

M&A Capital Partners Co., Ltd.

Presentation Materials for the Earnings Briefing for the Year Ended September 2020

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



October 30, 2020

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

Trade Name	M&A Capital Partners Co., Ltd.
Listed Market	Tokyo Stock Exchange First Section (Securities Code: 6080) 
Address	38F, Gran Tokyo North Tower, 1-9-1 Marunouchi, Chiyoda-ku, Tokyo
Business Content	M&A-related services
Representative	Satoru Nakamura, President and Representative Director
Established	October 2005
Capital	2,503 million yen (as of September 30, 2020)
Employees	Consolidated: 199 Non-consolidated: 122 (as of September 30, 2020)
Affiliates	RECOF Corporation, RECOF DATA Corporation
Management Philosophy	Aiming to be the world's leading investment bank seeking maximum contributions to clients and the happiness of all employees

Business Content

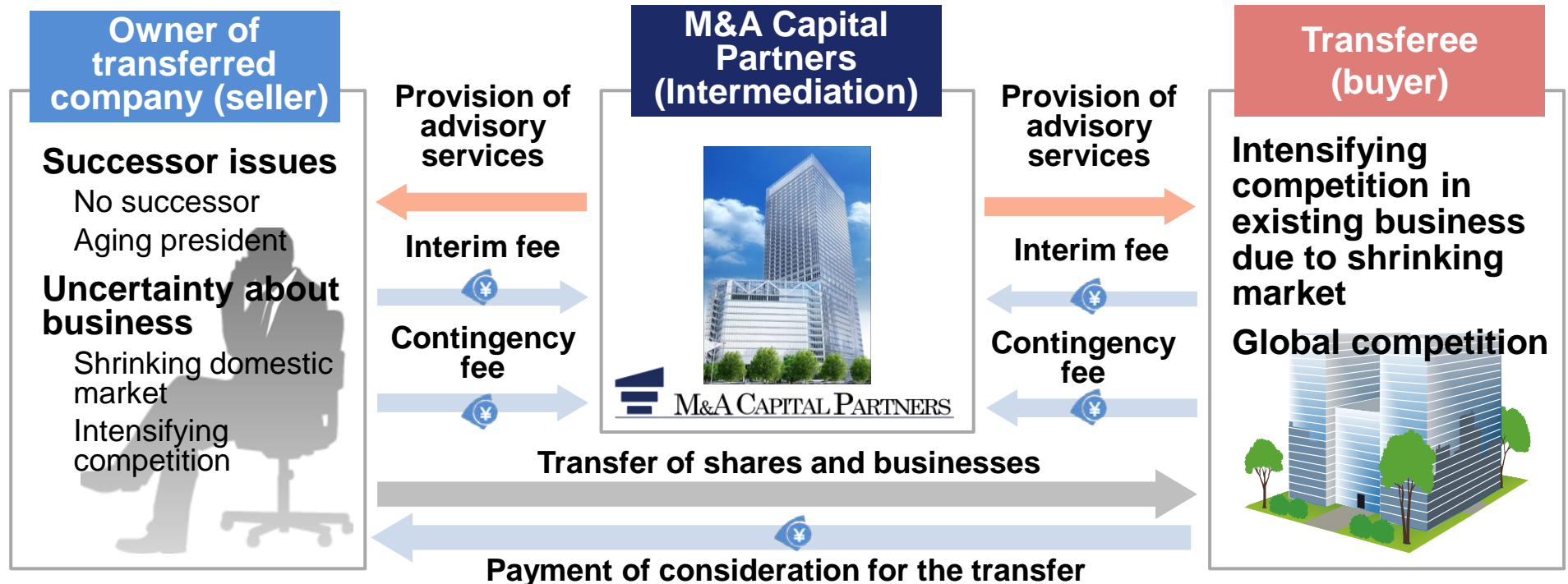
M&A-related services are our main business.

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



Fee structure that is convincing for clients

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

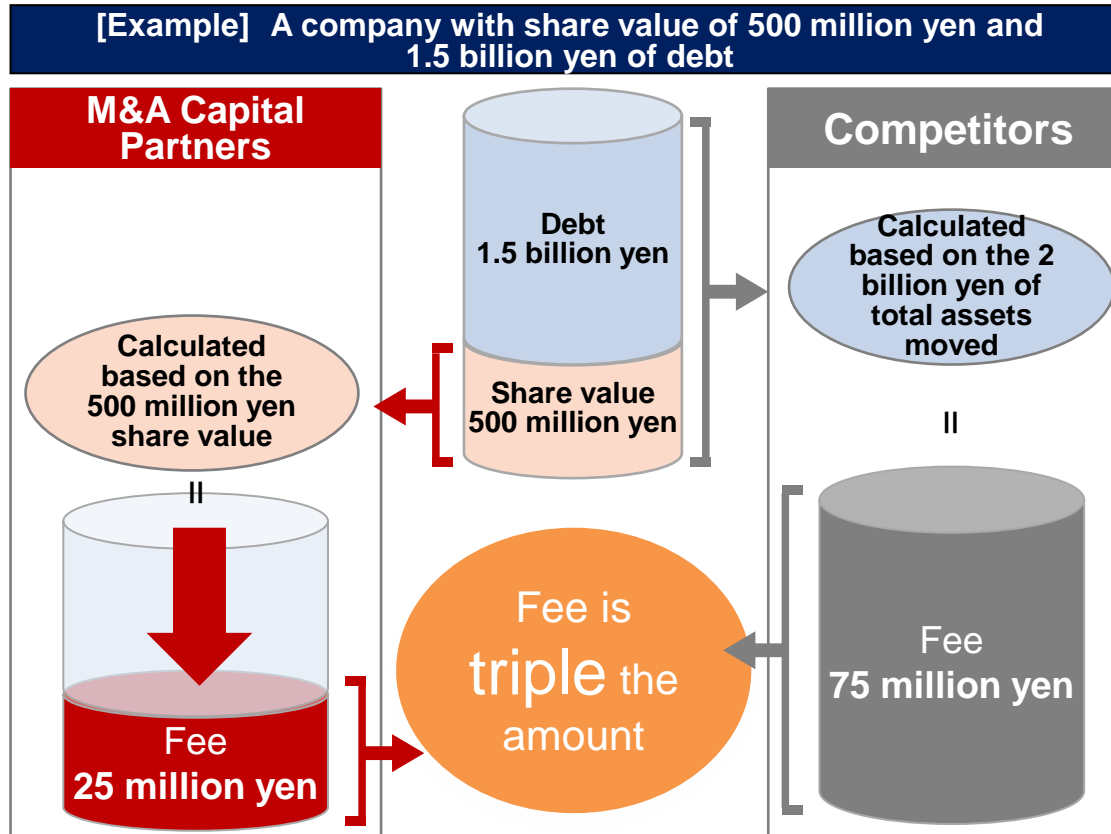
Fee schedule in which clients **do not bear expenses** until the conclusion of a Memorandum of Understanding

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

$$\begin{aligned}
 & 500 \text{ million yen} \times 5\% = 25 \text{ million yen} \\
 & + (1 \text{ billion yen} - 500 \text{ million yen}) \times 4\% = 20 \text{ million yen} \\
 & + (2 \text{ billion yen} - 1 \text{ billion yen}) \times 3\% = 30 \text{ million yen} \\
 & \underline{\hspace{1.5cm}} \\
 & 75 \text{ million yen}
 \end{aligned}$$

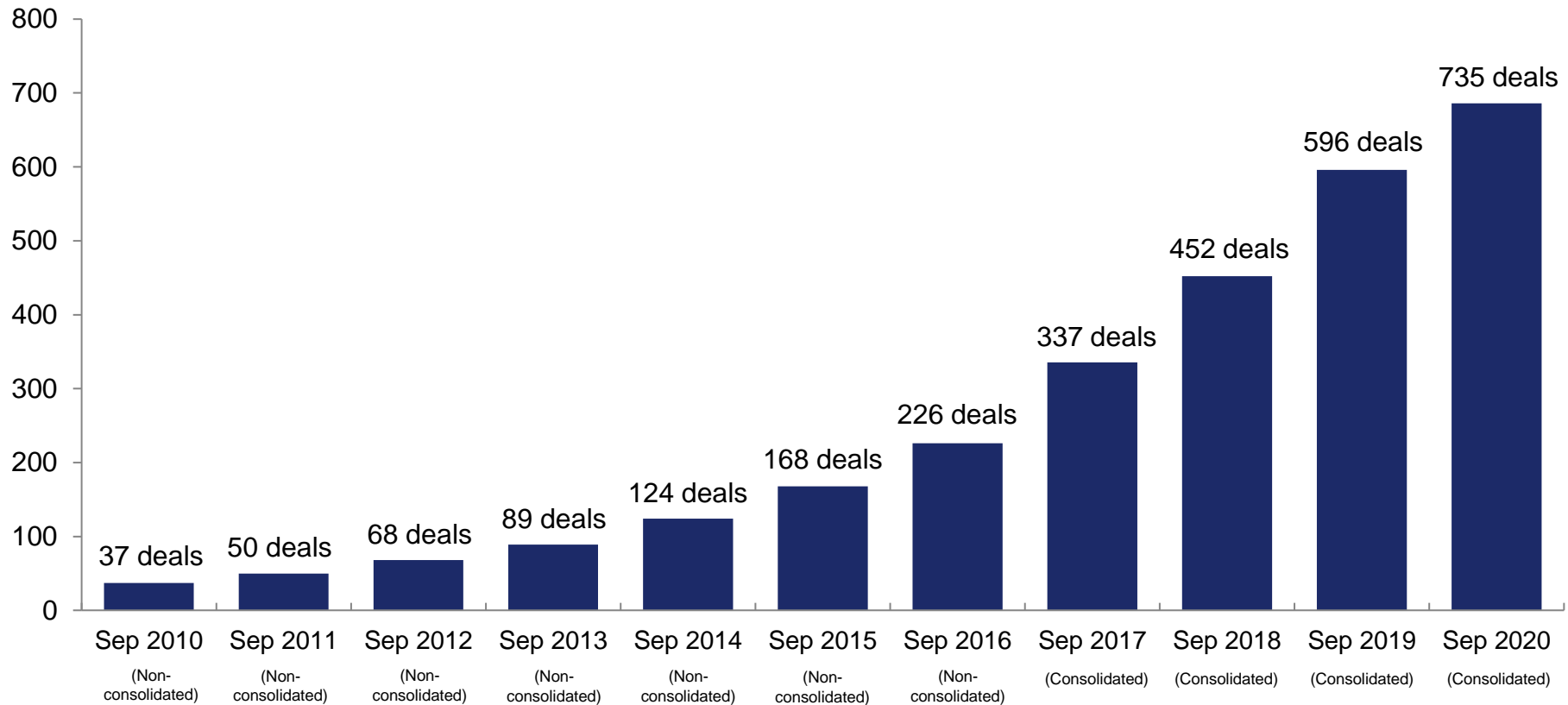


Stable Results Making Deals

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.

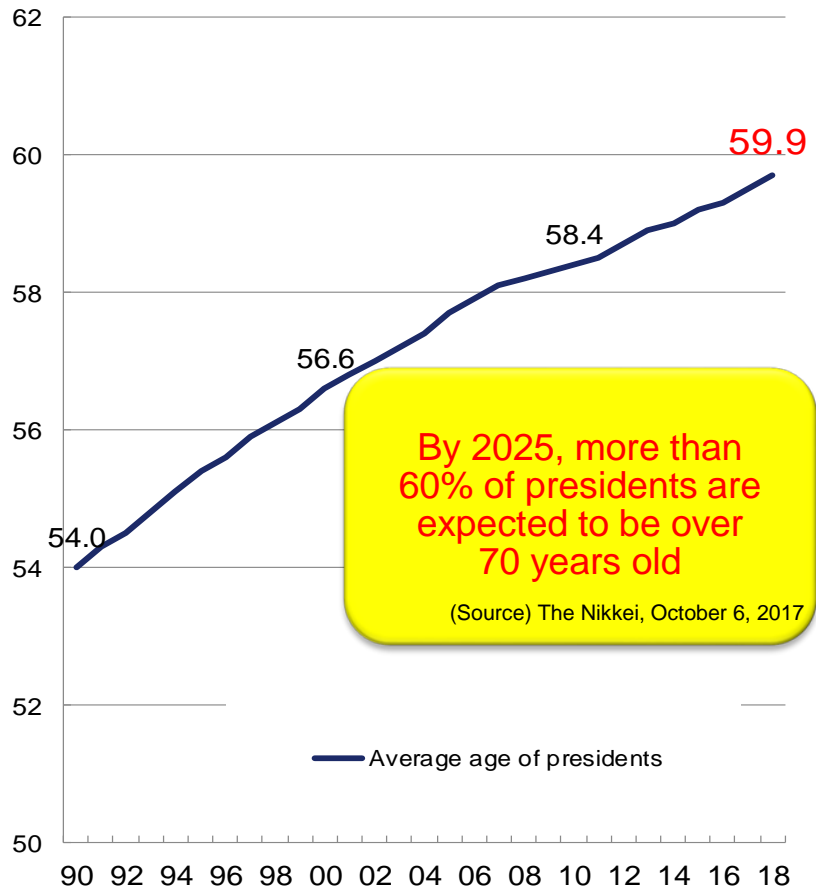
Cumulative Number of Deals Made



***II* Business Environment**

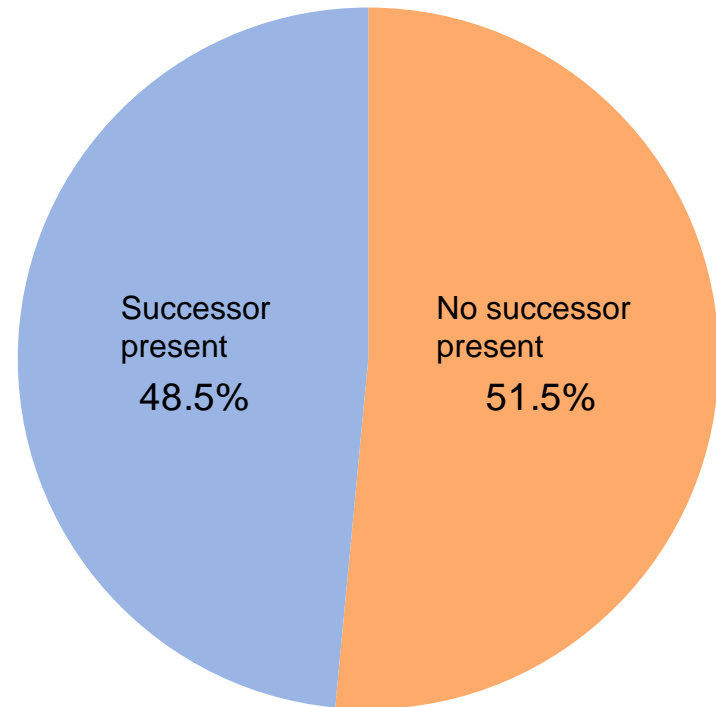
As the ages of company presidents increase, companies lacking successors have become the majority

Average Age of Presidents and Rate of Replacement



(Source) Teikoku Databank "Nationwide Analysis of Company Presidents"

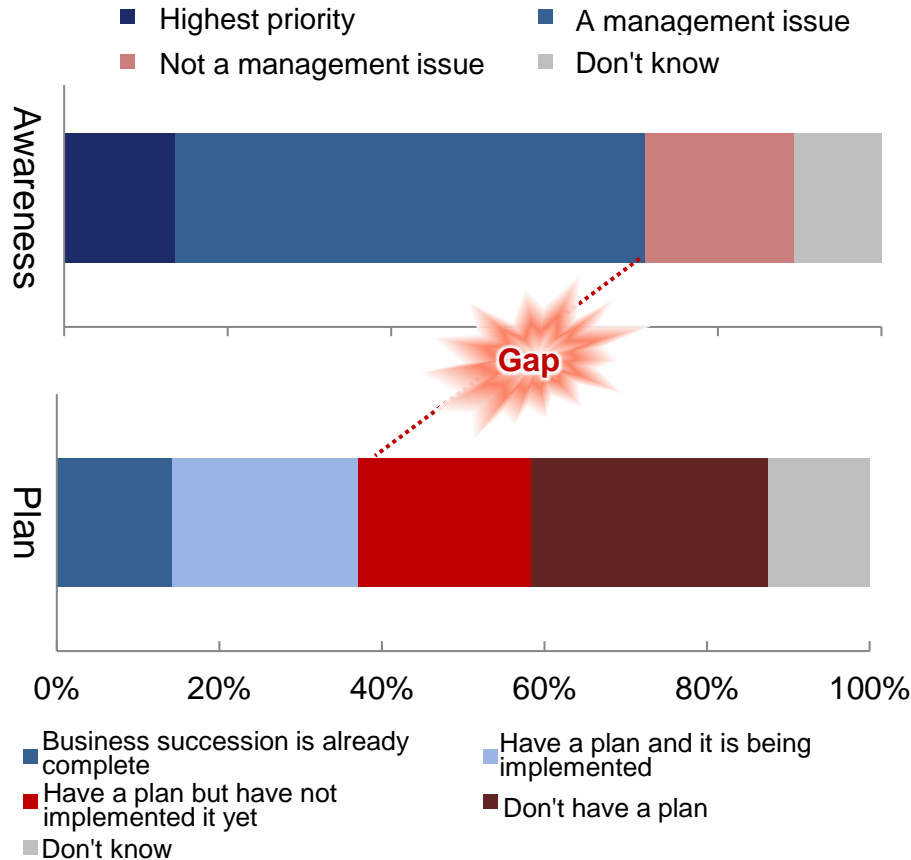
Successors in Companies with a President Aged 60 or More



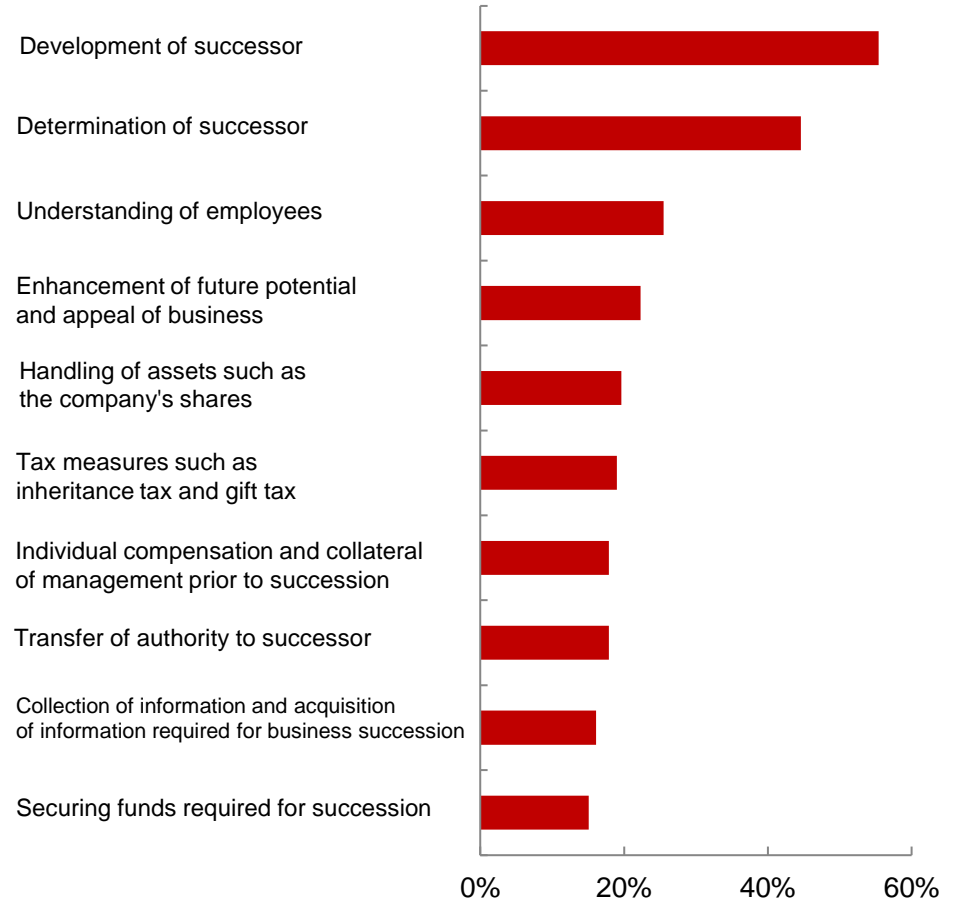
(Source) Teikoku Databank "Nationwide Analysis of Owner-operated Companies"

Despite being aware of the issue of business succession, there is almost no planning for business succession (there is potential demand)

Awareness and Planning of Business Succession

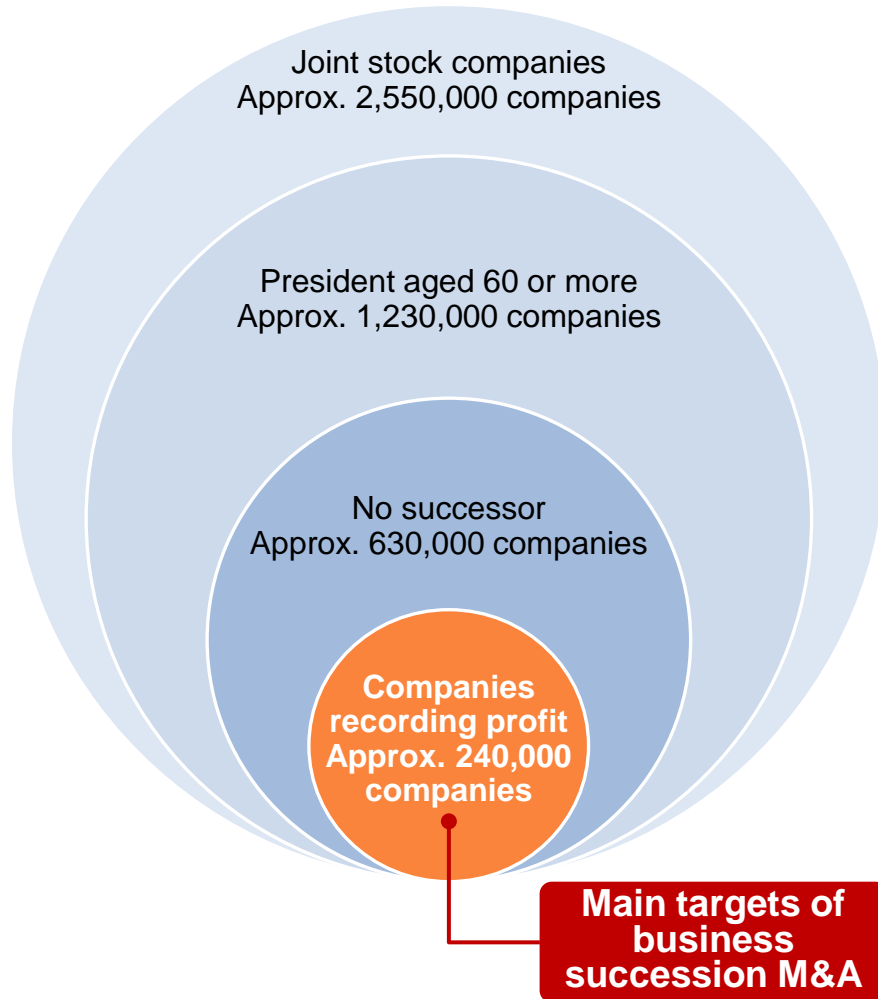


Things That Seem to Present Difficulties in Business Succession



(Source) Teikoku Databank "Awareness Survey of Companies Concerning Business Succession"

Targets of Business Succession M&A



Market Environment

It is estimated that the targets for business succession M&A number **around 240,000**

Our company handles 139 deals per year and **even the biggest player only handles 451 deals**

The business succession M&A **market is extremely large**

Able to grow steadily by continually hiring consultants

Focus on M&A intermediary business centered on business succession M&A

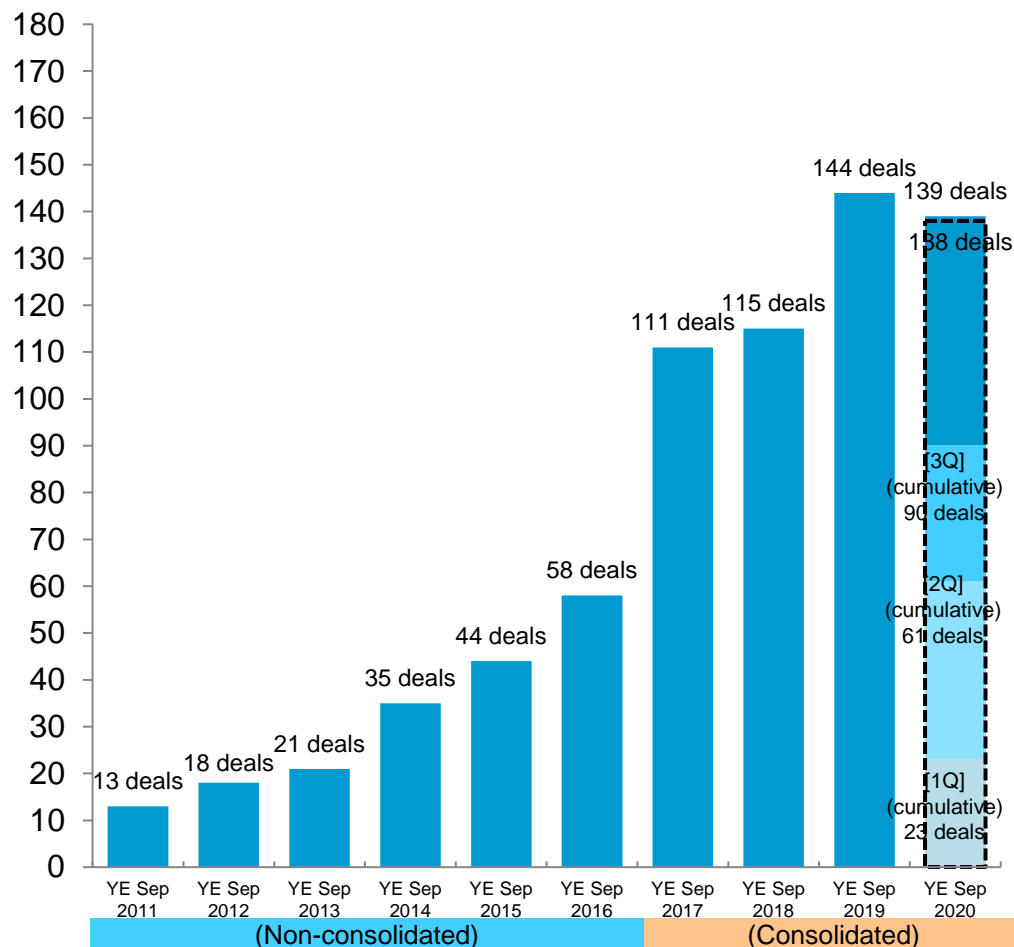
(Sources) Estimated by M&A Capital Partners based on Teikoku Databank "Nationwide Analysis of Company Presidents", Teikoku Databank "Nationwide Analysis of Owner-operated Companies" and National Tax Agency "Results of Sample Survey of Companies"

***III* Results for the Year Ended September 2020 and Forecast for the Year Ending September 2021**

Number of Deals Made

	Result for the year	Forecast for the year (revised)	Forecast for the year (revised)
Number of deals (consolidated)	139	138	100.7%

Number of Deals Made



- **-3.5% Year-on-year**
 - **Although a record number of 49 deals were closed in 4Q**, this was unable to absorb the delay until 3Q, which caused results to fall below previous-year levels.

[Non-consolidated]

M&A Capital Partners 118 deals
 (-5.6% year-on-year)

RECOF 21 deals
 (+10.5% year-on-year)

- **Meanwhile, the number of active deals (non-consolidated) increased significantly to a record level of 328 (+45.1% year-on-year)**, and large deals are also progressing well.

Earnings for the Year Ended September 2020 (Consolidated)

Net sales	11,871 million yen	(-5.7% year-on-year)
Ordinary income	5,050 million yen	(-13.7% year-on-year)
Number of deals	139 deals	(-3.5% year-on-year)
Number of consultants	151	(+25 year-on-year)

- Although for the Group as a whole, **net sales in 4Q were favorable, reaching a record high of 3,496 million yen (+30.7% year-on-year)**, the delay until 3Q could not be absorbed, which caused results to fall below previous-year levels.
- 24 large deals closed (-11.1% year-on-year)

- Meanwhile, advances received,* which is a reference indicator for **back orders**, accumulated steadily to **a record level of 628 million yen (+77.9% year-on-year)**.
- **We will continue to monitor 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 Year Ended September 2020 (Non-consolidated)

	M&A Capital Partners		RECOF	
		Year-on-year Change		Year-on-year Change
Net sales	10,191 million yen	-6.7%	1,594 million yen	+6.0%
Ordinary income	4,957 million yen	-15.0%	297 million yen	+19.7%
Number of deals	118	-5.6%	21	+10.5%
Number of consultants	100	+20	51	+5

- **Although net sales in 4Q were favorable, reaching a record high of 3,274 million yen (+55.4% year-on-year), this was unable to absorb the delay until 3Q, which caused results to fall below previous-year levels.**

- **21 large deals closed (-12.5% year-on-year)**

Due to the number of deals closed increasing by 2 from the previous year, results exceeded those of the same period in the previous year.

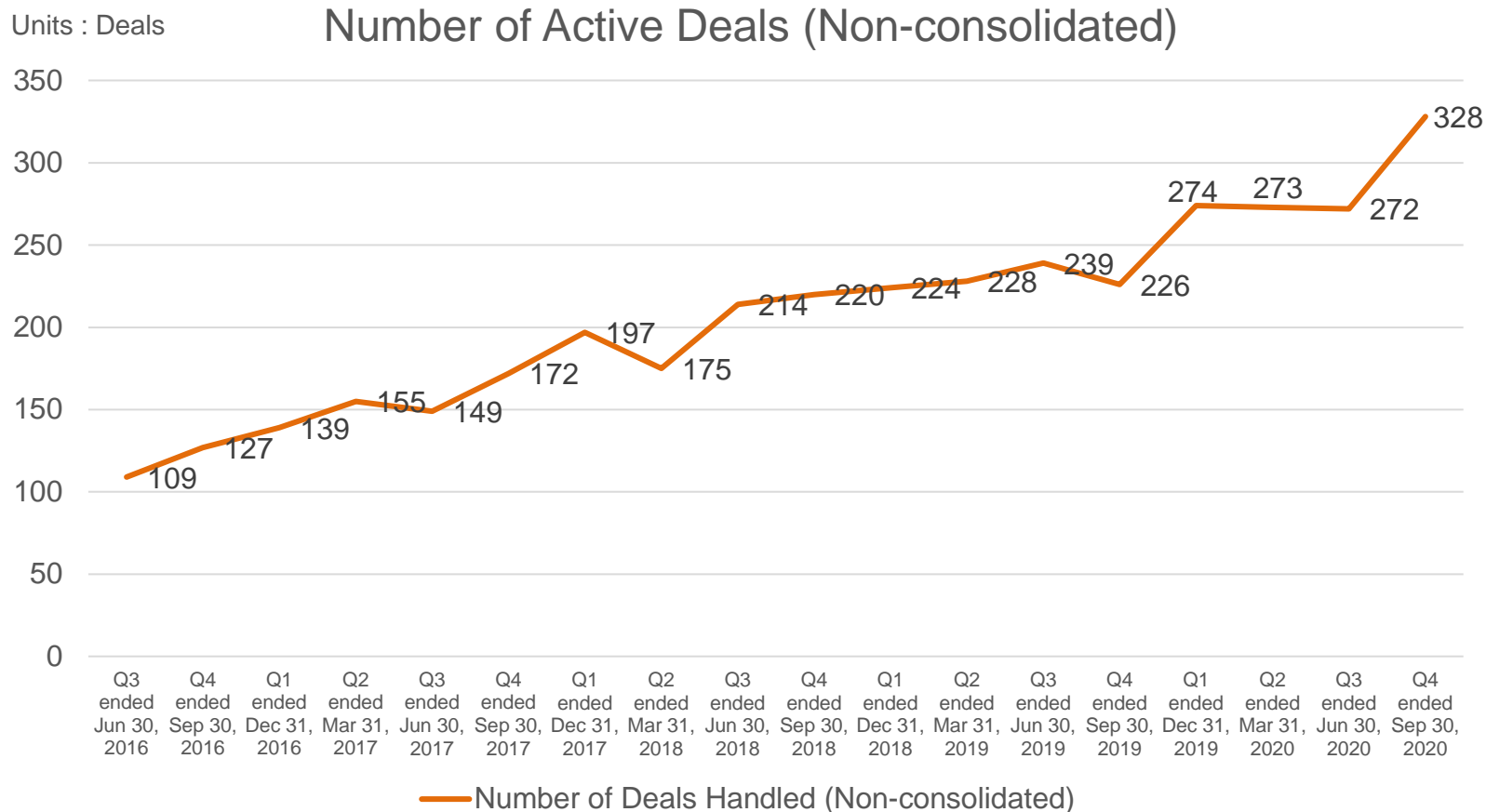
- **3 large deals closed ($\pm 0\%$ year-on-year)**

* Because non-consolidated information is shown, consolidated amortization of goodwill (226 million yen) due to business integration is not included.

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

* The figures for RECOF are consolidated figures including RECOF Vietnam Co., Ltd.

Number of Active Deals (Non-consolidated)



- The number of active deals (non-consolidated)(*) increased significantly to a record level of 328 (+45.1% year-on-year), and large deals are also progressing well.

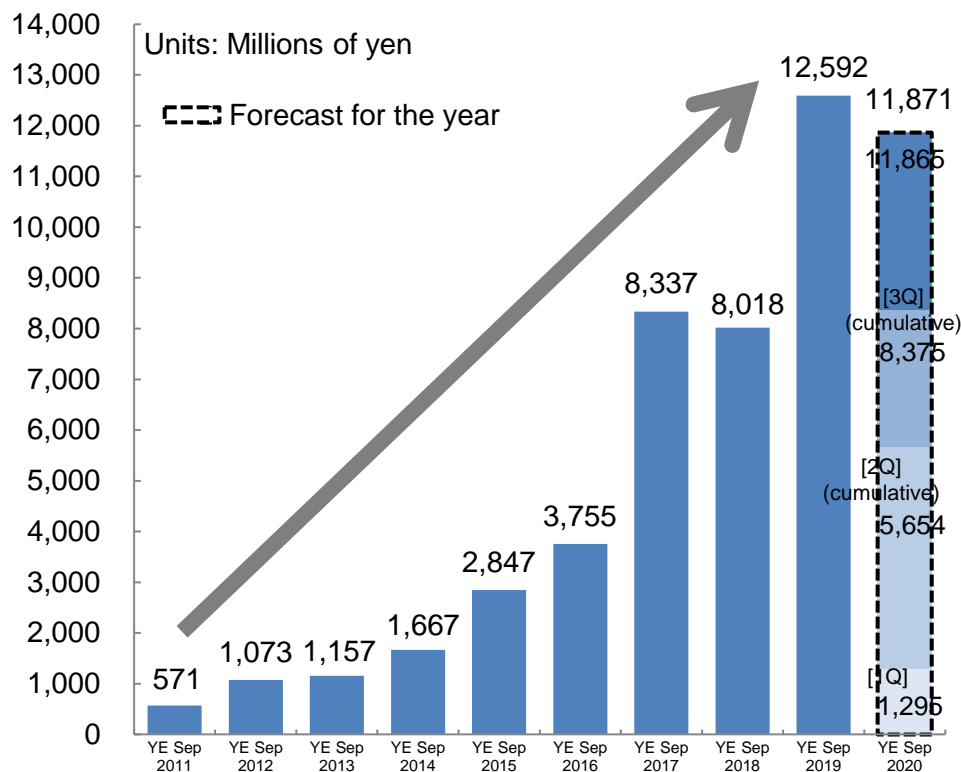
* Number of active deals: This count only includes deals that are proceeding toward closure based on the Company's own highly precise standards (such as activity within the past month), and is not the number of the newly deals accepted.

Changes in Earnings

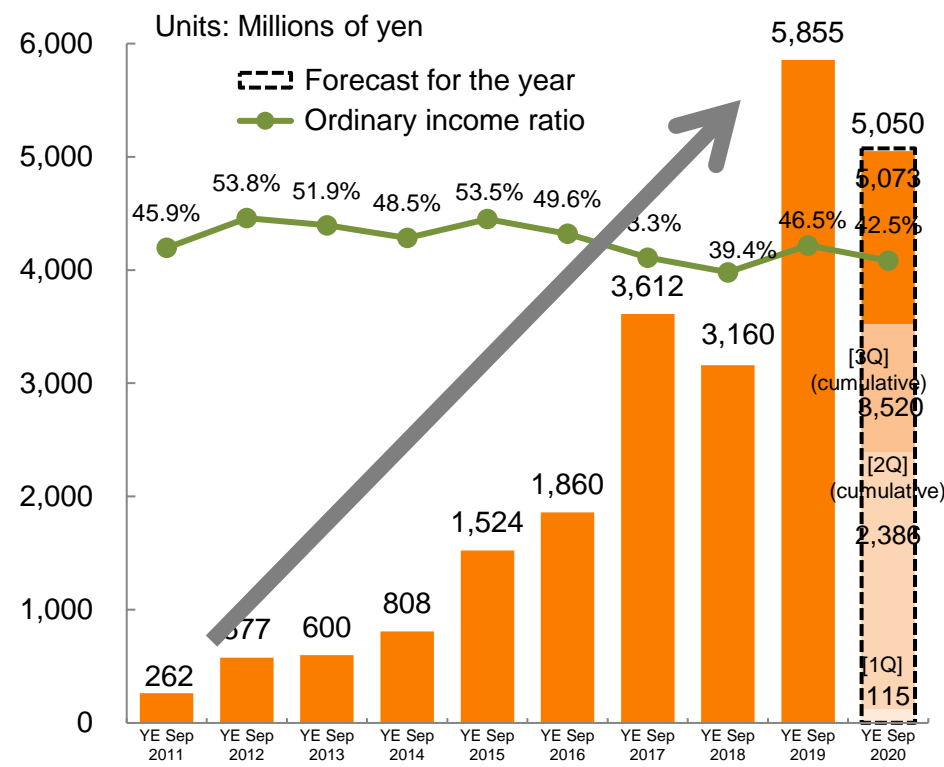
(consolidated)	Result for the year	Forecast for the year (revised)	Progress for entire year (revised)
Net sales	11,871	11,865	100.1%
Ordinary income	5,050	5,073	99.6%

Units: Millions of yen

Net sales



Ordinary income



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

<Impact on results of the spread of novel coronavirus>

The full-year forecast for the fiscal year ending September 30, 2021 assumes that economic activities will not significantly slow due to the spread of new infections of novel coronavirus, and we will continue to monitor the impact of novel coronavirus.

- In the year ended September 30, 2020, some deals fell behind schedule during the third quarter due to the impact of novel coronavirus.
- Meanwhile, the number of active deals has increased significantly even during the coronavirus pandemic, and advances received, which is a reference indicator for back orders, also accumulated steadily.
- The full-year forecast for the fiscal year ending September 30, 2021 assumes that economic activities will not significantly slow due to the spread of new infections of novel coronavirus, and we will continue to monitor the impact of novel coronavirus, promptly disclosing any significant impact on results.

Overview of Statements of Income (Consolidated)



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

	Year Ended September 2019	Year Ended September 2020		Forecast for the Year Ending September 2021	
			Year-on-year Change		Overview of Performance
Net sales	12,592 (100.0%)	11,871 (100.0%)	- 5.7%	<ul style="list-style-type: none"> Although net sales in 4Q were favorable, reaching a record high of 3,496 million yen, this was unable to absorb the delay until 3Q. 	14,030 (100.0%)
Gross profit	8,441 (67.0%)	7,968 (67.1%)	- 5.6%	<ul style="list-style-type: none"> Impact of reduced revenue 	
SG&A	2,585 (20.5%)	2,916 (24.6%)	+12.8%	<ul style="list-style-type: none"> Rents +109 Advertising expenses +83 Commission expenses +59 	
Operating income	5,855 (46.5%)	5,051 (42.6%)	- 13.7%	<ul style="list-style-type: none"> Impact of reduced revenue 	6,211 (44.3%)
Ordinary income	5,855 (46.5%)	5,050 (42.5%)	- 13.7%		6,210 (44.3%)
Net income	3,925 (31.2%)	3,407 (28.7%)	- 13.2%		4,173 (29.7%)
Number of deals made	144	139	- 3.5%	<ul style="list-style-type: none"> Although the number of deals made in 4Q reached a record high of 49, this was unable to absorb delays. 	166
Employees	169	199	+17.8%		

Overview of Balance Sheets (Consolidated)

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

	September 30, 2019	September 30, 2020		
			Change	Main Factors Causing Change
Current assets	18,627 (88.1%)	21,673 (90.1%)	+ 3,046	<ul style="list-style-type: none"> ▪ Cash and deposits: +3,408
Noncurrent assets	2,504 (11.9%)	2,386 (9.9%)	- 117	<ul style="list-style-type: none"> ▪ Deferred tax assets -101 ▪ Goodwill: -193 (Amortization of goodwill)
Total assets	21,131 (100.0%)	24,060 (100.0%)	+ 2,928	
Current liabilities	3,714 (17.6%)	3,199 (13.3%)	- 514	<ul style="list-style-type: none"> ▪ Advances received +275 ▪ Accounts payable - other +252 ▪ Income taxes payable -931
Noncurrent liabilities	212 (1.0%)	229 (1.0%)	+ 17	
Total liabilities	3,926 (18.6%)	3,428 (14.2%)	- 497	
Total net assets	17,205 (81.4%)	20,632 (85.8%)	+ 3,426	<ul style="list-style-type: none"> ▪ Retained earnings +3,407
Total liabilities and net assets	21,131 (100.0%)	24,060 (100.0%)	+ 2,928	

Market Capitalization

Units: 100 million yen



- Market capitalization has **increased more than elevenfold** over the **seven years** since listing (November 2013).

Earnings Forecasts for the Year Ending September 2021 (Consolidated)

Net sales	14,030 million yen	(+18.2% year-on-year)
Ordinary income	6,210 million yen	(+23.0% year-on-year)
Profit attributable to owners of parent	4,173 million yen	(+22.5% year-on-year)
Number of deals	166 deals	(+19.4% year-on-year)
Number of consultants	176	(+25 year-on-year)

- **Closing of 29 large deals (forecast)**
- **Hiring of consultants will continue in an effort to increase the number of deals**
- **Strengthening of reactionary sales (seminars, web, TV commercials, referrals, etc.)**

Earnings Forecasts for the Year Ending September 2021 (Non-consolidated)

	M&A Capital Partners		RECOF	
		Year-on-Year Changes		Year-on-Year Changes
Net sales	12,014 million yen	+17.9%	1,792 million yen	+12.4%
Ordinary income	6,081 million yen	+22.7%	372 million yen	+25.2%
Number of deals	140	+18.6%	26	+23.8%
Number of consultants	125	+25	51	±0

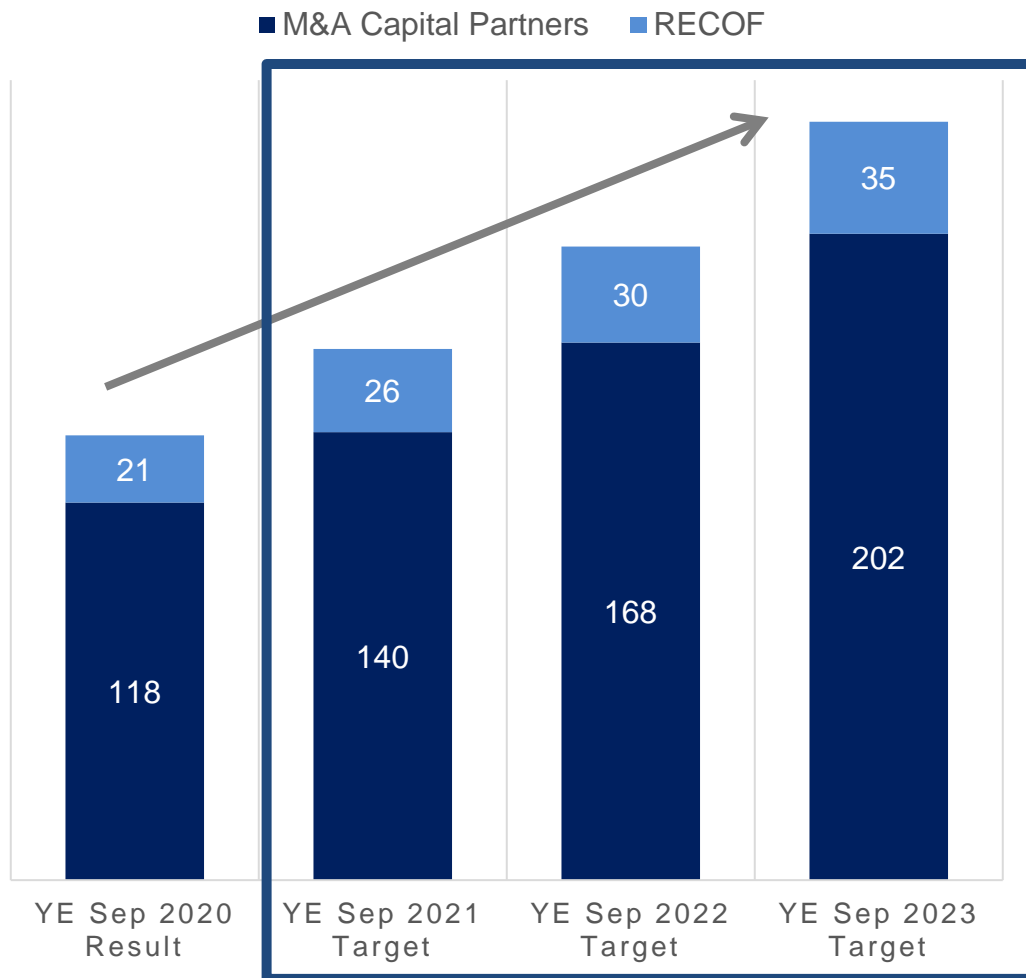
- Closing of 25 large deal (forecast)

- Closing of 4 large deal (forecast)

- * Because non-consolidated information is shown, amortization (226 million yen) due to business integration is not included.
- * We have omitted listing Group companies of relatively low importance.
- * The figures for RECOF are consolidated figures including RECOF Vietnam Co., Ltd.

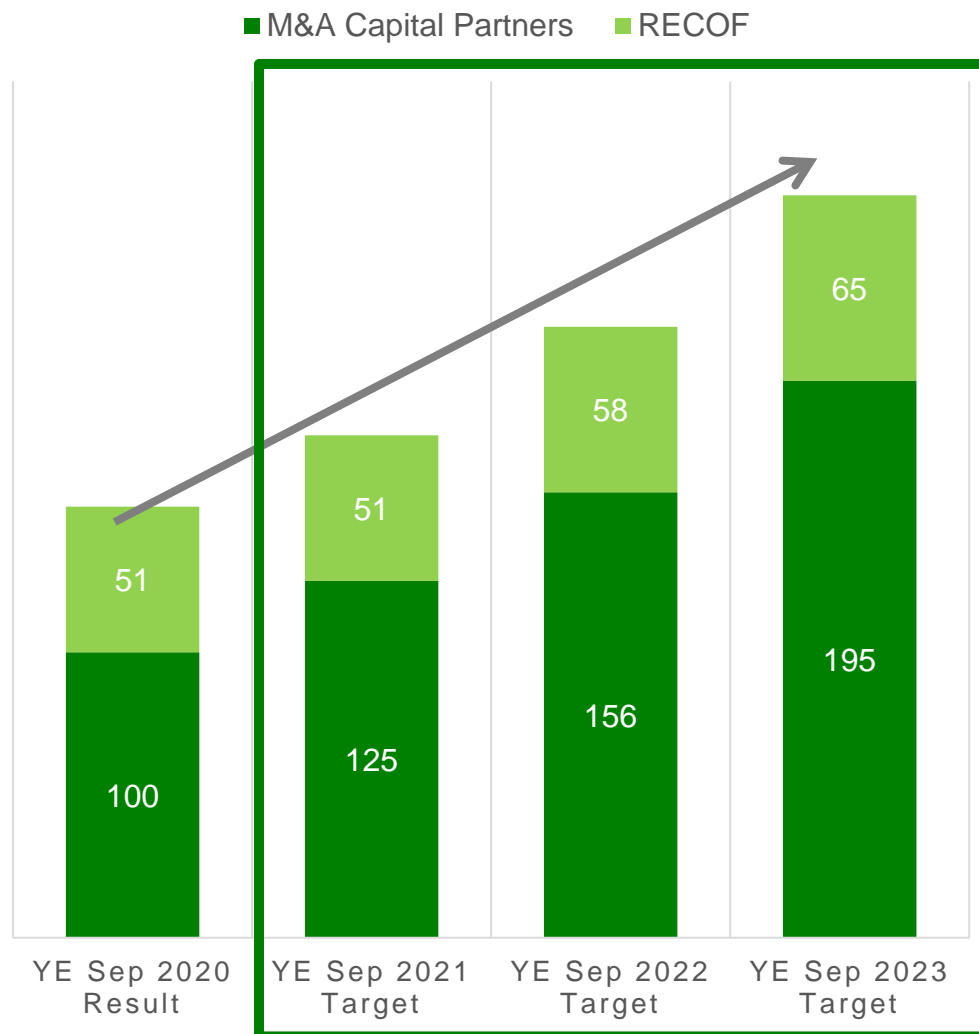
IV Growth Strategy

Three-year Plan for Number of Deals (Year Ending September 2021 to Year Ending September 2023)



[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 2021 to Year Ending September 2023)



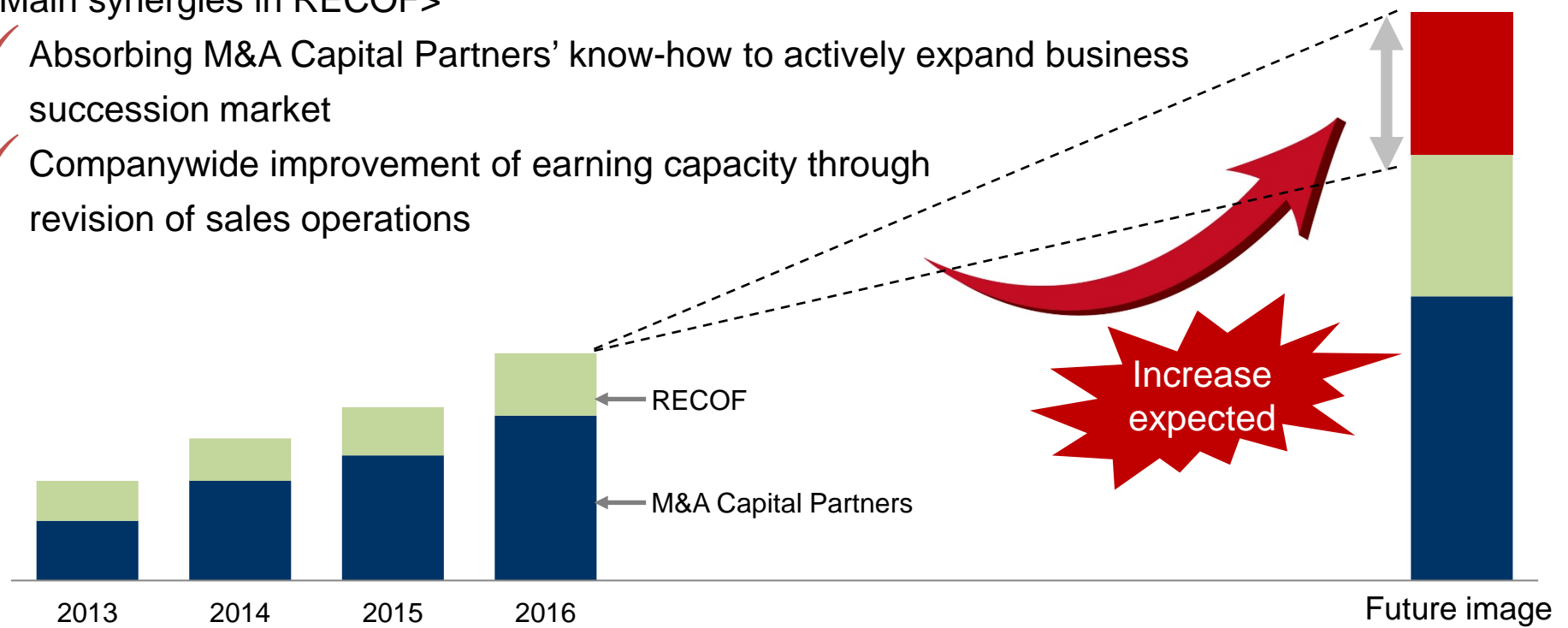
[Number of Consultants]
 <M&A Capital Partners>
Average increase of 25% per year
 <RECOF>
Average increase of 10% per year
 will be maintained in each company.

<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

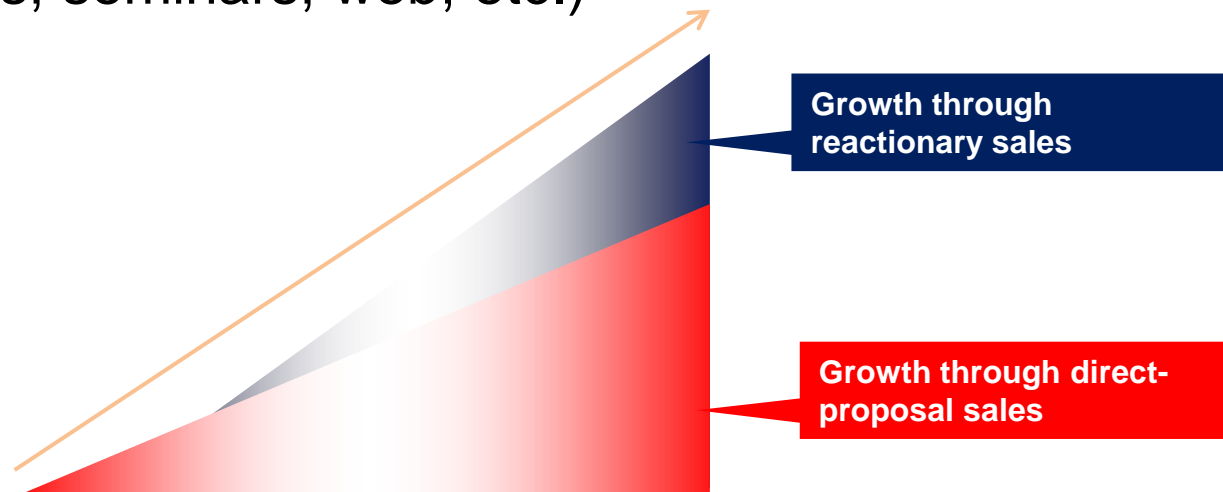
<Main synergies in RECOF>

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



<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**”

TV Tokyo network “**World Business Satellite**”

Continue to air commercials.

Implement promotion activities using a total of six patterns of airing commercials.



Strengthening and expansion of partner 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.

Strengthening of advertising, Web and marketing strategy

The number of inquiries is increasing every year. We will further strengthen the system.

- Attract customers through Web advertising
- Promote media exposure and advertising activities
- Marketing actively utilizing e-mail newsletters, etc.
- SEO measures for maintaining high rank in searches

October 2020

Release of M&A Matching Platform operated by RECOF DATA, which has handled M&A infrastructure

RECOF DATA launched a matching platform to provide support for business continuity and succession of small and medium-sized companies leveraging the Group's know-how by utilizing a variety of networks developed until now based on the public utility, neutrality and reliability in "MARR" as one of the roles in the M&A market.



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.