



**FY2021 3Q**

# **Financial Results Briefing**

**ipet Holdings, Inc. (Security code: 7339)**

February 7, 2022


# About ipet Group



**ipet Holdings**

Established in October 2020  
Listed on TSE Mothers

100%

 **ipet Insurance**

100%

**Pet's All Right, Inc.**

Subsidiary since  
March 2021

100% non-consolidated

**P's-first**   
ペットファースト少額短期保険

**Pets First Shogaku  
Tanki Hoken**

Subsidiary since  
October 2020

※Pets First Shogaku Tanki Hoken (P's-first) , small amount and short term insurance provider, is not included in the scope of consolidation (non-consolidated subsidiary company).

## Pet insurance business

### Number of policies

Robust growth due to the strong demand for pets  
Recorded the highest number of new policies per month in FY21 2Q  
Maintaining the industry-leading policy renewal rate (around 90%)  
→The number of policies in force continues to increase at a steady pace.  
**Surpassing 700,000 policies on Dec 14th (as of the end of December 2021: 703,328 policies).**

### Product revision -From May 2, 2021-

Product revision including premium change implemented from May 2, 2021.  
Contributed to the increase in the insurance income. → See p.5 for detail.

## Customer support

### Improvement of customer support quality

ipet Insurance was awarded the second "Excellence Award" since 2014 at the "24th Corporate Telephone Response Contest" sponsored by the Japan Telegraph and Telephone User Association. 《Related URL》 <https://www.ipet-ins.com/info/29822/>

## Diversity

### Promotion of active participation by women

ipet Insurance received the highest 3<sup>rd</sup> stage of "Eruboshi" certification from the Minister of Health, Labor and Welfare. Our efforts to promote the active participation of women have been highly evaluated. 《Related URL》 <https://www.ipet-ins.com/info/29492/>

## Financial forecast

### Upward revision of earnings forecast

ipet Holdings revised consolidated earnings forecast at the Board of Directors meeting on February 7, 2022.  
**Recurring profit +250 mil JPY, net income +130 mil JPY** → See p.4 for detail.

# Highlights of upward revisions to forecast (Non-GAAP)

《 On consolidated basis 》

(Unit: Mil JPY)

Full Term	①FY21 Initial Plan	②FY21 Revised Plan	②-① YoY	(②-①)/① YoY	FY20
Revenue	28,600	<b>28,600</b>	—	—	22,878
Adjusted recurring profit	880	<b>1,130</b>	<b>+250</b>	+28.4%	1,119
Adjusted net income	580	<b>710</b>	<b>+130</b>	+22.4%	▲195

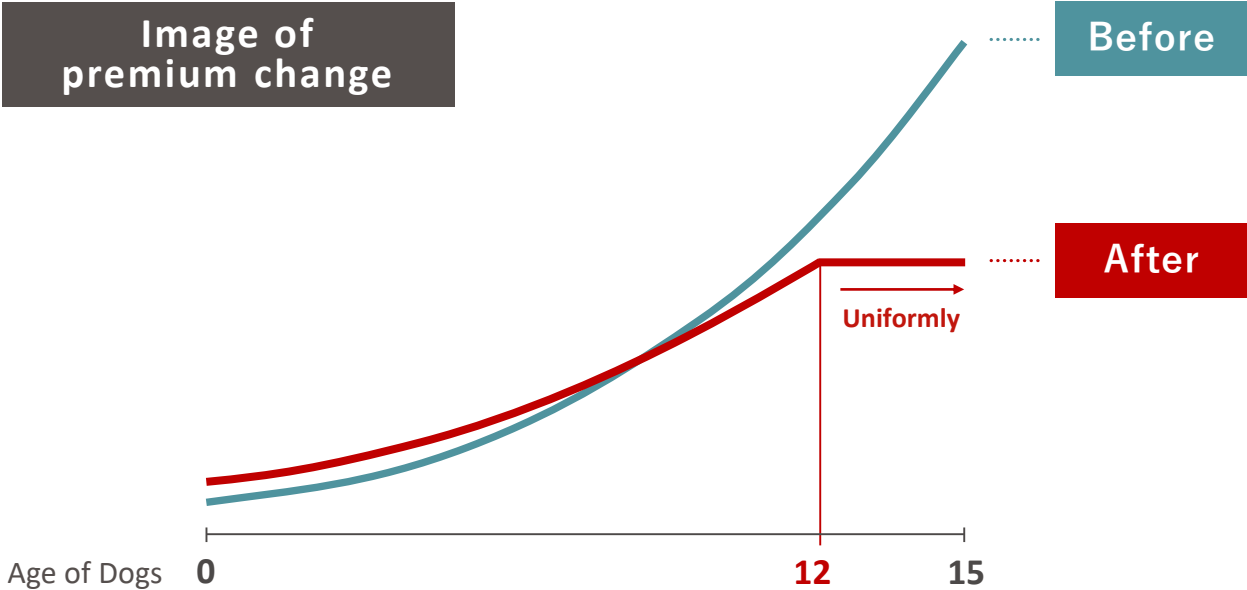
- Since our top line is performing well as initially planned, the forecast for revenue remains unchanged.
- IT system development costs are expected to fall below the assumptions of the initial plan due to the revision of the development schedule.
- The rate of increase in the loss ratio in the current fiscal year is slightly below the assumptions of the initial plan.
- Investment profit is expected to exceed the assumptions of the initial plan

**⇒FY2021 full-term profit forecast was revised upward.**

# Premium change implemented from May 2021

In light of the consumption tax hike and the rise in the loss ratio, premium change was implemented from May 2, 2021.

- # We have reduced the premiums for the elderly, which were extremely high, and made it easier to renew contract.
- # We have raised the premiums for young dogs whose loss ratios are deteriorating.



Impact	Customer	By reducing the premiums for the elderly, the total premium burden for those aged 0 to 15 is greatly reduced.
	Premium	Income premiums increase
	Loss Ratio	Suppress the rise in the loss ratio

# Group performance indicators - Key points

## Definition of terms and assumption

Aim to expand as a group in the future by developing businesses such as Pets All Right

### LTV per contract <sup>\*1</sup> (Lifetime customer value)

[Definition] **Total amount of cumulative profits** that one customer brings to ipet Group

[Calculation formula] Over a certain period of time,  
 $(\text{Revenue} - \text{Contract maintenance cost}) \div \text{Number of policies in force} \times \text{average duration}$

(Assumption)

1. Total of pet insurance business and Pets All Right business
2. Average duration is calculated from the renewal rate
3. The model of US -based T is used for comparison

### PAC per contract <sup>\*2</sup> (Cost of acquiring new contracts, etc.)

[Definition] Marketing cost & forward investment cost for acquiring one contract. AKA **Total initial cost**

[Calculation formula] Over a certain period of time,  
 $(\text{Commission for new contracts} + \text{marketing/sales expenses} + \text{depreciation expenses} + \text{forward investment costs}) \div \text{Number of new contracts added}$

(Assumption)

Total of pet insurance business and Pets All Right business

### Number of pet insurance policies in force

The number of pet insurance policies in force at a given point in time.

The estimate of future cash flows.

### Group IRR <sup>\*3</sup> (Internal rate of return)

The total amount of profit (LTV) relative to the investment (PAC) on a group-wide basis.

**As a holding company in FY2020, the above four indicators are set as key performance indicators**

<sup>\*1</sup> LTV (Life Time Value): LTV per insurance contract + LTV per Pets All Right contract x dilution factor (based on the number of pet insurance contracts concluded). See p.27 for definition and calculation process

<sup>\*2</sup> PAC (Pet Acquisition Cost) : PAC per insurance contract + PAC per pets all right contract x dilution factor (based on the number of pet insurance contracts concluded). See p.27 for definition and calculation process

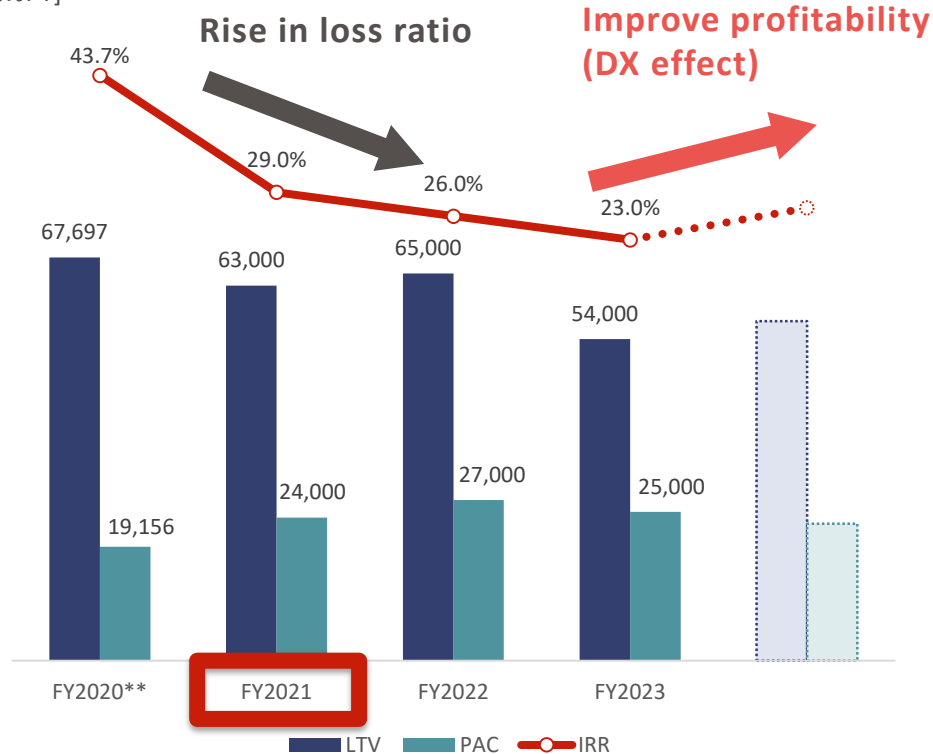
<sup>\*3</sup> IRR (Internal Rate of Return): See p.27 for calculation process

# Plans during the mid-term plan

We use the following four indicators as KPIs in order to emphasize long-term business profitability.

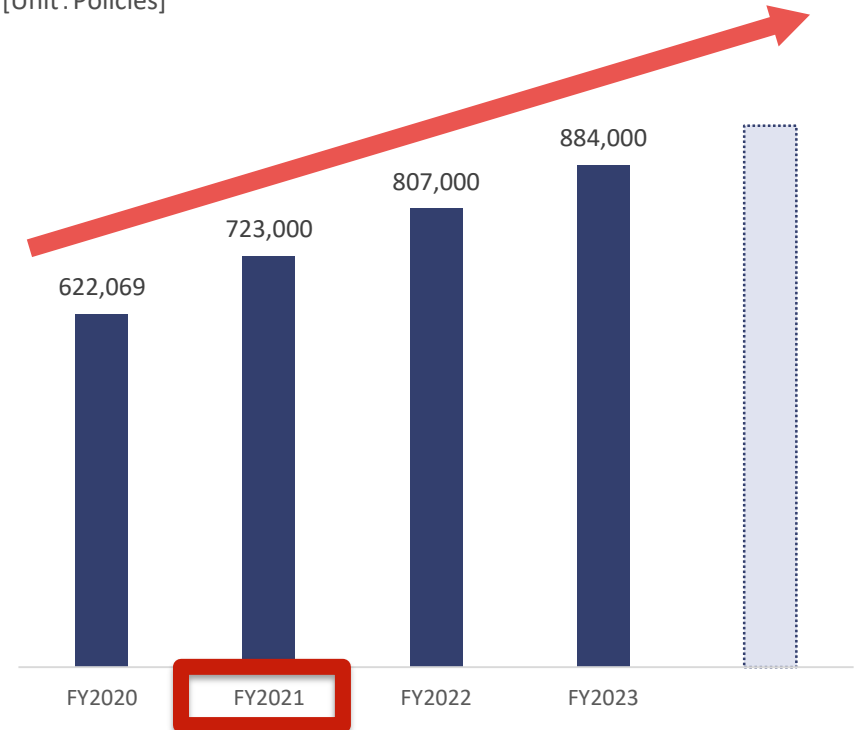
LTV · PAC · IRR  
<mid-term plan>

[Unit: JPY]



Number of pet insurance policies  
in force <mid-term plan>

[Unit: Policies]



**ipet group goes into investment phase for future growth**

\*\* FY2020 Actual (As of October 2020~March 2021)

# 《LTM》 Group performance indicators - Key highlights

## Results of Jan 2021 ~ Dec 2021

Decreased compared to FY2020  
because of temporary decline in renewal  
rate due to product revision in May 2021

LTV per contract <sup>\*1</sup>  
(Lifetime customer value)

67,282 JPY

PAC per contract <sup>\*2</sup>  
(Cost of acquiring new contracts, etc.)

20,873 JPY

Number of pet insurance policies in force <sup>\*3</sup>

703,328 policies

Group IRR <sup>\*4</sup>  
(Internal rate of return)

41.4%

**As a holding company in FY2020, the above four indicators are set as key performance indicators**

<sup>\*1</sup> LTV (Life Time Value): LTV per insurance contract + LTV per Pet's All Right contract x Dilution factor (based on the number of pet insurance contracts concluded). See p.27 for definition and calculation process

<sup>\*2</sup> PAC (Pet Acquisition Cost): PAC per insurance contract concluded + PAC per Pet's All Right contract concluded x Dilution factor (based on the number of pet insurance contracts concluded). See p.27 for definition and calculation process

<sup>\*3</sup> As of the end of December 2021

<sup>\*4</sup> IRR (Internal Rate of Return): See p.27 for the calculation process



# 《3Q》 Group performance indicators - Key highlights

Results of Oct 2021 ~ Dec 2021

Increased compared to FY2020  
because both loss ratio and operating expense  
ratio remained low during 3Q.

LTV per contract <sup>\*1</sup>  
(Lifetime customer value)

73,742 JPY

PAC per contract <sup>\*2</sup>  
(Cost of acquiring new contracts, etc.)

23,769 JPY

Number of pet insurance policies in force <sup>\*3</sup>

703,328 policies

Group IRR <sup>\*4</sup>  
(Internal rate of return)

40.9%

**As a holding company in FY2020, the above four indicators are set as key performance indicators**

<sup>\*1</sup> LTV (Life Time Value): LTV per insurance contract + LTV per Pet's All Right contract x Dilution factor (based on the number of pet insurance contracts concluded). See p.28 for definition and calculation process

<sup>\*2</sup> PAC (Pet Acquisition Cost): PAC per insurance contract concluded + PAC per Pet's All Right contract concluded x Dilution factor (based on the number of pet insurance contracts concluded). See p.28 for definition and calculation process

<sup>\*3</sup> As of the end of December 2021

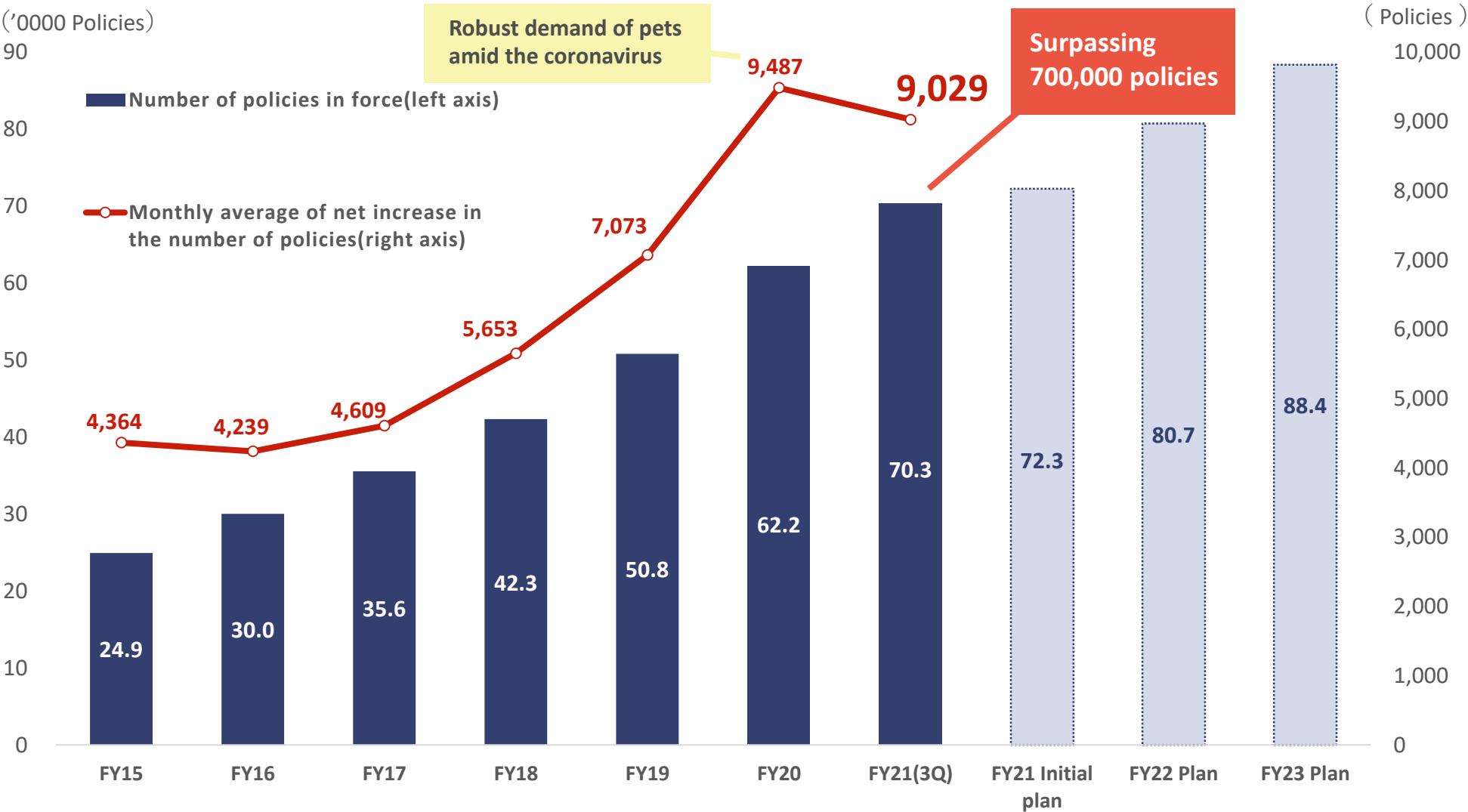
<sup>\*4</sup> IRR (Internal Rate of Return): See p.28 for the calculation process



**Pet Insurance Business**

# Number of policies in force and the net increase in the number of policies

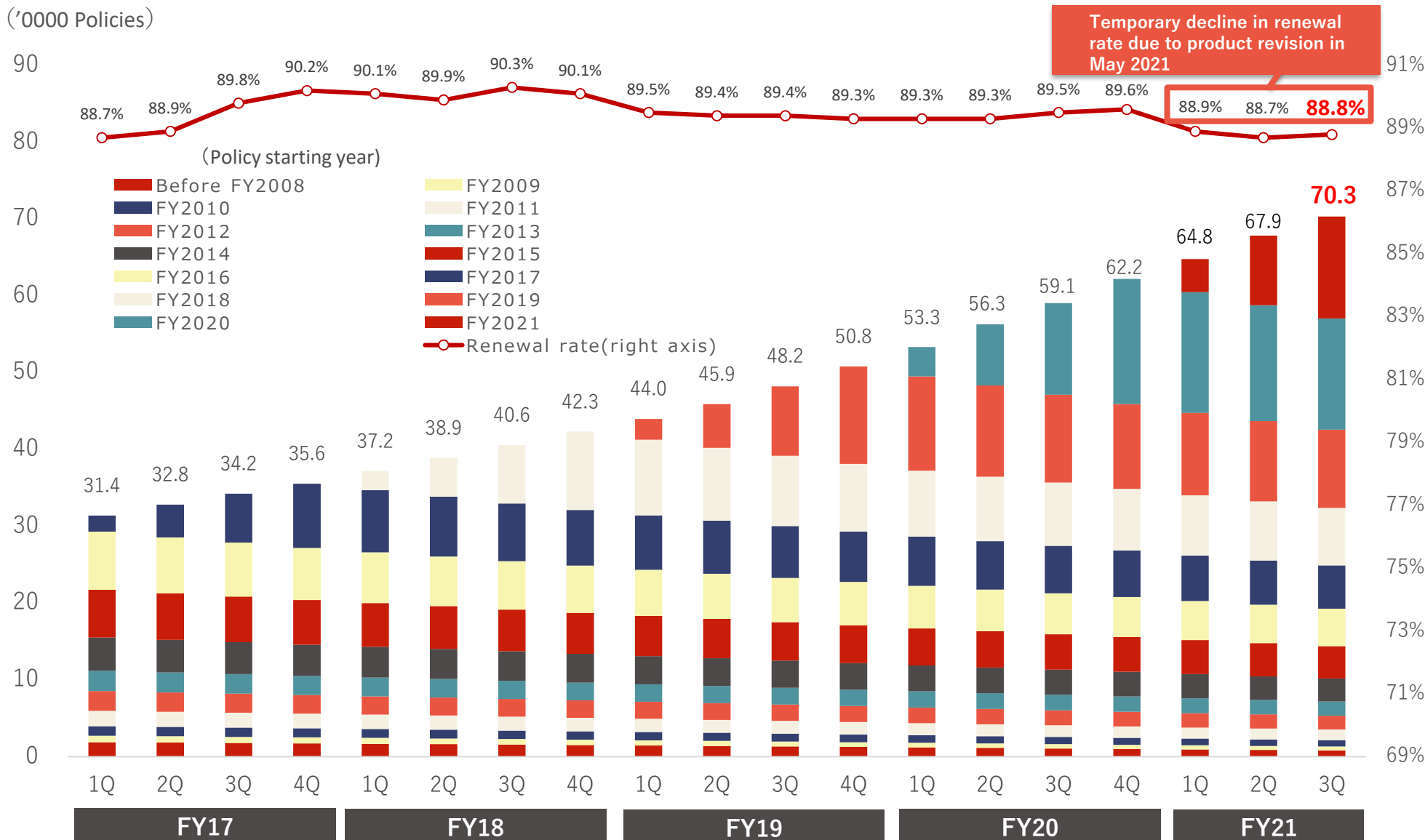
In FY2021, the number of policies in force continues to increase at a steady pace.  
⇒703,328 contracts as of the end of December 2021



# Number of policies in force (by starting year) and renewal rate

**Strong growth of new policies and top-class renewal rate kept the number of policies in force growing**

('0000 Policies)



A person with long brown hair, wearing a green shirt, is holding a grey and white tabby cat. The cat is looking to the left. The person's hands are visible, holding the cat's front paws. The background is a bright window with a green plant visible outside. The text "Pet's All Right business" is overlaid in red at the bottom left.

**Pet's All Right business**



# Overview of services of Pet's All Right



Business scale is steadily expanding as the number of registered users at the end of December increased by 85% compared to the end of March.

A man in a light blue button-down shirt and dark trousers sits on the left side of a metal bench. A woman in a dark blue top and white skirt sits on the right side. Two golden retrievers are sitting on the bench between them, looking towards the camera with their tongues out. The bench is outdoors on a paved patio area with a wooden fence in the background.

# Financial indicators

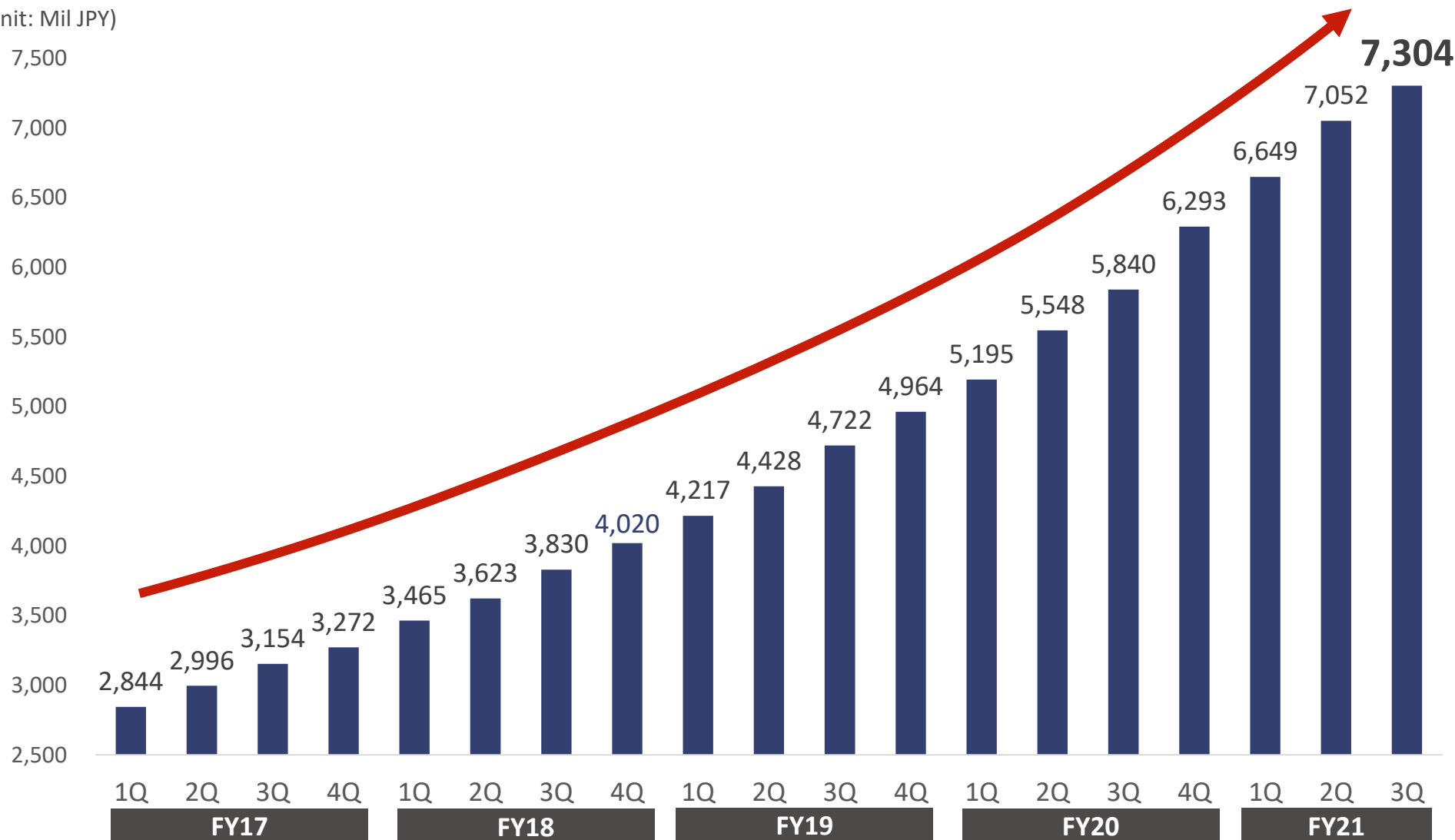
In addition to Japanese GAAP (J-GAAP), we disclose the business results by using the business management indicators (Non-GAAP indicators).

We consider the Non-GAAP indicators to be a more appropriate financial indicators. Please refer to “Summary of Financial Results” for details.

# 《Quarterly》 Consolidated recurring revenue

**Achieved a high level of earnings growth while maintaining high growth rate of business scale**

(Unit: Mil JPY)

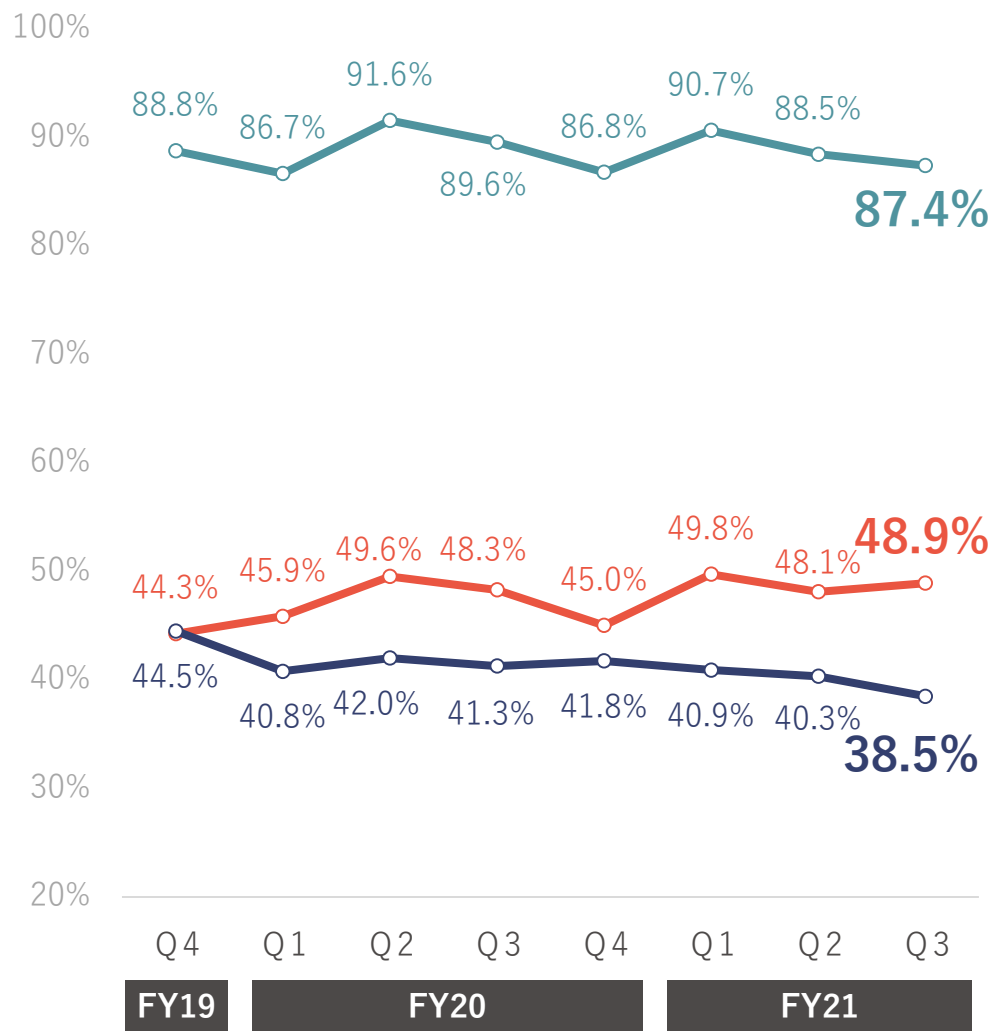




# 《Quarterly》 Loss ratio and operating expense ratio (non-consolidated basis for ipet Insurance)

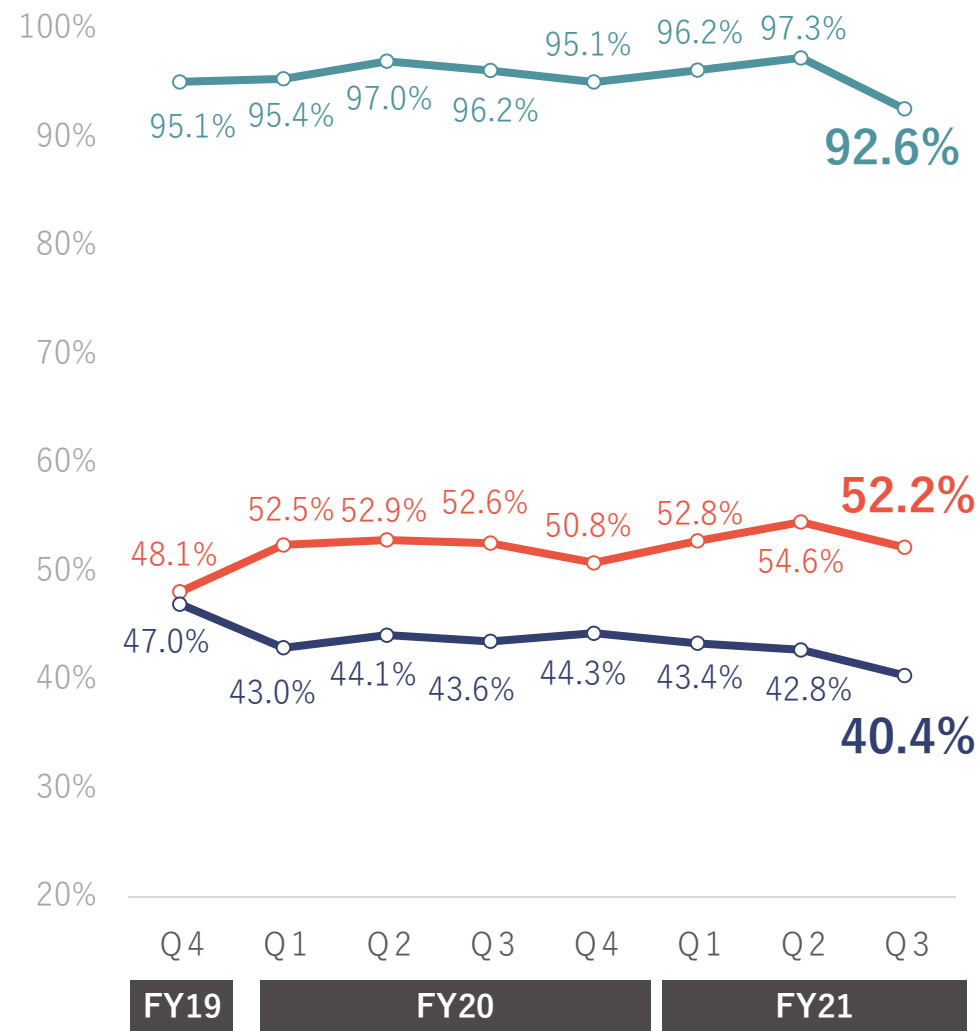
## Net premiums written basis

—○— Loss ratio  
—○— Operating expense ratio  
—○— Combined ratio

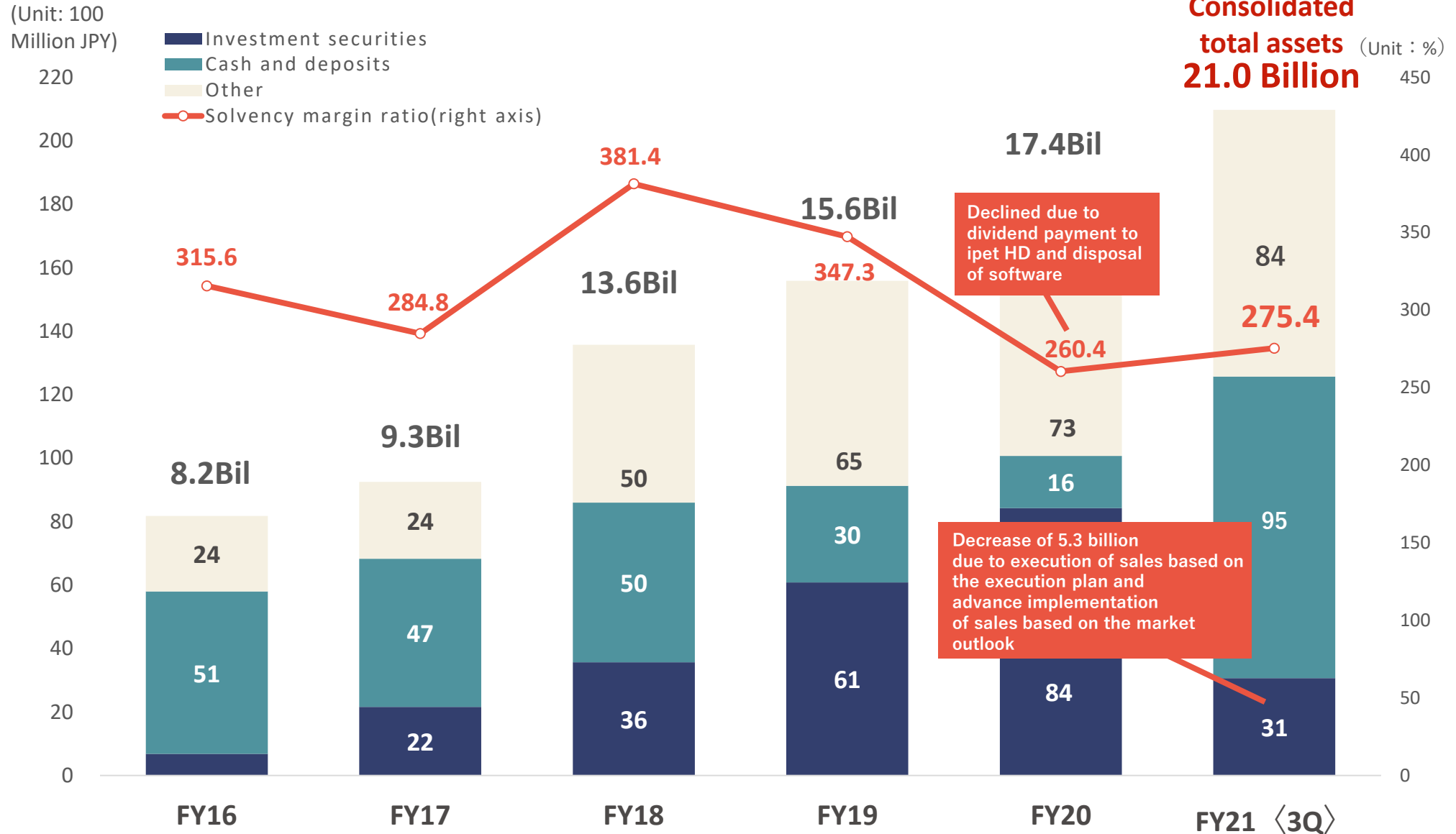


## Earned premiums basis

—○— Loss ratio  
—○— Operating expense ratio  
—○— Combined ratio



# Consolidated total assets and Solvency margin ratio (non-consolidated basis for ipet Insurance)



# FY2021 3Q Highlights of Non-GAAP indicators

《Cumulative numbers for April - December, consolidated basis, QoQ comparison》

## 1. The top line is steadily growing due to the robust increase in insurance policies

<b>Revenue</b>	16,584 M ¥	▶	<b>21,006 M ¥</b>	<b>+26.7%</b>
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## 2. Higher profit, even though the increase in the frequency of insurance claims payments

<b>Adjusted Recurring profit</b>	777 M ¥	▶	<b>1,121 M ¥</b>	<b>+44.3%</b>
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<b>Adjusted net income</b>	525 M ¥	▶	<b>766 M ¥</b>	<b>+45.9%</b>
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As the rate of rise in the loss ratio was slightly lower than expected,  
Revenue and profits increased year on year.

# FY2021 3Q Non-GAAP indicators Summary

《 On consolidated basis 》

(Unit: Mil JPY)

3Q basis (Oct-Dec)	①FY20 Oct-Dec	②FY21 Oct-Dec	(②-①)/① QoQ	③FY21 full Revised plan	②/③ Contribution rate
Revenue	5,840	<b>7,304</b>	+25.1%	28,600	25.5%
Adjusted recurring profit	299	<b>521</b>	+73.8%	1,130	46.1%
Adjusted net income	201	<b>362</b>	+79.7%	710	51.5%

Cumulative for 3Q (Apr-Dec)	①FY20 Apr-Dec	②FY21 Apr-Dec	(②-①)/① YoY	③FY21 full Revised plan	②/③ Achievement rate
Revenue	16,584	<b>21,006</b>	+26.7%	28,600	73.5%
Adjusted recurring profit	777	<b>1,121</b>	+44.3%	1,130	99.2%
Adjusted net income	525	<b>766</b>	+45.9%	710	108.0%

# Non-GAAP profit indicators (unearned premium basis)

《On cumulative, consolidated basis》

(Unit: Mil JPY)

		FY20 3Q	FY20 Full	FY21 3Q	FY21 Revised plan
Non-GAAP	A) Adjusted recurring profit (=B + C)	777	1,119	1,121	1,130
	B) Recurring profit	254	401	473	250
	C) Catastrophic loss reserve impact	523	717	647	880

- We disclose business performance on the basis both internal indicators (**Non-GAAP: unearned premium basis**) used by management to make decisions and indicators based on Japanese GAAP (J-GAAP: initial year balance basis) \*
- We use **adjusted recurring profit** (=recurring profit based on unearned premium basis ± catastrophe reserve\*\* impact) as a profit indicator for business management that appropriately represents the actual business situation.
- In order to prepare for compensation for damages caused by an abnormal disaster, the underwriting reserve must be recorded as liability calculated by multiplying the underwriting revenue by 3.2% for each fiscal year.\*\*  
(Article 70.1.2 of Ordinance for Enforcement of the Insurance Business Act)
- In the future as well,  
we will disclose the **earnings forecast on the basis of "Non- GAAP indicator: Unearned premium basis" only**





\* Among listed companies, there is no other non-life insurance company that discloses business results based on the initial year balance basis.

\*\* Because the loss ratio of ipet Insurance is less than the standard loss rate of 50% stated in the attached table of Article 2 of Notification No. 232 of Ministry of Finance



# APPENDIX

# Pet insurance products offered by ipet

Name of product	Targets	Out-patient	Hospitalization	Surgery	Notes
 <b>Uchinoko Plus</b> - limited to pet shop channels -	Dogs and cats	Covered	Covered	Covered	-OTC payouts : Covered (only from 2nd month) -100% of treatment bills covered in the 1st month of adoption(when pets tend to get sick) -Two coverage plans available from 2nd month(70% and 50%)
 <b>Uchinoko</b>	Dogs and cats	Covered	Covered	Covered	-OTC payouts : Covered -Two coverage plans available(70% and 50%)
 <b>Uchinoko Light</b>	Dogs and cats	—	Covered only for continuous hospitalization that includes surgery	Covered	-Focuses on coverage of surgery (which tends to be expensive) -90% of surgery bills covered with reasonable premiums
 <b>Uchinoko Cute</b> - limited to pet shop channels -	Exotic animals designated by ipet* <sup>1</sup>	Covered	Covered	Covered	-OTC payouts : Covered -Three coverage plans available(70%, 50% and 30%)

\*1 Exotic animals include rabbits, ferrets, birds, hedgehogs, squirrels and flying squirrels, hamsters, mice, guinea pigs, lizards, and turtles.



## 4 barriers to entry

## To be specific

- 1 Compliance with related laws and regulations**
- 2 Relationship with pet shops agencies**
- 3 Partnership with veterinary hospitals  
《OTC settlement service》**
- 4 Expertise in assessment technique and administrative system to respond to high-frequency claims**

Compliance with various regulations such as Insurance Law and Insurance Business Act is required, and it is necessary to establish a system.

The environment for new entrants is difficult due to the oligopoly of several pet insurance companies that continue to provide pet shop agencies with detailed support.

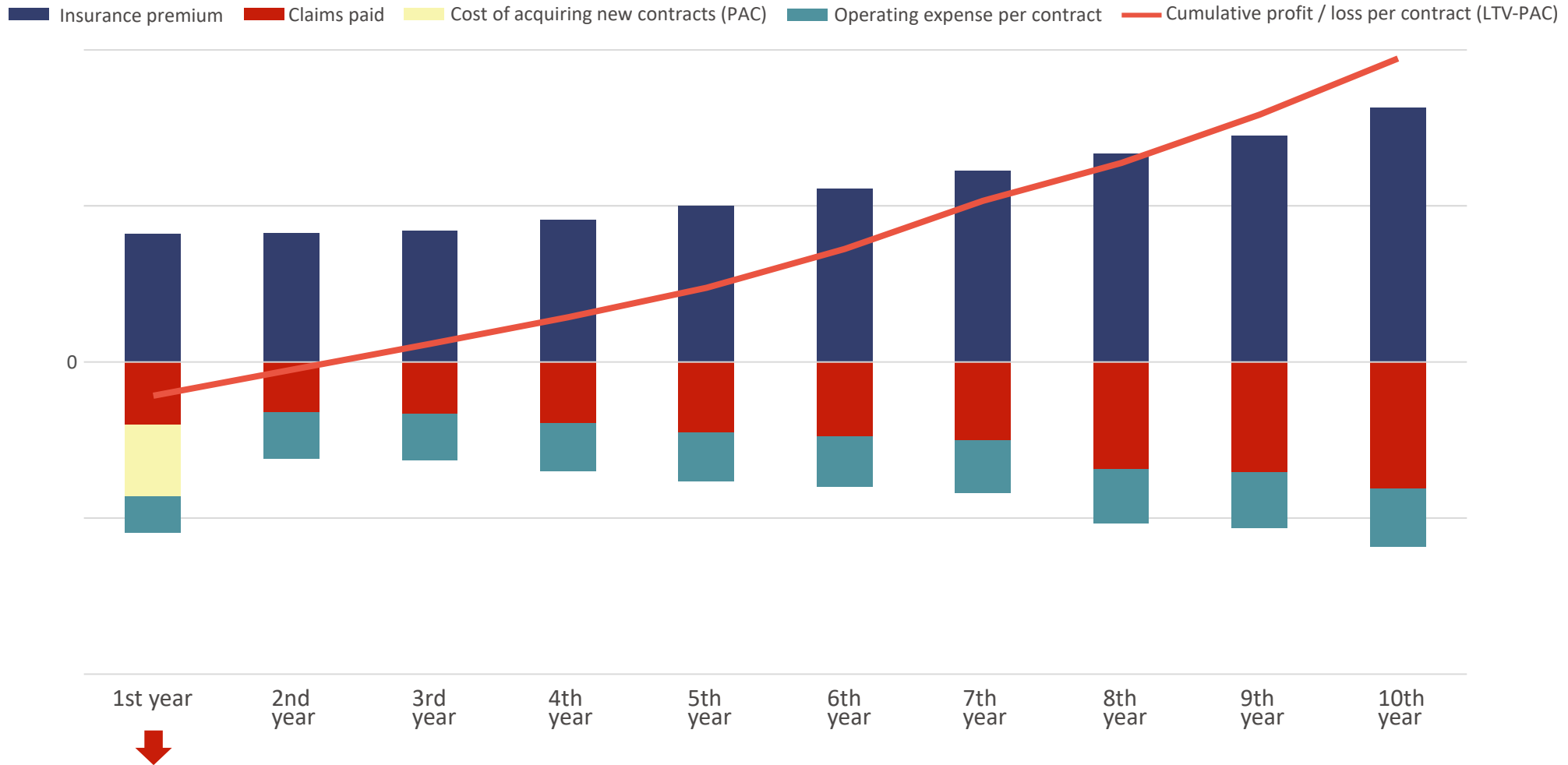
The top pet insurance companies have already covered most of veterinary hospitals(VHs), and considering the labor of small and dispersed VHs, new partnerships with pet insurance companies are difficult for VHs.

It is difficult to secure stable profits even if new entrants are entered, because knowledge for the assessment of veterinary drugs, etc., and administrative system that responds to high-frequency claims are required.



# Changes in cumulative profit / loss per contract for pet insurance business

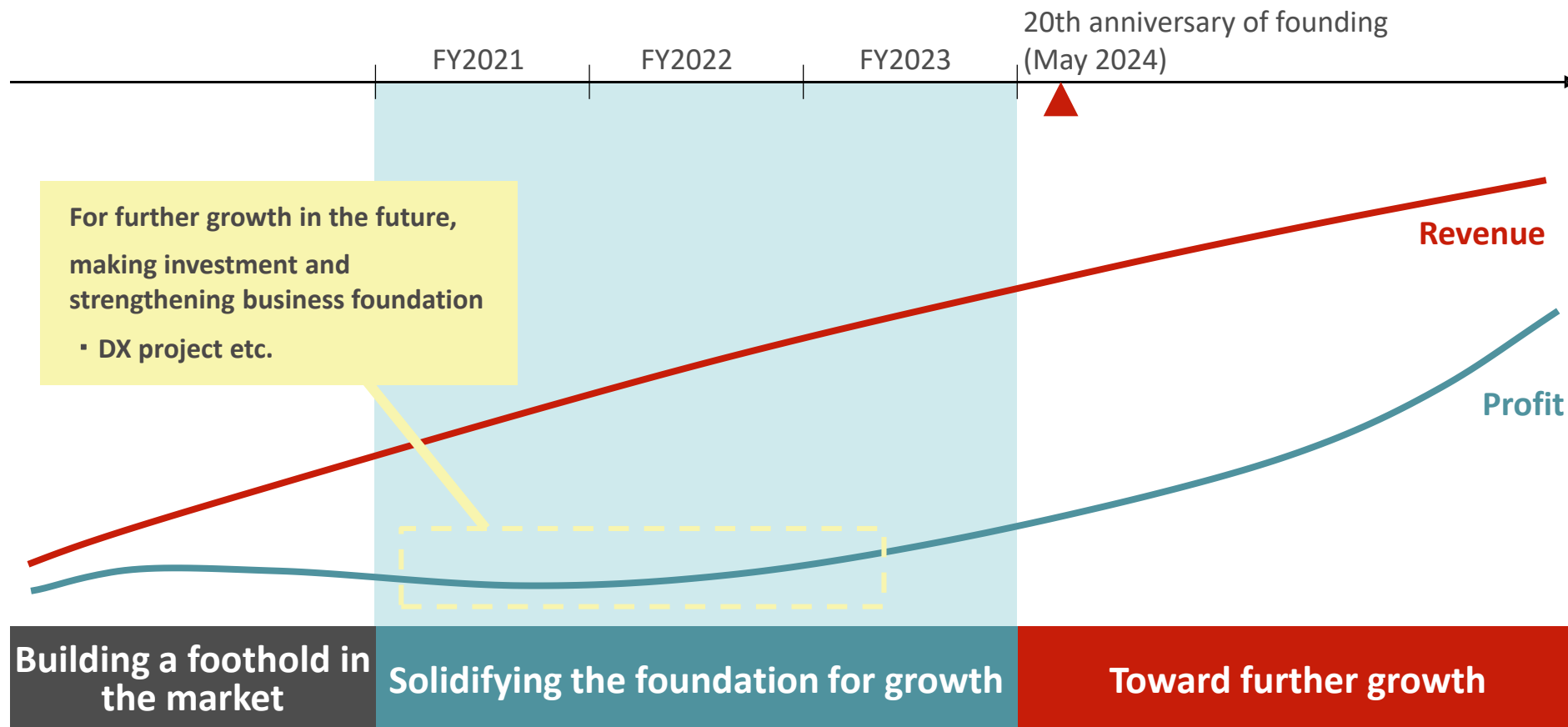
## Premise of calculation: Average contract life of 10 years



As the number of policies in force is growing rapidly, it is still difficult to generate accounting profits

# Efforts to reduce the operating expense ratio

ipet Insurance goes into investment phase for future growth



Priorities for the period of this medium-term management plan

1. Quality Top line growth
2. Improvement of productivity
3. Strengthening the business foundation

# 《LTM》 Group performance indicators

## - Definitions and calculation process

### ■ LTV (Life Time Value)

		Monthly average from January to December
Earned premium (revenue)	①	
Cost incurred on contract maintenance (Incurred loss + general and administrative expenses + commission for renewed policies + taxes and public dues)	②	
Average monthly profit contribution	③=①-②	
Number of policies in force	④	
Earned premium (revenue) per insurance policy	⑤=①÷④	
Cost incurred on contract maintenance per insurance policy (Incurred loss + general and administrative expenses + commission for renewed policies + taxes and public dues)	⑥=②÷④	
Average monthly profit contribution per policy	⑦=⑤-⑥	613
Pet insurance renewal rate	⑧	89.0%
1÷(1-renewal rate)=Average contract duration in years	⑨=1÷(1-⑧)	9.0
Average number of months of contract continuation	⑩=⑨×12	109
LTV (lifetime value) per policy	⑪=⑦×⑩	66,800
LTV (lifetime value) per Pet's All Right contract	⑫	2,961
Dilution factor (based on the number of pet insurance policies)	⑬	0.163
LTV (lifetime value) per contract conversion	⑭=⑪+⑫×⑬	67,282

### ■ IRR (Internal Rate of Return) [Entire Group]

Number of years	0	1	2	3	4	5	6	7	8	9	10	
Number of months	6	12	12	12	12	12	12	12	12	7	0	109
												LTV
Annual contribution profit per contract conversion	3,803	7,605	7,459	7,354	7,354	7,354	7,354	7,354	7,354	4,290	0	67,282
PAC per contract (New contract acquisition cost)	-20,873											IRR
Annual FCF per contract (Free cash flow)	-17,070	7,605	7,459	7,354	7,354	7,354	7,354	7,354	7,354	4,290	0	41.4%



As the number of policies in force is growing rapidly, it is still difficult to generate accounting profits

### ■ PAC (Pet Acquisition Cost: Cost of acquiring new policies, etc.)

		Monthly average from January to December
PAC (Cost of acquiring new policies, etc.) (New sales commission + advertising expenses + sales promotion expenses + DX investment expenses + depreciation charges)	(a)	
Number of new policies	(b)	
PAC per insurance policy (cost of acquiring new contracts, etc.)	(c)=(a)÷(b)	19,667
PAC per Pet's All right contract concluded (Cost of acquiring new contracts, etc.) (First year sales commission + strategy cost + goodwill amortization + depreciation)	(d)	7,411
Dilution factor (based on the number of pet insurance policies)	(e)	0.163
PAC per contract conversion (New contract acquisition cost)	(f)=(c)+(d)×(e)	20,873

# 《 3Q 》 Group performance indicators

## - Definitions and calculation process

### ■ LTV (Life Time Value)

		Monthly average from October to December
Earned premium (revenue)	①	
Cost incurred on contract maintenance (Incurred loss + general and administrative expenses + commission for renewed policies + taxes and public dues)	②	
Average monthly profit contribution	③=①-②	
Number of policies in force	④	
Earned premium (revenue) per insurance policy	⑤=①÷④	
Cost incurred on contract maintenance per insurance policy (Incurred loss + general and administrative expenses + commission for renewed policies + taxes and public dues)	⑥=②÷④	
Average monthly profit contribution per policy	⑦=⑤-⑥	678
Pet insurance renewal rate	⑧	88.8%
1÷(1-renewal rate)=Average contract duration in years	⑨=1÷(1-⑧)	8.9
Average number of months of contract continuation	⑩=⑨×12	107
LTV (lifetime value) per policy	⑪=⑦×⑩	72,504
LTV (lifetime value) per Pet's All Right contract	⑫	5,149
Dilution factor (based on the number of pet insurance policies)	⑬	0.240
LTV (lifetime value) per contract conversion	⑭=⑪+⑫×⑬	73,742

### ■ IRR (Internal Rate of Return) [Entire Group]

Number of years	0	1	2	3	4	5	6	7	8	9	10	
Number of months	6	12	12	12	12	12	12	12	12	5	0	107
												LTV
Annual contribution profit per contract conversion	4,403	8,806	8,356	8,131	8,131	8,131	8,131	8,131	8,131	3,388	0	73,742
PAC per contract (New contract acquisition cost)	-23,769											IRR
Annual FCF per contract (Free cash flow)	-19,366	8,806	8,356	8,131	8,131	8,131	8,131	8,131	8,131	3,388	0	40.9%



As the number of policies in force is growing rapidly, it is still difficult to generate accounting profits

### ■ PAC (Pet Acquisition Cost: Cost of acquiring new policies, etc.)

		Monthly average from October to December
PAC (Cost of acquiring new policies, etc.) (New sales commission + advertising expenses + sales promotion expenses + DX investment expenses + depreciation charges)	(a)	
Number of new policies	(b)	
PAC per insurance policy (cost of acquiring new contracts, etc.)	(c)=(a)÷(b)	22,083
PAC per Pet's All right contract concluded (Cost of acquiring new contracts, etc.) (First year sales commission + strategy cost + goodwill amortization + depreciation)	(d)	7,013
Dilution factor (based on the number of pet insurance policies)	(e)	0.240
PAC per contract conversion (New contract acquisition cost)	(f)=(c)+(d)×(e)	23,769

# 《 LTM 》 Pet insurance business' performance indicators

## - Key highlights

### Results of Jan 2021 ~ Dec 2021

Decreased compared to FY2020  
because of temporary decline in renewal  
rate due to product revision in May 2021

LTV per insurance contract \*1  
(Lifetime customer value)

66,800 JPY

PAC per insurance contract \*2  
(Cost of acquiring new contracts, etc.)

19,667 JPY

Number of pet insurance policies in force \*3

703,328 policies

Pet insurance business' IRR \*4  
(Internal rate of return)

43.9%

The above four indicators are set as key performance indicators

\*1 LTV (Life Time Value): See p.30 for definition and calculation process    \*2 PAC (Pet Acquisition Cost): See p.30 for definition and calculation process

\*3 As of the end of December 2021    \*4 IRR (Internal Rate of Return): See p.30 for the calculation process

# 《 LTM 》 Pet insurance business' performance indicators

## - Definitions and calculation process

### ■ LTV (Life Time Value)

		Monthly average from January to December
Earned premium (revenue)	①	
Cost incurred on contract maintenance (Incurred loss + general and administrative expenses + commission for renewed policies+ taxes and public dues)	②	
Monthly average profit contribution	③=①-②	
Number of policies in force	④	
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Cost incurred on contract maintenance per policy (Incurred loss + general and administrative expenses + commission for renewed policies+ taxes and public dues)	⑥=②÷④	
Average monthly profit contribution per policy	⑦=⑤-⑥	613
Pet insurance renewal rate	⑧	89.0%
1÷(1-renewal rate)=Average contract duration in years	⑨=1÷(1-⑧)	9.0
Average number of months of contract continuation	⑩=⑨×12	109
LTV (lifetime value) per policy	⑪=⑦×⑩	66,800

### ■ PAC (Pet Acquisition Cost: Cost of acquiring new contracts, etc.)

		Monthly average from January to December
PAC (Cost of acquiring new contracts, etc.) (New sales commission + advertising expenses + sales promotion expenses + DX investment expenses + depreciation charges)	(a)	
Number of new policies	(b)	
PAC per policy (cost of acquiring new contracts, etc.)	(c)=(a)÷(b)	19,667

### ■ IRR (Internal Rate of Return)

Number of years	0	1	2	3	4	5	6	7	8	9	10	
Number of months	6	12	12	12	12	12	12	12	12	7	0	109
Average monthly profit contribution per policy	613	613	613	613	613	613	613	613	613	613	613	LTV
Annual profit contribution per policy	3,677	7,354	7,354	7,354	7,354	7,354	7,354	7,354	7,354	4,290	0	66,800
PAC per policy (cost of acquiring new contracts, etc.)	-19,667											IRR
Annual FCF per insurance contract (Free cash flow)	-15,990	7,354	7,354	7,354	7,354	7,354	7,354	7,354	7,354	4,290	0	43.9%



**As the number of contracts in force is growing rapidly, it is still difficult to generate accounting profits**

# 《 3Q 》 Pet insurance business' performance indicators

## - Key highlights

### Results of Oct 2021 ~ Dec 2021

Increased compared to FY2020  
because both loss ratio and operating expense  
ratio remained low during 3Q.

LTV per insurance contract \*1  
(Lifetime customer value)

72,504 JPY

PAC per insurance contract \*2  
(Cost of acquiring new contracts, etc.)

22,083 JPY

Number of pet insurance policies in force \*3

703,328 policies

Pet insurance business' IRR \*4  
(Internal rate of return)

42.9%

**The above four indicators are set as key performance indicators**

\*1 LTV (Life Time Value): See p.32 for definition and calculation process    \*2 PAC (Pet Acquisition Cost): See p.32 for definition and calculation process

\*3 As of the end of December 2021    \*4 IRR (Internal Rate of Return): See p.32 for the calculation process

# 《 3Q 》 Pet insurance business' performance indicators

## - Definitions and calculation process

### ■ LTV (Life Time Value)

		Monthly average from October to December
Earned premium (revenue)	①	
Cost incurred on contract maintenance (Incurred loss + general and administrative expenses + commission for renewed policies+ taxes and public dues)	②	
Monthly average profit contribution	③=①-②	
Number of policies in force	④	
Earned premium (revenue) per insurance policy	⑤=①÷④	
Cost incurred on contract maintenance per policy (Incurred loss + general and administrative expenses + commission for renewed policies+ taxes and public dues)	⑥=②÷④	
Average monthly profit contribution per policy	⑦=⑤-⑥	678
Pet insurance renewal rate	⑧	88.8%
1÷(1-renewal rate)=Average contract duration in years	⑨=1÷(1-⑧)	8.9
Average number of months of contract continuation	⑩=⑨×12	107
LTV (lifetime value) per policy	⑪=⑦×⑩	72,504

### ■ PAC (Pet Acquisition Cost: Cost of acquiring new contracts, etc.)

		Monthly average from October to December
PAC (Cost of acquiring new contracts, etc.) (New sales commission + advertising expenses + sales promotion expenses + DX investment expenses + depreciation charges)	(a)	
Number of new policies	(b)	
PAC per policy (cost of acquiring new contracts, etc.)	(c)=(a)÷(b)	22,083

### ■ IRR (Internal Rate of Return)

Number of years	0	1	2	3	4	5	6	7	8	9	10	
Number of months	6	12	12	12	12	12	12	12	12	5	0	107
Average monthly profit contribution per policy	678	678	678	678	678	678	678	678	678	678	678	LTV
Annual profit contribution per policy	4,066	8,131	8,131	8,131	8,131	8,131	8,131	8,131	8,131	3,388	0	72,504
PAC per policy (cost of acquiring new contracts, etc.)	-22,083											IRR
Annual FCF per insurance contract (Free cash flow)	-18,018	8,131	8,131	8,131	8,131	8,131	8,131	8,131	8,131	3,388	0	42.9%



**As the number of contracts in force is growing rapidly, it is still difficult to generate accounting profits**



**Valuation of  
our business**

ipet's estimate

$$\begin{aligned} &= \text{LTV per insurance contract} \times \text{Average remaining years / Average duration} \times \text{Number of policies in force currently} \\ &+ \left( \text{LTV per policy} - \text{PAC per policy} \right) \times \text{Expected increase in the number of policies in force in the future} \end{aligned}$$

**Because insurance is stock business,  
The value of contracts up to now + The value of contracts to be added in the  
future = Value of our pet insurance business**

# Valuation of pet insurance business is 29.5 billion JPY + future contract value

Valuation of  
our business

ipet's estimate based on the results of Jan 2021 ~ Dec 2021《LTM》

The valuation of contracts up to now

$$\begin{aligned} &= \left( \begin{array}{c} \mathbf{66,800 \text{ JPY}} \\ \text{LTV per insurance contract}^{*1} \end{array} \times \begin{array}{c} \mathbf{5.7 \text{ years}/9.0 \text{ years}} \\ \text{Average remaining years} \\ \text{/ Average duration}^{*2} \end{array} \right) \times \begin{array}{c} \mathbf{703,328 \text{ policies}} \\ \text{Number of contracts in force currently}^{*3} \end{array} \\ &+ \left( \begin{array}{c} \text{LTV per policy} \\ - \\ \text{PAC per policy} \end{array} \right) \times \begin{array}{c} \text{Expected increase in the number} \\ \text{of policies in force in the future} \end{array} \end{aligned}$$

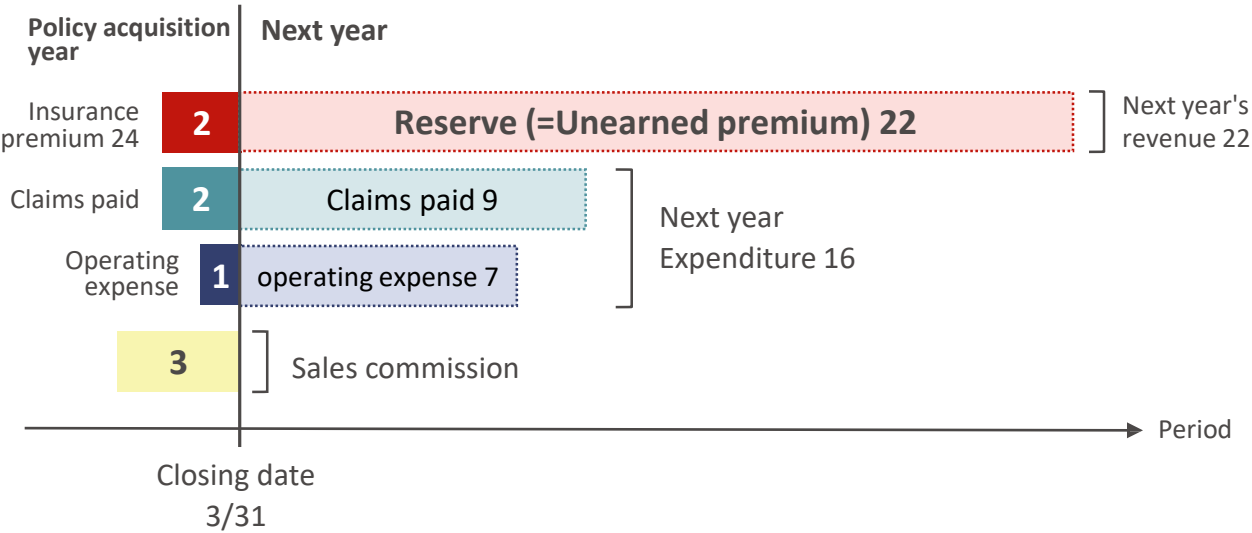
We estimate the value of our pet insurance business as the total of the value of contracts in force currently (about 29.5 billion JPY) and the value of contracts to be added in the future.<sup>\*4</sup>

<sup>\*1</sup> LTV (Life Time Value): See p.30 for definition and calculation process    <sup>\*2</sup> Average remaining years / Average duration = (Average duration-Average number of years elapsed) ÷ (1 ÷ (1-renewal rate)) = (9.0 years-3.3 years) ÷ (1 ÷ (1-89.0%))    <sup>\*3</sup> As of the end of December 2021    <sup>\*4</sup> For the sake of simplicity in the estimation, the decrease in business value due to tax burden and the increase in business value due to gains from asset management are regarded as equivalent and set off.

<Assumptions for Example>

- An annual premium payment contract with premium revenue of 24 was concluded near the end of the fiscal year (February 28). Sales commission is 3 (policy acquisition year)
- Claims paid: 2 (policy acquisition year), 9 (next fiscal year)
- Operating expense: 1 (policy acquisition year), 7 (next fiscal year)

Unearned premium basis (Non-GAAP indicator)



- The amount that may be paid as a refund in the next fiscal year is 22
- ⇒ 22 needs to be recorded in the policy acquisition year as a reserve (= unearned premium)
- ⇒ 22 is diverted to the next year's revenue instead of the policy acquisition year



As the number of policies in force is growing rapidly, it is still difficult to generate accounting profits

## PHILOSOPHY

Create a society where pets and people live happily and healthy together.

## VISION

Visualize the happiness of pets and people.

## MISSION

Make living with pets full of love.

## VALUES

♥ **i for Happiness** - Each one of us creates the happiness of pets and people -

♥ **Integrity** - We are committed to honesty and integrity -

♥ **Innovative** - We pursue the highest quality -

## PHILOSOPHY

Create a society where pets and people live happily and healthy together.

## VISION

Pet insurance company advancing forward and beyond.

## MISSION

Make pet insurance a common service for pet owners in Japan.

## VALUES

**♥ for Happiness** - Each one of us creates the happiness of pets and people -

We provide peace of mind and happiness to more pets and owners through our products and services.  
It is our great pleasure to make our stakeholders happy: pets, customers, business partners, and our colleagues.

**♥ Integrity** - We are committed to honesty and integrity -

As a company that supports the healthy lives of our customers and their precious pets by providing truly useful insurance, it is our natural obligation to deliver solid and stable services to our customers.  
Through sincere and honest corporate activities, we are committed to building relationships of trust with all stakeholders, including society.

**♥ Innovative** - We pursue the highest quality -

We are never satisfied with the status quo.  
Evolution is the driving force which is fundamental to be continually selected in age of rapid change.  
We keep making improvements and reforms, respecting our colleagues and not being afraid of change for the day when our customers are happy they have selected ipet.



## Practicing ESG management

We will use our efforts to reduce the environmental burden through our business (E), contribute to the society where we can live a healthy and happy life with pets (S), and improve reliability by strengthening governance (G) for further growth.

### Environment

#### Business process transformation and environmentally friendly initiatives

- Becoming paperless by pursuing digitalization
  - Digital marketing
  - Use of online "My Page" exclusively for policy holders, etc.
- Utilization of eco-friendly vehicle for business use
- Raising awareness for improving the symbiotic environment and beautifying the environment
- Offering information and raising awareness regarding training of dogs/cats
- Making efforts to protect the global environment
- Changed "Uchinoko Light" membership card from plastic to paper
- Pursuing "Digital Booklet- KEEPGREEN-" initiative
- Utilize electronic contracts for contracts with business partners

**Reducing the environmental burden**

### Social

#### Expanding the spread of pet insurance and making pet related social contribution

- Supporting pet owners with pet insurance
  - Product change, that includes premium changes, to increase the chances that customers continue/renew the policies
- Efforts to address social issues related to pets through the activities of our group companies
- Cooperation agreement on animal welfare with Aomori Prefecture
  - Released the online map showing pet disaster prevention sites and information about shelters that can be used with pets
  - Support to offer online courses to train volunteers to take care of abandoned baby dogs/cats in Aomori Prefecture, where our operation center is located
- Various information offering and awareness raising activities
- Donations and support for activities related to animal welfare
- Employee job satisfaction
  - Pet vacation, pet bereavement leave, etc.
  - Creating policies and systems for working from home and staggered working hours
- Promotion of young people, women, etc.
- Accelerating the employment of people with disabilities

**Toward a society where you can live happily with your pets**

### Governance

#### Enhancing governance

- Strengthening the supervisory function of the board of directors and improving transparency
  - Company having the Audit and Supervisory Committee (※)
  - Establishment of a voluntary nomination / compensation advisory board (※)
- Efforts to prevent fraudulent insurance claims
- Further strengthening of compliance and risk management

※Established at ipet Holdings on October 1,2020

**becoming a more trusted pet insurance company company group**

**Ranked 4th among listed companies excluding the First Section of the Tokyo Stock Exchange in the 2020 "ESG Management Survey" \***

\* In 2020 "ESG Management Survey" (SOMPO Risk Management Co., Ltd.), ranked 4th out of 142 listed companies excluding the first section of the Tokyo Stock Exchange

# Reference: Initiatives for SDGs

At ipet Insurance, which is the core company of our group, we are working on "SDGs for pets and people" with the aim of creating a society where pets and people can live together in good health and happiness by promoting and evolving the pet insurance business.

Priority goals	Specific initiatives (examples)	Corresponding SDGs goals
Be healthy with your pet	<ul style="list-style-type: none"> <li>Providing pet insurance</li> <li>Offering information and raising awareness regarding pet illnesses and injuries</li> <li>Changing the features of products for increasing the chances that customers continue/renew the policies</li> </ul>	   
Be safe with your pet	<ul style="list-style-type: none"> <li>Offering Information and raising awareness regarding disaster prevention for pets</li> <li>Strengthening promotion of disaster prevention measures for people and pets in Aomori Prefecture</li> <li>Providing support for raising disaster rescue dogs</li> </ul>	  
Make people happy irrespective of whether they have or do not have pets	<ul style="list-style-type: none"> <li>Offering information and raising awareness regarding training pets</li> <li>Conducting activities to enhance etiquette awareness</li> <li>Donating Karuta (a traditional Japanese playing card game) and calendars to orphanages</li> </ul>	  
Love for all lives	<ul style="list-style-type: none"> <li>Cooperation agreement on animal welfare with Aomori Prefecture</li> <li>Support to offer online courses to train volunteers to take care of abandoned baby dogs/cats in Aomori Prefecture, where our operation center is located</li> <li>Donation through Karuta and calendar photo posting campaign based on the number of photos posted by users</li> <li>Support for "Flea and tick repellents" for "Pet homes"</li> <li>Offering Information and raising awareness regarding lifelong breeding</li> </ul>	      
To further improve reliability as an insurance company	<ul style="list-style-type: none"> <li>Practicing customer first principle</li> <li>Strengthening governance</li> <li>Efforts to prevent fraudulent insurance claims</li> <li>Further strengthening of compliance and risk management</li> <li>Becoming paperless by pursuing digitalization</li> <li>Using eco-friendly vehicle for business use</li> <li>Making efforts to protect the global environment through digital booklets, etc.</li> <li>Utilize electronic contracts for contracts with business partners</li> </ul>	    
Toward the healthy life and growth of employees who are "Uchinoko (our children)"	<ul style="list-style-type: none"> <li>Introduction of pet vacation and pet bereavement leaves</li> <li>Promotion of young people women, etc.</li> <li>Strengthening disaster prevention measures</li> <li>Online employee education</li> <li>Creating policies and systems for working from home and staggered working hours</li> <li>Accelerating the employment of people with disabilities</li> </ul>	    

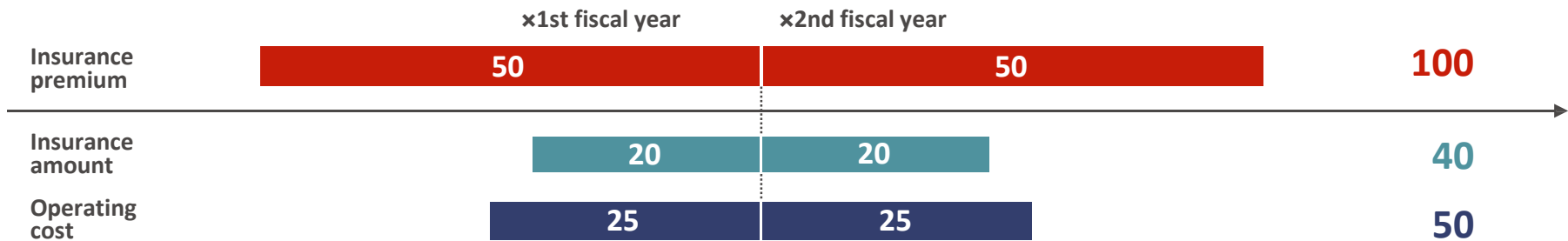
# First year balance method (J-GAAP) and unearned premium method (Non-GAAP)

- Non-life insurance companies are required to record **the larger of** the unearned premium balance and the first year balance as an ordinary policy reserve (Ordinance for Enforcement of the Insurance Business Act, Article 70, Paragraph 1, Clause 1).
- ipet Insurance uses the first year balance method for **system accounting** because the balance of the first year balance exceeds the balance of unearned premiums, but for business management, it uses the **unearned premium method** that is in line with the **accrual accounting**.

## First year balance method and unearned premium method

[Premise]

- One-time payment of 100 during the period, of which unearned insurance premium is 50 at the end of x 1st fiscal year
- Insurance amount and operating cost are as shown in the figure below.



### First year balance method: J-GAAP

	x 1st year	x2nd year
Insurance premium	100	0
(-)Insurance amount	20	20
(-)Operating cost	25	25
Deduction	55	-45
(-)Reserve	55	-55
Profit	0	10

Profit for the first year is 0

### Unearned premium method: Non-GAAP

	x 1st year	x2nd year
Insurance premium	100	0
(-)Insurance amount	20	20
(-)Operating cost	25	25
Deduction	55	-45
(-)Reserve	50	-50
Profit	5	5

Profit on accrual basis



- The materials and information provided in this presentation include so-called "Outlook information" (forward-looking statements).
- These are based on current expectations, forecasts and assumptions filled with risks and contain uncertainties that could lead to results that are substantially different from these statements.
- These risks and uncertainties include general industry and market conditions, general local and international economic conditions such as interest rates and currency exchange fluctuations.
- In the future, even if new information becomes available or other events take place, we are not obligated to update or revise the "Outlook information" included in this document.

## Inquiries concerning this document and other IR matters

ipet Holdings, Inc.

Business Planning Department IR Group

E-mail: [ir@ipet-hd.com](mailto:ir@ipet-hd.com)

