



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 2QFY2018

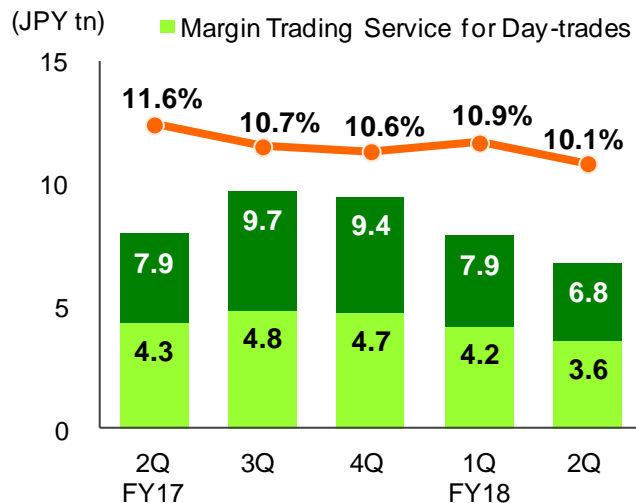
October 2018

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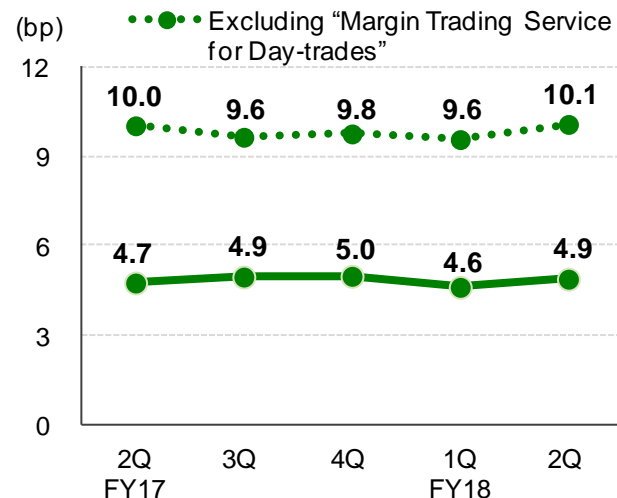
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Results of Operation

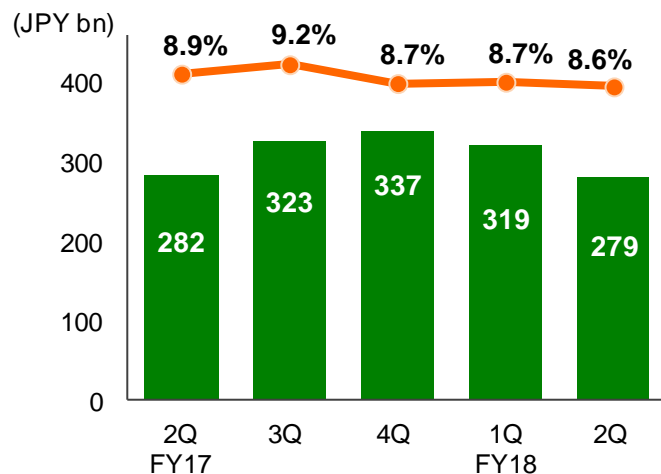
◆ Equity trading value / Market share



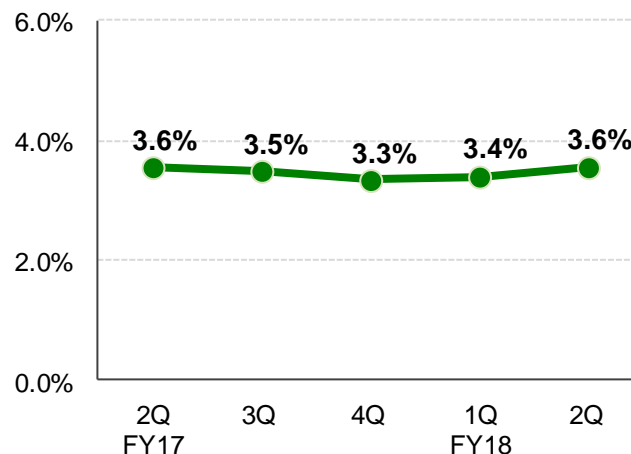
◆ Equity commission rate



◆ Margin balance / Market share

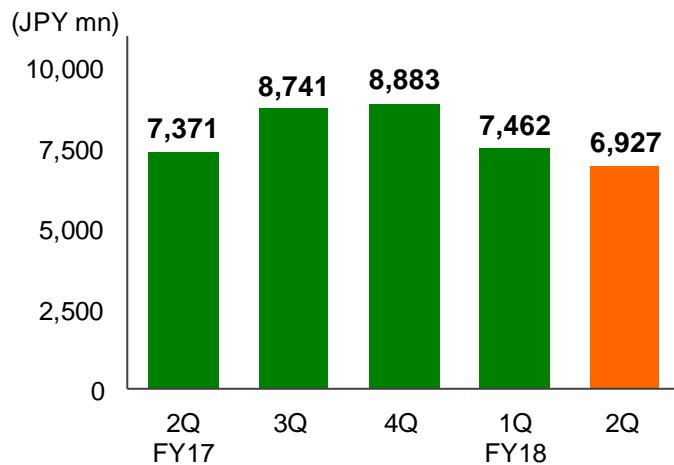


◆ Net financial income ratio

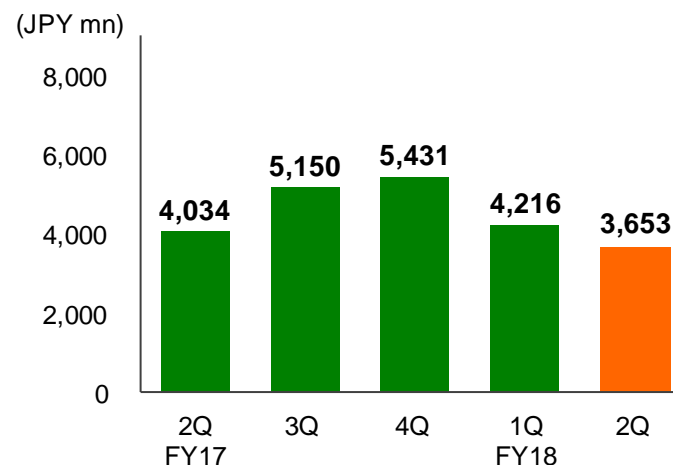


Financial Results

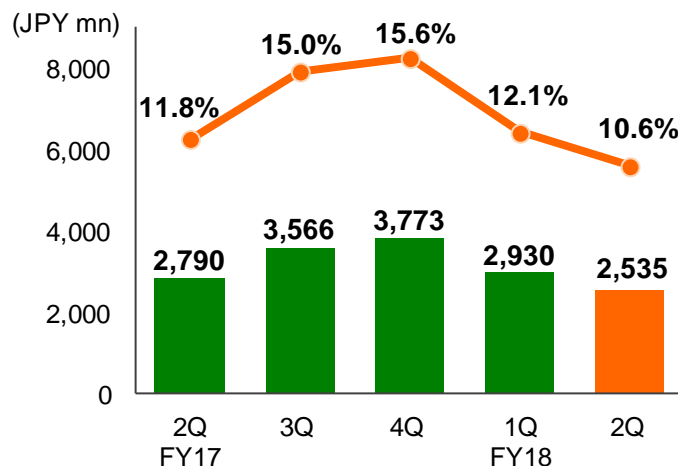
◆ Operating revenue



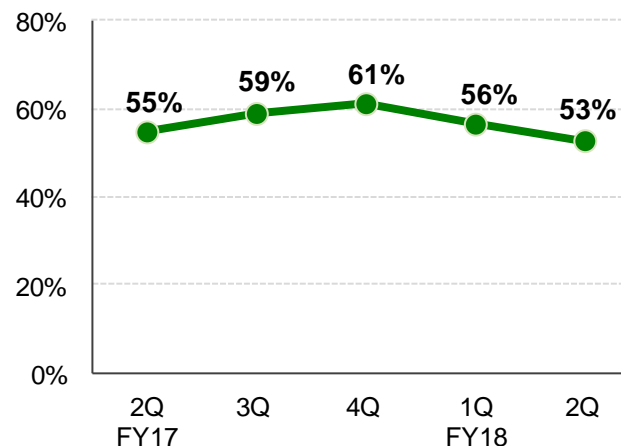
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues down JPY 540 million QoQ

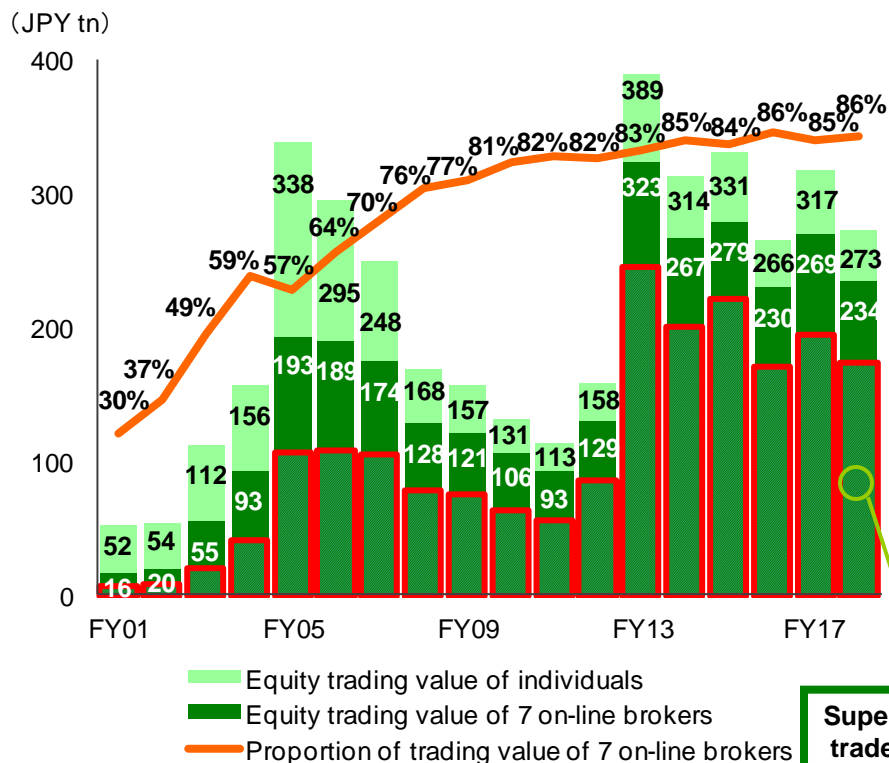
- Commissions were down JPY 310 million due to decline of equity trading value.
- Interest & dividend income was down JPY 170 million due to decline of average margin balance.
- Net trading income was down JPY 60 million due to decline of swap transaction on FX margin trading.

◆ SG&A down JPY 20 million QoQ

- Trading related expenses were down JPY 30 million due to decline of equity trading value.

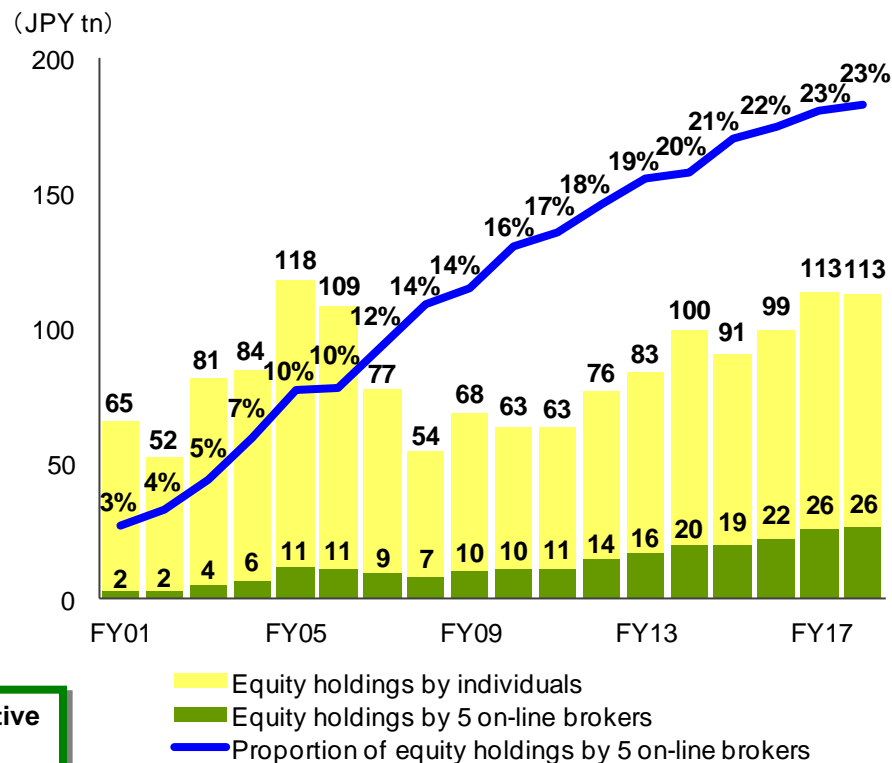
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 170 tn
(Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Source: TSE, Company data, Company Website, BOJ

Note 1: 5 on-line brokers are Matsui, SBI, Rakuten, Monex and Kabu.com, 7 on-line brokers include GMO Click and Okasan Online
 Equity trading value of FY18 is estimated. Equity holdings of FY18 is as of September 2018.

Note 2: Super active traders : number of trades per month is over 100 times

Financial Summary

Section 1

Summary of Financial Results (1HF FY18)

(JPY mn)

	FY18	FY17			YoY	FY17
	1HF	2HF	HFoHF	1HF		TOTAL
Operating Revenues	14,389	17,624	-18%	14,586	-1%	32,210
Commissions	7,756	10,451	-26%	8,517	-9%	18,968
Interest & dividend income	5,961	6,404	-7%	5,636	6%	12,040
Net trading income	670	769	-13%	432	55%	1,201
Interest expenses	612	996	-39%	734	-17%	1,729
Net operating revenues	13,777	16,628	-17%	13,852	-1%	30,480
SG & A	5,990	6,092	-2%	5,856	2%	11,949
Operating income	7,787	10,536	-26%	7,996	-3%	18,532
Ordinary income	7,869	10,581	-26%	8,051	-2%	18,632
Net income	5,465	7,339	-26%	5,570	-2%	12,908
Ordinary income ratio	55%	60%	-	55%	-	58%
Matsui's trading value (JPY tn)	14.6	19.1	-23%	16.5	-12%	35.6
Daily average trading value on TSE (JPY tn)	3.3	3.8	-15%	3.1	6%	3.5

Breakdown of Net Operating Revenue (1HF FY18)

(JPY mn)

	FY18	FY17			YoY	FY17
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	7,756	10,451	-26%	8,517	-9%	18,968
Brokerage	7,391	10,101	-27%	8,149	-9%	18,250
Equity & ETF	6,912	9,458	-27%	7,686	-10%	17,144
Futures & Options	479	643	-25%	464	3%	1,106
Others	341	338	1%	360	-5%	698
Net trading income	670	769	-13%	432	55%	1,201
Interest & dividend income (1)	5,961	6,404	-7%	5,636	6%	12,040
Total operating revenues	14,389	17,624	-18%	14,586	-1%	32,210
Interest expenses (2)	612	996	-39%	734	-17%	1,729
Net operating revenues	13,777	16,628	-17%	13,852	-1%	30,480
Net interest income (1) - (2)	5,349	5,408	-1%	4,902	9%	10,310
Average margin balance (JPY bn)	308	317	-3%	272	13%	294

Breakdown of SG&A (1HF FY18)

(JPY mn)

	FY18	FY17			YoY	FY17
	1HF	2HF	HFoHF	1HF		TOTAL
Trading related expenses	2,058	2,416	-15%	2,176	-5%	4,592
Stock exchanges and securities associations fees	616	807	-24%	720	-14%	1,527
Communications expenses	842	866	-3%	833	1%	1,699
Advertisement	227	300	-24%	236	-4%	536
Personnel expenses	1,223	1,195	2%	1,169	5%	2,364
Occupancy & rental	423	413	3%	432	-2%	845
Data processing & office supplies	1,123	1,058	6%	1,046	7%	2,104
Depreciation	837	798	5%	750	12%	1,549
Taxes and dues	189	212	-11%	194	-2%	406
Provision of allowance for doubtful accounts	65	-53	-	24	170%	-29
Others	71	53	34%	64	11%	117
Total SG & A	5,990	6,092	-2%	5,856	2%	11,949

Summary of Financial Results (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY17			YoY	FY17 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Operating Revenues	6,927	7,462	-7%	8,883	8,741	7,371	-6%	32,210
Commissions	3,723	4,034	-8%	5,217	5,234	4,183	-11%	18,968
Interest & dividend income	2,897	3,064	-5%	3,208	3,196	2,893	0%	12,040
Net trading income	306	364	-16%	458	311	294	4%	1,201
Interest expenses	293	319	-8%	425	570	414	-29%	1,729
Net operating revenues	6,634	7,143	-7%	8,458	8,170	6,957	-5%	30,480
SG & A	2,984	3,006	-1%	3,025	3,067	2,925	2%	11,949
Operating income	3,651	4,136	-12%	5,433	5,103	4,032	-9%	18,532
Ordinary income	3,653	4,216	-13%	5,431	5,150	4,034	-9%	18,632
Net income	2,535	2,930	-14%	3,773	3,566	2,790	-9%	12,908
Ordinary income ratio	53%	56%	-	61%	59%	55%	-	58%
Matsui's trading value (JPY tn)	6.8	7.9	-14%	9.4	9.7	7.9	-15%	35.6
Daily average trading value on TSE (JPY tn)	3.2	3.3	-4%	4.0	3.7	3.0	6%	3.5

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY17			YoY	FY17 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Commissions	3,723	4,034	-8%	5,217	5,234	4,183	-11%	18,968
Brokerage	3,543	3,848	-8%	5,018	5,082	3,997	-11%	18,250
Equity & ETF	3,295	3,617	-9%	4,667	4,791	3,773	-13%	17,144
Futures & Options	248	231	7%	352	291	224	11%	1,106
Others	177	164	8%	190	148	180	-2%	698
Net trading income	306	364	-16%	458	311	294	4%	1,201
Interest & dividend income (1)	2,897	3,064	-5%	3,208	3,196	2,893	0%	12,040
Total operating revenues	6,927	7,462	-7%	8,883	8,741	7,371	-6%	32,210
Interest expenses (2)	293	319	-8%	425	570	414	-29%	1,729
Net operating revenues	6,634	7,143	-7%	8,458	8,170	6,957	-5%	30,480
Net interest income (1) - (2)	2,605	2,744	-5%	2,783	2,625	2,479	5%	10,310
Average margin balance (JPY bn)	293	323	-9%	333	301	279	5%	294

Breakdown of SG&A (Quarterly)

(JPY mn)

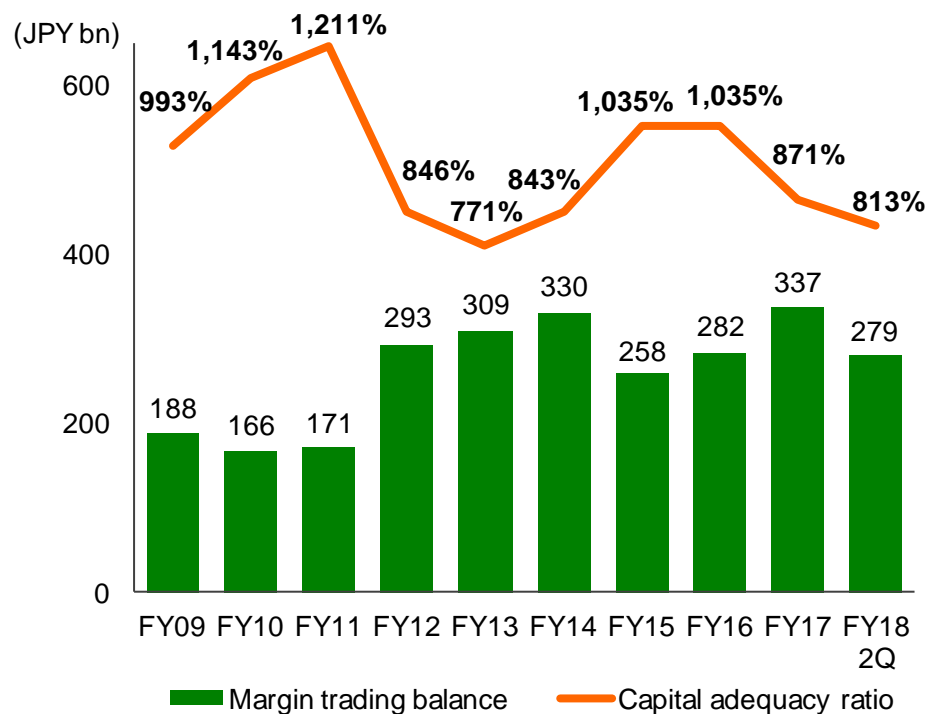
	FY18	FY18	QoQ	FY17			YoY	FY17 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Trading related expenses	1,016	1,042	-3%	1,218	1,198	1,083	-6%	4,592
Stock exchanges and securities associations fees	299	316	-5%	405	401	356	-16%	1,527
Communications expenses	420	422	-0%	443	423	418	1%	1,699
Advertisement	105	122	-14%	131	169	119	-12%	536
Personnel expenses	613	610	1%	594	601	589	4%	2,364
Occupancy & rental	213	210	1%	209	203	216	-1%	845
Data processing & office supplies	553	569	-3%	541	517	538	3%	2,104
Depreciation	424	413	3%	403	396	387	10%	1,549
Taxes and dues	89	101	-12%	111	101	93	-4%	406
Provision of allowance for doubtful accounts	51	14	260%	-70	17	4	-	-29
Others	24	47	-49%	19	34	16	55%	117
Total SG & A	2,984	3,006	-1%	3,025	3,067	2,925	2%	11,949

Regulatory Capital

◆ Capital adequacy ratio (As of 30 September 2018)

		(JPY mn)
Tier 1	(A)	73,253
Tier 2	Net unrealized gain on investment	2,509
	Statutory reserves	2,987
	Allowance for doubtful accounts	141
	Sub total	(B) 5,637
Assets to be deducted from equity capital	(C)	6,998
Net Capital		
	(A) + (B) - (C)	(D) 71,892
Total risk	Market risk	549
	Counterparty risk	5,411
	Basic risk	2,871
	Total	(E) 8,833
Capital Adequacy ratio		(D)/(E) 813%

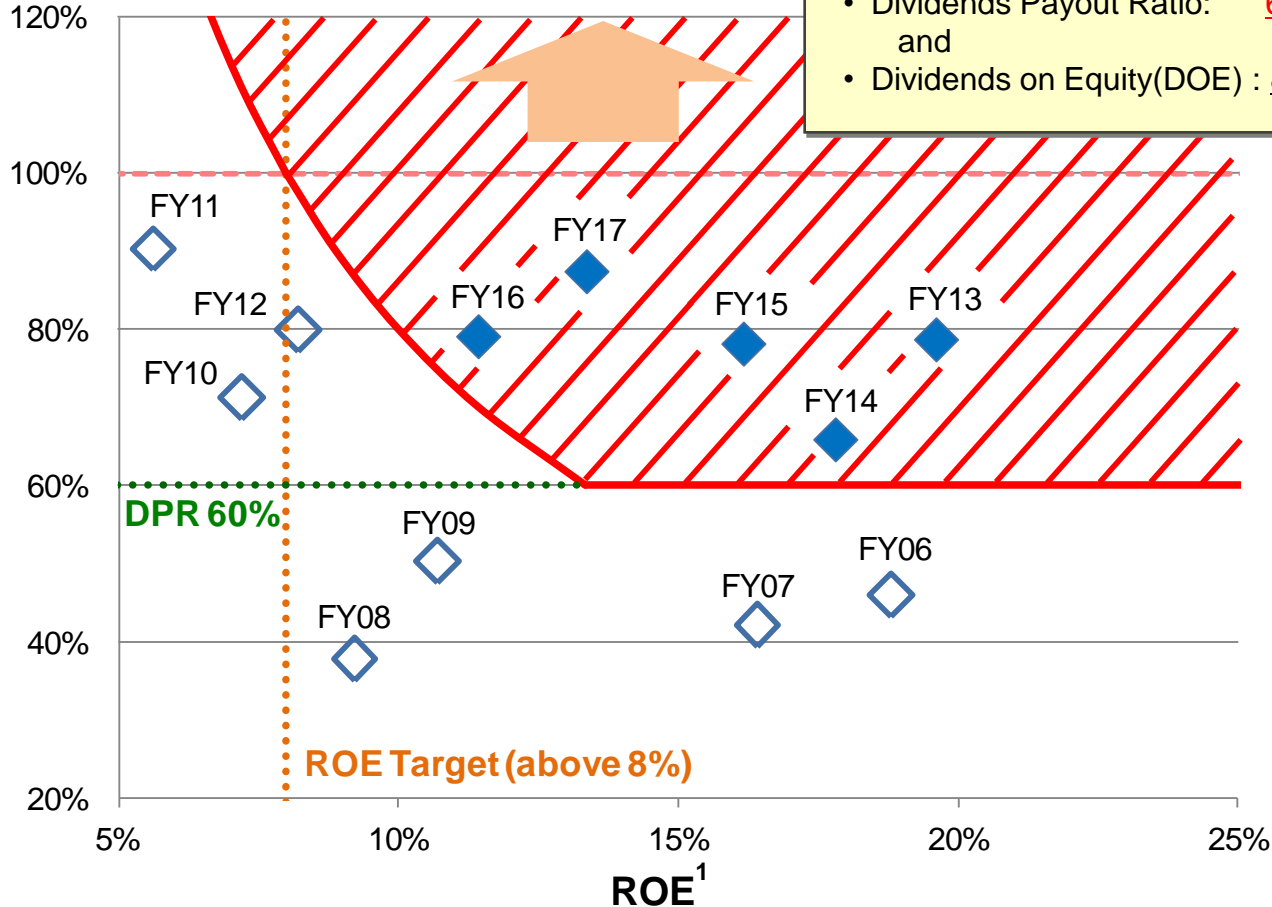
◆ Margin trading balance and capital adequacy ratio



Dividend Payment for the past fiscal years

Withdraw the upper limit of 100% on dividend payout ratio

Dividend Payout Ratio (DPR)



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)

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

Shareholders Return

Plan to pay interim dividend of 19 yen per share and year-end dividend of 65 yen per share for FY18

◆ Dividends for FY2018

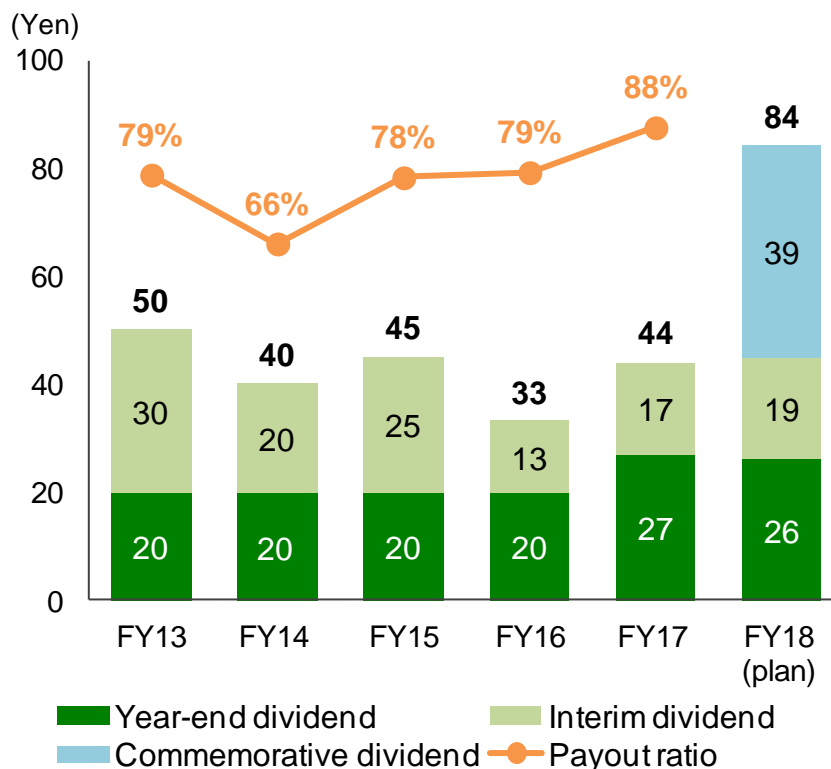
■ Interim dividend : 19 yen

- ✓ Dividends payout ratio : **89%**
- ✓ DOE : **10%**
(ROE : 11%)

■ Year-end dividend : 65 yen

- Ordinary dividend : 26 yen
- Commemorative dividend : 39 yen
(Total amount of 10.0 billion yen)

◆ Matsui's dividend per share and payout ratio²

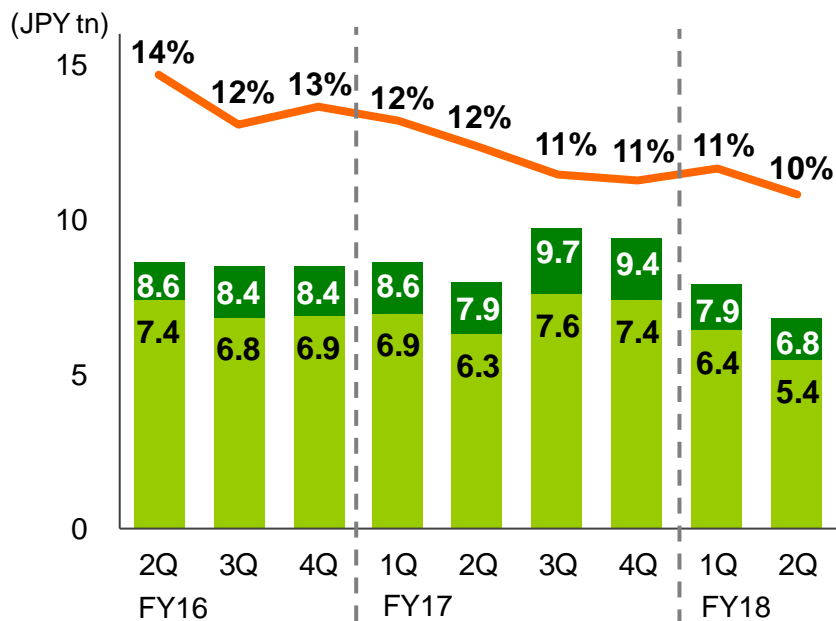


Results of Operation

Section 2

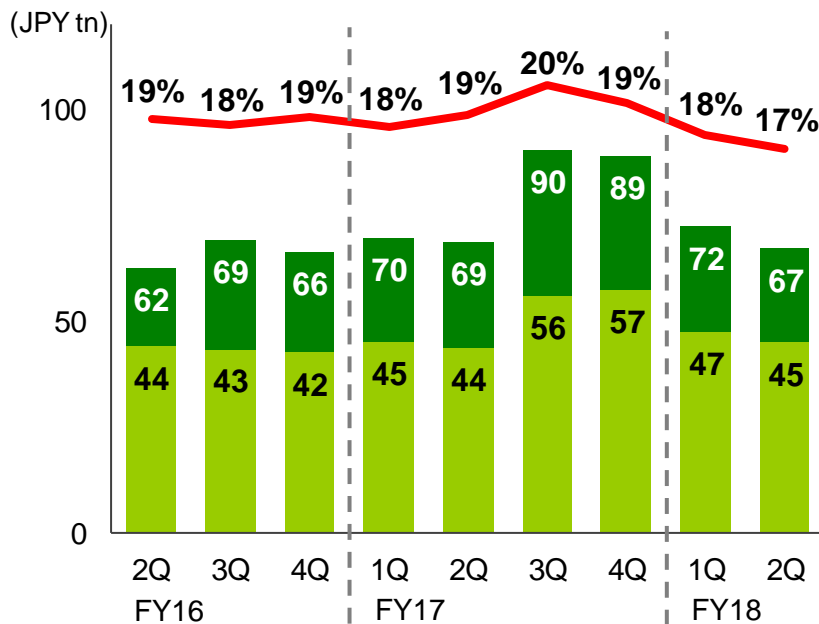
Equity Trading Value

◆ 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

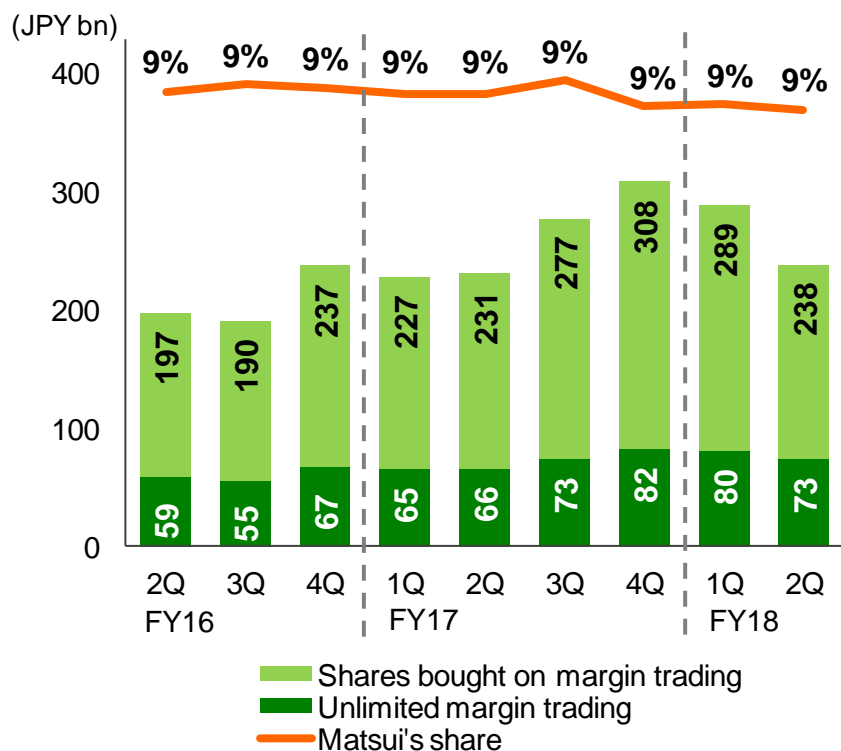
◆ Retail equity trading value¹ and proportion to total equity trading value



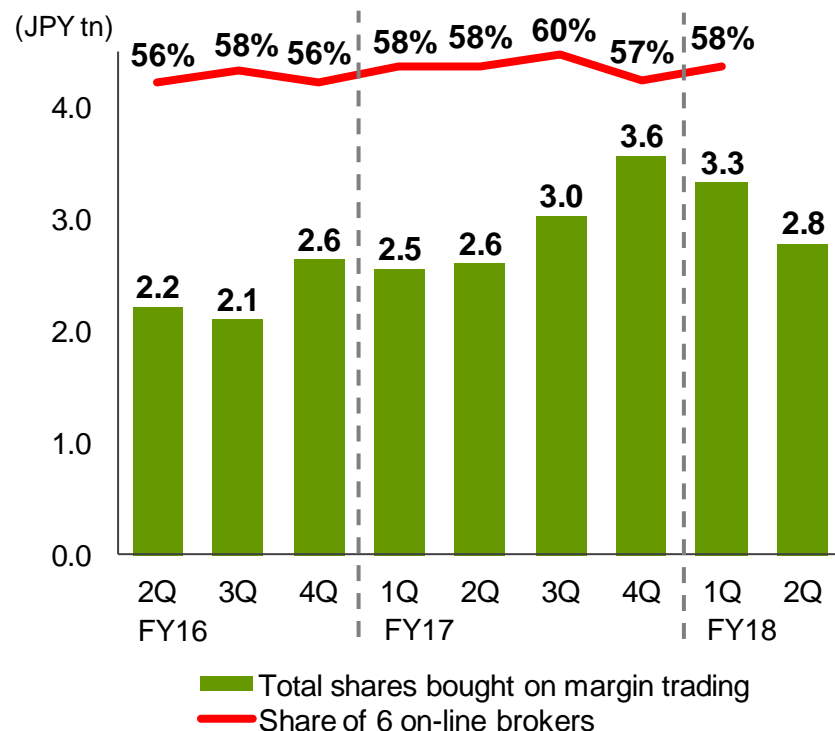
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

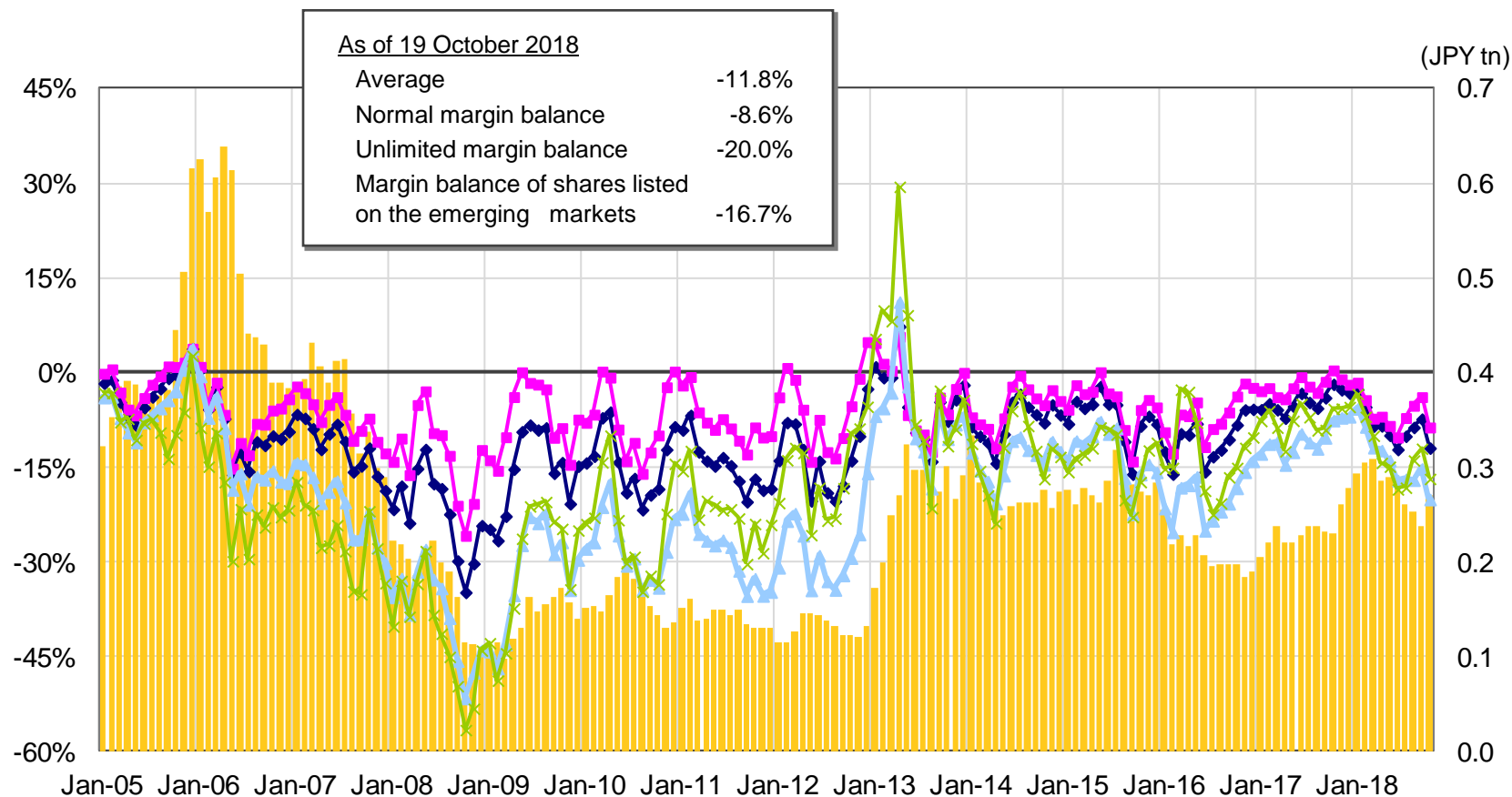
◆ Matsui's shares bought on margin¹ and its market share²



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



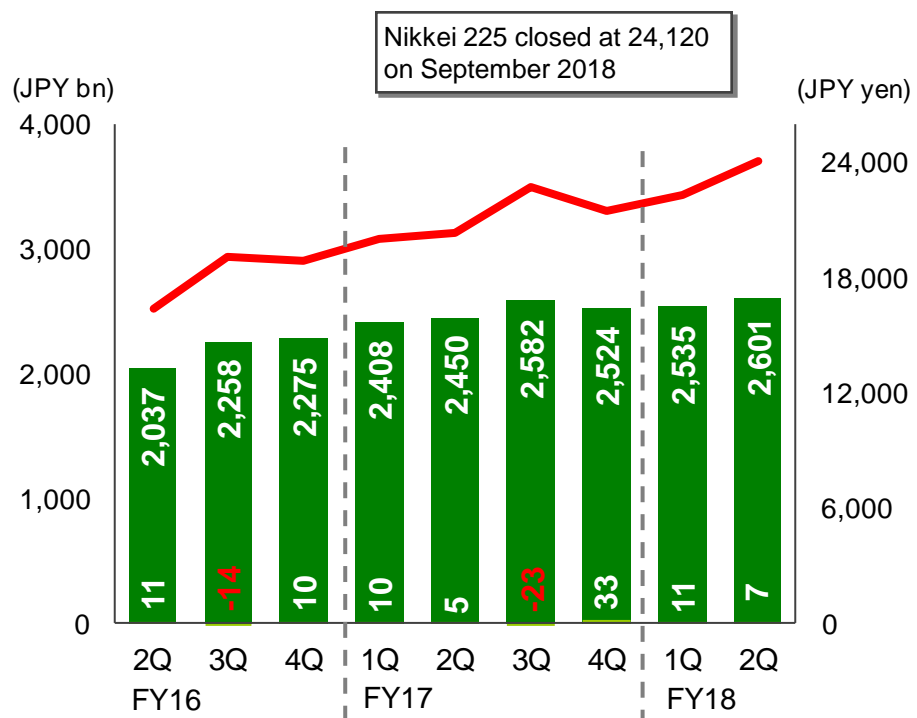
Unrealized Losses on Matsui's Margin Balance



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

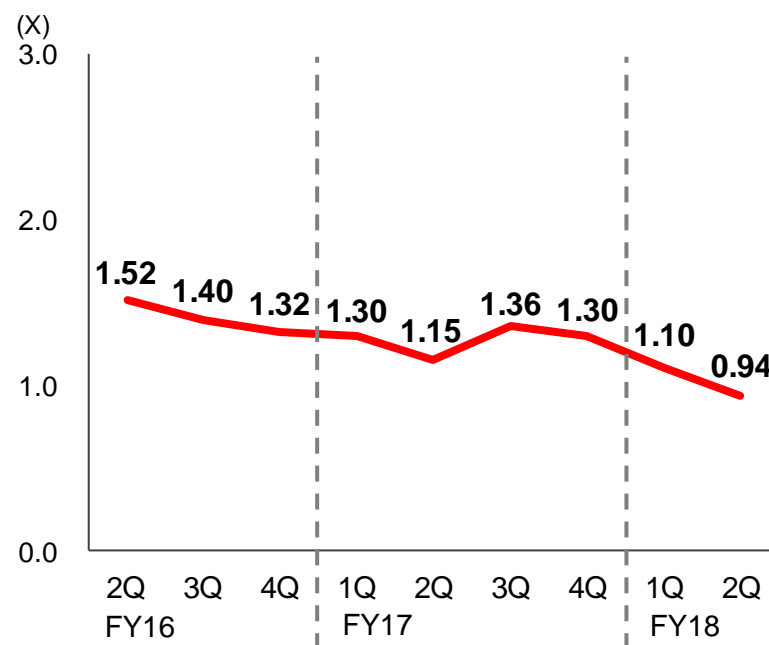
Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



- Assets under Matsui's customers' accounts
- Net inflow in cash and stocks
- Nikkei 225

◆ Equity trading turnover¹ of Matsui's customers



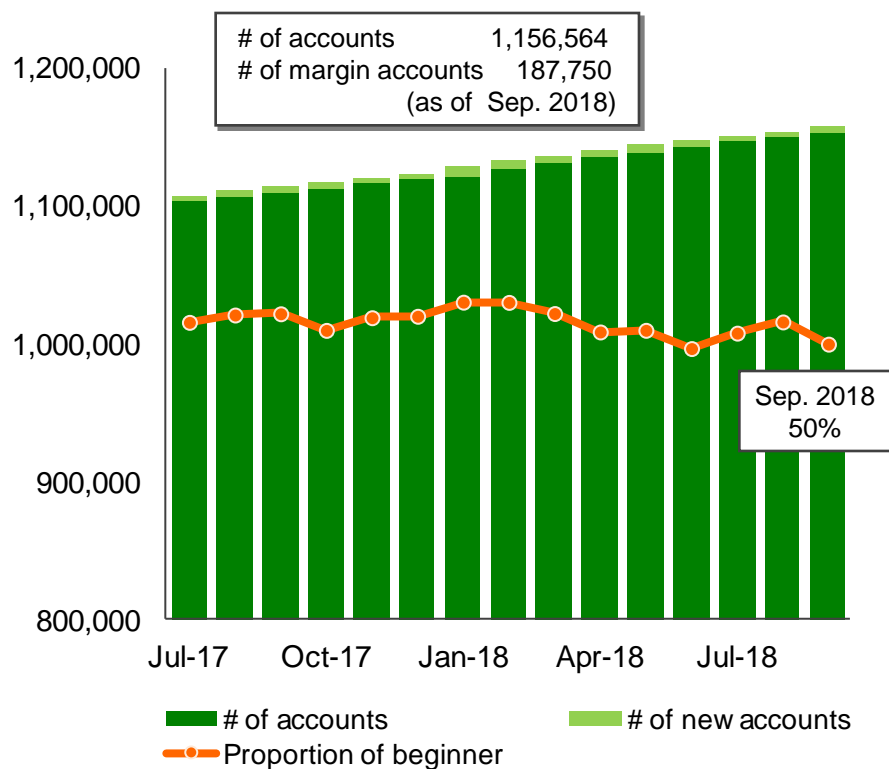
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

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

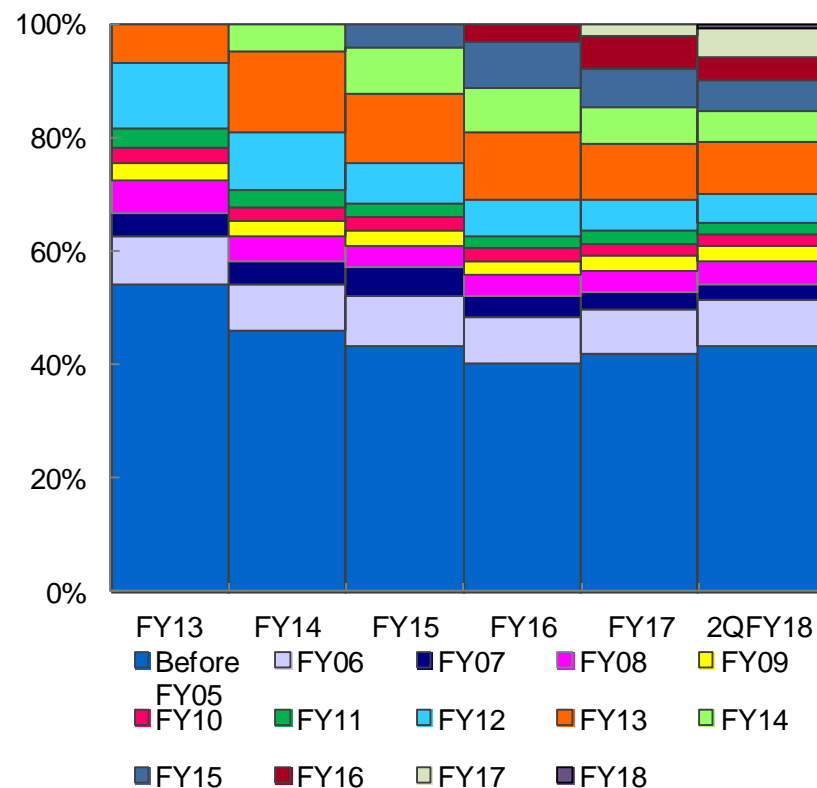
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

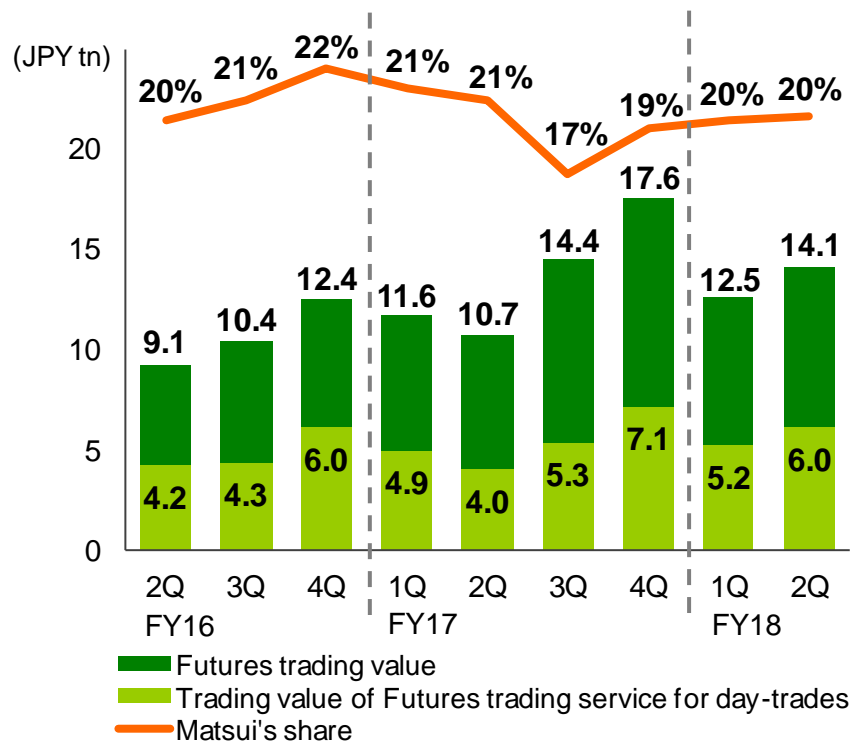


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

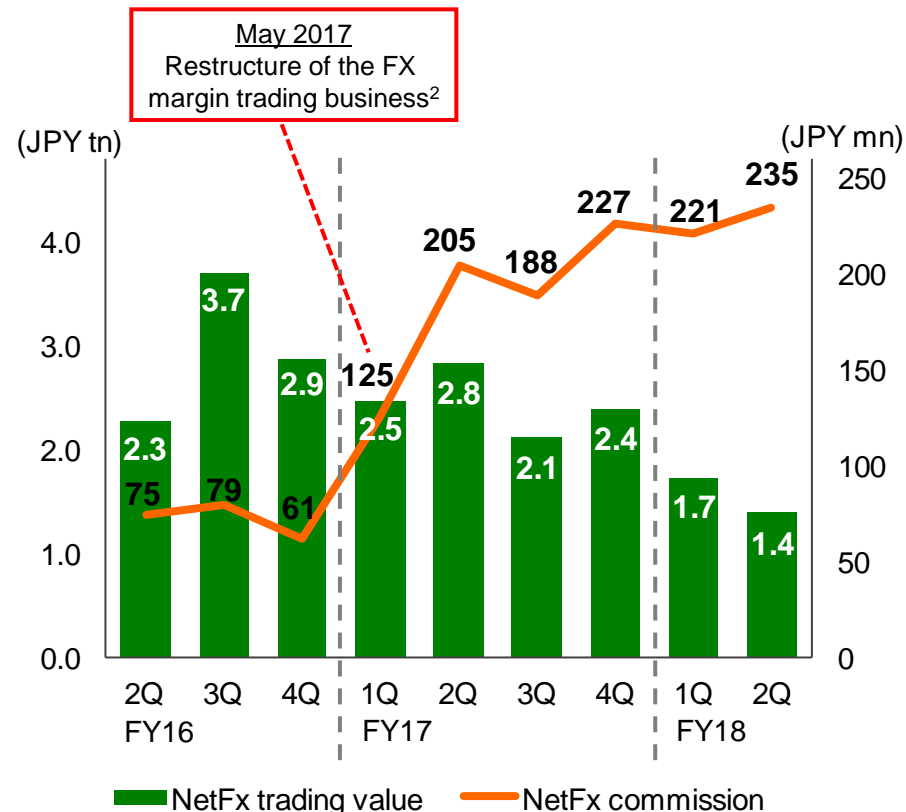


Futures Trading Value / FX Margin Trading Value

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

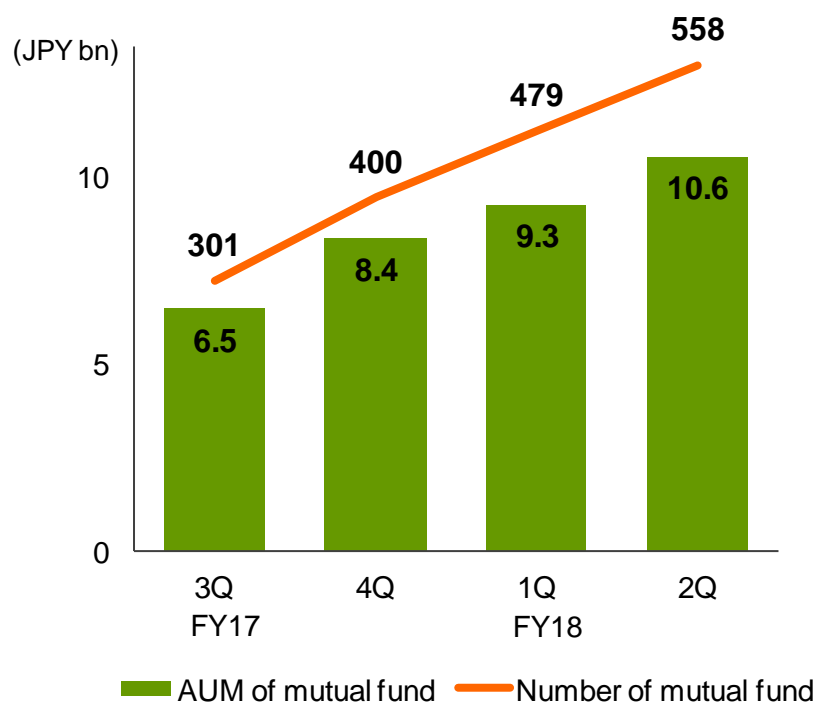


◆ Matsui's OTC FX trading value and commission

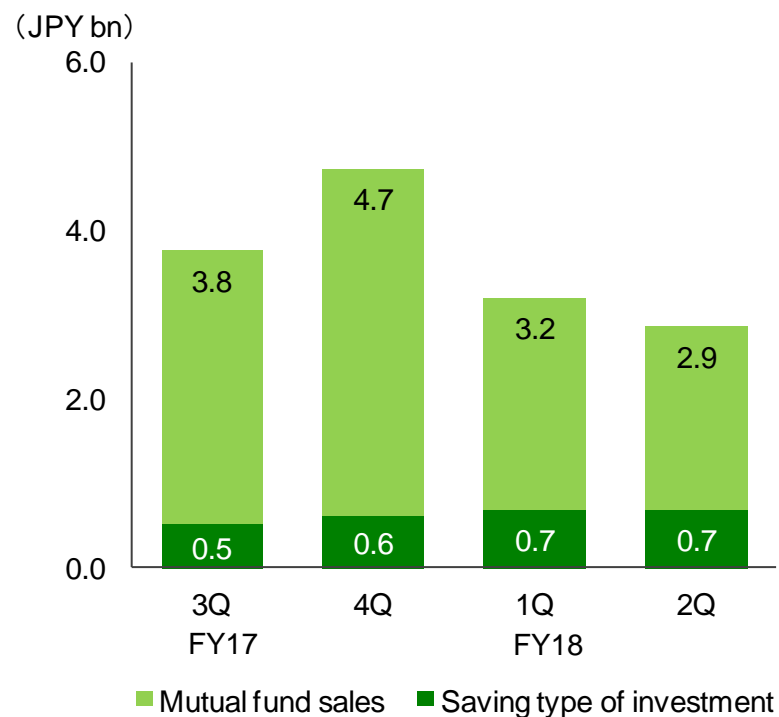


Mutual Fund

◆ 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
 - Expand Futures, FX, Mutual fund services

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

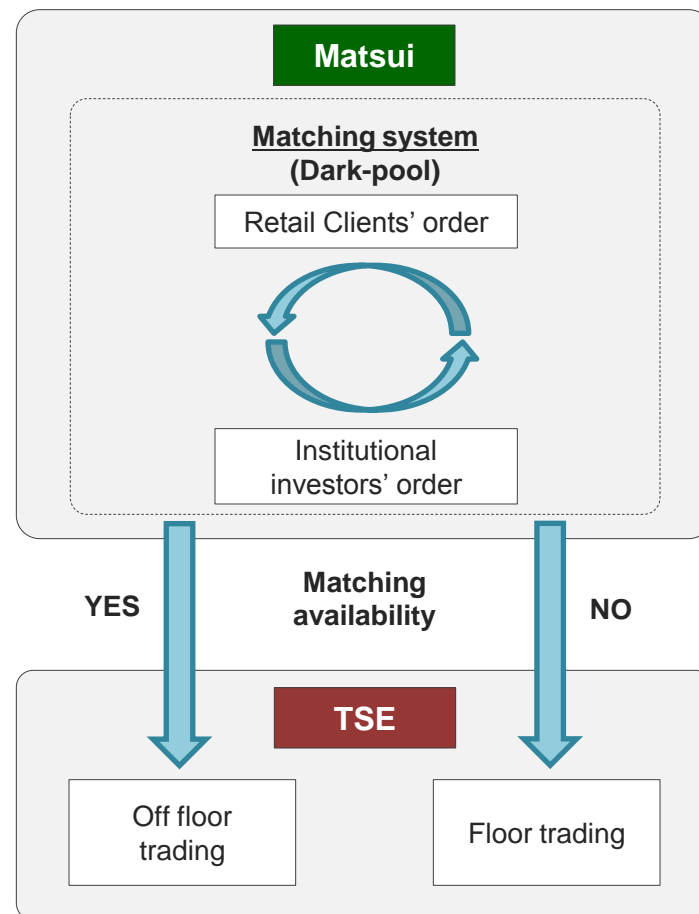
◆ Features

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

◆ Improve recognition of the service

- Ensuring transparency of the service by actively disclosing the trading results at our matching system
 - Report the price improvement results for each transaction
 - Monitor the latency on execution of the order
 - Disclose the result of analysis for price improvements

◆ Order flow

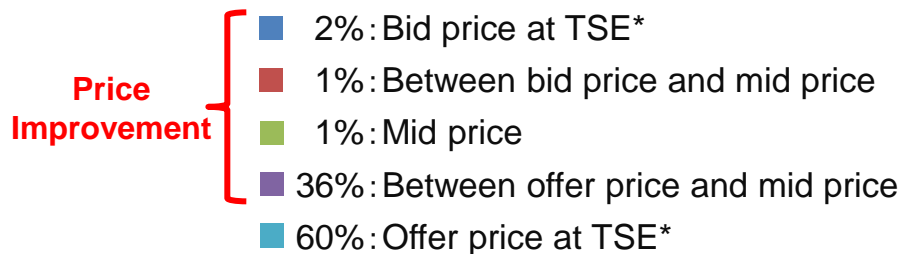
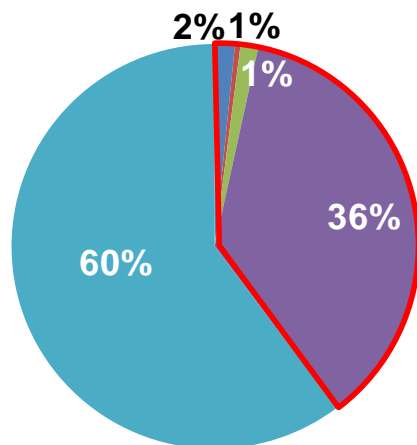


Equity Business: Better Execution Service II

Disclose the monthly result of statistic analysis for price improvements

◆ Provide better prices on **40%** of order which is executed in the dark-pool

➤ Price range of execution in dark-pool



*In case of buying order

◆ Average price improvement rate is **2.8bps**

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	0.7 bps
Middle-cap	2.5 bps
Small-cap	3.8 bps
Others	
Tse 2nd	6.8 bps
JASDAQ	5.7 bps
Mothers	5.0 bps
ETF	1.5 bps
REIT	1.8 bps
Total	2.8 bps

Equity Business: Stock Lending Service

Started monetizing the equity assets under management from October 2018

◆Features

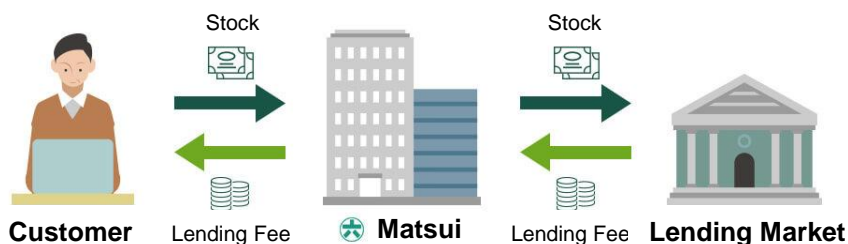
- Select **1,000 stocks** which offer relatively high lending rate
- Offer **0.2% of minimum lending rate** which is the best rate among major on-line brokers¹
- Utilize stock lending inventory for **the Premium Short-Selling Service**

◆Stocks with high lending rate²

Stock	Lending rate
PKSHA Technology Inc. (3993)	13.00%
Ignis Ltd. (3689)	9.00%
ASJ Inc. (2351)	5.00%
FFRI, Inc. (3692)	5.00%
Brangista. Inc. (6176)	5.00%

◆Promotion

Currently special offers are available to promote the service; raise the minimum lending rate from 0.2% to **2%** on listed stocks in TSE Mothers and JASDAQ from 22 Oct. to 28 Dec. 2018.



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”

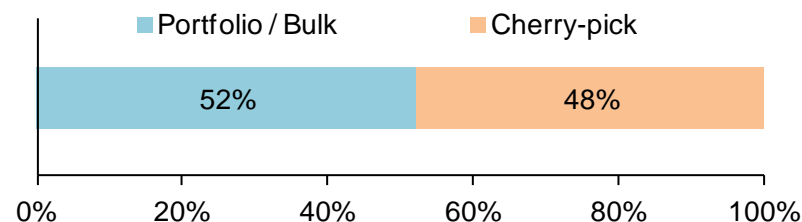
policy1: Not Charging sales commission¹

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

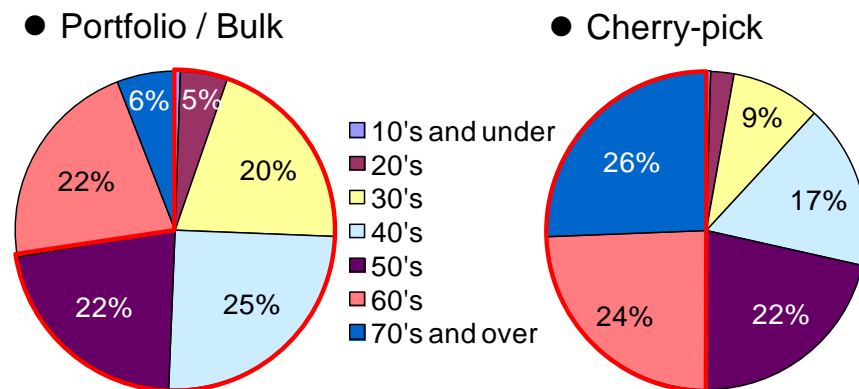
◆ Future Developments

- Support long-term diversified investment for asset building generation
 - Promote use of portfolio management platform
 - Started periodic deposit service (Oct. 2018)
 - Started original point service “Matsui Securities Point” (Oct. 2018)
- Response to the needs of retired generation
 - Expand the line-up of mutual funds to meet the needs of cherry-picking individual mutual funds
 - Plan to start deal with lord fund and refund the sales commission by point (Nov. 2018)

◆ AUM by type of investment²



◆ AUM by age²



Future Initiatives: FX Margin Trading Business

◆ Improve the LINE account service for FX margin trading (Nov. 2018)

■ List of Features

- ✓ Market information
- ✓ Notification feature as to rapid market movement



⇒ Expand the type of notification

- ✓ Order function from LINE application

⇒ Enhance the connection of order function between LINE account and trading tool for PC

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LINE@

◆ FX Margin Trading Business:

Improve Customer Service (FY2018)

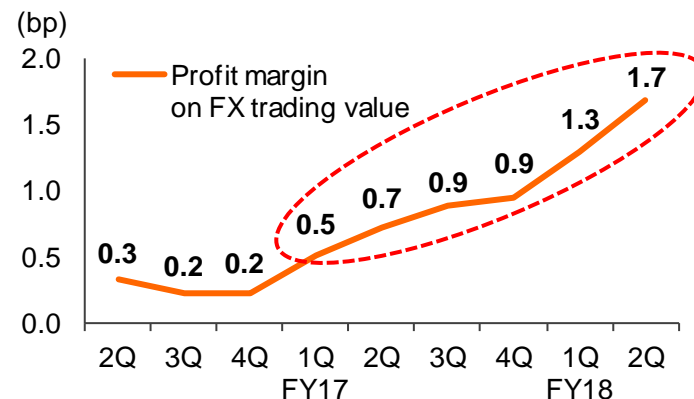
- Renew the trading platform for clients
- Enhance promotion for customer acquisition

⇒ Expand trading value and revenue from FX margin trading business (FY 2018)

(Recent development)

- ✓ Restructuring of the business model (May 2017)

⇒ Transformed brokerage business model into the trading business model to improve profitability



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 September 2018)

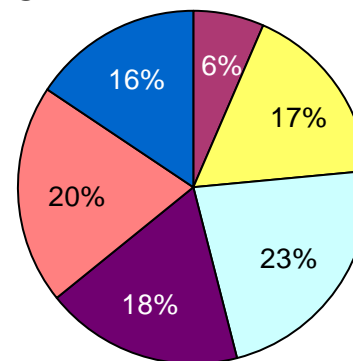
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	136,078	2,954	4,249
Number of active accounts ¹	64,482	1,565	2,099
Active account ratio	47%	53%	49%
Total investment value(JPY mn) ²	49,418	245	1,015
Customers' assets(JPY mn) ³	113,676	253	2,063

◆ Top 5 in trading value (from January to September 2018)

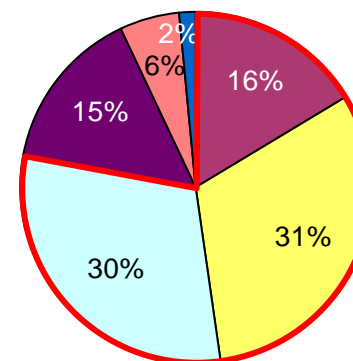
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	Rakuten US All Equity Index Fund
3	Nissan Motor Co., Ltd. (7201)	eMAXIS Slim Developed Country Equity Index
4	Skylark Holdings Co., Ltd. (3197)	Nissay Foreign Equity Index Fund no charge
5	KDDI Corp. (9433)	Rakuten All Country Equity Index Fund

◆ Attribution of NISA accounts by age (as of September 2018)

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 30 September 2018 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 2018. 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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