

Anicom Group

Mid-term Management Plan

FY2019-FY2021

May 9, 2019



Security Code : 8715

Mid-term management plan changes to 3-year “Fixed” plan

With the FY2019 mid-term management plan, the conventional “Rolling Method” was reviewed and changed to a “Fixed Method” where the plan principally does not change for three years.

[Background of changes]

1. The rolling method had been used since the establishment of the company in order to focus on opening the pet insurance market and for establishing flexible strategies and plans according to changes in the environment. The pet sector including pet insurance has reached a certain maturity, and it has been about 10 years since Anicom became a listed company. Therefore, we reviewed the suitability of this method.
2. As a corporate group, various strategies and policies were established to “build infrastructure that connects services from upstream to downstream in a way that contributes to pet industry development,” and the need to clarify our commitment to stockholders and investors in the form of a mid-term plan was clearly felt.

- ▶ **After 3 years, compare achievement levels to policies and target management indicators**
- ▶ **Disclose progress in a timely and appropriate manner, including the announcement of financial results**

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1

Introduction

(1) Message from the Chairman



In July of 2000, I got the idea to establish a “prevention-oriented insurance company” and established Anicom. My concept of a “prevention-oriented insurance company” is a “company that reduces tears and creates smiles”. This is Anicom’s corporate vision. This vision embodies the idea that we should provide information that helps prevent injuries and illnesses. Utilizing the large amount of case data owned by insurance companies can accomplish this, and make animals and their owners smile.

It is believed that all injuries/illnesses are caused by a combination of two factors; “Genetic factors” and “Environmental factors” (fig.1). In particular, animal injuries/illnesses are believed to be caused by genetic factors to a greater degree than with humans. It is, therefore, reasonable to say that Anicom Insurance Inc. pays a large amount of claims annually due to these genetic factors (fig.2). There is hope. It is possible to prevent hereditary diseases (genetic diseases) using science and technologies such as genetic testing. Anicom Group has started a genetic screening business to eradicate hereditary.

This is just one example of the efforts being made by our company. We always promote efforts for such prevention with the aim of being a “prevention-oriented insurance company” so that we can create new social value and sustainable growth.

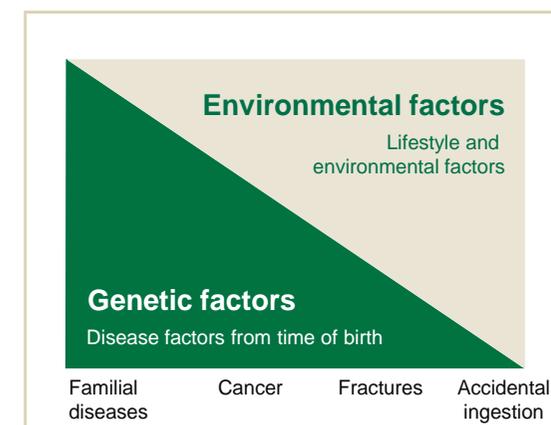
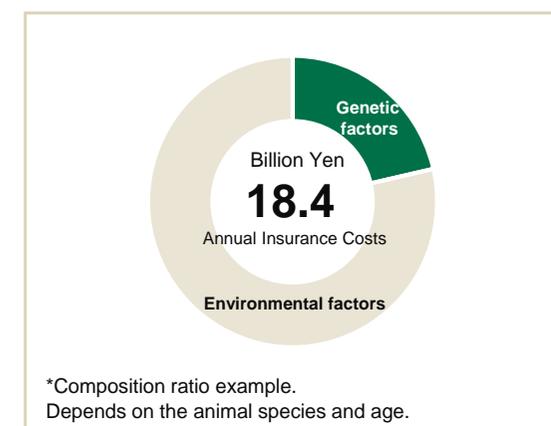


fig.1 Sample factors causing injury and illness



*Composition ratio example.
Depends on the animal species and age.

fig.2 Breakdown of annual insurance (FY2018 results)

May 9, 2019

小森 伸昭

■ Long-term management vision

We aim to do all we can in contributing to a healthy lifespan for people and their pets by the emotional energy produced by pets and people living life together.

■ Mid-term management vision

As a player in pet sector infrastructure, we acknowledge the diversity of all living organisms, and will provide new and enhanced value by **extending the healthy lifespan of pets through disease and accident prevention.**

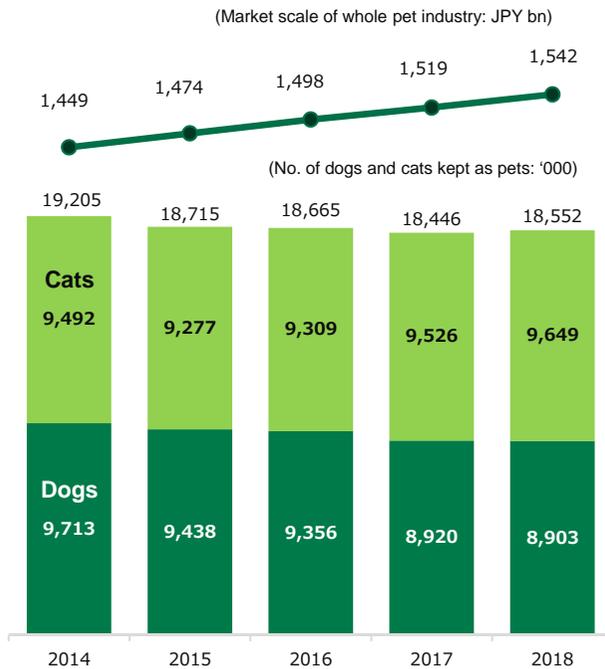
■ FY2019 management vision

Bringing together the resources of our group, we will accelerate establishment of business to **build infrastructure** that connects services **from upstream to downstream** in a way that contributes to pet industry development.



(3) Pet market environment

Market size and number of pets

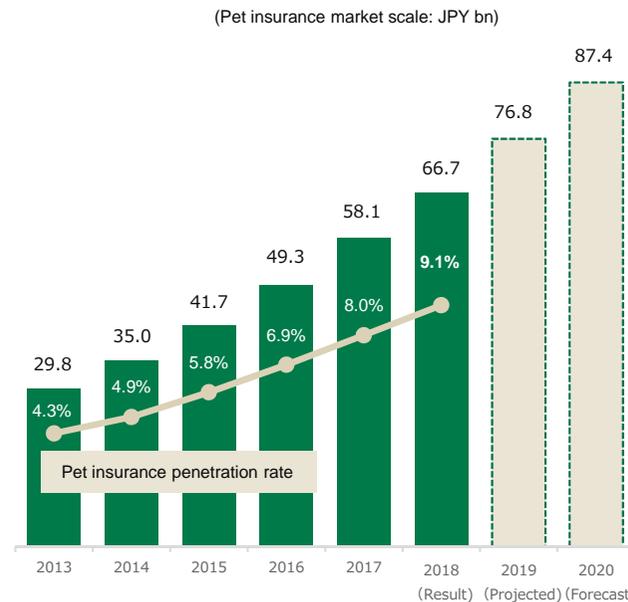


Source: Japan Pet Food Association

Source: Yano Keizai Co., Ltd.: Pet Business Marketing Overview 2019 Edition

Market grows despite slow decline in dog population

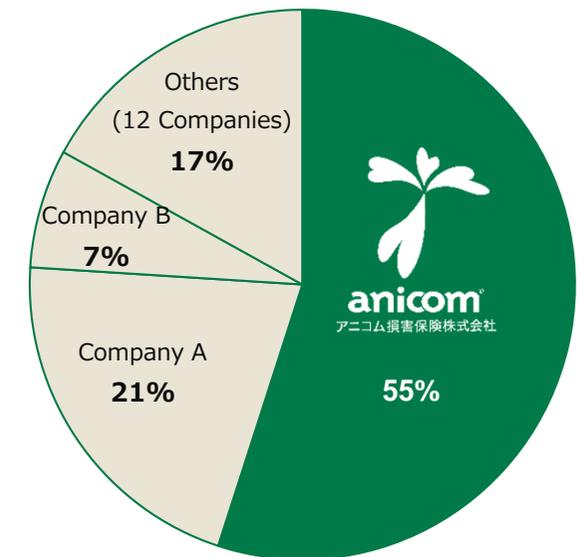
Pet insurance market size



Source: Fuji Keizai Co., Ltd.: Overview of Pet-related Sector Marketing in 2019

Penetration rate remains 9%,
market is still growing

Company share of pet insurance market (Premium basis (Approximate))

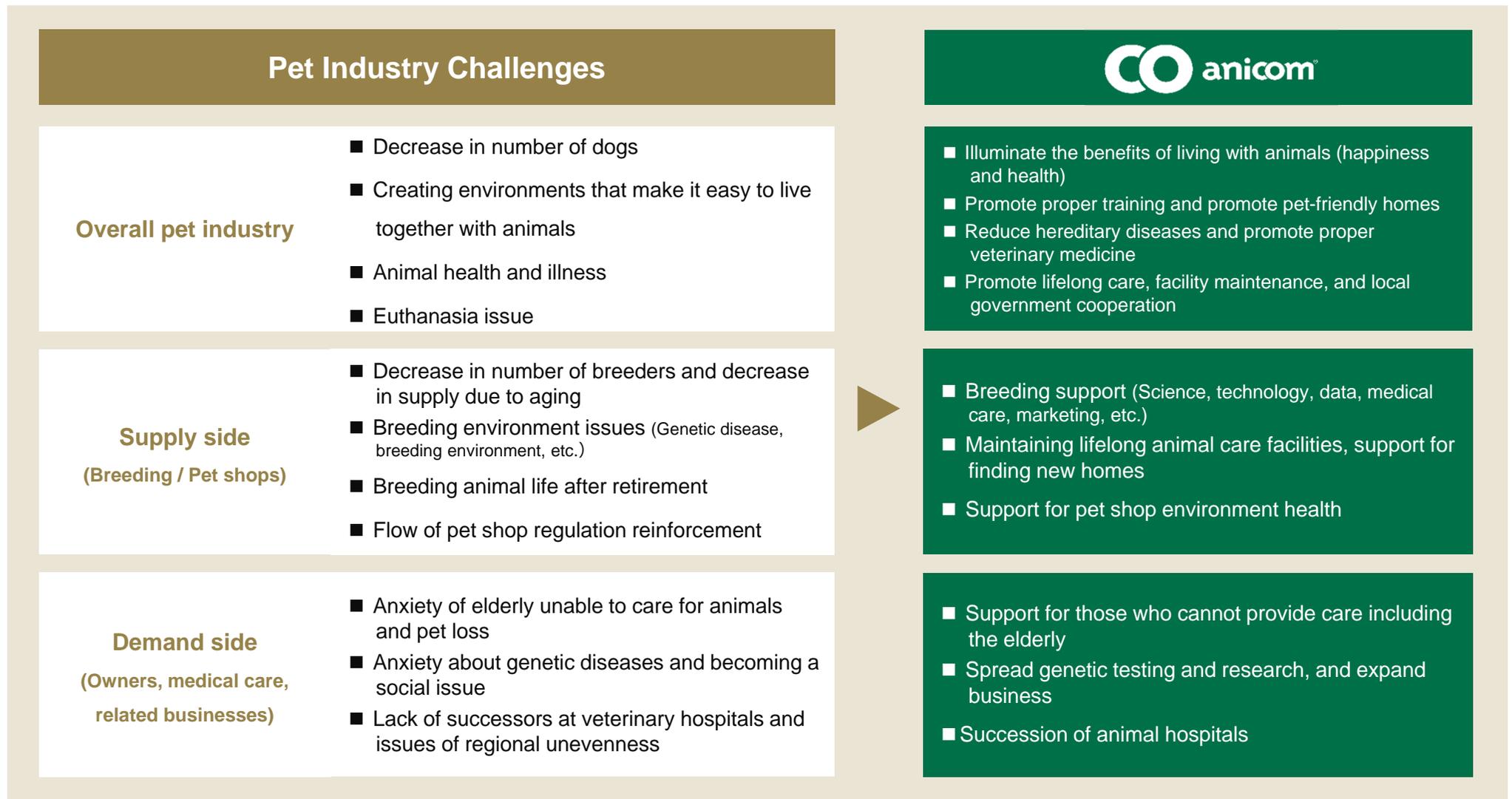


Assumed by our company based on each company's disclosure materials and published financial statements

No. 1 share 11 years in a row

▶ **Despite the declining dog population, the pet insurance market is growing at a double-digit rate every year**

(4) Pet industry challenges and Anicom's initiatives



▶ **As a leading company, we will work on each pet-related issue including raising the pet population**



Mid-term Management Plan

(1) Overall management strategy

Anicom's History (18 years from establishment to solid foundation)



Insurance Company Group that Wipes Away Tears

We have been providing services for
medical treatments and insurance for
illnesses/injuries for 18 years.

Anicom's Future (Positioning for the second founding period)



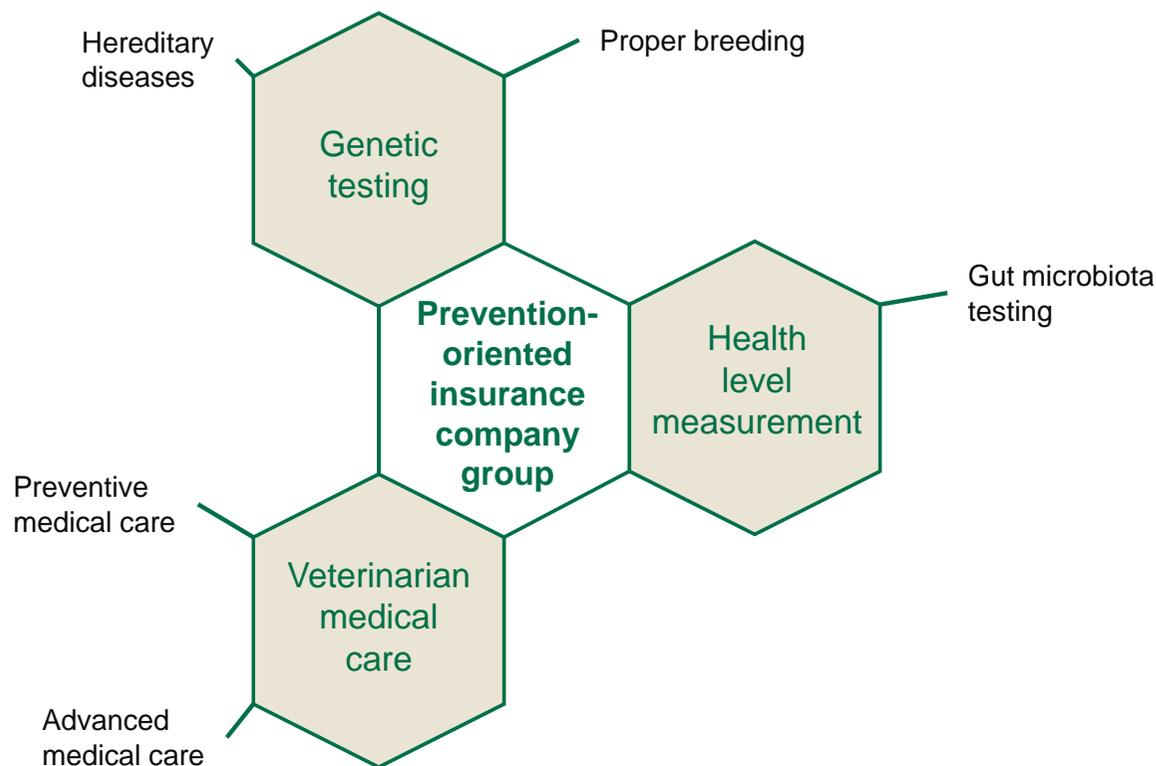
Insurance Company Group that Creates Smiles

Becoming a prevention-oriented insurance
company group that analyzes diseases and
injuries based on various data to understand the
“health level”



Insurance Company Group that Creates Smiles

Becoming a prevention-oriented insurance company group that analyzes diseases and injuries based on various data to understand the “health level”



1. Eradication of hereditary diseases and breeding support

Avoiding preventable genetic diseases by spreading genetic testing. By providing proper breeding support (inbreeding management, etc.) based on the results, new genetic diseases can also be prevented.

2. Health level measurement using gut microbiota testing

Using health diagnosis through gut microbiota testing to support daily health and compensate for diseases related to environmental factors and hereditary diseases.

3. Providing preventive medical care and advanced medical care

Preventive medicine, early detection, and disease prevention is done at medical sites. Epidemic diseases are diagnosed at group hospitals including advanced medicine.

(3) Mid-term management plan

Consolidated management numerical targets

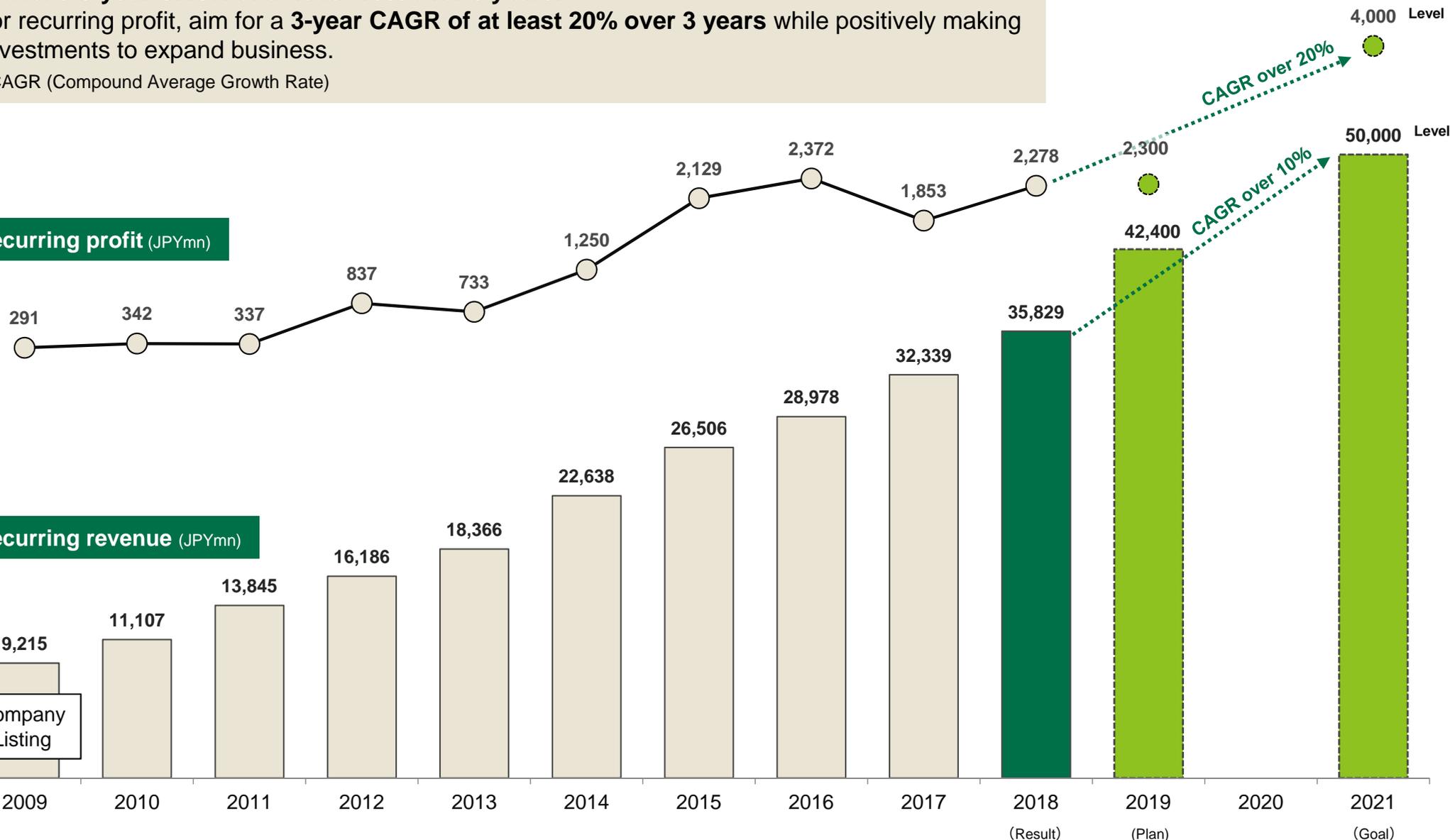
Recurring revenue has continued to grow since listing.

Aim for a **3-year CAGR of at least 10% over 3 years.**

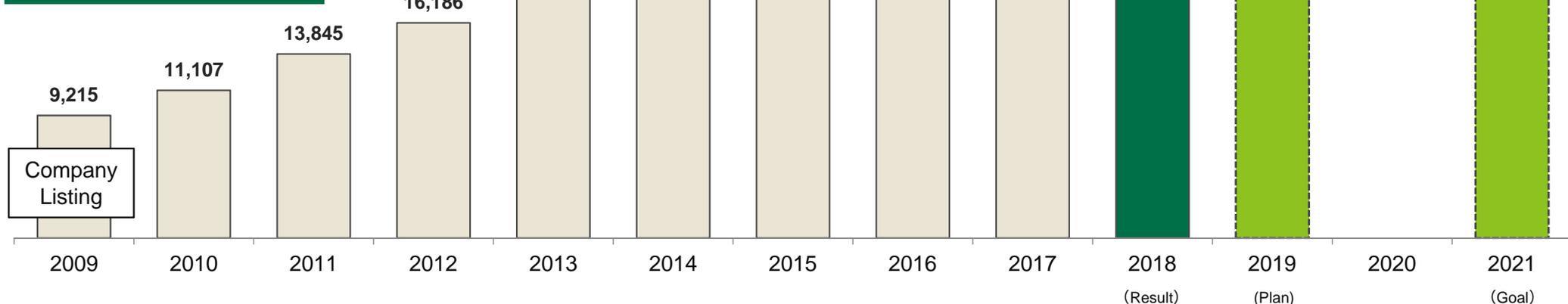
For recurring profit, aim for a **3-year CAGR of at least 20% over 3 years** while positively making investments to expand business.

*CAGR (Compound Average Growth Rate)

Recurring profit (JPYmn)



Recurring revenue (JPYmn)



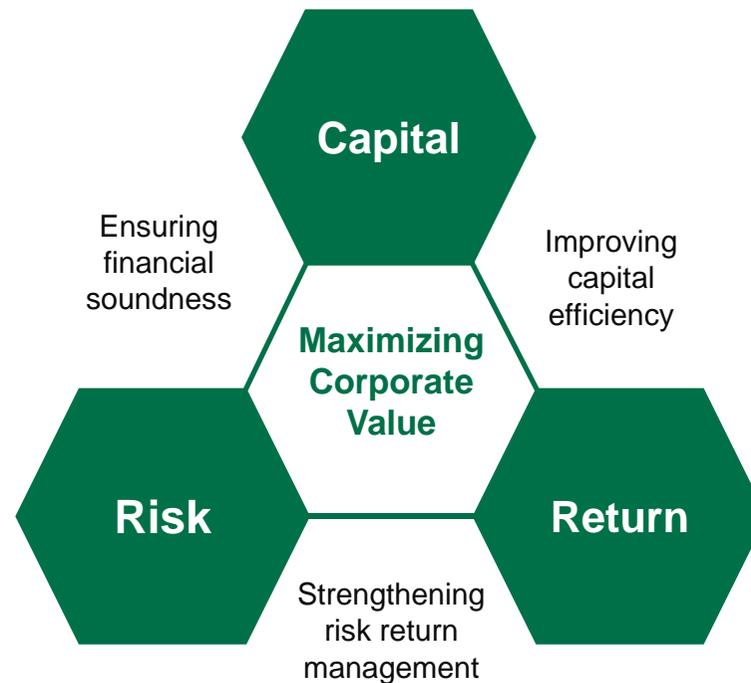
Concepts of capital, risk, and return to improve corporate value

Manage the balance of capital, risk and return, and balancing financial soundness with capital efficiency.

Implement continuous and stable shareholder returns from a mid- to long-term perspective.

Non-life insurance SMR around 380%

In the long term, the solvency margin ratio (SMR) will be around 400%.



Toward ROE around 10-12%

With a capital cost of 6.7% as a prerequisite, toward an equity spread of +5%.

* Equity Spread = ROE – Capital Cost

Shareholder return policy

Based on the concepts of financial soundness and capital efficiency, our basic policy is to distribute profits continuously and steadily from a mid- to long-term perspective.



Environment

We aim to be “doctors of the earth.”

Based on the corporate philosophy that all “life” including human beings and animals should understand and cooperate with each other, we conduct research and make every reasonable effort to contribute to the protection and preservation of bacteria, microbes, and plants.

Ex.: Support for World Wildlife Fund Japan

We act with consideration for the environment.

We are reducing the distribution and use of paper. We do this by promoting digitalization of contracts, pamphlets, and forms including applications, invoices, and notifications to customers.

We work with related organizations for garbage collection activities with owners and their pets working together. We are also helping to tackle issues related to pet stool clean up.



Social

We preserve the dignity of animals.

As a company involved with animals, we have committed to the “Declaration for animal dignity”. A copy of the Declaration hangs in our lobby. We will act to achieve zero euthanasia, zero abuse of animals, and better conditions for pets and breeding.

Ex.: Building and managing shelters for older dogs and lifelong animal care facilities, and the new power plan (Shippo-oen Plan) developed in collaboration with Marubeni Power Retail Corporation.

We promote the success of women and consider diverse types of families.

Many women are working throughout the group. Women currently account for around 60% of our work force and 30% of managers. Three of our directors are women (as of March, 2019).

In addition, we revised our pet insurance contracts, changing the designation of the “Insured person” to include same-sex partners as a “Spouse.”

We promote effort for the enlightenment of human rights.

In order to respect everyone’s fundamental human rights, we will formulate a basic policy for human right and support activities for the prevention of harassment.



Governance

We will maintain our existing strong governance system.

We clearly separate management supervision and execution by increasing the number of outside directors (three directors) and by establishing an executive officer system.

At meetings of the “Nomination, Compensation, and Governance Committee,” whose members are mainly outside Directors, we discuss the nomination of representative directors, compensation, and the overall effectiveness of governance, including internal control structure.

We promote discussions at the Board of Directors / Management Meetings to achieve more effective governance.

Thorough explanations are made in advance to outside directors to have more meaningful discussions at meetings.

(6) Mid- to Long-term roadmap



While continuing to accelerate pet insurance profitability, there will be a focus on lowering expenses. This will include reducing insurance payouts. At the same time, we will accelerate monetization of new business and steady expansion.

Fully utilize big data to promote the uniqueness of our pet insurance offering and to promote a new prevention cycle (genetics, environment, and medical care). While maintaining the growth potential of the whole Group, the ratio for other recurring revenue will exceed 10%.

Develop the prevention cycle as a comprehensive service overseas. Knowledge, knowhow, and cycles in animal industry can also be applied to personal insurance.

Specific measures

- ▶ Further expansion of the insurance business and pursuit of uniqueness
- ▶ Improved ability to manage assets
- ▶ Establish and expand upstream/downstream business fields
- ▶ Reformation of the corporate brand

Specific measures

- ▶ Establish uniqueness of pet insurance
- ▶ Monetization of upstream/downstream fields
- ▶ Utilization of big data
- ▶ Improve/organize cohabitation with animals

Specific measures

- ▶ Establish a prevention-oriented insurance company
- ▶ Expand earnings in each upstream to downstream phase and basic support fields
- ▶ Overseas development / development to personal insurance

(7) Priority measures for pet insurance business

FY2021 Key figures for pet insurance

- **Topline:** 3-year CAGR of approx. 10% from Underwriting revenue + Investment revenue
- **Loss Ratio:** 57-59%
- **Expense Ratio:** 34-37%
- **Solvency Margin Ratio:** About 380% (About 400% in long term)

Strengthen General Channel Sales

Building new sales pillars

Develop it as main sales pillars equal to or higher than the newborn channel to make it a source for future earnings. (e.g. strengthening marketing/PR, utilization of the Web and animal hospitals, and new product development)

Reinforcement of core systems and improved office work efficiency

Ensure system infrastructure for maintaining big data, and restructure core systems to support corporate growth by efficient resource distribution.

Promote Systemization

6 Priority Measures

Strengthen Newborn Channel Sales

Strategies focused on genetic testing

Ensure earnings based on sales strategies that focus on genetic testing. (Such as pet shops, breeders, transfer groups, and matching websites)

Expansion of services and better utilization of customer feedback

Establish a system for properly evaluating and implementing feedback from customers, and improve services for customers. (More added services, improvements to My Page and the Call Center, and establish business operations to satisfy customers)

Improve Customer Satisfaction

Strengthen Investment Operations

Building an optimal portfolio (Including real-estate)

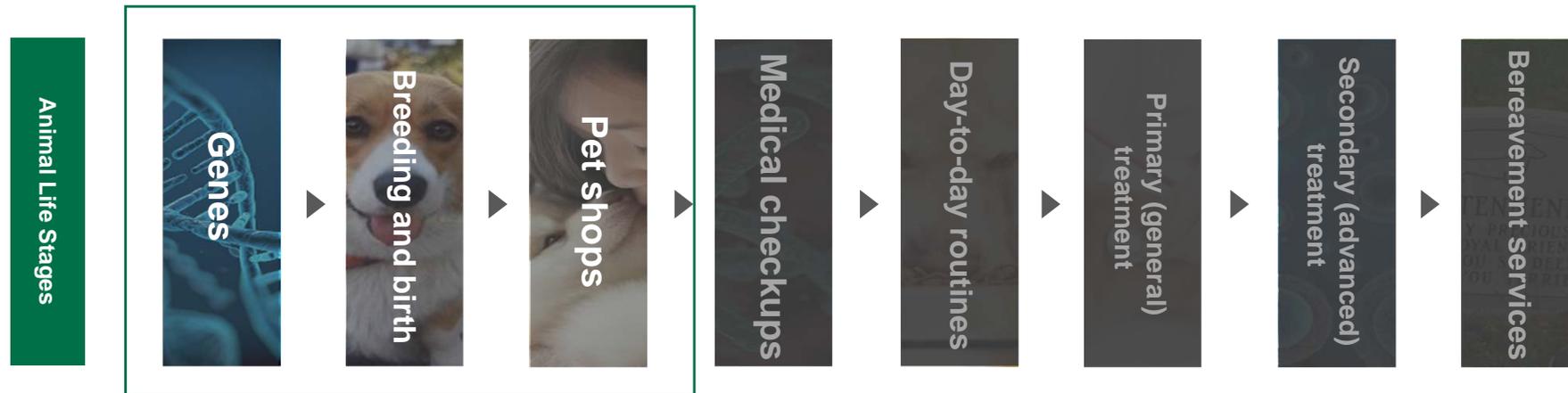
Make investments in real-estate based on animal themes, and utilize this in various measures. Improve the earning power of the securities portfolio.

Optimize Insurance Payout

Develop prevention strategies focused on proper treatment and “Doubutsu Kenkatsu”

Develop prevention and proper treatment based on the results of our company's unique data analysis focusing on “Doubutsu Kenkatsu” (literally “Healthy Animal Life.”) (Prevention of injury/illness, early detection of disease, proper treatment, and proper payment)

(8) Priority measures for new business (Upstream to midstream)



Genetic screening business

Avoiding preventable genetic diseases through genetic screening before and after breeding.
Conducting genetic screening at our corporate group labs will contribute to sales and is expected to reduce insurance payouts.

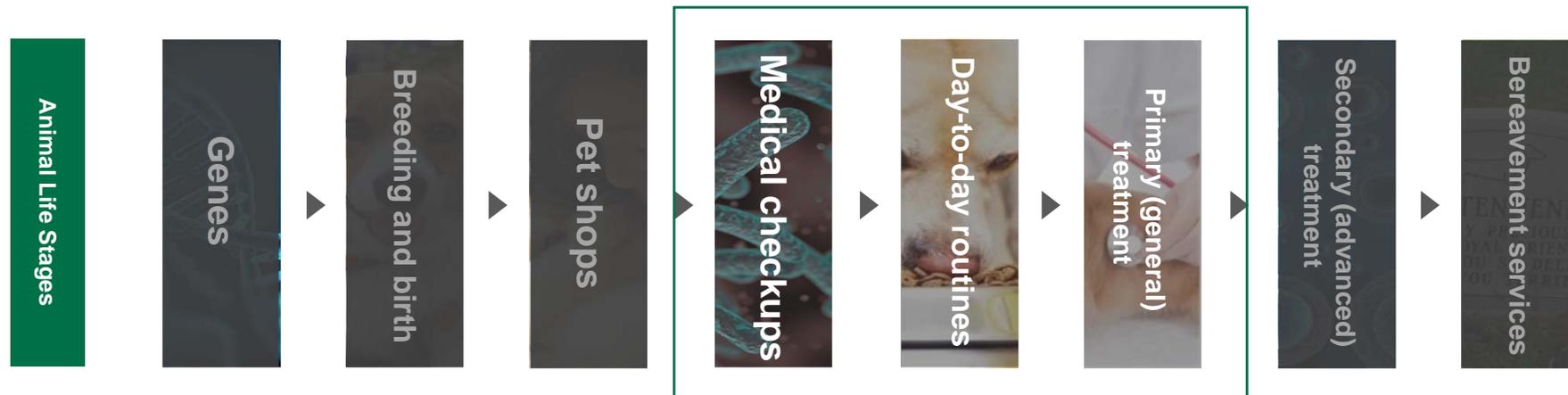
- ▶ Testing for all animals sold at major pet stores
- ▶ Genetic testing for breeding dogs
- ▶ Study of new causative genes and expansion of testing items

Breeding support business

Implement a system for improving opportunities for breeders to earn more by resolving various issues at breeding sites, and also preventing new genetic diseases, etc., from occurring, and spreading healthy animals.

- ▶ Management of inbreeding levels using accumulated data (Preventing new genetic diseases and malformations)
- ▶ Comprehensive support for breeding through optimum mating time, artificial insemination, sperm banks, and medical treatments, etc.

(8) Priority measures for new business (Midstream to downstream)



Promotion of healthy lifestyles

Analyze large amounts of customer data to encourage healthier lifestyle practices and reduce insurance payouts. Utilize these data to develop contents such as food and devices.

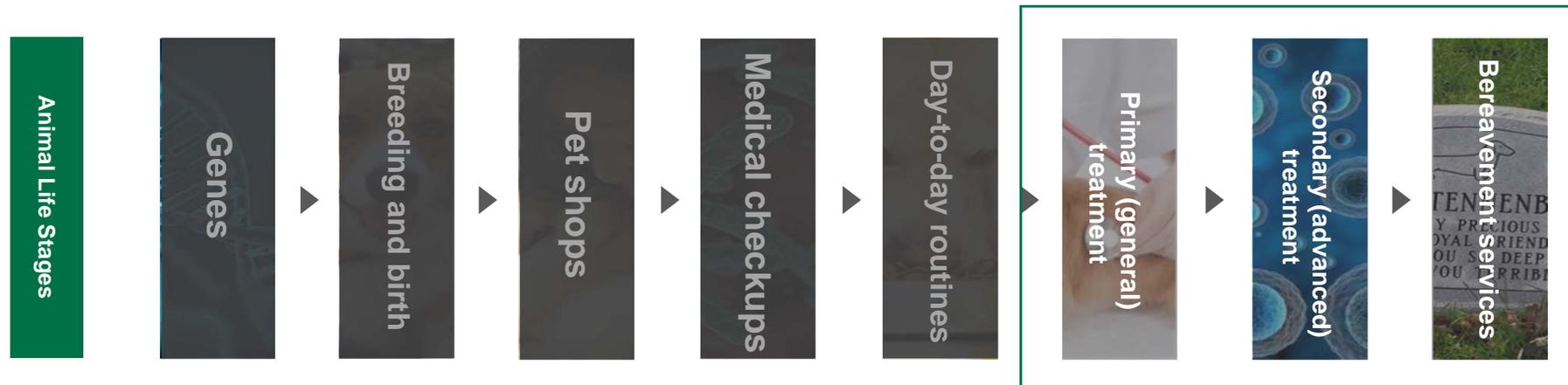
- ▶ Analyze the relationship between lifestyle and diseases based on customer data
- ▶ Share prevention information through owned media / SNS
- ▶ Development, joint research, and cooperation for prevention foods and devices, etc.

Business related to animal medical treatments (Prevention to general practice)

We now operate over 50 animal hospitals, and services ranging from prevention to general medical care are being developed. We aim to establish next-generation prevention methods using data (insurance payout and medical data such as medical records) obtained in the process of running these hospitals.

- ▶ Develop and expand animal hospital business (hospitals specializing in prevention, etc.)
- ▶ Add hospitals that use a medical records management system
- ▶ Improve customer convenience through reservations and customer transportation

(8) Priority measures for new business (Downstream)



Provision of advanced medical care

Develop and implement advanced medical technologies by providing advanced medical care such as regenerative medicine and cell therapy, and promoting laboratory research.

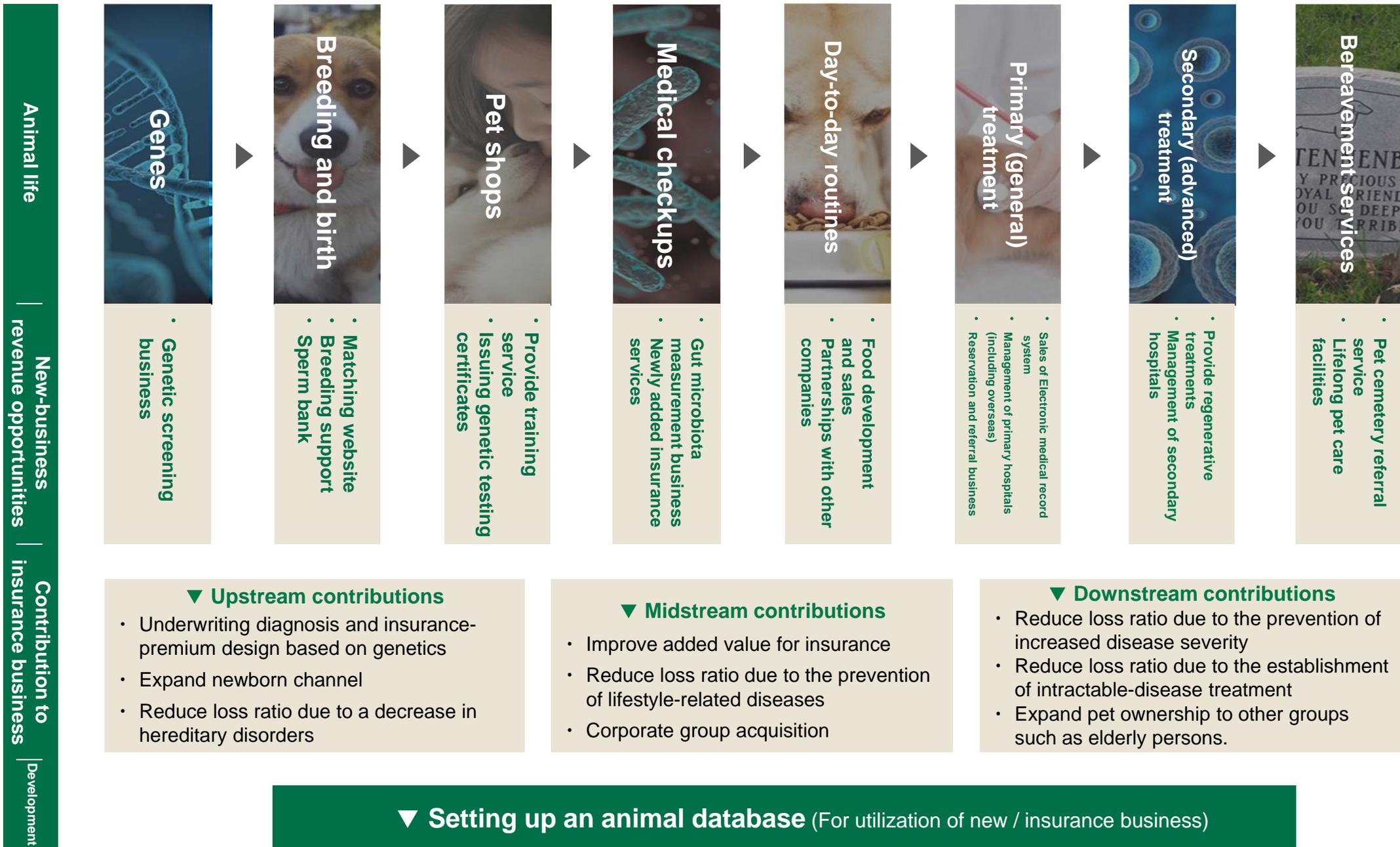
- ▶ **First hospital specializing in regenerative medicine in Japan (joint venture with Fujifilm)**
- ▶ **Establish a system for spreading regenerative medicine / cell therapy**
- ▶ **Development of insurance products specializing in advanced medical care**

Development of business that considers both elderly people and pets

Since both humans and pets age, we aim to develop homes for older dogs and lifelong care facilities, and also develop facilities to provide care when pet owners / pets die.

- ▶ **Build and manage homes for older dogs and lifelong care facilities**
- ▶ **Develop pet insurance products for the elderly**

(9) Peripheral new-business revenue opportunities and synergy with pet insurance





Group Introduction

(1) Overall group profile and group history



Subsidiary Business Management

Capital: JPY7.950bn
Established: July 2000



Apr 2000	Established anicom as voluntary association (mutual aid association for pets)	Jan 2008	Start of sales of pet insurance by Anicom Insurance, Inc.
Jul 2000	Based on anicom, established BSP Inc. as an animal insurance business entrustment company. (Changed trade name to Anicom International, Inc. in January 2005, and to Anicom Holdings, Inc. in June 2008)	Apr 2008	Start of pet insurance coverage by Anicom Insurance, Inc.
Dec 2004	Established Anicom Pafe, Inc.	Nov 2009	Published "White Paper on Household Animals" (published annually thereafter)
Feb 2005	Established Anicom Frontier, Inc.	Mar 2010	Anicom Holdings, Inc. listed on the Tokyo Stock Exchange Mothers market; (securities code: 8715)
Jan 2006	Established Anicom Insurance Planning, Inc. to prepare for the establishment of an insurance company (changed trade name to Anicom Insurance, Inc. in December 2007)	Jan 2014	Established the Japan Animal Specialty Medical Institute, Inc. (currently, Anicom Specialty Medical Institute, Inc.)
Dec 2007	Anicom Insurance, Inc. acquired a nonlife insurance business license Anicom International, Inc. acquired certification as an insurance holding company	Jun 2014	Anicom Holdings, Inc. shares moved to First Section of Tokyo Stock Exchange
		Jul 2015	Established Anicom Capital, Inc.
		Apr 2016	Established Celltrust Animal Therapeutics Co., Ltd. as a joint venture between Anicom Holdings, Inc. (49% stake) and Fujifilm Corporation (51%)
		Mar 2017	Established Hong Kong Anicom Company Limited as a joint business related to animal medical care in China with 49% of funding by our company



Established: December 24, 2004 Capital: JPY495mn

Improving the quality of life for you and your pet through support services for animal hospitals and pet owners



Animal hospital support business

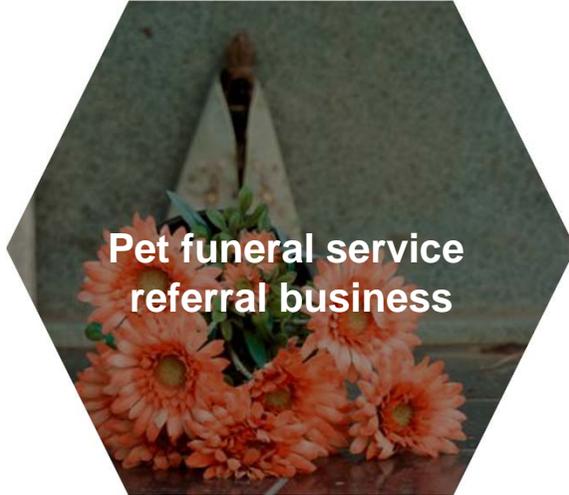
Anicom Pafe provides a range of support services for animal hospital management, including development and sales of Anicom Receptor, a cloud-based medical records management system for comprehensive support of hospital administration such as patient information and accounting management.



Owner support business (product sales, etc.)

Anicom Pafe provides a broad range of support services for pets and their owners, which includes our online store Pafe Online, a search site for puppies and kittens (Hello Baby), a 24-hour hotline to consult veterinarians and other experts and search for lost pets (anicom24), and a training box that is delivered periodically (Anitre24).

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Pet funeral service referral business

With more people regarding pets as family members and forming deep attachments to them, there is a growing need for pet funeral services. Anicom has a pet funeral service referral site that features only funeral facilities that satisfy our own high standards.



Established: February 25, 2005

Capital: JPY45mn

Comprehensive support for people who work in the animal industry



Working with animals has its own risks, such as employees being bitten by an animal or causing accidental injury to an animal while on duty. We provide insurance to protect animal hospital management and staff from these risks, as well as a range of life and nonlife insurance to support people working with animals.



Anijob is a recruitment site specializing in animal professionals such as veterinarians, vet nurses, groomers, and researchers. Its purpose is to contribute toward a job market that allows animal-loving professionals to enjoy a long and stable career.



Anicom Frontier runs courses and workshops at training institutions and animal hospitals that enable students to acquire the knowledge and qualifications needed to join the work force in the pet business.

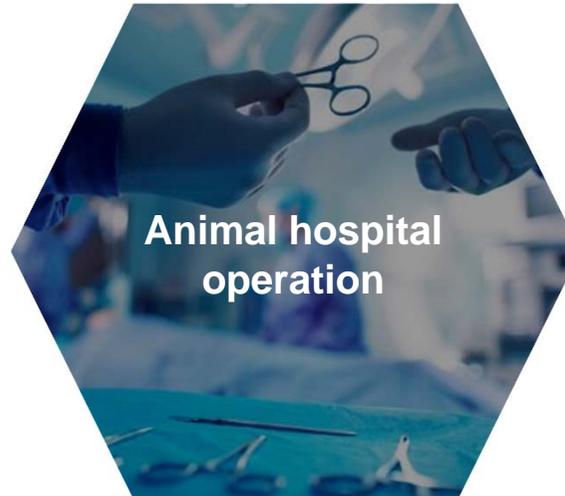


Established: January 24, 2014 Capital: JPY450mn

Seeking a bright future for veterinary medicine thorough research and clinical work



Anicom Specialty Medical Institute conducts basic research and works to develop medical technologies and medical devices for veterinary treatment. The company opened a laboratory in Yokohama in December 2016. The lab engages in cutting-edge research, armed with the latest research equipment such as next-generation sequencers that analyze massive volumes of DNA data and chromatographic systems that analyze diverse substances including metabolites.



Anicom Specialty Medical Institute operates an animal hospital specializing in neurological disorders caused by spinal injury, herniated disks, etc. Its goal is to help extend the healthy lifespan of animals by curing conditions that were previously considered incurable.



Anicom Specialty Medical Institute runs our own animal hospitals that focus on prevention of disease. It is also aiming for standardization of veterinary medicine by formulating standard practices and guidelines for veterinary care.



Established: July 7, 2015 Capital: JPY100mn

The only venture capital company in Japan specializing in veterinary medicine and pet businesses



Anicom Capital seeks to create value in animal-based businesses to play a part in Japan's future economic growth by investing in, and incubating startups with the potential to power the growth of veterinary medicine and pet-related businesses, and R&D projects with potential to drive innovation.



The company runs EVOLVE, a program that funds research and business development projects that contribute toward progress of veterinary medicine and growth of pet-related markets.

Celltrust Animal Therapeutics Co., Ltd.

Established: April 1, 2016 Capital: JPY50mn

Equity ratio: Fujifilm Corporation 51%, Anicom Holdings 49%

Anicom's reputation in the pet business and Fujifilm's cell therapy technology combine to serve veterinary medicine by providing advanced treatments (mainly regenerative medicine and cell therapy)



Celltrust Animal Therapeutics will develop and put into practical application cell therapy for veterinary purposes. It is a center for translational research that specializes in developing cutting-edge treatments from the results of basic research by universities and companies, i.e., the D of R&D. Its priority is to establish scientific evidence in diagnosis and treatment as part of developing a culture for the spread of cell therapy in veterinary care.



The ultimate goal is for animal hospitals providing primary care to provide cutting-edge treatments as well. In the case of cell therapy, we are not only developing treatment methods, but designing a system for primary treatment hospitals to collaborate with Celltrust's Animal Regenerative Medicine Center Hospital.





Established: March 2017 Capital: USD1,300,000

Equity ratio: Anicom Holdings 48.8%

Developing the animal hospital business in China (Shanghai).

Aiming to spread pet-related industries such as veterinary medical care and pet insurance in Asian countries.



**Provide
Japanese-level
veterinary
medical care**

We operate the ANICOM TOKYO animal hospital in China (Shanghai). ANICOM TOKYO hospital provides advanced, high-quality Japanese-level veterinary medical care by sending Japanese veterinary advisors, providing training to staff in Japan, and providing the latest equipment, etc.



**Expand
pet-related industries
overseas**

The pet industry, including the level of veterinary medical care in Asia, is still being developed, and is a promising market that continues to grow every year. We are aiming to develop pet-related industries in Asian countries by utilizing the knowhow cultivated by our corporate group.



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