



Mitsubishi UFJ Securities Holdings

2QFY2020

# Financial Summary

Mitsubishi UFJ Securities Holdings Co., Ltd.

October, 2020

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(Note) Figures hereafter contained in this document are rounded down to the nearest whole unit, unless otherwise specified.  
In addition, since the settlement date at overseas subsidiaries are three months earlier than the consolidation date, the cumulative performance trends refer to the results for the period between January and June, while the quarterly performance trends refer to the results for the period between April and June. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (MUMSS) absorbed and merged its consolidated subsidiary, Mitsubishi UFJ Morgan Stanley PB Securities Co., Ltd. (MUMSPB) on August 1, 2020. As a result of the merger, MUMSS's consolidated basis is not presented, hence the figures for MUMSS, including those before the current quarter, are non-consolidated basis.

## 2Q cumulative Performance Trends

- Net operating revenue was JPY 148.5bn (+4% YoY), ordinary profit was JPY 25.7bn (+157% YoY) and profit attributable to owners of parent was JPY 14.8bn (+254% YoY) on financial accounting basis.  
Net operating revenue was JPY 192.8bn (+13% YoY), ordinary profit was JPY 40.1bn (+246% YoY) and profit attributable to owners of parent was JPY 25.6bn (+363% YoY) on substantial basis including MUSA.
- Domestic subsidiaries saw an increase in profit thanks to the cost structure reforms implemented since the previous fiscal year, while suffering a decrease in revenue due to suppressed business activities under the state of emergency declared by the government resulting from the spread of the novel coronavirus outbreak. In Retail / Middle Markets, the merger between MUMSS and MUMSPB was complete, and there was progress in shift to the advisory-oriented business model as well as development of remote working environment, leading to recovery in business results.
- Overseas subsidiaries saw significant growth in the European flow products business as well as the Americas capital markets business, through capturing profit opportunities such as favorable market environments with high volatility and an increase in demand for liquidity.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %
Net operating revenue	141.6	148.5	+4%	169.4	192.8	+13%
SG&A	142.5	130.8	(8)%	167.9	159.9	(4)%
Ordinary profit	10.0	25.7	+157%	11.5	40.1	+246%
Profit (owners of parent)	4.1	14.8	+254%	5.5	25.6	+363%

## Quarterly Performance Trends

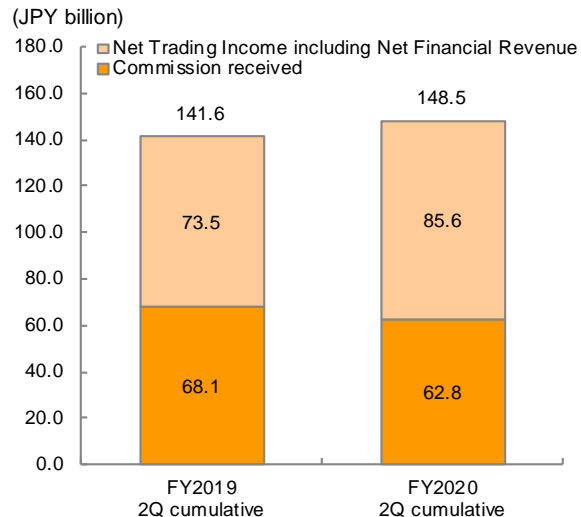
- Domestic subsidiaries saw increases in revenue in all segments in line with the recovery of business activities.
- Overseas subsidiaries achieved a record high quarterly profit.

(JPY billion)	Financial basis			Substantial basis including MUSA *		
	FY2020 1Q	FY2020 2Q	QoQ %	FY2020 1Q	FY2020 2Q	QoQ %
Net operating revenue	64.5	83.9	+29%	78.0	114.8	+47%
SG&A	63.6	67.1	+5%	76.5	83.4	+9%
Ordinary profit	6.1	19.5	+216%	6.2	33.9	+442%
Profit (owners of parent)	4.3	10.4	+140%	4.4	21.2	+380%

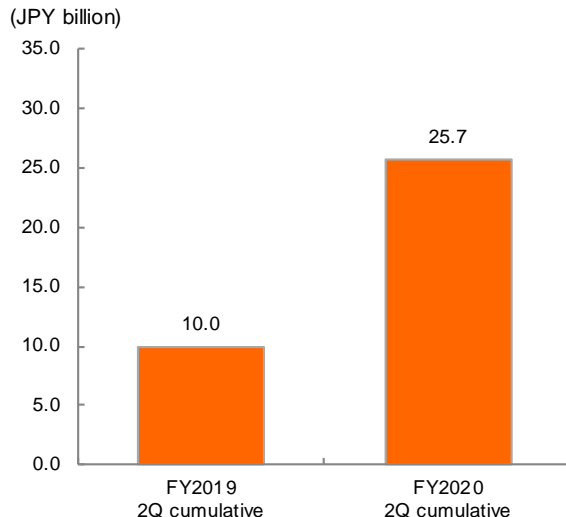
\* Figures represent the aggregation with the results of MUFG Securities America Inc. (hereinafter "MUSA"), given that MUSA, despite its deconsolidation in 3Q16 as a result of the application of the U.S. Enhanced Prudential Standards, continues to be included in the Company's internal revenue management.

## 2Q cumulative Performance Trends

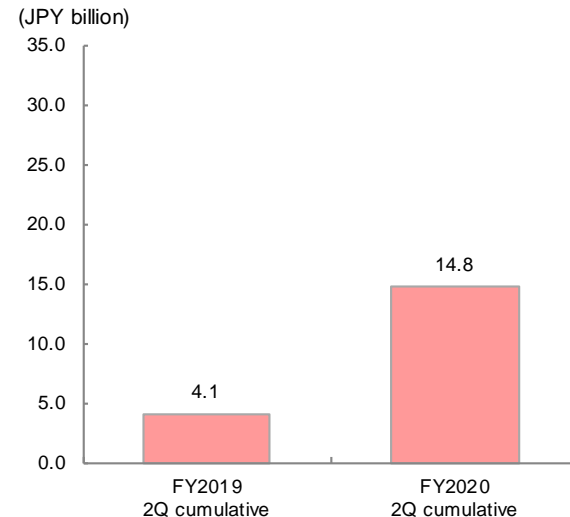
### Net operating revenue



### Ordinary profit

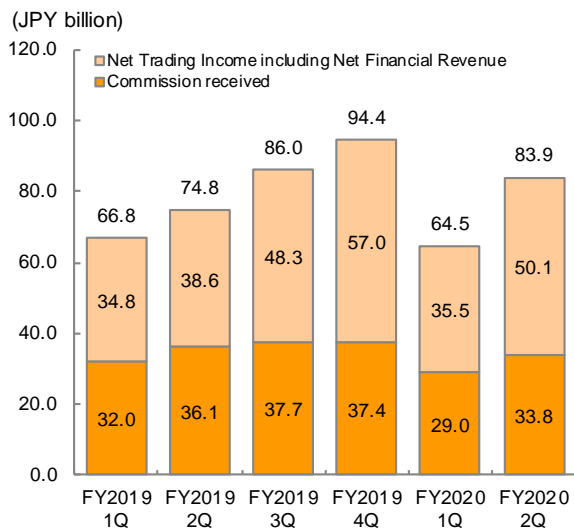


### Profit (owners of parent)

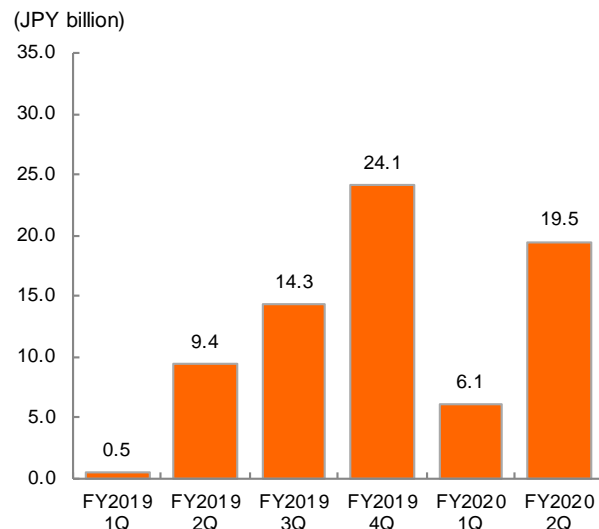


## Quarterly Performance Trends

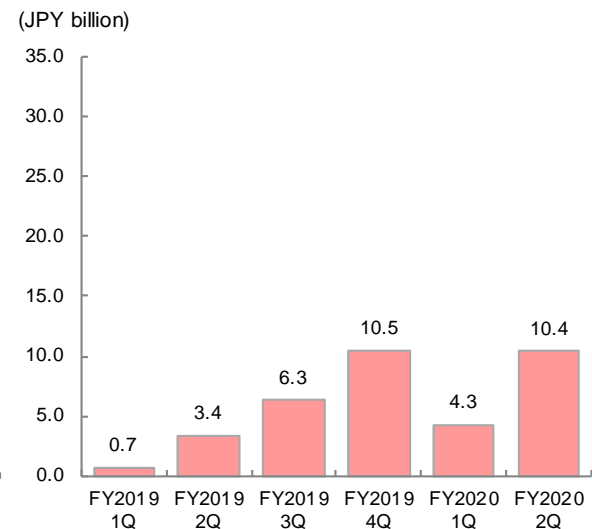
### Net operating revenue



### Ordinary profit



### Profit (owners of parent)



# Consolidated Financial Summary (1)

## Commission Received (Financial basis)

### Commission received

FY2020 2Q cumulative : JPY 62.8 billion

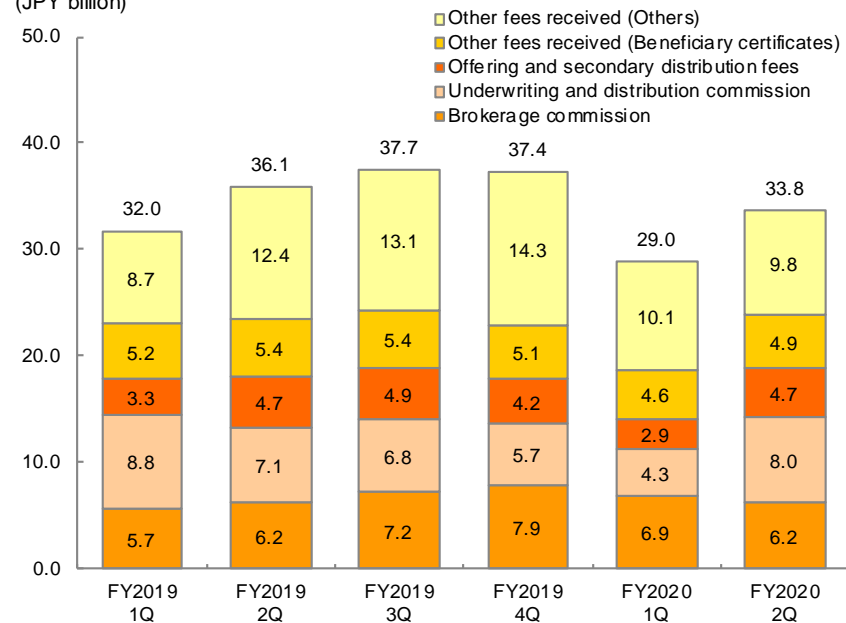
- YoY JPY (5.2) billion (7)%
- Brokerage commission: Revenue increased due to an increase in stock trading volume.
- Underwriting and distribution commission: Revenue decreased due to factors including the postponement of equity underwriting deals and the absence of large-scale bond deals in the same period of the previous year.
- Offering and secondary distribution fees: Revenue decreased due to a decrease in solicitation of privately placed funds (real estate, etc.), although sales of publicly offered investment trusts increased.
- Other fees received (Others): M&A related revenue decreased.

FY2020 2Q : JPY 33.8 billion

- QoQ JPY +4.8 billion +16%
- Brokerage commission: Revenue decreased due to a decrease in stock trading volume compared with the previous quarter.
- Underwriting and distribution commission: Revenue increased thanks to the recovery in funding through issuance of stocks and bonds by businesses.
- Offering and secondary distribution fees: Sales of publicly offered investment trusts increased thanks to the resumption of face-to-face business activities.

### Quarterly Trends

(JPY billion)



(JPY billion)	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %
Brokerage commission	12.0	13.2	+9%
Underwriting and distribution commission	15.9	12.3	(22)%
Offering and secondary distribution fees	8.1	7.6	(6)%
Other fees received (Beneficiary certificates)	10.7	9.6	(10)%
Other fees received (Others)	21.2	19.9	(5)%
Total	68.1	62.8	(7)%

	FY2020 1Q	FY2020 2Q	QoQ %
Brokerage commission	6.9	6.2	(10)%
Underwriting and distribution commission	4.3	8.0	+85%
Offering and secondary distribution fees	2.9	4.7	+61%
Other fees received (Beneficiary certificates)	4.6	4.9	+8%
Other fees received (Others)	10.1	9.8	(3)%
Total	29.0	33.8	+16%

# Consolidated Financial Summary (2)

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

### Net Trading Income · Net Financial Revenue

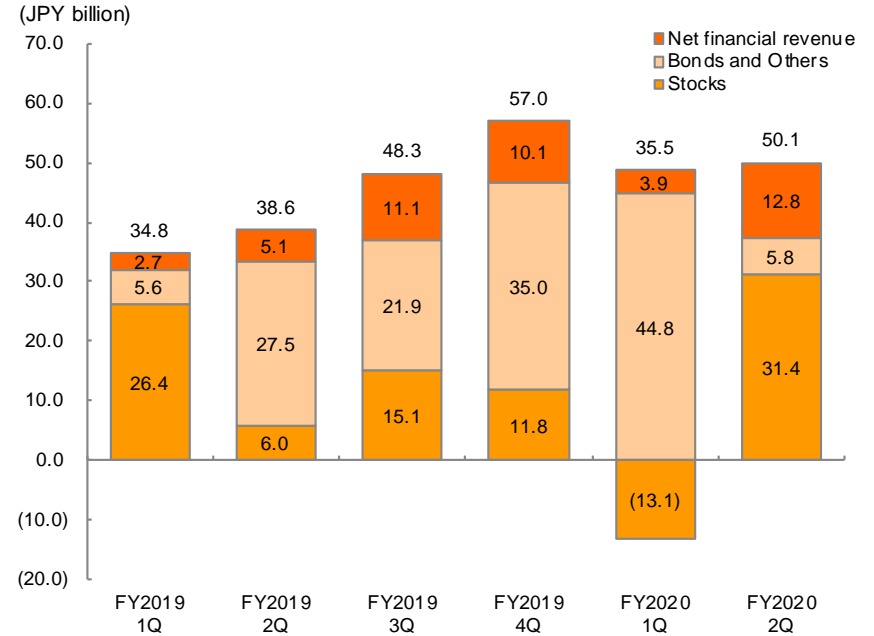
FY2020 2Q cumulative : JPY 85.6 billion

- YoY JPY +12.1 billion +16%
- Equity business: Domestic subsidiaries saw an increase in revenue overall due to the strong performance of foreign equity throughout the period under review, despite the recording of position losses in derivatives. Overseas subsidiaries increased revenue due to the recording of revenue in the derivative business.
- Fixed income business: Domestic subsidiaries saw an increase in revenue due to the revenues in the JGB position and recovery in sales of Japan domestic debt and foreign bonds, despite weak structured bonds-related revenue for retail customers due to the restriction on face-to-face business activities. Revenues at overseas subsidiaries were driven by rates and repo.

FY2020 2Q : JPY 50.1 billion

- QoQ JPY +14.5 billion +40%
- Equity business: Domestic subsidiaries saw an increase in revenue due to constant intake of customer flows, in addition to the absence of derivative losses in the previous quarter. Overseas subsidiaries saw a decrease in revenue due to the absence of derivative revenue in the previous quarter.
- Fixed income business: Domestic subsidiaries remained almost at the same level due to the absence of revenue from the JGB position in the previous quarter, offsetting the recovery in retail foreign bonds including structured bonds. Overseas subsidiaries saw growth in revenue due to the absence of the position losses due to widening of credit spreads recorded in the previous quarter.

### Quarterly Trends



(JPY billion)	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %
Stocks	32.5	18.3	(43)%
Bonds and Others	33.1	50.6	+52%
Net financial revenue	7.8	16.7	+113%
Total	73.5	85.6	+16%

FY2020 1Q	FY2020 2Q	QoQ %
(13.1)	31.4	—
44.8	5.8	(87)%
3.9	12.8	+228%
35.5	50.1	+40%

### 【Reference】 Management accounting basis

Equity business	14.7	23.8	+62%
Fixed income business	41.3	54.8	+32%
Total	56.0	78.6	+40%

12.2	11.6	(5)%
16.5	38.3	+132%
28.7	49.9	+73%

\* Figures represent the simple aggregation of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (MUMSS) and overseas subsidiaries including MUSA which based on management accounting basis.

# Consolidated Financial Summary (3)

**SG & A** (Financial basis)

## SG & A

FY2020 2Q cumulative : JPY 130.8 billion

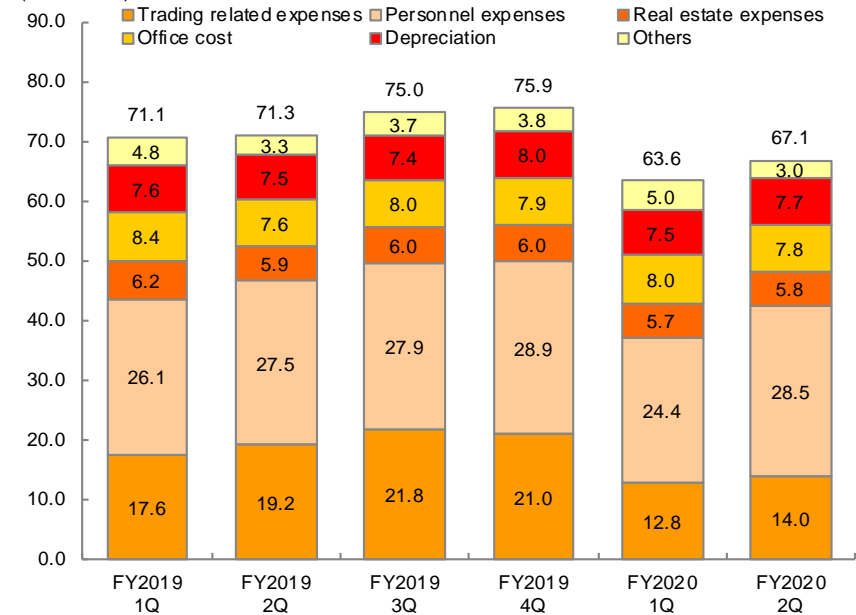
- YoY JPY (11.6) billion (8)%
- Domestic subsidiaries: Trading related expenses including brokerage commission declined significantly, thanks partly to the cost structural reforms implemented in the previous fiscal year.
- Overseas subsidiaries: Expenses remained almost at the same level, as an increase in performance-linked expenses was offset by the reduction of personnel expenses due to the cost structural reforms implemented in the previous fiscal year.

FY2020 2Q : JPY 67.1 billion

- QoQ JPY +3.5 billion +5%
- Performance-linked trading related expenses and personnel expenses increased at both domestic and overseas subsidiaries.

## Quarterly Trends

(JPY billion)



(JPY billion)	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %
Trading related expenses	36.9	26.8	(27)%
Personnel expenses	53.7	53.0	(1)%
Real estate expenses	12.2	11.6	(5)%
Office cost	16.1	15.9	(1)%
Depreciation	15.1	15.3	+1%
Others	8.2	8.0	(1)%
Total	142.5	130.8	(8)%

(JPY billion)	FY2020 1Q	FY2020 2Q	QoQ %
Trading related expenses	12.8	14.0	+9%
Personnel expenses	24.4	28.5	+17%
Real estate expenses	5.7	5.8	+1%
Office cost	8.0	7.8	(1)%
Depreciation	7.5	7.7	+1%
Others	5.0	3.0	(38)%
Total	63.6	67.1	+5%

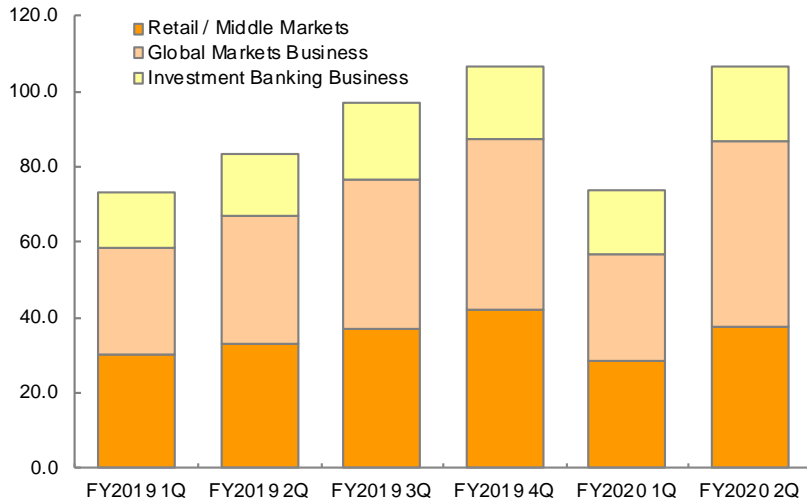
(JPY billion)	FY2019 2Q cumulative	FY2020 2Q cumulative	YoY %
Trading related expenses	36.9	26.8	(27)%
Personnel expenses	53.7	53.0	(1)%
Real estate expenses	12.2	11.6	(5)%
Office cost	16.1	15.9	(1)%
Depreciation	15.1	15.3	+1%
Others	8.2	8.0	(1)%
Total	142.5	130.8	(8)%

## Overview by Business Segments in FY2020 2Q

- Revenue increased from the previous quarter for all segments. Especially, there was a significant increase in revenue for Global Markets.
- Retail / Middle Markets: Diversification of customer approach including the use of remote methods enabled the restoration of business activities that were restricted in the previous quarter due to the spread of the novel coronavirus, while there was recovery also in sales of retail foreign bonds including structured bonds and stock investment trusts (See page 11).
- Global Markets: Revenue increased at both domestic and overseas subsidiaries. Overseas subsidiaries showed solid performance in flow products business capturing profit opportunities associated with rising volatility. Domestic subsidiaries showed recovery due to the capturing of customer flows by equity business which was stagnant in the previous quarter.
- Investment Banking: Domestic subsidiaries showed recovery in bond deals in line with improvement in the financing environment. Overseas subsidiaries performed well on the back of the expanding U.S. bond issuance market.

## Quarterly Trends

(JPY billion)



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



# Appendix

## Consolidated Statement of Income

JPY million

	Cumulative		Quarter					
	FY2019	FY2020	FY2019				FY2020	
	2Q cumulative	2Q cumulative	1Q	2Q	3Q	4Q	1Q	2Q
<b>Operating revenue</b>	204,655	191,720	97,828	106,826	117,999	133,125	107,264	84,455
Commission received	68,129	62,840	32,012	36,117	37,720	37,441	29,014	33,825
Net trading income	65,669	68,955	32,114	33,555	37,162	46,836	31,676	37,278
Other operating revenue	4	4	4	0	—	—	4	—
Financial revenue	70,852	59,919	33,698	37,153	43,116	48,848	46,568	13,351
<b>Financial expenses</b>	63,021	43,193	30,997	32,023	31,937	38,658	42,665	527
<b>Net operating revenue</b>	141,633	148,526	66,830	74,802	86,062	94,467	64,599	83,927
<b>SG &amp; A</b>	142,503	130,866	71,132	71,370	75,096	75,987	63,669	67,197
<b>Operating profit (loss)</b>	(869)	17,659	(4,301)	3,432	10,966	18,480	929	16,729
<b>Non-operating income</b>	10,989	8,702	4,934	6,055	3,426	7,126	5,839	2,863
<b>Non-operating expenses</b>	107	616	32	75	72	1,438	587	28
<b>Ordinary profit</b>	10,012	25,746	599	9,412	14,320	24,169	6,181	19,564
<b>Extraordinary income</b>	533	6	1	531	—	1,169	—	6
<b>Extraordinary losses</b>	610	469	265	345	40	1,819	138	331
<b>Income taxes</b>	2,425	7,305	(441)	2,867	5,532	7,432	1,526	5,778
<b>Profit attributable to non-controlling interests</b>	3,322	3,147	24	3,297	2,385	5,492	156	2,990
<b>Profit attributable to owners of parent</b>	4,186	14,829	753	3,433	6,362	10,594	4,359	10,469

# Appendix

## Consolidated Balance Sheet

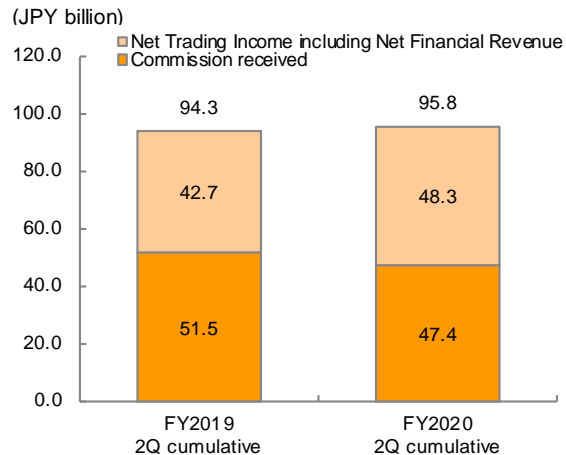
	As of Mar. 31, 2020	As of Sep. 30, 2020	Change
<b>ASSETS</b>			
<b>Current assets</b>	31,238	31,123	(115)
Cash and deposits	2,185	1,862	(323)
Trading products	12,869	15,151	+2,281
Loans secured by securities	13,241	11,681	(1,559)
Others	2,941	2,427	(513)
<b>Non-current assets</b>	627	618	(9)
PP & E	32	30	(1)
Intangible assets	106	103	(3)
Investments and other assets	488	484	(4)
<b>Total assets</b>	31,866	31,741	(124)

JPY billion

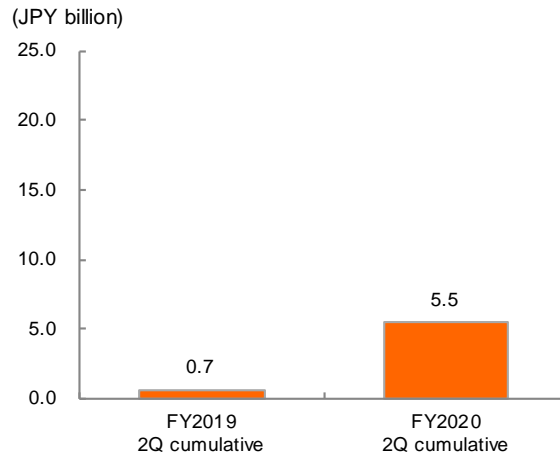
	As of Mar. 31, 2020	As of Sep. 30, 2020	Change
<b>LIABILITIES</b>			
<b>Current liabilities</b>	29,128	29,181	+53
Trading products	11,765	11,923	+158
Borrowings secured by securities	10,234	10,075	(158)
Short-term borrowings	3,259	2,344	(915)
Others	3,868	4,837	+968
<b>Non-current liabilities</b>	1,789	1,623	(165)
Bonds payable	1,017	884	(133)
Long-term borrowings	753	720	(32)
Others	19	19	+0
<b>Total liabilities</b>	30,922	30,809	(112)
<b>NET ASSETS</b>			
Shareholders' equity	701	708	+6
Accumulated other comprehensive income	(27)	(45)	(18)
Non-controlling interests	270	269	(0)
<b>Total net assets</b>	943	931	(12)
<b>Total liabilities and net assets</b>	31,866	31,741	(124)

### 2Q cumulative Performance Trends

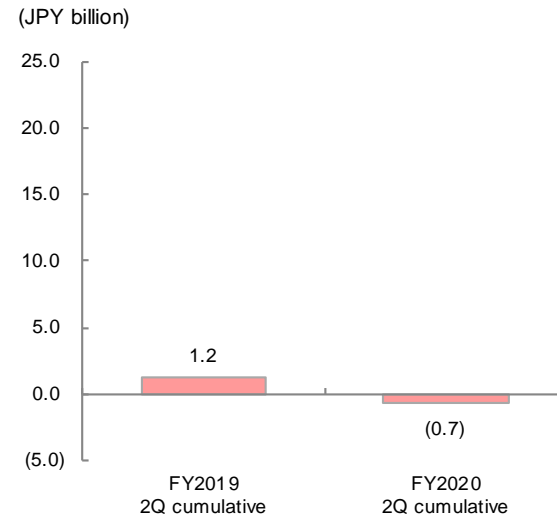
#### Net operating revenue



#### Ordinary profit

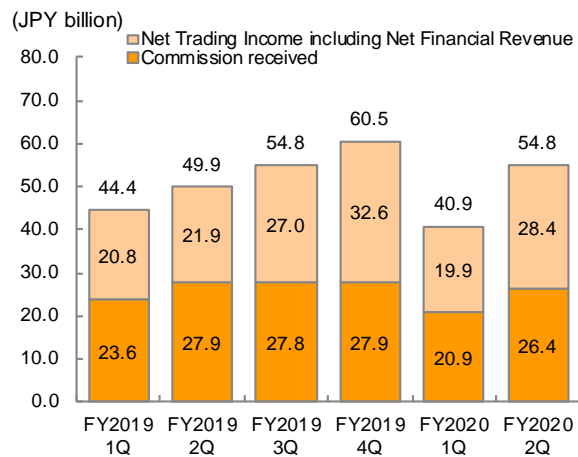


#### Profit (loss)

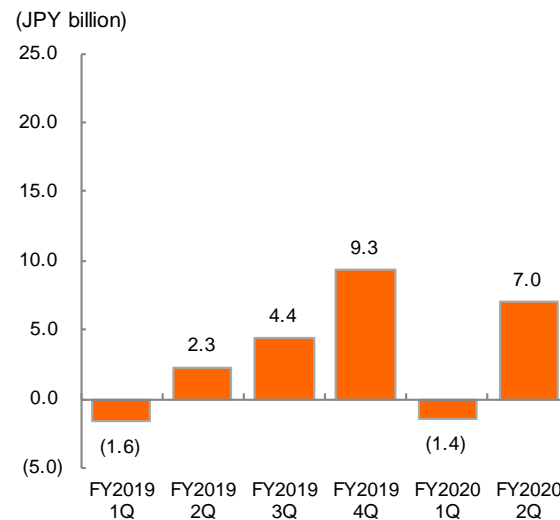


### Quarterly Performance Trends

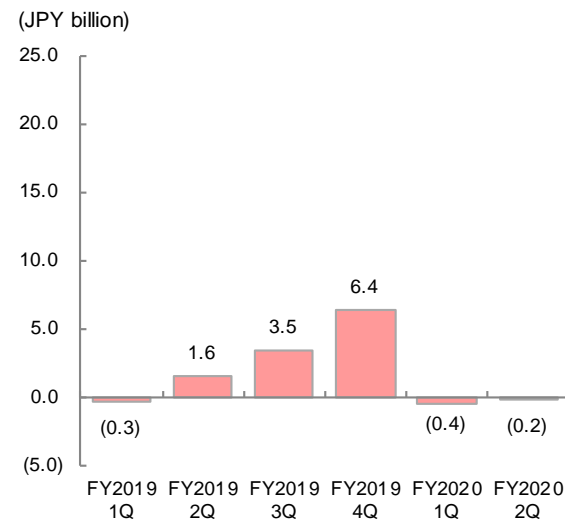
#### Net operating revenue



#### Ordinary profit (loss)



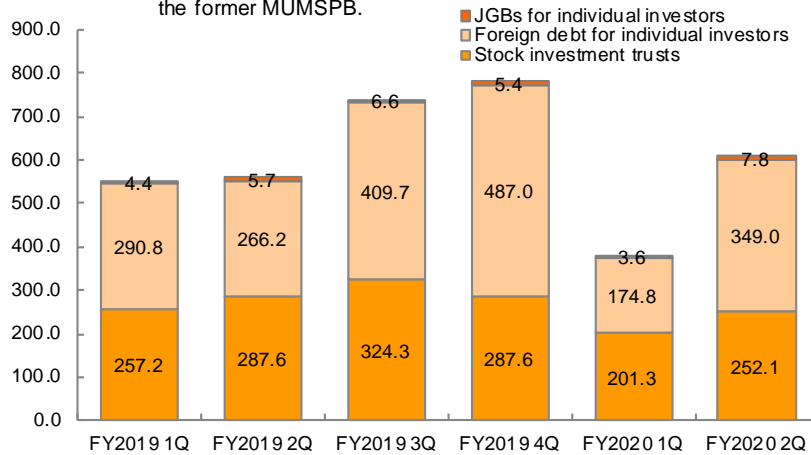
#### Profit (loss)



### Sales of Retail / Middle Market Division

#### Quarterly Trends

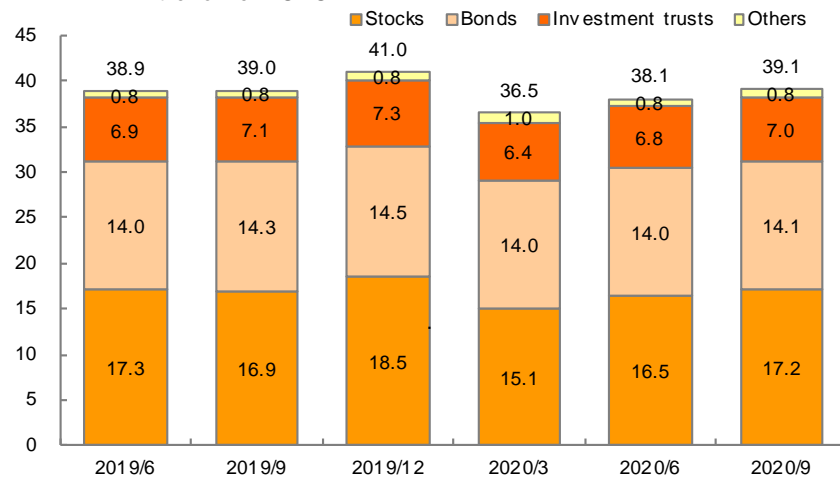
(JPY billion) \*Figures up to FY2020 1Q represent the simple aggregation of MUMSS and the former MUMSPB.



### Trends of AUM

#### Quarterly Trends

(JPY trillion) \*Figures up to Jun 2020 represent the simple aggregation of MUMSS and the former MUMSPB.



## Investment banking business ~ League Table (from April, 2020 to September, 2020)

Debt (Domestic and Foreign Bonds)<sup>\*1,2</sup>

Rank	Securities Firm	Share (%)
1	Mitsubishi UFJ Morgan Stanley	18.8
2	Mizuho Securities	18.3
3	Nomura Securities	14.2
4	SMBC Nikko Securities	13.6
5	Daiwa Securities	12.7
6	JP Morgan	4.9
7	Merrill Lynch Japan Securities	3.8
8	Citigroup Global Markets Japan	3.6
9	Goldman Sachs Japan	3.5
10	Barclays	1.6

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

Rank	Securities Firm	Share (%)
1	Nomura	29.8
2	Daiwa Securities Group	22.0
3	Sumitomo Mitsui Financial Group	14.6
4	Mizuho Financial Group	12.7
5	Bank of America Merrill Lynch	5.5
6	JP Morgan	5.0
7	Mitsubishi UFJ Morgan Stanley	3.2
8	SBI Holdings	2.2
9	Citi	1.3
10	Tokai Tokyo Financial Holdings	0.6

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

Rank	Financial Advisor	JPY billion
1	Mitsubishi UFJ Morgan Stanley	10,405
2	Nomura	9,585
3	Goldman Sachs & Co	5,674
4	Deloitte	5,227
5	Plutus Consulting Co Ltd	4,729
6	Zaoui & Co	4,246
7	The Raine Group LLC	4,246
8	Sumitomo Mitsui Financial Group	2,944
9	JP Morgan	2,459
10	BofA Securities	2,314

\*1 Source: Domestic bonds are compiled by Mitsubishi UFJ Morgan Stanley based on REFINITIV and DealWatch DB.

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

Foreign bonds are compiled by Morgan Stanley MUFG Securities based on corporate disclosure data, Dealogic, Bloomberg, IFR, and Informa.

\*2 From this disclosure, share is described as the total share of Domestic and Foreign Bonds.

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

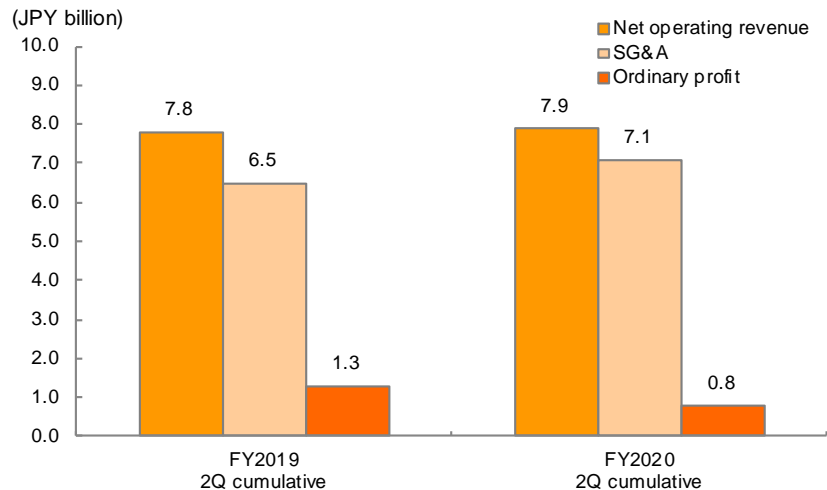
Mitsubishi UFJ Morgan Stanley includes domestic offerings of Japanese issuers underwritten by Morgan Stanley MUFG Securities as well as global offerings of Japanese issuers underwritten by Morgan Stanley. Based on underwriting amount.

\*4 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.

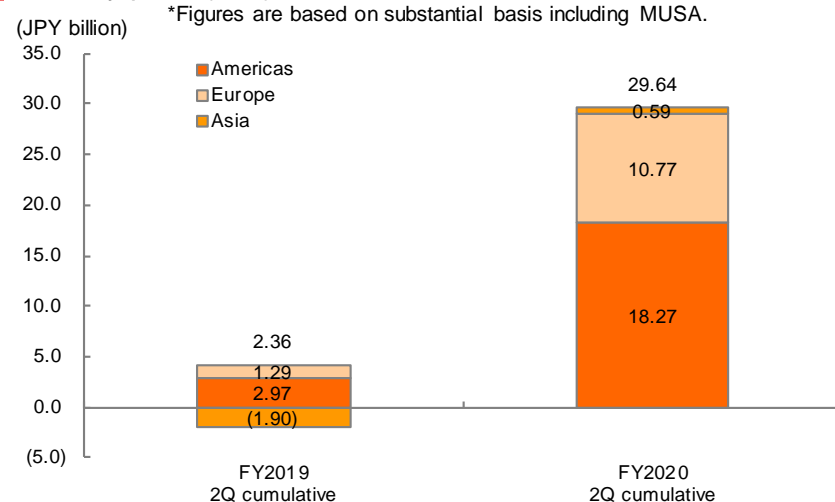
au Kabucom 2Q cumulative Performance Trends

Trends



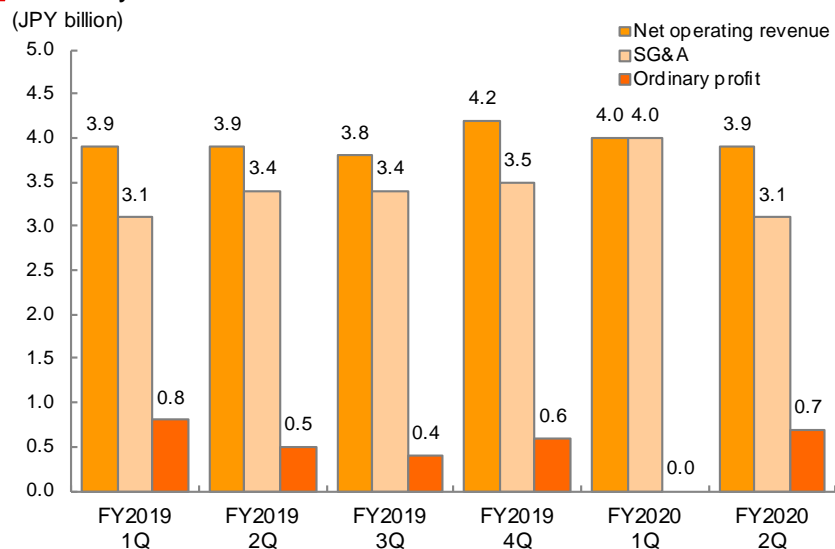
Overseas Business 2Q cumulative Performance Trends

Ordinary profit (loss) : Trends



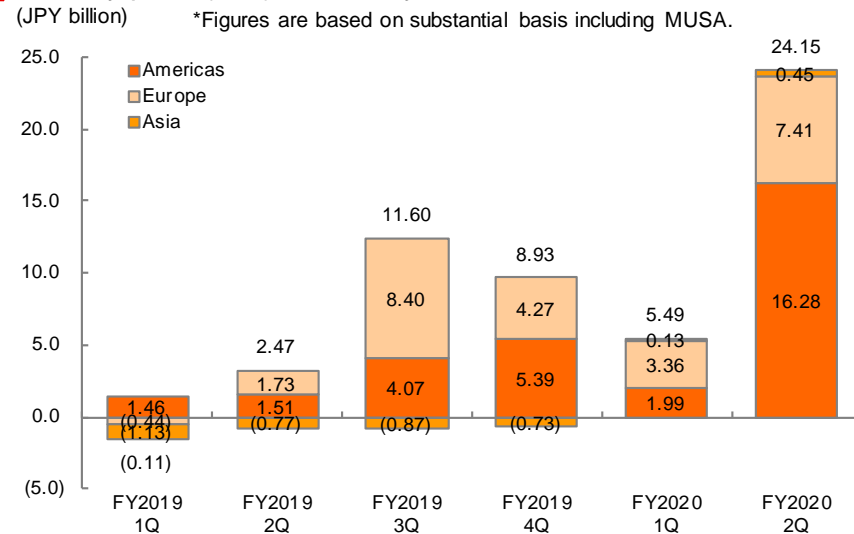
au Kabucom Quarterly Performance Trends

Quarterly Trends



Overseas Business Quarterly Performance Trends

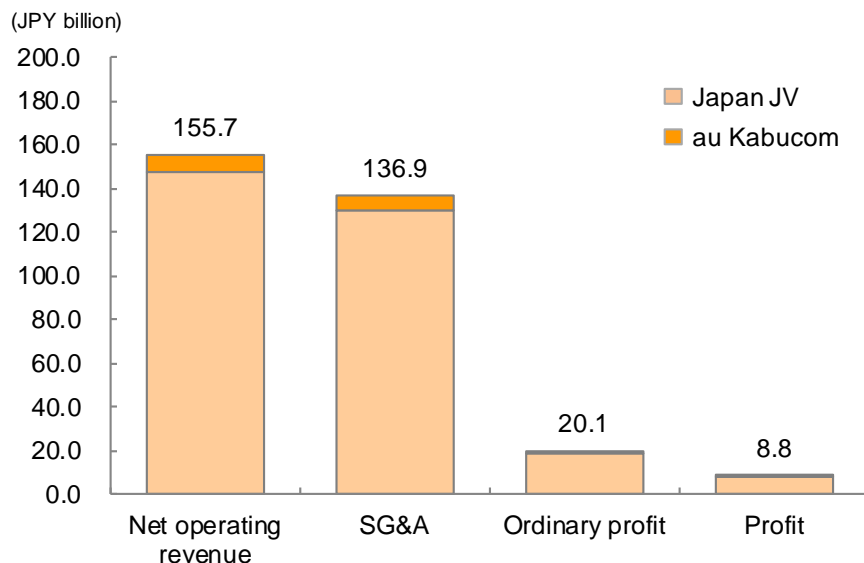
Ordinary profit (loss) : Quarterly Trends



## Domestic Securities Companies' Performance

- Net operating revenue of the Domestic Securities Companies is over JPY 150 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 three companies including two joint venture companies with Morgan Stanley ("Japan JV") and au Kabucom Securities Co., Ltd.

### Performance of FY 2020 2Q (cumulative)



Simple sum of the figures for the Domestic Securities Companies (JPY billion)	FY 2020 2Q (cumulative)
<b>Net operating revenue</b>	<b>155.7</b>
Japan JV	147.7
MUMSS + MUMSPB *1	106.1
Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") *2	41.6
au Kabucom Securities Co., Ltd. ("au Kabucom")	7.9
<b>SG &amp; A</b>	<b>136.9</b>
Japan JV	129.7
MUMSS + MUMSPB *1	97.5
MSMS	32.2
au Kabucom	7.1
<b>Ordinary profit</b>	<b>20.1</b>
Japan JV	19.2
MUMSS + MUMSPB *1	10.0
MSMS	9.2
au Kabucom	0.8
<b>Profit</b>	<b>8.8</b>
Japan JV	8.5
MUMSS + MUMSPB *1	2.3
MSMS	6.2
au Kabucom	0.2

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

\*1 MUMSS absorbed and merged its consolidated subsidiary, MUMSPB on August 1, 2020. As a result of the merger, MUMSS's consolidated basis is not presented, hence the figures for "MUMSS + MUMSPB" are the simple sum of the figures for MUMSS (April-September) and MUMSPB (April-July).

\*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

Capital adequacy ratio of MUMSS at FY2020 2Q 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)





# Mitsubishi UFJ Securities Holdings

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