

May 14, 2020

Sumitomo Mitsui Finance and Leasing Company, Limited

SMFL Announces Medium-Term Management Plan Covering Fiscal 2020 to 2022

Sumitomo Mitsui Finance and Leasing Company, Limited (hereafter, “SMFL”; President: Masaki Tachibana) announces today that it has established a new medium-term management plan for the three-year period from fiscal 2020 to fiscal 2022.

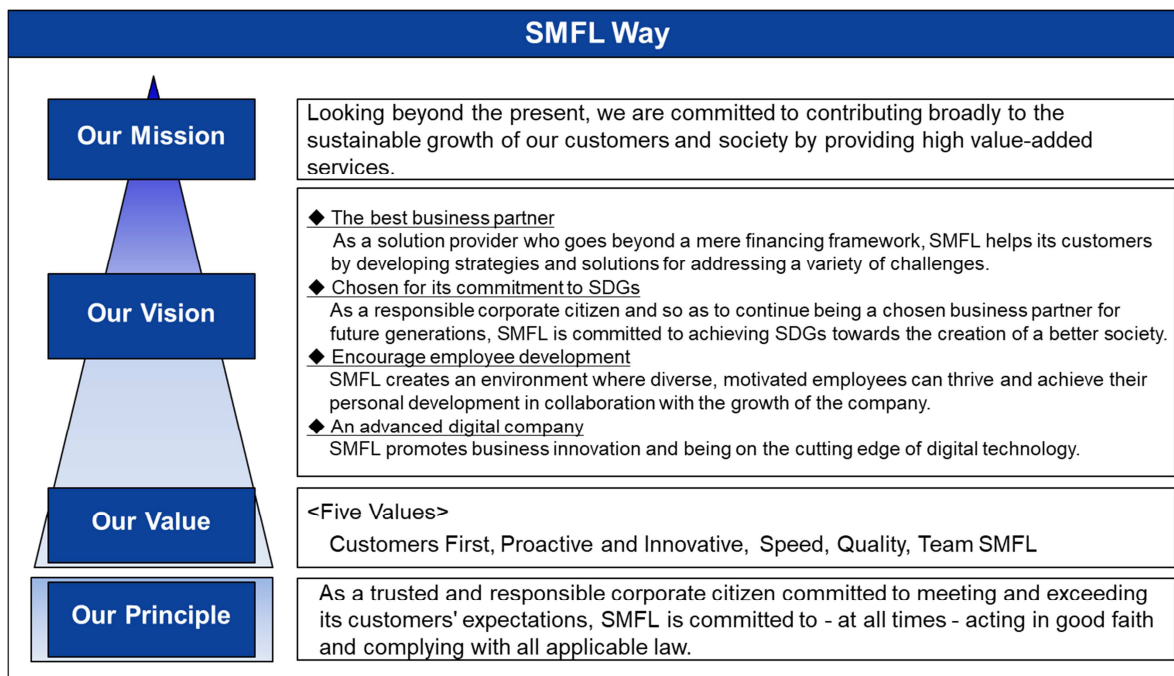
The environment in which the SMFL Group (“the Group”) operates is characterized by a Japanese economy that consists of increasingly mature industries, and by the declining birthrate and the aging of the population, which has led to a trend of contraction in existing businesses. With the slowing economic growth of emerging countries and the emergence of geopolitical risk, the growth rates of overseas economies, which had hitherto shown relatively rapid expansion, are slowing while the outlook is becoming even more uncertain. On the other hand, corporations are increasingly being expected to participate in the development of social innovations such as the recycling-based society, the shift to digital, and the rise of subscriptions, as well as in efforts to resolve societal issues, such as the SDGs, all of which has resulted in significant changes and increased diversification in the needs of society.

By capturing these changes in the business environment and the needs of society at an early stage and formulating appropriate responses, SMFL will build the foundation for future growth, while further cementing its reputation as a leading company within the leasing industry.

Furthermore, although the novel coronavirus (COVID-19) pandemic that has spread rapidly around the world since the end of 2019 is having serious effects on both society and the economy, at this stage it is extremely difficult to make a rational calculation of the impact, and so it has not been incorporated into the assumptions of this Medium-term Management Plan. The Plan may be revised when we gain more clarity on the situation.

1. SMFL Way

In order to respond appropriately to changes in the business environment, in April 2020 SMFL redefined its management philosophy and management policies to establish the “SMFL Way,” as a means of further clarifying its approach to sustainable growth going forward.



2. Medium-term Strategy

The Medium-term Management Plan incorporates five medium-term strategies to be executed by management based on the themes of “a company that evolves in response to changing times.”

Strategy I. Enhancing financial solutions

In addition to providing stable, high-quality financing, we will take the lead in capturing the needs of society, and offer enhanced financial solutions, such as new services and proposals that add something extra to the financing function. As business partner to our customers, we will develop and offer services and products that transcend the framework of financing.

Strategy II. Strengthening profitability in the global market

In the transportation business, whose growth tracks that of the global economy, we aim to establish ourselves as the top brand in Japan. In addition, by focusing on such areas as concentrating the comprehensive capabilities of the Group, alliances with partners both in Japan and overseas, entering new geographical regions, and developing new products, we will work to grow the global market.

Strategy III. Expanding the business domain and building a new platform for growth

In areas of strength in our existing businesses, such as environmental energy and real estate, we will work to further expand our functions and service offerings. We will also work to expand our business domain and develop new businesses, using as a starting point the knowledge and know-how we have fostered in our existing businesses, and synergies generated with our shareholders, partners and customers.

Strategy IV. Further promoting and utilizing digital innovation

In addition to working to enhance existing businesses by utilizing digital technology, and we will provide new value as a life-cycle management platform for objects. We will also work to raise productivity through the shift to digital, in the form of portfolio management, screening models, enhanced data analysis, and by making administration and management more efficient and less labor-intensive.

Strategy V. Strengthening the management platform that provides support for sustainable growth

We will move forward with measures to put in place a system for diversifying our businesses by establishing new business models and expanding our business domain, so as to strengthen the nurturing and development of human resources. Moreover, we are making efforts to further enhance risk management, use management resources even more effectively, strengthen our policy of selectivity and focus, and reinforce our system of corporate governance.

3. Financial Targets

For the final fiscal year of the Medium-term Management Plan (Fiscal 2022), we have set the following four financial targets. We will work on maintaining and improving the efficient use of assets and overheads, accumulating high-quality assets through selectivity and focus, putting the emphasis on maintaining and improving a sound financial position, and achieving sustainable growth.

Financial Targets for the Fiscal Year Ending March 31, 2023 (Consolidated Basis)

Ordinary profit	At least ¥110.0 billion
ROA *1	Approx. 1.7%
Overhead ratio *2	Approx. 40%
External ratings	Maintain/improve “A”

*1 ROA (Return On Assets): Ordinary profit ÷ (Operating assets + Investment assets)

*2 Overhead ratio: Operating expenses ÷ (Gross profit + Equity in earnings of affiliates)

For further details, please also refer to the attached “Medium-term Management Plan (FY2020-2022)” materials.

[Inquiries] Corporate Planning Dept., Corporate Communications Sect. (TEL: +81-3-5219-6334)



Sumitomo Mitsui Finance and Leasing Co., Ltd.

Medium-Term Management Plan

FY2020-2022

Note: Although the novel coronavirus (COVID-19) pandemic that has spread rapidly around the world is having serious effects on both society and the economy, at this stage it is extremely difficult to make a rational calculation of the impact, and so it has not been incorporated into the assumptions of this Medium-Term Management Plan.
The Plan may be revised when we gain more clarity on the situation.

Our intent when formulating the SMFL Way

Having completed our business reorganization (see page 6), we have redefined our previous management philosophy, etc. and formulated the “SMFL Way” in preparation for new growth.

Our Vision is as follows.

- (1) A company that becomes an indispensable business partner to customers by providing them with new value.
- (2) A company that gets chosen in the future for tackling SDGs head-on.
- (3) A company that sees diversity as a strength, supports each employee in their pursuits, and grows together with them.
- (4) A company that makes these Visions reality through the shift to advanced digital technology, which it uses to overcome the barriers to growth.

By making Our Vision a reality, we will contribute to the sustainable growth of customers and society.

SMFL Way (SMFL's identity)

Our Mission

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

Our Vision

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

Our Value

<Five Values>
Customer First, Proactive and Innovative,
Speed, Quality, Team SMFL

Our Principle

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

Promoting commitment to SDGs

SMFL faces up to the requirements of the world demanded by future generations, is positioned its commitment to SDGs as a growth strategy, and contributes to the sustainable development of society.

Our Vision

Chosen for its commitment to SDGs

As a responsible corporate citizen and so as to continue being a chosen business partner for future generations, SMFL is committed to achieving SDGs towards the creation of a better society.

Promoting the SMFL's commitment to SDGs

Because SMFL will contribute to the future and achieve new growth for itself by tackling the SDGs, we have selected seven goals within our own business domain, and will promote business that makes a contribution to resolving societal issues.

Environment

Contributing to achieving decarbonization/ recycling-based society

- Promoting initiatives for renewable energy
- Promoting 3R business
- Controlling our own usage of electricity/paper

Next generation

Contributing to the development of people and companies connected with the next generation

- Promote innovation in areas such as digital technology and robots
- Support the children who will become the platform for the next generation

Community

Contributing to the sustainable development of local communities

- Providing solutions for sustainable urban development
- Contributing to the development of the economies of all countries by supporting capital investments on a global basis

Job satisfaction

Creating opportunities for everybody to be actively involved in a better future

- Promoting an active role for women and senior citizens
- Promoting workstyle reforms
- Improving operational efficiency through the use of digital technology

<Seven SDG Focus Items>



Our Vision

Facing up to the SDGs

Resolving societal issues

Creating new business

SMFL's sustainable growth

"A company that gets chosen in the future"

Promoting businesses that contribute to the resolution of societal issues

In preparation for achieving a world in which, as the SDGs put it, “no one is left behind,” we will support the resolution of societal issues through businesses that can contribute to achieving the SDGs.

Structure for promoting commitment to SDGs

- The CSR Promotion Committee has been reorganized, and a new “SDGs Promotion Committee” has been established with the President as the committee Chair
- Committee members from every department participate, establishing policies for SDG initiatives, deliberating various measures, and putting in place a structure through which to contribute to the resolution of societal issues through business



Creating new businesses that contribute to the resolution of societal issues

Environmental energy business



- Initiatives for renewable energy, beginning with solar power generation
- Through strategic subsidiary SMFL MIRAI Partners, we will enter the clean energy power generation business, and the energy services business, etc.

Recent case study initiatives

- Provision of on-site solar power generation service for own use (press release issued in March 2020)
- Leasing of biomass power generation facilities that use food waste as fuel (press release issued in April 2020)

MIRAI 2030™ SDGs lease



- Working together with The Japan Research Institute, Limited, we have begun offering the first* lease in Japan that can contribute to achieving the SDGs, the MIRAI 2030™ SDGs lease
- By providing this new means of contributing to achieving SDGs, we will promote SDG initiatives by more companies

Donation type	Evaluation type
A leasing contract in which a portion of the lease payments are donated by SMFL to NPOs helping to achieving the SDGs	A leasing contract for renewable energy or energy-saving facilities that includes an evaluation of the effects, etc. of installing the equipment

*Based on a survey of public information by the Japan Research Institute covering domestic leasing companies with annual net sales of at least ¥100 billion (as of December 18, 2019)

Medium-Term Management Plan



Sumitomo Mitsui Finance and Leasing Co., Ltd.

A look back at the previous Medium-Term Management Plan (FY2017-2019)

Theme: Aiming to further evolve

Management goals

Management goal I	Further specialize and concentrate the SMFL Group's comprehensive capabilities to increase profitability
Management goal II	Evolve SMFL's business model to realize sustainable growth
Management goal III	Establish a solid management platform and foster a corporate culture that allows each employee to demonstrate his or her skills

Actual results

<ul style="list-style-type: none"> Strengthen cooperation with both shareholders and with Group companies Expand the aviation and real estate businesses Expand the used equipment business and non-asset business
<ul style="list-style-type: none"> Expand business domain through reorganization of the business Promote utilization of digital technology Enhance the overseas business model
<ul style="list-style-type: none"> Integrate with SMFL Capital Introduction of departmental system Implement various measures to promote workstyle reforms

Future issues

- Further strengthen the existing businesses
- Expand the business domain
- Enhance the risk management system
- Optimize management resources
- Promote the shift to digital technology

Financial targets

Consolidated gross profit	More than ¥195.0 billion
Consolidated ROA	At least 1.7%
Consolidated OHR	Approx. 41%

Actual results

¥183.0 billion	Undershoot in consolidated gross profit was caused mainly by the carve-out of the auto lease business that followed the reorganization.
1.7%	
40%	

Future issues

- Improve profitability
- Further promotion of asset/overhead efficiency
- Maintain/improve sound financial position

A look back at the business reorganization

In order to enter new business domains in cooperation with the two shareholders, Sumitomo Mitsui Financial Group and Sumitomo Corporation, so as to accelerate growth further, while working to strengthen existing businesses and the management platform, we implemented the following for the business reorganization.

Business reorganization

(1) Integrate with SMFL Capital

Jan. 2019 SMFL and SMFL Capital integrated

Integrate so as to leverage the respective strengths and edge of each side, and build a robust management platform suitable for one of the industry's top companies

(2) Change shareholder composition/establish SMFL MIRAI Partners

Nov. 2018 Changed equity stake ratios for Sumitomo Mitsui Financial Group and Sumitomo Corporation (50:50)

Apr. 2019 SMFL MIRAI Partners began operations

Expand financial solutions, and aim to create a new engine of growth

(3) Strengthen the aviation business

Nov. 2018 Capital increase for SMBC Aviation Capital
Raised ownership ratio of SMFL in SMBC Aviation Capital

Aim to further expand and grow the aviation business, which is one of the strengths of SMFL

(4) Reorganize the mobility business

Jan. 2019 SMFL Capital Fleet moved under control of SMAS*
Investment in SMAS

In addition to cooperation with SMAS and SMAS Fleet, create new mobility business

*Sumitomo Mitsui Auto Service

Build a platform in preparation for further growth

Compared to the start of the previous Medium-Term Management Plan (April 2017) the times are changing more violently, and it has become important to look at and respond to what is half a step ahead, and to turn that into action. We also recognize that there are many new issues that should be addressed, both those in the leasing industry and those that transcend that domain.

Macroeconomic / financial environment, etc.

- Slowing growth in the Japanese economy
- Continuation of low interest rates in Japan
- Global growth and increase in risks in relation to that

Social issues

- Rising expectations in relation to corporate citizens and their involvement in resolving societal issues
- SDGs initiatives
- Shift to recycling-based society, e.g. 3R
- Declining birthrate, aging population, reinvigoration of regional economies

Technological innovation

- Appearance of new business models and the platforms
- Increase in new investments related to digital technology
- Changes and reform of work styles, labor-saving measures

Changes in values

- From owning to using
Sharing
Subscriptions

Other

- Changes in lease accounting standards

Medium-Term Management Plan

Having taken into account the rapidly changing external environment, and issues within SMFL, we have established the Medium-Term Management Plan in order to make “Our Vision” a reality.

Medium-Term Management Plan (FY2020-2022)

Medium-Term strategy

Becoming a company that evolves in response to changing times

- Strategy I** Enhancing financial solutions
- Strategy II** Strengthening profitability in the global market
- Strategy III** Expanding the business domain and building a new platform for growth
- Strategy IV** Further promoting and utilizing digital innovation
- Strategy V** Strengthening the management platform that provides support for sustainable growth

Financial targets

Final fiscal year of Medium-Term Management Plan

- Growth potential** Consolidated ordinary profit
At least ¥110.0 billion
- Efficiency** Overhead ratio
Approx. 40%
- Profitability** ROA
Approx. 1.7%
- Soundness** External ratings
Maintain/improve at least “A”

Financial targets

- Accelerate business selectivity and focus, achieving profit growth through the accumulation of high-quality assets.
- Maintain a minimum level of asset efficiency/ overhead efficiency, and shift to even more efficient management.
- Balance risks and returns, and maintain/ improve financial soundness.

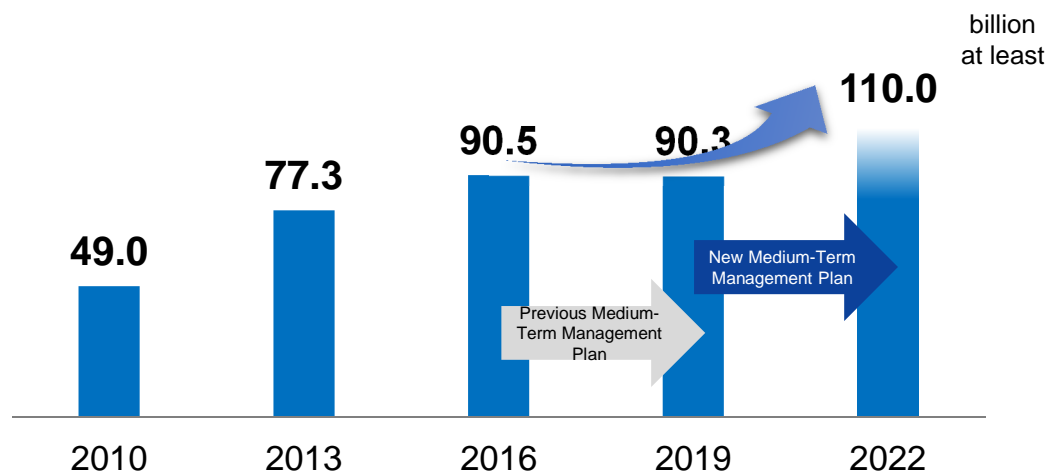
FY2019 results

Ordinary profit	¥90.3 billion
ROA	1.7%
Overhead ratio	40%
External ratings	“A”

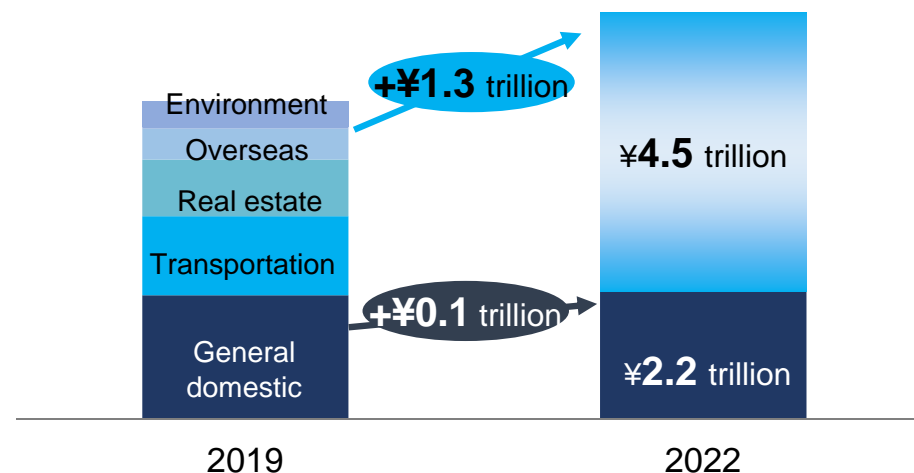
FY2022 targets

At least ¥110.0 billion
Approx. 1.7%
Approx. 40%
Maintain/improve “A”

Ordinary profit



Business portfolio (operating assets)



In addition to maintaining our status with customers as a business partner who responds to rapidly changing times, we aim to strengthen our profitability in global markets and new business domains, and build a platform for growth.

Strategy I Enhancing financial solutions

In addition to providing stable, high-quality financing, SMFL will offer solutions that anticipate changes in society, and achieve high added value by creating new value, using “objects” as a starting point

Support customers confronting changes in society

Strategy II Strengthening profitability in the global market

Establishing a top brand in the transportation business, whose growth tracks out of the global economy, and capturing growth in global markets by exerting the comprehensive capabilities of the Group

Actively commit management resources and achieve further growth

Strategy III

Expanding the business domain and building a new platform for growth

Expand into new business domains that transcend the framework of financing
Leverage the strengths of SMFL and seek to provide new value to society and customers



Through the new value that lies ahead in financing and leasing, we aim to become an advanced digital company, using “Create WOW by extracting the potential of every possible object” as our password.

Providing a platform for life-cycle management for objects using AI/IoT

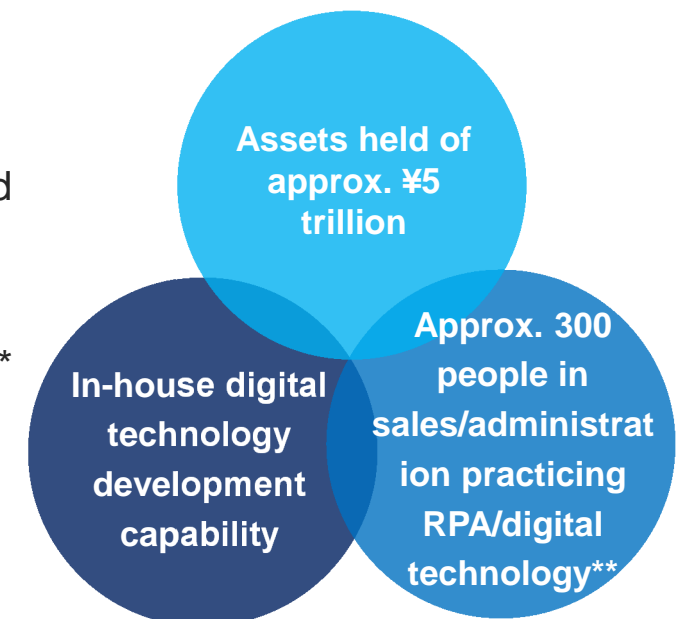
- Realizing up new ways of “owning” through approaches such as sharing and subscriptions
- Provide liquidity in the marketplace for objects
- Support workstyle reforms by using digital technology + More Than Finance*

A company that uses digital technology to continuously make sales and administration more efficient

- Digital platform for lease and finance transactions
- Each employee works to improve operations using RPA and AI

* More Than Finance is a program to support resolving issues faced by customers using the management know-how built up through internal practice

** Number of employees involved in digital projects who belong to sales / administration



Providing the new value that lies ahead of financing and leasing

Personnel system / nurturing human resources

- Enhancing the personnel system to support the pursuits and growth of employees
- Promoting diversity in the form of specialist/ global human resources
- Nurture and promote professional/core human resources in overseas businesses

Strengthening corporate governance functions

- Building and strengthening the various governance systems in preparation for the expansion of the business domain, such as that resulting from new business and investment
- Diversifying funding sources with the aim of ensuring stable supply of funds both in Japan and overseas, and enhancing the finance system
- Beginning work on rebuilding the next-generation core system

Enhancing the departmental operating structure

- Strengthening the oversight functions of departments following the enhancements to businesses and the expansion of the business domain
- Further cooperation and reinforcing of headquarters functions and departmental functions

Initiatives in each business (1)

Leasing Business

- Cooperating with SMBC, and further strengthening of proposal capabilities (the offering of business solutions) based on unearthing and doing deep dives on customer needs **Strategy I**
- Evolution of the rental business, development of new services such as pro-rated charges and subscriptions **Strategy I** **Strategy III**
- Utilizing digital technology to enhance and improve the convenience of existing services offered **Strategy IV**

Transportation business

- Supporting the movement of objects and people required for the development of global society, aiming for sustainable and sound growth **Strategy I** **Strategy II** **Strategy III**
- Developing business in the transportation field, with SMBC Aviation Capital at the core **Strategy II** **Strategy III**

International business

- Enhancing the sales finance business model by matching it to the characteristics of the region and product **Strategy I**
- Strengthen the global business by further integrating operations in Japan and overseas **Strategy II**
- Enter new markets and fields through alliances and investments in partner companies **Strategy III**

Initiatives in each business (2)

Real estate business

- Merging the strengths of the entire Group to reinforce the leasing business, the joint development business, real estate management, and system operations **Strategy I** **Strategy III**
- Building real estate portfolios to achieve stable profit growth **Strategy I**

Environmental business

- Expanding and enhancing the solar power business **Strategy I** **Strategy III** **Strategy I** **Strategy III**
- Growing the clean energy power generation business (biomass, hydro, etc.) and entering new fields
- Increase business investments in the field of overseas environmental energy **Strategy II**

Expanding the business domain and entering new fields

Through SMFL MIRAI Partners and others, we aim to drive the enhancement of the business portfolio through investing and moving into the operation of businesses, as well as growing to become a new partner to customers. **Strategy III**

<Main domains and fields targeted>

- (1) Neighboring domains in which we can leverage our knowledge
- (2) Businesses run in cooperation with partners such as our shareholders
- (3) Fields with growth potential over the medium to long term chosen with the aim of resolving societal issues