

TISCO TOKYO LEASING CO., LTD.

No. 90/2018
2 July 2018

FINANCIAL INSTITUTIONS

Issue Ratings:

Guaranteed AAA

Outlook: Stable

Company Rating History:

Date	Rating	Outlook/Alert
07/08/13	AA+	Stable

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RATIONALE

TRIS Rating upgrades the ratings of TISCO Tokyo Leasing Co., Ltd.'s (TTL) guaranteed debentures to "AAA" from "AA+". The debentures are fully guaranteed by TTL's parent company in Japan, Tokyo Century Corporation (Tokyo Century). The ratings of the guaranteed debentures issued by TTL are based on the credit quality of the guarantor and the unconditional and irrevocable guarantee of the debentures. The rating upgrade reflects Tokyo Century's consistent improvements in profitability and leverage. Tokyo Century is rated "A+/Positive" by Japan Credit Rating Agency, Ltd. (JCR) and "A/Stable" by Rating and Investment Information, Inc. (R&I).

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

The ratings of TTL's debentures reflect 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

Tokyo Century's net income has risen steadily over the past three years. Ordinary income rose and the company benefited from income tax reduction after the United States of America enacted a tax reform law. Net income increased to 51 billion yen in fiscal year 2017 (FY2017 (April 2017-March 2018)), from 34 billion yen in FY2014, a compound annual growth rate (CAGR) of 14.6%. Return on average total assets has been improving during the past three years as well, rising to 1.40% in FY2017 from 1.13% in FY2014.

Less leverage

The debt to net assets ratio has been declining since 2009. The ratio fell to 6.19 times at the end of FY2017, from 11.24 times at the end of FY2009. The drop was due to rising profits, which bolstered retained earnings.

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. The company relies more on short-term borrowings but its assets are mostly long-term.

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. For example, Tokyo Century guarantees 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.

RATING OUTLOOK

The "stable" outlook for TTL's guaranteed debentures reflects the creditworthiness of its guarantor, Tokyo Century, which has received international ratings of "A+" with a "positive" outlook from JCR and "A" with a "stable" 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 ratings and/or outlook for TTL's guaranteed debentures could be revised upward or downward should there be any 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 3.8 trillion yen in FY2017, a CAGR of 8.1%

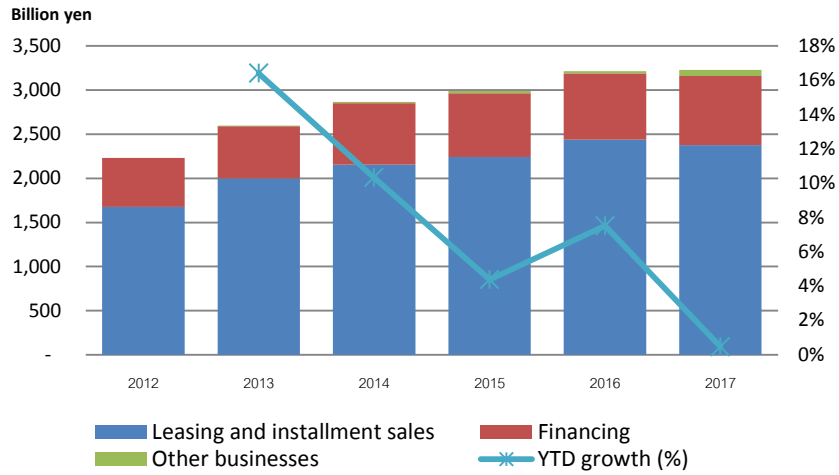
At the end of March 2018, the operating assets by segment were 2,377 billion yen for the leasing and installment sales segment (63.2% of total assets), 785 billion yen for the financing segment (20.9%), and 69 billion yen for other businesses (1.8%).

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 operating assets outside Japan has enlarged steadily, growing to 436 billion yen at the end of FY2017, or 13.1% of consolidated operating 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%.

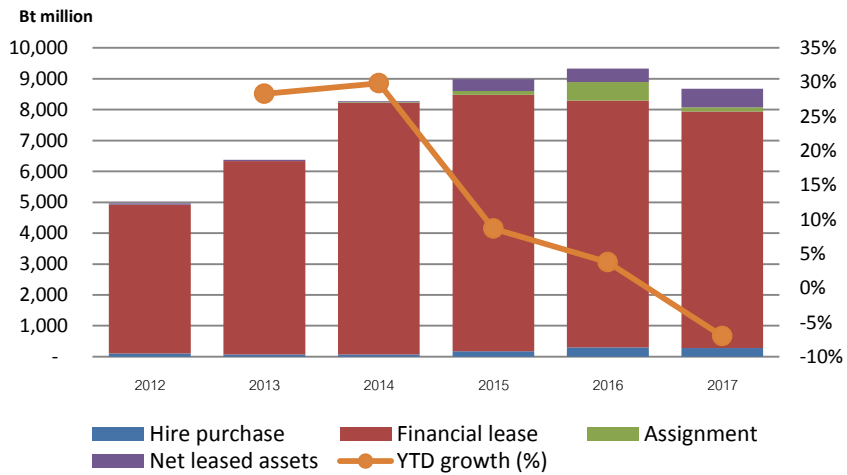
KEY OPERATING PERFORMANCE

Chart 1: Tokyo Century's Operating Assets by Segments



Source: Financial statements of TC-Lease

Chart 2: TTL's Outstanding Loan Portfolio



Source: TTL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Billion yen

	Year Ended 31 March				
	2018	2017	2016	2015	2014
Operating assets	3,231	3,216	2,991	2,866	2,597
Total assets	3,759	3,580	3,318	3,152	2,885
Short-term borrowings	1,748	1,704	1,607	1,663	1,578
Long-term borrowings	1,076	1,046	963	775	650
Total debt	2,824	2,750	2,570	2,438	2,228
Net assets	456	405	375	337	285
Total revenues	1,012	976	940	883	829
Total costs	849	823	804	759	731
Selling, general, and administrative expenses	89	81	71	65	46
Operating income	74	72	66	58	51
Income before income taxes and minority interests	79	74	68	60	55
Net income	51	44	40	34	33
Return on average total assets (%)	1.40	1.27	1.24	1.13	1.24
Return on average net assets (%)	11.92	11.20	11.25	10.97	12.73
Net assets/total assets (%)	12.13	11.31	11.30	10.68	9.90
Debt to net assets (time)	6.19	6.79	6.85	7.25	7.81

* Consolidated financial statements

TISCO Tokyo Leasing Co., Ltd. (TTL)
Issue Ratings:

TTL193A: Bt1,000 million guaranteed debentures due 2019	AAA
TTL207A: Bt1,500 million guaranteed debentures due 2020	AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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