



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 2QFY2019

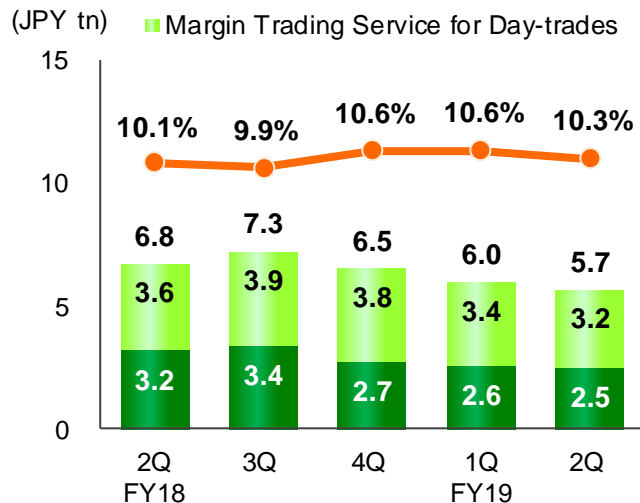
October 2019

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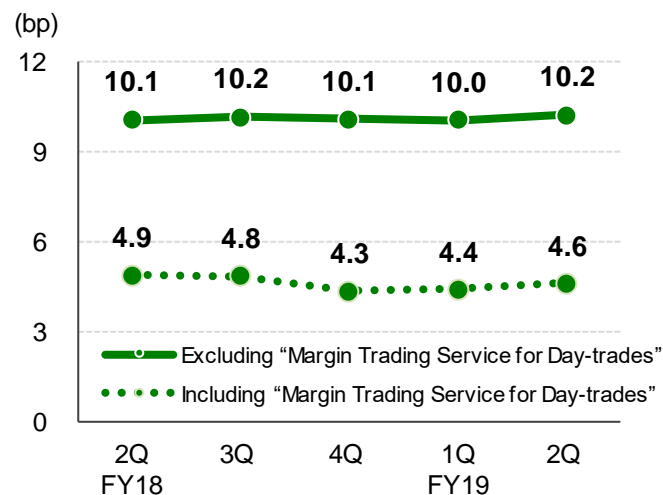
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Results of Operation

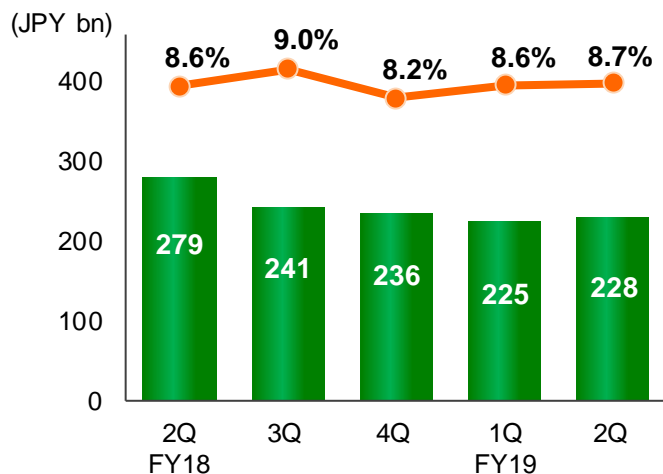
◆ Equity trading value / Market share



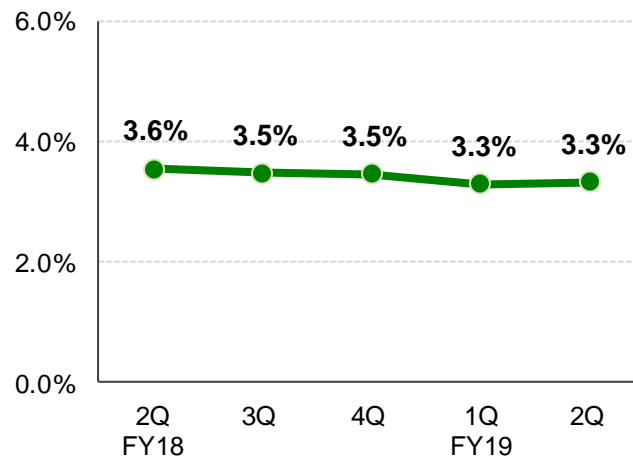
◆ Equity commission rate



◆ Margin balance / Market share

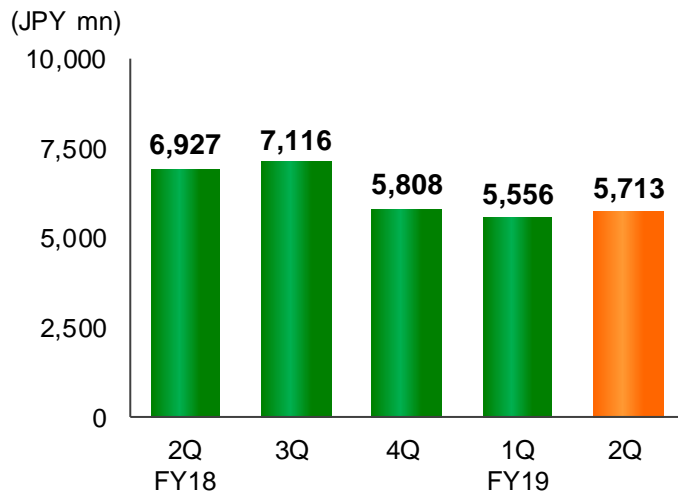


◆ Net financial income ratio

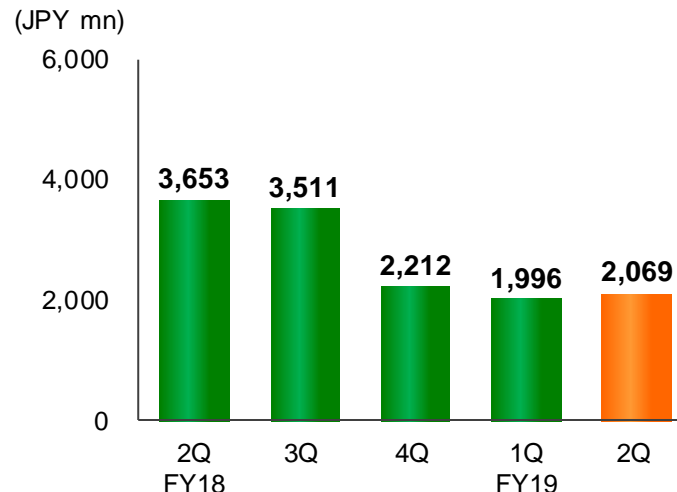


Financial Results

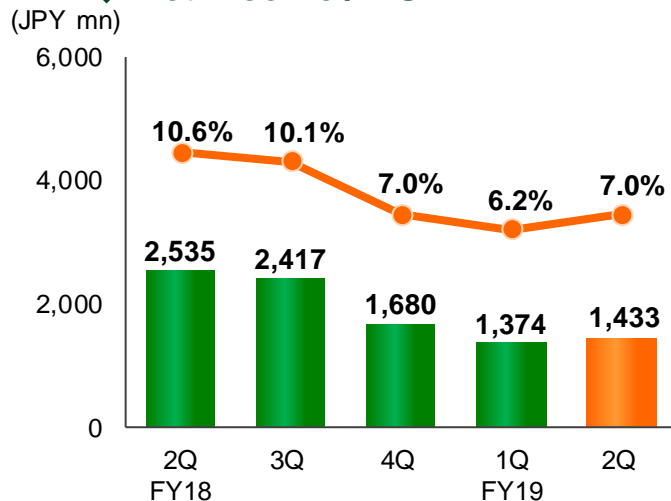
◆ Operating revenue



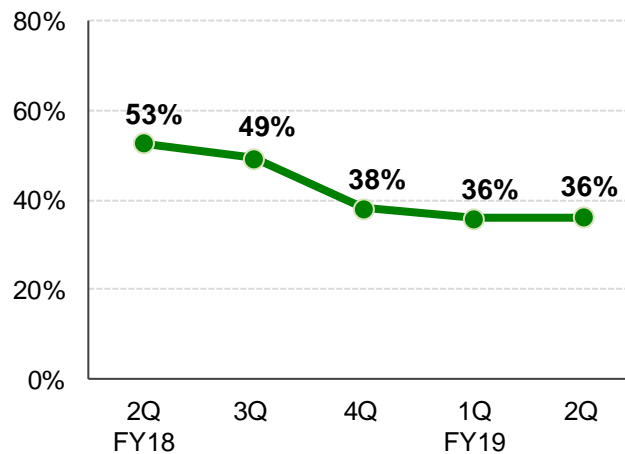
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Net operating revenues up JPY 80 million QoQ

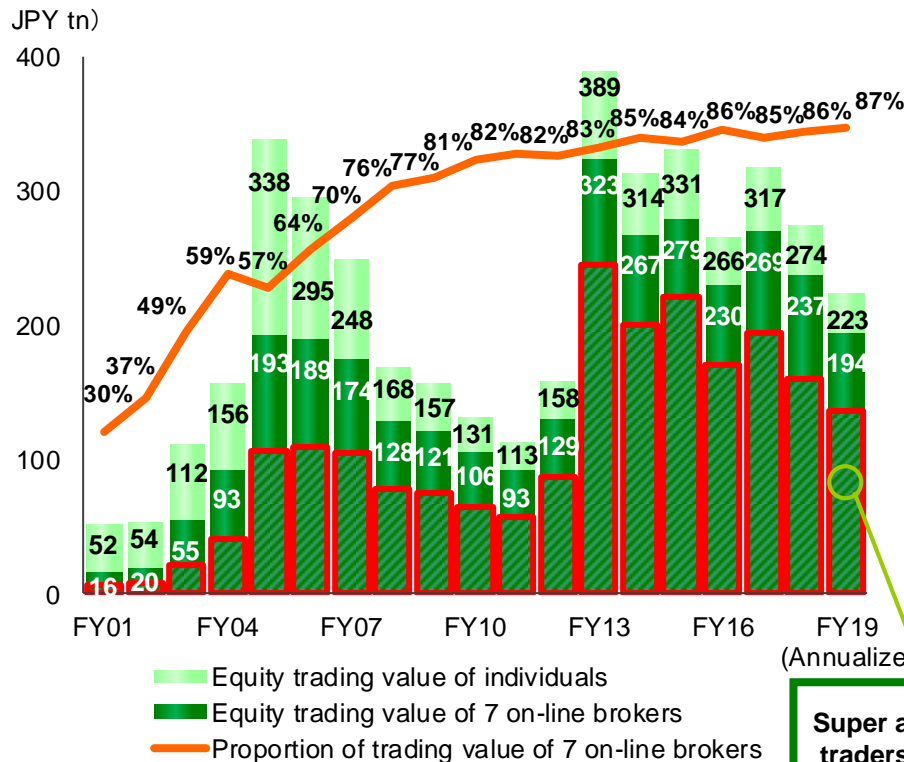
- Net trading income was up JPY 30 million due to increase of FX trading value.
- Net interest income was up JPY 40 million due to increase of average margin balance for long-position.

◆ SG&A down JPY 80 million QoQ

- Trading related expenses were up JPY 100 million due to increase of advertisement expenses.
- Depreciation was down JPY 100 million. Depreciation of 1Q was up JPY 120 million due to the depreciation of the balance on former FX trading system. (Renew the trading platform for clients in April 2019)

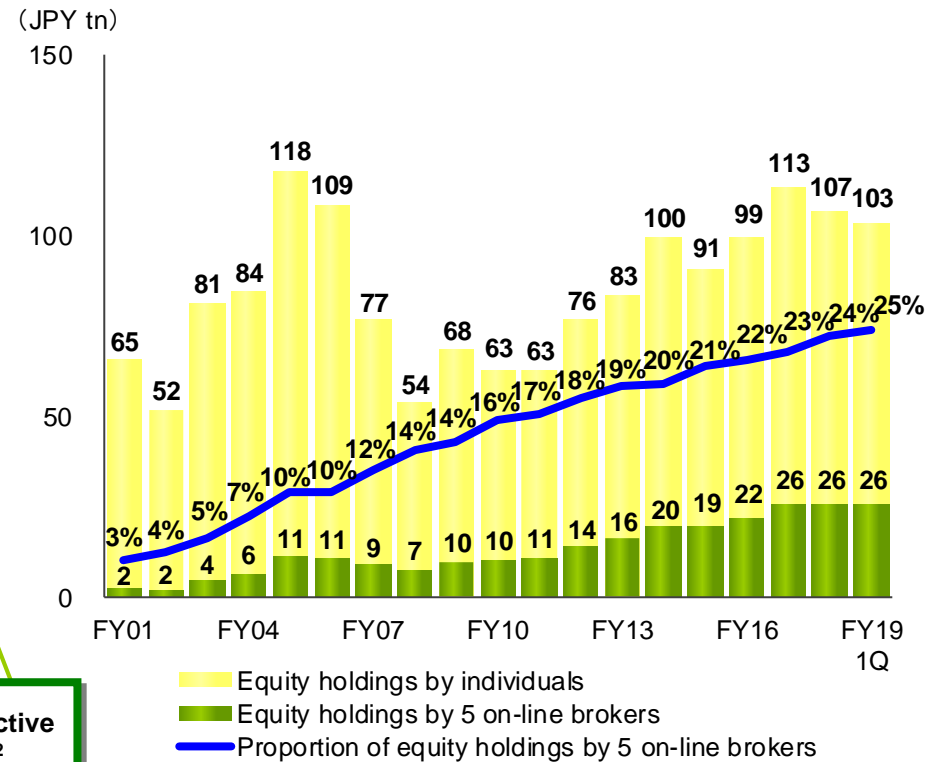
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 140 tn
(Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (1HF FY19)

(JPY mn)

	FY19	FY18			YoY	FY18
	1HF	2HF	HFoHF	1HF		TOTAL
Operating Revenues	11,269	12,924	-13%	14,389	-22%	27,313
Commissions	6,015	7,229	-17%	7,756	-22%	14,986
Interest & dividend income	4,651	5,151	-10%	5,961	-22%	11,112
Net trading income	602	543	11%	670	-10%	1,214
Interest expenses	885	702	26%	612	45%	1,314
Net operating revenues	10,384	12,222	-15%	13,777	-25%	25,999
SG & A	6,397	6,558	-2%	5,990	7%	12,547
Operating income	3,987	5,665	-30%	7,787	-49%	13,451
Ordinary income	4,065	5,723	-29%	7,869	-48%	13,592
Net income	2,806	4,097	-32%	5,465	-49%	9,562
Ordinary income ratio	36%	44%	-	55%	-	50%
Matsui's trading value (JPY tn)	11.7	13.8	-15%	14.6	-20%	28.4
Daily average trading value on TSE (JPY tn)	2.8	3.4	-16%	3.3	-13%	3.3

Breakdown of Net Operating Revenue (1HF FY19)

(JPY mn)

	FY19	FY18			YoY	FY18
	1HF	2HF	HFoHF	1HF		TOTAL
Commissions	6,015	7,229	-17%	7,756	-22%	14,986
Brokerage	5,681	6,894	-18%	7,391	-23%	14,285
Equity & ETF	5,257	6,348	-17%	6,912	-24%	13,260
Futures & Options	423	546	-23%	479	-12%	1,025
Others	301	311	-3%	341	-12%	652
Net trading income	602	543	11%	670	-10%	1,214
Interest & dividend income (1)	4,651	5,151	-10%	5,961	-22%	11,112
Total operating revenues	11,269	12,924	-13%	14,389	-22%	27,313
Interest expenses (2)	885	702	26%	612	45%	1,314
Net operating revenues	10,384	12,222	-15%	13,777	-25%	25,999
Net interest income (1) - (2)	3,766	4,448	-15%	5,349	-30%	9,798
Average margin balance (JPY bn)	227	256	-11%	308	-26%	282

Breakdown of SG&A (1HF FY19)

(JPY mn)

	FY19	FY18			YoY	FY18
	1HF	2HF	HFoHF	1HF		TOTAL
Trading related expenses	2,052	2,350	-13%	2,058	-0%	4,408
Stock exchanges and securities associations fees	542	621	-13%	616	-12%	1,237
Communications expenses	842	884	-5%	842	0%	1,725
Advertisement	324	427	-24%	227	43%	655
Personnel expenses	1,333	1,438	-7%	1,223	9%	2,661
Occupancy & rental	564	447	26%	423	33%	870
Data processing & office supplies	1,316	1,262	4%	1,123	17%	2,385
Depreciation	992	854	16%	837	18%	1,691
Taxes and dues	145	151	-4%	189	-23%	340
Provision of allowance for doubtful accounts	-83	-10	-	65	-	56
Others	78	65	21%	71	10%	136
Total SG & A	6,397	6,558	-2%	5,990	7%	12,547

Summary of Financial Results (Quarterly)

(JPY mn)

	FY19	FY19	QoQ	FY18			YoY	FY18 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Operating Revenues	5,713	5,556	3%	5,808	7,116	6,927	-18%	27,313
Commissions	3,010	3,005	0%	3,230	3,999	3,723	-19%	14,986
Interest & dividend income	2,385	2,266	5%	2,344	2,807	2,897	-18%	11,112
Net trading income	318	284	12%	234	309	306	4%	1,214
Interest expenses	482	403	20%	332	370	293	65%	1,314
Net operating revenues	5,231	5,153	2%	5,476	6,747	6,634	-21%	25,999
SG & A	3,158	3,239	-2%	3,269	3,288	2,984	6%	12,547
Operating income	2,073	1,915	8%	2,206	3,458	3,651	-43%	13,451
Ordinary income	2,069	1,996	4%	2,212	3,511	3,653	-43%	13,592
Net income	1,433	1,374	4%	1,680	2,417	2,535	-43%	9,562
Ordinary income ratio	36%	36%	-	38%	49%	53%	-	50%
Matsui's trading value (JPY tn)	5.7	6.0	-5%	6.5	7.3	6.8	-16%	28.4
Daily average trading value on TSE (JPY tn)	2.8	2.9	-4%	3.1	3.6	3.2	-13%	3.3

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY19	FY19	QoQ	FY18			YoY	FY18 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Commissions	3,010	3,005	0%	3,230	3,999	3,723	-19%	14,986
Brokerage	2,837	2,843	-0%	3,054	3,840	3,543	-20%	14,285
Equity & ETF	2,620	2,637	-1%	2,839	3,510	3,295	-20%	13,260
Futures & Options	217	206	5%	216	331	248	-12%	1,025
Others	159	142	12%	168	143	177	-10%	652
Net trading income	318	284	12%	234	309	306	4%	1,214
Interest & dividend income (1)	2,385	2,266	5%	2,344	2,807	2,897	-18%	11,112
Total operating revenues	5,713	5,556	3%	5,808	7,116	6,927	-18%	27,313
Interest expenses (2)	482	403	20%	332	370	293	65%	1,314
Net operating revenues	5,231	5,153	2%	5,476	6,747	6,634	-21%	25,999
Net interest income (1) - (2)	1,902	1,864	2%	2,011	2,437	2,605	-27%	9,798
Average margin balance (JPY bn)	229	226	1%	233	280	293	-22%	282

Breakdown of SG&A (Quarterly)

(JPY mn)

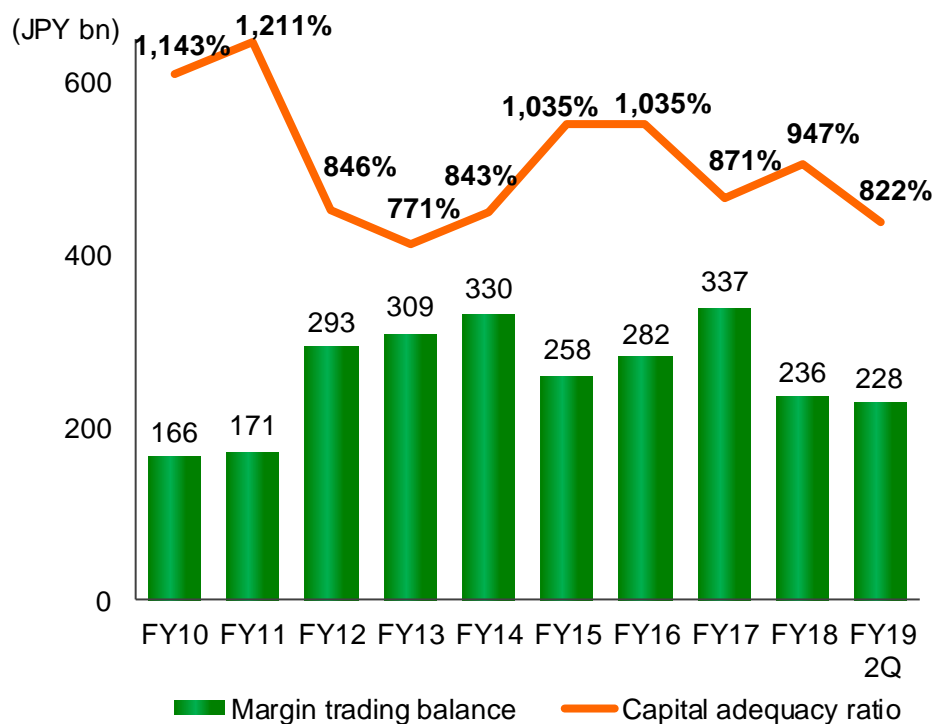
	FY19	FY19	QoQ	FY18			YoY	FY18 TOTAL
	2Q	1Q		4Q	3Q	2Q		
Trading related expenses	1,078	974	11%	1,165	1,185	1,016	6%	4,408
Stock exchanges and securities associations fees	262	280	-6%	297	324	299	-12%	1,237
Communications expenses	418	424	-1%	452	432	420	-0%	1,725
Advertisement	220	105	110%	243	184	105	109%	655
Personnel expenses	646	687	-6%	637	802	613	5%	2,661
Occupancy & rental	282	282	0%	232	215	213	32%	870
Data processing & office supplies	678	637	6%	640	623	553	23%	2,385
Depreciation	446	546	-18%	426	428	424	5%	1,691
Taxes and dues	69	76	-9%	67	84	89	-22%	340
Provision of allowance for doubtful accounts	-72	-11	-	69	-79	51	-	56
Others	30	48	-38%	33	32	24	25%	136
Total SG & A	3,158	3,239	-2%	3,269	3,288	2,984	6%	12,547

Regulatory Capital

◆ Capital adequacy ratio (As of 30 September 2019)

		(JPY mn)
Tier 1	(A)	68,650
Tier 2	Net unrealized gain on investment	2,226
	Statutory reserves	2,843
	Allowance for doubtful accounts	40
	Sub total (B)	5,110
Assets to be deducted from equity capital	(C)	8,695
Net Capital		
	(A) + (B) - (C) (D)	65,065
Total risk	Market risk	471
	Counterparty risk	4,463
	Basic risk	2,978
	Total (E)	7,913
Capital Adequacy ratio (D)/(E)		822%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return

Plan to pay interim dividend of 22.5 yen per share and year-end dividend of 22.5 yen per share for FY19

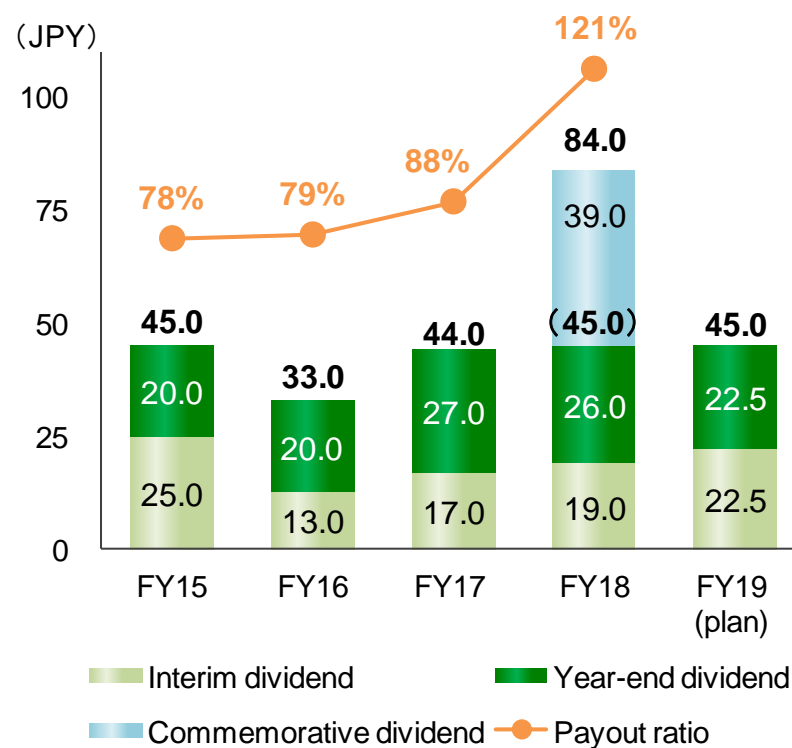
◆ Dividends for FY2019

- Interim dividend : 22.5 yen
 - ✓ Dividends payout ratio : 206%
 - ✓ DOE : 12.9%
(ROE : 6.3%)
- Year-end dividend : 22.5 yen (Plan)

◆ Dividend Policy

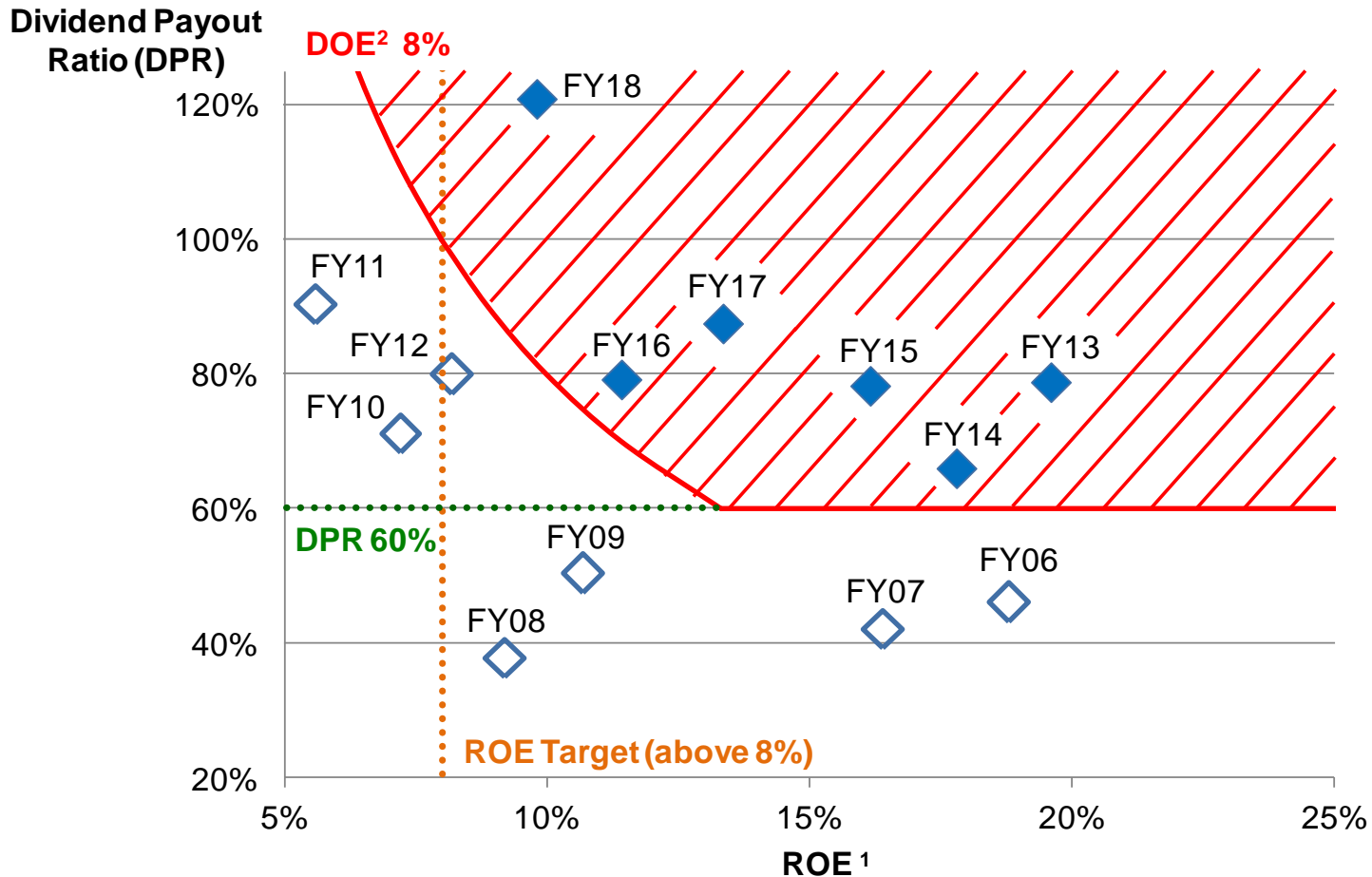
- Dividends Payout Ratio: 60% and above
and
- Dividends on Equity(DOE) : 8% and above

◆ Matsui's dividend per share and payout ratio¹



ROE Target and Dividend Payment Policy

Aim to attain high ROE level that exceeds the cost of equity capital (8%), and to payout cash dividend which is equivalent to the cost of equity capital



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

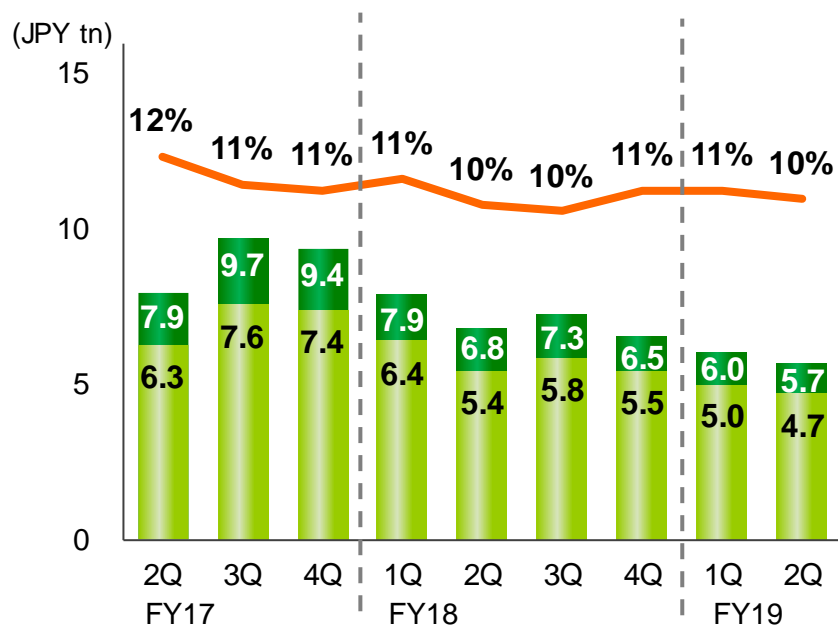
Note2: DOE (Dividends on Equity) = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal Year}) / 2}$

Results of Operation

Section 2

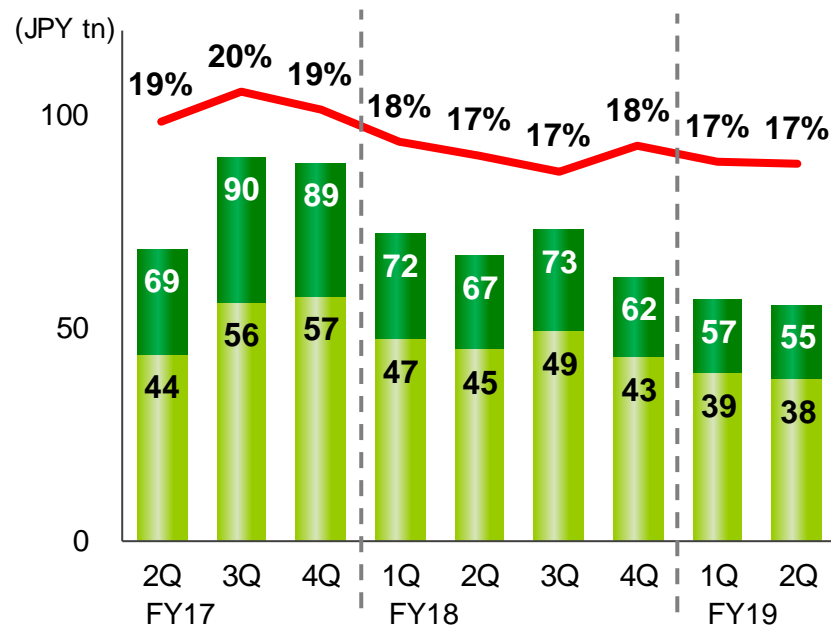
Equity Trading Value

◆ 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

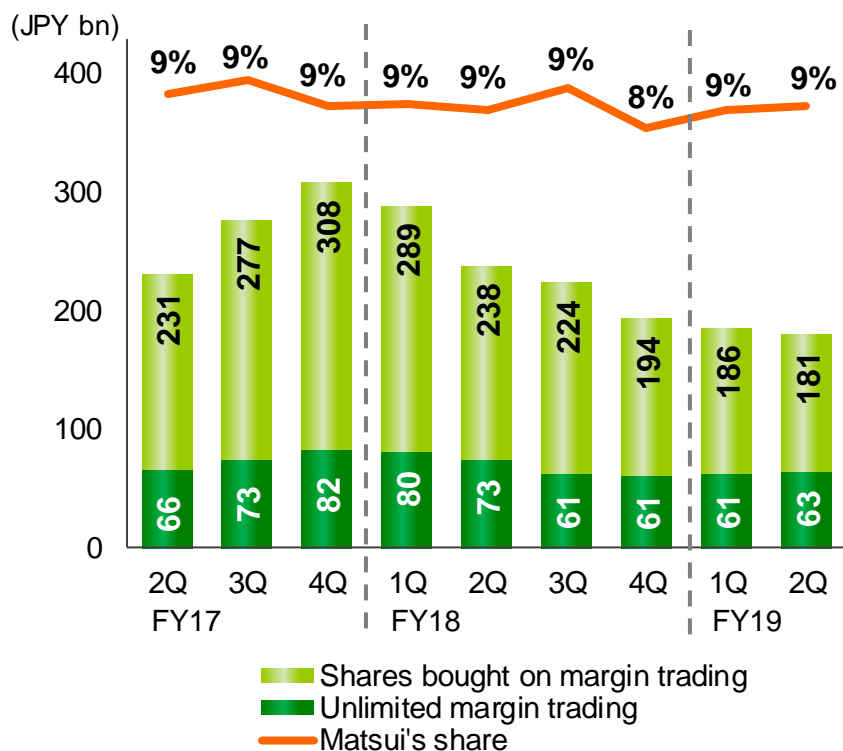
◆ Retail equity trading value¹ and proportion to total equity trading value



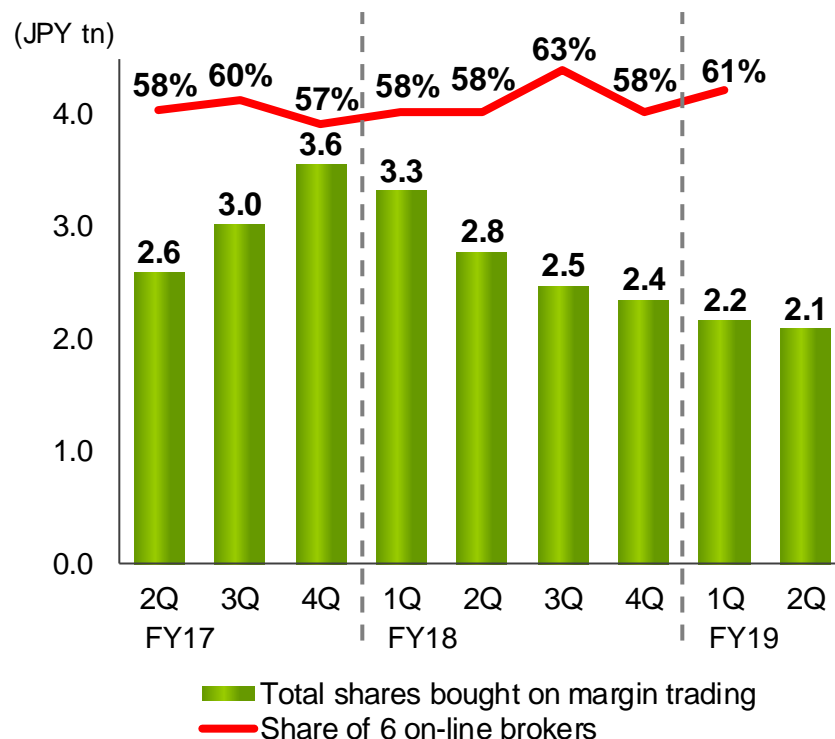
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

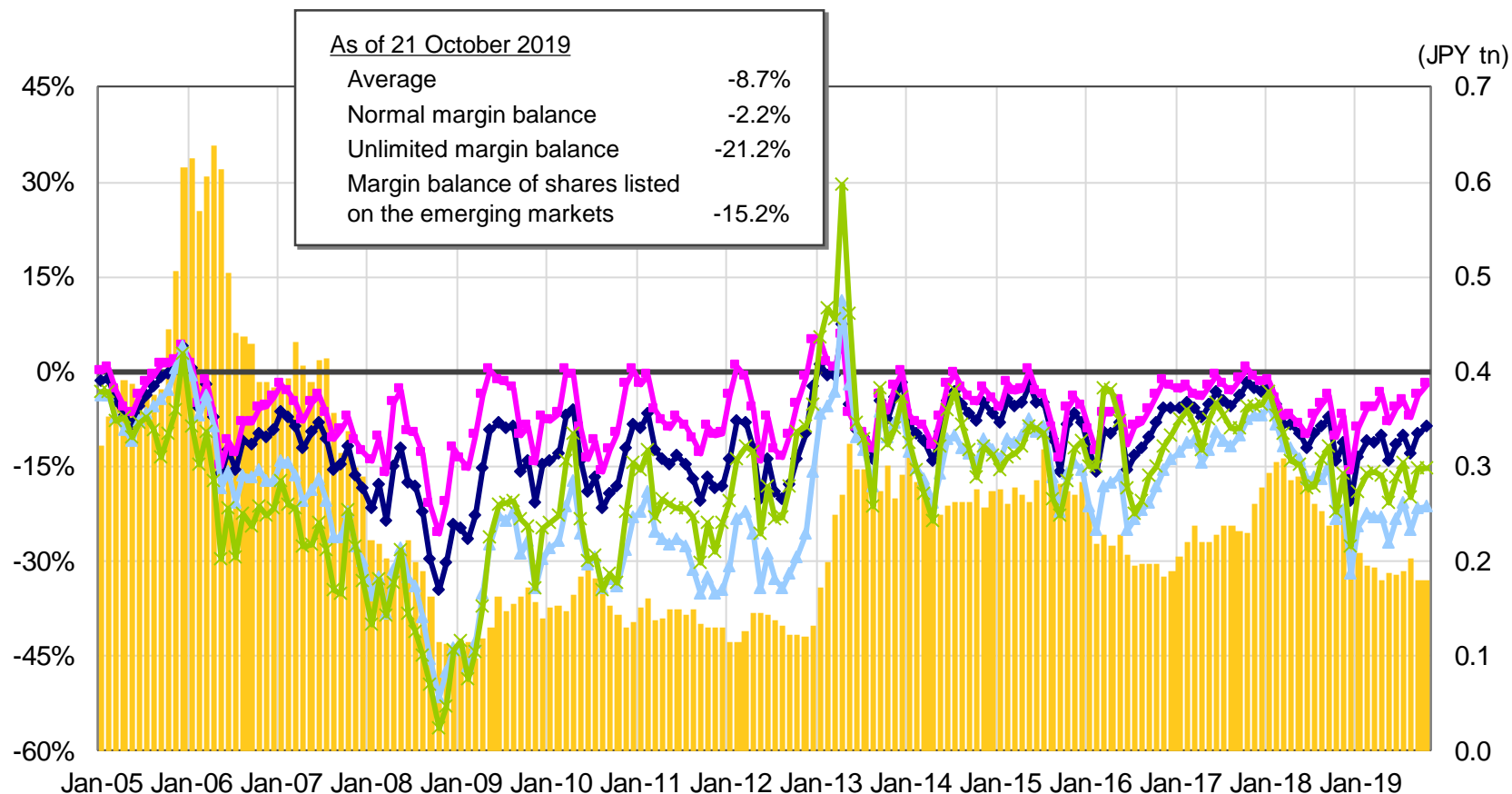
◆ Matsui's shares bought on margin¹ and its market share²



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



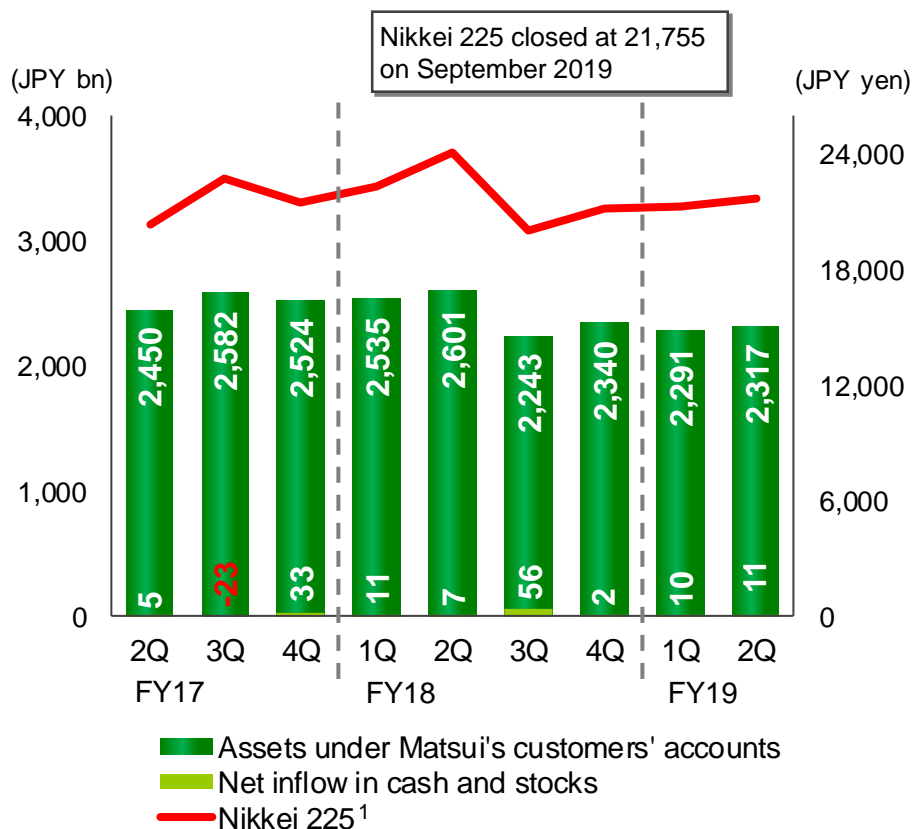
Unrealized Losses on Matsui's Margin Balance



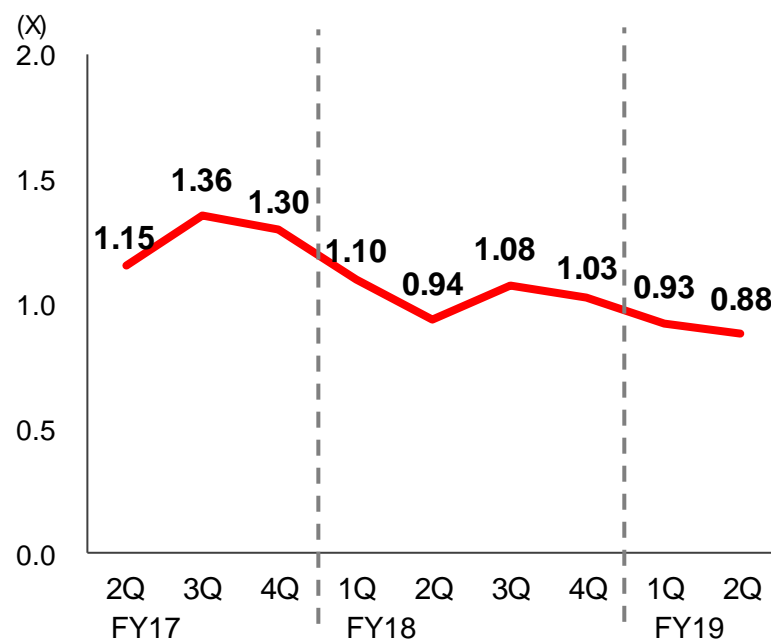
- Matsui's shares bought on margin (right axis)
- ◆— Average (left axis)
- Normal (left axis)
- ×— Shares listed on the emerging markets (left axis)
- ◆— Unlimited (left axis)

Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover² of Matsui's customers



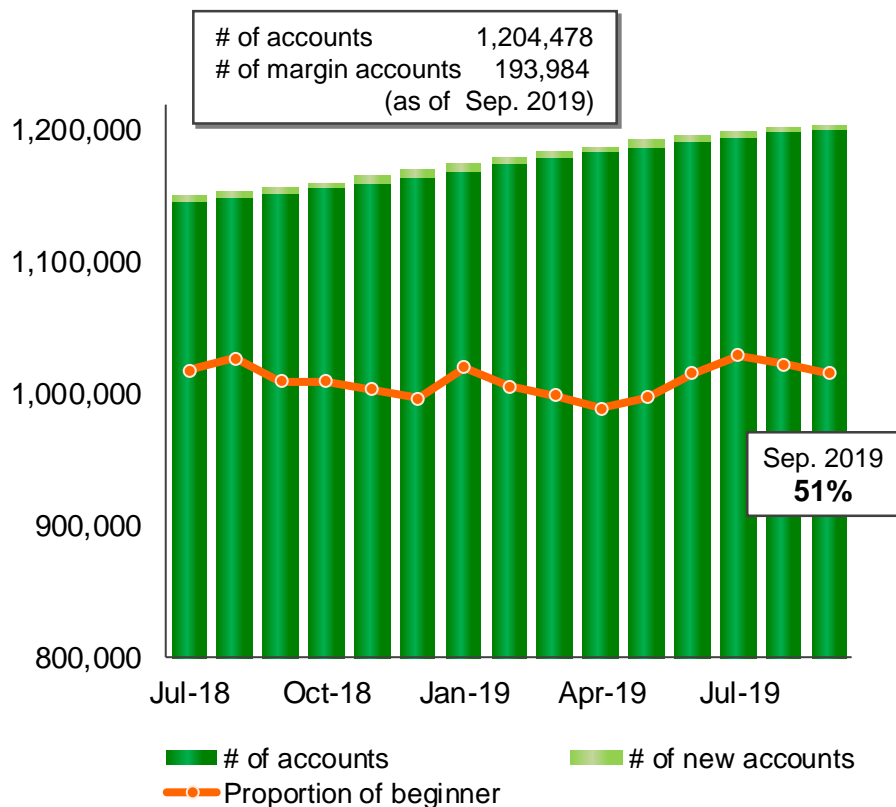
Note 1: Nikkei 225 is the closed price at the end of each quarter

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

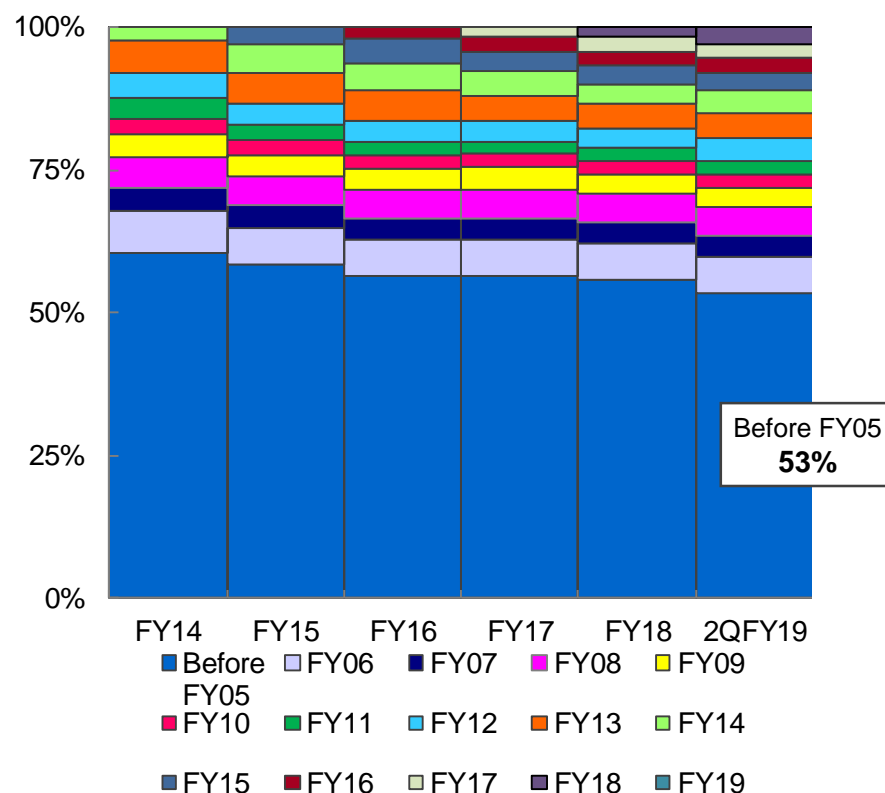
* assets under customers' accounts of Matsui's related persons are excluded

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

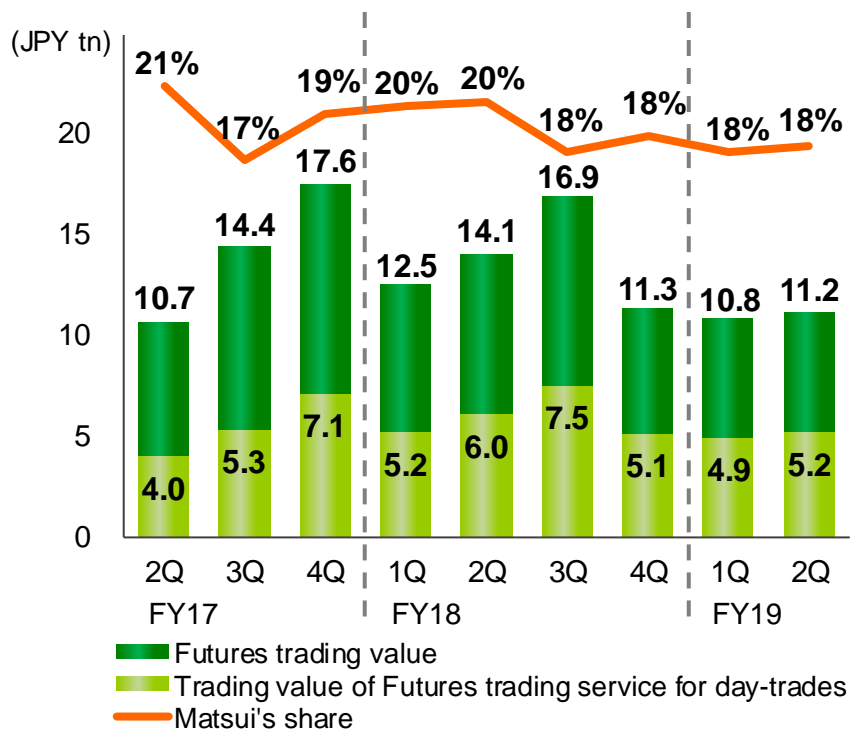


◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)

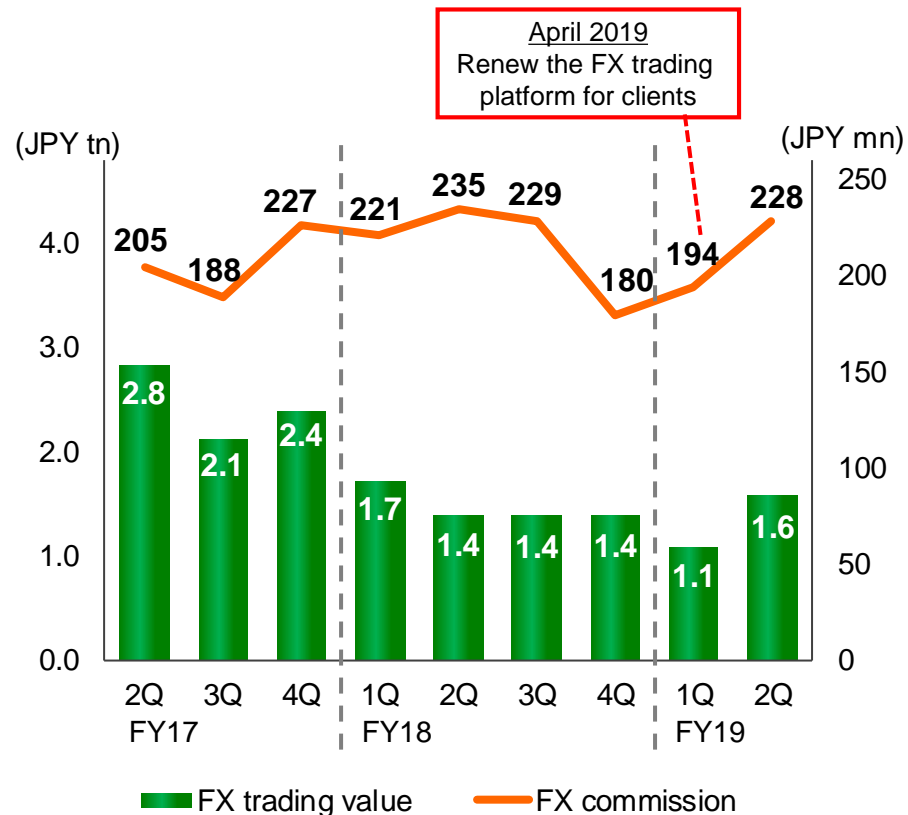


Futures Trading Value / FX Margin Trading Value

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

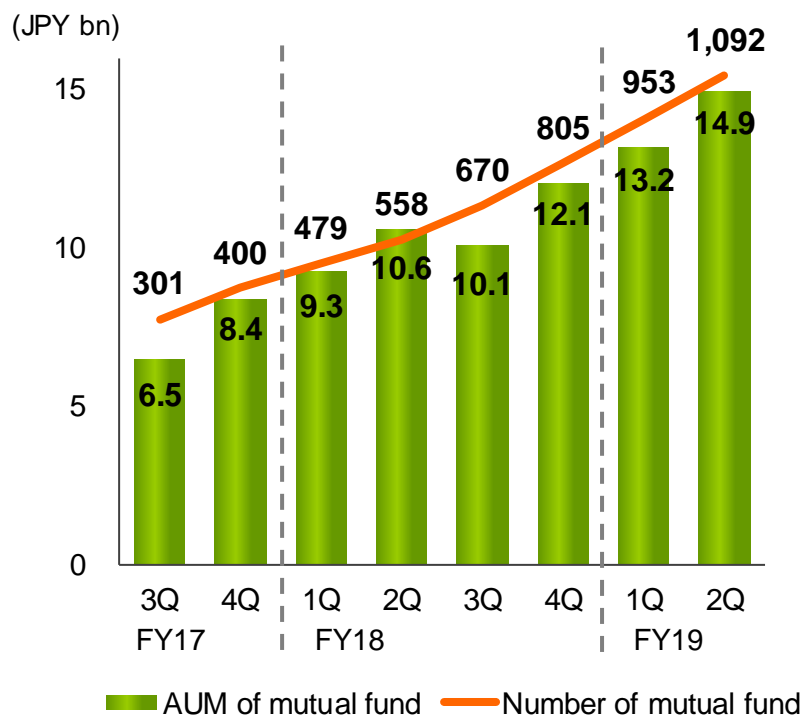


◆ Matsui's OTC FX trading value and commission

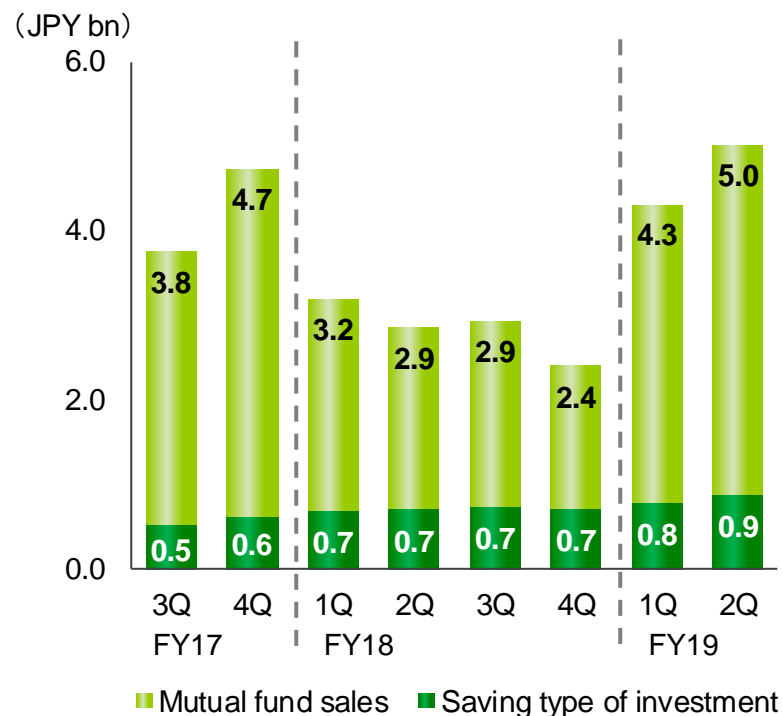


Mutual Fund

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



◆ Matsui's mutual fund sales



Recent Developments

Section 3

Management Strategy / Business Strategy

Business Principle

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

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

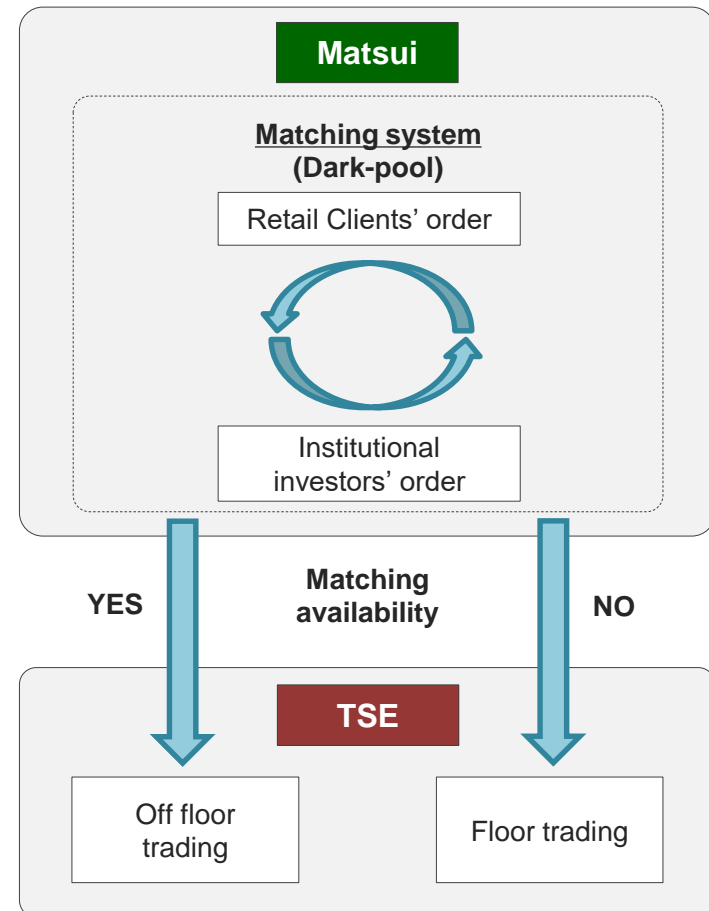
◆ Features

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

◆ Our initiatives

- Ensuring transparency of the service
 - Report the price improvement results for each transaction
 - Disclose the result of analysis for price improvements
- Expand the service recipient to increase trading value with the price improvement (Feb. 2019)

◆ Order flow

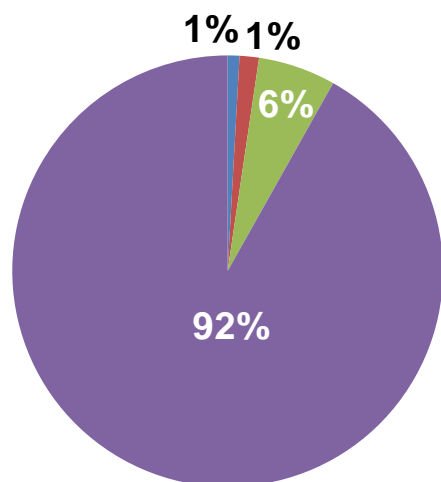


Equity Business: Better Execution Service II

Disclose the monthly result of statistic analysis for price improvements

◆ Provide better prices on **100%** of order which is executed in the dark-pool

➢ Price range of execution in dark-pool



Price Improvement

- 1%: Bid price at TSE*
- 1%: Between bid price and mid price
- 6%: Mid price
- 92%: Between offer price and mid price

*In case of buying order

◆ Average price improvement rate is **2.6bps**

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	1.0 bps
Middle-cap	2.9 bps
Small-cap	2.8 bps
Others	
Tse 2nd	6.0 bps
JASDAQ	3.2 bps
Mothers	2.3 bps
ETF	2.2 bps
REIT	1.8 bps
Total	
	2.6 bps

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

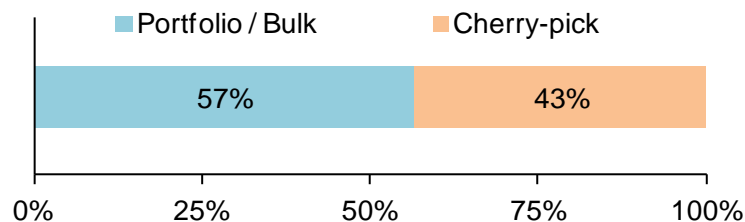
➤ Support long-term diversified investment for asset building generation

- Promote use of portfolio management platform
- Provide life plan simulation tool
- Provide consultation counter through call center
- Enhance service promotion for working generation

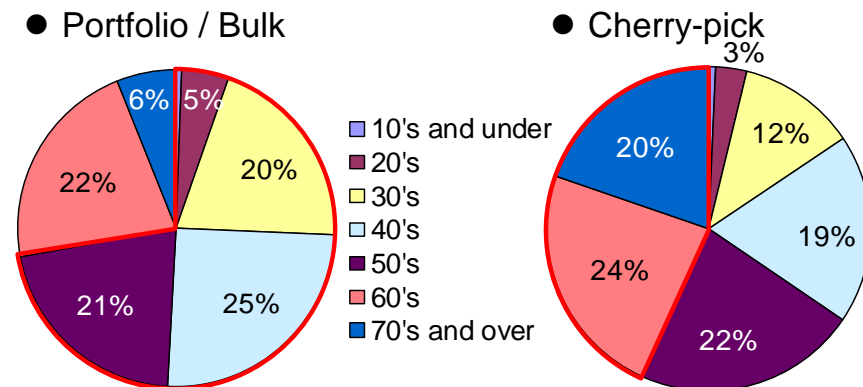
➤ Response to the needs of retired generation

- 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

◆ AUM by type of investment²



◆ AUM by age²



Newly Offered Services

◆ Improvement of services

- Lower the commission of OSE Nikkei 225 Futures trading at the lowest level among 5 on-line brokers¹ (30 August 2019)

(¥ per unit)

	Matsui		SBI	Rakuten	Monex	Kabu.com
	Normal	for day-trade				
Nikkei 225 Futures	300 ⇒ <u>200</u>	250 ⇒ <u>150</u>	250	250	250	300
Nikkei 225 mini	40 ⇒ <u>35</u>	<u>25</u>	35	35	35	38

- No commission charge for transferring stocks from other brokers (October 2019)

◆ Enhancement of trading environment

- Renew the contents of market information in our website (July and October 2019)
- Renew the trading platform “Netstock Smart” (August 2019)

◆ Partnership with other companies

- “KIDSNA”, the media providing the information on child rearing

Distribute the contents about supporting the asset building of families with small children (October 2019)



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 2019)

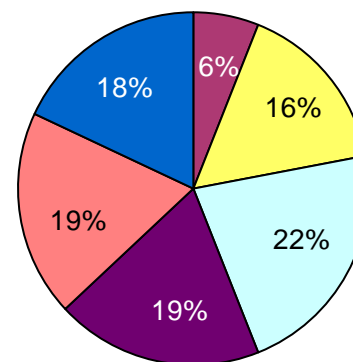
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	143,950	4,624	4,876
Number of active accounts ¹	56,628	2,532	1,950
Active account ratio	39%	55%	40%
Total investment value(JPY mn) ²	36,149	430	863
Customers' assets(JPY mn) ³	108,991	767	2,501

◆ Top 5 in trading value (from January to September 2019)

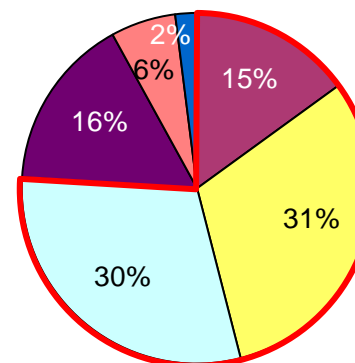
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	eMAXIS Slim Developed Country Equity Index
3	Nissan Motor Co., Ltd. (7201)	Nissay Foreign Equity Index Fund no charge
4	Orix Corp. (8591)	Rakuten US All Equity Index Fund
5	Aeon Co., Ltd. (8267)	eMAXIS Slim Balance 8 Asset Equability type

◆ Attribution of NISA accounts by age (as of September 2019)

● NISA



● Saving type of NISA



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