

**FY03/20**  
**Financial Results Briefing Presentation**

May 12, 2020



Security Code : 8715

- **Even with consumer sentiment cooling, pet ownership demand remained firm. As a result, the number of insurance policies also steadily increased.**
- **A sharp downturn in the market due to COVID-19 however, caused an increase in investment expenses.**

- The number of policies in force as of March 31 surpassed 816,000, achieving the initial target (813,000)
- The number of new policies in March surpassed 16,000, a record high for a single month. For the year as well, 167,000 new policies were acquired, achieving the initial target (164,620)
- Recurring profit was slightly below the initial target, as investment expenses totaled JPY109mn due to a sharp downturn in the market under the impact of COVID-19.



**With no end to COVID-19 in sight, the situation remains uncertain, but even under these conditions, the mainstay pet insurance business held steady.**

**Amid this, the Anicom Group, which is aiming to be a major infrastructure player in the pet industry, considered how it could contribute to society and promptly launched an initiative (#StayAnicom Project). In FY2020, the group will work to achieve increases in revenue and profit while both expanding its business and contributing to the pet industry.**

## Customer activities

### Expanded insurance coverage (March 6)

Special measure to extend coverage to include hospital visits without one's pet

### Forbearance for renewal procedures and premium payments (April 8)

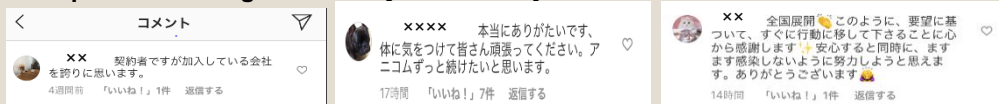
Special measures for policyholders having difficulty with regular policy procedures

### #StayAnicom Project (April 10)

Through this project, Anicom takes in pets free of charge for pet owners who are infected by COVID-19 and must stay in the hospital or a quarantine facility, and Anicom employees, led by the company's veterinarians, look after the pets for that period of time. The project began with one pet on May 1 and a second pet was taken in on May 5 (numbers continue to increase). The first and second pets were given multiple PCR tests, which came out negative, so they were transferred to one of the group's animal hospitals.



### #Response on Instagram to #StayAnicom Project



### Solatum payments to customers diagnosed with COVID-19 (April 20)

Began support for policyholders and insured parties diagnosed with COVID-19 infection in the form of solatium payments. JPY50,000 across the board, maximum of JPY30mn

## Safety measures for employees

The business of a financial institution must continue even with a state of emergency declaration, so opportunities for interpersonal contact are being reduced in order to reduce infection risk for employees.

The following measures are being conducted.

### Reduced contact opportunities during working hours

- Actively implementing a working at home system, including teleworking.
- Development of system for working in shifts, including weekend work
- Not conducting face-to-face interviews, etc., in principle, and conducting teleconferencing, etc.

### Reduced contact opportunities while commuting

- Commuting by car or bicycle, or staying at a hotel near the office, are being recommended, with Anicom providing monetary assistance for these options
- Active implementation of staggered commutes

Posted on Anicom Group site 'anicom you'

People are currently being called on throughout Japan to refrain from going out and take other measures to reduce contact with others in order to combat COVID-19.

People are being asked to keep their distance from others and to cut back on talking face-to-face; even if you meet someone you've not seen for some time, you must wear a mask and stay two meters apart.

There are concerns that our connections with others will inevitably weaken. Before long, not only the virus, but loneliness, too, may spread.

Loneliness is a difficult ordeal for everyone, and the battle with COVID-19 may well be called a battle against loneliness.

But what if you have a little love next to you, one with a little tail?

This warm and soft love, this irreplaceable love, we do everything we can to protect.

Yes, this little love with big round eyes has the incredible power to drive away our loneliness and warm our melancholic hearts.

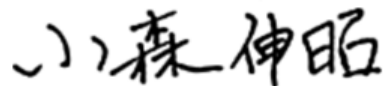
And now we, the executives and employees of Anicom, have taken a new step forward being received the big love of your little family members. We may not be able to entirely satisfy all pet owners, and we may meet with some criticism, but even so, what keeps us from not doing anything is the fact that everyone here at Anicom absolutely loves animals.

It's a small, small step, but we hope it helps reassure people even if only a little.

- Of course this include little ones with cropped tails, ones with no tails, ones who've lost their eyesight, ones born without eyes, and even if they are not warm, even if they are not soft, and big ones and little ones, and the entire diversity of living things.

Anicom Holdings

Komori Nobuaki, Representative Director



コロナウイルスに感染した人の  
ペットを救うプロジェクト

**#stayanicom**

## FY03/20 results overview

---

1. Consolidated recurring revenue, recurring profit, adjusted profit
2. FY03/20 consolidated earnings overview
3. Factors related to changes in consolidated recurring profit (FY2018 Results vs FY2019 Results)
4. Consolidated balance sheet summary
5. Consolidated cash flows summary
6. Consolidated recurring expenses and profit indicators

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

■ **Recurring revenue** : JPY41,465 mn (FY03/19 JPY35,829 mn **+15.7% YoY** Planned JPY42,400 mn **-2.2%**)  
 ( of which underwriting revenue : JPY39,105 mn FY03/19 34,535 mn +13.2%YoY )

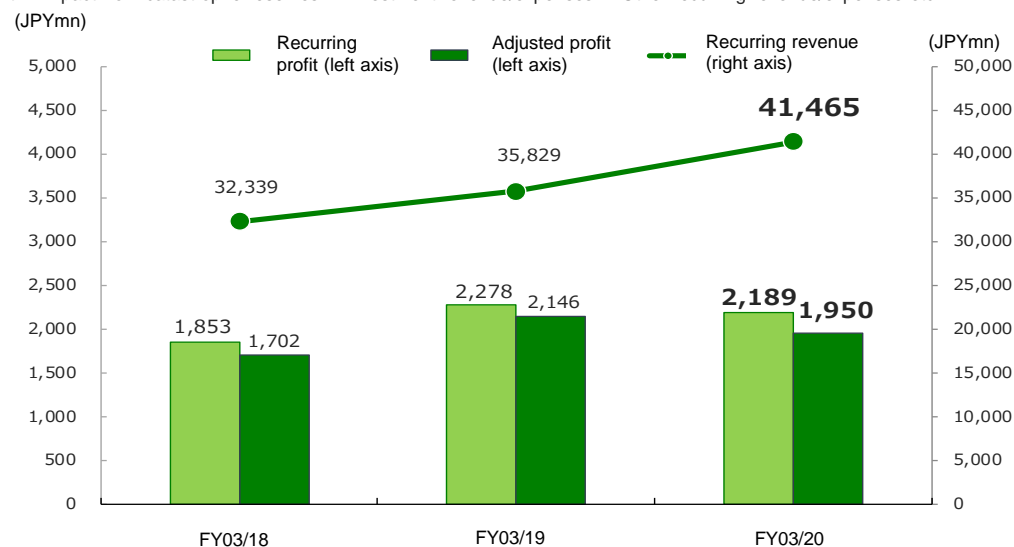
■ **Recurring profit** : JPY2,189 mn (FY03/19 JPY2,278 mn **-3.9% YoY** Planned JPY2,300 mn **-4.8%**)

- **On a year-on-year basis, the number of policies in force and underwriting revenue increased steadily** (+8.4% and +13.2%, respectively) as a result of strengthening new initiatives and updating products, etc. in pursuit of uniqueness by also utilizing group company services.
- **On a year-on-year basis, the group's consolidated recurring revenue and recurring profit both steadily increased** on steady growth in other recurring revenue as well, which includes genetic testing and operation of hospitals.
- **Against targets, recurring profit was just short, as investment expenses totaled JPY109mn** due to a sharp drop off in the market caused by the impact of COVID-19.
- Adjusted profit (Note), which expresses the effective profit/losses of the pet insurance business, declined YoY due to the decline in recurring profit.

(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 recurring revenue/expenses etc.



## 2. FY03/20 consolidated earnings overview

(JPYmn)

	FY03/19	FY03/20	Change
<b>Recurring revenue</b>	<b>35,829</b>	<b>41,465</b>	<b>15.7</b> %
Underwriting revenue	34,535	39,105	13.2
Investment revenue	383	496	29.5
Other recurring revenue	910	1,863	104.6
<b>Recurring expenses</b>	<b>33,550</b>	<b>39,275</b>	<b>17.1</b> %
Underwriting expenses	24,071	27,212	13.0
Net claims paid	(18,456)	(20,492)	11.0
Loss adjustment expenses	(1,003)	(1,109)	10.6
Net commission and collection expenses	(3,077)	(3,674)	19.4
Provision for reserve for outstanding losses and claims	(196)	(179)	-8.7
Provision for underwriting reserves	(1,336)	(1,756)	31.4
Of which unearned premiums	(1,231)	(1,404)	14.0
Of which catastrophe reserve	104	(351)	236.4
Investment expenses	10	109	991.5
Operating and general administrative expenses	9,112	11,153	22.4
Other recurring expenses	356	800	124.8
<b>Recurring profit</b>	<b>2,278</b>	<b>2,189</b>	<b>-3.9</b> %
<b>Net profit</b>	<b>1,610</b>	<b>1,525</b>	<b>-5.3</b> %
<b>Earned premiums</b>	<b>33,303</b>	<b>37,701</b>	<b>13.2</b> %
Claims incurred (including loss adjustment expenses)	19,657	21,781	10.8
E/I loss ratio (1)	59.0 %	57.8 %	-1.2 pt
Expense ratio (based on earned premiums) (2)	34.5 %	37.1 %	2.6 pt
Combined ratio (based on earned premiums) (1)+(2)	93.5 %	94.9 %	1.4 pt

### Major accounting items and reasons for changes

(1) Underwriting revenue (For details, refer to "Anicom Insurance (non-consolidated): Recurring revenue indicators (P. 27)")

- Number of policies in force increased 8.4% YoY.
- Cumulative number of new policies increased 11.1% YoY.
- Growth in renewed policies, product (rate) revisions, and higher insurance premiums accompanying advancing age of animals also delivered contributions.

(2) Investment revenue

- Mainly investment in domestic securities investment and REITs.

(3) Other recurring revenue

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

(4) Net claims paid

- Increased due to an increase in the number of policies in force, but the YoY growth rate has been declining.

(5) Net commissions and collection expenses

- Mainly commissions paid to sales agents, increased in proportion to the growth in underwriting revenue, but the YoY growth rate has been declining.

(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

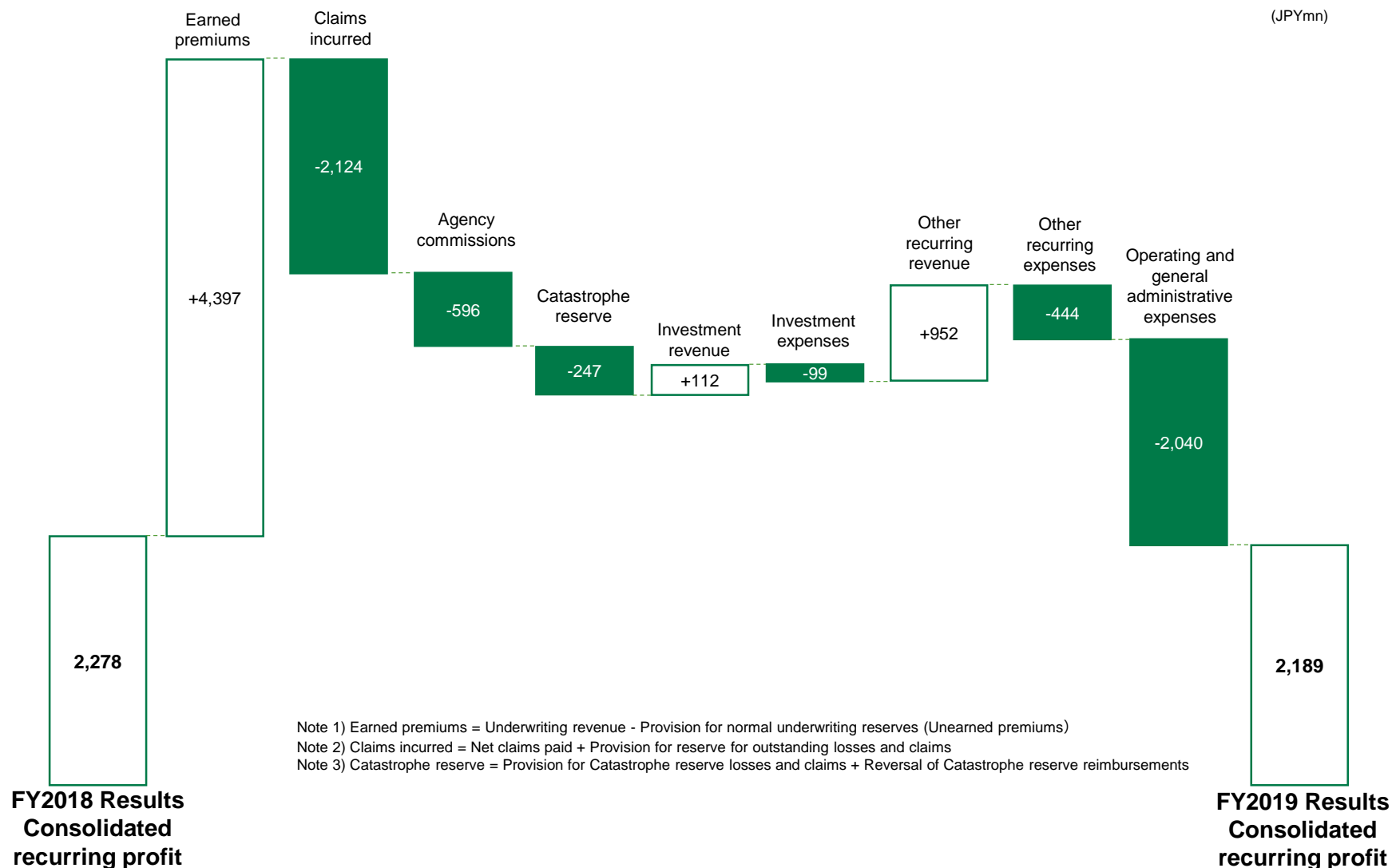
- Reserve to which 3.2% of annual premium revenue is systematically allocated each fiscal year.
- At the same time, the reserve may be drawn down until the net loss ratio reaches 50% with the year-start balance serving as the limit. The provision is recorded as a net amount.
- Over the full year, an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

(9) Investment expenses

- Recorded valuation loss on securities due to sharp drop in market on impact of COVID-19.

### 3. Factors related to changes in consolidated recurring profit (FY2018 Results vs FY2019 Results)

**Decrease in profit due to an increase in investment expenses, despite increases in number of policies in force and underwriting revenue, and improvement in the loss ratio**





## 4. Consolidated balance sheet summary

(JPYmn)

	FY03/19	FY03/20	Change
<b>Total assets</b>	<b>42,390</b>	<b>45,598</b>	<b>7.6 %</b>
Cash and bank deposits	29,643	24,427	-17.6 %
Marketable securities	4,660	9,999	114.5 %
Tangible fixed assets	1,367	1,858	35.9 %
Intangible fixed assets	1,506	3,956	162.6 %
Other assets	4,569	4,390	-3.9 %
Deferred tax assets	718	1,041	44.9 %
Allowance for doubtful accounts	-76	-75	- %
<b>Total liabilities</b>	<b>20,156</b>	<b>22,273</b>	<b>10.5 %</b>
Reserve for insurance policy liabilities	16,041	17,977	12.1 %
Of which loss reserves	2,148	2,328	8.4 %
Of which underwriting reserves	13,893	15,649	12.6 %
Other liabilities	3,867	4,018	3.9 %
Provision for bonus	191	209	9.1 %
Reserve for price fluctuations	54	68	24.3 %
<b>Total net assets</b>	<b>22,234</b>	<b>23,325</b>	<b>4.9 %</b>
Shareholders' equity	22,233	23,719	6.7 %
Of which capital	7,950	7,981	0.4 %
Of which capital surplus	7,840	7,871	0.4 %
Of which retained earnings	6,443	7,868	22.1 %
Of which treasury shares	- 0	- 0	- %
Valuation and transaction adjustments	-150	-530	- %
Subscription rights to shares	151	135	-10.4 %
<b>Total liabilities and net assets</b>	<b>42,390</b>	<b>45,598</b>	<b>7.6 %</b>

### Major accounting items and reasons for changes

#### (2) Marketable securities

- Mainly investment in domestic securities investment and REITs.

#### (2) Intangible fixed assets

- Goodwill increased due to making SIMNET Co., Ltd. a subsidiary and increased hospital succession.

#### (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 (JPY14,191mn; unearned premiums) and 2. catastrophe reserve (JPY1,458mn; 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. Consolidated cash flows summary

(JPYmn)

	FY03/19	FY03/20
Cash flow from <b>operating activities</b>	4,359	<b>4,246</b>
Cash flow from <b>investing activities</b>	- 487	<b>- 10,263</b>
Cash flow from <b>financing activities</b>	6,693	<b>- 99</b>
<b>Change</b> in cash and cash equivalents	10,564	<b>- 6,115</b>
<b>Year-start balance</b> for cash and cash equivalents	17,128	<b>27,693</b>
<b>Year-end balance</b> for cash and cash equivalents	27,693	<b>21,577</b>

- Steady growth in the number of policies in force has led to stable cash flows from operating activities.
- Cash flows from investment activities reflect the acquisition of marketable securities.
- Cash flows from financing activities reflect expenditures in the form of dividends from surplus.

## 6. Consolidated Recurring revenue indicators (\*Consolidated operating and general administrative expenses ratio, consolidated recurring profit ratio)

**\*From now on, recurring expense and profit indicators will be listed on a consolidated basis.**

Refer to the appendix for management indicators for Anicom Insurance on a non-consolidated basis (loss ratio, expense ratio, number of policies)



- The **consolidated operating and general administrative expenses ratio** increased in the first half of FY2019 as increases in costs associated with Doubutsu Kenkatsu and expenses related to genetic testing outweighed revenue increases, but the ratio decreased in the second half on top-line growth.
- With regard to the **consolidated recurring profit ratio**, insurance payout in the insurance business normally increases in 1Q and 2Q because this is the busy period for animal hospitals, due to rabies inoculations and other factors, and then the ratio improves in 3Q and 4Q as hospital visits decline. Along with these seasonal factors, in FY2020, the ratio was impacted by product revisions made the previous fiscal year and by impact of new business expansion and other factors, so the profit ratio was higher in the second half than the first half.

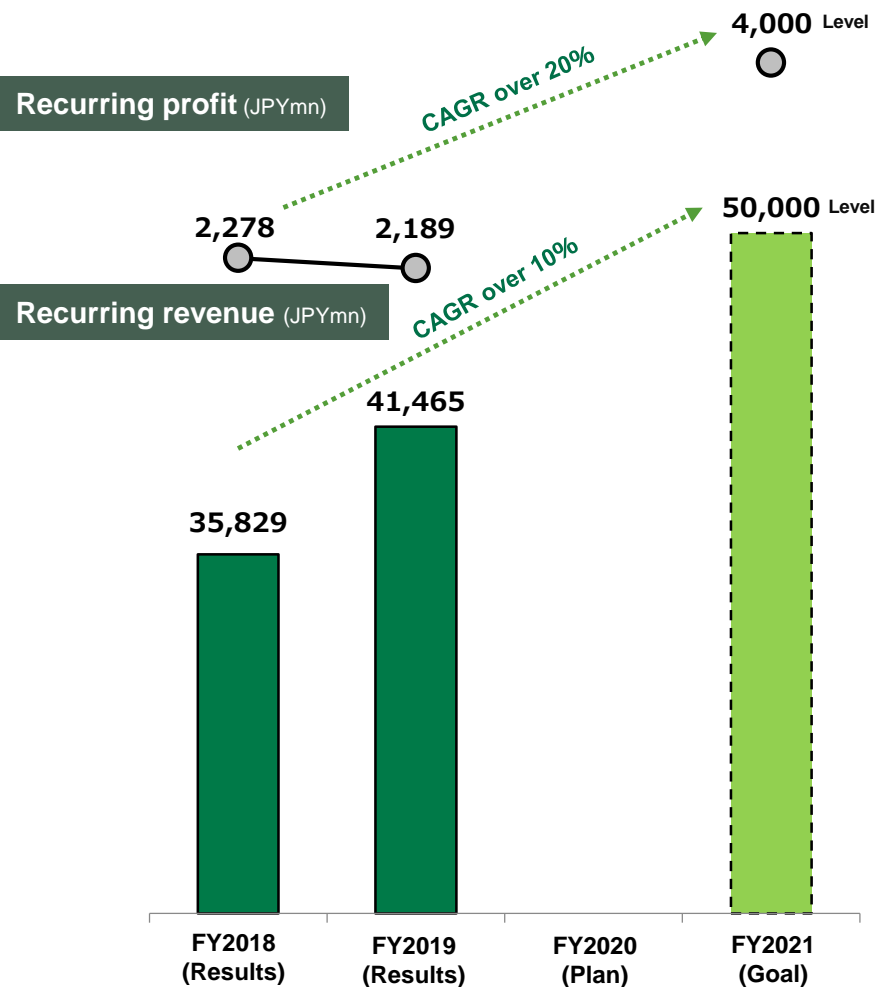
## Review of first year of mid-term management plan

---

1. Progress against management indicator targets
2. Progress of FY2019 priority measures

# 1. Progress against management indicator targets (1)

Although there was a certain degree of impact from the consumption tax hike, COVID-19 pandemic and other factors, the number of policies in force in the mainstay pet insurance business steadily increased, and new business also expanded; preparations are complete for a leap forward in the second year of the mid-term management plan and beyond.



## Initial year results against consolidated management indicator targets

**Targets :** Recurring revenue has continued to grow since listing.

**3-year CAGR of at least 10% over 3 years**

Recurring profit is while also actively investing in business expansion

**3-year CAGR of at least 20%**

※CAGR (Compound Average Growth Rate)

**Result:** Recurring revenue, due to an increase in new policies and rate increases from product revisions, **increased 15.7% YoY.**

**However, recurring profit decreased slightly YoY as investment expenses increased with the sharp market downturn caused by COVID-19.**

**Evaluation:** Recurring revenue and recurring profit both fell somewhat short of initial targets.

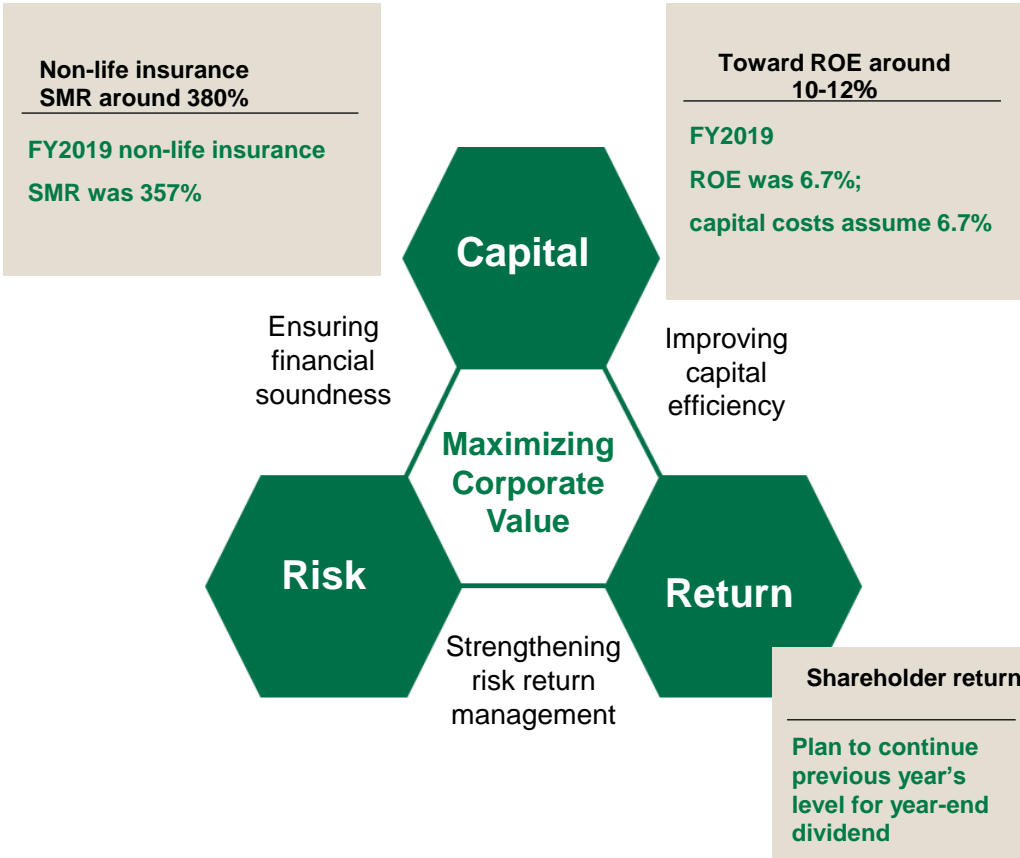
**However, with the launch of new products in the pet insurance business, steady expansion of the genetic testing business and hospital succession, etc., making SIMNET Co., Ltd. a subsidiary, and other developments, preparations are complete for a leap forward in the second year of the mid-term management plan and beyond.**

# 1. Progress against management indicator targets (2)

As a result of fundraising in FY2018, ROE temporarily declined, but it is expected to improve on profit growth from the next term.

On the assumption of a continuous dividend, for the immediate future, the policy is to make capital allocations to business expansion and increasing corporate value.

## Performance for Enterprise Risk Management (ERM) indicators



### Approach to capital allocation

As an insurance group, Anicom will conduct appropriate capital allocation to improve capital efficiency and raise corporate value while maintaining financial soundness.

⇒ With strengthening and further expanding the pet insurance business, priority allocations will be made to put non-insurance businesses (animal hospitals, genetic testing, breeding support, etc.) on a growth track as soon as possible.

## Use of funds (some planned) since FY2018 fundraising (JPY6.6bn)

Specific uses	Details
(1) Investment funds for continuing to expand pet insurance business share while flexibly and firmly maintaining the financial base Approx. JPY3,000mn	<ul style="list-style-type: none"> <li>Along with pet shop channel, strengthening online and other general sales channels (expanding sales offices, strengthening agency support, and advertising expenses, etc. for conducting/continuing strategic marketing)</li> <li>Ensuring flexible and strong financial base for pet insurance business</li> </ul>
(2) Investment funds for systems, etc. to strengthen the pet insurance business Approx. JPY1,500mn	<ul style="list-style-type: none"> <li>Measures to expand and strengthen core systems</li> <li>Building online platform connecting customers with pet shops and breeders</li> <li>Strengthening animal hospital system, including reservations and referrals, and information aggregation system</li> </ul>
(3) Expenses for building pet infrastructure business and increasing revenue Approx. JPY2,160mn	<ul style="list-style-type: none"> <li>Genetic analysis and breeding support for eradicating hereditary disorders</li> <li>Acquisition of shares in SIMNET Co., Ltd.</li> <li>Progress in hospital succession (57 hospitals as of end-FY2019)</li> <li>R&amp;D and commercialization of cell therapy and regenerative medicine, etc.</li> <li>M&amp;A and capital tie-ups with pet-related companies</li> </ul>

## 2. Progress of FY2019 priority measures(1)

### 【 Insurance Business 】

- The insurance penetration rate for senior pets increased on sales of the new product “Animal Health Insurance Senior”.
- Acquired shares of SIMNET Co., Ltd., which runs Japan’s largest breeder direct-sales site (conversion into a subsidiary).
- Worked to differentiate from competitor products by utilizing group company services, specifically, Doubutsu Kenkatsu and genetic testing, and implemented a sales strategy in the newborn channel and general channel by leveraging value added to these products.
- The number of new policies exceeded 167,000 in FY2019, and the number of policies in force is 816,254 (+8.4% YoY).
- The loss ratio was 57.8%, an improvement of 1.2 pt. YoY.

#### Product features

- First-in-Japan dedicated pet insurance for older-aged animals 8 years of age or older, and no maximum age limit for coverage (Coverage includes hospitalization and surgery)
- Product for older and healthy animals
- OTC insurance settlement is possible (70%-50% coverage plans)
- Affordable insurance premiums even for older aged animals
- Policy can be changed to one that includes hospital visits\*  
\*Depending on the results of the “Doubutsu Kenkatsu”
- Increasing penetration rate for the 18.5 million dogs and cats kept as pets



#### Expected effects of acquiring the shares of SIMNET Co., Ltd.

The company’s platform as Japan’s largest breeder direct-sales site will be used to:

- Improve the insurance penetration rate
- Reduce the costs of agency commissions, etc.
- Develop plans related to efficient insurance sales
- Contribute to expanded breeding support business



### 【 Investment division】

- Increase in securities portfolio investment balance: acquired investment revenue / recorded investment expenses due to COVID-19 impact at year-end
- Entered a business partnership with ADVANCE NET Co. (Promotes pet-friendly homes, etc.)

## 2. Progress of FY2019 priority measures(2) (Upstream to Midstream)



### Genetic testing business

Prevent avoidable hereditary disorders with genetic testing before and after breeding (parent and offspring).  
 Conducting genetic testing at group labs is expected to reduce insurance payout while also contributing to sales.

【 progress in FY2019 】

#### Spread of genetic testing and contribution to insurance business

The genetic testing business is developed centering on breeders and pet shops; in FY2019, testing was conducted on over 148,000 animals (including parents, offspring, and research).  
 As a result, for example, testing for degenerative myelopathy (DM) in Welsh corgi reduced the rate of animals affected (with gene mutation, high risk of disease) from 40.9% to 22.3%. If this disease could be entirely eliminated, it could be expected to reduce annual insurance payment by around JPY70mn.  
 Regarding other diseases as well, animals with risk genes are decreasing.

### Breeding support business

Anicom is increasing revenue opportunities for breeders by solving various issues at breeding facilities and is working to promote healthy animals by preventing the occurrence of new hereditary disorders, etc.

【 progress in FY2019 】

Toward provision of diverse genetic testing service  
 With the analysis techniques using this next-generation sequencer, Anicom has already been performing tests for hereditary disorders. Now, it has also successfully developed a customized panel that can check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test.

**For breeders**

- Genetic testing for parentage and fur color  
 ⇒ Optimal breeding, increasing litter size, etc.

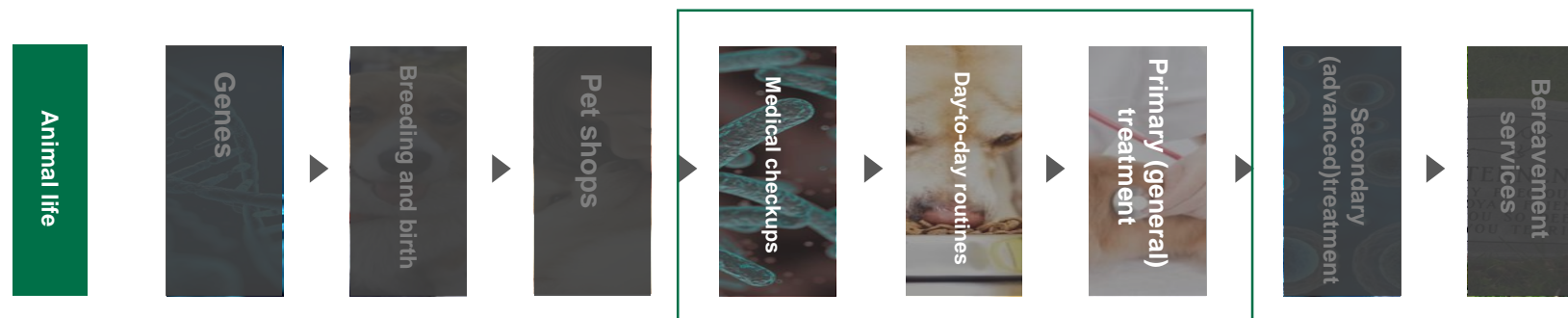
**For pet shops and transfer groups**

- Genetic testing for breed determination, disposition and temperament  
 ⇒ Develop and offer new services





## 2. Progress of FY2019 priority measures(3) (Midstream to downstream)



### Promotion of healthy lifestyles

By analyzing large volumes of customer data, Anicom encourages healthier lifestyle habits, and this helps reduce insurance payout. The company will work to develop food products utilizing this data and devices for measuring behavior characteristics.

【 progress in FY2019 】

#### Increased market penetration of Doubutsu Kenkatsu

- Over 96,000 applications in FY2019
- Application rate increasing in stages, generally according to plan
- Contributing to new policies and renewals  
⇒ Increase in renewal rate of applicants via newborn channel
- Makes it possible to refer customers to good hospitals at the health exam stage, which helps prevent diseases from becoming severe (helps reduce insurance payout and lower the loss ratio)

Know intestinal health age

Know disease risk

Health exam recommendations

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

Anicom currently manages around 60 animal hospitals providing services from prevention to general practice. Data obtained from this process (insurance payout data, medical record and other treatment data) is used with the aim of establishing next-generation preventive methods.

【 progress in FY2019 】

#### Progress of hospital succession

- **Managing 57 hospitals as of the end of FY2019; also adding core regional hospitals to the group**

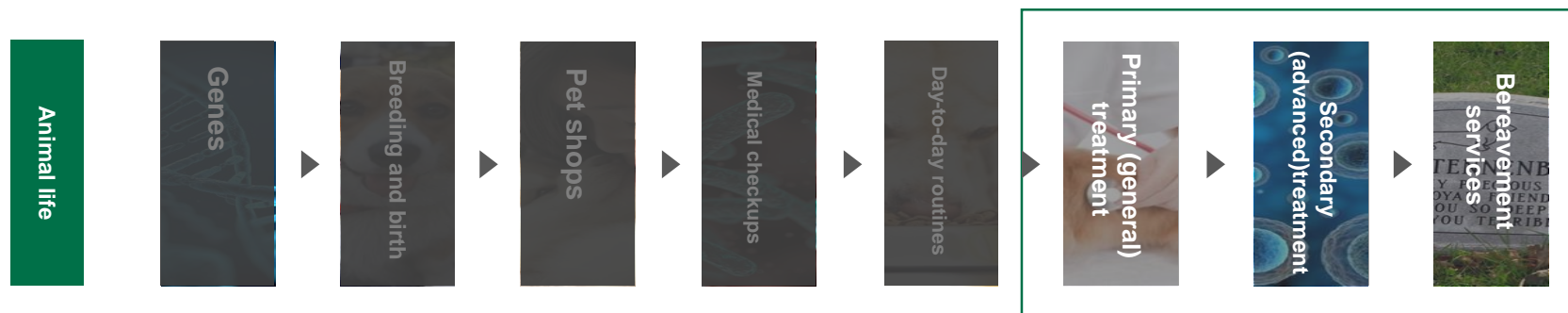
Umejima Animal Hospital  
(Advanced treatment) hospital)



Shibata Animal Hospital  
(Primary care hospital)



## 2. Progress of FY2019 priority measures(4) (Downstream)



### Provision of advanced medical care

Anicom develops and implements advanced treatment technologies by promoting research at research centers and providing advanced medical care, including regenerative medicine and cell therapy.

【 progress in FY2019 】

#### ◀ Establishment of the Research and Development Partnership for Animal Regenerative Medicine (Celltrust Animal Therapeutics Co., Ltd.)

**The Research and Development Partnership for Animal Regenerative Medicine** is a non-profit mutual benefit corporation that was established with the approval of both the Minister of Agriculture, Forestry and Fisheries and the Minister of Economy, Trade and Industry. Its purpose is to take advantage of industry-government-academia collaboration in order to standardize each process of cell therapy services for domestic animals (dogs and cats)—which remains unestablished—and achieve the practical application of a system that makes it possible for veterinarians at all kinds of medical facilities to provide safe and effective cell therapy services.

#### Activities of this research and development partnership

The partnership's activities include collaboration between veterinarians and other partnership members to conduct test research on processes related to cell therapy services—such as cultures, transportation, administration, and follow-up observation—and the establishment of independent standards in relation to the above in order to contribute to the expansion of a suitable cell therapy market in the domestic-animal field.

### Development of business that considers elderly people and pets

With both people and pet populations aging, Anicom is working to establish senior pet care homes and lifelong pet care facilities, and plans to develop facilities to provide care when a pet or pet owner dies.

【 progress in FY2019 】

#### Promotion of various partnerships

**Industry: Strengthening partnerships between companies**  
**Business alliance with Forest Hills, Inc. and ADVANCE NET Co.**

⇒ Developing new services, including pet-friendly hotels and pet-friendly real estate related services

**Government: Agreements with local governments, etc. on animal welfare, disaster preparedness, etc.**

**Academia: Started joint initiatives with vocational schools**

⇒ Partnerships with various related institutions to establish an environment in which pet owners can own pets with peace of mind

\*See the next slide for details

## 2. Progress of FY2019 priority measures(5)

### Anicom Group actively engaged in ESG initiatives

#### Main press releases from 2020

■ 2020-02-14 release

Agreement concluded with Mie Prefecture on promotion of animal welfare

■ 2020-02-17 release

Commenced joint industry-academia initiatives with Kokusai Business Gakuin

■ 2020-02-18 release

Established basic policy on human rights: along with respect for human rights, stipulated unique policy on animal dignity

■ 2020-03-18 release

Concluded comprehensive partnership agreement with Imabari City, Ehime Prefecture on disaster measures for animals, etc.

■ 2020-03-27 release

Participating in project of Mishima City, Shizuoka Prefecture as a member of the Smart Wellness Community Council's Regional Health & Happiness Business Subcommittee

■ 2020-04-10 release

Launched #StayAnicom Project to look after pets free of charge of people contracting COVID-19 infection

■ 2020-04-20 release

Commenced assistance through solatium payments for customers diagnosed with COVID-19 infection

## FY03/21 Financial Forecast

---

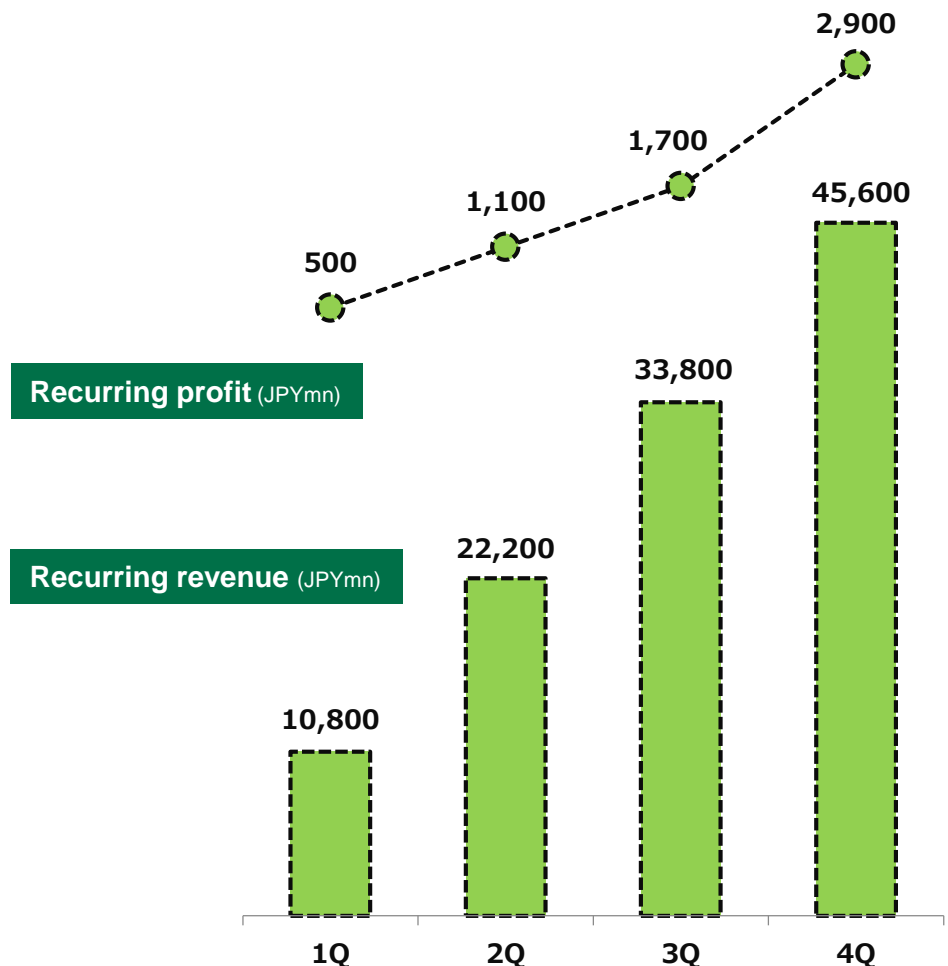
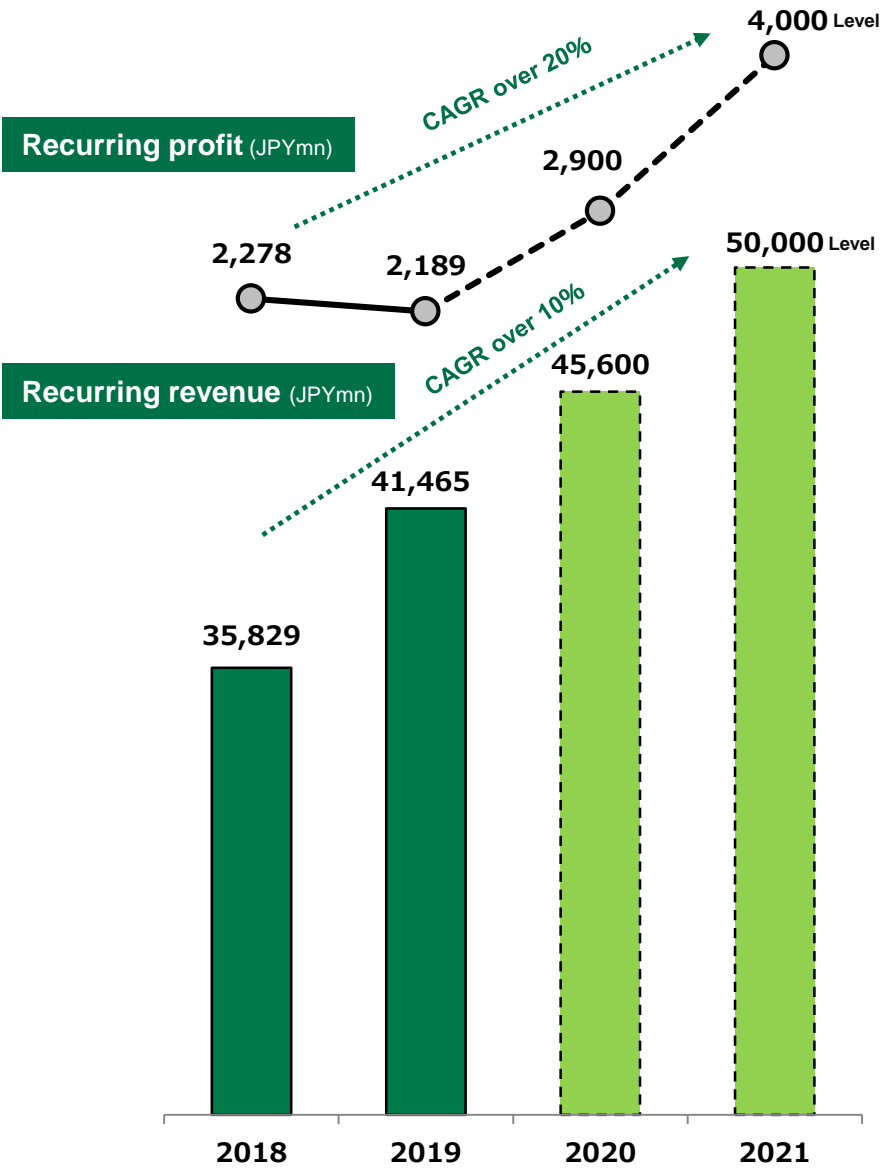
- 1 . FY2020 consolidated profit forecasts (consolidated annual/quarterly forecasts)
- 2 . Factors related to changes in consolidated recurring profit (FY2019 Results vs FY2020 Forecasts)
- 3 . FY2020 priority measures
- 4 . Drivers of corporate value creation in the second founding period

# 1. FY2020 consolidated profit forecasts (consolidated annual/quarterly forecasts)

## Consolidated annual forecast

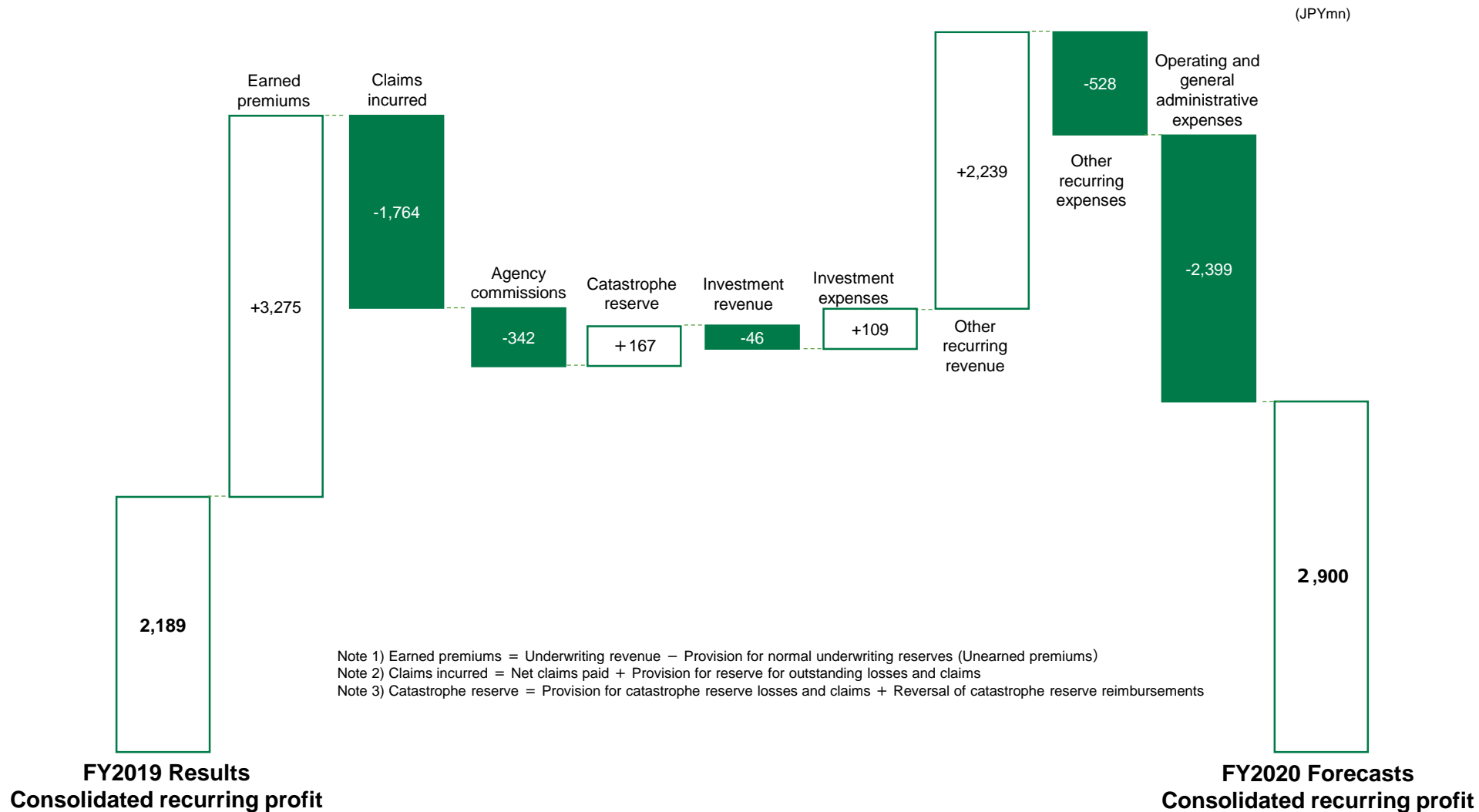
## Consolidated quarterly forecast

Toward further growth phase through synergies with SIMNET Co., Ltd.  
 ■ Pet insurance profits tend to increase toward the end of the FY.



## 2. Factors related to changes in consolidated recurring profit (FY2019 Results vs FY2020 Forecasts)

**With overall consumer sentiment cooling due to COVID-19, pet ownership demand is expected to remain steady. Revenue and profit are forecast to increase on a further increase in policies in force and expansion of new business, etc. in conjunction with this.**



### 3. Priority measures in FY2020

#### 【 Pet insurance business 】

##### Priority measures

- Expand and strengthen sales channels: Online, matching sites, breeders, transfer, animal hospitals, etc.
- Expand products and services: Expand sales of Animal Insurance Senior, increase satisfaction with Doubutsu Kenkatsu, and enhance unique services
- Enhance preventive initiatives for each disease and optimize insurance payout
- Upgrade and further solidify core systems for the future
- Expand group synergies with SIMNET: Raise the insured rate and promote “real“ and “digital” fusion based on the amended Animal Welfare Act

##### Insurance business: Forecasts for main management indicators (FY2020)

- No. of new policies : 183,600
- No. of policies : 885,000
- E/I loss ratio : 57.6%
- Renewal ratio : 87.0%

#### 【 Investment division 】

##### Priority measures

- Increase security portfolio investment balance, and conduct flexible and dynamic investment in line with market conditions
- Acquire and develop real estate contributing to group businesses (acquire and develop pet-friendly housing and pet-oriented commercial complexes)

#### 【 Non-insurance businesses 】

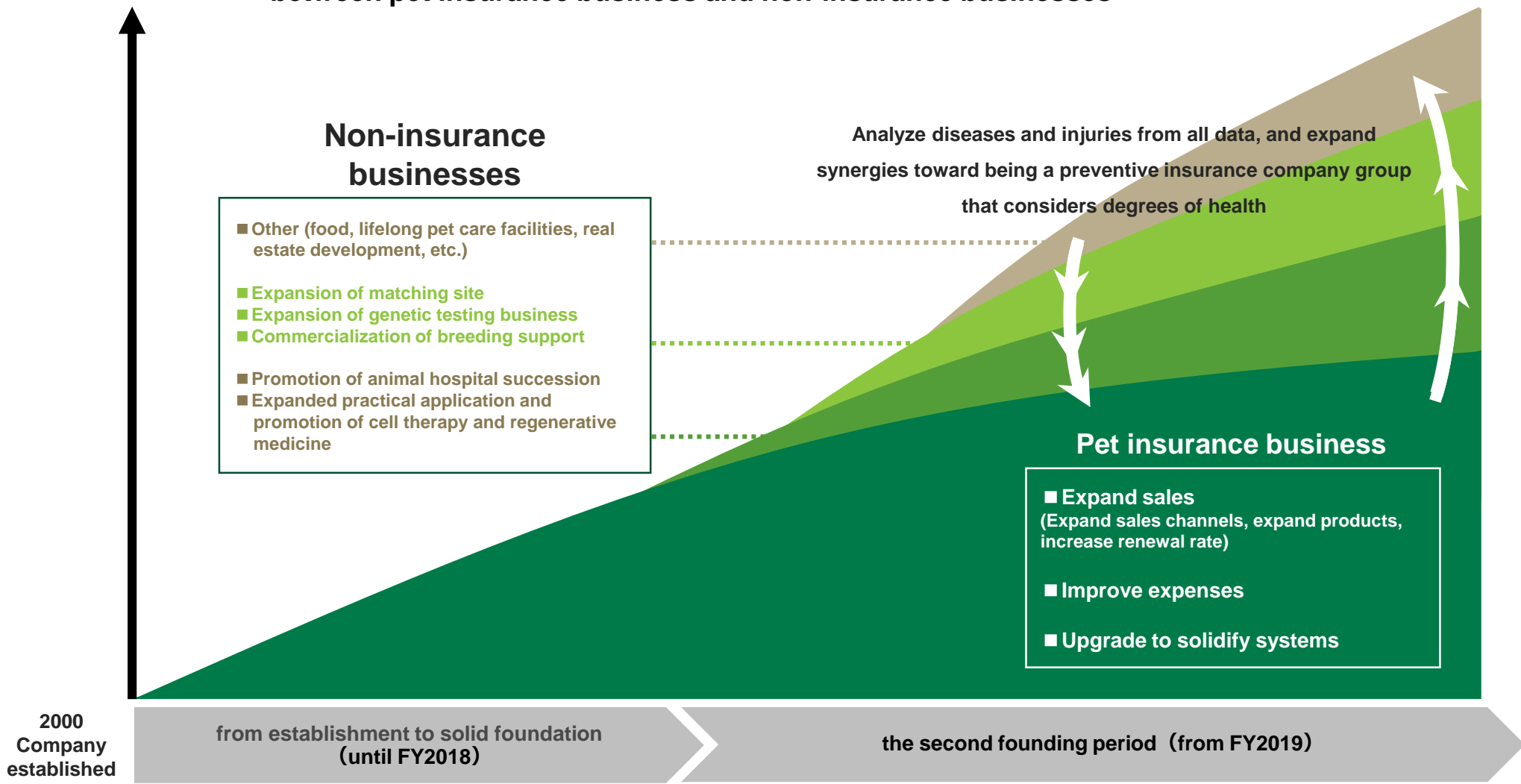
##### Priority measures

- Genetic testing business: Increase the number of tests, establish custom panel test research field (expand testing scope), and commercialize breeding support
- Promote health exams (intestinal flora exam, etc.) and food and product, etc. commercialization
- Promote animal hospital succession
- Expand and promote practical application of cell therapy and regenerative medicine
- Expand group synergies with SIMNET: Develop breeding support business, expand health specialty shop business

# 4. Drivers of corporate value creation in the second founding period

Corporate value creation  
(recurring revenue)

**Create new corporate value and continue high growth through synergies between pet insurance business and non-insurance businesses**





## APPENDIX

---

- 1 . Major management indicators
- 2 . Anicom Insurance (non-consolidated): Recurring revenue indicators (trend in new policies / number of pet insurance policies in force)
- 3 . Anicom Insurance (non-consolidated): Recurring expenses indicators (Loss ratio (E/I), expense ratio based on earned premiums) )
- 4 . Peripheral new-business revenue opportunities and synergy with pet insurance

# 1. Major management indicators

	End-FY03/19	End-FY03/20	Vs. previous year-end		End-FY03/21 (forecast as of May 12)
			Numbers	Rate	
① Policies in force	753,332	816,254	62,922	8.4 %	885,000
② New policies	150,625	167,318	16,693	11.1 %	183,600
③ Renewal rate	87.7 %	87.2 %	-	-	87.0 %
④ Insurance payout cases	3,204 ,000	3,407 ,000	203 ,000	6.4 %	3,586 ,000
⑤ Animal hospitals accepting Anicom	6,417	6,466	49	0.8 %	6,650

	End-FY03/19	End-FY03/20	YoY Change	End-FY03/21 (forecast as of May 12)
⑥ E/I loss ratio	59.0 %	57.8 %	- 1.2 Pt	57.6 %
⑦ Expense ratio (based on earned premiums)	34.5 %	37.1 %	2.6 Pt	37.2 %
⑧ Combined ratio (based on earned premiums)	93.5 %	94.9 %	1.4 Pt	94.8 %

	End-FY03/20	End-FY03/20	YoY Change	End-FY03/21 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	379.8 %	357.0 %	- 22.8 pt	Around 370 %

	End-FY03/20	End-FY03/20	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	16,185	96,949	80,764
⑪ No. of samples for genetic testing	7,742	148,535	140,793

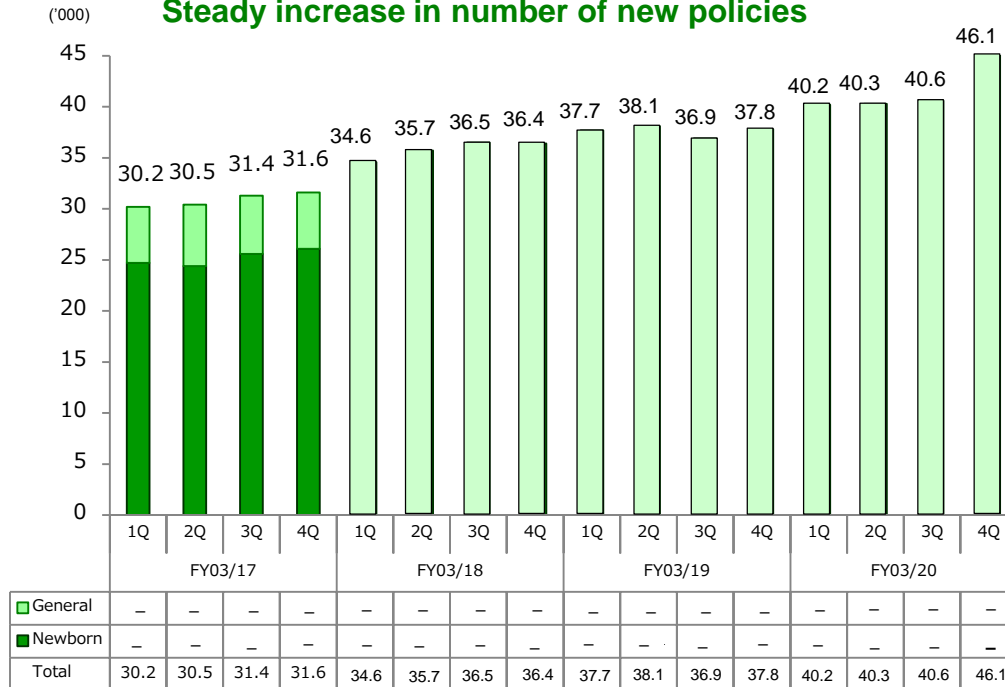
## 2. Anicom Insurance (non-consolidated): Recurring revenue indicators

(trend in new policies / number of pet insurance policies in force)



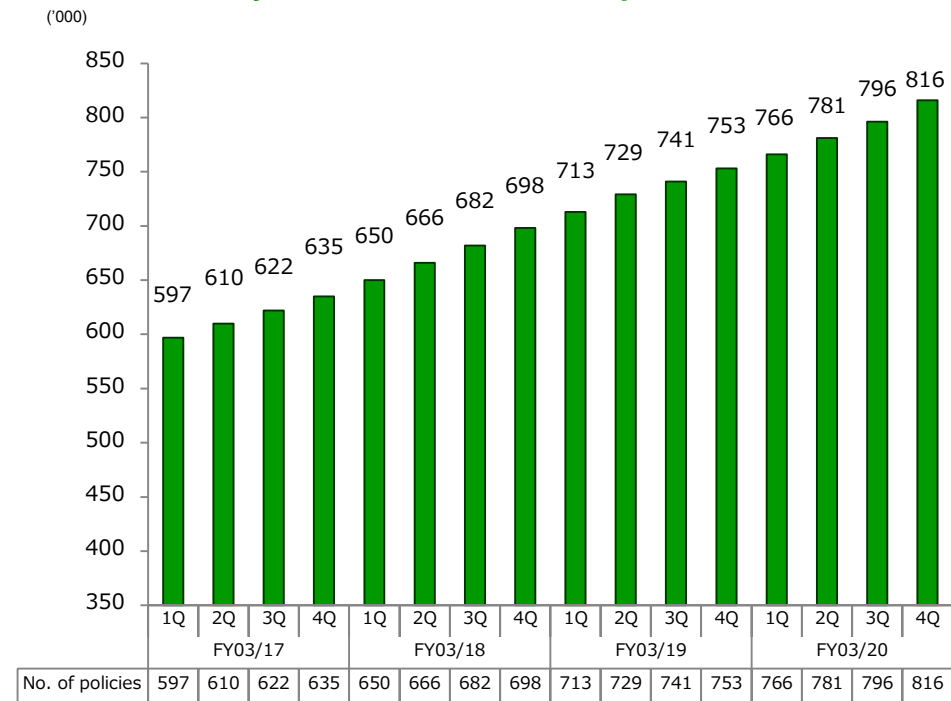
### ■ Quarterly trend in number of new policies

#### Steady increase in number of new policies



### ■ Quarterly trend in number of policies in force

#### Steady increase in number of policies in force



- **The number of new policies increased steadily.** On a combined newborn/general channels basis, **exceeded 167,000 to surpass annual target of 165,000.**

- **The renewal rate of existing policies was stable at around 87%.**

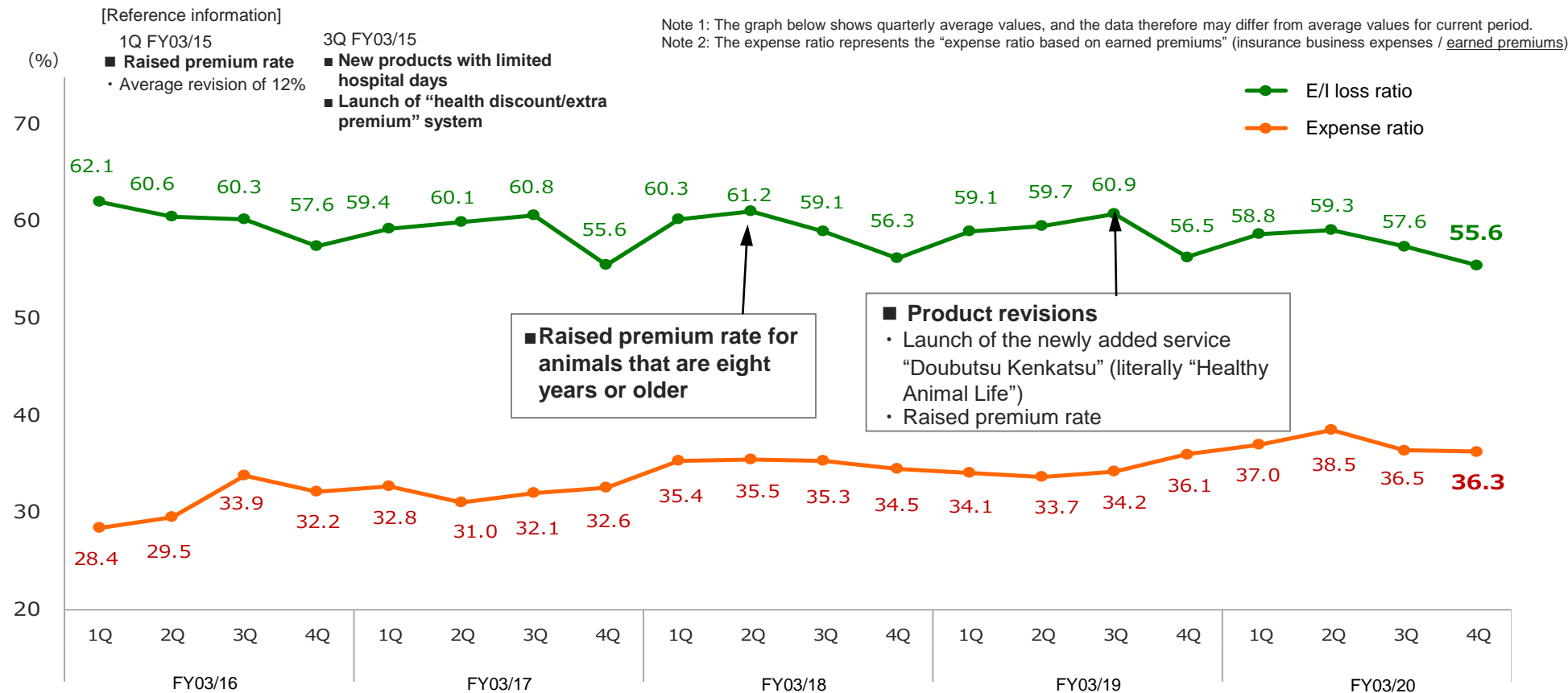
- **The number of policies in force was 816,000, exceeding annual target of 813,000.**

- 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.

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

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

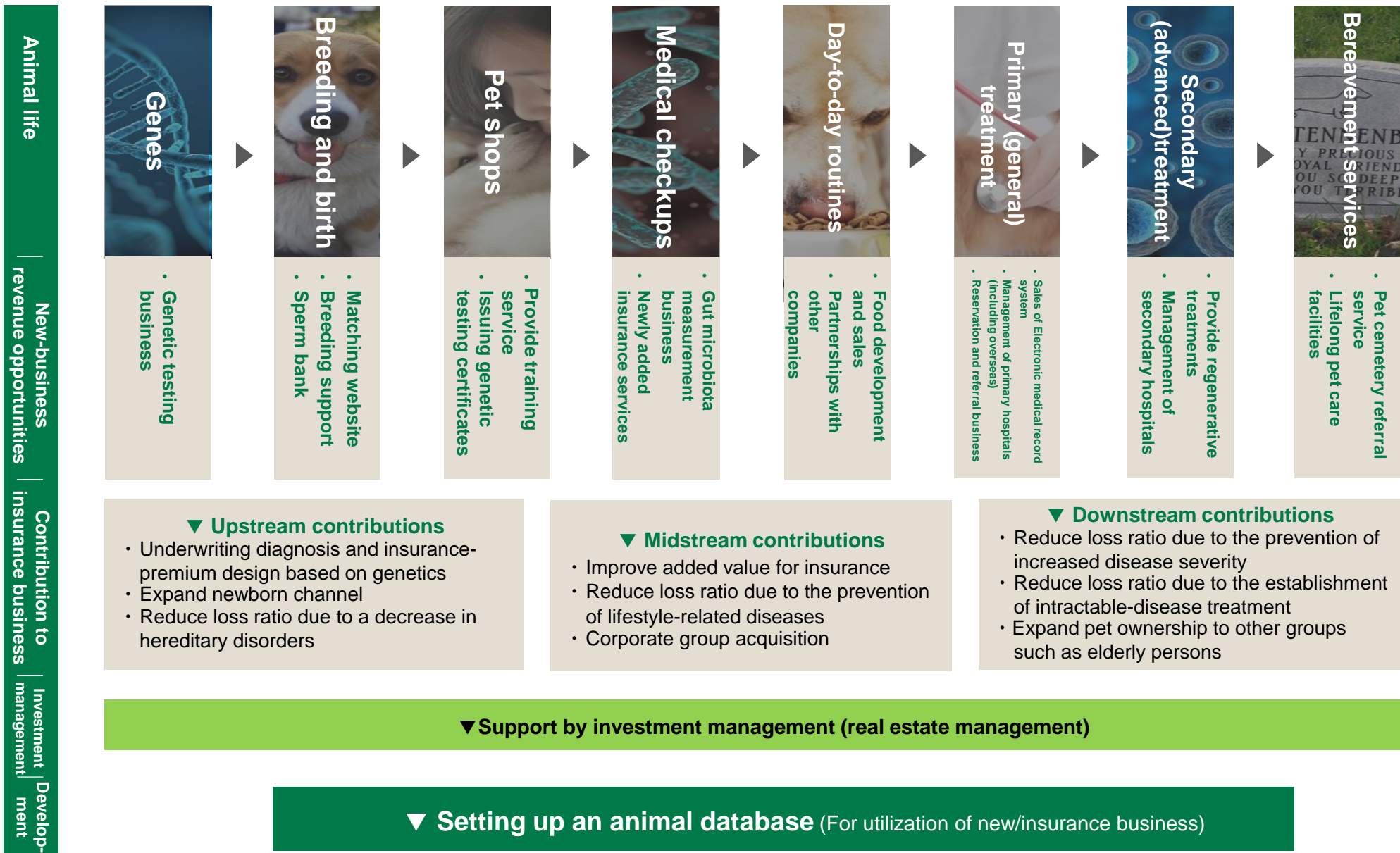


- **The E/I loss ratio** is affected by seasonal factors: it normally increases in 1Q and 2Q because this is the busy period for animal hospitals, due to rabies inoculations and other factors, and improves in 3Q and 4Q as hospital visits decline. In FY03/20, in addition to an increase in new policies supporting improvement in our product portfolio, as the effect of the raised premium rate due to the product revisions in December 2018 came full circle, the E/I loss ratio **improved YoY**.

- **The expense ratio increased YoY** as the group continued to positively make investments to expand business scale.

This is due to **cost increases from Doubutsu Kenkatsu, a unique service, impacting Anicom Insurance; consolidated operating and general administrative expenses ratio is trending in line with plans.**

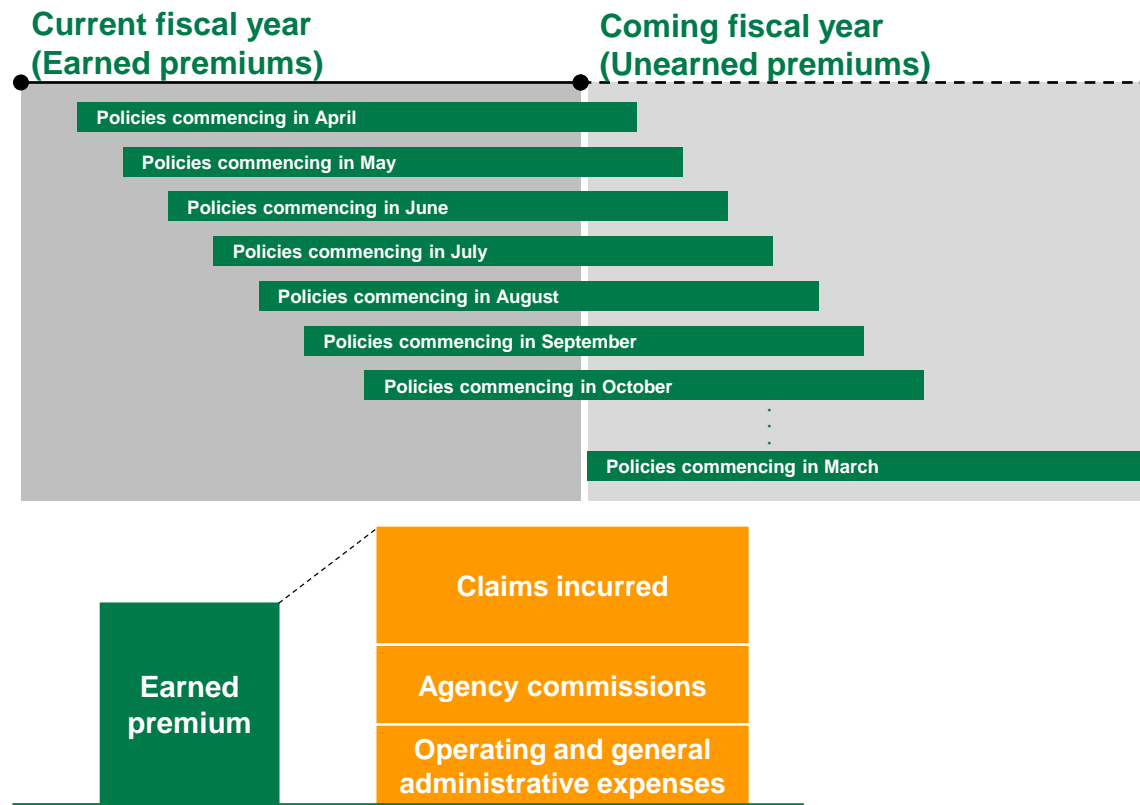
# 4. Peripheral new-business revenue opportunities and synergy with pet insurance



# (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 any unearned premium portion over to the coming fiscal year as an underwriting reserve (unearned premium). Conversely, expenses such as claims incurred, agency commissions, operating and general administrative expenses are required to be accounted to that fiscal year.
- There is, therefore, a negative impact on recurring profits/losses when above expenses exceed earned premium in current fiscal year even if sales revenue rise due to growth in premium.



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

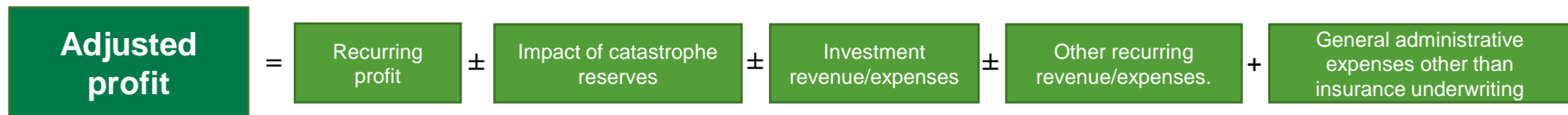
- Every non-life insurance company must accumulate catastrophe reserves each fiscal year in order to prepare for natural disasters.
- The reserve is liquidated (decreases expenses) when the net loss ratio\* exceeds 50%.  
\*Net claims paid ÷ Net premiums written

## 3. Adjusted profit

- Anicom's in house indicator, which reflects 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





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/>

**【Disclaimer】**

This document contains forward-looking statements compiled by Anicom Holdings based on information available to the company at the time of writing.

Such statements are not guarantees of future performance and involve certain risks and uncertainties.

Accordingly, the reader should note that actual performance may vary significantly from the outlook and forward-looking statements presented in this document.

Furthermore, this document is solely provided for informational purposes, and should not be construed as an offer or solicitation to invest in securities issued by the company.