May 9, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: SAN HOLDINGS, INC. Listing: Tokyo Stock Exchange, First Section
Stock code: 9628 URL: https://www.san-hd.co.jp
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Scheduled date of Annual General Meeting of Shareholders: June 25, 2019
Scheduled date of payment of dividend: June 26, 2019
Scheduled date of filing of Annual Securities Report: June 26, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	20,766	3.5	2,940	10.6	2,936	10.8	2,112	34.3
Fiscal year ended Mar. 31, 2018	20,070	7.5	2,658	31.6	2,650	28.4	1,573	16.9

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 2,112 (up 34.3%)
Fiscal year ended Mar. 31, 2018: 1,573 (up 16.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	376.08	-	8.4	9.6	14.2
Fiscal year ended Mar. 31, 2018	280.11	-	6.7	9.1	13.2

Reference: Equity in earnings of affiliates (million yen): Fiscal year ended Mar. 31, 2019: - Fiscal year ended Mar. 31, 2018: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	31,326	26,070	83.2	4,641.85
As of Mar. 31, 2018	30,161	24,255	80.4	4,318.76

Reference: Shareholder's equity (million yen) As of Mar. 31, 2019: 26,070 As of Mar. 31, 2018: 24,255

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	2,695	(1,281)	(583)	5,611
Fiscal year ended Mar. 31, 2018	3,551	(984)	(397)	4,781

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2018	-	24.00	-	26.00	50.00	280	17.9	1.2
Fiscal year ended Mar. 31, 2019	-	27.00	-	30.00	57.00	320	15.2	1.3
Fiscal year ending Mar. 31, 2020 (forecast)	-	30.00	-	30.00	60.00		18.7	

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	10,200	1.8	1,170	(19.8)	1,160	(20.3)	750	(28.1)	133.54
Full year	21,300	2.6	2,810	(4.4)	2,790	(5.0)	1,800	(14.8)	320.50

*** Notes**

(1) Changes in consolidated subsidiaries during the period (changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2019:	6,082,008 shares	As of Mar. 31, 2018:	6,082,008 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2019:	465,714 shares	As of Mar. 31, 2018:	465,651 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019:	5,616,311 shares	Fiscal year ended Mar. 31, 2018:	5,616,428 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	5,092	6.7	2,017	18.6	1,966	17.1	1,701	38.0
Fiscal year ended Mar. 31, 2018	4,774	(2.9)	1,701	(3.8)	1,678	(6.2)	1,232	(18.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	302.88	-
Fiscal year ended Mar. 31, 2018	219.40	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	28,465	25,600	89.9	4,558.23
As of Mar. 31, 2018	27,569	24,197	87.8	4,308.34

Reference: Shareholders' equity (million yen): As of Mar. 31, 2019: 25,600 As of Mar. 31, 2018: 24,197

2. Non-consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Operating revenue		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
First half	3,400	11.3	1,760	13.9	1,560	13.6	277.76
Full year	5,500	8.0	2,160	9.9	1,830	7.6	325.84

* The current financial report is not subject to audit by certified public accountants or auditing firms.

* Explanation of appropriate use of earnings forecasts, and other special items

Note concerning forward-looking statements

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, but are not promises by SAN HOLDINGS regarding future performance. Actual results may differ materially from the forecasts. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 6 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Overview of Results of Operations

(1) Results of Operations

During the fiscal year that ended on March 31, 2019 (the "current fiscal year"), the Japanese economy was supported by solid internal demand regarding consumer spending, capital expenditures and other sectors. Although the economy was temporarily impacted by natural disasters, the labor market and personal income were strong and earnings at Japanese companies were high. Overseas, investments declined because of U.S.-China trade friction and other events and clear signs of slowing economic growth in China started emerging in the fall of 2018. As a result, Japan's industrial output began to weaken late in the current fiscal year and export growth slowed.

In Japan's funeral market, the number of people who attend funerals is declining. Two main reasons are the increasing age of the deceased and mourners and the decline in the number and strength of personal relationships in local communities and through work. In addition, the increasing diversity of the values and preferences of the people of Japan is having an increasing influence on funeral formats and expenditures. There is also intense competition in the funeral market as funeral companies build more funeral halls and companies that introduce funeral directors use internet to attract customers.

Activities of SAN HOLDINGS were centered on the following areas during the current fiscal year, which was the final year of the three-year medium-term management plan that started in the fiscal year that ended on March 31, 2017.

First, the three funeral services companies of SAN HOLDINGS Group continued to take actions for improving the quality of services. There were also measures to improve the ability to attract customers and provide customers with suitable proposals.

Second, we opened funeral halls to maintain our position in our current markets and expand into new areas. We opened KOEKISHA Hall Tsukuno in Nishi-ku of the city of Sakai in Osaka prefecture in December 2018, KOEKISHA Kamiitabashi Hall in Tokyo's Itabashi-ku in February 2019 and KOEKISHA Kichijoji Hall in March 2019 in the city of Musashino in Tokyo.

After the end of the current fiscal year, we opened KOEKISHA Korien Hall in the city of Neyagawa in Osaka prefecture in April and plan to start operating TARUI Funeral Hall in Kitaokubo in June in the city of Akashi in Hyogo prefecture.

Third, initiatives for creating new businesses, included the opening of POSSIBLE Ikeda in July 2018, which provides day care services centered on rehabilitation. Located in the city of Ikeda in Osaka prefecture, POSSIBLE Ikeda is our second facility in the nursing care and rehabilitation business. In the restaurant business, we opened *Umai Men Niwa Fuku Kitaru*, Tengo Store, our third ramen store, in December 2018 in Osaka's Kita-ku.

The total number of funerals handled by the three Group funeral companies, KOEKISHA CO., LTD., SOU-SEN CORPORATION and TARUI CO., LTD., was higher than in the previous fiscal year. In addition, average revenue per funeral increased because of a variety of actions for improving our ability to provide new ideas and other proposals. As a result, funeral service revenue increased 3.5% year on year. Furthermore, sales of products and services associated with funerals at all three group funeral companies were generally strong. The result was an increase in consolidated operating revenue.

Operating expenses were reduced by the absence of depreciation and the cost of supplies recorded in the previous fiscal year due to reopening of KOEKISHA Hirakata Hall after reconstruction. But direct expenses increased along with the growth of operating revenue and personnel expenses were higher as the number of employees increased. There were also increases in advertising expenses and rent expenses. As a result, operating expenses increased 2.4%. Selling, general and administrative expenses increased 1.7% because of higher recruiting expenses, consulting fees for establishing an incentive compensation plan for executives and employees, and other reasons.

Non-operating income includes 43 million yen of insurance claim income for damage caused by natural disasters in the summer 2018 (an earthquake in Osaka and two typhoons). There is also a corresponding 43 million yen loss on disasters in non-operating expenses for the cost of repairs and other restoration work. In addition, non-operating income includes a 21 million yen reversal of the reserve for loss on dissolution of employees' pension fund because of the special dissolution of an employees' pension fund.

In addition, there is a gain on abolishment of retirement benefit plan of 142 million yen in extraordinary income, since the career change support program introduced in April 2012 was terminated on August 31, 2018.

For the current fiscal year, operating revenue increased 3.5% year on year to 20,766 million yen. Earnings were higher as well with operating profit up 10.6% to 2,940 million yen, ordinary profit up 10.8% to 2,936 million yen and profit attributable to owners of parent up 34.3% to 2,112 million yen.

Business segment performance was as follows.

1) The KOEKISHA Group

The number of funerals at KOEKISHA, the core company of the KOEKISHA Group, increased along with increases in ordinary funerals in the Tokyo area and large funerals (more than 5 million yen) in the Kansai area. This increase was attributable to expansion into more areas by opening funeral halls, the use of more channels to attract customers and the increased use of cooperation with various organizations. However, the number of ordinary funerals in the Kansai area decreased because of the opening of new funeral halls by competitors starting in 2016 in some parts of this area.

Average revenue per ordinary funeral increased in the Kansai and Tokyo areas as we improved our ability to create proposals and offer new ideas.

As a result, the overall number of funerals was down 0.3% year on year but funeral service revenue increased 3.3%.

Sales of products and services associated with funerals were higher than in the previous fiscal year. This was the result of lower sales of family altars and other furniture and commissions received for assisting the sales activities of grave stone companies and a significant increase in sales of courtesy gifts given to mourners in return for condolence money.

Operating expenses increased as the cost of supplies declined but, due to the growth in operating revenue, there were increases in direct expenses, personnel expenses as the number of employees increased, and advertising expenses.

Sales in the KOEKISHA Group segment were 17,143 million yen, up 3.2% year on year, and the segment profit was 1,603 million yen, up 19.7%.

2) The SOU-SEN Group

At SOU-SEN CORPORATION, which operates mainly in the cities of Tottori and Sakaiminato in Tottori prefecture, the number of funerals increased 3.3%. Although average revenue per funeral was lower, funeral service revenue at this company was up 2.2%. Sales of condolence money courtesy gifts, family altars and other products and services associated with funerals decreased.

Operating expenses were largely unchanged from the previous fiscal year as direct expense ratio improved and the cost of supplies decreased but there were higher personnel expenses as more employees were hired.

Sales in the SOU-SEN Group segment were 1,409 million yen, up 1.1% year on year, and the segment profit was 36 million yen, up 59.9%.

3) The TARUI Group

The number of funerals at TARUI CO., LTD. increased 7.5% but average revenue per funeral was down. The result was a 6.2% increase in funeral revenue.

There was a significant increase in sales of products and services associated with funerals primarily because of higher sales of family altars and other furniture.

Operating expenses increased mainly because of higher direct expense ratio, the cost of supplies in conjunction with the renovation of funeral halls and higher advertising expenses.

Sales in the TARUI Group segment were 1,835 million yen, up 7.5% year on year, and the segment profit was 339 million yen, down 0.5%.

4) Holding Company Group

Operating revenue at SAN HOLDINGS increased along with increases in dividend income and real estate lease revenue from group companies.

Operating expenses decreased as declines in outsourcing expenses and depreciation more than offset increases in expenses for repairs and maintenance and rent expenses.

Sales in the Holding Company Group segment were 5,092 million yen, up 6.7% year on year, and the segment profit was 1,966 million yen, up 17.1%.

(2) Financial Position

Assets

Current assets at the end of the current fiscal year were 6,650 million yen, up 951 million yen from the end of the previous fiscal year. This was mainly due to increases of 829 million yen in cash and deposits and 74 million yen in income taxes receivable.

Non-current assets were 24,676 million yen at the end of the current fiscal year, up 214 million yen from the end of the previous fiscal year. This was mainly because of an increase of 473 million yen in property, plant and equipment, including a 533 million yen increase in buildings and structures associated with the opening of new funeral halls, which was partially offset by a decrease of 289 million yen in deferred tax assets.

As a result, total assets increased 1,165 million yen from the end of the previous fiscal year to 31,326 million yen.

Liabilities

Current liabilities at the end of the current fiscal year were 3,792 million yen, up 536 million yen from the end of the previous fiscal year. This was mainly due to increases of 205 million yen in operating accounts payable, 749 million yen in current portion of long-term loans payable, which is a net of transfer of 919 million yen from non-current liabilities and repayments of 170 million yen during the current fiscal year, and 203 million yen in accounts payable-other because of the confirmation of the expense and the recording of the amount to be paid within one year due to the start of payment by installment in conjunction with the special dissolution of an employees' pension fund. These factors were partially offset by decreases of 533 million yen in income taxes payable and 78 million yen in accrued consumption taxes.

Non-current liabilities were 1,464 million yen, a decrease of 1,184 million yen from the end of the previous fiscal year.

The main factors were as described below.

Reserve for loss on dissolution of employees' pension fund of 690 million yen was reversed due to confirmation of the expense resulting from the special dissolution of an employees' pension fund. On the other hand, long-term accounts payable-other increased 507 million yen because we decided to pay the expense in installments and the expense less the amount that was paid during the current fiscal year and is to be paid within one year, was recorded as long-term accounts payable-other.

In addition, long-term loans payable decreased 919 million yen due to a transfer to the current portion of long-term loans payable, and retirement benefit liability decreased 159 million yen due to termination of the career change support program.

As a result, total liabilities decreased 648 million yen from the end of the previous fiscal year to 5,256 million yen.

Net assets

Net assets were 26,070 million yen at the end of the current fiscal year, up 1,814 million yen from the end of the previous fiscal year. The main factors include a 1,814 million yen increase in retained earnings due to a recording of 2,112 million yen for profit attributable to owners of parent while 297 million yen was paid for dividends.

Consequently, the equity ratio increased 2.8 percentage points from the end of the previous fiscal year to 83.2%.

(3) Cash Flows

Cash and cash equivalents at the end of the current fiscal year was 5,611 million yen, up 829 million yen over the end of the previous fiscal year.

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 2,695 million yen (3,551 million yen provided in the previous fiscal year). The main factors include profit before income taxes of 3,018 million yen and depreciation of 808 million yen.

Note 1: The 690 million yen decrease in provision of reserve for loss on dissolution of employees' pension fund was recorded due to the confirmation of the expense resulting from the special dissolution of an employees' pension fund. We have decided to pay this amount in installments. Consequently, the difference between 690 million yen and the amount that was confirmed is included in profit before income taxes as a reversal of reserve for loss on dissolution of employees' pension fund. In addition, the expense less the amount that was paid during the current fiscal year has been classified as accounts payable-other and long-term accounts payable-other and are included in the increase or decrease in other liabilities.

Note 2: The 159 million yen decrease in retirement benefit liability is the result of the termination of the career change support program. This amount less the amount that was paid during the current fiscal year is included in profit before income taxes as a gain on termination of retirement benefit plan.

Cash flows from investing activities

Net cash used in investing activities was 1,281 million yen (984 million yen used in the previous fiscal year). Negative factors include purchase of property, plant and equipment of 1,202 million yen for the construction of funeral halls and other reasons.

Cash flows from financing activities

Net cash used in financing activities was 583 million yen (397 million yen used in the previous fiscal year). The main factors include cash dividends paid of 297 million yen and repayments of long-term loans payable of 170 million yen.

(4) Outlook

In the fiscal year ending on March 31, 2020, increasing uncertainty about the overseas economy is likely to have a negative impact on the Japanese economy. There are concerns about U.S.-China trade negotiations, Britain’s departure from the European Union, the possibility of slower U.S. economic growth and other potential problems.

In Japan, there is increasing public interest in *shukatsu* (the activities people do in preparation for death) due to frequent media reports. The funeral market will see the number of people who attend funerals continue to decrease because of Japan’s declining and aging population and changes in the composition of households and local communities. The increasing diversity of the values and needs of people regarding funerals is also anticipated.

On the supply side of the funeral market, the opening of funeral halls has peaked on a nationwide basis but there will probably be many more new funeral halls in some areas of Japan’s major metropolitan areas. Furthermore, we anticipate the growth of internet matching services that allow people to locate a suitable funeral company and an increasing number of new competitors.

Another challenge in the funeral industry is the need to secure human resources and operate more efficiently as Japan’s working age population falls.

The fiscal year ending on March 31, 2020 is the first year of our new three-year medium-term that will end on March 31, 2023. As was announced today separately from this earnings report, we will take key measures in line with the basic policies of this plan. Our goal is to adapt in many ways to changes in market conditions, such as by differentiating our services and products, improving business processes to increase productivity, and optimizing our business portfolio by starting and expanding new businesses.

Earnings forecasts for the fiscal year ending March 31, 2020 are as follows:

Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2020 (Results for the fiscal year ended March 31, 2019 are shown in parentheses.)

Operating revenue	21,300 million yen	(20,766 million yen)
Operating profit	2,810 million yen	(2,940 million yen)
Ordinary profit	2,790 million yen	(2,936 million yen)
Profit attributable to owners of parent	1,800 million yen	(2,112 million yen)

The primary reasons and assumptions for these forecasts are as follows.

Operating revenue

- Based on the outlook at all funeral companies for the rate of increase in the number of deaths in Japan, we expect increases in the number of ordinary funerals and the number of large funerals of more than 5 million yen. We foresee no change in average revenue per funeral in general but our forecast factors in an expected decrease in the average revenue of large funerals in the Tokyo area.
- Based on this outlook, the outlook for funeral revenue factors in the expected contribution from the three funeral halls we plan to add during the fiscal year ending on March 31, 2020, including one that was opened in April and another that we plan to open in June, and the expected increase in revenue at funeral halls that were newly constructed or renovated during the previous medium-term management plan.
- We forecast higher sales of products and services associated with funerals (customer business) because of the outlook for larger number of funerals at all group funeral companies and our expanded and upgraded lineup of end-of-life support.

Operating expenses

- We expect expenses for a variety of initiatives during the fiscal year ending on March 31, 2019 as well as higher cost of supplies, depreciation, rent expenses and other items in association with funeral hall additions and renovations.
- All group operating companies plan to recruit people in order to achieve the number of employees needed for improving the quality of their services and workforces. There will also be measures to train and retain people. As a result, our forecast includes expenses for personnel, recruiting, training and other activities.

Others

- In our new businesses, we will continue to add restaurant and nursing care locations.

*Cautionary statement with respect to earnings forecasts

Earnings forecasts incorporate risks and uncertainties because these statements are based on judgements made by using information available to the management of SAN HOLDINGS and its group companies. Actual results may differ materially from the earnings forecasts due to changes in the economy and market conditions surrounding the SAN HOLDINGS and its group companies as well as a number of factors.

(5) Basic Policy for Profit Distribution and Dividends for the Current and Next Fiscal Years

Distributing earnings to shareholders is one of our highest priorities. Our policy for dividends is to increase these distributions consistently while paying a dividend that reflects our consolidated performance and financial condition. The dividend also takes into account the need to retain earnings for investments for medium and long-term growth, the need for financial soundness and other applicable factors. Retained earnings are used mainly for marketing, IT systems and other strategic investments with emphasis on constructing funeral halls in the Osaka and Tokyo areas. The objective is to use retained earnings for strengthening our business foundation and increasing corporate value.

For the current fiscal year, shareholders received an interim dividend of 27 yen per share and we plan to pay a year-end dividend of 30 yen per share. This will result in a fiscal year dividend of 57 yen per share and a dividend payout ratio of 15.2%.

For the fiscal year ending on March 31, 2020, based on the above dividend policy and our earnings forecasts, we plan to continue raising the dividend consistently by paying interim and year-end dividends of 30 yen per share. This will result in a fiscal year dividend of 60 yen and an expected dividend payout ratio of 18.7%.

2. Basic Approach to the Selection of Accounting Standards

SAN HOLDINGS Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being because shareholders, creditors and business partners in Japan account for most stakeholders, there is no plan to procure funds from overseas, and all business activities are conducted in Japan.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	4,781,933	5,611,704
Operating accounts receivable	618,010	650,570
Merchandise and finished goods	94,684	101,825
Raw materials and supplies	44,568	41,916
Income taxes receivable	592	75,183
Other	160,150	170,740
Allowance for doubtful accounts	(744)	(1,139)
Total current assets	5,699,193	6,650,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,842,445	9,375,544
Machinery, equipment and vehicles, net	36,484	45,527
Tools, furniture and fixtures, net	142,454	128,699
Land	12,344,809	12,344,809
Leased assets, net	396,550	435,793
Construction in progress	126,642	32,524
Total property, plant and equipment	21,889,386	22,362,898
Intangible assets	104,230	89,937
Investments and other assets		
Long-term loans receivable	253,987	237,136
Deferred tax assets	745,683	456,074
Beneficiary right of real estate in trust	527,649	539,662
Guarantee deposits	680,759	704,147
Other	274,414	295,248
Allowance for doubtful accounts	(14,198)	(8,915)
Total investments and other assets	2,468,295	2,223,353
Total non-current assets	24,461,912	24,676,189
Total assets	30,161,105	31,326,991

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	811,858	1,017,115
Current portion of long-term loans payable	170,392	919,992
Lease obligations	98,044	103,954
Accounts payable-other	515,799	718,925
Income taxes payable	632,388	99,028
Accrued consumption taxes	240,280	162,098
Provision for bonuses	499,159	523,513
Provision for bonuses for directors (and other officers)	45,858	49,571
Other	242,271	198,369
Total current liabilities	3,256,053	3,792,567
Non-current liabilities		
Long-term loans payable	945,022	25,030
Lease obligations	332,153	368,125
Reserve for loss on dissolution of employees' pension fund	690,837	-
Retirement benefit liability	159,819	-
Asset retirement obligations	282,472	320,236
Long-term deposits received	217,231	221,813
Long-term accounts payable-other	21,841	529,202
Total non-current liabilities	2,649,378	1,464,408
Total liabilities	5,905,432	5,256,975
Net assets		
Shareholders' equity		
Capital stock	2,568,157	2,568,157
Capital surplus	5,488,615	5,488,615
Retained earnings	17,212,808	19,027,330
Treasury shares	(1,013,908)	(1,014,088)
Total shareholders' equity	24,255,673	26,070,015
Total net assets	24,255,673	26,070,015
Total liabilities and net assets	30,161,105	31,326,991

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Operating revenue	20,070,394	20,766,984
Operating expenses	16,092,461	16,484,384
Operating gross profit	3,977,933	4,282,600
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	171,623	181,172
Salaries and allowances	354,311	338,322
Bonuses	50,694	53,286
Provision for bonuses	51,533	49,820
Provision for bonuses for directors (and other officers)	45,858	49,571
Business consignment expenses	104,781	105,081
Provision of allowance for doubtful accounts	(1,233)	287
Advertising expenses	40,474	48,022
Depreciation	32,907	31,242
Other	468,796	485,743
Total selling, general and administrative expenses	1,319,746	1,342,550
Operating profit	2,658,186	2,940,049
Non-operating income		
Interest income	4,037	3,762
Dividend income	4	4
Insurance income	861	53,123
Reversal of reserve for loss on dissolution of employee’s pension fund	-	21,627
Miscellaneous income	15,303	16,689
Total non-operating income	20,206	95,207
Non-operating expenses		
Interest expenses	10,303	9,249
Dismantling removal expense	9,388	39,007
Casualty loss	-	43,093
Miscellaneous loss	7,954	6,934
Total non-operating expenses	27,646	98,284
Ordinary profit	2,650,746	2,936,971
Extraordinary income		
Gain on sales of non-current assets	3,667	3,154
Gain on abolishment of retirement benefit plan	-	142,747
Total extraordinary income	3,667	145,901
Extraordinary losses		
Loss on retirement of non-current assets	2,724	4,262
Impairment loss	186,785	59,697
Total extraordinary losses	189,509	63,960
Profit before income taxes	2,464,904	3,018,913
Income taxes-current	999,537	617,115
Income taxes-deferred	(107,851)	289,609
Total income taxes	891,685	906,725
Profit	1,573,218	2,112,188
Profit attributable to owners of parent	1,573,218	2,112,188

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	1,573,218	2,112,188
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	1,573,218	2,112,188
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,573,218	2,112,188
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	2,568,157	5,488,615	15,900,755	(1,013,546)	22,943,983	22,943,983
Changes of items during period						
Dividends of surplus			(261,166)		(261,166)	(261,166)
Profit attributable to owners of parent			1,573,218		1,573,218	1,573,218
Purchase of treasury shares				(361)	(361)	(361)
Total changes of items during period	-	-	1,312,052	(361)	1,311,690	1,311,690
Balance at end of current period	2,568,157	5,488,615	17,212,808	(1,013,908)	24,255,673	24,255,673

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity					Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	
Balance at beginning of current period	2,568,157	5,488,615	17,212,808	(1,013,908)	24,255,673	24,255,673
Changes of items during period						
Dividends of surplus			(297,665)		(297,665)	(297,665)
Profit attributable to owners of parent			2,112,188		2,112,188	2,112,188
Purchase of treasury shares				(180)	(180)	(180)
Total changes of items during period	-	-	1,814,522	(180)	1,814,341	1,814,341
Balance at end of current period	2,568,157	5,488,615	19,027,330	(1,014,088)	26,070,015	26,070,015

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	2,464,904	3,018,913
Depreciation	850,584	808,446
Impairment loss	186,785	59,697
Loss on retirement of property, plant and equipment	2,724	4,262
Increase (decrease) in allowance for doubtful accounts	(3,112)	(4,888)
Increase (decrease) in provision for bonuses	97,442	24,354
Increase (decrease) in provision for bonuses for directors (and other officers)	9,021	3,713
Increase (decrease) in provision for office transfer cost	(18,000)	-
Increase (decrease) in retirement benefit liability	11,900	(159,819)
Increase (decrease) in provision of reserve for loss on dissolution of employees’ pension fund	-	(690,837)
Interest and dividend income	(4,042)	(3,766)
Interest expenses	10,303	9,249
Loss (gain) on sales of property, plant and equipment	(3,667)	(3,154)
Decrease (increase) in notes and accounts receivable-trade	(16,776)	(32,560)
Decrease (increase) in inventories	(2,900)	(4,490)
Increase (decrease) in notes and accounts payable-trade	932	205,257
Increase (decrease) in accrued consumption taxes	154,107	(78,182)
Decrease (increase) in other assets	110,852	67,493
Increase (decrease) in other liabilities	197,739	696,034
Subtotal	4,048,799	3,919,721
Interest and dividend income received	21	12
Interest expenses paid	(10,256)	(8,917)
Income taxes paid	(632,294)	(1,216,374)
Income taxes refund	145,127	592
Net cash provided by (used in) operating activities	3,551,396	2,695,034
Cash flows from investing activities		
Purchase of property, plant and equipment	(941,925)	(1,202,906)
Proceeds from sales of property, plant and equipment	3,667	3,154
Purchase of intangible assets	(7,396)	(10,107)
Collection of loans receivable	6	5
Other proceeds	9,782	17,402
Other payments	(48,855)	(89,057)
Net cash provided by (used in) investing activities	(984,721)	(1,281,510)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(15,000)	-
Repayments of long-term loans payable	(21,192)	(170,392)
Purchase of treasury shares	(361)	(180)
Repayments of finance lease obligations	(99,872)	(115,514)
Cash dividends paid	(261,166)	(297,665)
Net cash provided by (used in) financing activities	(397,592)	(583,753)
Net increase (decrease) in cash and cash equivalents	2,169,083	829,770
Cash and cash equivalents at beginning of period	2,612,850	4,781,933
Cash and cash equivalents at end of period	4,781,933	5,611,704

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 4

Primary consolidated subsidiaries:

KOEKISHA CO., LTD.
EXCEL SUPPORT SERVICE CO., LTD.
SOU-SEN CORPORATION
TARUI CO., LTD.

2. Application of the Equity Method

Not applicable.

3. Fiscal years of consolidated subsidiaries

The fiscal year of all consolidated subsidiaries ends on the closing date of consolidated financial statements.

4. Accounting policies

(1) Valuation standards and methods for principal assets

a. Marketable securities

Available-for sale securities

Securities with market quotations

Stated at market value on the balance sheet date. (Valuation difference is included directly in net assets. Cost of securities sold is determined by the moving-average method.)

Securities without market quotations

Stated at cost determined by the moving-average method.

b. Inventories

Stated at cost determined by the moving-average method.

(2) Depreciation and amortization of principal assets

a. Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated by the declining-balance method, except for buildings (excluding attached facilities) acquired on or after April 1, 1998, as well as facilities attached to buildings and structures acquired on or after April 1, 2016 on which depreciation is calculated by the straight-line method.

Assets with acquisition cost of at least 100 thousand yen and less than 200 thousand yen are depreciated by the straight-line method over three years.

Useful lives of principle assets are as follows:

Buildings and structures:	10 - 50 years
Machinery, equipment and vehicles:	3 - 15 years
Tools, furniture and fixtures:	3 - 15 years

b. Intangible assets (excluding leased assets)

Amortization of intangible assets is calculated by the straight-line method.

Software for internal use is amortized over an expected useful life of five years by the straight-line method.

c. Leased assets

The straight-line method with no residual value is applied with the lease period used as the useful life of the asset.

Finance lease transactions without transfer of ownership for which the lease transaction commenced on or before March 31, 2008, are accounted for in accordance with the method applicable to regular lease transactions.

d. Long-term prepaid expenses

Long-term prepaid expenses are calculated by the straight-line method.

(3) Recognition of significant allowances

a. Allowance for doubtful accounts

Allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio and bad receivables based on case-by-case determination of collectibility.

b. Reserve for bonuses

To prepare for employee bonus obligation, an allowance equal to the estimated bonus obligations in the current fiscal year is provided.

c. Provision for bonuses for directors (and other officers)

To prepare for directors' bonuses, an allowance equal to the estimated bonus obligations in the current fiscal year is provided.

d. Reserve for loss on dissolution of employees' pension fund

The estimated amount of losses is provided to prepare for losses resulting from the special dissolution of an employees' pension fund.

(4) Accounting for retirement benefits

For the career change support program, SAN HOLDINGS and some of its consolidated subsidiaries record retirement benefit obligations which are determined by multiplying the amount that would be paid if all employees voluntarily requested benefits at the end of the fiscal year by the estimated rate of use reasonably calculated based on historical data.

(5) Scope of cash and cash equivalents on consolidated statements of cash flows

Cash and cash equivalents consist of vault cash, deposits that can be withdrawn on demand, and short-term investments, with original maturities of three months or less, that are readily convertible and present insignificant risk of change in value.

(6) Other significant matters for preparation of the consolidated financial statements

a. Accounting for land trust

Based on financial statements sent by a trust bank, balance sheet items are included in beneficiary right of real estate in trust, while items in income statements are included in non-operating income or operating expenses.

b. Accounting for consumption taxes

All amounts stated are exclusive of national and local consumption taxes.

c. Application of consolidated taxation system

The consolidated taxation system has been applied.

Reclassifications

(1) Consolidated Statement of Income

“Rental income from company housing,” which was separately presented under “Non-operating income” in the previous fiscal year, is included in “Miscellaneous income” in the current fiscal year since the amount fell below 10% of non-operating income. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

“Insurance income,” which was included in “Miscellaneous income” under non-operating income in the previous fiscal year, is presented separately from the current fiscal year since the amount exceeded 10% of non-operating income. To conform to this change, the consolidated financial statements for the previous fiscal year are reclassified.

As a result, “Rental income from company housing” of 3,438 thousand yen and “Miscellaneous income” of 12,726 thousand yen presented under “Non-operating income” in the previous fiscal year’s consolidated statement of income are reclassified and divided into “Insurance income” of 861 thousand yen and “Miscellaneous income” of 15,303 thousand yen.

(2) Changes due to application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

Effective from the beginning of the current fiscal year, SAN HOLDINGS has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018). Accordingly, deferred tax assets and deferred tax liabilities are presented in the investments and other assets section and the non-current liabilities section of the balance sheet, respectively.
As a result, “Deferred tax assets” of 339,709 thousand yen under “Current assets” in the consolidated balance sheet as of March 31, 2018 are included in “Deferred tax assets” of 745,683 thousand yen under “Investment and other assets.”

Notes to Consolidated Statement of Income

Impairment loss

The Group recognized impairment losses on the following groups of assets.

Use	Location	Item	Impairment loss (Thousands of yen)
Funeral halls	Nishinomiya, Hyogo	Buildings and structures, tools, furniture and fixtures, leased assets, others	34,617
Restaurants	Yodogawa-ku, Osaka, etc.	Buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures, others	25,079

Grouping of assets is based on the asset classification used for managerial accounting.

Since the asset groups located in Nishinomiya, Hyogo and Yodogawa-ku, Osaka have generated continuous losses from their operating activities, the book values of these asset groups were reduced to the recoverable amounts, and the amount of reduction was recognized as an impairment loss and presented under extraordinary losses.

The amount of impairment loss on the asset group in Nishinomiya, Hyogo consists of 30,414 thousand yen for buildings and structures, 654 thousand yen for tools, furniture and fixtures, 2,565 thousand yen for leased assets and 982 thousand yen for others. The amount of impairment loss on the asset group in Yodogawa-ku, Osaka consists of 17,874 thousand yen for buildings and structures, 2,927 thousand yen for machinery, equipment and vehicles, 1,665 thousand yen for tools, furniture and fixtures and 2,612 thousand yen for others.

The book values of these asset groups were reduced to the memorandum values because it was determined that their recoverability is low since these assets are mainly for leasing.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are SAN HOLDINGS' constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

SAN HOLDINGS, which is the holding company, determines strategies and performs management functions for all group companies. SAN HOLDINGS oversees the operations of subsidiaries that provide funeral-related services and leases real estate used for funeral halls and other facilities. All subsidiaries conduct business activities involving their respective services and products in accordance with the strategies determined by SAN HOLDINGS.

Consequently, the SAN HOLDINGS Group is composed of segments based on company group, primarily the three funeral companies and SAN HOLDINGS, the holding company, and there are four reportable segments: KOEKISHA Group, SOU-SEN Group, TARUI Group and Holding Company Group.

2. Calculation method for net sales, profit or loss, assets, and other items for each reportable segment

The accounting method used for reportable business segments are generally the same as those described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Segment profit for reportable segments are based on ordinary profit.

Inter-segment sales and transfers are based on market prices.

3. Information related to net sales, profit or loss, assets, and other items for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) (Thousands of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total		
Net sales							
External sales	16,582,159	1,393,803	1,706,273	388,157	20,070,394	-	20,070,394
Inter-segment sales and transfers	24,864	-	30	4,386,053	4,410,948	(4,410,948)	-
Total	16,607,024	1,393,803	1,706,303	4,774,210	24,481,342	(4,410,948)	20,070,394
Segment profit	1,338,872	22,867	340,691	1,678,335	3,380,765	(730,019)	2,650,746
Segment assets	5,425,753	326,757	961,410	27,569,054	34,282,975	(4,121,869)	30,161,105
Other items							
Depreciation (Note 3)	180,843	12,324	32,122	625,295	850,584	-	850,584
Interest income	6,276	70	1,952	4,280	12,579	(8,541)	4,037
Interest expenses	249	403	-	18,192	18,845	(8,541)	10,303
Increase in property, plant and equipment and intangible assets	236,724	16,882	96,848	668,297	1,018,753	-	1,018,753

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) (Thousands of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total		
Net sales							
External sales	17,118,496	1,409,134	1,834,995	404,357	20,766,984	-	20,766,984
Inter-segment sales and transfers	24,766	138	81	4,688,353	4,713,340	(4,713,340)	-
Total	17,143,263	1,409,272	1,835,077	5,092,711	25,480,325	(4,713,340)	20,766,984
Segment profit	1,603,038	36,563	339,004	1,966,166	3,944,773	(1,007,801)	2,936,971
Segment assets	5,570,196	356,756	1,074,835	28,465,564	35,467,353	(4,140,362)	31,326,991
Other items							
Depreciation (Note 3)	189,864	15,045	38,161	565,374	808,446	-	808,446
Interest income	6,277	1	2,215	4,239	12,734	(8,972)	3,762
Interest expenses	485	248	-	17,488	18,221	(8,972)	9,249
Increase in property, plant and equipment and intangible assets	225,598	15,063	184,303	934,106	1,359,072	-	1,359,072

Notes: 1. Contents of adjustments are as follows.

To segment profit (Thousands of yen)

	FY3/18	FY3/19
Elimination of amount equivalent to dividends paid to the holding company by consolidated subsidiaries	(730,000)	(1,008,000)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	(19)	198
Total	(730,019)	(1,007,801)

To segment assets (Thousands of yen)

	FY3/18	FY3/19
Stock of subsidiaries held by the holding company	(2,562,585)	(2,562,585)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	1,176	1,375
Elimination of inter-segment transactions	(1,560,460)	(1,579,152)
Total	(4,121,869)	(4,140,362)

2. Segment profit is adjusted to be consistent with ordinary profit recorded in the consolidated statement of income.
3. Depreciation under other items include amortization of long-term prepaid expenses.

Related information

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

1. Information by product or service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of operating revenue on the consolidated statement of income.

2. Information by region

(1) Net sales

Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment
Not applicable because there is no property, plant and equipment outside Japan.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
1. Information by product or service
Omitted since sales to external customers in the category of a single product or service exceeded 90% of operating revenue on the consolidated statement of income.

2. Information by region
(1) Net sales
Not applicable because there are no external sales outside Japan.

(2) Property, plant and equipment
Not applicable because there is no property, plant and equipment outside Japan.

Information related to impairment losses on non-current assets for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018) (Thousands of yen)

	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total
Impairment loss	3,325	-	-	183,459	186,785

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019) (Thousands of yen)

	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total
Impairment loss	4,917	-	-	54,780	59,697

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Not applicable.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Not applicable.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Not applicable.

Per Share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	4,318.76	4,641.85
Net income per share	280.11	376.08

Notes: 1. Diluted net income per share is not presented because there are no latent shares.
2. The basis of calculating the net income per share is as follows:

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	1,573,218	2,112,188
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	1,573,218	2,112,188
Average number of shares outstanding (Shares)	5,616,428	5,616,311
Summary of latent shares not included in the calculation of the diluted net income per share since there was no dilutive effect	-	-

Subsequent Events

Not applicable.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.