Quarterly Securities Report for the First Quarter of the 108th Fiscal Year (From April 1, 2023 to June 30, 2023)

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo
Representative: WARITA Akira, President & CEO

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on August 10, 2023 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, 2023 to June 30, 2023) and the cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023).

Part 1. Company Information

1. Overview of Company

1) Key Financial Data

Fiscal period	Cumulative first quarter period of 107th fiscal year	Cumulative first quarter period of 108th fiscal year	107th fiscal year
Accounting Period	From April 1, 2022 to June 30, 2022	From April 1, 2023 to June 30, 2023	From April 1, 2022 to March 31, 2023
Operating revenue (millions of yen)	7,252	9,472	31,071
Net operating revenue (millions of yen)	6,858	8,232	28,415
Ordinary profit (millions of yen)	2,810	3,594	11,253
Profit (millions of yen)	1,945	2,360	7,823
Equity in earnings of affiliates if equity method is applied (millions of yen)	-	-	-
Share capital (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)	75,539	73,614	76,353
Total assets (millions of yen)	906,293	1,116,574	976,026
Basic earnings per share (yen)	7.57	9.18	30.42
Diluted earnings per share (yen)	7.56	9.16	30.37
Dividend paid per share(yen)	-	-	40.00
Equity-to-asset ratio (%)	8.3	6.6	7.8

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

2) Description of Business

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

2. Overview of Business

1) Business Risks

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, 2023.

2) Management Analysis of Financial Position, Operating Results and Cash Flows

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.

Matters concerning the future within this section are matters which have been determined by the Company as of the end of the current quarterly accounting period.

(1) Status and analysis of results of operations

In the domestic stock market in the cumulative first quarter period, the Nikkei Average at the beginning of the period opened at the 28,200 yen level, and then remained firm due to the Bank of Japan's decision to maintain monetary easing measures and expectations for the Tokyo Stock Exchange's demand for improvement for companies with PBR below 1x. Going into May, investors in Japan and overseas concentrated their buying on Japanese stocks, which were free of bearish factors, and by the end of May they reached 31,328 yen, the highest level since the collapse of the bubble economy. This trend continued into June, with consecutive highs. Although there were temporary price declines due to concerns about short-term overheating, the price hit a 33-year high of 33,706 yen in mid-June. Subsequently, the Nikkei Stock Average closed at the 33,100 yen level at the end of June, weighed down by concerns about prolonged interest rate hikes by the FRB and uncertainty surrounding the situation in Russia.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 15% compared to the cumulative first quarter period of the preceding fiscal year. Also, with respect to individual investors, who are our main customer base, transactions expanded against the backdrop of firm stock price movements, and stock etc. brokerage trading value by individual investors in the two markets increased by 32% compared to the same period in the preceding fiscal year. The percentage of the stock etc. brokerage trading value by individual investors in the two markets was 23%, which was upper than the 20% level of the cumulative first quarter period in the preceding fiscal year. Furthermore, the aggregate stock etc. brokerage trading value of the Company increased by 38% compared to the same period in the preceding fiscal year.

With respect to new initiatives by the Company in the cumulative first quarter period for the current fiscal year, regarding stock trading, the trading environment has been improved by enabling simultaneous use of the "Matsui Securities Stocks

App" and the "Net Stock High-Speed" trading tool for PCs. With respect to FX, the Company began offering promotions including sponsorship of e-sports events, as well as a repeating automated trading function that allows 24-hour trading. Regarding U.S. stocks, the number of stocks names handled was expanded to more than 2,500, and free seminars by popular U.S. stock investment bloggers were held to enhance communication with customers. Furthermore, the company has been striving to expand the dissemination of information for customers through the investment information media "Money Satellite" and other media, such as videos that enable young people and investment beginners to learn the fun of investing, introductions of individual stocks, and market commentary.

Under the above background, during the cumulative first quarter period, commissions received was 4,850 million yen (23.3% increase from the cumulative first quarter period of the preceding fiscal year) mainly due to the increase in stock etc. brokerage trading value. Net financial revenue was 2,939 million yen (18.9% increase from the same period of the preceding fiscal year) due to an increase in net revenues from securities lending and borrowing, and an increase in net revenues from margin transactions as a result of an increase in the average balance of customers' margin transactions and an increase in revenues from the premium short-selling service etc.

As a result, operating revenue increased significantly to 9,472 million yen (30.6% increase from the same period of the preceding fiscal year). Net operating revenue was 8,232 million yen (20.0% increase from the same period of the preceding fiscal year). Also, operating profit was 3,596 million yen (27.2% increase from the same period of the preceding fiscal year), ordinary profit was 3,594 million yen (27.9% increase from the same period of the preceding fiscal year), and net profit was 2,360 million yen (21.3% increase from the same period of the preceding fiscal year).

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 4,850 million yen (23.3% increase from the same period of the preceding fiscal year). Of this figure, brokerage commission was 4,611 million yen (23.5% increase from the same period of the preceding fiscal year), mainly due to the increase in stocks etc. brokerage trading value.

(Net trading income)

Net trading income was recorded a profit of 443 million yen, mainly due to FX trading profits. The total of net trading income and net financial revenue which related to FX amounted to 497 million yen (8.9% increase from the same period of the preceding fiscal year).

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenue was 2,939 million yen (18.9% increase from the same period of the preceding fiscal year). This was mainly due to an increase in net revenue from securities lending and borrowing, and an increase in net revenue from margin transactions as a result of an increase in the average balance of customers' margin transactions and an increase in revenue from the premium short-selling service.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 15.0% compared to the same period of the preceding fiscal year to 4,636 million yen. This was mainly due to an increase in office expenses (26.7% increase compared to the same period of the preceding fiscal year) resulting from an increase in outsourcing expenses, an increase in depreciation (22.1% increase compared to the same period of the preceding fiscal year), an increase in trading related expenses (7.5% increase compared to the same period of the preceding fiscal year) resulting from an increase in advertising costs, and an increase in personnel expenses (11.9% increase compared to the same period of the preceding fiscal year).

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

The main business of the Company is stocks etc. brokerage trading business targeting individual investors, and of the revenue items, commissions received and in particular brokerage commission relating to the trading of stocks etc. have a material impact on the business performance of the Company. Furthermore, financial revenue arising mainly from margin transactions is a factor having a material impact on the business performance of the Company. However, the level of such revenues is largely affected by the stock market environment.

(3) Status and analysis of financial conditions

The main assets of the Company are customer-segregated fund trusts (included in segregated deposits) where deposits received and guarantee deposits received etc. from customers are entrusted to trust banks, and margin transaction assets mainly comprised of margin loans. On the other hand, funds are being procured through short-term borrowings etc. for the purpose of allocating to margin loans. The main liabilities of the Company are deposits received, guarantee deposits received and short-term borrowings.

As of the end of the first quarter accounting period, total assets was 1,116,574 million yen, a 14.4% increase from the end of the preceding fiscal year. This was mainly due to a 23.4% increase of segregated deposits to 682,612 million yen resulting from increases in deposits received and guarantee deposits received etc.

Total liabilities was 1,042,960 million yen, a 15.9% increase from the end of the preceding fiscal year. This was mainly due to a 31.3% increase in deposits received to 428,209 million yen and an 18.2% increase in guarantee deposits received to 296,378 million yen.

Total net assets was 73,614 million yen, a 3.6% 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 2023 which is 5,144 million yen, was recorded, and at the same time a quarterly profit of 2,360 million yen was recorded.

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

The Company’s fund procurements are mainly conducted to correspond to the source of margin loans. Recurring margin loans are funded mainly by increase and decrease in short-term borrowings procured from financial institutions such as banks etc. In order to prepare for situations where margin loans 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 margin loans and internal reserves, a major portion of funds procurement was conducted by short-term borrowings including call money.

Furthermore, the Company secures safety of procurement of funds by making overdraft agreement and/or commitment line agreement with multiple financial institutions.

(5) Important accounting estimates and assumptions used for such estimates

In the cumulative first quarter period of the current fiscal year, there were no material changes to our important accounting estimates and assumptions used for such estimates.

(6) Management policy and management strategy, etc.

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

(7) 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 the Company's operational and financial issues to be addressed in priority, and no new operational or financial issues have arisen.

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

Not applicable.

3) Material Contracts, etc.

Not applicable.

3. Information about Reporting Company

1) Company's Shares, etc.

(1) Total number of shares etc.

[1] Authorized 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, 2023)	Number of shares at the date of filing of this quarterly securities report (August 10, 2023)	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 (Prime Market)	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 quarterly securities report does not include shares issued upon exercise of share acquisition rights from August 1, 2023 to the date of filing of this quarterly securities 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, share capital and legal capital surplus

Date	Change in number of outstanding shares	Total number of issued shares	Change in amount of share capital (millions of yen)	Balance of share capital (millions of yen)	Change in amount of legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
From April 1, 2023 to June 30, 2023	-	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, 2023, 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, 2023.

[1] Issued shares

(As of March 31, 2023)

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: 2,059,800	-	-
Shares with full voting rights (Other)	Common stock: 257,159,700	2,570,928	-
Shares less than 1 unit of shares	Common stock: 45,202	-	-
Total number of issued shares	259,264,702	-	-
Voting rights of all shareholders	-	2,570,928	-

Note 1: 400 shares under the title of Japan Securities Depositary Center Inc. and 66,900 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 Depositary Center Inc. are included in "Number of voting rights". The 669 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: 46 treasury shares held by the Company are included in "Shares less than 1 unit of shares".

[2] Treasury shares etc.

(As of March 31, 2023)

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	2,059,800	-	2,059,800	0. 79
Total	-	2,059,800	-	2,059,800	0. 79

2) Status of officers

There were 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. 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”, 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, 2023 to June 30, 2023) and the cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023) 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.

1) Quarterly Financial Statements etc.

(1) Quarterly financial statements

[1] Quarterly balance sheet

(Millions of Yen)

	Preceding fiscal year (March 31, 2023)	First quarter accounting period (June 30, 2023)
Assets		
Current assets		
Cash and deposits	79,331	79,364
Segregated deposits	553,312	682,612
Money held in trust	3,096	3,138
Trading products	4,034	4,620
Trading securities and other	0	0
Derivatives	4,034	4,620
Trade date accrual	15	-
Margin transaction assets	280,058	285,327
Margin loans	275,075	275,153
Cash collateral provided for securities borrowed in margin transactions	4,983	10,174
Loans secured by securities	25,905	28,956
Cash collateral provided for securities borrowed	25,905	28,956
Advances paid	80	117
Deposits paid for underwritten offering, etc.	453	707
Short-term guarantee deposits	8,109	8,570
Other	6,875	7,346
Allowance for doubtful accounts	(23)	(11)
Total current assets	961,244	1,100,746
Non-current assets		
Property, plant and equipment	1,365	1,344
Intangible assets	7,882	8,103
Software	7,882	8,103
Other	0	0
Investments and other assets	5,535	6,382
Investment securities	2,886	3,849
Other	3,767	3,544
Allowance for doubtful accounts	(1,118)	(1,011)
Total non-current assets	14,782	15,829
Total assets	976,026	1,116,574

(Millions of yen)

	Preceding fiscal year (March 31, 2023)	First quarter accounting period (June 30, 2023)
Liabilities		
Current liabilities		
Trading products	334	766
Derivatives	334	766
Trade date accrual	-	109
Margin transaction liabilities	53,937	60,535
Margin borrowings	10,260	10,184
Cash received for securities sold in margin transactions	43,677	50,351
Borrowings secured by securities	39,452	41,279
Cash collateral received for securities lent	39,452	41,279
Deposits received	326,031	428,209
Guarantee deposits received	250,827	296,378
Payables for securities to receive over due for delivery	11	-
Short-term borrowings	219,900	207,900
Income taxes payable	1,858	1,018
Provision for bonuses	304	76
Other	3,535	3,018
Total current liabilities	896,189	1,039,288
Non-current liabilities		
Long-term borrowings	150	150
Other	236	236
Total non-current liabilities	386	386
Reserves under special laws		
Reserve for financial instruments transaction liabilities	3,098	3,286
Total reserves under special laws	3,098	3,286
Total liabilities	899,673	1,042,960
Net assets		
Shareholders’ equity		
Share capital	11,945	11,945
Capital surplus	9,803	9,803
Retained earnings	55,902	53,118
Treasury shares	(1,557)	(1,557)
Deposits for subscriptions of treasury shares	-	0
Total shareholders' equity	76,092	73,308
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	23	45
Total valuation and translation adjustments	23	45
Share acquisition rights	238	261
Total net assets	76,353	73,614
Total liabilities and net assets	976,026	1,116,574

[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, 2022 to June 30, 2022)	Cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023)
Operating revenue		
Commission received	3,933	4,850
Brokerage commission	3,734	4,611
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	5	32
Fees for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Other commission received	195	208
Net trading income	454	443
Financial revenue	2,865	4,178
Total operating revenue	7,252	9,472
Financial expenses	394	1,239
Net operating revenue	6,858	8,232
Selling, general and administrative expenses		
Trading related expenses	1,366	1,468
Personnel expenses	778	870
Real estate expenses	224	236
Office expenses	902	1,143
Depreciation	609	743
Taxes and dues	114	114
Provision of allowance for doubtful accounts	(33)	(19)
Other	72	81
Total selling, general and administrative expenses	4,032	4,636
Operating profit	2,826	3,596
Non-operating income		
Dividend income	7	7
Gain on investments in investment partnerships	3	18
Other	1	3
Total non-operating income	11	28
Non-operating expenses		
Loss on investments in investment partnerships	21	28
Other	7	3
Total non-operating expenses	27	31
Ordinary profit	2,810	3,594
Extraordinary income		
Gain on redemption of investment securities	18	-
Total extraordinary income	18	-
Extraordinary losses		
Provision of reserve for financial instruments transaction liabilities	22	188
Loss on sale and retirement of non-current assets	0	3
Total extraordinary losses	22	191
Profit before income taxes	2,805	3,402
Income taxes – current	647	946
Income taxes – deferred	213	97
Total income taxes	860	1,042
Profit	1,945	2,360

[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 are as follows.

	Cumulative first quarter period of the preceding fiscal year (From April 1, 2022 to June 30, 2022)	Cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023)
Depreciation	609 million yen	743 million yen

ii. Notes – Equity

i) Cumulative first quarter period of the preceding fiscal year (From April 1, 2022 to June 30, 2022)

(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 26, 2022	Common stock	5,142	20.00	March 31, 2022	June 27, 2022	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, 2023 to June 30, 2023)

(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 25, 2023	Common stock	5,144	20.00	March 31, 2023	June 26, 2023	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 – Revenue recognition

Disclosures on segment information have been omitted since the Company is a provider of on-line securities trading service comprising a single segment. The following tables provide information on the breakdown of revenue generated from contracts with customers.

i) Cumulative first quarter period of the preceding fiscal year (From April 1, 2022 to June 30, 2022)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	3,933
Commission received	3,933
Brokerage commission	3,734
Equity & ETF, etc.	3,372
Futures & Options	362
Other	199
Other revenue	3,319
Financial revenue	2,865
Net trading income	454
Total operating revenue	7,252

ii) Cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023)

(Millions of yen)

	On-line securities trading service
Revenue generated from contracts with customers	4,850
Commission received	4,850
Brokerage commission	4,611
Equity & ETF, etc.	4,342
Futures & Options	269
Other	240
Other revenue	4,621
Financial revenue	4,178
Net trading income	443
Total operating revenue	9,472

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, 2022 to June 30, 2022)	Cumulative first quarter period of the current fiscal year (From April 1, 2023 to June 30, 2023)
(1)Basic earnings per share (yen)	7.57	9.18
(Calculation basis)		
Net profit (millions of yen)	1,945	2,360
Net profit not attributed to common stock(millions of yen)	-	-
Net profit attributed to common stock (millions of yen)	1,945	2,360
Average number of common stock outstanding (number of shares)	257,093,056	257,204,856
(2)Diluted earnings per share (yen)	7.56	9.16
(Calculation basis)		
Adjustment to the net profit (millions of yen)	-	-
Increase in common stock (number of shares)	368,649	407,986
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	-	-

2) Other Information

Not applicable.

Part 2. Information about reporting company's guarantor, etc.

Not applicable.