



# Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

## Annual Results for 3QFY2016

January 2017

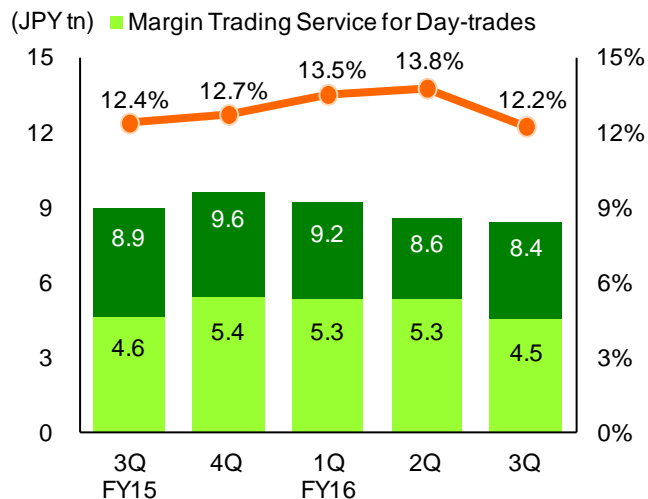
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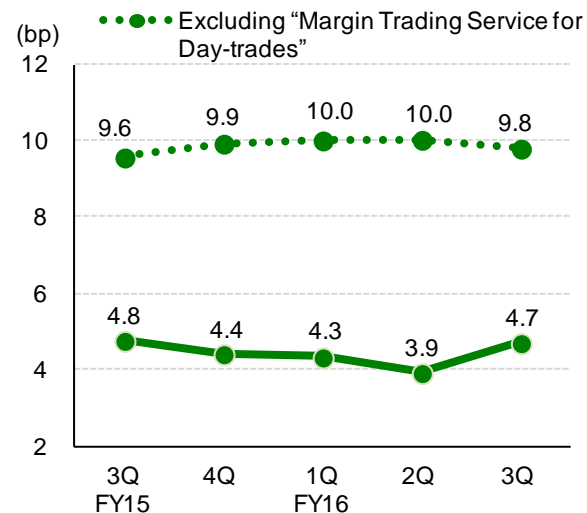
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# Results of Operation

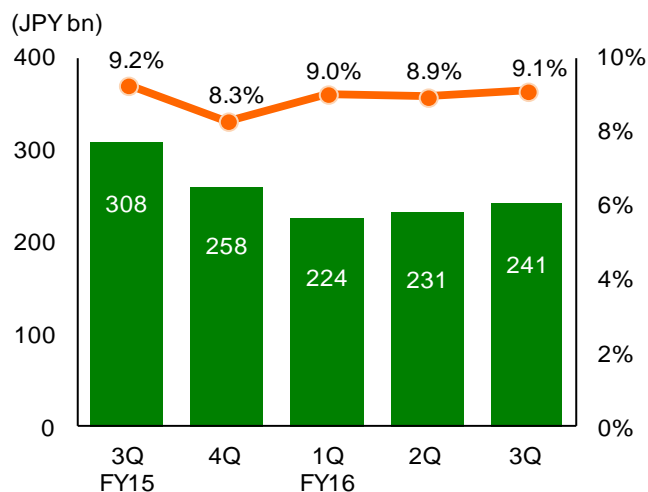
## ◆ Equity trading value / Market share



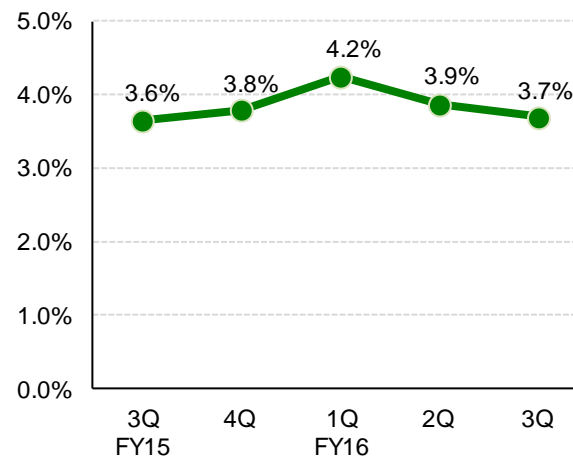
## ◆ Equity commission rate



## ◆ Margin balance / Market share

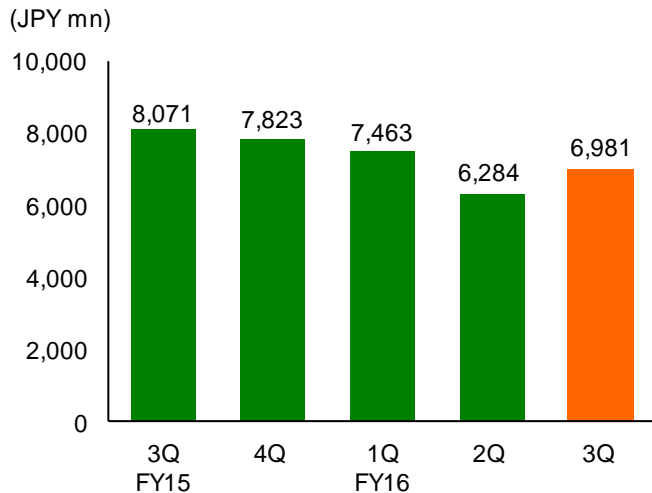


## ◆ Net financial income ratio

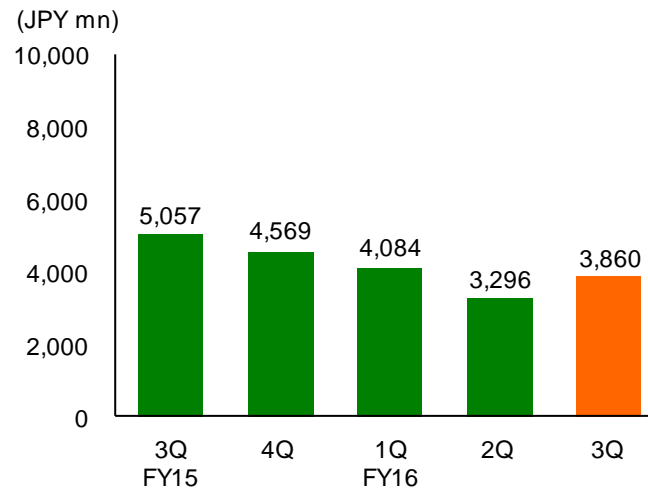


# Financial Results

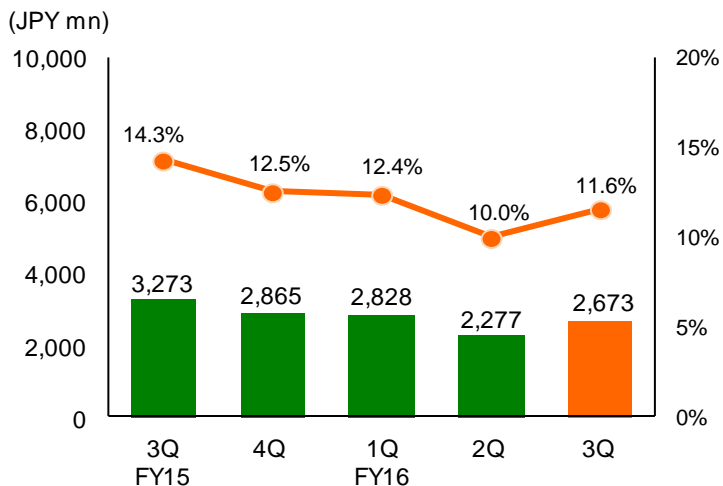
## ◆ Operating revenue



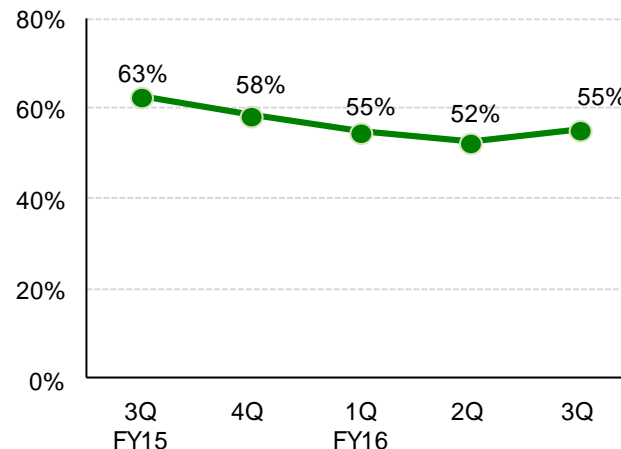
## ◆ Ordinary income



## ◆ Net income / ROE<sup>1</sup>



## ◆ Ordinary income ratio



# Financial Highlights

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## ◆ Operating revenues up JPY 700 million QoQ

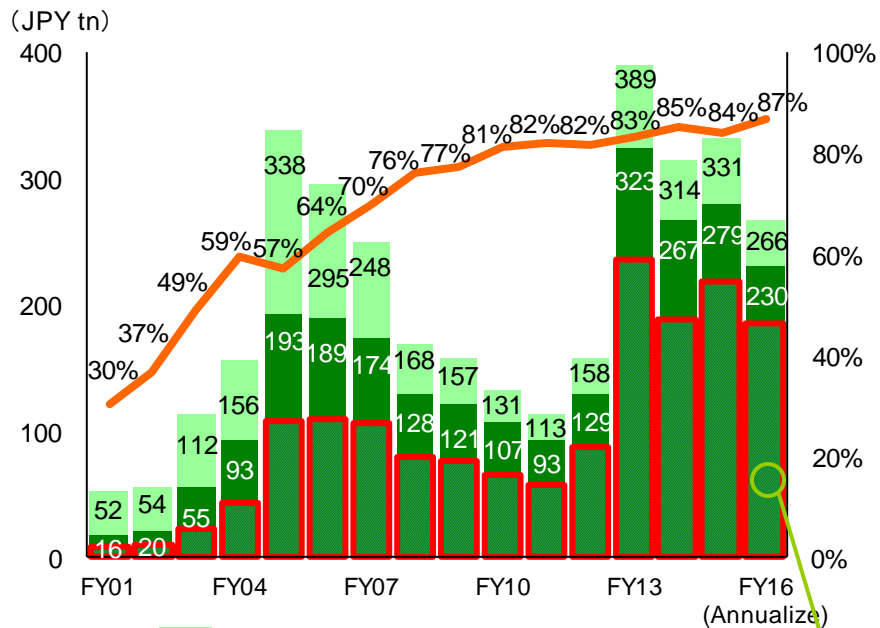
- Commissions were up JPY 590 million due to increase of equity trading value excluding “Margin Trading Service for Day-trades”  
(Equity commission rate was up from 3.9bp to 4.7bp )
- Interest & dividend income was up JPY 110 million due to increase of average margin balance

## ◆ SG&A up JPY 50 million QoQ

- SG&A excluding the provision for doubtful receivables for customers’ margin transaction was up JPY 120 million QoQ (JPY 70 million of provision was posted in 2Q)
- Transaction related expenses were up JPY 70 million due to increase of advertisement expenses on start of mutual fund service in November 2016

# Overview of Retail Equity Trading Market

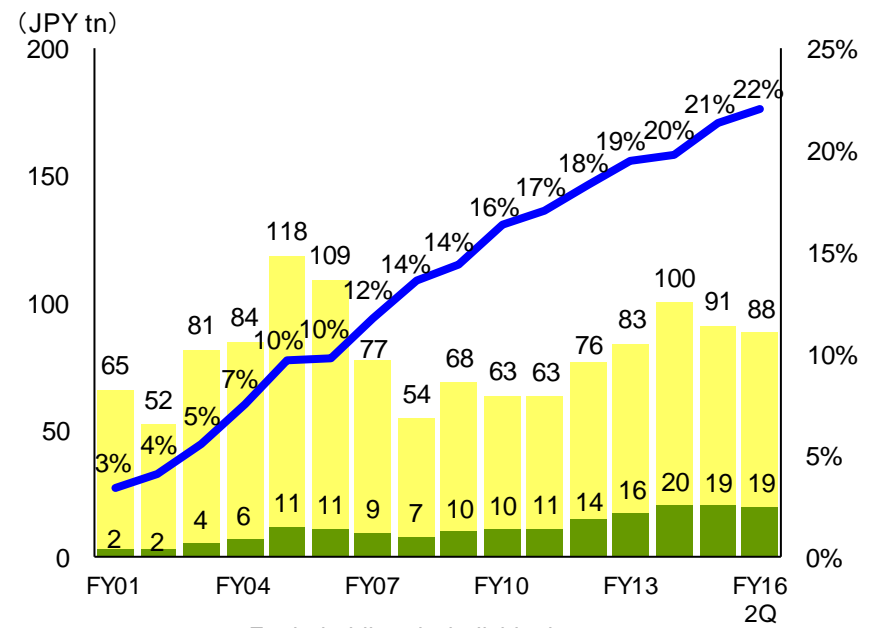
## ◆ Equity trading value of individuals<sup>1</sup> (FLOW)



■ Equity trading value of individuals  
■ Equity trading value of 7 on-line brokers  
— Proportion of trading value of 7 on-line brokers

**Super active traders<sup>2</sup>**  
**JPY 180 tn**  
**(Estimate)**

## ◆ Equity holdings by individuals<sup>1</sup> (STOCK)



■ Equity holdings by individuals  
■ Equity holdings by 5 on-line brokers  
— Proportion of equity holdings by 5 on-line brokers

# Financial Summary

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## Section 1

# Summary of Financial Results (3Q FY16)

(JPY mn)

	3Q(Apr.-Dec.) FY2016	3Q(Apr.-Dec.) FY2015	YoY
Operating Revenues	20,728	26,611	-22%
Commissions	12,883	16,744	-23%
Interest & dividend income	7,840	9,858	-20%
Interest expenses	892	1,116	-20%
Net operating revenues	19,837	25,496	-22%
SG&A	8,704	8,320	5%
Operating income	11,133	17,176	-35%
Ordinary income	11,239	17,264	-35%
Net income	7,778	11,898	-35%
Ordinary income ratio	54%	65%	-
Matsui's trading value (JPY tn)	26.2	29.3	-10%
Daily average trading value on TSE (JPY tn)	3.0	3.4	-11%



# Breakdown of Net Operating Revenues (3Q FY16)

(JPY mn)

	3Q(Apr.-Dec.) FY2016	3Q(Apr.-Dec.) FY2015	YoY
Commissions	12,883	16,744	-23%
Brokerage	12,140	15,732	-23%
Equity & ETF	11,380	14,645	-22%
Futures & Options	760	1,087	-30%
Others	737	962	-23%
Net trading income	2	5	-56%
Interest & dividend income (1)	7,840	9,858	-20%
Total operating revenues	20,728	26,611	-22%
Interest expenses (2)	892	1,116	-20%
Net operating revenues	19,837	25,496	-22%
Net interest income (1) - (2)	6,948	8,743	-21%
Average margin balance (JPY bn)	235	320	-27%

# Breakdown of SG&A (3Q FY16)

(JPY mn)

	3Q(Apr.-Dec.) FY2016	3Q(Apr.-Dec.) FY2015	YoY
Trading related expenses	3,191	3,518	-9%
Stock exchanges and securities associations fees	1,048	1,305	-20%
Communications expenses	1,235	1,263	-2%
Advertisement	356	363	-2%
Personnel expenses	1,677	1,643	2%
Occupancy & rental	666	668	-0%
Data processing & office supplies	1,348	1,289	5%
Depreciation	939	866	8%
Taxes and dues	277	222	25%
Provision of allowance for doubtful accounts	507	10	-
Others	97	103	-6%
<b>Total SG&amp;A</b>	<b>8,704</b>	<b>8,320</b>	<b>5%</b>

# Summary of Financial Results (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY16	FY15		YoY	FY15
	3Q	2Q		1Q	4Q	3Q		TOTAL
Operating Revenues	6,981	6,284	11%	7,463	7,823	8,071	-14%	34,435
Commissions	4,448	3,862	15%	4,572	4,997	4,946	-10%	21,742
Interest & dividend income	2,532	2,420	5%	2,889	2,823	3,123	-19%	12,682
Interest expenses	386	255	51%	251	316	323	20%	1,431
Net operating revenues	6,596	6,029	9%	7,212	7,507	7,749	-15%	33,003
SG & A	2,783	2,737	2%	3,184	2,938	2,732	2%	11,258
Operating income	3,813	3,292	16%	4,028	4,569	5,017	-24%	21,745
Ordinary income	3,860	3,296	17%	4,084	4,569	5,057	-24%	21,833
Net income	2,673	2,277	17%	2,828	2,865	3,273	-18%	14,763
Ordinary income ratio	55%	52%	-	55%	58%	63%	-	63%
Matsui's trading value (JPY tn)	8.4	8.6	-2%	9.2	9.6	8.9	-6%	38.9
Daily average trading value on TSE (JPY tn)	3.2	2.9	11%	3.0	3.5	3.2	0%	3.4

# Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY16	FY16	QoQ	FY16	FY15		YoY	FY15
	3Q	2Q		1Q	4Q	3Q		TOTAL
Commissions	4,448	3,862	15%	4,572	4,997	4,946	-10%	21,742
Brokerage	4,228	3,604	17%	4,308	4,682	4,620	-8%	20,414
Equity & ETF	3,986	3,384	18%	4,010	4,253	4,286	-7%	18,898
Futures & Options	242	220	10%	298	429	334	-27%	1,516
Others	214	258	-17%	265	315	277	-23%	1,278
Net trading income	1	0	67%	1	1	1	35%	6
Interest & dividend income (1)	2,532	2,420	5%	2,889	2,823	3,123	-19%	12,682
Total operating revenues	6,981	6,284	11%	7,463	7,823	8,071	-14%	34,435
Interest expenses (2)	386	255	51%	251	316	323	20%	1,431
Net operating revenues	6,596	6,029	9%	7,212	7,507	7,749	-15%	33,003
Net interest income (1) - (2)	2,146	2,165	-1%	2,638	2,508	2,801	-23%	11,250
Average margin balance (JPY bn)	233	224	4%	249	264	307	-24%	306

# Breakdown of SG&A (Quarterly)

(JPY mn)

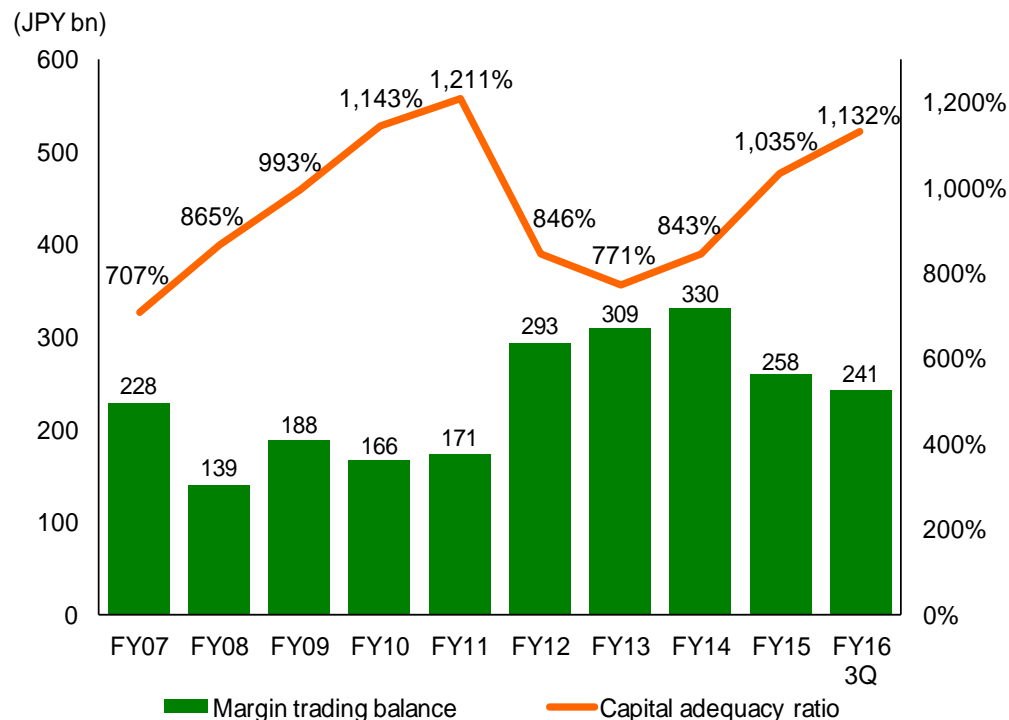
	FY16	FY16	QoQ	FY16	FY15		YoY	FY15 TOTAL
	3Q	2Q		1Q	4Q	3Q		
Trading related expenses	1,098	1,027	7%	1,067	1,156	1,122	-2%	4,674
Stock exchanges and securities associations fees	348	329	6%	370	432	387	-10%	1,738
Communications expenses	418	406	3%	410	429	423	-1%	1,692
Advertisement	153	102	49%	101	112	120	27%	475
Personnel expenses	561	557	1%	559	536	542	4%	2,178
Occupancy & rental	219	221	-1%	226	222	221	-1%	890
Data processing & office supplies	474	435	9%	439	424	428	11%	1,713
Depreciation	305	322	-5%	312	309	298	2%	1,175
Taxes and dues	88	85	4%	104	66	62	42%	288
Provision of allowance for doubtful accounts	-4	70	-	441	206	21	-	216
Others	41	19	114%	37	19	37	13%	123
<b>Total SG &amp; A</b>	<b>2,783</b>	<b>2,737</b>	<b>2%</b>	<b>3,184</b>	<b>2,938</b>	<b>2,732</b>	<b>2%</b>	<b>11,258</b>

# Regulatory Capital

## ◆ Capital adequacy ratio (As of 31 December 2016)

		(JPY mn)
Tier 1	(A)	84,787
Tier 2	Net unrealized gain on investment	2,068
	Statutory reserves	3,349
	Allowance for doubtful accounts	108
	Sub total	(B) 5,526
Assets to be deducted from equity capital	(C)	6,304
Net Capital		
(A) + (B) - (C)		(D) 84,009
Total risk	Market risk	463
	Counterparty risk	4,426
	Basic risk	2,527
	Total	(E) 7,417
Capital Adequacy ratio		(D)/(E) 1,132%

## ◆ Margin trading balance and capital adequacy ratio



# Shareholders Return I

Plan to pay year-end dividend of 20 yen per share for FY16.

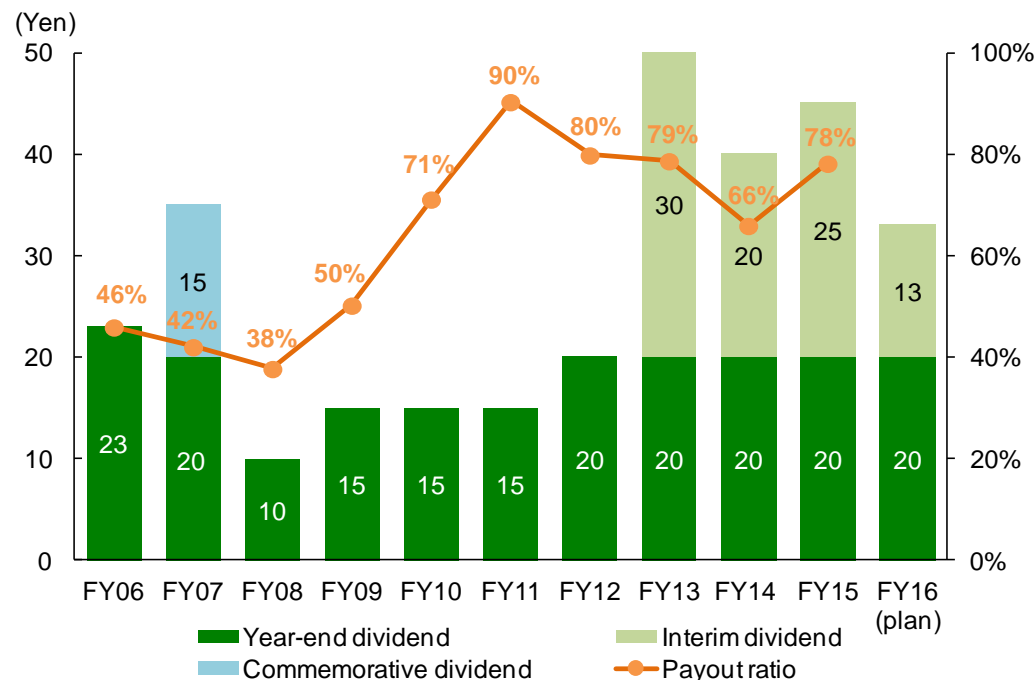
## ◆ Dividends for FY16

- Interim : Paid **13 yen** per share
- Year-end : Plan to pay **20 yen** per share

## ◆ Dividend policy<sup>1</sup>

- Dividends Payout Ratio:  
Between 60% and 100% inclusive  
and
- Dividends on Equity(DOE) : 7% and above

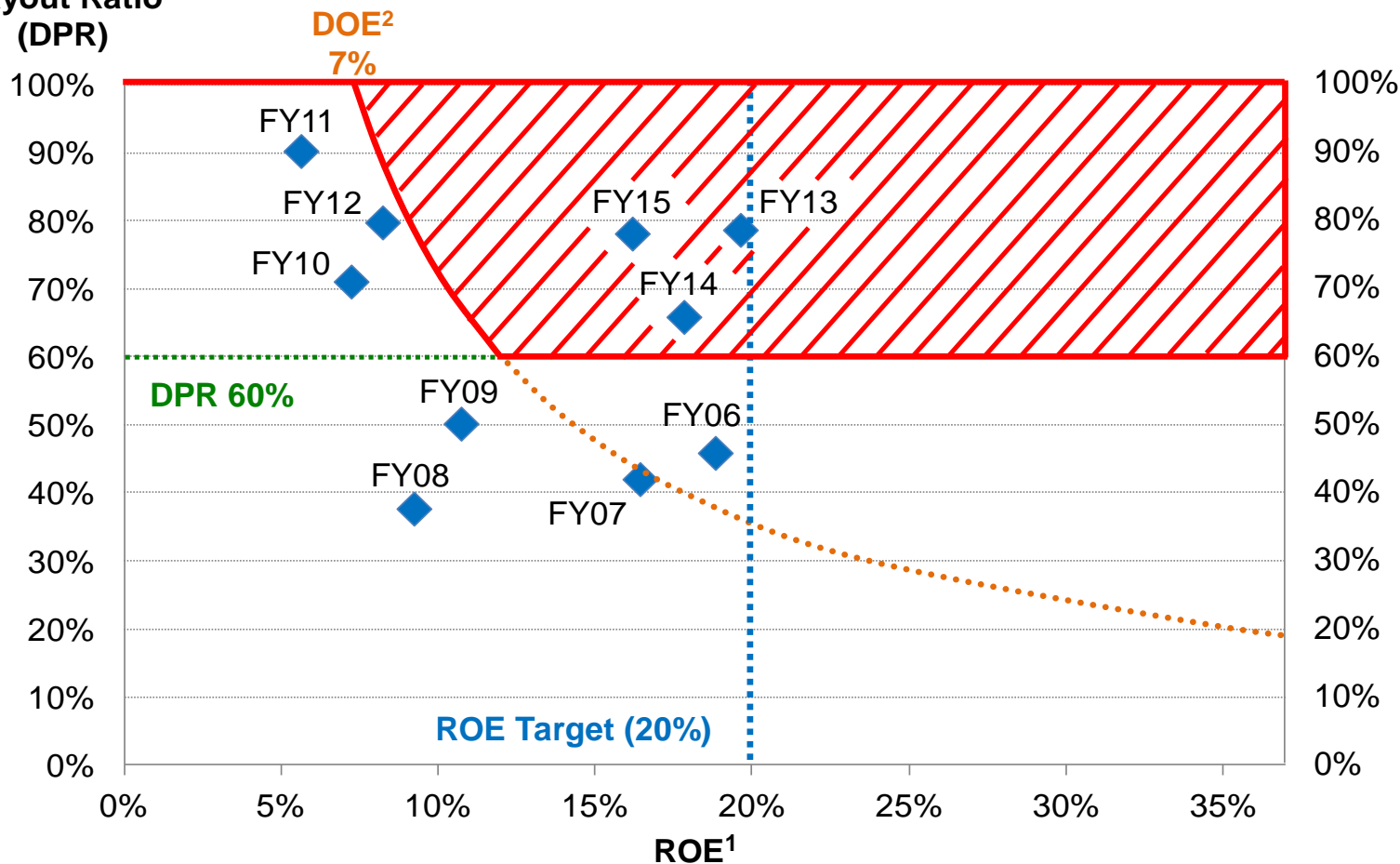
## ◆ Matsui's dividend per share and payout ratio<sup>2</sup>



# Shareholders Return II

## ◆ Dividend payment for last 10 years

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



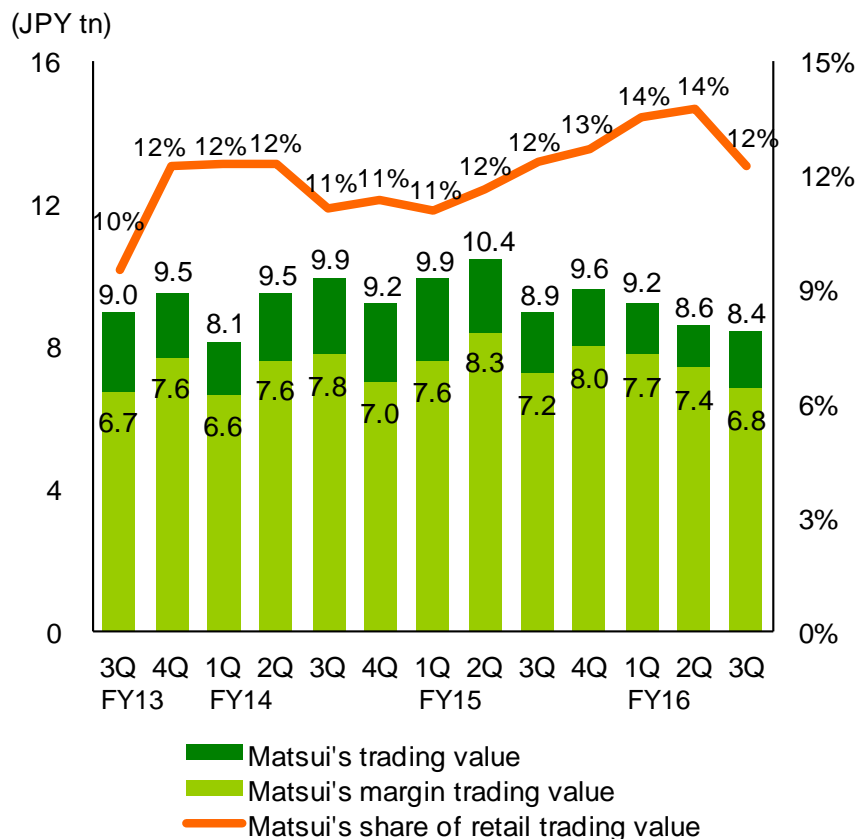
# Results of Operation

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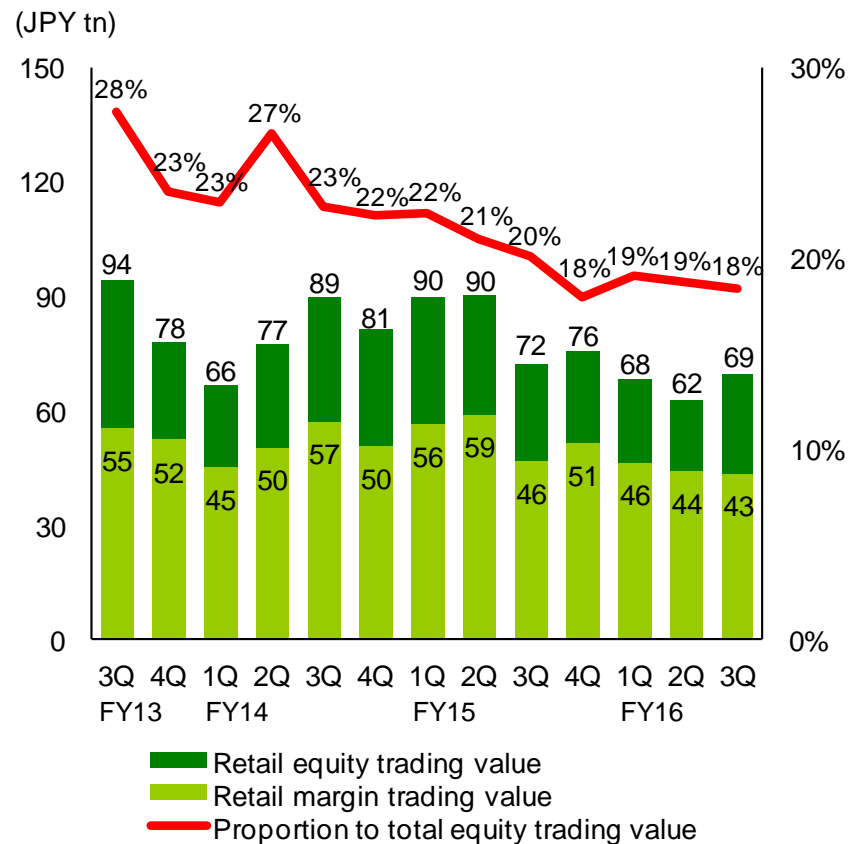
## Section 2

# Equity Trading Value

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

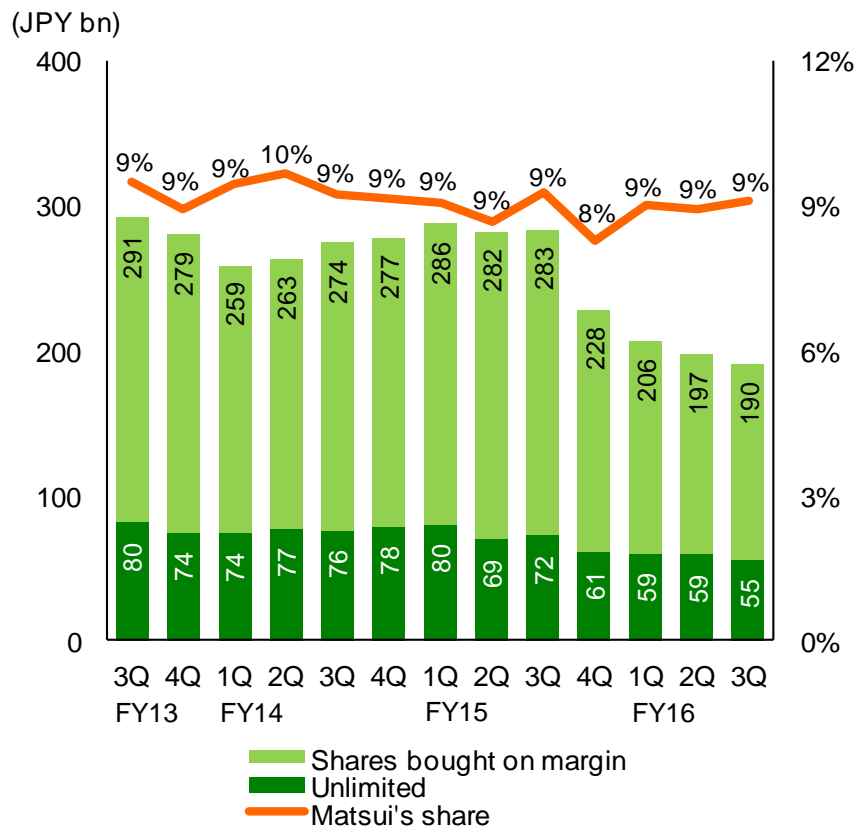


## ◆ Retail equity trading value<sup>1</sup> and proportion to total equity trading value

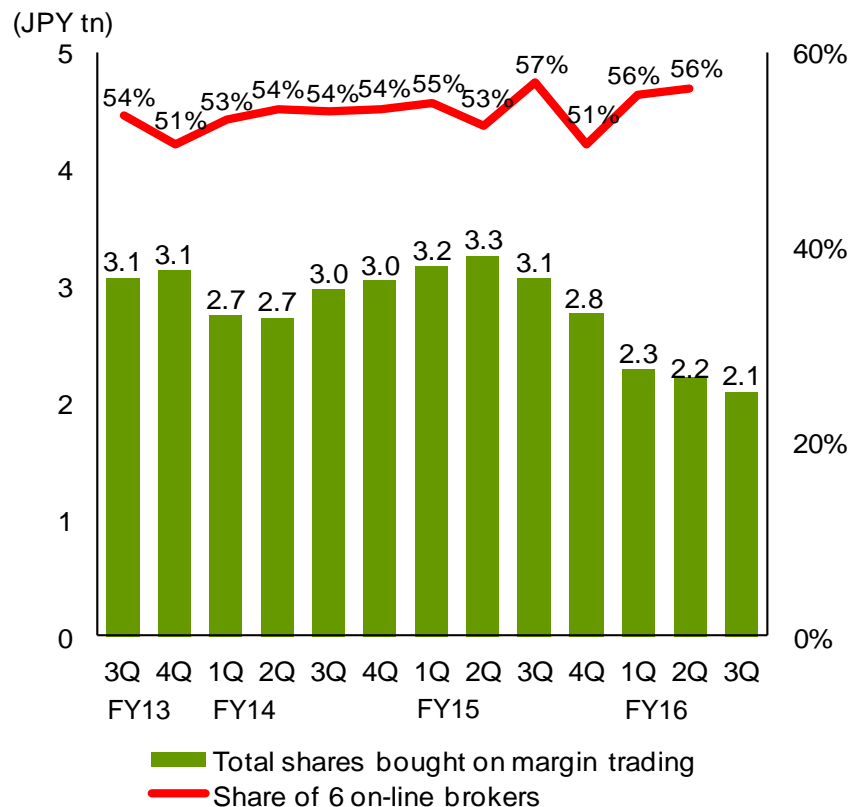


# Margin Trading Balance

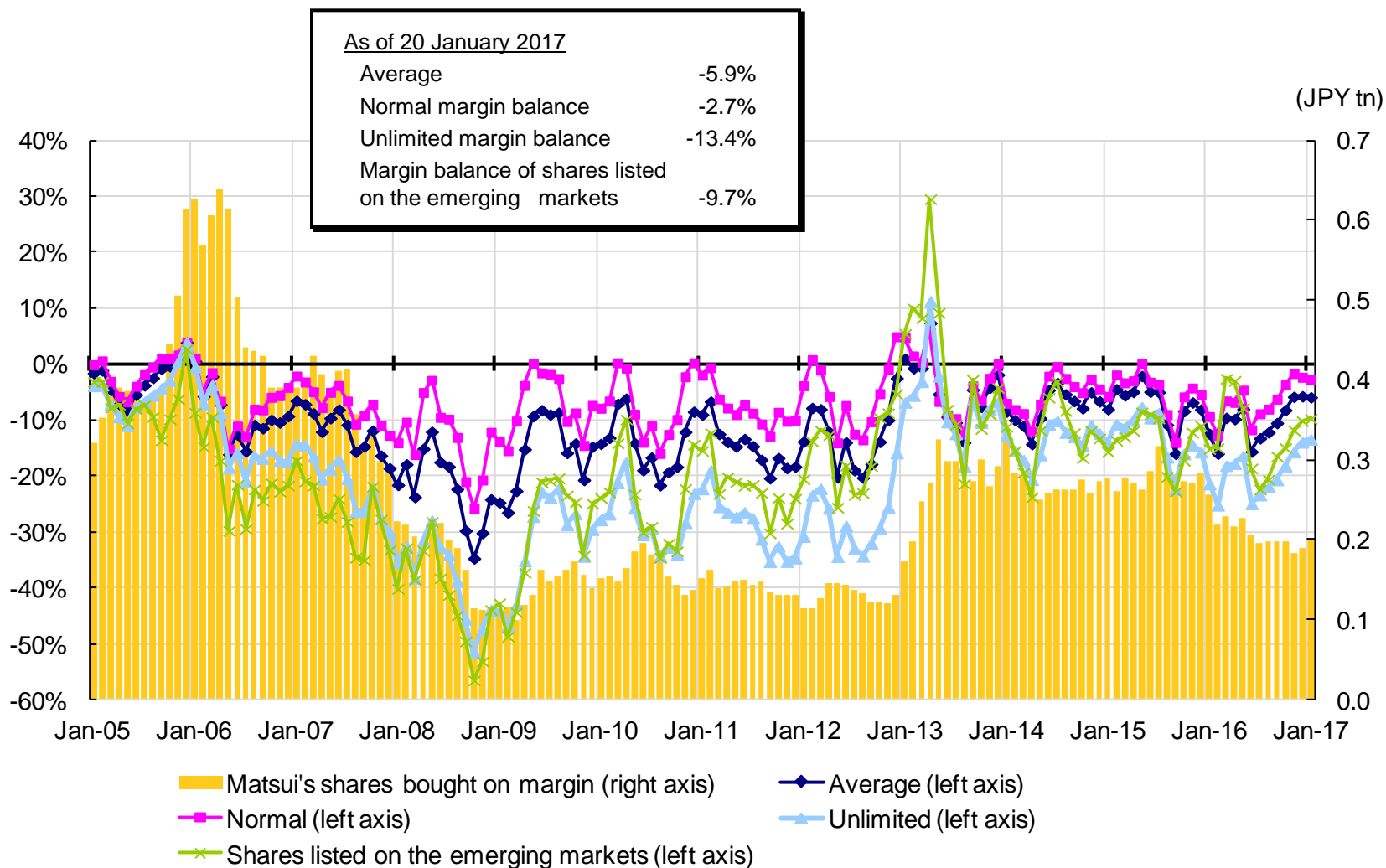
## ◆ Matsui's shares bought on margin<sup>1</sup> and its market share<sup>2</sup>



## ◆ Total shares bought on margin<sup>1</sup> and share of 6 on-line brokers<sup>3</sup>



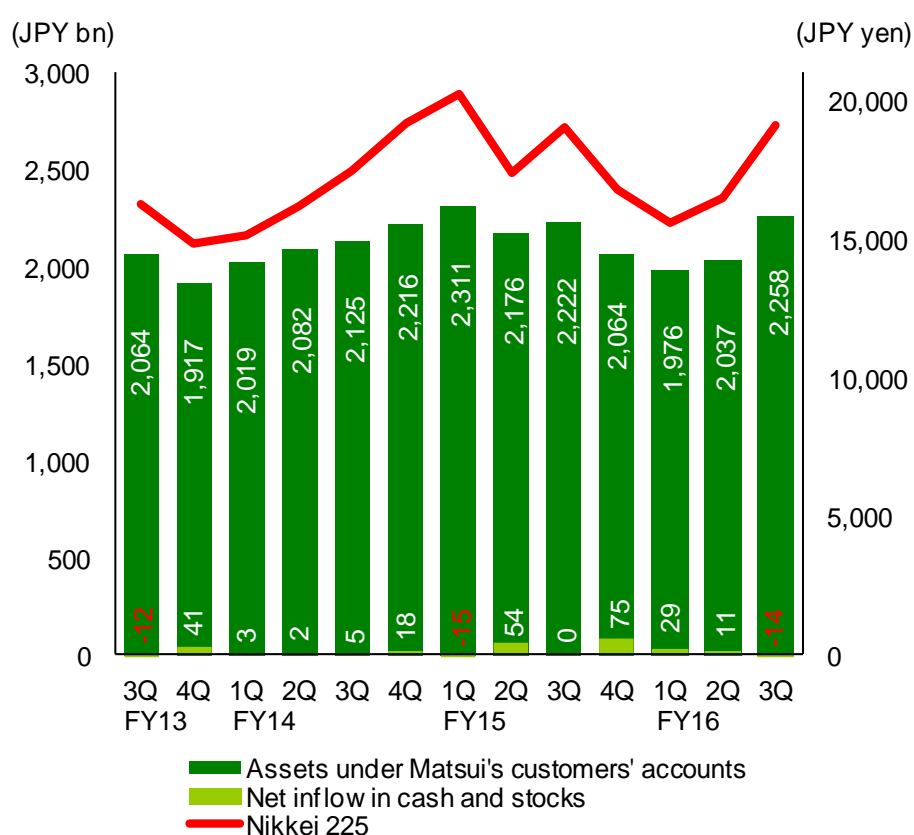
# Unrealized Losses on Matsui's Margin Balance



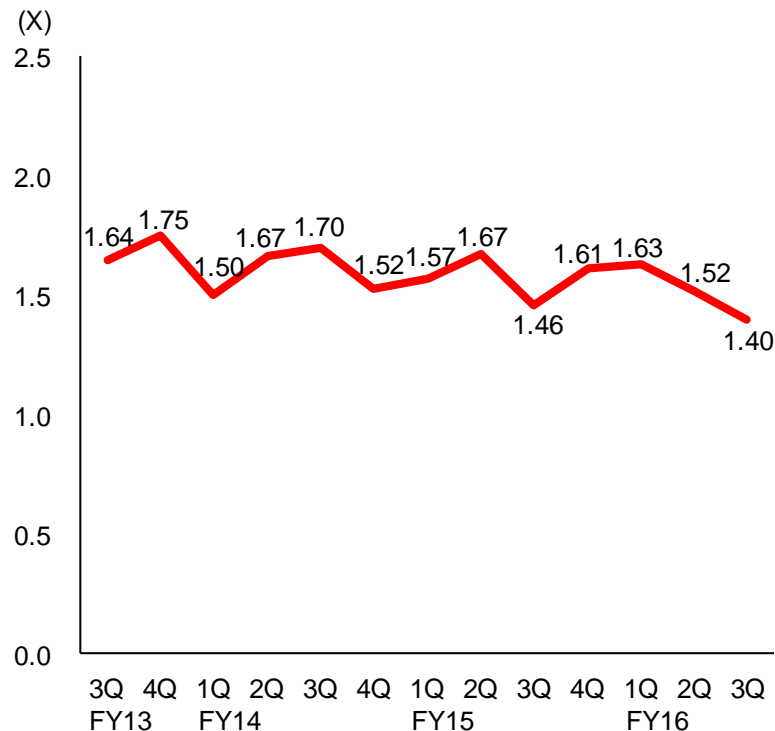
Note 1: Monthly data

# Assets under Customers' Accounts / Trading Turnover

## ◆ Assets under Matsui's customers' accounts



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



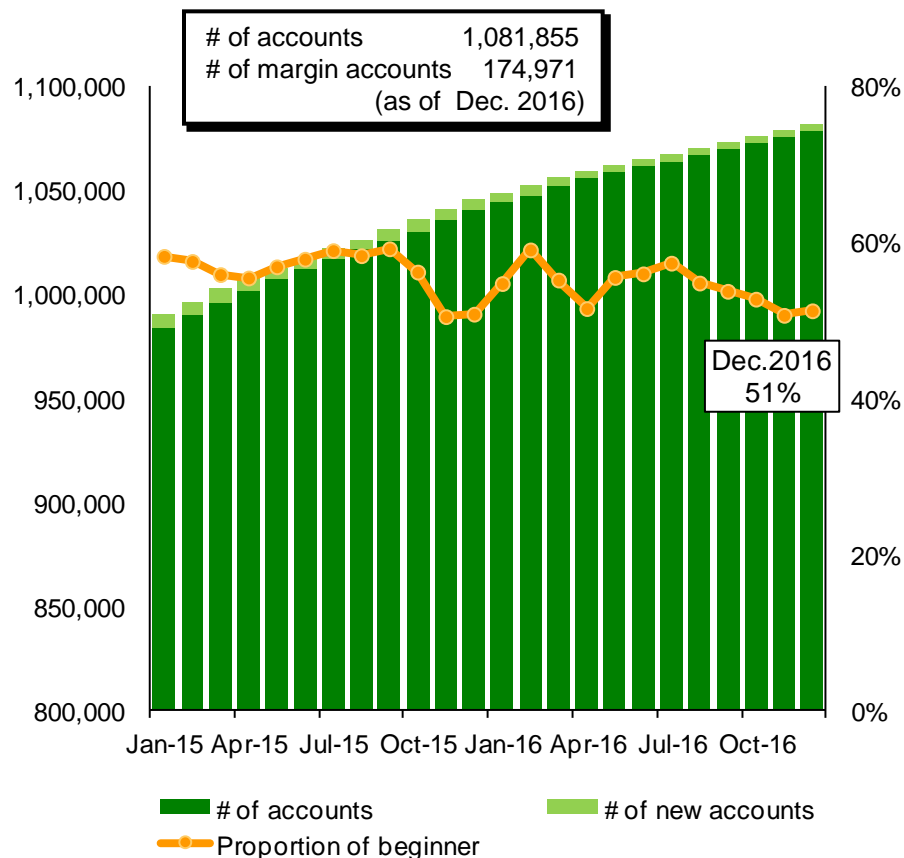
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts\*)

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

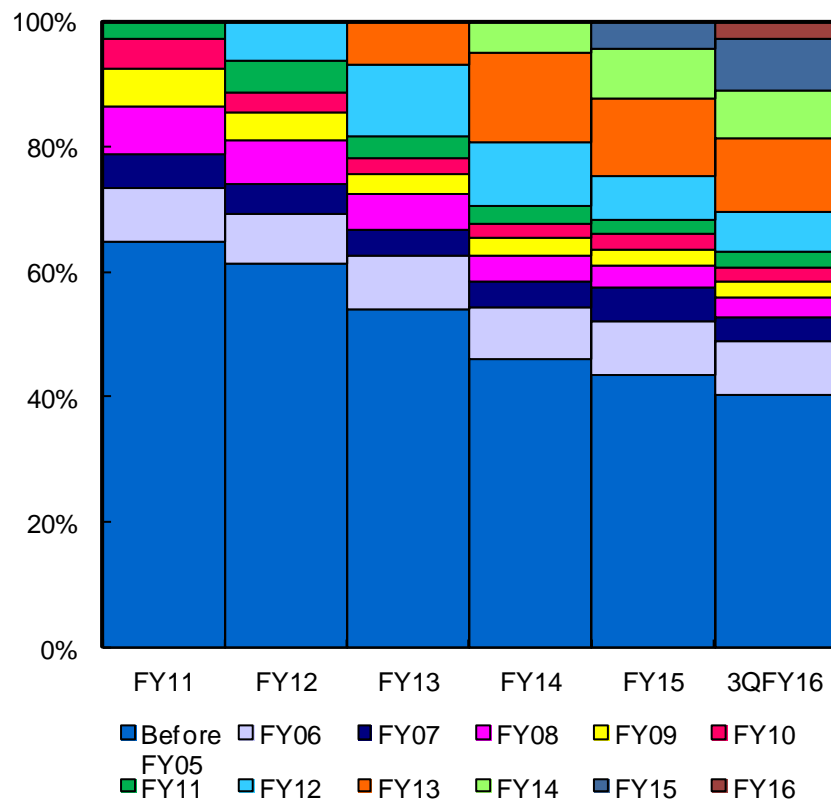
Note 2: Nikkei 225 is the closed price at the end of each quarter

# Number of Accounts / Breakdown of Trading Value

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

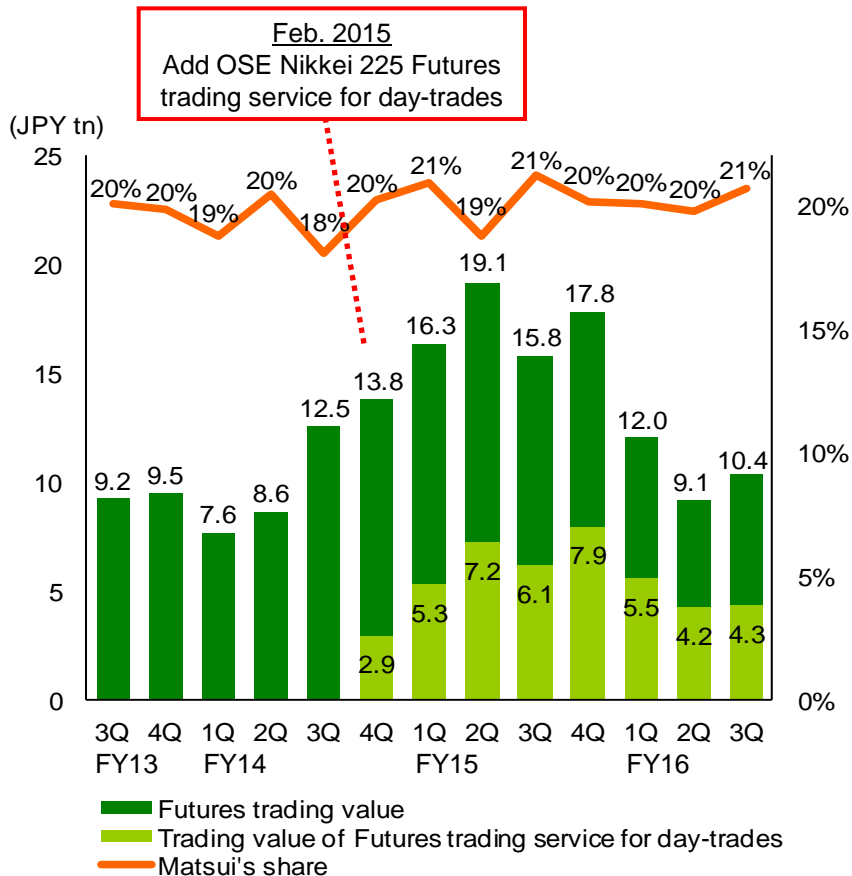


## ◆ Breakdown of trading value by customers opening the accounts in each fiscal year

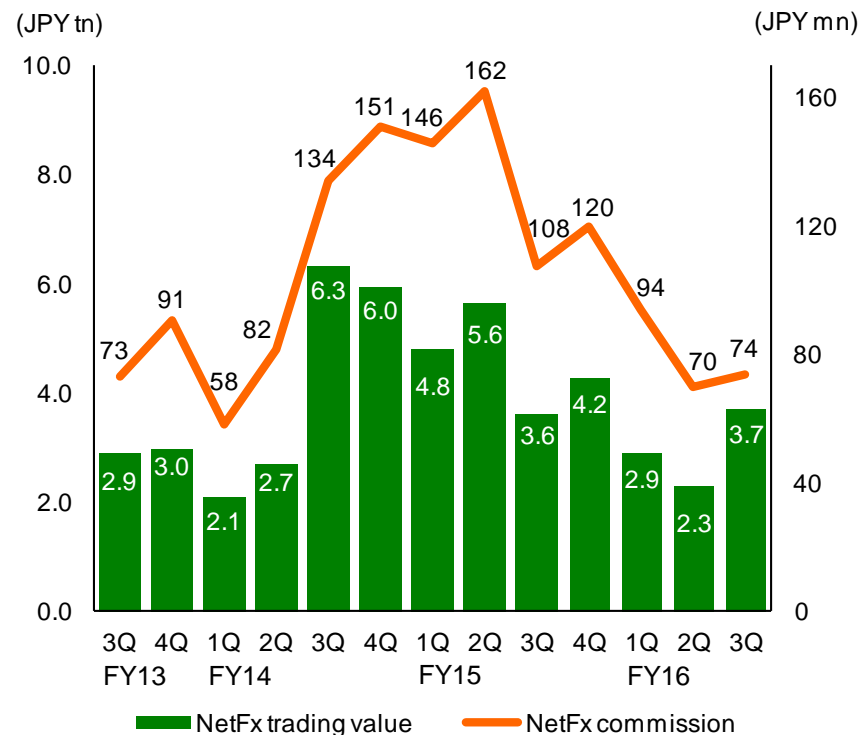


# Futures Trading Value / FX Margin Trading Value

## ◆ Matsui's OSE Nikkei 225 Futures trading value and its market share<sup>1</sup>



## ◆ Matsui's OTC FX trading value and commission



# Recent Developments

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## 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 in Japan

## 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
- ◆ Develop suitable services for inactive but affluent customers and customers who are building assets for the future (who have low transaction value but high assets in custody) e.g. New trading platform "Netstock Smart", Investment Management Platform based on Robo-advisor

# Mutual Fund Business I

Started dealing with mutual funds and simultaneously offering the investment management platform based on Robo-advisor in Nov. 2016

## Investment Management Platform of Matsui Securities 投信工房

### ✓ Offer the lowest level of fees and commissions

- Using Robo-advisor is **free of charge**
- **90 no-load passively managed mutual funds** invested in globally diversified asset classes
- Custodian fees of model portfolios are **0.37%** on average<sup>1</sup>

### ✓ Support customers' long-term diversified investment

- Set minimum amount to **¥500** for saving type of investment function to support asset building of younger generation
- Prepare a **variety of saving type of investment** function: e.g. rebalance option, frequency option (daily, weekly, monthly)
- Offer a **customized function** for customers who have comprehensive financial literacy



# Mutual Fund Business II

## ◆ Matsui's model portfolio and its benchmark of each asset class

Asset class		Name (Benchmark)	Custodian fee <sup>1</sup>
Equity	Domestic	Nissay TOPIX Index Fund no charge (TOPIX)	0.180%
	Developed	Tawara No Load Developed Countries Equity (MSCI Kokusai Index)	0.225%
	Emerging	Sumitomo Mitsui DC Emerging Country Equity Index Fund (MSCI emerging market index)	0.560%
Bond	Domestic	Sumitomo Mitsui Domestic Bond Index Fund (NOMURA-BPI/Extended)	0.160%
	Developed	SMT Global Bond Index Open Hedged (Citigroup World Government Bond Index)	0.500%
	Emerging	EMAXIS Emerging Markets Bond Index (J.P. Morgan Emerging Markets Bond Index Plus)	0.600%
REIT	Domestic	Tawara No Load Domestic REIT (TSE REIT Index)	0.300%
	Developed	Tawara No Load Developed Countries REIT (S&P Developed REIT Index )	0.350%
Commodity		i-mizuho Gold Index (LBMA Gold Price)	0.650%

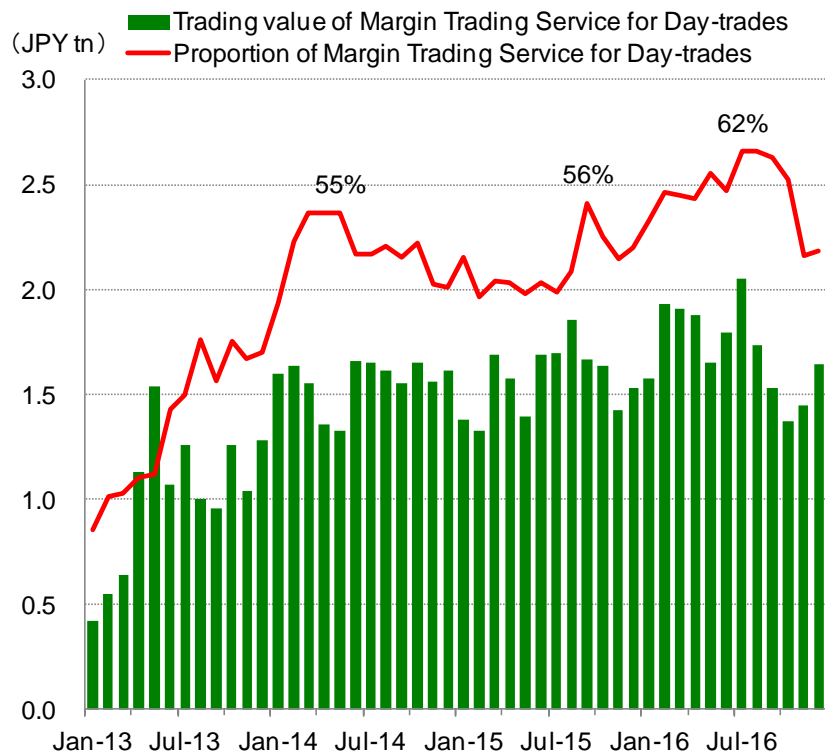
## ◆ The number of mutual funds in Matsui

AM One	NISSAY AM	BlackRock Japan	Sumitomo Mitsui AM	Sumitomo Mitsui Trust AM	MUFJ Kokusai AM	Total
9	8	21	7	23	22	90

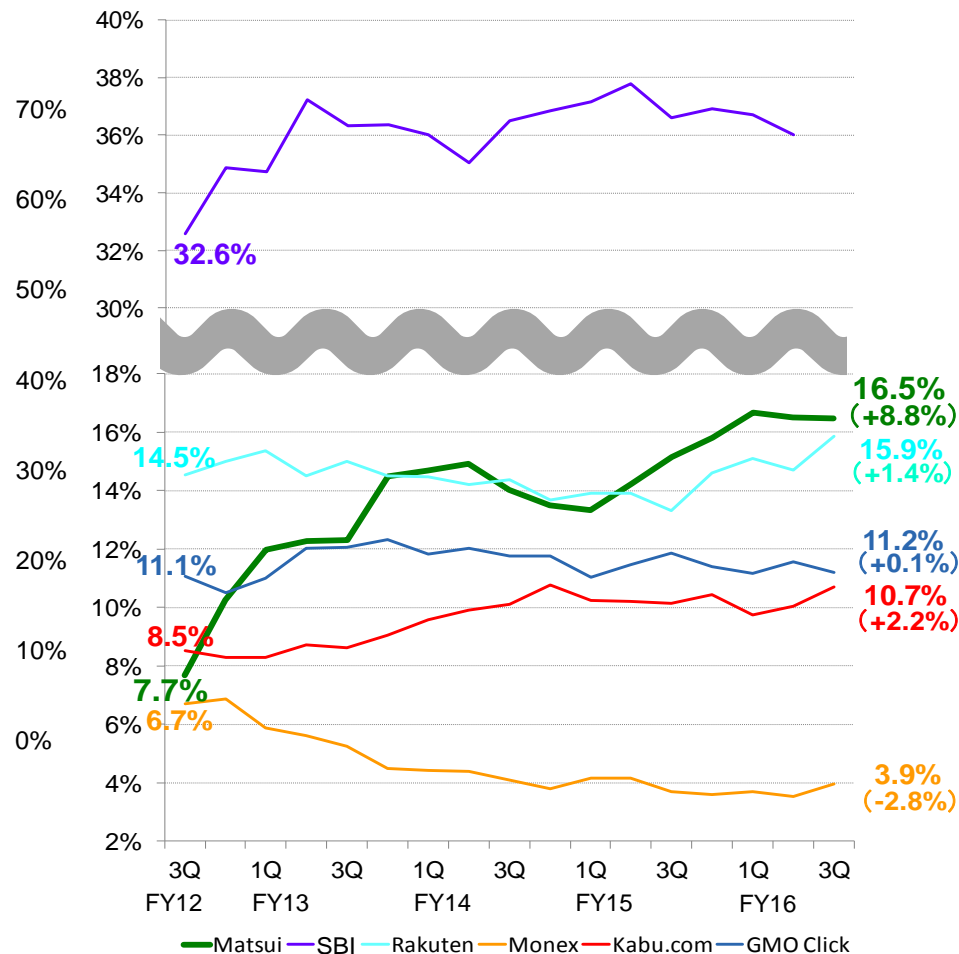
# Margin Trading Service for Day-trades

Market share has been growing by continuous measures

## ◆ Trading results



## ◆ Market share<sup>1</sup> of margin trading value



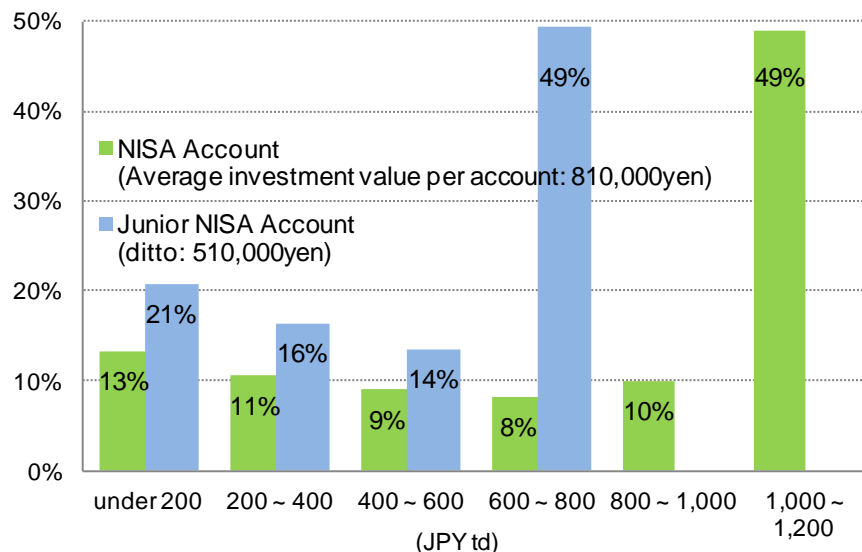
# NISA

Active account ratio for NISA<sup>1</sup> is 58%, the highest level among 5 online securities brokers<sup>2</sup>

## ◆ Number of NISA accounts and customers' assets (as of December 2016)

	NISA	Junior NISA
Total number of accounts	113,344	2,467
Number of active accounts <sup>3</sup>	65,224	1,363
Active account ratio	58%	55%
Total investment value(JPY mn) <sup>4</sup>	52,508	697
Customers' assets(JPY mn) <sup>5</sup>	72,633	608

## ◆ Distribution of the invested amount (as of December 2016)



## ◆ Top 5 ranking in trading value (from October to December 2016)

Rank	NISA Account	Junior NISA Account
1	Mizuho Financial Group, Inc. (8411)	Oriental Land Co., Ltd. (4661)
2	Canon Inc. (7751)	Mizuho Financial Group, Inc. (8411)
3	Mitsubishi UFJ Financial Group, Inc. (8306)	McDonald's Holdings Co., Ltd. (2702)
4	Nissan Motor Co., Ltd. (7201)	Create Restaurants Holdings Inc. (3387)
5	Sharp Corp. (6753)	Atom Corp. (7412)

## ◆ Situation of NISA

NISA has been introduced since January 2014 and Junior NISA has also been introduced since April 2016. In 2016, the upper limit of 1 million yen for annual investment amount in NISA account has raised to 1.2 million yen, but increase of investment value in Matsui has remained marginal compare to 2015.

Since Matsui started mutual fund business in November 2016 to support long term and diversified investment, investment value in NISA account is expected to increase in 2017.

The material is intended to provide the financial results for the quarter ended 31 December 2016 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 27 January 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.

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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