

1 Q FY03/25

Financial Report

August 7, 2024



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Progress of priority measures

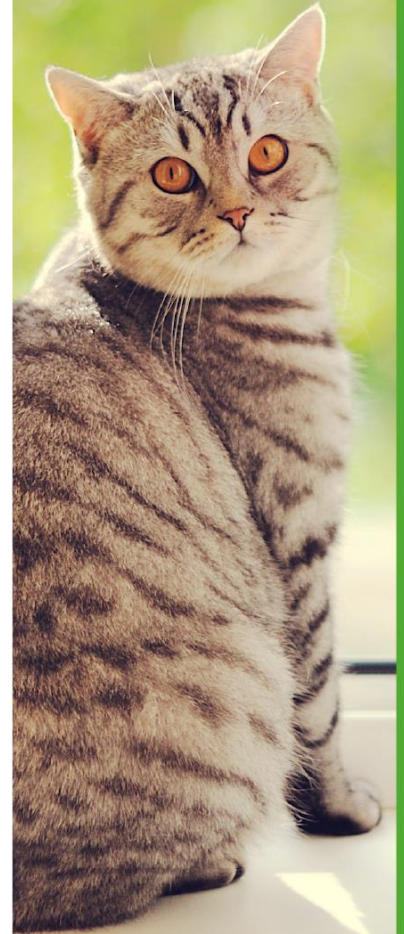
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APPENDIX

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Results Overview

- 1. Overall summary (Recurring revenue and recurring profit)**
- 2. Income statement summary**
- 3. Recurring expenses and profit indicators**
- 4. Factors of changes in recurring profit
(Comparison analysis with 1Q FY03/24 results)**
- 5. Balance sheet summary**





1. Overall summary (Recurring revenue and recurring profit)

Recurring revenue	<p>16,519 Million JPY</p> <p>+11.1% YoY (+1,651 million JPY)</p> <p>Of which, underwriting revenue: +7.7% YoY (+1,024 million JPY)</p>
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Recurring profit before amortization of goodwill	<p>1,682 Million JPY</p> <p>+34.3% YoY (+429 million JPY)</p>
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Recurring profit	<p>1,620 Million JPY</p> <p>+34.8% YoY (+418 million JPY)</p>
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Steadily turned robust demand for pet ownership into an increase in the number of new policies, while improving operational efficiency, to achieve increases both in revenue and profit.

- **Recurring revenue**
 - For Apr–Jun, the number of new policies was **57,000** and the number of policies in force totaled **1,213,000 (+7.1%)**, **showing continuous growth at a solid pace.**
 - Outside the insurance business, other recurring revenue **grew steadily** to JPY 1,871 million (+32.3%).
 - Investment revenue was JPY 295 million (+134.3%), **progressing in line with the plan** through agile investment management under uncertain market conditions.
- **Recurring profit**
 - We secured **significant profit growth, progressing in line with the plan** due to improved policy acquisition cost and improved efficiency of business operations.

2. Income statement summary



	1Q FY03/24	1Q FY03/25	(JPYmn) Change	
Recurring revenue	14,868	16,519	11.1	%
Underwriting revenue	13,326	14,351	7.7	%
Investment revenue	126	295	134.3	%
Other recurring revenue	1,414	1,871	32.3	%
Recurring expenses	13,666	14,899	9.0	%
Underwriting expenses	9,265	10,016	8.1	%
• Net claims paid	(7,346)	(8,045)	9.5	%
• Loss adjustment expenses	(268)	(277)	3.5	%
• Net commission and collection expenses	(1,291)	(1,330)	3.0	%
• Provision for reserve for outstanding losses and claims	(91)	(154)	68.2	%
• Provision for underwriting reserves	(268)	(208)	- 22.1	%
Of which unearned premiums	(448)	(532)	18.6	%
Of which catastrophe reserve	(-180)	(-323)	-	%
Investment expenses	-	-	-	%
Operating and general administrative expenses	3,918	4,183	6.8	%
Other recurring expenses	482	699	45.1	%
Recurring profit before amortization of goodwill	1,252	1,682	34.3	%
Recurring profit	1,201	1,620	34.8	%
Net profit	811	1,111	37.0	%

2. Income statement summary



(Reference) Anicom Insurance's key insurance indicators

(JPYmn)

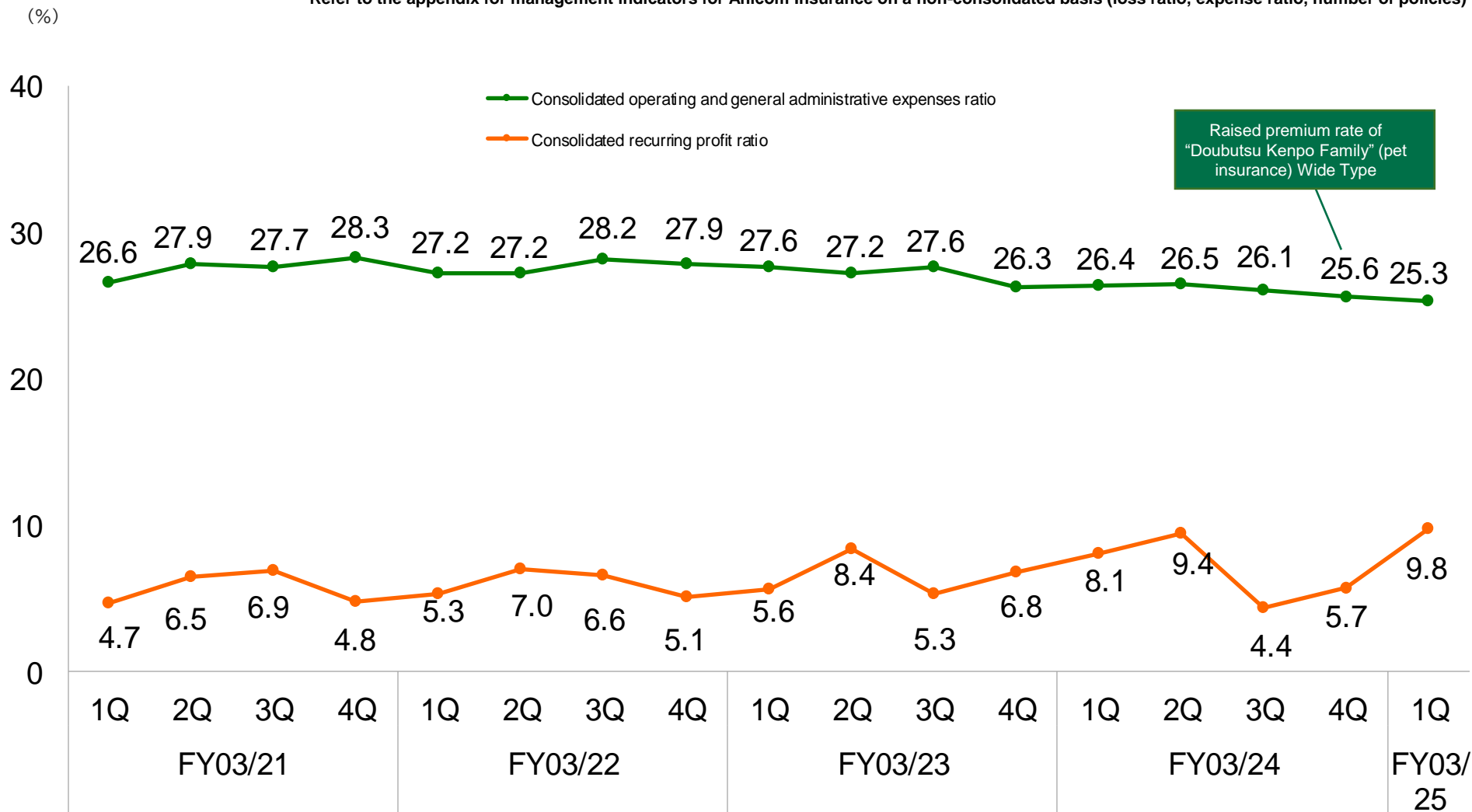
	1Q FY03/24	1Q FY03/25	Change
Earned premiums	12,927	13,884	7.4%
Claims incurred (including loss adjustment expenses)	7,705	8,476	10.0%
E/I loss ratio (1)	59.6%	61.1%	1.5%
Expense ratio (based on earned premiums) (2)	33.8%	32.8%	-1.0pt
(of which, net commission and collection expense ratio)	(10.3%)	(10.0%)	(-0.3pt)
Combined ratio (based on earned premiums) (1)+(2)	93.4%	93.9%	0.5pt

3. 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)



Raised premium rate of "Doubutsu Kenpo Family" (pet insurance) Wide Type

4. Factors of changes in recurring profit

(Comparison analysis with 1Q FY03/24 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



5. Balance sheet summary



	End-FY03/24	End-1Q FY03/25	Change
Total assets	66,357	65,882	- 0.7 %
Cash and bank deposits	23,879	21,604	- 9.5 %
Marketable securities	27,510	26,666	- 3.1 %
Fixed assets	6,925	6,988	0.9 %
Other assets	8,041	10,623	32.1 %
Total liabilities	36,204	35,669	- 1.6 %
Reserve for insurance policy liabilities	24,551	24,914	1.5 %
Of which loss reserves	3,245	3,399	4.7 %
Of which underwriting reserves	21,305	21,514	1.0 %
Corporate bonds	5,000	5,000	— %
Other liabilities	6,653	5,755	- 13.5 %
Total net assets	30,152	30,212	0.2 %
Shareholders' equity	31,144	31,479	1.1 %
Valuation and transaction adjustments	- 1,248	- 1,510	— %
Other	256	243	- 5.2 %
Total liabilities and net assets	66,357	65,882	- 0.7 %

2 Progress of Priority Measures

1. Progress of priority measures (Insurance business, investment, other)
2. Progress of priority measures (Synergistic businesses)
3. Topics





1. Progress of priority measures (Insurance business, Investment, Other)

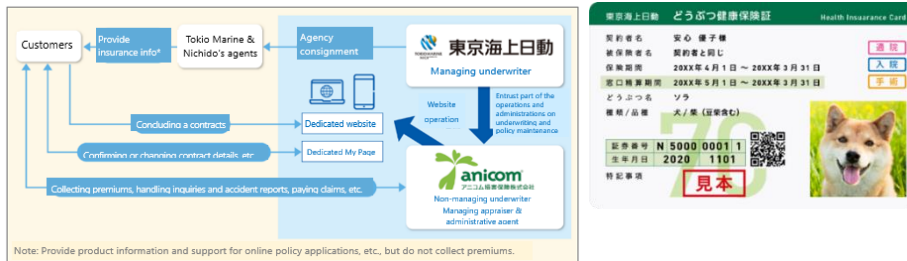
Insurance Business

Numbers of new policies and policies in force

- The number of new policies totaled over 57,000 for Apr–Jun, and the number of policies in force exceeded 1.21 million as of June 30, 2024.

Expanding and strengthening sales channels

- Started collaborative sales of pet insurance with Tokio Marine & Nichido Fire Insurance.



Note: Provide product information and support for online policy applications, etc., but do not collect premiums.

- Concluded a business alliance agreement with Sony Assurance to co-develop pet insurance products.
- Concluded a business alliance agreement with AXA GENERAL INSURANCE COMPANY (AXA DIRECT) regarding pet insurance business.

Expanding products and services

- Launch of online insurance claim filing services enhanced customer convenience along with existing “over-the-counter (OTC) insurance settlement” and claims via LINE app.
- Owing to a steady increase in *Doubutsu Kenkatsu* applications, the renewal rate remained stable and high for Apr-Jun at 88.1%.

Investment

- As a result of flexible and opportunistic investment, we achieved the plan. We are progressing at a pace to achieve the plan while steadily accumulating income gains.

Other

- Promotion of the “strategy of one patent per employee”
131 inventors as of June 30, 2024 (13 inventors as of December 31, 2020)

Numbers of patents granted by field of technology *As of June 30, 2024

	Image recognition AI	Genes, food, and gut microbiota	Regenerative medicine	Other	Total
Patents granted	7	6	3	3	19

* Our latest image recognition AI patent is featured in the Topics section on p. 15.



2. Progress of priority measures (Synergistic businesses)

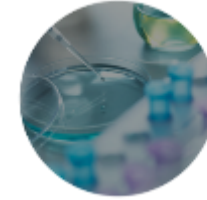
Before birth Upstream



Day-to-day routines Midstream



Curing the incurable Downstream



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.

Strengthening the matching service business

- With demand remained strong, contracts of “Minna no Breeder” and “Minna no Koneko Breeder” grew steadily.



Health checkups + commercialization of oral and intestinal care products

- Over 59,000 applications were received for Doubutsu Kenkatsu service for Apr-Jun.
- Test-marketed new oral and intestinal care products through Doubutsu Kenkatsu.
- Held tasting events at various locations for “7 Days Food,” which increases the diversity of intestinal flora.

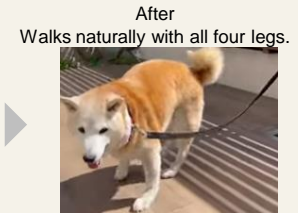


Customers' feedback

- My pet usually never eats sample food, but ate this right away. I'm going to buy this.
- My pet quickly gets bored with the food. This product is attractive as I can feed a different flavor every day.

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

- **Regenerative medicine business**
 - We established medical treatment and prevention methods using regenerative medicine.
 - Conducted research to improve quality of life
- Case of a dog underwent stem cell administration (15-year old Shiba inu)



- **Animal hospital business** **57 hospitals as of June 30, 2024**

- Promoted “CRYSTAL JOY,” a toothpaste gel that uses MA-T® at our group animal hospitals.



■ Results of customer survey (Continuous use for 2 weeks)

- Of the respondents,
- **Approx. 80%** noticed an improvement in bad breath
 - **Approx. 30%** noticed an improvement in scale deposition
 - **Approx. 30%** noticed an improvement in tartar buildup

Results of the matching service business (SIMNET) for 1Q FY03/25

■ Net sales: **729 million JPY**

(1Q FY03/24: 509 million JPY)

■ Recurring profit: **146 million JPY**

(1Q FY03/24: -2 million JPY)

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

3. Topics (1) Creating new values through utilization of data



Opened call for joint research on prevention of all diseases including cancer

Periodontal disease-associated bacteria were found in dog's gut microbiota. Prevalence of almost all diseases increased in the group detected to have the bacteria.

Overview of the study

We started accepting applications for participants in the **Joint Research on Prevention of All Diseases Including Cancer**, based on the results of a study conducted by the Group on the relationship between the oral & intestinal environment of dogs and the risk of developing cancer. Through the joint research, we examine the potential for preventing cancer and other diseases through oral care, and **engage in research and awareness-raising activities for the prevention of cancer in pets, and humans as well**, while also promoting approaches other than oral care, **aiming to prevent all diseases, including cancer**.

The study found that the oral & intestinal environment of dogs is closely related to the prevalence of almost all diseases including cancer. The results of the study was **presented at the 78th Annual Meeting of Japanese Stomatological Society** held on July 20, 2024.



Key Topics of the Study

1. Percentage of dogs found to have periodontal disease-associated bacteria in their gut microbiota:

12%

The rate increases with age.

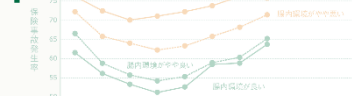
※このグラフは2019年10月～2022年12月の実数に基づいており、2021年10月～2022年12月の段階での推定値は含まれていません。
※このグラフは年齢別、性別別の割合を示しています。
※年齢別割合は「12歳以上の犬」を基準として算出されています。

2. Presence of periodontal disease-associated bacteria in intestines, increases the prevalence in



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3. The lower the diversity of gut bacteria, the higher the prevalence of diseases.



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4. Periodontal disease was found to be a cause of decline in the diversity of gut bacteria.



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※年齢別割合は「12歳以上の犬」を基準として算出されています。

5. Condition of the intestinal environment and the presence of periodontal disease-associated bacteria are related also to the risk of neoplastic disease.



Comments from a professor who expressed intention to participate in the joint research



Dr. Takayoshi Sakai (Professor of Dept. of Rehabilitation for Orofacial Disorders, Osaka University Graduate School of Dentistry)

As periodontal disease is inevitable for dogs, they are model animal for natural development of periodontal disease. The disease is a chronic micro-inflammation that is difficult to visualize. Bacteria, toxins, and inflammatory proteins spread through micropores to the entire body via blood vessels. Data from preliminary experiments shows that dogs with periodontal disease bacteria are more likely to develop multiple diseases including cancer. A large-scale study will be launched aiming at preventing diseases by suppressing periodontal disease bacteria through oral care using MA-T®. As a researcher, I would like to keep an eye on this project, which aims to promote the health of animals and people.



3. Topics (2) Creating new values through utilization of data

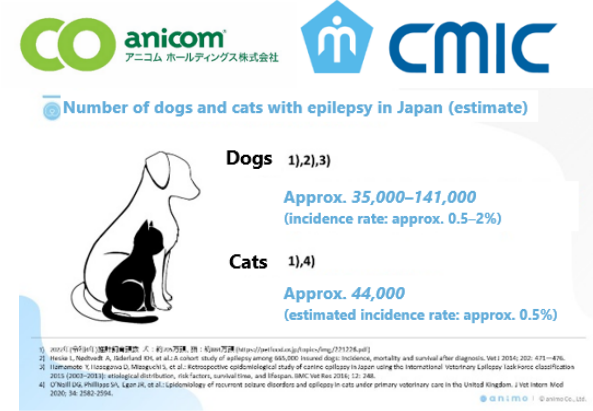
Concluded a basic agreement with CMIC Holdings for centrally managing information on pets

■ Background to the agreement

We aim to contribute to further development of veterinary medicine and achieving smooth communications among pets, their owners, family doctors, and specialized doctors by combining CMIC’s know-how in providing services in the field of medical healthcare and our know-how in the pet industry including veterinary medicine.

■ Specific items to be considered

- (1) Realizing services that contribute to the development of epilepsy treatment in veterinary medicine
- (2) Realizing new services in the support for drug development for veterinary use



Launched joint research with CareSix Co., Ltd and Cho & Company

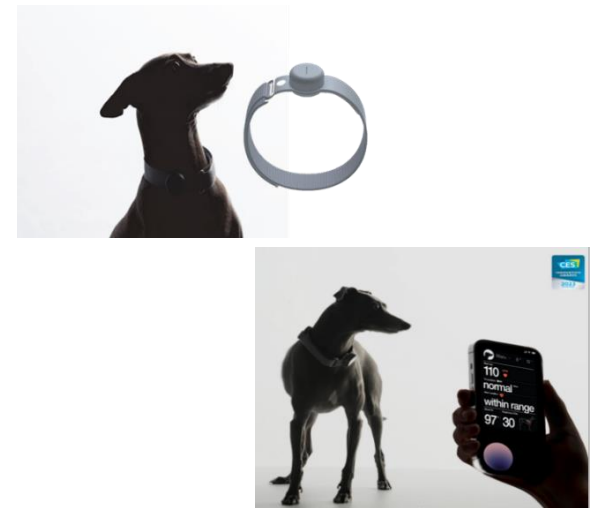
Aiming to build algorithms for health management using smart devices for dogs

■ Overview and background

Using Cotons AI “Sense 1,” we will collect biological data and activity data of adult dogs and puppies, mainly at breeding facilities. These data and activity information gathered from video cameras and behavioral observation are analyzed using Anicom’s machine learning and other technologies to detect a deterioration in health and signs of illness, aiming to build algorithms that will help manage the health of the dogs.

■ About Cotons AI “Sense 1”

“Sense 1” is a smart collar for dogs developed by CareSix. This device tracks a dog’s biosignals such as heart rate, respiration rate, body temperature, and activity level, which can be monitored via a dedicated app on a smartphone or a web browser. The product won the Innovation Award at CES 2023, one of the world’s largest trade shows for consumer electronics and IT.





3. Topics (3) Creating new values through utilization of AI

Granted a patent for an AI-based system that judges emotions in pets from their videos.

■ Background to the development

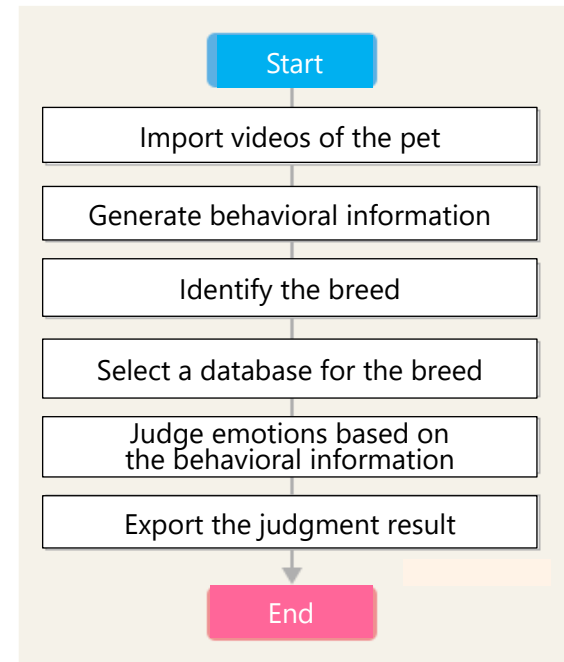
Pets have unique personalities and emotions. If owners can properly understand the emotions in their pets, their mutual communications will be smoother and deeper, possibly leading to the elimination of misunderstandings, mismatches, and eventually abandoned pets, which has become a social issue.

However, it is not easy for humans to correctly understand what their pets are thinking and feeling because pets do not speak the same language as humans. This system is expected to allow for deeper communications between pet owners and their pets.



An American Shorthair judged by AI to be “happy” and “trying to get attention”.

Example of the emotion judgement flow using the system





3. Topics (4) Capital policy and shareholder returns

Status of Repurchase of the Company's Shares

■ Outline

- On May 25, 2023, the Company decided on a policy to allocate approx. 4.0 billion yen, an amount resulting from SMR calculation errors, to share repurchases.
- For FY2023, the Company completed purchase of treasury shares of up to 1.0 billion yen by September 21, 2023.
- For FY2024, the Company plans repurchases of up to the remaining 3.0 billion yen between May 27, 2024 and March 31, 2025.
- **As of June 30, 2024, the Company has purchased its own shares of approx. 340 million yen.**

■ Mid-term Management Plan: Capital allocation policy



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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)





1. Major management indicators

	1Q FY03/24	End-FY03/24	1Q FY03/25	Vs. previous year		Vs. previous year-end	
				Numbers	Rate	Numbers	Rate
(1) Policies in force	1,132,856	1,193,560	1,213,737	80,881	7.1%	20,177	1.7%
(2) New policies	55,161	223,289	57,986	2,825	5.1%	-	-
(3) Renewal rate	88.1%	88.2%	88.1%	-	-	-	-
(4) Insurnce payout cases	1,072,000	4,381,000	1,116,000	43,000	4.0%	-	-

End-FY03/25 (forecast as of May 9)
1,280,000
230,000
88.2%
4,800,000

	1Q FY03/24	1Q FY03/25	YoY Change
(5) E/I loss ratio	59.6%	61.1%	1.5 pt
(6) Expense ratio (based on earned premiums)	33.8%	32.8%	-1.0 pt
(7) Combined ratio (based on earned premiums)	93.4%	93.9%	0.5 pt

End-FY03/25 (forecast as of May 9)
60.9%
32.3%
93.2%

	End-FY03/24	1Q FY03/25	Vs. previous year-end
(8) Solvency margin ratio (non-consolidated)*	333.7 %	332.8 %	- 0.9 pt

* SMR at the end of FY03/24 decreased by 39.4 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.

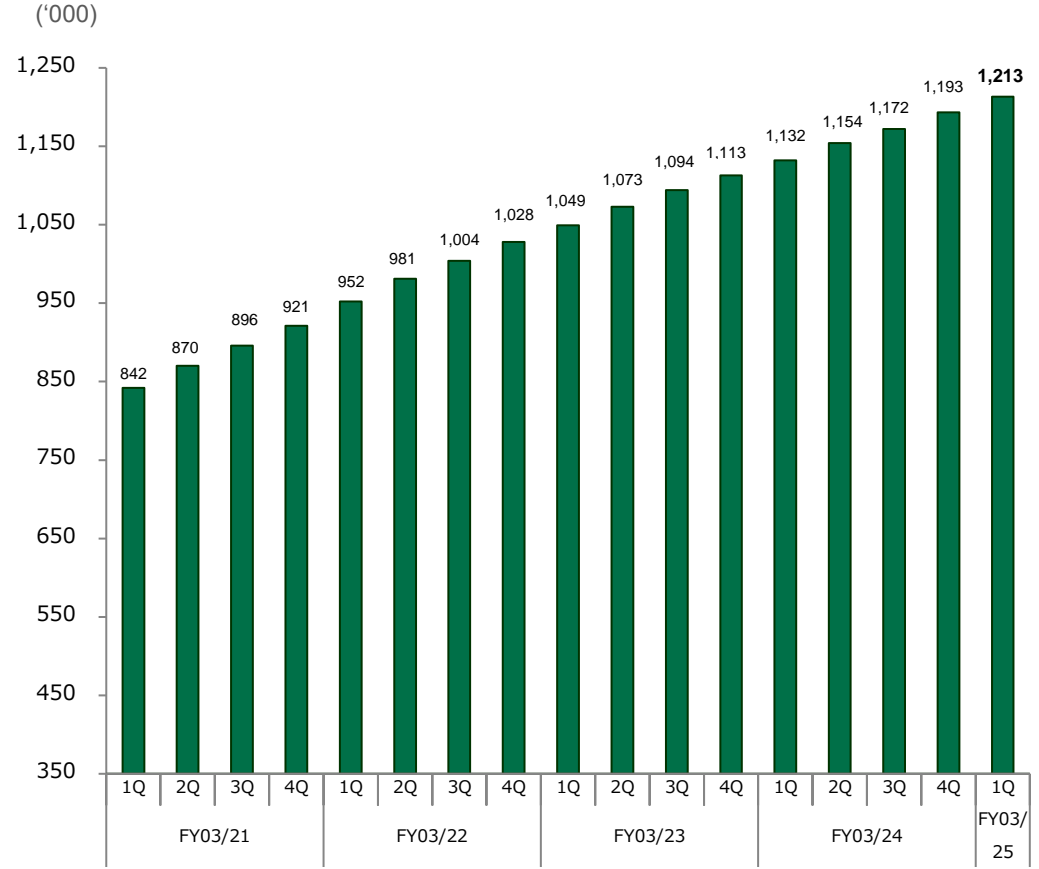
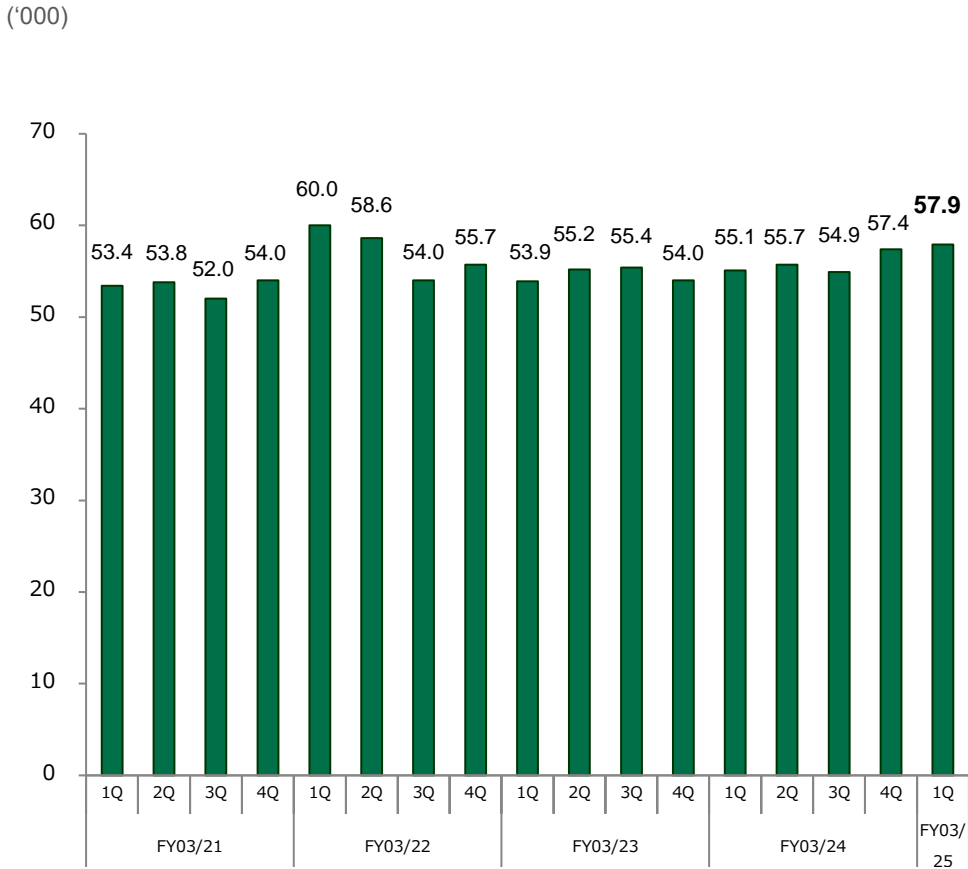
	1Q FY03/24	1Q FY03/25	YoY Change
(9) No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	55,281	59,431	7.5%
(10) Animal hospitals accepting Anicom	6,830	6,908	1.1%
(11) No. of samples for genetic testing	16,798	18,014	7.2%

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



Quarterly trend in number of new policies

Quarterly trend in number of policies in force



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



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).

[Reference information]

1Q FY03/15

- Raised premium rate
- Average revision of 12%

3Q FY03/15

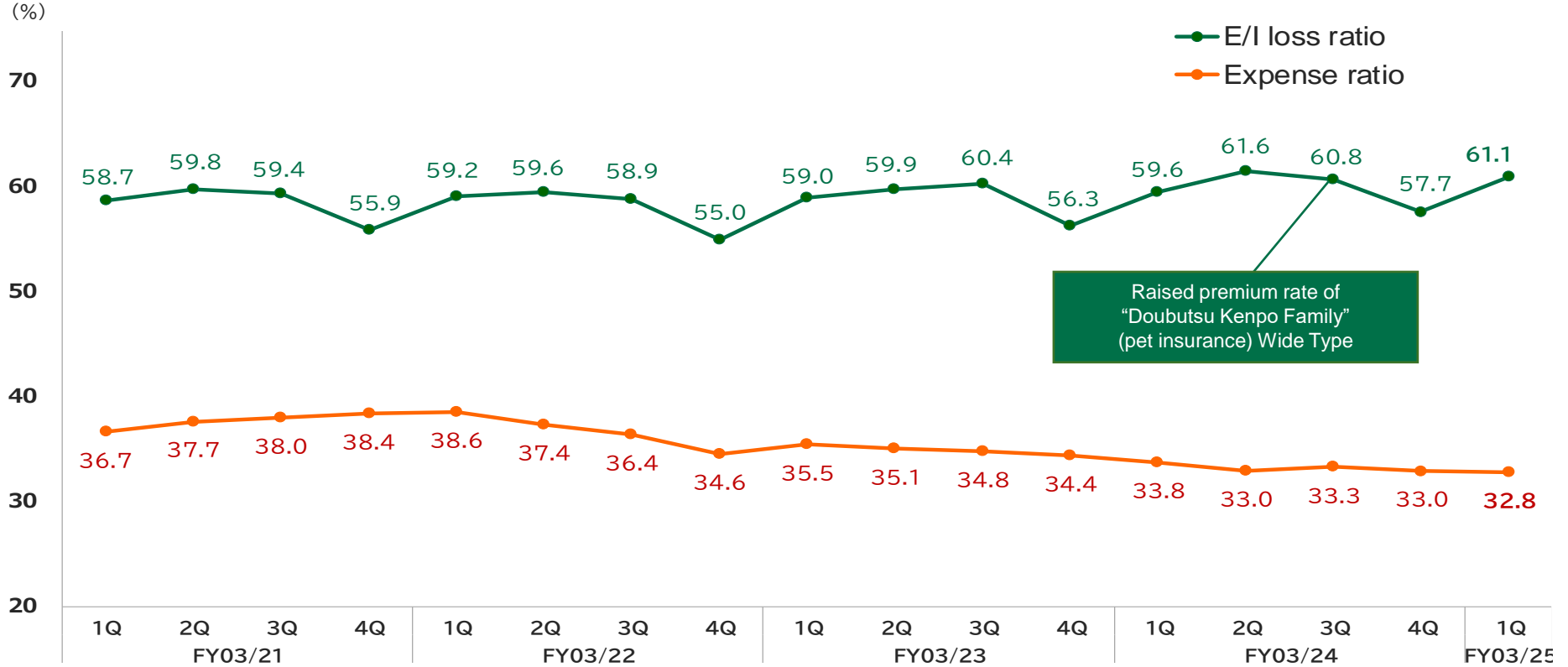
- New products with limited hospital days
- Launch of “health discount/extra premium” system

2Q FY03/18

- Raised premium rate
- Raised premium rate for animals that are eight years or older

3Q FY03/19

- Launch of “Doubutsu Kenkatsu”
- Raised premium rate
- Revised premiums and breed classes

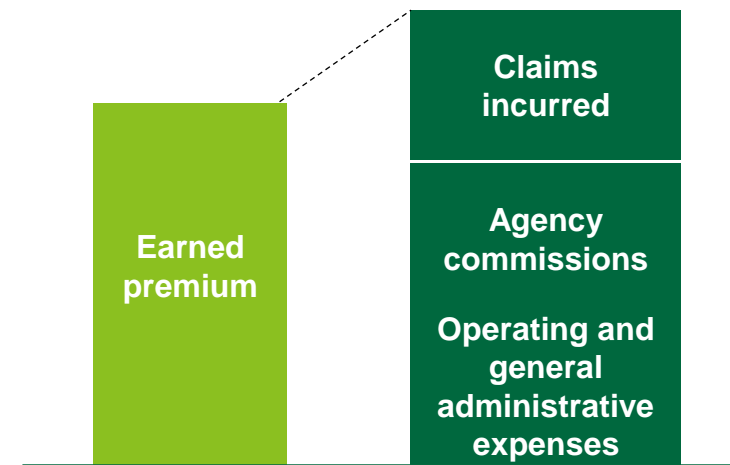
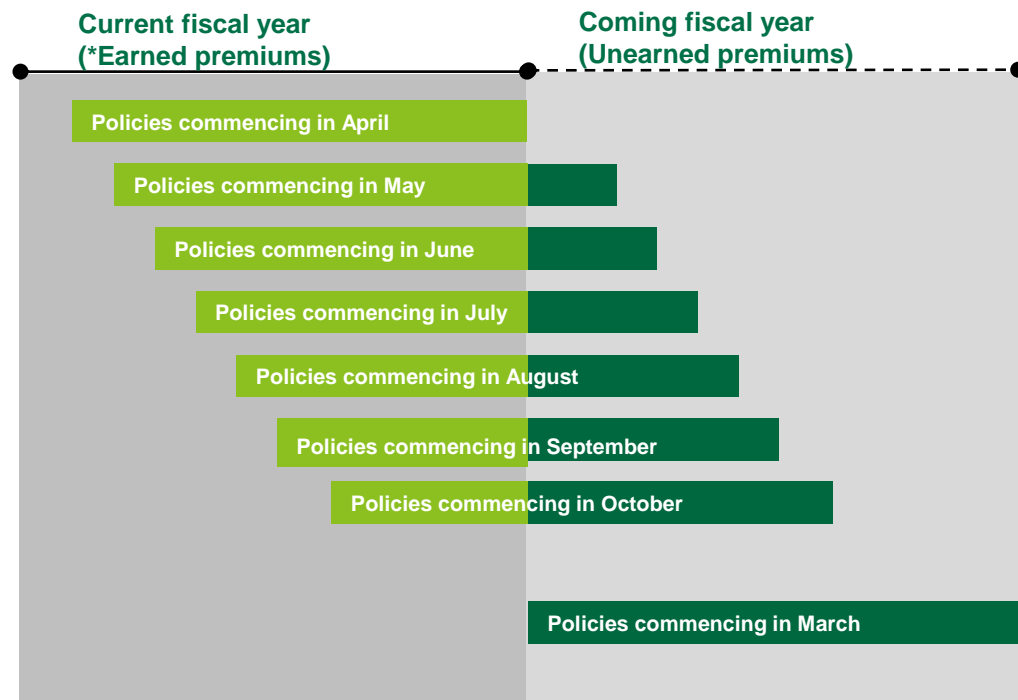


(Reference) Impact of insurance accounting on recurring profits/losses



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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