

(English Translation)

Financial Results for the Second Quarter
of the Fiscal Year Ending September 30, 2020 (under Japan GAAP) (Consolidated)

April 30, 2020

Company name: M&A Capital Partners Co., Ltd. Stock exchange listings:
Tokyo Stock Exchange
Securities code: 6080 (URL: <https://www.ma-cp.com>)
Representative: Satoru Nakamura
President and Representative Director
Contact: Daisuke Uehara Tel: 03-6880-3803
Director and Manager at the Planning Management Department
Scheduled date of filing of quarterly report: May 15, 2020
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on financial results: Yes
Holding of quarterly financial presentation meeting: No (canceled in order to
prevent the spread of novel coronavirus infections)

(Note that all amounts have been rounded down to the nearest one million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Second quarter of fiscal year ending September 30, 2020	¥5,654 million (-21.3%)	¥2,386 million (-32.3%)	¥2,386 million (-32.3%)	¥1,538 million (-34.6%)
Second quarter of fiscal year ended September 30, 2019	¥7,187 million (46.6%)	¥3,525 million (53.2%)	¥3,526 million (53.2%)	¥2,352 million (47.0%)

(Note)

Comprehensive income:

Second quarter of fiscal year ending September 30, 2020: 1,537 million yen (-34.6%)

Second quarter of fiscal year ended September 30, 2019: 2,352 million yen (47.0%)

	Profit per share	Profit (fully diluted) per share
Second quarter of fiscal year ending September 30, 2020	¥49.29	¥48.14
Second quarter of fiscal year ended September 30, 2019	¥75.37	¥74.38

(Note) The Company conducted a two-for-one stock split of its common stock on December 1, 2019. Profit per share and profit (fully diluted) per share are calculated assuming that the stock split took place at the beginning of the fiscal year ended September 30, 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
Second quarter of fiscal year ending September 30, 2020	¥21,855 million	¥18,753 million	85.0%
Fiscal year ended September 30, 2019	¥21,131 million	¥17,205 million	80.7%

(Reference)

Equity:

Second quarter of fiscal year ending September 30, 2020: 18,586 million yen.

Fiscal year ended September 30, 2019: 17,048 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended September 30, 2019	-	¥0.00	-	¥0.00	¥0.00
Fiscal year ending September 30, 2020	-	¥0.00			
Fiscal year ending September 30, 2020 (Forecast)			-	¥0.00	¥0.00

(Note) Revision of dividend forecast since the latest announcement: No

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending September 30, 2020 (From October 1, 2019 to September 30, 2020)

(Percentage figures represent changes from the same period of the previous fiscal year)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
Annual	¥13,706 million (8.9%)	¥5,900 million (0.8%)	¥5,905 million (0.9%)	¥4,054 million (3.3%)	¥129.91

(Note) Revision of financial results forecast since the latest announcement: No

*** Notes**

- (1) Significant changes in subsidiaries during the consolidated cumulative quarter under review (Changes in specified subsidiaries affecting the scope of consolidation): No
- (2) Application of accounting treatment specific to preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: No
- (ii) Changes in accounting policies due to reasons other than (i): No
- (iii) Changes in accounting estimates: No
- (iv) Restatement of prior period financial statements after error corrections: No
- (4) Total number of issued shares (common shares)
- (i) Total number of issued shares as of the end of the period (including treasury shares)
- | | |
|--------------------------|-------------------|
| As of March 31, 2020 | 31,210,000 shares |
| As of September 30, 2019 | 31,210,000 shares |
- (ii) Number of treasury shares as of the end of the period:
- | | |
|--------------------------|------------|
| As of March 31, 2020 | 398 shares |
| As of September 30, 2019 | 398 shares |
- (iii) Average number of shares during the period (cumulative):
- | | |
|---|-------------------|
| Second quarter of fiscal year ending September 30, 2020 | 31,209,602 shares |
| Second quarter of fiscal year ended September 30, 2019 | 31,209,602 shares |

(Note) The Company conducted a two-for-one stock split of its common stock on December 1, 2019. The total number of issued shares is calculated assuming that the stock split took place at the beginning of the fiscal year ended September 30, 2019.

*** The quarterly financial results are not subject to quarterly review by certified public accountants or an audit firm.**

*** Proper usage of the forecast of financial results, and other special matters**

Descriptions or statements concerning projected figures and future outlooks contained within these materials are based on the decisions and assumptions resulting from information currently obtainable by the Company. The possibility exists that due to the intrinsic uncertainty of those decisions and assumptions and/or changes in terms of business operations as well as situational

changes occurring internally/externally, the actual results may substantially differ from the content of projections. These materials do not constitute a guarantee on the part of the Company as to the certainty of any and all content concerning forecasts for the future.

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1. Qualitative Information on Financial Results for the Quarter under Review

(1) Explanation of Operating Results

a. Market conditions

According to the statistical data collected and published by group company RECOF DATA Corporation, the number of M&A deals publicly announced in relation to Japanese companies increased to reach 4,088 in 2019 (January to December), a year-on-year increase of 238 (6.2%) and the highest number since statistics began. On the other hand, the January-March period of 2020 posted a year-on-year decline of 46 deals (4.5%), to 978 deals, the first decrease in three years.

We presume that the spread of the novel coronavirus has had some background impact on the way the number of M&A projects related to domestic companies has switched from increasing to declining. Still, the situation is also one of rising demand for business succession M&A, as can be seen by reports here and there of bankruptcies associated with the novel coronavirus, and we remain focused on determining how the domestic M&A market will be affected.

It is a difficult market environment, but we believe that in this situation it is all the more important for us to fulfill our social responsibility by providing business succession services accomplished through high-quality M&A.

b. Condition of the Group

In the first quarter of the fiscal year ending September 30, 2020, declines in the number of major deals and deals closed led to our results lagging expectations, but during the second quarter we saw steady progress in the closing of major deals, enabling us to record our best-ever quarterly performance and achieve net sales of ¥4,358.859 million.

However, since around February we have seen a minor impact on our sales activities in the form of reduced sizes for hosted seminars. In addition, the introduction of teleworking at companies involved in deals, and restrictions on business trips and the like, have led to delays in the progress of some deals, and uncertainty remains over the outlook going forward.

Under these circumstances, net sales for the Group in the six months ended March 31, 2020, decreased by ¥1,532.945 million (21.3%) year on year, to ¥5,654.192 million. This was mainly attributable to a decrease in the number of deals closed compared to the same period of the previous fiscal year, and especially by a fall in the number of large deals closed, from 15 to nine.

Cost of sales decreased by ¥625.605 million (27.1%) year-on-year to ¥1,682.235 million mainly due to decreases in incentives and subcontract expenses associated with the decrease in net sales.

Selling, general and administrative expenses increased by ¥231.810 million (17.1%) year on year to ¥1,585.135 million, primarily due to a rise in advertising expenses aimed at strengthening the brand and an increase in directors' compensation resulting from the success of directors growing sales, but there was also some impact from rising expenditures caused by the expansion of the business model.

As a result, operating income decreased by ¥1,139.151 million (32.3%) year on year to ¥2,386.821 million, ordinary income decreased by ¥1,139.572 million (32.3%) year on year to ¥2,386.758 million, and profit attributable to owners of parent decreased by

¥813.785 million (34.6%) year on year to ¥1,538.337 million.

In addition, the amount of advances received, which is a useful indicator of orders received, has continued to rise, from ¥353.104 million at the end of the previous fiscal year, to ¥466.716 million at the end of the first quarter, to ¥548.498 million at the end of the second quarter of the fiscal year ending September 30, 2020.

The details of deals closed by the Group, the Company and RECOF are as follows:
Number of deals (consolidated)

Name of type			Cumulative second quarter of fiscal year ended September 30, 2019 (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of fiscal year ending September 30, 2020 (From October 1, 2019 to March 31, 2020)	Year-on-year change	
Whole Group	M&A deals closed		(number of deals)	71	61	-10
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was JPY100 million or more	(number of deals)	15	9	-6
		Number of deals among those wherein amount of processing fees for the deal was less than JPY 100 million	(number of deals)	56	52	-4

Number of deals (non-consolidated)

Name of type			Cumulative second quarter of fiscal year ended September 30, 2019 (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of fiscal year ending September 30, 2020 (From October 1, 2019 to March 31, 2020)	Year-on-year change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	65	48	-17
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was JPY 100 million or more	(number of deals)	13	7	-6
		Number of deals among those wherein amount of processing fees for the deal was less than JPY 100 million	(number of deals)	52	41	-11

Name of type			Cumulative second quarter of fiscal year ended September 30, 2019 (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of fiscal year ending September 30, 2020 (From October 1, 2019 to March 31, 2020)	Year-on-year change	
RECOF Corporation	M&A deals closed		(number of deals)	6	13	+7
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was JPY 100 million or more	(number of deals)	2	2	±0
		Number of deals among those wherein amount of processing fees for the deal was less than JPY 100 million	(number of deals)	4	11	+7

Segment information is omitted because our Group's reporting segment is only the M&A-related services business.

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

(Current assets)

Current assets amounted to ¥19,506.894 million, an increase of ¥879.594 million (4.7%) from the end of the previous fiscal year. This was primarily due to a ¥1,045.813 million increase in cash and deposits and a ¥230.841 million decrease in accounts receivable - trade.

(Non-current assets)

Non-current assets amounted to ¥2,348.403 million, a decrease of ¥155.743 million (6.2%) from the end of the previous fiscal year. This was primarily due to a decrease of ¥96.730 million in goodwill and a decrease of ¥52.316 million in deferred tax assets.

(Current liabilities)

Current liabilities amounted to ¥2,877.713 million, a decrease of ¥836.311 million (22.5%) from the end of the previous fiscal year. This was primarily due to a ¥921.571 million decrease in income taxes payable.

(Non-current liabilities)

Non-current liabilities amounted to ¥224.080 million, an increase of ¥12.073 million (5.7%) from the end of the previous fiscal year. This was attributable mainly to the net defined benefit liability increasing by ¥10.725 million.

(Net assets)

Net assets amounted to ¥18,753.504 million, an increase of ¥1,548.088 million

(9.0%) from the end of the previous fiscal year. This was primarily due to a ¥1,538.337 million increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents (hereinafter referred to as “funds”) at the end of the second quarter under review totaled ¥14,999.289 million, an increase of ¥1,045.813 million (7.50%) from the end of the previous fiscal year.

Each of the cash flows in the cumulative second quarter under review and their respective factors are as follows.

(Cash flows from operating activities)

Funds provided by operating activities amounted to ¥1,074.715 million, a decline of ¥2,834.930 million year on year. This was primarily due to recording income before income taxes of ¥2,386.758 million, and income taxes paid of ¥1,682.735 million.

(Cash flows from investing activities)

Funds used in investing activities amounted to ¥28.189 million, compared to ¥1.624 million used in the same period of the previous year. This was a result of a ¥21.993 million for the purchase of property, plant and equipment and a ¥6.130 million for the purchase of intangible assets.

(Cash flows from financing activities)

There were no cash flows from financing activities. For the same period of the previous year, cash provided by financing activities came to ¥51.620 million.

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

In the first six months of the fiscal year ending September 30, 2020, results fell below the level of the previous fiscal year due to a decline in the number of deals closed.

Forecasting the number of deals closed on a quarterly basis is difficult, but at this point in time we have secured a sufficient number of deals in hand, and the amount of advances received, a useful indicator of orders received, continues to rise, based on which we judge that the full-year forecast is likely to be achieved.

As for the impact of the novel coronavirus on our business, the Group is also refraining from new sales activities, and has switched to working from home, which has had an impact on the handling of some deals.

Our forecasts for the fiscal year ending September 30, 2020 are unchanged from the figures already disclosed, 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.

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

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2019)	Second quarter of fiscal year ending September 30, 2020 (as of March 31, 2020)
Assets		
Current assets		
Cash and deposits	17,953,475	18,999,289
Accounts receivable - trade	565,507	334,666
Allowance for doubtful accounts	(3,240)	(3,240)
Other	111,557	176,179
Total current assets	18,627,300	19,506,894
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	193,686	200,947
Other	60,373	62,463
Total property, plant and equipment	254,059	263,410
Intangible assets		
Trademark right	231,000	214,500
Goodwill	1,354,221	1,257,491
Other	56,521	51,953
Total intangible assets	1,641,742	1,523,945
Investments and other assets, gross		
Lease and guarantee deposits	277,347	272,927
Deferred tax assets	330,961	278,645
Other	35	9,476
Total investments and other assets	608,344	561,048
Total non-current assets	2,504,147	2,348,403
Total assets	21,131,448	21,855,298
Liabilities		
Current liabilities		
Advances received	353,104	548,498
Provision for bonuses	17,814	66,405
Accounts payable - other	1,096,693	1,148,664
Income taxes payable	1,772,523	850,951
Accrued consumption taxes	401,356	163,566
Other	72,533	99,628
Total current liabilities	3,714,025	2,877,713
Non-current liabilities		
Net defined benefit liability	123,266	133,991
Other	88,741	90,089
Total non-current liabilities	212,007	224,080
Total liabilities	3,926,033	3,101,794

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2019)	Second quarter of fiscal year ending September 30, 2020 (as of March 31, 2020)
Net assets		
Shareholders' equity		
Capital stock	2,503,615	2,503,615
Capital surplus	2,493,365	2,493,365
Retained earnings	12,052,240	13,590,578
Treasury shares	(353)	(353)
Total shareholders' equity	17,048,868	18,587,206
Other comprehensive income		
Foreign currency translation adjustment	-	(611)
Total other comprehensive income	-	(611)
Subscription rights to shares	156,546	166,909
Total net assets	17,205,415	18,753,504
Total liabilities and net assets	21,131,448	21,855,298

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

Quarterly Consolidated Statement of Income
For the Six-month Periods

	(Unit: thousand yen)	
	Cumulative second quarter of previous fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of current fiscal year (From October 1, 2019 to March 31, 2020)
Net sales	7,187,137	5,654,192
Cost of sales	2,307,840	1,682,235
Gross profit	4,879,296	3,971,956
Selling, general and administrative expenses	1,353,324	1,585,135
Operating income	3,525,972	2,386,821
Non-operating income		
Interest income	852	864
Miscellaneous income	25	519
Total non-operating income	877	1,384
Non-operating expenses		
Loss on retirement of non-current assets	0	248
Miscellaneous loss	519	1,199
Total non-operating expenses	519	1,447
Ordinary income	3,526,330	2,386,758
Income before income taxes	3,526,330	2,386,758
Income taxes - current	1,263,523	796,202
Income taxes - deferred	(89,316)	52,217
Total income taxes	1,174,206	848,420
Profit	2,352,123	1,538,337
Profit attributable to owners of parent	2,352,123	1,538,337

Quarterly Consolidated Statement of Comprehensive Income
For the Six-month Periods

	(Unit: thousand yen)	
	Cumulative second quarter of previous fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of current fiscal year (From October 1, 2019 to March 31, 2020)
Profit	2,352,123	1,538,337
Other comprehensive income		
Foreign currency translation adjustment	-	(611)
Total other comprehensive income	-	(611)
Comprehensive income	2,352,123	1,537,726
(Comprehensive income attributable to:)		
Comprehensive income attributable to owners of parent	2,352,123	1,537,726

(3) Quarterly Consolidated Statement of Cash Flows

	(Unit: thousand yen)	
	Cumulative second quarter of previous fiscal year (From October 1, 2018 to March 31, 2019)	Cumulative second quarter of current fiscal year (From October 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income before income taxes	3,526,330	2,386,758
Depreciation	37,378	39,633
Amortization of goodwill	96,730	96,730
Depreciation and amortization on other	16,500	16,500
Loss on retirement of non-current assets	0	248
Interest income	(852)	(864)
Decrease (increase) in notes and accounts receivable - trade	(277,835)	230,841
Increase (decrease) in accounts payable - other	754,020	40,042
Increase (decrease) in provision for bonuses	33,599	48,590
Increase (decrease) in provision for directors' bonuses	(1,567)	(314)
Increase (decrease) in net defined benefit liability	(2,508)	10,725
Increase (decrease) in advances received	(130,672)	195,394
Decrease/increase in consumption taxes receivable/payable	250,046	(238,285)
Other	110,569	(69,413)
Subtotal	4,411,738	2,756,585
Interest income received	852	864
Income taxes paid	(502,945)	(1,682,735)
Cash flows from operating activities	3,909,645	1,074,715
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,456)	(21,993)
Purchase of intangible assets	(11,072)	(6,130)
Payments into time deposits	(4,000,000)	(4,000,000)
Proceeds from withdrawal of time deposits	4,000,000	4,000,000
Payments for lease and guarantee deposits	(1,101)	(1,330)
Proceeds from collection of lease and guarantee deposits	21,006	1,264
Cash flows from investing activities	(1,624)	(28,189)
Cash flows from financing activities		
Proceeds from issuance of subscription rights to shares	51,620	-
Cash flows from financing activities	51,620	-
Effect of exchange rate change on cash and cash equivalents	-	(711)
Increase (decrease) in cash and cash equivalents	3,959,641	1,045,813
Cash and cash equivalents at beginning of period	8,226,972	13,953,475
Cash and cash equivalents at end of period	12,186,613	14,999,289

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(4) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.