

FY03/22

Financial Report

May 11, 2022



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1. Overall summary (Recurring revenue and recurring profit)

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Recurring revenue

53,022 Million JPY Record high

FY03/21 JPY 48,049 mn **+10.3%** YoY Upward revision planned JPY 53,000 mn **+0.0%**
Of which, underwriting revenue :JPY47,321mn FY03/21 JPY 43,312mn +9.3%

Recurring profit

3,166 Million JPY Record high

FY03/21 JPY 2,758 mn **+14.8%** YoY Planned JPY 3,300mn **-4.0%**

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 FY2022, the number of new policies was 229,000 (+7.4%), hitting a record high ; and the number of policies in force totaled 1,028,000 (+11.6%), **surpassing 1 million.**
- Other recurring revenue also grew to JPY5,020 million (+18.2%) as the animal hospital, genetic testing, breeder matching site, and other businesses performed well.
- Recurring revenue achieved the projection after the upward revision.

■ Recurring profit (YoY)

- Recurring profit amounted to JPY3,166 million (+14.8%), lower by 4.0% than the target due to an increase in insurance payouts, even with increases in underwriting revenue and investment revenue, etc.
- The impact of the increased medical expenses caused by the consumption tax hike on insurance payouts has almost disappeared. **Real loss ratio is considered to become stable** as the effect of changes in pet owner behavior due to the impact of COVID-19 has reached its peak . We entered a phase of making efforts to achieve more preferable loss ratio by, for example, designing portfolios by product which can influence the final loss ratio in the future.

2. Income statement summary

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(JPYmn)

	4Q FY03/21	4Q FY03/22	Change
Recurring revenue	48,049	53,022	10.3 %
Underwriting revenue	43,312	47,321	9.3 %
Investment revenue	488	679	39.3 %
Other recurring revenue	4,248	5,020	18.2 %
Recurring expenses	45,290	49,855	10.1 %
Underwriting expenses	30,512	33,504	9.8 %
• Net claims paid	(23,226)	(25,559)	10.0 %
• Loss adjustment expenses	(1,098)	(1,080)	-1.7 %
• Net commission and collection expenses	(4,539)	(5,193)	14.4 %
• Provision for reserve for outstanding losses and claims	(211)	(165)	-21.4 %
• Provision for underwriting reserves	(1,437)	(1,505)	4.7 %
Of which unearned premiums	(1,488)	(1,391)	-6.5 %
Of which catastrophe reserve	(-50)	114	- %
Investment expenses	141	66	-53.0 %
Operating and general administrative expenses	13,283	14,656	10.3 %
Other recurring expenses	1,353	1,628	20.3 %
Recurring profit	2,758	3,166	14.8 %
Net profit	1,586	2,112	33.1 %

■ Reasons for changes in major accounting items

(1) Underwriting revenue

- The number of policies in force **increased by 106,958 (+11.6 %)** and the number of new policies **increased by 15,731 (+7.4 %)**, 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.

(Reference) Anicom Insurance's key insurance indicators

(JPYmn)

	4Q FY03/21	4Q FY03/22	Change
Earned premiums	41,997	46,102	9.8%
Claims incurred (including loss adjustment expenses)	24,535	26,805	9.3%
E/I loss ratio (1)	58.4%	58.1%	-0.3pt
Expense ratio (based on earned premiums) (2)	37.7%	36.7%	-1.0pt
Combined ratio (based on earned premiums) (1)+(2)	96.1%	94.8%	-1.3pt

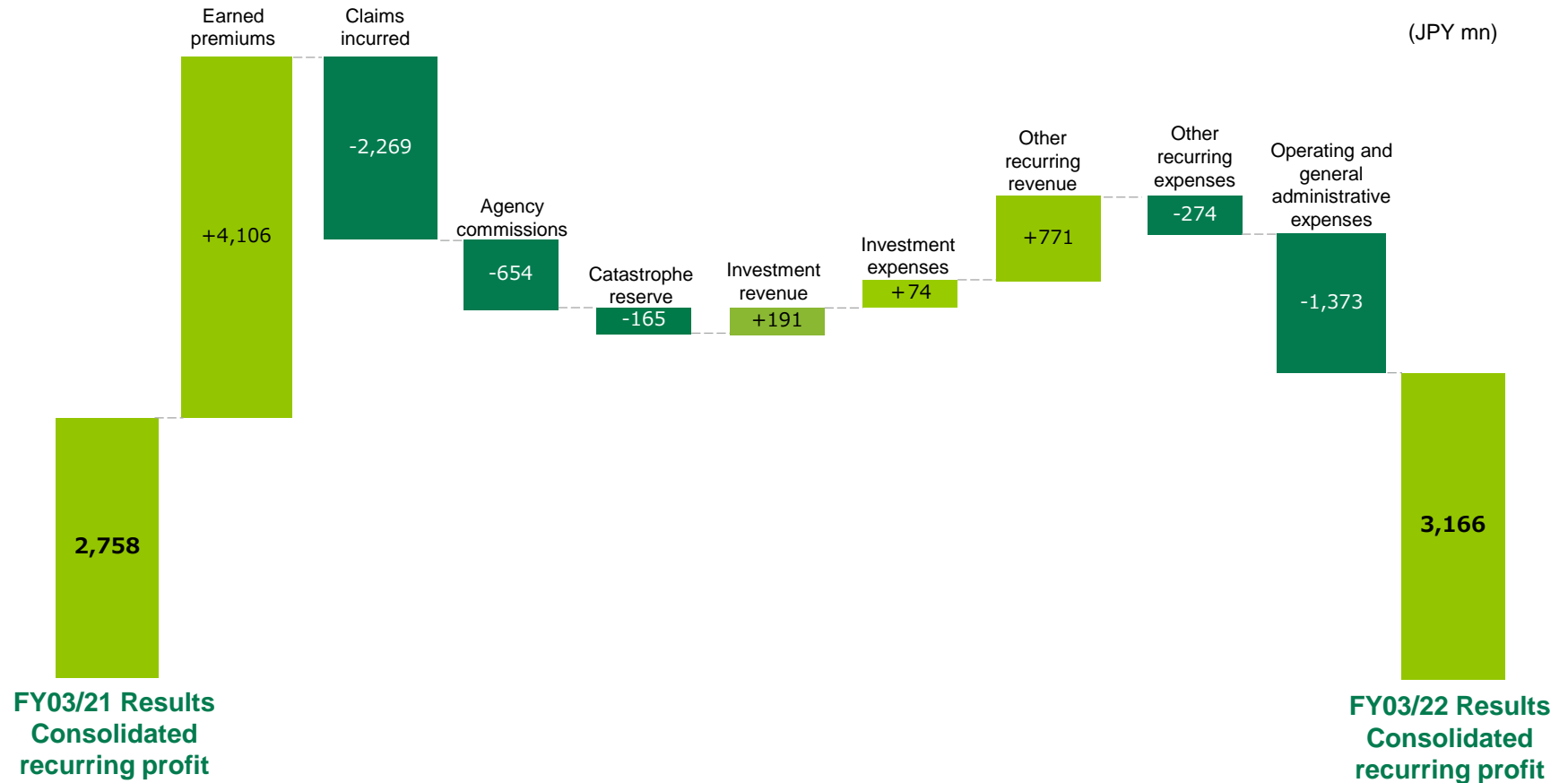
3. Factors related to changes in recurring profit (Comparison analysis with FY03/21 results)

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

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(JPYmn)

	End-FY03/21	End-FY03/22	Change
Total assets	55,459	58,635	5.7 %
Cash and bank deposits	31,683	29,641	-6.4 %
Marketable securities	11,667	16,570	42.0 %
Tangible fixed assets	5,987	6,020	0.6 %
Other assets	6,121	6,402	4.6 %
Total liabilities	29,741	31,319	5.3 %
Reserve for insurance policy liabilities	19,626	21,297	8.5 %
Of which loss reserves	2,539	2,705	6.5 %
Of which underwriting reserves	17,087	18,592	8.8 %
Corporate Bonds	5,000	5,000	— %
Other liabilities	5,115	5,021	-1.8 %
Total net assets	25,717	27,316	6.2 %
Shareholders' equity	25,648	27,658	7.8 %
Valuation and transaction adjustments	69	-342	— %
Total liabilities and net assets	55,459	58,635	5.7 %

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

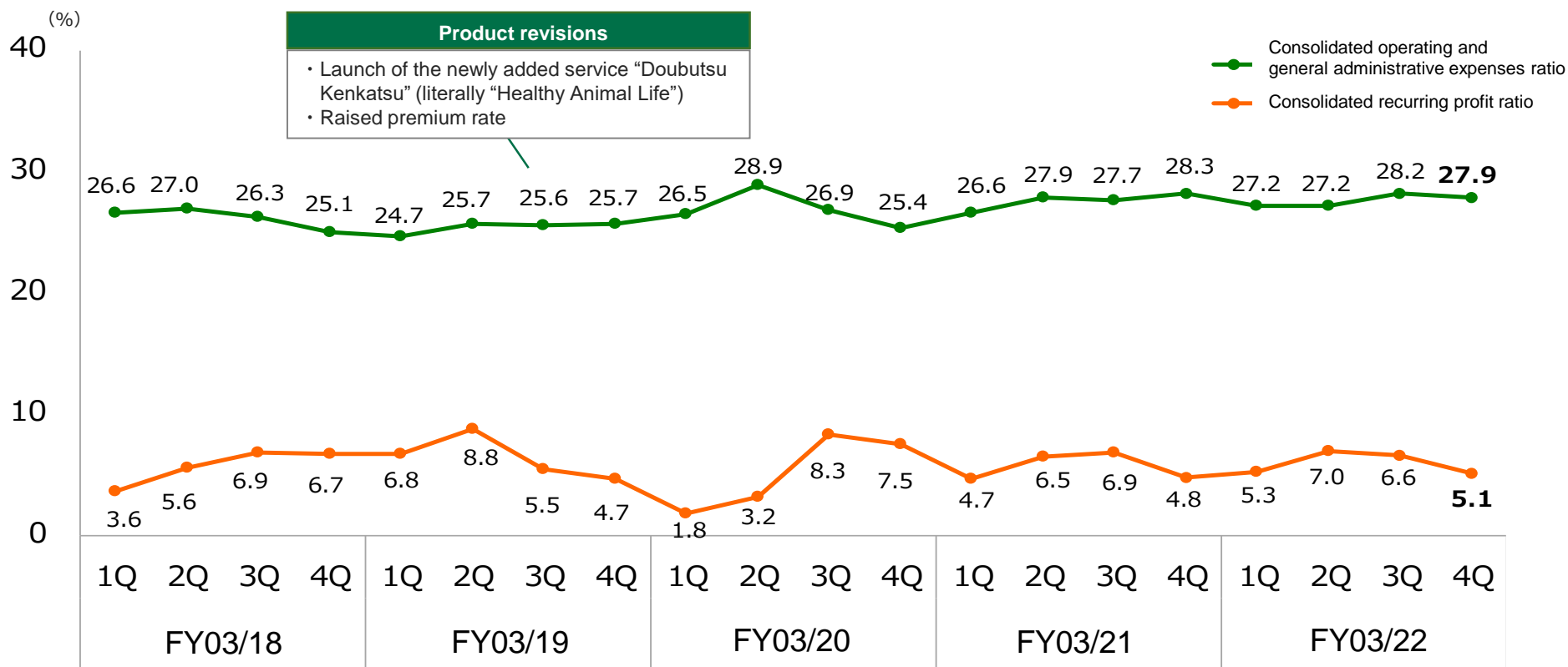
(3) Valuation and transaction adjustments

- 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.

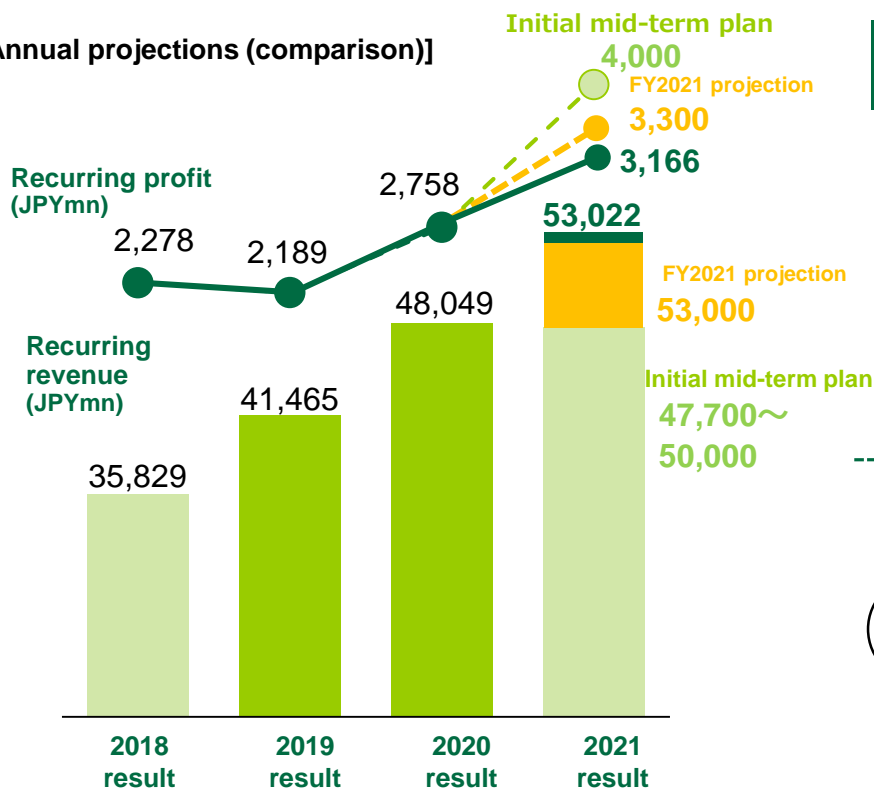
Mid-Term Management Plan Review of 2019 - 2021

1. Review of progress against management indicator targets
2. Review of progress of priority measures



1. Review of progress against management indicator targets (1)

[Annual projections (comparison)]



Final year results against consolidated management indicator targets

Target	Recurring revenue has continued to grow since listing	3-year CAGR	Over 10%
	For recurring profit, aim for growth while also actively investing in business expansion	3-year CAGR	Over 20%

Result	Recurring revenue highly grew, largely exceeding the target	3-year CAGR	14%
	Recurring profit could not reach the target as costs such as unearned premiums increased due to prioritizing new policy acquisition, and claims incurred increased due to the COVID-19 pandemic	3-year CAGR	12%

- ◆ 3-year CAGR for recurring revenue was 14%, achieving the target at a pace faster than expected in the mid-term management plan.
- ◆ 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 increases in hospital visits and the average payout per claim during the COVID-19 pandemic curbed profit growth (3-year CAGR of 12%).

=> The policy of aiming for growth while also actively investing in business expansion, which was set when the initial plan was developed, was changed to the one of prioritizing new policy acquisition in rivalry with competitors over reaping short-term profit, due in part to changes in management environment such as the COVID-19 pandemic (May 2021).

=> As a result of continuous impacts of COVID-19 in FY2021, the final year of the plan, the target of net sales, which had been revised upward, was achieved, but recurring profit was slightly short of the target.

1. Review of progress against management indicator targets (2)

As ROE sharply increased to 8.0% in FY2021 from 6.5% in the previous year, higher ROE than capital costs was ensured. However, capital allocation aimed at business expansion and enhancement of corporate value, improvement of financial soundness, and an increase of shareholder return are issues in the next mid-term management plan.

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 that can generate synergies (animal hospitals, genetic testing, breeding support, etc.)

[Performance for Enterprise Risk Management (ERM) indicators]

Non-life insurance SMR around 380%

FY2021 non-life insurance SMR was 334%

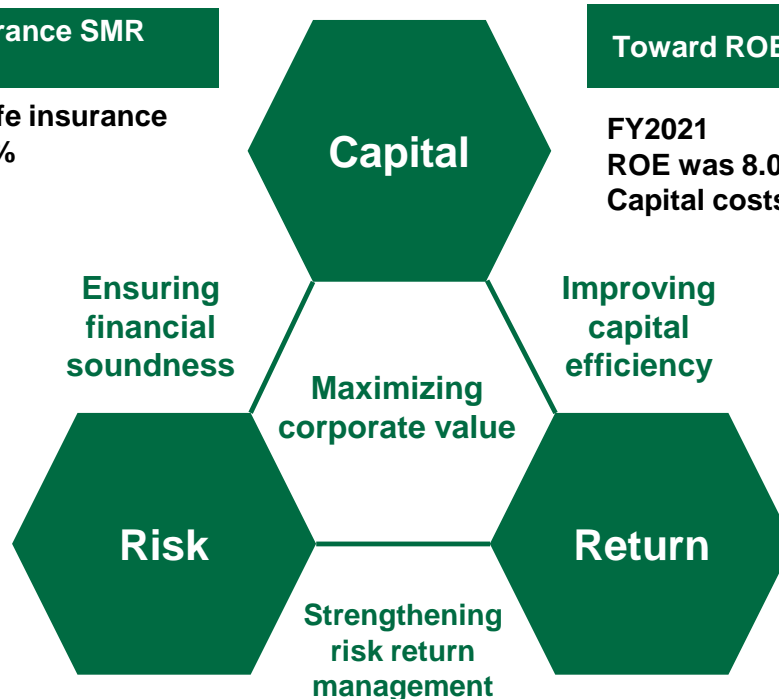
Toward ROE around 10-12%

FY2021 ROE was 8.0%
Capital costs were 6.4% (as of March 31, 2022)

Examining the optimal capital structure

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.



Improving shareholder return

We have decided to increase the year-end dividend for FY2021 to JPY2.50, which is double that for the previous year. In FY2022 and beyond, we will also consider a gradual increase in shareholder returns as part of our next mid-term management plan.

Insurance Business

Numbers of new policies and policies in force

- The number of new policies totaled over 600,000 over three years.
The number of policies in force topped 1.02 million as of March 31, 2022.

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 FY2021.



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

⇒ Shifting to a phase in which importance is placed on the quality-quantity balance, Anicom strongly will push the fusion of the real and digital worlds in the pet industry that generally falls behind in digitalization.

Expanding products and services

- Owing in part to a steady increase in the number of Doubutsu Kenkatsu applications, the renewal rate increased to approx. 88% from the 86% level immediately after the production revisions at the end of 2018.

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: 11 symptoms
- Animal Hospital Search Site was revamped
Scheduled to respond to measures for increasing the number of page views, as well as develop new features.

- Number of page views of Animal Health Encyclopedia
⇒ More than 7.86 million for FY2021
- Number of page views of Animal Hospital Search Site
⇒ More than 1.63 million for FY2021

Investment

- As a result of flexible and opportunistic investment, the annual target was achieved.
- Pet-friendly housing (anico flora Higashi-Nakano) remained full, 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).



Other

- As of March 31, 2022, we have filed a total of 27 patent applications, including one for a disease prediction system using pet photos.
- We have been pushing ahead with a “strategy of one patent per employee” in order to promote IP protection.
Anicom has developed not only the insurance business but also businesses that touch each employee’s heart such as testing/exams, medication/treatment, stem cells, food, and AI. Consequently, the number of inventors increased to 69 as of April 30, 2022 from 13 as of December 31, 2020. (928 employees on a consolidated basis as of April 30, 2022)
- 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.



2. Review of progress of priority measures (2)

Initiatives in upstream businesses

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Before birth

Upstream



Enhancing the genetic testing business

- The number of samples for genetic testing exceeded **357,000** for three years.
- 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.

Generating synergies by making SIMNET a subsidiary

SIMNET FY2021 Results

- Net sales: JPY**1,896** million
- Recurring profit: JPY**275** million
- Recurring profit ratio: **14.5** %

Note) Numerical values are non-consolidated results

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).

Progress of breeding support menu

- Genetic testing ⇒ Establishment of wide area examination and improvement of breeding results in consideration of the degree of relatedness, etc.
- Technological development ⇒ Utilization of stem cells, and research aimed at improving technology for storing frozen sperm, etc.
- Medical support ⇒ Trial start of house call services
- Sales support ⇒ Opening of support center for direct sale from breeders
(Contributing to solving social issues by pursuing collaboration with pet shops, animal hospitals, and other stakeholders and playing a part in community's economic development through a community revitalization project with animals (for example, animal hospital experience for children aiming to improve the regional educational ability for children))
- Business support ⇒ Development and trial start of a reproductive management system, and provision [leasing] of breeding spaces
(Moving forward, further contributing through an economic development projects in the area such as tie-ups with regional farm houses in food production, and promotion of employment of the elderly and persons with disabilities.)
- Support for transfer of retired breeding dogs and cats
⇒ Building and operation of shelters, and establishment of transfer schemes

2. Review of progress of priority measures (2) in midstream to downstream businesses

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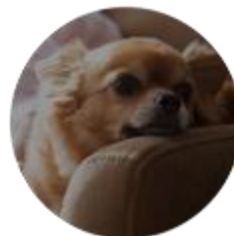
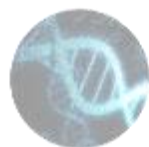
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From day-to-day routines to curing the incurable

Midstream

Downstream



Commercializing health exams and food and products, etc.

➤ **Over 435,000 applications were received for Doubutsu Kenkatsu service for three years.**

➤ **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. (purchase rate 3 - 4%)**



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

➤ **Directly-operated animal hospitals totaled 57 (14 capable of performing surgery), growing at a solid pace.**

➤ **As of March 31, 2022, 430 animal hospitals joined** the Research and Development Partnership for Animal Regenerative Medicine (PARM) launched mainly by Anicom Group for the purpose of spreading regenerative medicine, which **achieved administration of over 200 doses of cells in FY2021.**

➤ Regenerative medicine financial assistance system launched in July 2021.



Addressing social issues (CSR activities)

➤ **The partnership agreement concerning coexistence of humans and pets was concluded with Nagoya City (Feb. 21, 2022)**

➤ **In addition to the implementation of "fund-raising campaign for helping pets affected by the war in Ukraine," we started to provide full medical expenses for pets of refugees from Ukraine.**

⇒ In the campaign, approx. JPY56 million was raised from approx. 10,000 loving people.



➤ **"ani TERRACE," a shelter for rescue animals, opened on April 29 at "VISON" in Mie Prefecture, to promote activities to transfer dogs and cats toward "zero culling." There is also a 1,200m² dog park.**



2. Review of progress of priority measures (2)

Topics of Doubutsu Kenkatsu

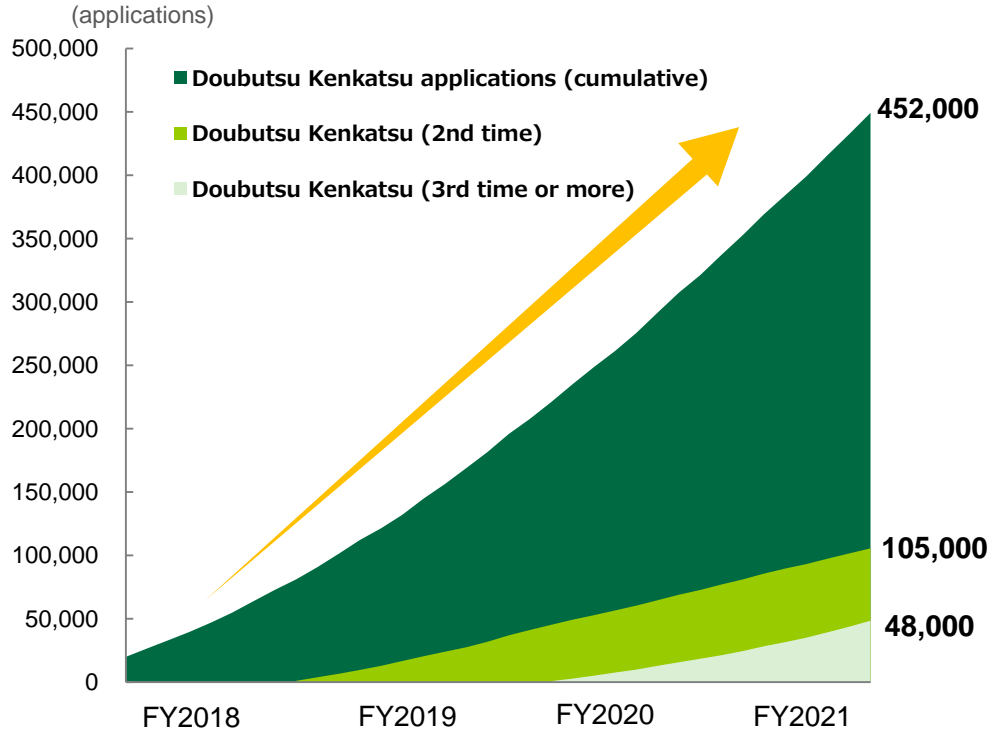
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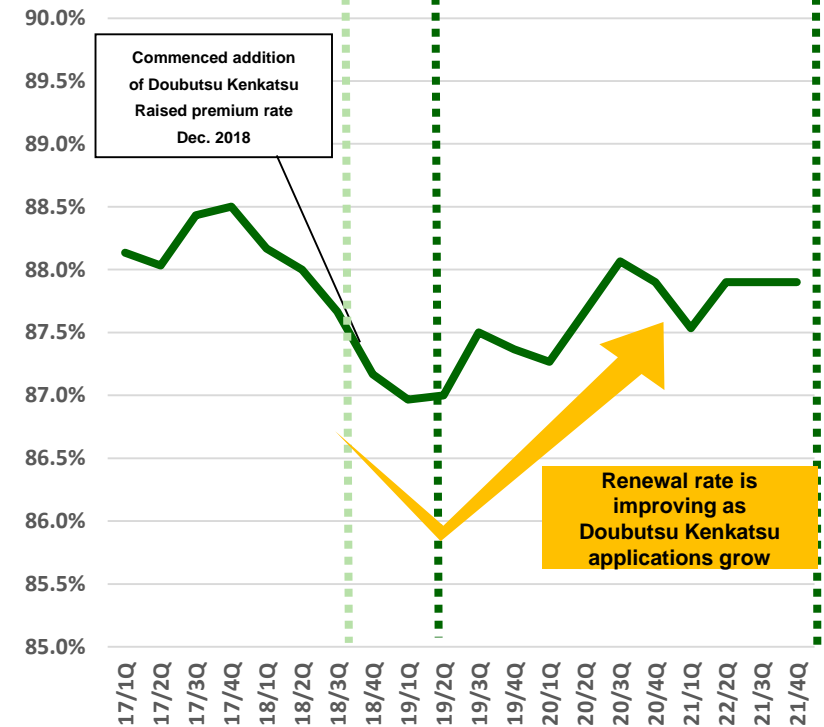
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Number of Doubutsu Kenkatsu (gut microbiota testing) applications (cumulative)



* Service launched in December 2018

Trend in overall renewal rate (quarterly)



- Cumulative total number of applications for gut microbiota testing exceeded 450,000.
- As applications for 4th exams begun to be made in this year, in addition to ones for 2nd and 3rd exams, various data on the same animals is being further accumulated steadily.
- Pursued uniqueness of insurance products with the addition of this service, contributing to an increase in renewal rate
- Offering 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

2. Review of progress of priority measures (2)

Reasons for Anicom Group working on regenerative medicine, etc.

Risks in medical insurance field include progress of advanced medical treatment and incorporation of medical and long-term care, as seen in human medical insurance as well. Also in pet insurance, it is necessary to prepare for said risks from various angles, in anticipation of the future.

⇒ Comparing to human medicine, there are more targeted diseases and usage frequency is higher in “regenerative medicine” for animals. Anicom aims to further expand applicable kinds of targeted diseases and apply new technologies.

Animal medical field

- ◆ Genetically fragile (low diversity)
- ◆ Restricted environment and low degree of freedom (Unable to even adjust room temperature by themselves)
- ◆ Medical care not covered by health insurance. General practice
- ◆ Allogeneic transplant acceptable

Compared to human medical field
 i) The targeted scope (diseases) is wider ii) Easy to address iii) Easy to lower the cost of treatment (possible to diffuse in short bursts)

A wide range of diseases are targeted in animal medicine. (Animal medicine market: JPY300 - 400 billion)
 +
 Generation of a new market for disease prevention/
 Reduction in insurance payouts



Human medical field

- ◆ Genetically strong (high diversity)
- ◆ Able to act voluntarily
- ◆ Health insurance treatment is dominant. Segmentalized medical treatment
- ◆ Allogeneic transplant unacceptable

Started administration of stem cell for diseases (dogs: 18 diseases, cats: 15 diseases) which are intractable, and thus readily lead to deterioration in balance of payments, accounting for large percentage of insurance payouts (approx. 20% in dogs, approx 30% in cats)
Dogs: disc herniation (accounting for 2% of dog insurance claims), chronic intestinal symptoms (0.3%), Cats: chronic kidney disease (accounting for 19% of cat insurance claims), etc. The effectiveness was already confirmed in relation to the above diseases.

Targeted diseases for stem cell clinical study

Dogs
 Digestive disorder (chronic intestinal symptoms) / Hepato-Biliary-Pancreatic disorder (hepatitis, pancreatitis) / Blood diseases (pure red cell aplasia PRCA, immune-mediated hemolytic anemia IMHA, immune-mediated thrombocytopenia IMTP, non-regenerative immune-mediated anemia NRIMA, aplastic anemia AA) / Endocrine disease (diabetes) / Urological diseases (chronic kidney disease, acute kidney injury) / Neurological diseases (disc herniation, non-infectious meningoencephalomyelitis, traumatic spinal cord injury) / Bone and joint diseases (arthritis, deformans arthritis, immune-mediated polyarthritis) / Skin diseases (atopic dermatitis, pemphigus: vulgaris, foliaceus) / Ophthalmic disorder (keratoconjunctivitis sicca) (18 diseases)

Dogs

Cats

Cats
 Digestive disorder (chronic intestinal symptoms) / Hepato-Biliary-Pancreatic disorders (cholangiohepatitis, pancreatitis) / Blood disease (immune-mediated hemolytic anemia: IMHA) / Endocrine disease (pancreatitis secondary diabetes) / Urological diseases (chronic kidney disease, acute kidney injury) / Respiratory disease (asthma) / Neurological diseases (non-infectious meningoencephalomyelitis, traumatic spinal cord injury) / Bone and joint diseases (arthritis: deformans arthritis, immune-mediated polyarthritis) / Skin diseases (pemphigus: vulgaris, foliaceus) / Oral disease (chronic mouth inflammation) / Infectious disease (cat communicable inflamed peritoneum *only wet type) (15 diseases)

Fig.1 No of doses by disease (dogs)

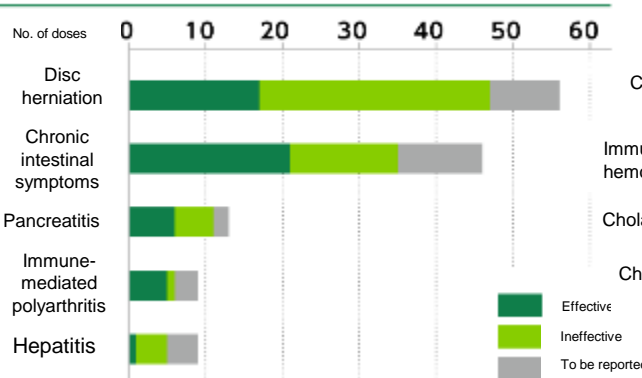
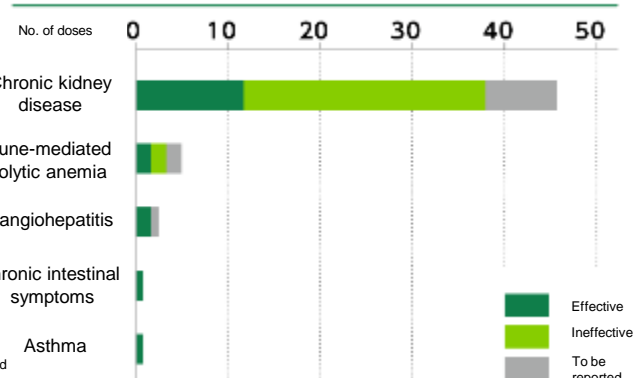


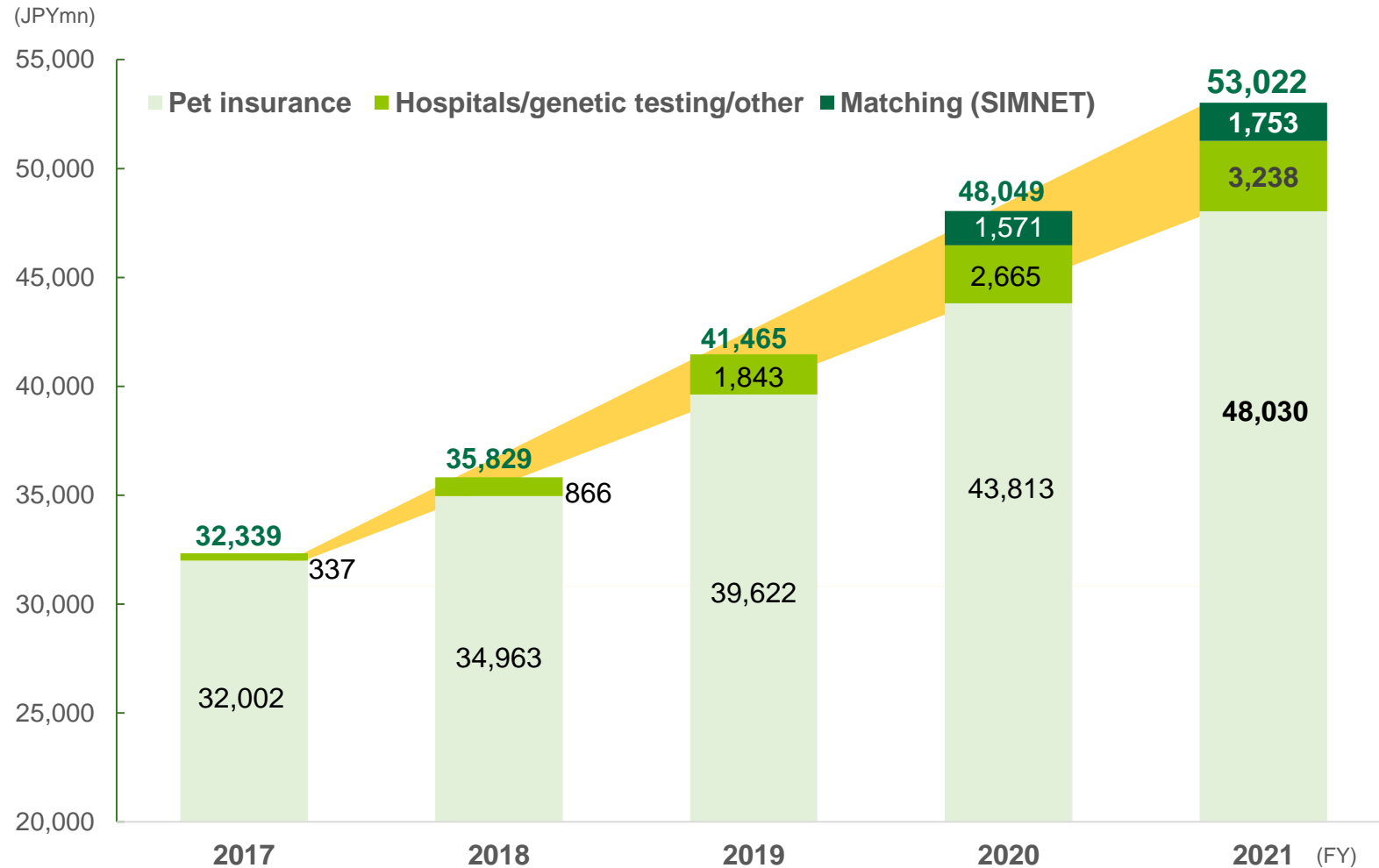
Fig.2 No of doses by disease (cats)



2. Review of progress of priority measures (2)

Increase in other recurring revenue

In addition to pet insurance, other recurring revenue which drives the generation of synergies is trending upward every year



Financial Forecast

1. Changes in business management environment of the pet industry
2. Overall picture of business plan
3. FY2022 priority measures
4. Profit forecasts (Annual/quarterly projections)
5. Factors related to changes in recurring profit (Comparison analysis with FY2021 forecasts)



1. Changes in business management environment of the pet industry

In recent years, the pet supply system has been more rapidly changing, and the business format reform and the distribution revolution have begun.

Past to present

Pet shops

- (Customers) **Multiple kinds /Emphasizing feeling**
- (Main business) **Sale** of pets
- (Location) Easily accessible urban areas

Breeders

- (Customers) **Limited kinds and pedigrees /Emphasizing growth environment**
- (Main business) **Breeding** of pets
- (Location) Suburbs with traffic inconvenience

Changes in environment

Pet ownership demand expanding as people feel more lonely and anxious in the COVID-19 pandemic

With the advanced internet strategies, customers can have more opportunities to directly access breeders.

Due to the tightening of regulations in animal welfare laws, the management transformation of breeders and pet shops has become an issue.

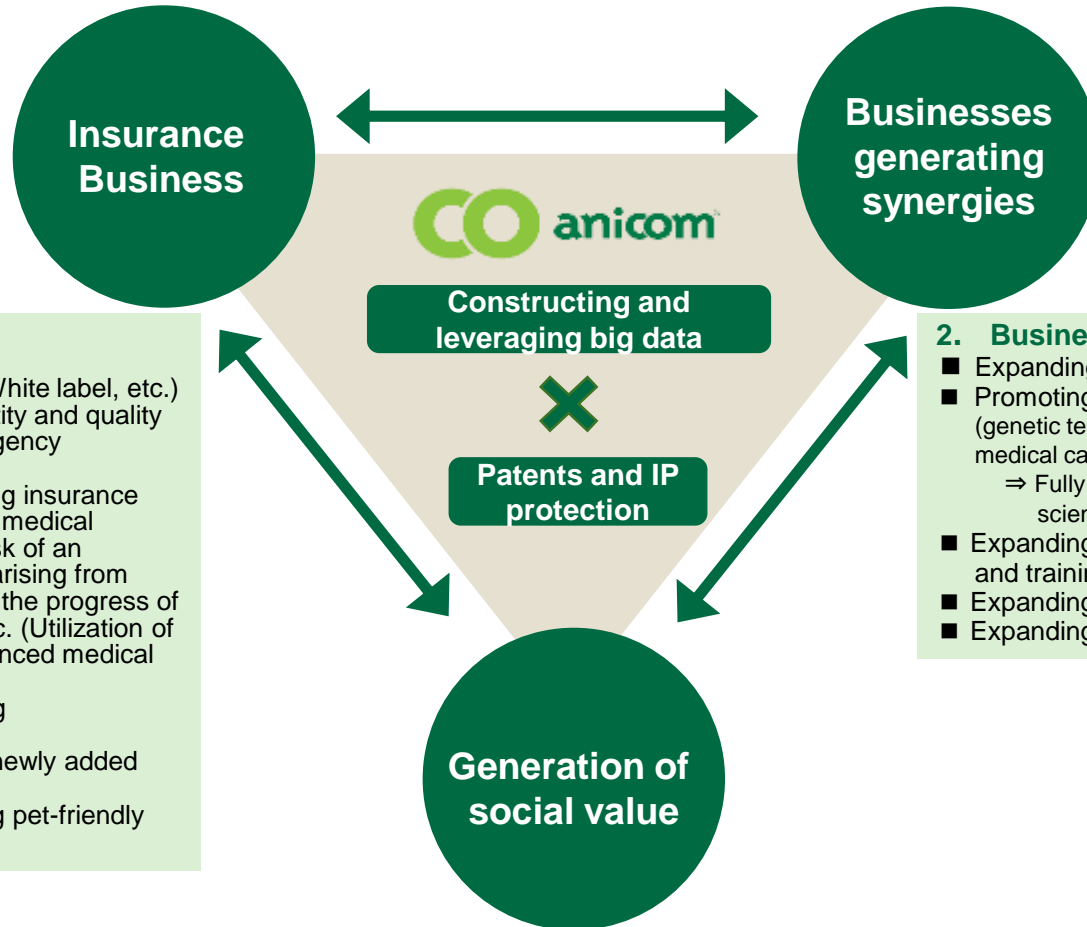
Present to near future

Distribution revolution in upstream business

- (Customers) Increase in customers who **make a comparison via the internet**
- (Main business) Advance in **unification of breeding and selling**
- (Location) Developing **easily accessible bases**

▶ With the fusion of pet shops and breeders, a trend to make the distribution revolution will be accelerated.

Becoming a company which generates the largest social value and economic value in the pet industry, in light of management environment and risk factors



1. Insurance Business

- Diversifying sales channels (Expanding general channels: White label, etc.)
- Emphasizing a balance of quantity and quality (Acquisition cost: reduction in agency commissions, etc.)
- Promoting measures for reducing insurance payouts and appropriate animal medical treatment, preparation for the risk of an increase in insurance payouts arising from increasing longevity of pets and the progress of medical care for elderly pets, etc. (Utilization of stem cell, and response to advanced medical care, etc.)
- Appropriate premiums (including segmentalization) Considering new products and newly added services
- Enhancing investment (including pet-friendly housing)

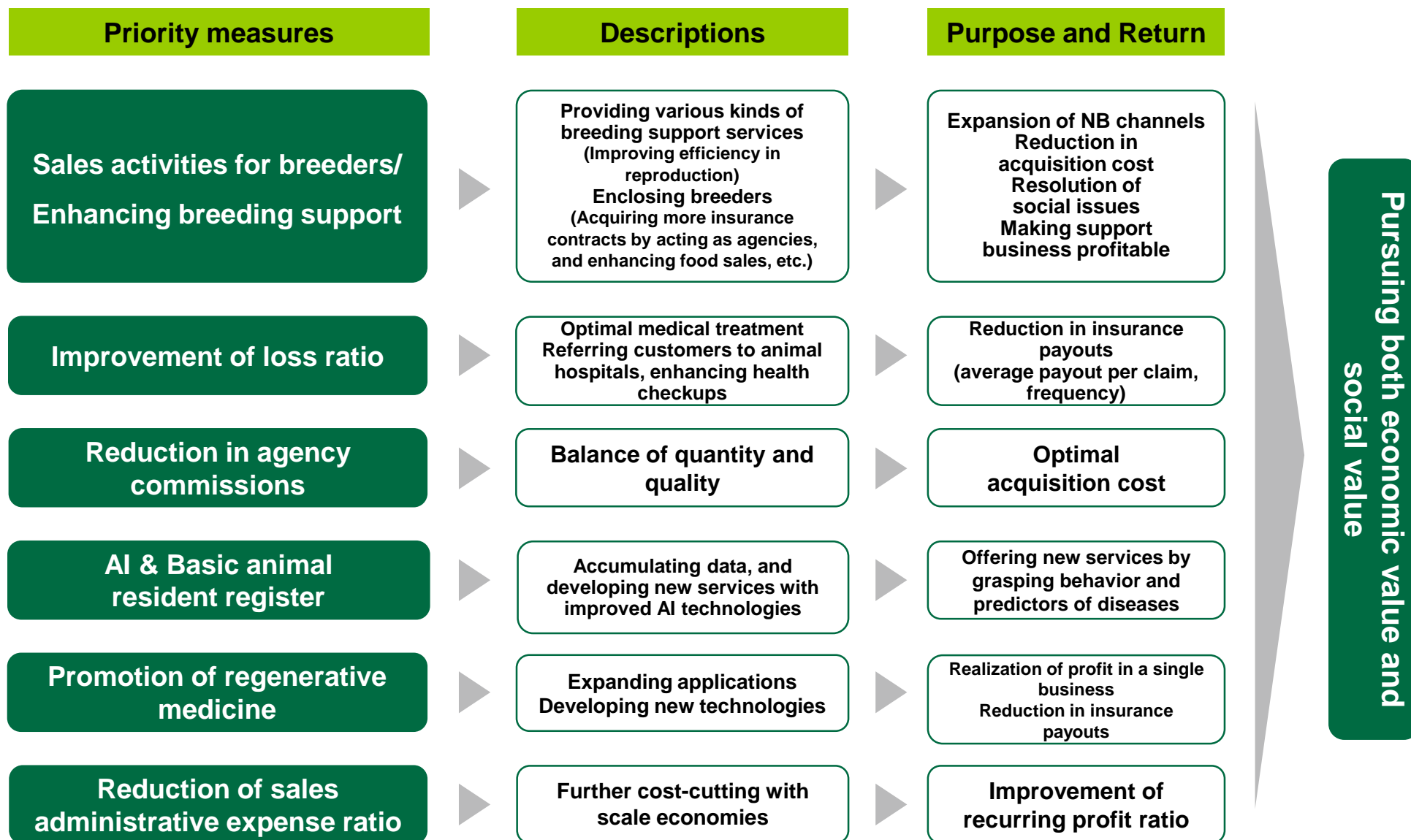
2. Businesses generating synergies

- Expanding matching service
- Promoting breeding support (genetic testing, various kinds of technical support, medical care, sales, business support)
 - ⇒ Fully utilizing human resources, goods, money, science, medicine, and data
- Expanding services for pet owners including food and training
- Expanding succession of animal hospitals
- Expanding regenerative medicine

3. Generation of social value

- Enlightenment of merits of living with animals (happiness and health)
- Establishing lifelong pet care facilities, and assistance for seeking foster family
- Alliance with local governments to respond to the revised Animal Welfare Act
- Community economic development projects through coexistence with animals (corporate citizen)
- Supporting the elderly, etc. when they cannot take care of a pet
- Others including promoting ESG and SDGs activities

3. FY2022 priority measures

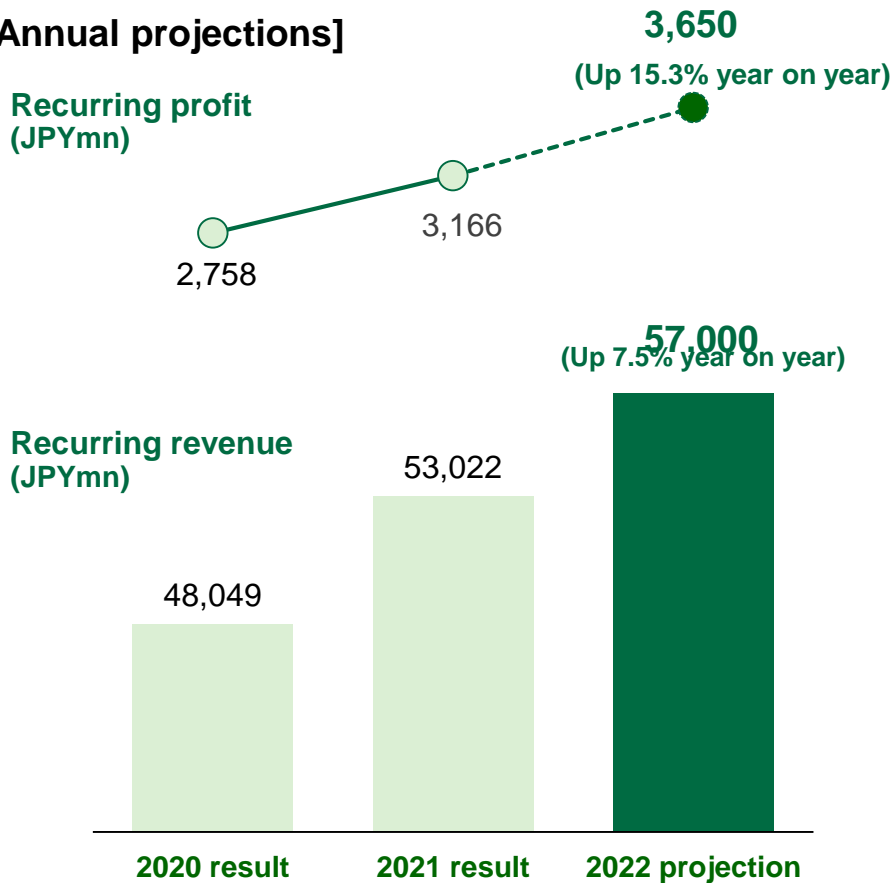


4. Profit forecasts (Annual/quarterly cumulative)

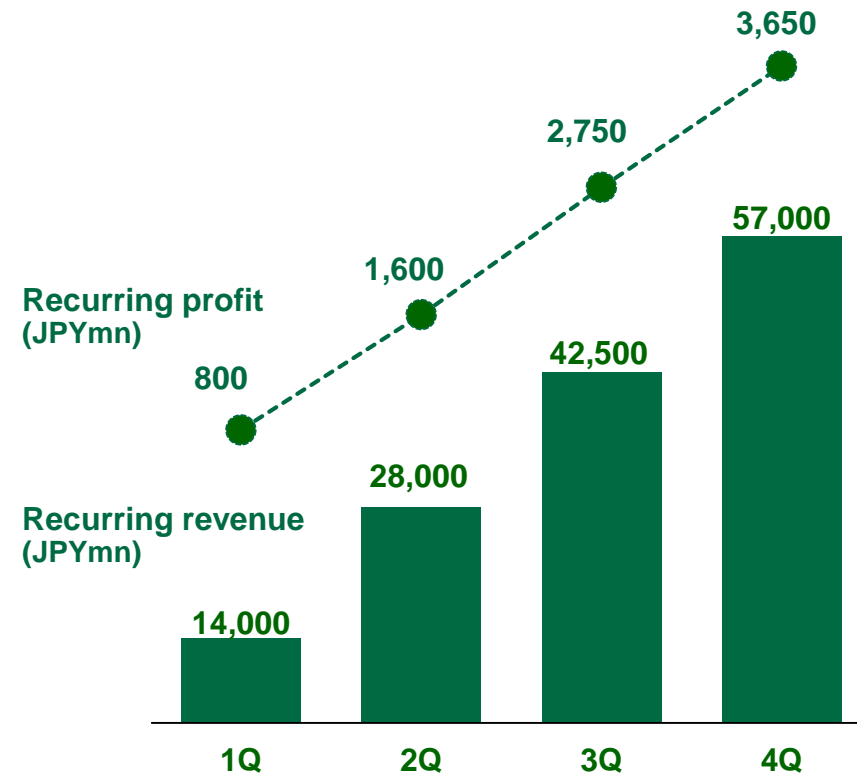
Recurring revenue will continue stable growth while changes in business management environment are expected. In relation to recurring profit, our policy will be changed to emphasize a balance of quantity and quality in stages.

Aim to hit record highs in both revenue and profit.

[Annual projections]



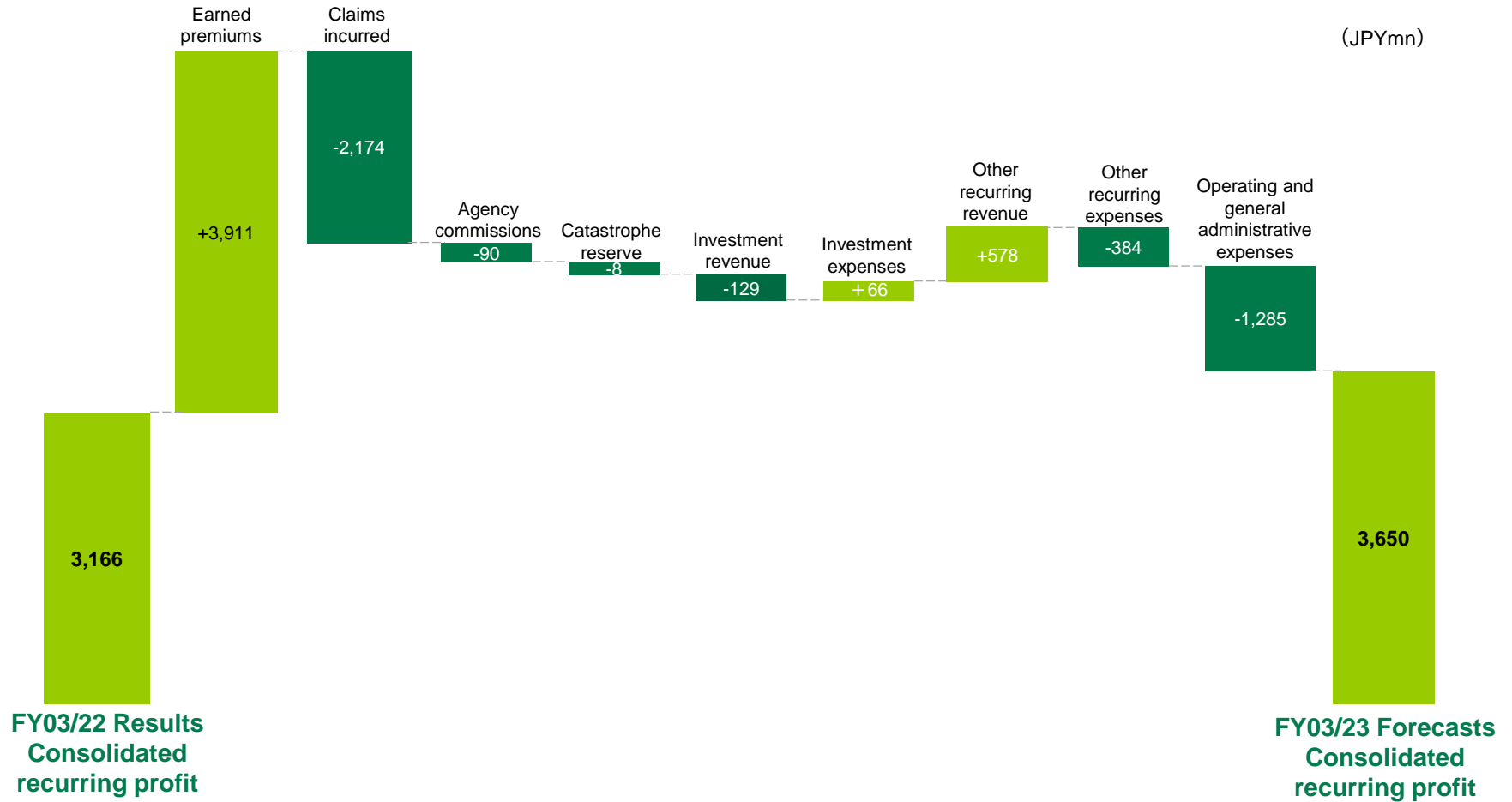
[Quarterly projections]



5. Factors related to changes in recurring profit

(Comparison analysis with FY03/22 results)

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



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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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DIX

	End-FY03/21	End-FY03/22	Vs. previous year-end		End-FY03/23 (forecast as of May 11)
			Numbers	Rate	
① Policies in force	921,873	1,028,831	106,958	11.6 %	1,120,000
② New policies	213,368	229,099	15,731	7.4 %	232,000
③ Renewal rate	87.7 %	87.8 %	-	-	87.8 %
④ Insurance payout cases	3,752 ,000	4,019 ,000	266 ,000	7.1 %	4,268 ,000
⑤ Animal hospitals accepting Anicom	6,541	6,681	140	2.1 %	6,790

	End-FY03/21	End-FY03/22	YoY Change	End-FY03/23 (forecast as of May 11)
⑥ E/I loss ratio	58.4 %	58.1 %	-0.3 pt	58.1 %
⑦ Expense ratio (based on earned premiums)	37.7 %	36.7 %	-1.0 pt	35.9 %
⑧ Combined ratio (based on earned premiums)	96.1 %	94.8 %	-1.3 pt	94.0 %

	End-FY03/21	End-FY03/22	YoY Change	End-FY03/23 (forecast as of May 11)
⑨ Solvency margin ratio (non-consolidated)	355.5 %	334.6 %	-20.9 pt	Around 320 %

	End-FY03/21	End-FY03/22	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	149,269	188,312	26.2 %
⑪ No. of samples for genetic testing	103,658	105,519	1.8 %

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

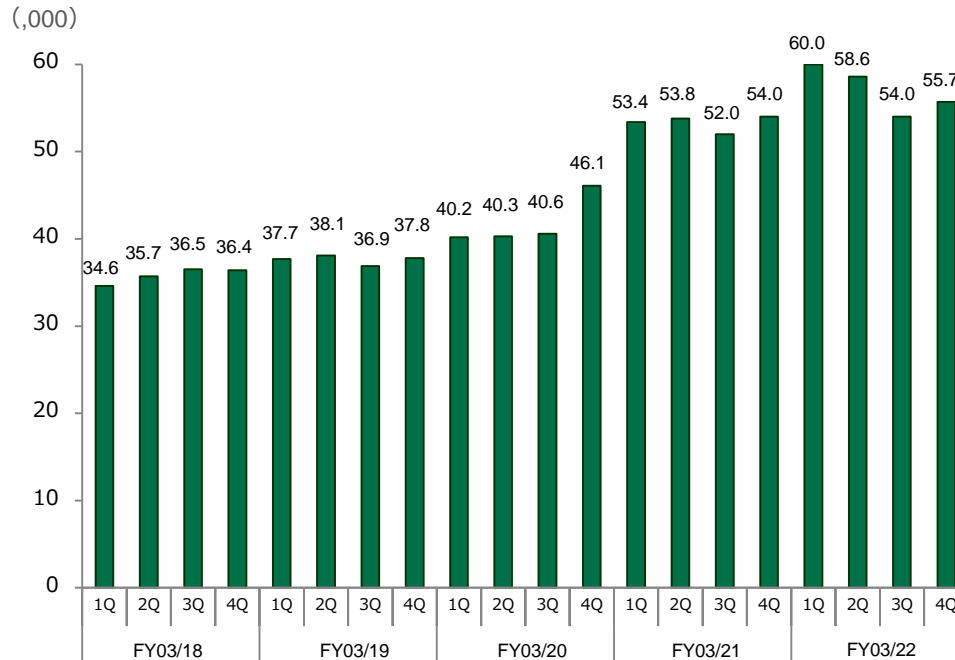
Results
Overview

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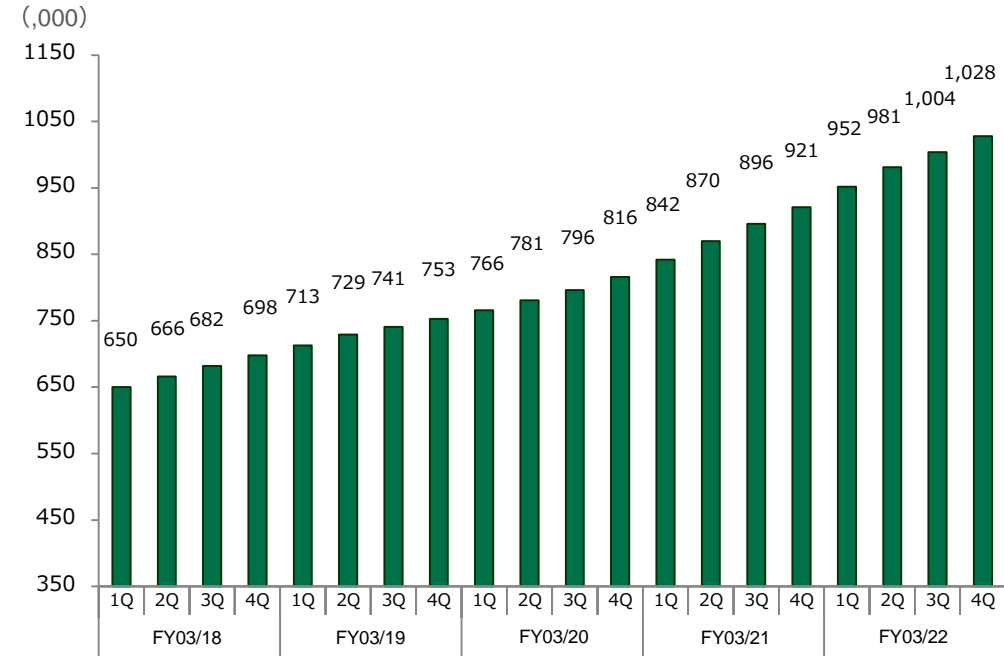
Quarterly trend in number of new policies



The number of new policies increased steadily

On a combined newborn/general channels basis, amounted to over 229,000, 102.7% of the annual target of 223,000.

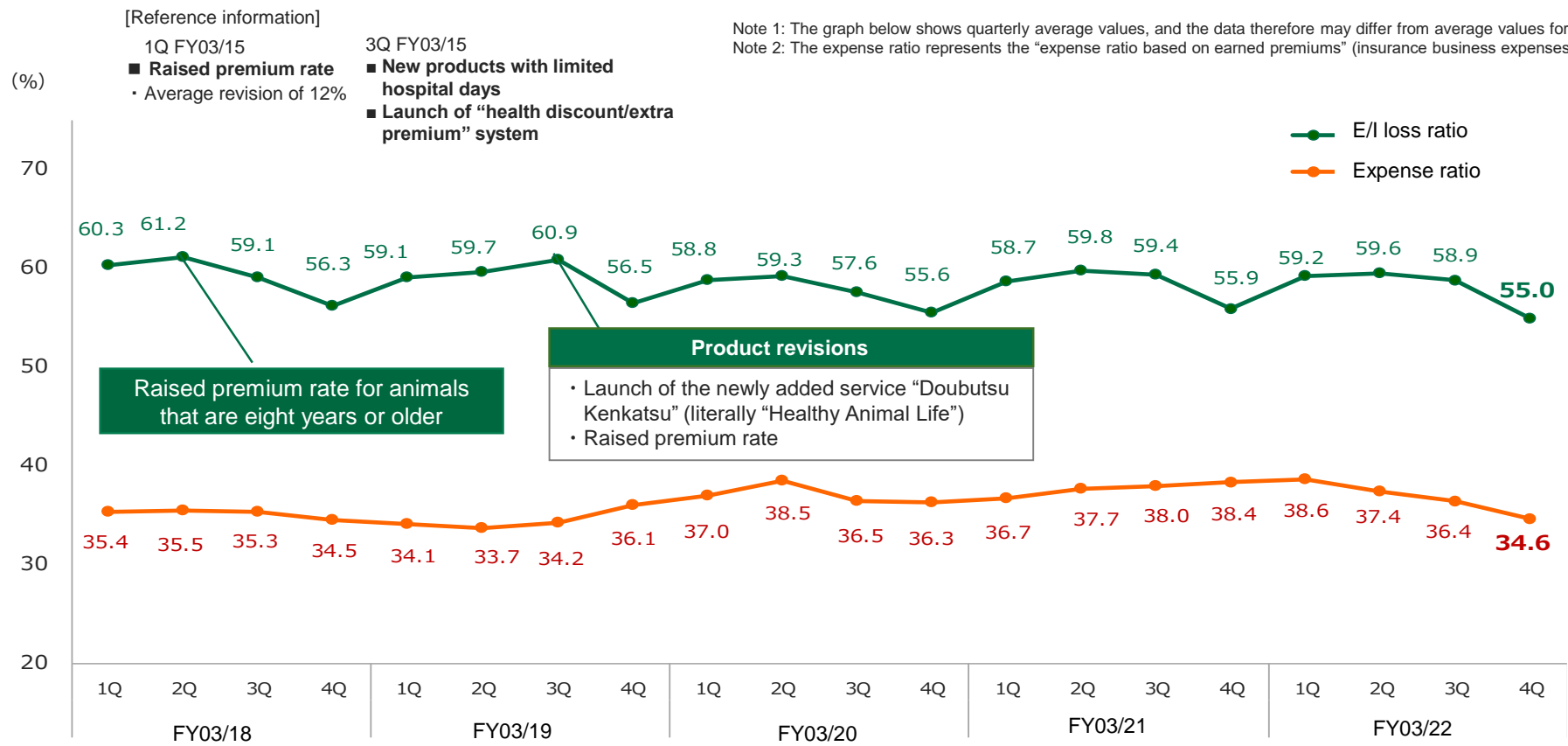
Quarterly trend in number of policies in force



Numbers of policies in force

Amounted to 1,028,000, going above the annual target of 1,010,000.

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



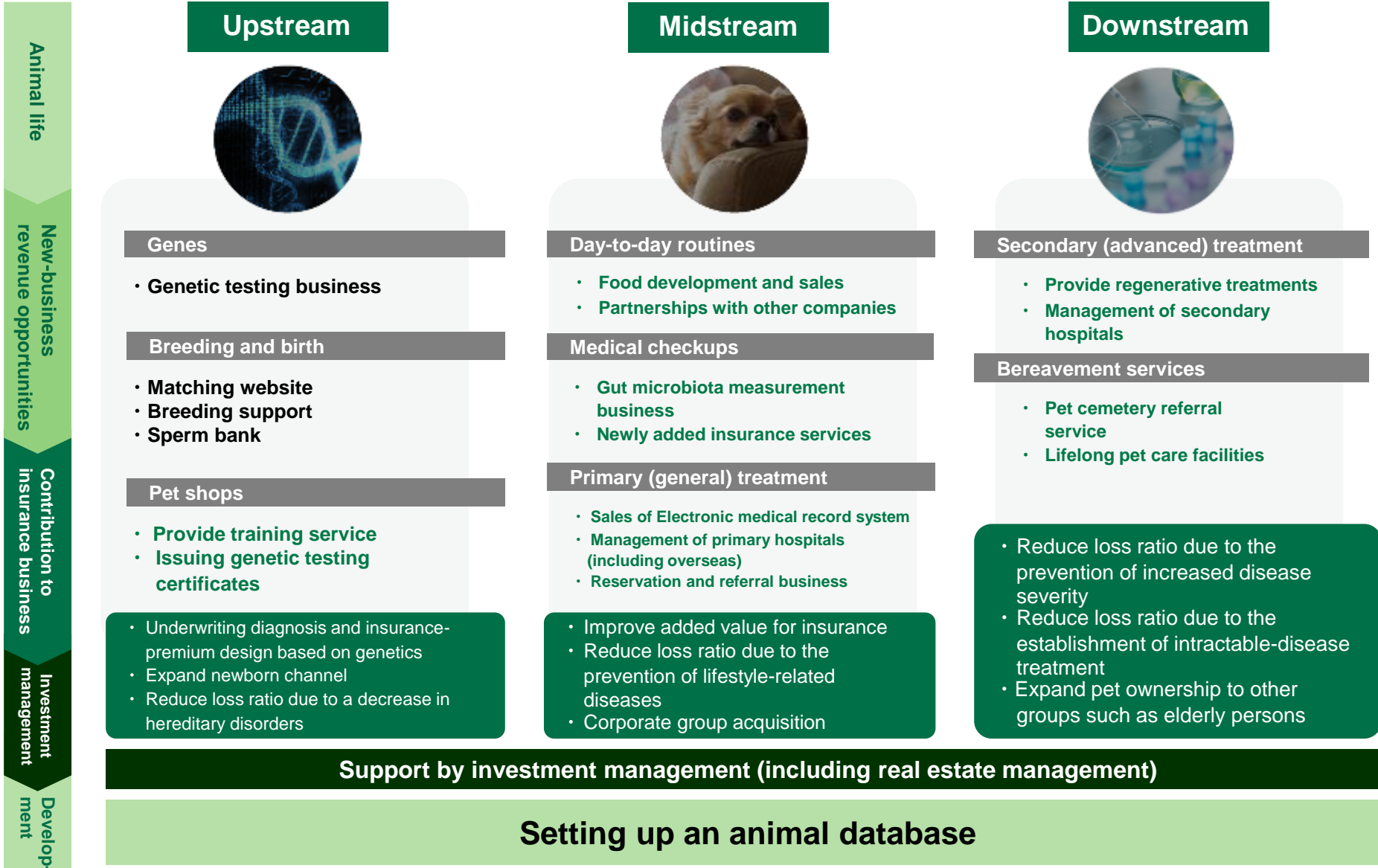
E/I loss ratio

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

Expense ratio

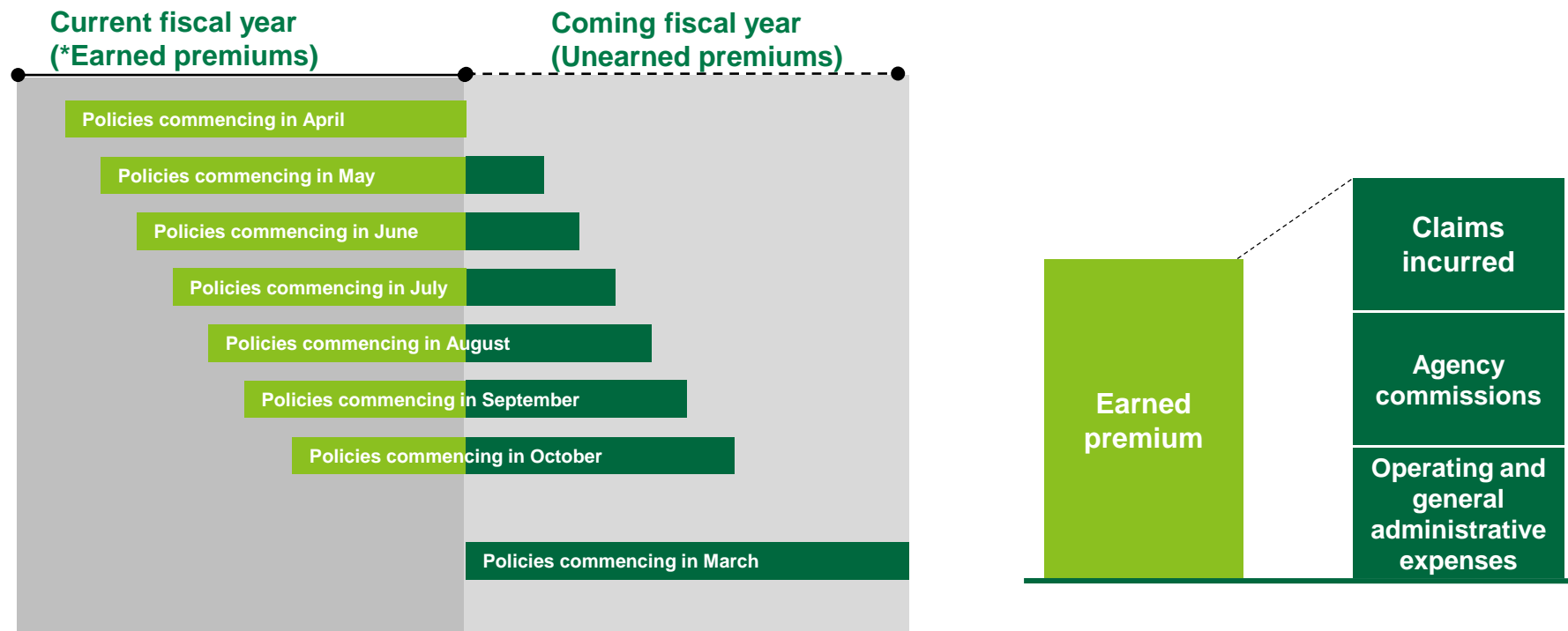
The expense ratio continued to trend upward due to the effects of continued proactive investment aimed at business expansion, increased costs in unique Doubutsu Kenkatsu service, the increased number of new policy contracts, and an increase in agency commissions due to intensifying competition in NB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

4. 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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