

# Medium-term Management Plan (FY2020-FY2022)

- Establish “Resonance Model” -



**Resona Holdings**

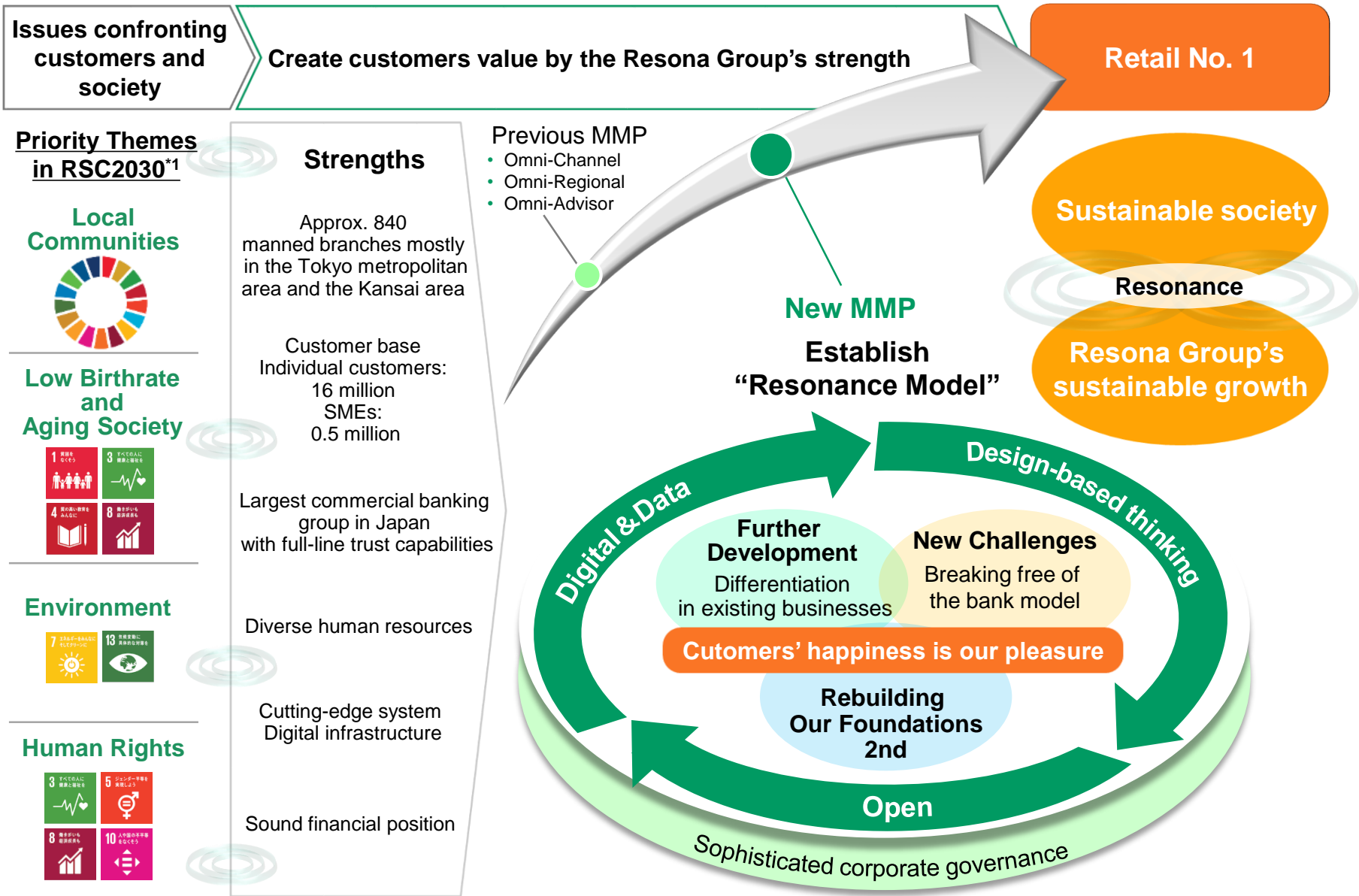
**May 12, 2020**

# Contents

---

- P2 For Becoming the “Retail No. 1”
- P3 Establish “Resonance Model”
- P4 Business Strategy and Rebuild Foundations (Overview of the MMP)
- P5 KPIs
- P6 Roadmap for Securing Profit
- P7 Business Strategy **Further Development** Differentiate our Existing Businesses
- P8 Business Strategy **Further Development** x **New Challenges** Further Evolve our Omni Strategy
- P9 Business Strategy **New Challenges** Breaking Free of the Banking Model
- P10 Rebuild our Foundations to Reinforce our Sales Capabilities and Raise Productivity
- P11 Reallocate Human Resources to our Fields of Focus
- P12 Direction of Capital Management
- P13 Points of Focus in the New Medium-term Management Plan toward the 2030 Realization of SDGs

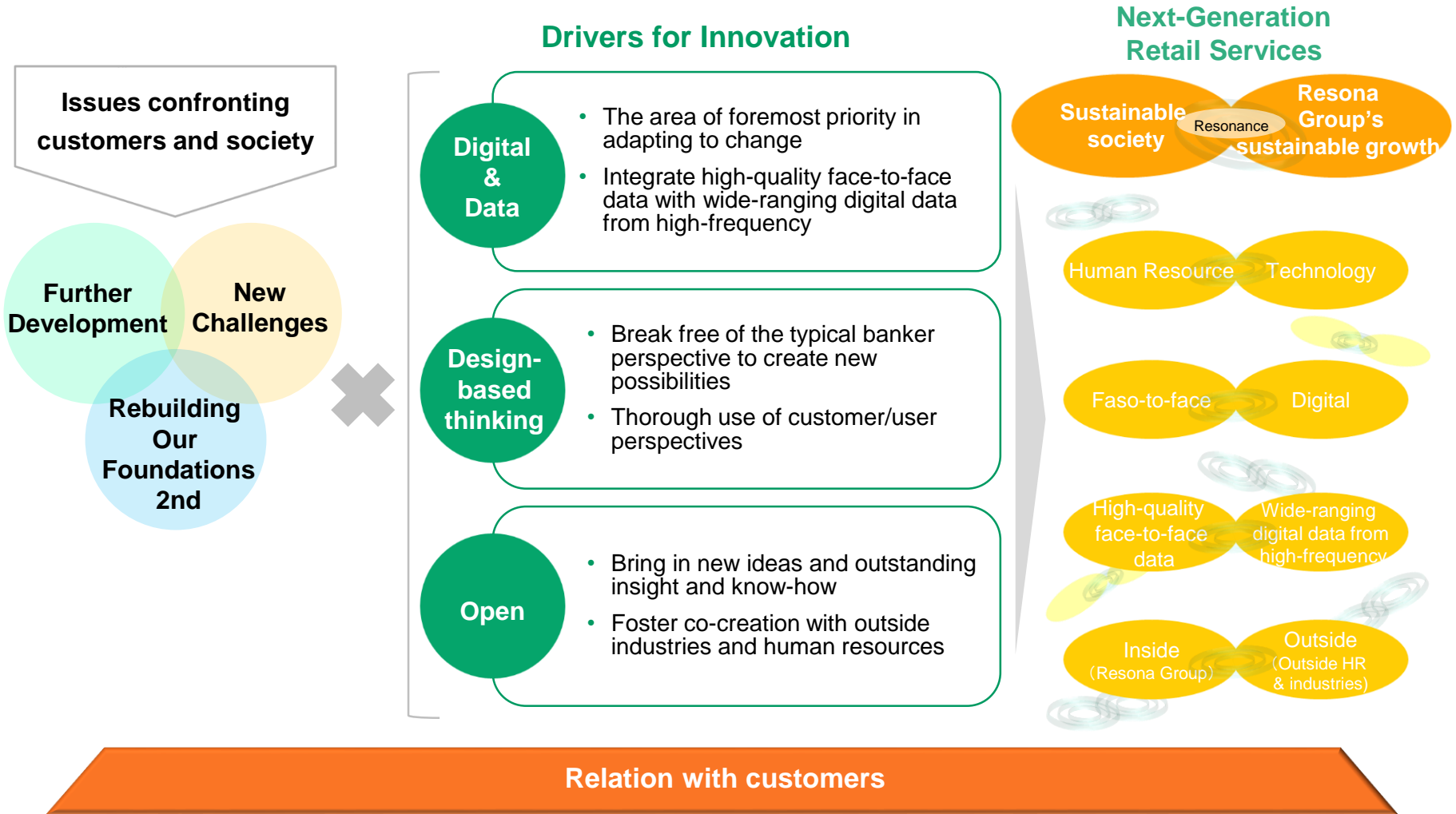
# For Becoming the “Retail No. 1”



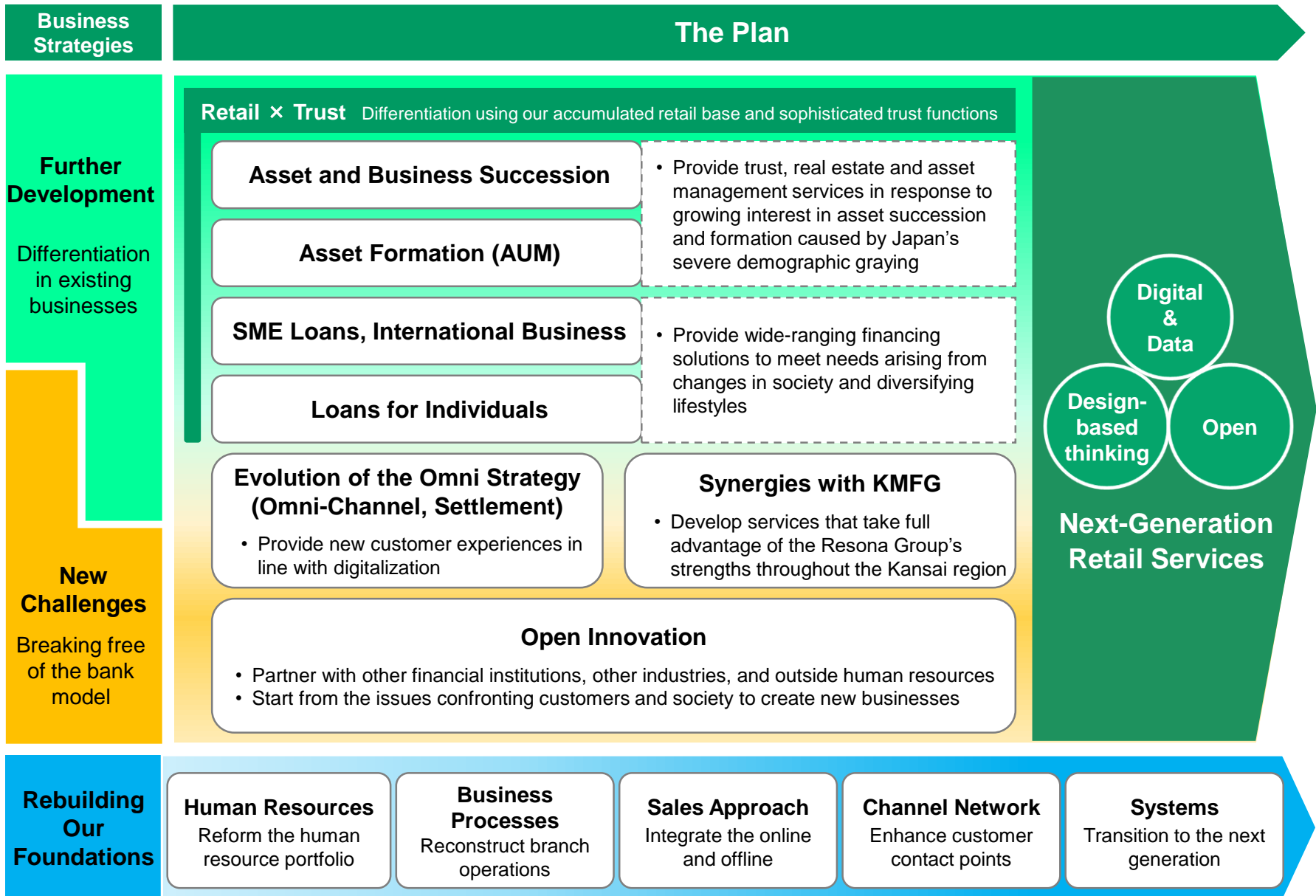
\*1. Commitment Towards Achieving the Sustainable Development Goals 2030 (Resona Sustainability Challenge 2030) released in Nov. '18

# Establish “Resonance Model”

We will provide new value to customers, starting from the issues confronting customers and society, by moving beyond conventional banking frameworks through diverse resonance generated by new ideas and wide-ranging connections



# Business Strategy and Rebuild Foundations (Overview of the MMP)



# KPIs

FY2022

Realize  
medium- to  
long-term  
income  
structure  
reform

Net income attributable to owners of parent

**JPY 160 bn**

Consolidated fee income ratio

**Over 35%**

Consolidated cost income ratio

**60% level**

ROE\*1

**8% level**

CET1 ratio\*2

**10% level**

Realize a  
sustainable  
society

ESG index selected by GPIF\*3

**Aim to be adopted  
for all indexes**

[FY2022 assumed conditions : Overnight call rate (0.05) %, Yield on 10Y JGB (0.05) %, Nikkei 225 23,000 yen]

\*1. Net income / Total shareholders equity (simple sum of the balance at the beginning and the end of the term)

\*2. Based on the finalization of Basel 3. Exclude unrealized gains on available-for-sale securities

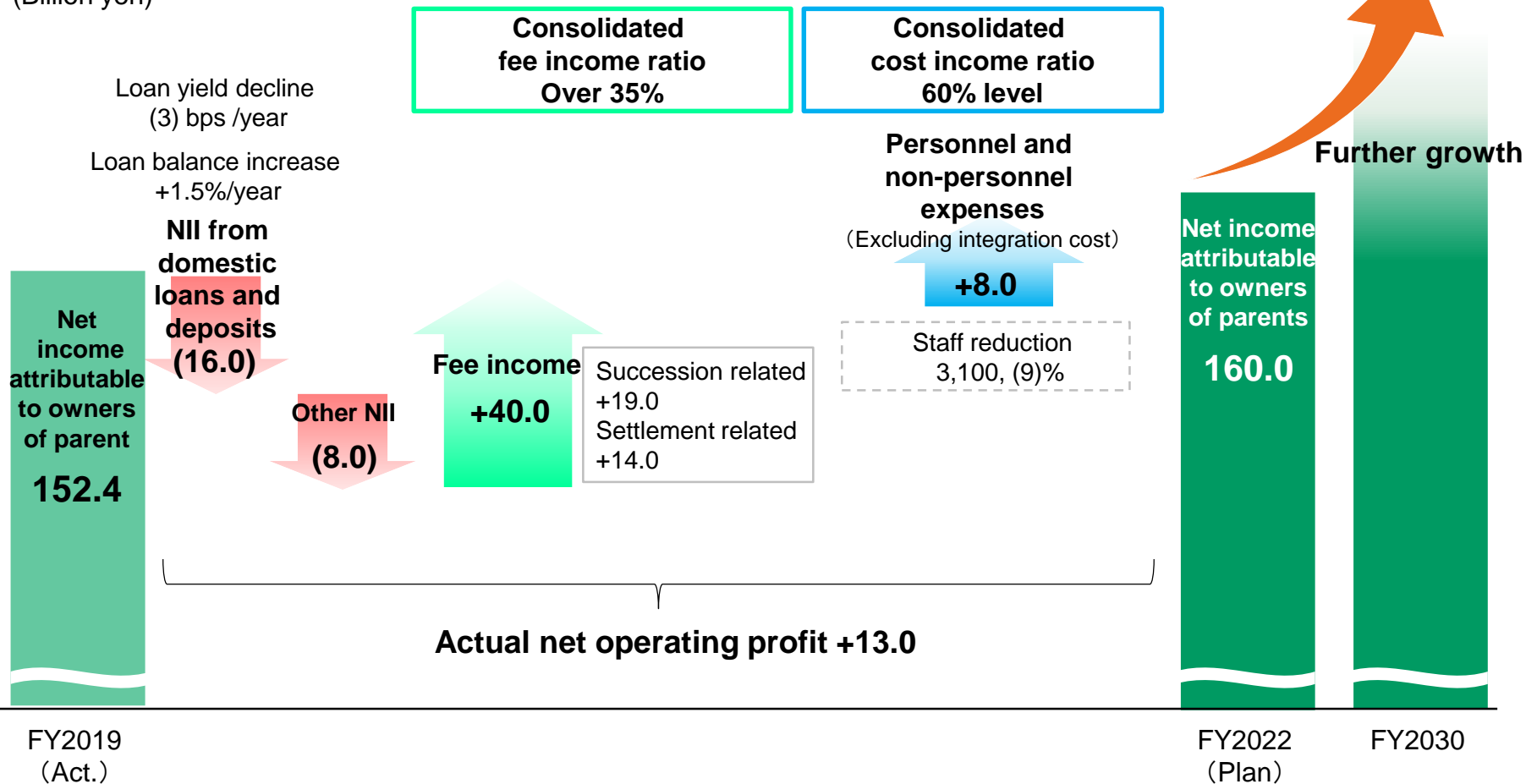
\*3. FTSE Blossom Japan Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index, S&P/JPX Carbon Efficient Index

# Roadmap for Securing Profit

Establish “Resonance Model” and medium-to long-term income structure reform

Sustainable society  
x  
Resona’s  
sustainable growth

(Billion yen)



	Our focus	Main initiatives	Targets (vs. FY2019)
<b>Asset and Business Succession</b>	<p><b>Trust banking functions</b> Commercial bank with real estate brokerage capability</p> <p>X</p> <p><b>Retail platforms</b> Individual 1,600 mil, SMEs 0.5 mil.</p>	<ul style="list-style-type: none"> <li>Concentrate and reinforce specialist human resources</li> <li>Act in collaboration with external partners</li> <li>Engage in optimal proposals employing digital-based communications with specialists at head office departments</li> </ul> <p>⇒ e.g. Build a sales support system which enables staff to provide customers with best solutions</p>	<ul style="list-style-type: none"> <li># of new asset succession-related contracts 10,000 (+Approx. 3,900)</li> <li># of M&amp;A contracts 250 (+Approx.120)</li> <li># of real estate brokerage transactions 2,000 (+Approx.1,000)</li> </ul>
<b>Asset Formation (AUM)</b>	<p><b>Consulting based on the medium- to long-term perspective</b> Omni-Advisors</p> <p>X</p> <p><b>Asset management capabilities</b> Investment know-how from corporate pension expertise</p>	<ul style="list-style-type: none"> <li>Nurture professionals via programs provided at Resona Academy</li> <li>Enhance the RAM structure ⇒ enhance its capabilities to perform medium- to long-term asset management</li> <li>Offer personalized consulting services via the use of IT and digital solutions</li> </ul> <p>⇒ e.g. Marketing taking advantage of real digital data</p>	<ul style="list-style-type: none"> <li>Bal. of asset formation support products*1 JPY6.6 tn (+Approx. JPY1.4tn)</li> <li>AUM (RAM) JPY24 tn (+Approx. JPY2.2 tn)</li> </ul>
<b>SME Loans, International Business</b>	<p><b>Sales approach focused on identifying issues</b> Provide multiple and comprehensive value</p> <p>X</p> <p><b>Sophisticated solutions</b> Assist to achieve SDGs</p>	<ul style="list-style-type: none"> <li>Engage in timely proposals via robust information sharing between branches and head office departments</li> <li>Expand the volume of local transactions handled by RMBA and Bank Resona Perdania</li> <li>Offer digital transactions for corporate customers in the start-up phase and other small-sized businesses</li> </ul> <p>⇒ e.g. Resona Group App for corporate customers</p>	<ul style="list-style-type: none"> <li>Loans to SMEs JPY14.6 tn (+Approx.JPY0.8 tn)</li> </ul>
<b>Loans for Individuals</b>	<p><b>Cost competitiveness</b> Scale merits (Newly originate over JPY1.2 tn a year)</p> <p>X</p> <p><b>Promotion of multilateral transactions</b> Proposal according to life stage</p>	<ul style="list-style-type: none"> <li>Thoroughly reduce redundant operational processes via digitalization</li> <li>Enhance the content of the e-contract service that enables customers to complete procedures via non face-to-face channels</li> <li>Promote bidirectional communications via the Resona Group App</li> </ul> <p>⇒ e.g. Completion of housing loan procedures on Resona Group App</p>	<ul style="list-style-type: none"> <li>Residential housing loan JPY13.8 tn (+Approx. JPY0.9 tn)</li> </ul>

\*1. Investment trusts sold to individuals, FW, Insurance, Foreign currency deposits, Public bonds etc.



## Omni-channel, Settlement

Nurture and reinforce professionals in IT and digital fields x Open network ⇒ Strengthen IT consulting capabilities

### Omni-Channel

Digital

Expand Group app: 2.2 million DL as of Mar. '20  
⇒ Achieve 5 million DL as of Mar.'23



Face-to-face

Reorganize approx. 840 manned branches  
Reduce back office operations to virtually zero, enabling facilities to be used solely for consulting

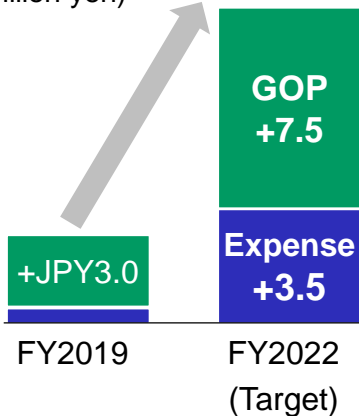
### Settlement

- Expand functions of RCP and Resona wallet app
- Build a B to B settlement platform for corporations
- Expand debit-card :  
Number issued 2.01 million as of Mar. '20  
⇒ Achieve 2.55 million as of Mar. '23

## Pursue synergies with KMFG

【Group synergies】

(Billion yen)



### Sales synergies

**Functions** Trust·Real estate | **Products** Group app, FW, Debit-card, RCP | **Information** M&A platform, Business plazas

### Cost synergies

**Channels** Create joint branches at which multiple Group banks operate | **Human resources** Downsize and reallocate

- Systems**
- Integrate MB's systems in two phases
    - (1)FY'21 (planned): Unify customer service systems using the Resona open platform strategy
    - (2)FY'25 (planned): Fully integrate MB's and Resona's systems

## Open innovation

### Employ a broad range of external relationships to pursue co-creation

#### Expand our customer base

- Provide Resona's functions and services to alliance partners' customers
  - IT system, Group app, RCP, FW, Trust

[Alliance partner candidates]

Regional financial institutions

Local governments

Other private businesses, etc. (IT, traffic, retail, logistics, manufacturing, etc.)

Fintech and startup businesses, etc.

IT and BPO companies, etc.

#### Enhance our services and functions

- Share management resources with alliance partners
  - Create new services via the combined use of data on logistics and financing
  - Engage in joint research of platforms for financial functions
- Upgrade existing financial services
  - Help customers ensure the secure and hassle-free management of their information assets
- Expand new functions
  - Help customers pursue IT utilization and digitalization

### Deliver new value employing new ideas

#### Create new businesses

- The project team is directly supervised by the President to secure its agility and effectiveness
  - Cross-functional team
- Utilize our position as an "advanced banking service company" under the Banking Act

Other industries

# Rebuild our Foundations to Reinforce our Sales Capabilities and Raise Productivity

## Human Resources

- **Reform the human resource portfolio with an emphasis on diversity and specialization**
  - Adopt a multi-path personnel system, develop and hire specialized professionals, implement Omni-Advisor training for consultants for all as well as ongoing, recurrent training
  - 1,000 digital and IT specialists

## Business Processes

- **Thoroughly streamline business processes and reconstruct them by shifting mindsets and digitalizing**
  - Change the mission of the over 10,000 administrative staff
  - Reduce operational costs through productivity improvement / Utilize CFT

## Sales Approach

- **Transition to a system in which all employees are involved in sales and consulting**
- **Integrate high-quality data from existing face-to-face business with wide-ranging digital data from high-frequency sources about customers' daily behavior in real time, and link these between channels**

## Channel Network

- **Enhance customer contact points and reduce channel-related costs at the same time**
  - Further development of area operations (consolidation of staffs for corporate customers and loan, reallocate staffs for individual customers)
  - Lower the break-even point through downsizing, replacement and B in B

## Systems

- **Shrink existing systems with an eye to technological advancement. Take first steps toward building next-generation systems**
  - Greatly increase speed, flexibility and applicability in strategy implementation
  - Greatly reduce Group system costs / Utilize CFT ⇒ Expand strategic investment

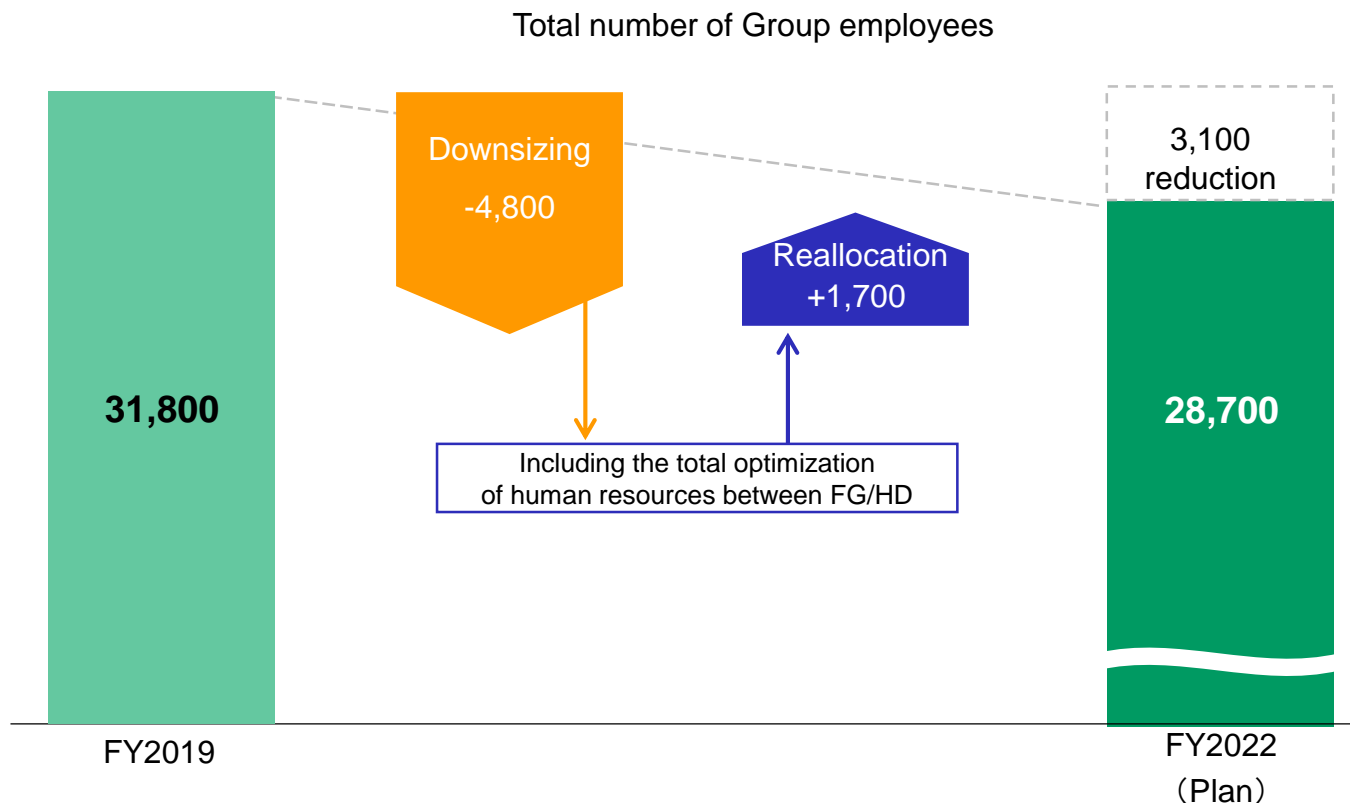
# Reallocate Human Resources to our Fields of Focus

## ■ Reduce total headcount by 3,100 (9%) by raising productivity via channel reforms and branch digitalization

- Downsize the total number of Group employees to around 29,000, the level equivalent to the number prior to the integration of KMFG (natural decrease in step with retirement)

## ■ Reallocate human resources across the Group in a bold and flexible manner to our fields of focus (succession, Omni Channel, etc.) and new businesses (digital, IT, etc.)

- Optimize KMFG's human resource portfolio to help it raise productivity and operational efficiency at the earliest date via, for example, staff transfer to other fields of the Group's focus



# Direction of Capital Management

## Financial soundness

- Secure sufficient equity capital under the current Japanese standard
- Aim for CET1 ratio\*<sup>1</sup> of 10% as of Mar. '23 under the international standard
  - CET1 ratio as of Mar. '20: Approx. 9.1%

## Profitability

- Continuously engage in financial management conscious of capital efficiency, risk, cost and return, and aim to secure ROE\*<sup>2</sup> exceeding 8%
  - FY' 19(Act.): 8.91%

Improve  
Corporate Value





## Shareholder return

- Making efforts to further expand shareholder returns while considering such factors as the balance between financial soundness and profitability, and opportunities for growth investments
- Aim for a total shareholder return ratio of middle 40% range in the medium term while continue stable dividend stream
  - FY'19 (Act.): 38.2%

\*1. Based on the finalization of Basel 3. Exclude unrealized gains on available-for-sale securities

\*2. Net income / Total shareholders equity (simple sum of the balance at the beginning and the end of the term)

# Points of Focus in the New Medium-term Management Plan toward the 2030 Realization of SDGs

Theme	Expected issues customers will face in the next 10 years	Key policies under the new medium-term management plan
<p><b>Local Communities</b></p>  <p>All 17 goals</p>	<ul style="list-style-type: none"> <li>■ Adapt to a digitalized and global society           <ul style="list-style-type: none"> <li>● Widespread use of cashless settlement</li> <li>● Rapid advance of digitalization</li> <li>● Need for supply chain maintenance</li> </ul> </li> </ul>	<p>Settlement</p> <p>Omni-Channel</p>
<p><b>Low Birthrate and Aging Society</b></p> 	<ul style="list-style-type: none"> <li>■ Adapt to the low birth rate and graying society           <ul style="list-style-type: none"> <li>● Need for ensuring smooth succession of assets and businesses as well as securing funds for life after retirement</li> <li>● Human resource shortages</li> </ul> </li> </ul>	<p>Succession</p> <p>Asset formation</p>
<p><b>Environment</b></p> 	<ul style="list-style-type: none"> <li>■ Respond to climate change risks           <ul style="list-style-type: none"> <li>● Rising living expenses and housing costs</li> <li>● Need for de-carbonization and preparation for natural disasters</li> </ul> </li> </ul>	<p>Provide support for de-carbonization</p> <p>Green finance</p> <p>Loan exemptions for those hit by natural disasters</p>
<p><b>Human Rights</b></p> 	<ul style="list-style-type: none"> <li>■ Adapt to diversifying value systems and working styles           <ul style="list-style-type: none"> <li>● Need to meet higher skill requirements and develop second careers</li> <li>● Need to expand hiring of foreigners and elderly people</li> </ul> </li> </ul>	<p>Measures for diversity &amp; inclusion</p> <p>Develop human resources capable of meeting diversifying customer needs for sophisticated solutions</p>

- 
- Abbreviations and definitions of the figures presented in this material are as follows:

[HD] Resona Holdings, [RB] Resona Bank, [SR] Saitama Resona Bank,  
[KMFG] Kansai Mirai Financial Group, [KMB] Kansai Mirai Bank, [MB] Minato Bank  
[RAM] Resona Asset Management, [RMBA] Resona Merchant Bank Asia

---

Figures include data for internal administration purpose.

The forward-looking statements contained in this material 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 and central bank'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.