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Anicom Holdings

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Executive summary

Business overview

Anicom Holdings comprises a group of non-life insurers that sell pet insurance to general consumers to cover a certain percentage of treatment or hospitalization costs at veterinary hospitals (for a period of one year) mainly for dogs, cats, and other household pets. Founded in 2000, the company now holds a 40–50% share of the domestic pet insurance market (on a recurring revenue basis). Its operations include the non-life insurance business (91.0% of recurring revenue in FY03/24), Online Pet Services (3.4%), and other businesses (5.6%). In FY03/24, recurring revenue was JPY60.4bn, recurring profit was JPY4.2bn, and the recurring profit margin was 6.9%.

Anicom's mainstay pet insurance products reimburse policyholders for a fixed proportion of the expenses incurred in connection with the medical treatment (including surgery) of their pets in the event of illness or injury (for up to one year). Pet insurance is similar to the personal health insurance available from third-sector insurance companies, but under Japanese law is considered to be a kind of non-life insurance, that is, insurance that compensates the insured party for damages suffered as a result of unexpected events. The majority of insured pets are dogs and cats. Insurance products covering pet injury risk were originally managed by mutual aid associations. After the 2005 revision of the Insurance Business Law, these associations were reorganized into non-life insurance companies and small-amount, short-term insurers, and new market entry was allowed. The company mainly competes with five other non-life insurance companies, like Anicom licensed by the Financial Services Agency to handle pet insurance. However, 11 small-amount, short-term insurers registered with the Finance Bureau also compete.

Anicom's mainstay pet insurance sales and underwriting business is a recurring-revenue business that generates revenue from monthly premiums paid after the insurance contract is signed. This means top-line revenue is determined simply by the number of insurance contracts in force and the premiums paid; insurance accounting comes into play when calculating earnings, however. Revenue from insurance premiums is booked first, then after paying claims (the cost of revenue), additions to underwriting reserves must be made for unearned premiums to cover claims in future periods; these reserves are carried forward to bridge the gap between the time premiums are received and income is earned.

On the expense front, management of the loss ratio is key because earnings are impacted by the amount of insurance claims paid. Pet insurance claims are marked by being small and frequent. An insurer's competitive advantage thus depends on how efficiently it can manage payout operations. In 2008, Anicom launched an over-the-counter (OTC) insurance payout system that allows policyholders to pay only a copayment by presenting their pet's insurance card at the vet's reception desk—this has become the industry a de facto standard for policyholder membership and insurance payouts and has helped stabilize the company's loss ratio.

In addition, the company is building its presence in the prevention of pet injury and disease. All pet injury and disease is caused by a combination of genetic and environmental factors. The company believes genetic factors account for a significant portion of net insurance payouts. The company believes that if it can eliminate such factors, this will push down annual claims paid. In addition to its Dobutsu Kenkatsu health management service for pets, the company believes it can curb claims paid by adding new medical checkup services for various disease types. By adding value in this way, the company looks to acquire new policyholders and shore up its renewal rate while also seeing a decline in total claims paid and add-on service costs, leading to a lower combined ratio.

The company's management vision for the completion of its second founding phase in FY2030 (FY03/20 and beyond) is to provide society with unlimited value as an infrastructure player that connects the upstream and downstream markets in the animal industry. In its second founding phase, the company aims to create new corporate value and achieve high growth through the pet insurance business and businesses that generate synergies. In the latter, it plans to develop and sell pet foods, expand matching sites, expand the genetic testing business, commercialize breeding support, promote the animal hospital business, commercialize and expand regenerative medicine, while also pursuing other businesses (real estate management, lifelong pet care facilities, etc.). The company seeks to create synergy between its two businesses to become a prevention insurance group that analyzes illnesses and injuries based on a range of data to understand pet health.

Earnings trends

In FY03/24, Anicom reported consolidated recurring revenue of JPY60.4bn (+JPY3.9bn or +6.9% YoY), due to an increase of JPY3.5bn in underwriting revenue, a decrease of JPY101mn in investment revenue, and an increase of JPY518mn in other recurring revenue. Policies in force increased 7.2% YoY to 1,193,560, and new policy acquisition was up 2.1% YoY to

223,289, steadily, as the company focused on strengthening its sales channel activities, coupled with the continued strong demand for pet ownership. Revenue from businesses for veterinary hospitals and breeder matching websites has grown, and other recurring revenue has increased smoothly. Profit increased due to improved contract acquisition costs and more efficient business operations.

For FY03/25, the company forecasts consolidated recurring revenue of JPY66.0bn (+9.2% YoY), recurring profit of JPY4.8bn (+15.4% YoY), and net income attributable to owners of the parent of JPY3.1bn (+13.6% YoY). Anicom expects consolidated recurring revenue of JPY32.0bn (+7.2% YoY) and recurring profit of JPY2.8bn (+7.6% YoY) for 1H FY03/25. In the pet insurance business, Anicom will continue to diversify its sales channels, pursue uniqueness in its insurance products, and reduce the cost of acquiring contracts. The company also plans to accelerate initiatives to monetize non-insurance businesses that generate synergies.

In its medium-term business plan covering FY03/23 to FY03/25 (announced on May 11, 2022), the company set forth FY03/25 numerical targets of recurring revenue of JPY65.0–70.0bn, recurring profit of JPY4.5–5.0bn, ROE in the 10% range, and a dividend payout ratio in the 20% range. Its vision for FY03/31 looks for recurring revenue in the JPY100bn range, recurring profit on the order of JPY10.0bn, ROE of 12–15%, and dividend on equity (DOE) in the 4% range.

Strengths and Weakness

Anicom's strengths include 1) its over-the-counter insurance payout system that allows pet owners to show their animal health insurance cards at their local vet and make settlement, now the de facto standard at veterinary hospitals and clinics; 2) the advantage of its high market share in terms of name recognition, large customer base, and huge database, all of which will facilitate moves into new businesses; and 3) the steady stream of recurring revenue from its pet insurance business. Weaknesses include 1) the high compliance costs associated with operating in a licensed industry, 2) its high loss rate (claim payment rate) relative to competitors, which puts it at a disadvantage when it comes to competing on price; and 3) high earnings volatility stemming from unexpected swings in costs, such as sharp increases in the consumption tax rate or claims rate.

Key financial data

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Est.
Recurring revenue	22,638	26,506	28,978	32,339	35,829	41,465	48,049	53,022	56,528	60,437	66,000
YoY	23.3%	17.1%	9.3%	11.6%	10.8%	15.7%	15.9%	10.3%	6.6%	6.9%	9.2%
Underwriting revenue	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273	
Investment revenue	522	690	504	420	383	496	488	679	834	733	
Other recurring revenue	382	446	405	628	910	1,863	4,248	5,020	4,912	5,430	
Recurring expenses	21,387	24,377	26,606	30,486	33,550	39,275	45,290	49,855	52,842	56,277	
YoY	21.3%	14.0%	9.1%	14.6%	10.1%	17.1%	15.3%	10.1%	6.0%	6.5%	
Underwriting expenses	15,920	17,393	18,967	21,771	24,071	27,212	30,512	33,504	35,664	38,436	
Operating and general administrative expenses	4,905	6,699	7,273	8,479	9,112	11,153	13,283	14,656	15,350	15,795	
Other	562	285	366	236	367	910	1,495	1,695	1,828	2,046	
Recurring profit	1,250	2,129	2,372	1,853	2,278	2,189	2,758	3,166	3,685	4,159	4,800
YoY	70.5%	70.3%	11.4%	-21.9%	22.9%	-3.9%	26.0%	14.8%	16.4%	12.9%	15.4%
Recurring profit margin	5.5%	8.0%	8.2%	5.7%	6.4%	5.3%	5.7%	6.0%	6.5%	6.9%	7.3%
Net income	829	1,399	1,568	1,320	1,610	1,525	1,586	2,112	2,284	2,729	3,100
YoY	85.5%	68.8%	12.1%	-15.8%	22.0%	-5.3%	4.0%	33.2%	8.1%	19.5%	13.6%
Net margin	3.7%	5.3%	5.4%	4.1%	4.5%	3.7%	3.0%	4.0%	4.0%	4.5%	4.7%
Per-share data											
Shares issued(000 shares)	17,842	17,934	17,946	18,028	20,211	20,226	81,309	81,309	81,309	81,309	
EPS	47.4	78.2	86.9	73.5	84.7	75.5	19.6	26.0	28.1	34.0	38.9
EPS (fully diluted)	44.4	77.5	86.2	73.0	84.0	75.4	19.6	-	-	-	-
Dividend per share	-	5.0	5.0	5.0	5.0	5.0	1.3	2.5	4.0	5.5	8.0
Book value per share	519.6	596.6	676.1	744.3	1,092.7	1,147.0	316.5	336.2	346.9	375.2	
ROE	9.5%	14.0%	13.7%	10.3%	9.1%	6.7%	6.5%	8.0%	8.2%	9.4%	
Balance sheet (JPYmn)											
Cash and deposits	4,217	7,566	15,242	19,078	29,643	24,427	31,683	29,641	30,835	23,879	
Investment securities	15,108	10,739	5,914	4,625	4,660	9,999	11,667	16,570	16,956	27,510	
Tangible fixed assets	250	1,527	1,432	1,359	1,367	1,888	2,520	2,550	2,557	3,032	
Intangible assets	566	653	904	1,462	1,506	3,956	3,466	3,469	3,242	3,893	
Other assets	1,945	4,297	3,876	3,908	4,344	4,263	5,208	5,481	6,504	6,710	
Allowance for doubtful accounts	-13	-16	-140	-88	-76	-75	-78	-33	-8	-9	
Deferred tax assets	263	433	597	623	718	1,041	898	951	1,315	1,335	
Total assets	22,337	25,192	28,123	31,164	42,390	45,598	55,459	58,635	61,407	66,357	
Reserve for insurance contract	10,528	11,888	12,993	14,508	16,041	17,977	19,626	21,297	22,853	24,551	
Bonds payable	-	-	-	-	-	-	5,000	5,000	5,000	5,000	
Other liabilities	2,411	2,414	2,635	2,845	3,867	4,018	4,787	4,647	4,945	6,201	
Provision for bonuses	103	157	172	173	191	209	247	274	304	304	
Reserve for special laws	22	32	41	48	54	68	80	98	119	146	
Total liabilities	13,066	14,492	15,842	17,576	20,156	22,273	29,741	31,319	33,223	36,204	
Shareholders' equity	9,272	10,762	12,233	13,546	22,233	23,719	25,648	27,658	29,740	31,144	
Valuation and transaction adjustments	-1	-123	-100	-128	-150	-530	69	-342	-1,555	-1,248	
Non-controlling interests	-	-	-	-	-	-	-	-	-	256	
Total net assets	9,270	10,699	12,281	13,587	22,234	23,325	25,717	27,316	28,184	30,152	
Total liabilities and equity	22,337	25,192	28,123	31,164	42,390	45,598	55,459	58,635	61,407	66,357	
Cash flow statement(JPYmn)											
Cash flows from operating activities	3,094	1,960	3,231	3,393	4,359	4,246	4,231	4,456	4,422	5,669	
Cash flows from investing activities	-2,963	2,489	4,233	253	-487	-10,263	-2,129	-5,485	-4,066	-11,132	
Cash flows from financing activities	135	89	-79	-10	6,693	-99	5,154	-112	-212	-1,343	
Financial indicators											
ROA (RP-based)	6.1%	9.0%	8.9%	6.3%	6.2%	5.0%	5.5%	5.6%	6.1%	6.5%	
ROE	9.5%	14.1%	13.7%	10.3%	9.1%	6.7%	6.5%	8.0%	8.2%	9.4%	
ROIC (pre-tax)	9.2%	14.3%	14.3%	9.9%	8.8%	6.7%	7.8%	8.3%	9.2%	9.9%	
Equity ratio	41.5%	42.2%	43.1%	43.1%	52.1%	50.9%	46.4%	46.6%	45.9%	45.1%	
Combined ratio (fully earned basis)	92.7%	91.2%	91.0%	94.4%	93.5%	94.9%	96.1%	94.8%	93.8%	93.2%	
E/I loss ratio	64.4%	60.1%	58.9%	59.2%	59.0%	57.8%	58.4%	58.1%	58.9%	59.9%	
Expense ratio (earned premiums basis)	28.3%	31.1%	32.1%	35.2%	34.5%	37.1%	37.7%	36.7%	34.9%	33.3%	
Solvency margin (parent)	288.7%	282.6%	295.6%	305.6%	379.8%	357.0%	355.5%	393.5%	373.1%	333.7%	

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Note: Net loss ratio, net expenses ratio, and combined ratio calculated by Shared Research.

Note: Per share data calculated as of the financial year. The company initiated a 200-for-1 split in June 2009, a 10-for-1 split in October 2011, and a 4-for-1 split in October 2020.

Recent updates

October 2024 monthly management parameters

2024-11-21

Anicom Holdings, Inc. announced its October 2024 monthly management parameters.

FY03/24												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Net premiums written (JPYmn)	4,346	4,594	4,386	4,367	4,486	4,515	4,544	4,465	4,564	4,738	4,533	4,731
YoY	7.2%	6.0%	6.5%	6.9%	6.3%	6.2%	5.9%	7.0%	6.9%	7.7%	7.7%	7.8%
Number of policies in force	1,119,862	1,126,210	1,132,856	1,140,258	1,147,355	1,154,322	1,160,624	1,166,524	1,172,819	1,180,363	1,186,940	1,193,560
YoY	-	-	-	-	-	-	-	-	7.1%	7.1%	7.2%	7.2%
Average renewal rate	88.3%	87.8%	88.3%	88.3%	88.1%	88.2%	88.1%	88.4%	88.4%	88.2%	88.4%	88.4%
YoY	-	-	-	-	-	-	-	-	0.4%	0.2%	0.1%	0.0%
No. of applications for Dobutsu Kenkatsu	18,514	18,945	17,822	16,835	17,833	18,258	19,039	17,722	18,017	18,648	18,394	20,386
YoY	8.4%	5.4%	3.3%	-0.5%	3.7%	3.3%	2.8%	6.1%	6.3%	4.9%	0.9%	4.8%
No. of PARM member hospitals	647	654	661	667	675	683	692	693	699	703	711	729
YoY	46.0%	45.0%	42.8%	38.7%	35.0%	28.4%	27.2%	25.5%	21.4%	19.0%	16.2%	14.4%
No. of patents held	11	11	11	11	13	13	15	15	15	17	18	18
YoY	-	-	-	-	-	-	-	-	-	-	-	-
FY03/25												
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Net premiums written (JPYmn)	4,670	4,932	4,750	4,708	4,832	4,894	4,911	-	-	-	-	-
YoY	7.5%	7.4%	8.3%	7.8%	7.7%	8.4%	8.1%	-	-	-	-	-
Number of policies in force	1,199,358	1,206,083	1,213,737	1,220,965	1,228,026	1,236,904	1,243,536	-	-	-	-	-
YoY	7.1%	7.1%	7.1%	7.1%	7.1%	7.2%	7.1%	-	-	-	-	-
Average renewal rate	88.2%	88.0%	88.0%	88.1%	87.9%	88.2%	88.5%	-	-	-	-	-
YoY	-0.1%	0.2%	-0.3%	-0.2%	-0.2%	0.0%	0.4%	-	-	-	-	-
No. of applications for Dobutsu Kenkatsu	18,886	21,379	19,166	18,268	20,018	19,287	22,087	-	-	-	-	-
YoY	2.0%	12.8%	7.5%	8.5%	12.3%	5.6%	16.0%	-	-	-	-	-
No. of PARM member hospitals	736	741	750	756	760	780	771	-	-	-	-	-
YoY	13.8%	13.3%	13.5%	13.3%	12.6%	14.2%	11.4%	-	-	-	-	-
No. of patents held	18	18	19	19	19	20	20	-	-	-	-	-
YoY	63.6%	63.6%	72.7%	72.7%	46.2%	53.8%	33.3%	-	-	-	-	-

Source: Shared Research based on company data

Note: Dobutsu Kenkatsu provides pet insurance policyholders an annual gut microbiota measurement. The results of these tests are used to measure vulnerability to illness based on the company's own indices. Depending on the results, the pet may receive a free health check at a designated veterinary hospital.

Note: PARM stands for Research and Development Partnership for Animal Regenerative Medicine.

Trends and outlook

Quarterly trends and results

Quarterly performance (cumulative)

Cumulative (Cons., JPYmn)	FY03/23				FY03/24				FY03/25		% of forecast	FY forecast
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2		
Recurring revenue	13,953	27,974	42,046	56,528	14,868	29,837	44,936	60,437	16,519	32,903	49.9%	66,000
YoY	5.2%	6.2%	6.1%	6.6%	6.6%	6.7%	6.9%	6.9%	11.1%	10.3%		9.2%
Underwriting revenue	12,506	25,063	37,782	50,781	13,326	26,774	40,270	54,273	14,351	28,787		
YoY	7.6%	7.6%	7.5%	7.3%	6.6%	6.8%	6.6%	6.9%	7.7%	7.5%		
Investment revenue	132	356	469	834	126	361	569	733	295	516		
YoY	-49.8%	-7.3%	-15.9%	22.8%	-4.5%	1.4%	21.3%	-12.1%	134.1%	42.9%		
Interest and dividend income	121	219	336	439	120	268	450	610	191	375		
Gains on sale of securities	6	130	130	391	2	87	117	117	101	141		
Other recurring revenue	1,314	2,554	3,794	4,912	1,414	2,701	4,096	5,430	1,871	3,599		
YoY	-4.4%	-3.8%	-3.3%	-2.2%	7.6%	5.8%	8.0%	10.5%	32.3%	33.2%		
% of recurring revenue	9.4%	9.1%	9.0%	8.7%	9.5%	9.1%	9.1%	9.0%	11.3%	10.9%		
Recurring expenses	13,175	26,019	39,347	52,842	13,666	27,235	41,660	56,277	14,899	29,773		
YoY	4.9%	5.2%	6.0%	6.0%	3.7%	4.7%	5.9%	6.5%	9.0%	9.3%		
% of recurring revenue	94.4%	93.0%	93.6%	93.5%	91.9%	91.3%	92.7%	93.1%	90.2%	90.5%		
Underwriting expenses	8,889	17,483	26,501	35,664	9,265	18,392	28,381	38,436	10,016	19,930		
YoY	4.6%	4.5%	6.3%	6.4%	4.2%	5.2%	7.1%	7.8%	8.1%	8.4%		
% of recurring revenue	63.7%	62.5%	63.0%	63.1%	62.3%	61.6%	63.2%	63.6%	60.6%	60.6%		
Net premiums written	6,691	13,718	20,930	27,934	7,346	15,079	22,843	30,494	8,045	16,507		
YoY	8.5%	9.0%	9.1%	9.3%	9.8%	9.9%	9.1%	9.2%	9.5%	9.5%		
% of recurring revenue	48.0%	49.0%	49.8%	49.4%	49.4%	50.5%	50.8%	50.5%	48.7%	50.2%		
Loss adjustment expenses	278	557	840	1,106	268	556	841	1,108	277	566		
YoY	1.1%	0.9%	1.0%	2.4%	-3.6%	-0.2%	0.1%	0.2%	3.4%	1.8%		
% of recurring revenue	2.0%	2.0%	2.0%	2.0%	1.8%	1.9%	1.9%	1.8%	1.7%	1.7%		
Commissions and collection fees	1,277	2,533	3,781	5,067	1,291	2,564	3,825	5,135	1,330	2,665		
YoY	-1.7%	-2.5%	-2.9%	-2.4%	1.1%	1.2%	1.2%	1.3%	3.0%	3.9%		
% of recurring revenue	9.2%	9.1%	9.0%	9.0%	8.7%	8.6%	8.5%	8.5%	8.1%	8.1%		
Provision for outstanding losses and claims	166	252	356	283	91	191	291	257	154	164		
Provision for underwriting reserves	474	422	593	1,272	268	-	578	1,439	208	26		
Unearned premiums	455	719	899	1,161	448	-	914	1,325	532	844		
Catastrophe reserves a)	18	-297	-306	111	-180	-	-336	113	-323	-818		
Investment expenses	-	-	-	118	-	2	2	97	-	2		
% of recurring revenue	0.0%	-	-	0.2%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%		
Operating and general administrative expenses	3,852	7,661	11,538	15,350	3,918	7,863	11,823	15,795	4,183	8,478		
YoY	6.8%	6.9%	5.7%	4.7%	1.7%	2.6%	2.5%	2.9%	6.8%	7.8%		
% of recurring revenue	27.6%	27.4%	27.4%	27.2%	26.4%	26.4%	26.3%	26.1%	25.3%	25.8%		
Other recurring expenses	432	874	1,307	1,709	482	978	1,454	1,948	699	1,361		
% of recurring revenue	3.1%	3.1%	3.1%	3.0%	3.2%	3.3%	3.2%	3.2%	4.2%	4.1%		
Recurring profit before goodwill amortization	834	2,067	2,863	3,900	1,252	2,703	3,427	4,362	1,682	3,254		
YoY	-	20.4%	8.0%	15.2%	50.1%	30.8%	19.7%	11.8%	34.3%	20.4%		
Recurring profit margin before goodwill amortization	6.0%	7.4%	6.8%	6.9%	8.4%	9.1%	7.6%	7.2%	10.2%	9.9%		
Recurring profit	778	1,955	2,699	3,685	1,201	2,601	3,276	4,159	1,620	3,130	65.2%	4,800
YoY	11.5%	21.5%	8.5%	16.4%	54.4%	33.0%	21.4%	12.9%	34.9%	20.3%		15.4%
Recurring profit margin	5.6%	7.0%	6.4%	6.5%	8.1%	8.7%	7.3%	6.9%	9.8%	9.5%		7.3%
Extraordinary gains							49	264		1		
Extraordinary losses	26	38	71	142	8	22	57	227	6	13		
Net income	497	1,316	1,673	2,284	811	1,756	2,041	2,729	1,111	2,180	70.3%	3,100
YoY	2.3%	2.7%	-12.4%	8.1%	63.2%	33.4%	22.0%	19.5%	37.0%	24.1%		13.6%
Net margin	3.6%	4.7%	4.0%	4.0%	5.5%	5.9%	4.5%	4.5%	6.7%	6.6%		4.7%

Source: Shared Research based on company data

Notes: Figures may differ from company materials due to differences in rounding methods.

Recurring revenue for Q2 FY03/24 is based on company data.

1H FY03/25 results

- Recurring revenue: JPY32.9bn (+10.3% YoY; 49.9% of the full-year company forecast)
- Recurring expenses: JPY29.8bn (+9.3% YoY)
- Recurring profit: JPY3.1bn (+20.3% YoY; 65.2%)
- Net income attributable to owners of the parent: JPY2.2bn (+24.1% YoY; 70.3%)

Earnings summary

- ▶ Recurring revenue was up JPY3.1bn or 10.3% YoY to JPY32.9bn, due to an increase of JPY2.0bn in underwriting revenue, an increase of JPY155mn in investment revenue, and an increase of JPY898mn in other recurring revenue. Through the strengthening of sales channels and backed by firm demand for pet ownership, the company had 1,236,904 policies in force (+7.2% YoY), and 117,552 new policies (+6.0% YoY), which remained solid. Other recurring revenue grew steadily YoY, due for instance to growth in revenue from veterinary clinic operations and the breeder matching website.
- ▶ Recurring profit was up JPY529mn YoY to JPY3.1bn (+20.3% YoY). The company's efforts to control new policy acquisition costs and streamline business operations resulted in steady profit growth, progressing in line with its projection. The increase in recurring profit reflected steady growth in the number of policies in force and underwriting revenue, as well as a JPY1.2mn increase in earned premiums, a JPY1.4bn decrease in claims paid, a JPY100mn decrease in agency fees, a JPY818mn increase in the provision for catastrophe reserves, a JPY155mn increase in investment revenue, a 898mn increase in other recurring revenue outside the insurance business, a JPY383mn decrease in other recurring expenses, and a JPY625mn decrease in SG&A expenses. The recurring profit margin was 9.5%, up 0.8pp YoY. The recurring profit margin before goodwill amortization was 9.9%.
- ▶ The E/I loss ratio increased 0.8pp YoY to 61.4% but has stabilized now that the impact of changes in pet owners' behavior due to the COVID-19 pandemic has peaked. Even taking into account factors such as the company's proactive investments in growing in scale and an increased number of applications for Dobutsu Kenkatsu (gut microbiota medical checkups: intestinal flora measurement + health check), the operating expense ratio on an earned premiums basis improved by 1.3pp YoY to 32.1%. As a result, the company's combined ratio improved to 93.5% (down 0.5pp YoY).

Progress of priority measures

Insurance business

The number of new policies totaled more than 117,000 for April–September, and the number of policies in force exceeded 1,230,000 as of end-September 2024. By partner channel, while the number of new policies obtained through pet shops remained flat, those from non-pet shop channels, such as breeders, partners, and web channels steadily increased.

Anicom Insurance raised the premiums for Wide Type products (no limited days) by an average of 6.6%. Steady growth in Dobutsu Kenkatsu applications contributed to a stable and high renewal rate of 88.1% for April–September 2024. In the 2024 Oricon Customer Satisfaction Survey, Anicom Insurance won first place in two pet insurance ranking categories (claim payouts and benefits, and over-the-counter reimbursement). It has been awarded for eight consecutive years in the “claim payouts and benefits” category.

Investment

Investment revenue grew 43.2% YoY to JPY516mn. Progress was in line with the company projection thanks to flexible asset management under uncertain market conditions.

Other

Other recurring revenue outside the insurance business increased steadily to JPY3.6bn (up 33.2% YoY). The company has been pursuing the “One Employee, One Patent (one patent per employee)” strategy. Its number of inventors increased to 132 as of end-September 2024 (up from 13 at end-December 2020).

Synergistic businesses

To strengthen breeding support, the company vigorously promoted various initiatives in light of amendments to the Animal Welfare Act. Demand remained strong in the enhanced matching service business, and the number of completed contracts for Minna no Breeder and Minna no Koneko Breeder increased steadily. In 1H FY03/25, SIMNET posted revenue of

JPY1.4bn (up from JPY1.0bn in 1H FY03/24) and recurring profit of JPY201mn after amortization of goodwill (JPY26mn loss in 1H FY03/24).

In health checkups and oral and intestinal care product commercialization, the company received more than 117,000 applications for its Dobutsu Kenkatsu service from April to September. The company promoted test marketing of oral and intestinal care products through Dobutsu Kenkatsu. It also exhibited at Interpets Osaka 2024.

For veterinary medicine, the company continued its research to establish therapies and preventive measures using regenerative medicine in the regenerative medicine business and to improve the quality of life for animals. In the veterinary hospital support business, 57 hospitals joined the Research and Development Partnership for Animal Regenerative Medicine (PARM) as of end-September 2024.

Topics

Regarding the share buyback program announced at the beginning of FY03/25, the company had repurchased treasury shares worth JPY1.9bn (out of a maximum limit of JPY3.0bn) by the end of October.

In October 2024, the company determined the terms for issuing its second series of unsecured bonds (total bond value: JPY5.0bn; five-year maturity). The company plans to use the funds to make Flowens, Inc. a wholly owned subsidiary, invest in non-insurance subsidiary businesses (such as the food business and animal hospital operations), and prevent illnesses (including by expanding health checkup services).

Anicom Insurance's pet insurance product, Dobutsu Kenpo, won the Good Design Award 2024, marking the first time an animal insurance product has received this accolade in the industry.

In November 2024, the company reached a basic agreement to collaborate with CMIC Holdings Co., Ltd. and animo Co., Ltd., an Anicom group company engaged in the animal healthcare business, to promote One Health Platform, a translational research system based on spontaneous disease models. The collaboration aims to extend a healthy life where people and pets coexist.

Company forecast for FY03/25

Numerical targets

(JPYmn)	FY03/23			FY03/24			FY03/25		
	1H results	2H results	FY results	1H results	2H results	FY results	1H results	2H forecast	FY forecast
Recurring revenue	27,974	28,554	56,528	29,837	30,600	60,437	32,903	33,097	66,000
YoY change	6.2%	7.0%	6.6%	6.7%	7.2%	6.9%	10.3%	8.2%	9.2%
Recurring profit	1,955	1,730	3,685	2,601	1,558	4,159	3,130	1,670	4,800
YoY change	21.5%	11.1%	16.4%	33.0%	-9.9%	12.9%	20.3%	7.2%	15.4%
Recurring profit margin	7.0%	6.1%	6.5%	8.7%	5.1%	6.9%	9.5%	5.0%	7.3%

Source: Shared Research based on company data

The company projects record-high revenue and profit in FY03/25. The forecast calls for consolidated recurring revenue of JPY66.0bn (+9.2% YoY), recurring profit of JPY4.8bn (+15.4% YoY), and net income attributable to owners of the parent of JPY3.1bn (+13.6% YoY). Anicom expects consolidated recurring revenue of JPY32.0bn (+7.5% YoY) and recurring profit of JPY2.8bn (+7.7% YoY) for 1H FY03/25.

The pet insurance business is performing steadily. Anicom considers FY03/25, the last fiscal year of the plan, to be a critical period for achieving the targets set in the medium-term management plan 2022–2024. In the pet insurance business, the company will continue to diversify its sales channels, pursue uniqueness in its insurance offerings, and reduce the cost of acquiring contracts. The company also plans to accelerate initiatives to monetize non-insurance businesses that generate synergies. Implementing sustainability-oriented management that balances economic and social values, Anicom aims to be an infrastructure player in the pet industry. The company ensures stable, continuous growth in recurring revenue and will progressively focus on balancing quality and quantity of recurring profit.

- ▶ The company expects to make progress generally as planned on the main numerical management targets set out in its medium-term management plan.

The key KPIs for the insurance business for FY03/25 are as follows.

- E/I loss ratio: 60.9% (+1.0pp YoY)

- Expense ratio based on earned premiums: 32.3% (-1.0pp)
 - Combined ratio: 93.2% (unchanged)
 - Number of policies in force: 1,280,000 (+7.2% YoY)
 - Number of new policies: 230,000 (+3.0% YoY)
 - Renewal rate: 88.2% (unchanged)
 - Number of payout cases: 4.8mn (+9.6% YoY)
- ▶ The number of insurance contracts is expected to continue to grow steadily. The forecast for the number of payout cases is somewhat conservative, given the growth in the number of new policies and the frequency of hospital visits, which has remained high. Regarding the rise in the loss ratio, the company anticipates not only an increase in the number of payout cases but also a rise in the unit cost of treatment at veterinary hospitals, driven by factors such as labor shortages and an inflationary environment. Regarding the business expense ratio, the company expects it to decline due to the continued use of AI and RPA to improve cost efficiency, as well as the growth of breeder channels with low commissions.

The key KPIs for synergistic businesses are as follows.

- Number of genetic test specimens: 65,000 specimens/year (-2,000 YoY)
 - Number of gut microbiota applications: 252,000/year (+32,000 YoY)
 - Health innovation business revenue: JPY800mn (vs JPY176mn in FY03/23)
 - Hospital business: revenue of JPY2.2bn (JPY1.9bn in FY03/23) and profit after amortization of goodwill of JPY0 (loss of JPY170mn in FY03/23)
- ▶ With regard to the health innovation business, which is expected to see significant growth in sales, the company anticipates contributions from oral and intestinal care products with expanded product lineups, in addition to traditional food products. Sales in oral and intestinal care require careful explanations, so the barriers to entry are high. Anicom can leverage its directly operated veterinary clinics for sales, and although the results are still under evaluation, they suggest that the products themselves may have a certain degree of disease prevention effect. Therefore, the company says that not only can it expect profits from product sales, but also from a reduction in insurance claims due to disease prevention.

Shareholder returns

In pursuit of the dividend payout ratio target of 20% set in the medium-term management plan, the company has decided to increase the dividend by JPY2.5 from the previous fiscal year, and expects to pay an annual dividend of JPY8.0 (with a dividend payout ratio of 20.6%).

On May 24, 2024, the company announced its decision on matters related to share repurchase. The total number of shares to be repurchased is 6mn (upper limit; 7.5% of the total number of shares issued excluding treasury shares), the total acquisition price is JPY3.0bn (maximum), and the acquisition period is from May 27, 2024 to March 31, 2025.

The non-consolidated solvency margin ratio is expected to be 320.0% (-13.7pp YoY) due to the implementation of share buybacks.

Direction of synergistic businesses

	FY03/22	FY03/23	FY03/24	FY03/25	FY03/25
	Act.	Act.	Act.	Est.	Targets
Veterinary hospital business (JPYmn)					
Revenue	1,590	1,760	1,870	2,200	3,000
Operating profit (after amortization of goodwill)	-190	-260	-170	0	Turning profitable
Number of hospitals	56	53	55		
Regenerative medicine business (JPYmn)					
Partnering hospitals	430	637	729		
Doses administered	222	355	-		
Genetic testing business					
No. of genetic testing specimens	105,519	92,313	67,801	65,000	120,000 - 150,000
Gut microbiota inspection business					
Gut microbiota exams	188,312	211,731	220,413	252,000	200,000 - 250,000
Health innovation business					
Revenue (JPYmn)	12	63	176	800	800 - 1,000
Matching service business					
Revenue (JPYmn)	1,890	1,872	2,371		
Recurring profit (after amortization of goodwill)	-	-77	188		

Source: Shared Research based on company materials

KPIs

	FY03/22	FY03/23	FY03/24	FY03/25
	Act.	Act.	Act.	Est.
No. of policies in force	1,028,831	1,113,144	1,193,560	1,280,000
Difference	106,958	84,313	80,416	86,440
YoY	11.6%	8.2%	7.2%	7.2%
No. of new policies	229,099	218,695	223,289	230,000
Difference	15,731	-10,404	4,594	6,711
YoY	7.4%	-4.5%	2.1%	3.0%
Renewal rate	87.8%	88.2%	88.2%	88.2%
Difference	0.1%	0.4%	0.0%	0.0%
Number of payout cases ('000)	4,019	4,216	4,381	4,800
Animal hospitals accepting Anicom pet insurance	6,681	6,789	6,879	-
Difference	140	108	90	-
YoY	2.1%	1.6%	1.3%	-
E/I loss ratio(%)	58.1%	58.9%	59.9%	60.9%
Difference	-0.3%	0.8%	1.0%	1.0%
Expense ratio (earned premiums basis)	36.7%	34.9%	33.3%	32.3%
Difference	-1.0%	-1.8%	-1.6%	-1.0%
Combined ratio(Earned premium basis, %)	94.8%	93.8%	93.2%	93.2%
Difference	-1.3%	-1.0%	-0.6%	0.0%
Solvency margin (parent)(%)	393.5%	373.1%	333.7%	320.0%
Difference	38.0%	-20.4%	-39.4%	-13.7%

Source: Shared Research based on company data

Vision FY03/30 and medium-term business plan

Vision for FY03/30

The company's management vision is to provide unlimited value to society as an infrastructure player that connects the upstream and downstream markets in the animal industry. The management vision will mark the end of the company's second founding phase (FY03/20–FY03/30). The company positions its medium-term management plan for FY03/22–FY03/24 as the management vision's first phase, where it seeks to build a foundation for the realization of the vision. Based on the results of the previous medium-term management plan, the company has decided to shift to a phase that emphasizes a balance between scale and earnings. It will continue to focus on expanding the insurance business, while growing and monetizing non-insurance businesses (animal hospital business, matching sites, breeding business, pet food business, others). At the same time, the company will focus on lowering the insurance business expense ratio while improving profitability for non-insurance businesses such as the animal hospital and regenerative medicine businesses.

The main themes of each phase are as follows.

First phase (2022–2024)

- Further spread and evolution of pet insurance
- Expansion of synergistic businesses

Second phase (2024–2027)

- Penetration of insurance company's health maintenance functions
- Support for appropriate pet supply systems

Third phase (2027–2030)

- Evolution from insurance company to health maintenance organization
- Construction of ecosystem through penetration of services/products using the pet industry's largest database

Creation of Corporate Value

Anicom positions the period from FY03/20 onward as its second founding period, during which aims to create new corporate value and achieve high growth in both the pet insurance business and synergistic businesses. The company seeks to create greater synergy between its two businesses to become a prevention insurance group that analyzes illnesses and injuries based on a range of data to understand pet health.

Pet insurance business

- Expand revenue (expand sales channels and product lineups, increase in the policy renewal rate)
- Optimize costs
- Upgrade to a system build on a more solid foundation

Synergistic businesses

- Develop and sell pet foods
- Others (real estate management, lifelong pet care facilities, etc.)
- Expand matching sites
- Expand genetic testing business
- Commercialize breeding support
- Promote the animal hospital business
- Commercialize and expand regenerative medicine

Medium-term management plan 2022–2024

Three missions

Contribute to the elimination of war and advancement of peace with the power of altruistic love

The company believes that pets are like “balls of love” with “100% power to love and be loved, and 0% power to live alone” that humans have created through symbiotic relationships. Anicom will fulfill its mission by conveying the “altruistic love” of pets to many people and helping to maintain and develop peace. It expects this to also lead to new pet product consumers and the expansion of the group’s services.

Transform the pet industry into an industry that benefits society as a whole

Japan’s pet industry is under pressure to change its structure as the revised Act on Welfare and Management of Animals comes into force. The company sees the revision of the law as an opportunity to go one step beyond animal welfare and further improve productivity in the pet industry.

Supporting society’s most vulnerable, such as the elderly, the disabled, and children, with the power of Mother Nature

Pets have the special ability to give human life meaning. The elderly, the disabled, and children are often on the receiving end of support from others, and have few opportunities to provide support themselves and thereby gain a sense of self-affirmation. Using pets to fill this need can help them to lead more purposeful and fulfilling lives.

The social infrastructure to support pet ownership has not kept pace with this latent demand. By providing the necessary social support for pet ownership, the company hopes to realize a more affluent society while growing its earnings through the increase the number of pet owners.

Numerical targets and KPIs

On May 11, 2022, the company announced its 2022–2024 medium-term business plan. It set forth FY03/25 numerical targets of recurring revenue of JPY65.0–70.0bn, recurring profit of JPY4.5–5.0bn, ROE in the 10% range, and a dividend payout ratio in the 20% range. Its vision for FY03/31 looks for recurring revenue in the JPY100bn range, recurring profit on the order of JPY10.0bn, ROE of 12–15%, and dividend on equity (DOE) in the 4% range.

Capital allocation

Views on enterprise risk management (ERM)

Anicom will focus on enterprise risk management (ERM), a methodology it deems essential to insurance group management. It aims to improve shareholder returns while balancing capital, risk, and return. The company plans to maintain an appropriate solvency margin ratio (SMR) with an emphasis on return on risk (ROR) while also improving the equity spread by

targeting an ROE that exceeds the cost of capital. In the future, the company plans to disclose the dividend on equity (DOE) ratio instead of the dividend payout ratio.

Positioning of non-financial value

Anicom aims to appropriately allocate capital to be recognized by the stock market as a company that solves social issues and as a leader in the pet industry, thereby increasing its market valuation and corporate value in both financial and non-financial terms.

		FY03/22	FY03/25	FY03/31
		Act.	Targets	FY2030 vision
Cons. recurring revenue	(JPYmn)	53,022	65,000 - 70,000	100,000 level
Cons. recurring profit	(JPYmn)	3,166	4,500 - 5,000	10,000 level
ROE	(%)	8.0%	10% level	12 - 15% level
Shareholder returns (payout ratio)	(%)	9.6%	20% level	DOE4% level
Ratio of synergistic businesses to revenue	(%)	9.5%	12% level	20 - 25% level
Key performance indicators				
Insurance business				
E/I loss rate	(%)	58.1%	58 - 59%	
Operating expense ratio (earned premiums basis)	(%)	36.7%	35 - 36%	
Combined ratio (earned premiums basis)	(%)	94.8%	93 - 94%	
Non-cons. solvency margin ratio	(%)	334.6%	300 - 320%	To be calculated by new SMR
Synergistic businesses				
% of cons. revenue	(%)	9.5%	12% level	
Profitability of hospital business (non-cons.)		Deficit after amortization of goodwill	Profitable after amortization of goodwill, JPY3.0bn sales planned	
Number of gene tests		105,000/yr	120,000 - 150,000/yr	
Number of gut microbiota measurement		188,000/yr	200,000 - 250,000/yr	
Food sales			Sales of JPY800mn-1.0bn	

Source: Shared Research based on company data

Business

Business description

Leader in domestic pet insurance industry, going all out to establish a preventive insurance company

Three individuals, including Nobuaki Komori, established a mutual aid association for pets in July 2000 and named it anicom. They also set up a separate company in the same month to handle administrative duties for the mutual aid association. This company obtained a non-life insurance license in 2007 and began operations in January 2008. The company reports that it now leads the industry with a 40–50% share of the domestic pet insurance market.

Wholly owned subsidiaries operating under the umbrella of Anicom Holdings are Anicom Insurance (non-life insurance business specializing in pet insurance; 100% of voting rights), Anicom Pafe (veterinary hospital support business; 100%), Anicom Specialty Medical Institute (veterinary medicine clinical and research services; 100%), SIMNET (operating breeder matching websites; 100%), and Flowens, Inc. (dog and cat breeding business; 74.1%).

Anicom's pet insurance business generates a steady flow of recurring revenue from insurance policyholders paying their monthly premiums. And because the monthly premiums it receives depend on the number of insurance policies in force, the company can expect steady growth in revenue from insurance premiums as long as the number of policies continues to increase. In FY03/18 the company began moving away from its traditional sales strategy that depended heavily on pet shops, turning its focus to developing the newborn market through sales channels other than the pet shop and general channels that it had traditionally used. This rapidly expanded the pet insurance business. In FY03/24, the non-life insurance business operated by Anicom Insurance accounted for 91.0% of consolidated recurring revenue.

Considering FY03/20 to be the start of its second founding period, the company intends to accelerate the efforts it has been conducting to date. During this second founding period, as has been its goal since it was founded, Anicom aims to become a preventive insurance group that analyzes illnesses and injuries based on a range of data and looks after the health of pets. The company's management vision for its second founding period (from FY03/20) is to provide unlimited value to society as an infrastructure player that connects the upstream and downstream markets in the animal industry.

In its second founding period, Anicom aims to create new corporate value and achieve high growth through both its pet insurance business and its businesses that generate synergies. Its initiatives in the latter include the development and sale of pet foods, the expansion of matching sites, the expansion of the genetic testing business, the commercialization of breeding support, the promotion of the animal hospital business, the commercialization and expansion of regenerative medicine, and others (real estate management, lifelong pet care facilities, etc.). The company seeks to create synergy between its two businesses to become a prevention insurance group that analyzes illnesses and injuries based on a range of data to understand pet health.

Results

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Recurring revenue	22,638	26,506	28,978	32,339	35,829	41,465	48,049	53,022	56,528	60,437
Underwriting revenue	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Investment revenue	522	690	504	420	383	496	488	679	834	733
Other recurring revenue	382	446	405	628	910	1,863	4,248	5,020	4,912	5,430
Recurring profit	1,250	2,129	2,372	1,853	2,278	2,189	2,758	3,166	3,685	4,159

Source: Shared Research based on company materials

Non-life insurance business (91.0% of recurring revenue)

Products and services

Pet insurance

Pet insurance is a product providing full or partial coverage for medical expenses incurred for hospital visits, hospitalization, and surgery due to illness or injury of pets (what is covered and the percentage of coverage depends on the insurance product). Since there is no public insurance system for the medical care of pets, the entire burden of treatment falls on pet owners. The reason pet insurance is necessary is that the average life expectancy of pets is increasing due to improvements in pets' living environments and medical care technologies. The risk of developing diseases increases as pets age, leading to higher medical costs.

Companies offering pet insurance

Both non-life insurance companies and small-amount, short-term insurers handle pet insurance. The latter have been allowed to enter the market since April 2006. They are only allowed to pay claims of JPY10mn or less for non-life insurance and cover a period of up to two years. They can operate at a business scale with annual premiums of less than JPY5bn, and must have a minimum capitalization of JPY10.0mn. There is a difference in the scope of the safety net available in the event of bankruptcy or other failure and the scope of asset management between non-life insurers, which must be licensed by the Financial Services Agency, and the small-amount, short-term insurers, which can operate after registering with a local finance bureau. As of June 2024, Shared Research has identified five non-life insurance companies and 11 small-amount, short-term insurance companies that offer pet insurance.

Differences between non-life insurance companies and small-amount, short-term insurance companies

	Regulation of entry	Minimum capital requirements	Operating both life and non-life insurance businesses	System for policyholders protection	Asset management
Non-life insurance operator	Licensing by Financial Services Agency	JPY1.0bn	Not allowed	None (security deposit to Legal Affairs Bureau required)	No limitations in principal
Small-amount short-term insurance operator	Registration at Finance Bureau	JPY10.0mn	Allowed	In place	Limited to bank deposits, JGBs, local bonds, other

Source: Shared Research, based on data from the Financial Services Agency

Scope of compensation

Pet insurance mainly covers outpatient visits, hospitalization, and surgery. Compensation for outpatient visits covers medical expenses for examining and treating pet illness or injury at a veterinary hospital. Compensation for hospitalization covers medical expenses when a pet is hospitalized. Compensation for surgery covers medical expenses when a pet undergoes surgery due to injury or illness. Some non-life insurers sell pet insurance products that offer lower premiums by excluding some outpatient visits, hospitalizations, and surgeries from coverage.

Proportion of compensation

Pet insurance companies generally stipulate a certain percentage of compensation for the medical expenses incurred by an owner when a pet receives medical treatment for injury or illness. Coverage percentages can be, say, 50%, 70%, or 100%, but vary by company and product. In general, the higher the coverage rate, the higher the premium.

Payout limits

Depending on the insurer, there may be limits to the amount of claims payable during the insurance period for outpatient, hospitalization, surgery, and other medical treatment. In some cases, insurers limit the number of claims paid per day (once), and in other cases, limit the number of days claims can be made per year or total number of claims per year. Other products place no limits on claims.

Mainstay products

The company's mainstay product, Dobutsu Kempo Family, covers medical expenses incurred for hospital visits, hospitalization, and surgery, and can be applied to medical treatment at any veterinary hospital or clinic in Japan. Depending on the premiums the policyholder pays, a policy covers either 50% or 70% of the treatment cost. In October 2017, the company began offering Dobutsu Kempo Petit, which reduced premiums to about a third of the conventional product by limiting coverage to hospitalization and surgery. In October 2019, it also launched Dobutsu Kempo Senior, a product specifically for dogs and cats eight years or more at the time of policy purchase that covers only hospitalization and surgery. Dobutsu Kempo Senior has no upper age limit for underwriting. By limiting coverage to hospitalization and surgery and not covering outpatient visits, this insurance offers protection against unforeseen circumstances like hospitalization and surgery that tend to be expensive.

Insurance products

Product name	Sales channel	Product features
Dobutsu Kempo Family	General agencies	Guarantees either 50% or 70% of medical fees for sickness or injuries of an animal during a one-year coverage period; policyholders choose either 50% or 70% when they sign a contract.
	Pet shops	
	Direct sales	
Dobutsu Kempo Petit	General agencies	Guarantees 70% of medical fees for sickness or injuries of a dog or a cat during a one-year coverage period (limited to hospitalization and surgery); policyholders can choose only 70%.
	Pet shops	
	Direct sales	
Dobutsu Kempo Baby	Pet shops	Covers animals less than 1 year of age sold at pet shops; provides 100% coverage during the first one month, and either 50% or 70% during the remaining 11-month period; policyholders can choose the coverage ratio when they sign a contract.
Dobutsu Kempo Smile Baby	Directly by pet shops	Pet shops themselves provide guarantees under contracts with Anicom Insurance; covers animals less than one year of age; provides 100% coverage for pet owners for free during the first one month.
Dobutsu Kempo Smile Family	Pet shops	Dobutsu Kempo Smile Baby expires after one month; before expiration, policyholders make an application for additional one-year coverage for payouts of either 50% or 70%; policyholders can choose the coverage ratio when they sign a contract.
Dobutsu Kempo Happy	Pet shops	Covers dogs, cats, birds, rabbits, ferrets, momongas, squirrels, hamsters, mice, guinea pigs, hedgehogs, turtles, lizards, chinchillas, and snakes, sold through pet shops and aged less than two years; guarantees either 50% or 70% of medical fees covered in the contract for those 15 pets; policyholders choose the coverage ratio when they sign a contract.
Dobutsu Kenkatsu Senior	Pet shops	Covers dogs and cats aged eight or older (no upper limit) traditionally out of range of new contracts; focuses on guaranteeing medical fees for hospitalization and surgery, with choice of add-on service Dobutsu Kenkatsu Family; guarantees either 50% or 70% of medical fees covered in the contract during a one-year coverage period.

Source: Shared Research based on company data

Note 1: Animals covered included dogs, cats, birds, rabbits, and ferrets; flying squirrels, squirrels, hamsters, mice, guinea pigs, hedgehogs, turtles, lizards, chinchillas, and snakes are only covered by renewed policies.

Note 2: There are limits to daily insurance payouts/ The maximum payouts are JPY10,000 a day under the 50% plan and JPY14,000 a day under the 70% plan for hospital visits or stays. For surgery, the maximum payout is JPY100,000 under the 50% and JPY140,000 under 70% plan. The company pays for hospital visits or stays up to 20 days and two surgeries a year.

Note 3: Maximum insurance payout limited to JPY14,000 per day for hospital stays and JPY500,000 per surgery

Note 4: The maximum payouts are JPY20,000 for hospital visits or stays. For surgery, the maximum payout is JPY200,000. The company pays for hospital visits or stays up to 20 days and two surgeries a year.

Dobutsu Kempo Family was revised in November 2014. The company added a "standard" plan, which limits the number of hospital visits and stays. The existing plan, which does not have such a limit, is called a "wide" plan.

The company began offering Dobutsu Kempo Happy for chinchillas and snakes on March 1, 2019, covering 15 pet types in total.

The company began offering Dobutsu Kempo Senior on September 17, 2019.

Premiums

Premiums differ depending on the species (e.g., dog, cat, bird, rabbit, ferret) and age of the pet. In the case of a one-year-old Chihuahua (70% coverage plan with full range of coverage), the annual premium would be about JPY34,000. For a five-year-old Golden Retriever, it would be about JPY71,000. The company's premium system puts dogs into five categories by size (roughly broken down by breed), from A (small dogs) to E (large dogs). The larger the dog, the higher the premium. The company says claim rates are lowest for dogs and cats aged three to four, after which rates tend to rise.

Annual premiums according to breeds (70% Standard Plan; in JPY; revised in December 2018)

(JPY)	Dog A	Dog B	Dog C	Dog D	Dog E	Cats	Birds	Rabbits	Ferrets
0 yrs	35,630	39,160	42,700	48,870	55,970	36,320	30,750	35,680	36,690
1 yr	33,940	37,270	40,750	46,630	53,610	34,590	30,750	36,470	37,370
2 yrs	34,450	37,510	41,500	47,490	55,220	34,740	30,750	39,980	45,400
3 yrs	36,630	39,010	43,890	50,270	59,210	35,200	30,750	44,160	59,400
4 yrs	43,750	48,720	52,490	64,100	75,540	36,520			
5 yrs	47,330	52,150	56,420	71,010	84,650	37,840			
6 yrs	52,180	56,520	61,620	77,840	93,810	39,710			
7 yrs	58,180	61,630	67,930	85,400	101,880	42,120			

Source: Shared Research based on company data

Dog A: Japanese Spitz, Chihuahua, etc.; mixed-breed dogs weighing less than 10kg

Dog B: Miniature Dachshund, Shiba, Papillon, Toy Poodle, etc.; mixed-breed dogs weighing between 10kg and 20kg

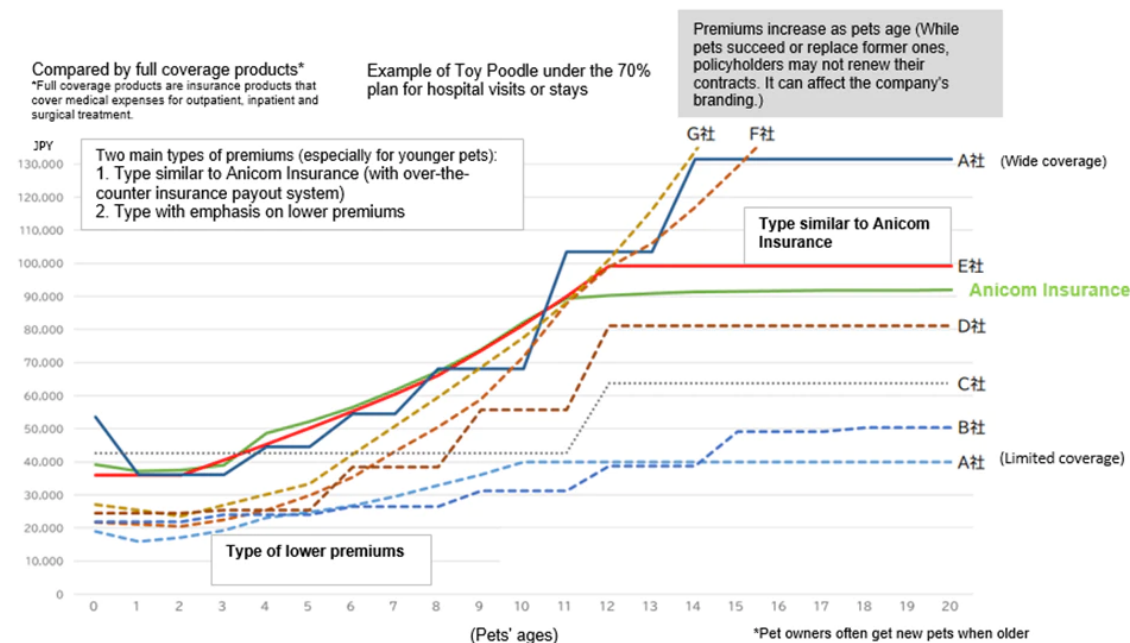
Dog C: Maltese, Akita, Beagle, Chow, Poodle, Pomeranian, Yorkshire Terrier, etc.; mixed-breed dogs weighing between 20kg and 30kg

Dog D: Shih Tzu, Golden Retriever, Collie, Dachshund, French Bulldog, etc.; mixed-breed dogs weighing between 30kg and 45kg

Dog E: Siberian Husky, Tosa, American Cocker Spaniel, Bulldog, etc.; mixed-breed dogs weighing 45kg or more

A comparison of the company's premium structure with that of competitors indicates that online insurance companies appeal to customers with lower premiums than Anicom. Meanwhile, insurers with a similar premium structure to Anicom may set higher premiums for senior dogs older than 10. Despite a string of new market entrants, there does not seem to be any price convergence. Also, with the exception of Anicom, many insurers continue to operate at a loss. It is an open question as to whether companies are setting premiums on a risk-return basis.

Pricing strategy comparison



Source: Shared Research extracted from company's news "Competitive analysis and further development of pet insurance" (February 7, 2023)

Average of JPY340,000 spent on pet dogs annually

There are different attitudes toward pet insurance between those who consider pets as mere "animals" and those who consider them as family members. Those who consider dogs as animals often do not take them to vets when they get sick. Thus, there is little incentive for them to acquire pet insurance. On the other hand, those who acquire pets as family members tend to buy insurance and take the pets to hospitals. A survey conducted by Anicom shows that its respondents spent an average of JPY340,000 on dogs and JPY165,000 on cats in 2020 for all their needs, including pet insurance premiums.

Survey on annual spending on pets

(JPY)	Dogs				Cats			
	2018	2019	2020	YoY	2018	2019	2020	YoY
Treatment for sickness or injuries	56,691	44,869	60,430	34.7%	29,631	23,919	31,848	33.1%
Foods and snacks	57,049	52,497	64,745	23.3%	42,925	49,713	42,925	-13.7%
Supplements	11,311	8,737	11,861	35.8%	4,694	2,783	5,668	103.7%
Training	6,446	7,273	7,204	-0.9%	22	2	1	-50.0%
Shampoo and grooming	44,508	42,323	48,692	15.0%	3,002	2,623	3,635	38.6%
Pet insurance premiums	48,153	50,155	46,895	-6.5%	30,653	30,155	34,929	15.8%
Vaccination and health checks	30,250	27,653	32,463	17.4%	12,424	12,814	14,029	9.5%
Pet hotels and pet sitters	7,743	8,339	3,991	-52.1%	3,563	3,469	1,609	-53.6%
Daily necessities	13,339	20,601	13,750	-33.3%	13,113	12,118	13,766	13.6%
Clothing	11,105	13,156	11,640	-11.5%	408	753	674	-10.5%
Playground, etc.	3,795	4,157	2,880	-30.7%	-	6	0	-100.0%
Collars and leashes	5,112	5,387	5,949	10.4%	1,929	2,354	1,614	-31.4%
Disaster prevention	602	1,082	703	-35.0%	633	1,431	982	-31.4%
Transportation	15,998	5,457	14,908	173.2%	2,057	1,357	891	-34.3%
Utilities (for pets)	19,152	15,113	12,449	-17.6%	15,920	15,183	12,264	-19.2%
Total	331,615	306,801	338,561	10.4%	160,975	158,680	164,835	3.9%

Source: Shared Research, based on company's "Survey of Annual Spending on Pets"

Claim and payout method: establishment of OTC settlement system

Owners file an insurance claim when their pet receives medical treatment for injury or illness. There are two types of payout methods for pet insurance in Japan: the reimbursement method and the over-the-counter (OTC) payout method. With reimbursements, policyholders pay the treatment cost in full to the veterinary hospital and later file a claim for reimbursement to the insurance company. They receive the insurance payment after the claim clears.

With the OTC settlement system, by presenting an insurance card proving their pet's insurance coverage at the vet's reception desk, the policyholder only pays a copayment—the amount remaining after deducting the percentage covered by insurance. There is no hassle of filing a claim later. However, this payout method is limited to treatment at facilities that are affiliated with an insurer.

Anicom was the first in Japan to establish such an OTC settlement system. Pet insurance claims are marked by being small and frequent. The company has about 1.0mn policies in force, with an annual payout amount of over 4.0mn. The OTC settlement is the basis of the company's business model—it emphasizes ease of use of insurance given the frequent but relatively small-amount pet medical care. There are still only three companies in Japan that offer OTC settlement at veterinary hospitals: Anicom, ipet, and Pet & Family. These settlement systems also help hospitals attract customers.

Anicom provides Anicom Receptor, a management system for treatment records, to veterinary hospitals. The system allows hospitals to offer settlement services. The hospital provides fee details for clients and submits payment requests to Anicom, which reviews the requests and sends the money to the hospital. The system improves administrative efficiency and makes it easier for hospitals to handle insurance payments. It is also designed to prevent fraudulent claims and miscalculations.

With the conventional reimbursement method, in which policyholders mail in their claims, each claim incurs administrative costs such as bank transfer fees, postage, and assessment costs. The OTC settlement system streamlines such costs. Of the more than 4mn insurance claims the company receives in Japan, about 85% are through its OTC system.

Supported veterinary hospitals

The number of supported veterinary hospitals, which Anicom has been working to increase ever since it began operations, now exceeds 6,879 (as of FY03/24), an overwhelmingly large number compared to competitors. Furthermore, when veterinarians open new hospitals, they are more likely to choose an alliance with a widely used insurance company. This gives Anicom a strong competitive edge.

There were 8,839 veterinary hospitals and clinics in Japan as of end-December 2023, according to new business notifications submitted to the Ministry of Agriculture, Forestry and Fisheries in 2023. Of these, 6,537 cater to small animals, excluding industrial animals. Anicom's pet insurance pays for treatment provided by any veterinary hospital in Japan. Affiliated hospitals also accept Anicom-issued health insurance cards. OTC settlement and animal health insurance cards are important tools for veterinary hospitals and clinics to attract customers and are becoming the de facto industry standard.

This is how the system works: Anicom issues animal health insurance cards to policyholders, who show their card at the hospitals/clinics when they bring in their pets for treatment. The pet owners who have insurance cards are only liable for

copayments at hospital counters. This system is a key point of differentiation for Anicom's services in relation to its competitors.

Animal health insurance cards issued by Anicom



Source: Shared Research extracted from company data.

Pet insurance policy renewal

Dogs account for more than 80% of Anicom's pet insurance policies. The older the dog, the higher the premium. An increase in average age thus leads to an increase in both average premium revenue and average claim payout. Age also affects insurance renewal rates, due to death surrender. The following table shows the number and percentage of policies by age for dogs in FY03/22.

Number and percentage of policies by age for dogs

	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
Total	383,937	429,335	456,822	482,187	507,375	534,227	549,954	576,835	621,450	669,611
0 yrs	59,451	66,805	63,762	69,200	74,239	79,760	73,980	80,301	93,287	93,145
1 yr	50,217	49,221	53,282	49,916	54,154	58,682	64,680	63,064	70,150	82,029
2 yrs	45,344	47,910	46,248	49,362	46,676	50,927	54,931	61,058	60,081	67,637
3 yrs	42,977	44,089	45,930	43,835	47,200	45,008	48,948	53,193	59,162	58,795
4 yrs	29,295	42,270	42,436	44,059	42,125	45,732	43,234	46,987	51,249	57,362
5 yrs	33,817	29,249	40,832	40,860	42,537	41,114	44,160	41,965	46,118	50,691
6 yrs	31,182	33,590	28,837	39,443	39,646	41,531	39,907	42,982	41,554	45,977
7 yrs	27,961	30,802	33,282	28,711	38,654	39,155	40,549	39,046	42,323	41,626
8 yrs	24,187	27,706	28,865	31,056	27,032	36,381	36,410	38,003	37,613	41,038
9 yrs	17,483	24,038	25,973	26,965	29,320	25,499	33,812	34,218	36,735	36,669
10 yrs	11,088	17,515	22,409	24,087	25,191	27,324	23,594	31,493	32,854	35,534
11 yrs	6,756	10,162	15,958	20,499	22,202	23,211	25,006	21,837	29,950	31,257
12 yrs	4,179	5,978	9,008	14,194	18,399	19,903	20,743	22,688	20,374	27,851
	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
0 yrs	15.5%	15.6%	14.0%	14.4%	13.5%	14.9%	13.5%	13.9%	15.0%	13.9%
1 yr	13.1%	11.5%	11.7%	10.4%	11.8%	11.0%	11.8%	10.9%	11.3%	12.3%
2 yrs	11.8%	11.2%	10.1%	10.2%	10.0%	9.5%	10.0%	10.6%	9.7%	10.1%
3 yrs	11.2%	10.3%	10.1%	9.1%	8.9%	8.4%	8.9%	9.2%	9.5%	8.8%
4 yrs	7.6%	9.8%	9.3%	9.1%	7.9%	8.6%	7.9%	8.1%	8.2%	8.6%
5 yrs	8.8%	6.8%	8.9%	8.5%	8.0%	7.7%	8.0%	7.3%	7.4%	7.6%
6 yrs	8.1%	7.8%	6.3%	8.2%	7.3%	7.8%	7.3%	7.5%	6.7%	6.9%
7 yrs	7.3%	7.2%	7.3%	6.0%	7.4%	7.3%	7.4%	6.8%	6.8%	6.2%
8 yrs	6.3%	6.5%	6.3%	6.4%	6.6%	6.8%	6.6%	6.6%	6.1%	6.1%
9 yrs	4.6%	5.6%	5.7%	5.6%	6.1%	4.8%	6.1%	5.9%	5.9%	5.5%
10 yrs	2.9%	4.1%	4.9%	5.0%	4.3%	5.1%	4.3%	5.5%	5.3%	5.3%
11 yrs	1.8%	2.4%	3.5%	4.3%	4.5%	4.3%	4.5%	3.8%	4.8%	4.7%
12 yrs	1.1%	1.4%	2.0%	2.9%	3.8%	3.7%	3.8%	3.9%	3.3%	4.2%

Source: Shared Research based on Anicom's 2023 White Paper on Household Animals (number of expired and surrendered one-year policies by animal type and age)

One reason for cancelling a pet insurance policy is the death of the pet. However, considering that pets have an average life expectancy of about 13 years and that the ratio of policies for pets older than 12 is only about 4.2% at Anicom, the company believes the impact from death surrenders is limited. To maintain high continuity, it is important to capture the relatively new market for newborn pets and increase renewal rates at the end the first year, as well as implement measures that go down well with policyholders and prevent cancellation. The company has a renewal rate of about 70% after the first year for newborn pets, but above 90% from the second year onwards. The overall renewal rate for FY03/24 was 88.2%.

Renewal rate

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.
Renewal rate	88.7%	88.2%	88.2%	88.2%	87.7%	87.2%	87.7%	87.8%	88.2%	88.2%

Source: Shared Research based on company data

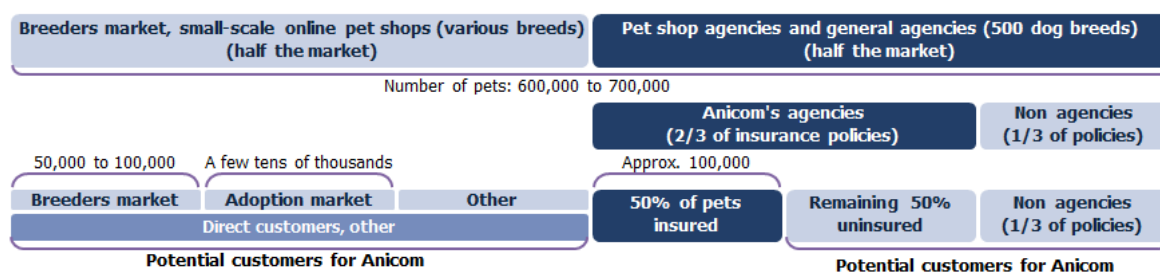
Sales channels (subscription routes)

Newborn channel

Pet shops are the largest channel for the company's insurance sales, with pet shop agencies selling more than 80% of new policies. Pet shops in Japan sell 600,000–700,000 pets under one year old every year, and the company targets prospective pet owners for its pet insurance. Anicom has agency agreements with major pet shop chains nationwide (comprising about 2,000 stores), which then sell insurance policies along with pet sales. The company is also developing channels among breeders, placing emphasis on selling insurance in various situations in which people come into contact with pets.

Since pets that have just been welcomed into a household often fall ill due to the stress of a sudden change of environment, the company offers a plan that covers 100% of medical expenses during the first month. This helps spur insurance demand. In addition, the loss ratio for newborn pets over the medium term is lower than that of the general channel due to their younger age, which contributes to improved management efficiency.

Overview of newborn-pet market



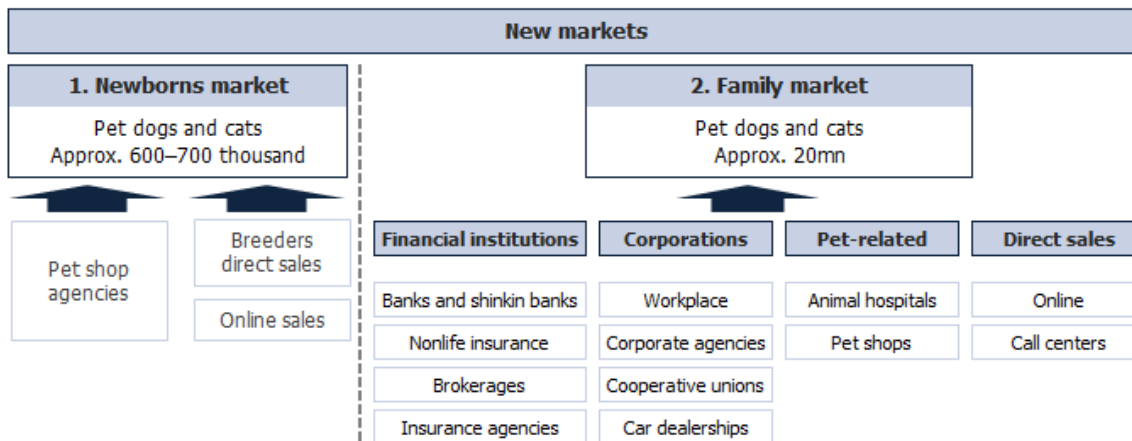
Source: Shared Research based on company data

General channel

This is a channel for online sales of pet insurance (through the company's own websites and online agencies) and over-the-counter sales at banks or other places pet insurance is sold. The general market is said to comprise approximately 20mn animals, most of which are already kept as pets, which is why the market is so large. The channel's two main routes are the direct sales route (directly sales via the company's websites and call center) and the general agency route, encompassing pet-related companies, financial institutions, cooperatives, insurance agencies, online agencies, and veterinary hospital/clinic agencies.

In the past, the company considered direct sales to offer the advantage of incurring no agency commissions, but also thought the loss ratio tended to be higher. However, after confirming that the loss ratio in the general sales channel is roughly on a par with that among pet shop agencies, the company shifted its strategy in FY03/18 and began building up the general sales channel to further accelerate growth in the pet insurance business. The new medium-term plan positions the general channel as a new pillar of revenue and aims to make it a future earnings driver. The economic census of the Ministry of Internal Affairs and Communications and the Ministry of Economy, Trade and Industry identifies about 5,000 pet shop operators in Japan. The company estimates it has partnerships with about 40% of them.

Pet insurance market and sales channels



Source: Shared Research based on company estimates based on data from the Japan Pet Food Association and Fuji-Keizai

Affiliated insurance companies

Sony Assurance Inc.

In January 2009, the company entered into a business alliance with Sony Assurance Inc. as a sales agent and began selling Dobutsu Kempo Family pet insurance through Sony Assurance. In June 2024, Anicom Holdings, Inc. and Sony Assurance Inc. announced the signing of a business alliance agreement to jointly develop pet insurance products. The two companies aim to further leverage their synergies in the pet insurance field.

Asahi Mutual Life Insurance Company

In March 2011, the company and Asahi Mutual Life Insurance Company obtained approval from the authorities for “agency and administrative services” related to the sale of insurance products. As a result, Asahi Mutual Life Insurance Company became an agent of Anicom Insurance and started to handle Anicom Insurance’s pet insurance. This was the first instance in the life insurance industry where pet insurance was handled through sales staff using “agency and administrative services.”

Meiji Yasuda Life Insurance

In September 2020, the company entered an agency agreement for the sale of non-life insurance with Meiji Yasuda Life Insurance, and in October of the same year, it began handling pet insurance on behalf of Anicom Insurance. Pet insurance products sold by Anicom Insurance under the names Dobutsu Kempo Family, Dobutsu Kempo Senior, and Dobutsu Kempo Petit have been added to the product lineup of “Simple Insurance Series Light! By Meiji Yasuda Life Insurance.” Egao no Pet has been added in this product lineup by Meiji Yasuda Life Insurance, targeting mainly female employees and senior citizens.

Fukoku Mutual Life Insurance

In October 2023, the company concluded an agency contract for the sale of indemnity insurance with Fukoku Mutual Life Insurance Company. Fukoku Life, acting as an agent for Anicom Insurance, began handling Anicom Insurance’s Dobutsu Kempo Family, Dobutsu Kempo Petit, and Dobutsu Kempo Senior pet insurance products in December 2023.

Tokio Marine & Nichido Fire Insurance Co., Ltd. (Tokio Marine Nichido)

Tokio Marine Nichido and Anicom Insurance signed a capital and business alliance agreement in March 2023 and have been working to develop and provide insurance products and solutions in the pet sector. In May 2024, Tokio Marine Nichido and Anicom Insurance announced that they would jointly sell pet insurance. The two companies plan to start selling pet insurance jointly from June 2024, creating synergies by leveraging the company’s knowledge as the largest pet insurance provider and its network of veterinary clinics and hospitals, as well as Tokio Marine Nichido’s agency network, one of the largest in Japan. The product names for Tokio Marine Nichido’s pet insurance are Dobutsu Kempo Family, Dobutsu Kempo Petit, and Dobutsu Kempo Senior.

AXA Direct

In May 2024, Anicom Holdings, Inc. entered into a business alliance agreement with AXA General Insurance Co., Ltd. (Axa Direct) for the pet insurance business. AXA Direct will discontinue underwriting its own pet insurance products and will sell Anicom Insurance's pet insurance as its agent to existing AXA Direct customers instead of continuing its own products. AXA Direct will also sell pet insurance to new customers as an agent of Anicom Insurance.

Online Pet Services (3.4% of recurring revenue)

Acquisition of SIMNET shares

In January 2020, Anicom acquired all shares of SIMNET Co., Ltd., which plans, develops, and operates internet services related to pets. Minna no Pet Online Co., Ltd., a wholly owned subsidiary of SIMNET (established in March 2001), operates breeder matching websites including Minna no Breeder (for dogs) and Minna no Koneko Breeder (for cats).

Minna no Breeder: Japan's largest breeder site, introducing puppies from breeders all over Japan. The advantage to breeders registering on the site is the ability to post puppy information that will be seen by more people. Since people wanting to raise a pet buy directly from breeders, they can buy healthy puppies at a lower price than usual. Breeders on the platform (about 3,740) are excellent breeders who have cleared strict standards set by SIMNET.

SIMNET has the largest share of the breeder matching services market and has also been serving as a pet insurance agency for Anicom Insurance, Inc. Anicom will be able to utilize the platform of SIMNET's breeder matching sites, giving it opportunities to more directly communicate with breeders about the various support services it offers.

SIMNET results

(JPYmn)	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Revenue		1,730	1,896	1,872	2,371
Recurring profit (before goodwill amortization)		370	275	56	
Recurring profit (after goodwill amortization)					188
Recurring profit margin		21.4%	14.5%	3.0%	7.9%

Source: Shared Research based on company data

New businesses (other businesses; 5.6% of recurring revenue)

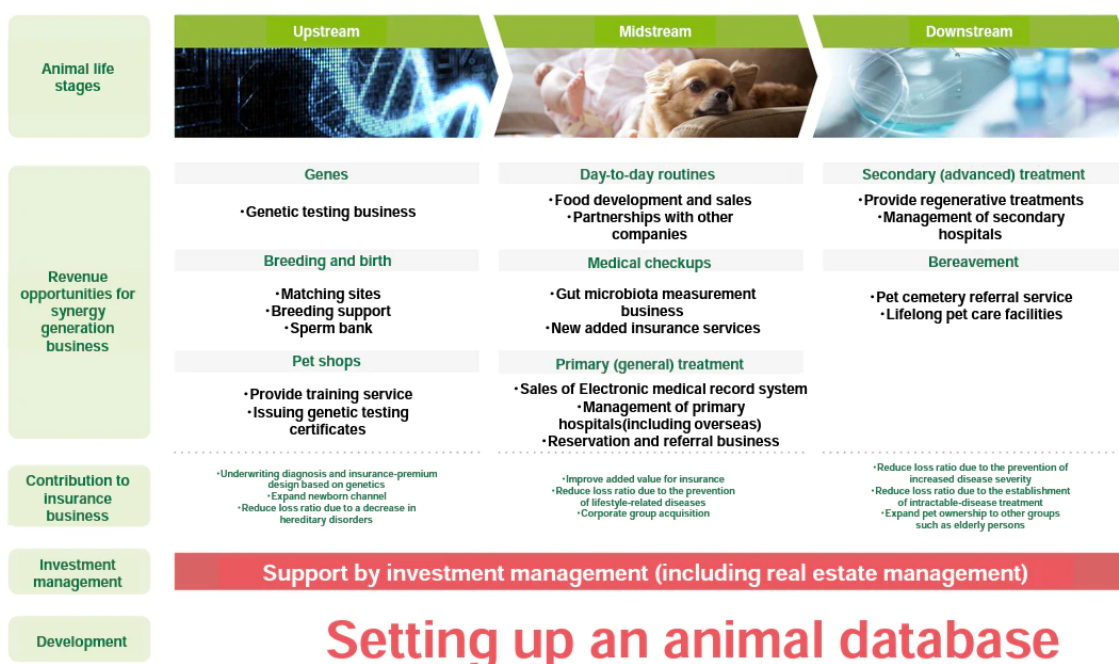
Initiatives for becoming a preventive insurance company

As for new business strategy, Shared Research believes that the transition to the preventive services industry, President Nobuaki Komori's wish since the time the company was founded, has been moving forward and is becoming more detailed and refined at the same time. Under the previous medium-term business plan announced in May 2017, in addition to the medium-term VISION of offering, as an infrastructure player in the animal industry, a world free of concern for hereditary disorders, and the new value of the lengthening of a healthy lifespan, more specific details were indicated regarding in what way the company will be a partner engaged in animals' life stages from upstream (before becoming ill, before being born) to midstream (lengthening of a healthy lifespan) to downstream (after becoming ill). At the same time, it was clear the various initiatives to date fit in nicely as parts of the strategy.

Preventive insurance business: With its breeder support services, the company is looking to use its genetic screening service to help eradicate genetic diseases and quickly identify and prevent diseases that can easily be contracted by pets. At the veterinary hospital level, in addition to preventive diagnostic services the company is looking to create guidelines and standardize diagnostic methods, then use its portal website to deliver information on preventive medical services for pets and direct pet owners to appropriate clinic/hospital. Already, Anicom has upgraded its IT system for veterinary clinics/hospitals with the launch of its cloud-based medical records management system (*anirece cloud*), which increases system functionality and helps hold down excessive charges for medical treatment with new features such as the display of the average cost of treatment for each type of medical condition.

Although these and similar measures do not have the same quick impact on revenue as an increase in insurance premiums would, Shared Research sees them as a means of strengthening the foundation of the company's insurance business and potentially differentiating itself from competitors. With the rollout of *anirece cloud*, the company is looking to go beyond simply treating pets and use it to create the backbone a system that draws on open medical records and the medical history of breeding animals and their offspring.

Synergies and earnings opportunities between pet insurance and new businesses



Source: Company data

In its new business strategy announced in May 2017, the company outlined a range of initiatives: 1) upstream, it said it would work toward eradicating hereditary diseases in pets; 2) midstream, it said it would develop a business related to symbiotic bacteria; 3) downstream, it said it would develop new areas of veterinary medicine. For the upstream effort, the company aimed to identify genes causing hereditary diseases and provide consulting services to domestic breeders based on genetic analysis to commercialize the prevention of hereditary diseases. For the midstream effort, it aimed to make health checks using gut microbiota screening a common part of pet health care and launch a pet food business based on symbiotic bacteria and a lifestyle consulting business. Downstream, it aimed to commercialize a portal site for searching veterinary hospitals and clinics, find practical applications for advanced medical treatments (cell therapy and regenerative medicine) and increase their use, and expand the veterinary hospital business overseas.

Starting in FY03/20, Anicom considers itself to be in its second founding period. It is currently implementing its 2022–2024 medium-term business plan. It positions the development and sale of pet foods, expansion of the matching website, expansion of the genetic testing business, commercialization of breeding support, promotion of the animal hospital business, commercialization and expansion of regenerative medicine, and others (real estate management, lifelong pet care facilities, etc.) as businesses that generate synergies.

Upstream/midstream

Expansion of genetic testing business:

Genetic screening for animals is one of Anicom's initiatives as it seeks to become a preventive insurance company. In the past, breeding was based solely on the experience of breeders, but with advancements in science and technology, various types of screening are now available at low cost, and hereditary diseases can be reduced at the breeding stage.

Hereditary diseases are more prevalent when large-scale professional breeders attempt to maintain pure bloodlines in popular dog breeds. If hereditary diseases can be eliminated, it will directly extend animals' healthy lifespans. By providing genetic testing services to all breeders, from large-scale professional breeders to private breeders and those operated by pet shops, the company can help to prolong healthy lifespans by providing health checkups at appropriate times for animals with an awareness of high-risk diseases for each breed. For its part, Anicom stands to benefit from a lower loss ratio while pet owners can enjoy healthy pets and lower insurance premiums, and breeders enjoy a strong reputation (i.e., for breeding healthy animals), which will lead to more revenue opportunities.

However, there are drawbacks in promoting genetic screening alone. Leaving behind those animals with causative genes for hereditary diseases and selecting only those with no causative genes for hereditary diseases may lead to inbreeding. The company is conducting research on causative genes for such diseases, development of mechanisms to prevent disease onset and therapeutic methods, methods for end-of-life care, and the level of inbreeding. The goal is to avoid hereditary diseases that can be obviated through genetic screening before and after breeding.

By performing genetic tests in the lab of a group company (Anicom Specialty Medical Institute, established in 2014), Anicom hopes to contribute to both revenue and the bottom line, by reducing insurance payouts. The genetic testing business is centered on breeders and pet shops, and in FY03/24, performed genetic tests on 67,801 specimens.

Commercialization of breeder support business

On the breeder support front, Anicom provides on-site support services to help breeders resolve various problems (including decline in the number of breeders, decrease in the number of animals supplied due to aging of the population, and issues with the breeding environment), thereby helping them increase their own profit opportunities, and taking additional steps to help breeders avoid new hereditary diseases in their animals and otherwise promote animal health. The company uses accumulated data to manage the level of inbreeding and avoid the incidence of new hereditary diseases and deformities. It provides comprehensive support for breeding in a total package of advising on appropriate breeding timing, artificial insemination, sperm banks, and medical care.

For example, degenerative myelopathy (DM) is an incurable disease developing frequently in the Welsh Corgi breed, which often leads to death about 18 months after onset. However, some individuals do not have this genetic abnormality (noncarriers). Theoretically, DM can be eradicated by breeding among noncarriers. By providing this kind of breeding support, the company hopes to promote a distribution of healthy dogs and cats free of hereditary diseases. It also aims to reduce the number of animals with hereditary diseases by identifying the genes related to various diseases.

The company provides support for compliance with revisions to the Act on Welfare and Management of Animals including in medical care (genetic testing, technology development, medical support), sales (opening of a direct breeder sales support center), business support (development of breeding management systems, provision of breeding space, etc.), and support for transferring dogs and cats whose owners no longer want them.

In March 2024, Anicom Holdings acquired additional shares in Flowens, Inc., an equity-method affiliate engaged in the breeding business, making it a subsidiary. Flowens primarily operates a dog and cat breeding business in the city of Ichihara, Chiba Prefecture.

Midstream/downstream

Promotion of healthy lifestyles

By analyzing massive customer data, Anicom can recommend healthier lifestyles and reduce its insurance payouts. It also aims to use such data in the development of pet foods and devices. Main activities include analyzing the relationships between lifestyle and disease based on customer data, promoting disease prevention awareness through owned media and social media, and conducting development, joint research, and other collaborations on preventive foods and devices.

Food and Other

In FY03/21, subsidiary Anicom Pafe utilized expertise it has accumulated through gut microbiota measurement and genetic screening to begin providing custom pet foods tailored to individual animals' health status as determined by testing. This custom pet food, Kimi no Gohan (translated literally as "your food"), is intended to suit the individual pet's physical needs and support their health and longevity.

In FY03/24, the company launched Crystal Joy, a toothpaste gel for pets, jointly developed with Earth Corporation to prevent periodontal disease in pets. In addition to conventional dry foods, the company has begun selling 7Days Food, which offers a menu of seven different fresh foods and uses a wide variety of ingredients to support intestinal health.

- ▶ Crystal Joy uses an innovative oxidation control technology (Matching Transformation System[®]), which was awarded the Prime Minister's Award, the Grand prize, of the 6th Japan Open Innovation Prize. The company says that demand is expected to expand significantly in the future as measures to prevent periodontal disease in pets become more widespread. It will initially be sold on the Anicom Pafe Online Shop and at veterinary hospitals within the group, and gradually expanded to veterinary hospitals nationwide.

Promotion and expansion of Dobutsu Kenkatsu service

As an add-on service for its pet insurance, the company measures gut microbiota of pets to assess their health status. This makes it possible to determine a dog's intestinal health age and its risk of developing allergies. Since the measurement is conducted annually, it is also useful in health management. Based on research data involving tens of thousands of gut microbiota measurements and disease data obtained from insurance claim statistics, the company can assess a pet's susceptibility to disease. The gut microbiota measurement itself is not used to diagnose disease, but depending on the results, the pet may be eligible to undergo a free health check (blood test) at a veterinary hospital or clinic designated by the company.

With the rollout of Dobutsu Kenkatsu, the company is seeing increases in the numbers of both new pet insurance policies sold and renewals, and has also seen an increase in the renewal rate of policies sold through the newborn channel. By making it possible to refer pet owners to good hospitals at the health exam stage, Dobutsu Kenkatsu helps prevent diseases from becoming severe and thereby serves to reduce insurance payouts and lowers Anicom's loss ratio.

Animal hospital business

In its animal hospital business, Anicom began providing advanced veterinary medical treatment at Anicom Specialty Medical Institute in January 2014. Starting in FY03/18, it also began operating a chain of general veterinary clinics it had acquired, most of which are located inside pet shops and specialize in preventive care, attended to by veterinarians part-time. As of end-March 2024, the company directly operated 55 veterinary clinics, and was working to expand from preventive care into general medical services. The company aims to develop standard veterinary medical treatments and to bring down medical expenses that are the basis of insurance claims.

The company is working to develop and expand its veterinary clinic business (including clinics specializing in preventive medicine), increase the number of hospitals and clinics using its medical record management system, and improve customer convenience in regard to appointments and referrals. It is looking to establish preventive veterinary medicine protocols in the future, making use of data from claims paid and medical records acquired in the course of this businesses.

Clinical practice flowcharts

Anicom seeks to reduce insurance payouts by optimizing (standardizing) noninsurance medical care, raising pet owners' awareness of appropriate clinical practice, and providing appropriate treatment. To that end, it has created "symptom-specific flowcharts" and "standard clinical practice flowcharts," and is working toward dissemination of the former among pet owners and the latter among animal hospitals.

For pet owners, the aim is to provide symptom-specific details of home care and information with which to decide whether to visit the veterinarian, and if a visit to the veterinarian is needed, provide information that enables pet owners to go through treatment with sufficient knowledge, also providing referrals to recommended hospitals based on symptoms, and helping to make appointments. For animal hospitals, the company looks to provide information on standard clinical practice and help eliminate excessive, wrong, or otherwise improper treatment. With the introduction also of regenerative medicine flowcharts, Anicom aims to promote penetration of regenerative medicine, which cures the incurable.

The Veterinary Clinic Search Site also was revamped so that each owner can find the best hospital for their pet based on the symptoms using clinical practice flowcharts. The search user interface was improved to highlight the benefits individual hospitals offer and enhance convenience to pet owners.

Downstream

Establishment of Research and Development Partnership for Animal Regenerative Medicine

Celltrust Animal Therapeutics, a joint venture between Anicom and Fujifilm, established the Research and Development Partnership for Animal Regenerative Medicine (PARM) in December 2019 (729 hospitals have joined as of end-FY03/24). The Partnership was established for the purpose of creating protocols for the as yet non-standardized processes involved in cell therapy services for dogs and cats, and putting in place best-practices guidelines that would allow veterinary physicians at various kinds of medical facilities to provide safe and effective cell therapy services for dogs and cats. This will feed into a reduction in insurance claims.

Through collaboration among veterinary doctors and others in the field, PARM aims to conduct experiments that will help create protocols for each process in cell therapy services (cultivation, transportation, administration, and follow-up observation) and establish voluntary standards in these areas. In this way, PARM hopes to help expand cell therapy services in the veterinary medicine field. As of March 31, 2021, all operations of Celltrust Animal Therapeutics were transferred to Anicom Specialty Medical Institute. In FY03/24, the company started paid clinical research on new treatments.

Expansion of practical applications of cell therapy and regenerative medicine

The Research and Development Partnership for Animal Regenerative Medicine (PARM) has begun delivering mesenchymal stem cells to veterinary hospitals nationwide. It began providing stem cell therapy services for 18 canine and 15 feline diseases that account for a large weighting of insurance claims (approx. 20% for dogs and 30% for cats). Veterinary hospitals that are members of the partnership have been able to start cell therapy without an initial capital outlay and despite the small number of cases involved. The therapy's effectiveness has been confirmed in dogs with herniated intervertebral discs and chronic intestinal disease, and in cats with chronic kidney disease.

Special services for elderly people and their aging pets

The company is also looking to move into both general and advanced veterinary medical care, become an introducing agency for pet cemeteries, and also build lifetime care facilities for pets. In the area of advanced veterinary medicine, Anicom established Japan's first veterinary hospital specializing in regenerative therapy in 2016 with the aim of popularizing regenerative therapy and cell therapy for pets, which would in turn hopefully lead to the development of new insurance products designed to cover advanced medical treatments for pets. Going forward, the company is also looking to address the problem of aging owners and aging pets by development homes for aging dogs, lifetime care facilities, and other facilities that provide care when owners or their pets die.

Pursuit of various business alliances

During FY03/20 the company entered into a business alliance with Forest Hills, Inc., and Advanced Net Co., Ltd., with the aim of developing new services such as pet-friendly hotels and pet-friendly residential properties. It built anico flora Higashi-Nakano (Tokyo), a pet-friendly rental residential complex that proposes comfortable living spaces for people and animals, and began accepting tenant applications in February 2021.

Other

Patenting intellectual property and Animal Resident Registration

Intellectual property

To encourage the accumulation of intellectual property, the company is pursuing a "One Employee, One Patent" strategy. By end-March 2024, the company had obtained 18 patents, including for a system to predict diseases from photos of pets. In addition to the insurance business, the company has developed projects in areas such as testing and diagnosis, medicine and treatment, stem cells, pet food, and AI. As a result, the number of inventors increased to 127 as of end-March 2024.

In February 2021, the company announced that it had been granted the world's first patent in Japan for a disease prediction system and method designed to prognosticate medical conditions based on photographs of pets (Patent No. 6734457). The company has been using its disease statistics based on analysis of pet insurance claim data to publicize diseases that pets are susceptible to according to breed, age, and gender, and to spread knowledge and raise awareness among pet owners. The patented system uses AI technology to predict whether or not pets will suffer from eye, ear, or skin diseases within a certain period of time. All that is needed to make a decision is a photo of the pet's face. The system has been able to correctly predict whether or not a toy poodle will develop an eye disease within a year using a photo of the poodle's face, with approximately 70% accuracy. The patent is a major leap forward in the company's focus area of preventive medicine. In 2024, the company obtained a patent for an AI-powered system for detecting pet emotions in videos.

Basic animal resident registration

The company is currently developing a system to identify individual animals using AI and create a "basic animal resident registry" with their data. The company classifies this system as a "core customer relationship management (CRM) system" and aims to secure a competitive edge through its use by building and utilizing big data and patenting intellectual property. In the future, the company aims to utilize this animal resident registration project as a starting point for the construction of a system for providing new value-added services associated with insurance, hospital referral, health checks, pet food sales, genetic testing, and product sales.

Profitability analysis

Recurring revenue

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Recurring revenue	22,638	26,506	28,978	32,339	35,829	41,465	48,049	53,022	56,528	60,437
YoY	23.3%	17.1%	9.3%	11.6%	10.8%	15.7%	15.9%	10.3%	6.6%	6.9%
Underwriting revenue	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Investment revenue	522	690	504	420	383	496	488	679	834	733
Other recurring revenue	382	446	405	628	910	1,863	4,248	5,020	4,912	5,430
Recurring expenses	21,387	24,377	26,606	30,486	33,550	39,275	45,290	49,855	52,842	56,277
YoY	21.3%	14.0%	9.1%	14.6%	10.1%	17.1%	15.3%	10.1%	6.0%	6.5%
Underwriting expenses	15,920	17,393	18,967	21,771	24,071	27,212	30,512	33,504	35,664	38,436
Investment expenses	21	182	0	8	10	109	141	66	118	97
Operating and general administrative expenses	4,905	6,699	7,273	8,479	9,112	11,153	13,283	14,656	15,350	15,795
Recurring profit	1,250	2,129	2,372	1,853	2,278	2,189	2,758	3,166	3,685	4,159
YoY	70.5%	70.3%	11.4%	-21.9%	22.9%	-3.9%	26.0%	14.8%	16.4%	12.9%
Recurring profit margin	5.5%	8.0%	8.2%	5.7%	6.4%	5.3%	5.7%	6.0%	6.5%	6.9%

Source: Shared Research, based on company data

In the non-life insurance industry, recurring revenue refers to sales. Recurring revenue consists of underwriting revenue, investment revenue, and other recurring revenue. Investment is an important part of non-life insurance operations. Therefore, investment revenue is included in recurring revenue.

Underwriting revenue

Anicom's underwriting revenue consists of net premiums written, reversal of reserve for outstanding losses and claims, and reversal of underwriting reserves. However, net premiums written is the main component since the company does not offer saving-type insurance. The company's pet insurance policies are valid for one year and are subject to renewal each year.

The company revised its pet insurance pricing structure in June 2014. This was the first price revision since the company obtained its non-life insurance license in January 2008. Another rate revision, along with changes in policy terms, was implemented in November 2014 and again December 2018.

Recurring revenue composition

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Recurring revenue	22,638	26,506	28,978	32,339	35,829	41,465	48,049	53,022	56,528	60,437
YoY	23.3%	17.1%	9.3%	11.6%	10.8%	15.7%	15.9%	10.3%	6.8%	6.9%
Underwriting revenue	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Net premiums written	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Reversal of reserves for outstanding losses and claims	-	-	-	-	-	-	-	-	-	-
Investment revenue	522	690	504	420	383	496	488	679	834	733
Interest and dividend income	289	334	320	255	154	219	253	316	439	610
Gains on sale of securities	232	355	184	165	228	276	233	360	391	117
Other recurring revenue	382	446	405	628	910	1,863	4,248	5,020	4,912	5,430

Source: Shared Research based on company data

Investment policy

Liquidity is the highest priority for Anicom in managing its insurance assets since the company's policies are valid for one year. Notwithstanding, the company is beginning to place more emphasis on investment yield now that number of policies is showing steady growth and the company can generate stable premium revenue. However, high-risk investments would affect Anicom's solvency margin. Thus, the company is seeking low-risk investments.

Overview of expenses

Underwriting expenses

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Underwriting expenses	15,920	17,393	18,967	21,771	24,071	27,212	30,512	33,504	35,664	38,436
Net premiums written	12,149	13,547	14,901	16,591	18,456	20,492	23,226	25,559	27,934	30,494
Loss adjustment expenses	741	895	965	1,004	1,003	1,109	1,098	1,080	1,106	1,108
Commissions and collection fees	1,269	1,590	1,995	2,660	3,077	3,674	4,539	5,193	5,067	5,135
Provision for outstanding losses and claims	144	122	181	212	196	179	211	165	283	257
Provision for underwriting reserves	1,616	1,237	923	1,302	1,336	1,756	1,437	1,505	1,272	1,439

Expense items

	Notes
Underwriting expenses	
Net premiums written	Closely linked with the number of policies in force. Should be considered together with the provision for outstanding losses and claims.
Loss adjustment expenses	Mainly personnel expenses.
Commissions and collection fees	Commissions paid to agencies. Closely linked with the value of newly signed policies (Commissions for newly signed policies are more generous than those for renewals.)
Provision for outstanding losses and claims	An estimate for claims payable in general, except in pet insurance, where there are no such estimates, and this item reflects "claims in progress". Should be considered together with net claims paid.
Provision for underwriting reserves	A combination of the following two items:
Unearned premiums	YoY increase in the annual sum of the figures calculated each month by the 1/12 method
Catastrophe reserves	The difference between the reversal of the reserves at previous year end and 3.2% of the net premiums written (provision).
	The reversal is possible when the loss ratio exceeds 50%, up to the reserve amount at the beginning of the fiscal year.

Source: Shared Research based on company data

Many expense items are linked with the number of policies and the value of new policies written. However, there are items that could be adjusted through changes in product offerings, such as net claims paid (including a provision for reserve for outstanding losses and claims).

Loss ratio

Indicators that can be used in tracking the company's expenses include the net loss ratio, the E/I loss ratio, and the net expense ratio, as well as a combination of the three ratios (E/I loss ratio + net expense ratio).

The loss ratio is an index that expresses the ratio of claims paid and claims adjustment expenses to premium income (net premiums written) from pet insurance policyholders. In other words, it is the ratio of an insurance company's payouts to its revenue, which corresponds to the cost of revenue ratio of companies. The lower the loss ratio, the better. The loss ratio includes both a net loss ratio and an E/I loss ratio. The net loss ratio is conceptually close to cash basis accounting. The E/I loss ratio is the ratio of losses incurred during the fiscal period divided by premiums earned. It is conceptually close to accrual method accounting. The company considers a loss ratio of 57%–59% to be an acceptable level.

E/I loss ratio

		FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
E/I loss ratio	a)	64.4%	60.1%	58.9%	59.2%	59.0%	57.8%	58.4%	58.1%	58.9%	59.9%
Expense ratio (earned premiums basis)	b)	28.3%	31.1%	32.1%	35.2%	34.5%	37.1%	37.7%	36.7%	34.9%	33.3%
Combined ratio (earned premiums basis)	a) + b)	92.7%	91.2%	91.0%	94.4%	93.5%	94.9%	96.1%	94.8%	93.8%	93.2%
Net loss ratio	c)	59.3%	56.9%	56.5%	56.2%	56.3%	55.2%	56.2%	56.3%	55.7%	58.2%
Net expense ratio	d)	28.4%	32.7%	33.0%	35.6%	35.3%	37.9%	41.1%	41.9%	40.2%	38.6%
Combined ratio	c) + d)	87.7%	89.6%	89.5%	91.8%	91.6%	93.2%	97.3%	98.2%	95.9%	96.8%
Solvency margin ratio		288.7%	282.6%	295.6%	305.6%	379.8%	357.0%	355.5%	393.5%	373.1%	333.7%
Renewal rate		88.7%	88.2%	88.2%	88.2%	87.7%	87.2%	87.7%	87.8%	88.2%	88.2%

Note: E/I loss ratio = (Net claims paid + Increase in reserve for outstanding losses and claims + Loss adjustment expenses) ÷ Earned premiums

Note: Net loss ratio = (Net claims paid + Loss adjustment expenses) ÷ Net premiums written

Note: Net expense ratio = (Commissions and collection fees + Underwriting expenses) ÷ Net premiums written

Note: Combined ratio = Net loss ratio + Net expense ratio

Loss ratio management

It is difficult for pet insurance companies to turn a profit unless they can adequately control the loss ratio. The company's loss ratio has remained largely stable, however, while the loss ratios of competitors have continued to rise. As the loss ratio rises, profitability declines, which has ultimately resulted in these insurers revising their premiums.

The chief determinant of a pet insurer's loss ratio is the adequacy of product design. Because the rate of health incidents increases with age, the point is how to set premiums and put in place enrollment restrictions for older pets. The balance between marketing strategy and product design is important here. The second determining factor is the quality of claims adjustment capabilities. The company says there are cases where payments at veterinary hospitals have included health food and supplements that are not meant to be covered by insurance.

In addition, to stabilize the loss ratio, having a solid framework in place for insurance settlements is critical. Since pet insurance covers outpatient visits that do not involve hospitalization, claim frequency is relatively high compared to medical insurance for people. Even if a pet insurer late to the market emphasizes low premiums and captures policies, in a few years they will face a growing volume of claims and will have to deal with a rising loss ratio. In this regard, Anicom has established a mechanism for efficient insurance settlement centered on its OTC settlement system. This has enabled the company to maintain a stable loss ratio compared to the competition.

Expense ratio

The expense ratio indicates the proportion of insurance subscription fees and commissions, advertising costs, general administrative expenses, and other expenses to premium income received from policyholders and other income (net premiums written). As with the loss ratio, the lower the ratio, the better. A high ratio suggests a problem with efficiency.

Commissions to sales agents

Commissions paid to sales agents are around 15% in the initial year and decline to about 5% in the second year and thereafter at the time of contract renewal. Commissions continued to rise amid intensifying competition but have settled down recently, according to the company. Shared Research notes that commission payments vary depending on the number of new policies and the percentage of sales made through sales agents.

Changes in cost structure accompanying preventive insurance

The company is building its presence in the prevention of pet injury and disease. All pet injury and disease is caused by a combination of genetic and environmental factors. The company believes that animals suffer from more injuries and illnesses due to genetic factors than human beings. It recognizes that a considerable portion of annual claims paid are due to genetic factors.

In response, the company launched a genetic screening business and is focusing on eradicating genetic diseases. It believes such diseases can be prevented through genetic screening and other technologies, and that it can hold down annual claims paid by eliminating genetic factors.

In the past, each of the company's policyholders would make an average of five claims a year, with the average claim amount being JPY6,000 (FY03/21). Currently, with the use of Dobutsu Kenkatsu (gut microbiota measurement and health checks), even if the frequency of medical consultations increases, the price per consultation declines, leading to a drop in the total amount of insurance payouts. This change is due to the early detection of diseases through the Dobutsu Kenkatsu service.

In addition to its current Dobutsu Kenkatsu health management service, the company believes that adding new medical checkup services for various disease types and promoting home care, as opposed to hospitalization, through diet and other measures will reduce insurance payouts going forward. By providing added value through the Dobutsu Kenkatsu service and new medical checkup services, the company looks to acquire new policyholders and improve its renewal rate while also seeing a decline in total claims paid and add-on service costs, leading to a lower combined ratio.

Market and value chain

Market scale

Pet population on a downtrend

In 2023, the population of pet dogs and cats in Japan was 6,844,000 dogs and 9,069,000 cats. There are 5,325,000 households raising dogs, accounting for 9.10% of total households, and 55,085,000 households raising cats, accounting for 8.69% of total households. A total of 10,410,000 households, or 17.5% of total households, had dogs or cats as pets.

('000)	Total households(0)	Households with pets (dog + cats, '000)	Dogs		% of households (JPFA survey)	Average no. of dogs (JPFA survey)	Cats		% of households (JPFA survey)	Average no. of cats (JPFA survey)	% of total
			(JPFA est.)	(JPFA est.)			(JPFA est.)	(JPFA est.)			
2014	54,952	11,463	8,200	6,649	12.10%	1.23	8,425	4,814	8.76%	1.75	20.5%
2015	55,364	11,249	7,994	6,493	11.73%	1.23	8,297	4,756	8.59%	1.74	20.0%
2016	55,812	11,261	8,008	6,495	11.64%	1.23	8,333	4,766	8.54%	1.75	19.8%
2017	56,212	11,153	7,682	6,252	11.12%	1.23	8,672	4,901	8.72%	1.77	19.5%
2018	56,614	11,141	7,616	6,116	10.80%	1.25	8,849	5,025	8.88%	1.76	19.3%
2019	56,997	11,110	7,579	6,116	10.73%	1.24	8,764	4,994	8.76%	1.75	19.2%
2020	57,381	10,921	7,341	5,887	10.26%	1.25	8,628	5,034	8.77%	1.71	18.7%
2021年	57,855	10,828	7,106	5,656	9.78%	1.26	8,946	5,172	8.94%	1.73	18.4%
2022年	58,227	10,665	7,053	5,640	9.69%	1.25	8,837	5,025	8.63%	1.76	18.0%
2023年	58,493	10,410	6,844	5,325	9.10%	1.29	9,069	5,085	8.69%	1.78	17.5%

Source: Shared Research based on Japan Pet Food Association (JPFA) data

Pet insurance market: ongoing double-digit growth

The pet insurance market continues to expand, and the domestic pet insurance penetration rate is increasing. According to Deloitte Tohmatsu Consulting LLC's "Trends in the Expanding Pet Insurance Market" (September 2023), the pet insurance market was worth JPY117.9bn in 2022. It is expected to expand to JPY342.9bn by 2031.

Meanwhile, the domestic pet insurance coverage rate was 16.5% in 2021. The rate in the UK is about 25% and that in Scandinavia is about 50%. It is expected that the pet insurance market in Japan will expand as the coverage rate continues to gradually increase.

Market size and pet insurance coverage rate

JPY1.0bn	2016	2017	2018	2019	2020	2021	2022	2023	2025	2031	CAGR
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Forecast	Forecast	Forecast	
Market size	50.5	59.1	68.3	79.5	93	106.4	117.9	132.7	168.3	342.9	12.6%
加入率(%)	7.8%					16.5%			25.0%	50.0%	

Source: Shared Research based on Deloitte Tohmatsu Consulting LLC "Trends in the Expanding Pet Insurance Market" (September 2023)

Anicom is a pioneer in pet insurance with a 40–50% share

As a pioneer in pet insurance in Japan, Anicom has made efforts to expand the market through the construction of mechanisms to support the management of pet shops and veterinary hospitals. As of end-FY03/24, the number of policies in force was 1,113,144. Shared Research surmises that the company's market share is 40–50% based on total premiums.

Competition

As of March 2024, a total of 17 companies can be identified, including six non-life insurance companies and 11 small-amount, short-term insurers competing in pet insurance. The top three players in the industry are Anicom (1,193,560 policies in force in FY03/24), ipet Insurance (over 900,000 policies), and Pet & Family Insurance (T&D Holdings, 206,122 policies).

- ▶ In FY03/23, Pet & Family's premium revenue was JPY9.9bn, the net loss ratio was 57.0%, the net expenses ratio was 32.1%, and recurring revenue was JPY202mn.
- ▶ In FY03/24, ipet Insurance's net income was JPY1.1bn.

A number of major insurers and operating companies have recently entered the pet insurance industry. Zurich Small Amount and Short Term Insurance entered the market in July 2022. In November of the same year, Dai-ichi Life Holdings (TSE Prime: 8750) announced that it would convert ipet Holdings, the second largest company in the industry, into a wholly

owned subsidiary (finalized in March 2023). In November 2023, Amazon.com (NASDAQ: AMZ) teamed up with major non-life insurer Aioi Nissay Dowa Insurance to enter the industry.

From March 2020 to December 2022, the company conducted exit surveys of policyholders who did not renew their policies. Results indicated that roughly 2% took out policies with competitors (results announced during a February 17, 2023 business and strategy briefing). Many who did so stated that they switched insurers because of lower premiums, suggesting a loss to low-price strategies. However, an analysis of policyholder loss suggest that a significant number were policies already associated with high loss ratios. This could mean that the loss of these policies actually helped stabilize the company's overall loss ratio. Meanwhile, results of an online survey of new policyholders from July 2021 to December 2022 showed that about 1% of new policies were with customers switching from other insurers. The survey indicated that switching policyholders preferred Anicom's OTC settlement system, underscoring the company's view that it is difficult to retain customers with a low-price strategy alone.

Although a number of players have recently entered the pet insurance market and achieved subsequent revenue growth, few generate stable profits. Unlike other types of insurance, pet insurance claims are marked by being small and frequent. Thus, finding ways of keeping down administrative costs is key. A new player cannot establish a business model that generates profit until it recruits a sufficient number of hospitals to support its product and builds an OTC settlement system. In addition, facing a mounting loss ratio rise after a few years, as insured pets age, some companies are being forced to raise their premiums to cover insurance claims.

Competitors

	Insurance company	Claim payment	Description
Non-life insurance	Rakuten General Insurance		Anshin SSI and Motto Gyutto SSI merged.
	Anicom Insurance	OTC payouts	Online application
	ipet Insurance	OTC payouts	Online application. Dai-ichi Life Holdings makes ipet wholly owned subsidiary (March 2023)
	Pet & Family Small-amount Short-term Insurance Company	OTC payouts	Online application; no changes in premiums for pet aged 10 or older; shifted to non-life insurance business in Apr. 2019
	AXA General Insurance		Online application; free 24-H consultation by veterinarian
	au insurance		Online application; free 24-H consultation by veterinarian
Small-amount short-term insurance	Zurich Small Amount and Short Term Insurance		Entered the market in July 2022.
	e-Pet S.S. Insurance		Online application
	SBI Insurance Group (SBI Ikiiki SSI + SBI Prism SSI + SBI Resta SSI Co.,Ltd.)		Online application accepted for pets aged up to 11 year 11 months; offers plans for birds and reptiles
	FPC		Online application; premiums increase happens only twice in lifetime (three times for mid to large dogs)
	Nihon Pet SSI		Online application. 90% coverage plan available
	Aflac Pet Small Amount Short Term Insurance		Takes over policyholders due to start of bankruptcy proceedings of former Pets Best Japan. Merger with US-based Truepanion.
	Pet Medical Support		Online application; free 24-H consultation by veterinarian
	Tsubaki SSI		OTC settlement available.
	Little Family SS Insurance		Established in July 2021 by Aioi Nissay Dowa Insurance. Amazon Japan G.K. became a soliciting agent in November 2023 and began selling on its site.

Source: Shared Research based on companies' materials

Strengths, weaknesses

Strengths

Payout system becoming de facto standard at veterinary hospitals (insurance card, health records)

The company operates an insurance payout system in which pet owners show their animal health insurance card at hospital counters and make copayments. The system not only provides convenience to policyholders but also helps the company reduce administrative expenses. As of March 31, 2024, 6,879 veterinary hospitals accepted animal health insurance cards, more than 90% of hospital facilities in Japan excluding industrial animals.

Name recognition, industry data, customer base, and market share provide resources to expand into new business areas

The company holds a 40–50% share of Japan's pet insurance market. This formidable share is a major advantage since customer trust is vital in the insurance business. Starting in FY03/20, Anicom considers itself to be in its second founding period and is accelerating the establishment of preventive insurance mechanisms such as its genetic screening business and Dobutsu Kenkatsu service. Shared Research believes that if the company can turn these businesses into de facto industry standards, it will have an even greater competitive edge.

Stable source of recurring revenue

The company's pet insurance policies have an average renewal rate of 88.2% (in FY03/24). The renewal rate for the second year exceeds 90%. Maintenance of a high renewal rate is generating a stable stream of recurring revenue.

Weaknesses

Earnings vulnerable to sudden cost increases, such as a tax hike or a surge in the loss ratio

The company has high variable costs and a low marginal profit ratio, so earnings are vulnerable in the short term to a sudden increase in costs, such as the consumption tax rate and the loss ratio.

Restricted by the Insurance Business Law

The company is engaged in the non-life insurance business, and is subject to restrictions in its business activities dictated by Japan's Insurance Business Law. When the company embarks on new businesses, it may find itself in competition with companies that are not subject to the same restrictions. Hence, it may be at a competitive disadvantage in some situations. For example, the pace of new business rollout may be slowed or it may suffer impact from consolidated solvency margin ratio rules in its new business development. Such restrictions may lead to weakness in the execution of new businesses. On the other hand, its sound equity base and licensing by the Financial Services Agency under the Insurance Business Law also may be regarded as a source of strength.

Higher loss ratio than rivals

Anicom has a high loss ratio compared with its competitors. This is proof of a strong customer focus in its insurance products (insurance payments to customers are high). However, there is the possibility that competitors may try to exploit this cost-difference weakness by going onto the offensive with low-price strategies. At the present stage, rivals are still small and their profitability is low, so the impact of competition is not yet large. Anicom is also focusing efforts on lowering its loss ratio. However, it will be necessary to closely monitor trends in this area.

Past results and financial statements

Q1 FY03/25 results

- Recurring revenue: JPY16.5bn (+11.1% YoY; 25.0% of the full-year company forecast)
- Recurring expenses: JPY14.9bn (+9.0% YoY)
- Recurring profit: JPY1.6bn (+34.9% YoY; 33.8%)
- Net income attributable to owners of the parent: JPY1.1bn (+37.0% YoY; 35.8%)

Earnings summary

- ▶ Recurring revenue was up JPY1.7bn or 11.1% YoY to JPY16.5bn, due to an increase of JPY1.0bn in underwriting revenue, an increase of JPY169mn in investment revenue, and an increase of JPY457mn in other recurring revenue. Through the strengthening of sales channels and backed by firm demand for pet ownership, the company had 1,213,737 policies in force (+7.1% YoY), and 57,986 new policies (+5.1% YoY), which remained solid. Other recurring revenue grew steadily YoY, due for instance to growth in revenue from veterinary clinic operations and the breeder matching website. Investment revenue grew 134.1% YoY to JPY295mn, in line with the company's forecast, as the company pursued flexible asset management in an uncertain market environment.
- ▶ Recurring profit was up JPY419mn YoY to JPY1.6mn (+34.9% YoY), steadily progressing toward meeting the company's full-year target. The company's efforts to control new policy acquisition costs and streamline business operations resulted in steady profit growth. The JPY419mn increase in recurring profit reflected steady growth in the number of policies in force and underwriting revenue, as well as a JPY941mn increase in earned premiums, a JPY761mn increase in claims paid, a JPY38mn increase in agency fees, a JPY142mn decrease in the provision for catastrophe reserves, a JPY169mn increase in investment revenue, a 456mn increase in other recurring revenue outside the insurance business, a JPY217mn increase in other recurring expenses, and a JPY274mn increase in SG&A expenses. The recurring profit margin was 9.8%, up 1.7pp YoY. The recurring profit margin before goodwill amortization was 10.2%.
- ▶ The E/I loss ratio increased 1.5pp YoY to 61.1% due mainly to a rise in the unit treatment fees due to higher costs at veterinary hospitals. It has stabilized now that the impact of changes in pet owners' behavior due to the COVID-19 pandemic has peaked. Even taking into account factors such as the company's proactive investments in growing in scale and an increased number of applications for Dobutsu Kenkatsu (gut microbiota medical checkups: intestinal flora measurement + health check), the operating expense ratio on an earned premiums basis improved by 1.0pp YoY to 32.8%.
- ▶ Regarding KPIs, policies in force reached 1,213,737 (+7.1% YoY; 23.3% of the full-year target), and new policy acquisitions totaled 57,986 (+5.1% YoY; 25.2%). The number of payouts was 1,116 (+23.3% YoY). New policy acquisitions had stagnated due to a post-pandemic slump after two years of pandemic-driven demand but grew solidly in Q1 FY03/25. In partner channels, the share of non-pet shop channels, such as breeders, increased. The renewal rate was 88.1% (unchanged YoY), and the number of hospitals accepting Anicom insurance increased to 6,908 (+1.1% YoY).

Progress of priority measures

Insurance business

The company acquired more than 57,000 new policies between April and June 2024, and by the end of June, the number of policies in force surpassed 1,210,000. To expand and strengthen sales channels, the company jointly sold pet insurance with Tokio Marine & Nichido Fire Insurance. It also concluded a business alliance agreement with Sony Assurance to jointly develop pet insurance products, and formed a business alliance with AXA Direct for the pet insurance business. In terms of expanding products and services, the company launched an online insurance claim filing service and improved customer convenience, in combination with the over-the-counter (OTC) insurance payout system and allowing customers to file claims via LINE. In addition, steady growth in Dobutsu Kenkatsu applications contributed to a stable and high renewal rate of 88.1% for April–June 2024.

- ▶ As for the competitive landscape, despite the entry of major non-financial companies such as Amazon Japan LLC and PayPay Corporation into the pet insurance market over the past year, the company stated that its advantages, such as the OTC insurance payout system, have prevented any significant impact, such as policyholders' switching to competitor products or a decline in market share.

In July 2024, Anicom Insurance revised the basic premiums for “Animal Health Insurance Family Wide Type (no limited days).” It increased the premiums for Animal Health Insurance Family Wide Type 70% coverage and Animal Health Insurance Family Wide Type 50% coverage by an average of 6.6%.

- ▶ Combined with the premium hike for the Wide Type in 2023, this revision means that premiums for all Wide Type products have now been increased.

Investment

Flexible and agile asset management enabled the company to accumulate investment gains steadily. The company also posted a gain on the sale of REIT and, as a result, made steady progress toward its full-year target.

Other

The company has been pursuing the “One Employee, One Patent (one patent per employee)” strategy and has increased the number of inventors to 131 as of end-June 2024. In other businesses, revenue from veterinary hospital support was up 3.3% YoY to JPY85mn, veterinary medicine clinical and research services increased 21.8% YoY to JPY699mn, genetic testing and related services rose 4.6% YoY to JPY85mn, and other businesses including breeding grew significantly by 118.8% YoY to JPY430mn.

Synergistic businesses

To strengthen breeding support, the company vigorously promoted various initiatives in light of amendments to the Animal Welfare Act. Demand remained strong in the enhanced matching service business, and the number of completed contracts for Minna no Breeder and Minna no Koneko Breeder increased steadily. SIMNET posted revenue of JPY729mn in Q1 FY03/25 (JPY509mn in Q1 FY03/24) and recurring profit of JPY146mn after amortization of goodwill (JPY2mn loss in Q1 FY03/24), contributing more to a boost in consolidated profits.

For health checkups plus oral and intestinal care products, the cumulative total applications for Dobutsu Kenkatsu increased 7.5% YoY to 59,000 during April–June. The number of genetic testing rose 7.2% YoY to 18,000. The company promoted test marketing of oral and intestinal care products through Dobutsu Kenkatsu. As for a toothpaste gel for pets launched in FY03/24, the company promoted sales at the group’s veterinary clinics and received high ratings in the customer survey.

Topics

In creating new value through data utilization, in light of the results of the group’s study on the relationship between oral and intestinal health in dogs and cancer risk, the company has opened a call for “joint research on preventing all diseases, including cancer.” The joint research aims to explore the potential for cancer prevention, among other diseases, through oral care. The research will focus on advancing cancer prevention efforts not only for pets but also for humans. The company also intends to promote approaches other than oral care initiatives to prevent all diseases, including cancer.

The company concluded a basic agreement for a business alliance with CMIC Holdings Co., Ltd., which operates the animal wellness business (animo Co., Ltd.). The alliance aims to centralize pet-related information management, provide advanced services using information, and maximize business value. Specific issues to be considered include developing services that contribute to advancements in veterinary epilepsy treatment and developing new services to support the development of animal pharmaceuticals.

The company has agreed to a joint research project with South Korean pet tech startup CareSix Co., Ltd. and Cho & Company to build algorithms aimed at preventing diseases and detecting signs of illness in dogs. This will be achieved by collecting and analyzing health-related data from dogs using smart collar devices.

The company has obtained a patent for a system that “determines pet emotions from videos” by using AI to analyze pets’ facial photo data that it has accumulated over time.

Regarding the share buyback program announced at the beginning of FY03/25, the company has purchased shares worth JPY1.4bn (out of the total acquisition price [maximum] of JPY3.0bn) as of end-August.

Full-year FY03/24 results

- Recurring revenue: JPY60.4bn (+6.9% YoY; 100.7% of the full-year company forecast)

- Recurring expenses: JPY56.3bn (+6.5% YoY)
- Recurring profit: JPY4.2bn (+12.9% YoY; 104.0%)
- Net income attributable to owners of the parent: JPY2.7bn (+19.5% YoY; 109.2%)

Earnings summary

- ▶ Recurring revenue was up JPY3.9bn (+6.9% YoY) to JPY60.4bn, progressing in line with the company's full-year forecast. This breaks down to an increase of JPY3.5bn in underwriting revenue, a decrease of JPY101mn in investment revenue, and an increase of JPY518mn in other recurring revenue. Policies in force increased 7.2% YoY to 1,193,560, and new policy acquisition was up 2.1% YoY to 223,289, steadily, as the company focused on strengthening its sales channel activities, coupled with the continued strong demand for pet ownership. The company maintained the top share of the domestic pet insurance market for the 15th consecutive year. Other recurring revenue grew steadily YoY to JPY5.4bn (+10.5% YoY), due for instance to growth in revenue from veterinary clinic operations and the breeder matching website. Investment revenue declined to JPY733mn (-12.1% YoY), but the company achieved its initial plan by conducting flexible insurance asset management in an uncertain market environment.
- ▶ Recurring profit was up JPY474mn YoY to JPY4.2mn (+12.9% YoY), exceeding the company's full-year forecast. The company's efforts to control new policy acquisition costs and streamline business operations resulted in steady profit growth. The JPY474mn increase in recurring profit reflected steady growth in the number of policies in force and underwriting revenue, as well as a JPY3.3bn increase in earned premiums, a JPY2.5bn increase in claims paid, a JPY68mn increase in agency fees, a JPY2mn increase in the provision for catastrophe reserves, a JPY100mn decrease in investment revenue, a JPY21mn decrease in investment expenses, a 517mn increase in other recurring revenue outside the insurance business, a JPY238mn increase in other recurring expenses, and a JPY445mn increase in SG&A expenses. The recurring profit margin was 6.9%, up 0.4pp YoY. The recurring profit margin before goodwill amortization was 7.2%.
- ▶ Net claims paid rose to JPY30.5bn (+9.2% YoY) due to the high frequency of hospital visits as well as higher prices per medical treatment. The E/I loss ratio increased 1.0pp YoY to 59.9% but has stabilized now that the impact of changes in pet owners' behavior due to the COVID-19 pandemic has peaked. The improvement trend continued due to the diversification of sales channels and efficient contract acquisition, resulting in commissions and collection expenses of JPY5.1bn (+1.3% YoY). SG&A expenses rose 2.9% to JPY15.8bn, and other recurring expenses were up 14.0% to JPY1.9bn. The company implemented efficient business operations in response to the rise in revenue. Even taking into account factors such as the company's proactive investments in growing in scale and an increased number of applications for Dobutsu Kenkatsu (gut microbiota medical checkups: intestinal flora measurement + health check), the operating expense ratio on an earned premiums basis improved by 1.6pp YoY to 33.3%. The combined ratio based on earned premiums for FY03/24 improved by 0.6pp YoY to 93.2%, mainly due to the improvement in the insurance business expense ratio.
- ▶ The renewal rate was 88.2% (unchanged YoY), slightly lower than the initial forecast of 88.5%. In November 2023, Anicom raised premiums by an average of 7.8% for products under its "wide" plan (which has no limit on the number of hospital visits and stays), but this did not significantly affect the cancellation rate. The annual renewal rate remained at a high level on solid growth of Dobutsu Kenkatsu.
- ▶ The number of applications for Dobutsu Kenkatsu in FY03/24 grew steadily to 220,000 (+4.1% YoY). The number of genetic testing specimens fell to 67,801 (-26.6% YoY) due to the deterioration of the competitive environment. As a new development in oral and intestinal care products through Dobutsu Kenkatsu, the company has begun selling Crystal Joy, a toothpaste gel effective in preventing periodontal disease, and 7Days Food, a pet food that enhances gut microbiota diversity. As of end-March 2024, the total number of patents has reached 18, with 127 inventors.
- ▶ In the businesses that generate synergies, the company strengthened the matching service business, and the number of completed contracts for Minna no Breeder and Minna no Koneko Breeder exceeded 300,000 in total. SIMNET, which operates the matching service business, posted sales of JPY2.4bn in FY03/24 (JPY1.9bn in FY03/23) and recurring profit of JPY188mn after amortization of goodwill (JPY77mn loss in FY03/23), contributing to a boost in consolidated profits.

Other

The non-consolidated solvency margin ratio was 333.7% (-39.4pp YoY). The annual dividend was JPY1.5 (+JPY5.5 YoY), and the dividend payout ratio was 16.2% (+2.0pp). Consolidated ROE was 9.4% (vs 8.2% in FY03/23), and the company's calculated cost of capital was 7.0% (7.2%), widening the equity spread by 1.4pp.

On May 24, 2024, the company announced that it had entered into a business alliance agreement with AXA General Insurance Co., Ltd. (AXA Direct) for the pet insurance business. AXA Direct will inform all its customers whose policies expire on November 30, 2024 (scheduled) and beyond about Anicom Insurance's pet insurance products. AXA customers will be able to continue to have their pet insurance coverage with Anicom Insurance products if they wish.

On May 24, 2024, the company announced its decision on matters related to share repurchase. The total number of shares to be repurchased is 6mn (upper limit; 7.5% of the total number of shares issued excluding treasury shares), the total acquisition price is JPY3.0bn (maximum), and the acquisition period is from May 27, 2024 to March 31, 2025.

Cumulative Q3 FY03/24 results

- Recurring revenue: JPY44.9bn (+6.9% YoY; 74.9% of the full-year company forecast)
- Recurring expenses: JPY41.7bn (+5.9% YoY)
- Recurring profit: JPY3.3bn (+21.4% YoY; 81.9%)
- Net income attributable to owners of the parent: JPY2.0bn (+22.0% YoY; 81.6%)

Earnings summary

- ▶ Recurring revenue was up JPY2.9bn (+6.9% YoY) to JPY44.9bn, due to an increase of JPY2.5bn in underwriting revenue, an increase of JPY100mn in investment revenue, and an increase of JPY302mn in other recurring revenue. Through the strengthening of sales channels and backed by firm demand for pet ownership, the company had 1,172,819 policies in force (+7.1% YoY), and 165,842 new policies (+0.7% YoY), which remained solid. Other recurring revenue grew steadily YoY due for instance to strong food sales, good veterinary clinic operations, and an increase in the number of contracts for the breeder matching website.
- ▶ Recurring profit was up JPY577mn YoY to JPY3.3mn (+21.4% YoY), which was at 81.9% of the full-year projection of JPY4.0bn, demonstrating steady progress. The company's efforts to control new policy acquisition costs and flexible asset management resulted in steady profit growth. The JPY577mn increase in recurring profit reflected steady growth in the number of policies in force and underwriting revenue, as well as a JPY2.5bn increase in earned premiums, a JPY1.8bn increase in claims paid, a JPY44mn increase in agency fees, a JPY30mn decrease in the provision for catastrophe reserves, a JPY100mn increase in investment revenue, a JPY2mn increase in investment expenses, a 302mn increase in other recurring revenue outside the insurance business, a JPY147mn increase in other recurring expenses, and a JPY285mn increase in SG&A expenses. The recurring profit margin was 7.3%, up 0.9pp from 6.4% in cumulative Q3 FY03/23. The recurring profit margin before goodwill amortization was 7.6%. Anicom continues to closely monitor trends in claims paid, focusing on achieving an ideal loss ratio, improving the SG&A ratio, and increasing the profitability of businesses that generate synergies.
- ▶ The E/I loss ratio increased 0.9pp YoY to 60.7% due partly to an increase in the price per consultation. However, the company says the ratio has stabilized now that the impact of changes in pet owners' behavior due to the COVID-19 pandemic has become minimal. Even taking into account factors such as the company's proactive investments in growth in scale and an increased number of applications for Dobutsu Kenkatsu (gut microbiota medical checkups: intestinal flora measurement + health check), the operating expense ratio on an earned premiums basis improved by 1.7pp YoY to 33.4%. The company says the improvement was driven by diversified sales channels and efficient contract acquisition, as well as the containment and reduction of expenses and commissions through the use of AI, RPA, and other digital tools.
- ▶ No revision to the full-year earnings forecast.

Priority measures in the insurance business

Anicom promoted the following initiatives in the insurance business.

- Expansion and strengthening of sales channels: Anicom has further accelerated its collaboration with SIMNET and acquired more new policies in the breeder channel. The number of breeder agencies increased to 1,015 (up from 91 at end-September 2020), and through ongoing education and support for breeder agencies, the percentage of pet owners purchasing insurance has improved compared to before. According to the company, new policies acquired through the breeder channel in FY03/24 have made a significant contribution to the number of new policies acquired. Anicom's pet insurance has also been sold through Fukoku Mutual Life Insurance Company since December 2023. The company also says it has been discussing the handling and development of its pet insurance and other

products with Tokyo Marine & Nichido Fire Insurance, with which Anicom formed a capital and business alliance in March 2023.

- Premium revision: The company revised basic premiums for its wide-type products by 7.8% on average. The revised premiums were applied to policies with effective dates starting November 1, 2023.
- Expansion of products and services: A steady increase in the number of applications for the Dobutsu Kenkatsu health management service contributed to the high and stable renewal rate of 88.2% in cumulative Q3 FY03/24.
- Loss ratio (60.7% in cumulative Q3 FY03/24): While the frequency of hospital visits has stabilized, the price per medical treatment continued to rise. The company pushed forward with various measures to improve its loss ratio, including promoting the use of recommended health insurance treatment flowcharts and referring more pet owners to outstanding hospitals.
- Commissions and collection fees (9.5% in cumulative Q3 FY03/24): The company's efforts to control new policy acquisition costs through expanded and diversified sales channels resulted in a 0.5pp YoY improvement.
- SG&A ratio (26.3% in cumulative Q3 FY03/24): The company's efforts to control new policy acquisition costs and improve operations resulted in a 1.1pp YoY reduction in the SG&A ratio. Specifically, the company saw reductions in the number of direct claims, the unit cost of processing claims in payment operations, and the cost of forms, and streamlined various procedures.
- 2023 Oricon Customer Satisfaction Survey: Anicom won the first place in two pet insurance ranking categories (insurance claims and benefits, and over-the-counter reimbursement).

Priority measures in businesses that generate synergies

For breeding support, in accordance with the revised Act on Welfare and Management of Animals, Anicom has strongly promoted the following initiatives.

- Genetic testing: Development of testing and matching services to improve breeding rates
- Technology development: Development of mating time detection methods, utilization of stem cells, and establishment and provision of frozen semen utilization techniques
- Medical support: Expansion of visiting service areas and training on breeding techniques
- Sales support: Expansion of the breeder direct sales support center
- Business support: Investment in breeding, provision of breeding spaces (*Shippo no Sato*) through asset management, improvements in operational efficiency, etc.
- Support for retired breeding dogs and cats: Construction and operation of shelters and establishment of adoption schemes

In SIMNET's breeder matching service business, the company strived to increase site visits and inquiries and improve closing rates. As a result, SIMNET's matching capability was enhanced, and revenue and recurring profit in cumulative Q3 FY03/24 increased steadily to JPY1.7bn (JPY1.4bn in cumulative Q3 FY03/23) and JPY191mn (JPY33mn), respectively.

Progress in other initiatives were as follows.

- Launching the health check, pet food, and merchandise businesses: Total applications for the Dobutsu Kenkatsu health management service for pets exceeded 162,000 in cumulative Q3 FY03/24. The company cultivated customer needs for Anicom food through Dobutsu Kenkatsu. It also expanded sales channels and increased the brand recognition to direct more customers to subscriber plans. CRYSTAL JOY, a toothpaste gel for pets jointly developed with Earth Chemical, was launched.
- Veterinary medicine: In the veterinary hospital support business, the company reinforced its management structure by expanding sales and reducing costs. It also promoted the establishment of therapies and preventive measures using regenerative medicine in the regenerative medicine business. In addition, 699 hospitals joined the Research and Development Partnership for Animal Regenerative Medicine (PARM). Anicom Specialty Medical Institute's study confirmed that stem cell therapies improved the quality of life and reduced the cost of medical care for older dogs.
- Solving social issues (ESG activities): The company raised funds to rescue pets in Ukraine and implemented other fundraising projects for animal rescue programs overseas.

Other priority measures

- Asset Management: Flexible and agile asset management enabled the company to steadily accumulate investment gains, resulting in investment revenue of JPY569mn (+21.3% YoY) in Q3, which was in line with the target. The company says it increased the proportion of high-yield bonds and REITs in assets under management.
- Other: The company opened the "Shippo no Sato" complex, which includes an animal shelter, a breeding facility, and a dog cafe, to promote animal welfare. Anicom began cooperating with Tokyu Real Estate to enrich life with pets

(including mutual product introduction and value provision, joint development of pet-friendly apartments, etc.). As the company pursued the "One Employee, One Patent" strategy, the number of patents has increased to 15, with 113 inventors.

Other

In October 2023, in response to various reports and social media posts regarding Coo&RIKU, the company's insurance agency contractor, Anicom Insurance established an "information center for troubles related to the sale of puppies and kittens" and took measures to address the situation. In addition, to conduct an investigation of Coo&RIKU with advice and suggestions from experts and objective insights, the company appointed specialists familiar with the insurance industry, pet business, and veterinary medicine as external advisors.

In December 2023, Anicom Insurance conducted a special agency audit of One Love's franchise stores and One Love, a major agency for Anicom, after employees from a One Love's franchise store was reportedly arrested on suspicion of abusing animals or violating the Act on Welfare and Management of Animals.

▶ In December 2023, Anicom Insurance announced its stance on compliance with the Act on Welfare and Management of Animals (a regulation that puppies and kittens less than 8 weeks old should not be offered for sale) in the pet industry in light of various recent reports. Financial institutions including Anicom, major developers, and other companies that could be described as comprising social infrastructure, require their business partners to comply with various laws and regulations as a condition for doing business. By cooperating with each other to comply with the Act, these pet-related businesses can ultimately build a social and economic legal compliance system. Anicom intends to further strengthen this activity in the future.

In November 2023, Anicom Holdings resolved to receive a dividend of JPY3.3bn from its consolidated subsidiary, Anicom Insurance (no impact on the company's consolidated business results). As described in the company's press release in May 2023, the dividend payment was decided due to an error in calculating Anicom Insurance's solvency margin ratio, which resulted in an excess of about JPY4.0bn over the appropriate capital level. The company plans to use JPY4.0bn to repurchase its own shares (it already used JPY1.0bn in FY03/24 and will use JPY3.0bn in FY03/25.)

In January 2024, Anicom Holdings resolved to transfer all its shares in AHB Inc., an equity-method affiliate and a major agency for Anicom Insurance. While the equity relationship will be dissolved due to the share transfer, the company confirmed that there will be no impact on business relations, including agency transactions and the dispatch of officers to AHB. As a result of this share transfer, the company will post an extraordinary gain of JPY939mn on sale of shares in the non-consolidated financial statements for FY03/24. The expected impact on net income, taking into account tax effects, is JPY650mn. As the shares are accounted for under the equity method in the consolidated financial statements, the company expects the impact of the above change on its FY03/24 earnings to be minor.

1H FY03/24 results

The results below are based on corporate documents. Although there is a difference of JPY78mn from the consolidated operating revenue of JPY29.8bn reported in the company's financial statements, the difference does not affect the consolidated recurring profit. According to the financial statement format prescribed by the Ordinance for Enforcement of the Insurance Business Act, when provisions for underwriting reserves become negative, the company must record the reversal of underwriting reserves in the consolidated recurring revenue. However, the company's filings present it as part of underwriting expenses for comparison with past figures.

- Recurring revenue: JPY29.8bn (+6.4% YoY; 49.6% of the full-year company forecast)
- Recurring expenses: JPY27.1bn (+4.4% YoY)
- Recurring profit: JPY2.6bn (+33.0% YoY; 65.0%)
- Net income attributable to owners of the parent: JPY1.8bn (+33.4% YoY; 70.2%)

Recurring revenue in 1H FY03/24 was JPY29.8bn (+JPY1.8bn or 6.4% YoY), reaching 102.6% of the company's 1H plan of JPY29.0bn and 49.6% of its full-year plan of JPY60.0bn. The company stated that overall, it is on pace to achieve its plan. Contributing to revenue growth were increases in underwriting revenue of JPY1.6bn, investment revenue of JPY5mn, and other recurring revenue of JPY147mn. The company had 1,154,322 policies in force (+7.6% YoY) and underwrote 110,883 new policies (+1.5% YoY), showing steady performance. Contracts concluded for pet foods, with veterinary hospitals, and through SIMNET's breeder matching site held firm, resulting in steady growth of other recurring revenue.

Recurring profit was up JPY646mn YoY to JPY2.6mn (+33.0% YoY). The company achieved 65.0% of its full-year projection of 4.0bn, exceeding the 1H forecast of JPY2.2bn. The company's efforts to control new policy acquisition costs and flexible asset management are working well. The JPY646mn increase in recurring profit reflected steady growth in the number of policies in force and underwriting revenue, as well as a JPY1.7bn increase in earned premiums, a JPY1.3bn increase in claims paid, a JPY31mn increase in agency fees, a JPY472mn decrease in the provision for catastrophe reserves, a JPY5mn increase in investment revenue, a JPY2mn increase in investment expenses, a 147mn increase in other recurring revenue outside the insurance business, a JPY104mn increase in other recurring expenses, and a JPY202mn increase in SG&A expenses. The recurring profit margin was 8.7%, up 1.7pp from 7.0% in 1H FY03/23. The recurring profit margin before goodwill amortization was 9.1%. The company left its full-year forecast unchanged.

Recurring revenue

Underwriting revenue

Underwriting revenue increased JPY1.6bn (+6.5% YoY) to JPY26.7bn. The company reported 110,883 new policies (+1.5% YoY; equivalent to 50.4% of 220,000 in its full-year forecast), and 1,154,322 policies in force (+7.6% YoY). New policies per month came to 18,017, which was higher than the average of 18,017 observed in FY03/23 and the average of 18,387 reported in Q1 FY03/24. Due to a recovery in the number of animals sold at pet shops, which declined notably in FY03/23, and an increase in breeder agencies, new policies through the newborn sales channel remained solid. The company's policy renewal rate was 88.2% versus its full-year forecast of 88.5%.

The company plans to revise premiums for new policies (of Animal Health Insurance Family Wide Type [no limited days]) from November 2023, which can negatively impact contract renewal rates. The company estimates that the negative impact on renewal rates from premium revisions will be around 1.0pp based on experiences. However, since Animal Health Insurance Family Wide Type (no limited days) is targeted at older dogs, the company does not anticipate the impact to be significant.

Investment revenue

Investment revenue rose JPY5mn (+1.4% YoY) to JPY361mn but seems to remain largely in line with the plan.

Other recurring revenue

Other recurring revenue (revenue from operations unrelated to insurance, such as genetic testing and hospital management) rose JPY147mn YoY to JPY2.7bn (+5.8% YoY; 9.1% of recurring revenue). The JPY147mn increase reflects: (1) SIMNET (breeder matching) revenue up JPY81mn YoY; (2) veterinary hospital support business up JPY12mn YoY; (3) insurance agency business down JPY7mn YoY; (4) advanced veterinary medicine clinical research services up JPY62mn YoY (including revenues from veterinary hospital operations); (5) genetic testing, etc., down JPY59mn YoY, and (6) other revenue up JPY50mn YoY. SIMNET's enhanced matching capability increased viewers, inquiries, and contracts on the matching site. Revenue from veterinary hospitals grew due to higher medical expenses. Other recurring revenue accounted for 9.1% of total recurring revenue, the same level as 9.1% in the same period of the previous fiscal year.

Recurring expenses

Total underwriting expenses increased by JPY830mn (+4.7% YoY) to JPY18.3bn. Net claims paid rose JPY1.4bn (+9.9% YoY) to JPY15.1bn due mainly to increases in the frequency of hospital visits and the number of policies in force. Commissions and collection fees paid to agents rose JPY31mn (+1.2% YoY) to JPY2.6bn. Improvements continue owing to diversified sales channels and efficient contract acquisitions. The company is aware that, for agency commissions, it is transitioning from a phase of negotiating commission rates for pet shop agents to a stage of expanding breeder agencies.

The company's provision for reserve for outstanding losses and claims decreased JPY61mn YoY to JPY191mn (-24.2% YoY). Due to a rise in claims paid, the company's provision for catastrophe reserve losses and claims contracted JPY472mn YoY, and its provision for underwriting reserves fell JPY500mn. Operating and general administrative expenses increased JPY202mn (+2.6% YoY) to JPY7.9bn, resulting in recurring expenses of JPY27.2bn, an increase of JPY1.1bn (+4.4% YoY). The ratio of consolidated SG&A expenses to revenue was down 1.0pp YoY to 26.4%. According to the company, although no specific items of SG&A expenses fell significantly, the company successfully reduced personnel and property costs through digital transformation.

The company's E/I loss ratio rose to 60.6%, up 1.1pp YoY. The E/I loss ratio exceeded its full-year forecast of 59.8%. Meanwhile, the expense ratio fell 1.9pp YoY to 33.4%, below its full-year forecast of 33.7%. The combined ratio declined 0.8pp YoY to 94.0%.

Recurring profit

Recurring profit increased JPY646mn YoY (+33.0% YoY) to JPY2.6bn, significantly increasing YoY due to improved contract costs and flexible investments. Agency commissions increased only JPY31mn YoY, showing the effects of cost improvement. Anicom's recurring profit margin was 8.7%, up 1.7pp from 7.0% in 1H FY03/23. The company achieved 65.0% of its initial FY03/24 recurring profit forecast of JPY4.0bn. For non-insurance businesses, the company also intends to expand operations of SIMNET, veterinary hospitals, and pet foods and improve their profitability.

Net income attributable to owners of the parent

Net income was up JPY440mn YoY (+33.4% YoY) to JPY1.8bn, achieving 70.2% of the full-year forecast of JPY2.5bn.

Status of priority measures

- ▶ Insurance Business: The number of policies in force exceeded 1.15mn as of end-September 2023. New policies in the breeder channel increased through collaboration with SIMNET. The number of breeder agencies grew to 994 as of end-September 2023 (up from 91 at end-September 2020). Insurance coverage ratio is also improving.
- ▶ Premium revision: The company revised basic premiums for its wide-type products by 7.8% on average. The revised premiums came into effect for policies starting from November 1, 2023.
- ▶ Expansion of products and services: The number of applications for the Dobutsu Kenkatsu health management service is steady, and the renewal rate was solid and elevated at 88.2%. The company is continuing to promote measures to improve the loss ratio, such as optimizing medical treatment by encouraging the use of a flowchart for standardized medical care to help reduce insurance claims, and providing information on outstanding hospitals. The renewal rate remained strong at 88.2%, despite the company's concerns about the impact of premium revisions.
- ▶ Other Business (upstream): Strengthening breeding support and expanding range of support services (genetic screening, technology development, medical support, sales support, business support, and support for transferring dogs and cats whose owners no longer want them). In terms of sales support, the company has set up and expanded a breeder direct sales support center. In addition, the company is striving to reinforce SIMNET's breeder matching service business to increase site visits and inquiries and improve close rates.
- ▶ Launching the health check, pet food, and merchandise businesses (midstream to downstream): The company began selling its new pet food line, Minna no Gohan (from September 2021) mainly through the breeder channel. Channels are also being expanded to direct customers to subscriber plans. The new Kimi no Gohan pet food line (from June 2022) is being expanded for sale mainly to policyholders. The company will stimulate customer needs for Anicom food through Dobutsu Kenkatsu health management service for pets. Total applications for the Dobutsu Kenkatsu exceeded 108,000 in 1H FY03/24.
- ▶ Animal hospital business (midstream to downstream): The company is focused on reinforcing its management structure through sales expansion and cost reduction. It intends to enhance treatment skills through enriched education and training, utilize standard clinical practice flowcharts, and improve the cost ratio.
- ▶ Regenerative medicine business (midstream to downstream): The company aims to establish "therapies" and "preventive measures" using regenerative medicine. As of end-September 2023, 683 hospitals had joined the Research and Development Partnership for Animal Regenerative Medicine (PARM), which was established primarily by the Anicom group to promote the penetration of regenerative medicine.

Completed share repurchase for FY03/24

On May 25, 2023, Anicom Holdings changed its shareholder return policy. The company sees that returning profits to shareholders is one of its management challenges and, taking into consideration financial soundness and capital efficiency, established a fundamental policy of continuously and stably distributing profits over the medium to long term. However, the company discovered an error in calculating the solvency margin ratio for Anicom Insurance, Inc., a core insurance subsidiary in the Anicom Holdings group (in May 2023). The company had calculated the solvency margin ratio for Anicom Insurance at end-FY2022 to be 373.1%, which was well above the target range of 300% to 320% (as stated in the Medium-Term Management Plan 2022–2024) for the solvency margin ratio in FY2024.

In light of this situation, and based on its intention to enhance corporate value over the medium to long term, Anicom Holdings deemed it necessary to allocate capital to each of its group companies. The company has concluded that it is

appropriate to immediately return about JPY4.0bn in excess of the appropriate capital level to the parent company through dividends or similar means, to have the parent company return profit to shareholders in the form of share repurchase. In June 2023, the company resolved to repurchase its own shares up to JPY1.0bn (2,000,000 shares) and completed the repurchase of its own shares worth approximately JPY1.0bn in September 2023. The company received dividends of approximately JPY3.3bn in November 2023. The company plans to repurchase its own shares worth the remaining amount of JPY3bn promptly after the end of FY03/24, when dividend income can be included in the distributable amount.

Topics

- ▶ Joint research with Osaka University and Earth Corporation: The company started a collaborative research project with Osaka University and Earth Corporation in June 2023, which aims to collect data on the oral microbiota of pets and clarify the relationship between periodontal diseases and the microbiota. It also aims to develop prophylactic and therapeutic methods using MA-T™. Specifically, the project will entail the following:
 - Examination of the differences in oral and gut microbiota between healthy pets and those with oral diseases such as periodontal disease
 - Evaluation of the effect of using MA-T™ to normalize the oral microbiota in pets with oral disease
 - Identification of methods to prevent and treat oral disease in pets
- ▶ Conclusion of basic agreement with South Korea's largest telecom carrier, SK Telecom: The two companies are considering (1) the distribution and sales of X Caliber, an AI healthcare service for pets in the Japanese market, and (2) the realization of AI transformation in the pet industry (combining the company's pet-related data and SK Telecom's AI resources).

Income statement

Income statement (JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Recurring revenue	22,638	26,506	28,978	32,339	35,829	41,465	48,049	53,022	56,528	60,437
YoY	23.3%	17.1%	9.3%	11.6%	10.8%	15.7%	15.9%	10.3%	6.6%	6.9%
Underwriting revenue	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Net premiums written	21,733	25,370	28,068	31,290	34,535	39,105	43,312	47,321	50,781	54,273
Reversal of reserves for outstanding losses and claims	-	-	-	-	-	-	-	-	-	-
Investment revenue	522	690	504	420	383	496	488	679	834	733
Interest and dividend income	289	334	320	255	154	219	253	316	439	610
Gains on sale of securities	232	355	184	165	228	276	233	360	391	117
Other recurring revenue	382	446	405	628	910	1,863	4,248	5,020	4,912	5,430
Equity in earnings of affiliates	-	-	-	-	-	-	33	140	-	8
Other	382	446	405	628	910	1,863	4,215	4,880	4,912	5,422
Recurring expenses	21,387	24,377	26,606	30,486	33,550	39,275	45,290	49,855	52,842	56,277
YoY	21.3%	14.0%	9.1%	14.6%	10.1%	17.1%	15.3%	10.1%	6.0%	6.5%
Underwriting expenses	15,920	17,393	18,967	21,771	24,071	27,212	30,512	33,504	35,664	38,436
Net premiums written	12,149	13,547	14,901	16,591	18,456	20,492	23,226	25,559	27,934	30,494
Loss adjustment expenses	741	895	965	1,004	1,003	1,109	1,098	1,080	1,106	1,108
Commissions and collection fees	1,269	1,590	1,995	2,660	3,077	3,674	4,539	5,193	5,067	5,135
Provision for outstanding losses and claims	144	122	181	212	196	179	211	165	283	257
Provision for underwriting reserves	1,616	1,237	923	1,302	1,336	1,756	1,437	1,505	1,272	1,439
Investment expenses	21	182	0	8	10	109	141	66	118	97
Loss on sale of securities	21	101	-	8	6	28	38	61	116	91
Loss on valuation of securities	-	80	0	0	3	80	103	4	2	5
Operating and general administrative expenses	4,905	6,699	7,273	8,479	9,112	11,153	13,283	14,656	15,350	15,795
Other recurring expenses	540	100	364	227	356	800	1,353	1,628	1,709	1,948
Interest paid	-	-	-	-	-	-	8	15	15	15
Provision for doubtful accounts	6	4	124	-	-	-	-	-	-	-
Stock issuance expenses	-	-	-	-	108	10	-	-	3	-
Amort. of deferred assets under Article 113	484	-	-	-	-	-	-	-	-	-
Other recurring expenses	48	96	122	110	247	790	1,344	1,612	1,690	1,932
Recurring profit	1,250	2,129	2,372	1,853	2,278	2,189	2,758	3,166	3,685	4,159
YoY	70.5%	70.3%	11.4%	-21.9%	22.9%	-3.9%	26.0%	14.8%	16.4%	12.9%
Recurring profit margin	5.5%	8.0%	8.2%	5.7%	6.4%	5.3%	5.7%	6.0%	6.5%	6.9%
Extraordinary gains	-	27	-	-	16	14	54	-	-	264
Extraordinary losses	18	83	203	13	19	42	400	170	142	227
Total income taxes	403	674	610	519	665	637	826	883	1,258	1,467
Net income	829	1,399	1,568	1,320	1,610	1,525	1,586	2,112	2,284	2,729
YoY	85.5%	68.8%	12.1%	-15.8%	22.0%	-5.3%	4.0%	33.2%	8.1%	19.5%
Net margin	3.7%	5.3%	5.4%	4.1%	4.5%	3.7%	3.3%	4.0%	4.0%	4.5%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Balance sheet

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
Assets										
Cash and deposits	4,217	7,566	15,242	19,078	29,643	24,427	31,683	29,641	30,835	23,879
Investment securities	15,108	10,739	5,914	4,625	4,660	9,999	11,667	16,570	16,956	27,510
Loans receivable	-	-	294	196	225	127	92	3	3	5
Tangible fixed assets	250	1,527	1,432	1,359	1,367	1,858	2,520	2,550	2,557	3,032
Land	-	518	508	508	508	806	809	809	809	891
Buildings	89	462	433	412	440	447	970	992	1,207	1,330
Lease assets	-	4	6	17	27	34	31	20	11	12
Other tangible fixed assets	160	542	484	420	391	548	699	617	521	748
Intangible assets	566	653	904	1,462	1,506	3,956	3,466	3,469	3,242	3,893
Software	305	532	642	845	811	1,165	783	790	943	882
Software in progress	261	33	195	473	592	271	281	407	254	523
Other	-	86	66	143	102	2,518	2,318	2,253	2,038	2,482
Other assets	1,945	4,297	3,876	3,908	4,344	4,263	5,208	5,481	6,504	6,710
Accounts receivable	1,118	2,041	1,388	1,689	1,895	1,923	2,068	2,208	3,296	3,408
Accrued premiums	191	232	260	365	445	508	534	571	628	678
Suspense payments	-	1,490	1,771	1,351	1,396	906	1,451	1,237	849	901
Other	629	533	455	501	606	926	1,154	1,463	1,730	1,722
Deferred tax assets	263	433	597	623	718	1,041	898	951	1,315	1,335
Allowance for doubtful accounts	-13	-16	-140	-88	-76	-75	-78	-33	-8	-9
Total assets	22,337	25,192	28,123	31,164	42,390	45,598	55,459	58,635	61,407	66,357
Liabilities										
Reserve for insurance contract	10,528	11,888	12,993	14,508	16,041	17,977	19,626	21,297	22,853	24,551
Reserves for outstanding losses and claims	1,435	1,558	1,739	1,952	2,148	2,328	2,539	2,705	2,988	3,245
Underwriting reserves	9,093	10,330	11,253	12,556	13,893	15,649	17,087	18,592	19,865	21,305
Bonds payable	-	-	-	-	-	-	5,000	5,000	5,000	5,000
Other liabilities	2,411	2,414	2,635	2,845	3,867	4,018	4,787	4,647	4,945	6,201
Income taxes payable	-	329	463	273	610	600	694	533	679	1,109
Accounts payable—other	777	855	856	1,093	1,543	1,550	2,018	1,835	1,843	2,229
Suspense receipts	956	1,073	1,172	1,298	1,484	1,603	1,783	1,964	2,119	2,298
Other	678	156	143	181	228	264	291	314	302	563
Provision for bonuses	103	157	172	173	191	209	247	274	304	304
Reserve for special laws	22	32	41	48	54	68	80	98	119	146
Reserves for price fluctuations	22	32	41	48	54	68	80	98	119	146
Total liabilities	13,066	14,492	15,842	17,576	20,156	22,273	29,741	31,319	33,223	36,204
Net assets										
Shareholders' equity	9,272	10,762	12,233	13,546	22,233	23,719	25,648	27,658	29,740	31,144
Capital stock	4,350	4,396	4,402	4,443	7,950	7,981	8,202	8,202	8,202	8,202
Capital surplus	4,240	1,286	4,292	4,333	7,840	7,871	8,092	8,092	8,092	8,092
Retained earnings	681	2,080	3,539	4,770	6,443	7,868	9,353	11,364	13,446	15,850
Treasury stock	-0	-0	-0	-0	-0	-0	-1	-1	-1	-1,001
Valuation and transaction adjustments	-1	-123	-100	-128	-150	-530	69	-342	-1,555	-1,248
Valuation difference on securities	-1	-123	-100	-128	-150	-530	69	-342	-1,555	-1,248
Total net assets	9,270	10,699	12,281	13,587	22,234	23,325	25,717	27,316	28,184	30,152
Total liabilities and equity	22,337	25,192	28,123	31,164	42,390	45,598	55,459	58,635	61,407	66,357

Source: Shared research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Cash flow statement

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Cash flows from operating activities	[a]	3,094	1,960	3,231	3,393	4,359	4,246	4,231	4,456	4,422
Cash flows from investing activities	[b]	-2,963	2,489	4,233	253	-487	-10,263	-2,129	-5,485	-4,066
Free cash flow [a] + [b]		131	4,449	7,464	3,646	3,872	-6,017	2,102	-1,029	356
Cash flows from financing activities		135	89	-79	-10	6,693	-99	5,154	-112	-212
Depreciation and amortization	[c]	166	367	479	533	552	765	932	1,051	978
Capital expenditures	[d]	-188	-1,578	-840	-871	-567	-1,181	-1,164	-1,213	-854
Change in working capital	[e]	-	-	-	-	-	-	-	-	-
Simple FCF (NI + [c] + [d] - [e])		807	188	1,207	982	1,595	1,109	1,354	1,950	2,408

Source: Shared research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Other information

History

Date	Description	
2000	Jul	BSP, Inc. (currently Anicom Holdings, Inc.) was established to handle administrative duties for Anicom's Dobutsu Kempo mutual pet insurance
2004	Dec	Anicom Pafe, Inc. was established
2005	Jan	BSP was renamed Anicom International, Inc.
2005	Feb	Anicom Frontier, Inc. was established
2006	Jan	Anicom Insurance Planning, Inc. was established to prepare for the founding of an insurance company
2007	Dec	Anicom Insurance Planning was renamed Anicom Insurance Inc. The Financial Services Agency allowed the Anicom Insurance to reorganize under a holding company. Anicom Insurance obtained a non-life insurance license
2008	Jan	Anicom Insurance began non-life insurance operations
2008	Jun	Anicom International was renamed Anicom Holdings Inc.
2010	Mar	Listed shares on the Tokyo Stock Exchange's Mothers market
2014	Jan	Japan Animal Specialty Medical Institute Inc. was established
2014	Jun	Listed shares on the First Section of the Tokyo Stock Exchange
2015	Jul	Anicom Capital, Inc. was established
2016	Apr	Celltrust Animal Therapeutics Co., Ltd. was established as a joint venture (Anicom 49%, FujiFilm 51%) for regenerative medicine for animals
2017	Mar	Established Anicom Hong Kong Co., Ltd., a joint venture (49% stake) with the aim of providing animal healthcare services in China
2020	Jan	Acquired all shares in Simnet Co., Ltd. and made it a wholly owned subsidiary
2021	Mar	Resolved to dissolve the joint venture agreement with Fujifilm Corporation, transfer the business of CellTrust Animal Therapeutics Co., Ltd. to Anicom Specialty Medical Institute Inc., and dissolve Anicom Capital, Inc.
2022	Feb	Acquired Hong Kong Anicom Company Limited as a subsidiary by underwriting capital increase
2022	Apr	Transited to the Prime Market from the First Section of the Tokyo Stock Exchange (TSE) due to TSE market restructuring
2022	Oct	Anicom Pafe, Inc. absorbed and merged with Anicom Frontier, Inc.
2024	Mar	Acquired shares in Flowens, Inc. and made it a consolidated subsidiary.

Source: Shared Research based on company materials

Corporate philosophy

The company's name, "ani (life) + communication (mutual understanding) = ∞ (infinity)," forms the philosophical basis for its corporate activities. Anicom believes that when all living things understand each other and work together toward a single goal, what was once thought to be impossible becomes possible. The company will leverage its unlimited value creation capabilities, centered on the pet insurance business, to spread gratitude.

Three missions

- Contribute to the elimination of war and the advancement of peace through the power of altruistic love.
- Transform the pet industry itself into an industry that benefits society as a whole.
- Support the most vulnerable of society, such as the elderly, the disabled, and children, with the power of Mother Nature.

Purpose and sustainability management (CSV management)

Purpose

To fulfill the above three missions, the company has redefined its "purpose" as "to spread altruistic love throughout the world to regain peace, maintain, and advance peace."

The company strives to alleviate loneliness and anxiety and contribute to the resolution of social issues by providing people with meaning in life and providing hands-on experiences in children's education. At the same time, it aims to create both economic and social value through sustainability management (CSV management).

Direction

- ▶ Provide unlimited value as an infrastructure player in the animal industry. Refine the operational functions of pet insurance and become like water and air for society. Further strengthen the insurance business and businesses or services that generate synergies or offer stability.

- ▶ Achieve steady profit growth and improve capital efficiency: Achieve a balance between growth and improvement of profitability in the pet insurance business. Allocate capital based on improved investment returns and reviewing capital requirements (risk coefficient).

Materiality (key issues)

	Materiality		SDG	
People	Provision of purpose in life	3	Good health and well-being	Ensure healthy living and promote the well-being of all people of all ages
	Contribution to local revitalization	8	Decent work and economic growth	Promote sustained, inclusive and sustainable economic growth, productive full employment and decent work for all
	Equal educational opportunities	11	Sustainable cities and communities	Make cities and human settlements inclusive, safe, resilient and sustainable
	Stronger social functions Health and well-being			
Pets	Physical and mental health	3	Good health and well-being	Ensure healthy living and promote the well-being of all people of all ages
	Supply chain traceability	12	Responsible consumption and production	Ensure sustainable consumption and production patterns
	Improved status for pets	15	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, manage forests sustainably, combat desertification, arrest and reverse land degradation, and halt biodiversity loss
Environment	Response to climate change	13	Climate action	Take urgent action to combat climate change and its impacts
	Preservation of biodiversity	15	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, manage forests sustainably, combat desertification, arrest and reverse land degradation, and halt biodiversity loss

Source: Shared Research based on company materials

CSV activities in the value chain (ESG/SDGs compliance)

Birth	Welcoming	Life	Farewell
Specific initiatives			
E · S · G	S	E · S	S
<ul style="list-style-type: none"> Genetic testing Eradication of genetic diseases and distribution of healthy animals Breeding support Animal welfare, environmental impact reduction, animal welfare law compliance 	<ul style="list-style-type: none"> Konotori Center / Minna no Breeder Ensure transparency in pet distribution Foster care matching (hugU) Support for owners with unavoidable circumstances 	<ul style="list-style-type: none"> Gut microbiota measurement Early detection of disease and health management Pet insurance Appropriate provision of veterinary care Entomophagy Food Providing food with less environmental impact Individual Identification Zero stray killings Training class Reduction of breeding hurdles, prevention of abandonment 	<ul style="list-style-type: none"> Regenerative Medicine/Cell Therapy Curing the "incurable," extending healthy life expectancy Senior dog home Less burden of caring for elderly dogs lifetime care facility Providing a receptacle for ownerless pets
Community relations			
S · G			
	<ul style="list-style-type: none"> Konotori Center Building local networks around Konotori Center Cooperation with local governments Cooperation in animal welfare awareness, no animal killing, disaster prevention, etc. Animal therapy Providing opportunities for interaction and extending people's healthy life span 	<ul style="list-style-type: none"> Pet-friendly group homes Alleviate loneliness and anxiety among the elderly and disabled Pet-friendly Housing Providing pet-friendly housing Child education support Motivate students to learn by experiencing the brightness of life firsthand 	<ul style="list-style-type: none"> Employment of the elderly/disabled Creating employment and job satisfaction at breeding facilities Contribution to peace Contribution to peace through the transmission of gratuitous love

Source: Shared Research based on company materials

Top management

Nobuaki Komori

1992	Joined Tokio Marine & Fire Insurance Co., Ltd. (now Tokio Marine & Nichido Fire Insurance Co., Ltd.)
2000	Established Anicom and became president and representative director
2017	Became director at AHB Inc. (current position)
2018	Became director, chairman, and executive officer at Anicom Insurance, Inc. (current position)
2018	Became representative director and president and CEO at Anicom Holdings (current position)
2020	Became director at Anicom Specialty Medical Institute Inc. (current position)
2021	Became director at Anicom Pafe Inc. (current position)

Major shareholders (as of end-March 2024)

Top 10 shareholders	Shares held ('000)	Shareholding ratio
Custody Bank of Japan, Ltd. (Trust account)	12,350	15.5%
The Master Trust Bank of Japan, Ltd. (Trust account)	11,612	14.6%
KOMORI Asset Management Co., Ltd.	4,680	5.9%
GOLDMAN,SACHS&CO.REG	2,223	2.8%
GOVERNMENT OF NORWAY	1,932	2.4%
Nobuaki Komori	1,669	2.1%
The Bank of New York Mellon 140051	1,357	1.7%
THE BANK OF NEW YORK MELLON 140044	1,256	1.6%
MSIP CLIENT SECURITIES	1,230	1.5%
THE BANK OF NEW YORK MELLON 140042	1,209	1.5%
Sum	39,518	49.6%

Source: Shared Research based on company data

News and topics

Capital and business alliance with Canary Inc.

2024-08-21

Anicom Holdings, Inc. announced that Anicom Insurance, Inc. has entered into a capital and business alliance (the "alliance") with Canary Inc., a company promoting digital transformation (DX) in the real estate industry.

Background of the alliance

Canary's real estate information app, CANARY, has been steadily growing in popularity, especially among users in their 20s and 30s. Since its launch in June 2019, the app has surpassed four million cumulative downloads. In 2022, Canary officially released CANARY Cloud, a SaaS platform specifically designed for the real estate industry to support the digital transformation and operational efficiency of a wide range of real estate brokerage and management companies nationwide. Canary's primary strength lies in its comprehensive approach. It offers a marketplace that connects property seekers with real estate companies and a SaaS platform that supports real estate companies' digital transformation.

Canary and Anicom Insurance formed the alliance out of a shared intention of combining the knowledge, expertise, and networks that both companies have accumulated over the years to further promote the coexistence of pets and their owners. Through this alliance, Anicom aims to popularize pet insurance further while improving the quality of life for pets and their owners. Its initiative includes helping pet owners find better housing and promoting the spread of pet-friendly housing.

Main areas of collaboration

Anicom Insurance and Canary are discussing several initiatives to grow their businesses and improve the customer experience. Initially, they expect to work together in the following three areas:

1. Promoting both companies' services with a focus on helping customers relocate to pet-friendly properties
2. Providing a better user experience (UX) for finding suitable pet-friendly properties
3. Advancing efforts to promote pet-friendly housing

Revision of premiums for "Animal Health Insurance Family Wide Type" pet insurance

2024-07-26

Anicom Holdings, Inc. has announced that Anicom Insurance, Inc., a subsidiary of the company, has decided to revise the basic premiums for its pet insurance product, "Animal Health Insurance Family Wide Type (no limited days)."

(Click [here](#) for the company's press release.)

Anicom Insurance will increase the basic premiums for Animal Health Insurance Family Wide Type 70% coverage and Animal Health Insurance Family Wide Type 50% coverage by an average of 6.6%. The revision will be effective for policies starting on or after December 1, 2024. Anicom Holdings anticipates that the premium revision will have an immaterial impact on the company's consolidated earnings results for FY03/25.

Business alliance agreement to co-develop pet insurance products with Sony Assurance

2024-06-24

Anicom Holdings, Inc. and Sony Assurance Inc. have announced the signing of a business alliance agreement to jointly develop pet insurance products.

Since January 2009, Sony Assurance has been selling Anicom Insurance's pet insurance as an agent for Anicom Insurance. To further leverage synergies between the two companies in the pet insurance field, they have signed a business alliance agreement for the joint development of pet insurance products. The company stated that detailed information will be announced when it is finalized.

Business alliance with AXA General Insurance and share repurchase

2024-05-24

Anicom Holdings, Inc. announced that its subsidiary, Anicom Insurance, Inc., has concluded a business alliance agreement with AXA General Insurance Co., Ltd. for the pet insurance business and that it has resolved matters relating to the repurchase of its own shares.

Business alliance agreement with AXA General Insurance (AXA Direct)

AXA General Insurance (AXA Direct) is a member company of the global insurance and asset management group, AXA Group, and primarily sells automobile, motorcycle, and pet insurance in Japan. Recently, AXA Direct decided to discontinue underwriting its own pet insurance products. Instead, AXA Direct has reached an agreement with Anicom Insurance to offer Anicom's pet insurance products to existing AXA Direct customers as a replacement for their current pet insurance. In addition, AXA Direct, as an agent for Anicom Insurance, will also sell Anicom's pet insurance products to new customers.

AXA Direct will inform all its customers whose policies expire on November 30, 2024 (scheduled) and beyond about Anicom Insurance's pet insurance products. AXA customers will be able to continue to have their pet insurance coverage with Anicom Insurance products if they wish. Anicom Insurance will pay AXA Direct fees for the transfer of pet insurance policies from AXA to Anicom.

Based on the business alliance agreement, Anicom Holdings will record insurance premium income from policies transferred from AXA Direct to Anicom Insurance as revenue in its consolidated earnings for FY03/25 from December 1, 2024, onward. The company will also incur fees associated with the policy transfer and post them as expenses in FY03/25. As these revenue and expenses will depend on the number of policies transferred from AXA Direct to Anicom Insurance, the specific impact on the consolidated earnings forecast for FY03/25 is difficult to estimate at this stage. Anicom Holdings states that it will continue to evaluate the status of the transfer and will promptly disclose any significant developments as they occur.

Decision to repurchase the company's shares

Anicom Holdings resolved matters related to a share repurchase at today's Board of Directors meeting.

Reason for share repurchase

As per the announcement "Change of shareholder return policy and upward revision to dividend forecast" on May 25, 2023, Anicom Holdings identified an error in calculating the solvency margin ratio by its core insurance subsidiary, Anicom Insurance. The error resulted in an excess of about JPY4.0bn over the appropriate capital level. The company planned to have the excess JPY4.0bn returned to it, the parent company of Anicom Insurance, through a dividend payment and use it to repurchase its own shares.

Based on this policy, Anicom Holdings decided to repurchase its own shares of up to JPY1.0bn during FY03/24 and completed the share repurchase. For the remaining amount of about JPY3.0bn in excess of the appropriate capital level, the company planned to repurchase its shares promptly after the FY03/24 earnings announcement, in which the dividend income received from Anicom Insurance could be included in distributable earnings. In light of the financial results in FY03/24, in which the company secured distributable earnings as planned, it has resolved to repurchase its shares of up to JPY3.0bn.

- Total number of shares to be repurchased: 6,000,000 shares (upper limit; 7.5% of the total number of shares issued [excluding treasury stock])
- Total amount of shares to be acquired: JPY3.0bn (maximum)
- Period of share repurchase: May 27, 2024–March 31, 2025
- Method of repurchase: Market purchase on the Tokyo Stock Exchange

Joint sales of pet insurance with Tokio Marine & Nichido Fire Insurance

2024-05-13

Anicom Holdings Inc. has announced that Anicom Insurance, Inc. will begin selling pet insurance in collaboration with Tokio Marine & Nichido Fire Insurance Co., Ltd. in June 2024. This initiative aims to support the realization of a society where people and pets coexist.

Background and objectives

The penetration rate of pet insurance in Japan is relatively low, at about 20%, compared with other countries. In this context, Tokio Marine & Nichido Fire Insurance and Anicom Insurance formed a capital and business alliance in March 2023 to develop and offer insurance products and solutions in the pet sector. From June 2024, they plan to sell pet insurance jointly. By leveraging Anicom's expertise as a leading pet insurance company and its network mainly with veterinary hospitals, combined with Tokio Marine & Nichido's extensive agent network in Japan, they aim to increase the penetration rate of pet insurance.

Insurance products to be offered

- Dobutsu Kempo Family, Dobutsu Kempo Petit, and Dobutsu Kempo Senior from Tokio Marine & Nichido Fire Insurance

March 2024 monthly management parameters

2024-05-09

Anicom Holdings, Inc. announced its March 2024 monthly management parameters.

February 2024 monthly management parameters

2024-03-21

Anicom Holdings, Inc. announced its February 2024 monthly management parameters.

January 2024 monthly management parameters

2024-02-22

Anicom Holdings, Inc. announced its January 2024 monthly management parameters.

December 2023 monthly management parameters

2024-02-07

Anicom Holdings, Inc. announced its December 2023 monthly management parameters.

Transfer of shares in equity-method affiliate

2024-01-26

On January 26, 2024, Anicom Holdings, Inc. announced that it has resolved to transfer all its shares in AHB Inc., an equity method affiliate. As a result of this share transfer, AHB will no longer be an equity method affiliate of the company.

Reason for the share transfer

AHB is a major agency of Anicom Insurance, Inc., a consolidated subsidiary of the company. AHB reviewed the composition of its shareholders and requested Anicom Holdings to transfer the company's shares in AHB to a newly established company, and Anicom Holdings has decided to accept the request. The recipient of the transferred shares has not been disclosed.

Overview of AHB

- Business: Pet shop operations

- Established: October 2011
- Total assets: JPY6.3bn (FY02/23)
- Net income: JPY417mn (FY02/23)

Share transfer execution date

- Scheduled for February 21, 2024

Impact on earnings

As a result of this share transfer, the company will post a JPY939mn gain on sale of shares as an extraordinary gain in the non-consolidated financial statements for FY03/24. The expected impact on net income, taking into account tax effects, is JPY650mn. As the shares are accounted for under the equity method in the consolidated financial statements, the company expects the impact of the above change on its FY03/24 earnings to be minor.

November 2023 monthly management parameters

2023-12-21

Anicom Holdings, Inc. announced its November 2023 monthly management parameters.

Profile

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2000-07-05

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Listed On

Tokyo Stock Exchange, Prime Market

Exchange Listing

2010-03-03

Fiscal Year-End

Mar

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