

TISCO TOKYO LEASING CO., LTD.

No. 99/2019
28 June 2019

FINANCIAL INSTITUTIONS

Issue Rating:

Guaranteed AAA

Outlook:

Stable

Last Review Date: 02/07/18

Issue Rating History:

| Date | Rating | Outlook/Alert |
|----------|--------|---------------|
| 02/07/18 | AAA | Stable |
| 07/08/13 | AA+ | Stable |

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RATIONALE

TRIS Rating affirms the rating on TISCO Tokyo Leasing Co., Ltd.'s (TTL) guaranteed debentures at "AAA". The debentures are fully guaranteed by TTL's parent company in Japan, Tokyo Century Corporation (Tokyo Century). The rating on the guaranteed debentures issued by TTL are based on the credit quality of the guarantor and the unconditional and irrevocable guarantee of the debentures. In 2019, Tokyo Century's rating has been upgraded to "AA-/Stable" from "A+/Positive" by Japan Credit Rating Agency, Ltd. (JCR) and its outlook has been revised to "A/Positive" from "A/Stable" by Rating and Investment Information, Inc. (R&I).

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

The rating of TTL's debentures reflects the full payment guarantee by its parent company, Tokyo Century. The guarantee agreement is governed by the laws of Japan. The guarantor unconditionally and irrevocably guarantees to promptly make payment to the debentureholders of all sums payable by TTL under the obligations of the rated debentures in the event that TTL has no ability to pay.

In addition, if there is any merger or consolidation of Tokyo Century, the successor of Tokyo Century shall assume these guaranteed obligations. In case the guarantor fails to pay the amount due after receiving notice, the debentureholders' representatives can commence legal action against the guarantor in court in Japan for the amount in default. The guarantee cannot be amended or terminated without at least 75% of all the votes of the debentureholders.

Steady improvements in profitability

Net income of Tokyo Century improves steadily. Net income increased to 52 billion yen in fiscal year 2018 (FY2018 (April 2018-March 2019)), from 34 billion yen in FY2014, a compound annual growth rate (CAGR) of 11.2%. Return on average total assets has been improving during the past four years as well, rising to 1.3% in FY2018 from 1.1% in FY2014.

Less leverage

Tokyo Century's leverage measured by debt to net assets ratio continues to decline. The ratio fell to 5.8 times at the end of FY2018 from 6.2 times at the end of FY2017. The decline was due to continuous profit accumulation, which helped to strengthen retained earnings and hence improving leverage.

Adequate liquidity

Tokyo Century receives financial support from a number of banks, especially its major shareholder and main bank, Mizuho Bank. This financial support mitigates any impact of a mismatch in the maturities of assets and liabilities.

Support from Tokyo Century and TISCO will continue

TTL is a joint venture between Tokyo Century and TISCO Financial Group PLC (TISCO). As a result, TTL receives business support and financial support from the two partners, as illustrated by the guarantee provided by Tokyo Century for TTL's debentures. Tokyo Century and TISCO also provide operational and risk management knowhow as well as advice about new products. TRIS Rating expects the support and commitments from Tokyo Century and TISCO will

continue in the foreseeable future. For Tokyo Century, TTL is a strategic subsidiary that complements its overseas expansion efforts, especially in Asia. For TISCO, TTL provides a niche service for the bank's corporate clients.

BASECASE ASSUMPTIONS

- Tokyo Century's credit rating by JCR is not downgraded by more than one notch.
- There is no change to the unconditional and irrevocable guarantee by Tokyo Century on TTL's debentures.

RATING OUTLOOK

The "stable" outlook for TTL's guaranteed debentures reflects the creditworthiness of its guarantor, Tokyo Century, which has received international ratings of "AA-" with a "stable" outlook from JCR and "A" with a "positive" outlook from R&I. The outlook also reflects Tokyo Century's improving business and financial performance and its ability to sustain its market position and financial position in the medium term.

RATING SENSITIVITIES

The upgrade of TTL's guaranteed debentures is limited whereas the rating and/or outlook could be revised downward should there be significant change in Tokyo Century's creditworthiness.

COMPANY OVERVIEW

On 1 April 2009, Tokyo Century was established through a merger between Century Leasing System, Inc. and Tokyo Leasing Co., Ltd. Its major shareholders are Mizuho Group (holding about a 35% stake in total) and ITOCHU Corporation (25%).

The rating of Tokyo Century, the guarantor, is supported by its business profile in Japan, because Tokyo Century is one of the leading firms in the Japanese leasing industry. Tokyo Century has diversified geographically by expanding into several markets overseas.

Tokyo Century has diverse lines of business. It has been able to grow steadily and improve its business and financial profile starting in FY2010. Total consolidated assets increased from 2.2 trillion yen in FY2010 to 4.1 trillion yen in FY2018, a CAGR of 8.1%

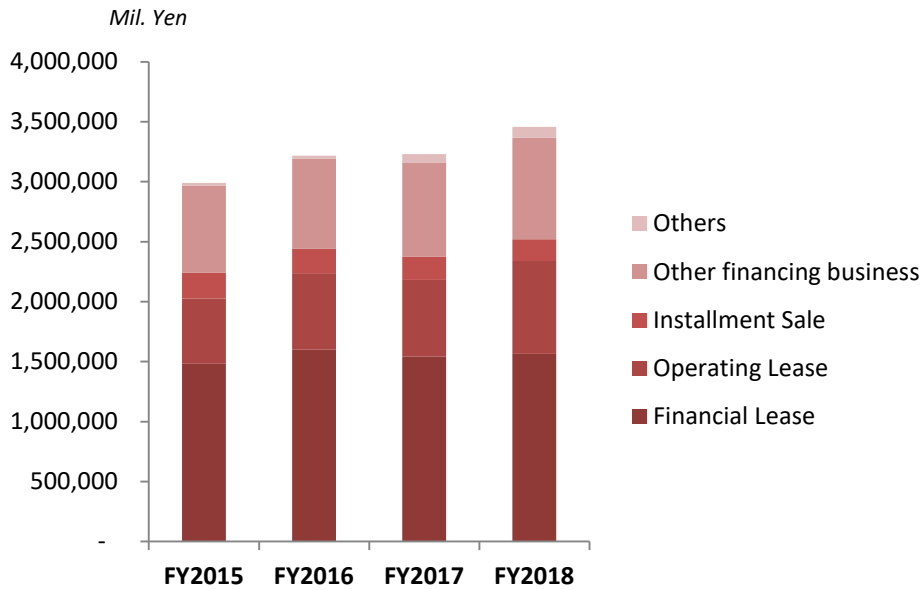
At the end of March 2019, the operating assets by segment were 2,519 billion yen for the leasing and installment sales segment (73% of total assets), 847 billion yen for the financing segment (24%), and 89 billion yen for other businesses (3%).

Tokyo Century has enhanced its competitive position in the leasing segment, bolstered the financing segment, and expanded overseas. The company has expanded in the automobile leasing segment in Japan and overseas. The value of the segment assets outside Japan has enlarged steadily, growing to 485 billion yen at the end of FY2018, or 13.4% of consolidated segment assets.

TTL was established in 1993. TTL has a long track record as a machinery and equipment leasing company. TTL also has a long history of cooperation in Thailand with TISCO. At present, TTL is a joint venture between TISCO and Tokyo Century. These two companies each own 49% of TTL. Sompote Brokers (Thailand) Co., Ltd. (SBT) holds the remaining 2%.

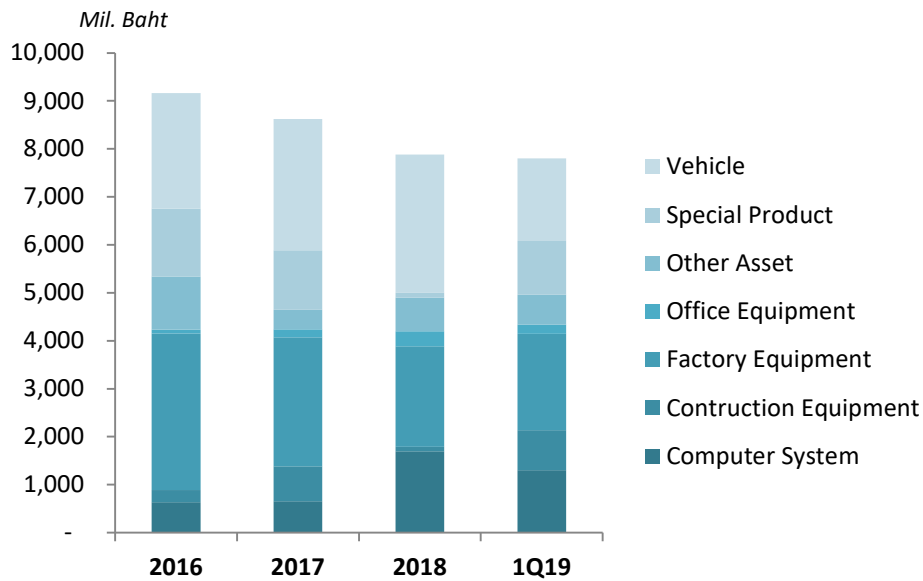
KEY OPERATING PERFORMANCE

Chart 1: Tokyo Century's Outstanding Operating Assets by Segment



Source: Tokyo Century

Chart 2: TTL's Outstanding Portfolio by Asset



Source: TTL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Billion yen

| | Year Ended 31 March | | | | |
|---|---------------------|------------------|------------------|------------------|------------------|
| | 2019 (FY2018) | 2018 (FY2017) | 2017 (FY2016) | 2016 (FY2015) | 2015 (FY2014) |
| Operating assets | 3,457 | 3,231 | 3,216 | 2,991 | 2,866 |
| Total assets | 4,086 | 3,759 | 3,580 | 3,318 | 3,152 |
| Short-term borrowings | 1,955 | 1,748 | 1,704 | 1,607 | 1,663 |
| Long-term borrowings | 1,098 | 1,076 | 1,046 | 963 | 775 |
| Total debt | 3,053 | 2,824 | 2,750 | 2,570 | 2,438 |
| Net assets | 524 | 456 | 405 | 375 | 337 |
| Total revenues | 1,067 | 1,012 | 976 | 940 | 883 |
| Total costs | 885 | 849 | 823 | 804 | 759 |
| Selling, general, and administrative expenses | 104 | 89 | 81 | 71 | 65 |
| Operating income | 78 | 74 | 72 | 66 | 58 |
| Income before income taxes and minority interests | 86 | 79 | 74 | 68 | 60 |
| Net income | 52 | 51 | 44 | 40 | 34 |
| Return on average total assets (%) | 1.33 | 1.40 | 1.27 | 1.24 | 1.13 |
| Return on average net assets (%) | 10.66 | 11.92 | 11.20 | 11.25 | 10.97 |
| Net assets/total assets (%) | 12.83 | 12.13 | 11.31 | 11.30 | 10.68 |
| Debt to net assets (time) | 5.82 | 6.19 | 6.79 | 6.85 | 7.25 |

* Consolidated financial statement

RELATED CRITERIA

- Nonbank Lending Company, 7 May 2018

TISCO Tokyo Leasing Co., Ltd. (TTL)

Issue Rating:

TTL207A: Bt1,500 million guaranteed debentures due 2020

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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