

Quarterly Securities Report for the First Quarter of the 104th Fiscal Year (From April 1, 2019 to June 30, 2019)

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo

Representative: Michio MATSUI, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on August 13, 2019 pursuant to Article 24-4-7, Paragraph 1 of the Financial Instrument and Exchange Act.

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Notice to Readers 2: The accompanying quarterly financial statements are prepared in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Notice to Readers 3: The original Report is attached with a quarterly review report by PricewaterhouseCoopers Aarata LLC for the quarterly financial statements for the first quarter accounting period of the current fiscal year (from April 1, 2019 to June 30,

2019) and the cumulative first quarter period of the current fiscal year (from April 1, 2019 to June 30, 2019) in the original Report.

Part 1. Company Information

1. Overview of Company

1) Summary of Business Results

Fiscal period	Cumulative first quarter period of 103 rd fiscal year	Cumulative first quarter period of 104 th fiscal year	103 rd fiscal year
Accounting Period	From April 1, 2018 to June 30, 2018	From April 1, 2019 to June 30, 2019	From April 1, 2018 to March 31, 2019
Operating revenue (millions of yen)	7,462	5,556	27,313
Net operating revenue (millions of yen)	7,143	5,153	25,999
Ordinary profit (millions of yen)	4,216	1,996	13,592
Profit (millions of yen)	2,930	1,374	9,562
Equity in earnings of affiliates if equity method is applied (millions of yen)	-	-	-
Capital stock (millions of yen)	11,945	11,945	11,945
Total number of issued shares (number of shares)	259,264,702	259,264,702	259,264,702
Net assets (millions of yen)	94,873	81,000	96,579
Total assets (millions of yen)	817,914	671,132	695,993
Basic earnings per share (yen)	11.41	5.35	37.24
Diluted earnings per share (yen)	11.40	5.34	37.20
Dividend paid per share(yen)	-	-	84.00
Equity-to-asset ratio (%)	11.6	12.0	13.9

Note 1: Operating revenue does not include consumption tax etc.

Note 2: Equity in earnings of affiliates if equity method is applied is not shown above because the Company does not have affiliates.

Note 3: 84 yen dividend paid per share for the 103rd fiscal year includes 39 yen of commemorative dividend for the 100th anniversary of the Company.

2) Description of Business

There are no significant changes in the description of business of the Company in the cumulative first quarter period of the current fiscal year.

2. Status of Business

1) Business Risks

Commencing from the quarterly securities reports related to the fiscal year ending March 31, 2020, the Company has applied the provisions in footnote (7) stated in Form 4-3 of the “Cabinet Office Order on Disclosure of Corporate Affairs” as amended pursuant to the “Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3 of January 31, 2019).

In the cumulative first quarter period of the current fiscal year, of the matters related to status of business and status of accounting etc. as described in this quarterly securities report, there were no major risks which had arisen recognized by management as possibly having a material effect on the financial condition, results of operations, or cash flow conditions of the Company, and there are no material changes to the “Business Risks” described in the securities report for the preceding fiscal year ended March 31, 2019.

2) Management’s Discussion and Analysis of Financial Condition, Results of Operations, and Cash Flow Conditions

Commencing from the quarterly securities reports related to the fiscal year ending March 31, 2020, the Company has applied the provisions in footnote (8) stated in Form 4-3 of the “Cabinet Office Order on Disclosure of Corporate Affairs” as amended pursuant to the “Cabinet Office Order Amending a Part of the Cabinet Office Order on Disclosure of Corporate Affairs” (Cabinet Office Order No. 3 of January 31, 2019).

Management’s discussion and analysis of financial condition and results of operation of the Company is provided below. Since the Company has only one segment which is its online securities brokerage service, description by segment has been omitted.

(1) Status and analysis of results of operations

In the domestic stock market in the cumulative first quarter period of the current fiscal year, the Nikkei Average started at the beginning of the period at slightly above 21,500 yen, and remained strong due to favorable U.S. economic indices and increase in crude oil prices, and recovered to 22,000 yen for the first time in 4 months in mid-April. However, stock prices turned towards a downward trend starting from May when the U.S. Government announced an increase in tariffs being imposed by U.S. as sanctions towards China. Furthermore, against a background of heightened tensions between the U.S. and China and the U.S. announcement of imposing tariffs as sanctions against Mexico, the Nikkei Average temporarily dropped to below 20,300 yen towards the first half of June. Thereafter, stock prices recovered given rising prospects of a cut in U.S. interest rates as well as putting off of imposing tariffs against Mexico, however, investors more or less maintained a wait-and-see attitude due to concerns about the future including U.S.-China trade frictions, and trading value in the 1st section of TSE fell below 2 trillion yen for 6 consecutive trading days. Towards the end of June, stock prices seesawed in a narrow range between 21,000 yen and 21,500 yen, and the Nikkei Average at the end of June was slightly above 21,200 yen.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) decreased by 17% compared to the cumulative first quarter period of the preceding fiscal year. Also with respect to individual investors who are our main customer base, they generally refrained from active trading given the uncertainty of the future stock market, and stock etc. brokerage trading value by individual investors in the two markets decreased by 21% compared to the same period of the preceding fiscal year. As a result, the percentage of stock etc. brokerage trading value by individual investors in the two markets declined to 17% from 18% marked in the cumulative first quarter period of the preceding fiscal year. Also, stock etc. brokerage trading value of the Company also remained low and decreased by 24% compared to the same period of the preceding fiscal year.

Some initiatives taken by the Company in the cumulative first quarter period of the current fiscal year were strengthening of the order placement function etc. for the website “Net Stock Smart” for stock trading by customers, and with respect to investment trusts, the Company continued to add to handled investment trusts names. Furthermore, the Company renewed the investment information contents provided on its website, and enhanced provision of information related to shareholder benefits and investment trusts. Also, FX services towards customers were fully renovated, and the trading channels over PCs and smartphones were renewed. Furthermore, efforts were made to broaden its FX services by increasing transaction pairs and lowering the monetary units for trading.

Under the above background, in the cumulative first quarter period of the current fiscal year, due to a decrease in the stocks etc. brokerage trading value, commissions received was 3,005 million yen (25.5% decrease from the cumulative first quarter period of the preceding fiscal year). Furthermore, due to a decrease in the average balance of customers’ long positions of margin transactions, net financial revenue was 1,864 million yen (32.1% decrease compared to the same period of the preceding fiscal year).

As a result, operating revenue was 5,556 million yen (25.5% decrease from the same period of the preceding fiscal year), and net operating revenue was 5,153 million yen (27.9% decrease from the same period of the preceding fiscal year). Furthermore, operating profit was 1,915 million yen (53.7% decrease from the same period of the preceding fiscal year), ordinary profit was 1,996 million yen (52.7% decrease from the same period of the preceding fiscal year), and first-quarter net profit was 1,374 million yen (53.1% decrease from the same period of the preceding fiscal year).

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 3,005 million yen (25.5% decrease from the same period of the preceding fiscal year). Of this figure, commission to consignees was 2,843 million yen (26.1% decrease from the same period of the preceding fiscal year), mainly due to a 24% decrease (compared to the same period of the preceding fiscal year) in the stocks etc. brokerage trading amount.

(Net trading income)

Net trading income was recorded a profit of 284 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenues was 1,864 million yen (32.1% decrease from the same period of the preceding fiscal year). This was mainly due to a decrease in the average balance of customers' long positions of margin transactions.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 7.7% compared to the same period of the preceding fiscal year to 3,239 million yen. This was mainly due to an increase in depreciation expenses (32.3% increase compared to the same period of the preceding fiscal year) resulting from early depreciation of some of its assets.

(Non-operating income and expenses)

Net non-operating income totaled 81 million yen. This was mainly due to dividend income of 79 million yen.

(2) Factors which have a material impact on results of operations

The main business of our company is stocks etc. brokerage trading business targeting individual investors, and of the revenue items, commissions received and in particular commission to consignees relating to the trading of stocks etc. have a material impact on the business performance of our company.

Furthermore, financial revenue arising mainly from margin transactions is a factor having a material impact on the business performance of our company. However, the level of such revenues is largely affected by the stock market environment.

(3) Status and analysis of financial conditions

As of the end of the first quarter accounting period, total assets was 671,132 million yen, a 3.6% decrease from the end of the preceding fiscal year. Of this figure, loans on margin transactions decreased by 4.1% compared to the end of the preceding fiscal year to 185,994 million yen.

Total liabilities was 590,132 million yen, a 1.5% decrease from the end of the preceding fiscal year. This was mainly due to a 13.0% decrease in short-term loans payable compared to the end of the preceding fiscal year to 85,050 million yen.

Total net assets was 81,000 million yen, a 16.1% decrease from the end of the preceding fiscal year. In the cumulative first quarter period of the current fiscal year, the year-end dividends for the end of the fiscal year ended March 2019 including commemorative dividend for the 100th anniversary of the Company, which is 16,693 million yen, was recorded, and at the same time a quarterly profit of 1,374 million yen was recorded.

The main assets of our company are cash segregated as deposits for customers (included in cash segregated as deposits) where deposits received and guarantee deposits received etc. from customers are entrusted to trust banks, and margin transaction assets mainly comprised of loans on margin transactions. On the other hand, funds are being procured through short-term loans payable etc. for the purpose of allocating to loans on margin transactions. The main liabilities of our company are deposits received, guarantee deposits received and short-term loans payable.

As of the end of the first quarter accounting period, deposits received was 247,694 million yen, a 3.7% increase from the end of the preceding fiscal year, and guarantee deposits received was 203,206 yen, a 0.4% increase from the end of the preceding fiscal year. Cash segregated as deposits decreased by 0.9% from the end of the preceding fiscal year to 420,712 million yen. Furthermore, given a decrease in loans on margin transactions by 4.1% from the end of the preceding fiscal year to 185,994 million yen, short-term loans payable also decreased by 13.0% from the end of the preceding fiscal year to 85,050 million yen.

(4) Analyses of sources of capital and liquidity of funds

The Company's fund procurements are conducted mainly to respond to increase in loans on margin transactions, recurring loans on margin transactions are funded mainly by increase and decrease in short-term loans payable procured from financial institutions such as banks etc. In order to prepare for situations where loans on margin transactions increase significantly, the Company has made shelf registration so that it may flexibly procure funds through bond issues. However, as of the end of the first quarter accounting period, taking into account the levels of loans on margin transactions and internal reserves, a major portion of funds procurement was conducted by short-term loans payable including call money.

(5) Management policy and management strategy

In the cumulative first quarter period of the current fiscal year, there were no material changes to our management policy and management strategy.

(6) Business issues and financial issues to be addressed

In the cumulative first quarter period of the current fiscal year, there were no material changes to our company's business issues and financial issues to be addressed, and no new business issues or financial issues have arisen.

(7) Research and Development (R&D) activities

Not applicable.

3) Critical Contracts for Operation

Not applicable.

3. Information about Reporting Company

1) Information about Shares etc.

(1) Total number of shares etc.

[1] Total number of shares

Class	Total shares authorized (number of shares)
Common stock	1,050,000,000
Total	1,050,000,000

[2] Issued shares

Class	Total number of issued shares at the end of first quarter accounting period of the current fiscal year (June 30, 2019)	Number of shares at the date of filing of this Report (August 13, 2019)	Name of stock exchange where shares are listed at or certified securities dealers association by which shares are registered	Contents
Common stock	259,264,702	259,264,702	Tokyo stock exchange (1 st section)	1 unit consists of 100 shares
Total	259,264,702	259,264,702	-	-

Note: Total number of issued shares at the date of filing of this Report does not include shares issued upon exercise of share acquisition rights from August 1, 2019 to the date of filing of this Report.

(2) Share acquisition rights

[1] Details of share option program

Not applicable.

[2] Other information about share acquisition rights

Not applicable.

(3) Exercises etc. of moving strike convertible bonds etc.

Not applicable.

(4) Changes in number of issued shares, stated capital etc.

Date	Change in number of outstanding shares	Total number of issued shares	Change in amount of capital stock (millions of yen)	Balance of capital stock (millions of yen)	Change in amount of capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
From April 1, 2019 to June 30, 2019	-	259,264,702	-	11,945	-	9,793

(5) Major shareholders

Information of major shareholders is omitted because this quarterly accounting period is the first one for the current fiscal year.

(6) Voting rights

The following tables show the status of voting rights as of March 31, 2019, which is the latest date of record, because the Company is not able to settle and show the list of shareholders as of June 30, 2019.

[1] Issued shares

(As of March 31, 2019)

Classification	Number of shares	Number of voting rights	Content
Shares without voting rights	-	-	-
Shares with limited voting rights (Treasury shares etc.)	-	-	-
Shares with limited voting rights (Other)	-	-	-
Shares with full voting rights (Treasury shares etc.)	(Shares held by the Company) Common stock: 2,455,400	-	-
Shares with full voting rights (Other)	Common stock: 256,789,500	2,566,940	-
Shares less than 1 unit of shares	Common stock: 19,802	-	-
Total number of issued shares	259,264,702	-	-
Voting rights of all shareholders	-	2,566,940	-

Note 1: 400 shares under the title of Japan Securities Depository Center Inc. and 95,500 shares of securities bought by customers using money loaned from the Company's own fund are included in common stock of "Shares with full voting rights (Other)." The 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Number of voting rights." The 955 voting rights of securities bought by customers using money loaned from the Company's own fund are not included in "Number of voting rights."

Note 2: 63 treasury shares held by the Company are included in "Shares less than 1 unit of shares".

[2] Treasury shares etc.

(As of March 31, 2019)

Name of shareholders	Address of shareholders	Treasury shares held by the Company's own name	Treasury shares held by other person's name	Total number of shares held	Ratio of number of shares held to total number of outstanding shares (%)
(Treasury shares held by the Company) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo	2,455,400	-	2,455,400	0.95
Total	-	2,455,400	-	2,455,400	0.95

2) Information about officers

There are no changes to the Company's officers in the cumulative first quarter period of the current fiscal year, after the date of the filing of the Annual Securities Report for the preceding fiscal year, excluding those described in the Annual Securities Report.

4. Financial information

1) Prefaces

(1) About preparation method of quarterly financial statements

Quarterly financial statements of the Company are prepared in accordance with the “Regulations of Quarterly Financial Statements” (Cabinet Office Ordinance No. 63, 2007) and, pursuant to the Article 54 and 73 of the “Regulations of Quarterly Financial Statements”, also in accordance with the “Cabinet Office Order Concerning Financial Instruments Business” (Cabinet Office Order No.52, 2007) and the “Uniform Accounting Standards of Securities Business” (set by the board of directors of the Japan Securities Dealers Association, November 14, 1974).

(2) About certification by accounting auditors

Quarterly financial statements for the first quarter accounting period (from April 1, 2019 to June 30, 2019) and the cumulative first quarter period of the current fiscal year (from April 1, 2019 to June 30, 2019) were reviewed by PricewaterhouseCoopers Aarata LLC based on the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

(3) About consolidated quarterly financial statements

Consolidated quarterly financial statements of the Company are not prepared because the Company has no subsidiaries.

2) Quarterly Financial Statements etc.

(1) Quarterly financial statements

[1] Quarterly balance sheet

	(Millions of Yen)	
	Preceding fiscal year (March 31, 2019)	First quarter accounting period (June 30, 2019)
Assets		
Current assets		
Cash and deposits	36,120	23,872
Cash segregated as deposits	424,512	420,712
Money held in trust	2,988	2,844
Trading products	1,260	1,579
Trading securities and other	0	0
Derivatives	1,260	1,579
Trade date accrual	5	6
Margin transaction assets	202,490	194,488
Loans on margin transactions	194,027	185,994
Cash collateral pledged for securities borrowing on margin transactions	8,463	8,493
Loans secured by securities	9,507	8,343
Cash collateral pledged for securities borrowed	9,507	8,343
Advances paid	44	62
Cash paid for offering	84	231
Short-term guarantee deposits	3,329	3,375
Other	5,065	4,944
Allowance for doubtful account	(129)	(50)
Total current assets	685,275	660,405
Non-current assets		
Property, plant and equipment	1,255	1,431
Intangible assets	4,514	4,581
Software	4,514	4,581
Other	0	0
Investments and other assets	4,948	4,715
Investment securities	3,710	3,437
Other	2,619	2,727
Allowance for doubtful accounts	(1,381)	(1,449)
Total non-current assets	10,718	10,727
Total assets	695,993	671,132

	(Millions of yen)	
	Preceding fiscal year (March 31, 2019)	First quarter accounting period (June 30, 2019)
Liabilities		
Current liabilities		
Trading products	164	120
Derivatives	164	120
Margin transaction liabilities	45,488	42,423
Borrowings on margin transactions	4,016	3,112
Cash received for securities lending on margin transactions	41,473	39,311
Loans payable secured by securities	7,878	5,605
Cash received on debt credit transaction of securities	7,878	5,605
Deposits received	238,794	247,694
Guarantee deposits received	202,329	203,206
Accounts for non-received securities	0	1
Short-term loans payable	97,800	85,050
Income taxes payable	1,832	535
Provision for bonuses	178	28
Other	1,723	2,243
Total current liabilities	596,188	586,906
Non-current liabilities		
Reserve for retirement bonuses for directors	204	204
Other	179	179
Total non-current liabilities	383	383
Reserves under special laws		
Reserve for financial products transaction liabilities	2,843	2,843
Total reserves under special laws	2,843	2,843
Total liabilities	599,414	590,132
Net assets		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus	9,796	9,796
Retained earnings	74,177	58,858
Treasury shares	(1,856)	(1,856)
Total shareholders' equity	94,061	78,742
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,358	2,044
Total valuation and translation adjustments	2,358	2,044
Share acquisition rights	160	214
Total net assets	96,579	81,000
Total liabilities and net assets	695,993	671,132

[2] Quarterly Statement of income

i. Cumulative first quarter period

	(Millions of yen)	
	Cumulative first quarter period of the preceding fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter period of the current fiscal year (From April 1, 2019 to June 30, 2019)
Operating revenue		
Commission received	4,034	3,005
Commission to consignees	3,848	2,843
Commission for underwriting, secondary distribution and solicitation for selling and others for professional	5	1
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	17	19
Other fees received	164	142
Net trading income	364	284
Financial revenue	3,064	2,266
Other operating revenue	0	0
Total operating revenue	<u>7,462</u>	<u>5,556</u>
Financial expenses	319	403
Net operating revenue	<u>7,143</u>	<u>5,153</u>
Selling, general and administrative expenses		
Trading related expenses	1,042	974
Personnel expenses	610	687
Real estate expenses	210	282
Office cost	569	637
Depreciation	413	546
Taxes and dues	101	76
Provision of allowance for doubtful accounts	14	(11)
Other	47	48
Total selling, general and administrative expenses	<u>3,006</u>	<u>3,239</u>
Operating profit	<u>4,136</u>	<u>1,915</u>
Non-operating income		
Dividend income	79	79
Other	1	6
Total non-operating income	<u>80</u>	<u>85</u>
Non-operating expenses		
Other	0	4
Total non-operating expenses	<u>0</u>	<u>4</u>
Ordinary profit	<u>4,216</u>	<u>1,996</u>
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	-
Loss on valuation of investment securities	-	20
Total extraordinary losses	<u>0</u>	<u>20</u>
Profit before income taxes	<u>4,216</u>	<u>1,976</u>
Income taxes – current	1,116	493
Income taxes – deferred	170	109
Total income taxes	<u>1,285</u>	<u>602</u>
Profit	<u>2,930</u>	<u>1,374</u>

[3] Notes

i. Notes – Quarterly statement of cash flows

The Company does not prepare the quarterly statement of cash flows for the cumulative first quarter period of the current fiscal year. Depreciation expenses including the amortization of intangible assets for the cumulative first quarter periods is as follows.

	Cumulative first quarter period of the preceding fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter period of the current fiscal year (From April 1, 2019 to June 30, 2019)
Depreciation	413 million yen	546 million yen

ii. Notes – Equity

i) Cumulative first quarter period of the preceding fiscal year (From April 1, 2018 to June 30, 2018)

(i) Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 24, 2018	Common stock	6,932	27	March 31, 2018	June 25, 2018	Retained earnings

(ii) Dividends whose date of record is in the cumulative first quarter period of the current fiscal year and whose effective date is after the end of the first quarter accounting period of the current fiscal year
Not applicable.

ii) Cumulative first quarter period of the current fiscal year (From April 1, 2019 to June 30, 2019)

(i) Dividend payment

Resolution	Class of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source of dividends
Ordinary general meeting of shareholders held on June 23, 2019	Common stock	16,693	65	March 31, 2019	June 24, 2019	Retained earnings

- (ii) Dividends whose date of record is in the cumulative first quarter period of the current fiscal year and whose effective date is after the end of the first quarter accounting period of the current fiscal year

Not applicable.

iii. Notes – Segment information etc.

i) Segment information

Disclosures on segment information are omitted since the Company is a provider of on-line securities trading service comprising a single segment.

iv. Notes – Financial instruments

Not applicable.

v. Notes – Securities

Not applicable.

vi. Notes – Derivatives

Not applicable.

vii. Notes – Per share information

Basic earnings per share and diluted earnings per share with their respective bases of calculation are as follows.

Item	Cumulative first quarter period of the preceding fiscal year (From April 1, 2018 to June 30, 2018)	Cumulative first quarter period of the current fiscal year (From April 1, 2019 to June 30, 2019)
(1)Basic earnings per share (yen)	11.41	5.35
(Calculation basis)		
Net Profit (millions of yen)	2,930	1,374
Net Profit not attributed to common stock(millions of yen)	-	-
Net Profit attributed to common stock (millions of yen)	2,930	1,374
Average number of common stock outstanding (number of shares)	256,759,069	256,809,156
(2)Diluted earnings per share (yen)	11.40	5.34
(Calculation basis)		
Adjustment to the Net Profit (millions of yen)	-	-
Increase in common stock (number of shares)	227,851	308,345
Overview of significant changes from the end of the preceding fiscal year in the share acquisition rights or others without dilution effects which are not considered in the calculation of diluted earnings per share	-	-

3) Notes - Other

Not applicable.

Part 2. Information about Company which Provides

Guarantee to Reporting Company

Not Applicable.