



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 1QFY2017

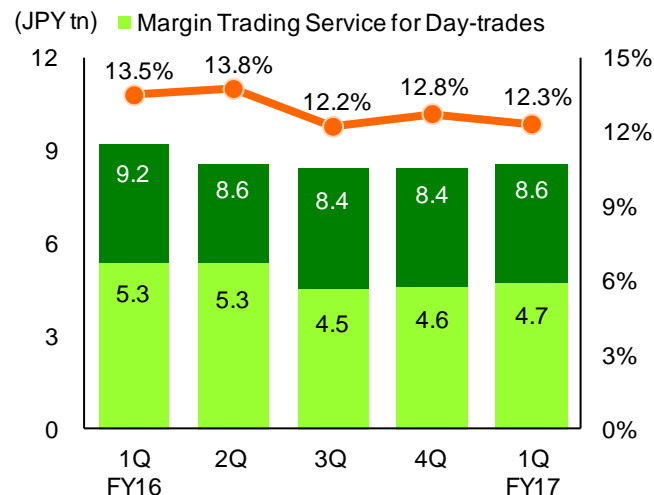
July 2017

Table of Contents

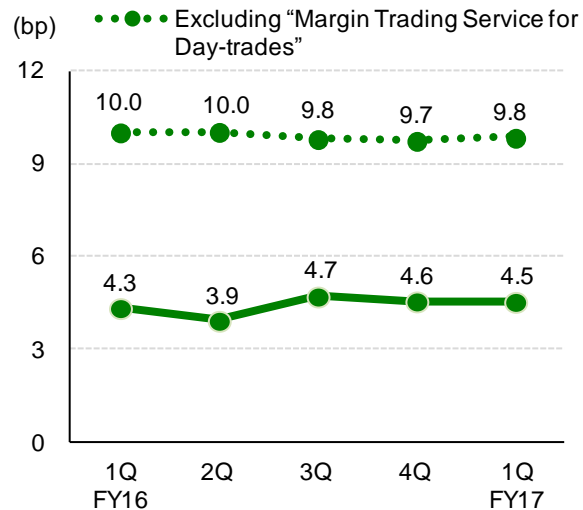
Section 1	Financial Summary	6
Section 2	Results of Operation	13
Section 3	Recent Developments	20

Results of Operation

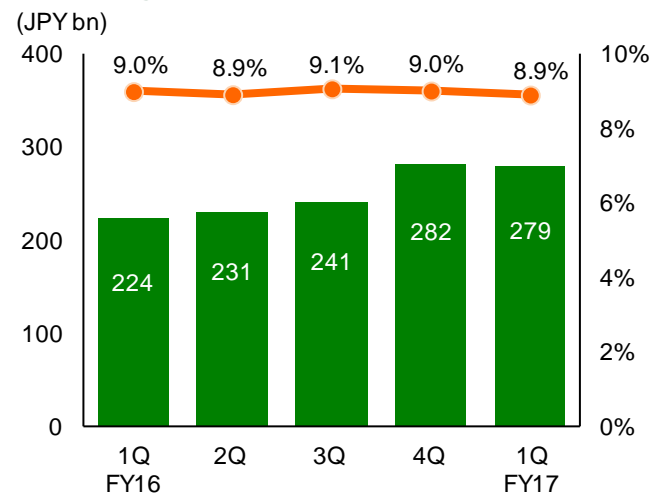
◆ Equity trading value / Market share



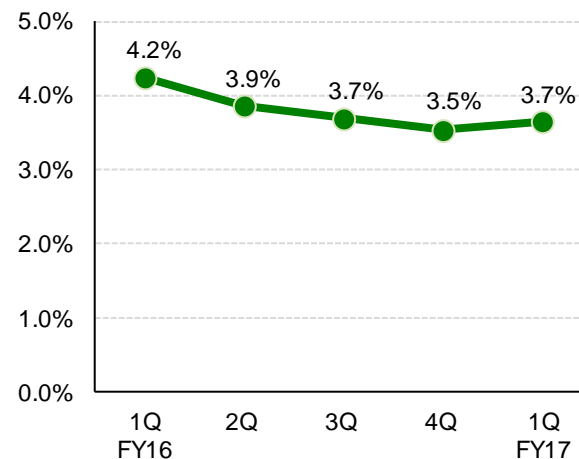
◆ Equity commission rate



◆ Margin balance / Market share

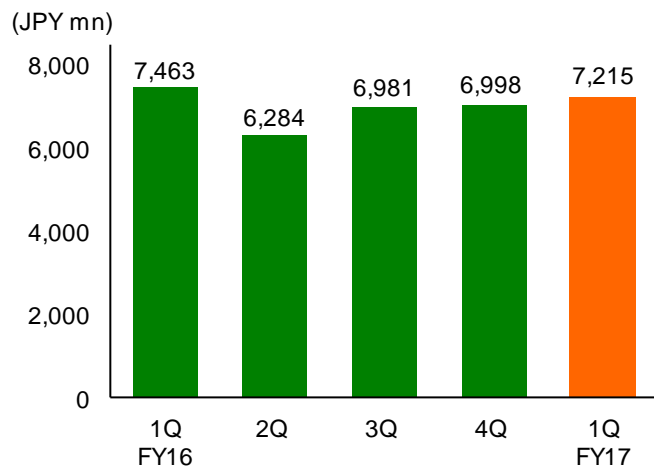


◆ Net financial income ratio

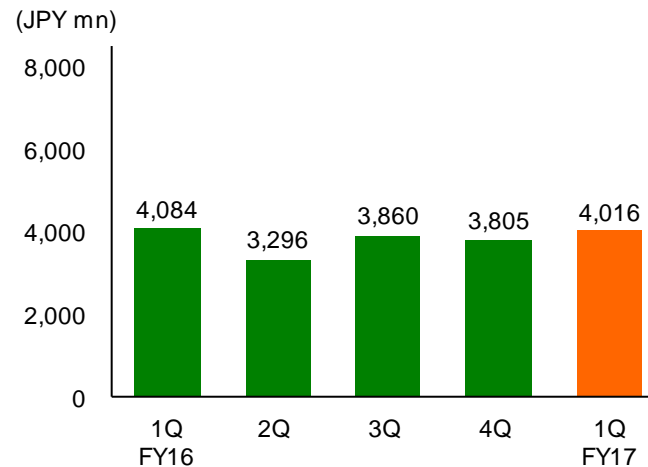


Financial Results

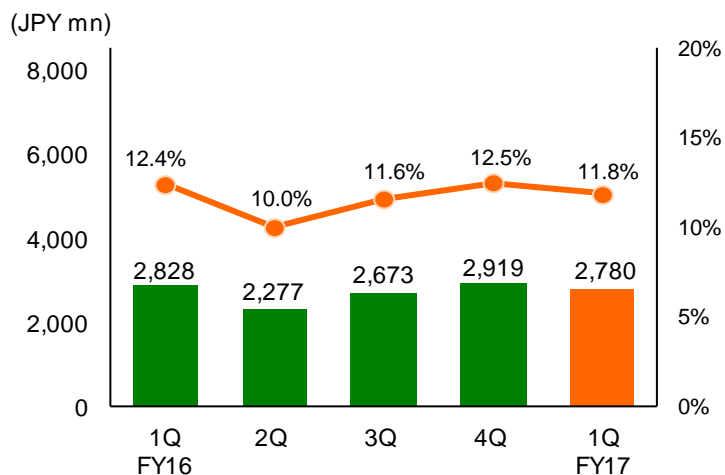
◆ Operating revenue



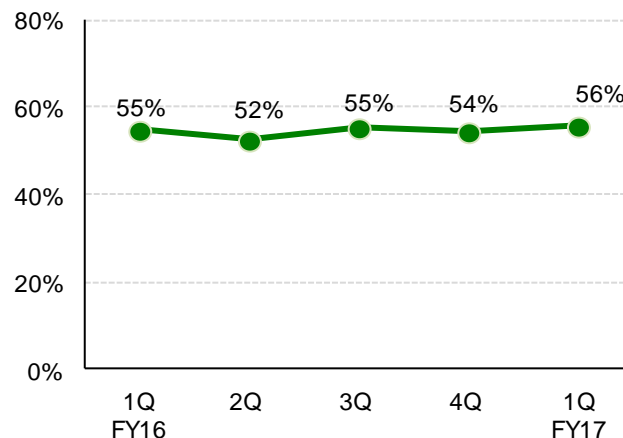
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 220 million QoQ

- Net trading income was up JPY 140 million due to restructure of the FX margin trading business (Transform brokerage business model into trading business model)
- Interest & dividend income was up JPY 120 million due to increase of revenue from securities lending and Premium Short-Selling Service (Net interest income was up JPY 130 million)

◆ SG&A up JPY 70 million QoQ

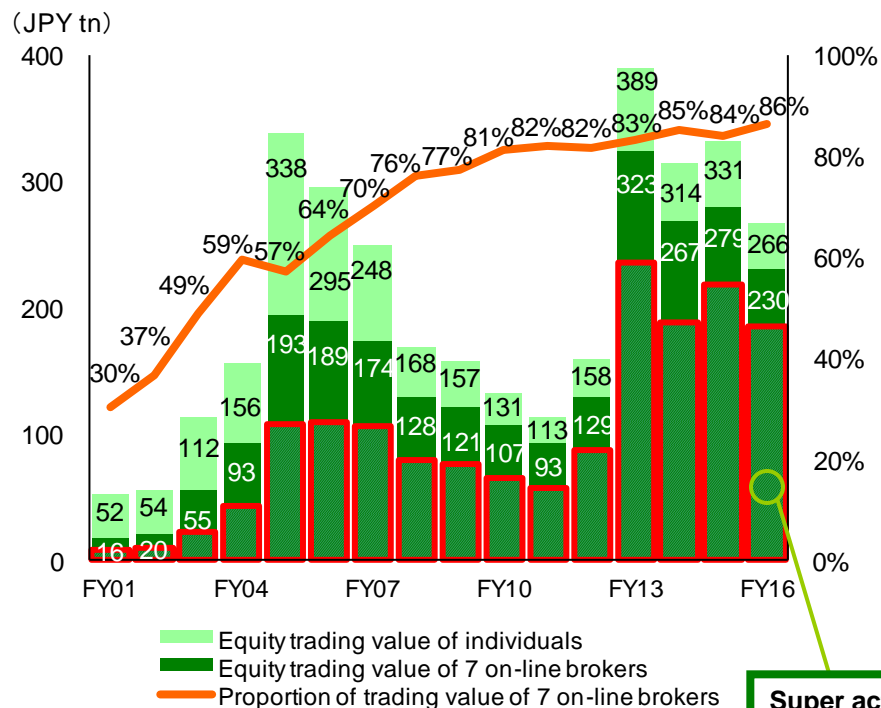
- Transaction related expenses were down JPY 60 million due to decrease of advertisement expenses
- Personnel expenses were up JPY 30 million due to personnel recruitment of call-center staff
- Depreciation was up JPY 40 million due to start of depreciation of FX trading system, server facility replacement, etc.

◆ Net income down JPY 140 million QoQ

- No extraordinary income in 1Q (JPY 340 million in 4QFY16 as Reversal of statutory reserves)

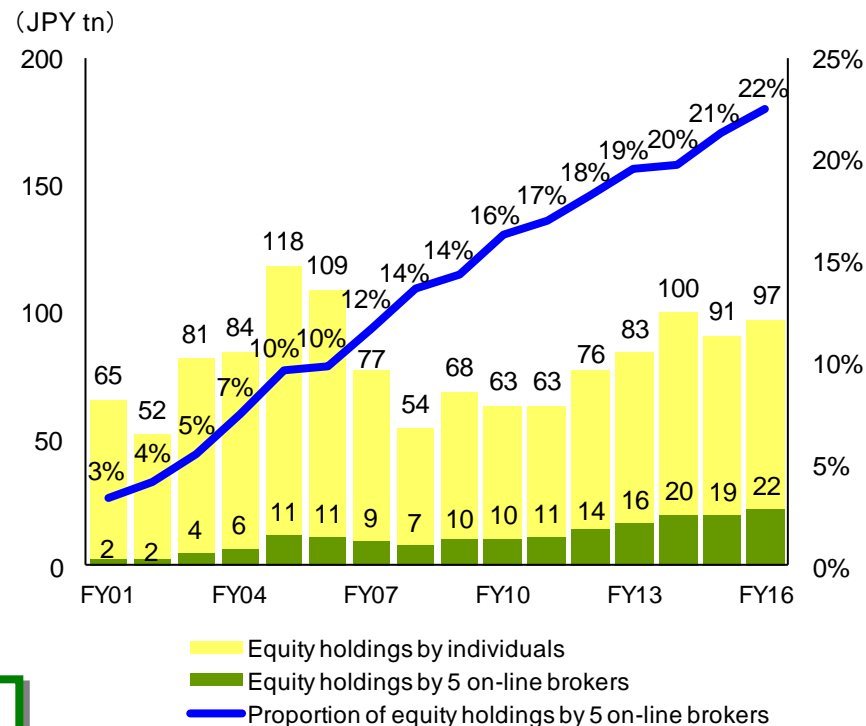
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 180 tn
(Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (Quarterly)

(JPY mn)

	FY17	FY16	QoQ	FY16			YoY	FY16 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Operating Revenues	7,215	6,998	3%	6,981	6,284	7,463	-3%	27,727
Commissions	4,334	4,370	-1%	4,448	3,862	4,572	-5%	17,253
Interest & dividend income	2,743	2,627	4%	2,532	2,420	2,889	-5%	10,467
Interest expenses	320	336	-5%	386	255	251	27%	1,228
Net operating revenues	6,896	6,662	4%	6,596	6,029	7,212	-4%	26,499
SG & A	2,931	2,857	3%	2,783	2,737	3,184	-8%	11,560
Operating income	3,964	3,805	4%	3,813	3,292	4,028	-2%	14,939
Ordinary income	4,016	3,805	6%	3,860	3,296	4,084	-2%	15,044
Net income	2,780	2,919	-5%	2,673	2,277	2,828	-2%	10,697
Ordinary income ratio	56%	54%	-	55%	52%	55%	-	54%
Matsui's trading value (JPY tn)	8.6	8.4	2%	8.4	8.6	9.2	-7%	34.7
Daily average trading value on TSE (JPY tn)	3.1	3.0	6%	3.2	2.9	3.0	4%	3.0

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY17	FY16	QoQ	FY16			YoY	FY16 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Commissions	4,334	4,370	-1%	4,448	3,862	4,572	-5%	17,253
Brokerage	4,152	4,120	1%	4,228	3,604	4,308	-4%	16,260
Equity & ETF	3,913	3,869	1%	3,986	3,384	4,010	-2%	15,249
Futures & Options	240	251	-5%	242	220	298	-19%	1,011
Others	179	242	-26%	214	258	265	-32%	979
Net trading income	138	1	-	1	0	1	-	3
Interest & dividend income (1)	2,743	2,627	4%	2,532	2,420	2,889	-5%	10,467
Total operating revenues	7,215	6,998	3%	6,981	6,284	7,463	-3%	27,727
Interest expenses (2)	320	336	-5%	386	255	251	27%	1,228
Net operating revenues	6,896	6,662	4%	6,596	6,029	7,212	-4%	26,499
Net interest income (1) - (2)	2,423	2,291	6%	2,146	2,165	2,638	-8%	9,239
Average margin balance (JPY bn)	265	259	2%	233	224	249	7%	241

Breakdown of SG&A (Quarterly)

(JPY mn)

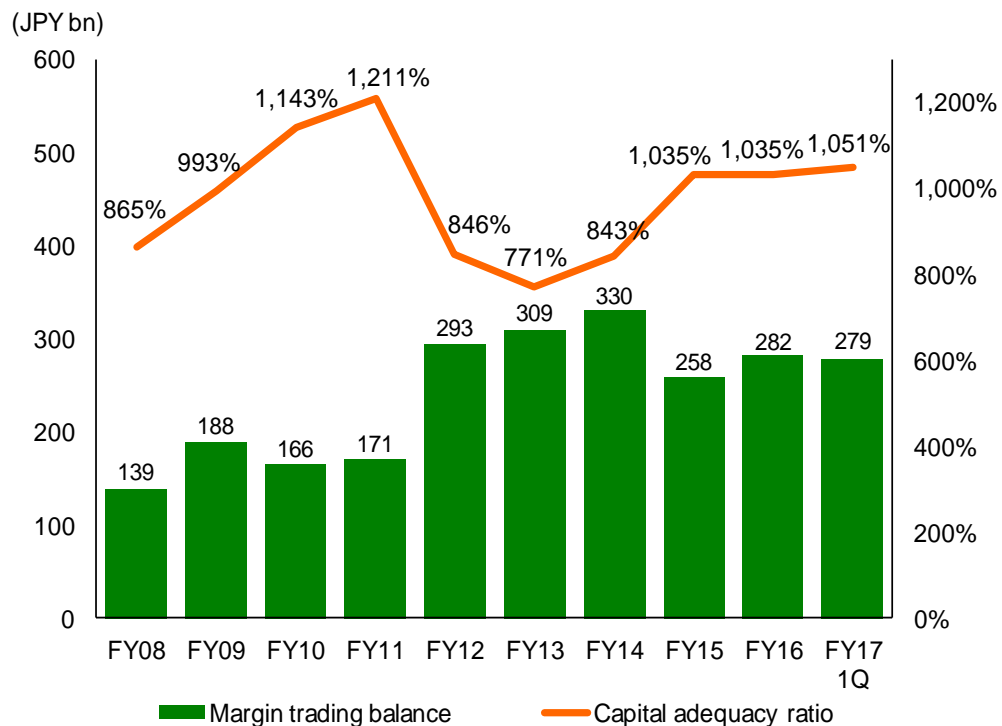
	FY17	FY16	QoQ	FY16			YoY	FY16 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Trading related expenses	1,093	1,154	-5%	1,098	1,027	1,067	2%	4,345
Stock exchanges and securities associations fees	364	361	1%	348	329	370	-2%	1,409
Communications expenses	416	437	-5%	418	406	410	1%	1,672
Advertisement	117	174	-33%	153	102	101	15%	531
Personnel expenses	581	549	6%	561	557	559	4%	2,227
Occupancy & rental	216	225	-4%	219	221	226	-4%	891
Data processing & office supplies	508	492	3%	474	435	439	16%	1,841
Depreciation	363	328	11%	305	322	312	17%	1,267
Taxes and dues	101	85	19%	88	85	104	-3%	362
Provision of allowance for doubtful accounts	20	-196	-	-4	70	441	-95%	311
Others	49	220	-78%	41	19	37	32%	317
Total SG & A	2,931	2,857	3%	2,783	2,737	3,184	-8%	11,560

Regulatory Capital

◆ Capital adequacy ratio (As of 30 June 2017)

		(JPY mn)
Tier 1	(A)	90,485
Tier 2	Net unrealized gain on investment	2,533
	Statutory reserves	3,012
	Allowance for doubtful accounts	108
	Sub total (B)	5,654
Assets to be deducted from equity capital	(C)	6,747
Net Capital		
	(A) + (B) - (C) (D)	89,392
Total risk	Market risk	568
	Counterparty risk	5,335
	Basic risk	2,599
	Total (E)	8,503
Capital Adequacy ratio (D)/(E)		1,051%

◆ Margin trading balance and capital adequacy ratio



Revision of the Policy of ROE Management and the Basic Dividend Policy

◆ The Policy of ROE Management

The Company aims to attain a high ROE level that exceeds the cost of equity capital in the medium-to-long term.

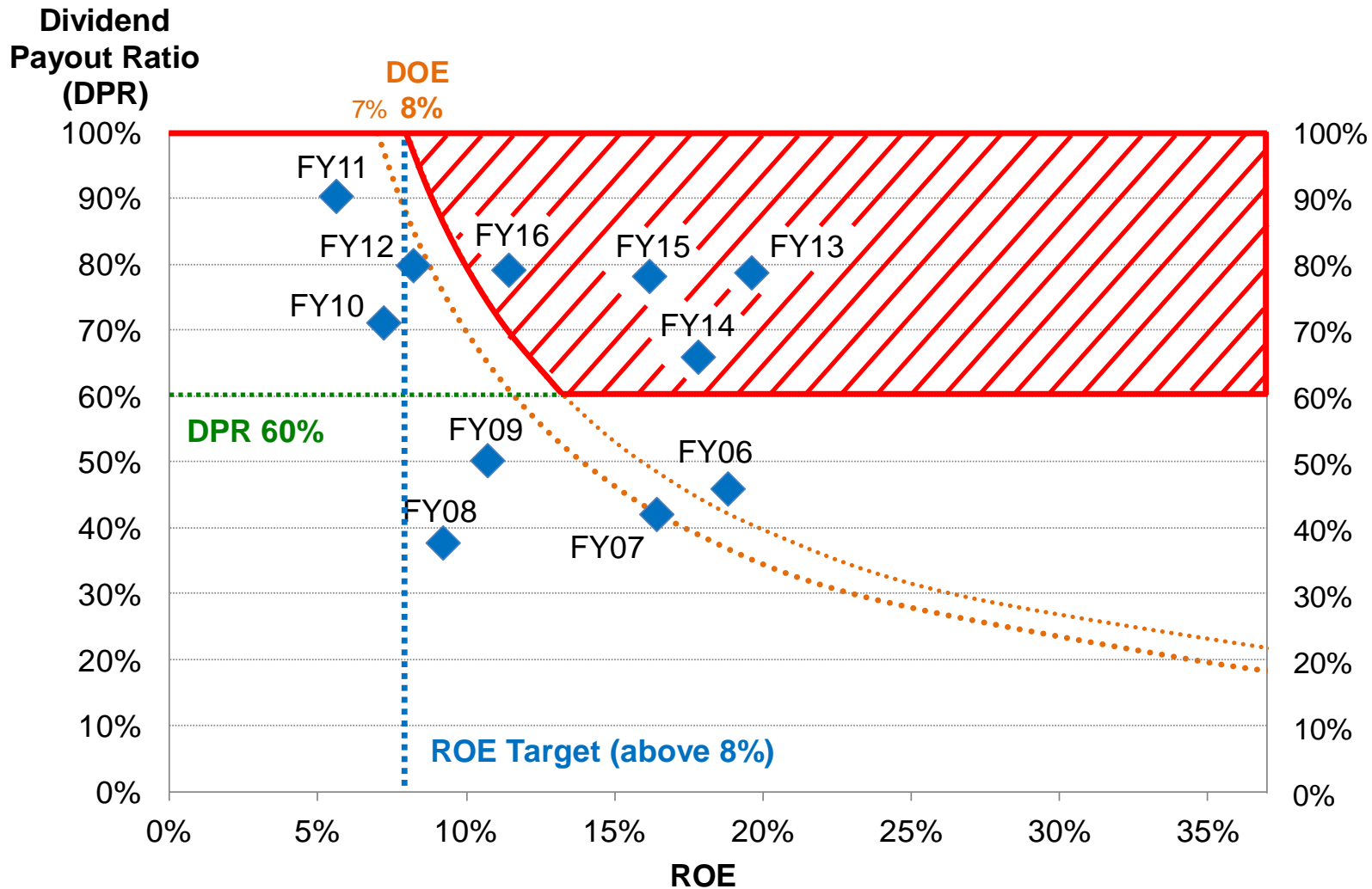
In light of the Company's cost of equity capital, the new ROE target is above 8%.

◆ The Basic Dividend Policy

1) The Company aims to payout cash dividend which is equivalent to the cost of equity capital. New Dividends on Equity (DOE) policy is 8% and above.

2) The Company also maintains the part of the existing dividend policy that dividends payout ratio is between 60% and 100% inclusive.

Dividend Payment for last 10 years



Note1: ROE = $\frac{\text{Net income for fiscal year}}{(\text{Total net assets at the beginning of fiscal year} + \text{Total net assets at the end of fiscal year}) / 2}$

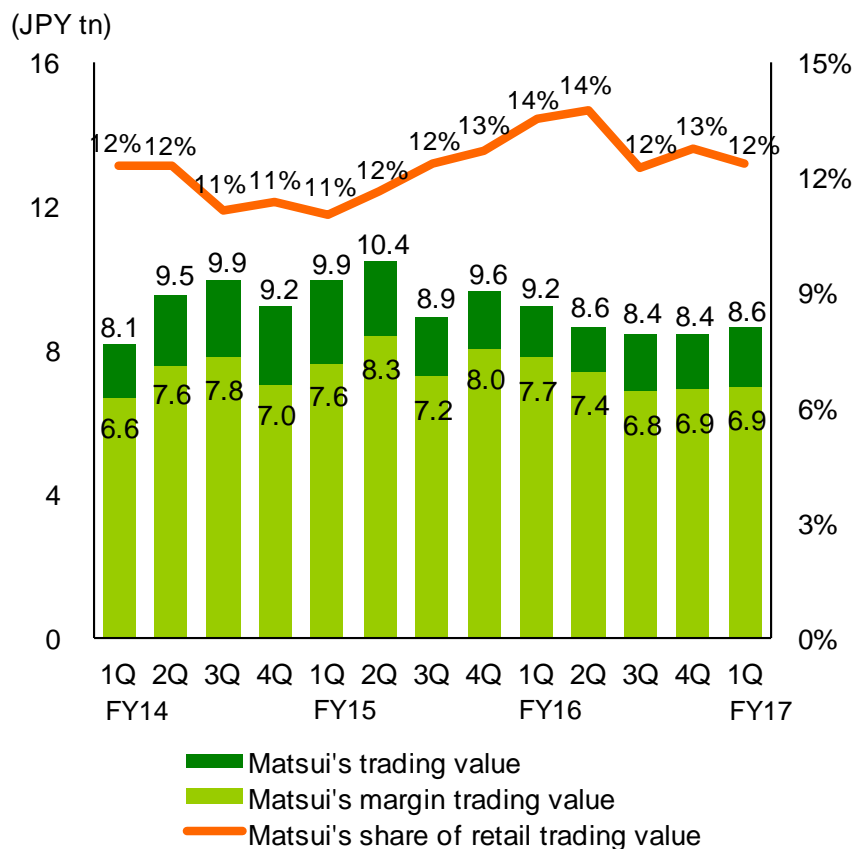
Note2: DOE = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal Year}) / 2}$

Results of Operation

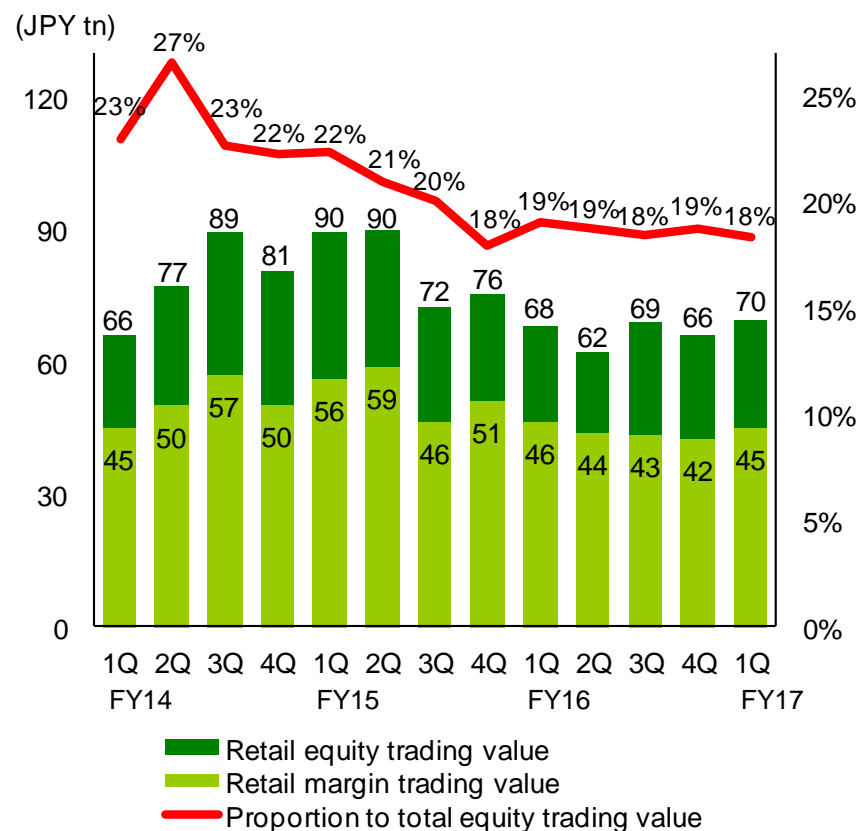
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

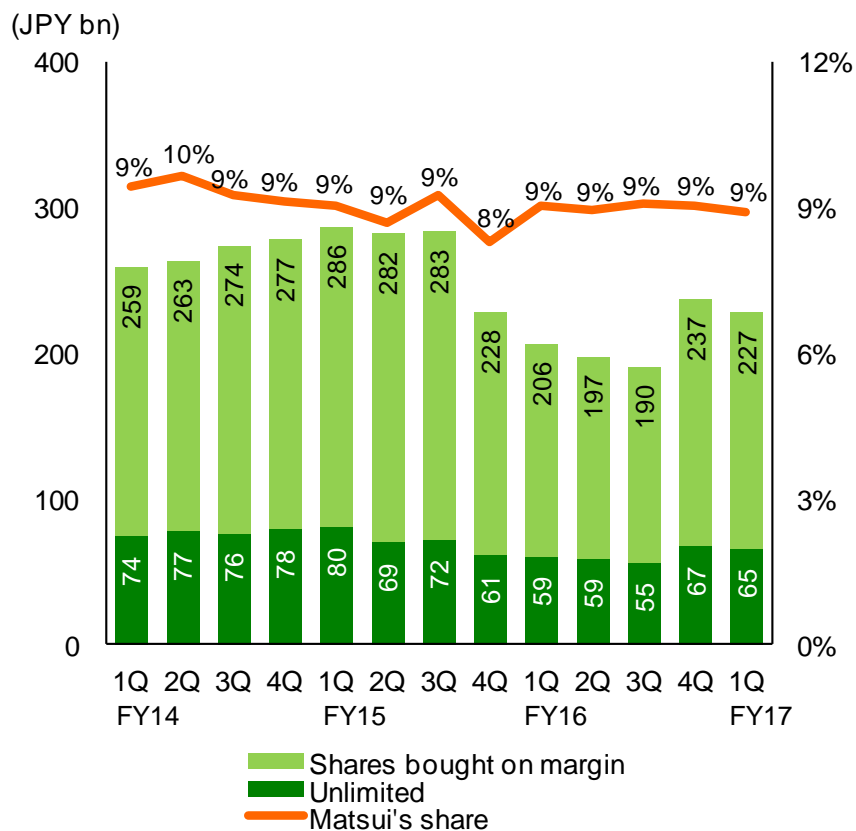


◆ Retail equity trading value¹ and proportion to total equity trading value

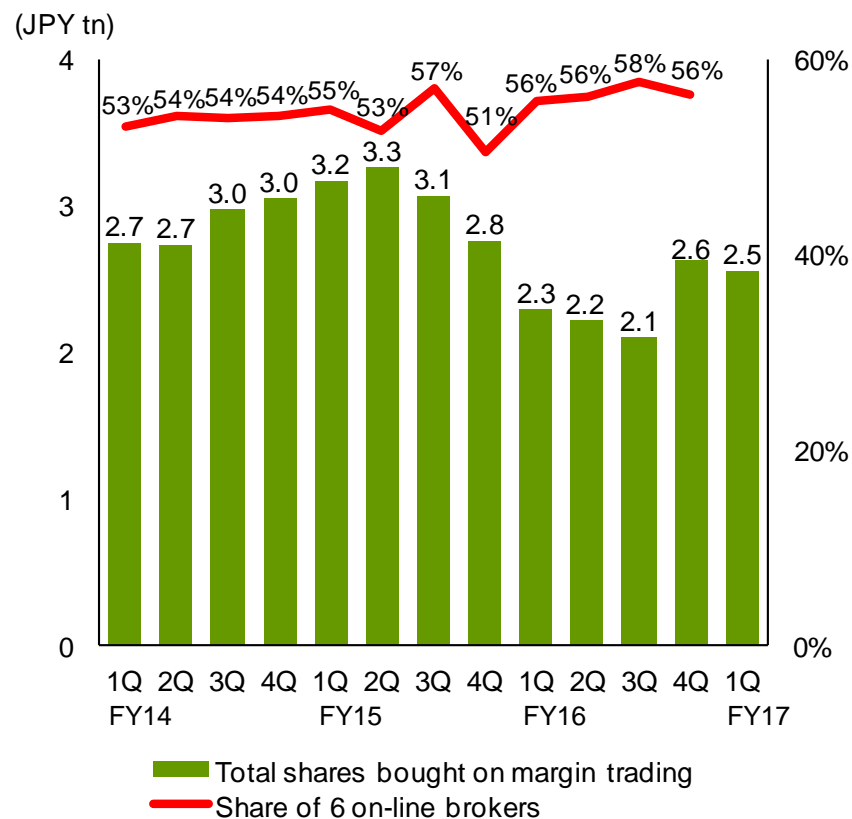


Margin Trading Balance

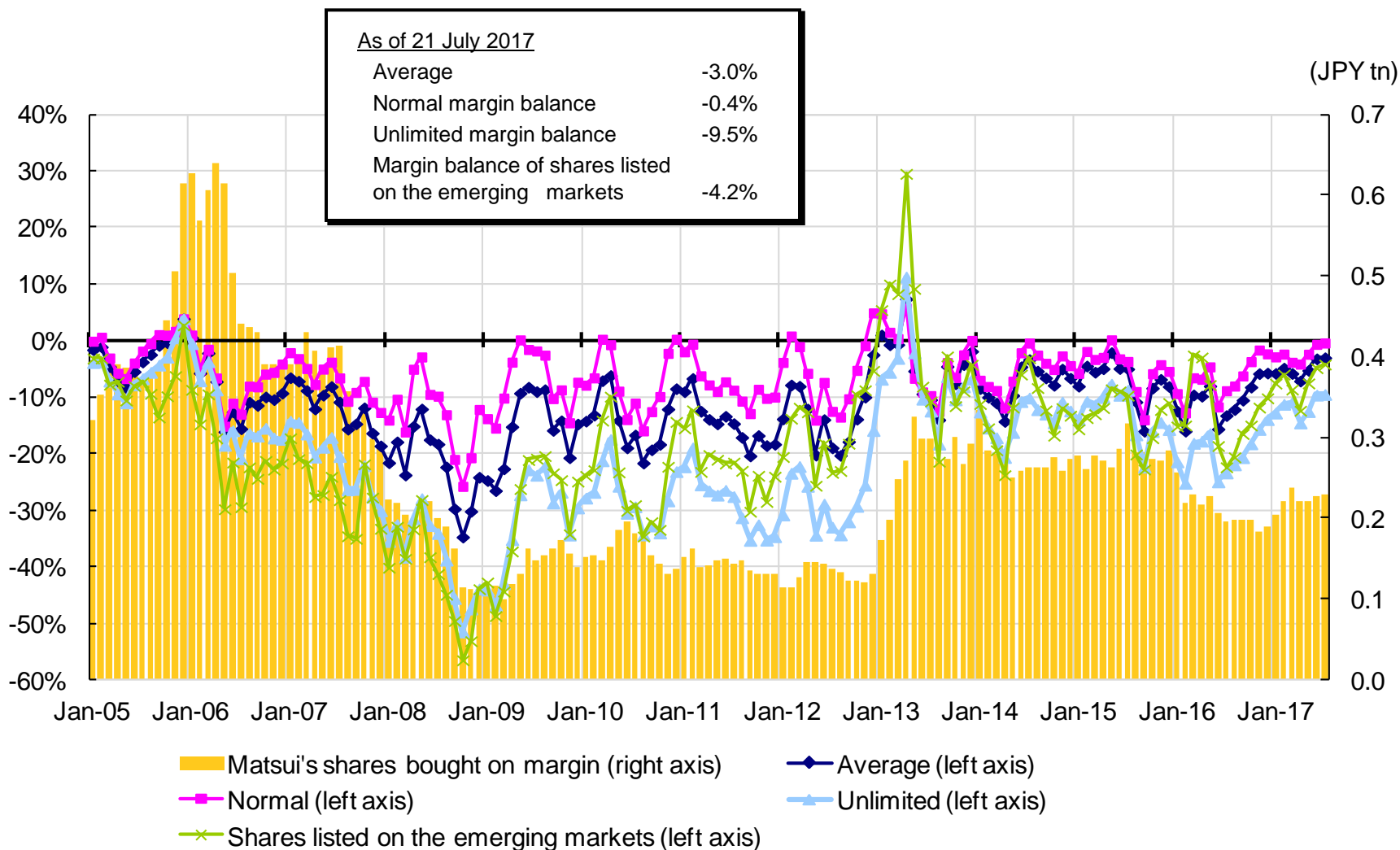
◆ Matsui's shares bought on margin¹ and its market share²



◆ Total shares bought on margin¹ and share of 6 on-line brokers³

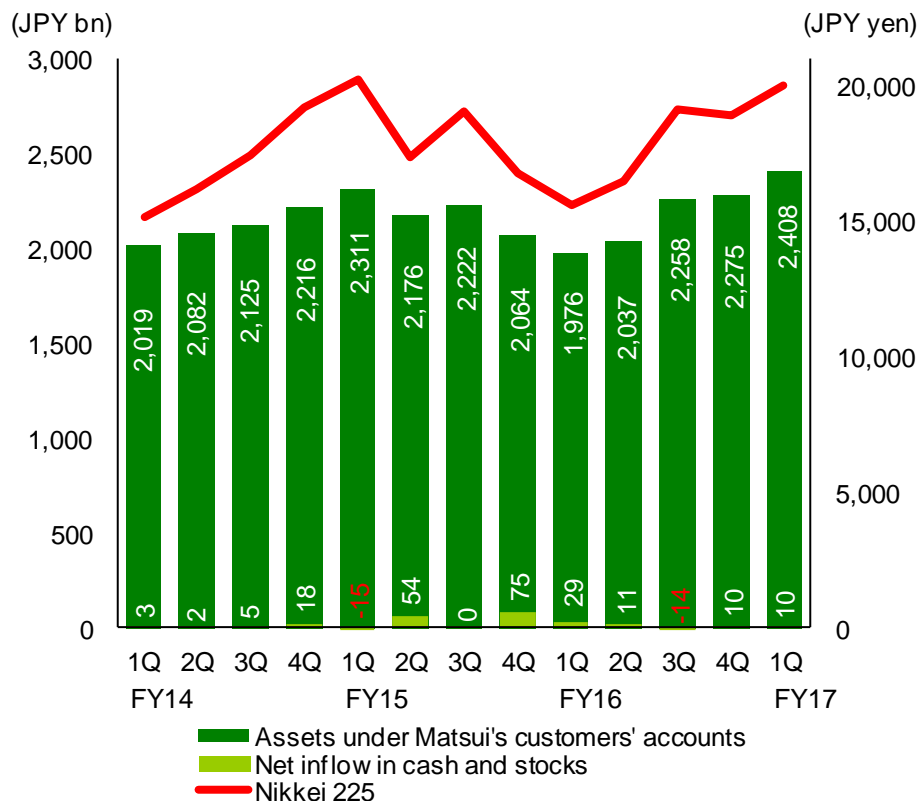


Unrealized Losses on Matsui's Margin Balance

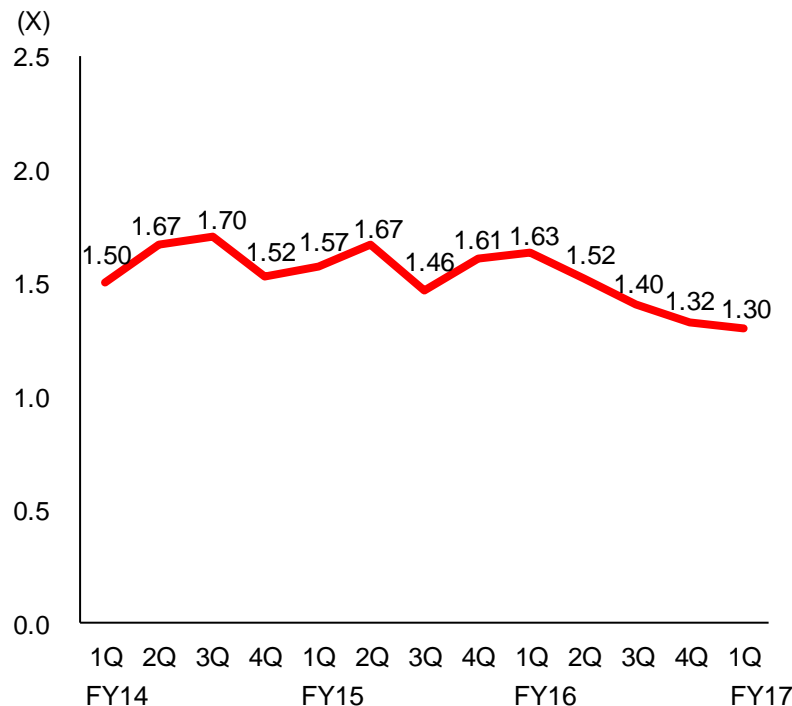


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover¹ of Matsui's customers



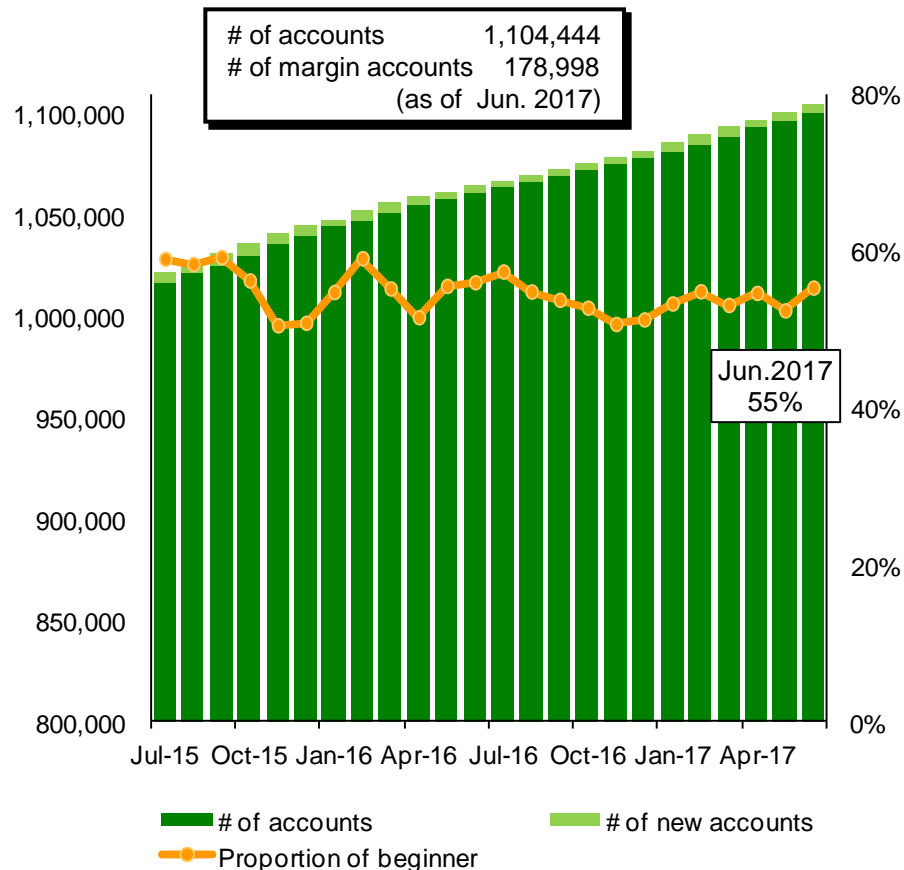
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

* assets under customers' accounts of Matsui's related persons are excluded

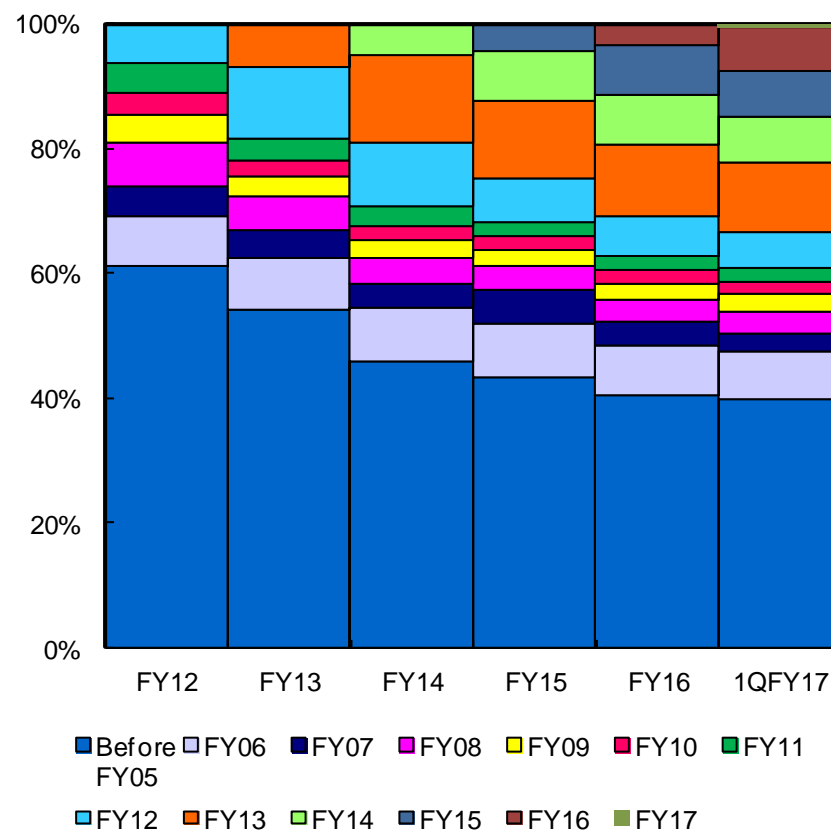
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

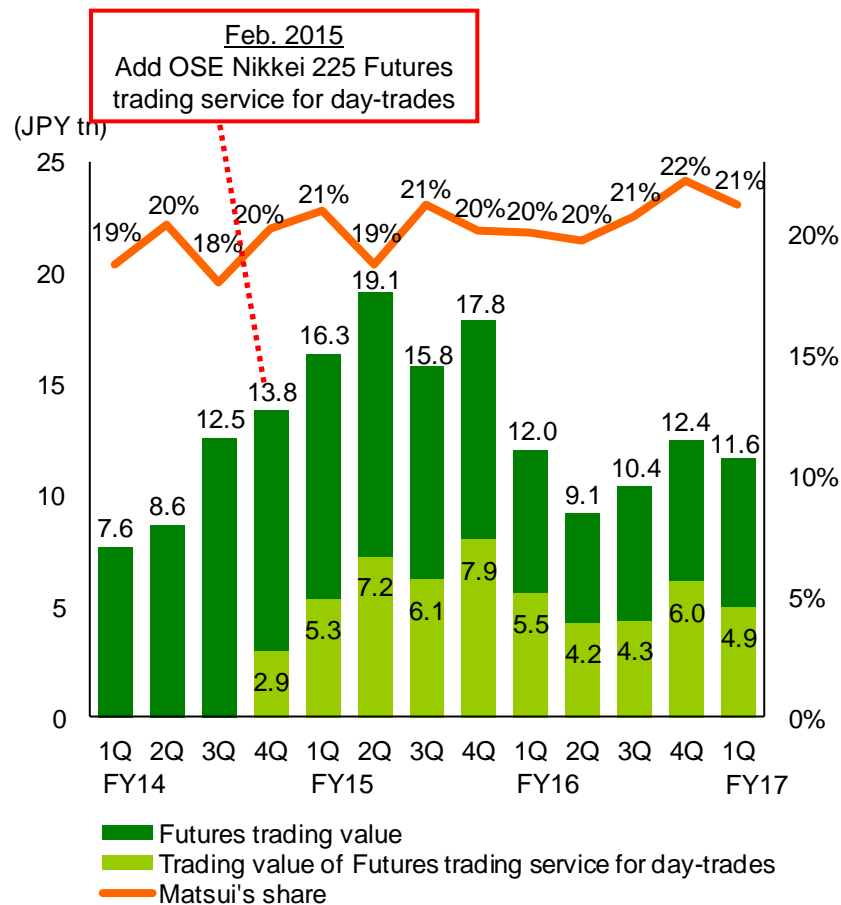


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

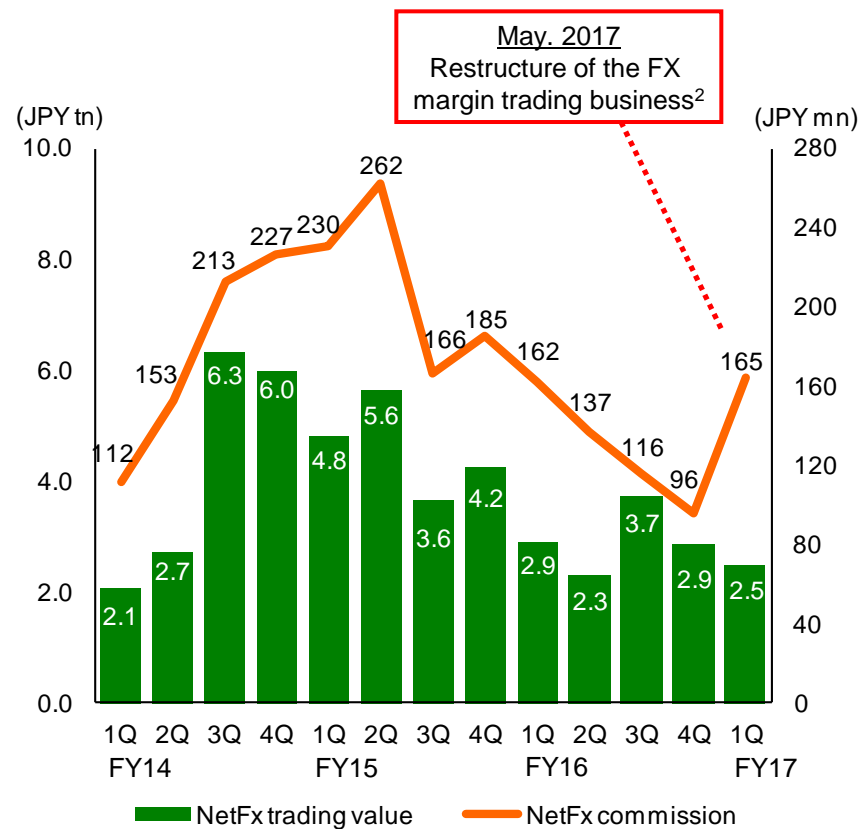


Futures Trading Value / FX Margin Trading Value

◆ Matsui's OSE Nikkei 225 Futures trading value and its market share¹



◆ Matsui's OTC FX trading value and commission



Recent Developments

Section 3

Corporate Strategy

Business Principle

We are to provide superior quality of trading platform for retail investors based upon "customer-centric approach"



Business Strategy

- ◆ Stimulate demand for customers and offer services in advance of other firms
- ◆ Develop unique and innovative services regardless of industry practice or tradition
- ◆ Focus on profitable online based brokerage business

Basic Policy for Service Development

- ◆ Continue to focus on expansion of services for active customers e.g. Margin trading services for day-trades, Premium short-selling services, Intraday-trading service for Nikkei 225 Futures, FX Margin Trading
- ◆ Develop & Introduce suitable services for inactive but affluent customers and customers who are building assets for the future e.g. New trading platform "Netstock Smart", Portfolio Management Platform based on Robo-advisor, Saving type of NISA

Implement continuous improvements of Portfolio Management Platform based on Robo-advisor

◆ Recent Developments

✓ Published the “Basic Policy on Mutual Fund Sales” to differentiate our sales strategy (June 28)

- policy1: Not Charging sales commission¹
- policy2: Not Dealing with covered-call funds and currency selection funds due to its complicated structure for retail investors

✓ Introduced smartphone application of the portfolio management platform (June 26)

✓ Lowered minimum investment amount to ¥100 (June 10)

~Support asset building of younger generation by offering saving type of investment function

✓ Started dealing with actively managed funds which are low level of custodian fee (April 24)

◆ Future Agendas

✓ Expand the AUM

• Expand the line-up of the mutual funds

~Plan to add 20~30 mutual funds every month from July 2017 including monthly dividends & bull/ bear funds

<Examples of newly added mutual funds in July 2017>

Name	Asset Management Company
DIAM Domestic Equity Open	AMOne
Nippon Small/Mid Cap Equity Fund	Daiwa SB Investment
Nissay Japan Income Open Yearly Dividend	Nissay AM
iTrust Emerging Equity	Pictet
Sumitomo Mitsui Genki Senior Life Open	Sumitomo MitsuiAM
Global Health Care & Bio Fund	MUFJ Kokusai AM

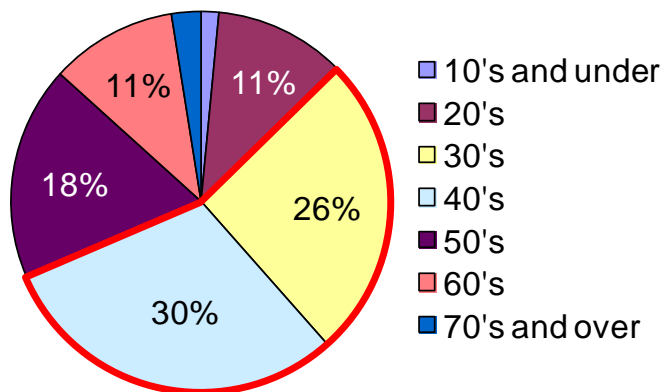
✓ Improve the usability by expanding portfolio management function

✓ Disclosure of performance

~Plan to disclose the performance of 5 model portfolios which the portfolio management platform proposes

Main customers of the portfolio management platform are 30s and 40s, and 81% of customers use saving type of investment function

◆ Customers by age¹

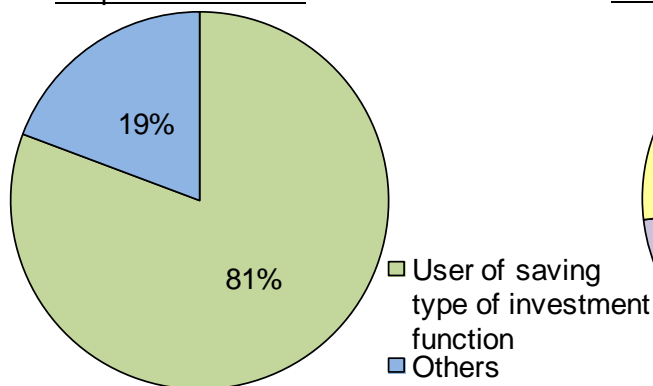


◆ Top 5 in sales (from April to June 2017)

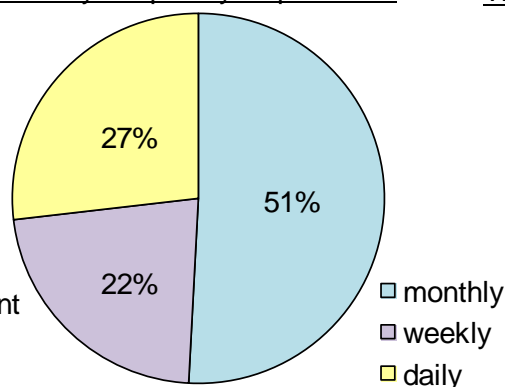
	Name	Asset Management Company	Asset class
1	Hifumi Plus	Rheos	Domestic Equity
2	SMT Global Bond Index Open Hedged	SMT AM	Developed Bond
3	Tawara No Load Developed Countries Equity	AMOne	Developed Equity
4	Nissay TOPIX Index Fund no charge	Nissay AM	Domestic Equity
5	Sumitomo Mitsui DC Nenkin Japan Bond Index Fund	Sumitomo Mitsui AM	Domestic Bond

◆ Usage of saving type of investment function¹

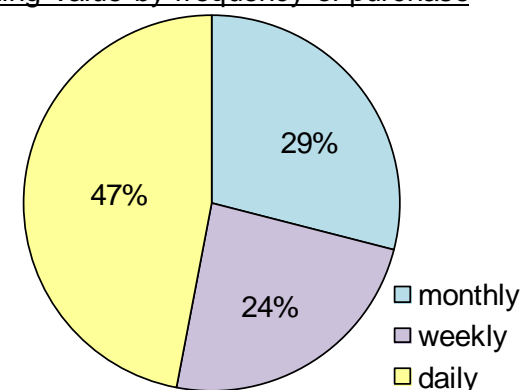
Proportion of users



Users by frequency of purchase

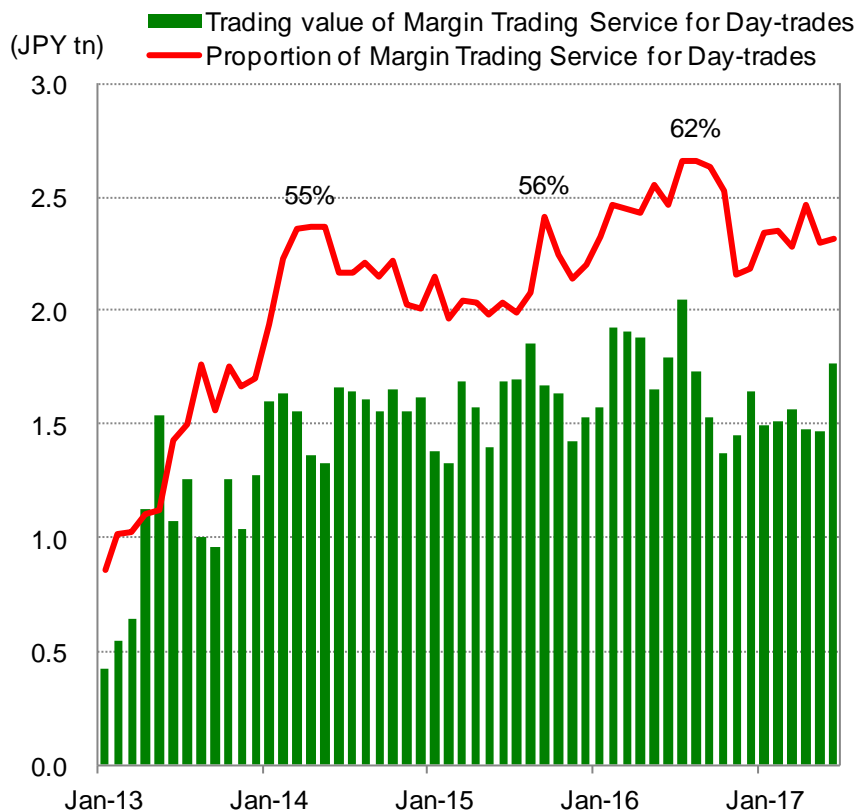


Trading Value by frequency of purchase

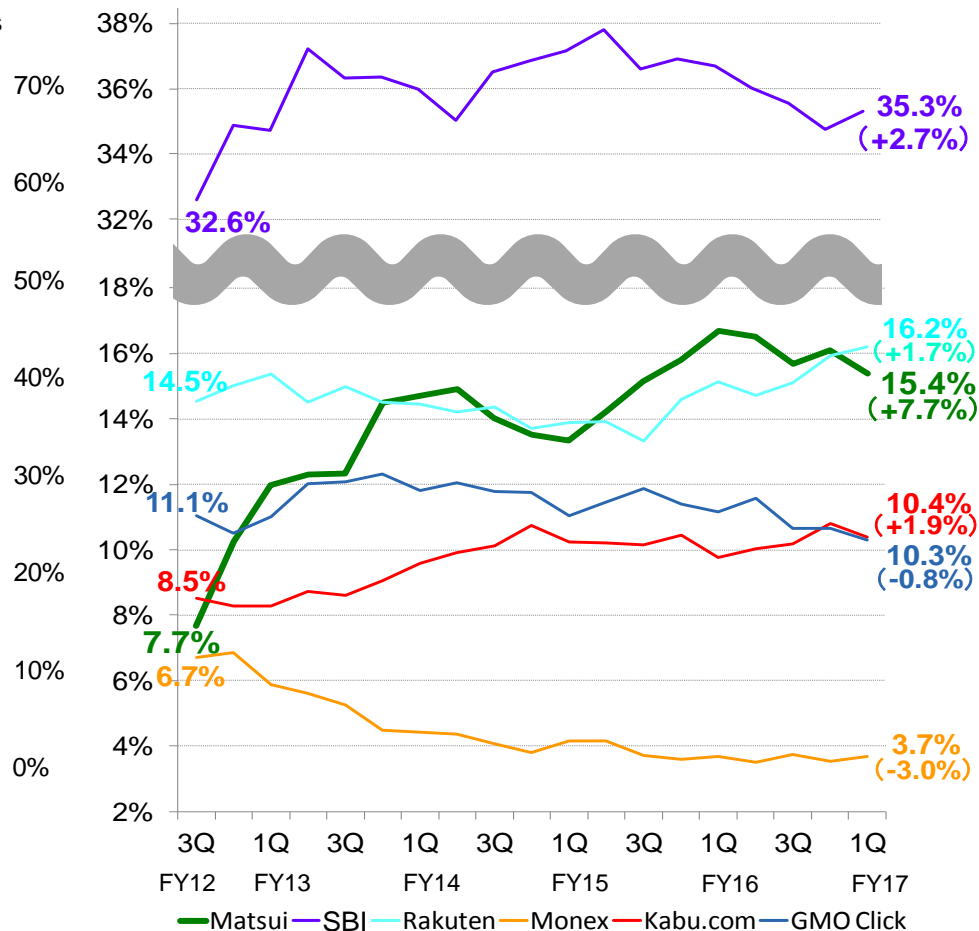


Margin Trading Service for Day-trades

◆ Trading results



◆ Market share¹ of margin trading value



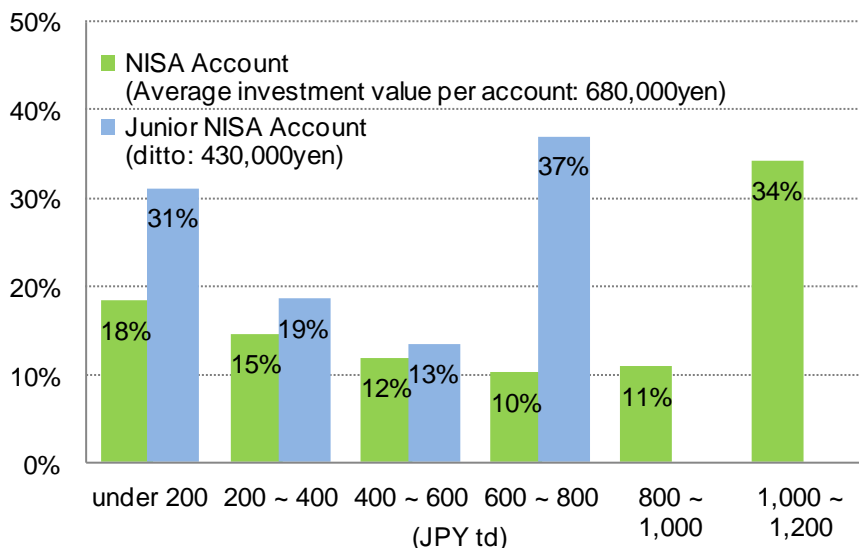
NISA

Active account ratio for NISA¹ is 42%, the highest level among 5 online securities brokers²

◆ Number of NISA accounts and customers' assets (as of June 2017)

	NISA	Junior NISA
Total number of accounts	120,379	3,064
Number of active accounts ³	50,974	1,309
Active account ratio	42%	43%
Total investment value(JPY mn) ⁴	34,788	563
Customers' assets(JPY mn) ⁵	88,512	1,023

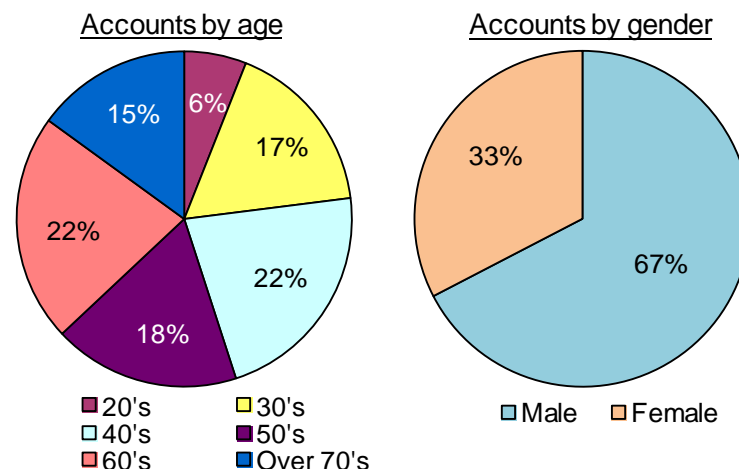
◆ Distribution of the invested amount (as of June 2017)



◆ Top 5 in trading value (from January to June 2017)

Rank	NISA Account	Junior NISA Account
1	Mizuho Financial Group, Inc. (8411)	Skylark Co., Ltd. (3197)
2	Skylark Co., Ltd. (3197)	Oriental Land Co., Ltd. (4661)
3	Toshiba Corp. (6502)	Create Restaurants Holdings Inc. (3387)
4	Toyota Motor Corporation (7203)	Mizuho Financial Group, Inc. (8411)
5	Nissan Motor Co., Ltd. (7201)	Orix Corp. (8591)

◆ Attribution of NISA accounts



The material is intended to provide the financial results for the quarter ended 30 June 2017 and the company's business strategy, and does not constitute a solicitation of an offer to buy the securities issued by the company. The material is created based upon information as of 27 July 2017. The information herein identifies our views at the time of creation of the material, and the company does not make any representation or warranty as to its accuracy or completeness, therefore, the information may be changed without any notices. The company does not assume responsibility for any omissions or errors of any data and descriptions in the material.

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