

BUSINESS

BUSINESS FRONT LINE

Banker flooring it along toll road to profit

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Ducking missiles in Baghdad at the height of the Iran-Iraq War, venturing into Col. Moumar Qaddafi's lair during the Libyan leader's 39th birthday and being one of the few Japanese to survive the 1991 Gulf War type of experiences that would drive most people to seek safer shores. But not entrepreneurial banker Takehiro Hashimoto, whose willingness to take risks now has him on possibly his most challenging mission yet—opening up Japan's huge infrastructure assets to private investors.

The energetic, 47-year-old heads the Japanese corporate finance section of Australia's Macquarie Bank Ltd., which in March established the Japan Infrastructure Group (JIG) in a fifty-fifty joint venture with Development Bank of Japan.

The announcement may not have sparked much excitement in the competition but it has a low profile in Japan, but it Hashimoto and his team achieve their ambitious goals, the bank's name and its "holy dollar" symbol may start getting a lot more attention here.

Formed with a mandate to invest in Japanese infrastructure assets, JIG's first investment was the Hakone Turnpike, a 15.8-kilometer toll road in Kanagawa Prefecture that connects Odawara to the tourist destinations of Hakone and the Izu Peninsula.

At a cost of ¥1.2 billion, the road was hardly a big squeeze on Macquarie's ¥1.5 billion investment in the competition in Australia, but it was a big deal for the bank as of March 31. The significance of the move was the fact that it was the first foreign equity investment in a Japanese toll road.

And many more are to come, at least if Hashimoto has his way.

Speaking to The Daily Yomiuri in Tokyo, the investment banker said he had scoured the country for potential infrastructure investments since joining Macquarie in January 2002. In a nation home



The Daily Yomiuri



Courtesy of Macquarie Bank

Left: Macquarie Bank's Japan corporate finance chief Takehiro Hashimoto discusses his plans at an interview in Tokyo. Above: A section of the Hakone Turnpike in Kanagawa Prefecture

"When we went to Tokyo and said we were the buyer, they didn't believe in us for some time. It took three months to convince them that we were serious," he said. According to Hashimoto, the Shibuya Ward, Tokyo-based railway operator had not expected a buyer for the road built in 1965 as part of the firm's plan—blocked by the government—to build a highway from Shibuya through to Hakone and the Izu Peninsula. After Tokyo finally agreed to sell the road, Hashimoto said his bosses in Sydney called it the "smallest, quietest road" Macquarie has ever acquired.

"Hakone Grand Prix" But the quiet country road may yet shake up the roost of racing cars. In addition to a restructuring measure, Tokyo attributed its decision to sell the road to a decline in the number of tourists to Hakone, a resort area that attracts about 10 million visitors each year and is only a day trip from the capital. While Hashimoto said vis-

The changes have already caused a stir with the locals, with The Yomiuri Shinbun reporting complaints over Macquarie's closure of a popular restaurant at the top of a hill said to boast the area's best views of Mt. Fuji. Hashimoto said it would accept as soon as the bank found a tenant for the building. He said the main business—but he emphasized his main focus was on measures to boost traffic.

"No toll roads in Japan have ever done any kind of major promotion because they didn't need to. They thought they were in a position to just wait for the users to come," he said.

Pointing out that he had not seen many advertisements for toll roads in Japan, Hashimoto said he had about 20 different ideas for boosting visitor numbers, with the road's toll revenue being used to fund them. He said he would like to see if they used it, at about the same price as the alternatives.

Ideas man

Promoting ideas has been the story of Hashimoto's career, although one that did not always turn out successfully. After graduating from Keio University, he joined major trading house Tochu Corp., for which he spent the first 10 of his 20 years with the firm selling power-related equipment in the Middle East and elsewhere.

He said he may be one for the future, but in the meantime Hashimoto has spared no efforts in reorganizing the road's management. "We didn't think the former operation was ideal at all," he said. "And that was the reason why we were interested in this asset—we thought there were lots of areas we could rationalize."

Noting the difficulty of making a direct comparison, Hashimoto nevertheless said Macquarie's average annual budget for the road over the next five years was 60 percent of the former operator's as a result of operational improvements.

Tochu, feeling the pain of the post-bubble fallout, started to divest many of its businesses. Frustrated by a lack of opportunities, Hashimoto readily accepted an offer from Enron Corp.'s Japanese arm to help sell derivatives to "manage risk in commodities prices." However, the U.S. energy trader collapsed in scandal, and Hashimoto jumped ship to Macquarie.

Going public

The bank's entrepreneurial culture has matched the ambitions of Hashimoto, who said many more investments were planned.

"We're talking about investing in a number of toll roads, railways and airports, although most of the discussions are still at the initial stage," he said. "The key to our success is to have a strong financial expansion has been its specialist fund management model, which has allowed it to become the world's largest single global manager of infrastructure assets, with A\$18 billion of equity under management as of March 31.

As an investment bank, Hashimoto said Macquarie only invested in assets if it was confident of being able to attract other investors later. He hopes to secure JIG's listing in Japan within the next five years, once it has sufficient assets.

Such a listing would give Japanese investors a way to support the firm's stable and secure returns offered by infrastructure.

"If we look at Japan, there's a huge amount of money which doesn't know where to go. People are buying government bonds because there's no opportunities to invest—it's crazy. So if we could create that type of product or opportunity for investors, we would have access to a huge amount of money," he said.

For a bank known as the "millionaires factory" in Australia for its lucrative rewards for high earners, Hashimoto could be one of the highest paid bankers off the ground—and many investors may well enjoy the ride, too.