

Nov 08, 2021

R&I Affirms A-/a-1, Stable: Mitsubishi Auto Leasing Corp.

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Mitsubishi Auto Leasing Corp.

Issuer Rating: A-, Affirmed

Rating Outlook: Stable

Commercial Paper: a-1, Affirmed

RATIONALE:

Mitsubishi Auto Leasing Corp. (MAL) is an auto leasing company owned 50% each by Mitsubishi HC Capital Inc. and Mitsubishi Corp. The rating is based on the evaluation of MAL's own earnings and financial bases, and reflects the creditworthiness of the two shareholders to a certain extent. The approximately 260,000 cars that MAL owned and managed as of end-March 2021 gave it the fourth-largest fleet in the industry. Its customer base is stable, with Mitsubishi Group companies and borrowers from MUFG Bank, Ltd. acting as its main customers. Its strength lies in leasing and installment sales of large automobiles especially to the transportation industry.

MAL has a relatively robust earning capacity among leasing companies, as the company has a number of highly profitable maintenance lease contracts and secures gains on sales of cars whose leases expired. Thanks to thorough business operation that focuses on profitability, the company's return on operating assets is at a sound level. Its ability to absorb costs with basic profits matches the rating.

Due to low risk exposure, the company has risk resilience adequate for the rating. Credit management, such as its provisioning policy, is considered appropriate. Since the company's main customers are small and medium sized enterprises, their bankruptcy risk could increase amid an economic slowdown. Due to the COVID-19 pandemic, the secondhand car market for buses remains weak and the recovery rate is under downward pressure. If it takes time for the pandemic to settle down, the company's asset quality may deteriorate. Nevertheless, deterioration of the asset quality far beyond R&I's expectation is unlikely.

The automotive industry is experiencing technology innovation called the CASE (connectivity, autonomy, shared mobility, and electrification) technologies. Along with this, the way of business could change also in the automobile leasing industry. For MAL, the key is cooperating with the shareholder groups as well as implementing its own initiatives. Eyes are on whether the company will be able to enhance its customer base by catching the waves of change appropriately. Mitsubishi HC Capital Auto Lease Corp. (the former Hitachi Capital Auto Lease Corp.) became a wholly-owned subsidiary of Mitsubishi HC Capital in April and therefore, two auto leasing companies currently coexist in the group. R&I will look at any move toward integration or reorganization in the future, and positioning of the auto leasing business in the group.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings", "Shared Rating Approach for Financial Institutions, etc.", "Leasing" and "R&I's Analytical Approach to Parent and Subsidiary Companies". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Division (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>

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R&I RATINGS:

ISSUER: Mitsubishi Auto Leasing Corp.
Issuer Rating
RATING: A-, Affirmed
RATING OUTLOOK: Stable

Unsec. Str. Bonds No.6	Issue Date	Maturity Date	Issue Amount (mn)
	Mar 19, 2019	Mar 19, 2024	JPY 3,000

RATING: A-, Affirmed

Unsec. Str. Bonds No.7	Issue Date	Maturity Date	Issue Amount (mn)
	Feb 07, 2020	Feb 07, 2025	JPY 3,000

RATING: A-, Affirmed

Unsec. Str. Bonds No.8	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 05, 2020	Nov 05, 2025	JPY 3,000

RATING: A-, Affirmed

Unsec. Str. Bonds No.9	Issue Date	Maturity Date	Issue Amount (mn)
	Nov 08, 2021	Nov 06, 2026	JPY 3,000

RATING: A-, Affirmed

Commercial Paper

ISSUE LIMIT (mn): JPY 120,000

SUPPORT: Unsecured

RATING: a-1, Affirmed