



Mitsubishi UFJ Securities Holdings

2QFY2019

Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

October, 2019

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2Q cumulative Performance Trends

- Net operating revenue was JPY 141.6bn (-14% YoY), ordinary profit was JPY 10.0bn (-65% YoY) and profit attributable to owners of parent was JPY 4.1bn (-72% YoY) on financial accounting basis. Net operating revenue was JPY 169.4bn (-13% YoY), ordinary profit was JPY 11.5bn (-64% YoY) and profit attributable to owners of parent was JPY 5.5bn (-70% YoY) on substantial basis including MUSA.
- Stock trading volume decreased to the level before "Abenomics", and interest rates of principal countries further declined. Commission received and net trading income (including net finance revenue) decreased from those of 1H18.
 - At domestic subsidiaries, the investment banking business including debt underwriting served as a driver for revenue, while Retail / middle markets and global markets businesses struggled due to a decline in market conditions.
 - Overseas subsidiaries decreased revenue overall due to sluggish capital markets in the Americas, despite an increase in revenue in flow products including credit and derivative businesses in Europe.
- Although operating profit (loss) was weak, ordinary profit was secured at JPY 10 billion level thanks to equity in earnings of affiliates.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %
Net operating revenue	165.5	141.6	(14)%	195.6	169.4	(13)%
SG&A	144.5	142.5	(1)%	170.1	167.9	(1)%
Ordinary profit	28.8	10.0	(65)%	33.0	11.5	(64)%
Profit (owners of parent)	15.3	4.1	(72)%	18.5	5.5	(70)%

Quarterly Performance Trends

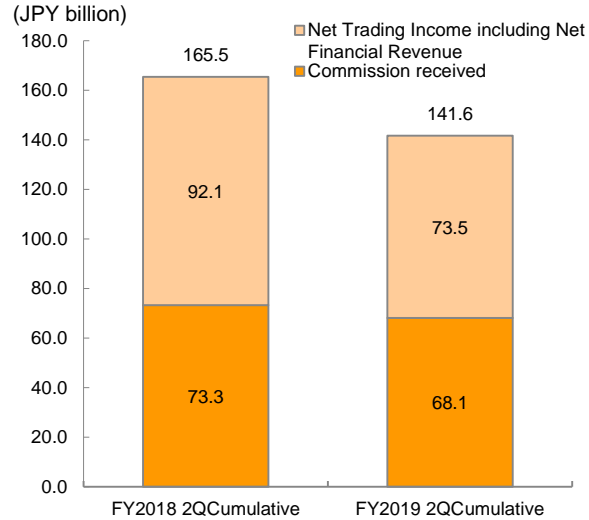
- While the harsh management environment continued, commission received and net trading income (including net financial revenue) have increased from the previous quarter.
 - Domestic subsidiaries recovered in all businesses including Retail / middle markets, investment banking and global markets.
 - Overseas subsidiaries recovered mainly in the global markets business.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2019 1Q	FY2019 2Q	QoQ %	FY2019 1Q	FY2019 2Q	QoQ %
Net operating revenue	66.8	74.8	+11%	81.5	87.9	+7%
SG&A	71.1	71.3	+0%	84.7	83.1	(1)%
Ordinary profit	0.5	9.4	—	1.2	10.3	+748%
Profit (owners of parent)	0.7	3.4	+355%	1.3	4.1	+211%

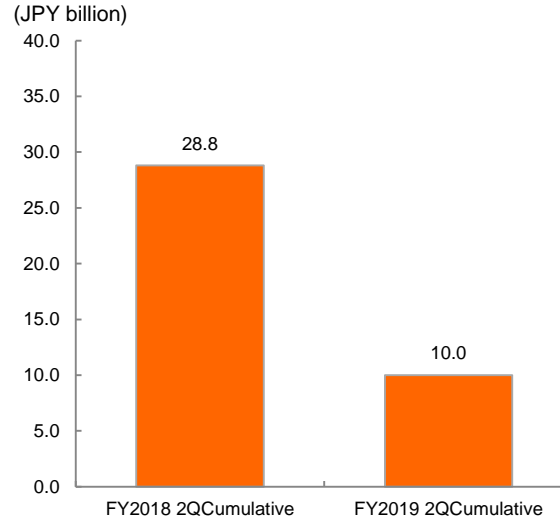
* Figures represent the aggregation with the results of MUFG Securities America Inc. (hereinafter "MUSA"), given that MUSA, despite its deconsolidation in 3Q16 as a result of the application of the U.S. Enhanced Prudential Standards, continues to be included in the Company's internal revenue management.

2Q cumulative Performance Trends

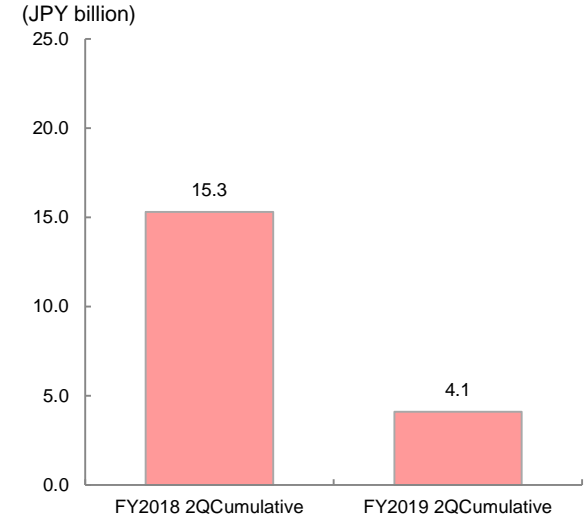
Net operating revenue



Ordinary profit

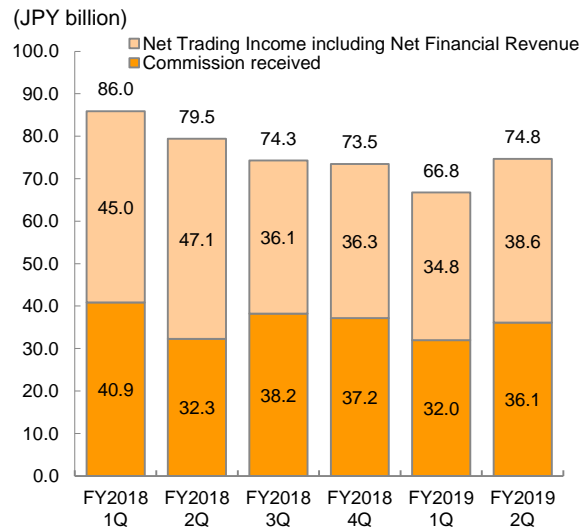


Profit (owners of parent)

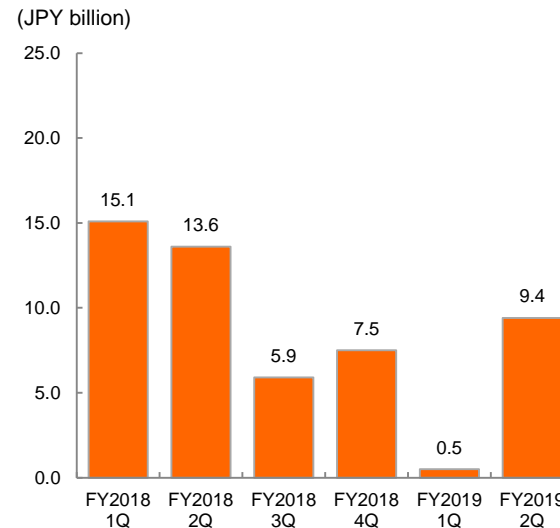


Quarterly Performance Trends

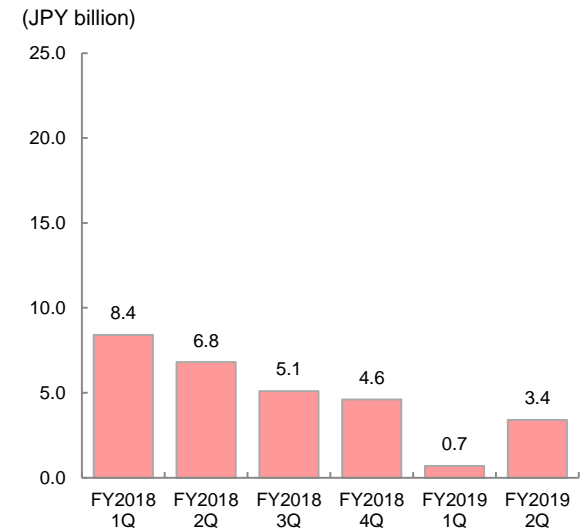
Net operating revenue



Ordinary profit



Profit (owners of parent)



Consolidated Financial Summary (1)

Commission Received (Financial basis)

Commission received

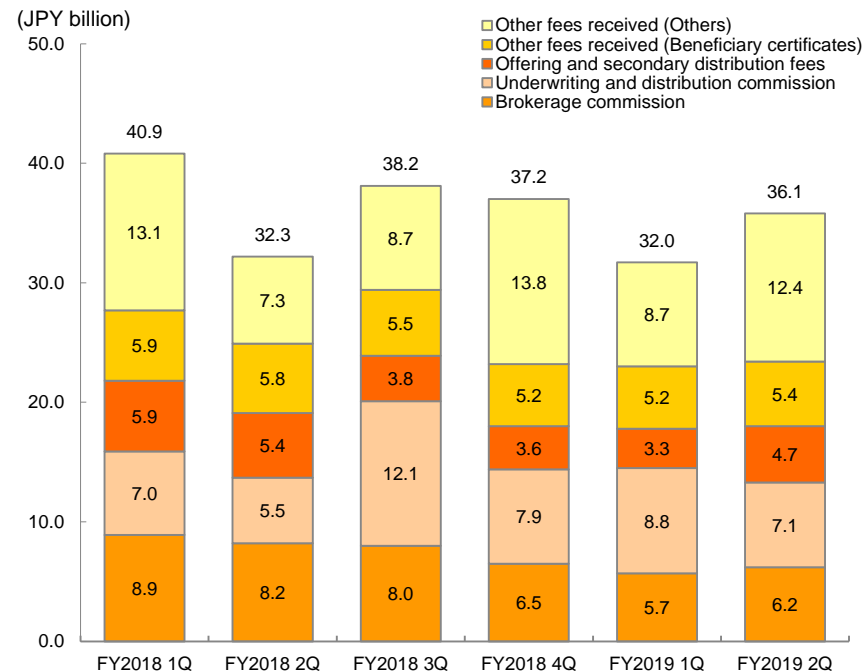
FY2019 2Q cumulative : JPY 68.1 billion

- YoY JPY (5.2) billion (7)%
- 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.

FY2019 2Q : JPY 36.1 billion

- QoQ JPY +4.1 billion +12%
- Underwriting and distribution commission: Decreased due to the absence of large-scale domestic stock underwriting deals.
- Offering and secondary distribution fees: Increased thanks to increased sales of investment trusts.
- Other fees received: Increased mainly due to large deals of M&A business.

Quarterly Trends



(JPY billion)	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %
Brokerage commission	17.1	12.0	(29)%
Underwriting and distribution commission	12.5	15.9	+27%
Offering and secondary distribution fees	11.3	8.1	(28)%
Other fees received (Beneficiary certificates)	11.8	10.7	(9)%
Other fees received (Others)	20.4	21.2	+3%
Total	73.3	68.1	(7)%

(JPY billion)	FY2019 1Q	FY2019 2Q	QoQ %
Brokerage commission	5.7	6.2	+8%
Underwriting and distribution commission	8.8	7.1	(18)%
Offering and secondary distribution fees	3.3	4.7	+41%
Other fees received (Beneficiary certificates)	5.2	5.4	+2%
Other fees received (Others)	8.7	12.4	+41%
Total	32.0	36.1	+12%

Consolidated Financial Summary (2)

Net Trading Income · Net Financial Revenue (Financial basis)

Net Trading Income · Net Financial Revenue

FY2019 2Q cumulative : JPY 73.5 billion

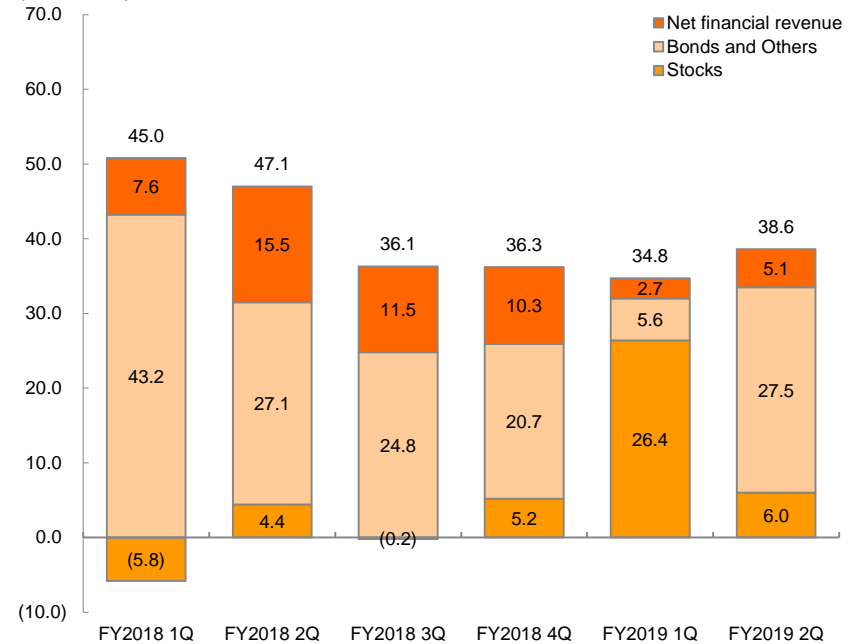
- YoY JPY (18.6) billion (20)%
- At domestic subsidiaries, revenue decreased in the fixed income business due to the low customer flow reflecting low Japanese, U.S. and European interest rates as a result of the heightened risk-averse stance, as well as the recording of position losses. The equity business also experienced a decrease in revenue mainly due to the continuing weak retail customer flow of foreign stocks from the second half of the previous year.
- At overseas subsidiaries, revenue of credit and derivative business in Europe recovered. The expansion in repo business in the Americas also contributed to the increase in revenue.

FY2019 2Q : JPY 38.6 billion

- QoQ JPY +3.8 billion +11%
- Domestic subsidiaries increased revenue thanks to capturing of quarter-end customer flow in derivative business and appropriate position control of interest rate.
- Overseas subsidiaries increased revenue due to the recovery in rates business and derivative business in Europe.

Quarterly Trends

(JPY billion)



(JPY billion)	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %
Stocks	(1.4)	32.5	—
Bonds and Others	70.3	33.1	(52)%
Net financial revenue	23.2	7.8	(66)%
Total	92.1	73.5	(20)%

(JPY billion)	FY2019 1Q	FY2019 2Q	QoQ %
Stocks	26.4	6.0	(77)%
Bonds and Others	5.6	27.5	+386%
Net financial revenue	2.7	5.1	+89%
Total	34.8	38.6	+11%

Consolidated Financial Summary (3)

SG & A (Financial basis)

SG & A

FY2019 2Q cumulative : JPY 142.5billion

■ YoY JPY (2.0) billion (1)%

- At domestic subsidiaries, trading related expenses and bonuses decreased, reflecting the business performance.
- At overseas subsidiaries, depreciation costs for compliance with regulations and expenses associated with the opening of the subsidiary in response to Brexit increased, in addition to retirement benefit expenses by a decline in European interest rates.

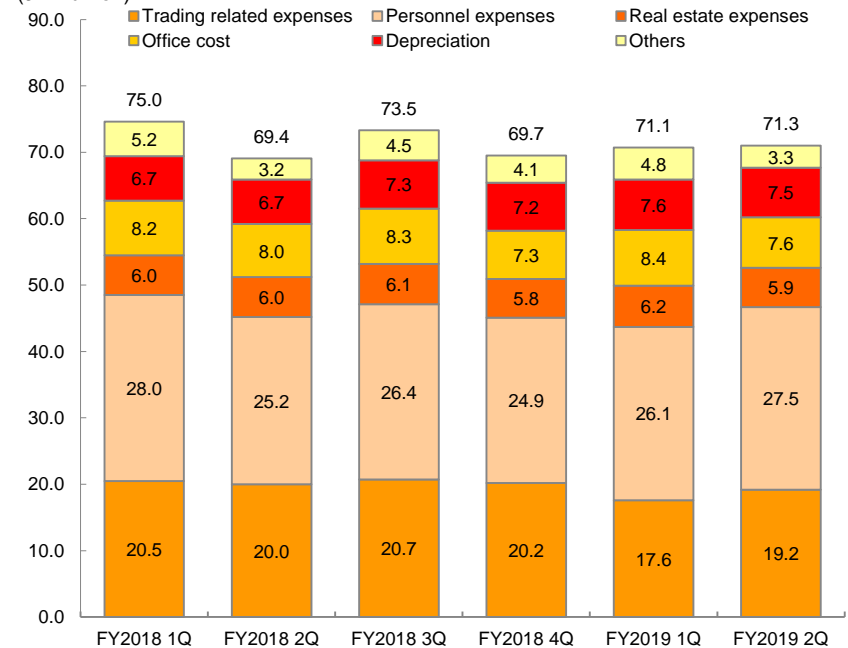
FY2019 2Q : JPY 71.3 billion

■ QoQ JPY +0.2 billion +0%

- In addition to retirement benefit expenses stated above, trading related expenses increased, reflecting the recovery of performance of domestic subsidiaries.
- On the other hand, others decreased due to the absence of taxes and dues associated with dividends that were recorded in the previous quarter.

Quarterly Trends

(JPY billion)



(JPY billion)	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %
Trading related expenses	40.6	36.9	(9)%
Personnel expenses	53.3	53.7	+0%
Real estate expenses	12.1	12.2	+0%
Office cost	16.3	16.1	(1)%
Depreciation	13.5	15.1	+12%
Others	8.5	8.2	(3)%
Total	144.5	142.5	(1)%

(JPY billion)	FY2019 1Q	FY2019 2Q	QoQ %
Trading related expenses	17.6	19.2	+9%
Personnel expenses	26.1	27.5	+5%
Real estate expenses	6.2	5.9	(4)%
Office cost	8.4	7.6	(9)%
Depreciation	7.6	7.5	(1)%
Others	4.8	3.3	(30)%
Total	71.1	71.3	+0%

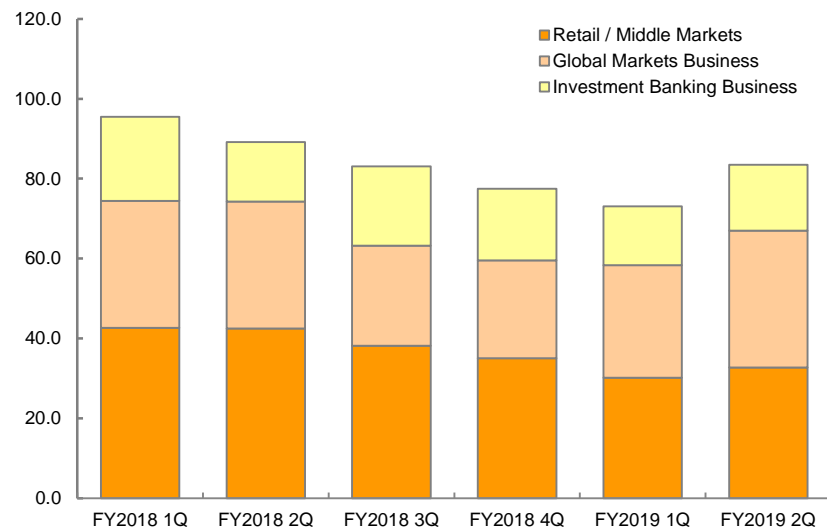
(JPY billion)	FY2018 2Q cumulative	FY2019 2Q cumulative	YoY %
Trading related expenses	40.6	36.9	(9)%
Personnel expenses	53.3	53.7	+0%
Real estate expenses	12.1	12.2	+0%
Office cost	16.3	16.1	(1)%
Depreciation	13.5	15.1	+12%
Others	8.5	8.2	(3)%
Total	144.5	142.5	(1)%

Overview by Business Segments

- All segments increased revenue from the previous quarter.
- Retail / Middle Markets : Revenue increased from the previous quarter mainly due to the greater performance driven by increased sales of stock investment trusts, despite the continued low stock trading volume.
- Global Markets : Both domestic and overseas subsidiaries increased revenue from the previous quarter. Domestic subsidiaries performed strongly thanks to the capturing of quarter-end customer flow in derivative business and the successful management of interest rate positions. At overseas subsidiaries, derivative business and interest trading business in Europe among the flow products business recovered.
- Investment Banking : While overseas subsidiaries secured the same level of revenue as the previous quarter, domestic subsidiaries performed strongly thanks to large-scale deals in debt underwriting and closing of M&A deals.

Quarterly Trends

(JPY billion)



* Figures are based on management accounting basis including MUSA.

Appendix

Consolidated Statement of Income

JPY million

	Cumulative		Quarter					
	FY2018 2Q cumulative	FY2019 2Q cumulative	FY2018				FY2019	
			1Q	2Q	3Q	4Q	1Q	2Q
Operating revenue	185,537	204,655	92,611	92,925	91,152	94,794	97,828	106,826
Commission received	73,353	68,129	40,974	32,379	38,218	37,216	32,012	36,117
Net trading income	68,929	65,669	37,354	31,575	24,606	26,022	32,114	33,555
Other operating revenue	3	4	3	—	—	—	4	0
Financial revenue	43,250	70,852	14,279	28,970	28,327	31,555	33,698	37,153
Financial expenses	20,022	63,021	6,608	13,414	16,815	21,248	30,997	32,023
Net operating revenue	165,515	141,633	86,003	79,511	74,337	73,546	66,830	74,802
SG & A	144,516	142,503	75,042	69,473	73,535	69,760	71,132	71,370
Operating profit (loss)	20,998	(869)	10,960	10,037	801	3,785	(4,301)	3,432
Non-operating income	9,508	10,989	5,616	3,892	4,997	4,357	4,934	6,055
Non-operating expenses	1,642	107	1,380	262	(103)	547	32	75
Ordinary profit	28,864	10,012	15,196	13,668	5,903	7,595	599	9,412
Extraordinary income	1,664	533	53	1,611	(1)	4,213	1	531
Extraordinary losses	286	610	218	68	46	1,046	265	345
Income taxes	7,730	2,425	3,468	4,262	(575)	3,418	(441)	2,867
Profit attributable to non-controlling interests	7,147	3,322	3,091	4,055	1,293	2,704	24	3,297
Profit attributable to owners of parent	15,363	4,186	8,471	6,892	5,137	4,640	753	3,433

Appendix

Consolidated Balance Sheet

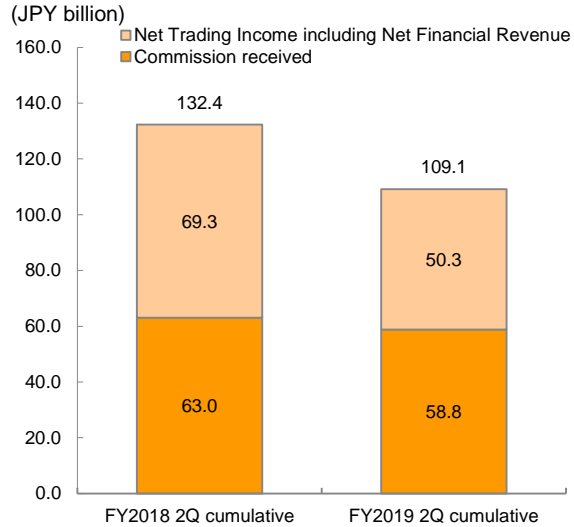
	As of Mar. 31, 2019	As of Sep. 30, 2019	Change
ASSETS			
Current assets	23,957	27,528	+3,571
Cash and deposits	1,977	1,505	(472)
Trading products	10,607	12,376	+1,768
Loans secured by securities	8,981	10,863	+1,882
Others	2,390	2,782	+392
Non-current assets	551	624	+73
PP & E	28	34	+6
Intangible assets	108	108	(0)
Investments and other assets	414	482	+67
Total assets	24,508	28,153	+3,644

JPY billion

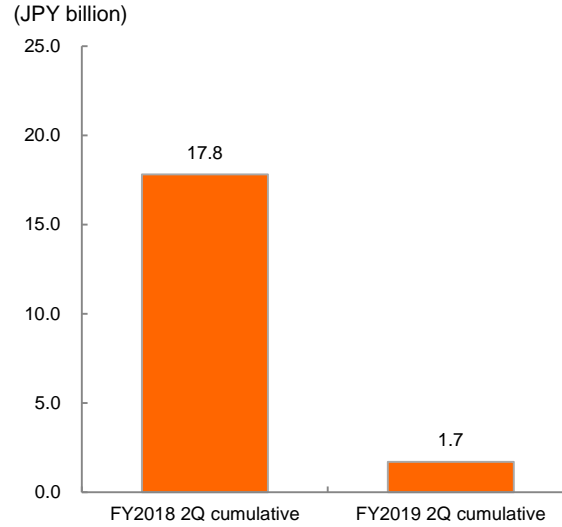
	As of Mar. 31, 2019	As of Sep. 30, 2019	Change
LIABILITIES			
Current liabilities	21,670	25,369	+3,699
Trading products	9,321	11,225	+1,903
Borrowings secured by securities	6,173	8,617	+2,444
Short-term borrowings	2,517	2,043	(473)
Others	3,657	3,482	(174)
Non-current liabilities	1,885	1,843	(41)
Bonds payable	1,244	1,194	(49)
Long-term borrowings	628	630	+1
Others	12	19	+7
Total liabilities	23,559	27,217	+3,657
NET ASSETS			
Shareholders' equity	702	698	(4)
Accumulated other comprehensive income	(30)	(36)	(6)
Share acquisition rights	0	—	(0)
Non-controlling interests	276	273	(2)
Total net assets	948	935	(13)
Total liabilities and net assets	24,508	28,153	+3,644

2Q cumulative Performance Trends

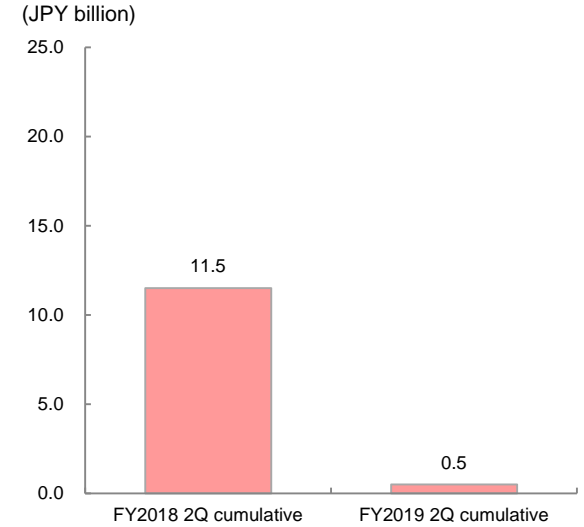
Net operating revenue



Ordinary profit (loss)

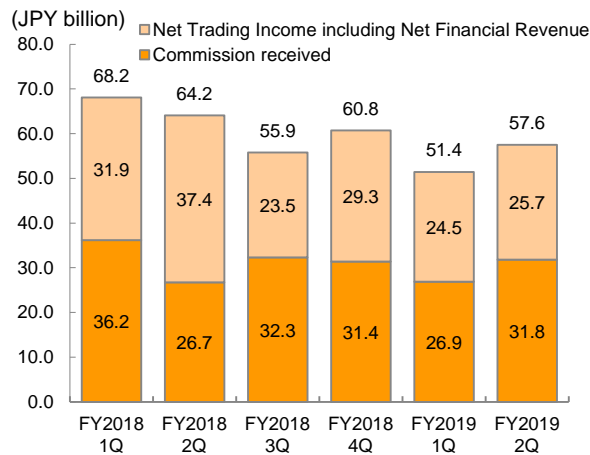


Profit (loss) (owners of parent)

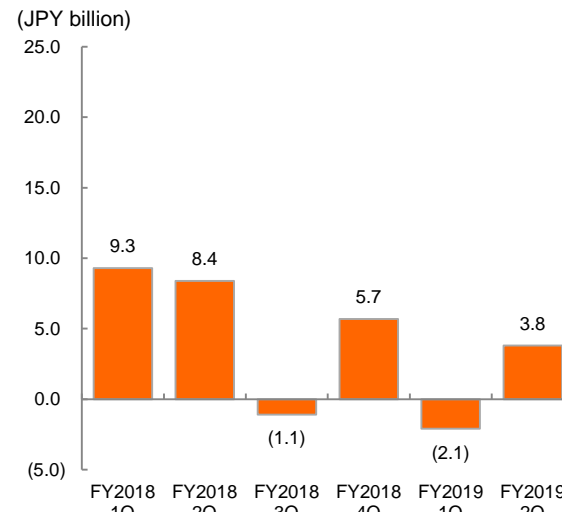


Quarterly Performance Trends

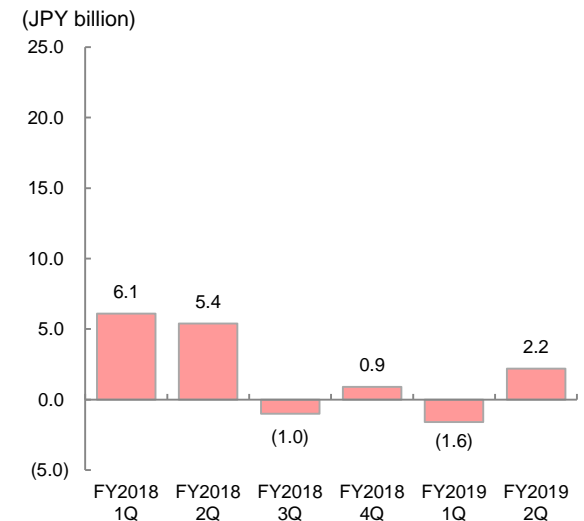
Net operating revenue



Ordinary profit (loss)



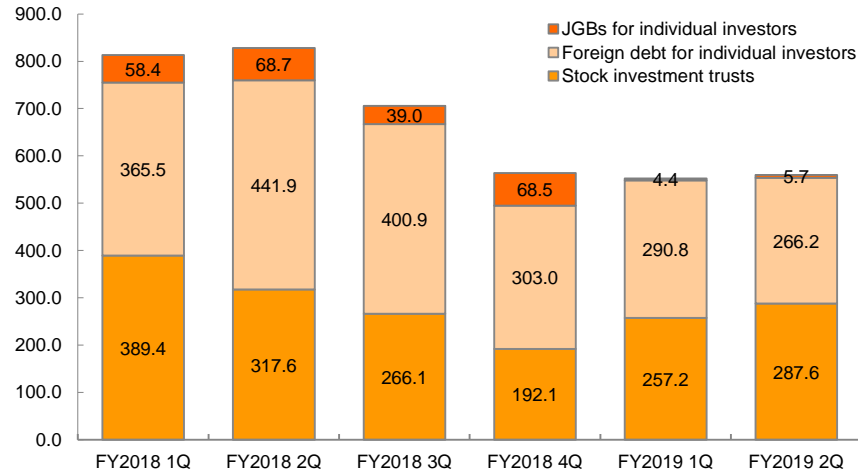
Profit (loss) (owners of parent)



Sales of Retail / Middle Market Division

Quarterly Trends

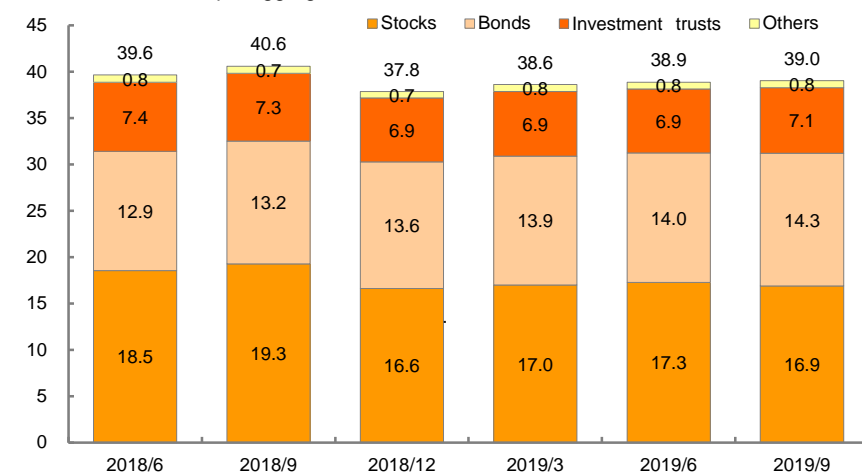
(JPY billion) * Simple aggregation of MUMSS and MUMSPB



Trends of AUM

Quarterly Trends

(JPY trillion) * Simple aggregation of MUMSS and MUMSPB



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

Japan Domestic Debt*¹

Rank	Securities Firm	Share (%)
1	Mizuho Securities	22.5
2	SMBC Nikko Securities	19.0
3	Mitsubishi UFJ Morgan Stanley	18.4
4	Daiwa Securities	18.2
5	Nomura Securities	16.7
6	Tokai Tokyo Securities	1.4
7	Goldman Sachs Japan	1.3
8	SBI Securities	0.9
9	Shinkin Securities	0.8
10	Okasan Securities	0.4

Japan Equity and Equity-linked*²

Rank	Securities Firm	Share (%)
1	Mitsubishi UFJ Morgan Stanley	19.8
2	Nomura	19.1
3	Sumitomo Mitsui Financial Group	16.4
4	Mizuho Financial Group	13.6
5	Daiwa Securities Group	12.7
6	Bank of America Merrill Lynch	7.0
7	Goldman Sachs & Co	5.0
8	JP Morgan	3.6
9	Citi	1.0
10	SBI Holdings	1.0

M&A Advisory / Based on Rank Value*³

Rank	Financial Advisor	JPY billion
1	Nomura	3,100
2	Mitsubishi UFJ Morgan Stanley	3,098
3	Goldman Sachs & Co	2,209
4	Sumitomo Mitsui Financial Group	1,992
5	Mizuho Financial Group	1,764
6	Rothschild	1,340
7	Lazard	1,259
8	Evercore Partners	780
9	Daiwa Securities Group	739
10	Credit Suisse	729

*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)

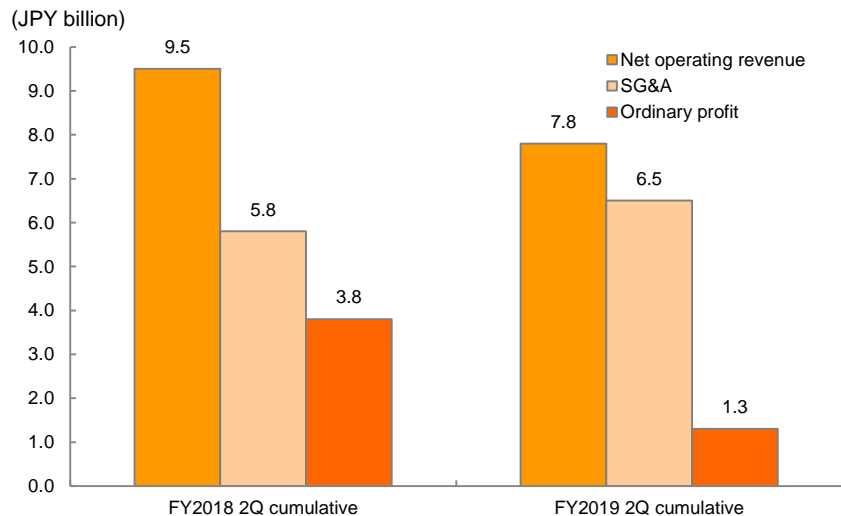
Mitsubishi UFJ Morgan Stanley includes domestic offerings of Japanese issuers underwritten by Morgan Stanley MUFG Securities as well as global offerings of Japanese issuers underwritten by Morgan Stanley. Based on underwriting amount.

*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.

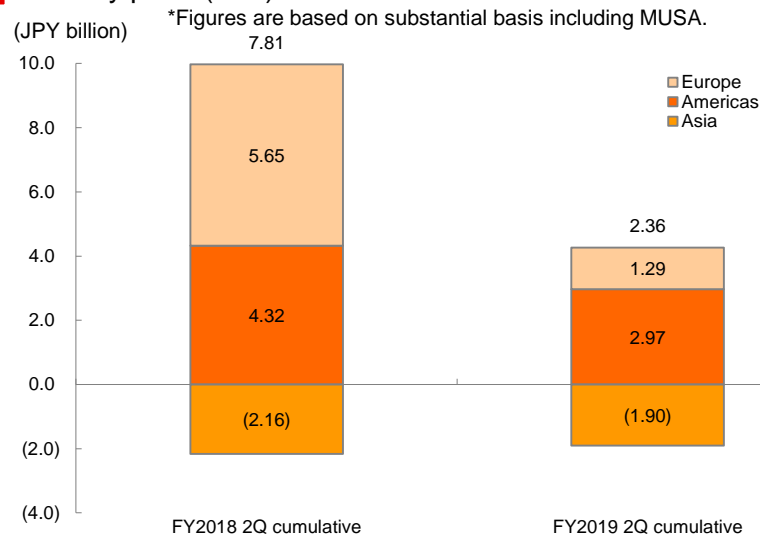
kabu.com 2Q cumulative Performance Trends

Trends



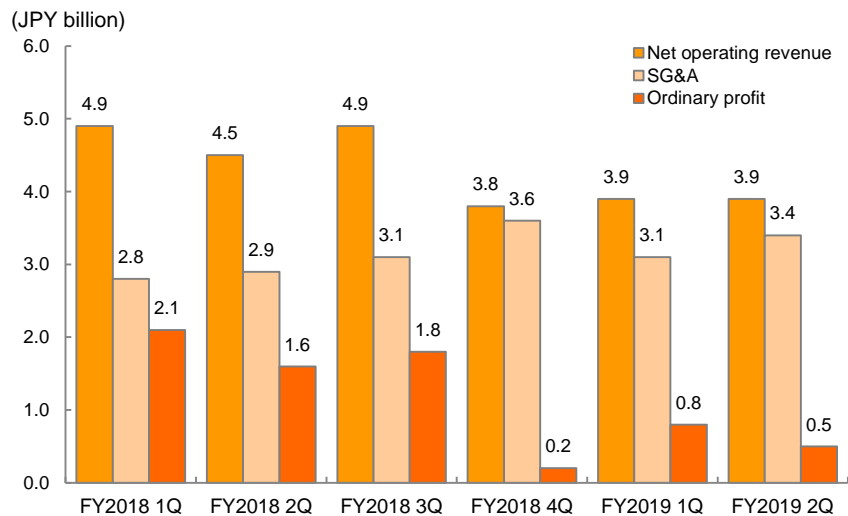
Overseas Business 2Q cumulative Performance Trends

Ordinary profit (loss) : Trends



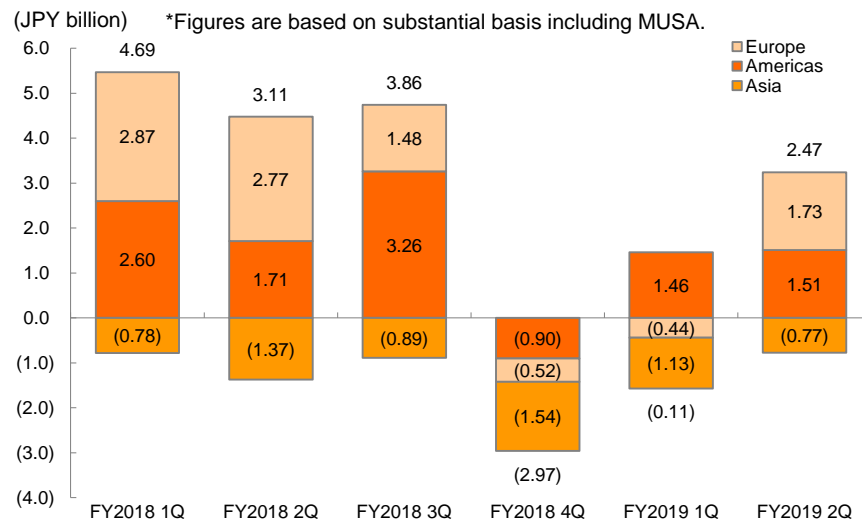
kabu.com Quarterly Performance Trends

Quarterly Trends



Overseas Business Quarterly Performance Trends

Ordinary profit (loss) : Quarterly Trends

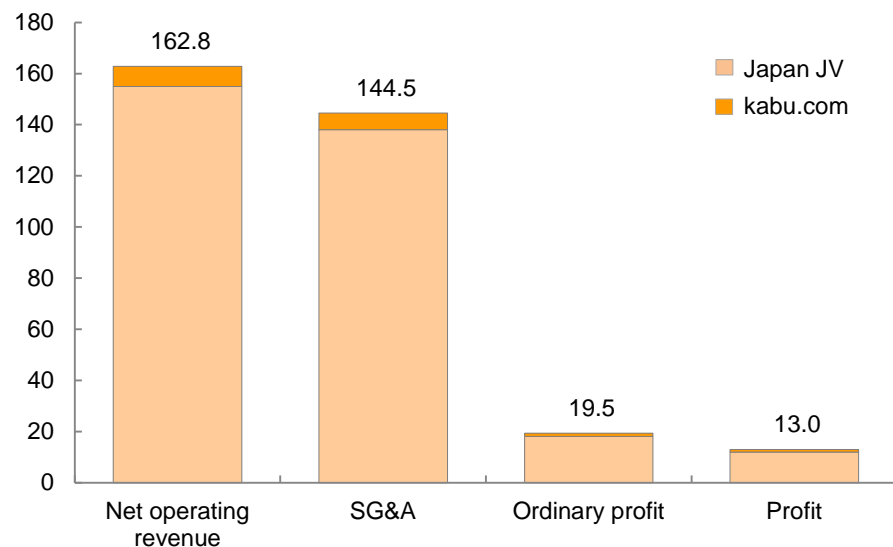


Domestic Securities Companies' Performance

- Net operating revenue of the Domestic Securities Companies is over JPY 160 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 2019 2Q (cumulative)

(JPY billion)



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

Simple sum of the figures for the Domestic Securities Companies (JPY billion)	FY 2019 2Q (cumulative)
Net operating revenue	162.8
Japan JV	155.0
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Consolidated base ("MUMSS" + "MUMSPB") *1	109.1
Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") *2	45.9
kabu.com Securities Co., Ltd. ("kabu.com")	7.8
SG & A	144.5
Japan JV	138.0
MUMSS Consolidated base	108.5
MSMS	29.4
kabu.com	6.5
Ordinary profit	19.5
Japan JV	18.1
MUMSS Consolidated base	1.7
MSMS	16.3
kabu.com	1.3
Profit	13.0
Japan JV	11.9
MUMSS Consolidated base (Profit attributable to owners of parent)	0.5
MSMS	11.3
kabu.com	1.1

*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.

Credit Rating

	R&I	JCR	Moody's	S&P	Fitch
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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	-	-	A1	A	-
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*CP rating

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

Capital Adequacy

Capital Adequacy Ratio MUMSS (non-consolidated)

Capital adequacy ratio of MUMSS at FY2019 2Q can be found on the following URL.

https://www.sc.mufg.jp/company/finance/cp_ratio.html

Value at Risk (VaR) associated with the trading activities

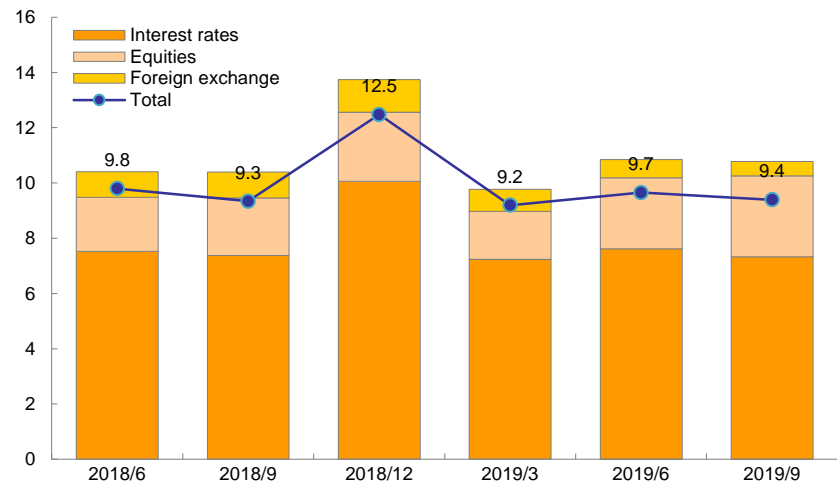
- Amount of risks remained mostly on the same level overall due to the decreasing interest rate risks at overseas subsidiaries, while interest rate risks increased at domestic subsidiaries.

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

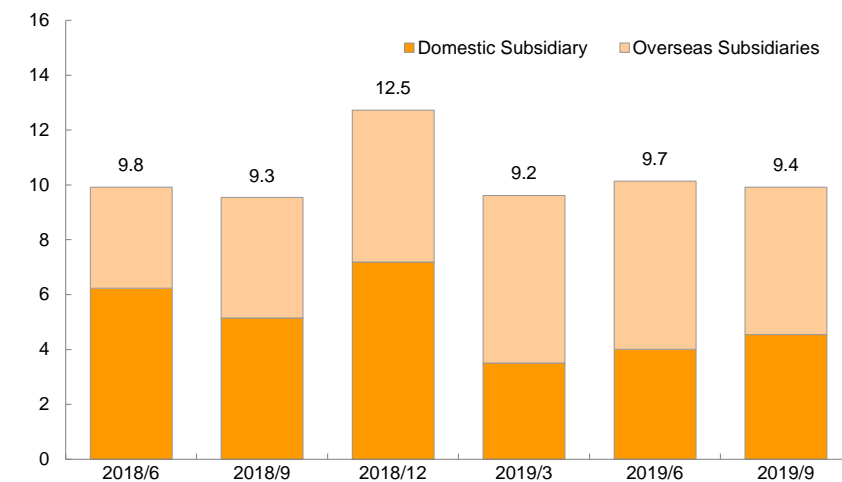
(JPY billion)



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6	2019/9
Interest rates	7.5	7.4	10.1	7.2	7.6	7.3
Equities	2.0	2.1	2.5	1.7	2.6	2.9
Foreign exchange	0.9	0.9	1.2	0.8	0.7	0.5
Total	9.8	9.3	12.5	9.2	9.7	9.4

Quarterly trends of VaR by type of subsidiary

(JPY billion)



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6	2019/9
Domestic Subsidiary	6.2	5.1	7.2	3.5	4.0	4.5
Overseas Subsidiaries	3.7	4.4	5.5	6.1	6.1	5.4
Total	9.8	9.3	12.5	9.2	9.7	9.4

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

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