



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for 3QFY2018

January 2019

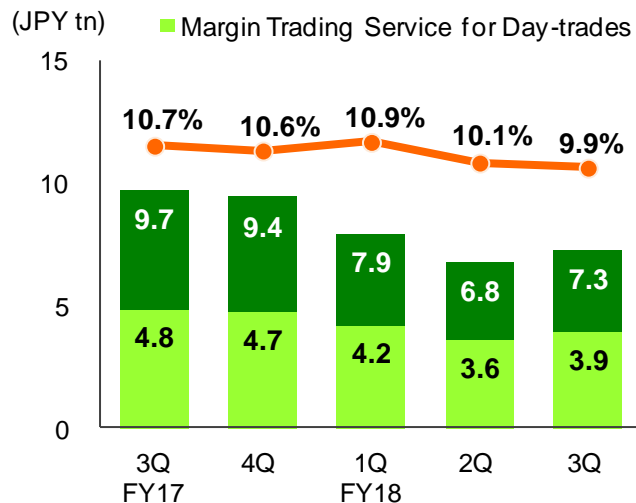
 **松井証券**
Matsui Securities Co.,Ltd.

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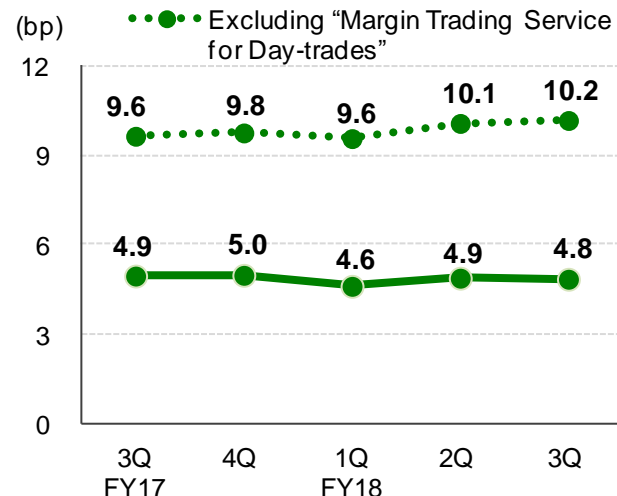
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Results of Operation

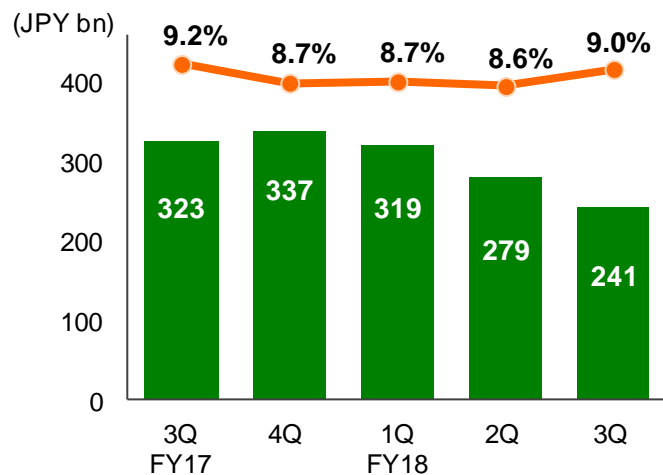
◆ Equity trading value / Market share



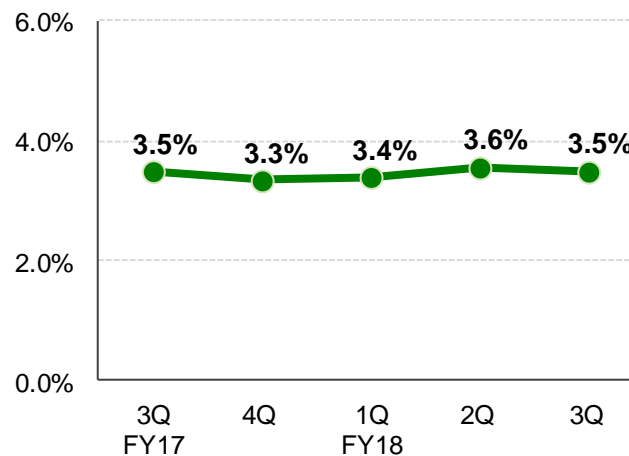
◆ Equity commission rate



◆ Margin balance / Market share

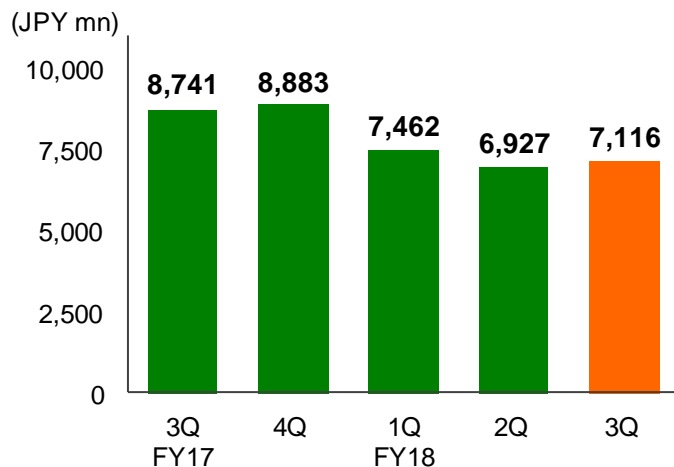


◆ Net financial income ratio

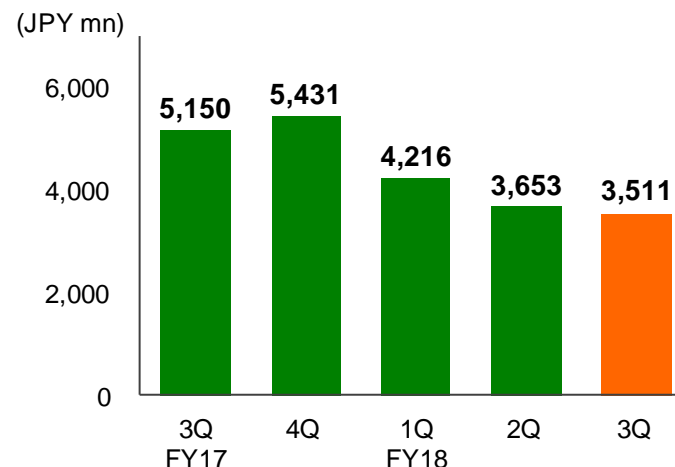


Financial Results

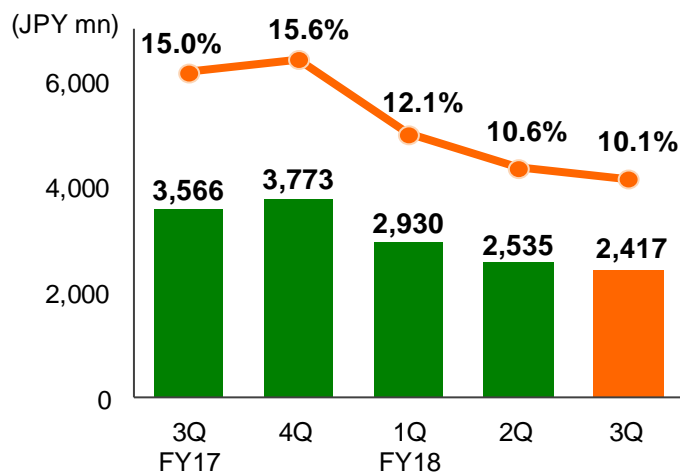
◆ Operating revenue



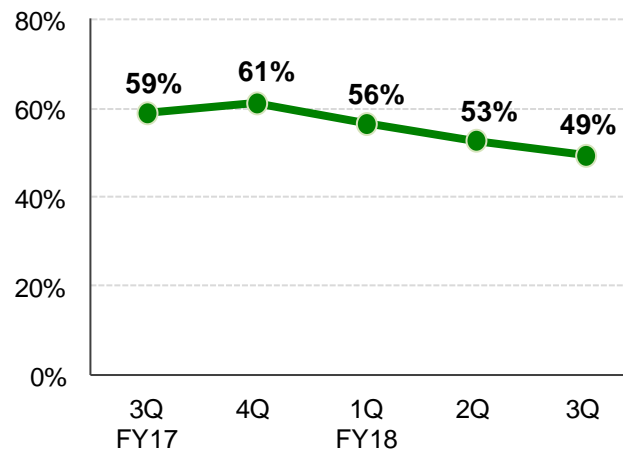
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 190 million QoQ

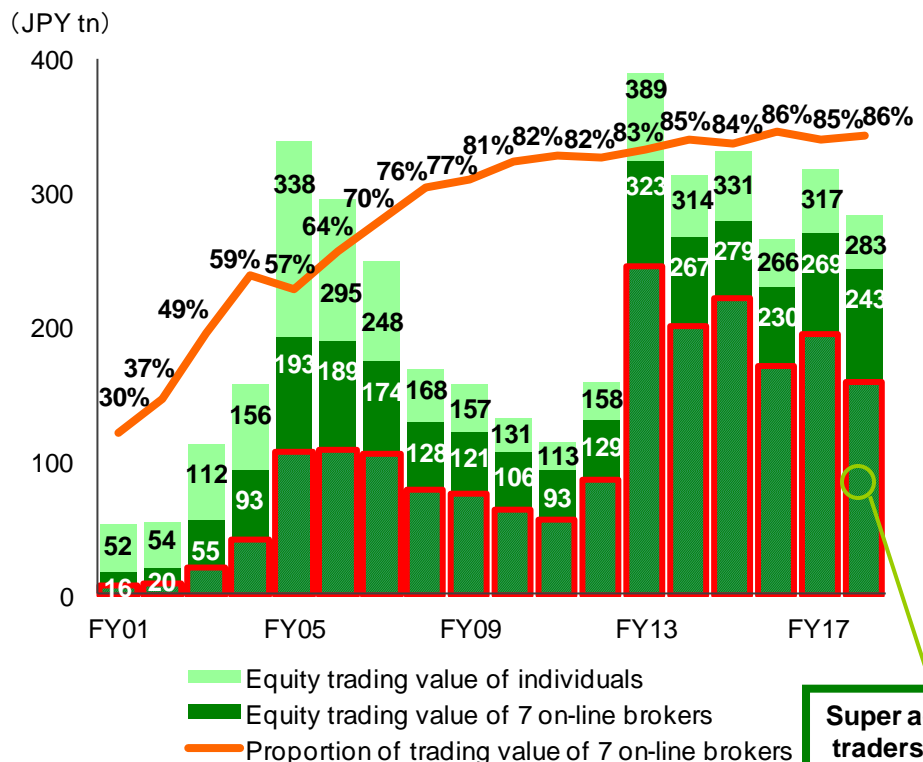
- Commissions were up JPY 280 million due to increase of equity trading value.
- Interest & dividend income was down JPY 90 million due to decline of average margin balance and revenue from securities lending.

◆ SG&A up JPY 300 million QoQ

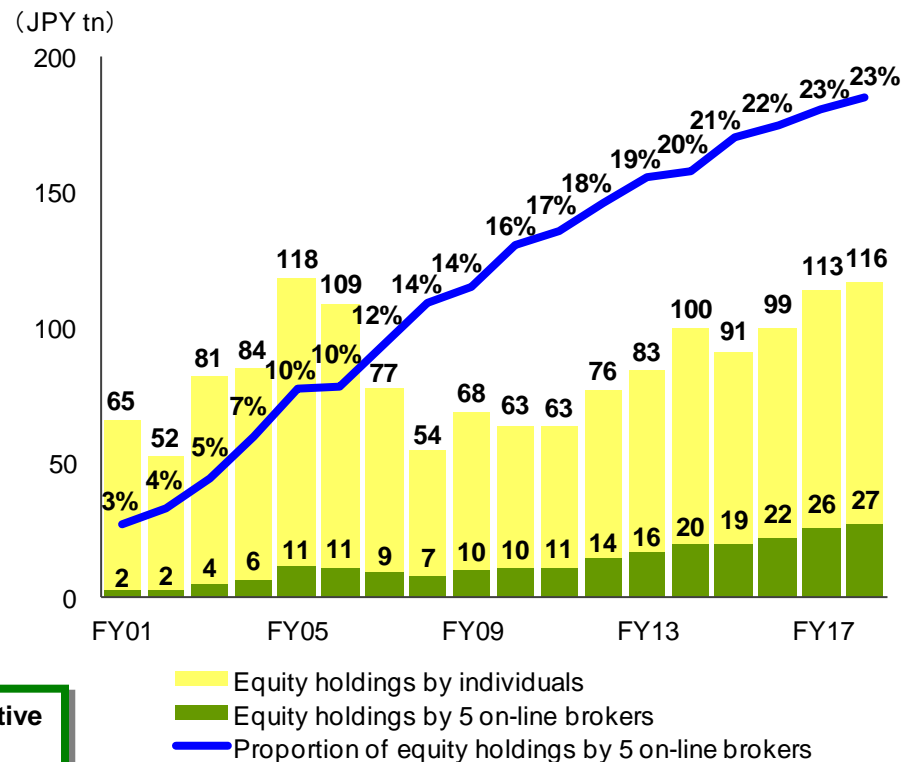
- Trading related expenses were up JPY 170 million due to increase of equity trading value and advertisement expenses.
- Personnel expenses were up JPY 190 million due to the payout of commemorative bonus for employees.

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Super active traders²
JPY 160 tn
 (Estimate)

Financial Summary

Section 1

Summary of Financial Results (3Q FY18)

(JPY mn)

	3Q(Apr.-Dec.) FY2018	3Q(Apr.-Dec.) FY2017	YoY
Operating Revenues	21,505	23,327	-8%
Commissions	11,756	13,751	-15%
Interest & dividend income	8,768	8,832	-1%
Net trading income	980	743	32%
Interest expenses	982	1,304	-25%
Net operating revenues	20,523	22,023	-7%
SG&A	9,278	8,923	4%
Operating income	11,245	13,099	-14%
Ordinary income	11,380	13,200	-14%
Net income	7,882	9,136	-14%
Ordinary income ratio	53%	57%	-
Matsui's trading value (JPY tn)	21.9	26.2	-17%
Daily average trading value on TSE (JPY tn)	3.4	3.3	3%

Breakdown of Net Operating Revenue (3Q FY18)

(JPY mn)

	3Q(Apr.-Dec.) FY2018	3Q(Apr.-Dec.) FY2017	YoY
Commissions	11,756	13,751	-15%
Brokerage	11,231	13,232	-15%
Equity & ETF	10,421	12,477	-16%
Futures & Options	810	755	7%
Others	484	508	-5%
Net trading income	980	743	32%
Interest & dividend income (1)	8,768	8,832	-1%
Total operating revenues	21,505	23,327	-8%
Interest expenses (2)	982	1,304	-25%
Net operating revenues	20,523	22,023	-7%
Net interest income (1) - (2)	7,787	7,528	3%
Average margin balance (JPY bn)	299	282	6%

Breakdown of SG&A (3Q FY18)

(JPY mn)

	3Q(Apr.-Dec.) FY2018	3Q(Apr.-Dec.) FY2017	YoY
Trading related expenses	3,243	3,375	-4%
Stock exchanges and securities associations fees	940	1,121	-16%
Communications expenses	1,273	1,256	1%
Advertisement	412	405	2%
Personnel expenses	2,025	1,770	14%
Occupancy & rental	638	635	0%
Data processing & office supplies	1,745	1,563	12%
Depreciation	1,265	1,146	10%
Taxes and dues	273	295	-7%
Provision of allowance for doubtful accounts	-13	41	-
Others	103	98	5%
Total SG&A	9,278	8,923	4%

Summary of Financial Results (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY18	FY17		YoY	FY17
	3Q	2Q		1Q	4Q	3Q		TOTAL
Operating Revenues	7,116	6,927	3%	7,462	8,883	8,741	-19%	32,210
Commissions	3,999	3,723	7%	4,034	5,217	5,234	-24%	18,968
Interest & dividend income	2,807	2,897	-3%	3,064	3,208	3,196	-12%	12,040
Net trading income	309	306	1%	364	458	311	-0%	1,201
Interest expenses	370	293	26%	319	425	570	-35%	1,729
Net operating revenues	6,747	6,634	2%	7,143	8,458	8,170	-17%	30,480
SG & A	3,288	2,984	10%	3,006	3,025	3,067	7%	11,949
Operating income	3,458	3,651	-5%	4,136	5,433	5,103	-32%	18,532
Ordinary income	3,511	3,653	-4%	4,216	5,431	5,150	-32%	18,632
Net income	2,417	2,535	-5%	2,930	3,773	3,566	-32%	12,908
Ordinary income ratio	49%	53%	-	56%	61%	59%	-	58%
Matsui's trading value (JPY tn)	7.3	6.8	7%	7.9	9.4	9.7	-25%	35.6
Daily average trading value on TSE (JPY tn)	3.6	3.2	14%	3.3	4.0	3.7	-2%	3.5

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY18	FY17		YoY	FY17
	3Q	2Q		1Q	4Q	3Q		TOTAL
Commissions	3,999	3,723	7%	4,034	5,217	5,234	-24%	18,968
Brokerage	3,840	3,543	8%	3,848	5,018	5,082	-24%	18,250
Equity & ETF	3,510	3,295	7%	3,617	4,667	4,791	-27%	17,144
Futures & Options	331	248	33%	231	352	291	14%	1,106
Others	143	177	-19%	164	190	148	-3%	698
Net trading income	309	306	1%	364	458	311	-0%	1,201
Interest & dividend income (1)	2,807	2,897	-3%	3,064	3,208	3,196	-12%	12,040
Total operating revenues	7,116	6,927	3%	7,462	8,883	8,741	-19%	32,210
Interest expenses (2)	370	293	26%	319	425	570	-35%	1,729
Net operating revenues	6,747	6,634	2%	7,143	8,458	8,170	-17%	30,480
Net interest income (1) - (2)	2,437	2,605	-6%	2,744	2,783	2,625	-7%	10,310
Average margin balance (JPY bn)	280	293	-5%	323	333	301	-7%	294

Breakdown of SG&A (Quarterly)

(JPY mn)

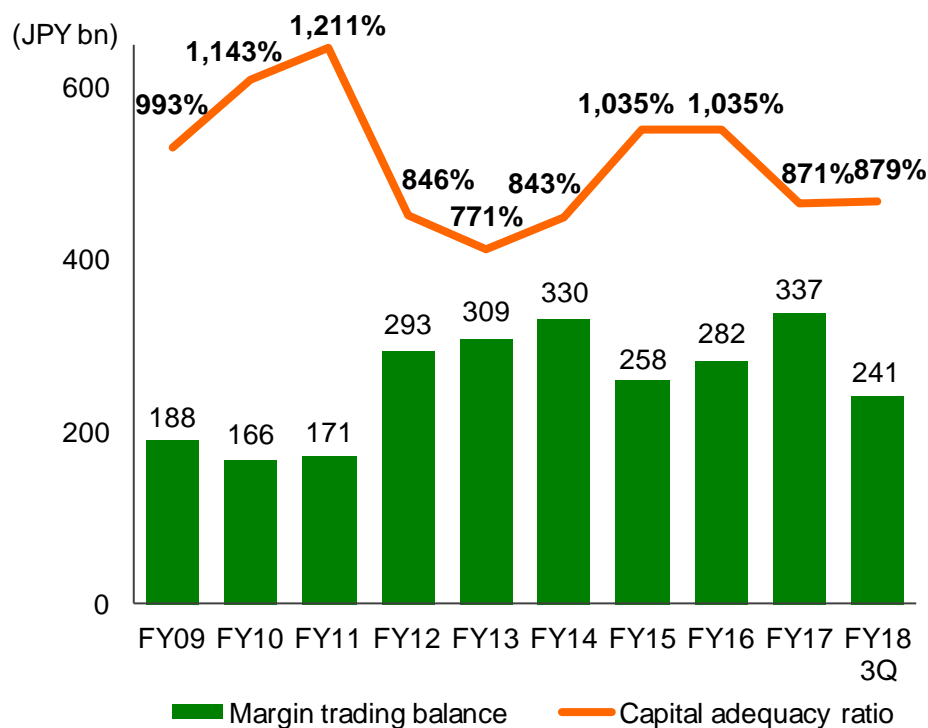
	FY18	FY18	QoQ	FY18	FY17		YoY	FY17
	3Q	2Q		1Q	4Q	3Q		TOTAL
Trading related expenses	1,185	1,016	17%	1,042	1,218	1,198	-1%	4,592
Stock exchanges and securities associations fees	324	299	8%	316	405	401	-19%	1,527
Communications expenses	432	420	3%	422	443	423	2%	1,699
Advertisement	184	105	75%	122	131	169	9%	536
Personnel expenses	802	613	31%	610	594	601	34%	2,364
Occupancy & rental	215	213	1%	210	209	203	6%	845
Data processing & office supplies	623	553	13%	569	541	517	20%	2,104
Depreciation	428	424	1%	413	403	396	8%	1,549
Taxes and dues	84	89	-6%	101	111	101	-17%	406
Provision of allowance for doubtful accounts	-79	51	-	14	-70	17	-	-29
Others	32	24	33%	47	19	34	-6%	117
Total SG & A	3,288	2,984	10%	3,006	3,025	3,067	7%	11,949

Regulatory Capital

◆ Capital adequacy ratio (As of 31 December 2018)

		(JPY mn)
Tier 1	(A)	75,679
Tier 2	Net unrealized gain on investment	2,278
	Statutory reserves	2,987
	Allowance for doubtful accounts	130
Sub total		(B) 5,395
Assets to be deducted from equity capital		(C) 7,001
Net Capital		
(A) + (B) - (C)		(D) 74,073
Total risk	Market risk	493
	Counterparty risk	5,067
	Basic risk	2,862
Total		(E) 8,423
Capital Adequacy ratio		(D)/(E) 879%

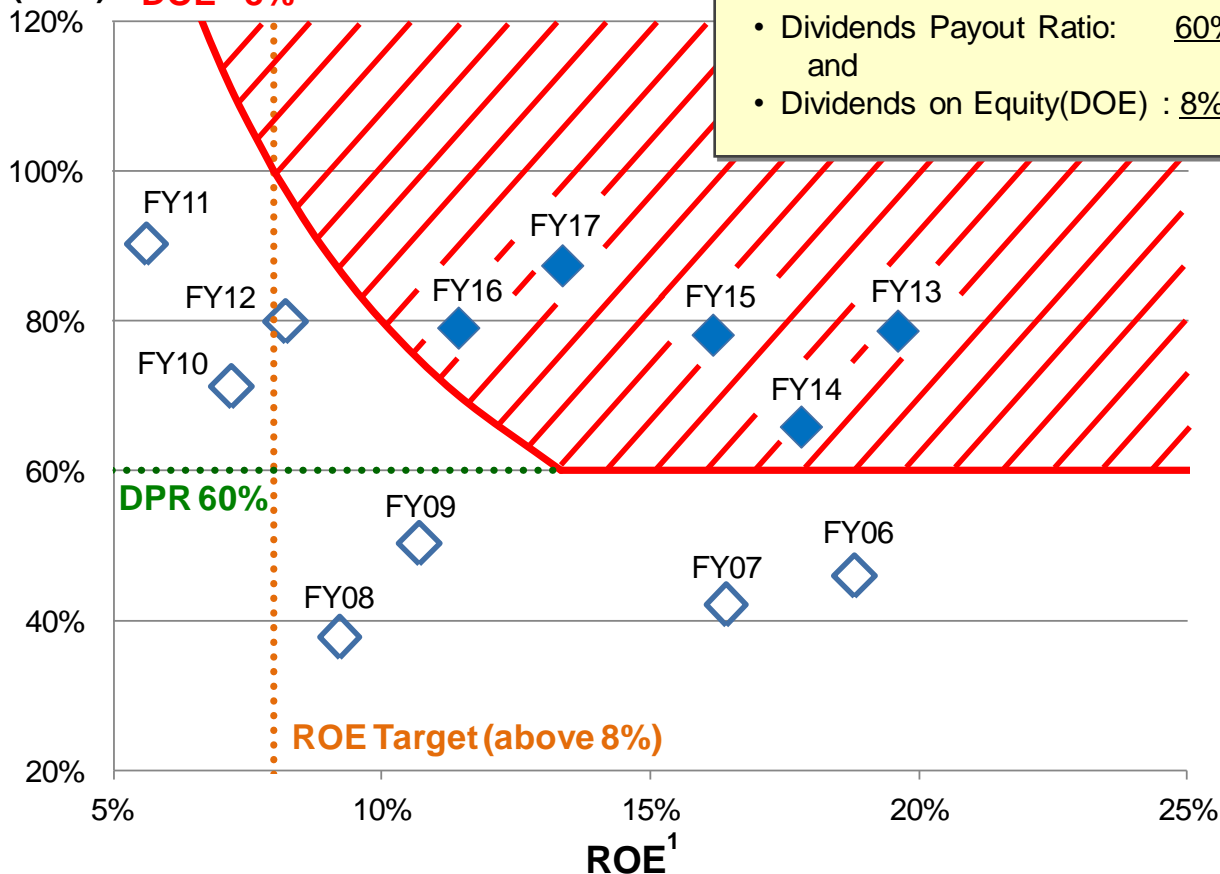
◆ Margin trading balance and capital adequacy ratio



Dividend Payment for the past fiscal years

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

Dividend Payout Ratio (DPR)



Dividend Policy after the Revision

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

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

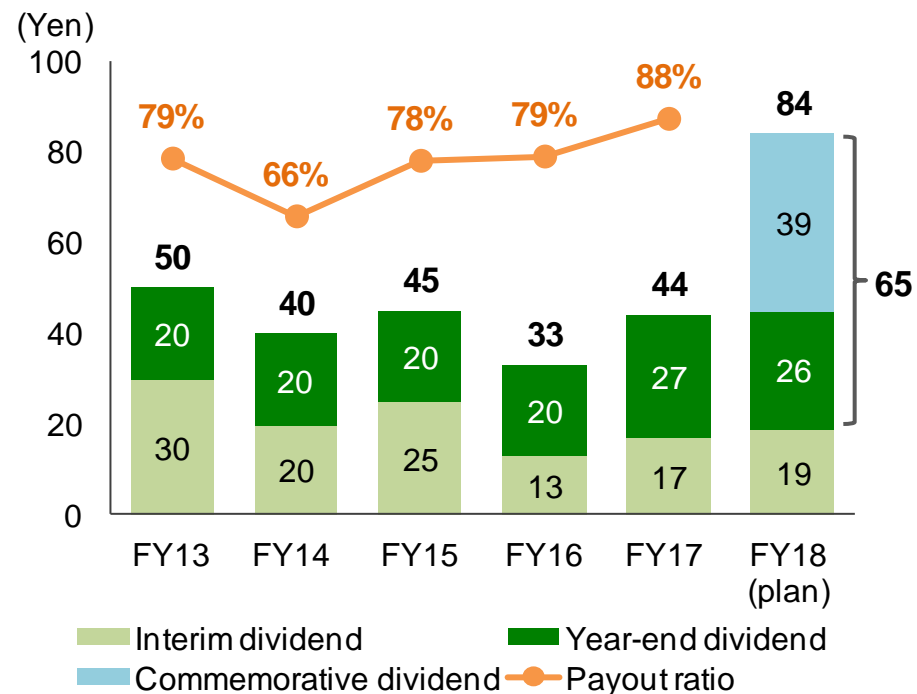
■ Interim dividend : 19 yen

- ✓ 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

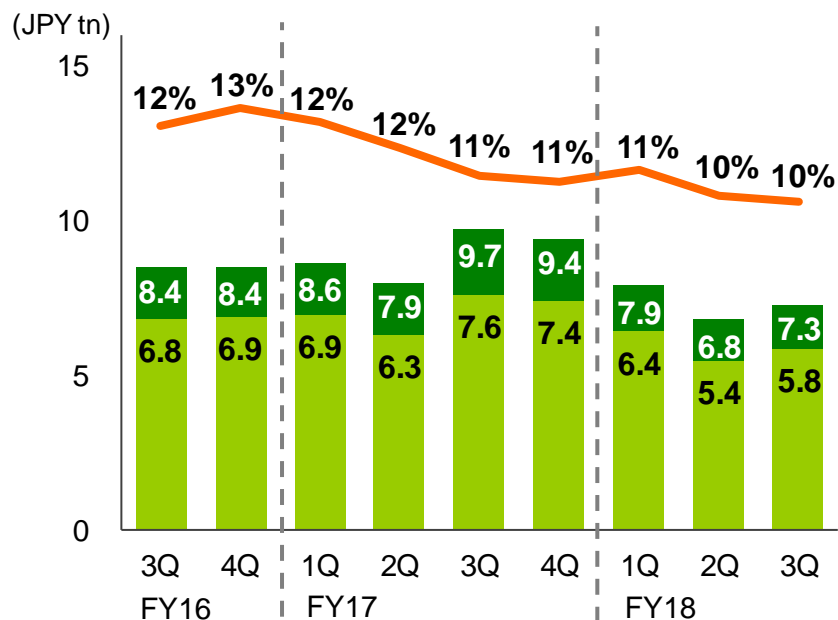


Results of Operation

Section 2

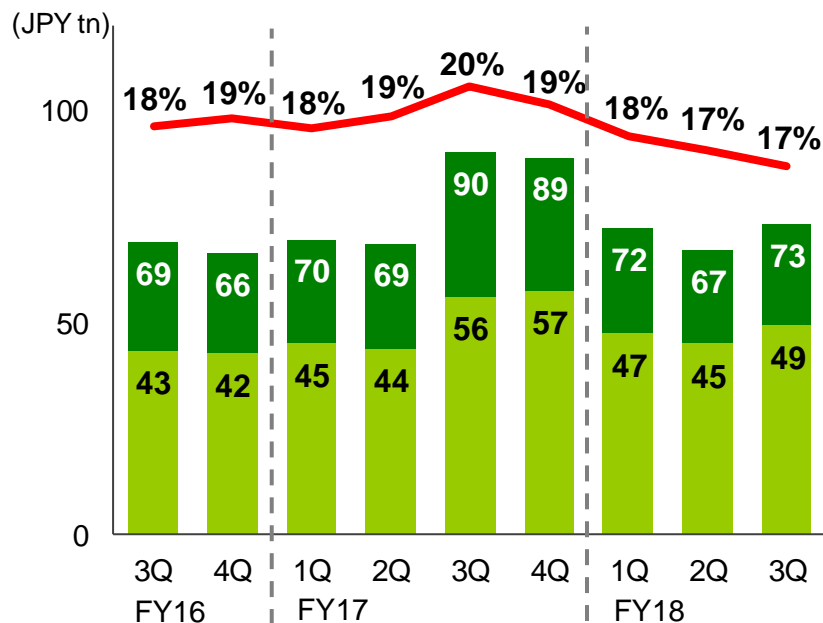
Equity Trading Value

◆ 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

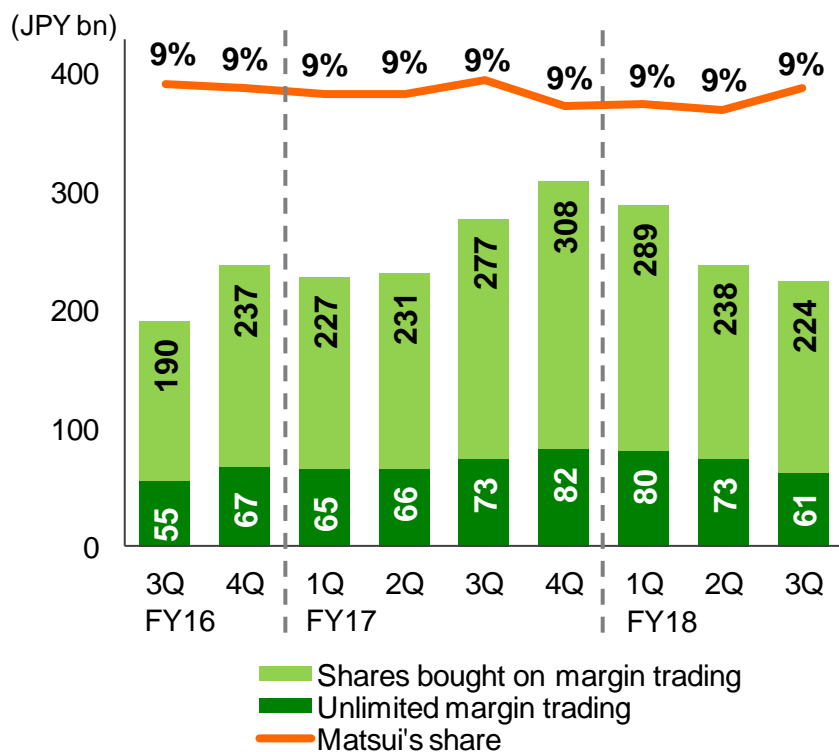
◆ Retail equity trading value¹ and proportion to total equity trading value



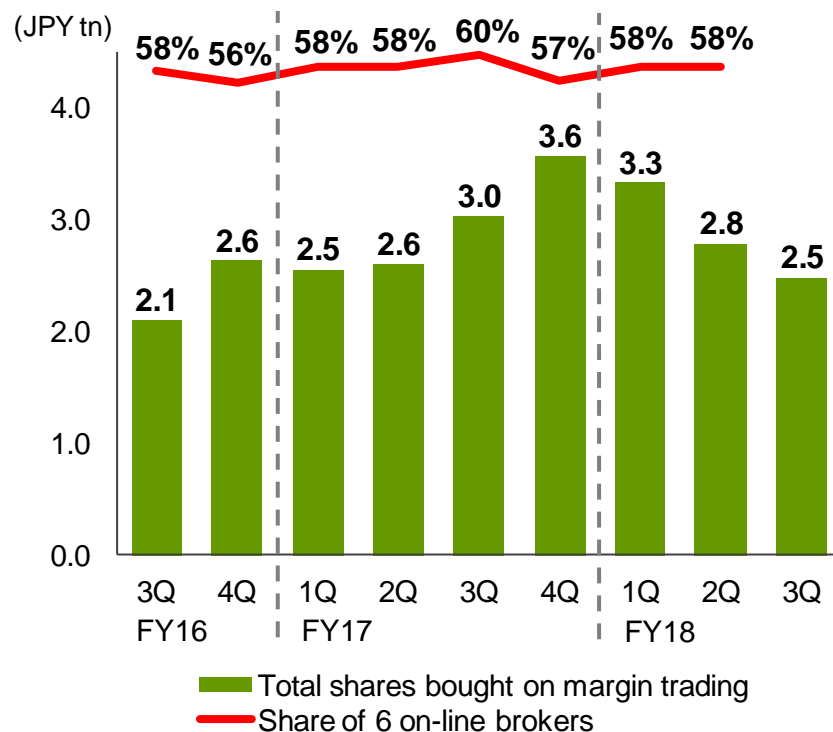
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

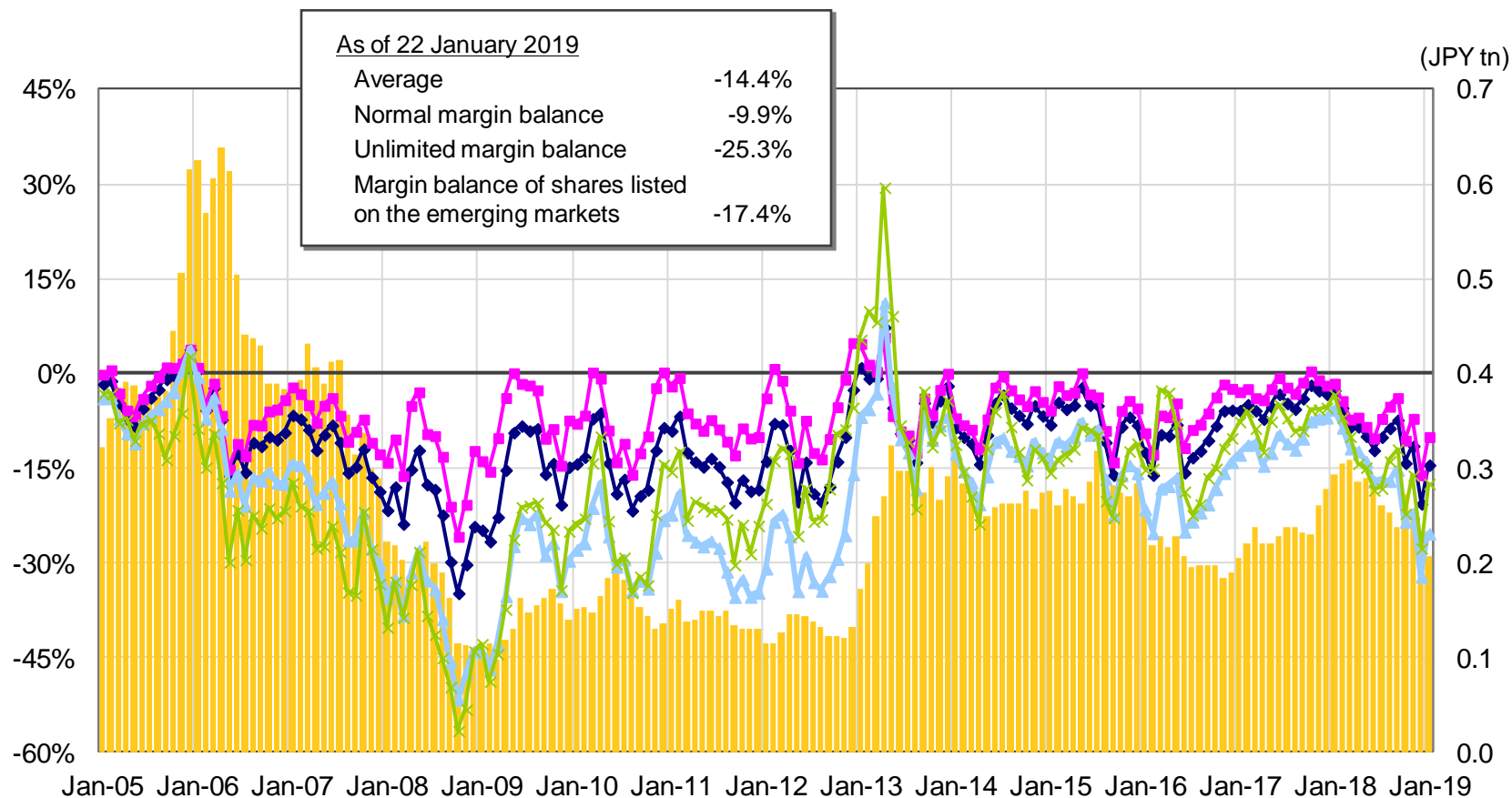
◆ Matsui's shares bought on margin¹ and its market share²



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



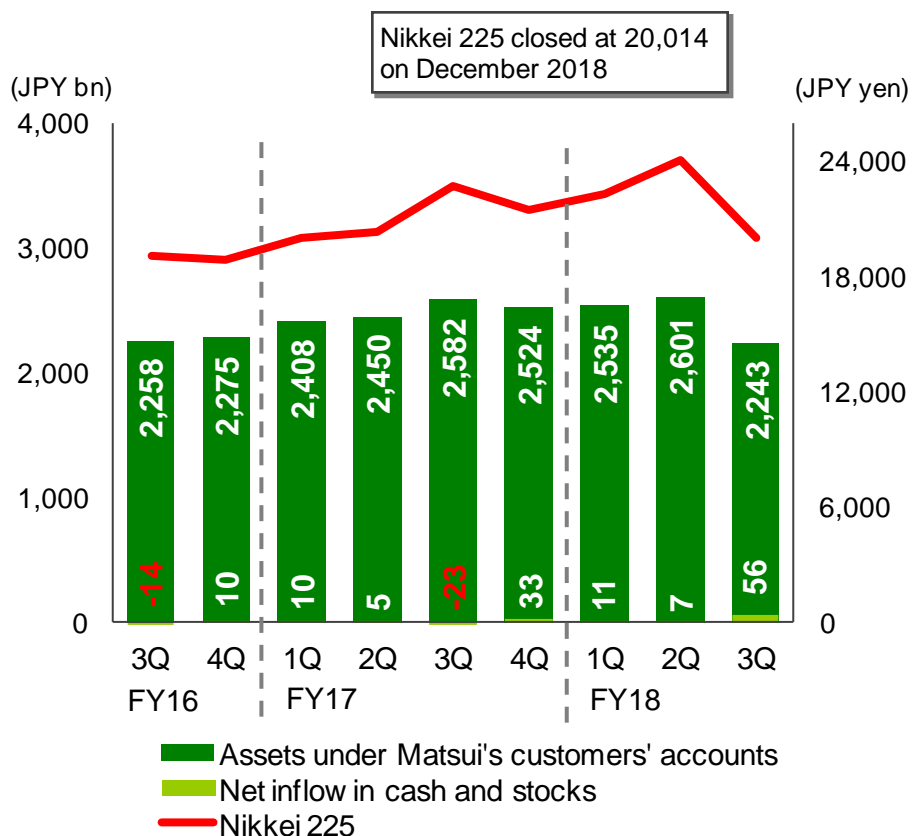
Unrealized Losses on Matsui's Margin Balance



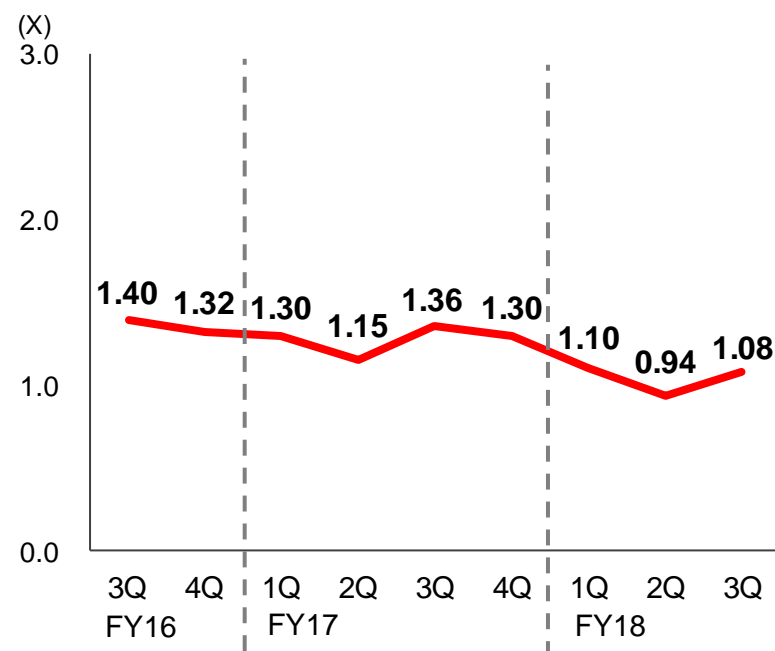
- Matsui's shares bought on margin (right axis)
- Normal (left axis)
- Shares listed on the emerging markets (left axis)
- ◆ Average (left axis)
- ◆ Unlimited (left axis)

Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover¹ of Matsui's customers



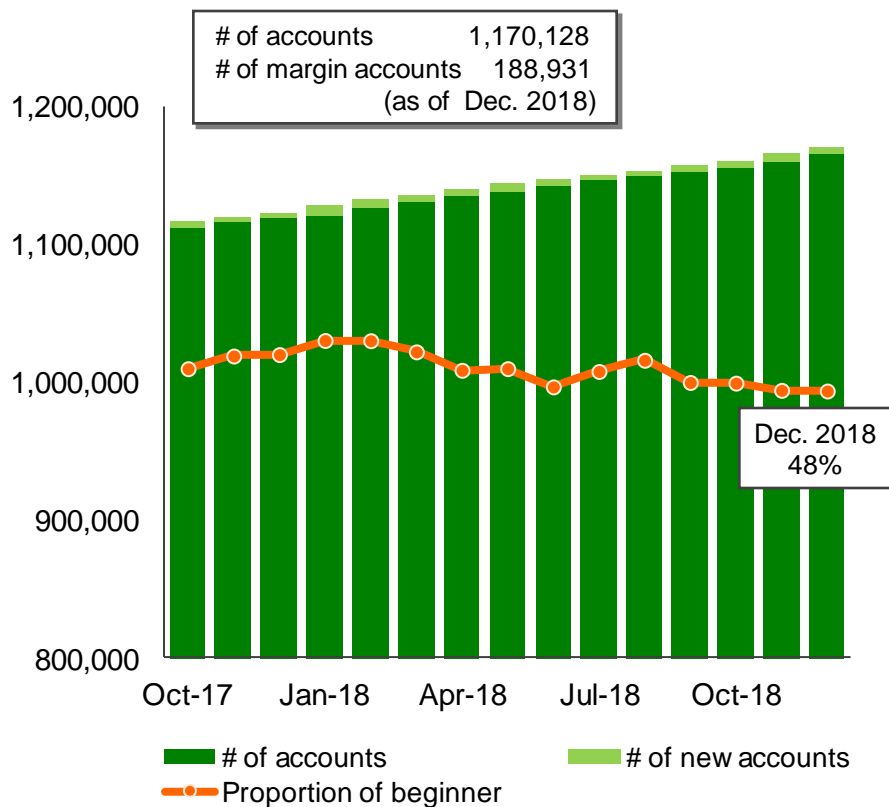
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

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

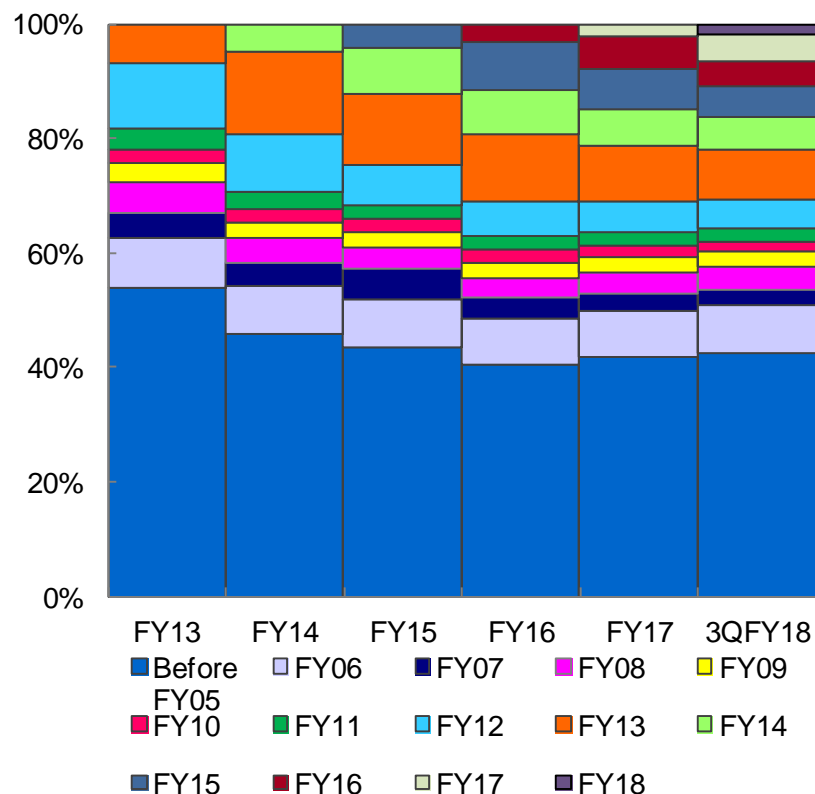
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

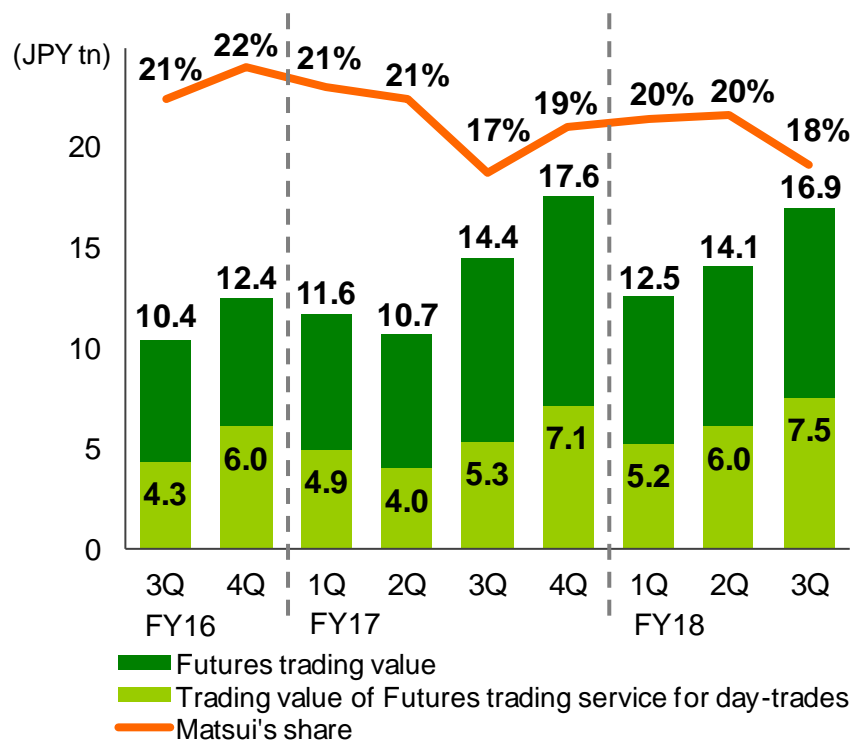


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

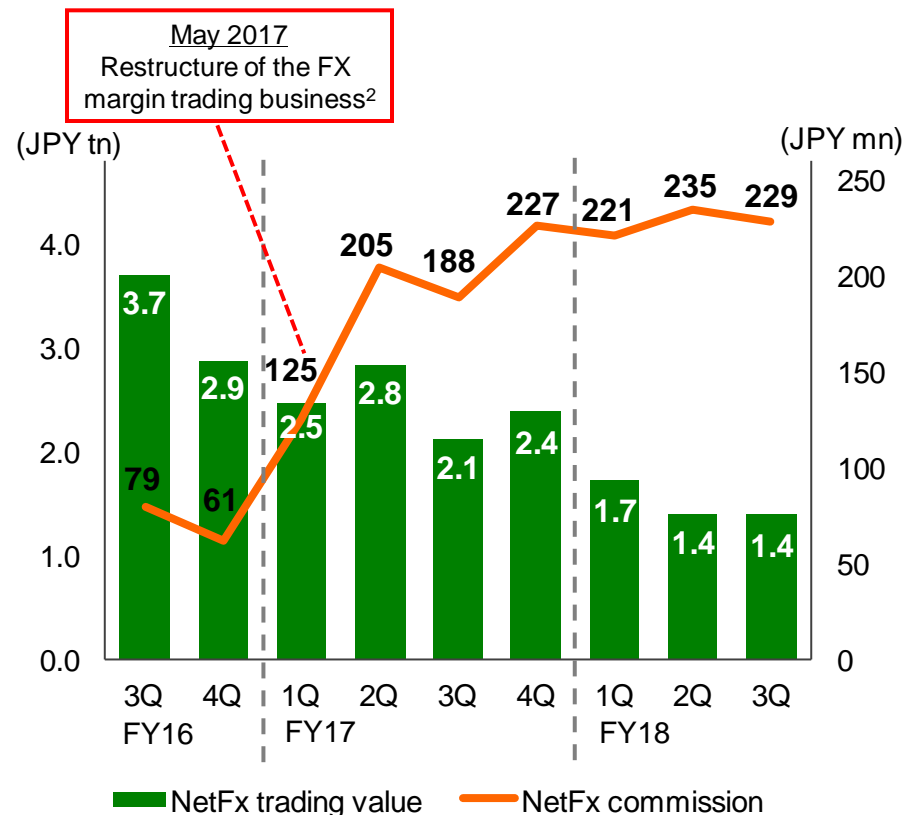


Futures Trading Value / FX Margin Trading Value

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

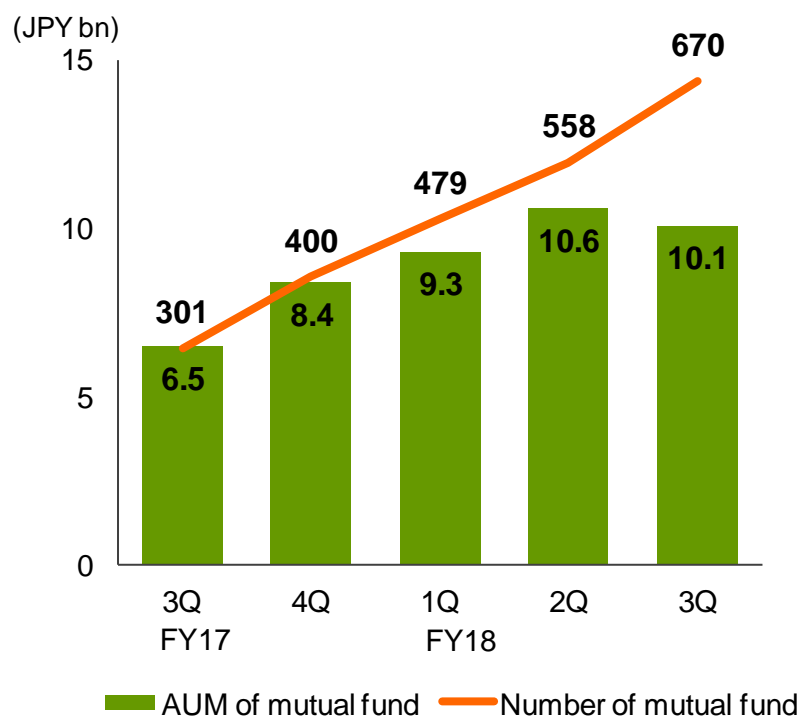


◆ Matsui's OTC FX trading value and commission

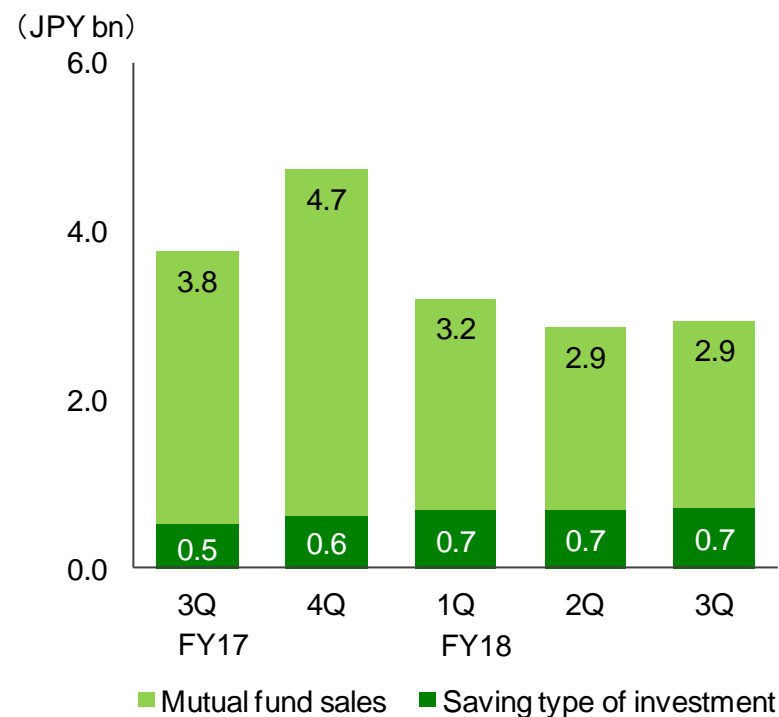


Mutual Fund

◆ 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

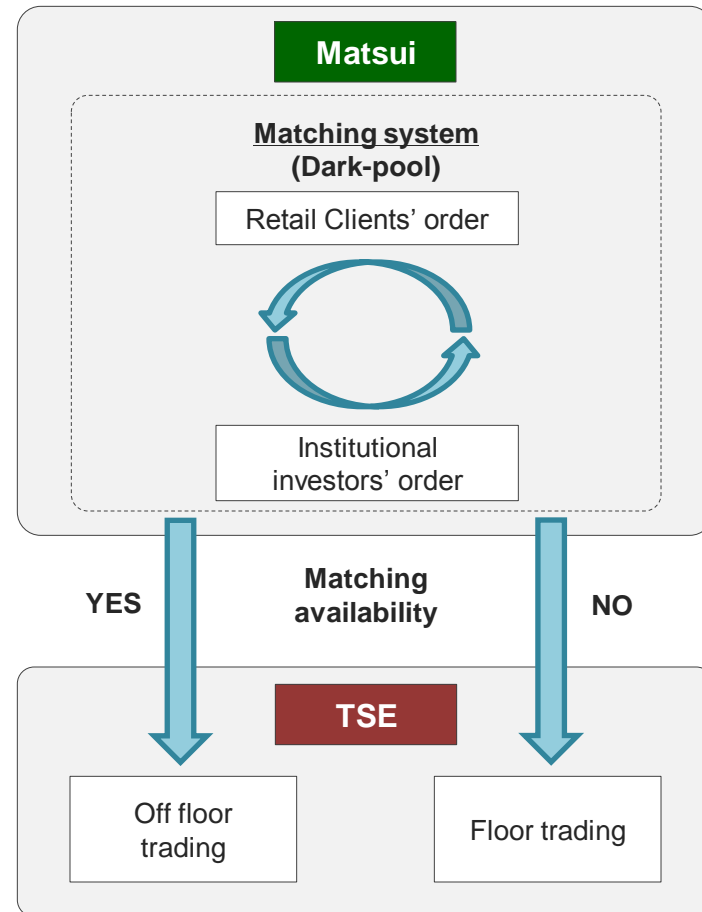
◆ Features

- 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

◆ Our initiatives

- 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
- Expand the service recipient to increase trading value with the price improvement (Feb. 2019)

◆ Order flow

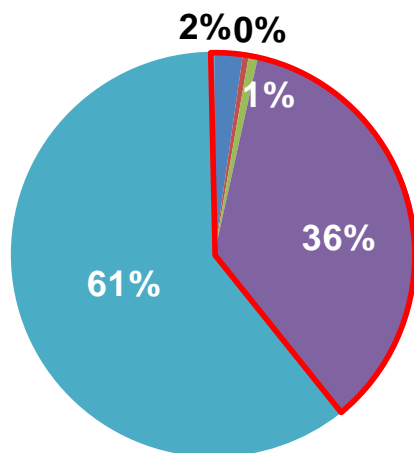


Equity Business: Better Execution Service II

Disclose the monthly result of statistic analysis for price improvements

◆ Provide better prices on **39%** of order which is executed in the dark-pool

➤ Price range of execution in dark-pool



Price Improvement

- 2%: Bid price at TSE*
- 0%: Between bid price and mid price
- 1%: Mid price
- 36%: Between offer price and mid price
- 61%: Offer price at TSE*

*In case of buying order

◆ Average price improvement rate is **3.6bps**

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	0.8 bps
Middle-cap	2.4 bps
Small-cap	6.0 bps
Others	
Tse 2nd	14.7 bps
JASDAQ	8.5 bps
Mothers	5.1 bps
ETF	2.0 bps
REIT	1.6 bps
Total	
	3.6 bps

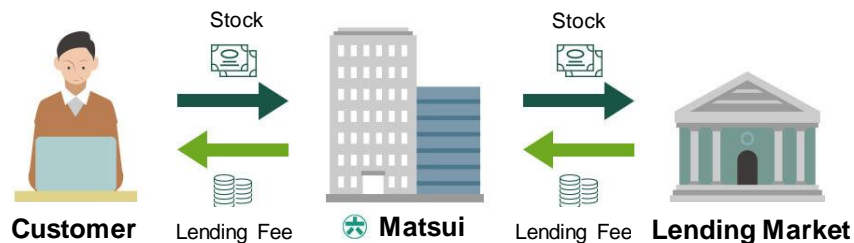
Equity Business: Stock Lending Service / Trading tools

◆ Stock Lending Service (Oct. 2018)

Started monetizing the equity assets under management.

➤ 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**



◆ Trading and Investment Information Tools

- ✓ Implement continuous improvements of equity trading platform “Netstock High Speed”
- ✓ Started providing new order book service which allow customers to watch all of the list of buy and sell orders (Jan. 2019)
- ✓ Plan to start cooperation with equity trading algorithm platform “QuantX” (Feb. 2019) (*Please refer to “Future Initiatives”)

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 and original point service “Matsui Securities Point” (Oct. 2018)

→ Started providing life plan simulation tool (Feb. 2019)

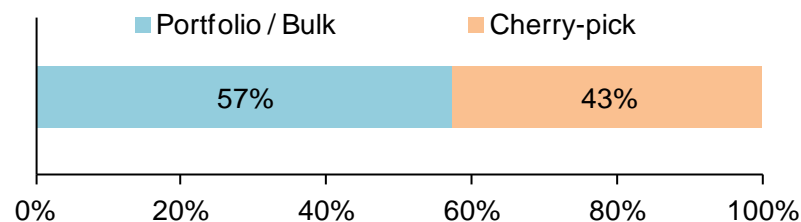
➤ Response to the needs of retired generation

→ Expand the line-up of mutual funds to meet the needs of cherry-picking individual mutual funds

→ Started dealing with lord fund and refund the sales commission by original point (Nov. 2018)

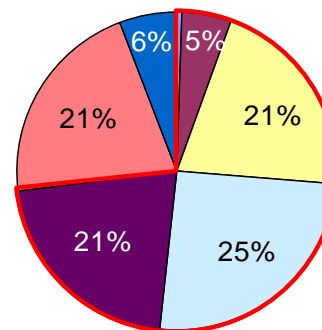
→ Started providing new Robo-advisor services for cherry-picking and replacement of mutual funds (Dec. 2019)

◆ AUM by type of investment²

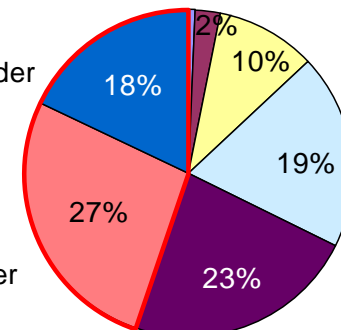


◆ AUM by age²

● Portfolio / Bulk



● Cherry-pick



Future Initiatives

◆ Plan to start cooperation with equity trading algorithm platform “QuantX” (Feb. 2019)

■ Service overview

- ✓ For engineers: providing the platform for developing trading algorithm and selling the algorithm to individual investors
- ✓ For individual investors: investors can buy trading algorithm and utilize the trading signal

■ Our initiatives

- ✓ Initially introduce Matsui’s customer to “QuantX”
 - Increase equity trading value of Matsui’s customer through utilizing the service
 - Arrangement of products which is exclusive use for Matsui’s customer and arrangement of new financial products are under consideration

◆ Renew the trading platform for clients (Mar. 2019)

■ Features

- Renew the trading channel: trading platform for PC and Smartphone application.
- Improve the service level
 - ✓ Expand the number of currency pairs
 - ✓ Lower the trading unit for each currency pairs
 - ✓ Introduce new function that customer can set leverage of 1 to 25 times



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 December 2018)

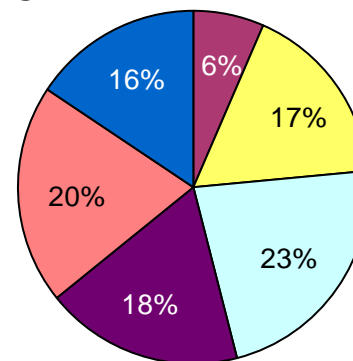
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	137,448	3,173	4,483
Number of active accounts ¹	71,224	1,754	2,416
Active account ratio	52%	55%	54%
Total investment value(JPY mn) ²	59,790	360	1,296
Customers' assets(JPY mn) ³	92,748	313	1,984

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

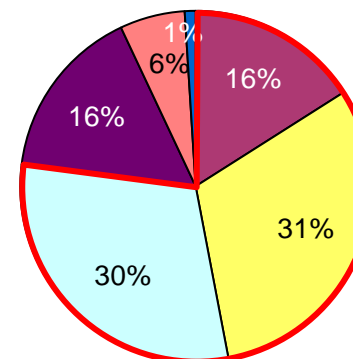
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	Rakuten US All Equity Index Fund
3	Nissan Motor Co., Ltd. (7201)	eMAXIS Slim Developed Country Equity Index
4	Skylark Holdings Co., Ltd. (3197)	Nissay Foreign Equity Index Fund no charge
5	KDDI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

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

● NISA



● Saving type of NISA



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