



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 3QFY2017

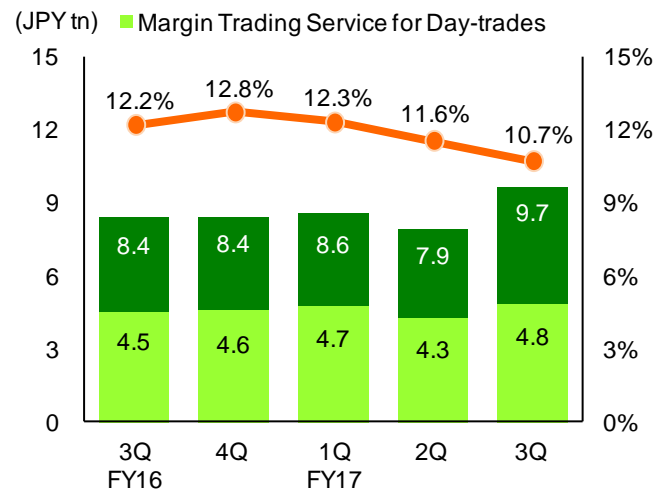
January 2018

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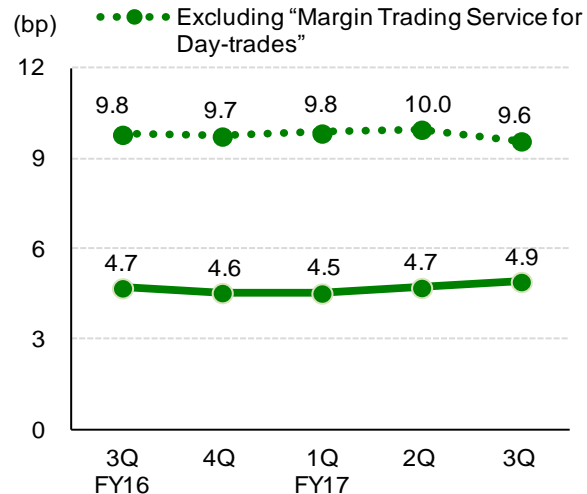
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Results of Operation

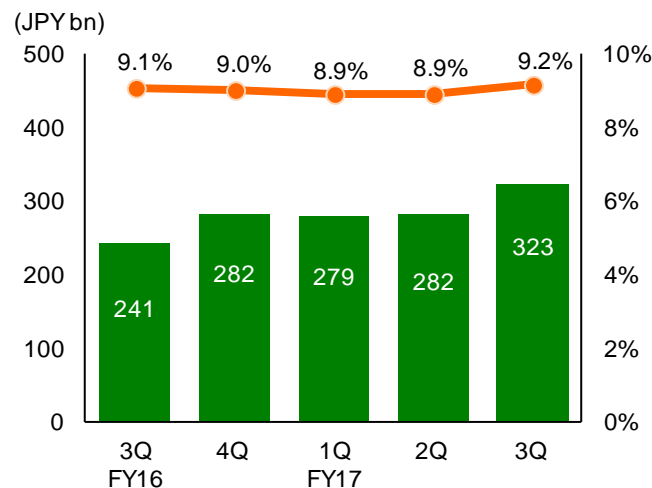
◆ Equity trading value / Market share



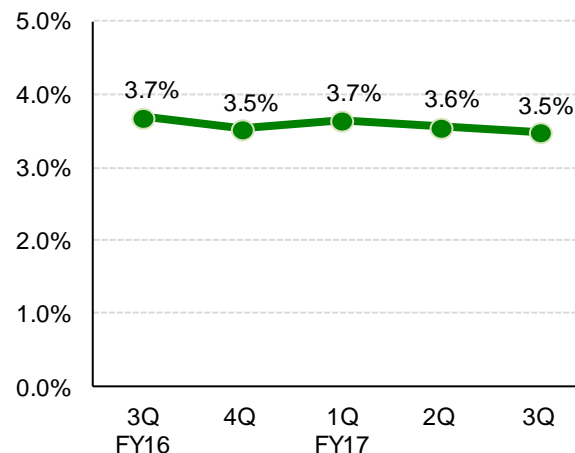
◆ Equity commission rate



◆ Margin balance / Market share

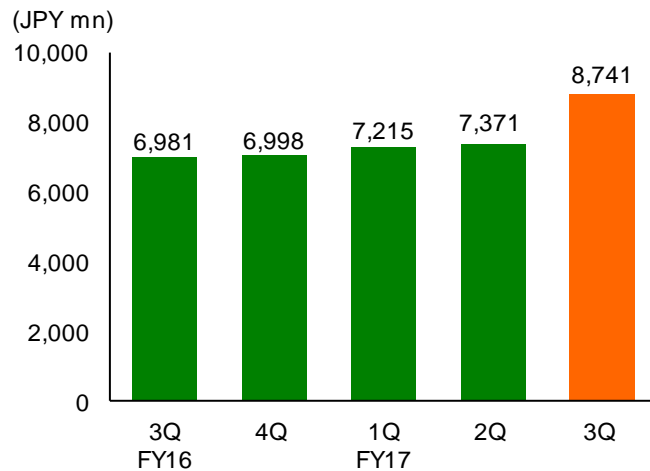


◆ Net financial income ratio

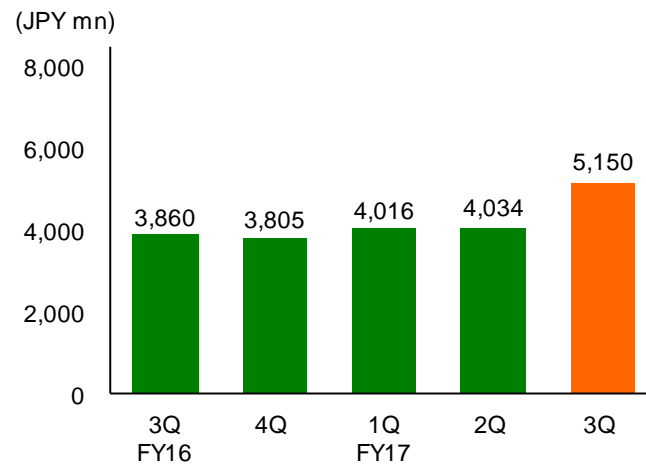


Financial Results

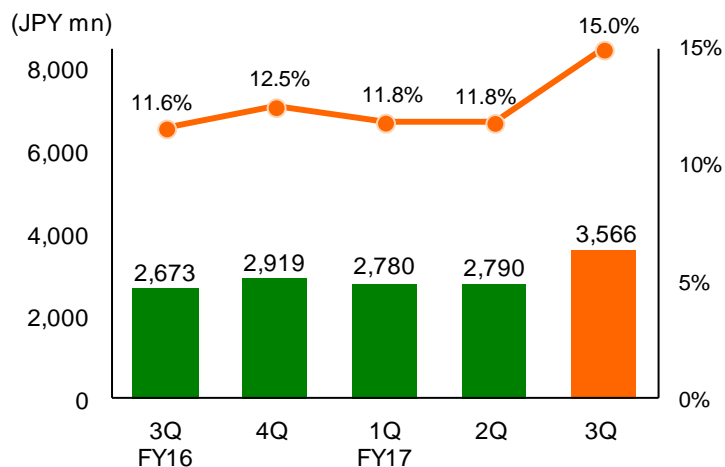
◆ Operating revenue



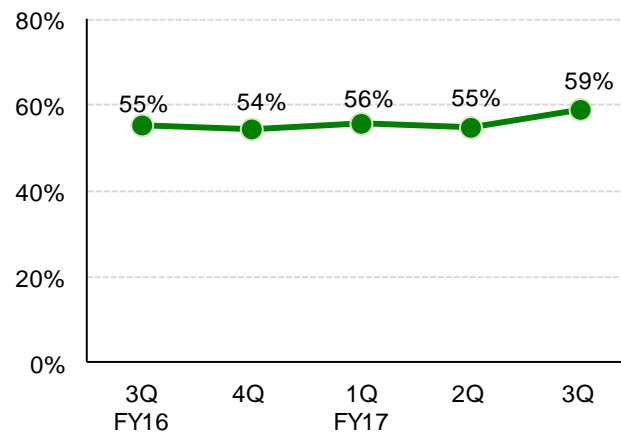
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 1,370 million QoQ

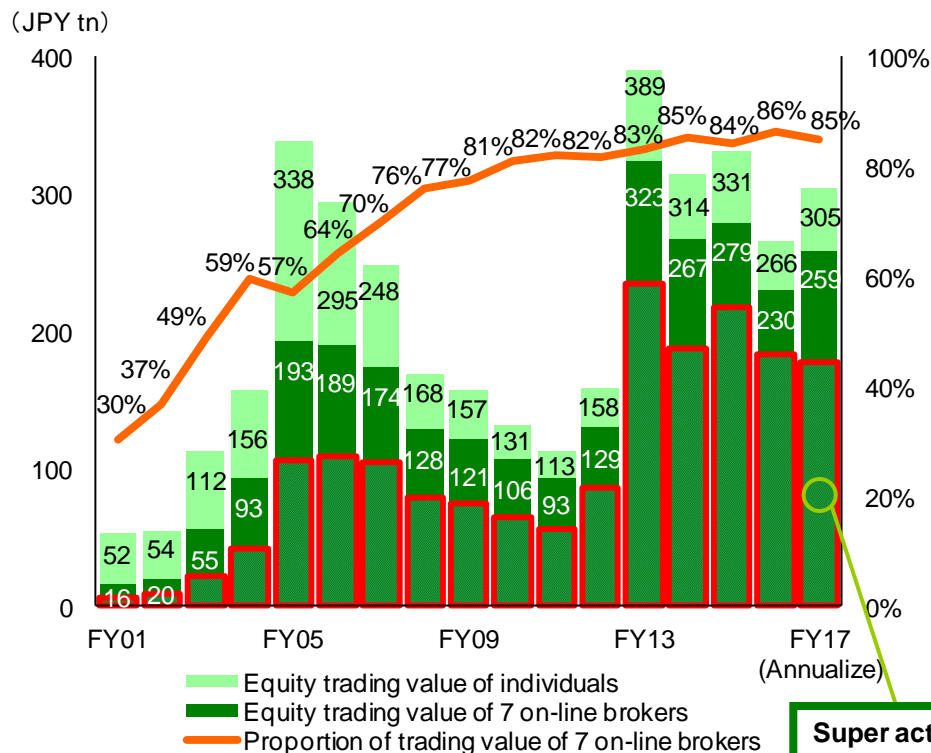
- Commissions were up JPY 1,050 million due to increase of equity trading value
- Interest & dividend income was up JPY 300 million due to increase of average margin balance

◆ SG&A up JPY 140 million QoQ

- Trading related expenses were up JPY 120 million due to increase of equity trading value and increase of advertisement expenses on mutual fund service
- Other SG&A were up JPY 30 million

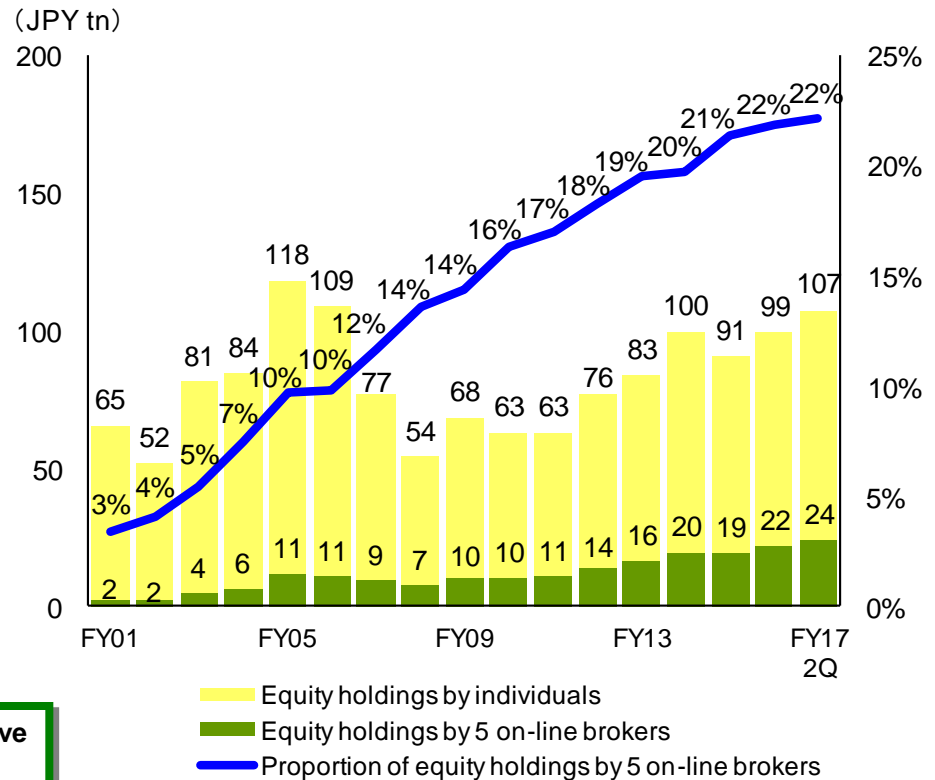
Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



Super active traders²
JPY 180 tn
(Estimate)

◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (3Q FY17)

(JPY mn)

	3Q(Apr.-Dec.) FY2017	3Q(Apr.-Dec.) FY2016	YoY
Operating Revenues	23,327	20,728	13%
Commissions	13,751	12,883	7%
Interest & dividend income	8,832	7,840	13%
Interest expenses	1,304	892	46%
Net operating revenues	22,023	19,837	11%
SG&A	8,923	8,704	3%
Operating income	13,099	11,133	18%
Ordinary income	13,200	11,239	17%
Net income	9,136	7,778	17%
Ordinary income ratio	57%	54%	-
Matsui's trading value (JPY tn)	26.2	26.2	-0%
Daily average trading value on TSE (JPY tn)	3.3	3.0	9%

Breakdown of Net Operating Revenues (3Q FY17)

(JPY mn)

	3Q(Apr.-Dec.) FY2017	3Q(Apr.-Dec.) FY2016	YoY
Commissions	13,751	12,883	7%
Brokerage	13,232	12,140	9%
Equity & ETF	12,477	11,380	10%
Futures & Options	755	760	-1%
Others	508	737	-31%
Net trading income	743	2	-
Interest & dividend income (1)	8,832	7,840	13%
Total operating revenues	23,327	20,728	13%
Interest expenses (2)	1,304	892	46%
Net operating revenues	22,023	19,837	11%
Net interest income (1) - (2)	7,528	6,948	8%
Average margin balance (JPY bn)	282	235	20%

Breakdown of SG&A (3Q FY17)

(JPY mn)

	3Q(Apr.-Dec.) FY2017	3Q(Apr.-Dec.) FY2016	YoY
Trading related expenses	3,375	3,191	6%
Stock exchanges and securities associations fees	1,121	1,048	7%
Communications expenses	1,256	1,235	2%
Advertisement	405	356	14%
Personnel expenses	1,770	1,677	6%
Occupancy & rental	635	666	-5%
Data processing & office supplies	1,563	1,348	16%
Depreciation	1,146	939	22%
Taxes and dues	295	277	6%
Provision of allowance for doubtful accounts	41	507	-92%
Others	98	97	1%
Total SG&A	8,923	8,704	3%

Summary of Financial Results (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY17	FY16		YoY	FY16
	3Q	2Q		1Q	4Q	3Q		TOTAL
Operating Revenues	8,741	7,371	19%	7,215	6,998	6,981	25%	27,727
Commissions	5,234	4,183	25%	4,334	4,370	4,448	18%	17,253
Interest & dividend income	3,196	2,893	10%	2,743	2,627	2,532	26%	10,467
Interest expenses	570	414	38%	320	336	386	48%	1,228
Net operating revenues	8,170	6,957	17%	6,896	6,662	6,596	24%	26,499
SG & A	3,067	2,925	5%	2,931	2,857	2,783	10%	11,560
Operating income	5,103	4,032	27%	3,964	3,805	3,813	34%	14,939
Ordinary income	5,150	4,034	28%	4,016	3,805	3,860	33%	15,044
Net income	3,566	2,790	28%	2,780	2,919	2,673	33%	10,697
Ordinary income ratio	59%	55%	-	56%	54%	55%	-	54%
Matsui's trading value (JPY tn)	9.7	7.9	22%	8.6	8.4	8.4	15%	34.7
Daily average trading value on TSE (JPY tn)	3.7	3.0	22%	3.1	3.0	3.2	17%	3.0

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY17	FY16		YoY	FY16
	3Q	2Q		1Q	4Q	3Q		TOTAL
Commissions	5,234	4,183	25%	4,334	4,370	4,448	18%	17,253
Brokerage	5,082	3,997	27%	4,152	4,120	4,228	20%	16,260
Equity & ETF	4,791	3,773	27%	3,913	3,869	3,986	20%	15,249
Futures & Options	291	224	30%	240	251	242	20%	1,011
Others	148	180	-18%	179	242	214	-31%	979
Net trading income	311	294	6%	138	1	1	-	3
Interest & dividend income (1)	3,196	2,893	10%	2,743	2,627	2,532	26%	10,467
Total operating revenues	8,741	7,371	19%	7,215	6,998	6,981	25%	27,727
Interest expenses (2)	570	414	38%	320	336	386	48%	1,228
Net operating revenues	8,170	6,957	17%	6,896	6,662	6,596	24%	26,499
Net interest income (1) - (2)	2,625	2,479	6%	2,423	2,291	2,146	22%	9,239
Average margin balance (JPY bn)	301	279	8%	265	259	233	29%	241

Breakdown of SG&A (Quarterly)

(JPY mn)

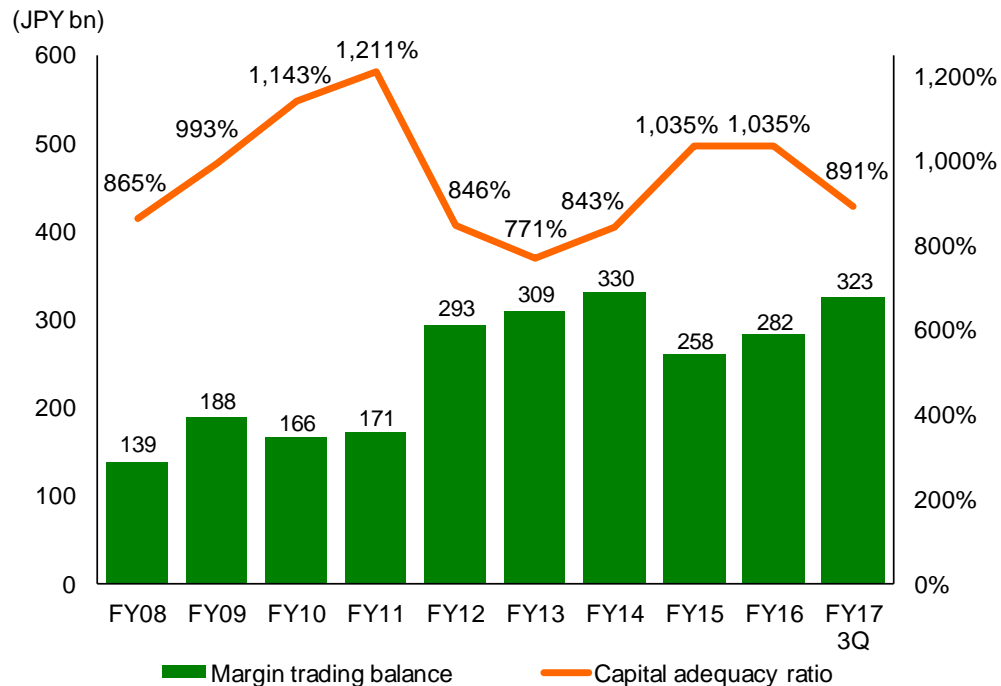
	FY17	FY17	QoQ	FY17	FY16		YoY	FY16
	3Q	2Q		1Q	4Q	3Q		TOTAL
Trading related expenses	1,198	1,083	11%	1,093	1,154	1,098	9%	4,345
Stock exchanges and securities associations fees	401	356	13%	364	361	348	15%	1,409
Communications expenses	423	418	1%	416	437	418	1%	1,672
Advertisement	169	119	42%	117	174	153	11%	531
Personnel expenses	601	589	2%	581	549	561	7%	2,227
Occupancy & rental	203	216	-6%	216	225	219	-7%	891
Data processing & office supplies	517	538	-4%	508	492	474	9%	1,841
Depreciation	396	387	2%	363	328	305	30%	1,267
Taxes and dues	101	93	9%	101	85	88	14%	362
Provision of allowance for doubtful accounts	17	4	339%	20	-196	-4	-	311
Others	34	16	119%	49	220	41	-17%	317
Total SG & A	3,067	2,925	5%	2,931	2,857	2,783	10%	11,560

Regulatory Capital

◆ Capital adequacy ratio (As of 31 December 2017)

		(JPY mn)
Tier 1	(A)	85,557
Tier 2	Net unrealized gain on investment	2,463
	Statutory reserves	3,012
	Allowance for doubtful accounts	143
	Sub total (B)	5,618
Assets to be deducted from equity capital	(C)	6,551
Net Capital		
	(A) + (B) - (C) (D)	84,624
Total risk	Market risk	544
	Counterparty risk	6,210
	Basic risk	2,733
	Total (E)	9,488
Capital Adequacy ratio	(D)/(E)	891%

◆ Margin trading balance and capital adequacy ratio



Shareholders Return I

Plan to pay year-end dividend of 27 yen per share for FY17

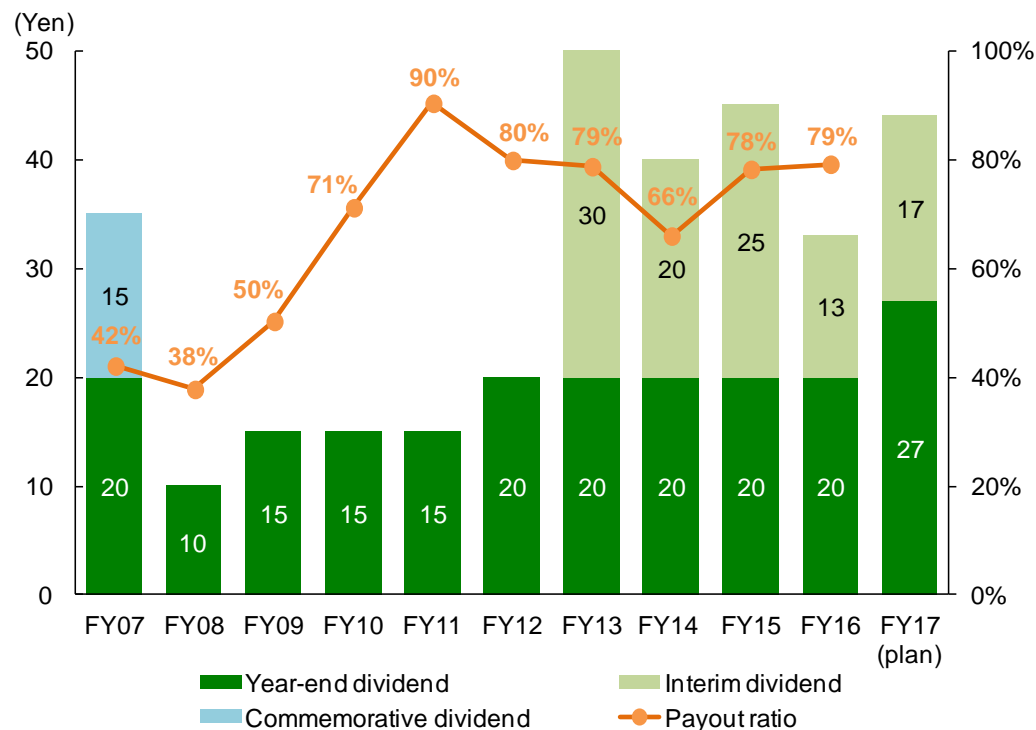
◆ Dividends for FY17

- Interim : Paid **17 yen** per share
- Year-end : Plan to pay **27 yen** per share

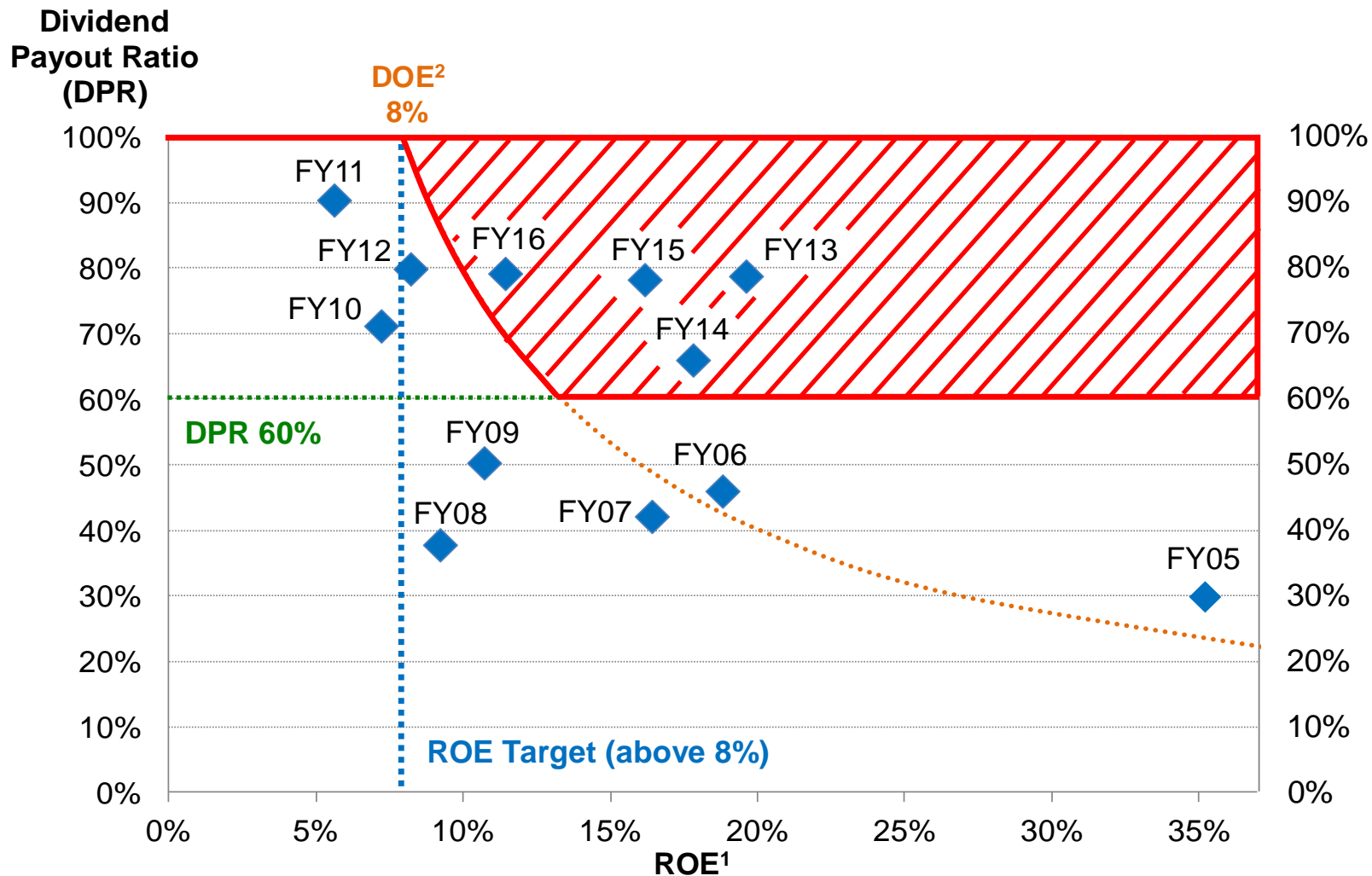
◆ Dividend policy

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

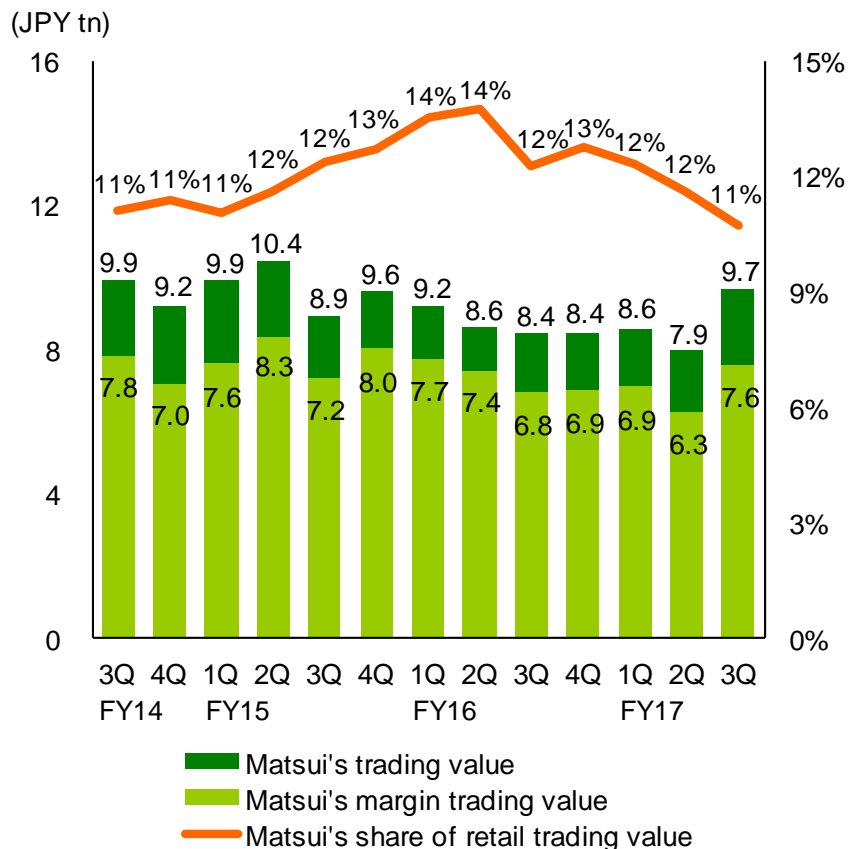
Note2: DOE = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal year}) / 2}$

Results of Operation

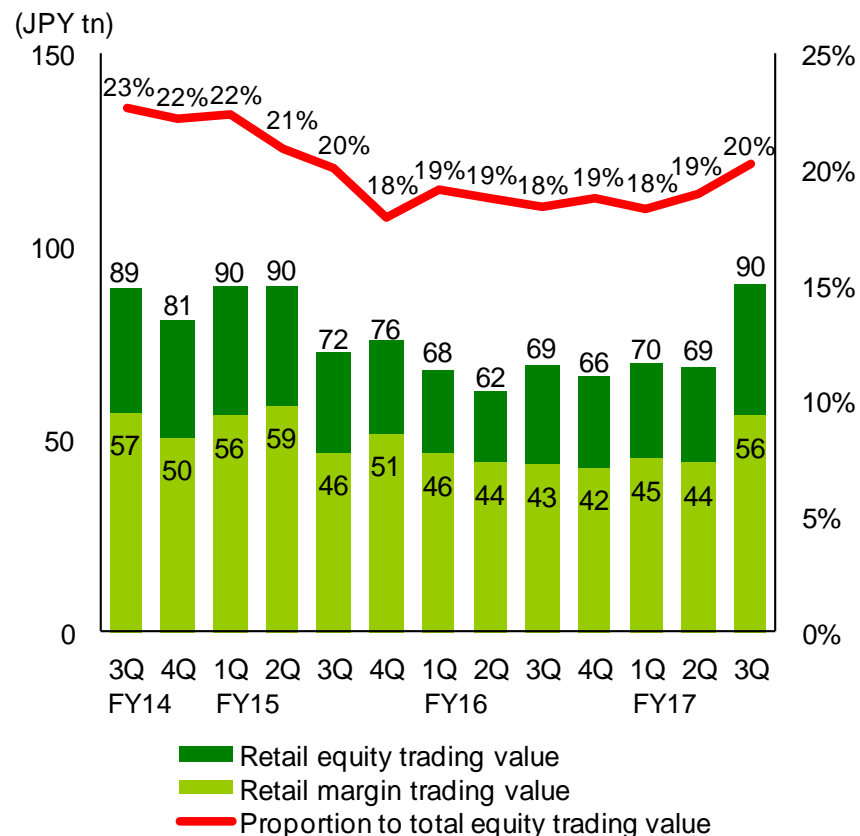
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

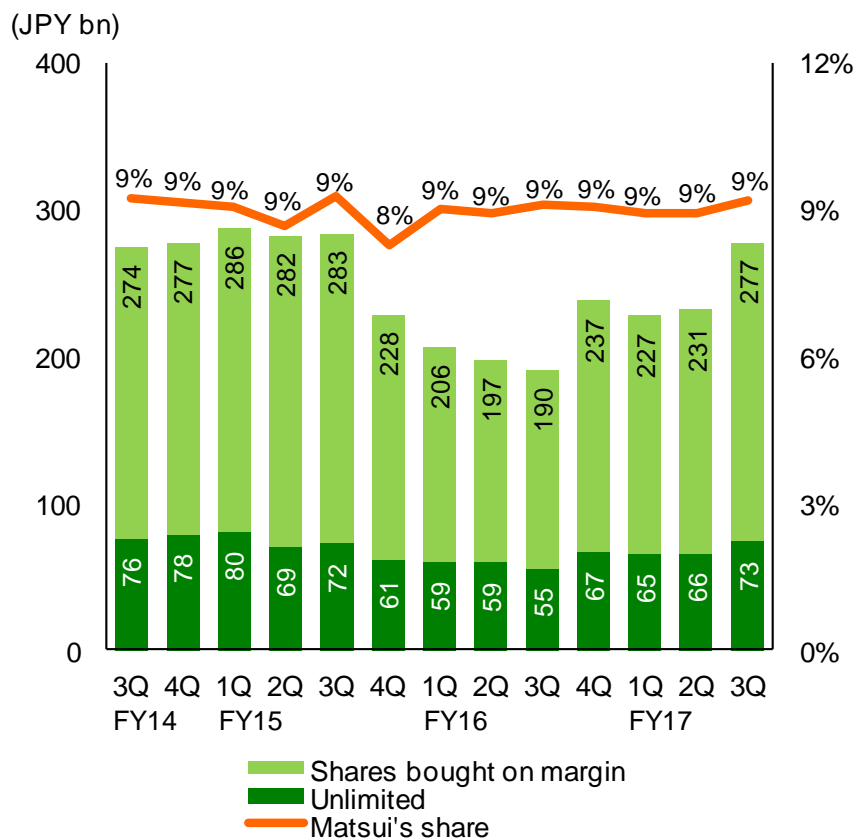


◆ Retail equity trading value¹ and proportion to total equity trading value

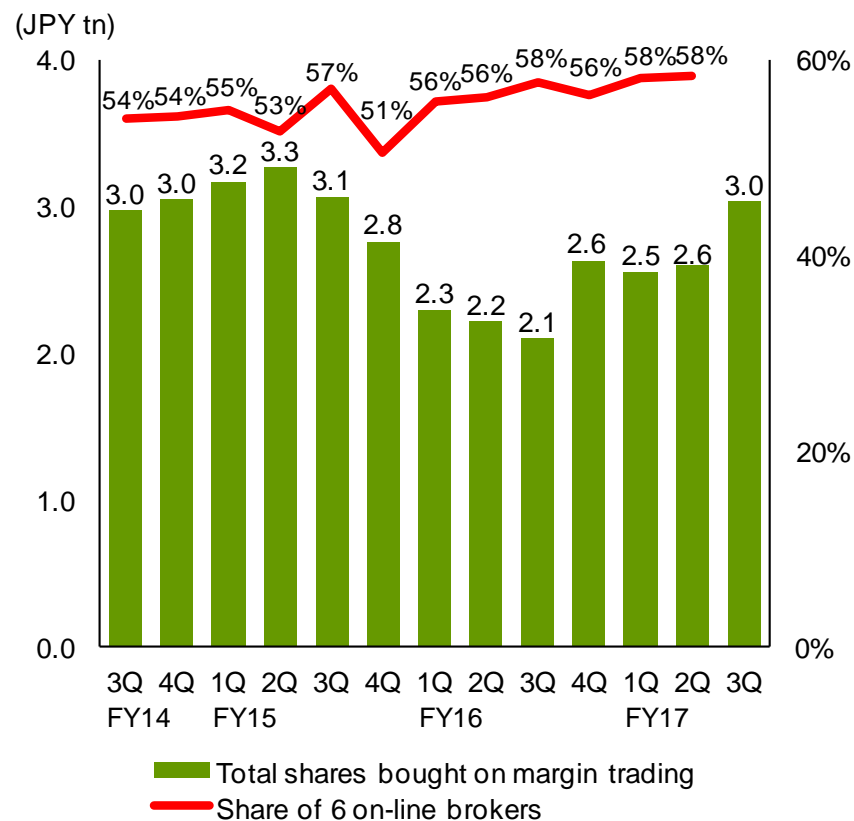


Margin Trading Balance

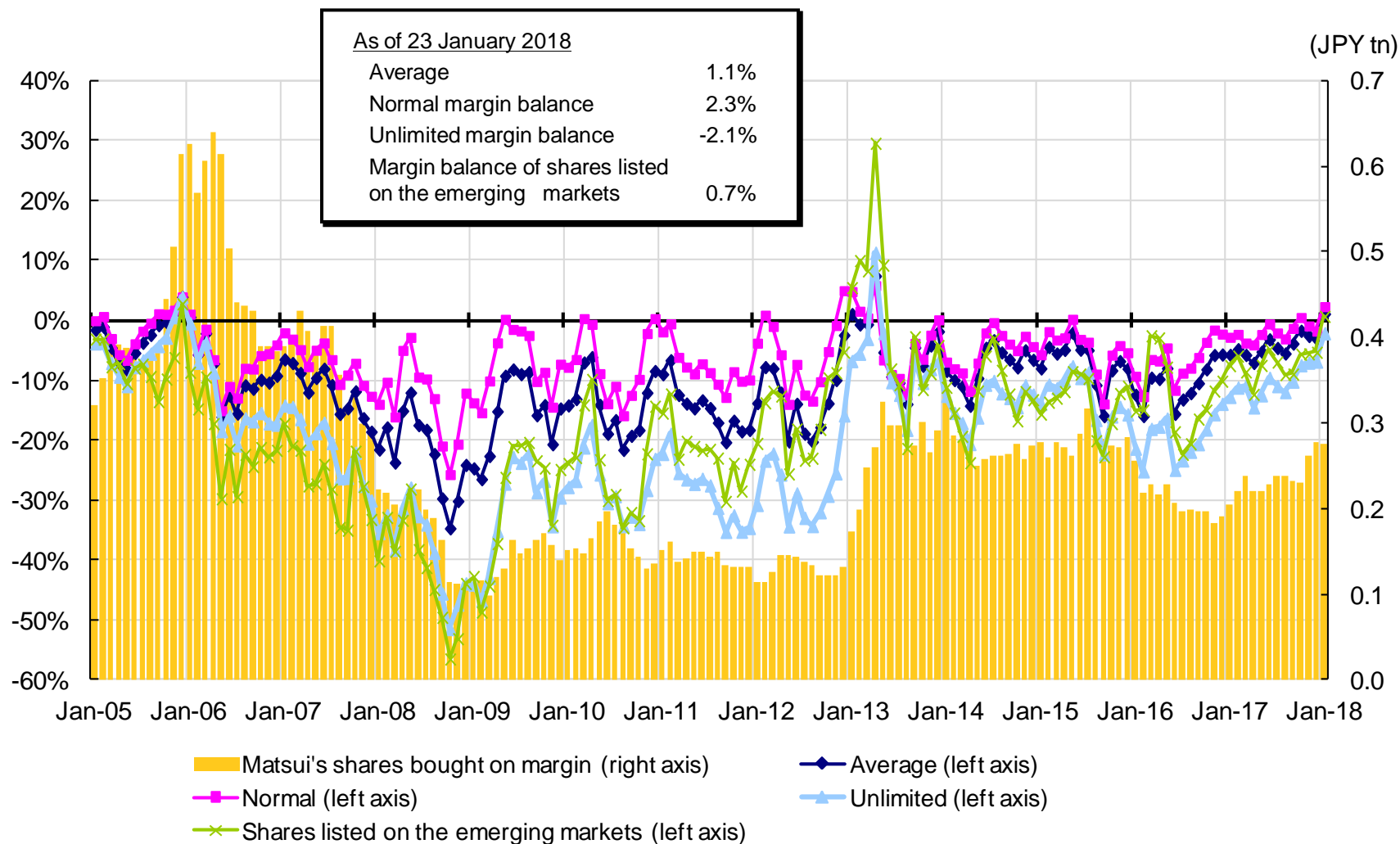
◆ Matsui's shares bought on margin¹ and its market share²



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

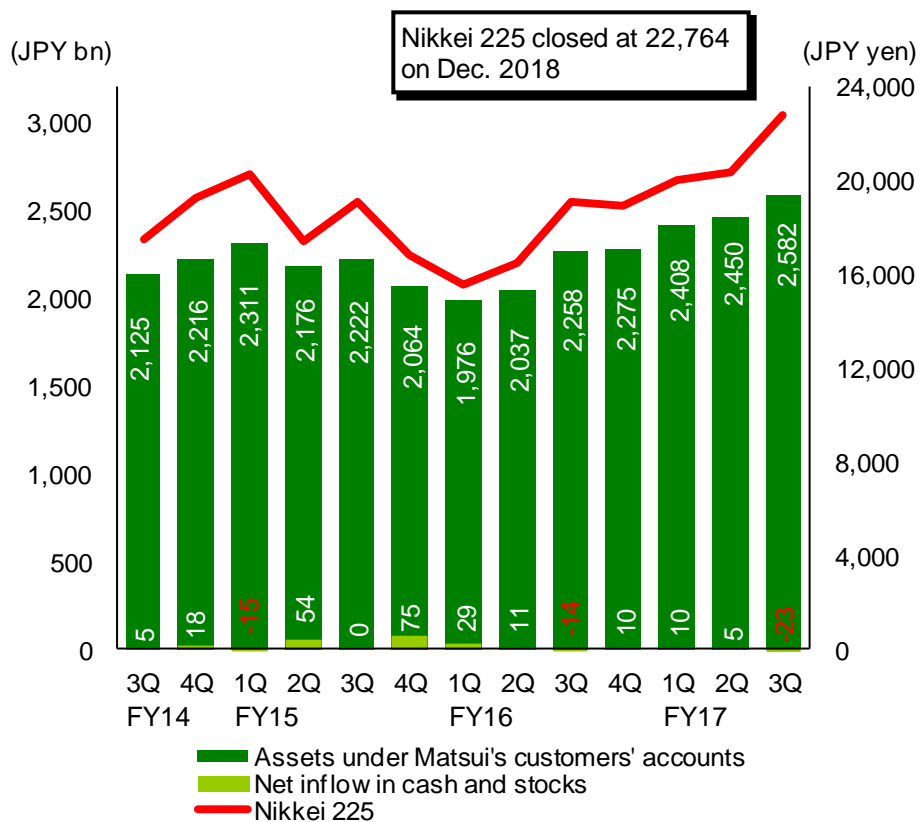


Unrealized Losses on Matsui's Margin Balance

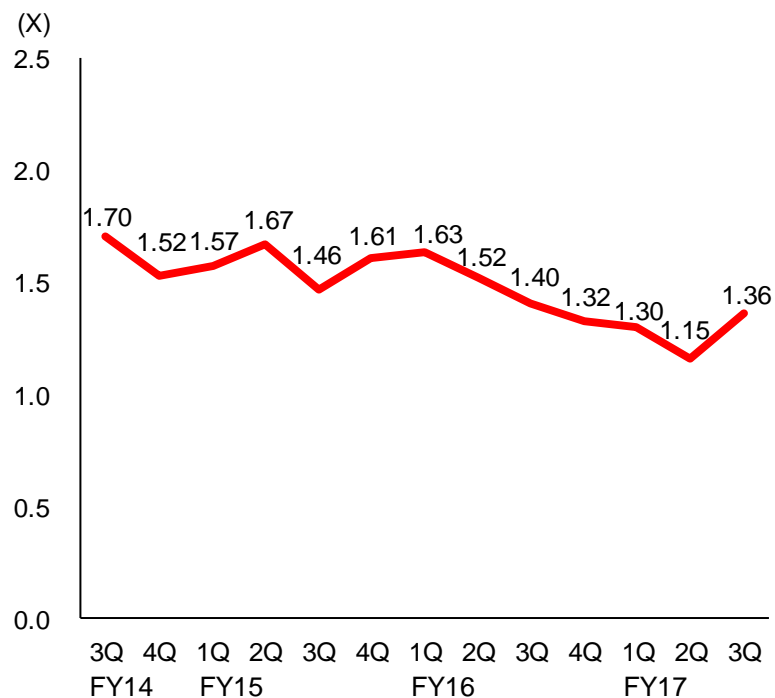


Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts

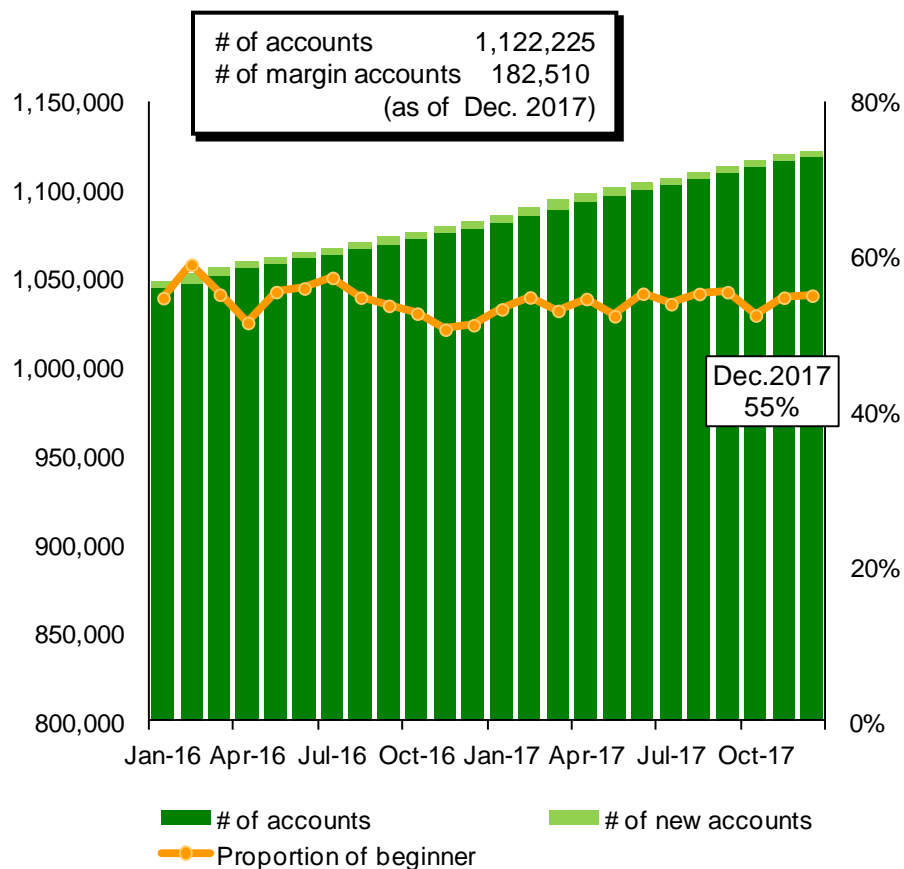


◆ Equity trading turnover¹ of Matsui's customers

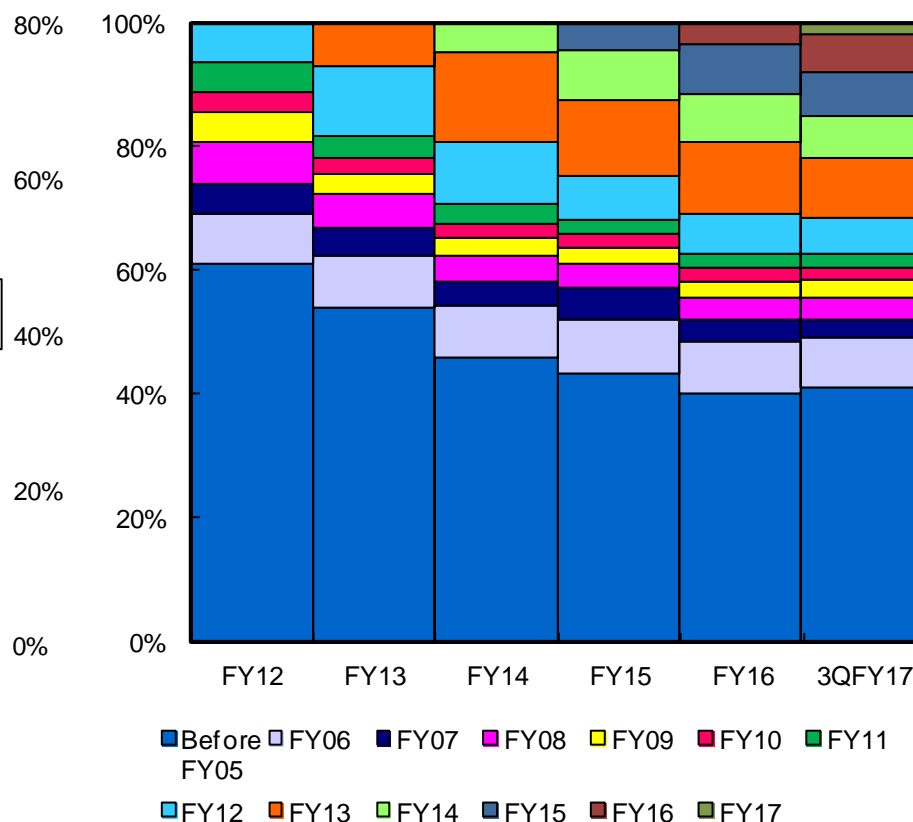


Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

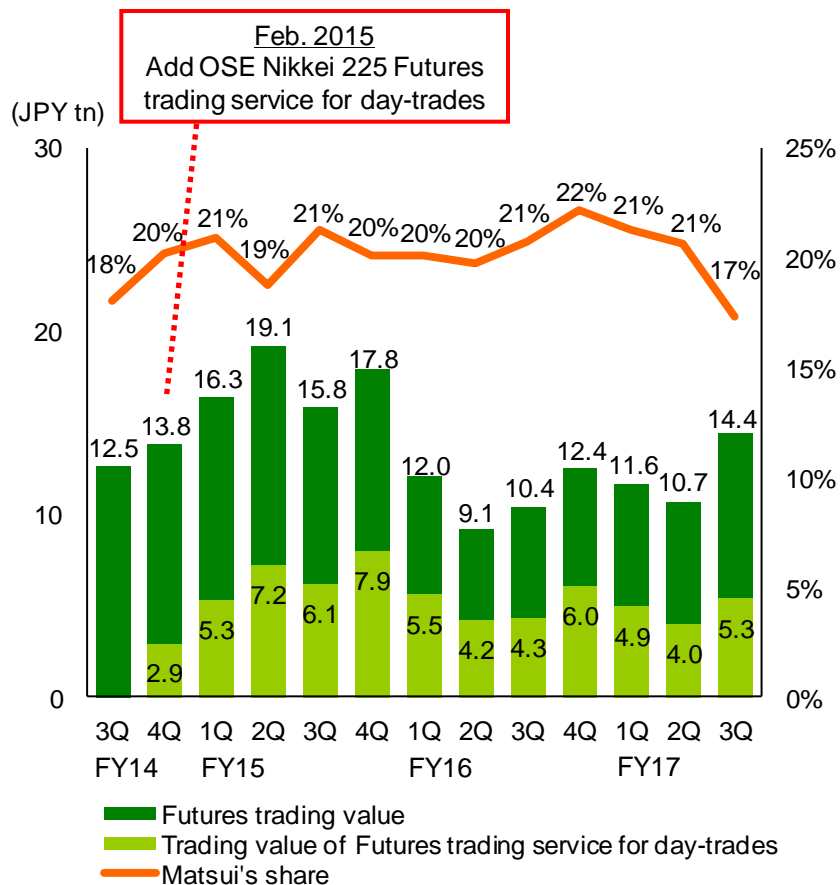


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

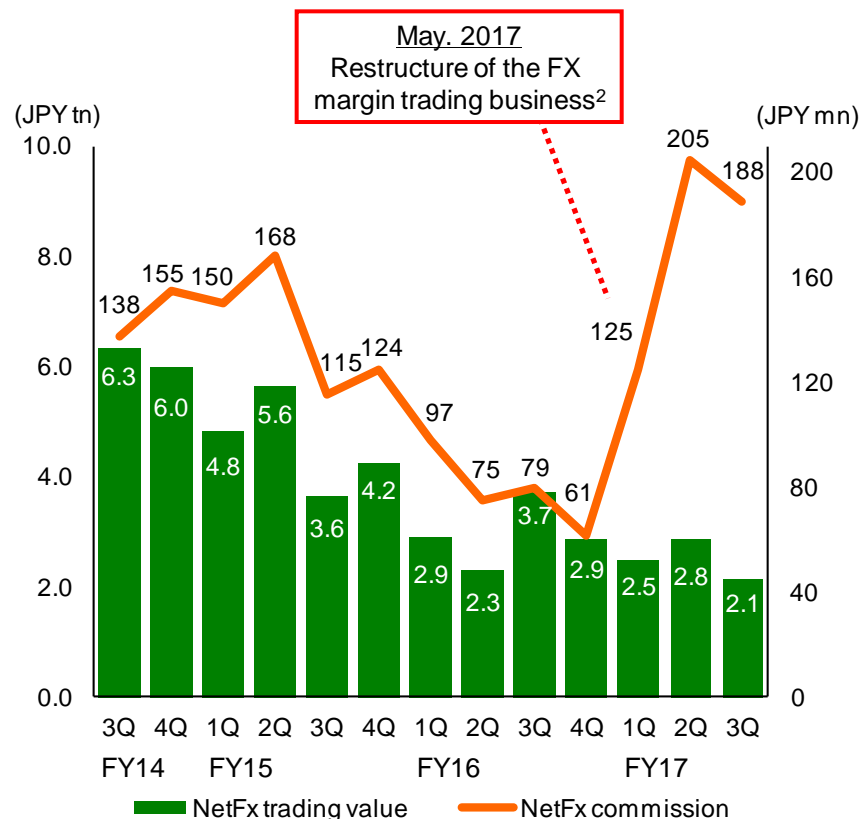


Futures Trading Value / FX Margin Trading Value

◆ 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, PTS, 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. Portfolio Management Platform based on Robo-advisor, Saving type of NISA, iDeCo, crowd-funding

Implement continuous improvements of mutual fund services and differentiate our sales strategy based on our 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

~Support long-term diversified investment for asset building generation~

Improve the usability of portfolio management platform

• Introduce “Automatic rebalance” function (December 23)

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

Response to tax-efficient scheme for individual’s asset building

• Saving type of NISA

~Started offering the service in January 2018

• iDeCo³

~Plan to offer the service from March 2018

~Response to the needs of investment in variety of mutual funds~

Expand the line-up of mutual funds

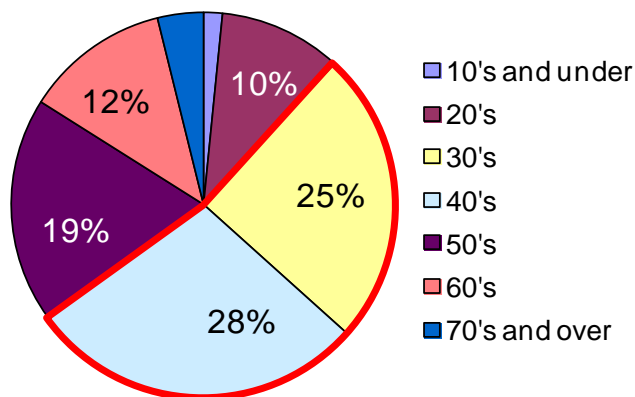
• Add 30 mutual funds every month, mainly actively managed mutual funds with no-load & lower custodian fee

• Introduce Core & Satellite investing function

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

Main customers of the portfolio management platform are 30s and 40s
 AUM of mutual fund is JPY 7 billion¹

◆ Customers by age¹

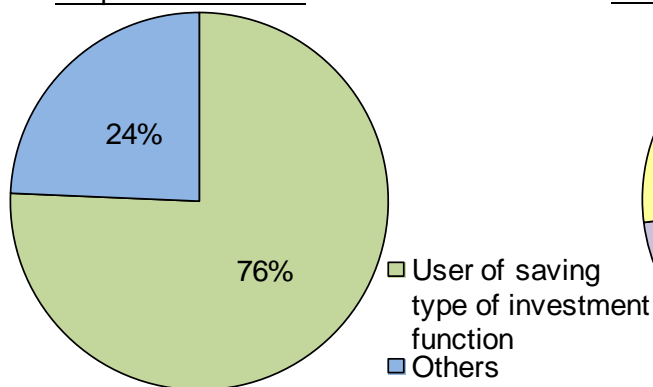


◆ Top 5 in sales (from October to December 2017)

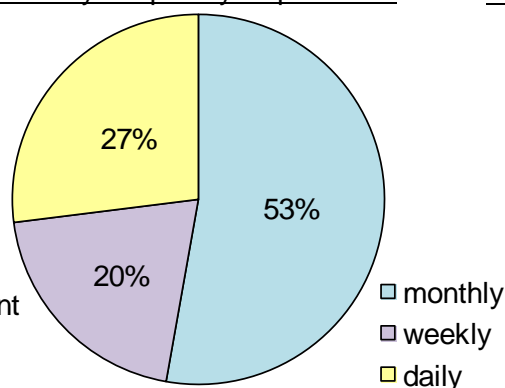
	Name	Asset Management	Asset class
1	Hifumi Plus	Rheos	Domestic Equity
2	SMT Global Bond Index Open Hedged	SMT AM	Developed Bond
3	JASDAQ Open	MUFJ Kokusai	Domestic Equity
4	Tawara No Load Developed Countries Equity	AMOne	Developed Equity
5	Nissay TOPIX Index Fund no charge	Nissay AM	Domestic Equity

◆ Usage of saving type of investment function¹

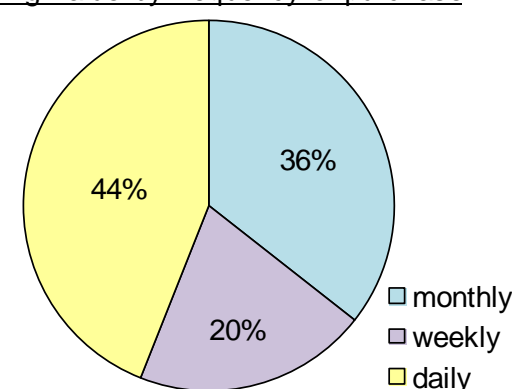
Proportion of users



Users by frequency of purchase



Trading Value by frequency of purchase



NISA

Active account ratio for NISA¹ is 52%, the highest level among 5 online securities brokers²

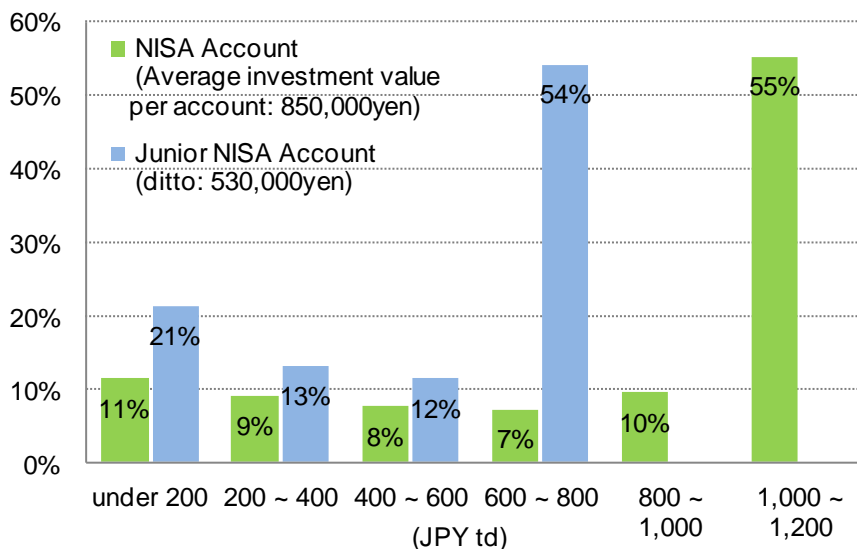
◆ Number of NISA accounts and customers' assets (as of December 2017)

	NISA	Junior NISA
Total number of accounts	127,030	3,869
Number of active accounts ³	66,615	1,968
Active account ratio	52%	51%
Total investment value(JPY mn) ⁴	56,792	1,041
Customers' assets(JPY mn) ⁵	99,107	1,487

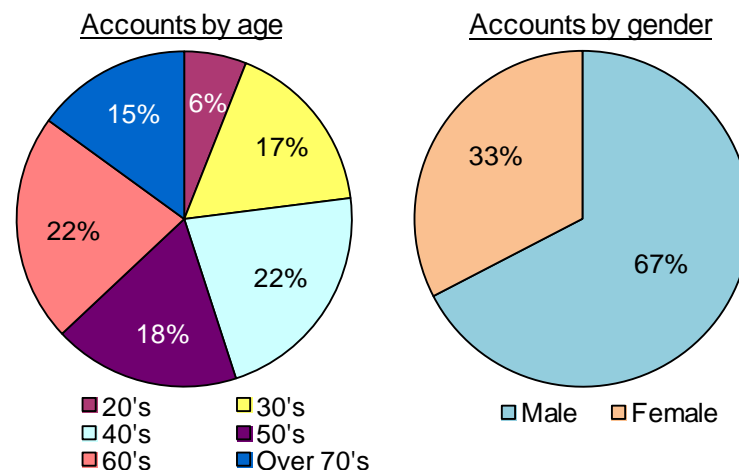
◆ Top 5 in trading value (from January to December 2017)

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)	Nissan Motor Co., Ltd. (7201)
4	Toshiba Corp. (6502)	Japan Tobacco Inc. (2914)
5	Toyota Motor Corporation (7203)	Create Restaurants Holdings Inc. (3387)

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



◆ Attribution of NISA accounts



Future initiatives for expansion of customer service

Implement continuous enhancement of brokerage business and asset business

◆ Brokerage business

~Service for actively traded customers~

Utilize PTS facilities

- Plan to connect to J-Market managed by SBI Japannext in order for customers to place orders on the PTS (March 2018)

~ Expect to increase customers' trading opportunity by meeting the needs of off-hours trading

Improve the FX margin trading service


- Improve the profitability by transformation of brokerage business model into trading business model
- Plan to improve customer service during FY2018

◆ Asset Business

~Service for asset building customers~

Cooperate with crowd-funding platform

- Plan to cooperate with crowd-funding platform "OwnersBook" which is specialized for investment in individual property (February 2018)

~Initially introduce Matsui's customer to "OwnersBook"  OwnersBook

~Arrangement of products which is exclusive use for Matsui's customer, seamless transfer of money and seamless account opening process are under consideration

Start offering iDeCo

- As a part of service which contribute to long-term asset building of retail investors, plan to offer iDeCo (March 2018)

The material is intended to provide the financial results for the quarter ended 31 December 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 29 January 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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