

# Medium-term Management Plan (FY2017-FY2019) - Change to the “Next” -



**Resona Holdings**

**April 28, 2017**

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# 1. Overview of the Mid-term Management Plan

**Vision** **“Retail No.1”**  
 “Financial Services Group” that is most supported by regional customers as it walks with them into the future

Deliver solutions customers really need and reform mid-to-long term income structure by establishing “Next-generation Retail Financial Services Model” based on the following three basic strategies

### Basic strategies

**(1) Evolution of “Omni-Channel”**  
 Best solutions “Anytime and Anywhere” “For more customers”

- Expansion of the customer base
- Expansion of the customer contacts
- Sophistication of marketing

**(2) 26,000 “Omni-Advisors”**

- All Resona staffs providing solutions (Consultants who can understand true latent needs of customers)
- Diverse solutions menu

**(3) “Omni-Regional” Platform**  
 “Community-based relationship banking” and “efficiency of open platform”

- Expand Resona’s Open Platform
- Full-scale introduction of “Smart Store”

- (1) Approach customers Resona has not had effective contacts with
- (2) Address customers’ needs Resona has not been able to grasp
- (3) Find profit opportunities Resona has not been able to reach

### Business strategies

**Solutions for business growth, turnaround and succession** ↔ **Total life solutions**

**Retail x Trust x AM x Real Estate**

- Strengthen mid-to-long term asset formation business by integrating the F2F and non F2F direct channels
- Try advanced and convenient settlement services by making best use of new technologies
- Realize a No.1 succession solution brand by increasing professional consultants and stationing them at branches
- Strengthen SME business by raising capability to assess clients’ business and provide well-fitted solutions
- Be a No.1 individual loan provider through differentiations with loan screening and execution on holidays and value-added products

### 4 foundation reforms - more sales staffs and higher productivity -

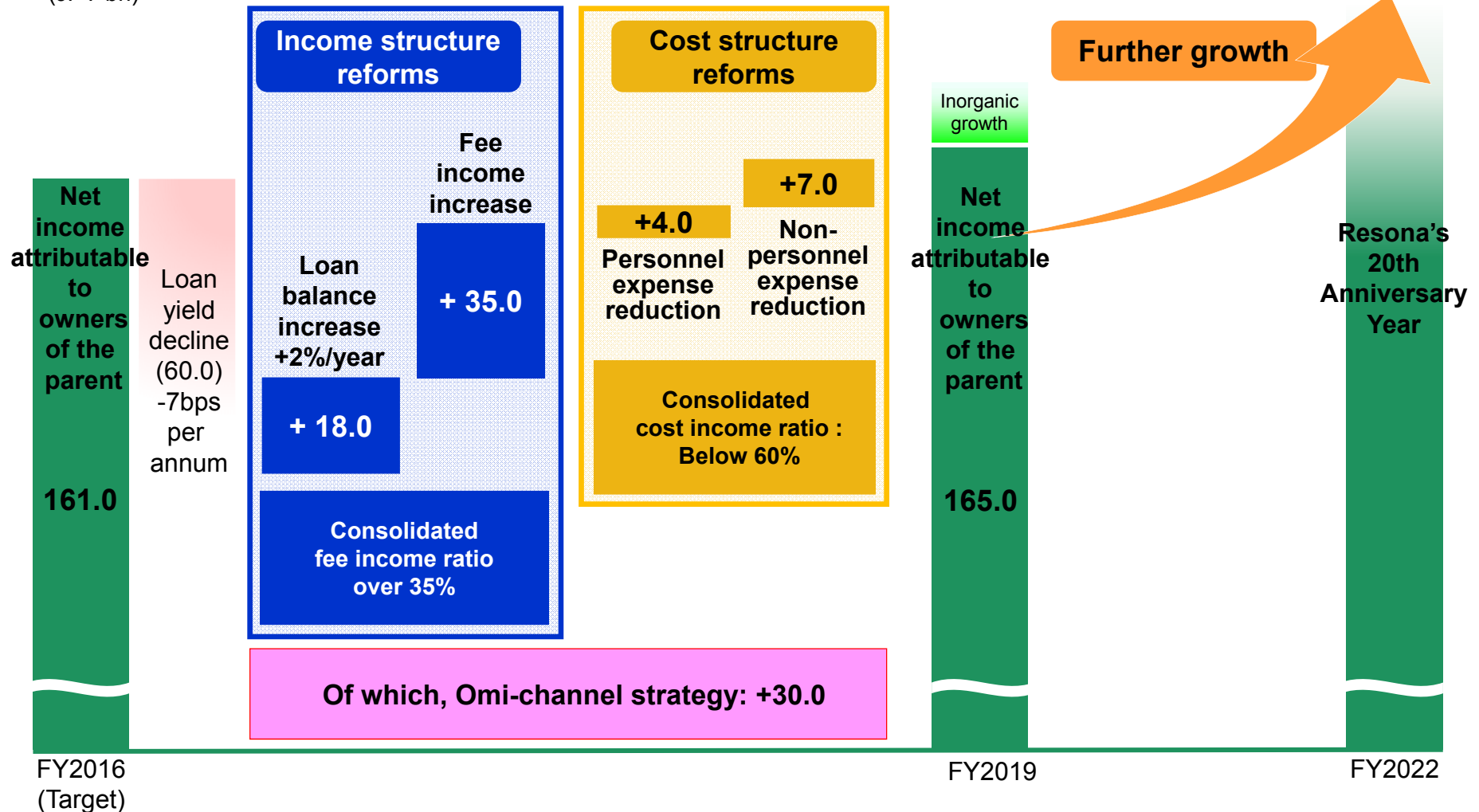
- HR management reform in light of anticipated environmental changes
- Reshuffle of branch network aimed at strengthening customer contacts
- Organizational reform prioritizing customer experience
- Business process reform to raise convenience for customers

## 2. Income and Cost Structure Reforms

Develop tolerance to prolonged ultra-low interest rate environment via income and cost structure reforms

Higher profitability via perfection of new business model and better operating environment

(JPY bn)



### 3. KPIs

1. Diversify income source and increase fee income by establishing a new business model
2. Improve efficiency through further cost structure reform
3. Seek optimal balance between 1) profitability improvement and 2) higher capital adequacy to enhance Resona's corporate value sustainably
4. Plan to introduce a performance-linked stock compensation scheme in which RHD shares are granted to executive officers of RHD and the Group banks

Key Performance Indicators (KPIs)	FY2019
Net income attributable to owners of the parent	<b>JPY 165 bn</b>
Consolidated fee income ratio	<b>Over 35%</b>
Consolidate cost income ratio	<b>Below 60%</b>
ROE <sup>*1,2</sup>	<b>Over 10%</b>
CET1 ratio <sup>*1,3</sup>	<b>9% level</b>

[FY2019 assumed conditions : Overnight call rate (0.05) %, Yield on 10Y JGB + 0.05%, Nikkei 225 18,000 yen to 21,000 yen level]

\*1. Reflect the impacts of integrating regional banks in the Kansai region on which related parties reached basic agreement on March 3, 2017

\*2. (Net income – Preferred dividends) / (Total shareholders equity – balance of outstanding preferred shares)

\*3. Exclude unrealized gain on available-for-sale securities, net of tax effect

## 4. Three Basic Strategies

“Next-generation Retail Financial Services Model” based on the following three basic strategies

### (1) Evolution of “Omni-Channel”

Best solutions “Anytime and Anywhere” for more corporate and individual customers

#### Expansion of the Customer Base

- Transformation to a business model dealing not only with “accessible” customers but with those who Resona Group banks were unable to have effective contacts

#### Expansion of the Customer Contacts

- Strengthened F2F (face to face) solutions
- Digitized interactive communication methods
- Integration of F2F and digital approaches

#### Sophistication of Marketing

- Collect and analyze customers’ financial and non-financial information to make a good proposal at an appropriate timing

### (2) 26,000 “Omni-Advisors”

#### All Resona staffs providing solutions

- Development of personnel who can understand true latent needs of customers
- Solution staffs +1,000
- FP1st Grade 1,600

#### Diverse solutions menu

- Wider variety of solutions menu based on customer needs and segments

## Next-generation Retail Financial Services Model

### (3) “Omni-Regional” Platform

“Community-based relationship banking” and “high efficiency of Resona’s Open Platform”

#### Open Platform

- Broader customer base through tie-ups with regional banks with different commitment levels
- Enhancement of a highly-efficient operation framework
- Acquisition of functions surrounding banking business

#### Smart Store

- increase customer base through strengthened Smart Store strategy

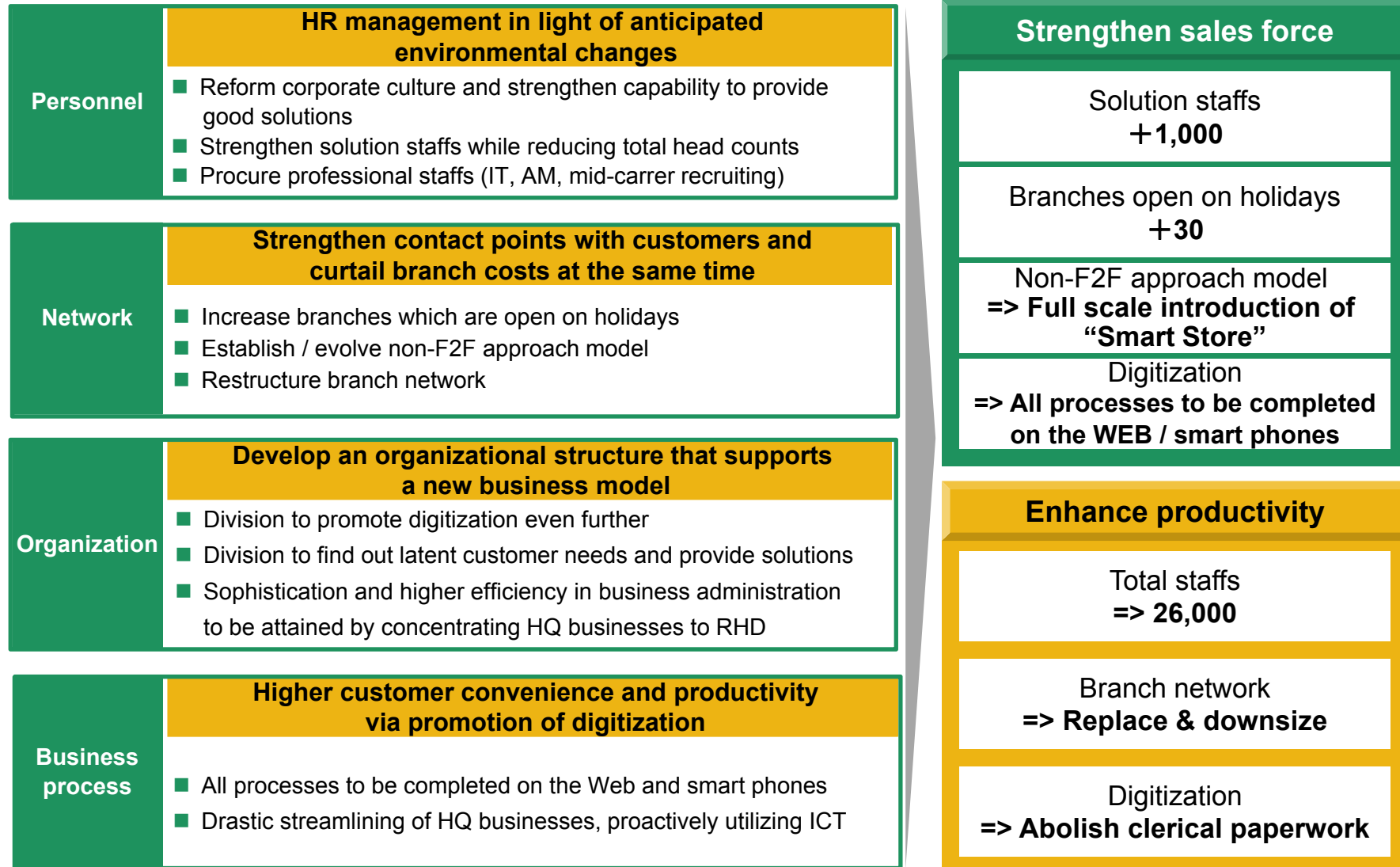
## 5. Business Strategies

<b>Solutions for business growth, turnaround and succession</b> Supports to SME customers to solve business challenges	<b>Total life solutions</b> Solutions for individual customers' anxieties and concerns, and for higher conveniences
<b>Cultivating "Retail x Trust x AM x Real Estate" further</b>	

Business fields	Initiatives	Targets (vs. FY2016 plan)				
<b>Asset Formation Support Business</b>	<ul style="list-style-type: none"> <li>■ AM solutions to assist medium-to-long term asset formation based on customers' need (Fund wrap, NISA and iDeCo)</li> <li>■ Support customers' asset formation through the seamless fusion of F2F and non-F2F channels, and provision of simple products and procedures</li> </ul>	<table border="0"> <tr> <td><b>Products to support asset formation for individuals (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY6 tn</b> (+ Appx. 40%)</td> </tr> <tr> <td><b>Income from asset formation support</b></td> <td style="text-align: right;"><b>Appx. JPY54 bn</b> (+ Appx. JPY20 bn)</td> </tr> </table>	<b>Products to support asset formation for individuals (term-end bal.)</b>	<b>Appx. JPY6 tn</b> (+ Appx. 40%)	<b>Income from asset formation support</b>	<b>Appx. JPY54 bn</b> (+ Appx. JPY20 bn)
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<b>Settlement Business</b>	<ul style="list-style-type: none"> <li>■ Collaborations among group companies and with FinTech companies</li> <li>■ Support start-up companies with a comprehensive solution package</li> <li>■ Expand customer base by promoting "Smart Store" (All procedures to be completed with smart phones)</li> </ul>	<table border="0"> <tr> <td><b>Consolidated settlement-related income</b></td> <td style="text-align: right;"><b>Appx. JPY61 bn</b> (+ Appx. JPY 5 bn)</td> </tr> </table>	<b>Consolidated settlement-related income</b>	<b>Appx. JPY61 bn</b> (+ Appx. JPY 5 bn)		
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<b>Succession Business</b> (Business and asset)	<ul style="list-style-type: none"> <li>■ Increase solution consultants and station them at branch offices</li> <li>■ Diverse solutions (succession-related trusts, M&amp;A, business abolition and transformation, MBO and LBO, etc.)</li> <li>■ Trust and real estate functions as a standard equipment</li> </ul>	<table border="0"> <tr> <td><b>Income from succession-related business</b></td> <td style="text-align: right;"><b>Appx. JPY14 bn</b> (+Appx. JPY4 bn)</td> </tr> </table>	<b>Income from succession-related business</b>	<b>Appx. JPY14 bn</b> (+Appx. JPY4 bn)		
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<b>SME Business / International Business</b>	<ul style="list-style-type: none"> <li>■ Raise capability to assess clients' business</li> <li>■ Growth sectors (health care, environment and energy, etc.)</li> <li>■ Diverse solutions (syndicated loan, commitment line, etc.)</li> <li>■ Enhance productivity via corporate business reform (maximizing time spent on external affairs)</li> <li>■ Active use of overseas network including alliances with local partners, strengthened functions of FX Web Service</li> </ul>	<table border="0"> <tr> <td><b>Loans to SMEs (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY11 tn</b> (+ Appx. 10%)</td> </tr> <tr> <td><b>Income from corporate solution and international businesses</b></td> <td style="text-align: right;"><b>Appx. JPY35 bn</b> (+Appx. JPY10 bn)</td> </tr> </table>	<b>Loans to SMEs (term-end bal.)</b>	<b>Appx. JPY11 tn</b> (+ Appx. 10%)	<b>Income from corporate solution and international businesses</b>	<b>Appx. JPY35 bn</b> (+Appx. JPY10 bn)
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<b>Individual Loan Business</b>	<ul style="list-style-type: none"> <li>■ Differentiation with holiday operations including application screening and execution, high value-added products</li> <li>■ Value-added proposals to existing HL customers</li> <li>■ Marketing-based promotion, all procedures on the Web and smart phones</li> </ul>	<table border="0"> <tr> <td><b>Residential housing loan (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY11 tn</b> (+ Appx. 10%)</td> </tr> <tr> <td><b>Consumer loan (term-end bal.)</b></td> <td style="text-align: right;"><b>Appx. JPY360 bn</b> (+ Appx. 12%)</td> </tr> </table>	<b>Residential housing loan (term-end bal.)</b>	<b>Appx. JPY11 tn</b> (+ Appx. 10%)	<b>Consumer loan (term-end bal.)</b>	<b>Appx. JPY360 bn</b> (+ Appx. 12%)
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## 6. Foundation Reforms in Four Areas

More sales staffs and higher productivity through foundation reforms in the following areas





# 7. Direction for Capital Management Policy

Seek optimal balance among 1) higher capital adequacy, 2) investment for future growth and 3) enlargement of shareholder return

**CAR target**

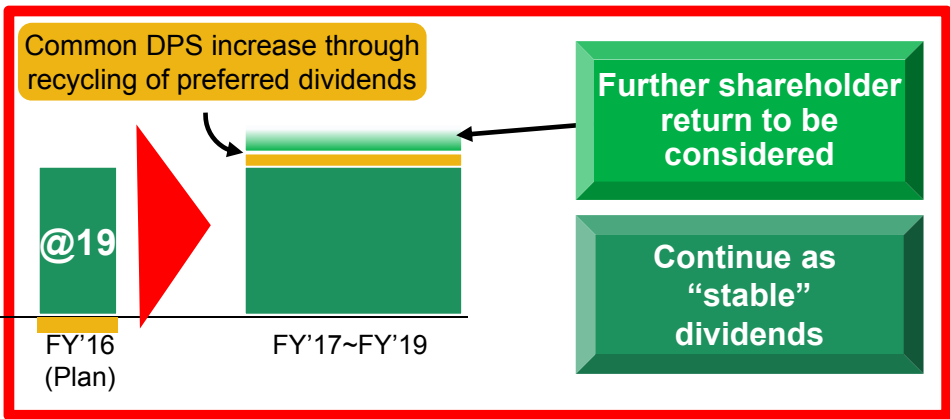
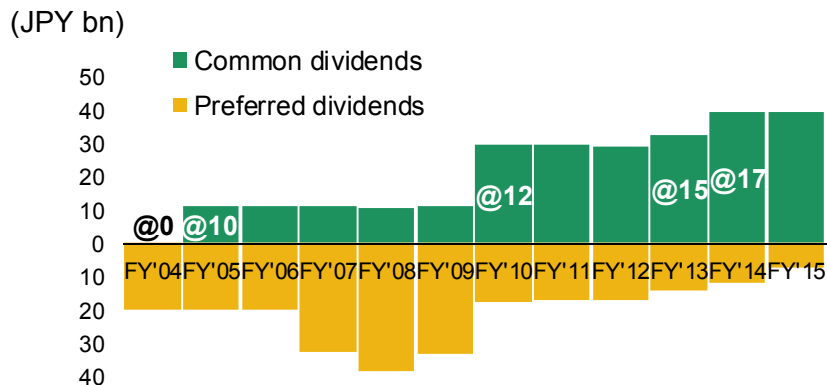
- Secure sufficient capital adequacy under the Japanese Domestic Std.
- Aim to achieve around 9% CET1 ratio<sup>\*1,2</sup> under the International Std.

**ROE target**

- Maintain ROE<sup>\*1,3</sup> above 10%

**Shareholder return policy**

- Intend to repurchase and cancel Class 5 PS (Total issue amount JPY100 bn) during the new plan period, subject to a regulatory approval  
=> Intend to increase common DSP promptly before actual repurchase and cancel of Class 5 PS
- Consider further enlargement of shareholder return while keeping the level of common DPS after the above increase as “stable” dividends



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 \*2. Exclude unrealized gain on available-for-sale securities, net of tax effect  
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## 8. For Further Sustainability Improvement

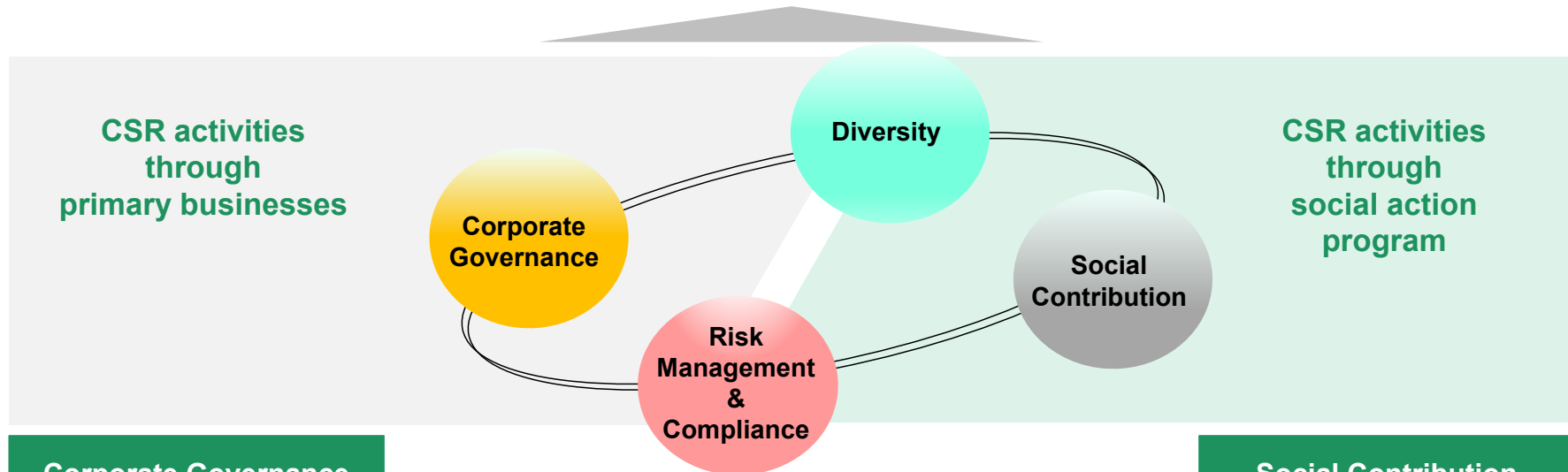
**Corporate culture that cherishes the corporate credo of “Always together with society”**

- In order to improve the Group’s sustainability, Resona Group will fulfill social responsibilities through its primary business, taking into account such societal demands as SDGs and ESG and proactively promote its CSR activities.

**Enhancement of Resona’s corporate value and brand value**



**Contributing to creation of sustainable society**



### Corporate Governance

- Higher accountability to stakeholders through strengthened management supervisory functions
- Transparent process of bringing up and selecting candidates for next management members

### Risk Management & Compliance

- Carry out corporate activities responsibly for stakeholders complying not only with laws and regulations but with social norms
- Take appropriate risk utilizing the RAF built upon its sound risk culture

### Diversity

- Create work place where diverse employees including female and elderly can work vigorously
- Work style reforms in light of diversified lifestyles of employees

### Social Contribution

- Create bright future for the next generation, through Resona Foundation for Future and financial, economic education program
- Contribution to creating communities that attract people through Re: Heart Club activities, etc.

# (Reference) Open Platform Expansion

**Vision**

Tie-ups with regional banks with different commitment levels based on the shared Open Platform

- (1) Community-based relationship banking and sophisticated solution functions at the same time
- (2) Highly-efficient, outstanding business operation framework

**Tie-ups with regional banks with different commitment levels**

← High Level of capital alliance Low →

(Broadly) Resona Group	Shared Open Platform	Regional Bank	Regional Bank	
Community-based relationship banking and sophisticated solution functions	Trust / Real estate	<ul style="list-style-type: none"> <li>Full-line trust and real estate functions</li> <li>F-class corporate pension business</li> <li>Resona Asset Management</li> </ul>	○	-
	M&A	<ul style="list-style-type: none"> <li>Many regional banks from different regions participating</li> <li>Flexible info sharing system</li> </ul>	○	-
	Overseas business support	<ul style="list-style-type: none"> <li>Subsidiaries in Indonesia and Singapore</li> <li>Network of local partnering banks</li> </ul>	○	-
	Various solutions	<ul style="list-style-type: none"> <li>Business matching</li> <li>Venture capital (RVC)</li> </ul>	○	-
Overcome high cost nature of retail banking	Clerical work	<ul style="list-style-type: none"> <li>Efficient back-office administration (Operational reforms)</li> </ul>	-	○
	IT system	<ul style="list-style-type: none"> <li>Advanced systems infrastructure</li> <li>24H RTGS account transfers</li> </ul>	-	○
	Branch-ATM Network	<ul style="list-style-type: none"> <li>Real channel of 600 branches in Japan</li> <li>ATM network of over 5,000</li> </ul>	-	○
Challenge to the new area	New functions having high affinity with banking businesses		⋮	⋮
	Innovative technologies and ideas AI, Fintech		⋮	⋮

**Mutually "Win-Win" Relationship**

**Benefits for customers**

- Enjoy sophisticated functions and detailed services at the same time
- Expectation for building a long-term relationship and service improvement through strengthening of financial institutions management capability

**Benefits for participating banks**

Benefits for participating regional banks

- Unchanged regional brand
- Trust, AM and real estate-related solutions
- Cost reduction through communication of business process and sharing of the same IT system
- Resource reallocation through integration of HQ functions at a holding company level
- Branch and ATM network covering entire Japan

Benefits for Resona Group

- Regional coverage and customer base to expand
- Operations to be streamlined by economy of scale

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*The forward-looking statements contained in this presentation may be subject to material change due to the following factors.*

*These factors may include changes in the level of stock price in Japan, any development and change related to the government's policies, laws, business practices and their interpretation, emergence of new corporate bankruptcies, changes in the economic environment in Japan and abroad and any other factors which are beyond control of the Resona Group.*

*These forward-looking statements are not intended to provide any guarantees of the Group's future performance. Please also note that the actual performance may differ from these statements.*

**Link Together Shape Future** *Next Action* **RESONA GROUP**

