



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 2QFY2016

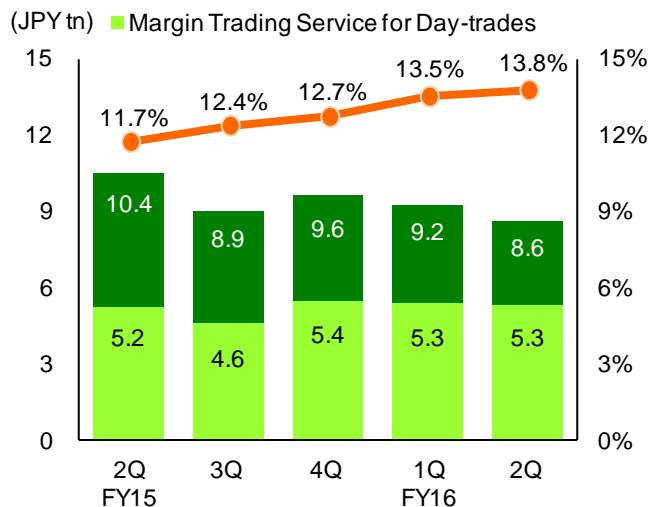
October 2016

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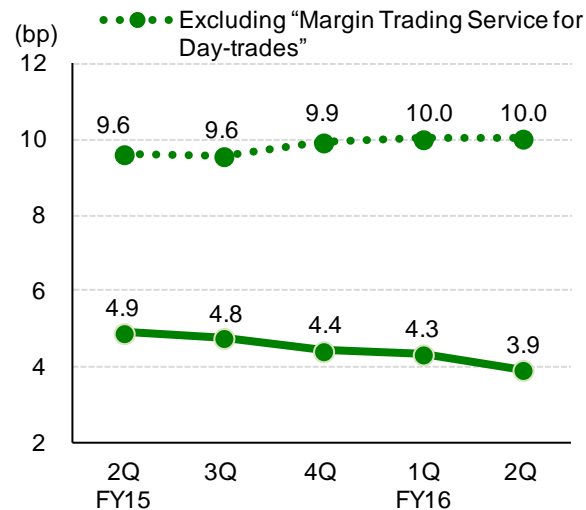
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Results of Operation

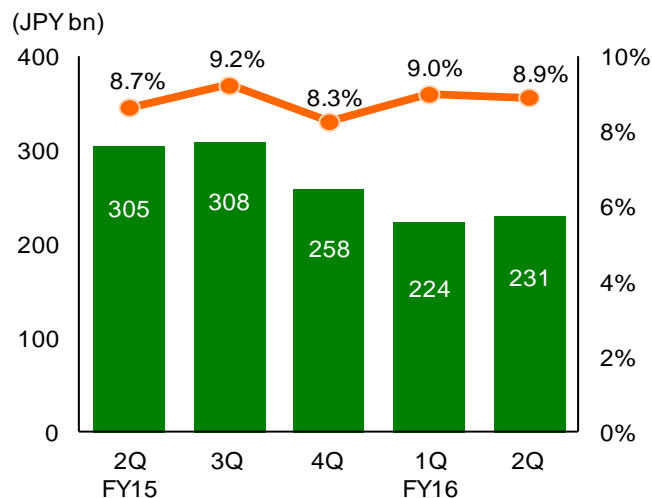
◆ Equity trading value / Market share



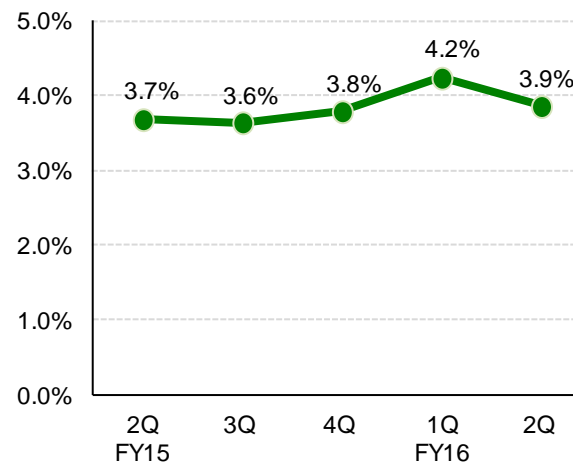
◆ Equity commission rate



◆ Margin balance / Market share

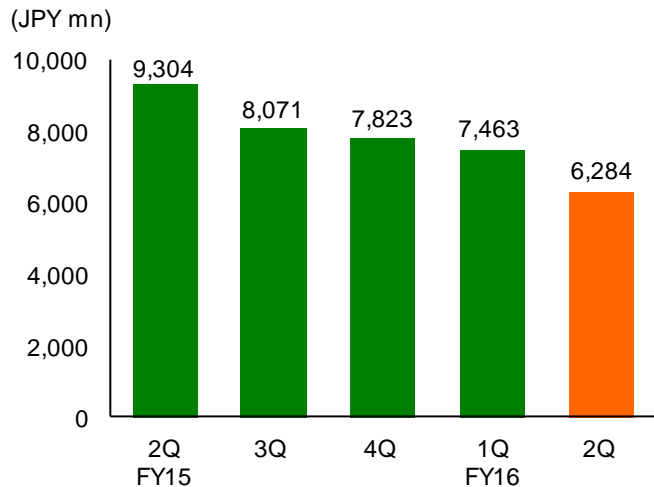


◆ Net financial income ratio

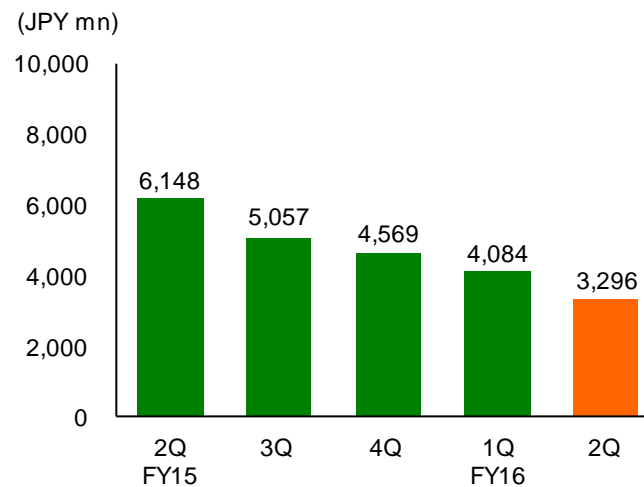


Financial Results

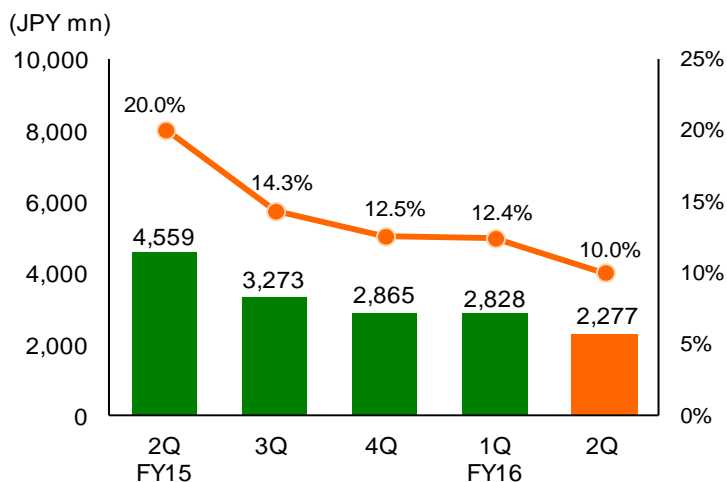
◆ Operating revenue



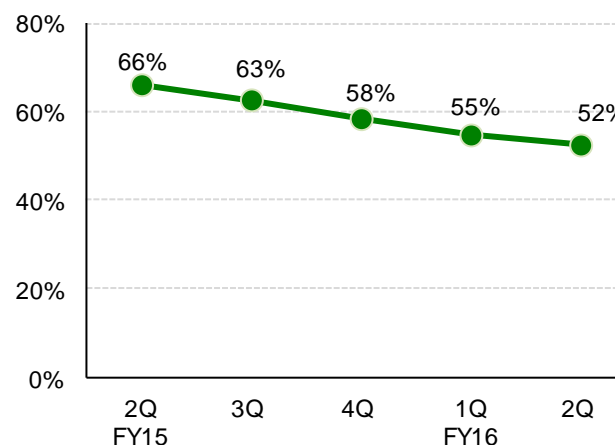
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues down JPY 1,180 million QoQ

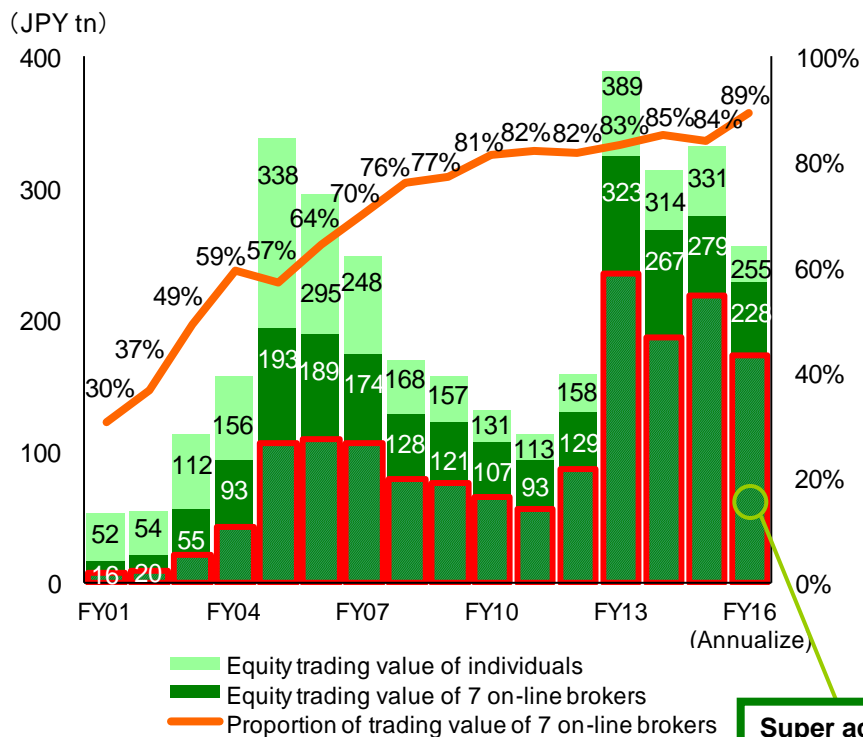
- Commissions were down JPY 710 million due to decline of equity trading value.
- Interest & dividend income was down JPY 470 million due to decline of average margin balance and revenue from Premium Short-Selling Service.

◆ SG&A down JPY 450 million QoQ

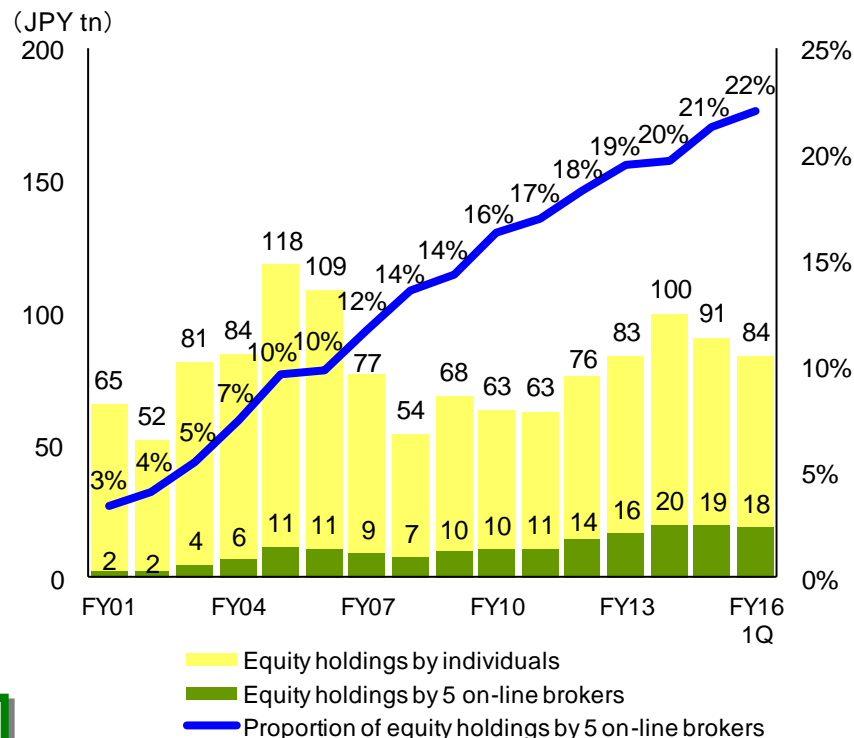
- JPY 440 million of provision for doubtful receivables for customers' margin transaction of Acucela Inc. was posted in 1Q. SG&A excluding the provision was down JPY 80 million QoQ.
- Trading related expenses were down JPY 40 million due to decline of equity trading value.

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (1HF FY16)

(JPY mn)

	FY16	FY15			YoY	FY15
	1HF	2HF	HFoHF	1HF		TOTAL
Operating Revenues	13,747	15,894	-14%	18,540	-26%	34,435
Commissions	8,435	9,943	-15%	11,798	-29%	21,742
Interest & dividend income	5,309	5,947	-11%	6,735	-21%	12,682
Interest expenses	506	638	-21%	793	-36%	1,431
Net operating revenues	13,241	15,256	-13%	17,747	-25%	33,003
SG & A	5,921	5,670	4%	5,588	6%	11,258
Operating income	7,320	9,586	-24%	12,159	-40%	21,745
Ordinary income	7,380	9,626	-23%	12,208	-40%	21,833
Net income	5,105	6,138	-17%	8,625	-41%	14,763
Ordinary income ratio	54%	61%	-	66%	-	63%
Matsui's trading value (JPY tn)	17.8	18.5	-4%	20.3	-12%	38.9
Daily average trading value on TSE (JPY tn)	2.9	3.3	-12%	3.5	-16%	3.4

Breakdown of Net Operating Revenue (1HF FY16)

(JPY mn)

	FY16	FY15			YoY	FY15
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	8,435	9,943	-15%	11,798	-29%	21,742
Brokerage	7,912	9,302	-15%	11,112	-29%	20,414
Equity & ETF	7,394	8,539	-13%	10,359	-29%	18,898
Futures & Options	518	762	-32%	754	-31%	1,516
Others	523	592	-12%	686	-24%	1,278
Net trading income	1	2	-23%	4	-67%	6
Interest & dividend income (1)	5,309	5,947	-11%	6,735	-21%	12,682
Total operating revenues	13,747	15,894	-14%	18,540	-26%	34,435
Interest expenses (2)	506	638	-21%	793	-36%	1,431
Net operating revenues	13,241	15,256	-13%	17,747	-25%	33,003
Net interest income (1) - (2)	4,802	5,308	-10%	5,942	-19%	11,250
Average margin balance (JPY bn)	236	286	-17%	327	-28%	306

Breakdown of SG&A (1HF FY16)

(JPY mn)

	FY16	FY15			YoY	FY15
	1HF	2HF	HFoHF	1HF		TOTAL
Trading related expenses	2,093	2,278	-8%	2,396	-13%	4,674
Stock exchanges and securities associations fees	700	819	-15%	919	-24%	1,738
Communications expenses	816	851	-4%	840	-3%	1,692
Advertisement	204	232	-12%	243	-16%	475
Personnel expenses	1,116	1,077	4%	1,101	1%	2,178
Occupancy & rental	447	443	1%	446	0%	890
Data processing & office supplies	874	853	3%	860	2%	1,713
Depreciation	634	608	4%	568	12%	1,175
Taxes and dues	189	128	47%	160	18%	288
Provision of allowance for doubtful accounts	511	227	124%	-11	-	216
Others	56	56	0%	67	-16%	123
Total SG & A	5,921	5,670	4%	5,588	6%	11,258

Summary of Financial Results (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY15			YoY	FY15 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Operating Revenues	6,284	7,463	-16%	7,823	8,071	9,304	-32%	34,435
Commissions	3,862	4,572	-16%	4,997	4,946	5,918	-35%	21,742
Interest & dividend income	2,420	2,889	-16%	2,823	3,123	3,382	-28%	12,682
Interest expenses	255	251	2%	316	323	345	-26%	1,431
Net operating revenues	6,029	7,212	-16%	7,507	7,749	8,959	-33%	33,003
SG & A	2,737	3,184	-14%	2,938	2,732	2,817	-3%	11,258
Operating income	3,292	4,028	-18%	4,569	5,017	6,143	-46%	21,745
Ordinary income	3,296	4,084	-19%	4,569	5,057	6,148	-46%	21,833
Net income	2,277	2,828	-19%	2,865	3,273	4,559	-50%	14,763
Ordinary income ratio	52%	55%	-	58%	63%	66%	-	63%
Matsui's trading value (JPY tn)	8.6	9.2	-7%	9.6	8.9	10.4	-18%	38.9
Daily average trading value on TSE (JPY tn)	2.9	3.0	-6%	3.5	3.2	3.6	-21%	3.4

Breakdown of Net Operating Revenue (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY15			YoY	FY15 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Commissions	3,862	4,572	-16%	4,997	4,946	5,918	-35%	21,742
Brokerage	3,604	4,308	-16%	4,682	4,620	5,546	-35%	20,414
Equity & ETF	3,384	4,010	-16%	4,253	4,286	5,128	-34%	18,898
Futures & Options	220	298	-26%	429	334	418	-47%	1,516
Others	258	265	-2%	315	277	372	-31%	1,278
Net trading income	0	1	-53%	1	1	2	-80%	6
Interest & dividend income (1)	2,420	2,889	-16%	2,823	3,123	3,382	-28%	12,682
Total operating revenues	6,284	7,463	-16%	7,823	8,071	9,304	-32%	34,435
Interest expenses (2)	255	251	2%	316	323	345	-26%	1,431
Net operating revenues	6,029	7,212	-16%	7,507	7,749	8,959	-33%	33,003
Net interest income (1) - (2)	2,165	2,638	-18%	2,508	2,801	3,037	-29%	11,250
Average margin balance (JPY bn)	224	249	-10%	264	307	329	-32%	306

Breakdown of SG&A (Quarterly)

(JPY mn)

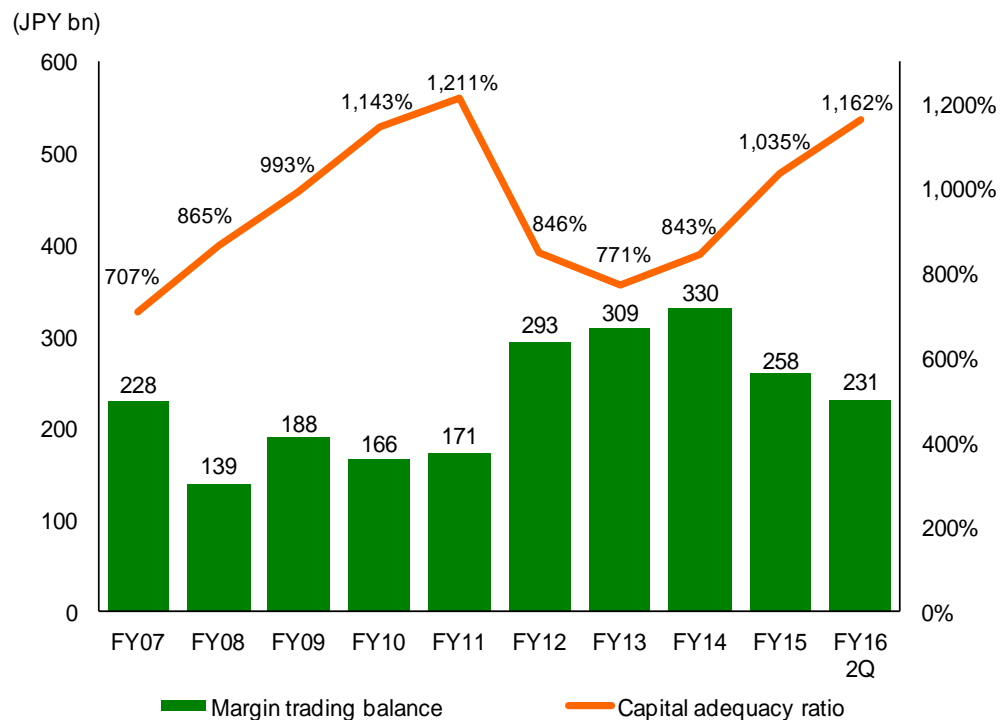
	FY16	FY16	QoQ	FY15			YoY	FY15 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Trading related expenses	1,027	1,067	-4%	1,156	1,122	1,199	-14%	4,674
Stock exchanges and securities associations fees	329	370	-11%	432	387	456	-28%	1,738
Communications expenses	406	410	-1%	429	423	421	-3%	1,692
Advertisement	102	101	1%	112	120	122	-16%	475
Personnel expenses	557	559	-0%	536	542	584	-5%	2,178
Occupancy & rental	221	226	-2%	222	221	219	1%	890
Data processing & office supplies	435	439	-1%	424	428	419	4%	1,713
Depreciation	322	312	3%	309	298	288	12%	1,175
Taxes and dues	85	104	-18%	66	62	80	6%	288
Provision of allowance for doubtful accounts	70	441	-84%	206	21	- 0	-	216
Others	19	37	-47%	19	37	28	-30%	123
Total SG & A	2,737	3,184	-14%	2,938	2,732	2,817	-3%	11,258

Regulatory Capital

◆ Capital adequacy ratio (As of 30 September 2016)

		(JPY mn)
Tier 1	(A)	87,248
Tier 2	Net unrealized gain on investment	1,930
	Statutory reserves	3,349
	Allowance for doubtful accounts	98
	Sub total (B)	5,377
Assets to be deducted from equity capital	(C)	6,029
Net Capital		
	(A) + (B) - (C) (D)	86,596
Total risk	Market risk	434
	Counterparty risk	4,418
	Basic risk	2,598
	Total (E)	7,450
Capital Adequacy ratio	(D)/(E)	1,162%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return

Plan to pay interim dividend of 13 yen per share for FY16

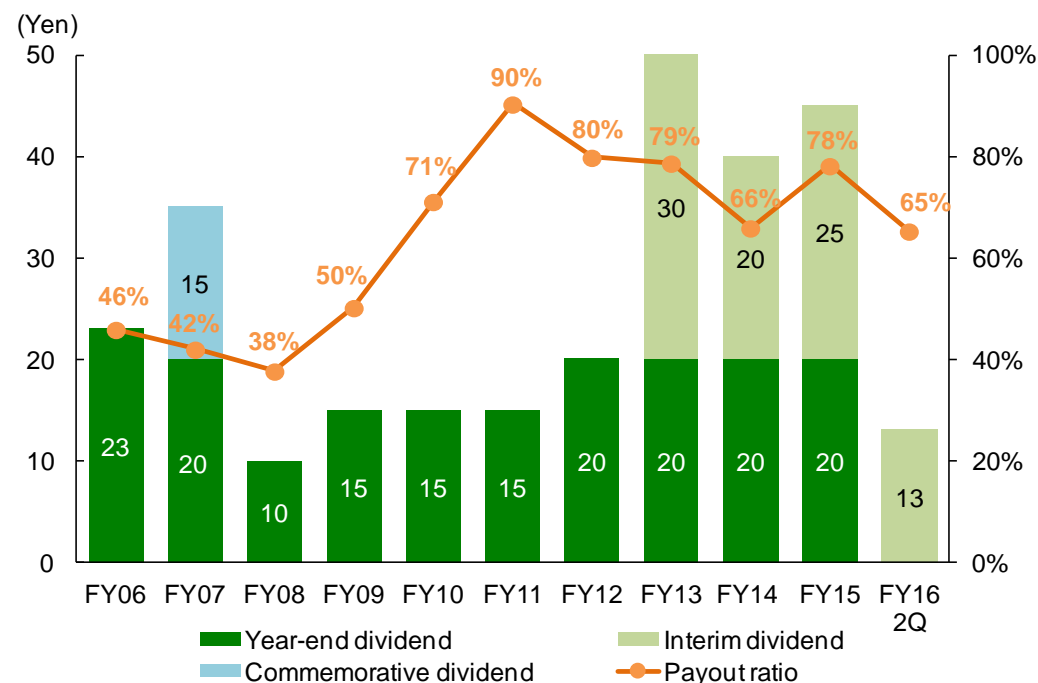
◆ Dividends for FY16

- Interim : Plan to pay **13 yen** per share
- Dividends payout ratio : **65%**
- DOE : **7%**
(ROE : 11%)

◆ Dividend policy¹

- Dividends Payout Ratio:
Between 60% and 100% inclusive
and
- Dividends on Equity(DOE) : 7% and above

◆ Matsui's dividend per share and payout ratio²

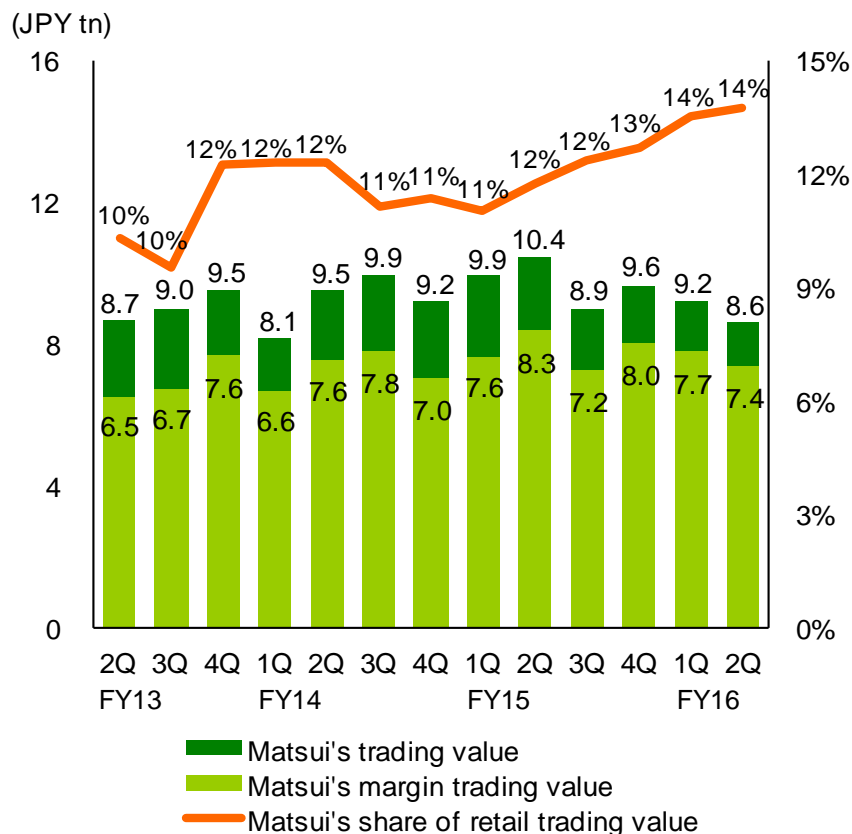


Results of Operation

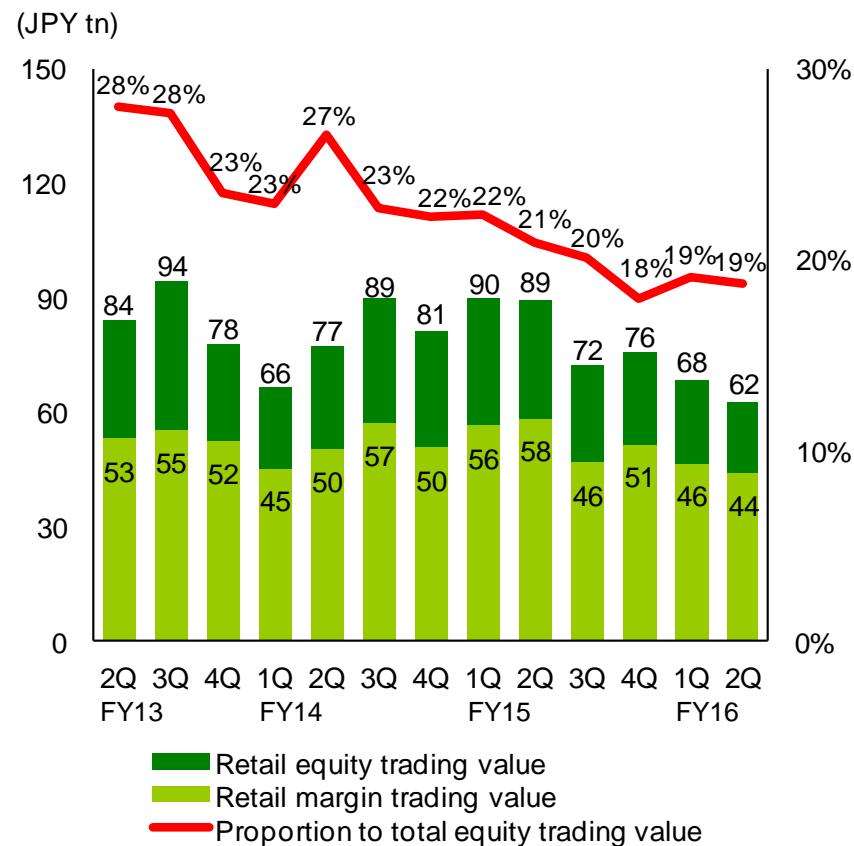
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

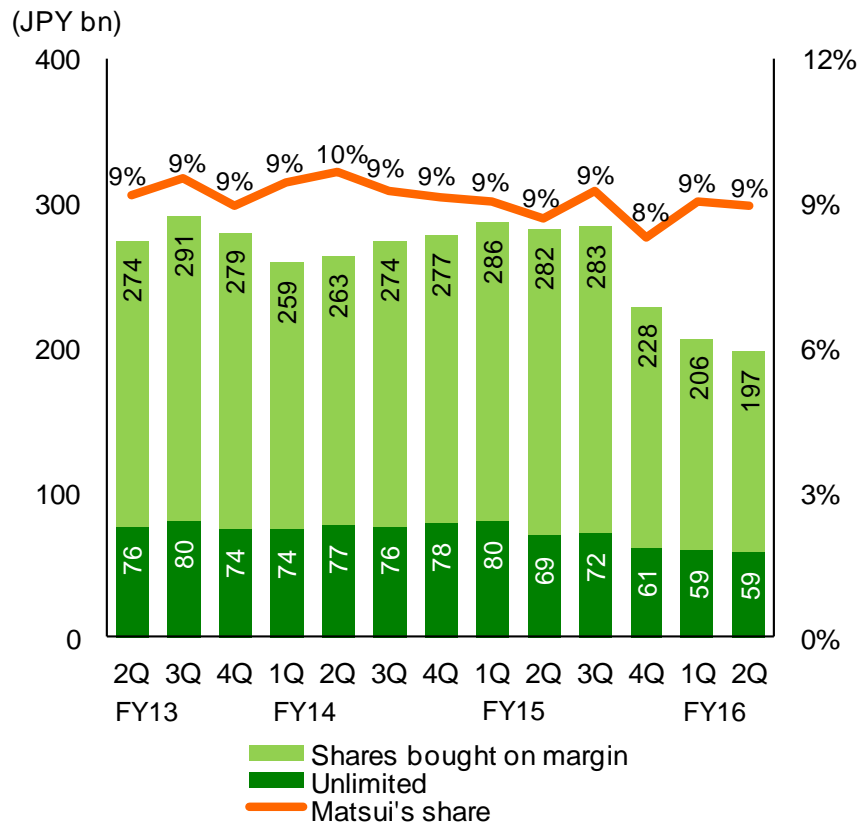


◆ Retail equity trading value¹ and proportion to total equity trading value

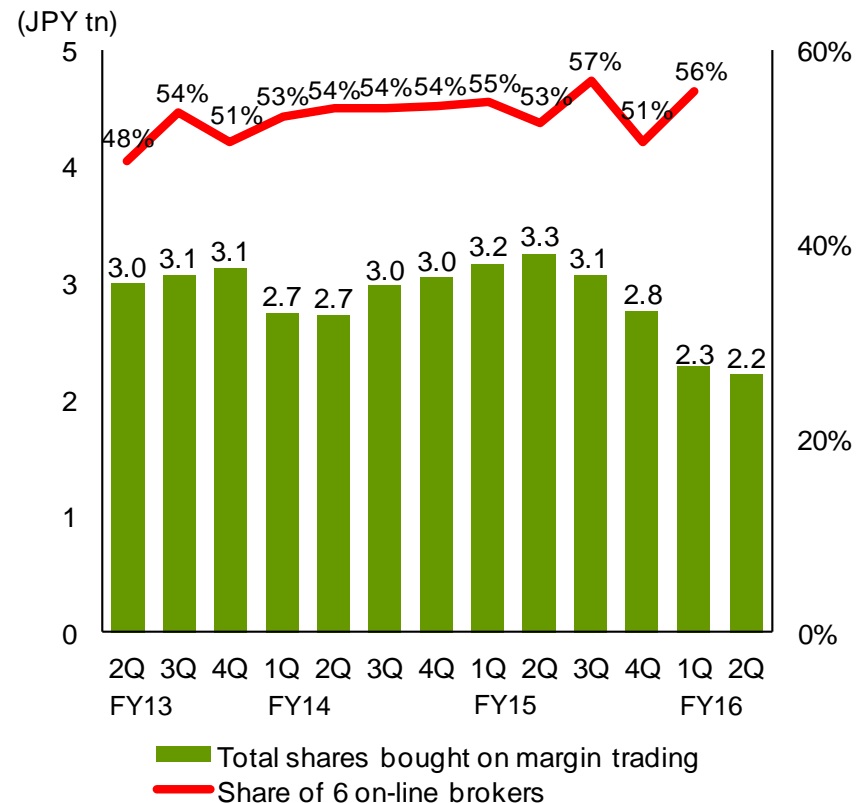


Margin Trading Balance

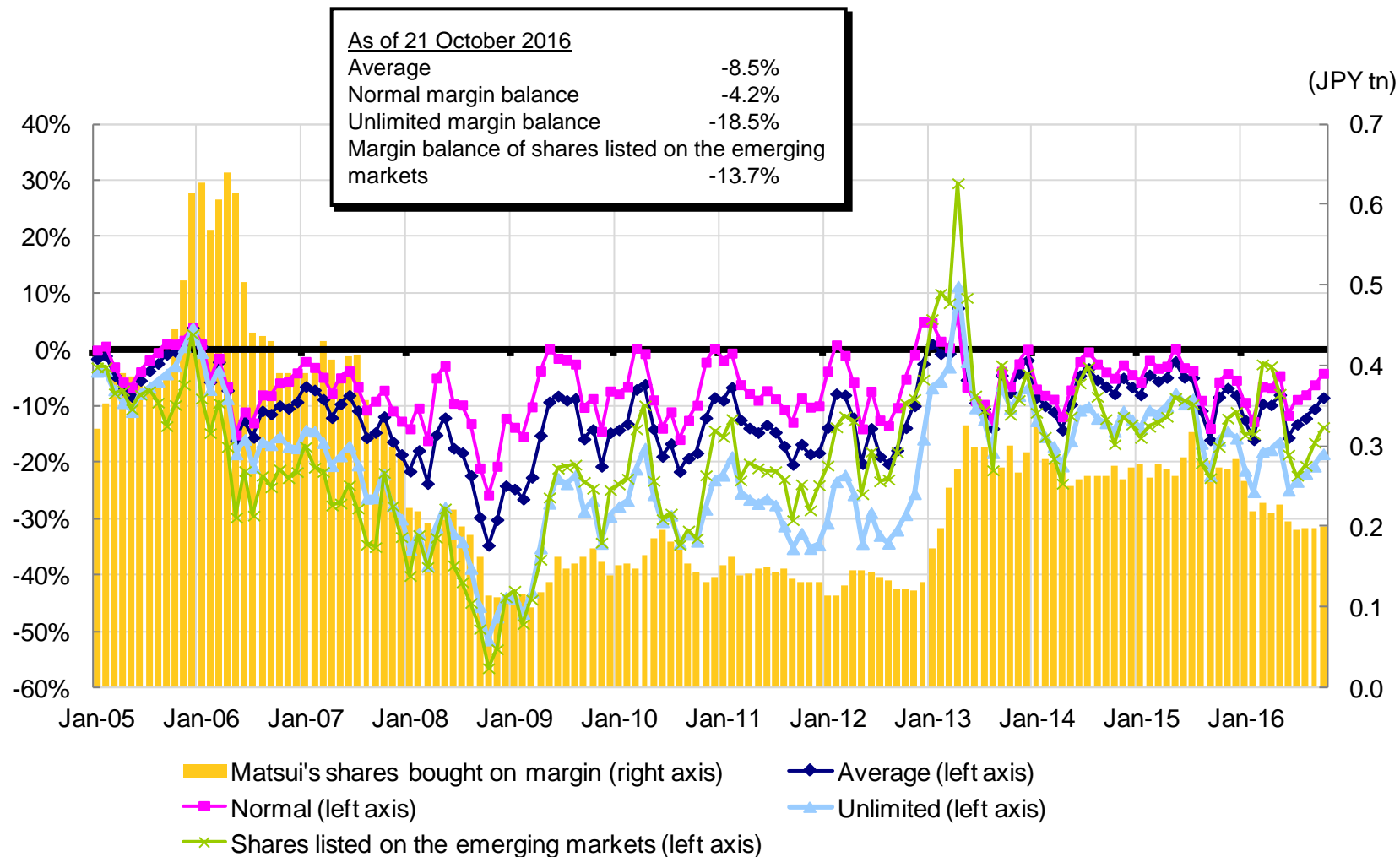
◆ Matsui's shares bought on margin¹ and its market share²



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

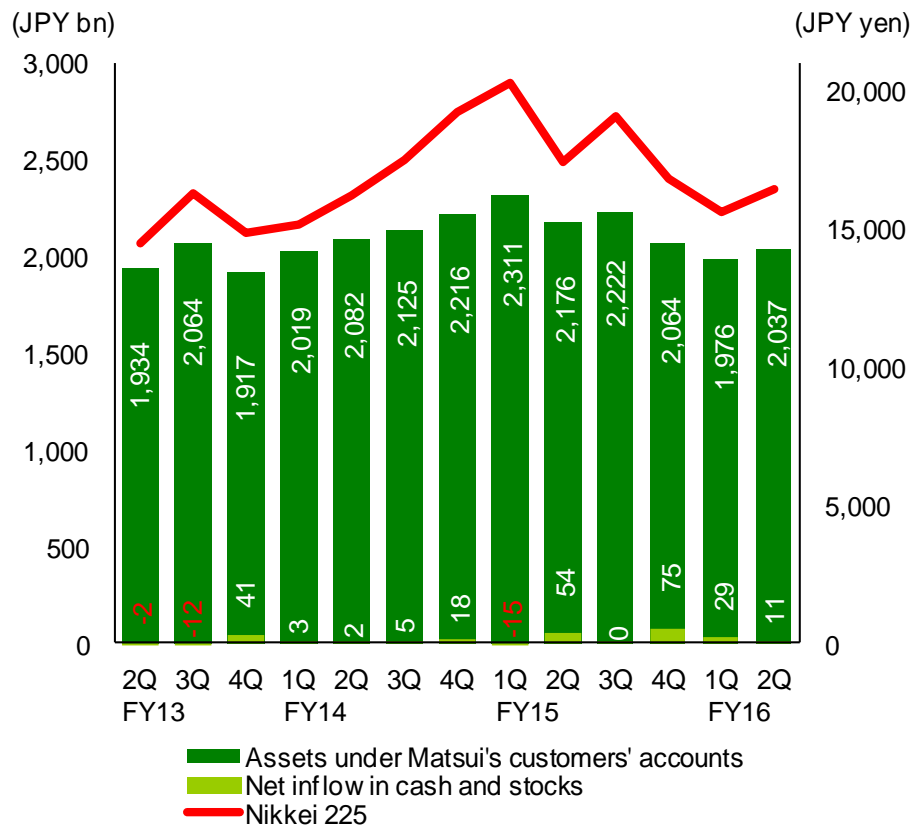


Unrealized Losses on Matsui's Margin Balance

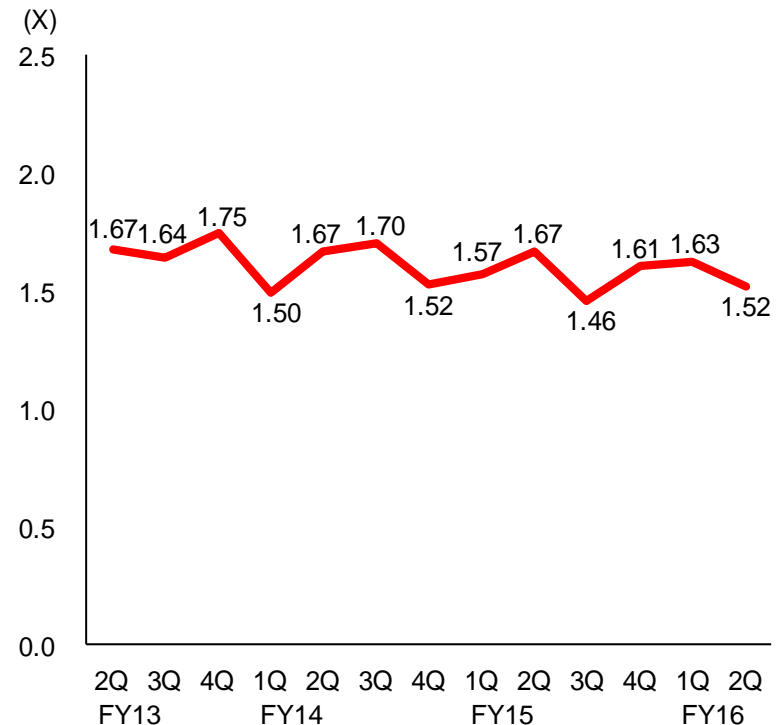


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover¹ of Matsui's customers



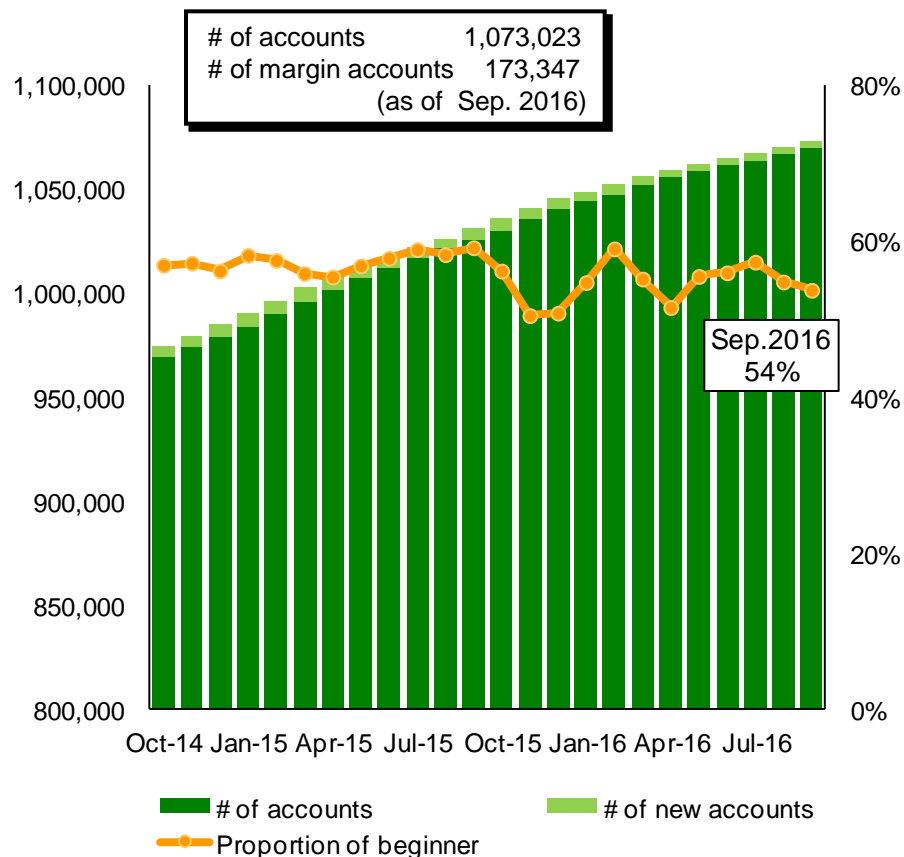
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

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

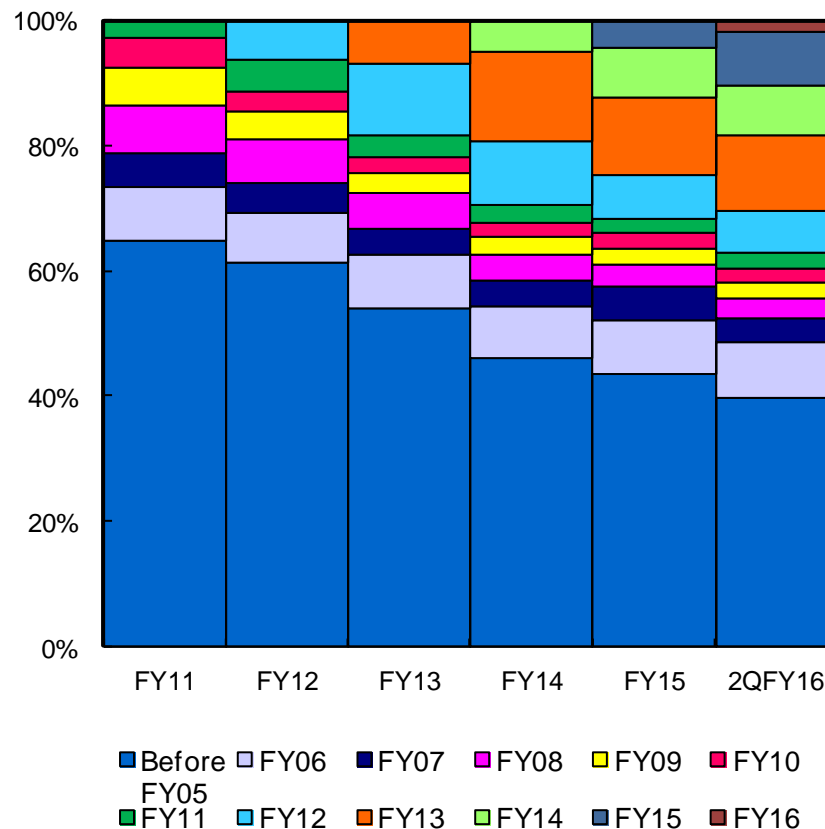
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

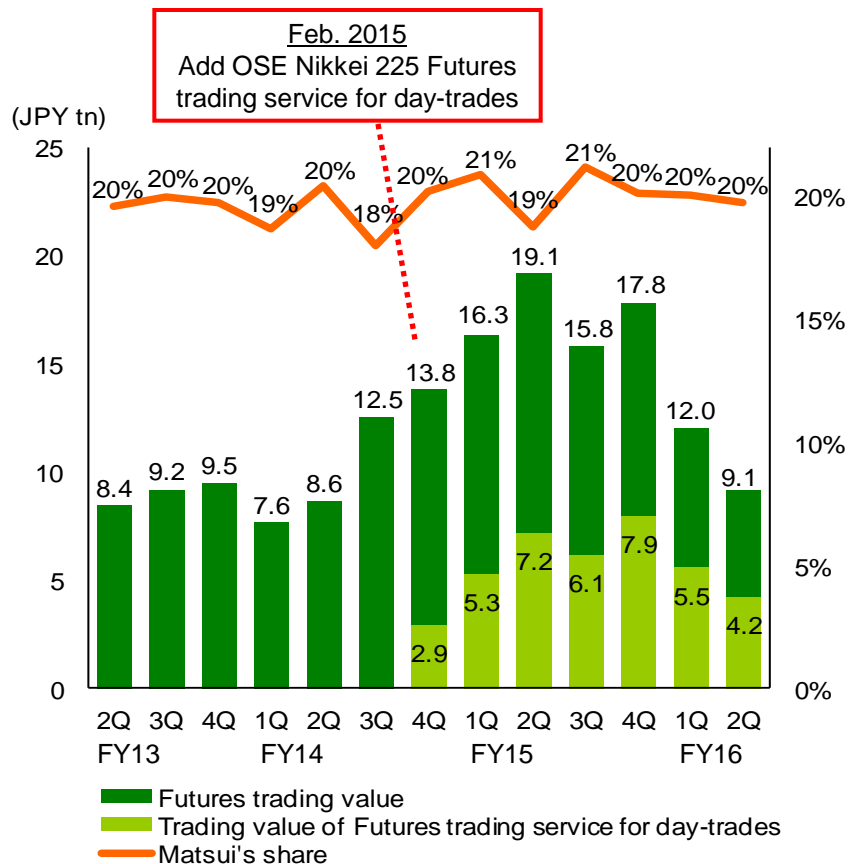


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

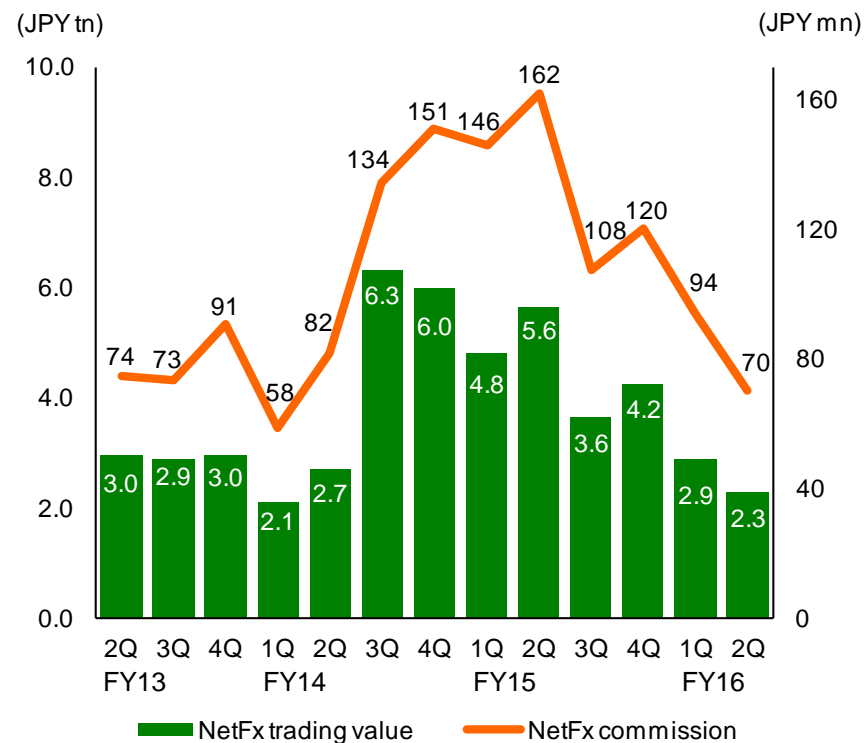


Futures Trading Value / FX Margin Trading Value

◆ 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 in Japan

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
- ◆ Develop suitable services for inactive but affluent customers and customers who are building assets for the future
(who have low transaction value but high assets in custody)
e.g. New trading platform "Netstock Smart", Robo-advisor

Redesign of Website

Launch the Company's new website in October 2016 aiming to enhance new customers' acquisition in response to start of mutual fund business

◆ Features of new website

● New design and revision of contents

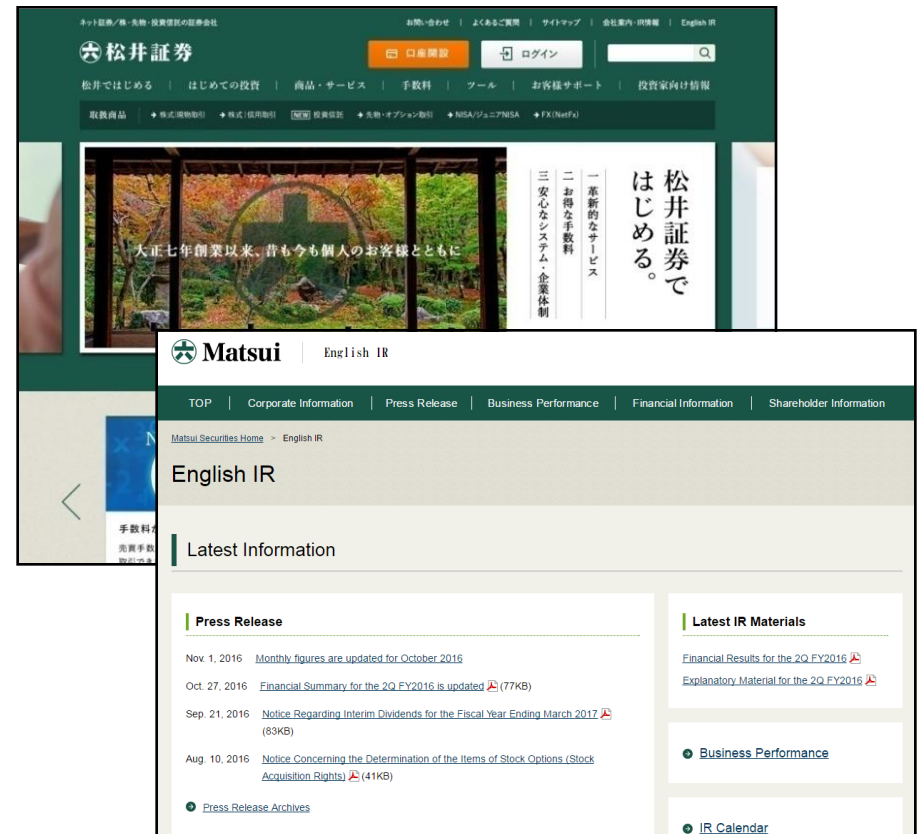
Renovate the basic design using corporate color of deep green and rebuild the structure of website to improve customer usability.

● Adoption of responsive web design

Improve the accessibility from smartphones and tablets by adopting responsive web design.

● Expansion of market information

Expand market information such as mutual funds information etc.



Mutual Fund Business

Plan to start dealing with mutual funds and to simultaneously offer the asset allocation service based on Robo-advisor within the year 2016

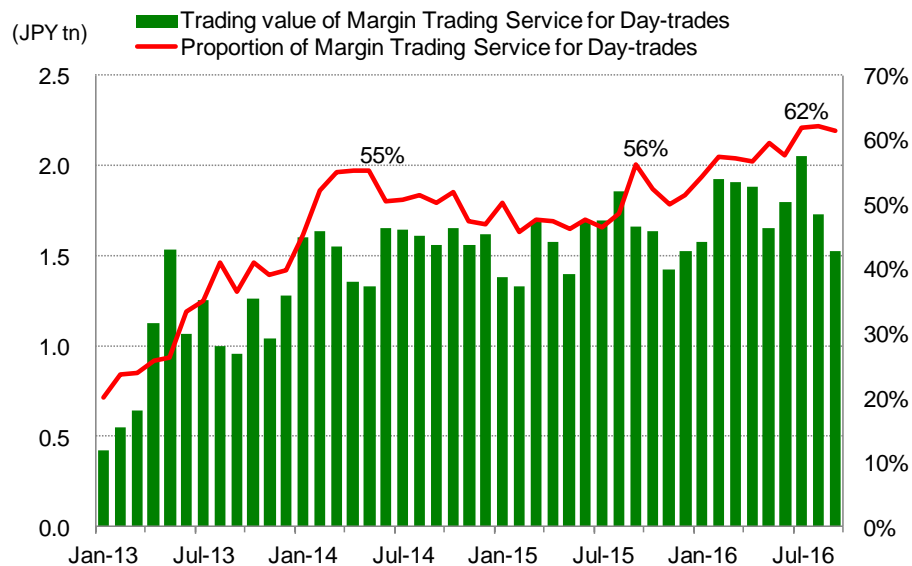
Features of our asset allocation service

- ✓ Offer the competitive fees and commissions being lot inexpensive
 - Line-up of no-load mutual funds with the lowest level of custodian fees (wide selection of globally diversified asset classes)
 - Provide optimum diversified investment portfolio based on the assessment or profiling of customers' financial goal or risk tolerance through Robo-advisor

- ✓ Support long-term diversified investment management for wide range of customer class
 - Lower minimum investment amount and saving type of investment function to support asset building of younger generation
 - Customized function for investment portfolio to support customers with comprehensive financial literacy

Margin Trading Service for Day-trades

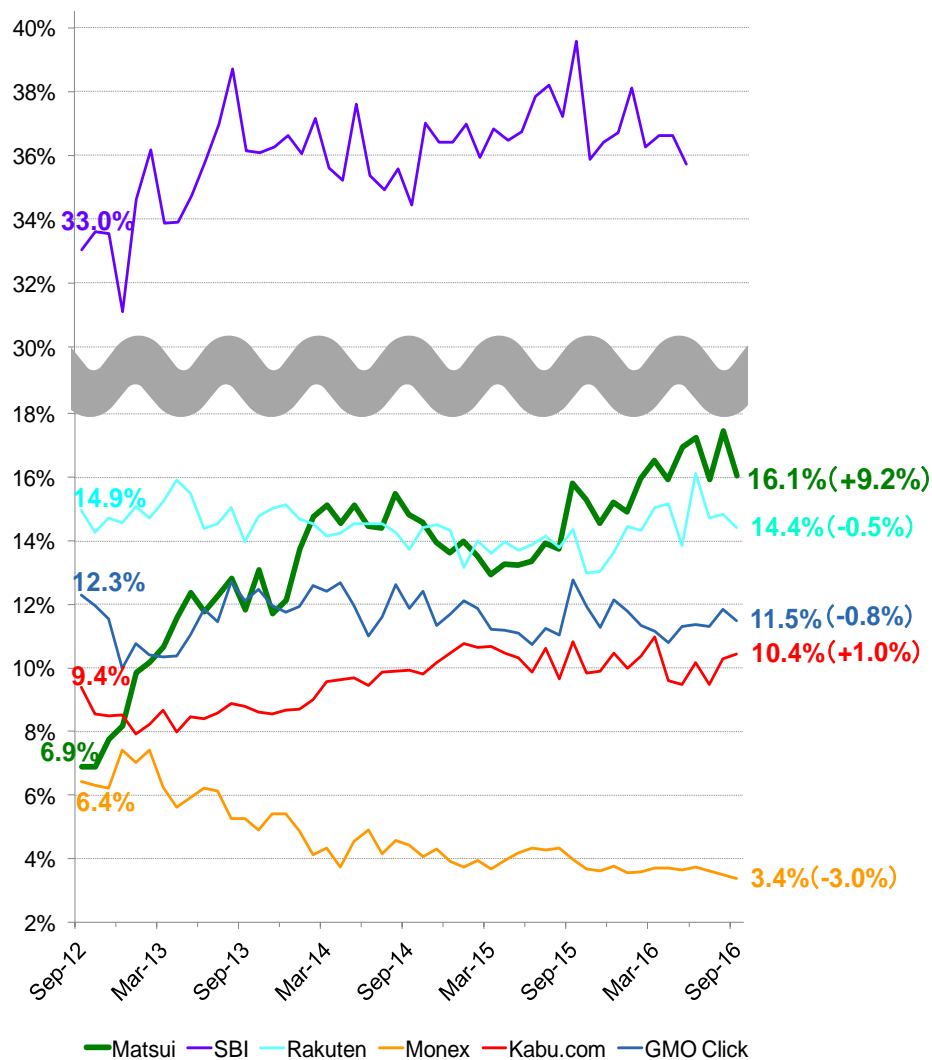
◆ Trading results



◆ Recent developments

Implement continuous improvements such as increase number of eligible stocks for the Premium Short-Selling Service, development of trading tools, expansion of investment information including trading report for each customer etc. Market share has been growing by exercising these improvements.

◆ Market share¹ of margin trading value



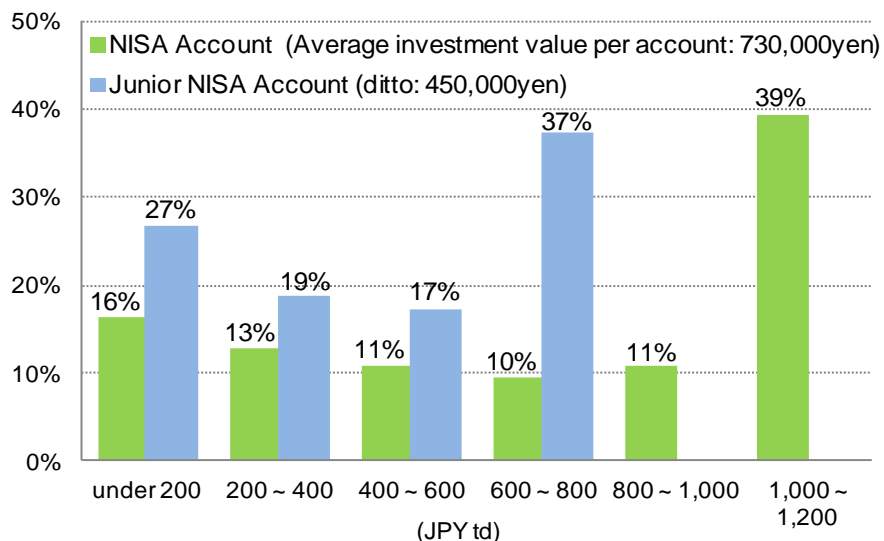
NISA

Active account ratio for NISA¹ is 54%, the highest level among 5 online securities brokers²

◆ Number of NISA accounts and customers' assets (as of September 2016)

	NISA	Junior NISA
Total number of accounts	110,826	2,186
Number of active accounts ³	59,743	1,049
Active account ratio	54%	48%
Total investment value(JPY mn) ⁴	43,650	473
Customers' assets(JPY mn) ⁵	66,861	413

◆ Distribution of the invested amount (as of September 2016)



◆ Top 5 ranking in trading value (from July to September 2016)

Rank	NISA Account	Junior Account
1	Mizuho Financial Group, Inc. (8411)	Oriental Land Co., Ltd. (4661)
2	Mitsubishi UFJ Financial Group, Inc. (8306)	Mizuho Financial Group (8411)
3	Aeon Co., Ltd. (8267)	Mitsubishi UFJ Financial Group, Inc. (8306)
4	ANA Holdings Inc. (9202)	Bic Camera Inc. (3048)
5	Canon Inc. (7751)	Toyota Motor Corporation (7203)

◆ Situation of NISA

NISA has been introduced since January 2014 and Junior NISA has also been introduced since April 2016. The increase of Junior NISA accounts in 2nd quarter is slower than 1st quarter, however the active account ratio is increasing gradually.

Customers tend to prefer stocks with high dividend yield on NISA accounts. On Junior NISA accounts, customers prefer certain stocks which have gifts for shareholders, and those stocks such as Oriental Land, Bic Camera etc. became the top ranking in trading value in 2nd quarter.

The material is intended to provide the financial results for the quarter ended 30 September 2016 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 October 2016. 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.

This presentation may contain forward looking information. Please keep in mind that they are based on projections of the company and subject to changes depending on the situation. We will under no circumstances assume the obligation to revise this presentation in case such situation occurs.

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