

Message from the CEO



Takahiro Yanai

Takahiro Yanai
President & CEO

Achievement of Our Management Vision

As global megatrends pick up momentum, affecting long-term trends within domestic and overseas economies, we find ourselves in a time when change is a normal part of life. With that in mind, it is only natural that the environment surrounding our business changes from moment to moment. To add another level of complexity, COVID-19 has become a worldwide problem since the beginning of 2020 having a tremendous impact on socio-economic activities, and we must be prepared to deal with this situation for a while.

For the Mitsubishi UFJ Lease & Finance Group to achieve sustainable growth under these circumstances, I believe that, without a doubt, it is more important than ever for management to navigate through the short-and-medium term while keeping an eye on long-term trends 10 years down the line. Therefore, we intend to make accurate responses to changing conditions, maximize our strengths, and realize the key aspects of our management vision—enhance corporate value, achieve sustainable growth, and resolve social issues.

Results of the Previous Medium-Term Management Plan

The previous Medium-term Management Plan (hereinafter, the “Previous Medium-Term Plan”), which started in April 2017, concluded at the end of March 2020. Under the plan, “Breakthrough for the Next Decade,” we strove to evolve our business model to promote further growth while maintaining the same business trajectory. The plan highlighted two basic policies—the integration of finance and business and the balance between top-line management and efficient management. The integration of finance and business entailed going beyond corporate and asset finance and expanding our fields of business participation and operations while engaging in a wider breadth of businesses and operations. The balance between top-line management and efficient management, meanwhile, meant focusing on the effective utilization of assets to expand profitability and improve asset efficiency. To promote the policies, we made revisions to our organizational system, which included introducing a business division system in April 2017 and reorganizing our sales divisions in the Domestic Customer Business. We also revised our management system in such ways as upgrading our PDCA

process for investment projects. As for our business portfolio, we promoted the replacement of elements therein, taking into consideration growth potential and profitability.

Furthermore, we advanced a wide range of measures, such as developing a financial strategy in light of global business expansion (see page 24 for details), as well as reviewing our personnel system, introducing a teleworking system, and enacting other workplace enhancement measures.

Despite the one-time impact of U.S. tax reforms, as a result of the measures I have mentioned, we hit the targets put forth in the Previous Medium-Term Plan of net income attributable to owners of the parent of ¥63.0 billion or more and ROA of 1.1% or higher in fiscal 2017. In fiscal 2018, we achieved record profits, and in fiscal 2019, the final year of the plan, we posted net income attributable to owners of the parent of ¥70.7 billion, a record for the third consecutive year, in addition to ROA of 1.2%. (For more information on each business division, please refer to the section “The Mitsubishi UFJ Lease & Finance Group by Business Division” beginning on page 28.)

Message from the CEO

Major Achievements of Previous Medium-Term Management Plan	
Growth Strategy	<ul style="list-style-type: none"> Progress in conversion of asset-turnover businesses in mainstays aviation and real estate, and improved business performance thanks to increase in gains on sales and other measures Substitution in business portfolio with more focus on growth and profitability (Reorganization of Japanese group companies, M&A/capital and business alliance deals and others, including ENGS Holdings Inc. and MUL Railcars, Inc.)
Business Infrastructure Reinforcement Strategy	<ul style="list-style-type: none"> Increased foreign currency fundraising capacity underpinned by the first bond issuance in the U.S. under the form of 144A/Regulation S Building PDCA process for investment deals matching acceleration in business participation and business operations (including new establishment of the Investment Management Department and other measures) Stimulation of Workplace Enhancement Project, by taking such measures as readjustment to our human resource system, introduction of a work-at-home setup, and use of RPA (Robotics Process Automation)
Business Operation System	<ul style="list-style-type: none"> Full-fledged launch of newly introduced business division system

Of course, some issues still remain. As an example, as we expand our business domains, we need to secure and cultivate human resources with expertise in increasingly global and more diverse operations.

We also need to bring our global consolidated management to the next level. It is our intention to continue addressing these issues in an appropriate manner in the New Medium-term Management Plan.

The New Medium-Term Management Plan~Sustainable Growth 2030~

As I said at the outset, the external environment is undergoing drastic changes, and we are in a time when change is a normal part of life. In such an environment, I think it is necessary to determine our strategy based on an understanding of changes in the external environment over a span of 10 years, as opposed to just a short three-year period.

Bearing this in mind, the New Medium-term Management Plan~Sustainable Growth 2030~(hereinafter, the "New Medium-Term Plan"), which started in April 2020 and lasts until the end of fiscal 2022. The plan comprises the first three years of a medium-to-long-term strategy that focuses on changes in the external environment over the next decade. We have therefore chosen to evolve this medium-to-long-term strategy in a flexible manner over time, periodically

verifying our 10-year forecasts and strategy, our three-year medium-term strategy, and our plans for each fiscal year. (Please refer to pages 20–21 for an overview.)

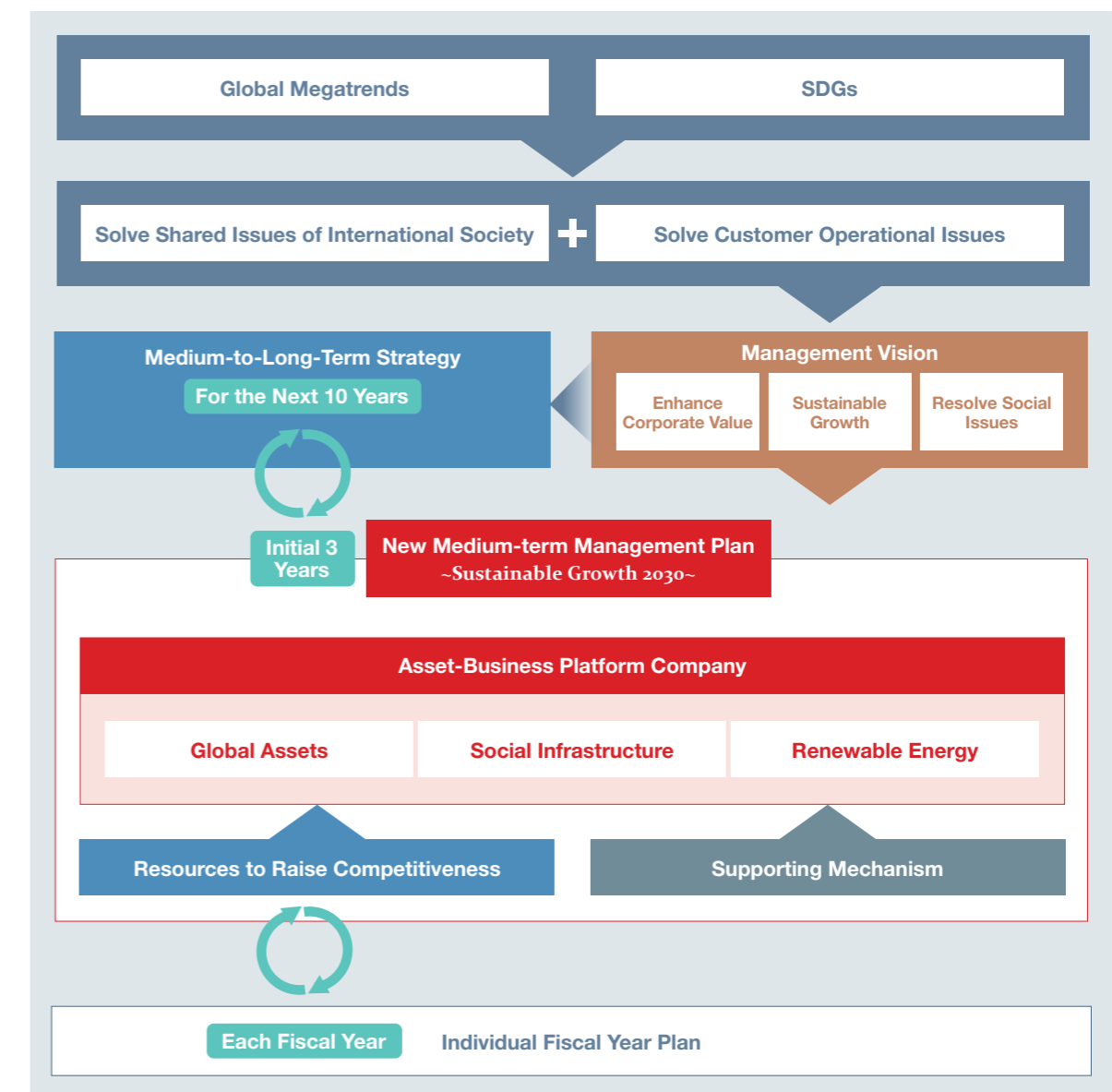
When formulating the New Medium-Term Plan, as a prerequisite we analyzed changes in the business environment over a 10-year span from a variety of perspectives, such as global macroeconomic conditions, international relations, and changing values. In doing so, we identified six global megatrends requiring special attention: the rapid advancement of urbanization, climate change and resource shortages, demographic changes, shifts in economic power, technological advancement, and global multipolarization.

We intend to apply the full force of the Group

toward resolving issues caused by these megatrends, namely, the shared issues of international society and operational issues at the customer level—collectively referred to as social issues—as doing so will enable

us to enhance corporate value, achieve sustainable growth, and resolve the social issues key to our management vision.

Management Strategy (Overall View)



Message from the CEO

An Asset-Business-Platform Company

The three-year span of our New Medium-Term Plan, as it fits into our greater strategy for the coming 10 years, will be to move toward becoming an asset-business-platform company. Reviewing the Previous Medium-Term Plan and formulating its successor have reaffirmed the strengths of the Group, specifically its wide-ranging and diverse customer base, a financial base backed by high credit ratings, and strong insight into the asset* business accumulated over many years in the leasing business. Drawing from this insight, and utilizing both our customer and financial bases, we have positioned the enhancement of our asset creation capabilities as an asset holder as one of the pillars of the New Medium-Term Plan. For us, “asset value creation” is the capacity to improve the business competitiveness of customers and business partners by creating and continuously providing valuable services and taking the initiative in clearing their business

obstacles.

As for the constituents of asset value creation, they are acquisition, development, possession, rent, management, maintenance, operation, and sale—eight functions related to the tangible and intangible assets that we have cultivated over a great deal of time doing business. By refining each function and combining them to provide greater value, we will be able to transition from a business model centered on finance and leasing to one incorporating and operating asset businesses in five categories that include asset management and other asset-related services, and asset utilization business management, which refers to businesses that make use of such assets as real estate and solar power generation facilities and equipment and which are charged with maximizing divisional earnings.

Type of Business	Definition	Details
Asset Utilization Business	Businesses aimed at utilizing assets to maximize divisional earnings	<ul style="list-style-type: none"> Solar power generation business Real estate business, etc.
Provision of Asset Utilization Value	Collection of fees from multiple users via optimal asset sharing	<ul style="list-style-type: none"> Rental services Sharing services, etc.
Asset Investments and Loans	Making investments and loans backed by value of business assets	<ul style="list-style-type: none"> Operating leases Project financing Real estate securitization, etc.
Asset-Based Financial Solutions	Asset-based solutions in response to customers' management issues and needs	<ul style="list-style-type: none"> Finance leasing Building leasing, etc.
Asset-Related Services	Contracted by asset owners to perform service-based operations such as maintenance, management, and operation, earning income mainly on a fee basis	<ul style="list-style-type: none"> Asset management services Maintenance services, etc.

By familiarizing ourselves with these businesses and building up a track record, we aim to become an asset-business-platform company that can monetize asset value. The platform we build will be a means for businesses to strengthen their relationships with customers and will be used to provide a variety of

products and services. It will have clear mechanisms to provide and deliver value while generating earnings, thereby increasing profitability and sustainability.

* Assets include not only tangible assets, such as equipment, but also a wide range of information assets such as databases, innovative assets including research and development findings, and intangible assets such as human resources and organizations.




Our Three Focus Areas

Against the backdrop of the aforementioned global megatrends, there are various social needs prevalent on a global scale, as highlighted by the Sustainable Development Goals (SDGs) and other initiatives. We believe we have three particular strengths that we can utilize to contribute toward the resolution of these social issues. These strengths are in global assets, social infrastructure, and renewable energy.

The first, global assets, refers to worldwide logistics by land, air, and sea and targets high-value-added assets that can find high liquidity and value in markets around the world.

The second, social infrastructure, covers real estate, such as logistics facilities and offices, and social infrastructure for industries and life services such as power transmission and high-speed railways in Japan and overseas. Our goal is to expand business from real estate leasing and financing to business operations and infrastructure investment.

The third, renewable energy, is an ability to combat climate change and resource shortages. We will make efforts related to energy generation, storage, and conservation with a focus on solar power and other forms of renewable energy.

Global Assets	Social Infrastructure	Renewable Energy																		
<ul style="list-style-type: none"> Focus on logistics assets with high marketability and value in the global market Use of expertise in operating leases to develop comprehensive mobility services including maintenance and mobility lease Plan to provide one-stop solutions for logistics business going forward 	<ul style="list-style-type: none"> Focus on social infrastructure for industries and life services in and outside Japan Use of expertise in real estate financing to develop infrastructure management and investment businesses Plan to participate in community development business 	<ul style="list-style-type: none"> Place an emphasis on renewable energy, and also target energy creation, storage, and conservation Shift to project investments and loans to joint business with strategic partners Promote energy solution business going forward 																		
<table border="0"> <tr> <td>Automobiles</td> <td>Mobility Services</td> </tr> <tr> <td>Marine Containers</td> <td>Rail Cars</td> </tr> <tr> <td>Aviation</td> <td>Aircraft Engines</td> </tr> </table>	Automobiles	Mobility Services	Marine Containers	Rail Cars	Aviation	Aircraft Engines	<table border="0"> <tr> <td>Logistics Facilities</td> <td>Hotels</td> </tr> <tr> <td>Offices</td> <td>Medical Facilities</td> </tr> <tr> <td>High-Speed Railways</td> <td>Power Transmission</td> </tr> </table>	Logistics Facilities	Hotels	Offices	Medical Facilities	High-Speed Railways	Power Transmission	<table border="0"> <tr> <td>Solar Power</td> <td>Energy Services</td> </tr> <tr> <td>Biomass</td> <td>Wind Power</td> </tr> <tr> <td>Batteries</td> <td>Distributed Power</td> </tr> </table>	Solar Power	Energy Services	Biomass	Wind Power	Batteries	Distributed Power
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Building of a System to Realize Our Management Strategy

To promote this strategy and do so steadily, we must properly reinforce those things that will give us a competitive edge, specifically human resource enhancement and efficient use thereof, global consolidated management, and promotion of collaboration with partners.

Of these, human resource enhancement and their efficient use refers to the acquisition and development of human resources who can play a role in making our business more sophisticated and global, as well as Groupwide consolidated human resource management involving appointments and assignments that allow employees to display their full potential and achieve optimal results. Global consolidated management involves a unified management structure and the effective use of management resources under the shared management vision of the Group. This allows for a structure with an optimal balance of centralized and decentralized management in which Group companies in Japan and overseas can focus on promoting business as dictated by the strategy of their respective

business divisions, while conducting prompt decision-making and integrated management. Finally, promotion of collaboration with partners entails a move toward working with various partner companies.

To repeat once more, this is a time of rapid, sweeping changes. Therefore, it is important that we regularly monitor shifts in the previously cited six global megatrends over the next 10 years, factor in the impact of COVID-19, and take a flexible approach to our management strategy. To this point, we will implement a rotating PDCA cycle that operates by linking our management strategy and management plans. This includes operational strategies for each business division, linked with corporate administrative themes such as financial operations and risk management, and linked with cross-divisional themes such as investment strategy, portfolio management, and digitalization strategy. (For more information on financial operations, please refer to page 24. For more details on risk management, please refer to page 26.)

To Our Shareholders and Investors

We will continue to provide stable and continued dividend payouts going forward while maintaining an appropriate level of shareholders' equity.

In fiscal 2019, we increased dividends by ¥1.50 per share year on year, to ¥25.00 per share, marking 21 consecutive years of our doing so, which also covers the period affected by the global financial crisis. Although we did not set a dividend target when formulating the Previous Medium-Term Plan, at the end of its first year we did add the goal of achieving a dividend payout ratio of approximately 30% by fiscal 2019, the final year the plan. Accordingly, we achieved a payout ratio of 30.4% for fiscal 2018, and 31.5% for fiscal 2019.

In terms of governance, we are continuously reviewing the compositions of the Board of Directors

and Audit & Supervisory Board to ensure the independence and diversity of the two bodies and to make management decisions more flexibly. In addition, from fiscal 2019 we established a new Advisory Council that holds regular meetings and consists of representative directors, full-time Audit & Supervisory Board Members, outside directors, and outside Audit & Supervisory Board members to serve as an advisory body to the Board of Directors. We make the utmost effort to analyze and evaluate the Board and the advice it provides in order to improve its effectiveness, while working continuously to examine and implement measures to resolve any identified issues. Going forward, we will continue to improve the effectiveness of both the Board of Directors and the Audit & Supervisory Board.

Together with Our Customers and Partner Companies

While the surrounding business environment remains unclear, the Group's direction is quite clear based on the identified global megatrends spanning the next 10 years. What is more, the changing landscape and shifts in the social framework present several business opportunities. We will make the most of our

strengths and work with customers and partner companies to overcome these difficulties and help resolve social issues.

We appreciate your continued understanding and support as we take on these challenges.

