

Sumitomo Mitsui Finance and Leasing Co., Ltd.

# Medium-Term Management Plan

FY2023-2025

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01

# Review of Previous Medium-Term Management Plan

## SMFL Way (philosophy system)

The "SMFL Way" is a systematic expression of our management philosophy, management policies, values, and principle.

By practicing the SMFL Way, each and every one of us will fulfill our responsibilities to all stakeholders and contribute to society.

### 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 & 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



## Commitment to the SDGs

In the "SMFL Way" we set forth our vision of becoming "Chosen for its commitment to SDGs." We have set four key issues that are closely related to our business, and have designated eight of the 17 SDGs goals as our focus measures.

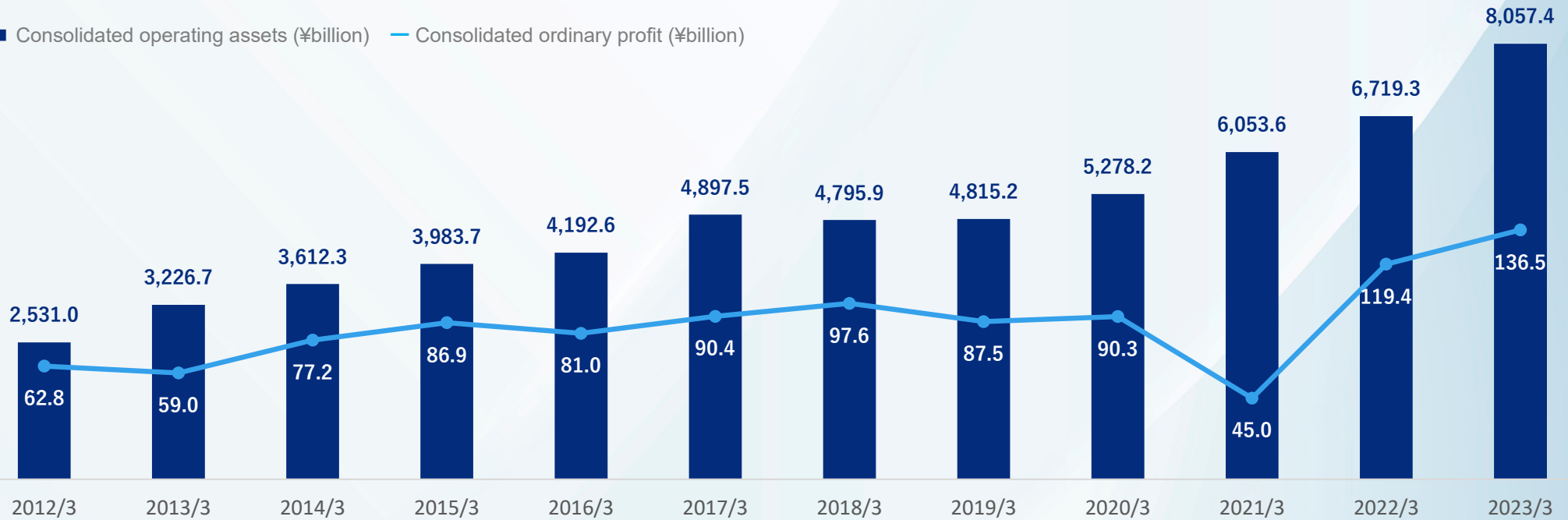
### Materiality (Key Issues)

|                  |   |
|------------------|---|
| Environment      | <b>Contributing to achieving decarbonization and recycling-based society</b>                      |
| Next generation  | <b>Contributing to the development of people and companies connected with the next generation</b> |
| Community        | <b>Contributing to the sustainable development of local communities</b>                           |
| Job satisfaction | <b>Creating opportunities for everybody to be actively involved in a better future</b>            |



# History of SMFL Group

■ Consolidated operating assets (¥billion) — Consolidated ordinary profit (¥billion)



## 2012/6

### SMBC Aviation Capital begins operations

Joint acquisition of the aircraft leasing business of the Royal Bank of Scotland Group with SMBC and Sumitomo Corporation

## 2015/12

### DMG MORI Finance joined the Group

Entry into the machine tool sales financing business in Europe

## 2016/4

### Acquired the Japanese leasing business of General Electric Group of the U.S.

Name changed to SMFL Capital (2016/9)

## Medium-Term Management Plan (2017-2019)

### 2018/10 – 2019/1

#### Restructuring of leasing business

- **Change in shareholders' equity ratio**

Became an equity-method affiliate of Sumitomo Mitsui Financial Group (50%) and Sumitomo Corporation (50%)

- **SMFL MIRAI Partners is established**

Provides new solutions for business investment, operations, and others

- **Capital increase for SMBC Aviation Capital**

Strengthening the aviation business

- **SMFL Capital integrated with SMFL**

- **Sumitomo Mitsui Auto Service became an equity-method affiliate**

Participation and collaboration in mobility services business

### 2019/4

#### SMBC Aero Engine Lease joined the Group

Entry into the aircraft engine leasing business

### 2019/7

#### MAX-REALTY joined the Group

Acquisition of real estate-related consulting business

## Medium-Term Management Plan (2020-2022)

### 2020/6

#### SMFL LCI Helicopters joined the Group

Entry into the helicopter leasing business

### 2021/1

#### Kenedix joined the Group

Acquisition of real estate asset management business

### 2021/7

#### Yanmar Credit Service joined the Group

Acquisition of sales financing business for Yanmar products

### 2022/12

#### Acquisition of Goshawk Management Limited

Expansion of aircraft leasing business

# Medium-Term Management Plan (2020-2022) Results

## Achieved Record-High Ordinary Profit and All Financial Targets

**Medium-term strategy ▶** **Becoming a company that evolves in response to changing times**

### Strategy I: Enhancing financial solutions

- Provided and promoted **decarbonization solutions and SDG leasing**
- Introduced and expanded electronic contracts in Retail sector ahead of competitors

### Strategy II: Strengthening profitability in the global market

- Strengthened the aircraft business by **acquiring Goshawk** and accumulating quality assets
- Launched **helicopter leasing business through joint venture with LCI**
- Established **Asian Strategic Finance Department** to strengthen investment and financing business in APAC
- Promoted European business with **investment in SMBC Leasing (UK)** as platform

### Strategy III: Expanding the business domains and building a new platform for growth

- **Entered real estate asset management business (incorporated Kenedix into Group)**
- Full-scale launch of STO (Security Token Offering)
- Developed "NEWNO" brand for **joint real estate development and leasing business**
- Expanded **renewable energy business**
- **Yanmar Credit Service** joined the Group

### Strategy IV: Further promoting and utilizing digital innovation

- **<Stage 1> Streamlining of middle/back office work** (360,000 hours fewer work hours through RPA, etc.)
- **<Stage 2> Front office support** (GAIA sales support tool, electronic contract promotion)
- **<Stage 3> From SaaS to commercialization of developed software** (assetforce, AI for financial statement input)

### Strategy V: Strengthening the business foundation that provides support for sustainable growth

- **Work style reform, human resource development**, engagement improvement, D&I (diversity & inclusion)
- **Commitment to the SDGs**, published integrated report, set environmental targets
- **Enhance risk management**
- **Expand compliance management**

## Financial targets and results

### Target (final fiscal year of medium-term plan)

**Growth potential (Ordinary profit) : At least ¥110.0 billion**

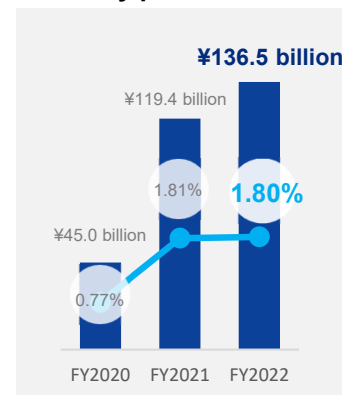
**Profitability (ROA) : Approx. 1.7%**

**Efficiency (Overhead ratio) : Approx. 40%**

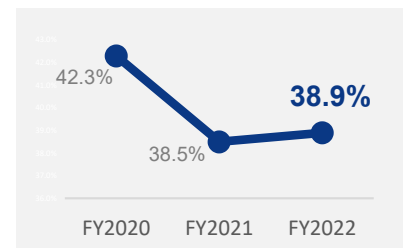
**Soundness (External rating) : Maintain/improve "A"**

## Results (3-year trend)

### Growth potential/profitability Ordinary profit/ROA



### Efficiency (overhead ratio)



### Soundness (external rating)

Ratings as of March 31, 2023  
**JCR: AA R&I: AA-**  
**S&P: A-**

02

# New Medium-Term Management Plan (2023-2025)

## Realization of the SMFL Way by 2030

2030  
Ideal  
situation

**A business company with financial capabilities**

"Pursuing the strengths of a business company with financial capabilities and taking on the challenge of solving social issues"

Ordinary profit: ¥145.0 billion Operating assets: ¥8.3 trillion (FY2025 targets)

Medium-Term Management Plan 2023-2025

'Backcast' from ideal

**A financial company that can do business**

"Becoming a company that evolves in response to changing times"

Ordinary profit: ¥136.5 billion Operating assets: ¥8.1 trillion (FY2022 actual)

Medium-Term Management Plan 2020-2022

**JUMP**

**Financial company (leasing company)**

"Aiming to further evolve"

Ordinary profit: ¥90.3 billion Operating assets: ¥5.3 trillion (FY2019 actual)

Medium-Term Management Plan 2017-2019

**STEP**

**HOP**



## Financial targets

### Growth potential (Ordinary profit)

FY2025 target

**¥145.0 billion**

### Efficiency (Base overhead ratio\*)

FY2025 target

**Approx. 40%**

### Profitability (ROA)

FY2025 target

**1.7% or more**

### Soundness (Equity ratio)

FY2025 target

**10% or more**

## Non-financial targets

### Environmental and social - Environmental targets -

FY2025 target for GHG emissions from consolidated Group (Scope 1 and 2)

**1 Net zero**

Cumulative contract value of sustainability-related business by FY2025

**2 ¥1 trillion**

### Human capital

FY2025 target for total education expenses (¥200m in FY2022)

**3 ¥600 million**

FY2025 target for percentage of women in managerial positions

**4 15% or more**

Target for percentage of men taking childcare leave from 2023 onwards

**5 100%**

### Digital

FY2025 target for number of electronic contracts (16,000 in FY2022)

**6 42,000**

\*Base expenses are operating expenses excluding growth and up-front investments

FY2023-2025

# 2030

**Theme of Medium-Term Management Plan (2023-2025):**  
**Pursuing the strengths of "a business company with financial capabilities" and taking on the challenge of solving social issues**

### Course of action:

- Take steady steps towards **realization of the SMFL Way** and create a **solid launch platform** for future growth
- Pursue **SMFL's unique characteristics** and take on the challenge of creating new core businesses and fundamentally transforming existing businesses to **overlap the expansion of social value and economic value at the same time**
- Establish a **business foundation that supports business expansion**, which is a prerequisite for growth

### Strategy:



Realize the "SMFL Way" with "Finance × Business × DX" solutions unique to SMFL



### Social value

Contribute to the creation of a prosperous society and reduce social costs by solving social issues

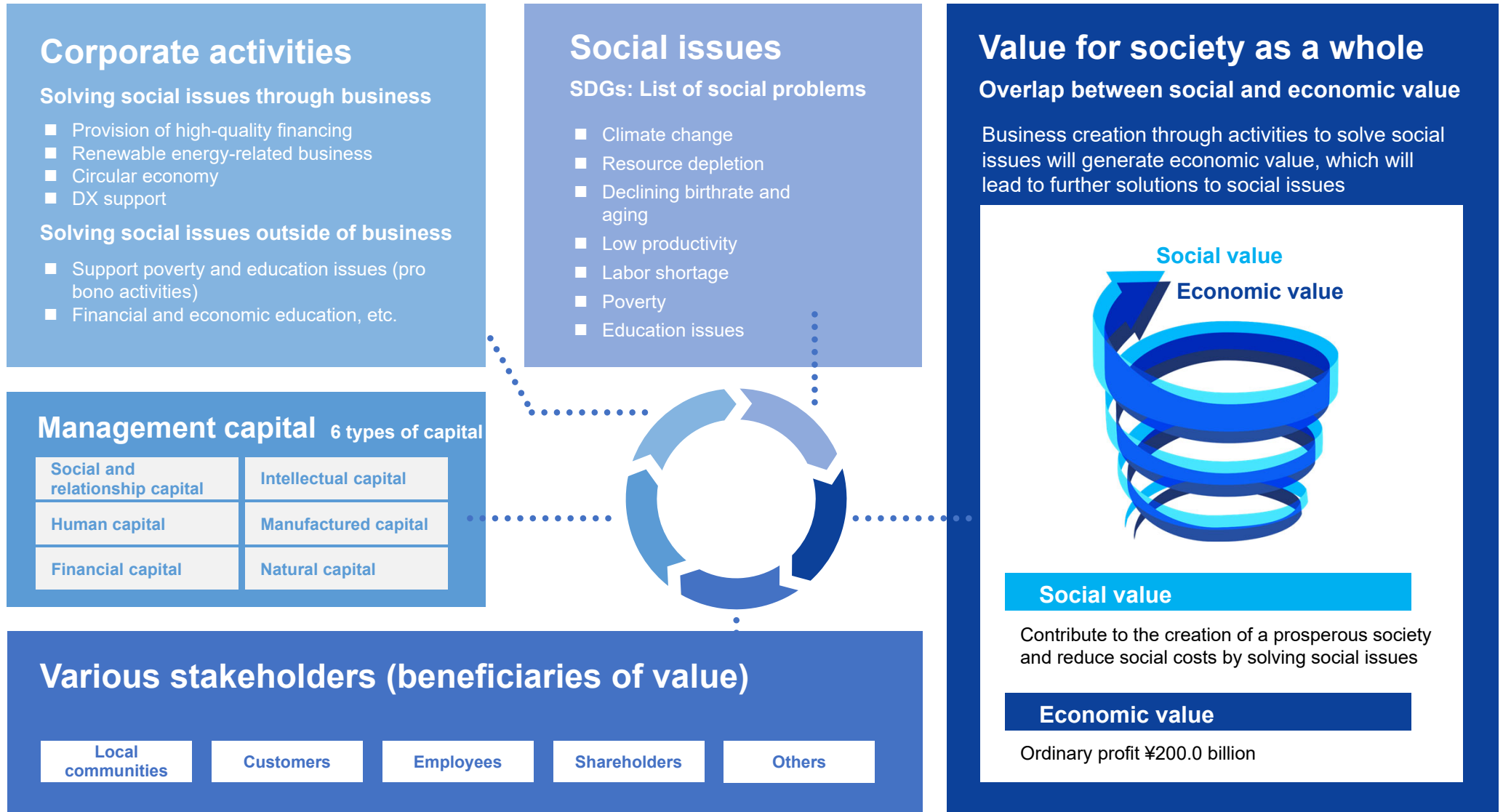
### Economic value

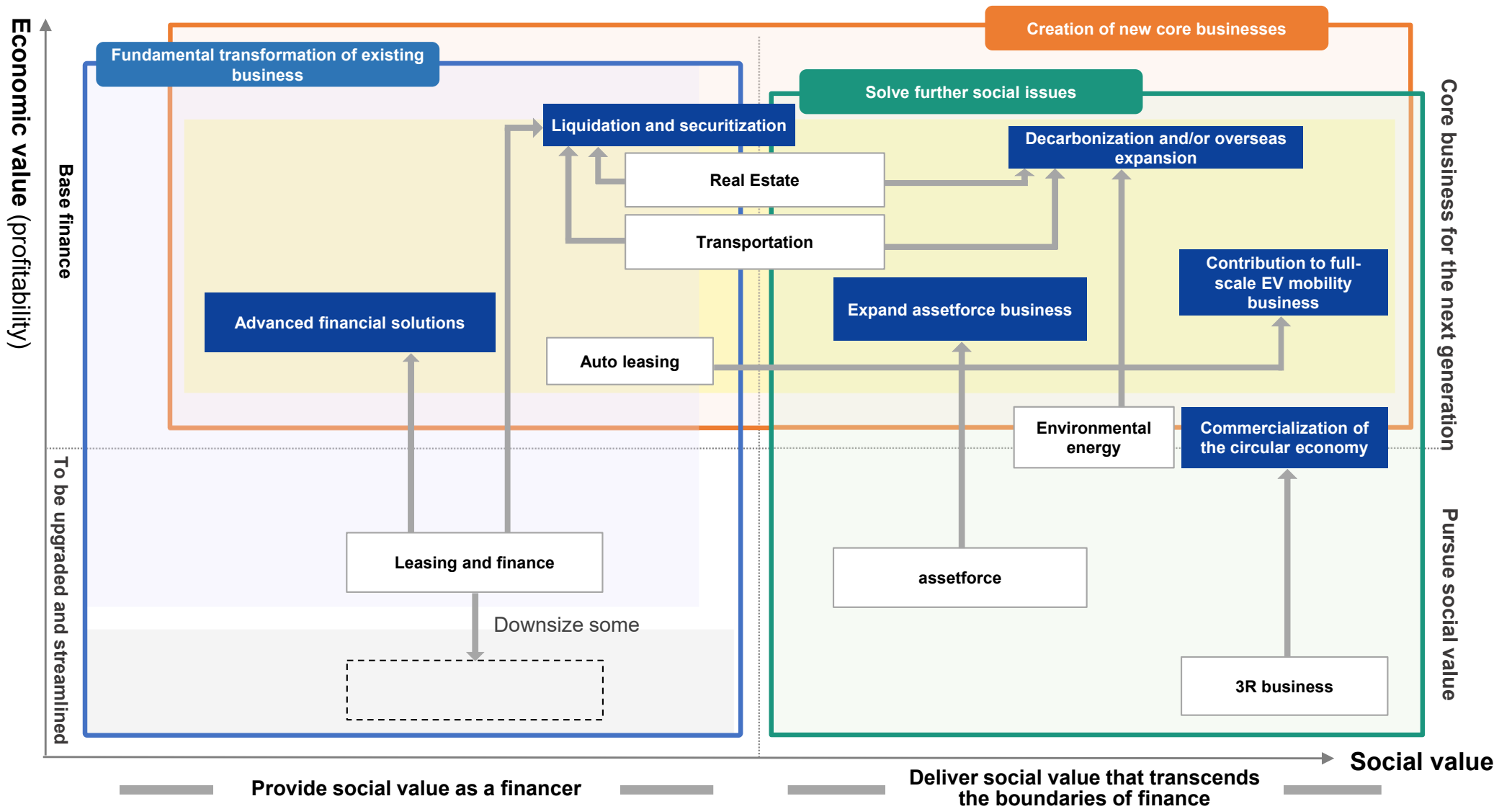
Ordinary profit ¥200.0 billion

# SMFL Way

# Expansion of social value

The expansion of value for society as a whole will provide value to our diverse stakeholders and enhance our management capital, which is the source of our corporate activities





- **Create new core businesses:** Foster "businesses with high social and economic value" as the core of the next generation
- **Fundamentally transform existing businesses:** Rethink and downsize some low-profit financial businesses
- **Solve further social issues:** Focus on expanding digital (assetforce) business and commercializing the circular economy

Medium-term  
strategy 01

**Creation of  
new core  
businesses**

### Asset turnover-type business (liquidation/securitization)

- Strengthen turnover-type business and promote asset management business (general leases/installment sales receivables, aircraft, real estate, etc.)
- Promote security token-related business by leveraging Kenedix's expertise

### Expand business into global growth areas

- Seize growth opportunities in overseas markets
- Expand business by working with ARA, a Kenedix co-shareholder (Asia Pacific)
- Promote helicopter leasing business, renewable energy business, asset life cycle management business, structured finance, etc.

### Respond to social change

- Initiatives for the transformation of the mobility industry and full-scale development of EVs
- Infrastructure business initiatives

### New business unique to SMFL

- Expand assetforce business, develop other type of digital solutions
- Leverage our strengths to take on the challenge of "new business unique to SMFL"

Medium-term  
strategy 02

### Fundamental transformation of existing business

#### Thorough digitalization

- Promote further efficiency by utilizing electronic contracts, automatic credit decision systems, etc.
- Accumulate and utilize sales data for efficient targeting

#### Professionalization

- Promote Japanese investor business backed by real estate and aircraft-related product capabilities and knowledge, as well as digital platform
- Strengthen proposals for GHG reduction solutions by leveraging our best-in-class Japan subsidy track record and product strength
- Solution provider for customers' management issues

#### Deeper collaboration with partners

- Evolve into a customer's partner by making full use of the advantages of the SMFL Group and shareholders to contribute to solving problems
- Create new business and value through collaboration with true partners

Medium-term  
strategy 03

**Solve further  
social issues**

## Environment

- Early achievement of medium- and long-term environmental targets
- Bring forward from FY2029 to FY2025 the target of a cumulative contract value of ¥1 trillion for sustainability-related business

## Activities as a leader in realizing the circular economy

- Establish Circular Economy Promotion WT (Working Team) to formulate and promote Group-wide measures

## Drive social transformations (GX, DX)

- Support customers' decarbonization through the use of renewable energy sources, energy conservation, etc.
- Leverage our strengths in the digital field to help customers expand sales and improve sales efficiency

## Contribute to society's priorities beyond business

- Start pro-bono activities focusing on poverty and education
- Provide education and learning opportunities for children who will lead the next generation



Medium-term  
strategy 04

**Establish  
business  
foundation**

### Human capital

- Optimal and flexible human resource allocation for realizing management strategies
- Employee performance maximization and professional development
- Entrench a corporate culture that encourages self-motivated employees to challenge themselves and grow
- Deepen D&I (diversity & inclusion), improve well-being

### Compliance

- Strengthen compliance system in response to expanding and diversifying business models

### Enhance risk management

- Develop credit decision system in line with changes in SMFL's business structure
- Enhance portfolio management in light of geopolitical risks

### Funding and management resource allocation

- Promote SMFL's commitment to the SDGs through ESG funding
- Allocate management resources based on business strategy

### ICT

- Build a next-generation IT platform to support business expansion and diverse customer needs



**SMFL** / Think beyond, Act now