



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for FY2017

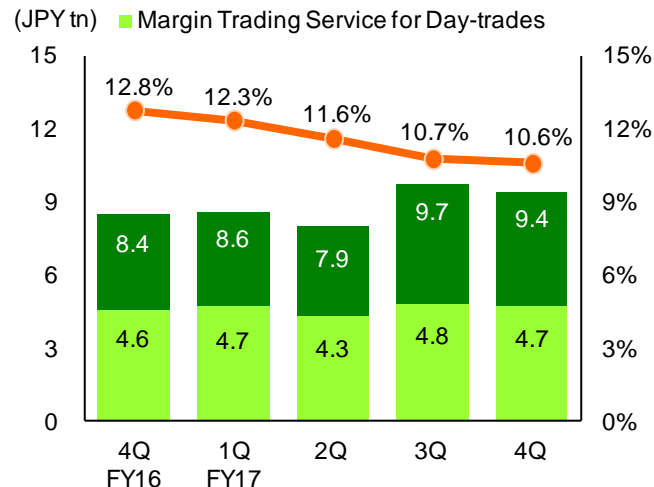
April 2018

Table of Contents

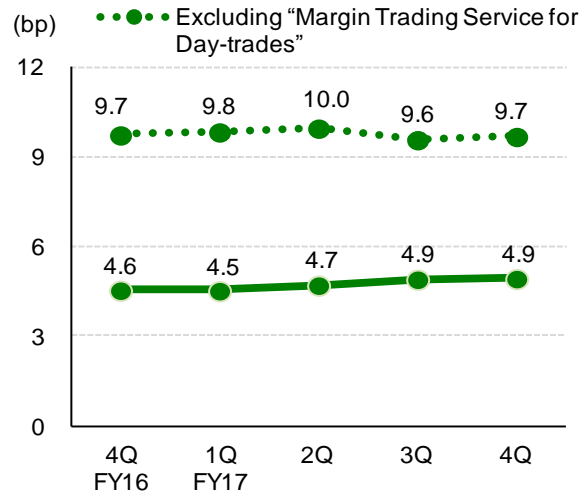
Section 1	Financial Summary	6
Section 2	Results of Operation	16
Section 3	Recent Developments	23

Results of Operation

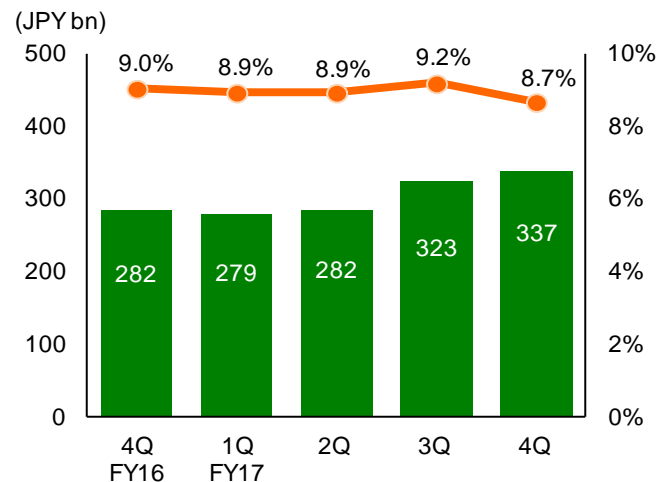
◆ Equity trading value / Market share



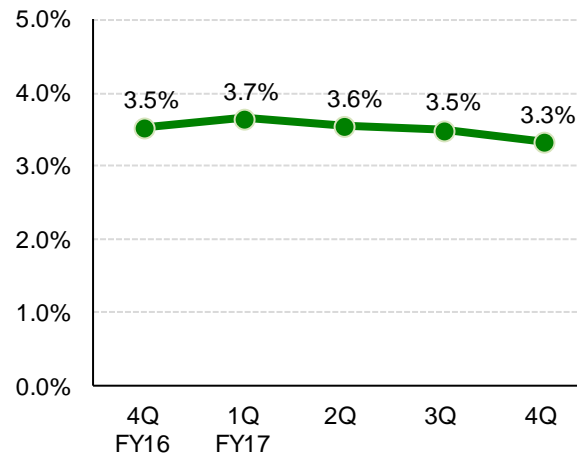
◆ Equity commission rate



◆ Margin balance / Market share

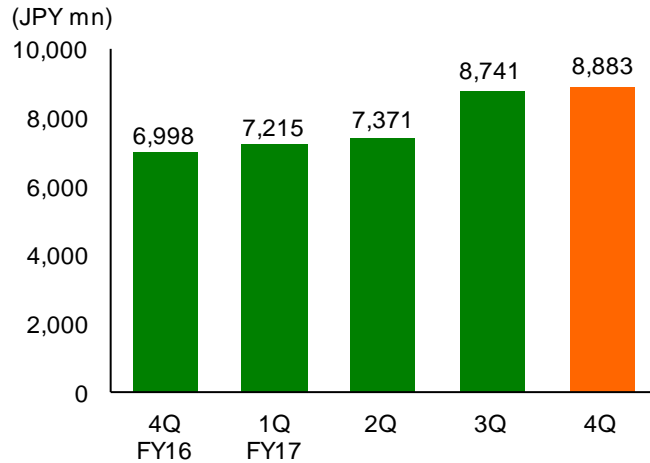


◆ Net financial income ratio

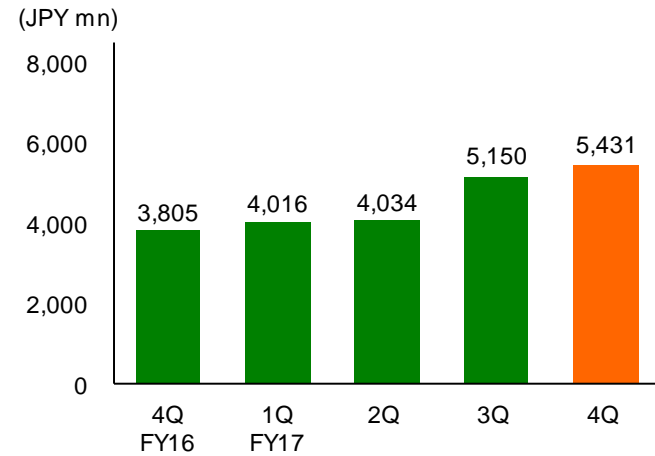


Financial Results

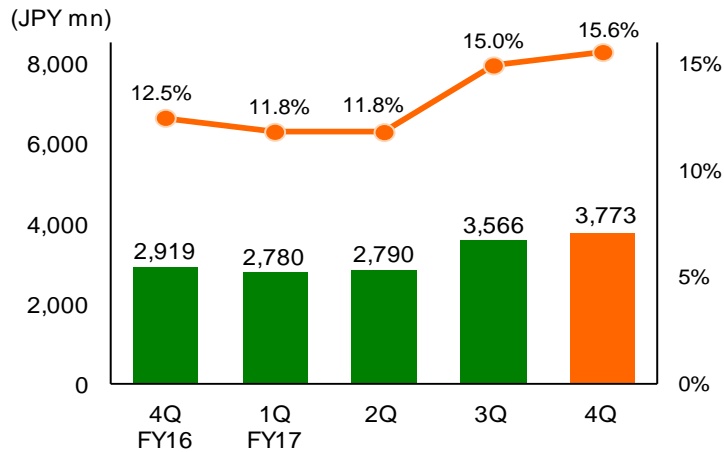
◆ Operating revenue



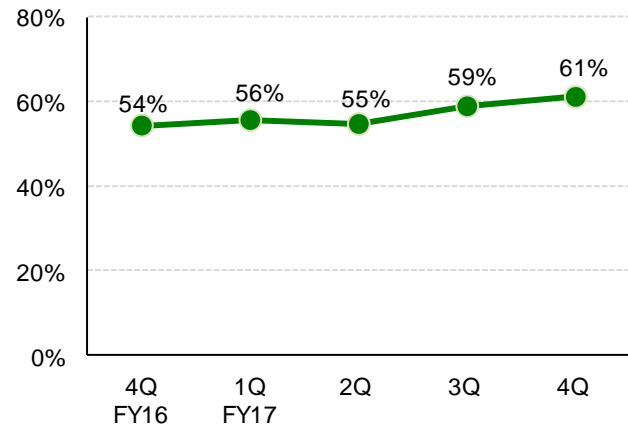
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues up JPY 140 million QoQ

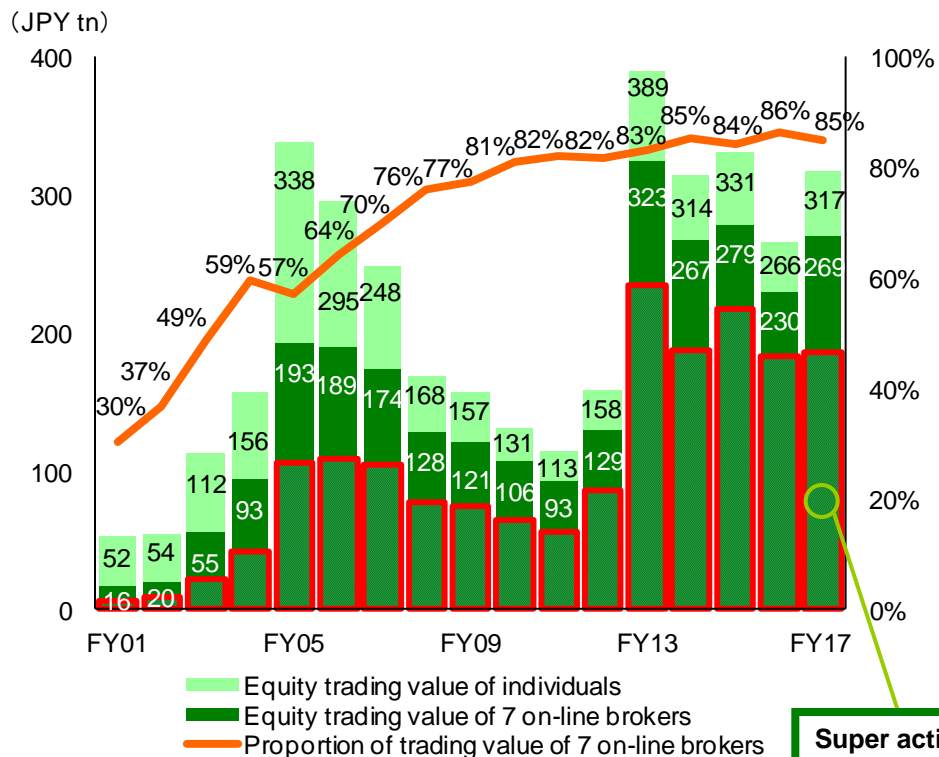
- Commissions were down JPY 20 million due to decline of equity trading value
- Interest & dividend income was up JPY 10 million due to increase of average margin balance (Net interest income was up JPY 160 million)
- Net trading income was up JPY 150 million due to increase of FX margin trading value

◆ SG&A down JPY 40 million QoQ

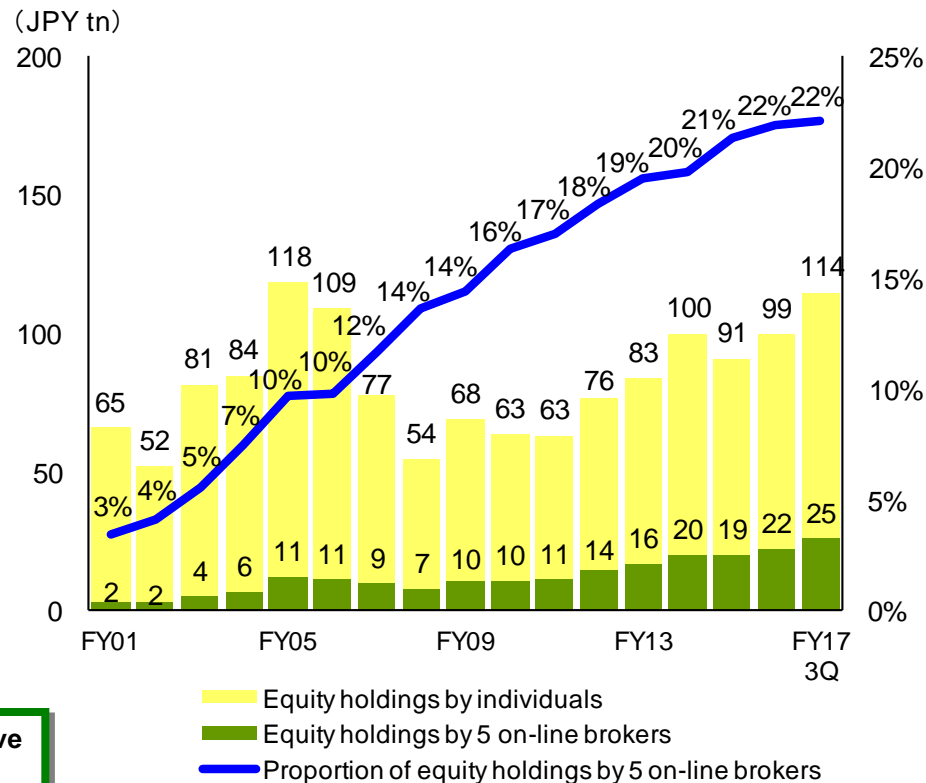
- Provision for doubtful receivables for customers' margin transaction was down JPY 90 million

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Super active traders²
JPY 190 tn
(Estimate)

Financial Summary

Section 1

Summary of Financial Results (FY17)

(JPY mn)

	FY17 (Apr.17-Mar.18)	FY16 (Apr.16-Mar.17)	YoY
Operating Revenues	32,210	27,727	16%
Commissions	18,968	17,253	10%
Interest & dividend income	12,040	10,467	15%
Interest expenses	1,729	1,228	41%
Net operating revenues	30,480	26,499	15%
SG&A	11,949	11,560	3%
Operating income	18,532	14,939	24%
Ordinary income	18,632	15,044	24%
Net income	12,908	10,697	21%
Ordinary income ratio	58%	54%	-
Matsui's trading value (JPY tn)	35.6	34.7	3%
Daily average trading value on TSE (JPY tn)	3.5	3.0	15%

Breakdown of Net Operating Revenues (FY17)

(JPY mn)

	FY17 (Apr.17-Mar.18)	FY16 (Apr.16-Mar.17)	YoY
Commissions	18,968	17,253	10%
Brokerage	18,250	16,260	12%
Equity & ETF	17,144	15,249	12%
Futures & Options	1,106	1,011	9%
Others	698	979	-29%
Net trading income	1,201	3	-
Interest & dividend income (1)	12,040	10,467	15%
Total operating revenues	32,210	27,727	16%
Interest expenses (2)	1,729	1,228	41%
Net operating revenues	30,480	26,499	15%
Net interest income (1) - (2)	10,310	9,239	12%
Average margin balance (JPY bn)	294	241	22%

Breakdown of SG&A (FY17)

(JPY mn)

	FY17 (Apr.17-Mar.18)	FY16 (Apr.16-Mar.17)	YoY
Trading related expenses	4,592	4,345	6%
Stock exchanges and securities associations fees	1,527	1,409	8%
Communications expenses	1,699	1,672	2%
Advertisement	536	531	1%
Personnel expenses	2,364	2,227	6%
Occupancy & rental	845	891	-5%
Data processing & office supplies	2,104	1,841	14%
Depreciation	1,549	1,267	22%
Taxes and dues	406	362	12%
Provision of allowance for doubtful accounts	-29	311	-
Others	117	317	-63%
Total SG&A	11,949	11,560	3%

Summary of Financial Results (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY17		FY16	YoY	FY17 TOTAL
	4Q	3Q		2Q	1Q	4Q		
Operating Revenues	8,883	8,741	2%	7,371	7,215	6,998	27%	32,210
Commissions	5,217	5,234	-0%	4,183	4,334	4,370	19%	18,968
Interest & dividend income	3,208	3,196	0%	2,893	2,743	2,627	22%	12,040
Interest expenses	425	570	-25%	414	320	336	26%	1,729
Net operating revenues	8,458	8,170	4%	6,957	6,896	6,662	27%	30,480
SG & A	3,025	3,067	-1%	2,925	2,931	2,857	6%	11,949
Operating income	5,433	5,103	6%	4,032	3,964	3,805	43%	18,532
Ordinary income	5,431	5,150	5%	4,034	4,016	3,805	43%	18,632
Net income	3,773	3,566	6%	2,790	2,780	2,919	29%	12,908
Ordinary income ratio	61%	59%	-	55%	56%	54%	-	58%
Matsui's trading value (JPY tn)	9.4	9.7	-3%	7.9	8.6	8.4	11%	35.6
Daily average trading value on TSE (JPY tn)	4.0	3.7	7%	3.0	3.1	3.0	34%	3.5

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY17	FY17	QoQ	FY17		FY16	YoY	FY17
	4Q	3Q		2Q	1Q	4Q		TOTAL
Commissions	5,217	5,234	-0%	4,183	4,334	4,370	19%	18,968
Brokerage	5,018	5,082	-1%	3,997	4,152	4,120	22%	18,250
Equity & ETF	4,667	4,791	-3%	3,773	3,913	3,869	21%	17,144
Futures & Options	352	291	21%	224	240	251	40%	1,106
Others	190	148	29%	180	179	242	-21%	698
Net trading income	458	311	47%	294	138	1	-	1,201
Interest & dividend income (1)	3,208	3,196	0%	2,893	2,743	2,627	22%	12,040
Total operating revenues	8,883	8,741	2%	7,371	7,215	6,998	27%	32,210
Interest expenses (2)	425	570	-25%	414	320	336	26%	1,729
Net operating revenues	8,458	8,170	4%	6,957	6,896	6,662	27%	30,480
Net interest income (1) - (2)	2,783	2,625	6%	2,479	2,423	2,291	21%	10,310
Average margin balance (JPY bn)	333	301	11%	279	265	259	29%	294

Breakdown of SG&A (Quarterly)

(JPY mn)

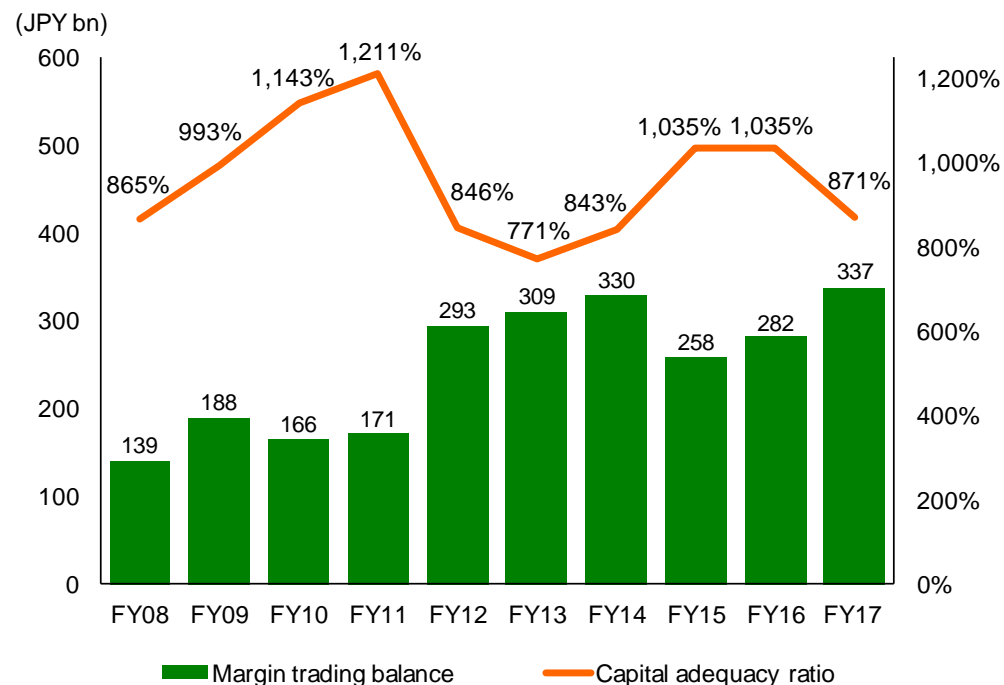
	FY17	FY17	QoQ	FY17		FY16	YoY	FY17 TOTAL
	4Q	3Q		2Q	1Q	4Q		
Trading related expenses	1,218	1,198	2%	1,083	1,093	1,154	6%	4,592
Stock exchanges and securities associations fees	405	401	1%	356	364	361	12%	1,527
Communications expenses	443	423	5%	418	416	437	1%	1,699
Advertisement	131	169	-22%	119	117	174	-25%	536
Personnel expenses	594	601	-1%	589	581	549	8%	2,364
Occupancy & rental	209	203	3%	216	216	225	-7%	845
Data processing & office supplies	541	517	5%	538	508	492	10%	2,104
Depreciation	403	396	2%	387	363	328	23%	1,549
Taxes and dues	111	101	9%	93	101	85	30%	406
Provision of allowance for doubtful accounts	-70	17	-	4	20	-196	-	-29
Others	19	34	-45%	16	49	220	-91%	117
Total SG & A	3,025	3,067	-1%	2,925	2,931	2,857	6%	11,949

Regulatory Capital

◆ Capital adequacy ratio (As of 31 March 2018)

(JPY mn)		
Tier 1	(A)	89,335
Tier 2	Net unrealized gain on investment	2,483
	Statutory reserves	2,987
	Allowance for doubtful accounts	156
Sub total	(B)	5,626
Assets to be deducted from equity capital	(C)	6,770
Net Capital		0
	(A) + (B) - (C)	(D) 88,191
Total risk	Market risk	546
	Counterparty risk	6,754
	Basic risk	2,818
Total	(E)	10,120
Capital Adequacy ratio	(D)/(E)	871%

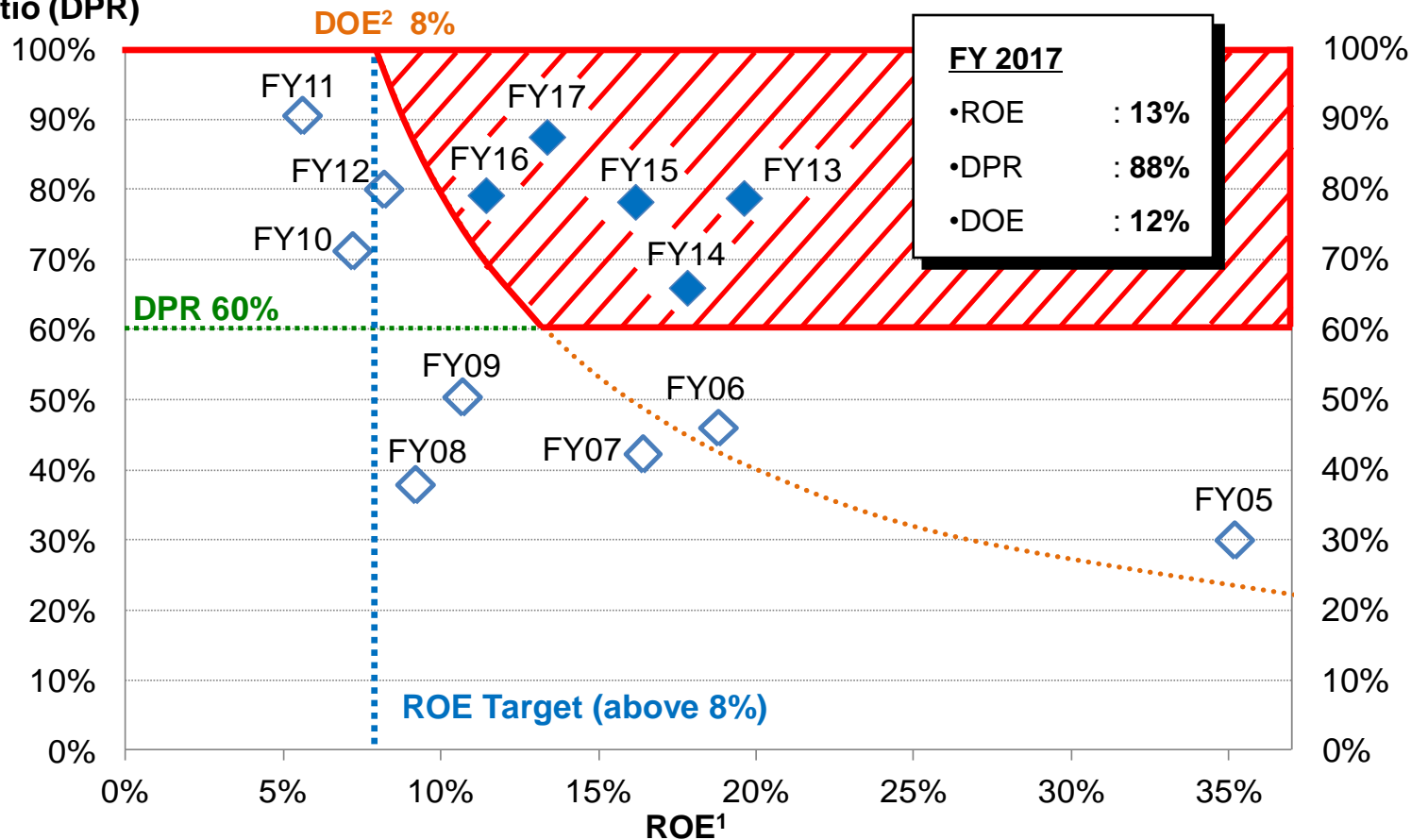
◆ Margin trading balance and capital adequacy ratio



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)



FY 2017
 •ROE : 13%
 •DPR : 88%
 •DOE : 12%

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

Shareholders Return I

Plan to pay year-end dividend of 27 yen per share for FY17.
(Annual dividend of 44 yen per share for FY17)

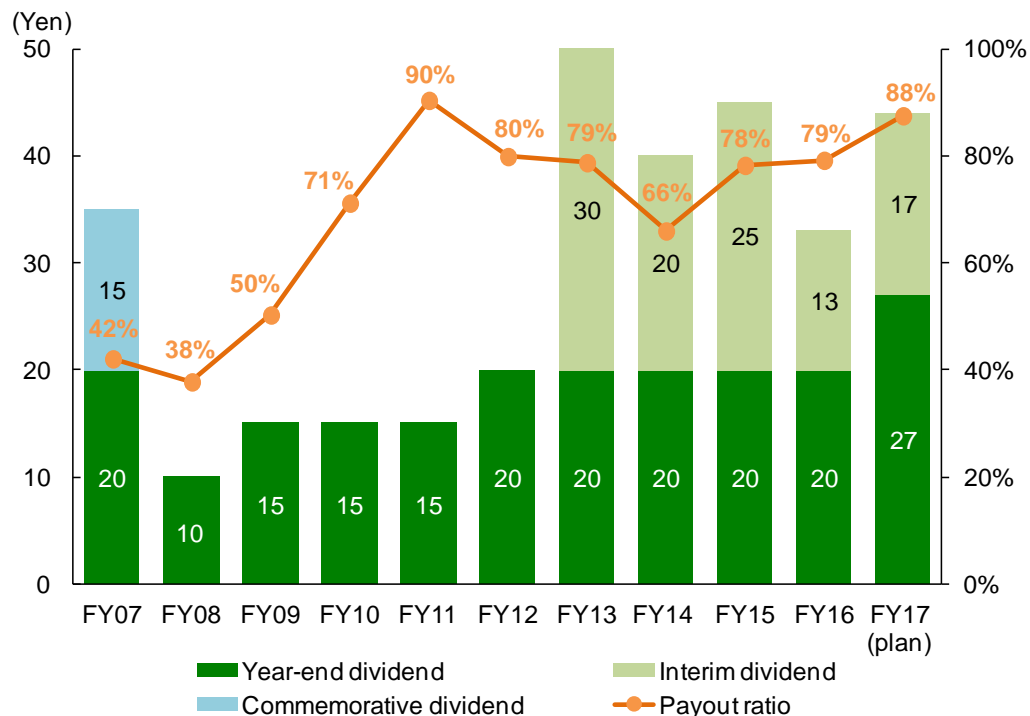
◆ Dividends for FY17

- Interim : **17 yen** per share
- Year-end : **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

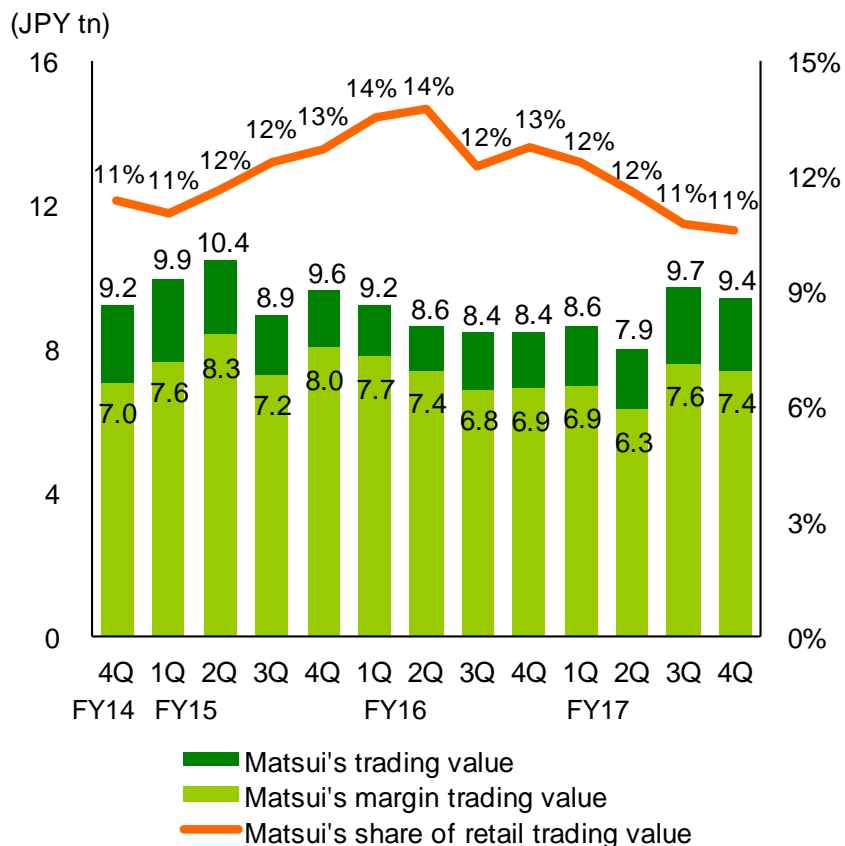


Results of Operation

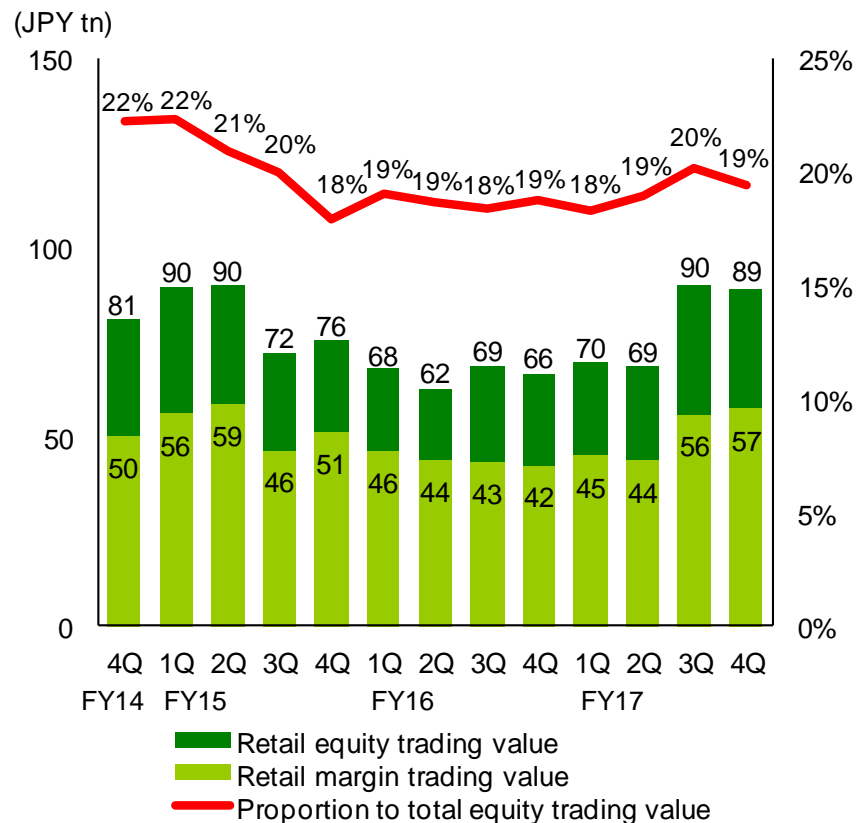
Section 2

Equity Trading Value

◆ Matsui's equity trading value and its market share¹

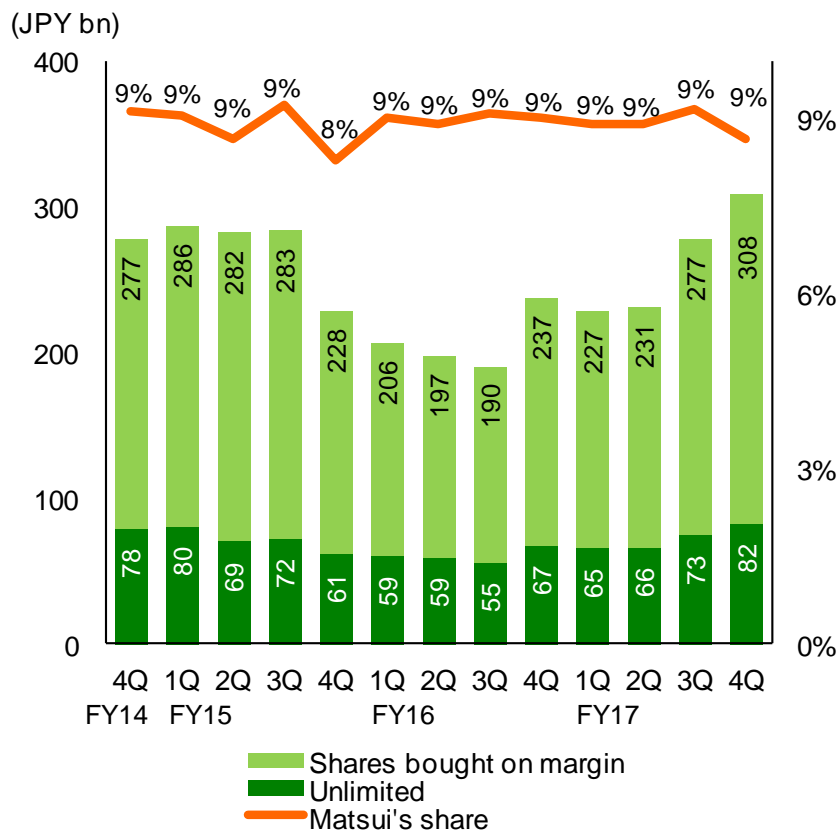


◆ Retail equity trading value¹ and proportion to total equity trading value

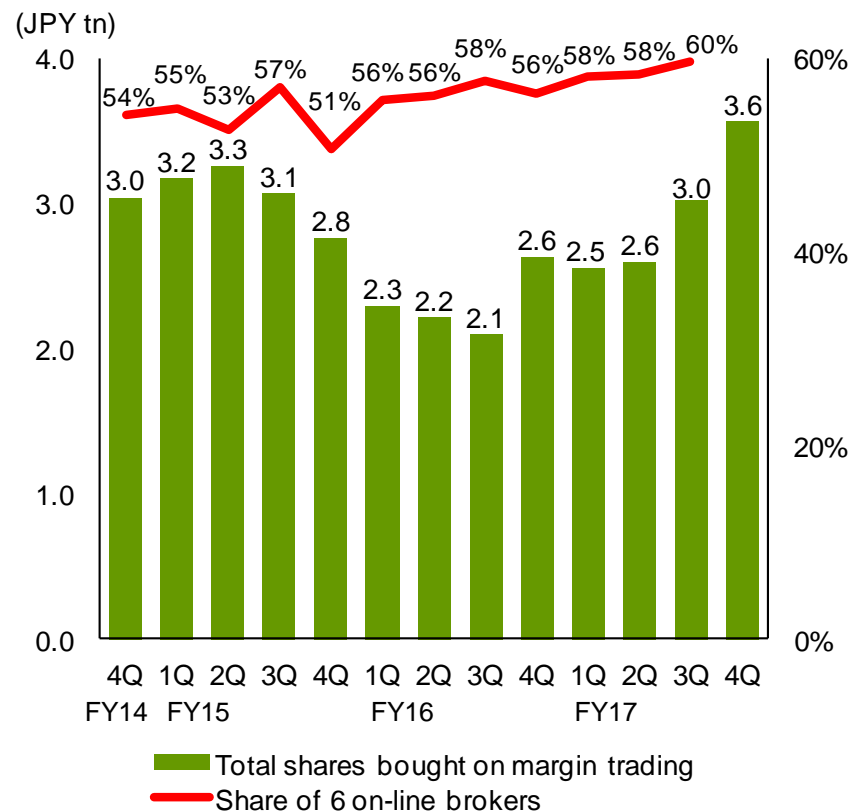


Margin Trading Balance

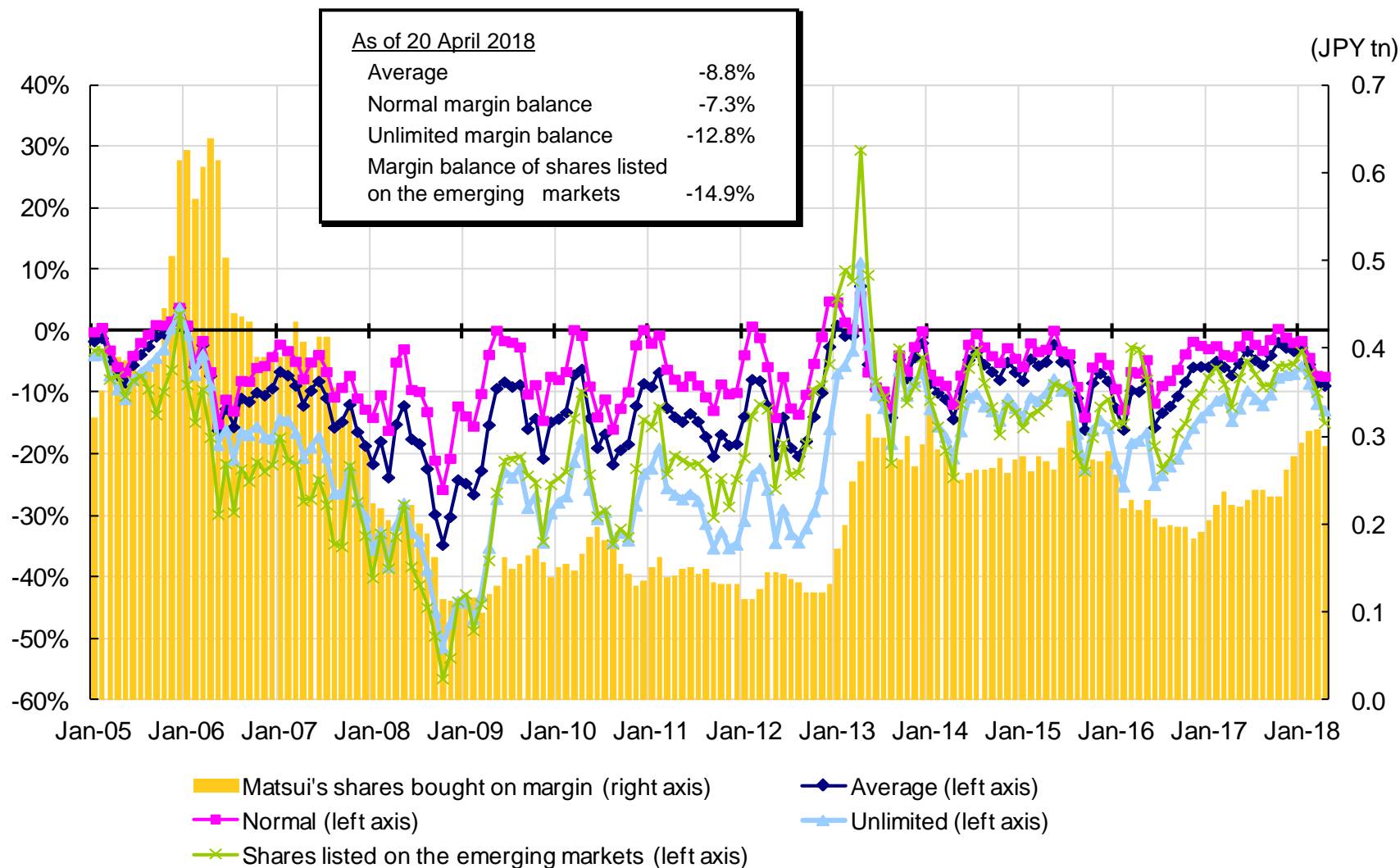
◆ Matsui's shares bought on margin¹ and its market share²



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



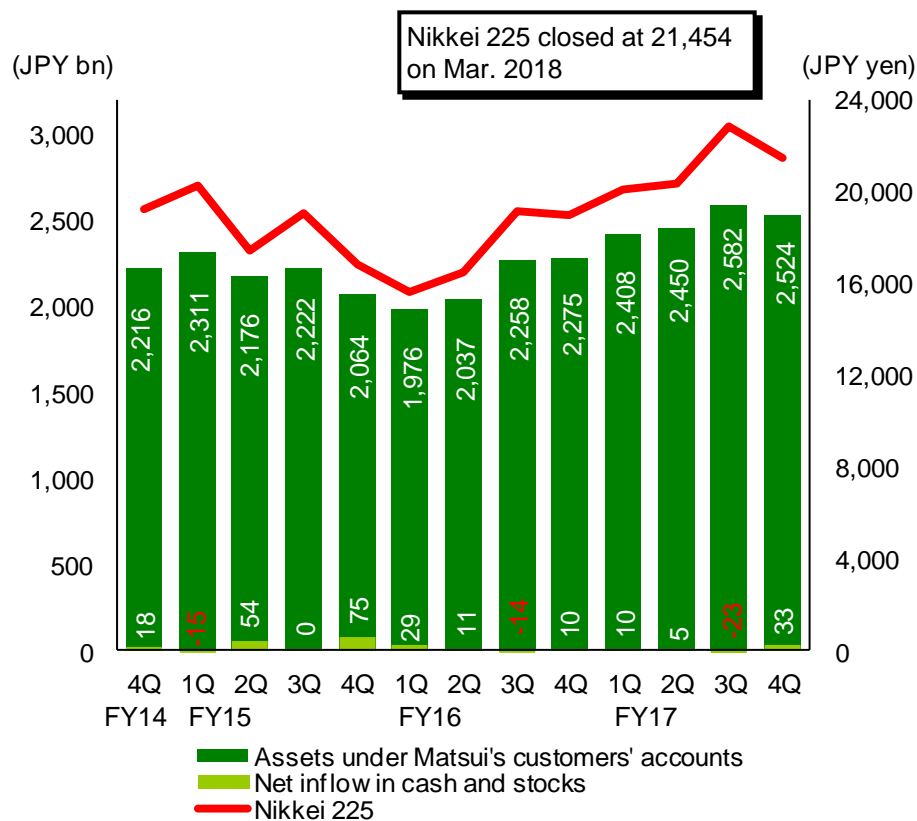
Unrealized Losses on Matsui's Margin Balance



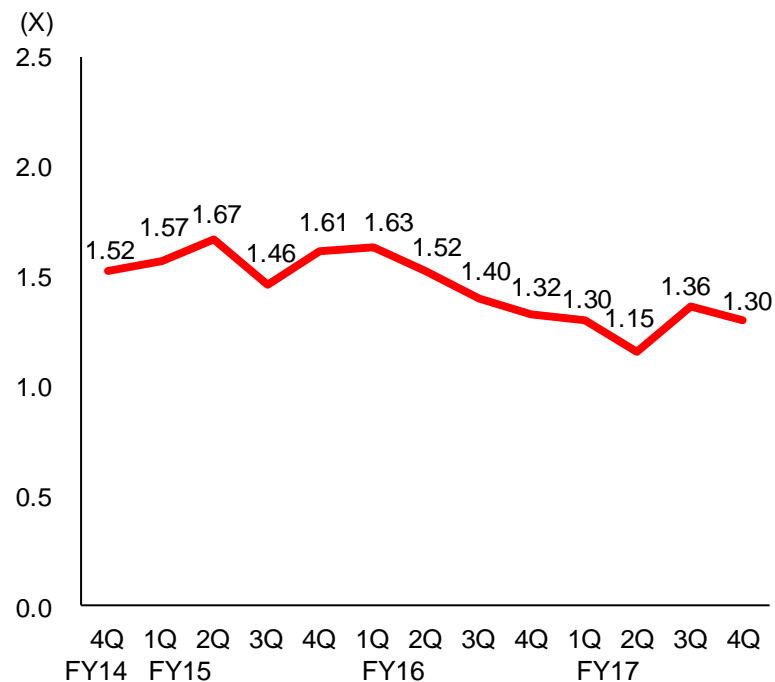
Note 1: Monthly data

Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



◆ Equity trading turnover¹ of Matsui's customers



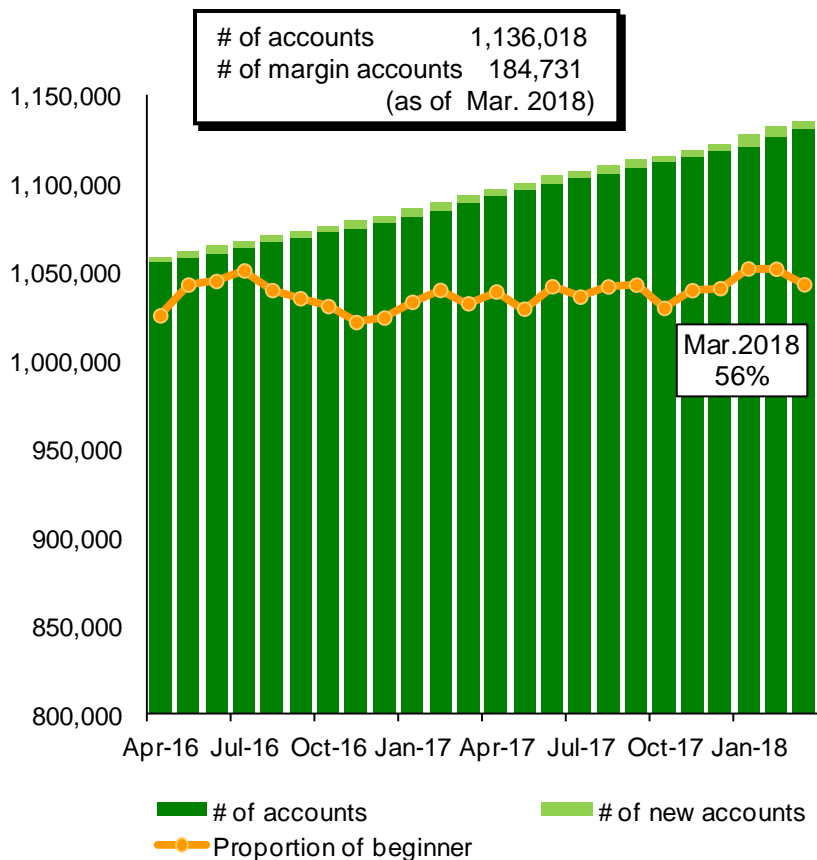
Note 1: Equity trading turnover = (monthly average trading value) / (quarterly average assets under customers' accounts*)

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

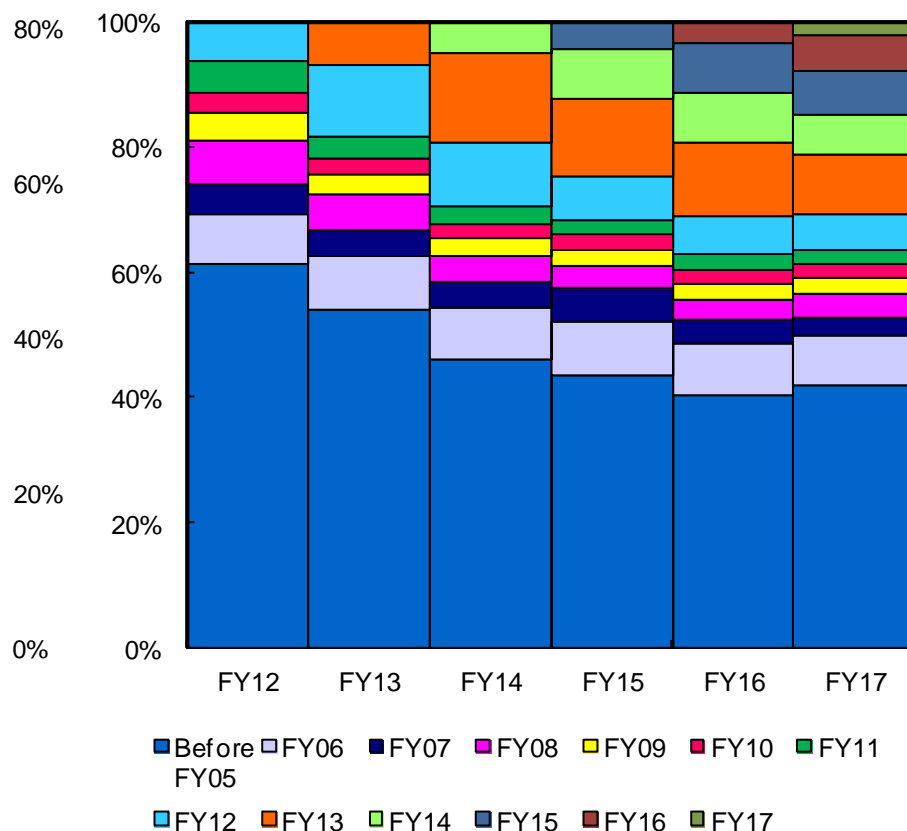
Note 2: Nikkei 225 is the closed price at the end of each quarter

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

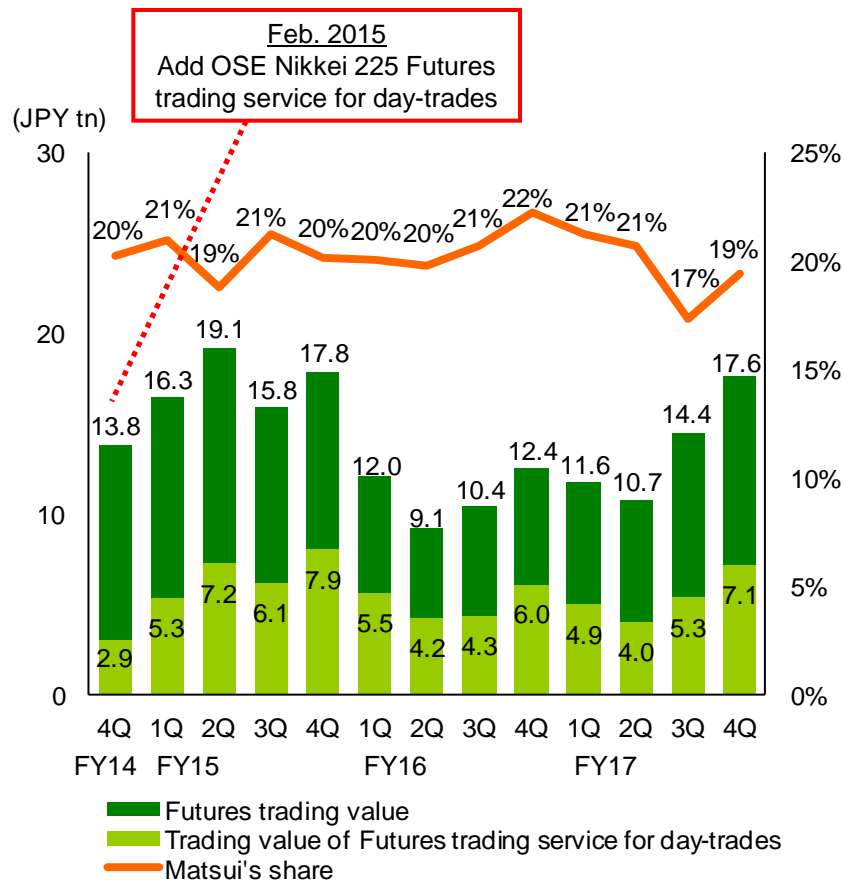


◆ Breakdown of trading value by customers opening the accounts in each fiscal year

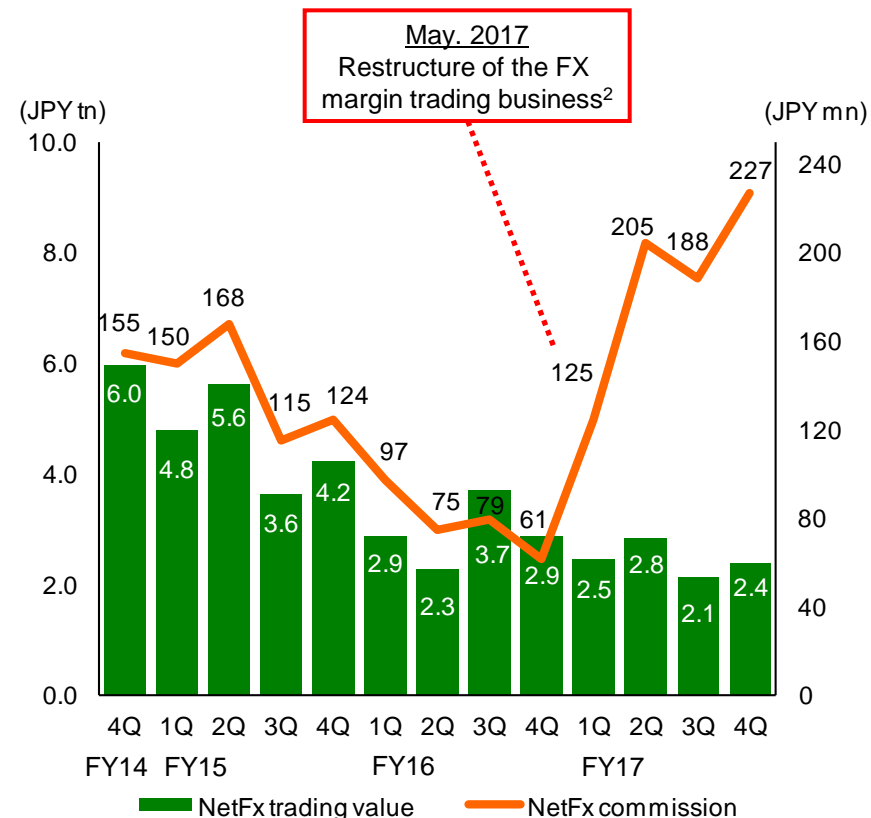


Futures Trading Value / FX Margin Trading Value

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



◆ Matsui's OTC FX trading value and commission



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 I: Expansion of trading hours

Increase customers' trading opportunity by meeting the needs of off-hours trading

◆ Service overview

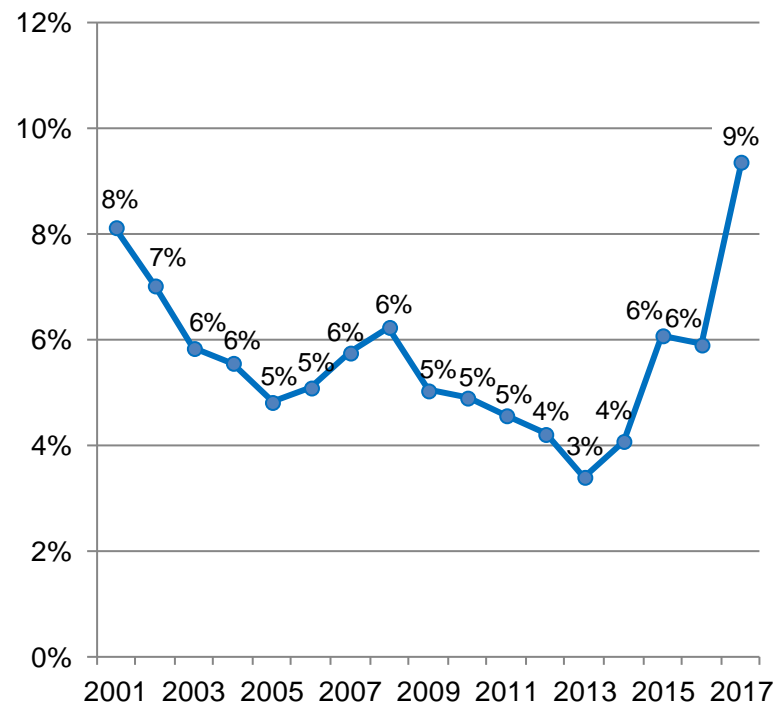
Started to connect Japannext PTS (J-Market) from Mar. 18

➤ Provide off-hours trading

	8:00	9:00	10:00	11:00	12:00	13:00	14:00	15:00	16:00	17:00	18:00	19:00	20:00	21:00	22:00	23:00	
TSE (Floor trading)	Trading hours: 9:00~11:30, 12:30~15:00																
PTS ¹	Trading hours: 8:20~15:30, 17:30~23:59																

➤ Initially, started offering cash trading

◆ Market share of PTS in Japan²



Equity Business II: Better price execution

Plan to provide better price execution service to seek price improvement opportunity for retail clients from May 2018

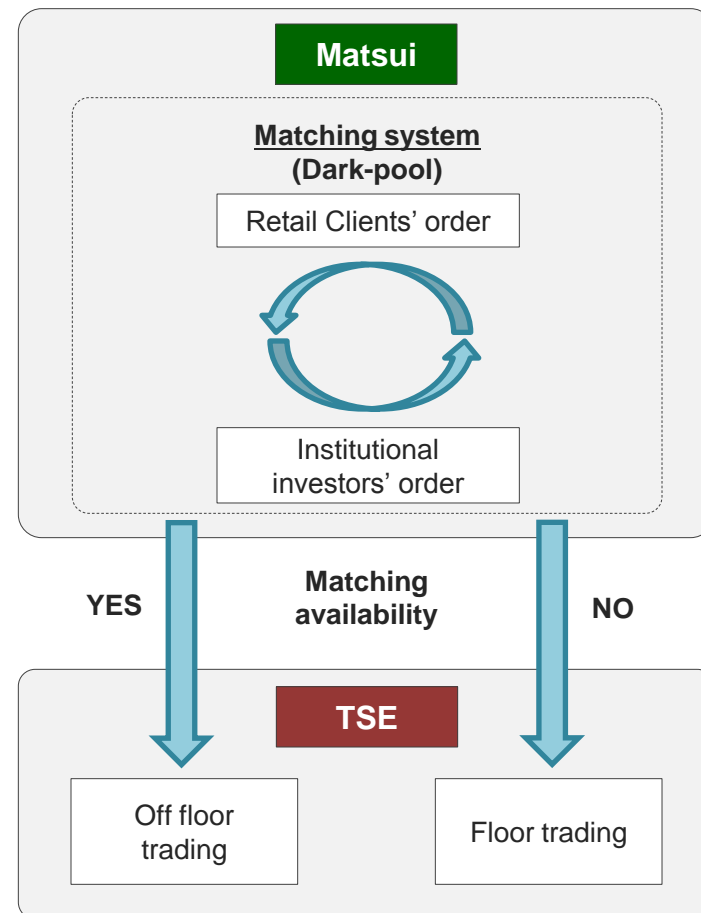
◆ Features

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

◆ Improve recognition of the service

- 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 the analysis for price improvements

◆ Order flow



Mutual Fund Business I

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

“Basic Policy on Mutual Fund Sales”

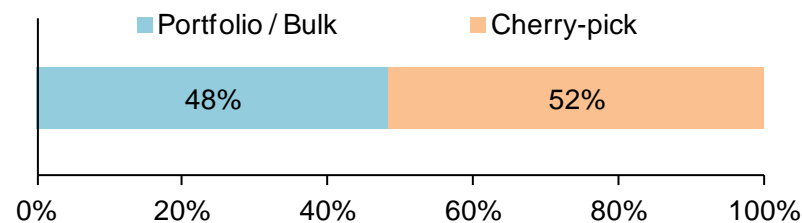
policy1: Not Charging sales commission¹

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**
 - Improve usability of portfolio management platform
 - Response to tax benefit program such as saving type of NISA, DC pension plan
- Response to the needs of **retired generation**
 - Expand the line-up of actively managed mutual funds to meet the needs of cherry-picking individual mutual funds
 - Enhance customer support call-center

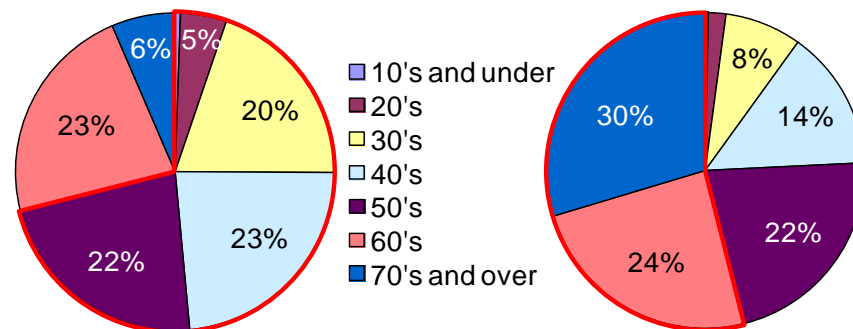
◆ AUM by type of investment²



◆ AUM by age²

● Portfolio / Bulk

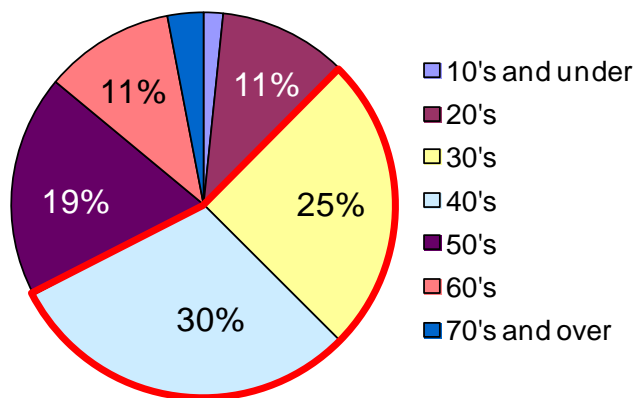
● Cherry-pick



Mutual Fund Business II

Main customers of the portfolio management platform are 30s and 40s
 AUM of mutual fund is JPY 8 billion¹

◆ Customers by age¹

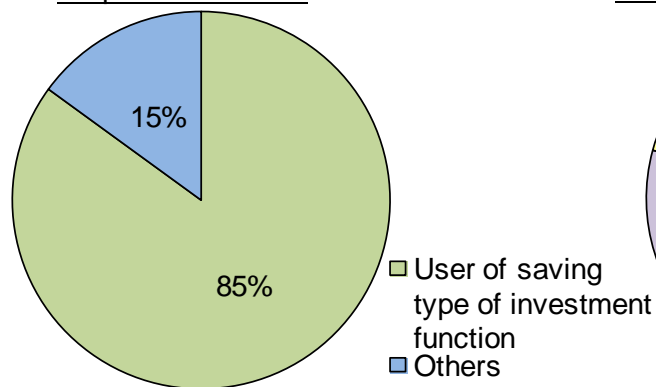


◆ Top 5 in sales (from January to March 2018)

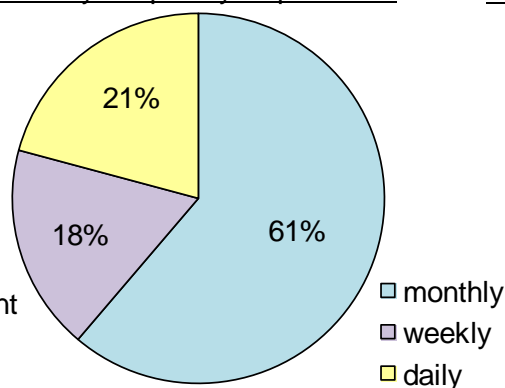
	Name	Asset Management	Asset class
1	Hifumi Plus	Rheos	Domestic Equity
2	MHAM Emerging Growth Equity Open	AM One	Domestic Equity
3	SMT Global Bond Index Open Hedged	SMT AM	Developed Bond
4	Tawara No Load Developed Countries Equity	AM One	Developed Equity
5	Nissay TOPIX Index Fund no charge	Nissay AM	Domestic Equity

◆ Usage of saving type of investment function¹

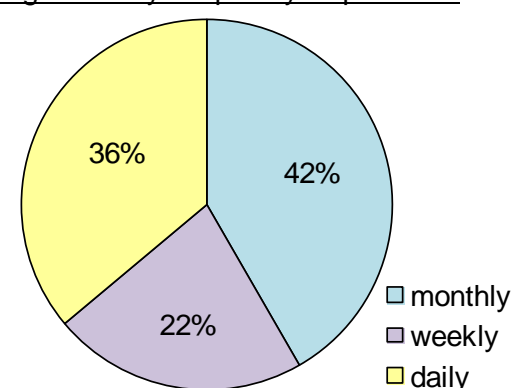
Proportion of users



Users by frequency of purchase



Trading Value by frequency of purchase

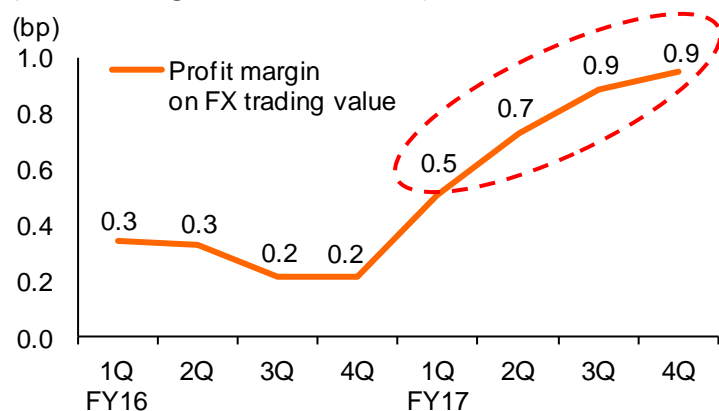


FX Margin Trading Business

◆ Recent Developments

✓ Restructuring of the business model (May 2017)

Transformed brokerage business model into the trading business model to **improve profitability** (3 times higher than before)



◆ Future Developments

✓ Improve customer service and expand trading value (FY 2018)

- Renew the trading platform for clients
- Enhance promotion for customer acquisition
- Offer tighter spread than current

◆ Regulation on FX Margin Trading Business

✓ Tightening of the regulation on leverage

- Manage the risk for trading position for customers

✓ Revision of the regulatory capital requirements

- Manage the risk for trading position and financial stability of FX dealer

◆ Comparison of OTC FX service¹

	Currency pairs	Spread		Trading value (JPY tn, FY2016)
		USD/JPY	EUR/JPY	
GMO Click	19	0.3pips	0.5pips	1,243
Rakuten	24	0.3pips	1.1pips	364
SBI	20	0.5pips	1.4pips	-
Kabu.com	12	0.6pips	1.1pips	45
Monex	16	2pips	4pips	35
Matsui	9	1~2pips	2~4pips	12

Other Initiatives

Complement our service lineup by cooperation with fintech startups

◆ Crowd-funding platform “OwnersBook”

Cooperate with “OwnersBook” which is specialized for investment in individual property (Feb. 2018)

- ✓ Initially introduce Matsui’s customer to “OwnersBook”
- ✓ Arrangement of products which is exclusive use for Matsui’s customer, seamless transfer of money and seamless account opening process are under consideration



Features of “Ownersbook”

- ✓ Minimum investment amount is ¥10,000
- ✓ Expected interest rate is 4~6% per year
- ✓ No loan-loss so far (JPY 4.9 billion of total investment amount)¹

◆ Smartphone application “finbee”

Cooperate with “finbee” which provides savings application for individuals (Feb. 2018)

- ✓ User of “finbee” can select Matsui’s account as transfer account of savings



Features of “finbee”

- ✓ Japan’s first savings application which is connected to bank account
- ✓ Easily set the savings rule using smartphone
- ✓ Easily transfer the money between finbee and Matsui’s account

NISA

Active account ratio for NISA¹ is 37%, the highest level among 5 online securities brokers²
Main user of saving type of NISA is asset building generation (40's and under)

◆ Number of NISA accounts and customers' assets (as of March 2018)

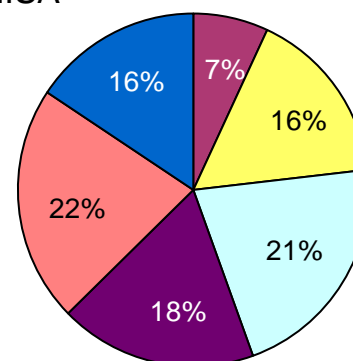
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	131,848	2,003	3,766
Number of active accounts ³	49,403	927	1,468
Active account ratio	37%	46%	39%
Total investment value(JPY mn) ⁴	31,217	54	595
Customers' assets(JPY mn) ⁵	112,025	41	1,790

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

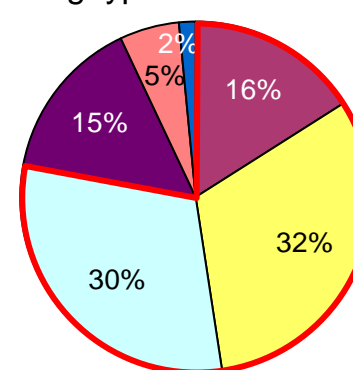
Rank	NISA	Saving Type of NISA
1	Japan Tobacco Inc. (2914)	Hifumi Plus
2	Mizuho Financial Group, Inc. (8411)	Rakuten US All Equity Index Fund
3	Nissan Motor Co., Ltd. (7201)	Nissay Foreign Equity Index Fund no charge
4	Skylark Co., Ltd. (3197)	Rakuten All Country Equity Index Fund
5	KDDI Corp. (9433)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

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

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 31 March 2018 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 26 April 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.

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: <http://www.matsui.co.jp/ir/en/>

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

Mail: ir@matsui.co.jp

Akira WARITA, Managing Director : a-warita@matsui.co.jp

Masatoshi Yoshizawa : m-yoshizawa@matsui.co.jp