



August 5, 2022

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2023
(Three Months Ended June 30, 2022)**

[Japanese GAAP]

Company name: SAN HOLDINGS, INC. Listing: Tokyo Stock Exchange
 Stock code: 9628 URL: <https://www.san-hd.co.jp>
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 Scheduled date of filing of Quarterly Report: August 12, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2022

(April 1, 2022 – June 30, 2022)

(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	%
Three months ended Jun. 30, 2022	4,856	(1.2)	838	(10.3)	825	(12.1)	526	(13.8)
Three months ended Jun. 30, 2021	4,917	21.2	934	256.4	939	258.3	610	274.7

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2022: 526 (down 13.8%)
 Three months ended Jun. 30, 2021: 610 (up 274.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	49.41	-
Three months ended Jun. 30, 2021	55.31	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2022	33,497	29,829	89.1
As of Mar. 31, 2022	33,847	29,629	87.5

Reference: Shareholder's equity (million yen) As of Jun. 30, 2022: 29,829 As of Mar. 31, 2022: 29,629

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	17.00	-	21.00	38.00
Fiscal year ending Mar. 31, 2023	-	-	-	-	-
Fiscal year ending Mar. 31, 2023 (forecast)	-	21.00	-	21.00	42.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecasts for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	9,800	3.0	1,460	(9.0)	1,450	(9.6)	930	(10.4)	87.16
Full year	20,800	4.0	3,400	0.7	3,390	0.1	2,130	4.4	199.64

Notes: 1. Revisions to the most recently announced consolidated forecast: None

2. Net income per share is calculated based on the average number of shares outstanding during the period, which uses the number of shares outstanding as of March 31, 2022 (excluding treasury shares).

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of outstanding shares (common shares)

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

As of Jun. 30, 2022:	12,164,016 shares	As of Mar. 31, 2022:	12,164,016 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2022:	1,551,038 shares	As of Mar. 31, 2022:	1,495,038 shares
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3) Average number of shares outstanding during the period

Three months ended Jun. 30, 2022:	10,649,721 shares	Three months ended Jun. 30, 2021:	11,036,739 shares
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Note: The SAN HOLDINGS' stock held by the Employee Stock Ownership Plan of 134,400 shares as of June 30, 2022 and 135,800 shares as of June 30, 2021 are included in the treasury shares that are deducted from the number of shares for calculating the number of treasury shares at the end of the period and the average number of shares outstanding during the period.

* The current quarterly financial report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 4 for forecast assumptions and notes of caution for usage.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending in March 2023, the Japanese economy recovered, with weakness in some sectors, despite the pandemic and rising cost of resources. Most significant was a rebound in consumer spending, chiefly for services, as the impact of the pandemic declined.

Even during the pandemic, there was no change in the importance of funerals as a place to say farewell to someone who has passed away. Since the pandemic began more than two years ago, there has been an increase in the number of small and simple funerals partly because of various restrictions to prevent infections. In Japan's funeral industry, competition has become increasingly heated, especially for small funerals, as companies step up the pace of opening new funeral halls nationwide, people use matching services to select funeral companies, and due to other events. Changes in the business climate are also increasing M&A activity. These activities are likely to drive more progress regarding the reorganization of the funeral industry as well as the entire business sector for the provision of end-of-life services.

To continue to succeed as these changes in market conditions take place, we started a new medium-term management plan in April 2022 that covers the three-year period ending in March 2025. This period is positioned as a time to build a sound foundation for accomplishing the newly established purpose and 10-year vision of the SAN HOLDINGS Group.

For the expansion of the funeral business, which is one of the major goals of the plan, we plan to add 31 funeral halls during the next three years including six during the current fiscal year. We plan to open the KOEKISHA Hirano Hall in Hirano-ku, Osaka prefecture in September and have acquired properties for three other new locations. More information will be announced as decisions are made.

In the current fiscal year, preparations are under way for the launch of a new brand solely for family funerals. This brand will be essential for achieving the goal of adding 31 new locations. In addition, Grand Ceremo Tokyo Co., Ltd., which was established in April 2022, started operations on July 5. This company is 51% owned by Kosaido Holdings Co., Ltd. and 49% owned by SAN HOLDINGS.

During the first quarter, the number of funerals at the SAN HOLDINGS Group decreased 11.4% year on year because of decreases in the number of funerals at all three group funeral companies. There was an increase in average revenue per funeral as the percentage of simple, lower-priced funerals decreased. As a result, funeral service revenue was down 1.8%.

Sales of products and services associated with funerals, mainly family altars and fixtures and courtesy gifts, were down year on year. The cause was the decline in opportunities to sell these items because of the smaller number of funerals.

Operating expenses decreased 0.1% from one year earlier. This was mainly the result of a decrease in personnel expenses as the number of employees declined, higher direct expenses because of the larger number of mourners other than family members, corporate funerals, and farewell events and an increase in expenses for leasing buildings and land. Selling, general and administrative expenses increased 12.2%. This was attributable primarily to recruiting expenses to build a stronger workforce, higher outsourcing expenses involving consulting for strategic activities.

Operating revenue decreased 1.2% year on year to 4,856 million yen. Earnings were down as well with operating profit down 10.3% to 838 million yen. Ordinary profit down 12.1% to 825 million yen due to booking of an equity-method loss of 15 million yen, which is a non-operating expense. After taxes, profit attributable to owners of parent was 526 million yen, 13.8% lower than in the same period of the previous fiscal year.

The SAN HOLDINGS Group is composed of segments based on companies, primarily the three funeral companies and SAN HOLDINGS, the holding company. There are four reportable segments: KOEKISHA Group, SOU-SEN Group, TARUI Group and Holding Company Group. The KOEKISHA Group segment includes KOEKISHA, Excel Support Service Co., Ltd., where operations include funeral support services by KOEKISHA, senior care services, food services for senior care facilities and other activities, and Life Forward

Co., Ltd., which operates an internet platform for end-of-life services and other assistance.

Business segment performance was as follows. Both sales and earnings were down only in the KOEKISHA Group segment.

1) The KOEKISHA Group

At KOEKISHA CO., LTD., the core company of this segment, the number of ordinary funerals (less than 5 million yen) was 13.5% lower than one year earlier. However, about 65% of the decline in the number of funerals was the result of a decrease following the temporary upturn in funerals caused by COVID-19 deaths in the first quarter of the previous fiscal year. Average revenue per funeral increased because simple, lower-priced funerals, including funerals for COVID-19 deaths, declined as a percentage of the total number of funerals. Revenue from large funerals (more than 5 million yen) increased because the number of these funerals recovered to the pre-pandemic level. At KOEKISHA, the number of funerals decreased 13.0% year on year and funeral service revenue decreased 2.4%. Sales of products and services associated with funerals, mainly family altars and fixtures and courtesy gifts, were also lower than one year earlier because of the decrease in the number of funerals.

Operating expenses increased despite a decline in personnel expenses due to a smaller number of employees. Higher expenses were mainly the result of an increase in direct expenses due to the larger number of non-family member mourners, corporate funerals and farewell events, higher expenses for leasing buildings and land, and higher internet advertising expenses at Life Forward.

Sales in the KOEKISHA Group segment were 4,031 million yen, down 1.5% year on year, and the segment profit was 473 million yen, down 15.0%.

2) The SOU-SEN Group

At SOU-SEN CORPORATION, the number of funerals in or near the cities of Sakaiminato decreased 5.7% year on year. Average revenue per funeral increased mainly due to measures for holding funerals safely during the pandemic. The result was a 2.8% increase in funeral service revenue. Sales of products and services associated with funerals decreased as there were lower sales of family altars and fixtures.

Sales in the SOU-SEN Group segment were 318 million yen, up 0.6% year on year, and the segment profit was 11 million yen, up 8.1%.

3) The TARUI Group

At TARUI CO., LTD., the number of funerals was 0.3% lower than one year earlier but the average revenue per funeral remained unchanged. As a result, funeral service revenue decreased 0.3%. Sales of products and services associated with funerals decreased due to a decrease in sales of family altars and fixtures and courtesy gifts.

Meanwhile, expenses for supplies, maintenance, depreciation, rent and other items decreased.

Sales in the TARUI Group segment were 411 million yen, down 0.2% year on year, and the segment profit was 70 million yen, up 18.3%.

4) Holding Company Group

Operating revenue at SAN HOLDINGS increased mainly because of an increase in dividend income.

There was an increase in depreciation and other fixed expenses and an equity-method loss, which is a non-operating expense.

Sales in the Holding Company Group segment were 2,864 million yen, up 5.1% year on year, and the segment profit was 2,034 million yen, up 3.4%.

(2) Explanation of Financial Position

Assets

Current assets at the end of the first quarter were 8,542 million yen, down 172 million yen from the end of the

previous fiscal year. This was mainly due to increases in income taxes receivable and deposits associated with the purchase of treasury stock. There were decreases of 701 million yen in cash and deposits and 70 million yen in trade accounts receivable and contract assets.

Non-current assets were 24,954 million yen, down 177 million yen from the end of the previous fiscal year. Property, plant, and equipment decreased 55 million yen because of the normal depreciation of various assets mainly in buildings and structures. Investments and other assets decreased 125 million yen as investment securities increased because of the establishment of a joint venture and deferred tax assets decreased.

As a result, total assets decreased 350 million yen from the end of the previous fiscal year to 33,497 million yen.

Liabilities

Current liabilities at the end of the first quarter were 2,523 million yen, down 503 million yen from the end of the previous fiscal year. This was mainly due to decreases of 265 million yen in trade accounts payable, 477 million yen in income taxes payable, and 245 million yen in provision for bonuses, and an increase in deposits involving tax withheld from dividend payments.

Non-current liabilities were 1,144 million yen, a decrease of 46 million yen from the end of the previous fiscal year. This was mainly due to decreases in lease obligations and long-term accounts payable-other.

As a result, total liabilities decreased 550 million yen from the end of the previous fiscal year to 3,667 million yen.

Net assets

Net assets were 29,829 million yen at the end of the first quarter, up 200 million yen from the end of the previous fiscal year.

The main factors include a 299 million yen increase in retained earnings due to profit attributable to owners of parent of 526 million yen and dividend payments of 266 million yen and purchase of treasury shares in an amount of 99 million yen.

Consequently, the equity ratio increased 1.6 percentage point from the end of the previous fiscal year to 89.1%.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

Based on results of operations in the first quarter, there are no revisions to the fiscal year forecast that was announced on May 12, 2022.

In July, a rapid increase in the number of COVID-19 cases started that appears to be the seventh wave of the pandemic in Japan. The initial fiscal year forecast includes the assumption that the pandemic will affect results of operations during the entire fiscal year. We believe there is still no significant difference between this assumption and the current level of effects of the pandemic. We will continue to monitor changes in the severity of the pandemic and promptly announce a revised forecast if a new forecast based on different assumptions is needed.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

(Millions of yen)

	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	7,443	6,741
Trade accounts receivable and contract assets	759	689
Merchandise and finished goods	119	117
Raw materials and supplies	29	29
Other	366	966
Allowance for doubtful accounts	(2)	(1)
Total current assets	<u>8,715</u>	<u>8,542</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,761	9,701
Land	12,418	12,418
Leased assets, net	315	289
Other, net	165	196
Total property, plant and equipment	<u>22,662</u>	<u>22,607</u>
Intangible assets	218	221
Investments and other assets		
Investment securities	-	82
Long-term loans receivable	184	180
Beneficial interests in real estate trust	500	478
Guarantee deposits	749	765
Other	826	630
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	<u>2,251</u>	<u>2,125</u>
Total non-current assets	<u>25,132</u>	<u>24,954</u>
Total assets	<u>33,847</u>	<u>33,497</u>

	(Millions of yen)	
	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	851	585
Lease liabilities	108	104
Income taxes payable	558	81
Provision for bonuses	427	182
Provision for bonuses for directors (and other officers)	48	8
Other	1,032	1,561
Total current liabilities	3,026	2,523
Non-current liabilities		
Lease liabilities	246	220
Provision for employee stock ownership plan trust	39	42
Asset retirement obligations	484	487
Other	421	393
Total non-current liabilities	1,191	1,144
Total liabilities	4,217	3,667
Net assets		
Shareholders' equity		
Share capital	2,568	2,568
Capital surplus	5,494	5,494
Retained earnings	23,402	23,701
Treasury shares	(1,835)	(1,934)
Total shareholders' equity	29,629	29,829
Total net assets	29,629	29,829
Total liabilities and net assets	33,847	33,497

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Millions of yen)

	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Operating revenue	4,917	4,856
Operating expenses	3,671	3,667
Operating gross profit	1,246	1,188
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	48	44
Salaries and allowances	85	86
Bonuses	6	7
Provision for bonuses	17	20
Provision for bonuses for directors (and other officers)	8	8
Provision of allowance for doubtful accounts	0	(0)
Depreciation	5	2
Other	138	179
Total selling, general and administrative expenses	311	349
Operating profit	934	838
Non-operating income		
Interest income	0	0
Dividend income	0	0
Subsidy income	3	1
Miscellaneous income	2	2
Total non-operating income	7	4
Non-operating expenses		
Interest expenses	0	0
Share of loss of entities accounted for using equity method	-	15
Miscellaneous losses	2	2
Total non-operating expenses	2	18
Ordinary profit	939	825
Extraordinary losses		
Loss on retirement of non-current assets	4	0
Total extraordinary losses	4	0
Profit before income taxes	935	824
Income taxes-current	181	106
Income taxes-deferred	143	191
Total income taxes	324	298
Profit	610	526
Profit attributable to owners of parent	610	526

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

	(Millions of yen)	
	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Profit	610	526
Comprehensive income	610	526
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	610	526
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

I. First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

1. Information related to net sales, profit or loss for each reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total		
Net sales							
Funeral service revenue	3,383	274	380	-	4,038	-	4,038
Other	701	42	31	-	775	-	775
Revenue from contracts with customers	4,084	316	412	-	4,814	-	4,814
Other revenue	-	-	-	102	102	-	102
External sales	4,084	316	412	102	4,917	-	4,917
Inter-segment sales and transfers	9	-	-	2,621	2,630	(2,630)	-
Total	4,094	316	412	2,724	7,548	(2,630)	4,917
Segment profit	557	10	59	1,968	2,596	(1,656)	939

Notes: 1. Contents of adjustment to segment profit are as follows.

(Millions of yen)

	Amount
Elimination of amount equivalent to dividends paid to the holding company by consolidated subsidiaries	(1,658)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	1
Total	(1,656)

2. Segment profit is adjusted to be consistent with ordinary profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

Not applicable.

II. First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

1. Information related to net sales, profit or loss for each reportable segment and breakdown of revenue

(Millions of yen)

	Reportable segment					Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
	KOEKISHA Group	SOU-SEN Group	TARUI Group	Holding Company Group	Total		
Net sales							
Funeral service revenue	3,310	280	383	-	3,973	-	3,973
Other	711	38	28	-	778	-	778
Revenue from contracts with customers	4,022	318	411	-	4,752	-	4,752
Other revenue	-	-	-	103	103	-	103
External sales	4,022	318	411	103	4,856	-	4,856
Inter-segment sales and transfers	9	-	0	2,760	2,770	(2,770)	-
Total	4,031	318	411	2,864	7,626	(2,770)	4,856
Segment profit	473	11	70	2,034	2,591	(1,766)	825

Notes: 1. Contents of adjustment to segment profit are as follows.

(Millions of yen)

	Amount
Elimination of amount equivalent to dividends paid to the holding company by consolidated subsidiaries	(1,765)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	(1)
Total	(1,766)

2. Segment profit is adjusted to be consistent with ordinary profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets or goodwill, etc. for each reportable segment

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.