



Mitsubishi UFJ Securities Holdings

# 1QFY2019 Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

July, 2019

▪ Consolidated Performance Highlights	P2
▪ Consolidated Performance Trends	P3
▪ Consolidated Financial Summary	P4
▪ Overview by Business Segments	P7

## Appendix

▪ Consolidated Statement of Income	P8
▪ Consolidated Balance Sheet	P9
▪ Mitsubishi UFJ Morgan Stanley Securities (MUMSS)	P10
▪ kabu.com Securities Co., Ltd. (kabu.com) and Overseas Business	P13
▪ 【Reference】 Domestic Securities Companies	P14
▪ Financial Soundness Indicators (Credit Rating, Capital Adequacy Ratio)	P15
▪ Market Risks	P16

## 1Q Performance Trends

- Net operating revenue was JPY 66.8bn (-22% YoY), ordinary profit was JPY 0.5bn (-96% YoY) and profit attributable to owners of parent was JPY 0.7bn (-91% YoY) on financial accounting basis. Net operating revenue was JPY 81.5bn (-19% YoY), ordinary profit was JPY 1.2bn (-93% YoY) and profit attributable to owners of parent was JPY 1.3bn (-87% YoY) on substantial basis including MUSA.
- Commission received and net trading income (including net financial revenue) decreased from those of 1Q18 due to low stock trading volume, decrease in inflows of stock investment trusts, and the continuing low interest rate environment.  
By entities, domestic subsidiaries decreased revenue mainly in Retail / middle markets business, despite strong performance in the investment banking business including debt underwriting. Overseas subsidiaries struggled both the investment banking business and global markets business.
- Ordinary profit was secured thanks to the contribution of equity in earnings of affiliates.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2018 1Q	FY2019 1Q	YoY %	FY2018 1Q	FY2019 1Q	YoY %
Net operating revenue	86.0	66.8	(22)%	101.1	81.5	(19)%
SG&A	75.0	71.1	(5)%	87.4	84.7	(3)%
Ordinary profit	15.1	0.5	(96)%	17.8	1.2	(93)%
Profit (owners of parent)	8.4	0.7	(91)%	10.4	1.3	(87)%

## Quarterly Performance Trends

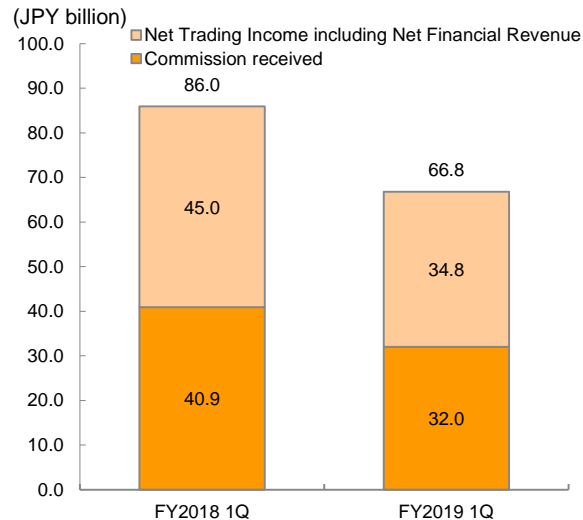
- Commission received and net trading income (including net financial revenue) decreased from the previous quarter due to the continuing declining trend in stock trading volume and inflows of stock investment trusts, and the widening range of negative interest rates from the second half of the previous year.
- By entities, overseas subsidiaries increased revenue thanks to the improvement in credit revenue under the environment of credit spread tightening.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2018 4Q	FY2019 1Q	QoQ %	FY2018 4Q	FY2019 1Q	QoQ %
Net operating revenue	73.5	66.8	(9)%	82.1	81.5	(0)%
SG&A	69.7	71.1	+1%	78.8	84.7	+7%
Ordinary profit	7.5	0.5	(92)%	6.7	1.2	(81)%
Profit (owners of parent)	4.6	0.7	(83)%	3.3	1.3	(59)%

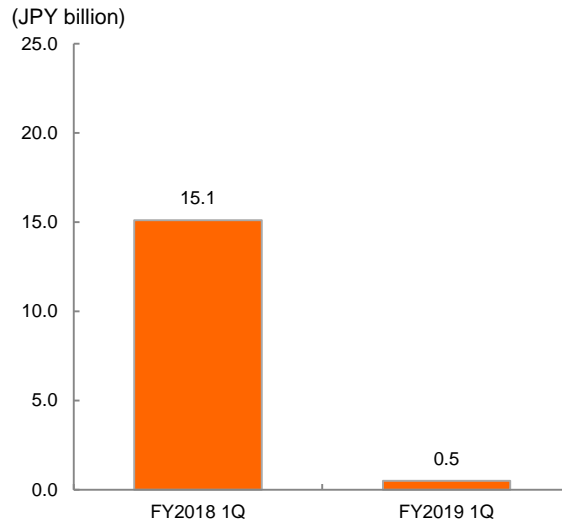
\* Figures represent the aggregation with the results of MUFG Securities America Inc. (hereinafter "MUSA"), given that MUSA, despite its deconsolidation in 3Q16 as a result of the application of the U.S. Enhanced Prudential Standards, continues to be included in the Company's internal revenue management.

## 1Q Performance Trends

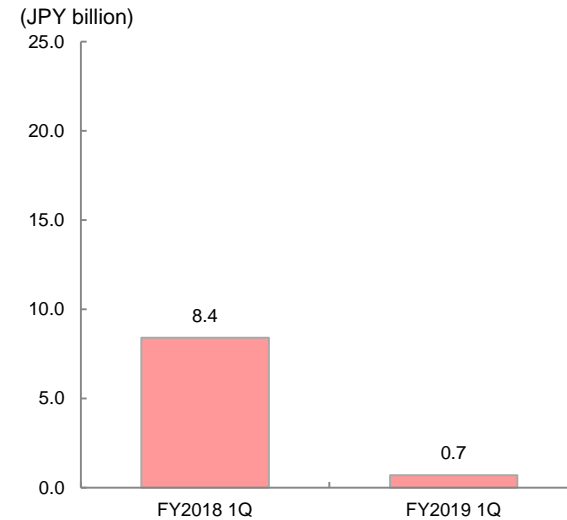
### Net operating revenue



### Ordinary profit

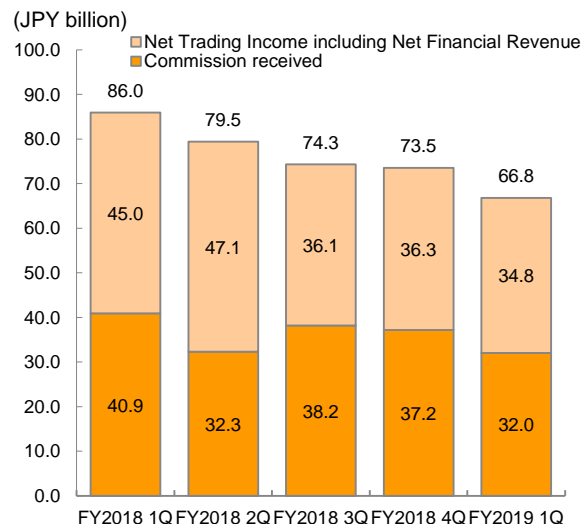


### Profit (owners of parent)

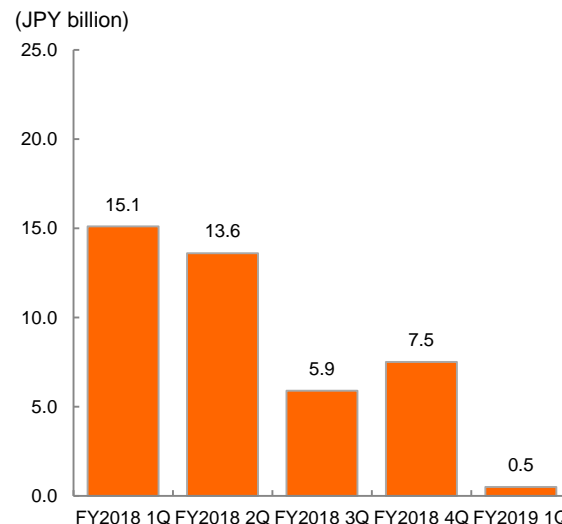


## Quarterly Performance Trends

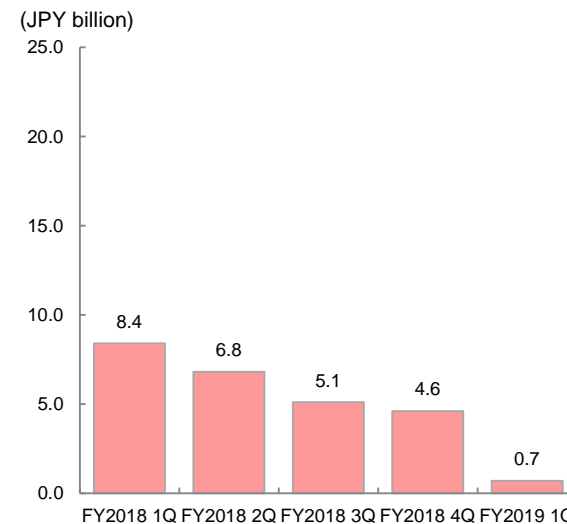
### Net operating revenue



### Ordinary profit



### Profit (owners of parent)



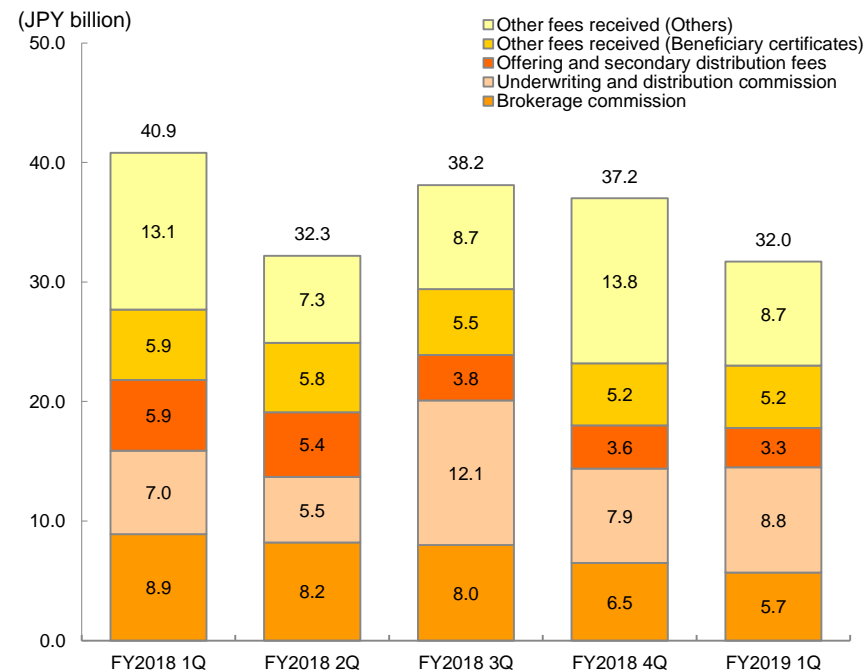
# Consolidated Financial Summary (1)

## Commission Received (Financial basis)

### Commission received

- FY2019 1Q : JPY 32.0 billion
- YoY JPY (8.9) billion (21)%
  - Brokerage commission: Decreased due to low stock trading volume.
  - Underwriting and distribution commission: Increased thanks to the contribution by large-scale domestic bond deals.
  - Offering and secondary distribution fees: Continued to be sluggish reflecting the decrease in inflows of investment trusts from the second half of the previous year.
  - Other fees received: Decreased due to the impact of the absence of large-scale M&A deals recorded in 1Q18.
- QoQ JPY (5.2) billion (13)%
  - Other fees received: Decreased due to the impact of the absence of real estate related revenue recorded in the previous quarter.

### Quarterly Trends



(JPY billion)	FY2018 1Q	FY2019 1Q	YoY %	FY2018 4Q	FY2019 1Q	QoQ %
Brokerage commission	8.9	5.7	(35)%	6.5	5.7	(11)%
Underwriting and distribution commission	7.0	8.8	+25%	7.9	8.8	+11%
Offering and secondary distribution fees	5.9	3.3	(43)%	3.6	3.3	(7)%
Other fees received (Beneficiary certificates)	5.9	5.2	(11)%	5.2	5.2	+0%
Other fees received (Others)	13.1	8.7	(33)%	13.8	8.7	(36)%
Total	40.9	32.0	(21)%	37.2	32.0	(13)%

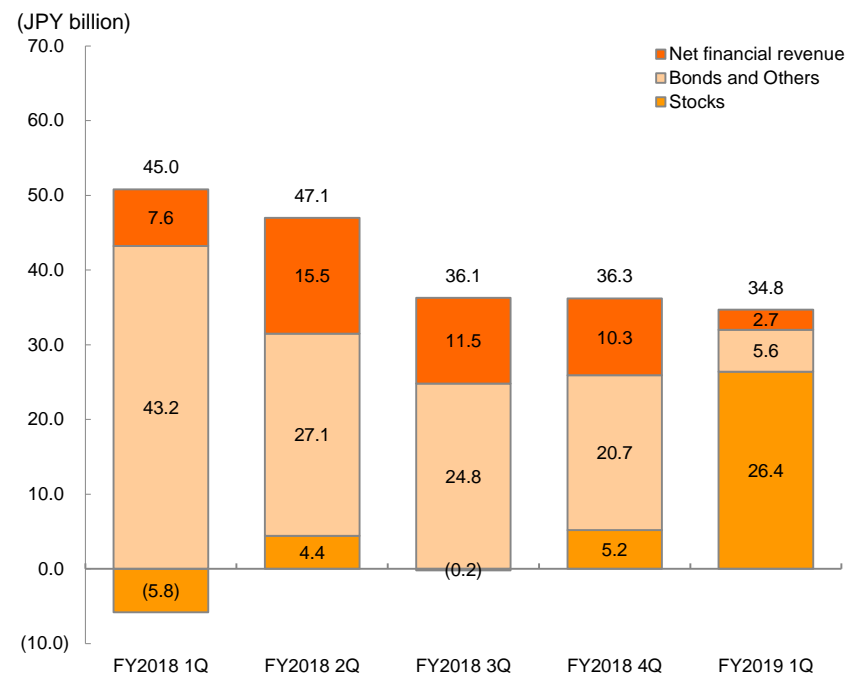
# Consolidated Financial Summary (2)

## Net Trading Income ▪ Net Financial Revenue (Financial basis)

### Net Trading Income ▪ Net Financial Revenue

- FY2019 1Q : JPY 34.8 billion
- YoY JPY (10.2) billion (22)%
  - At domestic subsidiaries, both fixed income business and equity business decreased revenue due to continuing low customer flow amid the widening range of negative interest rate and stock price decline.
  - Overseas subsidiaries decreased revenue mainly in the rates business due to a decline in flow products.
- QoQ JPY (1.5) billion (4)%
  - Domestic subsidiaries decreased revenue due to struggling position management in rates products business and decline in retail customer flow, in addition to the impact of the absence of seasonal factors at the year-end of previous quarter.
  - Overseas subsidiaries increased revenue thanks to improvement in credit revenue under the environment of credit spread tightening and recovery of derivative business.

### Quarterly Trends



(JPY billion)			
Stocks	(5.8)	26.4	—%
Bonds and Others	43.2	5.6	(86)%
Net financial revenue	7.6	2.7	(64)%
Total	45.0	34.8	(22)%

	FY2018 1Q	FY2019 1Q	YoY %
Stocks	(5.8)	26.4	—%
Bonds and Others	43.2	5.6	(86)%
Net financial revenue	7.6	2.7	(64)%
Total	45.0	34.8	(22)%

	FY2018 4Q	FY2019 1Q	QoQ %
Stocks	5.2	26.4	+402%
Bonds and Others	20.7	5.6	(72)%
Net financial revenue	10.3	2.7	(73)%
Total	36.3	34.8	(4)%

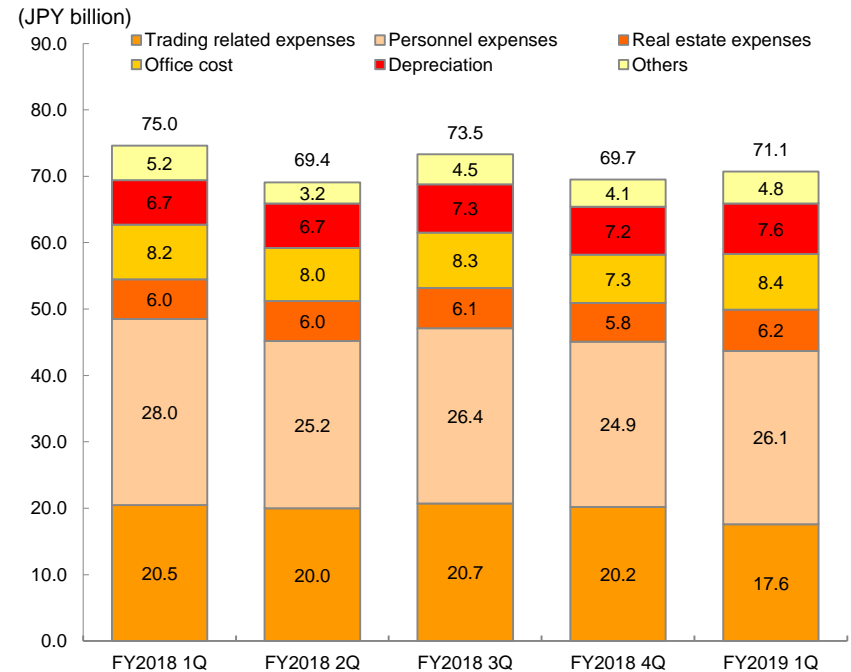
# Consolidated Financial Summary (3)

**SG & A** (Financial basis)

## SG & A

- FY2019 1Q : JPY 71.1billion
- YoY JPY (3.9) billion (5)%
  - SG&A decreased primarily due to decrease in trading related expenses, including brokerage commission, and bonuses reflecting the performance of domestic subsidiaries.
- QoQ JPY +1.3 billion +1%
  - SG&A at overseas subsidiaries increased due to foreign currency translation factors as a result of depreciation of the yen against the pound.

## Quarterly Trends



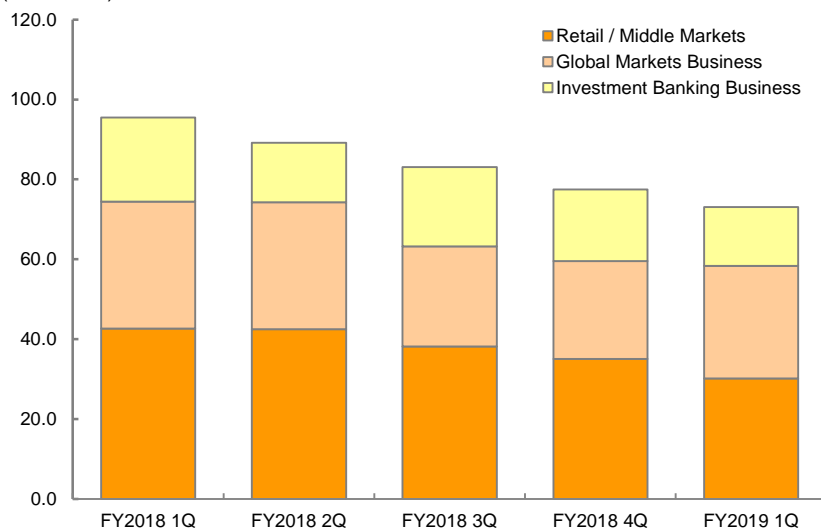
(JPY billion)	FY2018 1Q	FY2019 1Q	YoY %	FY2018 4Q	FY2019 1Q	QoQ %
Trading related expenses	20.5	17.6	(14)%	20.2	17.6	(12)%
Personnel expenses	28.0	26.1	(6)%	24.9	26.1	+4%
Real estate expenses	6.0	6.2	+3%	5.8	6.2	+6%
Office cost	8.2	8.4	+2%	7.3	8.4	+15%
Depreciation	6.7	7.6	+13%	7.2	7.6	+5%
Others	5.2	4.8	(8)%	4.1	4.8	+16%
Total	75.0	71.1	(5)%	69.7	71.1	+1%

## Overview by Business Segments

- While Retail / Middle Markets and Investment Banking decreased revenue from the previous quarter, Global Markets increased revenue.
- Retail / Middle Markets : Revenue decreased from the previous quarter due to struggling sales of retail foreign bond and stock investment trusts, as a result of continuing cooling of investment sentiment among customers, in addition to the decline in stock trading volume.
- Global Markets : Domestic revenue decreased from the previous quarter mainly due to decline in retail customer flow and struggling position management in rates products business. Meanwhile, overseas subsidiaries increased revenue from the previous quarter due to recovery of credit revenue in the flow products business.
- Investment Banking : While overseas subsidiaries secured the same level of revenue as the previous quarter, domestic subsidiaries slightly decreased revenue because of a decline in the real estate business which was strong in the previous quarter, despite the strong performance in the debt underwriting business by large-scale deals.

## Quarterly Trends

(JPY billion)



\* Figures are based on management accounting basis including MUSA.

\* From this disclosure, overseas management classifications was change. FY 2018 is described using the classification method after the change.

# Appendix

## Consolidated Statement of Income

JPY million

	Cumulative	
	FY2018 1Q	FY2019 1Q
<b>Operating revenue</b>	92,611	97,828
Commission received	40,974	32,012
Net trading income	37,354	32,114
Other operating revenue	3	4
Financial revenue	14,279	33,698
<b>Financial expenses</b>	6,608	30,997
<b>Net operating revenue</b>	86,003	66,830
<b>SG &amp; A</b>	75,042	71,132
<b>Operating profit (loss)</b>	10,960	(4,301)
<b>Non-operating income</b>	5,616	4,934
<b>Non-operating expenses</b>	1,380	32
<b>Ordinary profit</b>	15,196	599
<b>Extraordinary income</b>	53	1
<b>Extraordinary losses</b>	218	265
<b>Income taxes</b>	3,468	(441)
<b>Profit attributable to non-controlling interests</b>	3,091	24
<b>Profit attributable to owners of parent</b>	8,471	753

	Quarter				
	FY2018				FY2019
	1Q	2Q	3Q	4Q	1Q
<b>Operating revenue</b>	92,611	92,925	91,152	94,794	97,828
Commission received	40,974	32,379	38,218	37,216	32,012
Net trading income	37,354	31,575	24,606	26,022	32,114
Other operating revenue	3	—	—	—	4
Financial revenue	14,279	28,970	28,327	31,555	33,698
<b>Financial expenses</b>	6,608	13,414	16,815	21,248	30,997
<b>Net operating revenue</b>	86,003	79,511	74,337	73,546	66,830
<b>SG &amp; A</b>	75,042	69,473	73,535	69,760	71,132
<b>Operating profit (loss)</b>	10,960	10,037	801	3,785	(4,301)
<b>Non-operating income</b>	5,616	3,892	4,997	4,357	4,934
<b>Non-operating expenses</b>	1,380	262	(103)	547	32
<b>Ordinary profit</b>	15,196	13,668	5,903	7,595	599
<b>Extraordinary income</b>	53	1,611	(1)	4,213	1
<b>Extraordinary losses</b>	218	68	46	1,046	265
<b>Income taxes</b>	3,468	4,262	(575)	3,418	(441)
<b>Profit attributable to non-controlling interests</b>	3,091	4,055	1,293	2,704	24
<b>Profit attributable to owners of parent</b>	8,471	6,892	5,137	4,640	753

# Appendix

## Consolidated Balance Sheet

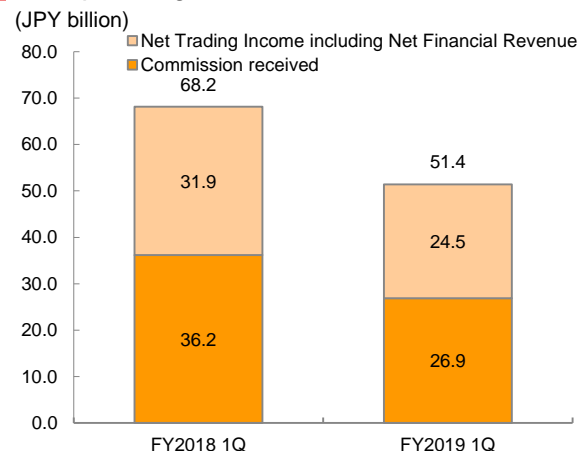
JPY billion

	As of Mar. 31, 2019	As of Jun. 30, 2019	Change
<b>ASSETS</b>			
<b>Current assets</b>	23,957	25,092	+1,135
Cash and deposits	1,977	2,044	+66
Trading products	10,607	12,200	+1,592
Loans secured by securities	8,981	8,609	(371)
Others	2,390	2,237	(152)
<b>Non-current assets</b>	551	580	+28
PP & E	28	35	+7
Intangible assets	108	108	+0
Investments and other assets	414	436	+21
<b>Total assets</b>	24,508	25,673	+1,164

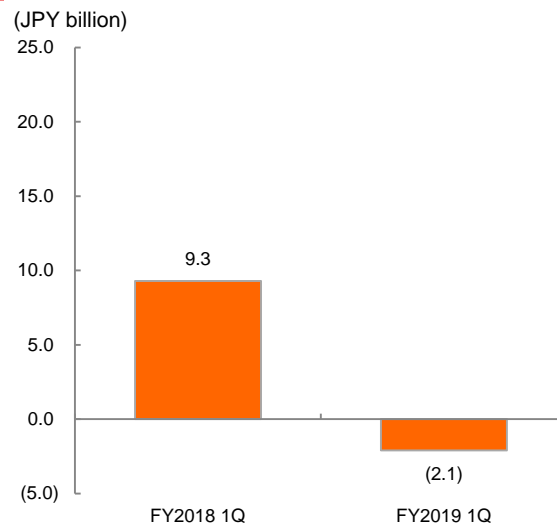
	As of Mar. 31, 2019	As of Jun. 30, 2019	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	21,670	22,897	+1,226
Trading products	9,321	10,426	+1,104
Borrowings secured by securities	6,173	6,494	+320
Short-term borrowings	2,517	1,898	(618)
Others	3,657	4,077	+419
<b>Non-current liabilities</b>	1,885	1,830	(54)
Bonds payable	1,244	1,217	(26)
Long-term borrowings	628	592	(35)
Others	12	20	+8
<b>Total liabilities</b>	23,559	24,731	+1,172
<b>NET ASSETS</b>			
Shareholders' equity	702	694	(7)
Accumulated other comprehensive income	(30)	(24)	+6
Share acquisition rights	0	0	(0)
Non-controlling interests	276	270	(6)
<b>Total net assets</b>	948	941	(7)
<b>Total liabilities and net assets</b>	24,508	25,673	+1,164

## 1Q Performance Trends

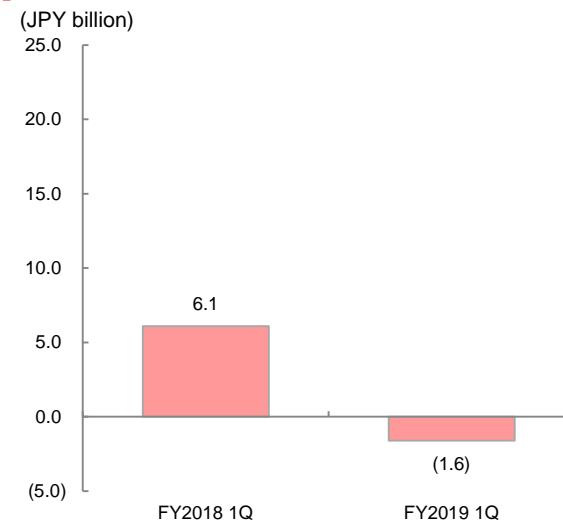
## Net operating revenue



## Ordinary profit (loss)

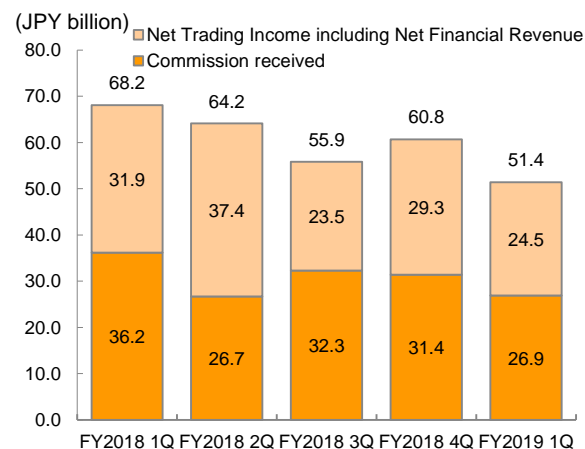


## Profit (loss) (owners of parent)

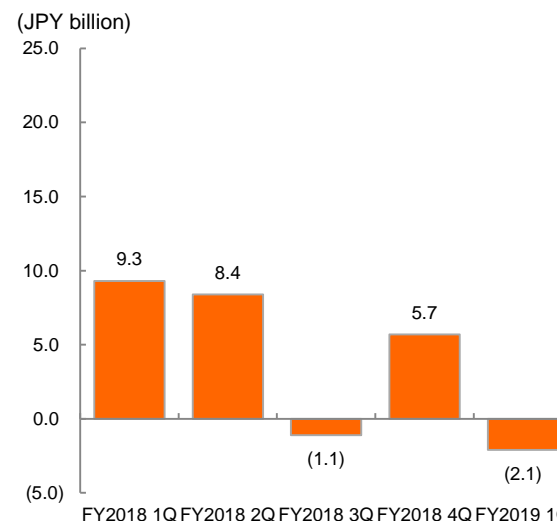


## Quarterly Performance Trends

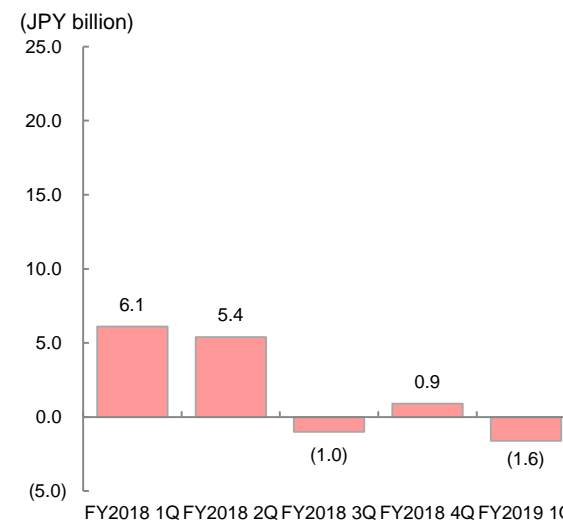
## Net operating revenue



## Ordinary profit (loss)



## Profit (loss) (owners of parent)

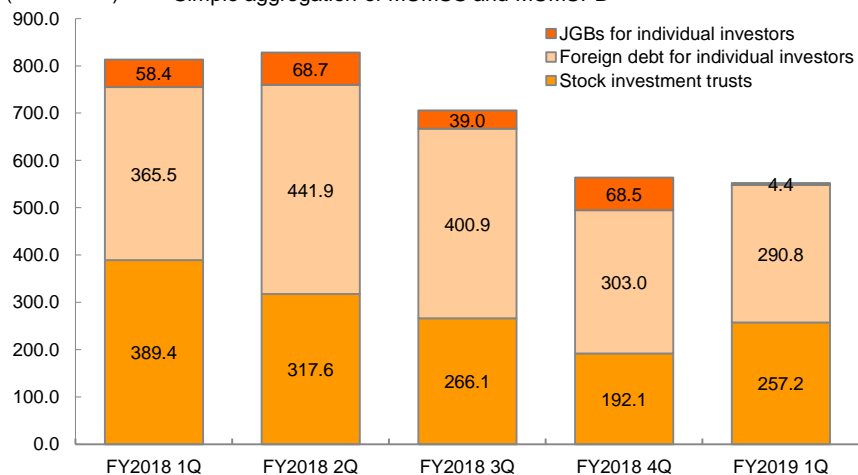


\* Figures are on a consolidated basis, which include those of Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. (MUMSPB).

## Sales of Retail / Middle Market Division

## Quarterly Trends

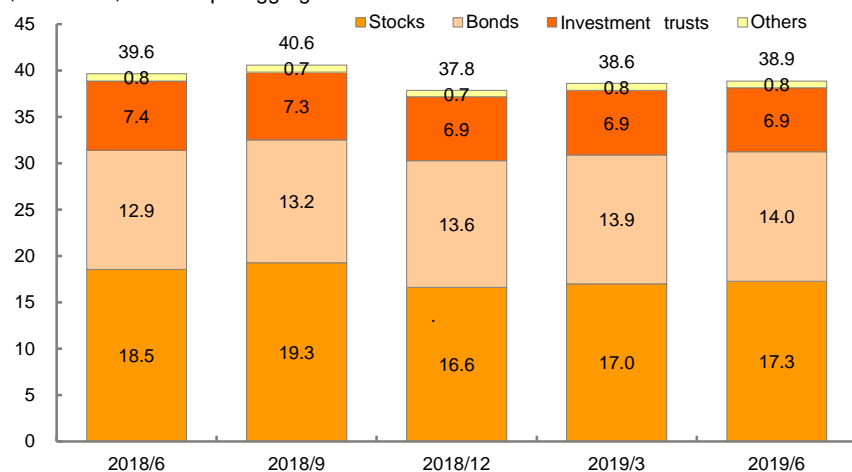
(JPY billion) \* Simple aggregation of MUMSS and MUMSPB



## Trends of AUM

## Quarterly Trends

(JPY trillion) \* Simple aggregation of MUMSS and MUMSPB





## Investment banking business ~ League Table (from April, 2019 to June, 2019)

Japan Domestic Debt\*<sup>1</sup>

Rank	Securities Firm	Share (%)
1	Mizuho Securities	20.7
2	Daiwa Securities	19.2
3	SMBC Nikko Securities	19.1
4	Mitsubishi UFJ Morgan Stanley	18.7
5	Nomura Securities	16.0
6	Goldman Sachs Japan	1.6
7	Tokai Tokyo Securities	1.5
8	SBI Securities	1.2
9	Shinkin Securities	1.1
10	Okasan Securities	0.4

Japan Equity and Equity-linked\*<sup>2</sup>

Rank	Securities Firm	Share (%)
1	Mitsubishi UFJ Morgan Stanley	24.8
2	Daiwa Securities Group	18.7
3	Nomura	16.2
4	Sumitomo Mitsui Financial Group	15.3
5	Mizuho Financial Group	12.8
6	JP Morgan	7.4
7	SBI Holdings	1.6
8	Bank of America Merrill Lynch	1.4
9	Goldman Sachs & Co	0.4
10	UBS	0.3

M&A Advisory / Based on Rank Value\*<sup>3</sup>

Rank	Financial Advisor	JPY billion
1	Mitsubishi UFJ Morgan Stanley	2,125
2	Nomura	1,582
3	Goldman Sachs & Co	1,242
4	Mizuho Financial Group	792
5	Sumitomo Mitsui Financial Group	634
6	Evercore Partners	628
7	JP Morgan	544
8	Credit Suisse	506
9	UBS	394
10	Macquarie Group	325

\*1 Source: REFINITIV, REFINITIV DealWatch (data compiled by Mitsubishi UFJ Morgan Stanley)

Includes Japanese Straight Bonds, Ex-FILP Agency Bonds (incl. Expressway company's Bonds) and Municipal Bonds Related. Based on lead manager's credit.

\*2 Source: REFINITIV (data compiled by Mitsubishi UFJ Morgan Stanley)

Mitsubishi UFJ Morgan Stanley includes domestic offerings of Japanese issuers underwritten by Morgan Stanley MUFG Securities as well as global offerings of Japanese issuers underwritten by Morgan Stanley. Based on underwriting amount.

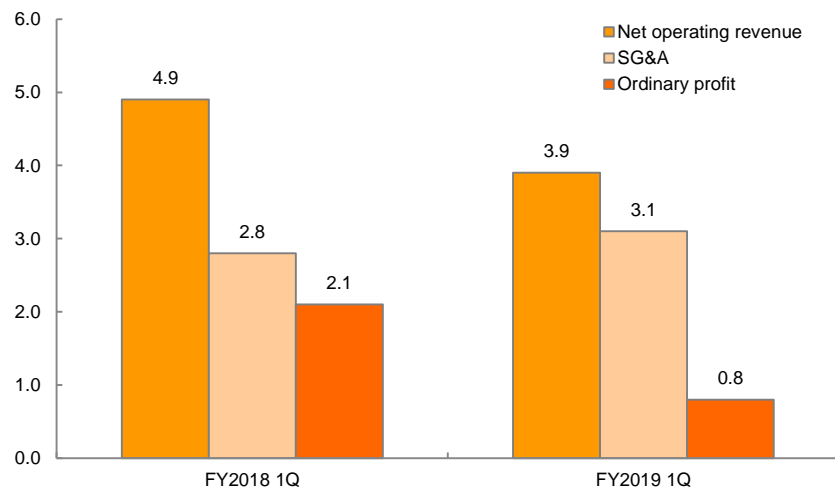
\*3 Source: REFINITIV (data compiled by Mitsubishi UFJ Morgan Stanley)

Any Japanese involvement announced including property acquisitions. Mitsubishi UFJ Morgan Stanley includes deals advised by Morgan Stanley.

### kabu.com 1Q Performance Trends

#### Trends

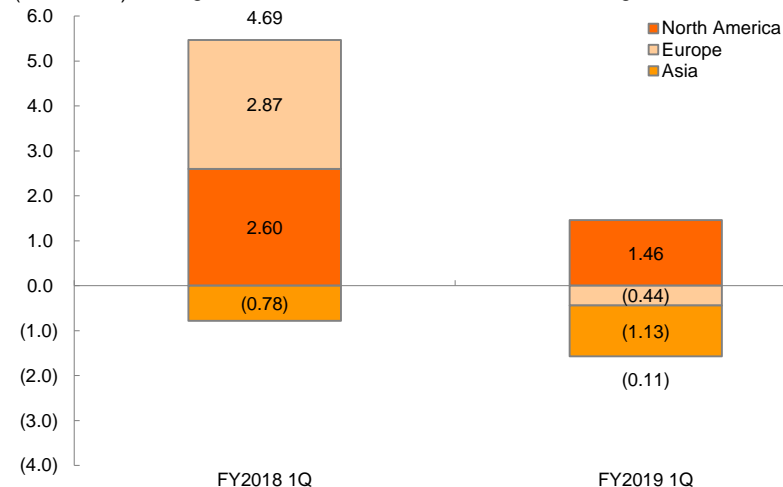
(JPY billion)



### Overseas Business 1Q Performance Trends

#### Ordinary profit (loss) : Trends

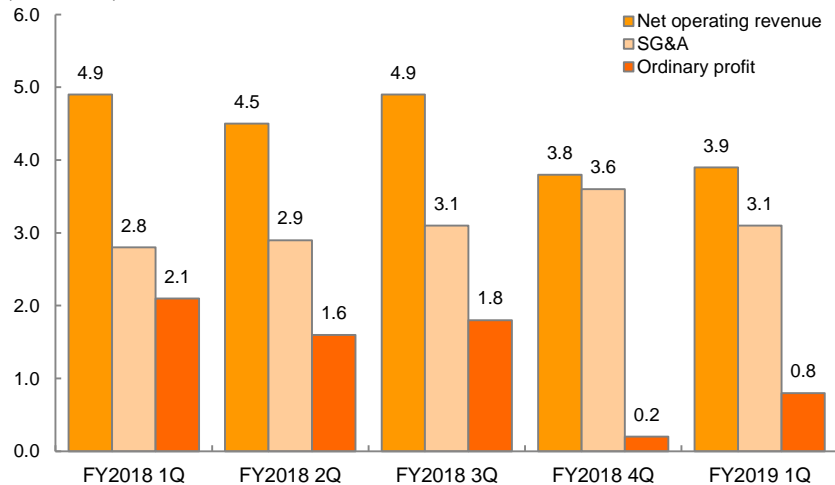
(JPY billion) \*Figures are based on substantial basis including MUSA.



### kabu.com Quarterly Performance Trends

#### Quarterly Trends

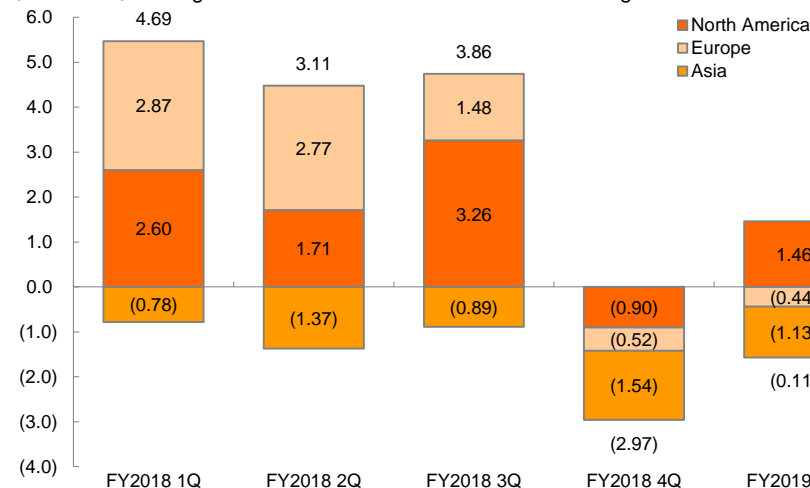
(JPY billion)



### Overseas Business Quarterly Performance Trends

#### Ordinary profit (loss) : Quarterly Trends

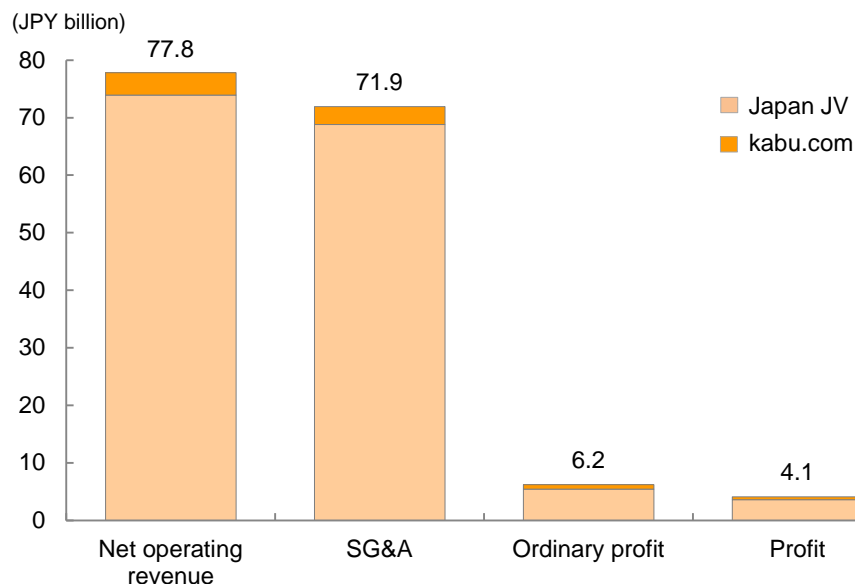
(JPY billion) \*Figures are based on substantial basis including MUSA.



## Domestic Securities Companies' Performance

- Net operating revenue of the Domestic Securities Companies is over JPY 70 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" consists of four companies including three joint venture companies with Morgan Stanley ("Japan JV") and kabu.com Securities Co., Ltd.

### Performance of FY 1Q 2019



Simple sum of the figures for the Domestic Securities Companies (JPY billion)	FY 2019 1Q
Net operating revenue	77.8
Japan JV	73.9
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Consolidated base ("MUMSS" + "MUMSPB") *1	51.4
Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") *2	22.4
kabu.com Securities Co., Ltd. ("kabu.com")	3.9
SG & A	71.9
Japan JV	68.8
MUMSS Consolidated base	54.1
MSMS	14.7
kabu.com	3.1
Ordinary profit	6.2
Japan JV	5.4
MUMSS Consolidated base	(2.1)
MSMS	7.5
kabu.com	0.8
Profit	4.1
Japan JV	3.6
MUMSS Consolidated base (Profit attributable to owners of parent)	(1.6)
MSMS	5.2
kabu.com	0.5

\* The figures in the graph above represent the simple sum of the Domestic Securities Companies.

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

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

## Appendix

### Financial Soundness Indicators (Credit Rating, Capital Adequacy Ratio) MUFG Mitsubishi UFJ Securities Holdings

#### Credit Rating

	R&I	JCR	Moody's	S&P	Fitch
--	-----	-----	---------	-----	-------

#### Mitsubishi UFJ Securities Holdings

Long-term	AA-	AA	A1	A-	-
Short-term	a-1+ *	-	P-1	A-2	-

#### Mitsubishi UFJ Morgan Stanley Securities

Long-term	AA-	AA	A1	A	A
Short-term	a-1+ *	-	P-1	A-1	F1

#### MUFG Securities EMEA plc

Long-term	AA- **	AA **	A1	A	-
Short-term	-	-	P-1	A-1	-

#### MUFG Securities (Canada), Ltd.

Long-term	-	-	-	A	A
Short-term	-	-	-	A-1	F1

#### MUFG Securities (Europe) N.V.

Long-term	-	-	-	A	-
-----------	---	---	---	---	---

\*CP rating

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

#### Capital Adequacy

#### Capital Adequacy Ratio MUMSS (non-consolidated)

Capital adequacy ratio of MUMSS at 1Q FY2019 can be found on the following URL.

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

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

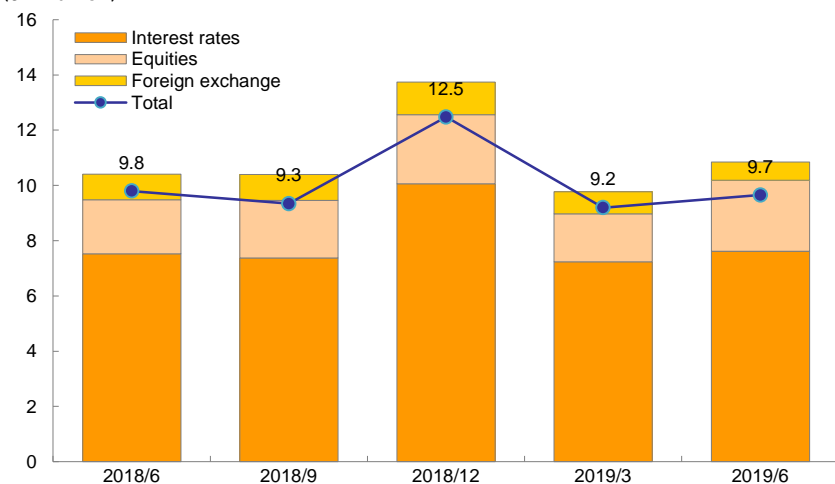
- Amount of risks increased due to increasing of equities risks for both domestic and overseas subsidiaries.

#### 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

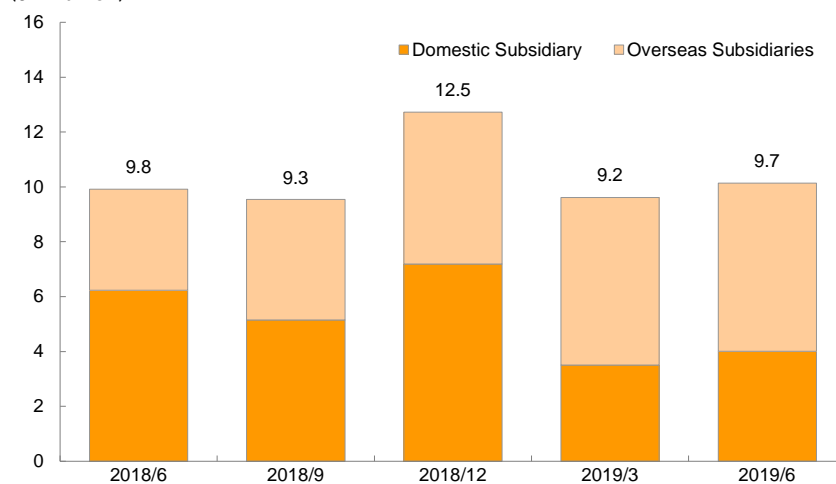
(JPY billion)



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6
Interest rates	7.5	7.4	10.1	7.2	7.6
Equities	2.0	2.1	2.5	1.7	2.6
Foreign exchange	0.9	0.9	1.2	0.8	0.7
<b>Total</b>	<b>9.8</b>	<b>9.3</b>	<b>12.5</b>	<b>9.2</b>	<b>9.7</b>

#### Quarterly trends of VaR by type of subsidiary

(JPY billion)



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6
Domestic Subsidiary	6.2	5.1	7.2	3.5	4.0
Overseas Subsidiaries	3.7	4.4	5.5	6.1	6.1
<b>Total</b>	<b>9.8</b>	<b>9.3</b>	<b>12.5</b>	<b>9.2</b>	<b>9.7</b>

Domestic Subsidiary: Mitsubishi UFJ Morgan Stanley Securities  
 Overseas Subsidiaries: MUFG Securities EMEA plc, MUFG Securities Asia Limited, MUFG Securities (Canada), Ltd.



# Mitsubishi UFJ Securities Holdings

This document has been compiled solely for the purpose of providing information regarding the financial results for the first quarter of the fiscal year ending March 31, 2020, and is not intended as a solicitation or recommendation to invest in or dispose of the securities issued by the Company. This document was prepared based on information available as of July 26, 2019. Financial information and other information contained in this document are not subject to reviews by the accounting auditors. The facts and opinions presented in this document are facts that the Company acknowledged and opinions held by the Company as of the time of the preparation of this document. No guarantees or warranties are made by the Company as to the accuracy or completeness of the information contained therein, and such information is subject to change without notice. In addition, the Company is not liable for any omissions or errors in the data or representations contained in this document. Please note that all rights, including copyrights, to this document, in whole or in part, belong to Mitsubishi UFJ Securities Holdings Co., Ltd., and are not permitted to reproduce, distribute or transmit this document, digitally or otherwise in any format, for any purpose, without the express consent of Mitsubishi UFJ Securities Holdings Co., Ltd.