Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 2Q FY2013

October 2013

松井証券
Matsui Securities Co.,Ltd.

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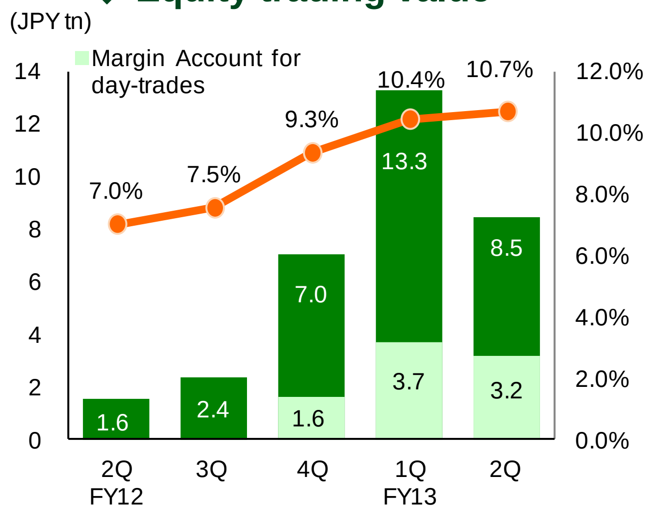
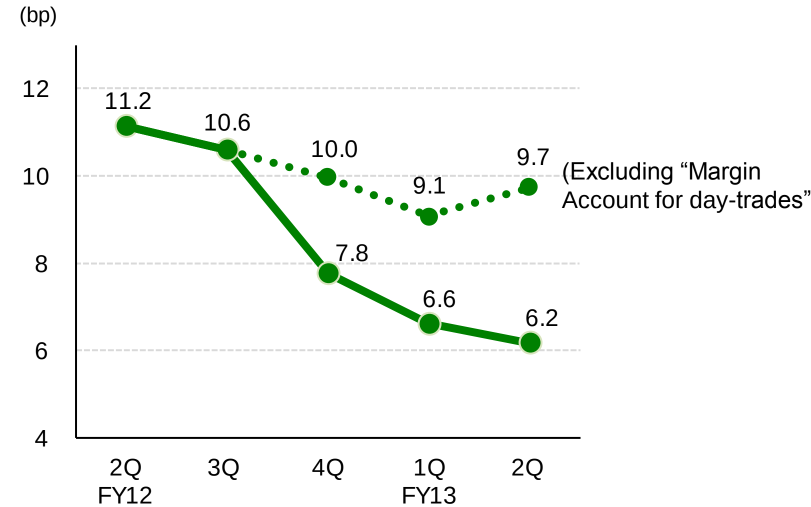
Results of Operation

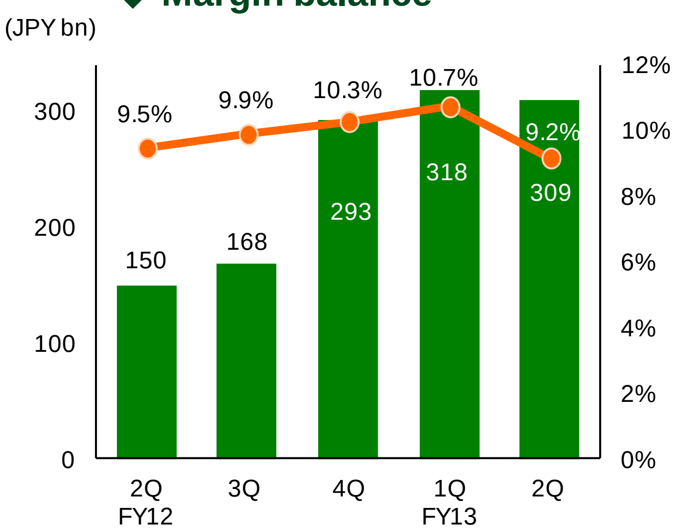
◆ Equity trading value



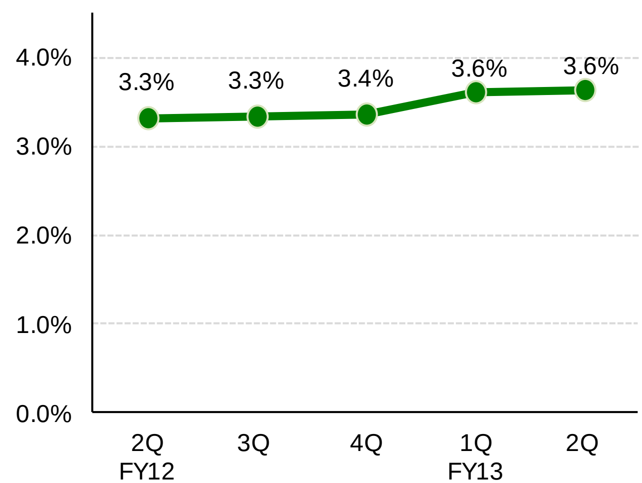
◆ Equity commission rate



◆ Margin balance



◆ Net interest income ratio



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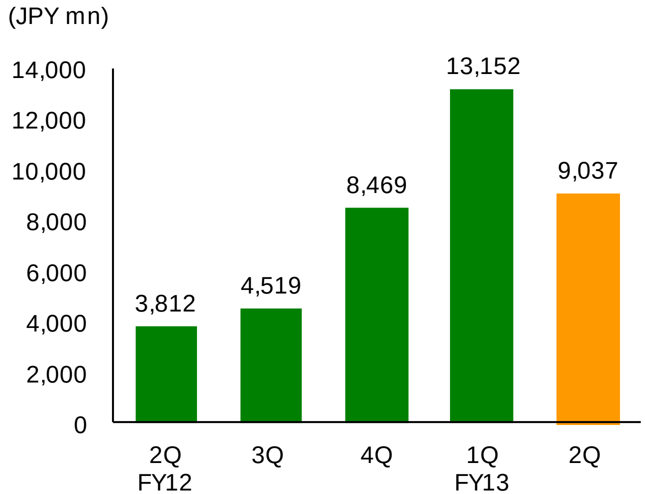
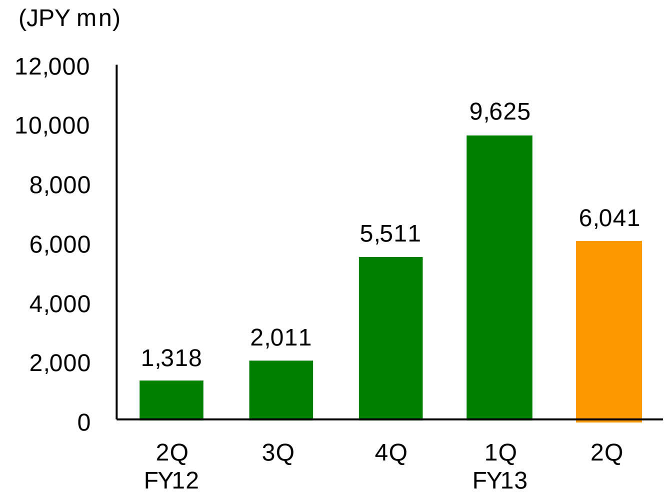
Financial Results

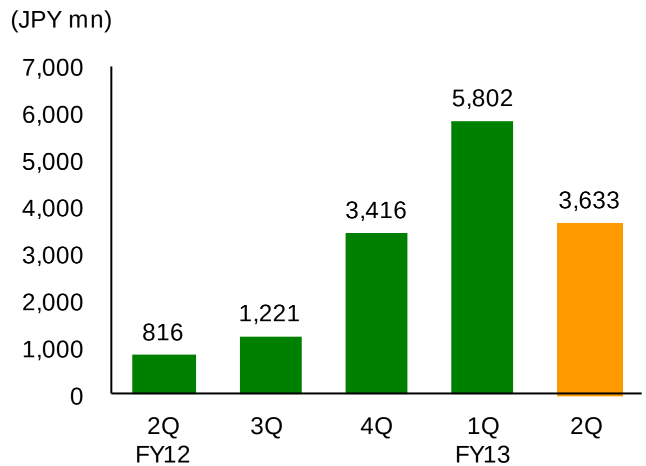
◆ Operating revenues



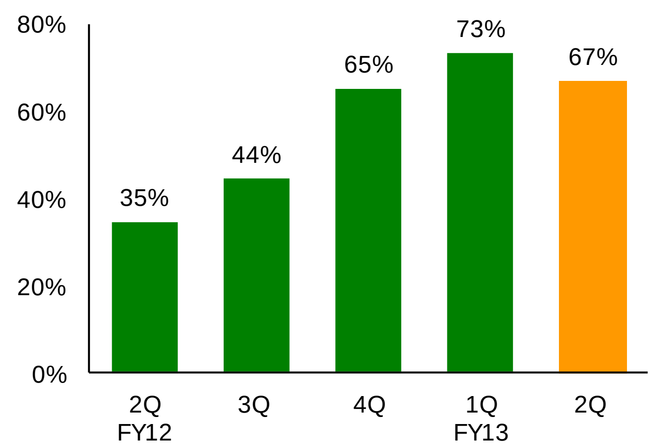
◆ Ordinary income



◆ Net income

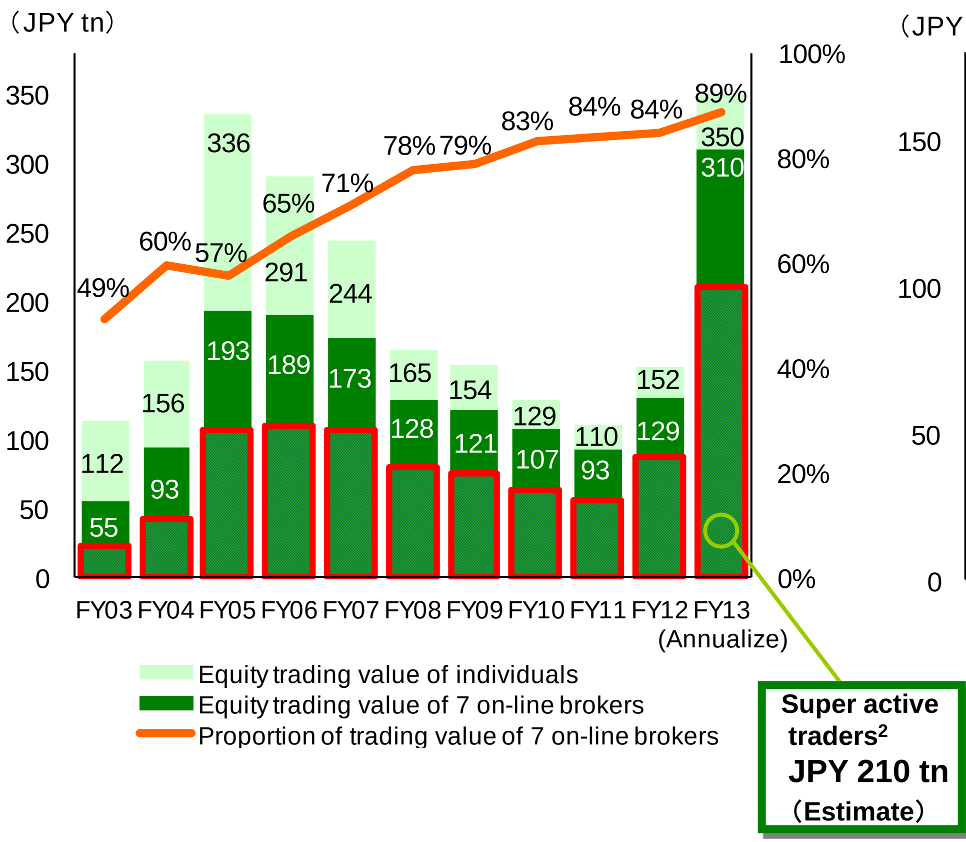


◆ Ordinary income ratio

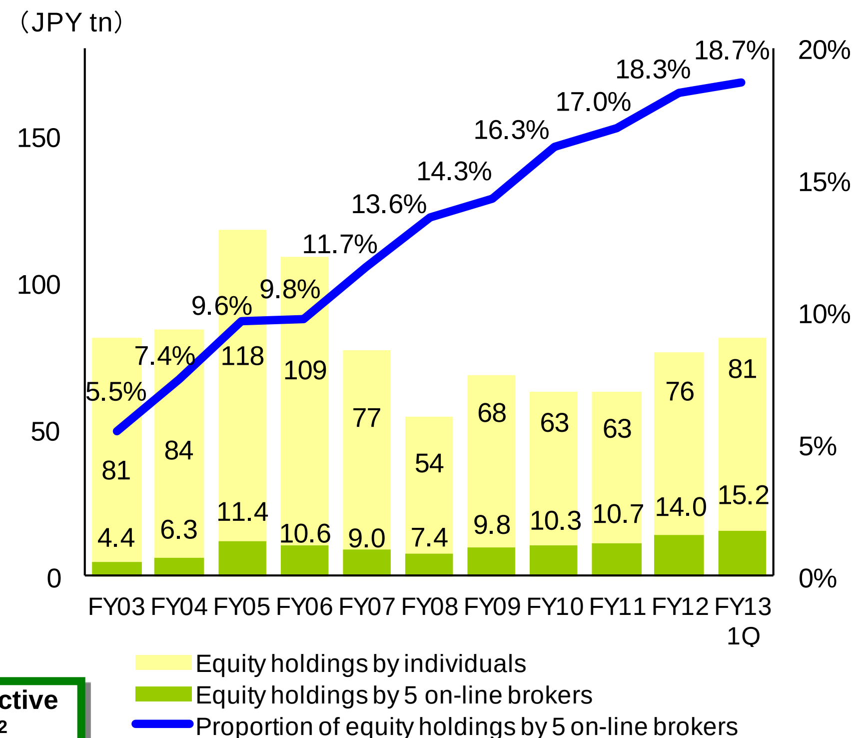


Overview of Retail Equity Trading Market

◆Equity trading value of individuals[1] (FLOW)



◆ Equity holdings by individuals[1] (STOCK)



Source : TSE, BOJ, Company data, Company Website
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

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Financial Summary

Section 1

Summary of Financial Results (1HF FY13)

(JPY mn)

	FY13	FY12				FY12
	1HF	2HF	HFoHF	1HF	YoY	TOTAL
Operating Revenues	22,190	12,988	1.7×	7,811	2.8×	20,799
Commissions	15,977	9,445	1.7×	4,720	3.4×	14,165
Interest & dividend income	6,204	3,566	1.7×	3,089	2.0×	6,654
Interest expenses	591	431	1.4×	453	1.3×	884
Net operating revenues	21,599	12,556	1.7×	7,358	2.9×	19,915
SG&A	5,984	5,049	1.2×	4,671	1.3×	9,719
Operating income	15,615	7,508	2.1×	2,688	5.8×	10,195
Ordinary income	15,666	7,522	2.1×	2,723	5.8×	10,245
Net income	9,435	4,637	2.0×	1,790	5.3×	6,427
Ordinary income ratio	71%	58%	-	35%	-	49%
Matsui's trading value (JPY tn)	21.8	9.4	2.3×	3.3	6.6×	12.6
Daily average trading value on TSE (JPY tn)	3.0	1.9	1.6×	1.1	2.6×	1.5

Source: TSE

Breakdown of Net Operating Revenues (1HF FY13)

(JPY mn)

	FY13	FY12			YoY	FY12
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	15,977	9,445	1.7×	4,720	3.4×	14,165
Brokerage	15,383	8,858	1.7×	4,213	3.7×	13,072
Equity	14,083	7,980	1.8×	3,655	3.9×	11,635
Futures & Options	891	647	1.4×	426	2.1×	1,074
Others	589	586	1.0×	502	1.2×	1,088
Net gain (loss) on trading	7	-26	-	-0	-	-26
Interest & dividend income (1)	6,204	3,566	1.7×	3,089	2.0×	6,654
Total operating revenues	22,190	12,988	1.7×	7,811	2.8×	20,799
Interest expenses (2)	591	431	1.4×	453	1.3×	884
Net operating revenues	21,599	12,556	1.7×	7,358	2.9×	19,915
Net interest income (1) - (2)	5,613	3,134	1.8×	2,636	2.1×	5,770
Average margin balance (JPY bn)	310	187	1.7×	160	1.9×	173

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Breakdown of SG&A (1HF FY13)

(JPY mn)

	FY13	FY12			YoY	FY12
	1HF	2HF	HFoHF	1HF		TOTAL
Transaction related expenses	**2,560**	1,883	36%	1,473	74%	3,356
Advertisement	**285**	304	-6%	234	22%	538
Employees' compensation & benefits	**991**	921	8%	911	9%	1,832
Occupancy & rental	**450**	459	-2%	466	-3%	925
Data processing & office supplies	**876**	802	9%	823	6%	1,625
Depreciation	**827**	892	-7%	895	-8%	1,788
Duties & taxes other than income taxes	**141**	62	129%	54	161%	116
Provision of allowance for doubtful accounts	**52**	-21	-	-15	-	-36
Others	**86**	50	72%	64	35%	114
Total SG&A	**5,984**	5,049	19%	4,671	28%	9,719

Summary of Financial Results (Quarterly)

(JPY mn)

	FY13 2Q	FY13 1Q	QoQ	FY12 4Q	FY12 3Q	FY12 2Q	YoY	FY12 TOTAL
Operating Revenues	**9,037**	13,152	-31%	8,469	4,519	3,812	2.4×	20,799
Commissions	**6,052**	9,925	-39%	6,389	3,057	2,292	2.6×	14,165
Interest & dividend income	**2,983**	3,220	-7%	2,105	1,461	1,519	2.0×	6,654
Interest expenses	**239**	352	-32%	228	203	237	1.0×	884
Net operating revenues	**8,799**	12,800	-31%	8,241	4,316	3,575	2.5×	19,915
SG&A	**2,771**	3,213	-14%	2,742	2,307	2,264	1.2×	9,719
Operating income	**6,028**	9,587	-37%	5,499	2,009	1,311	4.6×	10,195
Ordinary income	**6,041**	9,625	-37%	5,511	2,011	1,318	4.6×	10,245
Net income	**3,633**	5,802	-37%	3,416	1,221	816	4.5×	6,427
Ordinary income ratio	**67%**	73%	-	65%	44%	35%	-	49%
Matsui's trading value (JPY tn)	**8.5**	13.3	-36%	7.0	2.4	1.6	5.4×	12.6
Daily average trading value on TSE (JPY tn)	**2.4**	3.5	-31%	2.5	1.3	1.1	2.3×	1.5

Source: TSE

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY13 2Q	FY13 1Q	QoQ	FY12 4Q	FY12 3Q	FY12 2Q	YoY	FY12 TOTAL
Commissions	6,052	9,925	-39%	6,389	3,057	2,292	2.6×	14,165
Brokerage	5,749	9,634	-40%	6,026	2,833	2,022	2.8×	13,072
Equity	5,276	8,807	-40%	5,479	2,501	1,759	3.0×	11,635
Futures & Options	306	585	-48%	396	251	207	1.5×	1,074
Others	298	291	2%	363	223	264	1.1×	1,088
Net gain (loss) on trading	1	6	-77%	-26	0	1	2.5×	-26
Interest & dividend income (1)	2,983	3,220	-7%	2,105	1,461	1,519	2.0×	6,654
Total operating revenues	9,037	13,152	-31%	8,469	4,519	3,812	2.4×	20,799
Interest expenses (2)	239	352	-32%	228	203	237	1.0×	884
Net operating revenues	8,799	12,800	-31%	8,241	4,316	3,575	2.5×	19,915
Net interest income (1) - (2)	2,745	2,868	-4%	1,877	1,257	1,281	2.1×	5,770
Average margin balance (JPY bn)	302	318	-5%	224	151	155	2.0×	173

Breakdown of SG&A (Quarterly)

(JPY mn)

	FY13	FY13	QoQ	FY12			YoY	FY12
	2Q	1Q		4Q	3Q	2Q		TOTAL
Transaction related expenses	1,154	1,406	-18%	1,113	770	700	65%	3,356
Advertisement	139	146	-5%	196	108	95	47%	538
Employees' compensation & benefits	485	506	-4%	466	455	453	7%	1,832
Occupancy & rental	222	228	-3%	229	230	230	-3%	925
Data processing & office supplies	438	438	-0%	396	406	402	9%	1,625
Depreciation	399	428	-7%	452	441	447	-11%	1,788
Duties & taxes other than income taxes	68	74	-9%	40	22	19	255%	116
Provision of allowance for doubtful accounts	-32	84	-	20	-40	-6	-	-36
Others	39	48	-19%	26	24	18	113%	114
Total SG&A	2,771	3,213	-14%	2,742	2,307	2,264	22%	9,719

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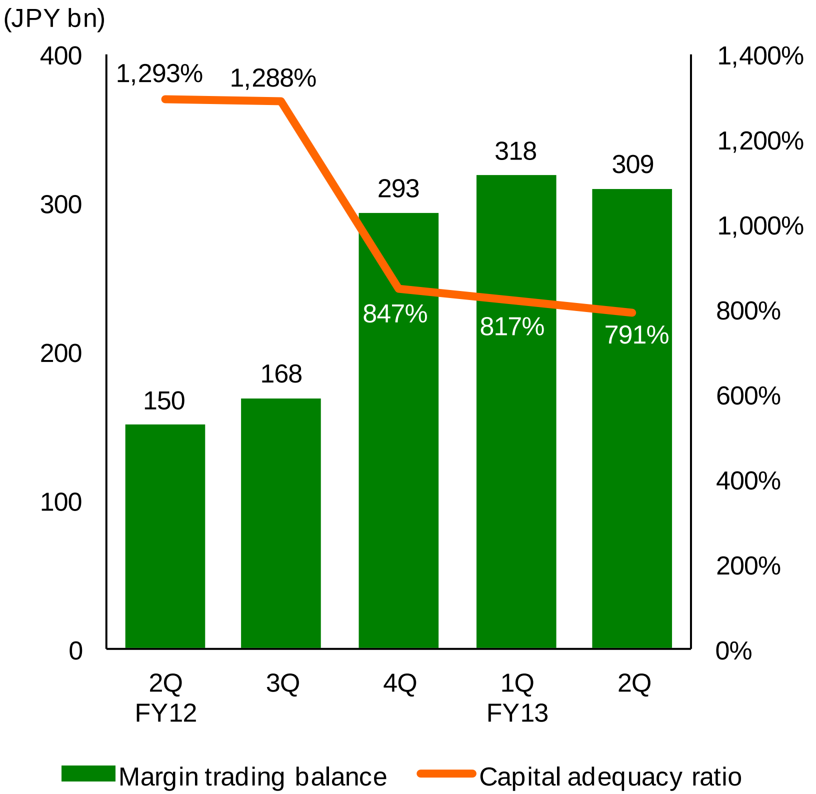
Capital Adequacy Ratio

◆ Capital adequacy ratio (As of 30 September 2013)

(JPY mn)

Tier 1		(A)	75,239
Tier 2	Net unrealized gain on investment		2,810
	Statutory reserves		1,554
	Allowance for doubtful accounts		16
	Sub total	(B)	4,381
Assets to be deducted from equity capital		(C)	5,022
Net Capital	(A) + (B) - (C)	(D)	74,598
Total risk	Market risk		702
	Counterparty risk		6,346
	Basic risk		2,383
	Total	(E)	9,432
Capital Adequacy ratio		(D)/(E)	790.8%

◆ Margin trading balance and capital adequacy ratio



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Shareholders Return

In accordance with the booming market conditions, we pay interim dividend of 30 yen per share for FY13

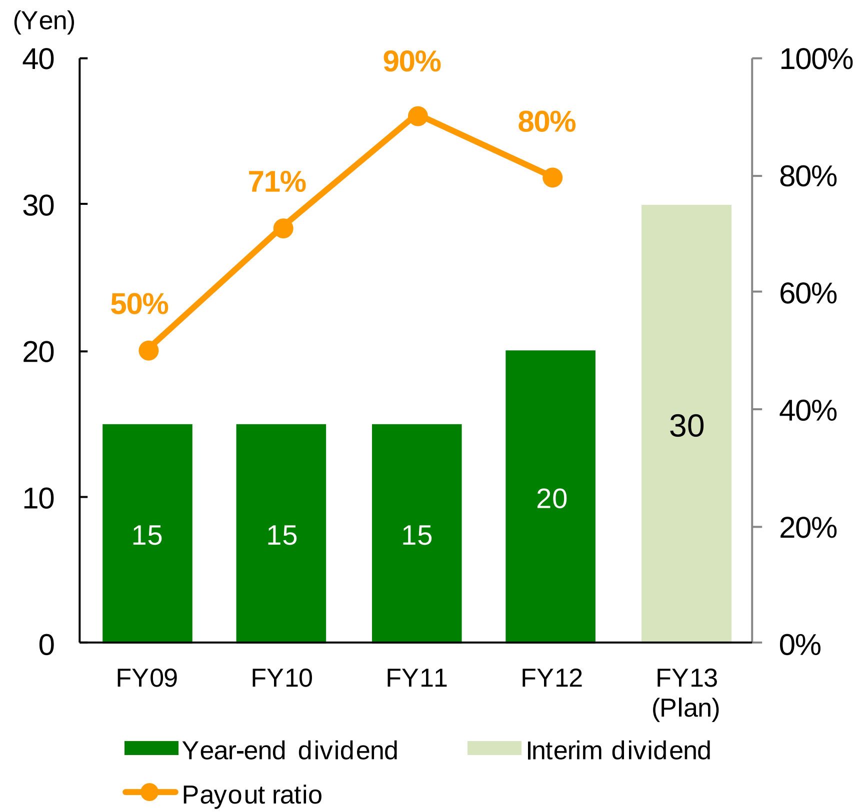
◆ Dividend policy

- Maintain the performance based return to the shareholders
- Target of payout ratio is <u>"30% and above"</u>

◆ Dividends for FY13

- Interim : Pay 30 yen per share
- Year-end : Not yet determined

◆ Matsui's dividend per share and payout ratio



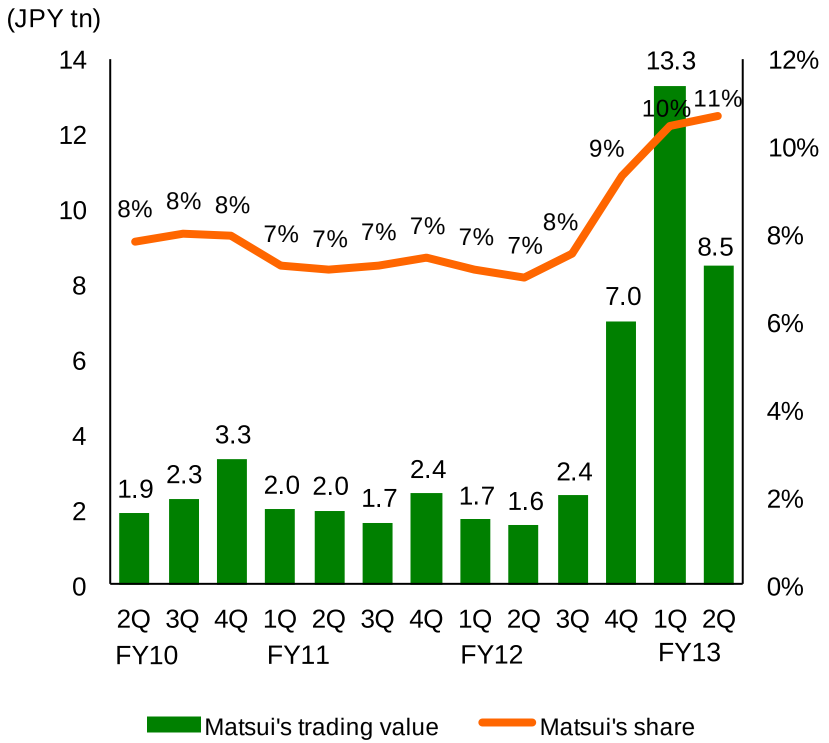
Matsui Securities Co.,Ltd.

Results of Operation

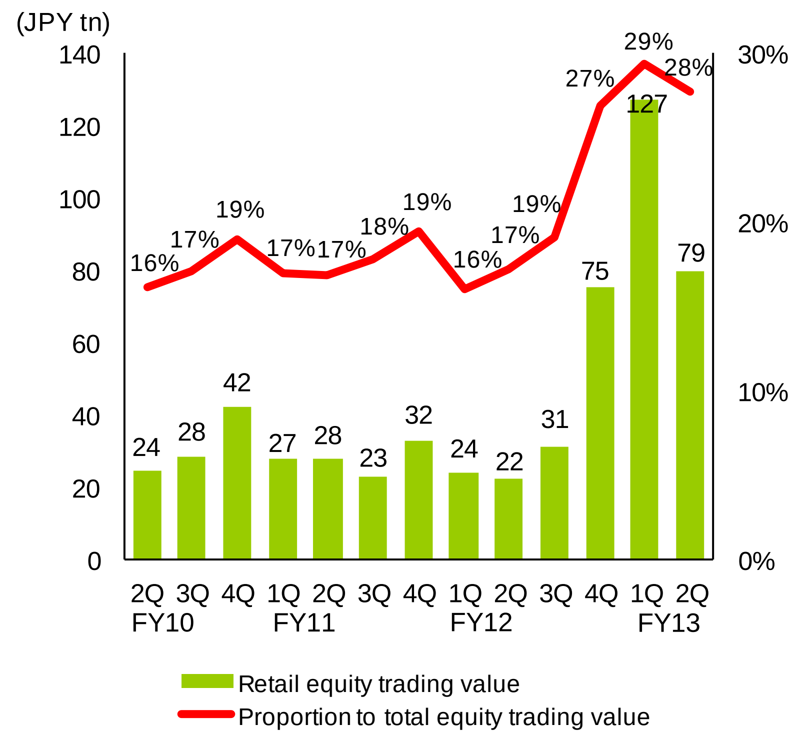
Section 2

Equity Trading Value

◆ **Matsui's equity trading value and its market share[1]**



◆ **Retail equity trading value[1] and proportion to total equity trading value**



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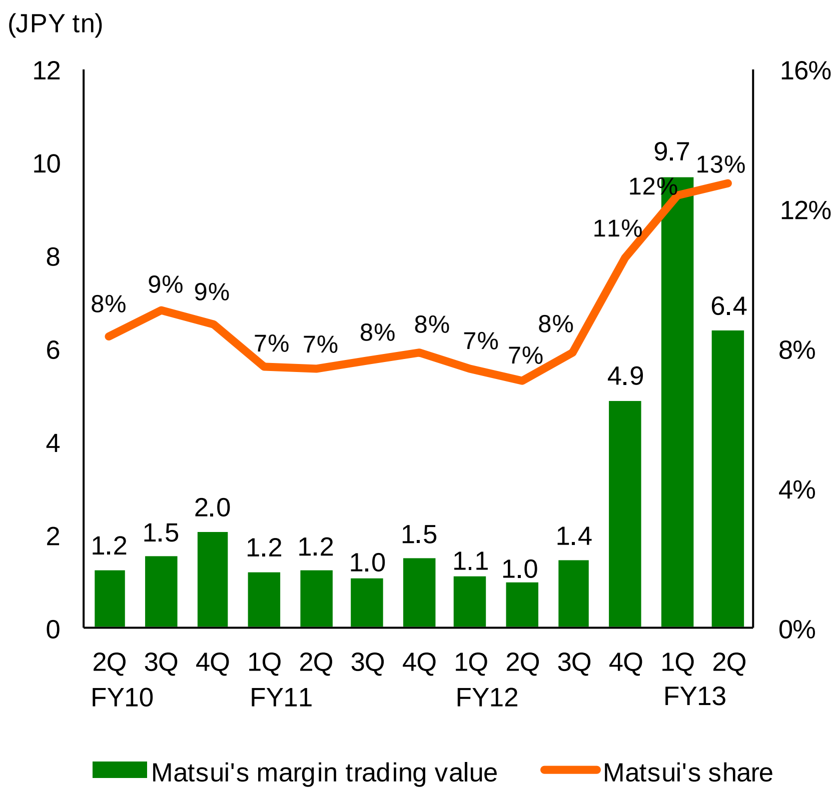
Source: TSE

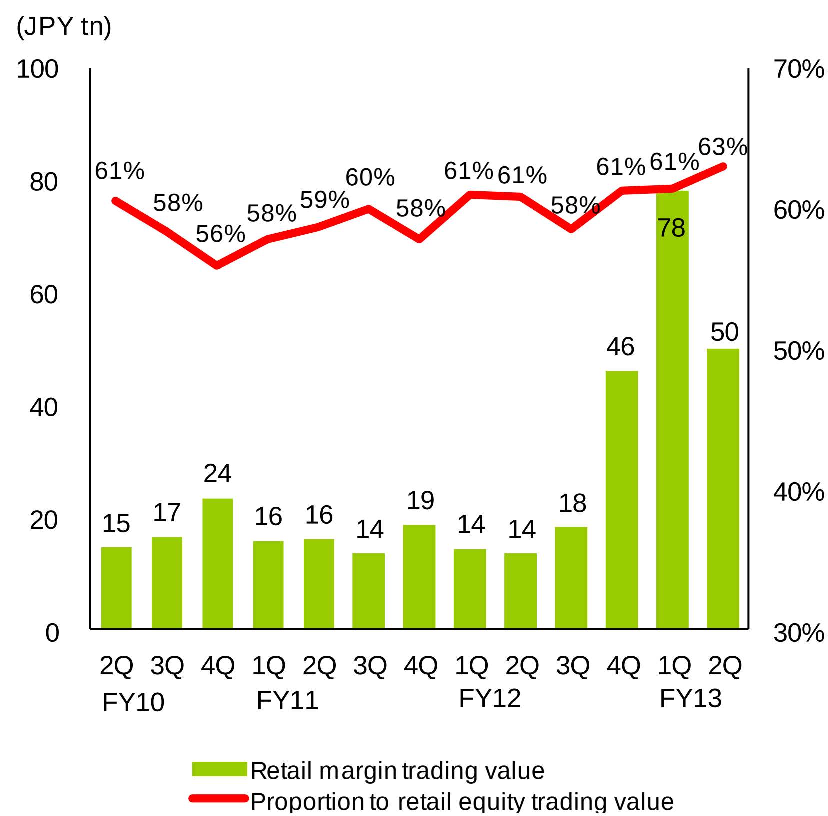
Note 1: Sum of the equity trading value on 2 major stock exchanges

Margin Trading Value

◆ **Matsui's margin trading value and its market share[1]**



◆ **Retail margin trading value[1] and proportion to total retail equity trading value**



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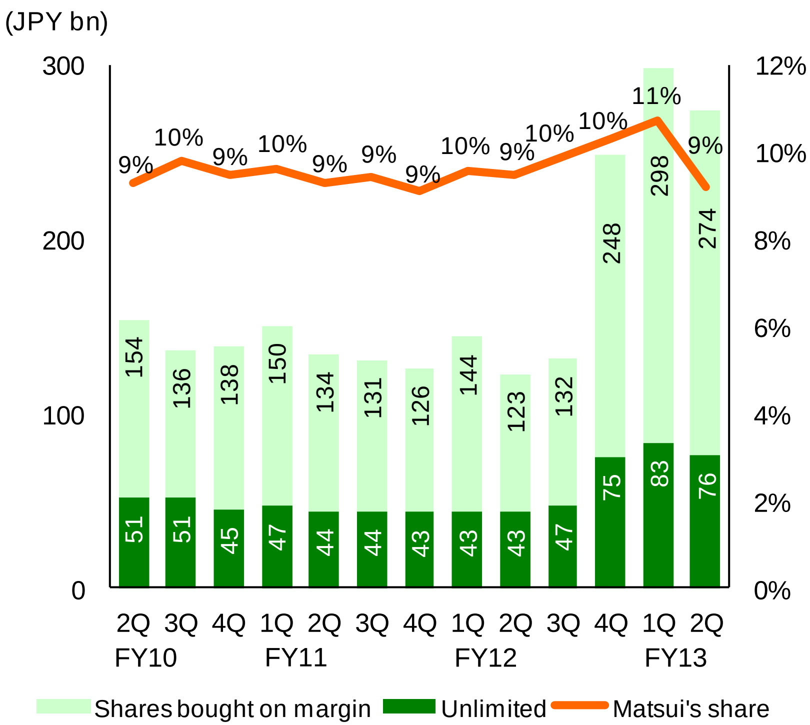
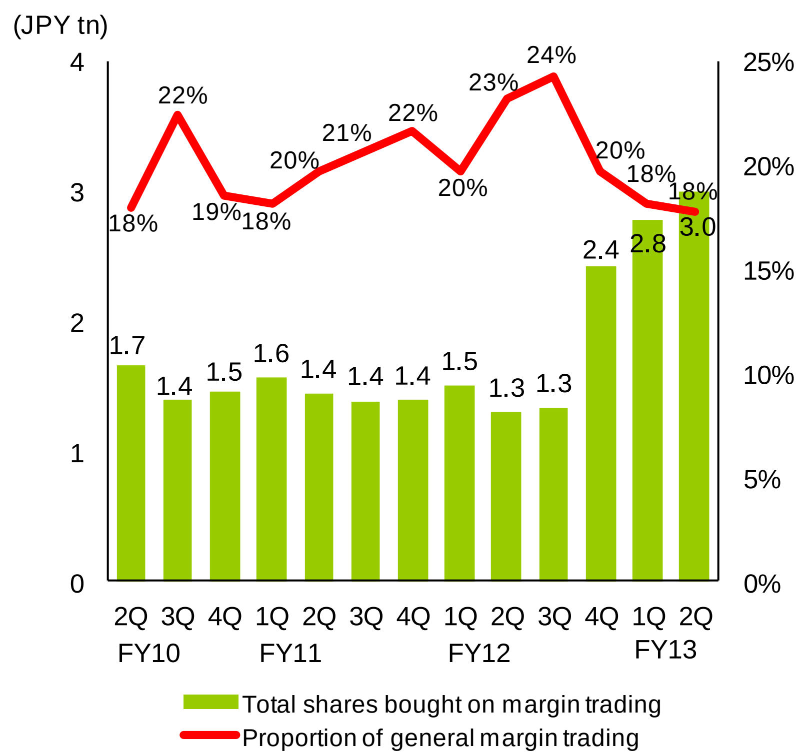
Source: TSE
Note 1: Sum of the equity trading value on 2 major stock exchanges

Margin Trading Balance

◆ Matsui's shares bought on margin[1] and its market share[2]



◆ Total shares bought on margin[1] and proportion of general margin trading

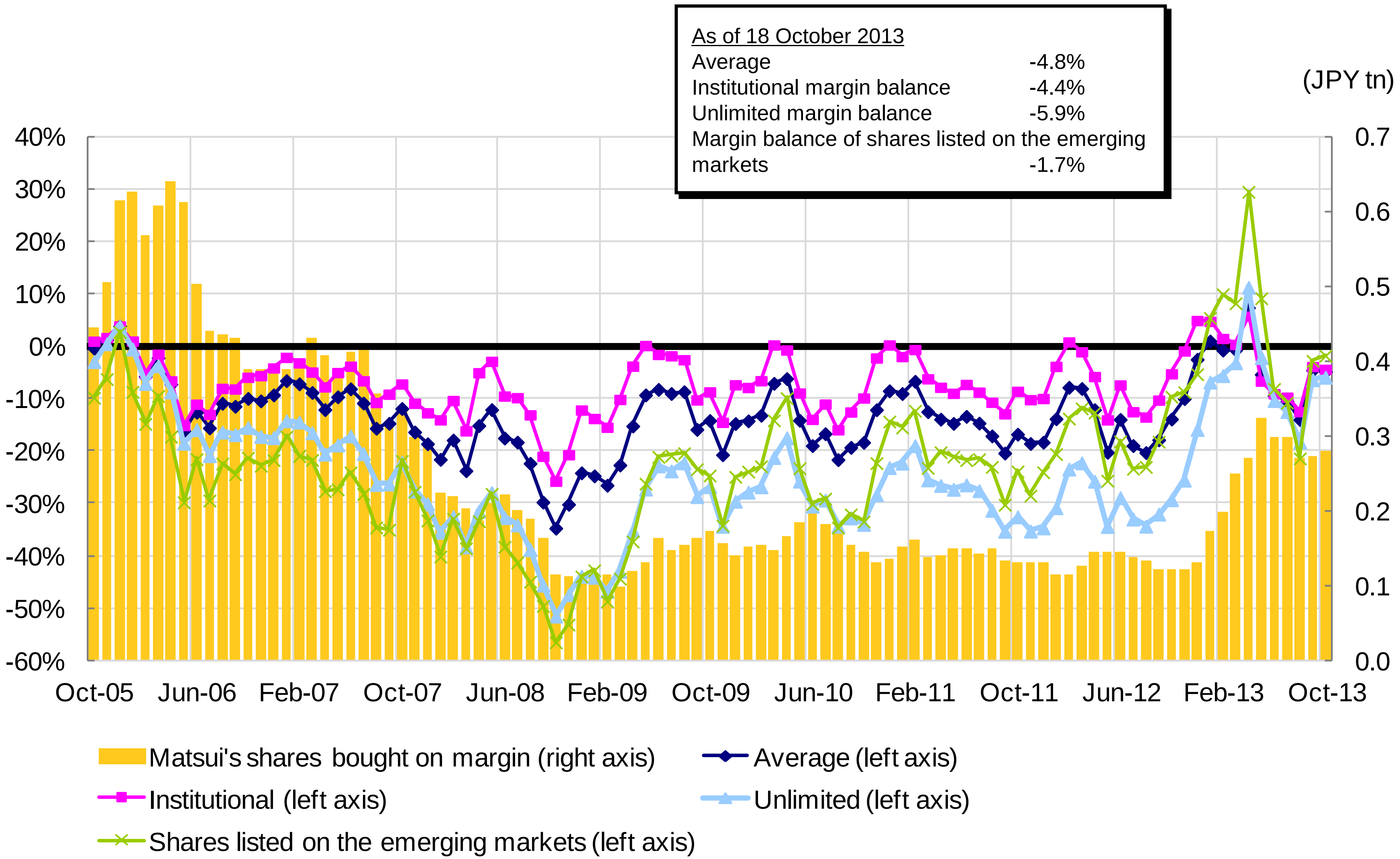


Source: TSE

Notes 1: Balance as of the end of each quarter

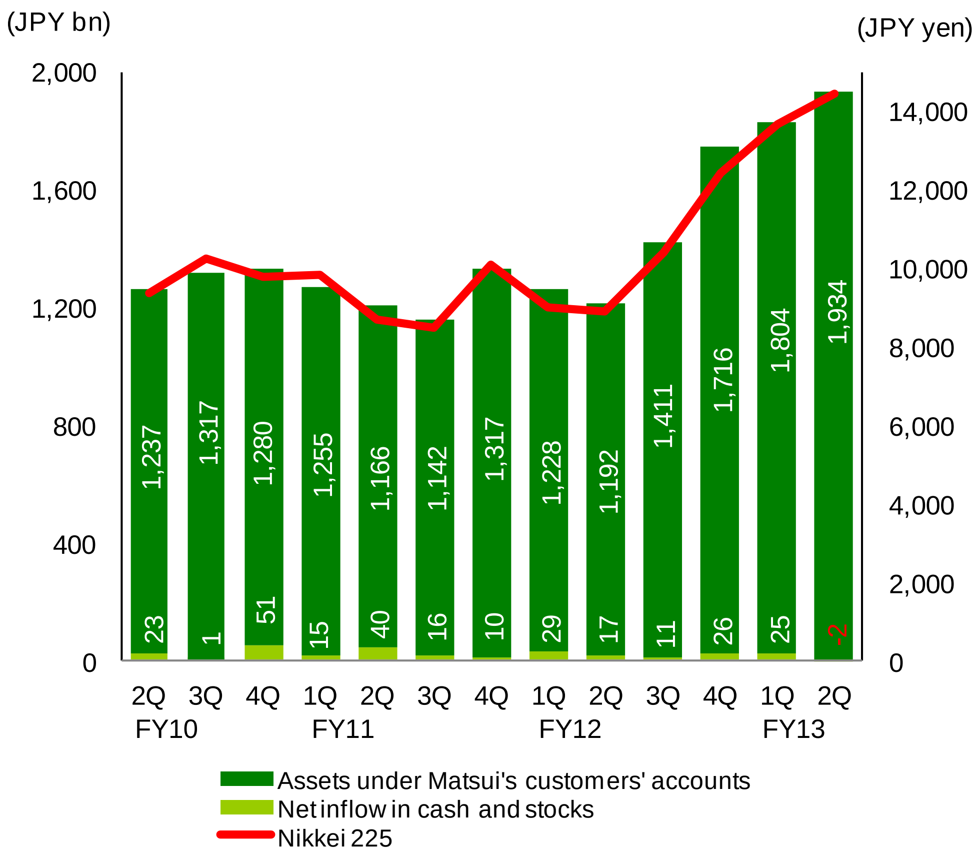
2: Total market share in 2 major stock exchanges

Unrealized Losses on Matsui's Margin Balance

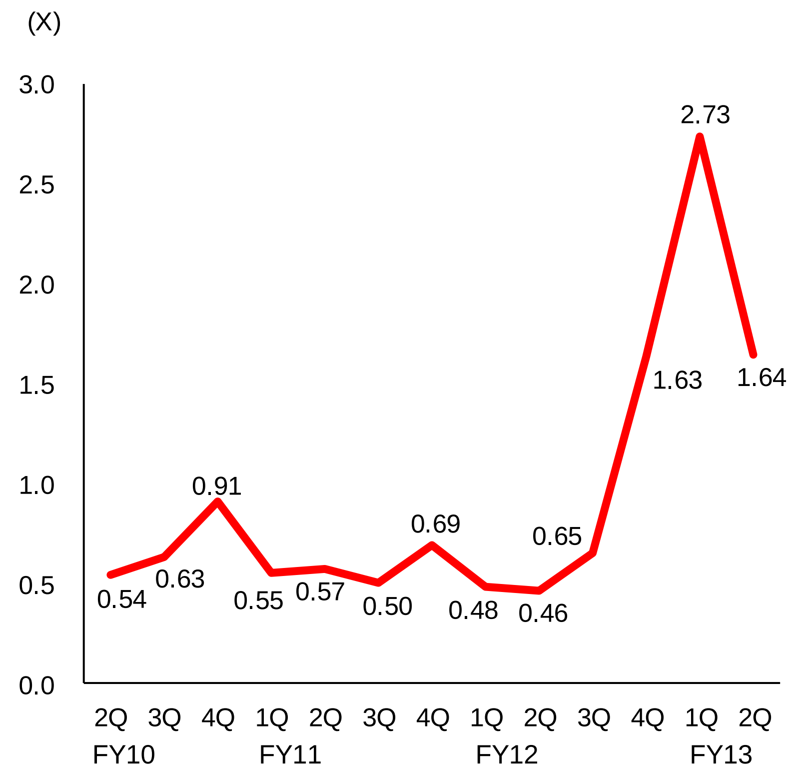


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover[1] of Matsui's customers



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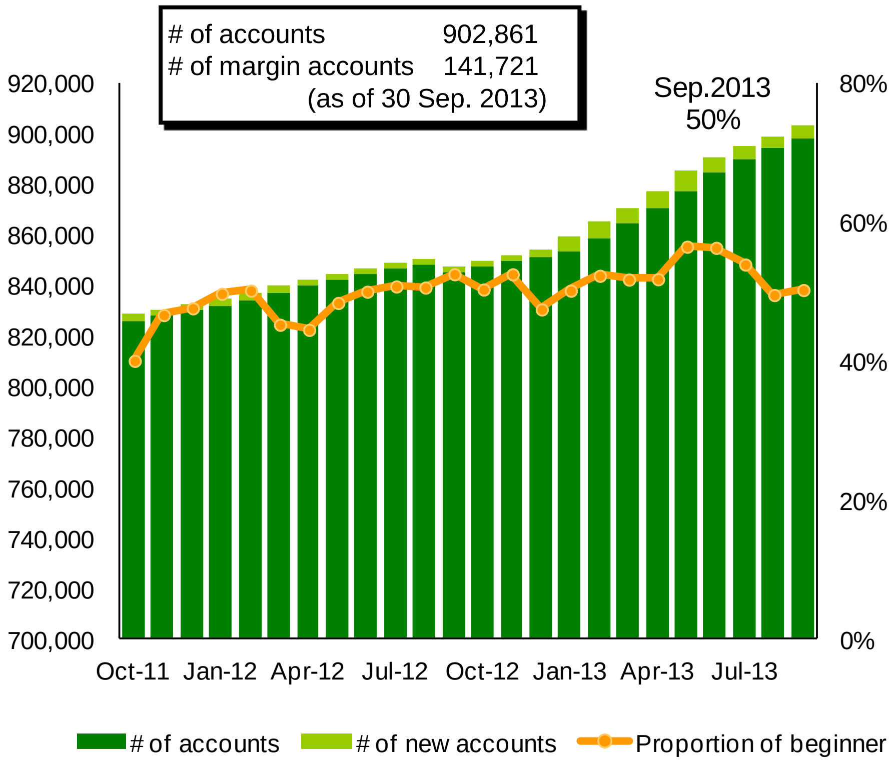
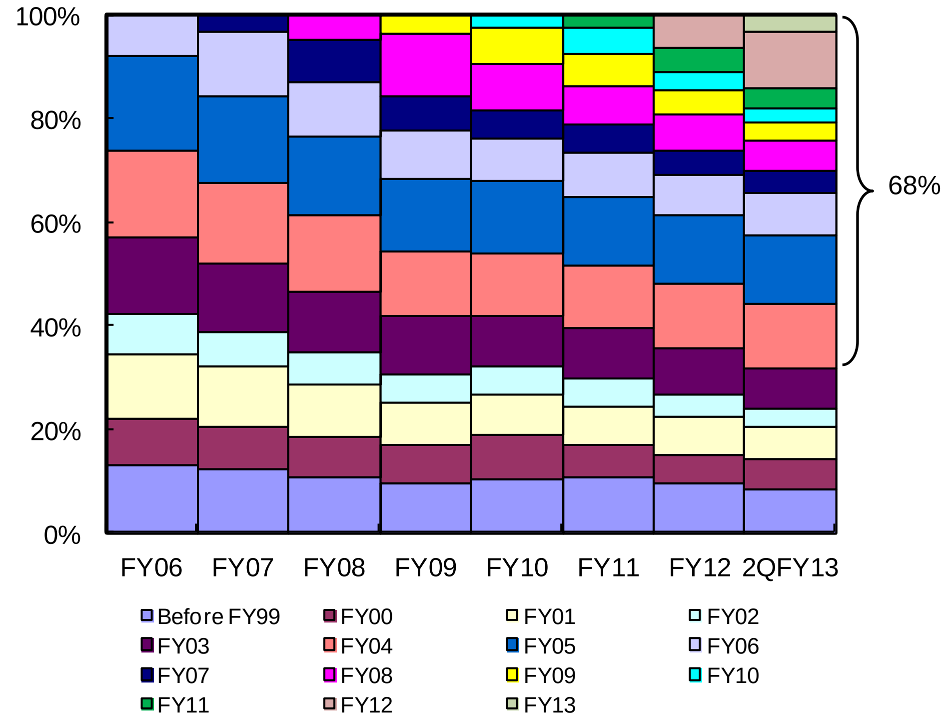
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)
* assets under customers' accounts of Matsui's related persons are excluded
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui[1]



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



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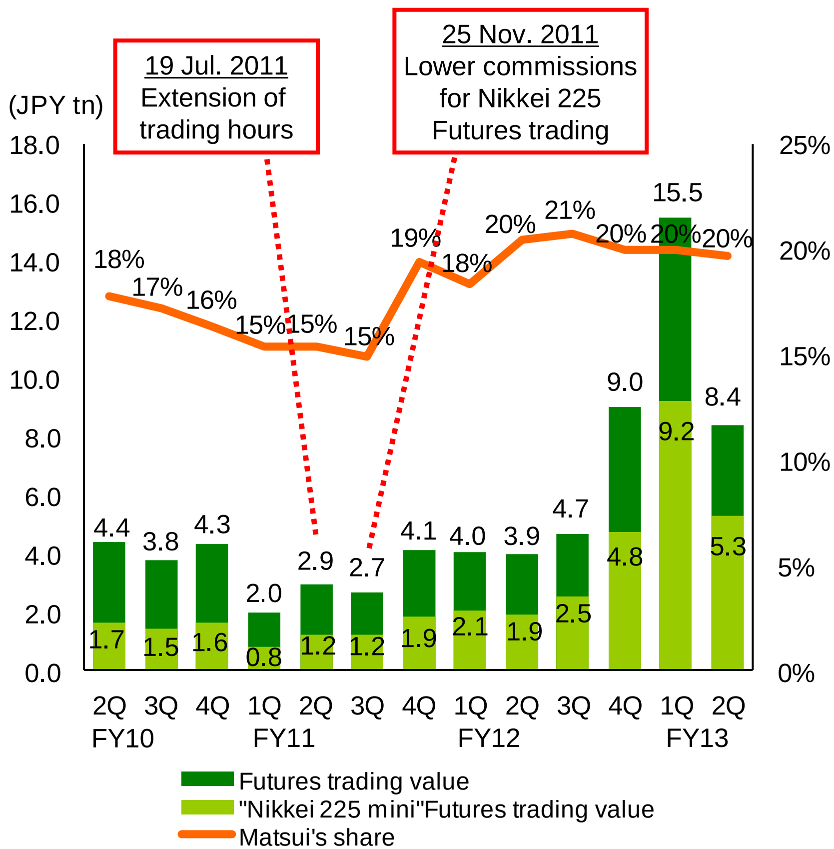
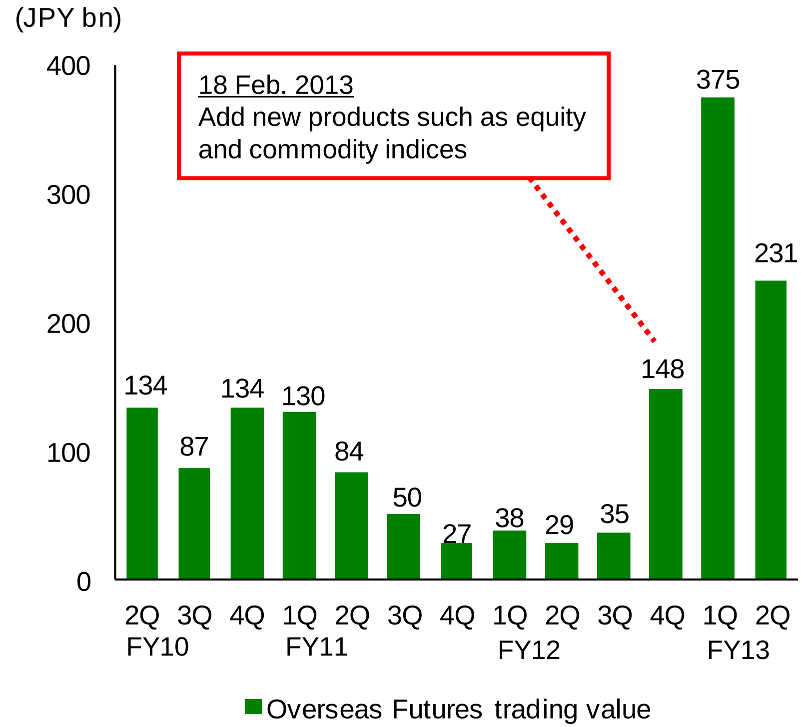
Note 1: Number of accounts as of the end of each month. Dormant accounts were closed down 5,009 in Sep.2012

Futures trading value

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



◆ Matsui's Overseas Futures trading value (CME)



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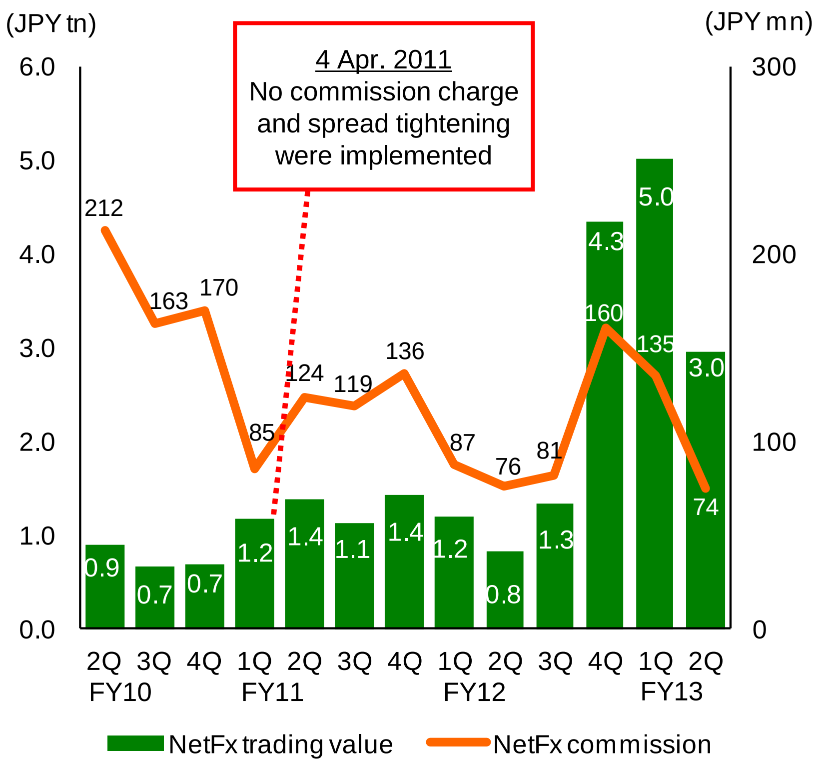
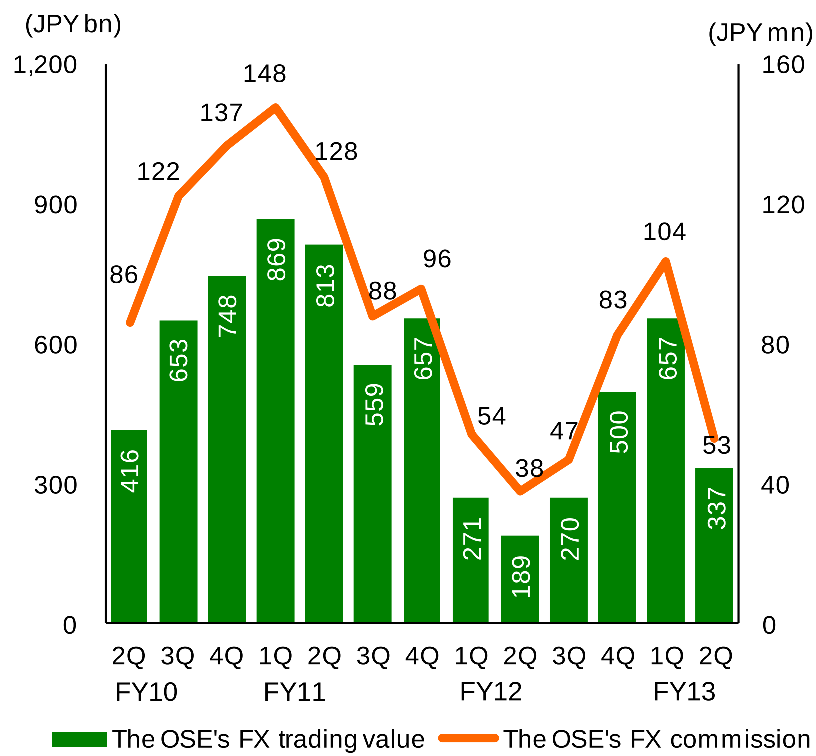
Source: OSE (Osaka Securities Exchange)

FX Margin Trading

◆Matsui's OTC FX trading value and commission



◆The OSE's FX trading value in Matsui and commission



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Recent Developments

Section 3

Corporate Strategy

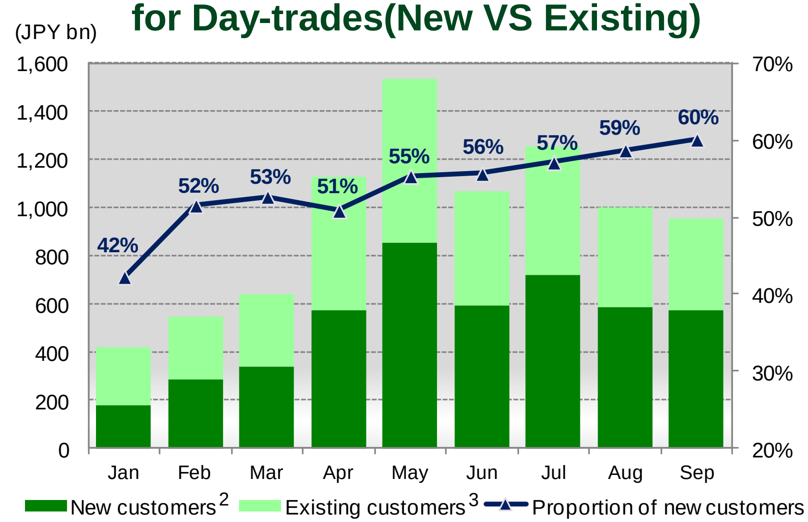
Our Purpose	We will provide superior quality of trading platform for retail investors based upon "customer-centered strategy"
Our Achievements	◆ Pioneer in providing full-fledged online brokerage services in Japan ◆ Pioneer in providing online margin trading in Japan ◆ "Box Rate" fee structure ◆ Pioneer in developing unlimited margin trading ◆ Pioneering approach to "NetFx" "Nikkei 225 futures and Nikkei 225 Options“ ◆ Pioneer in providing specific application available for smartphone ◆ Introduced “Margin Account for Day-trades”
Our Direction	◆ Develop unique and innovative services ◆ Focus on brokerage business ◆ Pursue the services which expand brokerage (flow) business rather than asset gathering related (stock) services

Margin Account for Day-trades I

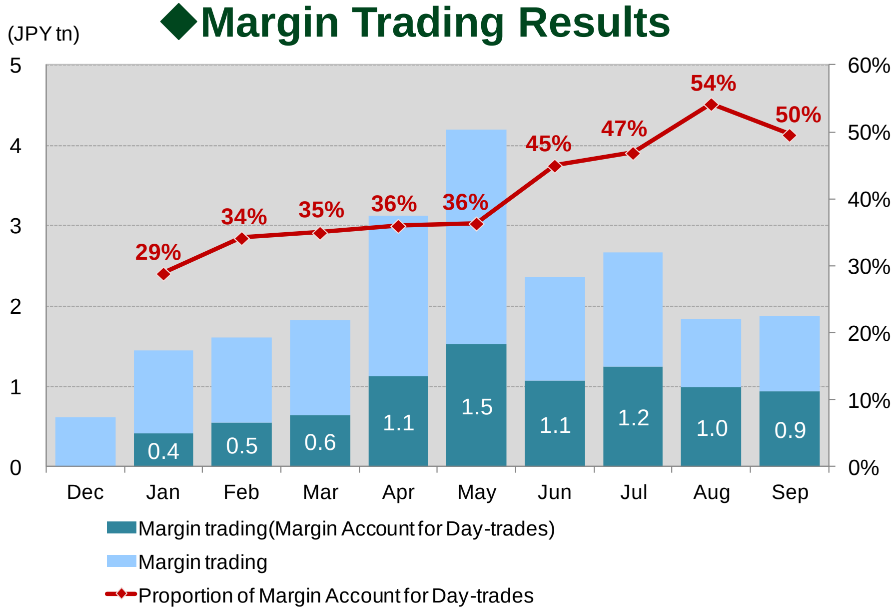
◆Outline of Margin Account for Day-trades

Commisson	0Yen	
Interest rate p.a.	Trading value per an order	rate
	JPY3mn or above	0%
	Under JPY3mn	2%
Due date	One day[1]	
Number of accounts	25,087 (as of Sep. 30)	

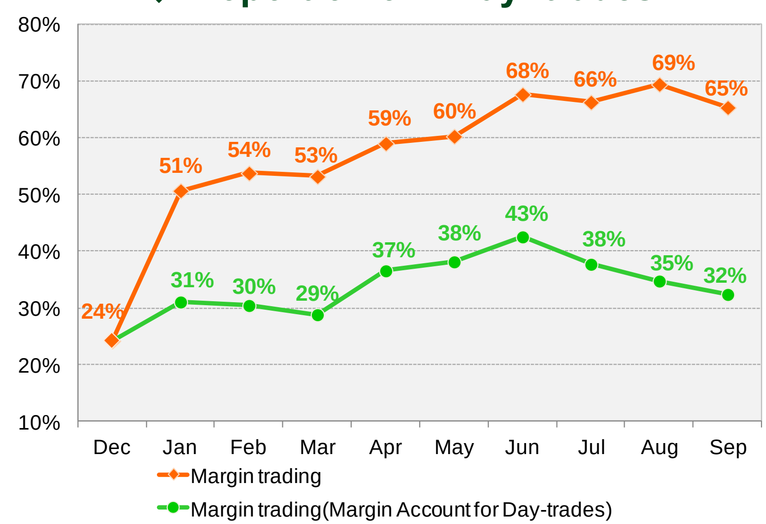
◆Trading Results of Margin Account for Day-trades(New VS Existing)



◆Margin Trading Results



◆Proportion of "Day -trades"



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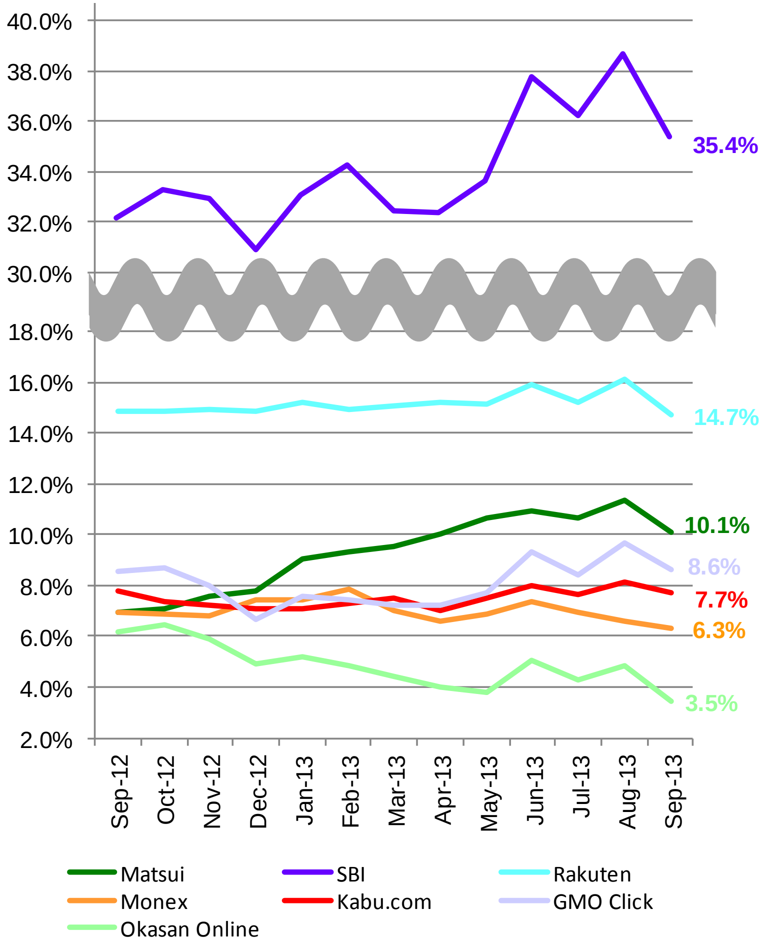
Note 1: If the positions are not closed within a single day, the Company would close the positions the following day.
Note 2: The customers who have opened new account since Jan. 2013, or hadn't traded in 2012.
Note 3: The customers who are not New customers identified as Note 2.

Margin Account for Day-trades II

◆Market share [1]



◆Recent Developments

- **Add the conditional orders such as "market-on-close order", "stop order", etc.**

- **Add the trading function of "Margin Account for Day-trades" to "KABU touch", the trading application for smartphone**

- **Add 188 shares eligible for short-position**

  (714 shares as of October. 7)

◆ Future Developments

Plan to implement continuous improvements of the service, such as enhancement of order functions and increase number of shares eligible for short-position etc.

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Note 1: Total market share of each company in 2 major stock exchanges

Details of Newly Offered Services

Campaign/Promotion	Improvement in Quality of Services to Customers
◆**Cash back campaign for OSE FX trading (2013/7/1-2014/1/1)** Discount commission charge for the customers who open new account ◆**Starting campaign for new listing of iShares ETF on TSE(2013/7/17-8/30)** ◆**Cash back campaign for ETF (2013/9/17-12/30)**	◆**Enhance the function for the trading tool "Netstock Trader Premium" (2013/7/16-)** ◆**Enhance the order function for equity trading etc. (2013/9/2-)** Able to reserve closing order at the same time of the new order ◆**Open the new website for stock information (2013/9/3-)** Start to offer information such as stock splits, IPO and mergers etc. ◆**No commission charge of equity trading on NISA* accounts (2014/1/6-)** *NISA: Japanese version of Individual Savings Account

Contact information

Matsui Securities Co., Ltd.

URL: http://www.matsui.co.jp/ir/en/

Tel: +81-3-5216-0784 Fax: +81-3-5216-8638

Mail: ir@matsui.co.jp

Akira WARITA, Managing Director : a-warita@matsui.co.jp

Kumiko HAYASHI : k-hayashi@matsui.co.jp