

Quarterly Securities Report For the Three Months Ended September 30, 2018

Matsui Securities Co., Ltd.

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

Original Japanese Report was filed with the Director of the Kanto Local Finance Bureau on November 13, 2018 based on Article 24-4-7, Paragraph 1 of the Financial Instrument and Exchange Act.

Notice to Readers:

This English translation is prepared for reference purposes only and does not constitute any offer or sale of securities or other similar action whether inside or outside Japan. If any questions arise in this document, please refer to the original Japanese Report.

This document may contain forward-looking statements. These statements are based on our assumptions and beliefs at the end of the period in light of the information available to us at the time. They are subject to risks and uncertainties. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we then anticipated. Given these risks and uncertainties, you are cautioned not to place undue reliance on forward-looking statements. We disclaim any obligation to update any of the forward-looking statements contained in this document to reflect future actual events or developments.

1 Company information

Part 1 Overview of company

1 Summary of business results

		Six months ended September 30, 2017	Six months ended September 30, 2018	Year ended March 31, 2018
Operating revenue	(Millions of Yen)	14,586	14,389	32,210
Net operating revenue	(Millions of Yen)	13,852	13,777	30,480
Ordinary profit	(Millions of Yen)	8,051	7,869	18,632
Profit	(Millions of Yen)	5,570	5,465	12,908
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)	95,771	97,333	98,751
Total assets	(Millions of Yen)	812,011	778,875	836,318
Basic earnings per share	(Yen)	21.70	21.28	50.28
Diluted earnings per share	(Yen)	21.68	21.26	50.24
Dividend paid per share	(Yen)	17.00	19.00	44.00
Equity-to-asset ratio	(%)	11.8	12.5	11.8
Net cash provided by (used in) operating activities	(Millions of Yen)	34,679	72,657	-39,665
Net cash provided by (used in) investing activities	(Millions of Yen)	-1,430	-971	-2,067
Net cash provided by (used in) financing activities	(Millions of Yen)	-39,180	-84,475	51,908
Cash and cash equivalents	(Millions of Yen)	23,161	26,481	39,269

		Three months ended September 30, 2017	Three months ended September 30, 2018
Basic earnings per share	(Yen)	10.87	9.87

2 Description of business

There are no significant changes in the business of the Company in the six months ended September 30, 2018.

Part 2 Overview of business

1 Business risks

In the cumulative second quarter period (period from April 1, 2018 to September 30, 2018), of the matters related to business conditions and status of accounting etc. stated in this quarterly report, there are no material changes to the occurrence of matters which could have a material impact on the judgment of investors or on the section entitled “Business Risks” in the annual securities report from the preceding business year.

2 Management analysis of financial position, operating results and cash flows

Our management analysis of financial position, operating results and cash flows from perspective of our company is stated below. Since our company is a provider of on-line securities and exchanges services comprising a single segment, descriptions by segment are omitted.

(1) Status and analysis of results of operations

The domestic stock market of the cumulative second quarter period started with the Nikkei Average reaching above 21,400 yen, recovering after a steep decline following the announcement in March by the U.S. government that it will significantly increase tariffs against China. After mid-April, stock prices continued to gradually increase as the yen continued to weaken against the dollar pushed by a rise in long-term interest rates in the U.S., as well as positive announcements of financial results of major companies in Japan, and towards the end of May, the Nikkei Average recovered to 23,000 yen for the first time in three months. In July the Nikkei Average declined to the 21,500-21,600 yen range in the back of announcements of imposition of additional tariffs by the U.S. towards China; however, thereafter in August it recovered to above 23,000 yen supported by the strong trends in the U.S. stock market and the appreciation of the dollar against the yen. Going into September, the Nikkei Average rose by more than 1,400 yen in 8 consecutive days of trading supported by receding of excessive caution towards trade friction between the U.S. and China. The Nikkei Average at the end of September ended recovering to over 24,000 yen for the first time in 8 months.

Under this market environment, total trading value of stocks etc. in the two markets (Tokyo and Nagoya stock exchanges) increased by 6% compared to the cumulative second quarter period of the preceding year. On the other hand, with respect to the individual investors who are our main customer base, they generally held off from active trading given the sense of uncertainty towards the future mainly due to the U.S.-China trade friction issue, and stock etc. brokerage trading amount by individual investors in the two markets remained at an increase

of 1% compared to the same period in the preceding year. As a result, the percentage of the stock etc. brokerage trading amount by individual investors in the two markets declined from 19% in the cumulative second quarter period of the preceding year to 18% in the same period of this year. Furthermore, our aggregate stock etc. brokerage trading amount declined by 12% compared to the same period in the preceding year, given the low volume of margin trading service for “Day-trades” under the background of low daily fluctuation in stock prices. As new initiatives by the company in the cumulative second quarter period, we commenced providing the price optimization service “Best Match” which provides investors with the opportunity to trade under more advantageous prices compared to transactions during daily trading sessions in the Tokyo Stock Exchange, improved procedures for making applications for IPOs (initial public offerings) and POs (public offerings), and enhanced cash credit services, as efforts to improve convenience of transactions. Furthermore, regarding investment trusts, the handled stock names including those which are object of Installment (tsumitate) NISA have continued to be added. In addition, we have focused on enhancement of new information tools and transaction channels, such as by establishing an official LINE account which accommodates giving notices of market fluctuations and placing orders for FX transactions, and commencing providing skills to be used by the voice information service “Amazon Alexa”.

Under the above background, during the cumulative second quarter period, commissions received was 7,756 million yen (8.9% decrease from the cumulative second quarter period of the preceding year) mainly due to a decrease in proceeds for commissioned sales and purchases of shares etc., while net financial revenue was 5,349 million yen (9.1% increase from the cumulative second quarter period of the preceding year) due to an increase in the average balance of margin transactions. Also, net trading income was a profit of 670 million yen mainly due to FX trading.

As a result, operating revenue was 14,389 million yen (1.4% decrease from the same period of the preceding year), and net operating revenue was 13,777 million yen (0.5% decrease from the same period of the preceding year). Also, operating profit was 7,787 million yen (2.6% decrease from the same period of the preceding year), ordinary profit was 7,869 million yen (2.3% decrease from the same period of the preceding year), and net profit was 5,465 million yen (1.9% decrease from the same period of the preceding year).

Revenue and expense items are as described below.

(Commissions received)

Commissions received was 7,756 million yen (8.9% decrease from the same period of the preceding year). Of this figure, commission to consignees was 7,391 million yen (9.3% decrease from the same period of the preceding year), mainly due to a 12% decrease

(compared to the same period of the preceding year) in the stocks etc. brokerage trading amount.

(Net trading income)

Net trading income was recorded a profit of 670 million yen, mainly due to FX trading profits.

(Net financial revenue)

Net financial revenue derived from subtracting financial expenses from financial revenues was 5,349 million yen (9.1% increase from the same period of the preceding year). This was mainly due to an increase in the average balance of margin transactions.

(Selling, general and administrative expenses)

Selling, general and administrative expenses increased by 2.3% compared to the same period of the preceding year to 5,990 million yen. This was mainly due to increase in depreciation expense (11.5% increase compared to the same period of the preceding year) and increase in office cost due to an increase in administration commissioning costs (7.3% increase compared to the same period of the preceding year). Also, given the decrease in exchange related costs mainly due to a decrease in stocks etc. brokerage trading amount, trading related expenses have decreased (5.4% decrease compared to the same period of the preceding year).

(Non-operating Income and expenses)

Net non-operating income totaled 82 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 second quarter accounting period, total assets was 778,875 million yen, a 6.9% decrease from the end of the preceding business year. This was mainly due to a 22.6% decrease in loans on margin transactions compared to the end of the preceding business year to 238,382 million yen.

Total liabilities was 681,542 million yen, 7.6% decrease from the end of the preceding business year. This was mainly due to a 41.3% decrease in short-term loans payable compared to the end of the preceding business year to 110.1 billion yen.

Total net assets was 97,333 million yen, a 1.4% decrease from the end of the preceding business year. In the cumulative second quarter period, dividends for the end of the fiscal year ending March 2018 of 6,932 million yen was recorded, and at the same time a profit of 5,465 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 second quarter accounting period, deposits received was 285,208 million yen, a 12.7% increase from the end of the preceding business year, and guarantee deposits received was 224,978 yen, an 8.2% increase from the end of the preceding business year. Accordingly, cash segregated as deposits increased by 4.7% from the end of the preceding business year to 477,012 million yen. Furthermore, given a decrease in loans on margin transactions by 22.6% from the end of the preceding business year to 238,382 million yen, short-term loans payable also decreased by 41.3% from the end of the preceding business year to 110.1 billion yen, and borrowings on margin transactions decreased by 88.8% from the end of the preceding business year to 4,146 million yen.

(4) Analysis of status of cash flows

The status of various cash flows for the cumulative second quarter period, and their underlying factors are described below.

(Cash flows from operating activities)

Cash flows from operating activities was plus 72,657 million yen (plus 34,679 million yen for the same quarter of the preceding year). The main factors behind this were an increase/decrease in assets/liabilities for margin transactions, increase/decrease in advances paid and deposits received, and increase in guarantee deposits received.

(Cash flows from investing activities)

Cash flows from investing activities was minus 971 million yen (minus 1,430 million yen from the same quarter of the preceding year). The main factor behind this was the purchase of intangible fixed assets.

(Cash flows from financing activities)

Cash flows from financing activities was minus 84,475 million yen (minus 39,180 million yen from the same quarter of the preceding year). The main factor behind this was a net decrease in short-term loans payable.

As a result of the above, cash and cash equivalents balance as at the end of the second quarter of this accounting period was 26,481 million yen (minus 23,161 million yen from the end of the same quarter of the preceding year).

(5) Analysis of capital resources and liquidity of funds

At our company, ordinary funding to accommodate increase and decrease in loans on margin transactions is mainly conducted by borrowings from financial institutions such as banks. Our company has made shelf registration in order to be able to execute agile funds procurement through the issue of bonds; however, as of the end of this second quarter accounting period, a major portion of funding has been conducted through short-term loans payable including call money, taking into account loans on margin transactions and the level of internal reserves.

(6) Management policy and management strategy

In the cumulative second quarter period, there were no material changes to our management policy and management strategy.

(7) Business issues and financial issues to be addressed

In the cumulative second quarter period, 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.

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

Not applicable.

3 Critical contracts for operation

Not applicable.

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 on	Details
	As of September 30, 2018 (End of the quarterly period)	As of November 13, 2018 (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 100 shares
Total	259,264,702 shares	259,264,702 shares	-	-

Note: Total number of issued shares as of November 13, 2018 does not include shares issued upon exercise of share acquisition rights from November 1, 2018 to November 13, 2018.

(2) Share acquisition rights

[1] Details of share option program

Fifth Series of Matsui Securities Co., Ltd. Share Acquisition Rights

Date of resolution	July 5, 2018
Persons eligible for the allotment and their number	Directors of the Company: 8 (excluding outside directors)
Number of the share acquisition rights (Units) *	1,129
Class and number of shares subject to the share acquisition rights (Shares) *	Common stock: 112,900 Note 1
Amount to be paid per share upon the exercise of each share acquisition rights (Yen) *	1
Exercise period for the share acquisition rights *	From July 21, 2021 to July 20, 2024 Note 2
Issuance price and amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights (Yen) *	Note 3
Conditions for the exercise of the share acquisition rights *	Note 4
Matters concerning the transfer of the share acquisition rights *	Transfer of the share acquisition rights must be approved by the board of directors.
Matters concerning issuance of the share acquisition rights accompanying reorganization measures *	Note 5

Note *: The table above shows the data as of July 20, 2018, the date of issuance of the share acquisition rights.

Note:

1. The number of shares that are the subject of each share acquisition right shall be 100. In the case where the Company conducts a share split, an allotment of shares without contribution or a reverse share split, the number of shares granted shall be adjusted according to the formula below. However, this adjustment will only apply to the number of shares that are the subject of the share acquisition rights that have not yet been exercised up to that time. Fractional shares resulting from this adjustment shall be rounded down.

Number of shares acquired after adjustment

= Number of shares acquired before adjustment × Ratio of share split or reverse share split

The number of shares after adjustment shall become effective, in the case of a share split, on and after the day immediately following the record date of the relevant share split or, in the case of an allotment of shares without contribution or a reverse share split, on and after its effective date.

In addition to the foregoing, in the case where the Company carries out a merger, company split or share exchange, or other equivalent cases requiring adjustment of the number of shares, the Company shall be able to adjust the number of shares granted by the board of directors.

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 share acquisition rights to be exercised from July 21, 2021 is 862 yen per share. Issuance price of the share acquisition rights to be exercised from July 22, 2022 is 844 yen per share. Issuance price of the share acquisition rights to be exercised from July 22, 2023 is 827 yen per share.
The amount of capital to be increased due to the issuance of shares upon exercise of the share acquisition rights 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) Those who received the share acquisition rights shall be eligible to exercise the rights only when those remain as director of the Company at the time of exercising the rights, however exceptional treatment may be allowed in this regard by the board of directors to the reasonable extent.
(ii) Those who received the share acquisition rights shall exercise all or one of them by the terms of exercise listed below.
 - 1) One third of the share acquisition rights (A fractional of less than 1 shall be rounded down.) shall be able to be exercised within July 21, 2021 to July 21, 2022.
 - 2) Two thirds of the share acquisition rights (A fractional of less than 1 shall be rounded down.) shall be able to be exercised within July 22, 2022 to July 21, 2023.
 - 3) All of the share acquisition rights shall be able to be exercised within July 22, 2023 to July 20, 2024.(iii) A single share acquisition right shall not be exercised in part.
(iv) Other conditions for the exercise of the share acquisition rights shall be subject to the agreement entered into between the Company and the right holders.
5. In the event of a merger (only in cases where the Company is dissolved as a result of the merger), an absorption-type company split or incorporation-type company split, a share exchange or share transfer (hereinafter, the foregoing shall be referred to collectively as "reorganization measures"), the Company shall issue share acquisition rights as per a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Corporation Act (the "reorganizing company") to each share acquisition right holder of share acquisition rights remaining unexercised immediately before the effective date of reorganization measures (hereinafter, the "remaining share acquisition rights"). However, the foregoing is conditional upon providing for the issuance of share acquisition rights of the reorganizing company in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type company split agreement, the incorporation-type company split plan, the share exchange agreement or the share transfer plan in accordance with the following items:
 - (i) The reorganizing company shall issue the same number of the share acquisition rights as the remaining share acquisition rights held by each share acquisition right holder.
 - (ii) Type of shares of the reorganizing company to be issued upon the exercise of the share acquisition rights shall be common stock of the reorganizing company.
 - (iii) Number of shares of the reorganizing company to be issued upon the exercise of the share acquisition rights shall be determined according to the terms of the current share acquisition rights, taking into account the conditions of the reorganization measures, etc.

(iv) The amount to be invested when exercising the share acquisition rights to be issued shall be calculated by multiplying the post-reorganization exercise price stipulated below by the number of shares of the reorganizing company to be issued upon exercise of each share acquisition right, which will be determined in accordance with the above Item (iii). The post-reorganization exercise price shall be 1 yen per share with respect to the shares issued upon exercise of each share acquisition right.

(v) Exercise period for the share acquisition rights shall be from either the commencement date for the exercise period of the share acquisition rights set forth in the above table, or the effective date of the reorganization measures, whichever is later, to the last day of the exercise period of the share acquisition rights set forth in the above table.

(vi) Transfer of the share acquisition rights must be approved by the board of directors of the reorganizing company.

(vii) Matters regarding the amount of capital and capital reserve to be increased as a result of issuance of shares upon the exercise of the share acquisition rights, conditions for exercising the share acquisition rights, and conditions of acquisition of the share acquisition rights shall be determined in accordance with the terms of the current share acquisition rights.

[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.

	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, 2018 to September 30, 2018	-	259,264,702	-	11,945	-	9,793

(5) Major shareholders

(As of September 30, 2018)

Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (%) (excluding treasury shares)
Maruroku Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	86,812	33.81
Shokosha Ltd.	2-4-2, Nishikata, Bunkyo-ku, Tokyo	35,722	13.91
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	22,982	8.95
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	10,708	4.17
Chizuko Matsui	Bunkyo-ku, Tokyo	5,321	2.07
Michitaro Matsui	Bunkyo-ku, Tokyo	5,262	2.05
Chiaki Matsui	Bunkyo-ku, Tokyo	5,262	2.05
Yuma Matsui	Bunkyo-ku, Tokyo	5,262	2.05
Michio Matsui	Bunkyo-ku, Tokyo	4,396	1.71
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	Office Tower Z, Harumi Island Triton Square, 1-8-12, Harumi, Chuo-ku, Tokyo	4,148	1.62
Total	-	185,875	72.39

Note: 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) in relation to their trustee businesses, the Company does not show these numbers.

(6) Voting rights

[1] Issued shares

(As of September 30, 2018)

	Number of shares	Number of voting rights
Shares without voting rights	-	-
Shares with limited voting rights (Treasury shares, etc.)	-	-
Shares with limited voting rights (Other than treasury shares)	-	-
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Common stock 2,479,700	-
Shares with full voting rights (Other than treasury shares)	Common stock 256,767,800	2,567,124
Odd lot shares (1 lot = 100 shares)	Common stock 17,202	-
Total number of issued shares	259,264,702	-
Total number of voting rights	-	2,567,124

Note:

1. 400 shares under the title of Japan Securities Depository Center, Inc. and 55,400 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, etc.)." 4 voting rights under the title of Japan Securities Depository Center, Inc. are included in "Shares with full voting rights (Other than treasury shares, etc.)." 554 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, etc.)."
2. 63 treasury shares are included in odd-lot shares.

[2] Treasury shares, etc.

(As of September 30, 2018)

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, Japan	2,479,700	-	2,479,700	0.96
Total	-	2,479,700	-	2,479,700	0.96

2 Information about officers

There have not been changes to the Company's executives from June 18, 2018 when the Company filed its Annual Security Report to the end of this quarterly period excluding those described in the Annual Security Report.

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 governors 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, 2018 (from July 1, 2018 to September 30, 2018) and six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018) were reviewed by PricewaterhouseCoopers Aarata LLC in accordance with the Article 193-2, Paragraph 1 of Financial Instruments and Exchange Act.

3. Note on quarterly consolidated financial statements

The consolidated financial statements of the Company are not prepared because the Company has no subsidiaries.

Notice to readers:

The accompanying quarterly financial statements have been prepared in accordance with the provision set forth in 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, 2018	September 30, 2018
Assets		
Current assets		
Cash and deposits	36,256	23,493
Cash segregated as deposits	455,512	477,012
Money held in trust	5,813	5,788
Trading products:	2,258	1,674
Trading securities and other	0	0
Derivatives	2,258	1,674
Trade date accrual	-	20
Margin transaction assets:	310,574	245,891
Loans on margin transactions	308,037	238,382
Cash collateral pledged for securities borrowing on margin transactions	2,537	7,509
Loans secured by securities:	7,331	5,933
Cash collateral pledged for securities borrowed	7,331	5,933
Advances paid	177	71
Cash paid for offering	93	132
Short-term guarantee deposits	3,352	3,566
Other	4,886	5,501
Allowance for doubtful accounts	(156)	(141)
Total current assets	826,096	768,939
Non-current assets		
Property, plant and equipment:	845	818
Intangible assets:	4,465	4,323
Software	4,465	4,323
Other	0	0
Investments and other assets:	4,912	4,795
Investment securities	3,572	3,589
Other	2,724	2,670
Allowance for doubtful accounts	(1,384)	(1,464)
Total non-current assets	10,222	9,936
Total assets	836,318	778,875

(Millions of Yen)

	March 31, 2018	September 30, 2018
Liabilities		
Current liabilities		
Trading products:	143	233
Derivatives	143	233
Trade date accrual	2	-
Margin transaction liabilities:	66,423	44,943
Borrowings on margin transactions	37,158	4,146
Cash received for securities lending on margin transactions	29,266	40,796
Loans payable secured by securities:	13,499	9,158
Cash received on debt credit transaction of securities	13,499	9,158
Deposits received	253,016	285,208
Guarantee deposits received	207,875	224,978
Accounts for non-received securities and others	8	-
Short-term loans payable	187,600	110,100
Income taxes payable	3,659	2,486
Provision for bonuses	227	100
Other	1,870	1,141
Total current liabilities	734,322	678,347
Non-current liabilities		
Long-term loans payable	50	-
Reserve for retirement bonuses for directors and auditors	204	204
Other	3	3
Total non-current liabilities	258	208
Reserves under special laws		
Reserve for financial products transaction liabilities	2,987	2,987
Total reserves under special laws	2,987	2,987
Total liabilities	737,567	681,542
Net assets		
Shareholders' equity		
Capital stock	11,945	11,945
Capital surplus	9,793	9,794
Retained earnings	76,426	74,959
Treasury shares	(1,896)	(1,875)
Total shareholders' equity	96,268	94,823
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,359	2,371
Total valuation and translation adjustments	2,359	2,371
Share acquisition rights	125	139
Total net assets	98,751	97,333
Total liabilities and net assets	836,318	778,875

(2) Quarterly statement of income

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Operating revenue		
Commission received	8,517	7,756
Commission to consignees	8,149	7,391
Commission for underwriting, secondary distribution and solicitation for selling and others for professional investors	8	6
Fee for offering, secondary distribution and solicitation for selling and others for professional investors	0	18
Other fees received	360	341
Net trading income	432	670
Financial revenue	5,636	5,961
Other operating revenue	1	1
Total operating revenue	14,586	14,389
Financial expenses	734	612
Net operating revenue	13,852	13,777
Selling, general and administrative expenses		
Trading related expenses	2,176	2,058
Personnel expenses	1,169	1,223
Real estate expenses	432	423
Office cost	1,046	1,123
Depreciation	750	837
Taxes and dues	194	189
Provision of allowance for doubtful accounts	24	65
Other	64	71
Total selling, general and administrative expenses	5,856	5,990
Operating profit	7,996	7,787
Non-operating income		
Dividend income	49	79
Other	8	5
Total non-operating income	57	84
Non-operating expenses		
Other	3	2
Total non-operating expenses	3	2
Ordinary profit	8,051	7,869
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	1
Total extraordinary losses	0	1
Profit before income taxes	8,050	7,868
Income taxes - current	2,441	2,339
Income taxes - deferred	39	64
Total income taxes	2,481	2,403
Profit	5,570	5,465

(3) Quarterly statement of cash flows

(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit (loss) before income taxes	8,050	7,868
Depreciation	750	837
Increase (decrease) in allowance for doubtful accounts	(10)	65
Increase (decrease) in provision for bonuses	(78)	(127)
Interest and dividend income	(5,648)	(6,001)
Interest expenses	704	587
Loss (gain) on sales and retirement of non-current assets	0	1
Decrease (increase) in cash segregated as deposits	(46,300)	(21,500)
Decrease (increase) in money held in trust	(200)	-
Decrease (increase) in trading products - assets (liabilities)	140	674
Decrease or increase in trade date accrual	(1)	(23)
Decrease/increase in assets/liabilities for margin transaction	12,661	43,203
Decrease (increase) in loans secured by securities	731	1,399
Decrease/increase in advance paid/deposits received	43,481	32,298
Increase (decrease) in borrowings secured by securities	1,111	(4,341)
Increase (decrease) in guarantee deposits received	18,429	17,103
Decrease (increase) in short-term guarantee deposits	(1,769)	(214)
Other, net	81	(703)
Subtotal	32,133	71,125
Interest and dividend income received	5,466	5,633
Interest expenses paid	(651)	(629)
Income taxes paid	(2,269)	(3,471)
Net cash provided by (used in) operating activities	34,679	72,657
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(27)
Purchase of intangible assets	(1,397)	(944)
Purchase of investment securities	(20)	-
Other, net	(10)	0
Net cash provided by (used in) investing activities	(1,430)	(971)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(34,000)	(77,500)
Repayments of long-term loans payable	(50)	(50)
Purchase of treasury shares	(0)	(0)
Proceeds from exercise of share options	-	0
Cash dividends paid	(5,130)	(6,925)
Net cash provided by (used in) financing activities	(39,180)	(84,475)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	(5,932)	(12,789)
Cash and cash equivalents at beginning of period	29,093	39,269
Cash and cash equivalents at end of period	Note1 23,161	Note1 26,481

Notes

Notes – Additional information

(Application of "Partial revision of 'Accounting Standards for Tax Effect Accounting'", etc.)
"Partial revision of 'Accounting Standards for Tax Effect Accounting'" (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets.

Notes – Quarterly statement of cash flows

Note 1: Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet
(Millions of Yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash and deposits	20,148	23,493
Money held in trust	5,813	5,788
Money held in trust whose purpose is to segregate guarantee deposits received	(2,800)	(2,800)
Cash and cash equivalents	23,161	26,481

Notes – Equity

(Six months ended September 30, 2017)

1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 25, 2017
Class 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 whose date of record is in the six months ended September 30, 2017 and whose effective date is after September 30, 2017

Date of resolution	Board of directors' meeting held on October 26, 2017
Class 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

(Six months ended September 30, 2018)

1. Dividend payment

Date of resolution	Ordinary general meeting of shareholders held on June 24, 2018
Class of shares	Common stock
Amount of dividend payment	6,932 million yen
Dividends per share	27 yen
Date of record for dividends	March 31, 2018
Effective date	June 25, 2018
Source of dividends	Retained earnings

2. Dividends whose date of record is in the six months ended September 30, 2018 and whose effective date is after September 30, 2018

Date of resolution	Board of directors' meeting held on October 26, 2018
Class of shares	Common stock
Amount of dividend payment	4,879 million yen
Dividends per share	19 yen
Date of record for dividends	September 30, 2018
Effective date	November 22, 2018
Source of dividends	Retained earnings

Notes – Segment information, etc.

(Segment information)

Since the Company is a provider of on-line securities and exchanges service comprising a single segment, segment information is omitted.

Notes – Financial instruments

Not applicable.

Notes – Securities

Not applicable.

Notes – Derivatives

Not applicable.

Notes – Per share information

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

Items	Six months ended September 30, 2017	Six months ended September 30, 2018
(1)Basic earnings per share (Yen)	21.70	21.28
(Calculation basis)		
Profit (Millions of Yen)	5,570	5,465
Profit not attributed to common stock (Millions of Yen)	-	-
Profit attributed to common stock (Millions of Yen)	5,570	5,465
Average number of common stock outstanding (Shares)	256,731,291	256,767,697
(2)Diluted earnings per share (Yen)	21.68	21.26
(Calculation basis)		
Adjustment to the profit (Millions of Yen)	-	-
Increase of common stock (Shares)	157,956	255,301
Significant changes 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

At the meeting held on October 26, 2018, the board of directors of the Company resolved to distribute interim dividends for shareholders recorded on September 30, 2018. The details are as follows.

Amount of dividend payment	4,879 million yen
Dividend paid per share	19 yen
Effective date	November 22, 2018

2 Information about company which provides guarantee to reporting company

Not applicable.

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, 2018 and for the six months ended September 30, 2018.