

**PPP Deal of the Year**

# Mizushima Ecoworks

Activities in Japan's PFI market this year had never been so lively. While the municipal governments dominated the market during the first few years since the concept of private finance initiative was introduced in Japan, the central government and its ministries have finally joined in the bandwagon. The year saw national projects coming into the market - major projects such as the Akabane housing project and the Kasumigaseki No 7 office building project to provide offices for a few ministries and a few university-related projects.

At the same time, the Japanese market had a few challenging transactions that went beyond government buildings. They are the waste treatment or incineration projects and among them, the Mizushima Ecoworks project is a notable deal as it is possibly the first PFI transaction in Japan that features a market risk in addition to the

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2004

government risk. It is our PPP deal of the year.

The sponsors are led by JFE Steel Corporation (28%) - the merged entity of Kawasaki Steel and Nippon Kokan Kabushiki, and Chugoku Electric Power Corp (19%), one of the nine major power companies in the country. They are joined by some other big names such as Asahi Kasei Chemicals Mitsubishi Chemical Corp, Mitsubishi Gas Chemical, Nippon Oil Corp as well as the Okayama Prefecture City and the City of Kurashiki which holds a 10% stake.

The project cost is ¥22.3bn and with a ¥5.9bn worth of contingent funds, the aggregate funding is ¥28.2bn, making it one of the biggest waste treatment project under Japan's PFI scheme.

The debt is a 16-year ¥14bn (US\$133m) facility. The loan is divided into a ¥10bn senior ordinary loan and a ¥4bn subordinated loan

or mezzanine financing, which is introduced for the first time in the domestic PFI market. The second tranche was put in place in case the amount of waste collected declines and this will allow the borrower to extend the tenor of the loan up to the end of the build-operate-transfer period (2025), which is 20 years. Thus the 16 year facility could be extended by another four years.

The arrangers are the Development Bank of Japan and Mizuho Corporate Bank. They are joined by Bank of Tokyo-Mitsubishi, Chugoku Bank, San-in Godo Bank, Sumitomo Trust Banking Co, Tomato Bank and Yamaguchi Bank. The loan was signed on March 12 2004. Legal advisers are Anderson Mori for the lenders and Asahi Koma for the sponsors. The waste treatment project, which has a 20-year concession contract under a BOO scheme, is located in Kurashiki Mizushima industrial complex.

# pfi awards 2004

IN RECOGNITION OF OUTSTANDING ACHIEVEMENT  
AND SUCCESS IN THE CATEGORY OF

*PPP Deal of the Year*

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PROJECT FINANCE INTERNATIONAL PRESENTS  
THE 2004 PFI AWARD TO

*Mizushima Ecoworks*

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*Development Bank of Japan and*

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*Mizuho Corporate Bank*

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