

(English Translation)

Financial Results for the First Quarter
of the Fiscal Year Ending September 30, 2019 (under Japan GAAP) (Consolidated)

January 30, 2019

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: February 14, 2019
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on financial results: Yes
Holding of quarterly financial presentation meeting: No

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

1. Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2019 (From October 1, 2018 to December 31, 2018)

(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
First quarter of fiscal year ending September 30, 2019	¥3,886 million (70.2%)	¥1,958 million (89.4%)	¥1,959 million (89.4%)	¥1,334 million (85.0%)
First quarter of fiscal year ended September 30, 2018	¥2,283 million (-10.7%)	¥1,034 million (-19.5%)	¥1,034 million (-18.7%)	¥721 million (-19.8%)

(Note)

Comprehensive income:

First quarter of fiscal year ending September 30, 2019: 1,334 million yen (+85.0 %)

First quarter of fiscal year ended September 30, 2018: 721 million yen (-19.8 %)

	Profit per share	Profit (fully diluted) per share
First quarter of fiscal year ending September 30, 2019	¥85.50	¥84.39
First quarter of fiscal year ended September 30, 2018	¥46.94	¥45.59

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
First quarter of fiscal year ending September 30, 2019	¥17,306 million	¥14,599 million	83.5%
Fiscal year ended September 30, 2018	¥15,161 million	¥13,174 million	86.6%

(Reference)

Equity:

First quarter of fiscal year ending September 30, 2019: 14,457 million yen

Fiscal year ended September 30, 2018: 13,123 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended September 30, 2018	-	¥0.00	-	¥0.00	¥0.00
Fiscal year ending September 30, 2019	-				
Fiscal year ending September 30, 2019 (Forecast)		¥0.00	-	¥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, 2019 (From October 1, 2018 to September 30, 2019)

(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	¥9,458 million (19.1%)	¥3,898 million (23.2%)	¥3,904 million (23.6%)	¥2,661 million (27.2%)	¥170.57

(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 December 31, 2018 15,605,000 shares
 - As of September 30, 2018 15,605,000 shares
 - (ii) Number of treasury shares as of the end of the period:
 - As of December 31, 2018 199 shares
 - As of September 30, 2018 199 shares
 - (iii) Average number of shares during the period (cumulative):
 - First quarter of fiscal year ending September 30, 2019 15,604,801 shares
 - First quarter of fiscal year ended September 30, 2018 15,365,323 shares

*** 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 has been increasing since it declined to 1,687 in 2011 (January to December) due to the impact of the Global Financial Crisis and the Great East Japan Earthquake, to reach 3,850 in 2018 (January to December), a year-on-year increase of 800 (26.2%) and the highest number since statistics began.

Meanwhile, business succession problems in small and medium enterprises has become a social issue. As a means of resolving this issue, M&A has received more attention from society and the number of M&A deals has been increasing. For this reason, more business operators are newly entering the M&A market for small and medium enterprises, the Group's main targets. We have determined that the market will expand as competition increases.

As a result, we predict that the management decision to use M&A will become more common and that the behavior of managers of small and medium enterprises will change such that they seek out M&A service providers more actively. During the current fiscal year, we will continue to strengthen our branding and marketing measures, including television commercials and M&A seminars.

b. Condition of the Group

The Group recognizes that the number of consultants and the number of M&A deals closed are important indicators for determining performance. The number of consultants employed by the Company and RECOF which provide M&A brokerage and advisory services has increased by 4 year on year to 112 as hiring activities were conducted mostly in accordance with the initial plan.

The number of deals decreased by 8 year on year to 29. This was due in part to the declining number of pharmacy deals, which had contributed to the overall number of deals closed in the past, as a result of the impact of industry reorganization settling down.

However, the Group has an abundance of deals including large ones and the advances received account, which indicates temporary receipts of interim compensation, also increased by 27.9% year on year to ¥296.914 million. Accordingly, we have determined that we are making steady progress toward the current fiscal year's plan.

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

Number of deals (consolidated)

Name of type			First quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to December 31, 2017)	First quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to December 31, 2018)	Year-on-year Change	
Whole Group	M&A deals closed		(number of deals)	37	29	-8
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was ¥100 million or more	(number of deals)	6	9	+3
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	31	20	-11

Name of type			First quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to December 31, 2017)	First quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to December 31, 2018)	Year-on-year Change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	29	27	-2
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was ¥100 million or more	(number of deals)	5	7	+2
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	24	20	-4

Number of deals (non-consolidated)

Name of type			First quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to December 31, 2017)	First quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to December 31, 2018)	Year-on-year Change	
RECOF Corporation	M&A deals closed		(number of deals)	8	2	-6
	By amount of processing fees	Number of deals among those wherein amount of processing fees for the deal was ¥100 million or more	(number of deals)	1	2	+1
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	7	0	-7

The number of the Group's deals decreased year on year, but sales were up ¥1,603.745 million (70.2%) year on year to ¥3,886.800 million owing to favorable closing of large deals.

The cost of sales increased ¥442.906 million (57.0%) year on year to ¥1,220.129 million as a result of increases in incentives for closed deals, the provision for bonuses associated with increased sales, and subcontract expenses required for large deals.

Selling, general and administrative expenses increased ¥235.919 million (50.0%) year on year to ¥707.719 million. The factors behind the increase included increased advertising expenses for television commercials and other ads, increased provision for directors' bonuses, and increased income taxes associated with higher income. As a result, operating income increased by ¥924.919 million (89.4%) year on year to ¥1,958.951 million, ordinary income increased by ¥924.899 million (89.4%) year on year to ¥1,959.279 million and profit attributable to owners of parent increased by ¥612.937 million (85.0%) year on year to ¥1,334.236 million.

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

(2) Explanation of Financial Position

The state of the Group's financial position is as follows.

(Current assets)

Current assets amounted to ¥14,787.738 million, an increase of ¥2,030.188 million (15.9%) year on year. This was primarily due to a ¥1,721.234 million increase in cash and deposits and a ¥325.013 million increase in accounts receivable - trade.

(Non-current assets)

Non-current assets amounted to ¥2,518.816 million, an increase of ¥115.287 million (4.8%) year on year. This was primarily due to an increase of ¥186.350 million in deferred tax assets, a decrease of ¥8.250 million in trademark right, and a decrease of ¥48.365 million in goodwill.

(Current liabilities)

Current liabilities amounted to ¥2,496.796 million, an increase of ¥728.459 million (41.2%) year on year. This was primarily due to a ¥405.584 million increase in provision for bonuses and a ¥320.361 million increase in income taxes payable.

(Non-current liabilities)

Non-current liabilities amounted to ¥210.490 million, a decrease of ¥7.523 million (3.5%) year on year. This was primarily due to a ¥9.304 million decrease in other.

(Net assets)

Net assets amounted to ¥14,599.267 million, an increase of ¥1,424.540 million (10.8%) year on year. This was primarily due to a ¥1,334.236 million increase in retained earnings.

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

No changes have been made to the forecast for consolidated financial results announced on October 31, 2018.

During the first quarter of the fiscal year under review, there were several major deals, showing steady progress on the forecast for consolidated financial results. However, the M&A-related services business which we operate is affected by various factors, including the economic environment and the business environment of the parties, and subject to many uncertainties. Because significant uncertainty accompanies forecasts depending on the timing of a deal closed and the amount of processing fees, we are not changing the forecast figures at this time.

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

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2018)	First quarter of fiscal year ending September 30, 2019 (as of December 31, 2018)
Assets		
Current assets		
Cash and deposits	12,226,972	13,948,206
Accounts receivable - trade	384,313	709,326
Other	146,264	130,205
Total current assets	<u>12,757,549</u>	<u>14,787,738</u>
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	226,006	217,628
Other	51,970	50,163
Total property, plant and equipment	<u>277,977</u>	<u>267,792</u>
Intangible assets		
Trademark right	264,000	255,750
Goodwill	1,547,681	1,499,316
Other	44,253	42,142
Total intangible assets	<u>1,855,934</u>	<u>1,797,208</u>
Investments and other assets, gross		
Lease and guarantee deposits	204,393	202,249
Deferred tax assets	65,159	251,510
Other	63	56
Total investments and other assets	<u>269,616</u>	<u>453,815</u>
Total non-current assets	<u>2,403,528</u>	<u>2,518,816</u>
Total assets	<u>15,161,078</u>	<u>17,306,555</u>
Liabilities		
Current liabilities		
Advances received	435,905	296,914
Provision for bonuses	32,168	437,752
Accounts payable - other	636,793	394,734
Income taxes payable	543,062	863,423
Accrued consumption taxes	52,738	260,464
Other	67,668	243,506
Total current liabilities	<u>1,768,336</u>	<u>2,496,796</u>
Non-current liabilities		
Net defined benefit liability	124,365	126,146
Other	93,649	84,344
Total non-current liabilities	<u>218,014</u>	<u>210,490</u>
Total liabilities	<u>1,986,351</u>	<u>2,707,287</u>

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2018)	First quarter of fiscal year ending September 30, 2019 (as of December 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,503,615	2,503,615
Capital surplus	2,493,365	2,493,365
Retained earnings	8,127,030	9,461,267
Treasury shares	(353)	(353)
Total shareholders' equity	13,123,659	14,457,895
Subscription rights to shares	51,068	141,372
Total net assets	13,174,727	14,599,267
Total liabilities and net assets	15,161,078	17,306,555

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

Quarterly Consolidated Statements of Income
For the Three-month Periods

	(Unit: thousand yen)	
	First quarter of previous fiscal year (From October 1, 2017 to December 31, 2017)	First quarter of current fiscal year (From October 1, 2018 to December 31, 2018)
Net sales	2,283,055	3,886,800
Cost of sales	777,223	1,220,129
Gross profit	1,505,832	2,666,670
Selling, general and administrative expenses	471,800	707,719
Operating income	1,034,032	1,958,951
Non-operating income		
Interest income	588	800
Miscellaneous income	12	17
Total non-operating income	601	817
Non-operating expenses		
Interest expenses	51	-
Miscellaneous loss	201	489
Total non-operating expenses	253	489
Ordinary income	1,034,380	1,959,279
Income before income taxes	1,034,380	1,959,279
Income taxes - current	373,863	821,397
Income taxes - deferred	(60,782)	(196,354)
Total income taxes	313,081	625,043
Profit	721,298	1,334,236
Profit attributable to owners of parent	721,298	1,334,236

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

	(Unit: thousand yen)	
	First quarter of previous fiscal year (From October 1, 2017 to December 31, 2017)	First quarter of current fiscal year (From October 1, 2018 to December 31, 2018)
Profit	721,298	1,334,236
Comprehensive income	721,298	1,334,236
(Comprehensive income attributable to:)		
Comprehensive income attributable to owners of parent	721,298	1,334,236

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on premise of going concern)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Additional information)

The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the fiscal year under review. Accordingly, deferred tax assets and deferred tax liabilities are presented under investments and other assets and non-current liabilities, respectively.