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Sumitomo Mitsui Finance and Leasing Company, Limited

SMFL Announces Medium-Term Management Plan Covering Fiscal 2017 to 2019

Sumitomo Mitsui Finance and Leasing Company, Limited (hereafter, “SMFL” or “the company”; President: Yoshinori Kawamura) announces today that it has established a new medium-term management plan for the three-year period from fiscal 2017 to 2019. Details are as follows.

While the Japanese economy is growing moderately, its growth lacks dynamism and is being sustained, to some extent, by monetary easing and ultra-low interest policies. In that context, domestic leasing demand is expected to remain sluggish. Outside Japan, the global economy as a whole is growing at a moderate pace despite regional variations in performance, but its future is becoming increasingly uncertain.

Against that backdrop, SMFL aims to provide practical financial solutions for a global customer base and to build up an outstanding reputation as a top-tier company with a leading position in the industry. The company has established a new medium-term management plan called “Aiming to Further Evolve” as a means for carrying out sound operational management in line with its management policies as the core leasing company of the SMFG Group.

■ Management Goals

SMFL has set the following three management goals under its new medium-term management plan.

I. Further specialize and concentrate the SMFL Group’s comprehensive capabilities to increase profitability

The company intends to further enhance its practical know-how and professional networks in the finance and leasing industries, and at the same time, make greater use of the networks and expertise of the SMFL Group as well as the Sumitomo Mitsui Financial Group. By doing so, it will work to identify new needs, differentiate its businesses, and increase the services it offers as a means to boost earnings. SMFL also aims to increase the sophistication of its asset portfolio strategy and expand businesses that do not depend on holding assets.

II. Evolve SMFL's business model to realize sustainable growth

For businesses with strong growth potential outside Japan, SMFL will broaden its sales finance menu to offer diverse solutions tailored to local needs. For its sales finance services in Japan, the company will concentrate the capabilities of the SMFL Group under a new business model with the aim of becoming a top tier brand. Furthermore, by identifying social innovations, SMFL will strive to launch new businesses in various industries, including the Internet of Things (IoT), smart energy, robotics, and the agriculture, forestry, and marine products industry.

III. Establish a solid management platform and foster a corporate culture that allows each employee to demonstrate his or her skills

As its businesses expand across the entire Group, including outside Japan, SMFL intends to enhance collaboration within the Group, prepare for risks that could potentially materialize, and improve its ability to deal with various kinds of regulations. Furthermore, the company will utilize new technologies for raising operational efficiency, upgrade its infrastructure, and take steps to ensure low-cost operations. SMFL also plans to improve its training of specialized personnel and international talent, enhance human resources system to better respond to diversifying working styles, and promote measures for ensuring that its offices are always dynamic places to work.

■ Financial Targets

SMFL has set the following three financial targets for fiscal 2019, the final year of the new medium-term management plan.

- Consolidated return on assets¹ (ROA) of 1.7%
- Consolidated gross profit² of ¥195.0 billion
- Consolidated overhead ratio³ of 41%

Notes:

1. ROA is calculated as the ratio of operating assets to ordinary profit.
2. Gross profit is calculated by subtracting credit-related expenses from the gross operating profit.
3. The overhead ratio is calculated by dividing operating expenses by gross profit

■ Business Strategies

SMFL is carrying out nine business strategies designed to achieve its management goals.

- I. To further develop expertise and concentrate the SMFL Group's comprehensive capabilities to increase profitability:
 - ① Further evolve business solutions based on an accurate understanding of customers' needs
 - ② Enhance the strategies for the aircraft and the real estate portfolios
 - ③ Leverage specialized capabilities to boost non-asset derived earnings

- II. To evolve SMFL's business model to realize sustainable growth:
 - ④ Leverage global sales financing as a starting point for expanding businesses internationally
 - ⑤ Establish the SMFL Group as the top sales financing brand in Japan
 - ⑥ Identify social innovations to develop new businesses

- III. To establish a solid management platform and foster a corporate culture that allows each employee to demonstrate his or her skills:
 - ⑦ Strengthen corporate governance in tandem with business growth
 - ⑧ Improve operational efficiency by utilizing new technologies
 - ⑨ Support the working styles of diverse employees and cultivate international and specialized talent

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