

Accumulated Strengths of the SMFL Group

The SMFL Group has achieved steady growth by leveraging its strengths, including its connections with customers, partners, local communities, employees, and financial base. We are currently pursuing synergies among these strengths in a bid to realize our 2030 targets while working to secure sustainable growth and enhance corporate value in collaboration with our two shareholders SMFG and Sumitomo Corporation.

Cultivated foundations and expertise

Connections with customers, partners, local communities, and shareholders

Strengths

- Strong relationships of trust with customers built over more than 60 years, and close ties with partners
- The extensive customer base and global networks of both shareholders, SMFG and Sumitomo Corporation
- Solution capabilities through "Finance × Business × DX" that combine existing and new strengths

Enhancement measures for 2030

- Pursuing the strengths of "a business company with financial capabilities" and taking on the challenge of solving social issues
- Developing DX talent through the use of digital technologies in unison with the frontline



Human Resources

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

Strengths

- Organizations and a corporate culture in which diverse human resources thrive
- Professional human resources as the best business partner for our customers
- Corporate culture that encourages employee-led development

Enhancement measures for 2030

- Proactive recruitment and development of specialized human resources across a broad range of units
- Supporting the career development of specialized and global human resources through diversified assignments
- Having espoused the concept of "Encourage employee development," focus on cultivating human resources, creating an organization and culture of taking on challenges



Strengths

- Extensive customer base
- Robust fund-raising capabilities backed by high creditworthiness
- Knowledge and expertise in risk management and compliance in business operations

Sustainability

Solutions that contribute to the realization of a sustainable society

Strengths

- Promoting the generation of CO₂-free power from renewable energy sources, including solar, wind, and hydro power
- Proactive promotion of sustainability businesses
- Initiatives to resolve social issues outside of businesses

Enhancement measures for 2030

- Strengthen solutions that contribute to carbon neutrality
- Engage in the full-scale roll out of businesses for realizing a circular economy
- Expand social contribution activities by strengthening collaboration with partners



Strengths

- Global networks
- Flexible business development capabilities
- Knowledge and expertise with respect to business investment and operations
- Business risk management expertise

Financial

Solid funding sources and high credit ratings

Strengths

- Solid capital relationship with SMFG and Sumitomo Corporation, our two shareholders, and solid funding sources
- Ongoing, stable business relationships with leading financial institutions
- A system enabling flexible access to financial markets (corporate bond market, CP markets, etc.)
- High credit ratings

Enhancement measures for 2030

- Enhance information disclosure and strengthen IR activities in a bid to expand the investor class
- Further enhance financial capital by diversifying funding sources



Digital Strategy and Data Utilization

With the aim of becoming "an advanced digital company" as stated in Our Vision of the "SMFL Way," we are leveraging digital technology to drive a transformation in our business.

Having adopted becoming a "ubiquitous digital company" and a "company with digital as a business pillar" as Our Vision for 2030, we have positioned DX as an area that should be tackled in concert with workplaces as opposed to just by specialized departments. Having our highly experienced engineers take ownership in planning and promoting the use of digital technology in their respective workplaces, we are also working to develop the DX talent that will support these efforts.

Status of DX promotion

Working systematically, we have divided the DX process into three stages.

Working in parallel on the improvement of operational efficiency (Stage 1), the digitization of customer contact points (Stage 2), and customer DX support utilizing internally developed SaaS (Stage 3), we are building up a track record. We will continue expanding these efforts going forward.



Stage 1 Improvement of operational efficiency

Through the use of digital technologies, approximately 450,000 hours of work per year have been successfully automated in FY2024 (compared to FY2019).

RPA Each workplace takes the lead in conducting all operations, including reviews, design, development, and maintenance. Through these initiatives we are also cultivating digital talent, and employees are acquiring in-house skill certification based on their track record (60 employees have acquired certification).

AI We have developed AI-OCR tools (EasyOCR® and financial statement input AI) through in-house development. The use of these tools has become a part of the everyday tasks of each department.

assetforce® We use our assetforce platform not only for Company-wide operations, such as sales inventory (used equipment) and internal IT equipment management, but also for the streamlining and management of more than 70 workplace operations.

assetforce®

As a proprietary cloud service that streamlines the lifecycle management of equipment, assetforce® analyzes accumulated workplace data and is used to support management decision-making. With a high flexibility and scalability, the service provides all-in-one functionality essential in the management of equipment including workflows and forms.

In 2024, we developed "InnovAlte," a generative AI platform that we began using in-house in October. Utilizing this platform enables us to present solutions tailored to the issues our customers are facing and automatically generate and configure workflows. Going forward, we aim to enhance the efficiency of customers operations and maximize customer experience value.



Stage 2 Sales support

Customer contact points In addition to joint marketing initiatives with SMBC and others (such as exhibitions and co-hosting of webinars), we are also focusing on owned-media operations to disseminate highly specialized information, thereby creating a variety of customer contact points.

Sales structure We identify the issues faced by our customers via our marketing automation system, which handles four million messages per year and is the largest in the B2B financial market, and by hosting webinars that are viewed by 10,000 people per year. Through an organic combination of digital marketing and telemarketing, we have developed an inside sales structure that provides sales units with highly accurate business negotiation information.

Data analysis Based on customer relationship management/sales force assistance (CRM/SFA) data that integrates marketing, non-face-to-face sales, and field sales, we are engaging in data analysis such as discovering customer insights and improving sales negotiation processes to enhance sales.

Digitization of transactions The entire SMFL Group is working to digitize transactions, including procedures for various equipment rental contracts such as "rentalforce" (⇒ Page 72) provided by SMFL Rental, and credit screening procedures when applying for financing, and transaction contracts between three parties including suppliers.

Stage 3 Digital business development

SMFL's DX solutions are internally developed and more than theoretical. In fact, we provide these solutions to customers upon verifying their effectiveness and usability through their practical application in Stages 1 and 2 as part of our own businesses and operations. Employees on business front lines with business process re-engineering (BPR) skills and agile development methods, which are acquired through in-house projects, are proposing new business processes based on an understanding of the issues faced by our customers. We are also actively examining and utilizing advanced technologies. Possessing in-house R&D functions, we are collaborating directly with startups and other companies both in Japan and overseas that have advanced technologies while utilizing them in pilot projects and product development.

SMFL's Vision for 2030

"A ubiquitous digital company" "A company with digital as a business pillar"

Declaring itself "an advanced digital company" in 2019, SMFL has been promoting DX on a Company-wide basis. Based on our previous results and achievements, we gave added impetus to our DX efforts and declared "drive DX 2030" in 2024 as a sign of our determination to contribute to the growth of our customers and the resolution of social issues toward 2030.

"A ubiquitous digital company"

We are continuously taking action to increase knowledge of and interest in digitization among all our officers and employees. In addition to providing them all with e-learning licenses and supporting them in obtaining qualifications such as the IT Passport, we showcase the activities of employees who are already working on DX through videos that we post as good examples within SMFL. In FY2023, we put in place a DX driver certification system that provides internal certification based on the skills and practical results demonstrated by each officer and employee in SMFL's DX projects. Aiming to have certified 500 employees by the end of March 2026, we are supporting the activities of each officer and employee. (As of the end of March 2025, there were approximately 400 IT Passport holders.)

"A company with digital as a business pillar"

Finance × Business × DX We are actively utilizing internally developed digital products in each business unit. In the case of assetforce, the aim is not only to provide value to a single customer but also to provide a shared supply chain platform with equipment as its starting point.

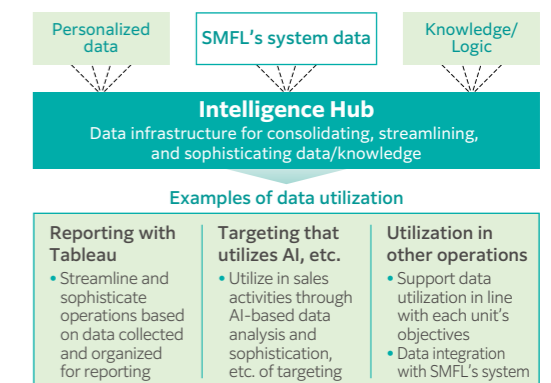
A leader of SaaS for equipment First released in FY2021, assetforce is currently used by several hundred customer companies. We are strengthening the product and sales structure so that we can become a partner to more customers as a leader of SaaS for equipment by 2030.

Build and utilize an internally developed BI platform "Intelligence Hub" to accelerate data-driven business

The data we utilize in our business operations were being stored in various locations, and SMFL was facing challenges in the Company-wide control of data utilization, such as data acquisition through unclear routes and data management dependent on individuals. We therefore internally built an Intelligence Hub with the aim of promoting and enhancing optimal data utilization throughout SMFL.

We collected and consolidated the data utilized on a daily basis from various sources and consolidated them in a cloud-based data warehouse (DWH) to create a data utilization environment through BI tools. We are also improving data literacy and data utilization skills through in-house training sessions, which have been attended by more than cumulative 1,700 employees, as well as working for greater operational efficiency and advanced data utilization at the Company-wide level. Through these initiatives, we have received commendations and won the IT Encouragement Award*1 and the FDUA Award*2.

*1 A system run by the Japan Institute of Information Technology (IT Association) to recognize companies and individuals who have made significant contributions to IT-based business innovation
*2 A system established by the Financial Data Utilization Association (FDUA) to sophisticate data utilization in financial institutions and raise the standards across the entire industry as well as recognize exemplary efforts in financial data utilization.

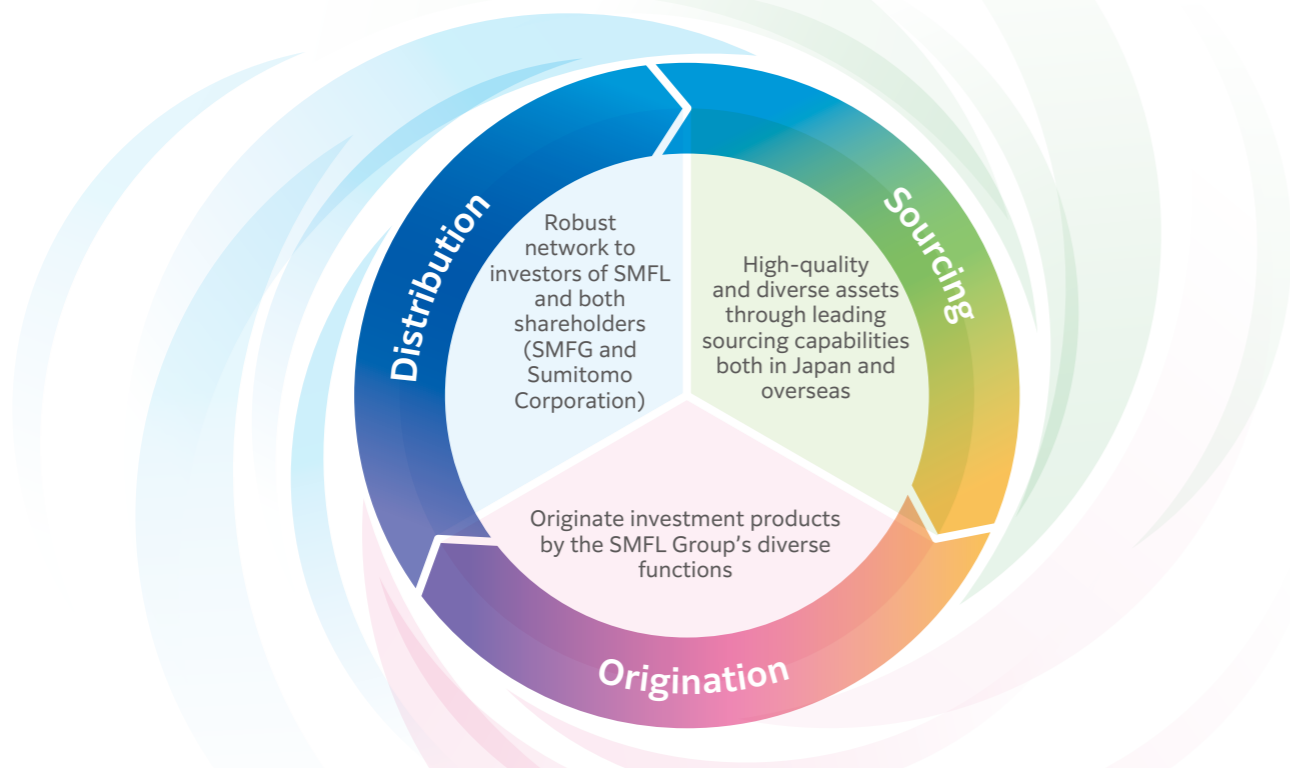


Asset Turnover-Type Business

As one of new pillars of its business strategies, the SMFL Group has been working on the asset turnover-type business such as securitization of lease receivables, real estate, and aircraft assets. This is to establish our additional earnings base by realizing the effective control to our own asset quality for further growth, and providing alternative investment opportunities to investors both in Japan and overseas.

Asset turnover-type business in the SMFL Group

We are engaged in asset recycling turnover-type business that leverages the SMFL Group's strengths.



Objectives and the significance of asset turnover-type business

- 1 **Secure funding capacity to provide high-quality stable financing**
- 2 **Offer a diverse range of high-quality investment products to investors in Japan and overseas**
- 3 **Build a new earnings base (asset management, revenue from asset sales, etc.)**

Our Group's strengths in each area

Sourcing

- Acquisition of superior operating assets through high value-added services and schemes
- In addition to lease receivables, a wide range of asset types, including aircraft and real estate

Origination

- Lease receivables: Trusts, ABS, etc. Real estate: Fund, REITs, security token etc., originate a wide range of investment products that meet investor needs
- Aircraft: JOL/JOLCO, JV, funding, etc.

Distribution

- Extensive investor base held by megabank as well as integrated trading company groups
- Expand and upgrade products lineup in each business to meet investor needs
- Provide unique investor portal site through DX

Current status of the asset turnover-type business

Building on its strengths as a "business company with financial capabilities," the SMFL Group makes full use of its diverse assets. With the aim of expanding the revenue source through the asset turnover-type business, we will promote strategies tailored to each asset class and create new revenue opportunities in line with investor appetite.

Investor	Objective	Hedge	Asset size/ funding control	Earning of fees	Capital gains
Individual			Security tokens		
Corporate			Japanese operating lease (JOL)		Real estate business
			Aircraft asset management		
Financial institution		Debt liquidation/securitization	Aircraft JV		
Funding			Aircraft fund		Real estate asset management

Topics for each business in FY2024

Domestic leases

- Originated and issued our second ABS (¥50 billion) backed by general lease receivables
- Promoted arranging syndications for individual receivables, liquidation of more than ¥100 billion
- Promoted digitalization of contract procedures with investors, worked on simplification of contract procedures
- Began a revamp of our investor portal site with a view toward building proprietary liquidation infrastructure utilizing DX

Real estate

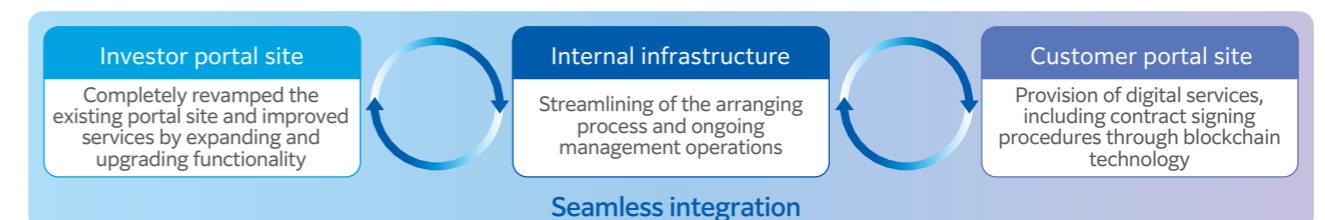
- Kenedix issued the first security tokens for rental housing in Japan
- Implemented a variety of liquidation measures (approx. ¥40 billion) for our real estate holdings
- Together with our partners, embarked on several real estate projects, including the development of residence hotels
- Acquired Aravest, a private fund business in Asia-Pacific (APAC) region

Transportation

- Accelerated solution sales within the Private Advisory Division to resolve customers' diverse management issues
- Promoted arrangement and sales of Japanese Operating Leases (JOL/JOLCO) from the customer's perspective by encouraging information sharing and collaboration between domestic sales departments and branches
- Established an online transaction system for JOLCO sales through DX

Initiatives toward 2030: "Full Digitization of the Liquidation Process" Project

More than merely revamping its investor portal site, the aim is to build a liquidity infrastructure unique to SMFL and improve the customer and investor satisfaction through the full digitization of internal and external liquidation processes, including arranging, sales, and ongoing management.



Human Resources Strategy

Contribute to the mutual growth of employees and SMFL as a part of efforts to realize the "SMFL Way"

Tomohiro Takimoto (left) Toru Gushi (right)
Executive Officer, General Manager, Human Resources Department
General Manager, Human Capital Development Department



Human Resources Policy

Takimoto | The SMFL's Human Resources Policy is based on the desire "to be of services to society and our customers," and "to make them happy which in turn makes us happy and makes our work more rewarding." This policy defines "What we expect of our employees" and "The value that SMFL provides" for the purpose of realizing growth among all employees—the source of our competitive advantage and most important management capital—supporting the sustainable development of SMFL as a whole.

We expect employees to produce results as a team of professionals who are always mindful of Our Principle and empowered by diversity reinforce and support each other. We also expect each individual to continue taking on challenges. Meanwhile, we cultivate an organizational culture empowered by diversity, and provide employees with opportunities to contribute to society and

customers. In this manner, we support employees to achieve their career goals in order to ensure they can realize aspirations and dreams as professionals.

An aspect of our Human Resources Policy is the relationship between employees and SMFL, where each party elevates the other while building close ties by mutual growth. To this end, our employees must be able to sense their own growth, serve society and customers, feel joy in doing so, and maintain and enhance their motivation.

We will continue to set our Human Resources Policy as our fundamental guideline to strengthen business foundation by executing a human resources strategy linked to management strategy, aiming to realize the SMFL Way, create social value and expand economic value.

Human Resources Strategy

Takimoto | Our human resources strategy is built on three pillars based on our Human Resources Policy which is underpinned by the pursuit of deeper DE&I and improved well-being.

SMFL is a company that attract a diverse range of

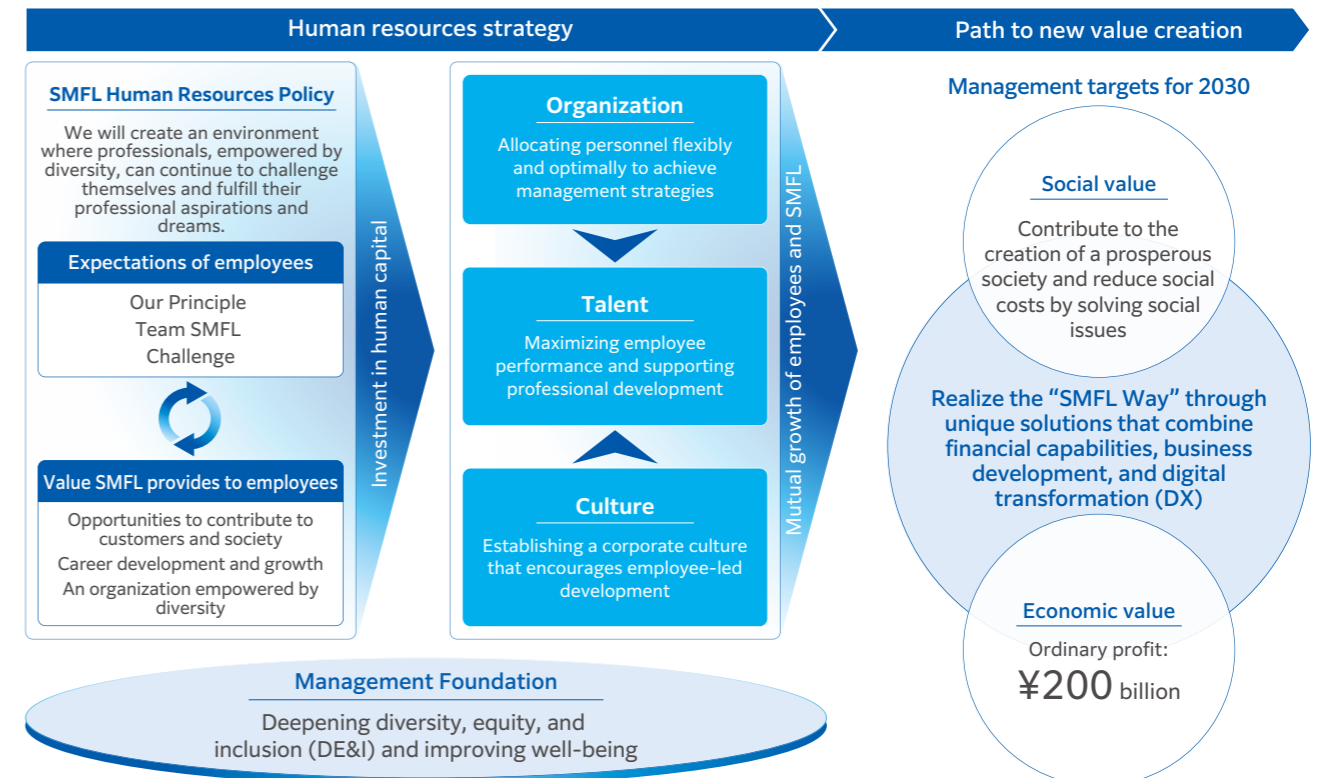


talent with backgrounds in different corporate cultures. The organization in which different cultures and value coexist is our inherent strength that allows us to generate innovative value. This is why our human resources strategy is based on the pursuit of deeper DE&I and improved well-being as our management foundation.

Based on this foundation, our human resources strategy is composed of three pillars: (1) Allocating personnel flexibly and optimally to achieve management strategies (Organization), (2) Establishing a corporate culture that encourages employee-led development (Culture), and (3) Maximizing employee performance and supporting professional development (Talent).

We will steadily implement various measures based on this human resources strategy so that both employees and SMFL continue to grow. Through these efforts, we aim to achieve our management targets for 2030 and to create new value.

Creating new value through a human resources strategy integrated with our management strategy



Note: Assumed exchange rate for ordinary profit is 1 U.S. dollar = 120 yen.

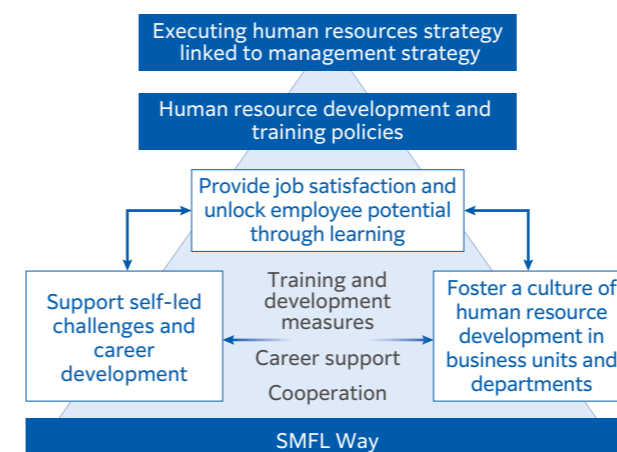
Policies for human resource development

Gushi | The Human Capital Development Department is primarily responsible for developing and training human resources at SMFL. We are working to create an environment that enables each employee to take on new challenges with a positive outlook and to achieve their dreams and hopes while engaging in self-led growth.

To realize Our Vision as part of the "SMFL Way" and ensure our human resources strategy takes root, we have put in place human resource development and training policies founded on the three aspects of supporting self-led challenges and career development, fostering a culture of human resource development in business units

and departments, and providing job satisfaction and unlocking employee potential through learning all while developing training measures. One example is the launch of the SMFL Academy training platform. SMFL Academy is a mechanism through which employees can proactively hone their expertise to enhance our human capital. In FY2025, we expect human resource investments to total ¥1.43 billion, of which education expenses will account for ¥740 million.

As our business domains expand and diversify, we believe that one of the core missions of this department is to support self-led career development with the goal of ensuring each employee experiences growth. Going forward, we will encourage employees to undertake challenges in new business fields.



Human Resources Strategy

Organization

Allocating personnel flexibly and optimally to achieve management strategies

Recruitment policy

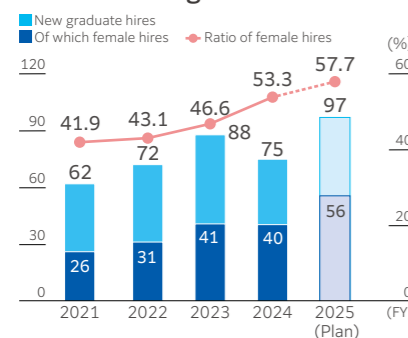
In order to address changes in the business environment, SMFL has strengthened efforts to recruit new graduates and mid-career hires, and has established an environment in which each individual can play an active role within SMFL empowered by diversity.

As for new graduate recruitment, we seek talent that possesses curiosity in the unknown, the ability to think flexibly, and the potential to support the sustainable development of society in unconventional ways. Moreover, we are diversifying the range of positions to which we assign new hires in order to create an environment in which specialized talent and global personnel can play

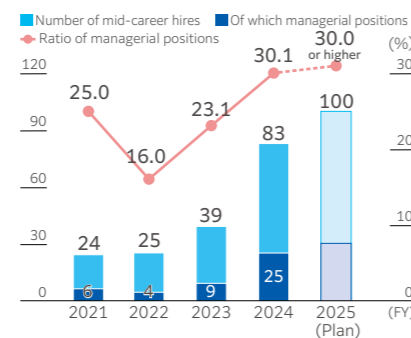
an active role. We also provide various opportunities and support career development so that employees can realize their aspirations and dreams.

Meanwhile, from a mid-career recruitment perspective, we actively seek human resources who possess the will to transform change into growth, and with high-level expertise in a wide range of business units, including experts specialized in digital technologies and data application. We also employ onboarding events and other similar measures to provide opportunities for mid-career hires to realize their desired careers by freely exercising their capabilities after joining SMFL.

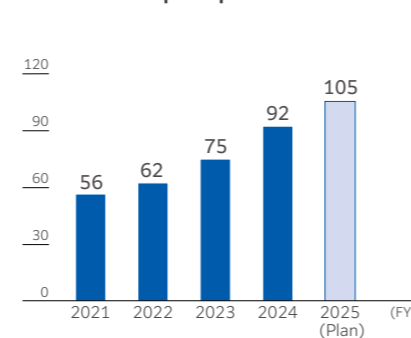
Trends in new graduate hires



Trends in mid-career hires



Trends in Expert positions



* excluding general service positions

Culture

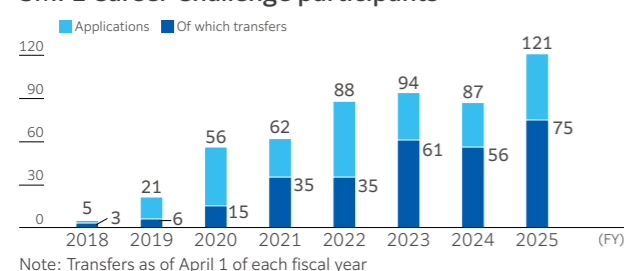
Establishing a corporate culture that encourages employee-led development

Challenge support

In order to support self-led career development by our employees, we provide an environment in which employees can challenge new positions through a four-step career cycle. This cycle is comprised of [1] Job Format, which documents operations and required skills in each business unit, [2] Job Forum, which disseminates information on a wide-range of tasks and roles at SMFL in a video format, [3] Job Shadow, which provides employees with work experience outside their affiliated business departments, and [4] SMFL Career Challenge, which allows employees to volunteer for their desired business departments based on the knowledge and experience they acquire in the above three steps.

We also offer short-term trainee system designed to provide human resources across all business units and broadly company-wide, including the judgement and customer proposal skills which necessary for SMFL's business, as well as knowledge on the environmental and DX fields.

SMFL Career Challenge participants

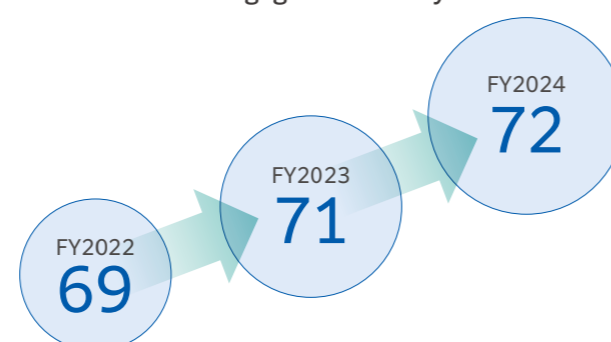


Note: Transfers as of April 1 of each fiscal year

Engagement

Along with implementing the human resources strategy, enhancing engagement is another essential part of ensuring the mutual growth of employees and SMFL. Therefore, SMFL is committed to further strengthening the desire for engagement among employees by communicating the importance of enhancing engagement and by implementing various measures. At the same time, we have established an environment in which employees can take the initiative in promoting efforts toward greater engagement. We have also conducted an engagement survey each year since FY2022, and regularly monitor the organizational status as a means of improving the organization and enhancing engagement.

Trends in overall engagement survey scores



Talent

Maximizing employee performance and supporting professional development

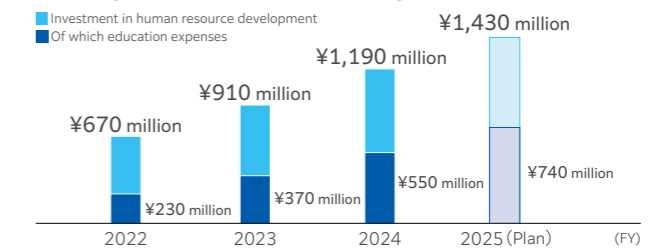
Investment in human resource development

The Human Capital Development Department has established an environment in which each employee can engage in self-led learning, and is actively expanding training opportunities led by each business unit and department in an effort to develop highly specialized talent according to the business strategy.

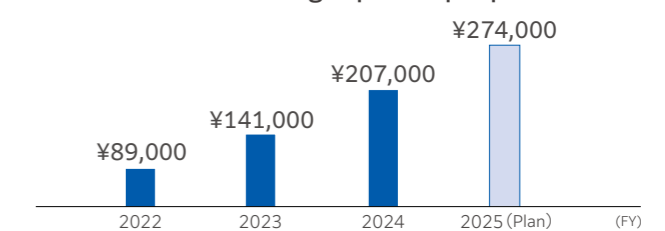
In FY2025, human resource investments are planned to reach ¥1.43 billion, of which education expenses will account for ¥740 million. Likewise, annual education expenses per person in FY2025 are expected to grow by a factor of 3.1 compared with FY2022.

These annual education expenses include job title and position-based training, unlimited GLOBIS learning opportunities provided to all officers and employees, fees for programs aimed at enhancing management skills, and external training costs incurred by the SMFL Business College. The Skill Up Challenge Fund seeks to enhance our business foundation, increase expertise of each business unit, and develop global personnel and DX talent.

Trends in investment in human resource development and education expenses



Trends in annual training expenses per person



*1 Annual education expenses per person = Education expenses / (Number of employees on a non-consolidated basis as of the end of the fiscal year + Number of temporary employees)

Management Foundation

Deepening DE&I, improving well-being

Health and Productivity Management Policy

SMFL believes the health of employees comes first and aims to create workplace environment in which each employee works vigorously and challenge themselves in good physical and mental health. In addition, we aim to improve health literacy of employees' families because the health of them is also important for employees to work in good health.

Specifically, we have established a health and productivity management system (Chief Health Officer: President), through which we have undertaken various initiatives to maintain and improve the health of our employees and their families.

Diverse and flexible work styles

SMFL seeks to create workplace environment that enables employees with diverse value sets to exercise their capabilities to the fullest and adopt high-productivity work styles so that they can experience fulfilling professional and private lives (including life events).

We also support the diverse work styles of our employees in specific ways. This includes the introduction and development of a flextime system (eliminating core time), various leave systems, and a reduced working hours system. These efforts serve to create an environment in which our employees who seek to balance work with childcare and nursing care can work with peace of mind.

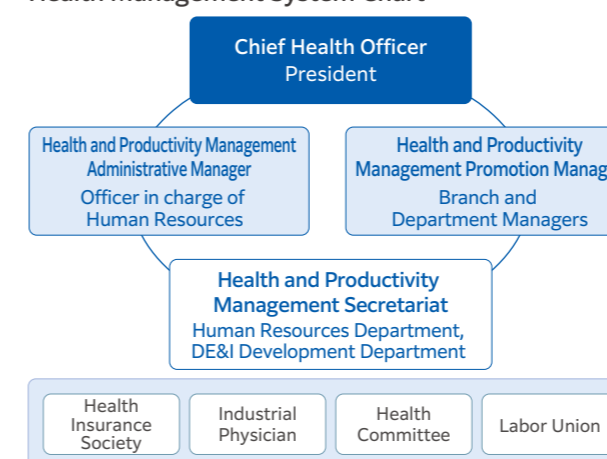
Empowering women

As a means of empowering women, we strive to increase the percentage of female managers and the percentage of female new graduates hired, and provide support for their career development. As of April 2025, we employed four female officers, and are now engaged in medium- to long-term career support initiatives through interactive events involving officers and other experienced employees, and through training programs.

Employing people with disabilities

To enable each and every employee with a disability to fulfill their potential, we have established a support system that includes job and task assignments that accommodate the needs of each individual, as well as periodic personnel interviews. Moreover, we promote employees with disabilities to full-time positions following a fixed period of employment for the purpose of ensuring stable employment.

Health Management System Chart



Roundtable Discussions

SMFL is committed to establishing an environment in which a corporate culture empowered by diversity has taken root and diverse human resources can play active roles. Against this backdrop, we recently spoke to several female employees who have returned to work to play active roles following maternity and childcare leave. Specifically, we asked about how they felt during childcare leave and after returning to work, as well as their outlook for their future careers.



Q1 Which of SMFL's systems did you find helpful when facing the life events such as childbirth and childcare?

Hisano: My physical condition was unstable during the early part of my pregnancy, so the flextime system was really helpful in that it allowed me to avoid the rush hour during my commute. And when I was busy with project closings, I worked from home. Working from home has also allowed me to secure time with my child and for household chores even after returning to work. I am also currently using the reduced working hours system, and since I can decide whether I use reduced working hours or not on a monthly basis instead of a yearly basis at SMFL, I hope to use this system flexibly in a way that matches my child's development in the future.



Yui Hisano

2021 Mid-career hire and member of the Energy & Environmental Business Promotion Department
April 2025 Returned to work from childcare leave

Shingyouchi: I also used the flextime system when I was pregnant. After I returned to work, I wanted to work from home twice a week for childrearing purposes, so I was very grateful that I readily received permission to do so when I conveyed this desire at my interview before returning to work.

Q2 Other than these systems, please tell us what you have found to be positive about SMFL's culture and the support you received from your bosses and colleagues.

Maruyama: As far as SMFL's culture is concerned, it seems to me there are a lot of employees in every department with an understanding of childcare. I have been very grateful for this environment when I take time for childcare.

Hisano: I feel similarly, and SMFL is also home to many male employees who take their children to and from nursery school, which makes the culture very understanding of childcare. My own boss takes his children to and from nursery school, and I am grateful that I can pick up my children from nursery school without feeling pressure from those around me.

Shingyouchi: One of the things that I feel positive about SMFL's culture is that everyone willingly accept my absence even if I leave work early when my child is ill. Sometimes I have to leave tasks unfinished because my child suddenly becomes ill, which I feel awfully terrible about, but everyone cheerfully encourages me even in these cases, which really puts me at ease.

Hisano: My bosses and colleagues provided a lot of

support that I was very happy about and grateful for. For example, my colleagues congratulated me and sent childcare support messages after I gave birth, and everyone said that they were waiting for me to return. This was helpful because I was spending a lot of time alone with my child during maternity and childcare leave, and sometimes felt cut-off from the rest of society.

Shingyouchi: I was also able to participate in my department's informal meetings twice during childcare leave, which kept me from feeling isolated and alone. And thanks to this kind of regular communication, I was able to return to my workplace without any problems.

Maruyama: I also had opportunities around once a month during maternity and childcare leave to join online meetings with my department manager, online meetings with a couple of my seniors, and lunch meetings that I brought my child to. This enabled me to return to work without feeling any gaps.

Shingyouchi: As another form of support, I was allowed to serve as the second in charge for all of the projects to which I was assigned right after returning to work so that I could get used to balancing work and home. Typically, the term "second in charge" gives the impression that you are not getting assigned any major tasks, yet I am getting assigned work that looks to my own future career.

Q3 What do you pay attention to in order to balance work and home?

Shingyouchi: I try to switch back and forth between myself as a business person and myself as a mother with a clear distinction. When I am a mother, I am careful not to think about work.

Maruyama: I returned to work more than a year ago. Because I had spent two years on maternity and childcare leave and underwent a transfer as soon as I returned to work, I have intentionally approached my work as if I were a new employee. At first, it was difficult to reset my mind when I suddenly had to pick up my child during work, but now I am careful to report my work progress at each step so that I can leave at any time. I also summarize and share all of my memos on a digital note app consciously,



Saori Shingyouchi

2018 New graduate hire and member of the Real Estate Development Department
May 2025 Returned to work from childcare leave

to ensure that anyone can follow up.

Hisano: Although I am not fully able to do so yet since I just returned to work, I have started to act in a more efficient manner where I eliminate waste from my work and private life as much as possible, which allows me to grow at work while maintaining a balance with home as best as I can. I am making every effort to effectively use free moments as I did before I gave birth, and have envisioned my desired career over the medium- to long term. I am trying to engage in work while constantly thinking about "how to change" the way I balance home and work over the short, medium, and long term in order to achieve my goals.



Kako Maruyama

2018 New graduate hire and member of Tokyo Corporate Business Department II
May 2024 Returned to work from childcare leave

Q4 Tell us about your future outlook and aspirations as a business person.

Maruyama: As I mentioned a moment ago, my short-term goal was to catch up as if I were a new employee. But right now, things have settled down a bit, so my medium-term goal is to try out a more aggressive stance including structuring new schemes and approaching new customers and those SMFL had partially given up because it had been particularly hard to win them. Over the long term, I will polish my work skills and hope to acquire management skills that allow me to follow up with my juniors and colleagues engaged in childcare and nursing care.

Shingyouchi: Since I am in my second year of real estate operations in practice, over the short term, I hope to absorb a lot of expertise through the projects in which I am currently involved and acquire the skills to manage projects on my own. Over the medium- to long term, I will use in-house systems to continue focusing on the English conversation lessons I attend because I want to become involved in collaborative projects with overseas companies that require English.

Hisano: First and foremost, I aim to return to work full time as soon as possible and function as a core team member. Over the medium- to long term, I would like to see opportunities for overseas assignments to which I can take along my child in anticipation of a future management position.

Sustainability Strategy

Efforts to address social issues under the current Medium-Term Management Plan and outlook for 2030



Masaru Shiomi

Representative Director, Senior Managing Executive Officer in charge of the Corporate Planning Department, Corporate Communications Department, Sustainability Promotion Department, Group Company Management Department

The current Medium-Term Management Plan (FY2023-2025) is now in its final fiscal year. This was the first time that SMFL adopted non-financial targets and announced efforts to address social issues as a major theme. To realize the SMFL Way in 2030, it is extremely important that we firmly link the progress we have made and challenges overcome over the past three years to our next medium-term management plan. I would like to take this opportunity to showcase some of the progress we are making on sustainability initiatives both inside and outside SMFL.

As part of our efforts, we are working to collect GHG emissions data (Scope 1, 2) and enhance its accuracy across the entire SMFL Group to achieve our medium- to long-term environmental targets. Additionally, we are expanding the calculation categories for Scope 3 disclosures and promoting disclosures on a consolidated basis. In FY2024, we published our first TCFD Report, in which we disclosed our strategies in each of the environment, real estate, and aircraft fields, areas that are expected to be particularly affected by climate change (⇒ Page 40). Since recognizing the business risks and opportunities associated with climate change and reflecting them in the business unit strategies will lead to sustainable business development, we will continue to deepen and expand our awareness going forward.

Our contributions to customers and society through

businesses are also steadily expanding. In FY2025, we merged the Environmental and Energy Business Unit and the Circular Economy Division, which was an internal organization of the Product Promotion Unit, to newly create the Global Environment Business Unit (⇒ Pages 43-45). By combining our environmental and energy and circular economy businesses into one business unit, we have given ourselves added impetus and realize even greater value provision as the SMFL Group. Sustainability businesses reached ¥775.9 billion in FY2024, and we will continue to steadily build up our cumulative contract value toward our final FY2025 target of ¥1 trillion.

For our sustainable growth, it is essential to establish new core businesses. I believe it will be of particular importance to build our future portfolio with an eye toward environmental value. Looking ahead to the next medium-term management plan and beyond, we will contribute to society by building an asset portfolio that places a greater emphasis on environmental value.

Issues in the area of sustainability are becoming increasingly crucial, and the expectations society places on companies are also becoming ever greater. Overlapping the creation of social value and expansion of economic value, the SMFL Group will take on the challenges of resolving social issues in partnership with its diverse stakeholders.

SMFL Group's Materiality

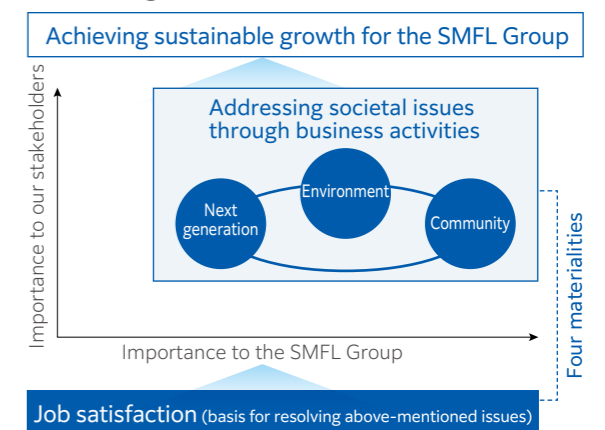
SMFL identified and has continued to address the Environment, Next Generation, Community, and Job Satisfaction as its four materialities (key issues). Selected based on two perspectives—their importance to stakeholders and importance to the SMFL Group—these key issues were identified following advice from external experts.

We have also reviewed some of our SDGs focus measures and key measures to align them with our initiatives, such as "activities as a leader in realizing the circular economy" and "contributing to society's priorities beyond business," which are key components of our current Medium-Term Management Plan. Going forward, we will promote initiatives designed to address materiality, while identifying changes in the SMFL Group's strategies and society as well as reviewing them as necessary.

Selection process for material issues

- Step 1** **Selecting SDGs focus items**
After taking a high-level view of the 169 targets of the SDGs and incorporating advice from experts, we selected items that are closely related to the business strategies of each business unit and that are especially worth focusing on.
- Step 2** **Including shareholder/stakeholder perspectives in evaluation**
While taking into account material issues for both our shareholders, we evaluated and prioritized issues that are closely aligned with the SMFL Group's business.
- Step 3** **Selecting material issues**
We selected three material issues in priority areas where we can leverage our strengths through business activities, and selected one material issue as the basis for resolving these issues.
- Step 4** **Internal approval procedure**
The selected issues are submitted for discussion by the SDGs Promotion Committee, approved by the Management Committee, and determined as materiality for the SMFL Group.

Positioning of material issues



Materiality Initiatives

Materiality	Environment Contributing to achieving decarbonization and a circular economy	Next generation Contributing to the development of people and companies that progress to the next generation	Community Contributing to the sustainable development of local communities	Job satisfaction Creating opportunities for everybody to be actively involved in a better future
Course of action	<ul style="list-style-type: none"> Support customer initiatives to reduce environmental impacts while operating our environmental management system in an appropriate manner Contribute to the realization of a circular economy through businesses that leverage the characteristics of a leasing company that handles equipment 	<ul style="list-style-type: none"> Work to develop and introduce new technologies, thereby contributing to the development and growth of companies as we move toward a society with a declining population. 	<ul style="list-style-type: none"> Contribute to building of sustainable communities through the development and maintenance of infrastructure essential to the region. 	<ul style="list-style-type: none"> Promote diversity and encourage the active participation of diverse human resources amid the declining birthrate and aging population. Create an open and productive workplace environment and foster a corporate culture in which employees can experience the joy of working.
SDGs focus measures				
Key measures	<ul style="list-style-type: none"> Promoting initiatives for renewable energy Expanding our offering of products that contribute to decarbonization Promoting a circular economy business Restrict the use of electricity and paper within our businesses 	<ul style="list-style-type: none"> Promote innovation in areas such as digital technology and robots Support the children who will become the platform for the next generation 	<ul style="list-style-type: none"> Provide solutions for sustainable urban development Contribute to the development of the economies of all countries by supporting capital investments on a global basis 	<ul style="list-style-type: none"> Promote an active role for women and senior citizens Promote workplace reforms Improve operational efficiency through the use of digital technology
FY2024 Initiative Results	<ul style="list-style-type: none"> Development of an on-site PPA scheme facilitating surplus power generation sharing Certified by Japan's Ministry of the Environment as a designated leasing company that has secured outstanding achievements under its ESG Lease Promotion Project for a second consecutive year Concluded a business agreement aimed at promoting the use of sorting and processing equipment for used disposable diapers 	<ul style="list-style-type: none"> Released "InnovAlte," our in-house-developed generative AI tool Received the IT Encouragement Award for building and utilizing Intelligence Hub (a business intelligence platform developed in-house) Supported camping events and factory tours geared toward children from disadvantaged families 	<ul style="list-style-type: none"> Contributed to infrastructure projects that support society through the establishment of comprehensive infrastructure funds and investment in privatized domestic airport Participated in the operation of the Japan National Stadium Supported orphanages and undertook river cleanup activities in Malaysia 	<ul style="list-style-type: none"> Secured a year-on-year increase in the percentage of women in managerial positions Introduced a Work-life challenge system (12 working days per month) Received a four-star rating in the Nikkei Sustainable Management Survey (Smart Work Edition)

Sustainability Strategy

Medium- to long-term environmental targets

The SMFL Group formulated its environmental policy in June 2017, explicitly stating its aims in contributing to the resolution of global environmental issues. In April 2020, as one element of Our Vision within the SMFL Way, the SMFL Group declared its intention to become a company "chosen for its commitment to SDGs," and since then has been working on various initiatives. In April 2022, we established three medium- to long-term environmental targets. Targets 1 and 2 are related to the decarbonization of SMFL and the SMFL Group, and under Target 3 we aim to contribute to resolving social issues, including the decarbonization of our customers' operations.

Medium- to long-term targets for reducing GHG emissions

Target 1 Scope1 Scope2 Net-zero greenhouse gas emissions by SMFL in Japan (by FY2023)

We achieved Target 1 one year ahead of schedule in FY2022 and maintained net-zero emissions in FY2023 and FY2024. Given that the majority of our Scope 1 emissions are due to gasoline use in company vehicles, we have been taking measures to reduce its gasoline consumption. These measures include a 37% reduction in the number of vehicles by the end of FY2024 compared to FY2021, and simultaneously replacing them with environmentally friendly alternatives. We have offset any remaining Scope 1 emissions after implementing these measures through the use of carbon credits. For Scope 2 emissions, we have set and achieved our goal of sourcing all electricity used from renewable energy sources on a non-consolidated basis in Japan. This includes switching to renewable energy sources and utilizing non-fossil fuel certificates. Furthermore, we used all of the non-fossil certificates derived from the solar power facilities owned by the SMFL Group, while ensuring the continuity and transparency of our renewable energy procurement within the SMFL Group, from generation to consumption, over the long term.

Target 2 Scope1 Scope2 Net-zero greenhouse gas emissions by the SMFL Group (by FY2025)

To calculate the SMFL Group's GHG emissions more precisely, we introduced a cloud system for calculating GHG emissions in April 2024. Additionally, SMFL Group has obtained third-party assurance for its Scope 1 and 2 GHG emissions for FY2024. Toward achieving environmental Target 2, we will further promote activities to reduce the SMFL Group's GHG emissions and procure carbon credits, non-fossil fuel certificates, and overseas renewable energy certificates.

Consolidated GHG Emissions in FY2023/FY2024

t-CO ₂ e	FY2023	FY2024	Emissions factors/Notes
Scope1	2,665	3,223	In principle, we use the emission factors published in the Greenhouse Gas Emissions Accounting, Reporting and Disclosure System under Japan's Act on Promotion of Global Warming Countermeasures to calculate Scope 1 emissions. For Scope 1 emissions, SMBC Aviation Capital's share is recorded as 1,541 t-CO ₂ e for FY2023 and 2,414 t-CO ₂ e for FY2024.
Scope2	2,034	1,309	In principle, we use the provider-specific emission factors; otherwise, we use the country-specific emission factors published by International Energy Agency (IEA). Due to the review of the calculation Boundary, Scope 2 emissions for FY2023 were revised. Scope 2 emissions are after the application of non-fossil fuel certificates on SMFL in Japan. (Prior to application: 2,460 t-CO ₂ e for FY2023 and 1,513 t-CO ₂ e for FY2024)

* For details regarding the third-party assurance of the SMFL Group's GHG emissions for FY2024, please refer to our website via the link below.
<https://www.smfl.co.jp/english/sustainability/environment/policy/>

Initiatives | Scope3 Initiation of disclosure and expansion of coverage

We started to calculate Scope 3 emissions from FY2023. For FY2024, we calculated Scope 3 emissions for Category 1 and Category 2 in addition to the data we disclosed last year, and added transportation equipment to the list of target items for leased assets (downstream) in Category 13. For categories that are already disclosed, we will also expand the scope of Scope 3 information disclosure, for example, by expanding the scope from non-consolidated to consolidated.

Consolidated GHG Emissions in FY2023/FY2024

t-CO ₂ e	FY2023	FY2024	t-CO ₂ e	FY2023	FY2024
Category 1 (purchased goods and services)	41,252	46,728	Category 6 (business travel)	5,589	12,998
Category 2 (capital goods)	5,084,865	5,199,682	Category 7 (employee commuting)	719	1,105
Category 3 (fuel- and energy-related activities)	797	624	Category 13 (downstream leased assets)	17,276,999	17,627,922
Category 5 (waste generated in operations)	32	142	Of which aircraft	16,241,114	16,755,224
Of which office waste	3	11	Of which other transportation equipment	1,035,885	872,698
Of which business asset waste	29	131			

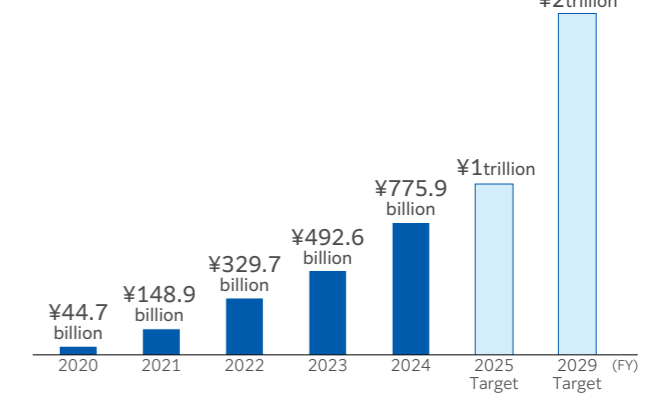
Note: For supplementary information on each category, please refer to the data section at the end of this report.

Target 3 Expand sustainability -related businesses

The SMFL Group is focusing on sustainability -related businesses to help address social issues, including climate issues, and to support customers in their decarbonization efforts. Initially, we set a cumulative contract value target of ¥1 trillion for FY2020 to FY2029, but we have moved this target date forward to FY2025 while raising the cumulative target to ¥2 trillion for FY2029.

Driven by our customers' growing interest in sustainability, the cumulative contract value for sustainability-related businesses reached ¥775.9 billion over the five years to FY2024. We will continue to accelerate our efforts in each business to achieve these targets.

Cumulative contract value



Main transactions (FY2020~)

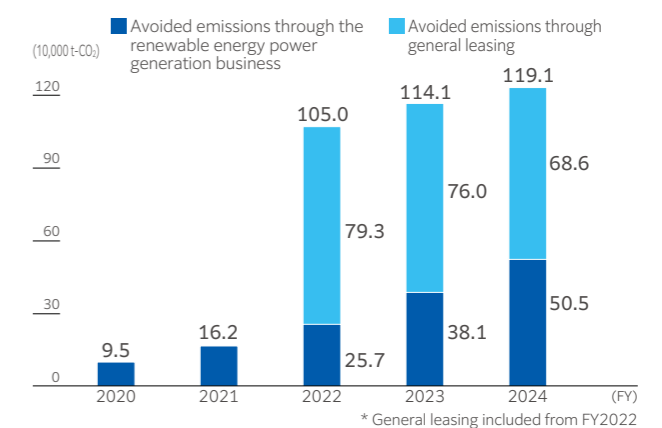
- Investment in and financing of renewable energy power generation businesses such as solar, wind, hydro and biomass
- Environmentally certified real estate development and financing projects
- SDGs Lease Mirai 2030® (donation type) / (evaluation type), SDGs leases in collaboration with companies and government agencies, real estate version of SDGs leases, etc.
- Sustainability-linked leases and loans (included from FY2023)
- Leases including carbon credits (included from FY2024)

* The inclusion of transactions related to sustainability in the aggregation target is subject to approval by the SDGs Promotion Committee.

Estimates of Avoided Emissions

Aiming to create social value and expand economic value, we began measuring our contribution to avoided emissions as an impact indicator that reflects the influence of our business activities on society and the environment from FY2020. Having recorded 510,000 t-CO₂ from renewable energy generation projects in FY2024, our avoided emissions has remained on an upward trend. Including general leasing transactions, the total avoided emissions amounted to 1,190,000 t-CO₂. Going forward, we will work to increase our avoided emissions throughout the supply chain, including power generation, storage, and energy conservation, and thereby contribute to the realization of a decarbonized society.

Avoided emissions



Method of calculating avoided emissions

	Renewable energy business	General leasing
Scope of calculation	In-house power generation (including PPA), financing and project finance projects handled by the Global Environment Business Unit	General leasing projects for renewable energy equipment handled by the Corporate Business Unit
Applicable power generation methods	Solar power, wind power, hydro power, biomass, geothermal	Same as on the left
Calculation method	Avoided emissions are calculated by multiplying our share of power generation in each fiscal year by the International Energy Agency (IEA) emission factor.	Avoided emissions are calculated by multiplying the power generation capacity determined by a specific logic, capacity utilization rate and IEA emission factor.

Climate-related scenario analysis

Climate-related scenario analysis

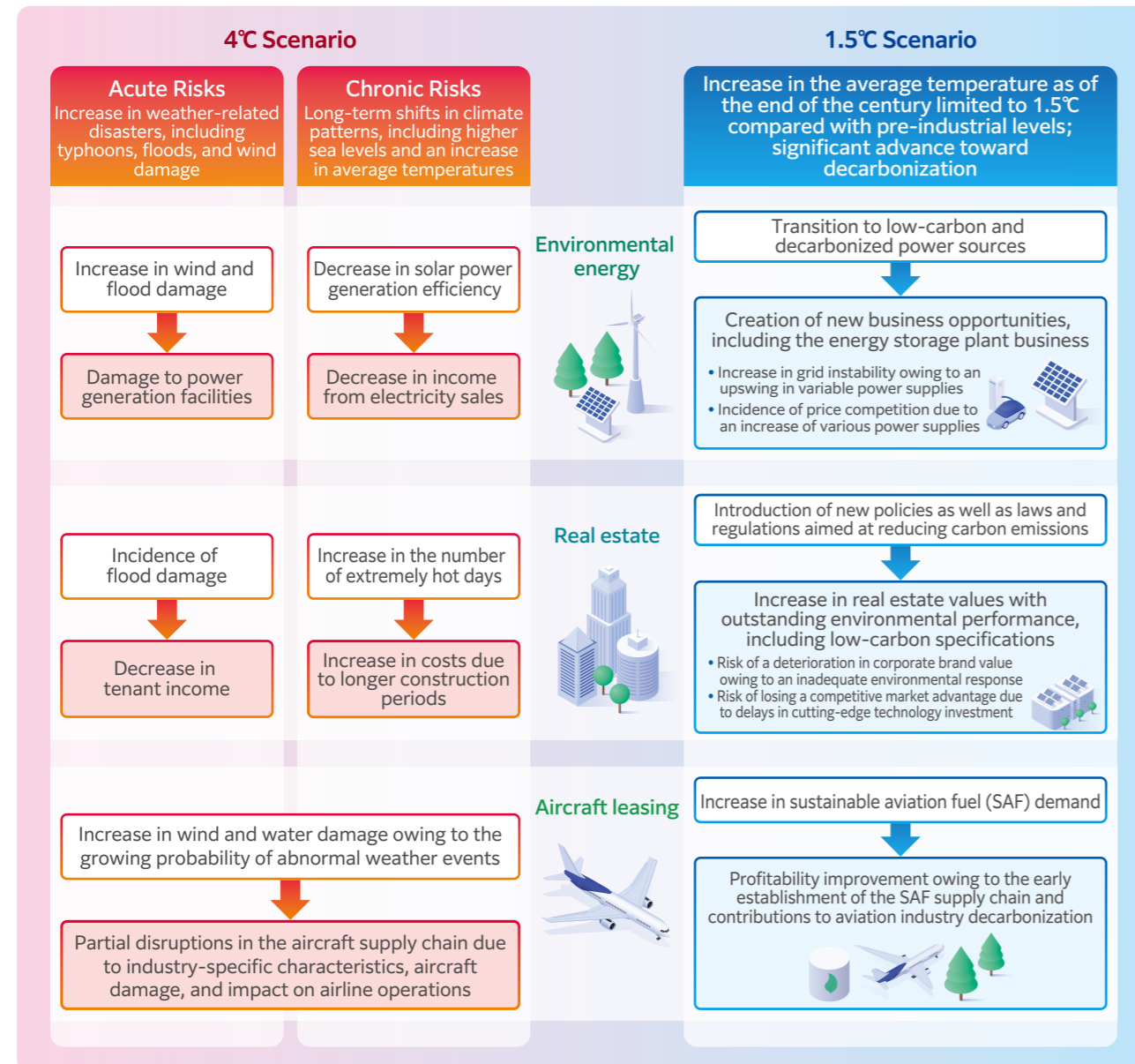
Referring to the recommendations put forward by the Task Force on Climate-Related Financial Disclosures (TCFD), the SMFL Group has analyzed climate-related risks, opportunities and business impact for the projects that may be significantly impacted by climate change. For the analysis, we referred to the "Net Zero Emissions by 2050 Scenario (1.5°C Scenario) published by the IEA and the "SSP5-8.5 (4°C scenario) put forward by the Intergovernmental Panel on Climate Change (IPCC). (TCFD Report: <https://www.smfl.co.jp/english/sustainability/environment/tcfd/>).

Moving forward, we plan to improve the accuracy of our analyses through various measures on an ongoing basis. This includes expanding the number of businesses subject to the scenario analysis and quantifying risks and opportunities.

Businesses Subject to Scenario Analysis

Of the Group's reportable segments, SMFL conducted scenario analyses for the Environmental and Energy, Real Estate, and Transportation businesses, which it believes are especially susceptible to climate change risks. Within the analyses conducted, the scope of analysis is presented as follows.

Environmental and Energy Business	<ul style="list-style-type: none"> Renewable energy generation Decarbonization solutions
Real Estate Business	<ul style="list-style-type: none"> Real estate leasing and development
Transportation Business	<ul style="list-style-type: none"> Aircraft leasing

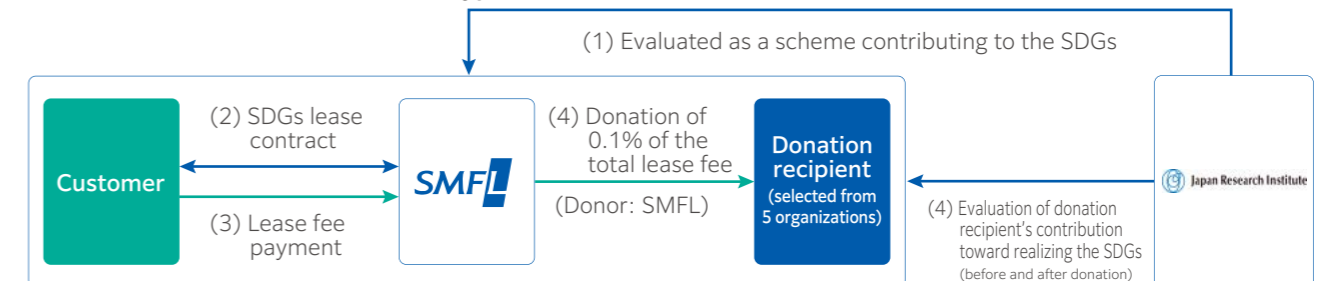


Social contribution activities

Progress in FY2024 on SDGs Lease MIRAI 2030® (donation type/evaluation type)

SDGs Lease Mirai 2030® is a leasing scheme that enables customers to contribute to the SDGs through leases. There are two types of leasing schemes: a "donation type" by which, with the customer's consent, a portion of the lease fee is donated to a certified NPO, etc., and an "evaluation type" that targets renewable energy and energy saving-related equipment and provides an evaluation report on the effects of installing the equipment. By the end of FY2024, a total of 2,124 companies had signed lease contracts for both the donation- and evaluation-type schemes.

SDGs Lease MIRAI 2030® (donation type) scheme



Initiatives with the certified NPO Kidsdoor

Supporting the activities of Kidsdoor, a certified NPO that is one of the recipients under our donation-type SDGs Lease scheme, we are working with Kidsdoor and our business partners to carry out our own pro bono activities. With the aim of realizing a society in which all children can have hopes and dreams, Kidsdoor provides educational support and food assistance for children to low-income households that are struggling to raise them.

POP-making workshop for children at Kidsdoor in collaboration with FamilyMart

In collaboration with FamilyMart Co., Ltd., we organized a workshop for children attending Kidsdoor's learning support center, with the aim of providing an opportunity for them to think about work and the future. By combining FamilyMart Co., Ltd.'s store management knowledge with the know-how from our "More Than Finance®" management support service, the children were able to experience creating point of purchase (POP) ads and learn how to work together as a team to achieve results.

The POP ads created by the children were displayed in stores and provided them with opportunities to experience actual work duties.



POP ads created by children

Dispatch of lecturers to SMBC Group Financial and Economic Education seminars at universities across the country

Provided by the SMBC Group for students who will lead the future and local residents, SMBC Group Financial and Economic Education is a free seminar aimed at helping participants acquire accurate knowledge and make appropriate judgments with regard to money.

As a member of the SMBC Group, we deliver lectures on the links between leasing and sustainability at universities across the country. In FY2024, we delivered lectures at 10 universities and planned to increase the number to 19 in FY2025.



A lecture on Financial and Economic Education

Sustainability Strategy

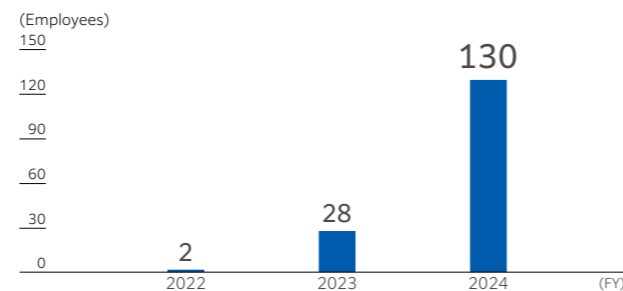
Initiatives to Develop Sustainability Talent

The SMFL Group is strengthening its sustainability education to accelerate initiatives to become a company "chosen for its commitment to SDGs." In FY2024, we expanded our existing SDGs study sessions and launched a sustainability talent development program. The program includes study sessions for all employees four times a year, encourages employees to obtain decarbonization advisor qualifications certified by Japan's Ministry of the Environment and promotes video-based education.

Company-wide study sessions focus on providing employees with knowledge and skills that they can apply to their own work and put into practice on a daily basis. These study sessions are taught by SDGs officers appointed to each department. The introduction of this

program is helping to improve knowledge within SMFL and fostering an awareness of sustainability initiatives.

Number of employees who have acquired decarbonization advisor qualifications certified by Japan's Ministry of the Environment



Company-wide study sessions (FY2024)

Theme	Content
Commitment to SDGs	Our commitment to SDGs, materiality, and initiatives for SDGs within and beyond business
Decarbonization	Green Transformation (GX)-related regulations, technologies that contribute to GX and their use at SMFL, and examples of contributions to GX through leases
DE&I	Background behind the initiatives, positioning and measures within SMFL, etc.
Greenwashing	Definition and risks of greenwashing, regulatory trends and our responses, etc.

Initiatives to respect human rights in the supply chain

In recent years, concerns about human rights violations in companies have grown, and interest in human rights due diligence has also risen rapidly. We are "committed to contributing broadly to the sustainable growth of our customers and society" through the "SMFL Way." In May 2023, we formulated the SMFL Group Human Rights Policy to respect the human rights of all officers and employees as well as all persons directly or indirectly affected by our business.

To further strengthen our human rights initiatives, we established a redress mechanism, a framework for

handling human rights-related grievances for the period from FY2024 to FY2025. To build this platform, we utilized the Engagement and Remedy Platform provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER), of which SMFG, our shareholder, is a member. By utilizing this platform, we aim to operate processes effectively and address all stakeholders in a transparent and fair manner. We also aim to fulfill our social responsibilities by detecting human rights issues early and appropriate responses.

Process flow utilizing JaCER's Engagement and Remedy Platform

Accept	<ul style="list-style-type: none"> Accept human rights complaints through JaCER's Engagement and Remedy Platform
Examine Assessment	<ul style="list-style-type: none"> Collect information about the complaints and determine its relevance Decide course of action based on the results above
Respond	<p>As necessary/if appropriate,</p> <ul style="list-style-type: none"> Engage in dialogue with stakeholders Corrective and remedial measures to mitigate/restore negative human rights impacts
Disclosure	<ul style="list-style-type: none"> Disclose the status of the operation of the Mechanism

Establishment of Global Environment Business Unit

Having newly established the Global Environment Business Unit, we put in place a system to consistently handle the Environmental and Energy and Circular Economy businesses. Having decided to make these two domains the pillars of our business, we will be contributing to the realization of GX.

Toward accelerating business that overlaps the creation of social value and expansion of economic value

Eiichi Sekiguchi

Representative Director, Senior Managing Executive Officer
Head of Global Environment Business Unit



The Global Environment Business Unit was launched in April 2025 with its concept: Carbon Neutrality (CN) x Circular Economy (CE) x Digital Transformation (DX) ⇒ Green Transformation (GX). The Environmental and Energy Business Unit, which was a stand-alone division until FY2024, and the Circular Economy Division, which was newly established in the same fiscal year, have been merged to form the Global Environment Business Unit. Two headquarters, the Environmental and Energy Business Division and the Circular Economy Division, have been established within the business unit.

We aim to bring about powerful synergies while accelerating business that overlaps the creation of social value and expansion of economic value. These aims will be achieved by combining our strength in digital know-how with the two pillars of our environmental energy business, which promotes the decarbonization of customer operations and of society as a whole through the renewable energy and energy-saving businesses, as well

as circular economy business which encourages waste reduction through the reuse and recycling of materials.

On an experimental basis, we have also introduced "avoided emissions" as a unique impact indicator in the Global Environment Business Unit. It is said that to realize a decarbonized society, companies need to not only reduce GHG emissions within their own company and supply chain but also contribute to reducing GHG emissions at other companies. By introducing "avoided emissions," which is a common term that applies to both the environmental energy business and the circular economy business, we will create businesses that contribute to reducing GHG emissions for our stakeholders including customers.

By contributing to green transformation (GX), which is essential for realizing a sustainable society, we will work to become a company "chosen for its commitment to SDGs," stated in the "SMFL Way."

What is a circular economy?

The traditional economic model of mass production, mass consumption, and mass disposal has led to numerous challenges, including climate change, natural resource depletion, and plastic pollution. Today, companies can no longer afford to ignore what happens to the products they create after they are used.

In light of this trend, the realization of a circular economy (CE) has now been positioned as a national strategy even in Japan. There is a need to shift to a socio-economic system that makes maximum use of waste and other resources, creates added value, and leads to new growth.

In addition to solving environmental issues such as climate change and biodiversity conservation, a CE has the potential to revitalize local areas, achieve a high quality of life, strengthen industrial competitiveness, and ensure economic security. Against this backdrop, it is essential for companies to view CE compliance not simply as a cost but as a growth strategy and take steps to gain a competitive advantage.

Circular Economy in the Forward Logistics Domain

To realize a CE in the forward logistics domain, it is important to ensure the traceability of products and clarify their ownership. By utilizing leasing (sales financing), the ownership of leased assets can remain attributed to the leasing company when provided to the user, enabling them to be collected when the user has finished with them. This enables manufacturers who are the sellers to make specific considerations toward making their products CE-compliant.

Circular Economy in the Reverse Logistics Domain

At SMFL, we believe that connecting the forward logistics domain with the reverse logistics domain is a vital mission for a leasing company. As the asset owner, we have carried out their proper disposal and provided solutions that contribute to the 3Rs, waste compliance management ASP services, and waste disposal assistance to our customers. Additionally, we are currently focusing on rare earths and other materials that have value in themselves, and products whose disposal present problems, while considering recycling businesses that utilize the strengths of each group company.

Establishment of Global Environment Business Unit

SMFL's circular economy (CE promoting structure)

In line with the Medium-Term Management Plan from April 2023, we launched a company-wide organization called the Circular Economy Promotion Working Team (WT) and have been worked to build specific CE models with customers and disseminate CE-related information both internally and externally.

To accelerate CE initiatives carried out to date, in April 2025 we significantly enhanced the organization and personnel of the Circular Economy Division, to which we transferred the WT functions. Consolidating domestic and international CE-related information, this division will accumulate specialized knowledge while providing wide-ranging solutions to customers' issues.

It is said that not only the utilization of renewable energy but also CE initiatives will be essential to the realization of a carbon-neutral (CN) society. In conjunction with the Environmental and Energy Business Division, which is handling decarbonization business and has been positioned under the umbrella of the newly established Global Environment Business Unit, we will accelerate CN and CE business by utilizing digital technologies and take on the challenge of realizing green transformation (GX).

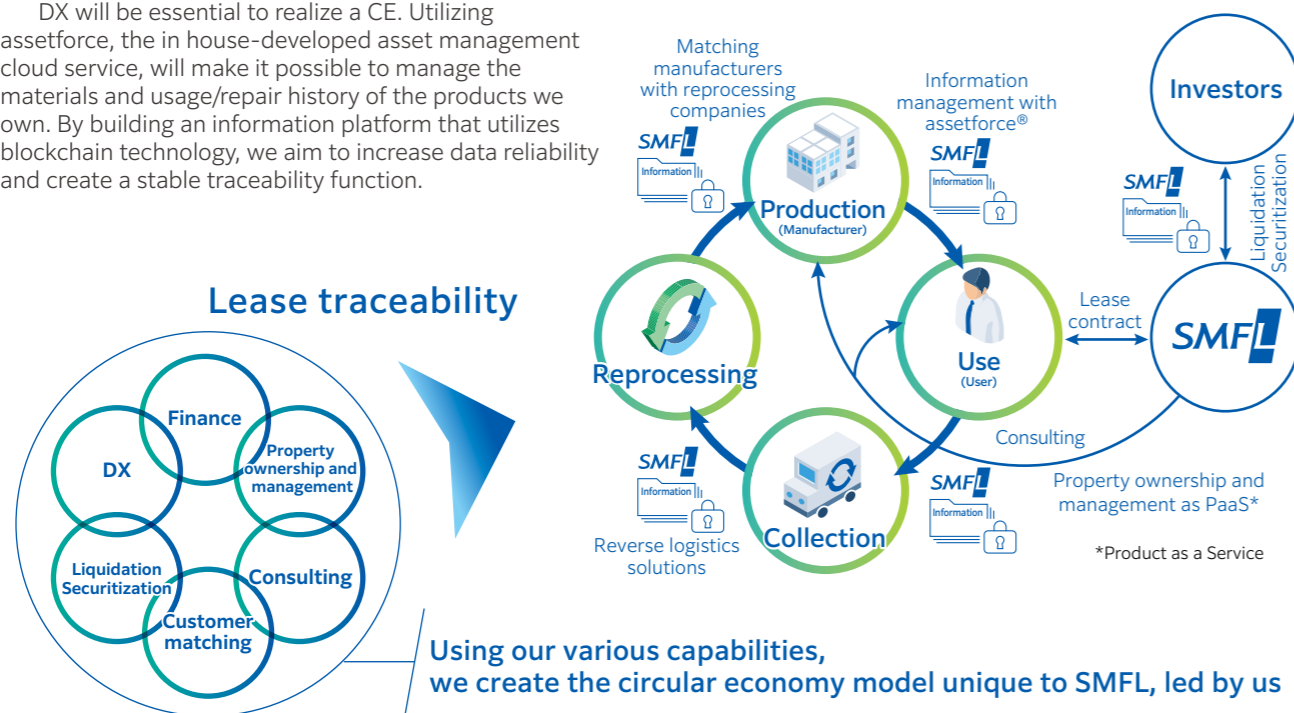


Toward Establishing a CE Model (SMFL2030 model)

Maximizing the use of the various capabilities we have cultivated as "a business company with financial capabilities," by 2030 we aim to build a CE model unique to SMFL from three perspectives: "Build a resource circulation circle," "CE promoted through strong relationships with individual companies," and a "CE relating to specific materials and products."

DX will be essential to realize a CE. Utilizing assetforce, the in-house-developed asset management cloud service, will make it possible to manage the materials and usage/repair history of the products we own. By building an information platform that utilizes blockchain technology, we aim to increase data reliability and create a stable traceability function.

If it becomes possible to reliably manage data on assets through these initiatives, we believe that this could lead to developments in business, including the securitization and liquidation of lease contracts linked to the various data. We are also giving consideration to the development of financial products for investors that will contribute to a CE.



Circular LinX



Circular LinX is a joint venture established by SMFL MIRAI Partners and AMITA HOLDINGS CO., LTD. and possesses strengths in waste management. By combining the aspirations of both AMITA Group, which has been working toward the realization of a sustainable society from the perspective of environmental resources, and the SMFL Group, which has been working to become a company "chosen for its commitment to SDGs," Circular LinX is providing services that can assist customers and society through more advanced ideas. We will accompany our customers as their best partner in achieving sustainability management while assisting in the building of the foundations of a social platform that will lead the new era.

SMART



SMART is a prime contractor in equipment and plant disposal established by two companies, ARBIZ Corporation and SMFL Mirai Partners (SMFLMP). Leveraging the technologies that ARBIZ possesses in demolition supervision, construction, and recycling as well as SMFLMP's knowledge and expertise about "equipment" and reuse sales network, SMART provides a one-stop service that covers plant dismantling, equipment removal, and resale/recycling of idle machinery/equipment. By combining the strengths of two companies, we aim to become the best partner for business restructuring support as specialists in dismantling and revitalization.

Examples of businesses that solve social issues and their corresponding materiality

Example 1 Signing of a strategic partnership

Corresponding Materiality

Environment/Next generation



In June 2025, five companies—SMFL, AMITA CORPORATION, ABeam Consulting Ltd., Circular LinX, and GX Concierge Inc.—reached a basic agreement to jointly provide companies with "services that comprehensively support the conception, design, and operation of circular businesses that combine the circular economy and digital transformation (DX)" on the basis of their strategic partnership.

By leveraging the strengths of each company, we will provide comprehensive solutions in the forward and reverse logistics domains, including finance and consulting, to companies working to achieve a CE.



Toward provision of a "Circular Co-Evolution" sustainability management service through a five-company collaboration

Example 2 Demolition work associated with the relocation of a baseball field

Corresponding Materiality

Environment



A prime contractor for the disposal of facilities and plants, SMFL Group company SMART was contracted to demolish Hanshin Naruohama Baseball Stadium, the home of the Hanshin Tigers' second team, which had decided to relocate due to the aging of the facility.

One of the concerns was the dismantling of the backscreen's 65m-high poles. However, SMART's track record in dismantling large Ferris wheels and wind farms was highly rated and led to the contract.

SMART is also promoting resource efficiency and waste reduction that contributes to a CE by maximizing the reuse and recycling of the waste materials generated during the stadium's demolition.



Hanshin Naruohama Baseball Stadium, where SMART undertook the demolition work

Financial Strategy

Financial strategy for achieving 2030 targets

Noriyuki Watanabe

Director, Managing Executive Officer
Officer in charge of Accounting Department, Treasury Department, and Risk Management Department



Review of the second year under the Medium-Term Management Plan

Building a stable and competitive funding structure

I am confident that we achieved favorable results in FY2024, the second fiscal year of our Medium-Term Management Plan. Most notably, we took steps to expand funding sources by adopting new funding methods as we sought to balance further growth with the asset control.

In specific terms, we strengthened profitability and expanded our asset turnover-type business by entering new fields and undertaking inorganic investments, while also increasing profits from existing businesses. As a result, SMFL reported record highs in ordinary profit and profit attributable to owners of parent. Ordinary profit was ¥165.9 billion, up ¥16.2 billion compared with the previous fiscal year, and profit attributable to owners of parent totaled ¥133.9 billion, up ¥4.2 billion year on year, owing to such factors as the recording of aircraft-related insurance settlements related to Russia.

In its domestic lease and finance businesses, SMFL took definitive steps to address customers' needs against the backdrop of an increasingly active business environment. These steps led to the conclusion of multiple large investment project contracts. In our transportation business, SMBC Aviation Capital Limited ("SMBC AC"), an aircraft leasing company, and SMBC Aero Engine Lease, an aircraft engine leasing company, reported increased profits. This largely reflected business growth, the downturn in Russia-related impairment loss, and the substantial decline in credit costs. Moreover, results in the real estate business

were boosted by the strong performance by Kenedix, successful conclusion of large-scale purchase and sale transactions, and securitization of assets.

Turning to new initiatives, SMFL entered the container leasing business in its Transportation Business. In the Real Estate Business, we acquired Aravest, a company that engages in real estate management in the Asia-Pacific (APAC) region, and included CRE within the scope of the SMFL Group's consolidation as a subsidiary with strengths in the development and management of domestic logistics facilities. Through these and other means, we proactively undertook investments aimed at securing further growth and strengthening the asset turnover-type business.

As for funding, we continued to build a stable and competitive funding structure in FY2024 to maintain an appropriate short- and long-term financing ratio in a bid to secure further growth and respond properly to a "state with positive interest rates." Meanwhile, SMBC AC issued a total of US\$1.5 billion in foreign bonds, and in May 2025, SMFL issued US\$0.5 billion as its fourth such issuance in line with the overseas business growth.

Furthermore, we worked to securitize pooled lease fee receivables as a means to diversify funding methods and sourced ¥50 billion. At the same time, we raised approximately ¥140.2 billion through joint money trusts.

The final fiscal year of the Medium-Term Management Plan

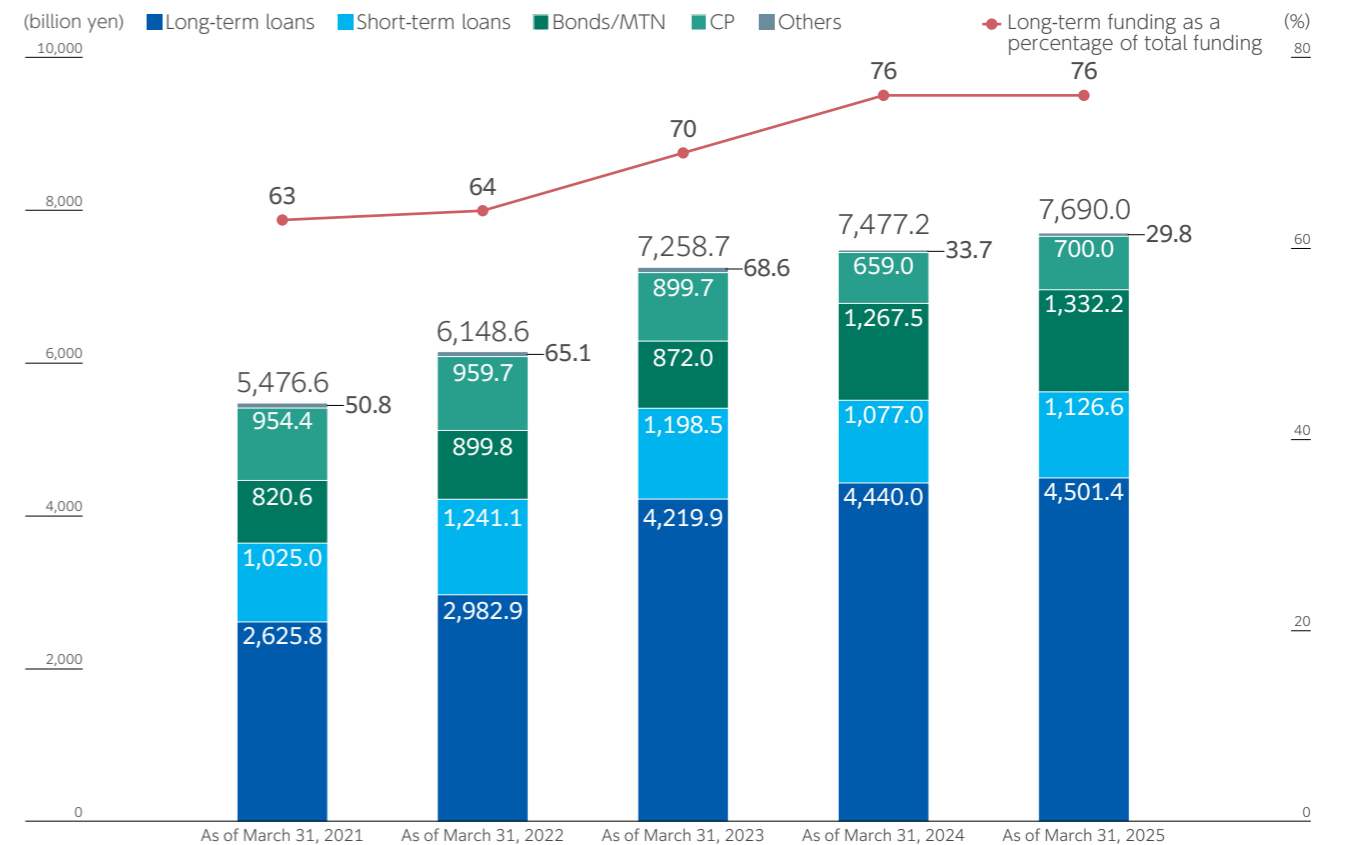
Engaging in funding operations mindful of a state with positive interest rates and geopolitical risks

FY2025, the final year of our Medium-Term Management Plan, is critical to both determining and laying the foundation necessary to achieve our 2030 vision.

As far as the external environment is concerned, and despite an increasingly active domestic economy, the impact of rising interest rates, tariff policies imposed by the U.S., and geopolitical risks associated with such events as the situations in Ukraine and the Middle East on

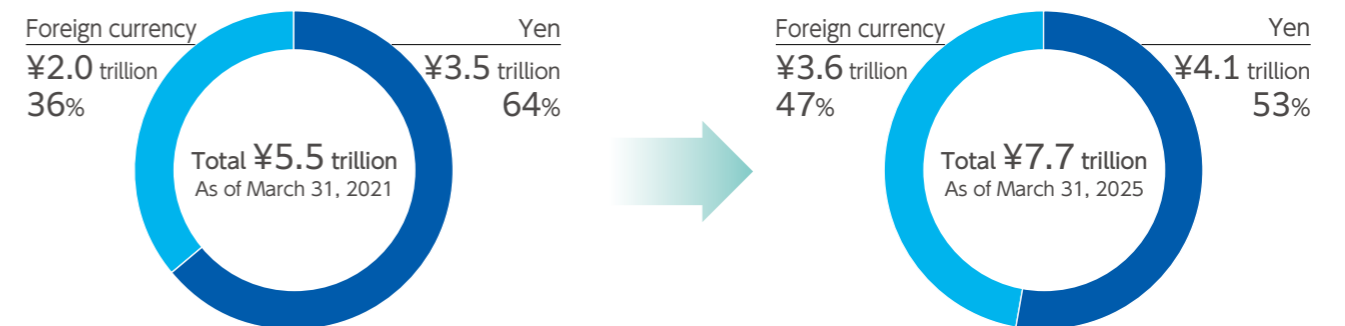
corporate activities as well as financial markets is difficult to discern. Against this backdrop, we recognize that we have entered a phase in which the ability to manage investment and financing as well as market risks will directly affect corporate value. Amid a state with positive interest rates, we will focus on proactive risk management and flexible ALM while strengthening our business foundation.

Funding balance over the most recent 5-year period

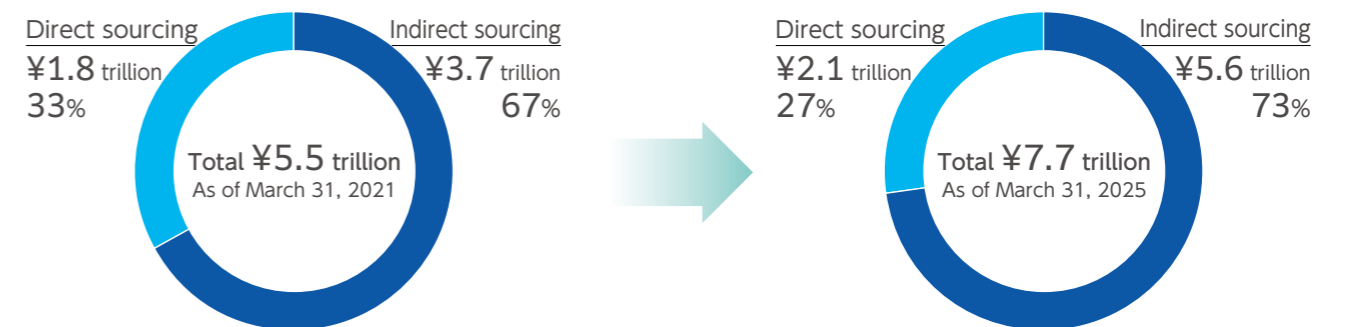


Consolidated interest-bearing debt

Yen- and foreign currency-denominated ratio



Direct- and indirect sourcing ratio

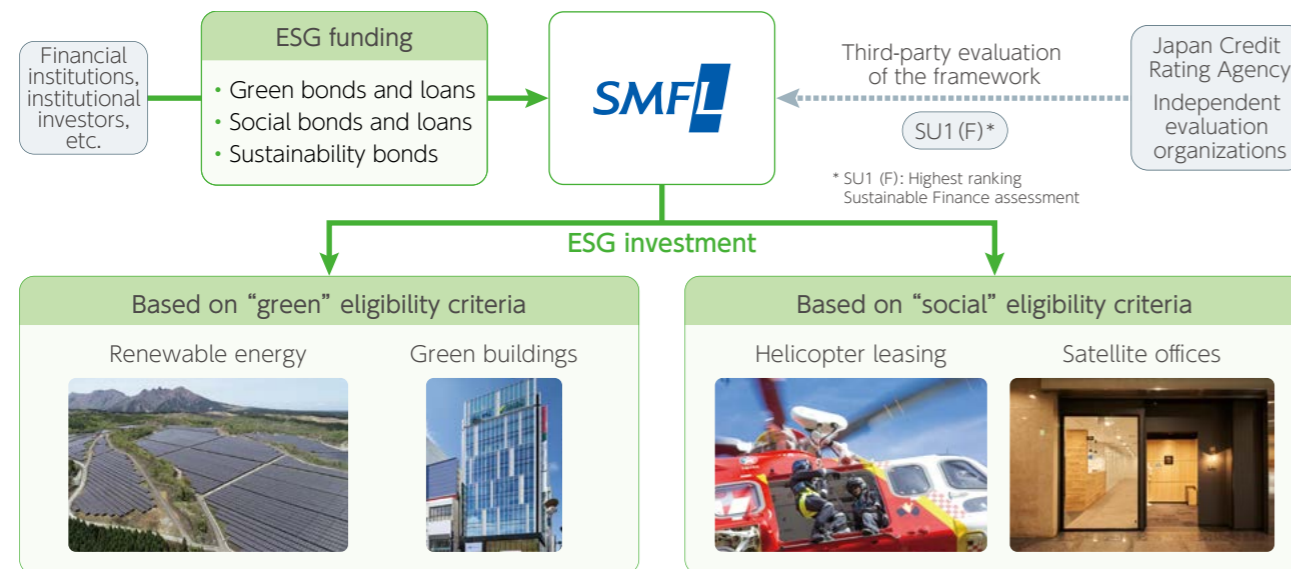


Financial Strategy

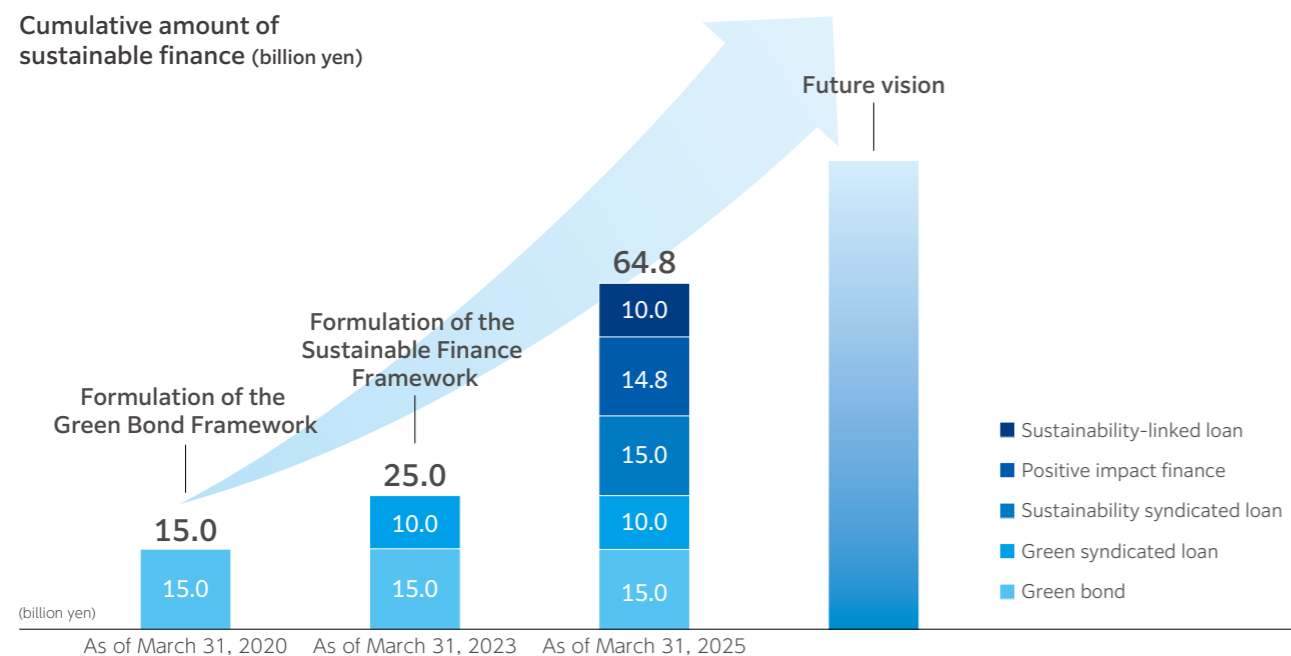
Initiatives for Sustainable Finance

Since formulating its Green Bond Framework in FY2019 and Sustainable Finance Framework in FY2022, SMFL has engaged in sustainable finance activities totaling approximately ¥65 billion through FY2024. Looking ahead, we will work diligently to garner the understanding of stakeholders toward our commitment to solving social issues, which includes achieving the SDGs. On this basis, we will proactively procure sustainable finance for use in fulfilling this commitment and provide various investment opportunities to investors and financial institutions.

Sustainable Finance Framework



Cumulative amount of sustainable finance (billion yen)



Enhancing risk management capabilities

Strengthening risk management systems as a business foundation to support expansion

SMFL Group is strengthening its risk management systems because the business investment risks, market risks, and other various risks are varying and deepening in line with the evolution into a business company with financial capabilities. We have introduced the Risk Appetite Framework as a management structure to clarify the types and amounts of risks associated with earnings growth and are maintaining discipline in business operations. At the same time, we plan to further entrench and enhance our Risk Appetite Framework by business unit in order to improve the autonomous risk response capabilities of our front office.

As a result of strengthening its function as an advisory

body to the Management Committee, the Investment & Financing Committee is bolstering the ability of each business unit to identify and structure deals as well as corporate departments to analyze, evaluate, and provide support. This in turn is contributing to higher quality and efficiency of deliberations. After undertaking investments and financing, steps are taken to regularly monitor each business, portfolio, and asset value, as well as to take action to enhance corporate value and ensure financial soundness. By implementing this PDCA cycle, energies are being directed toward putting in place and strengthening risk management systems commensurate with the expansion and growing depth of our business.

Direction of the next Medium-Term Management Plan aimed at achieving 2030 targets

Building a structure and strengthening our financial foundation to support growth strategies

Amid the transition to a state with positive interest rates, corporate activities in Japan are becoming increasingly vigorous in the pursuit of higher earnings. Turning to the world stage, uncertainty surrounding the future continues to mount owing to such factors as geopolitical risks and shifts in the policies of major countries. As a result, financial markets are exhibiting increased volatility. Despite this harsh operating environment, I believe that the corporate sector will continue to adopt an aggressive stance due to innovation and a review of the supply chain. At the same time, I recognize that the importance of financial strategies, including the allocation of assets and ALM, in determining corporate value is increasing as winners and losers among companies become more apparent. Here, SMFL will accelerate efforts aimed at overlapping the creation of social value and expansion

of economic value in line with the needs of customers and partners and incorporate this economic dynamism into the Company's own growth with a view to realizing 2030 targets. To this end, we recognize the need to build a stable and competitive funding structure and to further enhance risk management.

From a financial perspective, SMFL's equity ratio is exhibiting an upward trend, climbing 0.4 of a percentage point, to 11.2% in FY2024. In addition to adopting an aggressive risk-taking approach, including investing in new businesses, in an effort to further upgrade and expand business portfolio, we will further strengthen our financial base by steadily accumulating profits and implementing asset control, etc. through asset turnover-type business.

Promoting proactive dialogue with stakeholders

SMFL is committed to deepening mutual understanding through direct dialogue with not only shareholders, but also domestic and overseas financial institutions and investors. At the same time, we also share details of our direction and issues with employees through town hall meetings conducted by top management and other executives as well as daily communication.

I am thrilled by our stakeholders' expectations toward SMFL's growth. In particular, I am encouraged by the robust support for our efforts to pursue high-profit businesses as a business company with financial

capabilities, as well as for our renewable energy and circular economy businesses, which are advancing steadily with the aim of expanding future social and economic value despite their limited history.

I am acutely aware that the trust and expectations of stakeholders are predicated on the strengths of our compliance and risk management frameworks. Looking ahead, we will continue to realize the "SMFL Way" through interactive communication.

I humbly ask for the continued understanding and support of all our stakeholders.