

Quarterly Securities Report  
Including Financial Statements  
Under Japanese GAAP  
For the Six Months  
Ended September 30, 2017

**Matsui Securities Co., Ltd.**

1-4, Kojimachi, Chiyoda-ku, Tokyo

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Filed with the Director of the Kanto Local Finance Bureau  
On November 13, 2017

# **1 Company information**

## **Part 1 Overview of company**

### **1 Summary of business results**

	Six months ended September 30, 2016	Six months ended September 30, 2017	Year ended March 31, 2017
Operating revenue (Millions of Yen)	13,747	14,586	27,727
Net operating revenue (Millions of Yen)	13,241	13,852	26,499
Ordinary income (Millions of Yen)	7,380	8,051	15,044
Net income (Millions of Yen)	5,105	5,570	10,697
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 (Shares)	259,264,702	259,264,702	259,264,702
Net assets (Millions of Yen)	92,516	95,771	94,820
Total assets (Millions of Yen)	632,966	812,011	770,716
Basic earnings per share (Yen)	19.89	21.70	41.67
Diluted earnings per share (Yen)	19.88	21.68	41.65
Dividend paid per share (Yen)	13.00	17.00	33.00
Equity-to-asset ratio (%)	14.6	11.8	12.3
Net cash provided by (used in) operating activities (Millions of Yen)	44,994	34,679	11,510
Net cash provided by (used in) investing activities (Millions of Yen)	(722)	(1,430)	(2,014)
Net cash provided by (used in) financing activities (Millions of Yen)	(51,881)	(39,180)	(10,269)
Cash and cash equivalents (Millions of Yen)	22,256	23,161	29,093

	Three months ended September 30, 2016	Three months ended September 30, 2017
Basic earnings per share (Yen)	8.87	10.87

## **2 Description of business**

There have been no significant changes in the business of the Company in the six months ended September 30, 2017.

## **Part 2 Overview of business**

### **1 Business risks**

The event shown below which occurred in the six months ended September 30, 2017 may cause a material business risk to the Company.

The Company has changed the policy of covering customers' positions in foreign exchange margin trading. In new scheme the Company does not necessarily cover all the customers' positions and the Company trades with not only one but several counterparties.

The description of the business risk related to the foreign exchange margin trading shown in the annual securities report for the year ended March 31, 2017 was replaced with the following description.

10. Risk related to foreign exchange margin trading: The Company trades foreign exchange transactions with several counterparties to cover positions held through foreign exchange margin trading with its customers. The Company takes credit risk of these counterparties to its guarantee deposits offered to them. The Company tries to control market risk through covering and matching customers' trades by following the corporate rules although unexpected events in the foreign exchange market may bring financial damage to the Company.

### **2 Critical contracts for operation**

No relevant items.

## Part 3 Information about reporting company

### 1 Information about shares, etc.

#### (1) Total number of shares, etc.

##### [1] Total number of shares

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

##### [2] Issued shares

	Total number of issued shares		Stock Exchange Listed at	Details
	As of September 30, 2017 (End of the quarterly period)	As of November 13, 2017 (Date of filing of this Report)		
Common stock	259,264,702 shares	259,264,702 shares	Tokyo Stock Exchange (First Section)	1 unit consists of 100shares
Total	259,264,702 shares	259,264,702 shares	—	—

Notes: Total number of issued shares (As of November 13, 2017) does not include the number of issued shares by exercising share option from November 1, 2017 to November 13, 2017.

#### (2) Subscription rights to shares, etc.

Subscription rights to shares issued in the three months ended September 30, 2017 are as follows.

Date of resolution	July 27, 2017
Number of subscription rights to shares (Units)	1,291
Number of treasury subscription rights to shares out of the total number of subscription rights to shares (Units)	—
Class of shares subject to subscription rights	Common stock
Number of shares subject to subscription rights (Shares)	1 129,100
Amount to be paid per share upon the exercise of each subscription rights to shares (Yen)	1
Exercise period for subscription rights to shares	2 From August 18, 2020 to August 17, 2023
Issuance price and amount credited to equity capital in the event of share issuance upon the exercise of subscription rights to shares (Yen)	3
Conditions for the exercise of subscription rights to shares	4
Matters concerning the transfer of subscription rights to shares	5
Matters concerning substitute payment	—
Matters concerning the grant of subscription rights to shares in connection with acts of reorganization	6

Note:

1. The number of shares to be issued upon exercise of subscription rights to shares 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, exchange its shares with other companies' shares.
2. If the final day of the exercise period falls on a holiday of the Company, the final day shall be the working day immediately preceding the final day.
3. Issuance price of the subscription rights to shares to be exercised from August 18, 2020 is 731 yen per share. Issuance price of the subscription rights to shares to be exercised from August 19, 2021 is 717 yen per share. Issuance price of the subscription rights to shares to be exercised from August 19, 2022 is 704 yen per share. The amount of capital to be increased due to the issuance of shares upon exercise of the subscription rights to shares shall be a half of the maximum amount of capital increase, etc. which is calculated in accordance with Article 17, Paragraph 1 of the Corporation Accounting Regulations, and any fraction less than 1 yen arising from there shall be rounded up to the nearest 1 yen.
4. (i) Persons allotted subscription rights to shares 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 subscription rights to shares are eligible to exercise their rights as follows.
  - 1) From August 18, 2020 to August 18, 2021: Within one third of the number of rights originally allotted.
  - 2) From August 19, 2021 to August 18, 2022: Within two thirds of the number of rights originally allotted.
  - 3) From August 19, 2022 to August 17, 2023: 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 subscription rights to shares.
5. The acquisition of the subscription rights to shares through assignment shall require the approval of the Board of Directors of the Company.
6. In case of corporate reorganization including merger, corporate division and exchange of shares, the reorganized company will allot subscription rights to shares 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) Exercises, etc. of moving strike convertible bonds, etc.**

No relevant items.

**(4) Description of rights plan**

No relevant items.

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

	Issued shares (shares)		Capital Stock (Millions of Yen)		Legal capital surplus (Millions of Yen)	
	Change	Outstanding amount	Change	Outstanding amount	Change	Outstanding amount
From July 1, 2017 to September 30, 2017	—	259,264,702	—	11,945	—	9,793

## (6) Major shareholders

(As of September 30, 2017)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%)
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	86,812	33.48
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	35,722	13.78
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	20,574	7.94
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	10,047	3.88
Chizuko Matsui	Bunkyo-ku, Tokyo	5,321	2.05
Michitaro Matsui	Bunkyo-ku, Tokyo	5,262	2.03
Chiaki Matsui	Bunkyo-ku, Tokyo	5,262	2.03
Yuma Matsui	Bunkyo-ku, Tokyo	5,262	2.03
Michio Matsui	Bunkyo-ku, Tokyo	4,376	1.69
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Tower Z, Harumi Triton Square, 1-8-12, Harumi, Chuo-ku, Tokyo	3,426	1.32
Total	—	182,064	70.22

Note:

1. Because the Company was not able to verify the number of shares held by The Master Trust Bank of Japan, Ltd. (Trust account), Japan Trustee Services Bank, Ltd. (Trust account) and Trust & Custody Services Bank, Ltd. (Securities investment trust account) for their trustee businesses, the Company does not show these numbers.
2. The Company has received an "Amendment Report on the Report as to Acquisition of Large Proportion of Shares" dated September 25, 2017 filed by Nomura Securities Co.,Ltd. and Nomura Asset Management Co.,Ltd. reporting that they jointly hold our shares as of September 15, 2017 as follows. However, these numbers are not included in the table above because we are not able to verify the number of shares they hold as of the end of this fiscal period.

Name	Address	Shares in possession (Thousands of shares)	Percentage of shares in possession to the total shares outstanding (%)
Nomura Securities Co.,Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo	885	0.34
Nomura Asset Management Co.,Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo	12,109	4.67
Total	—	12,994	5.01

## (7) Voting Rights

### (i) Issued shares

( As of September 30, 2017 )

	Number of shares	Number of voting rights
Shares without voting rights	—	—
Shares with limited voting rights (Treasury shares)	—	—
Shares with limited voting rights (Other than treasury shares)	—	—
Shares with full voting rights (Treasury shares)	( Treasury shares ) Common stock 2,533,400	—
Shares with full voting rights (Other than treasury shares)	Common stock 256,715,400	2,565,637
Odd lot shares (1 lot = 100 shares)	Common stock 15,902	—
Total number of issued shares	259,264,702	—
Total number of voting rights	—	2,565,637

Note:

- 400 shares under the title of Japan Securities Depository Center Inc. and 151,700 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 shares)." 4 voting rights under the title of Japan Securities Depository Center Inc. are included in "Shares with full voting rights (Other than treasury shares)." 1,517 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 shares)".
- 33 treasury shares are included in odd-lot shares.

### (ii) Treasury shares, etc.

( As of September 30, 2017 )

Name of shareholders	Address	Treasury shares held by the Company's own name	Treasury shares held by other person's name	Total Number of shares held	Shareholding ratio (%)
(Treasury shares held by the Company ) Matsui Securities Co., Ltd.	1-4, Kojimachi, Chiyoda-ku, Tokyo	2,533,400	—	2,533,400	0.98
Total	—	2,533,400	—	2,533,400	0.98

## 2 Information about officers

There have been no changes to the Company's executives' from when the Company filed its Annual Securities Report on June 19, 2017 up until the six months ended September 30, 2017.

## **Part 4 Financial information**

### **1 Note on 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 Note on independent audit**

The quarterly financial statements for the three months ended September 30, 2017 (from July 1, 2017 to September 30, 2017) and six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017) were reviewed by PricewaterhouseCoopers Aarata LLC in accordance with the Article 193-2-1 of Financial Instruments and Exchange Act.

### **3 Note on quarterly consolidated financial statements**

The consolidated financial statements of the Company are not prepared for six months ended September 30, 2017, because there is not a subsidiary.

#### **Notice to readers:**

The accompanying quarterly financial statements have been prepared in accordance with the provision set forth in the Corporations Law of Japan, the Financial Instruments and Exchange Act, 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 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 Financial Statements

## [1] Quarterly Balance Sheet

(Millions of Yen)

	March 31, 2017	September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	25,743	20,148
Cash segregated as deposits	467,212	513,512
Money held in trust	5,950	5,813
Trading products:	1,408	1,272
Trading securities and other	0	0
Derivatives	1,408	1,272
Trade date accrual	15	16
Margin transaction assets:	245,202	244,108
Loans on margin transactions	237,047	231,261
Cash collateral pledged for securities borrowing on margin transactions	8,154	12,847
Loans secured by securities:	9,536	8,805
Cash collateral pledged for securities borrowed	9,536	8,805
Advances paid	26	37
Cash paid for offering	28	187
Short-term guarantee deposits	1,648	3,417
Other	4,859	4,920
Allowance for doubtful accounts	(116)	(120)
<b>Total current assets</b>	<b>761,510</b>	<b>802,116</b>
Non-current assets		
Property, plant and equipment:	958	905
Intangible assets:	4,118	4,411
Software	4,118	4,411
Other	0	0
Investments and other assets:	4,129	4,580
Investment securities	2,893	3,615
Other	2,785	2,499
Allowance for doubtful accounts	(1,549)	(1,534)
<b>Total non-current assets</b>	<b>9,205</b>	<b>9,895</b>
<b>Total assets</b>	<b>770,716</b>	<b>812,011</b>

(Millions of Yen)

	March 31, 2016	September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Trading products:	281	285
Derivatives	281	285
Margin transaction liabilities:	51,228	62,796
Borrowings on margin transactions	5,932	12,140
Cash received for securities lending on margin transactions	45,297	50,656
Loans payable secured by securities:	13,262	14,373
Cash received on debt credit transaction of securities	13,262	14,373
Deposits received	272,048	315,540
Guarantee deposits received	205,409	223,838
Short-term loans payable	126,100	92,100
Income taxes payable	2,417	2,595
Provision for bonuses	174	96
Other	1,608	1,297
Total current liabilities	672,527	712,920
Non-current liabilities		
Long-term loans payable	150	100
Reserve for retirement bonuses for directors and auditors	204	204
Other	3	3
Total non-current liabilities	358	308
Reserves under special laws		
Reserve for financial products transaction liabilities	3,012	3,012
Total reserves under special laws	3,012	3,012
Total liabilities	675,896	716,240
<b>Net assets</b>		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus	9,793	9,793
Retained earnings	73,018	73,453
Treasury shares	(1,915)	(1,915)
Total shareholders' equity	92,840	93,276
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,898	2,387
Total valuation and translation adjustments	1,898	2,387
Subscription rights to shares	81	109
Total net assets	94,820	95,771
Total liabilities and net assets	770,716	812,011

## [2] Quarterly Statement of Income

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		
Commission received	8,435	8,517
Commission to consignees	7,912	8,149
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	—	8
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	0
Other fees received	523	360
Net trading income	1	432
Financial revenue	5,309	5,636
Other operating revenue	3	1
Total operating revenue	13,747	14,586
Financial expenses	506	734
Net operating revenue	13,241	13,852
Selling, general and administrative expenses		
Trading related expenses	2,093	2,176
Personnel expenses	1,116	1,169
Real estate expenses	447	432
Office cost	874	1,046
Depreciation	634	750
Taxes and dues	189	194
Provision of allowance for doubtful accounts	511	24
Other	56	64
Total selling, general and administrative expenses	5,921	5,856
Operating profit	7,320	7,996
Non-operating income		
Dividend income	55	49
Other	8	8
Total non-operating income	62	57
Non-operating expenses		
Other	3	3
Total non-operating expenses	3	3
Ordinary profit	7,380	8,051
Extraordinary losses		
Loss on sales and retirement of non-current assets	4	0
Total extraordinary losses	4	0
Profit before income taxes	7,376	8,050
Income taxes – current	2,306	2,441
Income taxes – deferred	(36)	39
Ordinary profit	2,271	2,481
Profit	5,105	5,570

### [3] Quarterly Statement of Cash Flows

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Profit (loss) before income taxes	7,376	8,050
Depreciation	634	750
Increase (decrease) in allowance for doubtful accounts	510	(10)
Increase (decrease) in provision for bonuses	(165)	(78)
Interest and dividend income	(5,147)	(5,648)
Interest expenses	315	704
Loss (gain) on sales and retirement of non-current assets	4	0
Decrease (increase) in cash segregated as deposits	(8,800)	(46,300)
Net change in cash in trust	(500)	(200)
Decrease (increase) in trading products - assets (liabilities)	(341)	140
Decrease in trade date accrual	(56)	(1)
Decrease/increase in assets/liabilities for margin transaction	33,138	12,661
Decrease (increase) in loans secured by securities	3,208	731
Decrease/increase in advance paid/deposits received	19,042	43,481
Increase (decrease) in borrowings secured by securities	(5,550)	1,111
Increase (decrease) in guarantee deposits received	1,257	18,429
Decrease (increase) in short-term guarantee deposits	(257)	(1,769)
Other, net	(836)	81
Subtotal	43,832	32,133
Interest and dividend income received	4,914	5,466
Interest expenses paid	(341)	(651)
Income taxes paid	(3,411)	(2,269)
Net cash provided by (used in) operating activities	44,994	34,679
Cash flows from investing activities		
Purchase of property, plant and equipment	(27)	(3)
Purchase of intangible assets	(695)	(1,397)
Purchase of investment securities	—	(20)
Other, net	0	(10)
Net cash provided by (used in) investing activities	(722)	(1,430)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(47,000)	(34,000)
Proceeds from long-term loans payable	300	—
Repayments of long-term loans payable	(50)	(50)
Purchase of treasury shares	—	(0)
Cash dividends paid	(5,131)	(5,130)
Net cash provided by (used in) financing activities	(51,881)	(39,180)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(7,609)	(5,932)
Cash and cash equivalents at beginning of period	29,865	29,093
Cash and cash equivalents at end of period	1 22,256	1 23,161

## **Notes**

### **Notes - Quarterly statement of cash flows**

1 Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

(Millions of Yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash and deposits	18,906	20,148
Money held in trust	5,150	5,813
Money held in trust whose purpose is to segregate guarantee deposits received	(1,800)	(2,800)
Cash and cash equivalents	22,256	23,161

### **Notes - Equity**

(Six months ended September 30, 2016)

#### 1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 26, 2016
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, 2016
Effective date	June 27, 2016
Source of dividends	Retained earnings

#### 2. Dividends for which effective date is after September 30, 2016

Date of resolution	Board of directors' meeting held on October 27, 2016
Type of shares	Common stock
Amount of dividend payment	3,338 million yen
Dividends per share	13 yen
Date of record for dividends	September 30, 2016
Effective date	November 24, 2016
Source of dividends	Retained earnings

(Six months ended September 30, 2017)

1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 25, 2017
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, 2017
Effective date	June 26, 2017
Source of dividends	Retained earnings

2. Dividends for which effective date is after September 30, 2017

Date of resolution	Board of directors' meeting held on October 26, 2017
Type of shares	Common stock
Amount of dividend payment	4,364 million yen
Dividends per share	17 yen
Date of record for dividends	September 30, 2017
Effective date	November 24, 2017
Source of dividends	Retained earnings

**Notes - Segment information, etc.**

(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.

**Notes - Financial instruments**

No relevant items.

**Notes - Securities**

No relevant items.

**Notes - derivatives**

No relevant items.

### **Notes - Per share information**

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

Items	Six months ended September 30, 2016	Six months ended September 30, 2017
(1)Basic earnings per share (Yen)	19.89	21.70
(Calculation basis)		
Net income (Millions of Yen)	5,105	5,570
Net income not attributed to common stock (Millions of Yen)	—	—
Net income attributed to common stock (Millions of Yen)	5,105	5,570
Average number of shares of common stock outstanding (Shares)	256,731,388	256,731,291
(2)Diluted earnings per share (Yen)	19.88	21.68
(Calculation basis)		
Net income on the statements of income (Millions of Yen)	—	—
Increase of common stock (Shares)	82,927	157,956
Significant changes in the residual securities which are not considered in the calculation of diluted earnings per share	—	—

### **Notes - Significant events after reporting period**

No relevant items.

## **2 Other information**

At the meeting held on October 26, 2017, the board of directors of the Company resolved to distribute interim dividends with record date dated September 30, 2017. The details are as follows.

Amount of dividend payment	4,364 million yen
Dividend paid per share	17 yen
Effective date	November 24, 2017

## **2 Information about company which provides guarantee to reporting company**

No relevant items.



**Note: The Original Quarterly Securities Report includes the quarterly review by PricewaterhouseCoopers Aarata LLC for the quarterly financial statements for the three months ended September 30, 2017 and for the six months ended September 30, 2017.**