



# Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

## Annual Results for 3QFY2019

January 2020

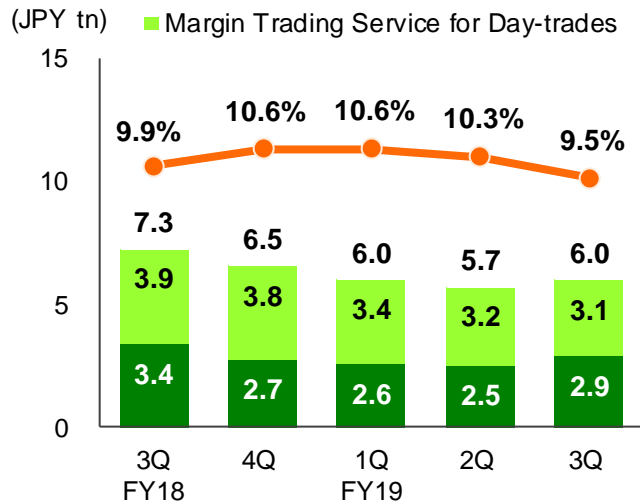
# Table of Contents

---

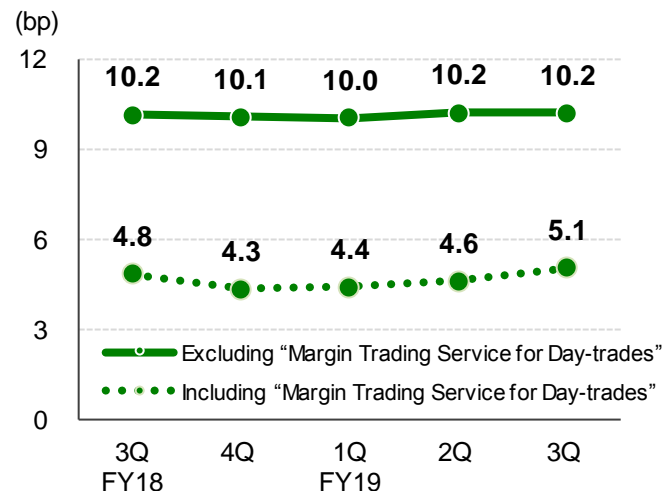
Section 1	Financial Summary	6
Section 2	Results of Operation	16
Section 3	Recent Developments	24

# Results of Operation

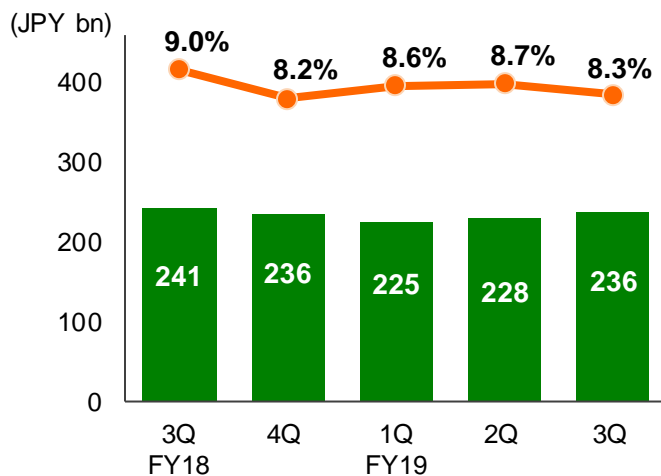
## ◆ Equity trading value / Market share



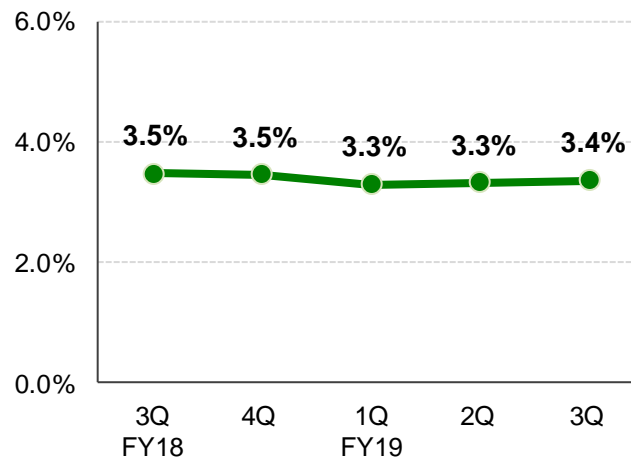
## ◆ Equity commission rate



## ◆ Margin balance / Market share

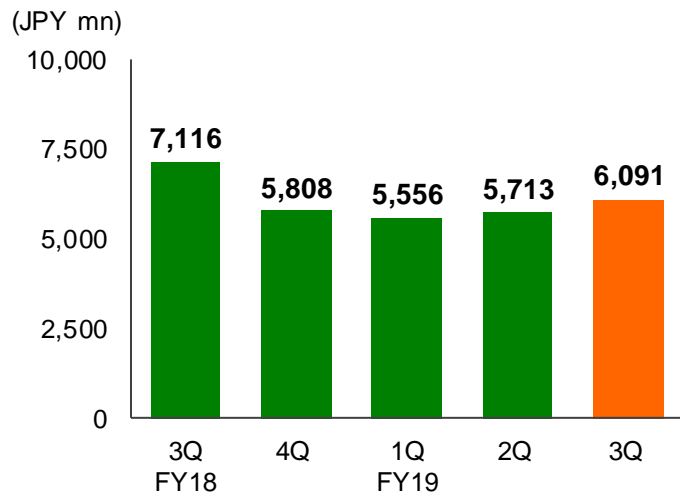


## ◆ Net financial income ratio

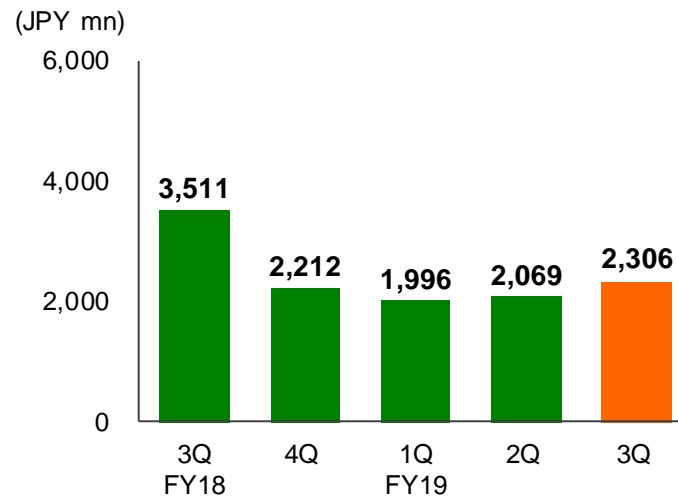


# Financial Results

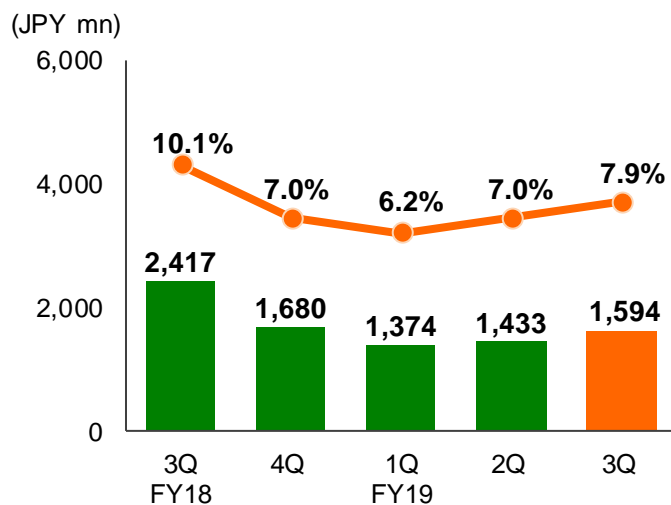
## ◆ Operating revenue



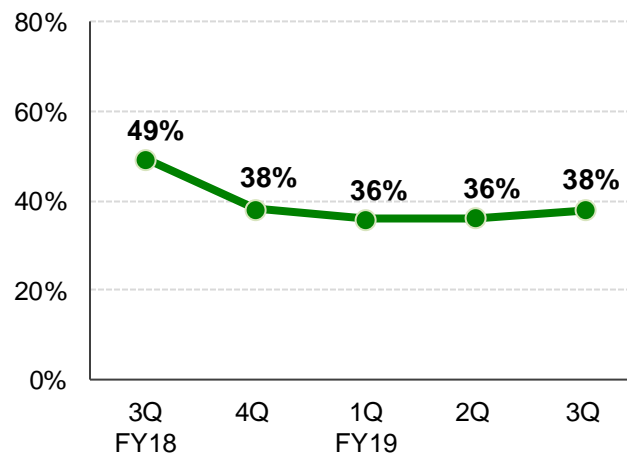
## ◆ Ordinary income



## ◆ Net income / ROE<sup>1</sup>



## ◆ Ordinary income ratio



Note 1: Annualized on each quarter

# Financial Highlights

---

## ◆ Net operating revenues up JPY 290 million QoQ

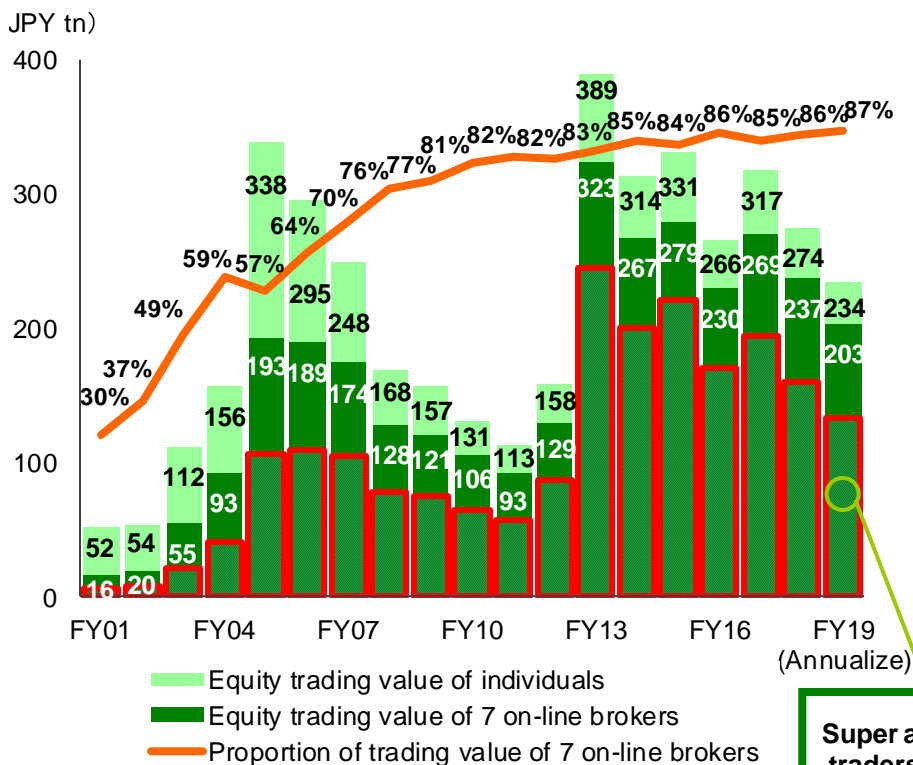
- Commissions were up JPY 350 million due to increase of equity trading value.
- Net trading income was down JPY 90 million due to decrease of FX trading value.

## ◆ SG&A up JPY 100 million QoQ

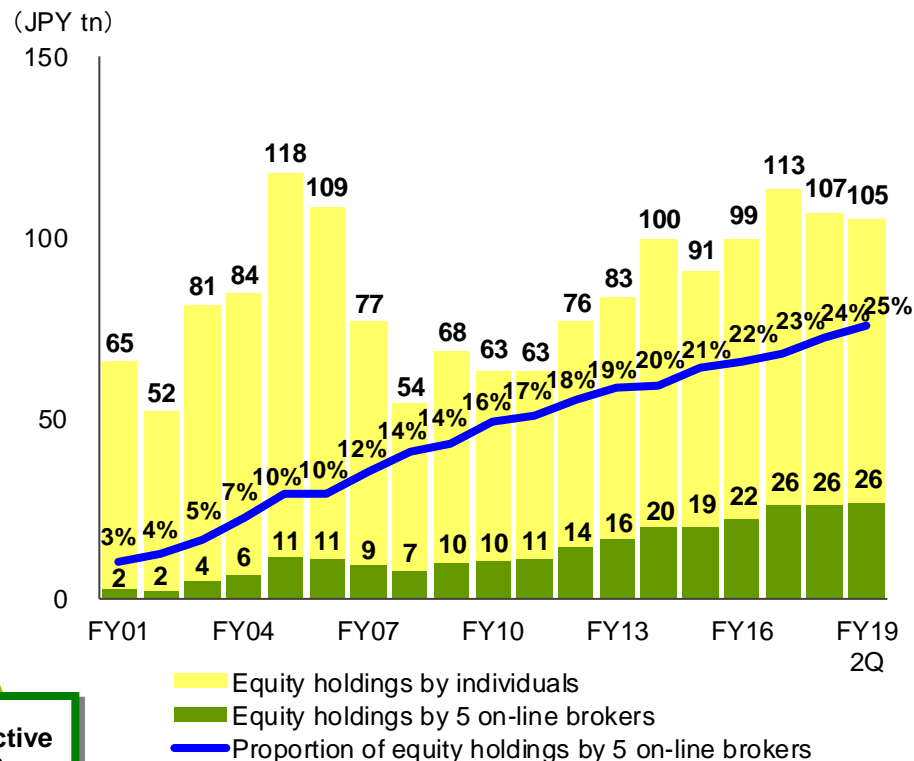
- SG&A excluding the provision for doubtful receivables for customers' margin transaction was up JPY 30 million QoQ.
- Data processing & office supplies were up JPY 20 million due to increase of outsourcing cost of operations.

# Overview of Retail Equity Trading Market

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



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



**Super active traders<sup>2</sup>**  
**JPY 130 tn**  
**(Estimate)**

# Financial Summary

---

## Section 1

# Summary of Financial Results (3Q FY19)

(JPY mn)

	3Q(Apr.-Dec.) FY2019	3Q(Apr.-Dec.) FY2018	YoY
Operating Revenues	17,360	21,505	-19%
Commissions	9,374	11,756	-20%
Interest & dividend income	7,153	8,768	-18%
Net trading income	832	980	-15%
Interest expenses	1,455	982	48%
Net operating revenues	15,905	20,523	-23%
SG&A	9,656	9,278	4%
Operating income	6,249	11,245	-44%
Ordinary income	6,370	11,380	-44%
Net income	4,400	7,882	-44%
Ordinary income ratio	37%	53%	-
Matsui's trading value (JPY tn)	17.7	21.9	-19%
Daily average trading value on TSE (JPY tn)	2.8	3.4	-16%



# Breakdown of Net Operating Revenue (3Q FY19)

(JPY mn)

	3Q(Apr.-Dec.) FY2019	3Q(Apr.-Dec.) FY2018	YoY
Commissions	9,374	11,756	-20%
Brokerage	8,886	11,231	-21%
Equity & ETF	8,275	10,421	-21%
Futures & Options	611	810	-25%
Others	442	484	-9%
Net trading income	832	980	-15%
Interest & dividend income (1)	7,153	8,768	-18%
Total operating revenues	17,360	21,505	-19%
Interest expenses (2)	1,455	982	48%
Net operating revenues	15,905	20,523	-23%
Net interest income (1) - (2)	5,698	7,787	-27%
Average margin balance (JPY bn)	228	299	-24%

# Breakdown of SG&A (3Q FY19)

(JPY mn)

	3Q(Apr.-Dec.) FY2019	3Q(Apr.-Dec.) FY2018	YoY
Trading related expenses	3,119	3,243	-4%
Stock exchanges and securities associations fees	809	940	-14%
Communications expenses	1,268	1,273	-0%
Advertisement	516	412	25%
Personnel expenses	1,974	2,025	-3%
Occupancy & rental	848	638	33%
Data processing & office supplies	2,016	1,745	16%
Depreciation	1,455	1,265	15%
Taxes and dues	217	273	-21%
Provision of allowance for doubtful accounts	-87	-13	-
Others	114	103	10%
<b>Total SG&amp;A</b>	<b>9,656</b>	<b>9,278</b>	<b>4%</b>

# Summary of Financial Results (Quarterly)

(JPY mn)

	FY19	FY19	QoQ	FY19	FY18		YoY	FY18
	3Q	2Q		1Q	4Q	3Q		TOTAL
Operating Revenues	6,091	5,713	7%	5,556	5,808	7,116	-14%	27,313
Commissions	3,359	3,010	12%	3,005	3,230	3,999	-16%	14,986
Interest & dividend income	2,502	2,385	5%	2,266	2,344	2,807	-11%	11,112
Net trading income	230	318	-28%	284	234	309	-26%	1,214
Interest expenses	570	482	18%	403	332	370	54%	1,314
Net operating revenues	5,521	5,231	6%	5,153	5,476	6,747	-18%	25,999
SG & A	3,259	3,158	3%	3,239	3,269	3,288	-1%	12,547
Operating income	2,262	2,073	9%	1,915	2,206	3,458	-35%	13,451
Ordinary income	2,306	2,069	11%	1,996	2,212	3,511	-34%	13,592
Net income	1,594	1,433	11%	1,374	1,680	2,417	-34%	9,562
Ordinary income ratio	38%	36%	-	36%	38%	49%	-	50%
Matsui's trading value (JPY tn)	6.0	5.7	5%	6.0	6.5	7.3	-18%	28.4
Daily average trading value on TSE (JPY tn)	2.9	2.8	3%	2.9	3.1	3.6	-21%	3.3

# Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY19	FY19	QoQ	FY19	FY18		YoY	FY18
	3Q	2Q		1Q	4Q	3Q		TOTAL
Commissions	3,359	3,010	12%	3,005	3,230	3,999	-16%	14,986
Brokerage	3,205	2,837	13%	2,843	3,054	3,840	-17%	14,285
Equity & ETF	3,018	2,620	15%	2,637	2,839	3,510	-14%	13,260
Futures & Options	187	217	-14%	206	216	331	-43%	1,025
Others	141	159	-11%	142	168	143	-1%	652
Net trading income	230	318	-28%	284	234	309	-26%	1,214
Interest & dividend income (1)	2,502	2,385	5%	2,266	2,344	2,807	-11%	11,112
Total operating revenues	6,091	5,713	7%	5,556	5,808	7,116	-14%	27,313
Interest expenses (2)	570	482	18%	403	332	370	54%	1,314
Net operating revenues	5,521	5,231	6%	5,153	5,476	6,747	-18%	25,999
Net interest income (1) - (2)	1,932	1,902	2%	1,864	2,011	2,437	-21%	9,798
Average margin balance (JPY bn)	229	229	0%	226	233	280	-18%	282

# Breakdown of SG&A (Quarterly)

(JPY mn)

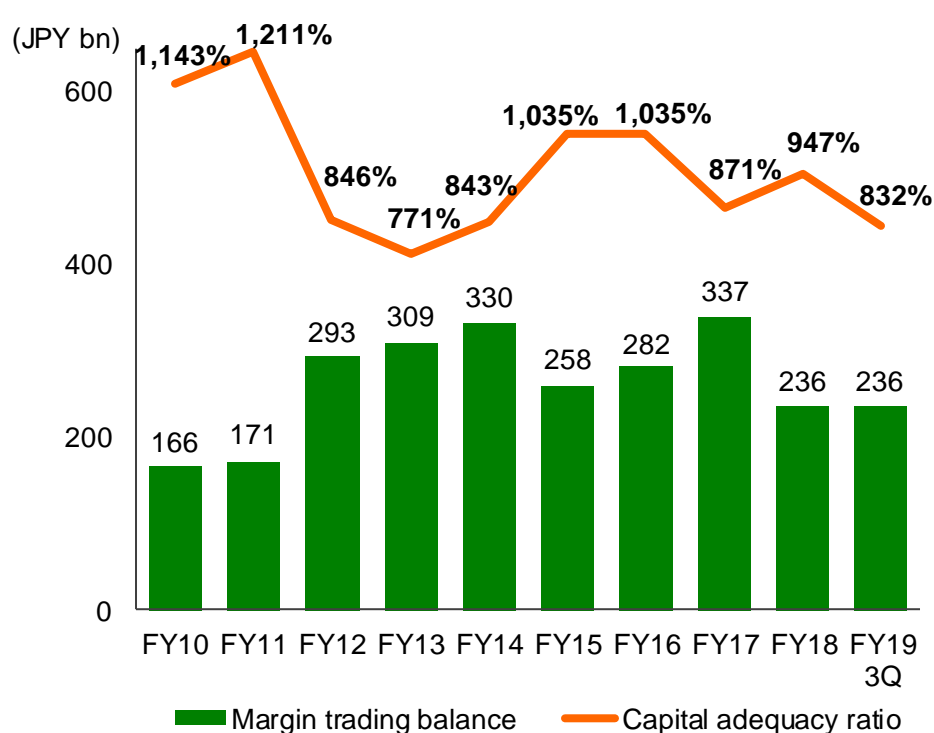
	FY19	FY19	QoQ	FY19	FY18		YoY	FY18 TOTAL
	3Q	2Q		1Q	4Q	3Q		
Trading related expenses	1,067	1,078	-1%	974	1,165	1,185	-10%	4,408
Stock exchanges and securities associations fees	268	262	2%	280	297	324	-17%	1,237
Communications expenses	426	418	2%	424	452	432	-1%	1,725
Advertisement	191	220	-13%	105	243	184	4%	655
Personnel expenses	640	646	-1%	687	637	802	-20%	2,661
Occupancy & rental	285	282	1%	282	232	215	33%	870
Data processing & office supplies	700	678	3%	637	640	623	12%	2,385
Depreciation	463	446	4%	546	426	428	8%	1,691
Taxes and dues	72	69	4%	76	67	84	-14%	340
Provision of allowance for doubtful accounts	-3	-72	-	-11	69	-79	-	56
Others	35	30	18%	48	33	32	10%	136
<b>Total SG &amp; A</b>	<b>3,259</b>	<b>3,158</b>	<b>3%</b>	<b>3,239</b>	<b>3,269</b>	<b>3,288</b>	<b>-1%</b>	<b>12,547</b>

# Regulatory Capital

## ◆ Capital adequacy ratio (As of 31 December 2019)

		(JPY mn)
Tier 1	(A)	70,265
Tier 2	Net unrealized gain on investment	2,500
	Statutory reserves	2,843
	Allowance for doubtful accounts	40
Sub total		(B) 5,383
Assets to be deducted from equity capital		(C) 8,343
Net Capital		
(A) + (B) - (C)		(D) 67,305
Total risk	Market risk	540
	Counterparty risk	4,515
	Basic risk	3,029
Total		(E) 8,085
Capital Adequacy ratio		(D)/(E) <b>832%</b>

## ◆ Margin trading balance and capital adequacy ratio



# Shareholders Return

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

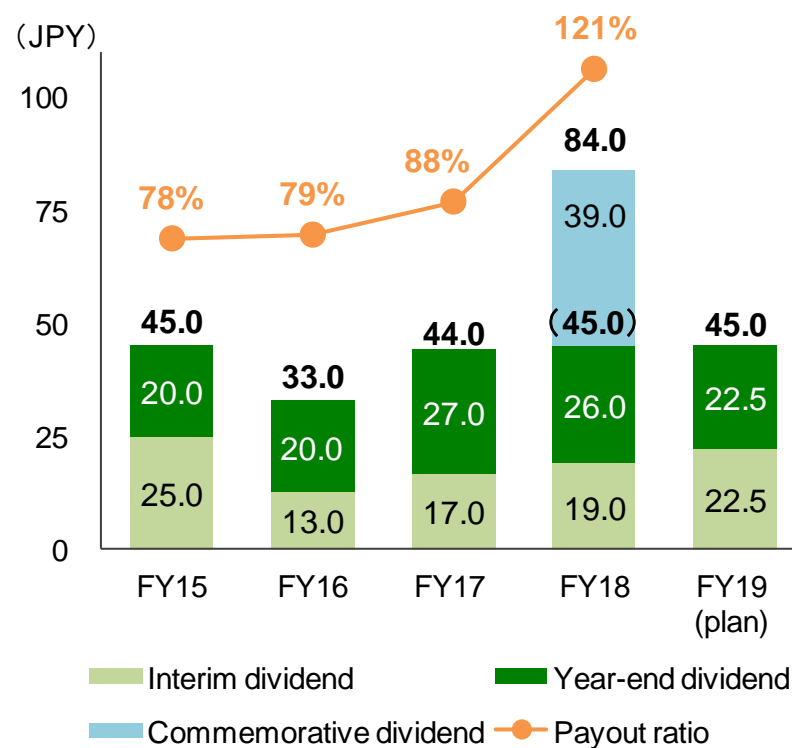
## ◆ Dividends for FY2019

- Interim dividend : 22.5 yen
- Year-end dividend : 22.5 yen (Plan)

## ◆ Dividend Policy

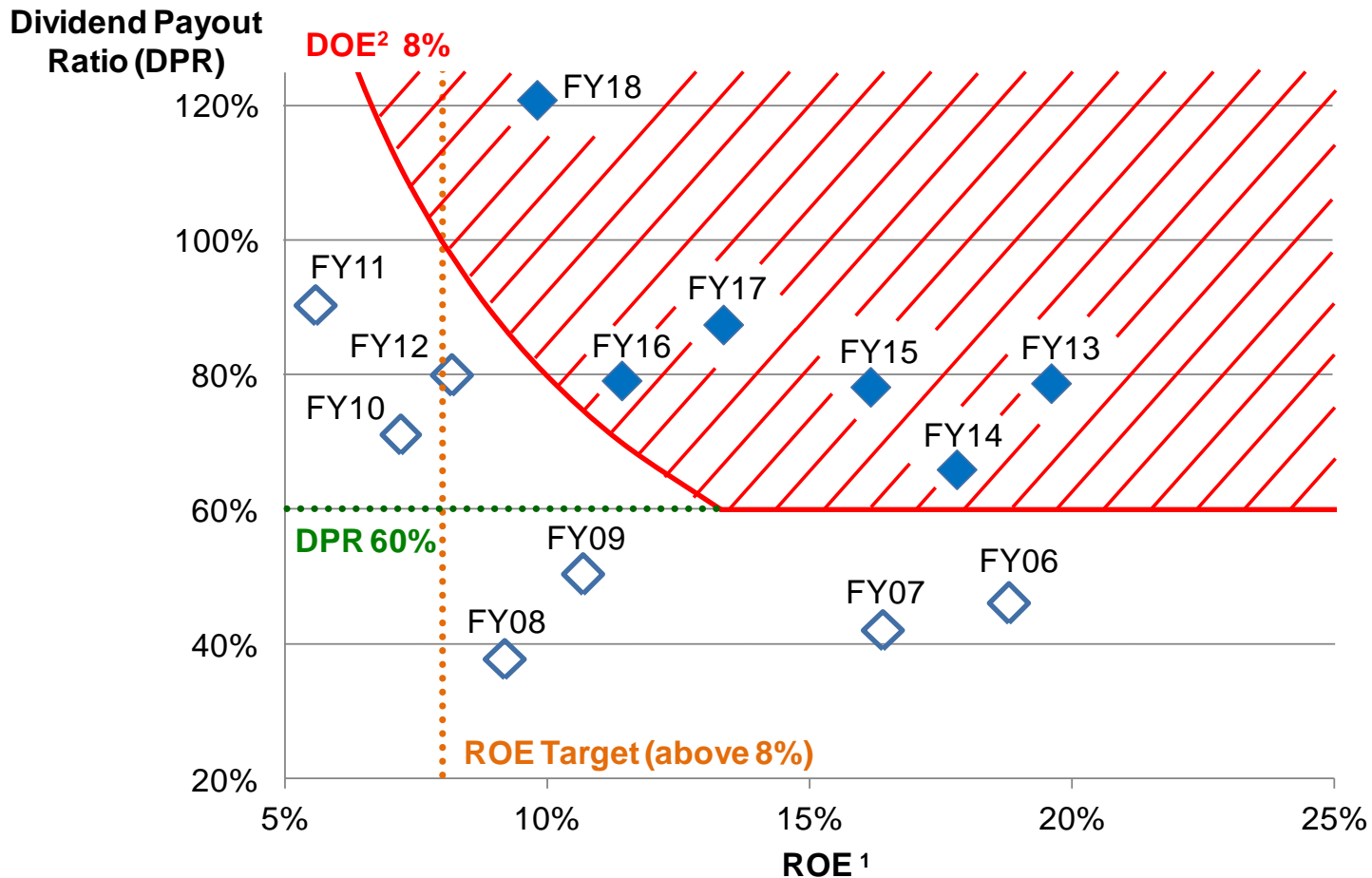
- Dividends Payout Ratio: 60% and above  
and
- Dividends on Equity(DOE) : 8% and above

## ◆ Matsui's dividend per share and payout ratio<sup>1</sup>



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



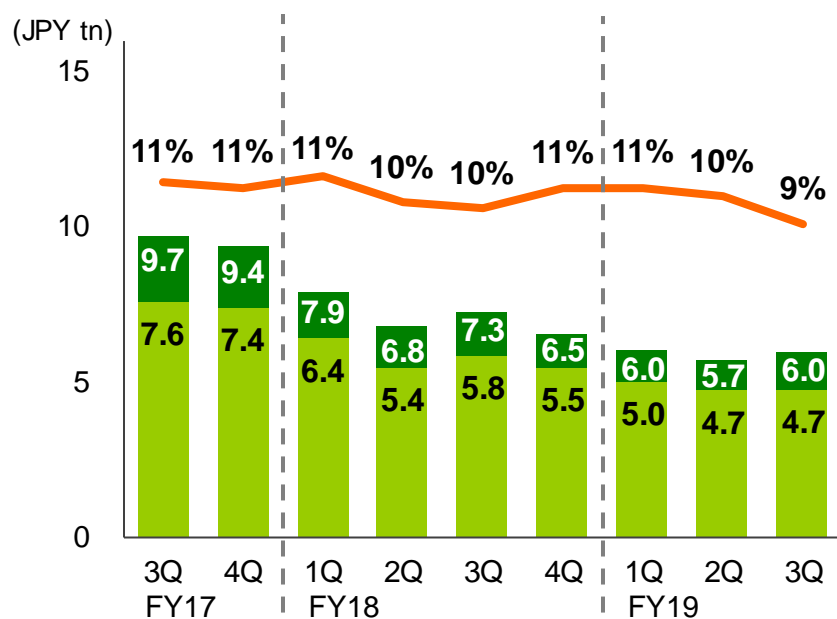
# Results of Operation

---

## Section 2

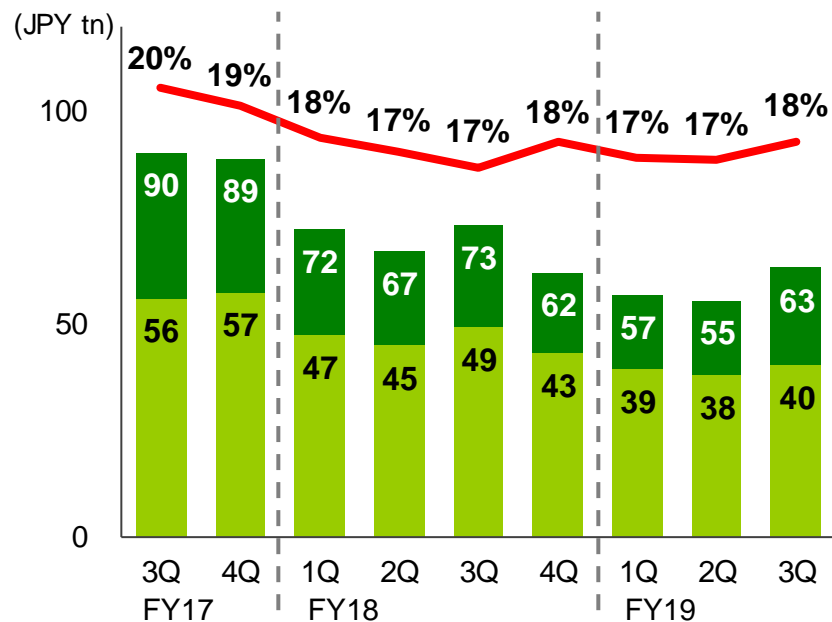
# Equity Trading Value

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



■ Matsui's trading value  
■ Matsui's margin trading value  
— Matsui's share of retail trading value

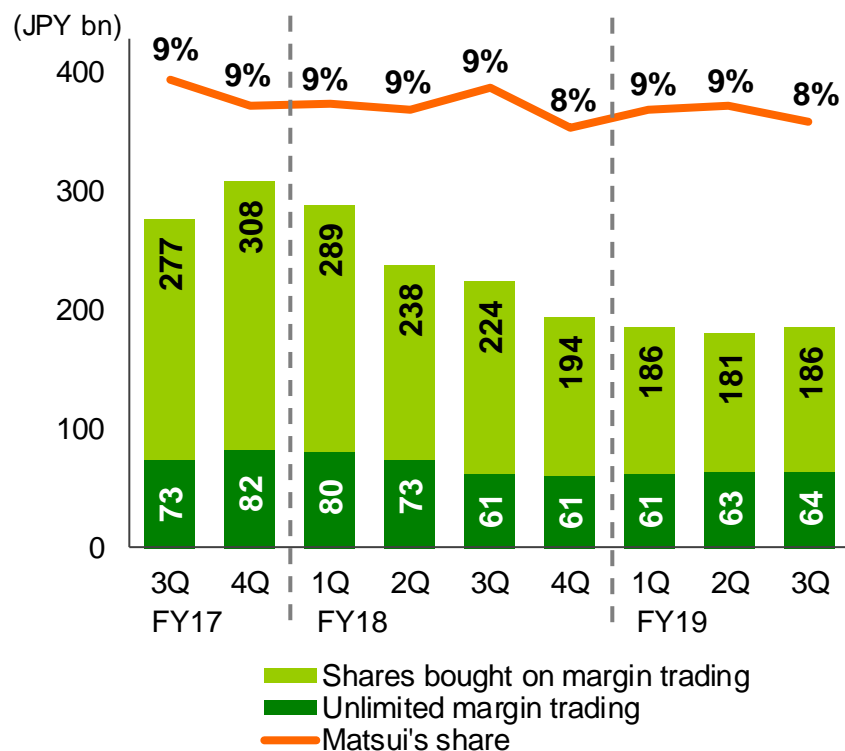
## ◆ Retail equity trading value<sup>1</sup> and proportion to total equity trading value



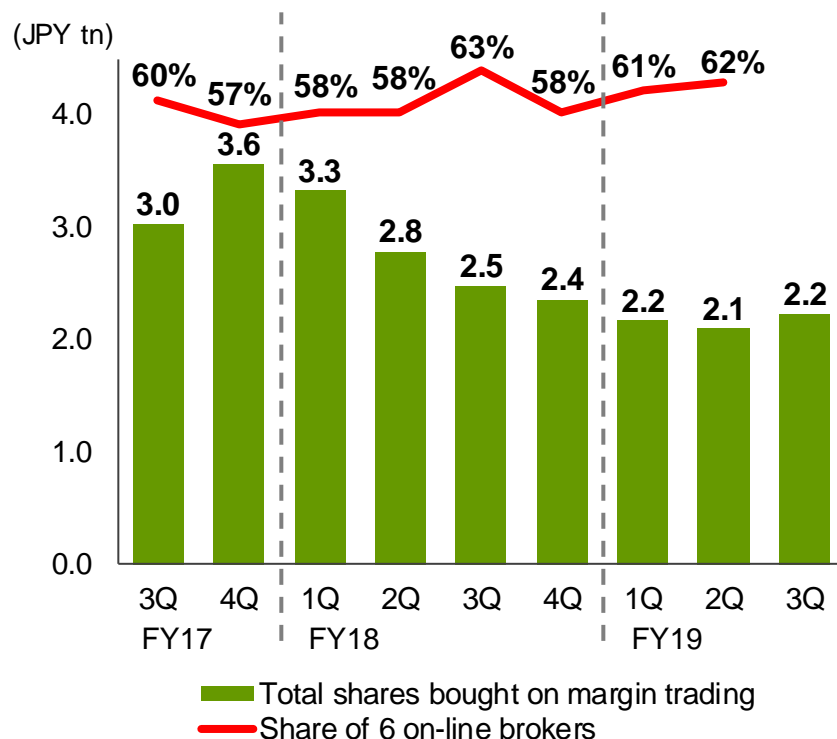
■ Retail equity trading value  
■ Retail margin trading value  
— Proportion to total equity trading value

# Margin Trading Balance

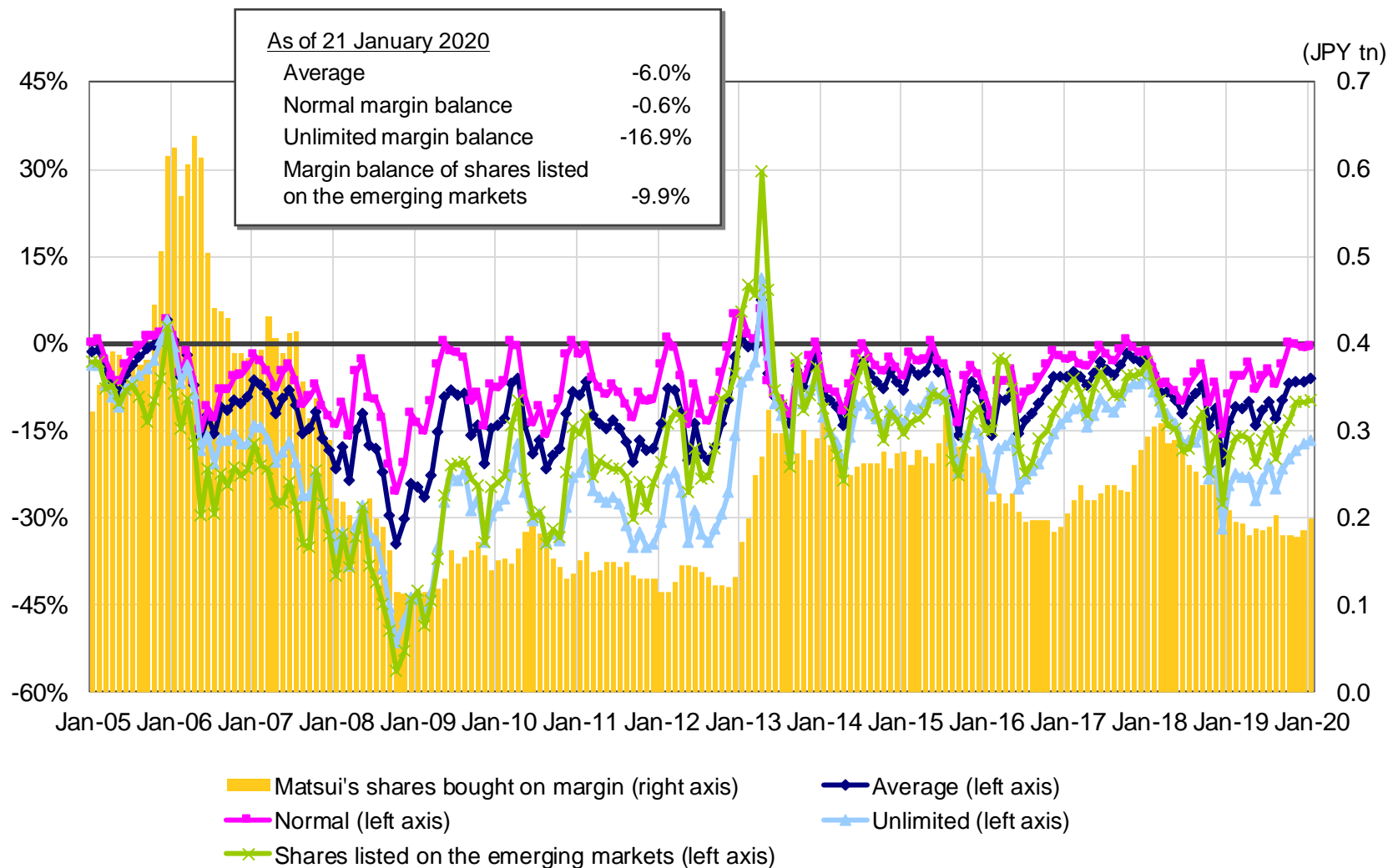
## ◆ Matsui's shares bought on margin<sup>1</sup> and its market share<sup>2</sup>



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

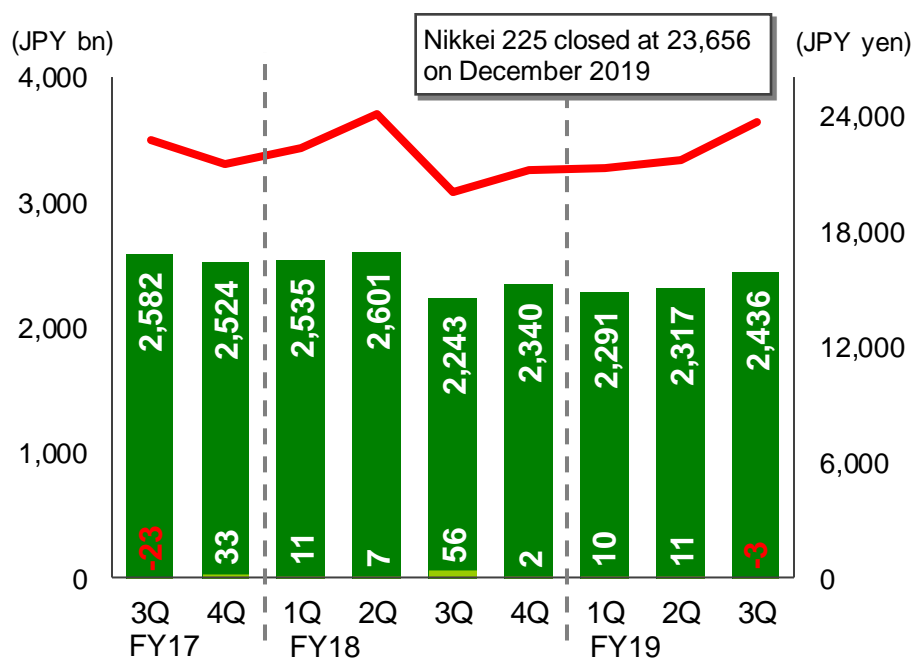


# Unrealized Losses on Matsui's Margin Balance



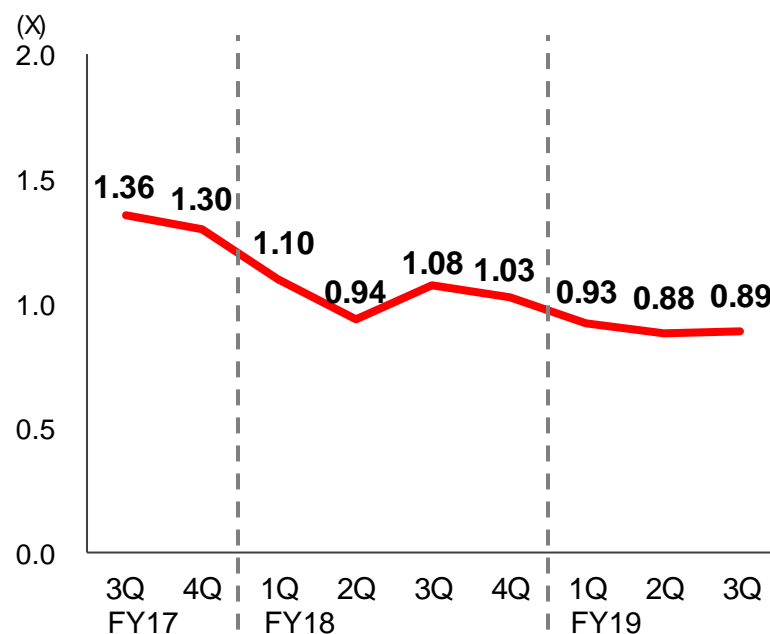
# Assets under Customers' Accounts / Trading Turnover

## ◆ Assets under Matsui's customers' accounts



- Assets under Matsui's customers' accounts
- Net inflow in cash and stocks
- Nikkei 225<sup>1</sup>

## ◆ Equity trading turnover<sup>2</sup> of Matsui's customers



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

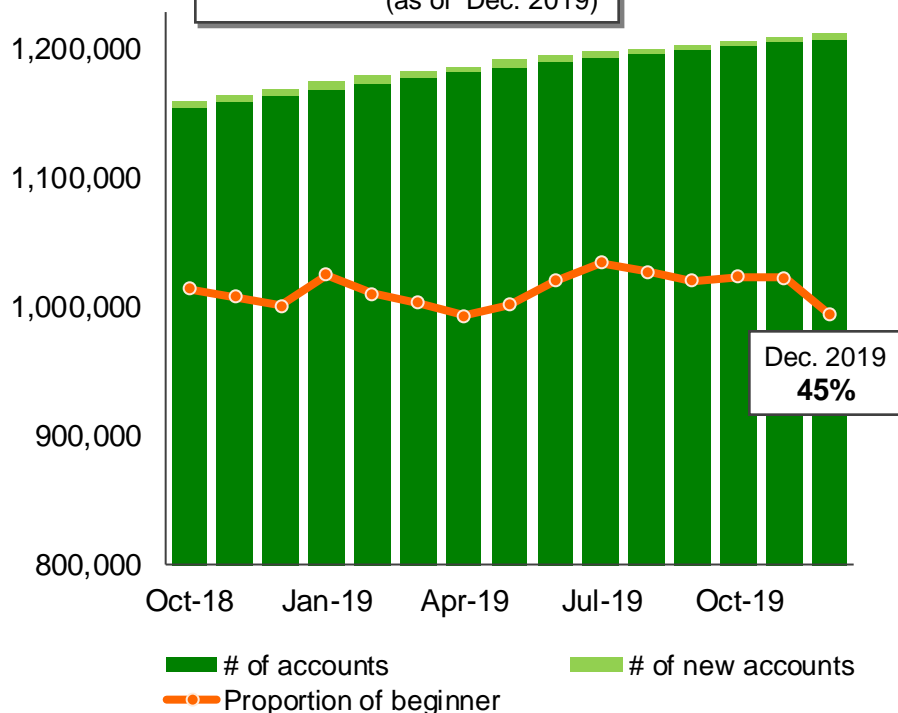
Note 2: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts\*)

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

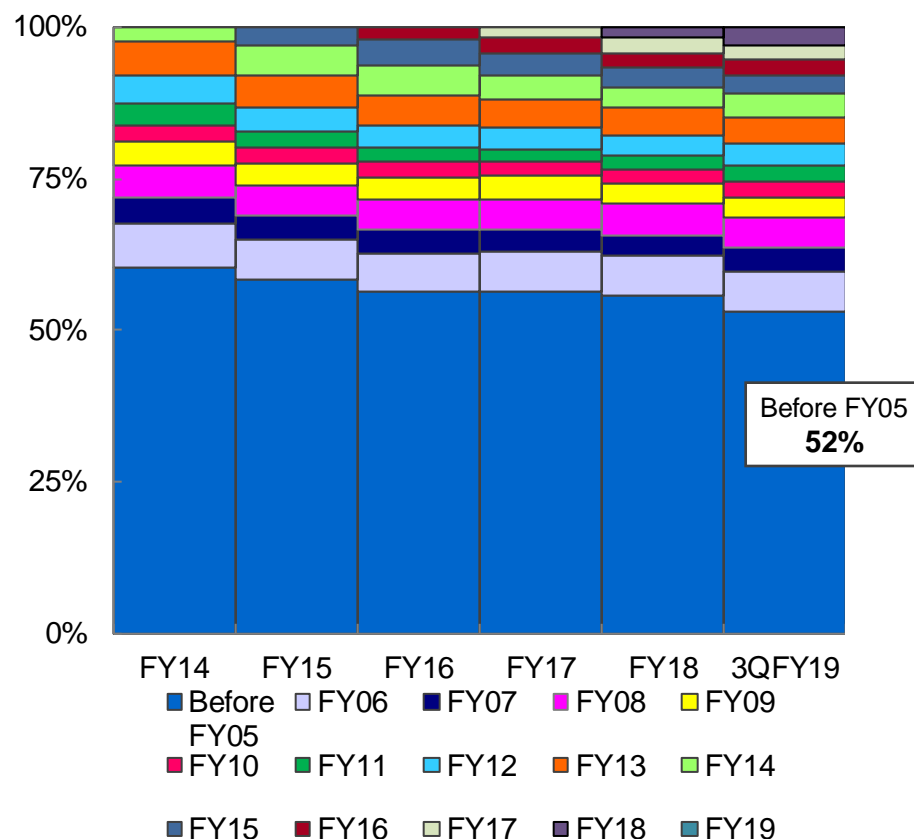
# Number of Accounts / Breakdown of Trading Value

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

# of accounts 1,212,994  
 # of margin accounts 196,530  
 (as of Dec. 2019)



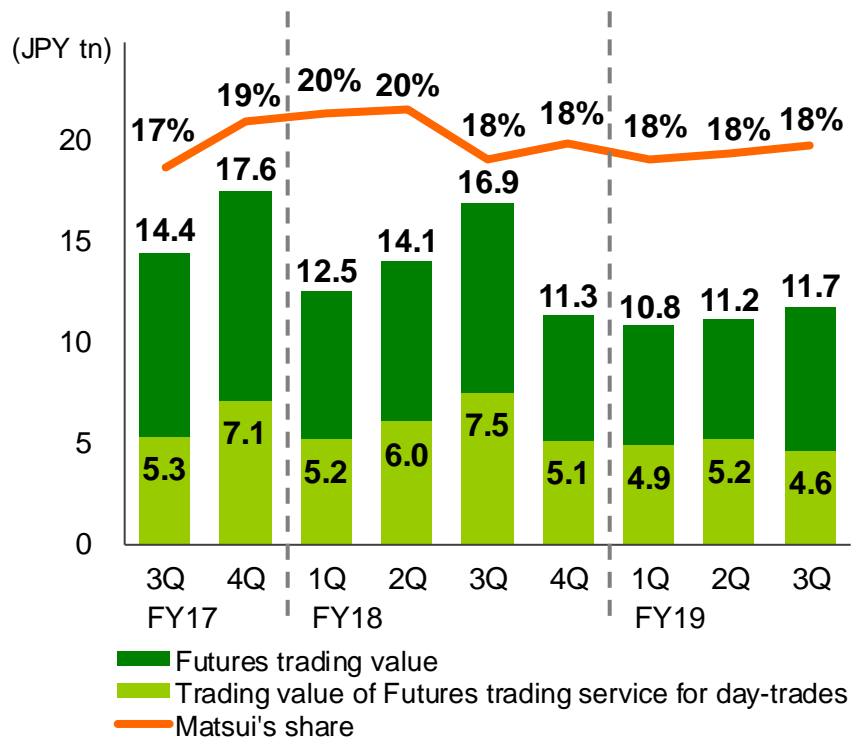
## ◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)



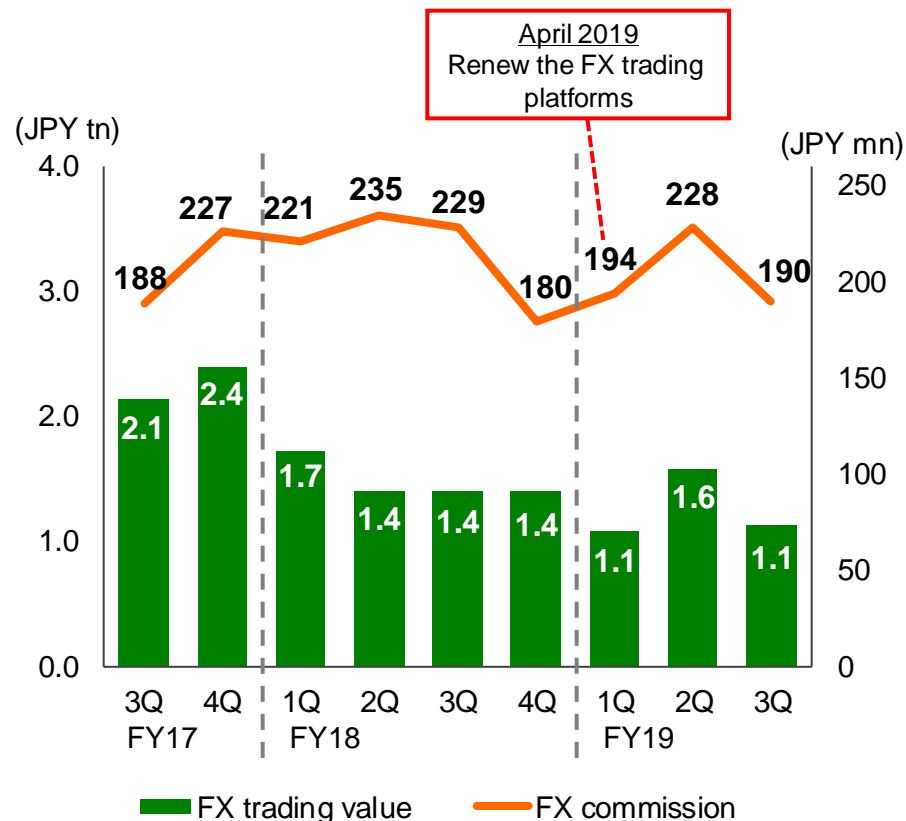
Note 1: Number of accounts as of the end of each month.

# Futures Trading Value / FX Margin Trading Value

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

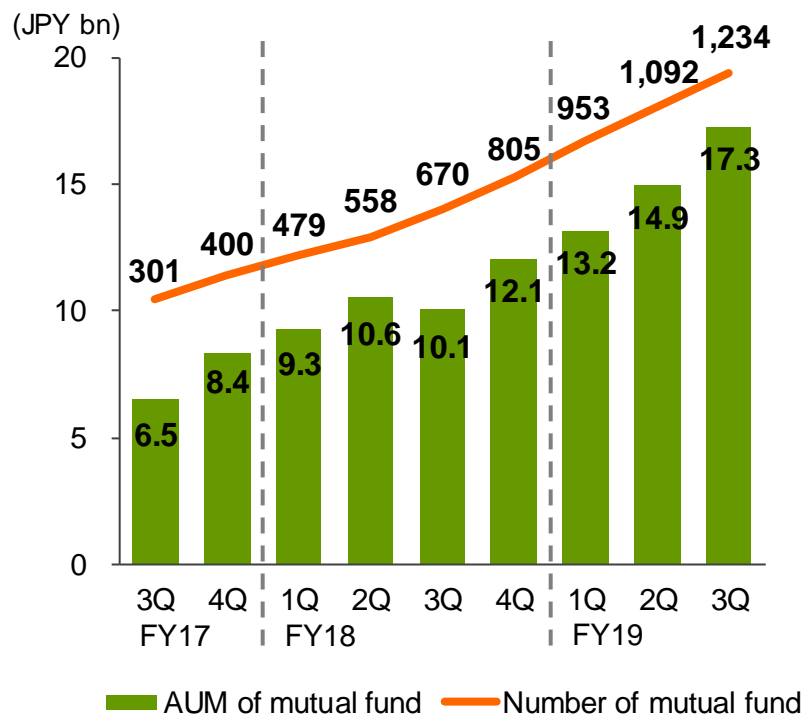


## ◆ Matsui's OTC FX trading value and commission

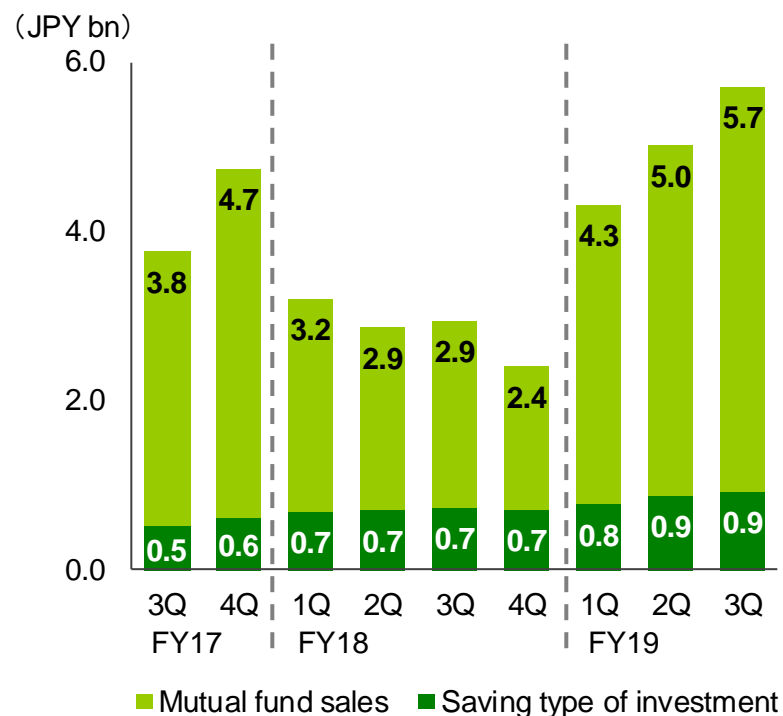


# Mutual Fund

## ◆ 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 valuable products and services 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 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

Put more focus on **asset business** for customers who are building assets for the future

Mutual Fund

# Equity Business: Revision of Commission and Interest Rate

## Revise the commission and interest rate of equity trading from December 2019

- ◆ No commission charge up to 500,000 yen of equity trading

【Commission structure of equity trading<sup>1</sup>】

Trading value / day	Previous	From Dec. 23
Up to 100,000 Yen	0Yen	<b>0Yen</b>
Up to 300,000 Yen	300Yen	
Up to 500,000 Yen	500Yen	

⇒ More than 90% of the TSE-listed stocks are available to trade with a minimum investment of 500,000 yen or less<sup>2</sup>

- ◆ Lower the transaction costs of margin trading service for day-trades

【Transaction costs of margin trading service for day-trades】

	Previous	From Dec. 23
Commission	0Yen	0Yen
Actual receipt of stock purchased	0.3%	<b>0Yen</b>
Interest rate p.a.	2.0%	<b>1.8%</b>
Minimum trading value per an order when the interest rate becomes 0%	JPY3mn	<b>JPY1mn</b>

**Provide more attractive trading environments for retail investors**

# Equity Business: Stock Lending Service

## Strengthen revenue from assets under management

### ◆ Expansion of the service (from Dec. 2019)

- Enable customers who have margin account to use stock lending service
- Collateral shares for margin trading is eligible for stock lending
  - ✓ Collateral value is maintained during stock lending
  - ✓ Receive the stock lending fee of at least 0.2% p.a.

### ◆ Number of accounts and lending balance

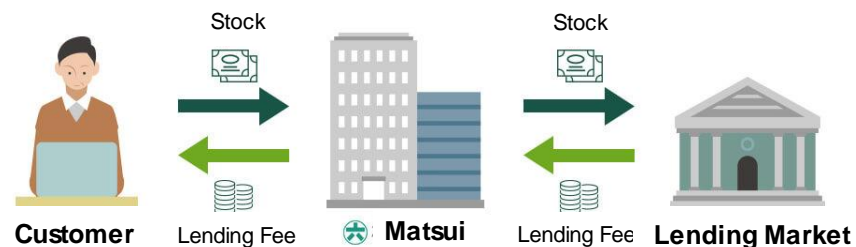
- ✓ Number of new opening accounts per month is increased by 10 times
- ✓ Lending balance is increased by more than doubled

Monetize the assets under management by improving awareness and promoting use of the service

【Comparison of stock lending service】

	Matsui	SBI	Rakuten	Monex	au Kabucom
Available for margin accounts	○	○	○	×	○
Eligibility of collateral shares	○	×	×	×	△ <sup>*1</sup>

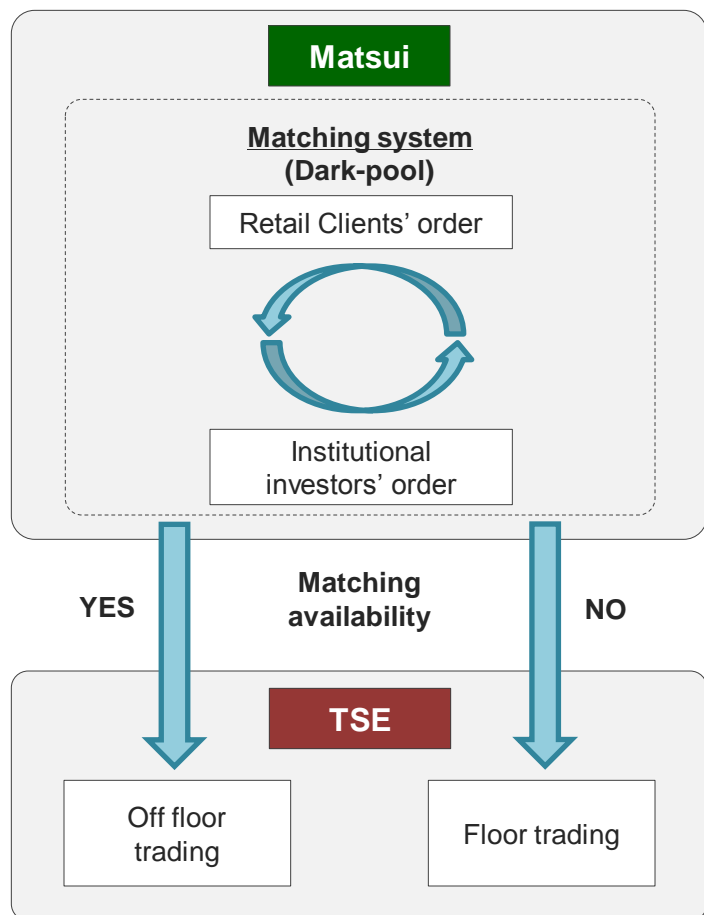
【Image of stock lending service】



# Equity Business: Better Execution Service

Provide better execution service to seek price improvement opportunity for retail clients since May 2018

## ◆ Order flow



## ◆ Price improvement<sup>1</sup>

✓ Average price improvement rate is **3.0bps**

Improvement rate in TSE 2<sup>nd</sup> 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	2.5 bps
Small-cap	3.2 bps
Others	
<b>TSE 2nd</b>	<b>5.7 bps</b>
<b>JASDAQ</b>	<b>4.4 bps</b>
<b>Mothers</b>	<b>3.5 bps</b>
ETF	4.1 bps
REIT	1.9 bps
Total	
	3.0 bps

# Mutual Fund Business

Make sales commission completely free from Dec. 9, 2019

## “Basic Policy on Mutual Fund Sales”

policy1: Not Charging sales commission<sup>1</sup>

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

### ◆ Future Developments

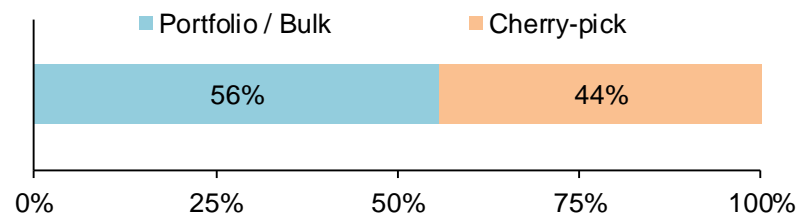
#### ➤ Support long-term diversified investment for asset building generation

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

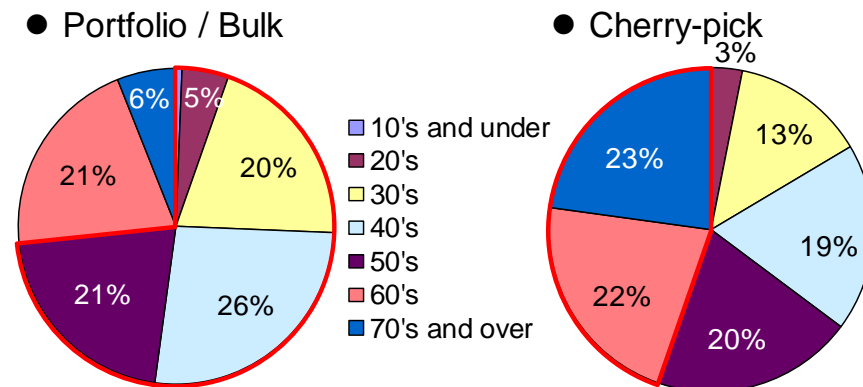
#### ➤ Response to the needs of retired generation

- 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 investment<sup>2</sup>



### ◆ AUM by age<sup>2</sup>



# 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 2019)

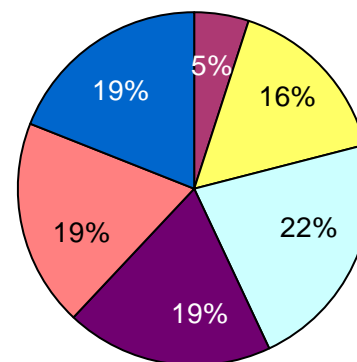
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	144,858	5,045	5,017
Number of active accounts <sup>1</sup>	63,075	2,814	2,248
Active account ratio	44%	56%	45%
Total investment value(JPY mn) <sup>2</sup>	45,596	612	1,118
Customers' assets(JPY mn) <sup>3</sup>	108,253	1,005	2,812

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

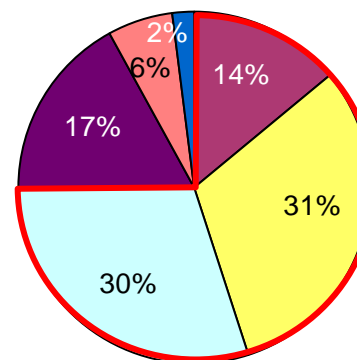
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	eMAXIS Slim Developed Country Equity Index
3	Nissan Motor Co., Ltd. (7201)	Nissay Foreign Equity Index Fund no charge
4	Orix Corp. (8591)	Rakuten US All Equity Index Fund
5	Matsui Securities Co., Ltd.(8628)	eMAXIS Slim Balance 8 Asset Equability type

### ◆ Attribution of NISA accounts by age (as of December 2019)

#### ● NISA



#### ● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 31 December 2019 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 2020. 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

### **Matsui Securities Co., Ltd.**

URL: <https://www.matsui.co.jp/en/>

Tel: +81-3-5216-0784 Fax: +81-3-5216-8638

Mail: [ir@matsui.co.jp](mailto:ir@matsui.co.jp)

Akira WARITA, Senior Managing Director : [a-warita@matsui.co.jp](mailto:a-warita@matsui.co.jp)

Kumiko Hayashi : [k-hayashi@matsui.co.jp](mailto:k-hayashi@matsui.co.jp)