FinanceAsia Japan Achievement Awards

By FinanceAsia Editors | 17 April 2015

We present the firms that demonstrated the best track record and the landmark deals during the Japanese financial year April 1, 2014 to March 31, 2015.

BEST BANK

MUFG

With lending margins under pressure in the zero-rate domestic market, Japan's big banks have been increasingly looking overseas, none more successfully so than the country's biggest, Mitsubishi UFJ Financial Group, our winner for Best Bank.

MUFG, led by president and CEO Nobuyuki Hirano was able to post an 18% rise in net income for the first three quarters of its financial year, powered in part, unsurprisingly, by its 22% stake in Japan partner Morgan Stanley. But that was not the only bright spot. Subsidiaries MUFG Union Bank in the US and Bank of Ayudhya, Thailand's fifth-largest bank, also contributed to the bottom line.

The sharply weaker yen helped to boost those overseas earnings, which now account for nearly 40% of the total, based on the nine-month figures. MUFG was the only one of the megabanks to post a net profit rise for the nine-month period, which saw rivals Sumitomo Mitsui Financial Group and Mizuho Financial Group suffering single digit declines. MUFG also surpassed its rivals according to other financial yardsticks, according to analysis by *FinanceAsia* and SNL.

Nobuyuki Hirano

The bank group is also taking the lead in some of the transformations long urged by foreign investors and analysts for corporate Japan. Nomura said in a February 26 report that while overseas operations were increasingly important for all of the Japanese banks, the proportion of foreigners at management-level jobs remained very low.

As if on cue, MUFG announced on April 9 that a non-Japanese, former UBS banker Stephen Cummings, would head the consolidated US division under the MUFG Union Bank banner. It was the first time for a non-Japanese to hold the post.

The announcement followed a February decision to change its corporate governance structure, giving outside directors a greater say through the creation of three new committees to recommend the hiring and firing of board members, handle the audit function, and oversee compensation.

For the Thai operation, it consolidated its own domestic unit with Bank of Ayudhya, giving it a 77% holding in the parent group.

On the market side, MUFG launched Japan's first yen-denominated additional tier-1 bond, an unsecured perpetual ¥100 billion offer. The Basel III-driven offering is the first by a Japanese issuer to have a bail-in provision.

BEST INVESTMENT BANK

Nomura

Nomura was clearly in the right place at the right time this past year as Japan Inc. sought to finance overseas expansion. The breadth of work by Japan's biggest brokerage firm earns it our recognition as Best Investment Bank of the year.

Nomura, led by Koji Nagai retains a wide range of product areas to make it the largest broker for both fixed income and equities backed by a comprehensive research arm boasting a staff of 400 analysts across 15 countries. According to Greenwich Associates, Nomura "remains far and away the leader in Japanese equity brokerage."

Nomura's CEO Koji Nagai

Nomura was able to leverage its strong historical presence across the fields of ECM and DCM. According to Dealogic, the firm was again the No. 1 investment bank in Japan with IB revenues of $641 million, enough to give it a 22% share of the market.

Its ECM work was seen as above the rest, netting it *FinanceAsia*'s Best ECM House award where it was the No. 1 bookrunner, according to Dealogic data, taking a 36% share of the market with a portfolio that included the market re-launch of job placement firm Recruit. The work on Recruit, the largest initial public offering in Japan for our review period, enabled the firm to share *FinanceAsia*'s ECM Deal of the Year too. Helping also on the ECM side was the June secondary $3.4 billion share issuance by real estate group Mitsui Fudosan.

On the DCM side, the firm was joint bookrunner in two retail offerings totalling ¥700 billion by SoftBank.

BEST FOREIGN INVESTMENT BANK

Morgan Stanley

Fueled by its five-year Tokyo tie-up with MUFG, Morgan Stanley advised on a bumper crop of deals during the awards' period, making it our pick for the Best Foreign Investment Bank in Japan.

Following initial concerns that the joint venture would go the way of numerous Japan-overseas deals that started well and crashed on the rocks of corporate culture shock, Morgan Stanley has been able to leverage the considerable financial muscle power of Japan's biggest bank group.

The showcase example was the $16 billion acquisition by Suntory Holding's of US distiller Beam, where MUFG provided the bridge loan.

On the ECM side, it served as lead left bookrunner on the international tranche for Recruit's high-profile return to the market with an October 2014 IPO that raked in $2.0 billion, 40% from overseas.

On the DCM side, the firm further helped Suntory with a $1.0 billion two-tranche senior notes offering. It also took part in a green bond for the Development Bank of Japan, the first issued by a Japanese entity.

It looks like the firm moved its Tokyo office just in time, shifting in February 2014 to the financial district of Otemachi near Tokyo Station. The move from the trendy but less-central Ebisu district now puts it a stone's throw away MUFG's headquarters; all the better for teaming up on more deals.

BEST M&A HOUSE

Morgan Stanley

Morgan Stanley worked on some of the most complex mergers and acquisitions during the awards period. It demonstrated its M&A advisory skills across sectors and types of transactions.

Morgan Stanley topped the completed Japan deal rankings this past year with 47 transactions totalling $41.9 billion.

It advised on several transformative transactions for Japanese companies expanding overseas including our Deal of the Year, the Suntory-Beam cocktail.

After representing Suntory in its run at the US distiller, the firm switched to the other side of the table and representing US insurer Protective Life in its $5.7 billion sale to Dai-Ichi Life.

The all-cash deal was the biggest-ever overseas purchase by a Japanese insurer. The hefty premium also helped to deliver a $1.4 billion windfall for Protective's shareholders, although it also helped to reignite the debate over whether Japanese purchasers were again overpaying in the global market.

Morgan Stanley also worked with British-Dutch consumer goods firm Unilever in the sale of its Ragu and Bertolli pasta sauce lines to rice wine producer Mizkan for $2.2 billion.

Rounding out its deal list was its role as lead financial adviser to trading house Mitsubishi Corp. in its $1.7 billion fishing expedition that netted it Norwegian salmon farmer Cermaq.
With Japan's corporates still cash-rich and eager for new markets, Morgan Stanley – and other Tokyo-based bankers –see more deals coming this year. Matching the $41.9 billion mark will nonetheless be a tough hurdle.

BEST ECM HOUSE

Nomura

The stats were impressive. Nomura was again the No. 1 bookrunner for equity offerings, both in terms of deal value ($12.8 billion) and number of deals (95), with a market share of 36%, according to Dealogic.

Nomura won its mandates because of its impressive domestic distribution platform, research bench and it works hard for its clients.

During the $3.38 billion June 2014 share issue by real estate group Mitsui Fudosan there were more than 85 one-on-one meetings and seven large group sessions globally, which helped the offer price at a minimal discount of 3% despite the 11% dilution effect. It helped the developer communicate the fact it was getting a boost from Abenomics, which has produced even lower interest rates and record-sized policy easing from the central bank.

Nomura also acted as joint global coordinator and joint bookrunner for the return to the market of Recruit Holdings, the job placement firm that has morphed into a lifestyles brand for young professionals. Recruit's $2.0 billion IPO valued the group at around $16 billion.

Smaller in scale but even more challenging was the September relisting by Skylark, operator of 3,000 family restaurant chains under brand names including Gusto and Jonathan's.

The $611 million offering was a success for Bain Capital, a good showing despite an uncertain growth outlook for the sector as the number of Japanese households shrinks. The deal was also our choice for Private Equity Deal of the year.

Nomura also led the $2.7 billion equity offering that helped Dai-Ichi Life make its successful bid for U.S. insurer Protective Life, a move seen as critical to broadening Dai-Ichi's overseas footprint.

BEST DCM HOUSE

Mizuho

In a volatile year for the debt market, Mizuho Securities gets our nod as DCM House of the year with an impressive showing of 332 deals as bookrunner, excluding self-led deals, executed well across products during a roller-coaster year. Dealogic ranked it at No. 1 with a 22.5% share of the market for a total deal value of $53.6 billion.

All DCM houses, and the broader industry, needed to manage a market environment that was dominated by the virtual lockdown of the Japanese government bond market through the ever-growing presence of the Bank of Japan as it seeks to squeeze deflationary pressures out of the economy.

That pressure heightened in October when the BOJ surprised the market with an expansion in its Quantitative and Qualitative Easing programme, raising questions about how to properly price longer-dated debt. That created challenges for Mizuho as it prepared a ¥15 billion 30-year debt sale in November by Sakai City in western Japan. Given the market volatility, other similar borrowers had cancelled deals in that area.

The lead managers held discussions with potential investors to create a pricing model based on a concept of "fair value." The result was par pricing for the 1.664% coupon, a spread of just 15 bp over JGBs.

Mizuho also took the lead in underwriting 57.5% of ¥400.0 billion worth of seven-year subordinated debt for SoftBank, the first corporate flotation for a subordinated bond for retail investors.

On the Samurai front, Mizuho worked on a ¥150 billion, a two-tranche offering, for Renault that was the biggest on record in any currency for the French carmaker and Nissan partner.

BEST SAMURAI HOUSE

Daiwa

With other markets seeing “Japan-like” yields near zero, total Samurai issuance was down slightly in the last fiscal year, falling 1% to ¥2.21 trillion. The biggest fall in issuance came from the US, with volumes down 60%.

But for Daiwa, Japan’s second-largest broker, business still looked solid. Daiwa was bookrunner for 14 deals in the fiscal year, giving it a 22% share. The figure, which excludes self-led transactions, put it ahead of the pack.

The market’s rebound saw the return of some borrowers who had been away as the yen strengthened to record-high levels. Among notable deals brought to the market by Daiwa was Rabobank’s ¥50.8 billion Samurai. While the issuer is no stranger to the Samurai market with more than Y880 billion outstanding, the deal was the first Basel III compliant tier-2 Samurai bond ever launched.

BEST FX HOUSE

Deutsche Bank

Foreign exchange management can be one of the trickiest areas of international commerce. Even firms with large global operations can experience problems having the cash they need, in the currency they want, at the right place and at the right time. For the banks, the one-time profit center of proprietary trading has been hit by stricter capital requirements and increased regulatory constraints.

Adding to the mix, Asian currency trading has become increasingly diverse.

With these varied market needs in mind, Deutsche Bank again emerged as our winner for the best FX house. In terms of the Tokyo market it maintained its top ranking, according to Greenwich Associates, with a 17.1% market share, widening its lead from last year.

Tomoo Onishi

This bank’s leadership in FX was sustained through the year as the Japanese currency experienced a fresh bout of volatility, sinking to the ¥120 level against the dollar in mid-October after a surprise round of further monetary easing by the BOJ.

Deutsche's FX team led by Tomoo Onishi responded to the market’s needs with RAPID, the second-generation Application Programming Interface in its Auto-bahn pricing platform. The new system is aimed at high-volume clients such as hedge funds but also brokers serving the so-called Mrs. Watanabe retail market, which has seen a big jump in turnover in Japan in recent years.

On the institutional side, Deutsche touts its multi-currency cash management capabilities with 14 offices throughout Asia, all with membership in the local clearing systems. Deutsche believes that Japanese companies, with an increased need for emerging market currencies as they expand throughout Asia, are a ripe target for these services offering tailored solutions to multi-currency needs.

Following recent scandals in the industry, Deutsche in Tokyo has also been active in drawing up a foreign exchange trading code of conduct. So far, the Tokyo market has avoided the high-profile cases that have hit London and New York – a situation Deutsche and the other big interbank traders hope doesn’t change.

BEST ISSUER

Development Bank of Japan

The Development Bank of Japan has long been at the center of big-ticket Japanese industrial projects ever since 1951 and the borrowing that went with them. In 2014 it set another milestone by becoming the first Japanese body to issue a green bond.

That development, along with issuance in a range of currencies including GBP, EUR and USD, covering both private placement and public offerings, has earned it our Issuer of the Year award

While the EUR 250 million green bond was a first for a Japanese entity, it was not the first time the DBJ has focused on environmental issues, having begun financing environmental projects as far back as the 1960s. It says that total investment and loans for environmental projects has totalled more than Y3 trillion over the past 40 years.

The three-year maturity green bond, priced on Sept. 30, carried a coupon rate of 0.25% and a re-offer yield of 0.373%. That was 12 bps over MS, the tight end of the price guidance.

The offer generated three-fold demand of EUR 750 million, with 70% of the final allocation going to green investors. By region, 40% were bought in Europe and 25% in the offshore U.S. market.
The bond has performed well in the secondary market.

DBJ, of course, has a long track record in global outreach, targeting 40 countries for investments and loans.

In 2014 it went to the market no fewer than 22 times and has equally big plans for the current 2015 fiscal year with total planned issuance of ¥750 billion. Of that ¥400 billion will be corporate bonds, with another Y200 billion in domestic government-backed debt and ¥150 billion in international government-backed bonds.

One big question over the DBJ is when – and if – it will finally be privatized after years of government promises to get it off the public books. After originally slated for full privatization later this year, the target date is now 2020 to 2022. But current legislation has that up in the air again.

BEST LAW FIRM

Linklaters

Without cross-border legal advice there can of course be no cross-border deals. Among the international firms in Tokyo that wrestle with the complexities of reconciling Japanese and overseas legal requirements, Linklaters again stood out to take the prize of Best Law Firm.

The firm, which provides both Japanese and foreign lawyers under the Linklaters shingle, was in on many of the year's most complex deals in Japan.

Linklaters' John Maxwell

Most notably, it advised UBS, Mizuho, Merrill Lynch, JP Morgan, Nomura, and Citigroup on the ¥44.52 billion IPO by Seibu Holdings. The legal issues loomed larger than usual when major shareholder Cerberus Capital Management decided to pull out, cutting the total offering by 66%.

The firm also advised on Mizuho's $1.5 billion Basel-III compliant tier-2 capital debt offering, the first such offering by a Japanese bank. In addition, it provided advice on Suntory's inaugural international bond offering that totalled $1.0 billion.

On the M&A side, it advised Sumitomo Mitsui Banking Corp. on the financing of Bain Capital's ¥50 billion acquisition of Oedo-Onsen Holdings, a Japanese hotel and spa-operator.

It has also built up expertise in the emerging Myanmar market, a new area of attention for many Japanese corporates as the country seeks to catch up with rivals. It advised telecoms group KDDI and trading house Sumitomo in their consortium to work with Myanma Posts & Telecommunications on a mobile and fixed-line network. The deal highlights the potentially interesting issues in teaming up with the government agency of a country only recently back on the international stage.

DEAL OF THE YEAR

Suntory Holdings' $16 billion acquisition of Beam

Suntory's financial adviser: Morgan Stanley
Suntory's legal advisers: Cleary Gottlieb Steen & Hamilton, Nishimura & Asahi
Beam's financial advisers: Credit Suisse, Centerview Partners
Beam's legal advisers: Sidley Austin
Bridge financing: BTMU

While it had its roots in the previous year, the editors thought that the groundbreaking $16 billion Suntory acquisition of US distiller Beam was just too big and too important to ignore and therefore we have picked it as Deal of the Year.

The superlatives speak for themselves. The deal was the largest Japan-related transaction in 2014, the third-largest cross-border purchase ever by a Japanese company, and the third-largest deal ever in the global spirits industry.

It was also a true game changer on a number of levels. For starters, it brought together global soft drinks and liquor operations, a combination that will be an interesting test of potential new marketing synergies.

For Suntory, it is the latest jewel in a series of overseas purchases as the domestic market shrinks (domestic beer shipments for the first quarter of 2015 were the lowest since compilation of the data started in 1992). These include the 2009 acquisition of European drinks group Orangina Schweppes for $3.8 billion, and the 2013 buy of the Lucozade and Ribena brands from GlaxoSmithKline for $2.1 billion.

For Beam shareholders, there was an appealing 25% premium to the pre-bid price.The speed of execution was also noteworthy and demonstrated the power of putting together a winning financing and investment banking advisory package.

With the numbers big and time short, Suntory adviser Morgan Stanley was able to tap the deep cash pockets of its joint-venture partner MUFG to provide bridge financing and thereby help to lock up a deal.

The deal also showed the once-sought-after Japanese virtues of long-term relationships can be a powerful force in commerce. With both corporate giants effectively still family-run firms, those involved in the deal said that a marketing tie-up formed in 2012 was key for the two sides to get to a situation of mutual trust.

The perceived strengths of the deal can also be found in the market. While Suntory remains private, its listed subsidiary, Suntory Beverage and Food, is up a frothy 53% since the deal's closing date last April 30.

The debt issued to help finance the deal is also performing well. The inaugural three-year and five-year notes are above par with the five-year hitting its high in early April.

Moody's has a Baa2 rating on the debt, noting that the company now carries a very high financial leverage and margins below its global peers. But it added that the rating reflects Suntory's "solid position in the domestic alcoholic market, its ownership of a growing non-alcohol business, its stable operating cash flow, diversified product portfolio, and established brand equity."

BEST ECM DEAL

Recruit Holdings' ¥213.8 billion IPO

Global coordinators: Nomura, Morgan Stanley, Mizuho, SMFG
Bookrunners: Nomura, Mizuho, SMFG, Morgan Stanley, Bank of America Merrill Lynch

The re-listing of employment and lifestyle group Recruit was not necessarily destined to be a success. Japan Display debuted in March 2014 with an inauspicious 15% fall in the first day of trading.

The stakes for Recruit and the underwriters were high. The firm has big ambitions to become the world's biggest human resources business by around 2020, and that will require cash.

The $2.0 billion deal priced in October was the largest in Japan for the fiscal year and valued the company at around $16 billion. Pricing was at the top end of the range at ¥3,100 and the share price has since climbed.

For the sizable international split of 40%, teams fanned out as far afield as Edinburgh, Abu Dhabi and the US. In all there were over a hundred sessions for prospective investors, ensuring the overseas tranche was 20 times oversubscribed.

Recruit's IPO aside, two other deals also deserve a special mention.

To the joint global coordinators handling the **IPO for Seibu Holdings** – *UBS, Mizuho, Bank of America Merrill Lynch* – congratulations are in order for overcoming what one house called the "bumps in the road." That was after the largest shareholder and frequent management opponent Cerberus pulled out of the plan when it didn't like the price, slicing 66% off the share offering late in the game.

Allotments were hurriedly recalculated and the launch went ahead as planned. The Cerberus decision actually turned out to be a highly profitable decision for the firm. At press time, Seibu's share price had more than doubled to ¥3,625 from the offer price of ¥1,600.

Another special mention and title of **THE MOST INNOVATIVE DEAL** goes to Cyberdyne's Deutsche Bank for its innovative packaging of an accelerated book build and convertible bond arranged by *Deutsche Bank*. With the company's fortunes resting largely on regulatory approvals, the ¥42 billion raised will be in escrow until its innovative assisted mobility system gets the regulatory nod from either the US FDA or Japan's Ministry of Health, helping investors get comfortable with the timing of the deal.

BEST PRIVATE EQUITY DEAL

Bain Capital's exit of Skylark

Global coordinators: Nomura, Morgan Stanley, Bank of America Merrill Lynch, Mizuho
Bookrunners: Nomura, Morgan Stanley, Bank of America Merrill Lynch, Mizuho, Goldman Sachs, JP Morgan

In any deal, preparation is everything, a key factor in our award of Best Private Equity Deal of the year to Boston-based Bain Capital for its turnaround of family restaurant group Skylark.

The sale of slightly under one third of the company faced a fair amount of scepticism, especially among potential overseas investors. The group's chequered past didn't help, with a loan default under previous ownership following an ill-fated expansion. The group, which operates the Gusto and Jonathan's family-style restaurants along with Chinese chain Bamiyan, has since slimmed down from 4,500 outlets to about 3,000 currently.

Skylark's problems are not unique in the family dining sector, where fresher concepts of specific cuisines have taken hold. In addition, coffee chains continue to grow and the ubiquitous convenience stores have seized on offering a large range of prepared dishes for the single lifestyle.

For Bain the answer was to consolidate, improve operations, and bring much stronger metrics to understand what best attracts customers. One key area is to tap into the growing army of aging people as the number of families in Japan continues to decline. One-quarter of the Japanese population is already aged 65 or above, a proportion that is the highest in the world and expected to rise.

For the IPO, bookbuilding was challenged by concerns about the sector and the lack of global peers for comparison since the concept has largely disappeared in other markets. (Think Howard Johnson's restaurants).

The ¥1,200 per share offer price was at the bottom end of the range and quickly sank another 5% on the first day of trading in October. But since then, investor appetite appears to have warmed, helped by Skylark serving up a dish of solid results. The shares are now up 28%, roughly in line with the broader Nikkei average over the same period.

BEST DCM DEAL

Japan Finance Organization for Municipalities 1 billion euro fixed-rate bond

Bookrunners; Barclays, BNP Paribas, Bank of America Merrill Lynch, Nomura

While Japan's burgeoning sovereign debt has long been the subject of global news headlines, less noticed in the debt figures are the bonds coming from prefectures and municipalities across the nation.

Handling this mini-debt mountain is the Japan Finance Organization for Municipalities, which this year successfully launched a EUR 1 billion fixed-rate bond that helps to widen its investor base and source of funds and also takes the award for best DCM deal.

The issuance of the seven-year maturity was notable on a number of points. It was the first euro issuance by JFM since 2004 and its first that did not carry a Japanese government guarantee. The bond also qualified under the 2010 EU program that makes it usable as collateral for ECB repos, attracting a high 25% ratio of demand from banks.

The September 11 pricing followed a one week roadshow in major European centers. Pricing was initially estimated at EUR MS plus the mid-20s. In the end the bond was priced at EUR MS plus 21 basis points. It has since moved higher in the secondary market with the yield now at plus 12.

While Japanese government entities have ample domestic sources of funding for sovereign and related SSA (supranational, sub-sovereign and agency) debt, they have been also seeking ways to ensure access to global markets if it becomes necessary.

For JFM, their 2015 fiscal year issuance is set to rise to ¥720 billion, up ¥90 billion from the 2014 level, according to data from Nomura, as the central government seeks ways to revitalize regional areas that have continued to lag Tokyo and other big cities in the latest economic recovery.

BEST FIG DEAL

Dai-Ichi Life's $5.7 billion acquisition of Protective Life

Financial adviser to Dai-Ichi Life: Goldman Sachs
Dai-Ichi Life's legal advisers: Willkie Farr & Gallagher, Baker & McKenzie
Protective Life's financial adviser: Morgan Stanley
Protective Life's legal adviser: Debevoise & Plimpton

The aggressive overseas acquisition of U.S. Insurer Protective Life by Dai-Ichi Life, Japan's largest publicly traded life insurer, turned into something of an annuity for financial firms in Tokyo, earning the participants honours for an outstanding package of M&A advice and financing.

For Dai-Ichi, the move set the company apart from its competitors and offered fertile new ground for an industry that faces head-on the impact of an aging domestic market.

Financing came in part from a through a share sale raising ¥277 billion. With a 50-50 domestic/international split, the offer was launched before the Protective purchase had closed, the first time this approach has been adopted by a Japanese insurer. Domestic retail demand was 3.3 times covered, while domestic institutions were at a 2.8 coverage and foreign institutions saw cover of more than 6 times. This allowed for a small 3% discount to the share price despite the 20% dilution involved.

The firms involved said that with Protective's strong earnings stream, putting together the equity issuance and the merger deal offered investors a solid story with a package that would be a positive for return on equity and per-share earnings.

Analysts agreed. Nomura upped its rating on the stock last December to a Buy with a target price of ¥2,750, reaffirming its action in March. It said that the earnings should continue to benefit from the steady profits generated by Protective. That's a pretty good premium from the current level of ¥1,834 as of press time.

The game-changing nature of the deal, representing the biggest offshore move by any of Japan's big life insurers, is also expected to prompt competitors to follow Dai-Ichi's lead in demutualising, a step it took in 2010. Such a move could help the industry act more aggressively on the global stage since it provides the opportunity for a new stream of financing through equity offerings.

On the debt side, Dai-Ichi went to the market in October with $1.0 billion in subordinated PERP with pricing tightening through the bookbuilding day from an initial range of 5.375-5.500% to end the North American day at 5.10%.

BEST PROJECT FINANCING IN ASIA (financed by Japanese capital)

Sarulla $1.17 billion geothermal power project financing

Sponsors: Itochu, Kyushu Electric Power, Medco Power, Ormat

Mandated Lead Arranger: Societe Generale
Participating Banks: Asian Development Bank, Japan Bank for International Cooperation, BOTM, ING, Mizuho, National Australia Bank, SMBC
Sponser legal adviser: Latham & Watkins
Lenders legal adviser: Millbank, Tweed, Hadley & McCloy

Take six banks, two-state backed lenders, four corporate sponsors, various technical advisers and put them all in a remote area of Indonesia for a project in the largely untested field of geothermal power, and you have our award winner for project financing of the year.

The need is clear. Indonesia, with one of Asia's fastest-growing economies, is facing an annual 8.5% increase in demand for electricity but the rate of electrification is lagging behind.

The Sarulla Geothermal Power Project will have a potential capacity of 351 MW of geothermal power from three generating units in what will be the first greenfield geothermal project in the country.

While Indonesia is reckoned to have 40% of the world's geothermal capacity it has only utilized 5% of this to date.

Under the terms of the deal signed in March 2014 and closed in May 2014, the $1.17 billion, 20-year financing will be covered by the Japan Bank for International Cooperation and the Asian Development Bank.

A key part of putting together the deal was to meet the needs of the various lenders on when and how they will get their money back. While this is obvious for any lending, the situation is complicated by the fact that the operation runs the risk of literally running out of steam. Given the difficulties in measuring the reservoirs of thermal energy underground, it is always possible that the project could come to an earlier-than-expected end.

Therefore the project has a complex set of milestones in terms of exploration, production and repayments.

If all goes well, the first supply will come on stream in 2016 with completion scheduled for 2018.

BEST CROSS-BORDER M&A DEAL JAPAN/ ASIA

Cheung Kong and Mitsubishi Corp.'s aircraft leasing joint venture

Cheung Kong's financial adviser: Morgan Stanley
Mitsubishi Corp.'s financial adviser: Citi

Cheung Kong and Mitsubishi Corp. agreed to establish a new joint venture dedicated to aircraft leasing. Cheung Kong owns 60% and Mitsubishi owns 40% of the joint venture.

MC Aviation Partners, which is wholly owned by Mitsubishi, will transfer a seed portfolio of 15 aircraft to the joint venture out of the 100 it already owns or manages.

The joint venture will enter into a servicing agreement with MC Aviation Partners that will recommend deals to enable the purchase of further aircraft assets.

With average remaining leases of 7.3 years, these aircraft should be a cash cow, delivering very stable cash earnings to Cheung Kong immediately after the acquisition.

Aircraft leasing is a growing sector with strong demand from Asia.

***FinanceAsia* will toast the winners at a cocktail reception at the Palace Hotel in Tokyo on May 28.**