

3Q FY03/24

Financial Report

February 7 , 2024



Security Code : 8715

INDEX

1

3Q FY03/24 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 FY03/23 results)
- 4. Balance sheet summary**
- 5. Recurring expenses and profit indicators**





1. Overall summary (Recurring revenue and recurring profit)

Recurring revenue	<h2 style="margin: 0;">44,936</h2> <p style="margin: 0;">Million JPY</p> <p style="margin: 0;">3Q FY03/23 JPY 42,046 mn +6.9% YoY</p> <p style="margin: 0;">Of which, underwriting revenue: JPY 40,270mn 3Q FY03/23 JPY 37,782 mn +6.6% YoY</p>
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Recurring profit before amortization of goodwill	<h2 style="margin: 0;">3,427</h2> <p style="margin: 0;">Million JPY</p> <p style="margin: 0;">3Q FY03/23 JPY 2,863 mn +19.7% YoY</p>
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Recurring profit	<h2 style="margin: 0;">3,276</h2> <p style="margin: 0;">Million JPY</p> <p style="margin: 0;">3Q FY03/23 JPY 2,699 mn +21.4% YoY</p>
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Steadily turned robust demand for pet ownership into an increase in the number of new policies, while improving policy acquisition cost, to achieve both scale and profit.

- **Recurring revenue (YoY)**
 - For Apr-Dec, the number of new policies was **165,000** and the number of policies in force totaled **1,172,000 (+7.1%)**, **showing continuous growth at a solid pace.**
 - Other recurring revenue grew favorably to JPY **4,096** million (+8.0%), due to solid performance of food sales, animal hospitals and the number of contracts concluded at the breeder matching site.
 - Investment revenue was JPY **569** million (+21.3%), **progressing in line with the plan** through agile investment management under uncertain market conditions.
- **Recurring Profit(YoY)**
 - Recurring profit was JPY **3,276** million (**+21.4%**), **showing a substantial increase and progressing in line with the plan** due mainly to improved policy acquisition cost and agile investment management.
 - We will continue to focus on achieving a more preferable loss ratio, improving the sales administrative expense ratio, and making businesses generating synergies profitable, while closely monitoring trends in insurance payouts.

2. Income statement summary



	(JPYmn)		
	3Q FY03/23	3Q FY03/24	Change
Recurring revenue	42,046	44,936	6.9 %
Underwriting revenue	37,782	40,270	6.6 %
Investment revenue	469	569	21.3 %
Other recurring revenue	3,794	4,096	8.0 %
Recurring expences	39,347	41,660	5.9 %
Underwriting expences	26,501	28,381	7.1 %
▪ Net claims paid	(20,930)	(22,843)	9.1 %
▪ Loss adjustment expences	(840)	(841)	0.1 %
▪ Net commission and collection expences	(3,781)	(3,825)	1.2 %
▪ Provision for reserve for outstanding losses and claims	(356)	(291)	-18.0 %
▪ Provision for underwriting reserves	(593)	(578)	-2.5 %
Of which unearned premiums	(899)	(914)	1.7 %
Of which catastrophe reserve	(-306)	(-336)	- %
Investment expences	0	2	2,065.3 %
Operating and general administrative expences	11,538	11,823	2.5 %
Other recurring expences	1,307	1,454	11.2 %
Recurring profit before amortization of goodwill	2,863	3,427	19.7 %
Recurring profit	2,699	3,276	21.4 %
Net profit	1,673	2,041	22.0 %

2. Income statement summary



■ Reasons for changes in major accounting items

(1) Underwriting revenue

- The number of policies in force **increased by 77,956 (+7.1%)**

(2) Investment revenue

- Amid uncertain market conditions, we have been steadily accumulating income gains through flexible and opportunistic investment.

(3) Other recurring revenue

- Other recurring revenue from food, animal hospitals and the number of contracts concluded at the breeder matching site increased.

(4) Net claims paid

- Claims paid increased, primarily because the frequency of hospital visits remained high and the average payout per claim increased.

(5) Net commission and collection expenses

- The improvement trend continued thanks to diversification of sales channels and the efficient acquisition of policies.

(Reference) Anicom Insurance's key insurance indicators

	3Q FY03/23	3Q FY03/24	(JPYmn) Change
Earned premiums	37,019	39,516	6.7%
Claims incurred (including loss adjustment expenses)	22,127	23,977	8.4%
E/I loss ratio (1)	59.8%	60.7%	0.9pt
Expense ratio (based on earned premiums) (2)	35.1%	33.4%	-1.7pt
Combined ratio (based on earned premiums) (1)+(2)	94.9%	94.1%	-0.8pt



3. Factors related to changes in recurring profit

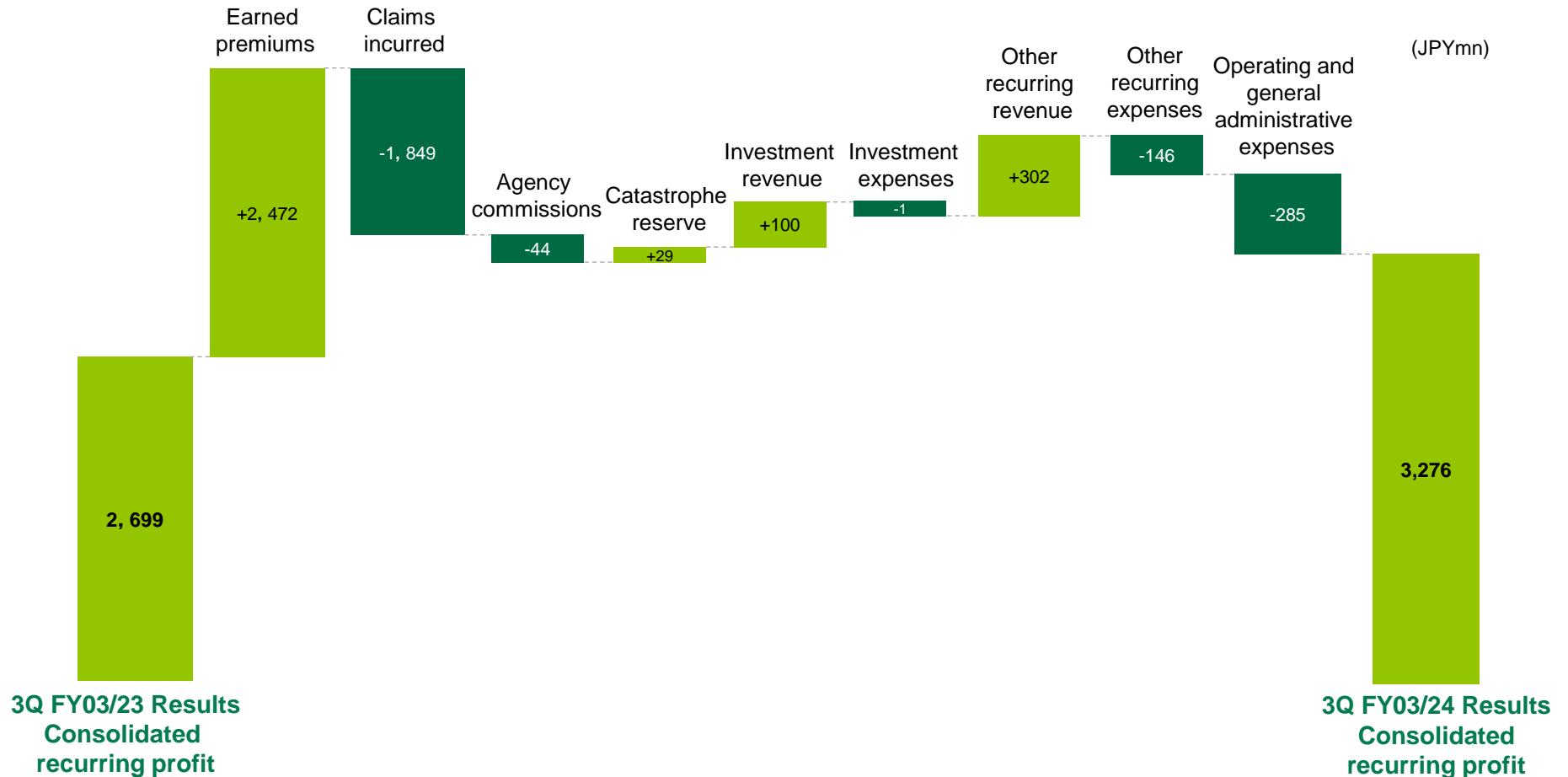
(Comparison analysis with 3Q FY03/23 results)

Recurring profit grew substantially due to a solid increase in underwriting revenue and contribution from the improvement of policy acquisition cost, etc.

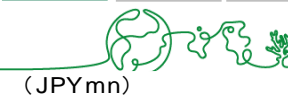
Note 1) Earned premiums = Underwriting revenue - Provision for normal underwriting reserves (Unearned premiums)

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



(JPY mn)

	End-FY03/23	End-3Q FY03/24	Change
Total assets	61,407	63,043	2.7 %
Cash and bank deposits	30,835	21,443	-30.5 %
Marketable securities	16,956	29,122	71.7 %
Tangible fixed assets	5,799	5,350	-7.8 %
Other assets	7,815	7,128	-8.8 %
Total liabilities	33,223	34,073	2.6 %
Reserve for insurance policy liabilities	22,853	23,724	3.8 %
Of which loss reserves	2,988	3,280	9.8 %
Of which underwriting reserves	19,865	20,444	2.9 %
Corporate bonds	5,000	5,000	— %
Other liabilities	5,369	5,349	-0.4 %
Total net assets	28,184	28,969	2.8 %
Shareholders' equity	29,740	30,457	2.4 %
Of which treasury shares	-1	-1,001	— %
Valuation and transaction adjustments	-1,555	-1,487	— %
Total liabilities and net assets	61,407	63,043	2.7 %

■ Reasons for changes in major accounting items

(1) Increase in assets

- Marketable securities increased as a result of phased build-up of investment in bonds and other instruments.

(2) Increase in liabilities

- Reserve for insurance policy liabilities increased due to an increase in the number of policies in force.

(3) Increase in net assets

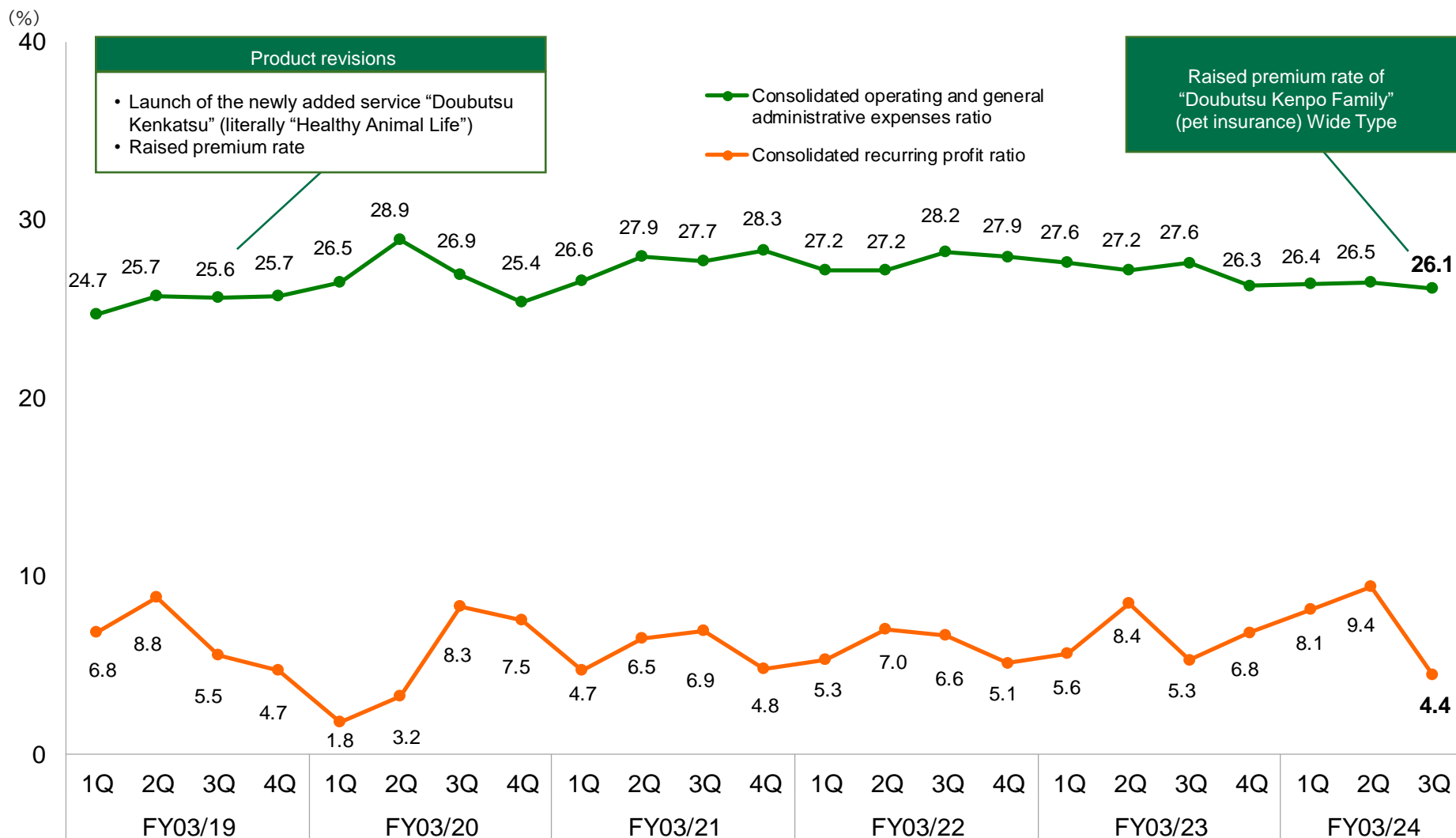
- Retained earnings increased.

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**





1. Progress of priority measures (Insurance business and investment)

Insurance Business

Numbers of new policies and policies in force

- The number of new policies totaled over 165,000 for Apr-Dec, and the number of policies in force exceeded 1.172 million as of December 31, 2023.

Expanding and strengthening sales channels

- With further acceleration of close collaboration with SIMNET, the number of new policies sold through the breeder channel has been increasing.
- ⇒ Number of breeder agencies:
Increased to 1,015 as of December 31, 2023, accompanied by a rise in insured rate (91 as of September 30, 2020)
- Fukoku Mutual Life Insurance Company started handling our pet insurance. (Started handling Anicom Insurance's "Animal Health Insurance" from December 1)



Revision of Premiums

- The premiums for Wide Type products (no limited days) will be revised (raised) by an average of 7.8%. The revision will be first applied to policies with a start date on November 1.

Expanding products and services

- Owing to a steady increase in Doubutsu Kenkatsu applications, the renewal rate remained stable and high for Apr-Dec at 88.2%.

Improving the loss ratio, policy acquisition efficiency, and sales administrative expense ratio

- **Loss ratio (60.7% in 3Q)**
While the frequency of hospital visits is stable, the average payout per claim is still on the rise.
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.
- **Net commission and collection expense ratio (9.5% in 3Q)**
A significant 0.5 point improvement was made year-on-year owing to improved policy acquisition cost through expansion and diversification of sales channels
- **Sales administrative expense ratio (26.3% in 3Q)**
A 1.1 point improvement was made year-on-year owing mainly to improved policy acquisition cost and streamlined operations
 - 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.



1. Progress of priority measures (Insurance business and investment)

Investment

- **As a result of flexible and opportunistic investment, we achieved the plan.**
We have made progress in line with the plan while steadily accumulating income gains.
- **Opening of Shippo-no-sato [tail's home], a complex facility aimed at promoting animal welfare.**
(incorporating shelters, breeding spaces, and dog café)
The facility hosts activities to further promote animal welfare making use of Group companies' resources, and also serves as a venue for developing human resources for the future of pet industry and for school education, in cooperation with Kokusai Business Gakuin in Ishikawa prefecture.
- **Anicom announced the formation of a business partnership with Tokyu Land Corporation to help people have a better life with their pets.**



Other

- **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 113 as of December 31, 2023**, from 13 as of December 31, 2020.

Numbers of patents by field of technology

	Image recognition AI	Genes, food, and gut microbiota	Regenerative medicine	Other	Total
Patents granted	7	4	2	2	15



Veterinarians, veterinary nurses, pharmacists, etc. various human resources are named as inventors.

- **Ranked 1st in two pet insurance ranking categories in the 2023 Oricon Customer Satisfaction® Survey**
 - **Awarded the first place in the two categories of “insurance payouts/benefits” and “OTC (over-the-counter) insurance settlement”** of the pet insurance ranking in the 2023 Oricon Customer Satisfaction® Survey released by oricon ME Inc.
 - We believe that we won first place in these two categories as our **“Animal Health Insurance Card”** received praise, not only for its **convenience of OTC (over-the-counter) insurance settlement** at participating hospitals, but also because customers keep their insurance cards as **a record of their child's growth** when their policies are renewed each year.





2. Progress of priority measures (Businesses generating synergies)

Before birth

Upstream



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, use of frozen sperms, establishment and provision of technology, 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 numbers of centers and animals handed over, coupled with a high ratio of contracts concluded)
- Business support ⇒ Provision of breeding spaces utilizing investment in development and investment management (Shippo-no-sato [tail's home]), improvement of operational efficiency, etc.
- Support for adoption of retired breeding dogs and cats ⇒ Construction & operation of shelters and establishment of scheme of adoption of dogs and cats (hugU, ani TERRACE, Shippo-no-sato, pet shops, adopt-at-hospital)

Strengthening and enhancing the matching service business (SIMNET)

- **Improved matching capabilities**
⇒ **Increased website traffic** (Utilized social media, implemented mass advertising, upgraded SEO, etc.)
Increased inquiries (Utilized app for users, released pet insurances, etc.)
Increased ratio of contracts concluded (Promoted use of online services for breeders, provided sales know how, etc.)

Results of matching service business (SIMNET) for 3Q FY03/24

- Net sales: JPY 1,695 million
- Recurring profit: JPY 191 million
- Recurring profit ratio: 11.3%

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

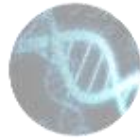


Revenue and profit increased year on year
(Net sales JPY 1,406 million and recurring profit JPY 33 million for 3Q FY03/23)



2. Progress of priority measures (Businesses generating synergies)

From day-to-day routines to curing the incurable



Midstream



Downstream



Commercializing health exams and food and products, etc.

- Over 162,000 applications were received for Doubutsu Kenkatsu service for Apr- Dec.
- Boosted needs for functional food (Anicom food) through Doubutsu Kenkatsu service.
- The number of customers with subscription plan grew due to increased visibility (sales channels are expanding)
- Breeder channel
- Anicom Group's customer channel
- Pet shop channel



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

- Animal hospital business Improved management structure by increasing sales and slashing costs
- Education & training to upgrade treatment skills
- Started orthopedic and neurosurgery treatment
- Improved the cost rate
- Regenerative medicine business
- Established treatment & preventive methods using regenerative medicine
- As of December 31, 2023, 699 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.



Addressing social issues (ESG activities)

- Used "Ukraine Pet Rescue Fund" (May)
 - The Group's donation was provided via IFAW to fund animal medical treatment of over 17,000 pets in Ukraine.
- Animal Relief Fundraising Project
 - Made donation to help pets affected by massive earthquake in Turkey/Syria. (June)
 - Carried out an animal relief fundraising project for the Morocco earthquake and Libya floods (October)
 - Carried out an animal relief fundraising project for the Noto Peninsula Earthquake (January)





3. Topics: A light for maintaining the health of aging pets

Confirmed improvement in QOL and reduction in medical costs by administering stem cells to elderly dogs

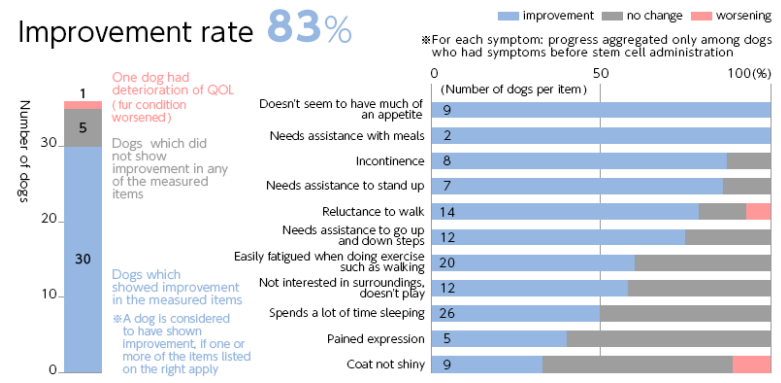
Since April 2021, Anicom Specialty Medical Institute has been providing advanced medical technology and services centered on regenerative medicine*1. As the result of many years of research, it has been confirmed that stem cell administration improves quality of life (QOL) and reduces medical costs.

*1: News release dated February 10, 2021 "Business related to animal regenerative medicine and cell therapy will be taken over by Anicom Specialty Medical Institute."

Where there was previously no treatment for the various ailments that accompany aging, these results indicate that it may be possible to extend the length of time that pets live in good health by administering stem cells.

QOL improvement effect

36 dogs of 9 years or older, and 11 items related to eating, walking, etc. were compared before and one month after administration. 83% (30 dogs) of the treated dogs showed improvement in some items.



■ An example of a dog that underwent stem cell administration (15-year-old Shiba Inu)



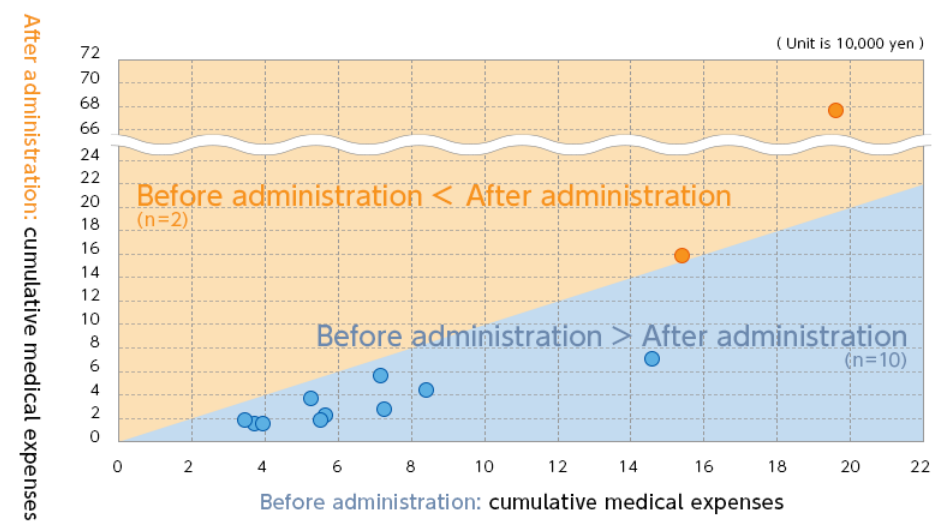
Walking awkwardly and slowly.



Walking naturally using all four legs. His walking speed also increased.

Medical cost control effect

We compared the medical costs at veterinary hospitals for the six months before and the six months following stem cell treatment for 12 animals over the age of 11. We found that medical costs decreased for 10 animals. Although medical costs usually increase with age, medical costs here decreased. This suggests that stem cell administration has a rejuvenating effect.

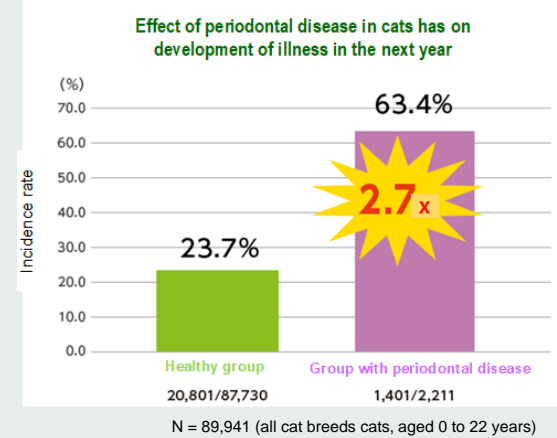
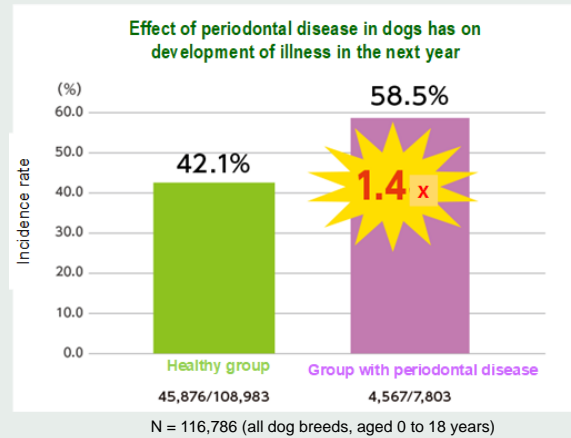




3. Topics: Released toothpaste gel “CRYSTAL JOY”

Periodontal disease can lead to more serious diseases

Statistics clearly show “periodontal disease can lead to more serious diseases.”



Joint development of toothpaste gel “CRYSTAL JOY” using MA-T™ with Earth Corporation



*The image is for illustrative purposes.

■ **MA-T™**(Matching Transformation System®)
 By generating the required amount of active species (aqueous radicals) from chlorite ions at the required time, MA-T™ enables inactivation of viruses including epidemic viruses, and elimination of various germs (bacteria). The technology is anticipated to have a wide range of applications, not only in the area of infection control, but also in the areas of medicine and life sciences, agriculture and forestry, and energy.



3. Topics: Shareholder return policy and progress of repurchase of the Company's shares

Achieve even higher corporate value in line with the management vision in the second founding period phase

- Allocation of approximately 4.0 billion yen in excess of the appropriate capital level due to the discovery of SMR calculation errors to share repurchases in stages*
 - *FY2023: 1.0 billion yen (completed in September 2023), FY2024: approximately 3.0 billion yen
- Aim to gradually improve dividend payout ratio (FY2024 plan: dividend payout ratio at the level of 20%)
- Optimal capital allocation will be considered again after the new SMR is finalized in 2025.

SMR (Solvency Margin Ratio)
ROR (Return On Risk)

FY2021 result: SMR 334.6%

▼

FY2024 target:
SMR 300-320%

▼

FY2030 vision:
Planning to calculate using new SMR

ROR focused management



ROE (Return On Equity)

FY2021 result: 8.0%

▼

FY2024 target:
around **10%**

▼

FY2030 vision:
12-15%

**ROE in excess of capital cost
Predicated on equity spread**

Shareholder returns (dividend payout ratio / DOE)

FY2021 result: Dividend payout ratio 9.6% (after dividend increase) >

FY2024 target: **Dividend payout ratio around 20%** >

FY2030 vision: **Replace dividend payout ratio with disclosure of dividend on equity (DOE) ratio**

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

	3Q FY03/23	End-FY03/23	3Q FY03/24	Vs. previous year		Vs. previous year-end		End-FY03/24 (forecast as of May 10)
				Numbers	Rate	Numbers	Rate	
(1) Policies in force	1,094,863	1,113,144	1,172,819	77,956	7.1 %	59,675	5.4 %	1,200,000
(2) New policies	164,643	218,695	165,842	1,199	0.7 %	-	-	220,000
(3) Renewal rate	88.1 %	88.2 %	88.2 %	-	-	-	-	88.5 %
(4) Insurance payout cases	3,195 ,000	4,216 ,000	3,317 ,000	121 ,000	3.8 %	-	-	4,429 ,000

	3Q FY03/23	3Q FY03/24	YoY Change	End-FY03/24 (forecast as of May 10)
(5) E/I loss ratio	59.8 %	60.7 %	0.9 pt	59.8 %
(6) Expense ratio (based on earned premiums)	35.1 %	33.4 %	-1.7 pt	33.7 %
(7) Combined ratio (based on earned premiums)	94.9 %	94.1 %	-0.8 pt	93.5 %

	End-FY03/23	3Q FY03/24	YoY Change
(8) Solvency margin ratio (non-consolidated)*	373.1 %	323.0 %	-50.1 pt

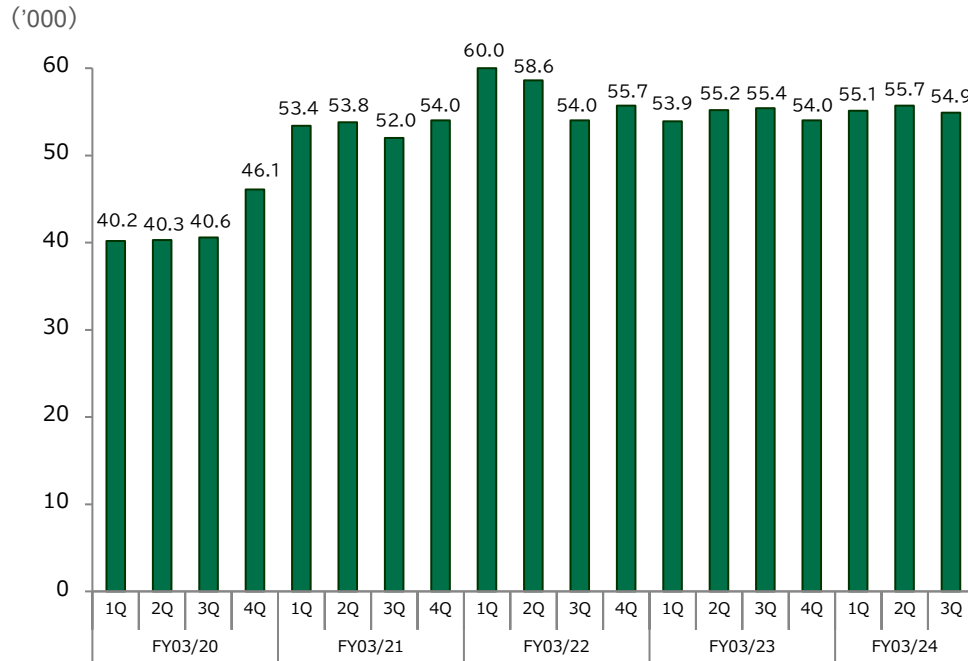
* SMR for 3Q FY03/24 decreased by 50.1 points from the end of FY03/23. This is because the items in the total amount of solvency margin, "stated capital or funds, etc." and "other (tax-effect equivalent amount)," decreased as a result of the payment of interim dividend by Anicom Insurance to the parent company.

	3Q FY03/23	3Q FY03/24	YoY Change
(9) No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	156,271	162,985	4.3 %
(10) Animal hospitals accepting Anicom	6,768	6,851	1.2 %
(11) No. of samples for genetic testing	74,638	51,632	-30.8 %

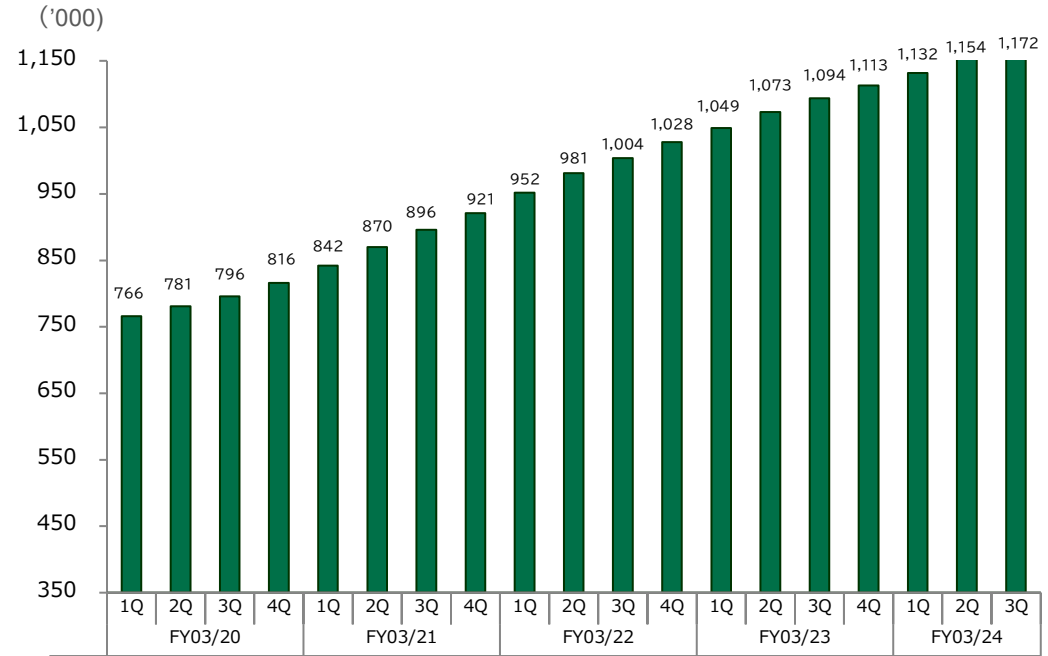
2. Anicom Insurance (non-consolidated): Recurring revenue indicators



Quarterly trend in number of new policies



Quarterly trend in number of policies in force



The number of new policies increased steadily

On a combined newborn/general channels basis, the number of new policies topped 165,000 (1-3Q), achieving steady growth. Achieving strong progress of 75.4% against the annual target of 220,000.

Number of policies in force

The number of policies in force totaled 1,172,000, steadily progressing toward the annual target of 1,200,000.



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

[Reference information]

1Q FY03/15

- Raised premium rate
- Average revision of 12%

3Q FY03/15

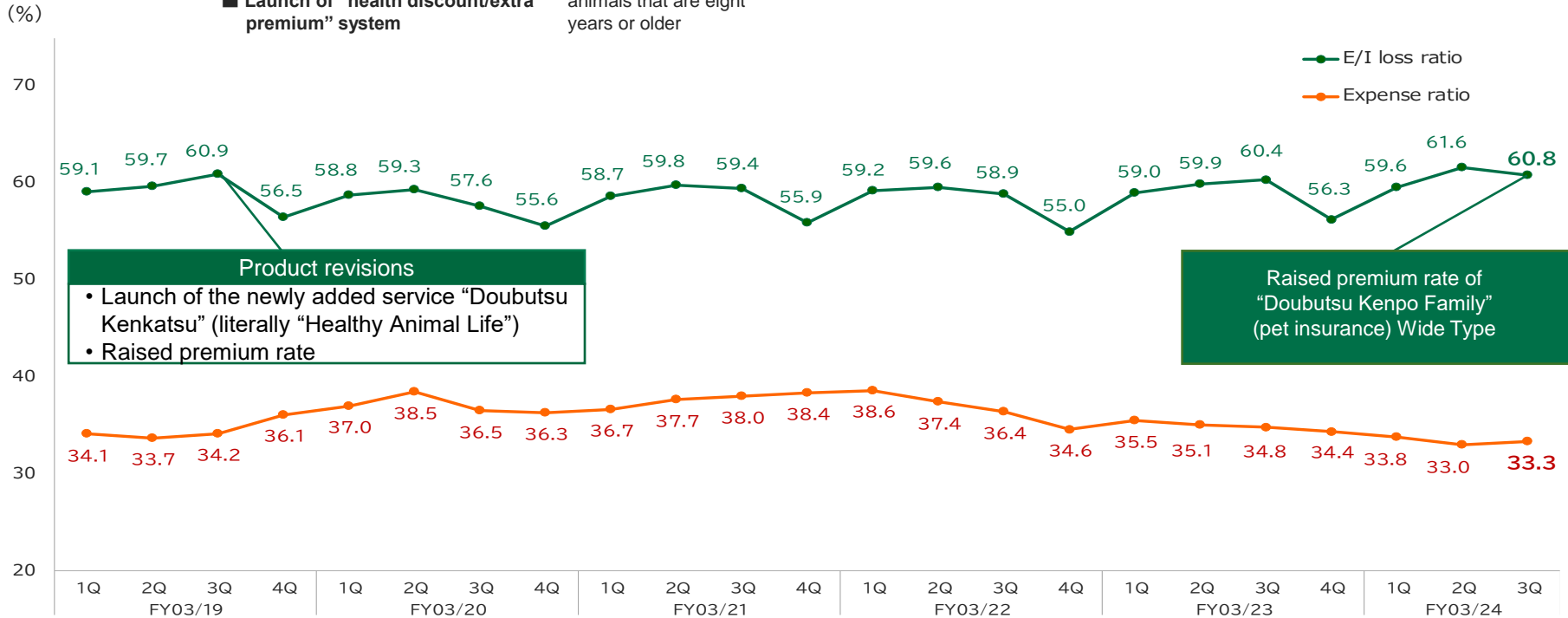
- New products with limited hospital days
- Launch of "health discount/extra premium" system

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).



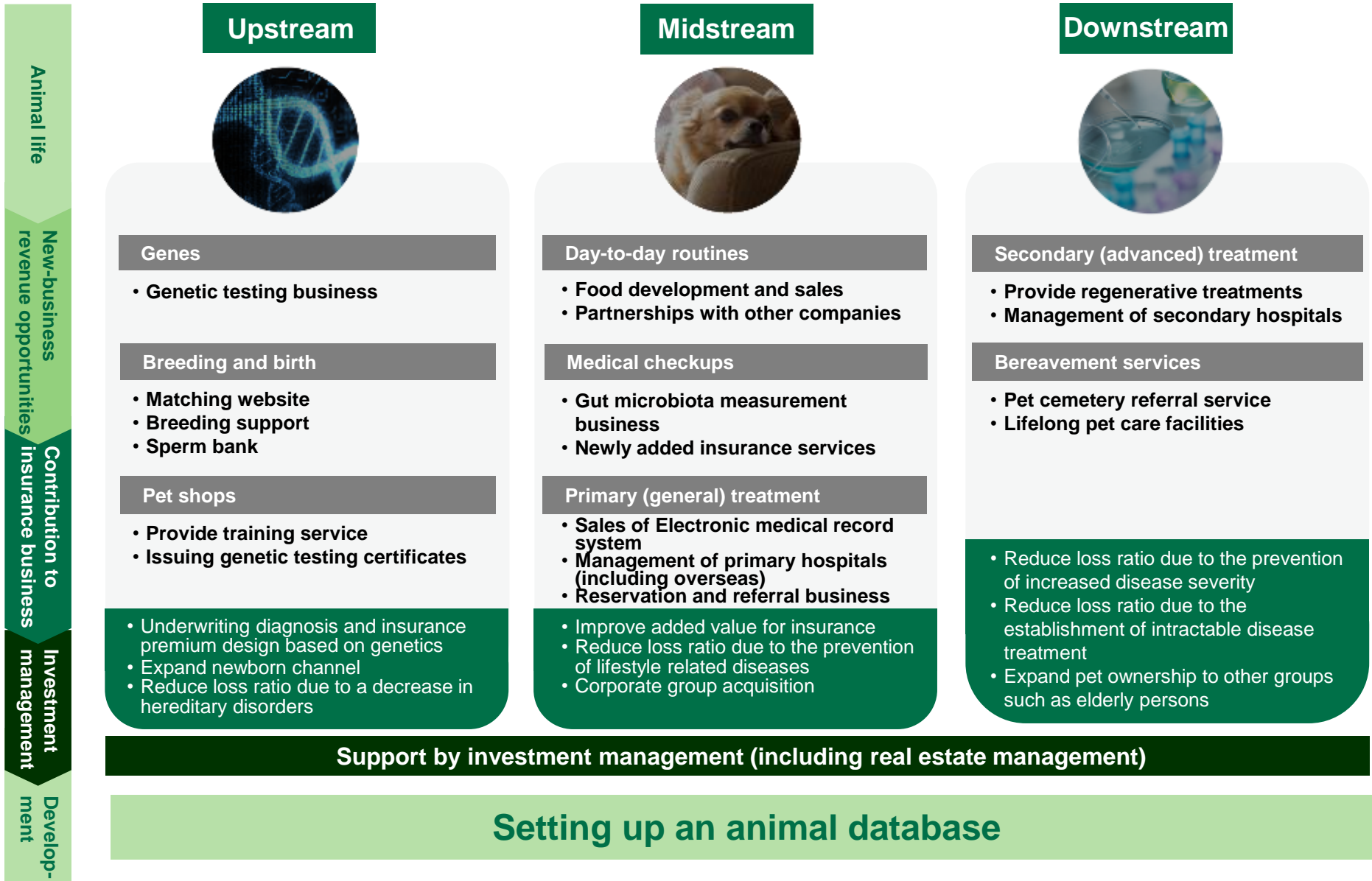
E/I loss ratio

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 disaster, 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. Peripheral new-business revenue opportunities and synergy with pet insurance

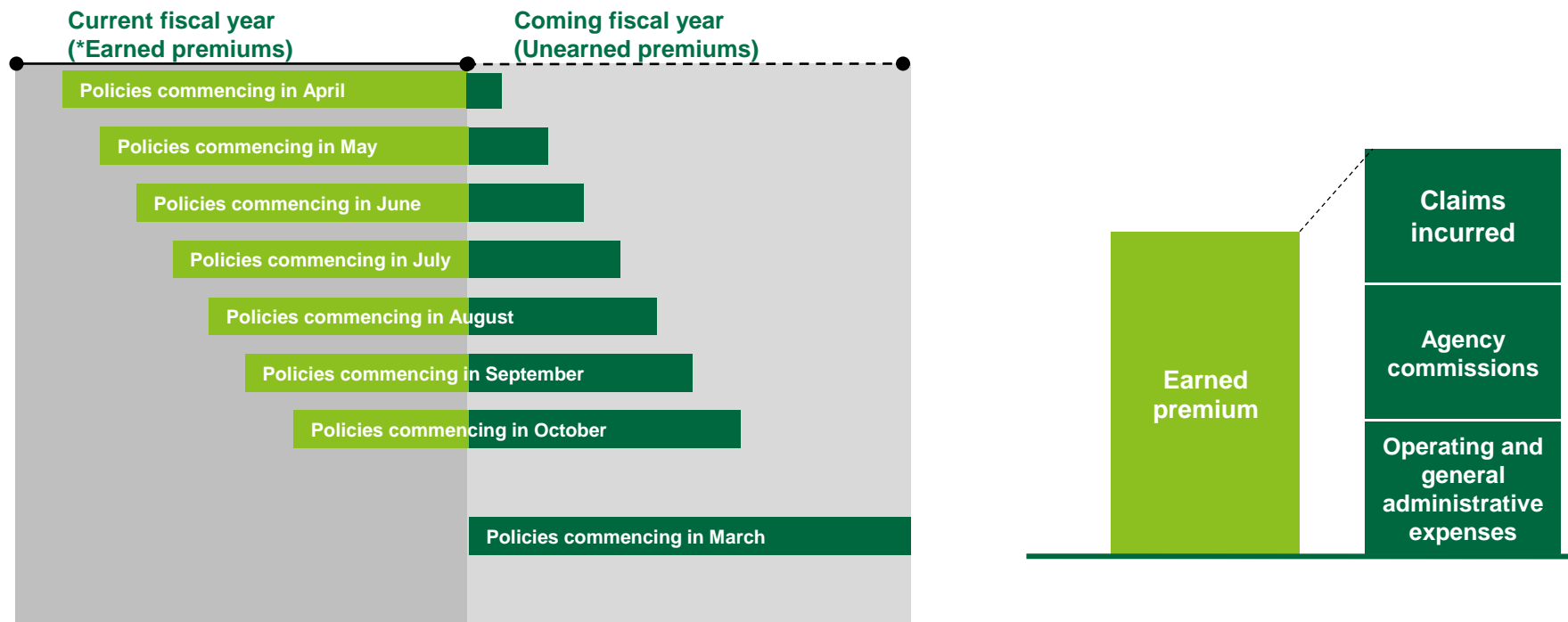


(Reference) Impact of insurance accounting on recurring profits/losses



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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