

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

July 30, 2024

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 Availability of supplementary briefing materials on 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 Nine Months Ended June 30, 2024 (October 1, 2023 to June 30, 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	%
Nine months ended June 30, 2024	11,516	(28.0)	2,888	(50.3)	2,891	(50.3)	1,897	(40.6)
June 30, 2023	15,988	13.0	5,813	(13.8)	5,821	(14.4)	3,197	(30.5)

(Note) Comprehensive income: For the nine months ended June 30, 2024: ¥1,898 million (-40.6%)
 For the nine months ended June 30, 2023: ¥3,197 million (-30.6%)

	Basic earnings per share	Diluted earnings per share
Nine months ended June 30, 2024	Yen 59.76	Yen 58.92
June 30, 2023	100.78	98.59

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	42,266	37,766	88.1
As of September 30, 2023	43,901	37,161	83.3

(Reference) Shareholders' equity: As of June 30, 2024: ¥37,220 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
Fiscal year ended September 30, 2023	Yen —	Yen 0.00	Yen —	Yen 40.00	Yen 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	19,305	(7.4)	6,201	(16.8)	6,199	(17.0)	4,277	1.2	134.67

(Note) Changes in financial results forecast from the most recent announcement: Yes

Notes:

(1) Significant changes in the scope of consolidation during the period: 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):

June 30, 2024: 31,759,000 shares

September 30, 2023: 31,759,000 shares

2) Total number of treasury shares at the end of the period:

June 30, 2024: 398 shares

September 30, 2023: 398 shares

3) Average number of shares outstanding during the period:

Nine months ended June 30, 2024: 31,758,602 shares

Nine months ended June 30, 2023: 31,728,602 shares

* Review of the accompanying quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* 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, the number of M&A deals in 2024 (January to June) grew substantially, rising 19.4% year-on-year to reach a record high of 2,321 deals.

There is currently no reliable data on the number of M&A deals primarily involving small and medium enterprises. However, according to the "8th Review Committee on the Concentration of Management Resources, etc. of Small and Medium Enterprises" published by the Small and Medium Enterprise Agency on March 16, 2023 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). Taking this data into consideration, we expect that the M&A market for small and medium enterprises will remain abundant, driven by business succession needs, and is likely to expand for the foreseeable future in conjunction with the aging of business leaders.

Amidst the robust external environment, the Group has continued to enhance its recruitment and training systems for consultants, who are the foundation of high-quality M&A advisory services, in order to address the expanding M&A market for small and medium enterprises on the back of growing business succession needs. In addition, we have refined our appealing corporate culture that provides extensive guidance by experienced senior staff and supervisors.

Furthermore, to capture the needs of the expanding market, we reviewed our KPI management system for sales activities to ensure timely management of not only the end result of close deals, but also the entire process that leads to deals. At the same time, we managed to actively engage in deal creation activities and raised the overall number of deals by carefully managing situations, such as when our activities to cultivate new deals weaken as a result of focusing on closing deals, or when we engage in sufficient cultivation activities but have issues in making progress on deals. We are making similar efforts with MACP Group company RECOF Corporation, coordinating the KPI management expertise we cultivated to boost sales activities.

There has been a rapid influx of new M&A intermediaries in the expanding M&A market for unlisted small and medium enterprises, making it difficult for customers to understand service quality and commissions, as service quality and compensation systems differ among firms. This situation leads to difficulties in selecting M&A intermediary firms while also causing disputes, which has become a market environment issue.

Under these circumstances, the Company continues to maintain the exact same compensation system for both sellers and buyers. In addition, we have positioned bolstering our knowledge required for M&A as an important initiative, and have introduced a stringent training system that is also tied to bonus assessments. Furthermore, by thoroughly explaining the client-oriented compensation system, advisory services, and contract details, we have been taking on initiatives in line with the intent of the guidelines established by the Small and Medium Enterprise Agency.

We believe that these initiatives will ultimately contribute to our differentiation, and since it is likely that the businesses of other M&A intermediary firms will be affected by the tightening resulting from the revisions to the M&A Guidelines for SMEs, we will continue to build on our client-oriented initiatives to enhance our competitive advantage. In an increasingly competitive environment, we will continue to produce even more major and high-quality M&A deals by refining our high-quality advisory services and enhancing our competitive advantage with a brand backed by our extensive track record and expertise.

b. Condition of the Group

With regard to the operating results for the Group, net sales declined ¥4,472million (28.0%) year on year to ¥11,516 million. This was mainly attributed to the fact that while the number of deals rose year on year, the proportion of large deals closed remained sluggish, which pushed down fees per deal. On the other hand, the number of projects in inventory is continuously rising, and the number of high-value projects is also increasing, so we will work steadily to expand sales going forward.

The cost of sales declined ¥402 million (8.4%) year on year, to ¥4,419 million, due mainly to a decrease in bonus expenses and the provision for bonuses.

Selling, general and administrative expenses decreased ¥1,144 million (21.4%) year on year, to ¥4,207 million, primarily due

to decreases in directors' bonuses and the provision for directors' bonuses.

As a result, operating income declined ¥2,925 million (50.3%) year on year, to ¥2,888 million, ordinary income fell ¥2,929 million (50.3%) year on year, to ¥2,891 million, and profit attributable to owners of parent decreased ¥1,299 million (40.6%) year on year, to ¥1,897 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 nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)	Year-on- year change	
Whole Group	M&A deals closed		(number of deals)	114	149	+35
	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)	24	25	+1
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	90	124	+34

Number of deals (non-consolidated)

Name of type			For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)	Year-on- year change	
M&A Capital Partners Co., Ltd.	M&A deals closed		(number of deals)	104	138	+34
	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)	24	24	±0
		Number of deals among those wherein amount of processing fees for the deal was less than ¥100 million	(number of deals)	80	114	+34

Name of type			For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)	Year-on- year change	
RECOF Corporation	M&A deals closed		(number of deals)	10	11	+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)	10	10	±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 ¥1,069 million (2.7%) from the end of the previous consolidated fiscal year, reaching ¥38,907 million. This was primarily due to dividend payments, causing a ¥1,620 million decline in cash and deposits.

(Non-current assets)

Non-current assets fell ¥565 million (14.4%) compared to the end of the previous consolidated fiscal year, reaching ¥3,359 million. The main factors behind this were decreases of ¥23 million in trademark rights, ¥145 million in goodwill, ¥105 million in lease and guarantee deposits each due to amortization, and a decrease of ¥213 million in deferred tax assets.

(Current liabilities)

Current liabilities fell ¥1,607 million (29.6%) compared to the end of the previous consolidated fiscal year, to ¥3,824 million.

This was primarily due to a decrease of ¥1,788 million in income taxes payable.

(Non-current liabilities)

Non-current liabilities declined ¥633 million (48.4%) compared to the end of the previous consolidated fiscal year, reaching ¥675 million. This was mainly due to a ¥334 million decrease in the provision for bonuses and a ¥252 million decline in the provision for directors' bonuses.

(Net assets)

Net assets increased by ¥605 million (1.6%) compared to the end of the previous consolidated fiscal year, reaching ¥37,766 million. This was mainly the result of a ¥627 million increase in retained earnings.

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

In the first nine months of the current fiscal year, our business performance fell below that of the same period of the previous year. In addition, although we have a sufficient inventory of projects, we have carefully examined the deals we expect to close in the fourth quarter, and concluded that net sales, operating income, ordinary income, and profit attributable to owners of parent will fall short of the previously announced forecast. Accordingly, we revised our full year consolidated financial forecasts as of today. For details, please refer to the "Notice of Revision of Earnings Forecasts" announced on July 30, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	39,255,168	37,634,360
Accounts receivable - trade	224,553	35,101
Other	497,650	1,237,976
Total current assets	39,977,372	38,907,438
Non-current assets		
Property, plant and equipment		
Facilities attached to buildings, net	985,079	911,521
Other	197,642	182,296
Total property, plant and equipment	1,182,721	1,093,818
Intangible assets		
Trademark right	99,207	75,369
Goodwill	580,380	435,285
Other	93,806	100,199
Total intangible assets	773,395	610,854
Investments and other assets		
Leasehold and guarantee deposits	935,861	830,076
Deferred tax assets	1,011,649	797,867
Other	27,959	33,625
Allowance for doubtful accounts	(7,000)	(7,000)
Total investments and other assets	1,968,470	1,654,569
Total non-current assets	3,924,587	3,359,242
Total assets	43,901,960	42,266,680
Liabilities		
Current liabilities		
Contract liabilities	649,302	1,133,007
Provision for bonuses	297,095	1,070,254
Provision for bonuses for directors (and other officers)	216,541	289,142
Accounts payable - other	1,957,554	954,991
Income taxes payable	1,812,229	23,597
Accrued consumption taxes	230,886	30,736
Other	268,188	322,382
Total current liabilities	5,431,797	3,824,111
Non-current liabilities		
Retirement benefit liability	110,706	82,223
Provision for bonuses	883,567	548,944
Provision for bonuses for directors (and other officers)	273,957	21,742
Other	40,675	22,942
Total non-current liabilities	1,308,907	675,852
Total liabilities	6,740,704	4,499,964

(Thousands of yen)

	As of September 30, 2023	As of June 30, 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	31,393,180
Treasury shares	(353)	(353)
Total shareholders' equity	36,587,359	37,214,955
Accumulated other comprehensive income		
Foreign currency translation adjustment	4,570	5,166
Total accumulated other comprehensive income	4,570	5,166
Share acquisition rights	569,325	546,593
Total net assets	37,161,255	37,766,716
Total liabilities and net assets	43,901,960	42,266,680

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

Quarterly Consolidated Statements of Income

Nine months ended June 30, 2024

	(Thousands of yen)	
	For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)
Net sales	15,988,608	11,516,047
Cost of sales	4,822,439	4,419,668
Gross profit	11,166,168	7,096,378
Selling, general and administrative expenses	5,352,221	4,207,591
Operating income	5,813,947	2,888,786
Non-operating income		
Interest income	1,167	1,175
Gain on reversal of share acquisition rights	10,710	—
Miscellaneous income	472	4,221
Total non-operating income	12,349	5,396
Non-operating expenses		
Loss on retirement of non-current assets	2,091	279
Loss on sale of non-current assets	2,179	—
Miscellaneous losses	882	2,546
Total non-operating expenses	5,153	2,825
Ordinary income	5,821,143	2,891,358
Extraordinary income		
Gain on reversal of share acquisition rights	—	88,094
Total extraordinary income	—	88,094
Profit before income taxes	5,821,143	2,979,452
Income taxes - current	2,399,609	867,730
Income taxes - deferred	223,910	213,782
Total income taxes	2,623,520	1,081,512
Profit	3,197,623	1,897,939
Profit attributable to owners of parent	3,197,623	1,897,939

Quarterly Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the nine months ended June 30, 2023 (October 1, 2022 to June 30, 2023)	For the nine months ended June 30, 2024 (October 1, 2023 to June 30, 2024)
Profit	3,197,623	1,897,939
Other comprehensive income		
Foreign currency translation adjustment	(216)	596
Total other comprehensive income	(216)	596
Comprehensive income	3,197,406	1,898,536
(Breakdown)		
Comprehensive income attributable to owners of parent	3,197,406	1,898,536

(3) 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.

(Notes on segment information)

[Segment information]

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

(Notes on statement of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the first nine months of the current fiscal year. Depreciation (including amortization related to intangible assets excluding goodwill) and goodwill amortization for the first nine months of the current fiscal year are as follows.

	(Unit: thousand yen)	
	Cumulative third quarter of previous fiscal year (From October 1, 2022 to June 30, 2023)	Cumulative third quarter of current fiscal year (From October 1, 2023 to June 30, 2024)
Depreciation	245,549	297,344
Goodwill amortization	145,095	145,095