

# Kansai International Airport Company, Ltd.

## 1. Summary of operations implemented using FILP funds

To facilitate air transportation and contribute to the overall development of civil aviation, basic airport facilities (runways, aprons, etc.) and air navigation facilities for aviation at the Kansai International Airport.

Note: Operations not eligible for FILP include the building and administration of passenger and cargo facilities and refueling facilities.

## 2. Amount of lending under FY 2001 FILP

(Unit: billion yen)

FY 2001 FILP	Estimated outstanding amount of FILP lending at end of FY 2000
60.9	385.3

Note: Entirely financed by government guaranteed bonds and capital

## 3. Outcome and social and economic benefits of operations

- 1) In order to appropriately cope with the air transportation demand of the Kansai area which is expected to increase in the future, the 2nd construction project of the airport is absolutely necessary. The project will greatly contribute to the future development of our economy through the expansion of the international and domestic air network and the improvement of users' convenience in passenger and cargo transportation.
- 2) Main features of the 2nd construction project:
  - Airport area: about 540 ha
  - Runway: 4,000 m × 1
  - Operation: 24 hours a day
  - Capacity for landings and takeoffs: about 230,000 a year

(Reference)

Main features of the 1st construction project:

- Airport area: about 510 ha
- Runway: 3,500 m × 1
- Operation: 24 hours a day
- Capacity for landings and takeoffs: about 160,000 a year

Performance in FY 2000 (temporary figures)

- Landings and takeoffs: 124,112/year
- Passengers: 20,570,000
- Cargo: 970,000 tons

## 4. Estimated policy (subsidy) cost of the project

Outline of estimate

- 1) An estimate has been made for the project to construct basic airport facilities using government guaranteed bonds. Projects with loans provided by the Development Bank of Japan are excluded.
- 2) In order to cope with increasing demand for air transportation, the estimate is about the expansion work of the existing facilities and the 2nd construction project started in FY 1996.
- 3) An analysis has been made for the 35-year period during which all interest-bearing debts will be redeemed.
- 4) Future operating revenues have been calculated based on the realistic and conservative demand estimate included in the project's prospects, published in November 2000, which takes into account the impacts of other airports.
- 5) A calculation of revenues and expenses was made based on the analysis assumptions above; and capital investments needed to carry out the operation and corporate tax to the national treasury have been calculated.

Policy (subsidy) cost — (Analysis period: 35 years) (Unit: billion yen)

1. Subsidies from the national treasury	
2. Opportunity cost of capital investment from the national treasury	91.3
Subtotal (1 + 2)	91.3
3. Corporate tax, etc.	-33.5
Subtotal (1 + 2 + 3)	57.8
4. Decreased cost of loss	-55.7
Total (1 + 2 + 3 + 4 = policy cost)	2.2

(Reference)

Budgeted amount of subsidies and capital investment in FY 2001

Subsidies: —  
Capital investment: ¥0.1 billion

## 5. Projections in the analysis

- 1) Air transportation demand is estimated, based on the realistic and conservative case incorporated in the project's prospects published in November 2000. Past performance and impacts of other airports are taken into account.

	FY 1999 (Result)	FY 2000 (Estimated)
Landings and take offs	118,000/year	124,000/year

- 2) Airport construction costs:

(Unit: billion yen)

	FY 1999 (Result)	FY 2000 (Estimated)	FY 2001 (Planned)
Landings and take offs	107.6	103.0	69.0

Airport construction costs in and after FY 2001 are estimated to be ¥837.7 billion

## 6. Reasons for granting of subsidies, mechanism and underlying laws

Since the Kansai International Airport is an airport for a large urban area and since its development projects will greatly serve the interests of the public and contribute to our socioeconomic development by providing a better international and domestic air network, it receives capital and interest-free loans from the budget's special account for developing airports and special account for industrial investment.

(Underlying laws and regulations)

Article 13 of the Kansai International Airport Company, Limited Law;

If, of the profits reported in the settlement of accounts of each operating year, the amount of the profits specified by the government ordinance exceeds the total of the amounts specified in the following provisions, the Company shall pay the exceeded amount to the national treasury within three months of the end of each operating year.

- (1) the amount necessary to pay the dividends at the rate specified by the ordinance of Article 11
- (2) the amount of retained earnings set aside on the provision of Article 288 of the Commercial Code (the Law 48 of the year 1899)
- (3) the amount of development reserve funds for the Kansai International Airport provided for in the next article, if the funds are set aside
- (4) the amounts necessary to conduct the disposal of profits which is required by the ordinance

The law backing the governmental investment:

Clause 2, Article 4 of the Kansai International Airport Company, Limited Law

The government shall always own half or more of the issued stocks of the Company.

## 7. Special remarks

- 1) The Kansai International Airport Company, Limited is a special corporate body established in October 1984, based on the Kansai International Airport Company Limited Law. It built the airport and opened it in 1994 and is operating it. The company is currently conducting expansion work to start the operation of a second runway in 2007.
- 2) As for construction work of the second runway, the scheme of funds has been changed. For example, the percentage of interest-free loans has been increased to 55% from 30% for the reclamation works.
- 3) If operating revenues of each operating year are reduced by 10%, policy costs will increase ¥122.9 billion.

*(Reference)* Financial Statements

## Balance Sheet

(Unit: million yen)

Assets				Liabilities and capital			
Item	End of FY 1999 (Result)	End of FY 2000 (Estimated)	End of FY 2001 (Planned)	Item	End of FY 1999 (Result)	End of FY 2000 (Estimated)	End of FY 2001 (Planned)
Current assets	27,558	28,861	35,291	Current liabilities	110,919	98,271	62,729
Cash and deposits	15,015	22,110	28,366	Accounts payable	935	969	1,008
Accounts receivable	5,190	4,087	4,151	Bonds payable within 1 year	90,250	83,750	37,230
Securities	4,830	0	0	Loans payable within 1 year	2,981	3,853	15,491
Merchandise, raw materials, stocks	1,183	1,183	1,183	Accrued payments	11,333	3,664	2,649
Other current assets	1,357	1,480	1,591	Accrued expenses	3,111	3,525	3,793
Reserve for bad loans	-17	0	0	Income taxes payable	6	6	6
Fixed assets	1,501,977	1,568,051	1,603,092	Advance by customers	1,671	1,602	1,646
Fixed assets for airport operations	1,219,980	1,194,573	1,193,686	Other current liabilities	633	903	906
Tangible fixed assets	1,378,108	1,384,507	1,415,439	Fixed liabilities	1,029,808	1,084,214	1,141,606
Total depreciation amount	-165,872	-196,656	-227,454	Bonds payable	623,485	637,060	682,340
Intangible fixed assets	7,745	6,722	5,701	Long-term loans payable	377,936	418,533	434,942
Fixed assets for railroad operations	88,384	85,906	83,431	Reserve for employee retirement	207		
Tangible fixed assets	102,115	102,115	102,115	Reserve for retirement benefits		312	366
Total depreciation amount	-13,734	-16,212	-18,685	Leaseholds payable	25,072	25,301	21,051
Intangible fixed assets	3	2	1	Other fixed liabilities	3,108	3,008	2,907
Fixed assets for other operations	6,486	6,345	6,203	Total liabilities	1,140,727	1,182,485	1,204,335
Tangible fixed assets	7,442	7,442	7,442	Capital	547,800	592,050	626,700
Total depreciation amount	-964	-1,104	-1,245	From the government	365,200	394,700	417,800
Intangible fixed assets	8	7	6	From local governments	106,575	120,250	131,225
Construction work in progress	185,311	279,488	318,031	From the private sector	76,025	77,100	77,675
Investments	1,816	1,740	1,741	Deficit			
Deferred assets	1,832	1,873	2,146	Unappropriated deficit	-157,159	-175,749	-190,506
Stock issue costs	122	114	103	(Net loss)	-23,867	-18,590	-14,756
Bond issue costs	592	479	589	Total capital	390,641	416,301	436,194
Discounts on bonds payable	1,118	1,280	1,454				
<b>Total assets</b>	<b>1,531,368</b>	<b>1,598,786</b>	<b>1,640,530</b>	<b>Total liabilities and capital</b>	<b>1,531,368</b>	<b>1,598,786</b>	<b>1,640,530</b>

## Income Statement

(Unit: million yen)

Expenses				Revenues			
Item	FY 1999 (Result)	FY 2000 (Estimated)	FY 2001 (Planned)	Item	FY 1999 (Result)	FY 2000 (Estimated)	FY 2001 (Planned)
Airport operating expenses	91,341	91,630	93,557	Airport operating revenues	111,448	113,542	114,884
Facility operating expenses	38,620	38,303	39,908	Airport dues	26,438	26,392	25,207
Costs of goods sold	7,961	8,617	8,997	Fees for using facilities	65,659	67,323	68,955
Sales and administration expenses	12,436	12,330	12,847	Revenues of directly managed operations	18,052	18,653	19,513
Depreciation	32,324	32,380	31,805	Miscellaneous operating revenues	1,298	1,173	1,210
Expenses for operating railroad	3,696	3,676	3,717	Railroad operating revenues	5,042	5,424	5,443
Operating expenses of facilities	857	847	883	Fees for using facilities	5,042	5,424	5,443
Administration expenses	200	196	205	Non-operating revenue	279	147	54
Depreciation	2,639	2,632	2,629	Extraordinary revenues	223	0	0
Non-operating expenses	45,455	42,283	37,859	Net loss	23,867	18,590	14,756
Interest expenses	44,475	41,302	36,997				
Other non-operating expenses	980	981	862				
Extraordinary losses	361	109	0				
Corporation tax, inhabitants tax and enterprise tax	6	6	6				
<b>Total</b>	<b>140,859</b>	<b>137,703</b>	<b>135,138</b>	<b>Total</b>	<b>140,859</b>	<b>137,703</b>	<b>135,138</b>

Note: 1. The documents include operations other than the ones implemented using FILP.

2. The figures are rounded off, sometimes causing the total of the figures to not be in accordance with the total sum described.