Investor Relations Meeting for FY2023
Q&A Summary

Presenters
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Q1: Regarding the Resona Group's new plan for the reduction of policy-oriented stockholdings, some major non-life insurance companies announced their commitment to reducing the balance of similar stockholdings to zero. At the same time, business corporations, who are issuers of such stockholdings, seem to have changed their stance toward negotiations for divestment. Did you take this trend into account when formulating the new reduction plan? Please provide us with the background of the formulation of this plan.

A1: Our new plan for the reduction of policy-oriented stockholdings is to reduce their fair value-based ratio to consolidated net assets to 10% level by the end of March 2030. This represents a 94% to 95% reduction from the approximately JPY1,400 billion book value recorded in 2003.

The market's recognition of policy-oriented stockholdings has been evolving, as have been public perceptions. Against this backdrop, we intend to create management resources by accelerating the reduction of policy-oriented stocks in order to achieve growth at an even faster pace, with the aim of creating the retail financing of the next generation. These are the underlying thoughts behind the new plan.

The policy-oriented stocks held by the Group consist of those issued by our important corporate customers, including businesses under family-based ownership. With this in mind, we give due consideration to their capital management policies. This is the premise for our negotiations with these corporate customers. By accelerating the divestment of these stocks, we aim to deliver new value to customers so that the Resona Group can solidify its path toward sustainable growth.

Q2: Regarding the utilization of proceeds from the divestment of policy-oriented stocks, we understand that the Group's intention is to use these proceeds to expand human resource- and IT-related investment. We would like to hear further details about how much of these proceeds the Group will appropriate to expenses because we are anxious about the

possibility of a greater-than-expected increase in expenses.

We consider an OHR of 60% or less to be the ideal for retail banking operations. The Resona Group has yet to achieve this ideal. Taking these factors into account, in what ways do you intend to curb the Group's OHR even as you execute investment? Please share your future outlook for the OHR.

A2: Currently, the OHR amounts to around 66%. Looking at top-line income, growth in the lending balance has become even steadier than before. Our FY2024 plan for the corporate loan balance aims to achieve an increase of approximately 6.4%. Trends in this balance indicate that lending is having an ever-greater positive impact on income. Similarly, we have achieved record-high fee income for the third consecutive fiscal year. In addition, should the policy rates be revised upwardly going forward, we may be able to see a nearly JPY100 billion increase in top-line income.

Looking at the cost aspect, we are currently engaged in upfront investment in IT. The depreciation on this investment will be around five years. Therefore, we may not see major cost reduction effects immediately. However, we expect that depreciation costs associated with the 2019 system integration involving Kansai Mirai Bank will decrease by around JPY4 billion from FY2025 onward. This is but an example of cost reductions. We also plan to execute system integration for Minato Bank in January 2025. Going forward, the depreciation costs arising from this project will decline in a similar way.

Previously, we had not pushed ahead with IT-related investment to any great extent. Our back-office operations are currently supported by a massive workforce of more than 10,000 employees. However, business process reforms are now under way to overhaul systems associated with lending, housing loan, trust banking and other operations. We are confident that, sooner or later, these process reforms will yield a significant positive effect.

If the Group's expenses now amounting to around JPY420 billion continue their current steady decrease to less than JPY400 billion even as we increase top-line income by nearly JPY100 billion, we will see the possibility of reducing the OHR to around 55%. Changes in the interest rate environment will also serve as a tailwind. Taking advantage of this situation, we will aim to further reduce the OHR.

Q3: The ultimate outcome of investment seems to partially depend on the interest rate environment. Do you think that the Group will start enjoying the positive effects of investment during the period of the next medium-term management plan (MMP)?

A3: We believe that, if not reformed, our existing business processes will constrain the Group's business growth in the near future. To realize next generation retail financing, we need to swiftly accomplish business process reforms and overhaul our cost structure. Accordingly, efforts are now under way to achieve structural reforms (CX) as part of the

current MMP. On the other hand, it is of course understandable that the Group is being called upon to achieve robust operating results in the upcoming fiscal periods. We will therefore strive to achieve steady operating results even as we secure stakeholder understanding of our vision for the medium to long term.

Q4: Regarding page 23 of the IR presentation material, we have a question about the JPY300 billion in capital to be created through the reduction of policy-oriented stockholdings. Could you describe your plan for the allocation of this capital? Please elaborate on it from the aspects of "organic growth investment," "inorganic growth investment" and "structural reforms & the strengthening of foundations."

A4: We are not yet positioned to describe the specific details of this allocation. However, what must be done is clear.

With regard to "organic growth investment," the year-on-year growth rate for the corporate loan balance had been in the lower 1% range in the FY2021. This rate remained in the lower 2% range in the subsequent year. However, in the FY2023, the rate rose to 4.14%. Our plan for the FY2024 is to increase this rate to 6.48%. This growing trend is, we believe, attributable to our steadfast initiatives aimed at promoting a widespread shift toward a consulting-centered business approach and strengthening the quality and quantity of relevant human resources to this end. Looking ahead, we deem it important to maintain this trend and support growth in the loan balance through the effective use of capital.

As for "structural reforms & the strengthening of foundations," we have already launched investment in customer contact points, including the Group App and settlement services. Reflecting this, we have come to a point where we are beginning to transform our business model via the integration of digital and face-to-face channels. On the other hand, our internal business processes still entail back-office operations supported by a massive workforce. Such operations limit our business growth potential. We therefore need to overhaul our business processes while shifting 10,000 back-office employees to optimal positions as part of a dynamic reallocation of management resources. To this end, investment in "structural reforms & the strengthening of foundations" must be executed even if it means we will face difficulties in the short term. In fact, we are convinced that this investment will yield a major positive impact on the Resona Group in three to five years.

Regarding "inorganic growth investment," it is hard to mention the timing or scale of investment because each potential deal involves counterparts. In any case, we continue to see ever more diverse customer needs for ever more sophisticated solutions, as well as drastic changes in social and industrial structures and an ongoing shift in consumers' financial behavior. This makes it difficult for us acting alone to satisfy customer needs in an appropriate and swift manner by applying expertise and know-how amassed inside the Resona Group. Rather, we intend to consider potential deals with players in various fields

and will work to determine our best options regarding external partnerships based on the customer needs we aim to address. In this way, we intend to expand our non-bank functions, customer bases and management resources, which together support our efforts to realize “Retail No. 1” even as we carefully assess the optimal timing of our investment.

Q5: While the Resona Group’s core income remains strong, the Bank of Japan (BOJ) is expected to announce additional interest rate hikes. Also, the Group has decided to accelerate the divestment of policy-oriented stockholdings. Taking these factors into account, haven’t you considered upwardly revising targets under the MMP? Is there a possibility of upward target revisions going forward?

A5: Although the lifting of the BOJ’s negative interest rate policy was announced in March 2024, the future outlook for the policy rates still remains somewhat unclear. We have not reviewed our MMP targets but, as part of annual planning, we intend to take into account foreseeable factors in the trends discussed above.

Q6: We have a question regarding the capital utilization policy discussed on page 22 of the IR presentation material. As part of results and plans for changes in the Common Equity Tier 1 (CET1) ratio, it looks like the Group’s FY2024 plan calls for reducing the pace of growth in the allocation of funds from the previous fiscal year to organic growth fields. On the other hand, the Group seems to be planning to pick up the pace of expansion in the annual average loan balance. We would like to hear your explanations about the rationales behind the contrast between the declining pace of fund allocations and the acceleration of growth in the loan balance. Also, the Group’s target for the CET1 ratio as of the end of March 2025 is set at 9.9%. Please tell us the CET1 ratio target you will aim for upon accomplishing the above figure.

A6: While the volume of funds extended in corporate loan presented on page 22 of the IR presentation material is the balance at the fiscal year-end, our annual lending plan represents the annual average loan balance. Furthermore, the planned value of the fund volume is estimated in a somewhat conservative manner. This is another factor behind the contrast you have mentioned.

While our planned target for the CET1 ratio as of the end of March 2025, which is based on the full enforcement of the finalized Basel 3 regulations and excludes net unrealized gains on available-for-sale securities, is set at 9.9%, our target thereafter will depend on the actual pace at which policy-oriented stocks are divested and the volume of stocks divested. Whatever happens, we are determined to promote investment in both organic and inorganic growth fields and are, accordingly, working to control the capital ratio, keeping it at around 10% for the time being.

Q7: We would like to learn about your policy for securities management. Recently, the Group has been increasing the balance of foreign bonds. On the other hand, the balance of yen bonds, including held-for-maturity bonds, has not increased substantially. Please describe your policy moving forward for the management of foreign and yen bonds.

A7: With regard to the management of foreign bonds, the U.S. economy has proven stronger than projections called for and the U.S. policy rate cut is likely to come later than expected. Currently, we are investing in MBS and other instruments with interest rates in the upper 5% range. We will continue to invest in optimal vehicles while paying close attention to the status of the U.S. interest rates.

As for the management of yen bonds, although the future outlook is unclear with regard to the volume of policy rate hikes to be undertaken by the BOJ and its ultimate target for the interest rates, we currently anticipate that the yield curve will shift upward. On the other hand, higher interest rates could cause us to record unrealized losses in the course of yen-bond management. Accordingly, we are striving to increase the balance of held-for-maturity bonds as they have no direct impact on capital. Our basic stance is to gradually expand investment in five-year bonds and other instruments that have become increasingly promising vehicles.

Q8: We have a question about RORA. Previously, the Resona Group stated that although RORA is widely utilized by administrative divisions, the use of RORA is yet to be sufficiently adopted by its front-line departments. Please describe the current situation in this regard.

A8: In the course of their operations, administrative divisions at the Head Office are giving due consideration to the RORA of the Group as a whole. On the other hand, we are halfway through the full adoption of RORA as an indicator for front-line employees at branches and other workplaces to guide their day-to-day operations.

Q9: As indicated by your comments on growth in the loan balance, it looks like the Resona Group seems to be on a trend toward engaging in risk-taking endeavors. Could you please share your ideas, if any, regarding how you will sustain this trend?

A9: Although the Group accomplished the full repayment of public funds in 2015, it lacked sufficient leeway in terms of capital at that time. Over the eight years since then, the Group has striven to enhance its capital on a qualitative and quantitative basis. We consider this as having been a period centered on resolving the capital-related problems that had been hindering the Group from fully unlocking its growth potential. Under the current MMP, we finally entered the stage of effective capital utilization. We consider ourselves to be fully ready to pursue risk-taking endeavors in both organic and inorganic growth fields.

Looking ahead, we intend to increase the sophistication of our balance sheet (BS)

management and the risk appetite framework (RAF) even as we maintain financial soundness. In this way, we will execute necessary investment for the next generation of the Resona Group. In addition, a growing number of employees are becoming aware of the Group's present status in terms of its ability to robustly engage in risk-taking endeavors. Moreover, we will also be able to enjoy tailwinds arising from interest rate hikes in the short term. Due to these reasons, we expect the Resona Group to achieve balanced business growth going forward.

Q10: Amid the accelerating shift from savings to investment, we anticipate expansion in the Group's balance of asset formation products. Could you please share your thoughts regarding what the Group should do going forward to accelerate growth in its balance of AUM? Please also explain the Group's upside potential in this regard.

A10: With the era of centenarians imminent, Japan is now aiming to build national strength through asset management. Amidst these circumstances, the nation's perception of AUM is changing. In addition, the institution of the new NISA system has supported the abovementioned shift. Against this backdrop, and based on a premise that moderate inflation will continue, we believe that constantly invigorating this shift on a nationwide scale is of importance.

We have unique strength arising from our position as a commercial bank equipped with full-line trust banking capabilities. For example, our balance of corporate pension assets is now in excess of JPY6 trillion. We aim to raise this to JPY10 trillion by the end of March 2033. Although most retirees continue holding their retirement benefits in cash, it is important to facilitate a shift away from this commonplace practice and create a trend toward allocating a portion of these funds to asset management even as they use such funds for their post-retirement lives. Currently, a great number of customers, including those in younger generations, have yet to start asset management. For these customers, we will propose long-term accumulation and diversification via such vehicles as the new NISA and "Tsumitate Box," the latter of which will be provided via the Group App. As we aim to realize "Retail No. 1," we believe that providing customers with opportunities to take a close look at the pluses and minuses of asset management is one of our missions as a financial group equipped with an asset manager, Resona Asset Management, which boasts an asset management track record spanning more than 60 years.

Q11: What challenges do you believe the Group needs to overcome in order to expand its balance of AUM?

A11: In Japan, not so many people have started in asset management. Accordingly, we believe that the absence of widespread public recognition of long-term asset management is a challenge that must be addressed. We need to facilitate public understanding of the

benefits afforded by stable asset management via long-term, asset-formation and dispersed investment in terms of both national and individual finance. Accordingly, we will focus on developing even better methods for promoting financial education as well as providing customer explanations, products, services and so on. In these ways, we will do our best to encourage customers to tap into this field.

Q12: You have shared a hypothetical scenario in which expenses decrease to JPY400 billion. Is this figure merely a potential value or do you view it as a goal with a specific timeline?

A12: We consider the figure of JPY400 billion to be a threshold value that will determine whether we can achieve an OHR of 55% or not. In addition to expanding investment in human capital, we are currently promoting IT-related investment. We expect these endeavors to yield positive effects on both top-line income and cost reductions. Although it is currently difficult to specify the timing by which such effects may materialize, we anticipate that the integration of The Kinki Osaka Bank and Kansai Urban Banking Corporation will start yielding effects from the middle of FY2024 onward. IT-related investment is also under way as part of process reforms on other fronts. Although this type of investment will involve the recording of non-personnel expenses in step with the passage of a depreciation period, the resulting labor-saving effect will help us cut back on personnel expenses through natural attrition as, for example, individuals leave the workforce at retirement age. Having disclosed our intention to promote cost and structural reforms under the current MMP, we would like to report the tangible effect of these reforms when we introduce the next MMP.

Q13: On page 7 of the IR presentation material, “JPY(7.0) billion” is stated as “ALM costs associated with rising interest rates, etc.” Could you please provide details?

A13: While we have now returned to a “world with interest rates,” our current operations are benefitting from the Group App and other tools backed by technological advancement. Amid this situation, we cannot predict at what point interest rate hikes will start prompting depositors to immigrate to other banks in order to enjoy higher interest rates. It is similarly hard to predict the volume of deposits that might immigrate. To a certain degree, these uncertainties need to be factored in as part of cost estimates. In any case, we will pay constant attention to changes in customers’ financial behavior.

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