



Mitsubishi UFJ Securities Holdings

3QFY2019

Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

January, 2020

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## 3Q cumulative Performance Trends

- Net operating revenue was JPY 227.6bn (-5% YoY), ordinary profit was JPY 24.3bn (-30% YoY) and profit attributable to owners of parent was JPY 10.5bn (-48% YoY) on financial accounting basis.  
Net operating revenue was JPY 271.8bn (-5% YoY), ordinary profit was JPY 29.2bn (-30% YoY) and profit attributable to owners of parent was JPY 14.4bn (-44% YoY) on substantial basis including MUSA.
- Despite the rise in recent stock market prices thanks to factors including the progress in the U.S.-China trade talks, commission received and net trading income (including net finance revenue) decreased from those of 3Q18 due to low stock trading volume and prolonged low interest rates.
  - At domestic subsidiaries, while the investment banking business including debt underwriting and M&As served as drivers for revenue, Retail / middle markets and global markets businesses struggled due to a decline in market conditions.
  - Overseas subsidiaries increased revenue overall due to the recovery of the flow products business in Europe and in Americas, despite sluggish capital markets in Americas.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2018 3Q cumulative	FY2019 3Q cumulative	YoY %	FY2018 3Q cumulative	FY2019 3Q cumulative	YoY %
Net operating revenue	239.8	227.6	(5)%	287.7	271.8	(5)%
SG&A	218.0	217.5	(0)%	258.1	255.6	(0)%
Ordinary profit	34.7	24.3	(30)%	41.9	29.2	(30)%
Profit (owners of parent)	20.5	10.5	(48)%	25.9	14.4	(44)%

## Quarterly Performance Trends

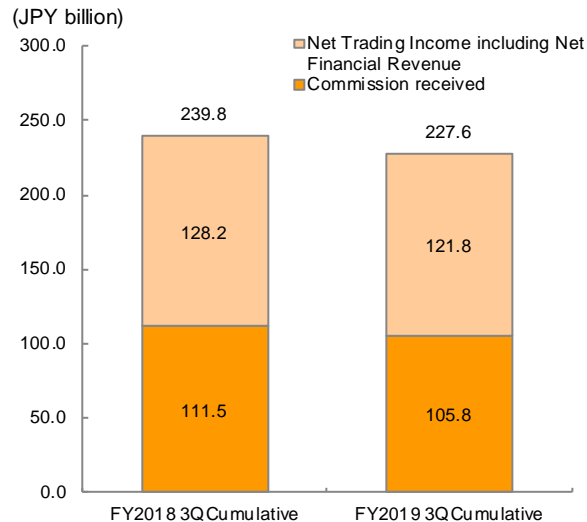
- Both revenue and profit increased for two consecutive quarters as both commission received and net trading income (including net financial revenue) recovered, while the business performance continued to be in a severe situation.
  - At domestic subsidiaries, Retail / middle markets and investment banking businesses increased revenue for two consecutive quarters.
  - At overseas subsidiaries, the flow products businesses increased revenue for three consecutive quarters and the capital markets business recovered in 3Q.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2019 2Q	FY2019 3Q	QoQ %	FY2019 2Q	FY2019 3Q	QoQ %
Net operating revenue	74.8	86.0	+15%	87.9	102.4	+16%
SG&A	71.3	75.0	+5%	83.1	87.7	+5%
Ordinary profit	9.4	14.3	+52%	10.3	17.6	+70%
Profit (owners of parent)	3.4	6.3	+85%	4.1	8.9	+113%

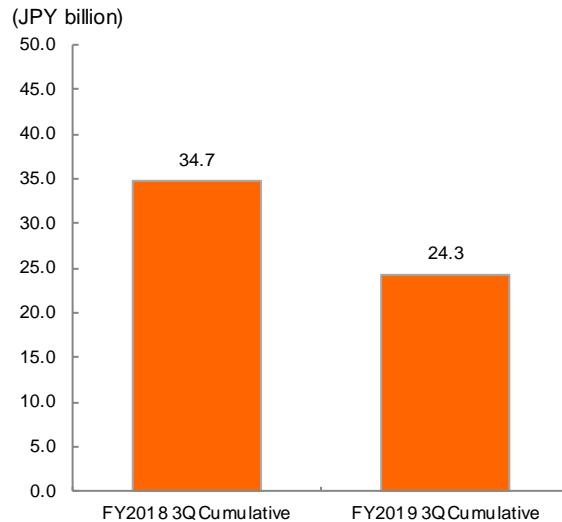
\* Figures represent the aggregation with the results of MUFG Securities America Inc. (hereinafter "MUSA"), given that MUSA, despite its deconsolidation in 3Q16 as a result of the application of the U.S. Enhanced Prudential Standards, continues to be included in the Company's internal revenue management.

## 3Q cumulative Performance Trends

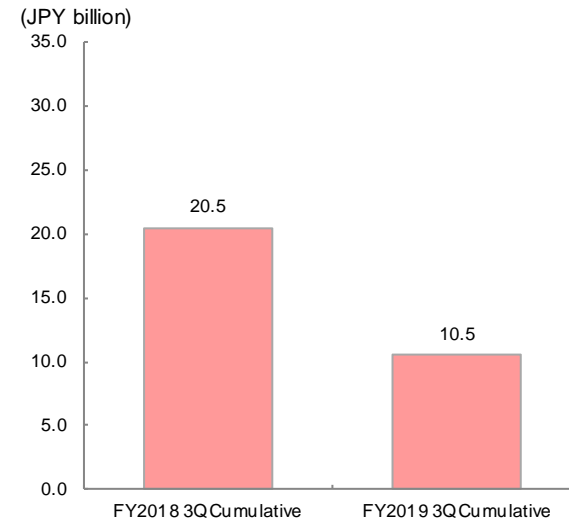
### Net operating revenue



### Ordinary profit

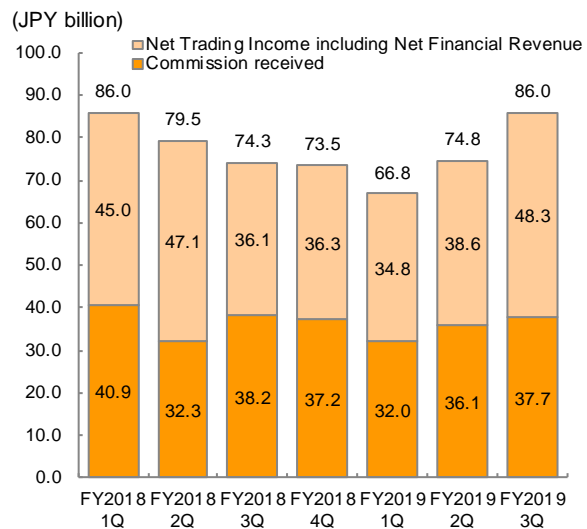


### Profit (owners of parent)

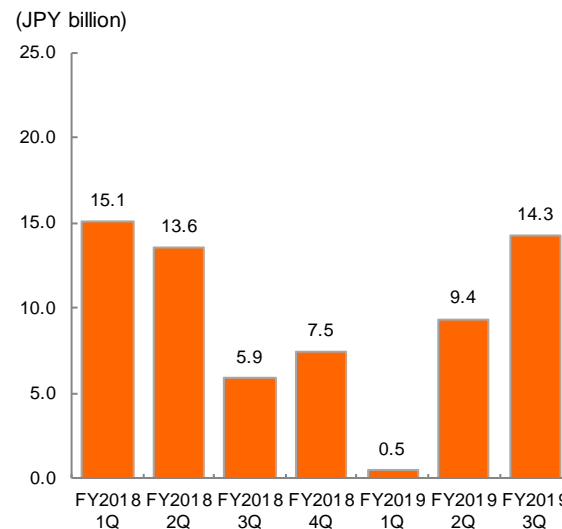


## Quarterly Performance Trends

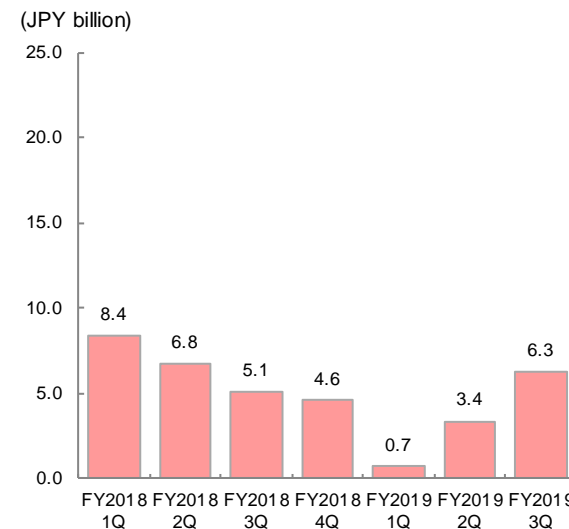
### Net operating revenue



### Ordinary profit



### Profit (owners of parent)



# Consolidated Financial Summary (1)

## Commission Received (Financial basis)

### Commission received

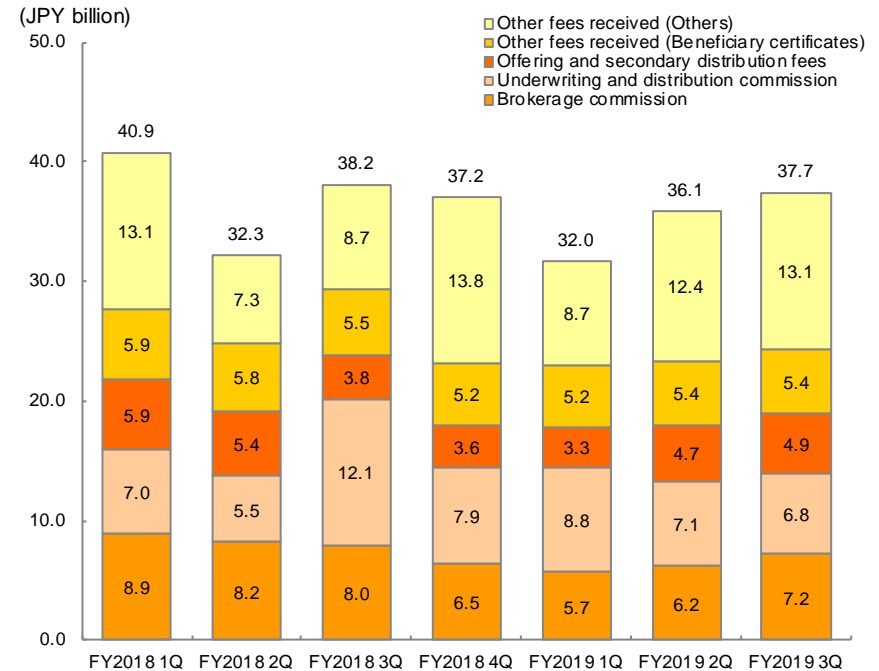
FY2019 3Q cumulative : JPY 105.8 billion

- YoY JPY (5.7) billion (5%)
- Brokerage commission: Decreased due to low stock trading volume.
- Underwriting and distribution commission: Decreased overall, due to the decrease in equities reflecting the absence of large-scale deals of the previous year, despite the increase supported by large-scale domestic bond deals.
- Offering and secondary distribution fees: Decreased due to the impact of sluggish conditions in 1Q.
- Other fees received: Increased mainly due to large deals of M&A business.

FY2019 3Q : JPY 37.7 billion

- QoQ JPY +1.6 billion +4%
- Brokerage commission: Increased toward the end of the year due to the recovery in stock trading volume.
- Underwriting and distribution commission: Maintained the same level as the previous quarter through the accumulation of small-amount deals in both equity and debt.
- Offering and secondary distribution fees: Remained at the same level.

### Quarterly Trends



(JPY billion)	FY2018	FY2019	YoY %	FY2019	FY2019	QoQ %
	3Q cumulative	3Q cumulative		2Q	3Q	
Brokerage commission	25.1	19.3	(23)%	6.2	7.2	+15%
Underwriting and distribution commission	24.6	22.8	(7)%	7.1	6.8	(4)%
Offering and secondary distribution fees	15.1	13.1	(13)%	4.7	4.9	+3%
Other fees received (Beneficiary certificates)	17.3	16.1	(6)%	5.4	5.4	+0%
Other fees received (Others)	29.2	34.4	+17%	12.4	13.1	+5%
<b>Total</b>	<b>111.5</b>	<b>105.8</b>	<b>(5)%</b>	<b>36.1</b>	<b>37.7</b>	<b>+4%</b>

# Consolidated Financial Summary (2)

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

### Net Trading Income - Net Financial Revenue

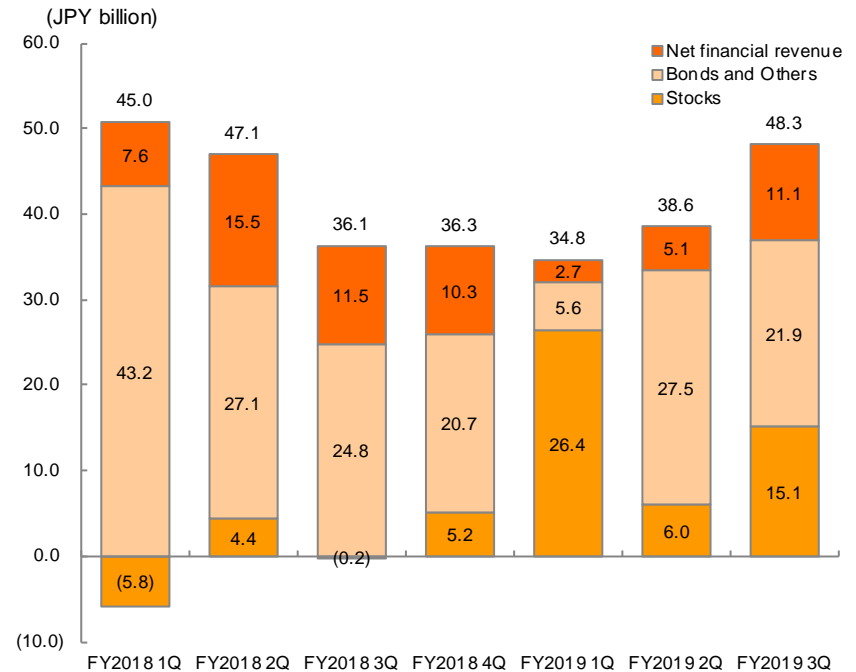
FY2019 3Q cumulative : JPY 121.8 billion

- YoY JPY (6.4) billion (5)%
- At domestic subsidiaries, revenue increased in the fixed income business due to the absence of position losses which were recorded in the previous quarter, the recording of revenue from rates and credit businesses as interest rates fluctuated, and the accumulation of customer flow revenue in the derivative business. In the equity business, revenue decreased due to weak retail customer flow of foreign stocks, resulting in a decrease in revenue overall.
- At overseas subsidiaries, revenue increased in total due to the expansion in repo business in Americas, as well as the growth in the derivative and interest trading businesses in Europe.

FY2019 3Q : JPY 48.3 billion

- QoQ JPY +9.6 billion +24%
- Domestic subsidiaries increased revenue in the equity business thanks to the recovery in customer flow, although revenue decreased in the fixed income business as a result of the absence of customer flow of interest rate derivatives at the end of the previous quarter.
- At overseas subsidiaries, flow products including the derivative business and others in Europe increased.

### Quarterly Trends



(JPY billion)
Stocks
Bonds and Others
Net financial revenue
Total

	FY2018 3Q cumulative	FY2019 3Q cumulative	YoY %
Stocks	(1.6)	47.6	—
Bonds and Others	95.2	55.1	(42)%
Net financial revenue	34.7	19.0	(45)%
Total	128.2	121.8	(5)%

	FY2019 2Q	FY2019 3Q	QoQ %
Stocks	6.0	15.1	+151%
Bonds and Others	27.5	21.9	(20)%
Net financial revenue	5.1	11.1	+117%
Total	38.6	48.3	+24%

# Consolidated Financial Summary (3)

SG & A (Financial basis)

## SG & A

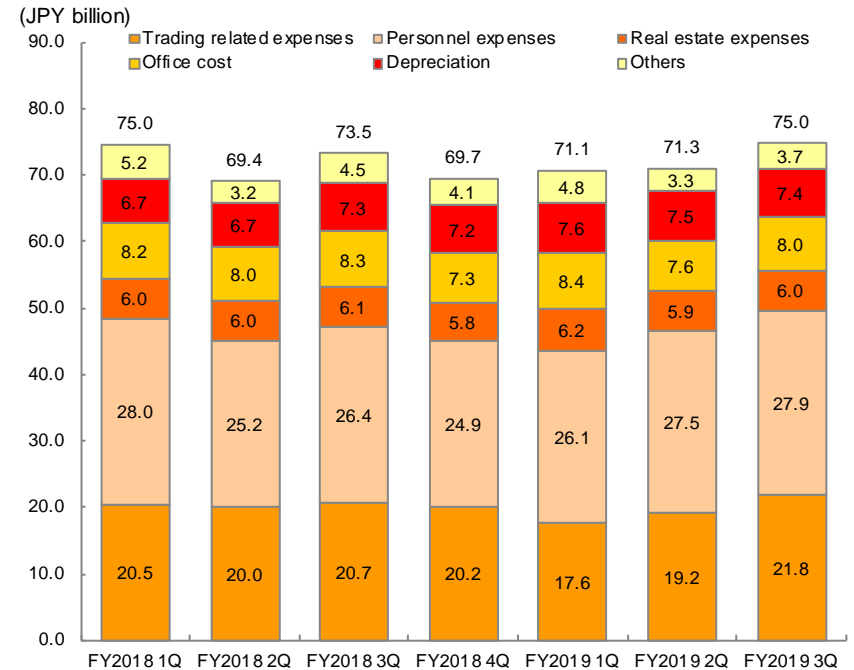
FY2019 3Q cumulative : JPY 217.5billion

- YoY JPY (0.4) billion (0)%
  - At domestic subsidiaries, trading related expenses and bonuses decreased, reflecting the business performance. The consolidation of 11 branch offices was completed in December.
  - At overseas subsidiaries, depreciation costs for compliance with regulations increased, in addition to retirement benefit expenses by a decline in European interest rates, while cost reductions were operated as with domestic subsidiaries.

FY2019 3Q : JPY 75.0 billion

- QoQ JPY +3.7 billion +5%
  - At domestic and overseas subsidiaries, trading related expenses increased, reflecting the recovery of business performance.

## Quarterly Trends



(JPY billion)	FY2018 3Q cumulative	FY2019 3Q cumulative	YoY %
Trading related expenses	61.4	58.8	(4)%
Personnel expenses	79.7	81.6	+2%
Real estate expenses	18.2	18.3	+0%
Office cost	24.6	24.1	(1)%
Depreciation	20.9	22.6	+8%
Others	13.0	11.9	(8)%
Total	218.0	217.5	(0)%

(JPY billion)	FY2019 2Q	FY2019 3Q	QoQ %
Trading related expenses	19.2	21.8	+13%
Personnel expenses	27.5	27.9	+1%
Real estate expenses	5.9	6.0	+1%
Office cost	7.6	8.0	+4%
Depreciation	7.5	7.4	(0)%
Others	3.3	3.7	+10%
Total	71.3	75.0	+5%

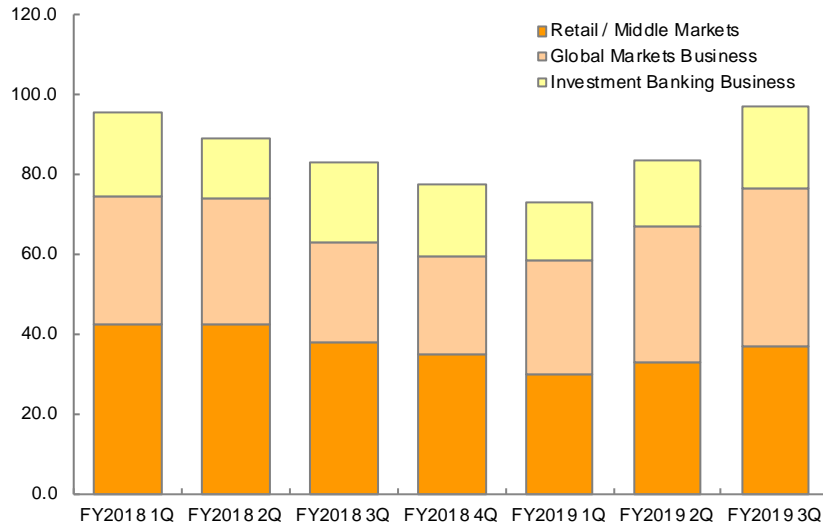
(JPY billion)	FY2018 3Q cumulative	FY2019 3Q cumulative	YoY %
Trading related expenses	61.4	58.8	(4)%
Personnel expenses	79.7	81.6	+2%
Real estate expenses	18.2	18.3	+0%
Office cost	24.6	24.1	(1)%
Depreciation	20.9	22.6	+8%
Others	13.0	11.9	(8)%
Total	218.0	217.5	(0)%

## Overview by Business Segments

- All segments increased revenue for two consecutive quarters. (Global Markets business increased revenue for three consecutive quarters.)
- Retail / Middle Markets : Sales increased thanks to the redemption flow of structured notes in line with rising stock prices. Net new money increased for the 18 consecutive quarters. Profit and product sales targets were abolished and shifted to a performance evaluation system that emphasizes asset under management.
- Global Markets : While domestic subsidiaries remained at the same level as the previous quarter, overseas subsidiaries increased revenue from the previous quarter. At domestic subsidiaries, the equity business recovered due to the rebound of customers' investment sentiment. At overseas subsidiaries, large-scale derivative deals and interest rate trading in Europe, among the flow products business, served as drivers for revenue.
- Investment Banking : Both domestic and overseas subsidiaries increased revenue from the previous quarter. At domestic subsidiaries, debt underwriting and M&A-related revenue performed strongly, thus league table rankings were maintained within a top position (refer to Page12). At overseas subsidiaries, revenue was driven by debt underwriting.

## Quarterly Trends

(JPY billion)



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



# Appendix

## Consolidated Statement of Income

JPY million

	Cumulative		Quarter						
	FY2018 3Q cumulative	FY2019 3Q cumulative	FY2018				FY2019		
			1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Operating revenue</b>	276,689	322,655	92,611	92,925	91,152	94,794	97,828	106,826	117,999
Commission received	111,572	105,850	40,974	32,379	38,218	37,216	32,012	36,117	37,720
Net trading income	93,536	102,832	37,354	31,575	24,606	26,022	32,114	33,555	37,162
Other operating revenue	3	4	3	—	—	—	4	0	—
Financial revenue	71,577	113,968	14,279	28,970	28,327	31,555	33,698	37,153	43,116
<b>Financial expenses</b>	36,837	94,958	6,608	13,414	16,815	21,248	30,997	32,023	31,937
<b>Net operating revenue</b>	239,852	227,696	86,003	79,511	74,337	73,546	66,830	74,802	86,062
<b>SG &amp; A</b>	218,051	217,599	75,042	69,473	73,535	69,760	71,132	71,370	75,096
<b>Operating profit (loss)</b>	21,800	10,097	10,960	10,037	801	3,785	(4,301)	3,432	10,966
<b>Non-operating income</b>	14,506	14,416	5,616	3,892	4,997	4,357	4,934	6,055	3,426
<b>Non-operating expenses</b>	1,538	180	1,380	262	(103)	547	32	75	72
<b>Ordinary profit</b>	34,767	24,332	15,196	13,668	5,903	7,595	599	9,412	14,320
<b>Extraordinary income</b>	1,663	533	53	1,611	(1)	4,213	1	531	—
<b>Extraordinary losses</b>	333	650	218	68	46	1,046	265	345	40
<b>Income taxes</b>	7,155	7,958	3,468	4,262	(575)	3,418	(441)	2,867	5,532
<b>Profit attributable to non-controlling interests</b>	8,440	5,708	3,091	4,055	1,293	2,704	24	3,297	2,385
<b>Profit attributable to owners of parent</b>	20,501	10,548	8,471	6,892	5,137	4,640	753	3,433	6,362

# Appendix

## Consolidated Balance Sheet

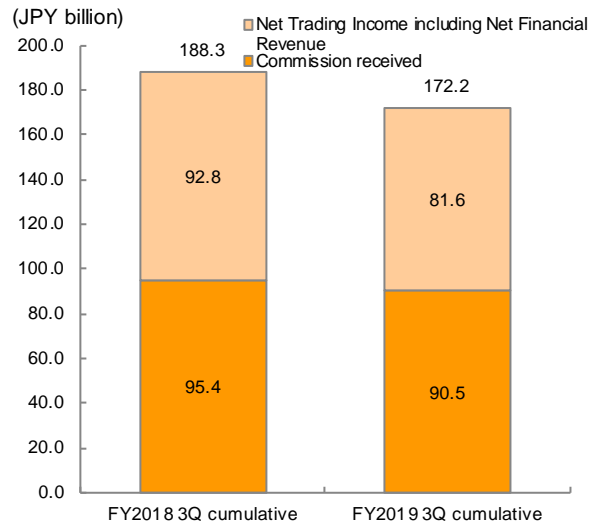
	As of Mar. 31, 2019	As of Dec. 31, 2019	Change
<b>ASSETS</b>			
<b>Current assets</b>	23,957	26,706	+2,749
Cash and deposits	1,977	1,614	(363)
Trading products	10,607	12,361	+1,753
Loans secured by securities	8,981	10,298	+1,317
Others	2,390	2,431	+41
<b>Non-current assets</b>	551	600	+48
PP & E	28	32	+4
Intangible assets	108	106	(1)
Investments and other assets	414	460	+45
<b>Total assets</b>	24,508	27,307	+2,798

JPY billion

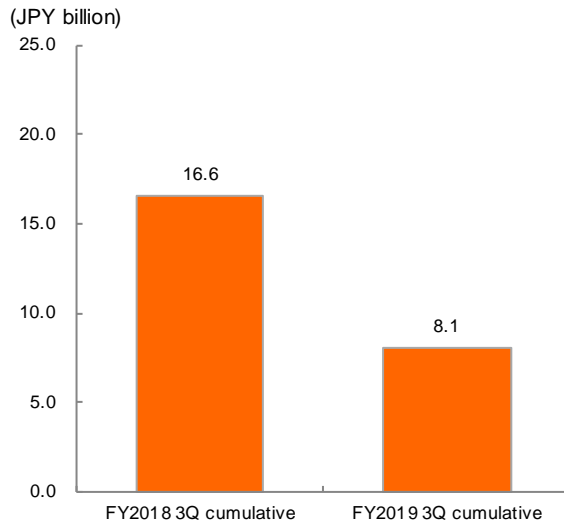
	As of Mar. 31, 2019	As of Dec. 31, 2019	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	21,670	24,697	+3,027
Trading products	9,321	10,165	+843
Borrowings secured by securities	6,173	9,104	+2,930
Short-term borrowings	2,517	1,617	(900)
Others	3,657	3,810	+152
<b>Non-current liabilities</b>	1,885	1,689	(196)
Bonds payable	1,244	1,013	(230)
Long-term borrowings	628	656	+27
Others	12	18	+6
<b>Total liabilities</b>	23,559	26,390	+2,831
<b>NET ASSETS</b>			
Shareholders' equity	702	692	(9)
Accumulated other comprehensive income	(30)	(43)	(12)
Share acquisition rights	0	—	(0)
Non-controlling interests	276	266	(10)
<b>Total net assets</b>	948	916	(32)
<b>Total liabilities and net assets</b>	24,508	27,307	+2,798

### 3Q cumulative Performance Trends

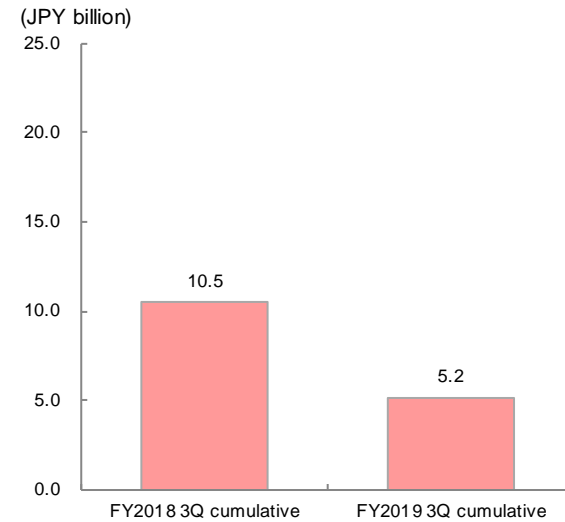
#### Net operating revenue



#### Ordinary profit (loss)

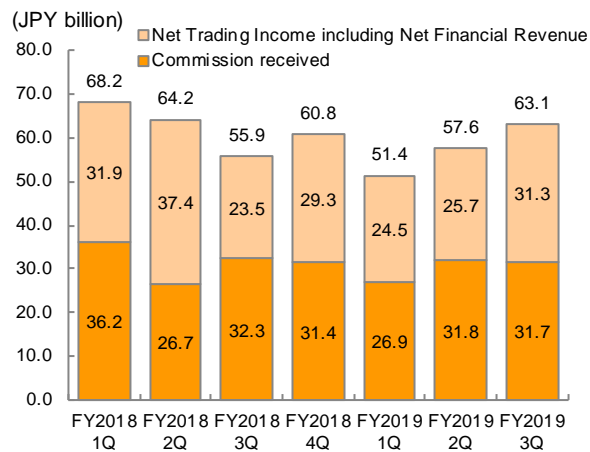


#### Profit (loss) (owners of parent)

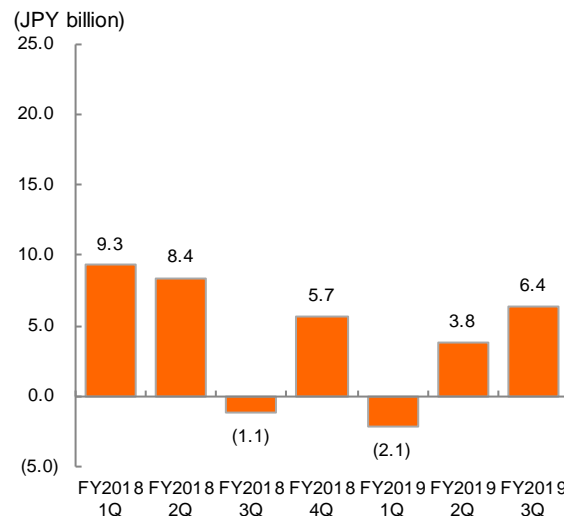


### Quarterly Performance Trends

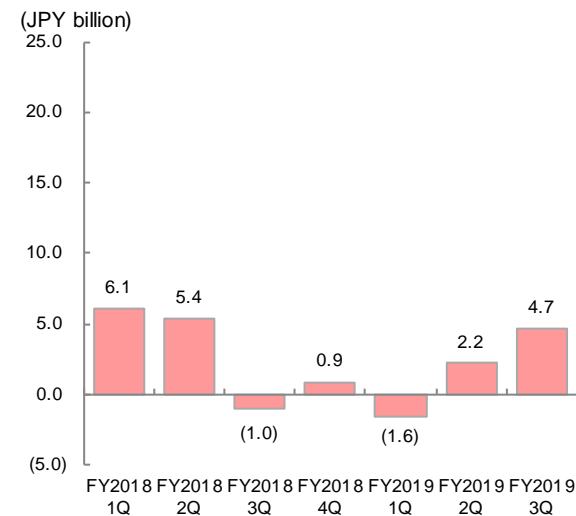
#### Net operating revenue



#### Ordinary profit (loss)



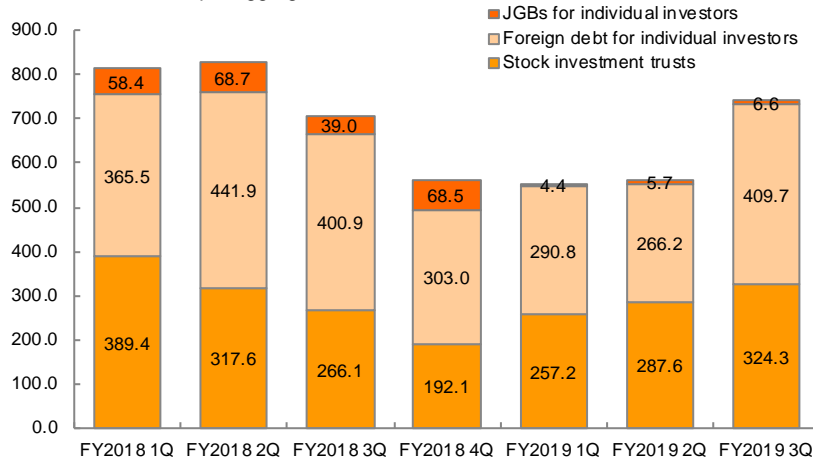
#### Profit (loss) (owners of parent)



### Sales of Retail / Middle Market Division

#### Quarterly Trends

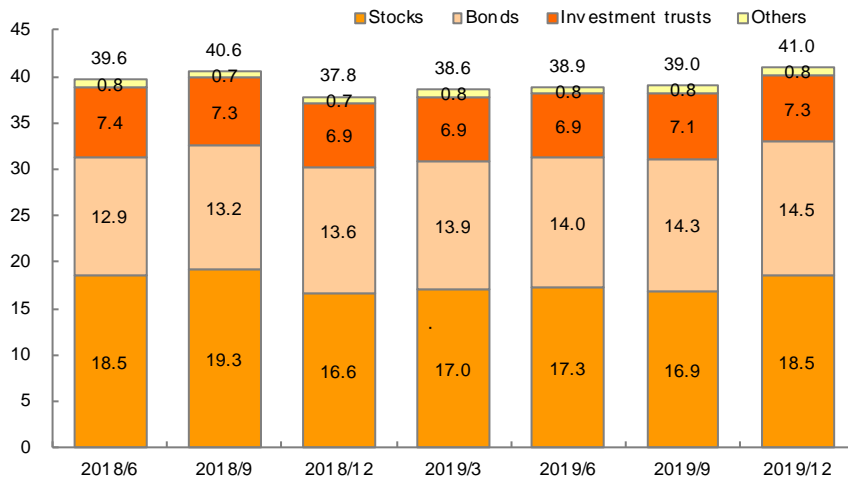
(JPY billion) \* Simple aggregation of MUMSS and MUMSPB



### Trends of AUM

#### Quarterly Trends

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



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

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

Rank	Securities Firm	Share (%)
1	Mizuho Securities	22.1
2	Mitsubishi UFJ Morgan Stanley	19.7
3	SMBC Nikko Securities	18.8
4	Nomura Securities	17.1
5	Daiwa Securities	17.0
6	Tokai Tokyo Securities	1.5
7	Goldman Sachs Japan	1.2
8	Shinkin Securities	0.9
9	SBI Securities	0.8
10	Okasan Securities	0.4

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

Rank	Securities Firm	Share (%)
1	Sumitomo Mitsui Financial Group	19.3
2	Nomura	19.1
3	Mitsubishi UFJ Morgan Stanley	17.5
4	Daiwa Securities Group	15.0
5	Mizuho Financial Group	12.9
6	Bank of America Merrill Lynch	5.5
7	Goldman Sachs & Co	4.9
8	JP Morgan	2.7
9	SBI Holdings	1.1
10	Citi	0.8

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

Rank	Financial Advisor	JPY billion
1	Nomura	7,361
2	Mitsubishi UFJ Morgan Stanley	6,742
3	Mizuho Financial Group	6,612
4	Bank of America Merrill Lynch	4,438
5	JP Morgan	3,940
6	Goldman Sachs & Co	3,762
7	Deutsche Bank Group	2,578
8	Sumitomo Mitsui Financial Group	2,379
9	Deloitte	1,781
10	Lazard	1,596

\*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)

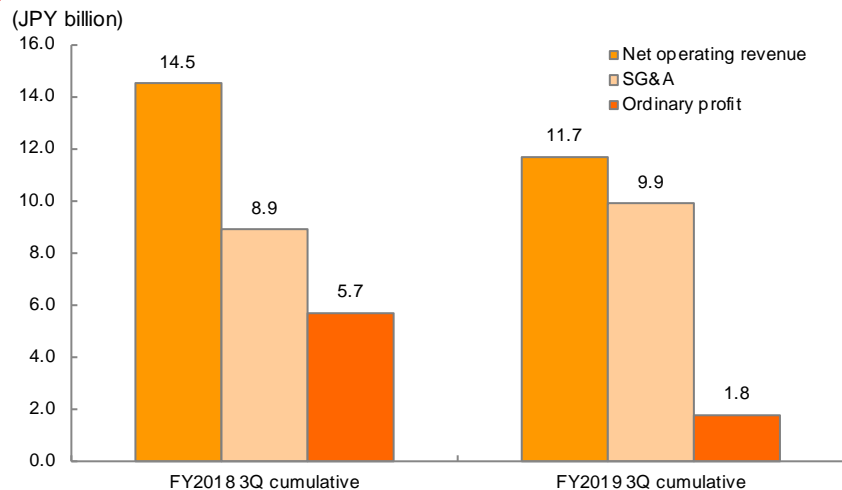
Mitsubishi UFJ Morgan Stanley includes domestic offerings of Japanese issuers underwritten by Morgan Stanley MUFG Securities as well as global offerings of Japanese issuers underwritten by Morgan Stanley. Based on underwriting amount.

\*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.

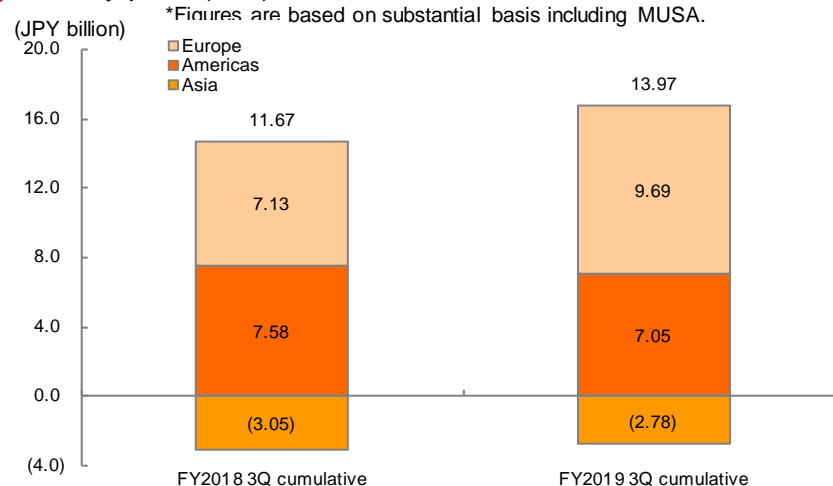
au Kabucom 3Q cumulative Performance Trends

Trends



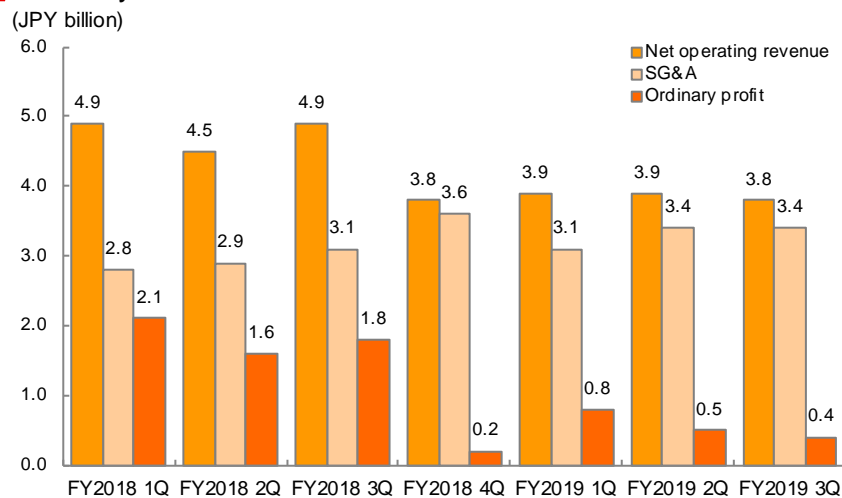
Overseas Business 3Q cumulative Performance Trends

Ordinary profit (loss) : Trends



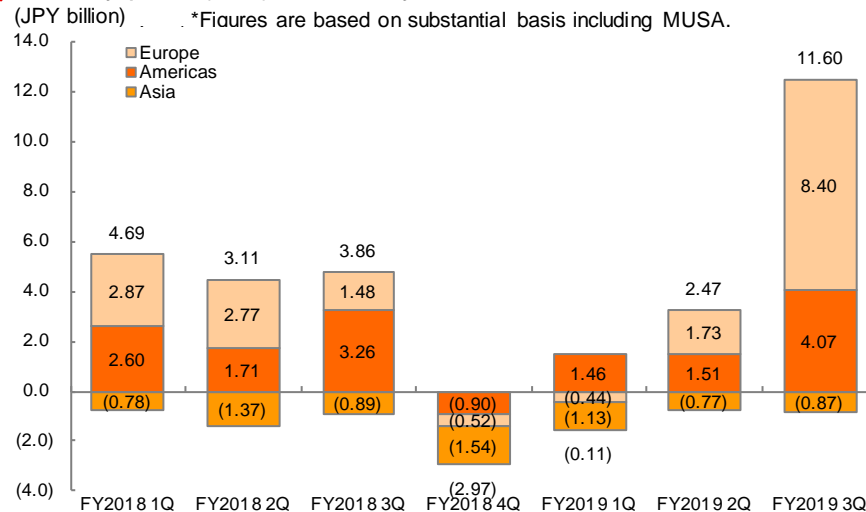
au Kabucom Quarterly Performance Trends

Quarterly Trends



Overseas Business Quarterly Performance Trends

Ordinary profit (loss) : Quarterly Trends

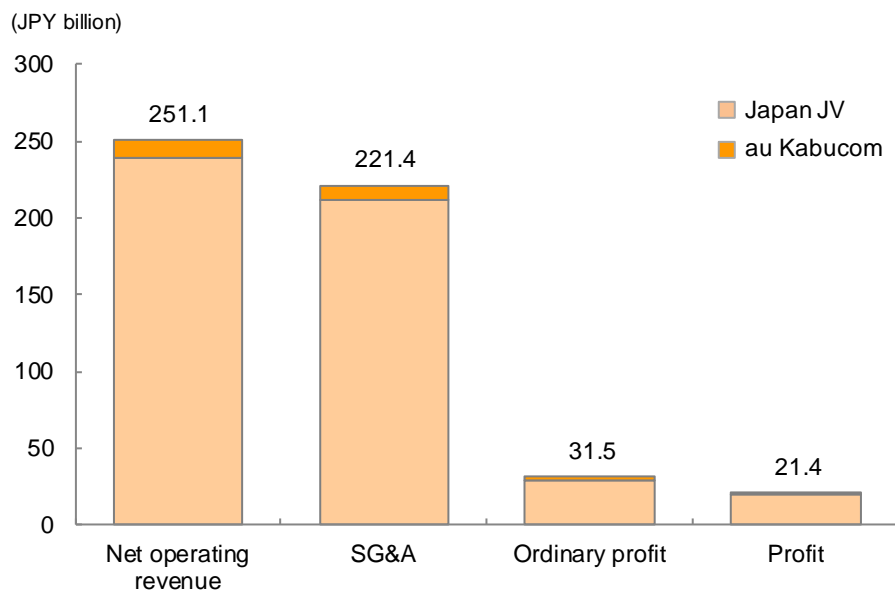


\* "kabu.com Securities Co., Ltd." changed company name to "au Kabucom Securities Co., Ltd." since December 1, 2019.

## Domestic Securities Companies' Performance

- Net operating revenue of the Domestic Securities Companies is over JPY 250 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 au Kabucom Securities Co., Ltd.

### Performance of FY 2019 3Q (cumulative)



\* 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 3Q (cumulative)
Net operating revenue	251.1
Japan JV	239.3
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. Consolidated base ("MUMSS" + "MUMSPB") *1	172.2
Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") *2	67.1
au Kabucom Securities Co., Ltd. ("au Kabucom")	11.7
SG & A	221.4
Japan JV	211.4
MUMSS Consolidated base	165.7
MSMS	45.7
au Kabucom	9.9
Ordinary profit	31.5
Japan JV	29.6
MUMSS Consolidated base	8.1
MSMS	21.5
au Kabucom	1.8
Profit	21.4
Japan JV	20.0
MUMSS Consolidated base (Profit attributable to owners of parent)	5.2
MSMS	14.8
au Kabucom	1.3

\*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 3Q 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)



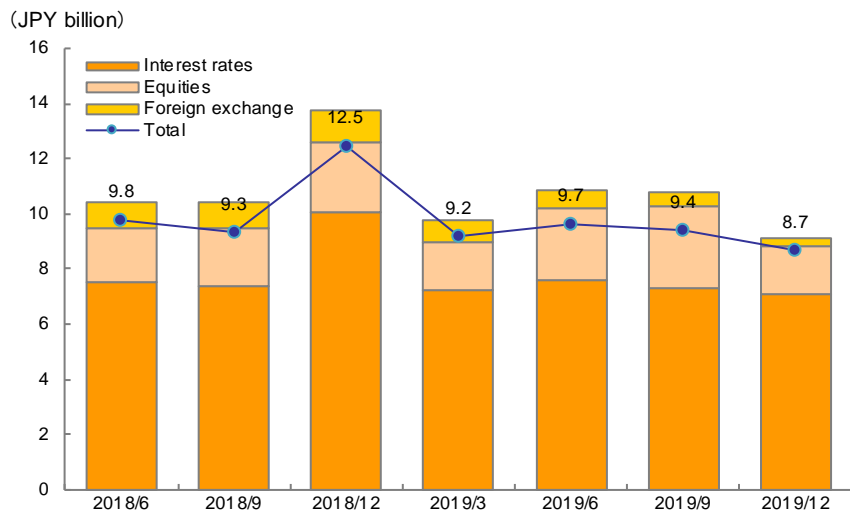
## Value at Risk (VaR) associated with the trading activities

- Equities risk decreased at domestic subsidiaries.

### Methodology of VaR

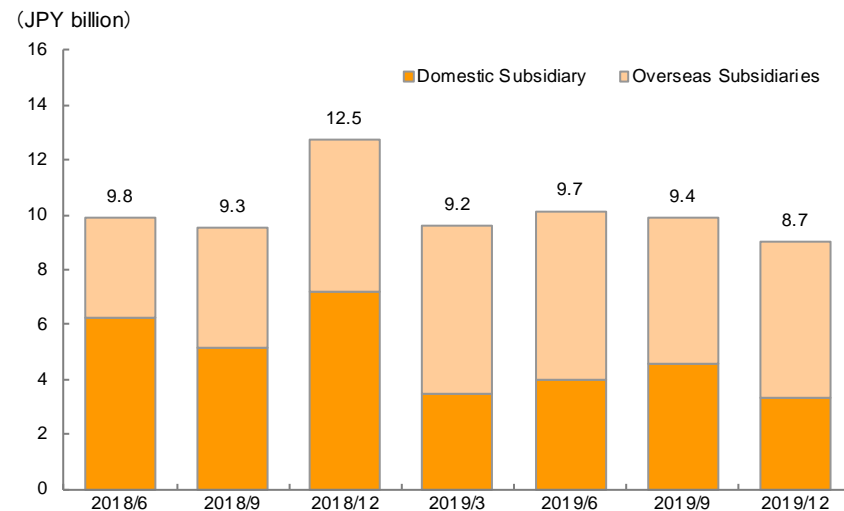
Historical simulation method (10-day holding period, 99% of confidence interval and 701-business day observation period)

### Quarterly trends of VaR by risk category



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6	2019/9	2019/12
Interest rates	7.5	7.4	10.1	7.2	7.6	7.3	7.1
Equities	2.0	2.1	2.5	1.7	2.6	2.9	1.7
Foreign exchange	0.9	0.9	1.2	0.8	0.7	0.5	0.2
<b>Total</b>	<b>9.8</b>	<b>9.3</b>	<b>12.5</b>	<b>9.2</b>	<b>9.7</b>	<b>9.4</b>	<b>8.7</b>

### Quarterly trends of VaR by type of subsidiary



(JPY billion)	2018/6	2018/9	2018/12	2019/3	2019/6	2019/9	2019/12
Domestic Subsidiary	6.2	5.1	7.2	3.5	4.0	4.5	3.3
Overseas Subsidiaries	3.7	4.4	5.5	6.1	6.1	5.4	5.7
<b>Total</b>	<b>9.8</b>	<b>9.3</b>	<b>12.5</b>	<b>9.2</b>	<b>9.7</b>	<b>9.4</b>	<b>8.7</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

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