



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for FY2016

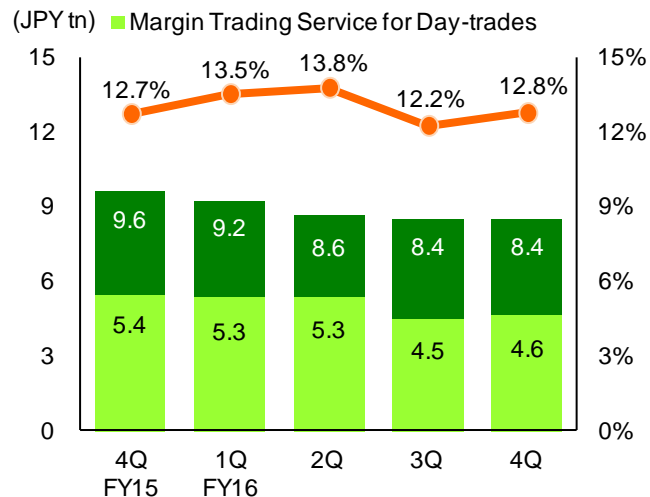
April 2017

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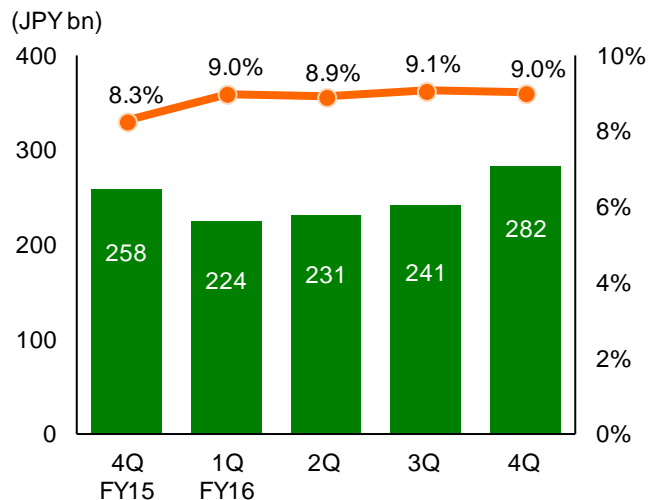
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Results of Operation

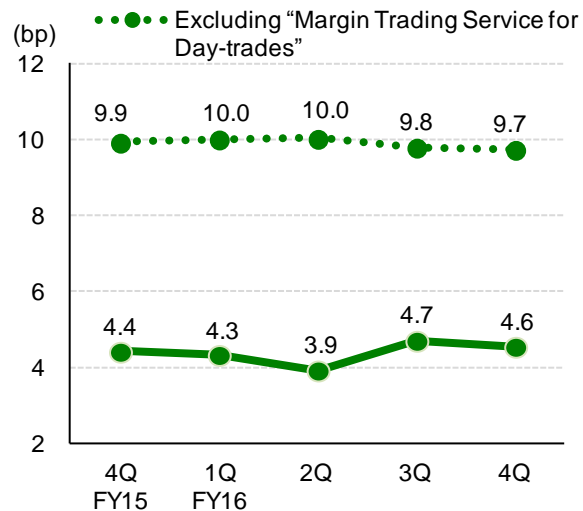
◆ Equity trading value / Market share



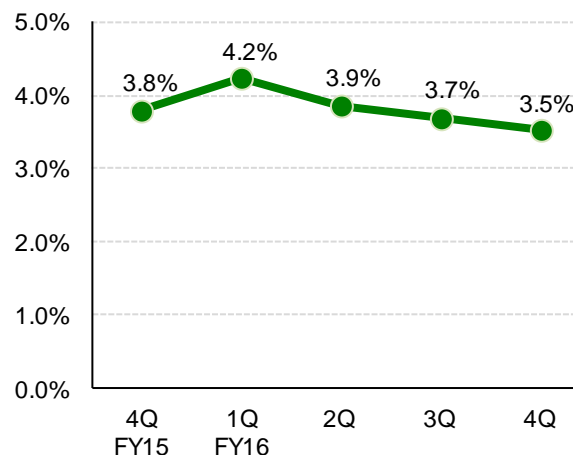
◆ Margin balance / Market share



◆ Equity commission rate

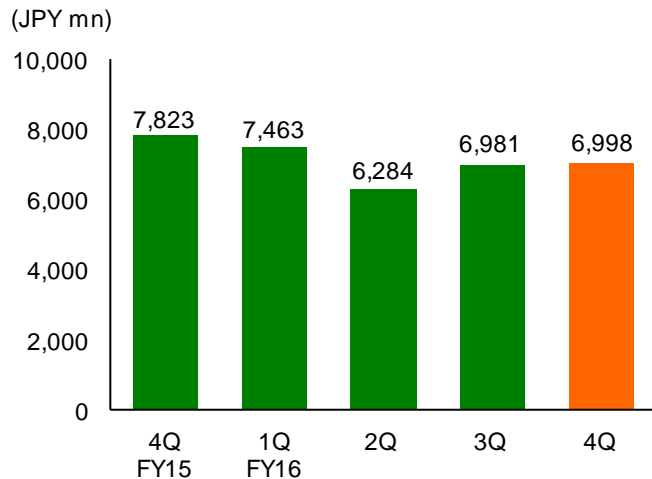


◆ Net financial income ratio

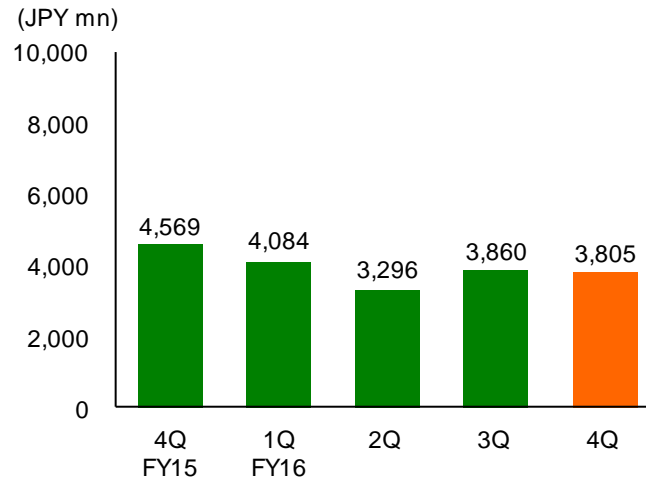


Financial Results

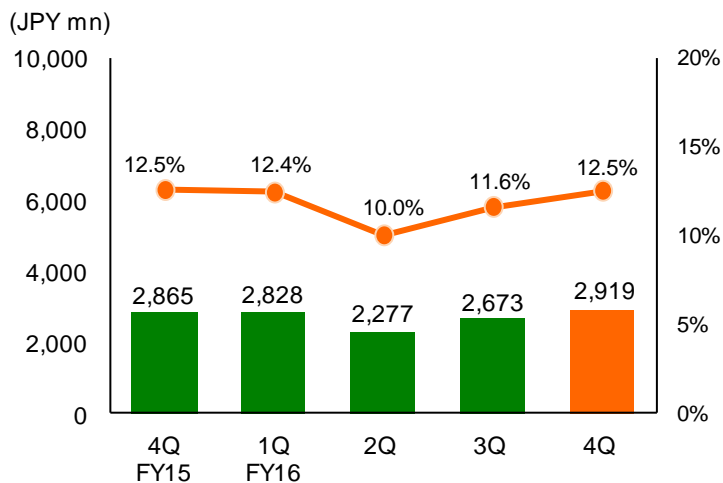
◆ Operating revenue



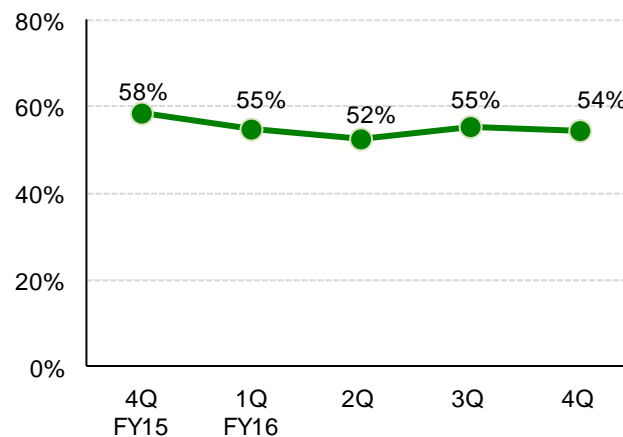
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 20 million QoQ

- Commissions were down JPY 80 million due to decrease of equity trading value excluding “Margin Trading Service for Day-trades”
- Interest & dividend income was up JPY 100 million due to increase of average margin balance (Net interest income was up JPY 140 million)

◆ SG&A up JPY 70 million QoQ

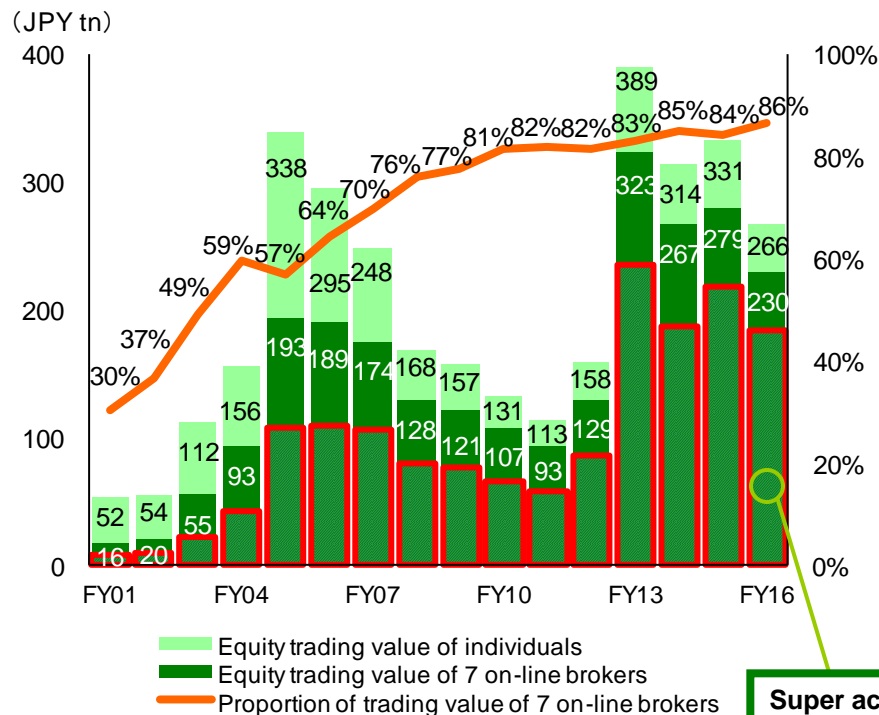
- Transaction related expenses were up JPY 60 million due to increase of advertisement expenses on mutual fund service started in November 2016
- Depreciation was up JPY 20 million QoQ due to start of depreciation of mutual fund trading system

◆ Net income up JPY 250 million QoQ

- JPY 340 million of extraordinary income (Reversal of statutory reserves)

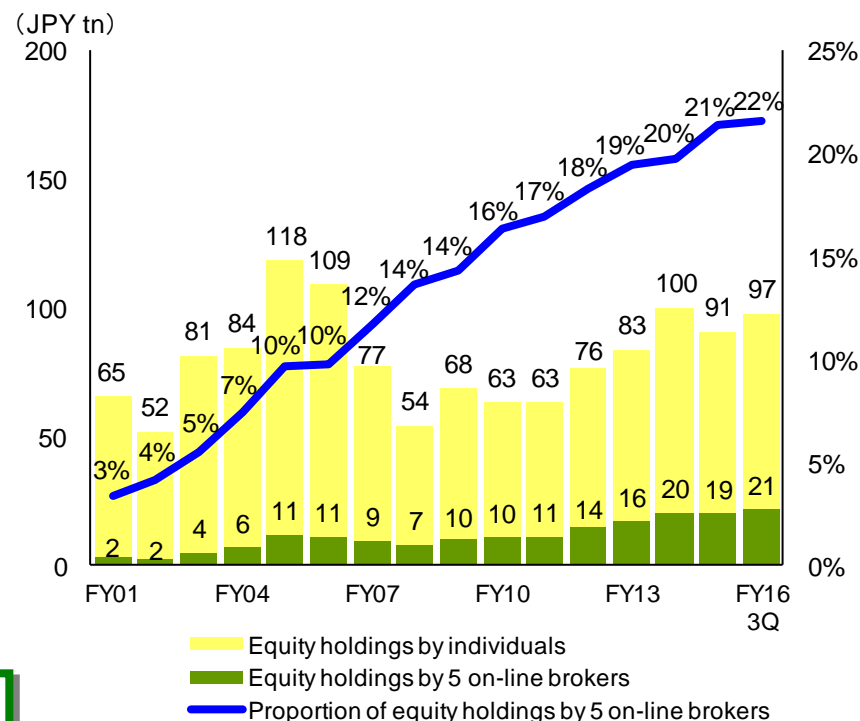
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 180 tn
(Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Source: TSE, Company data, Company Website, BOJ
 Note 1: 5 on-line brokers are Matsui, SBI, Rakuten, Monex and Kabu.com
 7 on-line brokers include the 5 brokers and GMO Click and Okasan Online
 Note 2: Super active traders : number of trades per month is over 100 times

Financial Summary

Section 1

Summary of Financial Results (FY16)

(JPY mn)

	FY16 (Apr.16-Mar.17)	FY15 (Apr.15-Mar.16)	YoY
Operating Revenues	27,727	34,435	-19%
Commissions	17,253	21,742	-21%
Interest & dividend income	10,467	12,682	-17%
Interest expenses	1,228	1,431	-14%
Net operating revenues	26,499	33,003	-20%
SG&A	11,560	11,258	3%
Operating income	14,939	21,745	-31%
Ordinary income	15,044	21,833	-31%
Net income	10,697	14,763	-28%
Ordinary income ratio	54%	63%	-
Matsui's trading value (JPY tn)	34.7	38.9	-11%
Daily average trading value on TSE (JPY tn)	3.0	3.4	-12%

Breakdown of Net Operating Revenues (FY16)

(JPY mn)

	FY16 (Apr.16-Mar.17)	FY15 (Apr.15-Mar.16)	YoY
Commissions	17,253	21,742	-21%
Brokerage	16,260	20,414	-20%
Equity & ETF	15,249	18,898	-19%
Futures & Options	1,011	1,516	-33%
Others	979	1,278	-23%
Net trading income	3	6	-54%
Interest & dividend income (1)	10,467	12,682	-17%
Total operating revenues	27,727	34,435	-19%
Interest expenses (2)	1,228	1,431	-14%
Net operating revenues	26,499	33,003	-20%
Net interest income (1) - (2)	9,239	11,250	-18%
Average margin balance (JPY bn)	241	306	-21%

Breakdown of SG&A (FY16)

(JPY mn)

	FY16 (Apr.16-Mar.17)	FY15 (Apr.15-Mar.16)	YoY
Trading related expenses	4,345	4,674	-7%
Stock exchanges and securities associations fees	1,409	1,738	-19%
Communications expenses	1,672	1,692	-1%
Advertisement	531	475	12%
Personnel expenses	2,227	2,178	2%
Occupancy & rental	891	890	0%
Data processing & office supplies	1,841	1,713	7%
Depreciation	1,267	1,175	8%
Taxes and dues	362	288	26%
Provision of allowance for doubtful accounts	311	216	44%
Others	317	123	159%
Total SG&A	11,560	11,258	3%

Summary of Financial Results (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY16		FY15	YoY	FY16 TOTAL
	4Q	3Q		2Q	1Q	4Q		
Operating Revenues	6,998	6,981	0%	6,284	7,463	7,823	-11%	27,727
Commissions	4,370	4,448	-2%	3,862	4,572	4,997	-13%	17,253
Interest & dividend income	2,627	2,532	4%	2,420	2,889	2,823	-7%	10,467
Interest expenses	336	386	-13%	255	251	316	6%	1,228
Net operating revenues	6,662	6,596	1%	6,029	7,212	7,507	-11%	26,499
SG & A	2,857	2,783	3%	2,737	3,184	2,938	-3%	11,560
Operating income	3,805	3,813	-0%	3,292	4,028	4,569	-17%	14,939
Ordinary income	3,805	3,860	-1%	3,296	4,084	4,569	-17%	15,044
Net income	2,919	2,673	9%	2,277	2,828	2,865	2%	10,697
Ordinary income ratio	54%	55%	-	52%	55%	58%	-	54%
Matsui's trading value (JPY tn)	8.4	8.4	0%	8.6	9.2	9.6	-12%	34.7
Daily average trading value on TSE (JPY tn)	3.0	3.2	-6%	2.9	3.0	3.5	-15%	3.0

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY16		FY15	YoY	FY16
	4Q	3Q		2Q	1Q	4Q		TOTAL
Commissions	4,370	4,448	-2%	3,862	4,572	4,997	-13%	17,253
Brokerage	4,120	4,228	-3%	3,604	4,308	4,682	-12%	16,260
Equity & ETF	3,869	3,986	-3%	3,384	4,010	4,253	-9%	15,249
Futures & Options	251	242	4%	220	298	429	-41%	1,011
Others	242	214	13%	258	265	315	-23%	979
Net trading income	1	1	-13%	0	1	1	-48%	3
Interest & dividend income (1)	2,627	2,532	4%	2,420	2,889	2,823	-7%	10,467
Total operating revenues	6,998	6,981	0%	6,284	7,463	7,823	-11%	27,727
Interest expenses (2)	336	386	-13%	255	251	316	6%	1,228
Net operating revenues	6,662	6,596	1%	6,029	7,212	7,507	-11%	26,499
Net interest income (1) - (2)	2,291	2,146	7%	2,165	2,638	2,508	-9%	9,239
Average margin balance (JPY bn)	259	233	11%	224	249	264	-2%	241

Breakdown of SG&A (Quarterly)

(JPY mn)

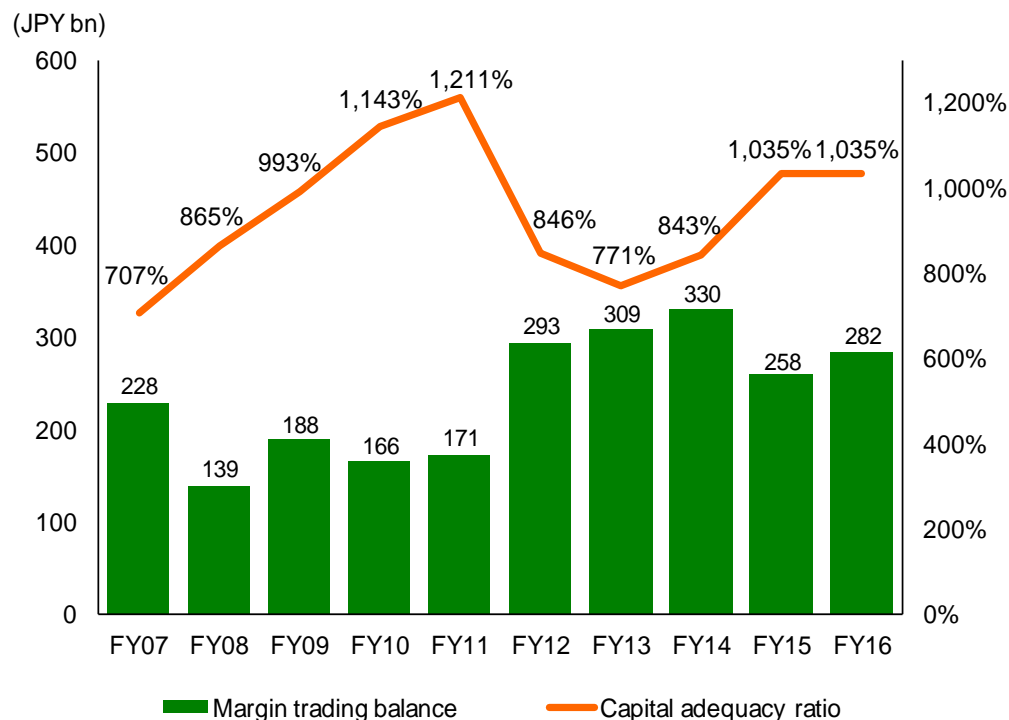
	FY16	FY16	QoQ	FY16		FY15	YoY	FY16 TOTAL
	4Q	3Q		2Q	1Q	4Q		
Trading related expenses	1,154	1,098	5%	1,027	1,067	1,156	-0%	4,345
Stock exchanges and securities associations fees	361	348	4%	329	370	432	-17%	1,409
Communications expenses	437	418	4%	406	410	429	2%	1,672
Advertisement	174	153	14%	102	101	112	56%	531
Personnel expenses	549	561	-2%	557	559	536	3%	2,227
Occupancy & rental	225	219	3%	221	226	222	1%	891
Data processing & office supplies	492	474	4%	435	439	424	16%	1,841
Depreciation	328	305	7%	322	312	309	6%	1,267
Taxes and dues	85	88	-4%	85	104	66	28%	362
Provision of allowance for doubtful accounts	-196	-4	-	70	441	206	-	311
Others	220	41	430%	19	37	19	-	317
Total SG & A	2,857	2,783	3%	2,737	3,184	2,938	-3%	11,560

Regulatory Capital

◆ Capital adequacy ratio (As of 31 March 2017)

		(JPY mn)
Tier 1		(A) 87,705
Tier 2	Net unrealized gain on investment	1,979
	Statutory reserves	3,012
	Allowance for doubtful accounts	115
	Sub total	(B) 5,107
Assets to be deducted from equity capital		(C) 6,686
Net Capital		
(A) + (B) - (C)		(D) 86,125
Total risk	Market risk	440
	Counterparty risk	5,329
	Basic risk	2,545
	Total	(E) 8,315
Capital Adequacy ratio		(D)/(E) 1,035%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return I

Plan to pay year-end dividend of 20 yen per share for FY16.
(Annual dividend of 33 yen per share for FY16)

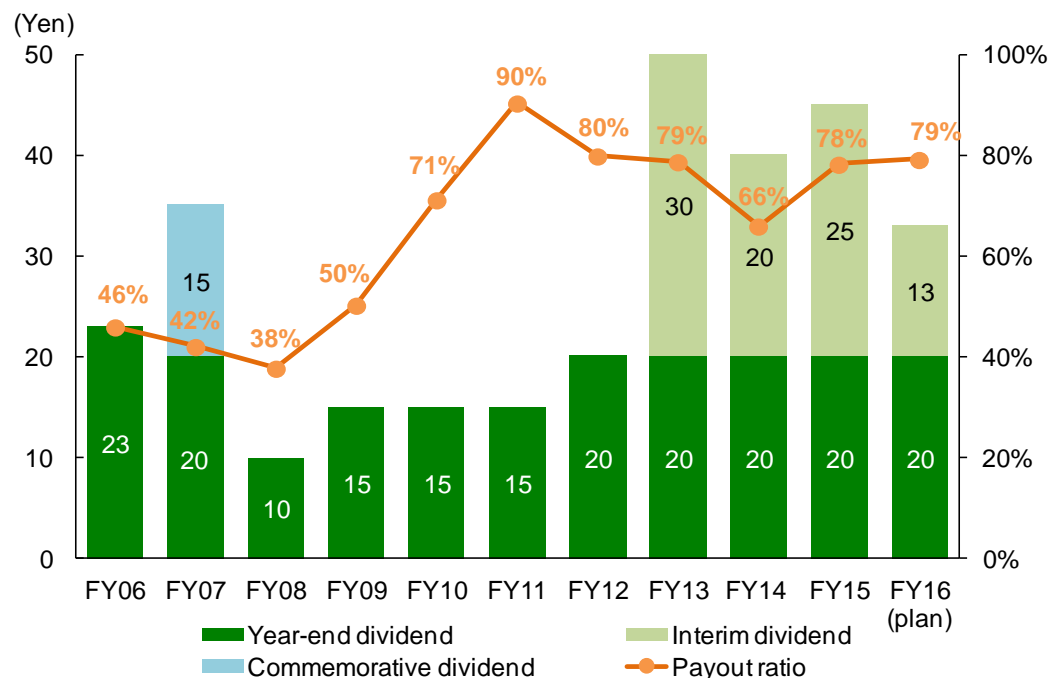
◆ Dividends for FY16

- Interim : **13 yen** per share
- Year-end : **20 yen** per share
- Dividends payout ratio : **79%**
- DOE : **9%**
(ROE : 11%)

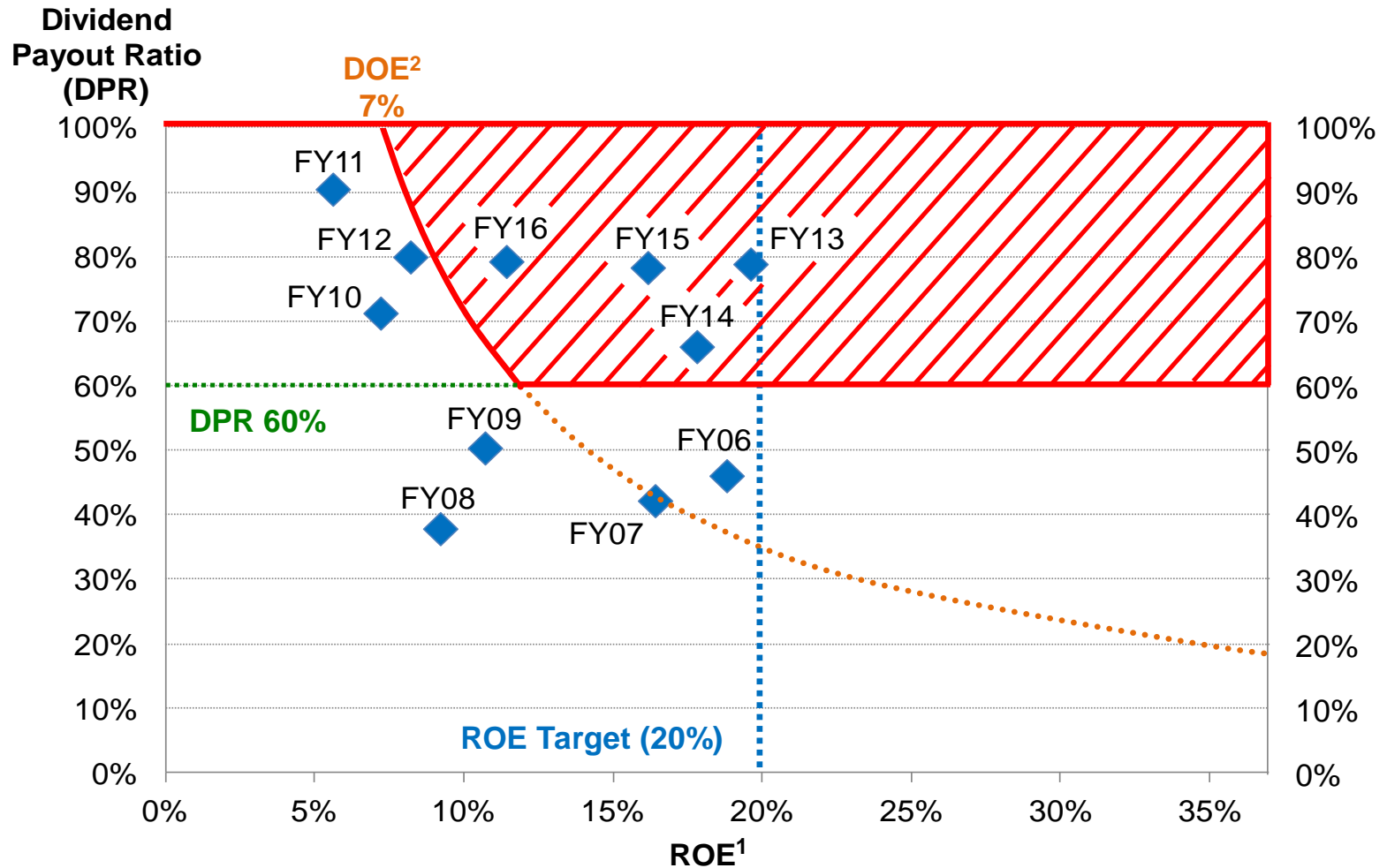
◆ Dividend policy¹

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

◆ Matsui's dividend per share and payout ratio²



Shareholders Return II



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

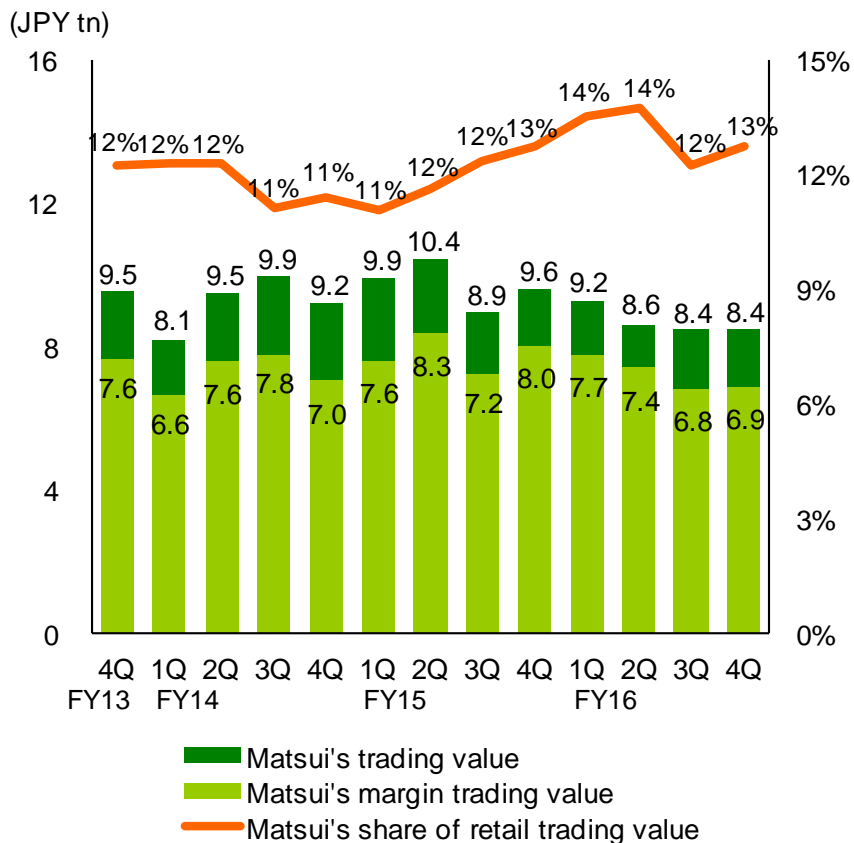
Note2: DOE = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal year}) / 2}$

Results of Operation

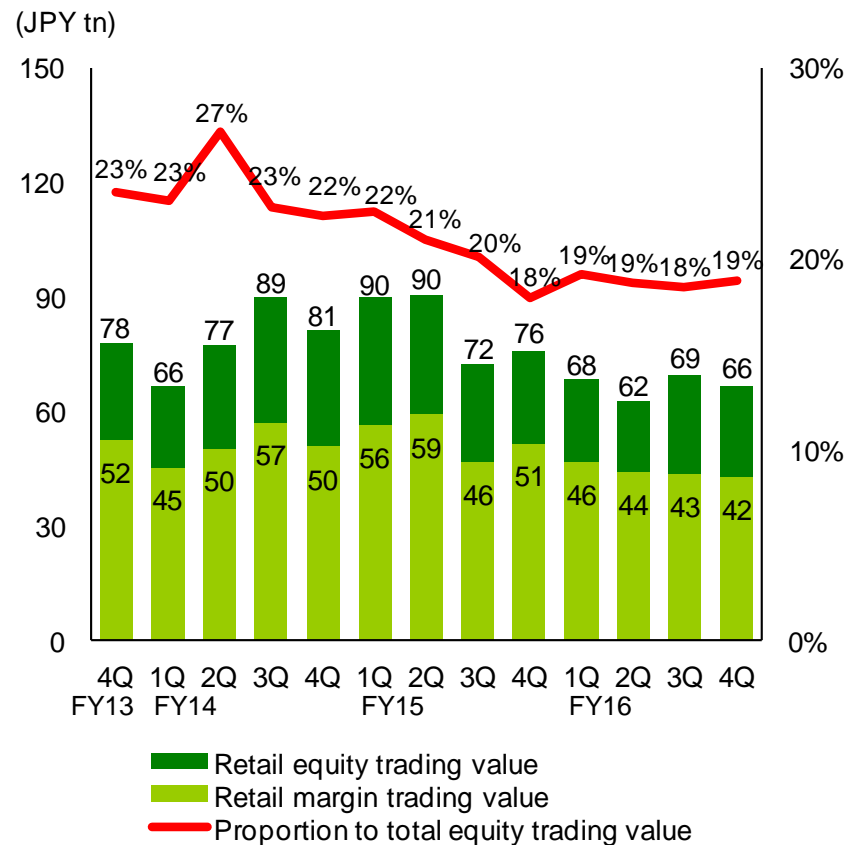
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

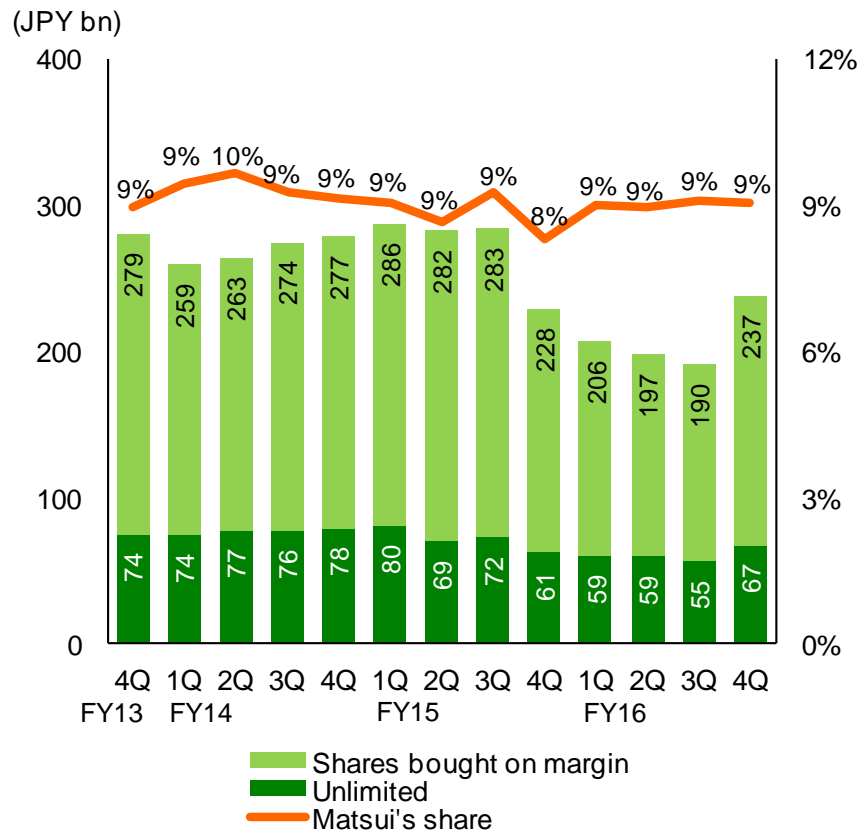


◆ Retail equity trading value¹ and proportion to total equity trading value

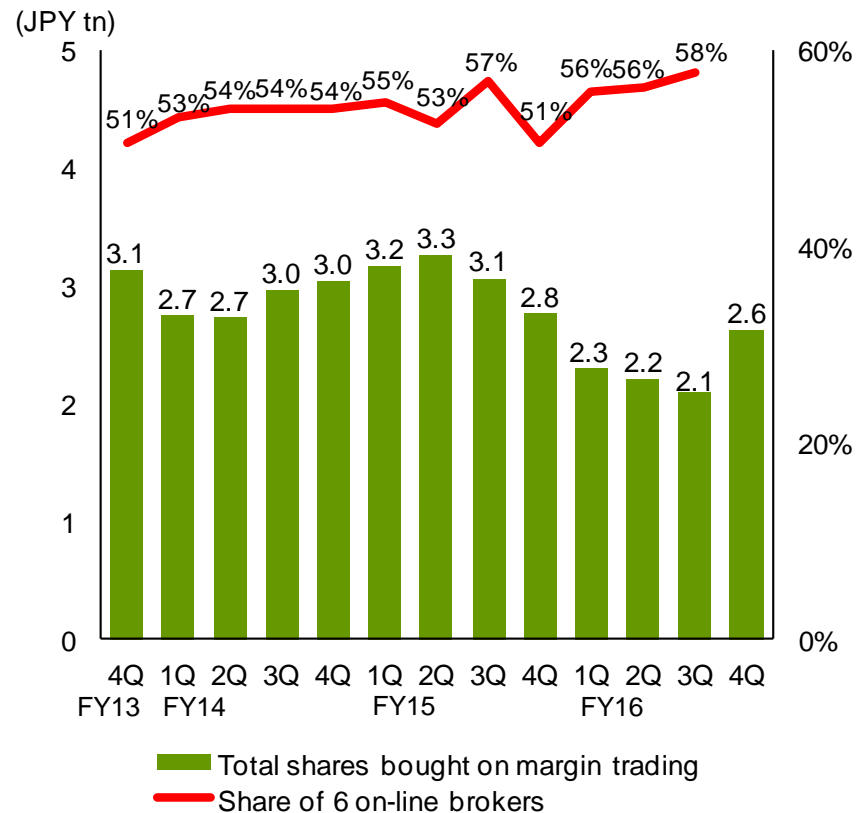


Margin Trading Balance

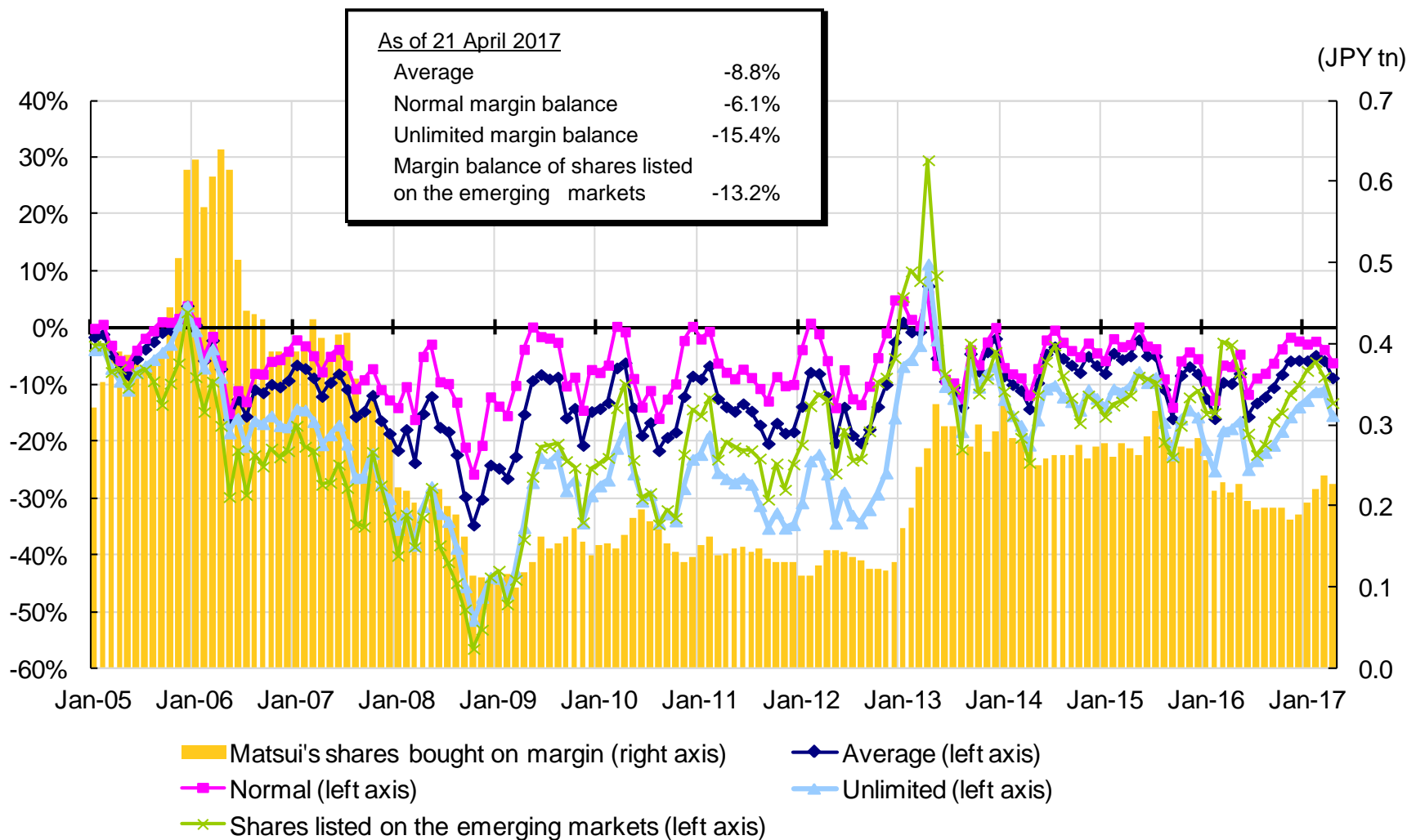
◆ Matsui's shares bought on margin¹ and its market share²



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

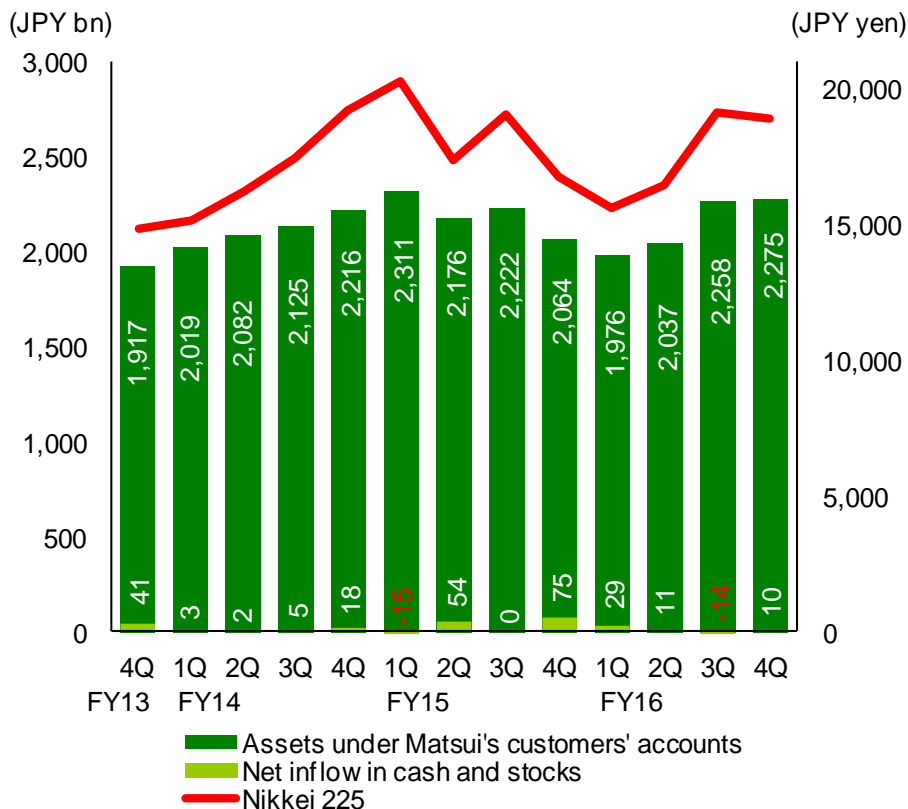


Unrealized Losses on Matsui's Margin Balance

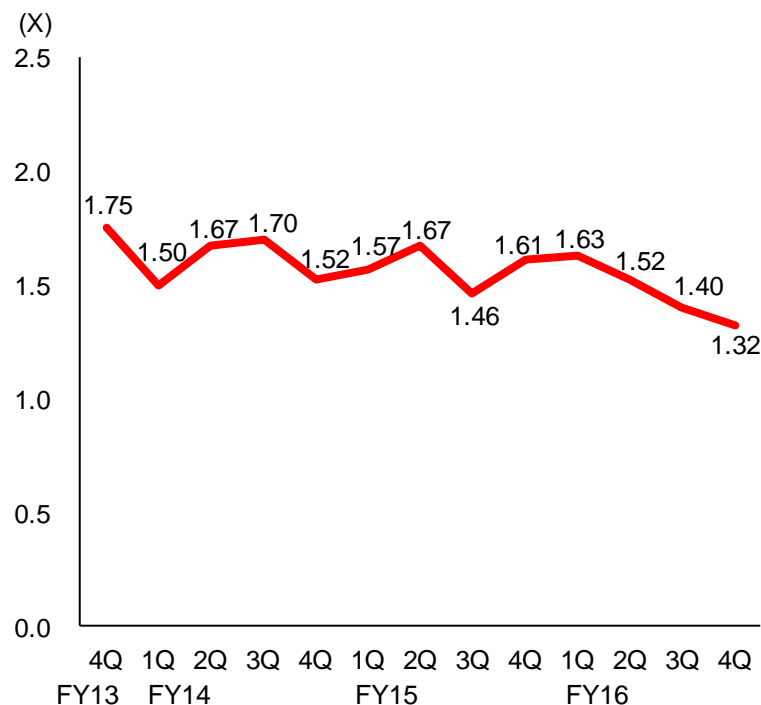


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts

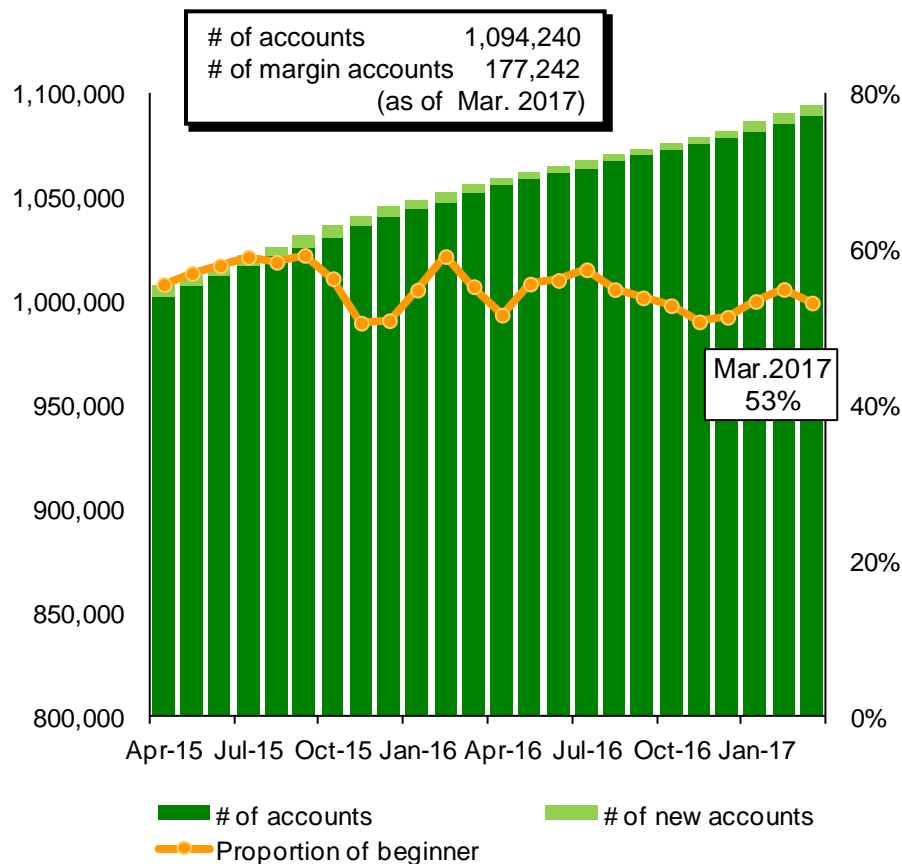


◆ Equity trading turnover¹ of Matsui's customers

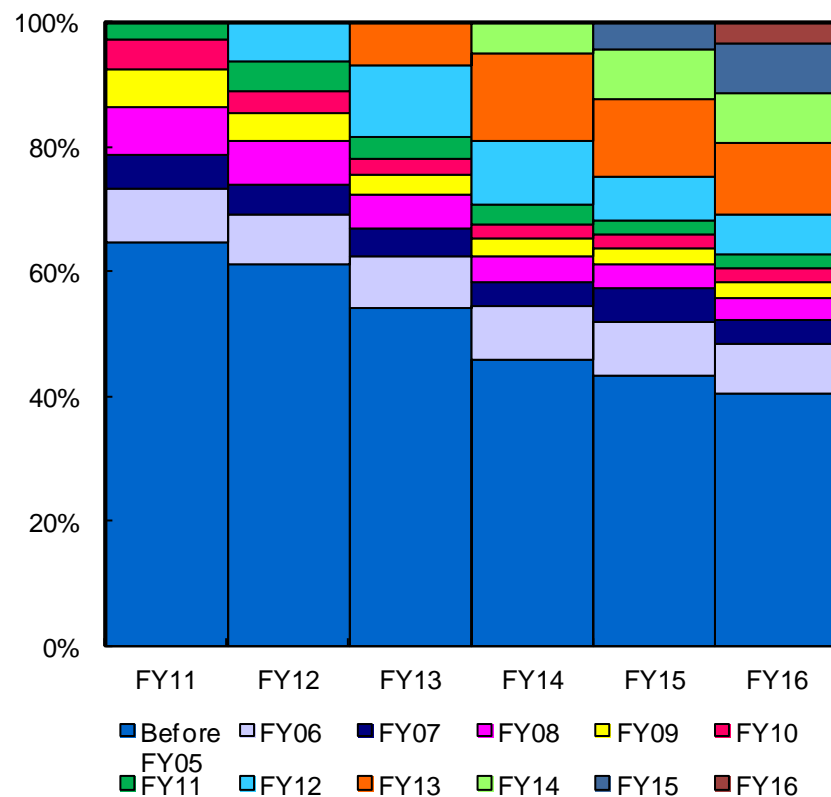


Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

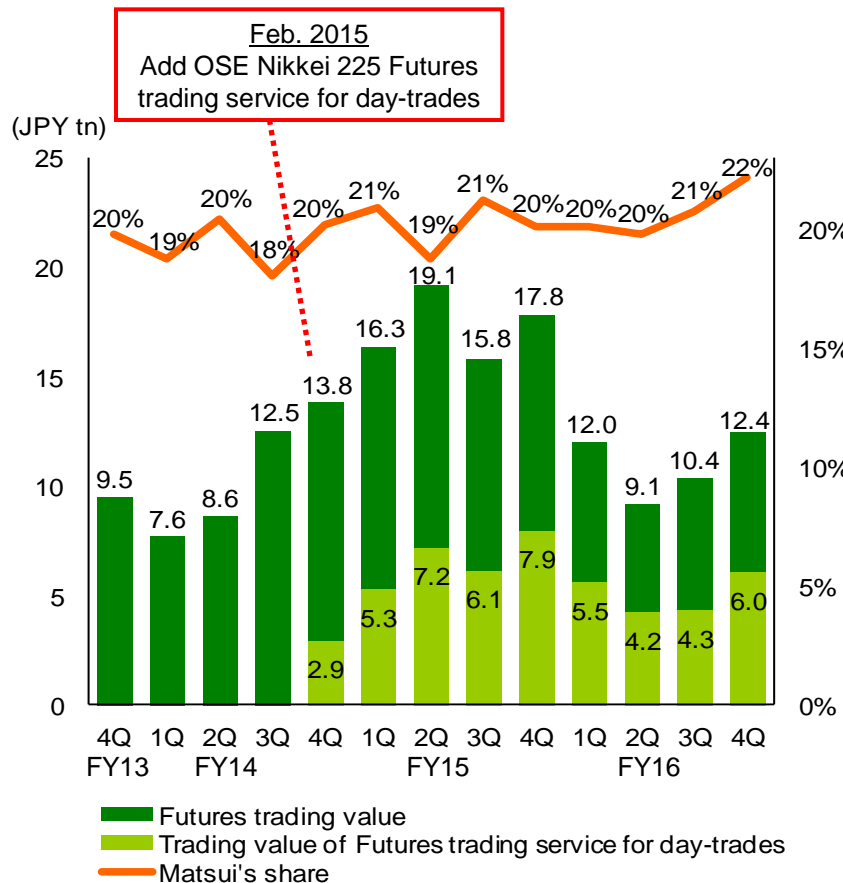


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

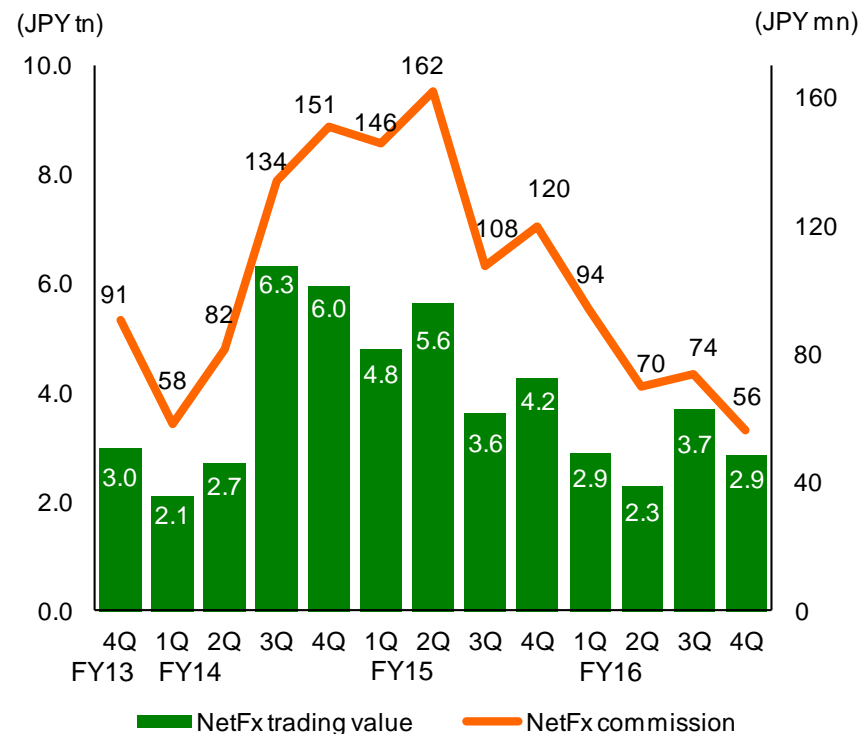


Futures Trading Value / FX Margin Trading Value

◆ 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

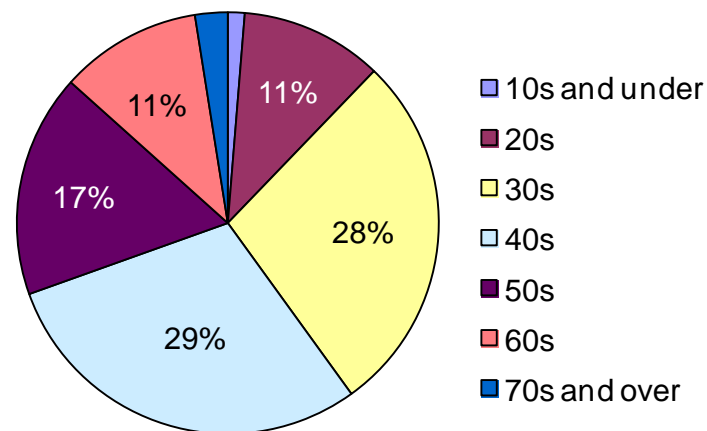
- ◆ Continue to focus on expansion of services for active customers e.g. Margin trading services for day-trades, Premium short-selling services, Intraday-trading service for Nikkei 225 Futures
- ◆ Develop suitable services for inactive but affluent customers and customers who are building assets for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

Main customers of our investment management platform are 30s and 40s, and 79% of our customers use saving type of investment function

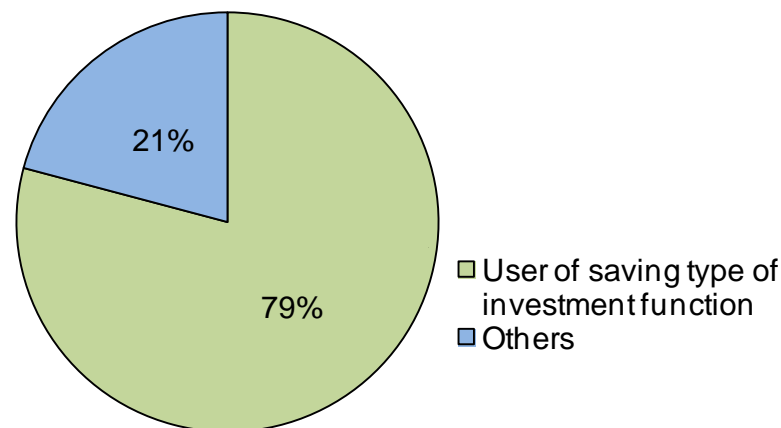
◆ Examples of newly added mutual funds in April 2017¹

Name	Asset class	Custodian fee
AM One Tawara No Load Plus Domestic Equity High Dividend Minimum Variance Strategy	Domestic Equity	<u>0.700%</u>
Daiwa SB HITOKUFUU Japan Equity Fund	Domestic Equity	<u>0.250%</u>
Nomura Index Fund US Equity Dividend Aristocrats	Emerging Bond	<u>0.500%</u>
PICTE iTrust Robo	Developed Equity	<u>1.330%</u>
eMAXIS Slim Developed Country Equity Index	Emerging Bond	<u>0.200%</u>
No Load Meiji Yasuda J-REIT Active	Domestic REIT	<u>0.275%</u>
RHEOS Hifumi Plus	Domestic Equity	<u>0.980%</u>

◆ Customers by age²



◆ Proportion for users of saving type of investment function²



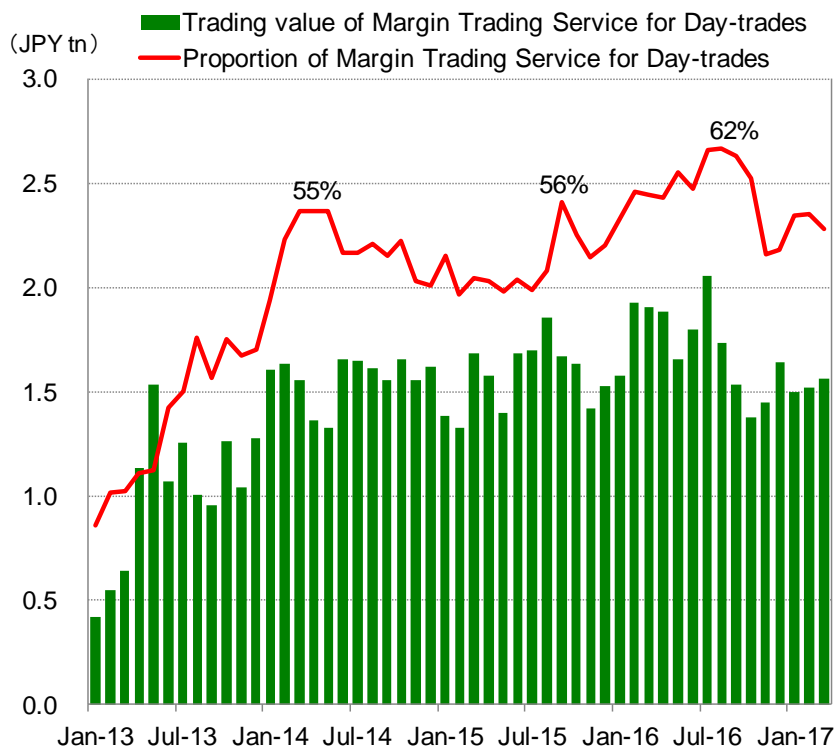
◆ Future developments

Implement continuous improvements in order to support customers' long-term diversified investment

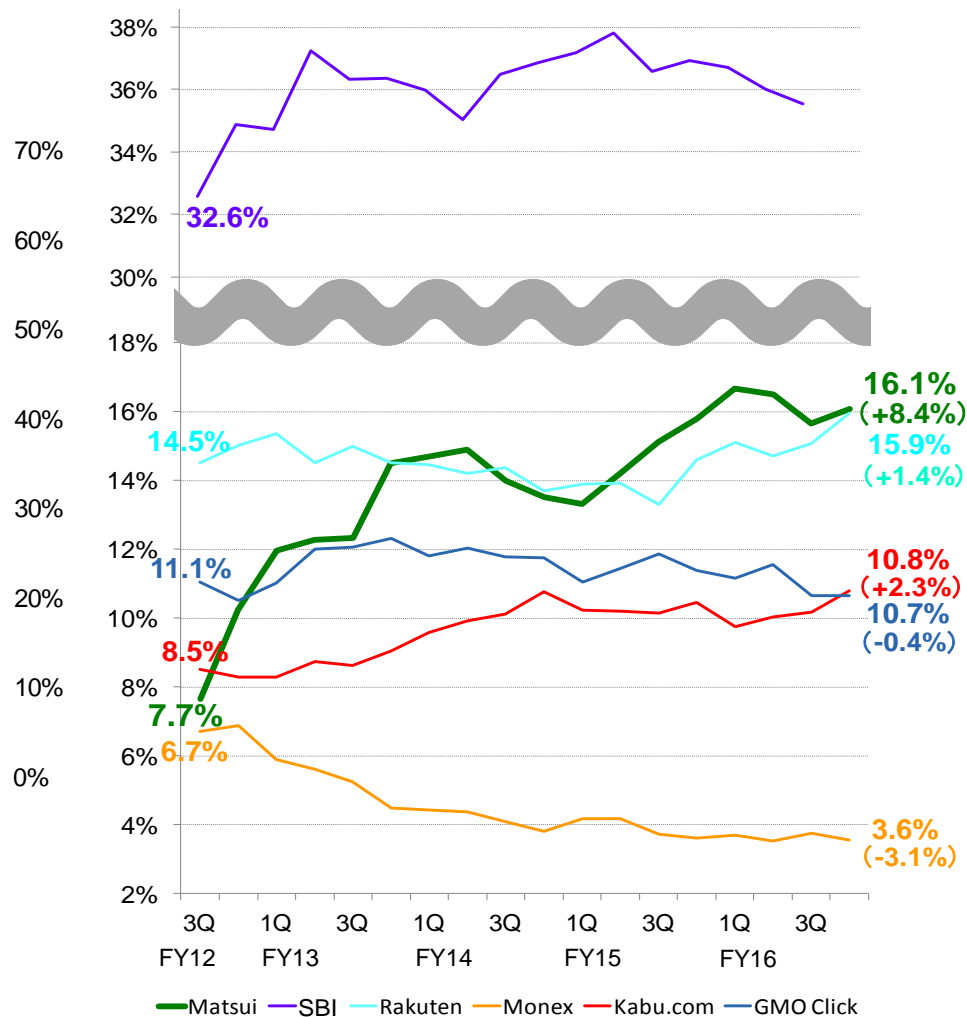
- Expand and upgrade various functions such as introducing smartphone application etc.
- Expand the line-up of the mutual funds

Margin Trading Service for Day-trades

◆ Trading results



◆ Market share¹ of margin trading value



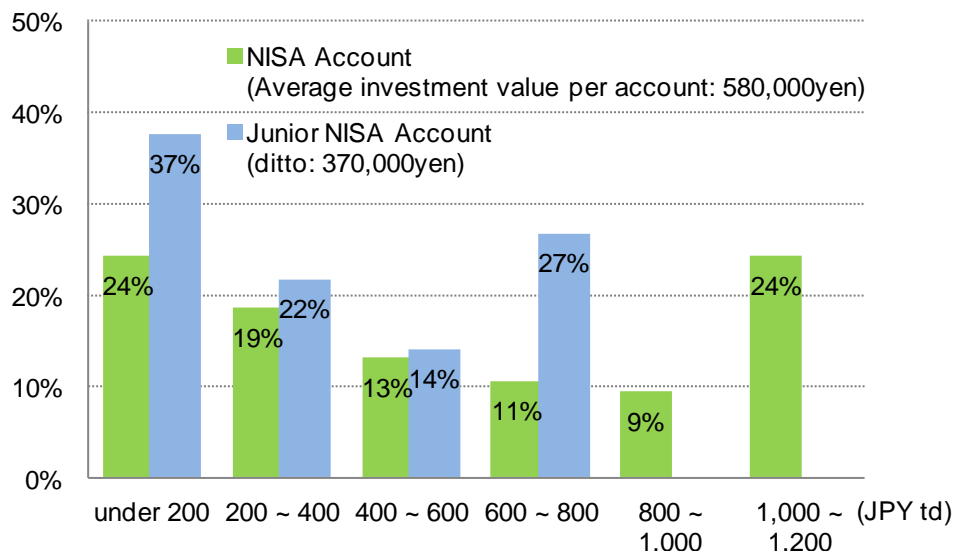
NISA

Active account ratio for NISA¹ is 33%, the highest level among 5 online securities brokers²

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

	NISA	Junior NISA
Total number of accounts	117,595	2,753
Number of active accounts ³	39,387	981
Active account ratio	33%	36%
Total investment value(JPY mn) ⁴	22,790	361
Customers' assets(JPY mn) ⁵	83,671	851

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



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

Rank	NISA Account	Junior NISA Account
1	Mizuho Financial Group, Inc. (8411)	Skylark Co., Ltd. (3197)
2	Toshiba Corp. (6502)	Oriental Land Co., Ltd. (4661)
3	Skylark Co., Ltd. (3197)	Create Restaurants Holdings Inc. (3387)
4	Nissan Motor Co., Ltd. (7201)	Orix Corp. (8591)
5	Sharp Corp. (6753)	Mizuho Financial Group, Inc. (8411)

◆ Situation of NISA

NISA has been introduced since January 2014 and Junior NISA has been introduced since April 2016. The number of accounts and customers' assets in NISA and Junior NISA are gradually increasing.

On Junior NISA accounts, customers tend to prefer certain stocks which have gifts for shareholders. In 4th quarter, Skylark which announced the expansion of gifts for shareholders became top ranking in trading value, surpassing the Oriental Land which is top ranking in trading value in 2016.

The material is intended to provide the financial results for the quarter ended 31 March 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 April 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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