



November 7, 2019

**Summary of Consolidated Financial Results  
for the Second Quarter of the Fiscal Year Ending March 31, 2020  
(Six Months Ended September 30, 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 filing of Quarterly Report: November 11, 2019

Scheduled date of payment of dividend: December 2, 2019

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for analysts)

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

**1. Consolidated Financial Results for the Six Months Ended September 30, 2019**

(April 1, 2019 – September 30, 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	%
Six months ended Sep. 30, 2019	10,375	3.5	1,487	2.0	1,489	2.3	979	(6.1)
Six months ended Sep. 30, 2018	10,023	6.7	1,458	44.9	1,456	44.8	1,042	63.3

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2019: 979 (down 6.1%)

Six months ended Sep. 30, 2018: 1,042 (up 63.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	87.14	-
Six months ended Sep. 30, 2018	92.84	-

Note: SAN HOLDINGS conducted a 2-for-1 common stock split on October 1, 2019. Net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2019	30,791	26,909	87.4
As of Mar. 31, 2019	31,326	26,070	83.2

Reference: Shareholder's equity (million yen) As of Sep. 30, 2019: 26,909 As of Mar. 31, 2019: 26,070

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	27.00	-	30.00	57.00
Fiscal year ending Mar. 31, 2020	-	30.00	-	-	-
Fiscal year ending Mar. 31, 2020 (forecast)	-	-	-	15.00	-

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

2. SAN HOLDINGS conducted a 2-for-1 common stock split on October 1, 2019. The dividends for the fiscal year ended March 31, 2019 and 2Q-end of the fiscal year ending March 31, 2020 are the actual amounts before the stock split.

Dividend forecast for the fiscal year ending March 31, 2020 is adjusted to reflect the stock split.

**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
Full year	21,300	2.6	2,810	(4.4)	2,790	(5.0)	1,800	(14.8)	160.02

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

2. SAN HOLDINGS conducted a 2-for-1 stock split on October 1, 2019. The net income per share forecast for the fiscal year ending March 31, 2020 is adjusted to reflect the stock split. Prior to this adjustment, the forecast was a net income per share of 320.04 yen for the full year.

**\* 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 Sep. 30, 2019:	12,164,016 shares	As of Mar. 31, 2019:	12,164,016 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2019:	906,828 shares	As of Mar. 31, 2019:	931,428 shares
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3) Average number of shares outstanding during the period

Six months ended Sep. 30, 2019:	11,240,115 shares	Six months ended Sep. 30, 2018:	11,232,644 shares
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Notes: 1. SAN HOLDINGS conducted a 2-for-1 common stock split on October 1, 2019. The number of shares outstanding at the end of the period, the number of treasury shares at the end of the period, and the average number of shares outstanding during the period have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

2. The SAN HOLDINGS' stock held by the Employee Stock Ownership Plan of 136,600 shares 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

1. 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.

2. SAN HOLDINGS conducted a 2-for-1 stock split on October 1, 2019. The net income per share forecast for the fiscal year ending March 31, 2020 is adjusted to reflect the stock split.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first half of the fiscal year ending in March 2020, solid consumer spending, capital expenditures and other sectors of internal demand supported the Japanese economy. But the economy weakened somewhat, primarily in the manufacturing sector, as sluggish external demand caused by U.S.-China trade friction and slowing economic growth in China impacted production in Japan. In addition, slowing global economic growth, geopolitical risk, and political turmoil in Europe and the United States are creating considerable uncertainty worldwide.

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.

Funeral companies are responding to these changes in many ways. Examples include building small funeral halls with distinctive features, providing innovative services, using internet matching sites and other channels to increase the volume of business, and starting businesses outside the funeral category.

As was announced on May 9, 2019, SAN HOLDINGS started a three-year medium-term management plan in April 2019 that will end in March 2022. Based on a new corporate philosophy for the SAN HOLDINGS Group, the plan has the central goal of making SAN HOLDINGS an organization that provides total support for the final stage of life. All group companies are committed to progress regarding all eight key objectives of the new plan: firmly establish the new corporate philosophy, create a more powerful workforce, improve the quality of services, increase operating efficiency, broaden the lineup of end-of-life support, make new businesses more profitable, extend the funeral business to more areas of Japan, and upgrade risk management.

More funeral halls were opened during the first half of the current fiscal year in order to extend operations to more areas of Japan, which is one of the key objectives of the new management plan. We opened two funeral halls, KOEKISHA Korien Hall in the city of Neyagawa in Osaka prefecture in April 2019 and TARUI Funeral Hall in Kitaokubo in June in the city of Akashi in Hyogo prefecture. In addition, work is progressing at the KOEKISHA Kawanishi-Tada Hall in the city of Kawanishi in Hyogo prefecture toward the planned start of operations in December 2019.

For the growth of new businesses, we opened POSSIBLE Kotoen in November 2019, the third facility in business that provides day-care services centered on rehabilitation.

In the first half of the current fiscal year, the number of funerals at the three funeral companies increased and the total number of funerals at the SAN HOLDINGS Group was 5.2% higher than one year earlier. The average revenue per funeral was lower at all three companies but average revenue started to improve in the second quarter. As a result, funeral service revenue increased 2.8% year on year. Sales of products and services associated with funerals, mainly family altars and other furniture, increased at a faster pace than funeral service revenue.

Operating expenses increased 3.1% year on year primarily because of higher personnel expenses, advertising expenses and an increase in rent and other expenses due to the opening of new funeral halls. Selling, general and administrative expenses increased 11.5% due to increases in personnel expenses, recruiting expenses and other reasons.

For the first half of the current fiscal year, operating revenue increased 3.5% year on year to 10,375 million yen. Earnings were higher as well with operating profit up 2.0% to 1,487 million yen and ordinary profit up 2.3% to 1,489 million yen. However, profit attributable to owners of parent decreased 6.1% to 979 million yen because there was extraordinary income of 142 million yen for a gain on termination of retirement benefit plan one year earlier.

Business segment performance was as follows.

#### 1) The KOEKISHA Group

The number of ordinary funerals (less than 5 million yen) increased at KOEKISHA CO., LTD., the core company of the KOEKISHA Group. In the Kansai area, the number of ordinary funerals increased and average revenue per funeral also increased because of a smaller number of contracted welfare funerals performed. In the Tokyo area, the growth in the number of ordinary funerals in the first quarter continued in the second quarter and average revenue per funeral was also higher. The number of large funerals (more than 5 million yen) in the Tokyo area decreased.

As a result, the overall number of funerals was up 4.4% year on year and funeral service revenue increased 2.8%.

Sales of products and services associated with funerals were higher than one year earlier. This was the result of higher sales of family altars and other furniture and commissions received.

Operating expenses increased mainly because of higher personnel expenses, advertising expenses to attract customers, and higher rent expenses due to the opening of funeral halls in or after October 2018.

Sales in the KOEKISHA Group segment were 8,635 million yen, up 3.5% year on year, and the segment profit was 807 million yen, up 0.2%.

#### 2) The SOU-SEN Group

At SOU-SEN CORPORATION, average revenue per funeral decreased because of the smaller size of funerals but the number of funerals increased 5.4% year on year in the cities of Tottori and Sakaiminato in Tottori prefecture and the city of Yasugi in Shimane prefecture. As a result, funeral service revenue was 3.6% higher than one year earlier.

Sales of products and services associated with funerals were higher than one year earlier. This was the result of higher sales of family altars and other furniture and commissions received.

Operating expenses increased as the growth of personnel, maintenance and other expenses was more than the decrease in fixed expenses caused by lower expenses for rent.

Sales in the SOU-SEN Group segment were 688 million yen, up 4.7% year on year, and the segment profit was 7 million yen, compared with a loss of 13 million yen one year earlier.

#### 3) The TARUI Group

At TARUI CO., LTD., average revenue per funeral decreased in part because of an increase in the number of small-family funerals. But the number of funerals was 12.8% higher than one year earlier primarily because of funerals at newly opened and renovated locations. The result was a 3.0% increase in funeral service revenue.

Operating expenses increased because of higher advertising expenses for attracting customers and higher rent and other expenses associated with the newly opened TARUI Funeral Hall in Kita-Okubo.

Sales in the TARUI Group segment were 867 million yen, up 3.3% year on year, and the segment profit was 138 million yen, up 10.2%.

#### 4) Holding Company Group

Operating revenue at SAN HOLDINGS increased primarily along the increase in dividend income.

In operating expenses, there were increases mainly in personnel expenses, recruiting and recruitment advertising expenses for group companies, and other expenses involving recruiting activities.

Sales in the Holding Company Group segment were 3,410 million yen, up 11.6% year on year, and the segment profit was 1,844 million yen, up 19.4%.

**(2) Explanation of Financial Position**

## Assets

Current assets at the end of the second quarter were 6,195 million yen, down 455 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 705 million yen in cash and deposits while there was an increase of 192 million yen in trade accounts receivable.

Non-current assets were 24,596 million yen, down 79 million yen from the end of the previous fiscal year. This was primarily due to only a small increase of 21 million yen in property, plant and equipment, the result of a decrease in land because of the sale of the former Kishiwada Hall of KOEKISHA and of the normal depreciation of various assets, and a decrease of 90 million yen in deferred tax assets under investments and other assets.

As a result, total assets decreased 535 million yen from the end of the previous fiscal year to 30,791 million yen.

## Liabilities

Current liabilities at the end of the second quarter were 2,438 million yen, down 1,354 million yen from the end of the previous fiscal year. This was mainly due to decreases of 900 million yen in current portion of long-term borrowings, the result of the repayment of a loan upon its maturity, and 208 million yen in trade accounts payable.

Non-current liabilities were 1,443 million yen, a decrease of 20 million yen from the end of the previous fiscal year. This was mainly due to decreases in long-term borrowings and long-term accounts payable-other, while there were increases in lease obligations and asset retirement obligations.

As a result, total liabilities decreased 1,374 million yen from the end of the previous fiscal year to 3,882 million yen.

## Net assets

Net assets were 26,909 million yen at the end of the second quarter, up 839 million yen from the end of the previous fiscal year. The main factors include an 811 million yen increase in retained earnings due to a 979 million yen profit attributable to owners of parent, a 25 million yen increase in treasury shares, a 2 million yen increase in capital surplus resulting from gains on disposal of treasury shares, and dividend payments of 168 million yen. (The disposal of treasury shares was for restricted stock compensation and other reasons.)

Consequently, the equity ratio increased 4.2 percentage points from the end of the previous fiscal year to 87.4%.

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

We maintain the consolidated forecasts for the fiscal year ending March 31, 2020 that we announced on October 31, 2019.

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

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	5,611,704	4,906,252
Trade accounts receivable	650,570	843,263
Merchandise and finished goods	101,825	106,299
Raw materials and supplies	41,916	41,034
Other	245,923	299,824
Allowance for doubtful accounts	(1,139)	(1,649)
Total current assets	6,650,801	6,195,025
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	9,375,544	9,323,640
Land	12,344,809	12,247,709
Leased assets, net	435,793	449,060
Other, net	206,751	364,264
Total property, plant and equipment	22,362,898	22,384,675
Intangible assets	89,937	78,429
Investments and other assets		
Long-term loans receivable	237,136	228,976
Beneficial interests in real estate trust	539,662	518,055
Guarantee deposits	704,147	713,601
Other	751,322	692,191
Allowance for doubtful accounts	(8,915)	(19,227)
Total investments and other assets	2,223,353	2,133,597
Total non-current assets	24,676,189	24,596,702
Total assets	31,326,991	30,791,727

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	Second quarter of FY3/20 (As of Sep. 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade accounts payable	1,017,115	809,041
Current portion of long-term borrowings	919,992	19,992
Lease obligations	103,954	106,517
Income taxes payable	99,028	195,141
Provision for bonuses	523,513	452,871
Provision for bonuses for directors (and other officers)	49,571	18,278
Other	1,079,392	836,452
<b>Total current liabilities</b>	<b>3,792,567</b>	<b>2,438,295</b>
<b>Non-current liabilities</b>		
Long-term borrowings	25,030	15,034
Lease obligations	368,125	379,656
Provision for employee stock ownership plan trust	-	7,269
Asset retirement obligations	320,236	340,129
Other	751,015	701,846
<b>Total non-current liabilities</b>	<b>1,464,408</b>	<b>1,443,936</b>
<b>Total liabilities</b>	<b>5,256,975</b>	<b>3,882,231</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,568,157	2,568,157
Capital surplus	5,488,615	5,491,381
Retained earnings	19,027,330	19,838,361
Treasury shares	(1,014,088)	(988,404)
<b>Total shareholders' equity</b>	<b>26,070,015</b>	<b>26,909,496</b>
<b>Total net assets</b>	<b>26,070,015</b>	<b>26,909,496</b>
<b>Total liabilities and net assets</b>	<b>31,326,991</b>	<b>30,791,727</b>

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Operating revenue	10,023,174	10,375,467
Operating expenses	7,922,046	8,170,661
Operating gross profit	2,101,127	2,204,805
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	90,091	93,785
Salaries	169,064	177,938
Bonuses	11,695	15,159
Provision for bonuses	37,207	41,096
Provision for bonuses for directors (and other officers)	16,739	18,278
Provision of allowance for doubtful accounts	(24)	10,871
Depreciation	15,719	12,723
Other	302,493	347,223
Total selling, general and administrative expenses	642,985	717,076
Operating profit	1,458,141	1,487,729
Non-operating income		
Interest income	1,915	1,777
Dividend income	4	4
Insurance claim income	1,409	13,106
Miscellaneous income	10,262	9,126
Total non-operating income	13,592	24,015
Non-operating expenses		
Interest expenses	4,793	2,068
Dismantling removal expense	720	6,851
Casualty loss	7,480	5,690
Miscellaneous loss	2,738	7,176
Total non-operating expenses	15,733	21,787
Ordinary profit	1,456,000	1,489,957
Extraordinary income		
Gain on sales of non-current assets	350	15,362
Gain on termination of retirement benefit plan	142,747	-
Total extraordinary income	143,097	15,362
Extraordinary losses		
Loss on retirement of non-current assets	3,693	-
Total extraordinary losses	3,693	-
Profit before income taxes	1,595,404	1,505,320
Income taxes-current	438,760	435,322
Income taxes-deferred	113,822	90,477
Total income taxes	552,582	525,800
Profit	1,042,821	979,519
Profit attributable to owners of parent	1,042,821	979,519

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

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	1,042,821	979,519
Other comprehensive income		
Total other comprehensive income	-	-
Comprehensive income	1,042,821	979,519
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,042,821	979,519
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities		
Profit before income taxes	1,595,404	1,505,320
Depreciation	398,494	407,883
Loss on retirement of property, plant and equipment	3,693	-
Increase (decrease) in allowance for doubtful accounts	(801)	10,822
Increase (decrease) in provision for bonuses	(79,539)	(70,641)
Increase (decrease) in provision for bonuses for directors (and other officers)	(29,118)	(31,292)
Increase (decrease) in retirement benefit liability	(159,819)	-
Interest and dividend income	(1,919)	(1,782)
Interest expenses	4,793	2,068
Loss (gain) on sales of property, plant and equipment	(350)	(15,362)
Decrease (increase) in trade receivables	(147,476)	(192,693)
Decrease (increase) in inventories	(868)	(3,591)
Increase (decrease) in trade payables	(94,784)	(208,073)
Increase (decrease) in accrued consumption taxes	(62,421)	15,305
Other, net	(154,324)	(379,153)
Subtotal	1,270,963	1,038,810
Interest and dividends received	8	10
Interest paid	(4,475)	(910)
Income taxes paid	(798,480)	(340,625)
Income taxes refund	592	75,183
Net cash provided by (used in) operating activities	468,608	772,467
Cash flows from investing activities		
Purchase of property, plant and equipment	(499,196)	(415,410)
Proceeds from sales of property, plant and equipment	350	112,462
Purchase of intangible assets	(5,916)	-
Loan advances	-	(371)
Collection of loans receivable	2	2
Proceeds from cancellation of insurance funds	-	8,846
Other proceeds	5,365	13,037
Other payments	(52,292)	(59,124)
Net cash provided by (used in) investing activities	(551,687)	(340,556)
Cash flows from financing activities		
Repayments of long-term borrowings	(160,396)	(909,996)
Purchase of treasury shares	(117)	-
Repayments of finance lease obligations	(56,279)	(58,877)
Dividends paid	(146,025)	(168,488)
Net cash provided by (used in) financing activities	(362,818)	(1,137,362)
Net increase (decrease) in cash and cash equivalents	(445,896)	(705,451)
Cash and cash equivalents at beginning of period	4,781,933	5,611,704
Cash and cash equivalents at end of period	4,336,037	4,906,252

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Additional Information**

Distribution of SAN HOLDINGS stock to employees, etc. using a trust

SAN HOLDINGS is using this distribution of stock as an incentive plan to heighten motivation for contributing to the growth of corporate value. The distribution of stock will increase benefits for employees of SAN HOLDINGS and its subsidiaries and is expected to give employees a stronger feeling of belonging to a unified team and participating in management. This will give employees a stronger commitment to the medium and long-term growth of sales and earnings and to increasing the stock price.

**(1) Outline of transactions**

The incentive plan uses a trust established and funded by SAN HOLDINGS to purchase at once a sufficient number of shares of SAN HOLDINGS common stock for upcoming distributions. Employees who meet the designated requirements will receive points granted in accordance with stock distribution rules established by the directors of SAN HOLDINGS and its subsidiaries. The points are subsequently used to determine the number of shares of SAN HOLDINGS common stock to be received by employees from the trust. Points reflect each person's job and other factors. There is no cost to employees because SAN HOLDINGS covers the entire cost of stock purchases made by the trust.

**(2) SAN HOLDINGS stock remaining in the trust**

The book value (excluding associated expenses) of SAN HOLDINGS stock held by the trust is shown as treasury shares in the net assets section of the consolidated balance sheet. As of the end of the second quarter of the current fiscal year, the trust held 68,000 shares of SAN HOLDINGS with a book value of 149,781 thousand yen.

**Disposal of treasury shares for restricted stock compensation**

The SAN HOLDINGS Board of Directors approved a resolution on July 18, 2019 for the disposal of treasury shares for use as restricted stock compensation. The payment procedure for these shares were completed on August 6, 2019.

**(1) Summary of disposal of treasury shares**

1. Deadline	August 6, 2019
2. Type and number of shares	SAN HOLDINGS common stock: 12,300 shares
3. Price	2,313 yen per share
4. Total proceeds	28,449,900 yen
5. Allocation of shares	4 directors of SAN HOLDINGS: 7,100 shares (Note 1)
	5 executive officers of SAN HOLDINGS: 1,600 shares
	5 directors of subsidiaries of SAN HOLDINGS: 1,500 shares (Notes 1 and 2)
	6 executive officers of subsidiaries of SAN HOLDINGS: 2,100 shares (Note 2)
	Note 1: except external directors Note 2: except individuals who serve concurrently as directors and executive officers

6. Other	SAN HOLDINGS has submitted the Securities Registration Statement regarding this disposal of treasury shares in accordance with the Financial Instruments and Exchange Act.
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## (2) Purposes and reasons for the disposal of treasury shares

The SAN HOLDINGS Board of Directors approved a resolution on July 18, 2019 for the disposal of treasury shares for use in a compensation plan that distributes restricted stock to directors (excluding external directors) of SAN HOLDINGS. The purpose is to expose these directors to the same risks and rewards associated with stock price movements as all other SAN HOLDINGS shareholders and to further increase their motivation to contribute to an increase in the stock price and the growth of corporate value.

**Segment Information**

## I. First six months of FY3/19 (Apr. 1, 2018 – Sep. 30, 2018)

## 1. Information related to net sales, profit or loss for each reportable segment (Thousands 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							
External sales	8,323,805	657,900	839,212	202,256	10,023,174	-	10,023,174
Inter-segment sales and transfers	16,143	138	40	2,853,283	2,869,606	(2,869,606)	-
Total	8,339,948	658,039	839,253	3,055,539	12,892,780	(2,869,606)	10,023,174
Segment profit (loss)	806,402	(13,793)	126,079	1,545,058	2,463,747	(1,007,747)	1,456,000

Notes: 1. Contents of adjustments to segment profit (loss) are as follows.

	(Thousands of yen)
	Amount
Elimination of amount equivalent to dividends paid to the holding company by consolidated subsidiaries	(1,008,000)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	252
Total	(1,007,747)

2. Segment profit (loss) 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 six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

## 1. Information related to net sales, profit or loss for each reportable segment (Thousands 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							
External sales	8,620,027	688,725	867,144	199,569	10,375,467	-	10,375,467
Inter-segment sales and transfers	15,311	-	20	3,210,951	3,226,282	(3,226,282)	-
Total	8,635,339	688,725	867,164	3,410,521	13,601,750	(3,226,282)	10,375,467
Segment profit	807,639	7,152	138,897	1,844,464	2,798,153	(1,308,196)	1,489,957

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

(Thousands of yen)

	Amount
Elimination of amount equivalent to dividends paid to the holding company by consolidated subsidiaries	(1,308,000)
Adjustment of allowance for doubtful accounts related to the netting elimination of assets and liabilities	(196)
Total	(1,308,196)

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.

**Subsequent Events****Stock split**

On October 1, 2019, SAN HOLDINGS conducted stock split by the resolution of the Board of Directors meeting held on August 22, 2019.

## (1) Purpose of stock split

Using this split to lower the cost of an investment unit of SAN HOLDINGS stock will make this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

## (2) Overview of stock split

## 1) Method of stock split

Shareholders listed in the final shareholder register on the record date of September 30, 2019 will receive one additional share of common stock for each share held on the record date.

## 2) Increase in number of shares due to the stock split

Total number of shares outstanding prior to the stock split:	6,082,008 shares
Increase in number of shares due to the stock split:	6,082,008 shares
Total number of shares outstanding following the stock split:	12,164,016 shares
Total number of authorized shares following the stock split:	42,000,000 shares

3) Schedule of stock split

Public notice of record date: September 2, 2019  
Record date: September 30, 2019  
Effective date: October 1, 2019

4) Impact on per share information

Information about the effect on per share information is shown in the corresponding section.

Repurchase of treasury shares

The SAN HOLDINGS Board of Directors approved a resolution on November 7, 2019 to repurchase its own shares pursuant to Article 156 of the Companies Act, which is applicable in lieu of Article 165, Paragraph 3 of this act.

(1) Reason for stock repurchase

SAN HOLDINGS is repurchasing stock to distribute more earnings to shareholders and for greater flexibility regarding actions involving capital in response to changes in the operating environment.

- (2) Type of shares and total number of shares to be repurchased: Up to 300,000 shares  
(3) Total value of shares to be repurchased: Up to 300 million yen  
(4) Repurchase schedule: From November 8, 2019 to June 30, 2020  
(5) Method of repurchase: Purchase on the Tokyo Stock Exchange

*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.*