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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]

May 10, 2023

Company name: Anicom Holdings, Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 8715
URL: https://www.anicom.co.jp/en/
Representative: Nobuaki Komori, Representative Director
Contact: Hiroshi Sato, General Manager, Corporate Planning Department
Phone: +81-3-5348-3911
Scheduled date of annual general meeting of shareholders: June 23, 2023
Scheduled date of commencing dividend payments: June 26, 2023
Scheduled date of filing annual securities report: June 22, 2023
Availability of supplementary explanatory materials on annual financial results: Available
Schedule of annual financial results briefing session: Scheduled (For analysts and institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Recurring revenue		Recurring profit		Profit attributable to owners of parent	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	56,528	6.6	3,685	16.4	2,284	8.2
March 31, 2022	53,022	10.3	3,166	14.8	2,112	33.1

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 1,071 million yen [(37.0)%]
Fiscal year ended March 31, 2022: 1,700 million yen [(22.2)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of recurring profit to total assets	Ratio of operating profit to recurring revenue
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	28.12	–	8.2	6.1	6.5
March 31, 2022	25.99	–	8.0	5.6	6.0

(Reference) Share of profit (loss) of entities accounted for using equity method:
Fiscal year ended March 31, 2023: (3) million yen
Fiscal year ended March 31, 2022: 140 million yen
Recurring profit before amortization of goodwill (Total of recurring profit and amortization of goodwill):
Fiscal year ended March 31, 2023: 3,900 million yen
Fiscal year ended March 31, 2022: 3,385 million yen
Net profit before amortization of goodwill (Total of profit attributable to owners of parent and amortization of goodwill):
Fiscal year ended March 31, 2023: 2,499 million yen
Fiscal year ended March 31, 2022: 2,331 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	61,407	28,184	45.9	346.90
As of March 31, 2022	58,635	27,316	46.6	336.19

(Reference) Equity: As of March 31, 2023: 28,184 million yen
As of March 31, 2022: 27,316 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	4,422	(4,066)	(212)	27,835
March 31, 2022	4,456	(5,485)	(112)	27,691

2. Dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	–	0.00	–	2.50	2.50	203	9.6	0.8
Fiscal year ended March 31, 2023	–	0.00	–	4.00	4.00	324	14.2	1.2
Fiscal year ending March 31, 2024 (Forecast)	–	–	–	–	–		–	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Recurring revenue		Recurring profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half (cumulative)	29,000	3.7	2,200	12.5	1,450	10.2	17.85
Full year	60,000	6.1	4,000	8.5	2,500	9.4	30.77

*** Notes:**

(1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of issued shares (common shares)
1) Total number of issued shares at the end of the year (including treasury shares):

As of March 31, 2023:	81,309,160 shares
As of March 31, 2022:	81,309,160 shares

2) Total number of treasury shares at the end of the year:

As of March 31, 2023:	61,476 shares
As of March 31, 2022:	56,436 shares

3) Average number of shares outstanding during the year:

Fiscal year ended March 31, 2023:	81,250,670 shares
Fiscal year ended March 31, 2022:	81,260,883 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Recurring profit		Net profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	2,832	57.0	1,255	589.5	1,242	636.3	1,158	–
March 31, 2022	1,803	(3.9)	182	(19.4)	168	9.9	0	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	14.26	–
March 31, 2022	0.00	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	23,463	17,625	75.1	216.93
As of March 31, 2022	22,760	16,670	73.2	205.17

(Reference) Equity: As of March 31, 2023: 17,625 million yen
As of March 31, 2022: 16,670 million yen

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes
(Financial Results Forecast)
The forward-looking statements such as performance forecasts, contained herein are based on information currently available to Anicom Holdings, Inc. ("the Company") and certain assumptions that the Company regards as reasonable. They are not intended as the Company's commitment to achieving such forecasts, and actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions underlying the forecasts and cautionary notes, etc. for using the forecasts, please refer to "1. (1) Financial results forecast for the next consolidated fiscal year" on page 2 of the Attachments.

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

1) Overview of operating results

During the fiscal year under review, the Japanese economy saw signs of recovery as restrictions on activities due to the COVID-19 infection were eased and economic activity were moving back to normal. On the other hand, the soaring prices of natural resources due to the protracted situation in Russia and Ukraine and a downturn in overseas economies due to the global inflation and monetary tightening could be downward risks affecting the Japanese economy. The economic outlook remains a matter of concern.

Under these circumstances, to achieve the "further enhancement of the profitability of pet insurance," which has been positioned as a priority measure of the Anicom Group's core subsidiary, Anicom Insurance, Inc., efforts were focused on strengthening areas such as sales and marketing activities. This, combined with continued robust demand for pet ownership, resulted in a steady increase in the number of policies in force, which reached 1,113,144 policies, an increase of 84,313 or 8.2% from the end of the previous fiscal year. In addition, the E/I loss ratio[*1] increased by 0.8 points year on year to 58.9%, despite the fact that effect of changes in pet owner behavior due to the impact of COVID-19 has reached its peak and stabilized. Expense ratio (based on earned premiums)[*2] improved by 1.8 points year on year to 34.9%, despite active investments aimed at expansion of scale and an increase in the number of applicants for Doubutsu Kenkatsu (gut microbiota testing and medical checkups). As a result, the combined ratio (based on earned premiums), which is the sum of both E/I loss ratio and expense ratio (based on earned premiums), improved by 1.1 points year on year to 93.8%.

In addition, the Anicom Group has promoted efforts to further accelerate its initiatives in the second founding period phase. It has accelerated its efforts toward the priority measures in new businesses to grow into a prevention-type insurance company group that considers degrees of health by analyzing diseases and injuries from all data. In the genetic testing business, the Group will progress further toward the provision of breeding support by adding medical support to science, technology, and data, which involves conducting genetic testing in parents and offspring to prevent avoidable genetic diseases. The Group is also pursuing the popularization of animal health checks through its Doubutsu Kenkatsu service, the development and sales of pet foods with symbiotic bacteria as a key feature, and the commercialization of lifestyle consulting, etc. Furthermore, as well as striving for the practical application and expansion of advanced, cutting-edge medicine (cell therapy and regenerative medicine) in veterinary medicine, along with the expansion of medical records management system business (enhancement of booking systems and other functions), the Group is aiming to use data further in the development of preventive methods and expand its pet-related businesses into overseas markets.

As a result, the consolidated results for the Anicom Group are as follows.

Underwriting revenue increased by 7.3% year on year to 50,781 million yen, investment revenue increased by 22.7% year on year to 834 million yen, and other recurring revenue, which includes new business, etc., decreased by 2.1% year on year to 4,912 million yen, for the highest ever total recurring revenue of 56,528 million yen, a 6.6% increase from the previous fiscal year. In addition, recurring expenses increased by 6.0% year on year to 52,842 million yen, including underwriting expenses of 35,664 million yen, up 6.4% year on year, and operating and general administrative expenses of 15,350 million yen, up 4.7% year on year. As a result, recurring profit increased by 16.4% year on year to 3,685 million yen, a record high. Profit attributable to owners of parent was 2,284 million yen, up 8.2% year on year.

(Notes)
1. E/I loss ratio: Loss ratio based on claims
   (Net claims paid + Increase (decrease) in loss reserves + Loss adjustment expenses) ÷ Earned premiums
2. Expense ratio (based on earned premiums): Ratio of business expenses based on claims to premiums based on claims made (earned premiums)
   Non-life insurance business expenses ÷ Earned premiums

2) Financial results forecast for the next consolidated fiscal year

In the Japanese economic environment, social and economic activities are expected to move further toward normalization as measures to prevent the COVID-19 infection are being eased; however, the economic situation is likely to remain uncertain due to such factors as the protracted conflict in Russia and Ukraine, the rising global inflation, and monetary tightening in the U.S. and European countries. Under such environment, the Anicom Group's main business of pet insurance is trending strongly. We consider the fiscal year ending March 31, 2024 to be a key period to achieve the Mid-term Management Plan FY2022–FY2024 announced last year. The Group will facilitate diversifying sales channels in the pet insurance business, pursuing uniqueness of insurance, and reducing policy acquisition cost, and further accelerate measures to make synergistic businesses other than insurance capable of earning revenue. In addition, in its aim to be a major infrastructure player in the pet industry, the Group will conduct sustainability management to create both economic and social value.

In financial results forecast for the fiscal year ending March 31, 2024, while achieving both business expansion and leading the pet industry in resolving social issues, the Group anticipates recurring revenue of 60,000 million yen and recurring profit of 4,000 million yen. The projections on which these forecasts are assumed are based on the changes in the management environment, trends in the pet insurance market, including the competitive environment, and its further future dissemination, efforts to promote and expand sales, movements in insurance claims that take into account the effects of loss ratio improvement measures, and expenditure forecasts.

While the financial results forecast is based on the aforementioned assumptions, actual results may differ significantly from these forecasts. Please refer to "(4) Business and Other Risks" for the major factors involved.

(2) Overview of Financial Position for the Fiscal Year under Review

1) Assets, liabilities and net assets

Total assets as of the end of the fiscal year under review increased by 2,772 million yen year on year to 61,407 million yen. This was primarily attributable to an increase in cash and bank deposits of 1,193 million yen.

Total liabilities as of the end of the fiscal year under review increased by 1,903 million yen year on year to 33,223 million yen. This was primarily attributable to an increase of 1,556 million yen in reserve for insurance policy liabilities due to an increase in insurance policies. There were no borrowings from financial institutions, etc.

Total net assets as of the end of the fiscal year under review increased by 868 million yen year on year to 28,184 million yen. This was primarily attributable to the recording of 2,284 million yen in profit attributable to owners of parent.

2) Cash flows

Net cash provided by operating activities was 4,422 million yen, primarily due to an increase in underwriting reserves of 1,272 million yen resulting from the steady increase in policies in force. However, this represents a decrease of 33 million yen compared with the previous fiscal year.

Net cash used in investing activities was 4,066 million yen. This represents a decrease in cash outflow of 1,418 million yen compared with the previous fiscal year, primarily due to purchase of marketable securities.

Net cash used in financing activities was 212 million yen for the fiscal year under review. For the previous fiscal year, there was a cash outflow of 112 million yen.

As a result of the above, cash and cash equivalents at the end of the fiscal year under review was 27,835 million yen, an increase of 143 million yen from the end of the previous fiscal year.

(3) Basic Policy on Distribution of Profits and Dividends for Fiscal Year under Review and Next Fiscal Year

Under its recognition that the return of profits to shareholders is one of the key management issues, the Company's basic policy on shareholder returns is to conduct ongoing and stable distribution of profits from medium to long-term perspectives while taking into account financial soundness and capital efficiency. The fiscal year under review is the first year of the newly drafted Mid-term Management Plan FY2022–FY2024. The Company plans to achieve even higher corporate value in line with the management vision in the second founding period phase. At the same time, the Company aims to gradually improve shareholder returns, while balancing equity, risk, and return, to achieve a dividend payout ratio at the level of 20% toward the fiscal year ending March 31, 2025. Based on the policy and the current ongoing solid business performance, the Company plans to pay a year-end dividend of 4.00 yen per share to shareholders for the fiscal year under review, an increase of 1.50 yen from the previous fiscal year-end dividend paid, as announced in the dividend forecast on November 8, 2022.

The Company's policy remains the same for the next fiscal year and beyond that is to gradually improve shareholder returns with an eye on higher shareholder returns, while balancing equity, risk, and return. In the fiscal year ending March 31, 2025, the final year of the Mid-term Management Plan FY2022–FY2024, our goal is a dividend payout ratio at the level of 20%, but those dividend amounts are undecided at this time.

(4) Business and Other Risks

Regarding the risks to the Anicom Group's businesses and other risks, major matters that could materially affect investors' decisions and matters that are believed to be important for understanding the business activities of the Anicom Group are listed below. With a recognition of these risks, the Company shall endeavor to prevent them from occurring and to respond in the event that they do occur.

Forward-looking matters described herein have been determined as of the date of publication of this Consolidated Financial Results.

1) Impact of COVID-19 and responses, etc.

The COVID-19 pandemic significantly impacted our activities, such as disruption in social and economic activities due to restrictions imposed by the central and local governments; however, the pandemic prompted a boost in pet ownership demand primarily because more people were working from home. This resulted in an increase in the number of new policies concluded in the Company's core pet insurance business. Contrary to this, as owners spend more time at home with their pets, it is easier for them to notice unusualness in their pets, leading them to more frequency visit animal hospitals, and the number of insurance claims is increasing accordingly, which results in an increase in claims paid.

The restrictions on activities were recently eased, and social and economic activities are returning to normal. However, as working from home has become common and people's lifestyles have changed, pet ownership demand is expected to remain solid. On the other hand, visiting animal hospitals more frequently has become common for pet owners due to increased time spent at home, and medical expenses per visit has increased. This may lead to a rise in the level of claims incurred, among others. Both of such positive and negative factors resulting from the pandemic could affect the Group's financial position and business results.

2) Risks to non-life insurance business

(a) Risks to pet insurance business

The pet insurance business is the main business of the Anicom Group. However, due to reasons such as the amendment of the Act on the Welfare and Management of Animals and the aging of breeders and their decline in numbers, the pet supply may decline. In addition, due to business format changes in the pet industry, the distribution structure also may change. If these trends continue into the future, issues could arise in the area of continued expansion of new pet insurance policy numbers.

To respond to this situation, the Group will shift from a focus on sales of insurance at pet shops to enhance its sales and marketing in regular channels targeting owners who already have pets. In addition, the Group will respond to the decline in pet ownership through the breeding support that brings together the Group's resources.

(b) Risks of intensifying competition

The competition environment in Japan's pet insurance business is severe, with seven companies that have obtained a non-life insurance business license under the provisions of the Insurance Business Act and eleven companies that have registered as Small Amount and Short Term Insurance Companies under the provisions of the same Act. Going forward, if, due to the entry into the business by non-insurance companies and the major non-life insurance companies, or the expansion of existing competitors, competition in products, services and prices becomes more intense, this might cause a decline in policies in force, fewer commissioned agencies, a decline in premiums written due to a fall in premium unit prices or an increase in the level of agency commissions (due to intensifying competition), resulting in the negative impact on the financial position and business results of the Anicom Group.

(c) Insurance underwriting risks

In the non-life insurance business conducted by Anicom Insurance, Inc., the Group sets appropriate coverage contents and premium levels, but in its core product of pet insurance, if an appropriate level of insurance premiums cannot be ensured or excessive risks accumulate mainly due to rising rates of pets contracting disease caused by epidemics, increasing level of pet medical expenses, changes in the portfolio of policies in force, and a concentration of risks, it may become impossible to maintain the soundness of management, which could affect the financial position and business results of the Anicom Group.

Although there have been reports in Japan and overseas of pets contracting COVID-19, there has been no spread of infections in Japan or impact on medical expenses.

3) Legal risks related to the Group's conduct of business

(a) Legal risks related to Insurance Business Act, etc.

The core business of the Anicom Group is the non-life insurance business conducted by Anicom Insurance, Inc., which has obtained a non-life insurance business license under the provisions of Article 3 of the Insurance Business Act. The non-life insurance business license is of unlimited duration, but in the event that Anicom Insurance comes to fall under any of the following, there is a possibility that its license will be rescinded, or it will be ordered to suspend its operations under the provisions of Articles 133 and 134 of the Insurance Business Act.

· if it is in violation of a disposition of the Prime Minister pursuant to laws and regulations or particularly important matters among those prescribed in its Articles of Incorporation, statement of business procedures, general policy conditions, or statement of calculation procedures for insurance premiums and underwriting reserves;
· if it is in violation of the conditions attached to the relevant license;
· if it engages in conduct prejudicial to the public interest;
· if the asset status of the insurance company is significantly worsening and it is not appropriate for it to continue the insurance business from the viewpoint of protecting policyholders, etc.

In addition, if the solvency margin ratio falls below the standard value and prompt rectification measures are invoked by the Financial Services Agency, the company may be ordered to submit an improvement plan to ensure the soundness of management, or to suspend its operations in whole or in part for a defined period.

The Company recognizes that no facts that correspond to these matters exist at Anicom Insurance, Inc. at this time, but in the event that its license is rescinded, or it is ordered to suspend its operations for any reason in the future, it could significantly impede the Group's core business activities and have a material impact on its business results.

To manage the business of Anicom Insurance, Inc., the Company has obtained authorization as an insurance holding company under the provisions of Article 271-18 (1) of the Insurance Business Act, but in the event that the Company has violated a law or regulation, its Articles of Incorporation, or any disposition of the Prime Minister pursuant to laws and regulations, or has engaged in any conduct that is prejudicial to the public interest, that authorization may be rescinded or the insurance companies that are its subsidiary companies may be ordered to suspend their operations in whole or in part, under the provisions of Article 271-30 of the said act.

The Company recognizes that no facts that correspond to these matters exist at the Company at this time, but in the event that its authorization as an insurance holding company is rescinded or an order is made for suspension, etc. of its insurance company's business for any reason in the future, it could cause a significant hindrance to the Group's business activities in general and have a material impact on its business results.

(b) Risks of changes to regulations

The non-life insurance business conducted by Anicom Insurance, Inc. is regulated by the Insurance Business Act, the Financial Instruments and Exchange Act, and other laws and regulations. In the event of the establishment of new regulations or changes to existing regulations, etc., depending on the nature of that new or changed regulation, there is potential for a decline in revenue or an increase in expenses such as additions to the policy reserve, which could affect the Group's financial position and business results.

In addition, pets covered by the pet insurance products provided by Anicom Insurance are subject to standards, etc. concerning the care and keeping, etc. of animals under the Act on Welfare and Management of Animals. In addition to these immediate amendments, any further changes, etc. to these regulations that result in a decline in pet ownership could lead to a decrease in pet insurance policies and affect the Group’s financial position and business results.

4) Other risks

(a) Risks of dependence on non-life insurance business

The core business of the Anicom Group is the non-life insurance business conducted by Anicom Insurance, Inc. Because the revenue from this business currently accounts for over half of the revenue of the entire Group, if the growth of this business cannot be realized or if the expansion of new business fields other than pet insurance does not proceed smoothly, it could affect the Group’s financial position and business results. The Group has been working to expand synergistic businesses other than the insurance business in order to reduce its level of dependence on the pet insurance business.

(b) Risks related to executive management

If unexpected circumstances were to befall any important members of executive management or senior management employees of the Group, particularly the Representative Director, Nobuaki Komori, this could hinder the development and expansion of the Group’s business.

(c) Risks related to business operations

Business operation risks are inherent to the business activities of the Group. Examples of such risk include the non-payment or missed payment of insurance claims in the non-life insurance business, clerical errors, administrative disposition by the regulatory authorities due to a violation of a law or regulation, etc., misconduct by an executive or employee, and insufficient labor management. Although the Group has established internal control systems to control these risks, if this kind of business operation risk were to manifest, it may cause a loss of customers’ trust and social credibility, which could affect the Group’s financial position and business results.

(d) Investment risks

The Group conducts investments in shares, bonds, various types of investment trust products, etc. In addition to regular monitoring of fluctuations in share price levels and interest rate levels, etc., it has adopted various countermeasures for the appropriate control of the risk of falls in the market value of its investments. However, there is potential for valuation losses and falls in the market value of bonds, etc. to occur primarily due to major falls in share prices and rises in interest rates, which could affect the Group’s business results and financial position.

In addition, as well as the aforementioned bonds, investment trust products, etc., the Group also manage its assets as bank deposits, etc., and if the issuer of a corporate bond, etc., becomes unable to fulfill its obligation and falls behind in the payment of the principal or interest, etc., this could affect the Group’s financial position and business results.

(e) Liquidity risks

The Group has established systems for cashflow management through the ascertainment of appropriate fund positions. However, in the event of a deterioration in its fund positions due to an increase in insurance claims caused by a sudden epidemic of an infectious disease and other reasons, the Group may be forced to procure funds at a significantly higher cost than usual or to sell assets at a significantly lower price, which could affect the Group’s financial position and business results.

(f) Risks related to disruption of business

In preparation for unforeseen circumstances such as an earthquake striking directly under the Greater Tokyo Area or other large-scale natural disaster, or a novel influenza pandemic, by building crisis management systems that include the formulation of business continuity plans, the Group has established systems for the ongoing continuation of business to contain business disruption to a certain level. However, if business continuity is impeded or the effects of the disaster are greater than anticipated, this could affect the Group’s financial position and business results.

(g) Risks related to information security

The Anicom Group handles large volumes of customer information, including policyholder information in the insurance business, agency information, and animal hospital information. Each Group company has established information management systems and controls that information rigorously. However, an information leak due to unauthorized access to or computer virus infection, etc. of the computer systems of a Group company or external subcontractor, could lead to damage to social credibility and brand image, the payment of compensation for damages caused by the incident, etc., which could affect the Group's financial position and business results.

(h) Systems risks

The Group has established systems that will enable it to contain to a certain level the risk of the suspension, malfunction, or unauthorized use of information systems caused by natural disaster, accident, unauthorized access stemming from a cyber-attack, etc., and by problems related to the development and operation of information systems, etc., allowing it to operate its business continuously. However, if a material systems dysfunction were to occur, it could affect the Group's financial position and business results.

(i) Reputation risks

If negative reputations about the Group were to spread in media reports, comments posted on the internet, etc., whether those reputations were based on facts or not, they have the potential to affect the Group's social credibility. The Group makes efforts on a daily basis to detect such reputations at an early stage and minimize their impact, but if malicious reputations were to spread, it could affect the Group's financial position and business results.

2. State of Corporate Group

The Anicom Group comprises five (5) companies: the Company, which is an insurance holding company, and its wholly-owned subsidiaries, namely Anicom Insurance, Inc., Anicom Pafe, Inc., Anicom Specialty Medical Institute, Inc., and SIMNET Co., Ltd.

Effective October 1, 2022, Anicom Frontier, Inc. ceased to exist through an absorption-type merger with Anicom Pafe, Inc., a surviving consolidated subsidiary of the Company.

As a holding company that conducts business management and associated operations, the Company ascertains the state of the operating companies' management and strives to manage the Group's risks and strengthen its compliance. Its work also includes the formulation of Group business strategies and promoting the demonstration of intra-Group synergies.

3. Basic Policy on Selection of Accounting Standards

The Anicom Group adopts the Japanese Generally Accepted Accounting Principle (GAAP) to ensure comparability with other Japanese companies in the same industry.

4. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Cash and bank deposits	29,641	30,835
Marketable securities	16,570	16,956
Loans receivable	3	3
Property, plant and equipment	2,550	2,557
Land	809	809
Buildings, net	992	1,207
Leased assets, net	20	11
Construction in progress	110	7
Other, net	617	521
Intangible assets	3,469	3,242
Software	790	943
Software in progress	407	254
Goodwill	2,253	2,038
Other	18	5
Other assets	5,481	6,504
Accounts receivable	2,208	3,296
Accrued premiums	571	628
Suspense payments	1,237	849
Rest of other assets	1,463	1,730
Deferred tax assets	951	1,315
Allowance for doubtful accounts	(33)	(8)
Total assets	58,635	61,407
Liabilities		
Reserve for insurance policy liabilities	21,297	22,853
Loss reserves	2,705	2,988
Underwriting reserves	18,592	19,865
Corporate bonds	5,000	5,000
Other liabilities	4,647	4,945
Income taxes payable	533	679
Accounts payable - other	1,835	1,843
Suspense receipt	1,964	2,119
Rest of other liabilities	314	302
Provision for bonuses	274	304
Reserves under special laws	98	119
Reserve for price fluctuation	98	119
Total liabilities	31,319	33,223

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	8,202	8,202
Capital surplus	8,092	8,092
Retained earnings	11,364	13,446
Treasury shares	(1)	(1)
Total shareholders' equity	27,658	29,740
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(342)	(1,555)
Total accumulated other comprehensive income	(342)	(1,555)
Total net assets	27,316	28,184
Total liabilities and net assets	58,635	61,407

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Recurring revenue	53,022	56,528
Underwriting revenue	47,321	50,781
Net premiums written	47,321	50,781
Investment revenue	679	834
Interest and dividend income	316	439
Gain on sale of marketable securities	360	391
Net foreign exchange gains	3	3
Other investment income	–	0
Other recurring revenue	5,020	4,912
Share of profit of entities accounted for using equity method	140	–
Other	4,879	4,912
Recurring expenses	49,855	52,842
Underwriting expenses	33,504	35,664
Net claims paid	25,559	27,934
Loss adjustment expenses	1,080	1,106
Net commission and collection expenses	5,193	5,067
Provision for reserve for outstanding losses and claims	165	283
Provision for underwriting reserves	1,505	1,272
Investment expenses	66	118
Loss on sale of marketable securities	61	116
Loss on valuation of marketable securities	4	2
Operating and general administrative expenses	14,656	15,350
Other recurring expenses	1,628	1,709
Interest expenses	15	15
Share of loss of entities accounted for using equity method	–	3
Other	1,612	1,690
Recurring profit	3,166	3,685
Extraordinary losses	170	142
Loss on disposal of non-current assets	52	35
Impairment losses	94	80
Provision of reserves under special laws	18	20
Provision of reserve for price fluctuation	18	20
Other	4	5
Profit before income taxes	2,995	3,543
Income taxes - current	776	1,150
Income taxes - deferred	106	107
Total income taxes	883	1,258
Net profit	2,112	2,284
Profit attributable to owners of parent	2,112	2,284

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net profit	2,112	2,284
Other comprehensive income		
Valuation difference on available-for-sale securities	(411)	(1,213)
Total other comprehensive income	(411)	(1,213)
Comprehensive income	1,700	1,071
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,700	1,071
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,202	8,092	9,353	(1)	25,648
Changes during period					
Dividends of surplus			(101)		(101)
Profit attributable to owners of parent			2,112		2,112
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	2,010	–	2,010
Balance at end of period	8,202	8,092	11,364	(1)	27,658

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	69	69	25,717
Changes during period			
Dividends of surplus			(101)
Profit attributable to owners of parent			2,112
Net changes in items other than shareholders' equity	(411)	(411)	(411)
Total changes during period	(411)	(411)	1,598
Balance at end of period	(342)	(342)	27,316

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,202	8,092	11,364	(1)	27,658
Changes during period					
Dividends of surplus			(203)		(203)
Profit attributable to owners of parent			2,284		2,284
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,081	–	2,081
Balance at end of period	8,202	8,092	13,446	(1)	29,740

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of period	(342)	(342)	27,316
Changes during period			
Dividends of surplus			(203)
Profit attributable to owners of parent			2,284
Net changes in items other than shareholders' equity	(1,213)	(1,213)	(1,213)
Total changes during period	(1,213)	(1,213)	868
Balance at end of period	(1,555)	(1,555)	28,184

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,995	3,543
Depreciation	832	764
Amortization of goodwill	219	214
Impairment losses	94	80
Increase (decrease) in loss reserves	165	283
Increase (decrease) in underwriting reserves	1,505	1,272
Increase (decrease) in allowance for doubtful accounts	(44)	(24)
Increase (decrease) in provision for bonuses	27	29
Increase (decrease) in reserve for price fluctuation	18	20
Interest and dividend income	(316)	(439)
Loss (gain) related to marketable securities	(297)	(276)
Share of loss (profit) of entities accounted for using equity method	(140)	3
Share-based payment expenses	42	21
Interest expenses	15	15
Loss (gain) related to property, plant and equipment	52	35
Decrease (increase) in other investing and financing activities assets	(183)	(637)
Increase (decrease) in other investing and financing activities liabilities	116	262
Subtotal	5,104	5,169
Interest and dividend income received	322	434
Interest paid	(15)	(15)
Income taxes paid	(954)	(1,165)
Net cash provided by (used in) operating activities	4,456	4,422
Cash flows from investing activities		
Net decrease (increase) in bank deposits	900	(1,050)
Purchase of marketable securities	(9,886)	(6,871)
Proceeds from sale and redemption of marketable securities	4,874	4,750
Proceeds from collection of loans receivable	58	–
Total of net cash provided by (used in) investment transactions	(4,054)	(3,170)
Total of net cash provided by (used in) operating activities and investment transactions	402	1,252
Purchase of property, plant and equipment	(605)	(459)
Purchase of intangible assets	(608)	(395)
Payments for acquisition of businesses	(107)	–
Other, net	(108)	(40)
Net cash provided by (used in) investing activities	(5,485)	(4,066)

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Repayments of lease obligations	(11)	(9)
Dividends paid	(101)	(203)
Net cash provided by (used in) financing activities	(112)	(212)
Net increase (decrease) in cash and cash equivalents	(1,141)	143
Cash and cash equivalents at beginning of period	28,833	27,691
Cash and cash equivalents at end of period	27,691	27,835

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This application has no impact on the consolidated financial statements.

(Additional information)

(Application of Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the fiscal year under review. As a result, accounting treatment and disclosure of corporate and local income taxes and tax effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021, hereinafter, "PITF No. 42"). Pursuant to the provision in Paragraph 32 (1) of PITF No. 42, the Company has judged that there is no impact from the change in accounting policies as a result of applying PITF No. 42.

(Financial instruments)

1. Matters related to the status of financial instruments

(1) Policy for handling financial instruments

The Company and its consolidated subsidiaries are primarily engaged in the non-life insurance business. In our asset management, we make a comprehensive determination of safety, profitability, liquidity, and public interest, taking into account the nature of the assets being invested in, with the aim of contributing to society and public welfare.

Our main investments are in bank deposits, corporate and government bonds, corporate and government bond investment trusts, shares, share investment trusts, and real estate investment trusts, and we conduct our investments according to an annual investment plan.

In procuring funds, we issue corporate bonds for the primary purpose of securing funds to invest in our businesses. When we need to raise funds, we decide on amounts and methods based on the Group's cash flow status.

(2) Details of financial instruments and associated risks

The financial instruments held by the Company and its consolidated subsidiaries include bank deposits, corporate and government bonds, corporate and government bond investment trusts, shares, share investment trusts, and real estate investment trust. These instruments are exposed to the following risks.

1) Market-related risks

Risk of incurring losses with the fluctuation in portfolio value due to fluctuations in interest rates, foreign exchange rates, and share and other markets.

2) Credit risk

Risk of incurring losses with the fluctuation in portfolio values due to changes in the creditworthiness of individual borrowers.

3) Liquidity risk

Risk of being unable to make transactions in markets due to disorderly market conditions or being forced to make transactions at extremely unfavorable prices compared to usual.

(3) Risk management framework for financial instruments

Anicom Insurance, Inc. has established an investment division (Finance Department), clerical administration division (Accounting Department), and risk management division (Risk Management Department) as its framework for managing risks, which has a function of mutual checks and balances based on Investment Risk Management Regulations.

1) Management of market-related risks

For marketable securities, namely shares and bonds, etc., the company determines fair value and the degree of risk, and continuously reviews the status of its holdings.

2) Management of credit risks

The company manages the credit risk of the issuers of marketable securities by determining credit rating information and fair value, etc. for each issue. In addition, regarding marketable securities held for strategic purposes, it regularly monitors the market environment and business performance, etc. of business partners.

The status of asset management, including risk management, is reported to the Board of Directors on a monthly basis. The results of monitoring are confirmed, and risk management preparedness is constantly improved.

3) Management of liquidity risks

The company, while securing the minimum level of funds, appropriately controls liquidity risks by understanding the status of highly liquid assets held, cash flow conditions, the status of individual financial instruments, etc. In addition, the company has categorized liquidity risk levels into normal, anxious, and crisis based on its cash flow conditions, and has established procedures for dealing with cases which are deemed to fall into these categories. Additionally, the company has established a structure under which it will be able to respond swiftly in the event of emergency situations that affect our funds management.

(4) Supplemental explanation on the fair value, etc. of financial instruments

The fair values of financial instruments have been calculated using certain premises and assumptions, and may differ if calculated based on different assumptions and other factors.

2. Matters related to fair value, etc. of financial instruments

Amount recorded in the consolidated balance sheets, fair values, and the difference between them are as follows.

Previous fiscal year (as of March 31, 2022)

(Million yen)

	Amount recorded in consolidated balance sheets	Fair value	Difference
(1) Marketable securities			
Available-for-sale securities (*2)	14,809	14,809	–
(2) Loans receivable	3	3	–
Total assets	14,812	14,812	–
Corporate bonds	5,000	4,988	(12)
Total liabilities	5,000	4,988	(12)

(*1) "Cash and bank deposits" and "Accounts receivable" are omitted as they are settled in a short period of time and their fair value approximates their book value.

(*2) Shares, etc. without market prices and investments in partnerships are as indicated below and are not included in "(1) Marketable securities."

(Million yen)

	Previous fiscal year (as of March 31, 2022)
Shares, etc. without market prices (*1)	1,393
Investments in partnerships (*2)	367
Total	1,761

*1 Shares, etc. without market prices refer to unlisted shares and, pursuant to Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), are not subject to fair value disclosure.

*2 Investments in partnerships refer to investment limited partnerships and silent partnerships. Pursuant to Paragraph 27 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 4, 2019), these are not subject to fair value disclosure.

Fiscal year under review (as of March 31, 2023)

(Million yen)

	Amount recorded in consolidated balance sheets	Fair value	Difference
(1) Marketable securities			
Available-for-sale securities (*2) (*3)	14,344	14,344	–
(2) Loans receivable	3	3	–
Total assets	14,348	14,348	–
Corporate bonds	5,000	4,998	(2)
Total liabilities	5,000	4,998	(2)

(*1) "Cash and bank deposits" and "Accounts receivable" are omitted as they are settled in a short period of time and their fair value approximates their book value.

(*2) Some of investment trusts are included in available-for-sale securities with their net asset value being deemed to be their fair value in accordance with generally accepted accounting principles.

(*3) Shares, etc. without market prices and investments in partnerships are as indicated below and are not included in "(1) Marketable securities."

(Million yen)

	Fiscal year under review (as of March 31, 2023)
Shares, etc. without market prices (*1)	2,220
Investments in partnerships (*2)	390
Total	2,611

*1 Shares, etc. without market prices refer to unlisted shares and, pursuant to Paragraph 5 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020), are not subject to fair value disclosure.

*2 Investments in partnerships refer to investment limited partnerships and silent partnerships. Pursuant to Paragraph 24–16 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021), these are not subject to fair value disclosure.

(Notes)

1. Scheduled redemption amounts of monetary claims and marketable securities with maturity after consolidated closing date

Previous fiscal year (as of March 31, 2022)

(Million yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bank deposits	29,625	–	–	–
Loans receivable	–	3	–	–
Accounts receivable (*)	2,175	–	–	–
Total	31,801	3	–	–

(*) Allowance for doubtful accounts on accounts receivable is immaterial and is directly deducted from the amount recorded in the consolidated balance sheets.

Fiscal year under review (as of March 31, 2023)

(Million yen)

	Within 1 year	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Bank deposits	30,814	–	–	–
Loans receivable	–	3	–	–
Accounts receivable (*)	3,289	–	–	–
Total	34,104	3	–	–

(*) Allowance for doubtful accounts on accounts receivable is immaterial and is directly deducted from the amount recorded in the consolidated balance sheets.

2. Scheduled repayment amounts of corporate bonds after consolidated closing date

Previous fiscal year (as of March 31, 2022)

(Million yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	–	–	–	5,000	–	–
Total	–	–	–	5,000	–	–

Fiscal year under review (as of March 31, 2023)

(Million yen)

	Within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Corporate bonds	–	–	5,000	–	–	–
Total	–	–	5,000	–	–	–

(Marketable securities)

1. Trading securities
   Not applicable.

2. Held-to-maturity securities
   Not applicable.

3. Available-for-sale securities
   Previous fiscal year (as of March 31, 2022)

(Million yen)

		Amount recorded in consolidated balance sheets	Acquisition cost	Difference
Those for which the amount recorded in consolidated balance sheets exceeds the acquisition cost	Shares	24	8	15
	Other	2,918	2,603	314
	Subtotal	2,942	2,611	330
Those for which the amount recorded in consolidated balance sheets does not exceed the acquisition cost	Shares	–	–	–
	Other	11,866	12,672	(806)
	Subtotal	11,866	12,672	(806)
Total		14,809	15,284	(475)

(Note) Shares, etc. without market prices and investments in partnerships are not included in the above table.

Fiscal year under review (as of March 31, 2023)

(Million yen)

		Amount recorded in consolidated balance sheets	Acquisition cost	Difference
Those for which the amount recorded in consolidated balance sheets exceeds the acquisition cost	Shares	323	305	18
	Other	824	734	89
	Subtotal	1,147	1,039	107
Those for which the amount recorded in consolidated balance sheets does not exceed the acquisition cost	Shares	319	325	(6)
	Other	12,877	15,140	(2,262)
	Subtotal	13,197	15,466	(2,268)
Total		14,344	16,505	(2,161)

(Note) Shares, etc. without market prices and investments in partnerships are not included in the above table.

4. Held-to-maturity securities sold during the fiscal year under review
   Not applicable.

5. Available-for-sales securities sold during the fiscal year under review

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

Type	Proceeds from sales	Total gains on sales	Total losses on sales
Shares	144	77	(8)
Other	4,729	282	(53)
Total	4,874	360	(61)

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

Type	Proceeds from sales	Total gains on sales	Total losses on sales
Shares	4	1	–
Other	5,056	390	(116)
Total	5,061	391	(116)

6. Marketable securities for which holding purposes have been changed
   Not applicable.

7. Marketable securities for which impairment losses were recognized during the fiscal year under review
   Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

   The reportable segments of the Anicom Group are components of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors for the purpose of making decisions about the allocation of management resources and evaluating their performance.

   The core business of the Group is the non-life insurance business conducted by Anicom Insurance, Inc., which has obtained a non-life insurance business license under the provisions of Article 3 of the Insurance Business Act. Accordingly, the Group classifies the non-life insurance business as a reportable segment. The "Non-life insurance business" comprises underwriting of pet insurance and related investment operations. In addition, "Pet-related internet services business," which is the operation of a breeder matching website and pet adoption matching website, including transfer of ownership, and other businesses conducted by SIMNET Co., Ltd., is also classified as a reportable segment.

2. Methods for calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

   The accounting treatment for reported business segments is generally the same as described in "Significant matters for preparation of consolidated financial statements." Profits of reportable segment are based on figures for recurring profit.

3. Information on the amounts of net sales, profit (loss), assets, liabilities and other items by reportable segment
For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Amount recorded in consolidated financial statements (Note 2)
	Non-life insurance business	Pet-related internet services business	Total				
Recurring revenue from sales to external customers	48,030	1,753	49,783	3,238	53,022	–	53,022
Inter-segment recurring revenue or transfers	237	142	380	106	486	(486)	–
Total	48,267	1,896	50,164	3,344	53,508	(486)	53,022
Segment profit (loss)	3,478	141	3,619	(453)	3,166	–	3,166
Segment assets	51,455	2,823	54,278	5,247	59,526	(891)	58,635
Segment liabilities	30,252	213	30,465	1,744	32,210	(891)	31,319
Other items							
Depreciation	617	10	627	204	832	–	832
Amortization of goodwill	–	133	133	85	219	–	219
Investment revenue	684	0	684	1	686	(6)	679
Interest expenses	14	–	14	6	21	(6)	15
Share of profit of entities accounted for using equity method	–	–	–	140	140	–	140
Investment in associates accounted for using equity method	–	–	–	1,038	1,038	–	1,038
Increase in property, plant and equipment and intangible assets	527	57	585	740	1,325	–	1,325
(Reference) Segment profit (loss) before amortization of goodwill	3,478	275	3,753	(368)	3,385	–	3,385

(Notes) 1. "Other" refers to business segments not included in the reportable segments and includes the veterinary clinic support operations, insurance agency operations, and research and clinical operations in the veterinary medicine area.
2. Segment profit (loss) coincides with recurring profit in the consolidated statements of income.
3. The adjustment amount of segment assets and segment liabilities of (891) million yen refers to elimination of inter-segment receivable/payable amounting to (891) million yen.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segments			Other (Note 1)	Total	Adjustments	Amount recorded in consolidated financial statements (Note 2)
	Non-life insurance business	Pet-related internet services business	Total				
Recurring revenue from sales to external customers	51,624	1,750	53,375	3,152	56,528	–	56,528
Inter-segment recurring revenue or transfers	261	121	382	287	669	(669)	–
Total	51,885	1,872	53,757	3,439	57,197	(669)	56,528
Segment profit (loss)	4,519	(77)	4,442	(756)	3,685	–	3,685
Segment assets	53,870	2,715	56,586	4,836	61,422	(15)	61,407
Segment liabilities	32,203	236	32,439	798	33,238	(15)	33,223
Other items							
Depreciation	456	8	465	299	764	–	764
Amortization of goodwill	–	133	133	80	214	–	214
Investment revenue	848	0	848	1	849	(15)	834
Interest expenses	14	–	14	6	21	(6)	15
Share of profit of entities accounted for using equity method	–	–	–	(3)	(3)	–	(3)
Investment in associates accounted for using equity method	–	–	–	1,765	1,765	–	1,765
Increase in property, plant and equipment and intangible assets	582	3	586	327	913	–	913
Reference: Segment profit (loss) before amortization of goodwill	4,519	56	4,575	(675)	3,900	–	3,900

(Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the veterinary clinic support operations, insurance agency operations, and research and clinical operations in the veterinary medicine area.
2. Segment profit (loss) coincides with recurring profit in the consolidated statements of income.
3. The adjustment amount of segment assets and segment liabilities of (15) million yen refers to elimination of inter-segment receivable/payable amounting to (15) million yen.

[Related information]

1. Information by product and service
   This information is omitted because recurring revenue from sales to external customers in a single product and service category exceeds 90% of the recurring revenue recorded in the consolidated statements of income.

2. Information by geographical area
   (1) Net sales
   Not applicable as there are no consolidated subsidiaries or overseas branches in countries or regions other than Japan.

   (2) Property, plant and equipment
   Not applicable as there are no consolidated subsidiaries or overseas branches in countries or regions other than Japan.

3. Information by major customer
   Not applicable.

[Information on impairment losses on non-current assets by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
An impairment loss of 94 million yen was recorded for the fiscal year ended March 31, 2022 in the "Non-life insurance business."

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
An impairment loss of 80 million yen was recorded for the fiscal year ended March 31, 2023 in "Other."

[Information on the amortization of goodwill and unamortized balance by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of goodwill	–	133	85	–	219
Balance at end of the fiscal year	–	1,738	515	–	2,253

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of Goodwill	–	133	80	–	214
Balance at end of the fiscal year	–	1,604	434	–	2,038

[Information on the gains on bargain purchase by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

(Yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	336.19	346.90
Basic earnings per share	25.99	28.12

(Notes) 1. Diluted earnings per share is not indicated as there are no potential shares.
2. The basis for the calculation of basic earnings per share is as follows.

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	2,112	2,284
Amount not attributable to common shareholders (Million yen)	–	–
Profit attributable to owners of parent relating to common shares (Million yen)	2,112	2,284
Average number of common shares outstanding during the period (Shares)	81,260,883	81,250,670

(Significant subsequent events)

Not applicable.

5. Non-Consolidated Financial Statements

(1) Non-consolidated balance sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and bank deposits	4,759	4,374
Prepaid expenses	38	20
Accounts receivable - other	966	274
Income taxes refund receivable	–	154
Other	0	2
Total current assets	5,764	4,826
Non-current assets		
Property, plant and equipment		
Buildings, net	18	15
Tools, furniture and fixtures, net	56	66
Leased assets	6	2
Construction in progress	–	0
Total property, plant and equipment	81	85
Intangible assets		
Patent right	–	2
Software	11	26
Software in progress	17	8
Total intangible assets	29	37
Investments and other assets		
Shares of subsidiaries and associates	16,315	17,934
Long-term prepaid expenses	10	14
Leasehold deposits	548	547
Deferred tax assets	11	17
Total investments and other assets	16,885	18,514
Total non-current assets	16,996	18,636
Total assets	22,760	23,463
Liabilities		
Current liabilities		
Accrued expenses	0	0
Accounts payable - other	259	276
Lease obligations	3	1
Income taxes payable	298	28
Deposits received	11	12
Provision for bonuses	11	16
Other	0	0
Total current liabilities	586	335
Non-current liabilities		
Corporate bonds	5,000	5,000
Lease obligations	2	1
Long-term guarantee deposits	500	500
Total non-current liabilities	5,503	5,502
Total liabilities	6,090	5,837

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Net assets		
Shareholders’ equity		
Share capital	8,202	8,202
Capital surplus		
Legal capital surplus	8,092	8,092
Total capital surplus	8,092	8,092
Retained earnings		
Other retained earnings		
Retained earnings brought forward	376	1,331
Total retained earnings	376	1,331
Treasury shares	(1)	(1)
Total shareholders’ equity	16,670	17,625
Total net assets	16,670	17,625
Total liabilities and net assets	22,760	23,463

(2) Non-consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Operating revenue		
Management fee income	1,698	1,810
Dividends from subsidiaries and associates	105	1,022
Total operating revenue	1,803	2,832
Operating expenses		
Selling, general and administrative expenses	1,621	1,577
Total operating expenses	1,621	1,577
Operating profit	182	1,255
Non-operating revenue		
Interest income	0	0
Other	1	2
Total non-operating revenue	2	2
Non-operating expenses		
Interest expenses	0	0
Interest on bonds	15	15
Other	0	0
Total non-operating expenses	15	15
Recurring profit	168	1,242
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	0
Loss on valuation of shares of subsidiaries and associates	147	12
Other	0	–
Total extraordinary losses	149	12
Profit before income taxes	19	1,230
Income taxes - current	(10)	78
Income taxes - deferred	30	(6)
Total income taxes	19	71
Net profit	0	1,158

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of period	8,202	8,092	8,092	477	477
Changes during period					
Dividends of surplus				(101)	(101)
Net profit				0	0
Net changes in items other than shareholders' equity					
Total changes during period	–	–	–	(101)	(101)
Balance at end of period	8,202	8,092	8,092	376	376

	Shareholders' equity		Total net assets
	Treasury shares	Total shareholders' equity	
Balance at beginning of period	(1)	16,771	16,771
Changes during period			
Dividends of surplus		(101)	(101)
Net profit		0	0
Net changes in items other than shareholders' equity			–
Total changes during period	–	(101)	(101)
Balance at end of period	(1)	16,670	16,670

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance at beginning of period	8,202	8,092	8,092	376	376
Changes during period					
Dividends of surplus				(203)	(203)
Net profit				1,158	1,158
Net changes in items other than shareholders' equity					
Total changes during period	–	–	–	955	955
Balance at end of period	8,202	8,092	8,092	1,331	1,331

	Shareholders' equity		Total net assets
	Treasury shares	Total shareholders' equity	
Balance at beginning of period	(1)	16,670	16,670
Changes during period			
Dividends of surplus		(203)	(203)
Net profit		1,158	1,158
Net changes in items other than shareholders' equity			–
Total changes during period	–	955	955
Balance at end of period	(1)	17,625	17,625

6. Other

(1) Comparison of status of profit and loss with the previous fiscal year

(Million yen)

		For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023	Year-on-year change	Year-on-year change rate (%)
Recurring profit (loss)	Underwriting revenue	47,321	50,781	3,459	7.3
	[Of which, net premiums written]	[47,321]	[50,781]	[3,459]	[7.3]
	Underwriting expenses	33,504	35,664	2,159	6.4
	[Of which, net claims paid]	[25,559]	[27,934]	[2,374]	[9.3]
	[Of which, loss adjustment expenses]	[1,080]	[1,106]	[26]	[2.5]
	[Of which, net commission and collection expenses]	[5,193]	[5,067]	[(126)]	[(2.4)]
	[Of which, provision for reserve for outstanding losses and claims]	[165]	[283]	[117]	[70.6]
	[Of which, provision for underwriting reserves]	[1,505]	[1,272]	[(232)]	[(15.4)]
	Investment revenue	679	834	154	22.7
	[Of which, interest and dividend income]	[316]	[439]	[123]	[39.0]
	[Of which, gain on sale of marketable securities]	[360]	[391]	[31]	[8.7]
	Investment expenses	66	118	52	79.1
	[Of which, loss on sale of marketable securities]	[61]	[116]	[54]	[88.4]
	[Of which, loss on valuation of marketable securities]	[4]	[2]	[(2)]	[(43.1)]
	Operating and general administrative expenses	14,656	15,350	693	4.7
	Other recurring expenses	3,392	3,203	(188)	(5.6)
	Recurring profit	3,166	3,685	519	16.4
Extraordinary income (losses)	Extraordinary income	–	–	–	–
	Extraordinary losses	170	142	(28)	(16.6)
	Extraordinary income (losses)	(170)	(142)	28	(16.6)
Profit before income taxes		2,995	3,543	547	18.3
Income taxes - current		776	1,150	374	48.2
Income taxes - deferred		106	107	0	0.5
Total income taxes		883	1,258	374	42.4
Net profit		2,112	2,284	172	8.2
Profit attributable to owners of parent		2,112	2,284	172	8.2

(2) Status of recurring revenue

The table below shows recurring revenue by segment for the past two fiscal years.

Segment		For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023	Year-on-year increase (decrease) rate
		Amount (Million yen)	Amount (Million yen)	(%)
Non-life insurance business (pet insurance)		48,030	51,624	7.5
	Non-life insurance (Anicom Insurance, Inc.)	48,030	51,624	7.5
	(Of which, net premiums written)	47,321	50,781	7.3
Pet-related internet services business		1,753	1,750	(0.1)
Other businesses		3,238	3,152	(2.6)
	Insurance agencies	15	20	32.5
	Veterinary clinic support	278	303	9.0
	Clinical and research operations in the veterinary medicine area	1,641	1,811	10.4
	Genetic testing, etc.	596	405	(32.0)
	Other	706	611	(13.4)
Total		53,022	56,528	6.6

(Note) Sales results by major customer and the ratio of those sales results to total sales results are not stated as there were no customers that accounted for more than 10% of total sales.

(3) Insurance premiums and insurance claims by type

The table below shows the insurance underwriting results by Anicom Insurance, Inc.

1) Direct net premiums (including premiums of saving-type insurance)

	For the fiscal year ended March 31, 2022			For the fiscal year ended March 31, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	47,321	100.0	9.3	50,781	100.0	7.3
Total	47,321	100.0	9.3	50,781	100.0	7.3
[Of which, premiums of saving-type insurance]	[–]	[–]	[–]	[–]	[–]	[–]

(Notes) 1. Direct net premiums (including premiums of saving-type insurance) refers to direct premiums from which direct cash surrender value and direct other refunds have been deducted. (Includes deposit premiums for savings-type insurance)

2. Figures are amounts after the elimination of inter-segment transactions.

2) Net premiums written

	For the fiscal year ended March 31, 2022			For the fiscal year ended March 31, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	47,321	100.0	9.3	50,781	100.0	7.3
Total	47,321	100.0	9.3	50,781	100.0	7.3

(Note) Figures are amounts after the elimination of inter-segment transactions.

3) Net claims paid

	For the fiscal year ended March 31, 2022			For the fiscal year ended March 31, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	25,559	100.0	10.0	27,934	100.0	9.3
Total	25,559	100.0	10.0	27,934	100.0	9.3

(Note) Figures are amounts after the elimination of inter-segment transactions.

(4) Solvency margin ratio

The table below shows solvency margin ratio of Anicom Insurance, Inc.

	For the fiscal year ended March 31, 2022 (Million yen)	For the fiscal year ended March 31, 2023 (Million yen)
(A) Total amount of solvency margin	25,244	25,719
Stated capital or funds, etc.	20,288	21,785
Reserve for price fluctuation	98	119
Contingency reserve	–	–
Catastrophe reserve	1,522	1,633
General allowance for doubtful accounts	1	2
Unrealized gains (losses) on available-for-sale securities before tax effect deductions	(475)	(2,161)
Unrealized gains (losses) on land	30	60
Excess of premium refund reserve	–	–
Subordinated debt, etc.	–	–
Amounts within “Excess of premium refund reserve” and “Subordinated debt, etc.” not calculated into the margin	–	–
Deductions	–	–
Other	3,777	4,280
(B) Total amount of risk $\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$	12,830	13,785
General insurance risk (R1)	12,447	13,445
Third sector insurance risk (R2)	–	–
Assumed interest rate risk (R3)	–	–
Asset management risk (R4)	1,596	1,142
Business administration risk (R5)	280	291
Major catastrophe risk (R6)	–	–
(C) Solvency margin ratio on a non-consolidated basis (%) [(A) / {(B) x 1/2}] x 100	393.5%	373.1%

(Note) The above amounts and figures are calculated in accordance with Articles 86 and 87 of the Regulation for Enforcement of the Insurance Business Act and Public Notice No. 50 issued by the Ministry of Finance in 1996.

Solvency Margin Ratio

- Non-life insurance companies set aside reserves to cover the payment of insurance claims in the event of an insured event and payments of maturity refunds for savings-type insurance policies. However, they must also maintain sufficient solvency in order to cover risks that exceed the normally predictable range, such as the occurrence of a major catastrophe or a significant decline in the value of assets held by the non-life insurance companies.
- The "solvency margin ratio on a non-consolidated basis" ((C) in the above table) indicates the ratio of the "solvency margin of an insurance company in terms of its stated capital, reserves, etc." (i.e. total amount of solvency margin: (A) in the above table) to the "total amount of risk" ((B) in the above table), which represents "risks that exceed the normally predictable range," calculated in accordance with the Business Insurance Act, etc.
- "Risks that exceed the normally predictable range" are the total amount of the risks described below.

1) Risk on underwriting of insurance (General insurance risk) (Third-sector insurance risk)	:	Risk that may occur due to the incidence rate of insured events being in excess of normally predictable range (excluding major catastrophe risk)
2) Assumed interest rate risk	:	Risk that may occur due to the actual yields of invested assets falling below the yields assumed for the calculation of premiums for savings-type insurance
3) Asset management risk	:	Risk that may occur due to the value of assets such as marketable securities held fluctuating in excess of the normally predictable range
4) Business administration risk	:	Risks that may occur in the operation of business in excess of the normally predictable range other than 1) to 3) above and 5) below
5) Major catastrophe risk	:	Risk that may occur due to a major catastrophe (equivalent to the Great Kanto Earthquake or the Isewan Typhoon) in excess of the normally predictable range

- The "solvency margin of an insurance company in terms of its stated capital, reserves, etc." (total amount of solvency margin) refers to the total of the insurance company's net assets (excluding the amount of scheduled disbursement, etc.), various reserves (reserve for price fluctuation, catastrophe reserve, etc.), part of its unrealized gains on land, etc.
- The solvency margin ratio is one objective indicator used by government authorities to determine the soundness of insurance companies' management in its supervision of insurance companies. It is understood that a ratio of 200% or more indicates an appropriate level of solvency of an insurance company in terms of its ability to pay insurance claims, etc.

(5) Changes in Directors and Audit & Supervisory Board Members

To further strengthen its corporate governance framework to increase management soundness and further enhance its corporate value, the Company plans to propose the election of Directors and/or Audit & Supervisory Board Members at the 23rd Annual General Meeting of Shareholders scheduled for June 23, 2023, but this proposal has not been finalized at this time.

The Company plans to propose the election of two (2) or more Outside Directors.