

1H FY03/23

Financial Report

November 8, 2022



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1. Overall summary (Recurring revenue and recurring profit)

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Recurring revenue	27,974 Million JPY 1H FY03/22 JPY 26,336 mn +6.2% YoY Planned JPY 28,000 mn -0.1% Of which, underwriting revenue: JPY 25,063 mn 1H FY03/22 23,297 mn +7.6% YoY
Recurring profit before amortization of goodwill	2,067 Million JPY 1H FY03/22 JPY 1,717 mn +20.3% YoY
Recurring profit	1,955 Million JPY 1H FY03/22 JPY 1,609 mn +21.5% YoY Planned JPY 1,600 mn +22.2%

Steadily turned robust demand for pet ownership into an increase in the number of new policies, while reducing agency commissions to achieve both scale and profit.

■ Recurring revenue (YoY)

- For Apr-Sept, the number of new policies was 109,000 and the number of policies in force totaled 1,073,000 (+9.3%), **showing continuous growth at a solid pace.**
- Other recurring revenue was JPY 2,554 million (-3.8%), mainly because a slowdown of demand for pet ownership led to declines in the number of contracts concluded at SIMNET's breeder matching site and that of generic testing conducted.
- Investment revenue was JPY 356 million (-7.2%), **progressing in line with the plan** through the realization of unrealized stock gains in light of the uncertain outlook.

■ Recurring profit (YoY) *"Recurring profit before amortization of goodwill" is added for disclosure from FY1H 03/23.

- Recurring profit amounted to JPY 1,955 million (+21.5%), exceeding the target by **22.2%**, due to an increase in underwriting revenue, a cut in agency commissions, etc.
- Moving forward, we will continue focusing on achieving a more preferable loss ratio, agency commissions, and sales administrative expense ratio while closely monitoring trends in demand for pet ownership and insurance payouts.

2. Income statement summary

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(JPYmn)

	1H FY03/22	1H FY03/23	Change
Recurring revenue	26,336	27,974	6.2 %
Underwriting revenue	23,297	25,063	7.6 %
Investment revenue	384	356	- 7.2 %
Other recurring revenue	2,654	2,554	- 3.8 %
Recurring expenses	24,726	26,019	5.2 %
Underwriting expenses	16,732	17,483	4.5 %
• Net claims paid	(12,586)	(13,718)	9.0 %
• Loss adjustment expenses	(552)	(557)	0.8 %
• Net commission and collection expenses	(2,599)	(2,533)	- 2.5 %
• Provision for reserve for outstanding losses and claims	(241)	(252)	4.7 %
• Provision for underwriting reserves	(753)	(422)	- 44.0 %
Of which unearned premiums	(866)	(719)	- 17.0 %
Of which catastrophe reserve	(-112)	(-297)	- 163.3 %
Investment expenses	33	0	- 100.0 %
Operating and general administrative expenses	7,165	7,661	6.9 %
Other recurring expenses	795	874	9.9 %
Recurring profit before amortization of goodwill	1,717	2,067	20.3 %
Recurring profit	1,609	1,955	21.5 %
Net profit	1,281	1,316	2.7 %

■ Reasons for changes in major accounting items

(1) Underwriting revenue

➤ The number of policies in force **increased by 91,420 (+9.3%)** while the number of new policies declined by **10,145 (-8.5%)**, year-on-year.

(2) Investment revenue

➤ We partially realized unrealized stock gains in light of high market risks and uncertain outlook.

(3) Other recurring revenue

➤ Other recurring revenue fell year on year due to declines in the number of contracts concluded at SIMNET's breeder matching site, that of generic testing conducted, and so forth.

(4) Net claims paid

➤ Claims paid increased, primarily because the frequency of hospital visits remained high despite the waning impact of COVID-19.

(5) Net commission and collection expenses

➤ Agency commissions improved thanks to the diversification of sales channels and the efficient acquisition of policies.

(Reference) Anicom Insurance's key insurance indicators

(JPYmn)

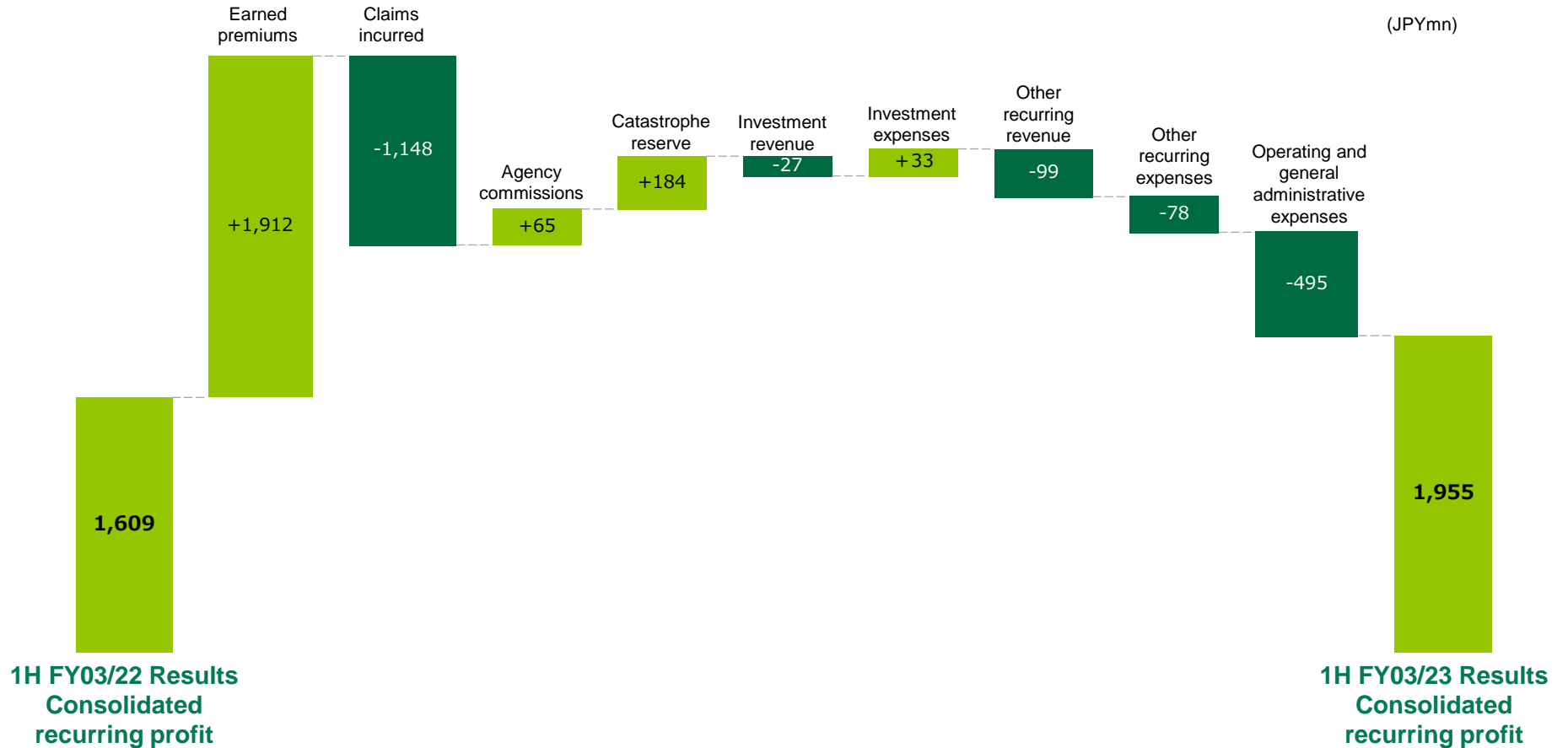
	1H FY03/22	1H FY03/23	Change
Earned premiums	22,518	24,433	8.5%
Claims incurred (including loss adjustment expenses)	13,379	14,527	8.6%
E/I loss ratio (1)	59.4%	59.5%	0.1pt
Expense ratio (based on earned premiums) (2)	38.0%	35.3%	-2.7pt
Combined ratio (based on earned premiums) (1)+(2)	97.4%	94.8%	-2.6pt

3. Factors related to changes in recurring profit

(Comparison analysis with 1H FY03/22 results)

Recurring profit increased due to an underwriting revenue increase, in addition to contribution from the improvement of agency commissions rate, etc.

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

(JPYmn)

	End-FY03/22	End-1H FY03/23	Change
Total assets	58,635	59,331	1.2 %
Cash and bank deposits	29,641	28,073	- 5.3 %
Marketable securities	16,570	18,297	10.4 %
Tangible fixed assets	6,020	5,908	- 1.9 %
Other assets	6,402	7,051	10.1 %
Total liabilities	31,319	32,152	2.7 %
Reserve for insurance policy liabilities	21,297	21,972	3.2 %
Of which loss reserves	2,705	2,957	9.3 %
Of which underwriting reserves	18,592	19,014	2.3 %
Corporate Bonds	5,000	5,000	— %
Other liabilities	5,021	5,180	3.2 %
Total net assets	27,316	27,178	- 0.5 %
Shareholders' equity	27,658	28,772	4.0 %
Valuation and transaction adjustments	- 342	- 1,593	— %
Total liabilities and net assets	58,635	59,331	1.2 %

■ Reasons for changes in major accounting items

(1) Marketable securities

- Sold shares and carefully invested in bonds and other instruments

(2) Corporate bonds

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

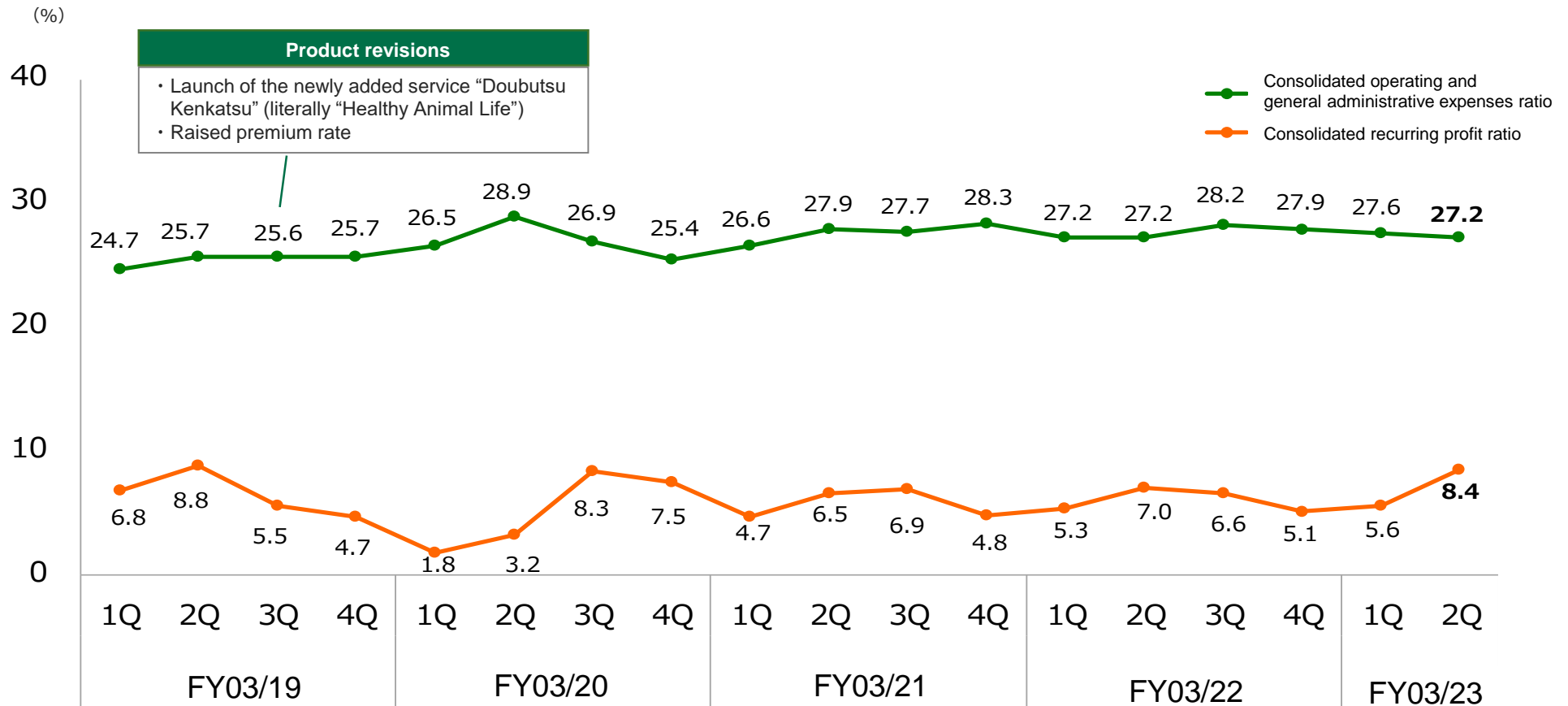
(3) Valuation and transaction adjustments

- Decrease in valuation difference on available-for-sale 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)



Progress of priority measures

1. Progress of priority measures (Insurance business and investment)
2. Progress of priority measures (Businesses generating synergies)
3. Topics



Insurance Business

Numbers of new policies and policies in force

- The number of new policies totaled over **109,000** for Apr–Sept, and the number of policies in force exceeded **1.07 million** as of September 30, 2022.

Expanding and strengthening sales channels

- Closer collaboration with SIMNET led to a steady increase in the number of new policies sold through the breeder channel.
 - ⇒ Number of breeder agencies:
Increased to 700 as of September 30, 2022, accompanied by a rise in insured rate
(91 as of September 30, 2020)
- An ongoing effort was made to expand sales channels further, centered on corporate agencies.
- Enhancing online ads made a greater contribution to the number of new policies.

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

⇒ Acquired policies efficiently while strongly pushing the fusion of the real and digital worlds

Expanding products and services

- Owing to a steady increase in Doubutsu Kenkatsu applications, the renewal rate remained high for Apr–Sept at 88.3%.

Improving the loss ratio, agency commissions, and sales administrative expense ratio

- **Loss ratio (59.5% in 1H) improvement**
The impact of COVID-19 started to wane; still, insurance payouts require close monitoring in 3Q and beyond.
Ongoing measures to improve the loss ratio
 - Promote the use of recommended health insurance treatment flowcharts to encourage more appropriate medical care
 - Refer more pet owners to outstanding hospitals using appointment functions.
- **Agency commissions (10.1% in 1H)**
A significant 1% improvement was made year-on-year owing mainly to revision of agency commissions and expansion and diversification of sales channels.
- **Sales administrative expense ratio (27.2% in 1H) improvement**
 - Reduce both the number of direct claims and processing cost per claim in insurance payout operations.
 - Save labor for handling various procedures and reduce paperwork costs.

Investment

- **As a result of flexible and opportunistic investment, performance in Apr-Sept far exceeded the planned target.**

We partially realized unrealized stock gains in light of high market risks and uncertain outlook.

- **As part of breeding support, Shippo-no-sato [tail's home], a commercial property project in hakusan City, Ishikawa Prefecture, is under way.**

The complex facility that includes breeding spaces, shelters and café is scheduled to open in December.

Spaces will be rented to tenants to gain operations revenue + synergy with other services

- Our popular pet-friendly housing (anico flora Higashi-Nakano) remained full.



しっぽの郷



Other

- **As of September 30, 2022, we have filed a total of 36 patent applications (an increase of 16 applications year-on-year).**

Numbers of patents applied for and granted by field of technology

	Image recognition AI	Genes, food, and gut microbiota	Regenerative medicine	Other	Total
Patents applied for	17	10	3	6	36
Patents granted	2	1	2	1	6

Note: "Patents applied for" include priority claim applications and divided applications, but exclude applications filed overseas.

- **Promotion of the "strategy of one patent per employee"**

Anicom has developed businesses that touch each employee's heart such as image recognition AI, food, gut microbiota measuring, and regenerative medicine. Consequently, **the number of inventors increased to 85 as of September 30, 2022, from 13 as of December 31, 2020.**

- Development of AI and a database (basic animal resident register)

- Gather data to detect signs of labor or heat in animals.
- Develop a detection AI model using collected images and build it into cameras.



Before birth

Upstream



Enhancing the genetic testing business

- The number of samples for genetic testing exceeded **53,000** for Apr–Sept.
- Genetic testing for gastrointestinal polyposis in Jack Russell terriers was launched in July.
- We started to implement panel testing that makes it possible to check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test.

SIMNET results for Apr–Sept 2022

- Net sales: JPY**922** million
- Recurring profit: JPY**21** million
- Recurring profit ratio: 2.4%

Note: Recurring profit above does not include amortization of goodwill.

Anicom has been expanding breeding support through the dog and cat breeders registered with its Minna no Breeder and Minna no Koneko Breeder websites

Strengthening breeding support

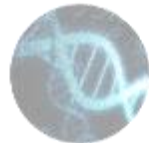
We have been actively advancing various initiatives, taking into account the amended Act on Welfare and Management of Animals and other developments.

- **Genetic testing** ⇒ Development of testing and matching services that help improve breeding efficiency (e.g., **analyzing the genetic information of animals that produce many offspring**)
- **Technological development** ⇒ Development of methods to detect the optimal mating period, **utilization of stem cells**, research aimed at improving technologies for the use of frozen sperms, etc.
- **Medical support** ⇒ **Expanding house call service areas**. Guiding breeding skills (e.g., smear test and artificial insemination)
- **Sales support** ⇒ **Expansion of the support center for direct sale from breeders (steady increase in the number of animals handed over, coupled with a high ratio of contracts concluded)**
- **Business support** ⇒ **An increase in the number of breeders recommending the Group's food**; development and trial start of a reproductive management system; **provision [leasing] of breeding spaces, etc.**
- **Support for adoption of retired breeding dogs and cats** ⇒ The ani TERRACE shelter began to rescue, care for, and facilitate the adoption of, dogs and cats (some adoptions already made) while also working to attract visitors utilizing its dog park and pet hotel

From day-to-day routines to curing the incurable

Midstream

Downstream



Commercializing health exams and food and products, etc.

- Over 104,000 applications were received for Doubutsu Kenkatsu service for Apr–Sept.
- “Kimi no Gohan (Food for You)” series (DNA food and food for gut microbiota)
Expanding sales mainly to policyholders
Exploring collaboration with pet shops
- “Minna no Gohan” Recommended by breeders→Induce to subscription plans
Sales channels are expanding



Toy poodle	Chihuahua	Miniature dachshund	Shiba Inu
Watch out for ... Eye and Stomach diseases	Watch out for ... Bone and Neural diseases	Watch out for ... Immune system and Bone diseases	Watch out for ... Eye and Immune system diseases
Bilberry extract Maintains eye function by facilitating the important effect of rhodopsin to maintain visual function.	Glucosamine HCL An ingredient of collagen that indirectly helps form new cartilage.	Glucosylceramide A constituent involved in the synthesis of collagen and hyaluronic acid. Helps maintain the function of the joints.	Ataxaxanthin Known to help eyes focus and refocus, thereby contributing to maintaining eye health.
Nigero-oligosaccharide Serves as a nutrient source for “good bacteria” in the intestine.	Amisemon Promotes the synthesis of a nerve growth factor, which is important for maintaining nerve cell function.	Plant-origin Nano-sized lactic acid bacterium SHK A lactic acid bacterium that is efficiently absorbed by the body and is very effective for the maintenance of health and the function of immune system.	Ergothioneine Has antioxidant properties and suppresses the function of active oxygen.

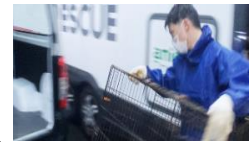
Business related to animal healthcare treatments (from prevention to general practice/regenerative medicine)

- Directly-operated animal hospitals totaled 53 (14 capable of performing surgery), growing at a solid pace.
- As of September 30, 2022, 532 animal hospitals joined the Research and Development Partnership for Animal Regenerative Medicine (PARM) launched mainly by the Anicom Group for the purpose of spreading regenerative medicine. PARM aims to administer more than 300 doses of cells in FY2022 (compared with approx. 200 doses administered in FY2021).

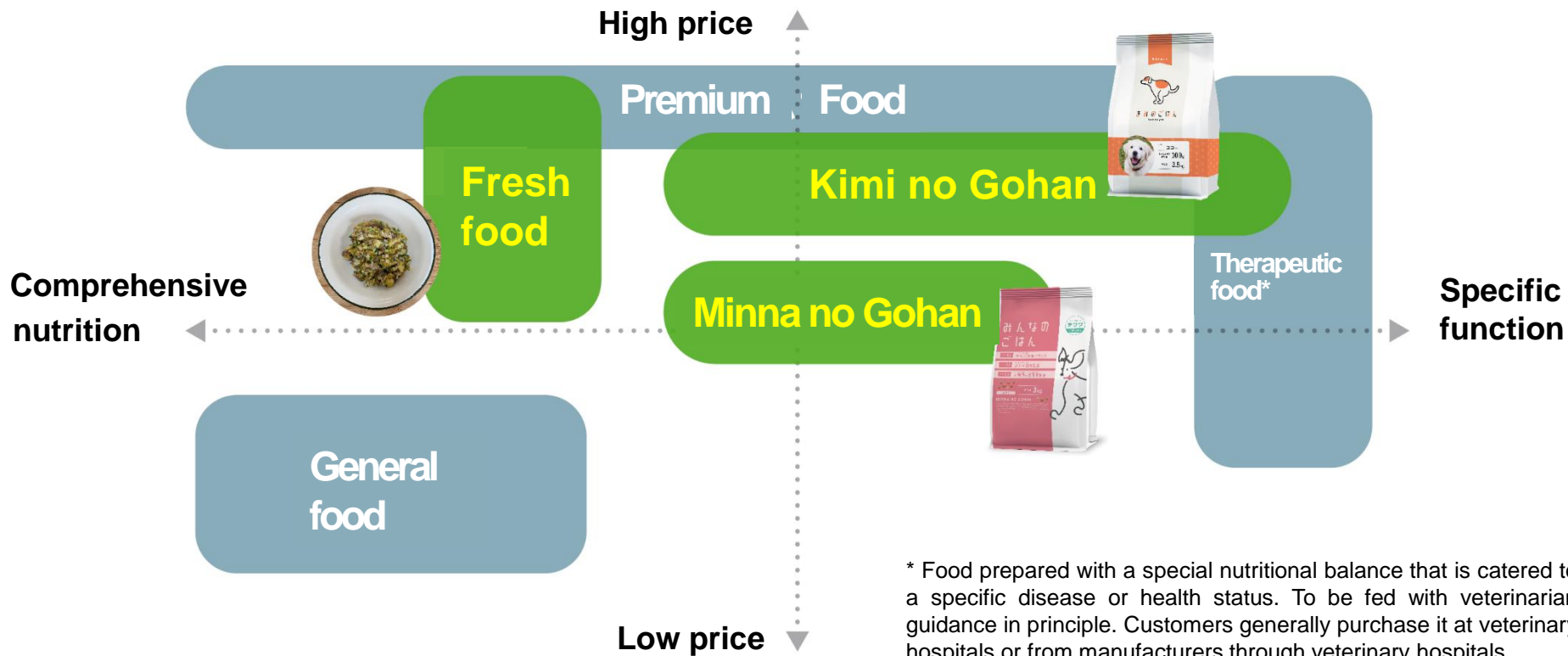


Addressing social issues (ESG activities)

- The ani TERRACE shelter for rescue animals opened in April (within the VISON commercial facility in Mie Prefecture).
- Initiative to support disaster recovery
We rescued 32 dogs in the aftermath of a landslide in Shizuoka Prefecture in June.
- Initiative to promote, and educate the public about, animal well-being
We have helped educate children, such as by giving them opportunities to experience veterinary medicine firsthand at our directly-operated animal hospitals.



Anicom's targets in the pet food market



Kimi no Gohan (Sept 2021-)

- A one-to-one dry food that contains a mix of functional ingredients tailored for each dog based on test results
- Dry food containing functional ingredients customized for each dog with test results as a key, offered for all dogs including healthy young ones.

Minna no Gohan (Jun 2022-)

Newly launched dry food in an affordable price range that combines functional ingredients that match each different breed, based on insurance big data and specific DNA traits.

Fresh food

- Support pet shops with the development of food of their own brand
- More development and sales of wet food

3. Topics: Toward achieving the target management figures of the Mid-term Management Plan

Making a phase transition from the pursuit of scale only (previous mid-term management plan) to focusing on a balance of scale and profit

Scale

- Insurance business
 - Quarterly number of new policies 40,000 before COVID-19→rose to above 50,000
 - Expansion and diversification of sales channels (Breeder channel, corporate channel, etc.)
- Non-insurance business
 - Hospital business (including regenerative medicine)
 - Matching site
 - Breeding support service
 - Food businessExpand each business and turn it profitable
- Synergy generation business
 - Referral of pet owners to Group hospitals
 - Offer insurance +food sales at handover centers



Profit

- Insurance business
 - Improvement in expense ratio due mainly to the cut in agency commissions (Revision of commissions for some agencies and expansion of breeder channels began showing effects in 2H 03/22 .)
- Non-insurance business
 - Improve profitability of hospital business (Improve costs by increasing scale (medicine, etc))
 - Make regenerative medicine business more profitable (Steady improvement due to an increase in the number of cell administrations)
- Synergy generation business
 - Improvement in loss ratio due mainly to referral of pet owners to Group hospitals (Reduced risk concentration in policies with no limits)

Steadily driving efforts to increase scale and profit toward achieving the FY2024 numerical targets for management

Announced dividend forecast based on 1H business performance (year-end dividend JPY2.5→increased to JPY4.0)

3. Topics: Toward achieving the target management figures of the Mid-term Management Plan

Aiming to achieve sustainable growth while balancing growth in scale and profit (improved profitability)

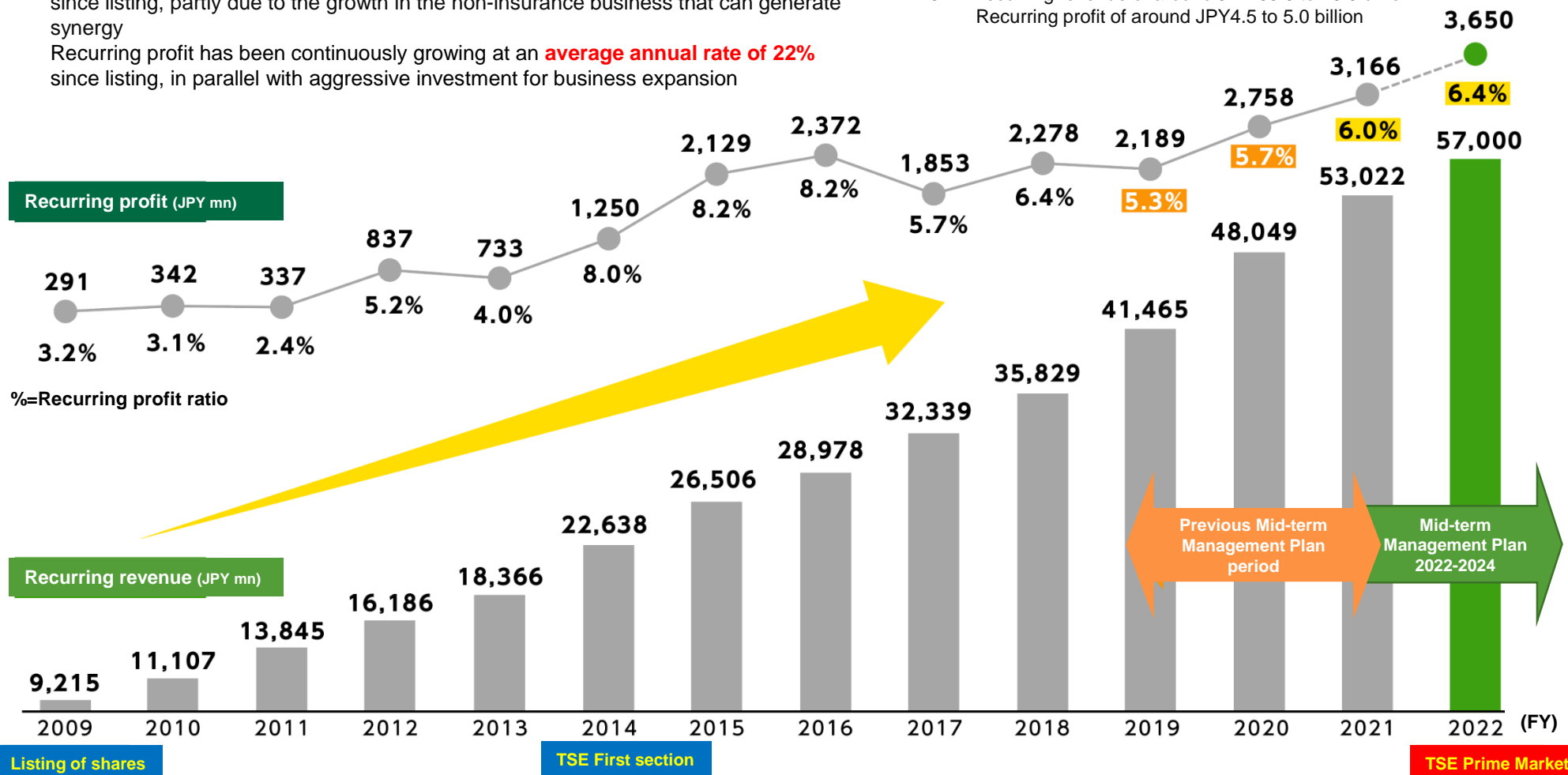
Continued high growth in both scale and profit since the listing of shares

Recurring revenue has been continuously growing at an **average annual rate of 15%** since listing, partly due to the growth in the non-insurance business that can generate synergy

Recurring profit has been continuously growing at an **average annual rate of 22%** since listing, in parallel with aggressive investment for business expansion

Mid-term Plan 2022-2024 Targets announced in May 2022:

FY2024 Recurring revenue of around JPY 65.0 to 70.0 billion
 Recurring profit of around JPY4.5 to 5.0 billion



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

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	1H FY03/22	End-FY03/22	1H FY03/23	Vs. previous year		Vs. previous year-end		End-FY03/23 (forecast as of May 11)
				Numbers	Rate	Numbers	Rate	
(1) Policies in force	981,606	1,028,831	1,073,026	91,420	9.3 %	44,195	4.3 %	1,120,000
(2) New policies	119,347	229,099	109,202	-10,145	-8.5 %	-	-	232,000
(3) Renewal rate	87.7 %	87.8 %	88.3 %	-	-	-	-	87.8 %
(4) Insurance payout cases	2,003 ,000	4,019 ,000	2,108 ,000	105 ,000	5.2 %	-	-	4,268 ,000
(5) Animal hospitals accepting Anicom	6,629	6,681	6,744	115	1.7 %	63	0.9 %	6,790

	1H FY03/22	1H FY03/23	YoY Change	End-FY03/23 (forecast as of May 11)
(6) E/I loss ratio	59.4 %	59.5 %	0.1 pt	58.1 %
(7) Expense ratio (based on earned premiums)	38.0 %	35.3 %	-2.7 pt	35.9 %
(8) Combined ratio (based on earned premiums)	97.4 %	94.8 %	-2.6 pt	94.0 %

	End-FY03/22	1H FY03/23	Vs. previous year-end	End-FY03/23 (forecast as of May 11)
(9) Solvency margin ratio (non-consolidated)	334.6 %	304.6 %	-30.0 pt	Around 320 %

	1H FY03/22	1H FY03/23	YoY Change
(10) No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	91,669	104,098	13.6 %
(11) No. of samples for genetic testing	54,688	53,207	-2.7 %

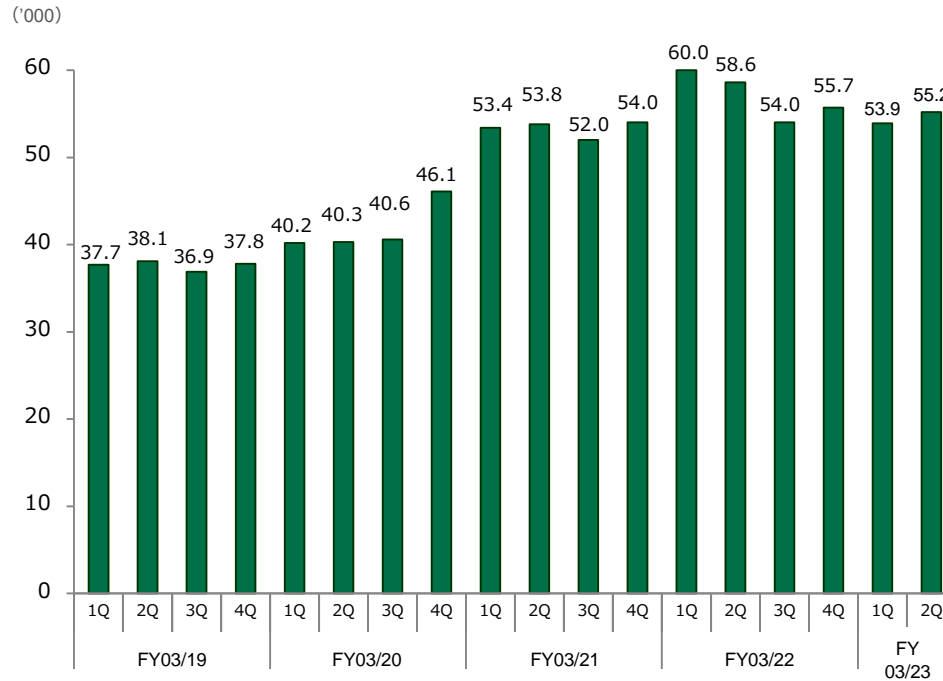
2. Anicom Insurance (non-consolidated): Recurring revenue indicators

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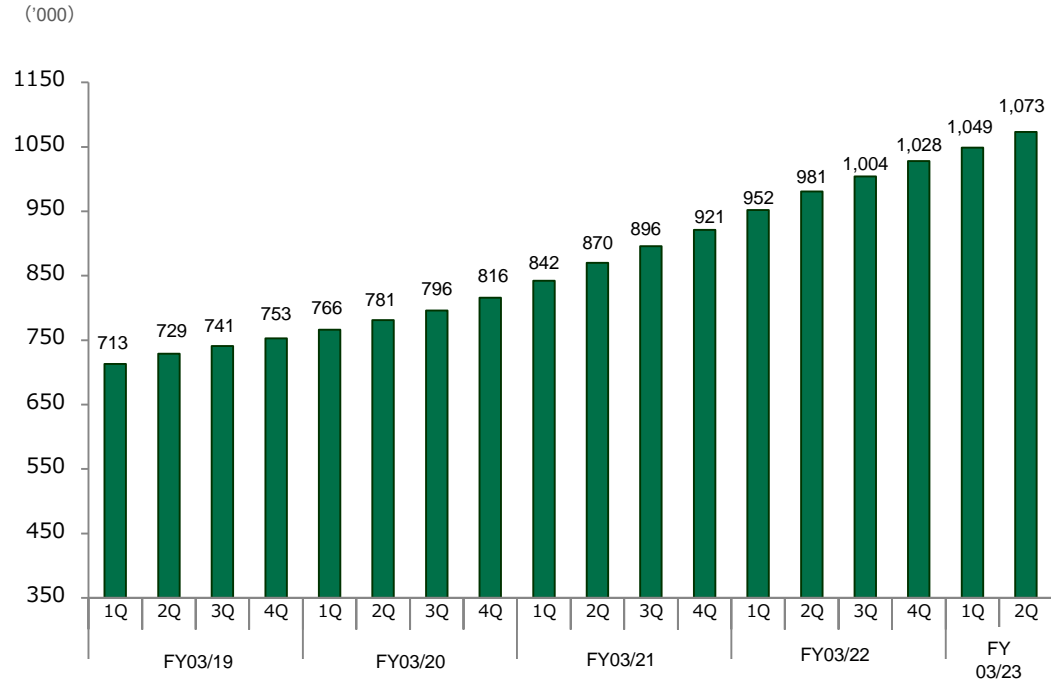
Quarterly trend in number of new policies



The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 50,000, achieving strong progress of 47.1% against the annual target of 232,000.

Quarterly trend in number of policies in force



Number of policies in force

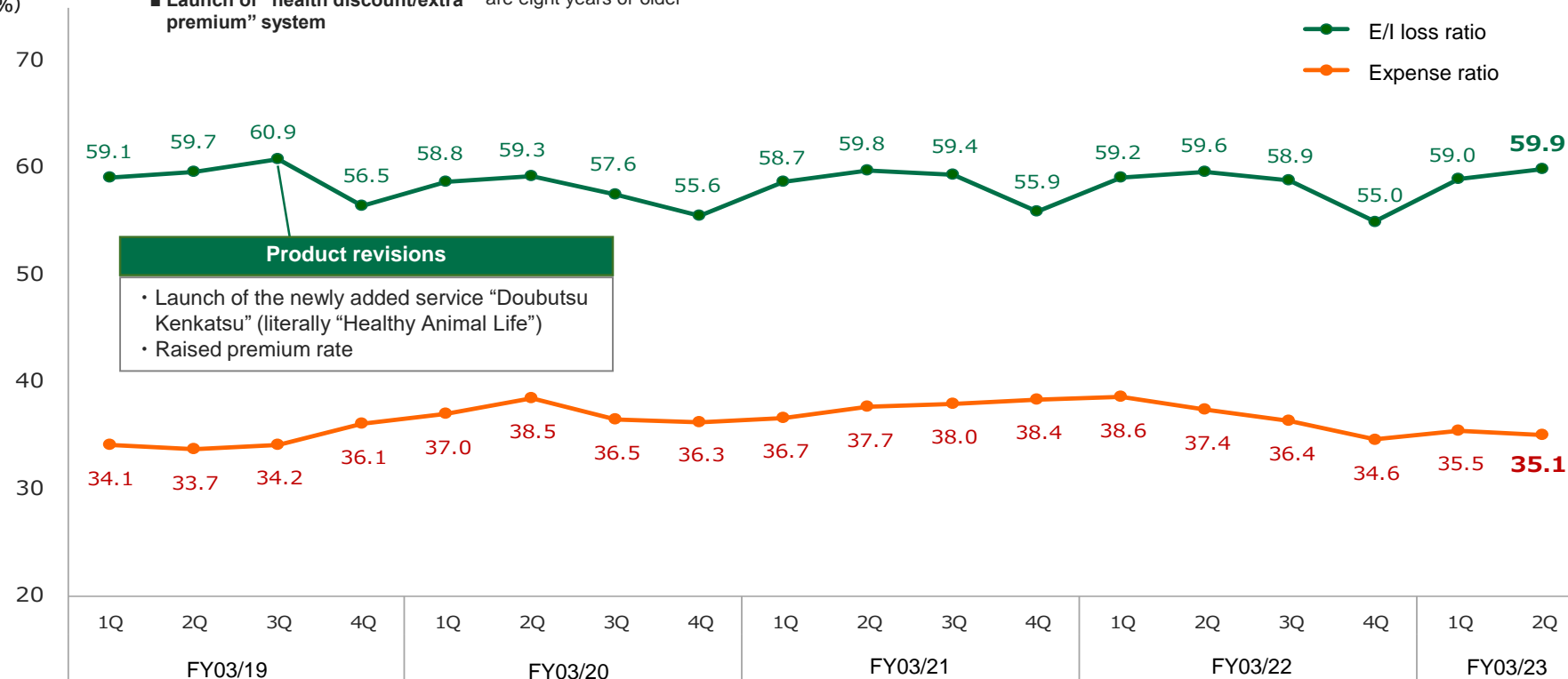
The number of policies in force totaled 107,300, progressing toward the annual target of 1,120,000.

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

[Reference information]

- 1Q FY03/15
 - Raised premium rate
 - Average revision of 12% (%)
- 3Q FY03/15
 - New products with limited hospital days
 - Launch of “health discount/extra premium” system
- 2Q FY03/18
 - Raised premium rate
 - Raised premium rate for animals that are eight years or older

Note 1: The graph below shows quarterly average values, and the data therefore may differ from average values for current period.
 Note 2: The expense ratio represents the “expense ratio based on earned premiums” (insurance business expenses / earned premiums).



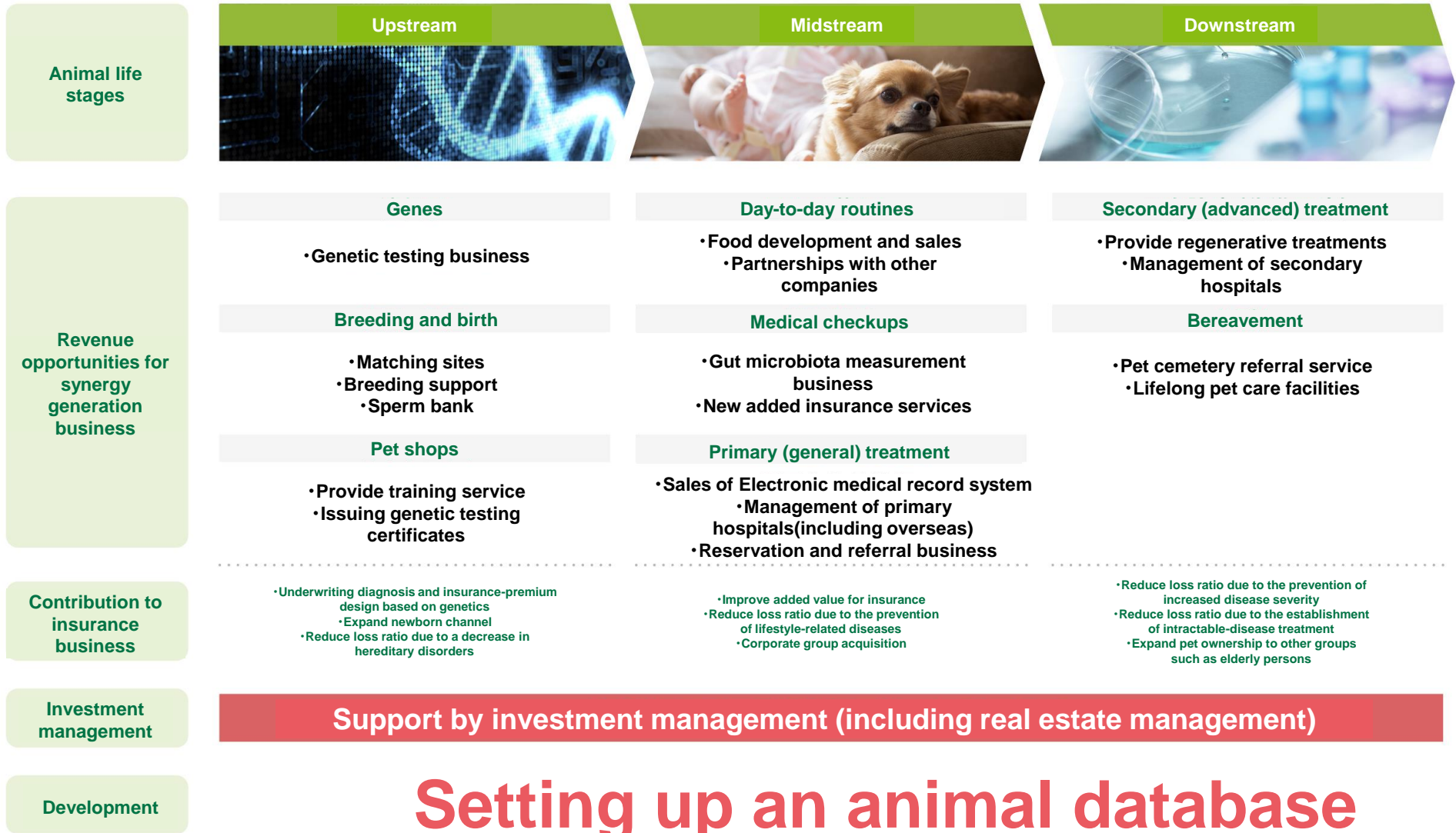
E/I loss ratio

The product portfolio continued to improve due to a significant increase in new policy acquisition since FY2020. Meanwhile, claims paid increased and remained at a high level 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. Recently, however, it is confirmed that such impact of the changes is showing a tendency toward gradually becoming stabilized.

Expense ratio

We continued with proactive investment aimed at the business expansion. The costs of the unique Doubutsu Kenkatsu service increased. The expense ratio had been trending upward due mainly to a rise in agency commissions owing to an increase in new policies and intensifying competition, while a reduction in agency commissions and the measures taken to improve efficiency and costs are beginning to show effect.

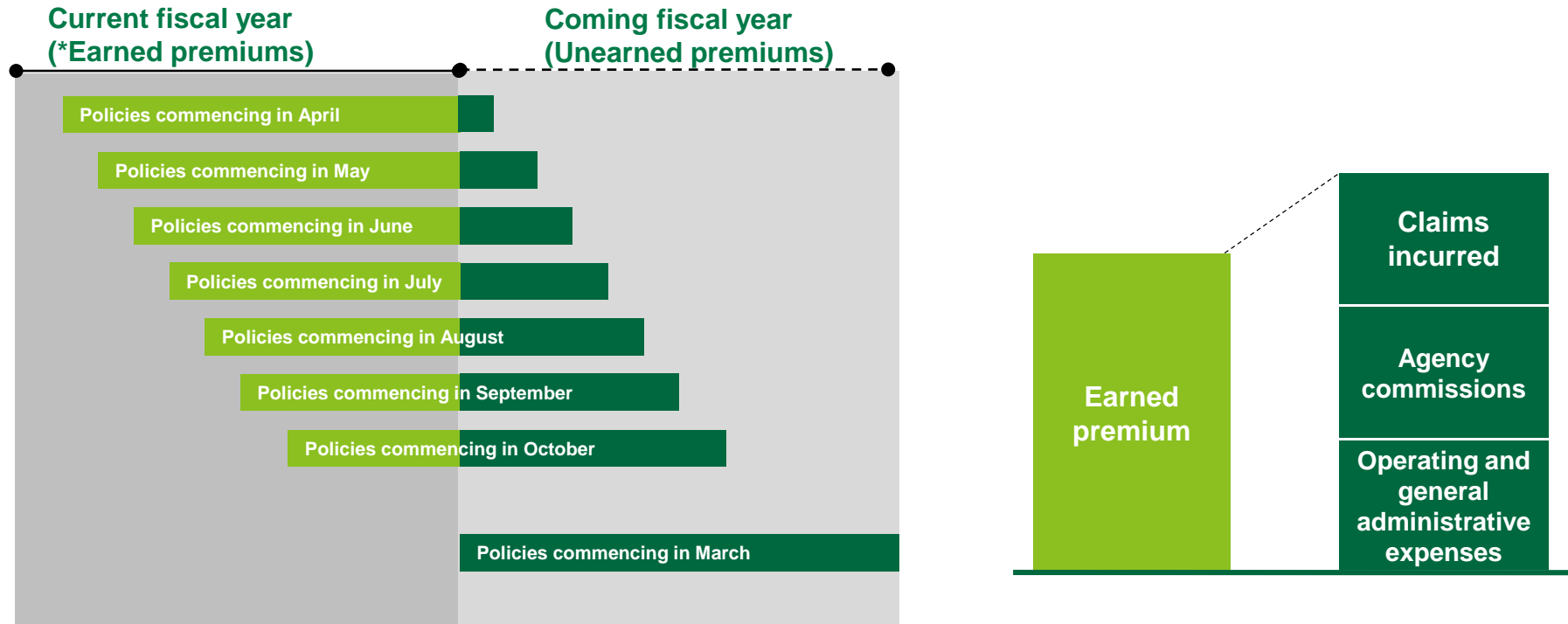
4. Relationship between Insurance Business and Synergy Generation Business



(Reference) Impact of insurance accounting on recurring profits/losses

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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