



Mitsubishi UFJ Securities Holdings

# FY2013 Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

April, 2014

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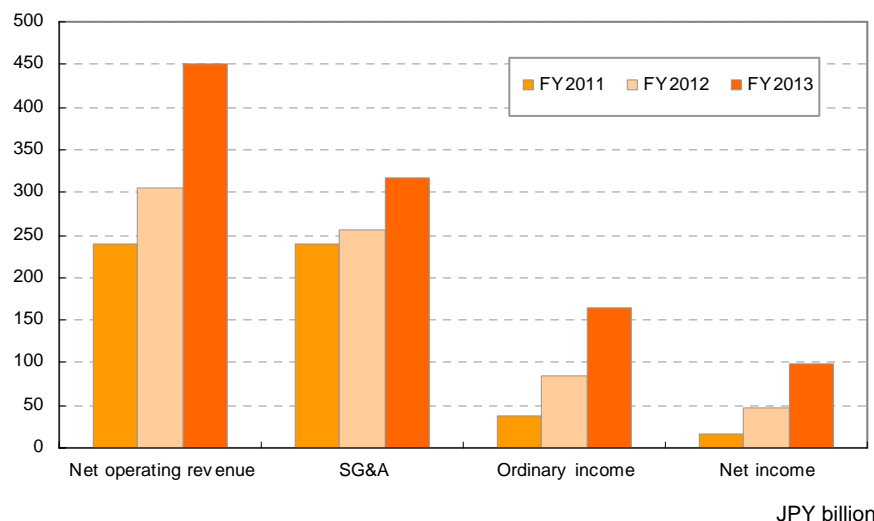
# Consolidated Performance Highlights

## Annual Performance Trends

- Marked a substantial increase both in revenue and profit, with net operating revenue, ordinary income and net income standing at JPY 450.6 billion (+47% YoY), JPY 163.3 billion (+93% YoY) and JPY 97.7 billion (+108% YoY) respectively.
- Due to the deepening BTMU collaboration and the alliance with Morgan Stanley, in parallel with the upturn of Japanese market environment, income rose to a record high on a fiscal year basis since the management integration in 2005.

## Annual Trends

(JPY billion)



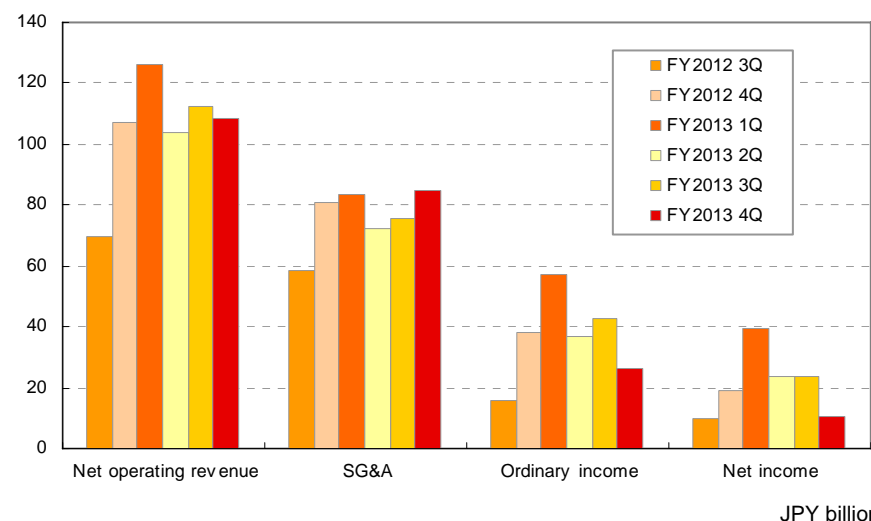
	FY2011	FY2012	FY2013
Net operating revenue	238.5	306.0	450.6
SG&A	240.1	256.8	316.7
Ordinary income	38.1	84.2	163.3
Net income	16.5	46.9	97.7

## Quarterly Performance Trends

- Marked ordinary income JPY 26.4 billion ( $\Delta$ 38% QoQ) and net income JPY 10.8 billion ( $\Delta$ 54% QoQ)
- Recorded a net income in excess of JPY 10.0 billion due to steady developments of the customer flow-oriented business model and consulting-based sales approaches, along with the ongoing cost reduction initiatives, despite a slowdown in business volume compared with the previous quarter amid the unstable market since the beginning of the year.

## Quarterly Trends

(JPY billion)



	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Net operating revenue	70.0	106.9	126.1	103.7	112.2	108.5
SG&A	58.4	80.8	83.6	72.5	75.6	84.8
Ordinary income	15.8	37.8	57.0	36.8	42.8	26.4
Net income	10.0	18.8	39.5	23.6	23.8	10.8

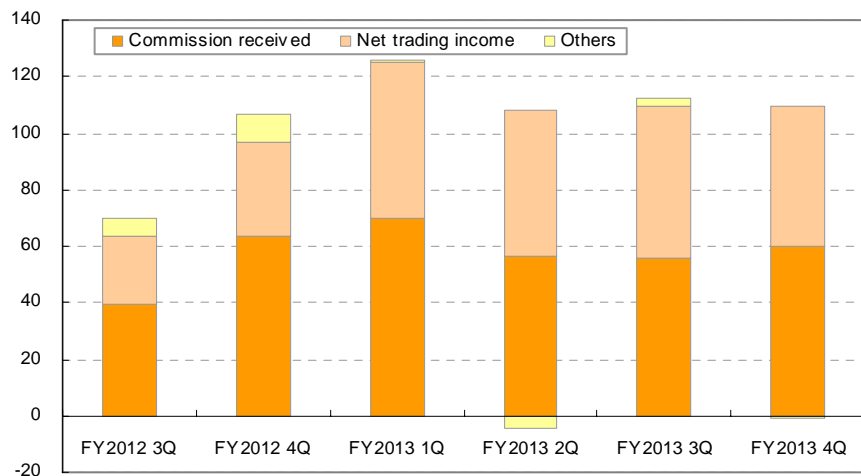
# Net Operating Revenue and SG & A

## Net Operating Revenue

- Commission received and net trading income showed a steady performance and exceeded JPY 100 billion for five consecutive quarters.

### Quarterly Trends

(JPY billion)



JPY billion

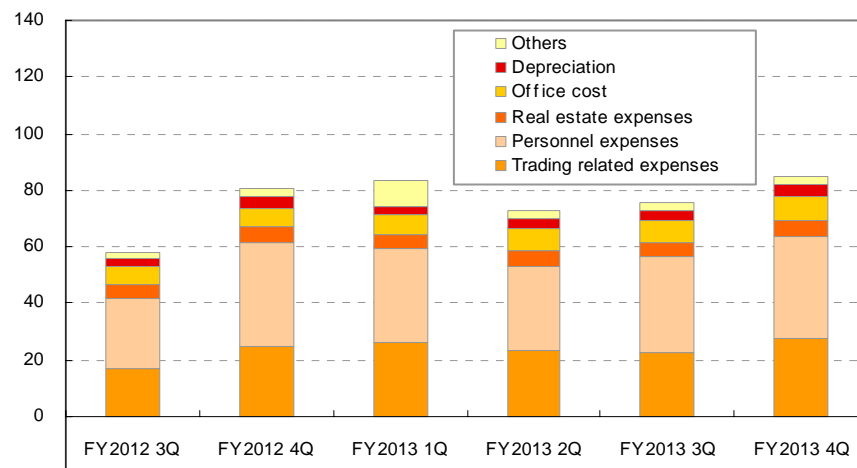
	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Commission received	39.4	63.3	69.8	56.3	56.0	60.3
Net trading income	24.3	33.6	55.0	52.1	53.9	49.3
Others	6.2	9.9	1.2	(4.7)	2.2	(1.1)
Total	70.0	106.9	126.1	103.7	112.2	108.5

## SG & A

- Expenses which interrelate with revenue such as trading related and personnel expenses increased from 4Q previous year due to the increase of business volume.
- Fixed costs such as real estate expenses and depreciation were still controlled at low levels.

### Quarterly Trends

(JPY billion)



JPY billion

	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Trading related expenses	16.5	24.9	25.8	23.0	22.5	27.3
Personnel expenses	25.3	36.8	33.5	29.9	33.7	36.1
Real estate expenses	4.7	5.3	5.1	5.7	5.4	5.9
Office cost	6.3	6.8	6.9	7.7	7.6	8.6
Depreciation	3.3	3.9	3.2	3.3	3.3	3.7
Others	2.0	2.9	9.0	2.8	2.8	2.9
Total	58.4	80.8	83.6	72.5	75.6	84.8

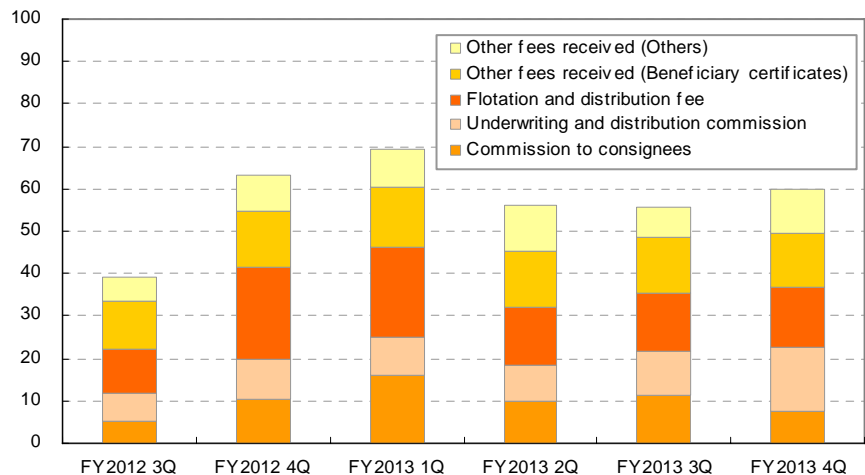
# Net Operating Revenue Breakdown

## Commission Received

- Commission to consignees: Decreased by 32% (QoQ) in the unstable Japanese stock market environment.
- Underwriting and distribution commission: Lead-manager mandate in large stock transactions contributed (+45% QoQ).
- Flotation and distribution fee: Sales of investment trusts remained stable.
- Other fees received: M&A revenue and investment trust commissions showed a steady performance.

## Quarterly Trends

(JPY billion)



JPY billion

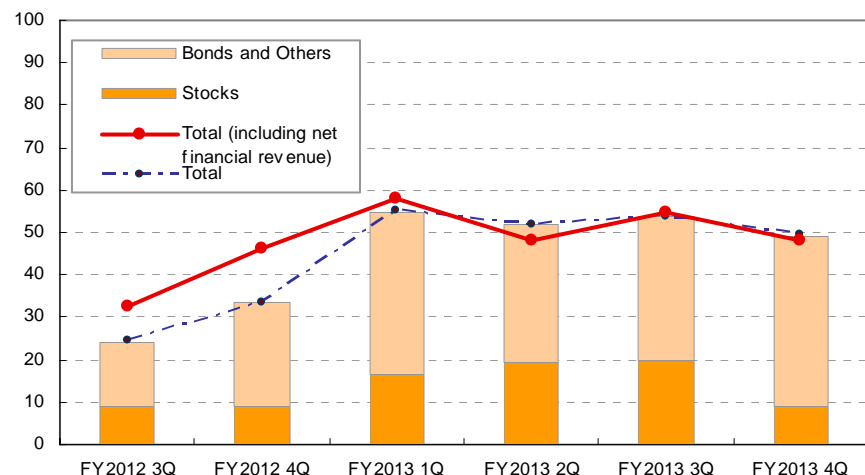
	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Commission to consignees	5.0	10.3	16.2	9.7	11.3	7.6
Underwriting and distribution commission	6.7	9.7	8.8	8.5	10.5	15.2
Flotation and distribution fee	10.7	21.7	21.2	13.7	13.5	14.2
Other fees received (Beneficiary certificates)	11.1	13.2	14.2	13.4	13.3	12.6
Other fees received (Others)	5.8	8.3	9.1	10.8	7.2	10.4
<b>Total</b>	<b>39.4</b>	<b>63.3</b>	<b>69.8</b>	<b>56.3</b>	<b>56.0</b>	<b>60.3</b>

## Net Trading Income

- Equity / equity-product trading sustained a stable revenue due primarily to the good performance of foreign stocks, despite deceleration from 1Q -3Q during the current fiscal year.
- Fixed Income trading maintained a high level of revenue through sustaining high share in government bonds and general corporate bonds markets, along with good performance in trading of structured bonds.

## Quarterly Trends

(JPY billion)



JPY billion

	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Stocks	9.0	8.8	16.6	19.3	19.6	9.0
Bonds and Others	15.2	24.7	38.3	32.8	34.3	40.2
<b>Total</b>	<b>24.3</b>	<b>33.6</b>	<b>55.0</b>	<b>52.1</b>	<b>53.9</b>	<b>49.3</b>
Net financial revenue	8.2	12.5	3.1	(4.2)	0.5	(1.0)
Total (including net financial revenue)	32.5	46.1	58.2	47.9	54.5	48.2

## Securing high level of ROE

- Both MUSHD and MUMSS substantially improved their ROE for the fiscal year compared to the previous year, to 13% (+6% YoY) and 36% (+14% YoY), respectively, maintaining high levels of ROE.
- Improved capital efficiency while maintaining a constant level of capital.

## Progress in investment banking business

- Served as financial advisor in eight of the top ten largest M&A deals in FY2013, winning the top position in the M&A league table.
- Stayed on among the top class ranking in the bond league table.
- In stocks, winning lead-manager mandate in many of the large deals including IPO by Suntory Beverage & Food Limited allowed us to advance to the second in the league table.
- Highly evaluated by leading financial newspapers and specialized magazines (Major awards are listed herein).
  - *Asiamoney* Best Investment Bank, Best M&A Adviser
  - *FinanceAsia* Best M&A House

Awarded as Japanese Securities Joint Venture between MUFG and Morgan Stanley (comprising Mitsubishi UFJ Morgan Stanley Securities and Morgan Stanley MUFG Securities).

## Promoting restructuring of subsidiaries

- Conversion of Mitsubishi UFJ Morgan Stanley PB Securities into a subsidiary of Mitsubishi UFJ Morgan Stanley Securities (MUMSS) as part of the intra-Group capital transfers.
  - Aiming for further enhancement of our wealth management business, which is one of the largest in Japan, through reinforcing collaboration with MUMSS.
- Restructuring of domestic subsidiaries
  - Promotion of the development of efficient Group management framework through the following restructuring of subsidiaries
    - Absorption-type merger of MUS Principal Investments and MU Hands-on Capital by MUSHD
    - Absorption-type merger of MUS Facility Service by MUS Business Service

## Enhancement of the Group management control

- Introduction of a new management framework for enhancing management control over the domestic and overseas main subsidiaries.
- Development of matrix management structure in which Group-wide risk governance framework is built up in compliance with the Basel principles and best practices of financial institutions expected by the Financial Stability Board (FSB), while at the same time each Group company implements management control in compliance with laws and regulations as a complete entity.

# Consolidated Statement of Income (Full year, Quarter)

JPY million

	Full year		Quarter					
	FY2012	FY2013	FY2012		FY2013			
			3Q	4Q	1Q	2Q	3Q	4Q
<b>Operating revenue</b>	350,524	487,796	76,074	119,164	134,808	111,276	120,817	120,894
Commission received	171,957	242,578	39,472	63,393	69,814	56,340	56,072	60,350
Net trading income	107,329	210,448	24,304	33,617	55,031	52,153	53,915	49,347
Net gain on private equity and other securities	(4,735)	(1,045)	(2,036)	(2,659)	(2,000)	(572)	1,661	(134)
Other net gain on goods trading	125	123	51	30	105	3	14	-
Financial revenue	75,846	35,692	14,282	24,782	11,856	3,350	9,153	11,332
<b>Financial expenses</b>	44,441	37,163	6,062	12,212	8,662	7,554	8,565	12,380
<b>Net operating revenue</b>	306,082	450,633	70,011	106,951	126,145	103,722	112,251	108,514
<b>SG &amp; A</b>	256,881	316,710	58,436	80,896	83,623	72,558	75,681	84,846
<b>Operating income</b>	49,201	133,923	11,574	26,054	42,521	31,163	36,570	23,667
<b>Non-operating income</b>	36,717	32,121	4,065	12,855	15,032	5,775	7,373	3,940
<b>Non-operating expenses</b>	1,690	2,740	(193)	1,018	487	51	1,054	1,146
<b>Ordinary income</b>	84,228	163,304	15,834	37,891	57,066	36,887	42,888	26,461
<b>Extraordinary income</b>	5,154	8,807	1,273	1,270	8,043	118	387	257
<b>Extraordinary loss</b>	3,531	3,263	110	1,930	136	402	444	2,279
<b>Income taxes</b>	2,916	12,386	722	2,384	5,395	(4,376)	3,992	7,375
<b>Minority interests in income</b>	35,988	58,679	6,192	15,999	20,010	17,377	15,034	6,258
<b>Net income</b>	46,946	97,781	10,082	18,846	39,567	23,602	23,805	10,806

# Consolidated Balance Sheet

JPY billion

	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
<b>ASSETS</b>			
<b>Current assets</b>	25,754	29,753	+3,999
Cash and deposits	719	1,133	+413
Trading products	15,530	14,867	(663)
Loans secured by securities	8,194	12,176	+3,981
Others	1,309	1,576	+266
<b>Noncurrent assets</b>	752	665	(87)
PP & E	27	31	+3
Intangible assets	43	60	+16
Investments and other assets	680	573	(107)
<b>Total assets</b>	26,506	30,418	+3,911

	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	24,372	27,779	+3,407
Trading products	12,471	11,501	(970)
Loans payable secured by securities	9,142	13,148	+4,006
Short-term loans payable	996	1,047	+51
Others	1,761	2,081	+319
<b>Noncurrent liabilities</b>	1,208	1,569	+360
Bonds payable	803	1,124	+320
Long-term loans payable	379	428	+48
Others	26	17	(8)
<b>Total liabilities</b>	25,582	29,350	+3,768
<b>NET ASSETS</b>			
Shareholders' equity	688	769	+81
Accumulated other comprehensive income	(21)	16	+37
Minority interests	257	282	+24
<b>Total net assets</b>	924	1,068	+143
<b>Total liabilities and net assets</b>	26,506	30,418	+3,911

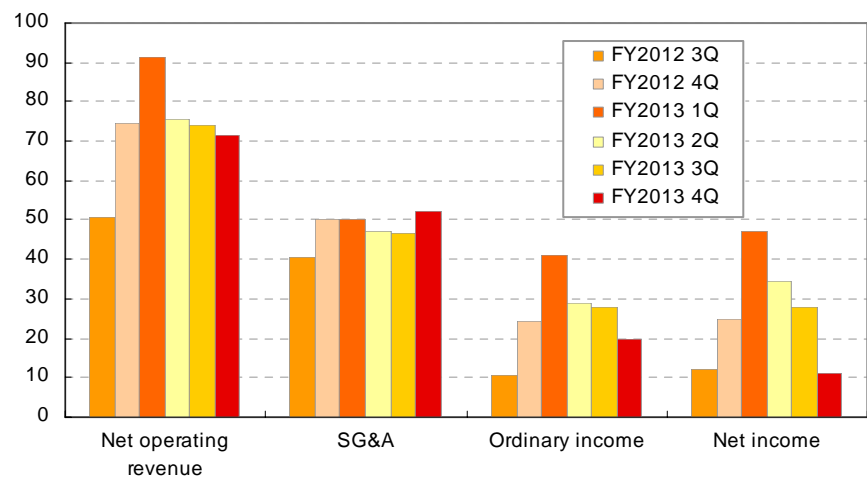


### Quarterly Performance Trends

- Marked ordinary income and net income standing at JPY 19.7 billion ( $\Delta 29\%$  QoQ) and JPY 11.2 billion ( $\Delta 59\%$  QoQ) respectively.
- Continued to generate high level of revenues due to large deals in equity underwriting as well as robust fixed Income trading business, while expenses which interrelate with revenue such as personnel expenses and trading related expenses increased.

### Quarterly Trends

(JPY billion)



JPY billion

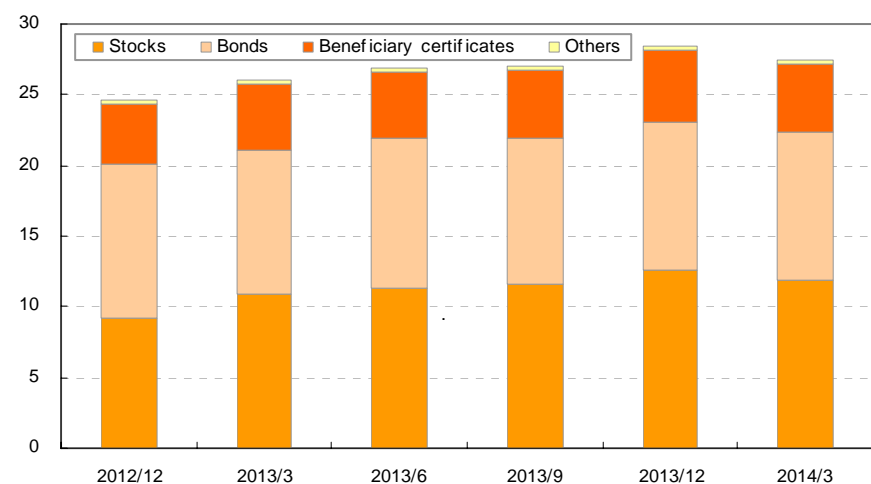
	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Net operating revenue	51.0	74.4	91.3	75.6	74.2	71.6
SG&A	40.6	50.1	50.5	47.1	46.6	52.3
Ordinary income	10.8	24.3	41.1	28.8	28.0	19.7
Net income	12.2	24.9	47.4	34.5	27.8	11.2

### Trends of AUM

- Approximately JPY 27.5 trillion at the end of March 31, 2014. Mainly stocks decreased QoQ due to the weak stock market.
- Of the above, AUM for the domestic Retail Middle Market Sales Division was JPY 24.3 trillion (JPY 25.1 trillion as of the end of December 2013).

### Quarterly Trends

(JPY trillion)



JPY trillion

	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
Stocks	9.3	10.9	11.3	11.7	12.6	11.9
Bonds	10.8	10.1	10.6	10.2	10.4	10.4
Beneficiary certificates	4.2	4.7	4.8	4.8	5.1	4.9
Others	0.3	0.3	0.3	0.3	0.3	0.3
Total	24.6	26.0	26.9	27.0	28.4	27.5

JPY million

## 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

## Quarter

FY2012		FY2013			
3Q	4Q	1Q	2Q	3Q	4Q
53,338	76,771	93,591	77,608	76,487	74,154
26,315	40,179	48,946	38,739	37,436	40,341
23,090	28,823	41,547	32,619	35,372	27,443
53	24	107	6	15	(4)
3,879	7,744	2,989	6,242	3,662	6,373
2,288	2,353	2,223	1,930	2,231	2,471
51,049	74,417	91,367	75,678	74,255	71,682
40,621	50,189	50,569	47,134	46,612	52,327
10,427	24,228	40,798	28,543	27,643	19,354
390	74	327	334	438	366
10,818	24,303	41,126	28,878	28,082	19,721
91	149	7,800	(286)	15	(2,143)
(1,312)	(487)	1,473	(5,987)	291	6,294
12,222	24,939	47,453	34,579	27,807	11,283

## Balance Sheet

JPY billion

	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
<b>Current assets</b>	14,071	16,144	+2,073
Cash and deposits	621	980	+359
Trading products	9,772	10,076	+303
Loans secured by securities	3,076	4,339	+1,263
Others	600	747	+147
<b>Noncurrent assets</b>	68	115	+47
PP & E	15	16	+1
Intangible assets	19	22	+3
Investments and other assets	33	75	+42
<b>Total assets</b>	14,139	16,260	+2,120

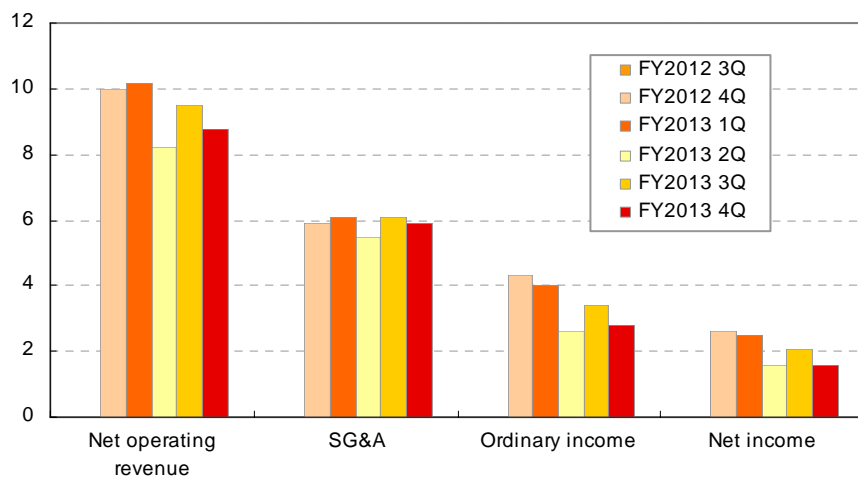
	As of Mar. 31, 2013	As of Mar. 31, 2014	Change
<b>Current liabilities</b>	13,606	15,521	+1,914
Trading products	7,354	7,231	(122)
Loans payable secured by securities	4,066	5,854	+1,788
Short-term loans payable	1,234	1,407	+172
Others	950	1,026	+75
<b>Noncurrent liabilities</b>	243	358	+115
Long-term loans payable	226	345	+118
Others	17	13	(3)
<b>Total liabilities</b>	13,851	15,881	+2,030
<b>Net assets</b>	288	378	+90
<b>Total liabilities and net assets</b>	14,139	16,260	+2,120

### Quarterly Performance Trends

- Generated steady revenues throughout the period with ordinary income and net income at JPY 2.8 billion ( $\Delta 17\%$  QoQ) and JPY 1.6 billion ( $\Delta 21\%$  QoQ), respectively, due to robust sales of investment trusts, foreign bonds and structured bonds.

### Quarterly Trends

(JPY billion)



JPY billion

	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Net operating revenue	-	10.0	10.2	8.2	9.5	8.8
SG&A	-	5.9	6.1	5.5	6.1	5.9
Ordinary income	-	4.3	4.0	2.6	3.4	2.8
Net income	-	2.6	2.5	1.6	2.1	1.6

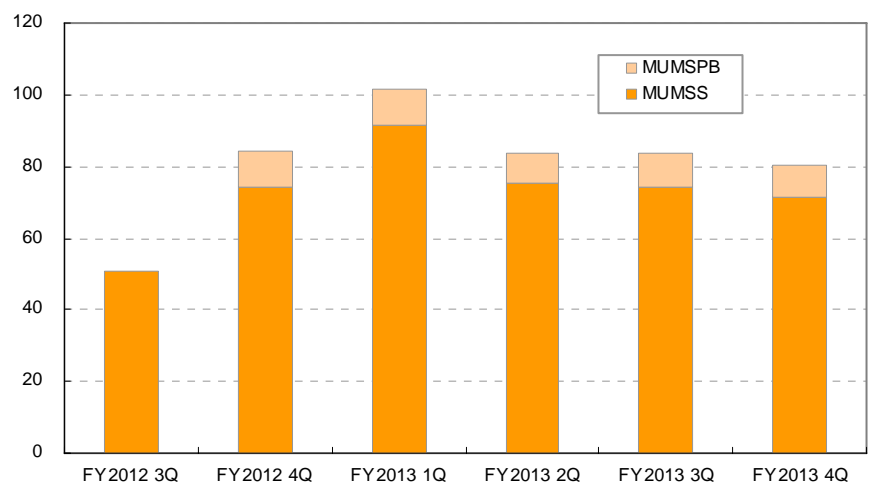
	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
AUM (JPY trillion)	-	2.3	2.3	2.3	2.5	2.4

### <Reference> Simple aggregation of MUMSS + MUMS-PB

- Simple aggregation of the management figures of the two entities are as follows
- Scheduled to be disclosed on a MUMSS consolidated basis from 1Q of FY2014.

### Net operating revenue: Quarterly Trends

(JPY billion)



JPY billion

	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
MUMSS	51.0	74.4	91.3	75.6	74.2	71.6
MUMS-PB	-	10.0	10.2	8.2	9.5	8.8
Total	51.0	84.5	101.6	83.9	83.8	80.5

	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
AUM Total (JPY trillion)	-	28.3	29.3	29.3	30.9	29.9

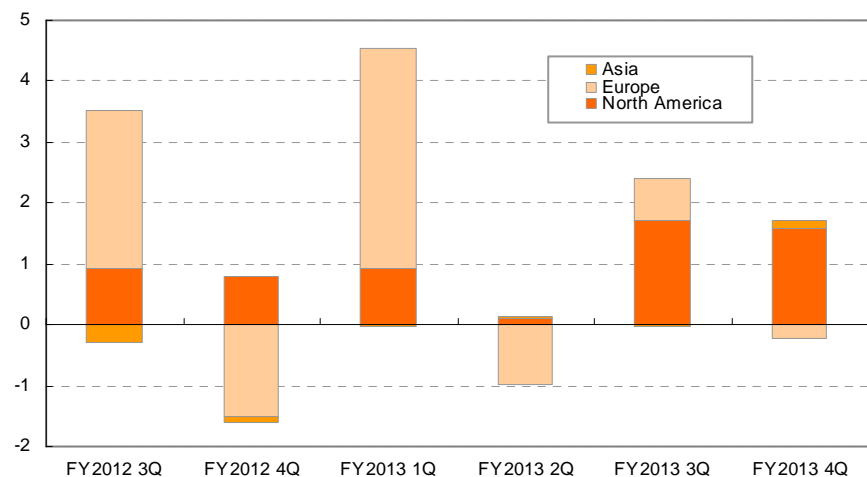
# Overseas Subsidiaries and KOKUSAI Asset Management (KAM)

## Overseas Subsidiaries Quarterly Trends

- Secured an income of approximately JPY 7.6 billion for the full year as BTMU collaboration has progressed.
- Business in North America secured profits for six consecutive quarters led by the ongoing robust performance in primary business.
- Business in Europe continued to secure profits for the full year, despite stagnated revenues due to slow market trading, while business in Asia generated profits for the full year, thanks primarily to the business effort in coordination with European subsidiaries.

## Ordinary income (loss): Quarterly Trends

(JPY billion)



JPY billion

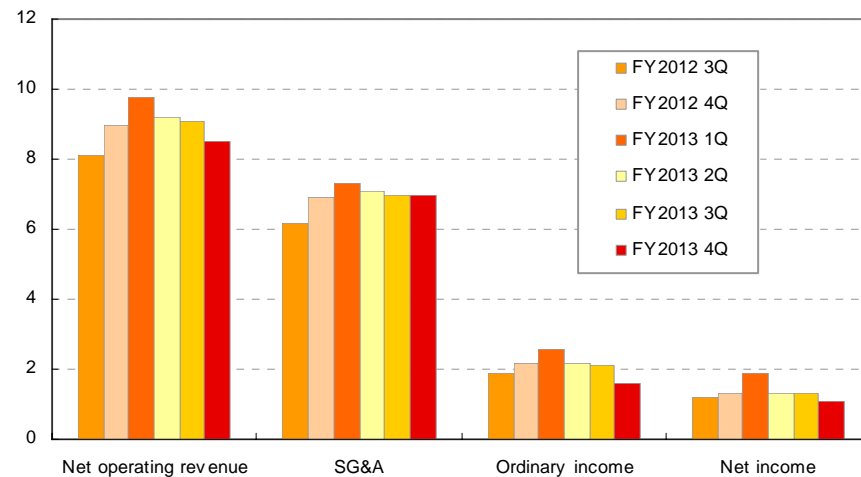
	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
North America	0.94	0.78	0.94	0.09	1.72	1.59
Europe	2.57	(1.51)	3.60	(0.97)	0.70	(0.21)
Asia	(0.28)	(0.09)	(0.03)	0.03	(0.02)	0.14
Total	3.23	(0.82)	4.50	(0.84)	2.41	1.53

## 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 March 31, 2014 was JPY 3.4 trillion (decreased JPY 0.2 trillion from the end of previous quarter)

## Quarterly Trends

(JPY billion)



JPY billion

	FY2012 3Q	FY2012 4Q	FY2013 1Q	FY2013 2Q	FY2013 3Q	FY2013 4Q
Net operating revenue	8.1	9.0	9.8	9.2	9.1	8.5
SG&A	6.2	6.9	7.3	7.1	7.0	7.0
Ordinary income	1.9	2.2	2.6	2.2	2.1	1.6
Net income	1.2	1.3	1.9	1.3	1.3	1.1

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



Mitsubishi UFJ Securities Holdings

## Credit Rating

- Maintained stable credit rating levels as the core securities company of the MUFG Group.  
The credit rating outlooks are also stable (as of Nov. 29, 2013).

### 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)

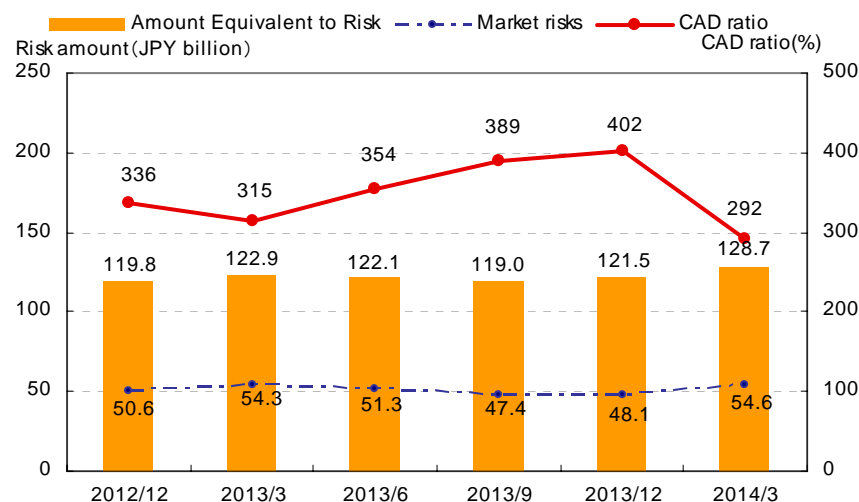
	R&I	JCR	Moody's	S&P
Long-term	AA- **	AA **	A1	A+
Short-term	-	-	P-1	A-1

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

## Capital Adequacy

- Capital adequacy ratio at the end of March 2014 stood at 292%, maintaining a sufficient level of capital base despite decrease due primarily to the acquisition of shares in MUMS-PB.
- A recent accumulation of profits has contributed to a steady increase in net assets of both MUSHD (consolidated) and MUMSS.

### Capital Adequacy Ratio MUMSS



### Net Assets MUSHD (Consolidated) / MUMSS

	JPY billion					
MUSHD (Consolidated)	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
Capital stock	75.5	75.5	75.5	75.5	75.5	75.5
Net assets (Total)	865.3	924.4	950.5	1,000.6	1,037.0	1,068.0
MUMSS	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
Capital stock	40.5	40.5	40.5	40.5	40.5	40.5
Net assets (Total)	256.7	288.5	304.5	339.9	367.6	378.9

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

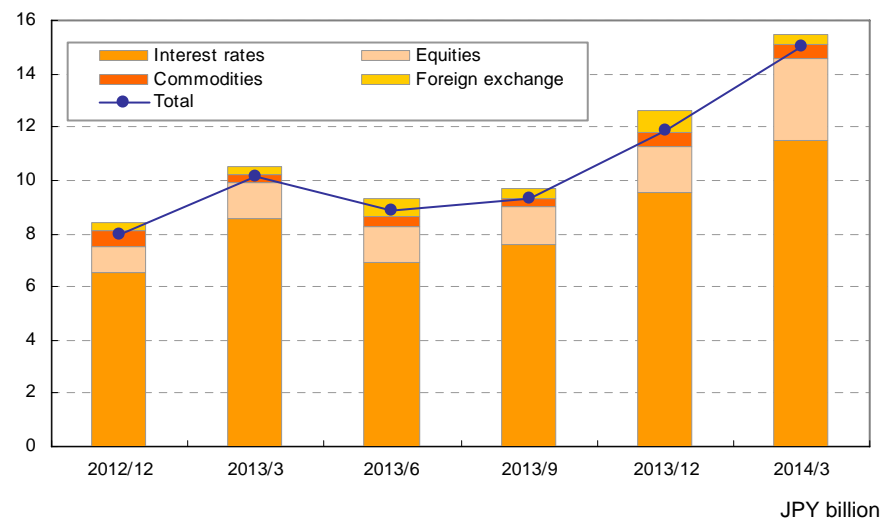
- Interest rates / equities risk increased in domestic subsidiary due to increased customer flows.
- Interest rates / equities risk increased in overseas subsidiaries due to shifts in positions.

### 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

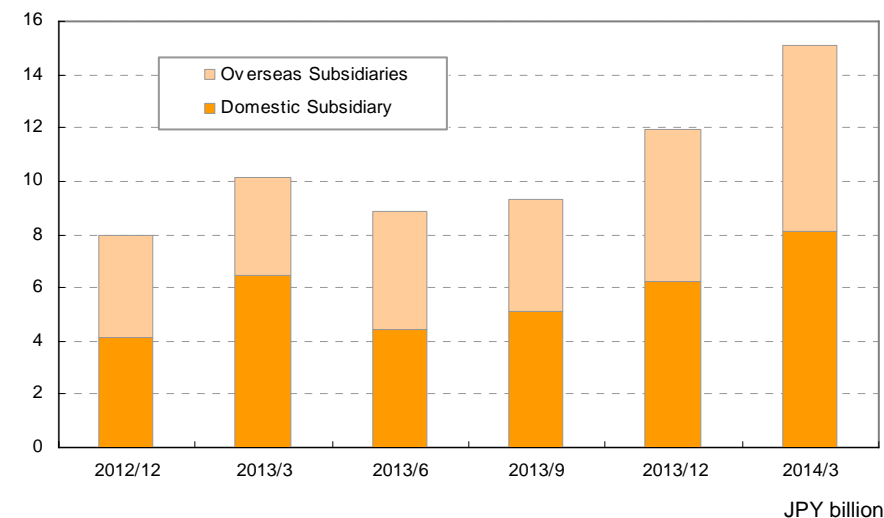
(JPY billion)



	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
Interest rates	6.5	8.5	6.9	7.6	9.5	11.5
Equities	0.9	1.3	1.4	1.4	1.8	3.1
Commodities	0.6	0.3	0.3	0.3	0.5	0.5
Foreign exchange	0.3	0.3	0.7	0.3	0.8	0.4
<b>Total</b>	<b>7.9</b>	<b>10.1</b>	<b>8.9</b>	<b>9.3</b>	<b>11.9</b>	<b>15.0</b>

### Quarterly trends of VaR by type of subsidiary

(JPY billion)



	2012/12	2013/3	2013/6	2013/9	2013/12	2014/3
Domestic Subsidiary	4.2	6.5	4.4	5.1	6.3	8.1
Overseas Subsidiaries	3.8	3.7	4.5	4.2	5.7	6.9
<b>Total</b>	<b>7.9</b>	<b>10.1</b>	<b>8.9</b>	<b>9.3</b>	<b>11.9</b>	<b>15.0</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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