

Anicom Group

Mid-term Management Plan

FY2022-FY2024

May 11, 2022

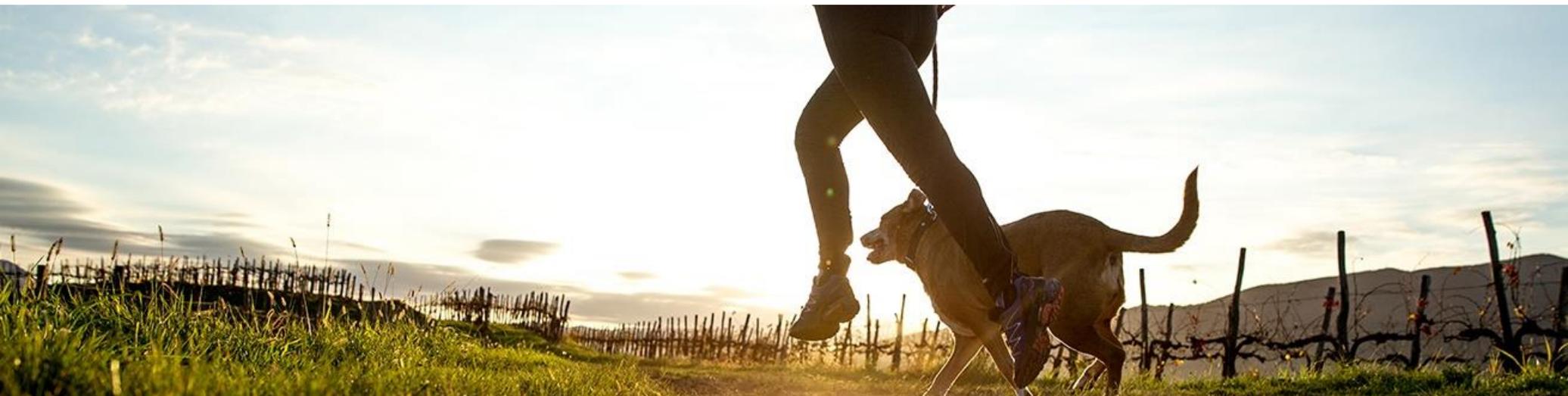


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1 On Formulation of the Mid-Term Management Plan

1. Anicom Group's Three Missions, Strategic Decisions, etc.
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1. Anicom Group's Three Missions, Strategy Decisions, etc.

(1) Our work to date

The name “Anicom” reflects our corporate philosophy that infinite value can be generated when all forms of life overcome their differences and cooperate with one another. On this basis we have been striving to create a society that empowers all living creatures to live their lives to the full, free from suffering.

Since our establishment in 2000, we have worked to create a “prevention-type pet insurance” model, and to date have been able to obtain an array of data which includes genetic information linked to data from more than one million insured animals and more than ten thousand of their daily medical records. Additionally, we have information and data on food and nutrition that enables multifaceted analysis toward the prevention of intestinal bacterial infection, and facilitates health promotion.

We have been using the statistical analysis of these data to shed light on important questions such as whether diseases are caused by genetic factors (in terms of both the blueprint for life itself and biological gene products) or by other factors such as food. We believe that we have now reached a point at which data quantity can yield quality, and the creation of new forms of value is possible.

While centered on the insurance business, the Anicom Group's fields of business are expanding upstream, midstream and downstream. Anicom's upstream expansion includes breeding, and support for matching puppies and kittens to owners. Midstream fields will feature regular medical checks included in insurance coverage and the provision of specially tailored, personalized, made-to-order foods. Downstream fields of business such as providing medical treatment are also a part of this business expansion. These endeavours enable the flexible deployment of new approaches to health promotion and allow us to build an organic business portfolio that exerts a mutually positive influence on the insurance business; the previous driver of our group.



(2) Three missions

We are pursuing three missions in response to dramatic changes in the business environment.

- (1) Mission for the pet industry to contribute to preventing war and regaining, maintaining, and advancing peace**
- (2) Mission to transform the pet industry into a sustainable industry whose growth is harmonized with social development**
- (3) Mission to support elderly persons, people with disabilities, children, and society as a whole**

(3) Strategy decisions to discharge our missions

(1) Strategy decisions informed by comparison with other forms of life

In addressing problems in society, we will conduct analysis using comparisons with other forms of life and identify problems that can be ameliorated through activities in the pet industry. By evaluating how these activities are linked to improvement and growth of the pet industry itself, we will comprehensively explore possibilities for achieving solutions to more serious societal problems at the same time as efficiently growing the pet industry, and determine strategies for the Anicom Group accordingly.



(2) Organizational management and human resource strategy to enhance strategic effects

In order to build an organization that can even more effectively solve complex societal problems, we will create mechanisms that empower our people to pursue organizationally determined solutions not simply out of a sense of obligation, but based on their own self-motivated inquisitiveness and a personal sense of responsibility.

We believe that this will enable people with a diverse range of individual attributes to work together with a sense of commitment and free thinking, and unleash the power of collective human wisdom.

Rather than building the mechanisms to this possible within existing organizational structures, we will pursue a “one patent (article, etc.) per employee” strategy, which ties individual efforts expended in the course of work and the discoveries made therein more clearly with individual employees, communicate and convey employees’ achievements to wider society, and ensure they are recorded in a way that enriches society.

This human resource strategy will give greater meaning to individual existence, because each and every employee will be able to leave behind some evidence of how they lived through our present era, and the laughter, tears, and tribulations they shared – a kind of sociological legacy.

2. Putting the Missions into Practice, Advancing our Business

(1) Mission for the pet industry to contribute to preventing war and regaining, maintaining, and advancing peace

We are aware that the most crucial task in the world today is to eliminate the risk of war, including the use of nuclear weapons that endanger the existence of not only humanity but all life on our planet.

Naturally, it is impossible for the pet industry to stop wars directly, but regardless of the intentions of the actors involved, war causes harm to countless innocent pets and destruction of the natural environment on which all life depends. Only humans can start wars, and only humans can stop them: this is why we consider the pet industry to have an obligation to prevent war.

We do not possess physical means such as military force, but we believe we can exercise the most powerful force in the world, one that can prevail even over military might. This is the power of unconditional love that pets teach us. Pets are the embodiment of love, created over the course of coexistence with humans: they have a 100% capacity to love and to be loved, and 0% capacity to survive on their own.

We will discharge our mission by using this distinctive power of pets to the maximum extent, conveying unconditional love to as many people as possible and using it to help regain, maintain, and advance peace, as well as connecting this work with an expansion of our group's services through increasing pet ownership and deeper love for pets.



(2) Mission to transform the pet industry into a sustainable industry whose growth is harmonized with social development

(1) Beginnings of industry transformation triggered by the amended Act on Welfare and Management of Animals

Looking at the pet industry within Japan, we see the prospect of inevitable transformation of the Japanese-style industry structure which has remained stable for the past fifty years. The amended Act on Welfare and Management of Animals demands large-scale improvements across the whole industry, breeding included, which will result in better animal protection. From a short-term management perspective, however, these changes will also entail a significant cost burden.

(2) Transformative opportunity

The Anicom Group sees this legislative amendment as our most significant opportunity. We will utilize the technological capabilities fostered across the entire Group (such as genetic combinations to improve breeding outcomes, sperm banks using frozen sperm, and AI assessment of animal health) to improve management efficiency for the pet industry as a whole and thus create extra capacity, leading the pet industry's transformation not only in terms of legal compliance but also a shift in awareness among pet owners.

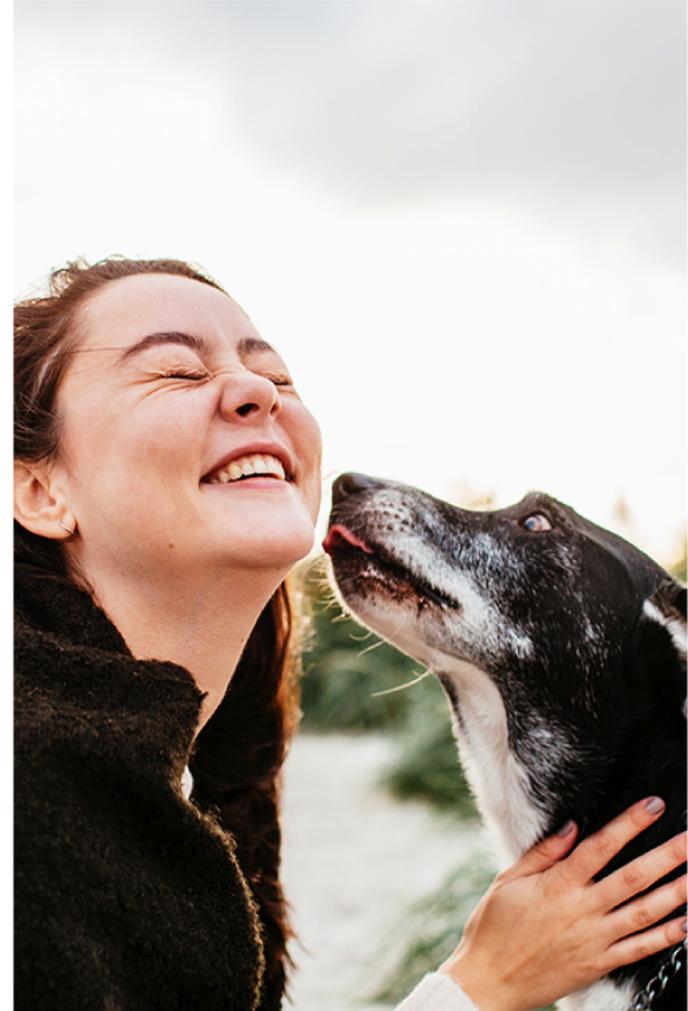


(3) From improving negative facets to rendering improvements in animal livability more visible and building a secure, trustworthy industry

Across the pet industry, new initiatives are being adopted for productivity-raising oriented to the integrated use of the innate capabilities of life. Clearly these moves must be more than a stopgap fix, but we will also look beyond the reactive approach to animal protection in terms of improving negative facets of the industry, and seek to enhance animal welfare by making life more rewarding for animals.

In this way, we will take the lead in establishing “animal welfare,” which is one step beyond “animal protection,” and provide a stronger purpose in life not only for animals themselves but also the people who work with them, thereby achieving further productivity gains for the pet industry. For pet owners, we will be working to improve new medical service technologies including health management, dietary guidance, and provision of recommended treatments and measurement of their effectiveness, with a view to fostering a more secure society in which people and pets coexist. By sharing this kind of content widely beyond the pet industry itself, we will take irreversible steps toward being a more transparent and dependable industry capable of leading the world.

The pet industry is apt to be seen as a hobby industry that does not contribute to value in society as a whole, but the moves outlined above will achieve a transformation in the industry that will prompt other industries to recognize its potential to develop sustainably and invigorate society by providing people with a more positive purpose in life through experiences such as having pets depend on them, rather than simply offering a way to assuage loneliness and uncertainty. This will ensure that our group’s business grows together with quantitative expansion and qualitative improvements across the pet industry, and will enable us to discharge our mission.

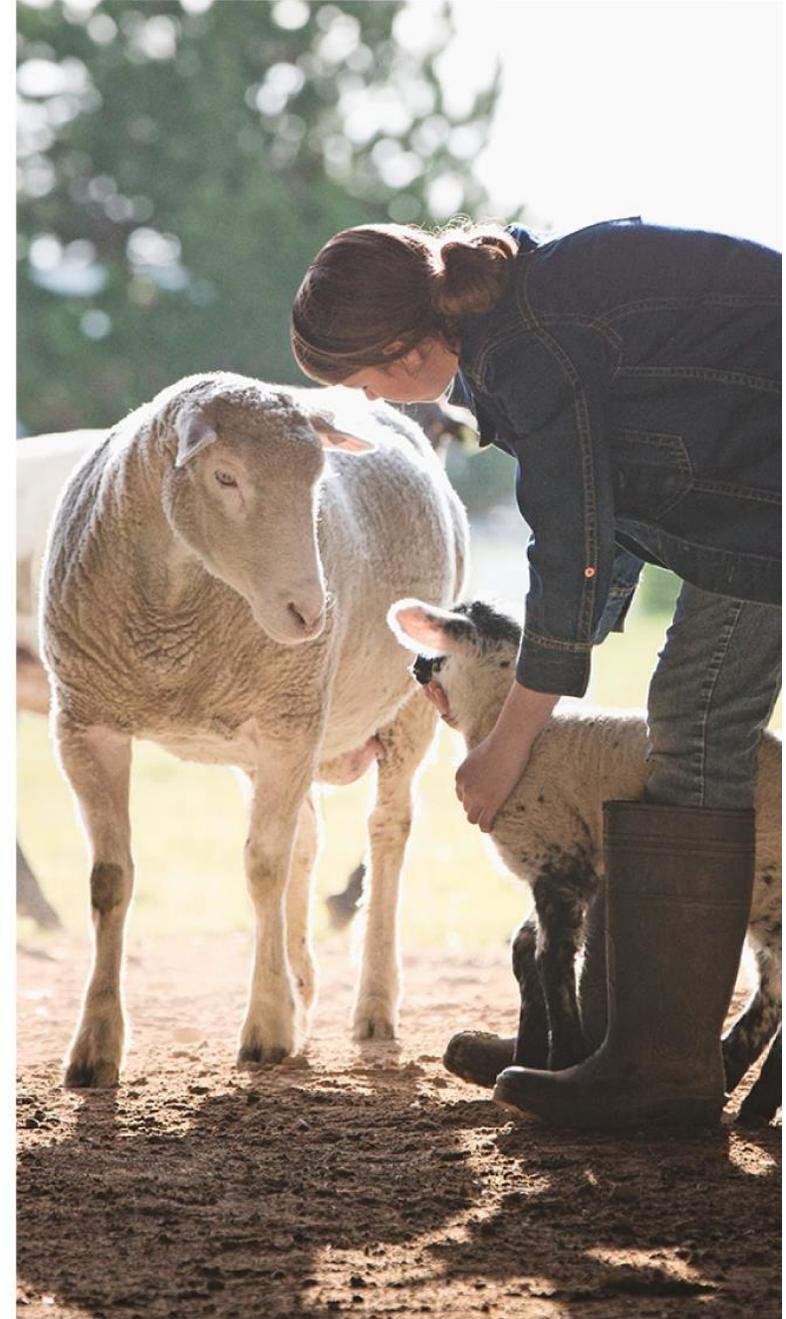


(3) Mission to support the elderly, people with disabilities, children, and society as a whole

(1) The role of pets

Pets are different from industrial animals that are kept for food. Pets' role as working animals is also diminishing, and neither are they proactively involved in helping with tasks such as housework. Most pets today primarily play the role of companion animals, occupying the same living space as humans, communicating with them and offering mutual encouragement and consolation.

They play virtually no useful role in economic or physical terms, but their presence is so important that at times, owners consider it more precious than their own lives. In this way, pets are imbued with significance, playing a crucial role in generating meaning (purpose in life) for the humans around them.



(2) Why pets are able to generate a sense of purpose in life

Pets are not adept at communication involving advanced logic, but are able to communicate with humans relatively smoothly by making use of intuitive and sensory based cognitive techniques that are innate to living organisms.

Moreover, despite having their origins in wild animals such as wolves, over a long period of time pets have also developed stronger human-friendly tendencies such as non-aggression and dependence, to the point that they can no longer even lead proper lives without humans to provide for them, and that they are able to stimulate humans' own feelings of wanting something to love and protect.

Furthermore, because of their dependence on humans, pets make it easier for the humans who live with them proactively to derive the sense of fulfilment and self-affirmation that is fundamentally necessary for human existence. Pets thus provide humans with a sense of purpose in life.

Elderly persons, people with disabilities, and children are especially likely to rely on others for support, and have fewer opportunities to experience the kind of self-affirmation that comes from supporting someone and receiving their gratitude. By utilizing the intrinsic characteristics of pets, we will fulfill our mission of helping such people realize a greater sense of purpose in life (and work), as well as expanding the Group's customer base and growing our opportunities to generate revenue through provision of new services aligned with an expanded role for pets.



(3) Supporting society

Pets today are part of human society, but there are still gaps in social infrastructure for coexistence with pets. One example is the lack of a system for accommodating pets whose owners are undergoing treatment in hospital for COVID-19 and who may be infected with the virus themselves. By providing the social supports needed for coexistence with pets, we will help to enrich society, as well as expanding the Group's revenue by increasing pet ownership.



▲ “Stayanicom,” a project for looking after the pets of people suffering from COVID-19

▲ Pets in Ukraine that have escaped from war zones along with their owners (source: IFAW)

3. Strategy/Materiality for Discharging Our Missions in Connection with Corporate Value

(1) Strategies relating to the pet industry's mission to contribute to preventing war and regaining, maintaining, and advancing peace

(1) Change in social position of pets

The prevalence of pet ownership continues to increase worldwide despite the COVID-19 pandemic, and we have seen a stabilization of positive perceptions of the capacity of pets to help assuage people's sense of isolation and anxiety.

Moreover, across the world it is seen as natural that families fleeing from the war in Ukraine would bring their pets with them, suggesting that the idea of pets as important members of the human family, despite the difference in species, is becoming well established internationally.

(2) Only humans wage war: potential to learn from animals

Warlike behavior can be observed in animals other than humans too, but humans are the only species that engages in behavior that causes such large-scale damage. Unlike the behavior of other animals, human war:

- i. involves an extremely unified form of collective behavior (making it possible to behave in a manner contrary to individuals' instinctive desire for self-preservation and ethical respect for life)
- ii. uses weapons: a power that other forms of life are incapable of wielding



▲ Started to support the costs of medial treatment for the pets of those fleeing from the war in Ukraine

(3) The true role of the pet industry

We believe that it is the pet industry's role to help prevent wars by using pet ownership to enable as many people as possible to develop the appropriate mental discipline (governance) to resist excessively collective behavior and the use of weapons.

i. Fostering mental discipline to resist excessively collective behavior

Unlike other animals, humans have developed a tool for sociological communication known as "logic," which prevents mutual misunderstandings arising from differences among individuals, and thus optimizes our ability to perform collective tasks efficiently. Because logic has developed in a way that transcends physical weakness and provides humans with a sense of integrity, the pursuit of logic helps us transcend individual intuition and ethics, and gives rise to distinctively human patterns of behavior governed by rationality.

This is surely one of the major causes of failure in our coexistence with pets. Humans unconsciously employ their familiar tools of logic as they seek to understand and control their pets' behavior, despite the fact that the basis of communication among living creatures is an intuitive, sensory feeling of mutual trust, which is not dependent on reason.

To keep sight of our true selves in this advanced contemporary era, when the emphasis tends to be on logical communication, we need to liberate ourselves from logic, and engage in spontaneous communication with our pets. This will enable us to regain the intuition and morality that is the very foundation of life, and achieve an intentional re-balancing of the human mind (self-restraint over excessively logical behavior), encouraging the kind of creativity that cannot be generated through logic, and thus helping not only to prevent wars, but also to contribute to the advancement of society. (We will also promote awareness of the possibility of simulated mutual trust, which arises because the long history of breed improvement has provided dogs with an enhanced capacity to comply faithfully with human directions.)



ii. Inducing self-restraint toward weapons and other powers that only humans possess

The kinds of power that lifeforms other than humans wield are natural and genetically inherited over the course of evolution. Humans are weak in terms of these natural powers: weaker than cats and dogs, for example, in terms of the strength of their bite or the acuity of their hearing.

However, this is precisely why humans have had to use their intelligence, collaborate with one another, and utilize sociologically acquired means of communication such as written language and logic. Through a process of sociological heredity, as it were, humans have obtained explosive powers such as weaponry, which they could never have acquired through heredity in the biological sense.

Both humans and other lifeforms exercise a degree of self-restraint over the exercise of the powers they have acquired biologically. (This explains why, for example, your dog does not bite off your finger despite having the power to do so.)

On the other hand, the capacity for self-restraint over the great powers that humans alone have obtained sociological heredity is not written into our genetic information in a biological sense: it needs to be formed and mastered after birth through sociological effort.

Other animals are incapable of even switching an air-conditioner on or off, so a pet owner's simple error in controlling an air-conditioner can prove fatal for a pet. Likewise, the irresponsible disposal of trash can cause great suffering to countless wild animals. Through our provision of support for animal-loving lifestyles, we will work to make people aware of the magnitude of the powers that humans possess and the importance of exercising appropriate self-restraint over them.



▲ Using weapons to start wars, protecting pets by regulating room temperature: these radically different acts are both performed with the press of a button

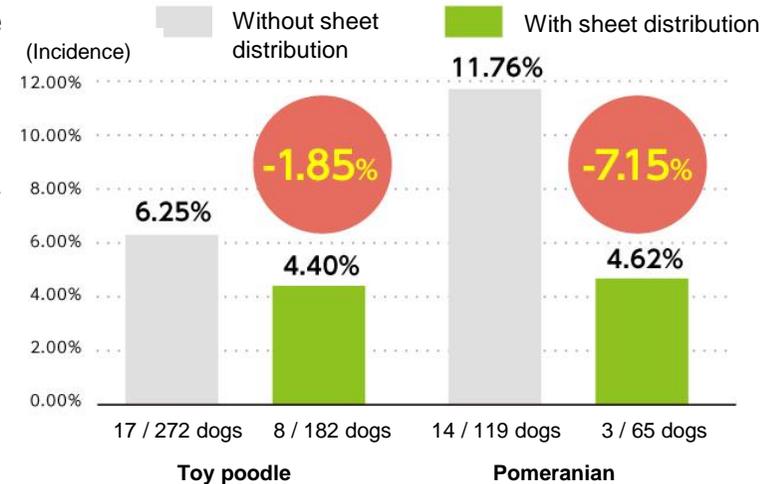
Those with great powers must exercise great self-restraint: this is the true nature of love.

Most illnesses in pets that are not attributable to genes are related to factors such as humans approaching pets in incorrect ways, and humans miscommunicating with pets based on their own assumptions. In the Group's business activities we will seek to address the root cause of these problems, leading to a decrease in costs such as insurance payouts.

We will also communicate the message that coexistence with pets can prompt people to curb excessively logical behavior, helping not only to prevent wars and aid the maintenance and promotion of peace, but also to enhance creativity. We will use this message to enrich the pet industry brand and attract new customers.

We will also reach out into new fields of business through limitless expansion of collaborative activity with other industries that are similarly aspiring to the advancement of human society through the medium of pets.

Effectiveness of Antiskid Sheet (prevention of patellar luxation)



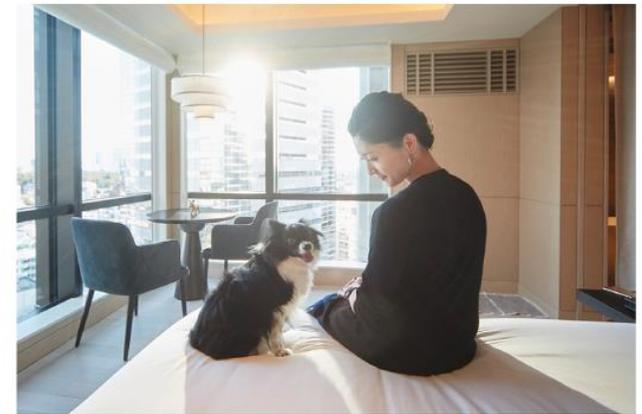
Examples of partnership with other companies



▲ Outdoor camping with pets
(58 Lohas Club in Nasu)



▲ Providing pet-friendly dwellings
(LIXIL Nyanpeki catwalk shelves)



▲ Pet-friendly hotel stays
(KIMPTON Shinjuku Tokyo)

(2) Mission to transform the pet industry into a sustainable industry whose growth is harmonized with social development

(1) Current status of animal protection and directions for improvement

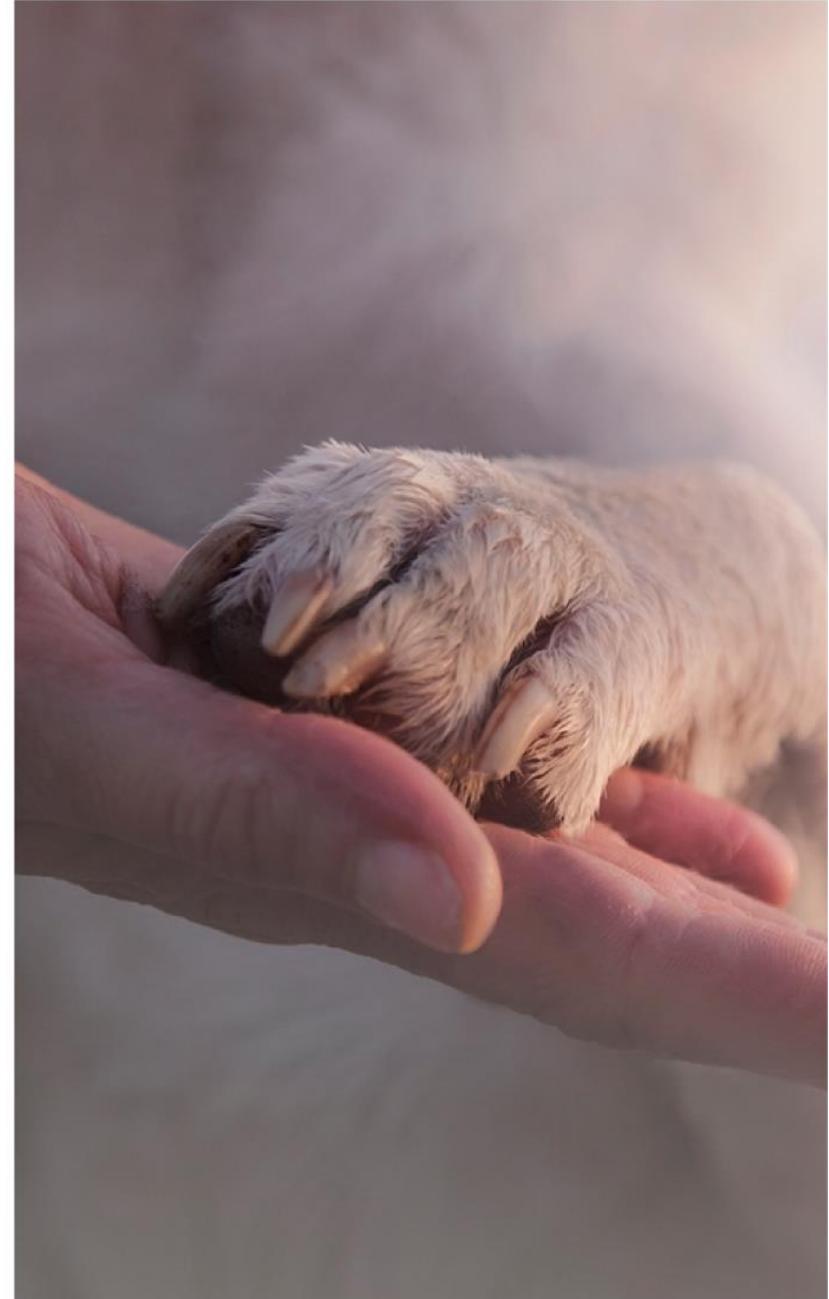
Observers have repeatedly pointed out the considerable scope for improvement in animal protection in Japan.

Breed improvement has changed pets in terms of their genes, the blueprint of life. On the one hand it has diminished their genetic diversity (living capabilities) but in return has transformed them into a manmade lifeform that embodies a human sense of “cuteness.” In Japan, however, there is little awareness among either professionals or pet owners (with some exceptions) of the importance of breeding as a process of creating life artificially. This places an undue burden on animals, as exemplified by the trend for pets to be more popular the smaller they are.

Country Rankings based on Animal Welfare Related Policies/Laws by International NGO, World Animal Protection

	Overall Rank	Country
High ↑ ↓ Low	A	n/a
	B	United Kingdom, Switzerland, Netherlands, Sweden, Austria, Denmark
	C	Mexico, New Zealand, Germany, France, Italy, Spain, Poland
	D	United States, Canada, Australia, Turkey, Korea, Chile, Colombia, Russia
	E	Japan, China
	F	Iran
	G	n/a

▲ Japan's overall rank is "E," the lowest level of any OECD country.
(Animal Protection Index, 2020)



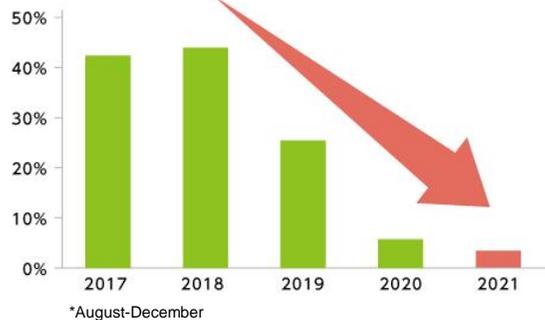
(2) Concrete measures for improvement

i. Avoid genetic conditions that need to be avoided, while retaining traits convenient to humans

This idea of convenience remained an unattainable luxury until it became possible to conduct comprehensive genetic testing quickly, accurately, and at low cost. Today, however, it is finally possible to assess several thousand factors in a single test, at a cost comparable to previous tests.

Moreover, advancements in AI and the like are dramatically improving the analytical capacity to ascertain statistical relationships between these multiple factors and a history of major illnesses. This will enable us to identify the genetic combinations that produce cute and healthy pets in advance, and thus to achieve both improvements in animal protection and expansion of business revenue.

Percentage of DM Affected Corgis



▲ "Affected" = those with a risk of the condition occurring. Ongoing breeding support has now virtually "eliminated" the hereditary disorder, DM (degenerative myelopathy) in corgis.



▲ DM causes paralysis beginning in the hind limbs



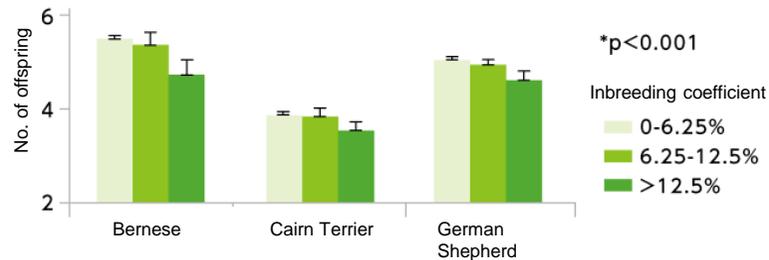
ii. Improving mating efficiency and feeding management efficiency

We will use technologies such as AI and intestinal bacteria as well as genetic selection to pursue improvements in determination of optimum mating time, conception rates, safe delivery rates, successful lactation and weaning rates, and health management capacity, to support life in unleashing its innate capabilities to the full.

Scientific support for improvement of mating efficiency, to achieve animal protection through breeding

Leading Case 1: Dogs

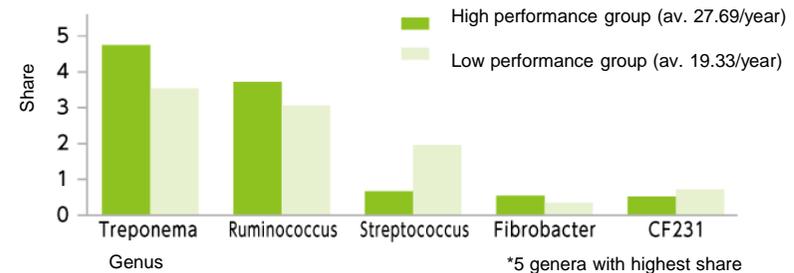
Correlation between no. of offspring per pregnancy and inbreeding coefficient
($\hat{=}$ how closely related the father and mother are)



▲ The smaller the inbreeding coefficient, the more offspring per pregnancy. It is important for breeders to avoid breeding closely related animals.
Source: Adapted from a study by G. Leroy et al. (2015)

Leading Case 2: Pigs

Significant difference in volume of intestinal bacteria between high and low reproductive performance groups



▲ A correlation has been found between reproductive performance and intestinal bacteria.
Source: Adapted from a study by H. Uryu et al. (2020)

Many leading cases in the livestock industry (of sociological heredity) can be applied to pet breeding as well

- Patent 3155889 (Improvement of rate of raising of day-old livestock by using feed for breeding sow)
- Patent 3417084 (Feed additive for brood sow and feed for brood sow)
- Patent 3492349 (Breeding method of female pig for propagation and feed for female pig for propagation), etc.

iii. Improving transparency to boost trust in the industry overall

By helping both breeders and pet shops to disclose information proactively on matters such as the status of animals retired from breeding in addition to the health status of parents and siblings, we will create an environment in which individual pet owners can feel secure that they are welcoming a suitable pet under appropriate conditions. We will expand health check services (by postal mail and electronically) for pets after they are welcomed into owners' homes and promote the use of open medical records that underpin delivery of more efficient medical care in the unfortunate event that a pet becomes ill. Together with the expansion of support for selecting a veterinary hospital where the recommended treatment can be performed and services to assess the effectiveness of treatments, these initiatives will help transform the pet industry into a more transparent and highly trusted sector.

As a result, we will be able to attract more new pet owners and take the lead in industry standards, strengthening our profitability as a platformer business. (Currently the Group's largest expense is insurance payouts, but through initiatives such as preventing improper and excessive treatment through the use of open medical records and advance disclosure of recommended treatments, and assessing the effectiveness of treatments or transferring cases to hospitals offering more efficient treatments, we will achieve fundamental improvements across the animal treatment industry, which will lead to higher proficiency in our insurance business.)



International Comparison of No. of Pets vs. Human Population



▲ Number of pets as a percentage of human population (based on statistical sources from each country in 2021)

(3) Mission to support elderly persons, people with disabilities, children, and society as a whole

We believe that the hardest thing for any living thing to bear is not a death sentence, but the loneliness arising from being unable to communicate with others.

Able-bodied adults can make use of their advanced skills of logic to achieve full mutual understanding with one another in logical terms, and this makes it easier for them to avoid loneliness (but excessive logic, of course, leads conversely to greater isolation).

Elderly persons, people with disabilities and children, on the other hand, often find it difficult to communicate with others for various reasons, and thus experience loneliness more often. Loneliness, life's greatest distress, remains extremely difficult to relieve despite the advances in technology in our contemporary era. One rare exception is the presence of pets, who do not make distinctions among those they communicate with and are thus capable of alleviating loneliness.

We will provide as many opportunities as possible for people especially prone to loneliness – elderly persons, people with disabilities, and children – to interact with pets and live free from loneliness.



▲ ani TERRACE, an animal protection facility that opened in April 2022 in the town of Taki in Mie Prefecture

(1) Support for elderly persons

We understand that when elderly persons become bedridden, the burden on their carers increases dramatically and their problems become more serious.

The presence of a pet can be a very significant motivator for elderly persons to remain as mobile as possible and can contribute in some way to improvements in their condition.

On the other hand, some elderly persons can be reluctant to start keeping pets in their later years due to concerns such as being separated by death (guilt at the prospect of being unable to look after one's pet in future years). We believe this reluctance often means that someone who needs a companion the most remains without one.

Saying farewell is an inevitable part of life, but we will provide the mechanism that enables elderly persons to prepare for the farewells ahead as much as possible while they are still enjoying time with the animals they love each other. By providing elderly persons the peace of mind to continue living with their animal companions, we will fulfil our mission to support them. (In the past, when people lived in large family units, not just elderly persons but all members of the household, would take care of the pets. This allowed elderly family members to enjoy interacting with pets right up to their final days. We believe that a new approach in the ageing society is to create new types of extended families where animals are cared for by multiple elderly persons and others.)



(2) Support for people with disabilities

The types of problems outlined in relation to elderly persons also exist in terms of alleviating loneliness and creating a sense of purpose in life (and work) for people with disabilities. However, we are also aware that many people with disabilities have special talents different from their able-bodied counterparts, especially in areas that cannot be comprehended using the logical measures humans have employed in the past. We believe that one of the roles of the pet industry is to enable the discovery and use of these talents through interaction with the wide range of abilities that animals possess.

We will fulfil our mission to support employment of and coexistence with people with disabilities, providing them with a sense of purpose in life (and work) and discovering and applying the novel talents they possess.



(3) Educational support for children

We believe that the education is the most distinctive aspect of human behavior in comparison with other animals. (Recent research has revealed that animals such as meercats also engage in something like education, but this is limited to education on methods for obtaining food.)

Human education is composed of many different elements, but we will address which areas of education that are most lacking in contemporary society.

The example of training and disciplining pets shows us that the maintenance of motivation is crucial. Given that human education requires sustained learning over a long period, with various difficulties to overcome along the way, we believe that finding and maintaining motivation is vital. Of particular importance in children's education is the kind of education that enables children to find the motivation to continue learning (education for the purpose of undergoing education).



▲Veterinary experiences for children at Anicom Group hospitals

In more concrete terms, because contemporary society is increasingly turning away from nature, there are fewer opportunities to encounter nature in education. We view this as the major problem in children's education today. It means that most children are given only a conventional human-driven "north wind" education, with other people exhorting them to study in order to be able to make a living for themselves, or to avoid hardship in the future. (Even if a more "sunny" mode of expression is adopted, encouraging children to study because it will lead them to better things, the message is still that if you don't study, nothing good will come to you, so it remains a punitive approach.)

On the other hand, prior to the development of contemporary civilization several decades ago, children still learned a lot from nature before they learned from someone. Nature provided them with an education on both the north wind and the sun.

Because nature does not bend to the will of humans, it teaches humans about their own insignificance (and the overwhelming power of nature itself). It makes us realize that we need to do something for ourselves, and this motivates us to learn: an autonomous "north wind" education. Conversely, when given surprises such as "why tadpoles are born from eggs and why they turn into frogs?" or "why are puppies so cute?," an autonomous "sun" education makes children want to spontaneously learn more about frogs, or study up so they can take good care of their puppy. There is an overwhelming shortage of opportunities for children to experience both kinds of education.



Today, nature has disappeared from homes, schools and society at large. Can children still learn about nature from milk that comes in a carton, or pork in the form of a sausage? There is an especially clear difference between people who have a deep psychological drive to continue their education throughout their lives, and those who persist reluctantly, thinking that if they don't get an education, they will be disadvantaged in some way. We also believe that this is one of the reasons that social disparities emerge.

The structure of contemporary society is diminishing the opportunities for education, which is in a sense the most important activity for humans. We believe that in this context, the industry that is best equipped efficiently to provide opportunities to come face to face with living nature is the pet industry. We intend to discharge the industry's mission in education for children by providing not only more opportunities for interaction with animals, but also opportunities such as veterinary hospital experiences, and attendance when animals are giving birth.



(4) Support for society

Recent conditions clearly demonstrate the growing need for society to prepare for wars and other forms of conflict, as well as natural disasters, to which Japan is especially prone. We believe that one area to address in this context is the strengthening of local communities. In an emergency, one of the keys to minimizing damage is for mutual aid within local communities to function smoothly.

In veterinary hospitals, we will organize periodical drills for emergency evacuation with animals, making use of the attractive power of animals to hold these drills as community events, invigorating communities where person-to-person relations have weaker. In rural breeding facilities, we will support community revitalization through exchange with local residents in addition to providing opportunities for employment of elderly persons and people with disabilities and opportunities for children to learn from nature, thereby building stronger local communities.

We will design these activities to prompt participants to understand the importance of interacting with living creatures other than humans, helping to enhance social diversity by fostering acceptance of diverse value outlooks and raising awareness of the importance of biodiversity.

In turn, these activities will raise the profitability of the Anicom Group by attracting new customers, enhancing our brand, and fostering our future customer base.

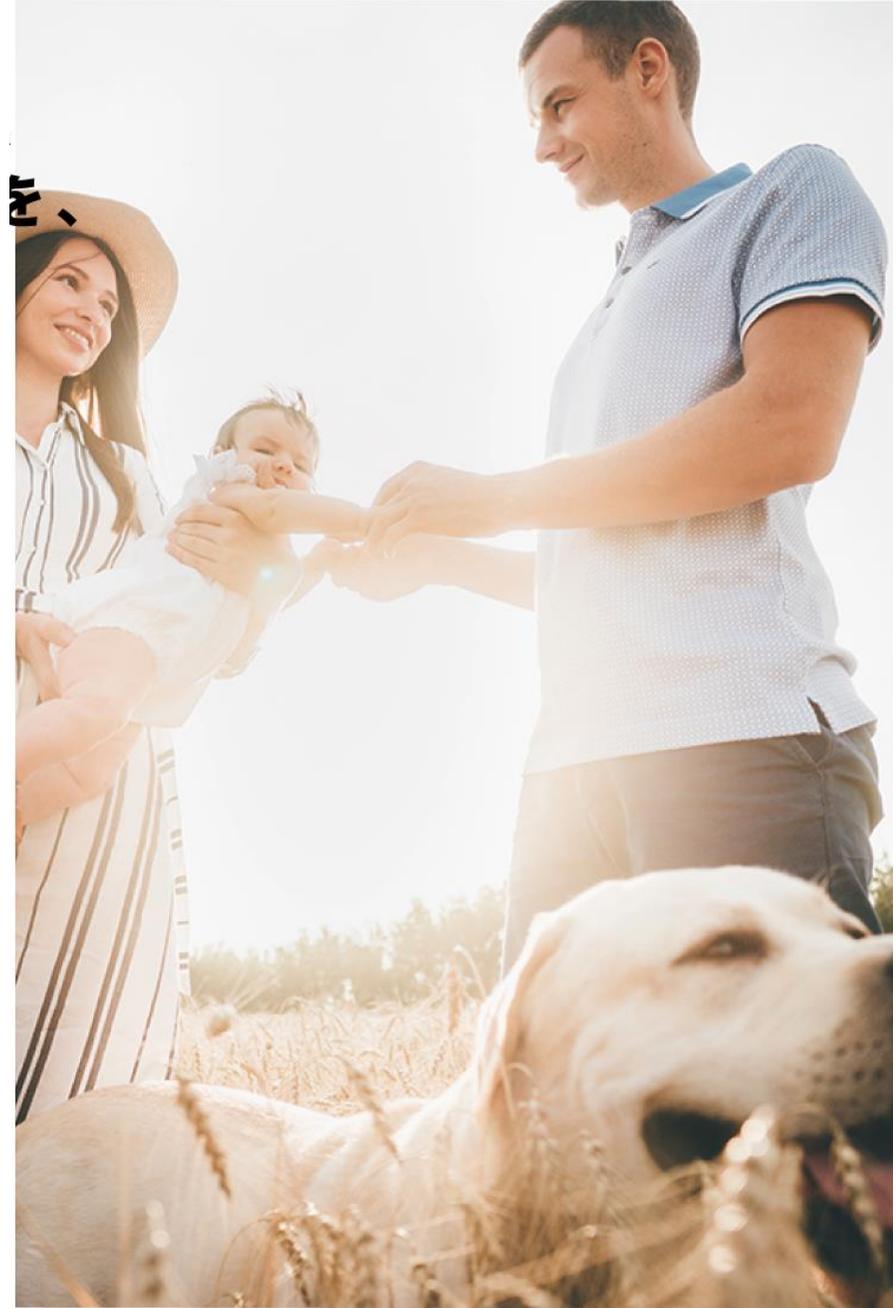


4. Protecting our Finite Environment (E) and Enabling Sustainable Development of a Prosperous Human Society (S) by Establishing Corporate Governance (G)

Animals other than humans use various forms of communication to build their own social structures and respond to the environment around them in order to sustain their existence on this planet. They have been doing this for far longer than humans have.

Never before, however, have animals engaged in large-scale environmental destruction that endangers the existence of our planet as a whole.

Let us consider why it is that humans alone have created this risk, and thereby formulate the direction for corporate governance in the Anicom Group.



(1) Human characteristics

What is the most distinctive feature of humans in contrast with other animals? The evolution of other species is only possible through genetic change, the product of biological heredity. In other words, biological heredity is the only evolutionary method that other species possess, and in this sense they cannot evolve of their own volition: they have no option but to wait for extremely low-probability genetic accidents to occur. Changes in the genetic code can sometimes have an impact on the continuity of a species, so there is no guarantee that evolution will result in the continuation of the same form of life in the future.

In contrast, humans have created codes other than genes, such as characters and logic, and preserved these in society separate from their biological heredity. Countless individuals have made deliberate improvements to these codes, enabling them to be passed down through the generations as civilization and culture. This capacity to evolve intentionally is surely the most significant characteristic of humans.



▲ Humans created characters and other products of sociological heredity, but went on to create weapons of destruction as well

(2) Despite these strengths, why have humans created the deadliest risks?

We believe that one answer lies in humans' inability to intentionally develop the self-control appropriate for sociological heredity, which underpins the mechanism of intentional evolution acquired by humans alone and is not shared with any other lifeform.

When asked what the common purpose of all life is, many people would answer, "to produce offspring." On this basis, we can say that humans are the only animal that, in addition to their biological offspring, also leave behind "offspring" in a sociological sense.

But there is a blind spot here. All forms of life are free to reproduce, and intentionally pursue opportunities to do so in order to produce offspring and thus preserve their species. But are all humans permitted and encouraged to produce sociological offspring in the same way?



▲ Anicom White Paper on Household Animals

Fiscal 2021 Stem Cell Administration Results



▲ Trend in cases of stem cell administration (regenerative medicine) by the Research and Development Partnership for Animal Regenerative Medicine

It is unfortunate that the achievements and discoveries (sociological legacy) produced by most companies and organizations are mostly inherited by the company, for the company or organization itself. It is extremely rare for these achievements and discoveries to be left as the legacy of the individuals who have actually performed the work.

We are committed to exploring approaches to corporate governance that will enable individuals to leave a sociological legacy, as proof of their lives and work in this world.



▲ Our one patent per employee strategy will enable people to leave a sociological legacy



Nobuaki Komori,
Anicom Group
Chairman



Publication Number and Invention Title

- Unexamined Patent No. 2022-039845 Insurance premium calculation system and insurance premium calculation method
- Patent No. 6734457 Disease prediction system, insurance fee calculating system, and disease prediction method
- Patent No. 7018527 Method for preservation of cells and cell suspensions
- Patent No. 7036324 The anticoagulant, blood clotting, blood coagulation method for improving vascular endothelial function improving method and improving metabolism
- Unexamined Patent No. 2021-073993 Canine cataract testing method, canine cataract testing reagent, and canine cataract testing kit
- Unexamined Patent No. 2020-094828 Sample collection instrument
- Unexamined Patent No. 2020-202759 Composition for improving coat and the like of animal hair

Number of employees applying for patents (not including multiple applications): 69 / total no. of employees: 928

*As of April 30, 2022

5. Sustainability Management (CSV Management)

(1) Social Issues that Can be Addressed by the Pet Industry

The pet industry can address four major social issues



Traceability

Issues in the supply chain

- Lack of transparency in breeding environments
- Breaks in traceability
- Retired reproductive animals
- Hereditary diseases



Health

Health problems in pets and medical system issues

- Underdeveloped standard medical care
- Inadequate medical care infrastructure



Environment

Issues in co-existence / natural environment

- Inadequate environment for coexistence with pets
- Environmental load of pet food



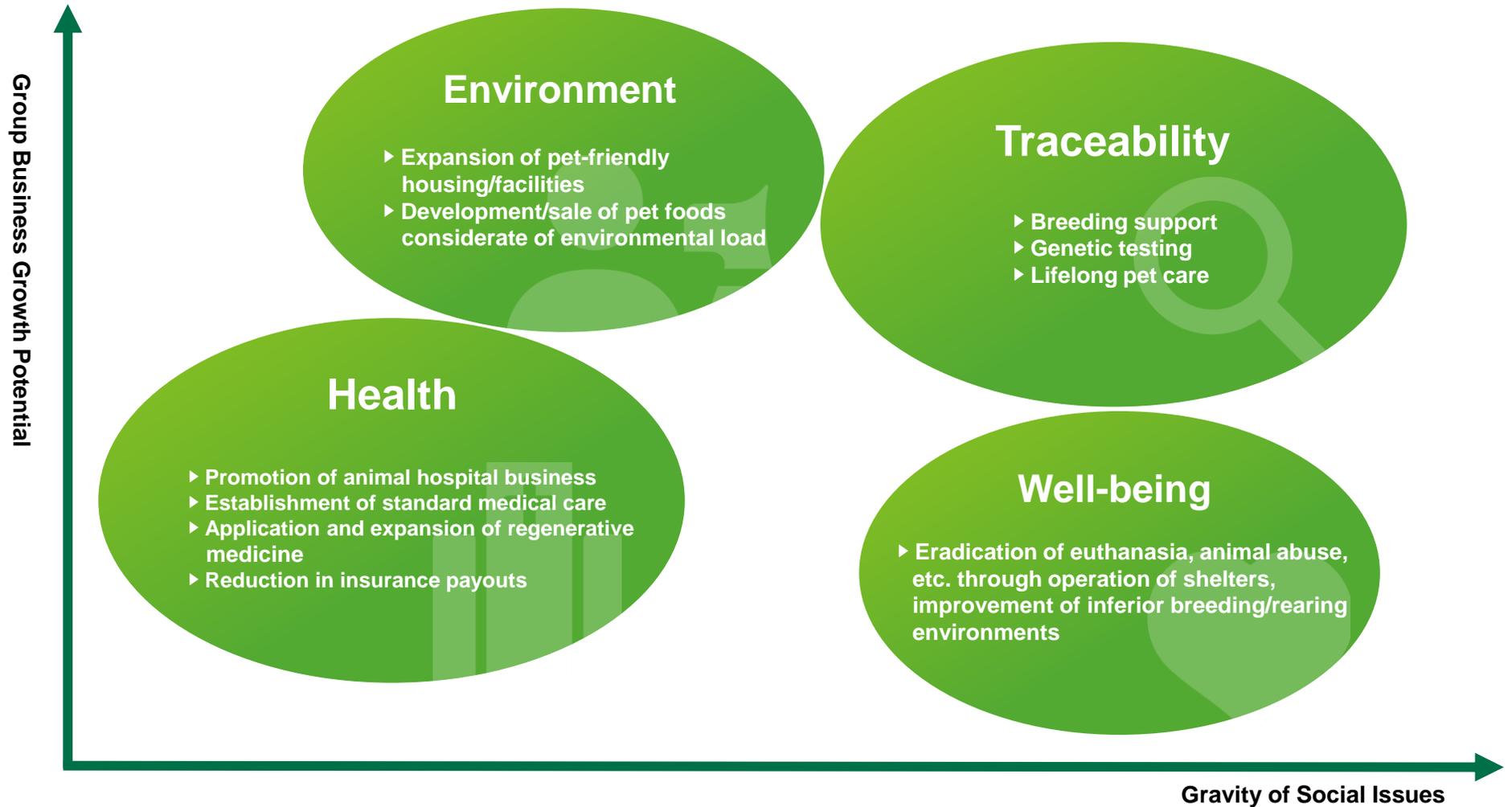
Well-being

Issues in animal welfare

- Inferior conditions for pets and breeding
- Loneliness resulting from long periods home alone
- Difficulties experienced by elderly persons in caring for pets
- Animal abuse, abandonment, euthanasia

5. Sustainability Management (CSV Management)

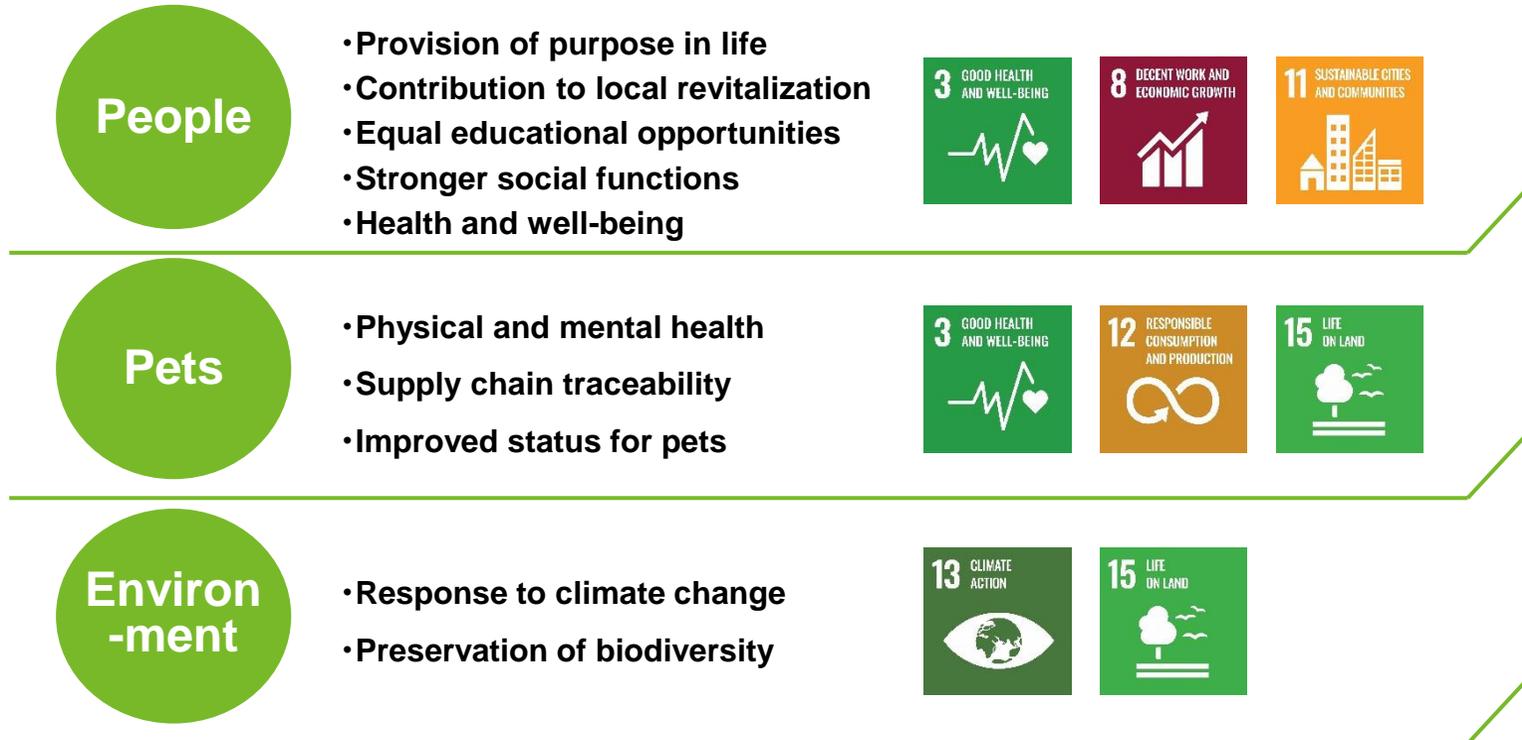
(2) Relationship between Anicom Group's Business and Resolution of Social Issues



Evaluate links with advancement of the pet industry as a whole and degree of contribution thereto, determine materiality (key issues)

5. Sustainability Management (CSV Management)

(3) Anicom's Materiality (Key Issues)

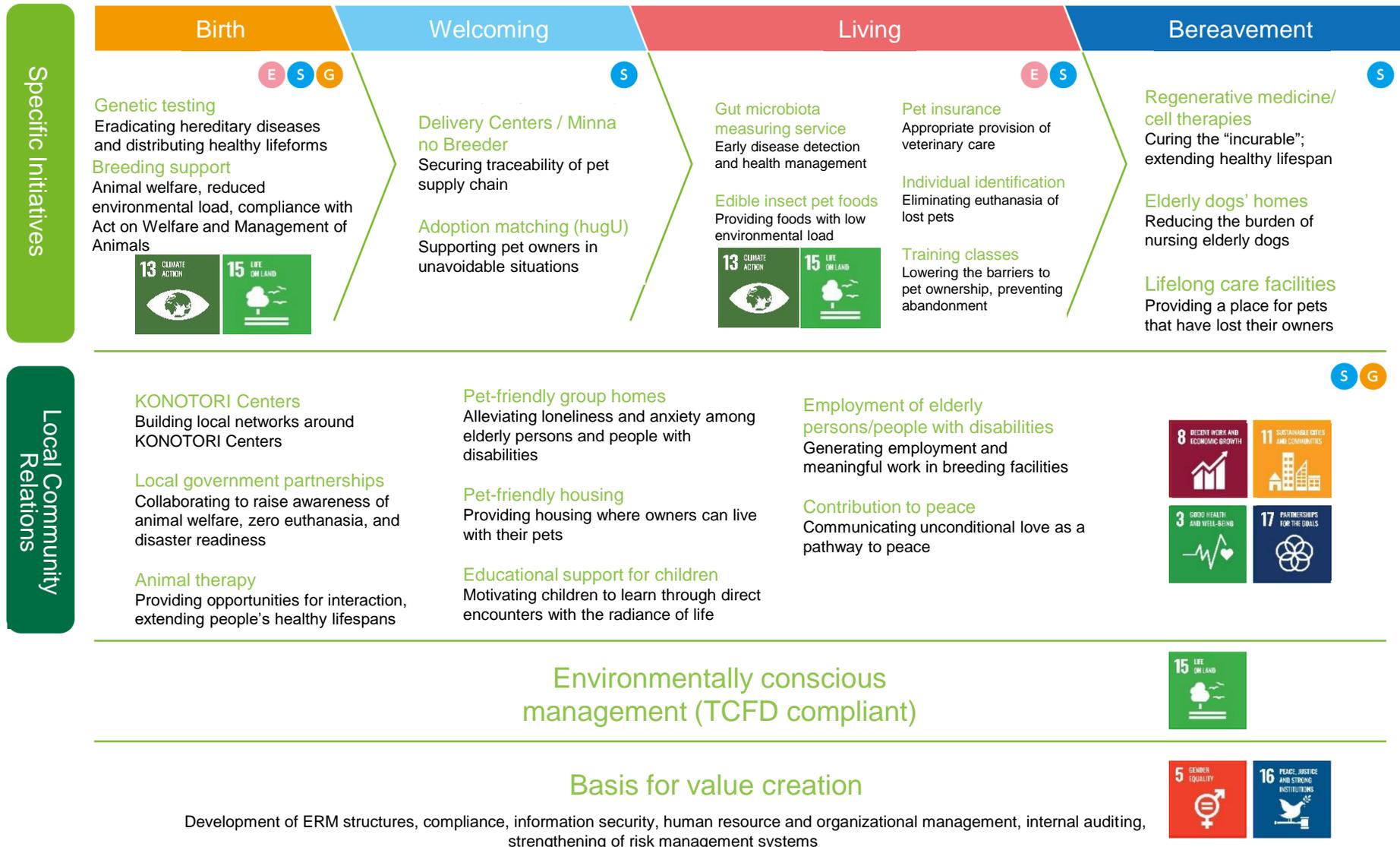


[Numerical Targets Toward Resolution of the Issues]

- | | |
|--|---|
| <ul style="list-style-type: none"> ● One patent per employee strategy ● Exchange events for elderly persons, people with disabilities, and children ● Employment support for elderly persons and people with disabilities ● Educational support for children (participants in animal hospital experience programs, etc.) | <ul style="list-style-type: none"> ... Over 100 applicants (currently approx. 70) ... 20 events per year ... Launching progressively (results to be announced ad hoc) ... 100 participants per year |
|--|---|

5. Sustainability Management (CSV Management)

(4) Anicom's CSV Activities in the Value Chain (Responses to ESG/SDGs)



2 Key Points of Mid-Term Management Plan 2022-2024

1. Market Environment

2. Intended Directions

3. Anicom's Corporate Value Creation

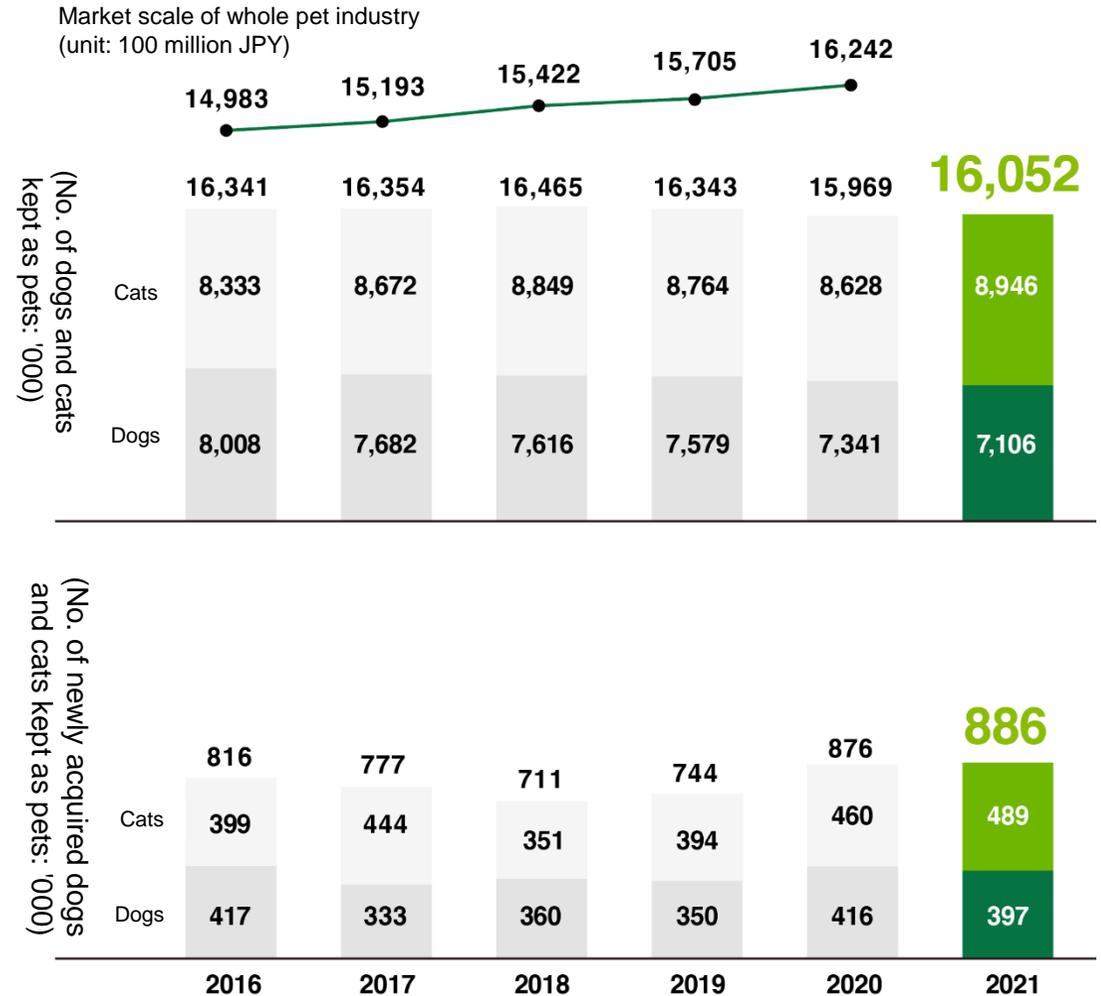
4. 2022-2024 Phase in Context of Vision for FY2030



1. Market Environment

Market Size and Number of Pets

Growth in new pet ownership and market overall, despite slow decline in pet population

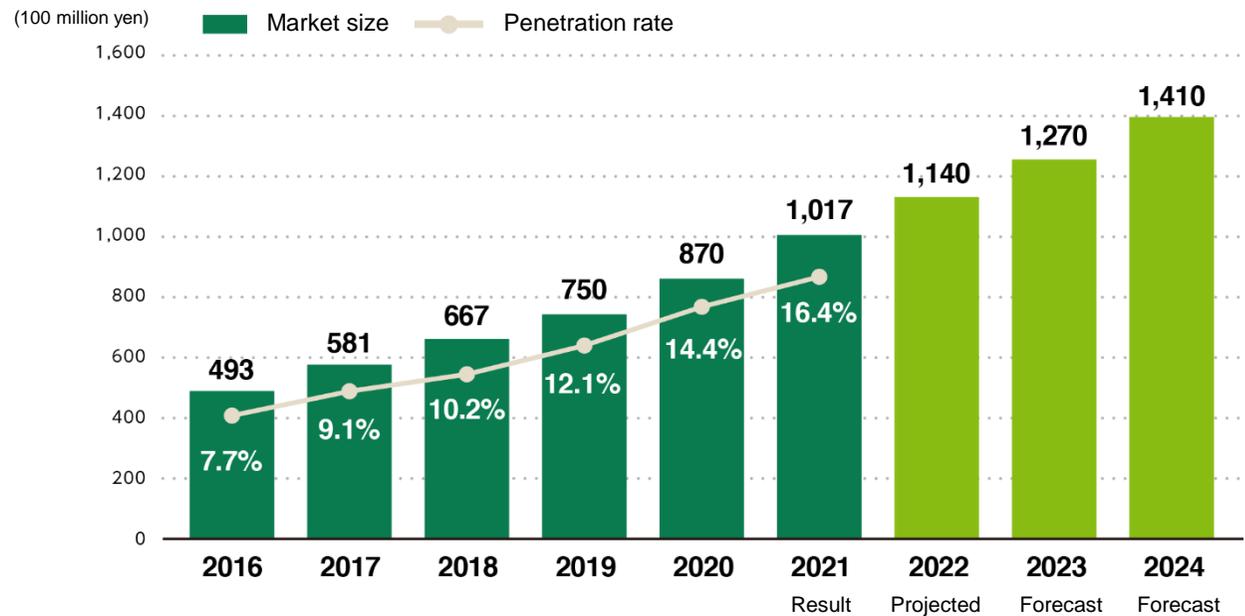


Source: Japan Pet Food Association
 Source: Yano Keizai Co., Ltd. Pet Business Marketing Overview

*Due to changes in estimation methods used in Japan Pet Food Association's national survey of cat and dog ownership, values provided here may differ from estimated values previously published.

Pet Insurance Market Size and Penetration Rate

Penetration rate remains 16%, market is still growing



Source: Fuji Keizai Co., Ltd.: Overview of Pet-related Sector Marketing in 2021 / Penetration rate is estimated from the said overview, and Japan Pet Food Association's national survey of cat and dog ownership, 2021

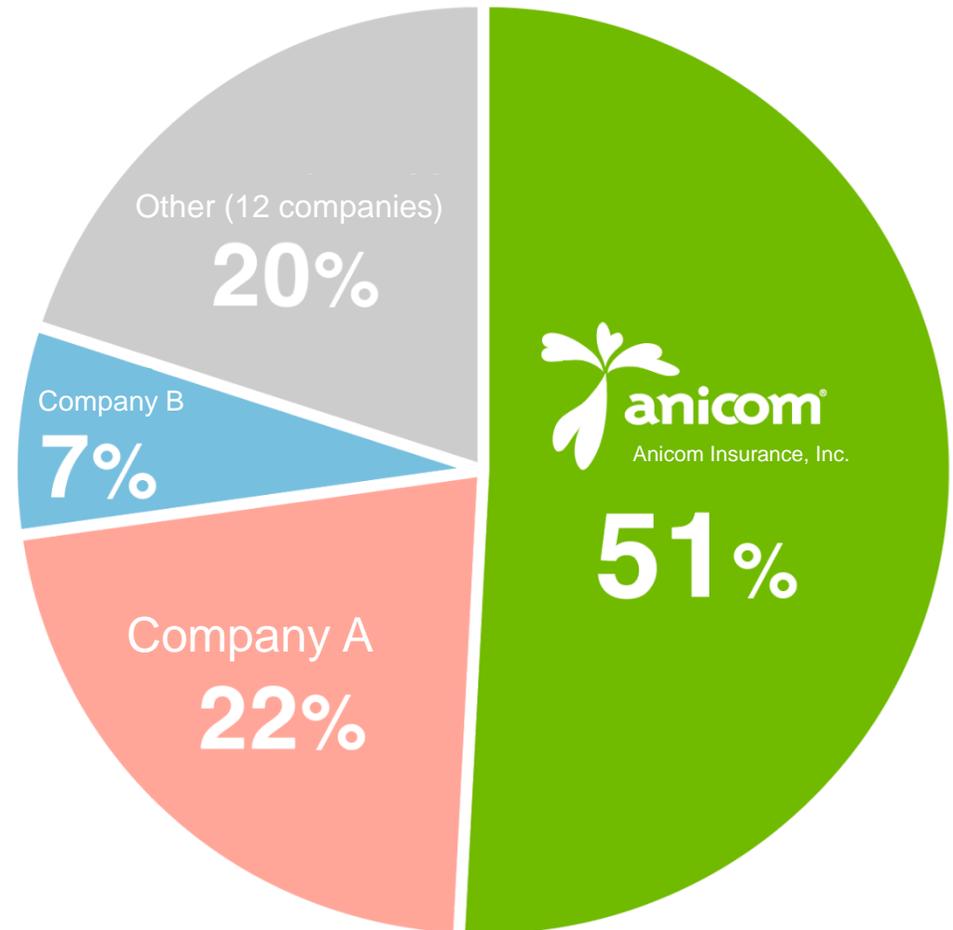
*Due to changes in estimation methods used in Japan Pet Food Association's national survey of cat and dog ownership, values provided here may differ from estimated values previously published.

1. Market Environment

Company Share of Pet Insurance Market

(Premium basis (Approximate))

No. 1 share for 12 years in a row



Assumed by our company based on each company's disclosure materials and published financial statements (FY2020)

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

Anicom's Purpose and Sustainability Management

**To share unconditional love
across the world, and to regain,
maintain, and advance peace**

- **The pet industry as a key conduit to peace
(and the Anicom Group will discharge its responsibilities as the industry leader)**
- **Sustainability management (CSV management) that contributes to the resolution of social challenges and creates both economic and social value, not only by alleviating loneliness and anxiety across the world, but also giving people a positive sense of purpose in life, and providing children with formative experiences in educational settings**

To deliver boundless value as an infrastructure provider in animal industries

- Honing our pet insurance operations to become a presence in society as natural as the air or water
- Further strengthening our businesses and services with stabilizing functions and synergies with the insurance business

2. Intended Directions

To share unconditional love
across the world, and to
regain, maintain, and advance
peace

×
||

To deliver boundless value as
an infrastructure provider in
animal industries

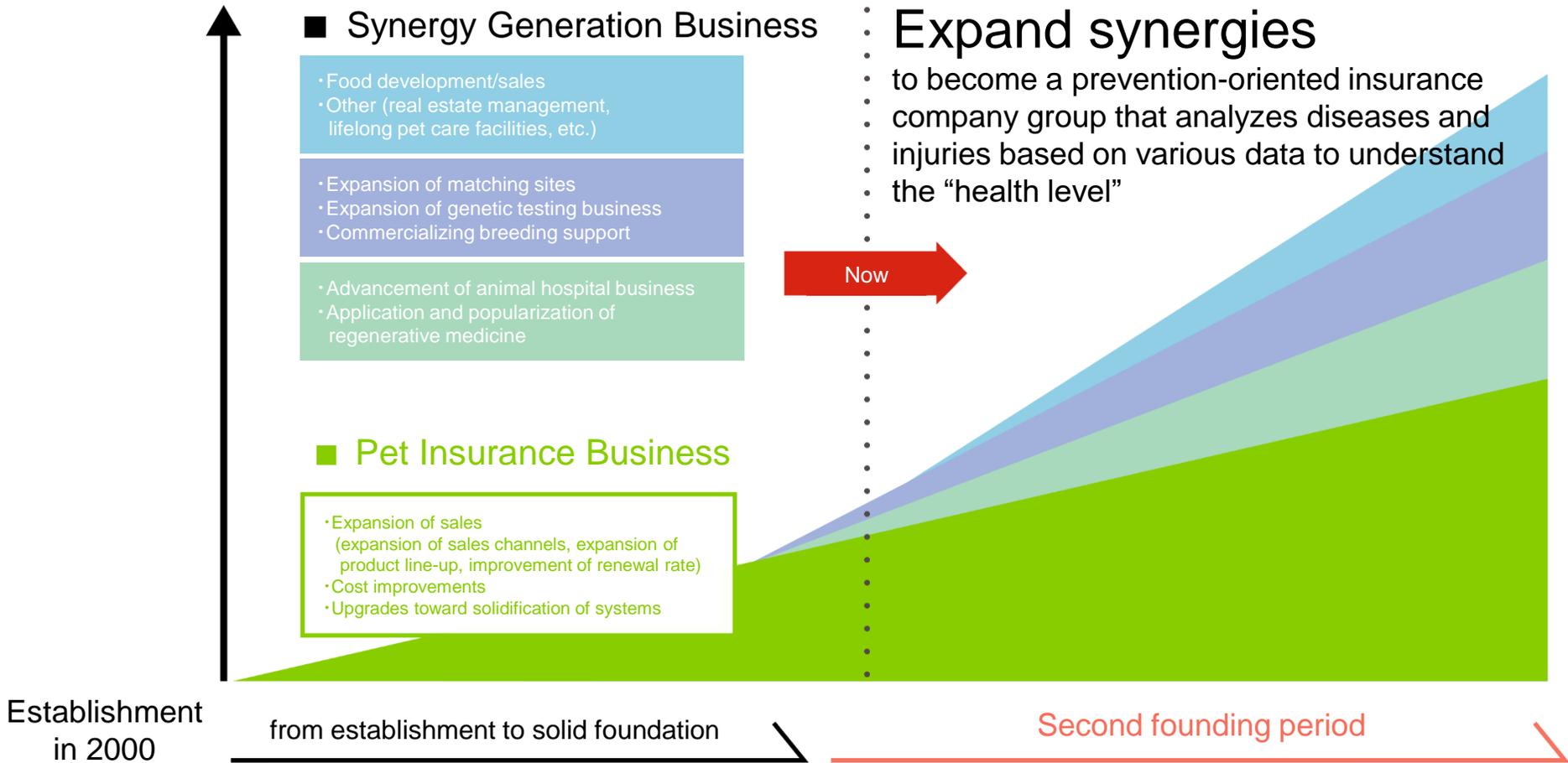
Reliable profit growth and improved capital efficiency

- Balancing stable expansion of pet insurance business with improvement in profitability
- Capital allocations in line with improved investment returns and revised capital controls (risk coefficients)

3. Anicom's Corporate Value Creation

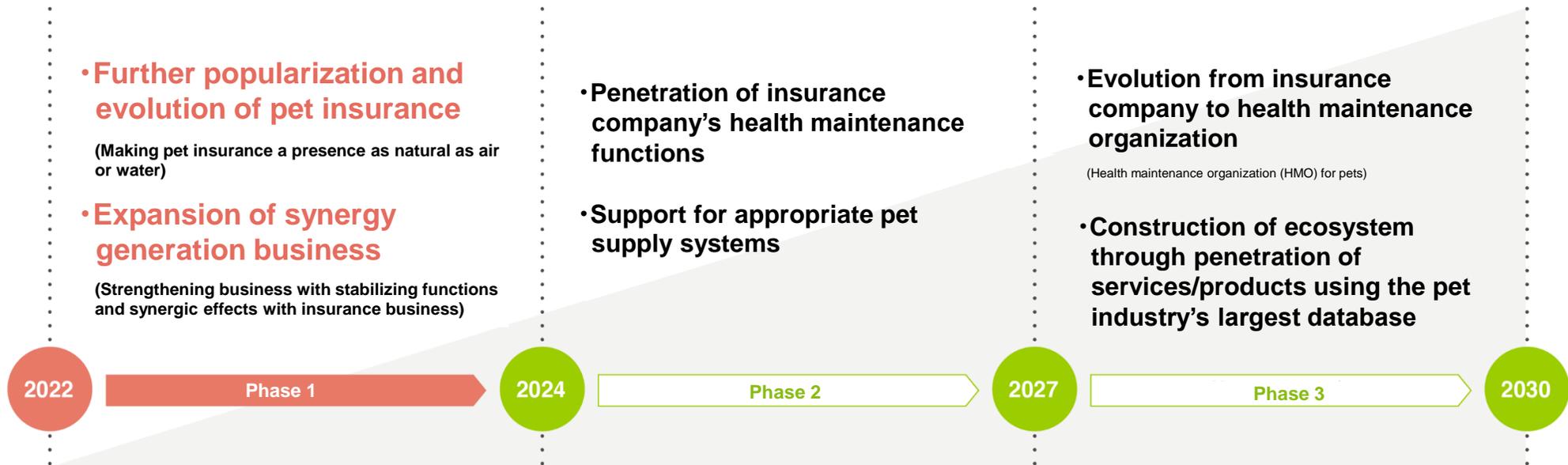
Generate new corporate value and sustain high growth through the pet insurance business and synergy generation business in combination

Corporate Value Generation
(Recurring Revenue)



4. 2022-2024 Phase in Context of Vision for FY2030

Positioned as the first phase in building the foundations for achieving our management vision, looking toward the completion of the second founding period in FY2030



Realizing the vision for FY2030

Delivering boundless value to society with infrastructure that connects services from upstream to downstream in a way that contributes to pet industry development

3 Specific Targets for 2022-2024 Mid-Term Management Plan

1. Key Numerical Targets for Management (Consolidated)
2. Approach to Capital Allocation
3. Outline of Basic Strategies (Priority Measures)
4. Key KPIs (Insurance Business / Synergy Generation Business)



1. Key Numerical Targets for Management (Consolidated)

- Position FY2024 targets as phase 1 in process of achieving FY2030 vision
- Transition to a focus on balance of scale and profit, informed by outcomes of previous mid-term plan

[Key Numerical Targets for Management (Consolidated)]

	FY2021 Results	FY2024 Targets	FY2030 Vision
Consolidated Recurring Revenue	53.02 billion JPY	65-70 billion JPY	around 100.0 billion JPY
Consolidated Recurring Profit	3.16 billion JPY	4.5-5.0 billion JPY	around 10.0 billion JPY
Consolidated ROE	8.0%	around 10%	12-15%
Shareholder Returns	Dividend payout ratio 9.6%	Dividend payout ratio around 20%	DOE around 4%
Synergy Generation Business Sales Ratio	9.5%	around 12%	20-25%

2. Approach to Capital Allocation (ERM perspective)

ERM (Enterprise Risk Management) required in managing an insurance company group

- Achieve even higher corporate value in line with management vision for second founding period
- Balance capital, risk, and return, with an eye to shareholder returns as well



SMR (Solvency Margin Ratio)
ROR (Return On Risk)

FY2021 result: SMR **334.6%**

∨

FY2024 target:
SMR 300-320%

∨

FY2030 vision:
Planning to calculate using new SMR

ROR focused management

ROE (Return On Equity)

FY2021 result: **8.0%**

∨

FY2024 target: around 10%

∨

FY2030 vision:
12-15%

ROE in excess of capital cost
Predicated on equity spread

Shareholder returns (dividend payout ratio / DOE)

FY2021 result: Dividend payout ratio **9.6%** (after dividend increase) >

FY2024 target: **Dividend payout ratio around 20%** >

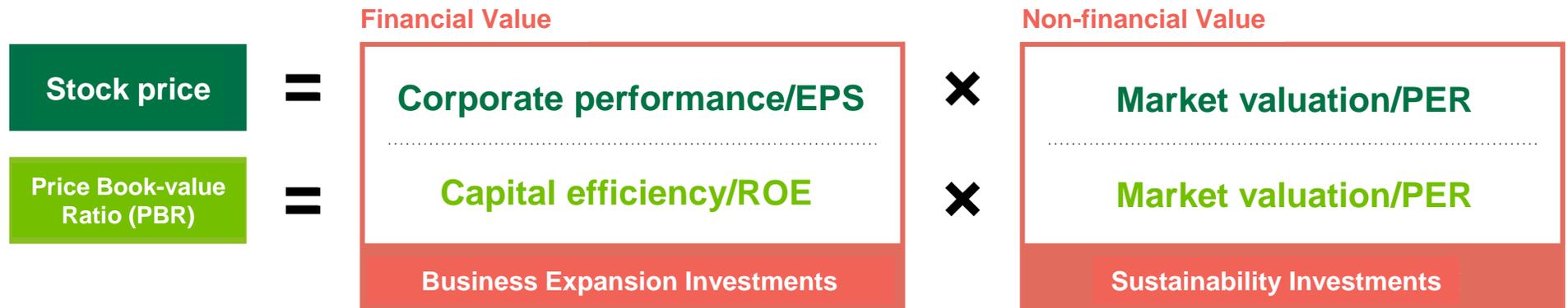
FY2030 vision: Replace dividend payout ratio with disclosure of dividend on equity (DOE) ratio

2. Approach to Capital Allocation (Valuation of non-financial value)

Use appropriate capital allocations to build a reputation as “a company that resolves social issues and leads the pet industry” in the stock market, leading to an increase in both market valuation (PER) and corporate value in terms of both financial and non-financial value

Approach to Capital Allocation

Make re-investments (in business expansion and sustainability) taking into account the volume of newly generated risk and based on increases in investment returns and revision of capital controls (risk coefficients); also make efficient allocations toward shareholder returns. In re-investments, prioritize allocations that put initiatives in breeding support, animal hospitals, and pet food on track for early success. Consequently raise mid to long-term corporate value with appropriate capital allocation and structure.



When re-investing, prioritize implementation of projects that contribute significantly to both financial and non-financial value, and well as pursuing incremental improvement of shareholder returns, to achieve balance between investments and returns

3. Outline of Basic Strategies (Priority Measures)

Basic Strategies (All measures are inter-related, founded on a strategy mix strategy!)

Further popularization and evolution of pet insurance

(Making pet insurance a presence as natural as air or water)

1. Build unique insurance products

- Add new health check services
- Develop new products

2. Reduce insurance payouts, improve loss ratios

- Reduce unlimited coverage policies
- Pursue preventative measures (medical consultation flowcharts, use of imaging/AI)

3. Reduce insurance recruitment costs (such as agency commission, advertising cost, etc.)

- Shift from pursuit of quantity alone to emphasis on balance between quantity and quality
- Further expand sales channels in secondary markets, etc. (white label)

4. Improve operations (reduce selling, general and administrative expenses)

- Automation, online platforms



Expansion of synergy generation business

(Supporting the insurance business and strengthening synergic effects)

1. Further strengthen breeding support, making full use of human, physical, monetary, data, scientific, and medical resources

- Genetic testing – analysis, optimal mating matching
- Reproductive support – stem cells, frozen sperm
- Medical support (house call services)
- Sales support (strengthening of Minna no Breeder program, neighborhood relocation services)
- Business assistance (investments in training, provision of spaces, provision of systems, etc.)
- Assistance in assignment of retired animals (construction and operation of shelters, etc.)

2. Expand animal hospital business (stabilizer of insurance payouts)

3. Expand pet food business (commitment to good health)

4. Deploy advanced medical care including regenerative medicine (preventative, ageing countermeasures)

5. Expand coexistence real estate business through asset management

6. Strengthen “Search/Reserve” functions (anirece, Minna no Breeder, etc.)



Utilize data collection infrastructure in support of these strategies (basic animal resident register concept); create intellectual property including patents
Turning blood, sweat and tears into diamonds

4. Key KPIs (Insurance Business / Synergy Generation Business)

- Position FY2024 targets as phase 1 in the process of achieving the FY2030 vision
- Transition to a focus on balance of scale and profit, informed by outcomes of previous mid-term plan

Insurance Business		Synergy Generation Business	
	FY2021 Result	FY2024 Target	
Loss Ratio	58.1%	58-59%	Consolidated Sales Ratio
Expense Ratio	36.7%	35-36%	9.5%
Combined Ratio	94.8%	93-94%	approx. 12%
Solvency Margin Ratio	334.6%	300-320% *	Profitability of Hospital Business
			Negative after amortization of goodwill
			Positive after amortization of goodwill
			Toward sales of 3.0 bill. JPY
			No. of Genetic Testings
			105,000/year
			120,000-150,000/year
			No. of gut microbiota measuring
			188,000/year
			200,000-250,000/year
			Pet Food Sales
			—
			Toward sales of 0.8-1.0 billion JPY

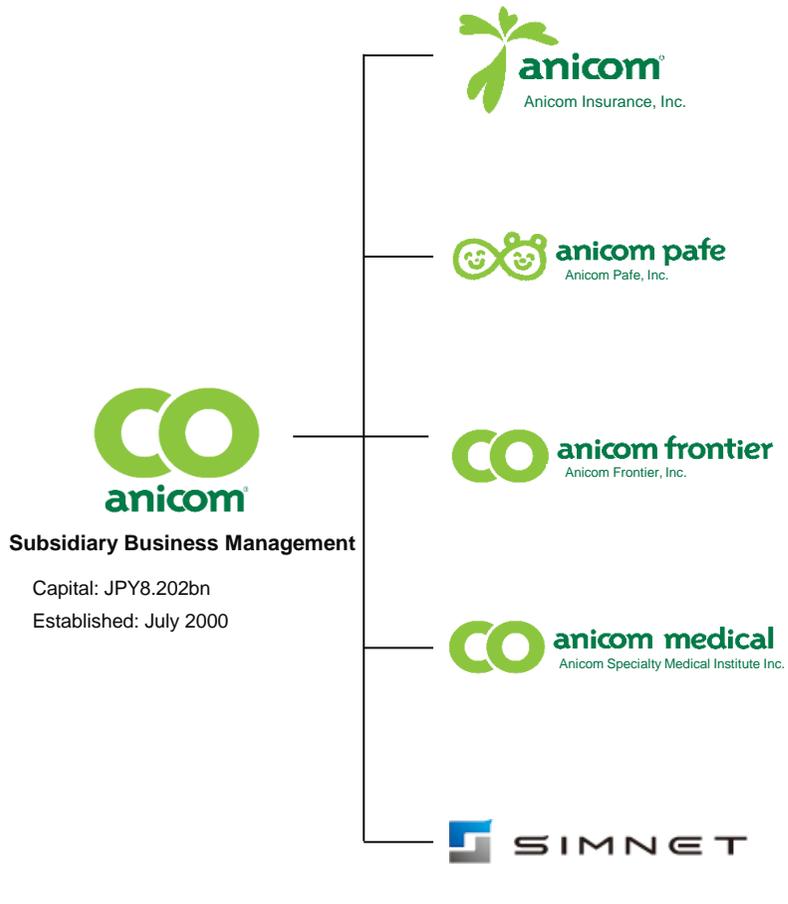
*At present, discussions are underway on regulatory changes over the medium term with regard to the financial soundness of insurance companies (e.g., risk coefficient). With an eye to the future regulatory changes, Anicom will aim for incremental optimization of capital structure.

4 APPENDIX

1. Overall Group Profile and Group History
2. Relationship between Insurance Business and Synergy Generation Business
3. Glossary of Terms



1. Overall Group Profile and Group History



Non-life insurance business

Pet insurance

Capital: JPY6.550bn
Established: January 2006

Animal hospital support operations

Capital: JPY50mn
Established: December 2004

Insurance agency operations

Capital: JPY45mn
Established: February 2005

Clinical research on animal medical care

Capital: JPY450mn
Established: January 2014

Pet-related online services

Capital: JPY100mn
Established: March 2001
Subsidiary since: January 2020

- Apr 2000 Established anicom as voluntary association (mutual aid association for pets)
- 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)
- Dec 2004 Established Anicom Pafe, Inc.
- Feb 2005 Established Anicom Frontier, Inc.
- 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)
- Dec 2007 Anicom Insurance, Inc. acquired a nonlife insurance business license
Anicom International, Inc. acquired certification as an insurance holding company
- Jan 2008 Start of sales of pet insurance by Anicom Insurance, Inc.
- Apr 2008 Start of pet insurance coverage by Anicom Insurance, Inc.
- Nov 2009 Published "White Paper on Household Animals" (published annually thereafter)
- Mar 2010 Anicom Holdings, Inc. listed on the Tokyo Stock Exchange Mothers market; (securities code: 8715)
- Jan 2014 Established the Japan Animal Specialty Medical Institute, Inc. (currently, Anicom Specialty Medical Institute, Inc.)
- 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
- Jan 2020 Acquired all stock of Simnet Co., Ltd and made it a wholly owned subsidiary
- Mar 2021 Canceled joint venture agreement with Fujifilm Corporation; business of Celltrust Animal Therapeutics Co., Ltd. continued by Anicom Specialty Medical Institute, Inc.
Disestablished Anicom Capital, Inc.

2. Relationship between Insurance Business and Synergy Generation Business



3. Glossary of Terms

■ Insurance-related terms

- **Insurance premium:** A sum paid by a policyholder to an insurance company as consideration for the insurance company assuming a risk that the insured party is exposed to.
- **Insurance payout:** A sum paid by the insurance company to the policyholder if damage occurs as a result of an insured event.
- **Expenses:** A blanket term for expenses incurred in an insurance company's business, including operating and general administrative expenses, and net commission and collection expenses.
- **Loss ratio:** Ratio of insurance payouts to insurance premiums. In this document, it is expressed as the ratio of incurred insurance payouts to earned premiums, including loss adjustment expenses.
- **Expense ratio:** Ratio of expenses to insurance premiums. In this document, it is expressed as the ratio of expenses related to nonlife insurance business to earned premiums.
- **Combined ratio:** The sum of "loss ratio" and "expense ratio." If it is 100% or less, it means that a nonlife insurance company's revenue exceeds its expenditure.
- **Solvency margin ratio:** Represents the ratio of excess capital, reserves, etc. relative to the risks that may arise beyond ordinary predictions.
- **Catastrophe reserve:** A certain proportion of insurance premiums accumulated by a nonlife insurance company as funds in reserve for major catastrophes.
- **Renewal rate:** Ratio of renewed insurance policies against the number of insurance policies in the preceding fiscal year.
- **Underwriting:** Determination of risk selection, conditions, rates, etc. when establishing an insurance policy.

■ Pet insurance-related terms

- **NB channel:** Our company's largest channel, designed for pets aged zero, mainly sold at pet shops. NB is an abbreviation of New Born.
- **General channels:** Sales channels such as online and at financial institution counters, designed for pets already with owners.
- **Contracted hospital:** An animal hospital that is already contracted with Anicom Insurance and has adopted an OTC insurance settlement system.
- **OTC insurance settlement:** A system enabling finalization of an insurance payout when the policyholder settles their treatment expenses over-the-counter (OTC) at an animal hospital, allowing them to pay only their co-payment.
- **Insured rate:** The proportion of animals sold, mainly at pet shops, for which pet insurance premiums are taken out.
- **Diffusion rate:** The proportion of dogs and cats with owners in Japan that are covered by pet insurance.



Inquiries

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