



Realizing “Retail No. 1”

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The intrinsic value of a company is to solve social issues through its businesses.

The world seems to be getting smaller as globalization accelerates backed by the widespread use of ICT. On the other hand, inward-looking policies have become apparent in some countries, and uncertainties abound worldwide despite stable economic conditions.

Climate change and the global issues raised in the SDGs require international cooperation, and companies are expected to make a long-term commitment to contributing to solving various problems efficiently through their businesses. The world now demands that companies fulfill their social responsibilities through their businesses. It is no longer acceptable to separate business operations and social responsibilities, as in the past.

Social issues in Japan include increased social security expenditures, a labor shortage and succession issues at small and medium-sized enterprises (SMEs). An aging society with a low birth rate underlies these issues. Japan is experiencing many of the issues every country will face in the future, and therefore has the mission of being a trailblazer.

Companies can seize business opportunities by resolving social issues and responding to environmental changes. They increase their corporate value by recognizing potential risks, resolving existing social issues, and then recognizing and resolving emerging social issues. Generating this virtuous cycle of resolution represents the intrinsic value of a company.

Customers need financial services, not banks.

I often say that banks will not be necessary in the future. The reason is that customers need financial services, not organizations called “banks.” In fact, companies from other industries, including IT and retailing, have entered traditional banking businesses such as lending and settlement. This means that customers can choose highly convenient financial services whether or not a bank provides them. Consequently, competition among industries and advances in digital technology have forced banks to change their traditional banking services. This has significantly enhanced customer convenience.

At the same time, the ability of digital technology and AI to address customer concerns about money has its limits since customers often have vague concerns that cannot be measured with data. I, myself, see intrinsic value in a financial services business that has a detailed understanding of what customers are thinking, uses empathy to initially frame issues, clearly and simply explains solutions to these issues, and then delivers on those solutions.

We want to understand the true latent needs of customers.

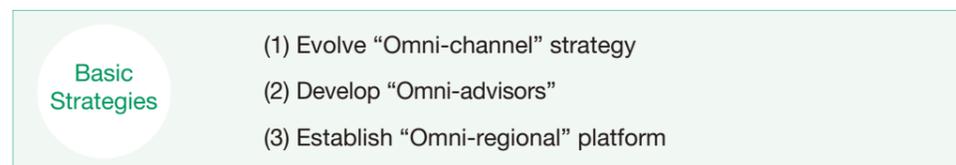
The Resona Group concentrates resources on the retail market of individual and SME customers. For example, loans to retail customers account for about 85% of our loan portfolio. Our business involves consistently considering and understanding the thoughts and feelings of retail customers. In other words, understanding their true latent needs.

Many retail customers are anxious about their future for reasons including the aging society and the ultra-low interest rate environment, but few people are taking concrete action. For example, individuals in Japan have about ¥1,800 trillion in financial assets, but keep half of those assets in cash and deposits and do not invest them. Only 5% of Resona Group customers use investment trusts or similar services. We therefore carefully propose effective, long-term, diversified investments to customers who have not yet addressed their concerns for the future. We provide each customer with optimal information and propose the best solutions.

SME customers face various challenges at each growth stage. SMEs have provided staunch support for Japanese industry, and they will remain crucial. The Resona Group wants to offer optimal solutions at all stages of customer businesses, from start-up to growth to transformation, but this commitment can be fulfilled through meaningful discussion with SME owners. Addressing social issues such as the environment and SDGs has recently become more important for SMEs. However, SMEs do not always have sufficient management resources compared with large enterprises. This can impede their ability to respond and exposes them to significant risks from sudden supply chain disruptions. SMEs need financial service providers to proactively provide a comprehensive array of management information. The Resona Group will meet these expectations.

The three components of our “Omni Strategy”

I think banks to date have only been able to solve the issues of a limited number of customers. The Resona Group wants to take on the challenge of resolving all customer issues through financial services that customers need. This desire is incorporated in the new medium-term management plan (Change to the “Next”) we launched in April 2017. Our Omni Strategy has three components for structuring a next-generation retail financial services model that will realize sustainable growth for our customers, the communities we serve and the Resona Group.

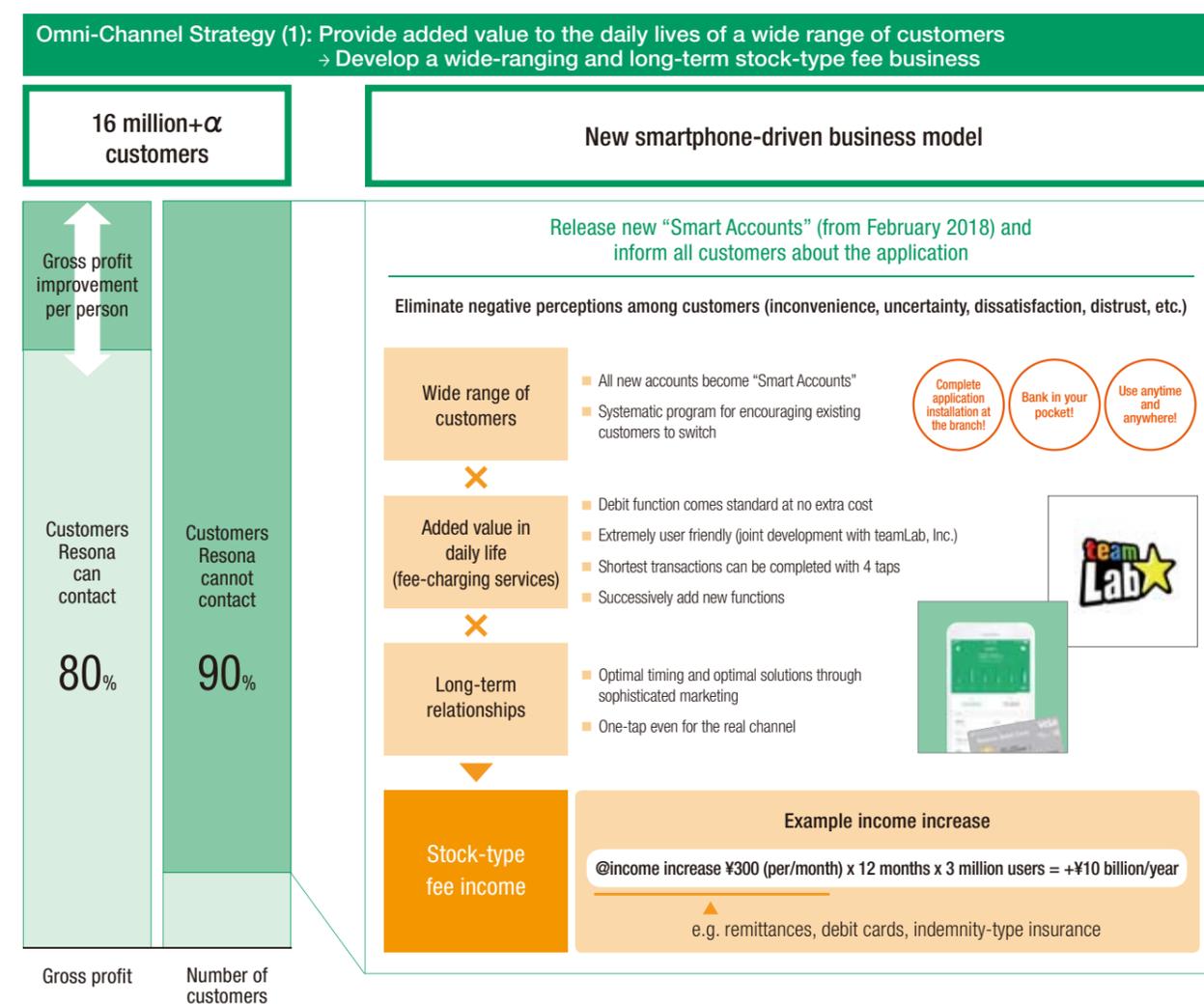


Our goal is to resolve social issues and create value for customers by executing the three Omni Strategies over the medium-to-long term. This will enable us to be a “Retail No. 1” financial services business.

Omni-channel strategy

Customers wonder why banks close at 3 p.m., why banks are not open on weekends, why simple procedures take so long, why documents are so numerous, and why an authentication seal is necessary. These questions indicate that customers feel inconvenienced, uncertain, dissatisfied and distrustful when it comes to banking operations, and our Omni-channel strategy is an initiative that will remove such concerns and provide the best solutions to customers anytime and anywhere. Our coordinated initiatives are strengthening customer access via digital channels such as the Internet and smartphones and via face-to-face channels such as dialogue with customers at branches.

Digital channel initiatives are expanding services available via smartphones. The Resona Group has about 16 million individual customers, but actually meets only about 10% of them, so we have not been making our services sufficiently available. Given this situation, we developed the “Smart Account App” to enable all customers to use their smartphone to access a wide range



of financial services at their convenience and for the foreseeable future. Jointly developed with teamLab Inc., this user-friendly smartphone platform provides daily financial services and delivers timely, optimal proposals personalized for each customer.

We are concurrently strengthening our face-to-face channel. We are able to initially understand what customers are thinking by meeting and empathizing with them. AI may be able to take the place of these actions in the near future, but today it cannot. This was our rationale for expanding small-size specialized branches for consultation such as "Seven Days Plazas," which are open year-round and until later in the evening. We will naturally expand our business if we are able to spend more time with customers and provide them with the best solutions. We can do this by increasing the number of branches available to customers who are able to stop in for consultation and working customers who have trouble coming in on weekdays.

We will structure a differentiated business model by fusing our digital and face-to-face channels and providing even better services that meet customer needs.

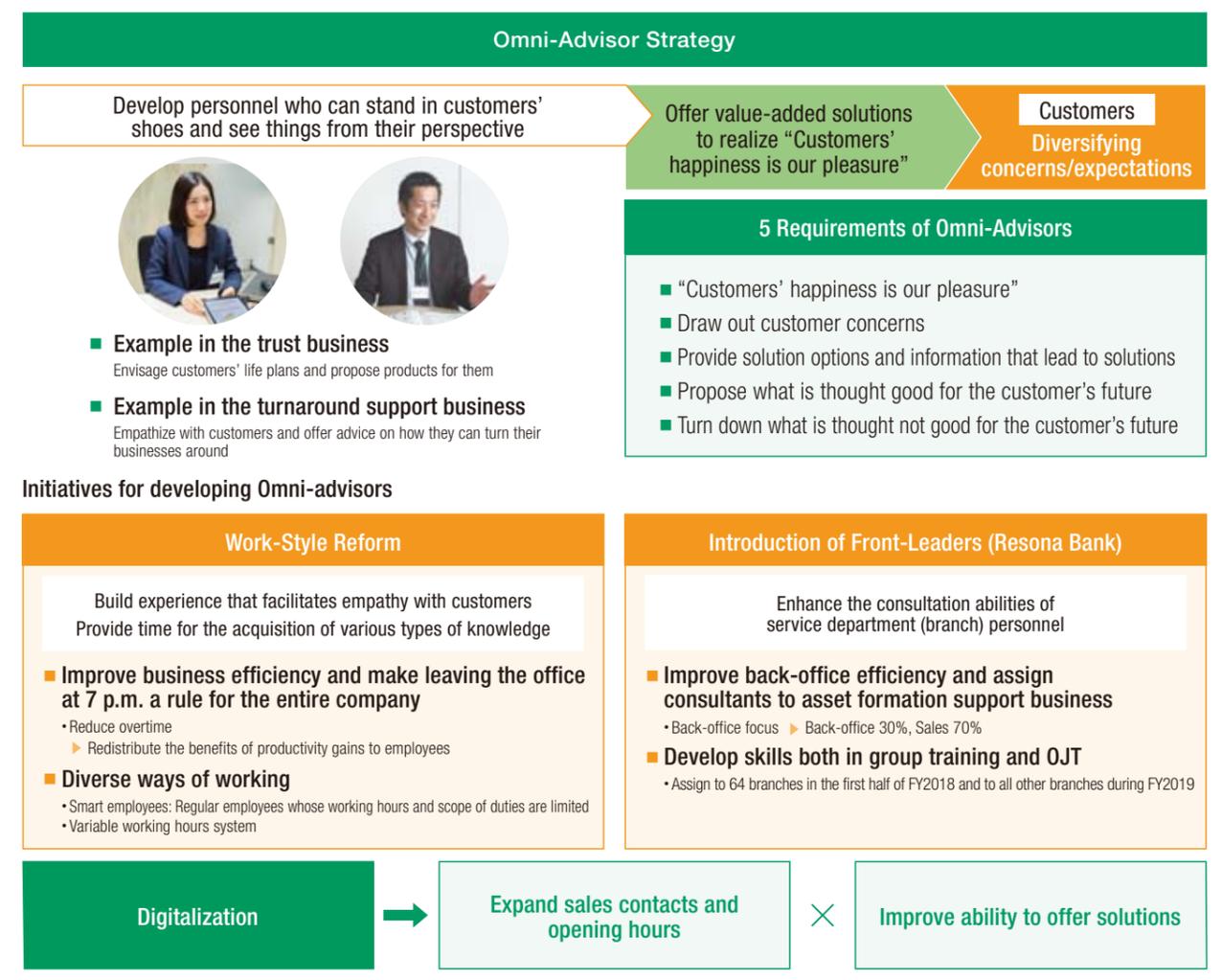
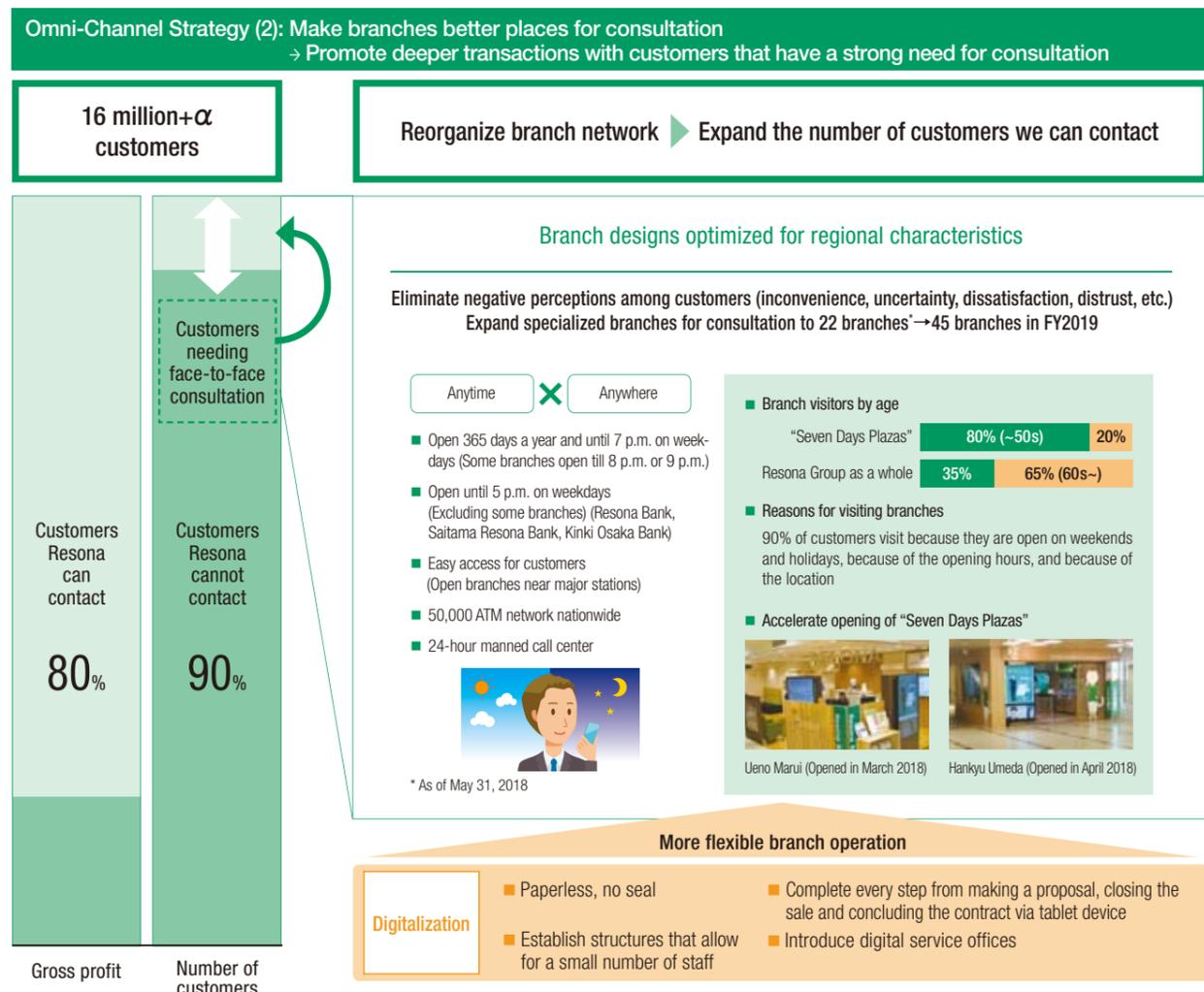
Omni-advisor strategy

The Omni-advisor strategy is central to our Omni Strategy. Our medium-term management plan defines Omni-advisors as consultants who can understand the true latent needs of customers to

provide solutions, and becoming one is not simply a matter of acquiring some kind of certification. Omni-advisors necessarily require wide-ranging knowledge of our businesses, including trusts, to propose various solutions, but knowledge alone is not sufficient. Above all, Omni-advisors need the ability to understand customer concerns and thoughts and propose appropriate solutions. They must also be able to communicate those solutions clearly and simply. In many instances, customers have vague concerns and are unable to communicate them clearly. Omni-advisors are able to draw out and identify these latent concerns by communicating with and getting to understand customers.

Resona Group employees must also be diverse in order to respond to customers with diverse values. Backed by our desire for each employee to express diverse values, since 2017 we took on the challenge of implementing highly productive work-style reform by introducing a general rule that everyone has to leave the office by 7 p.m. Employees can go home earlier and spend more time with their families and interact with society at large.

Training Omni-advisors takes time. However, becoming an organization with diverse Omni-advisors will be a factor that strongly differentiates the Resona Group. This is also difficult for other companies to emulate.



Initiatives for developing Omni-advisors

Work-Style Reform

Build experience that facilitates empathy with customers
Provide time for the acquisition of various types of knowledge

- Improve business efficiency and make leaving the office at 7 p.m. a rule for the entire company**
 - Reduce overtime
 - Redistribute the benefits of productivity gains to employees
- Diverse ways of working**
 - Smart employees: Regular employees whose working hours and scope of duties are limited
 - Variable working hours system

Introduction of Front-Leaders (Resona Bank)

Enhance the consultation abilities of service department (branch) personnel

- Improve back-office efficiency and assign consultants to asset formation support business**
 - Back-office focus
 - Back-office 30%, Sales 70%
- Develop skills both in group training and OJT**
 - Assign to 64 branches in the first half of FY2018 and to all other branches during FY2019

Digitalization → **Expand sales contacts and opening hours** ✕ **Improve ability to offer solutions**

Omni-regional strategy

This strategy involves broad-based collaboration with business partners such as regional financial institutions. It offers substantial benefits to business partners, the Resona Group, and above all, customers. First and foremost, more customers will be able to use our solution functions and specialized, detailed retail services. Business partners such as regional financial institutions will maintain their regional brands while sharing the Resona Group's sophisticated administrative processes and systems to improve efficiency and reduce costs. Moreover, the Resona Group will significantly increase earnings opportunities and productivity by expanding its customer base. Finally, creating relationships among regions and communities will provide opportunities for local customers and financial institutions to access new information that can help resolve regional issues.

While executing our Omni-regional strategy, we integrated Kansai Urban Banking Corporation, Kinki Osaka Bank and Minato Bank in April 2018 to create the Kansai Mirai Financial Group, and the start of full-scale operations represented a major achievement. This integration gives the Resona Group industry leadership with 840 manned branches in Japan, and resulted in respective increases of more than 20% in corporate customers to about 500,000 companies, and individual customers to about 16 million.

Kansai Urban Banking Corporation and Minato Bank are new members of the Resona Group. They have close ties to the region, are strong retail banks and share the same vision. We will retain their advantages while fully leveraging the Resona Group's functions and broad-based network to create new value throughout the Group.

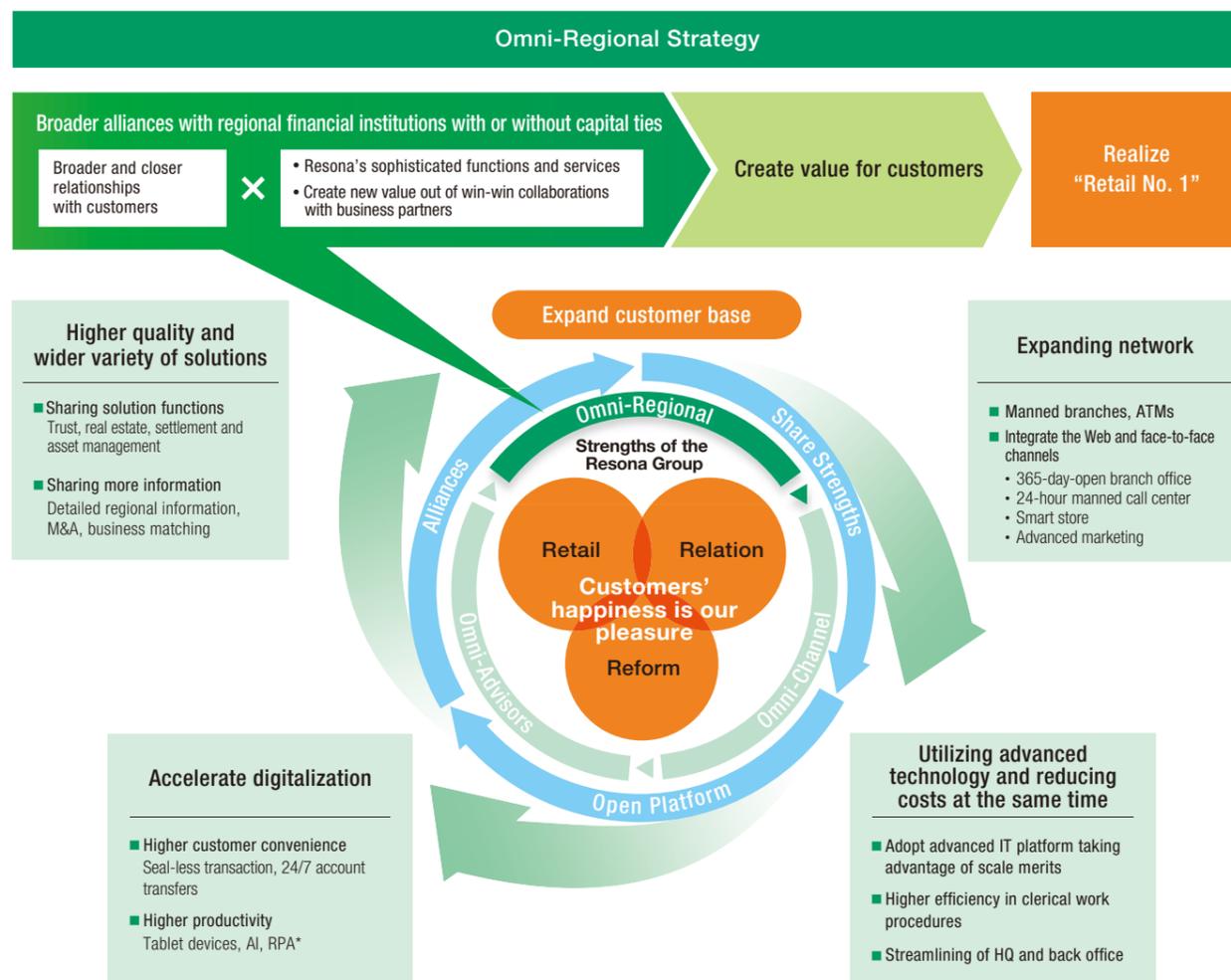
The nature of governance

The Resona Group's governance structure is a company with a nominating committee. Outside directors hold 60% of the seats on the Board of Directors, a structure that was introduced following the 2003 management overhaul after the injection of public funds. Since then, the Board of Directors has stopped thinking like a bank so that each discussion and each decision is based on relevance to customers and common sense.

Discussions of governance generally begin with form, but we need to always think about the reason we introduced this governance system. Governance is not simply a system for checking.

At Resona, for example, after the Management Reform Committee, which consists of the presidents and executives of Group companies, has thoroughly discussed various issues such as competitiveness and enhanced profitability, outside directors screen those decisions at Board of Directors meetings.

Our governance system incorporates external viewpoints on decisions about benefits for customers and allows for a quick exchange of opinions. The greatest strength of this approach is that it is rooted in our culture rather than being simply formulaic.



* RPA (Robotic Process Automation): Automating and raising the efficiency of operations using digital technology

Realizing "Customers' happiness is our pleasure"

The customer is the starting point for every industry. Many companies advocate the principle of customer-first, but the effectiveness of that principle lies in a substantial commitment rather than empty words. We need to listen to and learn from customers and then consistently deliver products and services that reflect their needs.

The Resona Group's goal is to be "Retail No. 1." We cannot become No. 1 by doing the same thing as our competitors. Following other companies is relatively easy, but the process of creating original, customer-centric products and services involves facing serious headwinds. We must create an organization that can overcome these headwinds. The Resona Group can then grow as a company that supports the creation of a sustainable society and that is in line with its fundamental stance of "Customers' happiness is our pleasure."

We are counting on your continued support.