

A Message from the President of Resona Holdings



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Realizing “Retail No. 1”

First of all, I would like to express my sincerest gratitude to all those who support our operations.

Amid ongoing fallout from the COVID-19 pandemic, the business environment during FY2021 remained harsh, with an ever-growing sense of uncertainty due to volatile global market conditions, looming geopolitical risks, resource price surges and prolonged supply shortages.

Meanwhile, along with technological advances, an emerging megatrend toward “sustainability” is currently effecting a widespread shift in value systems that, over the long term, is expected to alter social and industrial structures as well as our conventional modes of doing business. In this sense, we are at a cusp of an entirely new era.

Moreover, since the COVID-19 pandemic first broke out, our customers, like society as a whole, have been confronting an array of rapidly evolving issues. Their needs for financial services are similarly becoming more diverse and complex, demanding sophisticated solutions. Amid these circumstances, the Resona Group may possibly be better positioned than ever to discover a broad range of business opportunities. We have therefore identified the above-mentioned circumstances as a golden opportunity for the Group to hone its consulting and financing capabilities. Accordingly, we will strive to further enhance these capabilities while acting as a faithful partner to our customers and doing our best to help them move forward, overcoming current difficulties even as we share opportunities and risks with them. We believe that being a “running partner” for customers and extending ongoing support to them in various ways will in the end help the Resona Group secure sustainable growth.

While we are convinced that the Group’s inherent strength will help us navigate a rapidly evolving era like that of today, we are intent on proactively incorporating external insights, skills and know-how. We will remain open to building connections with external partners rather than insisting on doing everything in-house. These efforts will, in turn, result in a new chemistry that will enable us to further accelerate our endeavors to break free of the bank model.

For some time now, we have tirelessly promoted reforms, having learned hard lessons from the 2003 “Resona Shock,” which caused us to thoroughly reexamine our mode of operations based on the realization that “bankers’ norms do not necessarily coincide with common sense held by external people.” Since then, we have adhered to the belief that whenever we find differences between our norms and external norms, we should doubt ours first. I consider passing down these lessons to future generations of bankers an essential part of my mission as President. We will thus strive to preserve and pass down our cherished convictions even as we courageously take on new challenges.

Building on a Track Record Spanning More than 100 Years as a Retail Business Specialist While Leveraging Our “DNA of Reform”

Prior to looking at our recent operating results, I would like to briefly touch on the origin and strength of the Resona Group.

The Resona Group boasts an extensive track record spanning more than 100 years as a retail business specialist. Backed by this track record, we have established our current position as the largest retail/commercial banking group in Japan with full-line trust banking capabilities. To date, we enjoy the support of 16 million individual customers and 500,000 corporate customers, who together constitute a quite robust customer base. In line with the current medium-term management plan (MMP), the Group is striving to enhance these unique strengths. Specifically, the Group has pursued (1) the “further development” of robust customer-relations capabilities backed by its deep roots in communities and full-line trust banking and real estate brokerage functions as well as asset management capabilities it has nurtured through pension asset management.

At the same time, the Group has taken on (2) “new challenges,” for example, integrating face-to-face and digital channels, increasing the sophistication of data utilization, and developing a financial digital platform based on external collaboration.

Back in 2003, when the Resona Group was injected with public funds it executed thoroughgoing reforms on various fronts that transcended traditional norms among banks, doing so under the leadership of former chairman Eiji Hosoya (deceased), who stepped aside from a top management position at East Japan Railway Company to take on the job. The “DNA of reform” has since been deeply embedded in our corporate culture. Even today, we are striving toward transformation as we work to become a “financial service provider” capable of delivering diverse solutions that go beyond the category of the banking business.

Resona’s Sustainability Management and Long-term Vision

The Resona Group’s approach to sustainability management always starts with addressing issues customers and society as a whole are confronting. In line with this approach, we think deeply about how to align all facets of our business operations to deliver solutions to such issues. Our endeavors to help customers tackle the issues they are confronting are also intended to deliver new value by bringing to bear the Resona Group’s fundamental strengths in solutions, customer relations and digital & data in a way that breaks away from traditional dependence on the conventional norms and frameworks of banking business.

Simultaneously, the Group is pursuing the creation of a sustainable society and sustainable corporate growth. We also believe that ensuring “resonance” between these two endeavors is a requisite to achieving our goal of becoming “Retail No. 1.”

Going forward, we will keep our focus on serving retail customers and regional communities unchanged and remain a financial group that helps resolve issues customers and society are confronting, with all officers and employees pulling together in all-out efforts to this end.

Two Drivers for Realizing “Retail No. 1”

Currently, our initiatives to realize “Retail No. 1” broadly encompass two areas described below.

First, we aim to become, as a financial service group, the most significant contributor to customer success in sustainability transformation (SX). Second, we aim to realize income and cost structure reforms over the medium to long term.



A Financial Service Group That Is the Most Significant Contributor to Customer Success in SX

The Resona Group has defined SX as “Voluntary efforts undertaken by corporations and individuals to transform business models or lifestyles in order to stay at the forefront of an across-the-board shift toward a sustainable society.” Public calls for the pursuit of the United Nations Sustainable Development Goals (SDGs) and business efforts to address environmental, social and governance (ESG) issues have now grown into a megatrend with a great breadth of influence. Against this backdrop, we believe that engaging in in-depth dialogue with each customer to address opportunities and risks arising from current circumstances and helping them take tangible action, are of utmost importance.

These initiatives are precisely aimed at resolving newly emerging issues our customers are now confronting. This is where we could discover a golden opportunity for

growth. Currently, most businesses profess a commitment to sustainability, but their ability to successfully attain said sustainability genuinely rests on the “seriousness” and “speed” of their pursuit.

Because of this, the Resona Group aims to remain a pioneer in this area by taking on challenges and learning lessons from tangible outcomes. By doing so, we will enhance our consulting and financing capabilities so that we can better support our customers’ pursuit of further growth.

To accelerate the initiatives described above, in June 2021, we established numerical targets for (1) Retail Transition Financing, (2) Carbon Neutrality and (3) Diversity & Inclusion. These targets are shared throughout the Group and collectively titled Long-Term Sustainability Targets, with FY2030 set as the target year. ▶ pp. 36-39

	Retail Transition Financing ¹	Carbon Neutrality	The Empowerment and Promotion of Women
Targets	Cumulative total of ¥10 trillion (FY2021 to FY2030)	Net zero CO ₂ emissions (By the end of FY2030; Scopes 1 & 2 ²)	10% or greater growth in the ratio of women in various positions from the levels at the beginning of FY2021 (by the end of FY2030) Ratio of female directors and executive officers: 30% or more ³ Ratio of female senior managers: 20% or more ³ Ratio of female line managers: 40% or more ³
Results	FY2021 Cumulative total of approx. ¥846.0 billion	FY2021 -43% from FY2013 (-4,293 t-CO ₂ from FY2020)	2022 ⁵ Ratio of female directors and executive officers: 15.3% Ratio of female senior managers: 12.8% Ratio of female line managers: 31.2%

1 Financing aimed at supporting customers’ SX efforts
2 CO₂ emissions attributable to energy used by the Group
3 Resona Holdings

4 Sum of six Group companies (Resona Holdings, Resona Bank, Saitama Resona Bank, Kansai Mirai Financial Group, Kansai Mirai Bank and Minato Bank)
5 The ratio of female directors and executive officers is as of June 30, 2022; the ratio of female senior managers and line managers is as of April 1, 2022

Toward Realizing Income and Cost Structure Reforms

Amid a shift in the fund circulation structure and the prolonged trend toward a low interest rate environment, we recognize that eliminating gaps between the earnings power of our banking operations and the operational structure supporting them—namely, our business processes and the cost structure—is an important management issue. In this light, for us to achieve further growth, we need to swiftly transition to a next-generation business model aligned with changes in society even as we stay committed to the deposit and lending business.

To this end, we have identified three specific approaches: (1) pushing ahead with “further development” to raise our earnings power; (2) taking on “new challenges” related to securing diverse profit sources; and (3) “rebuilding our foundations” to thoroughly reform our business process and cost structure.

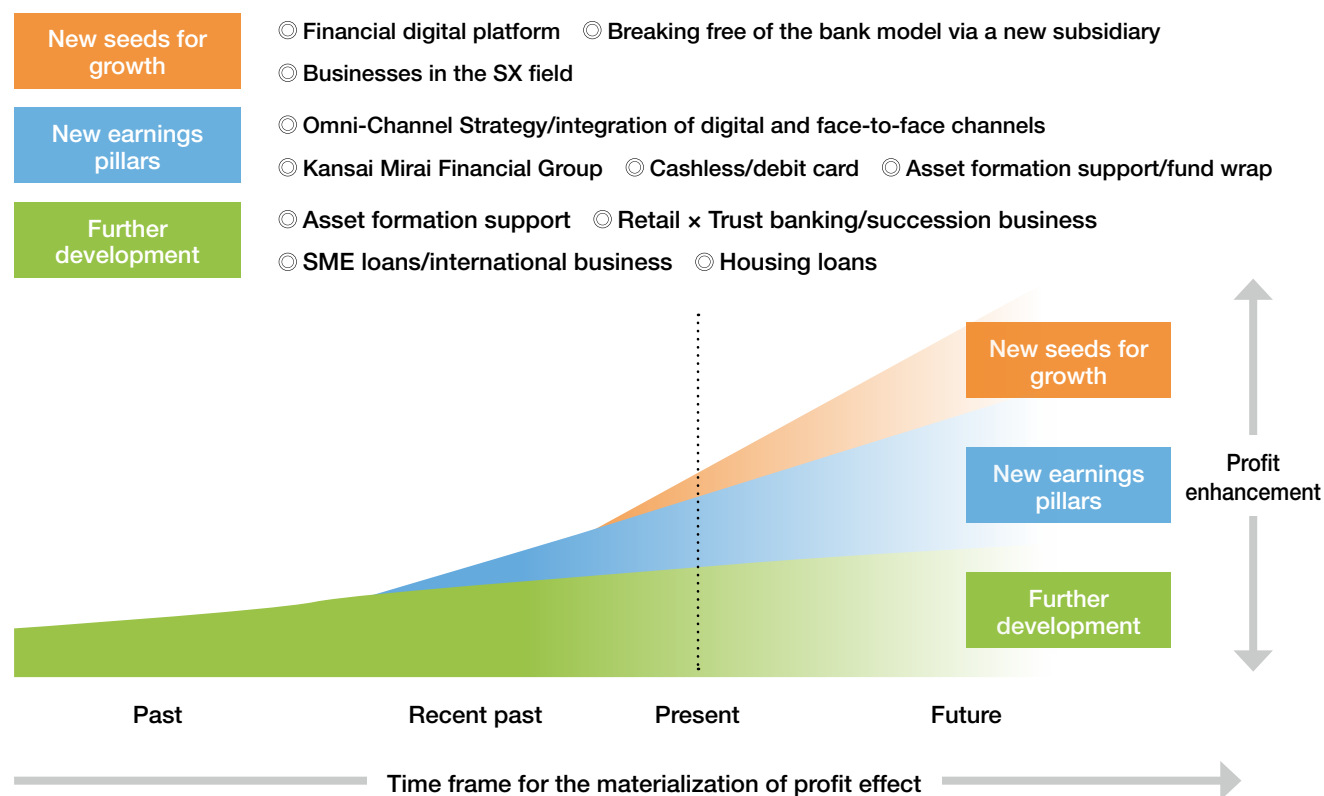
These approaches are, of course, premised on the starting point being addressing customer needs and issues. At the same time, we need to break away from

dependence on traditional concepts and frameworks while enhancing our future competitiveness through the practice of the above approaches.

Within a time frame of 10 years, we aim to transition to an earnings structure in which overall operational costs incurred by the Group are covered by robust fee income supported by the diversification of consulting services, the expansion of our financial digital platform and other endeavors. Although our core income (the sum of net interest income from domestic loans and deposits, fee income and operating expenses) had previously been on an ongoing downward trend that began in FY2007, this indicator made a turnaround in FY2020, and we achieved notable growth totaling ¥13.6 billion, or a rise of 11.7% year on year, in FY2021. This accomplishment clearly exemplifies the steady progress made in the medium- to long-term reform of our earnings structure thanks to the dedication of all Group members.

Ceaselessly Implementing a Cycle of “Sowing Seeds,” “Ensuring Buds Sprout” and “Securing Profitability”

Moving on, I will elaborate on concepts behind the aforementioned reform of the earnings structure and discuss a roadmap for such reform.



Note: The diagram does not indicate the exact volume of or time frame for profit growth.

Further Development

At the Resona Group, “Further development” is defined as efforts to further enhance the inherent strength that it has long cultivated over the course of specialization in the retail business. This also means the ongoing pursuit of our fundamental business endeavor to precisely understand the needs of our customers and deliver optimal solutions to help them resolve the rapidly evolving issues they are confronting.

Take the succession business for example. Through consulting activities, we strive to provide our customers

with in-depth insight regarding the smooth succession of businesses and assets to the next generation. We also offer the asset formation support aimed at helping our customers enjoy a more prosperous future. Solutions in these areas are increasingly becoming sought after in a mature society. Simultaneously, these are exactly areas in which we can take full advantage of the Group’s strength and contribute to the resolution of social issues confronting the country.

New Earnings Pillars

Paying close attention to evolving customer modes of financial behavior, the Resona Group has been ceaselessly implementing a basic cycle of sowing the seeds of new businesses and nurturing them into earnings pillars for the next generation. Currently, we have seen a number of buds robustly sprouting from seeds sown over time in the course of Groupwide business development efforts. Some of these have already gotten on a growth track.

These new businesses were born out of unconventional ideas, frameworks and schemes. We are confident that they will one day constitute a diverse portfolio of our profit sources.

Two years ago, in the 2020 edition of the *Integrated Report*, I touched on new business fields in which we had sown new seeds and expected to see positive outcomes, sharing my expectations for the settlement business, including cashless settlement, and the Kansai Mirai Financial Group (KMFG), which has just become a Group member at that time.

With regard to cashless settlement, the number of debit cards issued has increased approximately 1.5 times from 2,010,000 as of March 31, 2020 to 2,960,000 as of March 31, 2022, in the aftermath of the COVID-19 pandemic. Income from debit cards has grown from ¥2.3 billion in FY2019 to ¥4.3 billion in FY2021, expanding approximately 1.8 times over the course of a two-year period.

As for KMFG, it was only halfway toward achieving its initially planned performance targets when I delivered that earlier message. However, at the time it had already been able to establish a solid footing toward securing that future growth. Since then, KMFG has seen a significant increase in net income from ¥3.9 billion in FY2019 to ¥17.0 billion in FY2021 through the materialization of synergetic effects in aspects of both top-line revenues and cost reductions, becoming a new growth driver for the Resona Group. Furthermore, KMFG’s profit contribution to Resona Holdings’ consolidated operating results over the two years has increased approximately 8.5 times from ¥2.0 billion to

¥17.0 billion once the effect of making it a wholly owned subsidiary in April 2021 is taken into account.

Meanwhile, we have been able to make significant progress in our longstanding endeavor to integrate our face-to-face and digital channels. We expect that this integration will allow us to deliver a genuinely innovative customer experience going forward. Moreover, the integrated channels will serve as a key factor differentiating us from competitors. Regarding the Resona Group App, for example, we recently achieved 5 million downloads, hitting our goal a year ahead of the target set under the MMP, and then established a new milestone of 10 million downloads. These ongoing trends toward “digital,” which enables around-the-clock, bidirectional communications with customers, may possibly lead to a fundamental change in our daily mode of financial services.

On the other hand, to ensure our ongoing ability to meet financial needs that derive from multifaceted and complex issues, it is essential that we pursue the further development of our face-to-face consulting capabilities.





In particular, we must strive for the in-depth understanding of customer needs while constantly enhancing our capability to deliver high-value-added solutions. We must also push ahead with the digital- and data-driven upgrading of our sales approach to make our face-to-face channels more appealing to customers. We believe that success in accomplishing these initiatives will set us apart from competitors going forward.

New Seeds for Growth

Next, I will explain the status of new seeds being sown at this moment in an effort to nurture earnings pillars for the next generation. These seeds include (1) the expansion of businesses in the SX fields; (2) full-fledged business development under a financial digital platform concept; and (3) breaking free of the bank model through the launch of a new subsidiary. Through these new initiatives, we are striving to get ourselves ahead of changes in the business environment.

For example, our financial digital platform is considered to have remarkable potential as an innovative value creation scheme suitable to the digital era. In addition to welcoming regional financial institutions as participants, we intend to develop this platform into a major vehicle for co-creation involving a diverse range of corporations, including those from different sectors. This platform is equipped with multiple collaborative functions to enable simple and speedy business development through API coordination, etc. Through this platform, we will strive to establish “win-win” relationships for the Resona Group, regional financial institutions, private business corporations and local governments as well as the customers of these participants.

In addition, it has been five years since the February 2017 release of our fund wrap. With the balance of the fund wrap exceeding ¥750.0 billion as of March 31, 2022, we are eyeing raising this balance to ¥1 trillion, thereby marking a new milestone.

In FY2021, income from the fund wrap grew approximately 47% year on year to ¥8.2 billion, emerging as a major earnings pillar. Resona’s fund wrap is designed to meet the needs of bank customers who prefer long-term, stable asset management, taking full advantage of our asset management capabilities nurtured over the course of pension management for more than a half century. We also believe that factors supporting the fund wrap’s robust sales include improving customer recognition of this product on the back of a growing need for stable asset management as the age of centenarians nears. Furthermore, the fund wrap has been available through

the Bank of Yokohama since April 2021 thanks to the bank’s participation in our financial digital platform. The Bank of Yokohama saw the balance of investment in the fund wrap rise to ¥40.8 billion (as of March 31, 2022) over the course of the single year that has passed since it started to handle this product. In June 2022, the Keiyo Bank similarly started to handle the fund wrap, while the 77 Bank has begun engaging in joint research in tandem with the Resona Group, with an eye to introducing this product.

With regard to the banking app, we launched strategic alliances with the Joyo Bank and the Ashikaga Bank in the digital field in March 2021. These alliances resulted in the release of an app developed using functions offered by Resona through these two partners. At the end of FY2021, the combined number of this app’s downloads has already reached 690,000.

We believe that the robust results discussed above exemplify the strong possibilities of our financial digital

platform. Going forward, our plans call for making the Resona Group App available through the Hyakujushi Bank and the Keiyo Bank. We will continue to develop strategic alliances with regional financial institutions as we intend to welcome as many like-minded partners as possible.

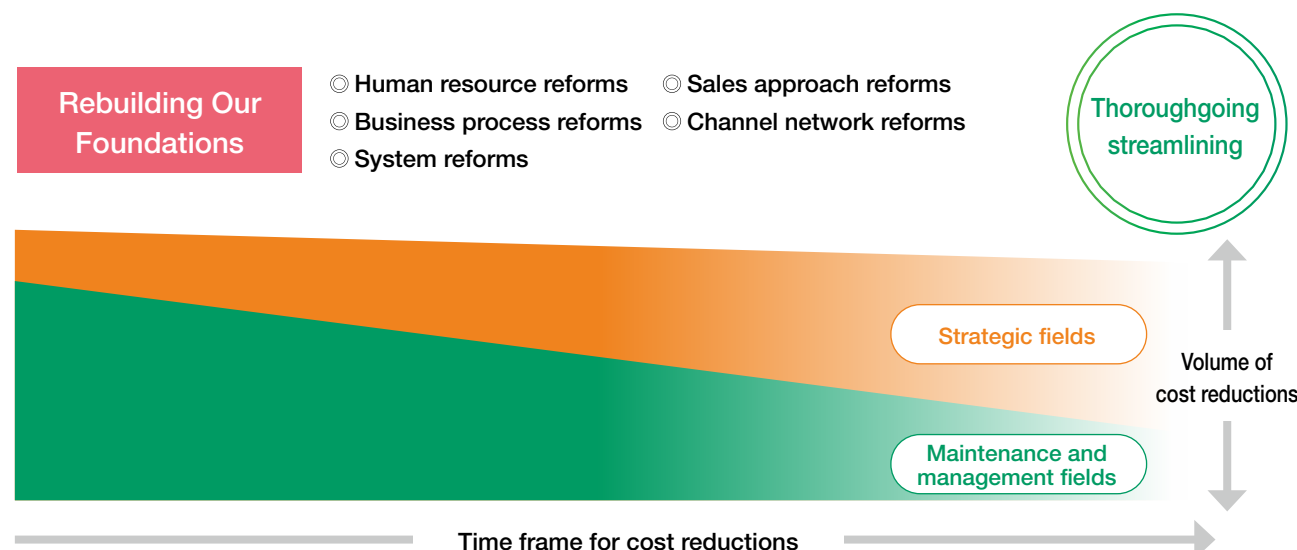
In April 2022, Resona Holdings established the joint venture FinBASE Co., Ltd., with NTT DATA and IBM Japan, in line with efforts to promote the acceleration of collaboration with regional financial institutions and partners from different sectors.

Through this move, the Resona Group hopes to facilitate the development of a novel business ecosystem with a depth and breadth that transcends the constraints of its own resources. We intend to further promote in-depth collaboration with partners within and outside the financial industry, as we push ahead with joint business endeavors that bring together their and our disparate customer bases, expertise and know-how.

Rebuilding Our Foundations

As a retail financial services group, we consider the inherently cost-intensive nature of our retail operations an important management issue that must be overcome. In this respect, technological advancement is key. The integration of digital and face-to-face channels will greatly empower us to create new customer value as well as to accomplish cost structure reforms. We therefore aim to first accelerate the DX-driven overhaul of our business processes so that we will be better positioned to promote the drastic reallocation of management resources, an endeavor we have not yet been able to achieve, while reforming our overall cost structure, including system and channel costs. In these and other ways, we will persistently tackle business process reforms by employing a flexible approach that breaks free of the norms of the banking industry.

As shown in the diagram below, thanks to our cost reduction efforts, trends in base costs and investment costs associated with our conventional business processes have already taken a sharp downturn. At the same time, we are radically shifting our resources to digital-related strategic investment, with the aim of “rebuilding our foundations” and thus supporting next-generation banking operations. The pace of overall cost reductions seems modest because expenditures for digital-related strategic investment overlap with costs for updating existing systems. However, we are making steady progress in the background in terms of developing next-generation business processes. We will further accelerate our endeavors so they yield the tangible enhancements in customer convenience and more significant cost reduction effects.



Note: The diagram does not indicate the exact volume of or time frame for cost reductions.

Human Resources Supporting Sustainable Growth

In line with the current MMP, we are renovating our management platforms to be capable of delivering next-generation retail financial services by updating our human resource practices, organizational structure, business processes, channels and systems in a thoroughgoing and comprehensive manner. Although the details of each initiative are featured on later pages, here I would like to discuss our endeavors related to human resources.

We believe that our ability to deliver new value and happiness to our customers hinges on our human resources. This also applies to our pursuit of reforms and innovation. Based on this belief, in April 2021 we revised our personnel system for the first time in 13 years. With “diversity” and “specialty” as keywords, this revision focused on (1) creating a multi-path personnel system equipped with a total of 19 career courses encompassing various areas of specialty; (2) stepping up the hiring and development of professional human resources with robust competitiveness; (3) renovating our staff training structure to transition to a system in which all employees are involved in consulting services; and (4) introducing multiple options for retirement age.

The Resona Group defines professional human resources

as “individuals equipped with strong specialist skills enabling the resolution of issues customers are confronting and with a personal dedication to enhancing the customers’ happiness.” In line with this definition, we will constantly work to ensure that our employees stay up-to-date in terms of the expertise and competencies needed in evolving times like this moment. Moreover, we will regularly review investment in human resources, basing our assessment on multifaceted perspectives while taking a serious approach to human resource development in order to secure our ability to deliver next-generation financial services.

Simultaneously, we will aim for the speedy enhancement of the Resona Group’s overall organizational capabilities, to this end expanding contact points afforded by business collaboration with excellent external human resources, including those in non-financial sectors, equipped with robust expertise, skills and know-how. As we believe that in the future, a company’s overall competitiveness will be defined by the overall value of its employees, we will strive to nurture diverse individuals equipped with distinctive strengths in their areas of specialty in an effort to enhance the competitiveness of the entire Group.

Direction of Our Capital Management

Among our MMP targets, we aim to achieve an ROE of 8%. However, our FY2022 ROE Target is in the mid 7%–8% range. This is attributable to ongoing fallout from the COVID-19 pandemic, which has persisted since FY2020, and expenses associated with measures to improve the soundness of our securities portfolio. To enhance our earnings power and capital efficiency, we are nevertheless determined to gear up our efforts. After the 2003 “Resona Shock,” we had to strive for more than a decade to both secure funds for the stable repayment of public funds and improve the quality of our capital. Once the public funds were all repaid in 2015, however, we switched our focus to continuously expanding our capital on a quantitative basis while striking a balance between securing financial soundness, raising profitability and delivering robust shareholder returns. Thanks to steadfast effort, we are now about to enter a new phase in which we will bring the utilization of our capital into full swing.

Specifically, we will promote in-depth discussions

regarding our options for both organic and inorganic growth in the course of formulating the next MMP.

We are also aware of the importance of reducing capital costs and intend to robustly address this issue. At the same time, we will steadily push ahead with SX-related initiatives to achieve Long-Term Sustainability Targets while proactively enhancing the content of non-financial information disclosure, a subject that has been drawing growing public attention.

Since 2003, Resona Holdings has operated under the company with a nominating committee system, with its independent outside directors constituting 70% of its Board of Directors’ membership. As such, the Resona Group is equipped with a sophisticated governance structure that, in turn, underpins its strengths. Going forward, we will properly manage diverse risk factors, including environmental issues, to secure robust stakeholder understanding of our sustainability initiatives. In these ways, we will reduce our capital costs over the medium to long term.

KPIs Under the MMP

	FY2020	FY2021	FY2022 (target)	FY2022 (MMP)
Net income attributable to owners of parent	¥124.4 billion	¥109.9 billion	¥150.0 billion	¥160.0 billion
KMFG [Of which, contribution to Resona Holdings’ consolidated income]	¥11.2 billion [¥5.8 billion]	¥17.0 billion [¥17.0 billion]	¥20.0 billion [¥20.0 billion]	¥20.0 billion [¥20.0 billion]
Consolidated fee income ratio	29.9%	34.6%	35% level	Over 35%
Consolidated cost income ratio	65.0%	69.1%	Lower half of the 60% range	60% level
ROE ¹	6.88%	5.63%	Middle of the 7% range	8% level
Common Equity Tier 1 (CET1) capital ratio ²	Approx. 9.0%	Approx. 9.3%	Higher half of the 9% range	10% level
ESG index selected by GPIF (domestic stock) ³	Aim to be adopted for all indices			Aim to be adopted for all indices

¹ Net income attributable to owners of parent / Total shareholders’ equity (simple average of the balances at the beginning and end of the term)

² Based on regulations to be effective upon the enforcement of the finalized Basel 3; excluding net unrealized gains on available-for-sale securities

³ FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index, MSCI Japan ESG Select Leaders Index, MSCI Japan Empowering Women Index (WIN), S&P/JPX Carbon Efficient Index Series

Final Words

In FY2022, we are set to conclude the final year of the current MMP. No matter the changes in the business environment, we will never make excuses but will stay focused on steadily building on the positive outcomes our ongoing income and cost structure reforms have yielded thus far and accelerating these reforms.

The Resona Group is committed to acting as a “running partner” for its customers under any circumstances. In no way can Resona enjoy success unless it can help customers succeed. For Resona, pursuing growth means nothing unless it can deliver the value its customers desire.

This is exactly why we are strongly determined to swiftly adapt to, and remain at the forefront of, changes currently transpiring in this era of increasing uncertainty. We are confident that our efforts will, in turn, help us remain capable of protecting the assets entrusted to us by our customers and of securing sustainable growth for the Resona Group.

Looking ahead, we will continue to do our utmost as a financial group to help resolve issues confronting customers and society as a whole, to this end rallying the combined strength of our 30,000 officers and employees to serve as a partner to all our customers.

We ask our stakeholders for their continued support and encouragement.

