Initiatives to Improve Corporate Value

In the following, I explain concepts behind our pursuit of higher market ratings, including a PBR of more than 1 time, as part of initiatives to improve corporate value.

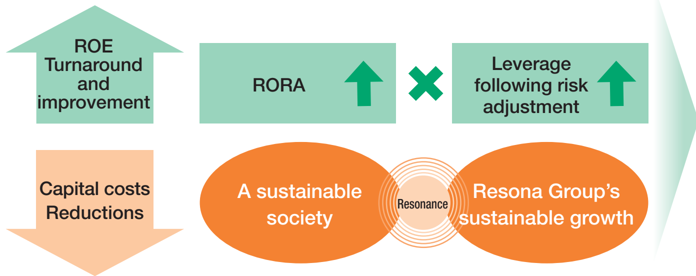
For us to improve PBR, it is important to pursue both higher ROE and lower capital costs. Below are measures to be implemented under the new MMP to achieve this twofold aim.

The following diagram shows the breakdown of ROE components based on the DuPont Analysis following risk adjustments in light of the nature of the banking industry. Over the course of the previous MMP period, our ROE remained on a downward trend for the first two years before achieving recovery in the final year.

We believe that there were two major factors behind this ROE trend. First, we saw a rapid expansion of our balance sheet during the COVID-19 pandemic. This resulted in a growing volume of assets with low utilization. With this in mind, we need to further improve risk-return by, for example, adopting a more proactive approach to risk-taking endeavors. Second, downside risks have materialized and affected profit/loss in the form of major credit-related costs and outlays resulting from measures to restore foreign bond portfolio soundness. To counter these risks, we need to further upgrade our mode of risk governance.

Aware of the issues discussed above, we intend to robustly strive for the improvement of profitability and asset efficiency through the effective utilization of capital.

Toward the Improvement of PBR



- Accelerate income and cost structure reforms
- Fully utilize capital
- Pursue more sophisticated balance sheet management

- Risk governance/High-quality, stable profit
- A financial service group that is the most significant contributor to customer success in SX
- Enhance employee engagement via investment in human capital
- Enhance the disclosure of both financial and non-financial information

Breakdown of ROE components

	ROE		RORA: Net income / RWA*		Leverage following risk adjustment: RWA* / Shareholders' eqity	Total assets accounted for as of the fiscal year-end
FY2019	8.9%	=	0.7%	×	11.9 times	¥60.5 trillion
FY2020	6.8% ↓	=	0.6% ↓	×	11.3 times ↓	¥73.6 trillion
FY2021	5.6% ↓	=	0.5% ↓	×	10.7 times ↓	¥78.1 trillion
FY2022	7.6% ↑	=	0.7% ↑	×	9.9 times ↓	¥74.8 trillion
(Average of the period from FY2020 to FY2022)	6.7%	=	0.6%	×	10.6 times	¥75.5 trillion

*Based on the full enforcement of the finalized Basel 3 regulations

Initiatives to be implemented over the course of the new MMP period

Improve profitability and asset efficiency via the proactive utilization of capital

(Organic)	(Inorganic)
Enhance higher risk-return lending assets, etc.	Enhance customer bases, management resources and functions

Step up investment in human capital ⇒ Further Development & New Challenges × Co-Creation & Expansion
Core income + ¥17.0 billion (target)

Upgrade our mode of risk governance

Enhance the content of shareholder returns
A total shareholder return ratio target of around 50%

Seize upside profit opportunities that arise at the time of interest rate hikes	Further reduce policy-oriented stockholdings Planned annual reductions of ¥20.0 billion

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.

In FY2022, we constantly enhanced our digital-based approach to investors in addition to engaging in a growing number of face-to-face interviews, approaching each in a manner aligned with their differing circumstances and needs. For example, we visited investors abroad as part of overseas IR activities. In sum, we have striven to increase opportunities for both face-to-face and online communications with 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 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.

Outline of Financial Results for FY2022

Net income attributable to owners of parent was ¥160.4 billion, up ¥50.4 billion, or 45.8%, year on year, representing 106.9% of the initial target of ¥150.0 billion.

Consolidated gross operating profit declined ¥1.8 billion from FY2021 to ¥600.0 billion. On the other hand, actual net operating profit rose ¥9.6 billion year on year to ¥195.7 billion.

Net interest income from domestic loans and deposits decreased ¥3.8 billion from the previous fiscal year to ¥334.1 billion and thus trended in line with the plan. The annual average loan balance grew 3.20% year on year, while the loan rate declined 4bps. The decline in the loan rate stayed small, indicating that this decline can be mostly offset by growth in lending volume.

Fee income rose ¥0.3 billion year on year to ¥208.6 billion hitting an all-time best since the inauguration of Resona Holdings for two years in a row. Primary contributors to this achievement included fee income from insurance, settlement-related operations and real estate.

Net gains on bonds (including futures) resulted in net losses of ¥47.7 billion, albeit representing a ¥6.1 billion improvement from the previous fiscal year. This was due mainly to the implementation of measures to improve the soundness of our portfolio of foreign bonds and other instruments, outlays for which had similarly served as a major factor behind net losses on bonds in FY2021.

We have also recorded operating expenses of ¥404.7 billion, a year-on-year decrease of ¥11.6 billion. This decrease included ¥4.7 billion reductions in personnel expenses, reflecting the success of such initiatives as the control of the total headcount in line with optimal staff allocation on a Group-wide basis, despite the progressive increase of wages per employee. Non-personnel expenses similarly declined ¥4.5 billion as we have benefitted from the downward revision of deposit insurance premiums, which, in turn, allowed us to successfully offset the growing volume of depreciation costs associated with the launch of new branch systems and other major projects.

Net gains on stocks (including equity derivatives) rose ¥6.7 billion year on year to ¥53.9 billion, reflecting progress in the reduction of policy-oriented stockholdings and other factors.

Credit-related expenses decreased ¥42.7 billion from the previous fiscal year to net expenses of ¥15.9 billion, representing only 41.9% of the annually planned expenses of ¥38.0 billion. This is due mainly to reversal gains recorded in connection with the upgrading of, and collection from, some major clients subject to rehabilitation assistance.

(Billions of yen)

Resona Holdings consolidated	FY2022	YoY change
Net income attributable to owners of parent	160.4	+50.4
Earnings per share (EPS) (yen)	67.48	+22.07
Book-value per share (BPS) (yen)	1,065.31	+40.30
ROE (based on total shareholders' equity)[1]	7.66%	+2.03%
Gross operating profit	600.0	(1.8)
Net interest income	419.3	(9.8)
Net interest income from domestic loans and deposits[2]	334.1	(3.8)
Interest income on yen bonds, etc.[3]	25.4	+2.2
Fee income	208.6	+3.0
Fee income ratio	34.7%	+0.1%
Other operating income	(27.9)	+7.5
Net gains on bonds (including futures)	(47.7)	+6.1
Operating expenses (excluding Group banks' non-recurring items)	(404.7)	+11.6
Consolidated cost income ratio	67.4%	(1.7)%
Actual net operating profit	195.7	+9.6
Net gains on stocks (including equity derivatives)	53.9	+6.7
Credit-related expenses, net	(15.9)	+42.7
Other gains, net	(8.7)	+10.1
Net income before income taxes and non-controlling interests	225.0	+69.3
Income taxes and other	(63.3)	(17.7)
Net income attributable to non-controlling interests	(1.3)	(1.1)

1 Net income attributable to owners of parent / Total shareholders' equity (simple average of the balances at the beginning and end of the term)
2 Net interest income from domestic loans and deposits: Total of Group banks, banking-book basis (including negotiable deposits)
3 Interest income on yen bonds and income from interest rate swaps

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

(Billions of yen)