

1H FY03/21
Financial Results Briefing Presentation

November 9, 2020



Security Code: 8715

Pet ownership demand remained firm in 2Q FY03/21 (Jul-Sep) although demand growth under the influence of COVID-19 gradually cooled off. Accordingly, the number of new policies and the number of policies in force have steadily increased.

- The number of new policies in 1H FY03/21 **surpassed 100,000, a record high.**
- The number of policies in force as of September 30 **surpassed 870,000, achieving 11.5% YoY increase.**
- Although demand growth cooled down, the insured rate increased thanks to accelerated sales efforts, etc., contributing to the increase in the number of new policies.
- Recurring revenue and recurring profit both achieved the initial targets primary due to an increase in the number of new policies and strong performance of SIMNET Co., Ltd., etc.

The Anicom Group, which is aiming to be a major infrastructure player in the pet industry, is carrying on the initiative to contribute to society, most notably through the #StayAnicom Project (A total of 65 pets have been taken in). We will continue to work to achieve increases in revenue and profit, while striking a balance between the two goals of expanding business and contributing to the pet industry.

1H FY03/21 results overview

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1. Consolidated recurring revenue, recurring profit, adjusted profit

■ **Recurring revenue: JPY23,595 mn** (1H FY03/20 JPY20,045 mn **+17.7% YoY** Planned: JPY22,200 mn **+6.3%**)
 (of which underwriting revenue : JPY21,190 mn, 1H FY03/20 JPY19,043 mn +11.3% YoY)

■ **Recurring profit: JPY1,330 mn** (1H FY03/20 JPY497 mn **+167.2% YoY** Planned: JPY1,100 mn **+20.9%**)

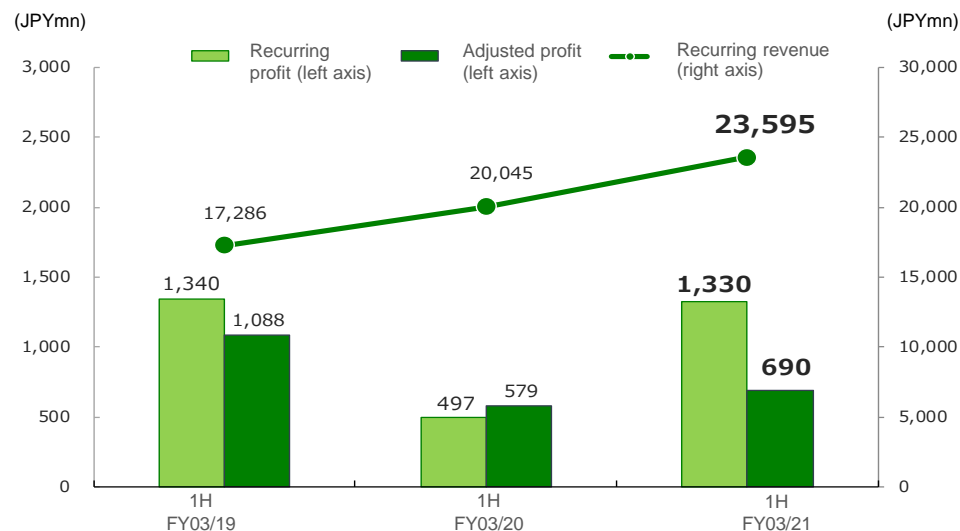
• **On a year-on-year basis, the number of policies in force and underwriting revenue both increased steadily** (+11.5% and +11.3%, respectively) as a result of strengthening new initiatives, etc. in pursuit of uniqueness by also utilizing group company services.

• **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 such as genetic testing, operation of hospitals, and making SIMNET Co., Ltd. a subsidiary.

(The adjusted profit*, an indicator of effective profits/losses generated by the pet insurance business, also increased YoY)

■ **Net profit: JPY718 mn** (1H FY03/20 JPY344 mn +108.7% YoY Planned JPY790 mn -9.0%)

• **Net profit doubled YoY but fell below the planned figure.** (Anicom Insurance's software impairment loss (JPY278 mn) was recognized as an extraordinary loss)



(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. Consolidated income statement summary

(JPYmn)

	1H FY03/20	1H FY03/21	Change
Recurring revenue	20,045	23,595	17.7 %
Underwriting revenue	19,043	21,190	11.3 %
Investment revenue	193	284	47.4 %
Other recurring revenue	809	2,120	162.0 %
Recurring expenses	19,547	22,265	13.9 %
Underwriting expenses	13,644	15,125	10.9 %
Net claims paid	(9,852)	(11,346)	15.2 %
Loss adjustment expenses	(525)	(561)	6.8 %
Net commissions and collection expenses	(1,747)	(2,158)	23.5 %
Provision for reserve for outstanding losses and claims	(385)	(209)	- 45.6 %
Provision for underwriting reserves	(1,134)	(850)	- 25.0 %
Of which unearned premiums	(817)	(835)	2.2 %
Of which catastrophe reserve	(316)	(14)	- 95.4 %
Investment expenses	1	38	3,465.7 %
Operating and general administrative expenses	5,553	6,433	15.8 %
Other recurring expenses	348	668	91.5 %
Recurring profit	497	1,330	167.2 %
Extraordinary profit or losses	- 16	- 244	1,345.1 %
Net profit	344	718	108.7 %

Major accounting items and reasons for changes

- (1) Underwriting revenue (For details, refer to "Anicom Insurance (non-consolidated): Recurring revenue indicators" (P. 18))
 - Number of policies in force increased 11.5% YoY.
 - Cumulative number of new policies increased 33.2% YoY.
 - Growth in renewed policies, product (rate) revisions, and higher insurance premiums accompanying advancing age of animals also delivered contributions.
- (2) Investment revenue
 - Secured solid investment revenue mainly through domestic stocks, investment trusts and domestic REITs.
- (3) Other recurring revenue
 - Other recurring revenue from non-insurance business, including operation of hospitals, breeder matching, and genetic testing business also expanded at a steady pace.
- (4) Net claims paid
 - Insurance payouts were trending higher due to an increase in the number of policies in force.
- (5) Net commissions and collection expenses
 - Mainly commissions paid to sales agents; trending higher 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. Adding this to "(4) Net claims paid" results in claims incurred.
 - Provision is calculated as year-end balance minus year-start balance. 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) Operating and general administrative expenses
 - Include goodwill amortization due to making SIMNET Co., Ltd. a subsidiary and hospital succession.
- (10) Extraordinary profit or losses
 - Include Anicom Insurance's software impairment loss of JPY278 mn.

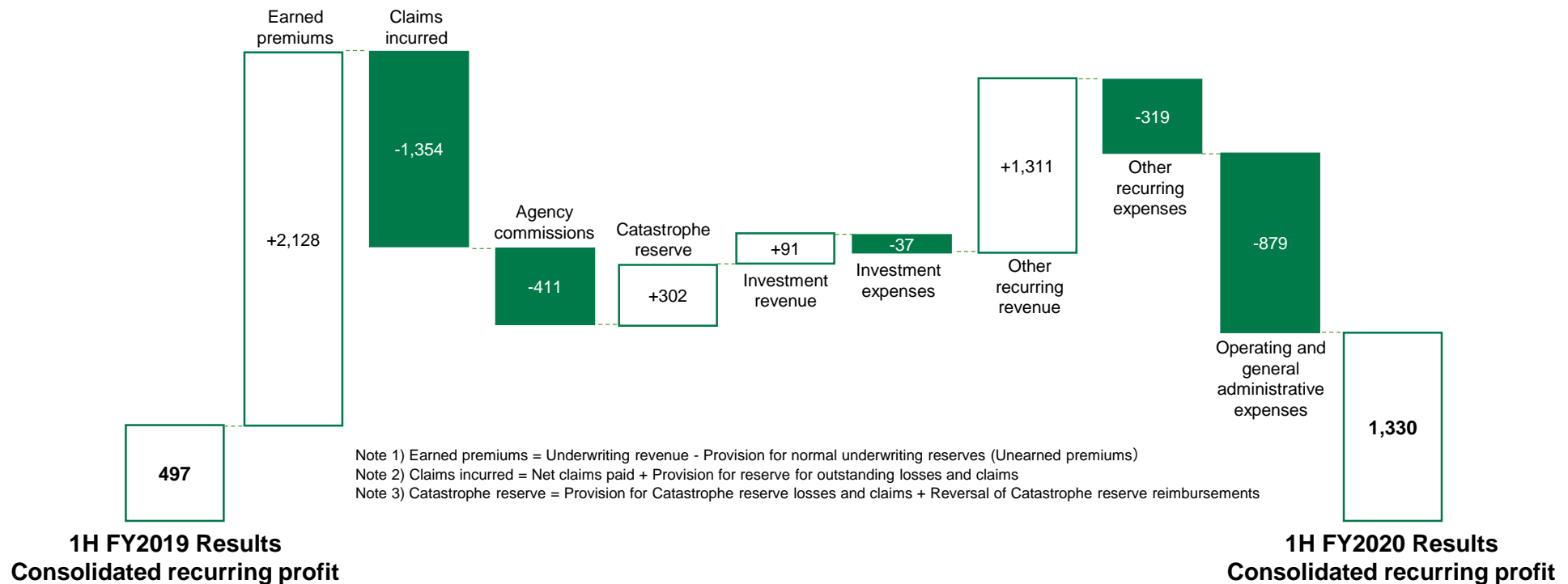
Indicators for the performance of Anicom Insurance on an unconsolidated basis

E/I loss ratio (1)	59.1 %	59.3 %	0.2 pt
Expense ratio (based on earned premiums) (2)	37.8 %	37.2 %	- 0.6 pt
Combined ratio (based on earned premiums) (1)+(2)	96.9 %	96.5 %	- 0.4 pt

3. Factors related to changes in consolidated recurring profit (1H FY2019 Results vs 1H FY2020 Results)

In addition to an increase in both the number of policies in force and underwriting revenue, factors such as the robust performance of SIMNET Co., Ltd. contributed to the profit growth.

(JPYmn)



4. Consolidated balance sheet summary

(JPYmn)

	FY03/20	1H FY03/21	Change
	45,598	53,221	16.7 %
Cash and bank deposits	24,427	30,978	26.8 %
Marketable securities	9,999	10,814	8.2 %
Tangible fixed assets	1,858	1,988	7.0 %
Intangible fixed assets	3,956	3,578	- 9.6 %
Other assets	4,390	4,975	13.3 %
Deferred tax assets	1,041	962	- 7.6 %
Allowance for doubtful accounts	- 75	- 76	- %
Total liabilities	22,273	28,607	28.4 %
Reserve for insurance policy liabilities	17,977	19,037	5.9 %
Of which loss reserves	2,328	2,537	9.0 %
Of which underwriting reserves	15,649	16,499	5.4 %
Corporate bonds	-	5,000	- %
Other liabilities	4,018	4,253	5.9 %
Provision for bonus	209	242	16.1 %
Reserve for price fluctuations	68	74	9.6 %
Total net assets	23,325	24,613	5.5 %
Shareholders' equity	23,719	24,724	4.2 %
Of which capital	7,981	8,174	2.4 %
Of which capital surplus	7,871	8,064	2.5 %
Of which retained earnings	7,868	8,486	7.9 %
Of which treasury shares	- 0	- 1	- %
Valuation and transaction adjustments	- 530	- 110	- %
Subscription rights to shares	135	-	- %
Total liabilities and net assets	45,598	53,221	16.7 %

Major accounting items and reasons for changes

(1) Investment securities

- Mainly investment in domestic securities investment and REITs.

(2) Intangible fixed assets

- Include goodwill due to making SIMNET Co., Ltd. a subsidiary and 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 (JPY15,026mn; unearned premiums) and 2. catastrophe reserve (JPY1,473mn; 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) Corporate bonds

- Funds raised through the issuance of the first series unsecured bonds (with pari passu conditions among specified bonds)

5. Consolidated cash flows summary

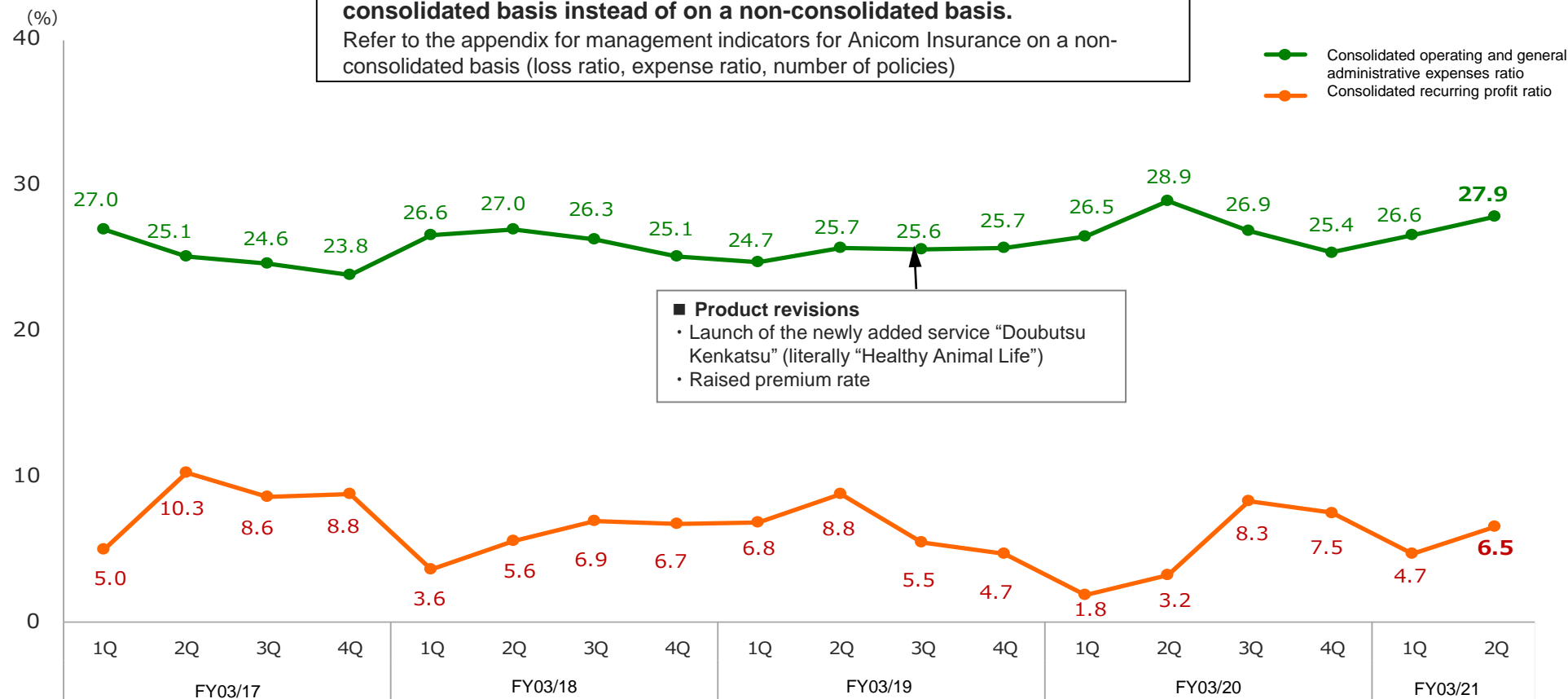
(JPYmn)

	1H FY03/20	1H FY03/21
Cash flow from operating activities	1,978	2,000
Cash flow from investing activities	- 6,271	- 610
Cash flow from financing activities	- 96	5,160
Change in cash and cash equivalents	- 4,389	6,551
Year-start balance for cash and cash equivalents	27,693	21,577
Year-end balance for cash and cash equivalents	23,303	28,128

- Cash flow from operating activities remained stable as the number of policies in force increased steadily.
- Net cash flow from investing activities was negative due to the acquisition of fixed assets.
- Cash flow from financing activities turned positive with funds raised through the issuance of corporate bonds.

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

***Recurring expenses and profit indicators are now listed on a consolidated basis instead of on a non-consolidated basis.**
 Refer to the appendix for management indicators for Anicom Insurance on a non-consolidated basis (loss ratio, expense ratio, number of policies)



■ Product revisions
 • Launch of the newly added service “Doubutsu Kenkatsu” (literally “Healthy Animal Life”)
 • Raised premium rate

- The **consolidated operating and general administrative expenses ratio** did not increase significantly despite robust acquisition of new policies and increased applications for Doubutsu Kenkatsu.
- With regard to the **consolidated recurring profit ratio**, insurance payouts in the insurance business normally increase in 1Q and 2Q because this is the busy period for veterinary hospitals, due to rabies inoculations and other factors, and then the ratio improves in 3Q and 4Q as hospital visits decline.

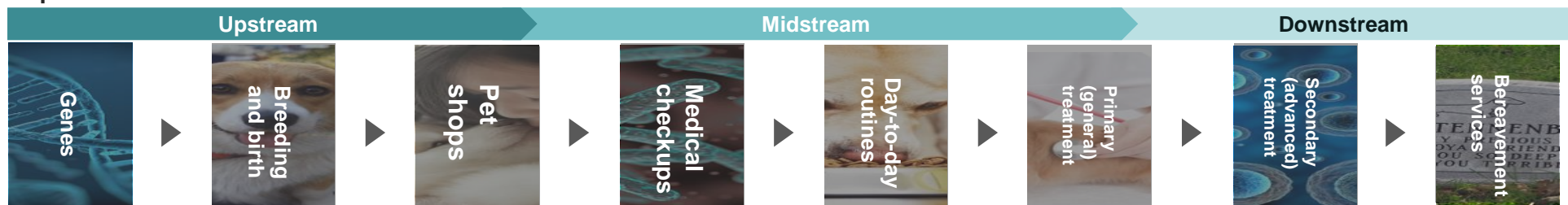
7. Mid-term management plan: progress of FY2020 priority measures

■ Further increase profitability and pursue uniqueness of the pet insurance business (reduction in insurance payouts and expenses)

Priority measures	Latest progress
(1) Expand and strengthen sales channels (breeders, adoption, veterinary hospitals, etc.)	<ul style="list-style-type: none"> ■ Promoted efforts to expand sales channels such as online, matching sites, breeders, adoption, and veterinary hospitals ■ Promoted efforts in collaboration with SIMNET to increase the insured rate and merge the real and digital worlds in view of the planned revision of Act on Welfare and Management of Animals <ul style="list-style-type: none"> ⇒ The insured rate increased as some registered breeders began selling insurance policies face to face ■ Meiji Yasuda Life Insurance began selling Anicom's pet insurance policies ● The number of new policies in Apr-Sep surpassed 100,000 (recorded high for a half-year period) ● The number of policies in force surpassed 870,000 (+11.5% YoY) ● Investment revenue remained solid in 2Q
(2) Expand products and services (enhance unique services including "Doubutsu Kenkatsu")	
(3) Enhance preventive initiatives for each disease and optimize insurance payouts	
(4) Upgrade and solidify core systems for the future	
(5) Expand group synergies with SIMNET (promote "real" and "digital" fusion)	
(6) Reinforce investment (flexible and dynamic investment, acquisition and development of real estate contributing to group businesses)	

■ Expansion of new business and acceleration of monetization

(Note)"Doubutsu Kenkatsu": microbiota measurement + medical checkups

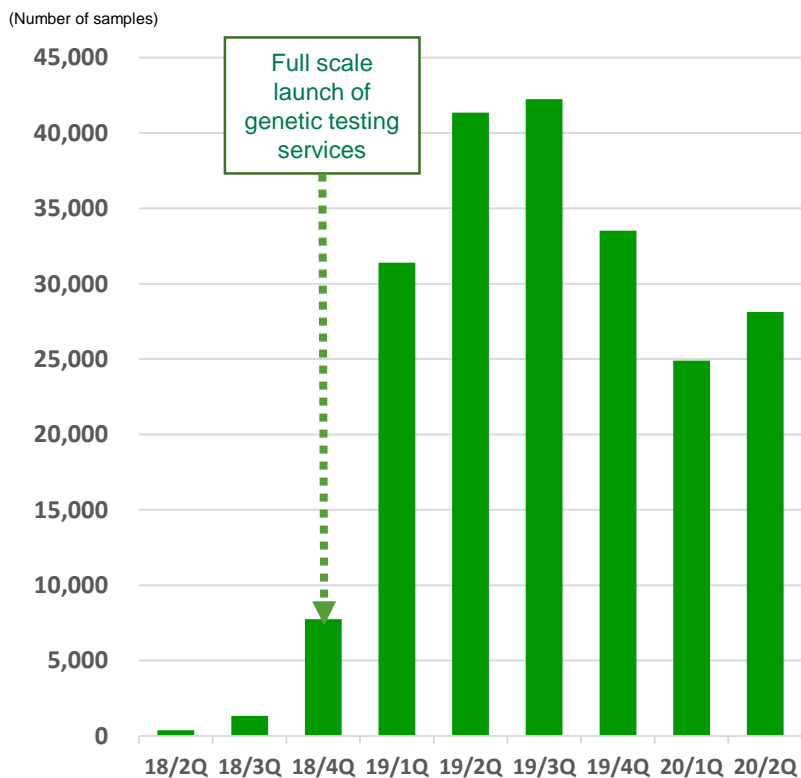


Priority measures	Latest progress
(1) Enhance the genetic testing business	<ul style="list-style-type: none"> ■ Introduction of robots to enhance genetic testing capabilities ■ Have become able to check disposition (behavior), breed, fur color, temperament, parentage, etc. in a single test and are preparing for implementation ■ Various support services (veterinary services, sales, retired animals, etc.) under study in preparation for the implementation of the revised Act on Welfare and Management of Animals ■ Continued research on breeding and birth (diagnosis of optimal timing for breeding, research aimed at improving technology for storing frozen sperm, etc.) ■ The number of applications for "Doubutsu Kenkatsu" exceeded 10,000 per month, showing a steady increase ■ Jointly developed supplements for pets in collaboration with food manufacturers, etc. and started sales ■ Further expanded hospital management and added core regional hospitals to the group. Continuing implementation of preventive measures as well ■ Research and Development Partnership for Animal Regenerative Medicine (PARM) started nationwide delivery of "canine subcutaneous adipose-derived mesenchymal stem cells (cMSC)" ■ PARM began offering cell therapy services using "feline adipose-derived mesenchymal stem cells (fMSC)" ■ Conducting paid clinical research for 14 diseases of dogs and 12 diseases of cats ■ Examination of development of new services and new products for elderly people and elderly pets ■ Conclusion of a basic agreement for a business alliance with Ping An Property & Casualty Insurance
(2) Commercialize breeding support	
(3) Promote commercialization of health exams and food and products, etc.	
(4) Promote veterinary hospital succession	
(5) Expand and promote practical application of cell therapy and regenerative medicine	
(6) Development of business that considers elderly people and elderly pets	
(7) Others (overseas projects, etc.)	

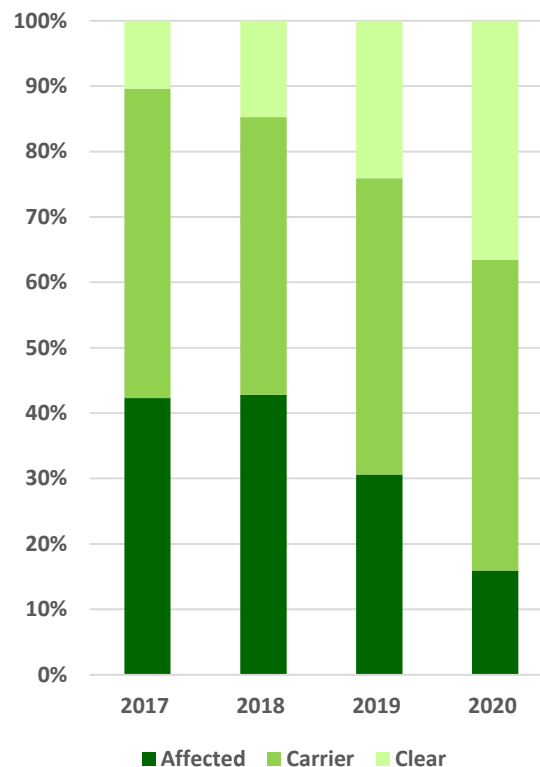
8. Steps toward the second founding period (1) (Effect of genetic testing)

- Genetic testing services, launched in full scale in 2019, has made steady inroads into pet shops and breeders
- Intended results are beginning to emerge, making steady progress toward the elimination of hereditary disorders such as degenerative myelopathy (DM) in Welsh Corgis.

Number of samples for genetic testing



Changes in the rate of DM-affected Welsh Corgis



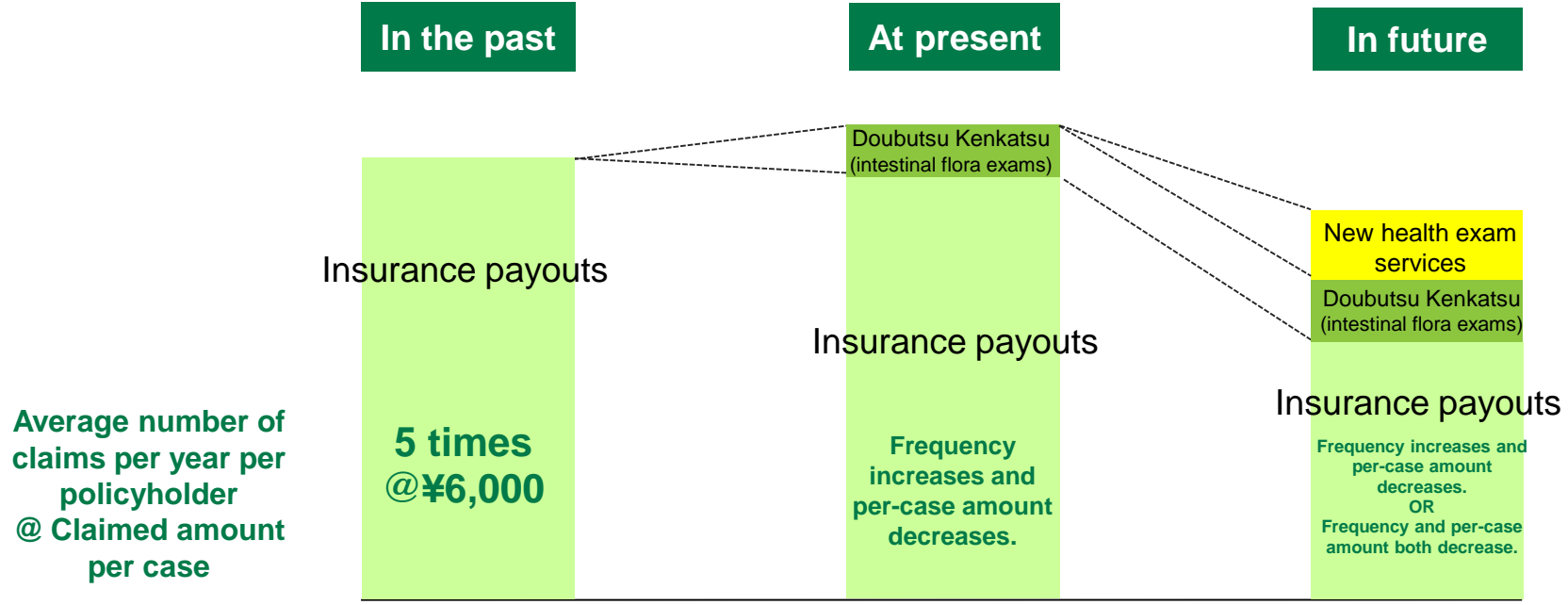
The rate of Welsh Corgis tested as being “DM-affected,” i.e., carrying a genetic mutation related to degenerative myelopathy and having a high risk of developing the disease, fell from 42% to 16%. The elimination of this disease would reduce the annual amount of claims paid by some JPY70 mn.



By offering breeding support, Anicom promotes the distribution of healthy dogs and cats that are free from hereditary disorders. At the same time, it strives to identify hitherto unknown disease-related genes to reduce the number of animals suffering from hereditary disorders.

Anicom strives to expand the scope of tests performed to eradicate hereditary disorders and thereby achieve an increase in both revenue and profits!

9. Steps toward the second founding period (2) (Effect of preventive insurance, for illustration purposes)



Note) The chart is for illustrative purposes.

Point of the preventive insurance to become healthy by getting insured!

- Early detection of diseases (ex. kidney disease in cats, etc.) with Doubutsu Kenkatsu (intestinal flora exams), together with
 - Addition of new health exam services for various diseases
- Providing services that make policyholders happy for having Anicom's insurance, which is not a non-refundable insurance.

- (1) Adding values also contributes to:
- New policies
 - Increased renewal rate

(1) Even though the frequency of hospital visits increases, per-visit amount will decrease. (Decrease in insurance payouts)

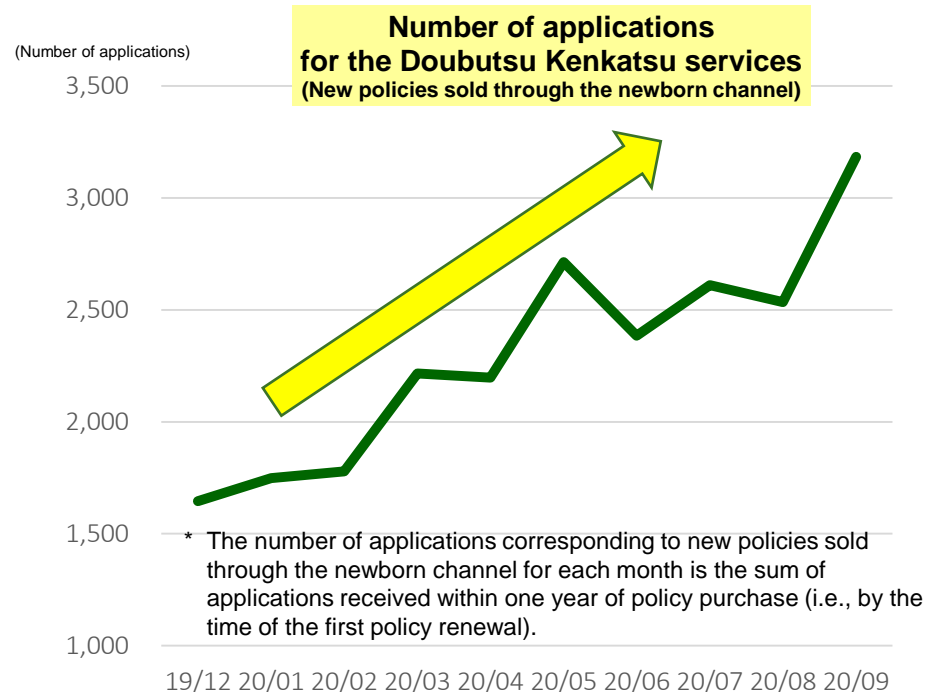
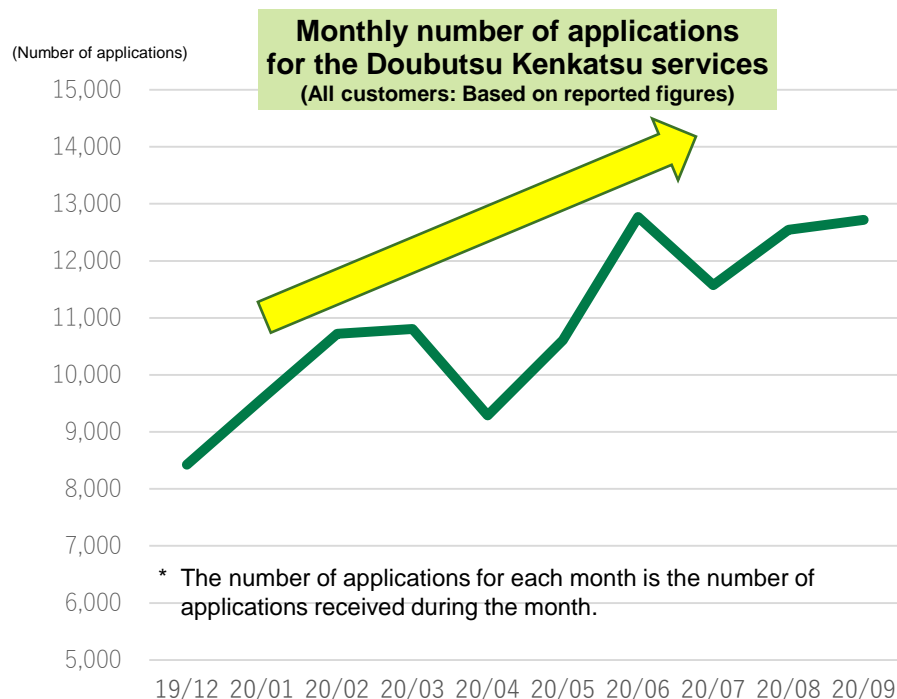
(2) Promote home care (diet therapy, etc.) with no visits to the hospital (Decrease in insurance payouts)

Decrease in the total amount of insurance payouts and incidental service expenses (Decrease in the combined ratio)

(2) Establishing new treatments, etc. to help reduce the amount of claims paid

10. Steps toward the second founding period (3) (Effect of preventive insurance: Higher renewal rate)

- The renewal rate of new policies sold through the newborn channel increased by 3 to 4 percentage points from the end of 2019, helped by increased applications for the Doubutsu Kenkatsu (health check) services.
- The renewal rate for customers using the Doubutsu Kenkatsu services exceeded that for all customers by about 10 percentage points, helping boost the renewal rate of new policies sold through the newborn channel.



The Doubutsu Kenkatsu (health check) services contributed to an increase in the renewal rate!

11. Steps toward the second founding period (4) (Anicom Group's initiatives in preparation for the planned revision of the animal welfare law)

The revised Act on Welfare and Management of Animals is set to enter into force in June 2021, introducing numerical standards for the proper care and management of animals.

New regulations include:

- (1) Structure and size of facilities
- (2) Number of caretakers
- (3) Number of litters a female can have in a lifetime



This may have a significant impact on the pet industry, ranging from increasing costs for breeders and pet shops to a decrease in the number of animals bred (supply volume) and a rapid increase in the number of retired animals.

The Anicom Group works to create a healthy pet rearing environment and provides comprehensive support to help breeders, pet shops, etc. comply with the revised law and yet achieve greater revenue by improving facilities, breeding efficiency, animal health management, etc., and thereby improve industry practices. Also, we are promoting collaboration with local governments in efforts to reduce the number of animals put down to zero as well as in having ownerless animals adopted.

Breeder support

- **Genetic testing:**
Provide new services using custom panels
- **Breeding support:**
Maximize breeding efficiency even with a limited number of animals kept
- **Medical support:**
House calls, disease prevention and deworming, microchip implantation, c-section
- **Business support system:**
Provide reliable breeding support with IoT
- **Lifelong pet care facilities:**
Take in and find new homes for retired animals



Collaboration with local governments

- **Joint initiative with Mie Prefecture:**
Working with Mie Prefecture to implement a rehabilitation and adoption program, under which rescued dogs and cats are provided with **mental (training) and physical (health check) care** before getting adopted
A lifelong pet care facilities will be constructed in the prefecture
- **Joint initiative with Nagoya City:**
An online adoption session organized jointly with Nagoya City (Nov 8), with Anicom Insurance's branch office used as a venue for photo and video shoots
Various other joint initiatives under consideration

12. Topics (Conclusion of a basic agreement for a business alliance with Ping An Property & Casualty Insurance)

■ Purpose of the basic agreement

Anicom seeks to play a part in the pet insurance market in China, disseminate its knowledge about research on pet diseases and medicine, and establish, jointly with the Ping An Group, a “finance plus health” business in the pet market.

■ Outline of the basic agreement

- Anicom will offer advice about pet insurance policies Ping An Property & Casualty Insurance sells in China
- Shang Hai Anicom Veterinary will be a designated veterinary hospital for services under pet insurance policies, offer on-site payout settlement services, and assist with the assessment of insurance claims in China.
- Anicom and Ping An Property & Casualty Insurance will consider establishing a new company in China to develop new pet insurance products, assist with the assessment of insurance claims, and perform the task of authorizing and auditing designated veterinary hospitals.



(Reference) Ping An Group



[Company profile]

Company name in Chinese:

中国平安保险（集团）股份有限公司

Company name in English:

Ping An Insurance (Group) Company of China, Ltd.

The world’s largest insurance group in terms of market capitalization, offering comprehensive financial services with subsidiaries engaging in life insurance, casualty and property, banking, and trust services.

[Vision]

Aiming to become the world’s leading provider of science-and-technology-oriented personal financial life services.

[Management philosophy]

Following the guidance of strategic plans for “finance plus technology” and “finance plus ecosystems,” the Ping An Group focuses on the two major industries of financial asset management and medical health services, and seeks to apply creative technology to traditional financial services as well as to the five ecosystems of financial, health care, auto, real estate, and smart city services.

13. Topics (Issuance of senior bonds / Implementation of a stock split)

■ Issuance of Unsecured Bonds

Funds raised for financing new business expansion in the second founding period

1. Overview

(1) Name of bonds	Anicom Holdings, Inc. First Series Unsecured Bonds (with pari passu conditions among specified bonds)
(2) Total amount of bonds	5.0 billion yen
(3) Maturity date	September 11, 2025 (5-year bond)
(4) Interest rate	0.300% per annum
(5) Payment date	September 11, 2020
(6) Rating obtained	A (Japan Credit Rating Agency, Ltd.)

2. Planned uses of the funds raised

Investment and loans for financing the succession of veterinary hospitals and the expansion of other non-insurance businesses

■ Stock split

Seeking to increase the liquidity of Anicom's stock and expand its investor base by making it more affordable to individual investors

(1) Method

Each common share shall be split into four shares.

(2) Schedule

- (i) Total number of issued shares prior to the stock split 20,314,200 shares
- (ii) Increase in the number of shares due to the stock split 60,942,600 shares
- (iii) Total number of issued shares after the stock split 81,256,800 shares
- (iv) Total number of authorized shares 192,000,000 shares

(3) Schedule

- (i) Date of public notice of the record date: Friday, September 11, 2020
- (ii) Stock split record date: Wednesday, September 30, 2020
- (iii) Effective date of the stock split: Thursday, October 1, 2020

Striving to attract individual investors inclined to hold for the medium to long term, for instance, through online IR activities targeted at individual investors implemented along with the stock split

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

	① 1H FY03/20	② End-FY03/20	③ 1H FY03/21	③-① YoY		③-② Vs. previous year-end		End-FY03/21 (forecast as of May 12)
				Numbers	Rate	Numbers	Rate	
① Policies in force	781,368	816,254	870,987	89,619	11.5 %	54,733	6.7 %	885,000
② New policies	80,533	167,318	107,295	26,762	33.2 %	-	-	183,600
③ Renewal rate	87.0 %	87.2 %	87.5 %	-	-	-	-	87.0 %
④ Insurance payout cases	1,672 ,000	3,407 ,000	1,857 ,000	185 ,000	11.1 %	-	-	3,586 ,000
⑤ Veterinary hospitals accepting Anicom	6,463	6,466	6,485	22	0.3 %	19	0.3 %	6,650

	1H FY03/20	1H FY03/21	YoY Change	End-FY03/21 (forecast as of May 12)
⑥ E/I loss ratio	59.1 %	59.3 %	0.2 Pt	57.6 %
⑦ Expense ratio (based on earned premiums)	37.8 %	37.2 %	- 0.6 Pt	37.2 %
⑧ Combined ratio (based on earned premiums)	96.9 %	96.5 %	- 0.4 Pt	94.8 %

	End-FY03/20	1H FY03/21	Vs. previous year-end	End-FY03/21 (forecast as of May 12)
⑨ Solvency margin ratio (non-consolidated)	357.0 %	357.6 %	0.6 pt	Around 370.0 %

	1H FY03/20	1H FY03/21	YoY Change
⑩ No. of applicants of Doubutsu Kenkatsu (gut microbiota testing)	39,497	69,509	30,012
⑪ No. of samples for genetic testing	72,761	53,031	- 19,730

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

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

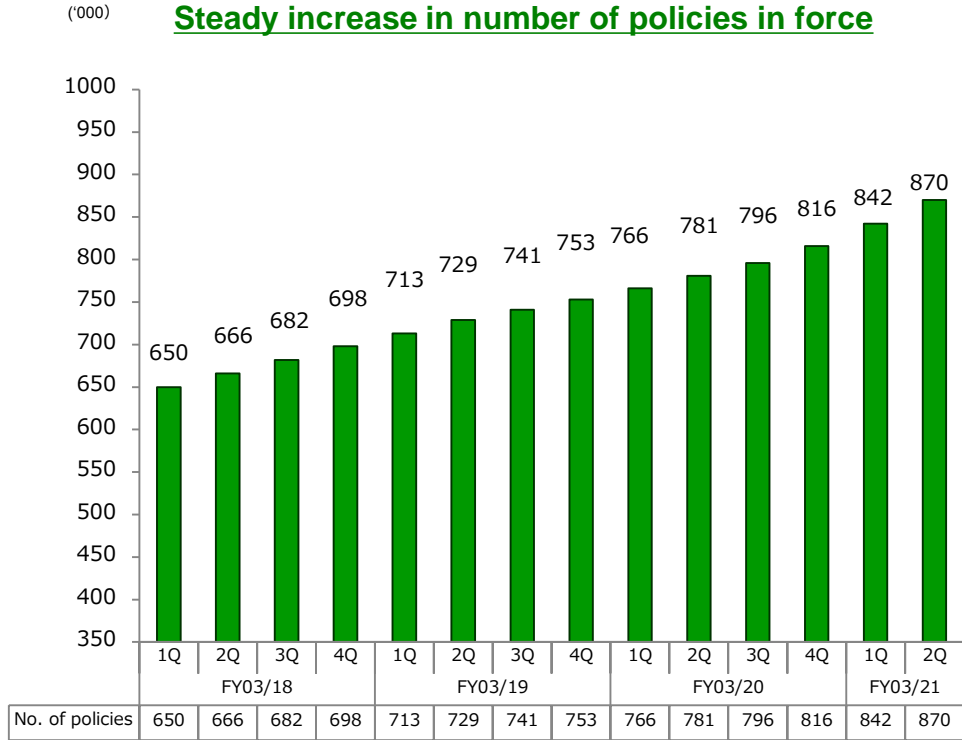


■ Quarterly trend in number of new policies



※ NB : Pet shop channel

■ Quarterly trend in number of policies in force



• **The number of new policies increased steadily.** On a combined newborn/general channels basis, **amounted to 107,000, going above the target line with a progress rate of 58% to the annual target of 183,000.**

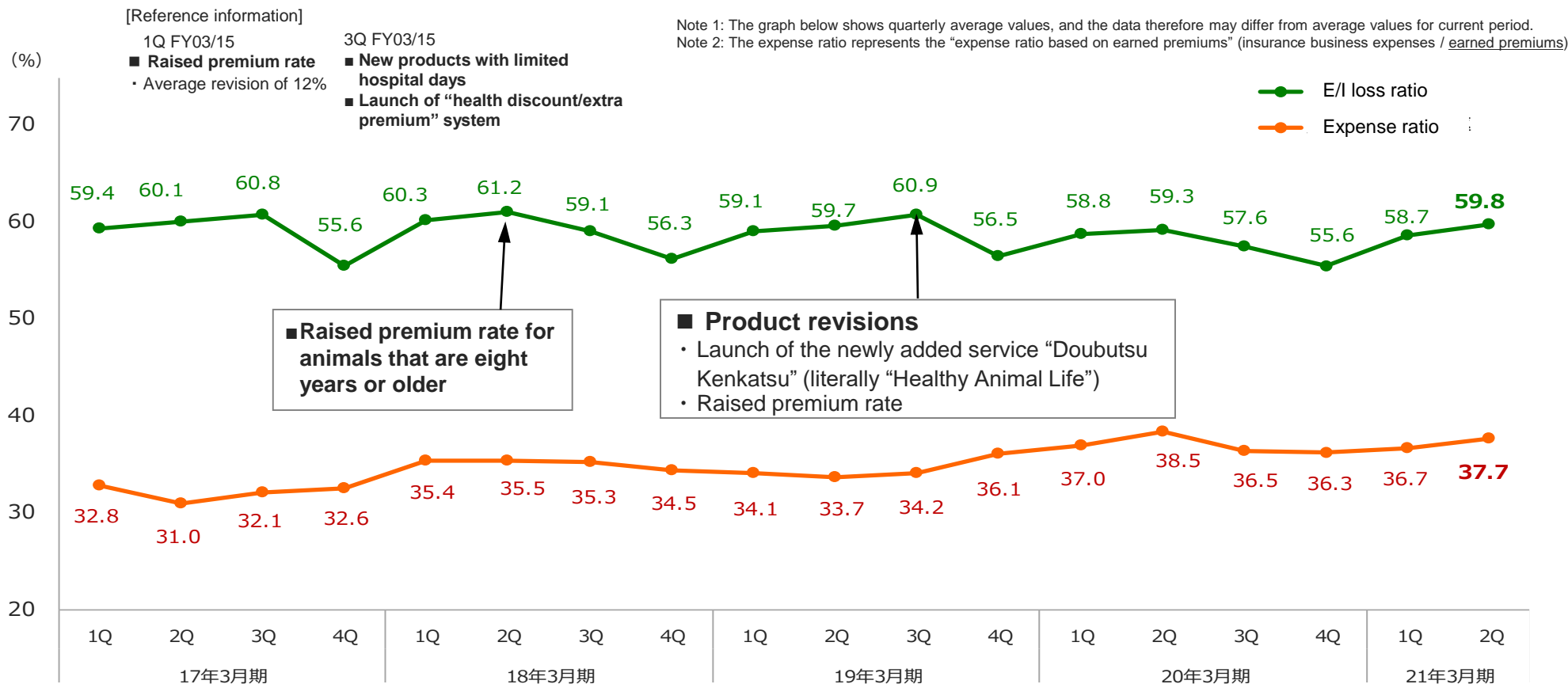
• **The renewal rate of existing policies was stable at middle of 87%.**

• Under these circumstances, **the number of policies in force increased steadily.**

• 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)

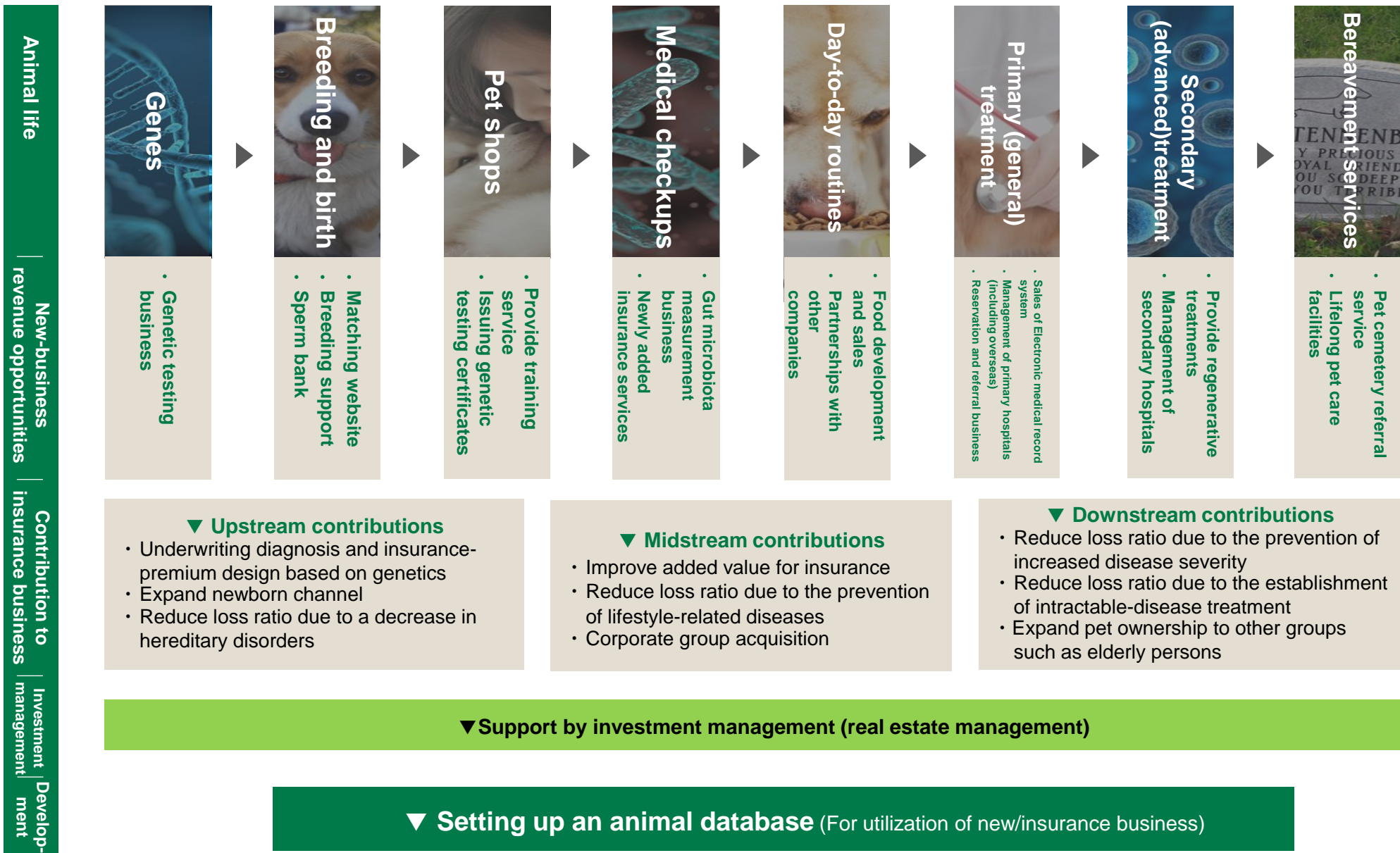


- **The E/I loss ratio** normally increases in 1Q and 2Q, which are the busy season for veterinary hospitals due to rabies inoculations and other factors, and then improves in 3Q and 4Q as hospital visits decline. The ratio for the reporting quarter **increased YoY** as the number of hospital visits increased primarily as a result of people spending more time at home under the influence of COVID-19.

- **The expense ratio improved YoY** even with continued active investment in business expansion.

The net improvement was achieved thanks to **efficient expense management even though the number of applications for the proprietary Doubutsu Kenkatsu services continued to increase.**

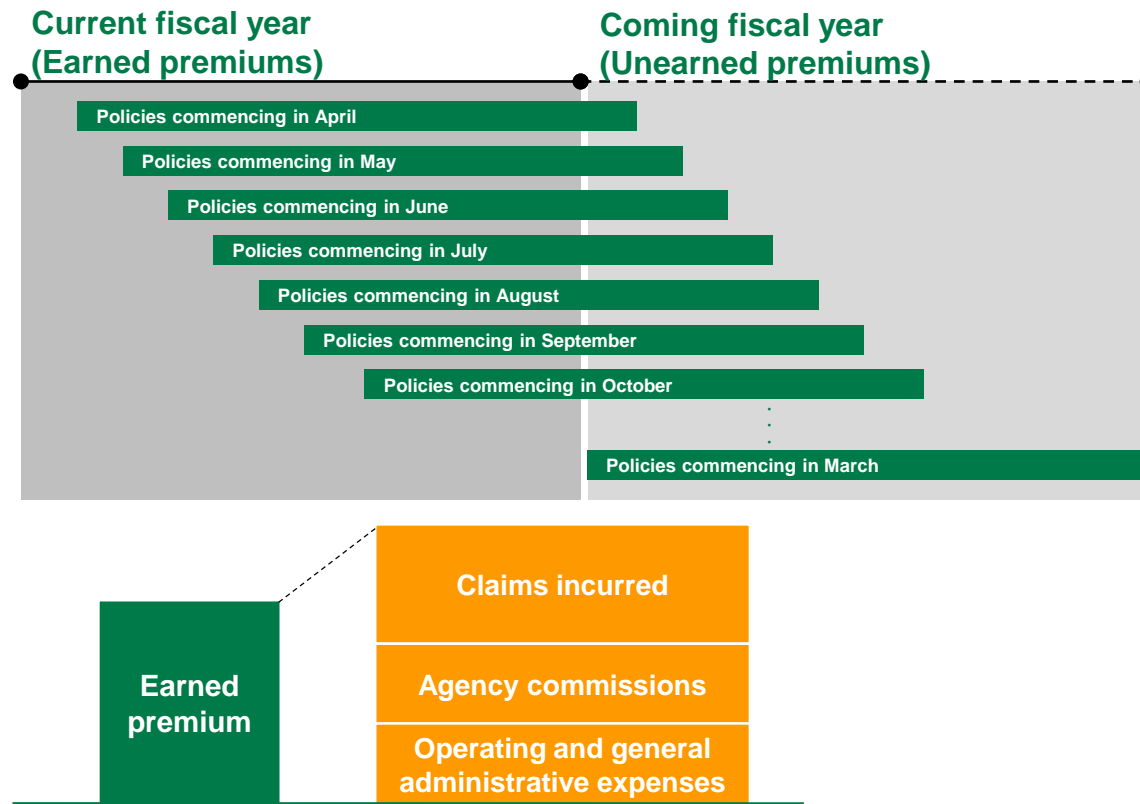
4. Peripheral new-business revenue opportunities and synergy with pet insurance



(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)

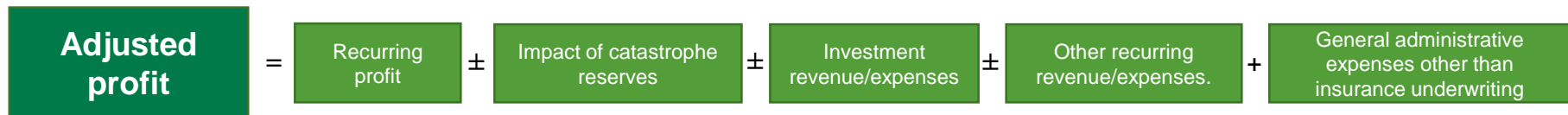
- Every non-life insurance company must accumulate catastrophe reserves each fiscal year in order to prepare for natural disasters.
- The reserve is liquidated (decreases expenses) when the net loss ratio* exceeds 50%.
*Net claims paid ÷ Net premiums written

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.^(*), 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/>

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