



Matsui Securities Co., Ltd.

(First Section of TSE: 8628)

Annual Results for FY2019

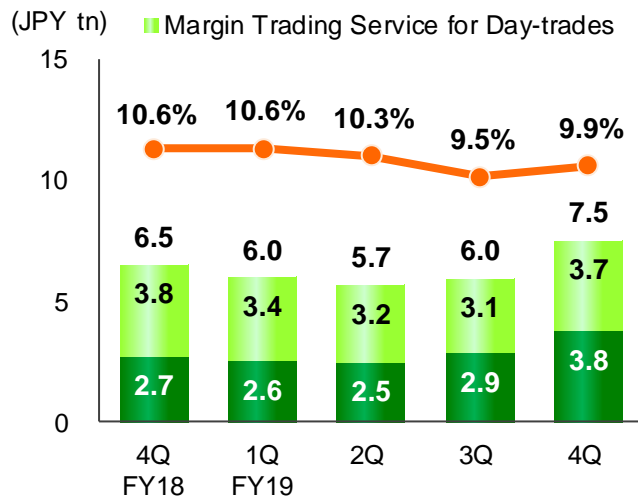
April 2020

Table of Contents

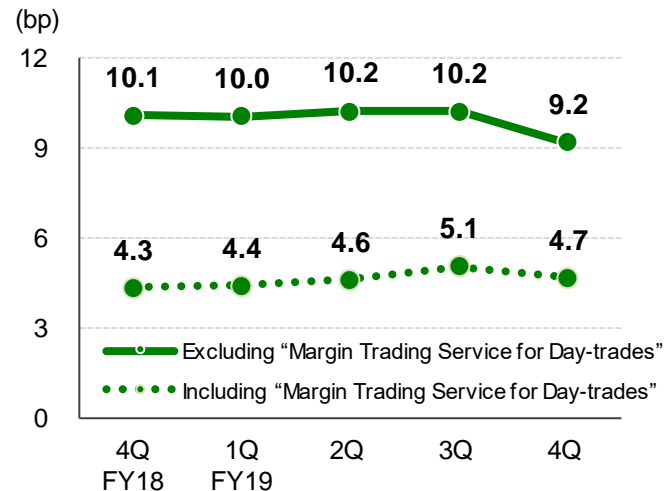
| | | |
|-----------|----------------------|----|
| Section 1 | Financial Summary | 6 |
| Section 2 | Results of Operation | 16 |
| Section 3 | Recent Developments | 24 |

Results of Operation

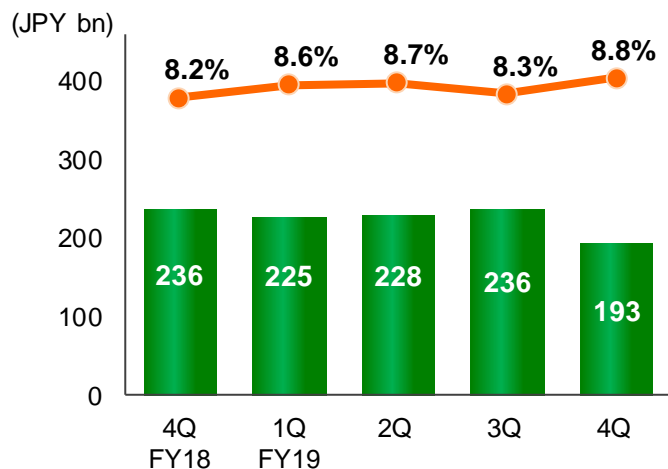
◆ Equity trading value / Market share



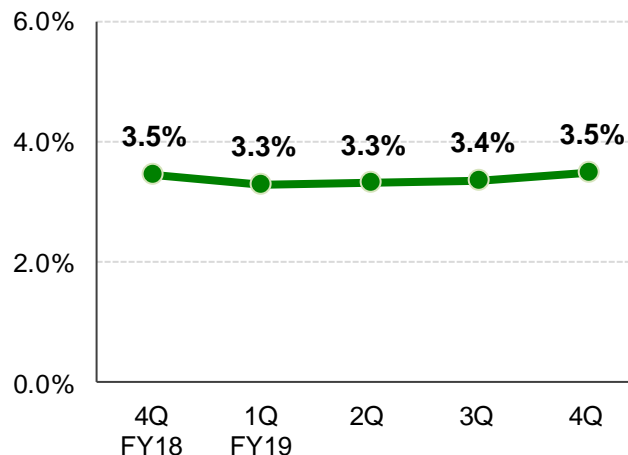
◆ Equity commission rate



◆ Margin balance / Market share

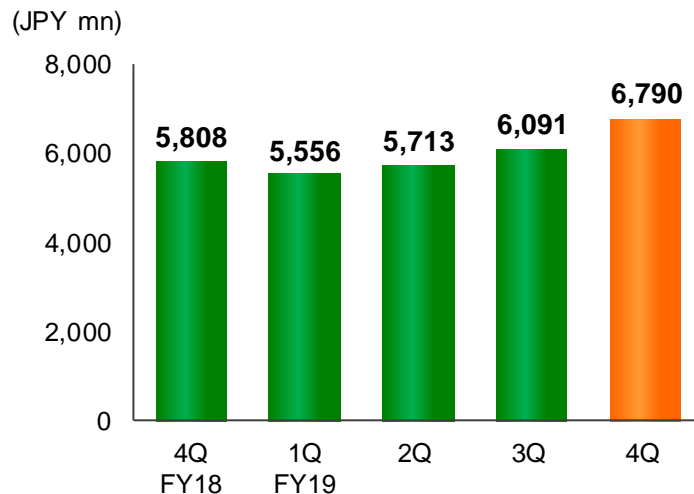


◆ Net financial income ratio

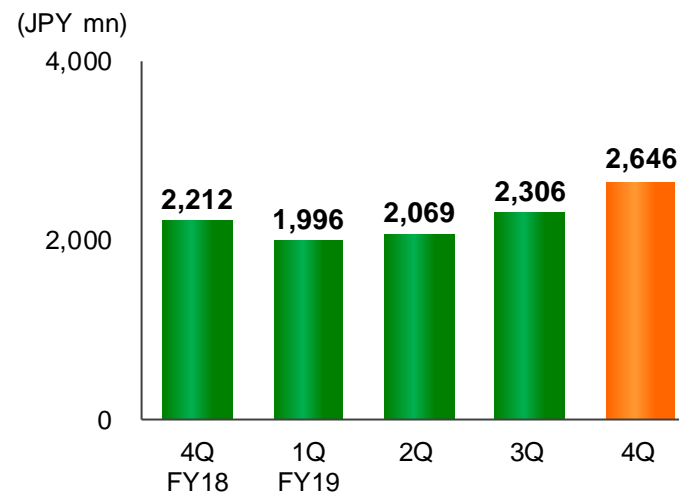


Financial Results

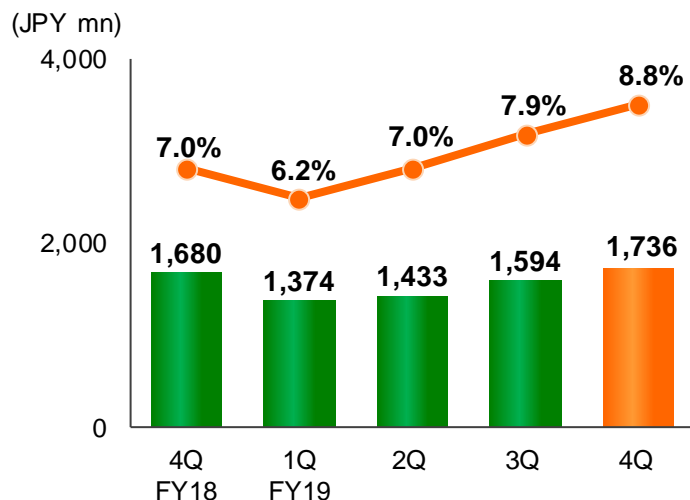
◆ Operating revenue



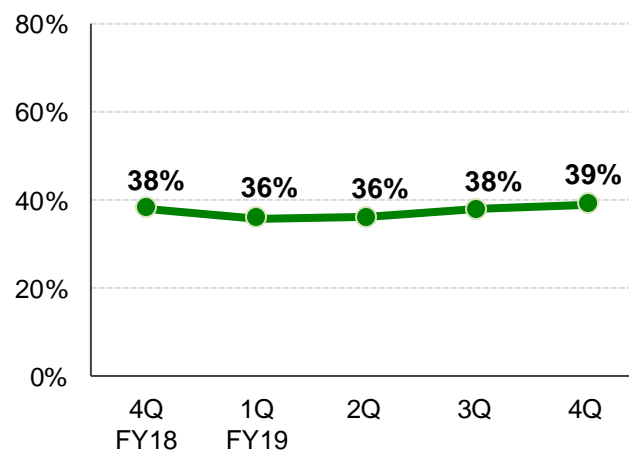
◆ Ordinary income



◆ Net income / ROE¹



◆ Ordinary income ratio



Financial Highlights

◆ Net operating revenues up JPY 920 million QoQ

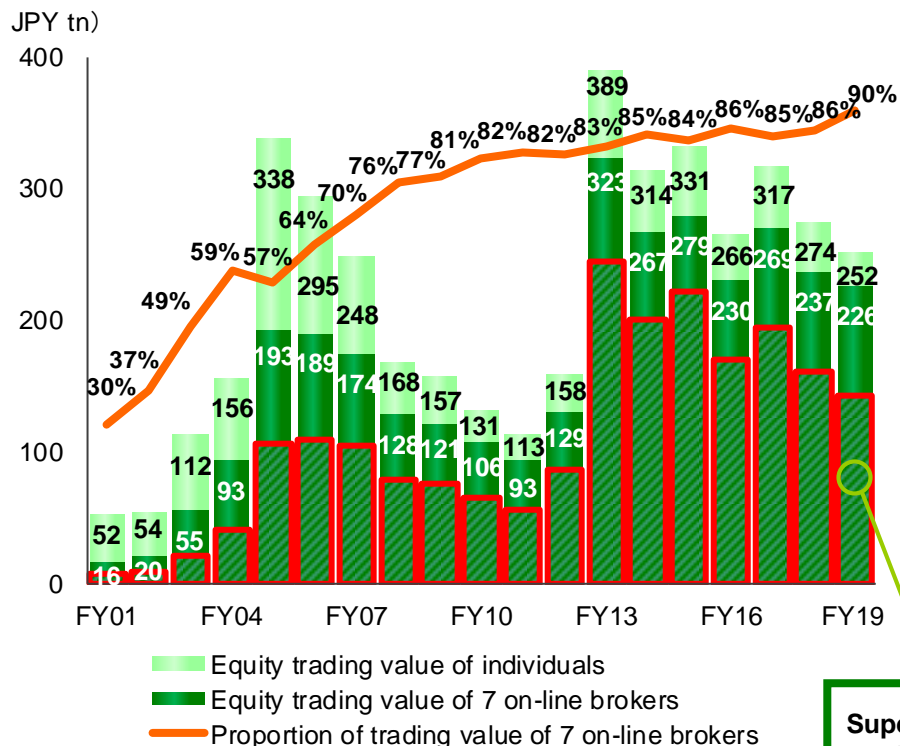
- Commissions were up JPY 760 million due to increase of equity trading value.
- Interest & dividend income was up JPY 100 million due to increase of average margin balance for long-position and revenue from securities lending.
- Net trading income was up JPY 60 million due to increase of FX trading value.

◆ SG&A up JPY 520 million QoQ

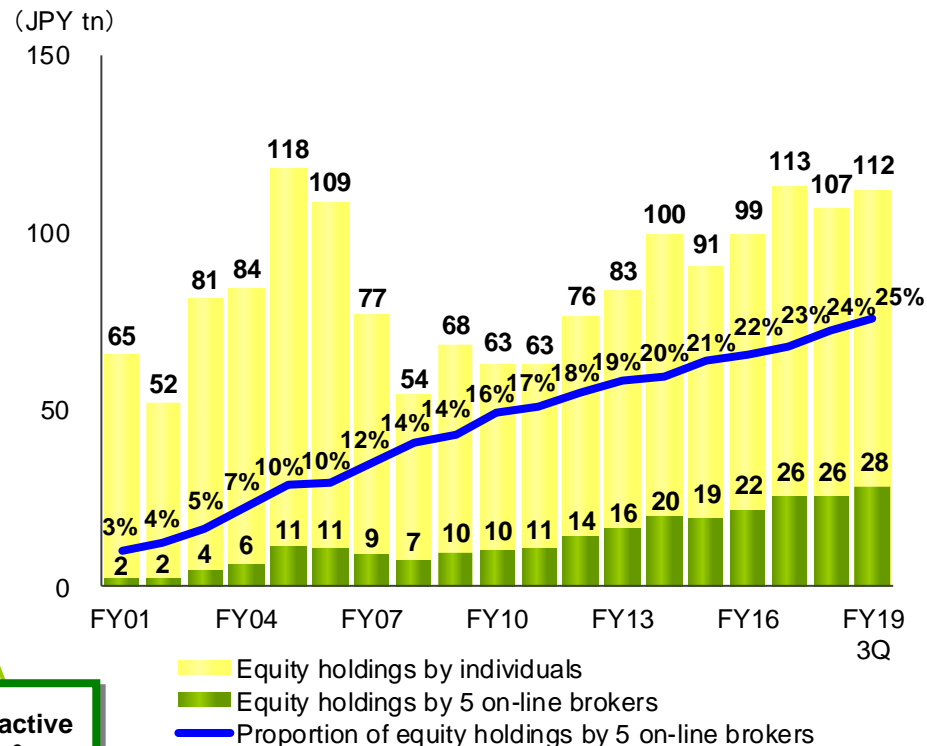
- Trading related expenses were up JPY 380 million due to increase of equity trading value and advertisement expenses.
- JPY 60 million of provision for doubtful receivables for customers' margin transaction was posted.

Overview of Retail Equity Trading Market

◆ Equity trading value of individuals¹ (FLOW)



◆ Equity holdings by individuals¹ (STOCK)



Super active traders²
JPY 140 tn
(Estimate)

Source: TSE, Company data, Company Website, BOJ

Note 1: 5 on-line brokers are Matsui, SBI, Rakuten, Monex and au Kabucom, 7 on-line brokers include GMO Click and Okasan Online
 Equity trading value of FY19 is estimated.

Note 2: Super active traders : number of trades per month is over 100 times

Financial Summary

Section 1

Summary of Financial Results (FY19)

(JPY mn)

| | FY19 (Apr.19-Mar.20) | FY18 (Apr.18-Mar.19) | YoY |
|---|-------------------------|-------------------------|------|
| Operating Revenues | 24,150 | 27,313 | -12% |
| Commissions | 13,490 | 14,986 | -10% |
| Interest & dividend income | 9,539 | 11,112 | -14% |
| Net trading income | 1,120 | 1,214 | -8% |
| Interest expenses | 1,805 | 1,314 | 37% |
| Net operating revenues | 22,345 | 25,999 | -14% |
| SG&A | 13,436 | 12,547 | 7% |
| Operating income | 8,909 | 13,451 | -34% |
| Ordinary income | 9,016 | 13,592 | -34% |
| Net income | 6,136 | 9,562 | -36% |
| Ordinary income ratio | 37% | 50% | - |
| Matsui's trading value (JPY tn) | 25.2 | 28.4 | -11% |
| Daily average trading value on TSE (JPY tn) | 3.1 | 3.3 | -7% |

Breakdown of Net Operating Revenue (FY19)

(JPY mn)

| | FY19 (Apr.19-Mar.20) | FY18 (Apr.18-Mar.19) | YoY |
|---------------------------------|-------------------------|-------------------------|------|
| Commissions | 13,490 | 14,986 | -10% |
| Brokerage | 12,850 | 14,285 | -10% |
| Equity & ETF | 11,803 | 13,260 | -11% |
| Futures & Options | 1,047 | 1,025 | 2% |
| Others | 593 | 652 | -9% |
| Net trading income | 1,120 | 1,214 | -8% |
| Interest & dividend income (1) | 9,539 | 11,112 | -14% |
| Total operating revenues | 24,150 | 27,313 | -12% |
| Interest expenses (2) | 1,805 | 1,314 | 37% |
| Net operating revenues | 22,345 | 25,999 | -14% |
| Net interest income (1) - (2) | 7,734 | 9,798 | -21% |
| Average margin balance (JPY bn) | 229 | 282 | -19% |

Breakdown of SG&A (FY19)

(JPY mn)

| | FY19 (Apr.19-Mar.20) | FY18 (Apr.18-Mar.19) | YoY |
|--|-------------------------|-------------------------|-----------|
| Trading related expenses | 4,566 | 4,408 | 4% |
| Stock exchanges and securities associations fees | 1,163 | 1,237 | -6% |
| Communications expenses | 1,735 | 1,725 | 1% |
| Advertisement | 934 | 655 | 43% |
| Personnel expenses | 2,607 | 2,661 | -2% |
| Occupancy & rental | 1,134 | 870 | 30% |
| Data processing & office supplies | 2,747 | 2,385 | 15% |
| Depreciation | 1,923 | 1,691 | 14% |
| Taxes and dues | 296 | 340 | -13% |
| Provision of allowance for doubtful accounts | -28 | 56 | - |
| Others | 192 | 136 | 41% |
| Total SG&A | 13,436 | 12,547 | 7% |

Summary of Financial Results (Quarterly)

(JPY mn)

| | FY19 | FY19 | QoQ | FY19 | | FY18 | YoY | FY19 |
|---|-------|-------|------|-------|-------|-------|-----|--------|
| | 4Q | 3Q | | 2Q | 1Q | 4Q | | TOTAL |
| Operating Revenues | 6,790 | 6,091 | 11% | 5,713 | 5,556 | 5,808 | 17% | 24,150 |
| Commissions | 4,116 | 3,359 | 23% | 3,010 | 3,005 | 3,230 | 27% | 13,490 |
| Interest & dividend income | 2,387 | 2,502 | -5% | 2,385 | 2,266 | 2,344 | 2% | 9,539 |
| Net trading income | 288 | 230 | 25% | 318 | 284 | 234 | 23% | 1,120 |
| Interest expenses | 350 | 570 | -39% | 482 | 403 | 332 | 5% | 1,805 |
| Net operating revenues | 6,440 | 5,521 | 17% | 5,231 | 5,153 | 5,476 | 18% | 22,345 |
| SG & A | 3,780 | 3,259 | 16% | 3,158 | 3,239 | 3,269 | 16% | 13,436 |
| Operating income | 2,660 | 2,262 | 18% | 2,073 | 1,915 | 2,206 | 21% | 8,909 |
| Ordinary income | 2,646 | 2,306 | 15% | 2,069 | 1,996 | 2,212 | 20% | 9,016 |
| Net income | 1,736 | 1,594 | 9% | 1,433 | 1,374 | 1,680 | 3% | 6,136 |
| Ordinary income ratio | 39% | 38% | - | 36% | 36% | 38% | - | 37% |
| Matsui's trading value (JPY tn) | 7.5 | 6.0 | 26% | 5.7 | 6.0 | 6.5 | 15% | 25.2 |
| Daily average trading value on TSE (JPY tn) | 3.9 | 2.9 | 35% | 2.8 | 2.9 | 3.1 | 26% | 3.1 |

Breakdown of Net Operating Revenues (Quarterly)

(JPY mn)

| | FY19 | FY19 | QoQ | FY19 | | FY18 | YoY | FY19 |
|---------------------------------|-------|-------|------|-------|-------|-------|------|--------|
| | 4Q | 3Q | | 2Q | 1Q | 4Q | | TOTAL |
| Commissions | 4,116 | 3,359 | 23% | 3,010 | 3,005 | 3,230 | 27% | 13,490 |
| Brokerage | 3,964 | 3,205 | 24% | 2,837 | 2,843 | 3,054 | 30% | 12,850 |
| Equity & ETF | 3,527 | 3,018 | 17% | 2,620 | 2,637 | 2,839 | 24% | 11,803 |
| Futures & Options | 437 | 187 | 133% | 217 | 206 | 216 | 103% | 1,047 |
| Others | 151 | 141 | 7% | 159 | 142 | 168 | -10% | 593 |
| Net trading income | 288 | 230 | 25% | 318 | 284 | 234 | 23% | 1,120 |
| Interest & dividend income (1) | 2,387 | 2,502 | -5% | 2,385 | 2,266 | 2,344 | 2% | 9,539 |
| Total operating revenues | 6,790 | 6,091 | 11% | 5,713 | 5,556 | 5,808 | 17% | 24,150 |
| Interest expenses (2) | 350 | 570 | -39% | 482 | 403 | 332 | 5% | 1,805 |
| Net operating revenues | 6,440 | 5,521 | 17% | 5,231 | 5,153 | 5,476 | 18% | 22,345 |
| Net interest income (1) - (2) | 2,037 | 1,932 | 5% | 1,902 | 1,864 | 2,011 | 1% | 7,734 |
| Average margin balance (JPY bn) | 233 | 229 | 2% | 229 | 226 | 233 | 0% | 229 |

Breakdown of SG&A (Quarterly)

(JPY mn)

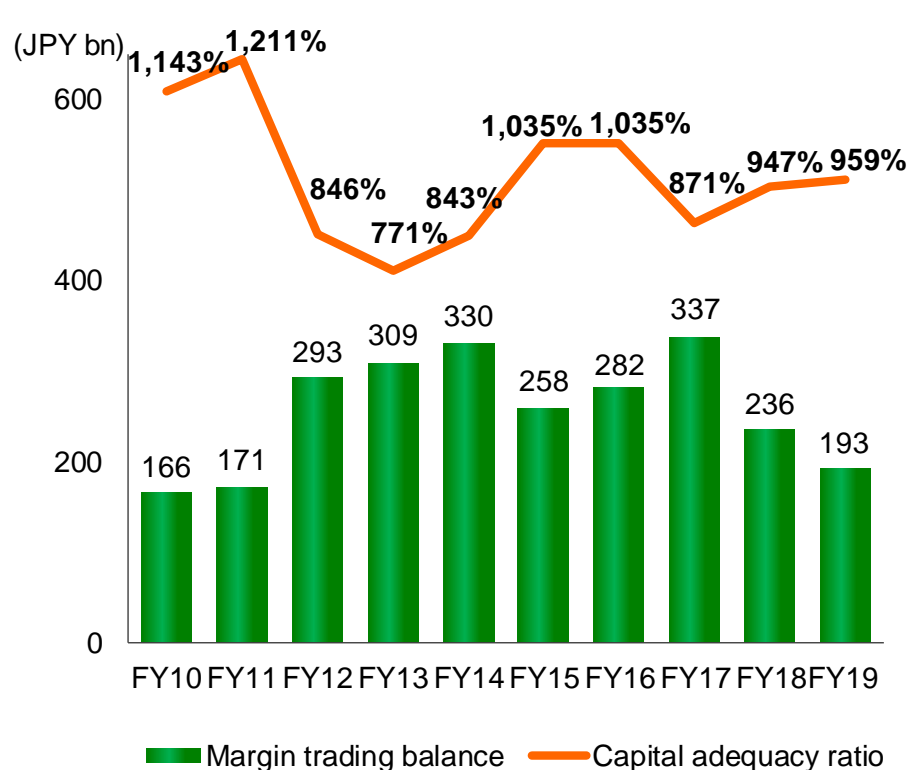
| | FY19 | FY19 | QoQ | FY19 | | FY18 | YoY | FY19 |
|--|--------------|--------------|------------|--------------|--------------|--------------|------------|---------------|
| | 4Q | 3Q | | 2Q | 1Q | 4Q | | TOTAL |
| Trading related expenses | 1,446 | 1,067 | 36% | 1,078 | 974 | 1,165 | 24% | 4,566 |
| Stock exchanges and securities associations fees | 353 | 268 | 32% | 262 | 280 | 297 | 19% | 1,163 |
| Communications expenses | 467 | 426 | 10% | 418 | 424 | 452 | 3% | 1,735 |
| Advertisement | 418 | 191 | 118% | 220 | 105 | 243 | 72% | 934 |
| Personnel expenses | 633 | 640 | -1% | 646 | 687 | 637 | -1% | 2,607 |
| Occupancy & rental | 286 | 285 | 0% | 282 | 282 | 232 | 23% | 1,134 |
| Data processing & office supplies | 731 | 700 | 4% | 678 | 637 | 640 | 14% | 2,747 |
| Depreciation | 468 | 463 | 1% | 446 | 546 | 426 | 10% | 1,923 |
| Taxes and dues | 79 | 72 | 10% | 69 | 76 | 67 | 18% | 296 |
| Provision of allowance for doubtful accounts | 59 | -3 | - | -72 | -11 | 69 | -15% | -28 |
| Others | 78 | 35 | 120% | 30 | 48 | 33 | 139% | 192 |
| Total SG & A | 3,780 | 3,259 | 16% | 3,158 | 3,239 | 3,269 | 16% | 13,436 |

Regulatory Capital

◆ Capital adequacy ratio (As of 31 March 2020)

| (JPY mn) | | |
|--|-----------------------------------|-------------|
| Tier 1 | (A) | 72,008 |
| Tier 2 | Net unrealized gain on investment | 2,495 |
| | Statutory reserves | 2,845 |
| | Allowance for doubtful accounts | 49 |
| Sub total | (B) | 5,389 |
| Assets to be deducted from equity capi | (C) | 8,147 |
| Net Capital | | |
| | (A) + (B) - (C) | (D) 69,250 |
| Total risk | Market risk | 529 |
| | Counterparty risk | 3,678 |
| | Basic risk | 3,009 |
| Total | (E) | 7,216 |
| Capital Adequacy ratio | (D)/(E) | 959% |

◆ Margin trading balance and capital adequacy ratio



Shareholders Return

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

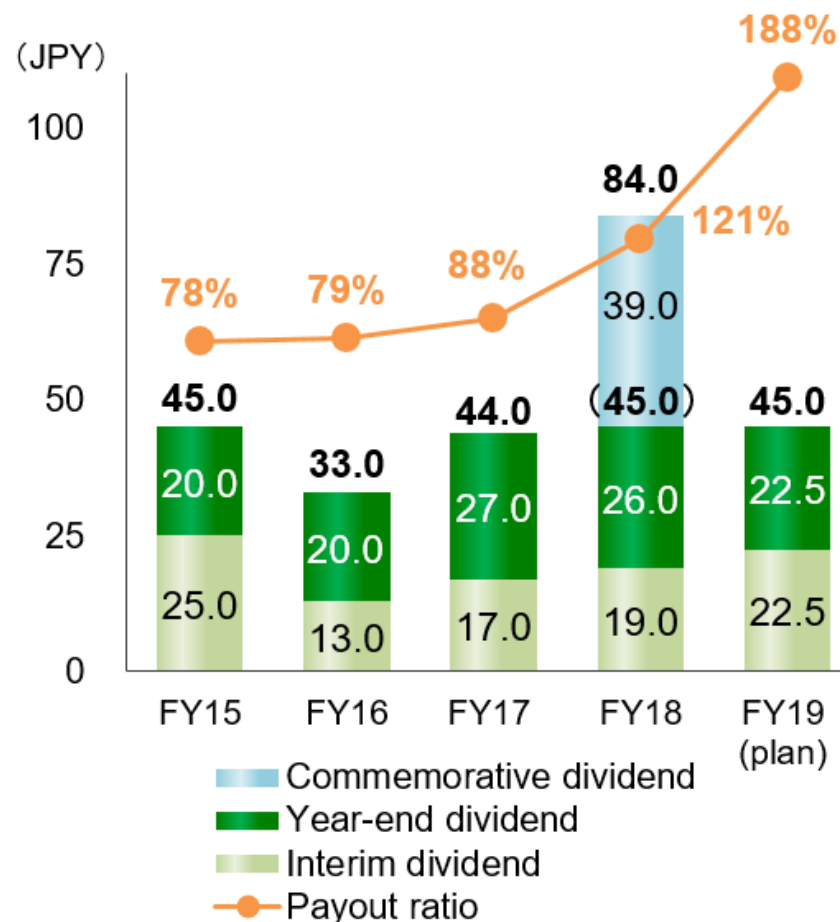
◆ Dividends for FY2019

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

◆ Dividend Policy

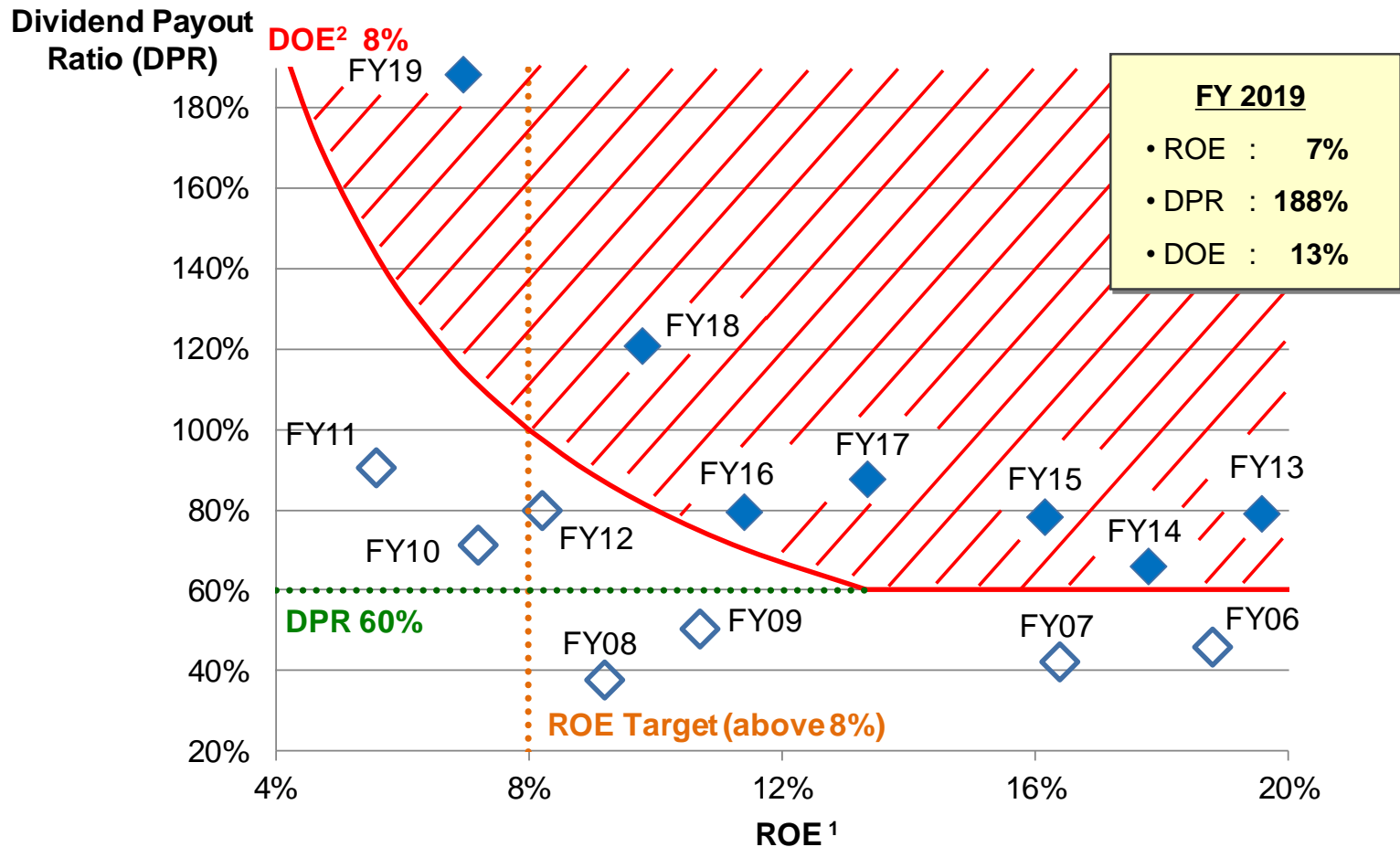
- Dividends Payout Ratio : 60% and above
and
- Dividends on Equity(DOE) : 8% and above

◆ Matsui's dividend per share and payout ratio¹



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

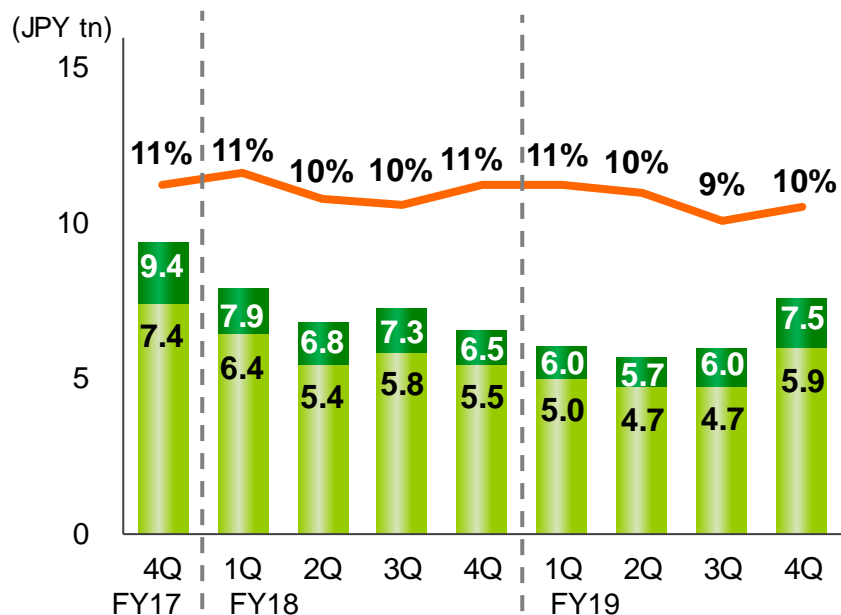
Note2: DOE (Dividends on Equity) = $\frac{\text{Dividends per share (annual)}}{(\text{Stockholders' equity per share at the beginning of fiscal year} + \text{Stockholders' equity per share at the end of fiscal Year}) / 2}$

Results of Operation

Section 2

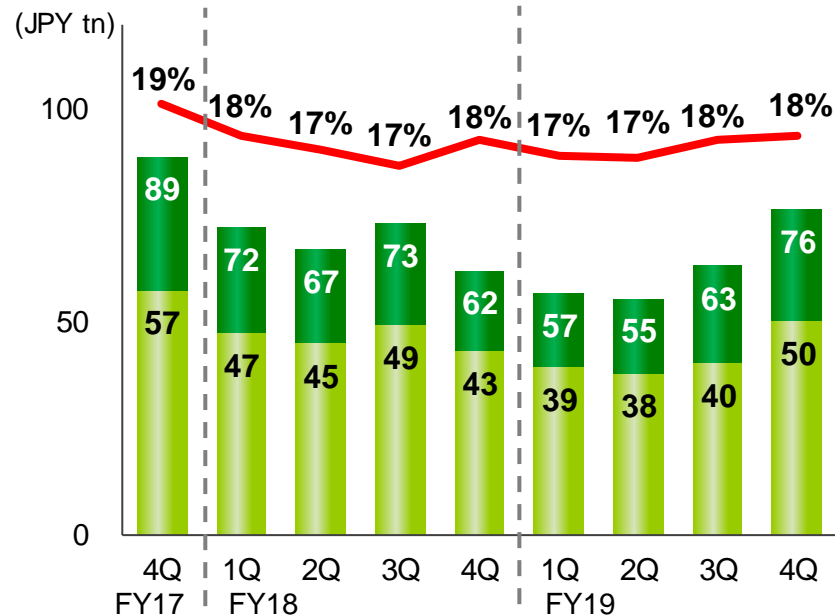
Equity Trading Value

◆ Matsui's equity trading value and its market share¹



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

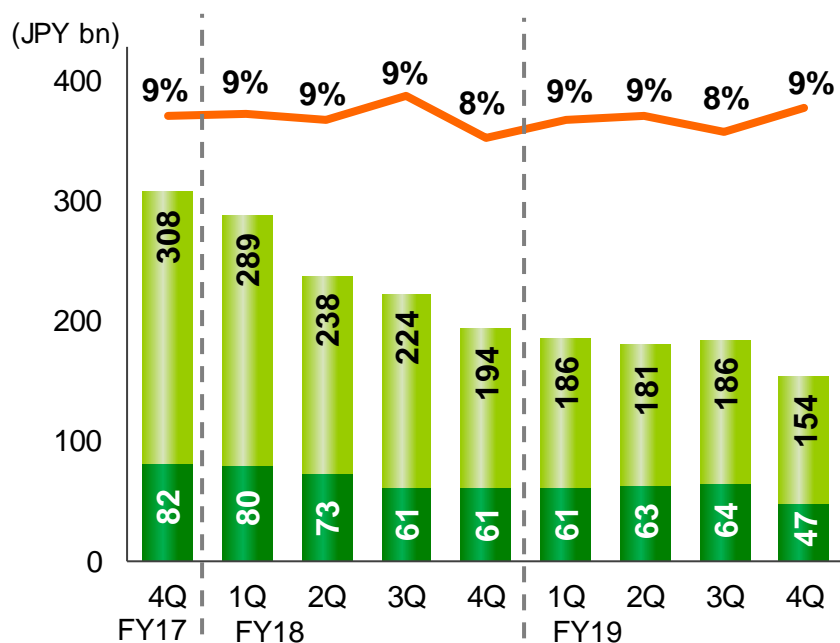
◆ Retail equity trading value¹ and proportion to total equity trading value



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

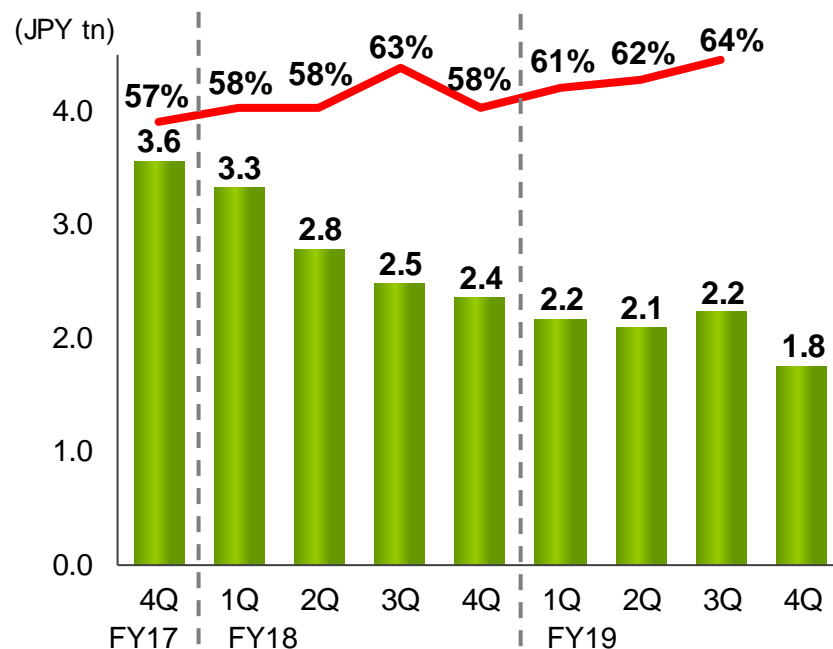
Margin Trading Balance

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



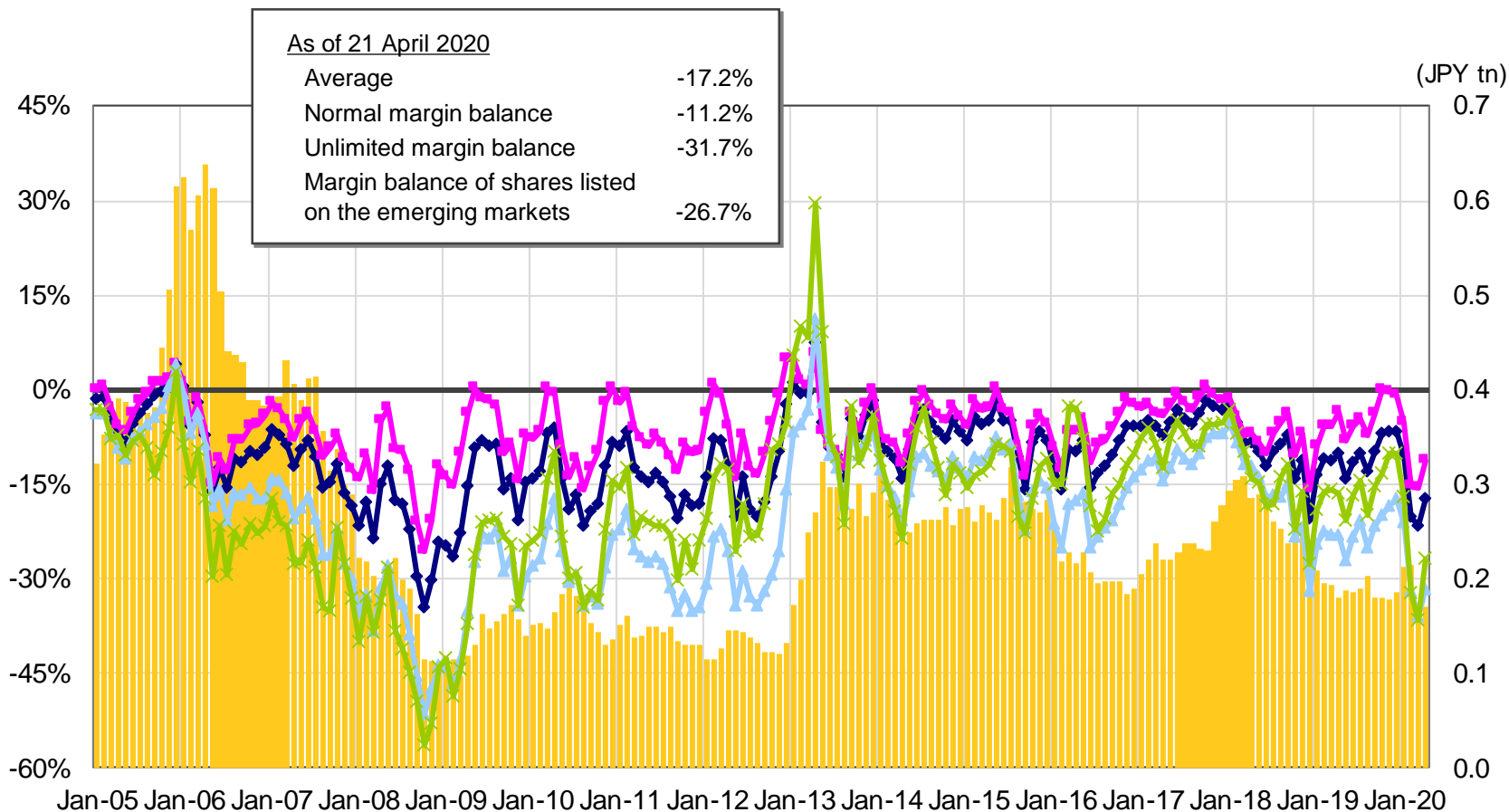
■ Shares bought on margin trading
■ Unlimited margin trading
— Matsui's share

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



■ Total shares bought on margin trading
— Share of 6 on-line brokers

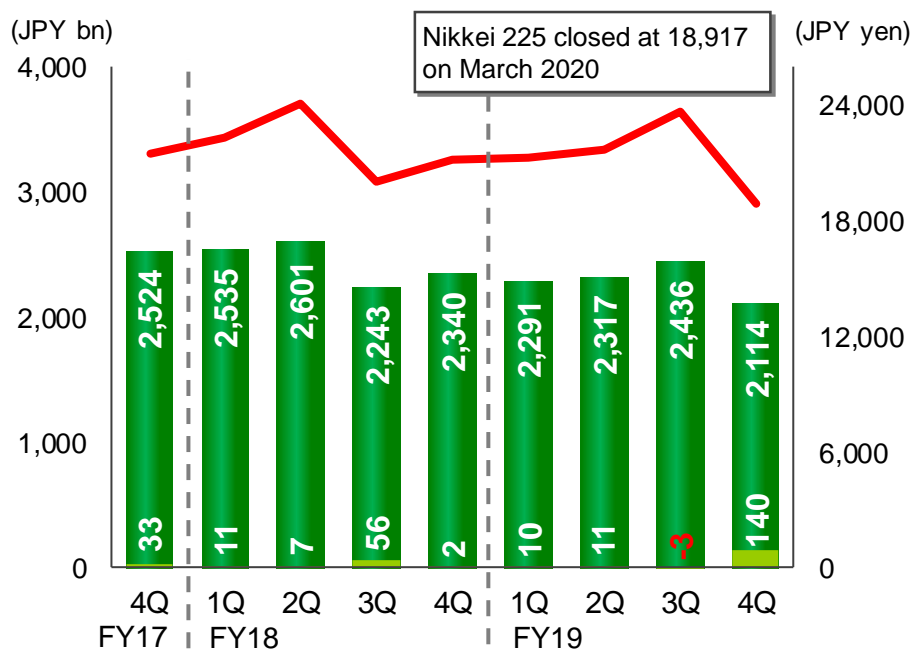
Unrealized Losses on Matsui's Margin Balance



- 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)

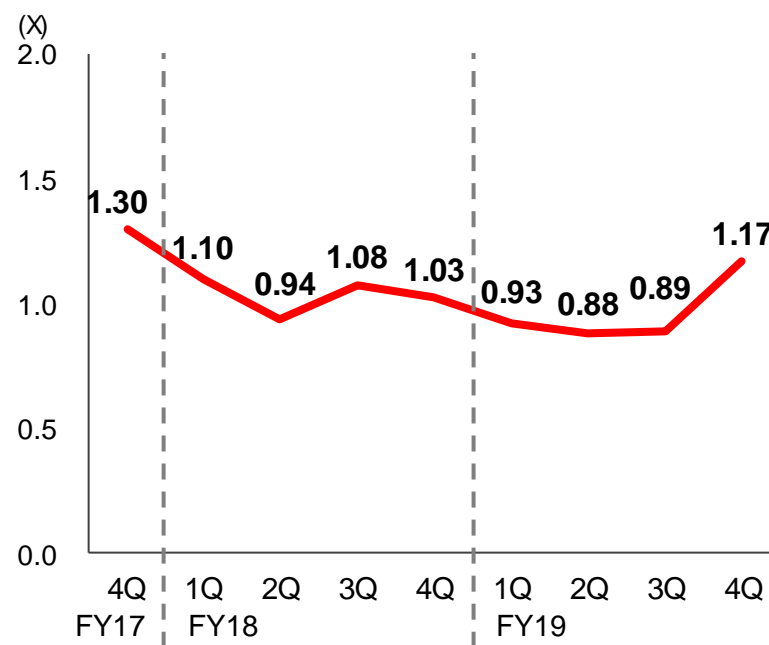
Assets under Customers' Accounts / Trading Turnover

◆ Assets under Matsui's customers' accounts



■ Assets under Matsui's customers' accounts
■ Net inflow in cash and equity stocks
— Nikkei 225¹

◆ Equity trading turnover² of Matsui's customers



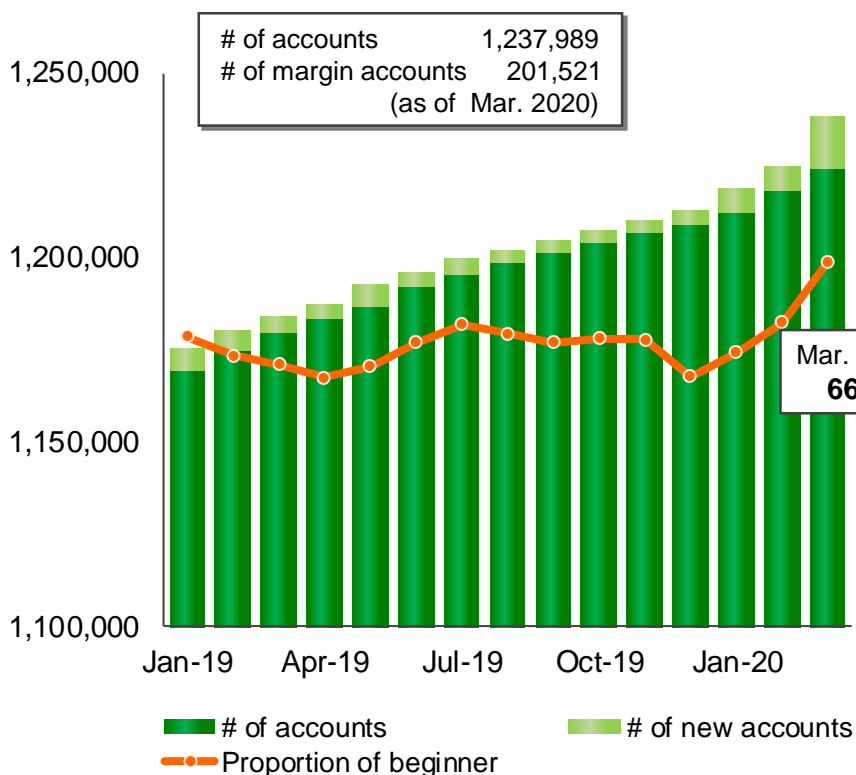
Note 1: Nikkei 225 is the closed price at the end of each quarter

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

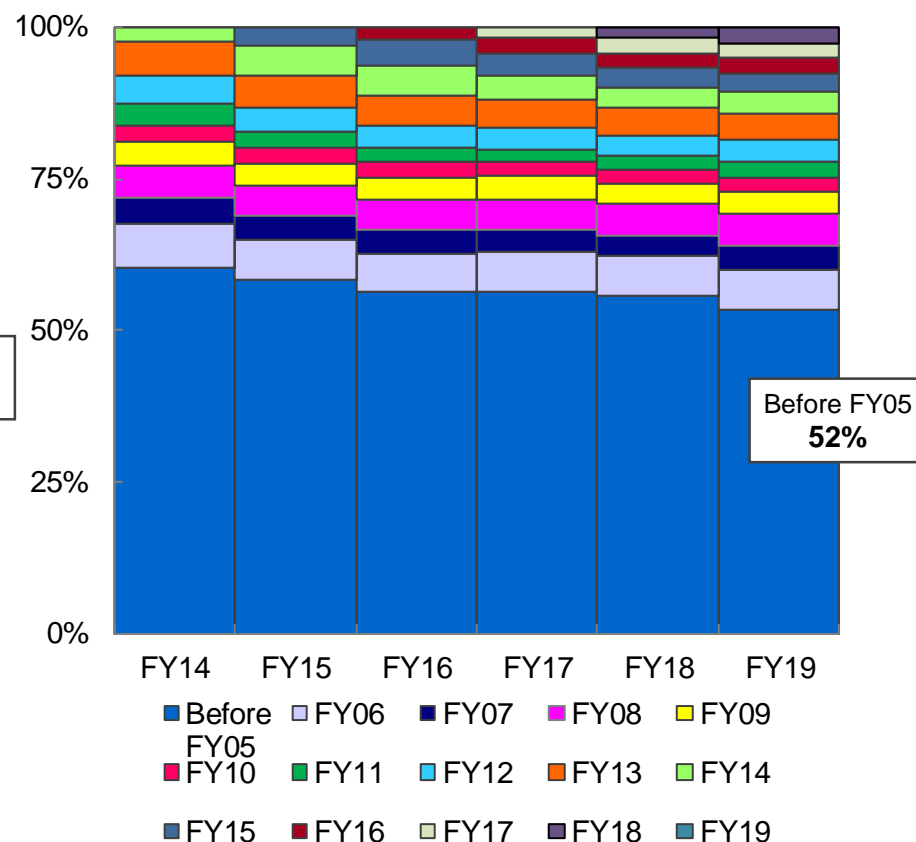
* assets under customers' accounts of Matsui's related persons are excluded

Number of Accounts / Breakdown of Trading Value

◆ Number of accounts at Matsui¹

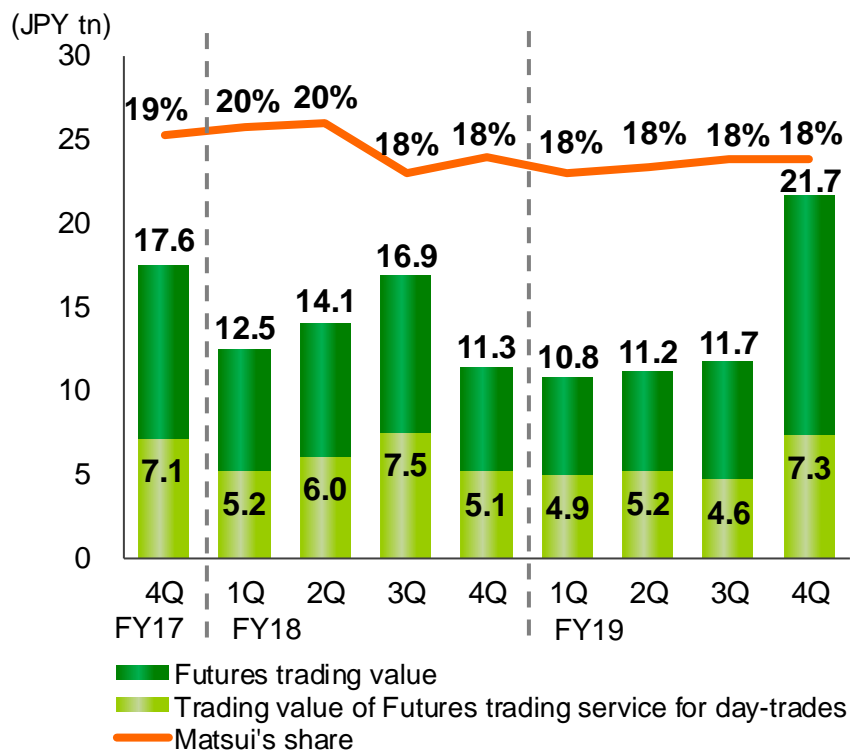


◆ Breakdown of trading value by customers opening the accounts in each fiscal year (Excluding “Margin Trading Service for Day-trades”)

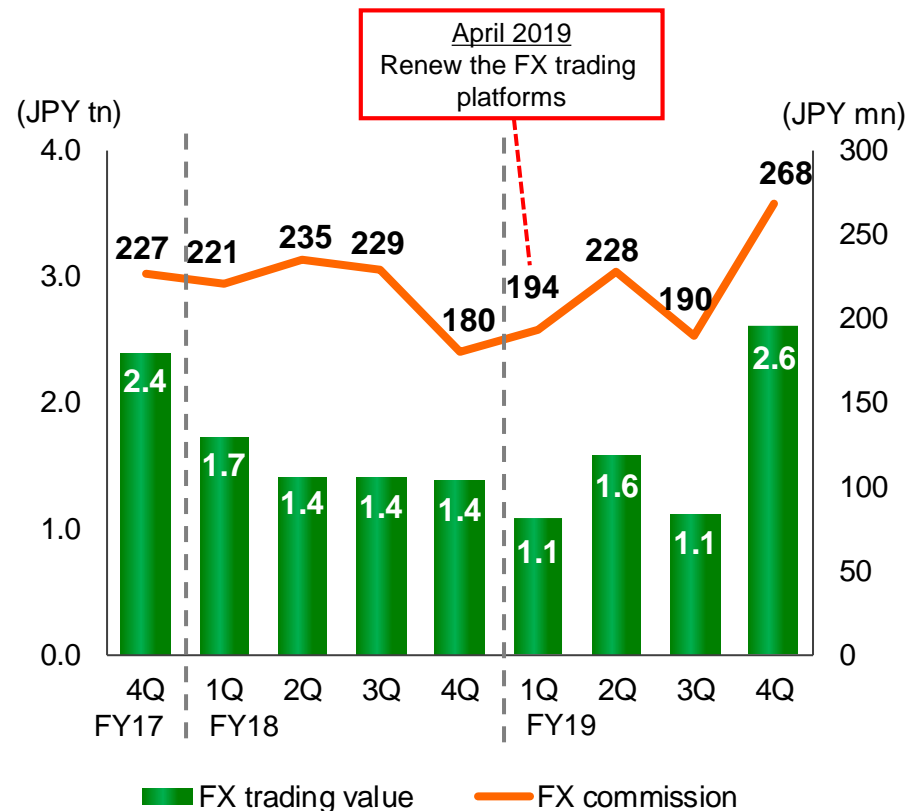


Futures Trading Value / FX Margin Trading Value

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

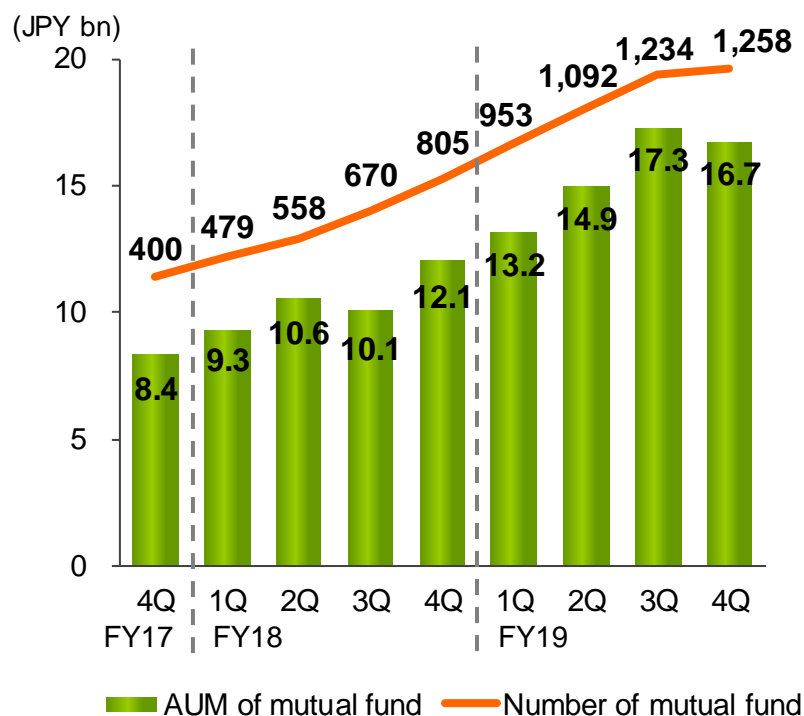


◆ Matsui's OTC FX trading value and commission

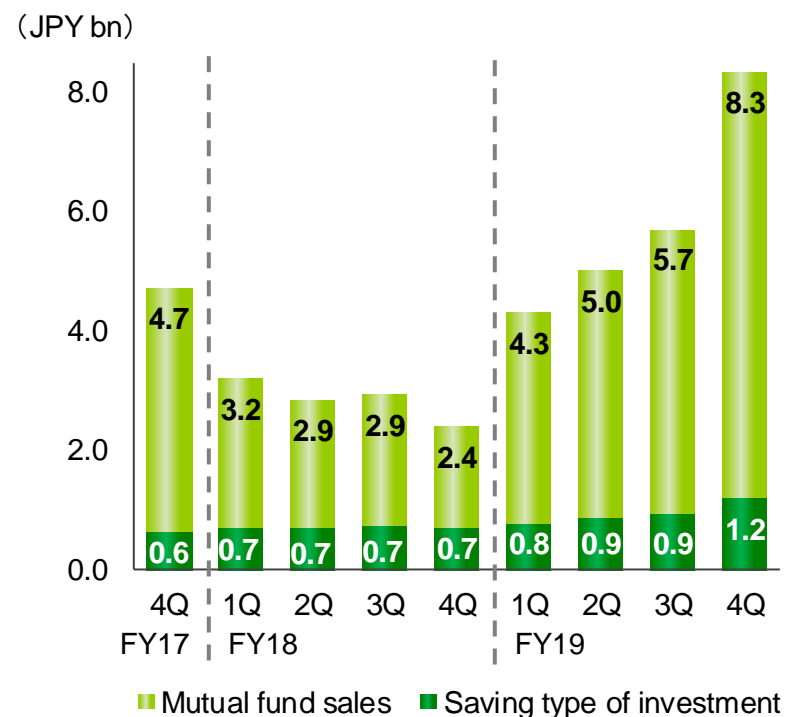


Mutual Fund

◆ Matsui's AUM and line-up of mutual fund



◆ Matsui's mutual fund sales



Recent Developments

Section 3

Management Strategy / Business Strategy

Business Principle

Support to enrich the life of customers
by providing 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 brokerage 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

Strengthen revenue from assets under management

◆ Stimulate equity trading for retail investors

➤ Activist tracking tool (Apr. 2020)

- ✓ Track the transaction activities of large sized investors such as activists on the stock price charts

⇒ Intend to provide useful investment ideas for retail investors and to stimulate their trading activities

【Image】



◆ Strengthen revenue from AUM

➤ No commission charge for transferring stocks from other brokers (Oct. 2019)

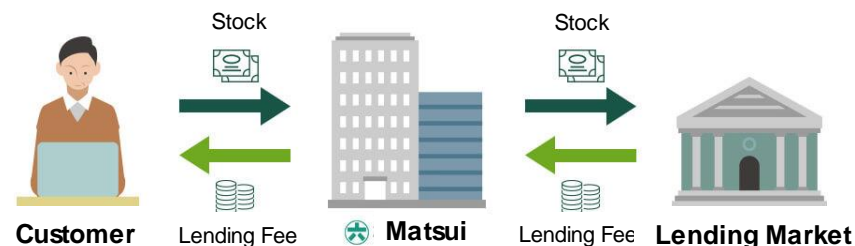
⇒ Intend to acquire customers from other brokers such as face-to-face securities companies

➤ Expansion of stock lending service (Dec. 2019)

- ✓ Enable customers to receive the stock lending fee by utilizing collateral shares for margin trading

⇒ Intend to strengthen lending business to expand revenue

【Image of stock lending service】



Mutual Fund Business

Start the service to refund a part of custodian fees in cash on April 2020

◆ Expansion of customer base and AUM

➤ 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

◆ Strengthen revenue from AUM

➤ Cash refund service (Apr. 2020)

- ✓ Set the upper limit of Matsui's receipt out of the custodian fees paid by Asset Managers at 0.3%, and the amount exceeding the limit is refunded to customers in cash
 - ✓ 70% of mutual funds handled at Matsui are eligible for the cash refund service
- ⇒ Intend to acquire customers mainly from other brokers such as face-to-face brokers

【Example of cash refund】

30 million yen worth of "Pictet Global Income Stock Fund"

- Custodian fee paid by AM: 0.70% (tax excluded)
- Company receipt: 0.30%
- Cash refund: 0.40%

⇒ Cash refund of 10,000 yen per month (120,000 yen cash refund per year)

FX Margin Trading Business

Enhance the service and promotion for new customers acquisition to expand the business

◆ Recent development in FY2019

➤ Renewal of the trading service (Apr. 2019)

- ✓ Renew the trading channel: trading platform for PC and Smartphone application
- ✓ 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



◆ New initiatives in FY2020

➤ Offer tighter spread than current

- ✓ Tighten the spread to competitive levels

➤ Enhance its promotion for new customers acquisition

- ✓ Focus on new customers acquisition

⇒ **Expand the revenue from FX margin trading business**

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 2020)

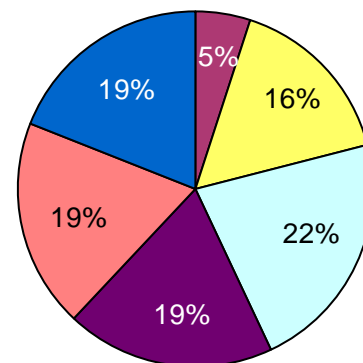
| | NISA | Saving type of NISA | Junior NISA |
|--|---------|---------------------|-------------|
| Total number of accounts | 148,976 | 6,039 | 4,957 |
| Number of active accounts ¹ | 54,971 | 2,814 | 1,808 |
| Active account ratio | 37% | 47% | 36% |
| Investment value in 2020(JPY mn) | 31,113 | 221 | 704 |
| Customers' assets(JPY mn) ² | 97,486 | 985 | 2,448 |

◆ Top 5 in trading value (from January to March 2020)

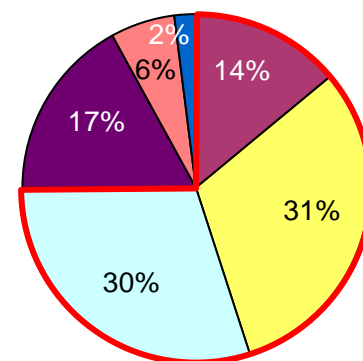
| Rank | NISA | Saving Type of NISA |
|------|---|---|
| 1 | Japan Tobacco Inc. (2914) | eMAXIS Slim Developed Country Equity Index |
| 2 | Mizuho Financial Group, Inc. (8411) | eMAXIS Slim US Equity S&P 500 |
| 3 | Japan Airlines Co., Ltd. (9201) | Nissay Foreign Equity Index Fund no charge |
| 4 | Orix Corp. (8591) | Hifumi Plus |
| 5 | Mitsubishi UFJ Financial Group, Inc. (8306) | eMAXIS Slim Balance 8 Asset Equability type |

◆ Attribution of NISA accounts by age (as of March 2020)

● NISA



● Saving type of NISA



The material is intended to provide the financial results for the quarter ended 31 March 2020 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 April 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.

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