

Investor Relations Meeting for FY2025

Q&A Summary

Presenter

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Q1: With regard to inorganic growth investment to be undertaken in line with the new medium-term management plan (MMP), page 25 of the IR presentation material describes such target areas as securities and nonbanks. What are your areas of priority?

A1: Since the previous MMP period, we have promoted modest yet steady inorganic growth investment. However, there remain a diverse range of functions that need to be acquired. As illustrated on page 25 of said material, which lists a variety of fields, we intend to consider a range of options, such as investing in candidates overseas, without excluding particular areas. Our investment decisions will reflect the value we aim to deliver to customers, rather than the desire to simply acquire certain functions. Accordingly, we are focused on choosing the best options when it comes to partnering with candidates who will enable us to operate in business areas that cannot be handled by relying solely on our own insight and know-how.

Q2: With regard to collaboration with regional financial institutions, have you changed your stance in light of current trends?

A2: Our basic stance regarding collaboration with regional financial institutions remains unchanged; accordingly, we consider forming capital-based alliances a viable option. As the Resona Group's customer base encompasses both the Tokyo metropolitan and Kansai areas, working in collaboration with financial institutions near these areas is attractive to us. Partnering with financial institutions boasting extensive customer bases in government-designated cities and other regions is similarly attractive.

Our financial digital platform, which provides a means for collaboration, has been developed to serve as infrastructure capable of delivering a diverse range of functions, products and services via a cafeteria system. Due to advances in technology and the diversification of customer needs, we have seen rapid expansion in the scope of business areas in which the Group is positioned to build win-win relationships with regional financial institutions. Therefore, we will be even more sensitive to opportunities while engaging in dialogue with regional financial institutions to discuss various topics.

- Q3: If loan demand remains robust going forward, the Group will need to procure a sufficient volume of deposits. What are your future strategies for deposit procurement?
- A3: We recognize that deposit procurement will remain under considerable stress. To date, however, we have been able to increase the balance of deposits entrusted by both individual and corporate customers without incurring excessive procurement costs. That being said, we believe that we will soon need to execute strategic pricing. On the other hand, we also deem it important to ensure that our products, services and functions take solid root in household finance and corporate transactions, thereby playing multilateral roles in the daily finance activities of our customers. This, we believe, is key to acquiring liquid deposits with strong retention. In this light, our plans call for implementing “New Ways of Doing Business” and, to this end, leveraging “DG Bank” (tentative name), “WESTER Mirai Bank” (tentative name), “Resona Plus,” and others. By doing so, we aim to expand our customer base as well as the volume of transactions, so that our services take deep root in the daily finance of customers in ways never before achieved. We believe that it is important to develop a framework for acquiring and retaining liquid deposits through these endeavors.
- Q4: With the possibility of additional policy rate hikes in the future, Resona Holdings’ ROE is expected to improve should these hikes take place. If this improvement becomes reality, what stance will you take regarding how the Group will secure the profitability of inorganic growth investment going forward?
- A4: When ROE improves, securing the profitability of inorganic growth investment is of importance from the perspective of effectively utilizing capital. When we execute investments aimed at raising our ROE over the medium to long term, we may take a strategic approach instead of focusing solely on securing initial profitability. We will make judgments with an eye to identifying the best partners to collaborate with and deliver new value so that we can together address issues customers are confronting.
- Q5: In line with its policy on treasury shares, the Group has determined the maximum ratio of such shares to the total number of outstanding shares to be approximately 5%. Currently, the Group seems to maintain a considerable volume of treasury shares on a fair-value basis. Are there any changes in your policy on treasury shares, including your plans for how to utilize them?
- A5: Our policy remains unchanged. The current ratio of treasury shares to the total number of outstanding shares is in the middle 2% range. We intend to hold such shares without cancellation until the ratio reaches approximately 5%. We believe that our holding of treasury shares can be utilized, for example, to undertake

inorganic growth investment in the future or to reward officers in the form of stock-based compensation.

Q6: Did the Company communicate its opinions as a shareholder of Digital Garage with regard to the latter's decision to reinvest in Kakaku.com? Also, Digital Garage's stock prices remain considerably lower than levels seen when the Company invested in this partner. Taking these factors into account, executing additional investment might be an option. What are your thoughts on that?

A6: As a listed company, Digital Garage has made an independent decision on reinvestment in Kakaku.com. Therefore, we are in no position to express our opinions on the subject.

Although we currently hold 30.9% of shares in Digital Garage, we would like to avoid diminishing its unique qualities through the additional acquisition of its shares. Over the course of its history, this partner has long cherished a "first penguin spirit" and retained an ambition to pioneer new business fields. Our hope is that Digital Garage will keep going and freely exercise its competencies in these areas while engaging in even closer collaboration with our own businesses. This will be the best way for both companies to build a win-win relationship. We consider the current level of our shareholding ratio optimal in terms of achieving this end.

We know that some people have remarked on the considerable decline in Digital Garage's stock prices from levels seen at the time of our investment. However, our estimate of its inherent value has been unchanged. Looking ahead, we intend to disclose positive results arising from synergies to be created in tandem with this partner.

Q7: Please describe your stance on how the Group will improve yields on corporate lending and housing loans. Do you intend to make standalone efforts to improve spreads while taking advantage of the effect of policy rate hikes undertaken by the Bank of Japan?

A7: On the back of the progressive normalization of Japan's monetary policy, we need to focus on qualitatively enhancing ALM and increasing the sophistication of our approach in this area. Amid this situation, we consider improving yields from lending a matter of great importance on the asset management side in light of a possible increase in the deposit β value in the future. Accordingly, we will strive to identify optimal levels of spreads relative to the prevailing interest rate environment at the time and implement standalone efforts to improve them in both corporate lending and housing loans.

- Q8: The current business environment indicates that fundraising demand remains extremely robust. Against this backdrop, what measures will the Company implement to maintain control over the growth in the volume of risk-weighted assets (RWAs) in step with the execution of organic growth investment over the course of the MMP period?
- A8: As part of organic growth investment to be undertaken over the course of the MMP period, we are planning to greatly expand the volume of housing loans along with corporate lending balance. Of these, our housing loans boast extremely low risk weight, making them particularly remarkable. In general, our basic policy is to place emphasis on expanding the volume of high-quality lending focused on achieving a high RORA even as we control the overall volume of RWAs. However, we may also need to take a strategic approach in handling individual cases. We will take on these businesses in a balanced manner.
- Q9: Progress has been made in BaaS-related projects, such as “WESTER Mirai Bank” (tentative name) and “DG Bank” (tentative name) and the Group may engage in many other similar projects going forward. Has it already secured sufficient resources to do so, including system-related resources? Also, does the Group intend to utilize its own balance sheet in undertaking the BaaS-related projects mentioned above?
- A9: With regard to BaaS-related systems, our policy is to adopt versatile architectures. Accordingly, we believe that these services could be developed without incurring excessive burdens.
We will utilize our own balance sheet in undertaking BaaS. In particular, we anticipate a major positive impact arising from our deposit holdings on the funding side. We have also found BaaS to hold significant potential as a means of gaining access to customers and profit opportunities not accessible via our more conventional business operations.
- Q10: Aichi Prefecture ranks third in Japan in the prefectural GDP ranking. However, Resona Bank maintains only four branches in Nagoya City and around 10 sub-branches across Aichi Prefecture. This could be considered insufficient. By enhancing its presence in Aichi Prefecture and other regions in the Tokai area, the Resona Group could be in a position to secure greater earnings. Please share your strategies in the Tokai area.
- A10: We consider the Chubu area, with Aichi Prefecture at its core, a major market region with great potential in Japan. Historically, there was a time when we had a greater number of branches in this area than we now operate, but we downsized our branch network while we were engaged in the repayment of public funds. However, recent advances in technologies have made it possible for us to reach customers in new

and unconventional ways.

Right now, the Group is engaged in a strategic business alliance with Juroku Financial Group. This partner is headquartered in Gifu Prefecture with around half of its businesses operating in Aichi Prefecture. In the corporate customer field, Juroku FG maintains deep relationships with large enterprises and other companies in Nagoya.

Furthermore, although the number of local branches run by the Resona Group is few, the Group has concentrated corporate transactions that have been undertaken with customers across Aichi Prefecture to its branches in Nagoya. In themselves, these transactions constitute a considerable volume of business. We will push ahead with strengthening collaboration with Juroku FG as we engage in such joint initiatives as those aimed at integrating face-to-face and digital channels and assisting SME customers in their shift to digital-driven operations related to BtoB transactions. In this way, we would like to implement up-to-date, innovative strategies to penetrate the market in the Chubu area.

Q11: Please share your thoughts and ambitions, as the president, regarding “Creating next-generation growth drivers,” which led the Group to execute investment in Digital Garage and form alliances with West Japan Railway Company (JR-West), Daiichi Life Group and JCB.

A11: We are now seeing a historic point of transition in the financial environment. In particular, financial businesses are significantly affected by the normalization of Japan’s monetary policy as well as the breathtaking advancement of generative AI and other technologies. Although we are in no position to formulate a detailed outlook for the next five- or 10-year period, we intend to address issues our customers and society as a whole are confronting even as we accumulate interest and fee income. It is time for us to diversify profit sources through these endeavors and realize the best mix of profit that is not overly dependent on interest rates. In addition, as part of our medium- to long-term strategies, we aim to find ways to best utilize our inherent organizational capabilities while combining them with new customer bases, functions and other assets that need to be acquired going forward so that we remain a financial institution of choice for customers even as we enhance our corporate value.

Working in collaboration with JR-West, Daiichi Life Group, JCB and Digital Garage, we will strive to increase synergies by bringing together the attractive content, assets and information that each partner possesses with our own. In these ways, we will continue to generate positive results.

Q12: While the Group anticipates medium- to long-term expansion in fee income, the most recent operating results seem to suggest that growth has slowed. Please share your vision for future growth in fee income.

A12: At present, we consider settlement, AUM and succession to be core operations supporting growth in fee income. However, it is difficult to achieve linear growth in recurring fee income in these areas. On the other hand, we will be able to achieve income expansion at an accelerating pace if customer recognition and understanding of our services becomes widespread and as a result, the volume of transactions expands and the number of customers and transactions increases. Of course, it will be some time before we can achieve income growth in this manner. Accordingly, we will strive to establish “New Ways of Doing Business” as mentioned earlier while expanding the scope of these endeavors to consistently increase the number of profit sources available. This is how we will establish a next-generation earnings structure.

Q13: The Group seems to be successful in capital allocation aimed at running a capital and business alliance with JR-West. What is your ideal for the ratio of equity the Company should hold in a subsidiary bank? Do you have an intention to enter into similar alliances elsewhere in Japan?

A13: The formation of the capital and business alliance with JR-West is considered a crucial event in terms of capital allocation. When we acquired shares in Kansai Urban Banking Corporation in 2018, its PBR fell short of 0.5 times. However, this alliance will allow us to divest these shares with a greater PBR. We will reinvest capital to be acquired through this move in business areas equipped with further growth potential.

Currently, we are engaged in diverse discussions with JR-West. For example, we are considering signing shareholders' agreements. Although we currently hold an 80% equity stake in Kansai Mirai Bank, we believe that this ratio will place no major restrictions on our efforts to develop a one-platform, multi-regional strategy. With regard to Saitama Resona Bank and Minato Bank, we expect them to grow into top banks in the regions in which they operate. We will therefore maintain 100% equity stakes in Resona Bank and other Group banks while aiming for further growth.

Looking ahead, if we choose to form capital alliances with regional financial institutions outside the Group, we will take a flexible approach, instead of setting uniform standards, in the determination of our equity stakes in the resulting businesses based on open dialogue with alliance partner candidates in said regions.

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