



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 1QFY2019

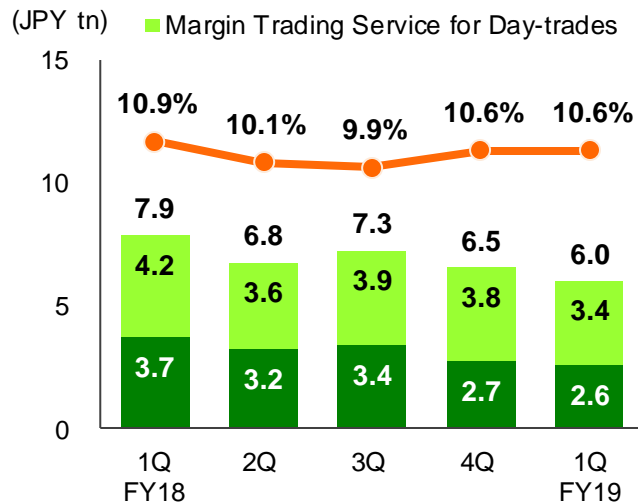
July 2019

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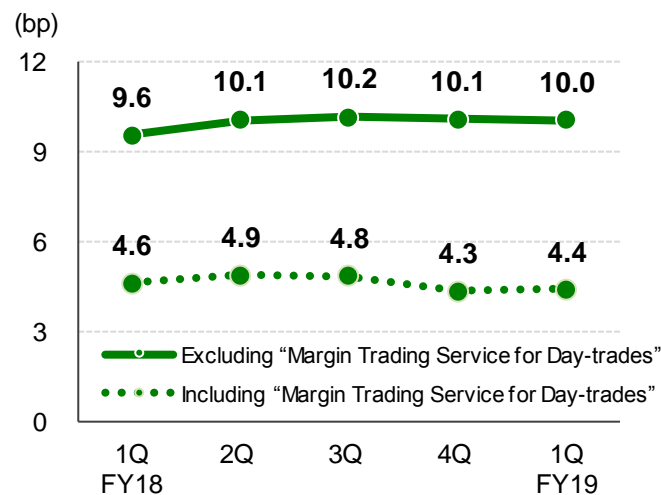
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Results of Operation

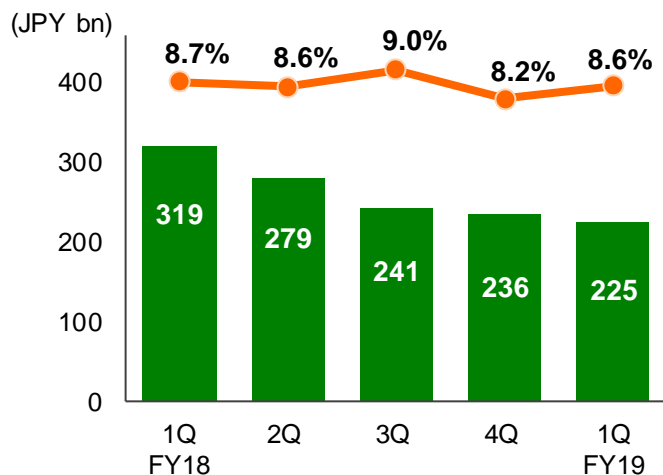
◆ Equity trading value / Market share



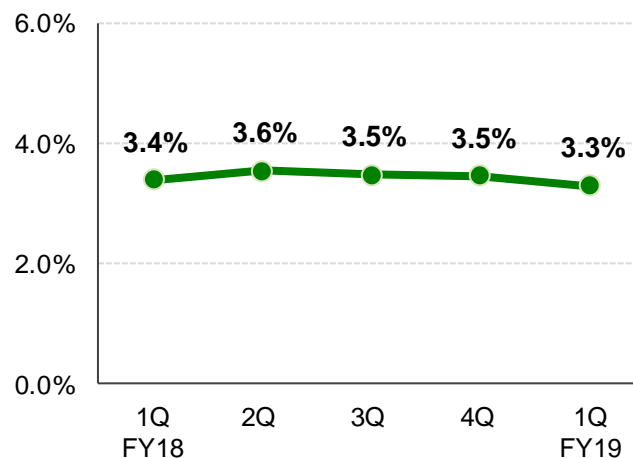
◆ Equity commission rate



◆ Margin balance / Market share

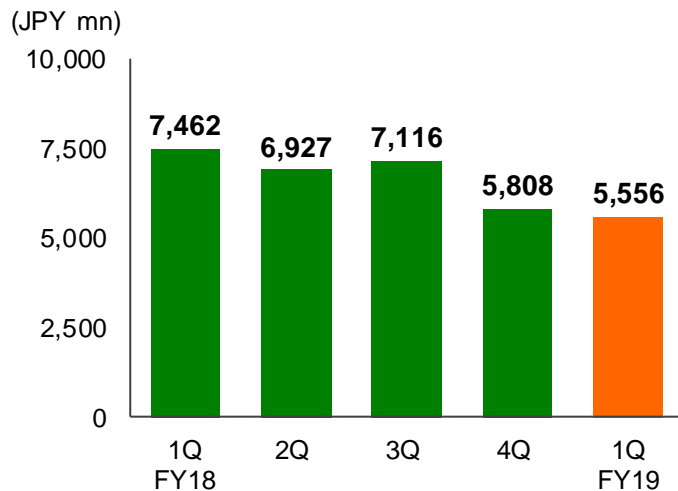


◆ Net financial income ratio

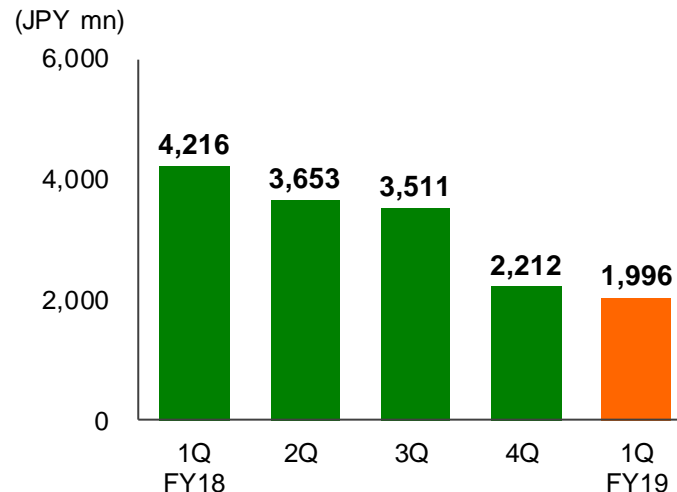


Financial Results

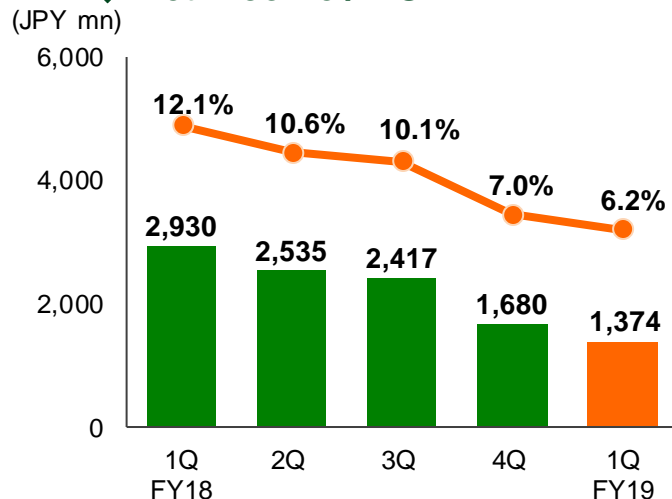
◆ Operating revenue



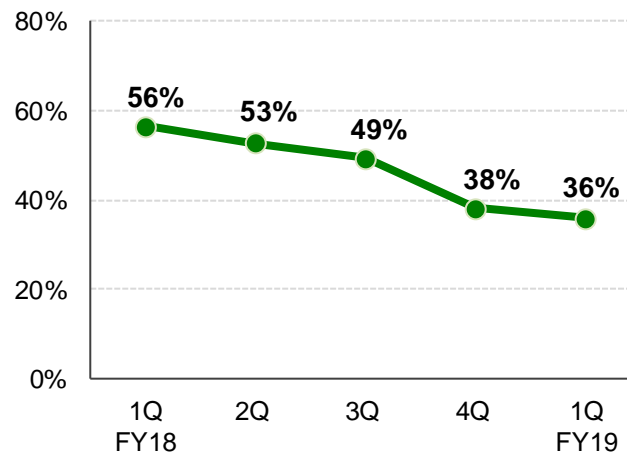
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues down JPY 250 million QoQ

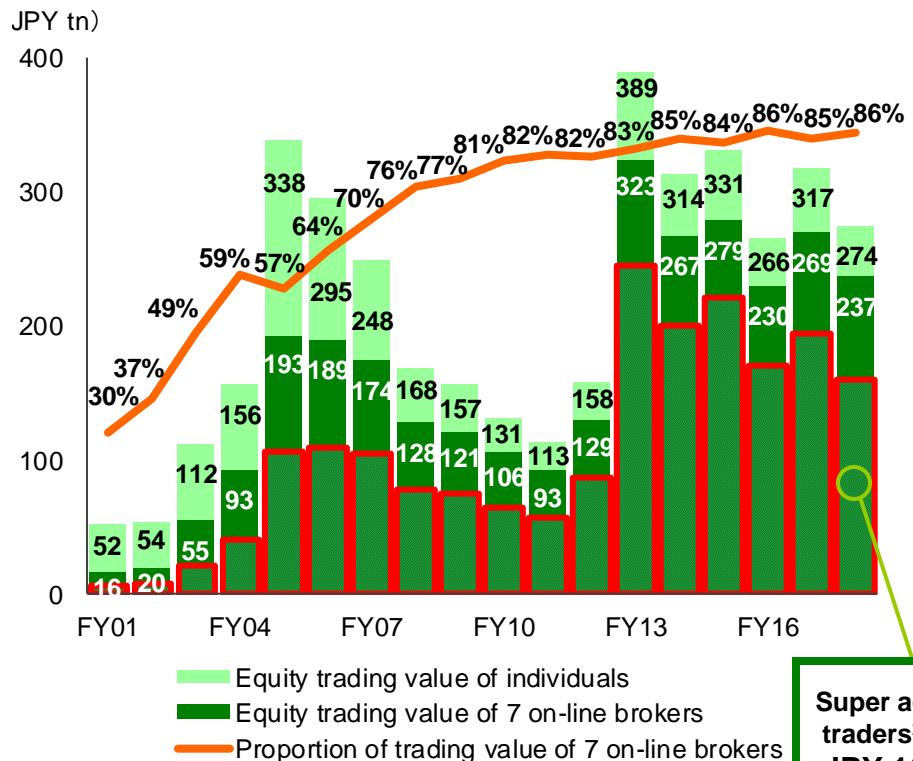
- Commissions were down JPY 220 million due to decline of equity trading value.
- Interest & dividend income was down JPY 80 million due to decline of average margin balance for long-position.

◆ SG&A down JPY 30 million QoQ

- Trading related expenses were down JPY 190 million due to decrease of advertisement expenses.
- Depreciation was up JPY 120 million due to the depreciation of the balance on former FX trading system. (Renew the trading platform for clients in April 2019)

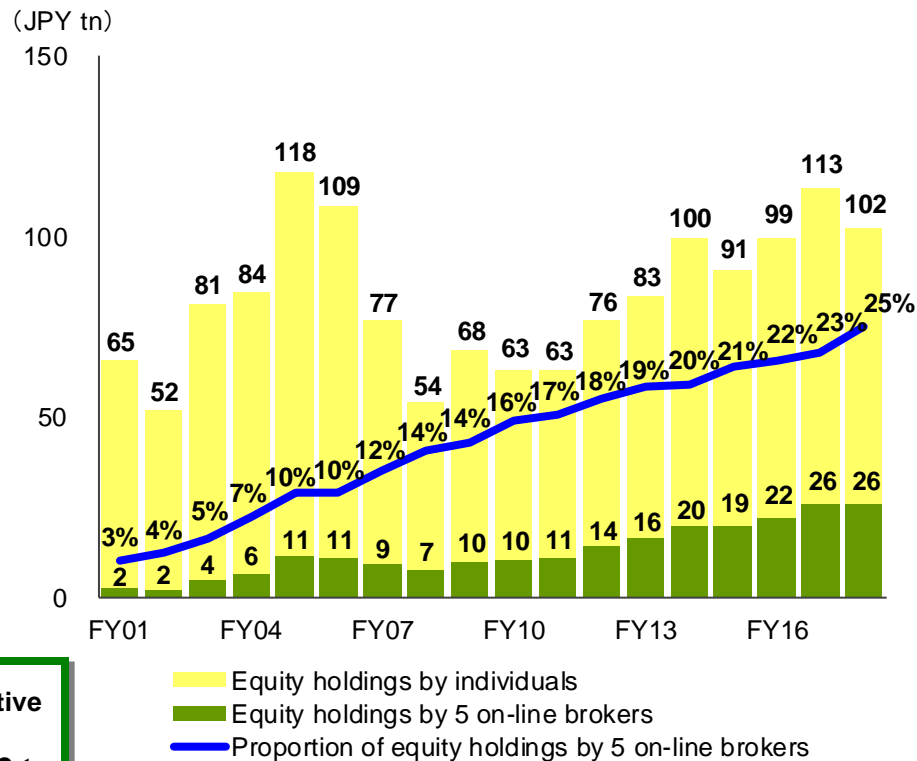
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 160 tn
 (Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (Quarterly)

(JPY mn)

	FY19	FY18	QoQ	FY18			YoY	FY18 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Operating Revenues	5,556	5,808	-4%	7,116	6,927	7,462	-26%	27,313
Commissions	3,005	3,230	-7%	3,999	3,723	4,034	-25%	14,986
Interest & dividend income	2,266	2,344	-3%	2,807	2,897	3,064	-26%	11,112
Net trading income	284	234	21%	309	306	364	-22%	1,214
Interest expenses	403	332	21%	370	293	319	26%	1,314
Net operating revenues	5,153	5,476	-6%	6,747	6,634	7,143	-28%	25,999
SG & A	3,239	3,269	-1%	3,288	2,984	3,006	8%	12,547
Operating income	1,915	2,206	-13%	3,458	3,651	4,136	-54%	13,451
Ordinary income	1,996	2,212	-10%	3,511	3,653	4,216	-53%	13,592
Net income	1,374	1,680	-18%	2,417	2,535	2,930	-53%	9,562
Ordinary income ratio	36%	38%	-	49%	53%	56%	-	50%
Matsui's trading value (JPY tn)	6.0	6.5	-8%	7.3	6.8	7.9	-24%	28.4
Daily average trading value on TSE (JPY tn)	2.9	3.1	-6%	3.6	3.2	3.3	-13%	3.3

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY19	FY18	QoQ	FY18			YoY	FY18 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Commissions	3,005	3,230	-7%	3,999	3,723	4,034	-25%	14,986
Brokerage	2,843	3,054	-7%	3,840	3,543	3,848	-26%	14,285
Equity & ETF	2,637	2,839	-7%	3,510	3,295	3,617	-27%	13,260
Futures & Options	206	216	-4%	331	248	231	-11%	1,025
Others	142	168	-15%	143	177	164	-13%	652
Net trading income	284	234	21%	309	306	364	-22%	1,214
Interest & dividend income (1)	2,266	2,344	-3%	2,807	2,897	3,064	-26%	11,112
Total operating revenues	5,556	5,808	-4%	7,116	6,927	7,462	-26%	27,313
Interest expenses (2)	403	332	21%	370	293	319	26%	1,314
Net operating revenues	5,153	5,476	-6%	6,747	6,634	7,143	-28%	25,999
Net interest income (1) - (2)	1,864	2,011	-7%	2,437	2,605	2,744	-32%	9,798
Average margin balance (JPY bn)	226	233	-3%	280	293	323	-30%	282

Breakdown of SG&A (Quarterly)

(JPY mn)

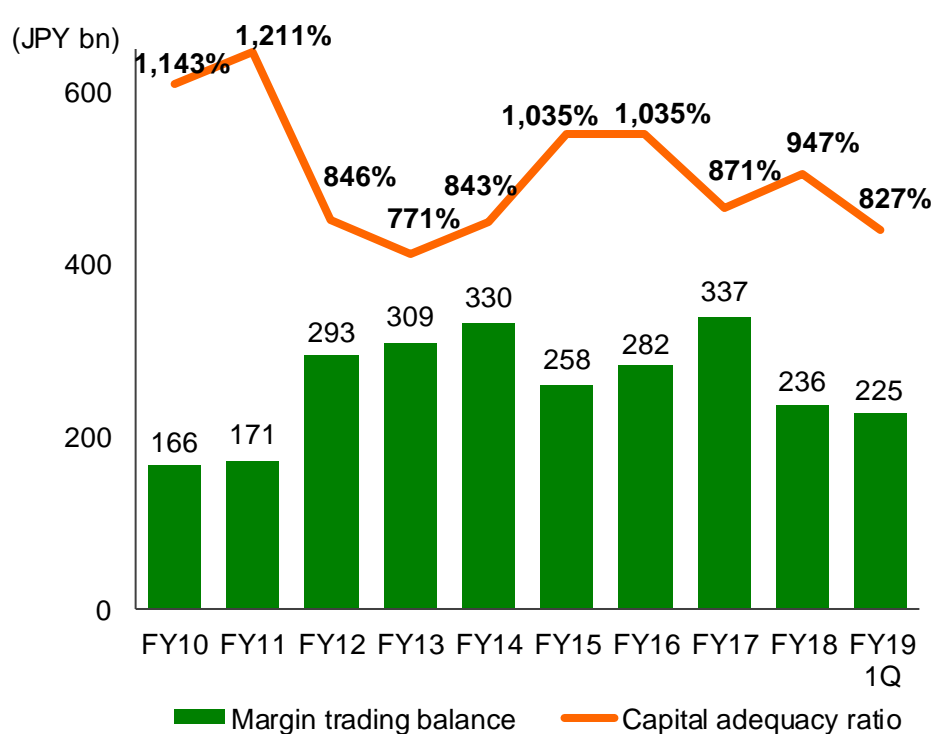
	FY19	FY18	QoQ	FY18			YoY	FY18 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Trading related expenses	974	1,165	-16%	1,185	1,016	1,042	-7%	4,408
Stock exchanges and securities associations fees	280	297	-6%	324	299	316	-12%	1,237
Communications expenses	424	452	-6%	432	420	422	0%	1,725
Advertisement	105	243	-57%	184	105	122	-14%	655
Personnel expenses	687	637	8%	802	613	610	13%	2,661
Occupancy & rental	282	232	21%	215	213	210	34%	870
Data processing & office supplies	637	640	-0%	623	553	569	12%	2,385
Depreciation	546	426	28%	428	424	413	32%	1,691
Taxes and dues	76	67	13%	84	89	101	-25%	340
Provision of allowance for doubtful accounts	-11	69	-	-79	51	14	-	56
Others	48	33	48%	32	24	47	3%	136
Total SG & A	3,239	3,269	-1%	3,288	2,984	3,006	8%	12,547

Regulatory Capital

◆ Capital adequacy ratio (As of 30 June 2019)

		(JPY mn)
Tier 1	(A)	67,185
Tier 2	Net unrealized gain on investment	2,258
	Statutory reserves	2,843
	Allowance for doubtful accounts	49
	Sub total (B)	5,150
Assets to be deducted from equity capital	(C)	8,223
Net Capital		
	(A) + (B) - (C) (D)	64,113
Total risk	Market risk	475
	Counterparty risk	4,345
	Basic risk	2,923
	Total (E)	7,744
Capital Adequacy ratio (D)/(E)		827%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return

Plan to pay ordinary dividend of 45 yen per share for FY19

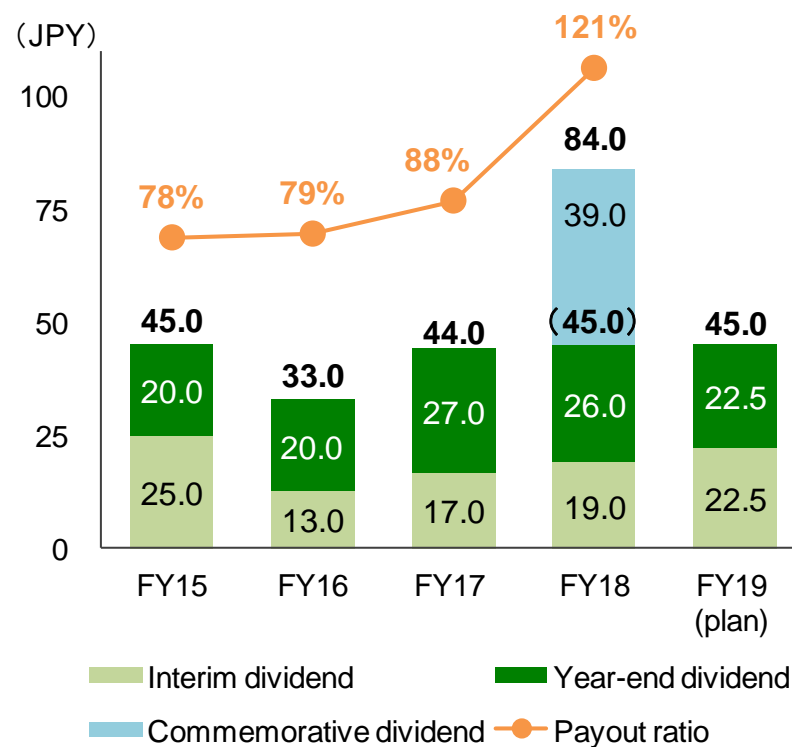
◆ Dividends for FY2019 (Plan)

- Ordinary dividend : 45 yen
 - Interim dividend : 22.5 yen
 - Year-end dividend : 22.5 yen

◆ Dividend Policy

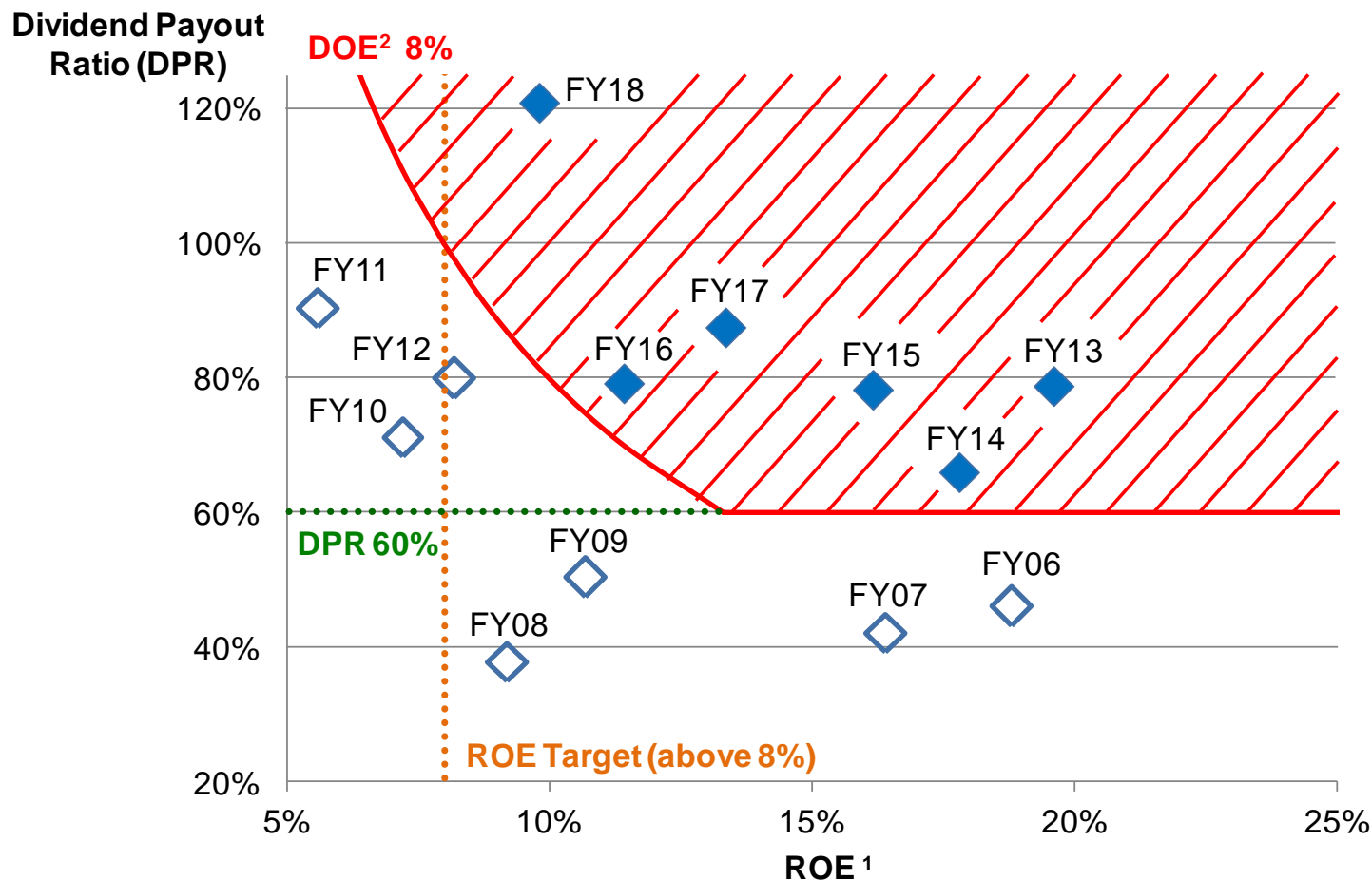
- Dividends Payout Ratio: 60% and above
and
- Dividends on Equity(DOE) : 8% and above

◆ Matsui's dividend per share and payout ratio¹



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



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

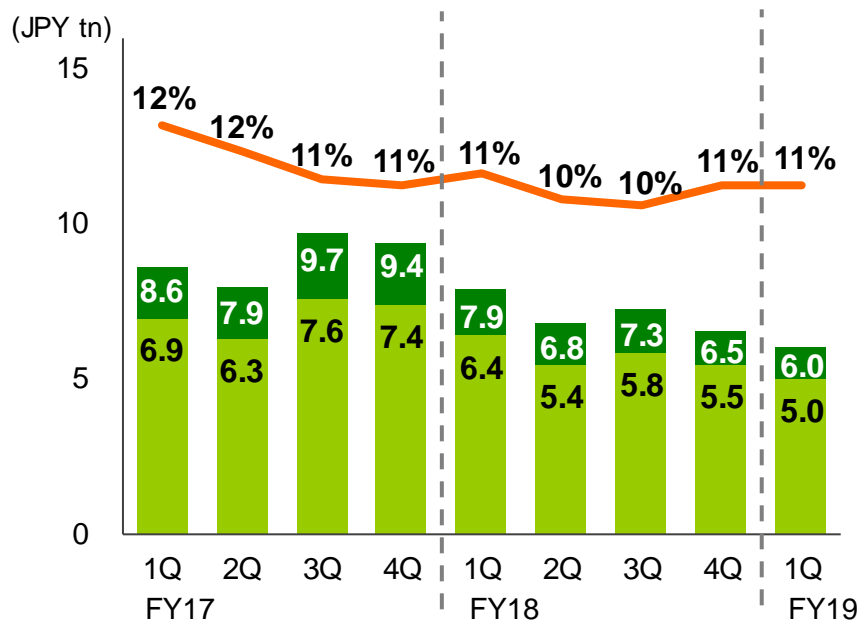
Note2: DOE (Dividends on Equity) = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal Year}) / 2}$

Results of Operation

Section 2

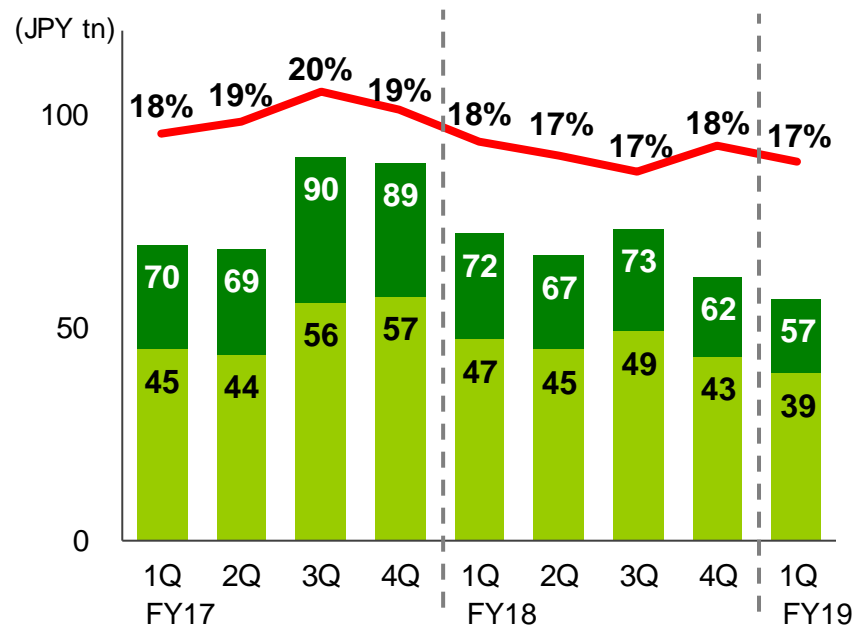
Equity Trading Value

◆ Matsui's equity trading value and its market share¹



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

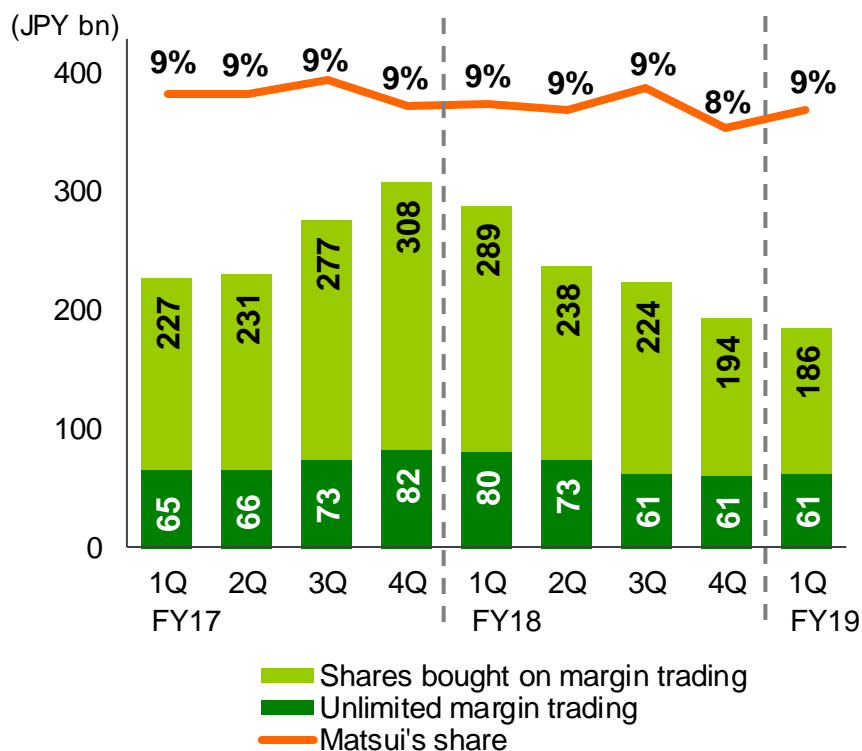
◆ Retail equity trading value¹ and proportion to total equity trading value



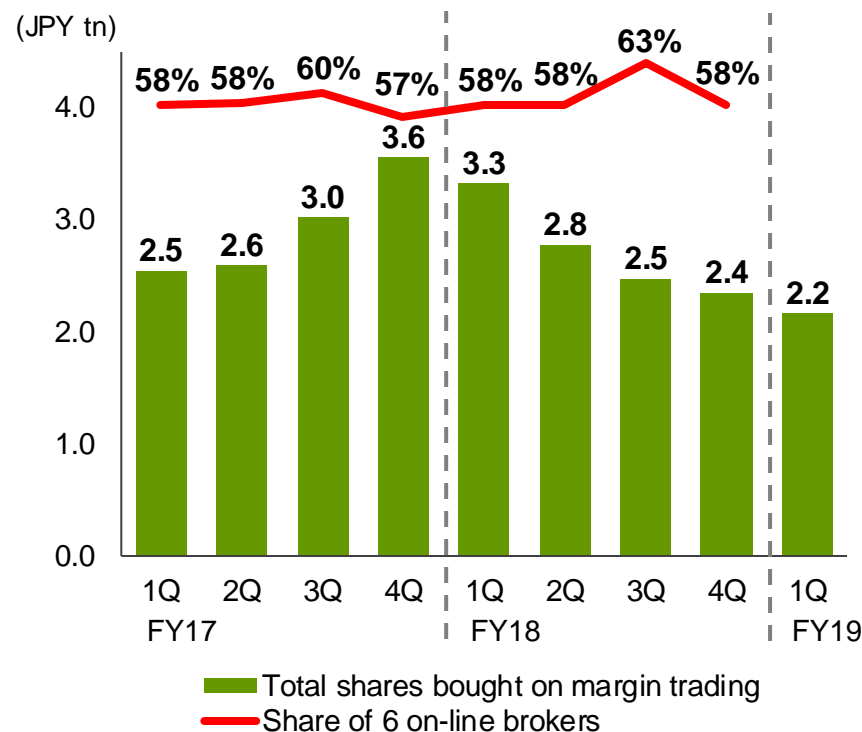
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

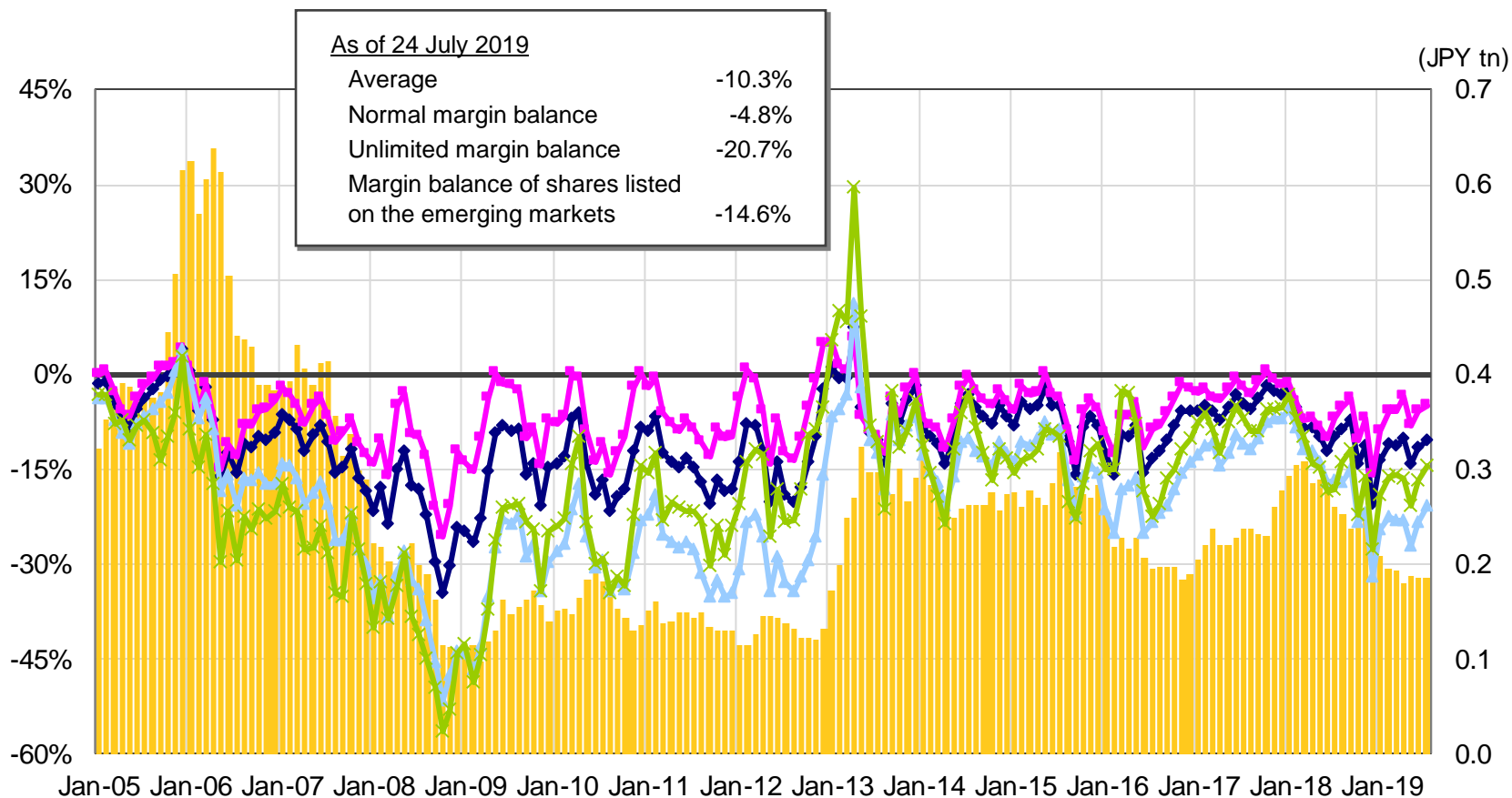
◆ Matsui's shares bought on margin¹ and its market share²



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



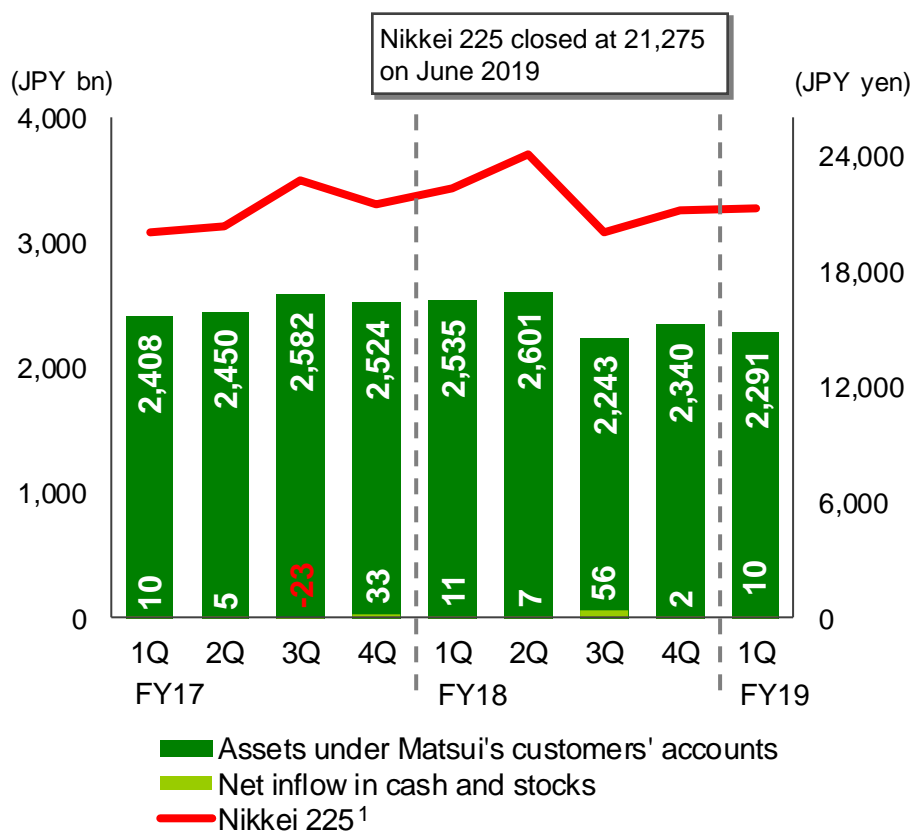
Unrealized Losses on Matsui's Margin Balance



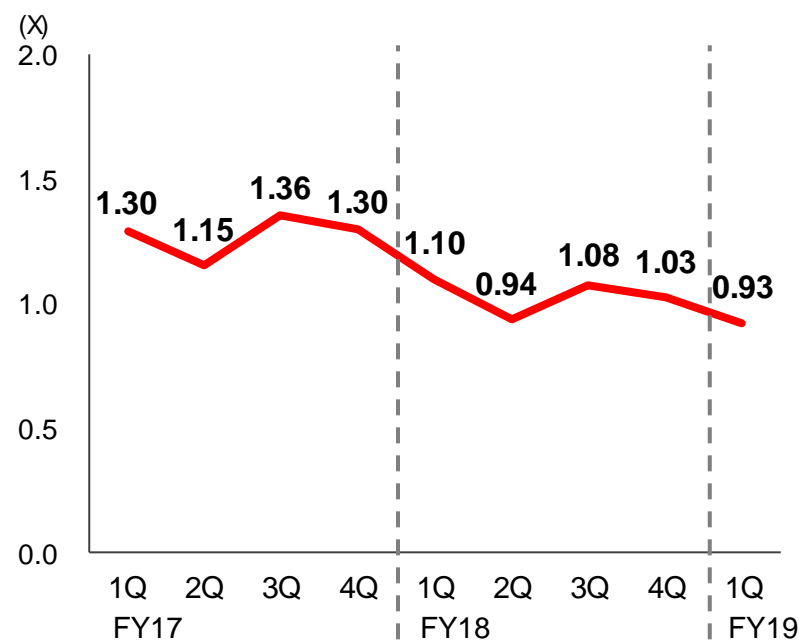
- Matsui's shares bought on margin (right axis)
- ◆— Average (left axis)
- Normal (left axis)
- ×— Shares listed on the emerging markets (left axis)
- ◆— Unlimited (left axis)

Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover² of Matsui's customers



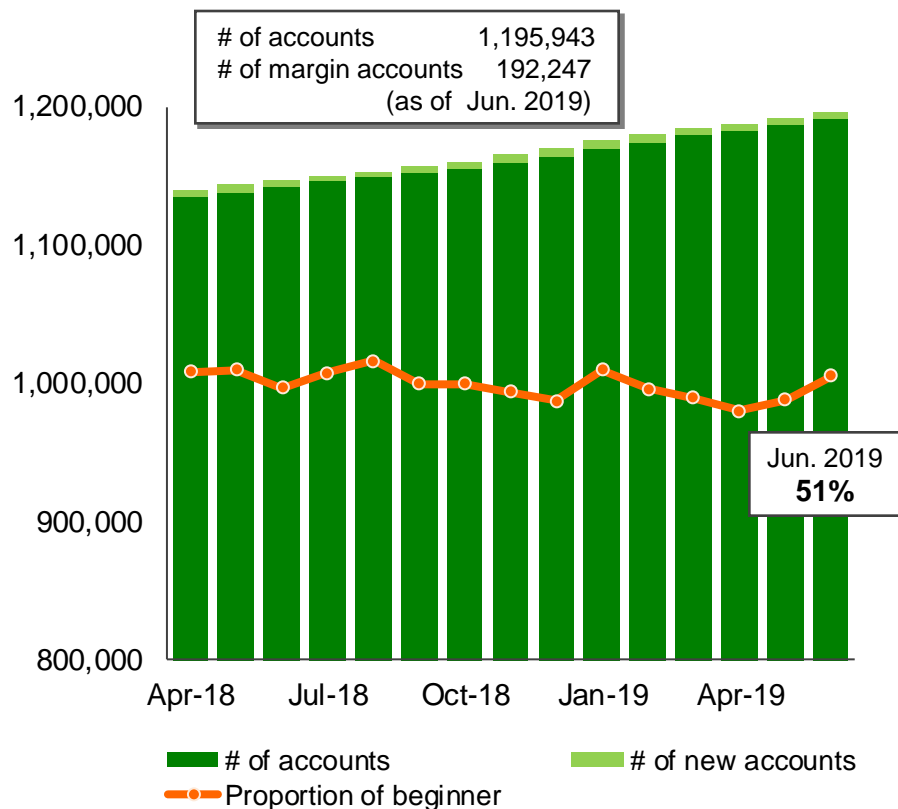
Note 1: Nikkei 225 is the closed price at the end of each quarter

Note 2: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

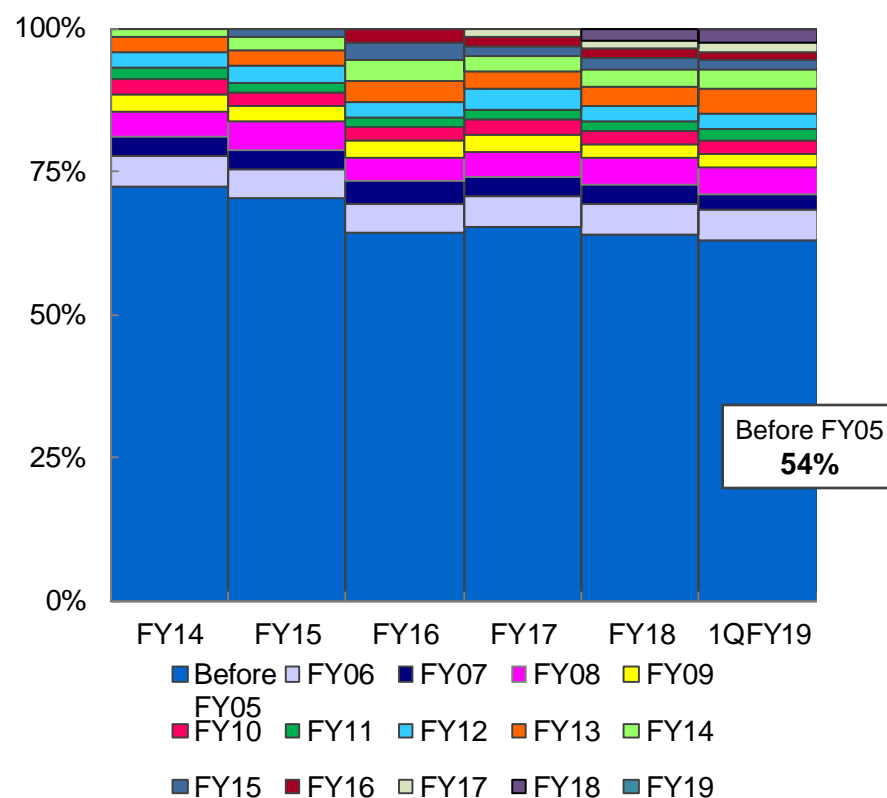
* assets under customers' accounts of Matsui's related persons are excluded

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

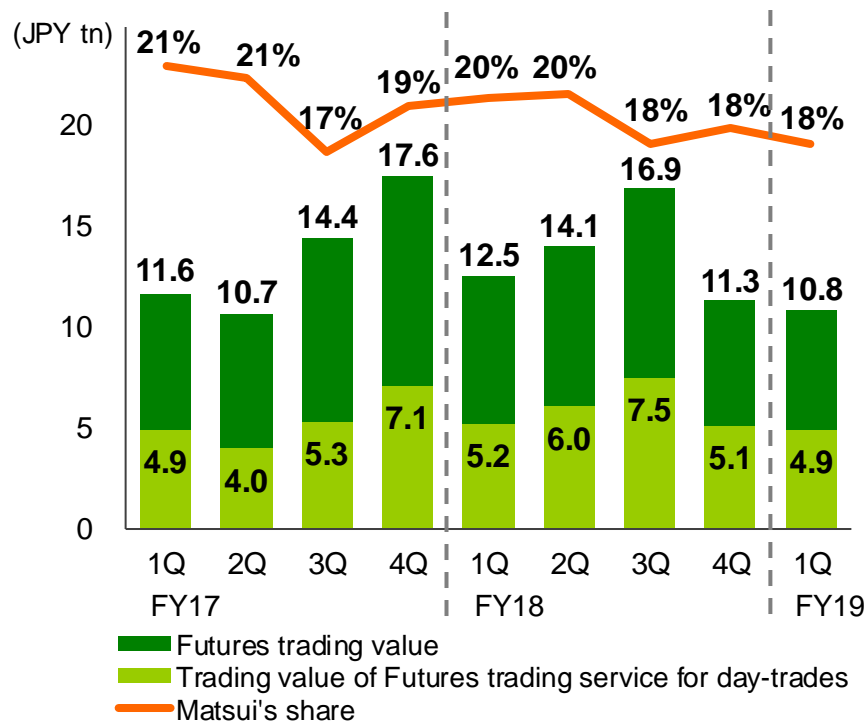


◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)

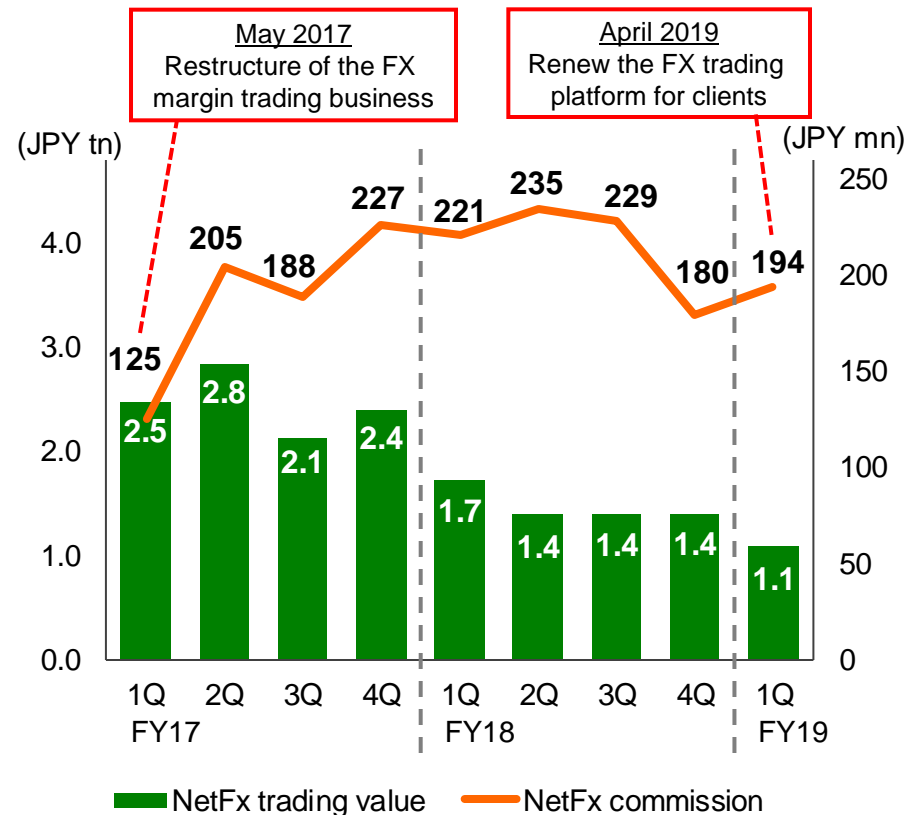


Futures Trading Value / FX Margin Trading Value

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

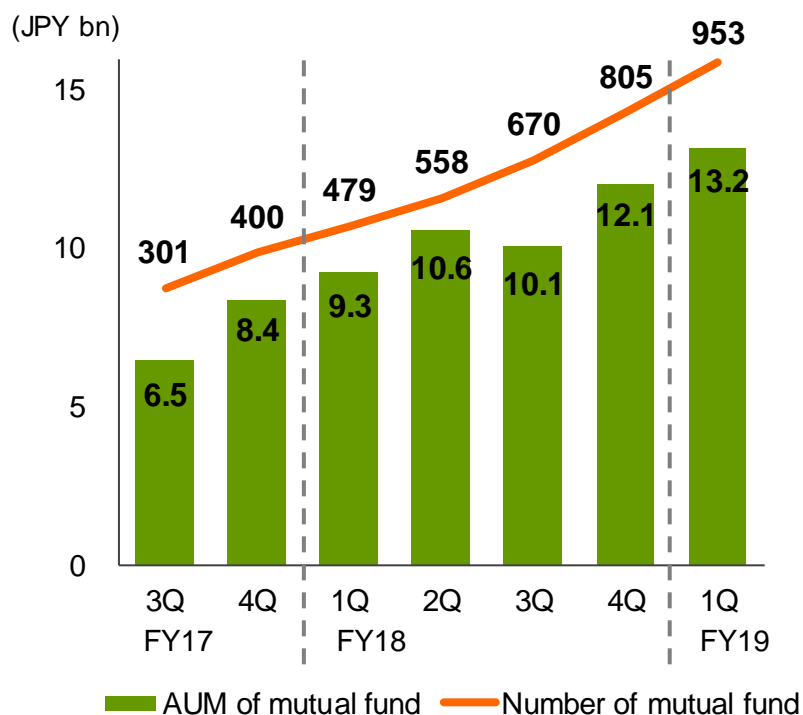


◆ Matsui's OTC FX trading value and commission

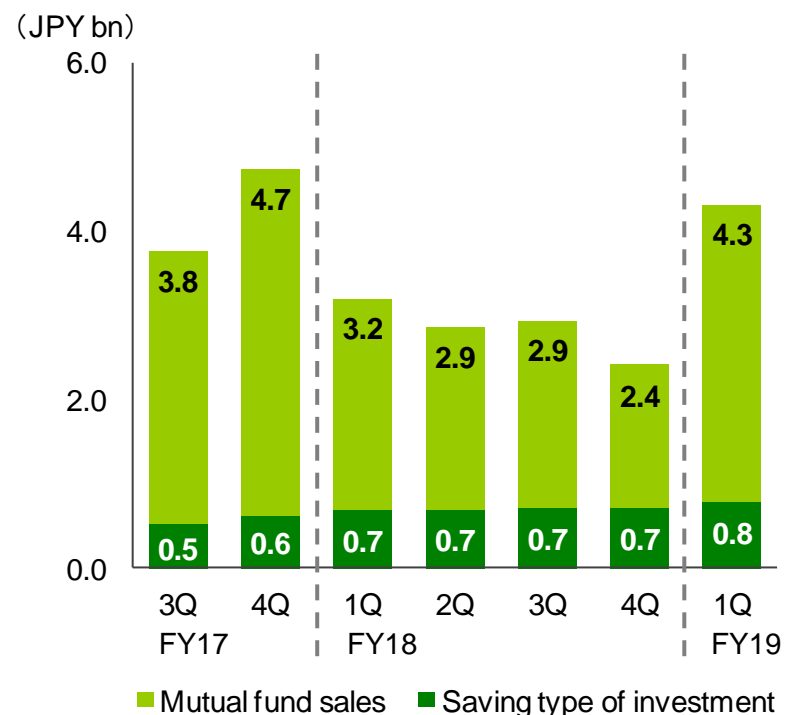


Mutual Fund

◆ Matsui's AUM and line-up of mutual fund



◆ Matsui's mutual fund sales



Recent Developments

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

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 Execution Service I

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

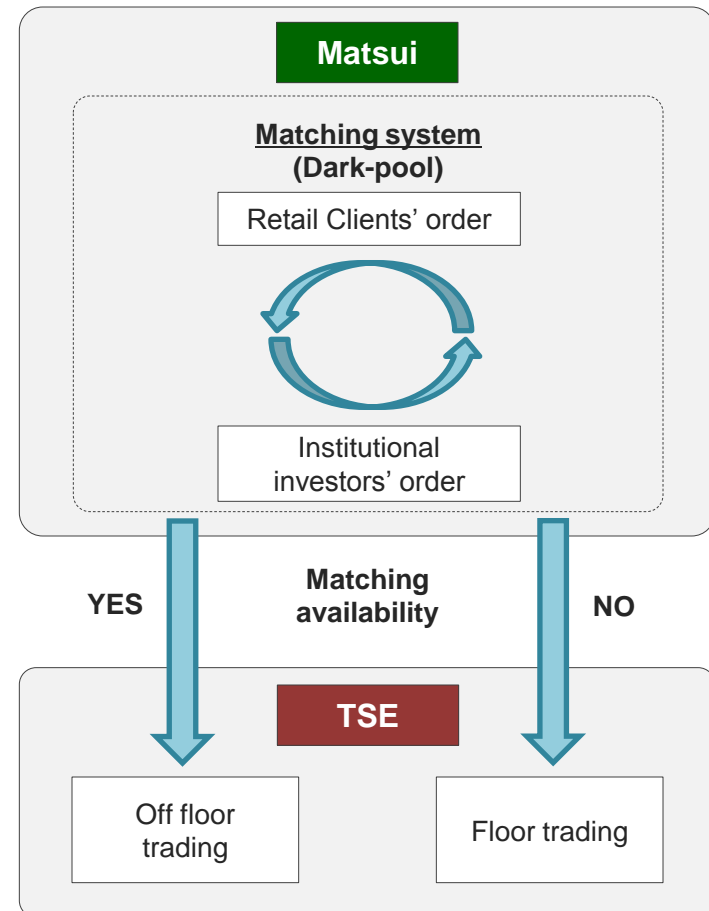
◆ Features

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

◆ Our initiatives

- Ensuring transparency of the service
 - Report the price improvement results for each transaction
 - Disclose the result of analysis for price improvements
- Expand the service recipient to increase trading value with the price improvement (Feb. 2019)

◆ Order flow

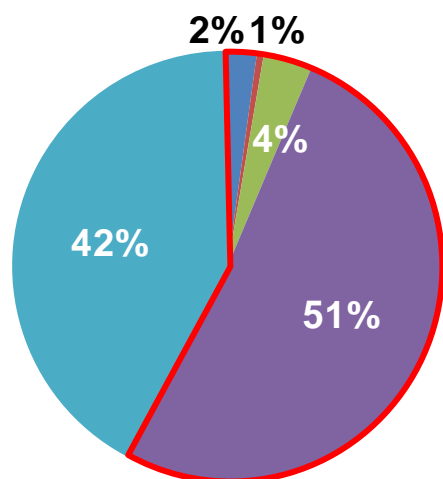


Equity Business: Better Execution Service II

Disclose the monthly result of statistic analysis for price improvements

◆ Provide better prices on **58%** of order which is executed in the dark-pool

➢ Price range of execution in dark-pool



Price Improvement

- 2%: Bid price at TSE*
- 1%: Between bid price and mid price
- 4%: Mid price
- 51%: Between offer price and mid price
- 42%: Offer price at TSE*

*In case of buying order

◆ Average price improvement rate is **3.2bps**

Improvement rate in TSE 2nd and emerging market is higher than others due to its wide spread.

➢ Price improvement of each market

TSE 1st	
Large-cap	0.8 bps
Middle-cap	2.2 bps
Small-cap	4.7 bps
Others	
Tse 2nd	5.5 bps
JASDAQ	9.1 bps
Mothers	3.6 bps
ETF	1.4 bps
REIT	1.7 bps
Total	3.2 bps

Mutual Fund Business

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 commission¹

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

◆ Future Developments

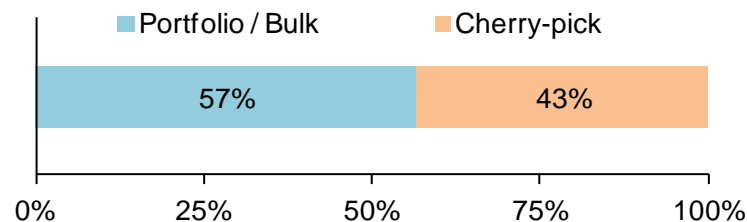
➤ Support long-term diversified investment for asset building generation

- Promote use of portfolio management platform
- Provide life plan simulation tool
- Provide consultation counter through call center
- Enhance service promotion for working generation

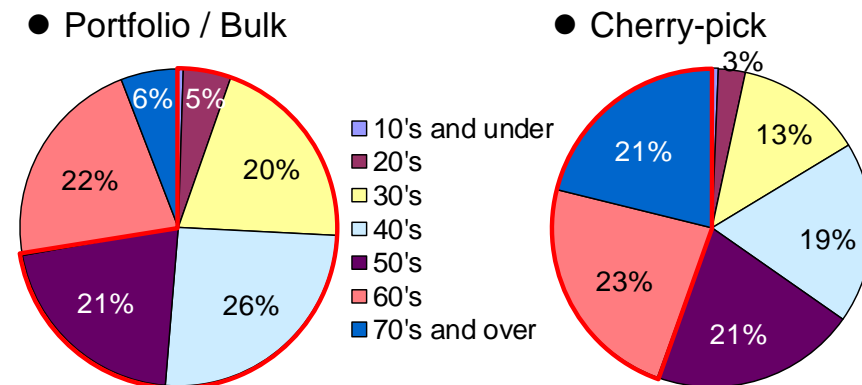
➤ Response to the needs of retired generation

- Expand the line-up of mutual funds to meet the needs of cherry-picking individual mutual funds
- Provide Robo-advisor services for cherry-picking and replacement of mutual funds

◆ AUM by type of investment²



◆ AUM by age²



Partnership with other companies

Actively seek the opportunities to establish the partnership with companies such as fintech startups that would provide the technology engines to complement our service lineup

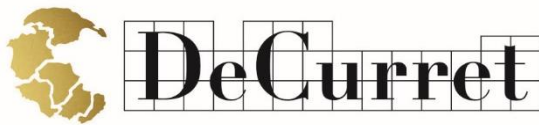
◆ Investment in DeCurret

➤ Business about DeCurret

- March 2019
Registered as cryptocurrency exchange
- April 2019
Started offering cryptocurrency trading service
- Plan to start settlement service of cryptocurrency such as electric money charging
- Plan to establish the platform for trading and settlement of digital currency in the future

➤ Background of the Investment

- Expect the possibility which the digitalization of currency and values could trigger the structural changes of existing financial infrastructure
- Expect the expansion of the settlement platform of digital currency in the future which DeCurret plans to establish
- Cooperate with the planned settlement platform of DeCurret
- Seek opportunities to cooperate with other tie-up companies with DeCurret



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 2019)

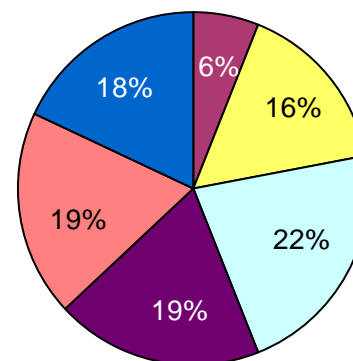
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	142,330	4,145	4,674
Number of active accounts ¹	48,753	2,192	1,590
Active account ratio	34%	53%	34%
Total investment value(JPY mn) ²	27,705	268	640
Customers' assets(JPY mn) ³	105,666	611	2,313

◆ Top 5 in trading value (from January to June 2019)

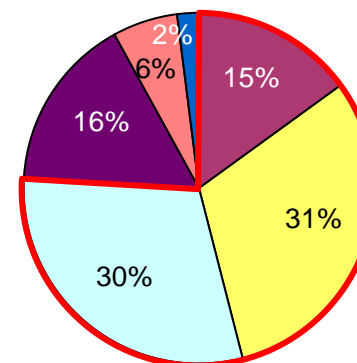
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	eMAXIS Slim Developed Country Equity Index
3	Nissan Motor Co., Ltd. (7201)	Nissay Foreign Equity Index Fund no charge
4	Orix Corp. (8591)	Rakuten US All Equity Index Fund
5	Aeon Co., Ltd. (8267)	eMAXIS Slim Balance 8 Asset Equability type

◆ Attribution of NISA accounts by age (as of June 2019)

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 30 June 2019 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 29 July 2019. 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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