

Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2024 (under Japan GAAP) (Consolidated)

April 26, 2024

Company name: M&A Capital Partners Co., Ltd. Stock exchange listings:
Tokyo Stock Exchange
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Scheduled filing date for quarterly securities report: May 15, 2024
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing materials on quarterly financial results: Yes
Financial results briefing session: Yes (For institutional investors)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended March 31, 2024 (October 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (Cumulative) (Percentages indicate rates of year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
March 31, 2024	7,247	(44.3)	1,665	(69.6)	1,668	(69.5)	1,113	(63.5)
March 31, 2023	13,003	44.9	5,471	28.2	5,474	27.3	3,053	5.8

(Note) Comprehensive income: For the six months ended March 31, 2024: ¥1,112 million (-63.5%)
For the six months ended March 31, 2023: ¥3,052 million (5.7%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
March 31, 2024	35.05	34.55
March 31, 2023	96.25	94.02

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2024	42,381	36,959	86.0
As of September 30, 2023	43,901	37,161	83.3

(Reference) Shareholders' equity: As of March 31, 2024: ¥36,434 million
As of September 30, 2023: ¥36,591 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	—	0.00	—	40.00	40.00
Fiscal year ending September 30, 2024	—	0.00	—	—	—
Fiscal year ending September 30, 2024 (Forecast)	—	—	—	40.00	40.00

(Note) Changes in dividend forecast from the most recent announcement: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 to September 30, 2024)

(Percentages indicate rates of year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,835	9.5	8,102	8.8	8,104	8.5	5,436	28.7	171.20

(Note) Changes in financial results forecast from the most recent announcement: None

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) Application of special accounting treatment in preparing the quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2024: 31,759,000 shares
September 30, 2023: 31,759,000 shares
 - 2) Total number of treasury shares at the end of the period:
March 31, 2024: 398 shares
September 30, 2023: 398 shares
 - 3) Average number of shares outstanding during the period:
Six months ended March 31, 2024: 31,758,602 shares
Six months ended March 31, 2023: 31,728,602 shares

* The quarterly financial statements are outside the scope of quarterly reviews by certified public accountants and auditing firms.

* Explanation of the proper use of financial results forecast and other notes

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 Quarterly Financial Results

(1) Explanation of Business Results

a. Market conditions

According to statistical data collected and published by MACP Group company RECOF DATA Corporation, the number of M&A deals publicly announced in relation to Japanese companies was 4,015 for 2023 (January to December), a year-on-year decrease of 6.7%, marking the first decline in three years. However, despite the decline in the number of deals, the total value of these deals increased 52.2% year-on-year to ¥17.9 trillion, indicating that the investment appetite for large deals remains strong.

In addition, in the recent “8th Review Committee on the Concentration of Management Resources, etc. of Small and Medium Enterprises” published on March 16, 2023, by the Small and Medium Enterprise Agency, and materials titled “Report, etc. on Results of Establishing the M&A Support Institution Registration System,” 3,403 M&A deals were closed among small and medium enterprises in FY2021 (April 2021 to March 2022). However, according to the materials publicly released by the agency, titled “Current Status and Challenges of M&A in Small and Medium-sized Enterprises and Small-Scale Businesses,” it is estimated that up to 600,000 companies operating in the black may face the risk of being dissolved due to a lack of successor candidates by 2025. Therefore, we expect abundance of potential business succession M&A needs to continue for the foreseeable future, and there remains significant room for growth in the number of deals within the Group.

In this environment, the Group has continued to work on bolstering employee education and the training system, strengthening our information platform for M&A, and bolstering the knowledge department, which centers on professionals such as accountants and lawyers with the objective of improving service quality and building a system enabling high-quality advisory services. In addition, by reviewing the frequency and timing of KPI management in sales activities, we have implemented business management that facilitates more effective sales proposal-making activities.

Consequently, we have secured a sufficient inventory of deals, and we maintain a pipeline that includes large deals. We continuously handle numerous medium-sized to large projects that feature a high degree of difficulty and that change hands at high share prices. Accordingly, we have been able to differentiate ourselves from our industry peers by leveraging the Group's brand and excellent project track record.

Further, we aim to increase the rate of successfully closing deals through initiatives to improve matching, such as through collaboration among group companies and with partner financial institutions and through an IT system leveraging our extensive database of deals closed in the past and potential buyers.

Although we have continued to see an increase in new entrants to the market for M&A intermediation in recent years, the experience and know-how we have accumulated in M&A intermediation within the Group cannot be replicated by financial institutions or others overnight. We expect the organizational capability to provide high-quality advice and a brand backed by an extensive track record to be factors that enable the Company to clearly differentiate itself from others.

We will continue to leverage our unique strengths as we continue to generate high-quality M&A transactions.

b. Condition of the Group

With regard to the operating results for the Group, net sales declined ¥5,755million (44.3%) year on year to ¥7,247 million. While the number of deals in the first half of the year reached a historic high for that period, and the trend in the number of deals is upward, a high proportion of large deals were on the smaller side, whereas we closed particularly large deals in the same period of the preceding fiscal year. The resulting decrease in fees per deal caused net sales to fall. The number of projects in inventory is continuously rising, and we have a large number of high-value projects, so we will work steadily to expand sales.

The cost of sales declined ¥679 million (19.3%) year on year, to ¥2,850 million, due mainly to a decrease in bonus expenses and the provision for bonuses.

Selling, general and administrative expenses decreased ¥1,269 million (31.7%) year on year, to ¥2,731 million, primarily due to decreases in directors' bonuses and the provision for directors' bonuses.

As a result, operating income declined ¥3,806 million (69.6%) year on year, to ¥1,665 million, ordinary income fell ¥3,806 million (69.5%) year on year, to ¥1,668 million, and profit attributable to owners of parent decreased ¥1,940 million (63.5%) year on year, to ¥1,113 million.

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

Number of deals (consolidated)

Name of type			For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)	Year-on- year change	
Whole Group	M&A deals closed		(number of deals)	79	96	+17
	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)	17	15	-2
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	62	81	+19

Number of deals (non-consolidated)

Name of type			For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)	Year-on- year change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	72	88	+16
	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)	17	14	-3
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	55	74	+19

Name of type			For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)	Year-on- year change	
RECOF Corporation	M&A deals closed		(number of deals)	7	8	+1
	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)	0	1	+1
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	7	7	±0

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

(2) Explanation of Financial Condition

a. Assets, liabilities, and net assets

(Current assets)

Current assets decreased ¥1,209 million (3.0%) from the end of the previous consolidated fiscal year, reaching ¥38,768 million. This was primarily due to dividend payments, causing a ¥1,103 million decline in cash and deposits.

(Non-current assets)

Non-current assets fell ¥311 million (7.9%) compared to the end of the previous consolidated fiscal year, reaching ¥3,613 million. The main factors behind this were decreases of ¥16 million in trademark rights, ¥96 million goodwill, ¥71 million in lease and guarantee deposits each due to amortization, and decrease of ¥81 million in deferred tax assets, each due to amortization.

(Current liabilities)

Current liabilities fell ¥1,078 million (19.9%) compared to the end of the previous consolidated fiscal year, to ¥4,353 million.

This was primarily due to a decrease of ¥1,185 million in income taxes payable.

(Non-current liabilities)

Non-current liabilities declined ¥240 million (18.4%) compared to the end of the previous consolidated fiscal year, reaching ¥1,068 million. This was mainly due to a ¥144 million decrease in the provision for bonuses and a ¥51 million decline in the provision for directors' bonuses.

(Net assets)

Net assets fell ¥201 million (0.5%) compared to the end of the previous consolidated fiscal year, to ¥36,959 million. This was mainly because retained earnings increased ¥1,113 million due to profit attributable to owners of parent and decreased ¥1,270 million owing to reclassification for dividend payments.

b. Cash flows

Cash and cash equivalents at the end of the second quarter were ¥34,152 million, down ¥1,103 million (3.1%) from the end of the previous fiscal year.

Individual cash flows for the six months under review and the factors contributing to these cash flows are outlined below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥217 million (¥4,574 million less than in the first six months of the previous fiscal year). Key factors were the recording of ¥1,755 million in profit before income taxes, a ¥210 million decrease in the provision for directors' bonuses, a ¥406 million rise in contract liabilities, and ¥1,700 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities amounted to ¥50 million (compared with ¥1,359 million used in these activities in the corresponding period of the previous fiscal year). The main reason was ¥45 million in payments for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,269 million (compared with ¥124 million provided by these activities in the corresponding period of the previous fiscal year). The main factor was dividend payments of ¥1,269 million.

(3) Overview of Consolidated Financial Forecasts and Other Forward-Looking Statements

We have not made any changes to the consolidated performance forecast figures that were announced on October 31, 2023.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	39,255,168	38,152,012
Accounts receivable - trade	224,553	260,392
Other	497,650	355,736
Total current assets	39,977,372	38,768,141
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	985,079	937,208
Other	197,642	198,544
Total property, plant and equipment	1,182,721	1,135,752
Intangible assets		
Trademark right	99,207	83,014
Goodwill	580,380	483,650
Other	93,806	81,097
Total intangible assets	773,395	647,762
Investments and other assets		
Leasehold and guarantee deposits	935,861	864,840
Deferred tax assets	1,011,649	930,325
Other	27,959	41,624
Allowance for doubtful accounts	(7,000)	(7,000)
Total investments and other assets	1,968,470	1,829,791
Total non-current assets	3,924,587	3,613,306
Total assets	43,901,960	42,381,447
Liabilities		
Current liabilities		
Contract liabilities	649,302	1,055,873
Provision for bonuses	297,095	406,017
Provision for bonuses for directors (and other officers)	216,541	57,372
Accounts payable - other	1,957,554	1,862,096
Income taxes payable	1,812,229	626,522
Accrued consumption taxes	230,886	24,565
Other	268,188	320,721
Total current liabilities	5,431,797	4,353,170
Non-current liabilities		
Retirement benefit liability	110,706	80,803
Provision for bonuses	883,567	738,618
Provision for bonuses for directors (and other officers)	273,957	222,555
Other	40,675	26,644
Total non-current liabilities	1,308,907	1,068,622
Total liabilities	6,740,704	5,421,793

(Thousands of yen)

	As of September 30, 2023	As of March 31, 2024
Net assets		
Shareholders' equity		
Capital stock	2,916,189	2,916,189
Capital surplus	2,905,939	2,905,939
Retained earnings	30,765,584	30,608,436
Treasury shares	(353)	(353)
Total shareholders' equity	36,587,359	36,430,211
Accumulated other comprehensive income		
Foreign currency translation adjustment	4,570	4,209
Total accumulated other comprehensive income	4,570	4,209
Share acquisition rights	569,325	525,233
Total net assets	37,161,255	36,959,654
Total liabilities and net assets	43,901,960	42,381,447

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

Quarterly Consolidated Statements of Income

Six months ended March 31, 2024

	(Thousands of yen)	
	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)
Net sales	13,003,040	7,247,510
Cost of sales	3,530,509	2,850,597
Gross profit	9,472,531	4,396,913
Selling, general and administrative expenses	4,000,973	2,731,504
Operating income	5,471,557	1,665,408
Non-operating income		
Interest income	1,160	1,172
Gain on reversal of share acquisition rights	6,720	—
Miscellaneous income	342	2,754
Total non-operating income	8,222	3,927
Non-operating expenses		
Loss on retirement of non-current assets	2,091	199
Loss on sale of non-current assets	2,179	—
Miscellaneous losses	1,004	905
Total non-operating expenses	5,276	1,105
Ordinary income	5,474,503	1,668,230
Extraordinary income		
Gain on reversal of share acquisition rights	—	87,576
Total extraordinary income	—	87,576
Profit before income taxes	5,474,503	1,755,806
Income taxes - current	2,417,840	561,286
Income taxes - deferred	2,795	81,324
Total income taxes	2,420,635	642,611
Profit	3,053,867	1,113,195
Profit attributable to owners of parent	3,053,867	1,113,195

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)
Profit	3,053,867	1,113,195
Other comprehensive income		
Foreign currency translation adjustment	(1,784)	(360)
Total other comprehensive income	(1,784)	(360)
Comprehensive income	3,052,082	1,112,835
(Breakdown)		
Comprehensive income attributable to owners of parent	3,052,082	1,112,835

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	For the six months ended March 31, 2023 (October 1, 2022 to March 31, 2023)	For the six months ended March 31, 2024 (October 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	5,474,503	1,755,806
Depreciation	127,781	180,675
Amortization of goodwill	96,730	96,730
Depreciation and amortization on other	16,514	16,528
Loss on retirement of non-current assets	2,091	199
Loss (gain) on sale of non-current assets	2,179	—
Interest income	(1,160)	(1,172)
Decrease (increase) in trade receivables	513,683	(35,838)
Increase (decrease) in accounts payable - other	157,325	(92,571)
Increase (decrease) in provision for bonuses	508,114	(36,026)
Increase (decrease) in provision for bonuses for directors (and other officers)	405,283	(210,571)
Increase (decrease) in retirement benefit liability	2,366	(29,903)
Increase (decrease) in contract liabilities	(174,985)	406,571
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(303,572)	57,278
Other, net	202,285	(191,325)
Subtotal	7,029,141	1,916,382
Interest received	1,160	1,172
Income taxes paid	(2,238,451)	(1,700,370)
Net cash provided by (used in) operating activities	4,791,850	217,184
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,244,982)	(45,415)
Proceeds from sale of property, plant and equipment	2,181	—
Purchase of intangible assets	(32,200)	(3,369)
Payments for asset retirement obligations	(84,200)	—
Payments into time deposits	(4,000,000)	(4,000,000)
Proceeds from withdrawal of time deposits	4,000,000	4,000,000
Payments of leasehold and guarantee deposits	(289,893)	(2,801)
Proceeds from refund of leasehold and guarantee deposits	289,716	1,204
Other, net	(500)	—
Net cash provided by (used in) investing activities	(1,359,877)	(50,382)
Cash flows from financing activities		
Proceeds from issuance of share acquisition rights	124,163	—
Dividends paid	—	(1,269,518)
Net cash provided by (used in) financing activities	124,163	(1,269,518)
Effect of exchange rate change on cash and cash equivalents	(2,116)	(438)
Net increase (decrease) in cash and cash equivalents	3,554,019	(1,103,155)
Cash and cash equivalents at beginning of period	31,668,284	35,255,168
Cash and cash equivalents at end of period	35,222,303	34,152,012

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

Not applicable.