a first step, we have decided to **increase the year-end dividend for FY03/22 to JPY2.50, which is double that for the previous year**. In FY03/23 and beyond, we will also **consider a gradual increase in shareholder returns as part of our next mid-term management plan.**

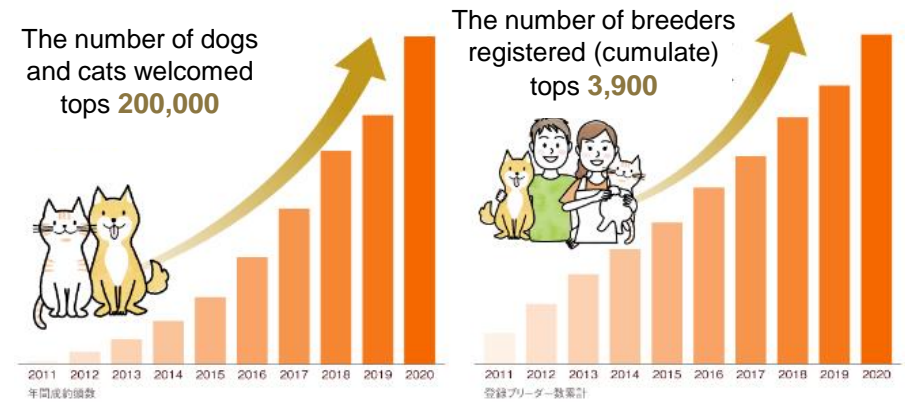
The number of pet insurance policies in force topped 1 million (as of December 31, 2021).



On our Minna no Breeder and Minna no Koneko Breeder websites, which connect dog or cat breeders with potential owners, the cumulative total of contracts concluded surpassed 200,000 (December 14, 2021).



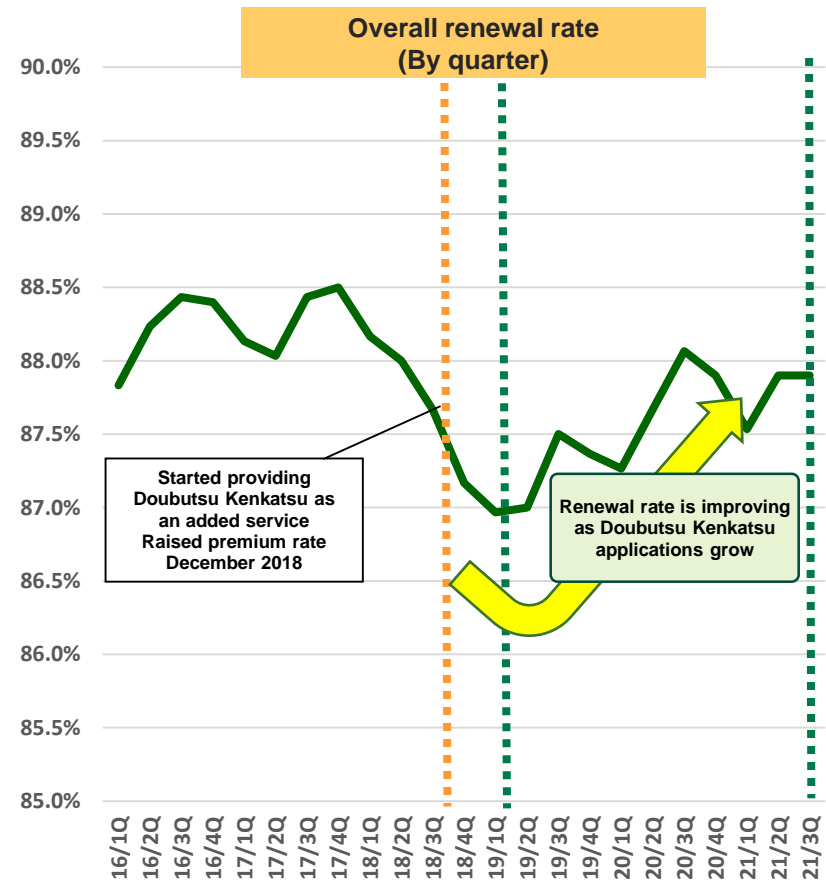
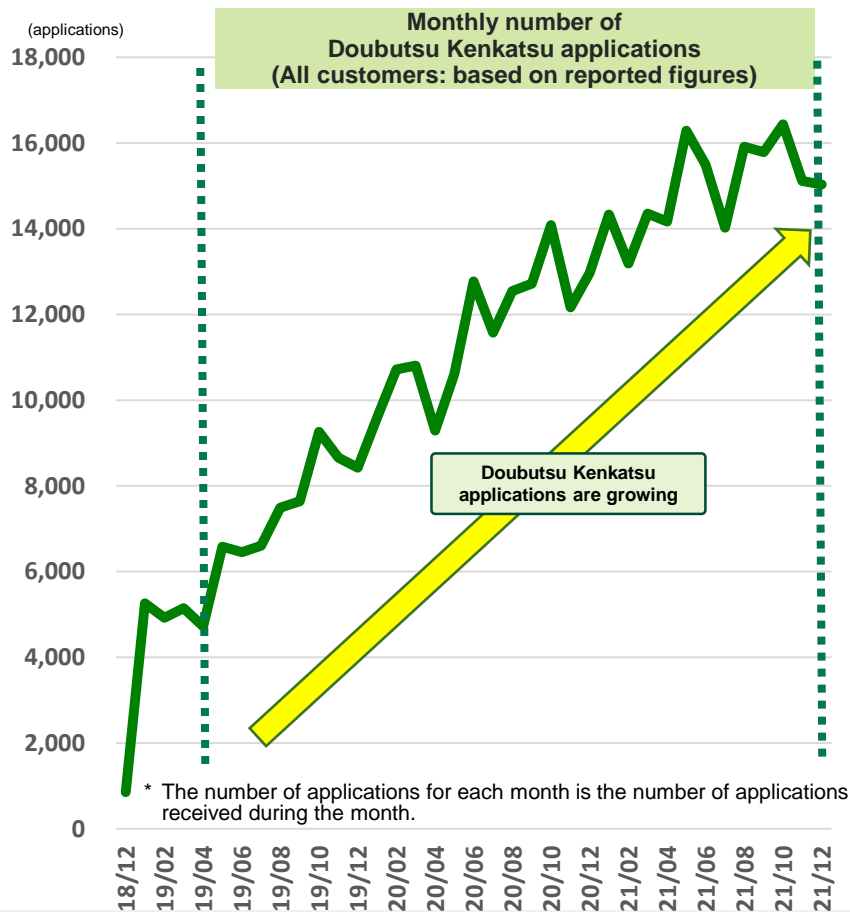
The Minna no Breeder website, which connects dog breeders with potential owners, was launched in 2010. Since then, the numbers of contracts concluded and breeders registered have both grown for 11 consecutive years.



3. Topics (Effect of prevention-type insurance: improvement in renewal rate)

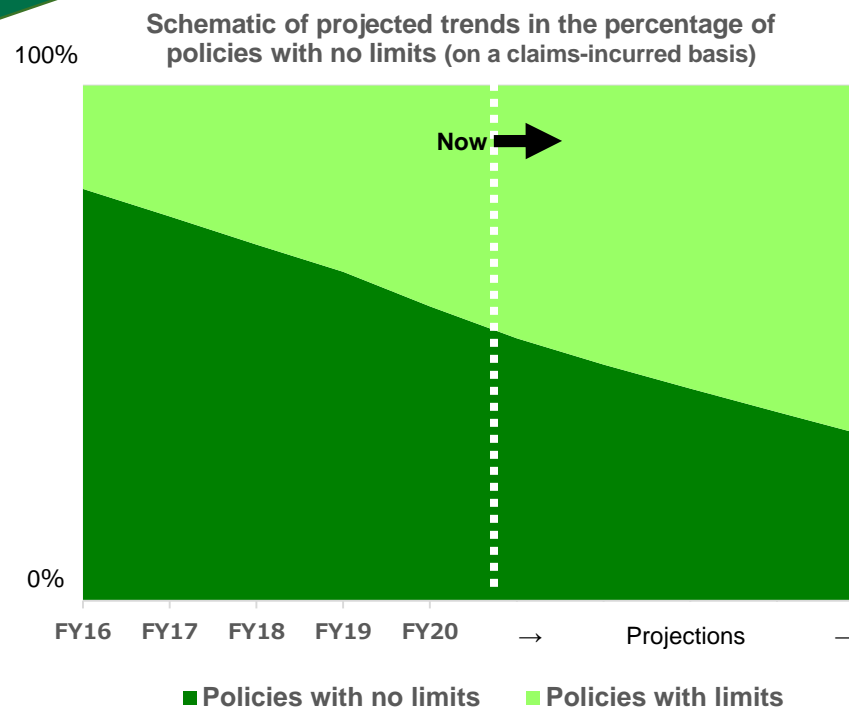
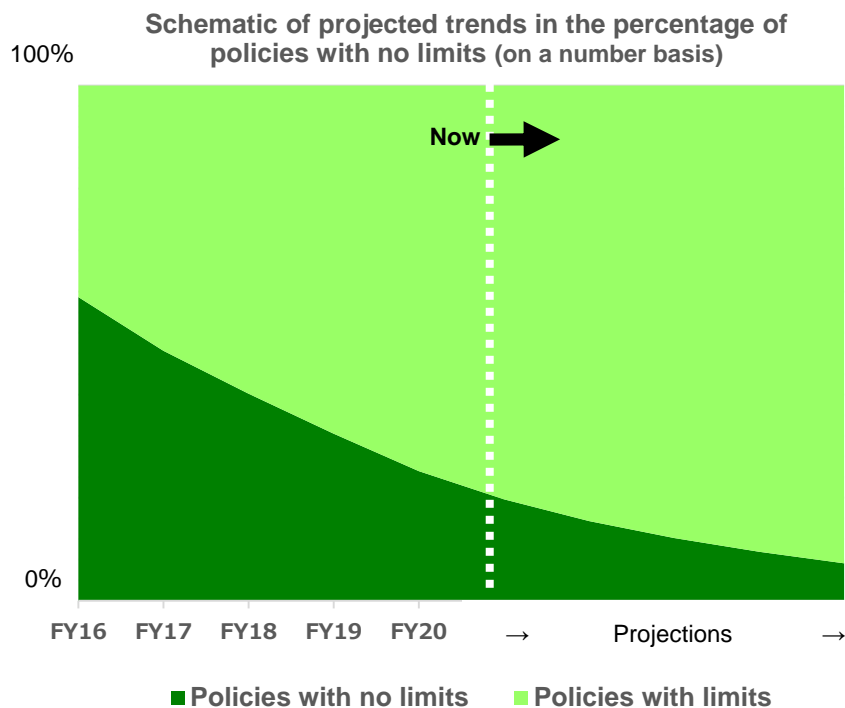
- During FY03/22, the number of applications for the Doubutsu Kenkatsu (health check) service have consistently exceeded a monthly average of 15,000.
 - ⇒ The uniqueness of not being non-refundable insurance is well received by the policyholders.
- The increased renewal rate for customers using the Doubutsu Kenkatsu service boosted the overall renewal rate by about 1% from the previous fiscal year.
 - ⇒ Backed by the high renewal rate, the service also serves as a key differentiation factor in agency development.

One agency says, "We sell solely Anicom's products because it is the only company that conducts health exams on its own and takes pets' health seriously."



3. Topics (Improvement in the portfolio of policies in force)

- Anicom used to sell policies with no limits. However, due to the extremely high loss ratio, we discontinued selling them in 2H FY03/15 and has since solicited new policies with limits only.
- The percentage of policies with no limits has been on the gradual decline (25% of the number of policies in force and 57% of claims incurred, at the end of FY03/21) and is expected to continue declining going forward both in terms of number and claims incurred (projected to be 20% of the number of policies in force and 51% of claims incurred, at the end of FY03/22).*



* The projections are tentative and based on the current trends. Both the overall number of policies in force and claims incurred may change, depending on future trends in the number of new policies, renewal rate, claims incurred, and other factors.

1. The changing environment of the pet industry

- (1) **Macro factors:** (i) global trends epitomized by the strengthening of animal welfare laws and bans on retail pet sales; (ii) consistent demand for pets amid increased anxiety throughout society
- (2) **Micro factors:** (i) changing lifestyles (tide of digitalization); (ii) adoption and diffusion of AI

2. Taking advantage of the changing environment, Anicom is committed to putting two measures at the center of its management strategy: establish a business model that anticipates changes in animal welfare laws around the world; and advance the upstream strategy that helps increase the ratio of households with pets. By so doing, we shift from a phase in which the focus is exclusively on quantity to a phase in which importance is placed on the quality-quantity balance, in order to:

(1) Expand sales channels further

In the pet industry that generally falls behind in digitalization, Anicom strongly will push the fusion of the real and digital worlds.

(2) Redouble breeder support in the upstream domain

Breeding businesses in the upstream pet industry have significant room for improvement through the use of technology. Anicom suggests improvements to, provides services for, and otherwise helps, these businesses by utilizing the Group's analyses of genes and symbiotic bacterial flora, regenerative medicine, enormous statistical analyses, AI analyses, and so forth. In these ways, we aim to play a leading role in the global pet industry so as to transform Japan from a country characterized as one with poor animal welfare standards to a country with the highest animal welfare standards in the world.

3. Anicom's sustainability

The COVID-19 pandemic propels demand for pets as people around the world seek solutions to loneliness and anxiety. As part of the pet industry, Anicom aspires to spearhead the industry as a **Creating Shared Value (CSV) company that generates social value**. To that end, we endeavor to **solve social issues while generating economic value**, through individual employees' efforts in respective communities to help achieve economic, social, and governance (ESG) targets and the Sustainable Development Goals (SDGs).

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

Results
Overview

Priority
Measures

Appendix

	3Q FY03/21	End-FY03/21	3Q 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	896,247	921,873	1,004,913	108,666	12.1 %	83,040	9.0 %	1,010,000
② New policies	159,368	213,368	173,357	13,989	8.8 %	-	-	223,000
③ Renewal rate	87.7 %	87.7 %	87.8 %	-	-	-	-	87.1 %
④ Insurance payout cases	2,829,000	3,752,000	3,048,000	218,000	7.7 %	-	-	4,000,000
⑤ Animal hospitals accepting Anicom	6,505	6,541	6,651	146	2.2 %	110	1.7 %	6,650

	3Q FY03/21	3Q FY03/22	YoY Change	End-FY03/22 (forecast as of May 12)
⑥ E/I loss ratio	59.3 %	59.2 %	- 0.1 %	58.0 %
⑦ Expense ratio (based on earned premiums)	37.5 %	37.5 %	0.0 %	38.0 %
⑧ Combined ratio (based on earned premiums)	96.8 %	96.7 %	- 0.1 %	96.0 %

	End-FY03/21	3Q FY03/22	Vs. previous year-end	End-FY03/22 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	355.5 %	345.8 %	- 9.7 %	Around 350 %

	3Q FY03/21	3Q FY03/22	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	108,721	138,253	27.2 %
⑪ No. of samples for genetic testing	77,714	80,626	3.7 %

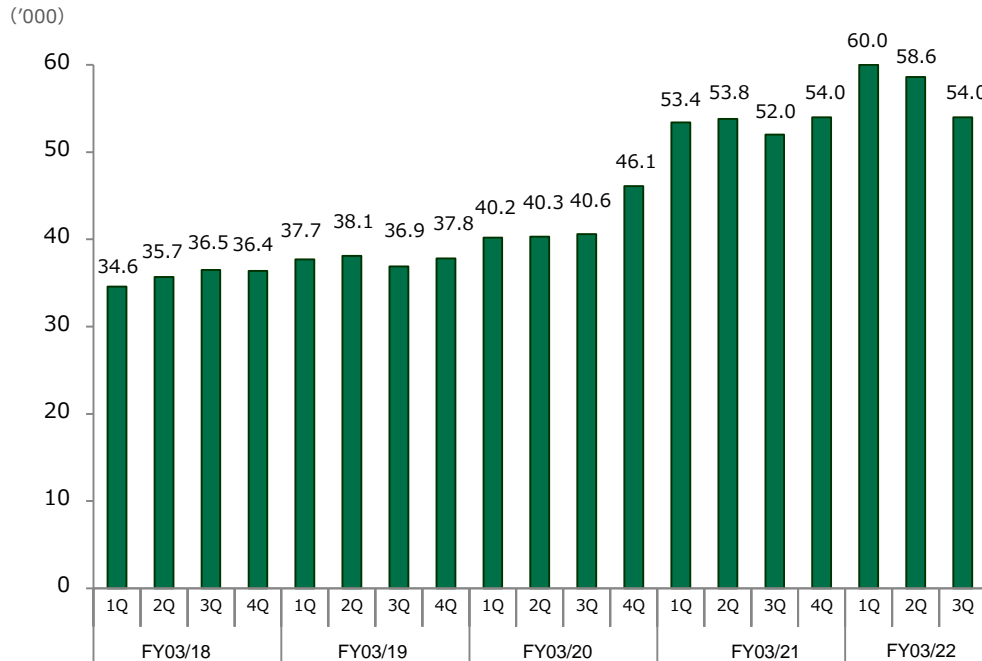
2. Anicom Insurance (non-consolidated): Recurring revenue indicators

Results
Overview

Priority
Measures

Appendix

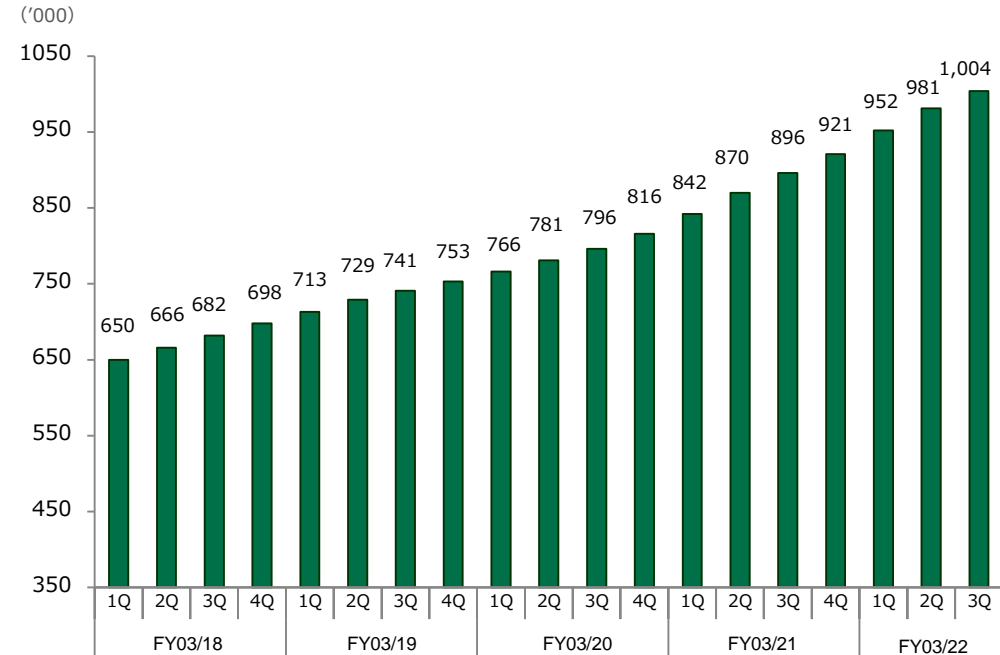
Quarterly trend in number of new policies



The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 173,000, achieving strong progress of 77.7% against the annual target of 223,000.

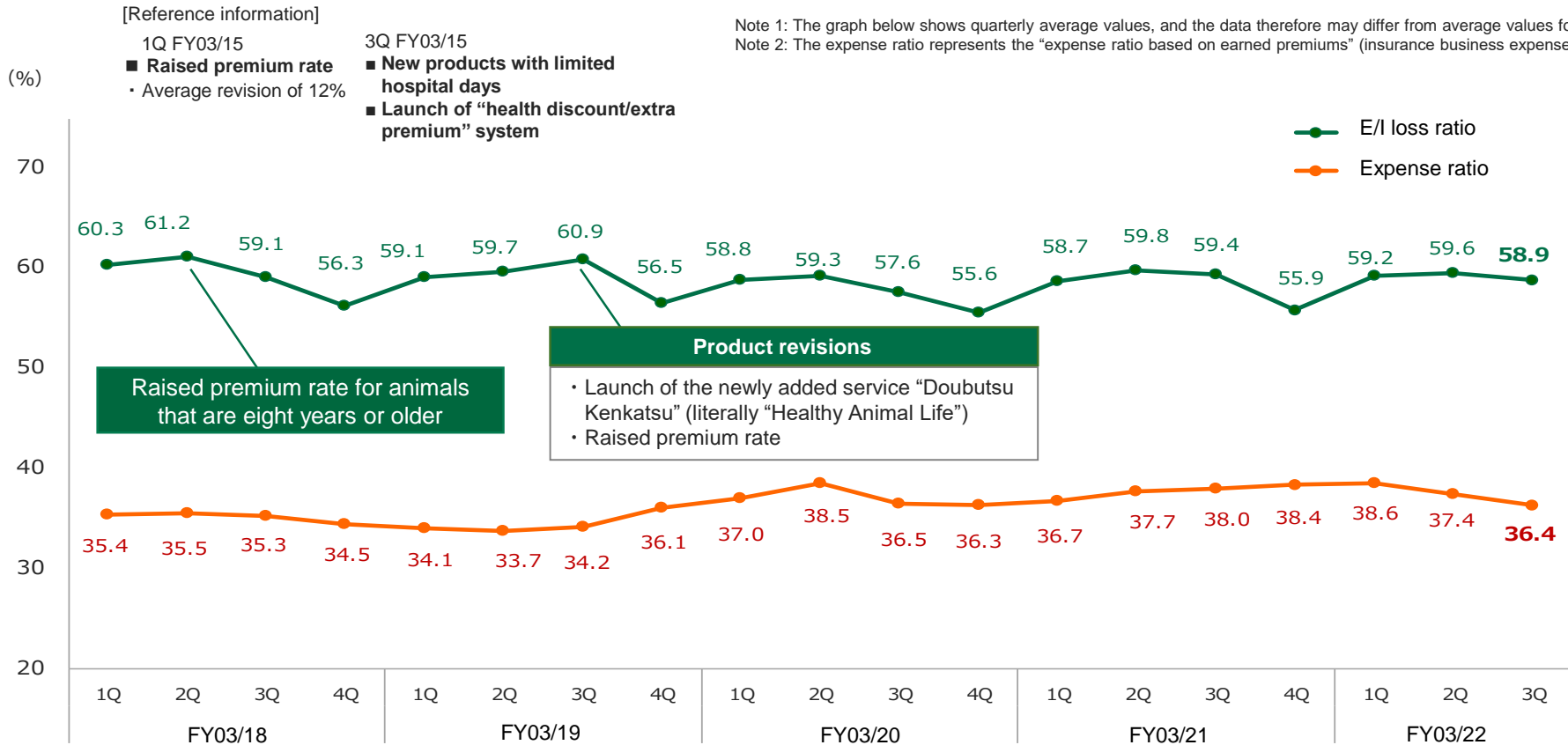
Quarterly trend in number of policies in force



Number of policies in force

The number of policies in force totaled 1,004,000 as of December 31, surpassing the 1 million mark.

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



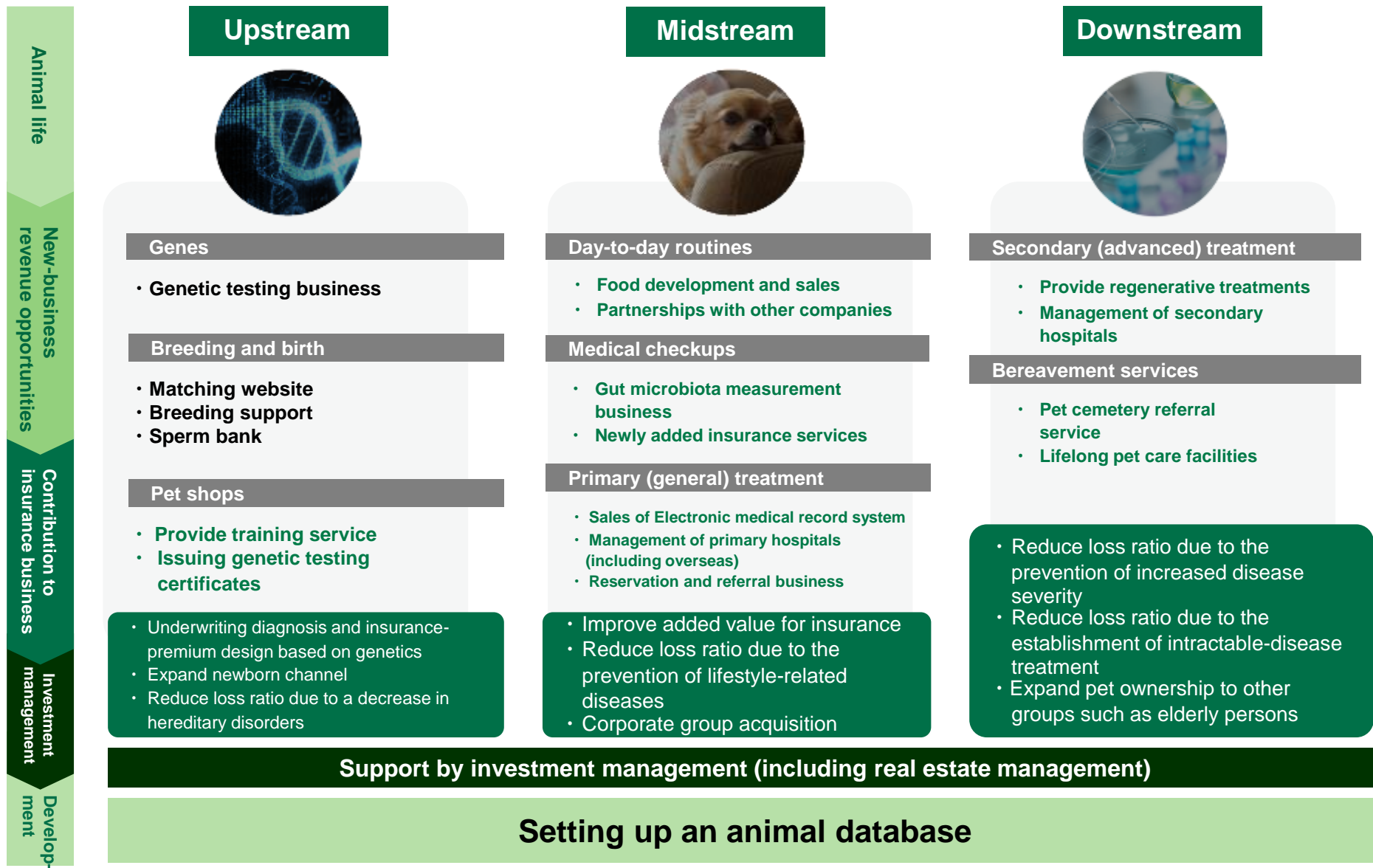
E/I loss ratio

In 3Q 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

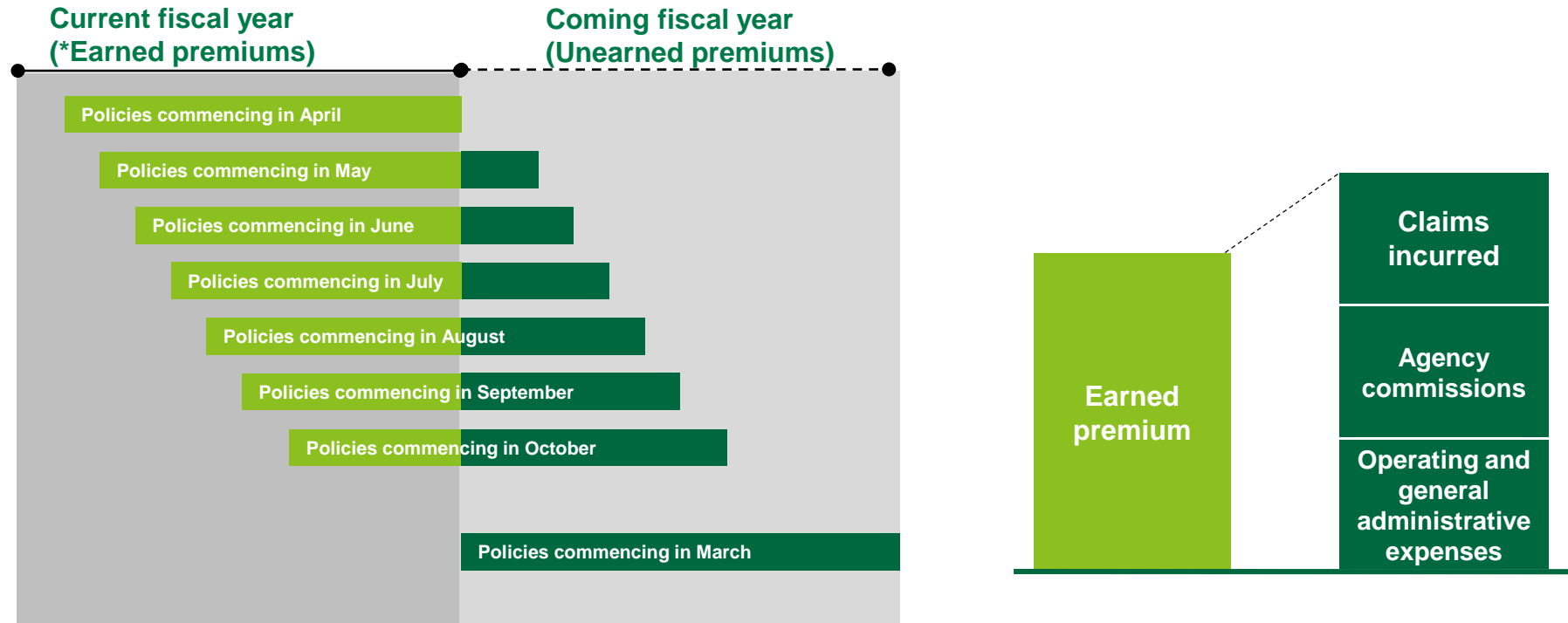
The expense ratio is trending upward due to the effects of continued proactive investment aimed at business expansion, increased costs in unique Dōbutsu Kenkatsu service, and a rise in agency commissions owing to an increase in new policies and intensifying competition in NB channels, etc.

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



Inquiries

**Corporate Planning Dept. (IR team),
Anicom Holdings, Inc.**

Sumitomo Fudosan Shinjuku Grand Tower 39F, 8-17-1 Nishi-Shinjuku,
Shinjuku-ku, Tokyo

URL : <https://www.anicom.co.jp/>

Disclaimer

This document contains forward-looking statements compiled by Anicom Holdings based on information available to the company at the time of writing. Accordingly, Anicom Holdings gives no representation or guarantee of their accuracy or completeness.

The information contained in this document is subject to change without notice.

Such statements are not guarantees of future performance and involve certain risks and uncertainties.

Therefore, the reader should note that actual performance may vary significantly from the outlook and forward-looking statements presented in this document.

Accordingly, the reader is advised not to rely on the forward-looking statements contained herein. Anicom Holdings is under no obligation to change or amend such statements in light of new information, future events, or the discovery thereof.

Furthermore, this document is solely provided for informational purposes, and should not be construed as an offer or solicitation to invest in securities issued by the company.