Introduction of JBIC and its Financing for the Railway Projects

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WHO WE ARE
Overview of JBIC

JBIC is a policy-based financial institution wholly owned by the Japanese government.

**Name:** Japan Bank for International Cooperation (JBIC)

**Governor:** Akira Kondo

**Supervised by:** Ministry of Finance of Japan

**Overseas Rep Offices:** 16

**Capital** (100% Government-owned)*:

JPY 1,391bil (USD 12.4bil)

**Total Assets***:

JPY 17,581bil (USD 156.1bil)

**Net Assets***:

JPY 2,472bil (USD 22.0bil)

**Number of employees:** 557

* Figures as of March 31, 2016

※ Assuming JPY112.63/USD

※ JFY: From April 1 to March 31
Singapore *1
(Regional Headquarters for Asia and Pacific)
Beijing
Bangkok
Hanoi
Jakarta
Manila
New Delhi

London *1
(Regional Headquarters for Europe, the Middle East and Africa)
Moscow
Paris
Dubai

New York *1
(Regional Headquarters for the Americas)
Washington, D.C.
Buenos Aires
Mexico City
Rio de Janeiro

*1) Singapore, London and New York are assigned as core regional headquarters to supervise business and administrative activities and support project formulation in Asia and Oceania; Europe, the Middle East and Africa; and the Americas, respectively.
Financing import of strategically important materials to Japan

Export Loan

Financing export by Japanese companies

Import Loan

Financing import of strategically important materials to Japan

Overseas Investment Loan

Financing overseas investment & natural resource development undertaken by Japanese companies

Untied Loan

Financing projects related with improving Japanese companies' business environment, and measures taken with respect to disruptions to international order

Other Tools

Guarantee, Equity Participation, Securitization, etc.
Amendment of JBIC ACT in 2016

Enhancement of JBIC’s Capabilities for QII

Establishing the “Special Operations”

- The Operations enables JBIC to take further risks and provide funding to overseas infrastructure and other foundation for socioeconomic activities.

Expansion of JBIC’s operations in local currency

- Long-term borrowings from financial institutions as a means to procure local currency enables expansion of its operations in local currency.

Diversification of JBIC’s assistance tools

- New assistance tools for overseas infrastructure projects (e.g. acquisition of bonds (project bonds) and Islamic finance).
Local Buyers Credit

Basic Scheme

<table>
<thead>
<tr>
<th>JBIC</th>
<th>Commercial Banks (NEXI covered)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans(*)</td>
</tr>
<tr>
<td>Buyer(s)</td>
<td>Japanese Affiliate(s)</td>
</tr>
</tbody>
</table>

Equity Participation

Machineries and Equipment

* Local Buyers Credit is a type of Export Loan. Terms and Conditions are to be in line with OECD Guideline.

Project Bond Subscription

Basic Scheme

<table>
<thead>
<tr>
<th>JBIC</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund Supply</td>
</tr>
<tr>
<td>Japanese Company(s)</td>
<td>Infrastructure Project</td>
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Equity Participation (OIL) or Supply of Machineries and Equipment (Export Loan)

Loans

Lenders

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JBIC’S EXPERIENCE IN THE RAILWAY SECTOR
Track Record of Global Railway Projects

- Heathrow Express Project (UK, 1993)
  - Intercity Express Programme (UK, 2012,14) PPP Project

- Railway Rehabilitation Project (Czech, 1995)
- Monorail Construction Project in Chongqing (China, 2009)
- High Speed Railway Project of AMTRAK (US, 1997-98)
- Railway Double Tracking and Electrification Project (Malaysia, 2000)
- Metro Construction Project in Sao Paulo (Line 4) (Brazil, 2004,08,08,10)
- Cargo Railway Network Development Project (Brazil, 2008)
- Pacific Railway Rehabilitation Project (Colombia, 2002)
- Supply of Rolling Stock for National Railway (Venezuela, 2005,12)
- Supply of Rolling Stock for State railways Enterprise (Turkey, 2007)
- Supply of Rolling Stock for the Greater Cairo Metro Network (Egypt, 2001,03,08,10)

Export Loans  Overseas Investment Loans  Untied Loans
1. Requirement:
   - Supply of machineries and equipment manufactured by Japanese company or its affiliate
2. Terms & Conditions
   - To be in line with OECD Guideline
Case: Export Loan (Supply of Rolling Stocks)

Project: Metropolitan Railway Project connecting Caracas and suburban cities (2012)
Scope: Export of a fleet of rolling stocks (52 cars) for Instituto de Ferrocarriles del Estado (IFE), the national railway company in Venezuela
JBIC Finance: around ¥10.2bn (Total Debt: around ¥17.0bn)

Structure

Borrower: The Bolivian Republic of Venezuela
100% Equity

Operator: IFE

Exporter: Marubeni Corporation

Manufacturer: Nippon Sharyo Toshiba Corporation

JBIC

Commercial Banks

NEXI

Insurance

Loan

Export

Rolling Stocks
Overseas Investment Loan (OIL)

1. Requirement:
   - Equity participation of Japanese investor(s)
   - Operation and/or maintenance (O&M) of the project by Japanese investor(s)

2. Terms & Conditions
   - Interest rate: fixed or floating rate
   - Tenor: based on cash flow

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**Basic Scheme**

- **Joint Venture**
- **Commercial Banks**
- **Japanese Investor(s)**
- **Local Investor(s)**
- **Foreign Investor(s)**
- **Sponsors**
- **JBIC**

Loans

Equity Participation
Project: Intercity Express Programme  
(Great West Main Line (2012) & East Coast Main Line (2014))
Scope: Leasing and maintenance service of rolling stocks (866 cars)  
Construction and maintenance of depots
JBIC Finance: around £1.9bn (Total Debt : around £4.2bn)
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FINANCING FOR THE RAILWAY PROJECTS
Variety of Purpose

- Passenger
  - Business, Tourism, Commuter, etc
- Freight
  - Cargo, Mineral Resource, Grain, etc

Substitutability

- Passengers or customers can choose means of transportation.
  - Airplane
  - Bus/Truck
  - Automobile
  - Ship

Public Nature

- Large burden of Infrastructure
  - leveling, embankment, overhead structure, track, bridge, tunnel, station, etc
- Fundamental infrastructure for human activity

Variety of Transportation Mode

Difficulty in Forecasting Ridership Volume

Extremely Long Investment Period
Challenges

- Ridership Risk
- Appropriate Risk Sharing
- Additional Revenue Sources to Supplement Farebox Revenue
Major Risks of Railway Projects

Risks should be controlled through appropriate risk allocation

- **Rolling Stocks**
  - Responsibilities:
    - Manufacturing
    - Operation
    - Maintenance
  - Specific Risks:
    - Completion Risk
    - Operational Risk
    - Ridership Risk
    - Interface Risk

- **Infrastructure**
  - Responsibilities:
    - Construction
    - Tunnel Boring
  - Specific Risks:
    - Land Acquisition Risk
    - Construction Risk

- **Common Risks**
  - Force Majeure
  - Political Risk
  - Exchange & Interest Volatility Risk
  - Inflation Risk
  - Environmental Risk

- **Ridership Risk**

- **Financial Institution**

- **Government (Sub-Sovereign)**

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