



# Matsui Securities Co., Ltd.

(First Section of Tokyo Stock Exchange: 8628)

## Results for 1<sup>st</sup> Half FY2006

November 2006

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# Highlights of 1<sup>st</sup> Half FY2006

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## 1. Operating revenues:21.6billion yen, Net income: 6.6billion yen

- ◆ Commission income: 13.5billion yen (YoY -17% down)
- ◆ Net interest income: 6.7billion yen (YoY +37% up)
  - ~ 74% of SG&A covered by net interest income
- ◆ Ordinary income ratio: 52%

## 2. Results of Operation

- ◆ Equity trading value: 13.7trillion yen (YoY +14% up), Market share: 10%
- ◆ Shares bought on margin as of 30 Sep. 06 : 430.2billion yen (YoY +13% up)
- ◆ # of accounts as of 30 Sep. 06: 622,319, # of margin accounts : 83,024
- ◆ 37% of the balance of total margin trading is general margin trading (as of 30 Sep. 06)

## 3. Recent and Future Developments

- ◆ Have introduced the new commission structure since Apr. 06
- ◆ Have waived the commission charge for general margin trading since Sep. 06
- ◆ Enhance the customer support system and reinforce the capacity of the trading system
- ◆ Improve usability of the trading platform (e.g. introduction of “NSHS” and upgrade the mobile phone services)

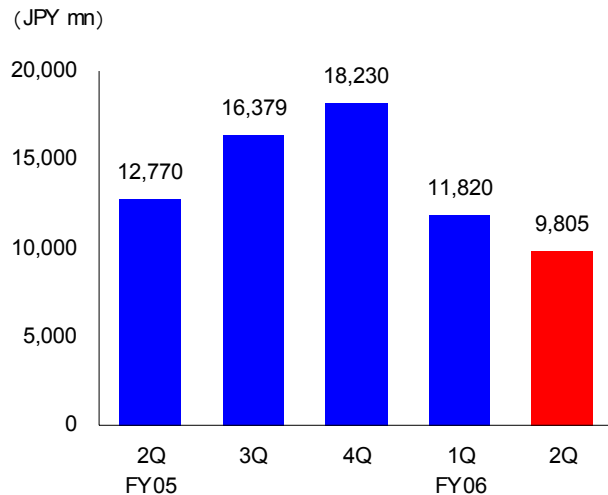
# Financial Summary

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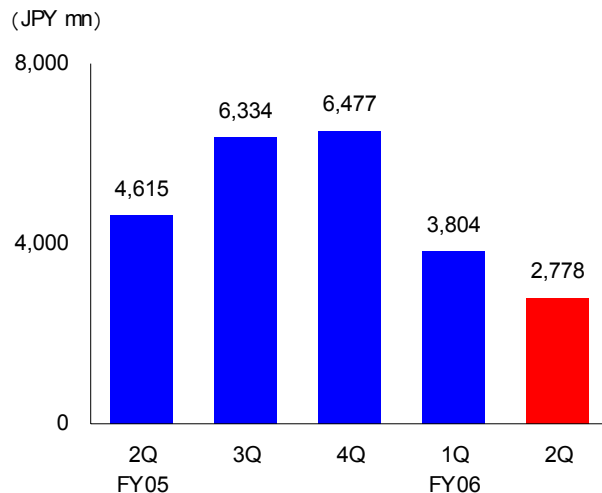
## Section 1

# Summary

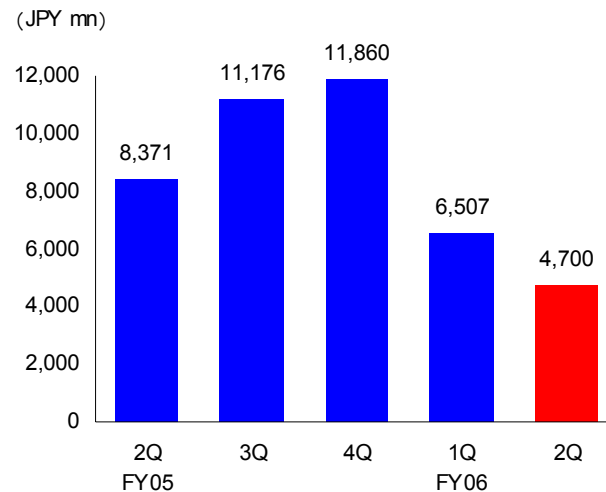
## ◆ Operating revenues



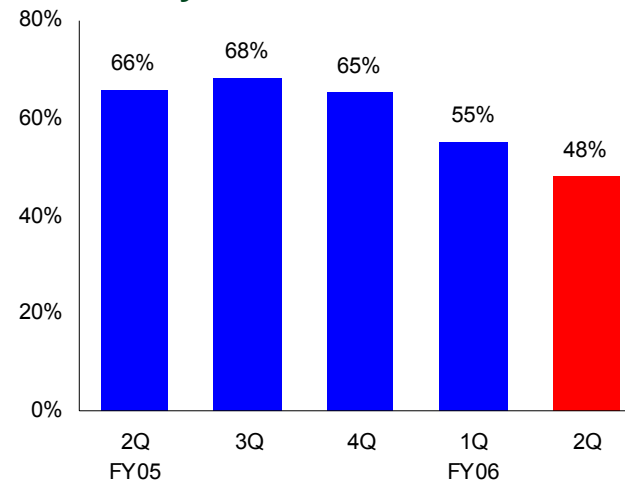
## ◆ Net income



## ◆ Ordinary income



## ◆ Ordinary income ratio



# Summary of Financial Results (1HF FY06)

(JPY mn)

	FY06	FY05			YoY	FY05
	1HF	2HF	HFoHF	1HF		TOTAL
Operating Revenues	21,625	34,609	-38%	22,463	-4%	57,072
Commissions	13,513	26,235	-48%	16,242	-17%	42,477
Interest & dividend income	8,188	8,530	-4%	6,309	30%	14,839
Interest expenses	1,471	1,526	-4%	1,396	5%	2,922
Net operating revenues	20,154	33,083	-39%	21,067	-4%	54,150
SG&A	9,092	9,986	-9%	7,048	29%	17,034
Operating income	11,061	23,097	-52%	14,019	-21%	37,116
Ordinary income	11,207	23,036	-51%	14,026	-20%	37,062
Net income	6,582	12,812	-49%	7,839	-16%	20,650
Ordinary income ratio	52%	67%	-	62%	-	65%
Matsui's trading value (JPY tn)	13.7	21.5	-36%	12.0	14%	33.5
Daily average trading value onTSE (JPY tn)	2.6	3.1	-18%	1.7	52%	2.4

# Breakdown of Net Operating Revenues (1HF FY06)

(JPY mn)

	FY06	FY05			YoY	FY05
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	13,513	26,235	-48%	16,242	-17%	42,477
Brokerage	12,234	24,389	-50%	14,793	-17%	39,182
Underwriting & selling	37	64	-41%	100	-63%	164
Subscription & distribution	2	20	-89%	3	-33%	23
Others	1,240	1,762	-30%	1,346	-8%	3,108
Net gain (loss) on trading	△ 77	△ 155	-	△ 89	-	△ 244
Interest & dividend income(1)	8,188	8,530	-4%	6,309	30%	14,839
Total operating revenues	21,625	34,609	-38%	22,463	-4%	57,072
Interest expenses (2)	1,471	1,526	-4%	1,396	5%	2,922
Net operating revenues	20,154	33,083	-39%	21,067	-4%	54,150
Net interest income (1) - (2)	6,717	7,003	-4%	4,914	37%	11,917

# Breakdown of SG&A (1HF FY06)

(JPY mn)

	FY06	FY05			YoY	FY05
	1HF	2HF	HFoHF	1HF		TOTAL
Transaction related expenses	2,674	2,920	-8%	2,080	29%	5,000
Advertisement	545	555	-2%	215	154%	770
Employees' compensation & benefits	951	1,094	-13%	886	7%	1,979
Occupancy & rental	182	171	7%	152	20%	324
Data processing & office supplies	4,403	4,017	10%	3,156	40%	7,173
Depreciation	593	561	6%	489	21%	1,050
Duties & taxes other than income taxes	152	214	-29%	138	10%	353
Provision of allowance for doubtful accounts	-	920	-	29	-	949
Others	138	89	54%	117	18%	206
<b>Total SG&amp;A</b>	<b>9,092</b>	<b>9,986</b>	<b>-9%</b>	<b>7,048</b>	<b>29%</b>	<b>17,034</b>



# Summary of Financial Results (Quarterly)

(JPY mn)

	FY06	FY06	QoQ	FY05			YoY	FY05
	2Q	1Q		4Q	3Q	2Q		TOTAL
Operating Revenues	9,805	11,820	-17%	18,230	16,379	12,770	-23%	57,072
Commissions	5,989	7,524	-20%	13,175	13,060	9,524	-37%	42,477
Interest & dividend income	3,891	4,297	-9%	4,511	4,019	3,304	18%	14,839
Interest expenses	771	700	10%	731	795	776	-1%	2,922
Net operating revenues	9,033	11,120	-19%	17,499	15,584	11,994	-25%	54,150
SG&A	4,426	4,666	-5%	5,676	4,311	3,621	22%	17,034
Operating income	4,607	6,454	-29%	11,823	11,274	8,373	-45%	37,116
Ordinary income	4,700	6,507	-28%	11,860	11,176	8,371	-44%	37,062
Net income	2,778	3,804	-27%	6,477	6,334	4,615	-40%	20,650
Ordinary income ratio	48%	55%	-	65%	68%	66%	-	65%
Matsui's trading value (JPY tn)	6.1	7.6	-20%	10.7	10.8	7.2	-16%	33.5
Daily average trading value onTSE (JPY tn)	2.3	2.8	-19%	3.1	3.1	2.0	17%	2.4

# Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY06	FY06	QoQ	FY05			YoY	FY05
	2Q	1Q		4Q	3Q	2Q		TOTAL
Commissions	5,989	7,524	-20%	13,175	13,060	9,524	-37%	42,477
Brokerage	5,359	6,875	-22%	12,313	12,076	8,643	-38%	39,182
Underwriting & selling	18	19	-7%	37	26	41	-56%	164
Subscription & distribution	2	0	242%	17	3	1	70%	23
Others	611	629	-3%	808	954	839	-27%	3,108
Net gain (loss) on trading	△ 76	△ 1	-	544	△ 700	△ 58	-	△ 244
Interest & dividend income(1)	3,891	4,297	-9%	4,511	4,019	3,304	18%	14,839
Total operating revenues	9,805	11,820	-17%	18,230	16,379	12,770	-23%	57,072
Interest expenses (2)	771	700	10%	731	795	776	-1%	2,922
Net operating revenues	9,033	11,120	-19%	17,499	15,584	11,994	-25%	54,150
Net interest income (1) - (2)	3,120	3,597	-13%	3,779	3,224	2,528	23%	11,917

# Breakdown of SG&A (Quarterly)

(JPY mn)

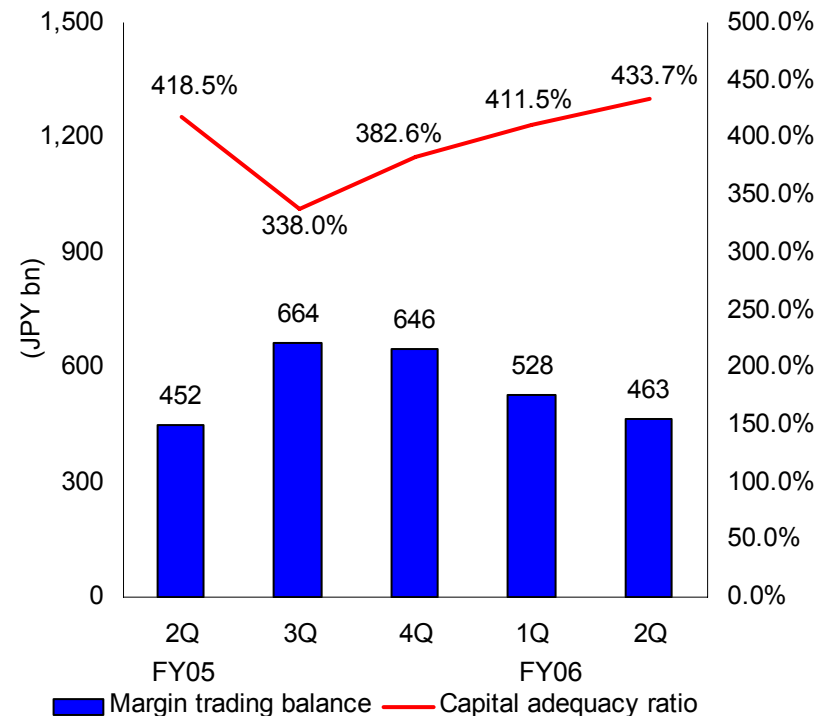
	FY06	FY06	QoQ	FY05			YoY	FY05 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Transaction related expenses	1,306	1,368	-5%	1,598	1,322	1,099	19%	5,000
Advertisement	280	265	5%	343	212	107	162%	770
Employees' compensation & benefits	499	452	10%	624	470	384	30%	1,979
Occupancy & rental	93	90	4%	86	85	80	16%	324
Data processing & office supplies	2,094	2,309	-9%	2,027	1,991	1,659	26%	7,173
Depreciation	305	288	6%	288	273	252	21%	1,050
Duties & taxes other than income taxes	72	80	-11%	120	94	80	-11%	353
Provision of allowance for doubtful accounts	-	-	-	903	17	8	-	949
Others	58	80	-27%	29	60	59	-1%	206
<b>Total SG&amp;A</b>	<b>4,426</b>	<b>4,666</b>	<b>-5%</b>	<b>5,676</b>	<b>4,311</b>	<b>3,621</b>	<b>22%</b>	<b>17,034</b>

# Capital Adequacy Ratio

## ◆ Capital adequacy ratio (As of 30 September 2006)

			(JPY mn)	
Tier 1	(A)		67,293	
Tier 2	Net unrealized gain on investment		681	
	Statutory reserves		3,097	
	Allowance for doubtful accounts		280	
	Sub total	(B)	4,059	
Assets to be deducted from equity capital	(C)		6,566	
Net Capital		(A) + (B) - (C)	(D)	64,786
Total risk	Market risk		155	
	Counterparty risk		10,257	
	Basic risk		4,524	
	Total	(E)	14,937	
Capital Adequacy ratio		(D)/(E)	433.7%	

## ◆ Margin trading balance and capital adequacy ratio



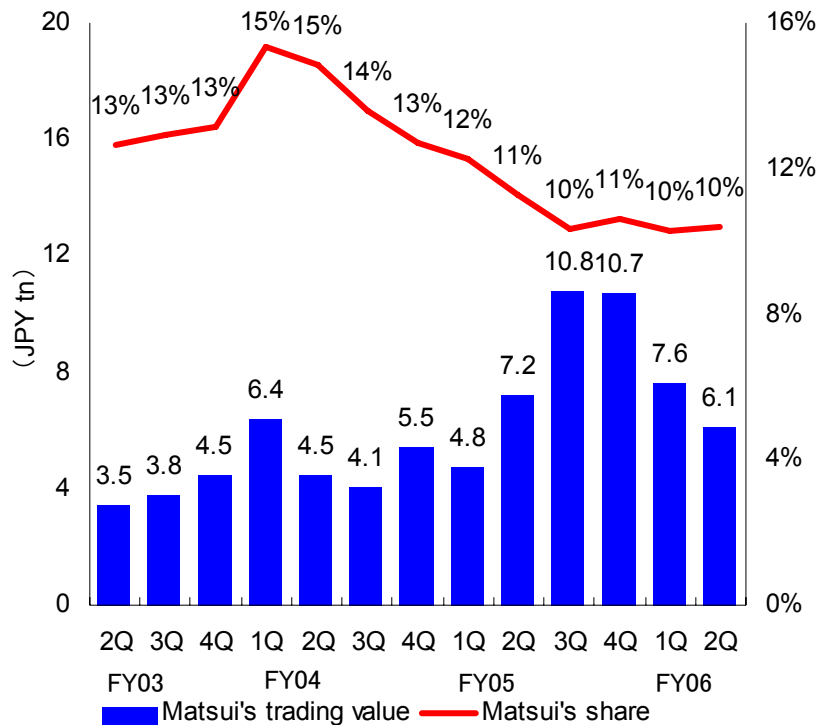
# Results of Operation

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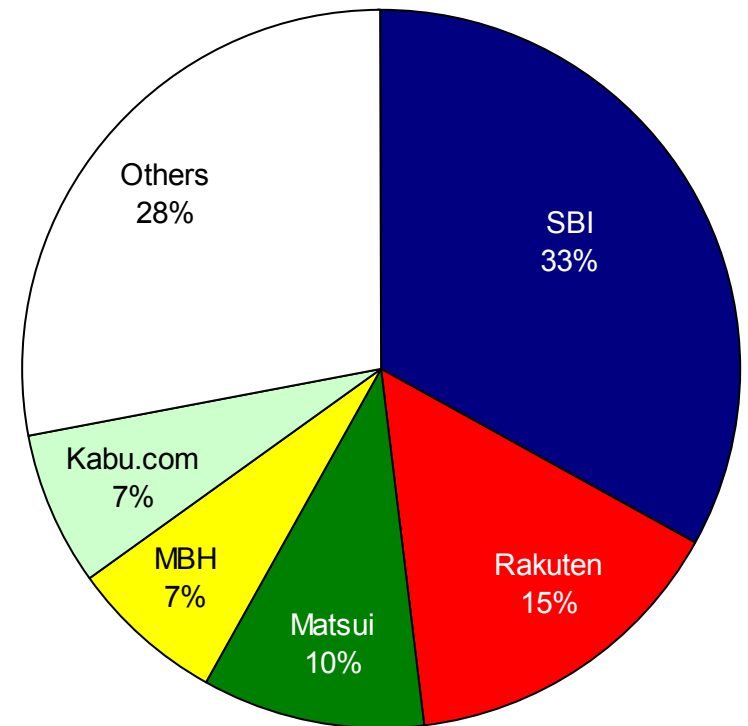
## Section 2

# Equity Trading Value

- ◆ Matsui's trading value
- ◆ Matsui's market share in retail equity trading value<sup>1</sup>



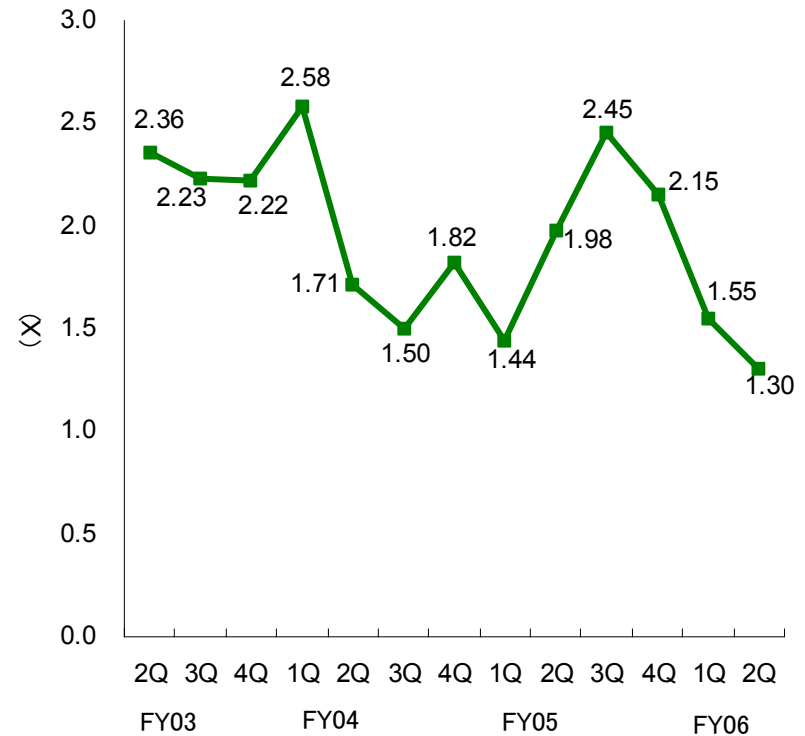
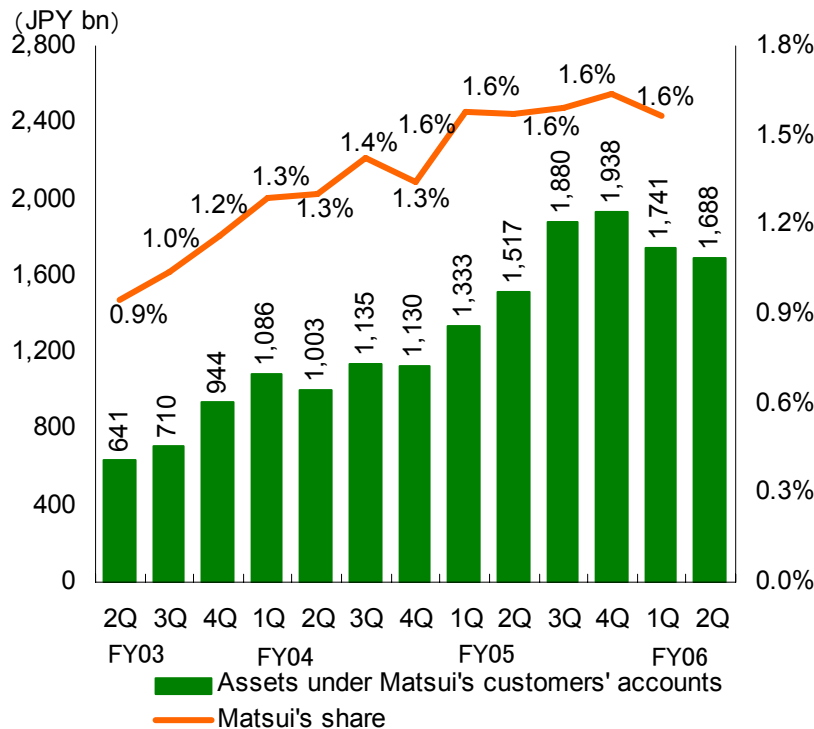
- ◆ Market share in retail equity trading value for 2Q FY06



# Assets under customers' accounts / Trading Turnover

- ◆ Assets under Matsui's customers' accounts
- ◆ Matsui's market share in value of shares owned by individuals

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



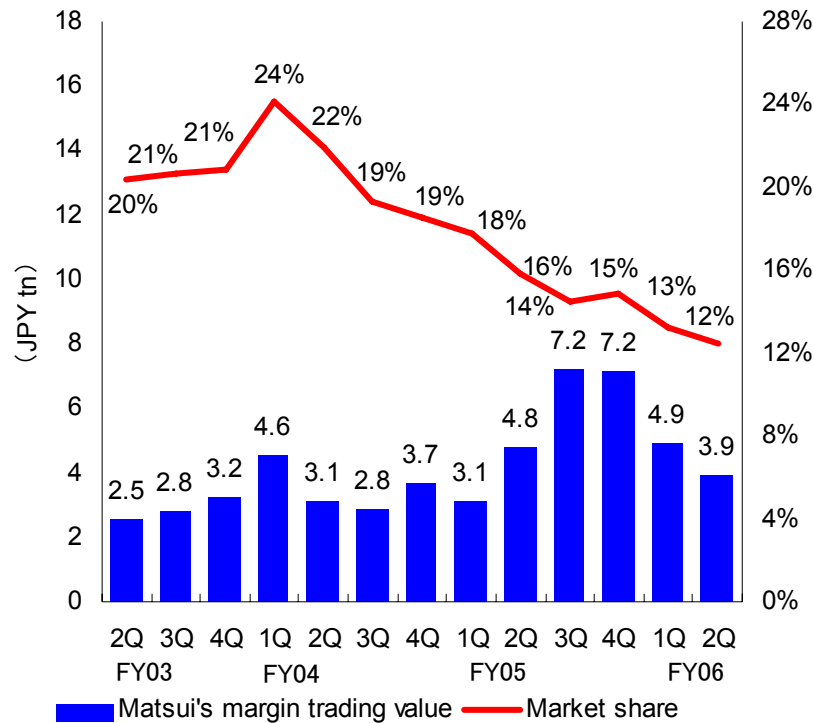
Source: BOJ

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

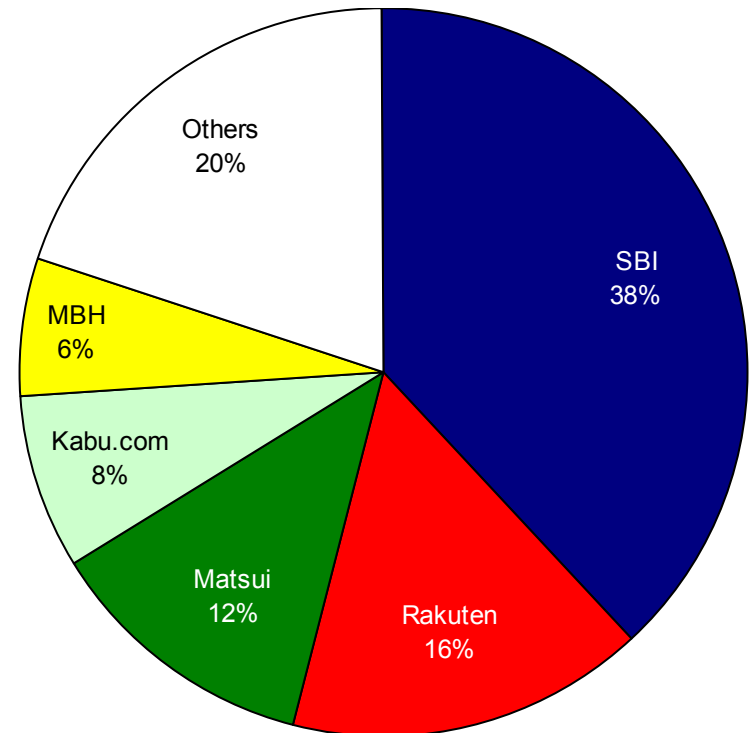
\* assets under customers' accounts of related persons are excluded

# Margin Trading Value

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



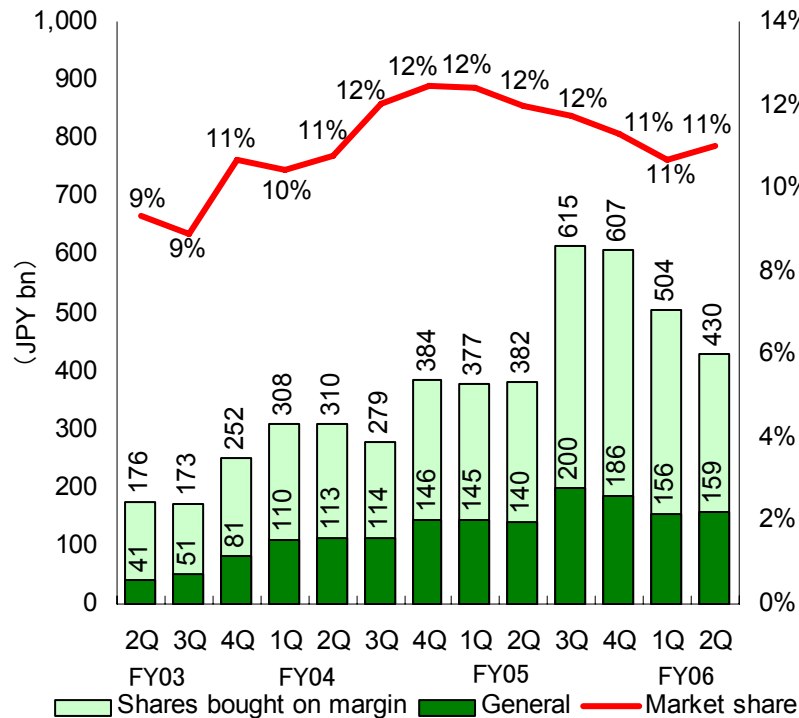
## ◆ Market share in retail margin trading value<sup>1</sup> for 2Q FY06



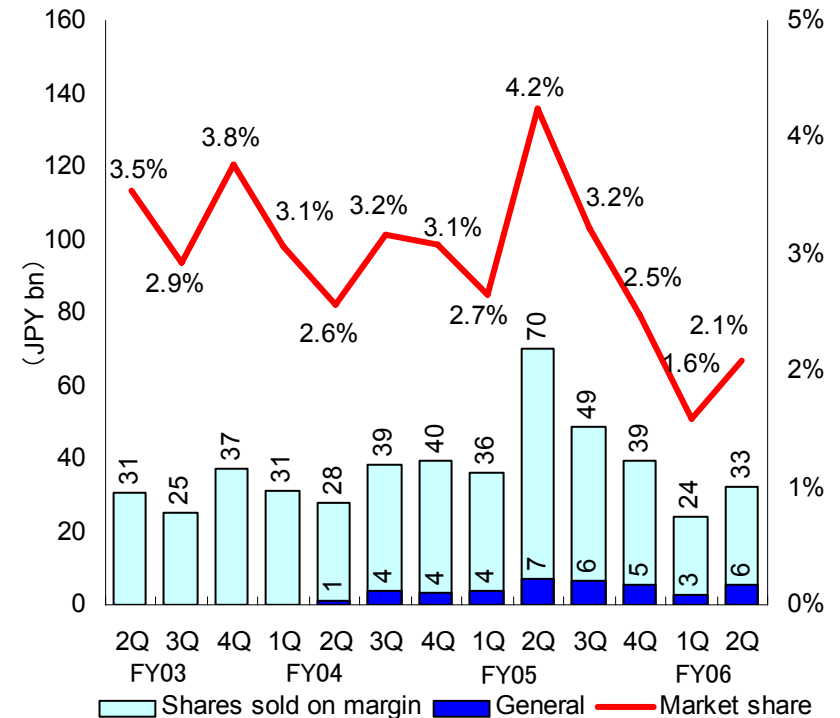


# Margin Trading Balance

## ◆ Shares bought on margin<sup>1</sup> and its market share<sup>2</sup>

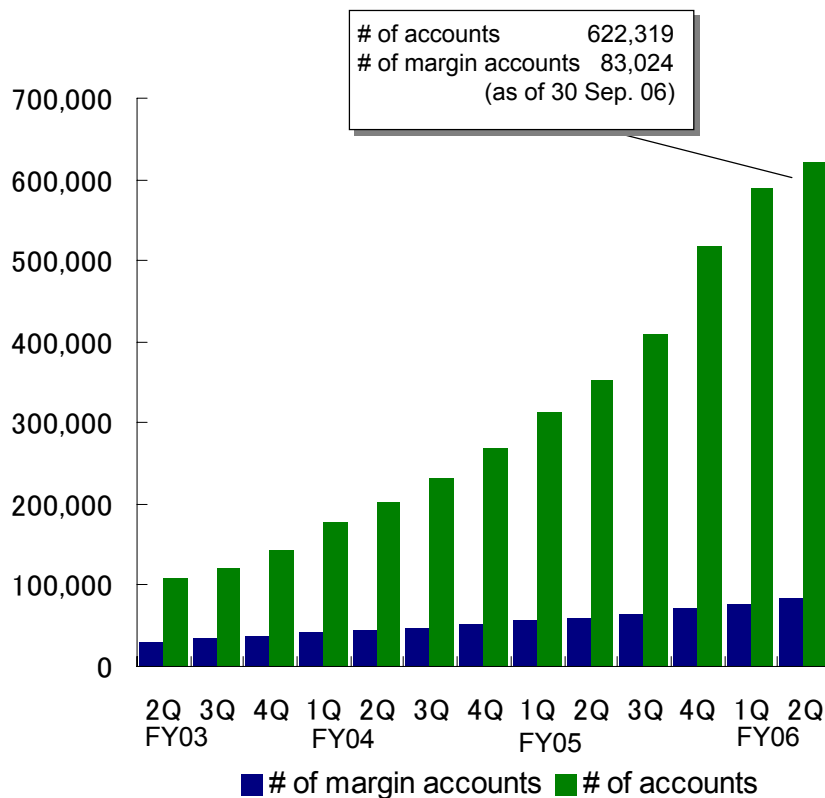


## ◆ Shares sold on margin<sup>1</sup> and its market share<sup>2</sup>

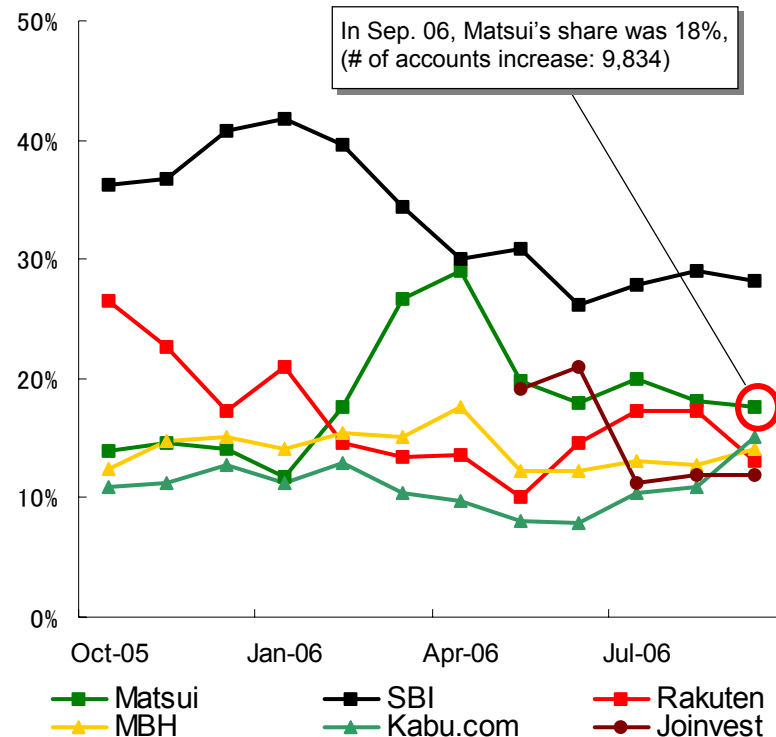


# Number of Accounts

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



## ◆ On-line brokers' share of the net increase in accounts<sup>2</sup>



Source: Company websites

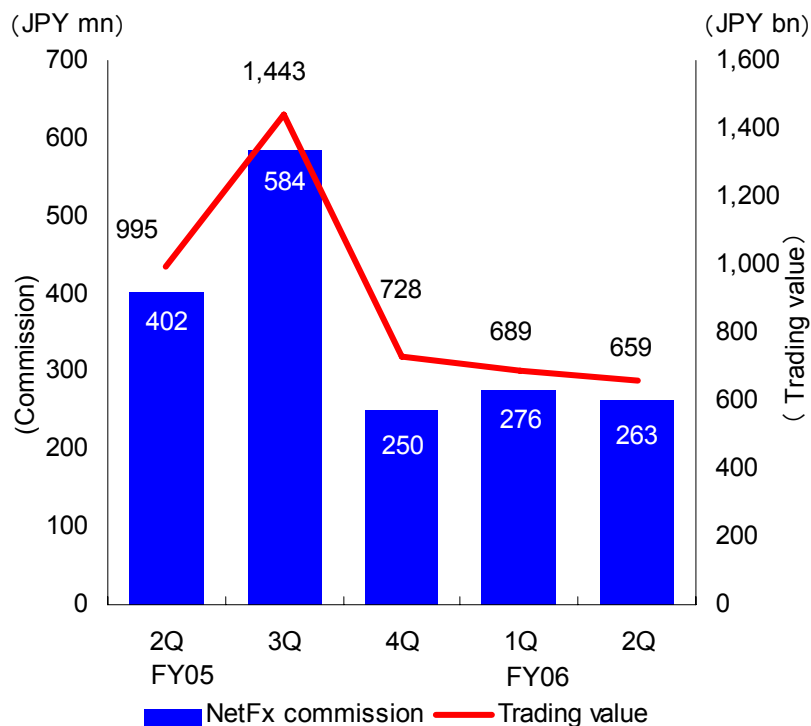
Note1: Number of accounts as of the end of each quarter

2: Share of net increase in accounts = # of net increase in accounts per month / Sum of net increase in accounts at 6 major on-line brokers. (exclude the effect of the merger between Kabu.com and Me-net in Jan. 06)

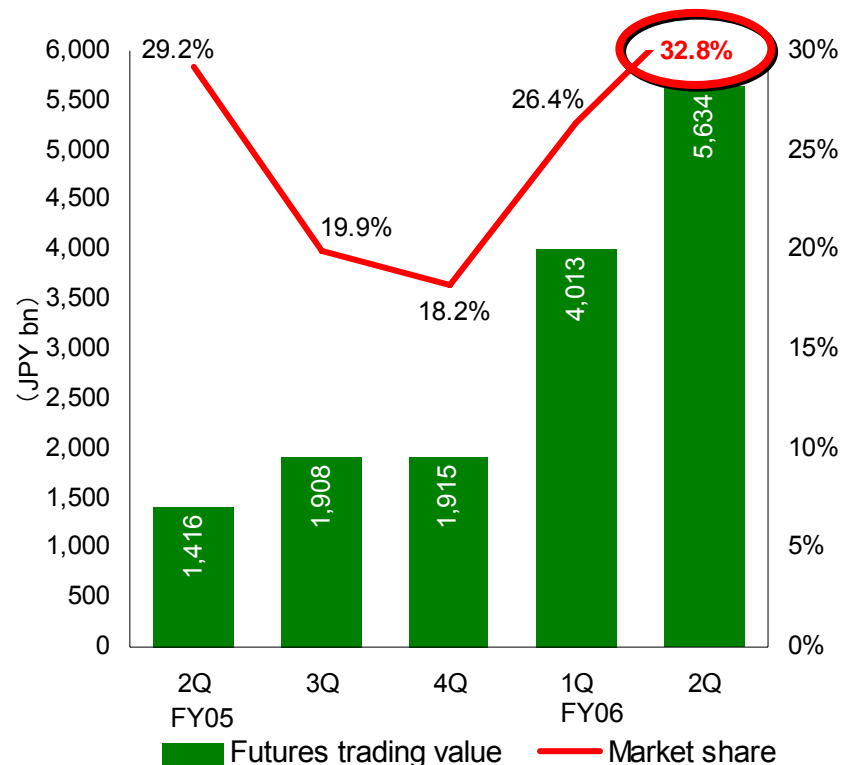
# Core related businesses (NetFx and Futures)

Nikkei 225 Futures trading value and its market share is constantly increasing.

## ◆ NetFX commission income and trading value<sup>1</sup>



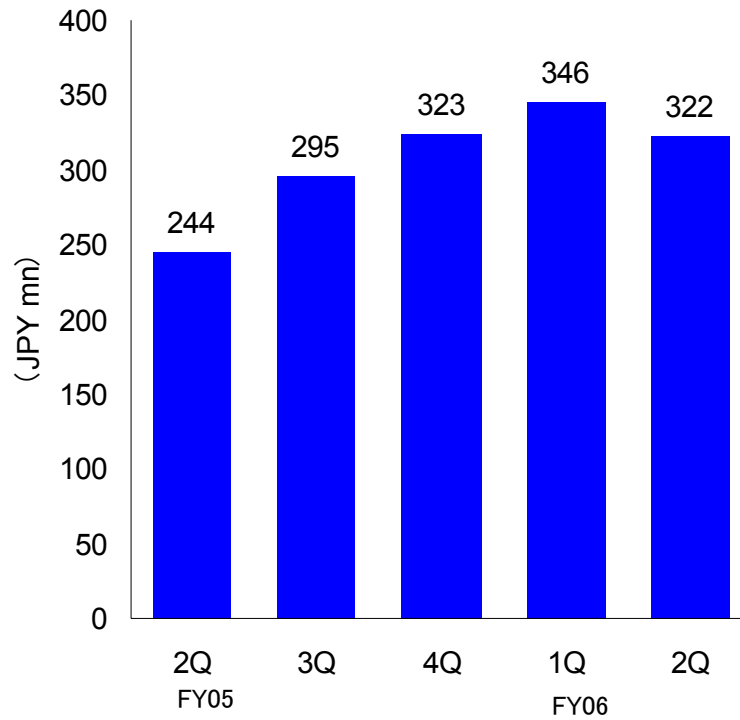
## ◆ Nikkei 225 Futures trading value and market share<sup>2</sup>



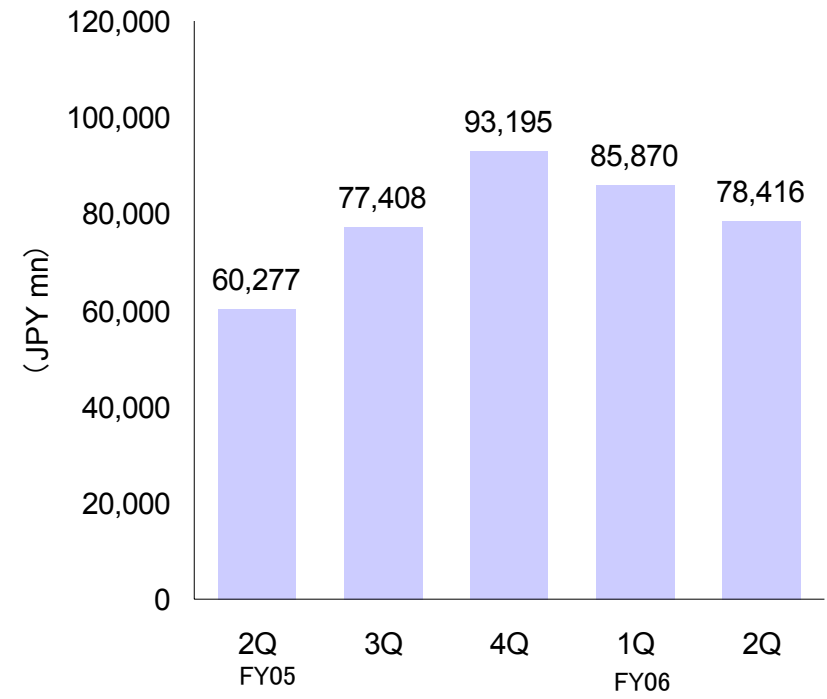
# Stock Lending Business

Revenues from stock lending have steadily increased based upon accumulated balance of margin trading

## ◆ Revenues



## ◆ Outstanding Balance



# List of Newly Offered Services / Products

Starting in	Details of services
October, 2005	Launch the "Only for mobile trading account"
January, 2006	Abolish the minimum fee for Telestock
February	Launch the visiting-support service "Lesson of basic operation for online securities trading"
March	Launch the visiting-support service "Introduction to start online trading" Launch of "Netstock High-Speed"
April	Change the commission rate (stock, future and option)
July	Launch trading of "Mini Nikkei 225 Futures"
August	Introduce "Read Speaker", a function which read out text on the web site
September	Waive the commission charge for Unlimited Margin Transaction
October	Start accepting simple application for opening new securities account via Suruga Bank website Introduce "High-Speed α ", a trading tool for mobile phone
November (plan)	Renewal Matsui's web site Enhance the system security of members' web site Expand trigger mail function
December (plan)	Shorten the lead time for opening an account Launch trading of the listed foreign securities (a part)
2007(plan)	Introduce "Stop loss order" function Launch the "Real-Time-Settlement" night trading

# Future Developments

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## Section 3

# Improvement of Quality of Services to Customers

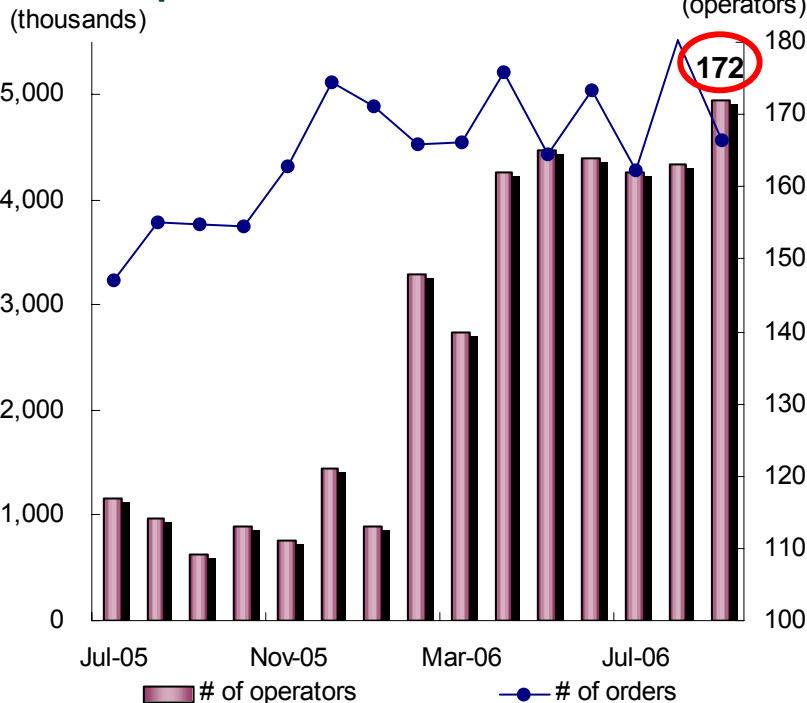
Quality of services to customers become significantly important in accordance with the increase in number of accounts and number of transactions

## Enhancement of customer support

### ◆ Expansion of “Call-Center”

- increase the number of operators to 300-350 to deal with expected increase in # of accounts and transactions (172 operators as of 30 Sep.06)

### ◆ # of operators and # of orders



## Reinforcement of the capacity of systems

### ◆ 2Q FY06

- reinforcement of the code processing equipment (Jul. 06)
  - reinforcement of the WEB server (Jul-Aug. 06)
  - reinforcement of the AP server (Aug. 06)
  - reinforcement of the front DB server (Aug. 06)
- ⇒ capacity level has increased to 1.2 million orders/day

### ◆ Plans for 3Q FY06

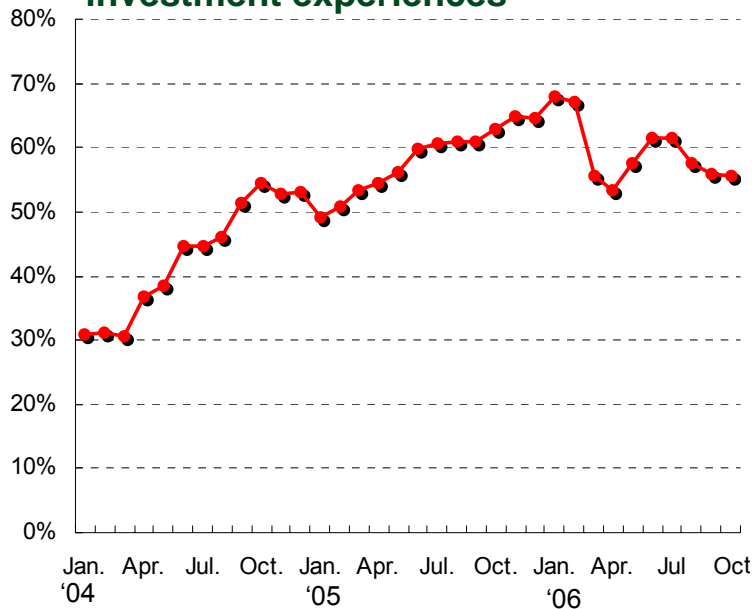
- expansion of call-center (Nov. 06)
  - reinforcement of the connective system with the stock exchanges (Dec. 06)
- ⇒ reinforcement plans according to the increase in # of operators and transaction

# Renewal Matsui's website

## Plan to renew the website under the concept of "Be friendly to beginners"

- ◆ Attract target investors who wish to open accounts at online brokers
  - enhance the promotion to acquire beginners
  - provide stock information
  - introduce FAQ tool to enhance customer support
  - introduce access analysis tool to optimize the website's component

### ◆ Proportion of new customers without investment experiences <sup>1</sup>



According to the renewal of Matsui's website, the URL would be changed after mid-November 2006  
 ⇒ New URL: <http://www.matsui.co.jp/ir/en/>

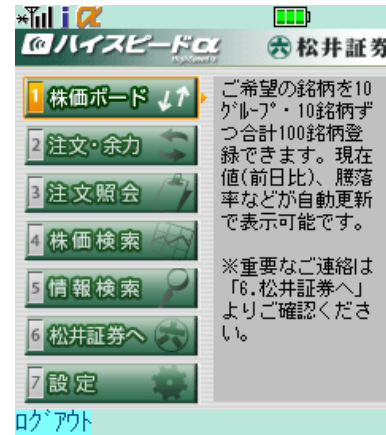


# Enhancement of Mobile phone Services

The introduction of High-Speed  $\alpha$  makes possible to order from the mobile phone using the price board updated timely and automatically

## Introduction of High-Speed $\alpha$

- ◆ “High-Speed  $\alpha$ ” is real time trading tool for mobile phone
  - 100 stocks can be registered on the price board
  - Cash and margin trading
  - Speed order function
  - Chart
  - List of Index
  - Ranking
  - Notice of execution
  - Price board updated timely and automatically
  - Easy log-in, easy order function
  
- ◆ Other additional functions and its release schedule
  - Add Willcom terminal as recommended environment
  - Plan to add real time trigger mail in Nov. 06



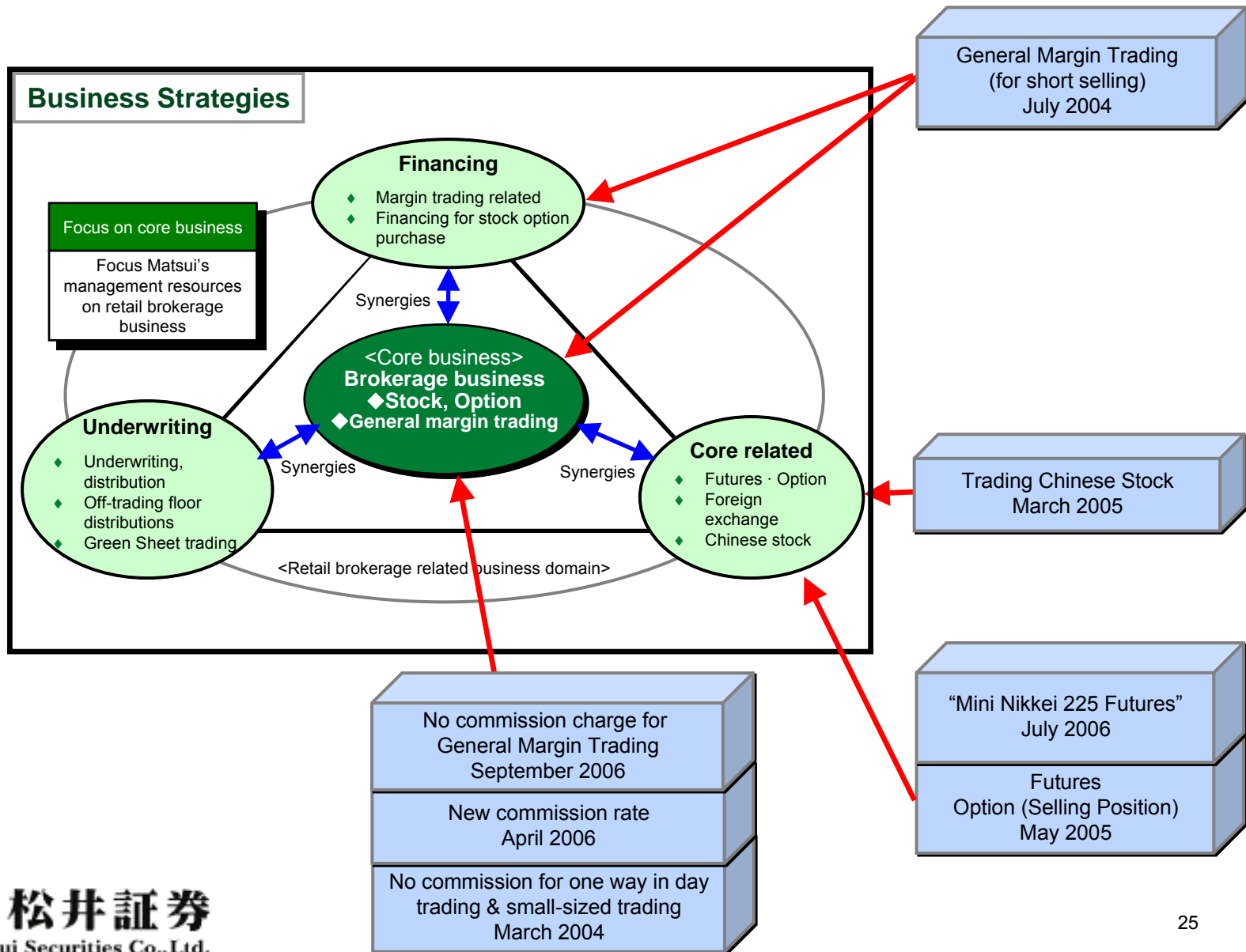
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[東]7203 トヨタ	6,700	-70	09:22
[東]6758 ソニー	4,770	-20	09:22
[東]6502 東芝	766	+24	09:22
[東]6752 松下	2,610	0	09:22



売数量	買数量
25400	1000
2500	999
800	998
9400	997
1700	996
	995
	994
	993
	992
	991

(Images of High-Speed  $\alpha$ )

# Business Strategies: Focus on Core Related Businesses



The material is intended to provide the financial results for the six month ended 30 September 2006 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 November 2006. 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.

This presentation may contain forward looking information. Please keep in mind that they are based on projections of the company and subject to changes depending on the situation. We will under no circumstances assume the obligation to revise this presentation in case such situation occurs.

## Contact information

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Ayako KISEKI, Assistant Manager of IR Office: [a-kiseki@matsui.co.jp](mailto:a-kiseki@matsui.co.jp)

URL: [http://www.matsui.co.jp/about\\_matsui/en/](http://www.matsui.co.jp/about_matsui/en/)

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