



**Third Quarter FY03/19**  
**Financial Results Briefing Presentation**

February 7, 2019  
Anicom Holdings, Inc.  
(Securities Code: 8715)

# 1.Consolidated recurring revenue, recurring profit, adjusted profit

## ■ Recurring revenue: JPY26,261mn (FY03/18: JPY23,814mn; **+10.3% YoY**)

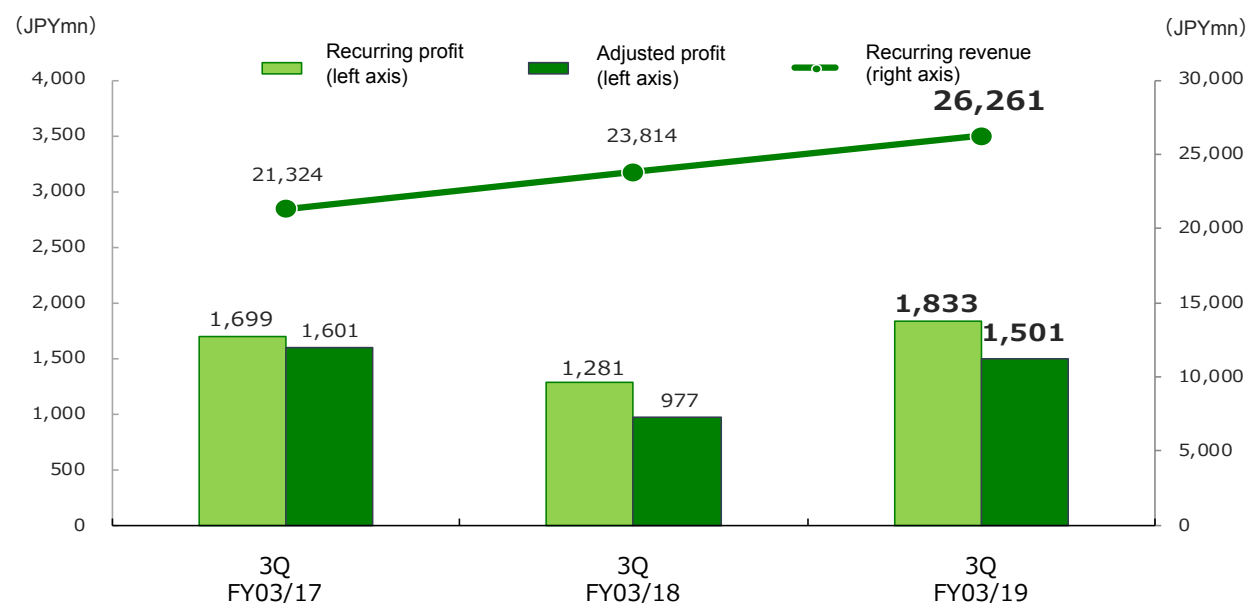
( of which underwriting revenue: JPY25,321mn, FY03/18: JPY23,074mn; +9.7% YoY)

## ■ Recurring profit: JPY1,833mn (FY03/18: JPY1,281mn; **+43.0% YoY**)

- **The number of policies in force expanded at a steady pace** (+8.7% YoY) on a strengthening of new initiatives and stable renewal rates. Underwriting revenue is also **steadily increasing** (+9.7% in FY03/19).
- Due to improvements in Anicom Insurance's (non-consolidated) loss ratio and expense ratio, **the adjusted profit (Note), which shows the effective profits/losses from the pet insurance business, increased considerably.**
- Other recurring revenue, including operation of hospitals, also expanded at a steady pace. As a result, **the group's consolidated recurring profit ended up with a considerable increase.**

(Note) Adjusted profit:

In-house indicator used at Anicom Group to reflect effective profits/losses generated by the pet insurance business. It is calculated as follows: Recurring profit ± Impact from catastrophe reserves ± investment revenue/expenses ± Other revenue/expenses etc.



## Major accounting items and reasons for changes

(JPYmn)

	3Q FY03/18	3Q FY03/19	Change
<b>Recurring revenue</b>	<b>23,814</b>	<b>26,261</b>	<b>10.3 %</b>
Underwriting revenue	23,074	25,321	9.7 %
Investment revenue	287	271	-5.8 %
Other recurring revenue	451	669	48.2 %
<b>Recurring expenses</b>	<b>22,532</b>	<b>24,428</b>	<b>8.4 %</b>
Underwriting expenses	16,058	17,496	9.0 %
Net claims paid	(12,403)	(13,789)	11.2 %
Loss adjustment expenses	(756)	(761)	0.7 %
Net commission and collection expenses	(1,939)	(2,254)	16.2 %
Provision for reserve for outstanding losses and claims	(222)	(231)	3.9 %
Provision for underwriting reserves	(736)	(459)	-37.6 %
Of which unearned premiums	(844)	(650)	-23.0 %
Of which catastrophe reserve	(△107)	(△190)	-76.4 %
Investment expenses	0	3	987.9 %
Operating and general administrative expenses	6,341	6,654	4.9 %
Other recurring expenses	131	273	108.7 %
<b>Recurring profit</b>	<b>1,281</b>	<b>1,833</b>	<b>43.0 %</b>
<b>Net profit</b>	<b>914</b>	<b>1,291</b>	<b>41.3 %</b>

Earned premiums	22,230	24,671	11.0 %
Claims incurred (including loss adjustment expenses)	13,382	14,782	10.5 %
E/I loss ratio (1)	60.2 %	59.9 %	-0.3 pt
Expense ratio (based on earned premiums) (2)	35.4 %	34.0 %	-1.4 pt
Combined ratio (based on earned premiums) (1)+(2)	95.6 %	93.9 %	-1.7 pt

(1) Underwriting revenue (for details, refer to “4. Recurring revenue indicators”(P.6))

- Number of policies in force increased 8.7% YoY.
- Cumulative number of new policies increased 5.4% YoY.
- Growth in renewed policies and higher insurance premiums (including raised premium rate) accompanying advancing age of animals also delivered some contributions.

(2) Investment revenue

- Secured investment revenue mainly from domestic securities investment and REITs.

(3) Other recurring revenue

- Other non-insurance recurring revenue, including operation of hospitals, also expanded at a steady pace.

(4) Net claims paid

- Insurance payouts increased in tandem with growth in the number of policies in force.

(5) Net commissions and collection expenses

- Mainly commissions paid to sales agents. Increased in proportion to the growth in underwriting revenue.

(6) Provision for reserve for outstanding losses and claims

- Provision to prepare for future insurance payouts.
- Calculated as reserve for outstanding losses and claims (B/S) year-end balance minus year-start balance.
- Adding this to “(4) Net claims paid” results in claims incurred.

(7) Provision for unearned premiums

- Among annual premium revenue, deferred premiums corresponding to the next fiscal year and beyond.
- Provision is calculated as year-end balance minus year-start balance. In addition, the year-end balance is equivalent to 35–40% of “Underwriting revenue.”
- Subtracting the provision for unearned premiums from “Underwriting revenue” results in earned premiums (≒ accrued premiums)

(8) Catastrophe reserve

- Reserve to which 3.2% of annual premium revenue is systematically allocated each fiscal year.
- At the same time, the reserve may be drawn down until the net loss ratio reaches 50% with the year-start balance serving as the limit. The provision is recorded as a net amount.
- Over the full year, an amount roughly equivalent to “the sales increase portion x 3.2%” is recorded as a provision.

(9) Combined ratio (earned premiums basis)

- The combined ratio was down YoY for Anicom Insurance(non-consolidated). It tends to be improving as we planed.

# 3.Consolidated balance sheet summary

(JPYmn)

	3Q FY03/18	3Q FY03/19	Change
<b>Total assets</b>	<b>31,164</b>	<b>39,503</b>	<b>26.8 %</b>
Cash and deposits	19,078	<b>27,310</b>	43.2 %
Marketable securities	4,625	<b>4,707</b>	1.8 %
Tangible fixed assets	1,359	<b>1,399</b>	3.0 %
Intangible fixed assets	1,462	<b>1,463</b>	0.1 %
Other assets	4,104	<b>4,070</b>	-0.8 %
Deferred tax assets	623	<b>626</b>	0.6 %
Allowance for doubtful accounts	-88	<b>-75</b>	- %
<b>Total liabilities</b>	<b>17,576</b>	<b>18,581</b>	<b>5.7 %</b>
Reserve for insurance policy liabilities	14,508	<b>15,199</b>	4.8 %
Of which payment reserves	1,952	<b>2,183</b>	11.9 %
Of which underwriting reserves	12,556	<b>13,016</b>	3.7 %
Other liabilities	2,845	<b>3,227</b>	13.4 %
Provision for bonus	173	<b>100</b>	-42.1 %
Reserve for price fluctuations	48	<b>53</b>	10.6 %
<b>Total net assets</b>	<b>13,587</b>	<b>20,921</b>	<b>54.0 %</b>
Shareholders' equity	13,546	<b>21,075</b>	55.6 %
Of which capital	4,443	<b>7,530</b>	69.5 %
Of which capital surplus	4,333	<b>7,420</b>	71.2 %
Of which retained earnings	4,770	<b>6,125</b>	28.4 %
Of which treasury shares	0	<b>0</b>	- %
Valuation and transaction adjustments	-128	<b>-317</b>	- %
Subscription rights to shares	169	<b>163</b>	-3.7 %
<b>Total liabilities and net assets</b>	<b>31,164</b>	<b>39,503</b>	<b>26.8 %</b>

## Major accounting items and reasons for changes

### (1) Cash and deposits

- Increased due to the increased annual premium revenue and issuance of shares (financing), etc. resulting from the exercising of subscription rights to shares.

### (2) Marketable securities

- Mainly investment in domestic securities investment and REITS etc.

### (3) Reserve for outstanding losses and claims

- Amounts payable recorded to prepare for future insurance payouts. Reflects the total for 1. normal reserve for outstanding losses and claims (claims already received) and 2. incurred but not reported (IBNR) reserves (accidents subject to insurance but for which claims have yet to be received).
- Insurance payouts tend to increase basically in tandem with growth in the number of policies in force.

### (4) Underwriting reserves

- Recorded as the total for 1. normal underwriting reserves (JPY12,204mn; unearned premiums) and 2. catastrophe reserve (JPY812mn; reserve for catastrophic events).
- Normal underwriting reserves tend to increase in tandem with growth in the number of policies in force, and are recorded as a balance equivalent to roughly 35–40% of net premiums written.

### (5) Capital, capital surplus

- Increased due to the issuance of shares (financing), etc. resulting from the exercising of subscription rights to shares.

## 4. Consolidated cash flows summary

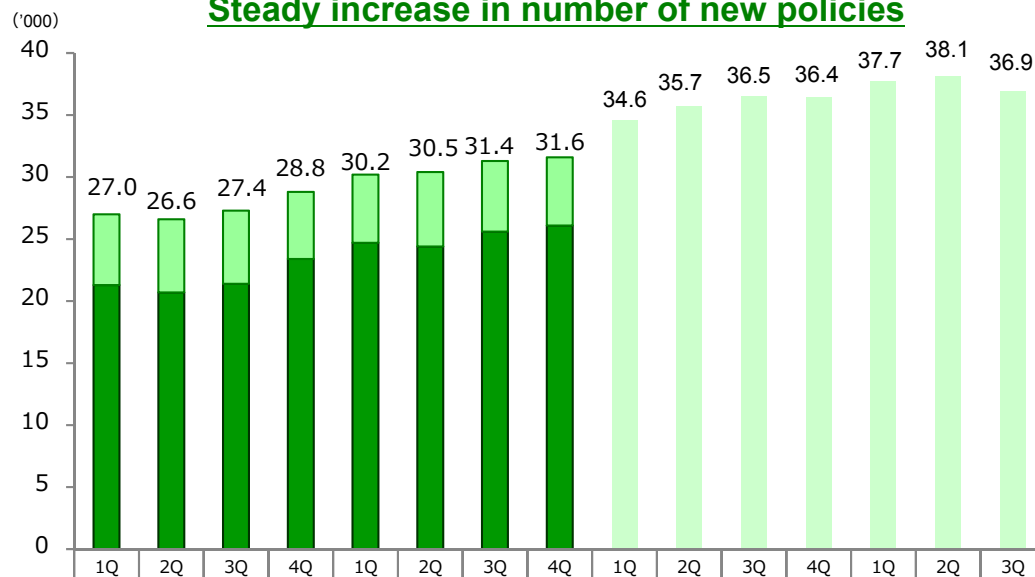
(JPYmn)

	3Q FY03/18	3Q FY03/19
Cash flow from <b>operating activities</b>	2,210	<b>3,038</b>
Cash flow from <b>investing activities</b>	-191	<b>-666</b>
Cash flow from <b>financing activities</b>	-56	<b>5,861</b>
<b>Change</b> in cash and cash equivalents	1,962	<b>8,232</b>
<b>Year-start balance</b> for cash and cash equivalents	13,492	<b>17,128</b>
<b>Year-end balance</b> for cash and cash equivalents	15,454	<b>25,360</b>

- Steady growth in the number of policies in force has led to stable cash flows from operating activities.
- Cash flows from investment activities are being controlled via ongoing investment in assets and recovery through asset sales.
- Cash flows from financing activities is revenue due to the issuance of shares (financing), etc. resulting from the exercising of subscription rights to shares.

## ■ Quarterly trend in number of new policies

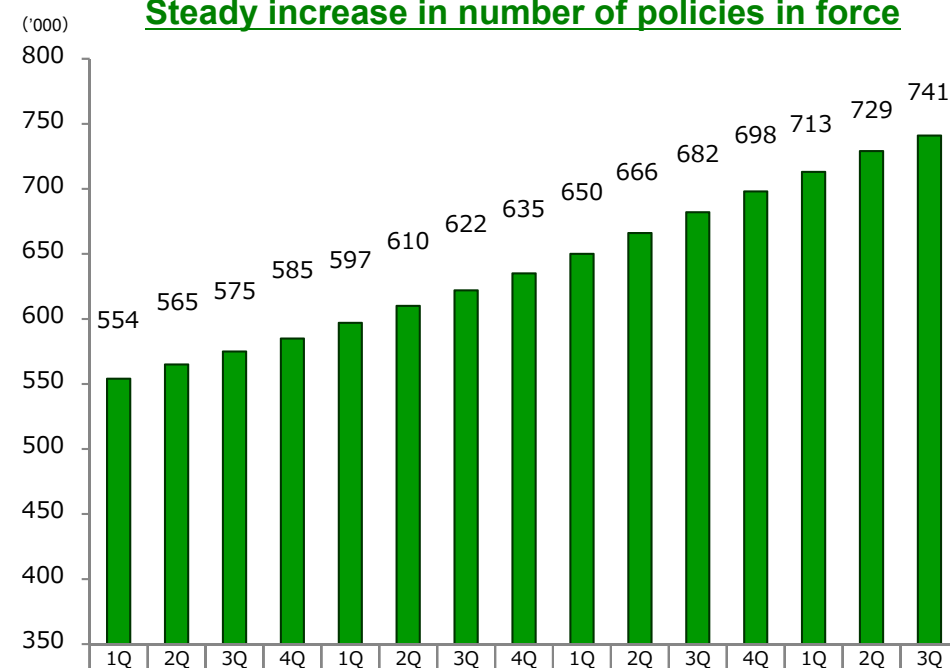
**Steady increase in number of new policies**



	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
General	5.7	5.9	5.9	5.4	5.5	6	5.7	5.5	-	-	-	-	-	-	-
New Born	21.3	20.7	21.4	23.4	24.7	24.4	25.6	26.1	-	-	-	-	-	-	-
Total	27.0	26.6	27.4	28.8	30.2	30.5	31.4	31.6	34.6	35.7	36.5	36.4	37.7	38.1	36.9

## ■ Quarterly trend in number of policies in force

**Steady increase in number of policies in force**



No. of policies	554	565	575	585	597	610	622	635	650	666	682	698	713	729	741
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	FY03/16				FY03/17				FY03/18				FY03/19		

\* Newborn: Pet shop channel

- **The number of new policies is steadily increasing.**

The results for December fell below YoY due to the effects of a decrease in newborn channel pet sales, etc. The general channel expanded at a steady pace. We will continue with our measures while using online advertising, etc.

- **Renewal rate of existing policies solid at around 88%.** (The rate decreased somewhat in December due to the temporary effects of product revisions and the raised premium rate. We will keep an eye on this.)

- Under such circumstances, **the number of policies in force is steadily increasing.**

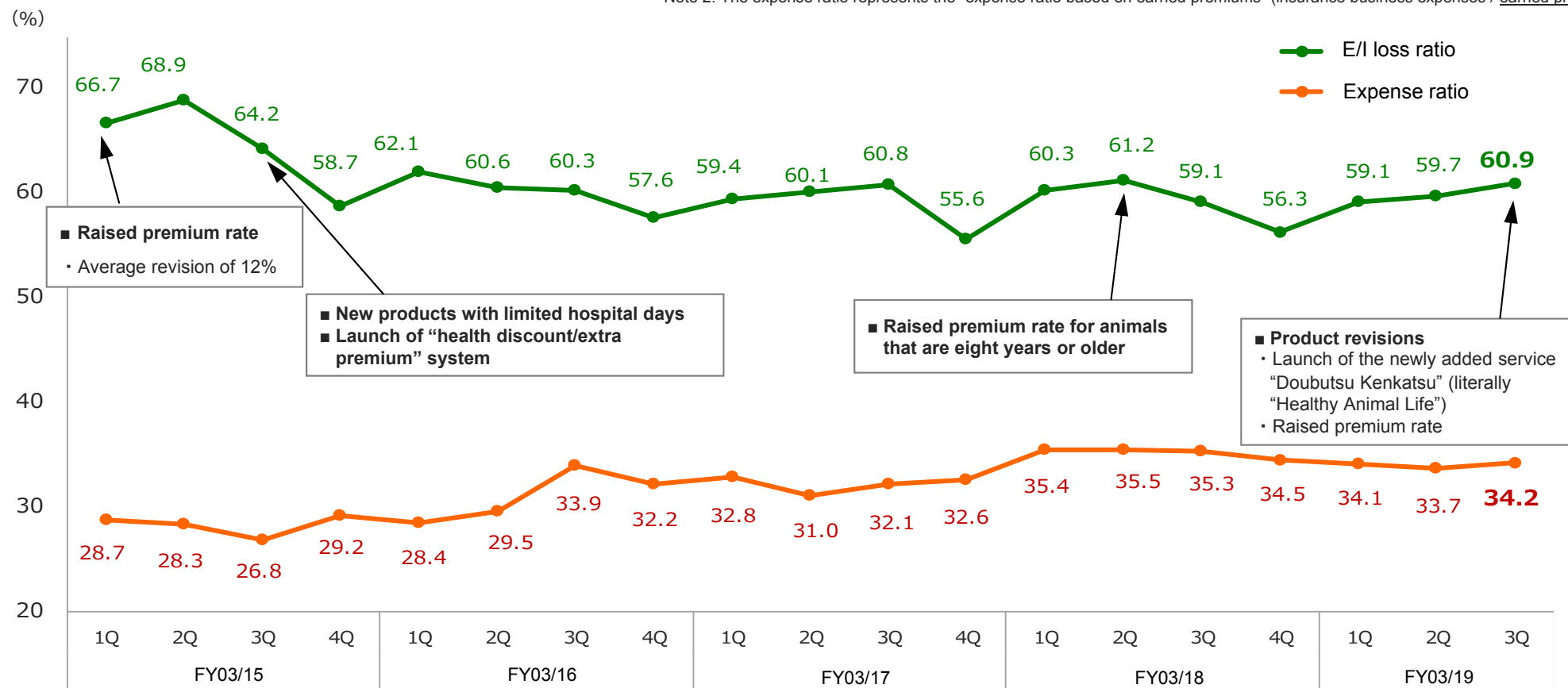
- The ratio of 50%-coverage plans to 70%-coverage plans is roughly 60:40 for total policies in force, with 50%-coverage plans accounting for a larger share. However, 70%-coverage plans account for over 50% of newly acquired policies.

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



(Loss ratio (E/I), expense ratio based on earned premiums)

Note 1: The graph below shows quarterly average values, and the data therefore may differ from average values for 3Q 03/19.

Note 2: The expense ratio represents the "expense ratio based on earned premiums" (insurance business expenses / earned premiums).

- **The E/I loss ratio** is subject to seasonality in the form of an uptrend in 1–2Q, which coincides with the busiest period for animal hospitals, followed by an improvement in 3–4Q, when the frequency of hospital visits declines. However, in 3Q FY03/19, although there was steady improvement in the product portfolio, there were effects from the weather, etc., and **the trend was somewhat different than the average year.**
- Despite continual investment aimed at scale expansion, **there was a YoY improvement in the expense ratio** due to a partial reduction in expenses, etc.
- Aiming for a balance between booking stable profits and making new investments, our **policy is to keep the combined ratio (loss ratio + expense ratio) at around 90% over the medium term.**

# 7. Mid-term management plan: progress of FY03/19 priority measures

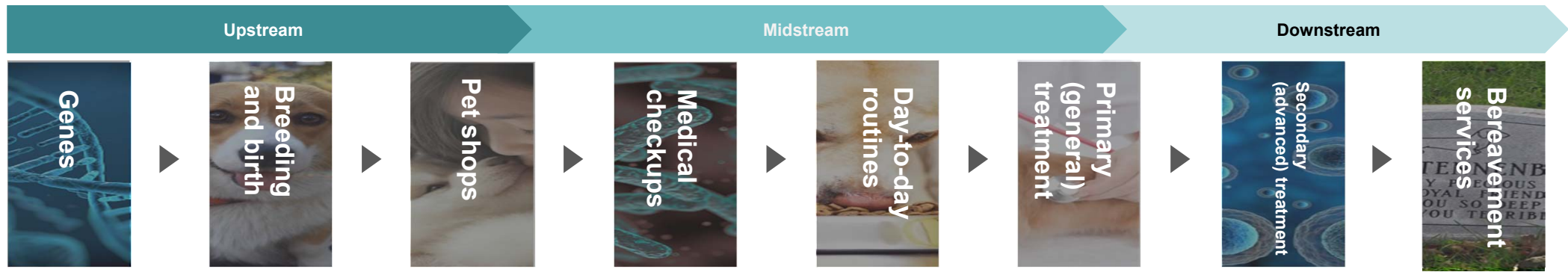
## 1. Expand sales

Priority measures	Recent progress
(1) Acquire large volume of policies via general channel (efficient online strategy)	<ul style="list-style-type: none"> <li>Started the first service in the industry that makes it possible to buy insurance through LINE.</li> <li>Started selling pet insurance with Sumitomo Mitsui Banking Corporation.</li> <li>Agreed to a business partnership with Seibu Pet Care Co., Ltd.</li> <li>Announced a new product including medical-checkup-service aimed at prevention-oriented insurance.</li> <li>Stable renewal rate trend.</li> </ul> <p>⇒ Number of policies in force is on a steadily increasing trend.</p>
(2) Further expand pet shop channel	
(3) Pioneer new channels (breeders, adoption sessions, etc.)	
(4) Increase renewal rate of no claim policies and second-year contracts of newborn policies	
(5) Develop new products	

## 2. Improve expenses

Priority measures	Recent progress
(1) Normalize insurance payouts (rigorous prevention of erroneous and false claims)	<ul style="list-style-type: none"> <li>Ongoing implementation of various preventive measures (otitis externa, fracture prevention, etc.).</li> <li>Started up doubutsushinryouhi.com (literally "animal medical expenses.com").</li> </ul> <p>⇒ The loss ratio has been on a YoY improvement.</p>
(2) Expand lifestyle-related disease prevention programs for pets	

## 3. Investment in new business · Prevention strategy overview



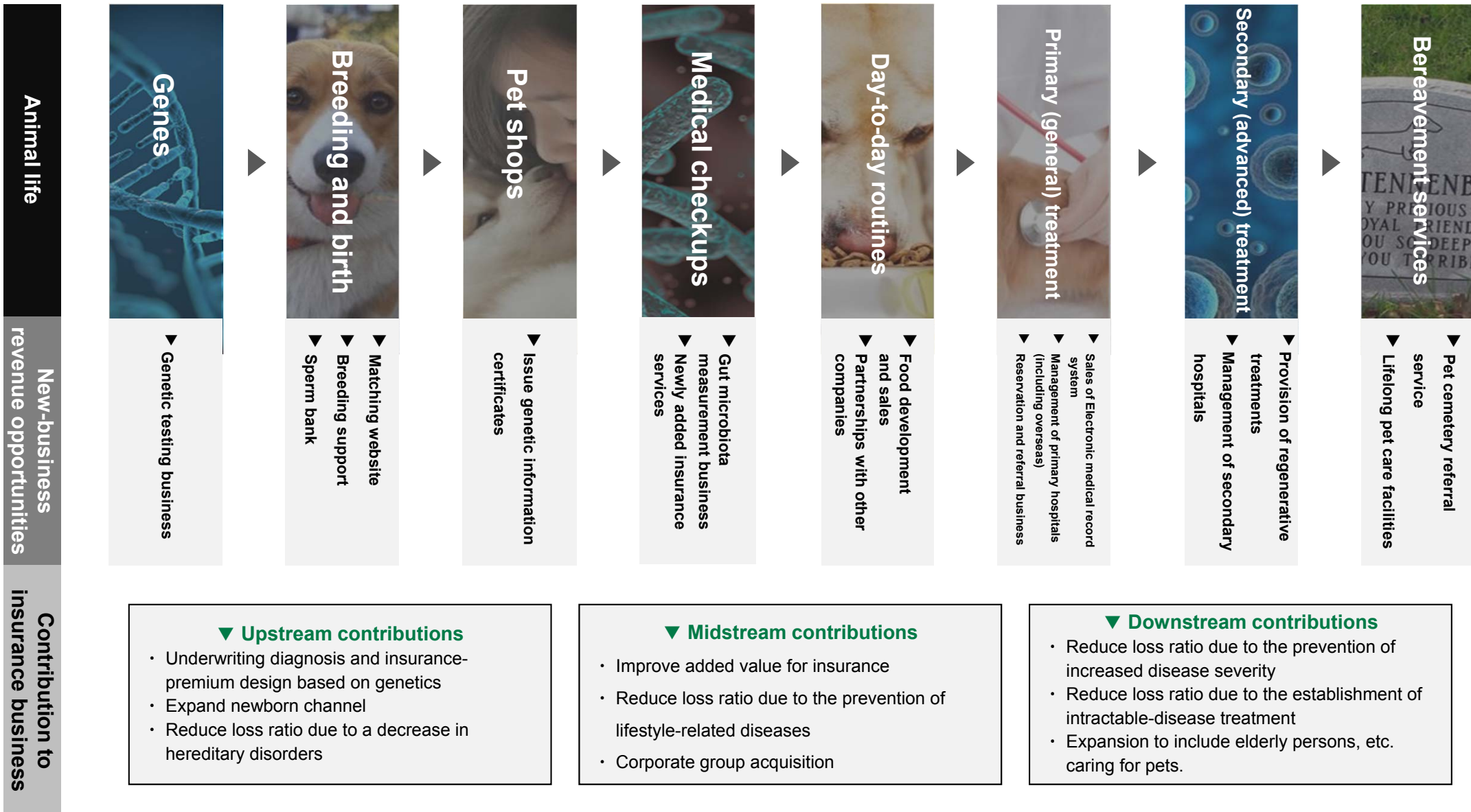
### Priority measures

### Recent progress

(1)	Enhance genetic testing business (support business)	Upstream	<ul style="list-style-type: none"> <li>Currently implementing genetic testing business, planning to expand genetic testing to every pet in pet shops.</li> <li>Launched the next-generation sequencer Ion GeneStudio™ S5 Prime System.</li> <li>Conference presentation: "the degree of inbreeding and genetic structure of dogs and cats based on collective genome analysis".</li> <li>Continued research related to breeding and birth. Currently implementing treatment support for breeders.</li> </ul>
(2)	Expand sales of services such as gut microbiota testing	Midstream	<ul style="list-style-type: none"> <li>Start providing insurance including gut microbiota measurement and a medical-examination recommendation service (started in December).</li> <li>Developed a quantifiable stool collection kit and have applied for a patent.</li> </ul>
(3)	Promote preventative veterinary care	Midstream	<ul style="list-style-type: none"> <li>Continued operating hospitals specializing in illness prevention and implementing preventive measures.</li> </ul>
(4)	Grow and add new features to medical records management system	Midstream	<ul style="list-style-type: none"> <li>Started collaborating with EPARK business. Started co-handling reservations through a website which you can search for animal hospitals accepting Anicom.</li> </ul>
(5)	Practical application and expansion of cell therapy and regenerative medicine	Downstream	<ul style="list-style-type: none"> <li>Started providing cell treatment targeting canine intractable diseases (keratoconjunctivitis sicca, chronic enteropathy).</li> </ul>
(6)	Begin overseas expansion of animal hospital business	—	<ul style="list-style-type: none"> <li>Opened an animal hospital in Shanghai.</li> </ul>
(7)	Other	—	<ul style="list-style-type: none"> <li>Started providing the pet-product evaluation service "Jui no Ichioshi" (literally "veterinarian recommendations").</li> <li>Supervised the renovation of condominiums to make them suitable for living with cats.</li> <li>Issued "White Paper on Household Animals 2018".</li> </ul>



# 8. Peripheral new-business revenue opportunities and synergy with pet insurance



**Setting up an animal database**

**▶ Increase utilization for new business/insurance business**

# APPENDIX

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## 1. Major management indicators

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	①	②	③	③ – ①		③ – ②		End-FY03/19 (forecast as of May 9)
	3Q FY03/18	End-FY03/18	3Q FY03/19	YoY		Vs. previous year-end		
				Numbers	Rate	Numbers	Rate	
① Policies in force	682,513	698,566	741,641	59,128	8.7 %	43,075	6.2 %	776,080
② New policies	106,954	143,365	112,753	5,799	5.4 %	-	-	166,000
③ Renewal rate	88.2 %	88.2 %	87.9 %	-	-	-	-	88.2 %
④ Insurance payout cases	2,278 ,000	3,006 ,000	2,423 ,000	92 ,000	6.3 %	-	-	3,218 ,000
⑤ Animal hospitals accepting Anicom	6,178	6,265	6,378	200	3.2 %	88	1.4 %	6,400

	3Q FY03/18	3Q FY03/19	YoY change	End-FY03/19 (forecast as of May 9)
⑥ E/I loss ratio	60.2 %	59.9 %	Up 0.3 Pt	59.0 %
⑦ Expense ratio (based on earned premiums)	35.4 %	34.0 %	Up 1.4 Pt	34.5 %
⑧ Combined ratio (based on earned premiums)	95.6 %	93.9 %	Up 1.7 Pt	93.5 %

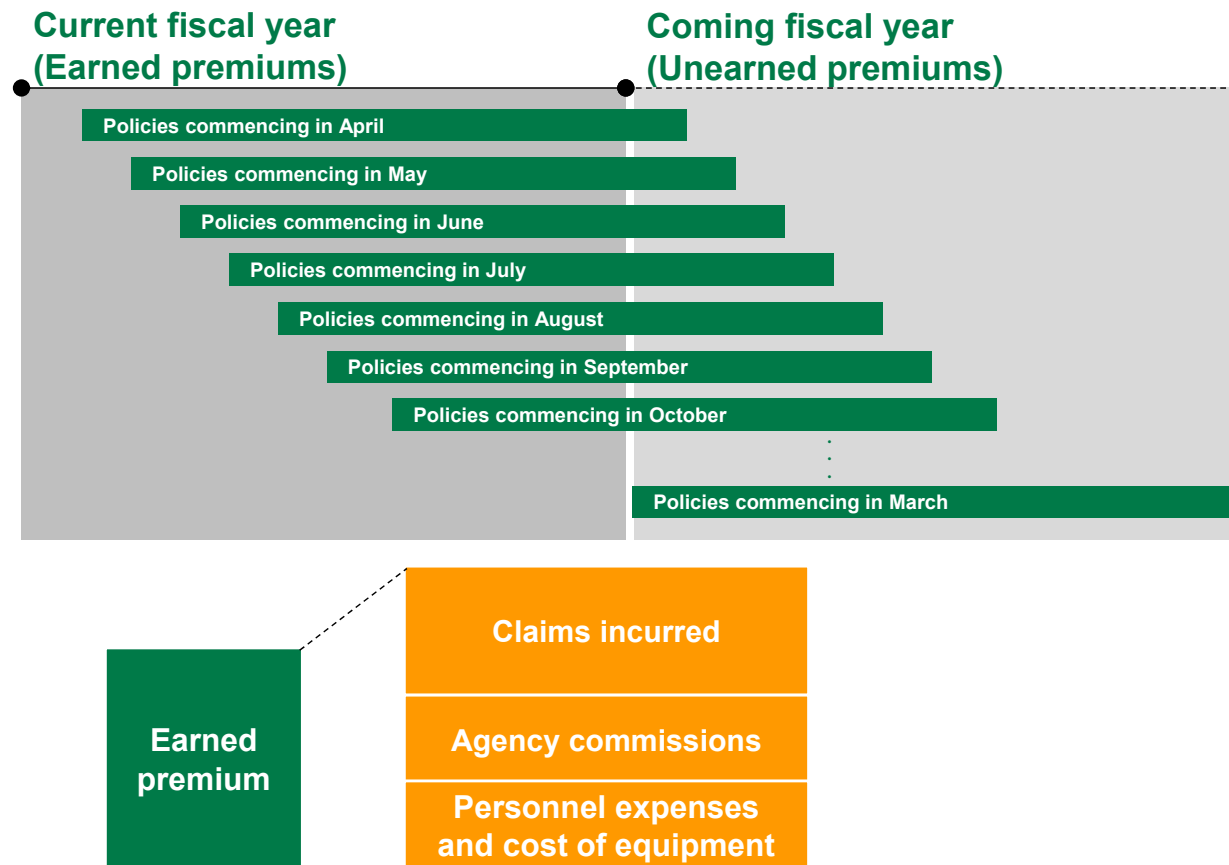
	End-FY03/18	3Q FY03/19	Vs. previous year-end	End-FY03/19 (forecast as of May 9)
⑨ Solvency margin ratio (non-consolidated)	305.6 %	370.3 %	64.7 pt	Around 315.0 %

# (Reference) Impact of insurance accounting on recurring profits/losses ①

## 1. Impact of growth in premium on recurring profits/losses (Based on Japanese non-life insurance accounting)

• Generally, the growth in premium contributes to an increase in recurring revenue, but Japanese non-life insurance business laws require non-life insurance companies to carry unearned premium portion over to the coming fiscal year as underwriting reserve (unearned premium). Conversely, expenses such as claims incurred, agency commissions, personnel expenses as well as cost of equipment are required to be accounted to that fiscal year.

• There is, therefore, a negative impact on recurring profits/losses when expenses exceed earned premium in current fiscal year even if sales rise due to growth in premium.



## 2. Impact of catastrophe reserves on recurring profits/losses ( Based on Japanese non-life insurance accounting)

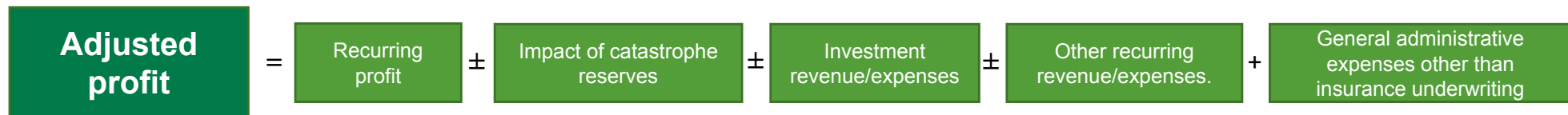
- Every non-life insurance company must accumulate catastrophe reserves each fiscal year in order to prepare for the natural catastrophic disasters.
- The reserve is liquidated (decreases the expenses) when the net loss ratio\* exceeds 50%.  
\*Net claims paid ÷ Net premiums written

## 3. Adjusted profit

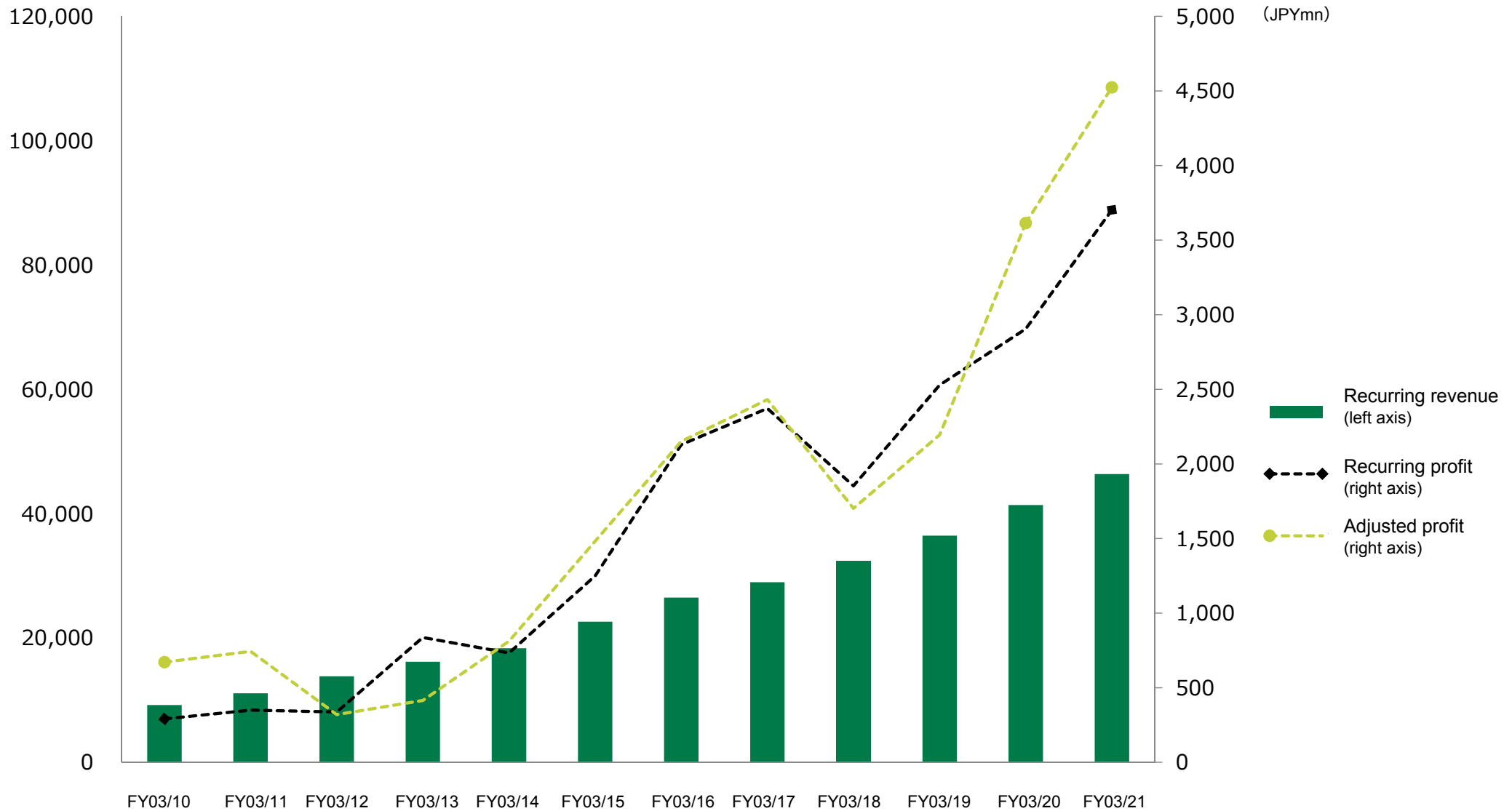
- Anicom in house indicator, reflecting effective profits/losses from pet insurance business, adjusts for impact of: catastrophe reserves (exclusive to Japanese non-life insurance business), investment revenue/expenses and other recurring revenue/expenses. The calculation formula is below.
- The adjusted profit, which is not impacted by the above catastrophe reserves, etc.<sup>(\*)</sup>, is considered an important indicator for showing the effective profits/losses from pet insurance business. If factors such as catastrophe reserves are excluded, the adjusted profit might increase even if the recurring profit has decreased.

\*Does not include the impact of unearned premium shown in 1.

### Method to calculate the Anicom's adjusted profit



# (Reference) Transition of recurring revenue, recurring profit and adjusted profit



\* The values for FY 2018 are *expected* and the values for FY 2019 and FY 2020 are *planned*.



Inquiries

**Corporate Planning Dept. (IR team), Anicom Holdings, Inc.**

Sumitomo Fudosan Shinjuku Grand Tower 39F, 8-17-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo

URL : <https://www.anicom.co.jp/>

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