

Acquisition of Aircraft Leasing Company by Subsidiary of Sumitomo Mitsui Finance and Leasing—No Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the acquisition of aircraft leasing company Goshawk Management (Ireland) Limited (Goshawk) by SMBC Aviation Capital Limited (SMBCAC), an aircraft leasing subsidiary of Sumitomo Mitsui Finance and Leasing Company, Limited (SMFL) (security code: -).

- (1) SMFL announced on May 16 that its aircraft leasing subsidiary SMBCAC has agreed to acquire all shares of Goshawk, an aircraft leasing company, and make it a wholly owned subsidiary. The purchase price is expected to be approximately USD 1.5 billion. Goshawk is an independent aircraft leasing company headquartered in Ireland.
- (2) If the acquisition is completed, SMBCAC and Goshawk will have the second largest aircraft fleet in the world in the aircraft leasing industry. This will increase SMBCAC's customer base and strengthen cost competitiveness. In addition, as Goshawk's aircraft portfolio, like SMBCAC's, is built around young narrowbody aircraft, the quality of its aircraft portfolio will be maintained after the acquisition. JCR believes that the equity ratio will temporarily decline due to the expansion of risk assets as a result of the acquisition, but will recover in the medium term.
- (3) However, there is a strong sense of uncertainty in the business environment for the aircraft leasing business against the backdrop of the COVID-19 pandemic and the situation in Russia and Ukraine. With the aircraft leasing accounting for a large proportion of SMFL's operating assets, SMFL posted an extraordinary loss of 81.9 billion yen related to the Russian sanctions for the fiscal year ended March 2022. JCR assumes that the losses caused by the COVID-19 pandemic and the situation in Russia and Ukraine can be absorbed by SMFL's profit and financials, and at this point, the impact on the rating is expected to be limited, but future trends in aircraft leasing require continued attention.

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<Reference>

Issuer: Sumitomo Mitsui Finance and Leasing Company, Limited

Long-term Issuer Rating: AA Outlook: Stable

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