



Realizing “Retail No. 1”

Kazuhiro Higashi

Director, President and Representative Executive Officer,
Resona Holdings, Inc.

1

Our Analysis of the Domestic Business Environment

In recent years, the Japanese economy has seen modest but constant recovery, albeit tempered by major fluctuations in the global economy due to advancing globalization. Looking at the broader picture, however, Japan is confronting long-term, structural problems due to an aging society, a low birth-rate, and an inevitable decline in its population as a result.

In addition, approximately 65% of household financial assets, amounting to around ¥1,830 trillion, are held by people in their 60s or older, suggesting increasing intergenerational fiscal inequality. Meanwhile, the lack of successor candidates and the overall labor shortage are presenting pressing challenges for a sizable number of small and medium-sized enterprise (SME) owners, leading to a reluctance to pursue active business expansion.

Furthermore, the impact of climate change is casting a looming shadow around the globe, including in Japan.

Global warming is no longer somebody else's problem for people in Japan; rather, everyday life is ever more affected by the increasingly frequent heavy rains and other natural disasters allegedly induced by this phenomenon. One result has been growing public attention on how to address energy issues without further negatively impacting climate.

We are hearing the call to take a unified stance to tackle and resolve these long-term issues and other emerging threats. However, even as businesses are exposed to risks associated with these issues, the very issues affecting them may offer major opportunities to those businesses willing to tackle them. I believe that the true value of a business is proven when it realizes new innovation in a field never before deemed profitable and thereby helps resolve an issue society is now confronting.

2

Resona's SDG-Oriented Management: Realizing “Retail No. 1” by Helping Resolve Social Issues through Business and Innovation

In November 2018, Resona Holdings announced Resona Sustainability Challenge 2030 (RSC2030), which represents its commitment to facilitating global efforts aimed at achieving United Nations Sustainable Development Goals (SDGs). Specifically, Resona Holdings aims to promote SDGs by extending its financial services in a way that contributes to thriving local societies. To this end, RSC2030 identifies four priority themes within which the Company can take advantage of its business strengths to offer solutions. These themes are (1) local communities; (2) the low birthrate and an aging society; (3) the environment; and (4) human rights. Having formulated the action plan, we are currently engaged in concrete initiatives to address social issues associated with these themes.

I am confident that we are capable of innovation and of turning risks arising from social issues in connection with these four themes into opportunities. This will, in turn, help create a virtuous cycle that will allow us and our customers to enjoy mutual growth.

Today, there is growing concern about market shrinkage in a wide range of industries due to the low birthrate, the rapid aging of society, and the declining population. The banking industry is no exception. Some even argue that conventional banks will become irrelevant due to the emergence of fintech

and businesses' decreasing dependence on indirect financing, which has long been the major support for Japan's business sector. Indeed, the institutions called “banks” may become no longer necessary. Yet, I would argue that financial services aimed at helping customers address their monetary issues will become ever more relevant and essential.

Resona has always been sensitive to the issues society is now confronting and stands ready to offer solutions through all aspects of its business operations while employing a customer-centric viewpoint in the provision of its financial services. By doing so, Resona aims to deliver greater value to its customers while facilitating the sustainable development of regional societies and the creation of new businesses serving this purpose. We are convinced that this approach will help us achieve growth.

Take the aging of society for example. There are a growing number of issues to be addressed due to this phenomenon; individual customers looking forward to retirement are facing growing needs for asset management and inheritance solutions, while SME owners are confronted by business succession problems. I believe that the consultation channels will play an integral part in enabling Resona to address their needs. Therefore, we must ensure that customer concerns about asset inheritance and business succession are robustly

addressed via face-to-face consultation even as we introduce highly convenient digital interfaces for such transactions as bank transfers. In addition, some regional societies are facing serious threats attributable to climate change and other environmental problems. Resona has thus declared its intention of not extending new loans to projects deemed to be exerting a major negative impact on the environment, including those associated with coal-fired thermal power generation, except when it finds compelling reasons for financing such projects, such as to realize economic

restoration following a disaster. Moreover, our management of trust assets places significant weight on maintaining robust engagement with investees to assess their environmental initiatives. In short, the Resona Group considers realizing a low-carbon, recycling-oriented society via financial services to be its social mission. Accordingly, we will step up concerted efforts to achieve this goal.

We consistently ask ourselves how we can better contribute to society. Having positioned this question as a cornerstone of all its operations, Resona is striving to realize innovation and,

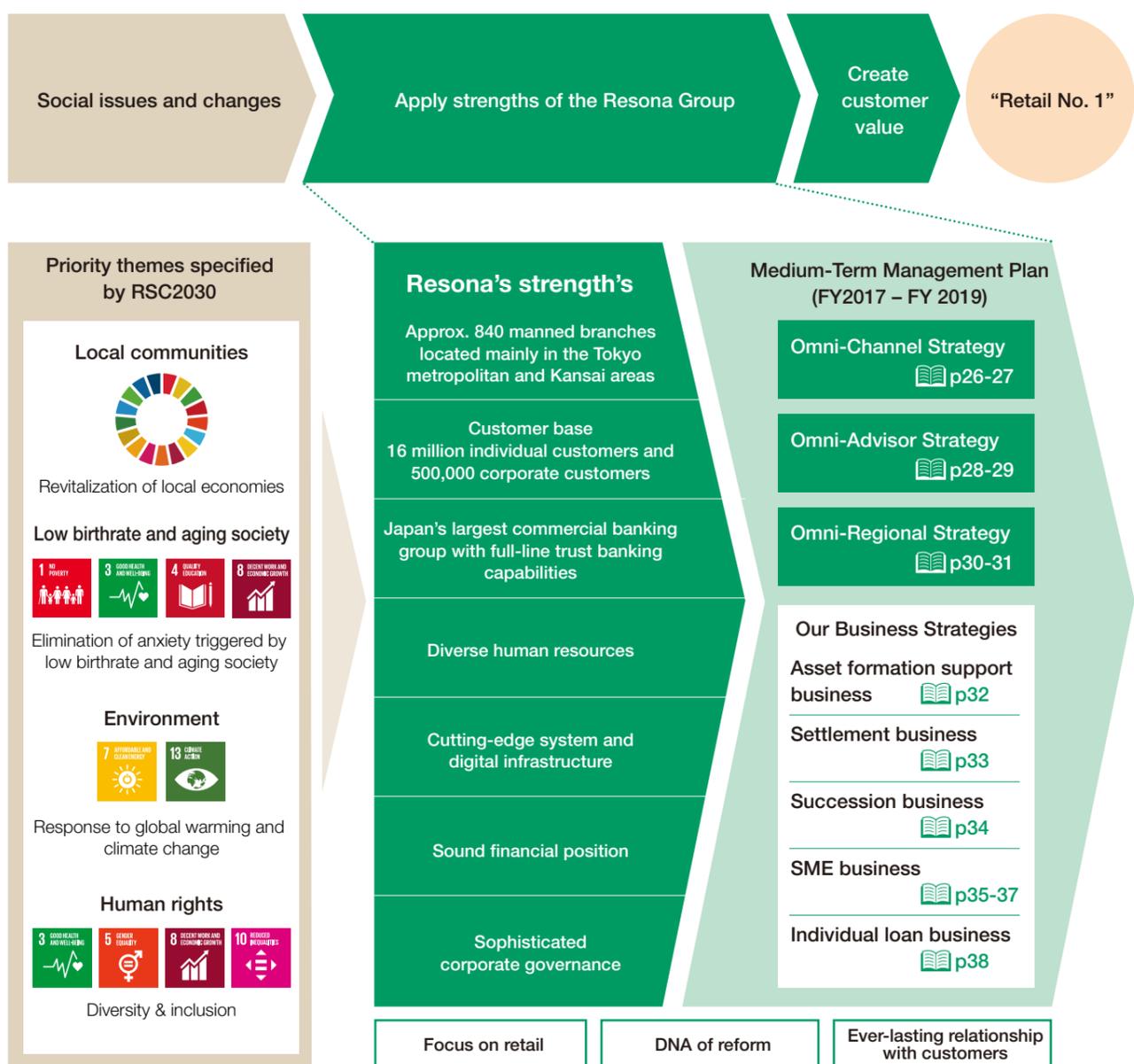
to this end, setting its sights far beyond the conventional concepts of banking operations to achieve transformation from a mere bank to a financial service provider.

We have long engaged in efforts to enhance value for customers by painstakingly addressing instances in which customers feel inconvenienced by, uncertain of, dissatisfied with or distrustful about banks. For example, in Japan the majority of bank counters have traditionally closed at 3 p.m. Resona was the first among domestic banks in deciding to keep its bank counters open until 5 p.m. on weekdays. The Resona

Group was also the industry's forerunner in terms of making it possible to carry out transfers between its branches 24/7—well ahead of the Japanese Bankers Association's 2018 decision to make same-day interbank transfer service available to all customers.

Pushing ahead further with innovation of this kind, the current medium-term management plan, spanning a three-year period ending March 31, 2020, involves the threefold "Omni Strategy."

Resona's SDG-Oriented Management: Realizing "Retail No. 1" by Solving Social Issues through Our Businesses



3 Creating Innovation via the Threefold "Omni Strategy"

Omni-Channel Strategy

Applying our Omni-Channel Strategy, we are striving to provide the greatest possible number of customers with the best solutions anywhere, anytime through coordinated initiatives aimed at strengthening and combining the best of our capabilities in both digital and face-to-face channels. Among our digital channels, the Resona Group has recorded more than a million downloads of Resona Group App since releasing in February 2018. The app is constantly being updated—more than 500 times to date—in line with our policy of quickly reflecting user feedback to make it even more convenient.

We always take a customer-first approach rather than prioritizing our own convenience when dealing with such issues as restrictions inherent to existing systems. This approach is essential if we are to realize our goal of "Retail No. 1," as it is the key to securing customer satisfaction.

For example, in the face-to-face channel, we increased the number of branches specializing in consultation to 26. These branches are open even on weekends and national holidays. We are aware that some domestic banks intend to significantly cut back the number of branches in operation. In contrast, the Resona Group recognizes that its physical branch network is an important point of contact with customers and, therefore, is determined to maintain as many branches as possible.

At the same time, we are aware of the need to realize low-cost operations. As I have often noted, the winner in cost reduction will be the winner in retail banking. To this end, Resona has promoted operational reforms that simultaneously reduced the volume of clerical work and improved customer convenience. Specifically, we successfully halved the clerical workload at branches in 10 years. This enabled the establishment of a platform that allows a relatively small

staff contingent to efficiently handle operations. Our current goal is to halve the clerical workload once more by March 2022. And, by introducing digital technologies, we are developing an operational structure that is even less costly.

Omni-Regional Strategy

This strategy is intended to provide customers with new value via a broad range of collaboration with regional financial institutions and fintech companies. Initiatives executed under this strategy during the fiscal year ended March 31, 2019 (fiscal 2018), included the April 2018 inauguration of Kansai Mirai Financial Group (KMFG) and the commencement of business cooperation with Bank of Yokohama and Daido Life Insurance in international businesses. These accomplishments resulted in the creation of a more robust customer base and the strengthening of our business functions.

Currently, KMFG is accelerating tasks associated with management integration to realize synergies at the earliest possible date. Moreover, in April 2019, Kansai Urban Banking Corporation, a subsidiary of KMFG, and Kinki Osaka Bank, merged into Kansai Mirai Bank. In addition, plans call for integrating systems used at Kansai Mirai Bank and those used at Minato Bank—another KMFG subsidiary—with Resona's systems in, respectively, October 2019 and the second half of fiscal 2021. The sharing of cutting-edge, highly flexible systems among all Group members will enable us to significantly expand the scope of products and services to be delivered to customers while bringing the growing benefits of cost sharing. Kansai Mirai Bank will also streamline its network of branches located mainly in Osaka, promoting the merger of branches in locations where two or more are situated in close proximity.

As we aim to simultaneously maintain customer convenience and efficient operations, we will also consider introducing a

“branch-in-branch” system in which multiple branches are housed in the same facility as well as a “bank-in-bank” system that allows the mutual utilization of the facility by multiple Group banks.

On the sales front, intragroup human resource exchange has been under way to better utilize trust, real estate brokerage and other platform functions in place at Resona Bank. Thanks to the success of this initiative, we have seen significant growth in the number of new succession trusts as well as quite positive outcomes in business matching and other services. Looking ahead, we will push ahead with innovation to accelerate profit and cost structure reforms. As we have identified a number of promising fields in which KMFG can take advantage of Resona’s know-how, we believe that practicing this strategy will position us to seize ever greater growth opportunities.

Omni-Advisor Strategy

This strategy is designed to nurture human resources who can understand the true latent needs of customers and provide optimal solutions. We know that this kind of human resource nurturing requires steady, long-term efforts before it yields robust results. However, we also believe that once we succeed, the Omni-Advisor Strategy will lend the Resona Group unique strengths that could not be easily emulated by competitors.

In line with this strategy, we opened Resona Academy in July 2019. With plans calling for developing a variety of educational programs, this institution began with offering a course designed to nurture professionals on par with independent financial advisors (IFAs). Programs available at Resona Academy will include not only classroom lectures but also practical training for enhancing business skills, including planning for customer visits, maintaining effective communication, making proposals, and solving issues. We are thus striving to nurture professionals capable of providing customers with value-added proposals and accurately meeting their needs for future planning solutions.

4 Solid Governance Supporting Our SDG-Oriented Management Approach

We believe that in order for Resona to realize ongoing innovation that reflects the customer viewpoint, the Company must maintain a governance framework designed to reflect feedback from external stakeholders in its business management.

Resona Holdings adopted a “company with a nominating committee” system, and six outside directors account for the majority in a total of 11 directors. Our Basic Corporate Governance Policy also mandates that “highly independent outside directors constitute a majority” in the Board of Directors’ membership. Moreover, the Nominating, Compensation and Audit committees are all chaired by outside directors. This governance framework helps the Company fully utilize external views in its business management and secure transparency and fairness in the course of decision making.

The outside directors have diverse backgrounds and include finance and legal affair specialists as well as corporate managers with experience in such industries as manufacturing and logistics. To help them proactively participate in discussions, we provide prior explanations on agenda items to be addressed at Board meetings and allocate sufficient time to question and answer sessions. We systematically manage opinions and requests voiced by outside directors. Furthermore, we hold free discussion sessions after the closure of each Board meeting while hosting tours to visit newly established departments.

On an annual basis, we analyze and evaluate the overall effectiveness of the Board of Directors’ operations. Specifically, questionnaires are sent out to collect feedback from each director with regard to such matters as the Chairman’s handling of discussions, the selection of agenda items and the supervisory functions of the Board. Thanks to these initiatives, we are able to maintain a solid governance structure, and discussions at Board of Directors meetings are quite active.

In addition, we are cultivating a pool of current employees who will some day in the future provide senior management candidates. Based on the succession plan, systematic efforts are now under way to select and nurture individuals who will be eligible for the position of president, director or officer at Resona Holdings and Group banks. This succession plan and the Company’s overall succession policies are discussed on an annual basis by the Nominating Committee, whose membership consists entirely of outside directors. With the committee’s active involvement in the selection and nurturing of candidates, the Company aims to maintain a highly transparent process for assessing the skills and competencies of these individuals while securing as a greater number of promising candidates as possible.

5 “Customers’ Happiness Is Our Pleasure”

We have been engaged in an intensive one-year drive to enhance the Resona Group brand, taking such steps as upgrading Resona Group App and releasing the Resona Cashless Platform (RCP) service. In particular, the provision of a cashless platform will improve consumer convenience while also boosting business productivity and addressing issues arising from the labor shortage. As such, the platform is expected to bring considerable benefits to the Japanese economy as a whole. Going forward, we will continue to provide a broad range of customers with products and services aimed at addressing issues society is confronting as we pursue further corporate growth.

I have repeatedly told Group members that there is no way we can cut corners in our initiatives and that our goal of realizing “Retail No. 1” will only be reached if we are steadfast in our approach. No matter how intense the competition gets, businesses that lie or cheat are ultimately driven from the market. With the conviction that our own sustainable growth hinges on a commitment to incorporating the customer viewpoint, we always prioritize how our customers feel and think.

Staying true to the fundamental stance that our “Customers’ happiness is our pleasure,” we will do our utmost to enhance our corporate value.

We are counting on your continued support.

