

(English Translation)

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

July 30, 2019

Company name: M&A Capital Partners Co., Ltd.	Stock exchange listings: Tokyo Stock Exchange (URL https://www.ma-cp.com)
Securities code: 6080	
Representative: Satoru Nakamura President and Representative Director	
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Scheduled date of filing of quarterly report:	August 9, 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. Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2019 (From October 1, 2018 to June 30, 2019)

(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
Third quarter of fiscal year ending September 30, 2019	¥9,916 million (55.7%)	¥4,720 million (72.1%)	¥4,720 million (72.5%)	¥3,159 million (68.2%)
Third quarter of fiscal year ended September 30, 2018	¥6,367 million (-4.2%)	¥2,742 million (-10.8%)	¥2,736 million (-9.7%)	¥1,878 million (-10.5%)

(Note)

Comprehensive income:

Third quarter of fiscal year ending September 30, 2019: 3,159 million yen (68.2 %)

Third quarter of fiscal year ended September 30, 2018: 1,878 million yen (-10.5 %)

	Profit per share	Profit (fully diluted) per share
Third quarter of fiscal year ending September 30, 2019	¥202.50	¥199.83
Third quarter of fiscal year ended September 30, 2018	¥121.03	¥118.66

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
Third quarter of fiscal year ending September 30, 2019	¥19,605 million	¥16,434 million	83.1%
Fiscal year ended September 30, 2018	¥15,161 million	¥13,174 million	86.6%

(Reference)

Equity: Third quarter of fiscal year ending September 30, 2019: 16,283 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	—	¥0.00	—		
Fiscal year ending September 30, 2019 (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, 2019 (From October 1, 2018 to September 30, 2019)

(Percentage figures represent changes from the previous fiscal year)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
Annual	¥11,507 million (43.5%)	¥5,181 million (63.7%)	¥5,187 million (64.2%)	¥3,503 million (67.4%)	¥224.51

(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, etc.: 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 June 30, 2019 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 June 30, 2019 199 shares
 - As of September 30, 2018 199 shares
 - (iii) Average number of shares during the period (cumulative total for the quarter):
 - Third quarter of fiscal year ending September 30, 2019 15,604,801 shares
 - Third quarter of fiscal year ended September 30, 2018 15,524,098 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 increased 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. In the period from January to June 2019, the number increased by 281 (15.6%) year on year to reach 2,082. As such, we have determined that the market continues to be expanding.

Furthermore, according to the “Business Succession and Business Creation Policy” announced by the Small and Medium Enterprise Agency on February 5, 2019, the rapid increase in closures of small and medium enterprises could lead to the loss of a cumulative total of approximately 6.5 million jobs and approximately 22 trillion yen in GDP over the ten years until around 2025. Due to this, we believe that M&A will further increase as a solution to the issue of business succession, and that the social importance of M&A protecting jobs and passing business to the next generation will continue to increase.

b. Condition of the Group

The number of consultants, which is an indicator of business expansion, has increased by 14 year on year to 117 in conjunction with robust hiring activities. The number of deals, which is an indicator related to performance, increased by 13 year on year to 107.

On a non-consolidated basis, the number of consultants increased by nine year on year, and the strengthening of training for junior employees having the effect of enabling them to quickly fulfill their potential has also contributed to the number of M&A deals increasing by 18 year on year to 95. The number of consultants in the Group company RECOF Corporation increased by five year on year, and although the number of deals decreased by five year on year to 12, a certain number of deals are expected to be closed in the fourth quarter.

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

Number of deals (consolidated)

Name of type			Cumulative third quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Cumulative third quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to June 30, 2019)	Year-on-year Change	
Whole Group	M&A deals closed		(number of deals)	94	107	+13
	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)	14	21	+7
		Number of deals among those wherein amount of processing fees for the deal was less than ¥ 100 million	(number of deals)	80	86	+6

Number of deals (non-consolidated)

Name of type			Cumulative third quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Cumulative third quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to June 30, 2019)	Year-on-year Change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	77	95	+18
	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)	10	19	+9
		Number of deals among those wherein amount of processing fees for the deal was less than ¥ 100 million	(number of deals)	67	76	+9

Name of type			Cumulative third quarter of fiscal year ended September 30, 2018 (From October 1, 2017 to June 30, 2018)	Cumulative third quarter of fiscal year ending September 30, 2019 (From October 1, 2018 to June 30, 2019)	Year-on-year Change	
RECOF Corporation	M&A deals closed		(number of deals)	17	12	-5
	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)	4	2	-2
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	13	10	-3

As for other measures related to sales activities, we continued implementing branding and marketing measures. On a non-consolidated basis, the Company actively held M&A seminars and continued to run television commercials. RECOF DATA Corporation implemented a renewal including system renovation to improve the convenience of the RECOF M&A Database, which is a service providing M&A information.

As a result, sales were up ¥3,549.352 million (55.7%) year on year to ¥9,916.487 million owing to favorable closing of large deals across industries.

The cost of sales increased ¥1,021.978 million (44.7%) year on year to ¥3,309.710 million as a result of increases in incentives for closed deals, the year-end bonuses associated with increased sales, and subcontract expenses required for large deals.

Selling, general and administrative expenses increased ¥549.766 million (41.1%) year on year to ¥1,886.439 million. The factors behind the increase included increases of advertising expenses for television commercials and other ads, increased provision for directors' bonuses, and increased taxes and dues due to an increase in taxable income.

Operating income increased by ¥1,977.607 million (72.1%) year on year to ¥4,720.337 million, ordinary income increased by ¥1,983.674 million (72.5%) year on year to ¥4,720.606 million and profit attributable to owners of parent increased by ¥1,281.122 million (68.2%) year on year to ¥3,159.938 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 ¥17,155.959 million, an increase of ¥4,398.409 million (34.5%) from the end of the previous fiscal year. This was primarily due to a ¥4,463.621 million increase in cash and deposits.

(Non-current assets)

Non-current assets amounted to ¥2,449.430 million, an increase of ¥45.902 million (1.9%) year on year. This was primarily due to a decrease of ¥145.095 million in goodwill, an increase of ¥56.085 million in lease and guarantee deposits, and an increase of ¥171.514 million in deferred tax assets.

(Current liabilities)

Current liabilities amounted to ¥2,952.529 million, an increase of ¥1,184.192 million (67.0%) from the end of the previous fiscal year. This was primarily due to a ¥332.951 million increase in provision for bonuses and a ¥742.617 million increase in income taxes payable.

(Non-current liabilities)

Non-current liabilities amounted to ¥217.897 million, a decrease of ¥117 thousand (0.1%) from the end of the previous fiscal year. This was due to a ¥7.764 million increase in net defined benefit liability and a ¥7.881 million decrease in other.

(Net assets)

Net assets amounted to ¥16,434.963 million, an increase of ¥3,260.236 million (24.7%) from the end of the previous fiscal year. This was primarily due to a ¥3,159.938 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 April 26, 2019.

During the third 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)	Third quarter of fiscal year ending September 30, 2019 (as of June 30, 2019)
Assets		
Current assets		
Cash and deposits	12,226,972	16,690,593
Accounts receivable - trade	384,313	338,643
Other	146,264	126,722
Total current assets	12,757,549	17,155,959
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	226,006	201,441
Other	51,970	51,227
Total property, plant and equipment	277,977	252,669
Intangible assets		
Trademark right	264,000	239,250
Goodwill	1,547,681	1,402,586
Other	44,253	57,729
Total intangible assets	1,855,934	1,699,565
Investments and other assets, gross		
Lease and guarantee deposits	204,393	260,479
Deferred tax assets	65,159	236,674
Other	63	42
Total investments and other assets	269,616	497,195
Total non-current assets	2,403,528	2,449,430
Total assets	15,161,078	19,605,390
Liabilities		
Current liabilities		
Advances received	435,905	338,904
Provision for bonuses	32,168	365,119
Accounts payable - other	636,793	502,876
Income taxes payable	543,062	1,285,680
Accrued consumption taxes	52,738	362,943
Other	67,668	97,005
Total current liabilities	1,768,336	2,952,529
Non-current liabilities		
Net defined benefit liability	124,365	132,129
Other	93,649	85,768
Total non-current liabilities	218,014	217,897
Total liabilities	1,986,351	3,170,427

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2018)	Third quarter of fiscal year ending September 30, 2019 (as of June 30, 2019)
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	11,286,969
Treasury shares	(353)	(353)
Total shareholders' equity	<u>13,123,659</u>	<u>16,283,597</u>
Subscription rights to shares	<u>51,068</u>	<u>151,365</u>
Total net assets	<u>13,174,727</u>	<u>16,434,963</u>
Total liabilities and net assets	<u>15,161,078</u>	<u>19,605,390</u>

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

Quarterly Consolidated Statements of Income
For the Nine-month Periods

	(Unit: thousand yen)	
	Cumulative third quarter of previous fiscal year (From October 1, 2017 to June 30, 2018)	Cumulative third quarter of current fiscal year (From October 1, 2018 to June 30, 2019)
Net sales	6,367,134	9,916,487
Cost of sales	2,287,732	3,309,710
Gross profit	4,079,402	6,606,776
Selling, general and administrative expenses	1,336,672	1,886,439
Operating income	2,742,730	4,720,337
Non-operating income		
Interest income	625	852
Miscellaneous income	108	44
Total non-operating income	734	897
Non-operating expenses		
Interest expenses	93	—
Loss on retirement of non-current assets	6,015	—
Miscellaneous loss	422	628
Total non-operating expenses	6,532	628
Ordinary income	2,736,932	4,720,606
Income before income taxes	2,736,932	4,720,606
Income taxes - current	920,526	1,742,187
Income taxes - deferred	(62,410)	(181,518)
Total income taxes	858,116	1,560,668
Profit	1,878,816	3,159,938
Profit attributable to owners of parent	1,878,816	3,159,938

Quarterly Consolidated Statements of Comprehensive Income
For the Nine-month Periods

	(Unit: thousand yen)	
	Cumulative third quarter of previous fiscal year (From October 1, 2017 to June 30, 2018)	Cumulative third quarter of current fiscal year (From October 1, 2018 to June 30, 2019)
Profit	1,878,816	3,159,938
Comprehensive income	1,878,816	3,159,938
(Comprehensive income attributable to:)		
Comprehensive income attributable to owners of parent	1,878,816	3,159,938

(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.