

Sumitomo Mitsui Finance and Leasing  
**Integrated Report 2022**

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Creating Value for the Future

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**Editorial Policy**  
In FY2020, Sumitomo Mitsui Finance and Leasing began publishing an integrated report to give its stakeholders a deeper understanding of the Group and its business activities.  
This report provides a concise description of the Group as a whole, our efforts to enhance corporate value, as well as our commitment to SDGs and our corporate governance.

**Period Covered**  
This report primarily covers events taking place in FY2021 (April 1, 2021 to March 31, 2022). In some cases, however, events prior to and following this period may be noted as well.

**Scope of Report**  
This report covers Sumitomo Mitsui Finance and Leasing Co., Ltd. and its 153 consolidated subsidiaries as well as 36 equity-method affiliates (as of the end of March 2022).

**Referenced Guidelines**

- GRI Standard (Global Reporting Initiative)
- Guidance for Collaborative Value Creation (Japanese Ministry of Economy, Trade and Industry)
- International Integrated Reporting Framework (IFRS Foundation)

**Date Issued**  
November 2022

**Company and Group Notation**  
Company and Group names are noted in this report using the following abbreviations.  
SMFL: Sumitomo Mitsui Finance and Leasing  
SMFLMP: SMFL MIRAI Partners  
SMFL Group: Sumitomo Mitsui Finance and Leasing Group  
SMFG: Sumitomo Mitsui Financial Group  
SMBC: Sumitomo Mitsui Banking Corporation  
SMBC Group: A complex financial group offering a broad array of banking, leasing, investment securities, credit card, consumer finance and other financial services.

**Cautionary Statement Regarding Forward-Looking Statements**  
The contents of this report include matters that the Company has judged to be reasonable based on information available at the time of publication and on certain assumptions. Therefore, actual business conditions may differ significantly due to a variety of uncertain factors, including future social and economic conditions in and outside Japan, laws and regulations, interest rates, exchange rates and other risks. The forward-looking statements herein (including the achievement of planned figures, policies, etc.) represent neither a promise nor a guarantee of results.

SMFL Way



Each and every one of us at SMFL will put the SMFL Way into practice to fulfill our responsibility to all of our stakeholders and contribute to society.

The SMFL Way is a systematic presentation of the Company’s management philosophy and policies, values and principles. Its four elements—Our Mission, Our Vision, Our Value and Our Principle—represent our mission and purpose as a company, our medium- to long-term vision, the values and decision-making standards shared among all of our officers and employees, and the principles that form the premise and foundation for our corporate activities.

The SMFL Way is shared by all of our officers and employees as a cornerstone of our business activities, and by achieving its aims, we will fulfill our responsibility to all of our stakeholders and our societal mission as a company.



## SMFL at a Glance

Operating Assets (as of March 31, 2022)

¥6.7 trillion

Transaction Volume (FYE March 31, 2022)

¥2.9 trillion

Net Assets (as of March 31, 2022)

¥1.0 trillion

Percentage of Female Managers (Non-consolidated)  
(as of March 31, 2022)

6.2%

Shareholding Ratio (Excluding Treasury Stock)



50%

Long-term Ratings

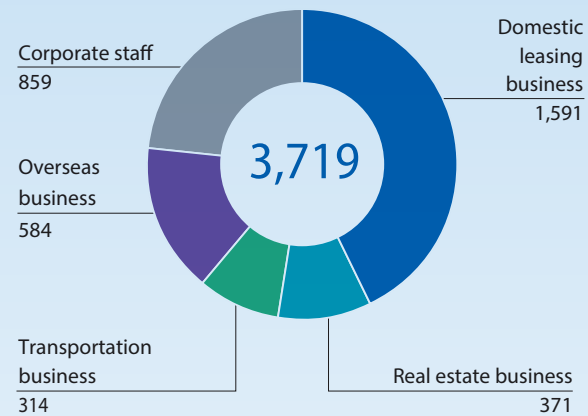
R&I AA-

JCR AA

S&P A-

R&I: Rating and Investment Information, Inc.  
JCR: Japan Credit Rating Agency, Ltd.  
S&P: S&P Global Ratings Japan Inc.

No. of Employees (Consolidated) (as of March 31, 2022)



No. of Customers (as of March 31, 2022)

Approximately  
**350,000** companies  
(including approximately 320,000 retail leasing customers)

Renewable Energy Power Generation Project Actuals  
(as of March 31, 2022)

Over **1 GW** in total  
(including leasing and financing)



50%

Global Network



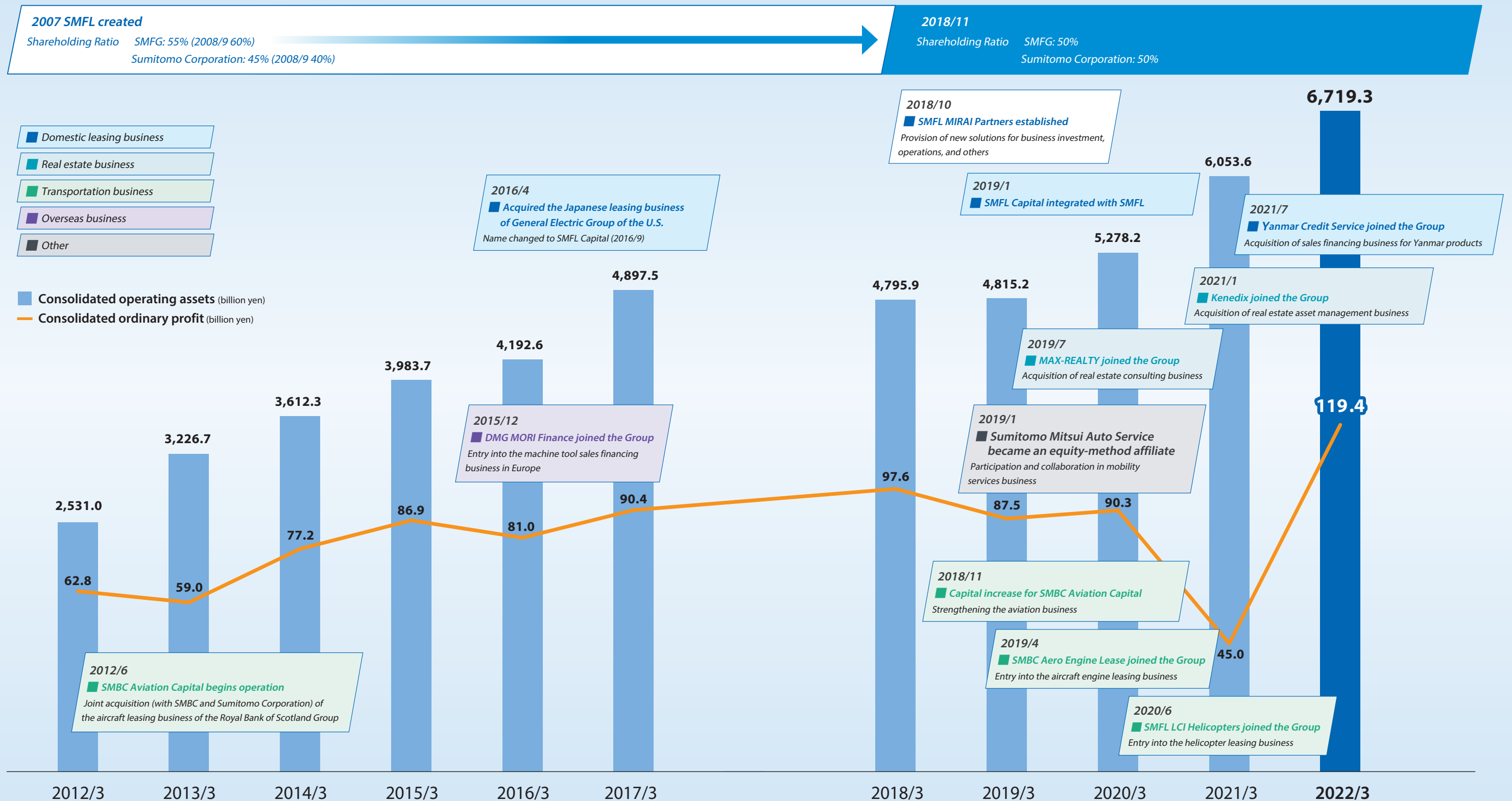
Japanese Network



## SMFL's History

We aim to achieve further growth by responding with precision to changes in the environment and expanding our business domain.

SMFL was created through a merger between Sumisho Lease and SMBC Leasing. As the business environment undergoes major changes, we have evolved our business model, expanded our business domain, acquired and integrated companies to strengthen our business, and achieved steady growth. We will continue to aim for further growth by actively working on new business areas.





## Message from the President



**In addition to providing high-quality, stable financial services and business development that leverages our accumulated knowledge, we will contribute to the sustainable growth of society by providing high value-added services that utilize DX.\***

### Business environment

As the battle against COVID-19 continued last year, many parts of the world were subjected to repeated lockdowns, but various countries have made steady progress with vaccinations and the path to co-existing with the virus has become clearer. Amid the pandemic, the Tokyo Olympics was held despite its postponement from 2020 and a format different from its original concept. In addition, movement of money has become active around the globe and major stock markets are generally thriving. Society and the economy have started to adjust to life with COVID-19.

At the same time, in the process of returning to normal economic and social activities, prolonged supply constraints due to logistics disruption, rising prices caused by soaring resource prices, and turmoil in financial markets due to tightening of monetary policy by central banks around the world have had a profound impact on corporate activities. In particular, the emergence of geopolitical risk due to the Russia–Ukraine situation has caused further restrictions on the flow of goods and people as well as heightened financial market turmoil, and we are now seeing a paradigm shift that includes the need to review supply chains on a global scale.

\* DX: Digital transformation

### Review of FY2021 and progress of the Medium-Term Management Plan

In FY2021, the second year of the current Medium-Term Management Plan, our slogan was a “V-shaped recovery” from FY2020, which saw a significant decline in profits due to the impact of COVID-19. In the same year, we also took on the challenge of growth beyond the Medium-term Management Plan by making Company-wide efforts to realize the SMFL Way. At the same time, we vigorously promoted the five strategies set out under the Medium-Term Management Plan—enhancing financial solutions, strengthening profitability in the global market, expanding the business domain and building a new platform for growth, further promoting and utilizing digital innovation, and strengthening the management platform that provides support for sustainable growth—while holding fast to these strategies.

With the expansion of the real estate business domain thanks to strong performance and collaboration by Kenedix since it joined the Group last year, increased earnings from high-quality assets accumulated in response to corporate fund procurement needs for diversification such as aircraft sale and leasebacks, provision of environment-related solutions that contribute to decarbonization, addition of Yanmar Credit Service to the Group, and start of full-scale provision of digital asset management cloud services, the strategies we have taken in the midst of the COVID-19 pandemic have steadily yielded results. Also, thanks in part to the easing of credit costs, in FY2021 we achieved the Medium-Term Management Plan ordinary profit target one year ahead of schedule, with a record high of ¥119.4 billion.

However, our net profit remained at the same level as the previous fiscal year due to a large extraordinary loss related to aircraft leases to Russian airlines that was recorded as a result of the Russia–Ukraine situation. While the aircraft leasing business had a negative impact on business performance for the second consecutive year, passenger demand other than in the Russia region is on a recovery track primarily on domestic and short-haul routes. The market is expected to grow further in the medium to long term due to greater global passenger demand, especially in emerging countries. We therefore continue to view this business as one of our growth drivers, and in May 2022 SMBC Aviation Capital (“SMBCAC”) entered into a memorandum of understanding regarding the acquisition of industry peer Goshawk Management Limited (“Goshawk”). With a similar business model to SMBCAC, Goshawk operates an aircraft leasing business with a focus on narrowbody aircraft with low average age. Following the acquisition,

SMBCAC is expected to become the second largest aircraft leasing company in the world, with about one thousand aircraft owned, managed and ordered, while still maintaining the quality of its portfolio. We expect this acquisition will enable us to develop an aircraft leasing business that takes even greater advantage of economies of scale, provide investment opportunities, and enhance asset and capital efficiency.

In addition, we established the Asia Strategic Finance Department in Singapore to capture investment demand in the fast-growing Asia-Oceania region. The department’s first project was a three-way joint investment in real estate in Singapore along with Kenedix and ARA Asset Management Limited. ARA Asset Management is a leading real estate fund management company in Asia and we began a partnership with it last year when we became acquainted upon Kenedix’s joining of the Group. Together with our business partners, we will continue to expand our investment and loan business in the region.

FY2022 is the final year of the Medium-Term Management Plan, and although there are concerns about rapid global inflation, fluctuations in the financial markets due to tightening of monetary policy by central banks around the world, and further heightening of geopolitical risks, these are risk factors we are keeping a close eye on as we work to accelerate Company-wide growth toward ordinary profit exceeding last fiscal year’s level.

➔Page 26: Medium-Term Management Plan (FY2020-2022)

### Formulation of the next Medium-Term Management Plan as a first step toward 2030 targets

Our ordinary profit of ¥119.4 billion for FYE March 31, 2022 represents growth nearly double that of the ¥62.8 billion recorded 10 years ago in FYE March 31, 2012. Looking approximately 10 years ahead to 2030, we aim to accelerate further growth by realizing the SMFL Way and become a leading company in the leasing industry with the prospect of ¥200 billion in ordinary profit.

To double ordinary profit over the next 10 years, we believe it is essential for us to evolve from a “leasing company” to a “business company with financial functions” by transforming the business model and creating a management platform to support it. It is in this context that we have started formulating the next Medium-Term Management Plan that will begin next fiscal year. By listening to opinions of all employees toward achieving the SMFL Way and reexamining the social role that we



## Message from the President

should play, I am confident that we can create a “Medium-Term Management Plan for all employees” that reflects where we see ourselves and the direction we should take.

### Nurturing human resources

Our human resources/talent have long been the assets that are the source of our competitive advantage, and we have focused on personnel development based on the belief that employees are not simply (human) resources, but (human) capital that creates added value. The SMFL Way established in April 2020 also clearly states that our human resources strategy is linked to what we are aiming for in the future.

It is under these circumstances that the COVID-19 pandemic struck. The pandemic has brought about irreversible changes and acceleration of structural changes around the world. In order to develop the ability to respond to these changes, transformation of business and expansion of business domains, there is an even greater need to accelerate our human resources strategy. We want our employees to develop their own careers and to plan their lives in a world in which people now often live to 100. To this end, we provide a number of plans/systems and work environments to support their career development and encourage them to take on challenges.

In setting up an internal recruiting system—making available Job Format, which gives information on the open jobs at all departments and the type of personnel they are looking for, and holding Job Forum, in which each department explains the open jobs, in addition to encouraging them to acquire qualifications—we have created mechanisms for employees to independently develop their careers. We also hold Job Shadow each year. Participating employees actually work in the department of their choosing, giving them the opportunity to broaden their horizons and think about their careers from a medium- to long-term perspective. Job Shadow additionally fosters a greater spirit of “Team SMFL” as it fosters mutual understanding between departments, which in turn contributes to enhanced speed and quality in providing services to customers.

Furthermore, we have continued to hold town hall meeting as venues for two-way communication between management and employees as well as roundtable events for junior staff. Last fiscal year, a total of 2,000 employees participated in these events. These events not only foster deeper mutual understanding but also provide an opportunity to think about the direction the Company is aiming for and one’s own career from multiple perspectives, with the aim of improving employee engagement.

In addition, we have established the Skill Up Challenge Fund in response to the demand for more specialized knowledge and skills as our business expands going forward. With this system, each unit or department has an opportunity to define the specialized knowledge and skills they need and invest in fostering those attributes. We will adopt a framework that enables each unit and department to consider and design their own participation in academic institutions, acquisition of qualifications, and so forth, and develop human resources who can demonstrate their expertise and play an active role in each field.

➔Page 20: Feature 3: SMFL’s Human Resources Strategy

### Vision for SMFL’s future and commitment to SDGs

The SMFL Way, which is comprised of four elements: Our Mission, Our Vision, Our Value and Our Principle, serves as a constant guide for all officers and employees as we engage in business activities. Based on the philosophy of the SMFL Way, we believe that it is the mission of each of us as a member of a company in finance, which is an important element of social infrastructure, and indeed our very *raison d’être*, to provide high value-added services to our customers through stable, high-quality financial services and the kind of business development that only a leasing company can provide.

One part of Our Vision is to be “An advanced digital company.” Our specialized departments and the front lines have been working together to digitalize business processes ranging from business improvements to sales support. We are developing services that utilize digital technology, such as “assetforce,” an asset management cloud service for centrally managing the lifecycle of goods, as well as AI solutions and digitization of contracts. We believe that these initiatives will not only help our customers reduce costs and improve the efficiency of administrative work, but also lead to work style reforms for those who use our services, and we will continue to actively develop these solutions.

➔Page 24: Feature 4: SMFL’s DX Initiatives

Another part of Our Vision is to be a company that is “Chosen for its commitment to SDGs,” and we are promoting that commitment. As the world strives to achieve the 2030 SDGs and the Japanese government’s intention to achieve carbon neutrality by 2050 becomes enshrined into law, the need to realize a sustainable society is becoming ever urgent.

In the field of renewable energy, our strategic business



company SMFL MIRAI Partners is not only developing various financial solutions but also providing one-stop services and contributing to the decarbonization of society by offering services for onsite and offsite power purchase agreements (PPA) and establishing entire supply chains from various types of renewable energy power generation such as solar, wind, and small and medium-scale hydropower to power storage and power retail sales.

➔Page 16: Feature 2: SMFL’s Environmental Business

Realization of a recycling-based society is an area in which we can make a contribution by leveraging our characteristics as a leasing company that handles equipment. We have been contributing to the circular economy by facilitating reuse, recycling and refurbishment through sale and purchase of used equipment such as machine tools and semiconductor manufacturing equipment and through the 3R business carried out by comprehensive plant dismantling support service company SMART. Currently, with the expansion of the digital industry, the stagnation of economic activity due to the COVID-19 pandemic, and the disruption of logistics that is causing semiconductor shortages and supply constraints, we feel there is a growing need to promote a circular economy. We will continue to focus on this field more than ever as we leverage our accumulated expertise.

In April 2022, we established our medium- to long-term

environmental targets. These are comprised of three targets: achieving net zero greenhouse gas emissions (Scope 1 and Scope 2) for the Company on a non-consolidated basis by FY2023; achieving net zero greenhouse gas emissions (Scope 1 and Scope 2) for the Group on a consolidated basis by FY2025; and contributing to decarbonization through sustainability-related business transactions with a cumulative contract value of ¥1 trillion by FY2029. By achieving these targets, we will contribute to the realization of a carbon-free society.

➔Page 40: Commitment to SDGs

Behind the strong financial base that supports these business activities and the creditworthiness that enables stable fund procurement is one of our greatest strengths: our close cooperation with our shareholders Sumitomo Mitsui Financial Group and Sumitomo Corporation. We provide financial services based on expertise cultivated through our business activities as a leasing company and a solid fund-raising base and leverage digital technology and shareholder networks for business expansion, so that we can develop our business to address the SDGs, which could be called a “list of the world’s problems.” This, we believe, will expand our social value and enable us to realize sustainable growth. We will continue to actively take on the challenge of realizing a sustainable society as the best business partner for our customers.

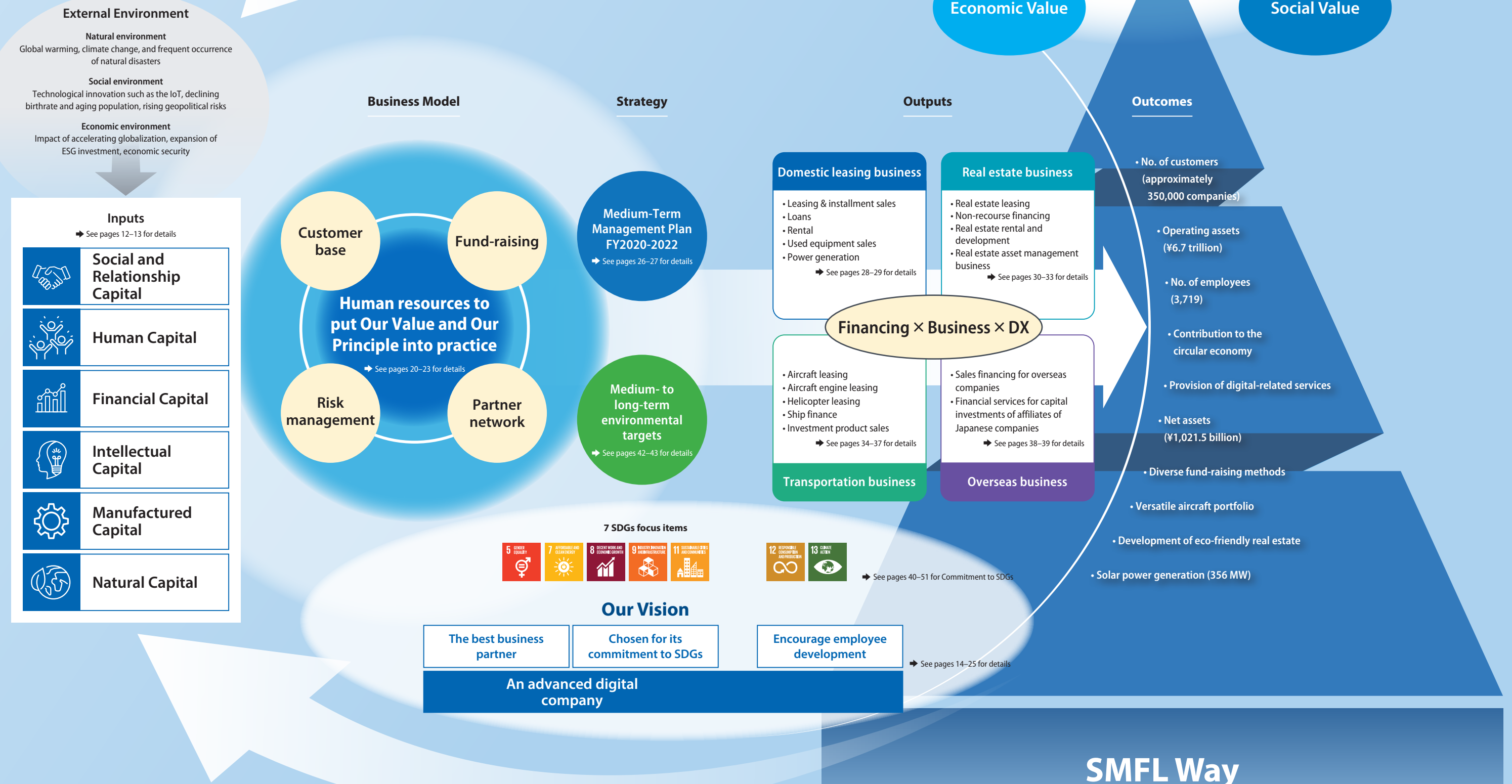
We look forward to your continued support.

## Value Creation Process

— A value creation model of growing and developing together with customers, business partners, and society —

- Provide solutions to meet customers' needs and solve their issues
- Create new services and businesses in collaboration with business partners
- Contribute to sustainability while meeting the demands of society

By utilizing our management resources to realize these goals based on the SMFL Way, we aim to enhance corporate value and achieve sustainable growth.





## Management Resources (Six Capitals)

We created our businesses by utilizing human, financial and intellectual capital based on social and relationship capital and worked to acquire and hold manufactured capital and maintain natural capital. And that is how we achieved steady growth and enhanced corporate value. We will continue to strengthen these six types of capital through our business activities as we aim for further value creation and sustainable growth.



### Social and Relationship Capital

Connections with customers, business partners, communities and society, and shareholders

Our Vision calls for us to be “The best business partner” for our customers. Relationships of trust with our customers, relationships with manufacturers and dealers, cooperative relationships with specialized business companies responsible for development, construction, maintenance and operation in various business fields, and cooperation and coexistence with communities and society are the foundation of our business. We will develop together with each stakeholder by maintaining and enhancing social and relationship capital, including making use of the customer bases and networks of both of our shareholders, SMFG and Sumitomo Corporation.



No. of customers (as of March 31, 2022): **Approximately 350,000 companies**  
(including 320,000 retail leasing customers)

No. of suppliers (as of March 31, 2022): **Approximately 30,000 companies**



### Human Capital

Professional human resources, specialized human resources, digitally competent human resources, and the organizations and systems that support them

Our Vision also espouses that we “Encourage employee development,” and to this end we are working to cultivate human resources, create an organizational culture of taking on challenges, and enable human resources with diverse backgrounds to demonstrate their capabilities. We will create new business and new value through the organic activity of professional human resources who promote business with a sense of mission, specialized human resources who demonstrate expertise in various business fields, and digitally competent human resources who promote the advancement of business through the use of digital technology.



No. of employees (consolidated) (as of March 31, 2022): **3,719** (including 641 overseas)



### Financial Capital

Solid fund-raising base and high credit rating

We have a solid fund-raising base stemming from our capital and borrowing relationships with our shareholders, ongoing business relationships with financial institutions, flexible access to the corporate bond and CP markets, and a high credit rating that supports these. We will further improve our financial capital by strengthening cooperation with our shareholders, working to maintain and enhance business relationships with financial institutions and fulfilling our accountability to investors and rating agencies, and diversifying our funding sources.



Consolidated net assets (as of March 31, 2022): **¥1,021.5 billion**

Long-term ratings: R&I: AA–    JCR: AA    S&P: A–



### Intellectual Capital

Knowledge and expertise in finance and equipment, specialized fields, investment and business, and digital

We provide high value-added services by acquiring and utilizing knowledge and technology in areas such as asset finance, securitization, risk management, and DX based on the knowledge and expertise on finance and equipment we have cultivated since starting the leasing business. In addition, we have acquired specialized knowledge related to business operations in focus areas such as renewable energy and real estate. We will continue to accumulate and utilize intellectual capital for further business growth and innovation.



- Finance methods, schemes, risk management
- Acquisition, possession, and disposal over the life cycles of equipment
- DX and digital solutions
- Provision of services such as solving customer management issues, streamlining operations, and developing human resources



### Manufactured Capital

Machinery and equipment acquired in business activities

We own manufacturing machinery and equipment, construction machinery, information and communication equipment, transportation equipment, real estate and buildings, and lease them to our customers. In addition, we acquire renewable energy power generation facilities and rental real estate properties with the aim of operating them as businesses. By acquiring and holding these types of manufactured capital, as well as properly maintaining and managing them, we have built a stable business foundation and profit base.



Consolidated operating assets (as of March 31, 2022): **¥6,719.3 billion**

Power generation capacity of solar power generation business: **356 MW**



### Natural Capital

Natural resources that form the foundation of our business activities

Natural capital such as air, water, land, minerals, forests, fauna and flora is used in the businesses of the customers we provide various services to. In addition, our renewable energy business uses natural energy sources such as sunlight, wind, and water, and our real estate business utilizes land. We strive to maintain and conserve natural capital by providing solutions that support customers' decarbonization, creating renewable energy, acquiring eco-friendly assets, and promoting the 3Rs.



- Natural energy (solar, wind, hydro and geothermal power)
- Agriculture, forestry and fishery resources and tourism resources

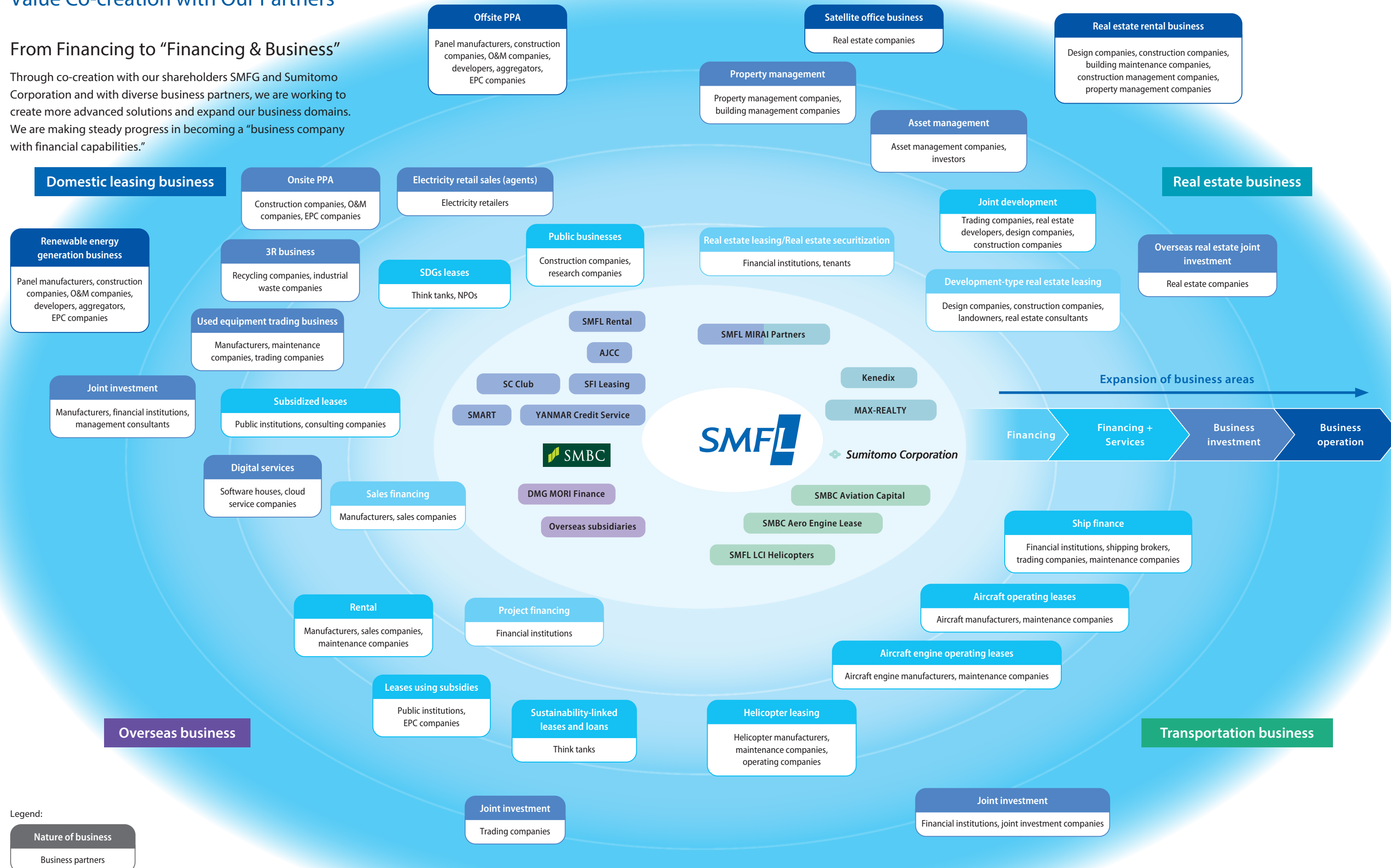


## Features: Toward Realizing Our Vision – 1

### Value Co-creation with Our Partners

#### From Financing to “Financing & Business”

Through co-creation with our shareholders SMFG and Sumitomo Corporation and with diverse business partners, we are working to create more advanced solutions and expand our business domains. We are making steady progress in becoming a “business company with financial capabilities.”



## Features: Toward Realizing Our Vision – 2

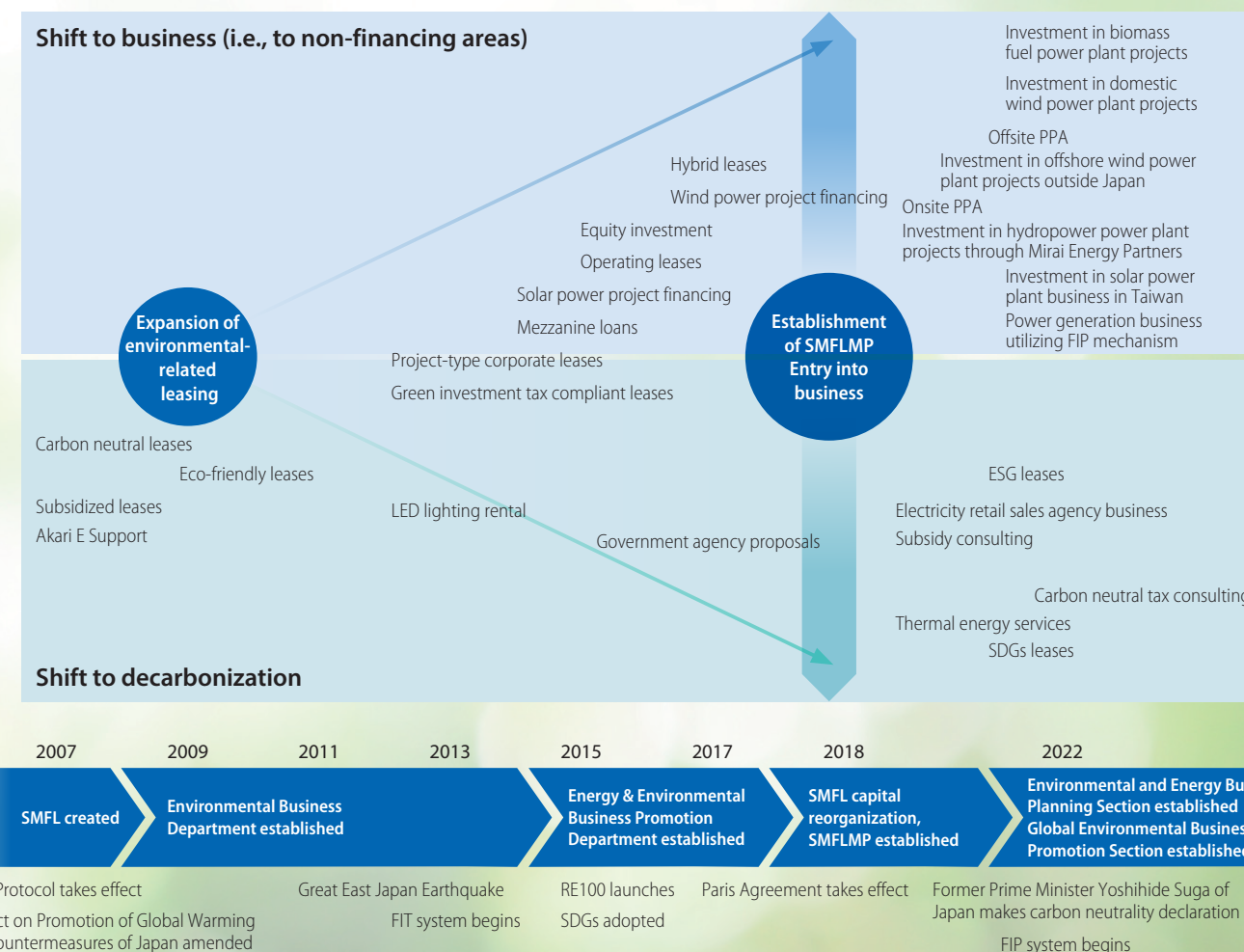
### SMFL's Environmental Business

#### Expanding the renewable energy business and providing decarbonization solutions

With awareness about environmental energy rising as the issue of global warming becomes more and more serious worldwide, the Group has been working to promote renewable energy and energy conservation. Our first step was to offer leasing for renewable energy and energy-saving equipment. In 2019, we entered the independent power producer business through our strategic subsidiary SMFL MIRAI Partners (SMFLMP), and have been expanding our environmental energy business. We will provide even more decarbonization solutions to reduce customers' greenhouse gas emissions going forward. Specifically, we will promote visualization of corporate energy consumption, and also provide consulting services for the use of energy conservation subsidies to offer even greater support clients' capital expenditure to accelerate decarbonization. We will further deepen our business model by utilizing the feed-in premium (FIP) mechanism following the transition from the feed-in tariff (FIT) mechanism, and offer onsite and offsite PPA models to provide companies with CO<sub>2</sub>-free power.

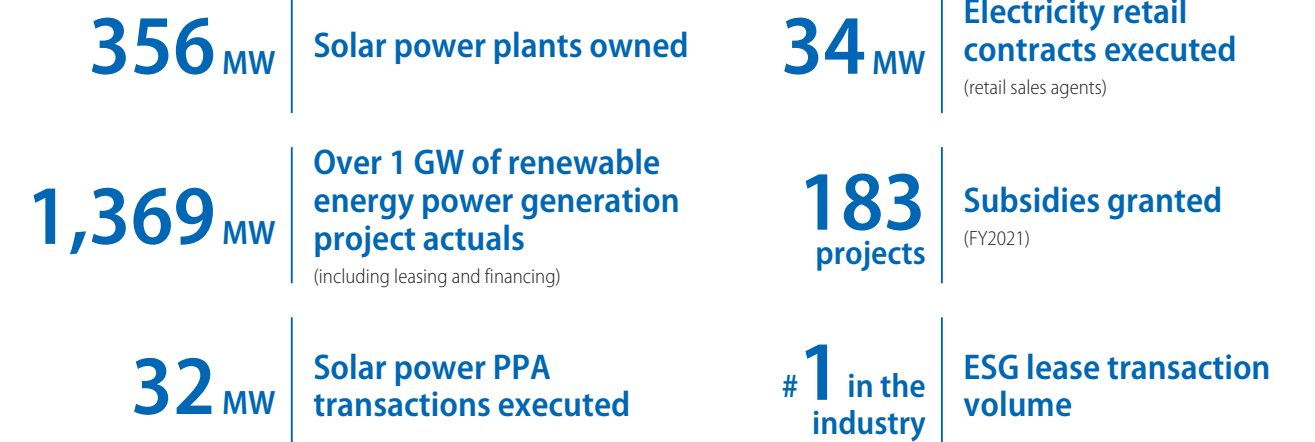
#### Environmental business history

- Subsidized leasing that combines energy conservation subsidies and financing services is one of our strengths, and an area in which we have more than 20 years of experience. We provide policy-based subsidy systems, such as for energy saving, power conservation, and green electricity, with attached financing solutions.
- We began providing business evaluation-type financing, catching the trend of promotion of renewable energy business, which started with the introduction of the FIT mechanism. This evolved our business model from providing ordinary leases to providing project financing and mezzanine loans, which enables us to take on deeper business risk.
- With the establishment of SMFLMP, we shifted our business model from financing to actual business, and greatly expanded our business areas to power generation, PPAs, and electricity retail agencies.



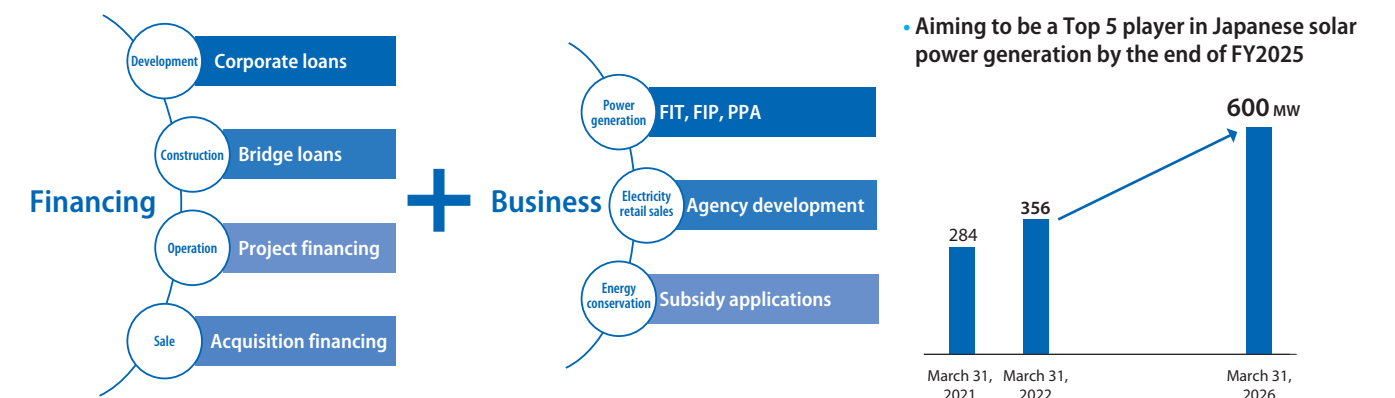
#### Environmental business highlights

(as of March 31, 2022)



#### Initiatives for renewable energy business

The Group is expanding its power generation business through the development and operation of power plants (mainly solar power). The total power output is 356 MW and is planned to reach 600 MW by the end of FY2025, the final year of the next medium-term management plan. Our engagement in the power generation business has expanded where we are able to take on deeper business risk to include financing transactions. For renewable-energy-related projects, we provide various types of funding such as bridge loans, project financing, and equity investment for various power sources including solar, wind, hydro, and biomass. As of March 31, 2022, the total output of power generation we supported funding exceeded 1,300 MW, including both financing and investments.



#### Transactions executed for each type of renewable energy (as of March 31, 2022)

|                 | Solar power        | Wind power | Biomass | Hydropower | Geothermal power |
|-----------------|--------------------|------------|---------|------------|------------------|
| Source          |                    |            |         |            |                  |
| Output          | 1,100 MW (356 MW)* | 193 MW     | 69 MW   | 2 MW       | 5 MW             |
| No. of projects | 1,600              | 20         | 8       | 7          | 2                |

\* Power generation business investment  
Output capacity calculated based on proportion of interest

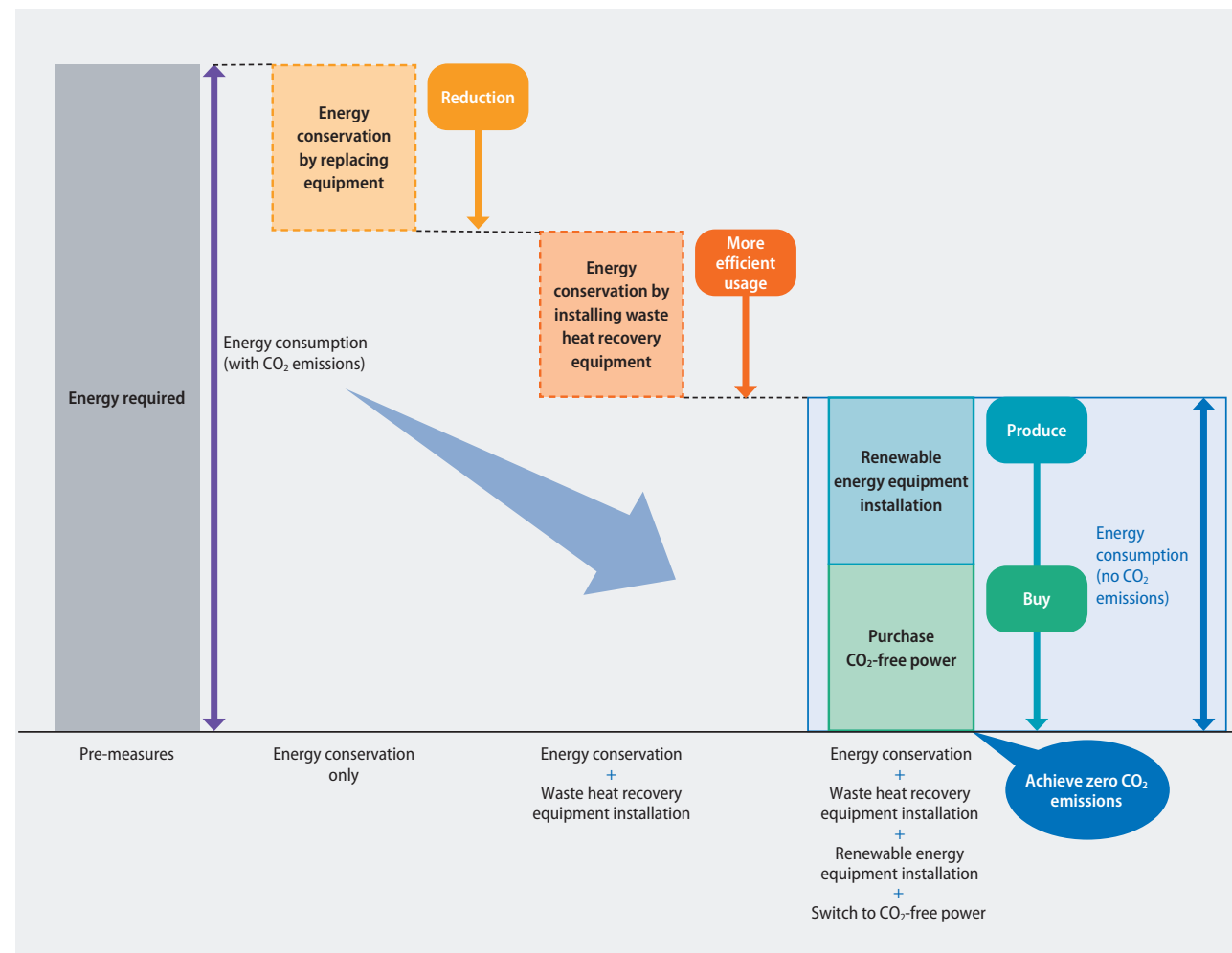


## Features: Toward Realizing Our Vision – 2 SMFL's Environmental Business

### Providing one-stop decarbonization solutions

The shift toward decarbonization is accelerating around the world, and companies listed on the Tokyo Stock Exchange Prime Market are specifically being asked to disclose information comparable to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Given this situation, we are leveraging our strength in collaborating with our shareholders to support customers' decarbonization efforts by simultaneously offering the benefits of energy conservation, renewable energy, and financing as a provider of solutions to reduce greenhouse gases.

#### • Process from pre-energy-saving measures to achieving zero CO<sub>2</sub> emissions



### Solutions provided by the SMFL Group

#### 1. Subsidized leases

We provide leasing that makes use of subsidies for energy equipment for energy conservation, renewable energy, and disaster response promoted by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. By utilizing subsidized leasing, customers will be able to curb initial investment expenses and reduce costs. Based on our industry-leading track record, we provide the latest subsidy information and suggest optimal subsidies, and our specialized team helps customers in the application process.



#### 2. Subsidy consulting

SMFLMP advises customers on the best subsidy system so that they can install energy-saving equipment such as air conditioning and lighting at a lower cost. We provide total support for customers' energy-saving measures, from selection to application procedure and post-grant reporting. In addition, we also provide advice on tax incentives related to decarbonization.



#### 3. Power purchase agreement (PPA)

Under a PPA, SMFLMP owns and manages the solar power generating equipment, which means the customer has no need to make an initial investment or pay ongoing management costs. We also support customers' decarbonization through their use of electricity produced from solar power generation equipment.

In addition, SMFLMP offers an offsite PPA model for supplying power from solar panels installed on land outside the customer's premises. We were the first in the industry to do so.



#### 4. CO<sub>2</sub>-free power

CO<sub>2</sub>-free power means electricity derived from renewable energy sources that do not emit CO<sub>2</sub> during power generation and thus has "environmental value."

SMFLMP operates an electricity retail sales agency business in partnership with multiple power producers and suppliers that have a proven track record. We will select and supply electricity that meets customers' needs, whether for "prioritizing cost" or for "carbon-free electricity," from among the diverse offerings of these companies. Customers do not need to make any capital investment, and they can switch power sources quickly. We also provide customers with CO<sub>2</sub>-free power generated by renewable energy power plants owned by SMFLMP.



#### Case Study 1: Development of solar power generation business based on the offsite PPA model

SMFLMP has started a solar power generation business using the offsite PPA model in collaboration with West Holdings Corporation, which builds and sells solar power generation systems. In the collaboration, West Holdings' group company acquires land, designs and constructs the power plants, maintains and manages them, and supplies the generated electricity to consumers, while SMFLMP owns the power generation equipment and operates the power generation business. The sites used for power generation are idle land such as abandoned farmland and vacant land across Japan. Over the next two years, we plan to expand the business scale to include 1,000 to 2,000 locations, power generation capacity of 200 MW, and expected annual power generation of 200 million kWh.



#### Case Study 2: Investment in solar aquaculture in Taiwan

In collaboration with shareholder Sumitomo Corporation, SMFLMP has invested and participates in an aquaculture-integrated solar power generation project in Taiwan. This project is a combination of cultivation of shrimp and renewable power generation, making it eligible for the renewable energy FIT mechanism in Taiwan which can be applied to solar generation facilities operated concurrently with aquaculture business. The generated power is sold to Taiwan Power Company, a publicly owned power company in Taiwan. The power generation facilities comprise over 60 locations in southwestern Taiwan, where shrimp cultivation is a thriving business. The project as a whole is expected to have a power generation capacity of 132 MW, making it the largest project of its kind in Taiwan.



## Features: Toward Realizing Our Vision – 3

### SMFL's Human Resources Strategy

Part of Our Vision within the SMFL Way is to “Encourage employee development,” and we are accelerating our efforts to provide active support in this regard.

In our evolution from a leasing company to a business company with financial capabilities, we will promote the development of human resources who can take the lead in creating new businesses and transforming existing businesses. As we work to raise the overall level of digital literacy that is inextricably linked with business transformation, we are also striving to nurture digitally competent human resources who can promote digital transformation (DX).

#### Our approach to developing and nurturing human resources

- Nurturing human resources with the expertise to provide high value-added services
- Nurturing leaders who anticipate changes in the environment and proactively create new businesses and organizations



1. Career development sheet: Each employee prepares this every year to carve out a career for themselves. This is an opportunity for employees to think independently about their future, reflect on their past experiences, and gain an understanding of their job aptitude.
2. Job Format: In order to support self-directed career development, we publish an overview (job description, appeal, etc.) and challenge items (required skills, qualifications, etc.) for each department.

#### Self-directed approach

We hold Job Shadow and Job Forum every year as mechanisms to support self-directed career development. As the number of participants and applicants continues to grow year by year, we will continue to support employees' willingness to “take on challenges” and “create a new self.”

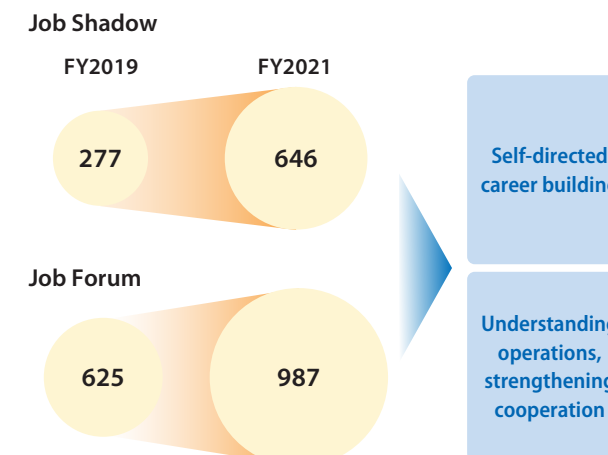
##### Job Shadow

In this program, employees spend one day working at a workplace other than their own department. It is an opportunity for employees to broaden their horizons and consider their careers in the medium to long term by deepening their understanding of the work and workplaces at other departments. This also revitalizes cooperation between departments, which gives rise to proactive behavior and innovative ideas, and creates an opportunity to improve the quality of work.

##### Job Forum

This is an operational briefing session conducted by each department. It is held for employees to gain understanding of a wide range of operations within the Company. It is linked to the internal recruitment system and provides an opportunity for employees to independently consider their careers by offering them ideas for examining which path they should take.

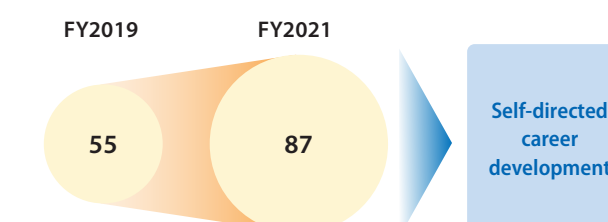
##### • No. of participants (total)



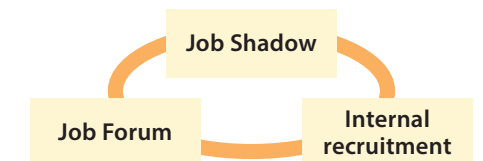
##### Open recruitment

We have an internal recruitment system to support employees to take on the challenges to independently carve out their own careers. In FY2021, the system had the greatest number of employees applying since its inception and enabled them to achieve the careers they wanted to pursue. In addition to the internal recruitment system, there is an open recruitment system for Group companies.

##### • Number of applicants though internal recruitment



##### • Cycle of career building through mutual effect



##### Experiencing business hands-on through Job Shadow

Participating in Job Shadow gives employees the chance to gain hands-on experience of the wide range of businesses that the Company engages in, and is a great opportunity to learn about the Company. It also gave me the opportunity to broaden my horizons in thinking about my own career, which led to me working more on my own initiative in my daily work. In my case, participating in Job Shadow at the Business Promotion Department was the impetus for me to transfer to my current department (More Than Finance Promotion Section). It has given me a chance to make steady progress in pursuing the career I envisioned.



**Kansuke Nakamura**  
More Than Finance  
Promotion Section

##### Internal recruitment system that expands career options

Thanks to the internal recruitment system, I had the chance to try out for work that I was interested in and to grow in a new environment. The successful transfer to the department I wanted to work in has given me confidence and enabled me to work with a high level of motivation. The system expands employees' choice of department and serves as an opportunity to reflect on one's own experiences, and to envision what one might want to be down the line. And this, I truly feel, leads to self-directed career development to realize what you envision.



**Chinatsu Ishikawa**  
Human Resources Department



Features: Toward Realizing Our Vision – 3

## SMFL's Human Resources Strategy

### Insights

#### Mentoring system

We have introduced a mentoring system for junior staff. Under this system, members of the Human Resources Department regularly provide junior staff with support for solving problems in the workplace and for future career development. Through consultations with a mentor held several times a year, the system supports junior staff in raising their motivation, developing their skills, and enabling them to make diverse career choices.

In addition to this system, we also have the Associate Challenge Program (ACP) for employees who have been with the Company for five years or less. Under the ACP, employees set their own path to their future aspirations and systematically take courses and obtain the necessary qualifications. Through this, the ACP provides opportunities for employees to develop skills toward the careers they aspire to.

#### Support

#### Training

In order to develop leaders who anticipate changes in the environment and proactively create new businesses and organizations, as well as global human resources and human resources with the expertise to provide high value-added services, we provide rank-specific training, including for officers, as well as a wide range of training to address various strategies and themes.

#### Support system for acquiring qualifications

We have introduced this system with the aim of supporting self-development ("creating a new self") for employees to contemplate their own career development from a medium- to long-term perspective, learn voluntarily, and apply what they learn to their work. Each department clearly indicates the qualifications it recommends and supports acquisition of those qualifications. We will continue to reinforce our employees' willingness to take on challenges.

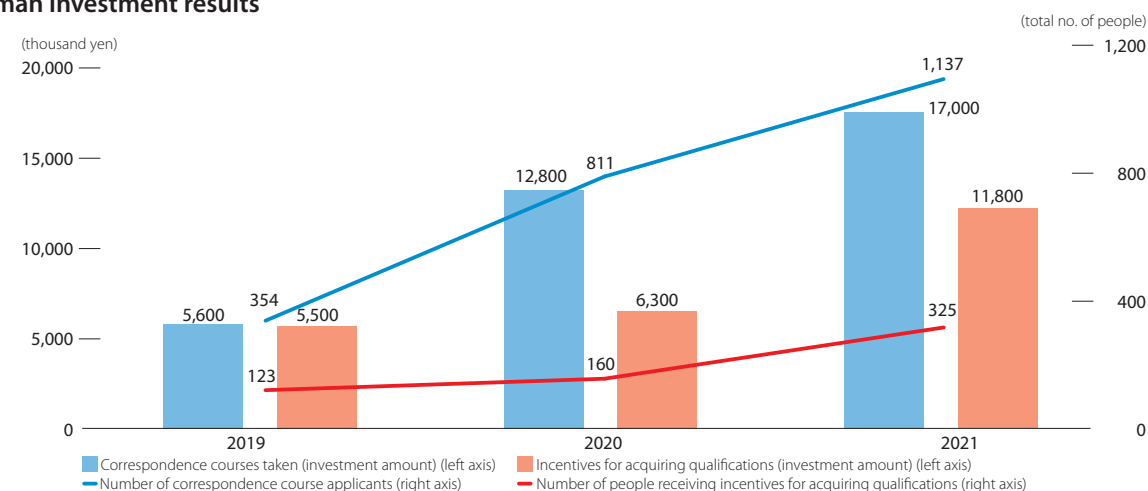
##### Qualification acquisition support system to foster voluntary career development

I am very grateful for the Company's support for employee self-improvement through the qualification acquisition system. When I learned things I did not know about or gained new knowledge, the range of my work expanded. The self-improvement process turned out to be an opportunity for me to think about my own career, which made me realize that voluntary career development and self-improvement are closely related.



**Yuhei Inao**  
Real Estate Asset Finance  
Department

#### Human investment results



### Policy for developing digitally competent human resources

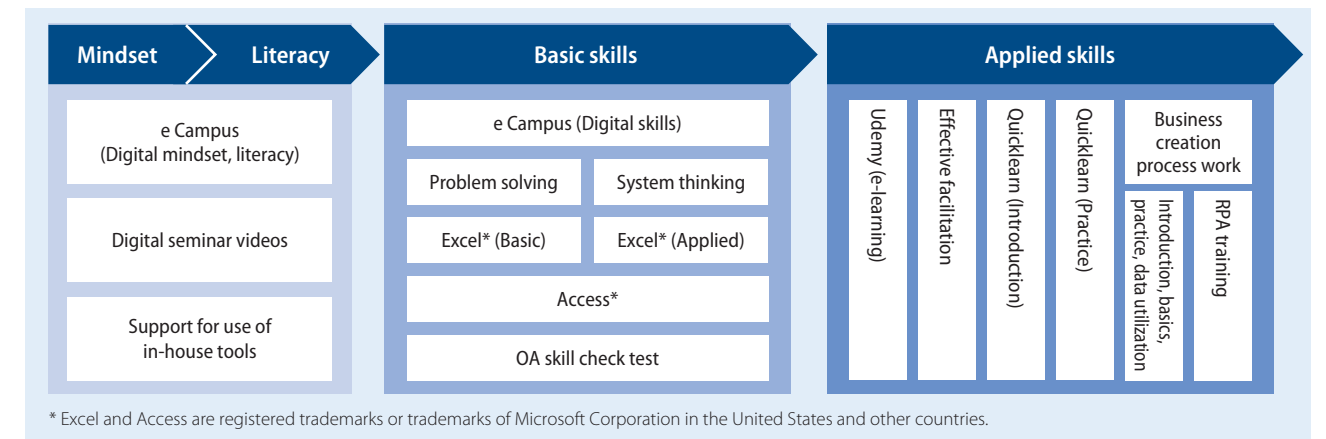
In Our Vision within the SMFL Way, we have declared that we will be "An advanced digital company." Accordingly, we are working to have each and every employee make full use of digital technology and to nurture human resources who can develop services for customers and design internal business processes.

We have in-house engineers who understand customer issues and are capable of tackling everything from suggesting solutions to developing applications and AI. We regularly work on more than 30 DX projects simultaneously.

- Human resources with skills to improve operational efficiency, as represented by RPA ambassadors and electronic contract teams
  - Human resources who can handle everything from internal product development to sales and implementation support (support for customers' DX)
  - Project management personnel who can take a broad overview of the entire Company and promote large-scale projects
- These are some of the human resources we have nurtured who can contribute to business from various approaches using digital technology.

#### Digital learning map

We conduct digital technology training with the aim of raising the level of digital technology utilization skills throughout the entire Company.



#### Active role of digital specialists

Digital specialists in the Digital Transformation Promotion Department, which was established in April 2022, and Digital Laboratory are working on the development of new systems and on DX.

##### Improving skills to expand into a variety of work

Digital Laboratory's AI team took part in a variety of training sessions and seminars (Coursera's Deep Learning training, AWS training, AI conferences, etc.) to learn about the latest technologies in artificial intelligence, data science and engineering. The team drew upon what they learned to independently design and develop systems such as automatic reading of financial statements and EasyOCR. Those skills were then deployed internally, to Group companies, and to customers to realize operational efficiency and work style reforms.



**Cheng A. Zeng**  
Digital Laboratory

##### Solving many issues from learning that can be applied to work

We have successfully developed many solutions in-house, from mobile apps to SaaS solutions, by developing MVPs (minimum viable products) and validating new technologies. To do this, we thought hard about how to break down technological barriers and solve customer problems, going as far as to accompany sales representatives on visits to customers to listen to their feedback. SMFL has the environment necessary to comprehensively learn and put into practice the skills to promote DX—skills that include listening to issues and responding to customer feedback, considering potential solutions, and developing systems and services.



**Shinji Yamashita**  
Digital Laboratory



## Features: Toward Realizing Our Vision – 4

### SMFL's DX Initiatives

One part of Our Vision within the SMFL Way is to be “An advanced digital company.” To this end, we are leveraging digital technology to transform our business.

In addition to having many experienced engineers who develop DX solutions in-house, we have sales, operations, and corporate staff departments that take ownership in planning and promoting the use of digital technology. Our digital transformation is in three stages: improvement of operational efficiency (Stage 1), digitalization of points of contact with customers (Stage 2), and support for customers' DX using internally developed SaaS assetforce and AI-OCR (Stage 3).

### • Three stages of SMFL's DX

#### Stage 1. Improvement of operational efficiency

##### Improvement of operational efficiency driven by each department

We use robotic process automation (RPA) to improve operational efficiency.

One characteristic of RPA is that it is completely driven by the needs of its use environment. Accordingly, promotion leaders (RPA ambassadors) are recruited from the employees of each department who handle relevant operations, and a specialized team at head office provides technical support. Currently, 50 employees have acquired skill certifications and are working together with employees in each department for both business growth and personal growth.

Another effort under way is to improve operations company-wide using digital technology in light of AI and other technological innovations and changes in business practices such as the digitalization of contracts.

#### Stage 2. Sales support

##### Support for sales in the new normal using digital technology

We are actively working to support sales in the new normal using digital technology, including online meetings with customers through digital tools and providing video through our app (Gaia), which we developed in-house, and cloud services. Among these efforts, webinars by the Company on societal issues such as decarbonization and SDGs feature a wide variety of content, including our expertise, Group company solutions, and customer case studies, and have been well received and viewed by thousands of customers in total.

Another area of focus is capitalizing on websites. We provide web services using in-house SEO and our proprietary assetforce market to build new points of contact with customers through digital technology.

#### Stage 3. Digital business development

##### “assetforce” cloud service for DX of asset management

“assetforce” is a cloud service that we developed for managing the life cycle of goods. It uses digital technologies such as AI and IoT to support visualization of the status of assets used inside and outside a company, making management operations more efficient, and enhancing business decisions.

Since we began providing the service in 2021, it has been used by numerous customers who have experienced challenges in the complicated work associated with fixed asset inventory and management of incoming and outgoing assets. Its use cases are growing in areas such as improving supply chain inventory management efficiency, and with the release of retail store POS and inventory management app “assetforce for stera.”\*

\* Service used on Sumitomo Mitsui Card payment platform “stera” terminals.

##### • assetforce



Please refer to publications or website (Japanese only) <https://pr.asset-force.com/> for use information and use cases.

##### • assetforce for stera



Please refer to website (Japanese only) <https://pr.asset-force.com/stera/> for details.

##### Developing and providing AI products

We provide customers with digital tools that our AI engineers have developed in-house and that have significantly improved operational efficiency at our offices.

“EasyOCR” and “Financial Statement Input AI” are services that we launched in FY2021 and are used by financial institutions and other customers in various industries.



Please refer to website (Japanese only) <https://digitallab.smfl.co.jp/> for details.

## Our Vision

An advanced digital company

### DX Expert

### Cultivating a digital mindset in all employees

We are actively recruiting for DX Experts, such as AI engineers, data scientists, app and web developers, marketing and customer experience experts. By collaborating with business professionals, each expert works not only to optimize operations but also to expand into new business areas.

Through a wide range of efforts from utilizing digital technologies in operations to cultivating a digital mindset—including our declaration that we will be “An advanced digital company,” adoption of a digitally competent human resource development program, and business development such as in-house digital tools—the entire Company is working on reskilling by putting these activities into practice.



## Medium-Term Management Plan (FY2020-2022)

Under Medium-Term Management Plan (FY2020-2022) started in FY2020, we have steadily implemented our business strategies while striving to meet our financial targets as we work toward realizing Our Vision within the SMFL Way established in April 2020.

### Outline of Medium-Term Management Plan

A medium-term strategy and financial targets have been set in the Medium-Term Management Plan (FY2020-2022).

In our medium-term strategy, we will move ahead with five constituent strategies based on the theme of “Becoming a company that evolves in response to changing times,” so that we may offer solid support to our customers as they face social changes by providing them with high-quality, high value-added financial services, and build a foundation for growth in new business areas that transcend the boundaries of the global market and finance. Furthermore, we will promote digital innovation as we aim to provide new value beyond leasing and financing. As a leading company in the leasing industry, we will also contribute to the sustainable development of our customers and society.

| Medium-term strategy   | Financial targets  |
|--|--|
| <p><b>Becoming a company that evolves in response to changing times</b></p> <p><b>Strategy I</b> Enhancing financial solutions</p> <p><b>Strategy II</b> Strengthening profitability in the global market</p> <p><b>Strategy III</b> Expanding the business domain and building a new platform for growth</p> <p><b>Strategy IV</b> Further promoting and utilizing digital innovation</p> <p><b>Strategy V</b> Strengthening the management platform that provides support for sustainable growth</p> | <p>Final fiscal year of Medium-Term Management Plan</p> <p><b>Growth potential</b> Consolidated ordinary profit At least ¥110.0 billion</p> <p><b>Efficiency</b> Overhead ratio Approx. 40%</p> <p><b>Profitability</b> ROA Approx. 1.7%</p> <p><b>Soundness</b> External ratings Maintain/improve “A”</p> |

|   | Growth potential: Consolidated ordinary profit  | Efficiency: Overhead ratio  | Profitability: ROA  |
|---|---|---|---|
| Medium-Term Management Plan financial targets | At least ¥110.0 billion   | Approx. 40%   | Approx. 1.7%  |
| FY2022 plan                                   | ¥130.0 billion  | Approx. 40%   | Approx. 1.7%  |
| FY2021 progress                               | Ordinary profit recovered significantly from the previous year thanks to growth in real estate and environmental businesses, improved performance by equity-method affiliates, and contribution by Kenedix to consolidated income | Improved overhead ratio due to curtailed expenses in the aircraft leasing business and increased equity in earnings of affiliates | Along with the V-shaped recovery in ordinary profit, ROA also recovered to a level close to Medium-Term Management Plan target  |
| 3-year trends                                 | <p><b>Ordinary profit</b></p> <p>(billion yen)</p> <p>FY2020 FY2021 FY2022</p> <p>Medium-Term Management Plan Actual/Plan</p>   | <p><b>Overhead ratio</b></p> <p>FY2020 FY2021 FY2022</p> <p>Medium-Term Management Plan Actual/Plan</p>                           | <p><b>ROA/Operating assets</b></p> <p>(trillion yen)</p> <p>FY2020 FY2021 FY2022</p> <p>ROA (Medium-Term Management Plan) ROA (Actual/Plan) Operating assets (Medium-Term Management Plan) Operating assets (Actual/Plan)</p> |

### Medium-Term Management Plan progress

From FY2020 to FY2021, we have put all five constituent strategies of our medium-term strategy into practice and are steadily achieving results.

Specifically, in addition to providing various financial solutions to meet customer needs for decarbonization and SDGs, we have strengthened our earning power in global markets through aircraft leasing, overseas investment, etc. and expanded our

business domains in environmental energy and real estate. In addition, we focused on creating new value through the use of digital technology, making improvements to the workplace, and improving operational efficiency. We further worked to strengthen our management foundation, such as improving employee engagement and disseminating information on SDGs.

| Medium-term strategy  | FY2021 results   |
|---|--|
| <p><b>Strategy I</b></p> <p>Enhancing financial solutions</p> <p>Offer solutions that anticipate changes in society</p> <p>Create new value, using equipment as a starting point</p>  | <ul style="list-style-type: none"> <li>Expanded into decarbonization solutions and SDGs leases, began sustainability-linked leases</li> <li>Took the lead in the industry in introducing and expanding electronic contracts in the small-lot sales financing business</li> </ul>   |
| <p><b>Strategy II</b></p> <p>Strengthening profitability in the global market</p> <p>Establish ourselves as a top brand in the transportation field</p> <p>Promote global expansion with regional and field targets by leveraging our collective strength as a group</p>  | <ul style="list-style-type: none"> <li>Accumulated quality assets through aircraft sale and leaseback, and purchased aircraft from Boeing</li> <li>Strengthened aircraft operating lease business through inorganic strategy</li> <li>Established the Asia Strategic Finance Department and strengthened overseas investment and financial services in APAC</li> <li>Invested in the Taiwan project, our first overseas solar power generation business</li> </ul> |
| <p><b>Strategy III</b></p> <p>Expanding the business domain and building a new platform for growth</p> <p>Expand business areas with SMFL MIRAI Partners and Kenedix as key players</p> <p>Advance into new business areas by leveraging our strengths</p>  | <ul style="list-style-type: none"> <li>Expanded renewable energy business</li> <li>Promoted real estate joint development and rental business, as well as the real estate brand NEWNO, and established collaborative system with Kenedix</li> <li>Yanmar Credit Service joined the Group</li> </ul>  |
| <p><b>Strategy IV</b></p> <p>Further promoting and utilizing digital innovation</p> <p>Improve services and productivity through digital utilization</p> <p>Build a digital platform that provides new value to society and customers</p>   | <ul style="list-style-type: none"> <li>Started providing assetforce and Financial Statement Input AI, developed assetforce market and assetforce live</li> <li>Developed a remote work environment, improved operational efficiency through RPA and so forth, and strengthened remote sales activities</li> <li>Full-scale launch of the project for building the next-generation core system</li> </ul>   |
| <p><b>Strategy V</b></p> <p>Strengthening the management platform that provides support for sustainable growth</p> <p>Promote business diversification and develop human resources who can respond to changes</p> <p>Strengthen corporate function balanced with growth and enhance departmental operating system</p> | <ul style="list-style-type: none"> <li>Conducted surveys to improve employee engagement</li> <li>Launched first-ever initiatives such as issuing an integrated report and establishing medium- to long-term environmental targets</li> <li>Raised compliance awareness and strengthened risk management in line with business diversification and expansion</li> </ul>   |

# Domestic Leasing Business

## Business overview

Leasing and installment sales, loans, and rental of machinery and equipment, used equipment purchase and sales, power generation business and other services, to both large corporations and small and medium-sized enterprises in Japan

## No. of employees

**1,591**

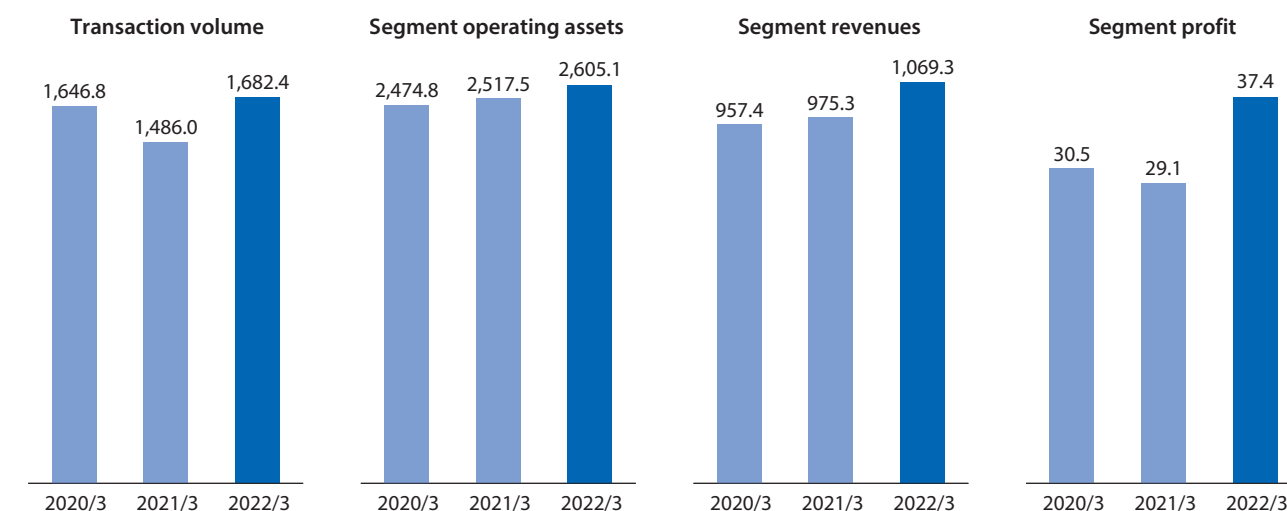
## Group companies

SMFL MIRAI Partners Co., Ltd.  
SMFL Rental Co., Ltd.  
SFI Leasing Co., Ltd.  
AJCC CORPORATION  
Kyushu Capital Finance Co., Ltd.  
SC Club Co., Ltd.  
YANMAR Credit Service Co., LTD.  
SMART Incorporated.

## Features of the business (strengths)

- Leveraging the extensive and robust customer base and network of a megabank group and a general trading company, we provide solutions that utilize our knowledge and expertise in equipment and commercial distribution cultivated over many years.
- The business consists of four units: the Corporate Business Unit, which provides problem-solving solutions; the Sector Business Unit, which provides specialized sales financing for machinery and equipment; the Retail Leasing Business Unit, which offers fast turnaround for relatively small sales financing; and the Product Promotion Unit, which handles businesses such as energy and used equipment sales.

## Performance trends (billion yen)



## Medium-Term Management Plan focus items

### Corporate Business Unit

- Creating more advanced solutions tailored to the business problems and needs of the customer, and leveraging the collective strength of the Group
- Expanding the business through cooperation with shareholders (SMFG and Sumitomo Corporation)
- Allocating strategic resources to markets with high growth potential and strengthening initiatives to nurture human resources for those markets

### Sector Business Unit

- Furthering the specialized machinery business and increasing the value it adds
- Expanding and strengthening of overseas sales financing base
- Seeking to enhance efficiency and increase added value by promoting digital transformation

### Retail Leasing Business Unit

- Opening up new markets and cultivating existing customers to enhance the earnings base
- Optimizing the organization by raising sales productivity and reviewing existing operations
- Promoting DX by shifting everything from screening applications to concluding contracts online

### Product Promotion Unit

- Expanding business domains in the environmental field from power generation to energy service provision and electricity retail
- Expanding non-asset businesses such as used equipment sales, accounts receivable guarantees, and life insurance
- Improving the efficiency of asset and inventory management using digital tools

## Main initiatives in FY2021

- Provided financing schemes that utilize decarbonization-related subsidies and tax incentives
- Responded to funding needs during the COVID-19 pandemic, provided PC and measuring instrument rentals
- Promoted utilization of SMBC's customer base and network, and strengthened the ability to suggest solutions through SMBC Group collaboration
- Furthered relationship building with customers using remote tools, and provided added value by deploying digital tools

- Provided financing schemes for gas supply services of major gas companies
- Promoted overseas sales financing business by sharing information and expertise related to domestic sales financing in Japan and strengthening risk management
- Enhanced and streamlined customer service through the use of digital technology such as web-based lease contract applications and electronic contracts, mainly for construction machinery and trucks

- Strengthened the sales system by geographical region reorganization and taking an approach of selection and concentration
- Promoted digitalization of various existing operations (through RPA, chatbots, etc.)
- Improved the accuracy of credit approval/rejection decisions in automated screening using AI
- Started full-scale deployment of electronic contracts in the small-lot sales financing business and provided added value through the development of SDGs leases

- Promoted and expanded renewable energy power generation business such as solar, wind, and biomass
- Expanded solar power generation and energy service business using onsite/offsite PPA models
- Promoted SMART as a provider of one-stop solutions to meet demand for dismantling of factories and plants

## HIGHLIGHTS

### Initiatives to promote commitment to SDGs

#### SDGs Lease, Asahi Soft Drinks Version

We provide "SDGs Lease, Asahi Soft Drinks Version (donation type)" to Asahi Soft Drinks Co., Ltd. Under this lease, part of the proceeds from leasing vending machines to Asahi Soft Drinks is donated to Meals on Wheels Japan, which supports activities to combat food scarcity issues such as Kodomo Shokudo (cafeterias for children eating alone) and food delivery services throughout Japan. The lease was developed as an exclusive product based on the SDGs Lease Mirai 2030® (donation type) leasing service that helps our customer to achieve SDGs.

Asahi Soft Drinks has been making donations to Meals on Wheels through the Akai Hane Central Community Chest of Japan, and SDGs Lease, Asahi Soft Drinks Version enables Asahi Soft Drinks to further enhance the effectiveness of its donations. We will continue to contribute to realizing a sustainable society by providing various financial services that support contributions that help achieve SDGs.

### Initiatives to be an advanced digital company

#### Digitizing business processes in the Retail Leasing Business Unit

In the Retail Leasing Business Unit, we are digitizing the entire business process from lease applications to credit approval/rejection decisions and contract closing in small-lot sales financing for small and medium-sized enterprises. Our leasing business is expanding as digitization of transaction processes becomes more common, mainly for manufacturers and sales companies that have accepted this new approach. Digitalization enables these customers to conduct efficient sales activities and avoid any errors in the paperwork.

Starting in FY2021, all transactions processed as electronic contracts are SDGs lease contracts. We donate the amount we saved by going paperless to the forest conservation organization More Trees. Going forward, we will continue to advance the digitization of business processes and provide a wide range of digital services for greater customer convenience, including horizontal deployment to other business units.





# Real Estate Business

## Business overview

Leasing and non-recourse financing for real estate such as retail properties, office buildings, and logistics facilities, as well as real estate development and rental, real estate asset management and other services

## Group companies

SMFL MIRAI Partners Co., Ltd.  
Kenedix, Inc.  
MAX-REALTY INC.

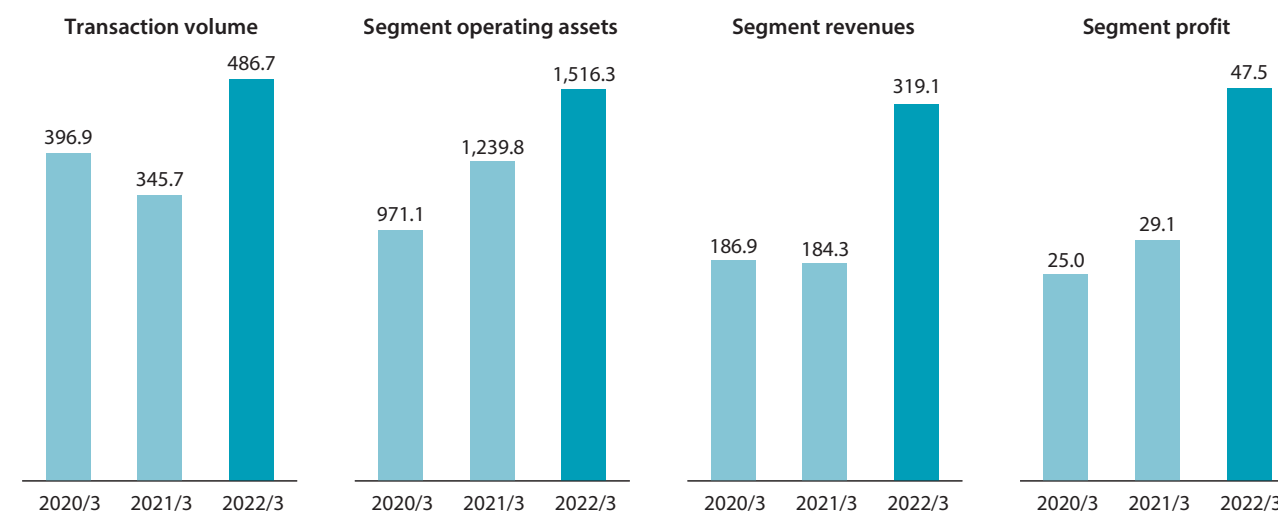
## No. of employees

**371**

## Features of the business (strengths)

- Operating real estate business that handles a wide variety of asset classes, backed by a track record in real estate that goes back more than 20 years
- Suggesting optimal schemes to respond to a wide range of customer needs, including real estate leasing and securitization as well as bridge leasing and non-recourse financing for real estate funds
- Enhancing the value of urban districts and regions and providing new investment opportunities through business operation and business participation, such as real estate development and rental and real estate asset management

## Performance trends (billion yen)



## Medium-Term Management Plan focus items

### Establishing customer base and earnings base

- Building robust customer base by strengthening relationships with customers, and establishing a stable earnings base by expanding the REIT support business

### Collaboration with partners and our two shareholders

- Promoting joint development and the rental business and creating new business models through cooperation with business partners, Group companies, and our two shareholders, SMBC Group and Sumitomo Corporation

### Strengthening the earnings base through real estate financing

- Providing non-recourse financing for core assets in Japan and overseas real estate to facilitate stable growth in earnings

### Enhancement of organizational structure and strengthening of human resources

- Enhancing business management and sales promotion structure and nurturing and retaining specialist human resources

## Main initiatives in FY2021

- Doubled the number of business negotiations, increased contracts and operating assets, and strengthened our earnings base by strengthening relationships with customers
- Provided various services such as the establishment of REIT funds and financing schemes, including bridge leasing in line with customer growth strategies

- In our collaboration with SMBC Group and Sumitomo Corporation, promoted joint development of offices and logistics facilities, rebuilding aging offices, and real estate development of offices and retail properties utilizing the Group's idle assets
- Started office rebuilding business in collaboration with partner companies

- Strategically accumulated core assets in Japan through equity contributions to private REITs, etc.
- Invested in core assets in North America, and developed investment and loan business in Asia in collaboration with Group company Kenedix and its joint shareholder ARA Asset Management Limited

- Established the Real Estate Business Planning Department, set up a compliance system, and strengthened the risk management system in expanding business areas
- In terms of nurturing human resources, promoted personnel exchange among Group companies and shareholders, focused on improving skills through internal and external training, and developed a support system for acquiring real estate-related qualifications

## HIGHLIGHTS

### Initiatives to promote commitment to SDGs

#### NEWNO, the eco-friendly real estate leasing business

SMFL MIRAI Partners launched real estate brand NEWNO in July 2021. Construction of NEWNO Jiyugaoka was completed in January 2022 as the first property developed in-house under the NEWNO brand. With RE100-compliant CO<sub>2</sub>-free electric power and emergency supplies, the property earned the DBJ Green Building certification of 3 stars as a building that is environmentally friendly and equipped with disaster preparedness functions.

NEWNO Nagoya-eki Nishi, completed in March 2022, features enhanced ventilation in elevators and on every floor to counter infectious diseases, a green roof, and green blocks within the premises. These features earned the property a Comprehensive Assessment System for Built Environment Efficiency (CASBEE) rank of A as a building that is environmentally friendly and equipped with safety and security measures.

Moving forward, in addition to further expanding and deepening our business domain through the NEWNO brand, we will strive to improve and enhance the environmental considerations and service value of real estate, thereby contributing to the realization of a sustainable society.

### Initiatives to be an advanced digital company

#### Improving operational efficiency through the use of digital technology

We are building a unified management system for transactions and information using the digital platform "assetforce" that we developed. We have also been making efforts toward better efficiency of internal operations, including introducing paperless reporting documents and electronic contracts and creating tools to streamline in-period administrative work. Through these efforts, in FY2021 we were able to increase the efficiency of the Real Estate Business Unit overall by more than 1,000 hours over the year. We will continue to promote efficiency through the application of digital technology, including expanding the scope of electronic contracts, converting routine work to RPA, and development of automated reading functions for various documents using AI-OCR.

In addition, we will use digital technology to promote the creation of new business opportunities, such as offering assetforce for managing satellite offices and retail properties and executing Japan's first publicly offered real estate security token offering (STO) using blockchain technology at Kenedix.



# Development of Kenedix's Business

Last year, although the Kenedix Group reached a major turning point when it was delisted, it nevertheless made steady, forward progress as it maximized synergies with the SMFL Group.



**Taisuke Miyajima**

President & CEO  
Kenedix, Inc.

Joined Kenedix in 1998. Served as President & CEO of Kenedix REIT Management, Inc. (now Kenedix Real Estate Fund Management, Inc.) for seven years, and developed Kenedix Office Investment Corporation into a leading independent J-REIT stock. Appointed President & CEO of Kenedix, Inc. in March 2013. Has a career spanning over 30 years in the real estate financial field.

## Financial results for the FYE December 31, 2021

While the impact of the COVID-19 pandemic continued to be felt, Kenedix managed to steadily grow assets under management (AUM) to over ¥2.5 trillion at the end of the fiscal year. Ordinary profit of ¥17.3 billion and profit attributable to owners of parent of ¥10.5 billion both exceeded forecasts, thanks to an increase in stable earnings from the expansion of AUM and real estate investment gains and losses in the robust real estate market.

Furthermore, the capital and business alliance with the SMFL Group was very well received by a variety of stakeholders, and the creditworthiness of various REITs of the Group, including Kenedix's, enjoyed a significant boost.

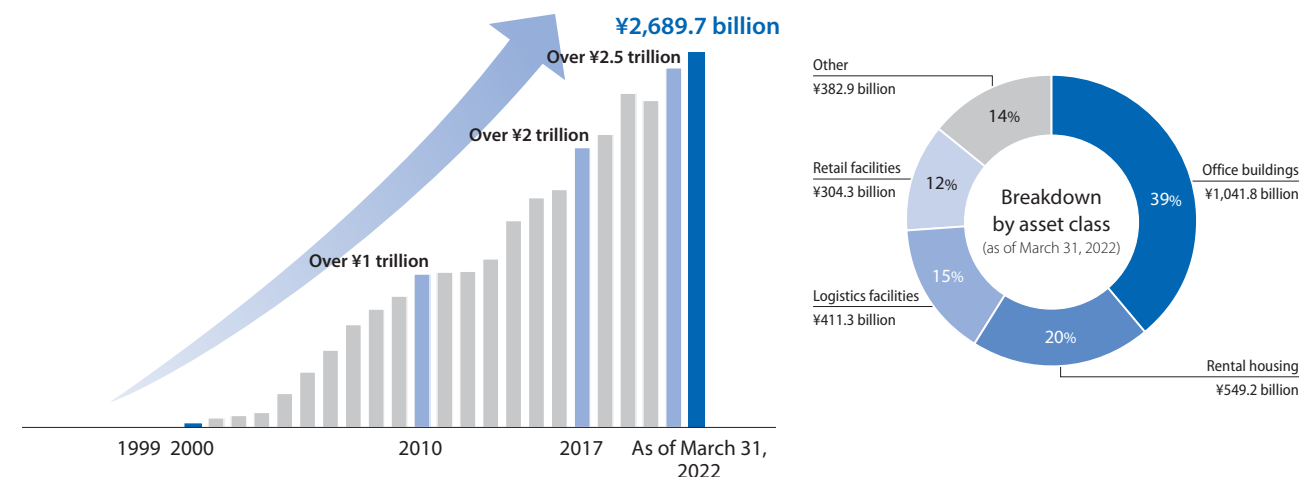
## New business in anticipation of the end of the pandemic

Kenedix is also working on various new businesses to drive future growth, including real estate security tokens, global expansion, rental single-family housing funds, and renewable energy. In global expansion, we have already had an opportunity to make full use of our synergies with the SMFL Group.

Kenedix will continue to grow by maximizing synergies with the SMFL Group in various aspects, including these new businesses.

## Kenedix Group assets under management

(as of December 31)



## — Collaboration with the SMFL Group —

### Business development in Asia: Joint investment in Singapore

SMFL MIRAI Partners, Kenedix, and ESR Group company ARA Asset Management Limited (ARA) made a joint investment in real estate in Singapore in February 2022.

The investment property is Capital Square, an office building complex in Singapore's central business district Raffles Place. The property sits in a prime location near a major subway station and among its key tenants are major financial institutions and IT companies with global operations. The combined investment by the three companies totaled SGD 297 million.

SMFL Group, Kenedix, and ARA will continue to expand the investment and loan business and create new investment opportunities in the Asia-Pacific region by leveraging each company's network, expertise, and strengths, and by demonstrating synergies through collaboration among the three companies.



### Promoting digital collaboration: Testing digital asset management using assetforce

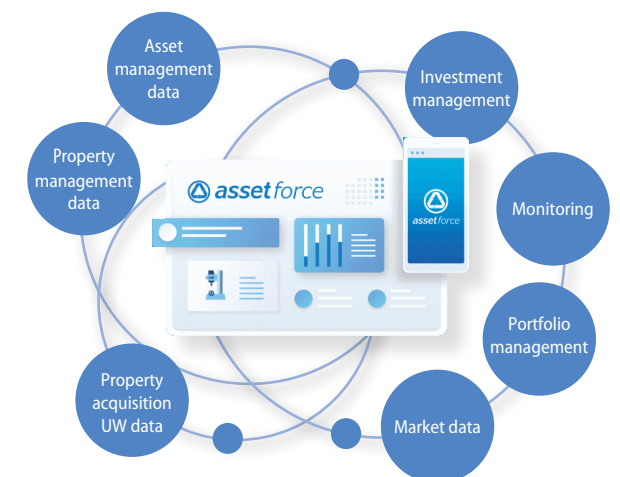
Kenedix has begun to test digital asset management with assetforce provided by SMFL.

In recent years, companies have touted their superiority through digital transformation, and this is an urgent matter in the field of real estate asset management as well. The work involved in real estate asset management spans a wide range of activities, across such business processes as initial consideration before investment, property acquisition, investment management, funding, property management and monitoring during the operation period, portfolio management, and utilizing market information.

Kenedix, jointly with SMFL, is examining the potential for next-generation asset management by seamlessly handling information for these tasks through assetforce.

From a medium- to long-term perspective, Kenedix is considering its use to develop new investment methods and areas that utilize digital technology such as security tokens, while also building business infrastructure suited to digital asset management in real estate.

### Aiming for next-generation digital asset management by seamlessly processing Kenedix's business information through assetforce





# Transportation Business

## Business overview

Aircraft leasing, aircraft engine leasing, helicopter leasing, financing and various services for the marine logistics field, sale of investment products and other services

## Group companies

SMBC Aviation Capital Limited  
SMBC Aero Engine Lease B.V.  
SMFL LCI Helicopters Limited

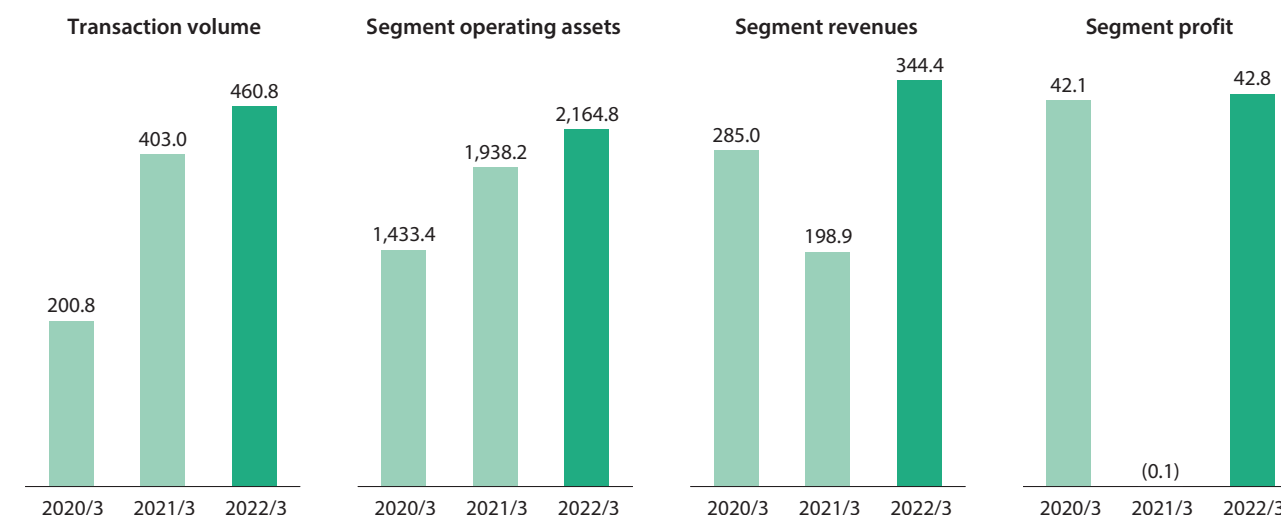
## No. of employees

**314**

## Features of the business (strengths)

- Providing a wide range of services to meet the diverse needs of airlines worldwide through business operations of SMBC Aviation Capital (SMBC AC), a world-class aircraft leasing company, and SMBC Aero Engine Lease (SAEL), an aircraft engine leasing company
- SMFL LCI Helicopters' helicopter leasing business contributes to solving societal issues such as emergency medical transport, search and rescue in mountainous areas and coastal waters, and personnel transport to offshore wind farm facilities
- Providing a variety of services including financing for the marine logistics field and support for safe operation of ships

## Performance trends (billion yen)



## Medium-Term Management Plan focus items

### Sustainable growth and expansion of the aircraft leasing business

- Higher profitability through sustainable growth in SMBC AC's aircraft leasing business and SAEL's aircraft engine leasing business by capturing growing demand for aircraft

### Development and strengthening of investor business

- Enhancing investor services and expanding the investor business platform by adopting new investment methods and improving SMFL's investment schemes such as JOL and JOLCO (Japanese Operating Lease (with Call Option))

### Expansion of new businesses and peripheral businesses, diversification of business portfolio

- Diversifying business portfolio by expanding the scale of the helicopter leasing business, investing in new fields, and strengthening finance and services in the marine logistics field

### Reorganization of business units, strengthening of systems, human resource development

- Strengthening the system of middle and back office functions such as credit management, compliance, and SPC management in line with business growth and expansion, and strengthening human resource development

## Main initiatives in FY2021

- In the aircraft leasing business, strengthened the earnings base by promoting the sale of older aircraft, while also acquiring operating assets through sale and leaseback (SLB) and portfolio purchases
- In the aircraft engine leasing business, accumulated operating assets through SLB and strengthened the management base by making SAEL a wholly owned subsidiary

- Cultivated new investors by expanding sales channels for Japanese investors, expanded customer services by launching a website for investors, and enhanced information provision functions

- In the helicopter leasing business, built up operating assets and strengthened the earnings base by expanding models and diversifying regions served
- In the marine logistics business, provided sustainability-linked financing and invested in Groke Technologies, which holds new technology for autonomous ship navigation

- Strengthened the management system and screening function of the aircraft business and developed a system to expand the sales base in Europe

## HIGHLIGHTS

### Initiatives to promote commitment to SDGs

#### Efforts to reduce environmental impact

We are promoting initiatives for SDG-based management, such as promoting the reduction of CO<sub>2</sub> emissions through existing businesses and investing in new technologies that contribute to decarbonization. SMBC AC and SAEL are increasing the ownership ratio of new aircraft and new engines that are eco-friendly and highly fuel efficient. SMFL LCI Helicopters is expanding financial services to areas that contribute to SDGs, such as emergency medical transport, rescue activities in the event of a disaster, and personnel transport to offshore wind farm facilities. In marine logistics, we are promoting environment-related financing, and are the first leasing company in the world to commit to the Poseidon Principles.

SMBC AC has formulated an environmental roadmap to 2050 and is committed to long-term SDG-related initiatives. We will continue to work to boost our corporate value while expanding investment in eco-friendly financing and new technologies related to SDGs.

### Initiatives to be an advanced digital company

#### Improving customer service through digital utilization

We are making efforts to improve operational efficiency and support sales through digital technology, and to commercialize digital technology as well. Internally, we are working to improve operational efficiency and reduce administrative risks by utilizing new systems, adopting RPA, and supporting digitization at subsidiaries. On our dedicated website for JOLCO investors, we use profile marketing and marketing automation for improved investor convenience, which leads to the structuring and provision of products that meet their needs.

We also hold webinars for investors and provide the latest information on the airline industry online. In marine logistics, we are participating in the autonomous ship business by investing in Groke Technologies as an initiative that contributes to the safe navigation of ships and the realization of digitalization in the field of marine logistics. Moving forward, we will continue to promote the use of digital technology.

# SMBC AC's 10-year History

## Establishing its position as a leading company

In 2012, SMFL joined with SMBC and Sumitomo Corporation to acquire the aircraft leasing business of Royal Bank of Scotland Group, and the business began operations as SMBC Aviation Capital (SMBC AC). An existing aircraft leasing joint venture between SMFL and Sumitomo Corporation and Sumitomo Corporation's aircraft leasing subsidiary were subsequently integrated into SMBC AC. The new company has grown dramatically as it leveraged SMFL, SMBC, and Sumitomo Corporation's financial bases, global networks, customer bases, and high degree of risk management capabilities.

Over the past 10 years, the demand for aircraft has increased significantly due to higher air passenger demand as the

economies of emerging countries grew and due to the rise of low-cost carriers. Backed by the solid fund-raising base of the shareholder group, we increased the number of aircraft by continuing to place orders with aircraft manufacturers and through sale and leasebacks of aircraft acquired by airlines, while also focusing on aircraft sales to aviation investors, structuring and sale of JOL and JOLCO (Japanese operating leases), and aircraft fleet management. Through these initiatives, we have expanded our business scale, strengthened profitability, enhanced our portfolio, and diversified our business, establishing ourselves as a leading company in the aircraft leasing business.

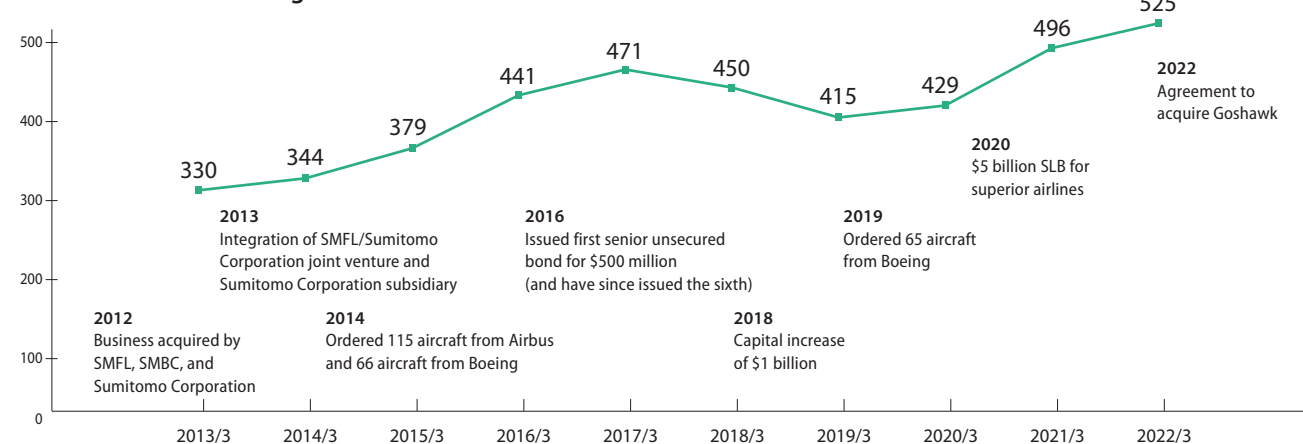
## Toward further growth

In May 2022, we came to an agreement with the shareholders of Goshawk Management Limited (Goshawk) regarding acquisition of this independent aircraft leasing company based in Ireland. The acquisition, when combined with existing aircraft, will bring the number of aircraft owned, managed, and ordered to approximately one thousand, making the Company the second largest business in the aircraft leasing industry.

In the meantime, the impact of the COVID-19 pandemic continues to be felt. Furthermore, we also recorded an

impairment loss on aircraft leases to Russian airlines due to the Russia-Ukraine situation, and the outlook remains highly uncertain. However, global passenger demand is recovering, especially for domestic flights and short-haul routes, as economic activity resumes, and we anticipate global growth in the medium to long term especially in emerging countries. The Group regards the aircraft leasing business as one of its main growth areas and aims for even further expansion moving forward.

### No. of owned and managed aircraft



## Overview of SMBC AC (including Goshawk acquisition\*)

### Overview of the business



### Owned aircraft assets

Narrow-body  
**82%**

Next-generation aircraft  
**56%**

Average age  
**4-5 years**

\* Aircraft owned by SMBC AC as of March 31, 2022 and aircraft owned by Goshawk as of June 30, 2022 (excluding Russia assets)

## We continue to grow into the world's leading aircraft leasing business.

The acquisition of SMBC Aviation Capital 10 years ago has proved to be a great success and provided this business with the scale and strength to grow. This has been clearly demonstrated most recently through the acquisition of Goshawk Aviation—another strong expression of our shareholders' confidence in and commitment to our business and the aviation sector.

Our shareholders have been exceptionally supportive of this business since the acquisition in 2012 and working in cooperation with the Group has opened up many opportunities around the world including in Japan. We continue to expand on the work we do with the wider Group to develop our product offerings, ensuring that we deliver the best service possible for all our customers.

Our alignment with our shareholders has also allowed us to progress our ESG strategy and we will continue to advance our commitments in this area over the coming years. The ongoing support from and strategic alignment with our shareholders continues to set us apart from our peers, and with our clear focus on new technologies and fuel-efficient, narrowbody aircraft, the business is positioned well for the accelerating recovery of the global aviation sector.



**Peter Barrett**  
CEO, SMBC AC

Appointed CEO in 2004. Has worked in aircraft leasing and finance for over 30 years, starting his career with Guinness Peat Aviation. Holds a Bachelor of Engineering from University College Cork.

## SMBC Aero Engine Lease B.V. (SAEL)

### Entry into the aircraft engine leasing business

SMFL entered the aircraft engine leasing business in 2019 by acquiring shares of Sumisho Aero Engine Lease B.V., a joint venture between Sumitomo Corporation and major German aircraft engine manufacture and maintenance company MTU Aero Engines. The new company became a wholly owned

subsidiary of SMFL in 2021. The spare engine leasing business is an essential part of the aircraft business, and entering and expanding it will create synergies with the aircraft leasing business and strengthen our presence in the aviation industry.

## By joining the SMFL Group, we have achieved dramatic growth.

SMBC Aero Engine Lease is based in the Netherlands and specializes in aircraft engine leasing and financing. Since SMFL became a majority shareholder in 2019, SAEL has achieved dramatic growth, doubling its portfolio in three years. Our ambition is to continue on our growth journey to become one of the top-tier engine lessors whilst contributing to the environment, and thus we are focusing on new-technology engine leasing. New-technology engines currently account for 50% of our portfolio. In summation, we are proud to be expanding business with investors in Japan and to keep providing them with opportunities to invest in a growing industry.

**Roger Welaratne**  
Managing Director  
& CEO, SAEL

Joined the company in February 2020 as CCO, and appointed to CEO in April 2021. Prior to joining SAEL, was Head of Commercial at GECAS Engine Leasing, and has worked 25 years in the engine leasing industry, holding a number of executive positions at GECAS and SES. Holds a Master of Science in Aeronautical Engineering and an MBA.







# Overseas Business

### Business overview

Sales financing for overseas companies, finance services for overseas capital investments of affiliates of Japanese companies and other services

### No. of employees

584

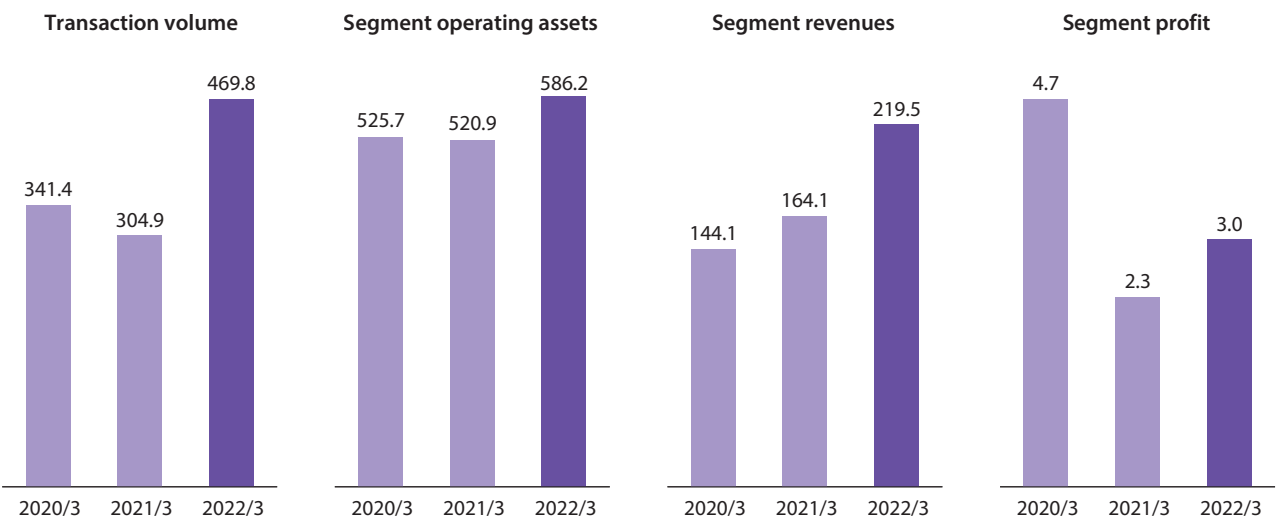
### Group companies

Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.  
Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.  
Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd.  
Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.  
SMFL Hire Purchase (Malaysia) Sdn. Bhd.  
SMFL Leasing (Malaysia) Sdn. Bhd.  
PT. SMFL Leasing Indonesia  
DMG MORI Finance GmbH  
SMFL Leasing (Thailand) Co., Ltd.  
Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.

### Features of the business (strengths)

- Providing finance services to overseas companies for purchasing machinery from Japanese or other manufacturers and their sales companies
- Developing sales financing business in China, Southeast Asia, North America, and Europe based on strong relationships with manufacturers and sales companies
- Providing local currency-denominated financing and cross-border financing for capital investment by affiliates of Japanese companies expanding overseas
- Utilizing the customer base and networks of the SMBC Group and Sumitomo Corporation

### Performance trends (billion yen)



### Medium-Term Management Plan focus items

#### Pursuing new development of core businesses

- Strengthening and enhancing the sales financing business by tailoring it to the regional characteristics of China, ASEAN, Europe and the United States

#### Establishing a new business model and organizational structure

- Expanding transactions with affiliates of Japanese companies overseas and developing new businesses by cooperating with our two shareholders (SMFG and Sumitomo Corporation)

#### Expansion into new business areas overseas

- Developing the rental and used equipment sales business overseas and expanding the geographical scope of our business through collaborations with local partners

#### Expansion of overseas business with a view to medium- to long-term growth

- Developing the overseas business in each of our focus areas of transportation, environment and renewable energy, and real estate

### Main initiatives in FY2021

- **In China:** In addition to transactions that rely on conventional manufacturer guarantees, provided asset financing based on the value of equipment
- **In the US:** Promoted originate-to-distribute business model by purchasing and selling lease receivables

- Cultivating overseas business originating in Japan by using SMBC's customer base, and established a business foundation in the UK and Europe, by investment in SMBC Group's UK leasing company SMBC Leasing UK (30%)

- Using the relationship with Sumitomo Corporation to expand used construction machinery financing transactions in China through tie-ups with used equipment e-commerce companies
- Established the Asia Strategic Finance Department in Singapore and promoted the investment and loan business and project financing in the APAC region

- Strengthened renewable energy business by expanding financing schemes for solar power generation facilities in Thailand to Indonesia, Malaysia, and Vietnam
- Introduced an electronic contract system in Malaysia as an infrastructure enhancement. Improved customer convenience and developed a remote contract environment by digitalizing delivery, receipt, and signatures for major contract documents. Planning further adoption at each local subsidiary in stages.

### HIGHLIGHTS

#### Initiatives to promote commitment to SDGs

##### Overseas expansion of environment-related business

We have been leasing solar power generation equipment in Thailand, which offers local tax incentives. Given the growing global need for decarbonization, however, we are gradually expanding the regions we serve. Currently, we are working to expand in six countries (Thailand, Malaysia, Indonesia, Vietnam, China, and Mexico), which are for the most part countries where our overseas offices are located, and we offer financing schemes for self-consumption solar power generation equipment in tie-ups with Japanese EPC (engineering, procurement, and construction) companies. Moving forward, we will work toward expanding this endeavor to fields beyond solar power generation equipment.

In addition, in April 2022, the Global Environmental Business Promotion Section was newly established in the Product Promotion Unit under the SMFLMP Energy & Environmental Business Promotion Department. With this initiative, we have built a system to promote investment and loan projects overseas, mainly in the renewable energy field.

#### Initiatives to be an advanced digital company

##### Introduction of a sales financing system that utilizes the latest technology in China

At our local subsidiaries in China, where social implementation of digitalization is advancing, we have adopted an advanced sales finance system featuring electronic contract, identity verification, and electronic payment functions that local leasing companies use for equipment sales financing.

We have expanded the existing functions and changed the specifications from the application receiving system to a multi-vendor system that can be shared by multiple sales agents. Since local leasing companies are using a similar system, our system has been smoothly accepted by sales agents, and the usage rate is steadily growing.

The system also supports user-side access and is compatible with smartphones and other mobile devices, which has helped to enhance customer service. In addition, the centralization of transaction-related data has made data analysis easier than before. Consequently, the data analysis will be used in our strategic planning.

# Commitment to SDGs

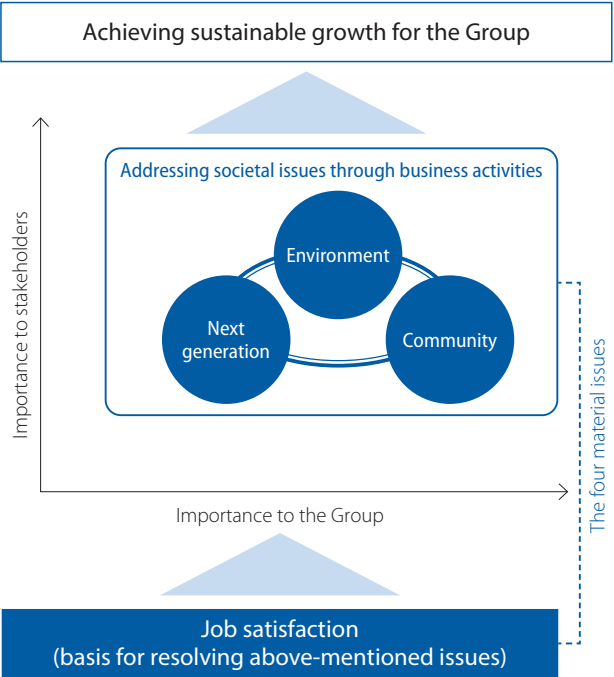
## Materiality (Key Issues)

### Positioning of and selection process for material issues

In order to be more effective in moving forward with commitment to SDGs as its growth strategy, the Group selected four material issues through the following process. To select the material issues, the Group studied the options from the perspectives of

what is important to stakeholders and what is important to the Group, while also listening to advice from external experts.

#### Positioning of material issues



#### Selection process for material issues



### Structure for promoting SDGs and approach to ESG risks

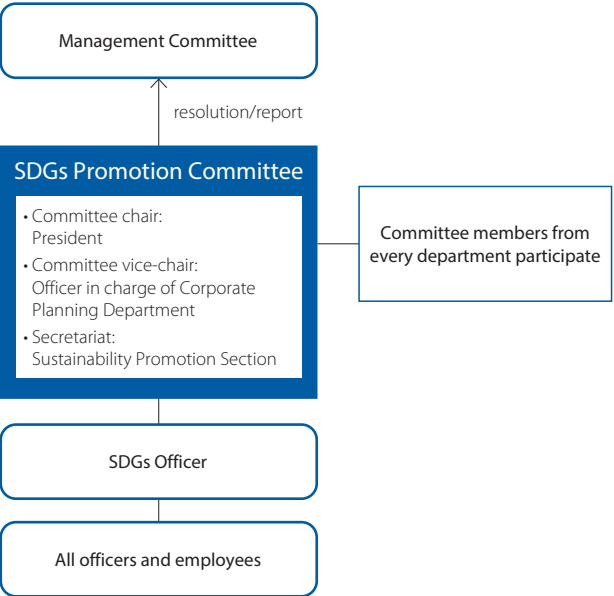
#### Structure for promoting SDGs

The Group has established the SDGs Promotion Committee chaired by the President. The committee works to realize a sustainable society by formulating initiatives to support our commitment to SDGs, as well as discussing and promoting various necessary measures. In FY2021, discussions included setting medium- to long-term environmental targets (see pages 42–43 for Medium-to Long-Term Environmental targets). In April 2022, the Sustainability Promotion Section was established to further bolster our commitment to SDGs.

To implement the various measures required for our commitment to SDGs, we have assigned SDGs Officers to each department. We also hold SDG-related study sessions every year, so that all officers and employees tackle SDGs as personal matter.

The SMBC Group’s policy is not to provide credit in cases where there are concerns that its use would have a significant negative impact on the environment. As a member of the SMBC Group, the SMFL Group has adopted a similar policy as it expands its business.

#### Structure for promoting commitment to SDGs



### Framework for promoting commitment to SDGs

As part of Our Vision within the SMFL Way, the Group has declared its intention to become a company “chosen for its commitment to SDGs.” In order to continue to be chosen as a business partner by future generations, we are tackling the SDGs head-on and contributing to the sustainable development of society.

In order to promote our commitment to SDGs, we have put in place the following framework, with the course of action, SDGs focus items, and main measures organized systematically for each material issue.

| The four material issues   | Course of action for key issue   | SDGs focus items  | Main measures   | Vision  |
|--|--|---|---|---|
| <b>Environment</b><br>Contributing to achieving decarbonization and a recycling-based society                          | <ul style="list-style-type: none"> <li>Optimize operation of SMFL’s environmental management systems while supporting customer initiatives to reduce environmental impacts</li> <li>Leverage our characteristics as a leasing company that deals with equipment to contribute through our business activities to the realization of a recycling-based society</li> </ul> | 7 AFFORDABLE AND CLEAN ENERGY<br>12 RESPONSIBLE CONSUMPTION AND PRODUCTION<br>13 CLIMATE ACTION                         | <ul style="list-style-type: none"> <li>Promoting initiatives for renewable energy</li> <li>Handling more products that contribute to decarbonization</li> <li>Promoting 3R business</li> <li>Reducing our own usage of electricity and paper</li> </ul> | Facing up to the SDGs<br>Resolving societal issues<br>Creating new business<br>SMFL’s sustainable growth<br>A company that continues to be chosen in the future |
| <b>Next generation</b><br>Contributing to the development of people and companies that progress to the next generation | <ul style="list-style-type: none"> <li>Develop and introduce new technologies aligned with the needs of Japan’s declining population so as to contribute to the development of companies</li> </ul>  | 8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  | <ul style="list-style-type: none"> <li>Promoting innovation in areas such as digital technology and robotics</li> <li>Supporting the children who will become the platform for the next generation</li> </ul>   |   |
| <b>Community</b><br>Contributing to the sustainable development of local communities                                   | <ul style="list-style-type: none"> <li>Contribute to the building of sustainable communities through development and maintenance of indispensable infrastructure</li> </ul>  | 8 DECENT WORK AND ECONOMIC GROWTH<br>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>11 SUSTAINABLE CITIES AND COMMUNITIES | <ul style="list-style-type: none"> <li>Providing solutions for sustainable urban development</li> <li>Contributing to the development of the economies of all countries by supporting capital investments on a global basis</li> </ul>                  |   |
| <b>Job satisfaction</b><br>Creating opportunities for everybody to be actively involved in a better future             | <ul style="list-style-type: none"> <li>Promote diversity in the context of an aging population and a low birthrate to enable the active involvement of diverse talents</li> <li>Create an open and productive workplace environment and cultivate a corporate culture that enables employees to derive pleasure and satisfaction from their work</li> </ul>              | 5 GENDER EQUALITY<br>8 DECENT WORK AND ECONOMIC GROWTH  | <ul style="list-style-type: none"> <li>Promoting an active role for women and senior citizens</li> <li>Promoting work style reforms</li> <li>Improving operational efficiency through the use of digital technology</li> </ul>                          |   |



## Commitment to SDGs

# Commitment to the Environment

### Background to establishing medium- to long-term environmental targets

The Group formulated its environmental policy in June 2017, explicitly stating its contributions to solving global environmental issues. In April 2020, as part of Our Vision within the SMFL Way, the Group declared its intention to become a company “Chosen for its commitment to SDGs,” and since then has been working on various initiatives.

In October 2020, the Japanese government declared its intention to achieve carbon neutrality by 2050 and has been promoting the decarbonization of society by encouraging

companies to take action. The SMBC Group has announced its goal to make greenhouse gas emissions carbon neutral for its entire loan portfolio by 2050, and the Sumitomo Corporation Group has likewise declared a goal of carbon neutrality for all its business activities by 2050.

SMFL, in the meantime, established its medium- to long-term environmental targets in April 2022, with the intention of contributing to the sustainable growth of the Group by achieving those targets.

### Medium- to long-term targets for reducing greenhouse gas emissions

#### Target 1: Net-zero greenhouse gas emissions by the Company

The Company (non-consolidated) will achieve net-zero greenhouse gas emissions (Scope 1 and Scope 2) in Japan by FY2023. For Scope 1, we will work to achieve net-zero by optimizing the number of Company vehicles we own and the form of their ownership. For Scope 2, we will, in addition to implementing measures such as reducing electricity consumption by consolidating offices at the head office, acquire non-fossil certificates created through solar power generation facilities owned by the Group and switching all power consumption to renewable energy.

#### Target 2: Net-zero greenhouse gas emissions by the Group

The Group (consolidated) will achieve net-zero greenhouse gas emissions (Scope 1 and Scope 2) by FY2025. We will involve our overseas offices, overseas subsidiaries, and Group companies in our efforts to achieve net-zero.

#### Renewable energy for the electricity used by the head office

In working toward our medium- to long-term environmental targets, in April 2022 we made a switch to renewable energy for the power consumption at Sumitomo Mitsui Bank East Tower, where our Tokyo Head Office is located. We achieved this through the utilization of a FIT non-fossil certificate with tracking from the Wakaba-ku Tomitacho Solar Power Plant owned by SMFLMP.

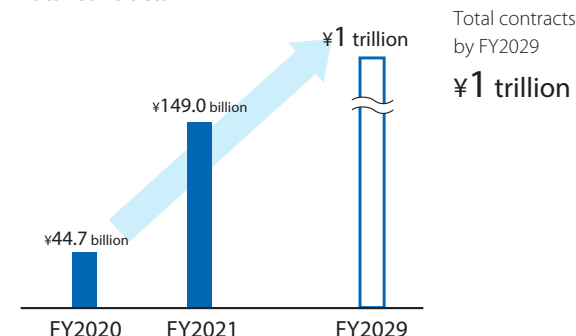
Going forward, we will continue to utilize FIT non-fossil certificates with tracking for the solar power plants owned by the Group for the electricity used by all offices in Japan, including those of Group companies, in an effort to convert to renewable energy.



#### Target 3: ¥1 trillion in total contracts for sustainability businesses

To support customers' efforts to promote decarbonization and contribute to solving societal issues such as climate change, the Group has set a target of ¥1 trillion in total contracts for sustainable businesses from FY2020 to FY2029 and is encouraging the promotion of related businesses.

Total contracts



### Definition and scope of sustainability business

Due to customers' growing interest in sustainability, the total contracts for sustainability businesses increased to more than ¥140 billion over the two years up to FY2021.

Going forward, we will add environmentally certified real estate development and financing, sustainability-linked leases, etc. to the scope of sustainability-related transactions.

We will continue working to develop products and services that contribute to solving issues related to sustainability as we aim to achieve our targets by expanding the scope of the Group's sustainability businesses.

#### Main transactions so far (FY2020–2021)

- Investment in and financing of renewable energy power generation businesses such as solar, wind, hydro and biomass
- SDGs Lease MIRAI 2030® (donation type)/(evaluation type) scheme, SDGs leases in collaboration with companies and government agencies
- Sustainability-linked leases and loans for ships utilizing the framework of the Poseidon Principles in which we participate

#### Main transactions to be added going forward (FY2022–)

- Environmentally certified real estate development and financing
- Sustainability-linked leases and loans (beyond those for ships)
- SDGs rental through SMFL Rental

### Showcase transactions

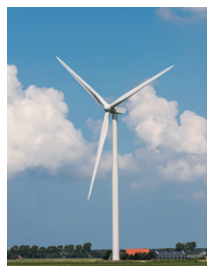
#### Start of operations at JRE Aso Takamori Solar Power Plant

JRE Aso Takamori Solar Power Plant began commercial operation in May 2022, and was jointly developed with Japan Renewable Energy Co., Ltd. in Takamori in Kumamoto's Aso District. The plant generates approximately 71.8 million kWh of electricity per year, equivalent to the annual power consumption of about 16,320 typical households, and is expected to reduce CO<sub>2</sub> emissions by approximately 26,190 tons annually. Other projects in progress with Japan Renewable Energy Co., Ltd. include large-scale solar power generation projects in Yamato in Kumamoto Prefecture and Satsuma in Kagoshima Prefecture.



#### Providing bridge loan during construction for wind farm

We are providing a bridge loan for a wind farm under construction in Tsuyama in Okayama Prefecture (CEF Tsuyama Windfarm). The wind farm began construction in October 2021 and is scheduled to commence operation in June 2024. It will have 16 large-scale wind turbine generators with an output of 4,100 kW each, with the power generated to be sold to Chugoku Electric Power Co., Inc. Annual electricity generation is expected to be approximately 126 million kWh, which will reduce CO<sub>2</sub> emissions by approximately 56,000 tons annually. This is the first wind farm project on an extra-high voltage scale in Okayama Prefecture.



#### SDGs Lease MIRAI 2030® (donation type)/(evaluation type) scheme: SDGs leases for companies and government agencies

In December 2019, we were the first in the industry to provide SDGs leases. The number of transactions is increasing year by year due to growing customer interest in SDGs and the development of our original SDGs leases in collaboration with companies and government agencies. From FY2020 to FY2021, we provided SDGs leases to a total of 477 companies and government agencies for total contracts of ¥21.1 billion yen.



#### Sustainability-linked leases and loans making use of the Poseidon Principles framework

In April 2021, we began to offer sustainability-linked leases and loans in which the lease fee and interest rate vary according to the level of CO<sub>2</sub> reduction achieved by the ships financed. These leases and loans make use of the framework of the Poseidon Principles in which we participate. In December 2021, CO<sub>2</sub> emissions reduction results for each of the 23 financial institutions participating in the Poseidon Principles based on their respective financed ship portfolios were published. Our result was -4.01%, which was better than the target reference value, and the 6th best result among the 23 financial institutions.

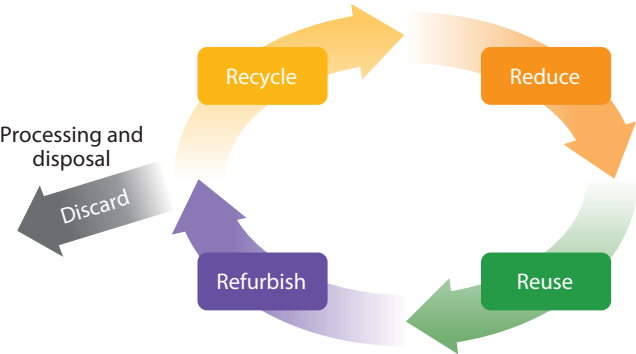


# Commitment to SDGs

## Commitment to the Environment

### Contributing to a circular economy

In addition to selling machinery and equipment that have been returned after lease maturity, we also purchase and sell used general machinery and equipment and have a proven track record as a leading player in the sale and purchase of used semiconductor manufacturing equipment. We are also actively promoting 3R activities, such as providing waste compliance management ASP services and launching the equipment and plant disposal general contractor business. We will continue to contribute to the realization of a circular economy by utilizing our knowledge and expertise in equipment as a leasing company and by collaborating with partner companies such as manufacturers and sales companies.



### SMART—3R business: Comprehensive plant dismantling support service

Group company SMFLMP formed SMART as a joint venture with major metal recycling business ARBIZ Corporation to provide a comprehensive service from the sale of used equipment and metal scrap, waste disposal, and building dismantling to the return of land to its original condition. The dismantling supervision, execution, and recycling technologies of ARBIZ are leveraged along with our knowledge and expertise in equipment and sales network to properly dispose of facilities and plants and contribute to lower dismantling costs.

ReduceReuseRecycle

#### The 3Rs of industrial equipment through SMART

### PBasis Waste compliance management ASP service

PBasis\* is an ASP service that achieves integrated management through the visualization of emissions information, from basic information on emissions, contracts, and permits to issuance of manifests, emissions volume, recycling rates, and aggregation and management of CO<sub>2</sub> emissions. It not only bolsters compliance, but also contributes to operational efficiency and resource recycling through total management.

\* PBasis is a registered trademark of Panasonic Holdings Corporation

Discard

### Japan's largest used machinery warehouse (Kawashima Warehouse)

We have a used machinery storage warehouse of approximately 11,000 m<sup>2</sup>, the largest in Japan. We offer a wide selection of high-demand newer used machinery and a lineup of large and small machinery. In addition, our skilled maintenance on used machinery creates a supply system for used machinery to support customers' prompt installation of equipment.

Reuse

### Sale and purchase of used semiconductor manufacturing equipment

Reuse Refurbish

In 1994, we became the first in the industry to start a used semiconductor manufacturing equipment business. We have expanded the business worldwide and are now a world leader in volume. By leveraging the funding capability of a financial company and the ability to assess semiconductor manufacturing equipment cultivated over a number of years in the industry, we won orders in FY2021 for all three major large-scale projects where pieces of equipment were put up for sale from semiconductor production lines in Japan. We have also recently begun to offer technical services associated with used equipment sale and purchase, and our specialized engineers and partner companies respond to various needs at customers' factories.



### Collaboration with manufacturers

Reuse Refurbish

#### Restoring a grinding machine scheduled to be scrapped to like-new condition

We purchased a grinding machine that was scheduled to be scrapped after 30 years of use. Okamoto Machine Tool Works, Ltd. and Giken Co., Ltd. refurbished it and restored it to like-new condition.

#### Improving the reuse rate by adding manufacturer maintenance and inspection service for used machines

We added maintenance and inspection services by Makino Milling Machine Co., Ltd. for the used machining centers we sell, improving the reuse rate.

### Contributing to corporate activities

Recycle Reduce

#### Fuel cell power generation using biogas derived from brewery wastewater

We worked with Asahi Group Holdings, Ltd. to conduct a demonstration project at Asahi Breweries' Ibaraki Brewery of power generation from fuel cells using biogas derived from beer brewery wastewater as a new model for reducing CO<sub>2</sub> emissions. This demonstration project was implemented under the Ministry of the Environment's Low Carbon Technology Research, Development and Demonstration Program in Japan for subsidizing projects that contribute to reducing CO<sub>2</sub> emissions. We provided financing for the equipment, including the fuel cell equipment provided by Mitsubishi Heavy Industries, Ltd., and coordinated the entire project as lead applicant. Operation commenced in October 2020, and the demonstration project was completed in March 2022. Full-scale operation of the equipment will make it possible to supply approximately 1.6 million kWh of electricity annually (enough to power approximately 350 typical households), which is expected to reduce CO<sub>2</sub> emissions by approximately 1,000 tons annually.

Going forward, we will continue to work with partner companies to leverage the strengths of each company and promote initiatives aimed at reducing CO<sub>2</sub> emissions, thereby contributing to the realization of a decarbonized society.

#### Supporting the promotion of recycling surplus food into feed

We provided financing to support the installation of refrigeration equipment for Nakasyoku Co., Ltd.'s efforts to recycle surplus sweets and food into feed. Most raw materials for feed are imported to Japan, but unusual weather and other factors have caused international prices to skyrocket, threatening the sustainable management of livestock businesses.

Nakasyoku is a livestock business that produces eggs and pork in Niigata Prefecture. It uses its unique expertise to convert unconsumed food ingredients such as sweets and sake lees before expiration into feed. Through our financing support, Nakasyoku solved the problem of storing raw materials such as chocolate in the summer and expanded the range of items they process. In addition, our support in building win-win relationships is facilitating Nakasyoku's efforts to connect with food manufacturers struggling to reduce the amount of food waste. Through these efforts, the volume of materials processed is increasing and is expected to reach 10,000 tons per year. In addition to leasing and other financing services, we are working to provide a stable supply of food and reduce food waste by providing services that go beyond the bounds of finance.



## Commitment to SDGs

# Commitment to the Next Generation

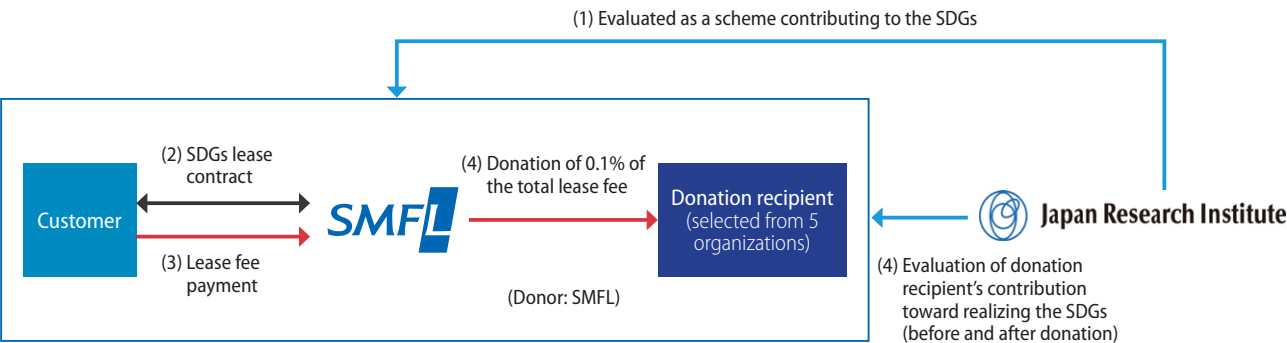
### Support for customer SDGs through SDGs Lease MIRAI 2030® (donation type)/ (evaluation type) scheme

SDGs Lease MIRAI 2030® is a leasing scheme that enables customers to contribute to the SDGs through the use of leases. We were the first in the industry to develop two types of leasing schemes, the “donation type” and “evaluation type.” In the donation type, with the approval of customers, we donate a portion of the lease fees to certified NPOs and other public interest organizations. We added four more organizations as donation recipients in FY2021. Now we ask customers to choose from five organizations that are working to solve societal issues, including provision of clean water and toilets, support

for education and poverty, support for children with incurable diseases and disabilities, assistance dog training, and forest conservation. The evaluation type is applicable to renewable energy and energy-saving related equipment and comes with evaluation documents such as the environmental effect from installing the equipment.

We will support our customers’ SDGs initiatives by providing products that can contribute to solving societal issues through our customers’ business activities.

#### SDGs Lease MIRAI 2030® (donation type) scheme



#### Five donation recipients

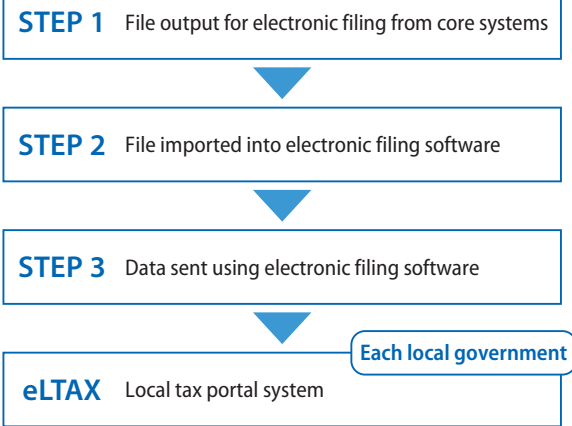
| Recipient   | Relevance to SDGs | Main activities   |
|---|-------------------|---|
| <b>WaterAid</b><br>   | <br><br>          | Active in 26 countries in regions including Asia and Africa to realize its mission of a world where everyone, everywhere, has access to clean water and toilets and practices good hygiene.<br>Leverages its water and sanitation expertise to implement the most suitable solutions to each location to help poor and marginalized people across the globe access clean water and decent toilets, and practice good hygiene.                           |
| <b>Kidsdoor</b><br>   | <br><br>          | Provides support for learning, places to hang out, and hands-on activities for children from impoverished households, from elementary to high school, to achieve a society where all children can have hopes and dreams.<br>Also engaged in a wide range of activities such as providing supplies, information, and employment support for families raising children in need throughout Japan as well as making policy suggestions.                     |
| <b>The Support Network for NANBYO Children of Japan</b><br>                   | <br><br>          | There are more than 700 types of incurable childhood diseases, and more than 250,000 children live with incurable diseases in Japan.<br>In order to support children and their families, Nanbyonet conducts consultation activities with various experts on incurable and chronic diseases in children, socialization activities such as summer camps and parent liaison meetings, and educational activities such as seminars and journal publication. |
| <b>Guide Dog &amp; Service Dog &amp; Hearing Dog Association of Japan</b><br> | <br><br>          | The only organization in Japan that trains and certifies three types of assistance dogs (guide dogs, service dogs, and hearing dogs).<br>In order to support people with disabilities who experience inconvenience and anxiety in their daily lives due to their disabilities, the organization trains and lends assistance dogs, conducts assistance dog certification projects, and carries out assistance dog awareness projects.                    |
| <b>More Trees</b><br>   | <br><br>          | Engaged in initiatives aimed at a society where forests and people coexist under the theme of “connecting cities and forests,” the organization runs “More Trees Forests” for forest conservation in collaboration with local communities, plans and develops products and services using domestic timber, and communicates information and the appeal of forests through seminars and events.  |

#### Digitization of fixed asset tax filing process

In January 2022, we started electronic filing of fixed asset tax utilizing the local tax portal system “eLTAX” in Japan. For many years, we used to mail tax returns and approximately 40,000 sheets of paper asset statements to approximately 1,900 local governments for fixed asset tax filing on depreciable assets such as lease properties that are recorded as assets as of January 1 each year.

By digitizing the work related to these tax filings, we were able to shorten the process from more than 400 hours every year to about 2 hours, while also saving more than 40,000 sheets of paper and reducing mailing costs by going paperless. In FY2022, we will start going paperless for corrected returns for fixed asset tax reduction measures, etc. and work toward the ultimate goal of total electronic processing including electronic tax payment.

#### Fixed asset tax electronic filing process



#### Local 5G base station rental service

Group company SMFL Rental provides the industry's first local 5G base station rental service. Unlike mobile operators that provide services nationwide, local 5G is a 5G system with a dedicated license for use mainly within buildings and premises. With this service, various entities such as local companies and local governments can build flexible, spot systems within their own premises according to the individual needs of regions and industries. The service features high-speed, large capacity, ultra-low latency, and simultaneous multiple connections and can be used in a highly secure environment. However, its high

implementation cost is an issue that makes it difficult to use for short-term and small-scale demonstration experiments. In addition to equipment rental, SMFL Rental provides one-stop services ranging from complex license application processes to network design, construction, and operation monitoring. These services reduce costs, labor, and time, and also offer maintenance and inspections. The SMFL Group supports quick and flexible capital investment by companies through the provision of rental services.

#### Support for startup companies

We are collaborating with WOTA CORP, a startup working to solve the problem of freshwater availability, to lease WOSH, a handwashing stand installed all over Japan in places such as shopping malls and office buildings. Today, water problems stemming from issues including population growth, large-scale flood damage, and sea level rise due to global warming are manifesting all over the world. By combining WOTA's superior technological capabilities with our financing capabilities, we will work toward adoption of new water infrastructure to replace tap water.



#### CSR initiatives

Together with our customer SCSK Corporation, we donated 40 PCs after the expiration of their leases to SCSK to nonprofit Kidsdoor. Both SCSK and SMFL played our parts in the donation with SCSK deleting data and doing the setup, while we provided the PCs as their owner. Through this donation, we were able to increase learning opportunities for junior and senior high school students studying at Kidsdoor.

In addition, contributing through purchase of products made by people with disabilities, collecting disposable contact lens cases, and participating in SMBC Group financial education seminars are some of the ways that we will continue to contribute to society through a variety of initiatives.

## Commitment to SDGs

## Commitment to Communities

### Helicopter leasing business—Contributing to solving social subjects through leasing

We undertake contributions to solving various social subjects through the helicopter leasing business. We launched the business in 2020 to meet the principles of the SDGs by establishing a joint venture company SMFL LCI Helicopters Limited (SMFLH) in partnership with LCI Helicopters Limited, the world's second largest helicopter lessor.

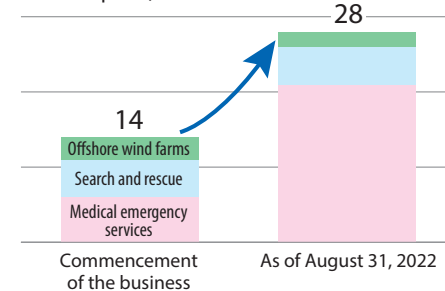
The helicopters we provide through this business are deployed in various kinds of activities that are in line with our SDGs policy and management philosophy. Most of the activities are to solve social difficulties that communities face such as emergency medical services at accident sites, inter-hospital transportation, search and rescue at coastal and mountainous areas or under disastrous situations, and personnel transportation to offshore wind farm facilities in a more energy-saving time-efficient way.

Given the incremental expectation for people to get an equal opportunity to access medical services as a result of the unprecedented COVID-19 pandemic in addition to the demands to resolve social issues in response to numerous natural disasters, we will continue to make further contributions to developing communities and realizing sustainable societies by providing helicopter leasing all over the world.



Aircraft leased from SMFLH, a joint venture with LCI, and operated by Westpac Rescue Helicopter Service

Helicopters deployed for SDG-related missions (no. of helicopters)



### Satellite office business to realize diversity in the way people work

In December 2020, Group company SMFLMP entered into a business development partnership agreement with XYMAX Corporation for ZXY (pronounced "jizai," which means a free state without bounds) business, a membership-based satellite office service for corporations. Together with XYMAX Corporation and since then we have expanded to 250 locations, mainly in the Tokyo Metropolitan area (as of July 31, 2022).

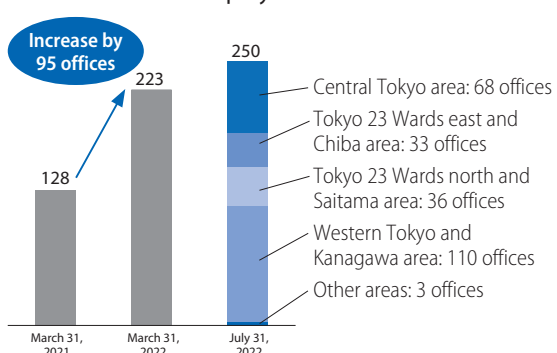
The way people work in corporations, especially where people work, underwent dramatic change with the pandemic. In response to new needs to increase productivity while trying to prevent the spread of COVID-19, we have set up facilities with many private office spaces that take into account not only security but also online work productivity. In addition, we have been recognized for our commitment to locations and the number of offices that make it possible for many users to work close to home, as well as for limiting usage to corporate members. In June 2022, we started broadcasting TV commercials in order to increase ZXY's name recognition.

Going forward, we will continue to contribute to the realization of a society where diverse ways of working are made possible by increasing the options for where many people work.

\* Source: Nationwide survey in Japan of the number of locations of major flexible office operators (including operators of directly managed satellite offices). (CBRE survey, as of March 2022)  
"No. of offices" means the number of locations of major flexible office providers (including directly managed satellite office operators).



No. of offices and deployment area

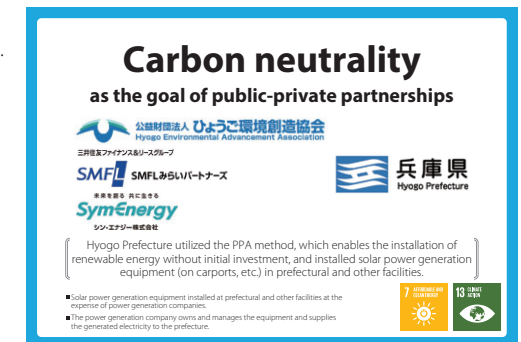


### Introduction of solar power generation equipment for facilities in Hyogo Prefecture based on the PPA model

The SMFL Group has participated in a solar power generation project based on the PPA\* model that Hyogo Prefecture is working on through public-private partnerships.

Group company SMFLMP has established Hyogo Environmental Energy Godo Kaisha through joint investment with SymEnergy Inc., which develops renewable energy power sources, and the Hyogo Environmental Advancement Association to install solar power generation equipment at prefectural and other public facilities (on rooftops, carports, etc.) and to supply the generated power to the facilities. We provide a PPA model that enables the introduction of renewable energy without initial investment. By adopting the PPA model that Hyogo Prefecture is pioneering and by promoting introduction to municipalities and local private companies going forward, we will contribute to the local production and consumption of renewable energy within the prefecture.

\* Power Purchase Agreement: A service in which a power generation company installs solar power generation equipment on the consumer's premises and supplies the generated power to the consumer



### Leasing kitchen equipment to elementary schools

We lease kitchen equipment for school lunches for elementary schools in Nagareyama City, Chiba Prefecture. The leased equipment is a full set of food service equipment including cooking equipment, refrigerators, serving and conveyance equipment, and washing equipment. Providing these relatively expensive pieces of equipment on a long-term lease has made it possible to install new equipment at four new schools and additional equipment at existing schools. This project is a collaboration with commercial kitchen equipment manufacturer Fujimark Corporation, which is responsible for installation and maintenance of the equipment.

With the opening of the Tsukuba Express railway line, the population and number of households in Nagareyama have grown. With this growth, the City of Nagareyama has been making efforts to improve the child-rearing and educational environment and new elementary and junior high schools have been constructed to accommodate the increased population of children. By providing various financing schemes, we are supporting the installation and maintenance of public facilities and infrastructure that are essential to communities, such as schools, gymnasiums, hospitals, streetlights, and security cameras.



### Promotion of regional revitalization in the Chichibu area

In the field of regional revitalization, we have provided financing in six regions in Japan to contribute to the revitalization of local communities. Elsewhere, we have taken part in the restoration of traditional houses and historical buildings through capital participation to contribute to the revitalization of local communities, in two regions: Dazaifu, Fukuoka Prefecture, and Nara Prefecture.

As the third such region, in July 2021 we joined Seibu Realty Solutions, Inc. and others in capital participation in Chichibu Machidukuri Co., Ltd., an enterprise established by Chichibu Omotenashi Tourism Organization and others with the goal of generating prosperity in the Chichibu area of Saitama Prefecture. In August 2022 we opened an accommodation facility using a traditional house.

The Chichibu area is facing issues such as the depopulation of mountain villages due to population outflow and an increase in vacant houses within the city. We will take on these issues and continue to contribute to the development of attractive places to live as a partner for regions and local companies.





# Commitment to SDGs

## Commitment to Job Satisfaction

### Support for taking on challenges and diversity

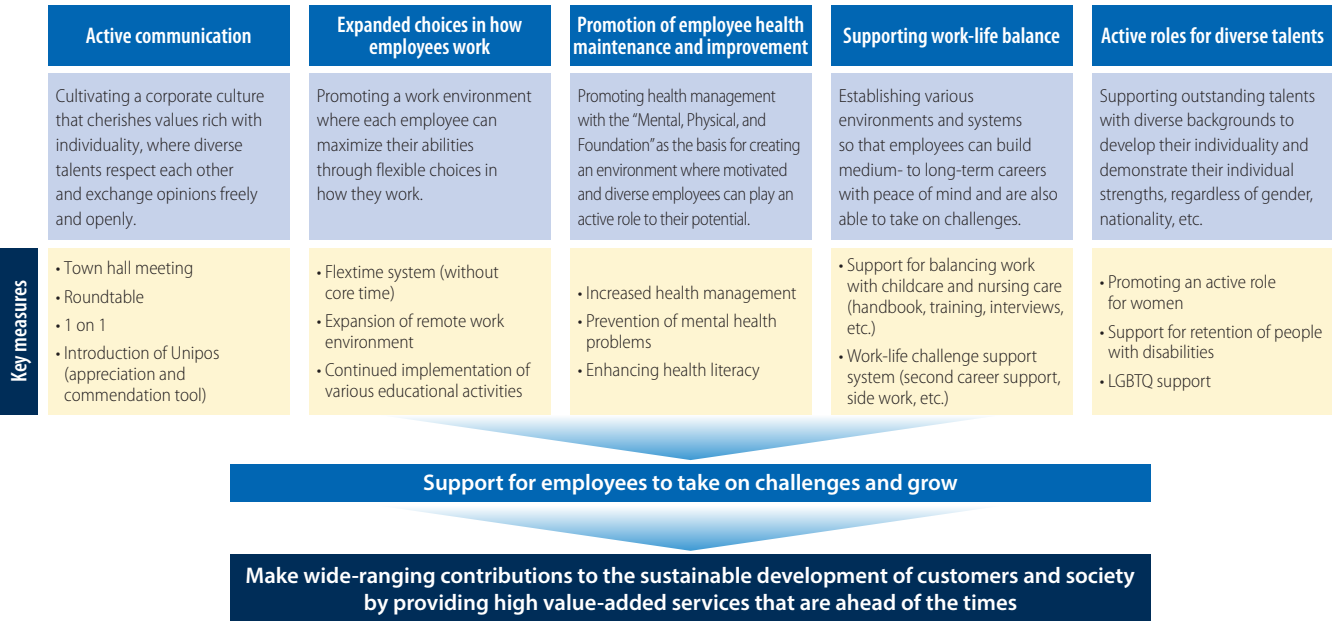
Having experienced multiple mergers in the past, we have grown by coming in contact with and fusing with diverse corporate cultures and values. Having each and every employee with diverse backgrounds make the most of their experience and skills to fully demonstrate their potential, and maximizing their individuality and ability and coalesce them into the power of the organization and create new added value—we believe this is what could be a strength that is uniquely ours.

In order to nurture this, in addition to upgrading knowledge and skills, we are formulating and implementing personnel measures that support taking on challenges in this age when people often live to 100, as well as new career design and skill improvement. Furthermore, we are working to promote DEI (Diversity, Equity and Inclusion) by creating an environment that supports employees to balance work with childcare, nursing care, and health issues, and that supports employees in choosing flexible work styles without restrictions on where and when they work.



**Naomi Uchida**  
Corporate Officer, General Manager, Human Resources Department  
General Manager, Human Resources Development Section;  
General Manager, Diversity Promotion Section

### Creating new added value with individuality as organization strength



### Spreading our philosophy and promoting internal communication



**Town hall meeting**  
These meetings are held for the purpose of two-way communication between management and employees. They offer an opportunity for employees to engage in dialogue with management on the future of the Company and about various themes, and to promote an understanding of the management philosophy. It is also an opportunity for employees to think more deeply about how they see themselves and their careers. In FY2021, town hall meeting were held with the president and officers in charge of various departments and 1,680 employees participated.

#### Roundtable

These are small-group roundtable discussions between management and employees. They are opportunities for employees to reflect on their own views on work and careers through direct dialogue with management and for further understanding their personalities, experiences, and thoughts. They also have the synergistic effect of building connections between employees. In FY2021, all members of management participated and had open conversation with a total of 245 junior staff.



### Expanded choices in how employees work

We have established an environment and systems in which employees can secure healthy working hours, maximize their performance through autonomous and flexible work styles, and create high added value.

With regard to work hours, core time has been eliminated from the flextime system, and employees can work flexibly to suit their own needs. We have also established a flextime system with reduced hours for employees who are raising children. To address where employees work, we are working to create an environment in which employees can flexibly choose their working environment. As part of the development of a remote work environment, we have distributed mobile PCs and smartphones to all employees and are creating an environment where satellite offices can also be used.

In addition, as diversification in how people work accelerates with the spread of flextime systems and remote work, we have created a guide to working remotely for all employees, which will lead to improved productivity. In addition, we hold a work management course for managers to promote a proper understanding of work management and appropriate management methods throughout the Company.

### Promotion of employee health maintenance and improvement

In order to contribute to the sustainable development of society for the future, we believe that the health of our employees and their families is of utmost importance. In our aim to be a company that encourages employee development, we hold various health-related events and seminars. The number of participants has been growing each time, and we are working to improve health literacy so that all employees can maintain and improve their health.

#### Promoting health management



### Supporting work-life balance

We are implementing measures to support work-life balance in a variety of situations (such as childcare, nursing care, and health issues), so that employees can build careers while balancing work with their life plans over the long term with peace of mind. In FY2021, the utilization rate of the childcare leave system for male employees was 100%. We will continue to support our employees so that they can achieve a stable and rich work-life balance.

### Active roles for diverse talents

Through multiple mergers, we have grown by coming into contact and fusing with diverse corporate cultures and values, and our diverse and motivated human resources play an active role. Currently, the proportion of working mothers at the Company is about 30%. We offer career training and interviews to support women, whose careers can be affected by changes in their life stages, so that they can build their careers from a medium- to long-term perspective in a proactive manner.

|   | FY2021 | FY2024 (forecast) | FY2030 (forecast) |
|---|--------|-------------------|-------------------|
| No. of officers (excluding Outside Directors) | 1      | 1                 | 4                 |
| Managerial ratio                              | 6.2%   | 11%               | 20%               |
| New employee hiring rate                      | 50%    | 50% or more       |                   |

### Taking advantage of the childcare leave system for male employees

When my second child was born, I took leave for six months starting in October 2021. At first, I couldn't decide whether I should take the leave, but my boss readily agreed and encouraged me, so I was able to make the decision to fully devote myself to raising my children. During my time off, my head was spinning from taking care of my newborn child, caring for the older boy as he went through his terrible twos, and preparing meals for my family, but I felt really happy every day. Above all, it was a valuable time for me to take another good look at my family and work going forward, and it motivated me to take on new challenges. If anyone is having trouble deciding whether to take the leave, I would definitely recommend going for it.



**Keisuke Mutou**  
Risk Management Department

### Active role for women leaders

At first, I didn't feel confident that I could really be a team leader. I thought of a leader as someone who could pull the team forward, is knowledgeable, get things done, and be dependable. I thought that definitely wasn't me, so I was worried. Then one day, my boss told me that it was okay for me to rely on the team members more. At the time, I didn't understand the true meaning of those words, but now I think I'm beginning to. It was my boss and other team members who gave me an insight into that understanding. By taking on the role of a leader, I'm coming to know my strengths and weaknesses and grow.



**Miwa Okabayashi**  
Retail Business Partner Department I

# Corporate Governance

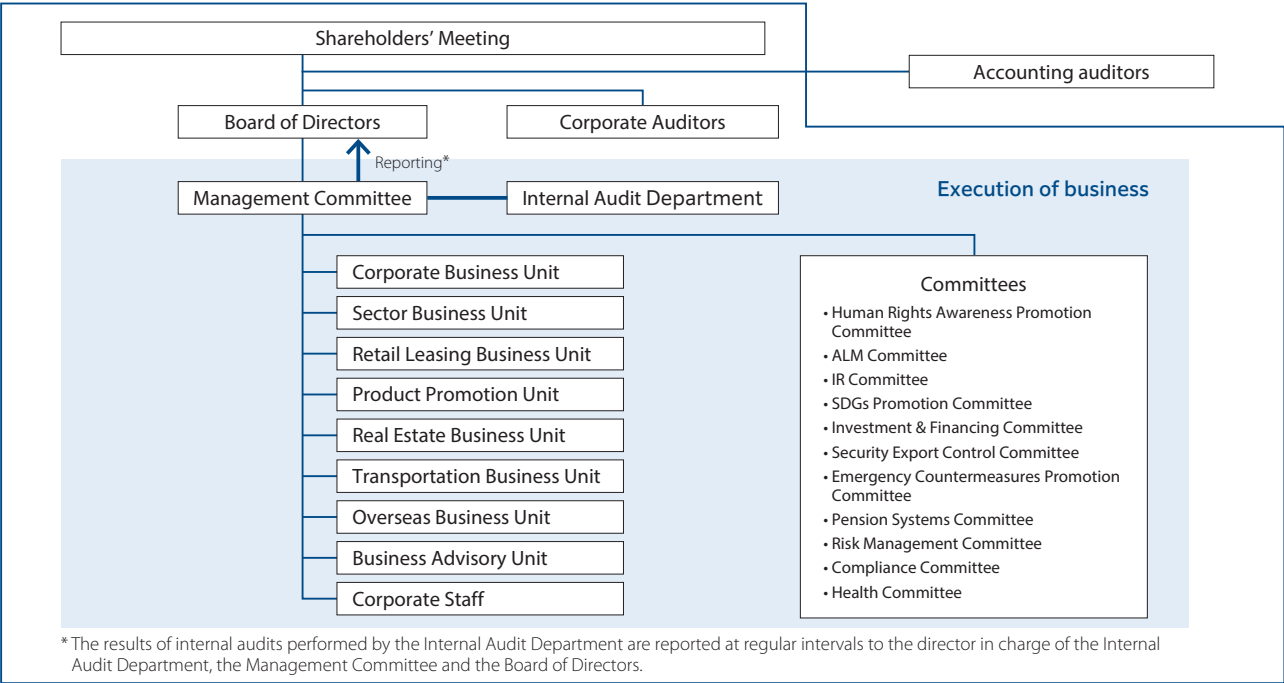
## Basic approach

SMFL was established through a merger between Sumisho Lease and SMBC Leasing and has grown in part through the acquisition of an aircraft leasing business and the merger with SMFL Capital.

Our business domain is expanding rapidly. While responding appropriately to continuing changes in the business environment going forward, we aim for sustainable development for society and sustainable growth for SMFL. As a representation of this commitment, we have formulated the “SMFL Way.”

The SMFL Way is our fundamental approach to corporate management that reflects our management philosophy, and we believe that strengthening and enhancing corporate governance is an important management challenge in the context of following this approach.

### Business management organizational structure



| Committees                                    | Purpose  | Meeting frequency            |
|---|--|------------------------------|
| Human Rights Awareness Promotion Committee    | This committee determines basic policies for promoting human rights awareness and plans and implements training on discrimination and human rights issues.   | As needed                    |
| ALM Committee                                 | In order to appropriately implement ALM across the Company, this committee forecasts interest rates and analyzes results, exchanges information and reports on the situation with regard to funding, liabilities, and profit and loss, and deliberates policies.   | Every two weeks in principle |
| IR Committee                                  | This committee contributes to our sales activities and fundraising by enhancing the consistency and strategic nature of our various external communications.   | As needed                    |
| SDGs Promotion Committee                      | In order to help realize a sustainable society, this committee formulates policies to actively promote initiatives for SMFL's commitment to SDGs, as well as discussing and promoting the necessary measures.  | Once every six months        |
| Investment & Financing Committee              | As well as deliberating policies related to investment and financing, this committee receives regular reports on the market environment and performance, and discusses various measures to respond rapidly to changes in the market environment, as necessary.   | As needed                    |
| Security Export Control Committee             | In order to ensure appropriate controls of security exports in trade transactions by the Company, this committee submits reports, shares information, and deliberates operational policies in relation to the status of trade transactions, the status of security export controls and related structures. | Once every six months        |
| Emergency Countermeasures Promotion Committee | This committee checks and reports the state of progress in relation to plans to establish emergency countermeasures, as well as discussing modifications to emergency countermeasures.   | Annually                     |
| Pension Systems Committee                     | This committee determines investment policies for pension assets and examines investment policies for the retirement pension system in general.  | Annually                     |
| Risk Management Committee                     | This committee monitors the current risks faced by the Company, as well as discussing and promoting various necessary measures.  | As needed                    |
| Compliance Committee                          | This committee deliberates and promotes various measures to contribute to the appropriate operation of the Company's compliance system.  | As needed                    |
| Health Committee                              | Established in accordance with laws and regulations, this committee investigates and deliberates on relevant matters and submits necessary opinions to the Company.  | Monthly                      |

## Corporate governance structure

### Directors and corporate auditors

SMFL operates under a structure of eight directors and six corporate auditors, of which two directors and three corporate auditors were appointed from outside the Company. From the perspective of improving the transparency and soundness of management, the Company operates an executive officer system under which the decision-making and supervisory functions are separated from the business execution functions. Our business is executed by 43 executive officers (including five serving concurrently as directors) appointed by the Board of Directors.

### Board of Directors

In principle, the Board of Directors meets once a month. As well as making decisions on important matters, it monitors the execution of our business by directors and executive officers. The Board of Directors is chaired by the Chairman of SMFL for a balanced allocation of roles with the President, who is the Chief Executive Officer of the Company.

#### FY2021 Board of Directors attendance (officers as of June 24, 2022)

| Position   | Name             | Meetings attended (attendance rate) |
|--|------------------|-------------------------------------|
| Representative Director, Chairman of the Board             | Shoichiro Oka    | 13 of 13 (100%)                     |
| President  | Masaki Tachibana | 13 of 13 (100%)                     |
| Representative Director, Senior Managing Executive Officer | Atsushi Kuroda   | — (Appointed June 2022)             |
| Representative Director, Senior Managing Executive Officer | Masaru Shiomi    | — (Appointed June 2022)             |
| Director, Senior Managing Executive Officer                | Eiichi Sekiguchi | 13 of 13 (100%)                     |
| Director, Managing Executive Officer                       | Eiji Ishida      | — (Appointed June 2022)             |
| Outside Director   | Toru Nakashima   | 13 of 13 (100%)                     |
| Outside Director   | Norihiko Nonaka  | — (Appointed June 2022)             |

### Board of Corporate Auditors

We are a company with a Board of Corporate Auditors, and corporate auditors operate independently from the Board of Directors and from the execution of business. In order to understand the process for determining management policies and the status of business execution, corporate auditors attend key meetings, including meetings of the Board of Directors, and receive reports on the business from directors and others. At the same time, by reviewing important approval documentation, as well as hearing reports from and conducting interviews with the accounting auditors, they audit the execution of business by directors.

### Structure for execution of business

At SMFL, executive officers selected by the Board of Directors are in charge of the execution of business, and the Management Committee is the ultimate decision-making entity for business execution. The members of the Management Committee consist of directors who serve concurrently as executive officers as well as executive officers nominated by the President, and the members deliberate important matters of business execution.

With regard to business operations, SMFL has established meetings such as the Information Liaison Meeting which serve as venues for wide-ranging and flexible communication of information and exchange of opinions, as well as various committees that serve as cross-departmental organizations for coordination and discussion, in order to deliberate important business reports and specific measures.



# Internal Controls

## Basic approach

SMFL has set out its structure for ensuring appropriate corporate operations (internal control system) in the Internal Controls Regulations. We are working to maintain a sound management structure by putting in place systems for the execution of duties by directors, internal controls over financial reporting, systems to ensure appropriate operation of the Group, systems for internal audit and systems for risk management and compliance.

### Systems for the execution of duties by directors

Information related to the execution of duties by directors is retained and managed appropriately in accordance with the Information Management Regulations, the Information and Document Management Rules, and other rules. Execution of duties by directors consist of the formulation of operating plans, the efficient operation of the business and management of performance. In addition to appropriately allocating the role of each director, SMFL has formulated Organizational and Authority Regulations and delegates authority appropriately and in accordance with these regulations.

### Internal controls over financial reporting

In order to ensure the appropriateness of accounting and the reliability of financial reporting for the Group as a whole, SMFL has formulated internal control evaluation regulations and others related to financial reporting, enabling it to put in place and operate the necessary systems for internal controls over financial reporting, and to assess their effectiveness.

Determining or amending basic policy for the overall evaluation of internal controls over financial reporting and relevant important matters are decided by the Management Committee and approved by the Board of Directors. The plans and policies for each fiscal year, the resulting evaluations and relevant important matters are approved by the Management Committee.

### Management/Operation of Group companies

In order to understand the status of execution of duties by directors at SMFL Group companies, and to ensure that those duties are executed efficiently, basic matters for the management of Group companies are set out in the Group Company Regulations and other rules. Group companies are managed and operated in accordance with these rules and regulations. Group Company Regulations for Compliance have also been set out, and management of the Group is conducted in complete adherence to these regulations.

In addition, SMFL ensures the fairness and appropriateness of transactions within the Group in cases where transactions and the like are conducted within the Group or with either shareholder, or with shareholder group companies. SMFL

and its Group companies conduct multifaceted verifications in accordance with the procedures set out in the Legal Risk Management Regulations to establish whether the conditions of the trade, such as the consideration received for a product or service, is appropriate and reasonable in comparison to the usual conditions.

### Status of internal audits

With the aim of ensuring the sound and appropriate management of SMFL's operations, the Company's Internal Audit Department, which is independent of other departments, conducts internal audits of each department of the corporate staff and each business department. The Internal Audit Department verifies the efficiency and effectiveness of operations, the reliability of financial reporting, and the appropriateness and effectiveness of the internal control, systems and the like, creates evaluations based on the results, and presents recommendations for improvement. These audit results are reported at regular intervals to the director in charge of the Internal Audit Department, the Management Committee and the Board of Directors.

The Internal Audit Department, corporate auditors, and accounting auditors communicate and coordinate with each other as required, and work to implement appropriate and effective audits.

## Risk management

### Risk management system principles

SMFL recognizes the importance of risk management and identifies the types and locations of risks to be managed according to our strategic objectives and business activities. In accordance with the following general principles, SMFL conducts appropriate management according to the characteristics of each risk.

|  |  |
|--|--|
| (1) Group-level management                             | Various risks are managed at the Group level to avoid infringement of laws, regulations and other rules in accordance with the nature and importance of the business.          |
| (2) Management based on quantification                 | SMFL identifies the range of risks to be managed and quantitatively manages them according to the characteristics of the risks.  |
| (3) Ensuring consistency with operational strategy     | Risk management shall be consistent with business strategy.  |
| (4) System of checks                                   | Risk management system shall be designed to check operations.  |
| (5) Response in case of emergency or serious situation | If risk materializes, SMFL takes necessary measures based on the assumption of situations and scenarios that have a significant impact on management and financial conditions. |
| (6) Verification of the risk management system         | The internal audit division examines our risk management system.   |

### Risk capital management

In order to balance risks and returns while controlling risks within the limit of business vitality without placing undue emphasis on specific risks, we ascertain the amount of risk as much as possible, and set an upper limit on the size of acceptable risks as the "Total Risk Capital Limit."

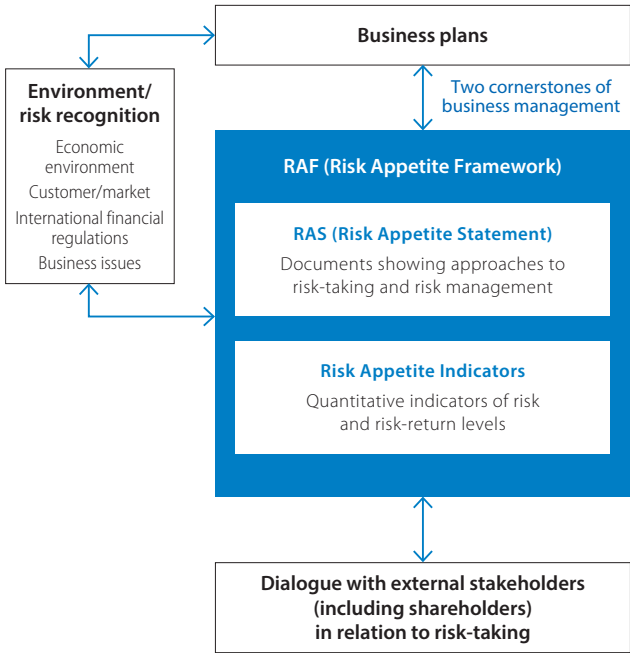
### Risk Appetite Framework

SMFL has adopted the Risk Appetite Framework as our management structure in order to clarify the types and amounts of risks associated with earnings growth and to disseminate them throughout the Company.

The Risk Appetite Framework is broadly divided into two components: Risk Appetite Statement and Risk Appetite Indicators (see the figure on the upper right).

Using these documents and indicators, SMFL conducts Company-wide reviews of the risks and reflects them in our management strategy to promote appropriate risk-taking and to aim for business operations that balance soundness, profitability, and growth potential.

### Structure of Risk Appetite Framework



### Stress tests

SMFL is developing and enhancing stress testing methods to proactively verify the impact of unforeseen stress events such as large-scale deterioration in economic conditions or the collapse of a specific industrial sector on our portfolio and shareholders' equity, as well as cash flows. Stress tests enable us to maintain the soundness of our business even under stressed conditions.

### Risk Register

Risk Register is designed to enhance risk governance and each business units' risk ownership. Business units communicate with risk management departments to identify potential business risks. In the future, SMFL will evaluate potential business risks, verify the appropriateness of control measures, and reflect them in its business strategy.

Internal Controls

Business risks, etc.: Main risk description and measures

Listed below are the main risks associated with the Group's business, etc., that may significantly influence the decisions of investors.

In addition to taking measures to deal with each of these risks, the Group has developed and is reinforcing its risk management system to be able to respond quickly and appropriately when a risk materializes.

| Risk category |  |                                    | Description of risk  |  | Main measures for risk  |
|---------------|--|------------------------------------|--|--|---|
| 1             | Risk relating to business environment                      |                                    | <ul style="list-style-type: none"><li>• In the event of fluctuations in international financial markets, domestic or overseas economic downturns, terrorism or political upheaval, natural disasters such as earthquakes, or major climate change, domestic and overseas economic activities may become difficult, and there may be a significant decline in customers' capital investment, which may impact the Group's operating results and financial position.</li><li>• The business environment may change significantly as a result of fierce competition with competitors, leasing from other industries, new entrants into the financial industry, or industry realignment, and the Group's operating results and financial position may be affected also if it is unable to establish a competitive edge in such an environment.</li></ul> |  | <ul style="list-style-type: none"><li>• We conduct Company-wide reviews of risks from the perspective of the economic environment, regulatory, market trends, etc., and reflect them in our management strategy to promote appropriate risk-taking and aim for business operations that balance soundness, profitability, and growth potential. (See the Risk Appetite Framework section on page 55 for details)</li></ul>  |
| 2             | Credit risk  |                                    | <ul style="list-style-type: none"><li>• Due to changes in domestic and overseas economic trends, changes in customers' financial condition (deterioration of business conditions, occurrence of scandals that undermine corporate credibility, etc.), fluctuations in security value or loan loss ratio, changes in relevant accounting standards for recording of allowance for doubtful accounts, etc., credit-related costs or the balance of bad debt may increase, which may impact the Group's operating results and financial position.</li></ul>   |  | <ul style="list-style-type: none"><li>• When we evaluate potential transactions, we carefully screen them individually and consider, among other things, the future value of used equipment of the leased property in determining whether to approve the transaction. As for overseas credit, the decision on whether to approve entails considering country risk in view of the foreign currency situation and the political and economic situation in the customers' country.</li><li>• Once a transaction is executed, we conduct regular self-assessments and monitor the status of customers, while booking allowance for doubtful accounts according to the degree of credit risk in view of the expected amount of recovery (from disposition of security, property, etc.) and the loan loss ratio, etc.</li><li>• We regularly verify the credit status of each existing customer and market trends in each industry, and manage our portfolio so that credit balances are not concentrated in any particular company or industry.</li></ul>  |
| 3             | Asset risk   |                                    | <ul style="list-style-type: none"><li>• In operating leases, residual value at the end of the lease for equipment that can be expected to have used equipment value is established. On one hand, profit can be obtained by selling the equipment returned at the end of the lease at a price exceeding the set residual value, but on the other hand there is a risk of loss due to the disposal of assets at a price below the residual value or from recording impairment or provision during the lease period.</li></ul>  |  | <ul style="list-style-type: none"><li>• We measure the amount of risk by regularly monitoring the market value of used equipment while working to reduce the risk as much as possible by diversifying lease equipment and models, locations, lease maturity, etc.</li></ul>   |
| 4             | Market risk  | (1) Interest rate fluctuation risk | <ul style="list-style-type: none"><li>• There is a risk that the cost of funding will increase if interest rates rise.</li><li>• In a situation where market interest rates rise sharply, the Group's operating results and financial position may be impacted by smaller profit margins.</li></ul>  |  | <ul style="list-style-type: none"><li>• In order to properly manage interest rate fluctuation risk, we set a maximum risk tolerance limit and measure and monitor the amount of change in the present value of interest rate-related positions (increase/decrease in unrealized gains/losses) when interest rates fluctuate by one basis point (0.01%).</li></ul>   |
|               |  | (2) Foreign exchange risk          | <ul style="list-style-type: none"><li>• In principle, we do not bear foreign exchange risk for assets and liabilities denominated in foreign currencies, but in the event that foreign exchange risk could not be properly hedged, the Group's operating results and financial position may be impacted.</li></ul>   |  | <ul style="list-style-type: none"><li>• In order to properly manage foreign exchange risk, we set a maximum risk tolerance limit and monitor.</li></ul>   |
|               |  | (3) Stock price fluctuation risk   | <ul style="list-style-type: none"><li>• We hold marketable stocks. In the event that share prices fall due to supply-demand balance deterioration in domestic or overseas economies or stock markets, decline in the issuer's business condition, etc., valuation losses on shares the Group holds could impact its operating results and financial position.</li></ul>  |  | <ul style="list-style-type: none"><li>• In order to properly manage stock price fluctuation risk, we set a maximum risk tolerance limit and monitor the risk capital of the shares held in the breakdown of the total risk capital.</li></ul>   |
| 5             | Funding and liquidity risk                                 |                                    | <ul style="list-style-type: none"><li>• In the event that sudden deterioration in the financial environment or decline in the Group's creditworthiness undermine the stability of funding, force the Group to procure funds at significantly less favorable interest rates than usual, or make it difficult to sustainably secure a sufficient amount of funds, the Group's operating results or financial position may be impacted.</li></ul>   |  | <ul style="list-style-type: none"><li>• In order to properly manage funding and liquidity risk, we set a maximum risk tolerance limit for the funding gap (the amount of funding that will be required due to the mismatch between the investment and funding periods), conduct monitoring, and establish contingency plans.</li></ul>  |
| 6             | Institutional change risk                                  |                                    | <ul style="list-style-type: none"><li>• In the event that current systems and standards change significantly in the future, the Group's financial performance and financial position may be impacted.</li></ul>  |  | <ul style="list-style-type: none"><li>• We continuously monitor the status of amendments and changes to various laws, tax systems, and accounting systems.</li><li>• Through cooperation with the Japan Leasing Association and external experts, we collect information about amendments and changes and implement countermeasures.</li></ul>  |
| 7             | Operational risk   |                                    | <ul style="list-style-type: none"><li>• Processing risk exist while doing business, and losses may arise from negligence to be incompliant with internal rules and procedures on operations in the transaction, accidents or misconduct by directors or employees.</li><li>• There is information system risk, and business activities may be adversely affected, and losses may occur due to unforeseen events such as stoppages, malfunctions, quality defects, human error, unauthorized access from outside, and infection by computer viruses. In such cases, the Group's operating results and financial position may be impacted.</li></ul>   |  | <p><u>Measures for processing risk</u></p> <ul style="list-style-type: none"><li>• We have specified departments responsible for overall operational risk and processing risk, respectively, and have built an administration system to appropriately manage risks.</li><li>• We have established an incident reporting system for promptly reporting and responding when an incident occurs, and we take appropriate actions such as recurrence prevention measures based on analysis of the cause of the accident.</li><li>• Based on the content of the report, we identify and assess risks, and implement measures such as establishing rules on operations and administration, managing personnel, and establishing system checks.</li></ul> <p><u>Measures for information system risk</u></p> <ul style="list-style-type: none"><li>• We maintain a management system for stable operation of various information systems, conduct system risk assessments, and conduct internal audits.</li><li>• We have established a cyber security team, organized emergency preparedness, and conduct regular drills.</li><li>• In addition to anti-virus measures, behavior detection, and applying patches for automated office environments, we implement various security measures such as email sandboxing and web sanitization.</li><li>• We are implementing measures to improve security literacy, such as security training for management and targeted email attack drills and workshops for all employees.</li></ul> |
| 8             | Compliance risk  |                                    | <ul style="list-style-type: none"><li>• In the event that officers or employees fail to comply with laws and regulations or there is inadequate legal review, the Group's operating results and financial position may be impacted by unforeseen losses, business restrictions, claims for damages from customers, or loss of social credibility.</li></ul>  |  | <ul style="list-style-type: none"><li>• When conducting business, we are subject to Japanese laws and regulations such as the Companies Act, the Financial Instruments and Exchange Act, the Antimonopoly Act, the Personal Information Protection Act, the Money Lending Business Act, and the Banking Act, and to the supervision of regulatory authorities. As for overseas, we are subject to the laws and regulations and the supervision of regulatory authorities in each country and region.</li><li>• The Group is working to strengthen its compliance system and internal control system in order to comply with laws, regulations and other rules, has established a system to provide proper instructions, guidance, and monitoring to officers and employees, and has taken preventive measures to prevent and detect misconduct.</li></ul>   |
| 9             | Risk relating to our investment, strategic alliances, etc. |                                    | <ul style="list-style-type: none"><li>• To date, we have engaged in strategic alliances, acquisitions, etc. mainly in the leasing business in Japan and overseas. In addition, we have also invested in various businesses and projects. Such strategic alliances and investments are subject to various risks, such as changes in the legal system and various environments, changes in the market and competitive environment, and deterioration in the operations of customers, investees, and acquisition targets. Consequently, expected returns may be impaired, part or all of the investment may be lost, and the Group's operating results and financial position may be impacted.</li></ul>  |  | <ul style="list-style-type: none"><li>• For strategic alliances and investment projects, there is a deliberation system in which the Investment &amp; Financing Committee, Management Committee, and other meeting bodies identify the risks associated with investment from a broad perspective, as well as risks related to the operations of the investee, determine countermeasures to be taken, and decide carefully on whether to execute after analyzing multiple scenarios.</li><li>• For all projects after investment, we regularly review the status of achieving investment objectives including returns and measures to be taken to improve the corporate value of investees, and have developed a monitoring system that includes overall management of our portfolio.</li></ul>  |
| 10            | Risk relating to occurrence of disasters                   |                                    | <ul style="list-style-type: none"><li>• We conduct business at offices in Japan and overseas, but these facilities may be damaged by earthquakes or other natural disasters, power outages, acts of terrorism, etc.</li><li>• Outbreaks of various infectious diseases may hinder the Group's business operations.</li><li>• Although the Group has formulated contingency plans to prepare for unforeseen events, its operations may be suspended depending on the extent of the damage. Such suspensions may impact its business operations, operating results and financial position.</li></ul>   |  | <ul style="list-style-type: none"><li>• We have set up a response headquarters to maintain systems in the event of an emergency.</li><li>• We have formulated a business continuity plan (BCP).</li><li>• We have developed our internal infrastructure and built a system that allows employees to work from home.</li></ul>   |
| 11            | Risk relating to securing human resources                  |                                    | <ul style="list-style-type: none"><li>• We are expanding and diversifying our business domains both in Japan and overseas, and are continuously working to recruit and nurture talented personnel in order to maintain and enhance our competitiveness in each business domain. If the Group is unable to secure and nurture sufficient human resources, its operating results and financial position may be impacted.</li></ul>   |  | <ul style="list-style-type: none"><li>• In order to secure and nurture diverse human resources, in addition to conventional recruitment routes, we are making efforts to recruit a wide range of human resources through various other routes. These include recruiting personnel expecting to graduate from overseas universities for new graduate recruitment and former employees and referrals for mid-career recruitment.</li><li>• In addition to implementing level-specific and other types of training, we support employees to improve their expertise and become reskilled by actively supporting employees' self-development through flexible training that caters to the characteristics of each business and an incentive system for acquiring qualifications.</li></ul>  |



Internal Controls

Compliance

Structure for promoting compliance

In order to ensure that the duties of officers and employees of SMFL and SMFL Group companies are executed in accordance with laws, regulations and the Articles of Incorporation, the Company has drawn up a Compliance Policy, which is adhered to by officers and employees. Based on the Our Principle element of the SMFL Way, this policy takes a “compliance-first” approach, seeking to fulfill the customer’s trust and contribute widely to the development of society, and sets out an effective code of conduct that establishes expectations for the behavior of officers and employees as they execute operations.

In addition, to eliminate transactions with antisocial forces, a Basic Policy has been formulated for the SMFL Group as a whole, and we have put in place a structure for its appropriate management. Furthermore, so as to prevent money laundering and the provision of funds to terrorists, SMFL has formulated Money Laundering/Terrorism Financing Prevention Management Regulations as a Basic Policy for the Group as a whole. They provide the basis for operations and management in this area.

Initiatives for complete compliance

With the aim of ensuring the effective functioning of the compliance system, we continue to roll out the system by formulating specific annual plans every fiscal year, such as updating rules and providing training.

| Training                                  | Description  |
|---|--|
| Compliance workshops (monthly)            | Covers matters required by laws, regulations and Company rules, with emphasis on matters that need to be learned by everyone |
| Compliance sessions (once a year)         | Cultivates compliance responsiveness through interactive case studies  |
| Compliance letters (several times a year) | Cultivates compliance awareness through timely dissemination of information  |
| CO* training (once a year)                | Information sharing and role recognition for COs appointed for each department   |
| Level-specific training (once a year)     | Training on the mindset for compliance for those hoping for career advancement at each level                                 |

\* CO: Compliance Officer

Whistleblowing system

In order to self-cleanse where violations of laws or regulations are discovered and corrected at an early stage, and to protect whistleblowers, we have put in place an internal whistleblowing system that is being operated properly.

We have revised our rules based on the amendment of the law in June 2022 and clarified the protection of whistleblowers so that they can make use of the whistleblowing system with greater peace of mind.

|                                   |  |
|-----------------------------------|--|
| SMFL Alarm Line                   | <b>Reportable matters:</b> <ul style="list-style-type: none"> <li>Acts or facts that violate or are suspected of violating laws and regulations</li> <li>Acts or facts that, if left unchecked, may damage the property interests or credibility of the Company or its subsidiaries, the life, health, or property interests or credibility of customers or employees, or market order</li> <li>Acts or facts that violate or are suspected of violating internal rules</li> </ul> |
| SMBC Group Alarm Line             | <b>Description of the system:</b> <p>Same reportable matters as with the SMFL Alarm Line. Whistleblowing hotline that employees, etc. of Group companies can use if they hesitate to report to their own company’s whistleblowing system upon becoming aware of misconduct, etc. by officers or employees of their company</p>   |
| SMFG Accounting and Audit Hotline | <b>Reportable matters:</b> <p>Improper or suspected improper accounting or auditing by SMFG or SMFG consolidated subsidiaries</p>  |

Formulation of Compliance Policy

Within the SMFL Way, Our Principle provides the foundation for everything, and expresses our fundamental approach.

It was based on these concepts that we formulated the basic regulation for compliance, which is the “Compliance Policy.” Giving the highest priority to compliance is the fundamental approach at SMFL, and is essential for achieving sustainable growth at the Company. It is this Compliance Policy that provides the foundation for the practice by each and every individual of a compliance-first approach.

Compliance Policy

1. Compliance First

Compliance is not somebody else’s responsibility, rather a responsibility each and every officer and employee practices every day. Compliance shall be our fundamental rule which protects our company as well as all officers and employees. Our operations and performance are built on top of this foundation.

2. Definition of “Compliance”

We define “Compliance” as follows: We comply with laws, regulations and internal rules, and meet social norms and expectations from society and customers.

3. Seven Compliance Policies

We have established the following seven main policies:

- 1) Compliance with Laws and Regulations
- 2) Sincere Actions
- 3) Proper Management and Usage of Information
- 4) Fair Business Operations
- 5) Anti-Bribery and Anti-Corruption
- 6) Respect for Human Rights and Prevention of Discrimination and Harassment
- 7) Cutting Off Relations with Antisocial Forces, and Anti-Money Laundering / Combating the Financing of Terrorism

4. Compliance Policies

- 1) Compliance with Laws and Regulations
  - We understand and comply with laws and regulations applicable to our business.
- 2) Sincere Actions
  - We will always consider social norms and expectations that change from time to time and respond fully.
  - We will maintain our dignity as SMFL officers employees and act in good manners.
- 3) Proper Management and Usage of Information
  - We will properly manage and use any information received as part of our work.
  - We will properly handle intellectual property rights / confidential information of third parties.

4) Fair Business Operations

- We comply with internal rules, accurately report and record facts and information related to our business, and do not conceal or alter them.
- We will promptly report and take appropriate measures in the event of adverse situation.
- If we become aware of or discover any adverse situation even if it is not directly related to us, we will not let it pass. We will raise our voice immediately to seek improvement.

5) Anti-Bribery and Anti-Corruption

- We will comply with anti-bribery laws and regulations and will not engage in any acts which may invite suspicion or distrust from society.
- We will not accept business entertainments or gifts that exceed social norms or business practices.
- We will not use our position or authority as an officer or employee of the Company, or sacrifice the Company’s assets or profits to benefit ourselves or a third party.

- 6) Respect for Human Rights and Prevention of Discrimination and Harassment
  - We respect all people and do not discriminate or harass anyone.

- 7) Cutting Off Relations with Antisocial Forces, and Anti-Money Laundering / Combating the Financing of Terrorism
  - We will maintain a resolute attitude toward antisocial forces and strive to prevent transactions and break off relations with them.
  - Regarding anti-money laundering and combating the financing of terrorism (AML/CFT), we will strengthen and continue AML/CFT by implementing measures and responses in accordance with laws and regulations as well as regulatory guidelines.

List of Officers (as of June 24, 2022)

Members of the Board of Directors



Representative Director,  
Chairman of the Board  
**Shoichiro Oka**

April 1983    Joined Sumitomo Corporation (SC)  
April 2014    Executive Officer of SC  
April 2017    Managing Executive Officer of SC  
April 2018    Director of Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL)  
April 2019    Senior Managing Executive Officer of SC  
June 2022    Representative Director, Chairman of the Board of SMFL (current position)



President  
**Masaki Tachibana**

April 1980    Joined Sumitomo Bank  
April 2007    Executive Officer of Sumitomo Mitsui Banking Corporation (SMBC)  
April 2010    Managing Executive Officer of SMBC  
April 2012    Managing Executive Officer of Sumitomo Mitsui Financial Group  
April 2013    Director and Senior Managing Executive Officer of SMBC  
April 2015    Representative Director and Deputy President of SMBC  
June 2017    President of Sumitomo Mitsui Finance and Leasing Co., Ltd. (current position)



Representative Director,  
Senior Managing Executive Officer  
**Atsushi Kuroda**

April 1982    Joined Sumitomo Bank  
April 2010    Executive Officer of Sumitomo Mitsui Banking Corporation (SMBC)  
May 2013    Managing Executive Officer of Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL)  
April 2017    President & CEO of SMFL Capital Co., Ltd.  
Senior Managing Executive Officer of SMFL  
June 2022    Representative Director, Senior Managing Executive Officer of SMFL (current position)



Outside Director  
**Toru Nakashima**

April 1986    Joined Sumitomo Bank  
April 2014    Executive Officer of Sumitomo Mitsui Banking Corporation (SMBC)  
April 2016    Managing Executive Officer of SMBC  
April 2017    Managing Executive Officer of Sumitomo Mitsui Financial Group (SMFG)  
April 2019    Director and Senior Managing Executive Officer of SMBC  
Senior Managing Corporate Executive Officer of SMFG  
Director of Sumitomo Mitsui Finance and Leasing Co., Ltd. (current position)  
June 2019    Director and Senior Managing Corporate Executive Officer of SMFG (current position)



Outside Director  
**Norihiko Nonaka**

April 1985    Joined Sumitomo Corporation (SC)  
April 2017    Executive Officer of SC  
April 2021    Managing Executive Officer of SC (current position)  
June 2022    Director of Sumitomo Mitsui Finance and Leasing Co., Ltd. (current position)



Representative Director,  
Senior Managing Executive Officer  
**Masaru Shiomi**

April 1985    Joined Sumitomo Corporation (SC)  
April 2017    Executive Officer of SC  
April 2020    Managing Executive Officer of SC  
June 2020    Representative Director, Managing Executive Officer of SC  
April 2022    Senior Managing Executive Officer of Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL)  
Director, Managing Executive Officer of SC  
June 2022    Representative Director, Senior Managing Executive Officer of SMFL (current position)  
Managing Executive Officer of SC (current position)



Director,  
Senior Managing Executive Officer  
**Eiichi Sekiguchi**

April 1986    Joined Sumitomo Bank  
April 2015    Executive Officer of Sumitomo Mitsui Banking Corporation (SMBC)  
April 2017    Managing Executive Officer of SMBC  
Managing Executive Officer of Sumitomo Mitsui Financial Group (SMFG)  
May 2020    Senior Managing Executive Officer of Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL)  
Managing Executive Officer of SMFG (current position)  
June 2021    Director, Senior Managing Executive Officer of SMFL (current position)



Director,  
Managing Executive Officer  
**Eiji Ishida**

April 1986    Joined Sumitomo Corporation (SC)  
April 2019    Executive Officer of SC (current position)  
April 2022    Managing Executive Officer of Sumitomo Mitsui Finance and Leasing Co., Ltd. (SMFL)  
June 2022    Director, Managing Executive Officer of SMFL (current position)

Corporate Auditors

|   |  |   |
|---|--|---|
| Standing Corporate Auditor<br><b>Ichiro Takano</b>                | Standing Corporate Auditor<br><b>Kazuhiko Tomita</b> | Corporate Auditor (Outside)<br><b>Katsuhiko Taguchi</b> |
| Standing Corporate Auditor (Outside)<br><b>Keiichiro Kameyama</b> | Standing Corporate Auditor<br><b>Toyofumi Sakai</b>  | Corporate Auditor (Outside)<br><b>Takaichi Muranaka</b> |

Executive Officers

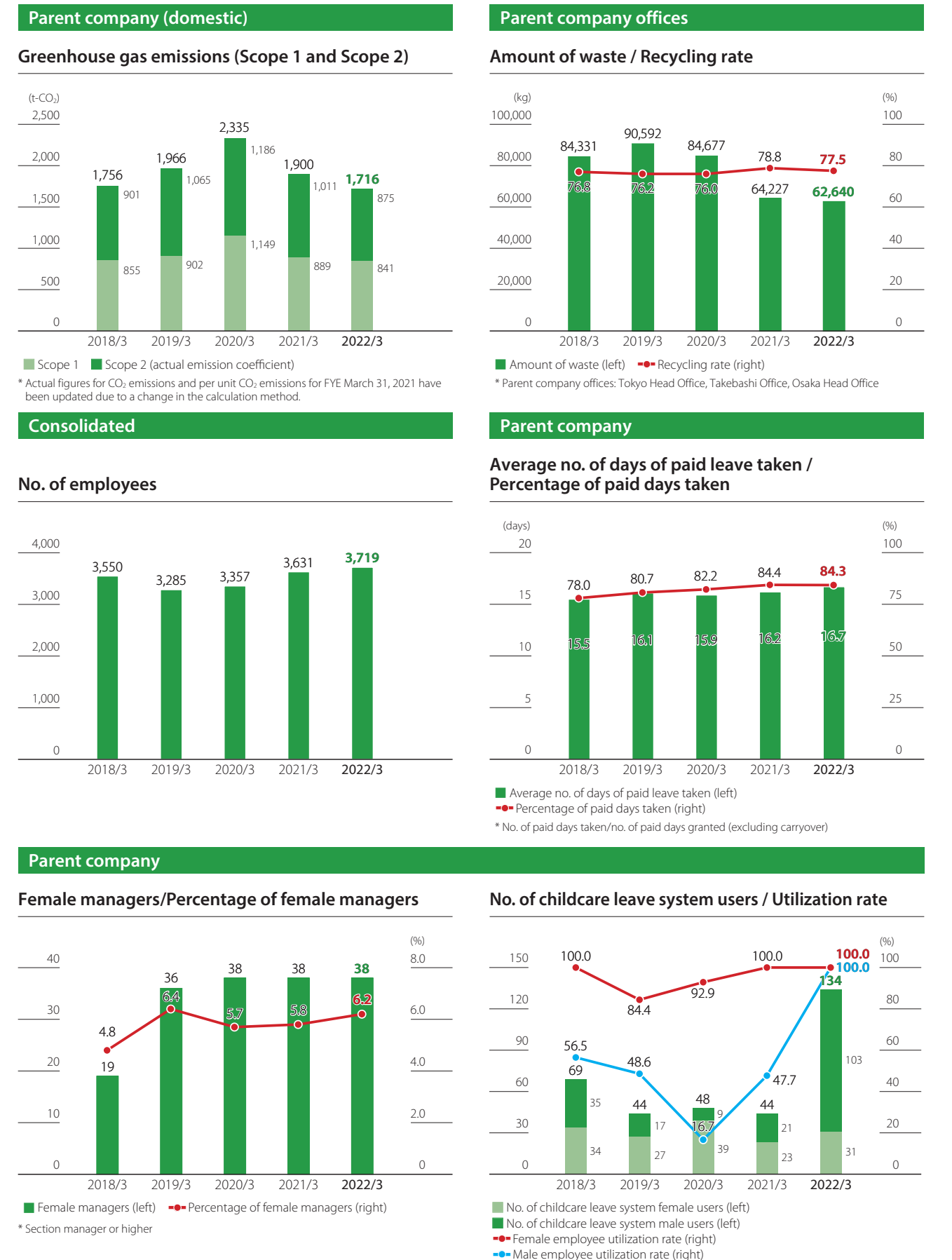
| Senior Managing Executive Officers  | Managing Executive Officers   | Executive Officers   |   |  |
|---|---|--|---|--|
| <b>Tetsuya Nishikawa</b><br><b>Tatsurou Terada</b><br><b>Koichiro Yase</b><br><b>Takashi Arima</b><br><b>Shinichiro Watanabe</b><br><b>Akira Ueda</b> | <b>Yoshinori Ebihara</b><br><b>Osamu Oshida</b><br><b>Etsuji Honda</b><br><b>Yoichi Namiki</b><br><b>Hiroo Sugai</b><br><b>Hirotsugu Harada</b><br><b>Hiroshi Sugimoto</b><br><b>Satoshi Matsumura</b><br><b>Yasuhiro Maei</b><br><b>Toru Okamoto</b> | <b>Hideyuki Yamazaki</b><br><b>Masashi Yoshida</b><br><b>Noriyuki Watanabe</b> | <b>Tomomichi Kuraoka</b><br><b>Mineo Suehiro</b><br><b>Toyoki Fukuhara</b><br><b>Shinichi Kadowaki</b><br><b>Kenji Murakami</b><br><b>Tomoyuki Tanaka</b><br><b>Naoyuki Omura</b><br><b>Takahisa Shirai</b><br><b>Tsutomu Tsasai</b><br><b>Fumiko Kobayashi</b> | <b>Toshiyuki Seki</b><br><b>Koichi Tanaka</b><br><b>Keiichi Kuroda</b><br><b>Osamu Suzuki</b><br><b>Hiroshi Oto</b><br><b>Masaru Ariizumi</b><br><b>Jun Uneoka</b><br><b>Junji Asai</b><br><b>Hiroshi Otsuka</b> |



## Financial Highlights



## Non-financial Highlights



## 10-year Summary

|  |               | 2013/3    | 2014/3    | 2015/3    | 2016/3    | 2017/3    | 2018/3    | 2019/3    | 2020/3    | 2021/3    | 2022/3    |
|--|---------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Operating results</b>                     |               |           |           |           |           |           |           |           |           |           |           |
| Revenues                                     | (million yen) | 992,201   | 1,037,237 | 1,152,011 | 1,147,898 | 1,420,430 | 1,622,823 | 1,502,378 | 1,513,701 | 1,438,293 | 1,818,535 |
| Cost and expenses                            | (million yen) | 877,038   | 907,169   | 1,015,656 | 1,006,141 | 1,243,965 | 1,437,305 | 1,316,886 | 1,332,526 | 1,281,942 | 1,596,883 |
| Gross profit                                 | (million yen) | 115,162   | 130,067   | 136,355   | 141,756   | 176,465   | 185,517   | 185,492   | 181,175   | 156,351   | 221,652   |
| Selling, general and administrative expenses | (million yen) | 57,531    | 54,421    | 51,551    | 62,132    | 87,372    | 88,438    | 94,559    | 91,761    | 114,956   | 105,440   |
| Operating income                             | (million yen) | 57,631    | 75,645    | 84,804    | 79,624    | 89,092    | 97,079    | 90,932    | 89,413    | 41,395    | 116,212   |
| Ordinary profit                              | (million yen) | 59,006    | 77,292    | 86,996    | 81,078    | 90,458    | 97,636    | 87,593    | 90,321    | 45,096    | 119,468   |
| Profit attributable to owners of parent      | (million yen) | 30,840    | 41,257    | 45,851    | 45,593    | 50,449    | 54,553    | 80,010    | 61,219    | 33,627    | 35,363    |
| <b>Financial condition</b>                   |               |           |           |           |           |           |           |           |           |           |           |
| Total assets                                 | (million yen) | 3,776,342 | 4,176,340 | 4,594,742 | 4,732,940 | 5,596,643 | 5,660,666 | 5,812,698 | 6,378,701 | 7,041,995 | 7,795,958 |
| Operating assets                             | (million yen) | 3,226,758 | 3,612,311 | 3,983,755 | 4,192,692 | 4,897,506 | 4,795,956 | 4,815,249 | 5,278,231 | 6,053,622 | 6,719,336 |
| Interest-bearing debt                        | (million yen) | 2,754,710 | 3,067,464 | 3,390,313 | 3,472,201 | 4,192,197 | 4,249,771 | 4,514,990 | 5,026,133 | 5,476,612 | 6,148,577 |
| Net assets                                   | (million yen) | 602,163   | 651,909   | 714,660   | 728,821   | 779,319   | 824,602   | 734,041   | 735,542   | 922,067   | 1,021,541 |
| <b>Cash flows</b>                            |               |           |           |           |           |           |           |           |           |           |           |
| Cash flows from operating activities         | (million yen) | (70,032)  | (178,522) | (136,546) | (100,985) | (113,811) | (46,033)  | (343,019) | (232,629) | (296,859) | (388,640) |
| Cash flows from investing activities         | (million yen) | 18,931    | (2,916)   | (6,189)   | (6,052)   | (148,604) | (3,388)   | (15,689)  | (42,567)  | (52,226)  | (36,583)  |
| Cash flows from financing activities         | (million yen) | 52,067    | 194,826   | 146,909   | 98,711    | 275,470   | 67,796    | 334,357   | 353,662   | 386,094   | 511,677   |
| Ending balance of cash and cash equivalents  | (million yen) | 64,066    | 82,725    | 96,754    | 86,697    | 109,662   | 135,181   | 108,420   | 185,864   | 224,005   | 317,896   |
| <b>Main operating indicators</b>             |               |           |           |           |           |           |           |           |           |           |           |
| Capital ratio                                | (%)           | 14.5      | 14.0      | 13.7      | 13.5      | 12.1      | 12.6      | 10.6      | 9.6       | 10.6      | 10.6      |
| Return on equity (ROE)                       | (%)           | 5.8       | 7.3       | 7.5       | 7.2       | 7.7       | 7.8       | 12.1      | 10.0      | 4.9       | 4.5       |
| Return on assets (ROA)                       | (%)           | 1.8       | 1.9       | 2.0       | 1.7       | 1.7       | 1.7       | 1.5       | 1.5       | 0.7       | 1.6       |
| Transaction volume                           | (million yen) | 1,335,491 | 1,767,031 | 1,865,841 | 1,994,882 | 2,192,640 | 2,185,012 | 2,412,201 | 2,489,229 | 2,433,511 | 2,939,291 |
| <b>Other</b>                                 |               |           |           |           |           |           |           |           |           |           |           |
| No. of employees                             |               | 2,228     | 2,260     | 2,358     | 2,481     | 3,492     | 3,550     | 3,285     | 3,357     | 3,631     | 3,719     |



# Corporate Information

## Company profile

|                       |  |  |  |
|-----------------------|--|--|--|
| Company name          | Sumitomo Mitsui Finance and Leasing Company, Limited   |  |  |
| Established           | February 1963 (Leasing business activities commenced: May 1968)  |  |  |
| Business activities   | Leasing and installment sales of a variety of equipment and machinery; loans; other; services relating to above-mentioned businesses |  |  |
| Representatives       | Representative Director, Chairman of the Board<br>President  | Shoichiro Oka<br>Masaki Tachibana  |  |
| Head office locations | Tokyo Head Office  | 1-3-2, Marunouchi, Chiyoda-ku, Tokyo 100-8287, Japan<br>TEL: 81-3-5219-6400  |  |
|                       | Osaka Head Office  | 3-10-19, Minami-senba, Chuo-ku, Osaka 542-0081, Japan<br>TEL: 81-6-6282-2828 |  |
| Capital               | ¥15 billion  |  |  |
| Net assets            | ¥1,021.5 billion (consolidated); ¥525 billion (non-consolidated) (as of March 31, 2022)  |  |  |
| No. of employees      | 3,719 (consolidated); 2,216 (non-consolidated) (as of March 31, 2022)  |  |  |
| Shareholders          | Sumitomo Mitsui Financial Group, Inc. (50%), Sumitomo Corporation (50%)  |  |  |

## Group companies

### Domestic leasing business

SMFL MIRAI Partners Co., Ltd.  
SMFL Rental Co., Ltd.  
SFI Leasing Co., Ltd.  
AJCC Corporation  
Kyushu Capital Finance Co., Ltd.  
SC Club Co., Ltd.  
YANMAR Credit Service Co., LTD.  
SMART Incorporated.

### Real estate business

SMFL MIRAI Partners Co., Ltd.  
Kenedix, Inc.  
MAX-REALTY INC.

### Transportation business

SMBC Aviation Capital Limited  
SMBC Aero Engine Lease B.V.  
SMFL LCI Helicopters Limited

### Overseas business

Sumitomo Mitsui Finance and Leasing (China) Co., Ltd.  
Shanghai Sumitomo Mitsui General Finance and Leasing Co., Ltd.  
Shanghai Sumitomo Mitsui Finance and Leasing Co., Ltd.  
Sumitomo Mitsui Finance and Leasing (Singapore) Pte. Ltd.  
SMFL Hire Purchase (Malaysia) Sdn. Bhd.  
SMFL Leasing (Malaysia) Sdn. Bhd.  
PT. SMFL Leasing Indonesia  
SMFL Leasing (Thailand) Co., Ltd.  
DMG MORI Finance GmbH  
Sumitomo Mitsui Finance and Leasing (Hong Kong) Ltd.

### Other

Sumitomo Mitsui Auto Service Company, Limited  
NEC Capital Solutions Limited  
The Shimizu Lease & Card Co., Ltd.

## Ratings information

|            |  | Rating agency                 | Rating and Investment Information, Inc. (R&I) | Japan Credit Rating Agency, Ltd. (JCR) | S&P Global Rankings Japan K.K. |
|------------|--|-------------------------------|---|--|--------------------------------|
| Long-term  | Issuer rating                              | Rating                        | AA-   | AA                                     | A-                             |
|            |  | Rating outlook                | Stable  | Stable                                 | Stable                         |
|            | Shelf registration bond preliminary rating | Rating                        | AA-   | AA                                     |                                |
|            |  | Planned issuance total amount | ¥300 billion                                  | ¥300 billion                           |                                |
|            | Euro MTN program                           | Rating                        | AA-   | AA                                     |                                |
|            |  | Maximum issuance amount       | US\$5 billion                                 | US\$5 billion equivalent               |                                |
| Short-term | Commercial paper                           | Rating                        | a-1+  | J-1+                                   |                                |
|            |  | Maximum issuance amount       | ¥1.2 trillion                                 | ¥1.2 trillion                          |                                |

## External Recognition

### ► Principles for Financial Action for the 21st Century

We have signed the Principles for Financial Action toward the formation of a sustainable society.



### ► DX Certification

On April 1, 2022, we were recognized as a DX-certified company based on the digital transformation certification system established by the Ministry of Economy, Trade and Industry.



### ► 2022 Certified Health & Productivity Management Outstanding Organizations

We have been recognized by the Ministry of Economy, Trade and Industry as a company that considers employee health management from a business management perspective and strategically implements initiatives that lead to the maintenance and promotion of health.



### ► Kurumin

We have obtained "Kurumin" certification from the Minister of Health, Labor and Welfare as a company that supports child-rearing.



### ► Work with Pride

In the PRIDE Index 2021, an evaluation indicator for efforts to address LGBTQ and other sexual minorities in the workplace, we received the highest Gold rating for the second time (after 2020).



### ► Sports Yell Company 2022

We have been certified by the Japan Sports Agency as a company that actively promotes athletic activities to improve the health of our employees.



## Website information

Our site presents a variety of information to learn about SMFL in the here and now, including our business and leasing basics. It is also compatible with smartphones, so please take a look.

Corporate site <https://www.smfl.co.jp/english/>





## Sumitomo Mitsui Finance and Leasing Co., Ltd.

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[Osaka Head Office] 3-10-19, Minami-senba, Chuo-ku, Osaka 542-0081, Japan TEL: 81-6-6282-2828 (Main)

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