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FY2025 TCFD Report

Task Force on Climate-Related Financial Disclosures

November 2025

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Introduction

Introduction

Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL) began disclosing information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in FY2024. In doing so, the we are working to identify the risks and opportunities that climate change presents to its business activities from a medium- to long-term perspective while endeavoring to help secure both a sustainable society and to enhance its corporate value.

Our inaugural report outlined our fundamental framework and the status of activities with respect to the four pillars identified by the TCFD: Governance, Strategy, Risk Management, and Metrics and Targets. In addition to providing more in-depth content, this report encapsulates efforts to bolster the collection of information and strengthen analysis mechanisms through collaboration with relevant departments, laying the groundwork to address climate change as a core management issue.

Far from a one-off, transitory endeavor, we will position climate change initiatives as a long-term pillar of our management going forward. Through continuous dialogue and improvement, we will fulfill our responsibility as a company that supports the transition to a decarbonized economy.

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Governance

Sustainability Governance

The SMFL Group has established the SDGs Promotion Committee, chaired by the President, as a central body within its sustainability governance framework and commitment to SDGs.

Supervision by the Board of Directors and the Management Execution System

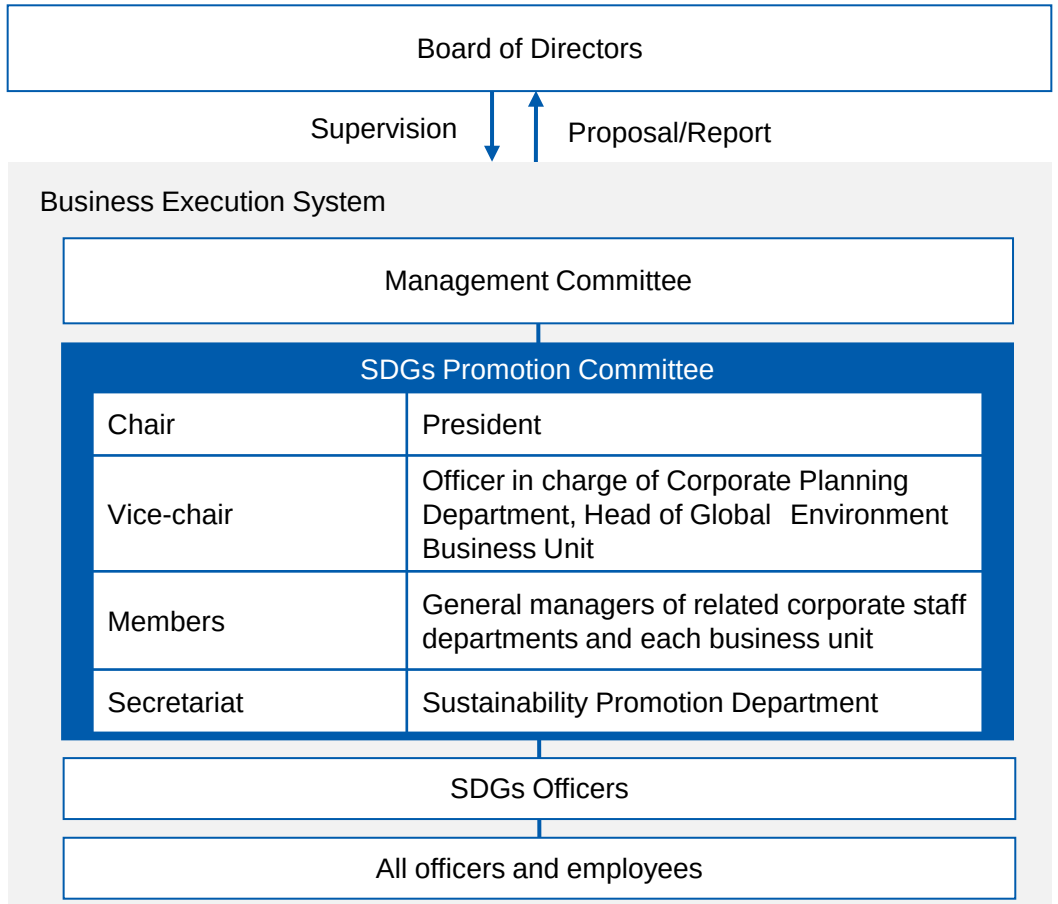
- Matters related to sustainability, including efforts to address climate change, are resolved and reported by the Management Committee after deliberation by the SDGs Promotion Committee. In principle, this process is supervised by the Board of Directors at least once a year.

- With the Sustainability Promotion Department serving as secretariat, the SDGs Promotion Committee is chaired by the President. Members include general managers of related corporate staff departments and business planning departments of each business unit. In addition to formulating policies on initiatives and deliberating on and promoting various necessary measures across the organization, the Committee monitors the status of SDGs management. In principle, the Committee convenes at least once every six months.

The Role of SDGs Officers

- SDGs Officers are appointed in each department to spearhead the implementation of various sustainability initiatives necessary to promote SDGs management. Policies are communicated and disseminated to all officers and employees through SDGs Officers. SDGs Officers also act as instructors for study sessions related to the promotion of SDGs management in each department.

Sustainability Governance Organizational Structure



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Strategy

Strategy

As the world transitions toward net zero greenhouse gas (GHG) emissions amid the steady advance of climate change, the SMFL Group is clarifying risks and opportunities through scenario analyses while working to reduce risks.

Climate-Related Risks and Opportunities

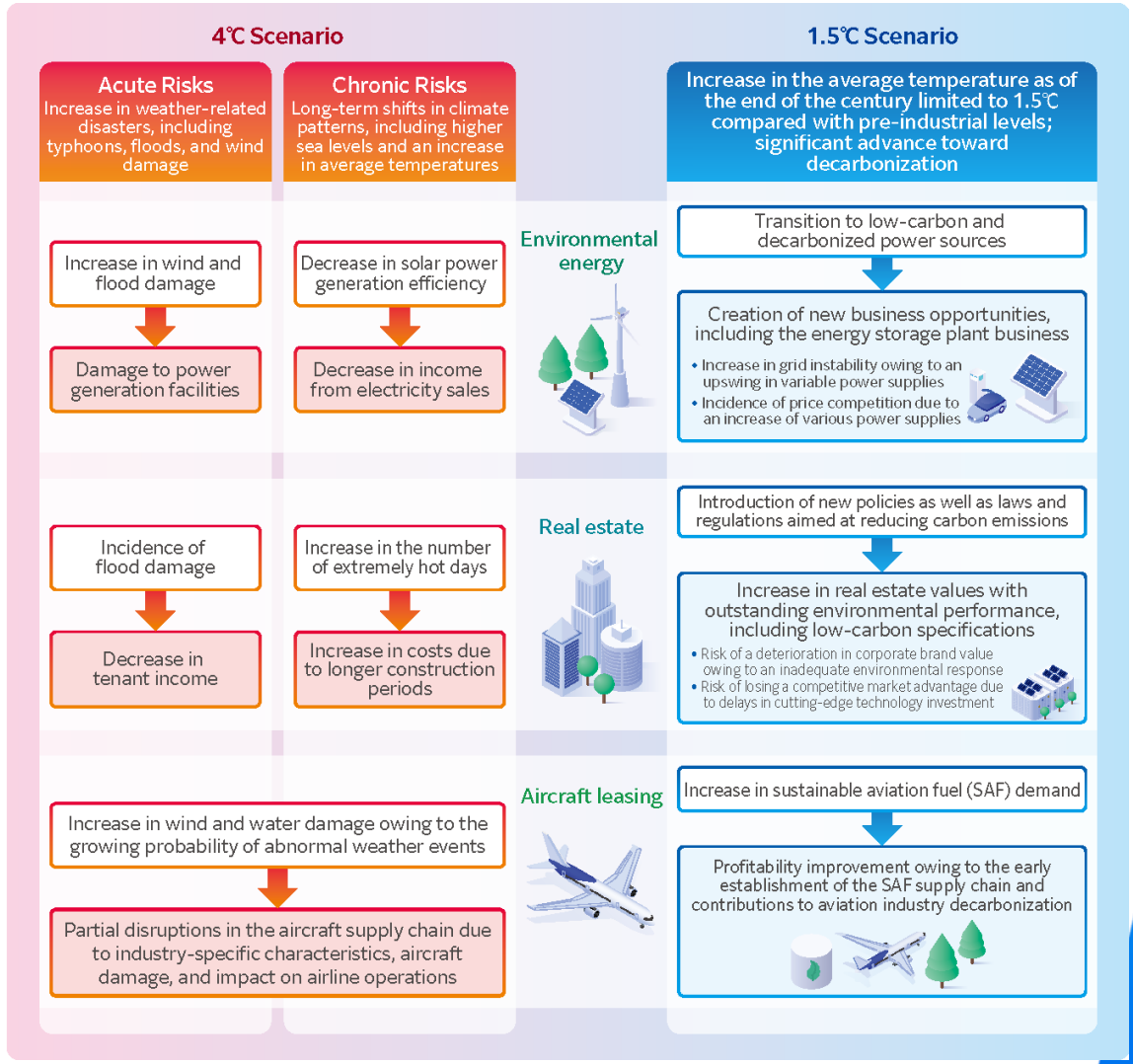
- Climate-related risks and opportunities include “physical risks and opportunities” that arise from the increase in natural disasters owing to climate change and “transition risks and opportunities” attributable to increasingly stringent laws and regulations as well as changes in the market associated with the shift to a decarbonized society.
- The SMFL Group conducts scenario analyses to assess climate-related risks and opportunities in its businesses and considers measures to address the potential risks and opportunities that it may face.

Scenario Analyses

- The SMFL Group employs scenario analysis methods in accordance with the TCFD framework to forecast and analyze changes in the external environment in order to grasp the risks and opportunities that future climate change may pose to its business activities.
- In doing so, the Group conducts analyses employing the following two climate change scenarios in accordance with the Paris Agreement goals.
  ■1.5 ˚C Scenario:
  IEA (International Energy Agency) “Net Zero Emissions by 2050 Scenario”
  ■4 ˚C Scenario:
  IPCC (Intergovernmental Panel on Climate Change) “SSP5-8.5”

Businesses Subject to Scenario Analysis (Business segments where climate change risks are expected to be especially High)

Environmental & Energy Business	• Renewable energy generation • Decarbonization solutions
Real Estate Business*	• Real estate leasing and development
Transportation Business	• Aircraft leasing (SMBC Aviation Capital FY2024)



* The SMFL Group’s Kenedix Real Estate Fund Management, Inc. discloses information regarding its real estate management business on its website.

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Environmental and Energy Business

Image of Society			Subject Business	Risks	Opportunities	Countermeasures
Transition Risks and Opportunities	Policies/Laws and Regulations	Changes in decarbonization- and renewable energy-related policies as well as laws and regulations (changes to the FIT, FIP, and other energy purchase programs)	Renewable energy generation	・Decrease in income and increase in costs in the power generation business due to changes in Japan's Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities	・Creation of new business opportunities, including the storage plant business in response to changes in the electricity market ・Increase in demand for carbon-free electricity on the back of increasingly stringent laws and regulations; acceleration of high value-added business	・Increase high value-added power generation business using the FIT program (shift to the FIP program/attached battery storage) ・Expand on-site PPA and off-site PPA initiatives that do not utilize the FIT program
			Decarbonization solutions	・Reduction and cutbacks in decarbonization investment owing to changes in subsidies and taxation systems in the decarbonization sector	・Increase in business opportunities for energy conservation equipment leasing and consulting through efforts to leverage subsidy and tax system expansion	・Strengthen decarbonization solutions and consulting through means other than the use of subsidies and tax systems; provide energy services other than solar power ・Increase awareness toward the results of subsidy and tax system use; expand subsidy leasing and consulting initiatives
	Market	Changes in the renewable energy generation business environment	Renewable energy generation	・Grid instability due to an increase in variable power sources ・Price competition due to an increase of various power sources ・Decrease in land suitable for the renewable energy generation business	・Expansion of the grid storage battery business that helps secure adjustment capabilities ・Improvement in carbon-free power source PPA competitiveness that can be supplied on a long-term fixed basis ・Creation of new business models to replace large-scale mega solar facilities	・Reduce electricity sales loss by managing output through the use of storage batteries and online control ・Refine electricity sales loss forecasts in line with the management of output; incorporate into business plans ・Expand the power grid battery business to help secure adjustment capabilities ・Strengthen the price-fixing period management of PPA contracts ・Expand variations of land suitable for the installation of renewable energy power generation facilities (float, abandoned farmland, farming, other) ・Expand on-site PPA variations
	Technology	Response to new technologies	Renewable energy generation	・Obsolescence of existing facilities through measures aimed at increasing the efficiency of energy efficiency and other technological innovations ・Decrease in sale value at the time of asset sale	・Growth in the power generation business through value-up investments that utilize new technologies ・Creation of new business opportunities through new technologies and business models	・Invest in panels, storage batteries, etc. to increase power plant value ・Coordinate with partner companies; engage in new technology verification and other activities
			Decarbonization solutions		・Creation of new business opportunities through new technologies and business models	・Consider commercializing new technologies in collaboration with partners
Physical Risks and Opportunities	Acute	Losses attributable to severe wind and flood damage	Renewable energy generation	・Opportunity loss on the sale of electricity due to the damage to power generation facilities caused by winds, floods, etc. ・Increase in associated costs, including restoration expenses and higher insurance premiums	・Increase in power generation business added-value through the implementation of natural disaster prevention measures	・Promote natural disaster prevention measures ・Strengthen natural disaster hazard checks at the time of business development ・Management risks through portfolio management of applicable hazard areas ・Manage optimal insurance policy terms and conditions based on the probability that a disaster will occur
	Chronic	Increase in average temperatures		・Decrease in sales owing to lower power generation volumes and a downturn in solar panel power generation efficiency caused by high temperatures	・Increase in energy efficiency on the back of improvements in solar radiation intensity and wind conditions ・Increase in electricity demand due to higher demand for air conditioning	・Consider the introduction of panels that employ new materials and technologies that are less susceptible to reductions in power generation efficiency even under high temperature conditions

Real Estate Business

Prevailing Social Conditions			Subject Business	Risks	Opportunities	Countermeasures
Transition Risks and Opportunities	Policies/Laws and Regulations	Response to new construction regulations	Real estate rental and development	・Introduction of new policies as well as laws and regulations (ZEB, ZEH, and other regulations) aimed at reducing carbon emissions; increase in real estate management and construction costs	・Reduction in the investment burden by utilizing energy-saving technologies as well as ZEB, ZEH, and other subsidy programs	・Work to improve profitability and offset the increase in costs by proactively introducing carbon neutral technologies, including carbon-free electricity, and enhancing the competitiveness of real estate held ・Utilize subsidy programs for cutting-edge technologies
	Market	Changes in customer behavior		・Loss of value and downturn in the competitiveness of existing real estate (properties based on outdated building codes amid an increase in the need for high energy-efficient buildings) ・Increase in calls by tenants for enhanced energy efficiency and environmentally friendly specifications necessitating the repair and redevelopment of existing properties	・Expectations of an increase in earnings on the back of a variety of factors, including increases in the value of real estate distinguished by its outstanding environmental performance, such as real estate that has acquired energy-efficient certification and low-carbon housing, rent per unit, and sales prices ・Expectations toward efforts aimed at optimizing energy consumption, improving operational efficiency, and increasing tenant satisfaction on the back of the development of smart building that utilize renewable energy and IoT technologies	・Work to enhance the competitiveness of real estate held by proactively introducing carbon neutral technologies, including carbon-free electricity, and undertaking decarbonization investments, including the development of environmentally certified properties (example: activities at proprietary NEWNO brand buildings, etc.) ・Work to improve the profitability of real estate held and offset the increase in costs by proactively introducing cutting-edge technologies ・Utilize subsidy programs for cutting-edge technologies
	Technology	Response to new technologies		・Reduction in management costs and loss of market advantage owing to delays in investing in and updating cutting-edge technologies amid ongoing progress in the development of high energy efficiency facilities and building materials	・Expectations of a reduction in costs and increase in property values owing to the introduction of cutting-edge technologies and efforts to increase operational and energy efficiency	・Optimize energy consumption through the introduction of cutting-edge technologies and increase tenant satisfaction by improving operational efficiency ・Share increased value through the introduction of cutting-edge technologies with owners and tenants
	Reputation	Impact on corporate brand		・Deterioration in corporate brand value and reliability owing to a poor ability to adequately address environmental concerns	・Increase in society's recognition of the SMFL Group's proactive efforts to leverage advances in technology and declining renewable energy costs to promote decarbonization	・Maintain and enhance the value of the corporate brand by externally communicating details of carbon neutral initiatives, including examples of the proprietary NEWNO building brand
Physical Risks and Opportunities	Acute	Losses attributable to severe natural disasters		・Decrease in asset values that reflect the wind and water damage to existing assets caused by such natural disasters as typhoons; restrictions on business activities and increase in restoration costs; increase in insurance premiums ・Incidence of flood damage to real estate held	・Expectations that the SMFL Group will garner the trust of customers and tenants through the design and construction of robust buildings that take into consideration disaster risks as well as successful efforts to highlight safety features	・Develop and hold properties that are highly resilient to disasters ・Strengthen standard BCP measures, including disaster prevention drills, to minimize damage, and as a result, reduce costs at the time disasters occur
	Chronic	Increase in temperatures		・Increase in costs due to higher demand for air conditioning ・Longer construction periods due to the upswing in work interruptions attributable to an increase in the number of extremely hot days; increase in construction costs due to longer construction periods		・Mitigate the increase in electricity costs by updating equipment, including efficient air conditioning systems, and introducing new technologies ・Mitigate impacts by formulating appropriate construction plans, undertaking reviews on a timely and appropriate basis, and utilizing new materials and cutting-edge technologies

Kenedix Real Estate Fund Management, Inc. discloses information regarding its real estate management business on its website. For details, please refer to the TCFD disclosure of Kenedix Real Estate Fund Management, Inc.

Transportation Business (Aircraft leasing)

Prevailing Social Conditions			Subject Business	Risks	Opportunities	Countermeasures
Transition Risks and Opportunities	Policies/Laws and Regulations	Climate-related regulation	Aircraft leasing	・Ambitious government climate change targets, carbon pricing and taxes, and increases in decarbonization pressures and costs for airlines, which in turn lead collectively to reduced earnings/revenue		・Emphasize value of new technology fleet ・Deliver on intention to invest in SAF to assist customers with their decarbonization commitments
	Market	Financial lending restrictions		・Introduction of restrictions on access to finance with finance availability linked to carbon footprint/ESG impact, which in turn lead to an increase in costs and reduced earnings	・Preferential access to finance and/or cost of capital for lessors with – Net Zero compatible fleets – decarbonization focused fleet investment strategies (NGAs / new technologies) – engaging in decarbonization activities	・Seek opportunities for sustainable finance ・Provide regular and transparent ESG disclosures to investors
		Changes in customer behavior		・Changing consumer trends and increased ESG awareness as consumers begin to consider the climate footprint of the products and services they use and purchase	・Increased customer demand (airline / consumer) for improved environmental impact of aircraft as customers become increasingly ESG conscious. ・Increased earnings potential from market leading aircraft portfolio aligned to support airlines' decarbonization / energy efficiency ambitions	・Achieve a target of at least 80% new technology fleet composition by 2030 ・Deliver on intention to invest in SAF and NGAs ・Leverage strong OEM relationships to enter into purchase agreements on NGAs ・Actively explore shareholder and market collaboration opportunities around SAF
Physical Risks and Opportunities	Chronic	Aircraft manufacturer concentration risk		・Reliance on two aircraft manufacturers exposes the industry to climate change impact of weather-related disasters that current infrastructure is unable to withstand		・Ongoing collaboration with OEMs on mitigating risks at respective facilities

Original text: SMBC Aviation Capital "Sustainability Report 2025"

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Risk Management

SMFL Group Risk Management System

After identifying the location and types of risks to be managed in line with strategic targets and business formats, the SMFL Group has established comprehensive risk management regulations with the aim of engaging in appropriate management in accordance with the characteristics of each risk.

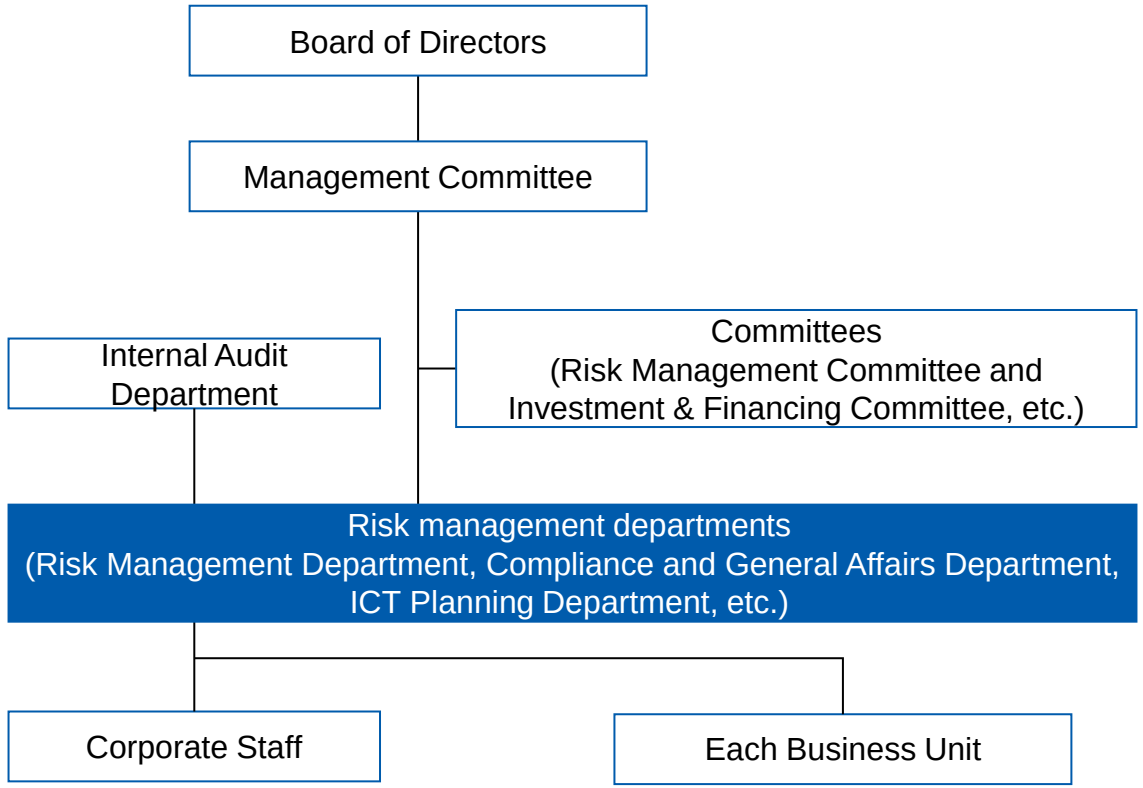
Process to Identify and Assess Risks

- Recognizing that climate change may impact its operating results and financial position, the SMFL Group manages sustainability-related risks through the following processes
- In anticipation of rapid shifts in the business environment, the SMFL Group is promoting the identification of risks through a Risk Register in order to enhance risk governance and strengthen each business units' risk ownership
- Business units communicate with risk management departments to identify potential business risks, and after evaluating these risks and verifying the appropriate control measures, build a system that reflect the findings in business strategies
- Particularly, for new investments and loans, environmental and social risk assessment sheets are developed to confirm the presence or otherwise of climate-related risks (physical, regulatory, and technological risks)

Process to Manage Risks

- The SMFL Group has introduced a Risk Appetite Framework (RAF) by department; steps are taken to clarify risk-taking and risk management posture through each department's RAF when sustainability risks are significant

Risk Management System



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Metrics and Targets

SMFL Group Medium- to Long-Term Environmental Targets (1), (2)

- The SMFL Group set medium- to long-term environmental targets for the reduction of its own GHG emission and business initiatives in April 2022
- In achieving these targets, the Group will proactively address climate change issues and contribute to the realization of a decarbonized, circular economy

SMFL Group Medium- to Long-Term Environmental Targets

Target (1) Net-zero greenhouse gas emissions by SMFL [Achieved in FY2022]

Achieve net zero Scope 1 and Scope 2 domestic GHG emissions on a non-consolidated basis by FY2023

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

Achieve net zero Scope 1 and Scope 2 GHG emissions on a Group consolidated basis by FY2025

* To achieve net-zero GHG emissions, we are voluntarily offsetting Scope 1 emissions by applying carbon credits and transitioning to renewable energy for Scope 2 emissions by procuring non-fossil certificates.

<Key Reduction Initiatives>

1 Reduce the number of company vehicles and promote introduction of EVs

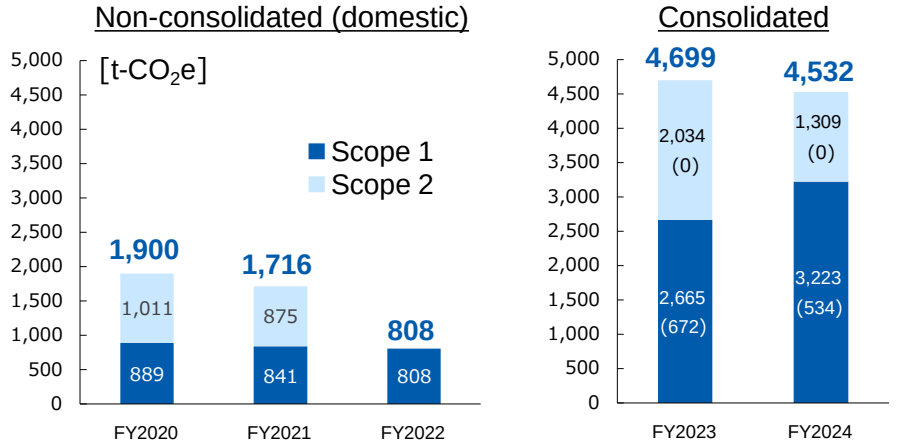
- Reduced the number of company vehicles by 37% compared with FY2021 by the end of FY2024
- Replaced existing vehicles with EVs and other environmentally friendly alternatives to reduce gasoline and diesel fuel consumption

2 Switch to renewable energy sources and utilize non-fossil certificates

- Switched to renewable energy sources for office electricity* and used the non-fossil certificates

* Tokyo Head Office (from 2022), Osaka Head Office (from 2023), and Takebashi Office (from 2024) used the non-fossil certificates generated by solar power facilities owned by the SMFL Group to procure renewable energy sources.

<SMFL Group's GHG emissions and Energy consumption>



- Parenthesized data in the consolidated emissions graph indicates domestic non-consolidated figures.
- Scope 1 data are pre-offset figures.
- Non-consolidated Scope 1 and 2 emissions, including overseas data; FY2023: 678 t-CO_2e, FY2024: 535 t-CO_2e.

Type of energy		Non-consolidated (domestic + overseas)				Consolidated	
		2021	2022	2023	2024	2023	2024
Gasoline	[kL]	338	326	274	209	457	321
Jet fuel	[t]	-	-	-	-	286	448
Diesel fuel	[kL]	-	-	2	3	6	4
City gas [thousands m^3]		25	23	23	24	30	31
Electricity	[MWh]	1,915	1,979	2,272	2,369	8,895	8,045
Of which renewable electricity	[MWh]	0	1,880	2,135	2,223	4,471	5,316
Renewable elect ratio	[%]	0	95.0	94.0	93.8	50.3	66.1
Cooling water	[GJ]	-	-	-	-	616	572

SMFL Group Medium- to Long-Term Environmental Targets (3)

- Against the backdrop of growing customer interest in sustainability, the cumulative contract amount of sustainability-related business reached ¥775.9 billion over a five-year period.
- Steps will also be taken to accelerate various businesses to achieve a ¥1 trillion cumulative total in FY2025.

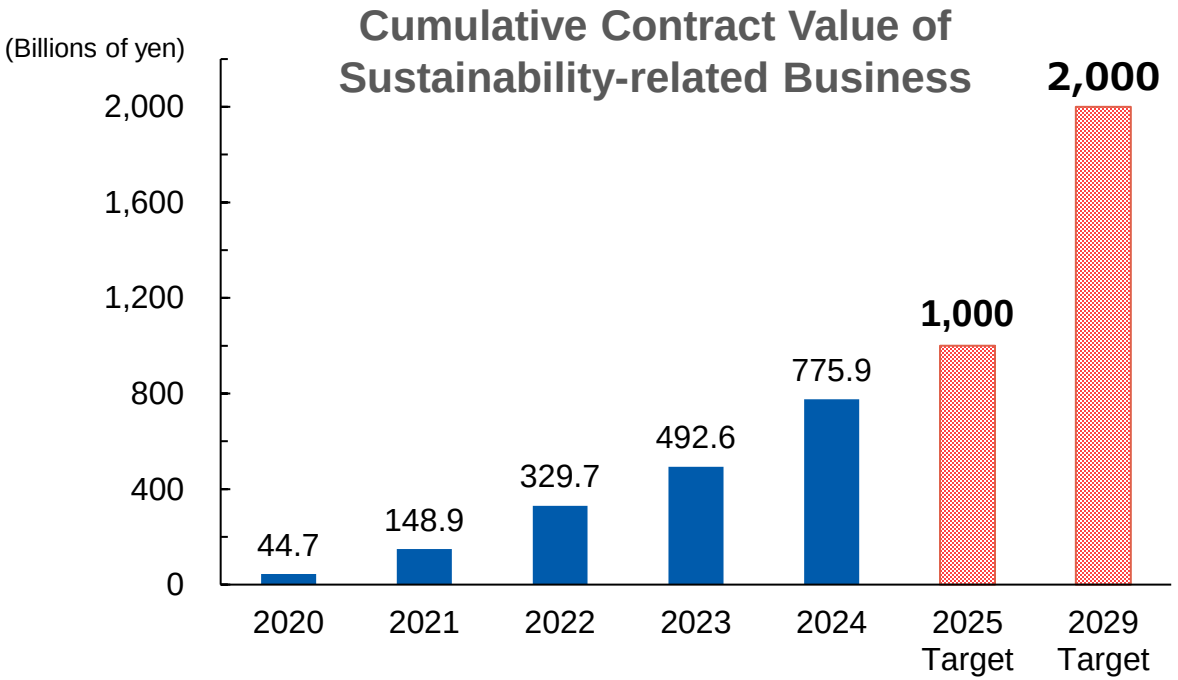
SMFL Group Medium- to Long-Term Environmental Targets

Target (3) Expand sustainability-related businesses

Cumulative contract amount from FY2020:

¥1 trillion cumulative total by FY2025

¥2 trillion cumulative total by FY2029



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
- SDGs Lease MIRAI 2030® (donation type)/(evaluation type) scheme, SDGs leases in collaboration with companies and government agencies, real estate version of SDG leases, etc.
- Sustainability-linked leases and loans
- Leases including carbon credits

SMFL Group GHG Emissions

- For disclosure in FY2025, SMFL Group added the location-based calculations for Scope 2 and expanded Scope 3 categories subject to calculation. Furthermore, we calculated emissions on a consolidated basis and obtained third-party assurances for FY2024 Scope 1 and 2 GHG emissions.
- Looking ahead, we will consider expanding assets subject to calculation for Scope 3 Category 13 emissions and promote the calculation of Scope 3 Category 15 emissions.

Consolidated GHG emissions [t-CO_2e]				FY2023	FY2024
Scope 1 *1 *4				2,665	3,223
	Of which SMBC Aviation Capital Limited			1,541	2,414
Scope 2 *2 *3 *4	Market-based			2,034	1,309
	Location-based			3,984	3,523
Scope 3	Category 1	Purchased Products and Services		41,252	46,728
	Category 2	Capital Goods		5,084,865	5,199,682
	Category 3 *3	Fuel- and Energy-Related Activities		797	624
	Category 5 *5 *6 *7	Waste Generated in Operations		32	142
			Of which office waste	3	11
			Of which business asset waste	29	131
	Category 6 *8 *9	Business Trips		5,589	7,686
	Category 7 *8	Employee Commuting		719	1,105
	Category 13 *9	Lease Assets (downstream)		17,276,999	17,627,922
			Of which aircraft	16,241,114	16,755,224
			Of which other transportation Equipment	1,035,885	872,698

*1 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.

*2 In principle, we use the provider-specific emission factors; otherwise, we use the country-specific emission factors published by IEA to calculate Scope 2 emissions.

*3 Due to the review of the calculation boundary, Scope 2 emissions for FY2023 were revised.

*4 SMFL Group has obtained third-party assurance for its Scope 1 and 2 emissions for FY2024.

Please refer to our website for details from the link below.

*5 Emissions that were recorded as category 12 from FY2023 have been reclassified as category 5 in line with the revision to methodology.

*6 Data is complied from companies for which data is available.

*7 FY2023 data is calculated for SMFL and domestic affiliates occupying the following offices (Tokyo Head Office, Osaka Head Office, Takebashi Office).

*8 FY2023 data is calculated for SMFL and SMFL MIRAI Partners Co., Ltd.

*9 Scope 3 Category 13 is calculated based on aircrafts owned by SMBC AC and other transportation equipment under lease contracts with SMFL and may increase in the future as assets subject to calculation expand.

SMFL's website:
https://www.smfl.co.jp/english/sustainability/environment/policy/