

(English Translation)

Financial Results for the Second Quarter
of the Fiscal Year Ending September 30, 2021 (under Japan GAAP)
(Consolidated)

April 30, 2021

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: Sou Shimoda Tel: 03-6880-3803
Director and Manager at the Planning Management Department
Scheduled date of filing of quarterly report: May 14, 2021
Scheduled date of commencement of dividend payment: -
Presentation of supplementary materials on financial results: Yes
Holding of quarterly financial presentation meeting: Yes (For institutional investors)

(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, 2021 (From October 1, 2020 to March 31, 2021)

(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, 2021	¥7,616 million (34.7%)	¥3,411 million (42.9%)	¥3,416 million (43.1%)	¥2,267 million (47.4%)
Second quarter of fiscal year ended September 30, 2020	¥5,654 million (-21.3%)	¥2,386 million (-32.3%)	¥2,386 million (-32.3%)	¥1,538 million (-34.6%)

(Note)

Comprehensive income:

Second quarter of fiscal year ending September 30, 2021: 2,267 million yen (47.5%)

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

	Profit per share	Profit (fully diluted) per share
Second quarter of fiscal year ending September 30, 2021	¥72.15	¥69.56
Second quarter of fiscal year ended September 30, 2020	¥49.29	¥48.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
Second quarter of fiscal year ending September 30, 2021	¥27,871 million	¥23,595 million	83.6%
Fiscal year ended September 30, 2020	¥24,060 million	¥20,632 million	85.0%

(Reference)

Equity:

Second quarter of fiscal year ending September 30, 2021: 23,289 million yen
Fiscal year ended September 30, 2020: 20,455 million yen

2. Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Total
Fiscal year ended September 30, 2020	-	¥0.00	-	¥0.00	¥0.00
Fiscal year ending September 30, 2021	-	¥0.00			
Fiscal year ending September 30, 2021 (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, 2021 (From October 1, 2020 to September 30, 2021)

(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	¥14,030 million (18.2%)	¥6,211 million (23.0%)	¥6,210 million (23.0%)	¥4,173 million (22.5%)	¥133.73

(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, 2021 | 31,587,000 shares |
| As of September 30, 2020 | 31,210,000 shares |
- (ii) Number of treasury shares as of the end of the period:
- | | |
|--------------------------|------------|
| As of March 31, 2021 | 398 shares |
| As of September 30, 2020 | 398 shares |
- (iii) Average number of shares during the period (cumulative):
- | | |
|---|-------------------|
| Second quarter of fiscal year ending September 30, 2021 | 31,429,173 shares |
| Second quarter of fiscal year ended September 30, 2020 | 31,209,602 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 was 3,730 for January to December 2020, a year-on-year decline of 8.8%, with the impact of novel coronavirus causing a fall in the January-December period for the first time in nine years. On the other hand, the number of deals in the January-March period of 2021 showed a recovery trend, posting a year-on-year increase of 7.0% to 1,058.

There has been a focus on the small and medium business M&A market as a means of dealing with the social problem of a lack of successors, and many business owners in Japan are beginning to recognize that M&A is an important option for growth strategies, which we believe will result in continued expansion in demand for M&A intended to generate synergies.

Under these circumstances, although there have been new entries from major financial institutions, regional banks and other industries, by leveraging the know-how we have built up in the Japanese market through our expertise and track record as an M&A specialist, we will create high-quality M&A deals that contribute to the further growth of our clients.

b. Condition of the Group

With regard to the operating results for the Group, while utilizing satellite offices and telework, etc. to restrict visits by employees to the head office to prevent the spread of COVID-19, we made steady progress with deals, leading to net sales rising by ¥1,962.040 million (34.7%) to ¥7,616.232 million. This was mainly attributable to an increase in the number of deals closed compared to the same period of the previous fiscal year, and especially by an increase in the number of large deals closed from nine to 17.

Cost of sales increased by ¥857.746 million (51.0%) year-on-year to ¥2,539.982 million mainly due to increases in incentives and subcontract expenses associated with the increase in net sales.

Although directors' compensation declined, higher ground rents caused by the rise in head office space and the use of satellite offices, as well as increases in hiring costs and commissions paid were the main drivers behind selling, general and administrative expenses rising by ¥79.529 million year on year (up 5.0%) to ¥1,664.664 million.

As a result, operating income increased by ¥1,024.764 million (42.9%) year on year to ¥3,411.585 million, ordinary income increased by ¥1,029.881 million (43.1%) year on year to ¥3,416.639 million, and profit attributable to owners of parent increased by ¥729.225 million (47.4%) year on year to ¥2,267.562 million.

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, 2020 (From October 1, 2019 to March 31, 2020)	Cumulative second quarter of fiscal year ending September 30, 2021 (From October 1, 2020 to March 31, 2021)	Year-on-year change	
Whole Group	M&A deals closed		(number of deals)	61	84	+23
	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)	9	17	+8
		Number of deals among those wherein amount of processing fees for the deal was less than JPY 100 million	(number of deals)	52	67	+15

Number of deals (non-consolidated)

Name of type			Cumulative second quarter of fiscal year ended September 30, 2020 (From October 1, 2019 to March 31, 2020)	Cumulative second quarter of fiscal year ending September 30, 2021 (From October 1, 2020 to March 31, 2021)	Year-on-year change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	48	75	+27
	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)	7	15	+8
		Number of deals among those wherein amount of processing fees for the deal was less than JPY 100 million	(number of deals)	41	60	+19

Name of type			Cumulative second quarter of fiscal year ended September 30, 2020 (From October 1, 2019 to March 31, 2020)	Cumulative second quarter of fiscal year ending September 30, 2021 (From October 1, 2020 to March 31, 2021)	Year-on-year change	
RECOF Corporation	M&A deals closed		(number of deals)	13	9	-4
	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)	11	7	-4

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 ¥25,534.434 million, an increase of ¥3,860.968 million (17.8%) from the end of the previous fiscal year. This was primarily due to a ¥3,411.950 million increase in cash and deposits and a ¥431.481 million increase in accounts receivable - trade.

(Non-current assets)

Non-current assets amounted to ¥2,336.799 million, a decrease of ¥50.177 million (2.1%) from the end of the previous fiscal year. This was due mainly to increases in lease and guarantee deposits and in deferred tax assets of ¥44.230 million and ¥42.543 million respectively. Against this, facilities attached to buildings, net, declined by ¥14.361 million, trademark rights declined by ¥16.219 million, and goodwill declined by ¥96.730 million.

(Current liabilities)

Current liabilities amounted to ¥4,040.190 million, an increase of ¥841.070 million (26.3%) from the end of the previous fiscal year. This was due primarily to an increase in accounts payable - other of ¥235.719 million, and an increase in income taxes payable of ¥430.382 million.

(Non-current liabilities)

Non-current liabilities amounted to ¥235.504 million, an increase of ¥6.229 million (2.7%) from the end of the previous fiscal year. This was attributable mainly to the

net defined benefit liability increasing by ¥4.733 million.

(Net assets)

Net assets amounted to ¥23,595.540 million, an increase of ¥2,963.491 million (14.4%) from the end of the previous fiscal year. This was primarily due to a ¥2,267.562 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 ¥20,773.774 million, an increase of ¥3,411.950 million (19.7%) 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 ¥2,894.745 million, an increase of ¥1,820.030 million year on year. This was primarily due to recording income before income taxes of ¥3,416.639 million, and income taxes paid of ¥793.249 million.

(Cash flows from investing activities)

Funds used in investing activities amounted to ¥90.522 million, compared to ¥28.189 million used in the same period of the previous year. This was the result of ¥14.543 million disbursed for the purchase of property, plant and equipment, ¥23.270 million paid for the purchase of intangible assets, and ¥54.563 million in payments for lease and guarantee deposits.

(Cash flows from financing activities)

Funds provided by operating activities came to ¥607.397 million (there was no such cash flow in the same period of the previous fiscal year). This was derived from the exercise of the 10th and 11th subscription rights to shares, and the issuance of the 13th and 14th subscription rights to shares.

(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, 2020.

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

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2020)	Second quarter of fiscal year ending September 30, 2021 (as of March 31, 2021)
Assets		
Current assets		
Cash and deposits	21,361,824	24,773,774
Accounts receivable - trade	145,538	577,019
Other	166,103	183,640
Total current assets	21,673,466	25,534,434
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	191,646	177,285
Other	70,857	66,057
Total property, plant and equipment	262,504	243,343
Intangible assets		
Trademark right	198,000	181,780
Goodwill	1,160,760	1,064,030
Other	63,355	61,083
Total intangible assets	1,422,116	1,306,894
Investments and other assets, gross		
Lease and guarantee deposits	263,571	307,801
Deferred tax assets	432,066	474,609
Allowance for doubtful accounts	(7,000)	(7,000)
Other	13,718	11,151
Total investments and other assets	702,356	786,562
Total non-current assets	2,386,976	2,336,799
Total assets	24,060,442	27,871,234
Liabilities		
Current liabilities		
Advances received	628,257	707,490
Provision for bonuses	19,834	36,821
Accounts payable - other	1,349,649	1,585,369
Income taxes payable	841,485	1,271,867
Accrued consumption taxes	236,581	310,587
Other	123,311	128,054
Total current liabilities	3,199,120	4,040,190
Non-current liabilities		
Net defined benefit liability	139,838	144,571
Other	89,435	90,932
Total non-current liabilities	229,274	235,504
Total liabilities	3,428,394	4,275,694

	(Unit: thousand yen)	
	Previous consolidated fiscal year (as of September 30, 2020)	Second quarter of fiscal year ending September 30, 2021 (as of March 31, 2021)
Net assets		
Shareholders' equity		
Capital stock	2,503,615	2,786,931
Capital surplus	2,493,365	2,776,681
Retained earnings	15,459,649	17,727,212
Treasury shares	(353)	(353)
Total shareholders' equity	<u>20,456,277</u>	<u>23,290,471</u>
Other comprehensive income		
Foreign currency translation adjustment	(775)	(650)
Total other comprehensive income	<u>(775)</u>	<u>(650)</u>
Subscription rights to shares	176,546	305,718
Total net assets	<u>20,632,048</u>	<u>23,595,540</u>
Total liabilities and net assets	<u>24,060,442</u>	<u>27,871,234</u>

(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, 2019 to March 31, 2020)	Cumulative second quarter of current fiscal year (From October 1, 2020 to March 31, 2021)
Net sales	5,654,192	7,616,232
Cost of sales	1,682,235	2,539,982
Gross profit	3,971,956	5,076,250
Selling, general and administrative expenses	1,585,135	1,664,664
Operating income	2,386,821	3,411,585
Non-operating income		
Interest income	864	893
Miscellaneous income	519	4,325
Total non-operating income	1,384	5,218
Non-operating expenses		
Loss on retirement of non-current assets	248	-
Miscellaneous loss	1,199	164
Total non-operating expenses	1,447	164
Ordinary income	2,386,758	3,416,639
Income before income taxes	2,386,758	3,416,639
Income taxes - current	796,202	1,191,619
Income taxes - deferred	52,217	(42,543)
Total income taxes	848,420	1,149,076
Profit	1,538,337	2,267,562
Profit attributable to owners of parent	1,538,337	2,267,562

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

	(Unit: thousand yen)	
	Cumulative second quarter of previous fiscal year (From October 1, 2019 to March 31, 2020)	Cumulative second quarter of current fiscal year (From October 1, 2020 to March 31, 2021)
Profit	1,538,337	2,267,562
Other comprehensive income		
Foreign currency translation adjustment	(611)	125
Total other comprehensive income	(611)	125
Comprehensive income	1,537,726	2,267,688
(Comprehensive income attributable to:)		
Comprehensive income attributable to owners of parent	1,537,726	2,267,688

(3) Quarterly Consolidated Statement of Cash Flows

	(Unit: thousand yen)	
	Cumulative second quarter of previous fiscal year (From October 1, 2019 to March 31, 2020)	Cumulative second quarter of current fiscal year (From October 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Income before income taxes	2,386,758	3,416,639
Depreciation	39,633	47,749
Amortization of goodwill	96,730	96,730
Depreciation and amortization on other	16,500	16,509
Loss on retirement of non-current assets	248	-
Interest income	(864)	(893)
Decrease (increase) in notes and accounts receivable - trade	230,841	(431,481)
Increase (decrease) in accounts payable - other	40,042	255,476
Increase (decrease) in provision for bonuses	48,590	16,986
Increase (decrease) in provision for directors' bonuses	(314)	(1,558)
Increase (decrease) in net defined benefit liability	10,725	4,733
Increase (decrease) in advances received	195,394	79,232
Decrease/increase in consumption taxes receivable/payable	(238,285)	73,720
Other	(69,413)	113,257
Subtotal	2,756,585	3,687,102
Interest income received	864	893
Income taxes paid	(1,682,735)	(793,249)
Cash flows from operating activities	1,074,715	2,894,745
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,993)	(14,543)
Purchase of intangible assets	(6,130)	(23,270)
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	(1,330)	(54,563)
Proceeds from collection of lease and guarantee deposits	1,264	1,854
Cash flows from investing activities	(28,189)	(90,522)
Cash flows from financing activities		
Proceeds from issuance of common shares	-	553,436
Proceeds from issuance of subscription rights to shares	-	53,961
Cash flows from financing activities	-	607,397
Effect of exchange rate change on cash and cash equivalents	(711)	329
Increase (decrease) in cash and cash equivalents	1,045,813	3,411,950
Cash and cash equivalents at beginning of period	13,953,475	17,361,824
Cash and cash equivalents at end of period	14,999,289	20,773,774

(4) 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)

(Accounting estimates regarding the impact of the spread of novel coronavirus infection)

With regard to accounting estimate assumptions for the impact of the spread of COVID-19, there have been no material changes from the statements made in the "Additional information" section of the annual securities report ("Accounting estimates regarding the impact of the spread of novel coronavirus infection").