CFO MESSAGE

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Review of Results for the Fiscal Year Ended March 2024 (FY2023)

In the fiscal year ended March 31, 2024, the Resona Group made a generally good start on current medium-term management plan (MMP) while identifying some issues. Reflecting on the first year of the MMP, I would like to begin my message by calling attention to the following three points.

The first point is regarding Resona Holdings' consolidated bottom-line income. While closely watching for changes in the business environment, in FY2023 we focused on securing financial flexibility in the course of business operations, with an eye to achieving "Profitability surpassing MMP target." As a result, net income attributable to owners of parent amounted to ¥158.9 billion, which is 5.9% in excess of our annual target of ¥150.0 billion.

The second point is about core income, which is defined as "Net interest income from domestic loans and deposits + Interest on yen bonds, etc. + Fee income + Operating expenses." This indicator stood at ¥158.7 billion and was 5.8% in excess of our annual target. Although first-half core income was down year on year, a turnaround in the second half returned this indicator to a growth track. We thus successfully concluded FY2023 with a favorable trend toward improved momentum in terms of financial performance.

We have also seen year-on-year growth in net interest income from domestic loans and deposits over the course of the second half in contrast with a downward trend in the first half, just as expected when the MMP was formulated. Also, fee income grew for the fourth consecutive year, hitting an all-time best. These accomplishments and a ¥5.4 billion year on year increase in interest income on yen bonds, etc., suggest that our preparatory efforts to secure the ability to expand top-line income by leveraging both net interest income from domestic loans and deposits as well as fee income are beginning to pay off. In the wake of the abolition of the yield curve control policy previously enforced by the Bank of Japan (BOJ), we pushed ahead with securing a solid profit margin on held-for-maturity bonds and instruments with comprehensive hedging. For FY2024, we expect income from these items to remain on a growth track. Although operating expenses increased ¥11.8 billion year on year, these expenses remain under control and within the limits of our plan.

The third point is about the utilization of capital. In this regard, we have made steady progress. At the announcement of the current MMP, we stated that the Group had entered a phase of capital utilization. We then pushed ahead with capital utilization and growth investment in both organic and inorganic growth fields. Our noteworthy accomplishments in the organic growth field included substantial expansion in the balance of corporate loans. Taking into account our FY2023 results and expectations under the FY2024 plan, we anticipate that, by the end of FY2024, our corporate loan balance will fulfill 90% of the entire three-year period of the MMP. In the inorganic growth field, we closed deals related to (1) the transformation of two leasing companies into wholly owned subsidiaries and (2) the expansion of a capital and business alliance with Digital Garage, Inc (DG). Furthermore, we have enhanced the content of shareholder returns, with the total shareholder return ratio increasing from 40.6% in FY2022 to 48.2% in FY2023.

Forecast for the Fiscal Year Ending March 2025 (FY2024)

For FY2024, the target for net income attributable to owners of parent was set at ¥165.0 billion, a year-on-year increase of ¥6.1 billion. Here, I will discuss our FY2024 earnings target relative to the MMP target.

The calculation of the above target value for bottom-line income factored in ¥5.0 billion in post-tax expenses due to the integration of Minato Bank's back-office operations and systems. Accordingly, excluding this one-off factor, our target for FY2024 is ¥170.0 billion, our target for FY2025. Thus, we are in effect aiming to achieve the final-year target under the MMP a year ahead of schedule. In addition, the FY2024 target is ¥10.0 billion higher than the ¥155.0 billion target originally set for that year, the second year of the MMP. Moreover, with regard to core income, we will secure a ¥7.0 billion beyond the core income target for FY2024 thanks to growth in both net interest income from domestic loans and deposits as well as interest income on yen bonds, etc.

Factors contributing to differences between earnings forecasts for FY2024 and MMP targets for said fiscal year are as presented in the following chart. While we anticipate that the lifting of BOJ's negative interest rate policy will lead to additional income of ¥10.0 billion, we are aware of uncertainties regarding changes in customers' financial behavior, such as a possible shift from liquidity deposits to term deposits. With this in mind, we also expect a negative ¥7.0 billion impact in the form of asset liability management (ALM) costs associated with rising interest rates. Although we provide another chart indicating both upside and downside factors, we continue to aim to achieve generally higher operating results compared with MMP targets.

FY2024 Earnings Targets and Dividend Forecasts

Resona Holdings consolidated

(Billions of yen)	Full-year targets	YoY change
Net income attributable to owners of parent	165.0	+6.1
Differences between consolidated and non-consolidated results	16.0	+0.7
Core income (actual basis)[1]	160.0	+1.3

Dividends per share

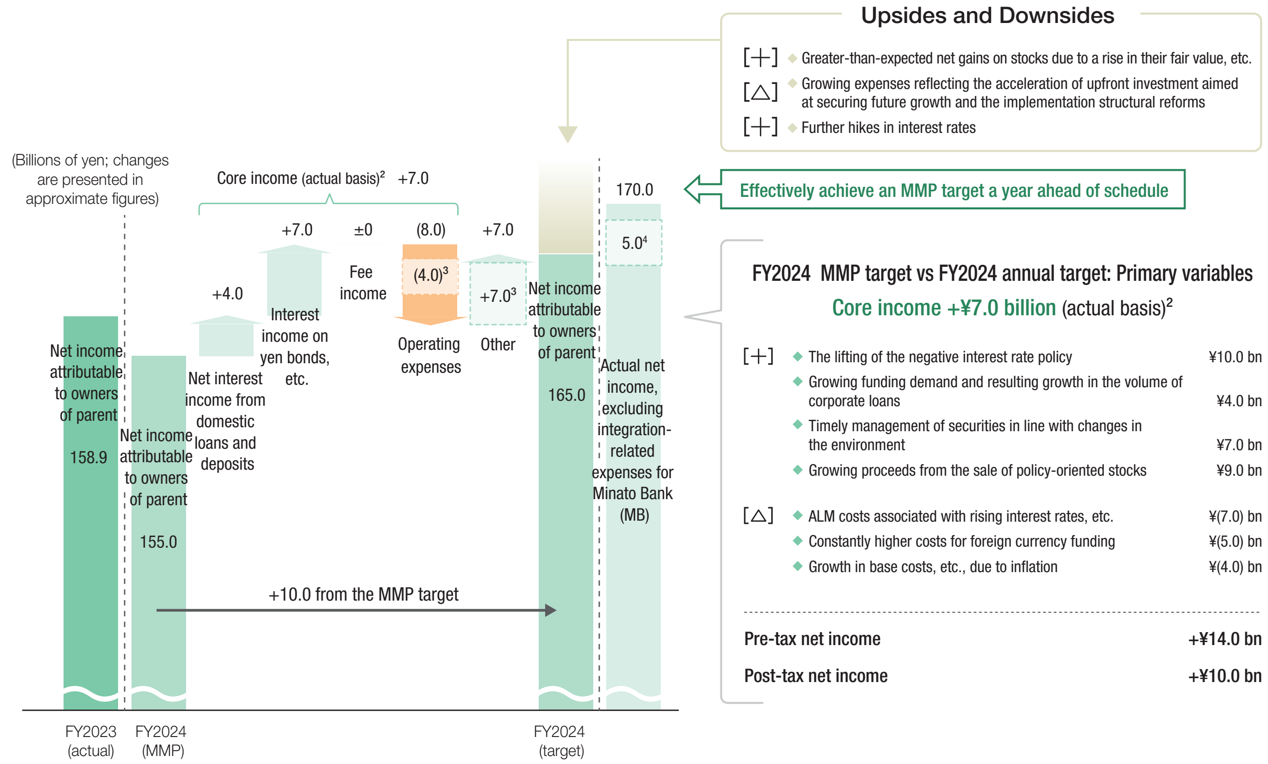
	Dividends per share	YoY change
Dividends per share (full-year forecast)	23.0	+1.0
Interim dividends	11.5	+0.5

Total of Group banks

(Billions of yen)	Total of Group banks	
	Full-year targets	YoY change
Gross operating profit	608.0	+40.8
Operating expenses	(406.0)	(21.2)
Actual net operating profit	202.0	+19.6
Net gains on stocks (including equity derivatives)	51.5	(9.1)
Credit-related expenses, net	(36.5)	(6.9)
Net income before income taxes	209.0	+8.1
Net income	149.0	+5.4

1 Net interest income from domestic loans and deposits + Interest income on yen bonds, etc. (interest income on yen bonds and income from interest rate swaps) + Fee income + Operating expenses; excluding extraordinary factors (expenses for the transformation of two leasing companies into wholly owned subsidiaries)

Composition of Earnings Targets for FY2024 (comparison with FY2024 targets under the MMP)



2 Excluding extraordinary factors related to the transformation of two leasing companies into wholly owned subsidiaries
3 Extraordinary factors related to the transformation of two leasing companies into wholly owned subsidiaries: +¥7.0 billion due to expansion in gross operating profit and ¥(4.0) billion due to growth in operating expenses
4 FY2024 forecasts for integration-related expenses for Minato Bank (post-tax basis): ¥(5.0) billion

Initiatives to Improve Corporate Value

In the following, I explain the concepts behind our initiatives to improve corporate value.

To improve the price book-value ratio (PBR), an indicator for measuring market ratings, it is important to pursue both higher ROE and lower capital costs. Mr. Minami comments on the same subject in his CEO Message and I would like to also share my views based on an analysis of the current situation.

Under the previous MMP, ROE (based on total shareholders' equity) deteriorated for two years before recovering in the final year. This was attributable to rapid expansion in the balance sheet during the COVID-19 pandemic. Specifically, the pace of growth in deposits exceeded that in the loan balance, leading to an expansion in BOJ deposits. Moreover, to contend with surges in the U.S. interest rates, we had to implement measures aimed at restoring the soundness of our foreign bond portfolio. This led to the materialization of downside risks in the profit and loss aspect. These factors were among the main reasons we recorded constantly stagnant ROA over this period. Other negative factors included an ongoing decline in leverage following risk adjustment. This was inevitable as the Group was in a phase of capital accumulation.

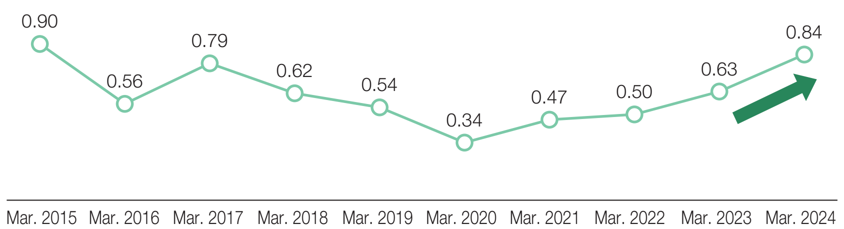
Under the current MMP, however, we have identified an ROE target of 8% (based on total shareholders' equity), which is in excess of capital costs. We will thus strive to improve profitability by proactively utilizing capital. Looking at our FY2023 accomplishments, we have made steady progress in investment in both organic and inorganic growth fields. Moreover, efforts have been under way to improve risk returns via more proactive engagement in risk-taking endeavors. Specifically, we have pushed ahead with a shift of funds from BOJ deposits to loans or securities. In particular, the pace of growth in our loan balance has grown remarkably from the first half through the second half. Also, interest rates on corporate loans took an upturn in the second half. Bolstered by a tailwind provided by interest rate hikes, we hope to see these favorable trends continue as we strive to achieve considerable improvement in ROE.

From the perspective of reducing capital costs, we need to further upgrade our mode of risk governance to secure the ability to stably record annual profit commensurate with market expectations. In addition, we will continue to enhance the content of both financial and non-financial information even as we take heed of opinions and feedback gleaned via dialogue with market participants.

We will also strive to gain widespread public recognition regarding the essential role the Group is playing in resolving issues confronting customers and society as a whole. We believe that doing so will help us reduce the capital costs to be incurred in the course of market participation. Accordingly, we will assiduously work to enhance the content of information disclosure, which is one of the foundations of constructive stakeholder dialogue.

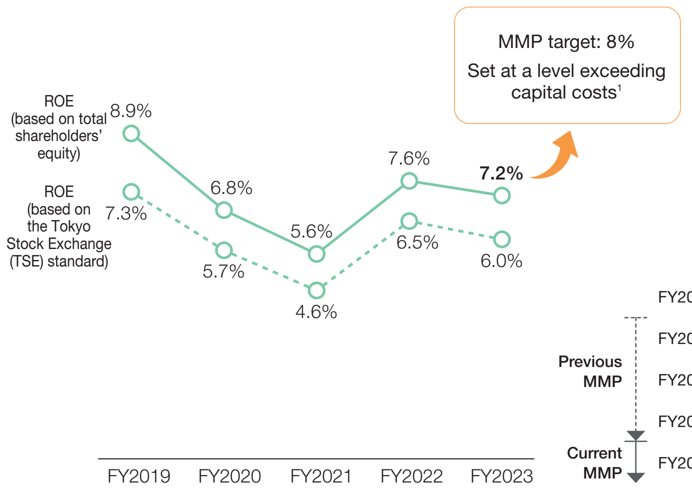
Analysis of the Current Situation Relative to Improvement in Corporate Value

PBR Trend



$$\text{PBR} = \frac{\text{ROE}\ (\text{RORA} \times \text{Leverage following risk adjustment})}{\text{Capital costs}\ (\text{Cost of shareholders' equity} - \text{The expected growth rate})}$$

ROE Trend



$$\text{ROE} = \frac{\text{Net income}}{\text{RWA}^{2}} \times \frac{\text{RWA}^{2}}{\text{Total shareholders' equity}}$$

	ROE		RORA		Leverage following risk adjustment	Total assets (accounting basis)
	FY2019 8.9%	=	0.7%	×	11.9 times	¥60.5 trillion
Previous MMP	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
Current MMP	FY20223 7.2%	=	0.7% →	×	9.7 times ↓	¥76.1 trillion

1 Calculated based on the capital asset pricing model (CAPM), an estimate formulated independently by the Company
2 Risk-weighted assets based on the full enforcement of the finalized Basel 3 regulations

Impact of the Yen Interest Rate Hikes on Profit (provisional calculation)

Looking ahead, if the shift in the BOJ's monetary policy progresses further, the Group will benefit from the resulting positive effects on profit, especially in the areas of net interest income from domestic loans and deposits as well as interest income from securities, due to the high sensitivity of its balance sheet to interest rates.

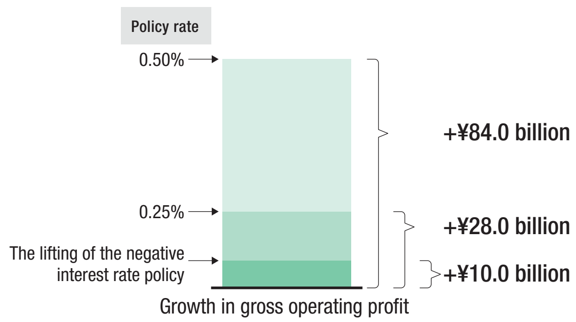
Of course, the provisional calculation of these effects varies widely due to a number of variables, including the timing of a further monetary policy shift, the pace of changes and the magnitude of such changes. Here, we provide reference values calculated using a simplified formula based on the status of the Group's assets and liabilities as of March 31, 2024.

Looking at the asset side, hikes in yen interest rates are primarily expected to result in growth in income from loans with floating interest rates linked with market interest rates while inducing hikes in interest rates for BOJ deposits. Moreover, the above yen interest rate hikes may allow the Group to revise short-term prime rates. If this is the case, income from prime loans involving housing and other loans will similarly grow. On the liability side, interest on deposits is expected to increase due to higher interest rates.

We also expect the lifting of the negative interest rate policy to enable us to earn an additional ¥10.0 billion in top-line income and have included this figure in our FY2024 target. If the policy rate rises by 25bps, the cumulative effect on top-line income will total ¥28.0 billion. (This figure is calculated with the inclusion of full-year interest income to be received and full-year interest expenses to be paid based on revised interest rates). Furthermore, if the policy rate rises by 50bps, the cumulative effect on top-line income will total ¥84.0 billion. Premised on the current level of capital, the latter scenario will enable us to raise ROE based on total shareholders' equity to the 9% to 10% level.

Going forward, we will robustly align our business approach with a "world with interest rates" based on modest ongoing inflation, to this end, review our conventional ideas, values and actions.

ROE could rise to 9% to 10% if the policy rate rises to the limit of 0.5%



Basis for provisional calculation

- Balance sheet (as of Mar. 31, 2024): unchanged
- Reflecting the impact on loans, investment bonds and term deposits with interest rates that will be updated within a year as well as savings account deposits, BOJ deposits and interest rate swaps
- Annual basis after the impact of interest rate hikes has completely materialized
- $\text{ROE} = \dfrac{\text{Profit (FY2024 plan)} + \text{Impact of the interest rate hikes}}{\text{Shareholders' equity (average of initial and year-end balance) (FY2024 plan)}}$

Note: Excludes the impact of inflation, etc., on expenses, including credit-related expenses.

Capital Management

Now, let me move on to capital management. We have transitioned from our previous focus on the qualitative and quantitative enhancement of capital to a new phase in which we fully utilize said capital. Our basic policy is to pursue improvement in corporate value by utilizing capital to undertake growth investment and to enhance the content of shareholder returns in a way that maintains financial soundness.

Transitioning from striving to qualitatively and quantitatively enhance capital to a new phase in which we can fully utilize it ⇒ Aiming for ROE[1] of 8%

Financial soundness

- Maintain the CET1 capital ratio[2] in the 10% range
  - As of March 31, 2024: 9.9%

Growth investment

- Organic growth ⇒ Expand loans and other assets with higher risk returns
- Inorganic growth ⇒ Enhance customer bases, management resources and functions

Improve corporate value

Shareholder returns

- Enhance the content of shareholder returns while giving due consideration to maintaining financial soundness and securing opportunities for growth investment
- Aim for a total shareholder return ratio of around 50% even as we maintain a stable stream of cash dividends
  - FY2023 results: 48.2%

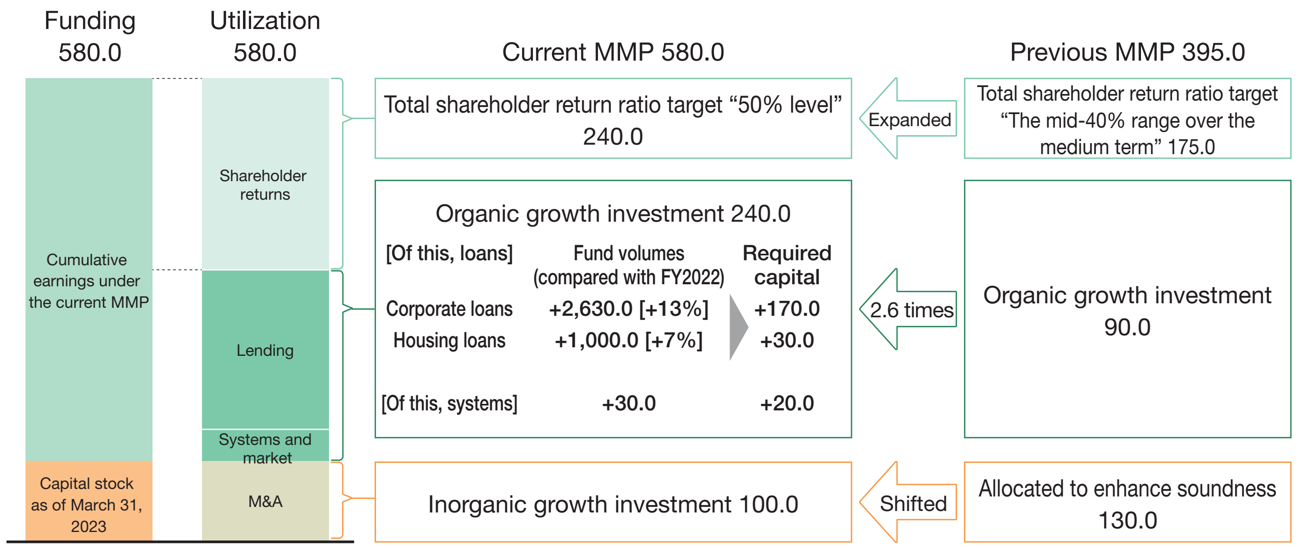
1 Net income attributable to owners of parent / Total shareholders' equity (simple average of the balances at the beginning and end of the term)
2 Based on the full enforcement of the finalized Basel 3 regulations under the international standard; excluding net unrealized gains on available-for-sale securities

The Common Equity Tier 1 (CET1) capital ratio stood at 9.9% (based on the full enforcement of the finalized Basel 3; excluding net unrealized gains on available-for-sale securities) as of March 31, 2024. We have thus kept this ratio level with our MMP target even as we made progress in growth investment. The diagrams below illustrate capital allocation under the MMP along with FY2023 results and FY2024 plans in terms of capital utilization. With current growth in profit outpacing our original plans, we are thus expanding the volume of growth investment, especially in organic growth fields, at a pace exceeding what we have been aiming for under the MMP.

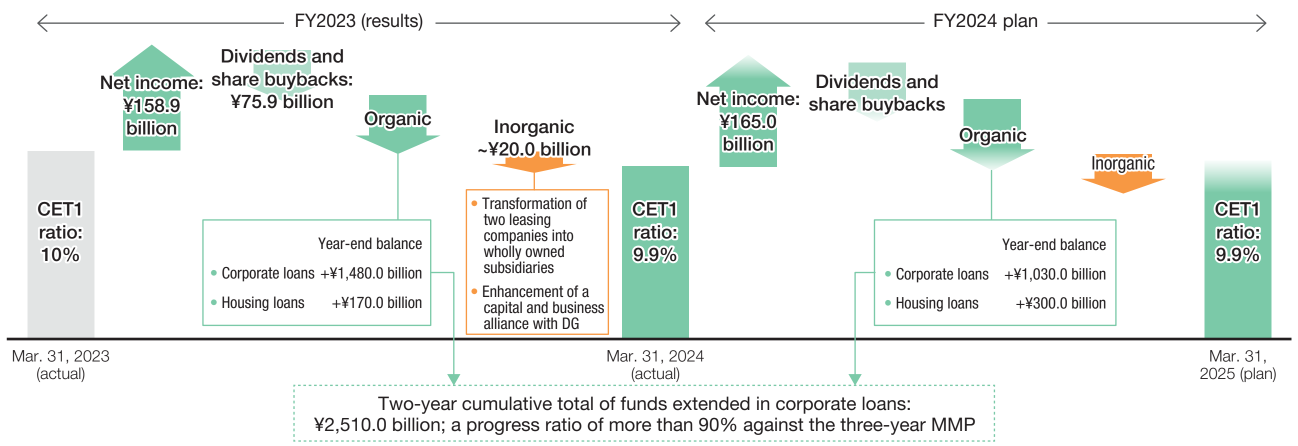
We are also steadily increasing the volume of shareholder returns. In FY2023, we paid annual common dividends per share of ¥22, up ¥1 per share, while executing two separate share buybacks in the first half and second half by expending ¥10.0 billion and ¥15.0 billion, respectively. For FY2024, we announced that we forecast annual common dividends per share of ¥23 per share, up ¥1 per share. Moreover, over the course of the May to June 2024 period, we executed share buybacks, expending a total of ¥20.0 billion. Looking ahead, we will endeavor to steadily achieve a total shareholder return ratio of around 50%, our target under the MMP.

Composition of Capital Utilization

Capital Allocation under the MMP (Three Years from FY2023 to FY2025)



FY2023 results + FY2024 plans



Reduction in Policy-Oriented Stockholdings

Since the 2003 injection of public funds, we have shrunk our holdings of policy-oriented stocks via a course of financial reform, well ahead of other Japanese banks, achieving a reduction amounting to approximately ¥1 trillion on a book-value basis. Even after this accomplishment, we have striven to decrease our exposure to equity price fluctuation risk, to this end engaging in robust negotiations with corporate customers while realigning our capital allocation approach.

In May 2022, we announced a plan to reduce policy-oriented stockholdings by ¥80.0 billion on a book-value basis over a four-year period. Accordingly, we reduced such stockholdings by ¥44.2 billion in the two years leading up to March 31, 2024. As this represents a robust 55% level of success regarding the target, we refreshed the above plan before tackling the remaining two years and launched a new six-year plan starting from FY2024.

The new plan is focused on securing the management resources necessary for the creation of new customer value even as we achieve sustainable growth for ourselves.

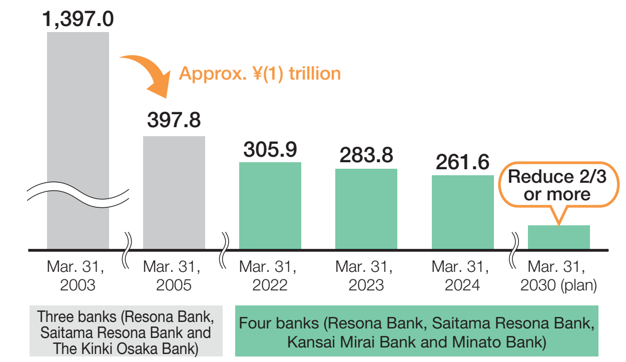
We will utilize capital freed up via the reduction of policy-oriented stocks to secure our ability to address issues customers and society as a whole are confronting as well as to accelerate structural reforms and the strengthening of our foundations, both of which are essential to achieving CX (corporate transformation). The new plan will also facilitate the virtuous cycle of capital circulation that will, in turn, yield upsides on profit. Drawing on this positive effect, we will sustainably expand the volume of shareholder returns.

Under the new plan, we aim to reduce our policy-oriented stockholdings in terms of book value by two thirds or more by the end of March 2030. We also aim to reduce them by approximately the same amount on a fair value-basis. Accordingly, we will decrease the fair value-based ratio of these stockholdings to consolidated net assets to around 10%. We expect this ratio to decline to the 20% level as early as in three years and continue to fall thereafter.

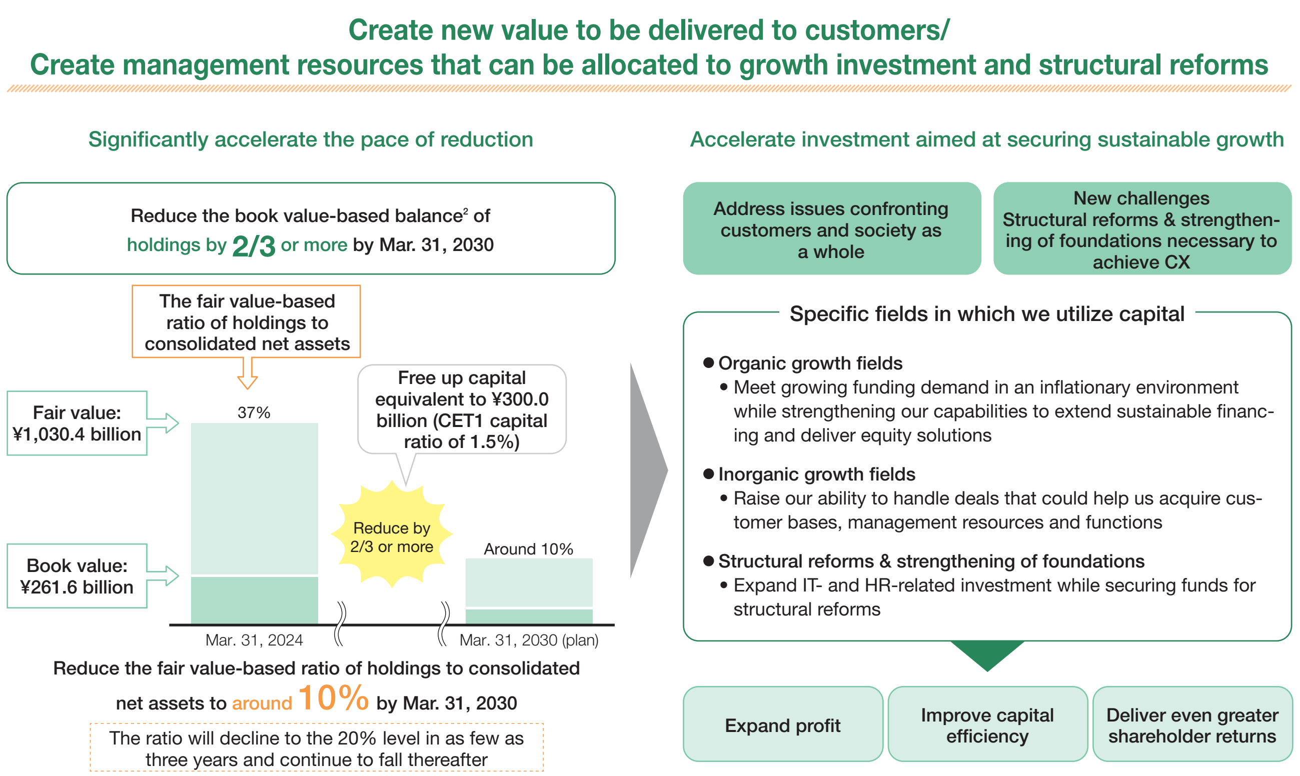
Also, we autonomously exercise voting rights associated with policy-oriented stocks in accordance with the "Fundamental Concepts on the Exercise of Voting Rights" and "Guidelines for the Exercise of Voting Rights" while providing the Board of Directors with reports on the status of the exercise of such rights on an annual basis.

Reduction in Policy-Oriented Stockholdings[1, 2]

(Billions of yen)



New plan for the reduction of policy-oriented stockholdings



1 The Company's policy-oriented stockholdings are classified as (1) policy-oriented investment stocks and (2) strategic investment stocks in line with differing purposes of holdings. Of these, stockholdings in category (1) are subject to the Company's ongoing reduction efforts. Also included in this category are all the listed stocks held by subsidiary banks.
2 Total of Group banks, the acquisition price based-balance of securities whose market value is available

Established a guiding framework for the exercise of voting rights associated with policy-oriented stocks to ensure that voting for each proposal is judged on an individual basis and robustly verified afterward

- Fundamental Concepts on the Exercise of Voting Rights

The Resona Group will exercise voting rights of policy-oriented stocks based on the following policy:
(1) Irrespective of interests of transactions with clients, make an effort to vote yes or no on an individual basis from the viewpoint of sustainably improving corporate value;
(2) Not to exercise voting rights in a manner to resolve certain political or social problems; and
(3) If any scandal or an anti-social act is committed by a company or corporate manager, etc., exercise voting rights with the intention of contributing to the improvement of corporate governance.

Dialogue with Shareholders and Investors

We deem it extremely important to maintain 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 are able to fairly evaluate the Group's management strategy and financial condition. This is why we engage them in various forms of discussion to garner their input, which we reflect in our actions.

In FY2023, we proactively created a growing number of opportunities for such dialogue. For institutional investors, we held financial results briefings, individual meetings, small-scale meetings and other events to ensure ongoing dialogue. We similarly took a proactive approach to overseas investor relations (IR) dialogues, holding a growing number of interviews. For individual investors, we held online briefings and shareholder seminars while reaching out to them via livestreaming on YouTube. In these and other ways, we have striven to enhance opportunities for investors to stay up-to-date with our operational status.

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. Recent examples of responding to investor expectations include the holding of small-scale meetings hosted by outside directors in FY2023.

In addition, we began disclosing ROE based on the TSE standard, long-term data regarding credit-related costs, plans for and results of capital allocations and other items via IR materials for FY2023. This move reflects opinions voiced by market participants, which prompted us to upgrade the content of information disclosure. Furthermore, feedback gleaned via shareholder and investor dialogue has informed our in-house discussions regarding the accelerated reduction of policy-oriented stocks, methods for shareholder returns and other subjects.

Looking ahead, we will constantly enhance the content of information disclosure, including disclosure related to our sustainability transformation (SX) initiatives and other non-financial information. In addition, while striving to disclose information fairly and impartially, we remain conscious of the need to reduce capital costs through the elimination of informational asymmetry. With these considerations in mind, we strive to enhance the content of dialogue with shareholders and investors.

Dialogues held during FY2023

General Meeting of Shareholders	For institutional investors and analysts				Presentation meetings for individual investors
	ZOOM webinars on financial results	IR presentation meetings	Theme-specific IR events[1]	Individual interviews	
Approx. 400 attendees (including viewers of livestreaming)	4	2	2	Approx. 240	6
CEO, CFO, etc.	CFO	CEO, CFO	3 outside directors, officers in charge of business execution	Of these, interviews with the CEO: approx. 50	Of these, meetings hosted by the CEO: 2

Examples of topics addressed via in-house discussions based on the opinions of shareholders and investors
- Holding small-scale meetings hosted by outside directors
- Updating of IR materials (e.g., disclosure of ROE based on the TSE standard)
- The accelerated reduction of policy-oriented stocks
- Methods for shareholder returns, etc.

1 Including measures implemented in April 2024