Disclaimer: The Consolidated and Non-Consolidated Financial Statements and the Notes thereto in the following pages are provided for information purposes only. The Consolidated Financial Statements in the following pages are those included in the English translation of the summary of the financial results for Fiscal Year 2020 of Resona Holdings, Inc. (*Kessan Tanshin*) disclosed on May 11, 2021 in accordance with the rules of the Tokyo Stock Exchange, under the title "Consolidated Financial Results for Fiscal Year 2020 (April 1, 2020 – March 31, 2021/ Unaudited) <under Japanese GAAP>".

1. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Millions of yen)

	March 31, 2020	March 31, 2021
Assets		
Cash and due from banks	¥ 15,329,523	¥ 25,223,147
Call loans and bills bought	473,438	107,242
Monetary claims bought	248,548	221,739
Trading assets	457,391	231,695
Securities	5,555,671	7,147,733
Loans and bills discounted	36,645,552	38,978,959
Foreign exchange assets	107,460	139,436
Lease receivables and investments in leases	40,630	36,559
Other assets	964,312	965,192
Tangible fixed assets	369,790	361,178
Buildings	122,346	118,298
Land	214,216	210,316
Leased assets	14,634	15,832
Construction in progress	3,851	2,473
Other tangible fixed assets	14,741	14,256
Intangible fixed assets	49,770	53,339
Software	17,996	15,715
Leased assets	25,574	30,678
Other intangible fixed assets	6,199	6,945
Net defined benefit asset	32,510	43,949
Deferred tax assets	35,385	29,728
Customers’ liabilities for acceptances and guarantees	362,725	347,904
Reserve for possible loan losses	(160,221)	(190,088)
Reserve for possible losses on investments	(35)	(36)
Total Assets	60,512,454	73,697,682
Liabilities and Net Assets		
Liabilities		
Deposits	52,909,979	58,691,223
Negotiable certificates of deposit	942,840	739,170
Call money and bills sold	69,636	630,895
Payables under repurchase agreements	—	3,000
Payables under securities lending transactions	532,433	1,064,481
Trading liabilities	87,259	39,626
Borrowed money	769,930	7,218,168
Foreign exchange liabilities	5,076	8,025
Bonds	396,000	326,000
Due to trust account	1,316,807	1,304,346
Other liabilities	700,746	663,699
Reserve for employees’ bonuses	17,509	18,650
Net defined benefit liability	22,709	15,371
Other reserves	38,209	34,643
Deferred tax liabilities	5,607	54,613
Deferred tax liabilities for land revaluation	18,439	18,216
Acceptances and guarantees	362,725	347,904
Total Liabilities	58,195,910	71,178,037
Net Assets		
Capital stock	50,472	50,552
Capital surplus	—	15,769
Retained earnings	1,720,062	1,796,476
Treasury stock	(12,880)	(2,478)
Total stockholders’ equity	1,757,655	1,860,319
Net unrealized gains on available-for-sale securities	306,196	442,901
Net deferred gains on hedges	16,619	10,671
Revaluation reserve for land	40,209	39,702
Foreign currency translation adjustments	(1,942)	(5,851)
Remeasurements of defined benefit plans	(40,402)	(30,478)
Total accumulated other comprehensive income	320,680	456,946
Stock acquisition rights	297	279
Non-controlling interests	237,910	202,099
Total Net Assets	2,316,543	2,519,645
Total Liabilities and Net Assets	¥ 60,512,454	¥ 73,697,682

(2) Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended March 31, 2020	For the fiscal year ended March 31, 2021
Ordinary income	¥ 880,544	¥ 823,600
Interest income	478,252	435,665
Interest on loans and bills discounted	369,559	357,938
Interest and dividends on securities	74,157	50,638
Interest on call loans and bills bought	1,990	613
Interest on receivables under resale agreements	(3)	(4)
Interest on receivables under securities borrowing transactions	0	44
Interest on due from banks	11,337	12,729
Other interest income	21,210	13,706
Trust fees	19,060	19,223
Fees and commissions	239,310	241,173
Trading income	5,235	5,965
Other operating income	69,323	46,880
Other ordinary income	69,362	74,691
Recoveries of written-off loans	15,521	13,937
Other	53,840	60,753
Ordinary expenses	666,254	632,639
Interest expenses	47,122	18,227
Interest on deposits	19,384	9,779
Interest on negotiable certificates of deposit	90	50
Interest on call money and bills sold	3,047	85
Interest on payables under repurchase agreements	0	0
Interest on payables under securities lending transactions	12,890	1,813
Interest on borrowed money	4,777	2,176
Interest on bonds	4,289	2,623
Other interest expenses	2,641	1,698
Fees and commissions	68,141	68,903
Trading expenses	493	237
Other operating expenses	36,745	22,419
General and administrative expenses	426,540	425,852
Other ordinary expenses	87,210	96,999
Provision to reserve for possible loan losses	15,349	44,642
Other	71,861	52,357
Ordinary profits	214,290	190,960
Extraordinary gains	7,311	1,716
Gains on disposal of fixed assets	2,381	1,716
Other extraordinary gains	4,930	—
Extraordinary losses	9,424	8,360
Losses on disposal of fixed assets	1,699	1,784
Impairment losses on fixed assets	7,725	6,576
Income before income taxes	212,177	184,316
Income taxes – current	37,835	59,447
Income taxes – deferred	18,902	(4,845)
Total income taxes	56,737	54,602
Net income	155,439	129,714
Net income attributable to non-controlling interests	3,013	5,232
Net income attributable to owners of parent	¥ 152,426	¥ 124,481

(3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2021

(Millions of yen)

	Stockholders' equity					Accumulated other comprehensive income	
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on available-for-sale securities	Net deferred gains on hedges
Balance at the beginning of the fiscal year	¥ 50,472	¥ ―	¥ 1,720,062	¥ (12,880)	¥ 1,757,655	¥ 306,196	¥ 16,619
Cumulative effect due to revision of accounting standards for foreign subsidiaries			(240)		(240)		
Restated balance	50,472	―	1,719,822	(12,880)	1,757,415	306,196	16,619
Changes during the fiscal year							
Issuance of new stock	79	79			159		
Dividends paid			(48,334)		(48,334)		
Net income attributable to owners of parent			124,481		124,481		
Purchase of treasury stock				(1,406)	(1,406)		
Disposal of treasury stock		(0)		1,605	1,605		
Cancellation of treasury stock		(10,202)		10,202	―		
Reversal of revaluation reserve for land			507		507		
Changes in ownership interest of parent due to transactions with non-controlling interests		25,891			25,891		
Net changes except for stockholders' equity during the fiscal year						136,705	(5,948)
Total changes during the fiscal year	79	¥15,769	76,654	10,401	102,904	136,705	(5,948)
Balance at the end of the fiscal year	¥ 50,552	¥ 15,769	¥ 1,796,476	¥ (2,478)	¥ 1,860,319	¥ 442,901	¥ 10,671

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comp-rehensive income			
Balance at the beginning of the fiscal year	¥ 40,209	¥ (1,942)	¥ (40,402)	¥ 320,680	¥ 297	¥ 237,910	¥ 2,316,543
Cumulative effect due to revision of accounting standards for foreign subsidiaries						(255)	(496)
Restated balance	40,209	(1,942)	(40,402)	320,680	297	237,655	2,316,047
Changes during the fiscal year							
Issuance of new stock							159
Dividends paid							(48,334)
Net income attributable to owners of parent							124,481
Purchase of treasury stock							(1,406)
Disposal of treasury stock							1,605
Cancellation of treasury stock							―
Reversal of revaluation reserve for land							507
Changes in ownership interest of parent due to transactions with non-controlling interests							25,891
Net changes except for stockholders' equity during the fiscal year	(507)	(3,909)	9,924	136,265	(17)	(35,555)	100,693
Total changes during the fiscal year	(507)	(3,909)	9,924	136,265	(17)	(35,555)	203,597
Balance at the end of the fiscal year	¥ 39,702	¥ (5,851)	¥ (30,478)	¥ 456,946	¥ 279	¥ 202,099	¥ 2,519,645

(4) Notes to Consolidated Financial Statements

Amounts of less than one million Japanese yen (“yen”) are rounded down.

Definitions of “subsidiaries” and “affiliates” are based on Article 2, Paragraph 8 of the Banking Act and Article 4-2 of the Enforcement Ordinance of the Banking Act.

Significant Accounting Policies Applied in Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 29
Names of principal companies: Resona Bank, Ltd.
Saitama Resona Bank, Ltd.
Kansai Mirai Financial Group, Inc.
Kansai Mirai Bank, Ltd.
The Minato Bank, Ltd.

Resona Corporate Investment Co., Ltd. is included in the scope of consolidation from this fiscal year due to the new establishment.

Minato Consulting Inc. is excluded from the scope of consolidation from this fiscal year due to liquidation.

(2) Non-consolidated subsidiaries
Name of principal company: Asahi Servicos e Representacoes Ltda.

Non-consolidated subsidiaries are immaterial with respect to assets, ordinary income, net income/loss (based on the owned interest) and retained earnings (based on the owned interest), accumulated other comprehensive income (based on the owned interest), etc. They are excluded from the consolidation as reasonable judgment on the financial conditions and operating results of the Group can still be expected even if they were not consolidated.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries accounted for by the equity method: None

(2) Number of affiliates accounted for by the equity method: 5 companies
Name of principal company: Custody Bank of Japan, Ltd. (formerly, JTC Holdings, Ltd.)

(3) Non-consolidated subsidiaries not accounted for by the equity method
Name of principal company: Asahi Servicos e Representacoes Ltda.

(4) Affiliates not accounted for by the equity method
Name of principal company: SAC Capital Private Limited

Non-consolidated subsidiaries and affiliates, which are not accounted for by the equity method, are not material to the consolidated financial statements with respect to net income/loss (based on the owned interest), retained earnings (based on the owned interest), accumulated other comprehensive income (based on owned interest), etc. and accordingly, the equity method is not applied to them.

3. Balance sheet dates of consolidated subsidiaries

(1) Balance sheet dates of the consolidated subsidiaries are as follows:
End of December: 3 companies
End of March: 26 companies

(2) All subsidiaries have been consolidated based on their accounts at their respective balance sheet dates.

Appropriate adjustments have been made for significant transactions occurring during the period from the respective balance sheet dates of the above subsidiaries to the consolidated balance sheet date.

4. Amortization of goodwill

Goodwill is amortized in equal amounts for the duration of effectiveness of the goodwill up to 20 years.
Goodwill of an insignificant amount is accounted as expenses in the fiscal year when it occurred.

5. Accounting policies

(1) Trading assets/trading liabilities and trading income/trading expenses

Transactions whose purpose are to earn a profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, currency exchange rates, share prices or other market indices on different markets (“transactions for trading purposes”) are included in “Trading assets” or “Trading liabilities” as appropriate in the consolidated balance sheets on a trade-date basis. Income and expenses on the transactions for such trading purposes are included in “Trading income” and “Trading expenses” in the consolidated statements of income on a trade-date basis.

Securities and monetary claims etc. held for trading purposes are stated at fair value as of the consolidated balance sheet date. Derivatives, including swaps, futures and options, held for trading purposes, are stated at the fair values as if they were closed out value assuming the respective contracts are closed-out at the consolidated balance sheet date.

Trading income and trading expenses include interest received and paid during the fiscal year, net changes in fair value of securities and monetary claims, etc., and changes in the close-out value of derivatives during the fiscal year.

(2) Securities

Held-to-maturity debt securities are stated at amortized cost determined by the moving average method (the amortization/accumulation is calculated by the straight-line method).

Investments in non-consolidated subsidiaries and affiliates which are not accounted for by the equity method are stated at cost determined by the moving-average method.

Available-for-sale equity securities are stated at fair value based on the average quoted market prices in the last month of the fiscal year. Other marketable available-for-sale securities are stated at their respective market value and the cost of these securities sold is determined by the moving average method. Non-marketable available-for-sale securities whose fair value cannot be readily determined are stated at cost determined by the moving-average method.

Net unrealized gains or losses, net of applicable taxes, on available-for-sale securities are included as a component of net assets.

(3) Derivative transactions

Derivative transactions (excluding “transactions for trading purposes”) are stated at fair value.

(4) Depreciation for fixed assets

(i) Tangible fixed assets (except for leased assets)
Depreciation of tangible fixed assets is mainly computed by the straight-line method for buildings and by the declining-balance method for equipment. The estimated useful lives of major tangible fixed assets are as follows:
- Buildings: 3 ~ 50 years
- Other: 2 ~ 20 years

(ii) Intangible fixed assets (except for leased assets)
Amortization of intangible fixed assets is computed by the straight-line method. Software for internal use is amortized over the estimated useful lives (mainly 5 years) determined by the Company and its consolidated subsidiaries.

(iii) Leased assets
Finance leases other than those which are deemed to transfer the ownership of the leased assets to the lessee, which are included in tangible fixed assets or intangible fixed assets, are depreciated by a straight-line method over the lease term. Residual value of those leased assets is zero unless any guaranteed amount is prescribed in the lease agreement.

Depreciation of leased assets deemed to transfer ownership to the lessee is computed by the same method used for owned assets.

(5) Deferred charges

Bond issuance costs and share delivery costs are charged to expense as paid.

(6) Reserve for possible loan losses

The principal consolidated subsidiaries have provided reserve for possible loan losses in accordance with their internal standards for write-offs and reserves as follows:

For claims to insolvent borrowers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, “bankrupt obligors”) or who are in substantially the same deteriorating financial condition, although not yet in formal bankruptcy proceedings (hereinafter “effectively bankrupt obligors”), a reserve is provided at the full amount of claims after deducting any direct write-offs and excluding the amounts deemed collectible from the disposal of collateral and the amounts recoverable from the execution of guarantees.

For claims to borrowers who are not currently in the condition of bankruptcy or insolvency but with a high probability of becoming insolvent (hereinafter, “potentially bankrupt obligors”) and certain identified claims subject to close watch, which exceeds a certain threshold, the Discounted Cash Flows Method (the “DCF Method”) is applied to determine the amount of reserve for individually large balances which exceeds a certain pre-established threshold amount. The DCF method, however, is applied only when future cash flows from collection of principal and interest can be reasonably estimated. Under the DCF Method, a reserve is provided for the difference between the present value of future cash flows discounted by the original interest rate and the carrying value of the claim.

For claims to potentially bankrupt obligors and claims to borrowers who require special attention for further management (hereinafter, “special attention obligors”) including borrowers with problems in lending terms or status of performance, borrowers whose business results are poor or unstable and borrowers with problems in their financial condition and all or part of loans to whom are special attention claims (hereinafter, "obligors under special management"), a reserve is computed by estimating mainly the expected loss for the next three years. For claims to borrowers who are special attention obligors but not obligors under special management and borrowers whose business performance is satisfactory and financial condition does not have a noteworthy problem (hereinafter, "normal obligors"), a reserve is computed by estimating mainly the expected loss for the next one year. The amount of the expected loss is computed by calculating the loss ratios based upon the average of the actual loss ratios for a specified period derived from the historical loss experience for one year or three years, with necessary adjustments such as future prospect.

For claims to certain foreign borrowers with country risk exposure, a reserve is provided for the estimated losses determined by considering the political and economic situation of respective countries.

The operating divisions initially assess all claims based on the internal standards for self-assessment of asset quality. The Internal Audit Division, which is independent from the operating divisions, examines their assessments.

For collateralized or guaranteed claims, etc. to bankrupt obligors and effectively bankrupt obligors, uncollectible amount (i.e., the carrying value less the amounts collectible from the disposal of collateral and execution of guarantees) are directly written-off. Such uncollectible amount is determined considering a valuation of the collateral and guarantees and is ¥186,882 million.

Other consolidated subsidiaries mainly provide a general reserve against claims at the amount deemed necessary based on their historical loan-loss experience and a reserve for specific claims individually determined to be uncollectible such as those to bankrupt obligors.

(7) Reserve for possible losses on investments

Reserve for possible losses on investments is provided for possible losses on investments in securities based on assessment of the issuers' financial condition and other factors.

(8) Reserve for employees' bonuses

The reserve for employees' bonuses is provided for the payment of performance incentive bonuses to be paid to employees at an estimated amount accrued as of the consolidated balance sheet date.

(9) Other reserves

Other reserves are provided to cover future expenses and losses that can be reasonably estimated.
Major components are as follows:

(i) Reserve for losses on reimbursement of dormant deposits: ¥23,507 million
A reserve for losses on reimbursement of dormant deposits is provided for the estimated future losses resulting from reimbursements of dormant deposits subsequent to the period of derecognition of the related liabilities.

(ii) Reserve for losses on burden charge under the credit guarantee system: ¥4,856 million
A reserve for losses on burden charge under the credit guarantee system is provided for the estimated future losses to be charged by the credit guarantee corporation under the burden sharing system for credit losses on loans.

(iii) Reserve for Resona Club points: ¥4,623 million
A reserve for Resona Club points is provided for the estimated future losses by usage of the points awarded to the Resona Club members.

(10) Employees' retirement benefits

Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end. Prior service cost and unrecognized actuarial gains and losses are accounted for as follows:

Prior service cost:	charged to expense in the fiscal year it is incurred
Unrecognized actuarial gains and losses:	charged to income/expense from the next fiscal year of the incurrence by the straight-line method over a period defined within the average remaining service years of eligible employees (mainly 10 years).

Certain consolidated subsidiaries estimated net defined benefit liability and retirement benefit costs using the simplified method whereby the retirement benefit obligations amount that would be payable if the eligible employees terminate the employment.

(11) Translation of assets and liabilities denominated in foreign currencies into Japanese yen

Assets and liabilities denominated in foreign currencies of consolidated domestic banking subsidiaries, except for the investments in affiliates on which historical foreign exchange rates are used, are translated into Japanese yen, primarily at the exchange rates on the consolidated balance sheet dates.

Assets and liabilities denominated in foreign currencies of other consolidated subsidiaries are translated into Japanese yen at the exchange rates on the respective balance sheet dates.

(12) Hedge accounting

(i) Hedges of interest rate risk

Consolidated domestic banking subsidiaries apply the deferral hedge accounting to the hedge of interest rate risk associated with their financial assets and liabilities in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Industry Committee Practical Guideline No. 24 "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry."

In assessment of effectiveness of fair value hedge, the hedged instruments such as loans and deposits and hedging instruments such as interest swaps are specified as a group with similar remaining term. In assessing effectiveness of cash flow hedge, the correlation of the interest sensitivities of the hedged instruments and the hedging instruments are examined.

(ii) Hedges of foreign currency risk

Certain consolidated domestic banking subsidiaries apply the deferral hedge accounting to hedge of the foreign currency risk associated with their financial assets and liabilities denominated in foreign currencies in accordance with JICPA Industry Committee Practical Guideline No. 25 "Accounting and Auditing Treatments for Foreign Currency Transactions in the Banking Industry."

Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amount of hedging currency swaps, foreign exchange swaps, etc. is corresponding to hedged receivables or payables denominated in foreign currencies.

In addition, in application of the deferral hedge accounting or the fair value hedge accounting to hedges of foreign exchange risk of securities denominated in foreign currencies other than bonds, at the inception of each hedge, the hedge effectiveness is assessed by confirming whether the foreign currency payable amount of hedging spot or forward exchange contracts exceed the acquisition costs of the hedged securities denominated in foreign currencies.

(iii) Transaction among consolidated subsidiaries

Because internal interest swaps, currency swaps, and other derivative transactions specified as hedging instruments are strictly processed based on the appropriate market pricing and covered by corresponding external transactions as required by the JICPA Industry Committee Practical Guidelines No. 24 and No. 25, gains and losses on these internal derivative transactions within consolidated banking subsidiaries or with their trading accounts, are not eliminated, and are recognized as profit or deferred.

The hedging of certain assets and liabilities are accounted for by the deferral hedge accounting, fair value hedge accounting and the special treatment of interest rate swaps.

(13) Consumption taxes

The Company and consolidated domestic subsidiaries account for consumption tax and local consumption tax with the tax-exclusion method.

(14) Consolidated corporate-tax system

The Company and certain consolidated domestic subsidiaries adopt consolidated corporate-tax system with the Company being a parent company under the system.

(15) Share benefit trust for officers

The Company has introduced the performance share unit plan using a share benefit trust scheme for officers with executive power of the Company and Resona Bank, Ltd. and Saitama Resona Bank, Ltd., consolidated subsidiaries of the Company. It is accounted in line with the "Practical Treatments of Transactions for Delivery of Own Shares to Employees, etc. through Trust" (Practical Issues Task Force No. 30 of March 26, 2015).

(Additional information)

The "Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections" (ASBJ Accounting Standard No. 24 issued on March 31, 2020) are applied starting from the consolidated financial statements for this fiscal year end, and where the relevant provisions of the Accounting Standards, etc. are not clear, the accounting principles and procedures adopted are disclosed.

(Changes to Method of Presentation)

The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Accounting Standard No. 31 issued on March 31, 2020) are applied starting from the consolidated financial statements for this fiscal year end, and notes related to important estimates for accounting purposes are added to the consolidated financial statements.

(Important Estimates in Accounting)

The item whose amount is included in the consolidated financial statements for this fiscal year based upon estimates for accounting purposes and which may significantly affect consolidated financial statements for the next fiscal year is reserve for possible loan losses.

(1) Amount included in the consolidated financial statements for this fiscal year: ¥190,088 million

The amount above includes ¥8,672 million additional reserve to cope with credit risk inherent in loans to borrowers who may be affected by wide-spread infections of COVID-19 and economic slump resulting therefrom in the amount of 511,183 million.

(2) Other information helpful to understand contents of important estimates in accounting

(i) Method of calculation
The method of calculation of reserve for possible loan losses is described in “Significant Accounting Policies Applied in Preparing Consolidated Financial Statements; 5. Accounting policies; (6) Reserve for possible loan losses.”

In calculating the additional reserve mentioned above, among loans by Resona Bank, Ltd. and the Company's other domestic group banks, the industries were identified where credit of borrowers in these industries is assumed to be significantly affected by the wide-spread infections of COVID-19. Loans to special attention obligors in these industries are applied the expected loss ratio adjusted from the actual loan loss experience in the past to reflect credit risk inherent in such loans as there is uncertainty in regard to degree of deterioration of business results expected for future especially if trend in occurrence of loan losses and changes in borrower category are considered.

(ii) Principle assumptions
The principal assumption regarding reserve for possible loan losses is “prospect of future business performance of borrowers in determining borrower category.” “Prospect of future business performance of borrowers in determining borrower category” is determined by individually judging each borrower's ability to gain profits.

In relation to the additional reserve mentioned above, it was previously assumed that the spreading of COVID-19 infections and the resulting slump in economy would continue through the fiscal year 2021. However, given the current status of the infections of COVID-19, the assumption has been changed that the effect of COVID-19 would continue for approximately 2 years after the fiscal year 2021.

(iii) Effect on consolidated financial statements for the next fiscal year
If the assumption used for the initial estimate is changed due to change in business performance of individual borrowers, etc, there can be a material effect on reserve for possible loan losses in consolidated financial statements for the next fiscal year.

Especially if the industries where loans are applied the additional reserve mentioned above or the estimated loss ratio are changed due to the status of COVID-19 infections or the effect on economic activities, the amount of the additional reserve mentioned above may increase or decrease.

(Additional Information)

ESOP-type Stock Benefit Trust for the Employee Shareholding Association

With the purpose of giving an incentive to enhance corporate value on a medium-to-long term basis, the Company effects transactions to deliver the Company's own shares to the Employee Shareholding Association through a trust (ESOP-type Stock Benefit Trust for the Employee Shareholding Association).

(1) Outline of transactions

The Company sets up a trust whose beneficiaries are the employees who belong to the Employee Shareholding Association of Resona Holdings, Inc. (hereinafter, "the Company's Shareholding Association") and fulfill certain conditions. The trust acquires the number of shares of the Company that the Company's Shareholding Association is expected to acquire during the trust period, within the purchase period determined in advance. Subsequently, the trust sells the shares of the Company to the Company's Shareholding Association at a certain date of every month. If as of the end of the trust period, a trust profit is recognized as a result of a rise in the stock price and other factors, the profit is distributed in cash to the employees who are beneficiaries of the trust in proportion to the number of shares purchased during the period and other factors. If a transfer loss arises due to a decline in the stock price and a liability on the trust assets remains, the Company is responsible for fully settling the liability based on the indemnity clause stipulated in the non-recourse loan agreement.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥586 million and 1,050 thousand shares, respectively.

Share Benefit Trust for Officers

The Company has adopted the performance share unit plan described in “Significant Accounting Policies Applied in Preparing Consolidated Financial Statements; 5. Accounting policies; (15) Share benefit trust for officers.”

(1) Outline of transactions

The Company sets up a trust whose beneficiaries are the officers with executive power of the Company and Resona Bank, Ltd. and Saitama Resona Bank, Ltd., consolidated subsidiaries of the Company (hereinafter, "the Company's Group Officers") and fulfill certain conditions set forth in the rules for grant of shares. The trust acquires a certain number of shares of the Company, within the purchase period determined in advance. The Company's Group Officers are given points according to their positions and achievements during the trust period, pursuant to the rules for grant of shares. The Company's Group Officers who meet the conditions for beneficiaries set forth in the rules for grant of shares will receive delivery of shares of the Company, etc. corresponding the number of the points given, after the results of the final fiscal year of the medium-term management plan are fixed. No voting rights in respect of shares of the Company under this trust will be exercised during the trust period, in order to ensure neutrality to the management.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥1,403 million and 3,789 thousand shares, respectively.

Application of Tax Effect Accounting Relating to Transition from Consolidated Taxation System to Group Tax Sharing System

With regards to the transition to the group tax sharing system established under the "Act Partially Amending the Income Tax Act, Etc." (Act No. 8 of 2020) and the items with respect to which the non-consolidated taxation system has been revised in connection with the transition to the group tax sharing system, the Company and some of its consolidated subsidiaries have not applied paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued on March 31, 2020), and the amounts of the deferred tax assets and liabilities are based upon the provisions of the tax law before the amendment.

Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheet)

March 31, 2021

1. Equity investments and capital subscriptions to subsidiaries and affiliates (excluding consolidated subsidiaries) amounted to ¥41,008 million in total.

2. There is no stock lent under consumption agreements in "Securities." There is no portion of unsecured borrowed securities, securities purchased under resale agreements and securities borrowed with cash collateral.

3. Loans to borrowers in legal bankruptcy amounted to ¥9,654 million, and past due loans amounted to ¥358,662 million.

   Loans to borrowers in legal bankruptcy are loans for which payment of principals or interests has not been received for a substantial period or, for other reasons, there are no prospects for collection of principals or interests, and accordingly, no interest has been accrued (excluding balance already written off and hereinafter referred to as "nonaccrual loans") and also certain specific condition stated in the Implementation Ordinances for the Corporation Tax Act (Cabinet Order No. 97, 1965), (i) through (v) in Article 96, Paragraph 1, Item 3 or the circumstances stated in Article 96, Paragraph 1, Item 4 exists.

   Past due loans are nonaccrual loans, other than loans to borrowers in legal bankruptcy and loans whose interest payments have been rescheduled in order to support the restructuring of the borrowers.

4. Loans past due 3 months or more amounted to ¥5,204 million.

   Loans past due 3 months or more are loans on which payment of principal or interest is overdue for 3 months or more from the contract payment date. These loans do not include "loans to borrowers in legal bankruptcy" nor "past due loans."

5. Restructured loans amounted to ¥176,201 million.

   Restructured loans are those which consolidated subsidiaries have provided special terms and conditions: - including reduction of the interest rates, reschedule of the interest and principal payments, or waiver of claims on the borrowers, all of which are more favorable to the borrowers than the corresponding terms in the original loan agreements. These loans do not include "loans to borrowers in legal bankruptcy", "past due loans" and "loans past due 3 months or more."

6. Loans to borrowers in legal bankruptcy, past due loans, loans past due 3 months or more and restructured loans amounted to ¥549,722 million in the aggregate. The amounts presented in above 3. to 6. are stated at the amounts before net of the reserve for possible loan losses.

7. Bills discounted are recorded as lending/borrowing transactions in accordance with the JICPA Industry Committee Practical Guidelines No. 24. The Group has a right to sell or collateralize such bills at their discretion. The total face value of bank acceptance bills, commercial bills, documentary bills and foreign currency bills bought, etc., which were obtained at a discount, was ¥75,865 million.

8. For loan participations, of the amount of participation in principal accounted for as loans to original borrowers, ¥34,794 million was included in the consolidated balance sheet, in accordance with the Accounting System Committee Report No. 3, "Accounting Treatment and Representation of Loan Participation" issued by JICPA on November 28, 2014.

9. Assets pledged as collateral were as follows:

Assets pledged as collateral:		
• Cash and due from banks	¥	1,598 million
• Trading assets		54,009 million
• Securities		3,585,045 million
• Loans and bills discounted		8,120,412 million
• Lease claims and lease assets		1,378 million
• Other assets		8,601 million
Debt collateralized:		
• Deposits	¥	171,151 million
• Payables under repurchase agreements		3,000 million
• Payables under securities lending transactions		1,064,481 million
• Borrowed money		7,158,598 million
• Other debt		12,833 million

   Other than noted on the table, "Cash and due from banks", "Securities" and "Other assets", in the amount of ¥0 million, ¥18,595 million, and ¥450,729 million, respectively, were pledged as collateral for settlement of foreign exchange or futures transactions and others.

   "Other assets" include the initial margins for future transactions in the amount of ¥86,818 million, cash collateral paid for financial instruments in the amount of ¥93,342 million and guarantee deposits in the amount of ¥23,327 million.

10. Overdrafts agreements on current accounts and commitment line agreements for loans are agreements to extend loans up to the prearranged amount upon customers' requests, unless any terms or conditions in the agreements are violated. Unused balances related to these agreements amounted to ¥11,516,360 million including ¥10,703,545 million of agreements with original terms of one year or less or those that are unconditionally cancellable by the Group at any time without penalty.

    The unused balances do not necessarily affect future cash flows of the consolidated subsidiaries because most of those agreements are expected to expire without being exercised. In addition, most agreements contain provisions, which stipulate that the consolidated subsidiaries may decline to extend loans or reduce the prearranged commitment amount when there are adverse changes in the financial conditions of the borrowers or for other reasons.

    When extending loans to customers, the Group may request collateral or guarantees such as real estate and securities if deemed necessary.

    After originating loans, the Group periodically checks the financial condition of the borrowers based on its internal rules and, if necessary, takes measures to ensure the security of the loans.

11. Certain domestic consolidated subsidiaries adopted a special one-time measure to revalue their land used in operations in accordance with the "Act Concerning Land Revaluation" (Act 34, announced on March 31, 1998). The land revaluation differences have been recorded in "revaluation reserve for land" as a separate component of net assets with the related income taxes included in "deferred tax liabilities for land revaluation."

    Revaluation date: March 31, 1998

    The revaluation method as stated in Article 3, Item 3 of the Act Concerning Land Revaluation:

    The revaluation was based on the official notice prices stated in the "Act of Public Notice of Land Prices (assessed date, January 1, 1998)" as stipulated in Article 2, Item 1 of the "Ordinance for the Act Concerning Land Revaluation (Government Ordinance No. 119, announced on March 31, 1998) after making reasonable adjustments for the location and quality of the sites.

    The aggregate carrying value of the land after one-time revaluation exceeded its aggregate fair value that was determined in accordance with Article 10 of the Act: ¥2,348 million

12. Accumulated depreciation of tangible fixed assets: ¥313,637 million

13. Deferred profit on tangible fixed assets deducted for tax purposes: ¥49,070 million

14. Bonds include ¥96,000 million of subordinated bonds with a covenant that performance of the obligation is subordinated to that of other obligations.

15. The principal amount of trust with the principal indemnification agreement which a consolidated domestic banking subsidiary as a trustee has been administrating and operating is ¥1,316,764 million.

16. Guarantees are provided on certain privately placed bonds, in accordance with Article 2, Item 3 of the Financial Instruments and Exchange Act, included in "Securities." The amount of the guarantees is ¥659,393 million.

(Notes to Consolidated Statement of Income)
For the fiscal year 2020

1. "Other ordinary income" includes gains on sales of stocks and other securities in the amount of ¥53,755 million.

2. "Other ordinary expenses" includes:

• Write-offs of loans	¥	24,289 million
• Losses on sales of stocks and other securities		5,847 million
• Impairment losses on stocks and other securities		920 million

(Notes to Consolidated Statement of Changes in Net Assets)
For the fiscal year 2020

1. The changes in the number and class of shares issued and treasury stock are as follows:

(Shares in thousand)

	Number of shares at the beginning of the fiscal year	During the fiscal year 2020		Number of shares at the end of the fiscal year	Remarks
		Number of shares increased	Number of shares decreased		
Issued stock					
Common stock	2,324,118	417	21,706	2,302,829	(Note 1)
Treasury stock					
Common stock	26,619	3,797	24,578	5,837	(Note 2)

Note:

1. The increase in the number of shares of the issued common stock represents the issuance of new shares as performance-based share compensation. The decrease in the number of shares of the issued common stock represents cancellation of shares of the Company pursuant to Article 178 of the Companies Act.
2. The increase in the number of treasury stock represents acquisition of 7 thousand shares of the shares less than one unit and acquisition of 3,789 thousand shares by the share benefit trust for officers. The decrease in the number of treasury stock represents disposal of 0 thousand shares of the shares less than one unit and sale of 2,871 thousand shares held by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company to the Employee Shareholding Association of the Company as well as the cancellation of 21,706 thousand shares of the Company mentioned in Note 1 above. The number of shares at the beginning of the fiscal year includes 3,922 thousand shares owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association. The number of shares at the end of the fiscal year include 1,050 thousand shares and 3,789 thousand shares, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association and the share benefit trust for officers, respectively.

2. The stock subscription rights and stock subscription rights held by the Company are as follows:

Category	Type of stock subscription right	Class of shares that are the subject of stock subscription right	Number of shares that are the subject of stock subscription right				Balance at the end of the fiscal year (millions of yen)	Remarks
			At the beginning of the fiscal year	During the fiscal year 2020		At the end of the fiscal year		
				Increase	Decrease			
Consolidated subsidiary	Stock subscription right for stock option	—					279	
Total		—					279	

3. Detail of cash dividend

(1) Dividends paid in the fiscal year 2020

Resolution	Type of stock	Cash dividends	Dividend per share	Source of dividends	Dividend record date	Effective date
		Millions of yen	*Yen*			
The board of directors meeting held on May 12, 2020	Common stock	24,164	10.50	Retained earnings	March 31, 2020	June 4, 2020

Note: Total cash dividends for common stock include ¥41 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association.

Resolution	Type of stock	Cash	Dividend	Source of	Dividend	Effective

		dividends *Millions of yen*	per share *Yen*	dividends	record date	date
The board of directors meeting held on November 10, 2020	Common stock	24,169	10.50	Retained earnings	September 30, 2020	December 8, 2020

Note: Total cash dividends for common stock include ¥25 million and ¥39 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association and the share benefit trust for officers, respectively.

(2) Dividends with record dates on or before the fiscal year end and effective dates after the fiscal year end

The following dividends are proposed to the board of directors meeting held on May 11, 2021.

Type of stock	Cash dividends *Millions of yen*	Dividend per share *Yen*	Source of dividends	Dividend record date	Effective date
Common stock	24,169	10.50	Retained earnings	March 31, 2021	June 8, 2021

Note: Total cash dividends for common stock include ¥11 million and ¥39 million of dividends paid to ESOP-type Stock Benefit Trust for the Employee Shareholding Association and the share benefit trust for officers, respectively.

(Financial Instruments)
For the fiscal year 2020

1. Conditions of financial instruments

(1) Policies and objectives for using financial instruments

The Group aims to become a financial services group useful to customers and provide various financial instruments corresponding to customer needs. In addition, the Group utilizes financial instruments for risk-taking and risk-control in order to improve its profitability and secure sound operations.

The Group responds to customers' funding needs through providing credit such as lending, loans, undertaking private placement bonds and guarantees to individuals and corporate customers. It holds bonds such as Japanese government bonds as stable investments and securities such as stocks for maintaining strong relationship with customers. Recently the Group began providing interest rate-related and currency-related derivatives to meet sophisticated and diversified customer needs.

To provide these financial services, the Group raises funds by using financial instruments such as customer deposits, issuance of bonds and funding from the inter-bank market.

Asset and Liability Management (ALM) is in place to manage the interest rate gap between short-term and long-term and interest fluctuation risk resulting from its investment and funding activities, and to improve profitability management across business divisions. As part of ALM, the Group executes derivative transactions, which are designated to hedge the interest rate gap between short-term and long-term and interest fluctuation risks, as well as covering transactions related to customers' derivative contracts.

Certain consolidated subsidiaries and affiliates conduct domestic banking services such as credit guarantee, and foreign banking services under foreign regulations.

(2) Type of and risks associated with financial instruments

(i) Type of and risks associated with loans and bills discounted

The Group's primary geographical business area is the metropolitan areas of Tokyo and Saitama, and the Kansai region mainly Osaka. Loans to small-to-mid-size companies and individual mortgages comprise a significant portion of our credit portfolio. These loans are exposed to credit risks in which the Group may suffer losses due to a decline or the disappearance of an asset's value as a result of deterioration of the financial position of obligors.

(ii) Type of and risks associated with securities

Securities, which each bank of the Group holds, are bonds, stocks, investment limited partnerships, investment trusts in partnership and others. The Group holds them to promote business in addition to generating investment income and capital appreciation, and smooth cash flow operation.

Securities are exposed to market risks in which the Group may suffer losses due to changes in values of assets and liabilities or revenues generated from them by variance of risk factors such as interest rate, stock market and foreign exchange market, and credit risks in which the Group may suffer losses due to a decline or the disappearance of asset's value as a result of deterioration of the financial position of obligors.

(iii) Type of and risks associated with derivative transactions

The Group utilizes derivative instruments such as interest rate-related products, currency-related products, stock-related products and bond-related products.

- Interest rate-related products: futures, future options, forward rate agreements, swaps and options
- Currency-related products: forward exchange contracts, swaps and options
- Stock-related products: index futures, index options and over-the-counter options
- Bond-related products: futures, future options and over-the-counter options

Derivative transactions are essential to satisfy the sophisticated and diverse financial needs of customers and to control various risks to which each bank of the Group is exposed. The Group's basic policy is to execute derivative transactions in line with its business strategy and resources under the appropriate risk management system after accurately identifying risks associated with the transactions.

Each bank of the Group executes derivative transactions in order to respond to customers' risk hedging needs, hedging risks of financial assets and liabilities, and for trading purposes as follows.

(a) Customers' risk hedging needs

Customers are exposed to various risks and, accordingly, their needs to hedge these risks are essential and diverse. One of the primary purposes of derivative transactions for each bank of the Group is to provide customers with financial products which enable them to achieve their objectives of hedging and mitigating risks. Each bank of the Group develops a variety of derivatives and makes an effort to increase its ability to provide those financial products in order to offer sophisticated financial solutions to customers.

Derivative transactions may, however, result in significant losses to customers depending upon the design and nature of the products. Accordingly, in offering such products to customers, each bank of the Group follows strict guidelines which ensure that:

- Sufficient explanation of the products and associated risks

Customers are given sufficient explanation on the nature of products and their risks in writing. A description of the product, structure, hedge effectiveness (including explanation of which customers would not be able to gain expected economic effects and which the economic effects from the hedge transactions would be against customers' interests), market risk and credit risk associated with the product are required to be included in the explanation documents (proposal, written explanation of derivative risks).

Customers are given explanation in accurate and simplified terms instead of difficult technical terms. Customers are given cooperation to confirm completeness of the explanation and full understanding by using designated documents with check column.

- Customers' responsibility and capability to enter into a transaction

Customers are ready to take responsibility for the products fully, and are capable and willing to enter into the transactions based on their own judgment.

Customers are not engaged in transactions which are recognized as improper from the points of transaction amount, term, and level of risk of view, according to customers' knowledge, experience, assets, purpose of transaction, capacity to meet loss and internal management systems.

- Providing relevant fair value information

Customers are provided with relevant fair value information (i.e., unrealized gains and losses on customers' positions) to assist them in evaluating the products and transactions, periodically or whenever considered necessary.

(b) Hedging risks of financial assets and liabilities

Each bank of the Group uses derivatives to manage interest rate and foreign currency risks associated with various financial assets and liabilities, such as loans and deposits. Each bank of the Group uses fair value hedges to protect the fair value of assets and liabilities against risks such as interest rate fluctuations, and cash flow hedges to ensure future cash flows from their variability on an individual and a portfolio basis. As for foreign currency risks, each bank of the Group uses foreign currency hedges to protect future fair value of assets and liabilities against risks such as foreign currency fluctuations.

Derivative transactions designated as hedges are strictly monitored by assessing hedge effectiveness periodically in accordance with the relevant hedge accounting guidelines.

For a portfolio hedge of interest rate risks, hedge effectiveness is assessed by grouping hedging instruments and hedged items according to their maturities to determine that certain critical conditions are satisfied, or confirming high correlation between the changes in interest rate factors underlying the hedging instruments and hedged items by means of regression analyses. For an individual hedge, hedge effectiveness is assessed individually. For a foreign currency hedge, hedge effectiveness is assessed by confirming that the principal and interest amount of receivables and liabilities denominated in foreign currencies exceed the principal and interest amount of hedging instruments.

(c) Trading activities

Each bank of the Group engages in trading activities to earn profits by taking advantage of short-term fluctuations in market indices or market gaps.

Risks associated with derivative transactions are credit risks and market risks. Each bank of the Group determines and monitors credit exposures by measuring credit risks based on the current exposure method periodically, adding the credit exposure together with the on-balance sheet transactions such as loans, and the Loan and Credit Division, independent from Market Divisions and Operation Divisions, establishing individual credit limits. The division reviews the transaction and credit limits applicable to each of the counterparties, on an on-going basis, in response to the changes in creditworthiness of the counterparties.

Refer to following "(3) (ii) Market risk management."

(iv) Type of and risks associated with financial liabilities

Each bank of the Group raises funds through acceptance of customer deposits, funding in the market and issuing bonds. These are exposed to risks of fluctuation in interest rates and foreign exchange rates and liquidity risk and may be difficult to raise due to the fluctuation of the financial economic environment.

(v) Type of and risks associated with non-banking subsidiaries and affiliates accounted for by the equity method

Non-banking subsidiaries and affiliates accounted for by the equity method include Resona Guarantee Co., Ltd. which conducts a credit guarantee business and Resona Card Co., Ltd. which conducts a credit card administration and credit guarantee business. They are exposed to credit risk and market risk related to each business activity.

(3) Risk management system related to financial instruments

The Company has established the Group Risk Management Policy that serves as the basic risk management policy. Based on the policy and operational characteristics, each bank of the Group established its own risk management policy "Basic Policy for Risk Management," approved by the Board of Directors of each bank of the Group, including basic policies for credit risk management, market risk management and liquidity risk management. In accordance with the Basic Policy for Risk Management, each bank of the Group manages risks and establishes detailed rules over risk management activities.

Each bank of the Group plans and conducts internal audits depending on the degree of intrinsic risks and the risk management system.

(i) Credit risk management

In accordance with the Basic Policy for Risk Management, Credit Risk Management-related Departments, independent from sales promotion-related divisions, are responsible for determining and monitoring credit exposures at each bank of the Group. As an organization responsible for credit risk management, each bank of the Group sets up Credit Committee and Credit Risk Management-related Departments, which include the Credit Risk Management Division, Credit Analysis Division and Administration of Problem Loans. The Credit

Committee has been established to resolve, discuss and report significant credit matters as a whole. The Credit Risk Management Division is a division to propose policies and procedures over credit rating and a framework necessary for appropriate credit risk management such as credit analysis. The Credit Analysis Division is a division to review operational and financial conditions, qualitative factors, funding purpose, repayment plan, etc. of counterparties, and determine credit exposures by considering the nature of risks associated with the transaction appropriately. The Administration of Problem Loans is a division to understand the business condition of the counterparties with problems and engage in rehabilitation, resolution and correction of the business.

Under the foregoing organizational structure, each bank of the Group makes an effort to control and reduce credit risk. For instance, each bank of the Group applies strict control of credit concentration risk to a specific customer (or customer group) by measures such as establishing a credit limit (credit ceiling), as such risk may materially affect the operation of the Group.

Each bank of the Group controls credit risks within certain amounts by measuring credit risks from the perspective of managing the whole credit portfolio and setting credit limits.

(ii) Market risk management

(a) Market risk management system

In accordance with the Basic Policy for Risk Management, each bank of the Group established the Risk Management Division (middle-office) and Office Management Division (back-office), independent from Transaction Divisions (front-office), to enable mutual checks and balances. The ALM Committee has been established to manage changes and conditions of funding, revenue, risk and cost, and to discuss and report corresponding actions to the circumstances.

Each bank of the Group establishes policies such as “Market Risk Management Policy” to manage market risk appropriately and strictly in accordance with the Basic Policy for Risk Management.

As for market risks resulting from fair market valuation of transactions or changes in risk factors such as interest, market prices, and foreign currency exchange, each bank of the Group measures risk exposures by Value at Risk (“VaR”), establishes limits of risk exposure, limits of loss and limits of sensitivity by product, and monitors those observance conditions. In addition, each bank of the Group regularly measures potential loss amounts based on stress-scenario testing.

Each bank of the Group monitors and reports to management about risk exposures and profit/loss conditions, including observance of the conditions of the credit limits. It also leads checks and balances by the Risk Management Division (middle-office) to the Transaction Divisions (front-office).

(b) Quantitative information on market risk

Each bank of the Group measures VaR of market risks based on the purpose of holding financial instruments: trading, banking and securities held for the purpose of strategic investment. Market risk exposure of the Group is measured by simply aggregating VaR of Resona Bank, Ltd. and Saitama Resona Bank, Ltd. as well as Kansai Mirai Bank, Ltd. and The Minato Bank, Ltd. which are under the umbrella of Kansai Mirai Financial Group.

Risk exposures of certain products and affiliated companies are excluded from the market risk exposure of the Group, as the effect is confirmed to be immaterial.

(Trading)

The Group adopts a historical simulation method (holding period is 10 business days, confidence interval is 99%, observation period is 250 business days) in order to measure VaR associated with securities held for trading and derivative instruments. The market risk exposure of the Group in the trading operation as of March 31, 2021 is ¥435 million.

(Banking)

In the banking operation, each bank of the Group deals with financial instruments other than those held for trading and securities held for the purpose of strategic investment, and any other assets and liabilities. The Group adopts a historical simulation method or delta method (holding period is 20 or 125 business days, confidence interval is 99%, observation period is 250 or 1,250 business days) in order to measure VaR associated with the banking operation. The market risk exposure of the Group in the banking operation as of March 31, 2021 is ¥50,840 million.

(Securities held for the purpose of strategic investment)

Each bank of the Group measures VaR or manages risks associated with securities held for the purpose of strategic investment separately from the trading and the banking operation. The Group adopts a historical simulation method or delta method (holding period is 125 business days, confidence interval is 99%, observation period is 250 or 1,250 business days) in order to measure VaR associated with securities held for the purpose of strategic investment, and measures risk exposure by considering impairment risks. The market risk exposure of the Group on the securities held for the purpose of strategic investment as of March 31, 2021 is ¥16,749 million.

(Verification system of VaR)

Each bank of the Group performs a backtesting which reconciles VaR measured by the model for each measurement unit with actual market fluctuations in order to verify reliability and effectiveness of the risk measurement model.

VaR represents a risk exposure under a certain probability calculated statistically based on the historical market movements. In the case that the actual market fluctuates over the ranges anticipated by the historical market movements, fair market values may fluctuate over VaR.

(iii) Liquidity risk management

In accordance with the Basic Policy for Risk Management, each bank of the Group has established the Cash Management Division and the Liquidity Risk Management Division, to enable mutual checks and balances. The ALM Committee, the Liquidity Risk Management Committee and others monitor and report to management timely and appropriately.

Each bank of the Group establishes policies such as the “Liquidity Risk Management Policy” to manage liquidity risk appropriately and strictly in accordance with the Basic Policies for Risk Management.

For cash flow management, each bank of the Group establishes liquidity risk phases (normal and 3 levels under emergency condition) and carries out corresponding actions at each phase determined in advance.

Each bank of the Group monitors liquidity risks by defining a key indicator for liquidity risk management based on its size and nature of the business and circumstances over a liquidity risk. Each bank of the Group establishes guidelines of a key indicator for liquidity risk management as necessary.

As for market liquidity risks in which each bank of the Group may suffer losses because it cannot make transactions on market or is forced to make significantly unfavorable transactions due to market turmoil, each bank of the Group monitors conditions of the market liquidity risk.

(4) Supplementary explanation relating to fair value of financial instruments and other

The fair value of financial instruments includes, in addition to the value determined based on the market price, a value calculated on a reasonable basis if no market price is available. Certain assumptions are used for the calculation of such amount. Accordingly, the result of such calculation may vary, if different assumptions are used. Refer to “(Note 1) Calculation method of fair value of financial instruments” on “2. Fair value of financial instruments” for certain assumptions. Fair value of financial instruments does not include transactions not recognized on the consolidated balance sheet, such as an investment trust sold to a customer.

2. Fair value of financial instruments

Amounts on consolidated balance sheet, fair value and difference between them as of March 31, 2021 were as follows. Non-marketable securities whose fair values cannot be reliably determined such as non-listed equity securities are not included in the next table. (Refer to Note 2)

(Millions of yen)

	Amount on consolidated balance sheet	Fair value	Difference
(1) Cash and due from banks	¥ 25,223,147	¥ 25,223,147	¥ -
(2) Call loans and bills bought	107,242	107,242	-
(3) Monetary claims bought (*1)	221,644	220,675	(969)
(4) Trading assets			
Trading securities	172,835	172,835	-
(5) Securities			
Held-to-maturity debt securities	1,942,240	1,953,744	11,503
Available-for-sale securities	5,104,373	5,104,373	-
(6) Loans and bills discounted	38,978,959		
Reserve for possible loan losses (*1)	(178,400)		
	38,800,558	38,981,726	181,168
(7) Foreign exchange assets (*1)	139,329	139,423	93
(8) Lease claims and lease assets (*1)	36,143	38,008	1,864
Total assets	¥ 71,747,517	¥ 71,941,177	¥ 193,660
(1) Deposits	¥ 58,691,223	¥ 58,691,589	¥ 365
(2) Negotiable certificates of deposit	739,170	739,170	0
(3) Call money and bills sold	630,895	630,895	-
(4) Payables under repurchase agreements	3,000	3,000	-
(5) Payables under securities lending transactions	1,064,481	1,064,481	-
(6) Borrowed money	7,218,168	7,216,158	(2,009)
(7) Foreign exchange liabilities	8,025	8,025	-
(8) Bonds	326,000	330,418	4,418
(9) Due to trust account	1,304,346	1,304,346	-
Total liabilities	¥ 69,985,310	¥ 69,988,086	¥ 2,775
Derivative transactions (*2)			
Hedge accounting not applied	29,057	29,057	-
Hedge accounting applied	16,862	16,427	(434)
Total derivative transactions	¥ 45,920	¥ 45,485	¥ (434)

Notes:

(*1) General reserve for possible loan losses, specific reserve for possible loan losses and special reserve for certain overseas loans corresponding to loans and bills discounted are deducted. Reserve for possible loan losses corresponding to monetary claims bought, foreign exchange assets and lease claims and lease assets are excluded from the amount on consolidated balance sheet directly due to immateriality.

(*2) Derivative financial instruments included in trading assets/liabilities and other assets/liabilities are presented in total. Assets (positive amount) and liabilities (negative amount) arising from derivative transactions are presented on a net basis.

(Note 1) Calculation method of fair value of financial instruments

Assets

(1) Cash and due from banks

For due from banks which have no maturity, since fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair values. For due from banks with contractual maturity, since contractual terms of these items are short (i.e., within one year) and fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair value.

(2) Call loans and bills bought

Since contractual terms of these items are short (i.e., within one year) and fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair value.

(3) Monetary claims bought

Fair values for deed of beneficiary certificate of loan trust and others are based on the values provided by third parties (brokers) or calculated by a similar method used for loans and bills discounted (Refer to “(6) Loans and bills discounted” below).

(4) Trading assets

Fair values of bonds held for trading are based on the values calculated by statistics of over-the-counter bonds released from the Japan Securities Dealers Association, and fair values of short-term bonds are based on present values determined by discounting face values with market interest rate.

(5) Securities

Fair values of stocks are based on the one month weighted average of the market prices prior to the end of the fiscal year. Fair values of bonds (excluding private placement bonds) are based on the values calculated by statistics released from the Japan Securities Dealers Association or prices provided by financial institutions. Fair values of investment trusts are based on the disclosed net asset value. Fair values of private placement bonds are, in principle, determined by discounting the principal and interest amount with the interest rate used for new issuances for each category based on the internal rating. Refer to “(Securities)” for the purpose of holding those securities.

(6) Loans and bills discounted

For fair values of loans with floating interest rates reflecting the market interest rates in a short-term period, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts, unless creditworthiness of borrowers has changed significantly since the loan was executed. For fair values of loans with fixed interest rates, fair values are determined by methods such as discounting the principal and interest amount with the interest rate used for new loans for each category of loan, internal rating and loan period. For fair values of loans with maturity within one year, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

For fair values of loans to bankrupt obligors, effectively bankrupt obligors and borrowers with high probability of becoming insolvent, reserve for possible loan losses is estimated based on the present value of future cash flow and recoverable amount of collateral or guarantees. Since fair values of such loans approximate carrying amounts after deducting reserve for possible loan losses at the end of the fiscal year, the Group deems the carrying amounts to be fair value.

For fair values of the loans and bills discounted, for those without a fixed maturity due to loan characteristics such as loans limited to the value of pledged assets, the Group deems the carrying amounts to be fair value since fair values are expected to approximate carrying amounts based on the estimated loan periods, interest rates and other conditions.

(7) Foreign exchange assets

Foreign exchanges consist of foreign currency deposits with other banks (due from other foreign banks), short-term loans involving foreign currencies (loans to other foreign banks), export bills and traveller's checks, etc. (purchased foreign bills), and loans on notes using import bills (foreign bills receivables), the carrying amounts are presented as fair values, as the fair values approximate such carrying amounts because these items are deposits without maturity or have short contract terms (one year or less).

(8) Lease claims and lease assets

For fair values of lease claims and lease assets, fair values are determined by the discounted future cash flow method, considering also market interest rates, internal rating of the lessee, expected default rate based upon internal rating, expected recovery rates in case of default based upon collateral and guarantees.

For fair values of these assets with remaining life of one year or less, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

For fair values of claims to bankrupt obligors, effectively bankrupt obligors and obligors with high probability of becoming insolvent, reserve for possible loan losses is estimated based on recoverable amount of collateral or guarantees. Since fair values of such claims approximate the carrying amounts after deducting reserve for possible loan losses at the end of the fiscal year, the Group deems the carrying amounts to be fair value.

<u>Liabilities</u>

(1) Deposits and (2) negotiable certificates of deposit

For fair values of demand deposits, the Group deems the payment amounts required on the consolidated balance sheet date (i.e., carrying amounts) to be fair values. Fair values of time deposits and negotiable certificates of deposit are calculated by classifying them based on their terms and discounting the future cash flows. Discount rates used in such calculations are the interest rates that would be applied to newly accepted deposits. For fair values of deposits with maturity within one year, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

(3) Call money and bills sold, (4) payables under repurchase agreements and (5) payables under securities lending transactions

Since contractual terms of these items are short (i.e., within one year) and fair values of these items approximate carrying amounts, the Group deems the carrying amounts to be fair value.

(6) Borrowed money

For fair values of borrowed money with floating interest rates reflecting the market interest rates in a short-term period, the carrying amounts are presented as fair values, as the fair values approximate such carrying amounts and the creditworthiness of the Company and its consolidated subsidiaries have not changed significantly since they made the borrowing. For fair values of borrowed money with fixed interest rates, fair values are determined by discounting the principal and interest amount with the interest rate expected for similar borrowed money. For fair values of borrowed money with maturity within one year, the carrying amounts are presented as fair values as the fair values approximate such carrying amounts.

(7) Foreign exchange liabilities

Among foreign exchange contracts, foreign currency deposits accepted from other banks and non-resident yen deposits are deposits without maturity (due to other foreign banks). Foreign currency short-term borrowed money has short contract terms (one year or less). Thus, their carrying amounts are presented as fair values for these contracts as the fair values approximate such carrying amounts.

(8) Bonds

Fair values of corporate bonds issued by the Company and its consolidated subsidiaries are based on the values calculated by statistics released from the Japan Securities Dealers Association, prices provided by financial institutions or values determined by discounting the principal and interest amount with the interest rate expected to be used in new bond issuance.

(9) Due to trust account

Due to trust account represents short-term funding by accepting surplus in trust account and unused principal. The carrying amounts are presented as fair values which approximate such carrying amounts.

Derivative transactions

Derivative transactions represent interest rate-related transactions (interest futures, interest options, and interest swaps and other transactions), currency-related transactions (forward contracts, currency options, currency swaps and other transactions) and stock-related transactions (index futures, index options and other transactions). Fair values of these transactions are based on the values calculated by the exchange prices, the discounted values of future cash flows and option pricing models, etc.

(Note 2) Financial instruments whose fair values cannot be reliably determined

Financial instruments whose fair values cannot be reliably determined as of March 31, 2021 were as follows. These financial instruments are not included “Assets (5) Securities” of above table 1.

(Millions of yen)

Classification	Amount on consolidated balance sheet
Unlisted stocks (*1)(*2)	¥ 60,204
Investments in partnerships and others (*2) (*3)	40,915
Total	¥ 101,120

Notes:

(*1) Unlisted stocks do not carry quoted market prices. Since the fair values of these securities cannot be reliably determined, their fair values are not disclosed. Unlisted stocks are amount before reserve for possible losses on investments and the total of both domestic and foreign securities.

(*2) For the fiscal year 2020, impairment losses of unlisted stocks amounted to ¥192 million.

(*3) Investments in partnerships and others contain assets such as unlisted stocks which do not carry quoted market prices. Since the fair values of these securities cannot be reliably determined, their fair values are not disclosed.

(Securities)

For the fiscal year 2020

“Securities” in the consolidated balance sheet, negotiable certificates of deposit in “Cash and due from banks”, trust beneficiary certificate in “Monetary claims bought”, and trading securities and short-term bonds in “Trading assets” were included in the following tables.

1. Trading securities (As of March 31, 2021)

(Millions of yen)

	Net unrealized gains (losses) recorded in the consolidated statement of income during the fiscal year
Trading securities	(¥13)

2. Held-to-maturity debt securities (As of March 31, 2021)

(Millions of yen)

	Type	Amount on consolidated balance sheet	Estimated fair value	Net unrealized gains (losses)
Fair value exceeding amount on consolidated balance sheet	Japanese government bonds	¥ 655,110	¥ 667,583	¥ 12,472
	Japanese local government bonds	480,613	485,737	5,124
	Japanese corporate bonds	76,081	77,148	1,066
	Total	1,211,805	1,230,469	18,663
Fair value below amount on consolidated balance sheet	Japanese government bonds	380,548	374,733	(5,815)
	Japanese local government bonds	256,635	255,796	(838)
	Japanese corporate bonds	93,249	92,744	(505)
	Total	730,434	723,274	(7,160)
Grand Total		¥ 1,942,240	¥ 1,953,744	¥ 11,503

3. Available-for-sale securities (As of March 31, 2021)

(Millions of yen)

	Type	Amount on consolidated balance sheet	Acquisition/ amortized cost	Net unrealized gains (losses)
Amount on consolidated balance sheet exceeding acquisition or amortized cost	Japanese stocks	¥ 943,905	¥ 290,933	¥ 652,972
	Bonds	1,001,433	996,415	5,017
	Japanese government bonds	32,109	31,982	126
	Japanese local government bonds	198,642	198,361	280
	Japanese corporate bonds	770,681	766,071	4,609
	Other	305,630	284,357	21,272
	Total	2,250,969	1,571,706	679,262
Amount on consolidated balance sheet below acquisition or amortized cost	Japanese stocks	37,556	43,623	(6,067)
	Bonds	1,571,870	1,590,157	(18,287)
	Japanese government bonds	878,226	893,786	(15,560)
	Japanese local government bonds	318,824	319,587	(762)
	Japanese corporate bonds	374,819	376,783	(1,963)
	Other	1,244,656	1,291,547	(48,890)
	Total	2,854,083	2,925,328	(71,244)
Grand Total		¥ 5,105,052	¥ 4,497,034	¥ 608,017

4. Held-to-maturity debt securities sold during the fiscal year (from April 1, 2020 to March 31, 2021)

None

5. Available-for-sale securities sold during the fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Type		Proceeds from sales	Gains on sales	Losses on sales
Japanese stocks		¥ 47,238	¥ 32,602	¥ 625
Bonds		2,263,650	5,009	1,609
	Japanese government bonds	2,241,093	1,821	1,609
	Japanese local government bonds	2,884	0	-
	Japanese corporate bonds	19,673	3,187	0
Other		1,806,297	32,775	10,763
Total		¥ 4,117,187	¥ 70,387	¥ 12,998

6. Impairment of securities

Securities except trading securities (excluding whose fair values cannot be reliably determined), of which market values substantially declined in comparison with acquisition cost and the market value rarely recovers to the acquisition cost, are recorded at the market value on the consolidated balance sheet and the valuation difference is recognized as an impairment loss.

For the fiscal year 2020, an impairment loss amounted to ¥1,813 million.

To assess whether or not a decline in fair values is substantial, the Group considers not only the severity and duration of the decline in value but also the classification of the security issuer which is used in the self-assessment of asset quality as follows:

(i) For issuers who are classified as bankrupt obligors, effectively bankrupt obligors, and borrowers with a high probability of becoming insolvent:
where the fair value is lower than the amortized cost or acquisition cost.

(ii) For issuers who are classified as borrowers under close watch:
where the fair value declined by 30% or more compared to the amortized cost or acquisition cost.

(iii) Other: where the fair value declined by 50% or more compared to the amortized cost or acquisition cost.

(Per Share Information)

1. Net assets per share of common stock 1,008.82 yen
2. Net income attributable to owners of parent per share 54.19 yen
3. Diluted net income per share of common stock 54.19 yen

(Stock Options)

Terms and size of stock opinions and changes thereto

(1) Terms of stock options

	Kansai Mirai Financial Group, Inc. Series 1 Stock Subscription Right (Note)
Types and number of grantees	7 Directors of The Minato Bank, Ltd. (including one Outside Director) 12 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	72,522 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	There is no provision for conditions for vesting
Relevant service period	There is no provision for relevant service period
Exercise period	From April 1, 2018 to July 20, 2042

	Kansai Mirai Financial Group, Inc. Series 2 Stock Subscription Right (Note)
Types and number of grantees	7 Directors of The Minato Bank, Ltd. (including one Outside Director) 12 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	70,863 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	When the grantee loses the position as Director or Executive Officer of The Minato Bank, Ltd.
Relevant service period	From June 27, 2013 to the close of ordinary general meeting of shareholders of The Minato Bank, Ltd. for the fiscal year 2013
Exercise period	From April 1, 2018 to July 19, 2043

	Kansai Mirai Financial Group, Inc. Series 3 Stock Subscription Right (Note)

Types and number of grantees	7 Directors of The Minato Bank, Ltd. (including one Outside Director) 16 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	67,071 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	When the grantee loses the position as Director or Executive Officer of The Minato Bank, Ltd.
Relevant service period	From June 27, 2014 to the close of ordinary general meeting of shareholders of The Minato Bank, Ltd. for the fiscal year 2014
Exercise period	From April 1, 2018 to July 18, 2044

	Kansai Mirai Financial Group, Inc. Series 4 Stock Subscription Right (Note)
Types and number of grantees	7 Directors of The Minato Bank, Ltd. (including two Outside Directors) 17 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	46,215 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	When the grantee loses the position as Director or Executive Officer of The Minato Bank, Ltd.
Relevant service period	From June 26, 2015 to the close of ordinary general meeting of shareholders of The Minato Bank, Ltd. for the fiscal year 2015
Exercise period	From April 1, 2018 to July 17, 2045

	Kansai Mirai Financial Group, Inc. Series 5 Stock Subscription Right (Note)
Types and number of grantees	7 Directors of The Minato Bank, Ltd. (including two Outside Directors) 17 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	87,690 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	When the grantee loses the position as Director or Executive Officer of The Minato Bank, Ltd.
Relevant service period	From June 29, 2016 to the close of ordinary general meeting of shareholders of The Minato Bank, Ltd. for the fiscal year 2016
Exercise period	From April 1, 2018 to July 21, 2046

	Kansai Mirai Financial Group, Inc. Series 6 Stock Subscription Right (Note)
Types and number of grantees	8 Directors of The Minato Bank, Ltd. (including two Outside Directors) 19 Executive Officers of The Minato Bank, Ltd.
Number of stock options per class of shares	72,048 ordinary shares
Date of grant	April 1, 2018
Conditions for vesting	When the grantee loses the position as Director or Executive Officer of The Minato Bank, Ltd.
Relevant service period	From June 29, 2017 to the close of ordinary general meeting of shareholders of The Minato Bank, Ltd. for the fiscal year 2017
Exercise period	From April 1, 2018 to July 21, 2047

Note: Granted by Kansai Mirai Financial Group, Inc. on April 1, 2018 in exchange for the stock options granted by The Minato Bank, Ltd.

(2) Size of stock options and changes thereto

The descriptions below are for the stock options existing as of the fiscal year ended March 31, 2021 and the number of stock options are described as converted into shares.

(i) Number of stock options

	Series 1 Stock Subscription Right	Series 2 Stock Subscription Right	Series 3 Stock Subscription Right	Series 4 Stock Subscription Right	Series 5 Stock Subscription Right	Series 6 Stock Subscription Right
Before vesting						
At the end of the previous fiscal year	5,925	4,977	12,561	19,197	37,683	36,735

Grant	—	—	—	—	—	—
Expiration	—	—	—	—	—	—
Vested	5,925	4,977	6,873	8,058	14,220	12,798
Balance not vested	—	—	5,688	11,139	23,463	23,937
After vesting						
At the end of the previous fiscal year	52,377	54,747	49,296	27,018	47,400	35,313
Vested	5,925	4,977	6,873	8,058	14,220	12,798
Exercise of right	8,769	5,214	4,740	1,659	2,607	1,896
Expiration	—	—	—	—	—	—
Balance not exercised	49,533	54,510	51,429	33,417	59,013	46,215

(ii) Unit price information

	Series 1 Stock Subscription Right	Series 2 Stock Subscription Right	Series 3 Stock Subscription Right	Series 4 Stock Subscription Right	Series 5 Stock Subscription Right	Series 6 Stock Subscription Right
Exercise price (Yen)	1	1	1	1	1	1
Average stock price at the time of exercise (Yen)	531	450	344	637	637	637
Fair value per share on the date of grant (Yen)	556	700	763	1,303	645	840

(Business Combination)

Transaction between companies under common control

Additional acquisition of shares of subsidiary

(1) Outline of transaction

(i) Party to business combination and description of its business

Name of party to business combination: Kansai Mirai Financial Group, Inc. (the Company's consolidated subsidiary)

Description of business: Bank holding company

(ii) Date of business combination

December 9, 2020

(iii) Legal structure of business combination

Acquisition of shares from non-controlling shareholders

(iv) Name of company after business combination

There is no change.

(v) Other matters relating to the outline of transaction

The Company effected this transaction for the purpose of achieving further enhancement of the entire Resona Group's commitment to the Kansai region and improvement in management capabilities to support customers and the local economy by the Resona Group having a sense of unity, through this transaction and the subsequent share exchange transaction under which the Company became the wholly-owning parent company and Kansai Mirai Financial Group, Inc. became the wholly-owned subsidiary company. It would also promote measures to realize group synergies, such as re-building the business base, optimizing the Kansai channel network, and accelerating the downsizing of the headquarters' functions in the entire Resona Group.

(2) Outline of accounting treatment

Pursuant to the “Accounting Standard for Business Combinations” (ASBJ Accounting Standard No. 21 issued on January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and

Accounting Standard for Business Divestitures" (ASBJ Implementation Guidance No. 10 issued on January 16, 2019), accounted as a transaction with non-controlling shareholders among transactions between companies under common control.

(3) Matters relating to additional acquisition of subsidiary shares

Acquisition cost and consideration by type

Consideration for acquisition	Cash and due from banks	¥17,220 million
Acquisition cost		¥17,220 million

(4) Matters relating to changes to shareholders equity resulting from transaction with non-controlling shareholders

(i) Principle reason for change to capital surplus

Additional acquisition of shares of subsidiary company

(ii) Amount of capital surplus increased by transaction with non-controlling shareholders

¥25,869 million

(Significant Subsequent Event)

The Company and Kansai Mirai Financial Group, Inc. (hereinafter, "Kansai Mirai Financial Group") resolved at their respective board of directors meetings held on November 10, 2020 to effect a share exchange transaction under which the Company would be the wholly-owning parent company and Kansai Mirai Financial Group would be the wholly-owned subsidiary, and executed the share exchange agreement between them on the same day. This share exchange was carried out on April 1, 2021, as its effective date, by the Company through a simplified share exchange without requiring approval of its shareholders' meeting pursuant to Article 796, paragraph 2 of the Companies Act and by Kansai Mirai Financial Group after obtaining the approval of its extraordinary shareholders' meeting held on February 19, 2021.
As a result of this share exchange, Kansai Mirai Financial Group has become a wholly-owned subsidiary of the Company.

(1) Outline of transaction

(i) Party to business combination and description of its business

Name of party to business combination: Kansai Mirai Financial Group, Inc. (the Company's consolidated subsidiary)

Description of business: Bank holding company

(ii) Date of business combination

April 1, 2021

(iii) Legal structure of business combination

Share exchange under which the Company becomes the wholly-owing parent company and Kansai Mirai Financial Group becomes the wholly-owned subsidiary

(iv) Name of company after business combination

There is no change.

(v) Other matters relating to the outline of transaction

The Company effected this share exchange for the purpose of achieving further enhancement of the entire Resona Group's commitment to the Kansai region and improvement in management capabilities to support customers and the local economy by the Resona Group having a sense of unity, through making Kansai Mirai Financial Group as the Company's wholly-owned subsidiary. It would also promote measures to realize group synergies, such as re-building the business base, optimizing the Kansai channel network, and accelerating the downsizing of the headquarters' functions in the entire Resona Group.

(2) Outline of accounting treatment

Pursuant to the "Accounting Standard for Business Combinations" (ASBJ Accounting Standard No. 21 issued on January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Implementation Guidance No. 10 issued on January 16, 2019), accounted as a transaction between companies under common control.

(3) Acquisition cost of company acquired and consideration by type

Consideration for acquisition	Common stock	¥97,371 million
	Share subscription right	¥279 million
Acquisition cost		¥97,650 million

(4) Share exchange ratio per type of shares, method of determination and number of shares delivered

(i) Share exchange ratio per type of shares

1.42 share of common stock of the Company per each one share of common stock of Kansai Mirai Financial Group

(ii) Method of determination of share exchange ratio

The Company and Kansai Mirai Financial Group, in determining the share exchange ratio, each appointed an independent evaluation agency to calculate and analyze the share exchange ratio to ensure fairness, had sincere negotiations and examination and concluded that the share exchange ratio is appropriate and meets the interests of shareholders of the Company.

(iii) Number of shares delivered

209,220,364 shares

(4) Matters relating to changes to shareholders equity resulting from transaction with non-controlling shareholders

(i) Principle reason for change to capital surplus

Additional acquisition of shares of subsidiary company

(ii) Amount of capital surplus increased by transaction with non-controlling shareholders

¥184,556 million

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Millions of yen)

		March 31, 2021
Assets		
Current assets		129,496
Cash and due from banks		65,439
Securities		20,000
Prepaid expenses		10
Temporary payment		814
Accrued income		0
Other receivable		43,222
Accrued income taxes refund		8
Non-current assets		1,139,295
Tangible fixed assets		5
Tools, furniture and fixtures, net		5
Intangible fixed assets		26
Software		26
Investments and other assets		1,139,263
Investments in subsidiaries and affiliates		1,116,112
Long-term loans to subsidiaries and affiliates		24,500
Deferred tax assets		199
Other		0
Reserve for possible losses on investments		(1,548)
Total Assets	¥	1,268,792
Liabilities		
Current liabilities		95,667
Bonds redeemable within one year		65,000
Other payable		102
Accrued expenses		79
Income taxes payable		29,335
Consumption taxes payable		0
Reserve for employees' bonuses		654
Reserve for officers' bonuses		76
Other		418
Non-current liabilities		166,023
Bonds		165,000
Long-term debts to subsidiaries and affiliates		959
Reserve for share compensation for officers		63
Total Liabilities		261,690
Net Assets		
Stockholder's equity		1,007,101
Capital stock		50,552
Capital surplus		50,552
Capital reserve		50,552
Retained earnings		908,474
Other retained earnings		908,474
Retained earnings carried forward		908,474
Treasury stock		(2,478)
Total Net Assets		1,007,101
Total Liabilities and Net Assets	¥	1,268,792

(2) Non-Consolidated Statement of Income

(Millions of yen)

	For the fiscal year ended March 31, 2021
Operating income	43,893
Dividends from subsidiaries and affiliates	39,175
Fees from subsidiaries and affiliates	4,097
Interest on loans to subsidiaries and affiliates	621
Operating expenses	6,435
Interest on debts	226
Interest on bonds	335
General and administrative expenses	5,874
Operating profits	37,457
Non-operating income	255
Interest income on securities	1
Fees and commissions	76
Reversal of reserve for possible losses on investments	103
Gain on forfeiture of unclaimed dividends	58
Other	13
Non-operating expenses	43
Ordinary profits	37,669
Income before income taxes	37,669
Income taxes – current	(5,853)
Income taxes – deferred	5,462
Total income taxes	(391)
Net income	¥ 38,060

(3) Non-Consolidated Statement of Changes in Net Assets

For the fiscal year ended March 31, 2021

(Millions of yen)

	Stockholders' equity			
	Capital stock	Capital surplus		
		Capital reserve	Other capital surplus	Total capital surplus
Balance at the beginning of the fiscal year	¥ 50,472	¥ 50,472	―	¥ 50,472
Changes during the fiscal year				
Issue of new shares	79	79		79
Dividends paid				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Cancellation of treasury stock			(10,202)	(10,202)
Transfer from retained earnings to capital surplus			10,202	10,202
Total changes during the fiscal year	79	79	―	79
Balance at the end of the fiscal year	¥ 50,552	¥ 50,552	―	¥ 50,552

	Stockholders' equity			Total net assets
	Retained earnings	Treasury stock	Total stockholders' equity	
	Other retained earnings			
	Retained earnings carried forward			
Balance at the beginning of the fiscal year	¥ 928,950	¥ (12,880)	¥ 1,017,016	¥ 1,017,016
Changes during the fiscal year				
Issue of new shares			159	159
Dividends paid	(48,334)		(48,334)	(48,334)
Net income	38,060		38,060	38,060
Purchase of treasury stock		(1,406)	(1,406)	(1,406)
Disposal of treasury stock		1,605	1,605	1,605
Cancellation of treasury stock		10,202	―	―
Transfer from retained earnings to capital surplus	(10,202)		―	―
Total changes during the fiscal year	(20,475)	(10,401)	(9,914)	(9,914)
Balance at the end of the fiscal year	¥ 908,474	¥ (2,478)	¥ 1,007,101	¥ 1,007,101

(4) Notes to Non-Consolidated Financial Statements

(Significant Accounting Policies)

1. Securities

(1) Held-to-maturity debt securities are stated at amortized cost determined by the moving average method.

(2) Investments in subsidiaries are stated at cost determined by the moving-average method.

2. Depreciation for fixed assets

(1) Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets is computed by the declining-balance method. The estimated useful lives of major tangible fixed assets are as follows:

• Tools, furniture and fixtures: 2 ~ 20 years

(2) Intangible fixed assets (except for leased assets)

• Software: Amortization of software for internal use is computed by the straight-line method over the estimated useful lives (mainly 5 years) determined by the Company.

3. Deferred charges

Bond issuance costs and share delivery costs are charged to expense as paid.

4. Basis for reserves

(1) Reserve for possible losses on investments

Reserve for possible losses on investments is provided for possible losses on investments in subsidiaries based on assessment of the subsidiaries’ financial condition and other factors.

(2) Reserve for employees’ bonuses

The reserve for employees’ bonuses is provided for the payment of performance incentive bonuses to be paid to employees at an estimated amount accrued as of the balance sheet date.

(3) Reserve for officers’ bonuses

The reserve for officers’ bonuses is provided for the payment of annual incentives to be paid to officers at an estimated amount accrued as of the balance sheet date.

(4) Reserve for share compensation for officers

The reserve for share compensation for officers is provided for the payment of compensation under share compensation scheme for officers of the Company at an estimated amount of compensation for officers that are deemed to have accrued as of the balance sheet date.

5. Consumption taxes

The Company accounts for consumption tax and local consumption tax with the tax-exclusion method.

6. Consolidated corporate-tax system

The Company adopts consolidated corporate-tax system with the Company being a parent company under the system.

7. Share benefit trust for officers

The Company has introduced the performance share unit plan using a share benefit trust scheme for officers with executive power of the Company and Resona Bank, Ltd. and Saitama Resona Bank, Ltd., consolidated subsidiaries of the Company. It is accounted in line with the “Practical Treatments of Transactions for Delivery of Own Shares to Employees, etc. through Trust” (Practical Issues Task Force No. 30 of March 26, 2015).
(Additional information)
The “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Accounting Standard No. 24 issued on March 31, 2020) are applied starting from the financial statements for this fiscal year end, and where the relevant provisions of the Accounting Standards, etc. are not clear, the accounting principles and procedures adopted are disclosed.

(Additional Information)

ESOP-type Stock Benefit Trust for the Employee Shareholding Association

With the purpose of giving an incentive to enhance corporate value on a medium-to-long term basis, the Company effects transactions to deliver the Company's own shares to the Employee Shareholding Association through a trust (ESOP-type Stock Benefit Trust for the Employee Shareholding Association).

(1) Outline of transactions

The Company sets up a trust whose beneficiaries are the employees who belong to the Employee Shareholding Association of Resona Holdings, Inc. (hereinafter, "the Company's Shareholding Association") and fulfill certain conditions. The trust acquires the number of shares of the Company that the Company's Shareholding Association is expected to acquire during the trust period, within the purchase period determined in advance. Subsequently, the trust sells the shares of the Company to the Company's Shareholding Association at a certain date of every month. If as of the end of the trust period, a trust profit is recognized as a result of a rise in the stock price and other factors, the profit is distributed in cash to the employees who are beneficiaries of the trust in proportion to the number of shares purchased during the period and other factors. If a transfer loss arises due to a decline in the stock price and a liability on the trust assets remains, the Company is responsible for fully settling the liability based on the indemnity clause stipulated in the non-recourse loan agreement.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥586 million and 1,050 thousand shares, respectively.

(3) Book value of borrowings accounted for under total amount method

959 million yen

Share Benefit Trust for Officers

The Company has adopted the performance share unit plan described in "Significant Accounting Policies; 7. Share benefit trust for officers.”

(1) Outline of transactions

The Company sets up a trust whose beneficiaries are the officers with executive power of the Company and Resona Bank, Ltd. and Saitama Resona Bank, Ltd., consolidated subsidiaries of the Company and fulfill certain conditions set forth in the rules for grant of shares. The trust acquires a certain number of shares of the Company, within the purchase period determined in advance. The Company's Group Officers are given points according to their positions and achievements during the trust period, pursuant to the rules for grant of shares. The Company's Group Officers who meet the conditions for beneficiaries set forth in the rules for grant of shares will receive delivery of shares of the Company, etc. corresponding the number of the points given, after the results of the final fiscal year of the medium-term management plan are fixed. No voting rights in respect of shares of the Company under this trust will be exercised during the trust period, in order to ensure neutrality to the management.

(2) Company's own shares remaining in the trust

The Company's own shares remaining in the trust are accounted as treasury stock in the net assets at their book value in the trust (excluding associated expenses). The book value and number of shares of such treasury stock are ¥1,403 million and 3,789 thousand shares, respectively.

Application of Tax Effect Accounting Relating to Transition from Consolidated Taxation System to Group Tax Sharing System

With regards to the transition to the group tax sharing system established under the "Act Partially Amending the Income Tax Act, Etc." (Act No. 8 of 2020) and the items with respect to which the non-consolidated taxation system has been revised in connection with the transition to the group tax sharing system, the Company has not applied paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 issued on February 16, 2018) in accordance with paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39 issued on March 31, 2020), and the amounts of the deferred tax assets and liabilities are based upon the provisions of the tax law before the amendment.

(Notes to Non-Consolidated Balance Sheet)
March 31, 2021

1. Amounts of less than one million Japanese yen are rounded down.

2. Accumulated depreciation of tangible fixed assets: ¥45 million

3. Monetary claims and monetary debts to subsidiaries and affiliates

Short-term monetary claims to subsidiaries and affiliates:	¥ 128,280 million
Long-term monetary claims to subsidiaries and affiliates:	24,500 million
Short-term monetary debts to subsidiaries and affiliates:	26 million
Long-term monetary debts to subsidiaries and affiliates:	959 million

4. Long-term loans to subsidiaries and affiliates are subordinated loans with a covenant that performance of the obligation is subordinated to that of other obligations.

(Notes to Non-Consolidated Statement of Income)
For the fiscal year 2020

1. Amounts of less than one million Japanese yen are rounded down.

2. Transactions with subsidiaries and affiliates

Operating income	¥ 43,893 million
Operating expenses	337 million
Non-operating transactions	7 million

(Notes to Non-Consolidated Statement of Changes in Net Assets)

For the fiscal year 2020

1. Amounts of less than one million Japanese yen are rounded down.

2. The changes in the number and class of treasury stock are as follows:

(Shares in thousand)

	Number of shares at the beginning of the fiscal year	During the fiscal year 2020		Number of shares at the end of the fiscal year	Remarks
		Number of shares increased	Number of shares decreased		
Treasury stock					
Common stock	26,619	3,797	24,578	5,837	(Note)

Note: The increase in the number of treasury stock represents acquisition of 7 thousand shares of the shares less than one unit and acquisition of 3,789 thousand shares by the share benefit trust for officers. The decrease in the number of treasury stock represents disposal of 0 thousand shares of the shares less than one unit and sale of 2,871 thousand shares held by ESOP-type Stock Benefit Trust for the Employee Shareholding Association of the Company to the Employee Shareholding Association of the Company as well as the cancellation of 21,706 thousand shares of the Company pursuant to Article 178 of the Companies Act. The number of shares at the beginning of the fiscal year includes 3,922 thousand shares owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association. The number of shares at the end of the fiscal year include 1,050 thousand shares and 3,789 thousand shares, owned by ESOP-type Stock Benefit Trust for the Employee Shareholding Association and the share benefit trust for officers, respectively.

(Notes to Deferred Tax Accounting)

March 31, 2021

Breakdown of deferred tax assets and liabilities with respect to each significant cause

Deferred tax assets:		
Write-downs of equity investments to subsidiaries and affiliates	¥	517,715 million
Tax loss carryforwards (Note)		18,839 million
Reserve for possible losses on investments		473 million
Other		250 million
Gross deferred tax assets		537,278 million
Valuation allowance for tax loss carryforwards (Note)		(18,839 million)
Valuation allowance for deductive temporary difference		(518,237 million)
Gross valuation allowance		(537,077 million)
Total deferred tax assets		201 million
Total deferred tax liabilities		(2 million)
Net deferred tax assets		199 million

Note: Amounts of tax loss carryforward and deferred tax assets therefrom by remaining term (millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Tax loss carryforward (Note)	18	185	79	70	64	18,420	18,839
Valuation allowance	(18)	(185)	(79)	(70)	(64)	(18,420)	(18,839)
Deferred tax assets	—	—	—	—	—	—	—

Note: Tax loss carryforward is calculated by multiplying statutory effective tax rate.

(Notes to Related Party Transactions)

For the fiscal year 2020

Subsidiaries

Type	Name	Voting Rights Holding or Held (%)	Relation with the Party	Transactions	Transaction Amount (Millions of yen)	Account	Balance as of March 31, 2021 (Millions of yen)
Subsidiary	Resona Bank, Ltd.	(Holding) Directly 100.00%	Business management, Deposit transactions, Monetary loans, Interlocking directors	Deposit of current account	57,622	Cash and due from banks	65,097
				Deposit of negotiable certificates of deposit	39,121	Securities	20,000
				Interest income on securities	0	Accrued income	0
				Borrowing of funds	—	Long-term debts to subsidiaries and affiliates	959
				Interest expense on debts	226	Accrued expenses	—
Subsidiary	Saitama Resona Bank, Ltd.	(Holding) Directly 100.00%	Business management, Deposit transactions, Monetary loans, Interlocking directors	Deposit of negotiable certificates of deposit	1,068	Securities	—
				Interest income on securities	0	Accrued income	—
				Lending of funds	—	Long-term loans to subsidiaries and affiliates s	24,500
				Interest income on loans	621	Accrued income	—
Subsidiary	Kansai Mirai Bank, Ltd.	(Holding) Indirectly 100.00%	Business management, Deposit transactions	Deposit of negotiable certificates of deposit	34,060	Securities	—
				Interest income on securities	0	Accrued income	—

Notes: (1) Transaction amounts for deposit of current account and deposit of negotiable certificates of deposit represent average balance during the fiscal year.
(2) Negotiable certificate of deposit is mainly one-month period transaction and the interest rate is determined rationally based on actual market rate for the transaction period.
(3) Debts are non-collateralized with a lump-sum repayment at maturity and the interest rate was determined rationally based on actual market rate.
(4) Loans are subordinated loans and the interest rate was determined rationally based on actual market rate.

Officers

Type	Name	Type of Business or Profession	Voting Rights Holding or Held (%)	Relation with the Party	Transactions	Transaction Amount (Millions of yen)	Account	Balance as of March 31, 2021 (Millions of yen)
Officer	Kazuhiro Higashi	Chairman and Director of the Company	(Held) Directly 0.00%	—	Contribution in kind of claim for cash compensation (Note)	10	—	—

Notes: Contribution in kind of claim for cash compensation pursuant to the performance share unit.

(Notes to Per Share Information)

1. Net assets per share of common stock 438.44 yen
2. Net income per share 16.57 yen

Note: Diluted net income per share of common stock is not disclosed because there are no potentially dilutive common shares.

(Business Combination)

As set out in the "Business Combination" in the Notes to Consolidated Financial Statements.

(Significant Subsequent Event)

As set out in the "Significant Subsequent Event" in the Notes to Consolidated Financial Statements.