



Mitsubishi UFJ Securities Holdings

3QFY2016

Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

January, 2017

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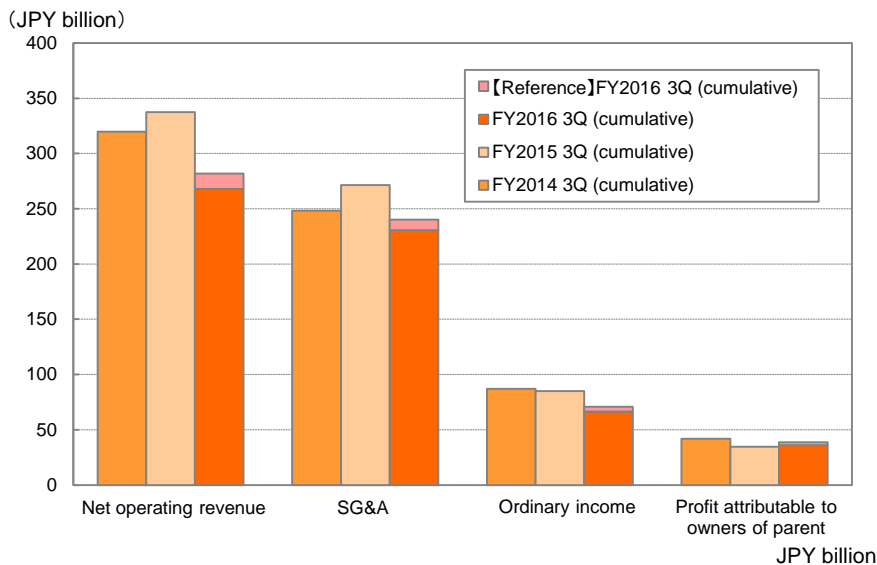
## Information Relating to Financial Stability

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## 3Q (cumulative) Performance Trends

- Profit attributable to owners of parent increased while revenue decreased from those in FY2015 3Q, with net operating revenue of JPY 268.0 billion (-20% YoY), ordinary income of JPY 66.5 billion (-21% YoY) and profit attributable to owners of parent of JPY 36.1 billion (+4% YoY).
- Profit attributable to owners of parent for 3Q in a simple aggregation with the results of MUFG Securities Americas Inc. (hereinafter "MUSA"), which was deconsolidated from FY2016 3Q, was JPY 38.6 billion (+12% YoY).

## 3Q (cumulative) Trends



	FY2014 3Q (cumulative)	FY2015 3Q (cumulative)	FY2016 3Q (cumulative)	[Reference] FY2016 3Q * (cumulative)
Net operating revenue	319.8	337.4	268.0	282.0
SG&A	248.4	271.5	230.5	240.3
Ordinary income	87.1	84.9	66.5	70.8
Profit attributable to owners of parent	41.8	34.5	36.1	38.6

\* Figures represent the simple aggregation with MUSA's 3Q results because MUSHD continues to include MUSA in its internal management control.

## Quarterly Performance Trends

- Both revenue and expenses decreased mainly due to the exclusion of MUSA from the scope of consolidation of the Company.
- While overseas subsidiaries contributed to the consolidated income with their strong performance, domestic subsidiaries experienced a slight slowdown, resulting in an ordinary income of JPY 18.8 billion, a decrease of 28% from the previous quarter. However, when the factors derived from deconsolidation of MUSA are taken into account, ordinary income is almost unchanged from the previous quarter.

## Quarterly Trends



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q	[Reference] FY2016 3Q *
Net operating revenue	107.5	92.0	100.3	87.5	97.4	83.0	97.0
SG&A	87.9	80.3	85.5	78.4	82.4	69.6	79.3
Ordinary income	26.5	18.1	22.8	21.5	26.2	18.8	23.0
Profit attributable to owners of parent	9.7	6.9	8.7	14.8	12.3	8.9	11.4

\* Figures represent the simple aggregation with MUSA's 3Q results.

## Net Operating Revenue

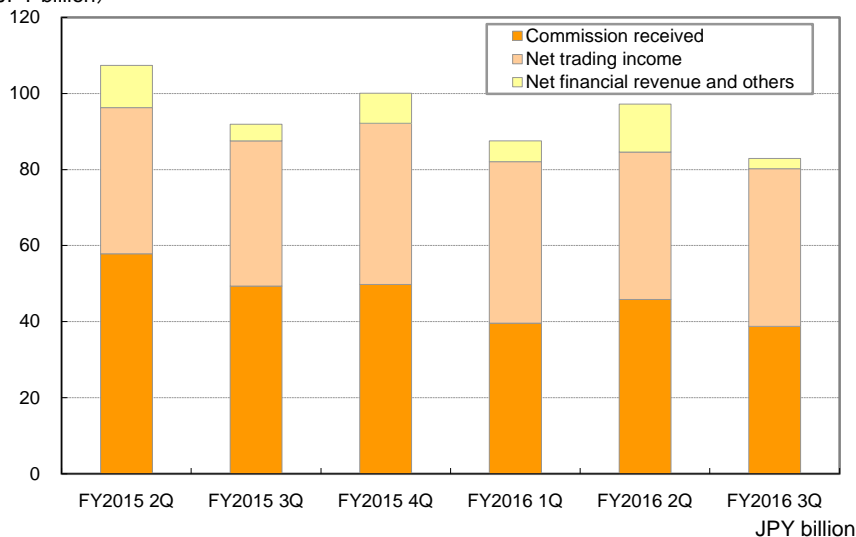
- Commission to consignees increased due to a recovery in stock trading volume after the U.S. presidential election. However, due to the deconsolidation of MUSA, commission received as a whole decreased from the previous quarter. Net trading income increased from the previous quarter. Net operating revenue marked JPY 83.0 billion (-15% from the previous quarter).

## SG & A

- Due to the reinforced cost control in the overseas and domestic subsidiaries in addition to the exclusion of MUSA from the scope of consolidation, costs under SG&A other than performance-linked costs widely decreased. As a result, SG&A for 3Q came to JPY 69.6 billion (-16% from the previous quarter).

### Quarterly Trends

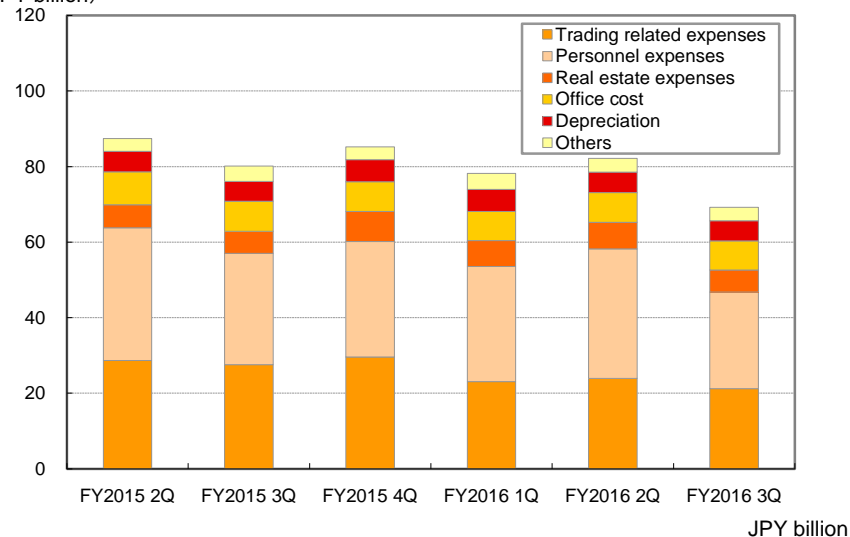
(JPY billion)



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Commission received	57.8	49.3	49.8	39.6	45.8	38.7
Net trading income	38.5	38.2	42.4	42.5	38.8	41.5
Net financial revenue and others	11.1	4.4	7.9	5.4	12.6	2.7
<b>Total</b>	<b>107.5</b>	<b>92.0</b>	<b>100.3</b>	<b>87.5</b>	<b>97.4</b>	<b>83.0</b>

### Quarterly Trends

(JPY billion)



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Trading related expenses	28.7	27.6	29.6	23.1	23.9	21.2
Personnel expenses	35.1	29.4	30.6	30.5	34.3	25.6
Real estate expenses	6.1	5.9	7.9	6.8	7.0	5.8
Office cost	8.7	7.9	7.9	7.7	7.9	7.7
Depreciation	5.4	5.3	5.8	5.9	5.4	5.4
Others	3.4	4.0	3.4	4.2	3.7	3.5
<b>Total</b>	<b>87.9</b>	<b>80.3</b>	<b>85.5</b>	<b>78.4</b>	<b>82.4</b>	<b>69.6</b>

## Commission Received

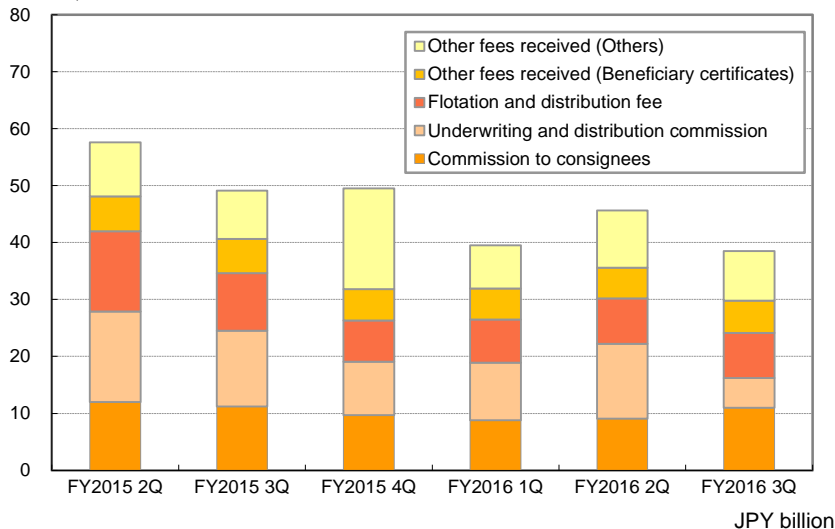
- Commission to consignees: Increased from the previous quarter due to a recovery in stock trading volume after the U.S. presidential election. Recovered to the level of over JPY 10.0 billion for the first time in a year.
- Underwriting and distribution commission: Decreased from the previous quarter mainly due to the exclusion of MUSA from the scope of consolidation.
- Flotation and distribution fee: Almost unchanged from the previous quarter, although sales of investment trusts recovered gradually.
- Other fees received: Maintained a stable revenue level, despite a decrease from the previous quarter.

## Net Trading Income

- Despite relatively weak net trading income (bonds) due to market changes after the U.S. presidential election, net trading income (stocks) grew on the back of customer flow which was boosted by the market recovery. Overseas subsidiaries drove the revenue as well, and total net trading income (excluding net financial revenue) increased from the previous quarter.

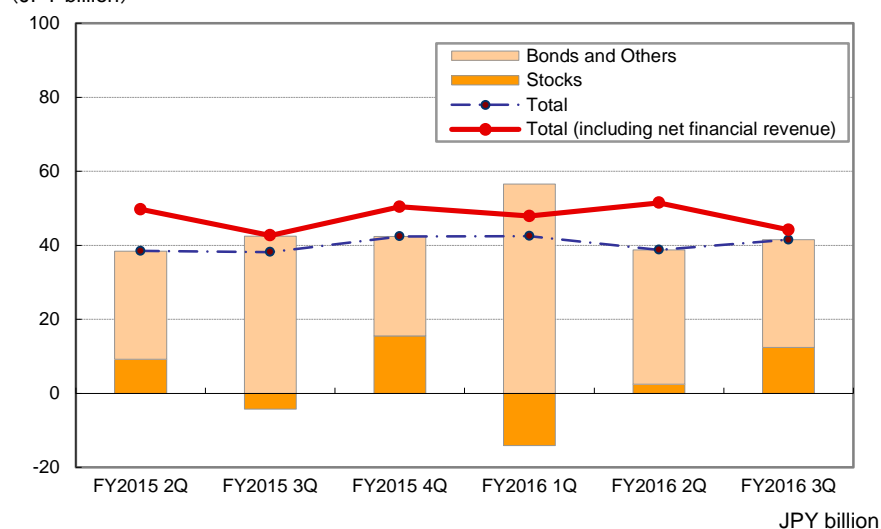
### Quarterly Trends

(JPY billion)



### Quarterly Trends

(JPY billion)



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Commission to consignees	12.0	11.2	9.7	8.8	9.1	11.0
Underwriting and distribution commission	15.9	13.3	9.4	10.1	13.1	5.2
Flotation and distribution fee	14.1	10.1	7.2	7.6	8.0	7.9
Other fees received (Beneficiary certificates)	6.1	6.0	5.5	5.4	5.4	5.7
Other fees received (Others)	9.5	8.5	17.7	7.6	10.0	8.7
<b>Total</b>	<b>57.8</b>	<b>49.3</b>	<b>49.8</b>	<b>39.6</b>	<b>45.8</b>	<b>38.7</b>

	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Stocks	9.2	(4.2)	15.5	(14.1)	2.5	12.4
Bonds and Others	29.2	42.5	26.9	56.6	36.3	29.1
<b>Total</b>	<b>38.5</b>	<b>38.2</b>	<b>42.4</b>	<b>42.5</b>	<b>38.8</b>	<b>41.5</b>
Net financial revenue	11.1	4.4	7.9	5.4	12.6	2.7
<b>Total (including net financial revenue)</b>	<b>49.7</b>	<b>42.7</b>	<b>50.4</b>	<b>47.9</b>	<b>51.5</b>	<b>44.2</b>

# Consolidated Statement of Income (Full year, Quarter)

JPY million

	Full year		Quarter					
	FY2014	FY2015	FY2015			FY2016		
			2Q	3Q	4Q	1Q	2Q	3Q
<b>Operating revenue</b>	482,541	474,449	118,416	99,914	109,218	98,805	101,774	87,038
Commission received	231,825	226,105	57,828	49,323	49,844	39,633	45,883	38,779
Net trading income	177,948	178,770	38,543	38,272	42,498	42,557	38,889	41,524
Other operating revenue	(17)	0	0	(1)	-	0	0	-
Financial revenue	72,785	69,573	22,043	12,319	16,876	16,613	17,001	6,735
<b>Financial expenses</b>	46,784	36,706	10,872	7,879	8,888	11,213	4,341	4,018
<b>Net operating revenue</b>	435,757	437,742	107,544	92,035	100,329	87,592	97,432	83,020
<b>SG &amp; A</b>	345,074	357,055	87,920	80,329	85,507	78,489	82,486	69,607
<b>Operating income</b>	90,683	80,687	19,623	11,705	14,822	9,103	14,946	13,413
<b>Non-operating income</b>	26,840	27,885	6,882	6,534	8,160	12,541	11,942	5,380
<b>Non-operating expenses</b>	2,593	715	(8)	72	102	107	680	(30)
<b>Ordinary income</b>	114,930	107,857	26,514	18,168	22,880	21,536	26,208	18,823
<b>Extraordinary income</b>	9,406	275	154	-	-	196	(1)	19
<b>Extraordinary losses</b>	2,444	3,513	2,195	134	545	455	427	1,806
<b>Income taxes</b>	37,748	33,971	7,905	5,707	6,226	1,808	5,461	4,274
<b>Profit attributable to non-controlling interests</b>	33,149	27,384	6,779	5,332	7,364	4,597	7,990	3,840
<b>Profit attributable to owners of parent</b>	50,995	43,262	9,789	6,992	8,743	14,872	12,327	8,922

	As of Mar. 31, 2016	As of Dec. 31, 2016	Change
<b>ASSETS</b>			
<b>Current assets</b>	30,357	29,794	(562)
Cash and deposits	1,202	1,421	+219
Trading products	14,549	15,957	+1,407
Loans secured by securities	12,304	10,171	(2,132)
Others	2,301	2,243	(57)
<b>Non-current assets</b>	665	700	+35
PP & E	37	39	+1
Intangible assets	100	107	+7
Investments and other assets	528	554	+25
<b>Total assets</b>	31,023	30,495	(527)

JPY billion

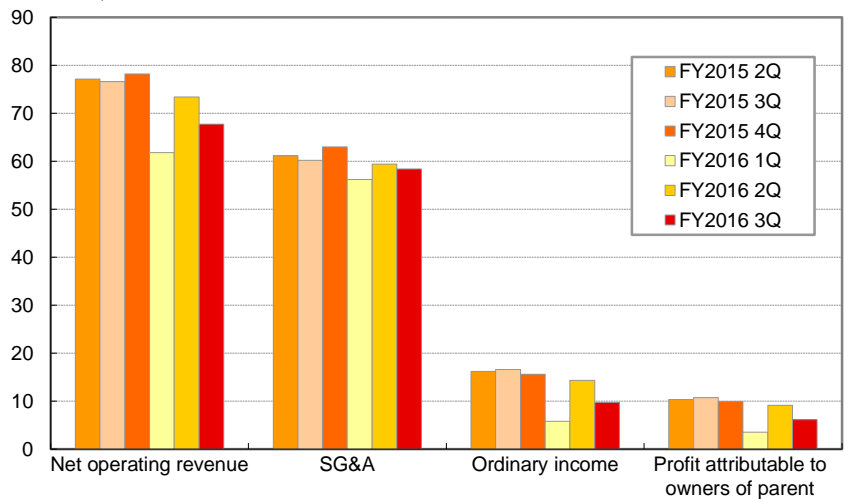
	As of Mar. 31, 2016	As of Dec. 31, 2016	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	28,569	28,128	(441)
Trading products	12,932	15,492	+2,559
Loans payable secured by securities	11,172	7,848	(3,323)
Short-term loans payable	1,147	1,201	+53
Others	3,316	3,585	+268
<b>Non-current liabilities</b>	1,416	1,438	+22
Bonds payable	918	905	(13)
Long-term loans payable	488	518	+29
Others	9	15	+5
<b>Total liabilities</b>	29,990	29,571	(419)
<b>NET ASSETS</b>			
Shareholders' equity	755	699	(55)
Accumulated other comprehensive income	21	(40)	(61)
Subscription rights to shares	—	0	+0
Non-controlling interests	256	265	+8
<b>Total net assets</b>	1,033	924	(108)
<b>Total liabilities and net assets</b>	31,023	30,495	(527)

## Quarterly Performance Trends

- While domestic Retail and Middle Market Sales Division was steady backed by improvements in the market environment, revenue decreased from the previous quarter in trading activities. Although restrained cost control was continued for SG&A, ordinary income and profit attributable to owners of parent recorded JPY 9.7 billion and JPY 6.1 billion, respectively.
- Mitsubishi UFJ Morgan Stanley PB Securities continued to record stable profits despite a slight slowdown compared to the previous quarter.

## Quarterly Trends

(JPY billion)



JPY billion

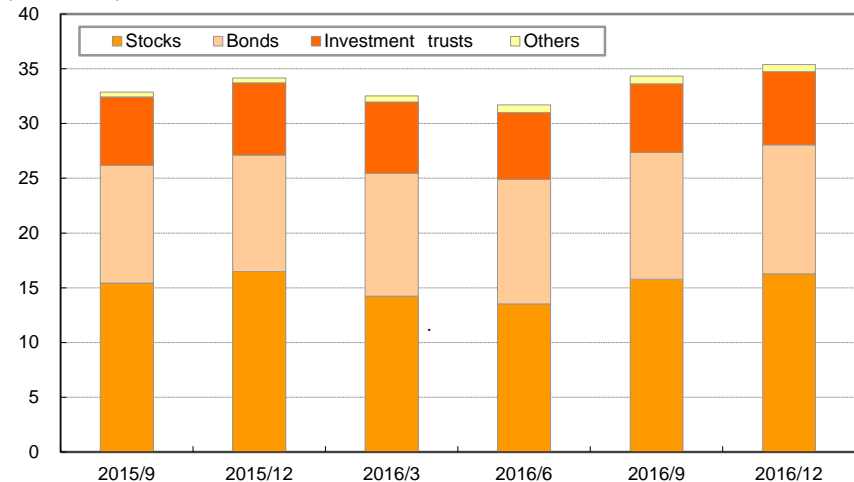
	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Net operating revenue	77.1	76.6	78.2	61.8	73.4	67.7
SG&A	61.1	60.2	63.0	56.2	59.4	58.4
Ordinary income	16.2	16.6	15.6	5.8	14.3	9.7
Profit attributable to owners of parent	10.3	10.7	9.9	3.5	9.1	6.1

## Trends of AUM

- AUM recorded approximately JPY 35.4 trillion at the end of December, 2016. Due to market prices, AUM continued to increase from the previous quarter.
- Of the above, AUM for domestic Retail and Middle Market Sales Division recorded JPY 27.6 trillion (JPY 25.5 trillion at the end of September, 2016).

## Quarterly Trends

(JPY trillion)



JPY trillion

	2015/9	2015/12	2016/3	2016/6	2016/9	2016/12
Stocks	15.4	16.5	14.2	13.5	15.8	16.3
Bonds	10.8	10.6	11.2	11.4	11.6	11.8
Investment trusts	6.2	6.6	6.5	6.1	6.2	6.7
Others	0.4	0.4	0.6	0.7	0.7	0.7
Total	32.9	34.1	32.5	31.7	34.3	35.4

\* Figures are on a consolidated basis, which include those of MUMSPB.

\* Simple aggregation of MUMSS and MUMSPB.



MUMSS (non-consolidated)

JPY million

## ■ Statement of Income

	Full year	
	FY2014	FY2015
<b>Operating revenue</b>	309,252	302,534
Commission received	142,156	149,536
Net trading income	138,038	132,248
Others	1	0
Financial revenue	29,056	20,748
<b>Financial expenses</b>	10,797	9,636
<b>Net operating revenue</b>	298,455	292,897
<b>SG &amp; A</b>	207,225	225,938
<b>Operating income</b>	91,229	66,958
<b>Net non-operating income(expenses)</b>	4,923	10,885
<b>Ordinary income</b>	96,153	77,844
<b>Net extraordinary income (losses)</b>	5,012	0
<b>Income taxes</b>	29,128	22,095
<b>Profit</b>	72,036	55,749

## ■ Balance Sheet

	As of	As of	Change
	Mar. 31, 2016	Dec. 31, 2016	
<b>Current assets</b>	13,930	14,570	+640
Cash and deposits	1,033	1,159	+125
Trading products	9,038	8,136	(902)
Loans secured by securities	2,972	4,432	+1,460
Others	885	842	(43)
<b>Non-current assets</b>	134	155	+21
PP& E	19	26	+7
Intangible assets	46	58	+11
Investments and other assets	68	69	+1
<b>Total assets</b>	14,064	14,725	+661

	Quarter					
	FY2015			FY2016		
	2Q	3Q	4Q	1Q	2Q	3Q
	69,743	70,754	73,098	57,005	66,641	61,750
	37,703	36,372	36,640	24,383	30,373	29,765
	26,305	31,318	30,610	28,898	31,581	27,668
	0	(1)	—	0	0	—
	5,733	3,065	5,847	3,723	4,686	4,316
	2,405	2,513	2,349	1,989	1,748	1,667
	67,337	68,240	70,748	55,016	64,892	60,082
	54,131	54,169	57,480	50,728	53,138	52,792
	13,206	14,071	13,267	4,287	11,753	7,290
	660	4,579	658	2,983	579	2,772
	13,867	18,650	13,926	7,271	12,333	10,062
	(113)	(116)	(498)	(449)	(385)	(379)
	4,399	4,521	4,277	1,176	3,617	2,142
	9,354	14,013	9,150	5,645	8,331	7,540

JPY billion

	As of	As of	Change
	Mar. 31, 2016	Dec. 31, 2016	
<b>Current liabilities</b>	13,310	13,937	+627
Trading products	8,036	7,599	(437)
Loans payable secured by securities	2,575	3,317	+742
Short-term loans payable	1,430	1,506	+76
Others	1,268	1,514	+246
<b>Non-current liabilities</b>	363	376	+12
Long-term loans payable	356	365	+8
Others	7	10	+3
<b>Total liabilities</b>	13,676	14,315	+639
<b>Net assets</b>	388	409	+21
<b>Total liabilities and net assets</b>	14,064	14,725	+661

JPY million

MUMSPB (non-consolidated)

## ■ Statement of Income

	Full year	
	FY2014	FY2015
<b>Net operating revenue</b>	43,827	38,642
<b>Ordinary income</b>	16,189	12,703
<b>Profit</b>	10,192	8,582

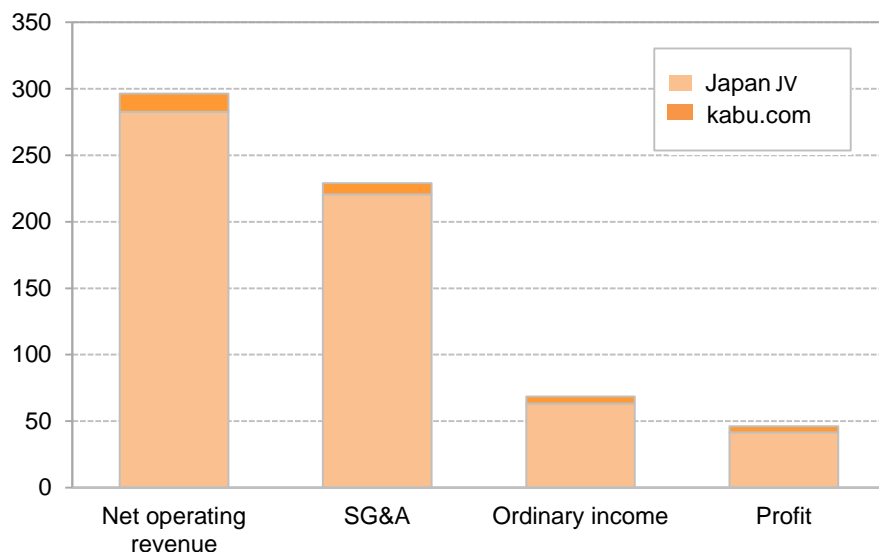
	Quarter					
	FY2015			FY2016		
	2Q	3Q	4Q	1Q	2Q	3Q
	9,790	8,417	7,538	6,812	8,595	7,725
	2,840	2,439	2,163	1,468	2,463	2,135
	1,863	1,615	1,608	1,008	1,685	1,461

## Securities Companies' Performance

- Net operating revenue of Domestic Securities Companies is approximately JPY 300 billion on a simple sum basis. It includes the full net operating revenue from Morgan Stanley MUFG Securities Co., Ltd. ("MSMS"); this is one of the joint venture securities companies with Morgan Stanley in Japan and an associated company accounted for by using the equity-method.
- Domestic Securities Companies consist of four companies including three joint venture companies with Morgan Stanley ("Japan JV") and kabu.com Securities Co., Ltd.

### Performance of FY 3Q (cumulative) 2016

(JPY billion)



※ The figures above the graph represent the simple sum of the Domestic Securities Companies.

(JPY billion)

(Simple sum of the figures for Domestic Securities Companies)	FY 2016 3Q(cumulative)
<b>Net Operating Revenue</b>	<b>296.5</b>
Japan JV	282.7
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Consolidated base ("MUMSS" + "MUMSPB") * 1	203.0
Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") * 2	79.6
kabu.com Securities Co., Ltd. ("kabu.com")	13.8
<b>SG &amp; A</b>	<b>229.1</b>
Japan JV	220.5
MUMSS Consolidated base	174.1
MSMS	46.3
kabu.com	8.6
<b>Ordinary income</b>	<b>68.7</b>
Japan JV	63.4
MUMSS Consolidated base	29.9
MSMS	33.4
kabu.com	5.3
<b>Profit</b>	<b>46.2</b>
Japan JV	41.6
MUMSS Consolidated base (Profit attributable to owners of parent)	18.8
MSMS	22.7
kabu.com	4.6

\* 1 MUMSS consolidated base which includes Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. (MUMSPB).

\* 2 MSMS is an associated company accounted for by using the equity-method.

## kabu.com Quarterly Trends

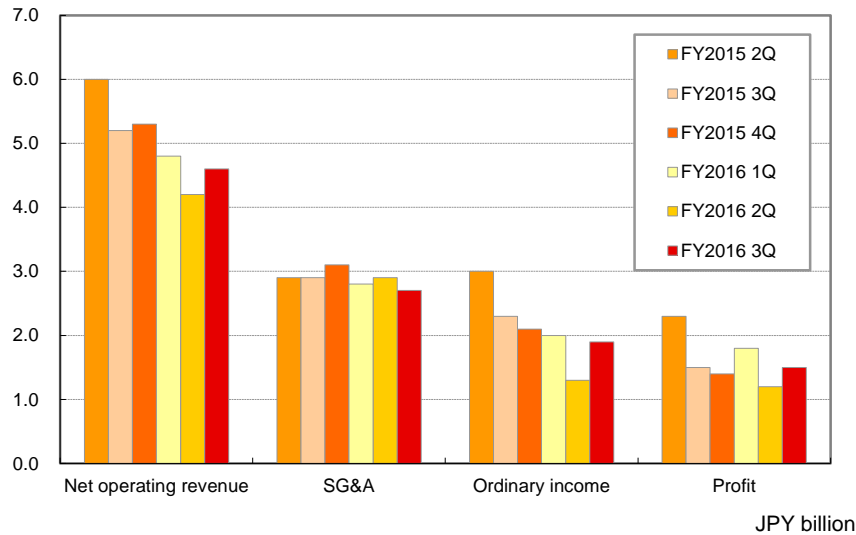
- kabu.com Securities Co., Ltd., due to a recovery in stock trading volume of individuals stemming from improved stock markets after November, increased both revenue and profit from the previous quarter, with ordinary income of JPY 1.9 billion and profit of JPY 1.5 billion.

## Overseas Business Quarterly Trends

- Business in Europe maintained strong performance due to an expansion of customer flow and appropriate risk control, and profits increased significantly compared to the previous quarter which recorded a loss due to a temporary factor (increase in pension costs).
- Business in Asia also continued to be profitable and overseas subsidiaries as a whole recorded a significant increase in profit from the previous quarter.
- Business in North America recorded an increase in profit from the previous quarter due mainly to the strong performances in the debt capital markets business. Overseas business as a whole including business in North America recorded ordinary income of JPY 7.9 billion, which was the highest level in the past six quarters.

### Quarterly Trends

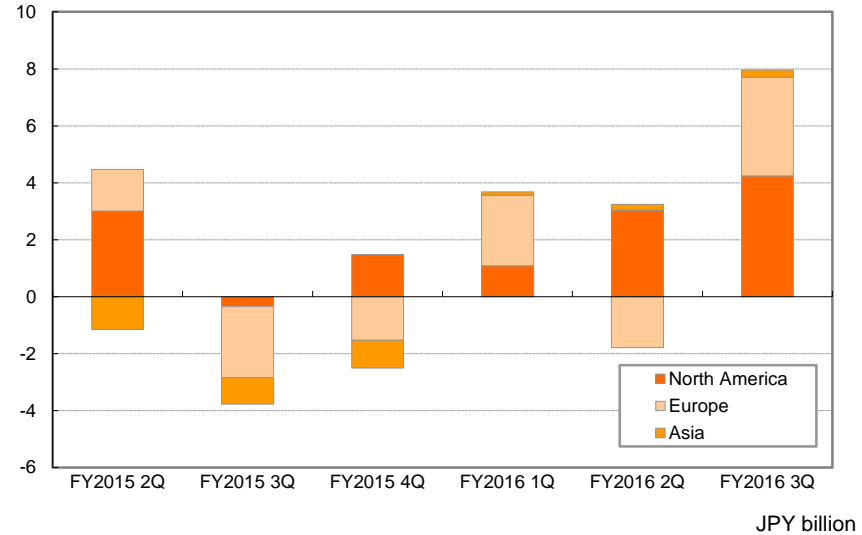
(JPY billion)



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q
Net operating revenue	6.0	5.2	5.3	4.8	4.2	4.6
SG&A	2.9	2.9	3.1	2.8	2.9	2.7
Ordinary income	3.0	2.3	2.1	2.0	1.3	1.9
Profit	2.3	1.5	1.4	1.8	1.2	1.5

### Ordinary income (loss): Quarterly Trends

(JPY billion)



	FY2015 2Q	FY2015 3Q	FY2015 4Q	FY2016 1Q	FY2016 2Q	FY2016 3Q *
North America	3.01	(0.35)	1.48	1.09	3.04	4.24
Europe	1.46	(2.49)	(1.53)	2.47	(1.78)	3.46
Asia	(1.14)	(0.93)	(0.97)	0.12	0.21	0.26
Total	3.34	(3.78)	(1.03)	3.70	1.48	7.97

\* Figures represent the aggregation with MUSA's 3Q results.

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

## Credit Rating

- Credit ratings remained unchanged. Stable credit rating levels were maintained in light of the fact that the Company is the core general securities company of the MUFG Group.

## Capital Adequacy

- Capital adequacy ratio at the end of December, 2016 maintained a sufficient level of capital base.
- Capital base of MUSHD (consolidated) marked no major change.

### Mitsubishi UFJ Securities Holdings (MUSHD)

	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 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

### MUFG Securities EMEA plc (MUS(EMEA))

	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 Ratio MUMSS (non-consolidated)

Capital adequacy ratio of MUMSS at 3QFY2016 can be found on the following URL.

[http://www.sc.mufg.jp/company/finance/cp\\_ratio.html](http://www.sc.mufg.jp/company/finance/cp_ratio.html)

### Net Assets MUSHD (Consolidated) / MUMSS

JPY billion

MUSHD (Consolidated)		2015/9	2015/12	2016/3	2016/6	2016/9	2016/12
Capital stock		75.5	75.5	75.5	75.5	75.5	75.5
Net assets (Total)		1,046.0	1,025.6	1,033.0	1,012.9	932.3	924.1
MUMSS		2015/9	2015/12	2016/3	2016/6	2016/9	2016/12
Capital stock		40.5	40.5	40.5	40.5	40.5	40.5
Net assets	Consolidated	391.9	385.4	392.9	395.7	405.0	411.1
(Total)	Non-consolidated	381.6	379.4	388.3	393.9	402.1	409.9

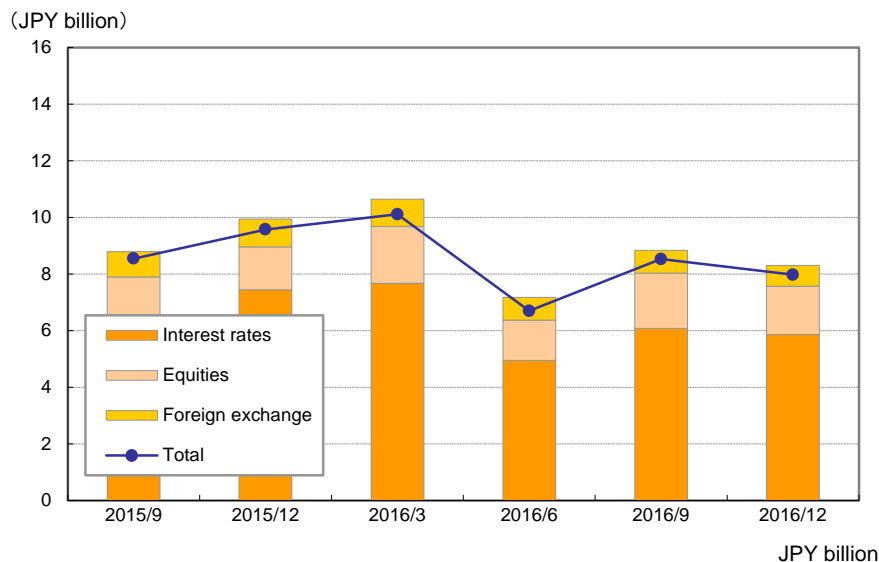
## Value at Risk (VaR) associated with the trading activities

- Despite changes in the market environment, amount of risks for domestic subsidiaries remained almost unchanged. Amount of risks of overseas subsidiaries decreased due to the exclusion of MUSA from the scope of consolidation.

### Methodology of VaR

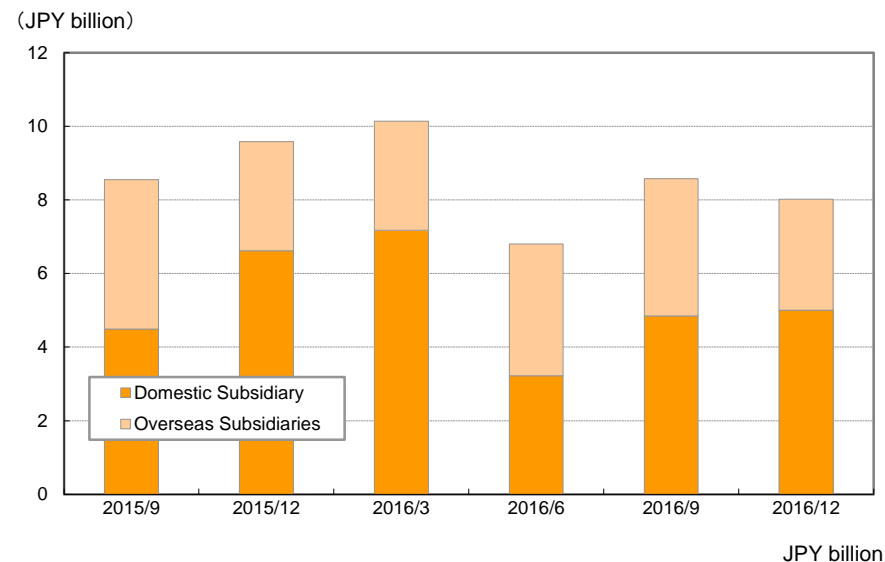
Historical simulation method (10-day holding period, 99% of confidence interval and 701-business day observation period)

### Quarterly trends of VaR by risk category



	2015/9	2015/12	2016/3	2016/6	2016/9	2016/12
Interest rates	6.4	7.4	7.7	4.9	6.1	5.9
Equities	1.5	1.5	2.0	1.4	2.0	1.7
Foreign exchange	0.9	1.0	1.0	0.8	0.8	0.7
<b>Total</b>	<b>8.5</b>	<b>9.6</b>	<b>10.1</b>	<b>6.7</b>	<b>8.5</b>	<b>8.0</b>

### Quarterly trends of VaR by type of subsidiary



	2015/9	2015/12	2016/3	2016/6	2016/9	2016/12
Domestic Subsidiary	4.5	6.6	7.2	3.2	4.9	5.0
Overseas Subsidiaries	4.1	3.0	3.0	3.6	3.7	3.0
<b>Total</b>	<b>8.5</b>	<b>9.6</b>	<b>10.1</b>	<b>6.7</b>	<b>8.5</b>	<b>8.0</b>

Domestic Subsidiary: Mitsubishi UFJ Morgan Stanley Securities  
 Overseas Subsidiaries: MUFG Securities EMEA plc, MUFG Securities Asia Limited



# Mitsubishi UFJ Securities Holdings

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