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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]



November 8, 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 commencing dividend payments: -
 Scheduled date of filing quarterly securities report: November 13, 2023
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly 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 Six Months Ended September 30, 2023 (April 1, 2023 – September 30, 2023)

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

	Recurring revenue		Recurring profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2023	29,837	6.7	2,601	33.0	1,756	33.5
Six months ended September 30, 2022	27,974	6.2	1,955	21.5	1,316	2.7

(Note) Comprehensive income: Six months ended September 30, 2023: 1,442 million yen [-%]
 Six months ended September 30, 2022: 65 million yen [(95.3)%]

	Basic earnings per share	Diluted earnings per share
Six months ended September 30, 2023	Yen 21.75	Yen —
Six months ended September 30, 2022	16.20	—

(Reference) Recurring profit before amortization of goodwill (Total of recurring profit and amortization of goodwill):

Six months ended September 30, 2023: 2,703 million yen

Six months ended September 30, 2022: 2,067 million yen

Net profit before amortization of goodwill (Total of profit attributable to owners of parent and amortization of goodwill):

Six months ended September 30, 2023: 1,857 million yen

Six months ended September 30, 2022: 1,427 million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	62,044	28,301	45.6
As of March 31, 2023	61,407	28,184	45.9

(Reference) Equity: As of September 30, 2023: 28,301 million yen

As of March 31, 2023: 28,184 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	–	0.00	–	4.0	4.0
Fiscal year ending March 31, 2024	–	0.00			
Fiscal year ending March 31, 2024 (Forecast)			–	5.5	5.5

(Note) Revision of the latest dividend forecast: None

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
Full year	60,000	6.1	4,000	8.5	2,500	9.4	30.77

(Note) Revision of the latest financial results forecast: None

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
- (2) Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements: None
- (3) 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: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of issued shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

As of September 30, 2023:	81,309,160 shares
As of March 31, 2023:	81,309,160 shares
 - 2) Total number of treasury shares at the end of the period:

As of September 30, 2023:	1,628,636 shares
As of March 31, 2023:	61,476 shares
 - 3) Average number of shares outstanding during the period:

Six months ended September 30, 2023:	80,772,233 shares
Six months ended September 30, 2022:	81,251,662 shares

* These quarterly financial results are outside the scope of quarterly 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 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 2 of the Attachments.

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months under review, the Japanese economy showed signs of gradual recovery as a result of the normalization of the social environment, mainly due to the easing of restrictions on domestic activities and entry into Japan from abroad following the reclassification of COVID-19. On the other hand, the economic outlook remained uncertain due to factors such as the protracted situation in Russia and Ukraine, unstable global conditions, soaring energy and resource prices, the prolonged depreciation of the yen, and continued price increases.

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 1,154,322 policies, an increase of 41,178 or 3.7% from the end of the previous fiscal year. In addition, the E/I loss ratio*¹ increased by 1.1 points year on year to 60.6%, despite the fact that the 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 1.9 points year on year to 33.4%, despite active investments aimed at expansion of scale and due to 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 0.8 points year on year to 94.0%.

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 6.8% year on year to 26,774 million yen, investment revenue increased by 1.3% year on year to 361 million yen, other recurring revenue, which includes new business, etc., increased by 5.7% year on year to 2,701 million yen, for the total recurring revenue of 29,837 million yen, a 6.7% increase year on year. On the other hand, recurring expenses increased by 4.7% year on year to 27,235 million yen, including underwriting expenses of 18,392 million yen, up 5.2% year on year, and operating and general administrative expenses of 7,863 million yen, up 2.6% year on year. As a result, recurring profit increased by 33.0% year on year to 2,601 million yen. Profit attributable to owners of parent was 1,756 million yen, up 33.5% 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) Explanation of Financial Position

1) Assets, liabilities and net assets

Total assets as of the end of the second quarter under review increased by 637 million to 62,044 million yen compared to the previous year-end. This was primarily attributable to an increase in marketable securities of 9,748 million yen.

Total liabilities as of the end of the second quarter under review increased by 519 million to 33,743 million yen compared to the previous year-end. This was primarily attributable to an increase of 112 million yen in reserve for insurance policy liabilities due to an increase in insurance policies as well as an increase of 380 million yen in other liabilities. There were no borrowings from financial institutions, etc.

Total net assets as of the end of the second quarter under review increased by 117 million yen to 28,301 million yen compared to the previous year-end. This was primarily attributable to an increase in retained earnings.

2) Cash flows

Net cash provided by operating activities was 2,524 million yen, primarily due to an increase in profit before income taxes of 661 million yen. This represents an increase of 118 million yen year on year.

Net cash used in investing activities was 11,052 million yen. This represents an increase in cash outflow of 7,685 million yen year on year, primarily due to purchase of marketable securities.

Net cash used in financing activities was 1,339 million yen for the first half of FY2023, primarily due to purchase of treasury shares, compared with a cash outflow of 207 million yen for the same period in the previous year.

As a result of the above, cash and cash equivalents at the end of the second quarter under review was 17,967 million yen, a decrease of 9,867 million yen from the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

About consolidated financial results forecast among the consolidated financial results forecast for the fiscal year ending March 31, 2024, please refer to “Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024” of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 disclosed on May 10, 2023. If there are revisions in the future, notification will be promptly made.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Cash and bank deposits	30,835	21,967
Marketable securities	16,956	26,705
Loans receivable	3	0
Property, plant and equipment	2,557	2,584
Intangible assets	3,242	3,088
Other assets	6,504	6,539
Accounts receivable	3,296	3,307
Accrued premiums	628	685
Suspense payments	849	860
Rest of other assets	1,730	1,684
Deferred tax assets	1,315	1,167
Allowance for doubtful accounts	(8)	(10)
Total assets	61,407	62,044
Liabilities		
Reserve for insurance policy liabilities	22,853	22,966
Loss reserves	2,988	3,179
Underwriting reserves	19,865	19,787
Corporate bonds	5,000	5,000
Other liabilities	4,945	5,326
Provision for bonuses	304	316
Reserves under special laws	119	133
Reserve for price fluctuation	119	133
Total liabilities	33,223	33,743
Net assets		
Shareholders' equity		
Share capital	8,202	8,202
Capital surplus	8,092	8,092
Retained earnings	13,446	14,878
Treasury shares	(1)	(1,001)
Total shareholders' equity	29,740	30,172
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,555)	(1,870)
Total accumulated other comprehensive income	(1,555)	(1,870)
Total net assets	28,184	28,301
Total liabilities and net assets	61,407	62,044

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income
For the Six Months Ended September 30, 2023 and 2022

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Recurring revenue	27,974	29,837
Underwriting revenue	25,063	26,774
[Of which net premiums written]	25,063	26,696
[Of which reversal of policy reserve]	–	78
Investment revenue	356	361
[Of which interest and dividend income]	219	268
[Of which gain on sale of marketable securities]	130	87
Other recurring revenue	2,554	2,701
Recurring expenses	26,019	27,235
Underwriting expenses	17,483	18,392
[Of which net claims paid]	13,718	15,079
[Of which loss adjustment expenses]	557	556
[Of which net commission and collection expenses]	2,533	2,564
[Of which provision for reserve for outstanding losses and claims]	252	191
[Of which provision for underwriting reserves]	422	–
Investment expenses	–	2
[Of which loss on valuation of securities]	–	2
Operating and general administrative expenses	7,661	7,863
Other recurring expenses	874	978
[Of which interest expenses]	7	7
Recurring profit	1,955	2,601
Extraordinary losses	38	22
Loss on disposal of non-current assets	26	8
Other	0	0
Provision of reserves under special laws	10	14
Provision of reserve for price fluctuation	10	14
Profit before income taxes	1,917	2,579
Income taxes - current	502	552
Income taxes - deferred	99	270
Total income taxes	601	822
Net profit	1,316	1,756
Profit attributable to owners of parent	1,316	1,756

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net profit	1,316	1,756
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,250)	(314)
Total other comprehensive income	(1,250)	(314)
Comprehensive income	65	1,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	65	1,442
Comprehensive income attributable to non-controlling interests	–	–

(3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	1,917	2,579
Depreciation	363	364
Amortization of goodwill	111	101
Increase (decrease) in loss reserves	252	191
Increase (decrease) in underwriting reserves	422	(78)
Increase (decrease) in allowance for doubtful accounts	(23)	1
Increase (decrease) in provision for bonuses	40	12
Increase (decrease) in reserve for price fluctuation	10	14
Interest and dividend income	(219)	(268)
Loss (gain) related to marketable securities	(137)	(90)
Share of loss (profit) of entities accounted for using equity method	11	(3)
Share-based payment expenses	11	3
Interest expenses	7	7
Loss (gain) related to property, plant and equipment	26	8
Decrease (increase) in other assets except for investing and financing activities	(221)	(393)
Increase (decrease) in other liabilities except for investing and financing activities	165	315
Subtotal	2,738	2,763
Interest and dividend income received	224	267
Interest paid	(7)	(7)
Income taxes paid	(548)	(498)
Net cash provided by (used in) operating activities	2,406	2,524
Cash flows from investing activities		
Net decrease (increase) in bank deposits	400	(1,000)
Purchase of marketable securities	(4,861)	(12,443)
Proceeds from sale and redemption of marketable securities	1,519	2,810
Total of net cash provided by (used in) investment transactions	(2,942)	(10,633)
Total of net cash provided by (used in) operating activities and investment transactions	(535)	(8,108)
Purchase of property, plant and equipment	(205)	(199)
Purchase of intangible assets	(200)	(208)
Other, net	(18)	(11)
Net cash provided by (used in) investing activities	(3,367)	(11,052)
Cash flows from financing activities		
Repayments of lease obligations	(4)	(4)
Dividends paid	(203)	(324)
Purchase of treasury shares	–	(1,010)
Net cash provided by (used in) financing activities	(207)	(1,339)
Net increase (decrease) in cash and cash equivalents	(1,168)	(9,867)
Cash and cash equivalents at beginning of period	27,691	27,835
Cash and cash equivalents at end of period	26,523	17,967

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Adoption of special accounting procedures for the preparation of quarterly consolidated financial statements)

Not applicable.

(Segment information, etc.)
 [Segment information]

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on the amounts of recurring revenue, profit (loss), by reportable segment

(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	25,424	868	26,293	1,681	27,974	–	27,974
Inter-segment recurring revenue or transfers	129	53	183	120	303	(303)	–
Total	25,554	922	26,477	1,801	28,278	(303)	27,974
Segment profit (loss)	2,302	(45)	2,257	(301)	1,955	–	1,955
(Reference) Segment profit (loss) before amortization of goodwill	2,302	21	2,324	(256)	2,067	–	2,067

(Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the insurance agency operations, veterinary clinic support 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.

2. Information about impairment loss or goodwill of non-current assets by reportable segment

(Significant change in the amount of goodwill)

(Million yen)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of goodwill	–	66	44	–	111
Balance at end of the period	–	1,671	470	–	2,141

For the six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

1. Information on the amounts of recurring revenue, profit (loss), by reportable segment

(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	27,146	949	28,096	1,740	29,837	–	29,837
Inter-segment recurring revenue or transfers	135	83	218	119	338	(338)	–
Total	27,281	1,033	28,315	1,860	30,175	(338)	29,837
Segment profit (loss)	2,992	(26)	2,965	(363)	2,601	–	2,601
(Reference) Segment profit (loss) before amortization of goodwill	2,992	40	3,032	(329)	2,703	–	2,703

- (Notes) 1. “Other” refers to business segments not included in the reportable segments and includes the insurance agency operations, veterinary clinic support 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.

2. Information about impairment loss or goodwill of non-current assets by reportable segment

(Significant change in the amount of goodwill)

(Million yen)

	Non-life insurance business	Pet-related internet services business	Other	Corporate/ eliminations	Total
Amortization of goodwill	–	66	34	–	101
Balance at end of the period	–	1,537	399	–	1,937

(Significant subsequent events)

Not applicable.

3. Additional Information

(1) Status of profit and loss for the six months ended September 30, 2023

(Million yen)

		For the six months ended September 30, 2022	For the six months ended September 30, 2023	Year-on-year change	Year-on-year change rate (%)
Recurring profit (loss)	Underwriting revenue	25,063	26,774	1,711	6.8
	[Of which, net premiums written]	[25,063]	[26,696]	[1,632]	[6.5]
	[Of which, reversal of policy reserve]	[-]	[78]	[78]	[-]
	Underwriting expenses	17,483	18,392	908	5.2
	[Of which, net claims paid]	[13,718]	[15,079]	[1,360]	[9.9]
	[Of which, loss adjustment expenses]	[557]	[556]	[(0)]	[(0.0)]
	[Of which, net commission and collection expenses]	[2,533]	[2,564]	[30]	[1.2]
	[Of which, provision for reserve for outstanding losses and claims]	[252]	[191]	[(61)]	[(24.2)]
	[Of which, provision for underwriting reserves]	[422]	[-]	[(422)]	[(100.0)]
	Investment revenue	356	361	4	1.3
	[Of which, interest and dividend income]	[219]	[268]	[49]	[22.5]
	[Of which, gain on sale of marketable securities]	[130]	[87]	[(42)]	[(32.9)]
	Investment expenses	-	2	2	-
Operating and general administrative expenses	7,661	7,863	201	2.6	
Other recurring profit (losses)	1,680	1,723	42	2.5	
Recurring profit	1,955	2,601	646	33.0	
Extraordinary income (losses)	Extraordinary income	-	-	-	-
	Extraordinary losses	38	22	(15)	(40.9)
	Extraordinary income (losses)	(38)	(22)	15	(40.9)
Profit before income taxes		1,917	2,579	661	34.5
Income taxes - current		502	552	50	10.0
Income taxes - deferred		99	270	171	172.3
Total income taxes		601	822	221	36.8
Profit attributable to owners of parent		1,316	1,756	440	33.5

(2) Status of recurring revenue

The table below shows recurring revenue by segment.

Segment	For the six months ended September 30, 2022	For the six months ended September 30, 2023	Year-on-year increase (decrease) rate
	Amount (Million yen)	Amount (Million yen)	(%)
Non-life insurance business (pet insurance)	25,424	27,146	6.8
Non-life insurance (Anicom Insurance, Inc.)	25,424	27,146	6.8
[Of which, net premiums written]	25,063	26,696	6.5
Pet-related internet services business	868	949	9.3
Other businesses	1,681	1,740	3.6
Veterinary clinic support	150	162	7.9
Insurance agencies	13	6	(50.1)
Clinical and research operations in the veterinary medicine area	987	1,049	6.3
Genetic testing, etc.	220	161	(26.7)
Other	309	359	16.5
Total	27,974	29,837	6.7

(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 six months ended September 30, 2022			For the six months ended September 30, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	25,063	100.0	7.6	26,696	100.0	6.5
Total	25,063	100.0	7.6	26,696	100.0	6.5
[Of which, premiums of saving-type insurance]	[-]	[-]	[-]	[-]	[-]	[-]

(Notes) 1. Direct net premiums (including premiums of saving-type insurance) refer 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 six months ended September 30, 2022			For the six months ended September 30, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	25,063	100.0	7.6	26,696	100.0	6.5
Total	25,063	100.0	7.6	26,696	100.0	6.5

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

3) Net claims paid

	For the six months ended September 30, 2022			For the six months ended September 30, 2023		
	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)	Amount (Million yen)	Composition ratio (%)	Year-on-year increase (decrease) (%)
Pet insurance	13,718	100.0	9.0	15,079	100.0	9.9
Total	13,718	100.0	9.0	15,079	100.0	9.9

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

(4) Marketable securities

A list of items that are material to the operations of the corporate group and have undergone significant changes compared to the end of the previous consolidated fiscal year is as follows.

1. Held-to-maturity securities

I. Previous fiscal year (as of March 31, 2023)

Not applicable.

II. Period under review (as of September 30, 2023)

	Amount recorded in consolidated balance sheets (Million yen)	Fair value (Million yen)	Difference (Million yen)
Corporate and government bonds			
Local government bonds	500	498	(1)
Corporate bonds	800	794	(5)
Total	1,300	1,292	(7)

2. Available-for-sale securities

I. Previous fiscal year (as of March 31, 2023)

	Acquisition cost (Million yen)	Amount recorded in consolidated balance sheets (Million yen)	Difference (Million yen)
Shares	631	643	11
Other	15,874	13,701	(2,172)
Total	16,505	14,344	(2,161)

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

II. Period under review (as of September 30, 2023)

	Acquisition cost (Million yen)	Amount recorded in consolidated balance sheets (Million yen)	Difference (Million yen)
Shares	600	677	76
Corporate and government bonds			
Local government bonds	900	891	(8)
Corporate bonds	1,300	1,288	(11)
Other	22,385	19,730	(2,654)
Total	25,185	22,587	(2,598)

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

(5) Solvency margin ratio

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

	As of March 31, 2023 (Million yen)	As of September 30, 2023 (Million yen)
(A) Total amount of solvency margin	25,719	22,291
Stated capital or funds, etc.	21,785	20,340
Reserve for price fluctuation	119	133
Contingency reserve	–	–
Catastrophe reserve	1,633	863
General allowance for doubtful accounts	2	4
Unrealized gains (losses) on available-for-sale securities before tax effect deductions	(2,161)	(2,598)
Unrealized gains (losses) on land	60	86
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	4,280	3,461
(B) Total amount of risk $\sqrt{(R1 + R2)^2 + (R3 + R4)^2} + R5 + R6$	13,785	14,291
General insurance risk (R1)	13,445	13,897
Third sector insurance risk (R2)	–	–
Assumed interest rate risk (R3)	–	–
Asset management risk (R4)	1,142	1,537
Business administration risk (R5)	291	308
Major catastrophe risk (R6)	–	–
(C) Solvency margin ratio on a non-consolidated basis (%) [(A) / {(B) x 1/2}] x 100	373.1%	311.9%

(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.