



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 1QFY2020

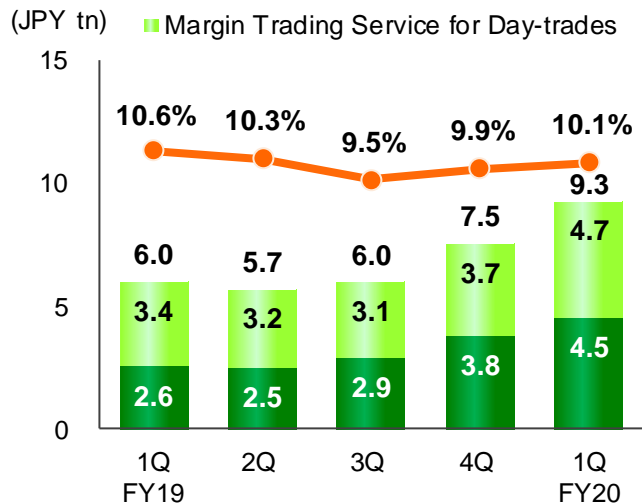
July 2020

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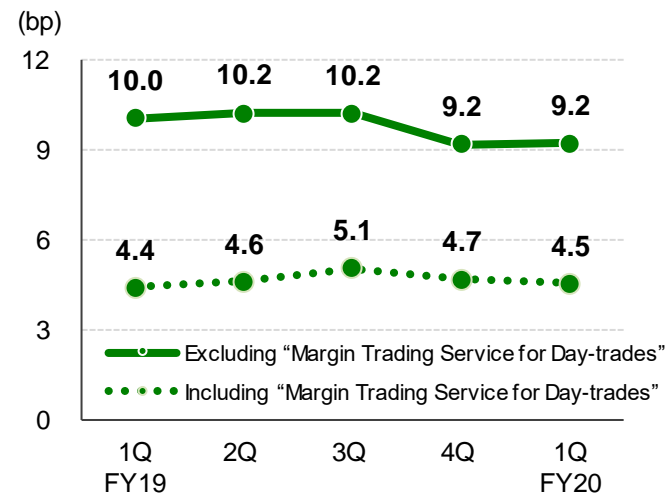
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Results of Operation

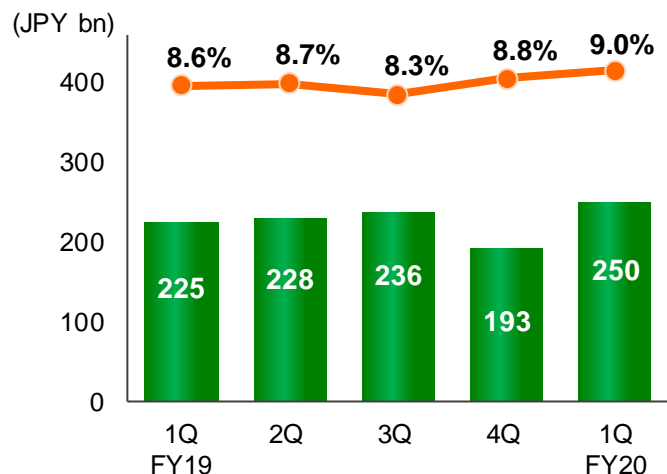
◆ Equity trading value / Market share



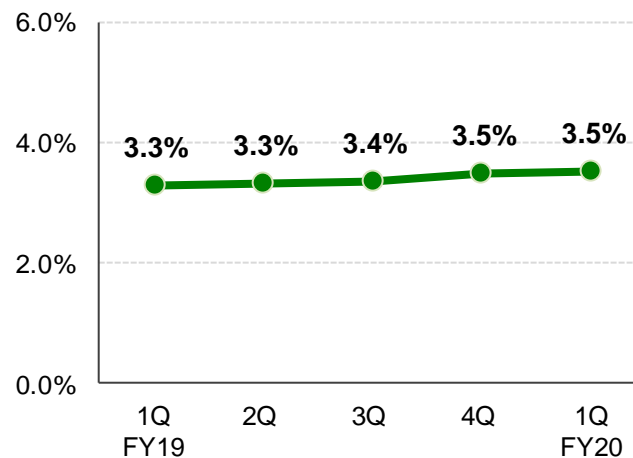
◆ Equity commission rate



◆ Margin balance / Market share

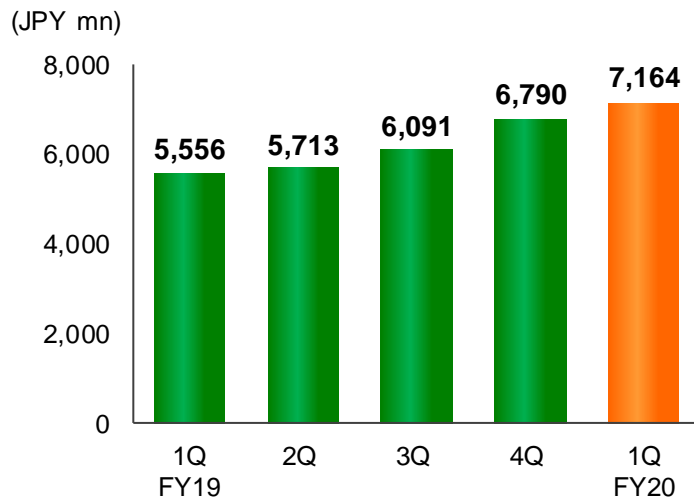


◆ Net financial income ratio

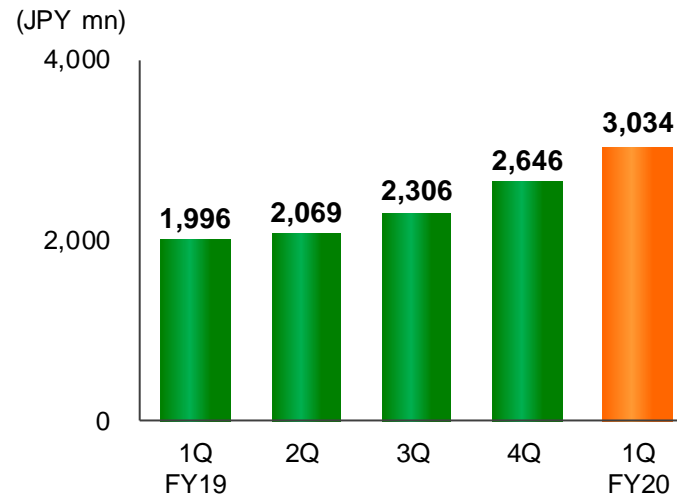


Financial Results

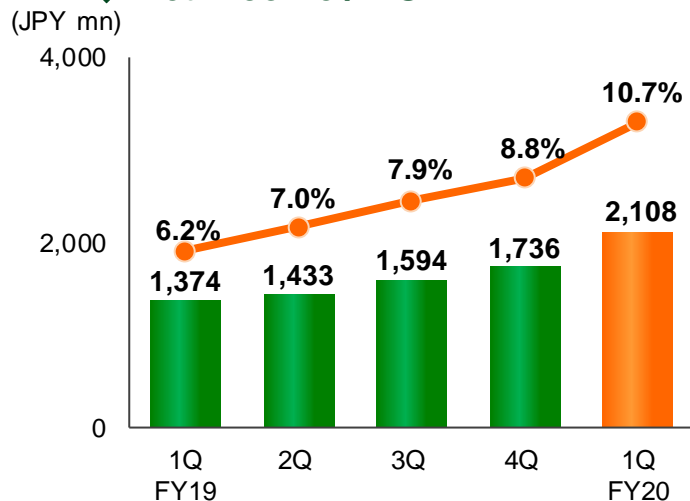
◆ Operating revenue



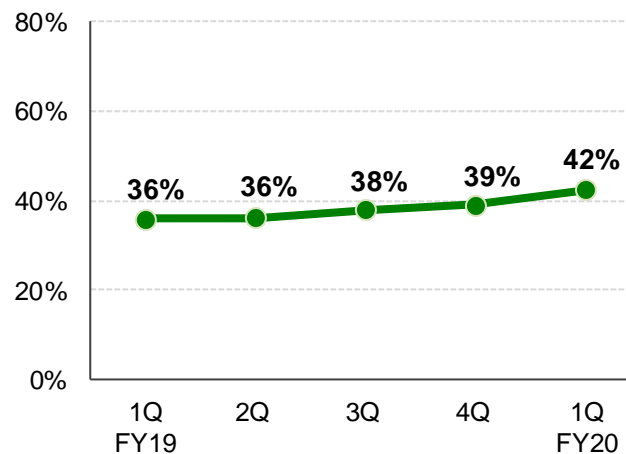
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Net operating revenues up JPY 390 million QoQ

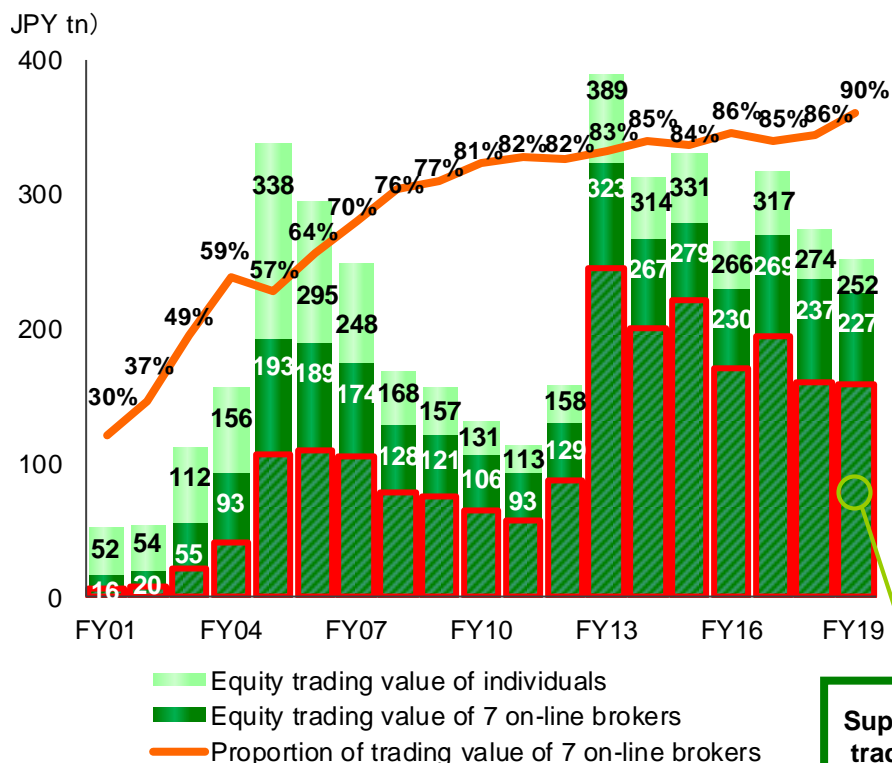
- Commissions were up JPY 560 million due to increase of equity trading value.
- Interest & dividend income was down JPY 100 million due to decrease of average margin balance.
- Net trading income was down JPY 60 million due to decrease of FX trading value and swap revenue.

◆ SG&A up JPY 70 million QoQ

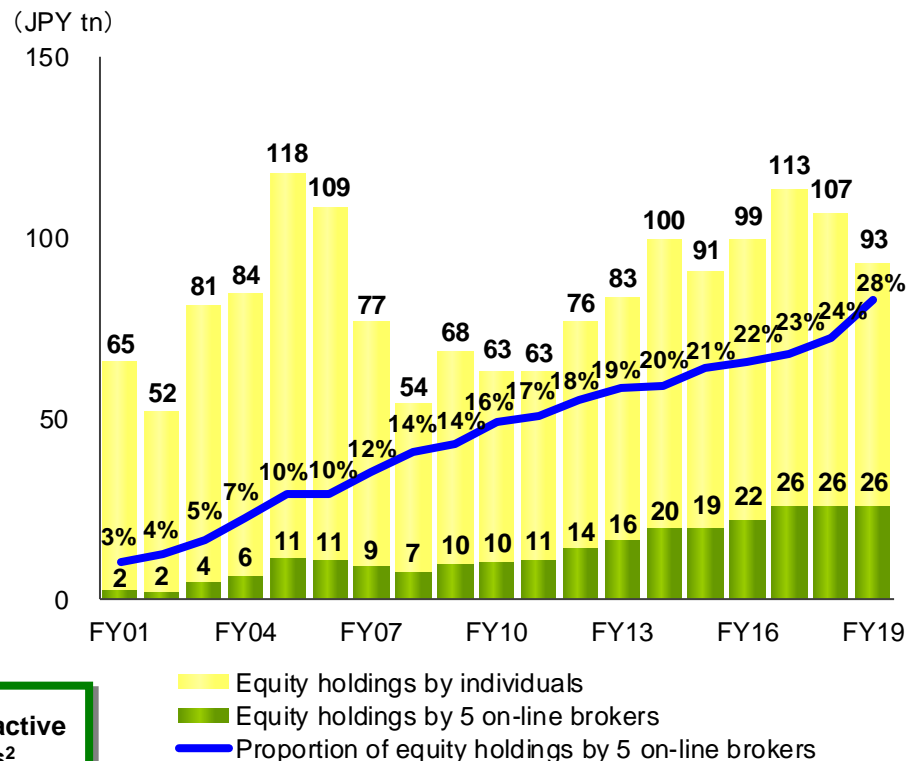
- Trading related expenses were down JPY 70 million due to decrease of advertisement expenses.
- Personnel expenses were up JPY 70 million.
- Data processing and outsourcing expenses were up JPY 70 million.

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Super active traders²
JPY 160 tn
(Estimate)

Source: TSE, Company data, Company Website, BOJ

Note 1: 5 on-line brokers are Matsui, SBI, Rakuten, Monex and au Kabucom, 7 on-line brokers include 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)

	FY20	FY19	QoQ	FY19			YoY	FY19 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Operating Revenues	7,164	6,790	6%	6,091	5,713	5,556	29%	24,150
Commissions	4,671	4,116	14%	3,359	3,010	3,005	55%	13,490
Interest & dividend income	2,268	2,387	-5%	2,502	2,385	2,266	0%	9,539
Net trading income	225	288	-22%	230	318	284	-21%	1,120
Interest expenses	334	350	-5%	570	482	403	-17%	1,805
Net operating revenues	6,830	6,440	6%	5,521	5,231	5,153	33%	22,345
SG & A	3,853	3,780	2%	3,259	3,158	3,239	19%	13,436
Operating income	2,977	2,660	12%	2,262	2,073	1,915	55%	8,909
Ordinary income	3,034	2,646	15%	2,306	2,069	1,996	52%	9,016
Net income	2,108	1,736	21%	1,594	1,433	1,374	53%	6,136
Ordinary income ratio	42%	39%	-	38%	36%	36%	-	37%
Matsui's trading value (JPY tn)	9.3	7.5	23%	6.0	5.7	6.0	54%	25.2
Daily average trading value on TSE (JPY tn)	3.5	3.9	-10%	2.9	2.8	2.9	21%	3.1

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY20	FY19	QoQ	FY19			YoY	FY19 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Commissions	4,671	4,116	14%	3,359	3,010	3,005	55%	13,490
Brokerage	4,517	3,964	14%	3,205	2,837	2,843	59%	12,850
Equity & ETF	4,200	3,527	19%	3,018	2,620	2,637	59%	11,803
Futures & Options	316	437	-28%	187	217	206	53%	1,047
Others	154	151	2%	141	159	142	9%	593
Net trading income	225	288	-22%	230	318	284	-21%	1,120
Interest & dividend income (1)	2,268	2,387	-5%	2,502	2,385	2,266	0%	9,539
Total operating revenues	7,164	6,790	6%	6,091	5,713	5,556	29%	24,150
Interest expenses (2)	334	350	-5%	570	482	403	-17%	1,805
Net operating revenues	6,830	6,440	6%	5,521	5,231	5,153	33%	22,345
Net interest income (1) - (2)	1,934	2,037	-5%	1,932	1,902	1,864	4%	7,734
Average margin balance (JPY bn)	219	233	-6%	229	229	226	-3%	229

Breakdown of SG&A (Quarterly)

(JPY mn)

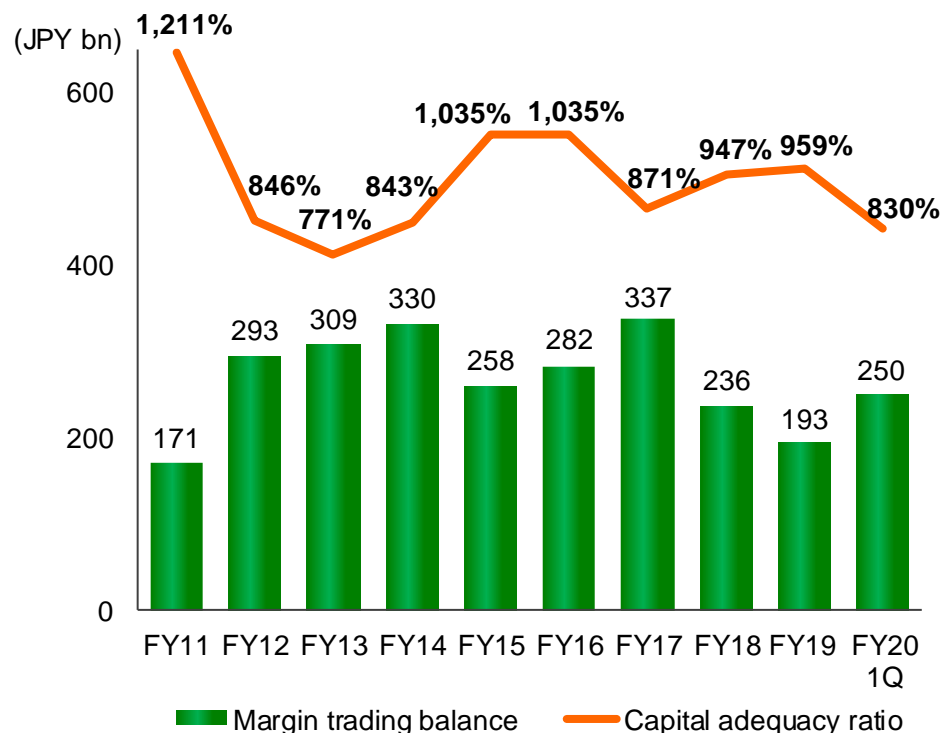
	FY20	FY19	QoQ	FY19			YoY	FY19 TOTAL
	1Q	4Q		3Q	2Q	1Q		
Trading related expenses	1,378	1,446	-5%	1,067	1,078	974	41%	4,566
Stock exchanges and securities associations fees	387	353	10%	268	262	280	38%	1,163
Communications expenses	464	467	-1%	426	418	424	10%	1,735
Advertisement	303	418	-27%	191	220	105	189%	934
Personnel expenses	703	633	11%	640	646	687	2%	2,607
Occupancy & rental	274	286	-4%	285	282	282	-3%	1,134
Data processing & office supplies	797	731	9%	700	678	637	25%	2,747
Depreciation	495	468	6%	463	446	546	-9%	1,923
Taxes and dues	103	79	31%	72	69	76	36%	296
Provision of allowance for doubtful accounts	56	59	-5%	-3	-72	-11	-	-28
Others	48	78	-38%	35	30	48	0%	192
Total SG & A	3,853	3,780	2%	3,259	3,158	3,239	19%	13,436

Regulatory Capital

◆ Capital adequacy ratio (As of 30 June 2020)

		(JPY mn)
Tier 1	(A)	74,116
Tier 2	Net unrealized gain on investment	3,271
	Statutory reserves	2,845
	Allowance for doubtful accounts	71
Sub total	(B)	6,187
Assets to be deducted from equity capital	(C)	8,910
Net Capital		
	(A) + (B) - (C)	(D) 71,394
Total risk	Market risk	692
	Counterparty risk	4,755
	Basic risk	3,143
Total	(E)	8,591
Capital Adequacy ratio	(D)/(E)	830%

◆ Margin trading balance and capital adequacy ratio

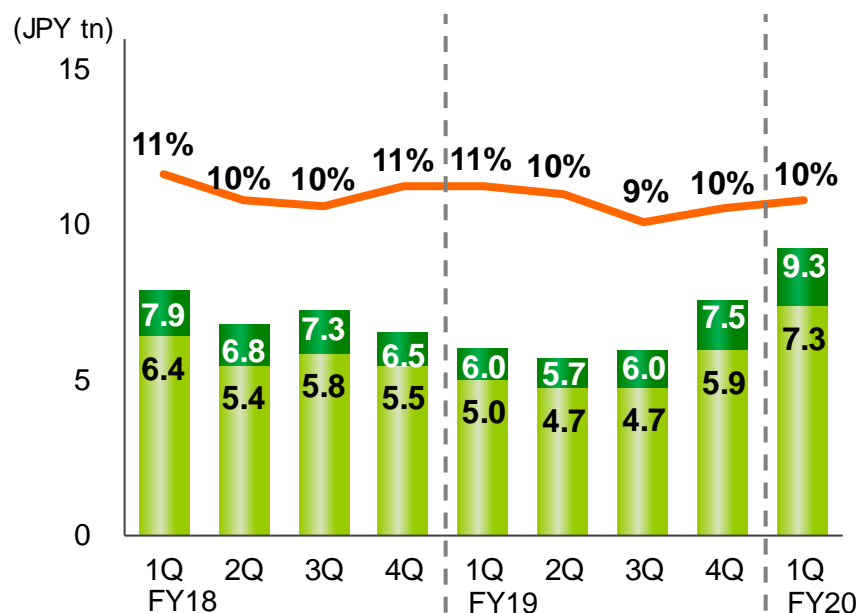


Results of Operation

Section 2

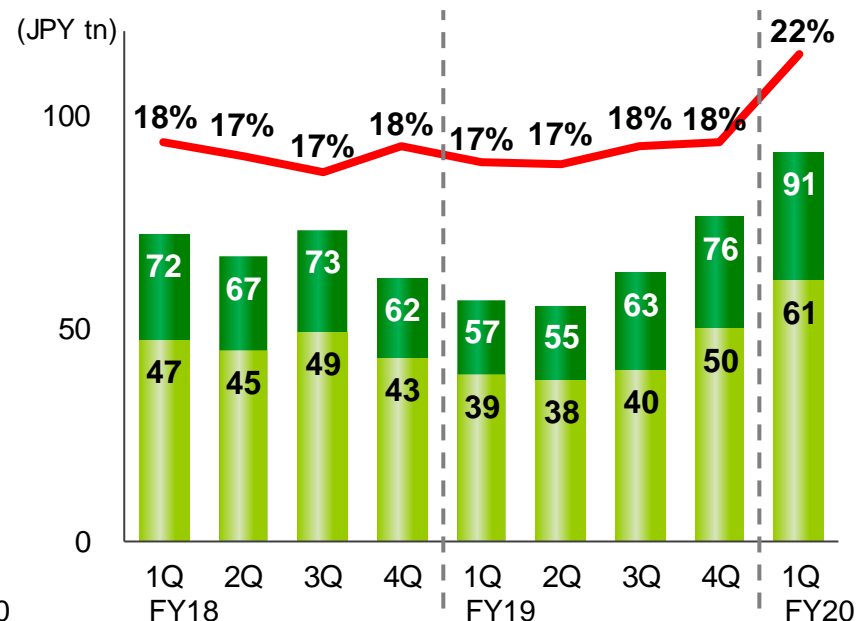
Equity Trading Value

◆ 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

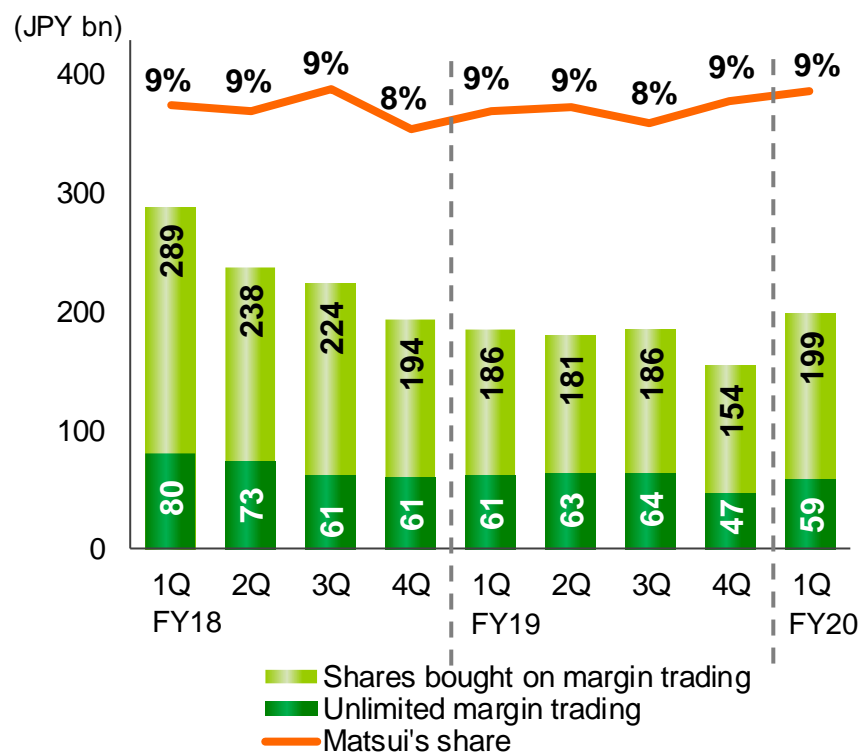
◆ Retail equity trading value¹ and proportion to total equity trading value



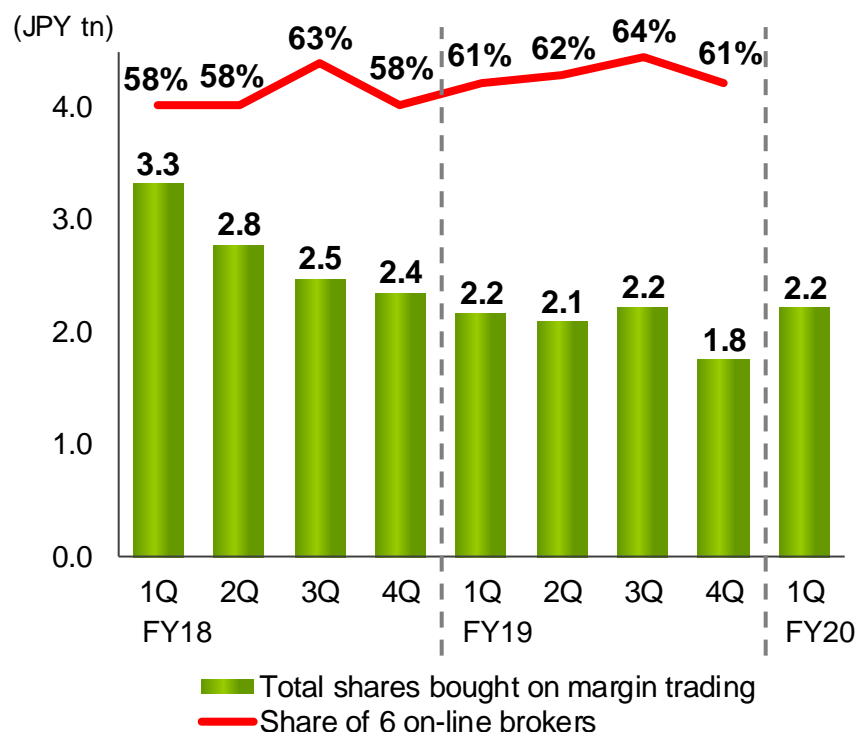
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

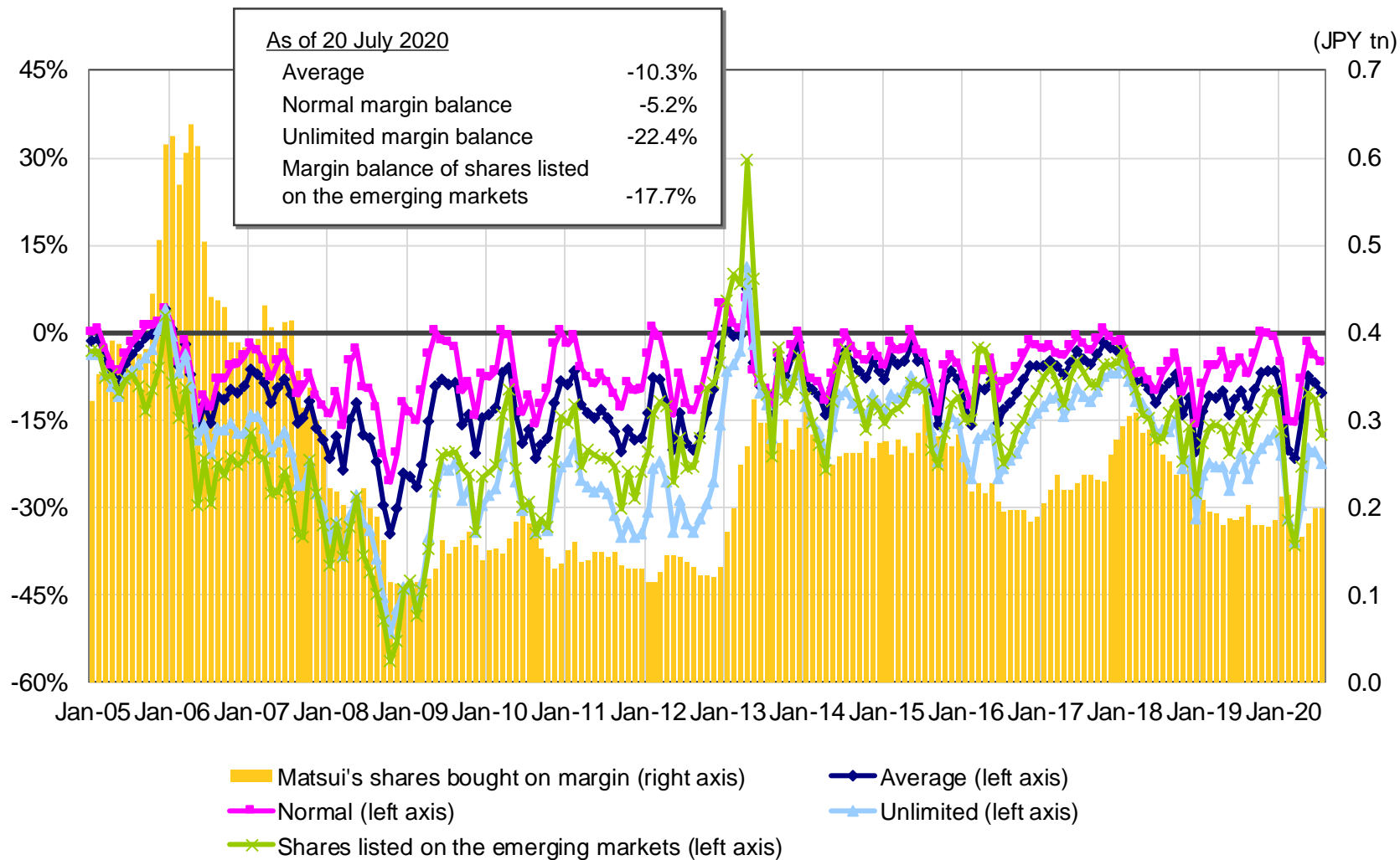
◆ Matsui's shares bought on margin¹ and its market share²



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

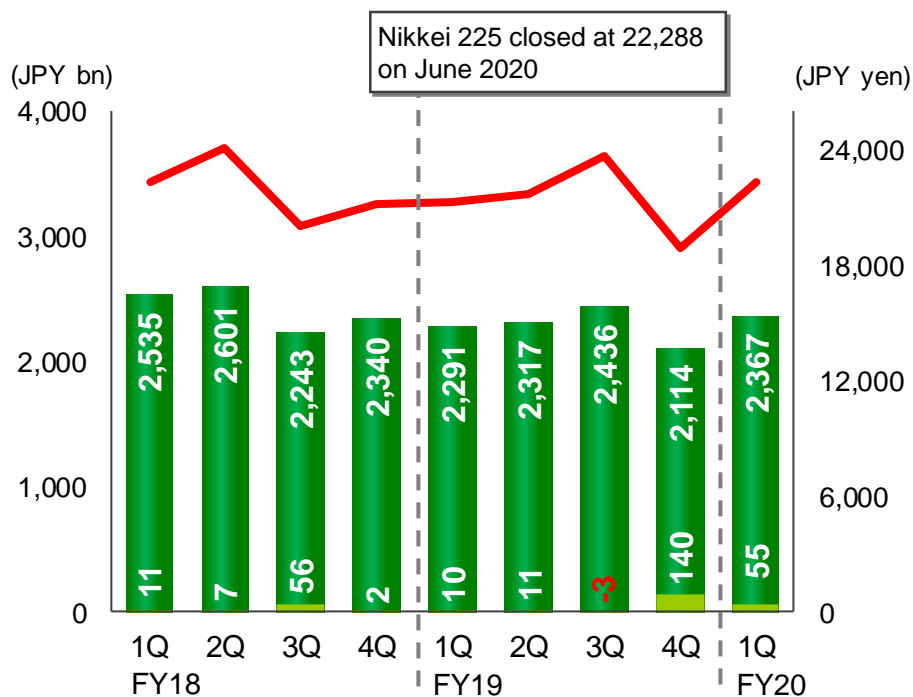


Unrealized Losses on Matsui's Margin Balance



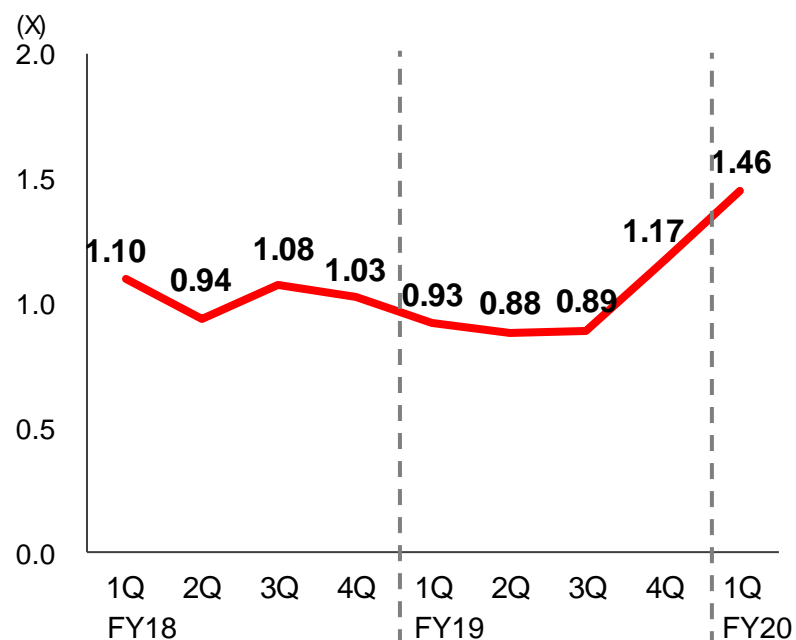
Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



- Assets under Matsui's customers' accounts
- Net inflow in cash and equity stocks
- Nikkei 225¹

◆ Equity trading turnover² of Matsui's customers



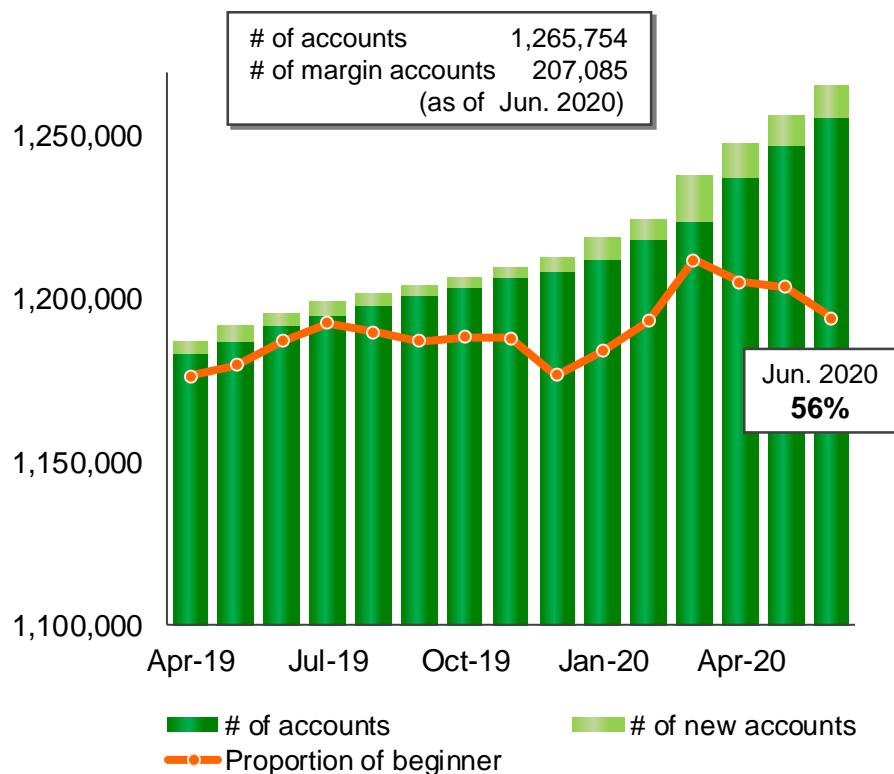
Note 1: Nikkei 225 is the closed price at the end of each quarter

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

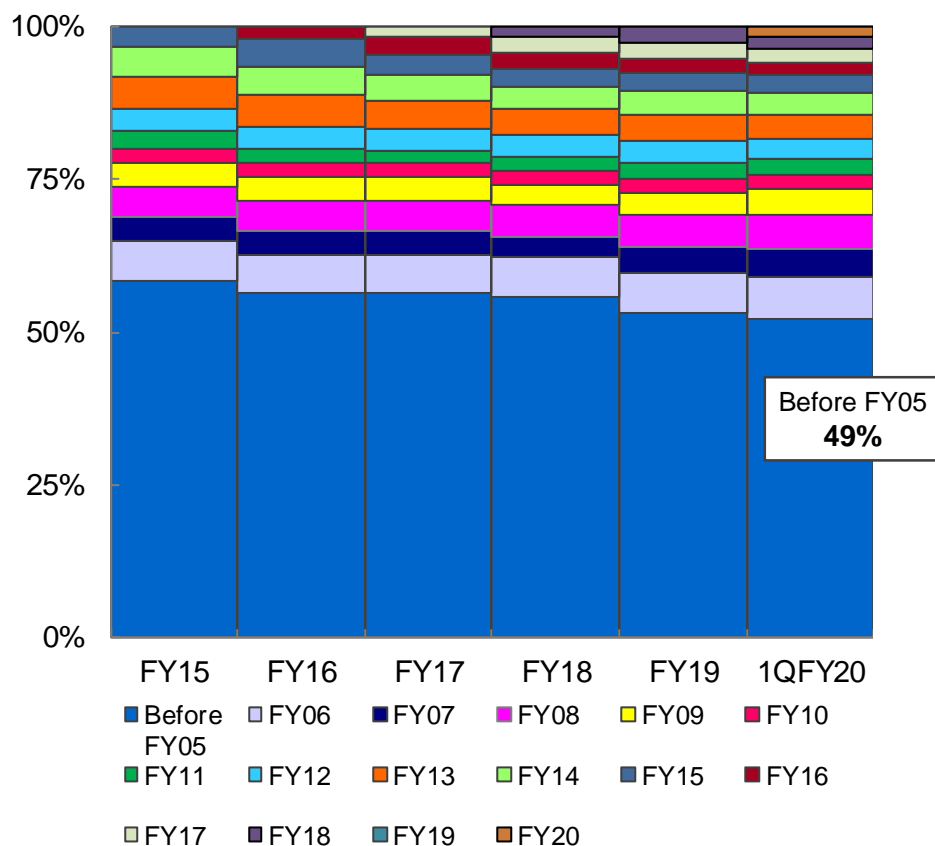
* assets under customers' accounts of Matsui's related persons are excluded

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

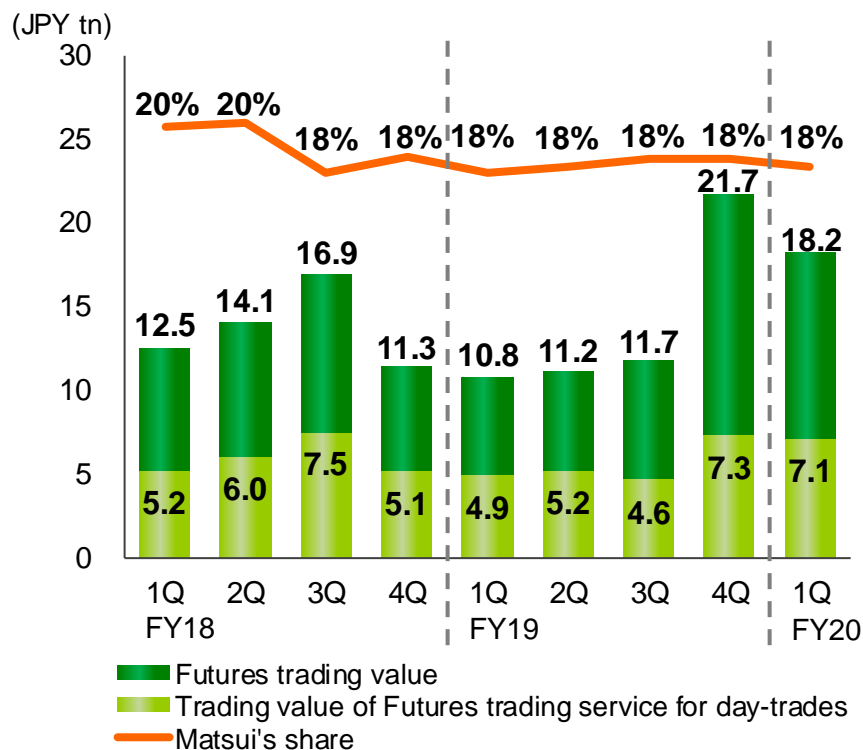


◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)

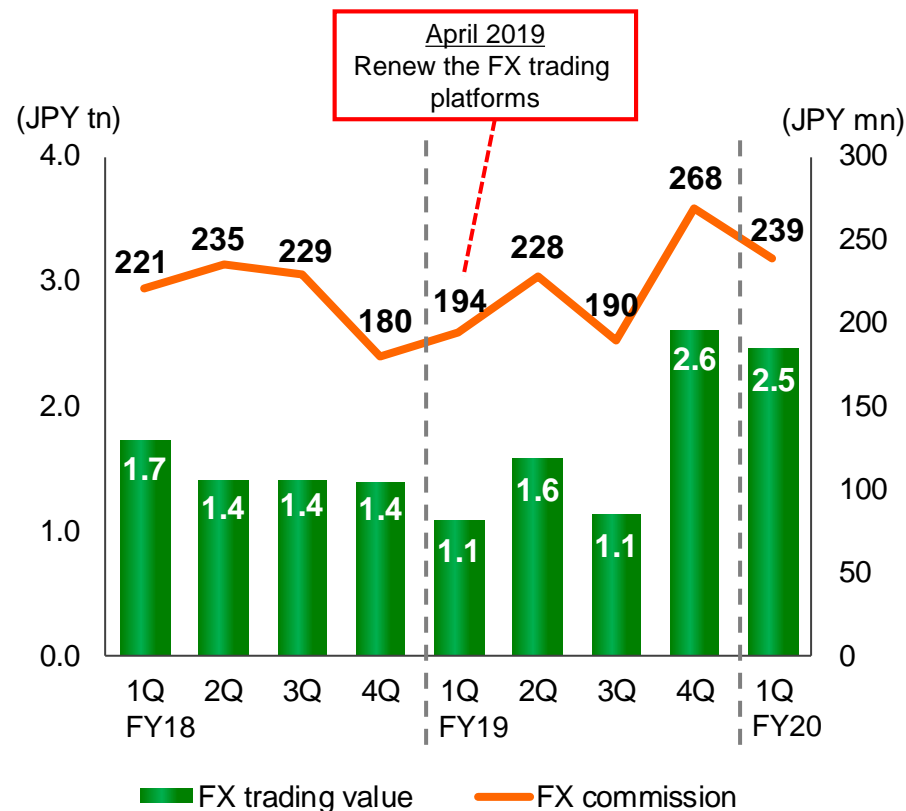


Futures Trading Value / FX Margin Trading Value

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

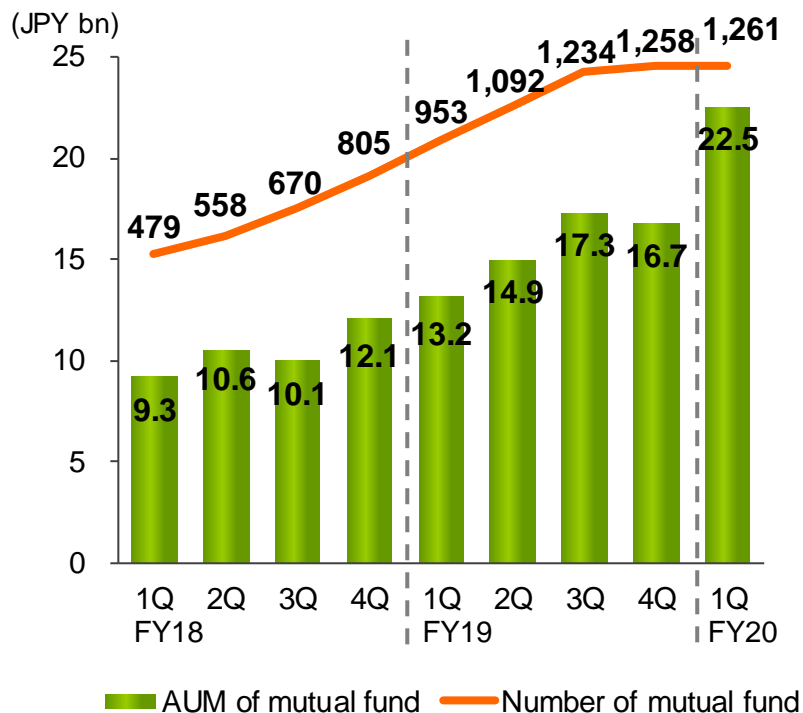


◆ Matsui's OTC FX trading value and commission

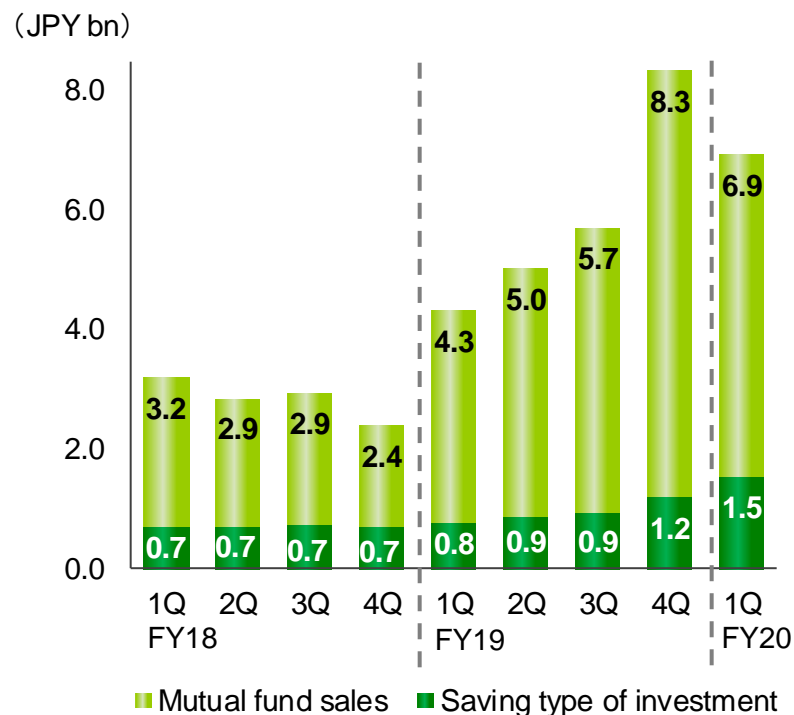


Mutual Fund

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



◆ Matsui's mutual fund sales



Recent Developments

Section 3

Management Strategy / Business Strategy

Business Principle

Support to enrich the life of customers
by providing valuable products and services for retail investors

Management Strategy

Maintain its low-cost operation and maximize the income
by focusing on profitable online based brokerage business

- Enhance equity brokerage 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

Put more focus on **asset business**
for customers who are building
assets for the future

Mutual
Fund

Equity Business

Strengthen revenue from assets under management

◆ Stimulate equity trading for retail investors

➤ Activist tracking tool (Apr. 2020)

- ✓ Track the transaction activities of large sized investors such as activists on the stock price charts

⇒ Intend to provide useful investment ideas for retail investors and to stimulate their trading activities

【Image】



◆ Strengthen revenue from AUM

➤ Expansion of stock lending service (Dec. 2019)

- ✓ Enable customers to receive the stock lending fee by utilizing collateral shares for margin trading
- ✓ Start promotion program for stock lending service (Jun.2020)
- ✓ The number of accounts and lending balance have increased by more than three times

⇒ Intend to strengthen lending business to expand revenue



Mutual Fund Business

Start the service to refund a part of custodian fees in cash on April 2020

◆ Expansion of customer base and AUM

➤ 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

◆ Strengthen revenue from AUM

➤ Cash refund service (Apr. 2020)

- ✓ Set the upper limit of Matsui's receipt out of the custodian fees paid by Asset Managers at 0.3%, and the amount exceeding the limit is refunded to customers in cash
- ✓ 70% of mutual funds handled at Matsui are eligible for the cash refund service

⇒ Intend to acquire customers mainly from other brokers such as face-to-face brokers

◆ Expansion of the contact points with investment beginners

- ✓ Establish the partnership with Mynavi Wedding, a media for wedding information provider, and start distributing the new contents

⇒ Establish the partnership with other companies and provide opportunity for their customers to start asset building

FX Margin Trading Business

Enhance the service and promotion for new customers acquisition to expand the business

◆ Recent Developments

➤ Tighten the spread of all currency pairs

Currency Pair	Spread	
USD/JPY	1~2pips	⇒ <u>0.5pips</u>
EUR/JPY	2~4pips	⇒ <u>0.8pips</u>
AUD/JPY	2~4pips	⇒ <u>0.8pips</u>
CAD/JPY	6pips	⇒ <u>3.4pips</u>
CHF/JPY	6pips	⇒ <u>2.5pips</u>
GBP/JPY	6pips	⇒ <u>1.7pips</u>
NZD/JPY	6pips	⇒ <u>2.4pips</u>
ZAR/JPY	6pips	⇒ <u>2.0pips</u>
TRY/JPY	8pips	⇒ <u>3.4pips</u>
EUR/USD	0.0001~0.0002USD	⇒ <u>0.00008USD</u>
AUD/USD	0.0002~0.0004USD	⇒ <u>0.00015USD</u>
GPB/USD	0.0006USD	⇒ <u>0.00015USD</u>
MXN/JPY	4pips	⇒ <u>1.3pips</u>

◆ New initiatives in FY2020

➤ Offer tighter spread than current

- ✓ Tighten the spread to competitive levels

➤ Enhance its promotion for new customers acquisition

- ✓ Focus on new customers acquisition

⇒ Expand the revenue from FX margin trading business

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 2020)

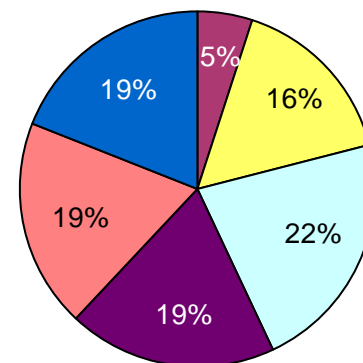
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	155,781	7,125	5,554
Number of active accounts ¹	66,267	3,978	2,295
Active account ratio	43%	56%	41%
Investment value in 2020(JPY mn)	42,888	490	974
Customers' assets(JPY mn) ²	109,779	1,402	2,850

◆ Top 5 in trading value (from January to June 2020)

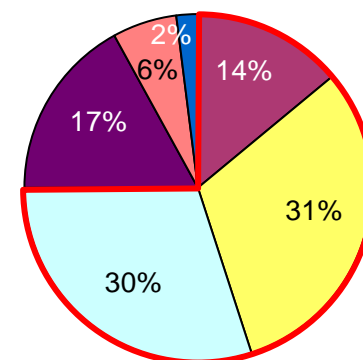
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	eMAXIS Slim US Equity S&P 500
2	Mizuho Financial Group, Inc. (8411)	eMAXIS Slim Developed Country Equity Index
3	Japan Airlines Co., Ltd. (9201)	Nissay Foreign Equity Index Fund no charge
4	Orix Corp. (8591)	Hifumi Plus
5	Mitsubishi UFJ Financial Group, Inc. (8306)	eMAXIS Slim Balance 8 Asset Equability type

◆ Attribution of NISA accounts by age (as of June 2020)

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 30 June 2020 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 July 2020. 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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