

Sumitomo Mitsui Finance and Leasing Company, Limited

Medium-Term Management Plan (Fiscal Years 2023 to 2025)

Sumitomo Mitsui Finance and Leasing Company, Limited ("SMFL" President: Masaki Tachibana) hereby announces the medium-term management plan covering the three-year period from fiscal 2023 to 2025.

Looking at the business environment surrounding the SMFL Group, the global economy has emerged from a three-plus year pandemic and is on a moderate growth trajectory overall. Meanwhile, the era of low inflation and low interest rates that persisted after the global financial crisis has come to an end, and the business environment has been significantly impacted by rising volatility in financial markets, including in interest rates and foreign exchange rates, as well as by high CPI. In addition, geopolitical risks may materialize and unexpected risks may occur in the future, which may have a serious impact on society and the economy. Against this backdrop, society's needs for sustainability and customers' needs for solutions to solve their issues are increasing.

Under these circumstances, the SMFL Group has launched a new medium-term management plan under the theme of "Pursuing the strengths of 'a business company with financial capabilities' and taking on the challenge of solving social issues." SMFL will continue to provide solutions unique to SMFL by integrating its strengths in financial functions and its industry-leading digital transformation (DX) capabilities into its business platforms in each department and field, which were established in the previous medium-term management plan. In addition, by creating businesses and seizing business opportunities for solving social issues and expanding social and economic value together, SMFL aims to achieve an overlap between social and economic value.

SMFL's medium-term strategies, financial targets, and non-financial targets are as follows.

1. Medium-term strategies

Under the theme of "Pursuing the strengths of 'a business company with financial capabilities' and taking on the challenge of solving social issues," SMFL will implement four medium-term strategies.

Medium-term strategy 01: Creation of new core businesses

SMFL will create new earning pillars, including those from new businesses. In addition to promoting asset turnover-type businesses such as liquidation and securitization, expansion of overseas business including in the Asia Pacific region, and initiatives in the mobility and infrastructure businesses, SMFL will take on the challenge of developing businesses that are unique to SMFL, including businesses that utilize DX.

Medium-term strategy 02: Fundamental transformation of existing business

SMFL will review existing businesses and implement measures to ensure that they are selected by customers. SMFL will work to improve convenience and efficiency through electronic contracts and automated credit decision systems, provide highly specialized products and solutions, and create new value by collaborating with partners to create businesses that are unique to SMFL.

Medium-term strategy 03: Solve further social issues

SMFL will strive for early achievement of environmental targets. In addition, SMFL will promote efforts to realize the circular economy, support customers' decarbonization, support customers' sales efficiency through DX, and carry out activities that contribute to solving social issues beyond business.

Medium-term strategy 04: Establish business foundation

In response to expanding and diversifying business models, SMFL will promote initiatives in the areas of compliance, advanced risk management, support for overseas business, funding and management resource allocation, and ICT. In addition to allocating, strengthening, and developing human resources to realize each strategy, SMFL will also work to further increase human resource diversity and employee satisfaction.

2. Financial and non-financial targets

SMFL has set the following four financial targets and six non-financial targets for the final year of the Medium-Term Management Plan (FY2025). SMFL will strive for sustainable growth by focusing on business growth, management efficiency, asset profitability, and financial soundness. In addition, SMFL will practice human capital management and promote business that leads to solutions to social issues.

<Financial targets for FY2025 (consolidated basis)>

Growth potential	Ordinary profit	¥145.0 billion
Efficiency	Base overhead ratio*1	Approx. 40%
Profitability	ROA*2	1.7% or more
Soundness	Equity ratio	10% or more

*1 Base overhead ratio: $\text{base expenses} / (\text{gross profit} + \text{equity method investment profit or loss})$

Base expenses are operating expenses excluding growth and up-front investments

*2 ROA (Return on assets): $\text{ordinary profit} / (\text{operating assets} + \text{investment-related assets})$

<Non-financial targets>

Environmental and social	<ul style="list-style-type: none">Net-zero GHG emissions from the consolidated Group (Scope 1 and 2) in FY2025Cumulative contract value of sustainability-related business by FY2025: ¥1 trillion
--------------------------	--

Human capital	<ul style="list-style-type: none"> • Total education expenses in FY2025: ¥600 million • Percentage of women in managerial positions in FY2025: 15% or more • Percentage of men taking childcare leave from 2023 onwards: 100%
Digital	<ul style="list-style-type: none"> • Number of electronic contracts in 2025: 42,000

More details can be found the accompanying document "Medium-Term Management Plan (FY2023-2025)."

[Contact Information]

Hozumi Sawaguchi, Corporate Communications Department (Phone: +81-3-5219-6334)

Sumitomo Mitsui Finance and Leasing Co., Ltd.

Medium-Term Management Plan

FY2023-2025

Contents

- 01** Review of Previous Medium-Term Management Plan p.03

- 02** New Medium-Term Management Plan (2023-2025) p.07
 - Changes and positioning of the medium-term management plan p.08
 - Financial and non-financial targets p.09
 - 2030 Targets and New Medium-Term Management Plan p.10
 - Expansion of social value p.11
 - Direction of finance/business p.12
 - Details of medium-term strategy p.13

01

Review of Previous Medium-Term Management Plan

SMFL Way (philosophy system)

The "SMFL Way" is a systematic expression of our management philosophy, management policies, values, and principle.

By practicing the SMFL Way, each and every one of us will fulfill our responsibilities to all stakeholders and contribute to society.

Our Mission

Looking beyond the present, we are committed to contributing broadly to the sustainable growth of our customers and society by providing high value-added services

Our Vision

- The best business partner
- Chosen for its commitment to SDGs
- Encourage employee development
- An advanced digital company

Our Value

- Five Values
- Customer First
 - Proactive & Innovative
 - Speed
 - Quality
 - Team SMFL

Our Principle

As a trusted and responsible corporate citizen committed to meeting and exceeding its customers' expectations, SMFL is committed to - at all times - acting in good faith and complying with all applicable law



Commitment to the SDGs

In the "SMFL Way" we set forth our vision of becoming "Chosen for its commitment to SDGs." We have set four key issues that are closely related to our business, and have designated eight of the 17 SDGs goals as our focus measures.

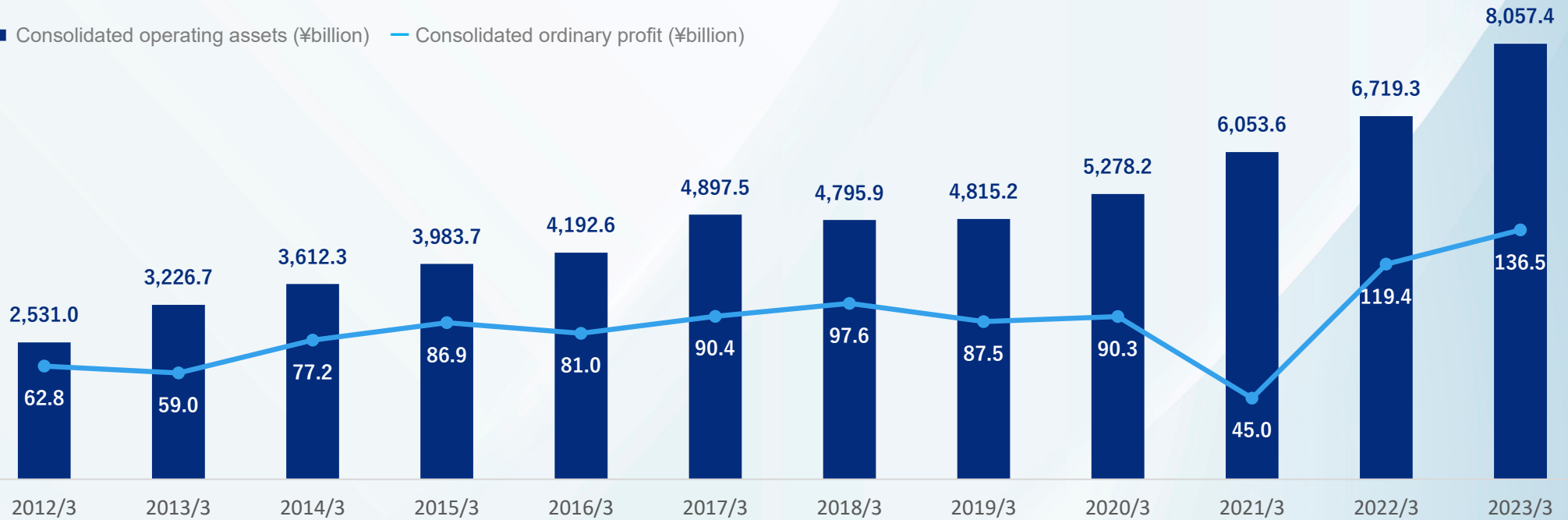
Materiality (Key Issues)

Environment	Contributing to achieving decarbonization and recycling-based society
Next generation	Contributing to the development of people and companies connected with the next generation
Community	Contributing to the sustainable development of local communities
Job satisfaction	Creating opportunities for everybody to be actively involved in a better future



History of SMFL Group

■ Consolidated operating assets (¥billion) — Consolidated ordinary profit (¥billion)



2012/6

SMBC Aviation Capital begins operations

Joint acquisition of the aircraft leasing business of the Royal Bank of Scotland Group with SMBC and Sumitomo Corporation

2015/12

DMG MORI Finance joined the Group

Entry into the machine tool sales financing business in Europe

2016/4

Acquired the Japanese leasing business of General Electric Group of the U.S.

Name changed to SMFL Capital (2016/9)

Medium-Term Management Plan (2017-2019)

2018/10 – 2019/1

Restructuring of leasing business

- **Change in shareholders' equity ratio**

Became an equity-method affiliate of Sumitomo Mitsui Financial Group (50%) and Sumitomo Corporation (50%)

- **SMFL MIRAI Partners is established**

Provides new solutions for business investment, operations, and others

- **Capital increase for SMBC Aviation Capital**

Strengthening the aviation business

- **SMFL Capital integrated with SMFL**

- **Sumitomo Mitsui Auto Service became an equity-method affiliate**

Participation and collaboration in mobility services business

2019/4

SMBC Aero Engine Lease joined the Group

Entry into the aircraft engine leasing business

2019/7

MAX-REALTY joined the Group

Acquisition of real estate-related consulting business

Medium-Term Management Plan (2020-2022)

2020/6

SMFL LCI Helicopters joined the Group

Entry into the helicopter leasing business

2021/1

Kenedix joined the Group

Acquisition of real estate asset management business

2021/7

Yanmar Credit Service joined the Group

Acquisition of sales financing business for Yanmar products

2022/12

Acquisition of Goshawk Management Limited

Expansion of aircraft leasing business

Medium-Term Management Plan (2020-2022) Results

Achieved Record-High Ordinary Profit and All Financial Targets

Medium-term strategy ▶ **Becoming a company that evolves in response to changing times**

Strategy I: Enhancing financial solutions

- Provided and promoted **decarbonization solutions and SDG leasing**
- Introduced and expanded electronic contracts in Retail sector ahead of competitors

Strategy II: Strengthening profitability in the global market

- Strengthened the aircraft business by **acquiring Goshawk** and accumulating quality assets
- Launched **helicopter leasing business through joint venture with LCI**
- Established **Asian Strategic Finance Department** to strengthen investment and financing business in APAC
- Promoted European business with **investment in SMBC Leasing (UK)** as platform

Strategy III: Expanding the business domains and building a new platform for growth

- **Entered real estate asset management business (incorporated Kenedix into Group)**
- Full-scale launch of STO (Security Token Offering)
- Developed "NEWNO" brand for **joint real estate development and leasing business**
- Expanded **renewable energy business**
- **Yanmar Credit Service** joined the Group

Strategy IV: Further promoting and utilizing digital innovation

- **<Stage 1> Streamlining of middle/back office work** (360,000 hours fewer work hours through RPA, etc.)
- **<Stage 2> Front office support** (GAIA sales support tool, electronic contract promotion)
- **<Stage 3> From SaaS to commercialization of developed software** (assetforce, AI for financial statement input)

Strategy V: Strengthening the business foundation that provides support for sustainable growth

- **Work style reform, human resource development**, engagement improvement, D&I (diversity & inclusion)
- **Commitment to the SDGs**, published integrated report, set environmental targets
- **Enhance risk management**
- **Expand compliance management**

Financial targets and results

Target (final fiscal year of medium-term plan)

Growth potential (Ordinary profit) : At least ¥110.0 billion

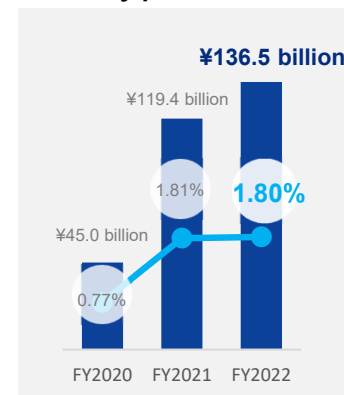
Profitability (ROA) : Approx. 1.7%

Efficiency (Overhead ratio) : Approx. 40%

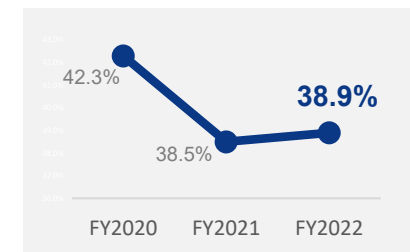
Soundness (External rating) : Maintain/improve "A"

Results (3-year trend)

Growth potential/profitability Ordinary profit/ROA



Efficiency (overhead ratio)



Soundness (external rating)

Ratings as of March 31, 2023
JCR: AA R&I: AA-
S&P: A-

02

New Medium-Term Management Plan (2023-2025)

Realization of the SMFL Way by 2030

2030
Ideal
situation

A business company with financial capabilities

"Pursuing the strengths of a business company with financial capabilities and taking on the challenge of solving social issues"

Ordinary profit: ¥145.0 billion Operating assets: ¥8.3 trillion (FY2025 targets)

Medium-Term Management Plan 2023-2025

'Backcast' from ideal

A financial company that can do business

"Becoming a company that evolves in response to changing times"

Ordinary profit: ¥136.5 billion Operating assets: ¥8.1 trillion (FY2022 actual)

Medium-Term Management Plan 2020-2022

JUMP

Financial company (leasing company)

"Aiming to further evolve"

Ordinary profit: ¥90.3 billion Operating assets: ¥5.3 trillion (FY2019 actual)

Medium-Term Management Plan 2017-2019

STEP

HOP

Financial targets

Growth potential (Ordinary profit)

FY2025 target

¥145.0 billion

Efficiency (Base overhead ratio*)

FY2025 target

Approx. 40%

Profitability (ROA)

FY2025 target

1.7% or more

Soundness (Equity ratio)

FY2025 target

10% or more

Non-financial targets

Environmental and social - Environmental targets -

FY2025 target for GHG emissions from consolidated Group (Scope 1 and 2)

1 Net zero

Cumulative contract value of sustainability-related business by FY2025

2 ¥1 trillion

Human capital

FY2025 target for total education expenses (¥200m in FY2022)

3 ¥600 million

FY2025 target for percentage of women in managerial positions

4 15% or more

Target for percentage of men taking childcare leave from 2023 onwards

5 100%

Digital

FY2025 target for number of electronic contracts (16,000 in FY2022)

6 42,000

*Base expenses are operating expenses excluding growth and up-front investments

FY2023-2025

2030

Theme of Medium-Term Management Plan (2023-2025):
Pursuing the strengths of "a business company with financial capabilities" and taking on the challenge of solving social issues

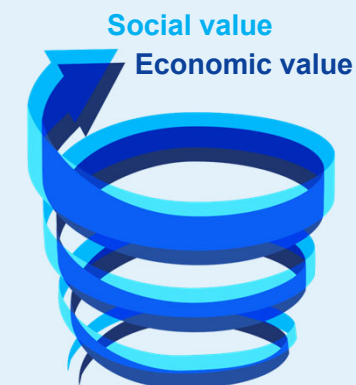
Course of action:

- Take steady steps towards **realization of the SMFL Way** and create a **solid launch platform** for future growth
- Pursue **SMFL's unique characteristics** and take on the challenge of creating new core businesses and fundamentally transforming existing businesses to **overlap the expansion of social value and economic value at the same time**
- Establish a **business foundation that supports business expansion**, which is a prerequisite for growth

Strategy:



Realize the "SMFL Way" with "Finance × Business × DX" solutions unique to SMFL



Social value

Contribute to the creation of a prosperous society and reduce social costs by solving social issues

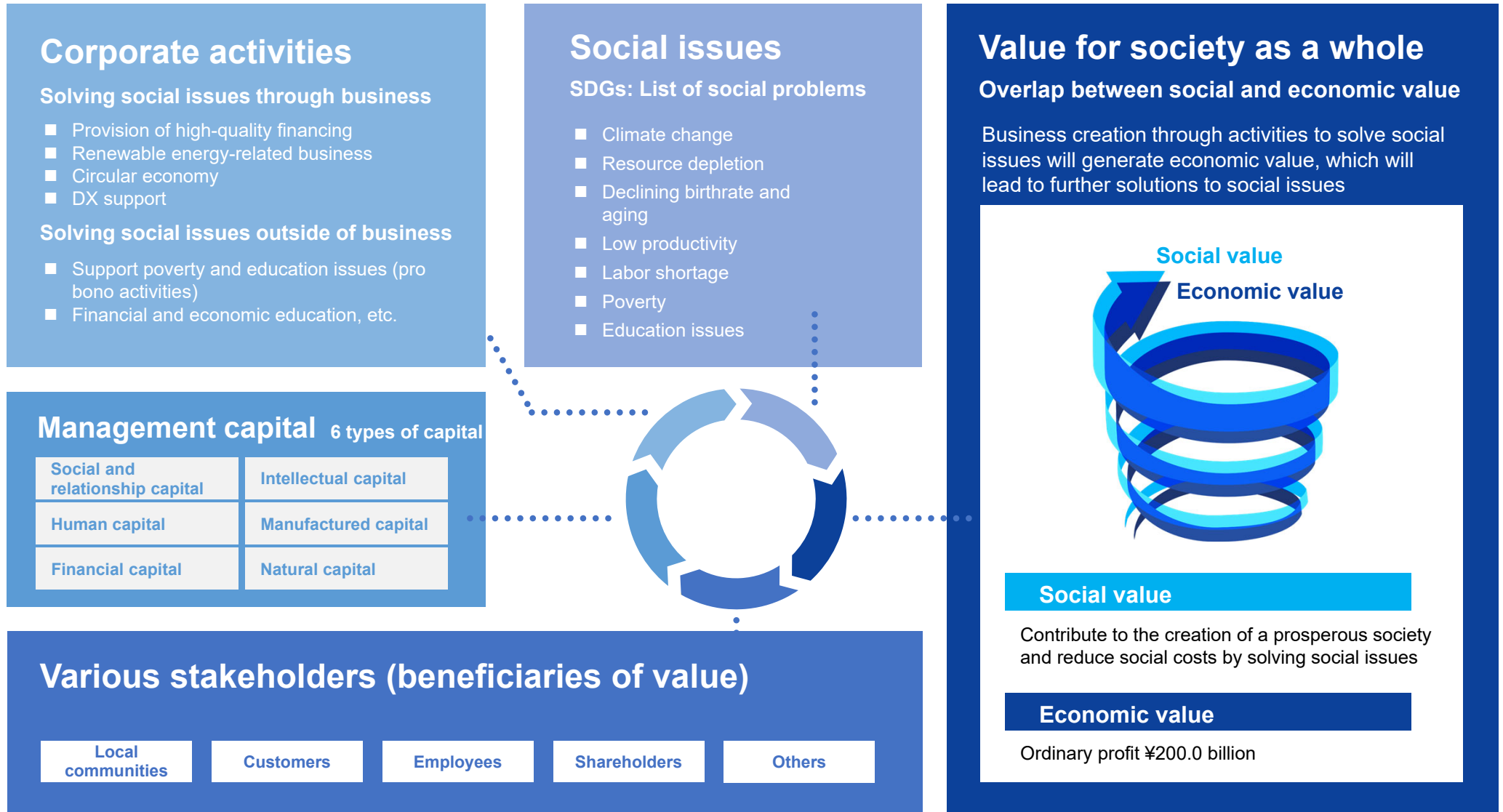
Economic value

Ordinary profit ¥200.0 billion

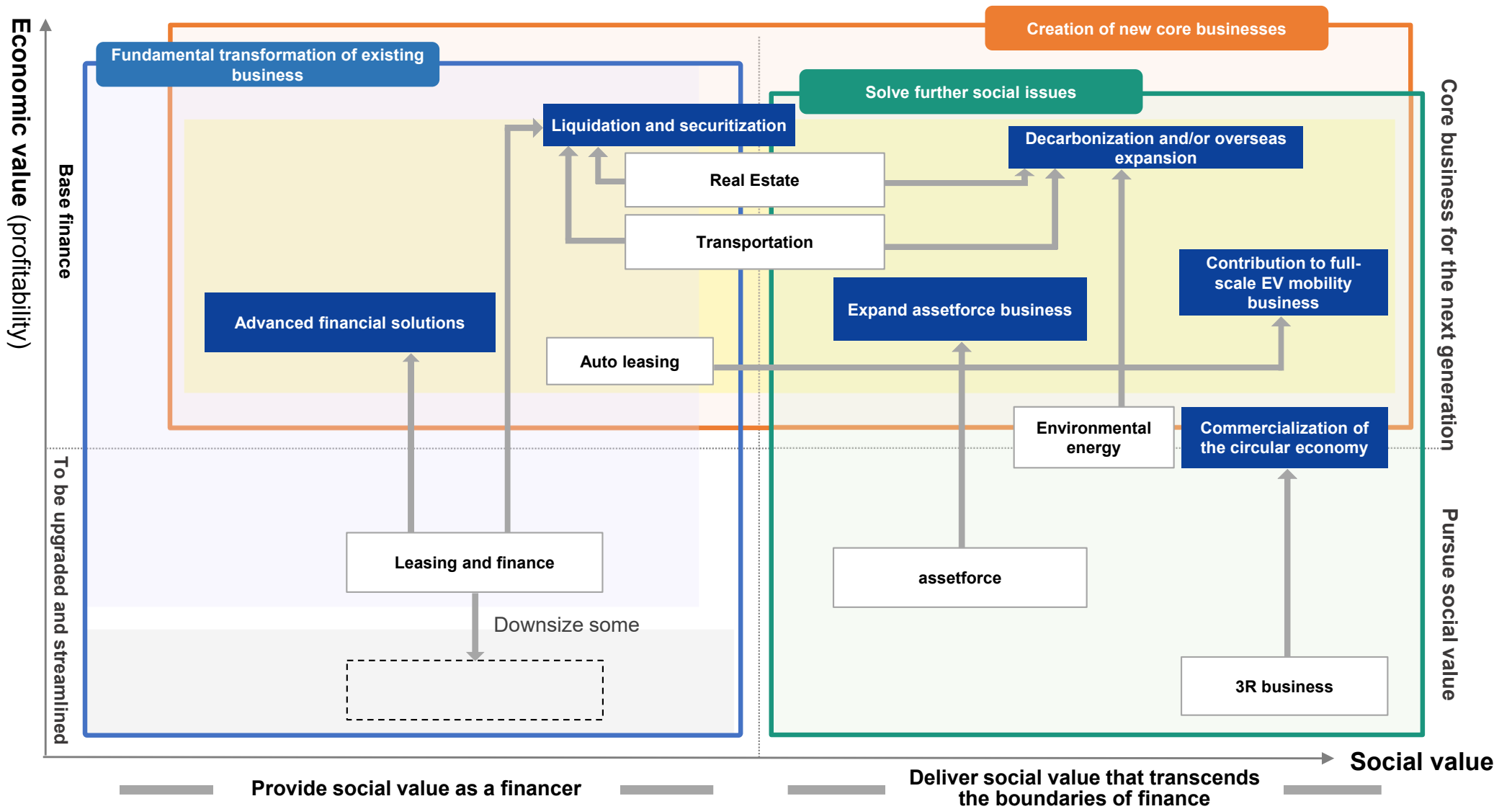
SMFL Way

Expansion of social value

The expansion of value for society as a whole will provide value to our diverse stakeholders and enhance our management capital, which is the source of our corporate activities



Direction of finance/business



- **Create new core businesses:** Foster "businesses with high social and economic value" as the core of the next generation
- **Fundamentally transform existing businesses:** Rethink and downsize some low-profit financial businesses
- **Solve further social issues:** Focus on expanding digital (assetforce) business and commercializing the circular economy

Medium-term strategy 01**Creation of new core businesses****Asset turnover-type business (liquidation/securitization)**

- Strengthen turnover-type business and promote asset management business (general leases/installment sales receivables, aircraft, real estate, etc.)
- Promote security token-related business by leveraging Kenedix's expertise

Expand business into global growth areas

- Seize growth opportunities in overseas markets
- Expand business by working with ARA, a Kenedix co-shareholder (Asia Pacific)
- Promote helicopter leasing business, renewable energy business, asset life cycle management business, structured finance, etc.

Respond to social change

- Initiatives for the transformation of the mobility industry and full-scale development of EVs
- Infrastructure business initiatives

New business unique to SMFL

- Expand assetforce business, develop other type of digital solutions
- Leverage our strengths to take on the challenge of "new business unique to SMFL"

Medium-term
strategy 02

Fundamental transformation of existing business

Thorough digitalization

- Promote further efficiency by utilizing electronic contracts, automatic credit decision systems, etc.
- Accumulate and utilize sales data for efficient targeting

Professionalization

- Promote Japanese investor business backed by real estate and aircraft-related product capabilities and knowledge, as well as digital platform
- Strengthen proposals for GHG reduction solutions by leveraging our best-in-class Japan subsidy track record and product strength
- Solution provider for customers' management issues

Deeper collaboration with partners

- Evolve into a customer's partner by making full use of the advantages of the SMFL Group and shareholders to contribute to solving problems
- Create new business and value through collaboration with true partners

Medium-term
strategy 03

**Solve further
social issues**

Environment

- Early achievement of medium- and long-term environmental targets
- Bring forward from FY2029 to FY2025 the target of a cumulative contract value of ¥1 trillion for sustainability-related business

Activities as a leader in realizing the circular economy

- Establish Circular Economy Promotion WT (Working Team) to formulate and promote Group-wide measures

Drive social transformations (GX, DX)

- Support customers' decarbonization through the use of renewable energy sources, energy conservation, etc.
- Leverage our strengths in the digital field to help customers expand sales and improve sales efficiency

Contribute to society's priorities beyond business

- Start pro-bono activities focusing on poverty and education
- Provide education and learning opportunities for children who will lead the next generation

Medium-term
strategy 04

Establish
business
foundation

Human capital

- Optimal and flexible human resource allocation for realizing management strategies
- Employee performance maximization and professional development
- Entrench a corporate culture that encourages self-motivated employees to challenge themselves and grow
- Deepen D&I (diversity & inclusion), improve well-being

Compliance

- Strengthen compliance system in response to expanding and diversifying business models

Enhance risk management

- Develop credit decision system in line with changes in SMFL's business structure
- Enhance portfolio management in light of geopolitical risks

Funding and management resource allocation

- Promote SMFL's commitment to the SDGs through ESG funding
- Allocate management resources based on business strategy

ICT

- Build a next-generation IT platform to support business expansion and diverse customer needs

SMFL / Think beyond, Act now