

Dec 02, 2020

## R&I Affirms A-, Stable: Renewable Japan Energy Infrastructure Fund, Inc.

Rating and Investment Information, Inc. (R&I) has announced the following:

**ISSUER:** Renewable Japan Energy Infrastructure Fund, Inc.  
**Issuer Rating:** A-, Affirmed  
**Rating Outlook:** Stable

### RATIONALE:

Renewable Japan Energy Infrastructure Fund, Inc. (RJIF) is an infrastructure fund that was listed in 2017. It invests in renewable energy facilities such as solar power generation facilities. The main sponsor is Renewable Japan Co., Ltd., which engages in the development and management of renewable energy facilities. In March 2020, Tokyu Land Corp. (TLC), a major real estate company with an extensive track record in renewable energy business, acquired a 33.4% share in RJIF's asset manager and became a second sponsor.

Its asset size is 34.8 billion yen, with a total panel output of 88 megawatts. With as many as 46 properties, RJIF has a diverse portfolio compared to other infrastructure funds, as suggested by the largest property accounting for only 12% of the portfolio in terms of panel output. The portfolio is well diversified also in terms of geography, which helps mitigate weather risk, disaster risk and power output control risk and contributes to stabilizing Operator SPC's revenues from electricity sales, the source of rent payments to RJIF. All power generation facilities held by the fund operate under the feed-in tariff system (FIT), and the electricity selling prices are fixed over a long period of time. With this underpinning the stability of cash flow, RJIF's actual revenue from electric power sales since its IPO is about the same as the projection (cumulative total through the seventh fiscal period).

The main sponsor has a rich pipeline of properties with a total panel output amounting to 528 megawatts. By acquiring these properties one after another, the fund will likely make headway in expanding and diversifying its assets.

For operator and operation and maintenance (O&M) activities, the fund capitalizes on the management capability of Renewable Japan, which has proven experience as a renewable energy company. Meanwhile, the lessee is a bankruptcy-remote SPC, and the SPC reserves cash to achieve greater certainty of rent payments. In the event that the reserve falls below a certain level, Renewable Japan, and then TLC, will make additional contributions. On top of this scheme, a backup O&M contractor has been appointed to enhance the stability of management.

The LTV ratio was 55.8% as of July 2020, but is expected to decline moderately with contractual debt repayments. Currently, the fund's borrowings are secured loans that mostly have floating rates. The challenge facing RJIF is to raise funds through unsecured debt while broadening transactions with financial institutions. Another task to be addressed is to strengthen its funding base with an eye toward fixing interest rates.

The Rating Outlook is Stable. Cash flow from the fund's assets is highly stable. While the asset size is small, its portfolio is diversified and will likely become even more diverse through property acquisitions that take advantage of the extensive pipeline. R&I will continue to keep an eye on to what extent the fund can improve funding.

The primary rating methodology applied to this rating is provided at "Rating Methodology for Infrastructure Funds". The methodology is available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

[https://www.r-i.co.jp/en/rating/about/rating\\_method.html](https://www.r-i.co.jp/en/rating/about/rating_method.html)

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**R&I RATINGS:****ISSUER:****Renewable Japan Energy Infrastructure Fund, Inc. (Sec. Code: 9283)****Issuer Rating****RATING:****A-, Affirmed****RATING OUTLOOK:****Stable**

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