

Be a dependable end-of-life partner by moving even closer to  
the senior generation and their family members



燻ホールディングス株式会社  
SAN HOLDINGS

# **SAN HOLDINGS, INC.**

## **Results of Operations**

### **(First Half of the Fiscal Year Ending March 31, 2023)**

November 22, 2022

Tokyo Stock Exchange, Prime Market  
Stock code: 9628

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# First Half of FY3/23 Financial Overview

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## 1H FY3/23 results

- 1H revenue and earnings increased YoY
- Revenue up mainly because of more large funerals and higher revenue per funeral for ordinary funerals (broad definition)
  - For ordinary funerals, the number and pct. of small, simple funerals decreased and there was a recovery in revenue per ordinary funeral (narrow definition).
  - The fast upturn in small funerals caused by the pandemic slowed down in the current fiscal year.
- Higher expenses for advertising, rent at new funeral halls, consulting for strategic actions, and personnel (recruiting/larger workforce), but expenses were controlled as planned.
- As a result, there was a double-digit increase in operating profit and the operating margin also improved.

## Earnings forecasts

- Increased the first half forecast (announced November 2, 2022) but no changes to the fiscal year forecast
  - Risk of another increase in the severity of the pandemic
  - Risk of even higher cost of utilities in the second half due to the high price of crude oil

## Dividend forecast

- Plan to pay a year-end dividend of 21 yen per share, resulted in a fiscal year dividend of 42 yen per share, up 4 yen per share (dividend increase for the 7th consecutive year) (Expected dividend payout ratio: 21.3%)

# 1H FY3/23 Revenue and Earnings

- Operating revenue increased 6.0% YoY and operating profit increased 11.1%. The operating margin increased 0.8 points to 17.7% because the pct. increase in operating expenses, which are more than 90% of all expenses, was smaller than the increase in revenue.
- Revenue increased due mainly to more large funerals and a recovery in revenue per ordinary funeral as the upturn in small funerals caused by the pandemic became slower.
- In operating expenses, higher direct expenses due to more non-family mourners, more company funerals and farewell events, higher advertising and funeral hall rental expenses, higher recruiting expenses for more employees, and consulting fees for strategic actions.

(Millions of yen)	1H FY3/22	1H FY3/23	YoY change		Forecast (Revised on May 12, 2022)	
			%	Amount	Fiscal year	Results vs. Fct.
Operating revenue	9,512	10,083	6.0%	570	20,800	48.5%
Operating expenses	7,281	7,602	4.4%	321		
SG&A expenses	626	697	11.4%	71		
Operating profit	1,604	1,782	11.1%	177	3,400	52.4%
Operating margin	16.9%	17.7%	0.8pt		16.3%	
Ordinary profit	1,604	1,763	9.9%	158	3,390	52.0%
Profit attributable to owners of parent	1,038	1,218	17.4%	180	2,130	57.2%
Net income per share (Yen)	94.58	114.96	21.5%	20.38	199.64	57.6%

# Quarterly Revenue and Earnings

- 2Q revenue (up more than 10%) and earnings were higher YoY after YoY declines in the 1Q. Operating profit up 40% as higher revenue offset increases in operating and SG&A expenses.
- Double-digit 2Q increase in the number of funerals at all three group funeral companies

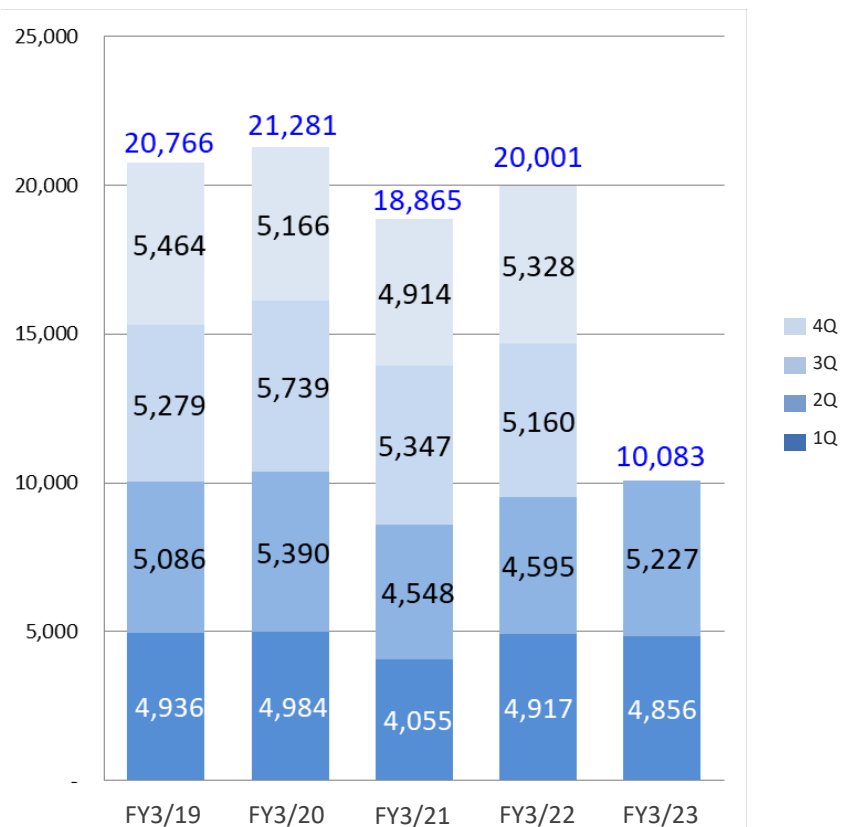
(Millions of yen)

	FY3/22 1Q	FY3/23 1Q	YoY change %	FY3/22 2Q	FY3/23 2Q	YoY change %
Operating revenue	4,917	4,856	-1.2%	4,595	5,227	13.7%
Operating expenses	3,671	3,667	-0.1%	3,610	3,934	9.0%
SG&A expenses	311	349	12.2%	314	348	10.6%
Operating profit	934	838	-10.3%	670	943	40.8%
Operating margin	19.0%	17.3%	-1.7pt	14.6%	18.1%	3.5pt
Ordinary profit	939	825	-12.1%	664	937	41.1%
Profit	610	526	-13.8%	427	692	62.0%

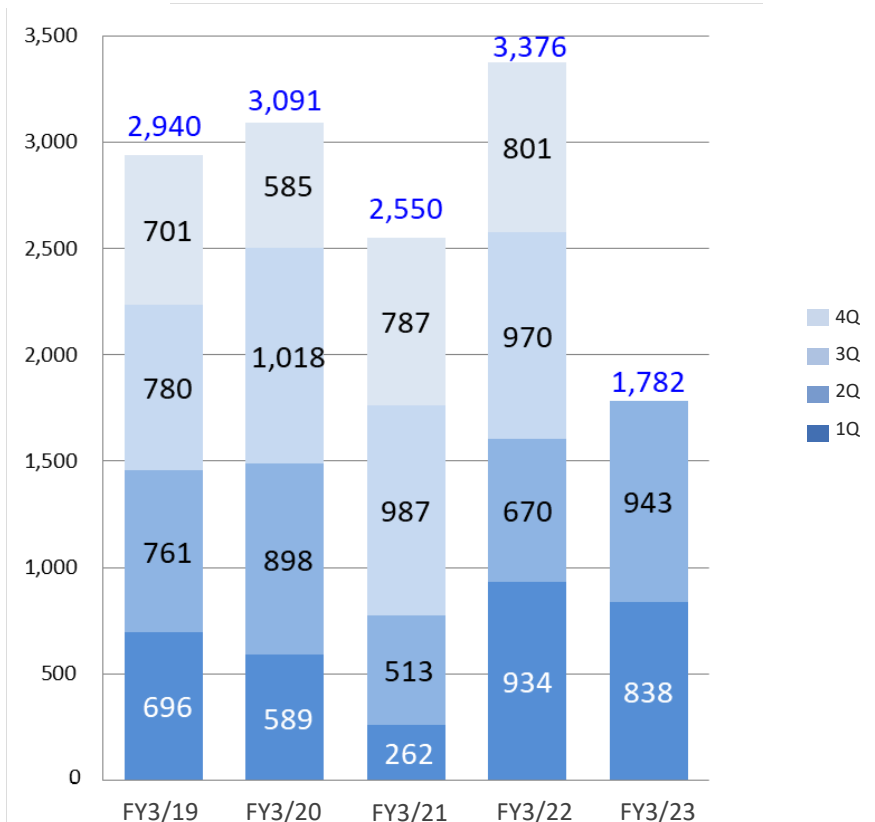
# Quarterly Revenue and Earnings

- Due to 2Q growth, 1H revenue was higher than in 1H FY3/19 but still below 1H FY3/20.
- High 2Q operating profit raised 1H FY3/23 operating profit to more than before the pandemic started and to more than half of the record high FY3/22 operating profit.

(Millions of yen) **Quarterly operating**



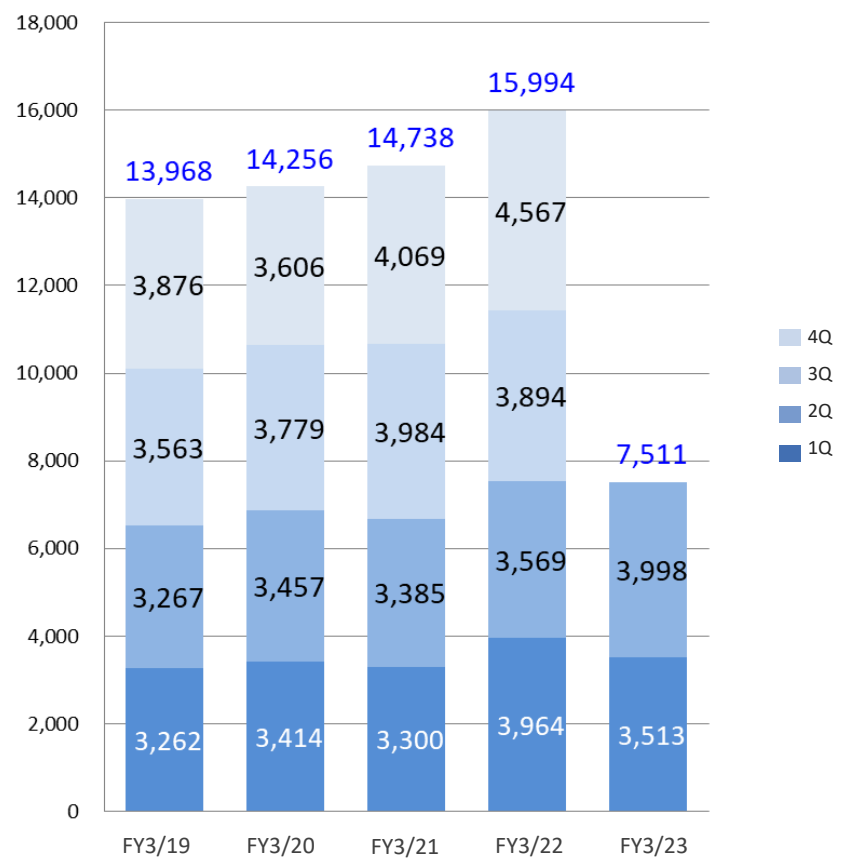
(Millions of yen) **Quarterly operating profit**



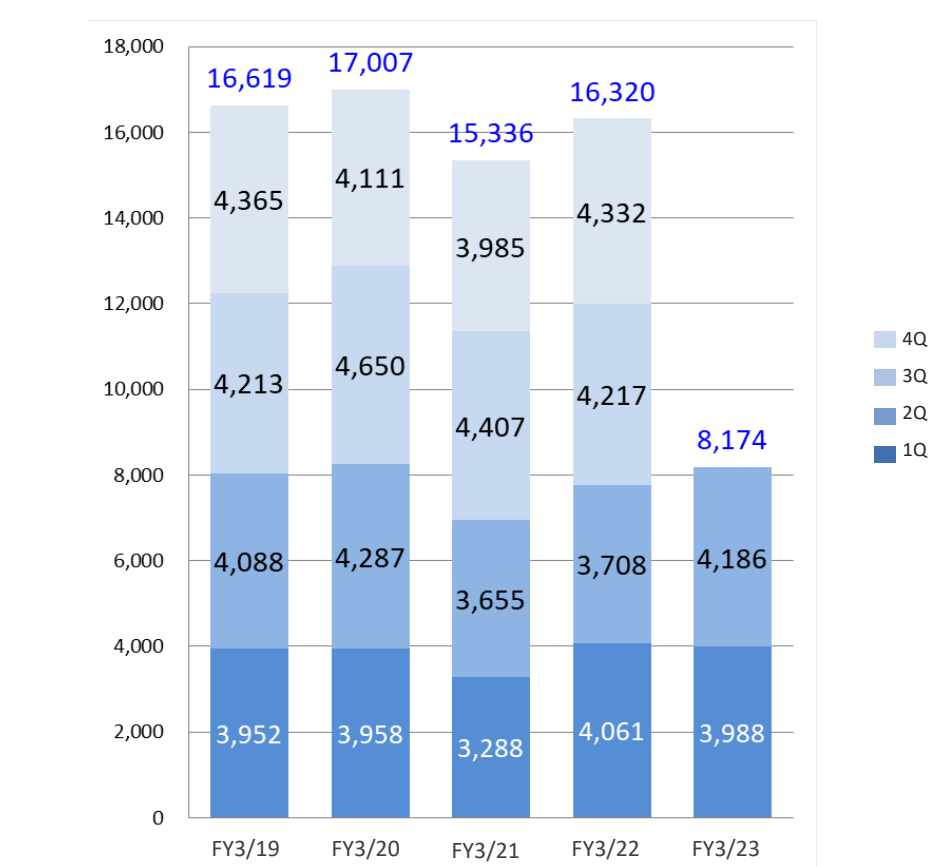
# The Group's Number of Funerals and Funeral Revenue

- The number of first half funerals is already higher than before the pandemic and funeral revenue is almost at the 1H FY3/20 level.
- The number of funerals decreased 0.3% YoY but the number of small, simple funerals decreased. As a result, revenue per funeral increased and funeral revenue was up 5.2% YoY.

(Funeral) **Quarterly number of funerals**



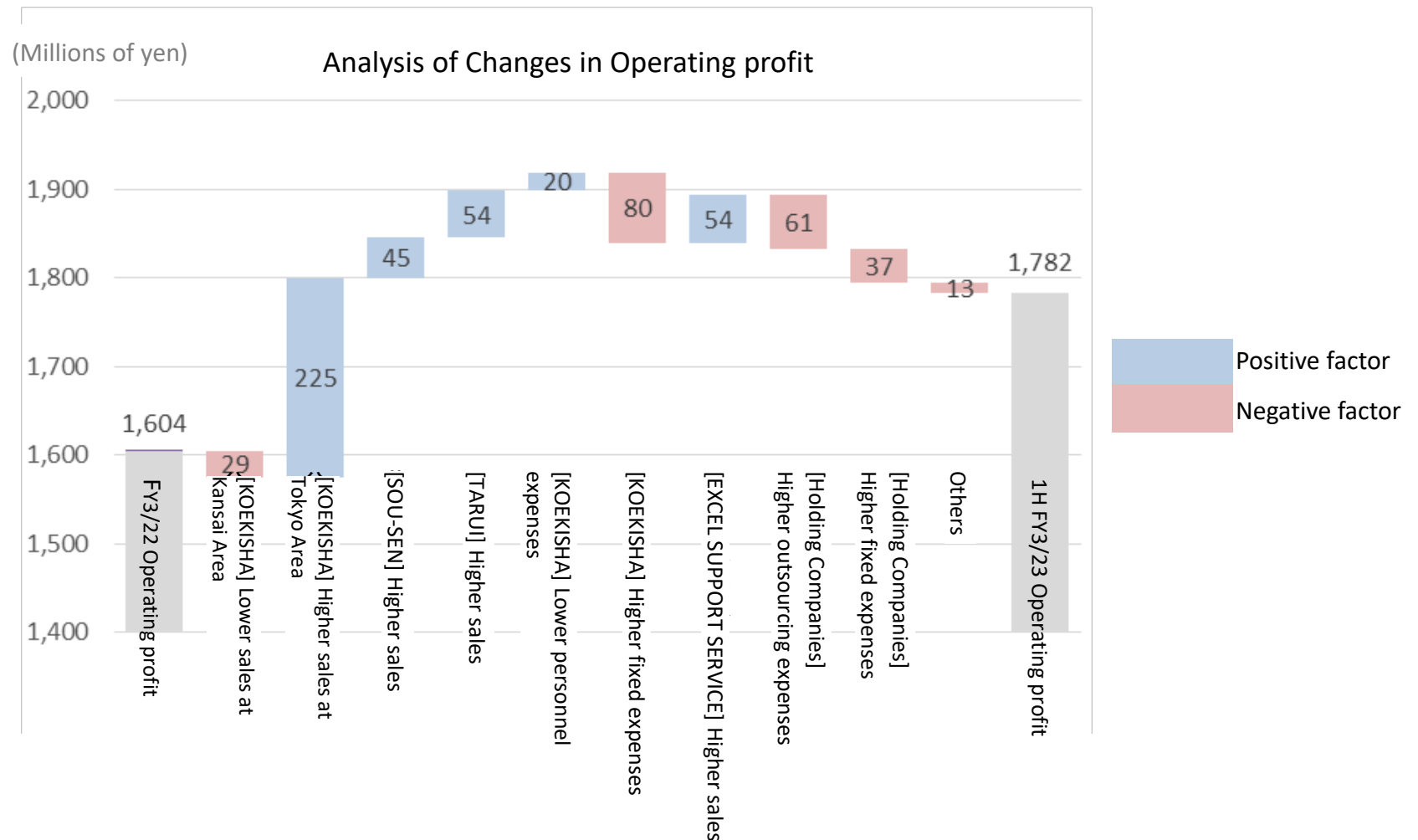
(Millions of yen) **Quarterly funeral revenue**





# Analysis of Changes in Operating Profit

Operating profit increased as higher earnings because of revenue growth at KOEKISHA (Tokyo area) and other group companies offset increases in rental expenses for new funeral halls, consulting fees for holding company strategic actions, outsourcing expenses and other increases in expenses.



## Changes in Assets in the Balance Sheet

- Construction in progress increased ¥110 million because of expenditures for new funeral halls and remodeling, but property, plant and equipment decreased due to the normal depreciation of various assets.
- Intangible assets increased because of construction in progress of ¥140 million for a new core IT system.
- Cash and deposits were used for these investments and dividend payments, resulting in a decrease of ¥269 million.

(Millions of yen)	March 31, 2022	September 30, 2022	Change
<b>Current assets</b>	<b>8,715</b>	<b>8,767</b>	<b>52</b>
Cash and deposits	7,443	7,174	-269
Trade accounts receivable and contract assets	759	790	31
<b>Non-current assets</b>	<b>25,132</b>	<b>25,362</b>	<b>230</b>
Property, plant and equipment	22,662	22,623	-38
Buildings and structures	9,761	9,658	-102
Construction in progress	32	142	110
Intangible assets	218	369	150
Investments and other assets	2,251	2,369	118
<b>Total assets</b>	<b>33,847</b>	<b>34,130</b>	<b>282</b>

Reference:

Capital expenditures on PP&E: ¥252 million (1H FY3/23)

Depreciation expenses of PP&E: ¥392 million (1H FY3/23)

Note: Only major accounts are shown.

# Changes in Liabilities and Net Assets in the Balance Sheet

- Current liabilities decreased mainly due to a decrease in trade accounts payable
- Retained earnings increased although equity decreased because of stock repurchases of ¥310 million in FY3/23. The equity ratio increased 1.4 percentage point from the end of the previous fiscal year to 88.9%.

(Millions of yen)	March 31, 2022	September 30, 2022	Change
<b>Current liabilities</b>	<b>3,026</b>	<b>2,678</b>	<b>-347</b>
Trade accounts payable	851	707	-144
Income taxes payable	558	500	-58
<b>Non-current liabilities</b>	<b>1,191</b>	<b>1,101</b>	<b>-89</b>
Lease obligations	246	197	-49
Long-term accounts payable-other	178	121	-57
<b>Total liabilities</b>	<b>4,217</b>	<b>3,780</b>	<b>-437</b>
<b>Shareholders' equity</b>	<b>29,629</b>	<b>30,349</b>	<b>720</b>
Retained earnings	23,402	24,394	992
Treasury shares	(1,835)	(2,120)	-284
<b>Total net assets</b>	<b>29,629</b>	<b>30,349</b>	<b>720</b>
<b>Total liabilities and net assets</b>	<b>33,847</b>	<b>34,130</b>	<b>282</b>
Equity ratio	87.5%	88.9%	1.4pt

Note: Only major accounts are shown.

# Funerals and Funeral Revenue at KOEKISHA

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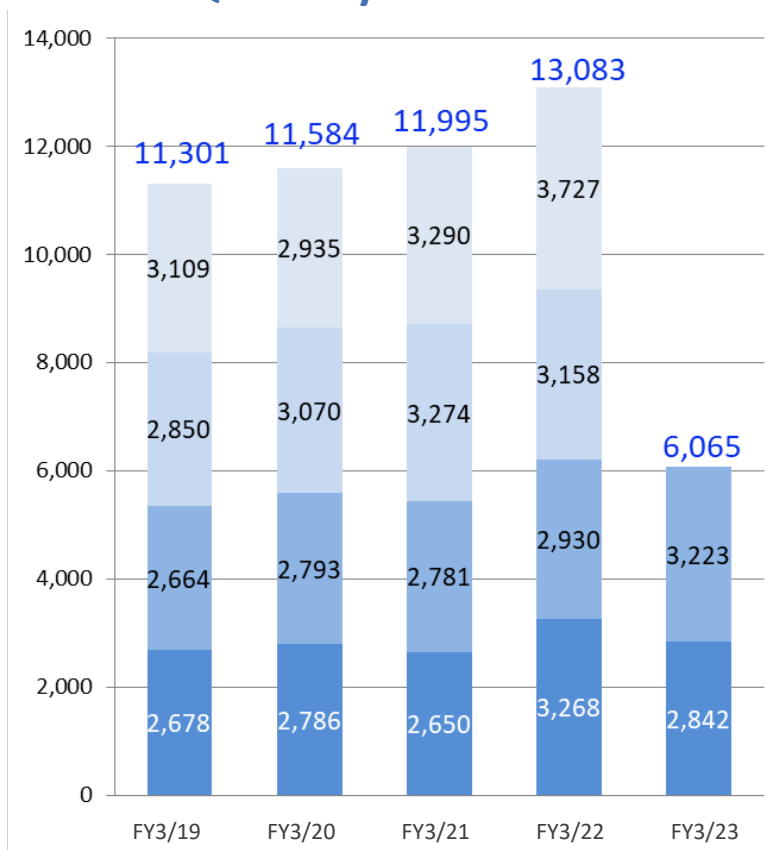
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# KOEKISHA: Number of Funerals and Revenue

- The number of funerals increased in the 2Q after a big decline in the 1Q but was down 2.1% YoY in the 1H. The cause is a decrease in the number of small, simple funerals.
- Funeral revenue increased 4.0% because of the smaller pct. of small, simple funerals and a recovery in revenue per funeral for other ordinary funerals.

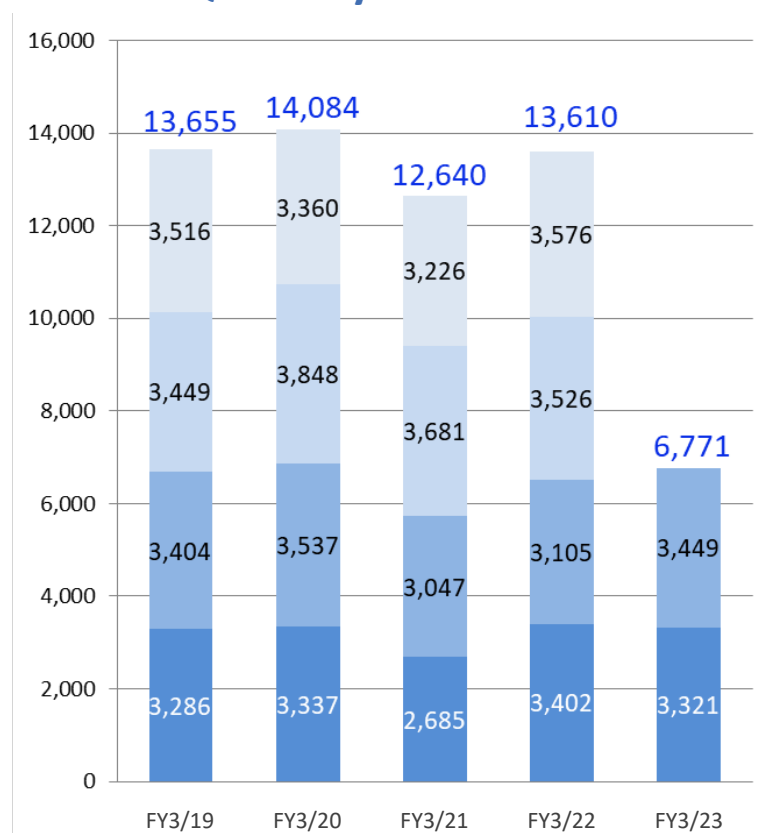
(Funerals)

## Quarterly Number of Funerals



(Millions of yen)

## Quarterly Funeral Revenue



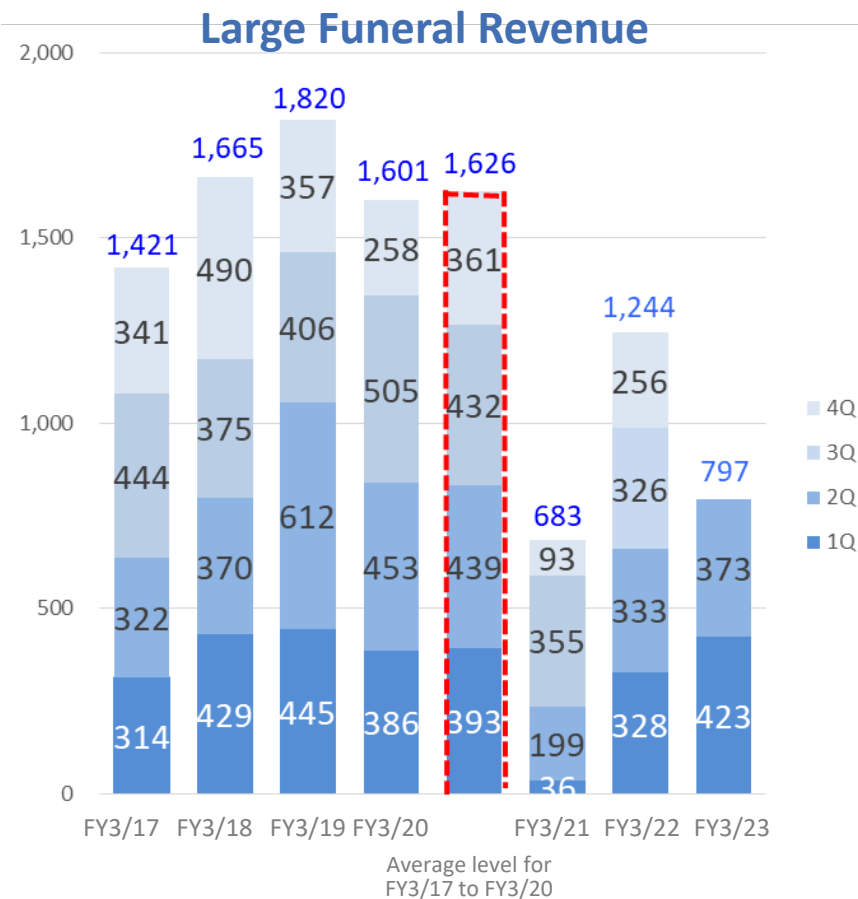
# KOEKISHA: Number of Funerals and Revenue

- Large and ordinary funerals contributed to revenue growth, with big increases in revenue in both categories in the Tokyo area.
- Of the four area/funeral size categories, the number of funerals and revenue were down YoY only for ordinary funerals in the Kansai area.
- These decreases were the result of the temporary increase in funerals during FY3/22 because of the pandemic. The decrease in revenue was small in relation to the decrease in the number of funerals. In 2Q (July-September), the number of funerals and revenue in the Kansai area were higher than one year earlier.

	Large funerals (More than ¥5 million)		Ordinary funerals	Total
Top: Number of funerals	7	125	132	
Bottom: Revenue (Millions of yen)	103	191	294	
Tokyo area	3	-268	-265	
Kansai area	32	-64	-32	
Total	10	-143	-133	
	135	127	263	

# KOEKISHA: Large Funeral Revenue

- Company funerals, farewell events and other large funerals (more than ¥5 million) are recovering from the sharp downturn in FY3/21 caused by the pandemic. In the 1H, large funeral revenue recovered to 96% of the average for the 1H of the four years before the pandemic (FY3/17 to FY3/20).



# KOEKISHA: Tokyo and Kansai Area Funerals and Revenue

At KOEKISHA, the number of funerals decreased 2.1% but revenue per funeral increased 6.3%.

## (Major causes of changes)

- Small, lower-priced simple funerals as a pct. of all ordinary funerals (broad definition) decreased in the Tokyo and Kansai areas.
- In the Kansai area, revenue per ordinary funeral (narrow definition) increased.  
→Average revenue for ordinary funerals (broad definition) was up 2.5% in the Tokyo area and 4.5% in the Kansai area.

Top: Number of funerals

Bottom: Revenue (Thousands of yen)

	All			Tokyo Area			Kansai Area		
	1H FY3/22	1H FY3/23	Change	1H FY3/22	1H FY3/23	Change	1H FY3/22	1H FY3/23	Change
KOEKISHA funerals	6,198	6,065	-2.1%	1,546	1,678	8.5%	4,652	4,387	-5.7%
	1,050	1,116	6.3%	1,326	1,397	5.4%	958	1,008	5.3%



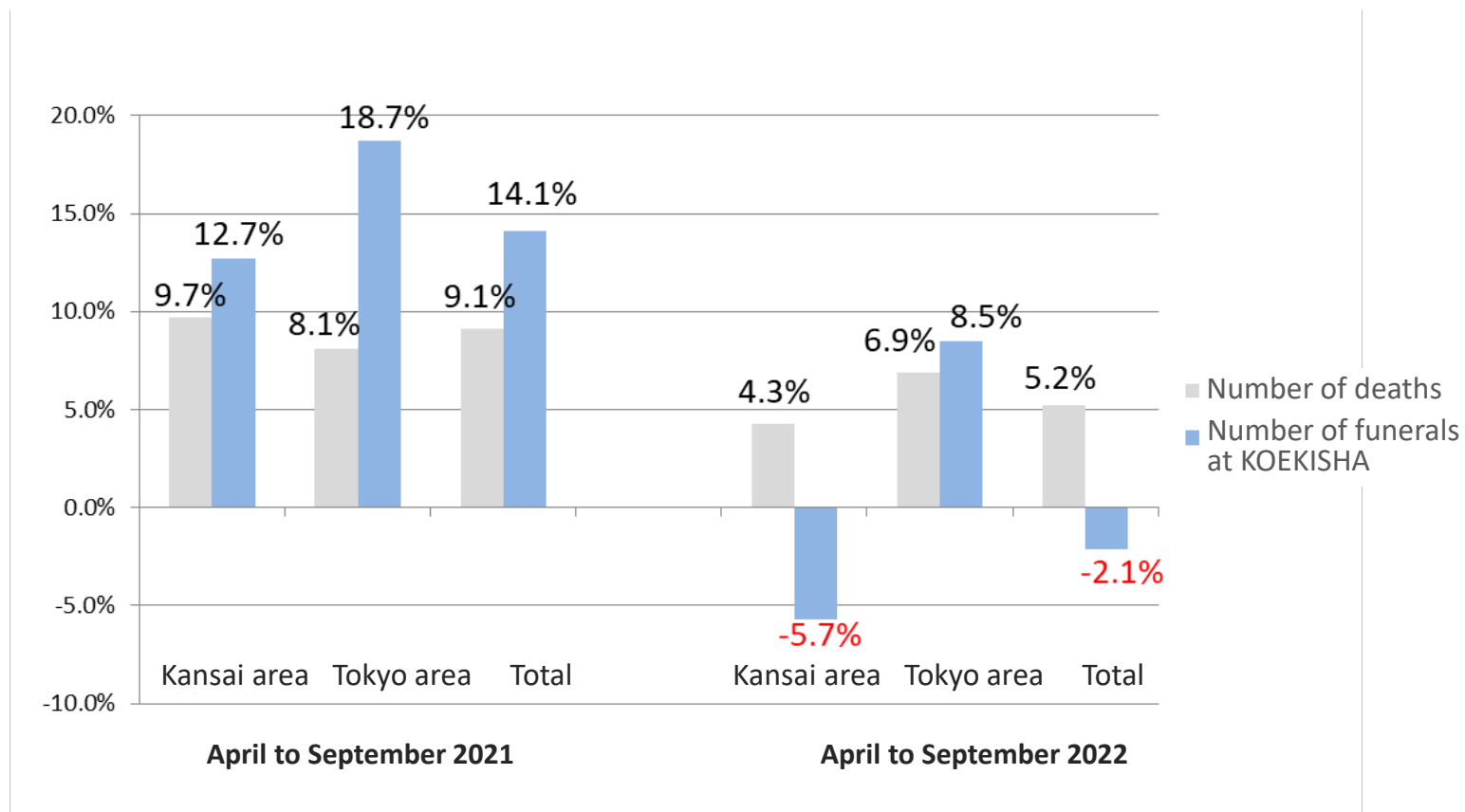
# KOEKISHA: Estimated Market Share

Market share estimates are based on comparisons of the rate of increases in numbers of deaths and funerals.

(Kansai area) The market share is clearly decreasing because the number of funerals decreased even though the number of deaths increased. One cause is the opening of more funeral halls by competitors.

(Tokyo area) Estimate a small market share increase in part because of recently added funeral halls.

Estimated changes in market share based on YoY change in deaths and funerals



# SOU-SEN and TARUI Financial Highlights

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- The number of funerals increased in all three major markets: Tottori, Yonago and Matsue. One reason was two new funeral halls in the Yonago area (Hino and Kaike) and one in the Matsue area (Higashiasahimachi).
- Revenue per funeral increased despite the negative effect of the seventh wave of the pandemic.
- Revenue growth of about 10% YoY offset higher personnel expenses and controllable expenses, resulting in higher earnings and a big increase in the operating margin.

	1H FY3/22	1H FY3/23	Change	YoY
Number of funerals	651	721	70	10.8%
Average price of funerals (Thousands of yen)	814	829	15	1.9%
Operating revenue (Millions of yen)	627	689	62	9.9%
Operating profit (Millions of yen)	33	73	40	120.5%

- Notes: 1. Revenue and operating profit are based on segment information.  
 2. Operating profit is before the allocation of parent company expenses.

- The number of funerals increased at more than half of funeral halls and revenue per funeral increased because of the smaller pct. of small, lower-priced simple funerals. 2Q revenue increased YoY following the 1Q decrease.
- Revenue growth of 9.5% YoY offset higher personnel and controllable expenses. There was also a reduction in fixed expenses. The result was big increase in earnings and a further improvement in the operating margin.

	1H FY3/22	1H FY3/23	Change	YoY
Number of funerals	671	725	54	8.0%
Average price of funerals (Thousands of yen)	1,091	1,110	18	1.7%
Operating revenue (Millions of yen)	794	869	75	9.5%
Operating profit (Millions of yen)	144	203	58	40.1%

- Notes: 1. Revenue and operating profit are based on segment information.  
 2. Operating profit is before the allocation of parent company expenses.

# FY3/23 Forecasts (Revenue and Earnings/Dividends)

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# Revenue and Earnings Forecasts

## FY3/23

- Although 1H revenue and earnings were higher than the forecast, there is no change in the fiscal year forecast.

## (Reasons)

- There are still concerns about the effects of the pandemic on revenue and earnings.
- Higher prices of resources and energy are expected to raise prices of utilities, gasoline and other items even more in the second half, which was not anticipated in the original FY3/23 forecast.

(Millions of yen)

	(1) FY3/23 Forecast	YoY change		(2) 1H FY3/23 Results	(1) – (2)	YoY change	
		%	Amount			%	Amount
Operating revenue	20,800	4.0%	798	10,083	10,716	2.2%	228
Operating profit	3,400	0.7%	23	1,782	1,617	-8.7%	-154
Operating margin	16.3%	-0.6% pt		17.7%	15.1%	-1.8% pt	
Ordinary profit	3,390	0.1%	3	1,763	1,626	-8.7%	-155
Profit	2,130	4.4%	89	1,218	911	-9.1%	-91

# Dividend Forecast

## FY3/23

- An interim dividend of ¥21 per share was declared and a year-end dividend of ¥21 is forecast.  
→ This forecast is an increase of ¥4 to ¥42 from the FY3/22 dividend as initially forecast and the seventh consecutive fiscal year dividend increase.
- The expected dividend payout ratio is 21.3%.

(Yen)

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	
Annual dividend	50.00	57.00	-	33.00	38.00	42.00	(Forecast)
Interim	24.00	27.00	30.00	16.00	17.00	21.00	
Year-end	26.00	30.00	16.00	17.00	21.00	21.00	(Forecast)
Payout ratio (consolidated)	17.9%	15.2%	18.8%	23.7%	20.3%	21.3%	(Forecast)

- Notes:
1. SAN HOLDINGS conducted a 2-for-1 common stock split on October 1, 2019.
  2. Forecast payout ratio for FY3/23 was calculated based on the number of treasury shares as of March 31, 2022.

# The New 10-Year Vision

## Two Initiatives for Accomplishing Medium/Long-term Goals

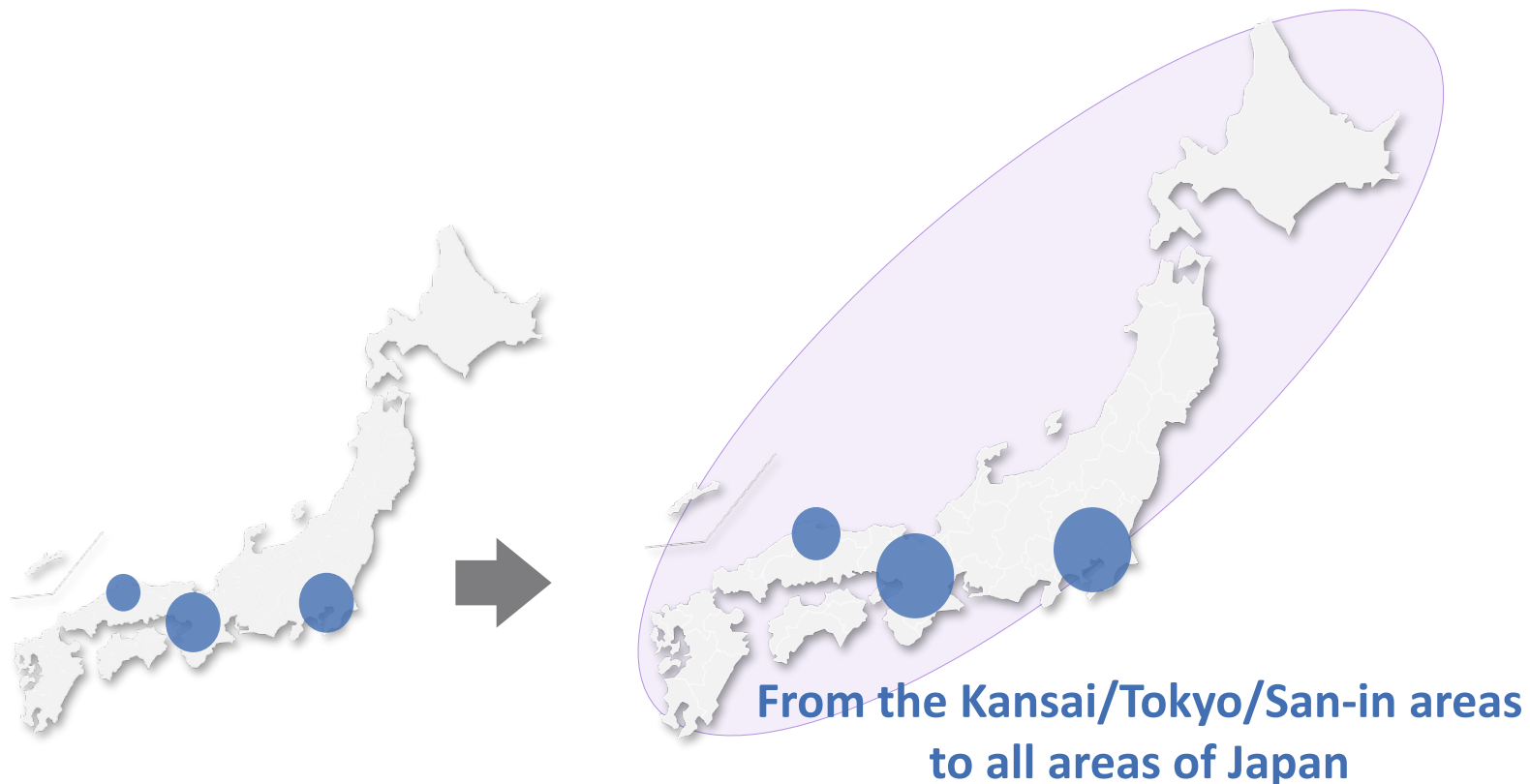
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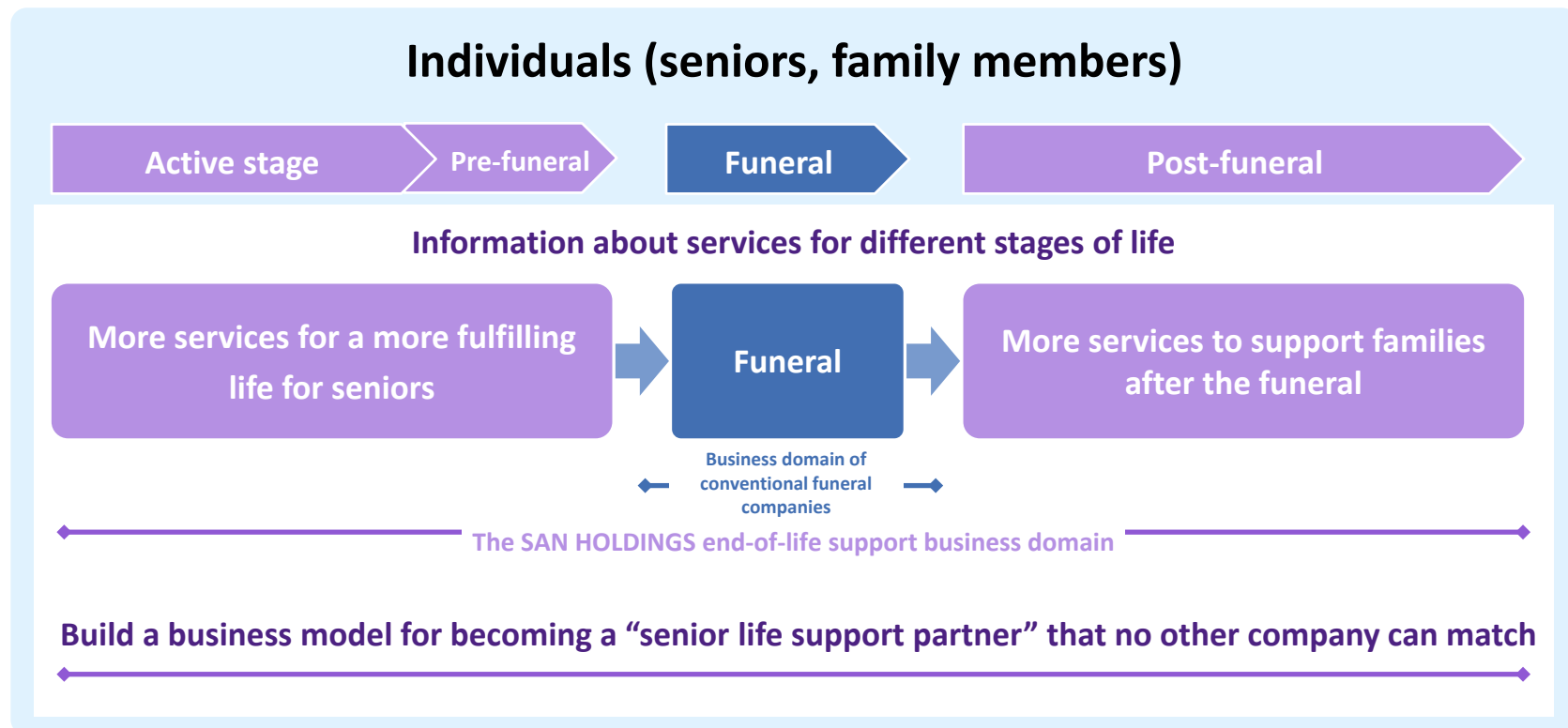


## Two Initiatives: Funeral halls in all areas of Japan

- To be a source of services that satisfy a broad spectrum of customers, we will expand our operations from the Kansai/Tokyo/San-in areas to all areas of Japan.**



- 2. To contribute to improving our customers' quality of life, we continue expanding our end-of-life support business and use the final stage of life for the provision of an even larger range of value by creating new businesses and services.



# The End-of-Life Support Business

This business contributes to society as a source of services and products needed for people to enjoy a fulfilling life style with confidence during the final stage of life. Activities include support for daily activities, preparations for this final stage and a variety of other support.

Preliminary consultations



Information about nursing care facilities



Pre-Funeral Trust Funds



Help with household chores

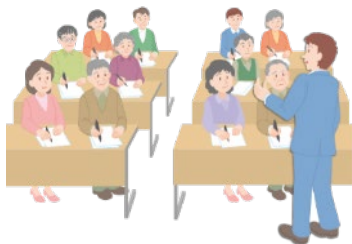


## Before funeral

## Funeral

## After funeral

Funeral service seminars



End-of-life notebook



Ash scattering



Graves





The five companies of the SAN HOLDINGS Group provide services for the senior generation extending from their active years to assistance required after a funeral.



Our goal is to continue the growth of these businesses by enlarging and deepening our presence in business domains and building long-term relationships with customers and their family members.

# Medium-term Targets of the SAN HOLDINGS Group

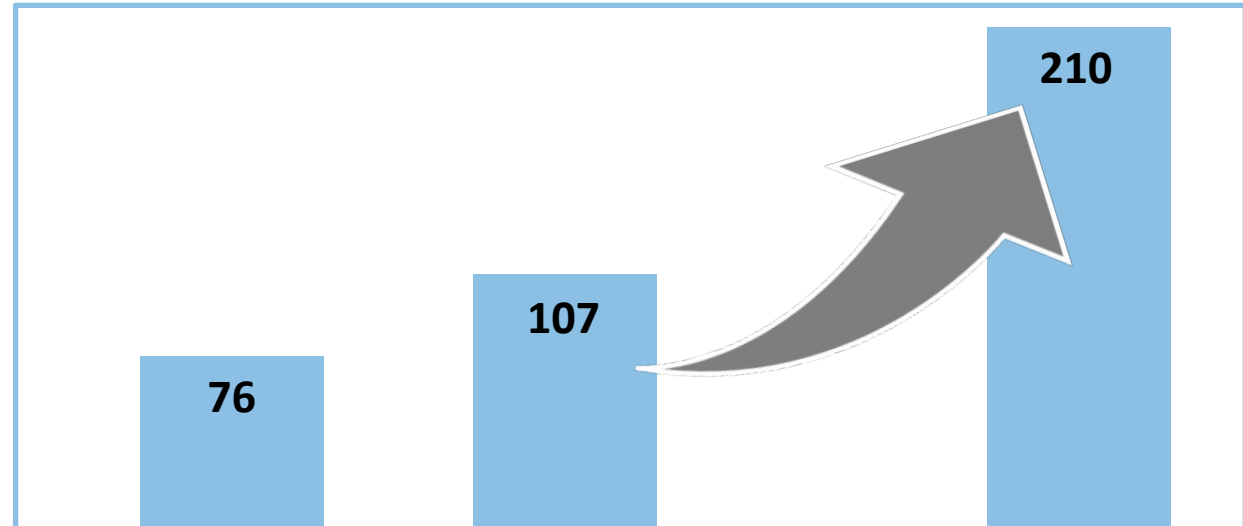
Results  
(FY3/22)

After 3 years  
(FY3/25)

After 10 years  
(FY3/32)

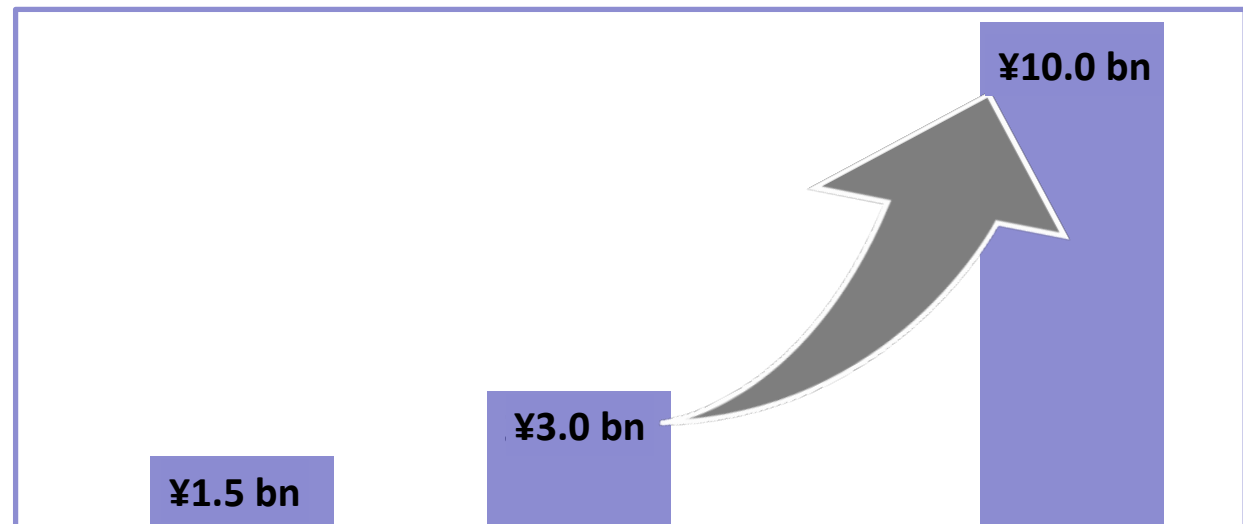
## Funeral Business

Number of  
funeral halls



## End-of-Life Support Business

Sales



# Progress in Medium-term Management Plan FY3/23-FY3/25

Stage 1 - Speed and challenges as we look ahead to our 100th anniversary -

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Be a dependable end-of-life partner by moving even closer to  
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Use the new funeral brand to open funeral halls in major cities throughout Japan with facilities and prices targeting family funerals and the ability to provide high-quality services.

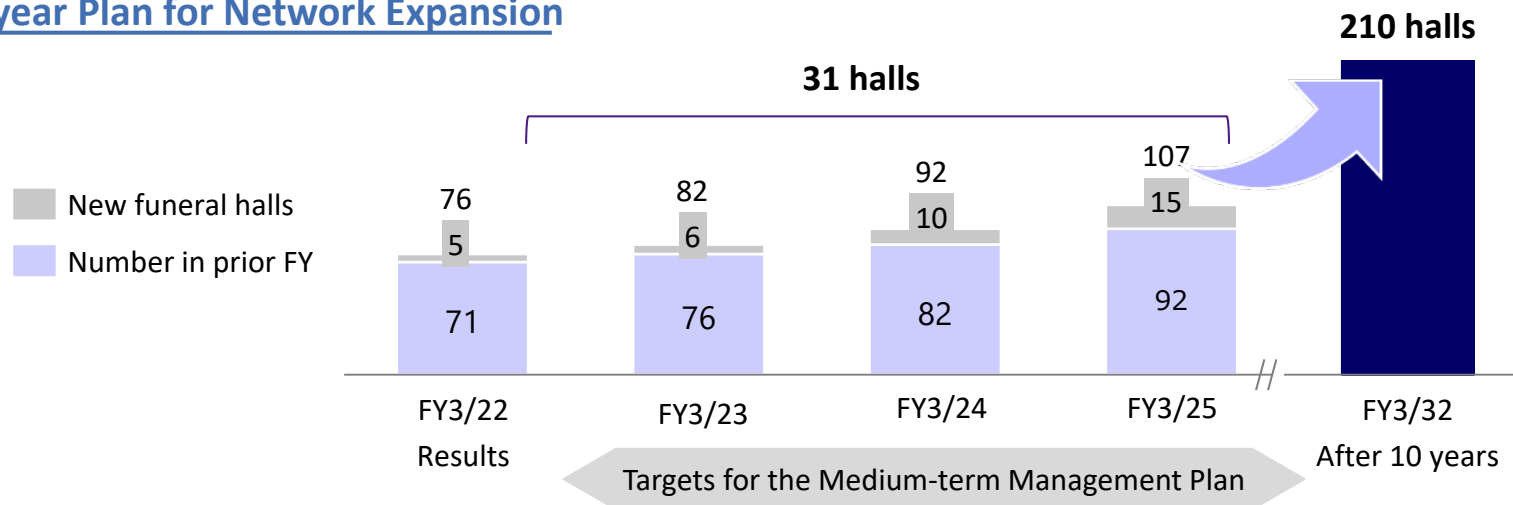
### The new funeral brand

- A brand that stands for high-quality services at reasonable prices
- A brand that can achieve the satisfaction of a broad spectrum of customers
- A brand for smaller funeral halls specializing in small family funerals (A low-investment, low-cost business model)

The goal is 31 new locations during the next 3 years (including existing brands)

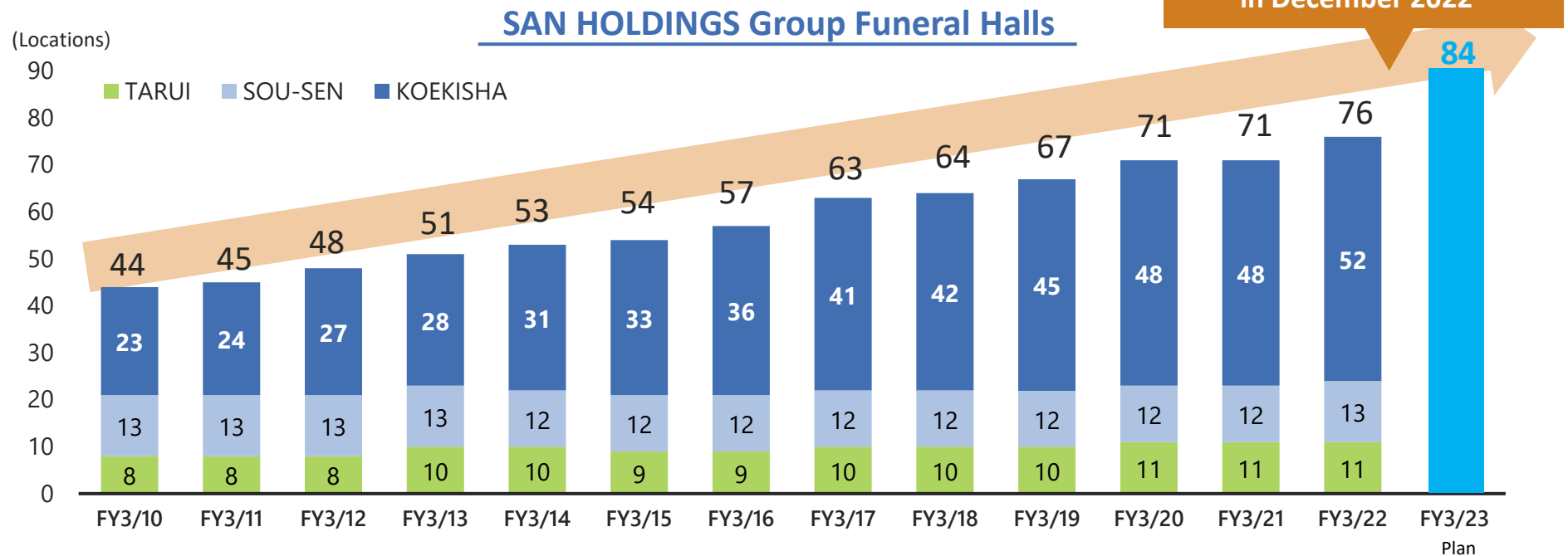
Continue opening locations using existing brands in current areas of operations (Tokyo area, Kinki area, San-in)

### 10-year Plan for Network Expansion



# Funeral Business Growth    New Funeral Halls

- KOEKISHA Hirano Hall in Hirano-ku, Osaka prefecture opened on September 25, 2022  
 Yonehara Hall of SOU-SEN in Yonago, Tottori prefecture is scheduled to be open in December 2022  
 TARUI Funeral Hall in Shioya, Tarumi-ku, Kobe prefecture is scheduled to be open in December 2022  
 → **As of December 2022: 80 funeral halls**  
 (KOEKISHA: 15 in Tokyo area, 38 in Kansai area/ TARUI: 12/ SOUSEN: 15)
- **Plan to open eight funeral halls during FY3/23 including locations using the new brand**  
 The original plan was six new funeral halls → **84 funeral halls in March 2023**





# Growth of the Funeral Business

## Use of an alliance to enter a new area of Japan

### ■ Business alliance with Kosaido Holdings Co., Ltd.

Establishment of a joint venture Grand Ceremo Tokyo Co., Ltd., on April 1, 2022.

Capital stock : ¥100 million / Equity ownership: Kosaido Holdings Co., Ltd.: 51%; SAN HOLDINGS, INC.: 49%

- Operations started on July 5, 2022 (Start of funeral and other services)

The six well-known ceremony halls in Tokyo with outstanding facilities of Tokyo Hakuzen Co., Ltd., a member of the Kosaido Holdings Group



広済堂ホールディングス



燦ホールディングス

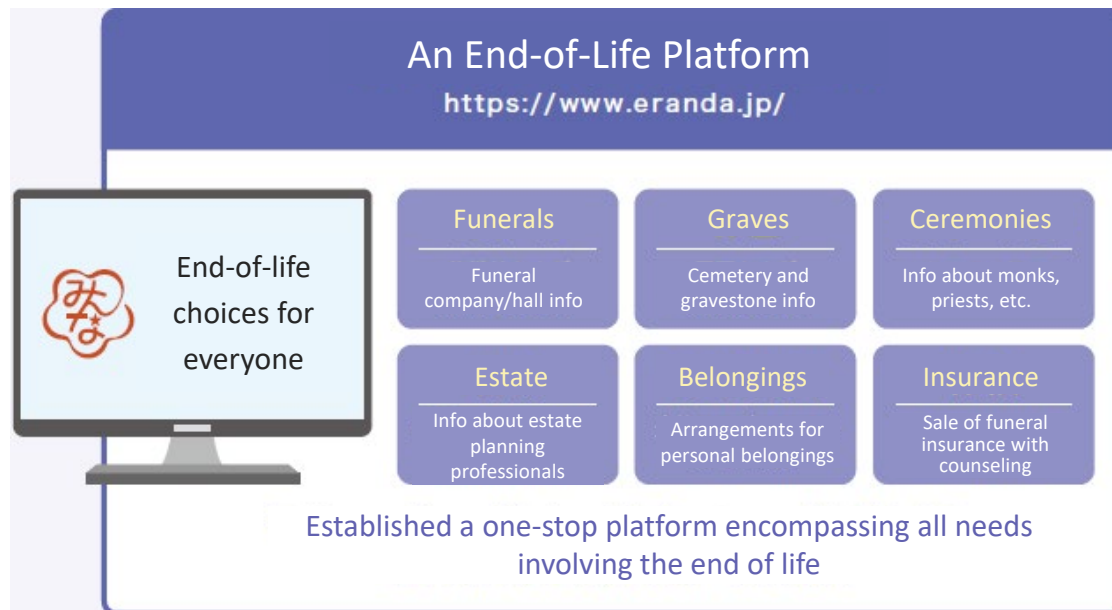
The funeral operation expertise and outstanding services of the SAN HOLDINGS Group

- Website of the new company for sales and raising awareness of the new brand



### ■ Broaden the Lineup of End-of-life Support

- Enlarge and upgrade the lineup of services in the Minna-ga-eranda-shukatsu (end-of-life services for everyone) end-of-life services portal site for seniors and cover more areas of Japan.
- Tokyo to the Kinki and Chubu regions → **The goal is nationwide operations (FY3/24)**



→ Steady progress with increasing the number of partner company alliances

### ■ Strengthened services for before and after funerals at KOEKISHA, TARUI and SOU-SEN

- A large lineup of products and services
- Building relationships with many customers
- Long-term support for customers

→ Reinforced the after-49-days support infrastructure (July 2022)

# Growth of the End-of-Life Support Business

## Examples of activities for increasing use of end-of-life support

### Activity by Life Forward and SAN HOLDINGS to promote end-of-life support

An information meeting for media companies was held at Tokyo Station Hotel on August 3, 2022. There were 10 people at the meeting and 19 online participants.



#### Information meeting program

An end-of-life support company looks ahead to the future

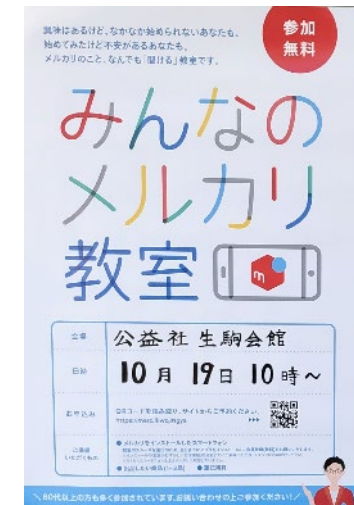
How can end-of-life support lead to a better future?

End-of-life support services provided by a funeral company

The importance of children playing leading roles at the end of life of a parent

### Lessons at KOEKISHA funeral halls for using Mercari

This event provides information about reducing one's possessions, which is one task to do at the end of life, by using the Mercari community-powered marketplace for secondhand goods.



- **Improve productivity** by combining businesses and revising organizational structures  
Generally progressing as planned

Osaka Head Office... **Centralized functions of the contact center and funeral-related operations**  
(provision of funeral ceremony supplies, hearse operations, administrative procedures, etc.) **and the control of these activities**

Tokyo Head Office... **Improved administrative and clerical processes**

→ **Establish an infrastructure for efficient, high-quality business operations**

→ **Continue making improvements while measuring the benefits of prior activities**

- The contact center handles telephone calls as well as communications from customers using e-mail, the internet, chats and many other channels and tools.

- **Increase productivity** of shared services units of SAN HOLDINGS Activities are continuing

# A More Powerful Foundation for Business Operations

## Increase the power of the SAN HOLDINGS Group

- Increased **team solidarity and motivation** by distributing videos and holding town meetings

Activities took place between June and August 2022

Every group company held town meetings

→ **These activities give everyone a sound understanding of the group's goals and reinforce their commitment to the corporate philosophy and purpose.**



## ESG Management

Since its inception in 1932, the SAN HOLDINGS Group has been dedicated to constantly seeking ways to create an even better place for saying farewell.

For assistance involving grief care, we established the Hidamari Club to support family members following a funeral and started an embalming service. Overall, our business activities are structured to meet the needs of family members of the deceased and make meaningful contributions to society.

Grief care services that meet high standards	<ul style="list-style-type: none"><li>• Hidamari Club meetings for grief care are <b>a place where family members can receive support from many sources following a funeral</b>. The club started in 2003 and now has more than 1,000 members.</li></ul>
Embalming	<ul style="list-style-type: none"><li>• <b>Embalming</b> can often return the appearance of the deceased to an almost life-like state to facilitate <b>a better experience for saying farewell</b>.</li></ul>
On-site services for natural disasters	<ul style="list-style-type: none"><li>• <b>Some employees</b>, including embalmers, are qualified as <b>reserve military personnel</b> who are called for assistance following <b>a natural disaster</b>. These individuals help transport people who died during the disaster and <b>provide other assistance</b>.</li></ul>
International transport	<ul style="list-style-type: none"><li>• <b>Assistance</b> for dealing with the complex procedures required for the <b>international transport</b> of the deceased<ol style="list-style-type: none"><li>(1) Transport of the deceased from another country to Japan</li><li>(2) Transport of the deceased from Japan to another country</li></ol></li></ul>

- **Website upgrades:** Added a sustainability section in August 2022
- **TCFD compliance:** Statement of support submitted in October 2022
- **Use of environmentally responsible products:** Started selling a new eco-coffin in November 2022
  - Expanding the environmental product lineup
    - Requires less energy to burn during cremation than a conventional wood coffin does.
    - Furthermore, emissions of harmful gases are reduced because there are no metal fixtures.
- **Use of recyclable materials and packaging:** Paper bags, envelopes and other items use recyclable materials
  - Started in August 2022
- **Reduction of GHG emissions:** Increasing the number of hybrid vehicles
  - The pct. of hybrid hearses and other transport vehicles is to increase from 30% in 2021 to about 80% in 2024
- **Energy conservation:** Installation of solar panels at funeral halls started in November 2022

KOEKISHA, the group's core company, established an alliance with specialists in order to start embalming individuals who died of COVID-19 while ensuring the safety.

- **Start/Location: November 10, 2022 in the city of Osaka (to be expanded to more areas)**

- **Embalming allows mourners to see the deceased for a final farewell.**

**This service allows the following activities (there may be some changes as activities take place)**

- **Hold a funeral by using the conventional style (including the wake and funeral service)**
- **Open coffin to see the face of the deceased**
- **Dress the deceased in his or her favorite apparel**

Additional information:

- Infectious disease specialists at the International Funeral Science Association in Japan (IFSA) have stated that the components of embalming fluid (formaldehyde, alcohol) are effective for COVID-19 safety.
- To confirm safety after embalming, a COVID-19 test is performed by personnel of the Graduate School of Medicine, Faculty of Medicine of Osaka University.
- Advice concerning the safety of embalming is received from Yoshinobu Sato, a professor emeritus of the Kyorin University Faculty of Medicine and other specialists in the field of embalming.



## Other Information / Summary

### ■ Repurchase of stock

Repurchased 193,500 shares for ¥349 million from May 13 to October 18, 2022 (announced on October 19, 2022)

SAN HOLDINGS will continue to consider repurchasing stock based on the amount of internal funds available, current stock price and other factors.

### ■ Prime Market listing standard Achieved avg. daily trading volume of at least ¥20 million

As of the March 31, 2023 record date (for calendar 2022), compliance with the daily monetary trading volume requirement had already been confirmed. On November 11, 2022, SAN HOLDINGS announced a progress report based on the plan for compliance with the listing standard.

- As a Prime Market listed company, SAN HOLDINGS will continue to strengthen and upgrade corporate governance.
- An announcement concerning the new funeral services brand will be made during this fiscal year as further information becomes available.
- Many activities are under way during FY3/23, the first year of the new medium-term plan, in order to accomplish the fiscal year goals.

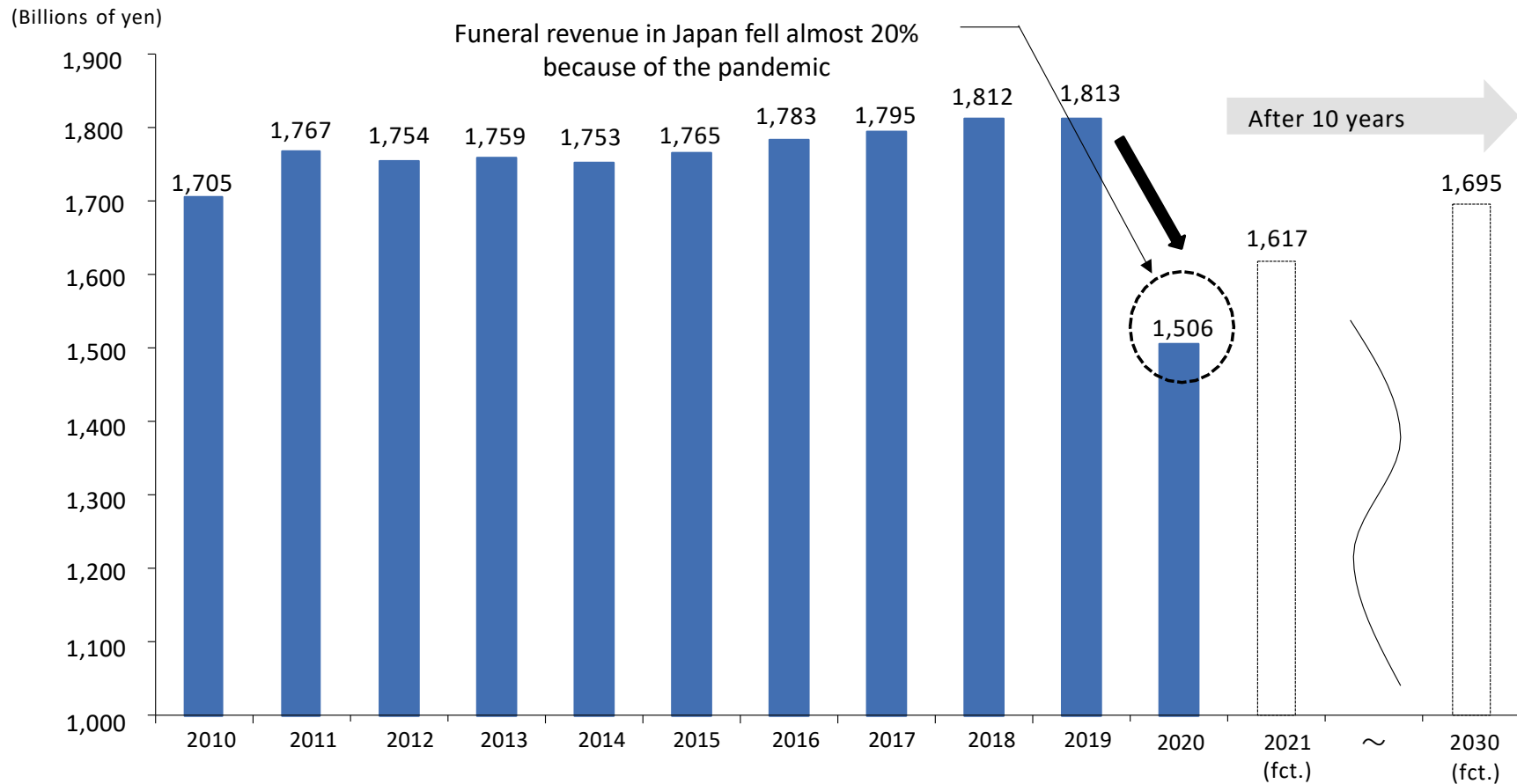
# Reference Materials

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Be a dependable end-of-life partner by moving even closer to  
the senior generation and their family members

# Market Size in the Funeral Business

- No prospects for significant growth of Japan's funeral market, but the market is expected to remain relatively steady.
  - Revenue per funeral is declining because of smaller funerals and the pandemic
  - The number of deaths in Japan will continue to increase



Source: The Funeral Business Today and Outlook, Yano Research Institute Ltd. (2021 edition)

\*Funeral revenue is calculated by multiplying average revenue per funeral (including beverages and courtesy gifts) by the number of funerals (95% of deaths).

\*Excludes temple/shrine expenses, cremation, household altars and gravestones

- Dramatic shifts in the nature of the funeral market resulting from changes in people’s values and preferences and the increasing speed of the growth of online services.

### Changes in values

Diversifying styles for funerals and memorial services because of changes in society and values

New funeral formats

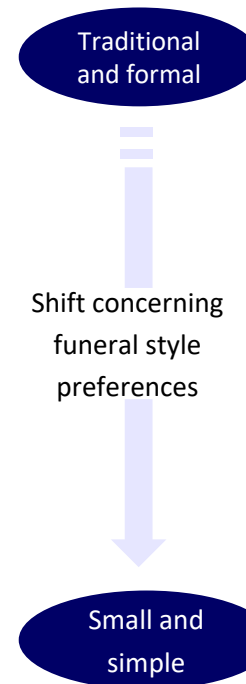
- Increasingly diverse views of the role of funerals because of changes in values involving household composition/relationships among relatives and religious ceremonies
  - Direct cremation; simple cremation ceremony
  - Same-day cremation
  - Non-religious funerals, etc.

New memorial service formats

- Aging population/fewer children make grave maintenance difficult and alter values; new views of memorial services will be increasing
  - Perpetual memorial service/Simple memorial service/Crypt
  - Tree ash scattering/Scattering of ashes in space/Balloon ash scattering/Other formats

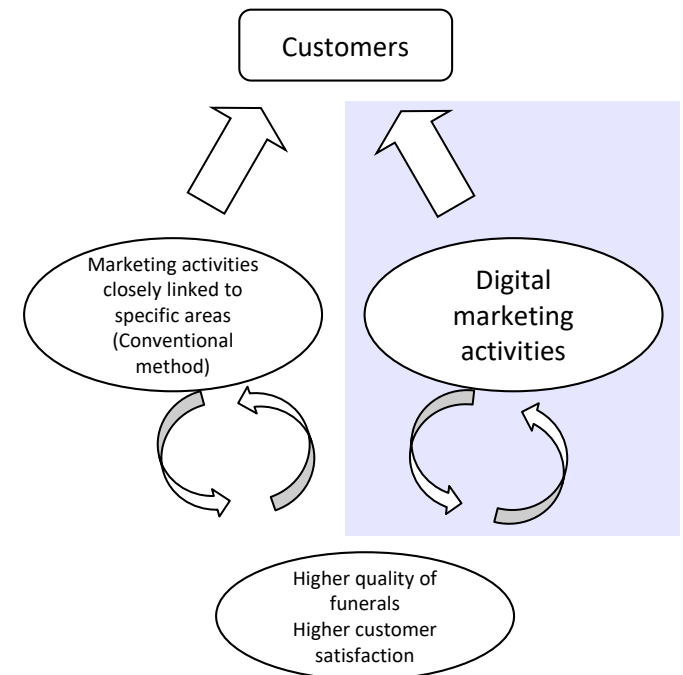
### Changes in preferences

Shift from traditional, formal funerals to small and simple ceremonies

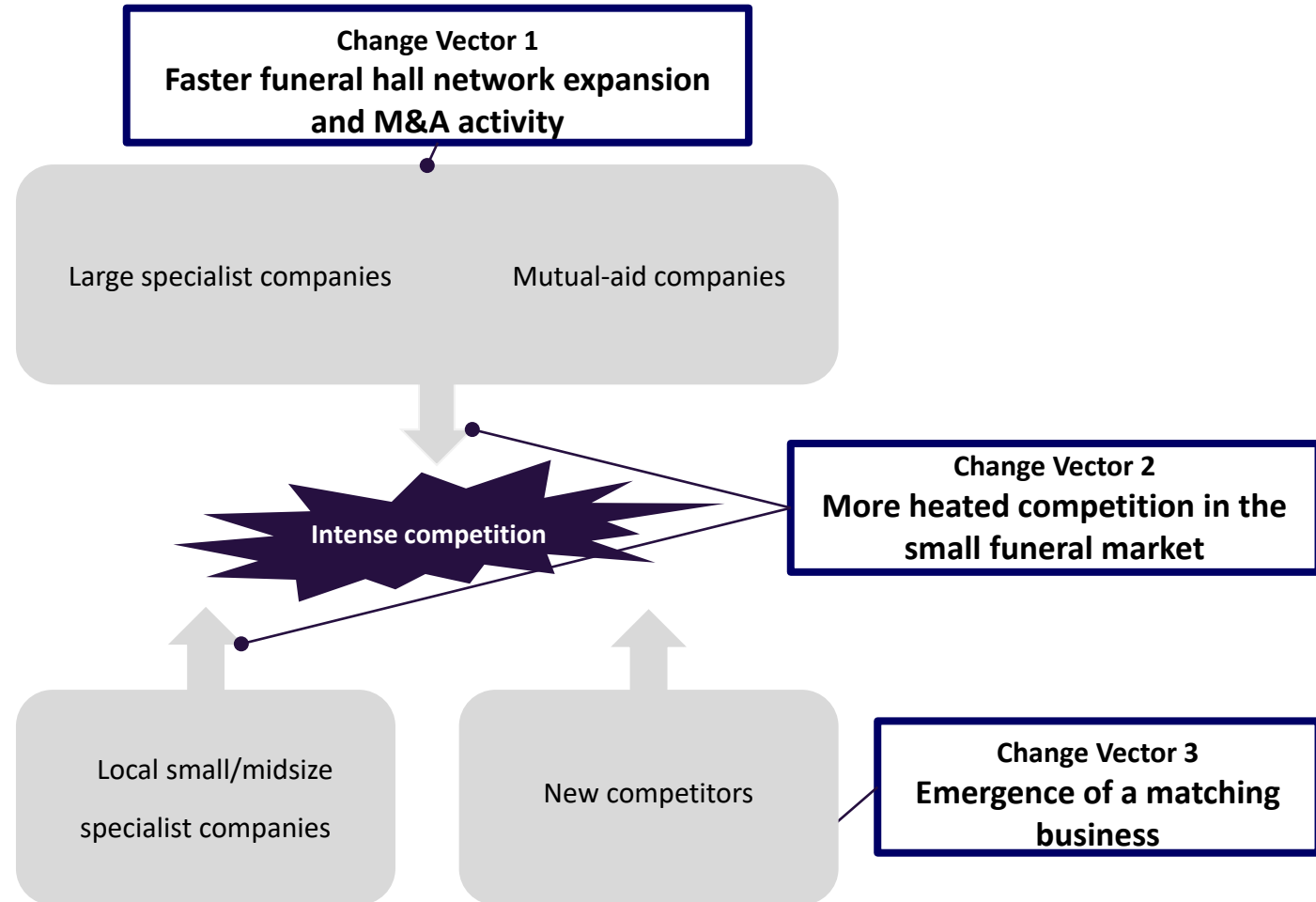


### Increasing speed of online sector

Online/digital sales and marketing activities are needed as customers use the internet to look for information



- Qualitative changes are significantly altering the competitive dynamics of Japan's funeral market.

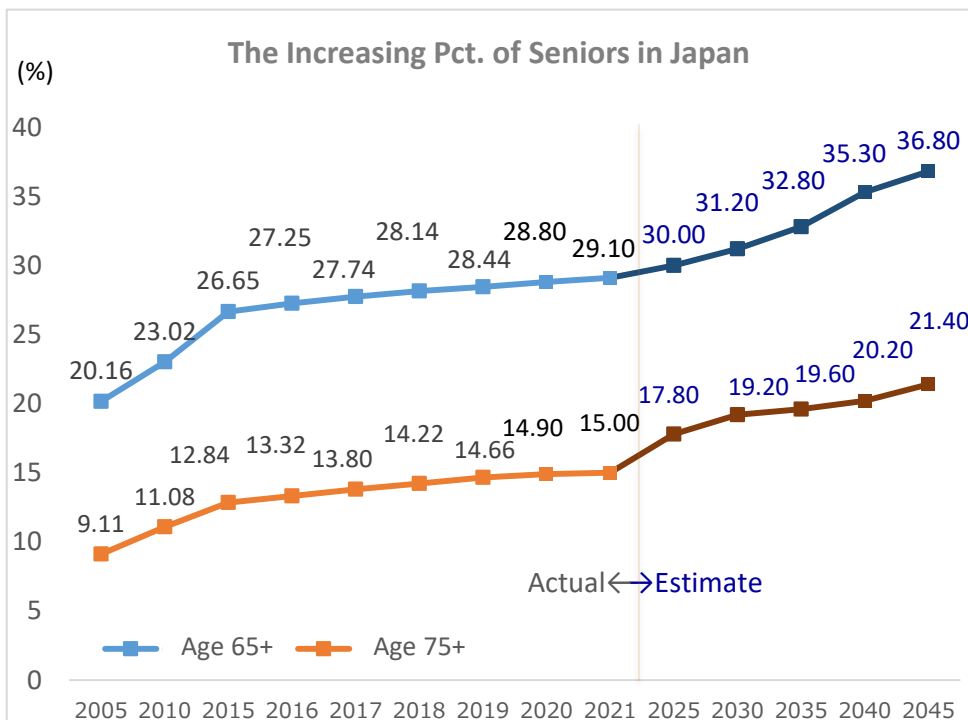


■ Japan’s population of seniors is increasing steadily

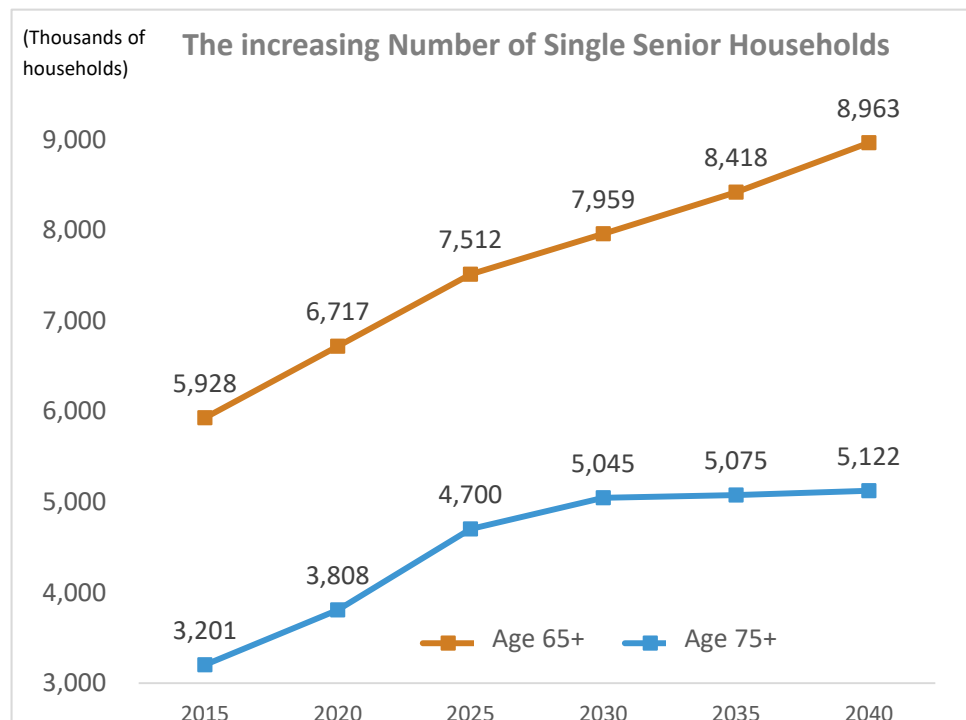
- Growth of the senior market will be fueled by the increasing number of seniors and the diversification of seniors’ life styles.

■ Household size is falling as nuclear families increase; more seniors living alone

- The demand among seniors for support services is expected to grow.



Source: Japan Census (Sept. 15, 2021), Ministry of Internal Affairs and Communications  
 Estimated Future Population of Japan (as of 2017), National Institute of Population and Social Security Research



Source: Japan Census (Sept. 15, 2021), Ministry of Internal Affairs and Communications  
 Estimated Future Population of Japan (as of 2017), National Institute of Population and Social Security Research

# Businesses that Leverage SAN HOLDINGS Group Strengths

We are using strengths and knowledge acquired during 90 years of operations since its inception for growth in the funeral and other businesses by expanding the scope of activities in the end-of-life support business domain.

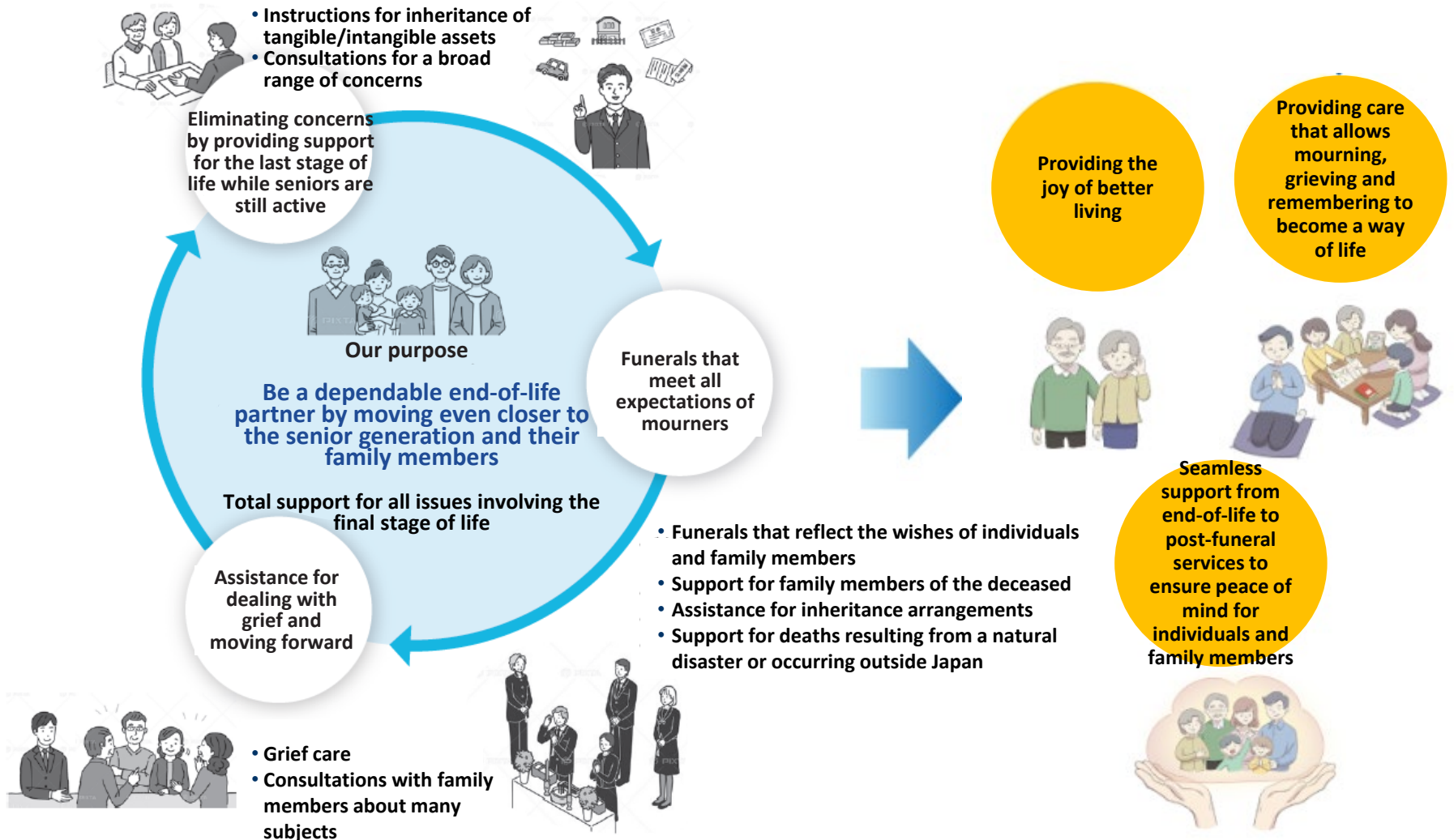
Our goal is to provide the end-of-life services that seniors need to enjoy fulfilling lives with confidence as well as to be a source of support concerning a variety of issues involving people's lives.

## SAN HOLDINGS Group Strengths

- (1) **More than 15,000 funerals** every year and **80 funeral halls** (as of December 2022)
- (2) 306 experienced funeral directors (as of June 2022)
- (3) An embalming staff of 24 (as of June 2022)
- (4) **Total support** extending from the final years to needs after a funeral
- (5) An **end-of-life support business** that draws on the extensive knowledge and experience of the SAN HOLDINGS Group
- (6) One of Japan's leaders in the **company funeral and farewell event** sector
- (7) Operation of the **Hidamari Club** for grief care and other support following a funeral

# The Purpose of the SAN HOLDINGS Group

Our purpose is to “be a dependable end-of-life partner by moving even closer to the senior generation and their family members”





# The Five Key Goals of the Medium-term Plan (FY3/23-FY3/25)

We are dedicated to using business activities to contribute to society and increase corporate value as **a dependable end-of-life partner that has close ties with the senior generation and their family members.**

<b>Growth</b>	<b>Business growth for more corporate value</b>	<b>CS</b>	<b>Use value-added, high-quality services to contribute to society</b>
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<b>Growth of the funeral business</b>	<b>Growth of the end-of-life support business</b>	<b>Make the funeral business more competitive</b>	<b>A stronger infrastructure for Japan's best services that achieve outstanding customer satisfaction</b>
Speed up the expansion of the funeral hall network, mainly by using a new funeral services brand, to cover more areas of Japan and serve more customers.	Expand the end-of-life support business, extending from when people are still active through the post-funeral stage, for long-term support for customers and their family members. Develop this business into another core business.	Build a framework for the SAN HOLDINGS Group to provide high-quality services with efficiency.	<ul style="list-style-type: none"> <li>■ Upgrade quality management, the key to providing the outstanding services that are the source of corporate value.</li> <li>■ Quickly train people who provide funeral services and maintain the high quality of these people.</li> <li>■ Increase customer satisfaction</li> </ul>

**A more powerful foundation for business operations**

- Use recruiting and training activities to increase the overall strength of the SAN HOLDINGS Group.
- Personnel systems for fully utilizing a diverse and skilled workforce and encouraging innovations; establishment of a sound employee education infrastructure.
- Continue improving the efficiency of all operations of the SAN HOLDINGS Group.
- Many activities involving the environment, society and governance (ESG).

# Goals of the Medium-term Management Plan (FY3/23 to FY3/25)

- Revenue and earnings growth to **revenue of ¥23 billion** and **operating profit of ¥3.6 billion** in FY3/25.
- Although **there will initially be expenses** for strategic measures (expenditures for recruiting, personnel and opening new funeral halls), the plan's goals are an **operating margin of at least 15.5%** and an **ROIC of at least 7.0%**.

(Millions of yen)

	Actual FY3/22	First year FY3/23	Second year FY3/24	Third year FY3/25
Operating revenue	20,001	20,800	21,800	<b>23,000</b>
Operating profit	3,376	3,400	3,450	<b>3,630</b>
Operating margin	16.9%	16.3%	15.8%	<b>15.8%</b>
ROIC	7.3%	7.0%	7.0%	<b>7.0%</b>

\*ROIC = Operating profit after tax / Invested capital

Invested capital = Interest-bearing debt + Net assets, operating profit after tax = Operating profit x (1 – Statutory effective tax rate)

## Medium-term Plan Capital Allocation

- Large investments are planned for business growth. During the plan's three years, **operating cash flows are expected to be more than ¥8.8 billion. Investments involving existing facilities will be ¥1.0 to ¥1.5 billion and investments for growth will be more than ¥4.5 billion.**

**Medium-term plan  
operating CF of  
about ¥8.8bn**

**(Reference)  
Includes cumulative  
depreciation of  
about ¥3bn**

**Investments in existing  
facilities  
About ¥1.0 to ¥1.5 billion**

The basic policy is to hold renovations of existing facilities to below depreciation.

**Investments for growth  
More than ¥4.5 billion**

Organic growth  
Rapidly open more funeral halls  
Strengthen the end-of-life business  
Inorganic growth  
M&A, alliances

**Shareholder  
distributions**

Dividends  
Maintain stability while aiming for dividend growth  
Stock repurchases  
Stock repurchase decisions will be made based on cash flows, the stock price and other considerations.

# Medium-term Management Plan

## Shareholder Distribution Policy

### Increase distributions to shareholders based on dividend stability

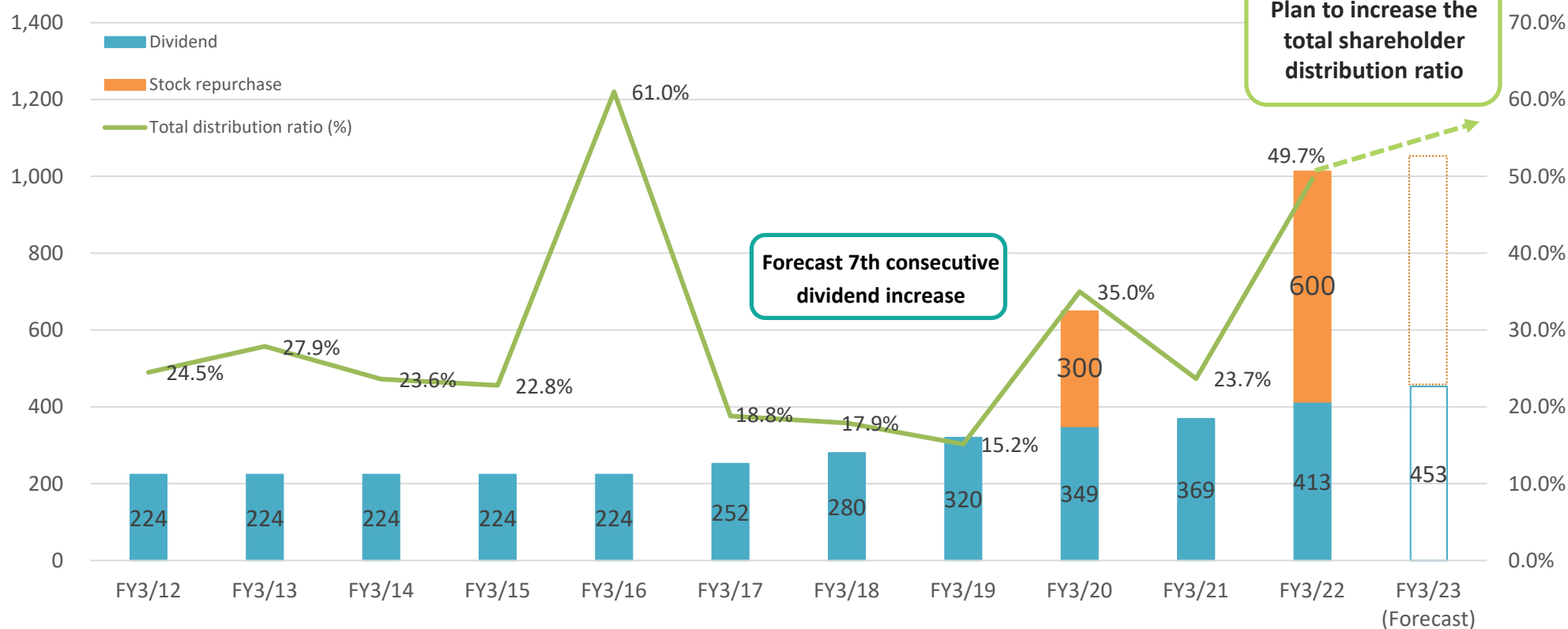
Our goal is to increase the distribution of earnings to shareholders from a medium to long-term perspective.

Dividends reflect consolidated sales and earnings, cash flows, the need to retain earnings for investments for medium to long-term growth, the need to maintain financial soundness and other factors. Furthermore, our policy is to increase the dividend consistently even when the business climate is challenging based on dividend stability.

Furthermore, we will consider repurchasing stock while taking into account the capital capacity, stock price and other applicable factors.

(Millions of yen)

### Total distribution ratio



DPS	¥20.0	¥20.0	¥20.0	¥20.0	¥20.0	¥22.5	¥25.0	¥28.5	¥31.0	¥33.0	¥38.0	¥42.0
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Dividend payout ratio	24.5%	27.9%	23.6%	22.8%	61.0%	18.8%	17.9%	15.2%	18.8%	23.7%	20.3%	21.3%
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# (Reference) Addition of a Sustainability Section in the Corporate Website

The sustainability section has the following content:

- Top message
- Policy / Framework
- Corporate governance
- Compliance
- Risk management
- Environment
- Social responsibility
- Human resource management/Working styles/Diversity-Equity-Inclusion

スクリーンショットのサステナビリティセクションの構成要素:

- ナビゲーション:** グループについて | 株主・投資家情報 | ニュース | サステナビリティ | 業務提携 | 採用情報
- ヘッダー:** サステナビリティ (背景画像: 緑豊かな風景)
- メインコンテンツ:**
  - トップメッセージ:** 代表取締役のメッセージ (写真: 男性役員)
  - 方針・体制:** SOST (SOSY) 戦略と体制の概要 (図表: 環境・社会・ガバナンスの3つの柱)
  - コーポレート・ガバナンス:** 基本的な考え方・体制、投資家様との対話方針、経営者の役割について、株主との建設的な関係を築くための取組、取締役報酬の考え方、内部統制システムに関する取組、コーポレート・ガバナンス推進取組
  - コンプライアンス:** 経理、監事・監査、コーポレート・ガバナンス推進取組、取締役報酬の考え方、内部統制制度の整備
  - リスクマネジメント:** リスクマネジメント方針、リスク管理、リスクマネジメント推進取組、事業別のリスク
  - 環境:** 環境方針、環境改善活動の取組、ライフサイクル可能な建材・知識の活用、ハイブリッド空間 環境適応型建築・知能建築 の取組
  - 社会貢献:** (写真: 家族の笑顔)
  - 人的資本経営・働き方・DEI:** (写真: 多様な人材の会議)

## Company Overview

Name: SAN HOLDINGS, INC.  
 Established: October 2, 1944 (Founded in August 1932)  
 Capital: ¥2,568.15 million  
 Listing: Tokyo Stock Exchange, Prime Section  
 Stock code 9628  
 Operating revenue: ¥20,001 million (FY3/22)

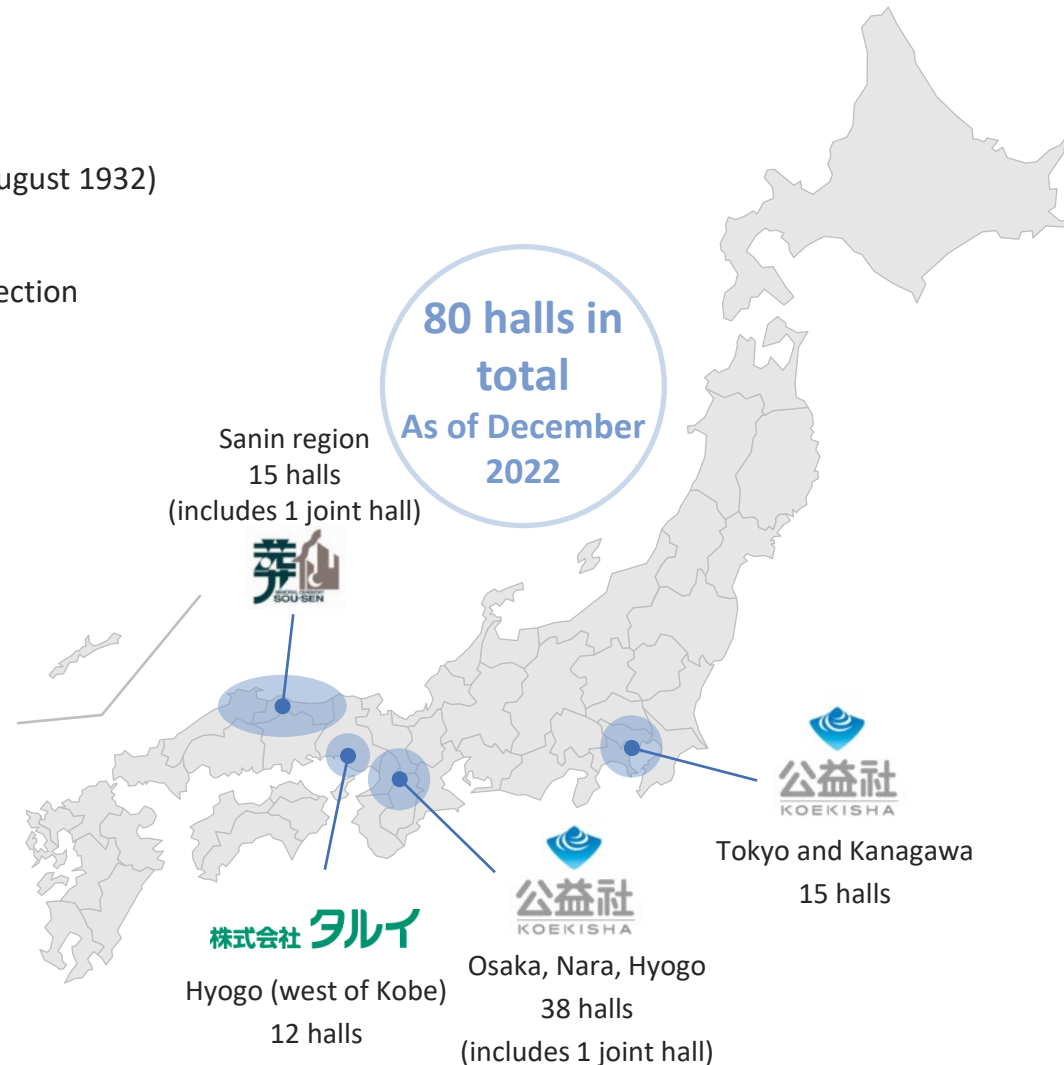
## Current Areas of Operations

Tokyo area (Tokyo, Kanagawa)  
 Kansai area (Osaka, Hyogo, Nara)  
 San-in region (Tottori, Shimane)

## The Funeral Industry

Japan has no regulatory agency and no regulations for funeral companies

Reference: There were about 1.37 million deaths in Japan in 2020 and this is expected to increase to about 1.7 million by 2040. In 2020, funeral revenue was estimated to be about ¥1,607 billion (1.37 million deaths x ¥1,173,000)

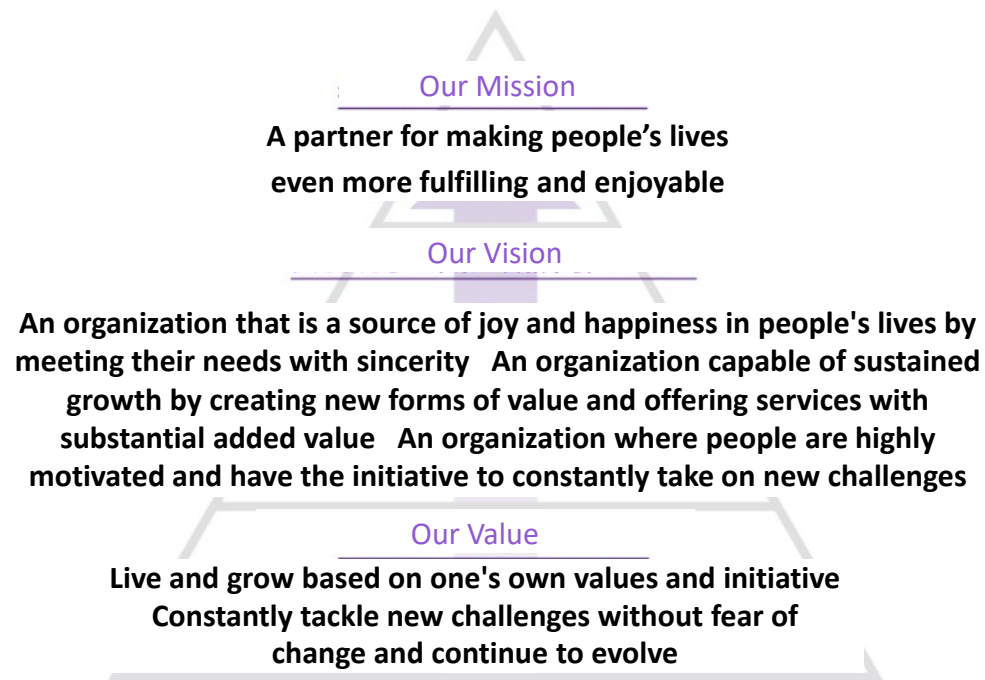


Be a dependable end-of-life partner by moving even closer to the senior generation and their family members

## A partner for making people's lives even more fulfilling and enjoyable

### Become a source of total support for the final stage of life

Our philosophy expresses our mission in society of creating new forms of value and supplying services with substantial added value for the purposes of enriching people's lives and communities through the provision of products and services and of making people's lives even more fulfilling and enjoyable.



Be a dependable end-of-life partner by moving even closer to the senior generation and their family members

## Cautions

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the management of SAN HOLDINGS at the time the materials were prepared. Actual results may differ materially from the forecasts.

Inquires : Corporate Planning Department, SAN HOLDINGS, INC.  
TEL: +(81)6-6226-0038

November 22, 2022

Live webcasts of results of operations for the first  
half of the fiscal year ending March 31, 2023

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