

EASY BUY PLC

No. 64/2014

29 December 2014

Company Rating:	A-
Issue Ratings:	
Guaranteed	A
Senior unsecured	A-
Outlook:	Stable

Company Rating History:

Date	Rating	Outlook
07/11/12	BBB+	Stable
12/09/11	BBB	Positive
15/07/10	BBB	Stable
28/05/09	BBB	Negative
26/06/07	BBB	Stable
12/07/04	BBB+	Stable
05/11/02	BBB+	-

Issue Rating History:

Date	Rating	Outlook
15/03/12	BBB+	Stable
12/09/11	BBB+	Negative
31/03/11	BBB+	Alert Negative
19/01/11	A	Negative
03/06/10	A+	Negative
04/11/09	AA-	Negative
16/06/09	AA	Negative
28/05/09	AA	Alert Negative
05/11/02	AA	-

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Rating Rationale

TRIS Rating upgrades the company rating and the senior unsecured debenture ratings of EASY BUY PLC to "A-" from "BBB+", and also upgrades the ratings of EASY BUY's guaranteed debentures to "A" from "BBB+". The rating upgrades reflect stronger credit profile of both EASY BUY and ACOM Co., Ltd. ACOM is EASY BUY's parent company and the guarantor for EASY BUY's guaranteed debentures. On 12 December 2014, ACOM's rating was upgraded to "BBB-" from "BB+" with a "stable" outlook by Standard & Poor's, after applying revised criteria for nonbank financial institutions (NBFI) on the Japan-based finance company.

EASY Buy's ratings are stronger, supported by continual strengthening of its capital base, financial profile, and asset quality from 2008 through the first nine months of 2014. The ratings reflect EASY BUY's experienced management and ability to sustain strong market position with good asset quality control amid intensifying competition in the non-bank consumer finance industry in Thailand. However, the company rating has been constrained by credit profile of its parent company, ACOM Co., Ltd., a Japanese consumer finance company.

The guaranteed issue ratings reflect the credit profile of EASY BUY's parent company, the guarantor of the debentures. The guarantee agreement is governed by Japanese law. Under the terms of the agreement, the guarantor irrevocably and unconditionally guarantees to make prompt full payments of the obligations of the rated debentures. If there is any merger or consolidation of ACOM, the successor of ACOM shall assume the guarantee obligations. If the guarantor fails to pay the amount due after receiving a notice, the debenture holders' representative can commence legal action against the guarantor in commercial court, in Japan, for the defaulted amount. The obligations of the guarantor under this guarantee agreement rank equally with other unsecured and unsubordinated debts of the guarantor.

ACOM's financial profile has recovered since fiscal year (FY) 2012 (April 2011-March 2012) from a huge net loss of 203 billion yen in FY2011. Despite a decline in the size of its loan portfolio and lower interest yields, ACOM's consolidated net income was 21 billion yen in FY2012 and FY2013. For FY2014, ending March 2014, ACOM reported a net income totaling 11 billion yen, down by 49% from FY2013. The decrease in net income was due to higher provision for doubtful accounts and for loss on interest repayment. However, net income gradually improved to 28 billion yen for first half of FY2015. The company has diversified into making loan guarantees by forming an alliance with several commercial banks in Japan. The revenue contribution from the loan guarantee segment increased from less than 5% of consolidated revenue in FY2010 to 18% for first half of FY2015.

As of September 2014, EASY BUY's loan receivables were 105 billion yen, making up 11.3% of ACOM's consolidated receivables. EASY BUY is ACOM's first overseas subsidiary in Southeast Asia and figures significantly in ACOM's strategy to be a major regional consumer finance company. ACOM has shown a strong commitment to EASY BUY by providing financial and business support and passing along technology and business practice know-how.

Over 18 years of experience in the non-bank consumer finance industry means EASY BUY has a notable track record and good brand recognition. The ongoing financial and business support received from its parent company will enhance EASY BUY's future market position and support its growth plans. By providing small loans to a large number of customers, EASY BUY can diversify its

CreditUpdate reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The *CreditUpdate* occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The *CreditUpdate* announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

CreditUpdates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

risks. However, the company is exposed to credit risk as the credit profiles of its customers are generally riskier than the credit profiles of the retail customers of commercial banks. In addition, the company is also exposed to regulatory risk as regulators strive to protect consumers' rights.

EASY BUY has good asset quality control with efficient credit risk management. Its asset quality has improved continuously since 2008. The ratio of receivables more than three months overdue to total receivables decreased from 5.6% in 2007 to sustain at around 2% from 2011 to June 2014. The ratio of industry average for personal loans conversely increased to around 4.2% as of June 2014 from 3% in 2013. EASY BUY has started shifting its customer base from factory workers to office workers in 2009. Since the shift, the company has been partially affected from volatile economic and competitive conditions. EASY BUY has developed internal business operation and risk management tools, including a modern credit-scoring model and effective vendor and information management systems, as well as loan collection methods and standards to control its asset quality.

EASY BUY's financial performance has improved continuously since 2007. EASY BUY turned a profit in 2008, with net income of Bt310 million, followed by net income of Bt326 million in 2009, Bt925 million in 2010, and Bt1,310 million in 2011. In 2012, net income further improved to Bt1,948 million, up by 49% from 2011, and hit a record high of Bt2,212 million in 2013. For the first nine months of 2014, net income was Bt1,764 million. The steady turnaround resulted from continuous growth in the personal loan segment, efficient control of operating costs, and improved customer credit profiles.

As of 31 October 2012, EASY BUY had allocated Bt3,600 million of its retained earnings to give a stock dividend to its existing shareholders. The dividend increased its paid-up capital from Bt300 million to Bt3,900 million. Under the terms of the Foreign Business Act, EASY BUY is required to maintain enough capital to keep its debt equal to no more than 7 times paid-up capital. Continual growths of earnings since 2009 had enhanced EASY BUY's capital base. The ratio of total shareholders' equity to total assets rose from 5.70% in 2007 to 10.58% in 2010, 14.56% in 2011, 18.57% in 2012, 22.94% in 2013, and 25.56% as of September 2014. The ratio of total debt to total shareholders' equity also improved significantly, falling from 14 times in 2008 to 2.82 times as of September 2014.

Issuer and Senior Unsecured Issue Rating Outlooks

The "stable" outlooks reflect EASY BUY's performance turnaround as its asset quality improved and because of careful control of its operating expenses. EASY BUY delivered strong earnings from 2010 through the first nine months of 2014. The solid earnings boosted EASY BUY's equity base and strengthened its credit ratings. Good credit risk management and a growing capital base will help mitigate the expected risks from any adverse changes in the business and operating environment in the consumer finance industry.

Guaranteed Issue Rating Outlooks

The "stable" outlooks for the guaranteed issue ratings of EASY BUY reflect improvement of ACOM's financial profile in FY2014 and stabilizing prospects for Japan's consumer finance industry. Although the pressure on ACOM's financial performance from provisioning expenses for refunds of overpaid interest has declined, but the company has been pressured by higher provisioning expenses for bad debts and doubtful accounts. TRIS Rating will review the guaranteed issue ratings if Mitsubishi UFJ Financial Group (MUFG), the largest financial group in Japan, changes the level of support it provides to ACOM.

EASY BUY PLC (EASY BUY)

Company Rating:	A-
Rating Outlook:	Stable
Issue Ratings:	
EB152A: Bt500 million guaranteed debentures due 2015	A
EB15DA: Bt500 million guaranteed debentures due 2015	A
EB156A: Bt1,020 million guaranteed debentures due 2015	A
EB162A: Bt1,000 million guaranteed debentures due 2016	A
EB162B: Bt2,000 million guaranteed debentures due 2016	A
Rating Outlooks:	Stable
EB152B: Bt340 million senior unsecured debentures due 2015	A-
EB156B: Bt480 million senior unsecured debentures due 2015	A-
EB163A: Bt1,000 million senior unsecured debentures due 2016	A-
EB16DA: Bt1,000 million senior unsecured debentures due 2016	A-
Rating Outlooks:	Stable

Financial Statistics*
ACOM Co., Ltd. (Guarantor)
Unit: Billion yen

	Apr- Sep	Fiscal Year Ended 31 March				
	2014	2014	2013	2012	2011	2010
Total assets	1,178	1,155	1,166	1,212	1,303	1,483
Total loans	932	916	882	947	1,062	1,273
Allowance for doubtful accounts	49	45	44	48	70	69
Short-term borrowings	288	339	370	308	296	274
Long-term borrowings	434	356	329	407	444	523
Shareholders' equity and minority interests	334	307	289	265	244	439
Net interest income	64	125	120	137	171	206
Non-interest income	32	55	49	48	50	46
Operating expenses	66	77	102	118	327	168
Net income	28	11	21	21	(203)	(7)

** Consolidated financial statements*
Key Financial Ratios*
ACOM Co., Ltd. (Guarantor)
Unit: %

	Apr- Sep	Fiscal Year Ended 31 March				
	2014	2014	2013	2012	2011	2010
Profitability						
Net interest income/average assets	5.49	10.76	10.13	10.88	12.27	13.35
Net interest income/total income	59.82	61.37	62.07	64.56	69.10	73.41
Operating expenses/total income	61.31	37.91	36.03	20.95	33.93	55.80
Operating profit/average assets	2.61	5.24	5.93	6.53	(14.34)	(0.09)
Return on average assets	2.41	0.92	1.75	1.71	(14.55)	(0.47)
Return on average equity	8.77	3.58	7.56	8.44	(59.35)	(1.62)
Asset Quality						
Bad debts**/average loans	n.a.	6.31	7.09	7.33	8.92	8.10
Bad debts and doubtful accounts/average loans	2.86***	4.67	3.75	5.91	6.64	5.65
Allowance for doubtful accounts/total loans	5.26	4.93	4.96	5.06	6.62	5.44
Capitalization						
Shareholders' equity/total assets	28.34	26.55	24.60	21.85	18.70	29.63
Shareholders' equity/total loans	35.82	33.49	32.51	27.98	22.95	34.52
Liquidity						
Short-term borrowings/total liabilities	34.14	39.94	42.16	32.52	27.98	26.30
Total loans/total assets	79.12	79.29	75.66	78.09	81.49	85.84

** Consolidated financial statements*
*** Including non-accrual loans due for three months or more, loans in legal bankruptcy, and restructured loans*
**** Non-annualized*
n.a. Not available

Financial Statistics
EASY BUY PLC (Issuer)

Unit: Bt million

	Jan-Sep 2014 *	Year Ended 31 December				
		2013	2012	2011	2010	2009
Total assets	35,236	33,013	30,443	28,341	26,804	25,819
Total loans	35,938	33,113	30,646	28,605	26,464	25,429
Allowance for doubtful accounts	2,300	2,199	2,106	1,895	1,709	1,471
Short-term borrowings	10,823	10,454	6,081	12,008	5,862	5,874
Long-term borrowings	14,586	13,948	17,713	11,387	17,237	17,481
Shareholders' equity	9,006	7,573	5,654	4,126	2,836	1,911
Net interest income	5,863	7,278	6,747	6,241	5,966	5,522
Bad debts and doubtful accounts	2,258	2,757	2,558	2,722	3,261	3,709
Non-interest income	711	962	899	783	697	568
Operating expenses	2,089	2,704	2,439	2,200	2,074	1,902
Net income	1,764	2,212	1,948	1,310	925	326

* Non-annualized

Key Financial Ratios
EASY BUY PLC (Issuer)

Unit: %

	Jan-Sep 2014 *	Year Ended 31 December				
		2013	2012	2011	2010	2009
Profitability						
Net interest income/average assets	17.18	22.94	22.96	22.64	22.67	21.86
Net interest income/total income	78.24	76.76	75.66	76.04	76.46	75.79
Operating expenses/total income	27.89	28.52	27.35	26.80	26.58	26.06
Operating profit/average assets	4.65	6.05	6.32	5.14	5.05	1.91
Return on average assets	5.17	6.97	6.63	4.75	3.51	1.30
Return on average equity	21.28	33.45	39.83	37.64	38.97	18.71
Asset Quality						
Non-performing loans/total loans**	2.33	2.22	2.08	2.14	2.72	3.21
Bad debts and doubtful accounts/average loans	6.54	8.65	8.63	9.89	12.57	14.94
Allowance for doubtful accounts/total loans	6.40	6.64	6.87	6.63	6.46	5.78
Bad debt write-offs/average loans	4.40	5.66	5.20	6.73	9.29	13.22
Capitalization						
Total debt/equity (times)	2.82	3.22	4.21	5.68	8.15	12.22
Shareholders' equity/total assets	25.56	22.94	18.57	14.56	10.58	7.40
Shareholders' equity/total loans	25.06	22.87	18.45	14.42	10.72	7.51
Liquidity						
Short-term borrowings/total liabilities	41.26	41.09	24.54	49.59	24.46	24.57
Total loans/total assets	101.99	100.30	100.68	100.93	98.73	98.49
Total loans/total borrowings	141.44	135.70	128.79	122.27	114.56	108.88

* Non-annualized

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