

# CEO MESSAGE

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## Purpose-Driven Management

In 2023, the Resona Group entered a new stage in its evolution, one in which it is striving to genuinely become “Retail No. 1.” At the same time, the Group’s conceptual structure, which underpins its endeavors to take on new challenges, was refreshed.

The newly refreshed conceptual structure provides a basis for the Resona Group to move forward toward the next stage. Moreover, the process of updating this conceptual structure provided an opportunity for every Group member to reexamine and reaffirm their reason for being and foundations.

Established in 2023, our Purpose is summarized as “Beyond Finance, for a Brighter Future.” It is a clarification of our underlying thoughts on how we contribute to society, an approach that has long informed our Group operations. In addition, our Corporate Mission, which has been and continues to be cherished by every one of us, remains unchanged and will be passed down to future generations as it represents our “DNA” cultivated in the course of learning lessons from the “Resona Shock.” Our Purpose, along with our unwavering commitment to our Corporate Mission and our Long-Term Vision of realizing “Retail No. 1,” is expected to serve as a cornerstone to be relied on by all of us whenever we find ourselves lost so that we can regain the confidence to move forward.

Even as the business environment evolves, individuals’ value systems are growing increasingly diverse. Our organization consists of individuals and, therefore, needs to align its management approach with these changes.

Our Purpose provides us with not only an ultimate goal but also the starting point for our corporate value chain. In following this path, however, we must keep in mind that the realization of the Purpose is unlikely to be a smooth or simple process.

We must start with enabling each employee to deeply understand the Group’s Purpose and to discover resonance between that and their own purpose. This will ensure that every employee is

clearly aware of what they are working toward and highly motivated to perform their duty. Furthermore, we will foster a corporate culture in which 30,000 officers and employees are autonomously thinking about, discovering and taking action to meet customer needs. Such a corporate culture will, in turn, make the Group stronger and enable us to navigate an era of rapid changes and address the increasingly diverse and complex issues that our customers will require ever more sophisticated solutions to confront.

Therefore, the Purpose should never be seen as merely a slogan. If we don’t seriously dedicate ourselves to its realization, the Purpose will be just a nice-sounding wish. As CEO, I truly believe in the significance of the Purpose and am determined to fulfill my tasks accordingly, taking the lead in the overall transformation of the Group’s organization as well as in the optimization and realignment of our corporate value chain.

Looking ahead, we will remain a financial group that does its utmost to help customers and society as a whole resolve issues they are confronting. To that end, each officer and employee will remain mindful of how they contribute to a brighter future and for whom they are doing so.

We are also aware that solutions to such issues may not lie in the conventional framework of financial services.

The discovery of solutions to create a brighter future for those we serve may well entail our exploring myriad options and venturing into uncharted areas. This is exactly why we deem it important to avoid overly relying on conventional wisdom and value systems and to empower each employee to take a deep look into, and identify the best possible solution to, issues their customers are facing.

I believe that the processes discussed above will help 30,000 officers and employees achieve personal growth and serve as a driving force that lends the Resona Group fresh competitive strength.

## Our Ideals for What the Resona Group Should Look Like over the Long Term and How We Should Leverage the Combined Capabilities of Group Companies

Here, I will once again address our ideals with regard to what our Group should look like over the long term. Starting with addressing issues confronting customers and society as a whole, we seek to thoroughly configure our business approach to create and maximize customer value. To this end, we are combining the potential strength of the Group and the power of innovation. Our endeavors will serve as a premise for the realization of “Retail No. 1” in line with our Long-Term Vision as well as the embodiment of our Purpose, namely, “Beyond Finance, for a Brighter Future.”

Currently, such megatrends as those related to decarbonization and digital transformation (DX) are expected to result in long-term structural changes. Simultaneously, we are witnessing the emergence one after another of major events that had before now been considered rare, occurring only once every several decades. There is no doubt that we are facing a moment of profound transition. Domestically, the economy is finally seeing deflation recovery. On the back of a recent trend toward modest inflation, we have

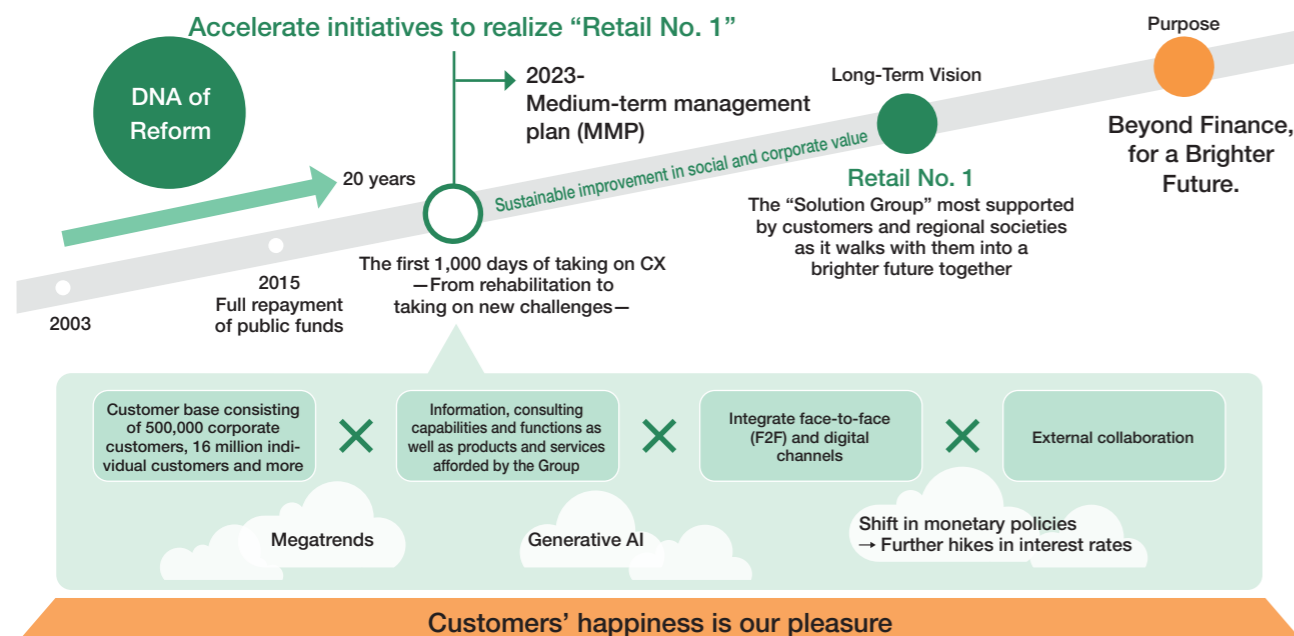


seen changes in the issues and needs customers and regional societies are confronting on diverse fronts.

For us to deliver new value to customers amid this evolving environment, it is important that we swiftly adapt ourselves to changes without overly relying on conventional ideas and frameworks. This is why we have included corporate transformation (CX) in objectives under the Group’s current medium-term management plan (MMP). Changes always bring us both fresh opportunities and risks. The success of our endeavors hinges on how we seize opportunities arising from such changes by taking full advantage of the Group’s strengths and realizing innovation.

With this in mind, it is essential to leverage the collective capabilities of all Resona Group members. Specifically, we need to bring to bear the combined functions of the four commercial banks, each of which boasts unique strengths, and the capabilities of all other Group companies as well as our strategic partners outside the Group.

The Resona Group boasts a robust customer base nurtured over the course of its long history, maintaining transactions with 16 million individual customers and 500,000 corporate customers. The Group is also equipped with strong potential in other areas, with its highly competitive lineup of functions, products and services encompassing trust banking, real estate, and other fields. These operations also provide us with access to a diverse range of information. However, it is frustrating to see that these capabilities have yet to be utilized to the fullest possible extent. In other words, the Group still possesses considerable potential that could be realized going forward. In order to provide as many customers as possible with solutions best suited to meeting their needs, we will drastically accelerate the development of connections among all Resona Group members, to this end shifting away from dependence on conventional ideas.



## Initiatives to Improve Corporate Value

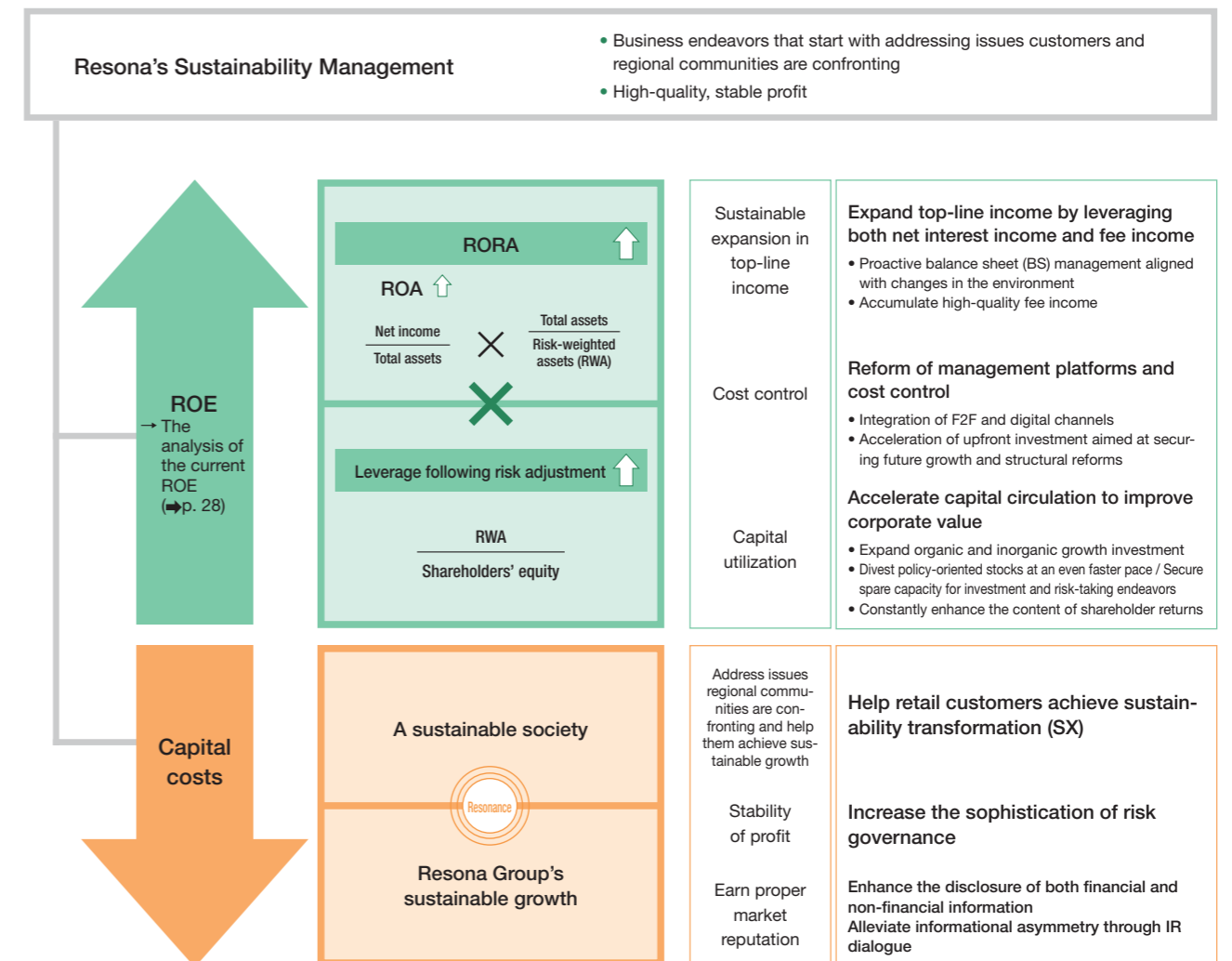
Over past few years, our stock prices have remained on an upward track on the back of growing market expectations for the normalization of Bank of Japan (BOJ) monetary policy. On the other hand, although PBR rose to 0.84 times at the end of March 2024, I have also been personally frustrated by the ongoing stagnation of this indicator at a level below 1 time.

Let us now turn to a discussion of both financial and non-financial aspects of our endeavors to improve corporate value. It is my view that specific measures to do so must involve the simultaneous pursuit of higher ROE and lower capital costs. This twofold approach will help us raise PBR and thus garner higher market ratings.

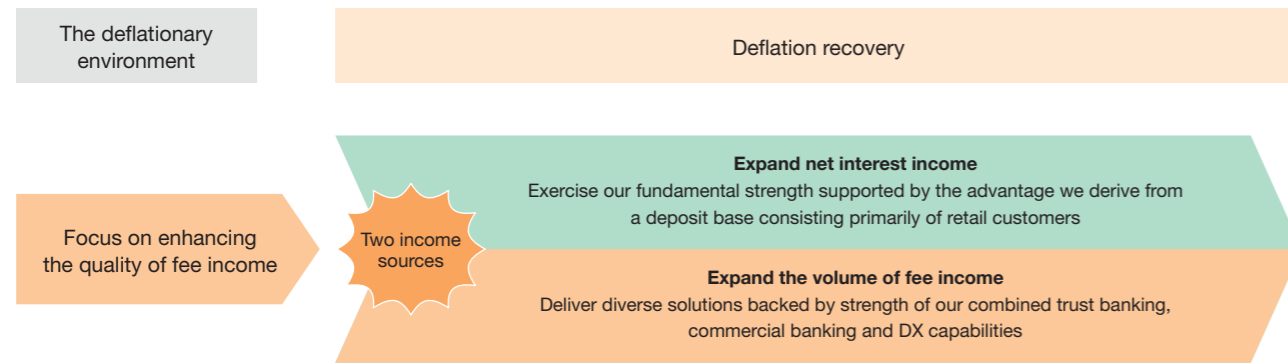
First, to improve ROE, we intend to achieve a turnaround in and raise ROA through the enhancement of net interest income and fee income while overhauling the Group’s cost structure via the acceleration of business process reforms. This is our basic approach. Furthermore, as we are already progressing toward the full utilization of capital, we will continue implementing investment in both

organic and inorganic growth fields. Once a virtuous cycle of capital circulation is established, we will be able to pursue sustainable improvement in ROE. For the final year of the current MMP, we have set an ROE target of 8% (based on total shareholders’ equity). This indicator amounted to 7.2% in FY2023, and we have formulated an annual target of 7.3% at the beginning of FY2024. However, if we were to factor in possible further hikes in the policy rate, our ROE could be well above 8% in the future. If this scenario comes into play, we could aim for a drastically higher target.

To reduce capital costs, it is important to develop a high-quality, stable earnings structure that enables us to live up to the expectations of market participants even as we properly manage risks arising in this era of increasing uncertainty. We will also proactively enhance the content of financial and non-financial information disclosure to secure the widespread public understanding of the Group’s sustainability while stepping up initiatives to address ESG issues.



## Expand Two Business Areas a mid a Deflation Recovery Environment



Moving on, let us take a more detailed look at our initiatives. In March 2024, the BOJ finally lifted the negative interest rate policy, initiating the normalization of its monetary policy. This is serving as a tailwind for the Resona Group, which has a balance sheet highly sensitive to interest rates. Of course, competitor banks will also benefit from this tailwind. Therefore, the success of our endeavors to seize golden opportunities as they emerge and secure sustainable growth for the Resona Group hinges on our ability to deal with change.

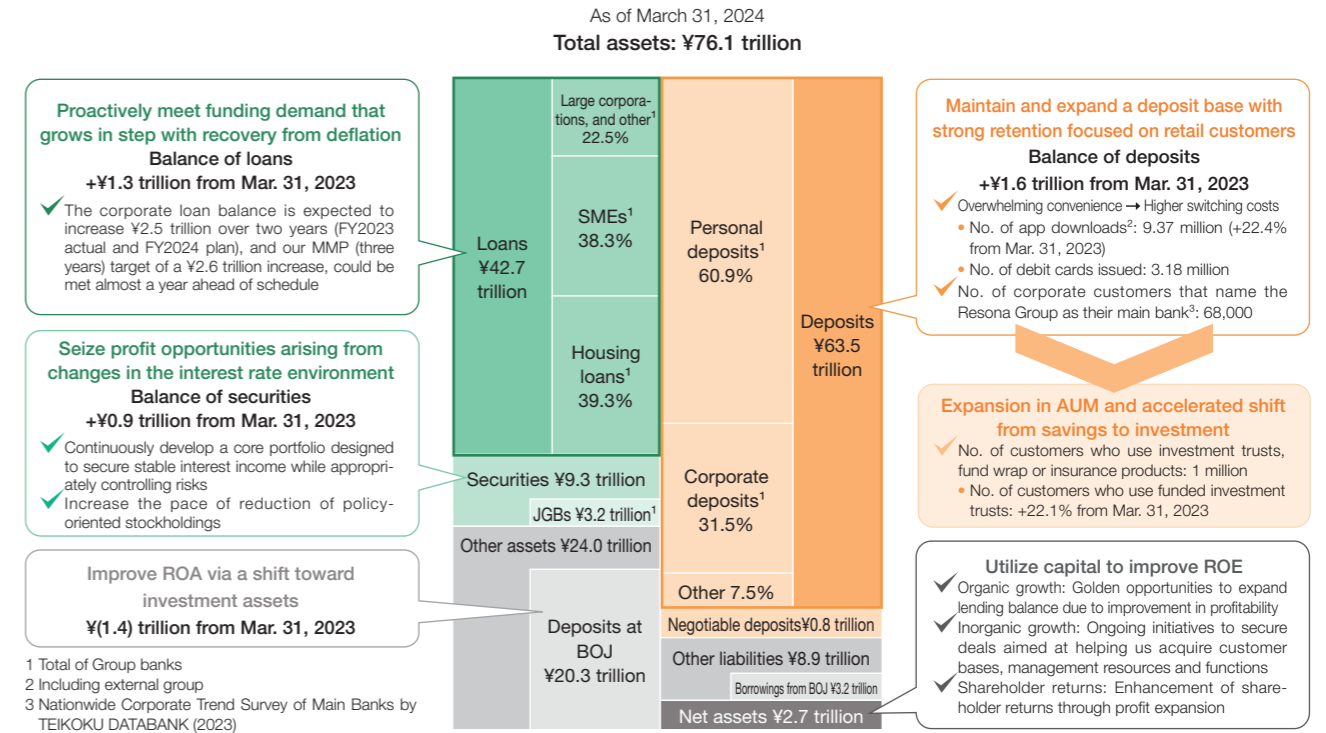
In this regard, we need to start with reviewing our mindset for deep-seated attitudes as well as our behavior for patterns we may have developed over the course of struggling in the deflationary, negative interest rate-environment. We then need to accurately assess 1) changes in society, 2) changes in customer needs and 3) changes in competitors. We need to not only smoothly extend funding solutions and deliver sophisticated consulting services to meet customer needs, but also to update the business processes and systems that support our conventional operations as quickly as possible.

Accordingly, we will work to further expand top-line income by drawing on the competitive edge that our robust retail customer base gives us as well as our outstanding consulting capabilities to revive the deposit-lending business. At the same time, we will rebalance and thereby restore the strength of our securities portfolio. Moreover, we will continue upgrading the fee businesses we have long nurtured and, to this end, push ahead with the integration of F2F and digital channels. We have already seen upturns and ever-faster rises in net interest income from domestic loans and deposits, interest income from yen bonds and fee income in the second half of FY2023 and hope to maintain the strong momentum arising from these favorable trends in FY2024.

Under the previous MMP, which was in force during the earlier period of the COVID-19 pandemic, we recorded a considerable deterioration in ROE due mainly to an increase in the volume of low-utilization assets on the back of substantial expansion in the balance sheet. However, ROE recovered in the final year of this MMP. Backed by the current trend toward the normalization of the BOJ's monetary policy, we will strive to improve ROA via more proactive engagement in risk-taking endeavors relative to yen interest rates in line with the latest MMP. The shift in the BOJ policy began affecting the asset side in 2023, prompting the transfer of BOJ deposits to funds for high-quality lending or securities with medium-term maturity periods.

In a world with interest rates once again, the Group is expected to be better positioned to hone the strengths arising from the liability side of its balance sheet as well as its stable retail deposit base, which boasts strong retention. Therefore, increasing the sophistication of balance sheet management will be a matter of importance.

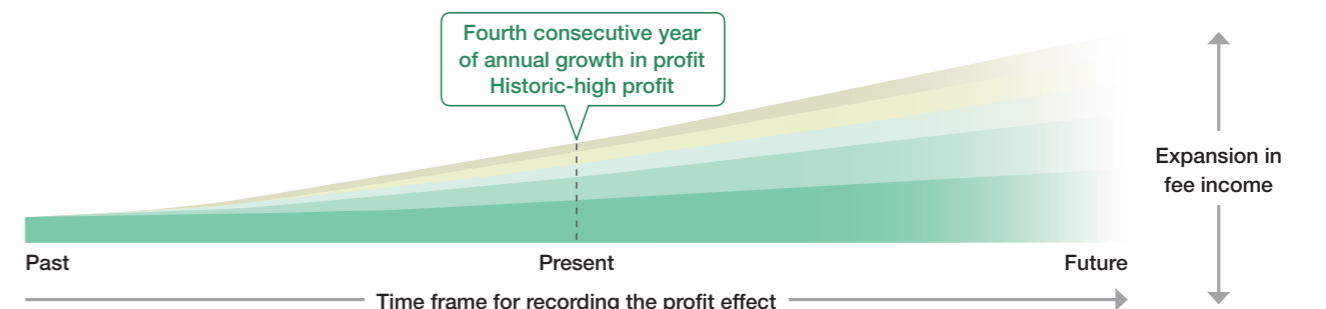
The fee businesses constitute one of the two business areas we aim to expand. Specifically, we aim to record an all-time best for the fourth consecutive year. As part of these efforts, we have identified expanding the AUM business as a medium- to long-term objective to be achieved on the back of a progressing shift from savings to asset management and moderate inflation. As the Japanese government has identified a target of building national strength through asset management, the development of NISA and other systems is ongoing. Reflecting this, the general public's perception of asset management has begun to change. We believe that these factors will, in turn, together serve as a pivotal opportunity for us to promote our long-term asset management services. The Resona Group boasts professional asset management know-how cultivated over the course of more than 60 years of corporate pension fund management. We will provide as many retail customers as possible with access to this know-how while fully leveraging the Resona Group's unique business development approach focused on long-term asset-formation and dispersed investment and backed by the integration of its F2F and digital channels.



The diagram presented below illustrates the historical progress and future expansion trajectory of our fee businesses. In addition to growth in fee income from conventional consulting services, we have confirmed a stable increase in fee income from recurring revenue businesses that leverage the integration of F2F and digital channels. Specifically, income from the fund wrap increased 4.5 times over six years, with the possible achievement of ¥10.0 billion already in sight.

Income from debit cards has similarly grown fourfold from ¥1.5 billion to ¥5.9 billion over the course of the last six years and is expected to keep on an upward trend. With regard to the Group App, which has quickly gained widespread customer support since its February 2018 release, we have recently recorded nearly 10 million downloads (DLs). Thus, the app is growing into a major platform that will shape the very structure of our businesses.

### Accumulate High-Quality Fee Income



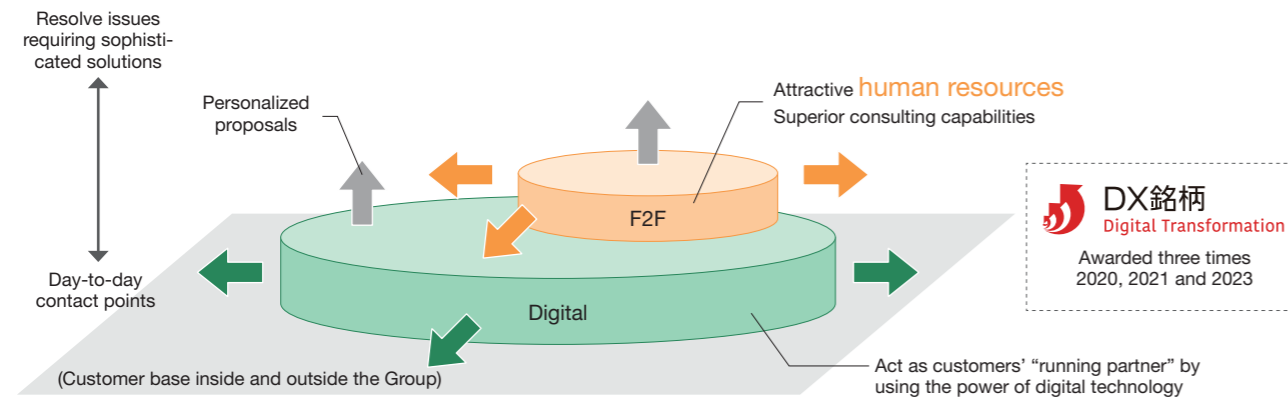
An example of the effects of profit accumulation

	FY2017	FY2020	FY2023
◆ Fund wrap income <sup>4,5</sup> (Feb. 2017-) [Balance of fund wrap <sup>4,5</sup> ]	¥2.0 billion ¥220.0 billion	¥5.6 billion ¥536.8 billion	¥9.0 billion ¥800.3 billion
◆ Debit cards income	¥1.5 billion	¥3.3 billion	¥5.9 billion
◆ No. of app DLs <sup>5</sup> (Feb. 2018-)	65,000 DLs	3,670,000 DLs	9,370,000 DLs

4 Including corporate customers  
5 Including external group

## Reform of Management Platforms and Cost Control

### Day-to-day transactions that are fully accommodated digitally x Specialized face-to-face services



The establishment of a new mode of next-generation retail financing will require the provision of both digital-driven connections and specialized F2F services focused on in-depth consulting capable of meeting the needs of all 16 million individual customers, 500,000 corporate customers and more. In the area of day-to-day financial transactions, a shift to digital- and data-driven services will continue over the medium to long term for both individual and corporate customers. At the same time, there will always be customers who need sophisticated solution capabilities. The latter service field definitely requires in-depth solutions centered on F2F consulting and will be a focal point of our efforts to set the Resona Group apart from others.

In other words, integrating human resource capabilities and

technologies will be essential to securing our abilities to provide customers with the best possible solutions and deliver a sense of excitement that exceeds mere satisfaction. Executing upfront investment in IT and human capital is an integral part of our efforts to that end.

First, our IT-related investment is intended to bolster our abilities to provide customer value. This will involve the further enhancement of non-face-to-face channels and digital settlement infrastructure. Another goal of this investment is to drastically improve productivity via, for example, digital-driven reforms of in-house operational processes. We are clearly aware of risks arising from delays in upgrading our digital and data capabilities, which are highly likely to limit our growth potential. Through the

acceleration of structural reforms under the current MMP, we will solidify a path toward sustainable growth for the Resona Group.

To date, the Group has engaged in a variety of reforms to improve productivity. Over the course of three years under the previous MMP, the total workforce decreased, with the number of employees declining by 3,400 due to natural attrition. This was aided by a shift of staffing to strategic fields via the review of our branch network. We also shared our know-how of low-cost operations amassed in the course of the Resona Reform with Kansai Mirai Financial Group (KMFG). Management resources freed up through these initiatives are now being reinvested in human capital. While personnel expenses per employee are expected to increase 17.6% over the six years from March 31, 2020 to March 31, 2026 (the combined time frame of the previous and current

MMPs), we plan to raise core income per employee at a pace exceeding growth in the above expenses by 42.6% over the course of the same period.

We expect various process reforms to yield considerable effects in terms of growth in top-line income and cost reductions as these reforms will encompass such business processes as those related to lending and housing loan clerical work in addition to the migration of our trust banking systems to open systems. Ever since the Resona Reform, we have cultivated the "DNA of reform," eventually passing it down to the present generation of Group members. True to this DNA, we are determined to continue pursuing forward-looking structural reforms to take advantage of a favorable shift in the environment due to the normalization of the monetary policy.

## Full Utilization of Capital

The Resona Group has pushed ahead with the qualitative and quantitative enhancement of capital even after fully repaying the loan of public funds in 2015. Having marked eight years since the above accomplishment, we have finally entered a phase in which we can fully utilize capital. Looking ahead, we will step up investment aimed at achieving organic and inorganic growth while enhancing the content of shareholder returns in a balanced manner that gives due consideration to financial soundness. In these ways, we will establish a capital circulation structure supporting the improvement of corporate value.

In FY2023, the first year of the current MMP, net income for the period remained above the planned target. This made it possible for us to accelerate growth investment, especially in areas of organic growth. Meanwhile, major accomplishments involving inorganic growth included the closing of two deals regarding the transformation of two leasing companies into wholly owned subsidiaries and the expansion of a capital and business alliance with Digital Garage, Inc. In addition, the above leasing companies merged together in April 2024, with the resulting company renamed Resona Leasing Co., Ltd. to make a fresh start.

With regard to shareholder returns, the volume of dividends per

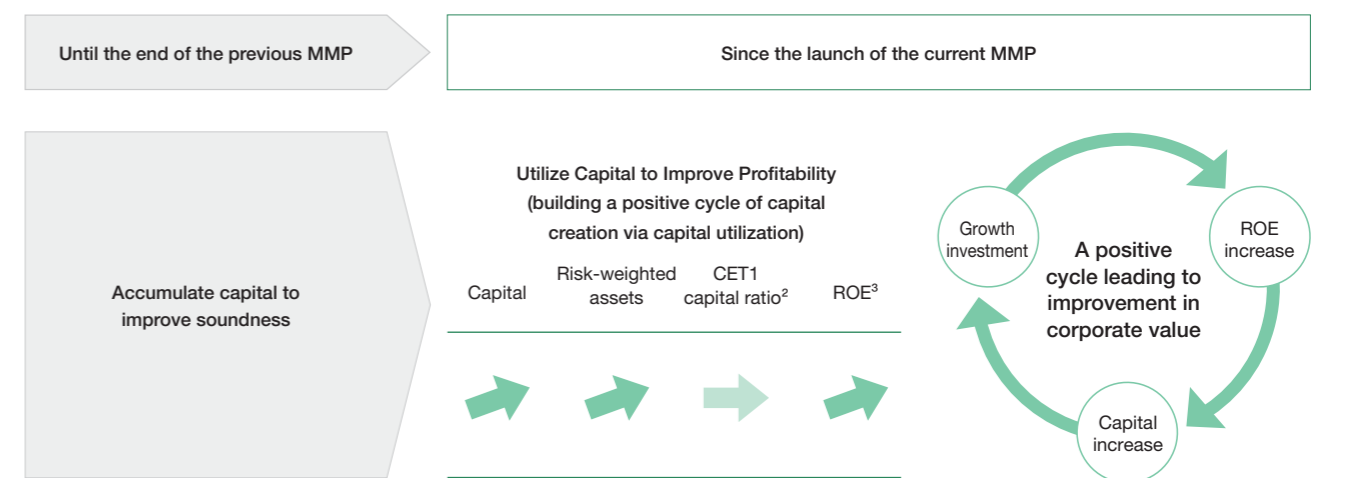
share for FY2023 was increased by ¥1, while the Group executed share buybacks by expending ¥25 billion over the course of said fiscal year. The latter amount is equivalent to the total volume of funds allocated to share buybacks during the three-year period under the previous MMP.

We also consider the reduction of policy-oriented stockholdings an important capital management issue. In May 2024, we announced a refreshed plan that calls for cutting back on the current book value-based balance of these stockholdings by two thirds or more over the six years leading up to March 2030. Once completed, the balance will be slashed by 94% compared with the figure for March 2003, when we initiated the reduction of policy-oriented stocks. We aim to reallocate spare capital freed up in the course of executing this plan to secure funds necessary to augment the Resona Group's abilities to deliver new customer value and achieve sustainable growth in an era of change. Specifically, we will reallocate management resources thus obtained to growth investment in the retail field. This will, in turn, yield upside profit effects and provide us with a basis for planning the ongoing enhancement of shareholder returns.

### Supporting sustainable growth and structural reforms (CX) by enhancing investment in human resources



<sup>1</sup> Core income [ Net interest income from domestic loans and deposits + Interest on yen bonds, etc. + Fee income + Operating expenses ] / Number of employees



<sup>2</sup> Based on the full enforcement of the finalized Basel 3 regulations under the international standard; excluding net unrealized gains on available-for-sale securities  
<sup>3</sup> Net income attributable to owners of parent / Total shareholders' equity (simple average of the balances at the beginning and end of the term)

## Becoming the Most Significant Contributor to Customer Success in SX

The Resona Group aims to become the most significant contributor to its retail customers' successful SX. Accordingly, we have strengthened initiatives to address environmental, social and governance (ESG) issues. We deem it important to engage with customers to help them assess opportunities and risks associated with SX based on their current situation, which may vary widely by company. As a financial group aimed at realizing "Retail No. 1," our mission is to provide customers with these and other specific forms of support and act as their "running partner" on an ongoing basis. To this end, we also need to transform ourselves. We need to be more open-minded and attentive to changes in society in

order to lead the way in adapting to such changes. Looking ahead, therefore, we will accelerate our initiatives in ESG fields even as we extend meticulous support to customers pursuing SX.

Currently, we are striving to achieve Long-Term Sustainability Indicators, which encompass the diverse aspects of our operations, including customer value, environmental value, social value and employee value, with the target year set at FY2030. Specific details of our initiatives to this end are discussed by our CSuO (➡p. 40) and CHRO (➡p. 70) in their respective messages. We will steadily move forward toward realizing each indicator while staying customer-centric and leveraging a medium- to long-term perspective.

## In Closing

In 2023, the Resona Group issued a book tracing its corporate history in conjunction with the milestone 20th anniversary of its inauguration. While some of our precursors date back much further than two decades and even boast more than 100 years of history, the above publication is focused on describing the 20 years of reforms that kicked off on May 17, 2003, when the injection of public funds was decided on in accordance with the Deposit Insurance Act. I contributed a preface for this book and urged readers to "Take this history genuinely as your own with a sense of gratitude for the stakeholders who have supported us to date and a strong commitment to your mission." I also stated that "All officers and employees working at the Group today have a responsibility to

correctly pass these lessons down to future generations to preserve the 'DNA' of Resona and enable it to achieve further growth." Over the course of more than 100 years of history specializing in the retail banking field, the Group has amassed a distinctive strength while cultivating the "DNA of reform" via a two-decade period of endeavor aimed at achieving a revival. We will fully take advantage of these assets to move the Resona Group forward toward the next stage. We will also unflinchingly uphold our basic stance, "Customers' happiness is our pleasure." In these ways, we will achieve further growth in tandem with customers and regional societies.

Going forward, we ask our stakeholders for their ongoing support of the Resona Group's endeavors to take on new challenges.

