

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



燦ホールディングス株式会社
SAN HOLDINGS

SAN HOLDINGS, INC.

Results of Operations

(Fiscal Year Ended March 31, 2022)

May 2022

Tokyo Stock Exchange, Prime Section
Stock code: 9628

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FY3/22 Financial Overview

Be a dependable end-of-life partner by moving even closer to
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FY3/22 results

- Revenue and earnings increased YoY.
- Revenue growth was the result of a recovery in the large funeral category (number and prices) and a big increase in the number of ordinary funerals.
- The pandemic accelerated the shift to smaller funerals and this trend is continuing; Although average revenue per ordinary funeral decreased, revenue in this category was higher because of the larger number of these funerals.
- Earnings increased mainly because of higher revenue and measures that significantly held down operating expenses, such as the rigorous control of personnel expenses (including reduced recruiting) and measures to improve efficiency.
- The operating margin increased to 16.9% and operating profit and ordinary profit surpassed the FY3/20 record highs.

Earnings forecasts

- Forecast higher revenue and earnings, although there is a risk of another wave of the pandemic. Earnings growth is expected to be small because of higher recruiting and personnel expenses for building a stronger workforce, which is a central goal of FY3/23 as the first year of the new medium-term management plan.
- Plan on investments of ¥1,050 million, including the addition of six funeral halls.

Dividend forecast

- Plan to pay 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%)

FY3/22 Revenue and Earnings

- Operating revenue increased 6.0% YoY and operating profit increased 32.4%. The operating margin increased 3.4 points to 16.9% because the pct. increase in operating expenses, which are more than 90% of all expenses, was smaller than the increase in revenue.
- The declining size of funerals, a trend that accelerated due to the pandemic, is continuing. Revenue up due to a large funeral recovery and larger number of ordinary funerals.
- Personnel expense controls and higher operating efficiency, mainly at the KOEKISHA Group, held down the growth of expenses.

(Millions of yen)

	FY3/21	FY3/22	YoY change		Forecast (Revised on Feb. 8, 2022)	
			%	Amount	FY3/22	Results vs. Fct.
Operating revenue	18,865	20,001	6.0%	1,135	19,760	101.2%
Operating expenses	15,085	15,279	1.3%	194		
SG&A expenses	1,230	1,345	9.3%	114		
Operating profit	2,550	Record-high 3,376	32.4%	826	3,030	111.4%
Operating margin	13.5%	16.9%	3.4pt		15.3%	
Ordinary profit	2,536	Record-high 3,386	33.5%	849	3,000	112.9%
Profit attributable to owners of parent	1,562	2,040	30.6%	477	1,740	117.2%
Net income per share (Yen)	141.24	187.60	32.8%	46.36	161.55	116.1%

Quarterly Revenue and Earnings

- Revenue and earnings increased YoY in every quarter except the 3Q; in the 4Q, net profit was down YoY due to an asset impairment charge of ¥190 million.
- Much higher revenue and earnings in the 1Q as pandemic restrictions were eased. Operating margin remained higher than in FY3/21 in the last three quarters because of measures to hold down personnel expenses and improve operating efficiency.

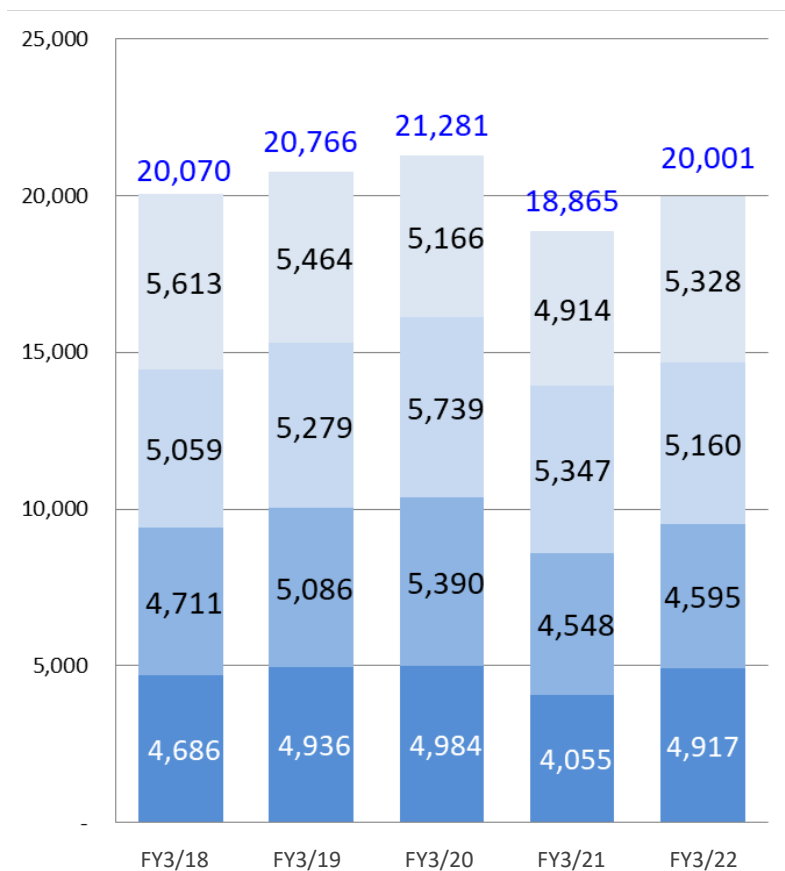
(Millions of yen)

	1Q	YoY change %	2Q	YoY change %	3Q	YoY change %	4Q	YoY change %
Operating revenue	4,917	21.2%	4,595	1.0%	5,160	-3.5%	5,328	8.4%
Operating expenses	3,671	5.5%	3,610	-3.1%	3,854	-5.0%	4,143	8.3%
SG&A expenses	311	-1.2%	314	2.0%	335	10.0%	383	27.2%
Operating profit	934	256.4%	670	30.6%	970	-1.7%	801	1.7%
Operating margin	19.0%	12.5pt	14.6%	3.3pt	18.8%	0.3pt	15.0%	1.0pt
Ordinary profit	939	258.3%	664	32.2%	969	-1.1%	812	2.7%
Profit	610	274.7%	427	35.7%	623	-0.7%	378	-17.1%

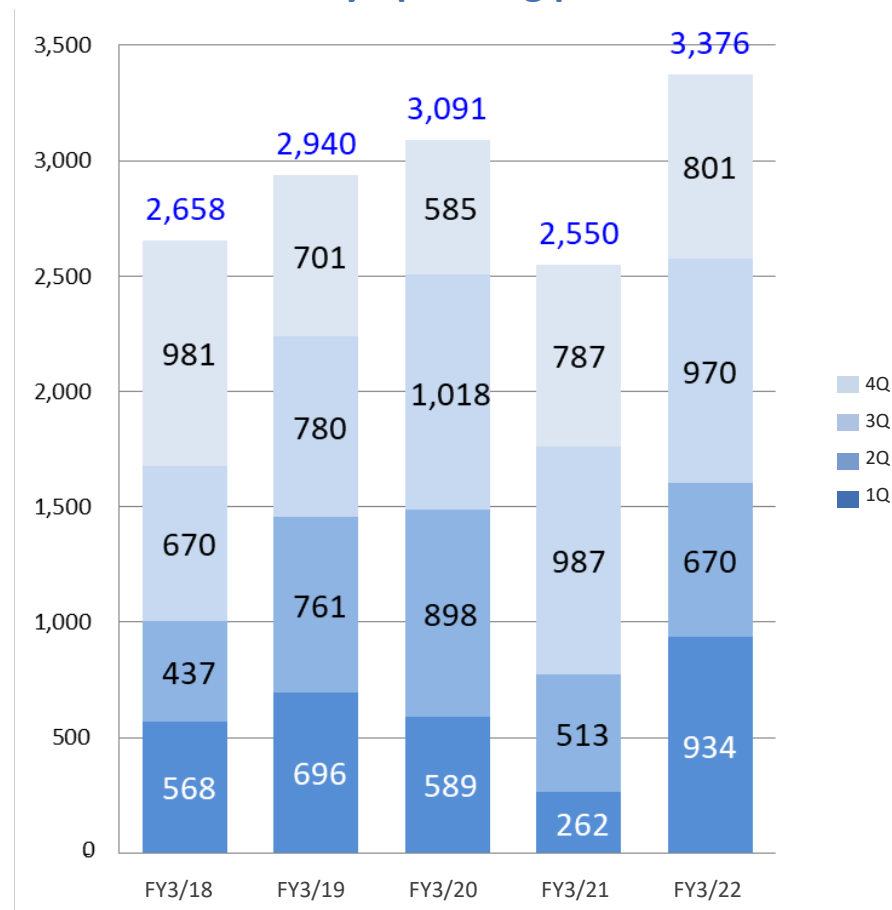
Quarterly Revenue and Earnings

- Revenue was below FY3/20, which was before the pandemic, and about the same as in FY3/18.
- Operating profit was above or about the same as the pre-pandemic level, except in the 2Q, resulting in a record-high operating profit in FY3/22.

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



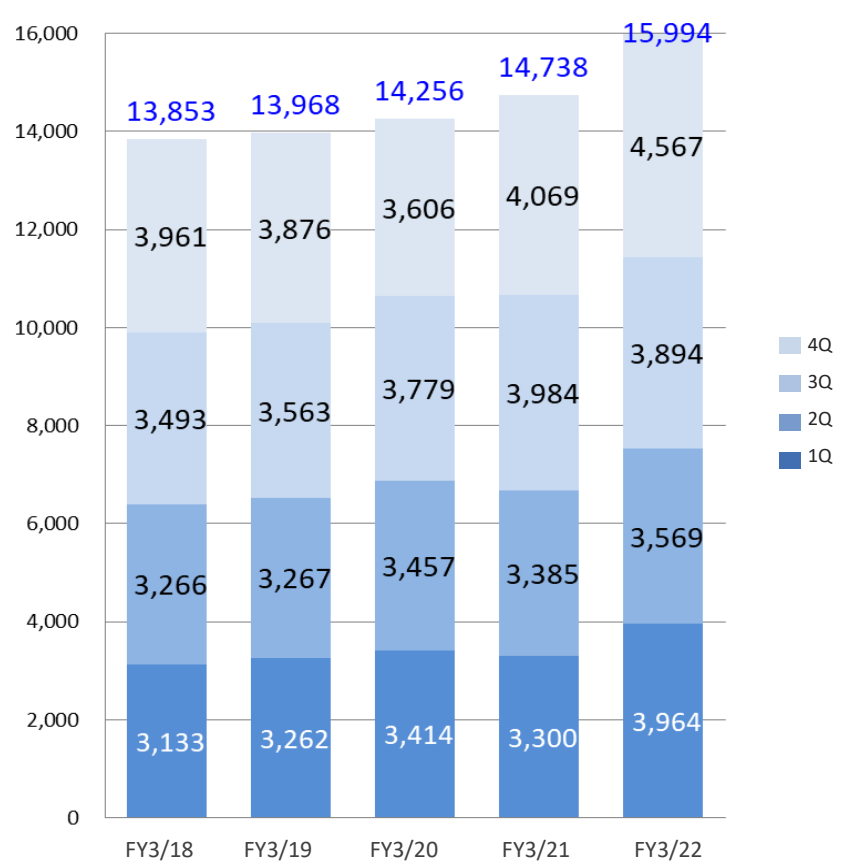
(Millions of yen) **Quarterly operating profit**



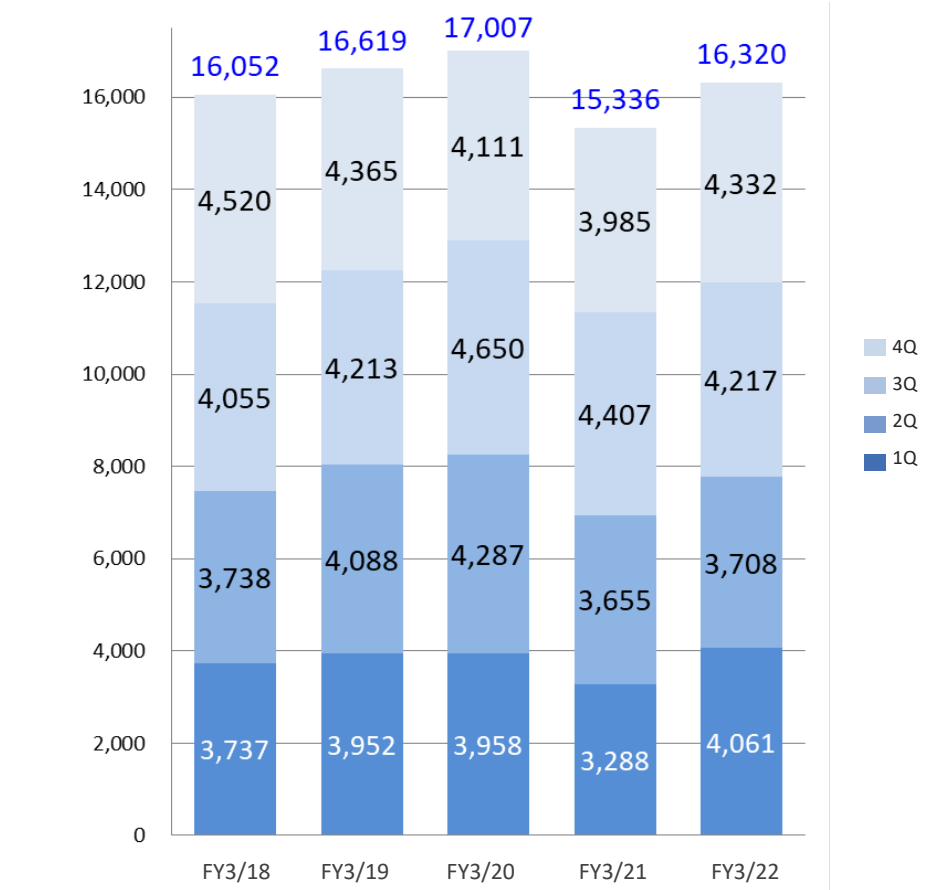
The Group's Number of Funerals and Funeral Revenue

Record-high number of funerals (12.2% more than in FY3/20) but small, simple funerals accounted for most of the increase, resulting in a 4.0% decrease in funeral revenue vs. FY3/20 (before the pandemic). However, 4Q funeral revenue was relatively high because of a larger number of funerals.

(Funeral) **Quarterly number of funerals**

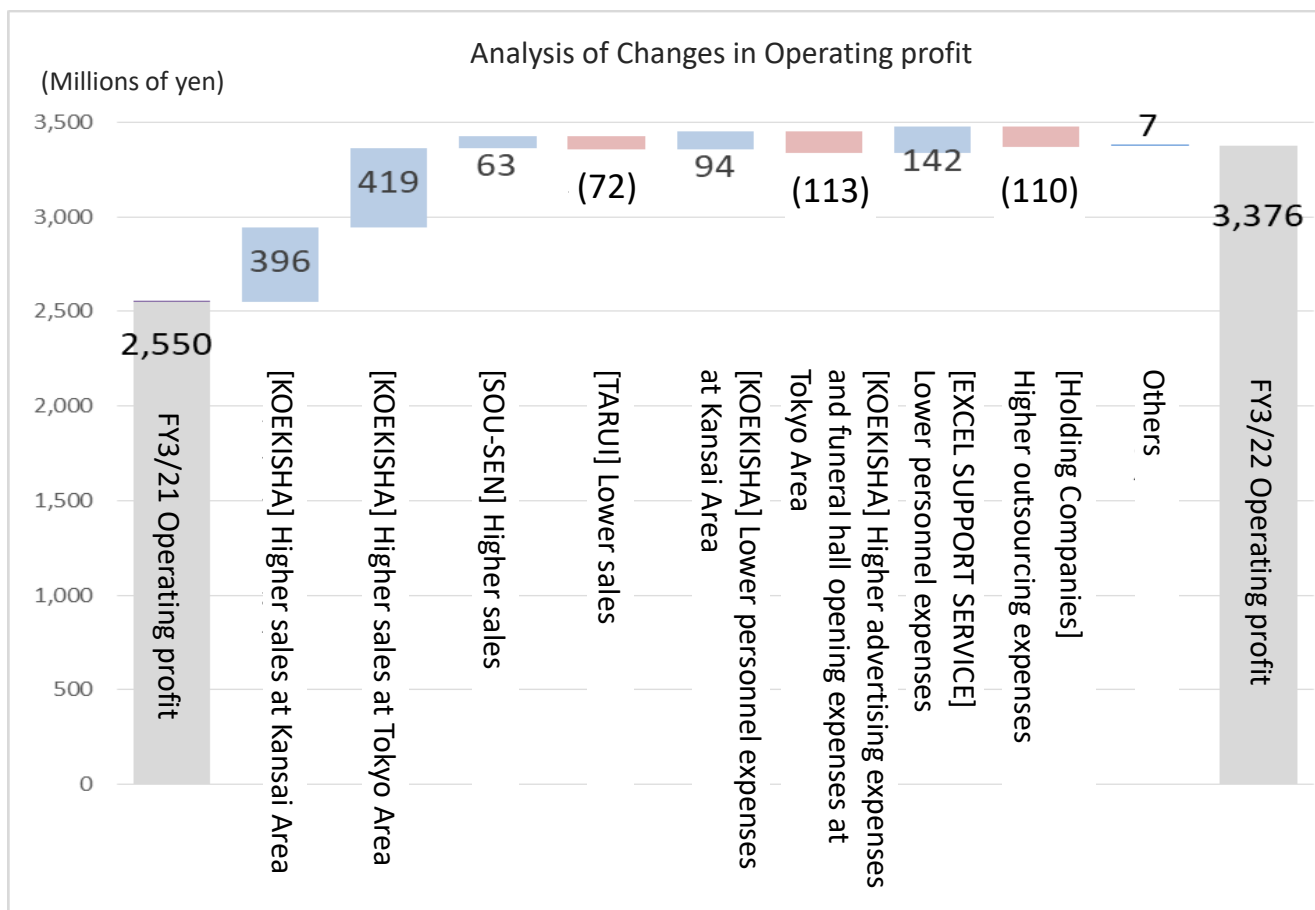


(Millions of yen) **Quarterly funeral revenue**



Analysis of Changes in Operating Profit

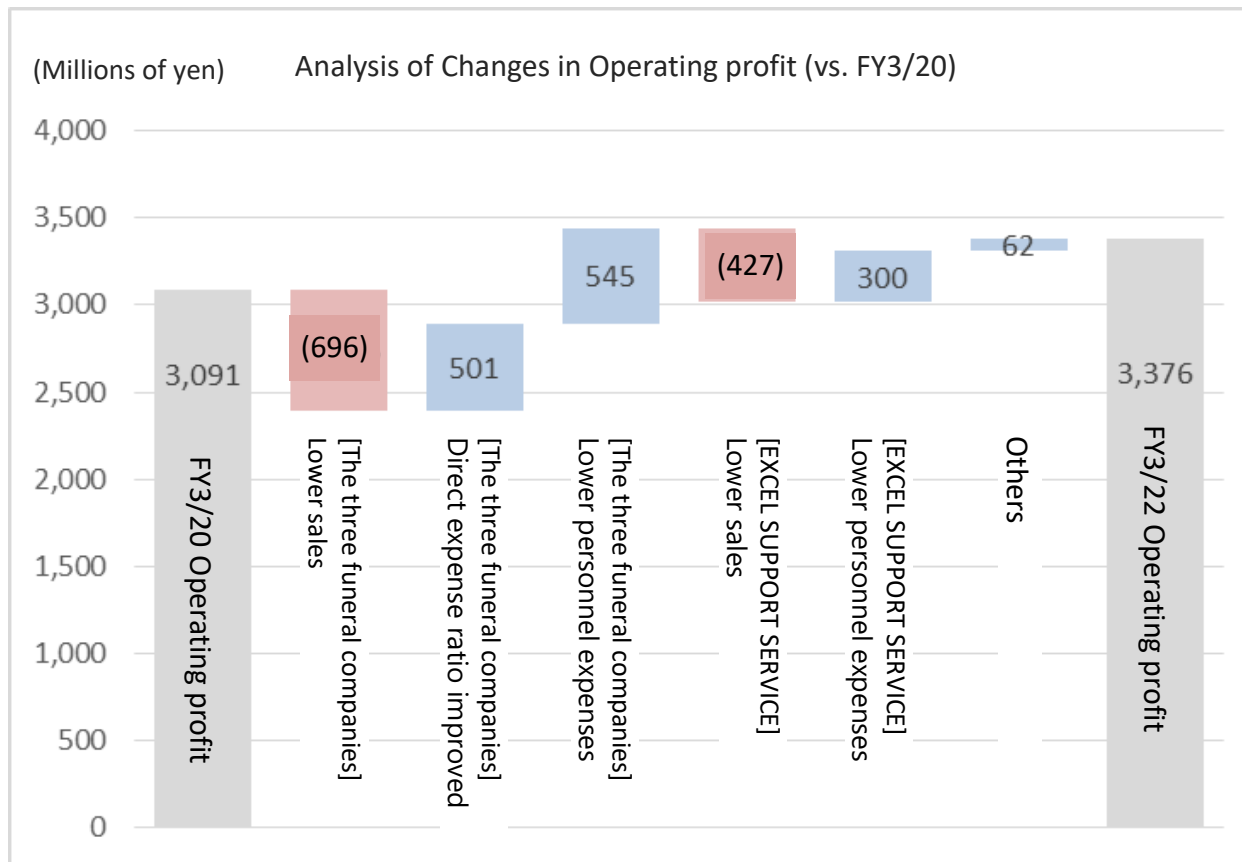
Operating profit growth was mainly due to higher revenue at KOEKISHA and SOU-SEN. Personnel expenses were reduced at KOEKISHA in the Kansai area and at EXCEL SUPPORT SERVICE but there were higher advertising and funeral hall operating expenses due to new locations in the Tokyo area and consulting fees for consulting services required by the holding company.



Positive factor
Negative factor

(Reference) Analysis of Changes in Operating Profit (vs. FY3/20)

Revenue down but earnings up vs. FY3/20. Lower revenue at the three funeral companies and EXCEL SUPPORT SERVICE reduced earnings, but this was offset by a lower direct expense ratio mainly at the three funeral companies and a decline in personnel expenses at the three funeral companies and EXCEL SUPPORT SERVICE. The result was record-high operating profit for the first time in two years.



Positive factor
Negative factor

The three funeral companies are KOEKISHA, SOU-SEN and TARUI.

Changes in Assets in the Balance Sheet

Total assets increased ¥1,460 million from March 31, 2021.

Property, plant and equipment increased because of expenditures for new funeral halls and remodeling. Cash and deposits were used for these expenditures and shareholder dividends, but still increased ¥400 million.

(Millions of yen)

	March 31, 2021	March 31, 2022	Change
Current assets	7,895	8,715	820
Cash and deposits	7,042	7,443	401
Trade accounts receivable and contract assets	452	759	307
Non-current assets	24,492	25,132	640
Property, plant and equipment	22,153	22,662	509
Buildings and structures	9,289	9,761	472
Construction in progress	80	32	-48
Intangible assets	155	218	63
Investments and other assets	2,183	2,251	68
Total assets	32,387	33,847	1,460

Reference:

Capital expenditures on PP&E: ¥1,525 million (FY3/22)

Depreciation expenses of PP&E: ¥794 million (FY3/22)

Note: Only major accounts are shown.

Changes in Liabilities and Net Assets in the Balance Sheet

11

Current liabilities increased as revenue and earnings recovered in FY3/21 and equity increased because of higher retained earnings. The treasury stock deduction increased due to stock repurchases of ¥590 million in FY3/22. The equity ratio remained high, declining only slightly.

(Millions of yen)

	March 31, 2021	March 31, 2022	Change
Current liabilities	2,541	3,026	485
Trade accounts payable	613	851	238
Income taxes payable	413	558	145
Non-current liabilities	1,297	1,191	-106
Lease obligations	322	246	-76
Long-term accounts payable-other	293	178	-115
Total liabilities	3,839	4,217	378
Shareholders' equity	28,548	29,629	1,081
Retained earnings	21,749	23,402	1,653
Treasury shares	-1,261	-1,835	-574
Total net assets	28,548	29,629	1,081
Total liabilities and net assets	32,387	33,847	1,460
Equity ratio	88.1%	87.5%	-0.6pt

Note: Only major accounts are shown.

Funerals and Funeral Revenue at KOEKISHA

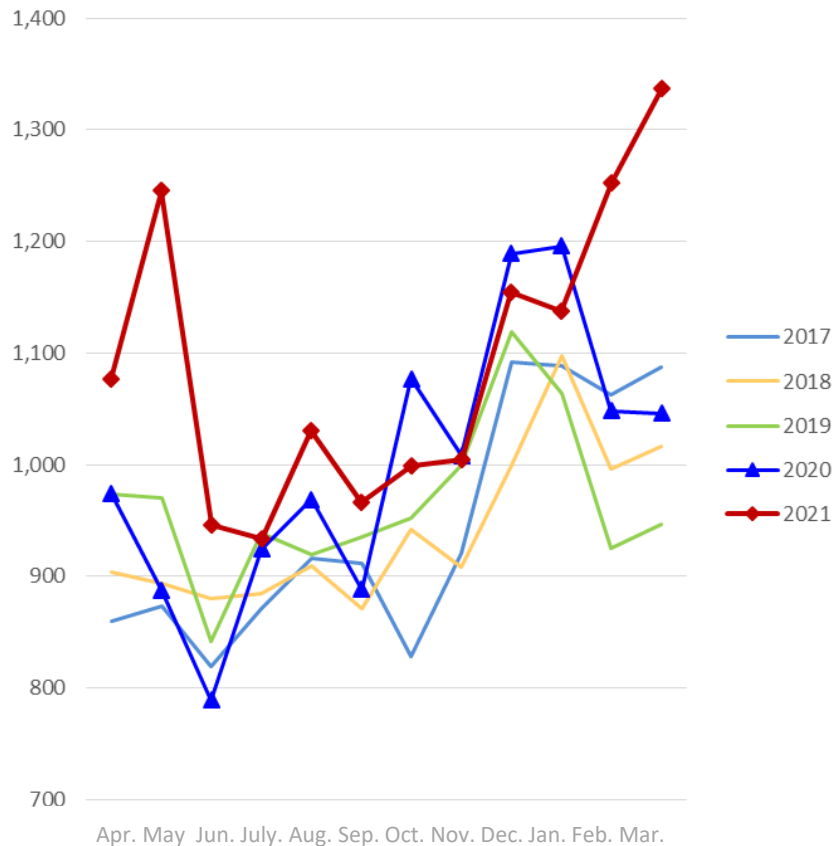
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KOEKISHA: Number of Funerals

- The number of funerals was far higher than before the pandemic, especially in the 1Q and 4Q.
- Simple funerals accounted for most of the increase in the number of funerals. The larger number of Kansai area simple funerals was the combination of the usual level of funerals and pandemic-related funerals.

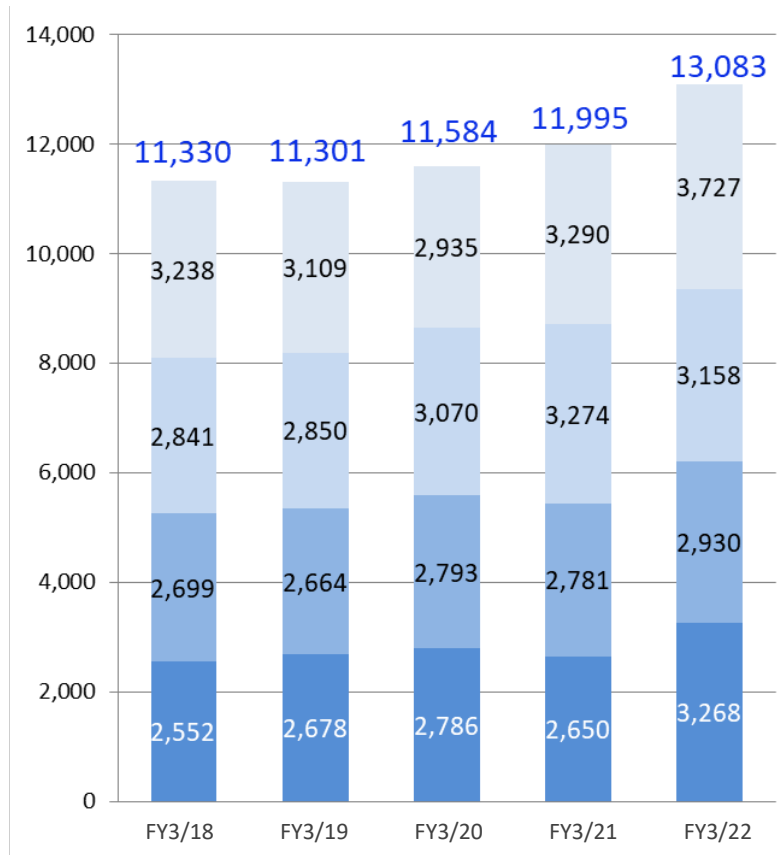
(Funerals)

Monthly Number of Funerals



(Funerals)

Quarterly Number of Funerals



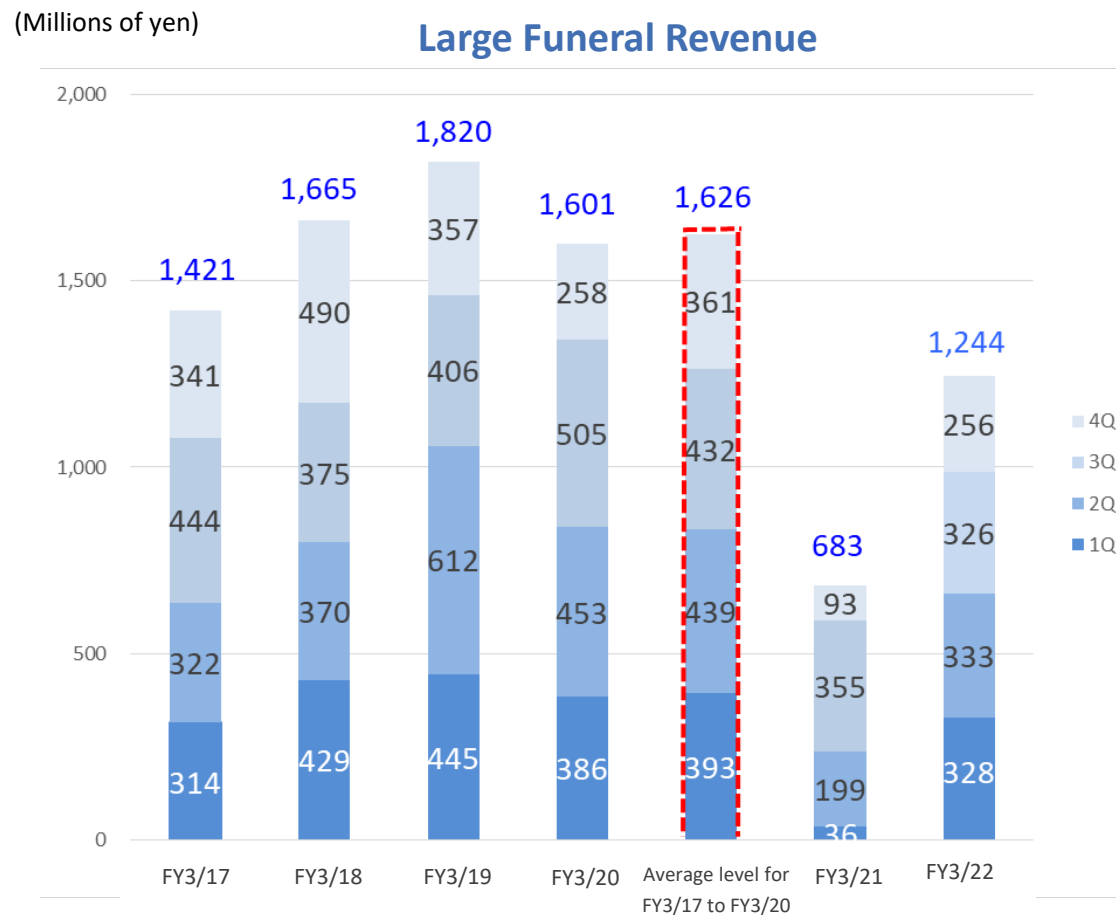
KOEKISHA: Number of Funerals and Revenue

- The number of funerals and revenue increased in all four regional/funeral size categories as performance recovered from the big pandemic downturn in FY3/21.
- Large funeral revenue growth was more than for ordinary funerals, with the Kansai area making a big contribution to growth.
- A big increase in ordinary funeral revenue in the Tokyo area. In the Kansai area, revenue growth was small in relation to the increase in the number of funerals, a clear indication that funeral size is declining because of the pandemic.

	Large funerals (More than ¥5 million)	Ordinary funerals	Total
Top: Number of funerals			
Bottom: Revenue (Millions of yen)			
Tokyo area	2	407	409
	162	333	495
Kansai area	32	647	679
	398	76	474
Total	34	1,054	1,088
	560	409	970

KOEKISHA: Large Funeral Revenue

- Large funerals (more than ¥5 million), including farewell events, recovered in FY3/22 following the downturn caused by the pandemic. The number of funerals was 73% and revenue was 77% of the average level for FY3/17 to FY3/20, which was before the pandemic.
- In the 4Q, the number of large funerals was relatively low because of pandemic safety measures in Tokyo, Kanagawa, Osaka and Hyogo triggered by the sixth wave of the pandemic. The impact was particularly severe in the Tokyo area.



At KOEKISHA, the number of funerals increased 9.1% but revenue per funeral decreased 1.3%.

(Major causes of changes)

Ordinary funeral average revenue was down in the Tokyo and Kansai areas.

- The pct. of low-priced simple funerals increased.
- Revenue per ordinary funeral (narrow definition) decreased.

→ Average revenue for ordinary funerals (broad definition) was down 3.9% in the Tokyo area and 5.8% in the Kansai area.

The number of simple funerals increased in the Kansai area because there were pandemic-related funerals in addition to the usual number of funerals.

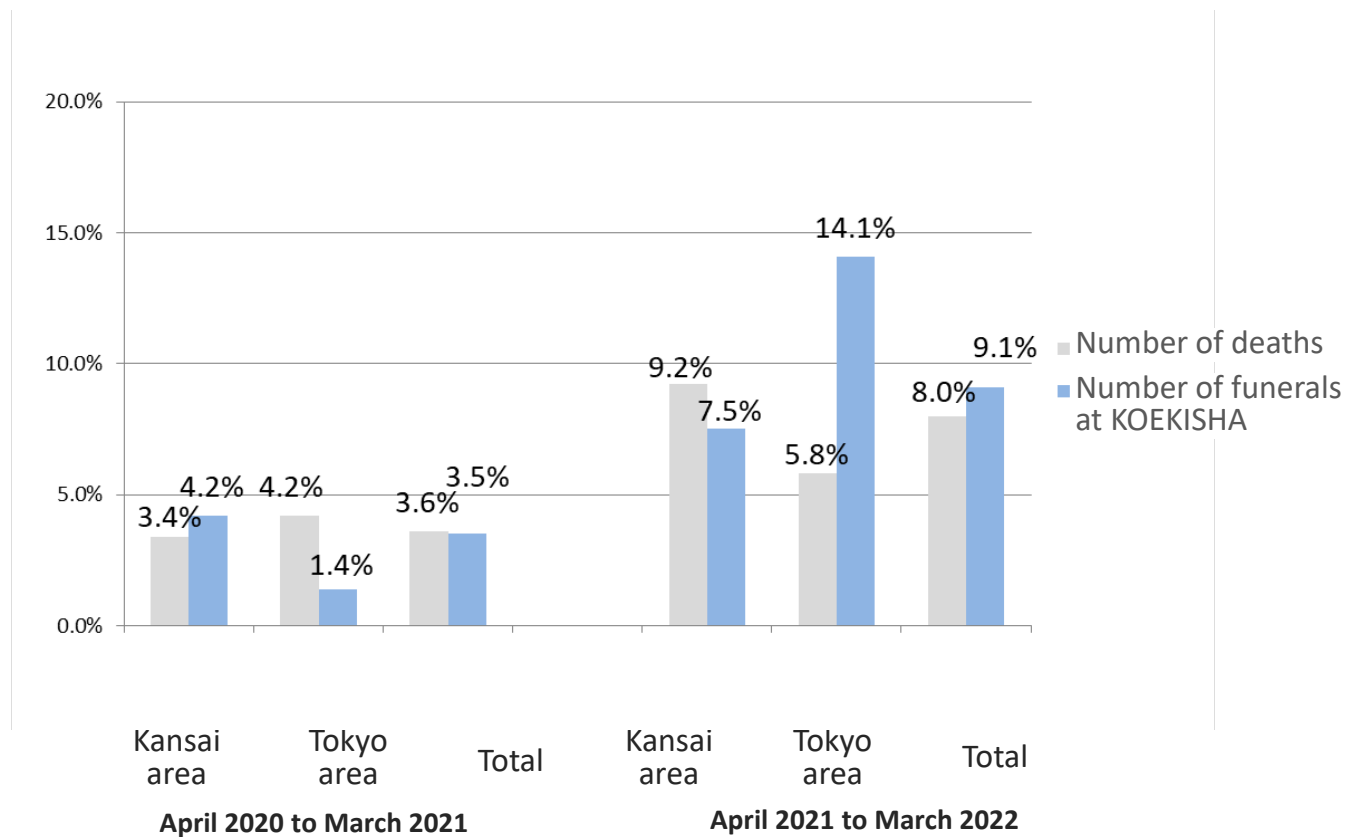
Top: Number of funerals

Bottom: Revenue (Thousands of yen)

	All			Tokyo Area			Kansai Area		
	FY3/21	FY3/22	Change	FY3/21	FY3/22	Change	FY3/21	FY3/22	Change
KOEKISHA funerals	11,995	13,083	9.1%	2,907	3,316	14.1%	9,088	9,767	7.5%
	1,053	1,040	-1.3%	1,308	1,296	-0.9%	972	953	-2.0%

KOEKISHA: Estimated Market Share (Pct. change from FY3/21)

- Based on estimates, KOEKISHA's market share decreased in the Kansai area due to differences in the pct. changes in the number of deaths and number of funerals. The Tokyo area market share increased.
- Tokyo area market share is recovering from the pandemic downturn in FY3/21. Kansai area market share is decreasing mainly because of competition.



SOU-SEN and TARUI Financial Highlights

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- A small decrease in revenue per funeral as the size of funerals decreased, partly due to the pandemic. The number of funerals increased 10.6%, mainly in the Yonago and Sakaiminato areas, resulting in higher revenue.
- Operating profit increased despite higher personnel and other expenses.

	FY3/21	FY3/22	Change	YoY
Number of funerals	1,294	1,431	137	10.6%
Average price of funerals (Thousands of yen)	835	823	- 11	-1.4%
Operating revenue (Millions of yen)	1,266	1,366	100	7.9%
Operating profit (Millions of yen)	77	111	33	43.5%

Note: Operating profit is before the allocation of parent company expenses.

- The number of funerals was 3.6% higher than one year earlier mainly because of more funerals at locations that were remodeled to handle small funerals. The pct. of low-priced funerals with a small number of mourners increased partly due to the pandemic, which lowered revenue per funeral and FY3/22 revenue.
- The operating profit decreased despite a lower direct expense ratio and progress with measures to reduce fixed expenses and other operating expenses.

	FY3/21	FY3/22	Change	YoY
Number of funerals	1,396	1,446	50	3.6%
Average price of funerals (Thousands of yen)	1,153	1,056	− 96	−8.4%
Operating revenue (Millions of yen)	1,748	1,651	− 96	−5.5%
Operating profit (Millions of yen)	401	370	− 30	−7.7%

Note: Operating profit is before the allocation of parent company expenses.

Impact of COVID-19 on Revenue and Earnings

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Major effects of COVID-19 on FY3/22 performance

1. Impact of postponements and cancelations of large funerals such as corporate funerals and farewell events (SAN HOLDINGS estimates)

- Estimate of the difference between the pre-pandemic four-year average for large funeral revenue and FY3/22 results → down ¥380 million at KOEKISHA

2. Impact of smaller ordinary funerals due to the lower number of mourners (SAN HOLDINGS estimates)

(Increase in simple, low-cost funerals, decrease in funeral rates)

- Estimated using certain assumptions*
 - Revenue down ¥1,770 million at the three funeral companies (down ¥1,350 million at KOEKISHA)
- Note: Excludes pandemic-related funerals

*Estimate of the gap between actual funeral revenue and the benchmark, which is revenue assuming that the number of funerals in each month is based on the composition of the number of funerals and funeral rates using actual performance between April 2019 and January 2020, which was before the COVID-19 pandemic.

FY3/23 Forecasts (Revenue and Earnings/Dividends)

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Revenue and Earnings Forecasts

FY3/23

- Forecast revenue and earnings growth, but there is a risk of another wave of the pandemic.
- Strategic expenditures, such as for new funeral halls and advertising, are expected to increase. Also planning on higher personnel and recruiting expenses for a stronger workforce, which is one goal of the medium-term plan that started in April 2022.
- Forecast lower first half operating profit but a small increase in FY3/23 operating profit.

(Millions of yen)

	FY3/23 Forecast	YoY change		FY3/23 1H Forecast	YoY change		FY3/23 2H Forecast	YoY change	
		%	Amount		%	Amount		%	Amount
Operating revenue	20,800	4.0%	798	9,800	3.0%	287	11,000	4.9%	511
Operating profit	3,400	0.7%	23	1,460	-9.0%	-144	1,940	9.5%	168
Operating margin	16.3%	-0.5% pt		14.9%	-2.0% pt		17.6%	0.7% pt	
Ordinary profit	3,390	0.1%	3	1,450	-9.6%	-154	1,940	8.8%	157
Profit	2,130	4.4%	89	930	-10.4%	-108	1,200	19.7%	197

Major Assumptions Used for Forecasts (1)

The revenue and earnings forecasts are based on the following assumptions.

Operating revenue

- For ordinary funerals, the forecast assumes no change in the market share of existing funeral halls based on the number of funerals but a larger number of funerals as the number of deaths increases. Also includes the expected increase in revenue from six new funeral halls. The forecast assumes that the increase in the number of non-pandemic ordinary funerals will offset the end of the pandemic's one-time contribution in FY3/22 to the number of funerals.
- We expect that revenue per ordinary funeral will stay the same or increase slightly.
- For large funerals (more than ¥5 million), we forecast higher revenue as the number of funerals increases, although the pandemic may affect this market sector. (Forecast the number of large funerals will recover to more than 80% of the average for FY3/17-FY3/20 and revenue will be about 80% of this level.)
- Forecast growth in revenue from sales of products and services associated with funerals.

Operating expenses

- Direct expense ratio: Higher productivity, replacements of selected products with other items and other measures are expected to further lower this ratio.

(continued on next page)

Major Assumptions Used for Forecasts (2)

Operating expenses (continued)

- Personnel expenses: To strengthen the workforce, restarting recruiting activities that were suspended during the pandemic with a hiring plan that factors in the benefit of higher productivity. (A stronger workforce is a key goal of the first year of the new medium-term plan.) = These activities are expected to raise personnel expenses (including recruiting).
- Controllable expenses: Factors in benefits of the productivity improvement project. Funeral hall opening expenses, advertising expenses and other strategic expenses will increase but other expenses will be held down.
- Fixed expenses: Increase will be limited primarily to expenses at new funeral halls.

SG&A expenses: Forecast higher strategic expenditures for recruiting activities and personal expenses for new employees and higher depreciation due to the new IT system.

Extraordinary Losses: ¥60 million demolition expense at KOEKISHA Takarazuka Hall is to be classified as an asset impairment charge.

Plan for investments

- Planning on investments of ¥1,050 million for funeral halls and IT systems.
Investments: New funeral halls ¥430 million; renovations and relocations ¥350 million;
IT systems and equipment ¥270 million

FY3/23

- Plan to pay interim and year-end dividends of 21 yen per share, a fiscal year dividend of 42 yen, up 4 yen per share. (7th consecutive years of dividend increase)
- The expected dividend payout ratio is 21.3%.

(Yen)

	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	(Forecast) FY3/23
Annual dividend	50.00	57.00	-	33.00	38.00	42.00
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
Payout ratio (consolidated)	17.9%	15.2%	18.8%	23.7%	20.3%	21.3%

- 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 Previous Medium-term Management Plan (FY3/20 to FY3/22) Accomplishments and Issues

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Operating revenue

Below the goal due to the pandemic that started in FY3/20 4Q

Operating profit

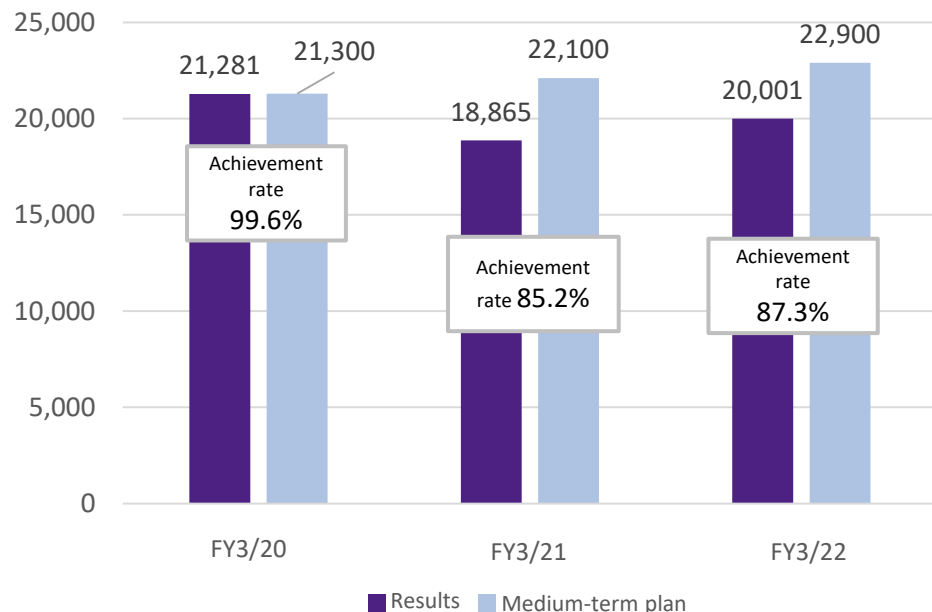
Record-high operating profit in FY3/22

Operating profit to net sales

Well above the 13%-level goal in all three years

(Millions of yen)

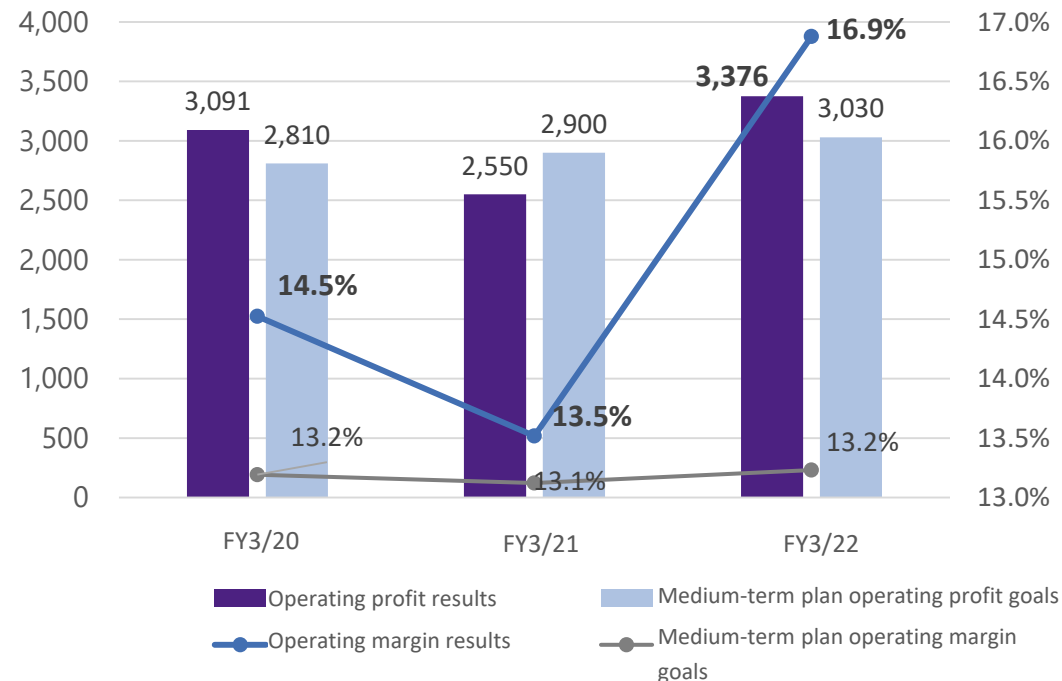
Changes in operating revenue



Changes in operating profit and operating profit to net sales

(Millions of yen)

(%)

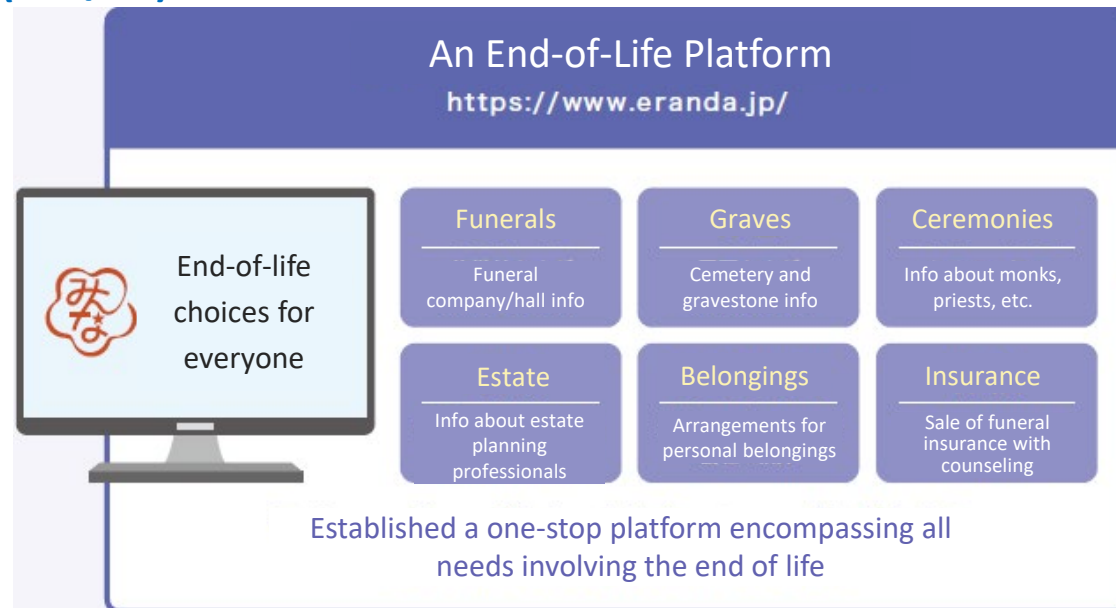


Overview concerning the Plan's Eight Key Goals 1/4

1. Broaden the Lineup of End-of-life Support

Established subsidiary **Life Forward** in April 2020 and **achieved growth**

- Started operating an end-of-life support portal site for seniors in July 2020 and enlarged the lineup of services in the following years.
- Expanded operations from Tokyo to the Kansai and Chubu regions → **The goal is nationwide operations (FY3/23)**



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

2. Extend the Funeral Business to More Areas of Japan

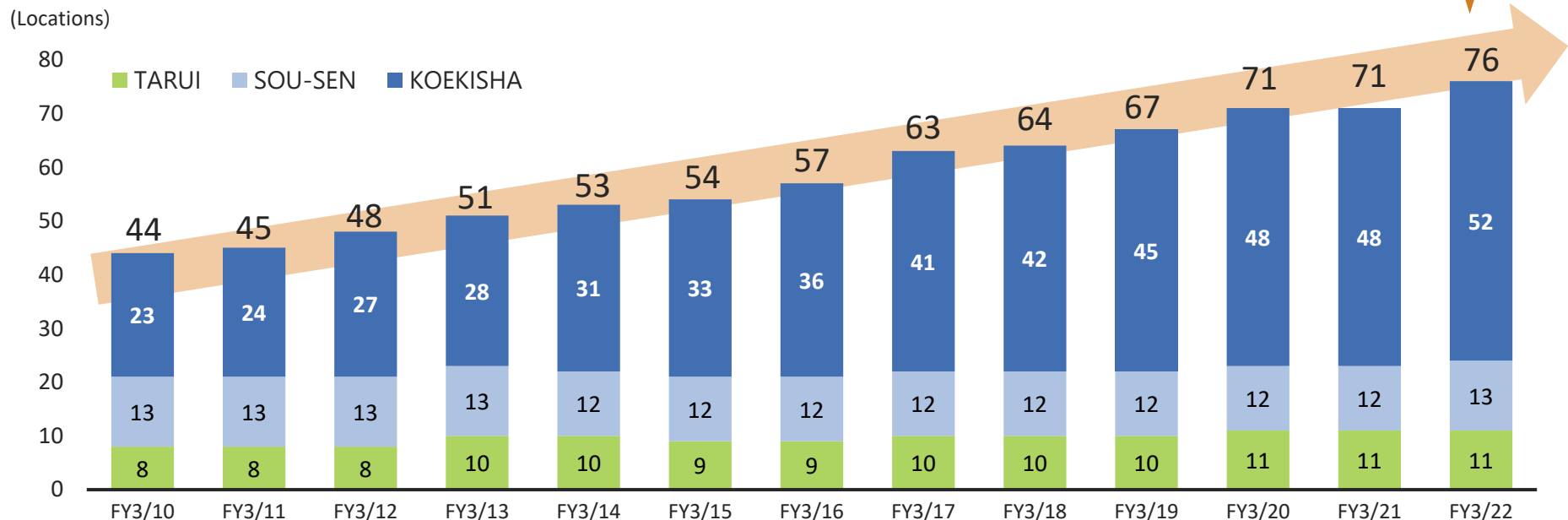
Opened nine funeral halls during the medium-term plan while placing priority on prime locations and the efficiency of investments.

- Most new locations were in the Tokyo and Kansai areas (Tokyo area 2, Kansai area 6, San-in area, 1)

Four below the goal of 13 new funeral halls → **Increase speed to reach the goal (FY2/23 to FY2/25)**

Goal is 76 locations in March 2022

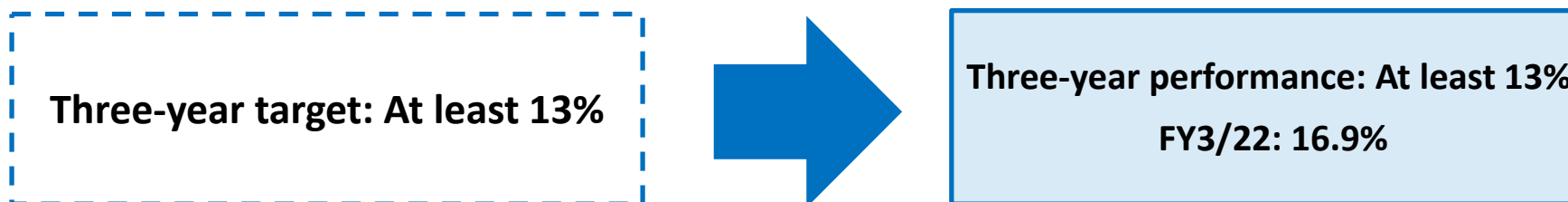
SAN HOLDINGS Group Funeral Halls



3. Increase the operating margin by improving operating efficiency

Cut annual operating expenses by about ¥100 million since FY3/21

- Rigorous control of proper number of people and personnel expenses for holding funerals.
- Reexamined tasks and roles of employees, used IT and took other steps to improve how people do their jobs (automation of nighttime funeral hall security, IT system for vehicle use, inventory optimization, strict management of overtime use, and other measures).



Targets (full-year)

(Billions of yen; % in parentheses represent YoY change)

	1st year of the medium-term plan FY3/20		2nd year of the medium-term plan FY3/21		3rd year of the medium-term plan FY3/22	
	Results	Medium-term Plan	Results	Medium-term Plan	Results	Medium-term Plan
Operating revenue	21.28 (+2.5%)	21.30 (+2.6%)	18.86 (-11.3%)	22.10 (+3.9%)	20.01 (+6.0%)	22.90 (+21.4%)
Operating profit	3.09 (+5.2%)	2.81 (-4.4%)	2.55 (-17.5%)	2.90 (-6.1%)	3.37 (+32.4%)	3.03 (+18.8%)
Operating margin	14.5%	13.2%	13.5%	13.1%	16.9%	13.2%

Overview concerning the Plan's Eight Key Goals 4/4

4. Firmly establish the new corporate philosophy

Held corporate philosophy information meetings for a **unified mindset and goals.**

5. Measures for a more powerful workforce

Established a competitive **personnel system** to support recruiting activities.

An evaluation system that recognizes people who take on challenges and make contributions.

6. Started a system for improving the quality of services

Established a Quality Management Department and **started using a quality management cycle.**

7. Reposition new businesses while making them more profitable

The ramen and senior nursing care businesses are still unprofitable due to the pandemic despite actions to boost sales and cut costs; **focusing new business resources on Life Forward.**

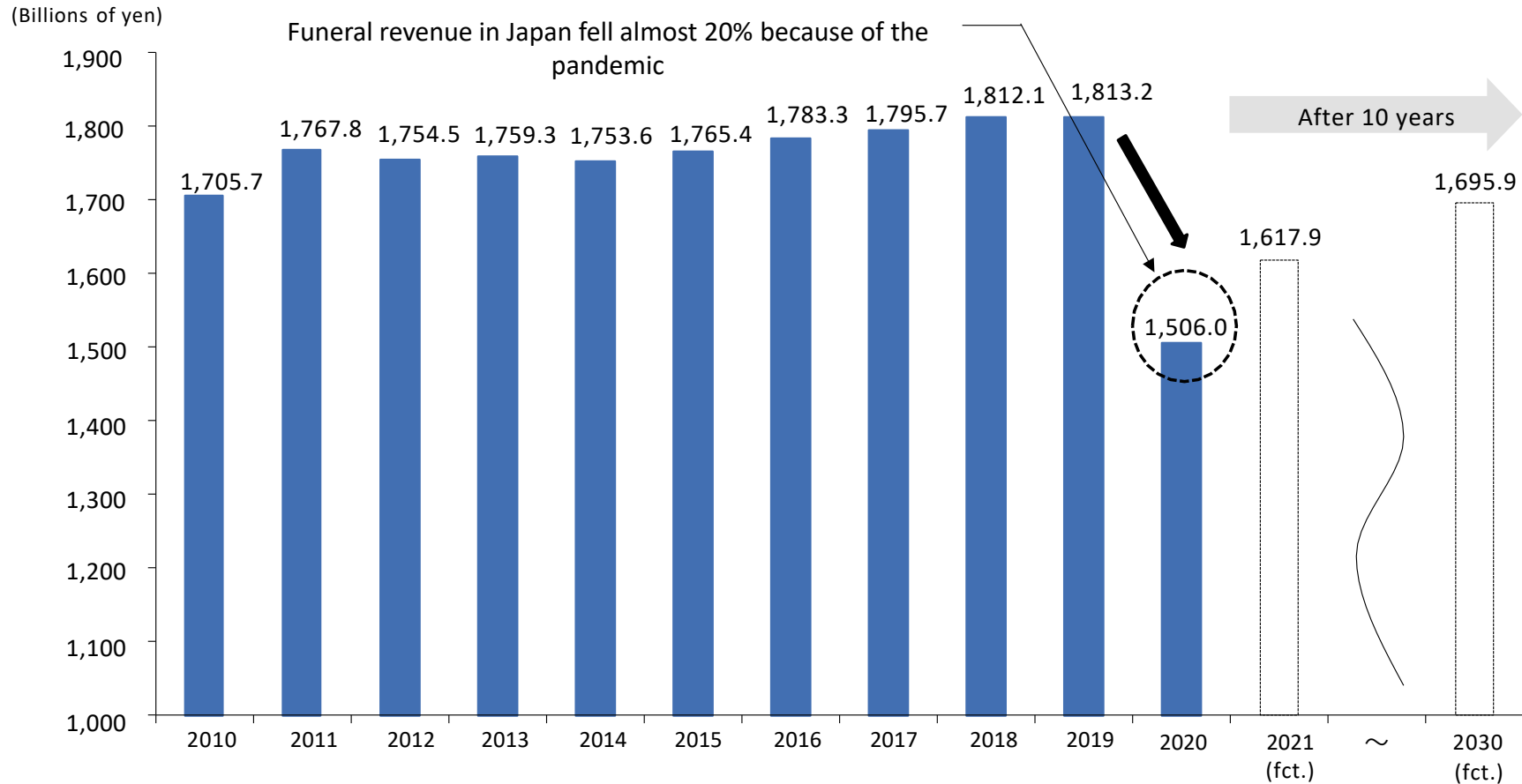
8. Upgrade risk management

Took actions concerning hazards and risk and for reinforcing the management of personal information.

Changes in the Business Climate

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

- 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

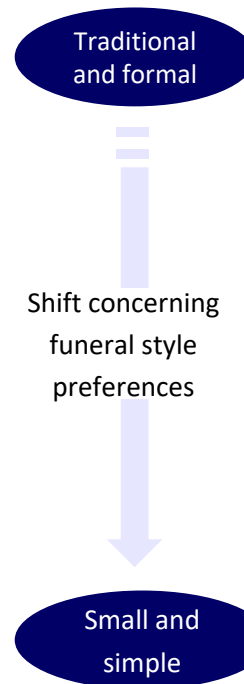
- Increasingly diverse views of the role of funerals because of changes in values involving household composition/relationships among relatives and religious ceremonies
 - Direct cremation; simple cremation ceremony
 - Same-day cremation
 - Non-religious funerals, etc.

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

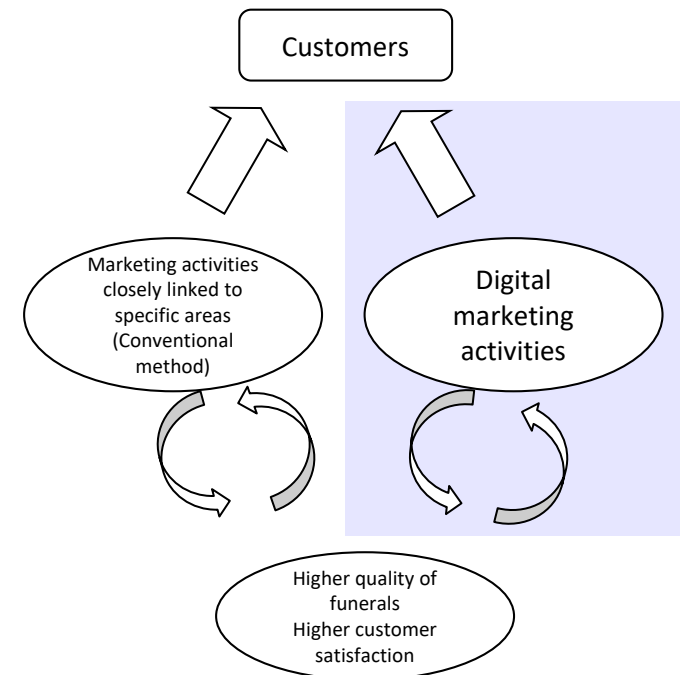
Changes in preferences

Shift from traditional, formal funerals to small and simple ceremonies

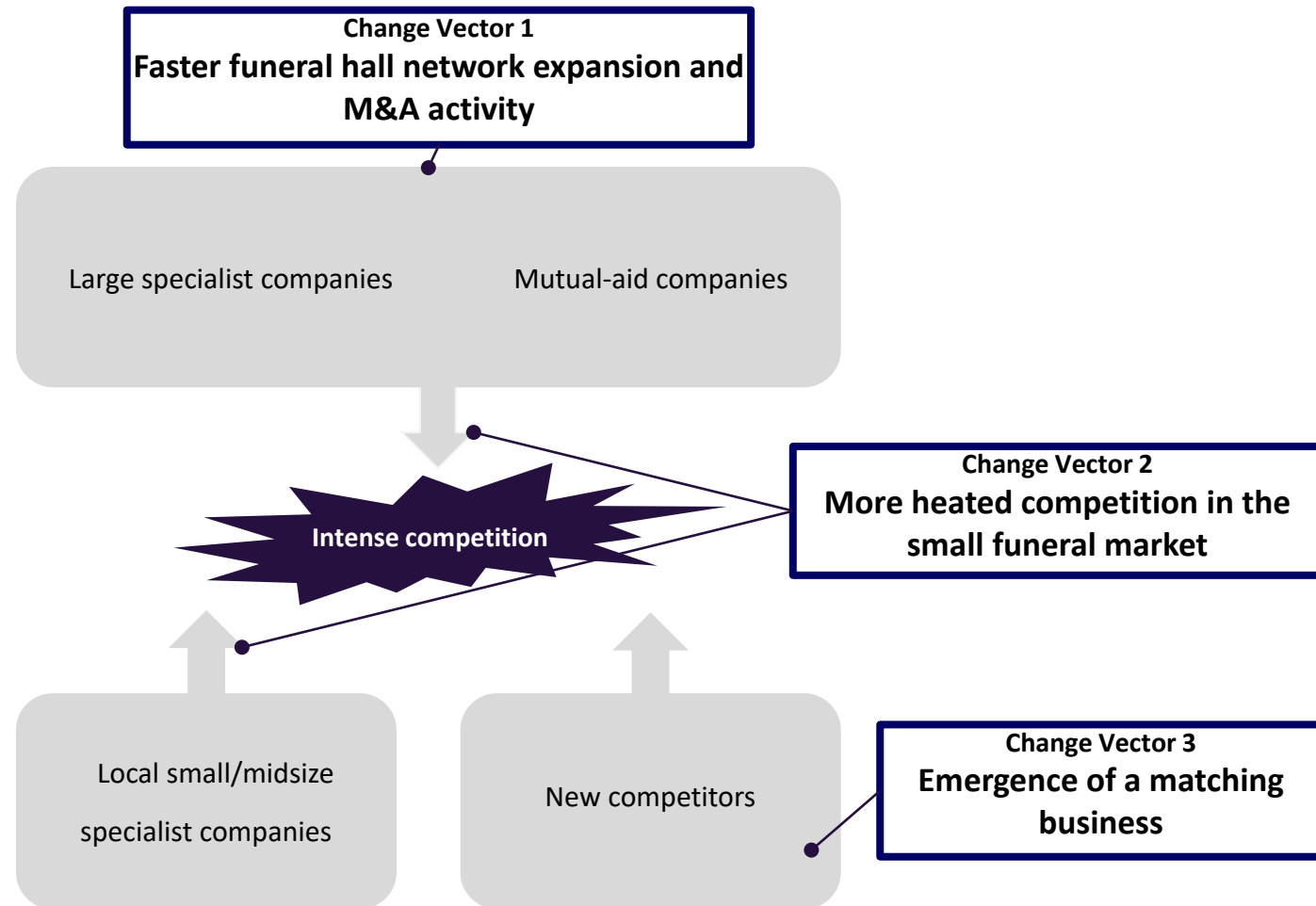


Increasing speed of online sector

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.

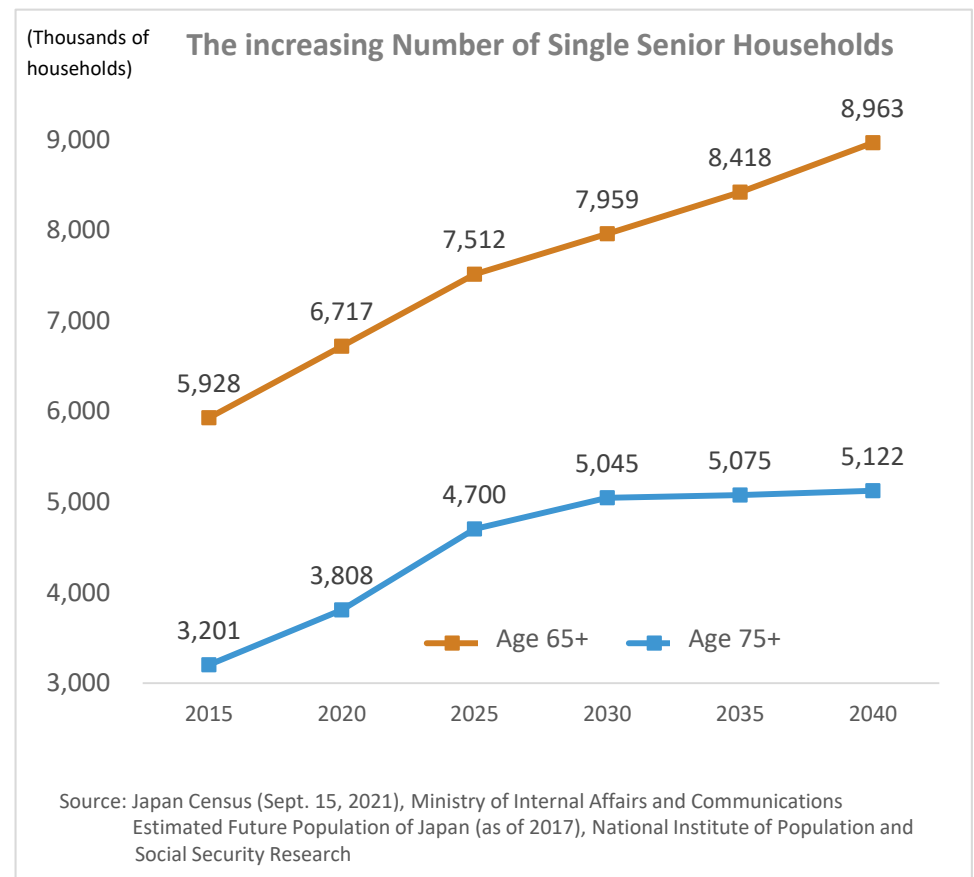
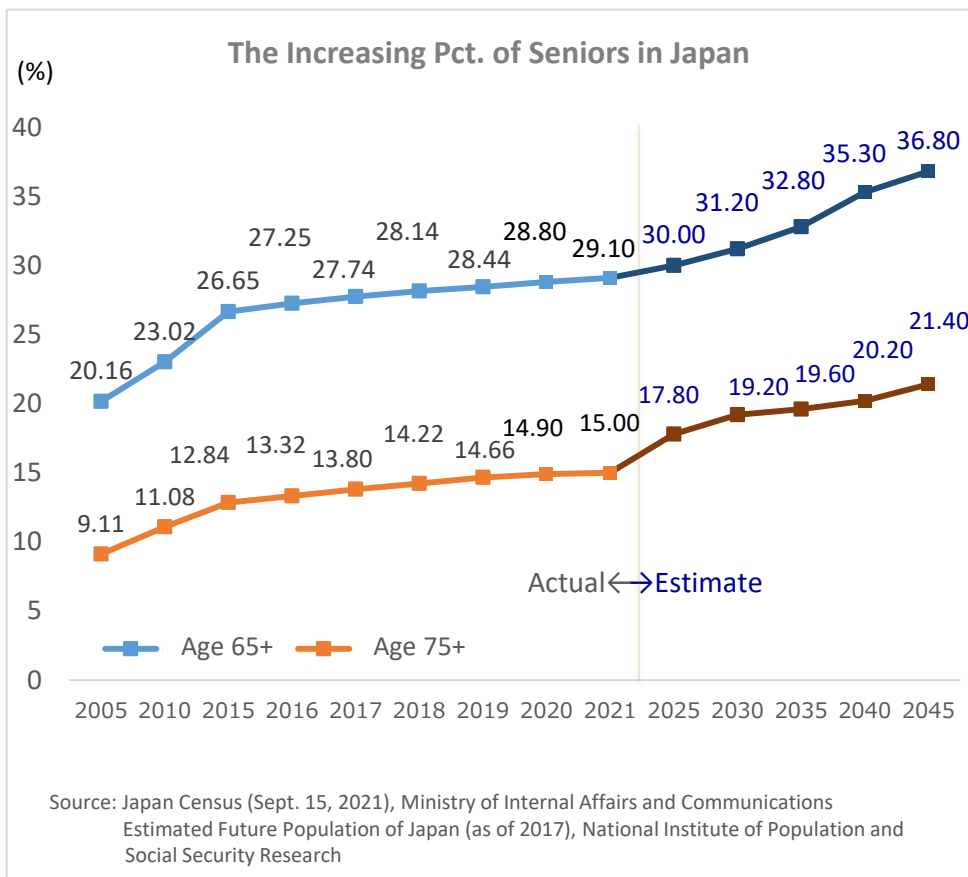


■ Japan’s population of seniors is increasing steadily

- 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.



The San Holdings Group New 10-year Vision (FY3/23 to FY3/32)

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

A guideline for progress as SAN HOLDINGS looks ahead to its 100th anniversary

We are dedicated to **being a dependable end-of-life partner by moving even closer to the senior generation and their family members**. By providing Japan's best services that achieve outstanding customer satisfaction, we are determined to continue growing as we play a role in a society where people live to age 100.

The goals of the SAN HOLDINGS Group for the next 10 years

Our constant commitment even as the business climate changes dramatically → Reliability and Quality of services

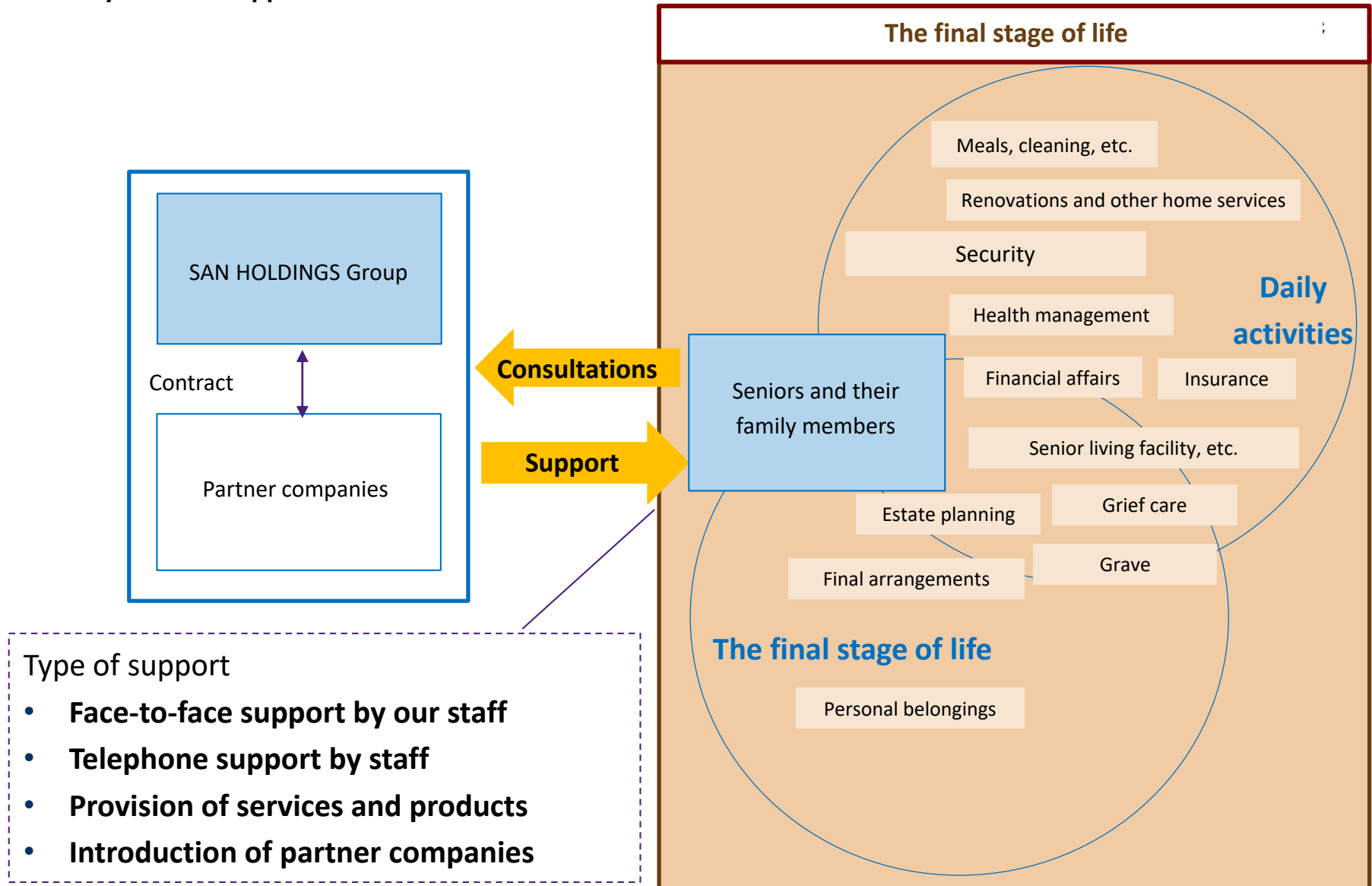
We will continuously work on upgrading our reputation for reliability established over many years and the outstanding services that underpin this reliability as we look ahead to our 100th anniversary.

We will take on two challenges with speed and no fear of change

1. 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.**

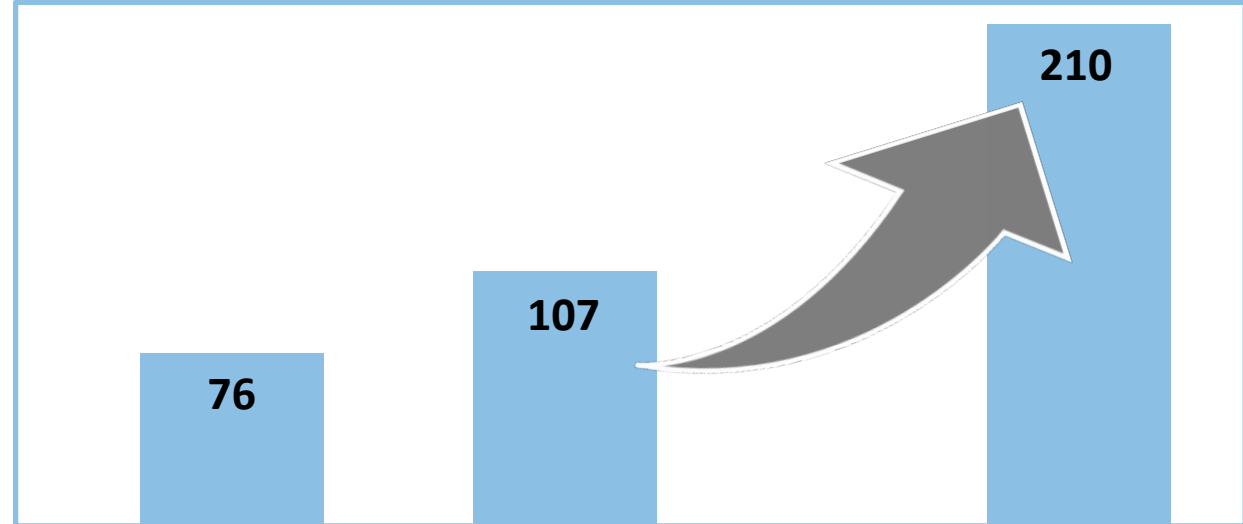


Medium-term Targets of the SAN HOLDINGS Group

Results (FY3/22)	After 3 years (FY3/25)	After 10 years (FY3/32)
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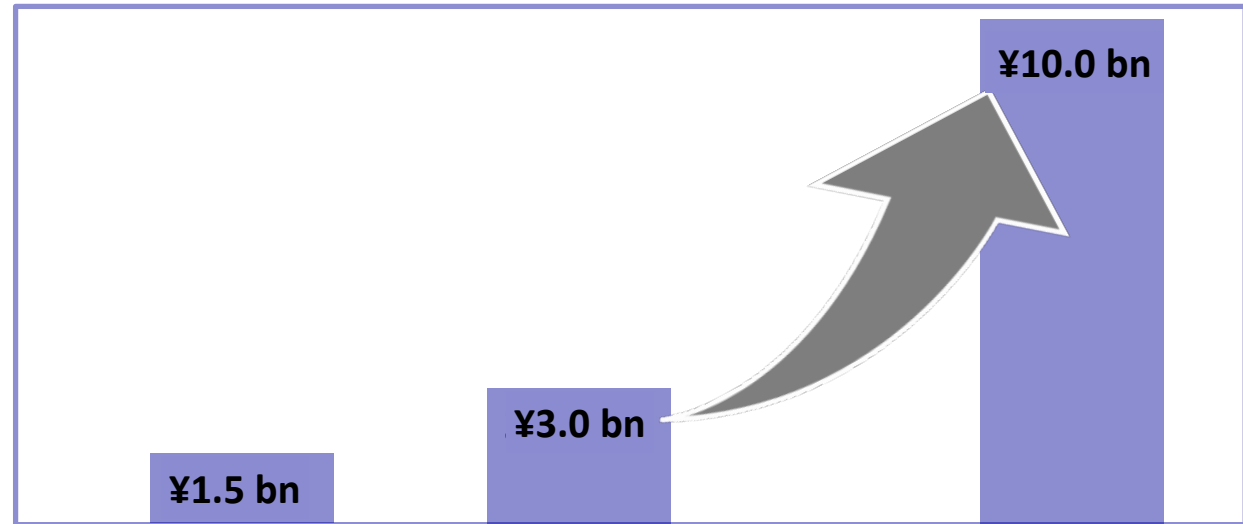
Funeral Business

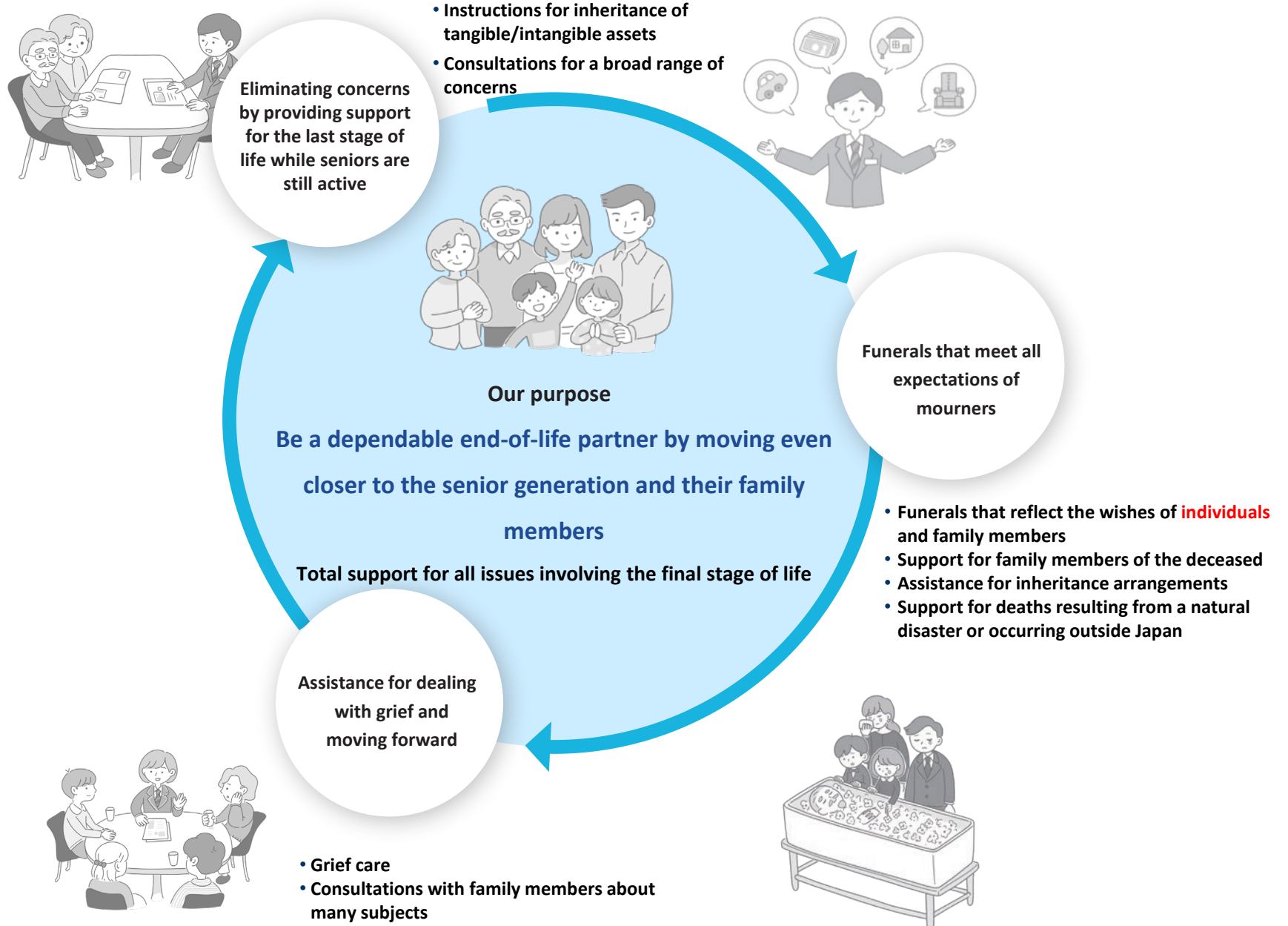
Number of funeral halls



End-of-Life Support Business

Sales





SAN HOLDINGS Group Medium-term Management Plan FY3/23-FY3/25

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

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

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.**

Growth

Business growth for more corporate value

CS

Use value-added, high-quality services to contribute to society

Growth of the funeral business

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.

Growth of the end-of-life support business

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.

Make the funeral business more competitive

Build a framework for the SAN HOLDINGS Group to provide high-quality services with efficiency.

A stronger infrastructure for Japan's best services that achieve outstanding customer satisfaction

- Upgrade quality management, the key to providing the outstanding services that are the source of corporate value.
- Quickly train people who provide funeral services and maintain the high quality of these people.
- Increase customer satisfaction

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).

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.

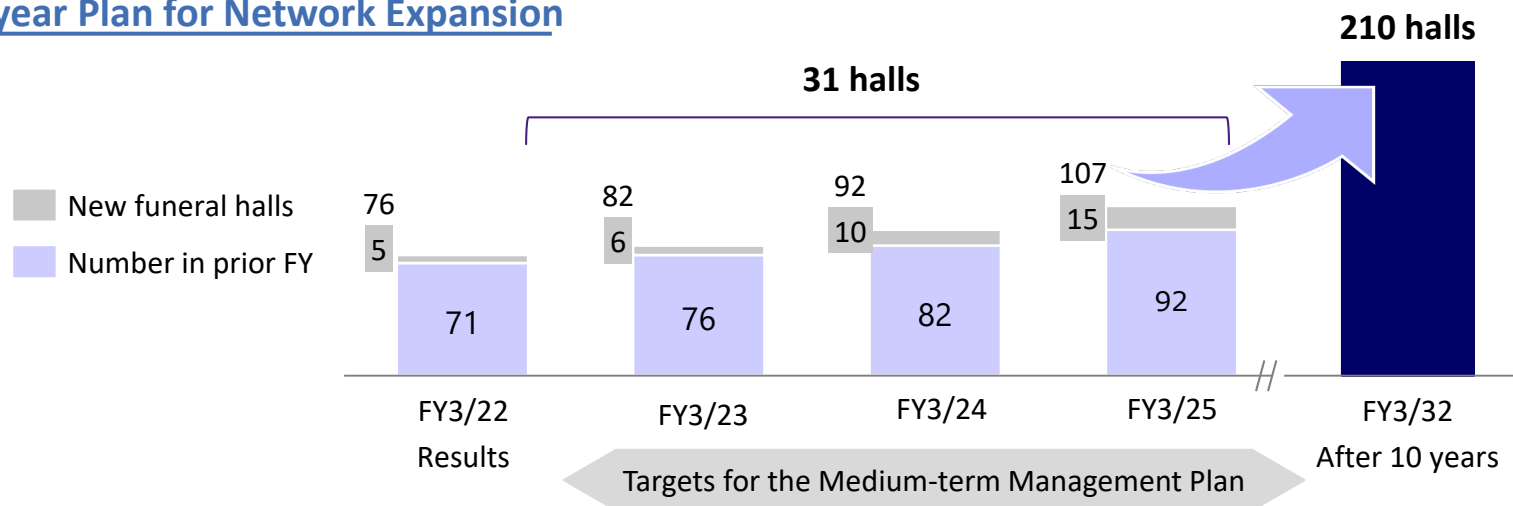
The new funeral brand

- 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, Kansai area, San-in)

10-year Plan for Network Expansion



■ Business alliance with Kosaido Holdings Co., Ltd. and establishment of a joint venture

(announced February 28, 2022)



Objective

The objective is the establishment of a jointly owned company for the purpose of operating a funeral business that combines the six well-established funeral and cremation locations in Tokyo of Kosaido Holdings subsidiary Tokyo Hakuzen with the funeral know-how and outstanding services of the SAN HOLDINGS Group.

Profile of the joint venture

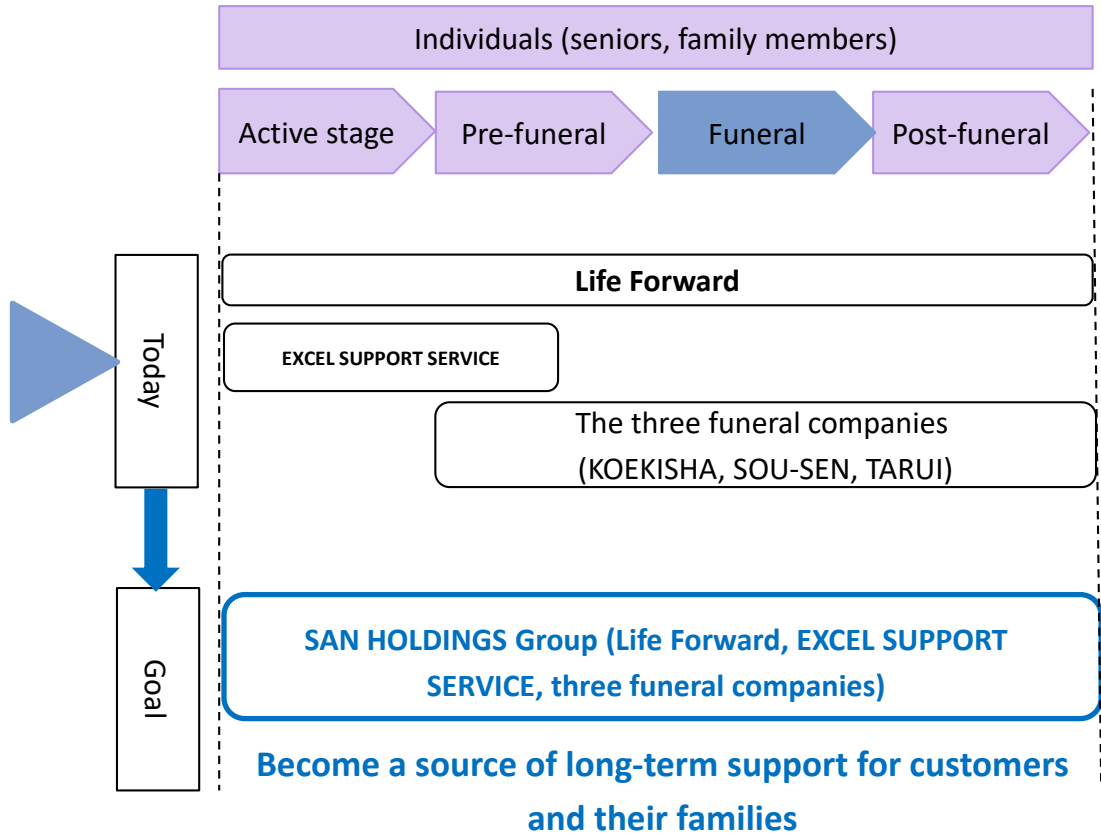
Company name: Grand Ceremo Tokyo Co., Ltd.
Equity ownership: Kosaido Holdings Co., Ltd.: 51%; SAN HOLDINGS, INC.: 49%
Head office: 13F, Seavans South Building S, 1-2-3 Shibaura, Minato-ku, Tokyo
Establishment: April 1, 2022
Start of operations: July 2022

Long-term support for customers and their families

Expansion of the end-of-life support business, extending from when seniors are active to post-funeral assistance

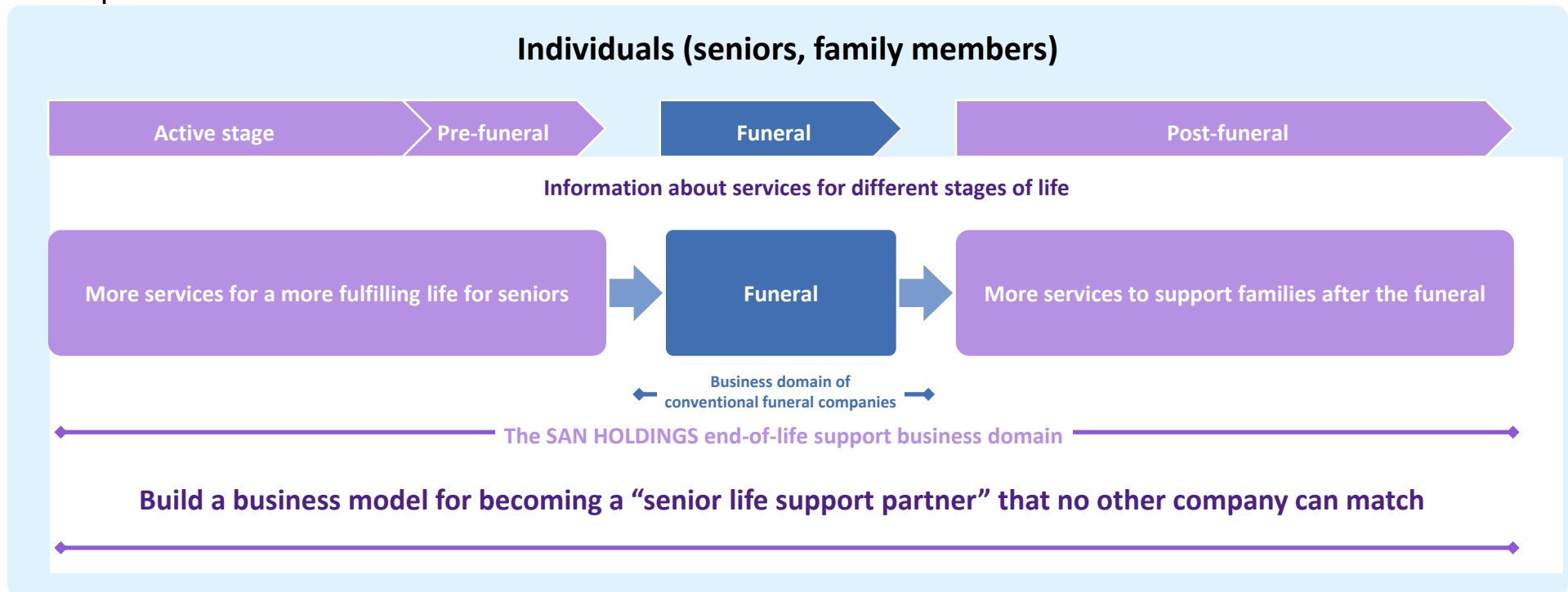
Envisioned expansion of end-of-life support services

- The current end-of-life support business
- Provides products and services by using the end-of-life services portal site for seniors operated by Life Forward
 - Support provided before and after funerals by KOEKISHA, SOU-SEN and TARUI
 - Operation of rehabilitation day-care facilities and provision of meals at senior care centers by group company EXCEL SUPPORT SERVICE



Develop the next core businesses

- Our goal is to go beyond funerals by launching and expanding businesses that encompass all aspects of the lives of seniors. We want to build an End-of-Life Partner business model that can help improve the quality of life of our customers.
 - From when seniors are active until just before the funeral, provide support involving a broad spectrum of senior issues for an even better senior life; also provide funeral services.
 - A variety of support after a funeral concerning grief care, inheritance and other procedures, and other activities for moving forward after the loss of a loved one.
- From a medium-to-long-term perspective, our goal is to share the knowledge of our group’s funeral business and end-of-life support business with funeral and other companies to contribute to the growth of the funeral industry. These activities may lead to the establishment of a solution model for funeral companies.



Build a framework for the SAN HOLDINGS Group to provide high-quality services with efficiency

- Profitability is improving due to activities to operate more efficiently and boost productivity. More business process reforms are needed because there is still more potential for improvements throughout the group.
- Build an infrastructure for efficiently supplying high-quality services by integrating the initiatives and functions of group companies.
 - Establish this high-efficiency/high-quality business operation infrastructure by consolidating call center and funeral-related operations (provision of funeral ceremony supplies, hearse operations, administrative tasks, etc.) and control functions for these operations.
 - Use digital marketing to make sales activities more effective.

Upgrade quality management, the key to providing the high-quality, value-added services that are the source of corporate value
Quickly train people who provide funeral services

- To provide Japan's best services that achieve outstanding customer satisfaction, we will provide customers with high-quality services, products and locations (funeral halls) backed by a dedication to hospitality and compassion. This is the source of corporate value.
To accomplish this goal, group companies will constantly maintain strong education and quality management capabilities.
- A service certification program for specific roles performed by personnel involved with funeral services in order to encourage people to continue upgrading their skills.
- For business growth, quickly train people who provide funeral services and maintain the high quality of these people.

**Recruit and train people to speed up strategic initiatives for growth
More progress with activities to make business operations more efficient**

- People will be essential for our transformation into a dependable end-of-life partner that can move even closer to the senior generation and their family members.
To adapt to changes in the business climate, we must have people with strategic planning and senior business management skills. This is why recruiting and training activities will be strengthened.
- Consolidate administrative functions for business operations to improve efficiency throughout the group.

- We understand that our business operations must advance to a level where our business processes incorporate measures for playing a role in solving environmental and social problems (SDGs, etc.). This requires a business and management infrastructure that reflects these problems, compliance with Japan's revised Corporate Governance Code, and other considerations. To make ESG with emphasis on sustainability an integral part of management, we announced the SAN HOLDINGS ESG Policy and ESG Responsible Behavior Guidelines and established an ESG Committee on November 11, 2021. We have a strong commitment to using ESG management for the creation of a sustainable society while using business activities to help accomplish the SDGs.

The SAN HOLDINGS ESG Policy

The SAN HOLDINGS Group is dedicated to constant growth while making significant contributions to the creation of a sustainable society. By using activities based on the group's mission, vision and values, we will create new value involving end-of-life total support services and use many initiatives that target issues (SDGs, etc.) concerning the environment, society and governance.

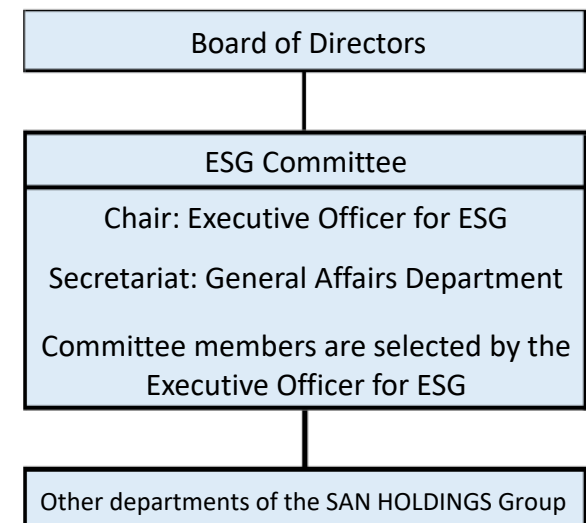
■ ESG Responsible Behavior Guidelines

1. Business activities that achieve sound growth
2. Compliance with laws and regulations
3. Environmentally responsible business operations
4. Use funeral halls for community and regional contributions
5. Increase customer satisfaction
6. Increase employee satisfaction
7. Disclosure of ESG information

■ Framework for ESG activities

The ESG Committee discusses and makes decisions about policies and action plans and other matters involving ESG. The committee is chaired by an executive officer responsible for ESG, who is appointed by the company president, and the chairperson selects the other committee members.

Reports on the discussions of the ESG Committee are submitted regularly to the board of directors and actions are taken with all associated departments in order to incorporate these activities into business operations.



ESG Management

The SAN HOLDINGS Group uses grief care, embalming and other value-added end-of-life services along with outstanding hospitality to serve customers and their family members and be a responsible member of society.

Environment

- Use of environmentally responsible products (caskets, etc.)
- Consider use of materials/packaging that can be recycled
- More hybrid vehicles (hearses, company cars), start using electric vehicles
- Use of solar panels at funeral halls and other buildings
- Vegetation on roofs, walls and around entrances
- Reduce the amount of water used for business activities
- Reduce discarded flowers and find ways to reuse flowers



Social

- Suitable locations for funeral ceremonies
- Grief care services that meet high standards
- Grief care including embalming; on-site services for natural disasters
- Support for communities where funeral halls are located
- Many formats for doing jobs at group companies
- Activities for increasing engagement with employees



Governance

- Further upgrade internal controls
- More investor relations activities (dialogue with investors)
- Establish a sustainability management system
- Sustainability education programs
- Establish an effective risk management system



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 ¥3.63 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	23,000
Operating profit	3,376	3,400	3,450	3,630
Operating margin	16.9%	16.3%	15.8%	15.8%
ROIC	7.3%	7.0%	7.0%	7.0%

*ROIC = Operating profit after tax / Invested capital

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

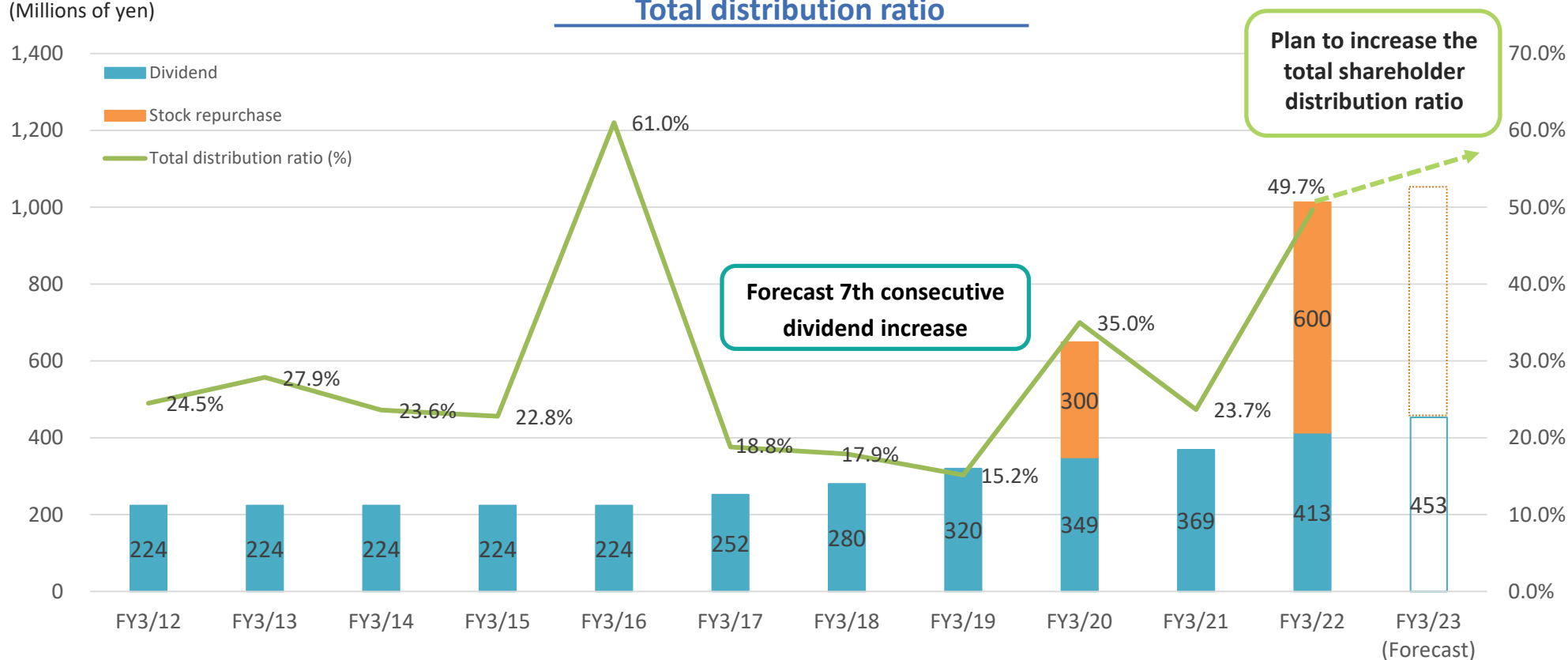
Our goal is to increase the distribution of earnings to shareholders from a medium to long-term perspective.

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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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)

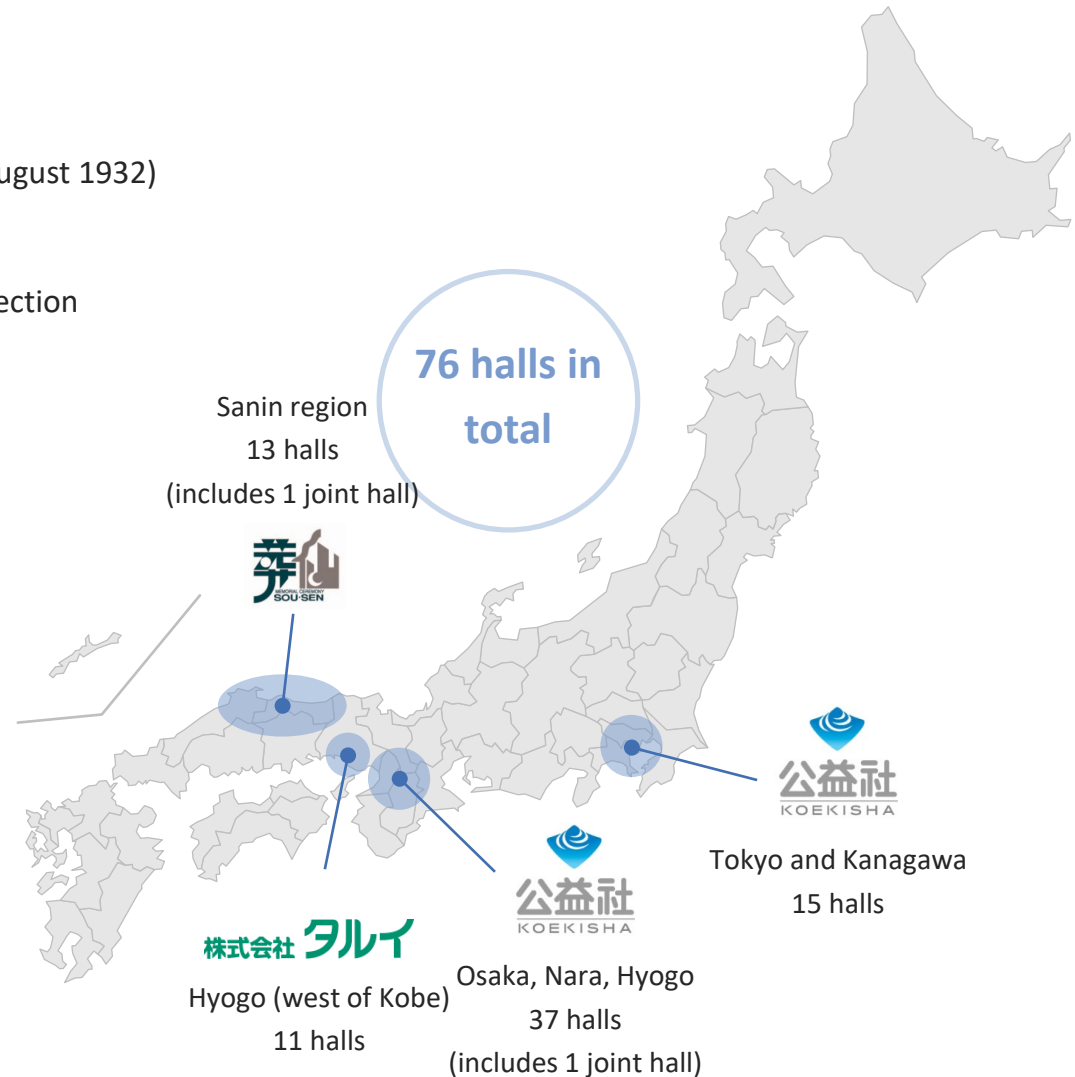
Current Areas of Operations

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)

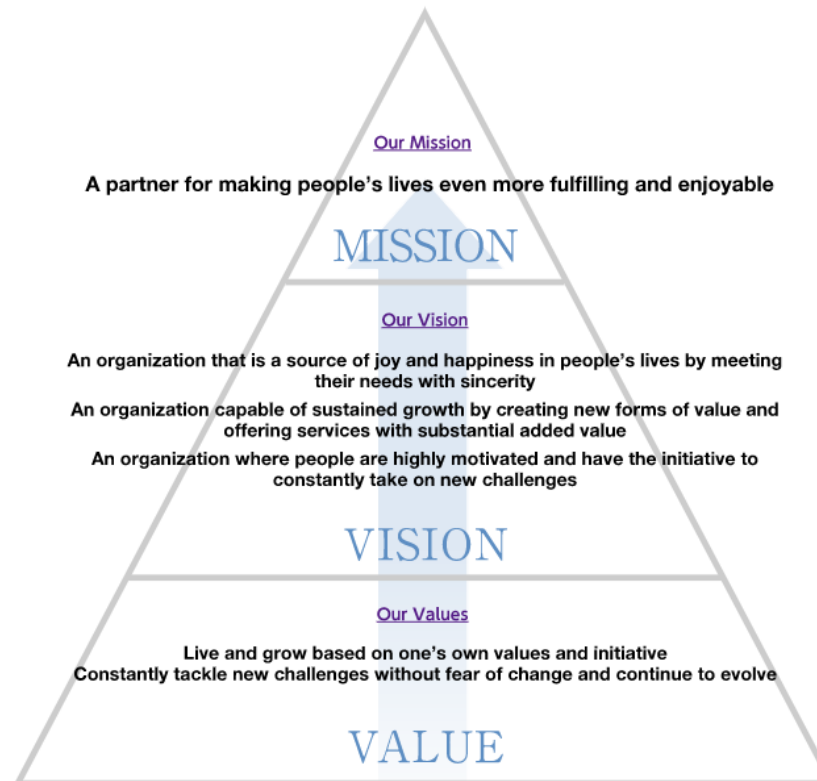


Be a dependable end-of-life partner by moving even closer to the senior generation and their family members

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.
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