



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for FY2018

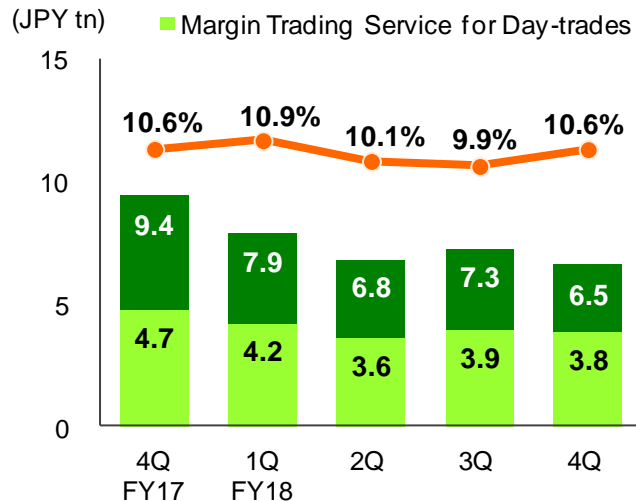
April 2019

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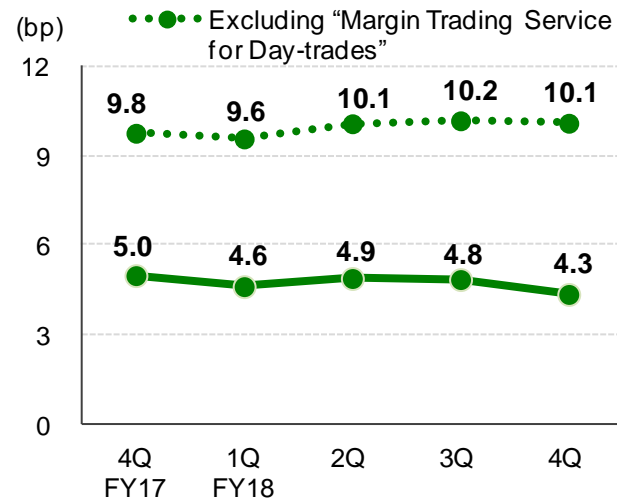
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Results of Operation

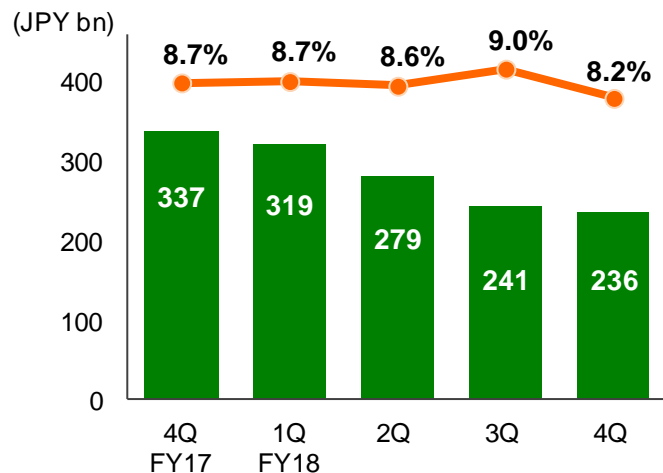
◆ Equity trading value / Market share



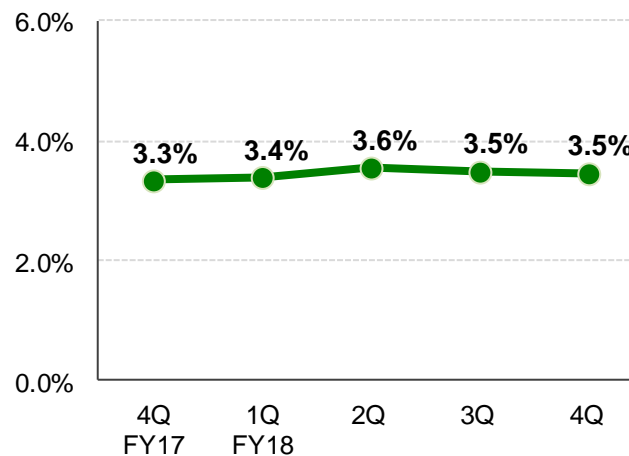
◆ Equity commission rate



◆ Margin balance / Market share

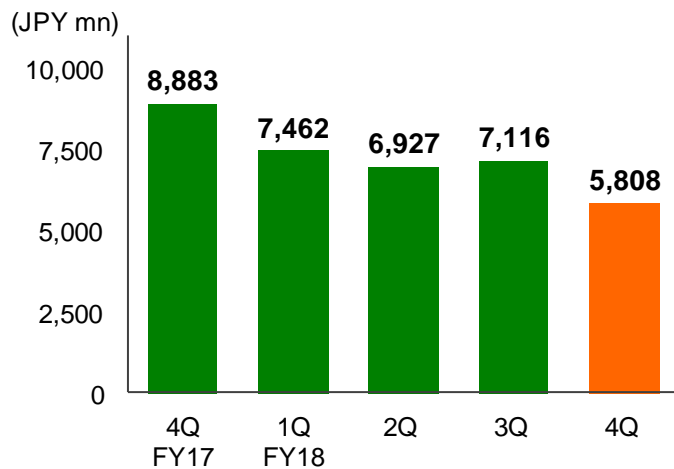


◆ Net financial income ratio

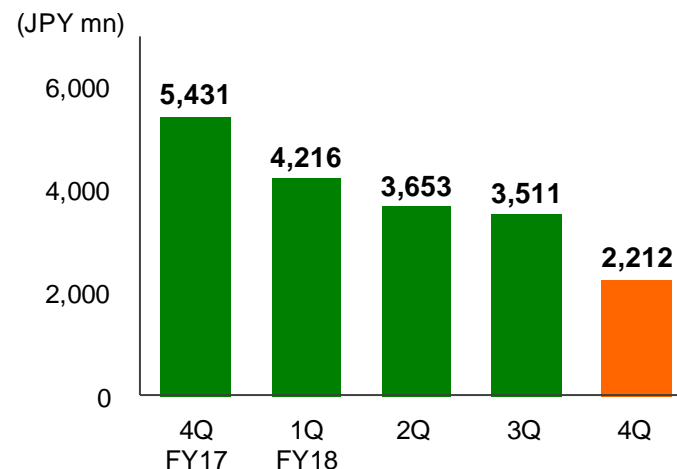


Financial Results

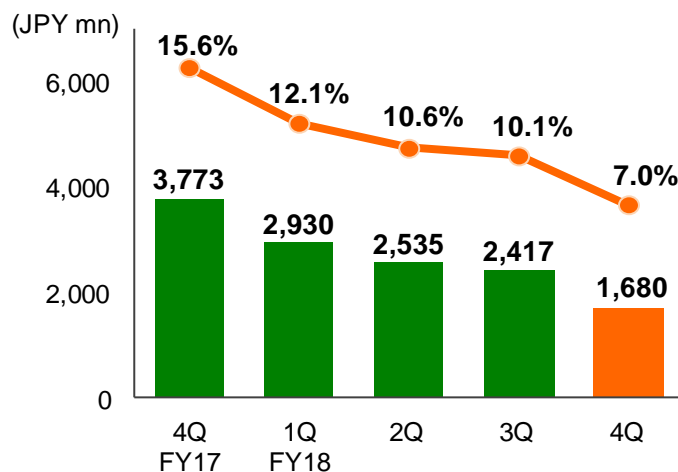
◆ Operating revenue



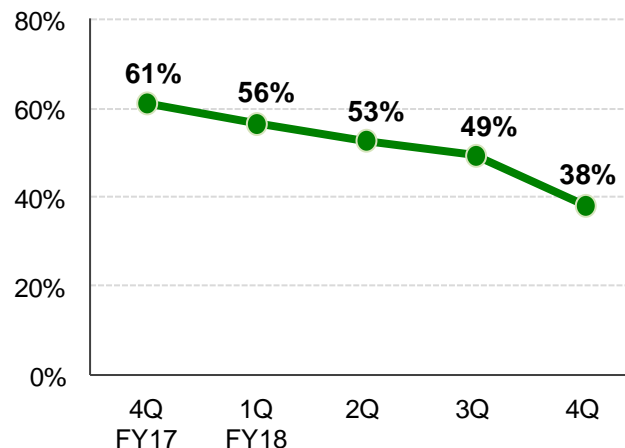
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Operating revenues down JPY 1,310 million QoQ

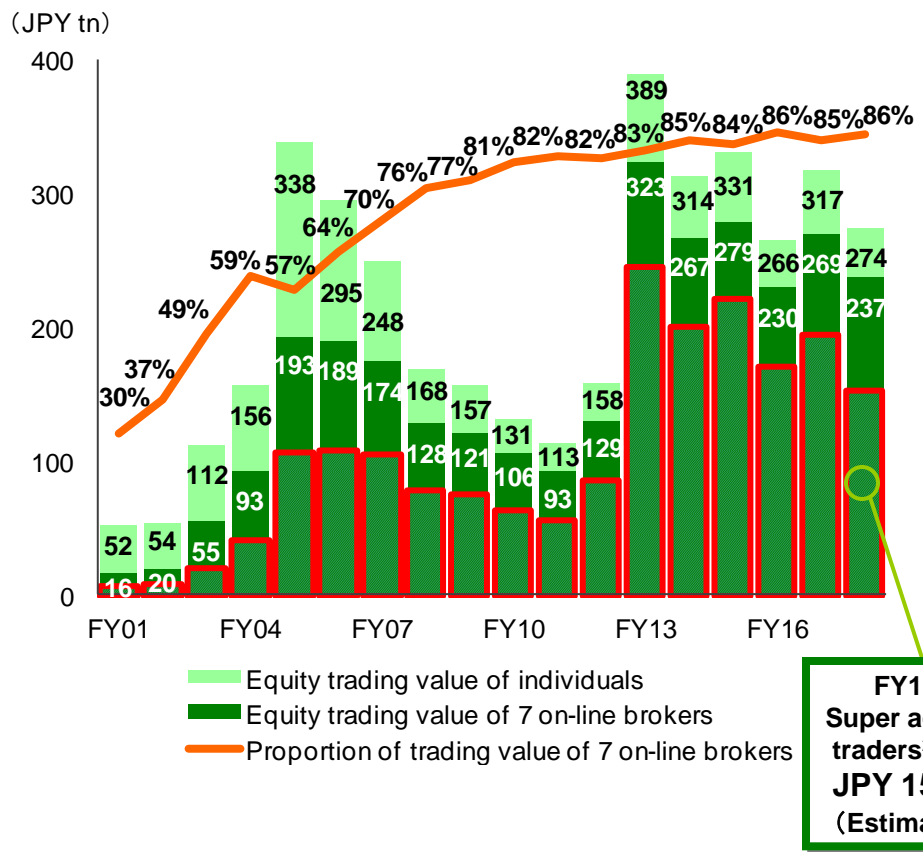
- Commissions were down JPY 770 million due to decline of equity trading value.
- Interest & dividend income was down JPY 460 million due to decline of average margin balance.

◆ SG&A down JPY 20 million QoQ

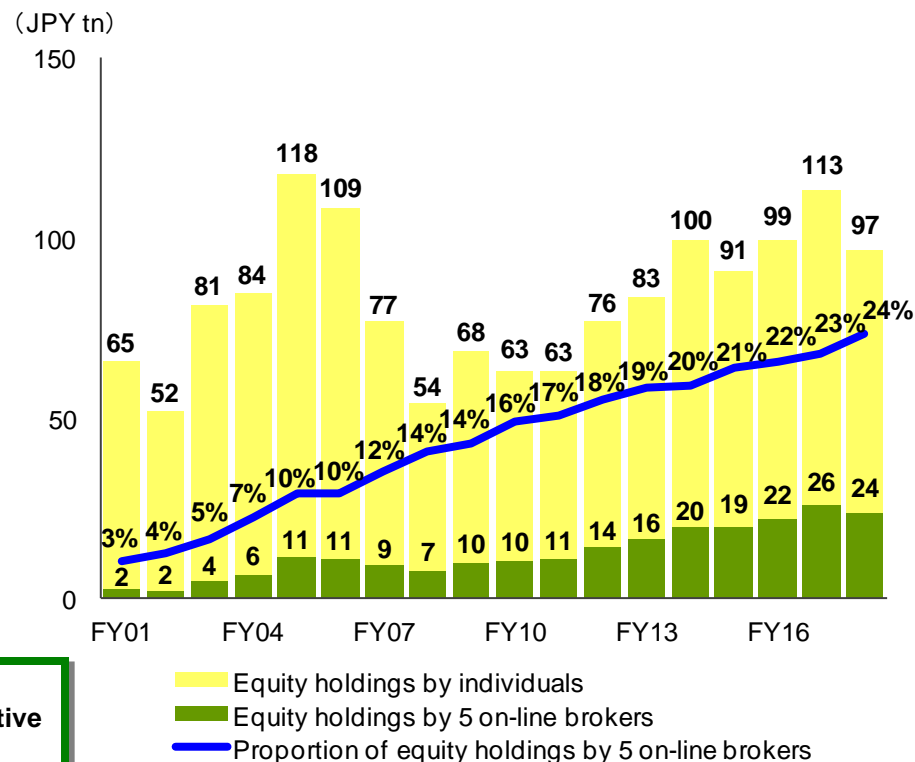
- Personnel expenses were down JPY 170 million. JPY 140 million of payout of commemorative bonus for employees was posted in 3Q.
- JPY 70 million of provision for doubtful receivables for customers' margin transaction of Sanbio Co., Ltd. was posted (SG&A excluding the provision was down JPY 170 million.).

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Financial Summary

Section 1

Summary of Financial Results (FY18)

(JPY mn)

	FY18 (Apr.18-Mar.19)	FY17 (Apr.17-Mar.18)	YoY
Operating Revenues	27,313	32,210	-15%
Commissions	14,986	18,968	-21%
Interest & dividend income	11,112	12,040	-8%
Net trading income	1,214	1,201	1%
Interest expenses	1,314	1,729	-24%
Net operating revenues	25,999	30,480	-15%
SG&A	12,547	11,949	5%
Operating income	13,451	18,532	-27%
Ordinary income	13,592	18,632	-27%
Net income	9,562	12,908	-26%
Ordinary income ratio	50%	58%	-
Matsui's trading value (JPY tn)	28.4	35.6	-20%
Daily average trading value on TSE (JPY tn)	3.3	3.5	-4%

Breakdown of Net Operating Revenue (FY18)

(JPY mn)

	FY18 (Apr.18-Mar.19)	FY17 (Apr.17-Mar.18)	YoY
Commissions	14,986	18,968	-21%
Brokerage	14,285	18,250	-22%
Equity & ETF	13,260	17,144	-23%
Futures & Options	1,025	1,106	-7%
Others	652	698	-7%
Net trading income	1,214	1,201	1%
Interest & dividend income (1)	11,112	12,040	-8%
Total operating revenues	27,313	32,210	-15%
Interest expenses (2)	1,314	1,729	-24%
Net operating revenues	25,999	30,480	-15%
Net interest income (1) - (2)	9,798	10,310	-5%
Average margin balance (JPY bn)	282	294	-4%

Breakdown of SG&A (FY18)

(JPY mn)

	FY18 (Apr.18-Mar.19)	FY17 (Apr.17-Mar.18)	YoY
Trading related expenses	4,408	4,592	-4%
Stock exchanges and securities associations fees	1,237	1,527	-19%
Communications expenses	1,725	1,699	2%
Advertisement	655	536	22%
Personnel expenses	2,661	2,364	13%
Occupancy & rental	870	845	3%
Data processing & office supplies	2,385	2,104	13%
Depreciation	1,691	1,549	9%
Taxes and dues	340	406	-16%
Provision of allowance for doubtful accounts	56	-29	-
Others	136	117	16%
Total SG&A	12,547	11,949	5%

Summary of Financial Results (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY18		FY17	YoY	FY18
	4Q	3Q		2Q	1Q	4Q		TOTAL
Operating Revenues	5,808	7,116	-18%	6,927	7,462	8,883	-35%	27,313
Commissions	3,230	3,999	-19%	3,723	4,034	5,217	-38%	14,986
Interest & dividend income	2,344	2,807	-17%	2,897	3,064	3,208	-27%	11,112
Net trading income	234	309	-24%	306	364	458	-49%	1,214
Interest expenses	332	370	-10%	293	319	425	-22%	1,314
Net operating revenues	5,476	6,747	-19%	6,634	7,143	8,458	-35%	25,999
SG & A	3,269	3,288	-1%	2,984	3,006	3,025	8%	12,547
Operating income	2,206	3,458	-36%	3,651	4,136	5,433	-59%	13,451
Ordinary income	2,212	3,511	-37%	3,653	4,216	5,431	-59%	13,592
Net income	1,680	2,417	-30%	2,535	2,930	3,773	-55%	9,562
Ordinary income ratio	38%	49%	-	53%	56%	61%	-	50%
Matsui's trading value (JPY tn)	6.5	7.3	-10%	6.8	7.9	9.4	-30%	28.4
Daily average trading value on TSE (JPY tn)	3.1	3.6	-15%	3.2	3.3	4.0	-22%	3.3

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

	FY18	FY18	QoQ	FY18		FY17	YoY	FY18
	4Q	3Q		2Q	1Q	4Q		TOTAL
Commissions	3,230	3,999	-19%	3,723	4,034	5,217	-38%	14,986
Brokerage	3,054	3,840	-20%	3,543	3,848	5,018	-39%	14,285
Equity & ETF	2,839	3,510	-19%	3,295	3,617	4,667	-39%	13,260
Futures & Options	216	331	-35%	248	231	352	-39%	1,025
Others	168	143	17%	177	164	190	-12%	652
Net trading income	234	309	-24%	306	364	458	-49%	1,214
Interest & dividend income (1)	2,344	2,807	-17%	2,897	3,064	3,208	-27%	11,112
Total operating revenues	5,808	7,116	-18%	6,927	7,462	8,883	-35%	27,313
Interest expenses (2)	332	370	-10%	293	319	425	-22%	1,314
Net operating revenues	5,476	6,747	-19%	6,634	7,143	8,458	-35%	25,999
Net interest income (1) - (2)	2,011	2,437	-17%	2,605	2,744	2,783	-28%	9,798
Average margin balance (JPY bn)	233	280	-17%	293	323	333	-30%	282

Breakdown of SG&A (Quarterly)

(JPY mn)

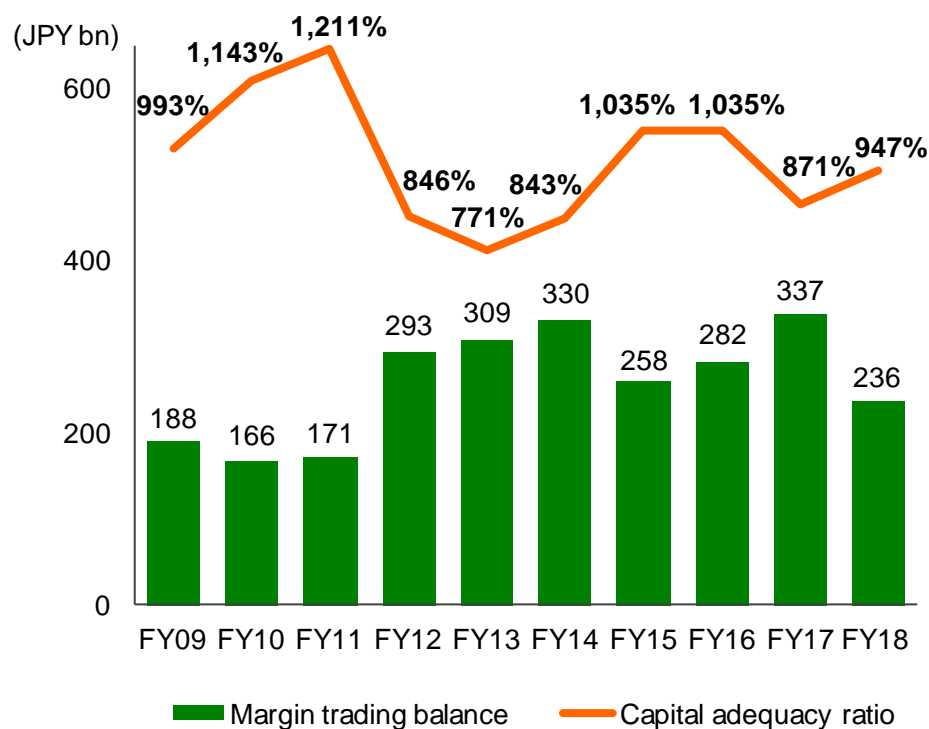
	FY18	FY18	QoQ	FY18		FY17	YoY	FY18
	4Q	3Q		2Q	1Q	4Q		TOTAL
Trading related expenses	1,165	1,185	-2%	1,016	1,042	1,218	-4%	4,408
Stock exchanges and securities associations fees	297	324	-8%	299	316	405	-27%	1,237
Communications expenses	452	432	5%	420	422	443	2%	1,725
Advertisement	243	184	32%	105	122	131	85%	655
Personnel expenses	637	802	-21%	613	610	594	7%	2,661
Occupancy & rental	232	215	8%	213	210	209	11%	870
Data processing & office supplies	640	623	3%	553	569	541	18%	2,385
Depreciation	426	428	-0%	424	413	403	6%	1,691
Taxes and dues	67	84	-20%	89	101	111	-39%	340
Provision of allowance for doubtful accounts	69	-79	-	51	14	-70	-	56
Others	33	32	2%	24	47	19	73%	136
Total SG & A	3,269	3,288	-1%	2,984	3,006	3,025	8%	12,547

Regulatory Capital

◆ Capital adequacy ratio (As of 31 March 2019)

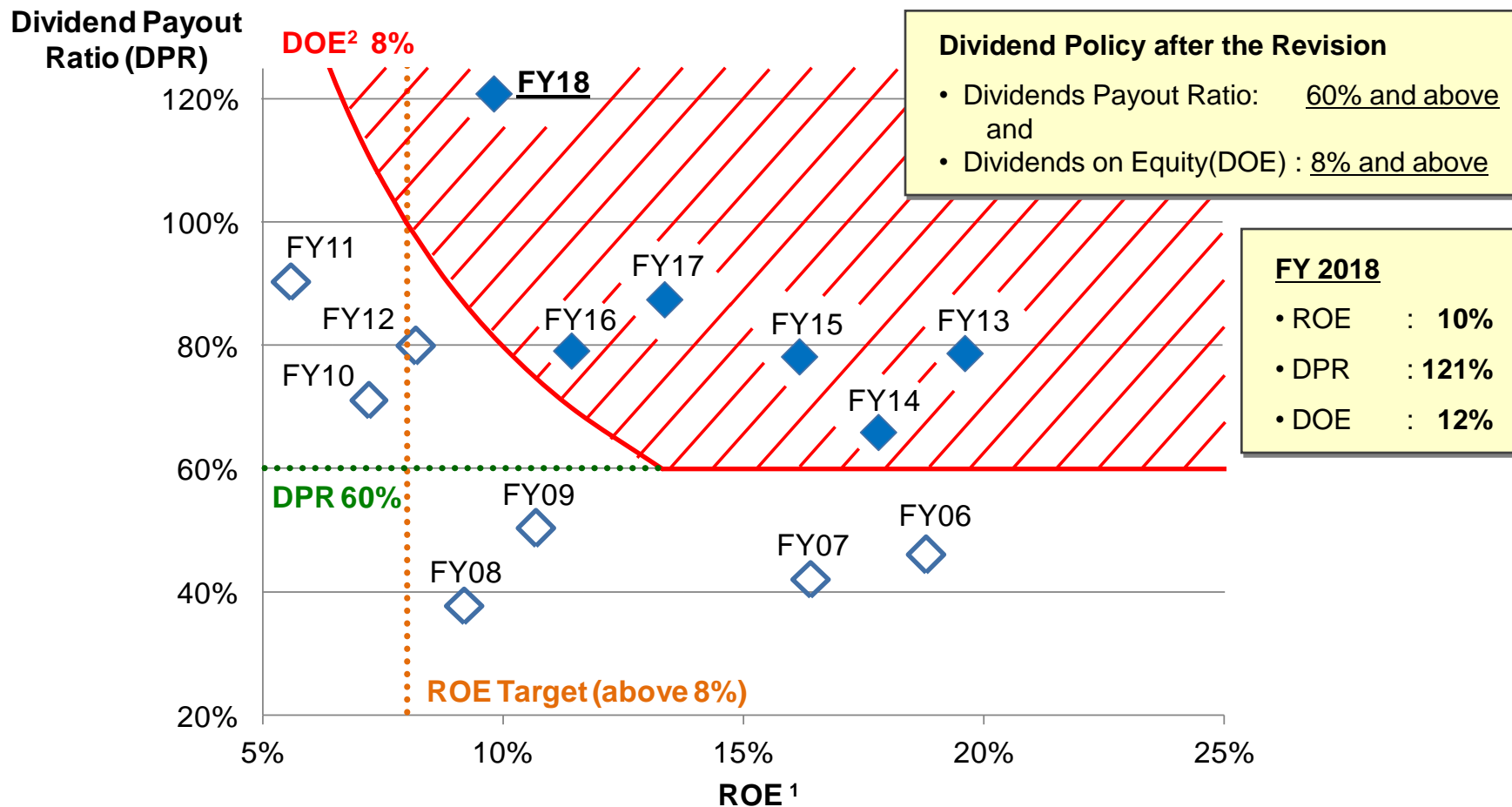
		(JPY mn)
Tier 1	(A)	77,368
Tier 2	Net unrealized gain on investment	2,517
	Statutory reserves	2,843
	Allowance for doubtful accounts	129
	Sub total (B)	5,489
Assets to be deducted from equity capital	(C)	7,530
Net Capital		
	(A) + (B) - (C) (D)	75,328
Total risk	Market risk	547
	Counterparty risk	4,469
	Basic risk	2,930
	Total (E)	7,947
Capital Adequacy ratio (D)/(E)		947%

◆ 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



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

Plan to pay year-end dividend of 65 yen per share for FY18
(Ordinary dividend of 26 yen and Commemorative dividend of 39 yen)

Plan to pay ordinary dividend of 45 yen per share for FY19

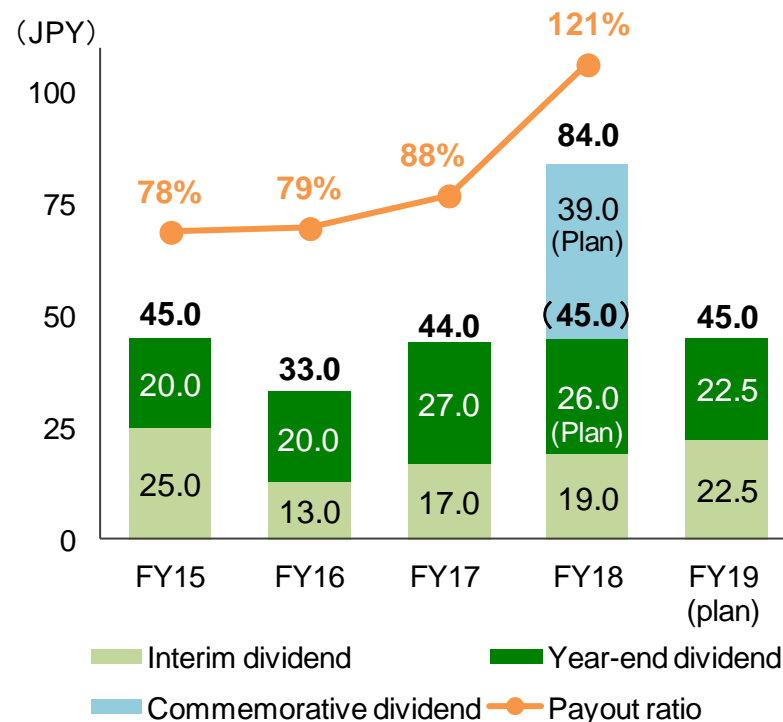
◆ Dividends for FY2018

- **Ordinary dividend : 45 yen**
(Total amount of 11.6 billion yen)
 - Interim dividend : 19 yen
 - Year-end dividend : 26 yen
- **Commemorative dividend : 39 yen**
(Total amount of 10.0 billion yen)

◆ Dividends for FY2019 (Plan)

- **Ordinary dividend : 45 yen**
 - Interim dividend : 22.5 yen
 - Year-end dividend : 22.5 yen

◆ Matsui's dividend per share and payout ratio¹

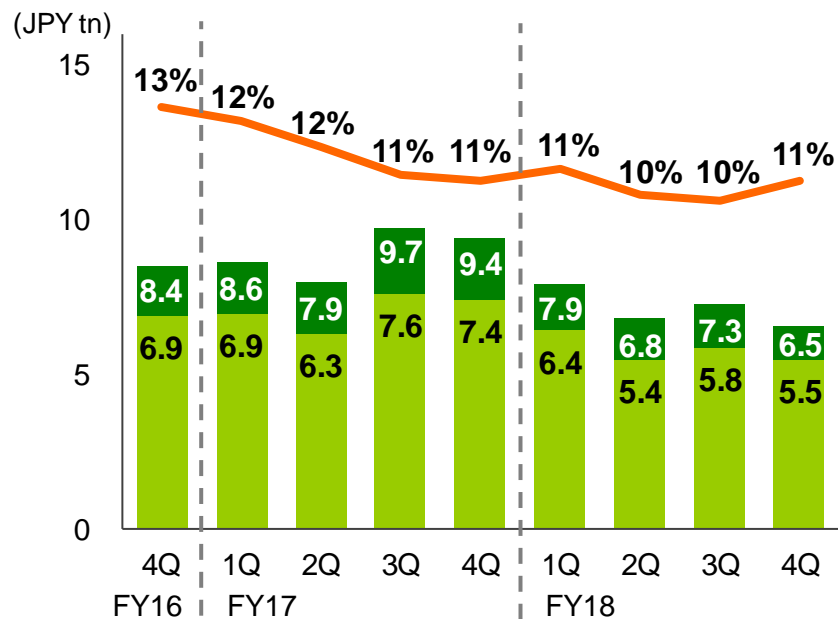


Results of Operation

Section 2

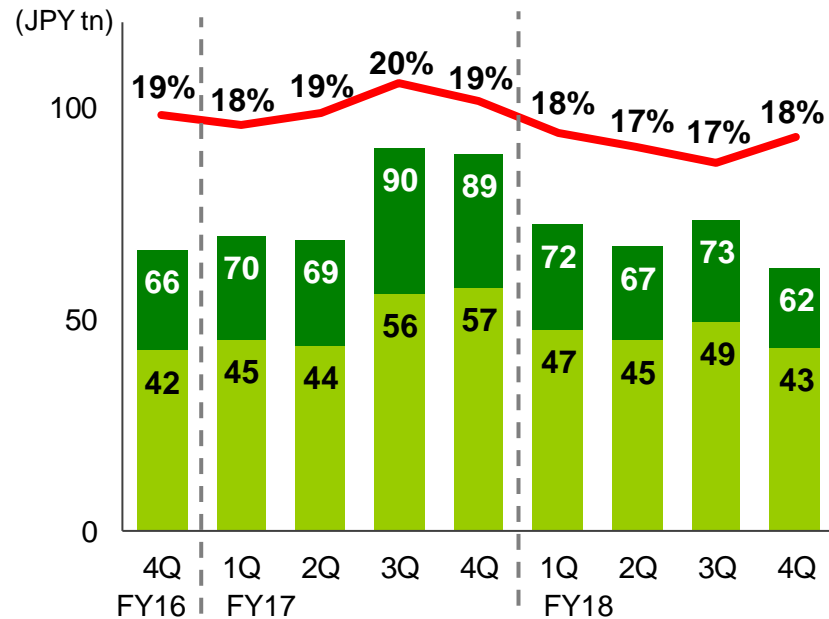
Equity Trading Value

◆ 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

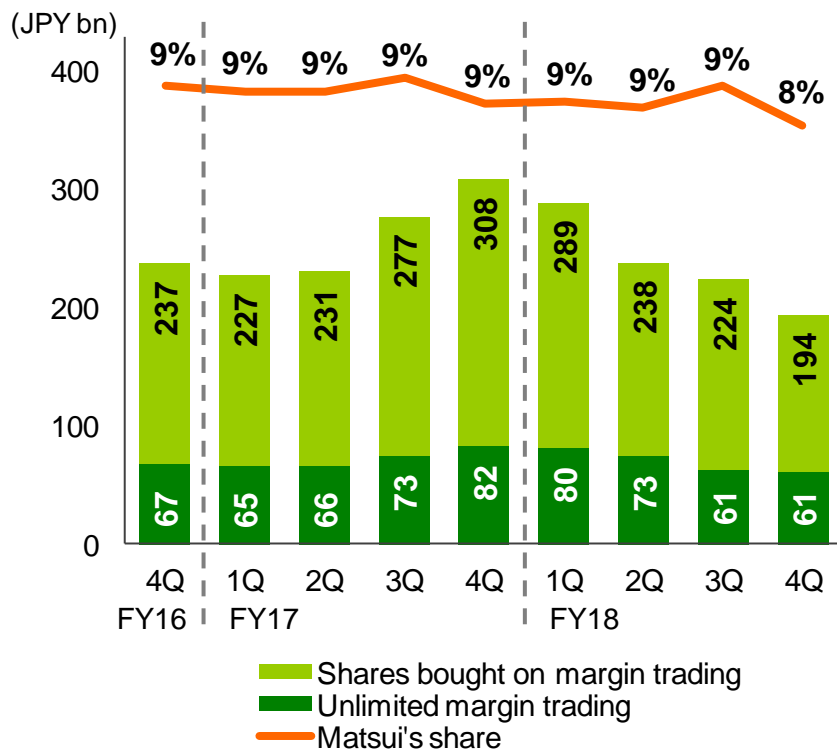
◆ Retail equity trading value¹ and proportion to total equity trading value



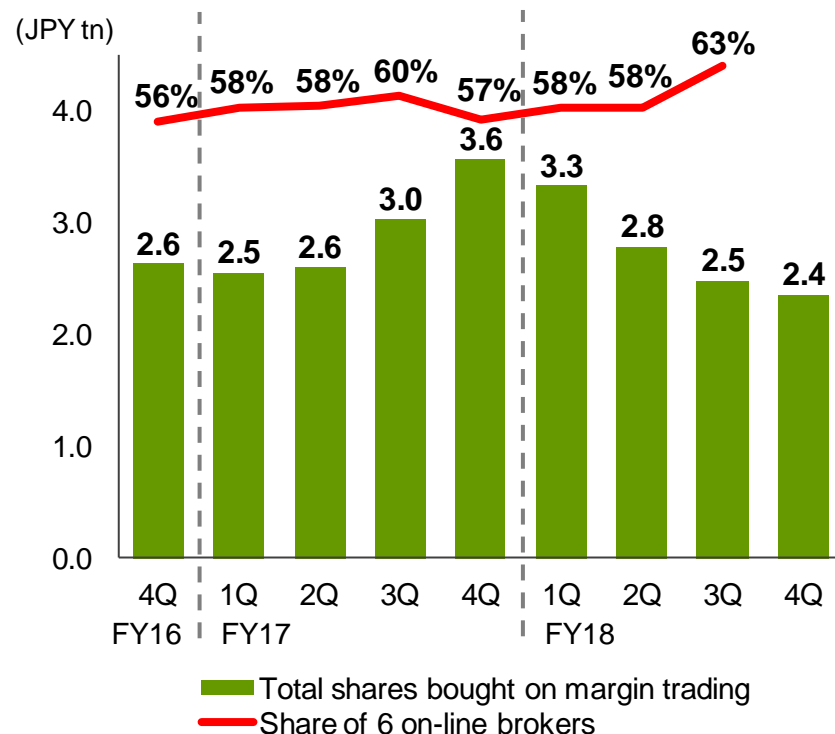
■ Retail equity trading value
■ Retail margin trading value
— Proportion to total equity trading value

Margin Trading Balance

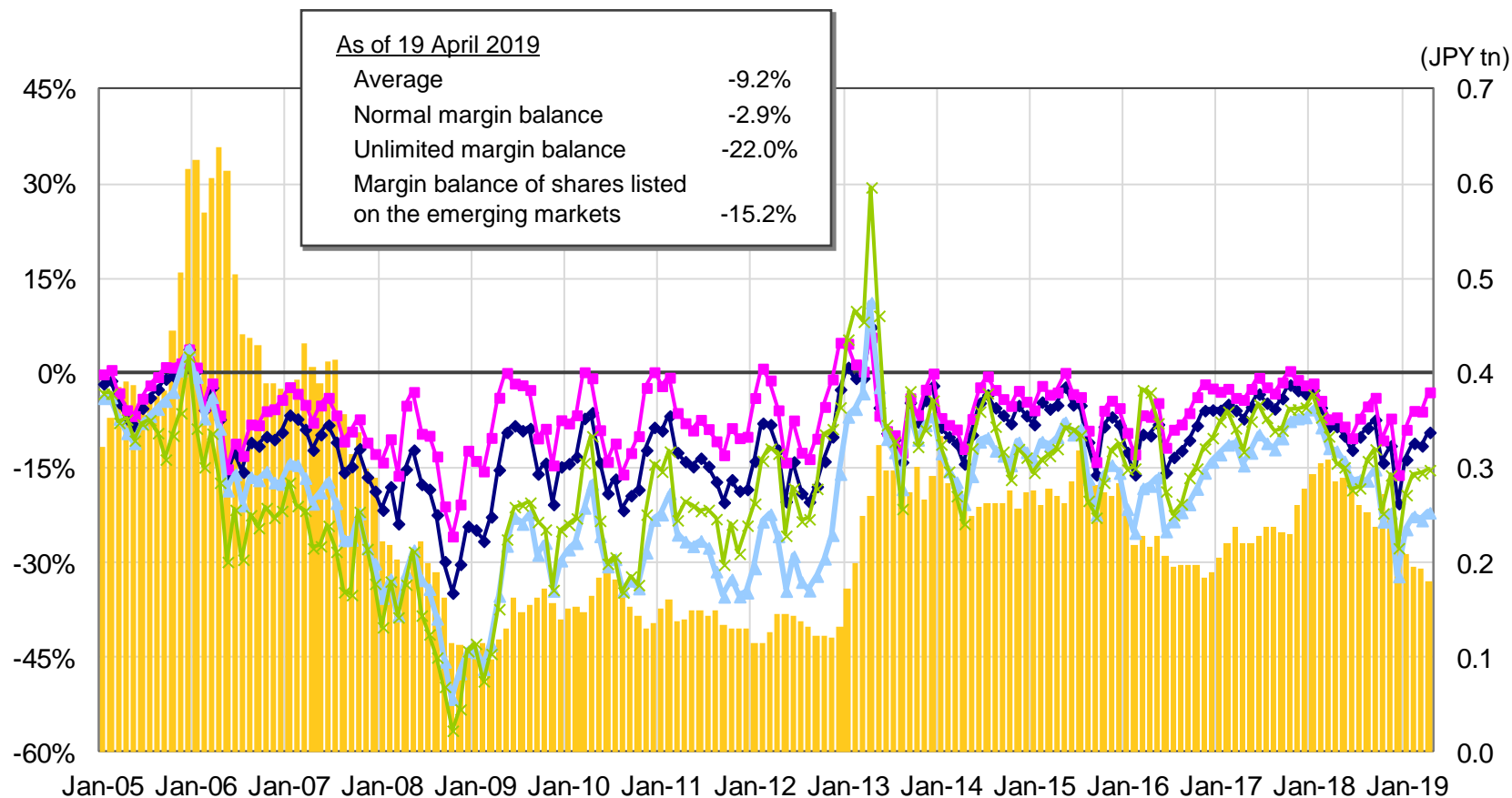
◆ Matsui's shares bought on margin¹ and its market share²



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



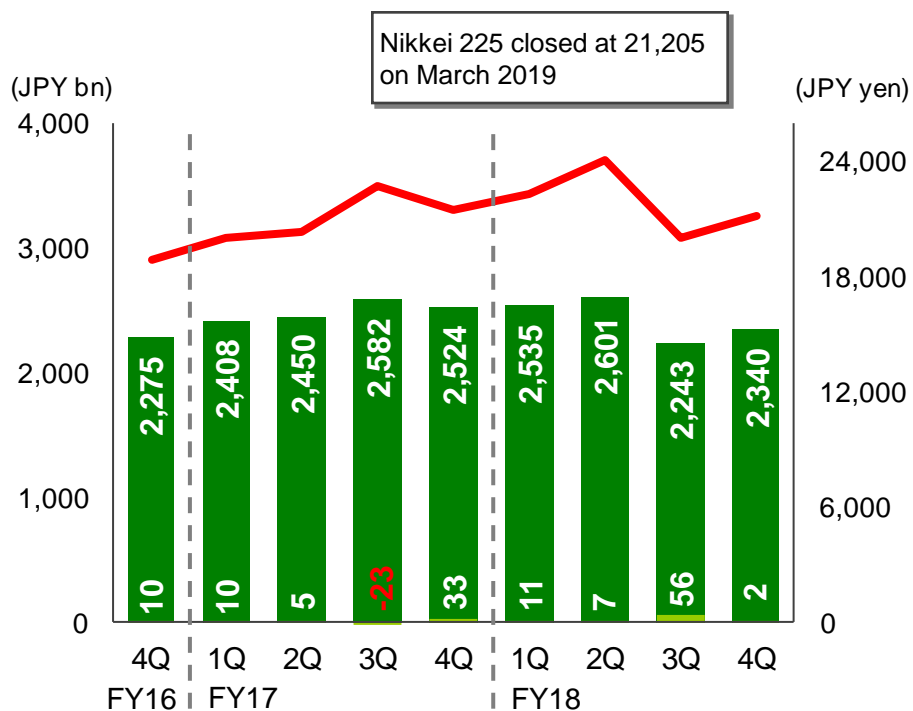
Unrealized Losses on Matsui's Margin Balance



- 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)

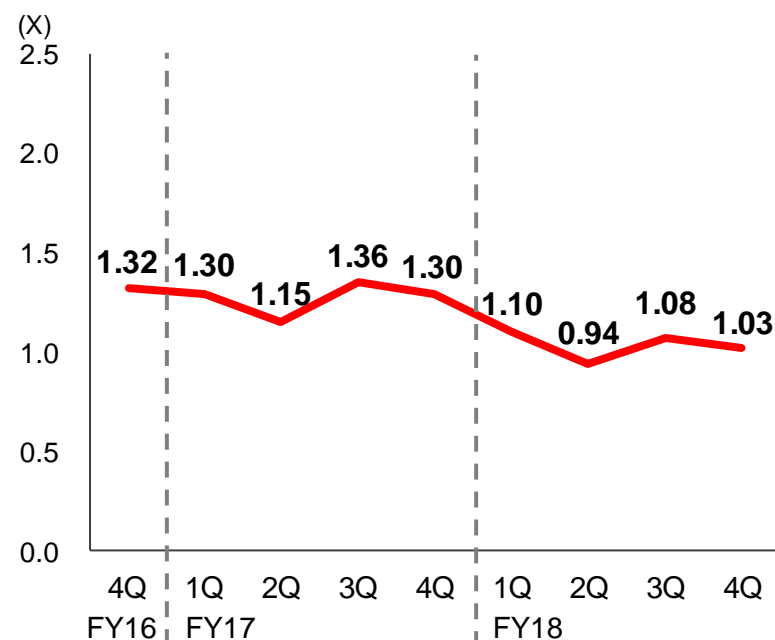
Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



- Assets under Matsui's customers' accounts
- Net inflow in cash and stocks
- Nikkei 225¹

◆ Equity trading turnover² of Matsui's customers



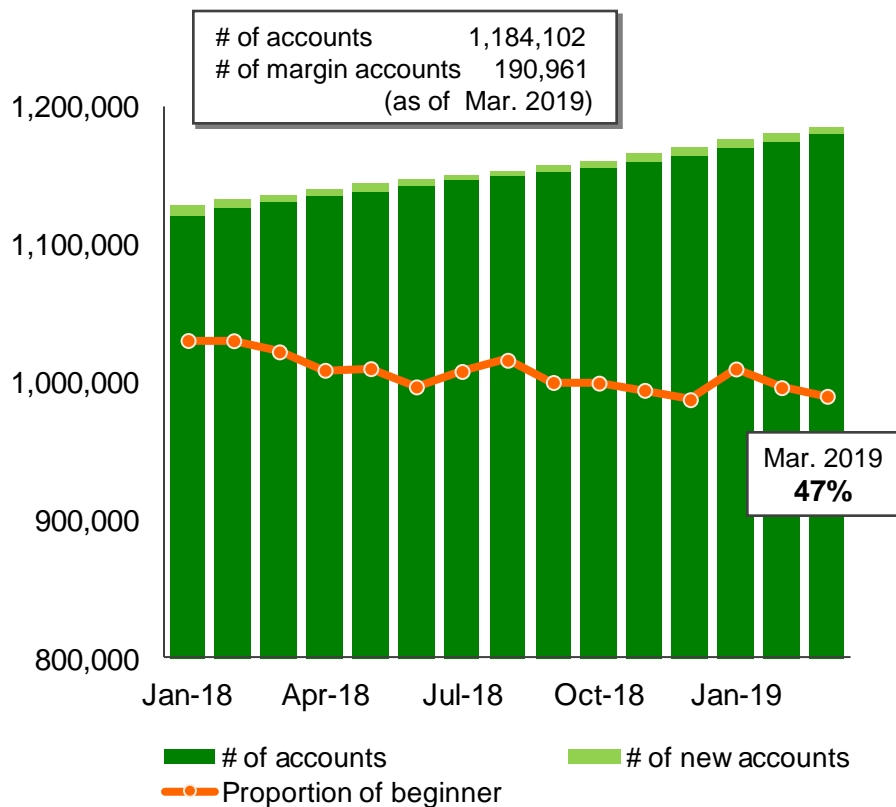
Note 1: Nikkei 225 is the closed price at the end of each quarter

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

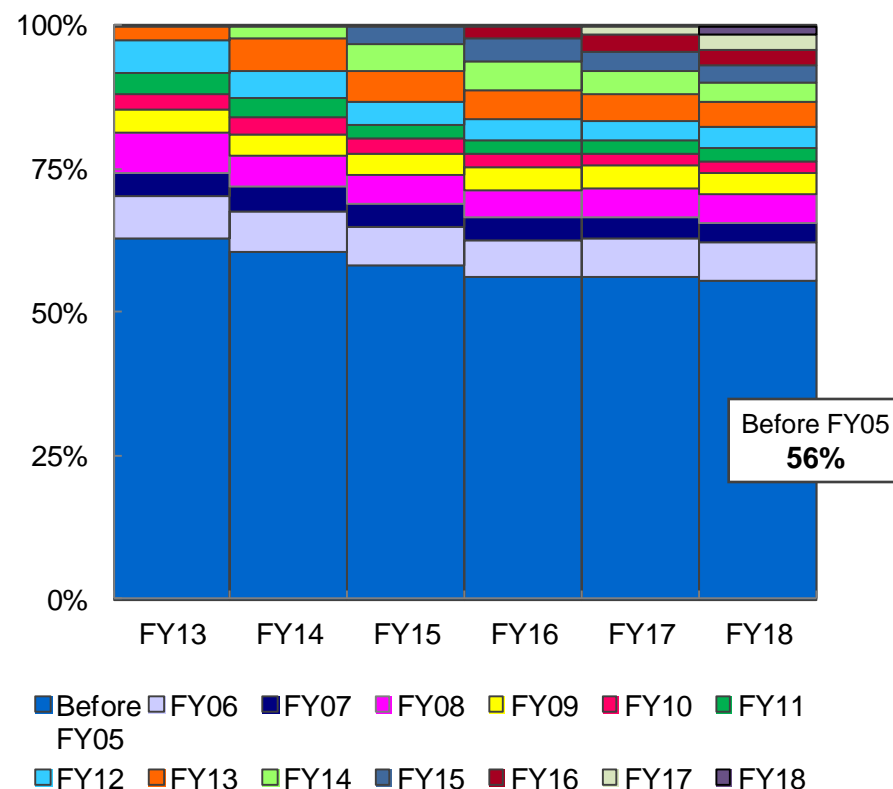
* assets under customers' accounts of Matsui's related persons are excluded

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

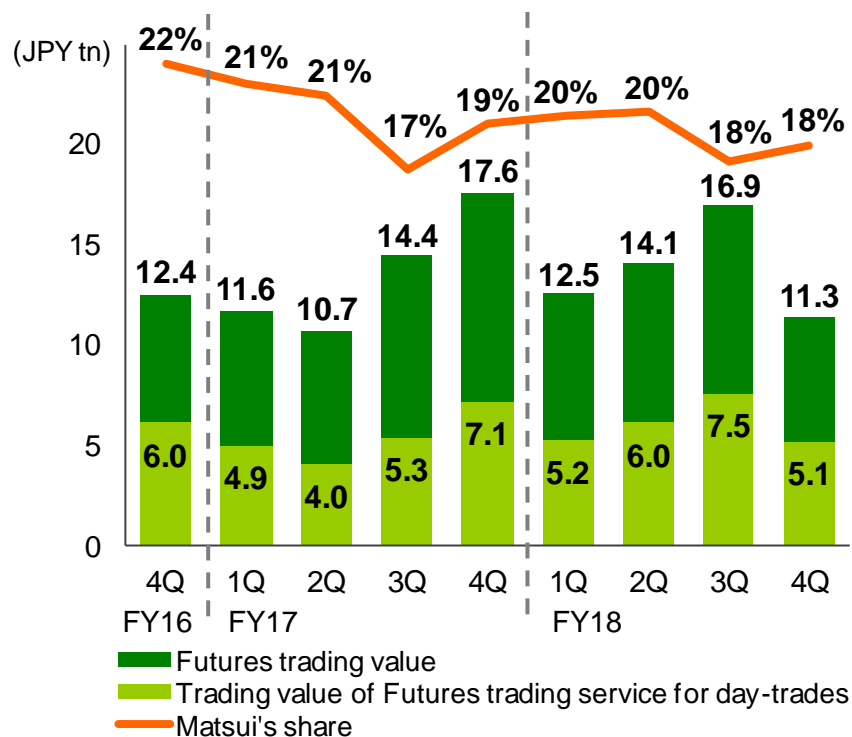


◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)

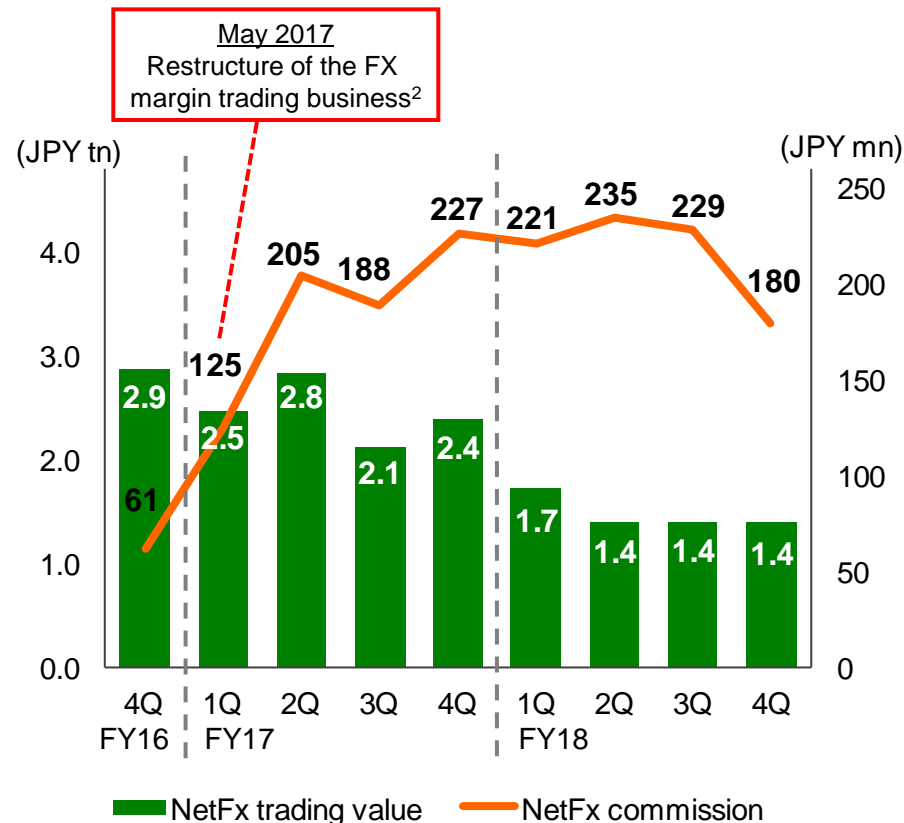


Futures Trading Value / FX Margin Trading Value

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

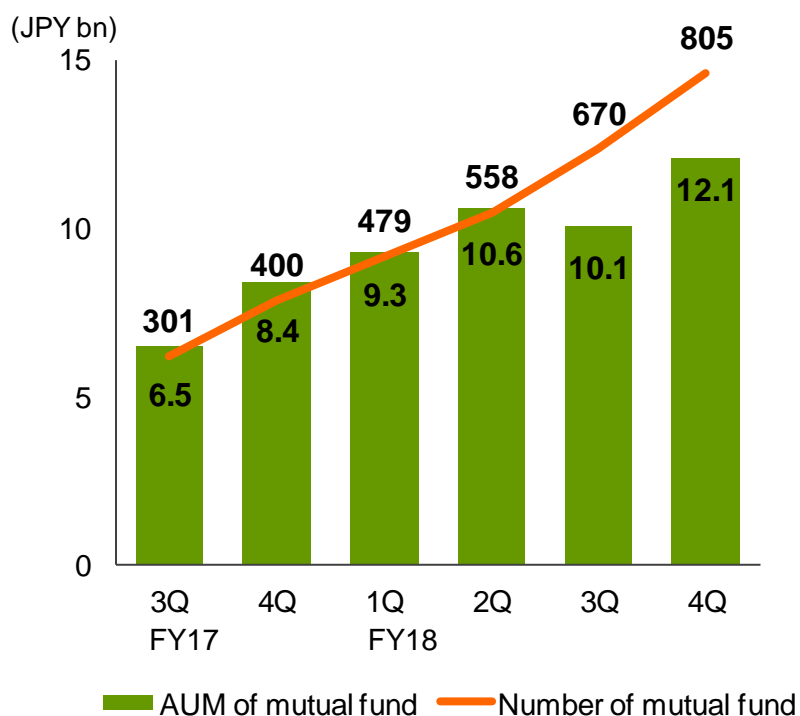


◆ Matsui's OTC FX trading value and commission

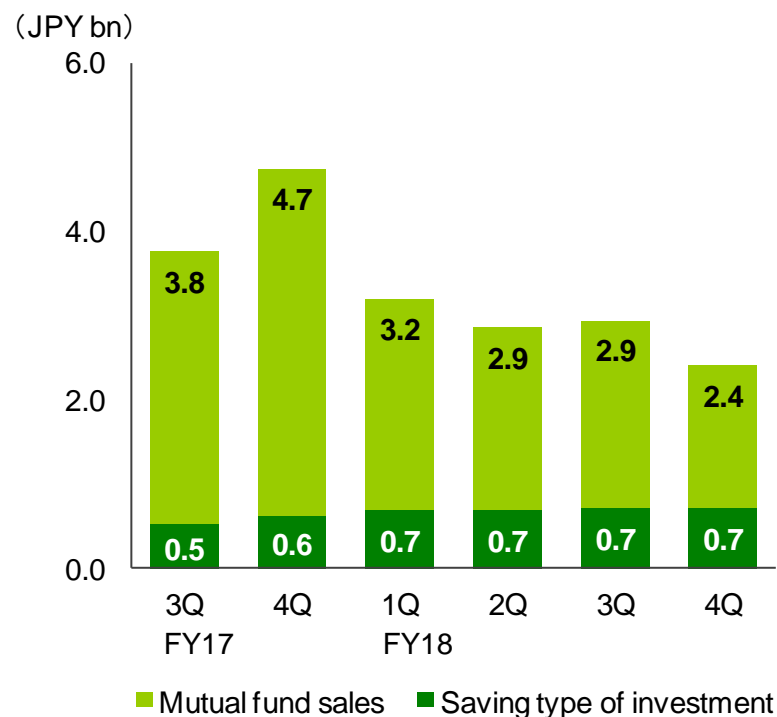


Mutual Fund

◆ 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

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

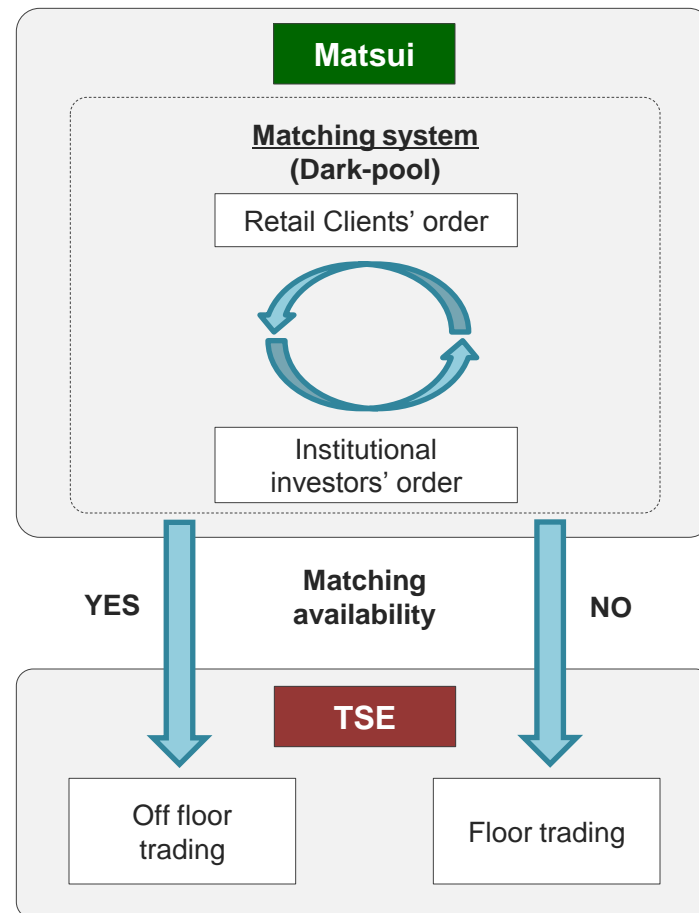
◆ Features

- 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

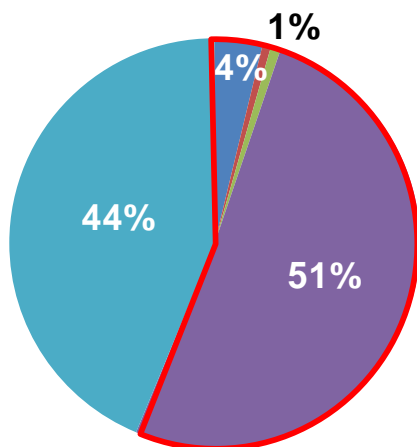


Equity Business: Better Execution Service II

Disclose the monthly result of statistic analysis for price improvements

◆ Provide better prices on **56%** of order which is executed in the dark-pool

➢ Price range of execution in dark-pool



Price Improvement

- 4%: Bid price at TSE*
- 0%: Between bid price and mid price
- 1%: Mid price
- 51%: Between offer price and mid price
- 44%: Offer price at TSE*

*In case of buying order

◆ Average price improvement rate is **2.9bps**

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	2.1 bps
Small-cap	3.9 bps
Others	
Tse 2nd	5.5 bps
JASDAQ	7.8 bps
Mothers	3.3 bps
ETF	1.0 bps
REIT	2.6 bps
Total	
	2.9 bps

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 (Jan. 2019)

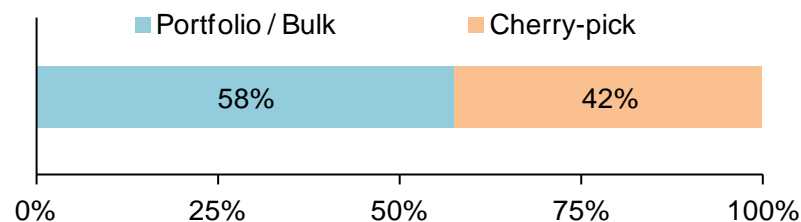
➤ Response to the needs of retired generation

→ 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)

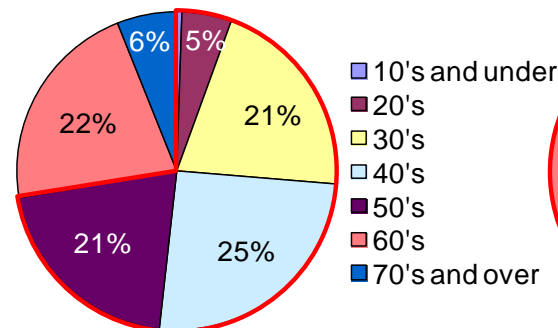
→ Started providing new Robo-advisor services for cherry-picking and replacement of mutual funds (Dec. 2019)

◆ AUM by type of investment²

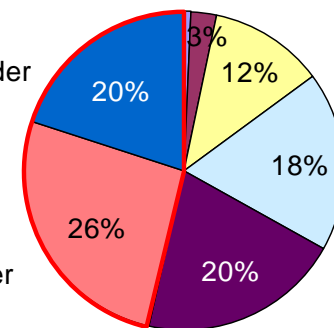


◆ AUM by age²

● Portfolio / Bulk



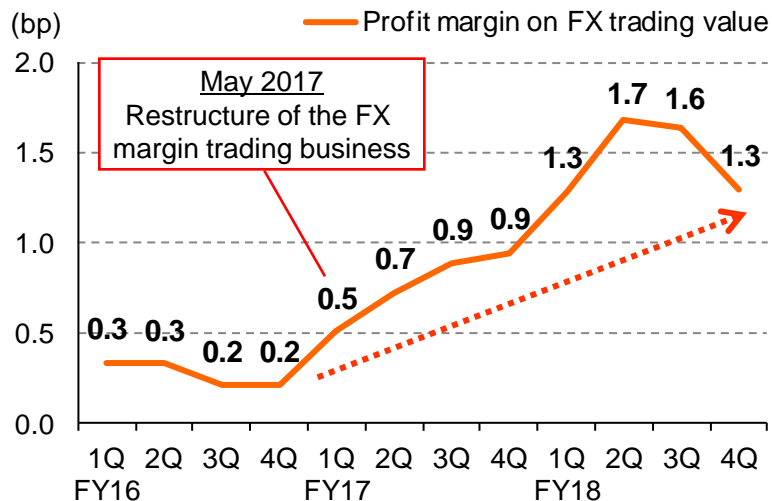
● Cherry-pick



FX Margin Trading Business

◆ Restructuring of the business model (May 2017)

- Transformed brokerage business model into the trading business model to **improve profitability**
- Profit margin was **4~5 times higher** than before restructuring



◆ Renewal of the trading platform for clients (April 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



Partnership with other companies

Actively seek the opportunities to establish the partnership with companies such as fintech startups that would provide the technology engines to complement our service lineup

◆ Equity Business

- Cooperation with provider of equity trading algorithm platform “QuantX” (Feb. 2019)



- Closer Cooperation with investment management application “myTrade” (Mar. 2019)



→ Increase equity trading value of Matsui's customers through enhancing the added value of our services

◆ Asset Business

- Cooperation with crowd-funding platform “OwnersBook” (Feb. 2018)

→ Expand the service line-up of asset business



- Joint development of the life plan simulation tool with MILIZE (Jan. 2019)

→ Provide the tool to support asset building of younger generation



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 March 2019)

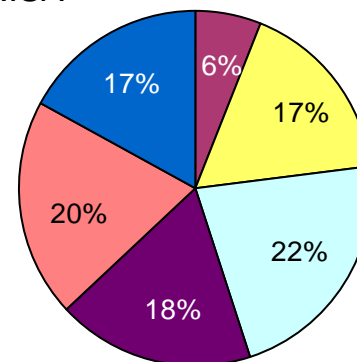
	NISA	Saving type of NISA	Junior NISA
Total number of accounts	140,740	3,786	4,491
Number of active accounts ¹	37,157	1,878	1,190
Active account ratio	26%	50%	26%
Total investment value(JPY mn) ²	17,381	120	418
Customers' assets(JPY mn) ³	106,824	462	2,246

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

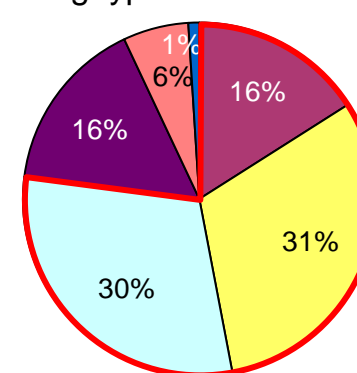
Rank	NISA	Saving Type of NISA
1	Mizuho Financial Group, Inc. (8411)	Hifumi Plus
2	Orix Corp. (8591)	eMAXIS Slim Developed Country Equity Index
3	Nissan Motor Co., Ltd. (7201)	Nissay Foreign Equity Index Fund no charge
4	Japan Tobacco Inc. (2914)	Rakuten US All Equity Index Fund
5	SoftBank Corp. (9434)	Rakuten All Country Equity Index Fund

◆ Attribution of NISA accounts by age (as of March 2019)

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 31 March 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 25 April 2019. 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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