



Mitsubishi UFJ Securities Holdings

# 1QFY2014 Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

July, 2014

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## Information Relating to Financial Stability

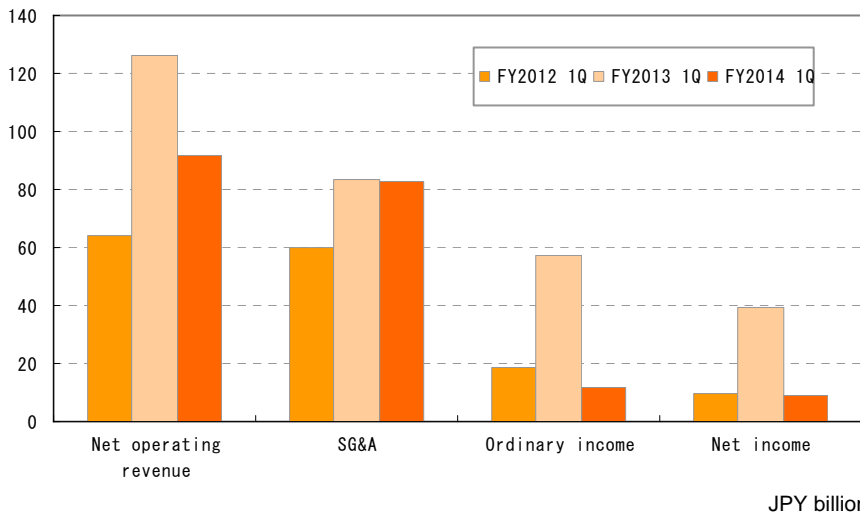
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## 1Q Performance Trends

- Net operating revenue JPY 91.6 billion ( $\Delta 27\%$  YoY), ordinary income JPY 11.8 billion ( $\Delta 79\%$  YoY) and net income JPY 9.1 billion ( $\Delta 77\%$  YoY)
- Revenue and profit decreased significantly from last year, which marked a record high-level of income, but ordinary income was maintained at over JPY 10.0 billion.

### 1Q Trends

(JPY billion)



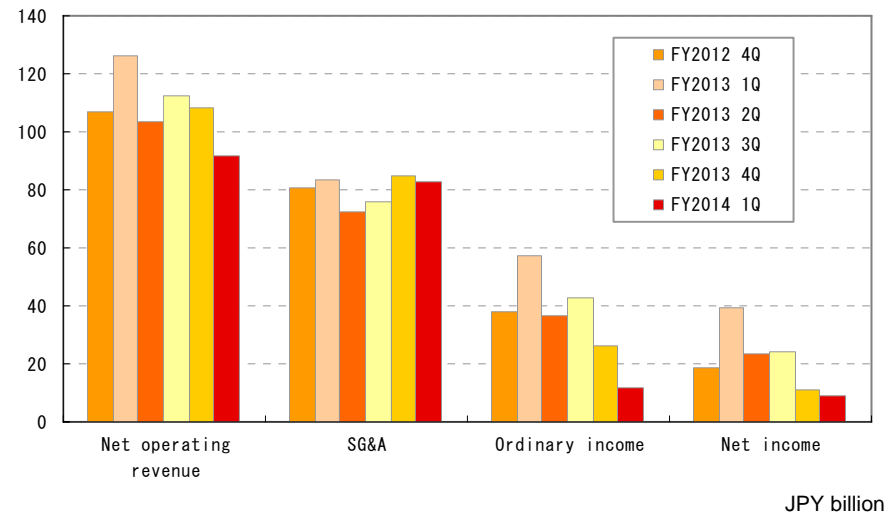
	FY2012 1Q	FY2013 1Q	FY2014 1Q
Net operating revenue	63.9	126.1	91.6
SG&A	59.9	83.6	82.6
Ordinary income	18.6	57.0	11.8
Net income	10.0	39.5	9.1

## Quarterly Performance Trends

- Ordinary income and net income fell 55% and 16% (QoQ) respectively.
- Amid sluggish market environment, the well-established customer-flow-oriented business model led to stabilization of revenues and the ongoing cost restraint initiatives mitigated the downward pressure on profits.

### Quarterly Trends

(JPY billion)



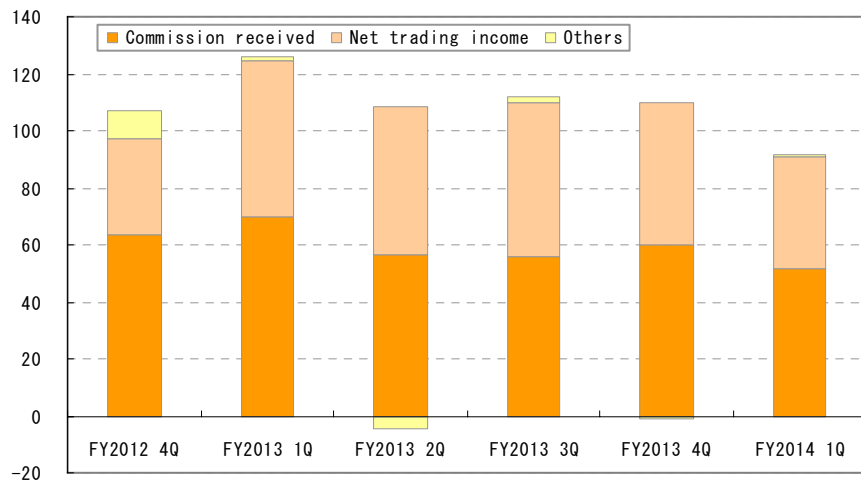
	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Net operating revenue	106.9	126.1	103.7	112.2	108.5	91.6
SG&A	80.8	83.6	72.5	75.6	84.8	82.6
Ordinary income	37.8	57.0	36.8	42.8	26.4	11.8
Net income	18.8	39.5	23.6	23.8	10.8	9.1

## Net Operating Revenue

- Commission received and net trading income decreased, affected by sluggish turnover of both domestic and overseas markets. However, they progressed at relatively stable levels thanks mainly to promotion of the customer-flow-oriented business model, the BTMU collaboration and the alliance with Morgan Stanley.

### Quarterly Trends

(JPY billion)



JPY billion

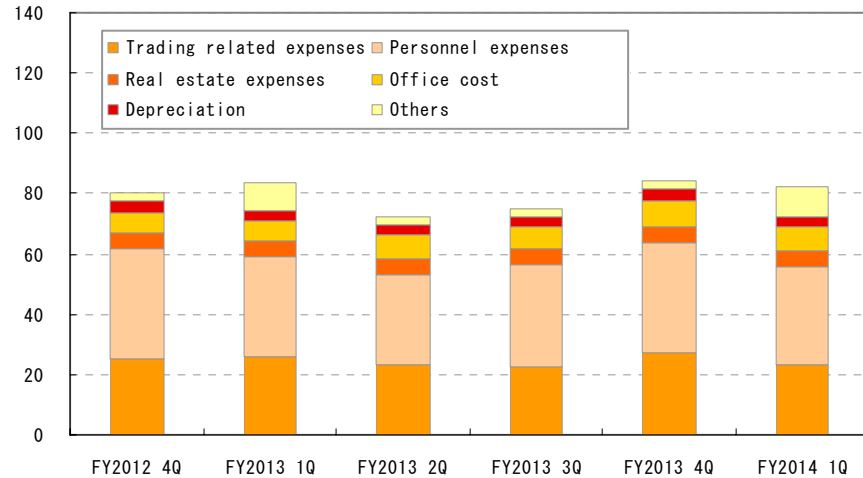
	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Commission received	63.3	69.8	56.3	56.0	60.3	51.6
Net trading income	33.6	55.0	52.1	53.9	49.3	39.6
Others	9.9	1.2	(4.7)	2.2	(1.1)	0.2
<b>Total</b>	<b>106.9</b>	<b>126.1</b>	<b>103.7</b>	<b>112.2</b>	<b>108.5</b>	<b>91.6</b>

## SG & A

- Fixed costs such as real estate expenses and depreciation were kept at low levels, and trading related and personnel expenses decreased (QoQ) since the previous quarter.

### Quarterly Trends

(JPY billion)



JPY billion

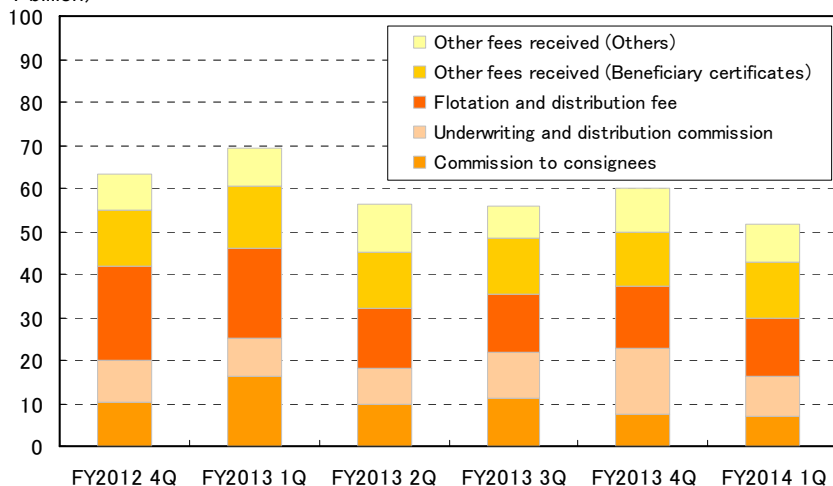
	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Trading related expenses	24.9	25.8	23.0	22.5	27.3	23.1
Personnel expenses	36.8	33.5	29.9	33.7	36.1	32.5
Real estate expenses	5.3	5.1	5.7	5.4	5.9	5.3
Office cost	6.8	6.9	7.7	7.6	8.6	7.9
Depreciation	3.9	3.2	3.3	3.3	3.7	3.3
Others	2.9	9.0	2.8	2.8	2.9	10.1
<b>Total</b>	<b>80.8</b>	<b>83.6</b>	<b>72.5</b>	<b>75.6</b>	<b>84.8</b>	<b>82.6</b>

## Commission Received

- Commission to consignees: Performance was low-key reflecting the sluggish turnover of the stock market.
- Underwriting and distribution commission: Slowed down from the previous quarter in which a strong performance was seen, but maintained at high levels.
- Flotation and distribution fee: Sales of investment trusts remained stable.
- Other fees received: M&A revenue and investment trust commissions continued to show a steady performance.

## Quarterly Trends

(JPY billion)



JPY billion

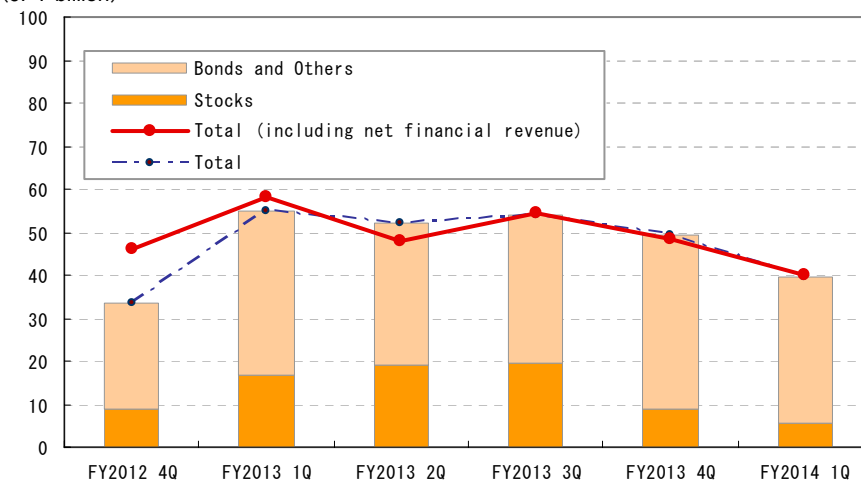
	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Commission to consignees	10.3	16.2	9.7	11.3	7.6	7.1
Underwriting and distribution commission	9.7	8.8	8.5	10.5	15.2	9.4
Flotation and distribution fee	21.7	21.2	13.7	13.5	14.2	13.5
Other fees received (Beneficiary certificates)	13.2	14.2	13.4	13.3	12.6	12.7
Other fees received (Others)	8.3	9.1	10.8	7.2	10.4	8.7
<b>Total</b>	<b>63.3</b>	<b>69.8</b>	<b>56.3</b>	<b>56.0</b>	<b>60.3</b>	<b>51.6</b>

## Net Trading Income

- Revenue declined amid stagnant market conditions affected by political instability in Europe, but stable revenue was secured from trading of foreign bonds and stocks.

## Quarterly Trends

(JPY billion)



JPY billion

	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Stocks	8.8	16.6	19.3	19.6	9.0	5.4
Bonds and Others	24.7	38.3	32.8	34.3	40.2	34.2
<b>Total</b>	<b>33.6</b>	<b>55.0</b>	<b>52.1</b>	<b>53.9</b>	<b>49.3</b>	<b>39.6</b>
Net financial revenue	12.5	3.1	(4.2)	0.5	(1.0)	0.2
Total (including net financial revenue)	46.1	58.2	47.9	54.5	48.2	39.9

# Consolidated Statement of Income (Full year, Quarter)

JPY million

	Full year		Quarter					
	FY2012	FY2013	FY2012	FY2013				FY2014
			4Q	1Q	2Q	3Q	4Q	1Q
<b>Operating revenue</b>	350,524	487,796	119,164	134,808	111,276	120,817	120,894	103,159
Commission received	171,957	242,578	63,393	69,814	56,340	56,072	60,350	51,654
Net trading income	107,329	210,448	33,617	55,031	52,153	53,915	49,347	39,652
Net gain on private equity and other securities	(4,735)	(1,045)	(2,659)	(2,000)	(572)	1,661	(134)	1
Other net gain on goods trading	125	123	30	105	3	14	-	-
Financial revenue	75,846	35,692	24,782	11,856	3,350	9,153	11,332	11,850
<b>Financial expenses</b>	44,441	37,163	12,212	8,662	7,554	8,565	12,380	11,553
<b>Net operating revenue</b>	306,082	450,633	106,951	126,145	103,722	112,251	108,514	91,605
<b>SG &amp; A</b>	256,881	316,710	80,896	83,623	72,558	75,681	84,846	82,615
<b>Operating income</b>	49,201	133,923	26,054	42,521	31,163	36,570	23,667	8,990
<b>Non-operating income</b>	36,717	32,121	12,855	15,032	5,775	7,373	3,940	3,165
<b>Non-operating expenses</b>	1,690	2,740	1,018	487	51	1,054	1,146	292
<b>Ordinary income</b>	84,228	163,304	37,891	57,066	36,887	42,888	26,461	11,863
<b>Extraordinary income</b>	5,154	8,807	1,270	8,043	118	387	257	4,025
<b>Extraordinary loss</b>	3,531	3,263	1,930	136	402	444	2,279	90
<b>Income taxes</b>	2,916	12,386	2,384	5,395	(4,376)	3,992	7,375	7,123
<b>Minority interests in income (loss)</b>	35,988	58,679	15,999	20,010	17,377	15,034	6,258	(433)
<b>Net income</b>	46,946	97,781	18,846	39,567	23,602	23,805	10,806	9,109

# Consolidated Balance Sheet

JPY billion

	As of Mar. 31, 2014	As of Jun. 30, 2014	Change
<b>ASSETS</b>			
<b>Current assets</b>	29,753	27,663	(2,089)
Cash and deposits	1,133	889	(243)
Trading products	14,867	14,012	(854)
Loans secured by securities	12,176	11,418	(757)
Others	1,576	1,342	(233)
<b>Noncurrent assets</b>	665	735	+70
PP & E	31	31	+0
Intangible assets	60	50	(9)
Investments and other assets	573	653	+79
<b>Total assets</b>	30,418	28,399	(2,019)

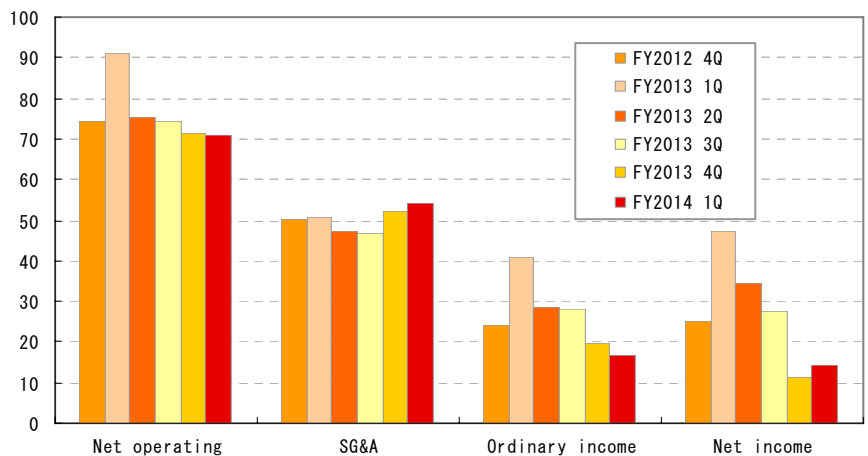
	As of Mar. 31, 2014	As of Jun. 30, 2014	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	27,779	25,854	(1,924)
Trading products	11,501	10,719	(781)
Loans payable secured by securities	13,148	10,006	(3,142)
Short-term loans payable	1,047	977	(70)
Others	2,081	4,152	+2,070
<b>Noncurrent liabilities</b>	1,569	1,569	+0
Bonds payable	1,124	1,100	(23)
Long-term loans payable	428	452	+23
Others	17	17	+0
<b>Total liabilities</b>	29,350	27,426	(1,924)
<b>NET ASSETS</b>			
Shareholders' equity	769	712	(56)
Accumulated other comprehensive income	16	13	(2)
Minority interests	282	246	(36)
<b>Total net assets</b>	1,068	972	(95)
<b>Total liabilities and net assets</b>	30,418	28,399	(2,019)

## Quarterly Performance Trends

- Revenue continued to fall on a QoQ basis due to the sluggish turnover of the stock market and drop in volatility, but ordinary income of JPY 16.9 billion and net income of JPY 14.1 billion were recorded.
- Mitsubishi UFJ Morgan Stanley PB Securities (MUMS-PB), which became a consolidated subsidiary, achieved stable revenue and contributed to performance.

## Quarterly Trends

(JPY billion)



JPY billion

	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q *1
Net operating revenue	74.4	91.3	75.6	74.2	71.6	70.9
SG&A	50.1	50.5	47.1	46.6	52.3	54.4
Ordinary income	24.3	41.1	28.8	28.0	19.7	16.9
Net income	24.9	47.4	34.5	27.8	11.2	14.1

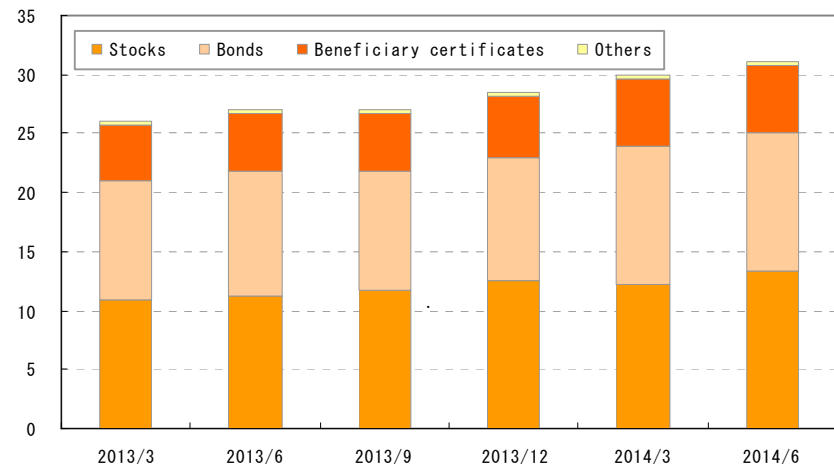
\*1 Figures for 1Q of FY2014 are presented on a consolidated basis, which include those of MUMS-PB.

## Trends of AUM

- Approximately JPY 31.1 trillion at the end of June 30, 2014, which is a QoQ increase due to an increase in stocks.
- Of the above, AUM for the domestic Retail Middle Market Sales Division was JPY 25.0 trillion (JPY 24.3 trillion as of the end of March 2014).

## Quarterly Trends

(JPY trillion)



JPY trillion

	2013/3	2013/6	2013/9	2013/12	2014/3 *2	2014/6
Stocks	10.9	11.3	11.7	12.6	12.2	13.3
Bonds	10.1	10.6	10.2	10.4	11.7	11.7
Beneficiary certificates	4.7	4.8	4.8	5.1	5.7	5.7
Others	0.3	0.3	0.3	0.3	0.3	0.3
Total	26.0	26.9	27.0	28.4	29.9	31.1

\*2 Figures at the end of March 31, 2014 and later dates represent simple aggregation of MUMSS and MUMS-PB.



JPY million

**MUMSS**
**Statement of Income**

	Full year	
	FY2012	FY2013
<b>Operating revenue</b>	230,427	321,842
Commission received	110,137	165,465
Net trading income	97,254	136,984
Others	125	124
Financial revenue	22,909	19,268
<b>Financial expenses</b>	10,158	8,857
<b>Net operating revenue</b>	220,268	312,984
<b>SG &amp; A</b>	172,418	196,644
<b>Operating income</b>	47,849	116,340
<b>Non-operating income</b>	1,622	1,468
<b>Ordinary income</b>	49,472	117,808
<b>Extraordinary income (loss)</b>	1,177	5,386
<b>Income taxes</b>	(5,448)	2,071
<b>Net income</b>	56,098	121,123

**Balance Sheet**

	As of Mar. 31, 2014	As of Jun. 31, 2014	Change
<b>Current assets</b>	16,144	14,650	(1,493)
Cash and deposits	980	686	(294)
Trading products	10,076	9,418	(657)
Loans secured by securities	4,339	3,978	(361)
Others	747	567	(180)
<b>Noncurrent assets</b>	115	111	(3)
PP & E	16	17	+0
Intangible assets	22	24	+2
Investments and other assets	75	69	(6)
<b>Total assets</b>	16,260	14,762	(1,497)

	Quarter					
	FY2012	FY2013				FY2014
	4Q	1Q	2Q	3Q	4Q	1Q
	76,771	93,591	77,608	76,487	74,154	64,515
	40,179	48,946	38,739	37,436	40,341	32,719
	28,823	41,547	32,619	35,372	27,443	26,702
	24	107	6	15	(4)	1
	7,744	2,989	6,242	3,662	6,373	5,092
	2,353	2,223	1,930	2,231	2,471	2,668
	74,417	91,367	75,678	74,255	71,682	61,846
	50,189	50,569	47,134	46,612	52,327	48,059
	24,228	40,798	28,543	27,643	19,354	13,787
	74	327	334	438	366	665
	24,303	41,126	28,878	28,082	19,721	14,452
	149	7,800	(286)	15	(2,143)	3,682
	(487)	1,473	(5,987)	291	6,294	5,005
	24,939	47,453	34,579	27,807	11,283	13,129

JPY billion

	As of Mar. 31, 2014	As of Jun. 31, 2014	Change
<b>Current liabilities</b>	15,521	14,069	(1,451)
Trading products	7,231	6,848	(382)
Loans payable secured by securities	5,854	2,885	(2,969)
Short-term loans payable	1,407	1,323	(84)
Others	1,026	3,012	+1,985
<b>Noncurrent liabilities</b>	358	363	+4
Long-term loans payable	345	350	+5
Others	13	13	(0)
<b>Total liabilities</b>	15,881	14,434	(1,446)
<b>Net assets</b>	378	327	(51)
<b>Total liabilities and net assets</b>	16,260	14,762	(1,497)

JPY million

**MUMSPB**
**Statement of Income**

	Full year	
	FY2012 *	FY2013
<b>Net operating revenue</b>	28,489	36,944
<b>Ordinary income</b>	13,396	13,093
<b>Net income</b>	8,240	7,999

	Quarter					
	FY2012	FY2013				FY2014
	4Q	1Q	2Q	3Q	4Q	1Q
	10,093	10,261	8,240	9,546	8,896	9,106
	4,341	4,086	2,679	3,460	2,866	2,852
	2,629	2,538	1,646	2,133	1,681	1,818

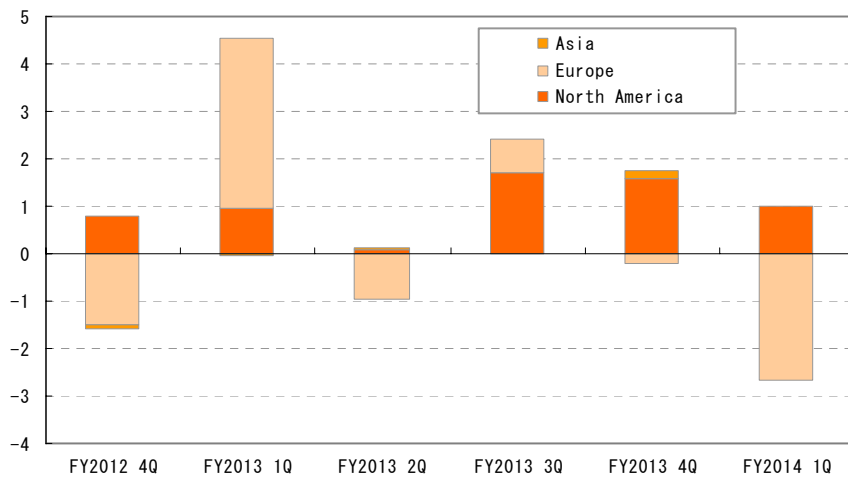
\* MUMS-PB became a subsidiary of MUSHD Group in the middle of FY2012 (on December 26, 2012), but the above figures for FY2012 represent its full-year results.

## Overseas Subsidiaries Quarterly Trends

- Business in North America secured profits for seven consecutive quarters led by the ongoing robust performance in primary business.
- Business in Europe posted a loss, as performance in the secondary business was dragged down by slumping market trading affected by instability of business conditions in Europe.

## Ordinary income (loss): Quarterly Trends

(JPY billion)



JPY billion

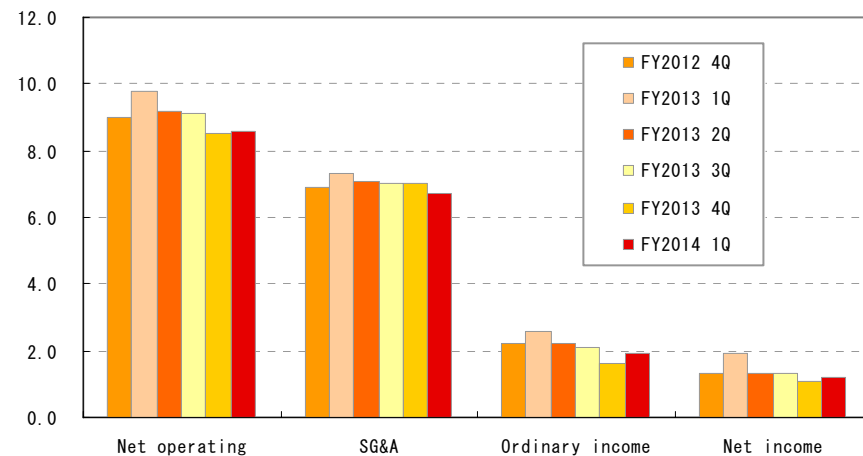
	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
North America	0.78	0.94	0.09	1.72	1.59	1.00
Europe	(1.51)	3.60	(0.97)	0.70	(0.21)	(2.67)
Asia	(0.09)	(0.03)	0.03	(0.02)	0.14	0.00
Total	(0.82)	4.50	(0.84)	2.41	1.53	(1.67)

## KAM Quarterly Trends

- Revenues continued to show a stable level due to the expansion of its product lineups.
- Assets under management at the end of June 30, 2014 was JPY 3.4 trillion (decreased JPY 0.0 trillion from the end of previous quarter)

## Quarterly Trends

(JPY billion)



JPY billion

	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q	FY2014 1Q
Net operating revenue	9.0	9.8	9.2	9.1	8.5	8.6
SG&A	6.9	7.3	7.1	7.0	7.0	6.7
Ordinary income	2.2	2.6	2.2	2.1	1.6	1.9
Net income	1.3	1.9	1.3	1.3	1.1	1.2

# Financial Soundness Indicators (Credit Rating, Capital Adequacy Ratio, etc.)

## Credit Rating

- Credit ratings remained unchanged. The credit rating outlooks were also stable. (as of March 31, 2014)

### Mitsubishi UFJ Securities Holdings (MUSHD)

	R&I	JCR	Moody's	S&P
Long-term	AA-	AA	A2	A
Short-term	-	-	P-1	A-1

### Mitsubishi UFJ Morgan Stanley Securities (MUMSS)

	R&I	JCR	Moody's	S&P
Long-term	AA-	AA	A1	A+
Short-term	a-1+ *	-	P-1	A-1

\*CP rating

### Mitsubishi UFJ Securities International plc (MUSI)

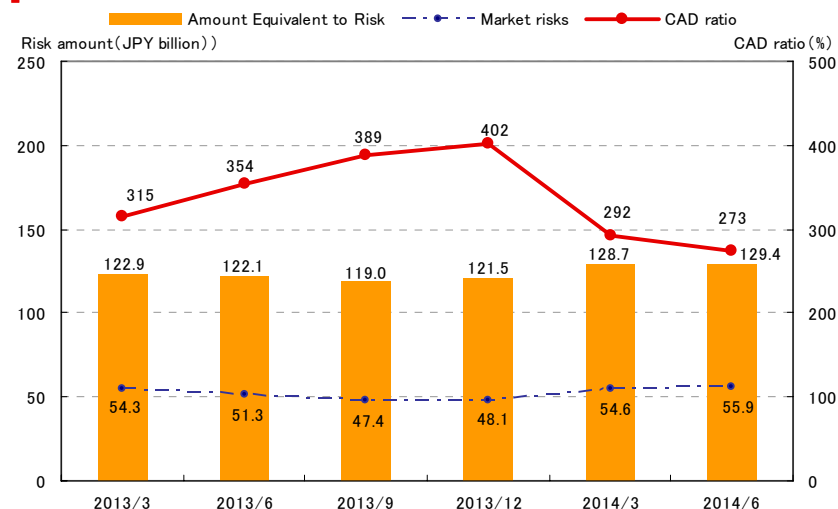
	R&I	JCR	Moody's	S&P
Long-term	AA- **	AA **	A1	A+
Short-term	-	-	P-1	A-1

\*\*Euro Medium Term Note Programme rating (senior bonds)

## Capital Adequacy

- Capital adequacy ratio at the end of June 30, 2014 stood at 273%, maintaining a sufficient level of capital base despite a slight decrease from the previous quarter.
- The decreases in net assets of MUSHD (consolidated) and MUMSS were attributable to dividend payments conducted following the strong profits recorded in the previous fiscal year.

### Capital Adequacy Ratio MUMSS



### Net Assets MUSHD (Consolidated) / MUMSS

		JPY billion					
MUSHD (Consolidated)		2013/3	2013/6	2013/9	2013/12	2014/3	2014/6
Capital stock		75.5	75.5	75.5	75.5	75.5	75.5
Net assets (Total)		924.4	950.5	1,000.6	1,037.0	1,068.0	972.7
MUMSS		2013/3	2013/6	2013/9	2013/12	2014/3	2014/6
Capital stock		40.5	40.5	40.5	40.5	40.5	40.5
Net assets	Consolidated	-	-	-	-	386.2	336.3
(Total)		288.5	304.5	339.9	367.6	378.9	327.8

## Value at Risk (VaR) associated with the trading activities

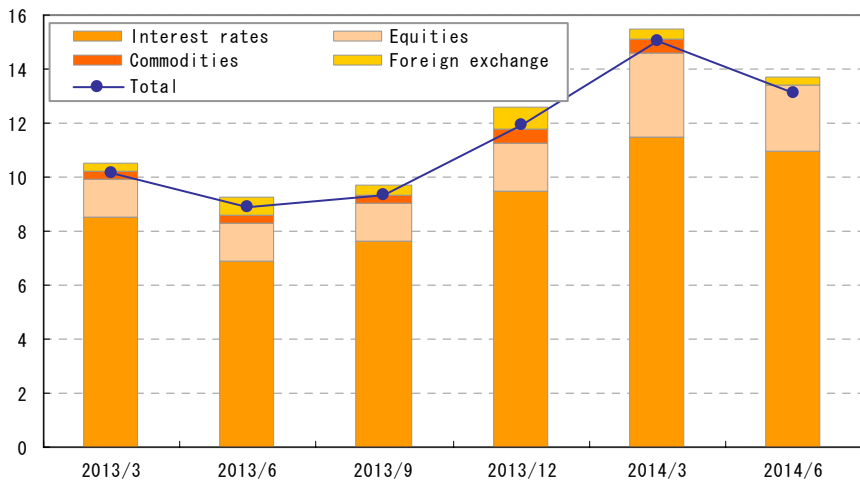
- Amid sluggish market environment, the amount of market risks for both domestic and overseas subsidiaries was reduced.  
Main factors for reduced market risks: Interest rates / equities risks for domestic subsidiaries Equities / commodity risks for overseas subsidiaries

### Methodology of VaR

Historical simulation method (10-day holding period, 99% of confidence interval and 701-business day observation period)

### Quarterly trends of VaR by risk category

(JPY billion)

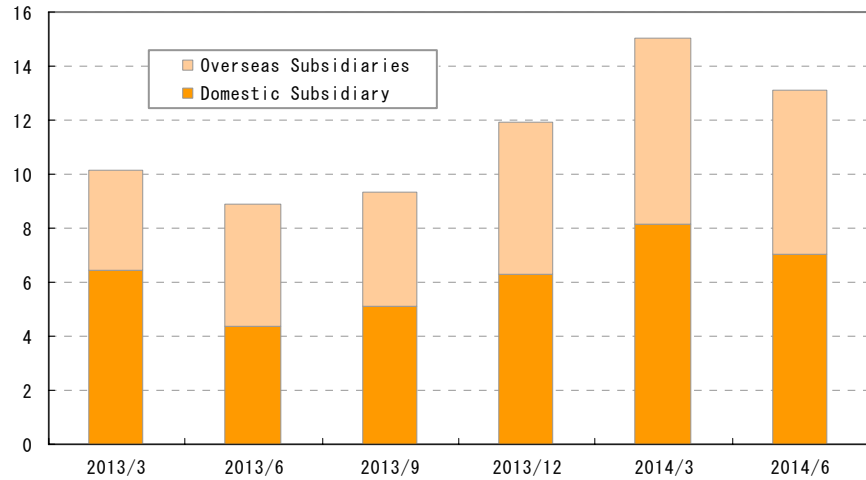


JPY billion

	2013/3	2013/6	2013/9	2013/12	2014/3	2014/6
Interest rates	8.5	6.9	7.6	9.5	11.5	11.0
Equities	1.3	1.4	1.4	1.8	3.1	2.4
Commodities	0.3	0.3	0.3	0.5	0.5	0.0
Foreign exchange	0.3	0.7	0.3	0.8	0.4	0.3
<b>Total</b>	<b>10.1</b>	<b>8.9</b>	<b>9.3</b>	<b>11.9</b>	<b>15.0</b>	<b>13.1</b>

### Quarterly trends of VaR by type of subsidiary

(JPY billion)



JPY billion

	2013/3	2013/6	2013/9	2013/12	2014/3	2014/6
Domestic Subsidiary	6.5	4.4	5.1	6.3	8.1	7.0
Overseas Subsidiaries	3.7	4.5	4.2	5.7	6.9	6.1
<b>Total</b>	<b>10.1</b>	<b>8.9</b>	<b>9.3</b>	<b>11.9</b>	<b>15.0</b>	<b>13.1</b>

Domestic Subsidiary: Mitsubishi UFJ Morgan Stanley Securities  
Overseas Subsidiaries: Mitsubishi UFJ Securities International, Mitsubishi UFJ Securities (USA), Mitsubishi UFJ Securities (HK), Mitsubishi UFJ Securities (Singapore)



# Mitsubishi UFJ Securities Holdings

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