

Quarterly Securities Report
Including Financial Statements
Under Japanese GAAP
For the Six Months
Ended September 30, 2014

Matsui Securities Co., Ltd.

1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan

Filed with the Director of the Kanto Local Finance Bureau
On November 13, 2014

1 Information on Matsui Securities Co., Ltd. (“Company”)

Part 1 Company Financial Outlook

1 Major Business Indices

		Six months Ended September 30, 2013	Six months Ended September 30, 2014	Year ended March 31, 2014
Operating revenues	(Millions of Yen)	22,190	16,309	39,883
Net operating revenues	(Millions of Yen)	21,599	15,630	38,738
Ordinary income	(Millions of Yen)	15,666	10,376	27,175
Net income	(Millions of Yen)	9,435	6,469	16,300
Equity in earnings of affiliates	(Millions of Yen)	—	—	—
Capital stock	(Millions of Yen)	11,945	11,945	11,945
Total shares outstanding	(shares)	269,264,702	269,264,702	269,264,702
Net assets	(Millions of Yen)	85,752	86,807	85,365
Total assets	(Millions of Yen)	727,426	767,157	688,353
Earnings per share	(Yen)	36.75	25.20	63.49
Fully diluted earnings per share	(Yen)	—	25.20	—
Dividends per share	(Yen)	30.00	20.00	50.00
Equity ratio	(%)	11.8	11.3	12.4
Cash flows from operating activities	(Millions of Yen)	16,831	31,093	(18,060)
Cash flows from investing activities	(Millions of Yen)	(414)	(505)	(1,142)
Cash flows from financing activities	(Millions of Yen)	(14,350)	(21,685)	25,910
Cash and cash equivalents at end of period	(Millions of Yen)	28,692	42,236	33,333

		Three months Ended September 30, 2013	Three months Ended September 30, 2014
Earnings per share	(Yen)	14.15	13.79

Note: The company does not report fully diluted earnings per share for the six months ended September 30, 2013, and the year ended March 31, 2014, as there are no residual securities.

2 Company’s Business

There have been no significant changes in the business of the Company in the three months ended September 30, 2014.

Part 2 Business Outlook of the Company

1 Risk of the Company's Business

There have been no unusual changes in financial position, result of operations and cash flows of the Company in the six months ended September 30, 2014.

There have been no significant changes in the risk of the Company's business described in the Annual Securities Report of the Company as of March 31, 2014.

2 Significant Contracts for the Company's Business

There have been no new significant contracts in the three months ended September 30, 2014.

Part 3 Corporate Profiles

1 Number of Shares

(1) Total Number of Shares

Number of Shares Authorized	
Common stock	1,050,000,000 shares
Total	1,050,000,000 shares

	Number of Shares Outstanding		Stock Exchange(s) Listed at	Details
	As of September 30, 2014 (End of the quarterly period)	As of November 13, 2014 (Date of filing of this Report)		
Common stock	269,264,702 shares	269,264,702 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	269,264,702 shares	269,264,702 shares	—	—

(2) Stock acquisition rights

Stock acquisition rights issued in the three months ended September 30, 2014 were as follows.

Date of resolution	July 24, 2014
Number of stock acquisition rights (Units)	839
Number of treasury stock acquisition rights out of the total number of stock acquisition rights (Units)	—
Class of shares subject to stock acquisition rights	Common stock
Number of shares subject to stock acquisition rights (shares)	※1 83,900
Amount to be paid per share upon the exercise of each stock acquisition rights (Yen)	1
Exercise period for stock acquisition rights	From August 9, 2017 to August 8, 2020
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of stock acquisition rights (Yen)	Issuance price 1 Amount credited to equity capital 0.5
Conditions for the exercise of stock acquisition rights	※2
Matters concerning the transfer of stock acquisition rights	The acquisition of the stock acquisition rights through assignment shall require the approval of the Board of Directors of the Company.
Matters concerning substitute payment	—
Matters concerning the grant of stock acquisition rights in connection with acts of reorganization	※3

Note:

1. The Number of shares to be issued upon exercise of stock acquisition rights is 100. The Company will adjust the number of shares to be issued in case it splits its shares, allots its shares without contribution and merges its shares. The Company will adjust the number of shares in case it acquires other companies, divides the corporation, exchanges its shares with other companies' shares.
2. (i) Persons allotted stock acquisition rights are eligible to exercise only when they are active directors at the time of the exercise. However the Company may treat the rights of those who are out of the service of directors still effective when it finds reasonable grounds.
(ii) Persons allotted stock acquisition rights are eligible to exercise their rights as follows.
 - 1) From August 9, 2017 to August 8, 2018: Within one third of the number of rights originally allotted.
 - 2) From August 9, 2018 to August 8, 2019: Within two thirds of the number of rights originally allotted.
 - 3) From August 9, 2019 to August 8, 2020: All rights can be exercised.(iii) Each one right cannot be partially exercised.
(iv) Other conditions of exercise are specified in the contracts between the Company and the persons to be allotted stock acquisition right.
3. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot stock acquisition rights to the persons who hold remaining rights according to the reorganization contracts. The terms of new rights will be determined in accordance with the remaining rights.

(3) Exercise of Moving Strike Convertible Bonds

No relevant items.

(4) Rights Plan

No relevant items.

(5) Total Number of Shares Outstanding and Capital Stock

	Shares Outstanding		Capital Stock		Additional Paid in Capital	
	Change (shares)	Shares outstanding (shares)	Change (Millions of Yen)	Outstanding Balance (Millions of Yen)	Change (Millions of Yen)	Outstanding Balance (Millions of Yen)
From July 1, 2014 to September 30, 2014	—	269,264,702	—	11,945	—	9,793

(6) Principal Shareholders

(As of September 30, 2014)

Name	Address	Shares in possession (Thousands of shares)	Percentage of shares in possession to the total shares outstanding (%)
Chizuko Matsui	Bunkyo-ku, Tokyo, Japan	55,696	20.68
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	35,312	13.11
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo, Japan	27,522	10.22
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	12,851	4.77
Michio Matsui	Bunkyo-ku, Tokyo, Japan	8,001	2.97
Michitaro Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Chiaki Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Yuma Matsui	Bunkyo-ku, Tokyo, Japan	7,762	2.88
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	7,287	2.71
TAIYO FUND, L.P. (Standing proxy: Citibank Japan Ltd.)	5300 CARILLON POINT, KIRKLAND, WA 98033 USA (6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan)	7,216	2.68
Total	—	177,170	65.80

Note:

1. 12,533 thousands of treasury stock (4.65%) are not included above.
2. Because the Company was not able to verify the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), and Japan Trustee Services Bank, Ltd. (Trust account) for their trustee businesses, the Company does not show these numbers.

(7) Voting Rights

(i) Outstanding shares

(As of September 30, 2014)

	Number of shares	Number of voting rights
Shares without voting rights	—	—
Shares with limited voting rights (Treasury stock)	—	—
Shares with limited voting rights (Other than treasury stock)	—	—
Shares with full voting rights (Treasury stock)	(Treasury stock) Common stock 12,533,000	—
Shares with full voting rights (Other than treasury stock)	Common stock 256,716,800	2,564,252
Odd lot shares (1 lot = 100 shares)	Common stock 14,902	—
Total number of shares outstanding	269,264,702	—
Total number of voting rights	—	2,564,252

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 291,600 shares of securities bought by customers using money loaned from the Company's own fund are included in "Shares with full voting rights (Other than treasury stock)." 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Shares with full voting rights (Other than treasury stock)". 2,916 voting rights of securities bought by customers using money loaned from the Company's own fund are not included in "Shares with full voting rights (Other than treasury stock)".
- 93 treasury shares are included in odd-lot shares.

(ii) Treasury Stock

(As of September 30, 2014)

Name of shareholders	Address	Treasury stock held by the Company's own name	Treasury stock held by other person's name	Total Number of shares held	Percentage of shares to the total number of outstanding shares (%)
(Treasury stock held by the Company) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo, Japan	12,533,000	—	12,533,000	4.65
Total	—	12,533,000	—	12,533,000	4.65

2 Executives

There have been no changes to the Company's executives' from when the Company filed its Annual Securities Report on June 16, 2014 up until the six months ended September 30, 2014.

Part 4 Financial Status

1 Presentation of Quarterly Financial Statements

Pursuant to Article 54 and 73 of the “Regulations of Quarterly Financial Statements” (Cabinet Office Ordinance No. 63, 2007), the quarterly financial statements of the Company are prepared in accordance with the “Cabinet Office Ordinance concerning Financial Instruments Business” (Cabinet Office Ordinance 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) along with the “Regulations of Quarterly Financial Statements”.

2 Audit Report

The quarterly financial statements for the three months ended September 30, 2014 (from July 1, 2014 to September 30, 2014) and six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014) were reviewed by PricewaterhouseCoopers Aarata in accordance with the Article 193-2-1 of Financial Instruments and Exchange Law.

3 Consolidated Financial Statements

The consolidated financial statements of the Company are not prepared for six months ended September 30, 2014 because there is not a subsidiary.

Notice to readers:

The accompanying quarterly non-consolidated financial statements were prepared in accordance with the provision set forth in the Corporations Law of Japan, the Financial Instruments and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different from International Financial Reporting Standards in certain aspects of application and disclosure requirements.

The quarterly non-consolidated 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 or jurisdictions other than Japan.

1 Quarterly Non-Consolidated Financial Statements

[1] Quarterly Non-Consolidated Balance Sheets

(Millions of Yen)

	March 31, 2014	September 30, 2014
Assets		
Current Assets		
Cash and bank deposits	12,166	10,121
Cash segregated as deposits	341,812	419,107
Cash in trust	21,867	33,015
Trading assets:	1,307	1,305
Trading securities and others	0	0
Derivatives	1,307	1,305
Net receivables arising from pre-settlement date trades	139	35
Margin account assets:	282,225	275,800
Loans receivable from customers	279,353	263,016
Cash deposited as collateral for securities borrowed from securities finance companies	2,872	12,785
Receivables on collateralized securities transactions:	9,636	7,395
Cash deposits collateral for securities borrowed	9,636	7,395
Receivables from customers and others	86	27
Short-term guarantee deposits	4,122	5,223
Others	5,397	5,369
Allowance for doubtful accounts	(14)	(11)
Total current assets	678,743	757,386
Fixed assets		
Tangible fixed assets	998	949
Intangible assets	2,726	2,752
Software	2,726	2,752
Others	1	0
Investments and others	5,886	6,070
Investment securities	5,201	5,363
Others	2,056	2,004
Allowance for doubtful accounts	(1,372)	(1,297)
Total fixed assets	9,610	9,771
Total assets	688,353	767,157

(Millions of Yen)

	March 31, 2014	September 30, 2014
Liabilities		
Current liabilities		
Trading liabilities:	699	1,275
Trading securities and others	0	1
Derivatives	699	1,273
Margin account liabilities:	32,025	50,473
Loans from securities finance companies	2,798	3,343
Proceeds of securities sold on customers' account	29,228	47,130
Payables on collateralized securities transactions:	25,498	28,201
Cash deposits as collateral for securities loaned	25,498	28,201
Deposits received	178,071	238,501
Guarantee money received	176,619	194,394
Suspense account for undelivered securities	11	0
Short-term borrowings	176,100	153,600
Commercial paper	—	6,000
Accrued income taxes	9,037	3,303
Accrued bonuses	305	78
Others	1,693	1,382
Total current liabilities	600,058	677,207
Long-term liabilities		
Long-term borrowings	150	100
Deferred tax liabilities	651	558
Reserve for retirement bonuses for directors and auditors	204	204
Others	3	3
Total long-term liabilities	1,009	865
Statutory reserves		
Reserve for financial products transaction liabilities	1,922	2,277
Total statutory reserves	1,922	2,277
Total liabilities	602,988	680,350
Net assets		
Shareholders' equity		
Common stock	11,945	11,945
Capital surplus	9,793	9,793
Earned surplus	69,841	71,176
Treasury stock	(9,475)	(9,475)
Total shareholders' equity	82,104	83,439
Valuation and translation adjustments		
Net unrealized gain (loss) on investment securities, net of taxes	3,260	3,365
Total valuation and translation adjustments	3,260	3,365
Stock acquisition rights	—	3
Total net assets	85,365	86,807
Total liabilities and net assets	688,353	767,157

[2] Quarterly Non-Consolidated Statements of Income

(Millions of Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Operating revenues		
Commissions	15,977	9,755
Brokerage commissions	15,383	9,264
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	4	—
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	3
Others	589	489
Net gain (loss) on trading	7	3
Interest and dividend income	6,204	6,548
Other operating revenue	3	3
Total operating revenues	22,190	16,309
Interest expenses	591	679
Net operating revenues	21,599	15,630
Selling, general and administrative expenses		
Transaction related expenses	2,560	2,334
Employees' compensation and benefits	991	933
Occupancy and rental	450	443
Data processing and office supplies	876	848
Depreciation	827	680
Duties and taxes other than income taxes	141	91
Provision of allowance for doubtful accounts	52	(68)
Others	86	62
Total selling, general and administrative expenses	5,984	5,322
Operating income	15,615	10,308
Non-operating income		
Dividend income	36	58
Others	16	13
Total non-operating income	52	71
Non-operating expenses		
Others	0	2
Total non-operating expenses	0	2
Ordinary income	15,666	10,376
Special losses		
Provision for statutory reserves	454	355
Total Special losses	454	355
Income before income taxes	15,212	10,021
Income taxes – current	6,162	3,254
Income taxes – deferred	(384)	298
Income taxes	5,777	3,552
Net income	9,435	6,469

[3] Quarterly Non-Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Cash flows from operating activities		
Income before income taxes	15,212	10,021
Depreciation and amortization	827	680
Net change in allowance for doubtful accounts	(230)	(78)
Net change in accrued bonuses	(15)	(227)
Net change in reserve for financial products transaction liabilities	454	355
Interest and dividend income	(6,065)	(6,412)
Interest expenses	438	470
Net change in cash segregated as deposits	(95,099)	(77,300)
Net change in cash in trust	600	(200)
Net change in trading assets and liabilities	(325)	578
Net change in net receivables and payables arising from pre-settlement date trades	140	104
Net change in margin assets and liabilities	(28,582)	24,873
Net change in receivables on collateralized securities transactions	7,107	2,241
Net change in deposits received and receivables from customers and others	67,896	60,489
Net change in payables on collateralized securities transactions	9,042	2,704
Net change in guarantee money received	44,307	17,776
Net change in short-term guarantee deposits	(1,221)	(1,101)
Others	(36)	(644)
Sub total	14,449	34,327
Interest and dividend received	5,751	6,146
Interest paid	(440)	(456)
Income taxes paid	(2,928)	(8,923)
Net cash flows from operating activities	16,831	31,093
Cash flows from investing activities		
Payments for purchases of property and equipment	(104)	(5)
Payments for purchases of intangible assets	(324)	(509)
Others	14	8
Net cash flows from investing activities	(414)	(505)
Cash flows from financing activities		
Net change in short-term borrowings	(9,500)	(22,500)
Net change in Commercial paper	—	6,000
Proceeds from long-term borrowings	300	—
Repayments of long-term borrowings	(25)	(50)
Payments for purchase of treasury stock	(0)	—
Dividends paid	(5,125)	(5,135)
Net cash flows from financing activities	(14,350)	(21,685)
Translation difference of cash and cash equivalent	(0)	0
Net change in cash and cash equivalent	2,067	8,903
Cash and cash equivalents at beginning of period	26,624	33,333
Cash and cash equivalents at end of period	※1 28,692	※1 42,236

Notes to Quarterly Non-Consolidated Financial Statements

Notes to Quarterly Non-Consolidated Statements of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Cash and bank deposits	8,990	10,121
Cash in trust	20,401	33,015
Cash in trust whose purpose is to segregate guarantee money	(700)	(900)
Cash and cash equivalents	28,692	42,236

Notes Concerning Net Assets

(Six months ended September 30, 2013)

1. Dividends

Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 23, 2013
Type of Shares	Common stock
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2013
Effective date	June 24, 2013
Source of dividends	Earned surplus

2. Dividends for which effective date is after September 30, 2013

Date of resolution	Board of directors' meeting held on October 24, 2013
Type of Shares	Common stock
Amount of dividend payment	7,702 million yen
Dividends per share	30 yen
Date of record for dividends	September 30, 2013
Effective date	November 25, 2013
Source of dividends	Earned surplus

(Six months ended September 30, 2014)

1. Dividends

Dividend payment

Date of resolution	Ordinary General Meeting of Shareholders held on June 22, 2014
Type of Shares	Common stock
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	March 31, 2014
Effective date	June 23, 2014
Source of dividends	Earned surplus

2. Dividends for which effective date is after September 30, 2014

Date of resolution	Board of directors' meeting held on October 28, 2014
Type of Shares	Common stock
Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Date of record for dividends	September 30, 2014
Effective date	November 25, 2014
Source of dividends	Earned surplus

Financial Instruments

There have been no significant changes in financial instruments during the six months ended September 30, 2014 compared to fiscal year ended March 31, 2014.

Securities

No relevant items.

Derivative Transactions

No relevant items.

Segment Information

Disclosures on segment information have been omitted, as the business of the Company consists of only a single segment of online brokerage service.

Per Share Information

The amounts of earnings per share and fully diluted earnings per share with their respective bases of calculation information are as follows:

Items	Six months ended September 30, 2013	Six months ended September 30, 2014
(1)Earnings per share (Yen)	36.75	25.20
(Calculation basis)		
Net income on the statements of income (Millions of Yen)	9,435	6,469
Net income not attributed to common stock (Millions of Yen)	—	—
Net income attributed to common stock (Millions of Yen)	9,435	6,469
Average number of common stock outstanding (shares)	256,731,692	256,731,609
(2) Fully diluted earnings per share (Yen)	—	25.20
(Calculation basis)		
Net income on the statements of income (Millions of Yen)	—	—
Increase of common stock (shares)	—	9,044
Significant changes in the residual securities which are not considered in the calculation of fully diluted earnings per share	—	—

Note: Fully diluted earnings per share during the six months ended September 30, 2013 has been omitted, as there are no residual securities.

Subsequent Events

No relevant items.

2 Others

At the meeting held on October 28, 2014, the board of directors of the Company resolved to distribute interim dividends with record date dated September 30, 2014.

The details are as follows.

Amount of dividend payment	5,135 million yen
Dividends per share	20 yen
Effective date	November 25, 2014

2 Information on the Surety of the Company

No relevant items.

Note: The Original Quarterly Securities Report includes the quarterly review by PricewaterhouseCoopers Aarata for the quarterly financial statements for the three months ended September 30, 2014 and for the six months ended September 30, 2014.