

Special Feature: Growth Story —Enhancing Our Competitive Advantages

Story **1** — Established strengths

Competitive advantage

Expertise in commercial aviation and
real estate businesses ×
Asset management capabilities

Story **2** — Expansion into new domains

Competitive advantage

Expertise in lifestyle-related
businesses ×
Community coexistence



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Story 1 — Established strengths

Commercial aviation business:

Commercial Aviation SBU/Leasing SBU/Aerospace Defense & Technology SBU

Competitive advantage

Expertise in commercial aviation and
real estate businesses ×
Asset management capabilitiesCommercial aviation business
Profit for the year in FY2023

¥13.6 billion

Target of profit for the year in FY2030

Approx. ¥33 billion*

* Excluding one-off profits/losses

2025 Advanced Air Mobility

Helicopter leasing industry

2020 Helicopter leasing

No. 2 in the world

Engine leasing industry

2004 Engine leasing

No. 5 in the world

Aircraft leasing industry

1996 Aircraft leasing

No. 2 in the world

1980s Trading and aftermarket The beginning of our commercial aviation business

Spreading sustainable wings to the world

By 2050, the world population is expected to reach 10 billion, and the movement of people and goods will further expand globally. Amid the rapid expansion in demand for travel, the commercial aviation business holds significant growth potential for the future. Over the next 20 years, we anticipate that 30,000 to 40,000 new aircraft will take to the skies in the civil aviation sector.

At the same time, contributing to decarbonization is an urgent priority that extends to the aviation world.

Furthermore, the number of retired aircraft is increasing, making the effective utilization of used aircraft and parts, as well as the recycling of fuselage, essential for creating a circular economy.

We support regional socioeconomic development by overcoming the conflicting themes of meeting the growing demand for the movement of people and goods while also contributing to environmental sustainability.

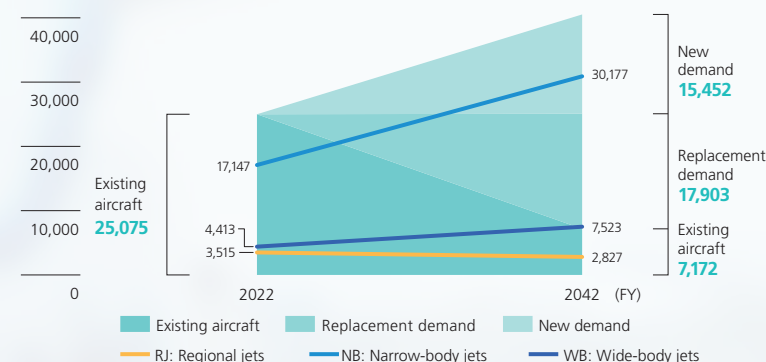
This is our path to value creation and the strength that will enable us to gain a foothold for further growth.

Our strength lies in maximizing synergy of expertise in the commercial aviation business and asset management capabilities in response to economic cycles.

In the aircraft leasing business, which is sensitive to economic fluctuations, the key to success is the ability to buy and sell aircraft at the right time and maintain asset values.

In addition to the industry network and technical expertise we have built by addressing social and customer issues, we have established strength through our asset management know-how leveraged by our strong fund-raising capabilities.

Passenger jet aircraft demand forecast (no. of aircraft)



Source: Worldwide Market Forecast 2023-2042, published by the JADC

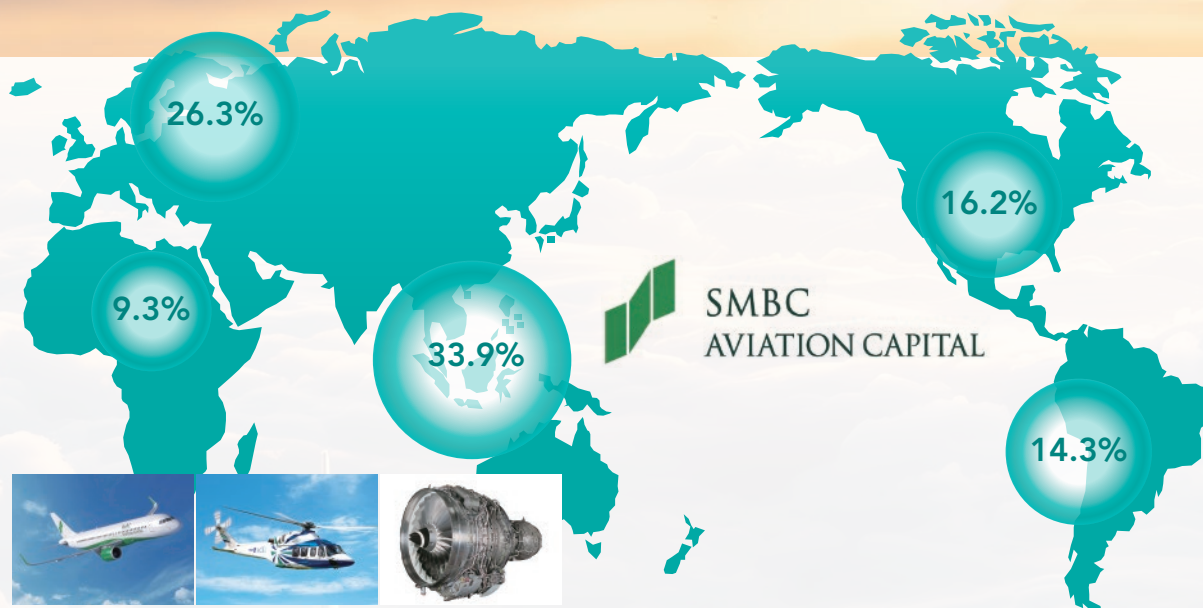
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Competitive advantage Expertise in commercial aviation and real estate businesses ×
Asset management capabilities

Features of SMBC AC

Narrow-body jet ratio	83%
For domestic and short-haul routes	
Customers	150 companies
Customer risk diversification	
Average age of aircraft	Approx. 5 years
High liquidity	
Aircraft fleet diversification	50 countries
Geographical risk diversification	

Fleet size and aircraft assets



SMBC
AVIATION CAPITAL

Strengths generating additional value



Sumitomo Mitsui Financial Group: 50%
Sumitomo Corporation: 50%

We entered the commercial aviation business in the 1980s in the aftermarket sector with the trading of used aircraft and parts. We then entered the aircraft leasing business in the 1990s and expanded into engine leasing in the 2000s. In the 2020s, we also began helicopter leasing.

Through these businesses, we have accumulated the knowledge necessary for the commercial aviation business in such areas as asset management, networking, and the technical expertise and credit assessment ability of our group companies.

In 2012, we acquired the aircraft leasing division of the Royal Bank of Scotland in partnership with Sumitomo Mitsui Financial Group and Sumitomo Mitsui Finance and Leasing (SMFL). That business, now called SMBC Aviation Capital (AC), is the second-largest aircraft leasing company in the world. It owns, manages, and has orders in place for approximately 1,000 aircraft and has expanded its business to 150 companies across 50 countries. Its owned aircraft assets amount to around ¥3 trillion.

We diversify geographical risk by leasing across multiple regions. We also focus primarily on highly liquid narrow-body aircraft and keep the average age of our fleet young. This approach allows us to maintain and control high asset values.

Furthermore, we are accelerating our efforts to address environmental issues, with the goal of achieving zero emissions throughout AC's entire value chain by 2050.

The commercial aviation industry is highly sensitive to economic changes and experiences cyclical fluctuations triggered by unforeseen events, such as conflicts, terrorism, and crises. Nevertheless, AC's strong asset management capabilities, especially in finance, allow it to flexibly buy and sell assets in response to economic cycles.

Other main businesses

Manufacturing



Aircraft engine and helicopter leasing



Sumitomo Precision Products Co., Ltd. (SPP), became a wholly owned subsidiary in FY2022. The company has been designing and manufacturing aircraft equipment, propellers, landing gear, and heat exchangers, for more than half a century.

As a developer and manufacturer of products that contribute to the safety of air transport, SPP is recognized as a leading company in the global civil aircraft equipment sector.

SPP is also working with partner companies to develop thermal management systems in anticipation of the emergence of hydrogen and electric aircraft in the future.

Through SMFL, we have invested in SMBC Aero Engine Lease, the fifth-largest engine leasing company in the world.

With proper maintenance, engines can maintain their asset value regardless of age and provide a stable source of income.

Through SMFL, we have also invested in the world's second-largest helicopter leasing company. Anticipating an increase in leasing opportunities in the future, we will focus particularly on leasing helicopters with high social needs, such as those used in emergency medical transport and search-and-rescue operations.

Special Feature: Growth Story—Enhancing Our Competitive Advantages

Competitive advantage Expertise in commercial aviation and real estate businesses × Asset management capabilities

Reaching Greater Heights: Addressing Social Challenges

Contributing to decarbonization is an important issue in the world of commercial aviation. With this in mind, we are working to decarbonize the skies by providing new transportation and mobility.

As an example of a business contributing to circular economy, we have already begun reusing and recycling retired aircraft. In FY2023, we acquired a 51% stake in Werner Aero, a U.S. company that removes, repairs, and resells reusable parts from retired aircraft.

With the aim of acquiring carbon credits, we have also entered the carbon credit business through mangrove plantations in Indonesia.

In the meantime, we will accelerate efforts related to sustainable aviation fuel (SAF)*1, which significantly reduces carbon dioxide emissions.

*1 Aviation fuel produced from recyclable raw materials

Decarbonized, environmentally responsive,
circular economy business

Our goal is to acquire a total of 600,000 tons of cumulative carbon credits over 20 years.



- Joint development project for SAF production in North America (aiming for commercial production in 2029)
- Production of bioethanol from SAF feedstock in Japan and North America (development under way for commercial production)



Advanced Air Mobility (AAM)

These vehicles are commonly known as “electric vertical take-off and landing (eVTOL)” by the public.

Specifically, this refers to drones and eVTOL aircraft. Using these emerging technologies, our aim is to provide new, environmentally friendly air mobility solutions.

In collaboration with Japan Airlines, we are expanding business and accumulating knowledge in the field of AAM.

We provide unmanned aircraft control systems in the AAM field through OneSky Systems, Inc.

Real Estate Business: Real Estate SBU

Current state of the real estate business where we have 100 years of experience

Full lineup of real estate services



The Company's original business was real estate, and our strength lies in our ability to handle everything from development to operation in a fully integrated manner. Leveraging our accumulated property development know-how and network of multiple business partners, we generate a wide range of business opportunities tailored to the business environment and stage of each project.

In addition to our own Real Estate SBU, subsidiaries of the Sumitomo Mitsui Finance and Leasing Group engage in a wide range of real estate business activities.

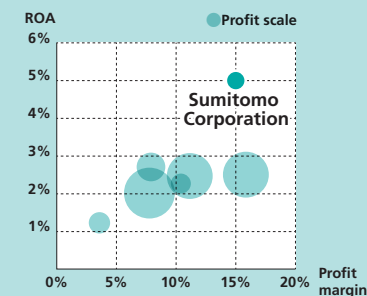
Our strength lies in maximizing synergy of expertise in the real estate business — with a full lineup portfolio, we have the expertise to handle the entire project life cycle, from initial development to final operation— and asset management capabilities.

Our real estate business, which began around 100 years ago, continues to expand as we explore new business opportunities. One of our strengths is high asset efficiency.

While accumulating prime assets, we have also developed a unique system and expertise that enhances profitability by effectively combining external capital, including through sales to REITs, without holding 100% of the assets ourselves.

This combination of business expertise and asset management capabilities is a competitive advantage that also works well in the commercial aviation business.

Industry comparison (developers)



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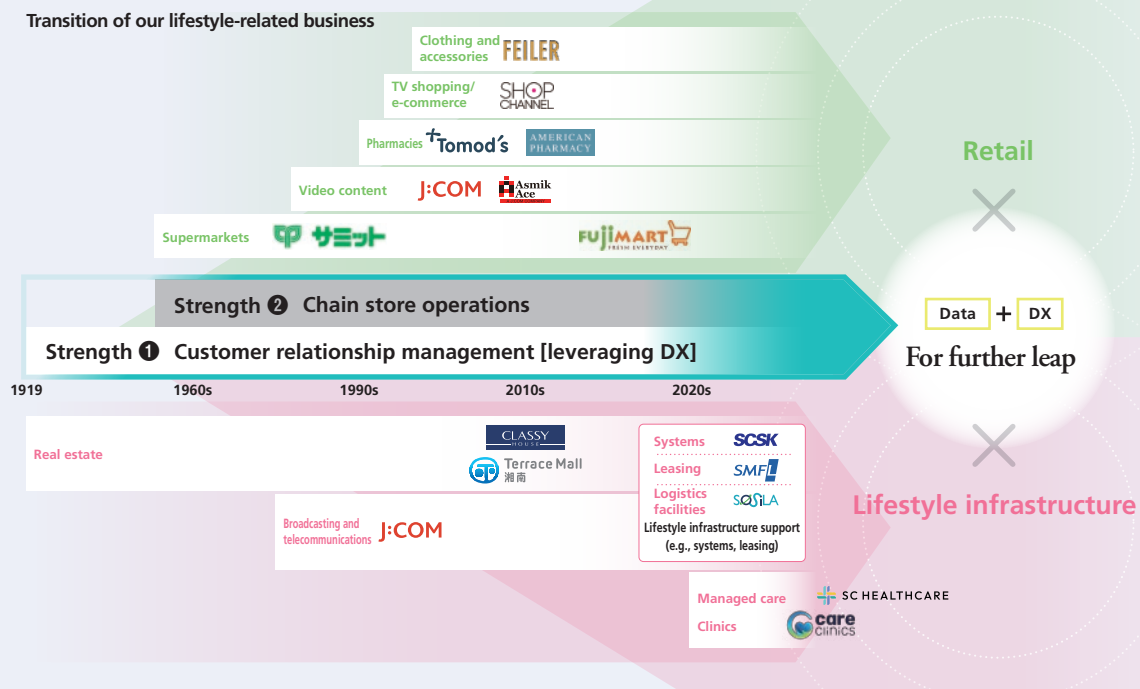
Story 2 — Expansion into new domains

Lifestyle-related business: Healthcare SBU

Competitive advantage

Expertise in lifestyle-related businesses ×
Community coexistence

Transition of our lifestyle-related business



What kind of services enrich society?

It is required to establish social environments that cater to the lifestyle aspirations of each individual: to live better, to live more authentically, and to enrich both body and mind. The current focus on wellness is another major trend required by society. From health-related solutions to lifestyle services, offerings that enrich individuals will, in turn, enrich entire communities.

Since our founding, we have strived to establish and maintain the goods, services, and infrastructure essential for daily life.

Our original business was real estate, which provided an environment for nurturing lifestyle-related enterprises. Beginning with the supermarket business in the 1960s, we have launched various lifestyle-related businesses and have now expanded beyond the retail market to include lifestyle infrastructure.

Over decades of listening to local customers' voice, we have accumulated significant tangible and intangible assets. These assets form a unique strength in each of our businesses that cannot be easily imitated by others.

Strengths that create value

Many of our lifestyle-related businesses have been around for decades. It might sound impressive to say that we founded various companies and expanded into new fields on our own. However, the reality is that we built our businesses by understanding customer needs one by one, learning from repeated failures along the way.

Our current lifestyle-related business brands can be broadly divided into two groups: retail market brands and lifestyle infrastructure brands. With both groups, we believe that by collecting data and utilizing DX technology, we can strengthen our direct ties with consumers in terms of both goods and services, thereby building greater strengths.

For some time, we have been able to understand diverse needs across different regions through individual customer interactions. The keys to future growth are accumulated customer data and ongoing dialogue with our customers.

Our strength lies in our expertise in lifestyle-related businesses and our commitment to regional coexistence. In other words, we excel in management know-how across a wide range of lifestyle services, with a specific focus on customer relationship management and chain store operations.

Our strength lies in our management expertise across a wide range of lifestyle service areas.

[Customer relationship management, chain store operations, etc.]

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Competitive advantage Expertise in lifestyle-related businesses × Community coexistence

Domestic healthcare

“Family drugstore” with the deepest community roots

● 450 stores centered on Tokyo Tomod's + Allosone + Yakuju

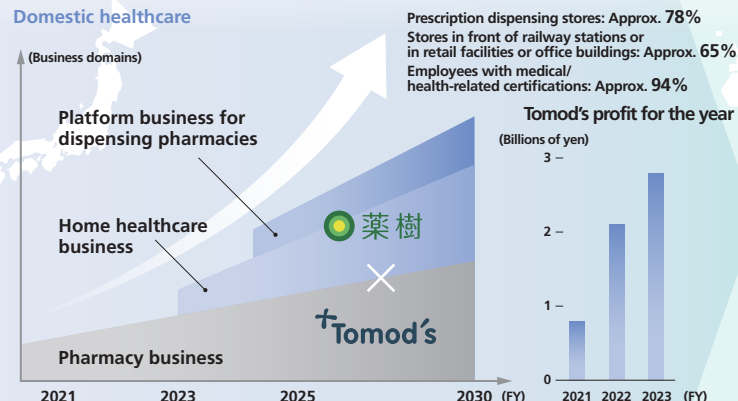
Tomod's was established in 1993 as Sumitomo Corporation's first in-house venture in anticipation of the separation of dispensary from medical practice. It started out as a pharmacy.

In its history of more than a quarter century, it has solidified its operations by strategically identifying store locations and developing a product lineup that meets the needs of local customers through effective customer relationship management. It has also expanded through M&As, growing into a network of 450 stores as a group and showcasing its proficiency in chain store operations. As a “retailer involved in healthcare,” Tomod's has grown into a drugstore chain known for its healthy product lineup and its consultation services with customers. Its product offerings are regularly reviewed and expanded to include products and food items that reflect customer needs.

Yakuju specializes in home dispensing services, where pharmacists deliver medicines to the homes of elderly people and those with dementia, helping them manage their medication. It joined our Group in 2023. We are leveraging Yakuju's expertise to strengthen our ties with surrounding medical institutions and nursing care facilities.

Our goal is to become a “family drugstore” with the deepest roots in each community.

Domestic healthcare



Overseas healthcare

Primary care services: Bringing management expertise cultivated in Japan to the world

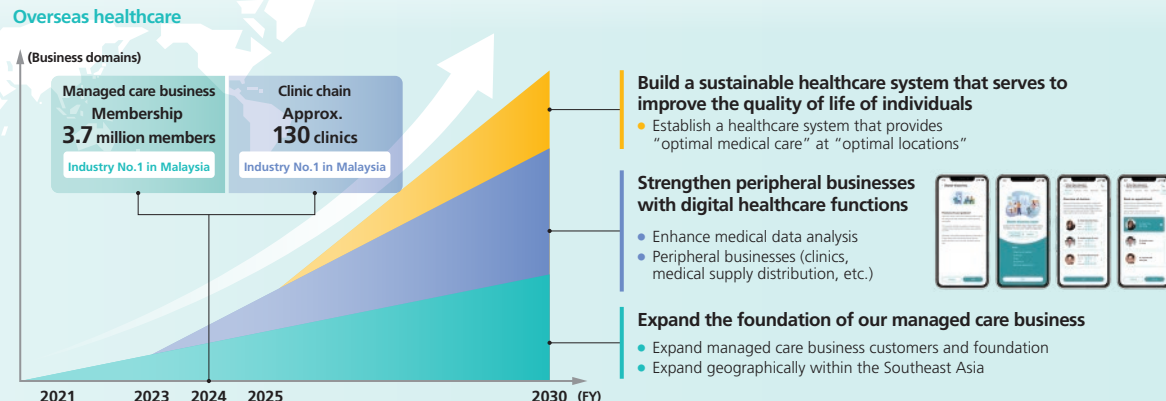
In Southeast Asia, with an aging population and rising cases of lifestyle-related diseases, the supply and quality of medical services have not kept pace with growing medical needs, and the issue of inadequate access to appropriate services has become evident. In addition, the financial burden on patients, companies, and insurance providers is increasing as healthcare costs continue to rise. As a result, there is a growing need to address illnesses before they become serious (primary medical care), as well as to provide pre-symptomatic and preventive services.

Leveraging its management expertise cultivated in Japan, Sumitomo Corporation invested in managed care businesses in Malaysia in 2019 and Vietnam in 2021. Since then, we have invested in the managed care business, establishing a system in which three entities—private health insurance companies, managed care providers, and medical institutions—collaborate to provide comprehensive medical services. In Malaysia, our managed care provider not only manages medical expense payments and provides medical infrastructure but also offers tools to analyze and reduce medical expenses and provide online medical examinations and dispensing services. In addition, it promotes health promotion programs (customer relationship management utilizing DX). Accordingly, it now holds the largest market share in Malaysia.

To expand our healthcare business, we invested in Malaysian clinic business operator in 2020, of which we are now the largest shareholder. In operating local clinic chains, achieving growth requires market analysis, employee training, and improved efficiency in drug procurement and delivery. Our expertise gained from chain store operations in Japan is proving invaluable in these areas. As a result, our network of clinics has expanded from 18 at the time of our investment to 123 facilities as of July 2024, making it the largest private medical clinic chain in Malaysia. Moreover, we aim to further grow the network to 300 facilities by 2026. By promoting collaboration between managed care providers and our clinic business, we aim to continue building networks that will serve as social infrastructure to support healthcare in Southeast Asia.

We strive to build a sustainable healthcare system that enhances quality of life by providing high-quality medical services to people in Southeast Asia and helping companies, governments, and local authorities reduce healthcare costs.

Overseas healthcare



Store expansion and monetization ➡ Strength ② Chain store operations (multiple stores = management expertise for scale expansion)

Community-based and interactive ➡ Strength ① Customer relationship management [leveraging DX]
(management know-how to continuously build relationships with specific [= local] customers and thus increase profits and corporate value)