



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 1QFY2016

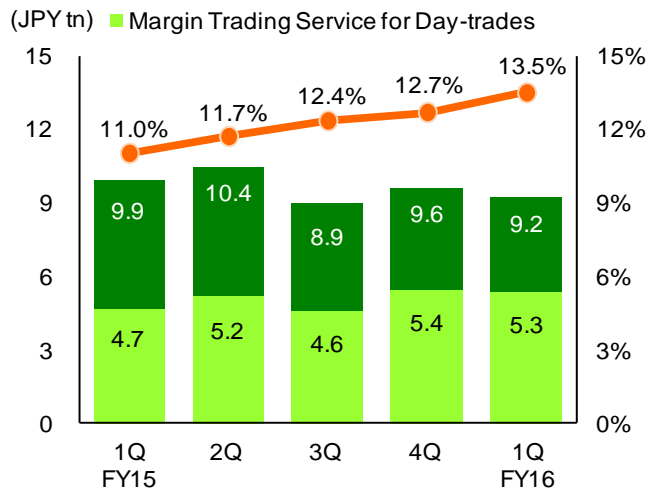
July 2016

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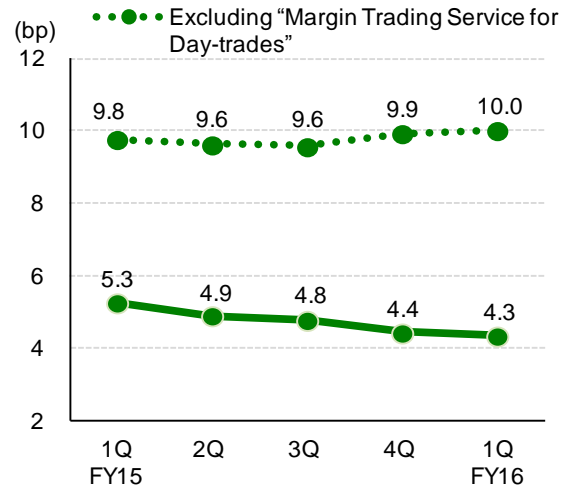
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Results of Operation

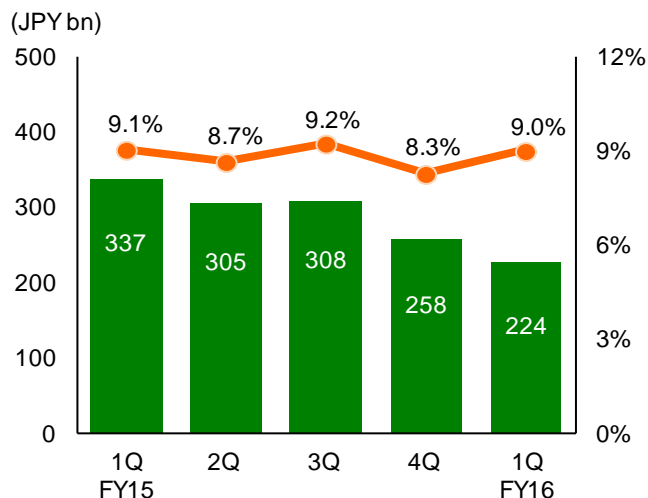
◆ Equity trading value / Market share



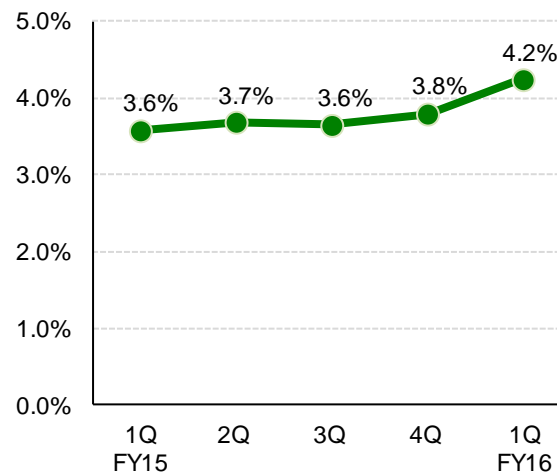
◆ Equity commission rate



◆ Margin balance / Market share

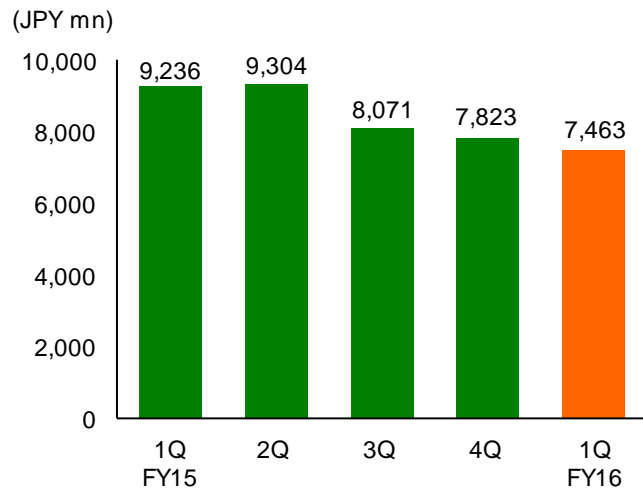


◆ Net interest income ratio

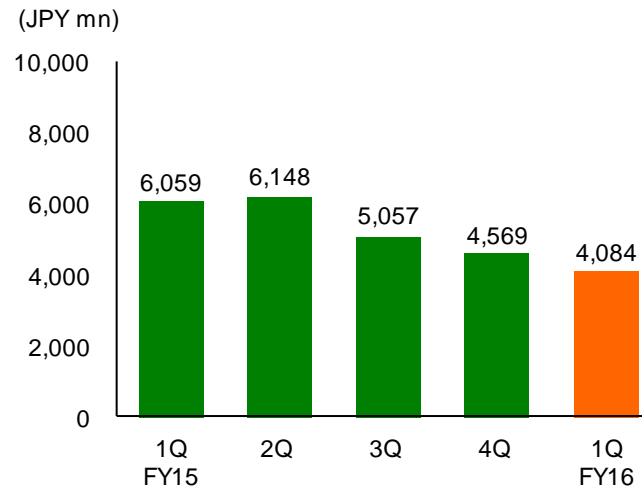


Financial Results

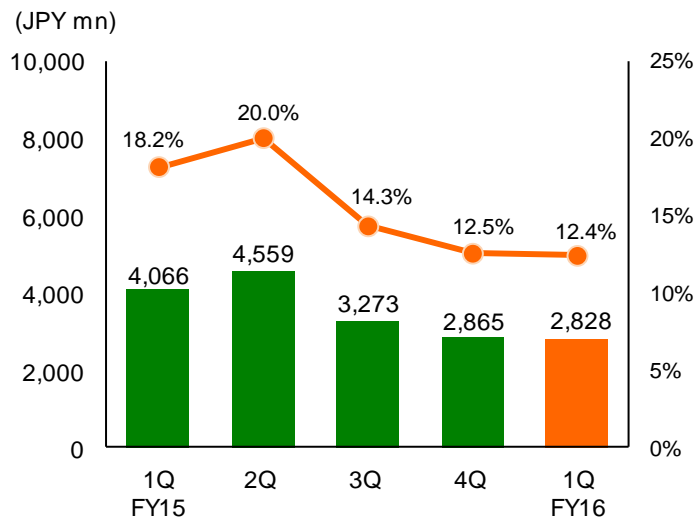
◆ Operating revenues



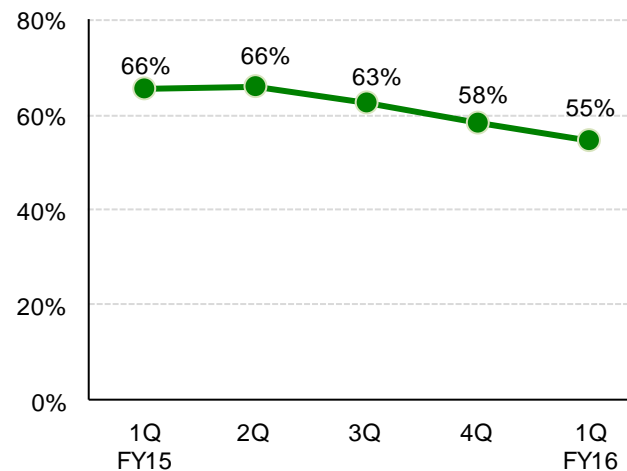
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues down JPY 360 million QoQ

- Commissions were down JPY 430 million due to decline of equity trading value
- Interest & dividend income was up JPY 70 million
 - ~Revenue from Premium Short-Selling Service was up, whereas average margin balance was down 6%

◆ SG&A up JPY 250 million QoQ

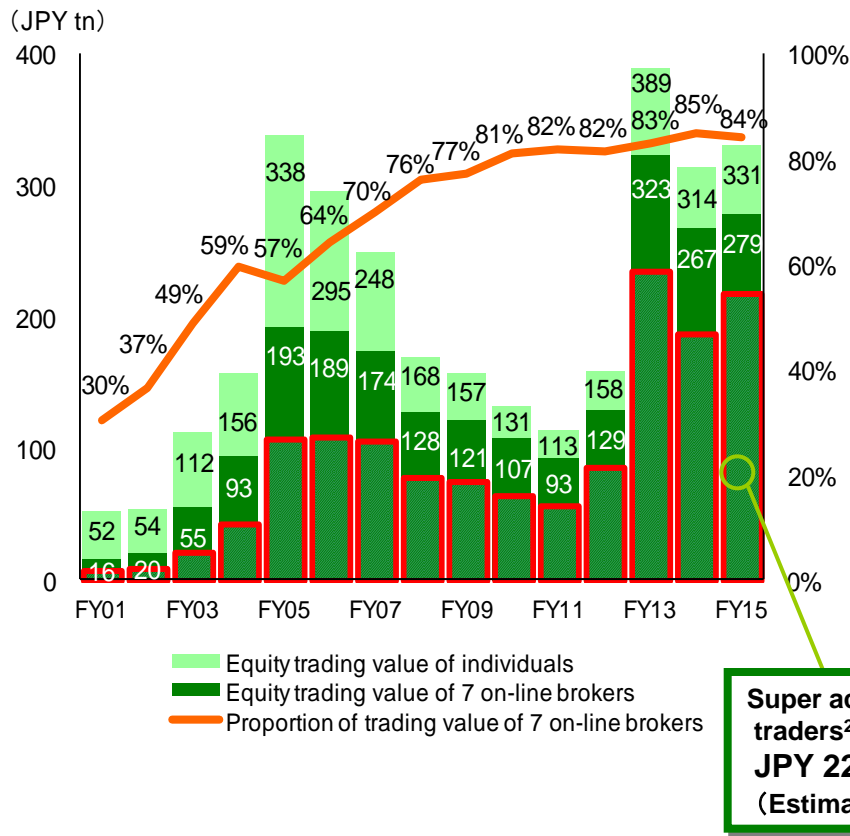
- Transaction related expenses were down JPY 90 million due to decline of equity trading value
- JPY 440 million of provision for doubtful receivables for customers' margin transaction of Acucela Inc. was posted (SG&A excluding the provision remained flat)

◆ Net income down JPY 40 million QoQ

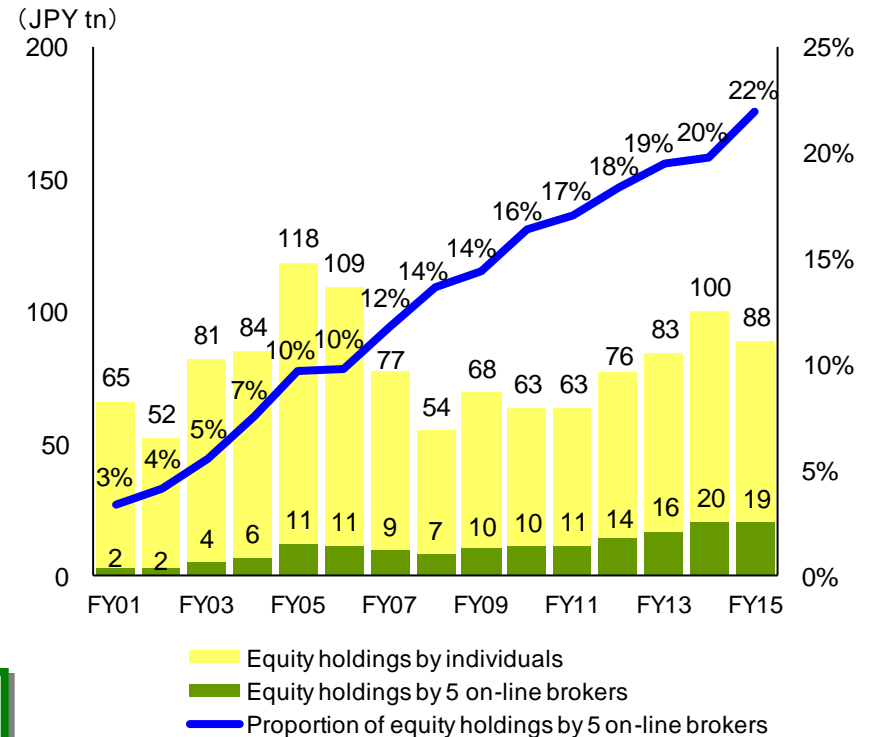
- No provision for statutory reserves in 1Q (JPY170 million in 4QFY15)
- Decrease of income taxes due to decline of the effective corporate tax rate (FY15: 33% → 1QFY16: 31%)

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ 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 (Quarterly)

(JPY mn)

	FY16	FY15	QoQ	FY15			YoY	FY15 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Operating Revenues	7,463	7,823	-5%	8,071	9,304	9,236	-19%	34,435
Commissions	4,572	4,997	-9%	4,946	5,918	5,880	-22%	21,742
Interest & dividend income	2,889	2,823	2%	3,123	3,382	3,353	-14%	12,682
Interest expenses	251	316	-21%	323	345	448	-44%	1,431
Net operating revenues	7,212	7,507	-4%	7,749	8,959	8,788	-18%	33,003
SG & A	3,184	2,938	8%	2,732	2,817	2,771	15%	11,258
Operating income	4,028	4,569	-12%	5,017	6,143	6,017	-33%	21,745
Ordinary income	4,084	4,569	-11%	5,057	6,148	6,059	-33%	21,833
Net income	2,828	2,865	-1%	3,273	4,559	4,066	-30%	14,763
Ordinary income ratio	55%	58%	-	63%	66%	66%	-	63%
Matsui's trading value (JPY tn)	9.2	9.6	-4%	8.9	10.4	9.9	-7%	38.9
Daily average trading value on TSE (JPY tn)	3.0	3.5	-13%	3.2	3.6	3.4	-11%	3.4

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY16	FY15	QoQ	FY15			YoY	FY15 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Commissions	4,572	4,997	-9%	4,946	5,918	5,880	-22%	21,742
Brokerage	4,308	4,682	-8%	4,620	5,546	5,566	-23%	20,414
Equity & ETF	4,010	4,253	-6%	4,286	5,128	5,231	-23%	18,898
Futures & Options	298	429	-31%	334	418	335	-11%	1,516
Others	265	315	-16%	277	372	313	-16%	1,278
Net gain (loss) on trading	1	1	-24%	1	2	2	-53%	6
Interest & dividend income (1)	2,889	2,823	2%	3,123	3,382	3,353	-14%	12,682
Total operating revenues	7,463	7,823	-5%	8,071	9,304	9,236	-19%	34,435
Interest expenses (2)	251	316	-21%	323	345	448	-44%	1,431
Net operating revenues	7,212	7,507	-4%	7,749	8,959	8,788	-18%	33,003
Net interest income (1) - (2)	2,638	2,508	5%	2,801	3,037	2,905	-9%	11,250
Average margin balance (JPY bn)	249	264	-6%	307	329	325	-23%	306

Breakdown of SG&A (Quarterly)

(JPY mn)

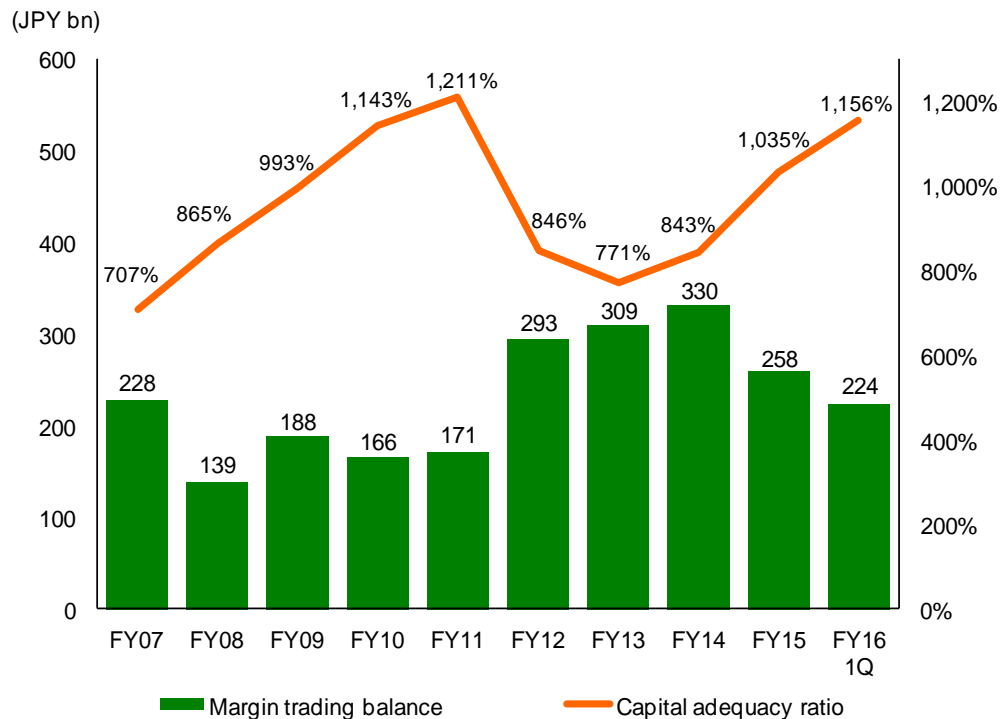
	FY16	FY15	QoQ	FY15			YoY	FY15 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Transaction related expenses	1,067	1,156	-8%	1,122	1,199	1,197	-11%	4,674
Stock exchanges and securities associations fees	370	432	-14%	387	456	462	-20%	1,738
Communications expenses	410	429	-4%	423	421	420	-2%	1,692
Advertisement	101	112	-10%	120	122	121	-17%	475
Employees' compensation & benefits	559	536	4%	542	584	517	8%	2,178
Occupancy & rental	226	222	2%	221	219	227	-1%	890
Data processing & office supplies	439	424	3%	428	419	442	-1%	1,713
Depreciation	312	309	1%	298	288	280	11%	1,175
Duties & taxes other than income taxes	104	66	57%	62	80	80	30%	288
Provision of allowance for doubtful accounts	441	206	114%	21	- 0	-11	-	216
Others	37	19	92%	37	28	39	-6%	123
Total SG & A	3,184	2,938	8%	2,732	2,817	2,771	15%	11,258

Regulatory Capital

◆ Capital adequacy ratio (As of 30 June 2016)

(JPY mn)		
Tier 1	(A)	88,309
Tier 2	Net unrealized gain on investment	1,441
	Statutory reserves	3,349
	Allowance for doubtful accounts	94
	Sub total (B)	4,884
Assets to be deducted from equity capital	(C)	5,900
Net Capital		
	(A) + (B) - (C) (D)	87,293
Total risk	Market risk	324
	Counterparty risk	4,566
	Basic risk	2,655
	Total (E)	7,545
Capital Adequacy ratio	(D)/(E)	1,156%

◆ Margin trading balance and capital adequacy ratio

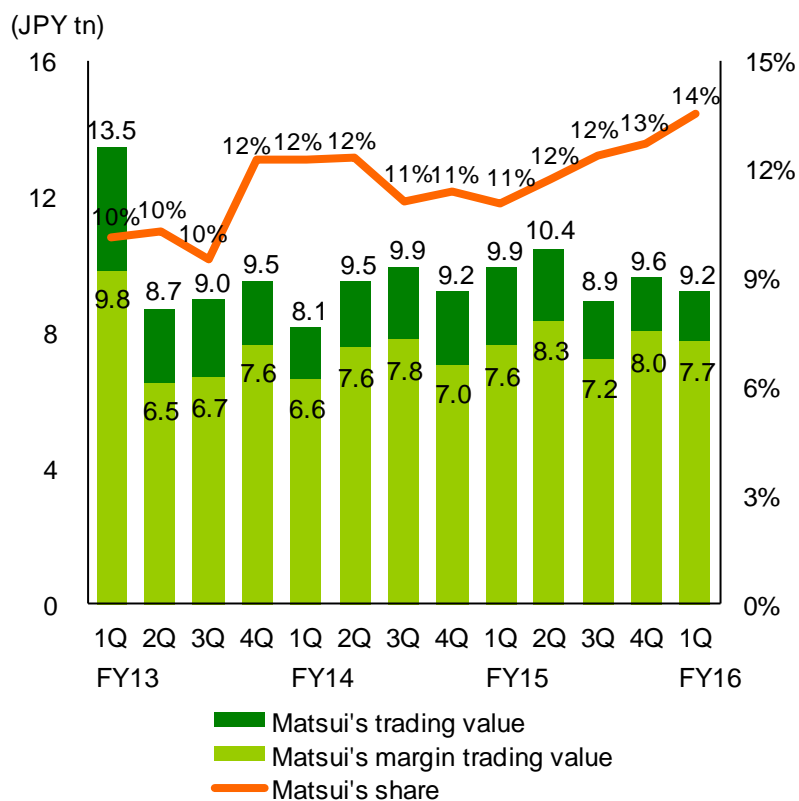


Results of Operation

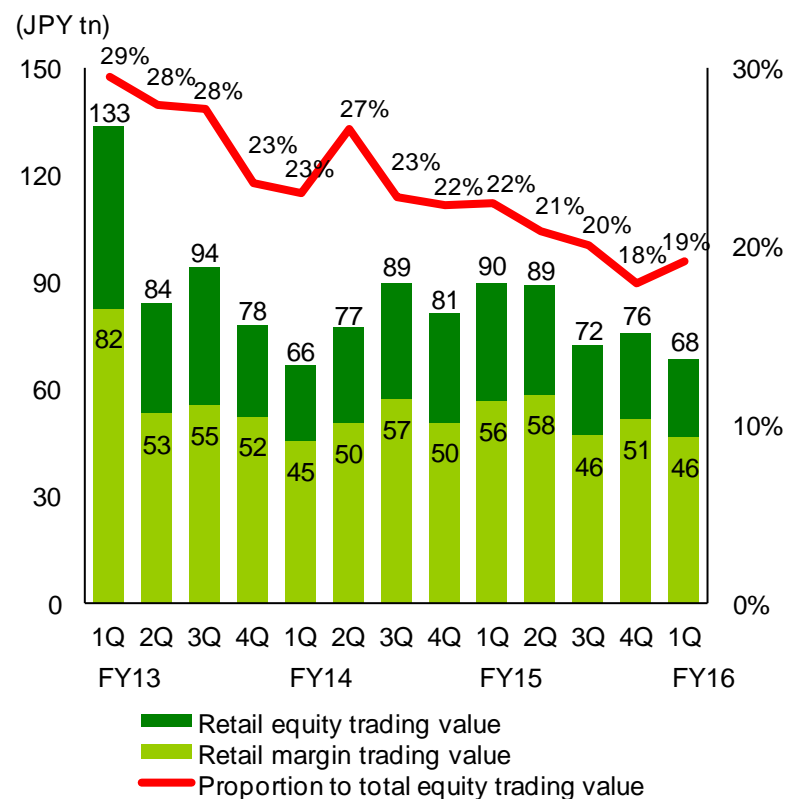
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

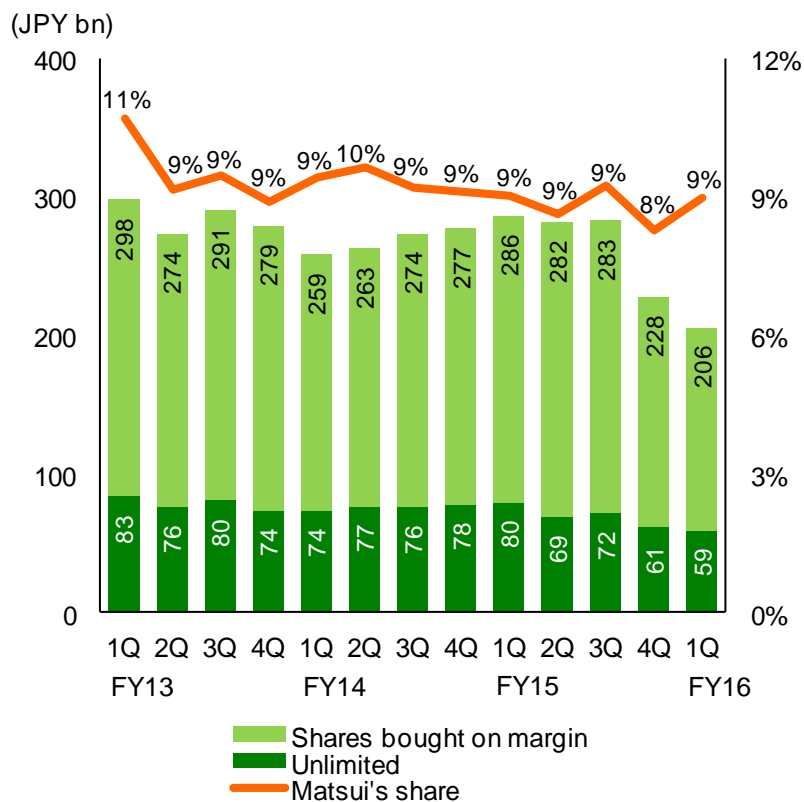


◆ Retail equity trading value¹ and proportion to total equity trading value

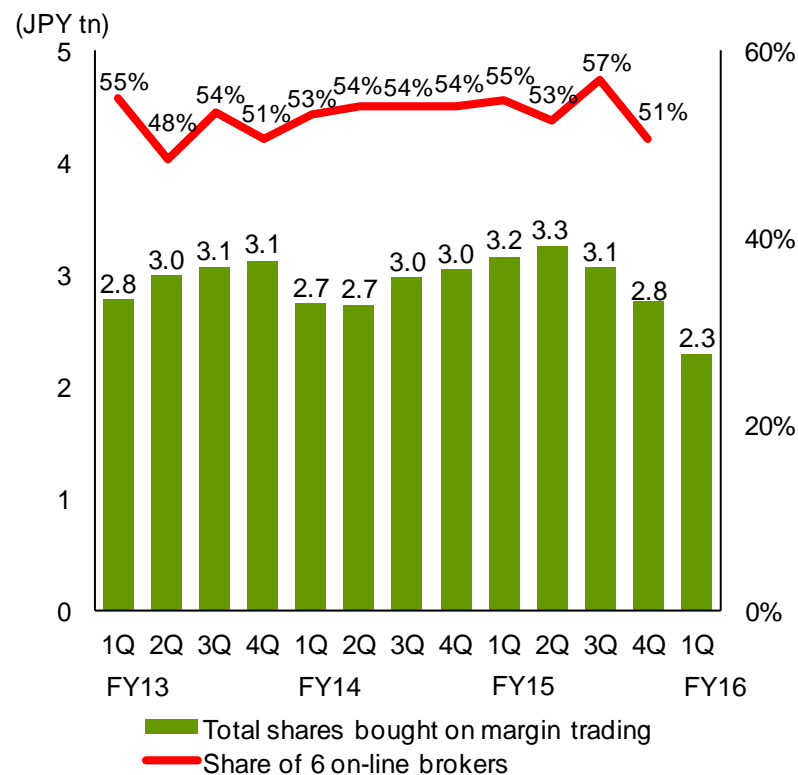


Margin Trading Balance

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

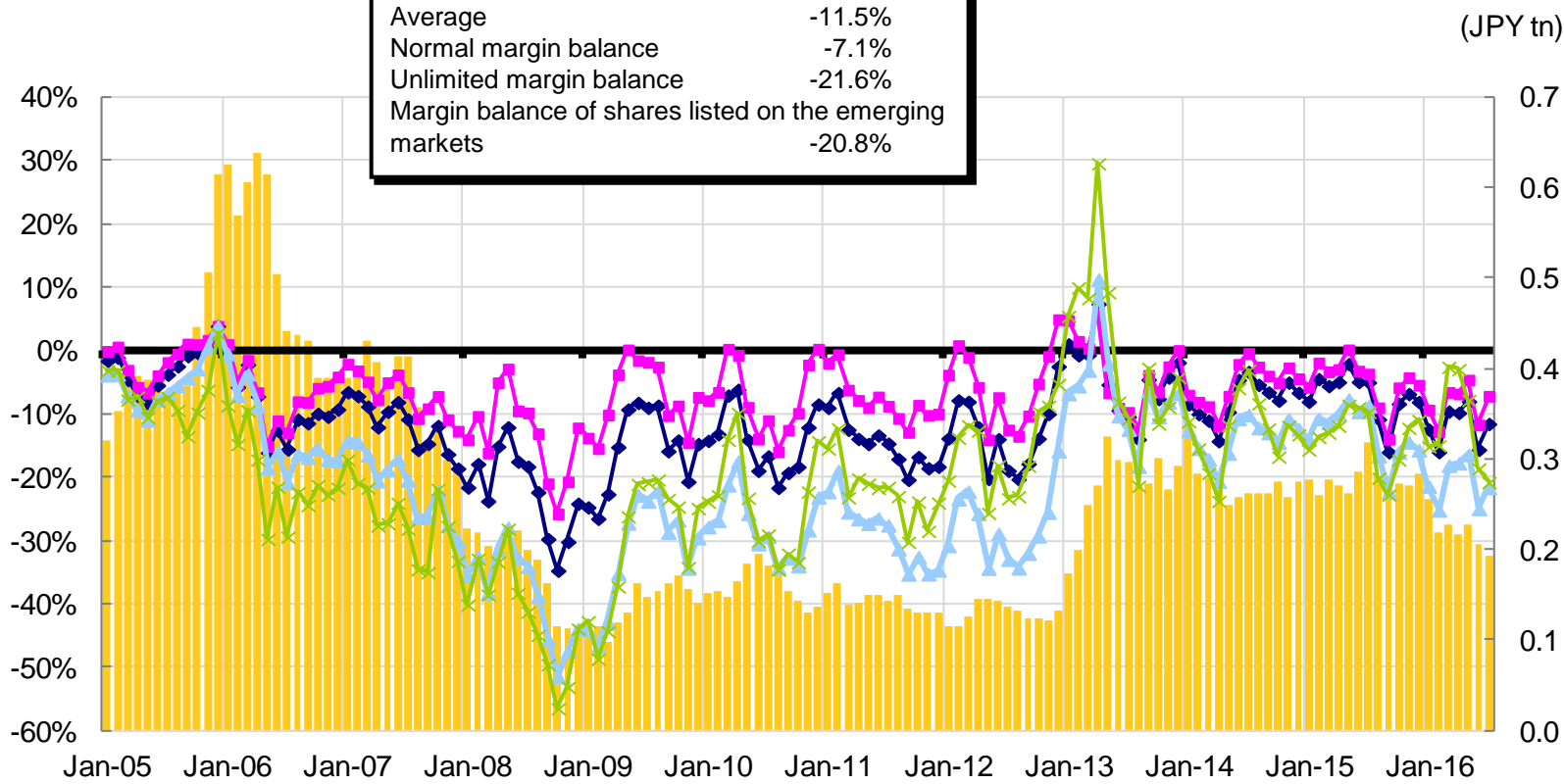


◆ Total shares bought on margin¹ and share of 6 on-line brokers³



Unrealized Losses on Matsui's Margin Balance

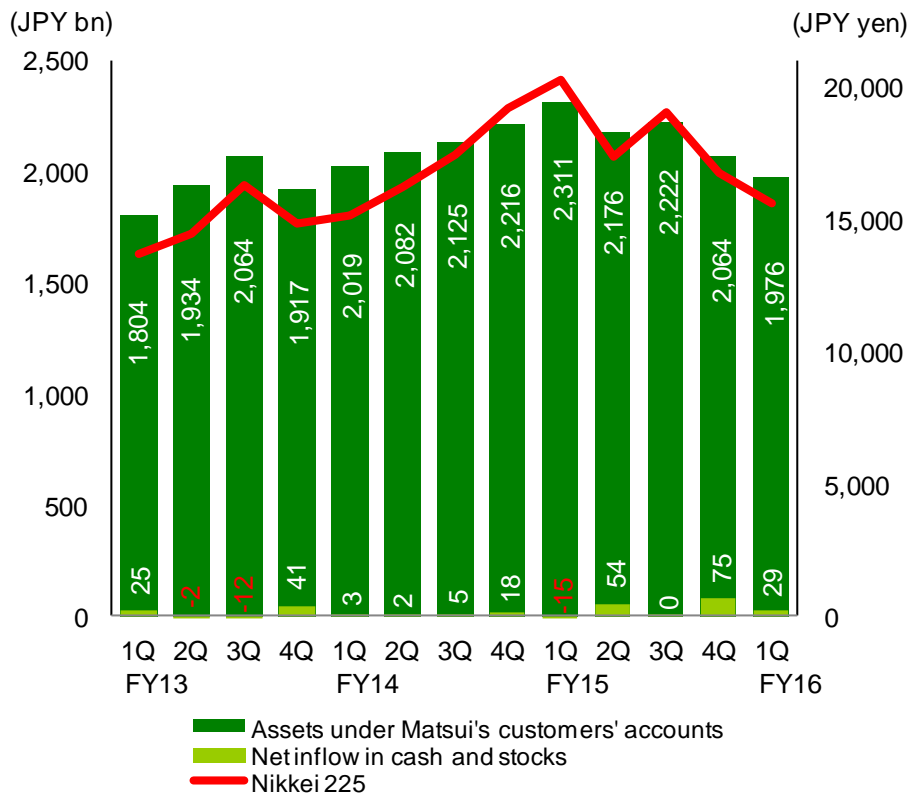
<u>As of 21 July 2016</u>	
Average	-11.5%
Normal margin balance	-7.1%
Unlimited margin balance	-21.6%
Margin balance of shares listed on the emerging markets	-20.8%



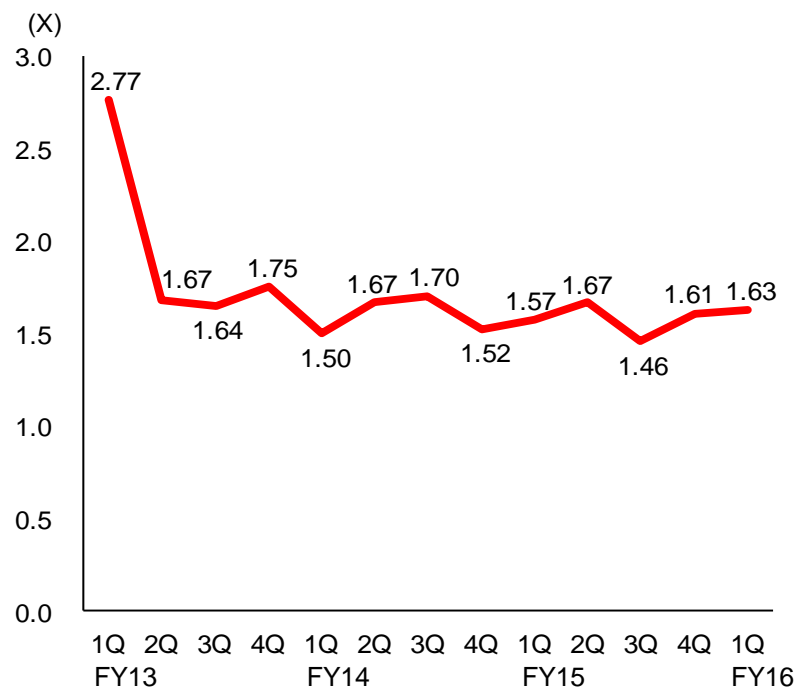
- Matsui's shares bought on margin (right axis)
- ◆ Average (left axis)
- Normal (left axis)
- ▲ Unlimited (left axis)
- ✕ Shares listed on the emerging markets (left axis)

Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts

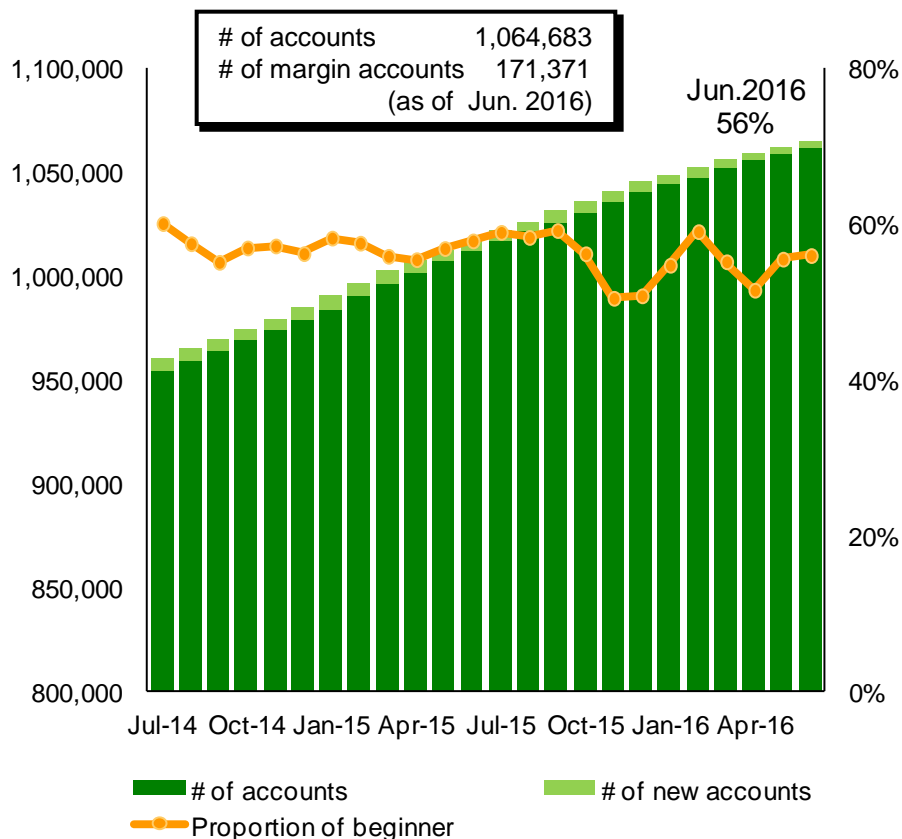


◆ Equity trading turnover¹ of Matsui's customers

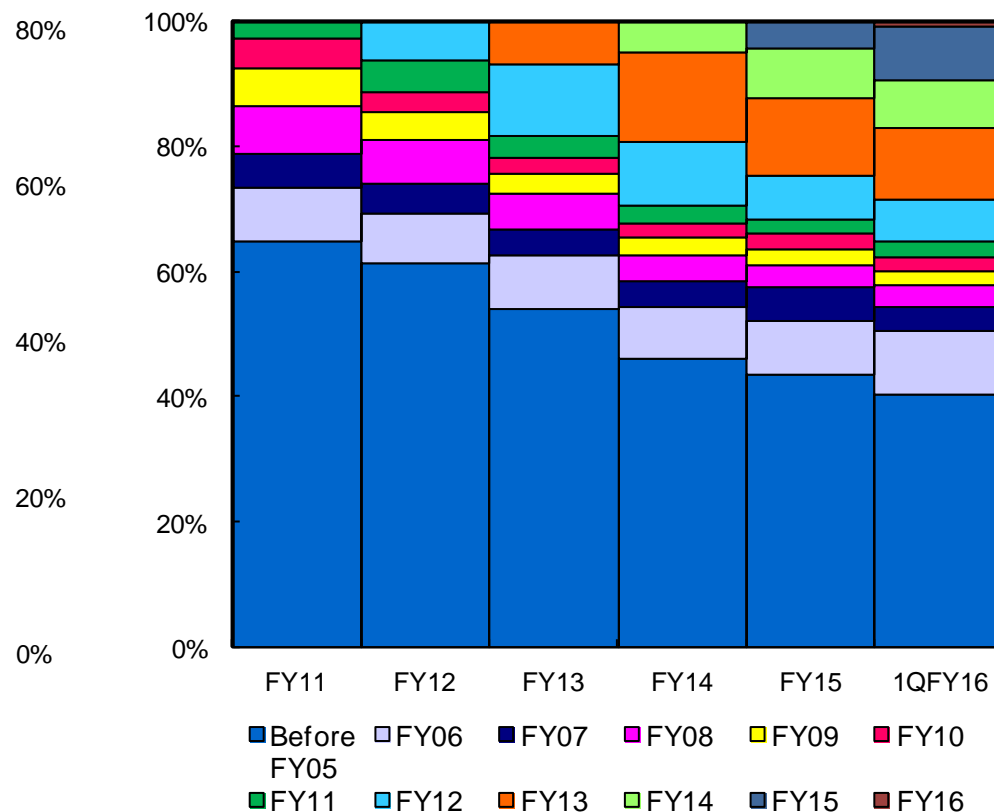


Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

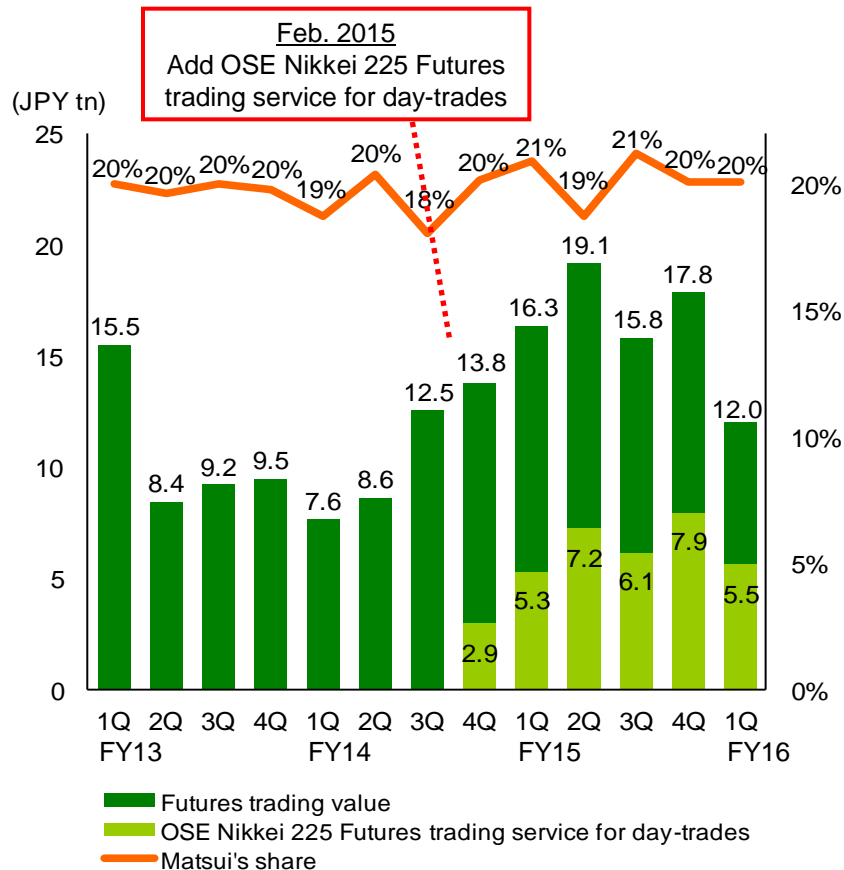


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

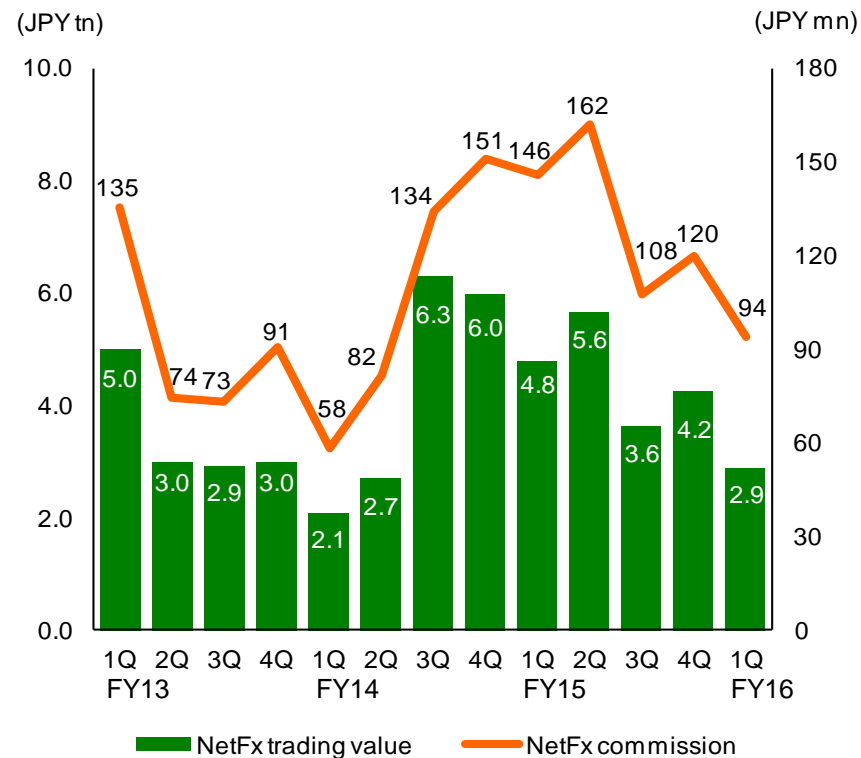


Futures Trading Value / FX Margin Trading Value

◆ 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 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", mutual funds business

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

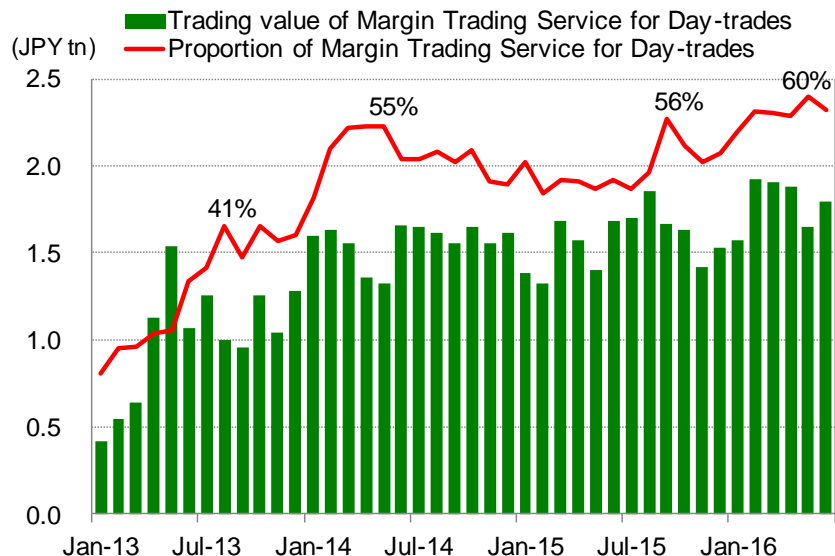
Features of our asset allocation service

- ✓ 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 class)
 - 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 installment 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

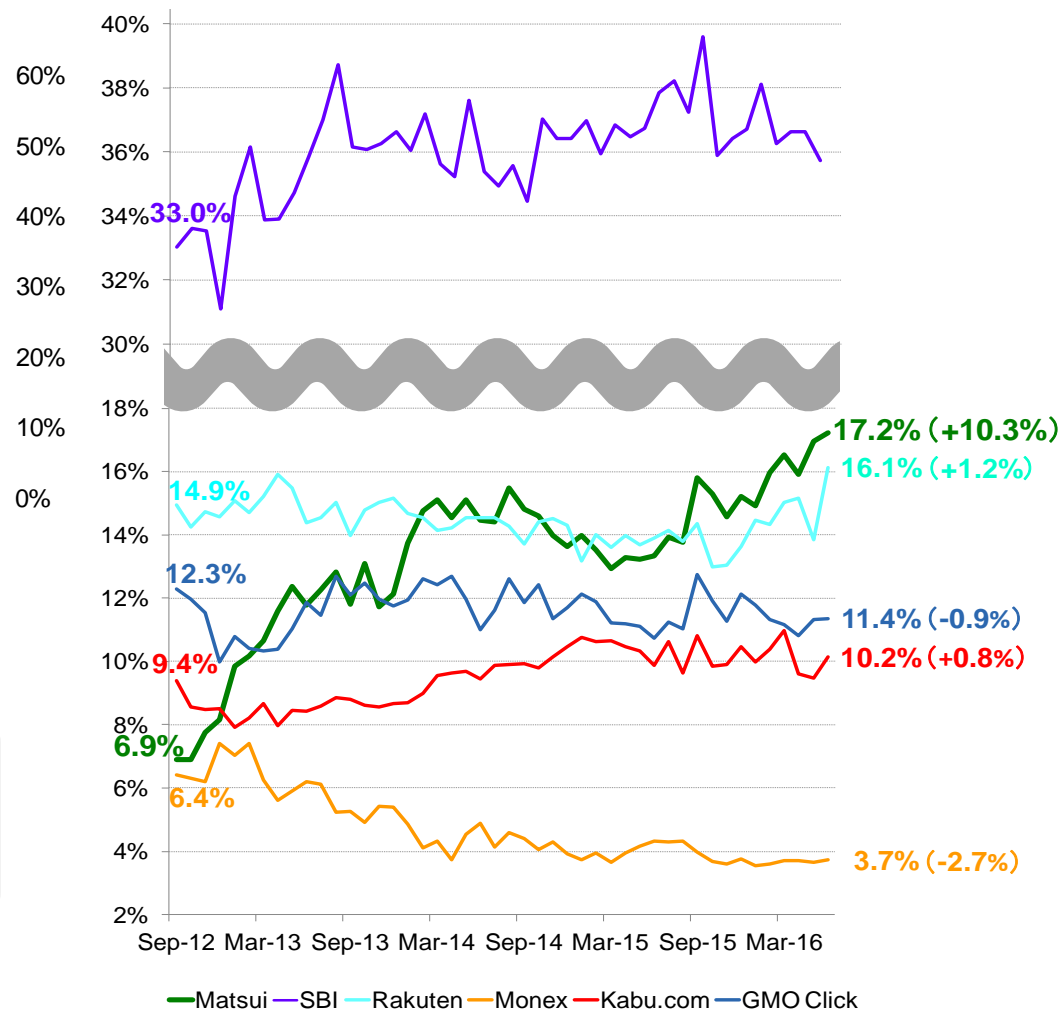
◆ Trading results



◆ 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



Futures Trading

Introduced “TSE Mothers Index Futures” since July 19, 2016 with the lowest level of commissions among the competitors

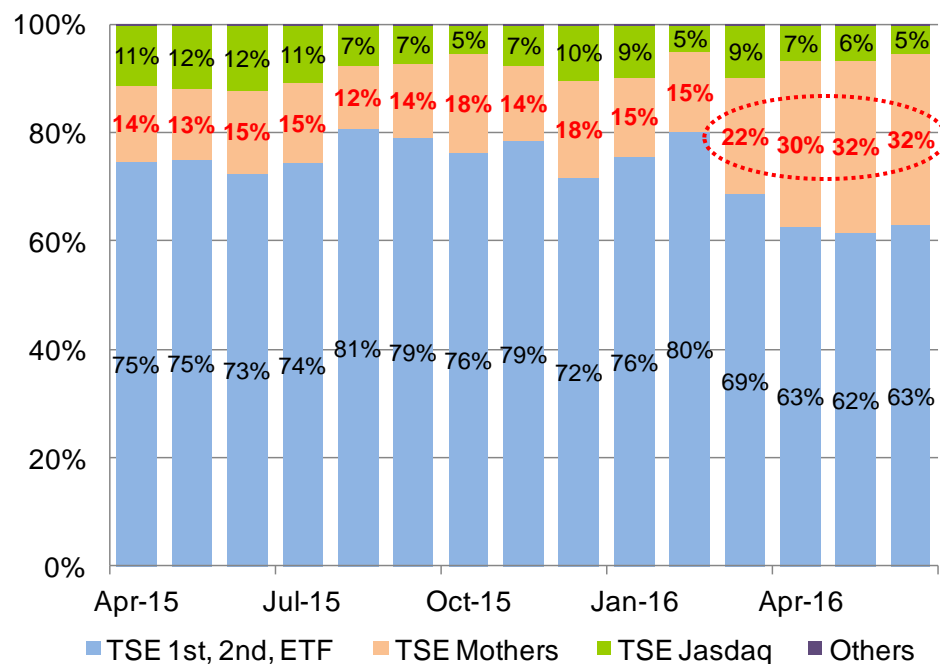
◆ Outline of the terms for “TSE Mothers Index Futures” at Matsui¹

	Commission	Minimum Deposit	Upper limit of the position
For day-trades	<u>25 yen</u>	<u>40,000 yen</u>	<u>1,500 unit</u>
Ordinary	40 yen	81,000 yen	1,000 unit

(Comparison of commissions¹)

Matsui		Company A	Company B	Company C	Company D
For day-trades	Ordinary				
<u>25 yen</u>	40 yen	40 yen	38 yen	40 yen	40 yen

◆ Proportion of the trading value of TSE Mothers market at Matsui



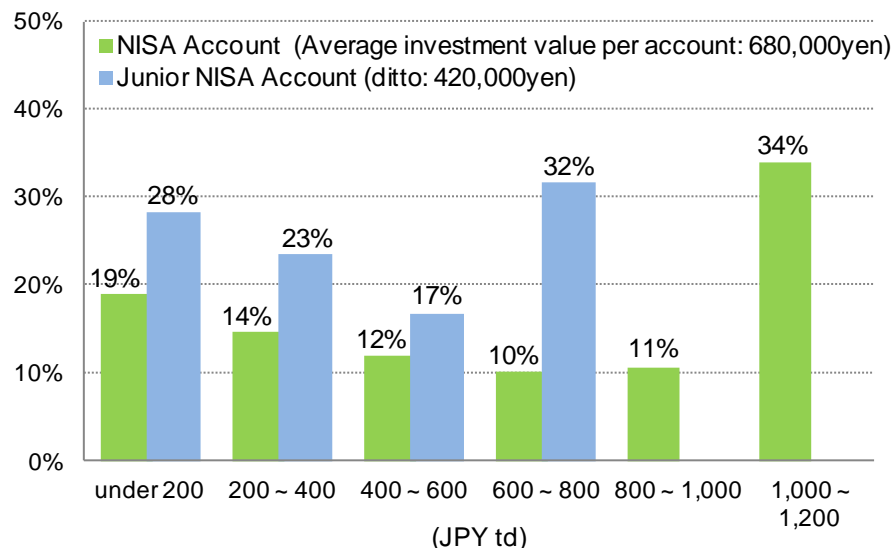
NISA

Active account ratio for NISA¹ is 50%, the highest level among 5 online securities brokers²

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

	NISA	Junior NISA
Total number of accounts	108,153	1,743
Number of active accounts ³	54,082	678
Active account ratio	50%	39%
Total investment value(JPY mn) ⁴	36,790	282
Customers' assets(JPY mn) ⁵	63,024	258

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



◆ Top 5 ranking in trading value (from April to June 2016)

Rank	NISA Account	Junior Account
1	Mizuho Financial Group, Inc. (8411)	Oriental Land Co., Ltd. (4661)
2	Toyota Motor Corporation (7203)	Mizuho Financial Group (8411)
3	Mitsubishi UFJ Financial Group, Inc. (8306)	Skylark Co., Ltd. (3197)
4	Canon Inc. (7751)	Toyota Motor Corporation (7203)
5	Takeda Pharmaceutical Co., Ltd. (4502)	Create Restaurants Holdings Inc. (3387)

◆ Situation of NISA

NISA has been introduced since January 2014. Main customer base is advanced and senior investors. Junior NISA has also been introduced since April 2016. The increase of Junior NISA accounts is slower and the active account ratio is lower compared to NISA accounts.

There is difference in top 5 ranking of trading value between NISA and Junior NISA. Customers tend to prefer stocks with high dividend yield on NISA accounts, and prefer certain stocks which have gifts for shareholders on Junior NISA accounts.

The material is intended to provide the financial results for the quarter ended 30 June 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 26 July 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.

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