

TISCO TOKYO LEASING CO., LTD.

No. 64/2017

15 June 2017

Issue Ratings:

Guaranteed AA+

Outlook: Stable

Rating History:

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

Rationale

TRIS Rating affirms the ratings of TISCO Tokyo Leasing Co., Ltd.'s (TTL) guaranteed debentures at "AA+". At the same time, TRIS Rating assigns the rating of "AA+" to TTL's proposed issue of up to Bt2,000 million in guaranteed debentures. The debentures are fully guaranteed by TTL's parent company in Japan, Tokyo Century Corporation (Tokyo Century), formerly known as Century Tokyo Leasing Corporation (TC-Lease). Tokyo Century is rated "A+" and "A" by Japan Credit Rating Agency, Ltd. (JCR) and Rating and Investment Information, Inc. (R&I), respectively. 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.

Under the guarantee agreement, which 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.

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. At the end of March 2017, Tokyo Century's assets totalled 3.6 trillion yen. The balances of operating assets by segment are as follow: 2,439 billion yen for the leasing and installment sales segment (68.1% of total assets), 750 billion yen for the financing segment (20.9%), and 27 billion yen for other businesses (0.7%).

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

Tokyo Century has diverse lines of business. It has been able to grow steadily and improve its business and financial profile starting in fiscal year 2010 (FY2010 -- April 2010-March 2011) and continuing through the end of FY2016. Total consolidated assets increased from 2.2 trillion yen in FY2010 to 3.6 trillion yen in FY2016, a compound annual growth rate (CAGR) of 8.6%. Net income also rose, continuously rising from 24 billion yen in FY2010 to 44 billion yen in FY2016. At the end of FY2016, Tokyo Century's total consolidated assets grew by 7.9% and net income rose by 9.0% from the end of FY2015.

Although Tokyo Century's debt to net assets ratio has been declining since 2009, the company has a relatively high level of leverage compared with its peers. At the same time, Tokyo Century has some mismatch in the short-term maturities of assets and liabilities. However, Tokyo Century mitigates liquidity risk through careful asset and liability management. Tokyo Century also receives financial support from a number of banks, especially its major shareholder and main bank, Mizuho Bank.

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Tokyo Century has enhanced its competitiveness in the leasing segment, bolstered the financing segment, and expanded overseas. The company has expanded in the automobile leasing segment in Japan and overseas. As of FY2014, the operating assets of Tokyo Century's international business amounted to about 248 billion yen, accounting for about 8.6% of Tokyo Century's consolidated operating assets. The value of the company's international operating assets has enlarged steadily, growing to 253 billion yen at the end of FY2015, or 8.4% of consolidated operating assets, and 423 billion yen at the end of FY2016, or 13.2% 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 Financial Group PLC (TISCO). At present, TTL is a joint venture between TISCO and Tokyo Century, as these two companies each own 49% of TTL. Sompo Brokers (Thailand) Co., Ltd. (SBT) holds the remaining 2%.

TTL renders machinery and equipment hire purchase and leasing services. TTL's loan portfolio grew by 3.5% to Bt8,899 million in 2016 from Bt8,602 million in 2015. Tokyo Century and TISCO have each shown their strong commitment to TTL by providing business and financial support under the joint venture agreement. Tokyo Century and TISCO provide know-how covering operating and risk management practices, as well as product innovation. The debt guarantee, including a guarantee for the debentures, is one aspect of the financial support TTL receives as a strategic subsidiary of Tokyo Century. The strong support TTL receives from its parent companies is expected to continue for the foreseeable future. This support matches Tokyo Century's focus on its overseas expansion efforts, especially in Asia, and the support aligns TTL with TISCO's strategy to serve its corporate client base.

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 "stable" 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. 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.

TISCO Tokyo Leasing Co., Ltd. (TTL)

Issue Ratings:

| | |
|--|-----|
| TTL179A: Bt650 million guaranteed debentures due 2017 | AA+ |
| TTL183A: Bt1,000 million guaranteed debentures due 2018 | AA+ |
| TTL193A: Bt1,000 million guaranteed debentures due 2019 | AA+ |
| Up to Bt2,000 million guaranteed debentures due within 3 years | AA+ |

Rating Outlook: Stable

Financial Statistics and Key Financial Ratios*
Tokyo Century Corporation (Tokyo Century)

Unit: Billion yen

| | ----- Fiscal Year Ended 31 March ----- | | | | |
|---|--|-------|-------|-------|-------|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Operating assets** | 3,216 | 2,991 | 2,866 | 2,598 | 2,231 |
| Total assets | 3,580 | 3,318 | 3,152 | 2,885 | 2,466 |
| Short-term borrowings*** | 1,704 | 1,607 | 1,663 | 1,578 | 1,364 |
| Long-term borrowings*** | 1,046 | 963 | 775 | 650 | 591 |
| Total debt*** | 2,750 | 2,570 | 2,438 | 2,228 | 1,955 |
| Net assets | 405 | 375 | 337 | 285 | 234 |
| Total revenues | 976 | 940 | 883 | 829 | 691 |
| Total costs | 823 | 804 | 759 | 731 | 620 |
| Selling, general, and administrative expenses | 81 | 71 | 65 | 46 | 29 |
| Operating income | 72 | 66 | 58 | 51 | 42 |
| Income before income taxes and minority interests | 74 | 68 | 60 | 55 | 46 |
| Net income**** | 44 | 40 | 34 | 33 | 29 |
| Return on average total assets (%) | 1.27 | 1.24 | 1.13 | 1.24 | 1.22 |
| Return on average net assets (%) | 11.20 | 11.25 | 10.97 | 12.73 | 13.30 |
| Net assets/total assets (%) | 11.31 | 11.30 | 10.68 | 9.90 | 9.48 |
| Debt to net assets (time) | 6.79 | 6.85 | 7.25 | 7.81 | 8.37 |

* Consolidated financial statements

** Business guarantees are deducted from the balance of operating assets

*** Short-term borrowings, long-term borrowings and total debt include lease obligations

**** Net income attributable to owners of parent

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