



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 2QFY2017

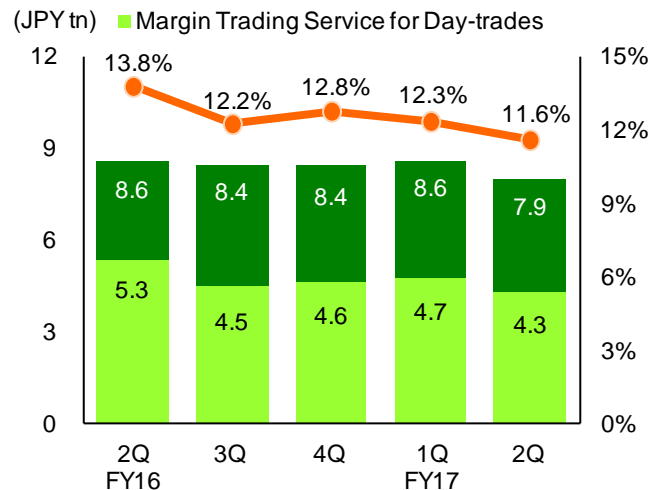
October 2017

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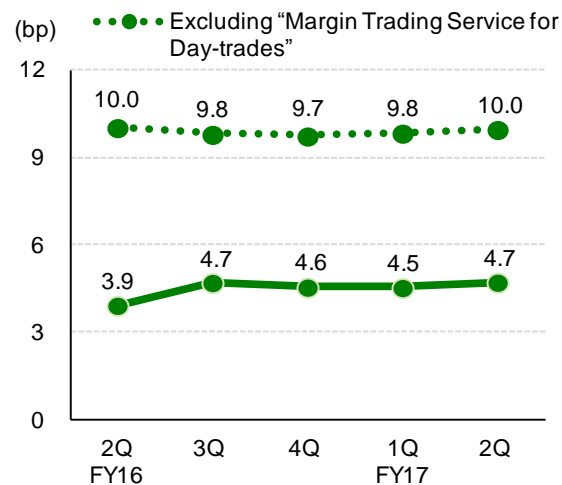
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Results of Operation

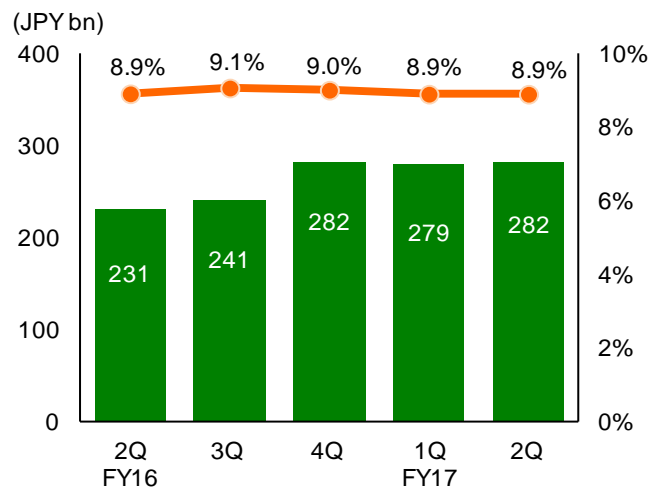
◆ Equity trading value / Market share



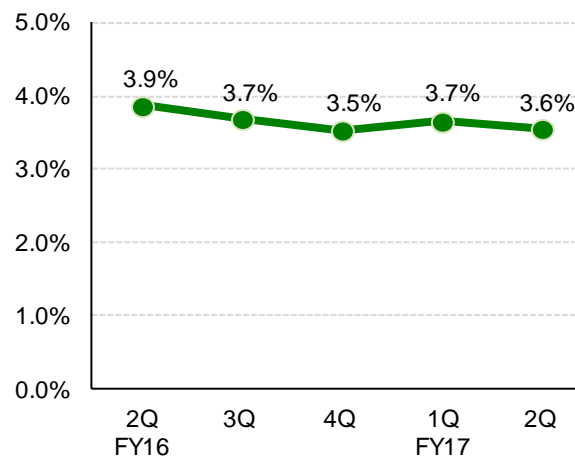
◆ Equity commission rate



◆ Margin balance / Market share

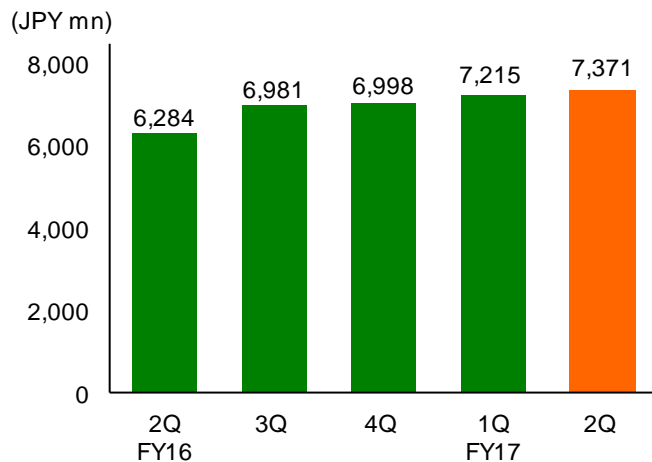


◆ Net financial income ratio

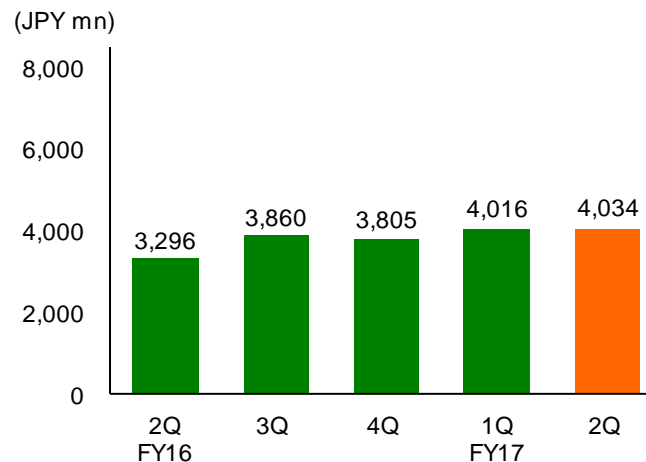


Financial Results

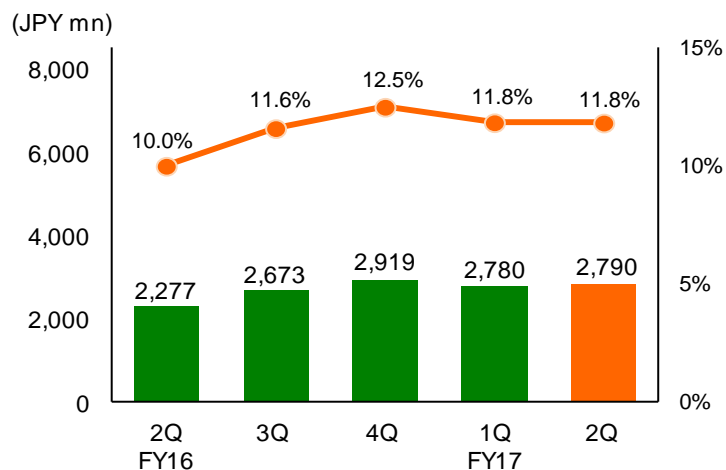
◆ Operating revenue



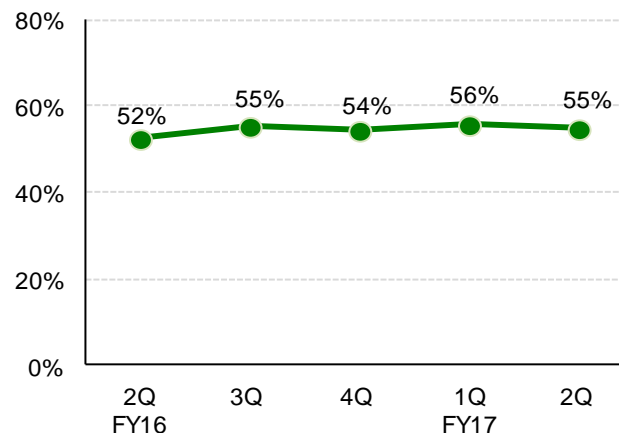
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 160 million QoQ

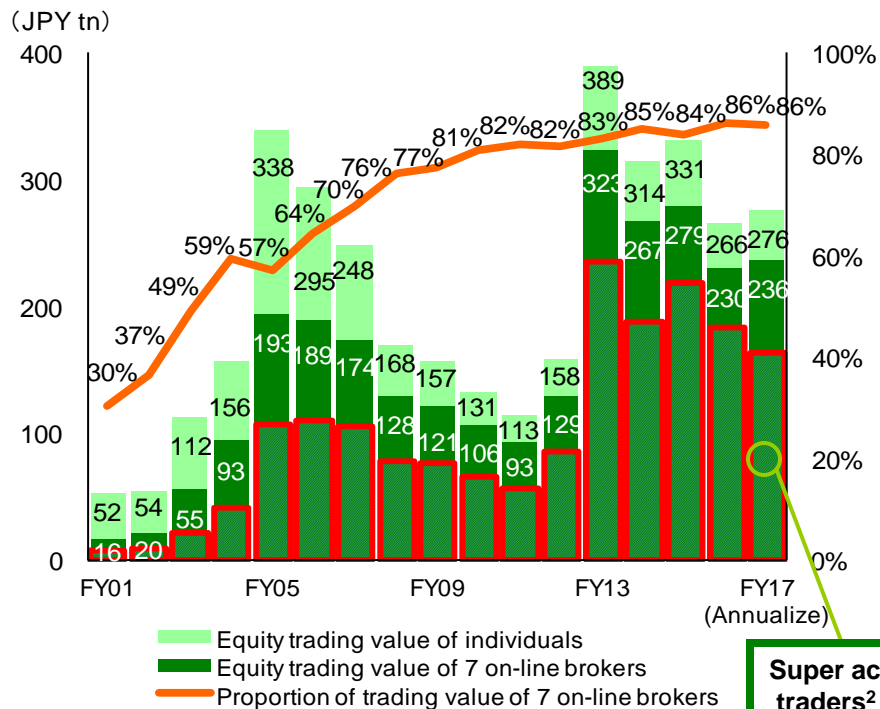
- Commissions were down JPY 150 million due to decline of equity trading value
- Interest & dividend income was up JPY 150 million due to increase of average margin balance and revenue from securities lending
- Net trading income was up JPY 160 million due to restructure of the FX margin trading business¹

◆ SG&A flat QoQ

- Data processing & office supplies were up JPY 30 million due to outsourcing cost of operations for the FX margin trading business
- Depreciation was up JPY 20 million due to development of portfolio management platform and restructuring of the FX margin trading business
- Other SG&A were down JPY 60 million

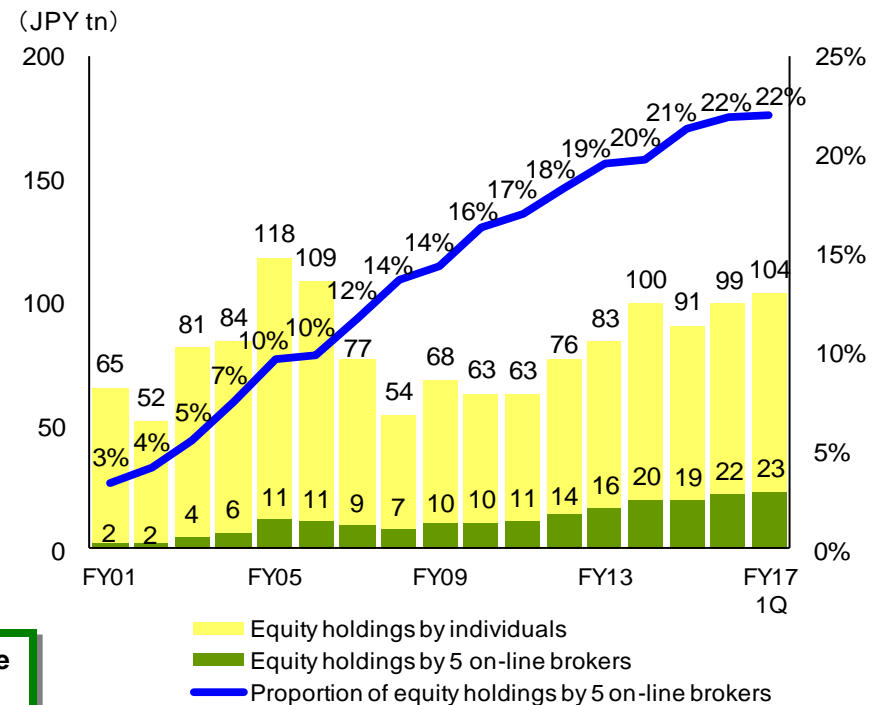
Overview of Retail Equity Trading Market

◆ 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 (1HF FY17)

(JPY mn)

	FY17	FY16			YoY	FY16
	1HF	2HF	HFoHF	1HF		TOTAL
Operating Revenues	14,586	13,980	4%	13,747	6%	27,727
Commissions	8,517	8,818	-3%	8,435	1%	17,253
Interest & dividend income	5,636	5,159	9%	5,309	6%	10,467
Interest expenses	734	722	2%	506	45%	1,228
Net operating revenues	13,852	13,258	4%	13,241	5%	26,499
SG & A	5,856	5,639	4%	5,921	-1%	11,560
Operating income	7,996	7,618	5%	7,320	9%	14,939
Ordinary income	8,051	7,664	5%	7,380	9%	15,044
Net income	5,570	5,592	-0%	5,105	9%	10,697
Ordinary income ratio	55%	55%	-	54%	-	54%
Matsui's trading value (JPY tn)	16.5	16.9	-2%	17.8	-7%	34.7
Daily average trading value on TSE (JPY tn)	3.1	3.1	0%	2.9	5%	3.0

Breakdown of Net Operating Revenue (1HF FY17)

(JPY mn)

	FY17	FY16			YoY	FY16
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	8,517	8,818	-3%	8,435	1%	17,253
Brokerage	8,149	8,348	-2%	7,912	3%	16,260
Equity & ETF	7,686	7,855	-2%	7,394	4%	15,249
Futures & Options	464	493	-6%	518	-10%	1,011
Others	360	456	-21%	523	-31%	979
Net trading income	432	1	-	1	-	3
Interest & dividend income (1)	5,636	5,159	9%	5,309	6%	10,467
Total operating revenues	14,586	13,980	4%	13,747	6%	27,727
Interest expenses (2)	734	722	2%	506	45%	1,228
Net operating revenues	13,852	13,258	4%	13,241	5%	26,499
Net interest income (1) - (2)	4,902	4,437	10%	4,802	2%	9,239
Average margin balance (JPY bn)	272	246	11%	236	15%	241

Breakdown of SG&A (1HF FY17)

(JPY mn)

	FY17	FY16			YoY	FY16
	1HF	2HF	HFoHF	1HF		TOTAL
Trading related expenses	2,176	2,251	-3%	2,093	4%	4,345
Stock exchanges and securities associations fees	720	709	2%	700	3%	1,409
Communications expenses	833	855	-3%	816	2%	1,672
Advertisement	236	327	-28%	204	16%	531
Personnel expenses	1,169	1,111	5%	1,116	5%	2,227
Occupancy & rental	432	444	-3%	447	-3%	891
Data processing & office supplies	1,046	966	8%	874	20%	1,841
Depreciation	750	633	19%	634	18%	1,267
Taxes and dues	194	173	12%	189	3%	362
Provision of allowance for doubtful accounts	24	-200	-	511	-95%	311
Others	64	261	-75%	56	15%	317
Total SG & A	5,856	5,639	4%	5,921	-1%	11,560

Summary of Financial Results (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY16			YoY	FY16 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Operating Revenues	7,371	7,215	2%	6,998	6,981	6,284	17%	27,727
Commissions	4,183	4,334	-3%	4,370	4,448	3,862	8%	17,253
Interest & dividend income	2,893	2,743	5%	2,627	2,532	2,420	20%	10,467
Interest expenses	414	320	30%	336	386	255	62%	1,228
Net operating revenues	6,957	6,896	1%	6,662	6,596	6,029	15%	26,499
SG & A	2,925	2,931	-0%	2,857	2,783	2,737	7%	11,560
Operating income	4,032	3,964	2%	3,805	3,813	3,292	22%	14,939
Ordinary income	4,034	4,016	0%	3,805	3,860	3,296	22%	15,044
Net income	2,790	2,780	0%	2,919	2,673	2,277	23%	10,697
Ordinary income ratio	55%	56%	-	54%	55%	52%	-	54%
Matsui's trading value (JPY tn)	7.9	8.6	-7%	8.4	8.4	8.6	-7%	34.7
Daily average trading value on TSE (JPY tn)	3.0	3.1	-4%	3.0	3.2	2.9	6%	3.0

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY16			YoY	FY16 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Commissions	4,183	4,334	-3%	4,370	4,448	3,862	8%	17,253
Brokerage	3,997	4,152	-4%	4,120	4,228	3,604	11%	16,260
Equity & ETF	3,773	3,913	-4%	3,869	3,986	3,384	11%	15,249
Futures & Options	224	240	-6%	251	242	220	2%	1,011
Others	180	179	0%	242	214	258	-30%	979
Net trading income	294	138	113%	1	1	0	-	3
Interest & dividend income (1)	2,893	2,743	5%	2,627	2,532	2,420	20%	10,467
Total operating revenues	7,371	7,215	2%	6,998	6,981	6,284	17%	27,727
Interest expenses (2)	414	320	30%	336	386	255	62%	1,228
Net operating revenues	6,957	6,896	1%	6,662	6,596	6,029	15%	26,499
Net interest income (1) - (2)	2,479	2,423	2%	2,291	2,146	2,165	15%	9,239
Average margin balance (JPY bn)	279	265	5%	259	233	224	25%	241

Breakdown of SG&A (Quarterly)

(JPY mn)

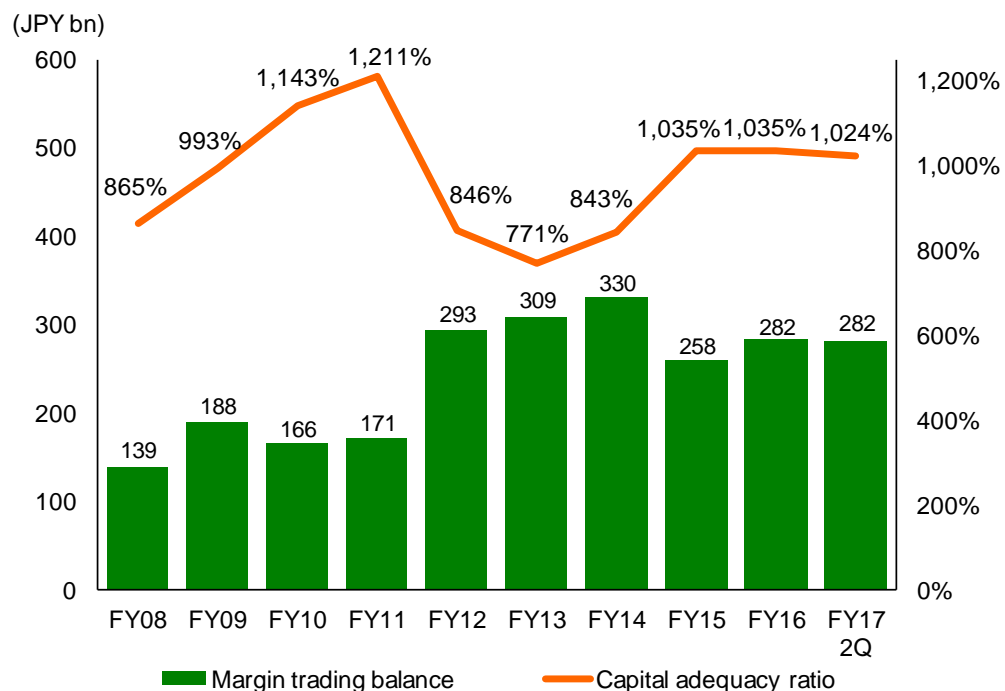
	FY17	FY17	QoQ	FY16			YoY	FY16 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Trading related expenses	1,083	1,093	-1%	1,154	1,098	1,027	5%	4,345
Stock exchanges and securities associations fees	356	364	-2%	361	348	329	8%	1,409
Communications expenses	418	416	0%	437	418	406	3%	1,672
Advertisement	119	117	2%	174	153	102	16%	531
Personnel expenses	589	581	1%	549	561	557	6%	2,227
Occupancy & rental	216	216	-0%	225	219	221	-3%	891
Data processing & office supplies	538	508	6%	492	474	435	24%	1,841
Depreciation	387	363	7%	328	305	322	20%	1,267
Taxes and dues	93	101	-8%	85	88	85	9%	362
Provision of allowance for doubtful accounts	4	20	-81%	-196	-4	70	-94%	311
Others	16	49	-68%	220	41	19	-19%	317
Total SG & A	2,925	2,931	-0%	2,857	2,783	2,737	7%	11,560

Regulatory Capital

◆ Capital adequacy ratio (As of 30 September 2017)

(JPY mn)		
Tier 1	(A)	88,911
Tier 2	Net unrealized gain on investment	2,495
	Statutory reserves	3,012
	Allowance for doubtful accounts	120
	Sub total (B)	5,627
Assets to be deducted from equity capital	(C)	6,872
Net Capital		
	(A) + (B) - (C) (D)	87,666
Total risk	Market risk	552
	Counterparty risk	5,356
	Basic risk	2,649
	Total (E)	8,558
Capital Adequacy ratio	(D)/(E)	1,024%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return I

Plan to pay interim dividend of 17 yen per share for FY17

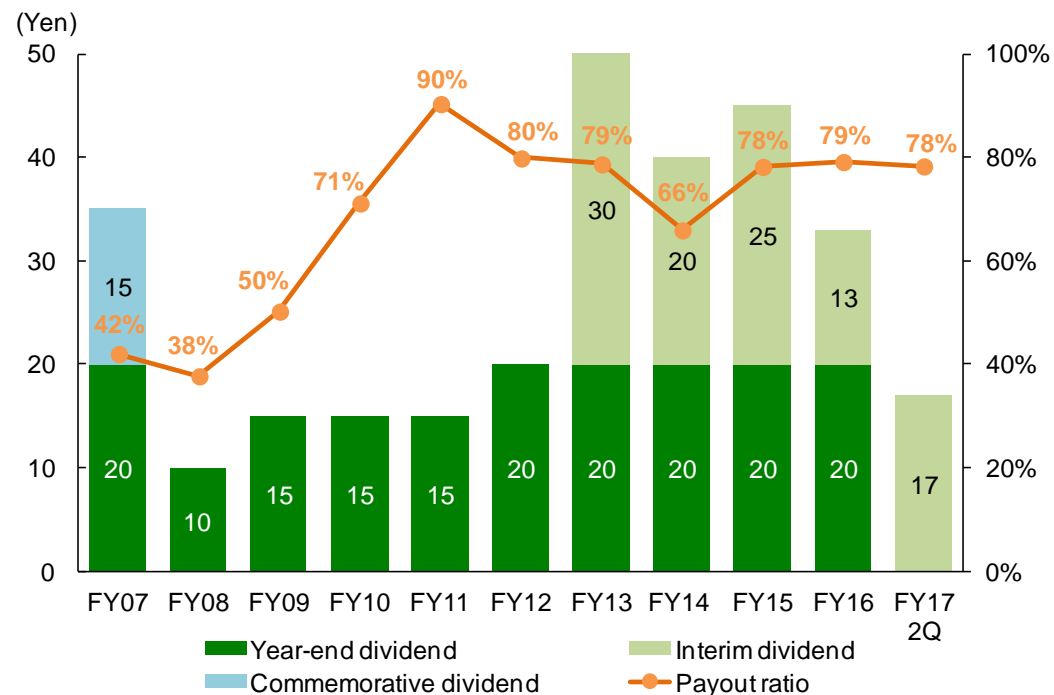
◆ Dividends for FY17

- Interim : **17 yen** per share
- Dividends payout ratio : **78%**
- DOE : **9%**
(ROE : 12%)

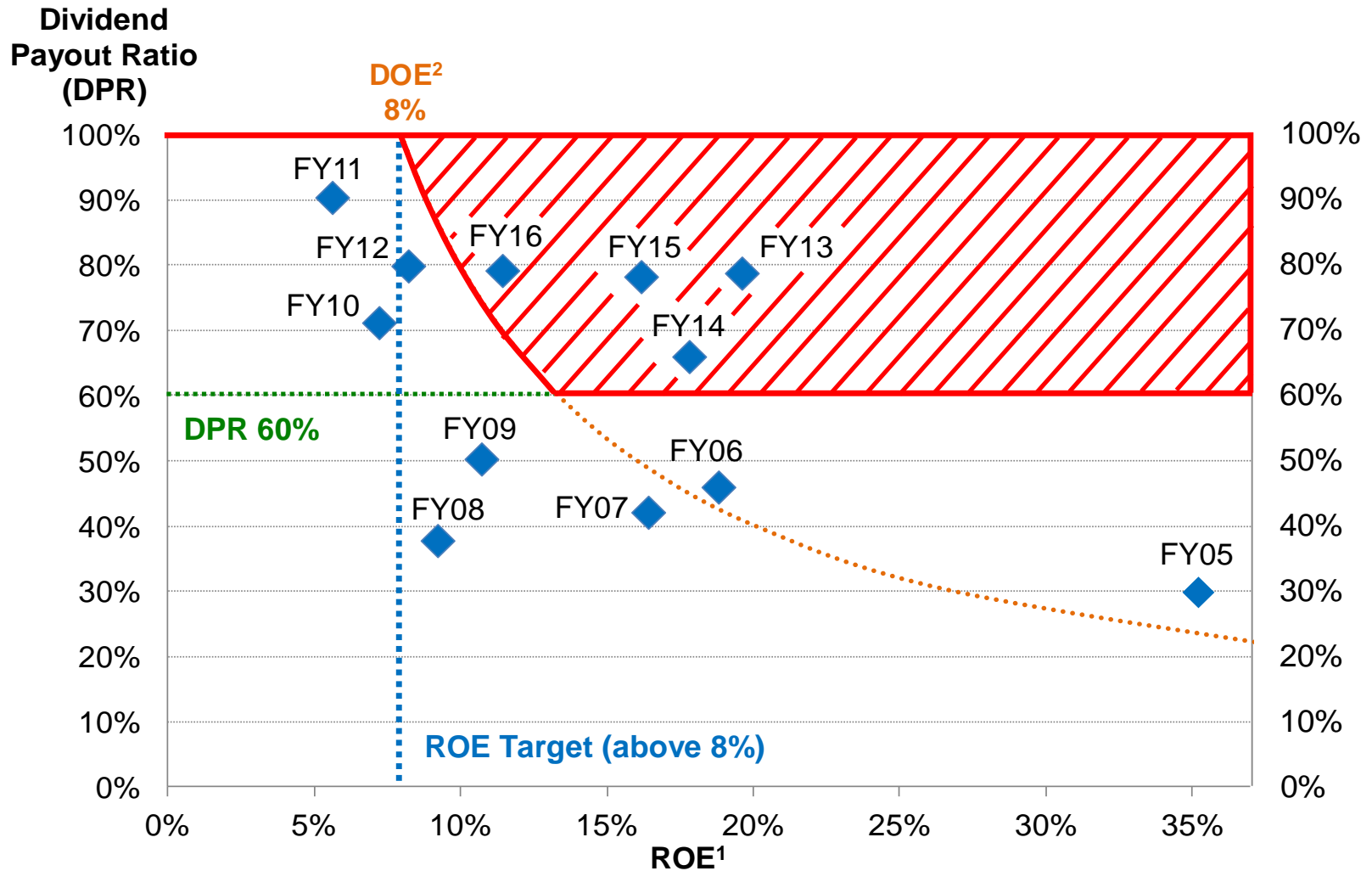
◆ Dividend policy

- Dividends Payout Ratio:
Between 60% and 100% inclusive
and
- Dividends on Equity(DOE) : 8% and above¹

◆ Matsui's dividend per share and payout ratio²



Dividend Payment for the past fiscal years



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

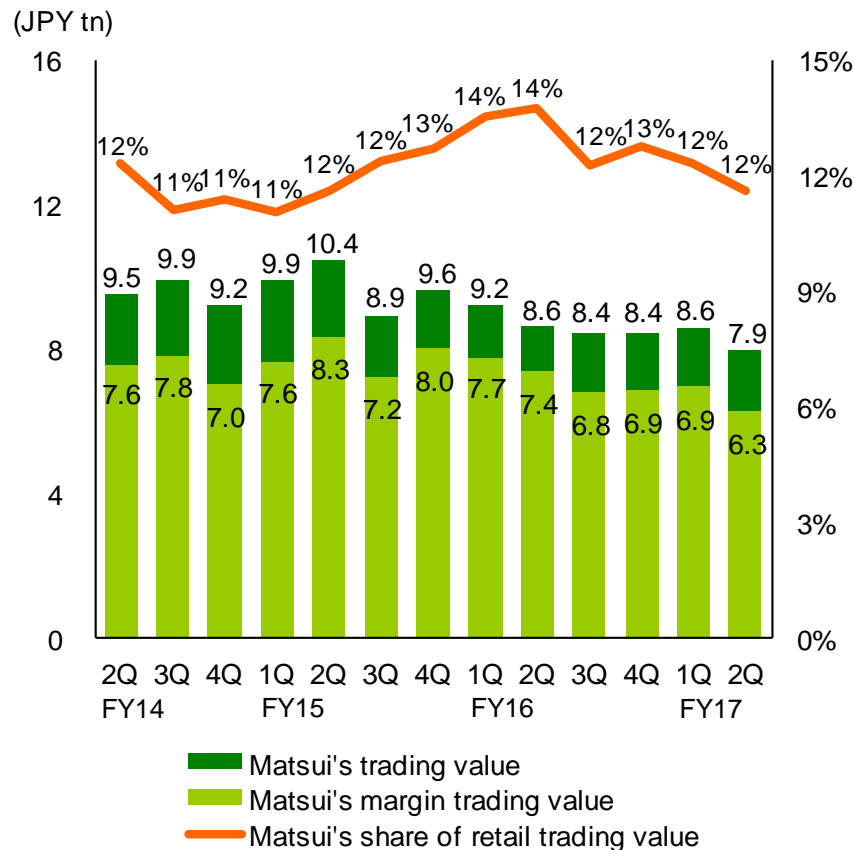
Note2: DOE =
$$\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal Year}) / 2}$$

Results of Operation

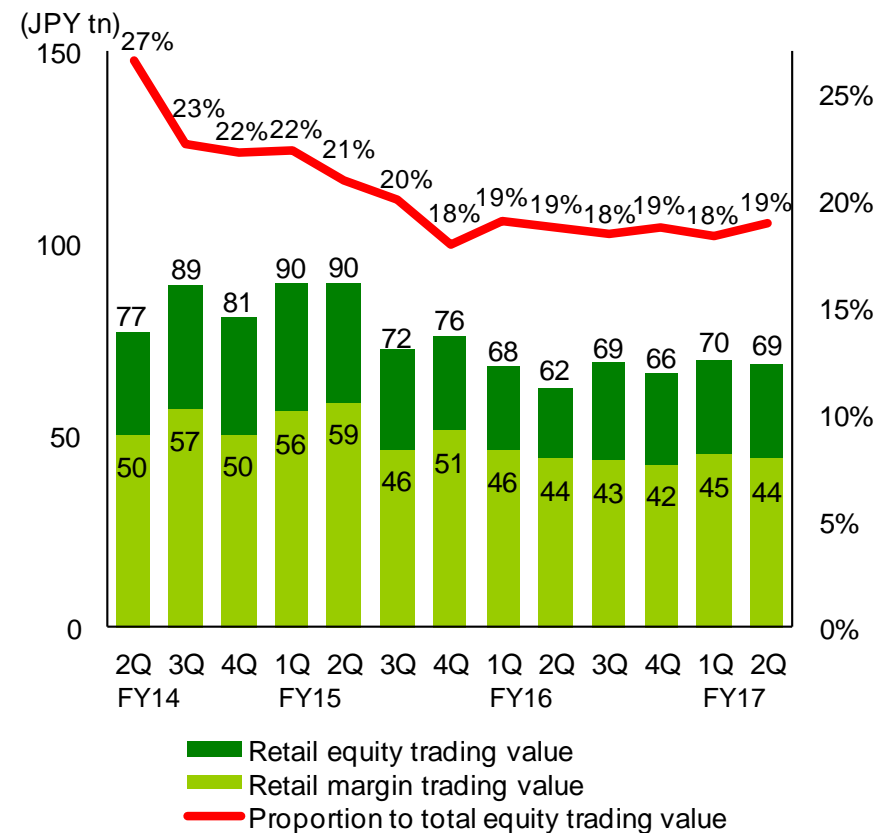
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

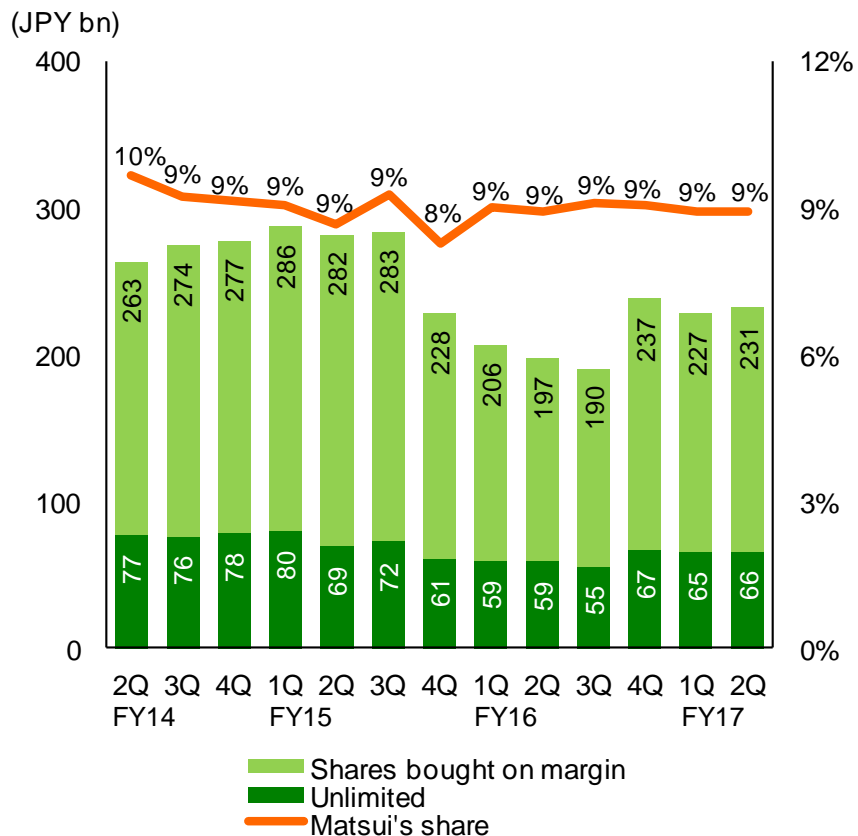


◆ Retail equity trading value¹ and proportion to total equity trading value

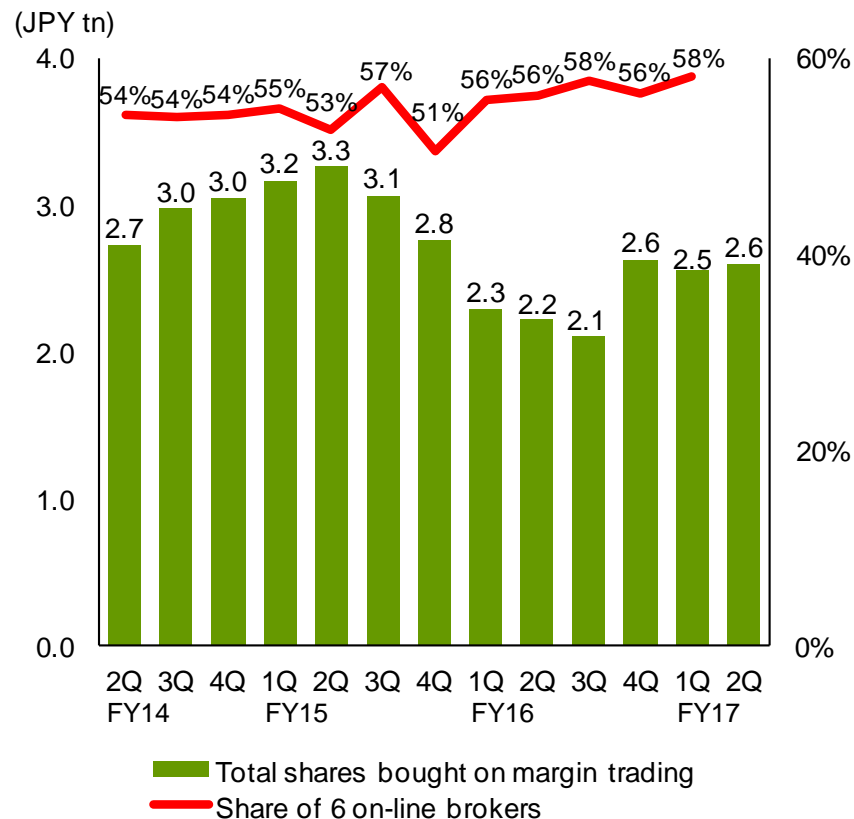


Margin Trading Balance

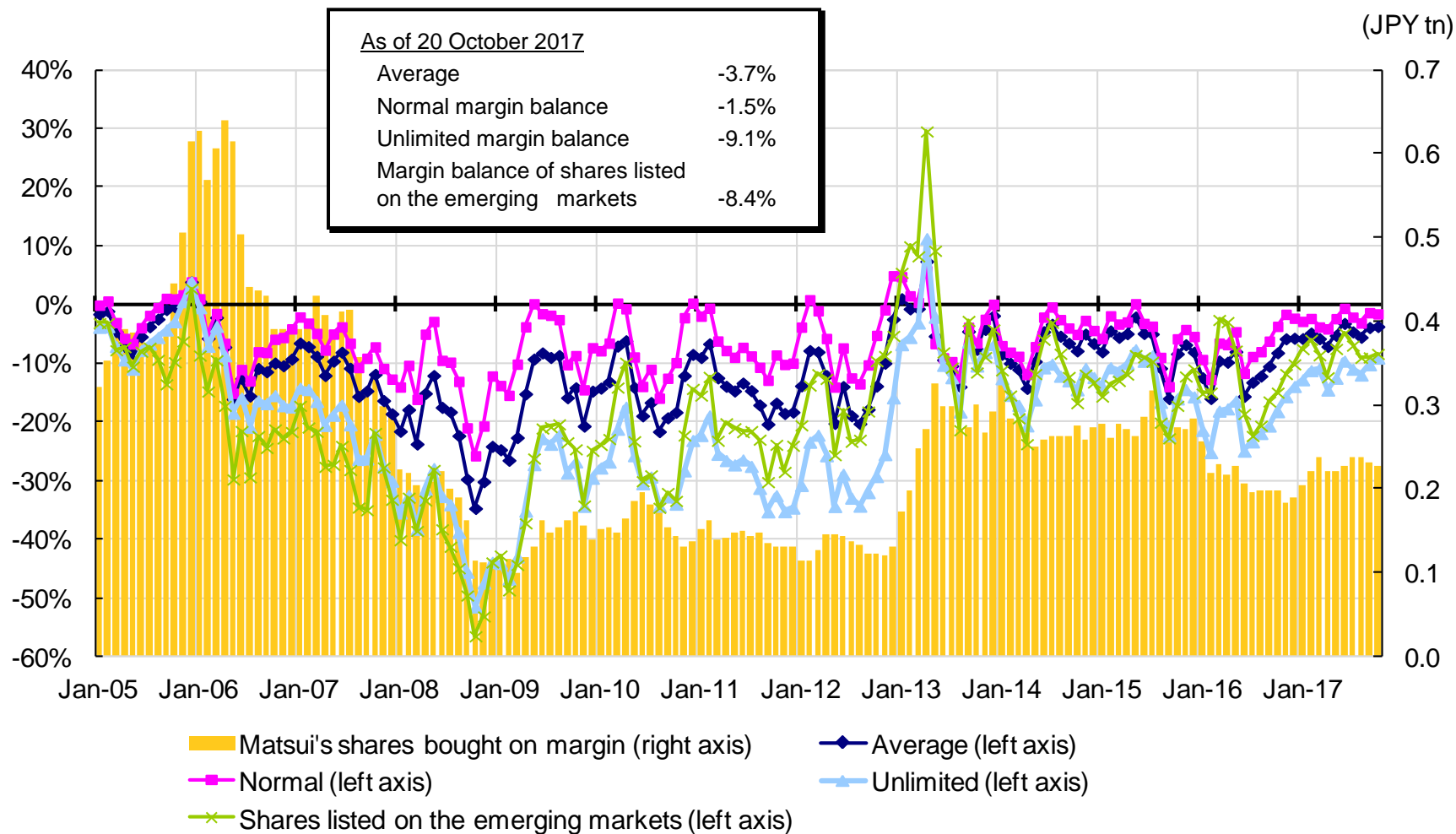
◆ Matsui's shares bought on margin¹ and its market share²



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

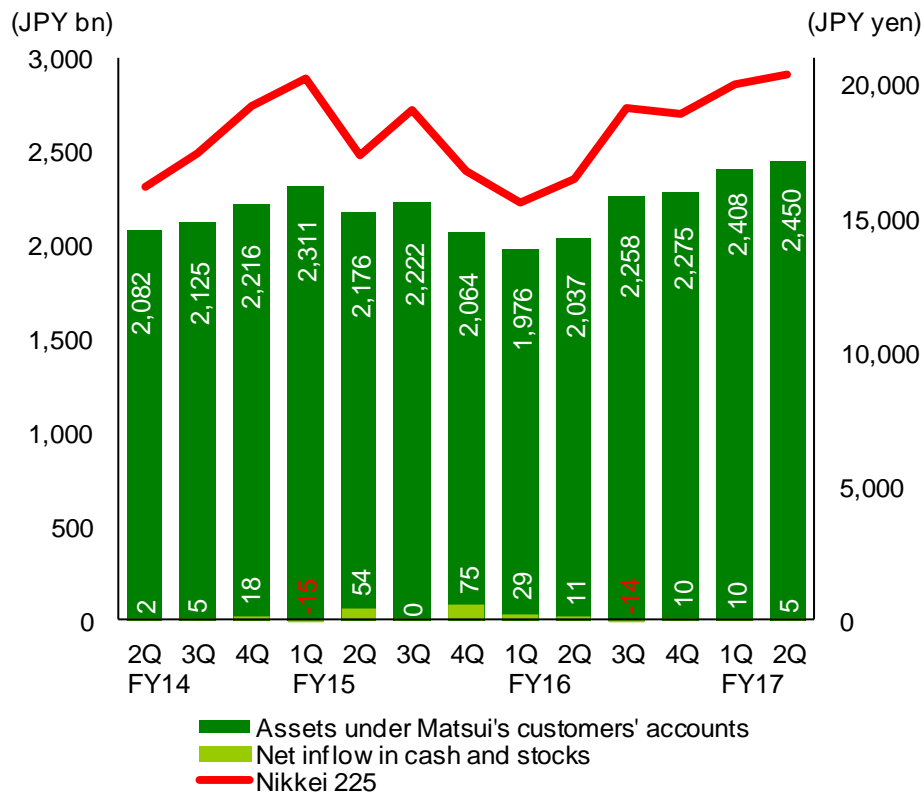


Unrealized Losses on Matsui's Margin Balance

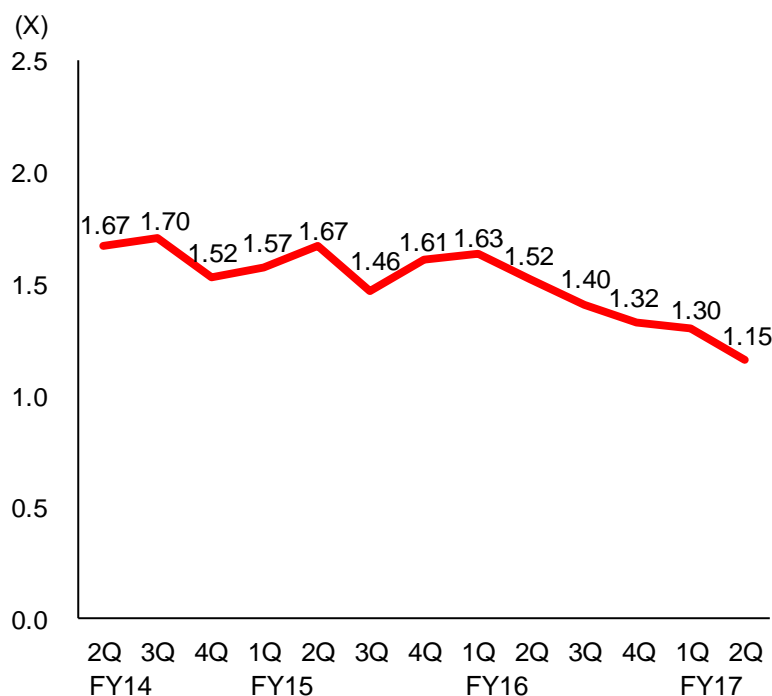


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover¹ of Matsui's customers



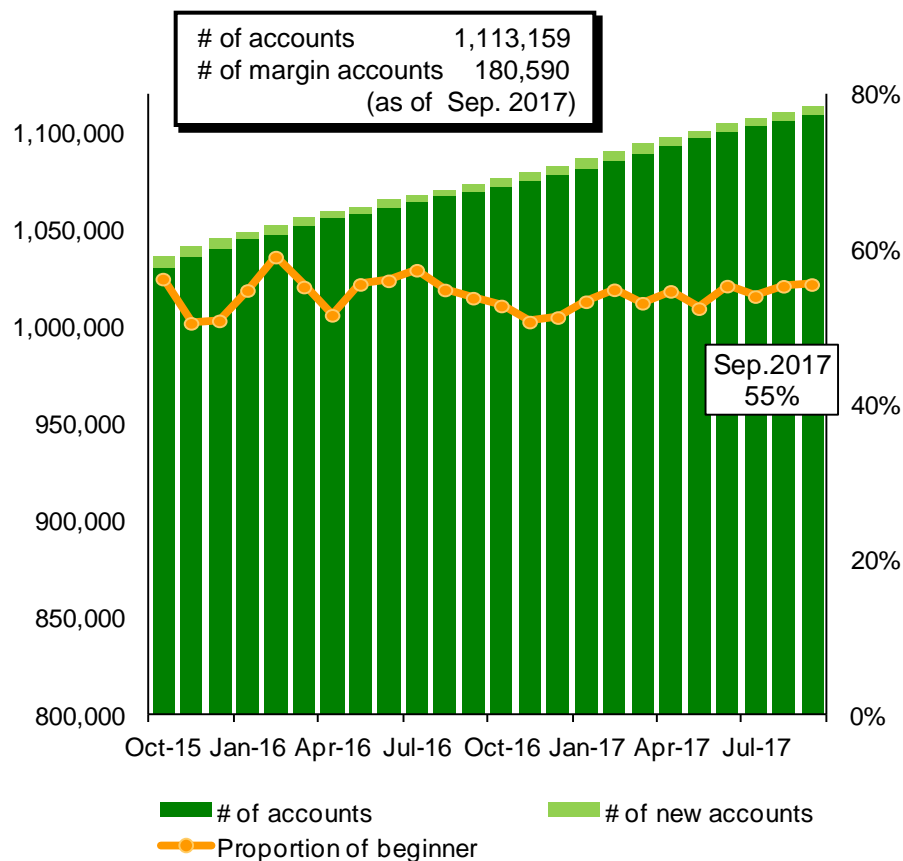
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

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

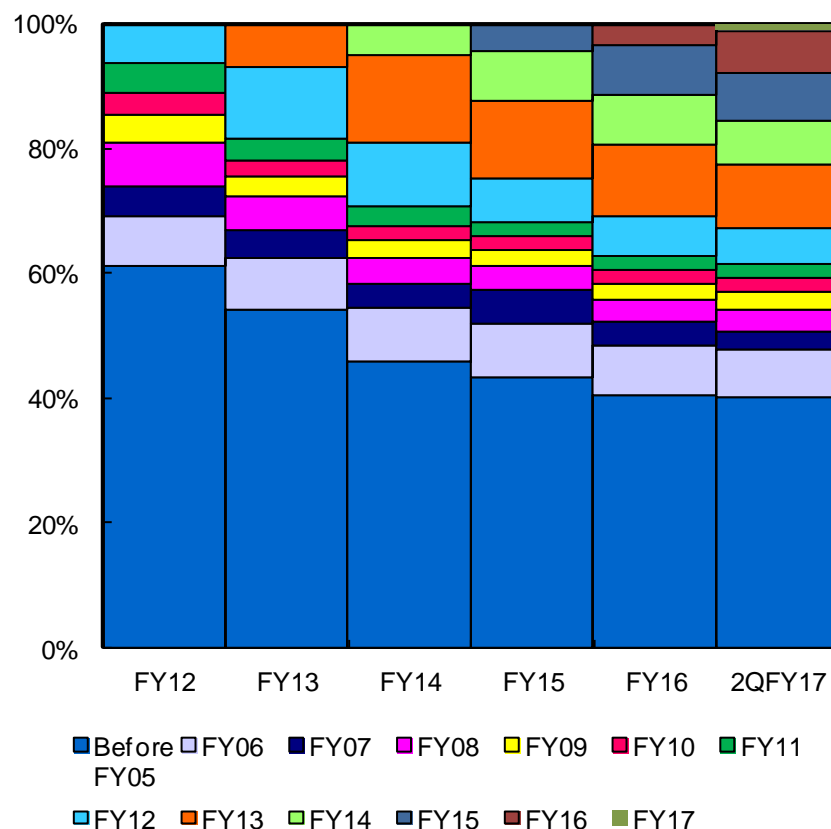
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

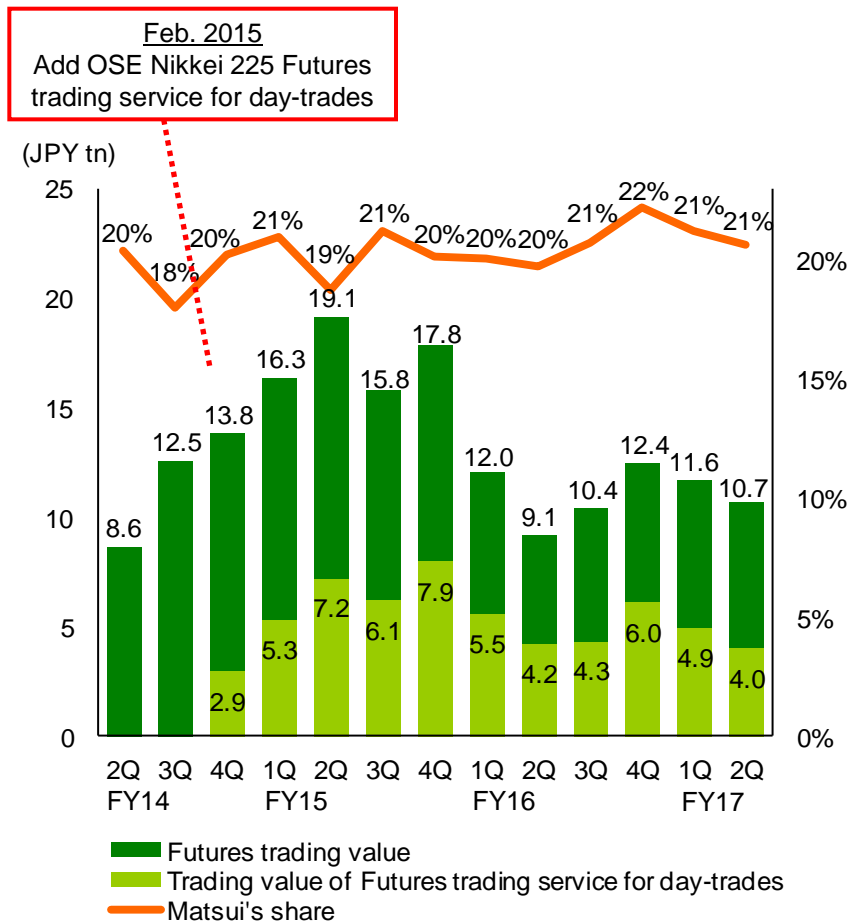


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

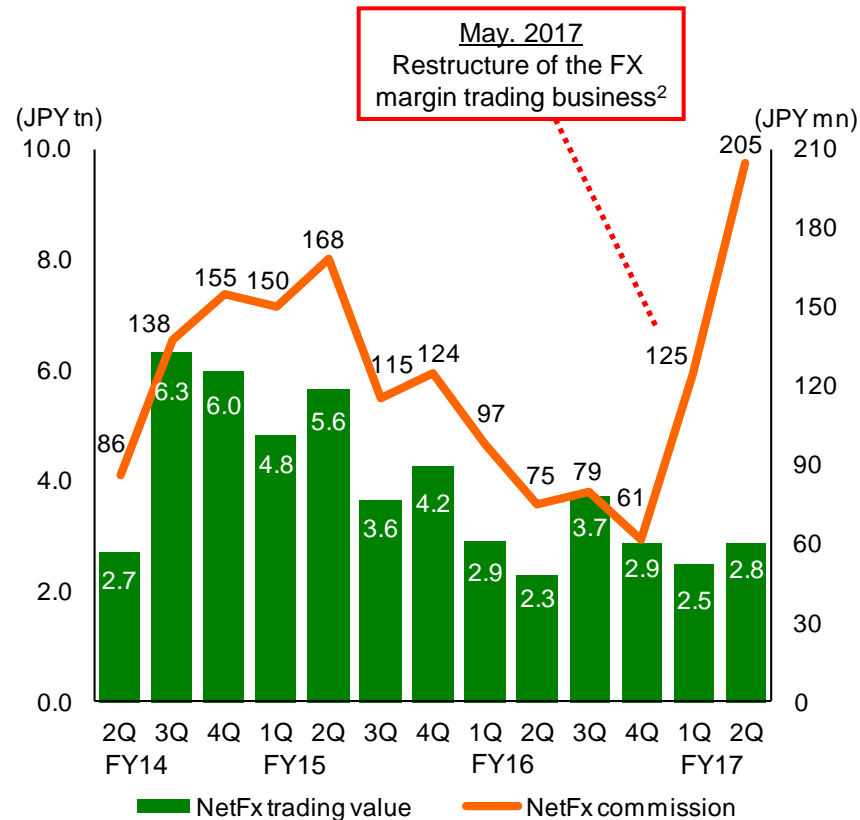


Futures Trading Value / FX Margin Trading Value

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



◆ Matsui's OTC FX trading value and commission



Recent Developments

Section 3

Corporate Strategy

Business Principle

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



Business Strategy

- ◆ Stimulate demand for customers and offer services in advance of other firms
- ◆ Develop unique and innovative services regardless of industry practice or tradition
- ◆ Focus on profitable online based brokerage business

Basic Policy for Service Development

- ◆ Continue to focus on expansion of services for active customers
e.g. Margin trading services for day-trades, Premium short-selling services, Intraday-trading service for Nikkei 225 Futures, FX Margin Trading
- ◆ Develop & Introduce suitable services for inactive but affluent customers and customers who are building assets for the future
e.g. New trading platform "Netstock Smart", Portfolio Management Platform based on Robo-advisor, Saving type of NISA

Implement continuous improvements of Portfolio Management Platform based on Robo-advisor

◆ Recent Developments

✓ Introduced smartphone application of the portfolio management platform (June 26)

✓ Lowered minimum investment amount to ¥100 (June 10)

~Support asset building of younger generation by offering saving type of investment function

✓ Started dealing with actively managed funds which are low level of custodian fee (April 24)

✓ Disclosure of performance (from August 9)

~Disclose the performance of 5 model portfolios which the portfolio management platform proposes

✓ Published the “Basic Policy on Mutual Fund Sales” to differentiate our sales strategy (June 28)

policy1: Not Charging sales commission¹

policy2: Not Dealing with covered-call funds and currency selection funds due to its complicated structure for retail investors

◆ Future Agendas

✓ Expand the AUM

• **Expand the line-up of the mutual funds**

~Add 20~30 mutual funds every month from July 2017. Plan to add bull/ bear funds and mutual funds adopted for saving type of NISA

<Examples of newly added mutual funds in October 2017>

Name	Asset Management Company
Harris World Equity Fund Monthly Settlement	AsahiLife
Southern Hemisphere Sovereign Bond Open	Daiwa SB
SBI Japan Equity 3.7 Bull	SBI
Rakuten Japan Equity 4.3x Bull	Rakuten
TSUMITATE Japan Equity TOPIX	MUFJ Kokusai

✓ Improve the usability

• **Introduce Core & Satellite investing function**

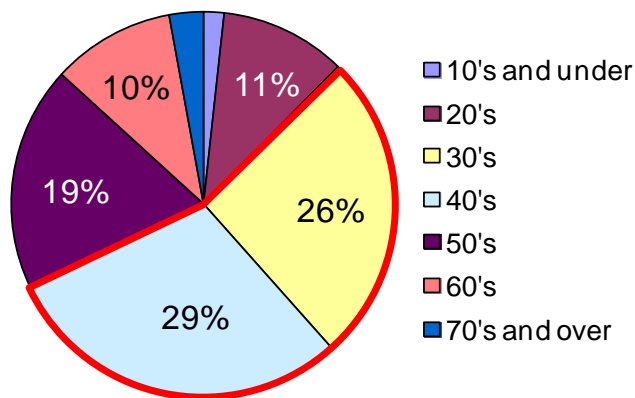
~Combine portfolio management and investment of individual mutual funds (October 28)

• **Introduce “Automatic rebalance” function (late in December)**

~As a portfolio advisory service which is free of charge, Matsui is the first company to provide the service in Japan²

Main customers of the portfolio management platform are 30s and 40s, and 84% of customers use saving type of investment function

◆ Customers by age¹

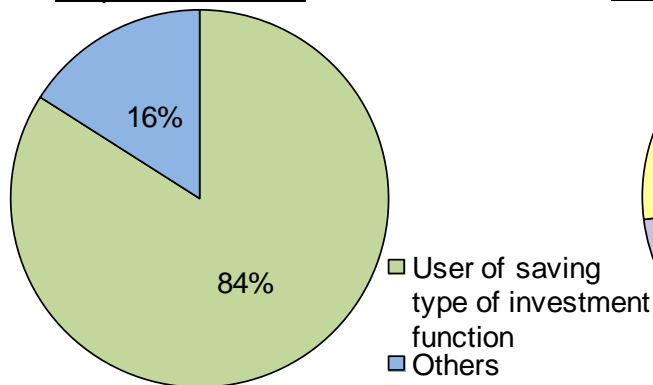


◆ Top 5 in sales (from July to September 2017)

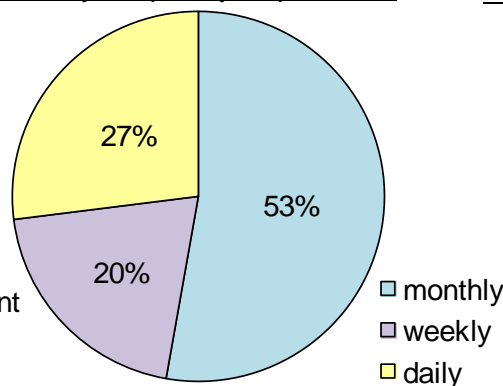
	Name	Asset Management	Asset class
1	Hifumi Plus	Rheos	Domestic Equity
2	SMT Global Bond Index Open Hedged	SMT AM	Developed Bond
3	Tawara No Load Developed Countries Equity	AMOne	Developed Equity
4	Nissay TOPIX Index Fund no charge	Nissay AM	Domestic Equity
5	iTrust Robo	Pictet	Developed Equity

◆ Usage of saving type of investment function¹

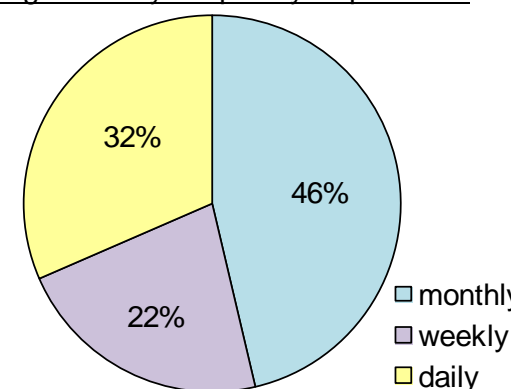
Proportion of users



Users by frequency of purchase



Trading Value by frequency of purchase

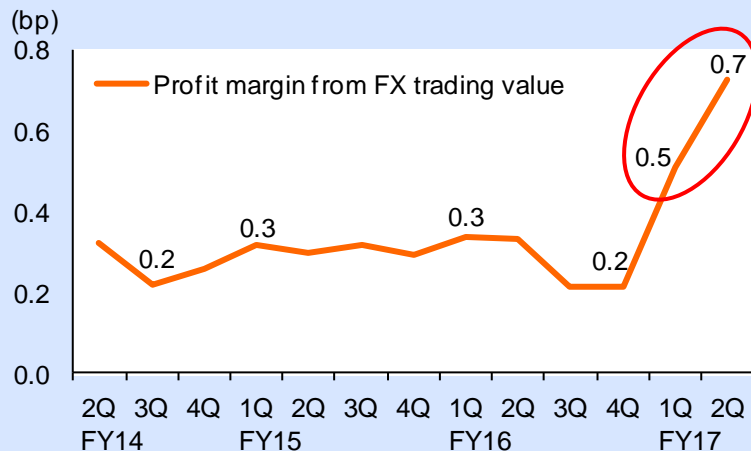


FX Margin Trading Business

◆ Recent Developments

✓ Restructuring of the business model (May 2017)

~Transformed brokerage business model into the trading business model to **improve profitability**. Profit margin on 2QFY17 was 2~3 times higher than before



✓ Tie-up with Fintech venture

~In cooperation with AlpacaJapan, started offering AI-based application “AI Chart·FX” from August 2017

◆ Regulation on FX Margin Trading Business

✓ Strengthen the regulation on leverage

~Manage the risk of collecting accounts receivable from customers

✓ Revise the rule on capital requirements

~Manage position risk and financial strengthen of FX dealer

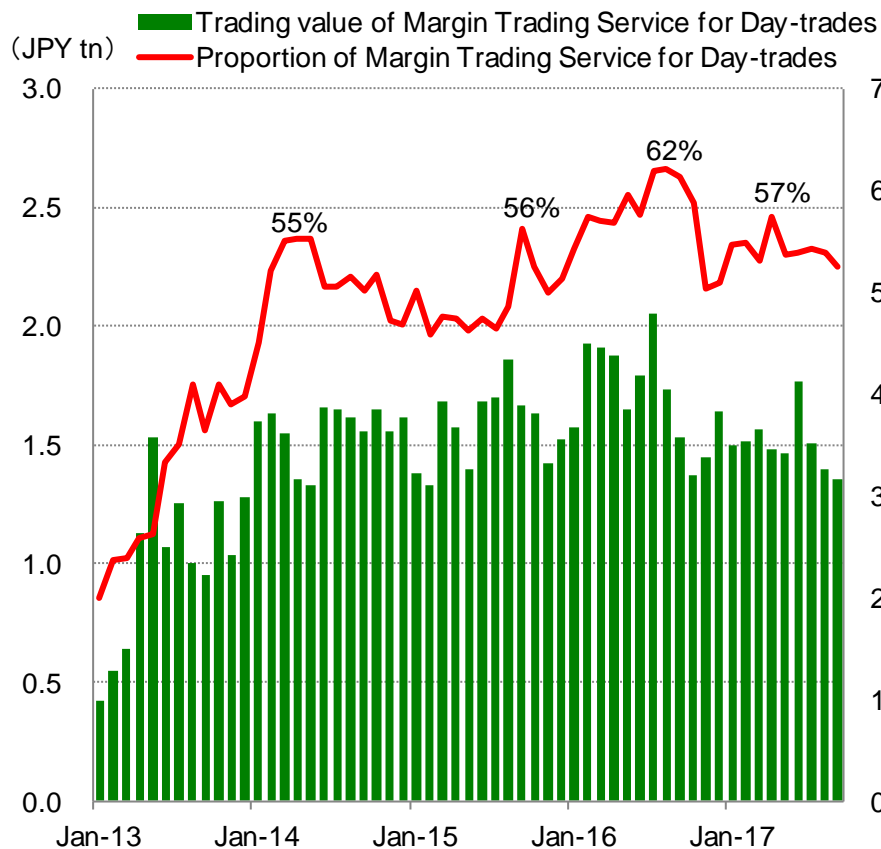


✓ **Lowering the maximum leverage from 25x to 10x by FSA will affect 30% of Matsui's FX customers**

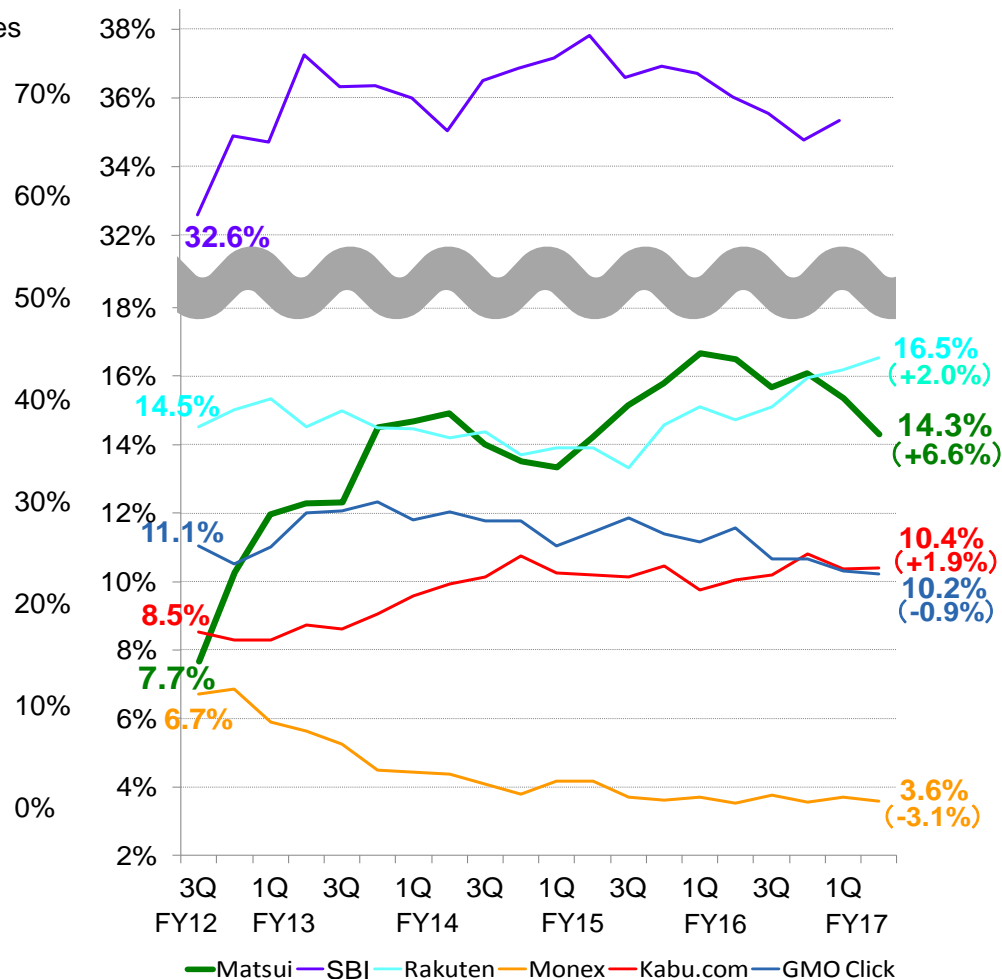
✓ **Depending on how FSA will enforce new regulation, it seems necessary to reconsider our strategy on FX margin trading business**

Margin Trading Service for Day-trades

◆ Trading results



◆ Market share¹ of margin trading value



NISA

Active account ratio for NISA¹ is 48%, the highest level among 5 online securities brokers²

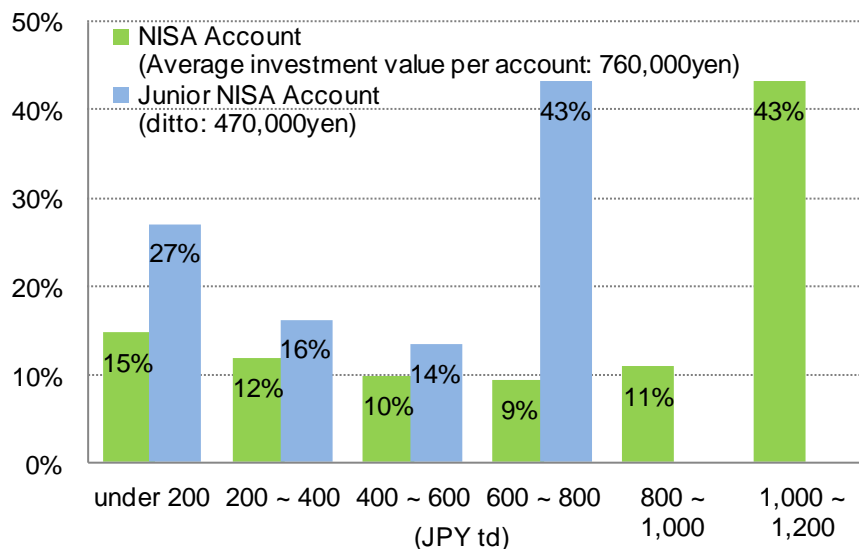
◆ Number of NISA accounts and customers' assets (as of September 2017)

	NISA	Junior NISA
Total number of accounts	123,443	3,402
Number of active accounts ³	59,743	1,613
Active account ratio	48%	47%
Total investment value(JPY mn) ⁴	45,495	754
Customers' assets(JPY mn) ⁵	92,378	1,191

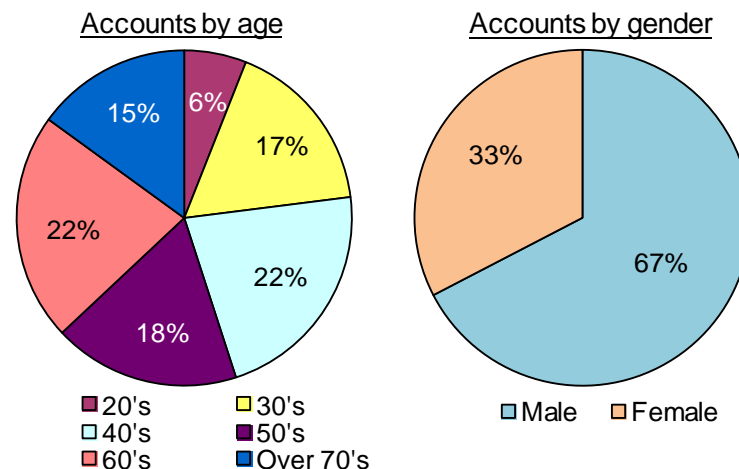
◆ Top 5 in trading value (from January to September 2017)

Rank	NISA Account	Junior NISA Account
1	Mizuho Financial Group, Inc. (8411)	Skylark Co., Ltd. (3197)
2	Skylark Co., Ltd. (3197)	Mizuho Financial Group, Inc. (8411)
3	Nissan Motor Co., Ltd. (7201)	Create Restaurants Holdings Inc. (3387)
4	Toshiba Corp. (6502)	Oriental Land Co., Ltd. (4661)
5	Toyota Motor Corporation (7203)	Orix Corp. (8591)

◆ Distribution of the invested amount (as of September 2017)



◆ Attribution of NISA accounts



The material is intended to provide the financial results for the quarter ended 30 September 2017 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 October 2017. 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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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

Masatoshi Yoshizawa : m-yoshizawa@matsui.co.jp