

Anicom Group

Anicom's Business Model

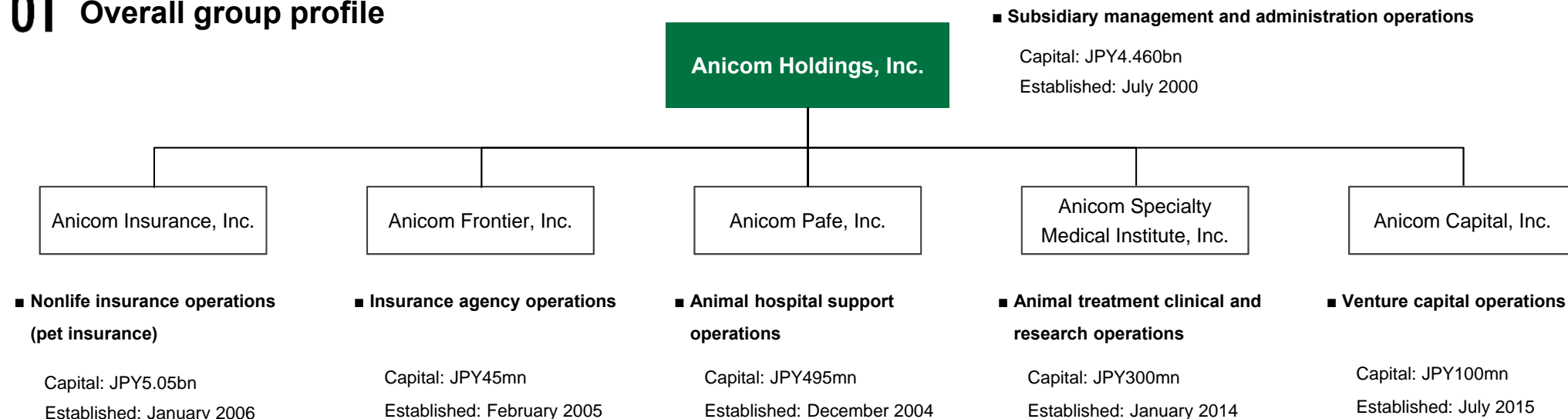
Sep 2018



Securities Code: 8715

1. Company Profile

01 Overall group profile



02 Group history

Apr 2000	Established anicom as voluntary association (mutual aid association for pets)	Jan 2008	Start of sales of pet insurance by Anicom Insurance, Inc.
Jul 2000	Based on anicom, established BSP Inc. as an animal insurance business entrustment company. (Changed trade name to Anicom International, Inc. in January 2005, and to Anicom Holdings, Inc. in June 2008)	Apr 2008	Start of pet insurance coverage by Anicom Insurance, Inc.
		Jan 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)
Dec 2004	Established Anicom Pafe, Inc.		
Feb 2005	Established Anicom Frontier, Inc.	Jan 2014	Established the Japan Animal Specialty Medical Institute, Inc. (currently, Anicom Specialty Medical Institute, 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)	Jun 2014	Anicom Holdings, Inc. shares moved to First Section of Tokyo Stock Exchange
		Jul 2015	Established Anicom Capital, Inc.
Dec 2007	Anicom Insurance, Inc. acquired a nonlife insurance business license	Apr 2016	Established Celltrust Animal Therapeutics Co., Ltd. as a joint venture between Anicom Holdings, Inc. (49% stake) and Fujifilm Corporation (51%)
	Anicom International, Inc. acquired certification as an insurance holding company		



The Anicom Group pursues management that values and emphasizes **diversity**.

We believe monolithic, uniform organizations or communities lack the flexible mindset necessary to generate new value. Accordingly, we aspire to grow through cooperation with a **diverse range of human resources**. Anicom group is comprised of approximately 100 veterinarians, physicians, MDs, experts in agricultural science, science, the law, CPAs, actuaries and graphic designers. This range gives us flexibility and the best division of labor.

By **valuing the diversity of all living organisms** ranging from animals to bacteria, we intend to continue providing new value to society.

■ Long-term management vision

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

■ Mid-term management vision

As a player in pet sector infrastructure, we acknowledge the diversity of all living organisms, and will provide new and enhanced value by realizing **a world free from concern over hereditary disorders** and through **extension of pets' healthy lifespan**.

■ FY03/19 management vision

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

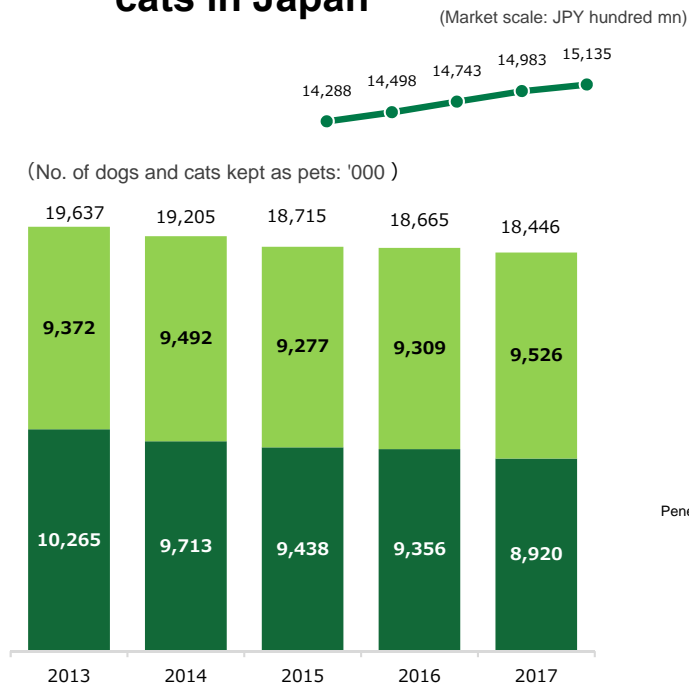


2. Pet insurance business

(1) Pet insurance market environment

2. Pet insurance business

01 Number of pet dogs and cats in Japan

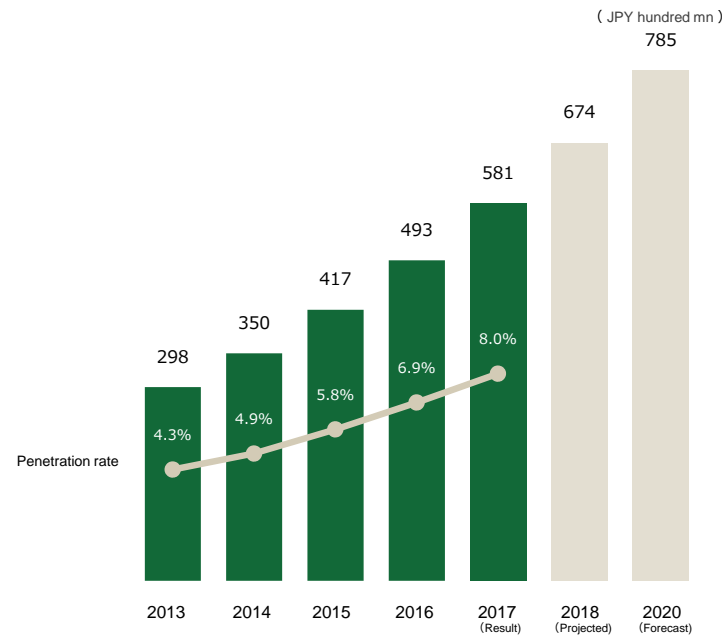


Source: Japan Pet Food Association, Yano Keizai Co, Ltd.: Pet Business Marketing Overview 2018 Edition

Market grows despite slow decline in pet numbers

The pet market is expanding despite a gradual decline in the number of pets. Spending per pet, including insurance, is trending up, indicating that more owners regard pets as much-loved family members. Amid these changes, we see the need for a product strategy targeting senior citizens and cats.

02 Pet insurance market size

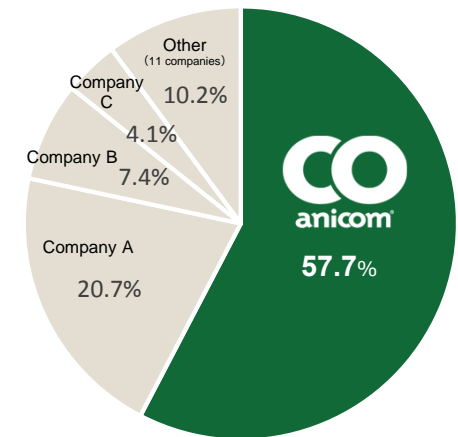


Source: Fuji Keizai Co., Ltd.: Overview of Pet-related Sector Marketing in 2018

Pet insurance penetration rate is roughly 8%

Although the penetration rate of pet insurance in Japan is increasing steadily, it is still only 8% compared with 25% in the UK, which has a long history of pet insurance. We expect strong growth rates to continue, with the possibility that the penetration rate in Japan will reach a similar level as the UK going forward.

03 Insurance market share (premium basis)



Source: Company disclosure materials

Top market share

There are 15 pet insurance companies, of which four are insurers and 11 are small amount and short-term insurance providers. Thus competition remains severe despite the relatively small market size. Anicom has maintained its 50%-plus share of a growing market and is the single dominant player.

(2) Pet insurance products

2. Pet insurance business

01 Pet health insurance



Two coverage plans: 70% and 50%

Full coverage type products that can be used nationwide

You can claim veterinary fees incurred for hospital visits, hospitalization, and surgery. Treatment is covered at all animal hospitals in Japan. [Premiums](#) vary depending on the [percentage of cover](#) (70% plan or 50% plan).

*Product name: Dobutsu Kempo Family

Low premium product specializing in hospitalization and surgery

On October 2, 2017, we launched a new product specializing in hospitalization and surgery, with premiums at about a third of previous products. A low-cost insurance product that prepares our clients for emergencies.

*Product name: Dobutsu Kempo Petit

Note: Neither product offers death cover.

02 Premiums and product features

	ふあみりい70%プラン 支払割合 70% 支払限度額と限度日数(回数)	ふあみりい50%プラン 支払割合 50% 支払限度額と限度日数(回数)
通院	1日あたり最高14,000円まで ※1年間にご利用できる日数は各20日までです。	1日あたり最高10,000円まで ※1年間にご利用できる日数は各20日までです。
入院	1日あたり最高14,000円まで ※1年間にご利用できる日数は各20日までです。	1日あたり最高10,000円まで ※1年間にご利用できる日数は各20日までです。
手術	1回あたり最高140,000円まで ※1年間にご利用できる回数は2回までです。	1回あたり最高100,000円まで ※1年間にご利用できる回数は2回までです。

Maximum payout and hospitalization days covered by full coverage products

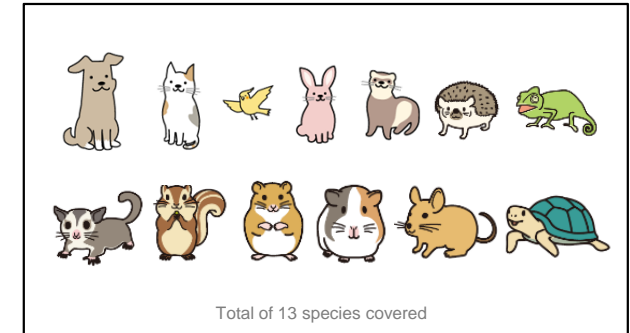
Premiums determined by breed and age

The annual premium is around JPY34,000 for a one-year-old chihuahua and JPY63,000 for a five-year-old golden retriever on the 70% plan, full coverage product. Our premiums increase more gradually with age than our competitors.

Controlling loss ratio by policy limits (payouts and hospitalization days)

Both insurance products set limits on the payout amount and hospitalization days covered to keep the loss ratio under control. That being said, coverage is generous so that policyholders will be satisfied with their payout.

03 Coverage for wide range of animals



Total of 13 species covered

13 types of animals eligible for coverage

In addition to dogs and cats, insurance can be issued for other popular pets such as birds, rabbits and ferrets. Moreover, coverage eligibility was expanded from 2016 to include a diverse range of animals such as Japanese flying squirrels, squirrels, hamsters, mice, guinea pigs, hedgehogs, turtles and lizards..

Lifelong renewals

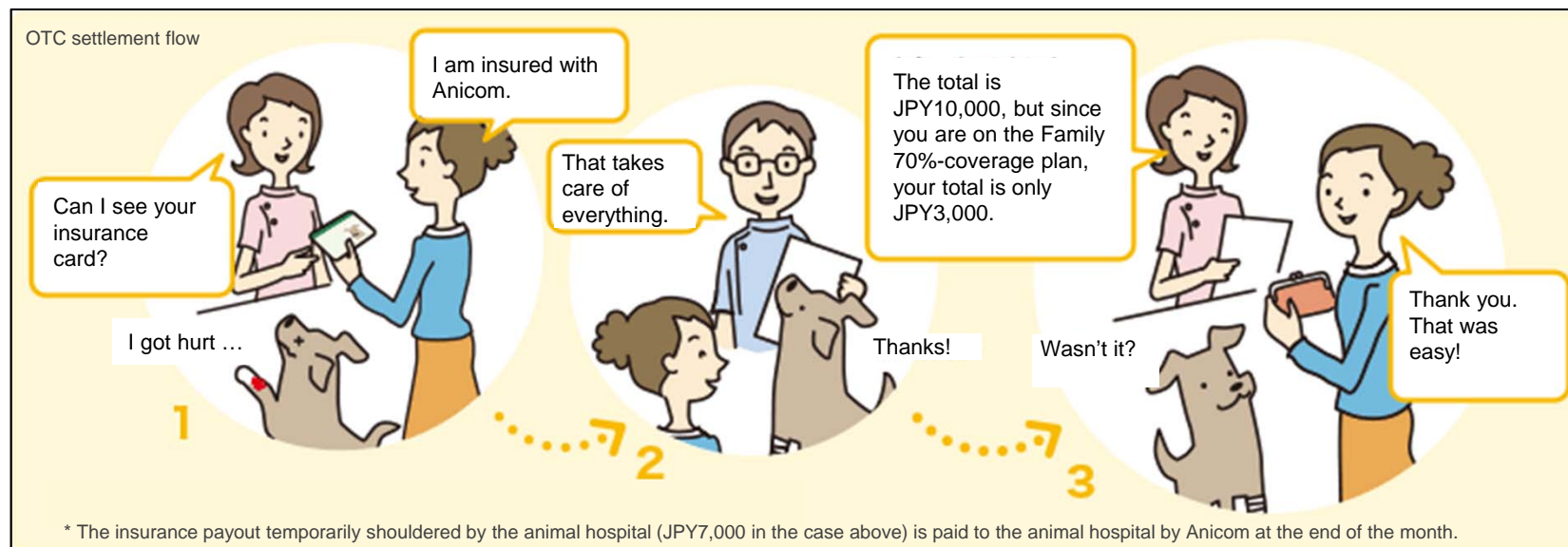
New policies for dogs and cats can be issued to pets under eight years old (up to seven years and 11 months). Although the policies are nonlife insurance products that must be renewed annually, they can in principle be renewed throughout a pet's lifetime.

(3) Anicom Insurance's strengths

① Establishment of OTC insurance settlement system



2. Pet insurance business



Our OTC settlement system, which facilitates a smooth link between policyholders, animal hospitals and Anicom, is available across nearly the entire country.

The high barriers to entry in this segment of the market give us a substantial competitive advantage.

01 Great customer convenience

We were the first company to establish an [over-the-counter \(OTC\) settlement system](#) for animals in Japan, allowing policyholders to pay only uncovered amounts out of pocket simply by presenting their insurance card at the hospital (similar to the National Health Insurance system). This business model is centered on increasing the ease of use of insurance. This is important as medical treatment for animals is characterized by low cost but high frequency. "Ease of use", therefore is Anicom Insurance's greatest strength.

02 Partnership with over 6,200 hospitals

We have always worked to expand the network of [hospitals accepting Anicom](#) insurance. Consequently our network has grown to 6,200 hospitals (more than 50% of all animal hospitals in Japan), far exceeding our competitors and giving us competitive advantage. Partnerships with animal hospitals is essential for the pet insurance business model and effectively serves as an entry barrier.

03 Low administrative costs

In the traditional pet insurance model, the policyholder mails a claim form to the insurance company. Every claim incurs administrative costs such as bank transfer charges, postage, and assessment costs. Our business model has reduced this cost to about 10%. Although around 85% of claims are made over the counter, we have also started a [claim service using LINE](#), which combines convenience with business efficiency.

(3) Anicom Insurance's strengths

② Sales capability covering all of Japan
and variety of channels



2. Pet insurance business

01 Newborn channel

(FLOW)

Our largest channel targeting newborn animals has mainly been sold through pet shops. This channel is distinguished by a high contract rate and a low loss rate due to the young age of the animals.



Insurance sales where owners meet their pets

This channel targets pets about to join new families. We have concluded [agency agreements](#) with around 2,000 major pet shops nationwide to sell pet insurance with the animals. In addition, we are pioneering cat adoption sessions and breeder sales channels to sell insurance at various occasions where owners meet their pets.

Product design that facilitates signup

Because newly sold animals may experience discomfort due to sudden changes in environment, our newborn-oriented products offer 100% coverage for medical treatment expenses in the first month of the policy, thus encouraging customers to sign up.

Compared to the general channel, the young age of the animals results in a low loss ratio over the mid-term, and therefore contributes to an improvement in management efficiency.

02 General channel

(STOCK)

This channel is via OTC sales or online sales (direct sales by Anicom or sales by an agent). It targets dogs and cats already owned by households, and is therefore massive market.



Massive market

This channel targets dogs and cats already owned by households (approximately 18.4mn nationwide) and other pet species. In addition to [online sales via our website](#), our policies are sold by online agents and over the counter by financial institutions. *Principal agents: [Sony Assurance](#), Asahi Mutual Life Insurance, Benesse Corporation, regional co-operatives, Yanase, regional banks, and shinkin banks.

Targeting scale expansion by strategic marketing

Dogs and cats under eight years old are eligible for coverage. Although the market is huge, the animals insured are older than those in the newborn channel. We therefore aim to expand business by strategic marketing while considering the loss ratio impact. We also exercise control over fraud by requiring a strict preliminary screening and waiting period.

(3) Anicom Insurance's strengths

③ Over 100 veterinarians

*Total number of veterinarians employed on group basis as of May 2018



2. Pet insurance business



01 Harnessing vets' expertise in insurance

Accurate assessment of an insurance claim requires the ability to understand the story of a patient's medical history from a medical treatment report. We assess claims quickly and accurately by harnessing vets' knowledge and clinical experience. Many vets also play a role in preliminary screening, assessing animals' health and medical history so that we can provide a fair underwriting service.

02 Support for pet shops

Our vets provide an animal management support and hygiene guidance service to pet shops, which are our main insurance sales channel. Buying a healthy animal with insurance from a pet shop not only ensures a lower loss ratio, but provides assurance to owners that their pet has been properly checked by a veterinarian. This also reduces claims against pet shops after the sale.

03 One-of-a-kind service

In addition to our established telephone animal health consultation service, we have started [Dobutsu Hotline](#), which allows policyholders to consult vets about illness, health, and training using LINE. We can help pet owners with a broad range of problems, because we have a team of vets with diverse professional experience and areas of expertise.

3. Prevention business

Becoming a prevention-oriented insurance company

Data on accidents or illnesses are tremendously valuable to any insurance company. This is because the insurance operations of each company are informed by statistical insights derived from massive amounts of such data.

However, I believe that such data should not only be used for insurance companies, but also leveraged for the benefit of society as a whole. For example, the integration of accident data for major intersections across the nation into car navigation systems would likely lead to a reduction in accidents.

From this perspective, I think the case can be made that the essential role played by insurance companies in society should not be the mitigation of damage resulting from accidents or illnesses, but rather the prevention of such damage.

Anicom group has been committed to this goal since its establishment, and we intend to further strengthen our preventive services with the goal of becoming a prevention-oriented insurance company.

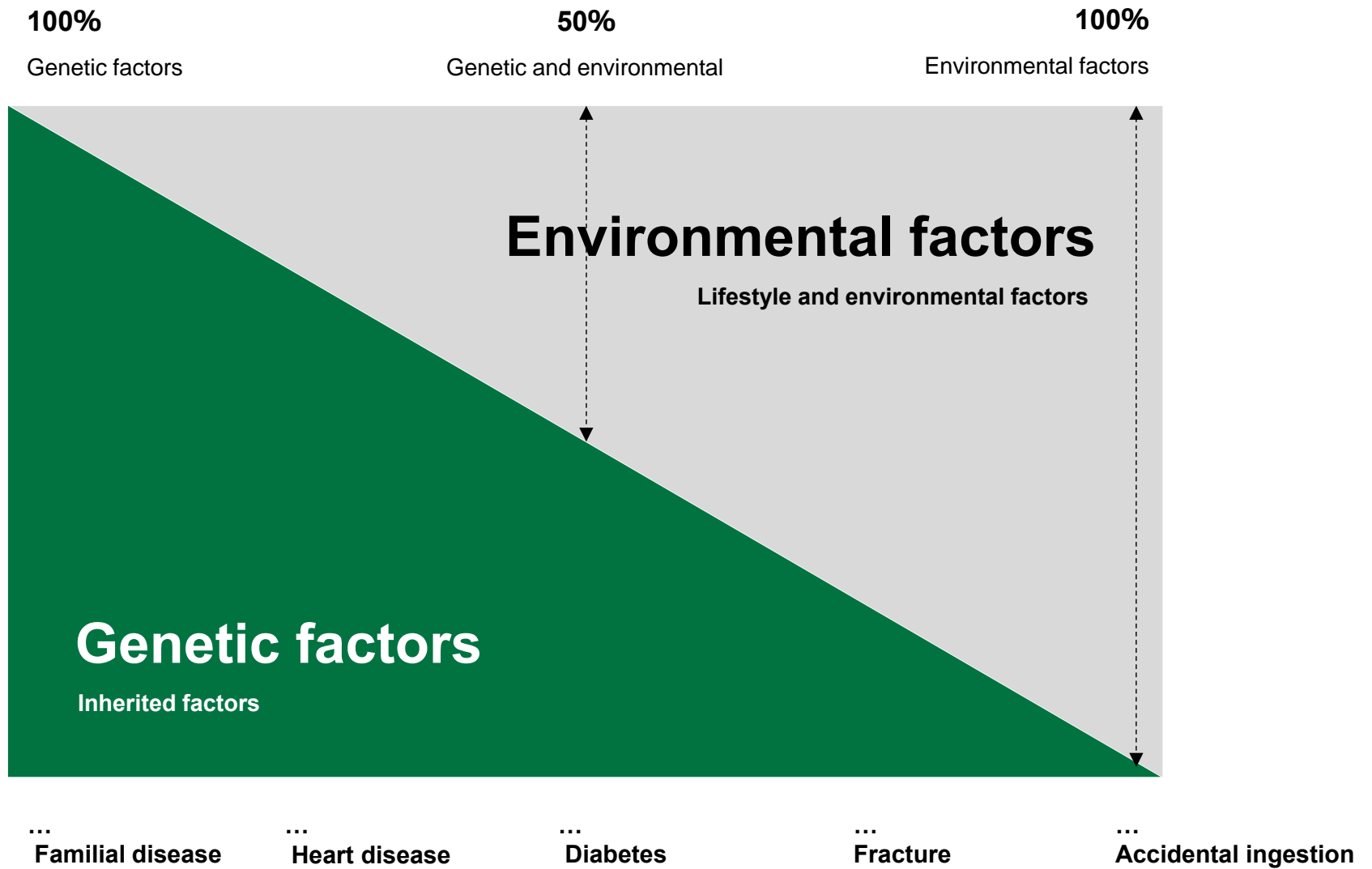


Nobuaki Komori
Representative Director
Anicom Holdings, Inc.



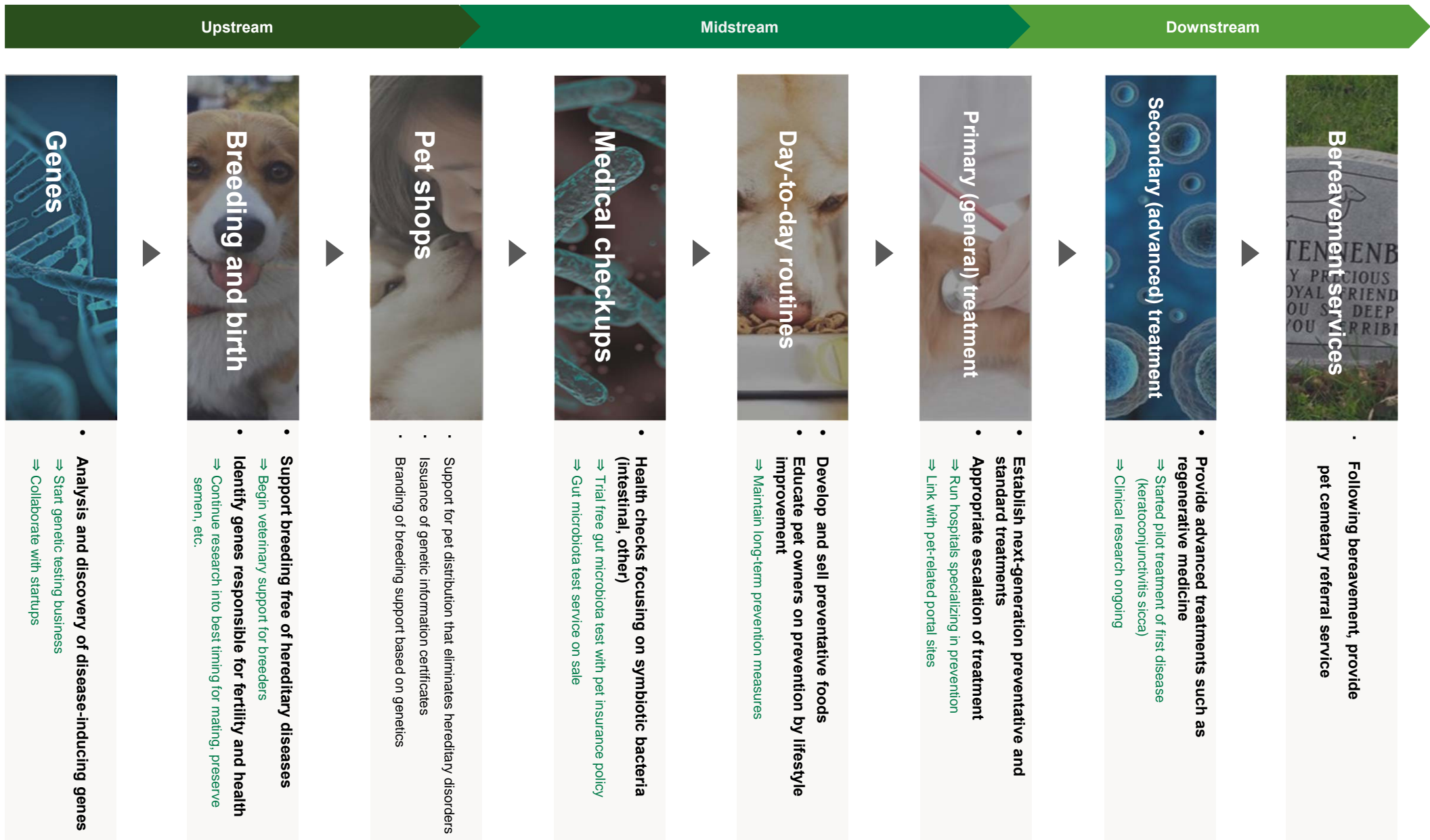
(2) Developing a prevention mindset

3. Prevention business



(3) Prevention strategy overview

3. Prevention business



(4) Hereditary disorders

3. Prevention business

Eliminating hereditary disorders of pets

In their role as man's working partner, dogs have evolved over the years into various breeds. As a consequence, however, many dog breeds have inherited pathological genes. Although hereditary disease in humans can be extremely difficult to address, we have the potential to eliminate similar conditions in pets by responsible breeding and other means.

01 Breeding support to eliminate hereditary disorders



For example, [degenerative myelopathy](#) (DM) is a hereditary disease common in Welsh Corgis. Once symptoms appear, the disease is incurable and many die around 18 months after onset. However, some Welsh Corgis do not carry this abnormal genetic condition. At the breeding stage, it should in theory be possible to eradicate DM by matching dogs that are clear of the condition. By providing such breeding support, we aim to promote the distribution of healthy cats and dogs that are free of hereditary disorders. We also aim to provide information related to previously unknown genetic predispositions to certain illnesses, and reduce the number of animals suffering from hereditary disorders, accordingly.



(Hereditary disease project logo)

02 Development of genetic testing business

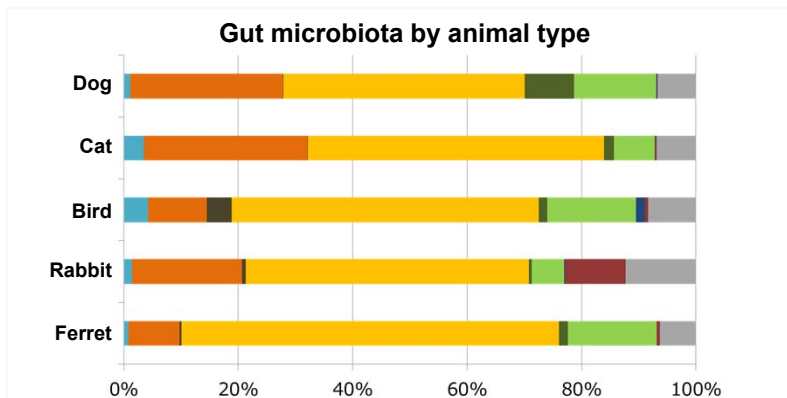


Anicom Specialty Medical Institute, Inc. [conducts research into disease-inducing genes](#) and has established world-class genetic analysis technologies. Going forward, we look to expand the breadth and depth of such research, discover new hereditary disorders, develop proprietary testing technology and commercialize such tests. By going beyond testing and concurrently pursuing treatment-related research, we aim to create an environment that fosters reassurance even when animals have been diagnosed with a hereditary predisposition to illness. Specifically, we aim to remove hereditary disorder risk. Further, by establishing a brand for our animal genetics-related business, we aim to raise awareness about hereditary disorders and how they can be eradicated.

Enhancing symbiosis with bacteria that hold unlimited potential

Because of their considerable potential symbiotic bacteria (e.g. gut, oral, skin microbiota) have attracted the attention of researchers from around the world. Anicom started research related to animal microbiota in 2016, and has since accumulated a vast amount of data from over 20,000 tests. We aim to find commercial applications for this data, and support extension of animals' healthy lifespan accordingly.

01 Wealth of research achievements



Anicom started symbiotic bacteria (intestinal, etc.) tests on animals in 2016, and has conducted over 10,000 of such tests. [Anicom's research](#) suggests that different types of animals have different and distinctive gut microbiota.

By comparing symbiotic bacteria test data with insurance claims and our [Animal Kokusei Survey](#) (Anicom survey on lifestyle practices), we are identifying correlations between some illnesses and lifestyle practices and intend to publish such findings in research articles and the like going forward. We also aim to expand our policyholder-oriented gut microbiota tests to non-policyholders and commercialize this business accordingly.

02 Business development centered on symbiotic bacteria



We aim to develop various businesses and services based on the research results shown in 01. For example, we are pursuing research related to food and drinks, which are strongly correlated with symbiotic bacteria. By clarifying the optimal diets and lifestyle practices for each animal category, we look to develop pet foods and supplements either individually or in partnership with others.

We will work to increase revenue through development of non-insurance businesses revolving around symbiotic bacteria, while also reducing insurance payouts through prevention of disease outbreaks and escalation into serious conditions.

Leveraging treatment data toward prevention: data from over 15 million claims

The Anicom Group has access to big data such as insurance claim data derived from over 15 million cases, data from the [Animal Kokusei Survey](#) and [Anicom Receptor](#) (our management system for treatment records). Anicom aims to leverage these assets to establish next-generation prevention services that can help reduce insurance payouts.

01 One of Japan's largest statistical reports on veterinary medicine



Released as a free publication since 2009, the [White Paper on Household Animals](#) conducts multifaceted analysis using reference data related to health management for household animals and animal illness statistics derived from insurance payout data. Representing the largest collection of epidemiological data in the country, the publication is widely cited in newspapers and other publications, and now contributes to the broad-based development of veterinary medicine and other segments of the pet industry.

02 AI-assisted development of next-gen preventive services



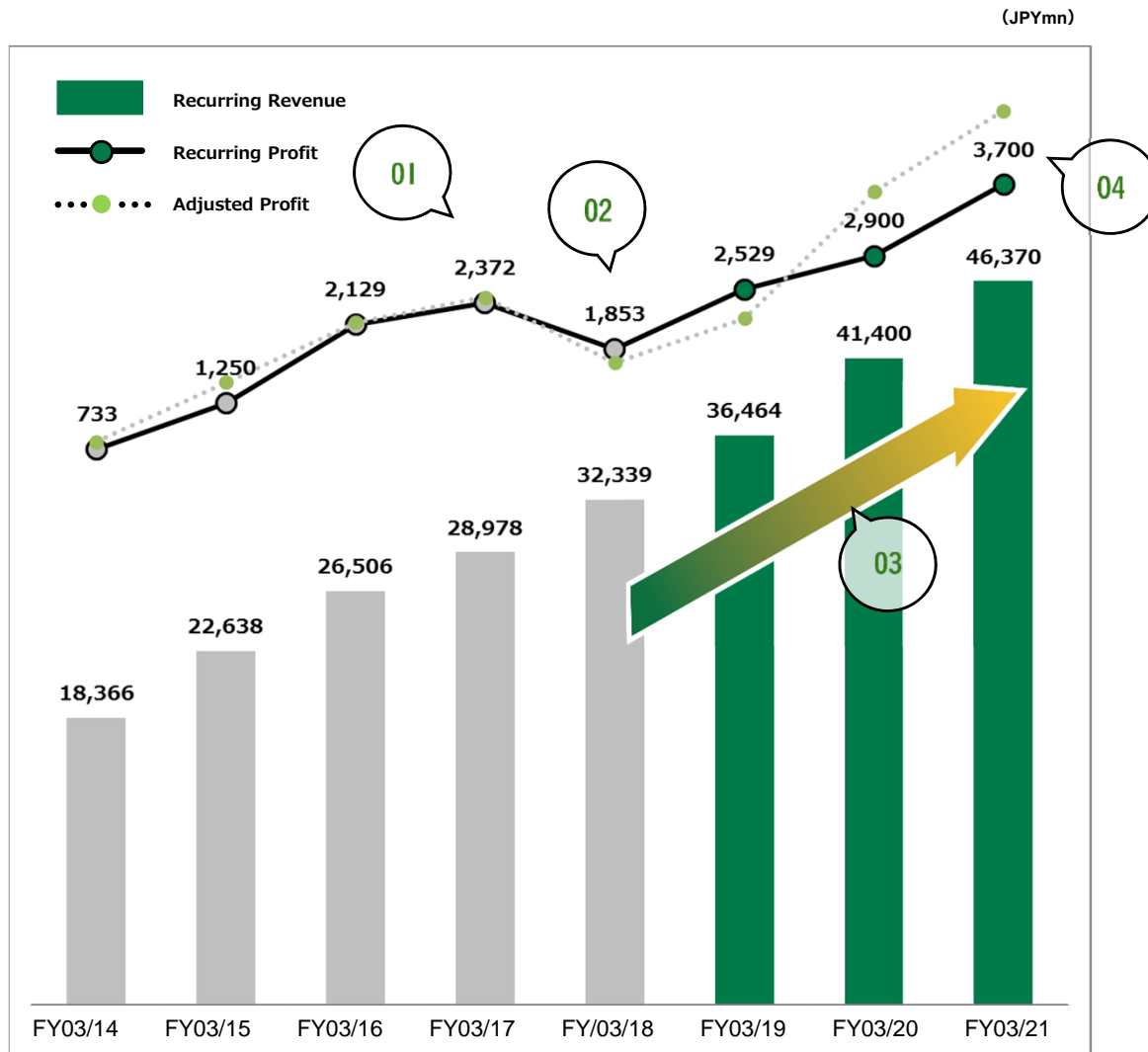
We are working to develop next-generation prevention services by utilizing insurance claim data in combination with our [Animal Kokusei Survey](#) results, and [Anicom Receptor](#) data (our management system for treatment records). Additionally, we will utilize a vast and diverse collection of other data such as genetic data and test data on symbiosis bacteria. In addition to expert human analysis, we are leveraging [deep learning](#) (AI) to support the establishment of next-generation prevention services that only Anicom can deliver. Importantly, this includes such things as reporting illnesses before they develop.

4. Mid-term management plan

(1) Three-year numerical targets (consolidated)

4. Mid-term Management plan (to FY03/21)

August 8, 2018 revised



Accelerated growth

| Three-year numerical targets

- 01 Posted record profits
- 02 Profits down due to investment to expand scale
- 03 Accelerate earnings growth
- 04 Expand profits

(2) Three-year numerical targets (consolidated)

4. Mid-term Management plan (to FY03/21)

August 8, 2018 revised

(JPYmn)

Consolidated	FY03/18	FY03/19	FY03/20	FY03/21
Recurring revenue	32,339	36,464	41,400	46,370
Undewriting revenue	31,290	34,852	39,600	43,870
Investment revenue	420	600	600	700
Other recurring revenue	628	1,012	1,200	1,800
Recurring expenses	30,486	33,935	38,500	42,670
Underwriting expenses	21,771	24,486	28,000	30,840
Operating and general administrative expenses	8,479	8,954	9,469	10,300
Other recurring expenses	235	495	1,030	1,530
Recurring profit	1,853	2,529	2,900	3,700
Pre-tax profit	1,839	2,509	2,880	3,680
Net profit	1,320	1,731	1,990	2,540
Consolidated ROE	10.3%	12.4%	12.4%	13.9%
Adjusted profit	1,702	2,195	3,615	4,525

■ Adjusted profit

In house indicator used at Anicom Group to reflect effective profits/losses generated by the pet insurance business, eliminating the impact from catastrophe reserves exclusive to the Japanese non-life insurance business as well as investment revenue/expenses and other recurring revenue/expenses.

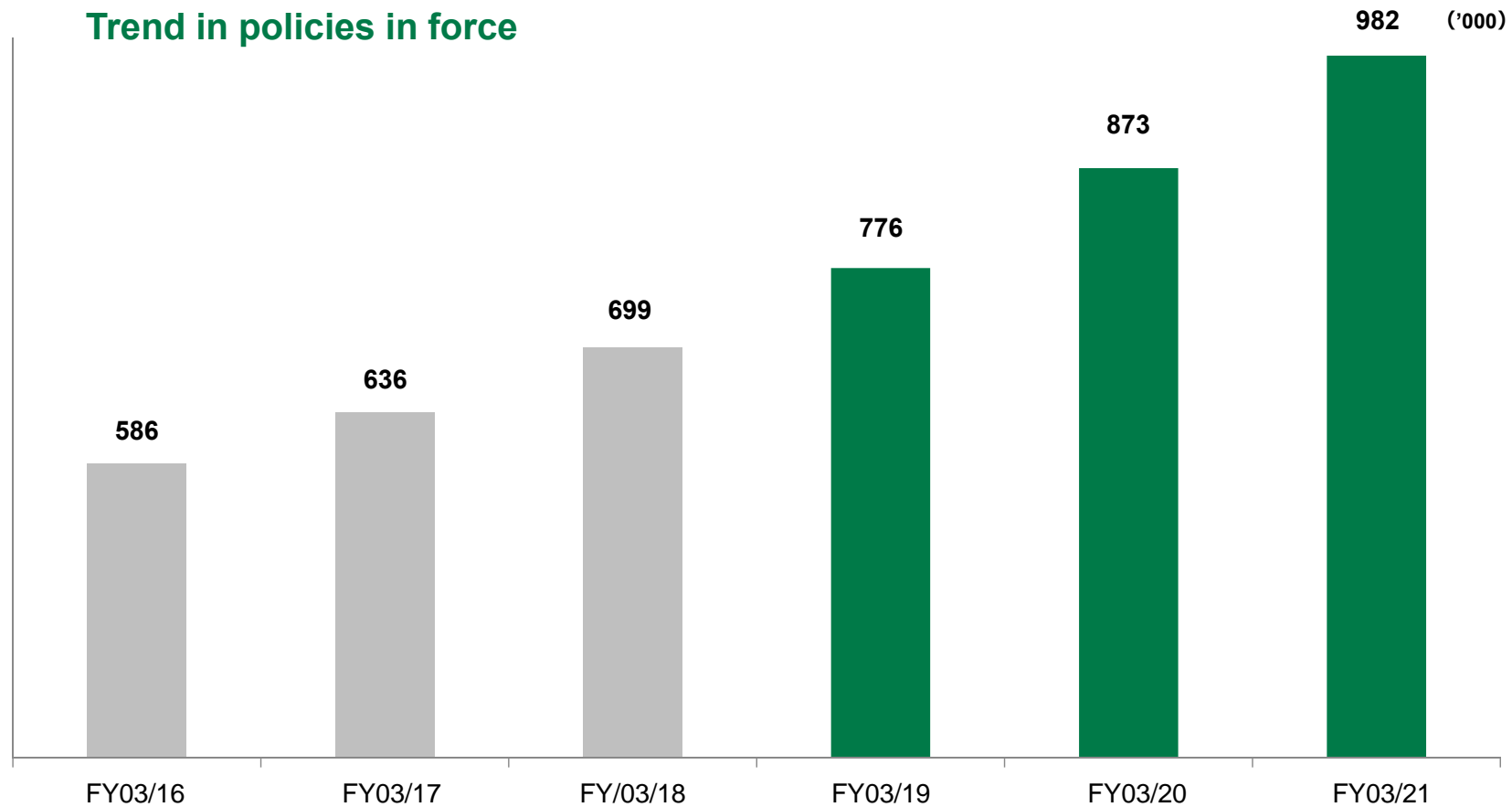
- 01 We will continue to grow earnings by expanding the scale of our insurance business.
- 02 Our management targets a certain level of profit and strives to reward shareholders.
- 03 We will triple “other recurring revenue” in three years.
- 04 We aim to maintain double-digit ROE, targeting 15%.

(3) Main numerical targets for pet insurance Business

4. Mid-term Management plan (to FY03/21)

August 8, 2018 revised

Trend in policies in force



	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21
Combined Ratio	91.2%	91.0%	94.4%	93.9%	92.4%	91.7%
Loss Ratio	60.1%	58.9%	59.2%	59.0%	57.4%	56.4%
Expense Ratio	31.1%	32.1%	35.2%	34.8%	35.0%	35.3%

(4) Priority measures

4. Mid-term Management plan (to FY03/21)

Short term (one year)

Strengthen business base

- Maintain and accelerate measures to increase profitability of pet insurance
- Produce solid results in new businesses focusing on hereditary disease prevention, health checks, and regenerative medicine

01 Expand sales

- (1) Acquire large volume of policies via general channel (efficient online strategy)
- (2) Further expand pet shop channel
- (3) Pioneer new channels (breeders, adoption sessions, etc.)
- (4) Increase renewal rate of no claim policies and second-year contracts of newborn policies
- (5) Develop new products

02 Improve expenses

- (1) Normalize insurance payouts (rigorous prevention of erroneous and false claims)
- (2) Expand lifestyle-related disease prevention programs for pets

03 Invest in new businesses

- (1) Enhance genetic testing business (breeder support business)
- (2) Expand sales of services such as gut microbiota testing
- (3) Promote preventative veterinary care
- (4) Grow and add new features to medical records management system
- (5) Practical application and expansion of cell therapy and regenerative medicine
- (6) Begin overseas expansion of animal hospital business

Medium term (three years)

Build infrastructure business

- Expand market share and pet insurance adoption further
- Build an infrastructure business in the pet industry
- Establish new sources of revenue by leveraging big data

01 Establish solid pet insurance business

- (1) Maintain increase in market share and penetration rate in pet insurance business
- (2) Maintain combined ratio at around 90%
- (3) Target solvency margin ratio of 360%

02 Build pet infrastructure business

- (1) Support hereditary disease-free breeding
- (2) Lifestyle improvement (diet, exercise, training) and preventative medicine
- (3) Prevent disease progression by establishing early diagnosis tools
- (4) Promote cutting-edge treatments such as cell therapy and regenerative medicine
- (5) Expand overseas pet-related business
- (6) Support services for pet industry workers (recruitment and temporary staffing agencies, etc.)

03 Utilize big data

- (1) Utilize disease data based on insurance claims
- (2) Utilize veterinary treatment data (Anicom Receptor)
- (3) Utilize genetic information
- (4) IoT (watch service, AI, etc.)

04 Foothold in personal insurance

- (1) Sales of medical insurance for pet owners

Long term (three to five years)

Develop diverse businesses

- Become a prevention-oriented insurance company
- Expand revenue from infrastructure business
- Develop overseas and personal insurance operations

01 For a prevention-type insurance society

- (1) Make pet insurance the norm
- (2) Eliminate the risk of hereditary diseases
- (3) Issue genetic information certificates
- (4) Supply food and other products to prevent disease onset
- (5) Establish home health management methods

02 Increase infrastructure business earnings

- (1) Establish genetics-based breeding support
- (2) All-round support for breeding and pet owner environment
- (3) Run pet food-related business
- (4) Animal hospital referral business
- (5) Provide multilateral advanced treatment and preventative medical care services

03 Overseas and personal insurance development

- (1) Export of infrastructure business overseas
- (2) Develop personal insurance and ancillary businesses

Environment

We preserve the dignity of animals.

As a company engaged with animals, we will take action to achieve zero euthanasia of homeless animals, zero abuse of animals, and improved conditions for pets and breeding.

We aim to be “doctors of the earth.”

Our work, ranging from bacterial research to cutting-edge medical treatments, is about living harmoniously with all life on earth.

Social

We create even more opportunities for women.

Women currently account for around 60% of our work force and 30% of managers. Two of our directors are women.

*As of March 31, 2018 (group basis)

We care about families.

We care about families, including pets. We have “bring the kids to work day” so that children can see mom and dad on the job, and offer support for employees with pets, allowing them to take a holiday when they acquire a new pet.

Governance

We are taking steps to strengthen governance, such as increasing the number of outside directors.

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

We will establish nomination, compensation, and corporate governance committees.

We will establish an advisory committee reporting to the Board, whose members are mainly outside directors. They will discuss nomination of representative directors, compensation, and the overall effectiveness of governance, including internal control structure.

We will further strengthen internal control.

We will add more employees in related departments to strengthen governance further.

Shareholder returns policy grounded in our management philosophy

01 Never satisfied with the status quo, we will continue to invest for growth.

We seek to continue investing in growth to expand earnings and create new value, aiming to maintain and improve our double-digit ROE. (Target: 14.6% in FY03/21)

02 We will build a stable financial base.

We aim to secure capital to improve future corporate value and a target solvency margin ratio of over 360%* in medium term.

*Anicom Insurance non-consolidated basis

03 We will continue to reward shareholders.

Based on the above, our basic policy is sustained and stable profit distribution, taking earnings performance into consideration.

■ Insurance terminology

- **Premium** Moneys paid by policyholder to insurance company as payment for risk to policyholder that is covered by the insurance company
- **Insurance payout** Moneys paid by insurance company to policyholder in the event of losses incurred in insured event
- **Business expense** Insurance company's business expenses as a total of operating and general administrative expenses, net commissions, and collection expenses
- **Loss ratio** Ratio of insurance payout to premiums. In this presentation, it is the ratio of incurred loss to earned premiums (including loss adjustment expenses).
- **Expense ratio** Business expenses as share of premiums. In this presentation, it is the ratio of insurance business expenses to earned premiums.
- **Combined ratio** Total of loss ratio and expense ratio. A value under 100% means an insurance company's revenue exceeds expenditure.
- **Solvency margin ratio** Share of margin of solvency such as capital and reserves versus risks that exceed a company's normal estimates
- **Catastrophe reserve** Reserves that insurance companies set aside as a percentage of premiums to prepare for a catastrophic disaster
- **Renewal rate** Number of renewed policies versus the total number of policies in the previous year
- **Underwriting** Assessing risk, conditions, premium rates, etc., when providing insurance cover

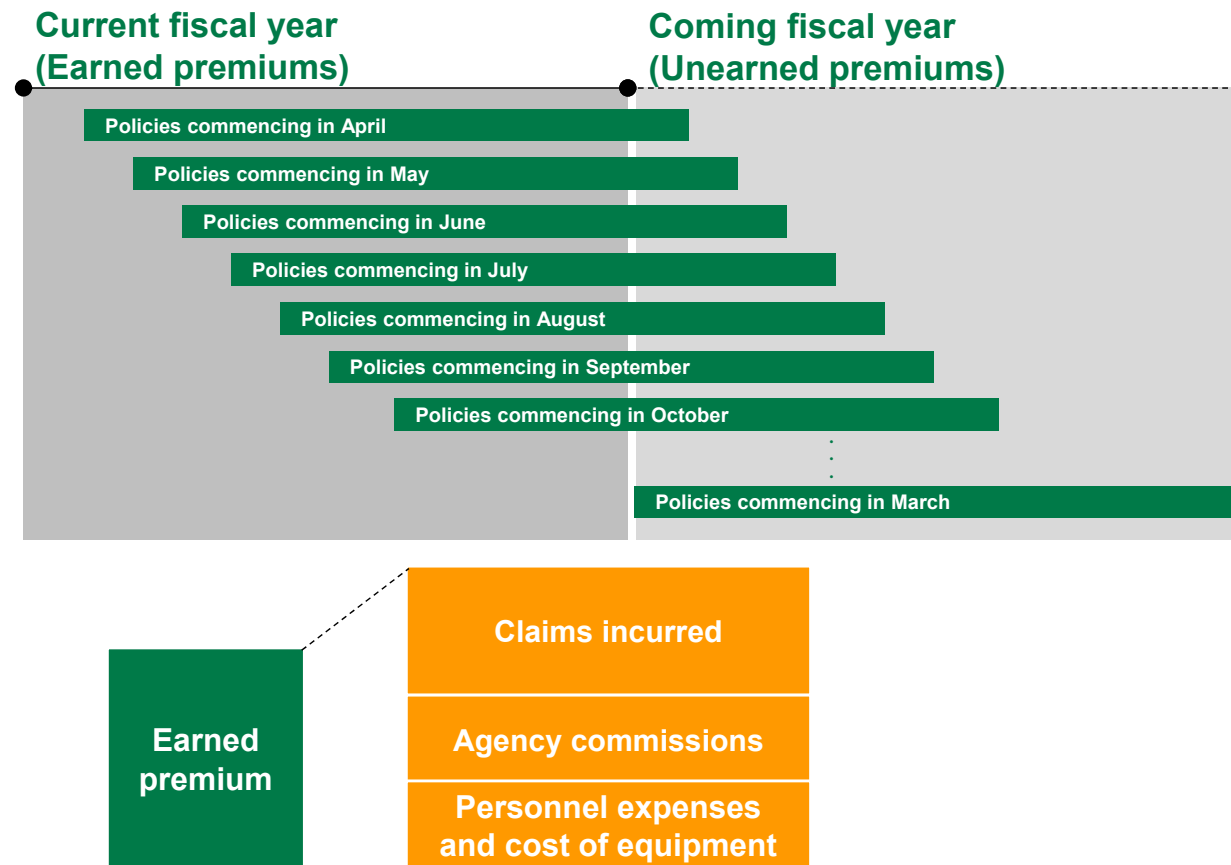
■ Pet insurance terminology

- **Newborn channel** Anicom's main sales channel targeting newborn animals sold in pet shops
- **General channel** Online and over-the-counter sales channel (financial institutions and others) for pets who already have owners
- **Hospitals accepting Anicom** Animal hospitals that have contracts with Anicom Insurance and have adopted our OTC settlement system
- **OTC settlement system** A system where insurance payouts are settled over the counter when the policyholder pays the uncovered amount at the animal hospital
- **Insured rate** An indicator mainly used in pet shops. The percentage of animals sold whose owners buy pet insurance
- **Diffusion rate** Percentage of pet dogs and cats in Japan whose owners have taken out 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 unearned premium portion over to the coming fiscal year as underwriting reserve (unearned premium). Conversely, expenses such as claims incurred, agency commissions, personnel expenses as well as cost of equipment are required to be accounted to that fiscal year.
- There is, therefore, a negative impact on recurring profits/losses when expenses exceed earned premium in current fiscal year even if sales rise due to growth in premium.



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

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

*Net claims paid ÷ Net premiums written

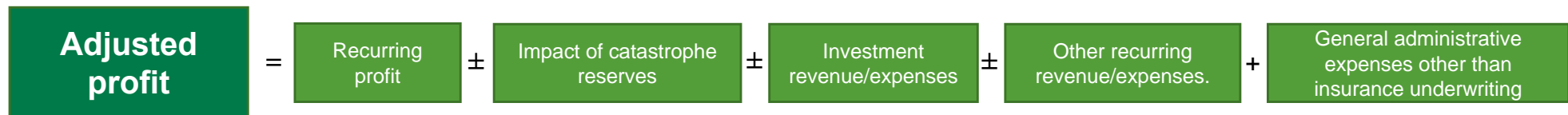
3. Adjusted profit

• Anicom in house indicator, reflecting effective profits/losses from pet insurance business, adjusts for impact of: catastrophe reserves (exclusive to Japanese non-life insurance business), investment revenue/expenses and other recurring revenue/expenses. The calculation formula is below.

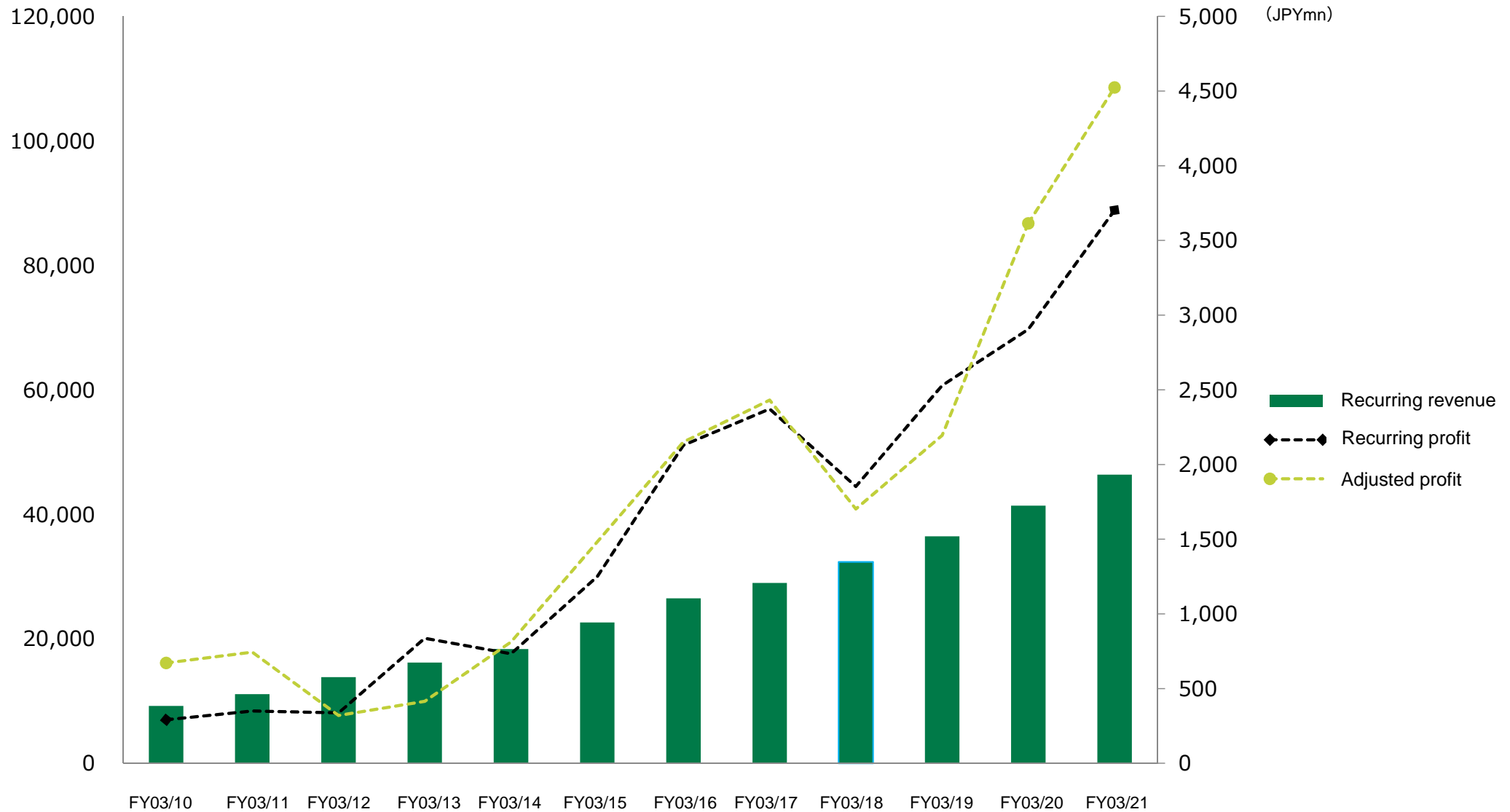
• Even if recurring profit declines, adjusted profit can increase when taking the catastrophe reserves and other impacts into account *. Therefore, Anicom considers adjusted profit to be an important indicator as it is an accurate expression of effective profits/losses generated by the pet insurance business.

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

Method to calculate the Anicom's adjusted profit



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





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