(Reference Translation)

July 19, 2017

TSE Imposes Disciplinary Action against Morgan Stanley MUFG Securities Co.,Ltd.

Tokyo Stock Exchange, Inc. (hereinafter "TSE") has taken disciplinary action against Morgan Stanley MUFG Securities Co.,Ltd. (hereinafter "the Company"), as indicated below, pursuant to the provisions of Rule 34, Paragraph 1 of the Trading Participant Regulations and has requested the Company to submit a business improvement report pursuant to the provisions of Rule 19, Paragraph 1 of the same Regulations.

[Disciplinary Actions]

- Trading of securities in the TSE market for the Company's own proprietary account by its Trading, Institutional Equity Division shall be suspended from July 31, 2017 to August 2, 2017. (This shall exclude trading that TSE has approved on a case-by-case basis, such as that which must be conducted to fulfill/execute a current contract.)

- Imposition of a JPY 80 million fine

[Details]

➢ Background

In February 2016, Japan Exchange Regulation (hereinafter "JPX-R") gave explanations to the Company and reported the situation to the Securities and Exchange Surveillance Commission (hereinafter "SESC") based on the results of the market surveillance JPX-R had conducted, which showed that the Company might have conducted market manipulation (spoofing) by proprietary trading.

In response to the report from JPX-R, the SESC investigated the actual situation and found that the Company had indeed conducted market manipulation (spoofing) by proprietary trading. On December 6, 2016, SESC recommended that the Financial Services Agency (hereinafter "FSA") issue an administrative monetary penalty payment order to the Company. Consequently, on December 16, 2016, the FSA issued the order to the Company for an administrative penalty charge of JPY 219.88 million.

(Reference Translation)

- Summary of Violation

Since May 2015, the Company had been holding the stock of SEIBU HOLDINGS INC. (hereinafter the "Stock") in expectation of short-term demand from customers and managed the positions. However, in early September 2015, the market remained on the declining, and customer demand was found to be lower than expected. As such, in that same month, the Company proactively reduced the positions and eventually decided to close said positions completely. All positions held by the Company were closed by October 19, 2015.

In the interim, with the aim of attracting trading in the Stock, the Company had placed multiple small-quantity buy orders around the Best Bid price (spoofing) for a total of 9.258 million shares of the Stock. The Company had no intention of buying all said shares and only actually purchased 416,500 shares. The spoofing took place over 14 trading days in total from September 24, 2015 to October 6, 2015 and from October 13, 2015 to October 19, 2015. On its proprietary account, the Company placed a number of orders or conducted a number of trades that would likely mislead a person into believing that trading for the Stock was thriving and, thereby, cause fluctuations in market prices of the Stock on the TSE market. The Company would then proceed to sell said Stock at favorable prices. These acts are deemed to fall under acts referred to in Article 159, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act.

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