

Investor Relations Meeting for 1H of FY2025

Q&A Summary

Presenter

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- Q1: Please describe the direction of the next medium-term management plan (MMP). Is there a possibility that your business strategies or field of focus might change?
- A1: The formulation of the next MMP is in its last stage. Maintaining the same general trajectory as the previous plan, the new MMP is focused on domestic operations while aiming to realize “Retail No. 1.” Having exited a period of deflation, the Japanese economy is presently feeling the effects of moderate inflation. Amid this environment, we intend to play a part in stimulating fresh economic growth and vitalizing regional communities in various ways, moves that will, in turn, help us to secure an even clearer path toward realizing “Retail No. 1.” At the same time, we aim to move forward in line with our Purpose “Beyond Finance, for a Brighter Future.” Specifically, we will strive to secure diverse and multiaxial profit sources, including those available via inorganic growth measures. Employing a long-term perspective, we will thus push ahead with diversifying our operations to secure stronger earnings power and support our customers.
- Q2: Please share your targets for ROE, OHR and the Common Equity Tier1 (CET1) ratio for the next MMP. We believe that the Group could aim for an ROE of 11% depending on the policy rate determined by the Bank of Japan (BOJ). Is that correct? Also, do you think the Group can bring down the OHR to the lower half of the 50% range? In addition, do you intend to maintain the CET1 ratio at around 10%?
- A2: An ROE of around 10% would be achievable should the policy rate be raised to 0.75%. If the policy rate were to reach 1%, we would take full advantage of tailwinds arising from the external environment as well as our standalone efforts and aim even higher. We deem it important to communicate our ambition for a higher ROE. Although the assumed policy rate for the next MMP has yet to be finalized, we expect it to be set at somewhere between 0.75% and 1%.
We have already announced our target of bringing the OHR down to the 40% range in five years. For example, if the policy rate was set at 1%, and we were able to secure a top-line income of nearly JPY1 trillion (around JPY960 billion to JPY980 billion), we should be able to curb the OHR to below 50%, provided that we are successful in keeping operating expenses below JPY500 billion (around JPY480

billion) through various structural reforms that are currently under way with the goal of breaking away from the inherently cost-intensive nature of our retail operations. As of September 30, 2025, our CET1 ratio was 10.02% (based on the full enforcement of the finalized Basel 3 regulations under the international standard; excluding net unrealized gains on available-for-sale securities). Our fundamental stance is to keep this ratio within the 10% range. In conclusion, we are focused on implementing capital management aimed at stably maintaining this indicator within a certain range even as we give due consideration to the timing of our inorganic growth investment, a possible decline in unrealized gains available from the divestment of policy-oriented stock holdings, and other factors.

Q3: Please share your rationale for not revising earnings targets despite the robust operating results recorded in the first half.

A3: There are several factors contributing to our decision not to revise our earnings targets, the first of which is our rate of progress toward achieving our full-year target for core net operating profit, which hit 51.3%, clearing a crucial waypoint. Second, we have concluded that a little more time is needed to discuss what preventive measures we will implement in preparation for the next MMP. These measures may include securing provisions. Third, we would like to carefully assess the policy rate trend.

In general, we don't have any particular sense of uncertainty regarding the future outlook. We will continue to pay close attention to the circumstances and, if warranted, could possibly announce revisions to our earnings targets at some point in the future. For the time being, however, we would like to wait and see.

Q4: Please describe your outlook for inorganic growth investment. Also, please share what you see as possible options for investment using treasury shares in light of the Group's policy of retaining treasury shares with their proportional upper limit set at approximately 5% of the total number of outstanding shares.

A4: With regard to inorganic growth investment, we are considering a diverse range of options. Although we currently have no specific plan to announce any investment deals, we believe that we will soon or later be able to bring you fresh news in this area.

As for how we intend to deal with treasury shares, one way we can utilize them is by granting share-based compensation to officers and employees. Depending on the situation, we can also use them for share exchanges undertaken as part of investment deals. We will increase the volume of treasury shares and raise their ratio to the total number of outstanding shares to 5% while examining possible options.

- Q5: Please elaborate on your policy for shareholder returns. Although the policy was already updated in May 2025, is there a possibility of further revisions over the course of the next MMP?
- A5: Basically, we will maintain our current policy (described in page 20 of the IR presentation material), which was updated in May 2025. This stands alongside our targets for the total shareholder return ratio (around 50%) and DOE (around 3% in FY2029). While paying attention to trends in operating results, we aim to steadily increase the volume of dividends even as we execute share buybacks. However, we may see various changes, including in the market environment, going forward. Therefore, we will consider implementing flexible responses if necessary.
- Q6: Please tell us about the relationship between the decline in the Digital Garage (DG) share price and its capital management policy. Although DG's share price is still above the threshold necessitating the impairment of goodwill, do you expect DG's capital policy to remain unaffected even if this threshold is crossed, as goodwill has already been excluded from the CET1 capital?
- A6: Exactly. We have already excluded goodwill from the CET1 capital. Even if DG's stock price drops to a level that results in the impairment of goodwill, our future capital management policy will remain unaffected.
- On the other hand, we consider DG's growth potential to be extremely robust. Moreover, this potential is backed by latent factors. For example, this firm has achieved solid operating results thus far while establishing a plan to raise the value of annual settlement transactions from JPY7.5 trillion (FY2024) to JPY15 trillion in the final year of its medium-term management plan (FY2027). With this in mind, we will ensure that our alliance yields strong synergies. In doing so, we will work with DG to step up collaborative initiatives in new settlement and financial fields.
- Q7: Please elaborate on when you expect to see synergies arise from your alliance with DG, through which the Group seems to be considering launching BaaS, digital bank and other services. Also, do you expect this alliance to start contributing to profit over the course of the next MMP period?
- A7: We have great expectations for, and are quite excited about, what can be created via our collaboration with DG. As soon as possible, we hope to be able to publicly announce new collaborative initiatives, involving such factors as BaaS and next-generation settlement solutions.
- That being said, the development phase for such business collaborations is typically quite long. This is exemplified by the trend in debit card income presented on page 11 of the IR presentation material. We will be able to enjoy stable business

expansion only once the number of transactions rises and similar growth is seen in other areas at sufficient volumes to yield networking effects. Thus, we may possibly have to wait a while to see substantial growth in income. At the same time, we have great expectations for the possible upgrading of customer convenience and the resulting creation of new value.

Q8: The Group seems to enjoy stable growth in deposits without excessive burden arising from funding costs. In light of this, what is your outlook for the future of the deposit pass-through rate (β), especially in the case an additional hike in the policy rate is announced by the BOJ?

A8: At present, our deposit β amounts to 34%. We consider this figure relatively low in light of the current policy rate of 0.5%. Looking ahead, the success of our efforts in this area will hinge on how well our products, services and functions perform as integral parts of household finances and corporate transactions. If additional hikes in the policy rate were to be announced going forward, we will be able to maintain our competitive edge backed by customer convenience and other features, but we may also be affected by changing trends in individual customers' financial behavior, for example, at some point they could be lured away to banks offering higher interest rates. Therefore, we will pay close attention to customer trends while taking preparatory steps to secure the flexibility needed to accommodate them. We also need to enhance the quality of our asset management endeavors from the perspective of ALM. We believe that enhancing ALM from the dual aspects of asset management and fund procurement will be of critical importance in banking businesses in the future.

Q9: Your earlier explanations suggested that the Group could potentially aim for an even higher ROE. Please elaborate on the factors supporting this possibility as well as the thinking that went into this projection. Also, what are your views regarding the improvement of ROE beyond the impact of interest rate sensitivity, considering factors other than interest rates?

A9: We have already shared a projection that an ROE of around 10% would be achievable should the policy rate be raised to 0.75%. Should the policy rate be raised to 1%, we will therefore aim for an even higher level. For our ROE to be improved beyond the extent of what our current interest rate sensitivity can afford, we need first to increase fee income. In this area, the success of our initiatives thus far has boosted our confidence. It is important to robustly accumulate recurring- and stock-type fee income from diverse sources, and this starts with addressing issues our customers are now confronting. Secondly, we need to secure new profit opportunities in inorganic growth fields from sources that had not been available to us in our conventional endeavors as we entered into a phase of effective capital utilization.

In any case, the return of a world with interest rates, which is likely to set the Japanese economy on a fresh growth track, will naturally increase the importance of smoothly extending funds to customers. On the other hand, it is also important to develop, over the medium to long term, a new business portfolio that is not overly dependent on interest rates and is backed by the best possible profit mix. We recognize that the Group has entered into a stage necessitating profit structure reforms that consider how to ensure we will be thriving in 10 years from now. Based on this future-oriented perspective, we will simultaneously promote these and other initiatives on several fronts.

Q10: When do you think the Group will be able to reduce operating expenses to JPY480 billion in line with the projection you shared with us earlier?

A10: We have stated that if the top-line income reaches JPY960 billion, the operating expenses would be approximately half of that amount. However, top-line income will grow much more if the policy rate is raised to 1%. A higher policy rate would also enable us to considerably step up the promotion of structural reforms. At present, investing in human capital and IT infrastructure is essential and, accordingly, we are pushing ahead with restructuring our infrastructure to establish next-generation system platforms as part of IT-related investment. We are also upgrading our cybersecurity measures.

Meanwhile, our corporate cost control efforts have begun yielding positive outcomes. For example, system updating projects now cost 20% to 30% less than in the past. We have even seen the cost of one type of project go down 50%. In addition, loan-related operational reforms, including those targeting housing loan processes, are under way. We expect these reforms to yield substantial positive effects in three to five years.

Going forward, we will also ensure that our human resources' mission assignments reflect changes in workstyles via the introduction of generative AI and other measures as part of operational process reforms. These reforms are expected to either lead to higher income or reduce costs and, ultimately, help us secure an important path toward achieving an OHR in the 40% range. In the course of formulating the next MMP, we would like to determine what specifically we can achieve through these reform initiatives.

Q11: Please elaborate on the competitive environment of housing loans and the Group's strength in this field. The online-only banks, which had been price leaders, are now being affected by the return of a world with interest rates. In this light, what is your forecast on future changes in this competitive environment? Also, do you think there is a possibility that the Group could benefit from more advantageous factors affecting aspects of loan volume and pricing?

A11: The volume of housing loans extended during the first half of FY2025 amounted to JPY660 billion, an all-time best in terms of first-half results since the inauguration of the Resona Group. The balance of these loans totaled JPY14.3 trillion, making us, we believe, the No. 1 housing loan provider in Japan. We have long been focused on this field and have accumulated an extensive range of know-how while implementing a variety of initiatives aligned with changes in customer needs and social circumstances. Efforts that have, in turn, made it possible for us to secure this leading position.

Specifically, over the past few years we have drastically improved, via digitalization, the convenience of loan procedures from application to loan extension. At the same time, we have expanded the lineup of products we offer, for example, offering paired loans with group credit life insurance, while upwardly revising loan limits. Furthermore, we have benefited from changes in the competitive environment influenced by the tangible positive effect of policy rate hikes. Amidst these changes, we are now seeing a decline in online-only banks that had been waging an offensive centered on leveraging low interest rates.

Today, we are able to handle 100% of loan-related procedures via our digital channels. We thus no longer deem it appropriate to view housing loans as standalone products. Rather, our current stance is that capturing new opportunities arising from the act of loan extension, for example, expanding transactions with borrowers and increasing lifelong transactional value, is growing in importance. Looking ahead, we will expand the breadth of our housing-related businesses, including those related to financing for the purchase of second-hand housing, both upstream and downstream. As we do so, we aim to approach a diverse range of new profit opportunities through both face-to-face and digital channels. We will develop strategies for achieving this end in the course of formulating next MMP.

Q12: Please describe the current degree of AI utilization in your in-house operations. Also, please lay out your plan regarding how you will secure the profit growth yielded by AI utilization.

A12: To date, the Company has conducted business within the parameters of an extremely aged operational infrastructure that we intend to entirely update by the end of FY2025. This updating project will encompass deploying generative AI for use by all employees as standard. We have been lagging behind other banks in terms of investment in in-house infrastructure. However, once our investment is executed, we expect it to yield significant effects. Our first aim in undertaking this investment is, of course, to drastically improve productivity.

Moreover, we will transform our workstyles, enabling employees to better focus on creating new value and to this end providing services that go beyond finance. In short, through a combination of AI and human resources, we aim to realize a dynamic effect that is several fold greater than that achieved through conventional operational reforms. Accordingly, we deem it important to innovate our approach to achieving business expansion and profit growth by utilizing AI in decision making

and by integrating all kinds of data, including management data.

Also, we aim to provide more than simply a new banking experience to our customers through these AI-driven reforms; we aim to deliver value. This will include value afforded only via human interaction using face-to-face channels. How we will update our mode of business is yet another important point.

Taking these factors into account, we have concluded that our utilization of generative AI must, ultimately, transform our corporate culture, enhance our competitive edge, and secure a better corporate performance than achieved by other banks.

Accordingly, we would like to incorporate AI as a built-in component supporting all our products, services and functions. This will, in turn, enable us to deliver new customer experience while stepping up our initiatives to secure fresh profit opportunities.

Of course, we may not achieve success in these endeavors overnight. However, we will update our infrastructure by the end of FY2025 and drastically accelerate AI-driven operational reforms from the beginning of FY2026.

Q13: RB seems to be a main contributor to the current improvement in operating results of Resona Holdings, with 70% to 80% of this improvement attributable to this Group bank. What are your views regarding strengths of, and issues that should be addressed by, the other three Group banks?

A13: Due to the structure of its balance sheet, RB has been able to quickly improve profit on the back of the policy rate hikes. On the other hand, it will take a bit longer for SR to see a similar level of improvement due to housing loans accounting for a large proportion of its overall loan balance and its larger deposit volume. KMB and MB, meanwhile, have benefited from the steady materialization of synergetic effects arising from the PMI in trust banking, real estate, digital and other fields (see page 16 of the IR presentation material). As a result, these banks are now enjoying growth in top-line income. Looking ahead, we also anticipate that the integration of back-office operations and systems at MB, completed in January 2025, will start yielding cost reduction effects for the entire Group.

Moreover, we expect that SR, KMB and MB will see robust expansion in net income on a non-consolidated basis going forward.

Q14: In recent years, a growing number of regional banks have undergone reorganizations or mergers. Given this, could you describe opportunities and threats the Resona Group is facing?

A14: There are roughly two forms of collaboration with regional banks. First, we collaborate with them through our financial digital platform. Currently, we provide our platform functions and services to nine groups encompassing 10 banks, with income from this platform now amounting to a cumulative total of approximately

JPY10.0 billion since its launch. In this area, growth in platform-related income will gain momentum only after we secure a higher number of transactions and growth in other volume aspects. This trend is similar to debit card income, which I touched on earlier. Taking this into account, we expect this platform to earn a cumulative total income of as much as JPY20.0 billion over the course of the next MMP. In addition, we will be able to provide regional financial institutions with a variety of products, services, functions and more through our financial digital platform. These offerings will of course include those afforded by the alliance with DG. We have also seen a trend toward creating a new ecosystem, especially in digital and settlement fields, with a number of regional financial institutions showing immense interest. Therefore, we expect to see increased opportunities to offer our platform for use by a growing number of such institutions.

Another form of collaboration with regional financial institutions involves capital-based partnerships. With the return of a world with interest rates, we are expecting to face changes in the environment surrounding regional financial institutions, including changes that affect how they secure deposits. While avoiding the over utilization of capital, we intend to consider forming strategic alliances with partners based in regions near the Tokyo metropolitan and Kansai areas, our key markets, or candidates equipped with extensive customer bases and great profitability.

Q15: Please tell us your priorities regarding the choice of alliance partners. Do you favor forming alliances with regional financial institutions based in areas near the Tokyo metropolitan and Kansai areas, the Resona Group's market regions? Or are you intending to consider forming alliances with entities based in Nagoya or elsewhere outside your market regions?

A15: We have no intention to narrow down our options, but we believe that we will find the greatest affinity with regional financial institutions based in or near our market areas. Therefore, they could be good candidates in terms of creating synergies in trust banking, real estate, syndicated loans and other operations involving face-to-face channels. On the other hand, we will also consider partnering with regional financial institutions based in government designated cities, such as Nagoya, and other areas with industrial clusters. As for alliances in the digital field, we see an even more diverse range of options as we can offer an extensive lineup of functions, products and services via our financial digital platform.

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