Capital Management

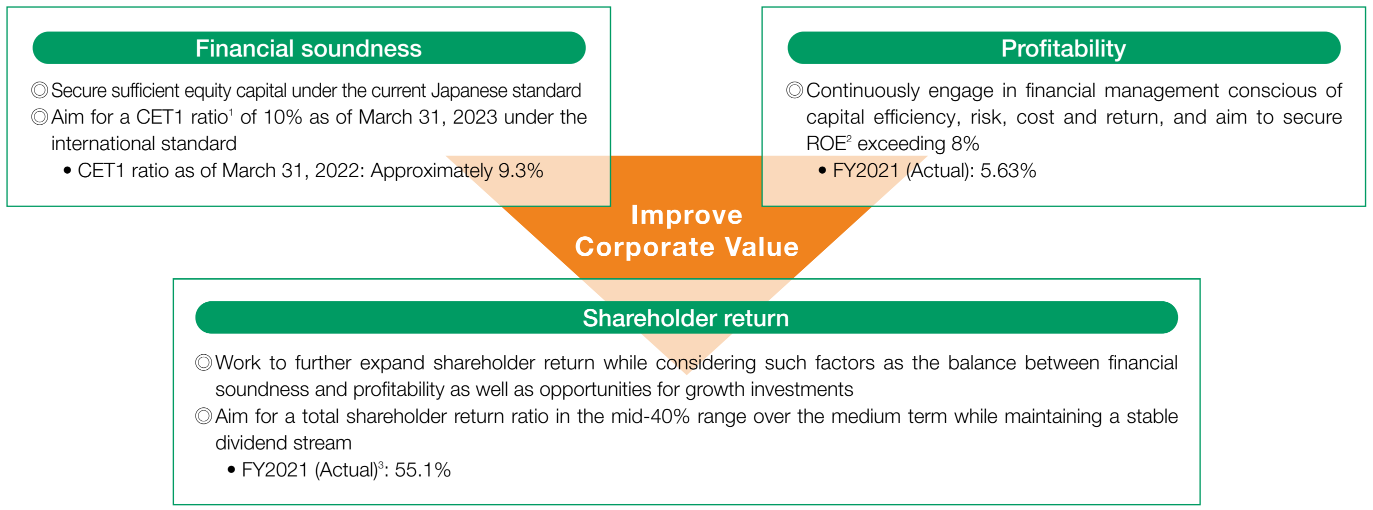
In line with its basic capital management policy, the Resona Group aims to maintain an optimal balance between 1) financial soundness, 2) profitability and 3) shareholder return. In addition to maintaining a stable stream of cash dividends, we aim for a total shareholder return ratio in the mid-40% range over the medium term. In these ways, we will strive to further enhance shareholder returns in a way that balances financial soundness and profitability as well as giving due consideration to seizing growth investment opportunities.

As of March 31, 2022, our Common Equity Tier 1 (CET1) capital ratio (based on regulations to be effective upon the enforcement of the finalized Basel 3; excluding net unrealized gains on available-for-sale securities), which indicates financial soundness, stood at around 9.3%. We expect this ratio to increase to the higher half of the 9% range by the end of FY2022. In addition, ROE (based on total shareholders' equity), a profitability indicator, was 5.63% in FY2021. For FY2022, we anticipate that ROE will grow to the mid-7% range. ROE did not reach 8%, our target under the MMP, in FY2021 and nor is it likely to reach this target in FY2022 due to the inclusion of actual and estimated costs arising from measures to secure timely response to inherent risks. However, we will push ahead further with income and cost structure reforms and enhance our earnings power while steadily raising capital productivity through the effective utilization of capital.

As for shareholder returns, we executed a share buyback in November 2021, expending approximately ¥10.0 billion, based on our determination to establish a clear roadmap toward the achievement of our shareholder return target.

Since the injection of public funds in 2003, the Resona Group has striven to improve the quality of its capital and, even after the full repayment of public funds in 2015, worked to accumulate a robust volume of capital. Now, we believe that we are about to enter a new phase in which we can step up the utilization of capital. Going forward, we aim to accelerate capital circulation aimed at enhancing our corporate value and, to this end, intend to engage in robust in-house discussions with an eye to incorporating relevant measures into the next MMP.

Making efforts to further expand shareholder returns as our basic policy is to strike an optimal balance between financial soundness, profitability and shareholder return.



Dialogue with Shareholders and Investors

We also place emphasis on maintaining constructive dialogue with shareholders and investors. Seeking to secure sustainable corporate growth and medium- to long-term improvement in the Group's corporate value, we strive to ensure that our shareholders and investors have an accurate understanding of, confidence in and a fair evaluation of the Group's management strategy and financial condition and engage them in various forms of discussion to garner their input, which we reflect in our actions.

Due to the COVID-19 pandemic, as in the previous year, opportunities for face-to-face dialogue were somewhat limited in FY2021. Nevertheless, we have striven to expand opportunities for dialogue via digital platforms, remote interviews with shareholders and investors, online shareholder seminars and web-based briefings for individual investors. We also launched YouTube-based video streaming programs for individual investors.

Opinions voiced by shareholders and investors are regularly reported to the Board of Directors and other bodies to improve our management strategy. At the same time, we endeavor to facilitate employee understanding of the market reputation of and market expectations regarding the Resona Group's business performance.

In addition, one of our aims under the MMP is to ensure our ongoing inclusion in all four of the ESG indices selected by the Government Pension Investment Fund (GPIF). To that end, we are constantly enhancing the content of information disclosure, including disclosure related to our SX initiatives and other non-financial information. In addition, in our efforts to disclose information fairly and impartially, we remain conscious of the need to reduce capital costs through the elimination of informational asymmetry. In these ways, we strive to enhance the content of dialogue with shareholders and investors.

1 Based on regulations to be effective upon the enforcement of the finalized Basel 3; excluding net unrealized gains on available-for-sale securities
2 Net income attributable to owners of parent / Total shareholders' equity (simple average of the balances at the beginning and end of the term)
3 Excluding a share buyback undertaken to neutralize the dilutive effect on EPS of making KMFG a wholly owned subsidiary

Outline of Financial Results for FY2021

Net income attributable to owners of parent was ¥109.9 billion, down ¥14.5 billion or 11.6%, year on year, falling short of our target of ¥145.0 billion.

In large part, the shortfall in net income reflected (1) the implementation of measures to improve the soundness of our securities portfolio in the fourth quarter. Also, we recorded (2) additional credit-related expenses because of a revision of classifications assigned to certain borrowers, further dampening efforts to meet the earnings target.

Consolidated gross operating profit declined ¥37.1 billion from FY2020 to ¥601.9 billion.

Net interest income from domestic loans and deposits decreased ¥2.3 billion from the previous fiscal year to ¥337.9 billion. The annual average loan balance grew 2.42% year on year, while the loan rate declined 0.03%. Both of these indicators trended in line with the plan. The decline in the loan rate stayed small, indicating that this decline can be mostly offset by growth in lending volume.

Fee income rose ¥16.8 billion or 8.7%, year on year to ¥208.3 billion, hitting an all-time best since the inauguration of Resona Holdings.

On the other hand, net gains on bonds (including futures) decreased ¥67.9 billion year on year to net losses of ¥53.8 billion, serving as a primary factor leading to a significant decline in consolidated gross operating profit. These losses are mainly attributable to the implementation of measures to improve the soundness of our portfolio of foreign bonds and other instruments on the back of rapid hikes in U.S. interest rates.

We have also recorded operating expenses of ¥416.3 billion, a year-on-year increase of ¥0.8 billion. Although this increase reflects growth in non-personnel expenses associated with the introduction of new branch systems at Resona Bank and Saitama Resona Bank, the overall volume of expenses has still been kept at a level below the initial plan for FY2021, thanks primarily to steady progress in cost reductions undertaken by KMFG and other reductions in the Group's base expenses.

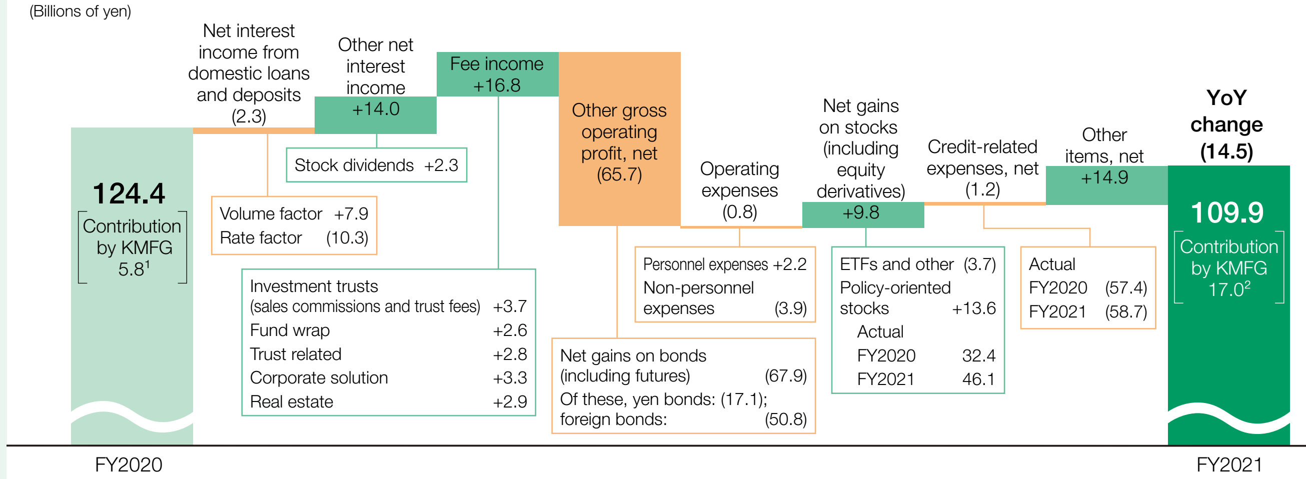
Net gains on stocks (including equity derivatives) rose ¥9.8 billion year on year to ¥47.1 billion, reflecting progress in the reduction of policy-oriented stockholdings and other factors.

Credit-related expenses increased ¥1.2 billion from the previous fiscal year to ¥58.7 billion, exceeding the level set in the initial plan for FY2021, due mainly to the fourth-quarter revision of classifications assigned to certain major borrowers that have become subject to rehabilitation support in the face of supply restrictions and other repercussions of the COVID-19 pandemic. However, if these borrowers are excluded, the specific reserve for possible loan losses has been quite stable. Therefore, we have concluded that the overall quality of our lending assets has not deteriorated.

Financial Results Overview (Resona Holdings consolidated)

(Billions of yen)	FY2021	
		YoY change
Net income attributable to owners of parent	109.9	(14.5)
Gross operating profit	601.9	(37.1)
Net interest income	429.1	+11.7
Net interest income from domestic loans and deposits	337.9	(2.3)
Fee income	208.3	+16.8
Fee income ratio (%)	34.6%	+4.6%
Other operating income	(35.5)	(65.7)
Net gains on bonds (including futures)	(53.8)	(67.9)
Operating expenses (excluding Group banks' non-recurring items)	(416.3)	(0.8)
Actual net operating profit	186.0	(37.9)
Net gains on stocks (including equity derivatives)	47.1	+9.8
Credit-related expenses, net	(58.7)	(1.2)
Other gains, net	(18.8)	+0.7
Net income before income taxes and non-controlling interests	155.6	(28.6)
Income taxes and other	(45.5)	+9.0
Net income attributable to non-controlling interests	(0.1)	+5.0

Factors Contributing to the Changes in Net Income Attributable to Owners of Parent (Resona Holdings consolidated)



1 KMFG's consolidated net income x 51.2% (1Q – 3Q) and x 60.4% (4Q)
2 KMFG's consolidated net income x 100%