



# Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

## Annual Results for 1QFY2018

July 2018

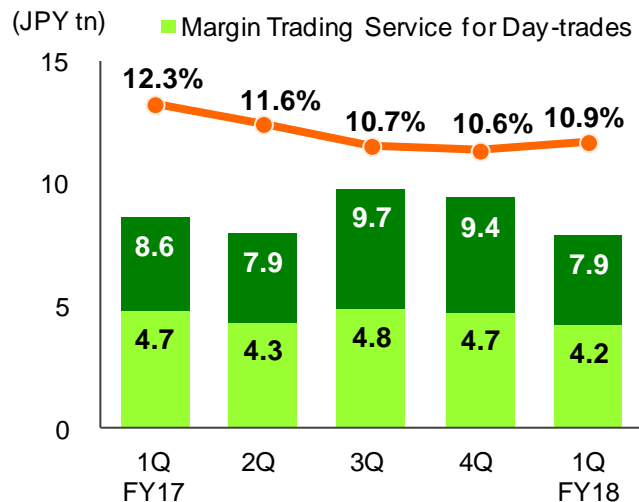
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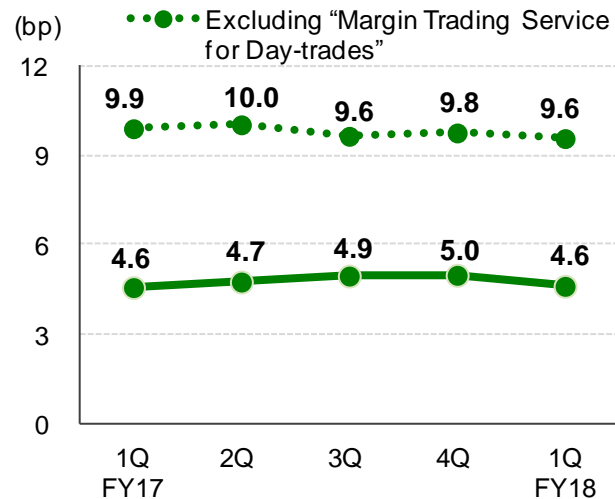
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# Results of Operation

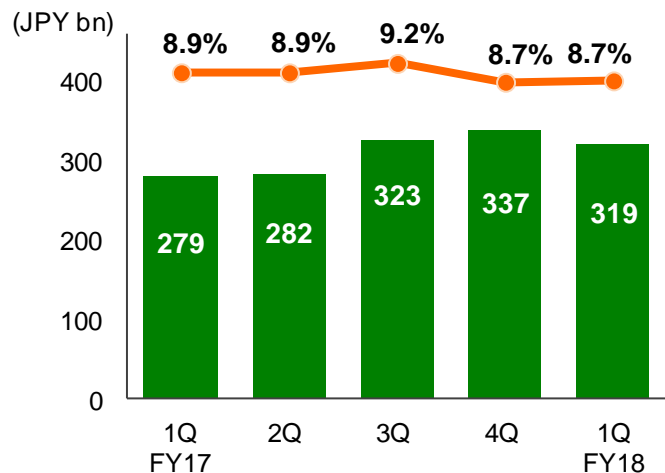
## ◆ Equity trading value / Market share



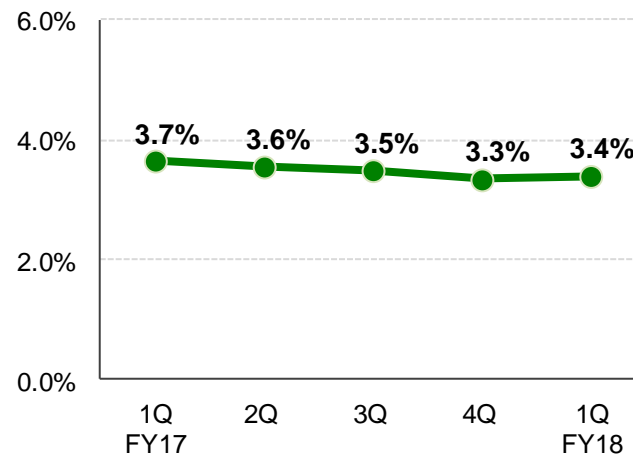
## ◆ Equity commission rate



## ◆ Margin balance / Market share

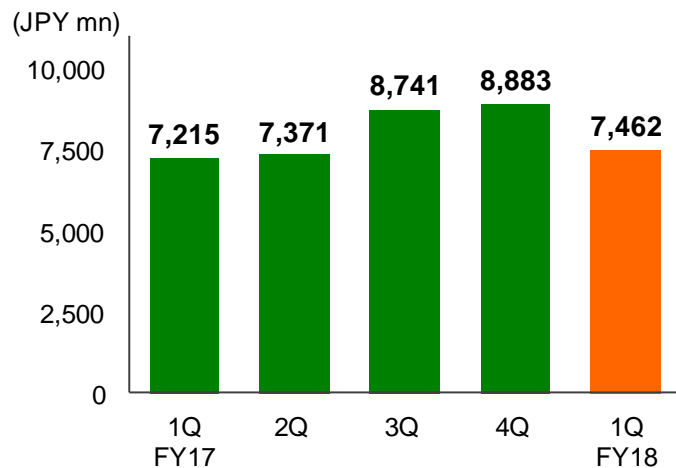


## ◆ Net financial income ratio

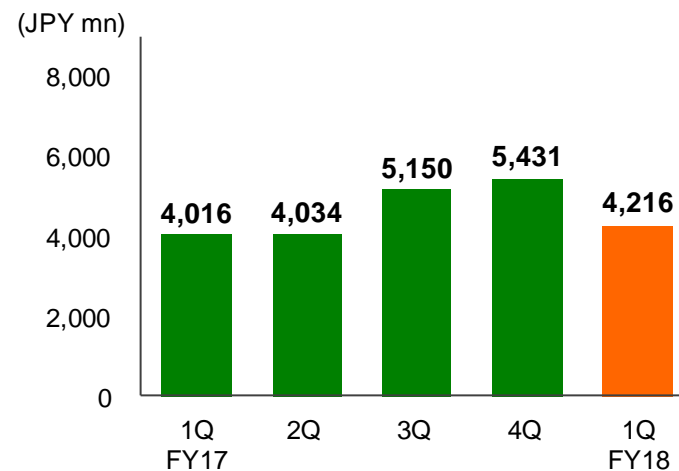


# Financial Results

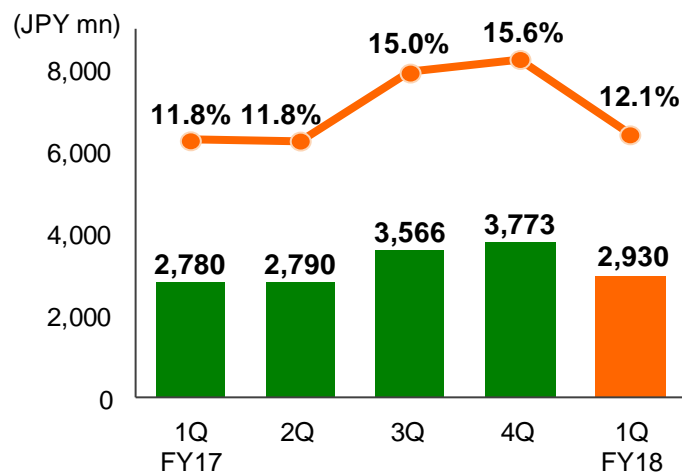
## ◆ Operating revenue



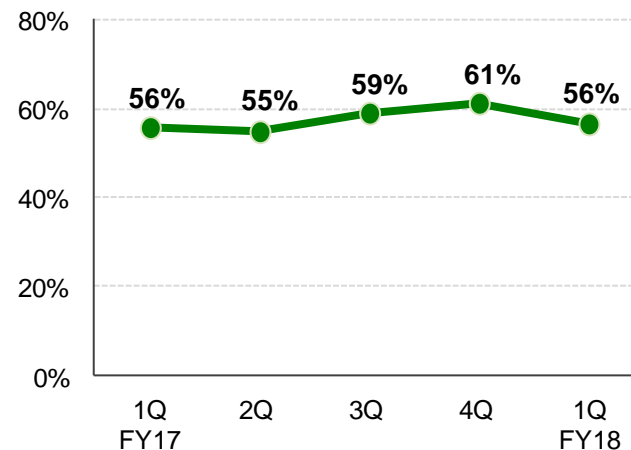
## ◆ Ordinary income



## ◆ Net income / ROE<sup>1</sup>



## ◆ Ordinary income ratio



# Financial Highlights

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## **◆ Operating revenues down JPY 1,420 million QoQ**

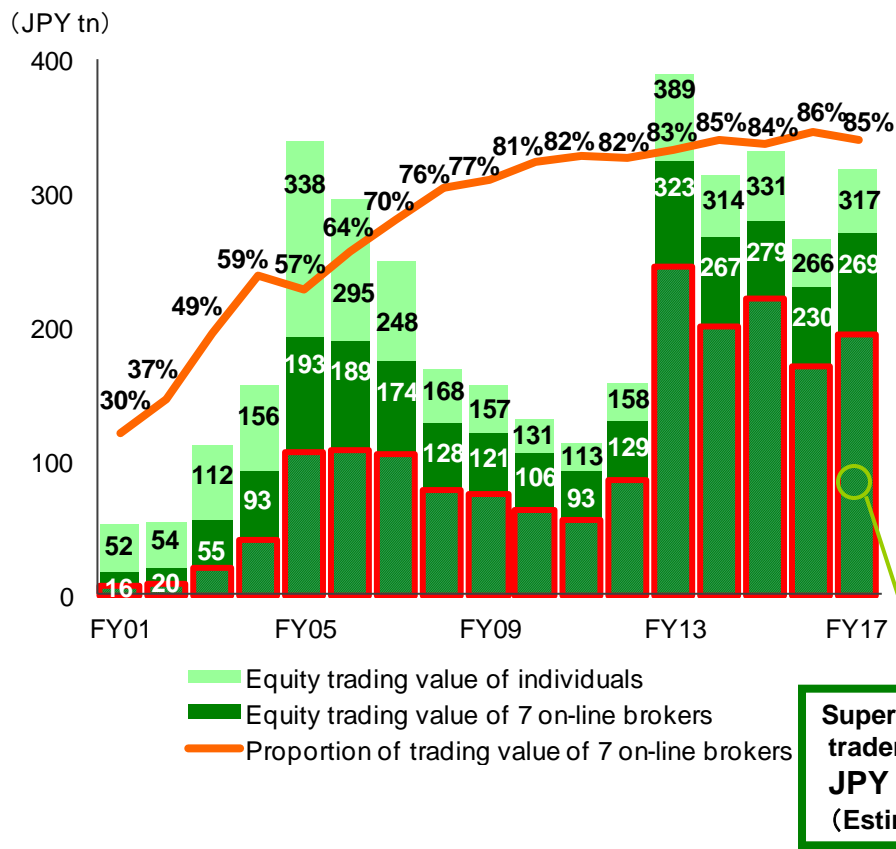
- Commissions were down JPY 1,180 million due to decline of equity trading value.
- Interest & dividend income was down JPY 140 million due to decline of average margin balance.
- Net trading income was down JPY 90 million due to decline of FX margin trading value.

## **◆ SG&A down JPY 20 million QoQ**

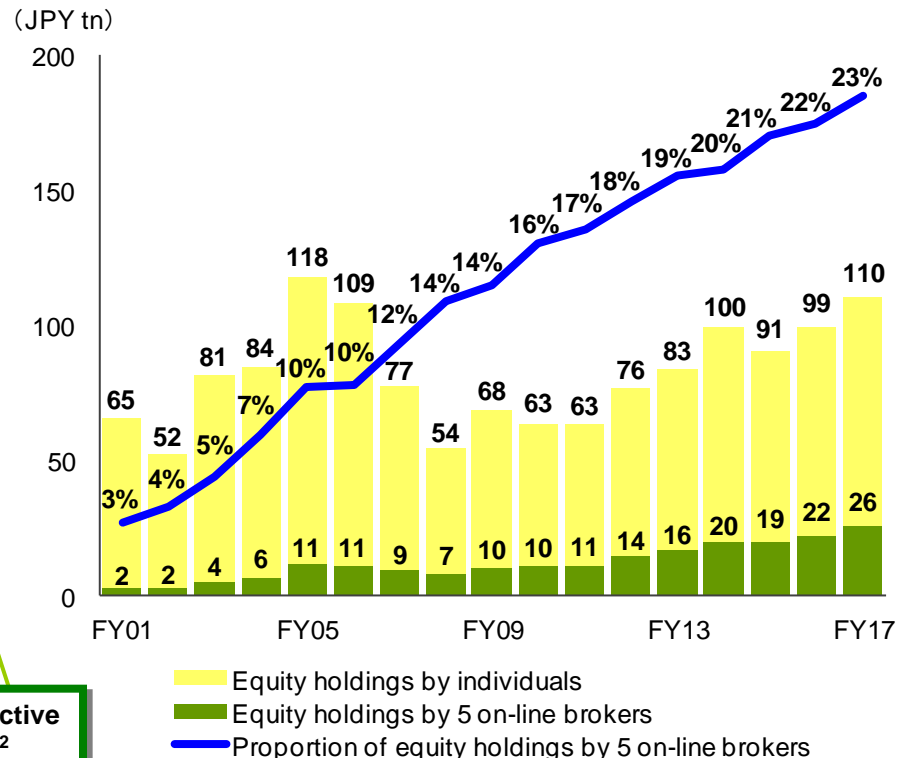
- SG&A excluding the provision for doubtful receivables for customers' margin transaction was down JPY 100 million QoQ, due to JPY 70 million of reversal of provision was posted in 4Q.
- Trading related expenses were down JPY 180 million due to decline of equity trading value.

# Overview of Retail Equity Trading Market

## ◆ Equity trading value of individuals<sup>1</sup> (FLOW)



## ◆ Equity holdings by individuals<sup>1</sup> (STOCK)



# Financial Summary

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## Section 1

# Summary of Financial Results (Quarterly)

(JPY mn)

	FY18	FY17	QoQ	FY17			YoY	FY17 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Operating Revenues	7,462	8,883	-16%	8,741	7,371	7,215	3%	32,210
Commissions	4,034	5,217	-23%	5,234	4,183	4,334	-7%	18,968
Interest & dividend income	3,064	3,208	-4%	3,196	2,893	2,743	12%	12,040
Net trading income	364	458	-21%	311	294	138	163%	1,201
Interest expenses	319	425	-25%	570	414	320	-0%	1,729
Net operating revenues	7,143	8,458	-16%	8,170	6,957	6,896	4%	30,480
SG & A	3,006	3,025	-1%	3,067	2,925	2,931	3%	11,949
Operating income	4,136	5,433	-24%	5,103	4,032	3,964	4%	18,532
Ordinary income	4,216	5,431	-22%	5,150	4,034	4,016	5%	18,632
Net income	2,930	3,773	-22%	3,566	2,790	2,780	5%	12,908
Ordinary income ratio	56%	61%	-	59%	55%	56%	-	58%
Matsui's trading value (JPY tn)	7.9	9.4	-16%	9.7	7.9	8.6	-8%	35.6
Daily average trading value on TSE (JPY tn)	3.3	4.0	-16%	3.7	3.0	3.1	6%	3.5



# Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY18	FY17	QoQ	FY17			YoY	FY17 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Commissions	4,034	5,217	-23%	5,234	4,183	4,334	-7%	18,968
Brokerage	3,848	5,018	-23%	5,082	3,997	4,152	-7%	18,250
Equity & ETF	3,617	4,667	-22%	4,791	3,773	3,913	-8%	17,144
Futures & Options	231	352	-34%	291	224	240	-4%	1,106
Others	164	190	-14%	148	180	179	-9%	698
Net trading income	364	458	-21%	311	294	138	163%	1,201
Interest & dividend income (1)	3,064	3,208	-4%	3,196	2,893	2,743	12%	12,040
Total operating revenues	7,462	8,883	-16%	8,741	7,371	7,215	3%	32,210
Interest expenses (2)	319	425	-25%	570	414	320	-0%	1,729
Net operating revenues	7,143	8,458	-16%	8,170	6,957	6,896	4%	30,480
Net interest income (1) - (2)	2,744	2,783	-1%	2,625	2,479	2,423	13%	10,310
Average margin balance (JPY bn)	323	333	-3%	301	279	265	22%	294

# Breakdown of SG&A (Quarterly)

(JPY mn)

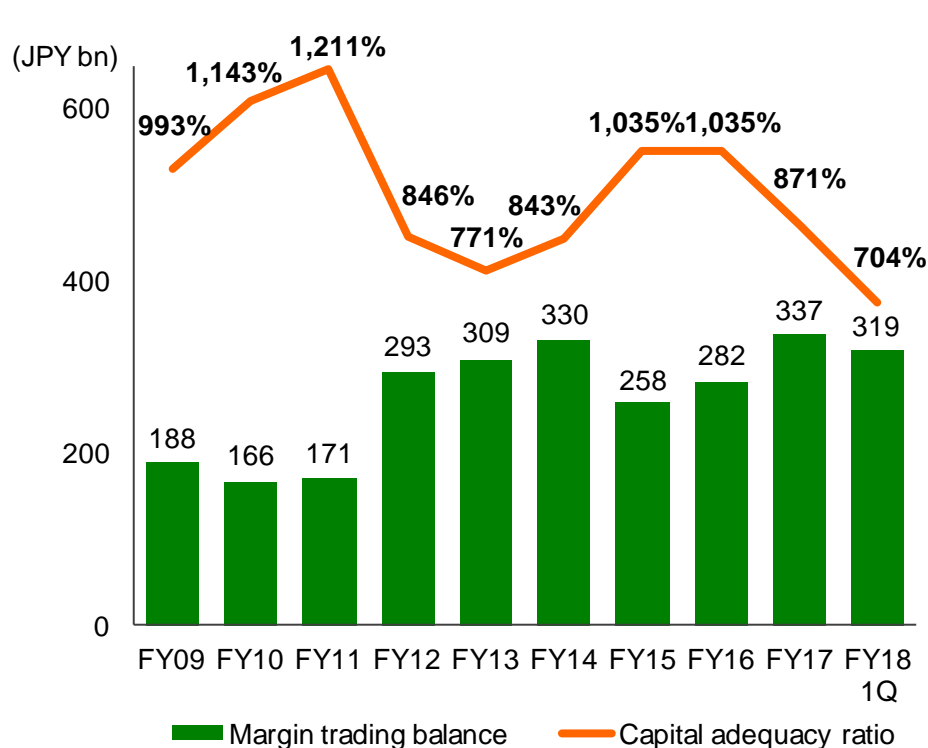
	FY18	FY17	QoQ	FY17			YoY	FY17 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Trading related expenses	1,042	1,218	-14%	1,198	1,083	1,093	-5%	4,592
Stock exchanges and securities associations fees	316	405	-22%	401	356	364	-13%	1,527
Communications expenses	422	443	-5%	423	418	416	1%	1,699
Advertisement	122	131	-7%	169	119	117	5%	536
Personnel expenses	610	594	3%	601	589	581	5%	2,364
Occupancy & rental	210	209	0%	203	216	216	-3%	845
Data processing & office supplies	569	541	5%	517	538	508	12%	2,104
Depreciation	413	403	2%	396	387	363	14%	1,549
Taxes and dues	101	111	-9%	101	93	101	-0%	406
Provision of allowance for doubtful accounts	14	-70	-	17	4	20	-30%	-29
Others	47	19	150%	34	16	49	-3%	117
<b>Total SG &amp; A</b>	<b>3,006</b>	<b>3,025</b>	<b>-1%</b>	<b>3,067</b>	<b>2,925</b>	<b>2,931</b>	<b>3%</b>	<b>11,949</b>

# Regulatory Capital

## ◆ Capital adequacy ratio (As of 30 June 2018)

(JPY mn)		
Tier 1	(A)	70,700
Tier 2	Net unrealized gain on investment	2,604
	Statutory reserves	2,987
	Allowance for doubtful accounts	155
	Sub total	(B) 5,747
Assets to be deducted from equity capital	(C)	6,980
Net Capital		
(A) + (B) - (C)		(D) 69,467
Total risk	Market risk	585
	Counterparty risk	6,423
	Basic risk	2,856
	Total	(E) 9,865
Capital Adequacy ratio	(D)/(E)	704%

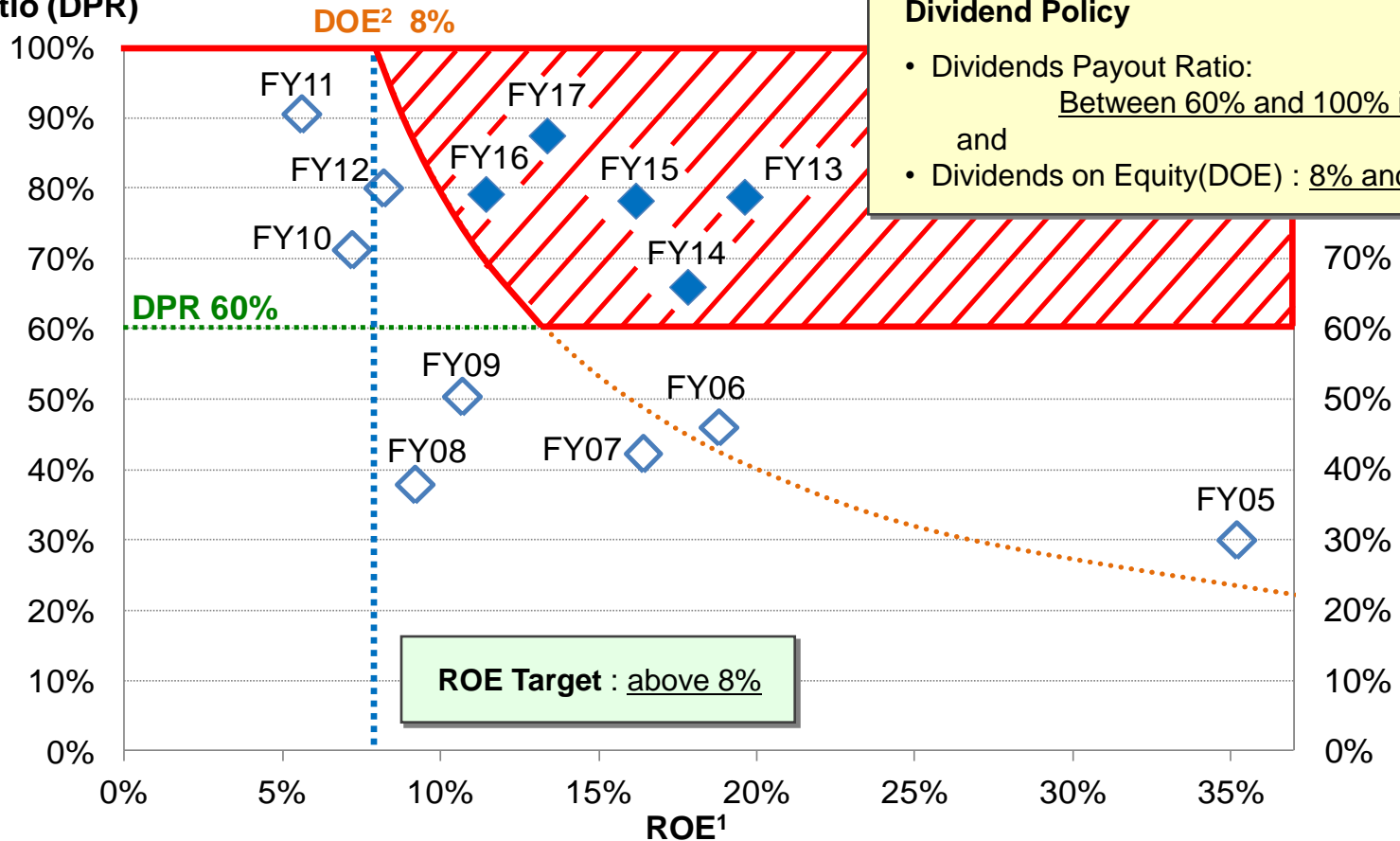
## ◆ Margin trading balance and capital adequacy ratio



# Dividend Payment for the past fiscal years

Aim to attain high ROE level that exceeds the cost of equity capital (8%), and to payout cash dividend which is equivalent to the cost of equity capital

Dividend Payout Ratio (DPR)



**Dividend Policy**

- Dividends Payout Ratio: Between 60% and 100% inclusive and
- Dividends on Equity(DOE) : 8% and above

**ROE Target : above 8%**

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

# Shareholders Return

Plan to pay dividend of 84 yen per share for FY2018.  
 (Ordinary dividend of 45 yen & Commemorative dividend of 39 yen)

## ◆ Dividends for FY2018

■ **Ordinary dividend : 45 yen**  
 (Total amount of 11.6 billion yen)

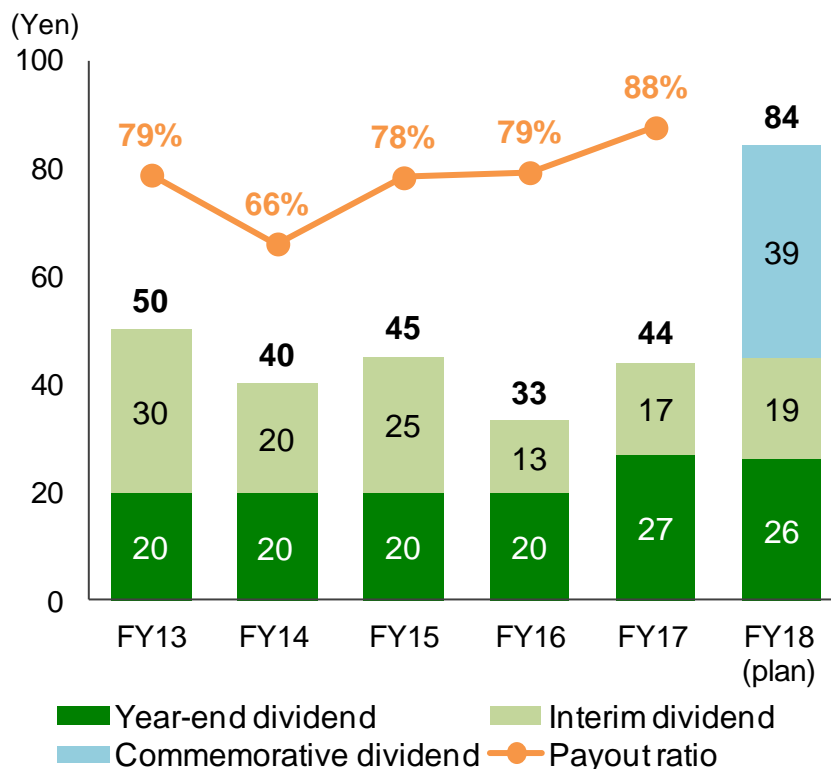
➤ Interim : 19 yen

➤ Year-end : 26 yen

■ **Commemorative dividend : 39 yen**  
 (Total amount of 10.0 billion yen)

✓ Plan to pay commemorative dividend in addition to the year-end ordinary dividend.

## ◆ Matsui's dividend per share and payout ratio<sup>2</sup>



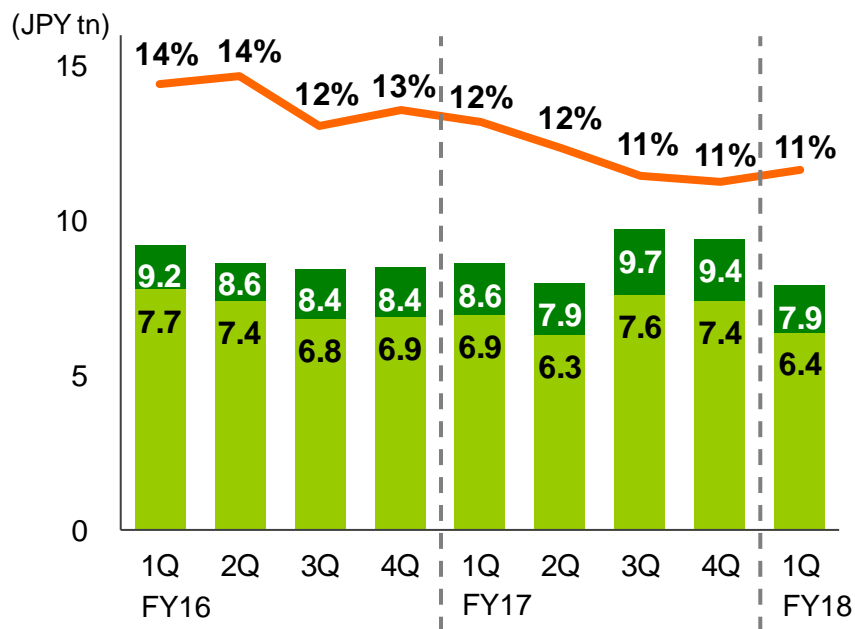
# Results of Operation

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## Section 2

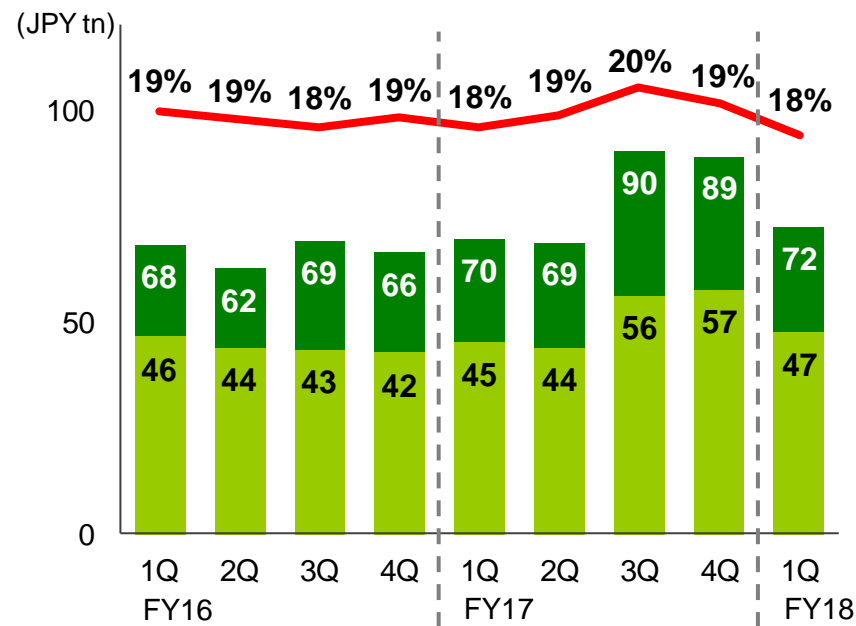
# Equity Trading Value

## ◆ Matsui's equity trading value and its market share<sup>1</sup>



■ Matsui's trading value  
■ Matsui's margin trading value  
— Matsui's share of retail trading value

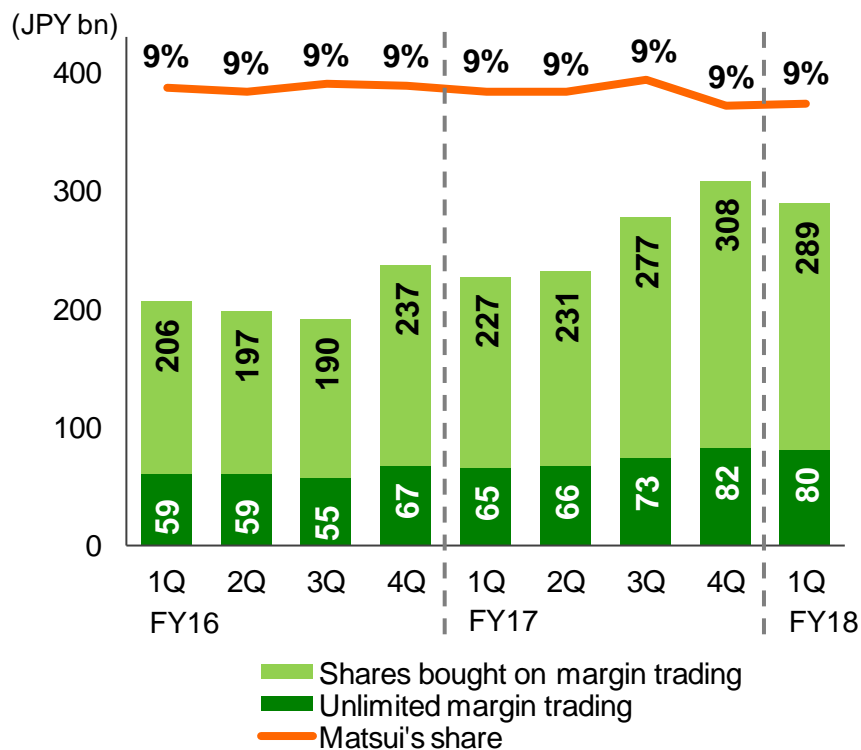
## ◆ Retail equity trading value<sup>1</sup> and proportion to total equity trading value



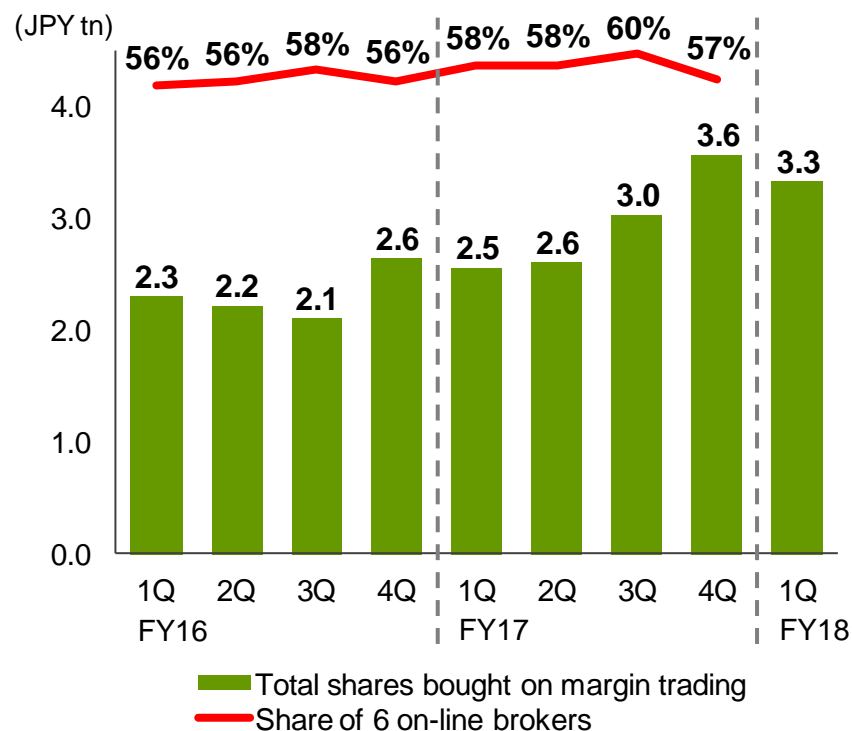
■ Retail equity trading value  
■ Retail margin trading value  
— Proportion to total equity trading value

# Margin Trading Balance

## ◆ Matsui's shares bought on margin<sup>1</sup> and its market share<sup>2</sup>

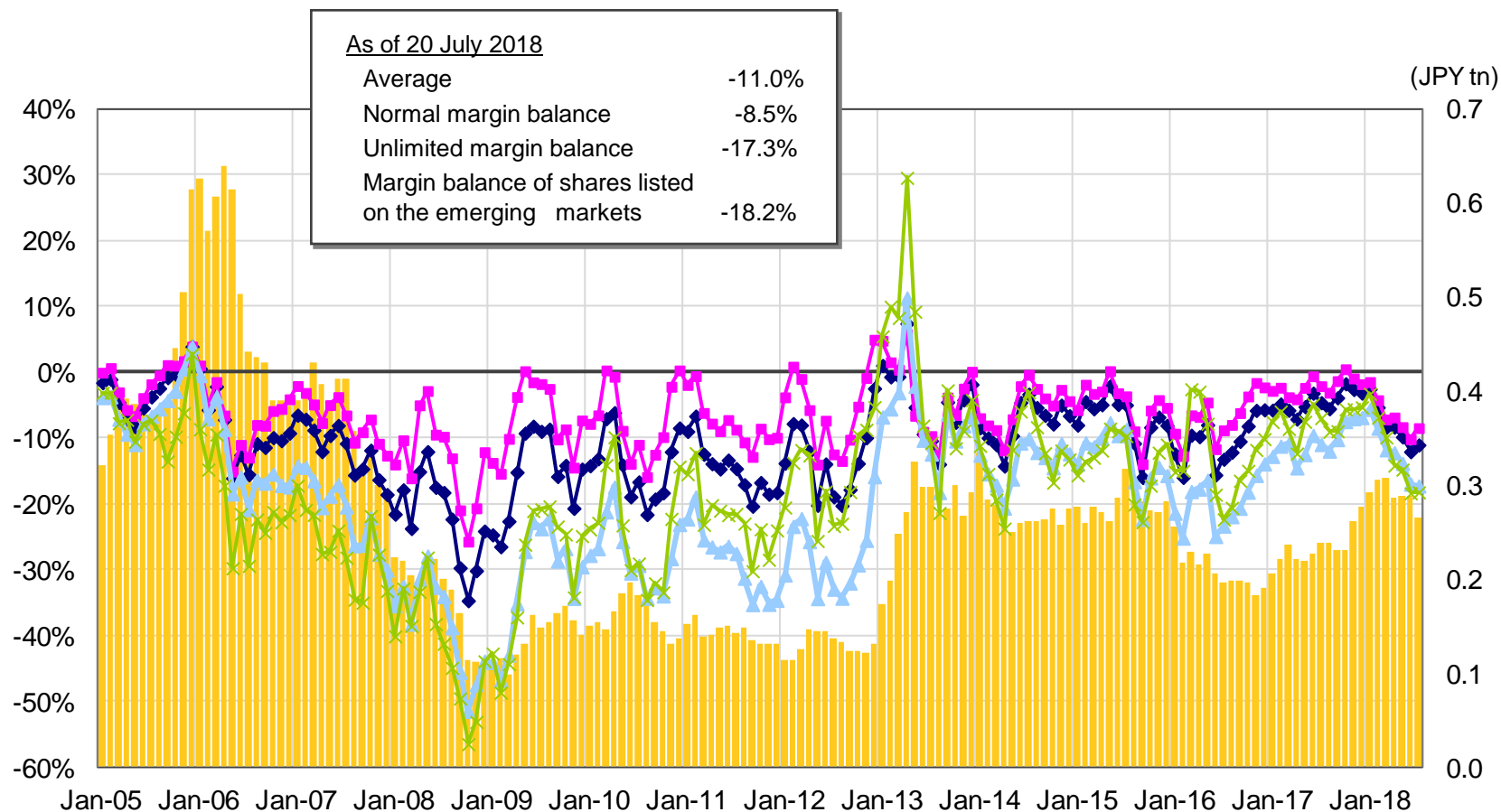


## ◆ Total shares bought on margin<sup>1</sup> and share of 6 on-line brokers<sup>3</sup>





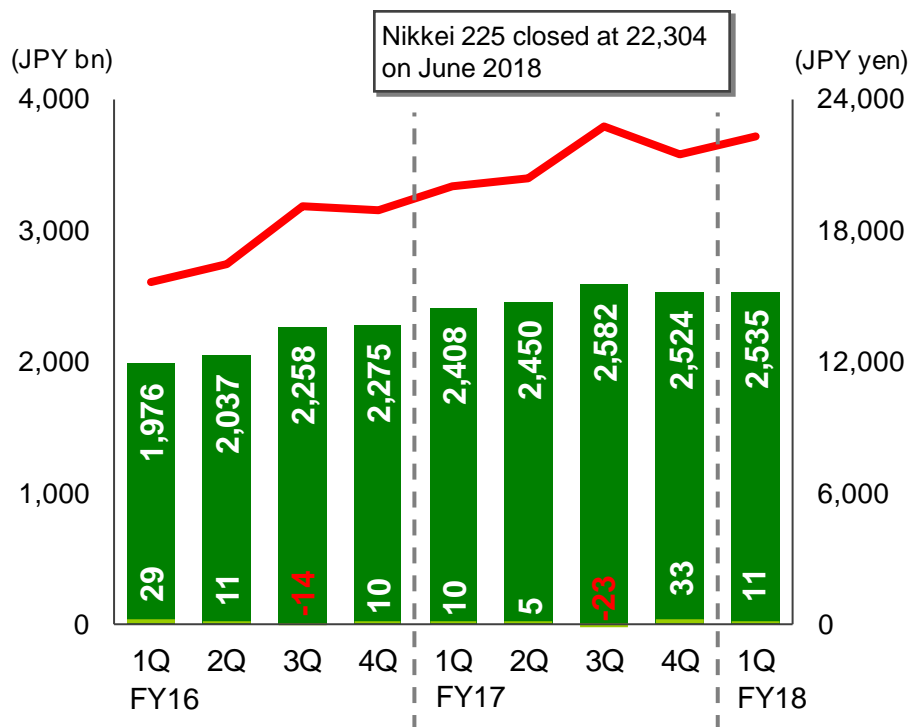
# Unrealized Losses on Matsui's Margin Balance



- 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)

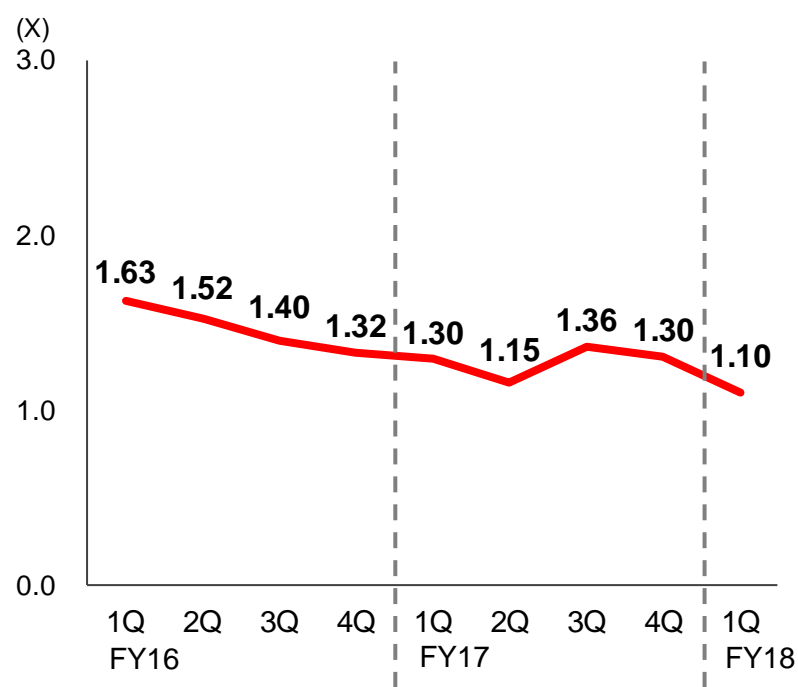
# Assets under Customers' Accounts / Trading Turnover

## ◆ Assets under Matsui's customers' accounts



- Assets under Matsui's customers' accounts
- Net inflow in cash and stocks
- Nikkei 225

## ◆ Equity trading turnover<sup>1</sup> of Matsui's customers



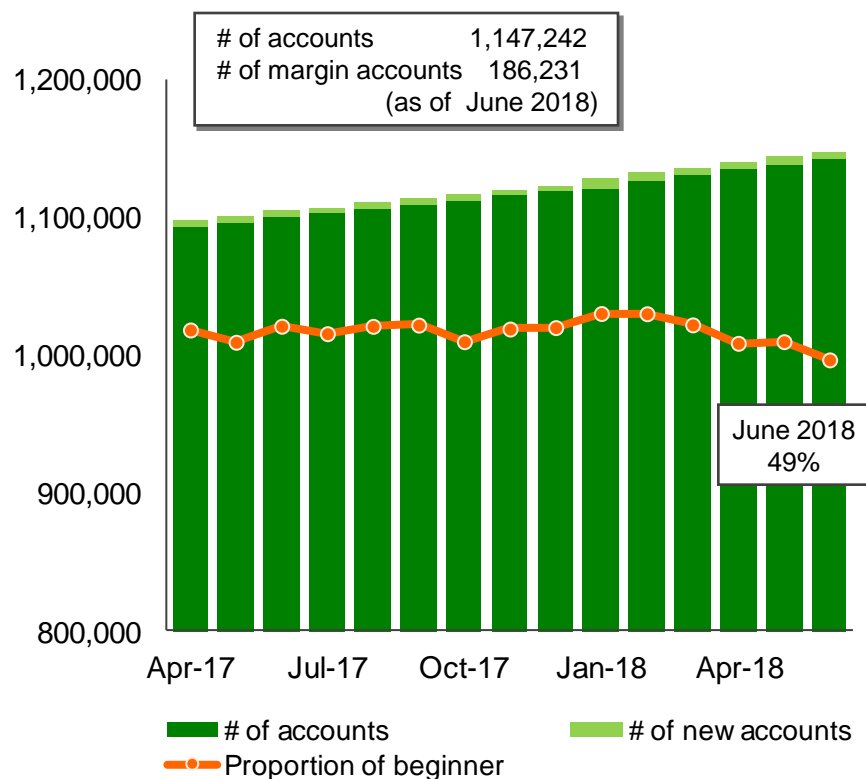
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts\*)

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

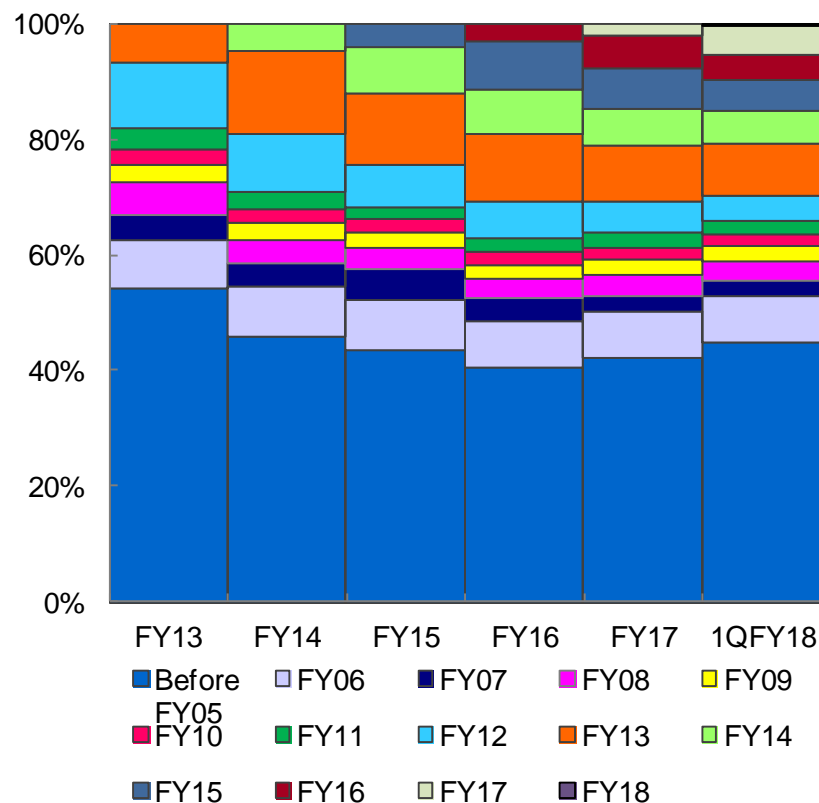
Note 2: Nikkei 225 is the closed price at the end of each quarter

# Number of Accounts / Breakdown of Trading Value

## ◆ Number of accounts at Matsui<sup>1</sup>

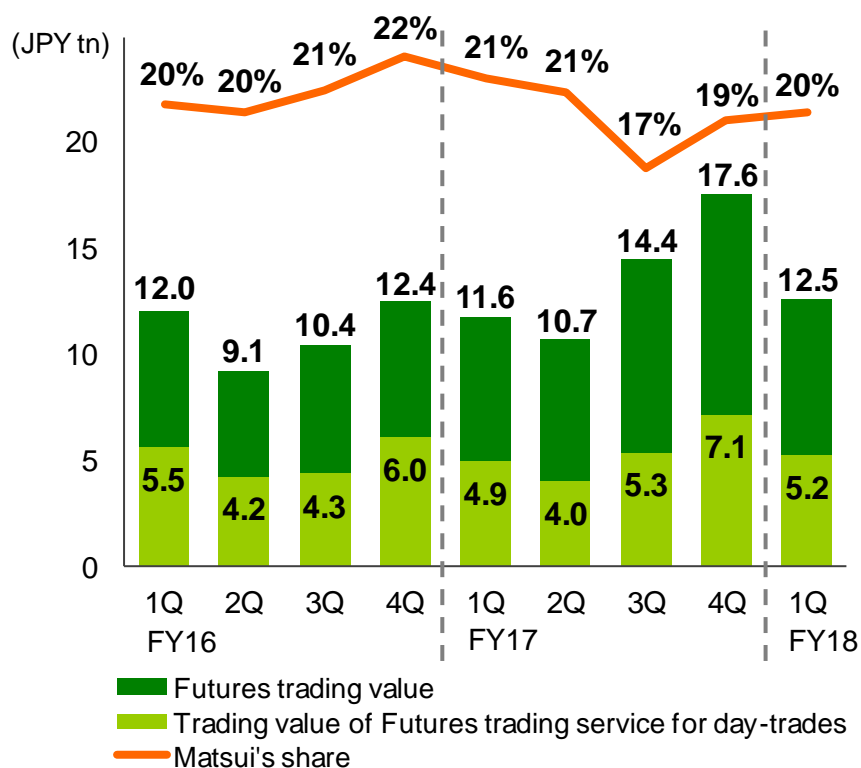


## ◆ Breakdown of trading value by customers opening the accounts in each fiscal year

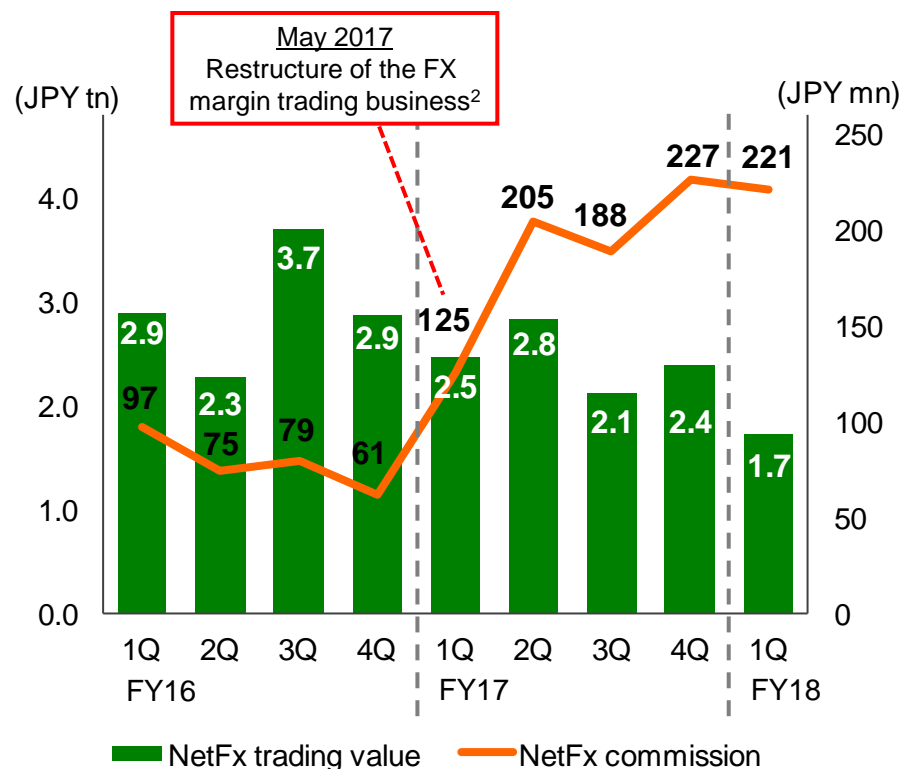


# Futures Trading Value / FX Margin Trading Value

## ◆ Matsui's OSE Nikkei 225 Futures trading value and its market share<sup>1</sup>



## ◆ Matsui's OTC FX trading value and commission



# Recent Developments

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## Section 3

# Management Strategy / Business Strategy

## Business Principle

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

## Management Strategy

- ◆ Maintain its low-cost operation and maximize the income by focusing on profitable online based brokerage business
  - Enhance equity brokerage business as core business
- ◆ Expand its line-up of products and services by maintaining its low-cost operation
  - Expand Futures, FX, Mutual fund services

## Business Strategy

Enhance **trading service** for active customers

Equity

Futures

FX

Expand **asset service** for customers who are building assets for the future

Mutual Fund

Crowd-funding

# Equity Business: Better price execution

Started providing better price execution service to seek price improvement opportunity for retail clients from May 2018

## ◆ Features

- Establish our matching system to match our retail clients order directly with institutional investors' order
- Provide better execution in case that indication from matching system is better than the TSE

## ◆ Improve recognition of the service

- Ensuring transparency of the service by actively disclosing the trading results at our matching system

➢ Report the price improvement results

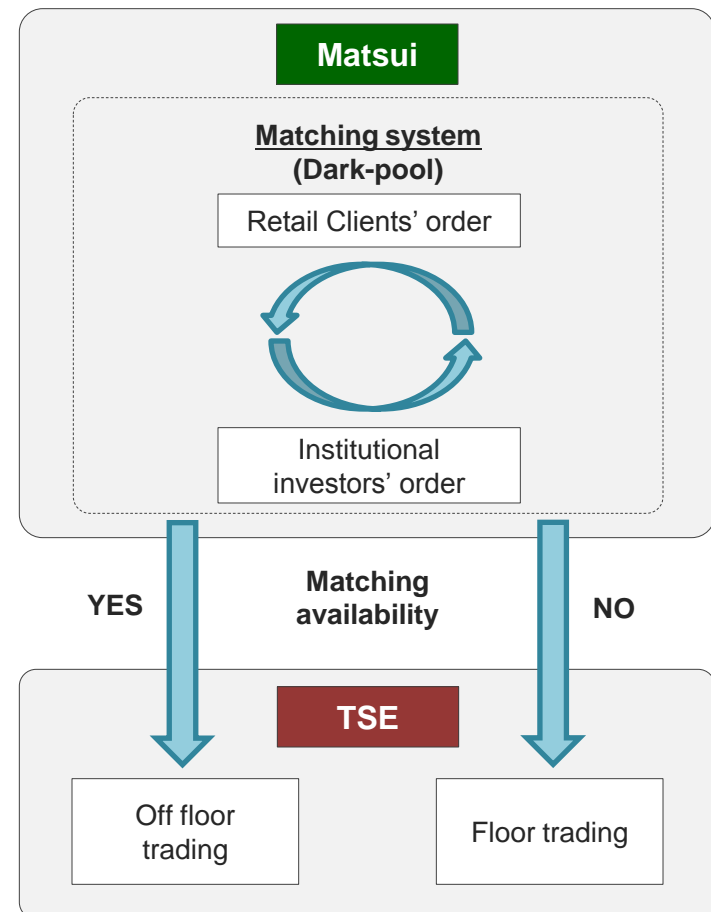
⇒ *Providing the report for each transaction*

➢ Monitor the latency on execution of the order

➢ Disclose the result of analysis for price improvements

⇒ *Preparing for disclosure*

## ◆ Order flow



# Mutual Fund Business I

Implement continuous improvements of mutual fund services and differentiate our sales strategy based on the basic policy

## “Basic Policy on Mutual Fund Sales”

policy1: Not Charging sales commission<sup>1</sup>

policy2: Not Dealing with the mutual funds which include covered-call or currency option due to its complicated structure for retail investors

### ◆ Future Developments

■ Enhance customer support call-center

➤ Support long-term diversified investment for **asset building generation**

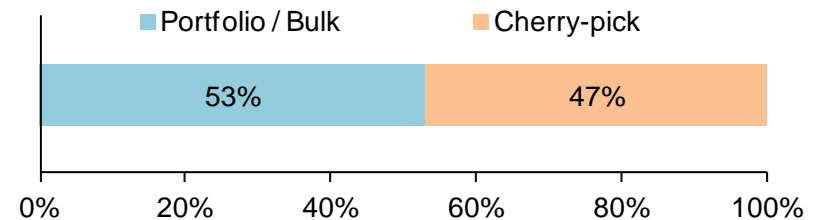
→ Promote use of portfolio management platform

→ Response to tax benefit program such as saving type of NISA, DC pension plan

➤ Response to the needs of **retired generation**

→ Expand the line-up of mutual funds to meet the needs of cherry-picking individual mutual funds

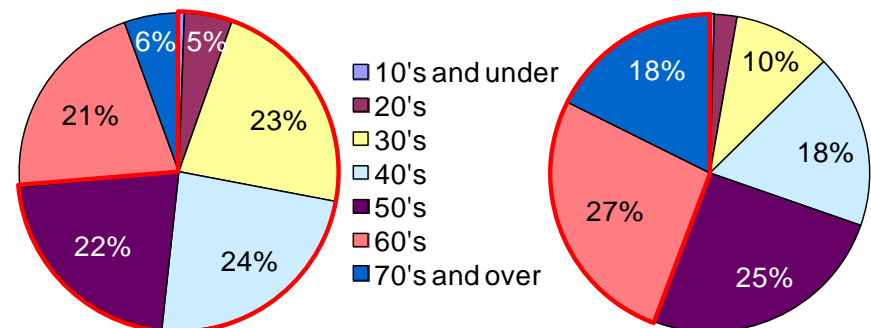
### ◆ AUM by type of investment<sup>2</sup>



### ◆ AUM by age<sup>2</sup>

● Portfolio / Bulk

● Cherry-pick

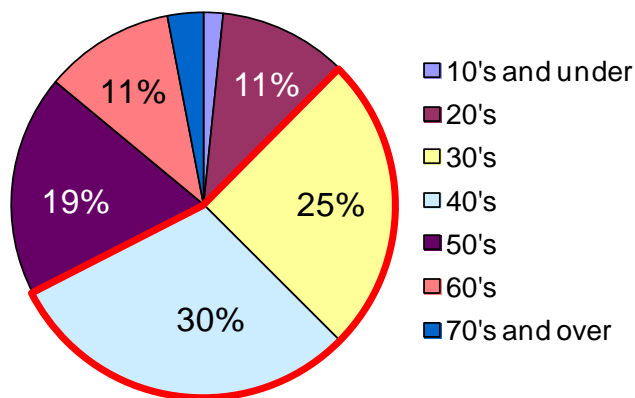




# Mutual Fund Business II

Main customers of the portfolio management platform are 30s and 40s  
 AUM of mutual fund is JPY 9 billion<sup>1</sup>

## ◆ Customers by age<sup>1</sup>

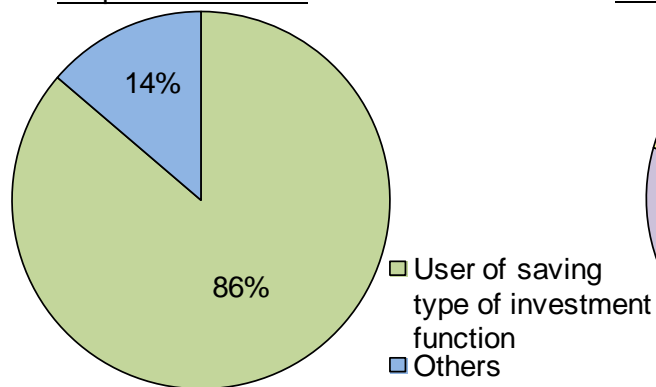


## ◆ Top 5 in sales (from April to June 2018)

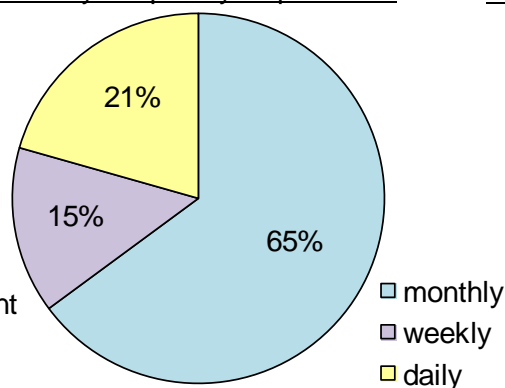
	Name	Asset Management	Asset class
1	MHAM Emerging Growth Equity Open	AM One	Domestic Equity
2	Hifumi Plus	Rheos	Domestic Equity
3	Tawara No Load Nikkei 225	AM One	Domestic Equity
4	Nissay TOPIX Index Fund no charge	Nissay AM	Domestic Equity
5	Tawara No Load Developed Countries Equity	AM One	Developed Equity

## ◆ Usage of saving type of investment function<sup>1</sup>

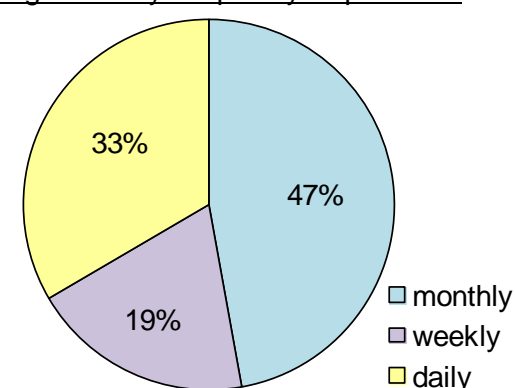
Proportion of users



Users by frequency of purchase



Trading Value by frequency of purchase



# Other Initiatives: Information Tool and Trading Channel

## ◆ Started providing application for Amazon Alexa device (May 2018)

### ■ List of Features

- ✓ Stock price and indexes
- ✓ Market report of Matsui's strategist
- ✓ Ranking information of equity trading
- ✓ Exchange rates for foreign currencies



## ◆ Opened LINE account for FX margin trading (June 2018)

### ■ List of Features

- ✓ Market information
- ✓ Notification feature as to rapid market movement
- ✓ Order function from LINE application



LINE向けサービス：松井証券 NetFxのご案内

**LINE@**  @netfx



# Future Initiatives

## ◆ Equity Business:

### Introduce Stock Lending Service (Oct. 2018)

#### ■ Features

- Select **1,000 stocks** available which offer relatively high lending rate
- Update available stocks and lending rate **every business day** to maximize profitability
- Utilize stock lending inventory for the **Premium Short-Selling Service**

⇒ **Monetize the equity assets under management**

## ◆ FX Margin Trading Business:

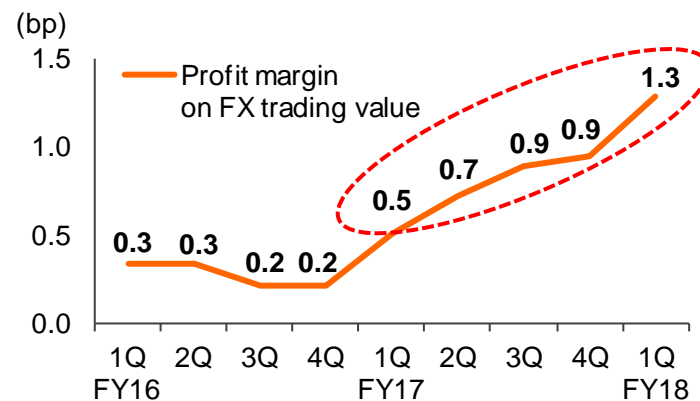
### Improve Customer Service (FY2018)

- Renew the trading platform for clients
- Enhance promotion for customer acquisition  
⇒ **Expand trading value and revenue from FX margin trading business (FY 2018)**

(Recent development)

- ✓ Restructuring of the business model (May 2017)

⇒ *Transformed brokerage business model into the trading business model to improve profitability*



# NISA

## Main user of saving type of NISA is asset building generation (40's and under)

### ◆ Number of NISA accounts and customers' assets (as of June 2018)

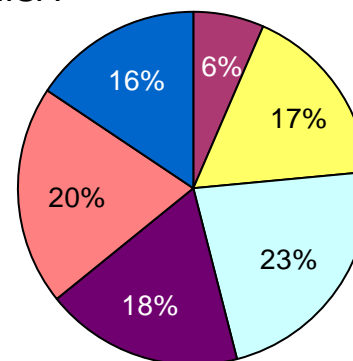
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	134,146	2,577	4,013
Number of active accounts <sup>1</sup>	58,225	1,298	1,838
Active account ratio	43%	50%	46%
Total investment value(JPY mn) <sup>2</sup>	41,369	141	817
Customers' assets(JPY mn) <sup>3</sup>	111,319	105	1,929

### ◆ Top 5 in trading value (from January to June 2018)

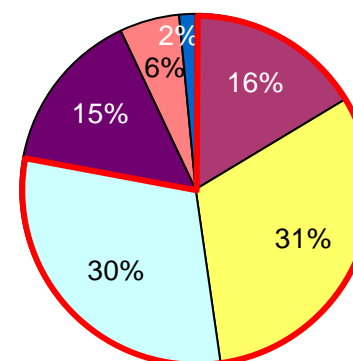
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	Rakuten US All Equity Index Fund
3	Skylark Co., Ltd. (3197)	Nissay Foreign Equity Index Fund no charge
4	Nissan Motor Co., Ltd. (7201)	Rakuten All Country Equity Index Fund
5	KDDI Corp. (9433)	eMAXIS Slim Developed Country Equity Index

### ◆ Attribution of NISA accounts by age (as of June 2018)

#### ● NISA



#### ● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 30 June 2018 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 2018. 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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