

## M&A Capital Partners Co., Ltd.

# Presentation Materials for the Earnings Briefing for the Six Months Ended March 2020

Aiming to be the world's leading  
investment bank seeking maximum  
contributions to clients and the  
happiness of all employees



April 30, 2020

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# *I* **Company Overview and Strengths of the Company**

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<b>Trade Name</b>	M&A Capital Partners Co., Ltd.
<b>Listed Market</b>	Tokyo Stock Exchange First Section (Securities Code: 6080) 
<b>Address</b>	38F, Gran Tokyo North Tower, 1-9-1 Marunouchi, Chiyoda-ku, Tokyo
<b>Business Content</b>	M&A-related services
<b>Representative</b>	Satoru Nakamura, President and Representative Director
<b>Established</b>	October 2005
<b>Capital</b>	2,503 million yen (as of March 31, 2020)
<b>Employees</b>	Consolidated: 176 Non-consolidated: 105 (as of March 31, 2020)
<b>Affiliates</b>	RECOF Corporation, RECOF DATA Corporation
<b>Management Philosophy</b>	Aiming to be the world's leading investment bank seeking maximum contributions to clients and the happiness of all employees

## Business Content

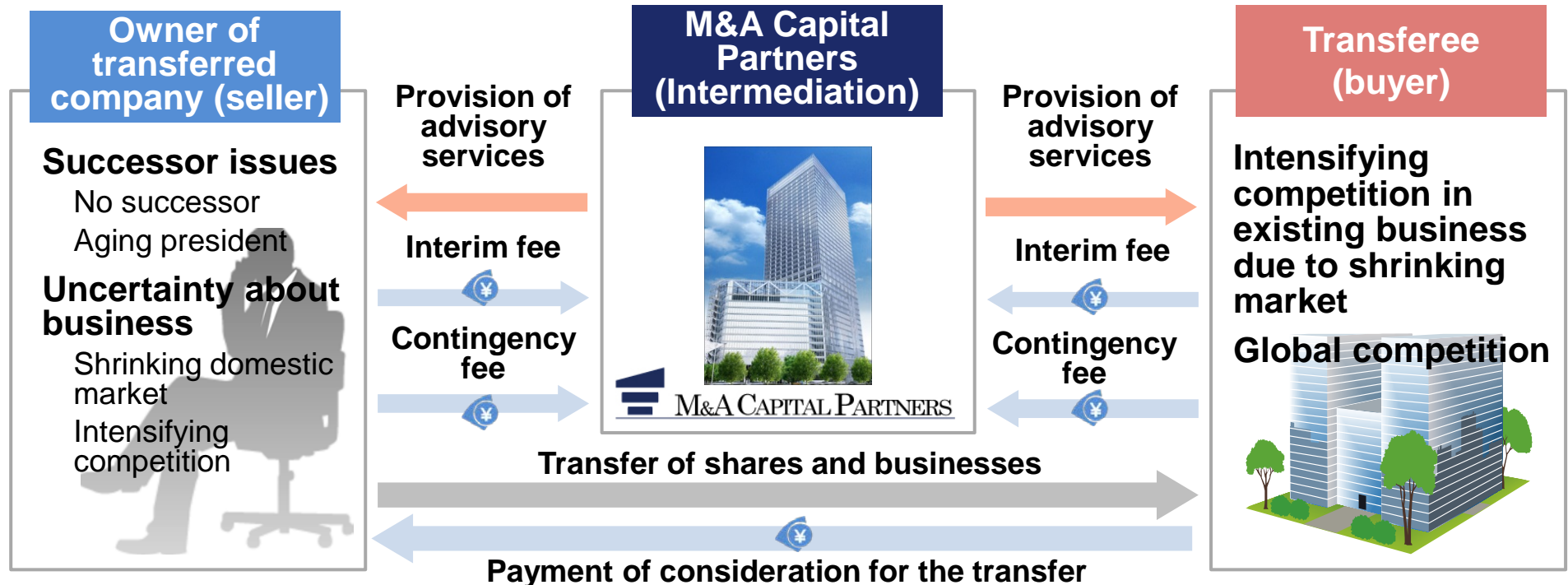
M&A-related services are our main business.

## Characteristics

Mainly **business succession M&A**. We propose solutions through M&A and support their realization for owner managers who have concerns about business succession.

## Business Model

We provide advisory services for the realization of M&A standing between the transferor (seller) and the transferee (buyer) from an independent and impartial position.





We aim to make the greatest contribution to clients by creating M&A deals with abundant information and an expansive network, and solving problems with the know-how we have accumulated.



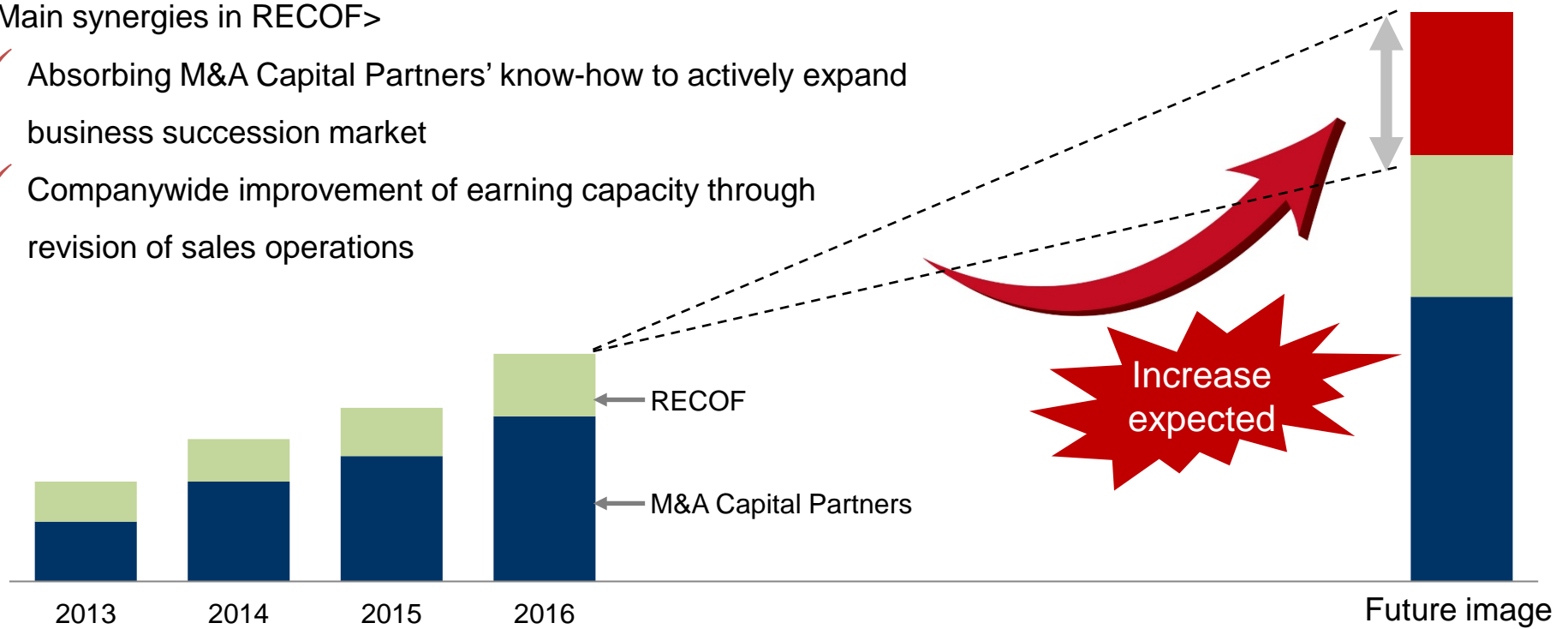
Creation of a new organization and expansion of business areas for the sustainable growth of the Group

## <Main synergies in M&A Capital Partners>

- ✓ Enhancement of matching utilizing the strong relations with clients built through reorganization of the industry
- ✓ Decrease in missed deals by improving ability to respond to complex schemes

## <Main synergies in RECOF>

- ✓ Absorbing M&A Capital Partners' know-how to actively expand business succession market
- ✓ Companywide improvement of earning capacity through revision of sales operations





## Fee structure that is convincing for clients

### (1) Contingency fee-based fee structure (No commencement fee or monthly fee)

Fee schedule in which clients **do not bear expenses** until the conclusion of a Memorandum of Understanding

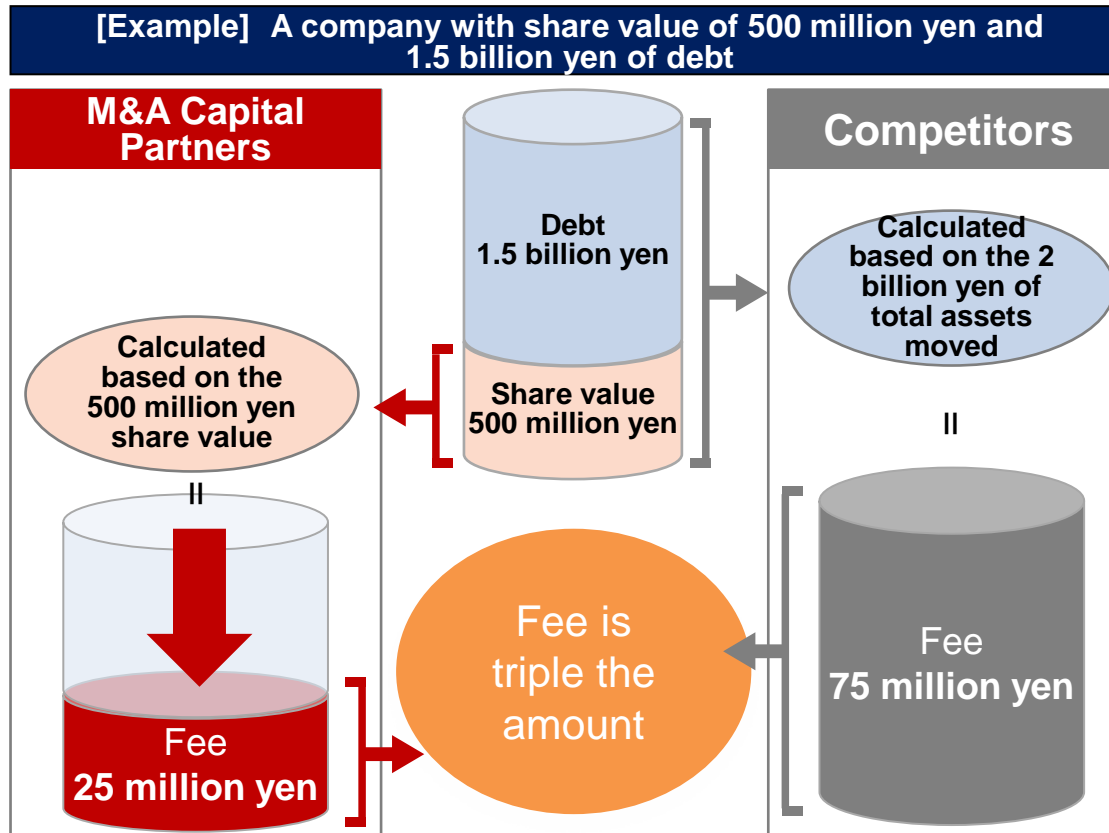
Expenses Required in the Consideration Phase			
	The Company	M&A intermediary business A	Large securities company B
Commencement fee	Free	Paid	Paid
Calculation of company value	Free	Paid	Paid
Monthly fee	Free	Free	Paid



## Fee structure that is convincing for clients

### (2) Use of fee based on share price

- Fees of an M&A intermediary company generally use the Lehman Formula (calculated by multiplying the transaction amount by a certain rate)
- The company's calculations of fees are **based on the share value**. This is more convincing than being based on the moving average of total assets



### Fee Structure (Lehman Formula)

The general Lehman Formula rates used by major financial institutions.

Transaction amount	Commission rate
Up to 500 million yen	5%
500 million yen up to 1 billion yen	4%
1 billion yen up to 5 billion yen	3%
5 billion yen up to 10 billion yen	2%
Over 10 billion yen	1%

e.g.) Calculation of fee when the transaction amount is 2 billion yen

$$\begin{aligned}
 & 500 \text{ million yen} \times 5\% = 25 \text{ million yen} \\
 & + (1 \text{ billion yen} - 500 \text{ million yen}) \times 4\% = 20 \text{ million yen} \\
 & + (2 \text{ billion yen} - 1 \text{ billion yen}) \times 3\% = 30 \text{ million yen} \\
 & \underline{\hspace{10em}} \\
 & \hspace{10em} 75 \text{ million yen}
 \end{aligned}$$



## Stable Results Making Deals

M&A Capital Partners has produced stable results making deals by **focusing on "business succession M&A proposals and advice"** for small and medium enterprises using share transfers or business transfers.

Through the business integration with RECOF Corporation and RECOF DATA Corporation, we will promote M&As to solve challenges like business succession, growth strategies, and industry reorganization, and will strive to become a diversified M&A group that caters to various needs.



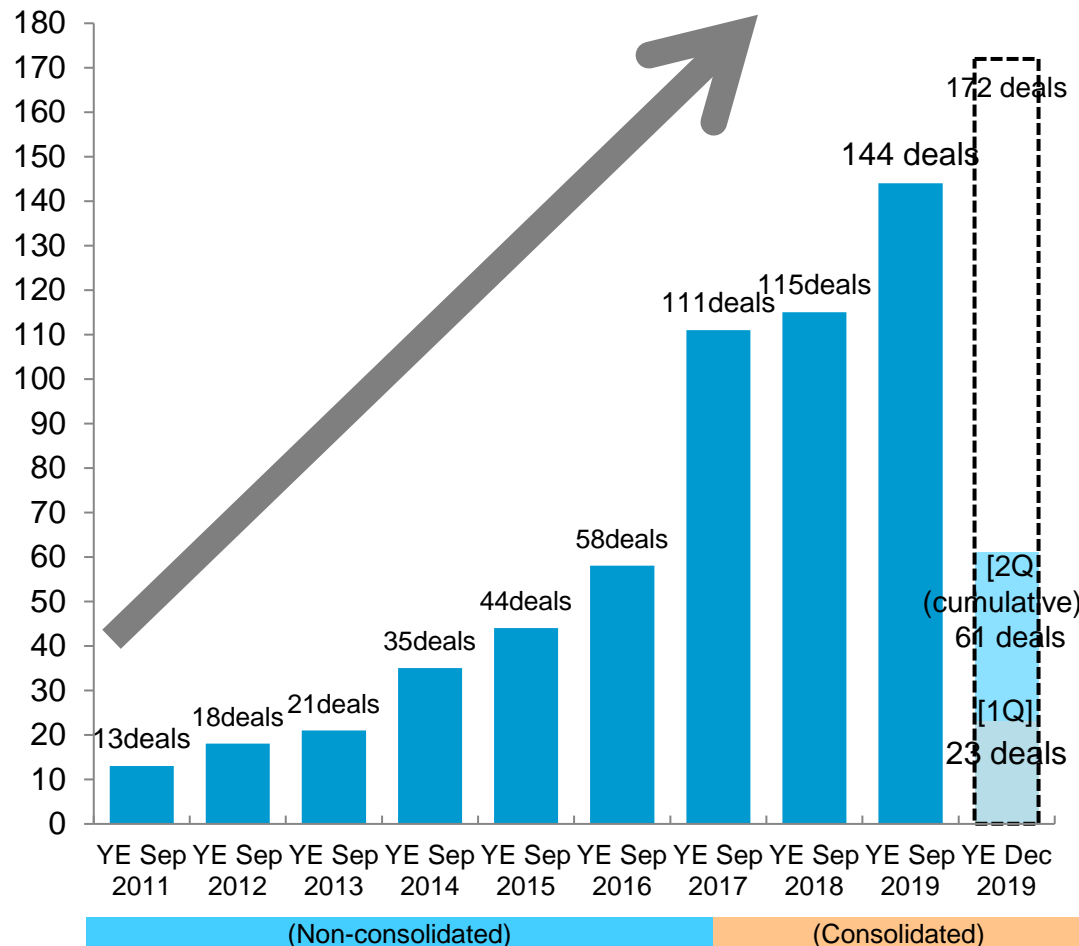
## ***II* Results for the Six Months Ended March 2020 and Forecast for the Year Ending September 2020**

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# Number of Deals Made

	2Q(cumulative)	Forecast for the year	Progress for Entire Year
Number of deals (consolidated)	61	172	35.5%

## Number of Deals Made



- -14.1% Year-on-year
- Despite recovery in 2Q, the dip of 1Q was deep, and results did not reach previous-year levels.

### [Non-consolidated]

**M&A Capital Partners 48 deals**  
(-26.2 % year-on-year)

**RECOF 13 deals**  
(+116.7 % year-on-year)

- Meanwhile, we were able to maintain the number of deals handled (non-consolidated) to 273 (+19.7% year-on-year), and large deals are also progressing well.
- We will continue to focus on the impact of novel coronavirus going forward.

## Earnings for the Six Months Ended March 2020 (Consolidated)

Net sales	<b>5,654 million yen</b>	(-21.3% year-on-year)
Ordinary income	<b>2,386 million yen</b>	(-32.3% year-on-year)
Number of deals	<b>61 deals</b>	(-14.1% year-on-year)
Number of consultants	<b>130</b>	(+16 year-on-year)

**- Although for the Group as a whole, net sales in 2Q were favorable, reaching a record high of 4,358 million yen (+32.1% year on year), the dip recorded in 1Q was deep, and there was also a decline in the number of large deals, which caused results to fall below previous-year levels.**

**- 9 large deal closed (-40.0% year-on-year)**

**- Meanwhile, advances received,\* which is a reference indicator for back orders, accumulated steadily to a record level of 548 million yen (+79.7% year-on-year).**  
**- We will continue to focus on the impact of novel coronavirus going forward.**

\*Advances received: consists mainly of the total of interim payments (10% of fees) received when a Memorandum of Understanding is concluded

## Earnings for the Six Months Ended March 2020 (Non-consolidated)

	M&A Capital Partners		RECOF	
		Year-on-year Change		Year-on-year Change
Net sales	4,774 million yen	-25.7%	892 million yen	+31.1%
Ordinary income	2,294 million yen	-35.6%	191 million yen	+141.8%
Number of deals	48	-26.2%	13	+116.7%
Number of consultants	85	+16	45	+0

- Although net sales in 2Q were favorable, reaching a record high of 3,736 million yen (+24.8% year on year), the dip recorded in 1Q was deep, and there was also a decline in the number of large deals, which caused results to fall below previous-year levels.  
 - 7 large deals closed (-46.2% year-on-year)

- Due to a significant year-on-year increase in deals closed, results substantially exceeded those of the same period in the previous year.  
 - 2 large deal closed (+0% year-on-year)

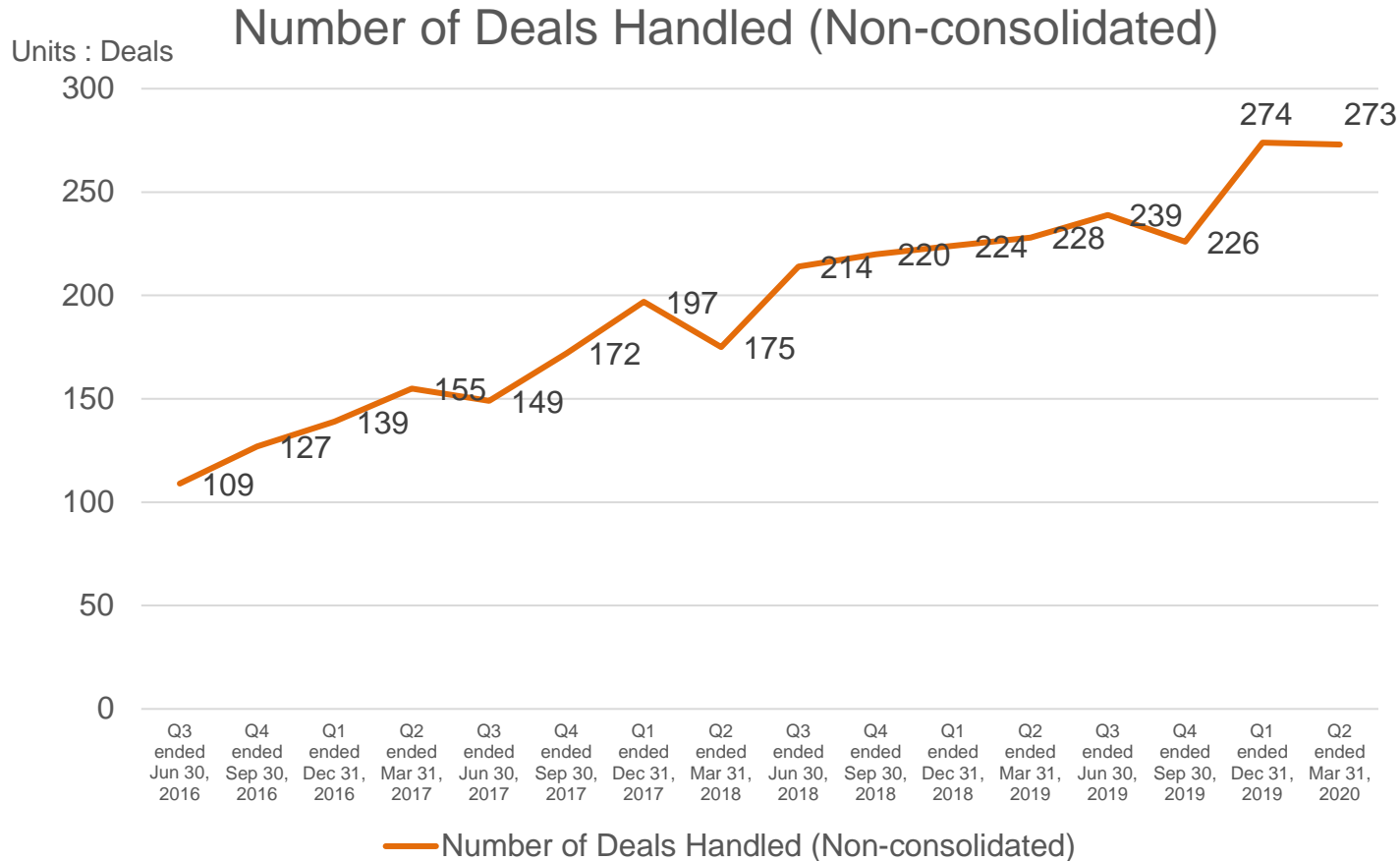
\* Because non-consolidated information is shown, consolidated amortization of goodwill (113 million yen) due to business integration is not included.

\* We have omitted listing Group companies of relatively low importance.





## Number of Deals Handled (Non-consolidated)



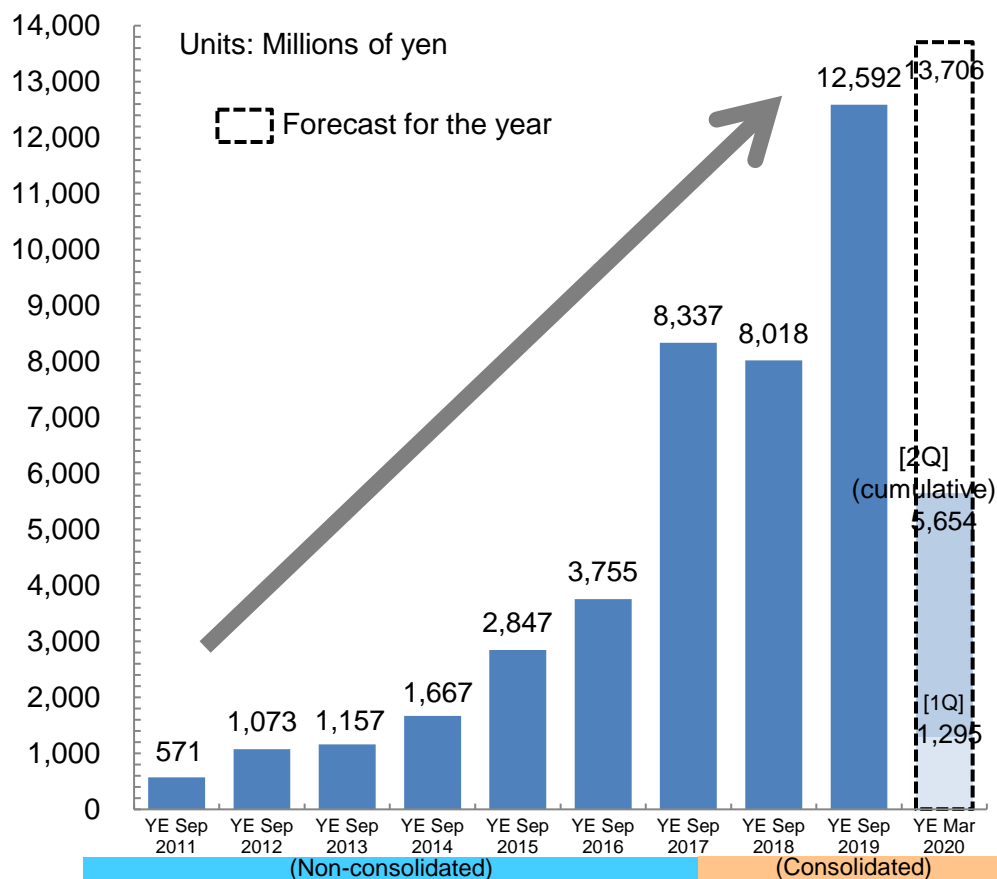
**- We were able to maintain the number of deals handled (non-consolidated) to 273 (+19.7% year-on-year), and large deals are also progressing well.**

# Changes in Earnings

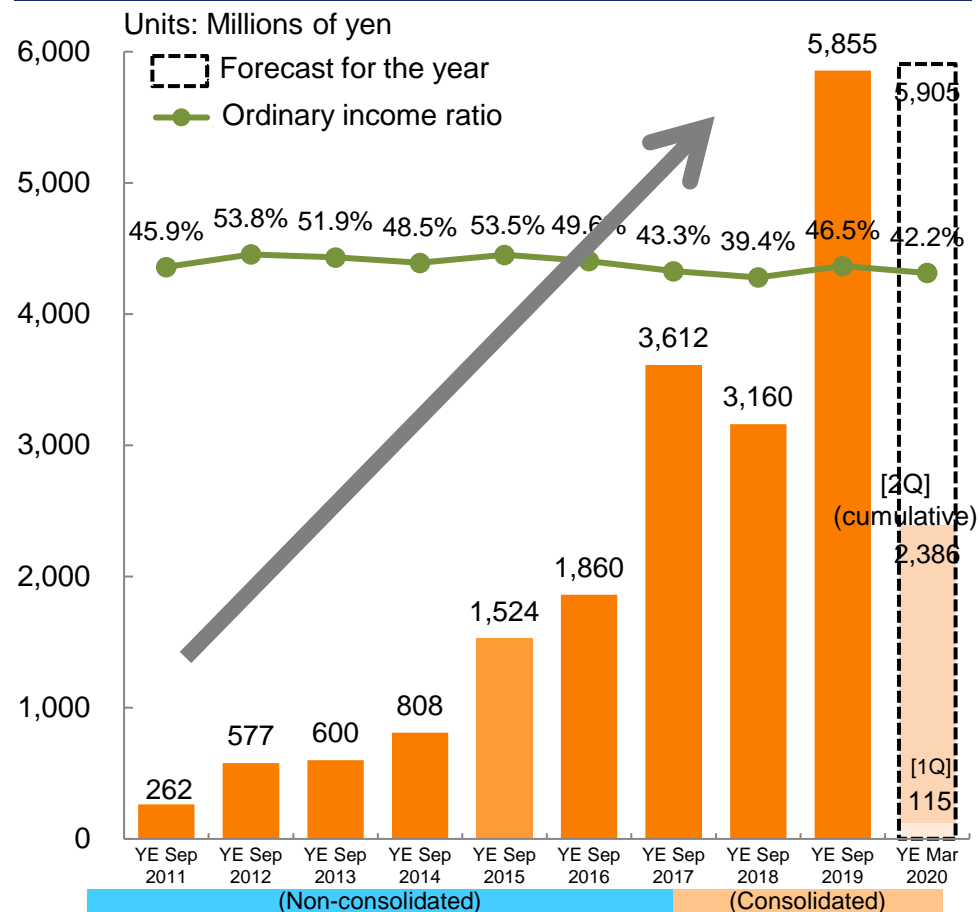
(consolidated)	2Q	Forecast for the year	Progress for Entire Year
Net sales	5,654	13,706	41.3%
Ordinary income	2,386	5,905	40.4%

Units: Millions of yen

## Net sales



## Ordinary income



- In the previous fiscal year, net sales had **increased more than tenfold over the six years** since the year of application for listing (year ended September 30, 2013).

## <Countermeasures for dealing with the spread of novel coronavirus>

### Implemented the following countermeasures for business continuity

- Encouraged those feeling unwell to take time off
- Introduced thorough regimen of washing hands, using alcohol-based disinfectants, and wearing masks
- Strengthened teleworking by working from home
- Began new, free consultation service that does not require face-to-face meetings (email, telephone, video conferencing)
- Reduced the scale of M&A seminars held
- Secured satellite office

## <Impact on results of spread of novel coronavirus>

**We have left full-term results forecasts unchanged, but we are focusing on the impact of novel coronavirus going forward.**

- Refraining from new sales activities and switching to working from home has had an impact on the handling of some deals.
- Due to the uncertainty regarding the results outlook for transferred companies, and other factors, some M&A deals have fallen behind schedule, and there has been slippage on a quarterly basis.
- Our results forecasts for the fiscal year ending September 30, 2020 are unchanged, but we will focus closely on the impact of the novel coronavirus going forward, and in the event that there is a significant effect on results, we will make prompt disclosure.

# Overview of Statements of Income (Consolidated)



(Units: millions of yen, second line is composition ratio)

	Six Months Ended Mar 2019	Six Months Ended Mar 2020		Forecast for the Year Ending September 2020	
			Year-on-year Change		Overview of Performance
Net sales	7,187 (100.0%)	5,654 (100.0%)	-21.3%	<ul style="list-style-type: none"> <li>Although net sales reached a record high of 4,358 million yen in 2Q, the dip recorded in 1Q was deep, leading to a year-on-year decline</li> </ul>	13,706 (100.0%)
Gross profit	4,879 (67.9%)	3,971 (70.2%)	-18.6%	<ul style="list-style-type: none"> <li>Impact of reduced revenue</li> </ul>	
SG&A	1,353 (18.8%)	1,585 (28.0%)	+17.1%	<ul style="list-style-type: none"> <li>Advertising expenses +97</li> <li>Rents +39</li> </ul>	
Operating income	3,525 (49.1%)	2,386 (42.2%)	-32.3%	<ul style="list-style-type: none"> <li>Impact of reduced revenue</li> </ul>	5,900 (43.0%)
Ordinary income	3,526 (49.1%)	2,386 (42.2%)	-32.3%		5,905 (43.1%)
Net income	2,352 (32.7%)	1,538 (27.2%)	-34.6%		4,054 (29.6%)
Number of deals made	71	61	-14.1%	<ul style="list-style-type: none"> <li>Despite recovery in 2Q, the dip of 1Q was deep, and results did not reach previous-year levels</li> </ul>	172
Employees	151	176	+16.6%		

# Overview of Balance Sheets (Consolidated)

(Units: millions of yen, second line is composition ratio)

	September 30, 2019	March 31, 2020		
			Change	Main Factors Causing Change
Current assets	18,627 (88.1%)	19,506 (89.3%)	+879	<ul style="list-style-type: none"> <li>▪ Cash and deposits: +1,045</li> </ul>
Noncurrent assets	2,504 (11.9%)	2,348 (10.7%)	-155	<ul style="list-style-type: none"> <li>▪ Deferred tax assets -52</li> <li>▪ Goodwill: -96 (Amortization of goodwill)</li> </ul>
<b>Total assets</b>	<b>21,131</b> <b>(100.0%)</b>	<b>21,855</b> <b>(100.0%)</b>	<b>+723</b>	
Current liabilities	3,714 (17.6%)	2,877 (13.2%)	-836	<ul style="list-style-type: none"> <li>▪ Income taxes payable -921</li> </ul>
Noncurrent liabilities	212 (1.0%)	224 (1.0%)	+12	
<b>Total liabilities</b>	<b>3,926</b> <b>(18.6%)</b>	<b>3,101</b> <b>(14.2%)</b>	<b>-824</b>	
<b>Total net assets</b>	<b>17,205</b> <b>(81.4%)</b>	<b>18,753</b> <b>(85.8%)</b>	<b>+1,548</b>	<ul style="list-style-type: none"> <li>▪ Retained earnings +1,538</li> </ul>
<b>Total liabilities and net assets</b>	<b>21,131</b> <b>(100.0%)</b>	<b>21,855</b> <b>(100.0%)</b>	<b>+723</b>	



## Market Capitalization

Units: 100 million yen

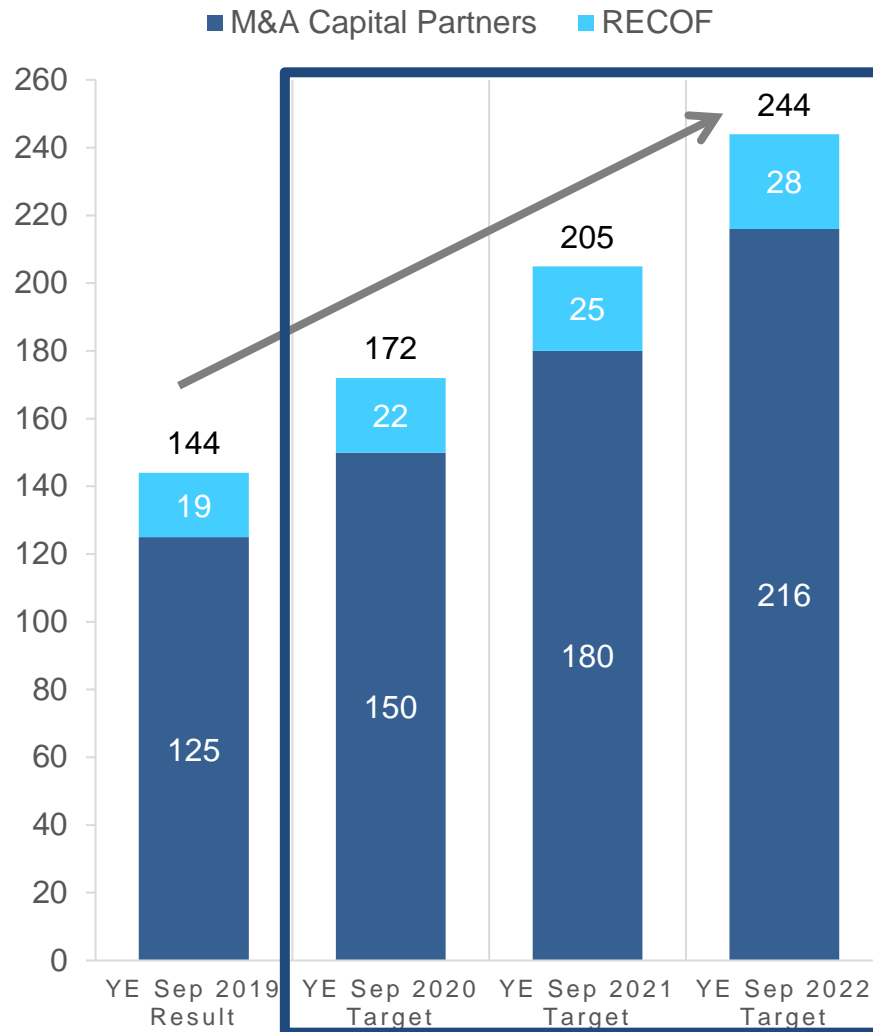


- **Market capitalization has increased approximately sixfold over the six years since listing (November 2013).**

## ***III* Growth Strategy**

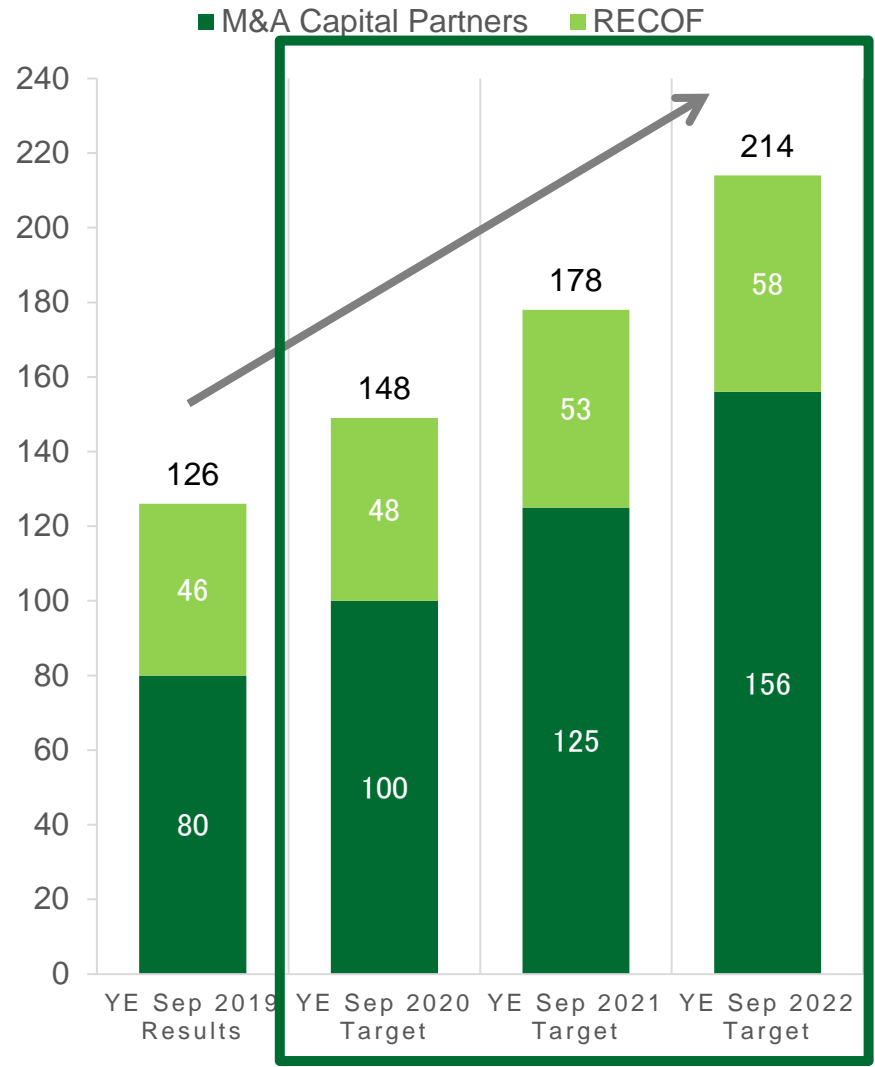
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## Three-year Plan for Number of Deals (Year Ending September 2020 to Year Ending September 2022)



**[Number of Deals]**  
 <M&A Capital Partners>  
**Average increase of 20% per year**  
 <RECOF>  
**Average increase of 10% per year**  
 will be maintained in each company.

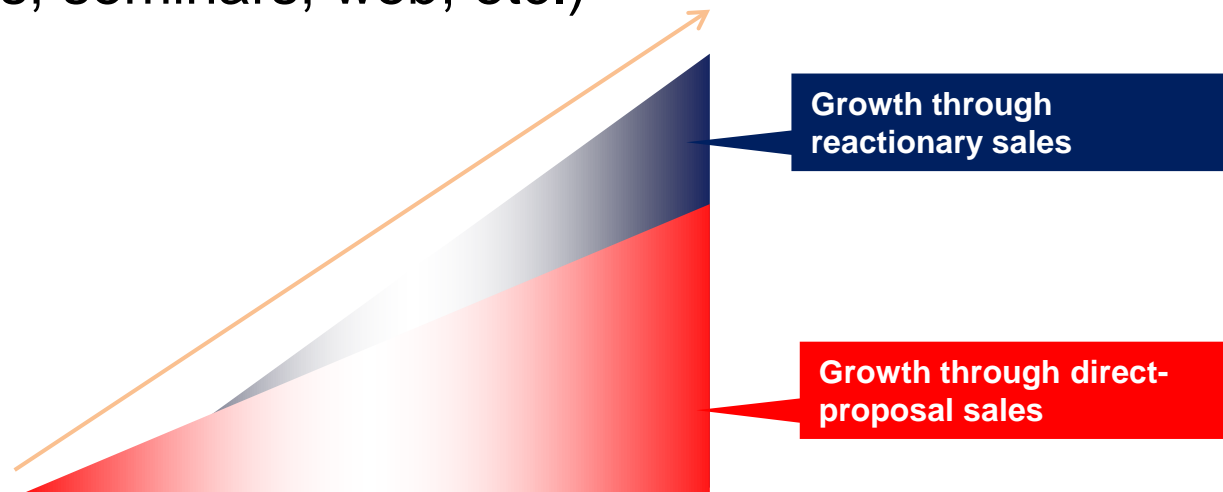
**Three-year Plan for Number of Consultants (Year Ending September 2020 to Year Ending September 2022)**



**[Number of Consultants]**  
 <M&A Capital Partners>  
**Average increase of 25% per year**  
 <RECOF>  
**Average increase of 10% per year**  
 will be maintained in each company.

## <Policies & Initiatives>

- Increase number of deals made, maintaining an average increase of 20% per year (Non-consolidated)
- Continue hiring consultants, maintaining an average increase of 25% per year (Non-consolidated)
- Increase and cultivate target industries for M&A intermediary business
- Strengthening of reactionary sales (TV commercials, referrals, seminars, web, etc.)



## <Broadcasting of Television Commercials>

### [TBS network “Houdo Tokushu”]

- Began airing on “Houdo Tokushu” on TBS’s national network from October 2019.

### [TV Tokyo network “World Business Satellite”]

- Continued airing from August 2018.
- **Additional commercial produced** from October 2019.





## <Strengthening and expansion of referral network>

### [Start of partnership with Mizuho Bank (from August 2019)]

- **Conclusion of business alliance agreement between Mizuho Bank and the Company** to strengthen support for business succession needs of small and medium-sized companies.
- Mizuho Bank refers small and medium-sized companies with needs for business succession through M&A to the Company, which will provide detailed services to meet the succession needs of small and medium-sized companies expected to expand and diversify in future.

### [Strengthening ties with tax accountants, accountants, local banks and securities companies]

- **Actively promoted strengthening of ties with local banks** in the year ended September 30, 2019.
- Also continued to strengthen ties with tax accountants, accountants and securities companies.

## <Seminars>

### [Continue to enhance large-scale M&A seminars held]

Year ended September 2019		➔	Future	
Number held	12 per year		Continue to enhance seminars held as with previous year	
Areas held	Tokyo, Nagoya, Osaka, Fukuoka		Continue to increase seminars in Tokyo and regional cities as with previous year	

\*Due to the spread of the novel coronavirus infection, for seminars held in 2Q we made alcohol-based sprays available, introduced a thorough system of mask-wearing for staff, and reduced the size of the seminars to enable adequate spacing between seats.

## <WEB>

### [Continued to strengthen measures for increase in inquiries from website]

- Web advertising
- SEO measures (maintaining high rank in Web searches)
- Renewal of website

Aiming to be the world's leading investment bank seeking maximum contributions to clients and the happiness of all employees



<Handling of These Materials>

The plans, forecasts and strategies, etc. contained in these materials are forecasts on future performance based on information available at the time the materials were prepared, and these include inherent risk and uncertainty. Actual performance may differ from forecasts and predictions due to such risk and uncertainty.

Information considered useful for explaining our business environment has been provided in these materials. The results in the data may vary depending on the method or timing of the survey.

Information within these materials on other topics besides the Company is quoted from published information and other sources. As such, the accuracy, appropriateness, etc. of the information has not been verified, nor are any guarantees provided thereof.