

# **New Medium-term Management Plan (FY2020~2022)**

~Sustainable Growth 2030~

March 12, 2020

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# 1. Review of Current Medium-term Management Plan (FY2017~2019)

# Review of Current Medium-term Management Plan (FY2017~2019)

Achievements of Numerical Targets					
	Declared Target of Current Medium-term Management Plan	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast
<b>Net Income<sup>1</sup></b>	63 billion yen or more	53.1 billion yen	63.6 billion yen	68.7 billion yen	70.0 billion yen
<b>ROA</b>	1.1% or more	1.01%	1.16%	1.21%	1.17%

(Note)1. Net income attributable to owners of the parent

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

# Review of Current Medium-term Management Plan (FY2017~2019) (by Division)

	Major Achievements
<b>Domestic Customer Business</b>	<ul style="list-style-type: none"> <li>■ Industrial marketing: Progress in collaborative efforts with partner companies. Area marketing: Promotion of efficiencies via clarification of operational functions</li> <li>■ Reorganization of group companies in Japan (deconsolidation of MMC Diamond Finance, Shinko Lease, and Techno Rent, etc.)</li> </ul>
<b>Overseas Customer Business</b>	<ul style="list-style-type: none"> <li>■ Growth in business with local and multi-national companies while maintaining foundation of business with Japanese companies</li> <li>■ Acquisition of ENGS Holdings Inc. in US, establishment of car auction JV in Indonesia with BlueBird</li> </ul>
<b>Aviation Business Division</b>	<ul style="list-style-type: none"> <li>■ Stake in INAV, a US-based aircraft engine part-out company, and new business development (direct orders to aircraft manufacturers)</li> <li>■ Diversification of foreign-currency fund raising (Issuance of private-placement bonds)</li> </ul>
<b>Real Estate Business Division</b>	<ul style="list-style-type: none"> <li>■ Reinforcement of real estate revitalization business. Expansion of asset management business. Increased investment in logistics development</li> <li>■ Increased investment and loans of US real estate</li> </ul>
<b>Logistics Business Division</b>	<ul style="list-style-type: none"> <li>■ BIL (Beacon Intermodal Leasing, LLC: marine container) achieved to become 6th in the world with 1.3 million TEU<sup>1</sup></li> <li>■ MULR (MUL Railcars, Inc.: rail cars): Converted to staffed office and expanded business scope</li> </ul>
<b>Environment &amp; Energy Business Division</b>	<ul style="list-style-type: none"> <li>■ Accumulation of solar power related investment projects. Started turnover of assets by strategically selling off businesses</li> <li>■ Entry into the biomass field and investment in on-shore wind power deals in Japan for both</li> </ul>
<b>Healthcare Business Division</b>	<ul style="list-style-type: none"> <li>■ Field of recovery and rehabilitation chosen as a core focus</li> <li>■ Increased investment in funds established by HMP (Healthcare Management Partners)</li> </ul>
<b>Infrastructure &amp; Investment Business Division</b>	<ul style="list-style-type: none"> <li>■ Launch of overseas infrastructure together with JII (Japan Infrastructure Investment)</li> <li>■ Participation in [Germany] submarine power transmission, [Ireland] onshore wind power, [UK] offshore wind power, water works, high-speed railway, and [USA] dispersion-type solar power distribution system</li> </ul>

(Note)1. Converted into 20-foot containers

## 2. External Environment

# External Environment

## Mega Global Trends

### Rapid Advancement of Urbanization

- Emergence of new cities in newly developing countries
- Necessity of large scale investment in smart infrastructure

### Climate Change and Resource Shortage

- Aggravation of impact that climate change and resource shortage have on society and economy

### Demographic Change

- Rapid growth in population in certain areas while concurrent decline seen in other areas
- Resource shortage and change in common social practices due to economic power shift

### Shift in Global Economic Power

- Change in economic structure influencing global economy and business activities
- Rapid expansion of capital flow between emerging countries

### Technology Advancement

- New investment opportunities to increase in cutting-edge technologies such as nanotechnology, experiencing quantum leaps, and other R&D fields

### Multipolarizing World

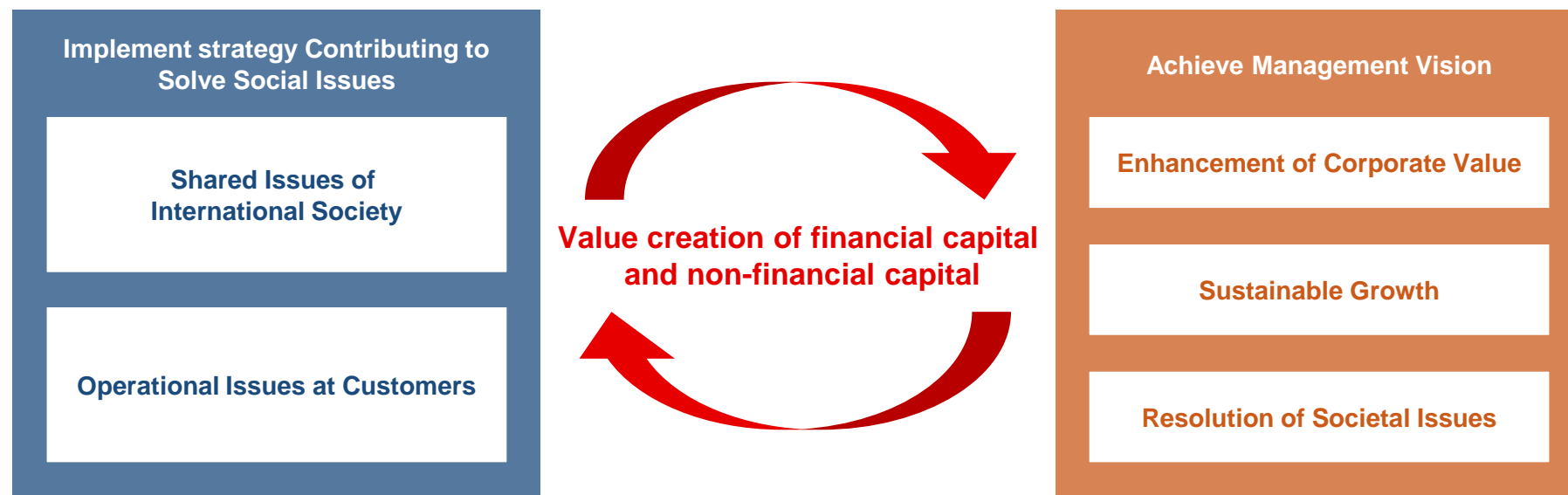
- Transformation of international order and relations based on free market and democracy
- Complexity in geopolitical risks

### 3. Corporate Goal in 10 years



# Corporate Goal in 10 years

- Foresee medium- and long-term changes in the external environment and aim to solve diverse issues such as “Shared issues of international society” and “Operational issues at Customers” (collectively “societal issues”, below). Achieve “corporate value enhancement”, “sustainable growth” and “solutions to societal issues” by focusing on value creation in financial capital and non-financial capital<sup>1</sup>



## Our Corporate Goal

- To enhance corporate value by deploying business utilizing asset value creation<sup>2</sup> and continuing the provision of new value beyond leasing business
- To aim for sustainable growth by developing business in new domains, continuously enhancing the quality and earning power of asset business and increasing investment capacity
- All company and group members act from a strong sense of vocation and contribute to solve societal issues centering on asset business

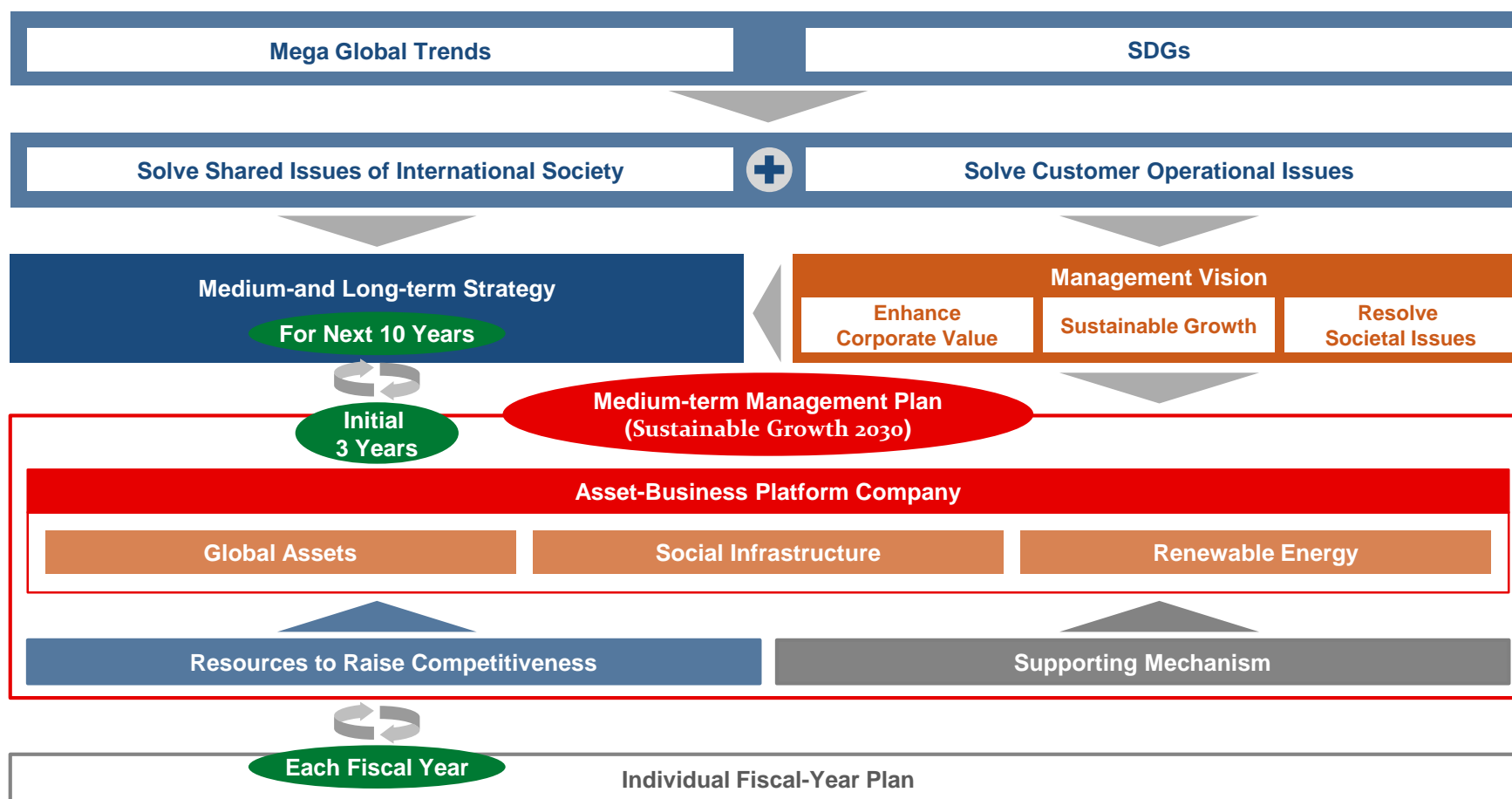
(Note) 1. Non-financial capital includes intellectual capital, manufacturing capital, social capital, natural capital, human capital, etc.

2. “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. Asset of “asset value creation” includes intangible assets such as computerized assets (software, database), innovative assets (R&D, license) and economic competitiveness (human resources, organization)

## 4. Management Strategy

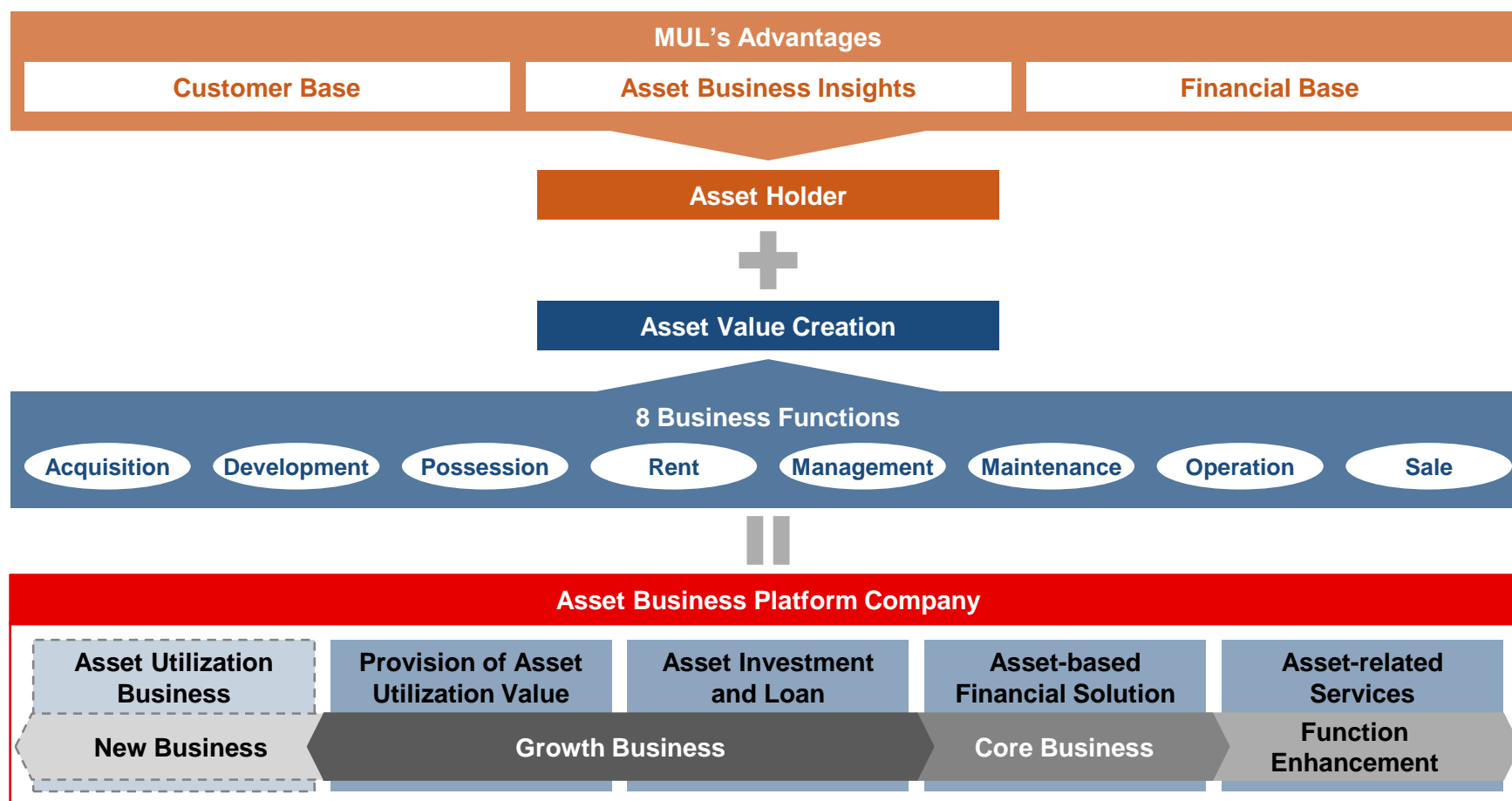
# Management Strategy (Overall View)

- The medium-term management plan (FY2020~2022) consists of the first 3 years of our medium- to long-term strategy incorporating changes in the external environment over a 10-year timeframe. We plan to periodically verify the 10-year environmental and strategic outlook ↔ 3-year medium-term management plan ↔ Individual fiscal-year plan, and implement the strategy with agility and flexibility
- As an asset-business platform company with an ability to create asset value, we are focusing our resources on domains involving solutions to social issues, including the field of global assets, social infrastructure, and renewable energy [Details on slide 12-13]
- To strengthen the “resources to raise competitiveness” necessary for realizing the management strategy and streamline the “supporting mechanism” to evolve the 10-year ↔ 3-year ↔ individual fiscal year plan [Details on slides 14]



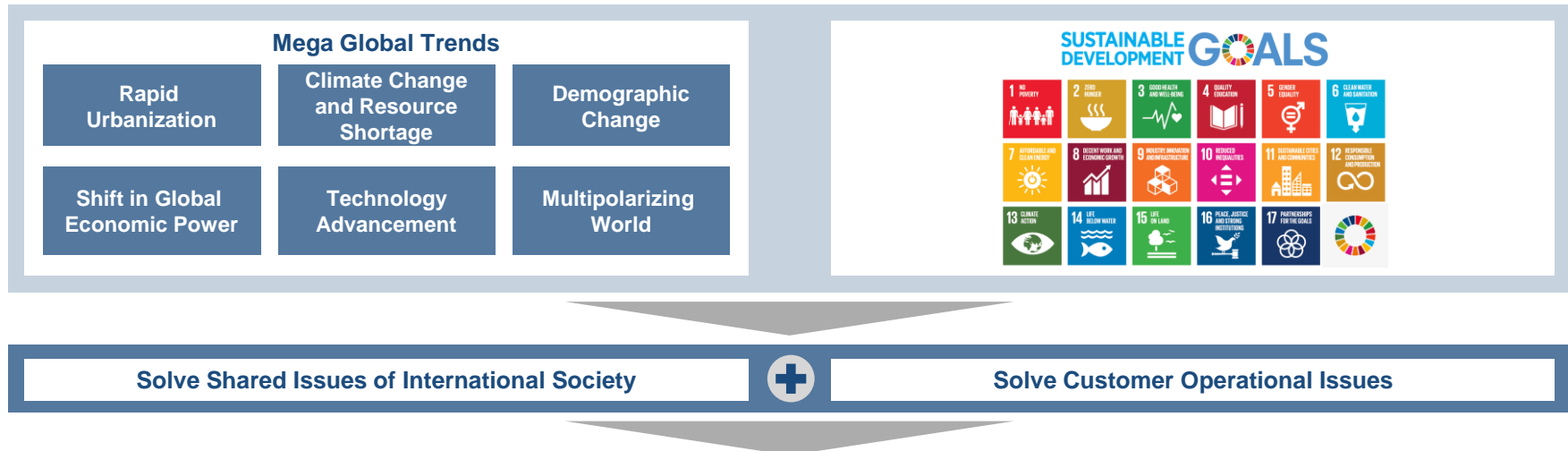
# Management Strategy (Concept of Business Model)

- Continue the promotion of “integration of finance and business” implemented under the current medium-term management plan
- Aim to create “an asset business platform company” that can monetize asset values by increasing businesses utilizing “asset value creation” based on all-MUL strengths
- Clarify an asset business platform that has a clear mechanism to “provide and deliver value” and “make money,” enhance profitability and sustainability, and sophisticate 8 business functions by utilizing our asset business insights in a bid to add value to our services by combining business functions



# Management Strategy (Focus Areas)

- Presence of global social needs such as SDGs along with mega global trends
- Contribute to the solutions of medium- and long-term societal issues by making all-MUL efforts in three business domains: “global asset” where we already have a strong position by fulfilling global demand in land, sea and air logistics, “social infrastructure” where MUL invests in existing demands of developed countries and new demands of emerging countries, and “renewable energy” which is to address resource shortage issues



### Global Assets

- 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

Automobile	Mobility Services
Marine Container	Rail Car
Aviation	Aircraft Engine

### Social Infrastructure

- 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

Logistics Facility	Hotel
Office	Medical Facility
High Speed Railway	Power Transmission

### Renewable Energy

- Place an emphasis on renewable energy, and also target energy creation, storage and conservation
- Shift from project investment and loan to joint business with strategic partners
- Promote energy solution business going forward

Solar Power	Energy Services
Biomass	Wind Power
Battery	Distributed Power

# Management Strategy (Resources to Raise Competitiveness, Supporting Mechanism)

## Resources to Raise Competitiveness

### HR Enhancement and Efficient Use

- HR enhancement  
(hiring, career development, sophistication of personnel-system)
- Efficient use of HR  
(revision of career path and job requirements)
- Group-wide HR management  
(shared HR platform and group-wide staff allocation strategy)

### Global Consolidated Management

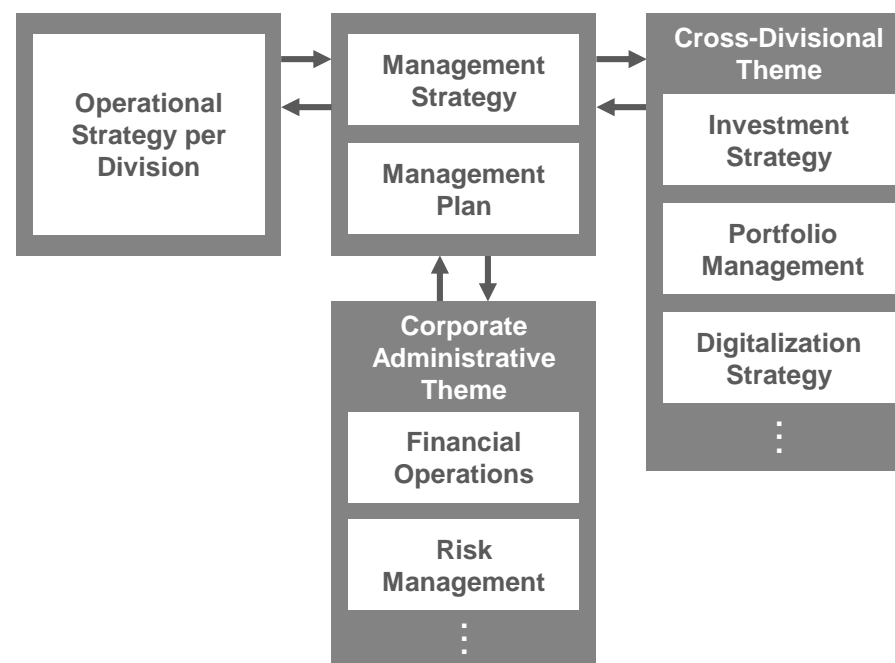
- A shared philosophy for consolidated management
  - Establish a framework where each domestic and overseas company can inject energy into business promotion aligned with the division strategy by sharing a management vision for the Group as a whole, unifying management infrastructure, and effective leveraging management resources. Maximize our performance through whole-company efforts for group synergies
- Linking corporate functions between domestic and overseas group companies

### Promotion of Collaboration with Partners

- Promotion of collaboration with various partner companies

## Supporting Mechanism

- To periodically verify 1. external environment outlook over a timeframe of 10 years and medium- to long-term strategies, 2. three-year medium-term management strategy, and 3. annual strategy for each fiscal year and to evolve strategy by implementing PDCA cycle
- We intend to establish a supporting mechanism that rotate PDCA cycle by linking (1) corporate administrative theme (financial operations and risk management) which consists of operational strategy, asset allocation / management foundation and other measures per division along with (2) cross-divisional themes such as investment strategy, portfolio management, digitalization strategy, and others



## 5. Management Plan

# Management Plan (Company Targets)

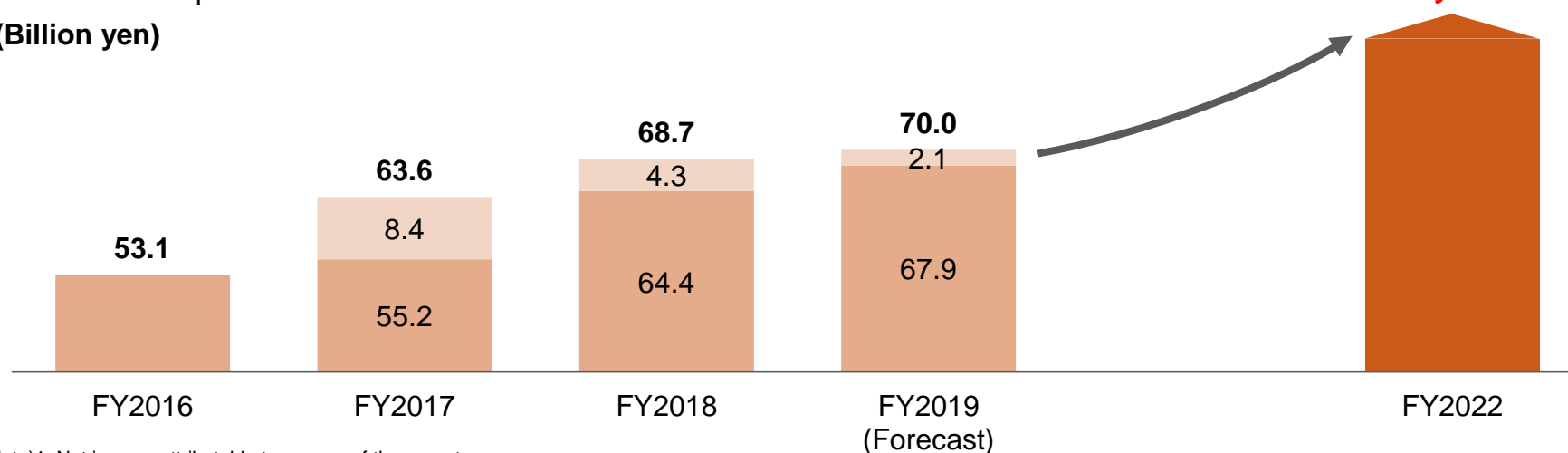
- Aim to boost returns by promoting strategic investments and asset turnover businesses, while accumulating blue-chip assets and substituting out less profitable assets
- Seek to secure a favorable balance between capital adequacy ratio and shareholders return through dividend payment and plan to maintain dividend payout ratio at 30% level based on our track record of increased dividend payment for 20 consecutive fiscal years
- Enhance corporate value and deliver sustainable growth by increasing ROE over the medium- and long-term while firmly maintaining financial soundness and paying attention to capital efficiency

	Purpose	Numerical Guidance		(Reference) FY2019 Forecast	
Quantitative Targets for Final Year of Medium-term Management Plan (FY2022)	Profit growth	Net Income <sup>1</sup>	85 billion yen or more	Net Income <sup>1</sup>	70 billion yen
	Asset efficiency	ROA	Approximately 1.3%	ROA	1.2%
	Shareholders return	Dividend Payout	Keep 30% level	Dividend Payout	31.8%
Medium- to Long-term Directionality (3-5 Years)	Capital efficiency	ROE	10~12%	ROE	9.0%

## Net Income<sup>1</sup>

■ One-time impact of U.S. Tax Reform  
(Billion yen)

85 billion yen or more



(Note)1. Net income attributable to owners of the parent



# Management Plan (Business Strategy by Division: Part 1)

## Customer Business (Domestic)

- Existing Business: Optimization of asset portfolio by gradually decreasing less profitable assets, such as loans and installment sales, and substituting with higher profitable assets of growth business area
- Growth Business Area: Accelerate collaborative businesses creating new demand with major corporate partners through enhanced concentration and selection of industry

## Customer Business (Overseas)

- Existing overseas branches: Enhance efficiencies through business digitalization, review of branch business scopes, and other measures
- Strengthen operations in the Americas by expanding ENGS Holdings Inc.'s business, entrance into emerging markets
- Emerging markets: Unearth business through collaboration with local partners

## Aviation Business Division

- Aircraft and engine lease business: Expansion of existing business via acquisition of portfolio and other measures; acquisition of large-scale sales and lease back deals through collaboration with investors
- Development and start of operations by utilizing our expertise in 1. aircraft leasing (Jackson Square Aviation), 2. aircraft engine leasing (Engine Lease Finance Corporation) and 3. Japanese Operating Lease (JOL), expanding our targeted assets, reinforcing functions of asset management operations, etc.

## Real Estate Business Division

- Finance business in Japan: Functional sophistication to improve profitability by maintaining stable earnings stream at the same time
- Real estate business in Japan: Reinforcement of such functions as investment, development, reconstruction, and asset management
- Overseas real estate business: Expansion of real estate securitization finance with a focus on the US

# Management Plan (Business Strategy by Division: Part 2)

## Logistics Business Division

- **Mobility:** Create new businesses through collaboration with partners by integrating our loan finance capability in which we have competitive advantage, customer base, and others
- **Rail Cars in North America (MUL Railcars, Inc.):** Increase number of railcars to 25,000 and aim to become one of the ten majors in the industry
- **Marine Containers (Beacon Intermodal Leasing, LLC):** Improve profitability by bolstering structure of resale business

## Environment & Energy Business Division

- **Enhancement of renewable energy business through strategic investments**
- **Buildup of alliances with strategic partners in the fields of utility and others ahead of the coming end of feed-in tariff scheme in Japan**
- **Expansion of renewable energy business in overseas markets (ASEAN, etc.)**

## Healthcare Business Division

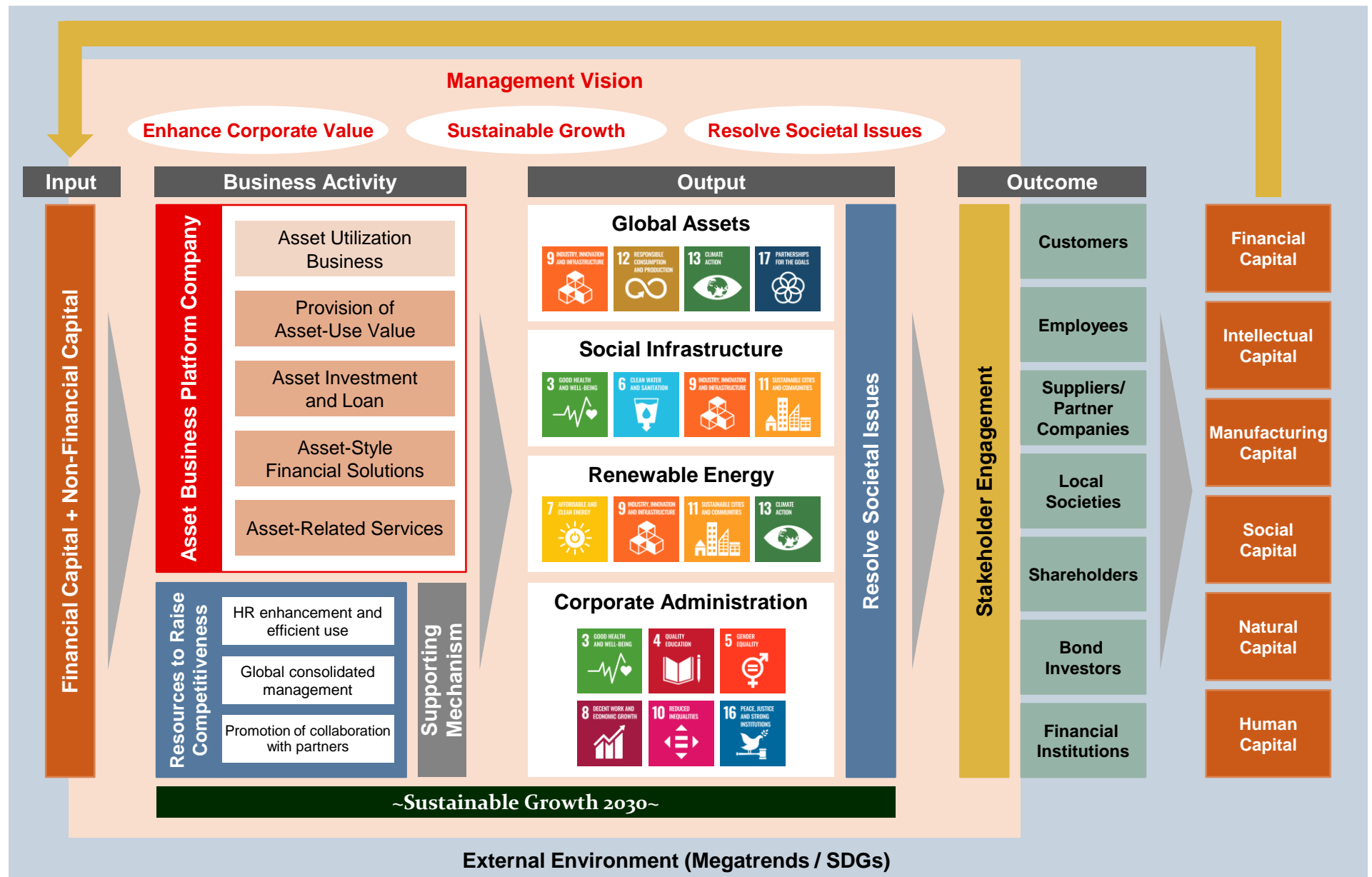
- **Field of recovery and rehabilitation:** Expansion of asset under management through the launch of a new fund by Healthcare Management Partners, entry into the advanced rehabilitation fields through cross-industrial collaboration, etc.
- **Expansion of operational area such as financing of medical equipment on the overseas market through alliances with leading partners**

## Infrastructure & Investment Business Division

- **Overseas Infrastructure:** Accumulation of high quality assets and pursuit of higher profitability through business collaboration with top companies within the business fields in focus and other measures
- **Business Investment:** Measures aimed at expanding revenue opportunities by providing loan/equity finance to companies based on their business stage

## 6. Value Creation Process

# Value Creation Process



# Inquiries

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## Inquiries

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## Corporate Communications Department

- <https://www.lf.mufg.jp/english/>



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