

BANGKOK MITSUBISHI UFJ LEASE CO., LTD.

No. 85/2021
4 June 2021

FINANCIAL INSTITUTIONS

Issue Rating:
Guaranteed AAA

Outlook: Stable

Last Review Date: 22/06/20

Issue Rating History:

Date	Rating	Outlook/Alert
13/07/18	AAA	Stable

Contacts:

Sithakarn Tongphiphat, CFA, FRM

sithakarn@trisrating.com

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Taweechok Jiamsakunthum

taweechok@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the “AAA” rating with a “stable” outlook on the guaranteed debentures issued by Bangkok Mitsubishi UFJ Lease Co., Ltd. (BMUL). The debentures are fully guaranteed by BMUL’s parent company in Japan, Mitsubishi Hitachi Capital Inc. (MHCC) (rated “A-/Stable” by S&P Global Ratings). The rating on the guaranteed debentures is based on the credit quality of the guarantor, MHCC. The guarantee is unconditional and irrevocable.

KEY RATING CONSIDERATIONS

Unconditional and irrevocable guarantee

Under the terms of the guarantee agreement, which is governed by the laws of Japan, the guarantor unconditionally and irrevocably guarantees to pay promptly to the debentureholders all sums payable by BMUL under the obligations of the rated debentures in the event that BMUL has no ability to pay.

In addition, if there is any merger or consolidation of MHCC, the successor of MHCC shall assume these guaranteed obligations. In the event that the guarantor fails to pay the amount due after receiving notice, the debentureholders’ representatives can commence legal action against the guarantor in a court in Japan for the amount in default. The guarantee cannot be amended or terminated without the unanimous consent of the debentureholders.

MUFG and MC will continue to support MHCC

We expect Mitsubishi UFJ Financial Group Inc. (MUFG) and Mitsubishi Corporation (MC) will continue to support MHCC’s business as we view that MHCC is a strategically important subsidiary of MUFG. MHCC is an affiliate of MUFG Group, which holds a 14.2% stake in MHCC, while MC holds a 17.7% stake.

MHCC’s solid and expanding customer base is a result of business referrals from MUFG and MC. The expertise and customer franchise of MUFG and MC have helped MHCC expand its finance and leasing businesses domestically and internationally and across various industries, including logistics, real estate, aviation, environment and energy, healthcare, and infrastructure.

One of the largest global leasing operators following the merger

On 1 April 2021, Mitsubishi UFJ Lease and Finance Co., Ltd. (MUL) and Hitachi Capital Inc. (HC) merged to form MHCC as the new entity. The operating assets of the combined entity stood at JPY 8.3 trillion¹ while total assets were approximately JPY10 trillion¹. In the fiscal year (FY) 2020, ending March 2021, MHCC reported combined net income of JPY87.3 billion¹.

In the past year, the impacts of the Coronavirus Disease 2019 (COVID-19) pandemic have affected the operating performance of both MUL and HC. Both entities saw a material drop in new business volume in FY 2020. The aviation business segment of MUL was most impacted, with a decrease in lease revenue and an increase in credit cost, which contributed to a 21.8% drop in net income. HC, on the other hand, reported net income growth of 4.3%, driven by steady performance in the environment and energy segment

¹ Simple sum of MUL’s and HC’s result, which use different accounting standards.

in Japan.

Strong liquidity profile

MHCC's strong liquidity profile is underpinned by its good relationships with financial institutions including the MUFG Group. MHCC also has accesses to diversified funding, in the forms of bonds, commercial papers (CPs), securitization, and borrowings. Foreign currency-denominated borrowings remain moderate, constituting 40% of its total borrowings at the end of March 2021. Despite MHCC's high reliance on wholesale funding and short-term funding, which we view as having higher funding risk, its status as a strategically important subsidiary of the MUFG Group helps mitigate the funding risk, in our view.

BASE-CASE ASSUMPTIONS

- The credit rating on MHCC assigned by S&P Global Ratings will remain unchanged.
- The unconditional and irrevocable guarantee undertaken by MHCC on BMUL's debentures will remain intact.

RATING OUTLOOK

The "stable" outlook of the issue rating on BMUL's guaranteed debentures reflects the creditworthiness of the guarantor, MHCC, a strategically important affiliate of the MUFG Group. MHCC has an "A-" rating with a "stable" outlook from S&P Global Ratings.

RATING SENSITIVITIES

The rating and/or outlook on BMUL's guaranteed debentures could be revised downward should there be any deterioration in MHCC's creditworthiness.

COMPANY OVERVIEW

MHCC was established in 1971 as Diamond Lease Co., Ltd. After a merger with UFJ Central Leasing Co., Ltd. in April 2007, the company was renamed Mitsubishi UFJ Lease & Finance Co., Ltd. (MUL). On 1st April 2021, MUL merged with HC to form MHCC. As of 31 March 2021, MUFG and its affiliated banks, including MUFG Bank and Mitsubishi UFJ Trust and Banking Corp., owned a combined 14.2% stake in MHCC while MC and HC owned 17.7% and 13.57% stakes, respectively.

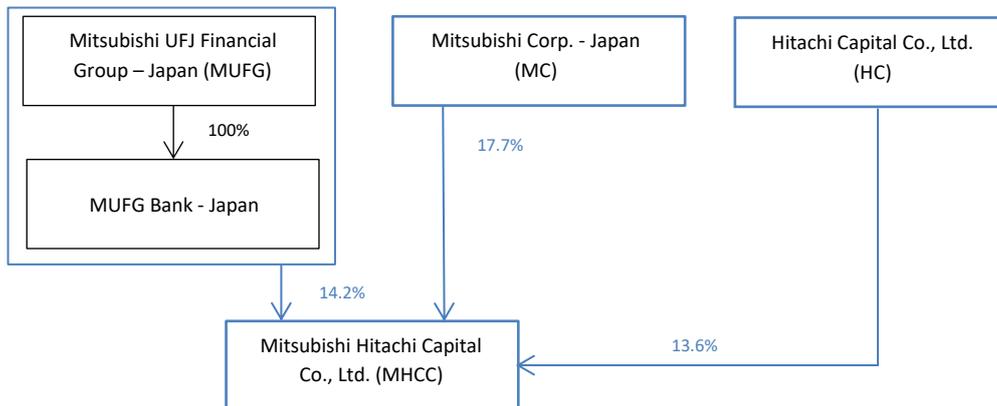
MHCC sees Thailand as a growing market. BMUL, a subsidiary, is perceived as the means to capture new opportunities in Thailand. BMUL has a long track record as a machinery and equipment leasing company in Thailand. BMUL was established in 1991 through a cooperative effort with Bangkok Bank PLC (BBL) in Thailand. BMUL has two major business segments: machinery and equipment leasing, and automobile maintenance leasing. BMUL's major shareholder is MHCC. MHCC owns 44% of BMUL while BBL and its affiliated companies together hold 34%.

MHCC provides extensive business and financial support to BMUL. For example, MHCC provides operating procedures and risk management practices, plus new innovative products. Debt guarantees, such as the guarantee on the debentures, are one example of the kind of financial support BMUL receives as MHCC's strategic subsidiary.

The strong support BMUL receives from its parent company is expected to continue in the foreseeable future. This support is consistent with MHCC's emphasis on new overseas opportunities.

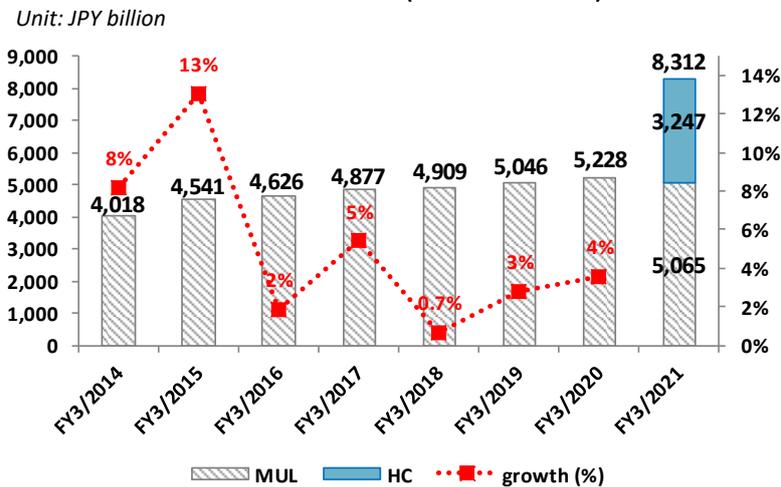
KEY OPERATING PERFORMANCE

Chart 1: Shareholding of MHCC as of 19 May 2021



Source: MHCC

Chart 2: Operating Assets of Consolidated Overseas Subsidiaries (As of 31 Mar 2021)



Source: MHCC

Table 1: Shareholders of BMUL

Shareholders	Number of Shares	%
Japanese shareholders	294,000	49.0
- MUL	264,000	44.0
- MUFG Bank Ltd.	30,000	5.0
Thai shareholders	306,000	51.0
- Bangkok Bank PLC and affiliates	204,000	34.0
- Bangkok Bank PLC	60,000	10.0
- The Sophonpanich Co., Ltd.	60,000	10.0
- Bangkok Insurance PLC	60,000	10.0
- Jatubhut Holding Co., Ltd.	24,000	4.0
- Others	102,000	17.0
- Bangkok BTMU Ltd.	60,000	10.0
- Toyota Tsusho (Thailand) Co., Ltd.	36,000	6.0
- Bangkok Chayoratr Co., Ltd.	6,000	1.0
Total	1,000,000	100.0

Source: BMUL

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Mitsubishi UFJ Lease & Finance Co., Ltd. (MUL)²

Unit: JPY billion

	Fiscal Year Ended 31 March				
	2021	2020	2019	2018	2017
Operating assets	5,064	5,228	5,046	4,909	4,877
Total assets	6,010	6,286	5,791	5,553	5,389
Total debt	4,635	4,930	4,440	4,252	4,142
Shareholders' equity	821	799	779	731	686
Total revenues	894	924	864	870	839
Selling general and administrative expenses	98	90	78	77	71
Provision for doubtful receivables	15	8	3	5	4
Net income	55	71	69	64	53
Return on average assets ratio (ROAA) (%)	0.9	1.2	1.2	1.2	1.0
Return on average equity (ROAE)** (%)	7.0	9.2	9.4	9.3	8.4
Shareholders' equity ratio** (%)	13.4	12.4	13.0	12.7	12.2
Total debt/total equity*** (time)	6.3	6.9	6.4	6.6	6.9

* Consolidated financial statements

** Net minority interest for equity, Japan GAAP base

*** Total debt/total equity = Total liabilities/total equity

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Nonbank Financial Institution Methodology, 17 February 2020

² MHCC was merged on 1st April 2021, thus its consolidated financial statement will be available in the next quarter onwards.

Bangkok Mitsubishi UFJ Lease Co., Ltd. (BMUL)

Issue Rating:

BMUL218A: THB1,000 million guaranteed debentures due 2021

AAA

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 02-098-3000

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