

# Central Japan International Airport Co., Ltd.

<https://www.centrair.jp/corporate/>

## 1. Summary of operations implemented using FILP funds

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

Note: Operations not eligible for FILP include the building and administration of convenient facilities of the function of the Central Japan International Airport (passenger and cargo facilities, offices and shops, observation facilities, etc.).

## 2. Amount of lending under FY2019 FILP

(Unit: billion yen)

FY2019 FILP	Estimated outstanding amount of FILP lending at the end of FY2018
3.4	144.4

## 3. Estimated policy cost analysis of the project

### (1) Policy cost (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-13.4	-12.7	+0.8
3. Opportunity cost of capital investments, etc.	-39.6	-37.5	+2.1
<b>Total (1+2+3=policy cost(A))</b>	<b>-53.1</b>	<b>-50.2</b>	<b>+2.9</b>
Analysis period (years)	17 years	16 years	-1 year

### (2) Breakdown of policy cost by the time of the provision of funds (Unit: billion yen)

Category	FY2018	FY2019	Fluctuation
(A) Policy cost (previously cited)	-53.1	-50.2	+2.9
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	3.7	3.2	-0.5
2) Policy cost expected to be newly accrued during the analysis period	-56.8	-53.4	+3.4
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-13.4	-12.7	+0.8
Opportunity cost of surplus, etc.	-43.3	-40.7	+2.6
Opportunity cost of capital investments, etc.	-	-	-

### (3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2018	FY2019	Simple fluctuation
		Simple comparison (before adjustment)	-53.1	-50.2
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2019 analysis)	-51.0	-50.6	+0.4
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2018)			<b>Real fluctuation (2-1)</b>

[Real fluctuation factor analysis]

#### ○Factors behind policy cost increase

- Increase in cost due to new capital investment responding to growth in the number of passengers (+7.0 billion yen)
- Increase in cost due to increase in expenses accompanying growth in the projected number of passengers (+5.1 billion yen)

#### ○Factors behind policy cost decrease

- Decrease in cost due to increase in revenues accompanying growth in the projected number of passengers (-11.7 billion yen)

### (4) Sensitivity analysis (cases where assumptions change)

(Unit: billion yen)

(A) Policy cost (previously cited)	Case for raising lending and fundraising rates by 1 %	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-50.2	-29.4	+20.8	-	+1.7	+19.0

(A) Policy cost (previously cited)	Case for cutting operating revenue by 10%	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
-50.2	-39.3	+10.9	-	+2.4	+8.5

(Note) Components in each column may not add up to the total because of rounding.

\* Government revenue (payments to the government, etc.) is booked as a negative amount. Example: -10 b. yen for 10 b. yen in payments to government, etc.

#### 4. Outline of estimation and project prospect employed in the analysis

- 1) The estimation covers a part of the projects to improve the Central Japan International Airport such as the projects subject to government-guaranteed bonds including the construction of basic airport facilities. The estimation does not take into consideration the projects subject to a loan program of the Development Bank of Japan.
- 2) The analysis period is for 16 years, until the completion of the government-backed bond redemption.
- 3) The operational revenue was estimated on the basis of the demand forecasting presented by the Council of Transport Policy, the Ministry of Land, Infrastructure, Transport and Tourism in June 2007, coupled with recent situations.

(Unit: billion yen, 10,000 times/year)

FY	Result			Estimated 2018	Planned 2019	Assumptions for calculation		
	2015	2016	2017			2020	2025	2030
Operational revenue	54.5	54.1	58.4	64.7	66.1	64.6	73.0	74.1
Aircraft movements	9.8	10.1	10.1	10.4	11.4	11.6	13.0	13.0

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

**(Reason)**

Since the Central Japan International Airport Improvement Project is a highly public project which urgently improves an international hub airport in the metropolitan area and contributes to the development of Japan's economic society through enhanced international and domestic aviation networks, capital investments and interest-free loans have been received from the Automotive Safety Special Account in order to cover a part of project costs in each fiscal year during the construction period.

**(Mechanism)**

Capital investment: Project cost × 13.3% × 2/5

Interest-free loans: Project cost × 26.7% × 4/5

**(Underlying laws and regulations)**

Article 5 and Article 9 of the Act on the Central Japan International Airport Co., Ltd, Article 2 of the Supplementary Provisions

(Capital investment from the government and local governments)

Article 5: The government, when designating in accordance with the provision of the Paragraph 1 of the preceding Article, shall accept the stock of the designated company within the limits of the budget.

2 The government, when perceiving the need, may additionally invest the designated company within the limits of the budget.

3 Local governments, after the consultation with the Minister of Public Management, Home Affairs, Posts and Telecommunications, may invest the designated company.

4 The designated company, when placing a new issue, must be authorized by the Minister of Land, Infrastructure, Transport and Tourism.

**(Loans)**

Article 9: The government may lend to the designated company interest-free loans as funding to be allocated to expenses required for projects from the Item 1 to 4 of Paragraph 1 of Article 6 within the limits of the budget.

**Supplementary Provisions**

(Exemption of loans)

Article 2: The government, for the time being, may lend to the designated company interest-free loans as a part of funding to be allocated to expenses required for projects in the Article 2, Paragraph 1, Item 1 of (snip) the Act on Special Measures concerning the Promotion of Social Capital Improvement by utilizing the profit on sale of the Nippon Telegraph and Telephone Corporation's stocks in the project of the Article 6, Paragraph 1, Item 1.

2 The redemption period of loans provided in the preceding paragraph is up to 20 years including the period of deferment within five years.

3 The redemption period provided in the preceding paragraph and the repayment method of loans provided in the Paragraph 1 are designated by the government ordinance.

#### 6. Special remarks

1) The Central Japan International Airport Co., Ltd. established on May 1, 1998 was designated as a corporate body to build and manage the Central Japan International Airport by the Minister of Land, Infrastructure, Transport and Tourism on July 1 and has built and managed the Central Japan International Airport which opened in 2005.

2) As interest-free funds, Investments and interest-free loans from local governments and investments from private sector as well as investments and interest-free loans from the government have been invested to the Central Japan International Airport Co., Ltd. Improvement Project, and government-guaranteed bonds and loans from the Development Bank of Japan and private financial institutions have been invested to it as funds with interest. It should be noted that the investment ratio of the private sector is 50% and it has actively utilized private funds and management knowhow.

3) The future revenue growth rate in the abovementioned assumption is based on the current economic situation. If the growth rate is 0.1 percentage points lower than estimated for each year, total operational revenue throughout the analysis period may be 8.7 billion yen (0.76%) less than estimated.

#### (Reference) Outcome and social and economic benefits of operations

The Central Japan International Airport, as Japan's third largest international hub airport in Chubu area after the Tokyo and Kinki areas, will not only meet aviation demands in Chubu area in the 21st century, but also become a foundation of the aviation network supporting international and domestic exchanges and a foundation for future development in Chubu area where population and industries are highly concentrated. It will also bring various social and economic benefits such as promotion of international and domestic exchanges, promotion of efficient distribution systems and development of industries. While it is rather difficult to ascertain the quantitative benefits generated by the operations, the effect of user, supplier, local businesses and residents were calculated based on "the assessment of public works about aviation" (the Ministry of Land, Infrastructure, Transport and Tourism) in February, 2010. The results of the calculation are as follows:

in the case where the social discount factor is set to 4% and the longest analysis period is set to 36 years;

2,008.7 billion yen

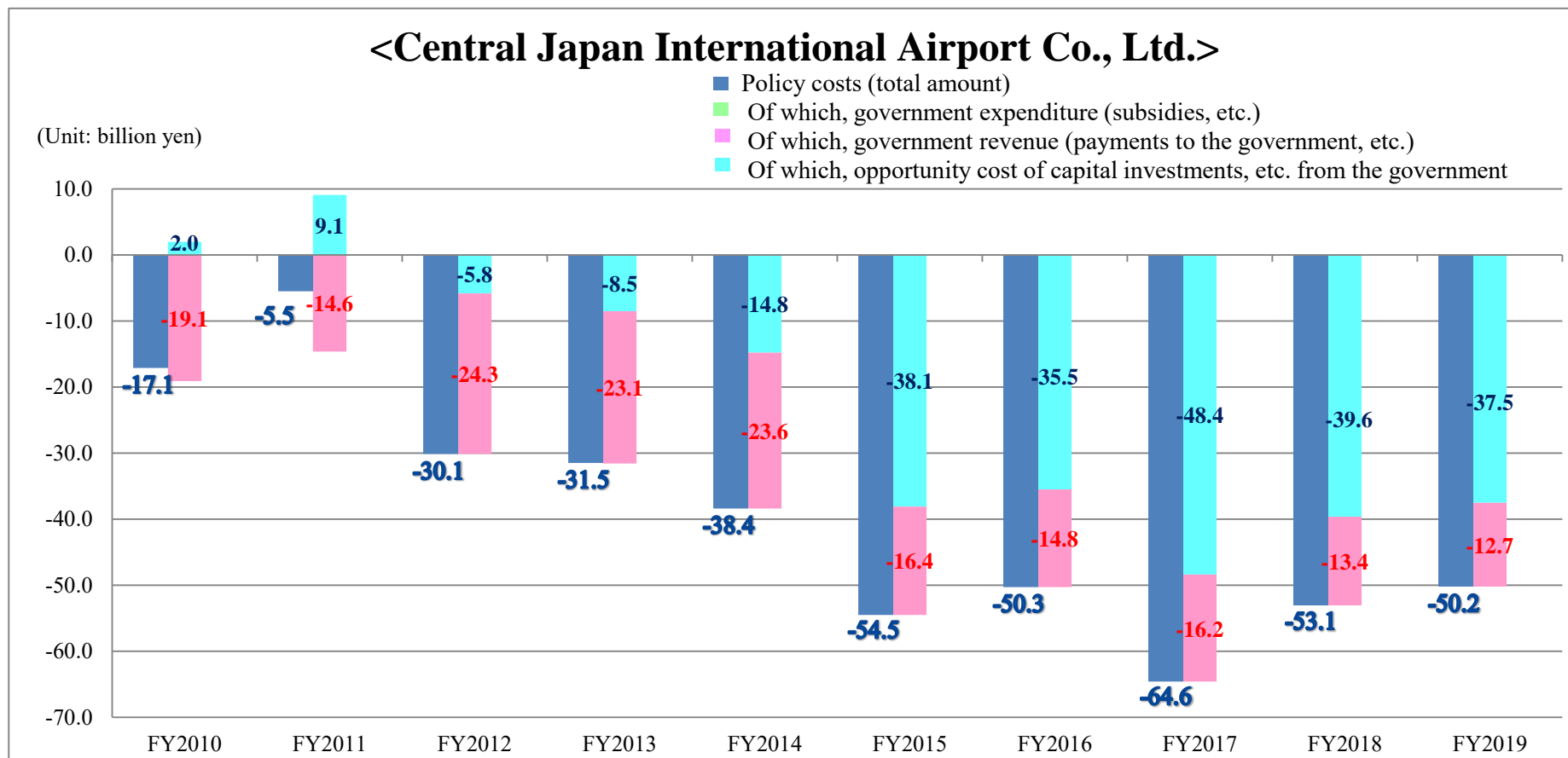
in the case where the social discount factor is set to that of the policy cost analysis;

1,618.5 billion yen

**(Reference)**

Overview of the Central Japan International Airport	Performance in FY2017	Performance in FY2018 (preliminary figures)
• Airport area: about 470 ha	• Aircraft movements: 100,971	• Aircraft movements: 103,310
• Runway: 3,500m × 1	• Passengers: 11.53 million	• Passengers: 12.35 million
• Operation: 24 hours a day	• Cargo: 179,000 tons	• Cargo: 194,000 tons

# (Reference) Changes in Policy Costs by Component



Note: Policy costs for each fiscal year differ in assumptions including interest rates applied to estimates.

**(Point)**

Although policy costs fluctuate, reflecting changes in demand and interest rates, corporation tax exceeding opportunity cost of capital investment, etc. are generated during the analysis period, causing negative policy costs.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)	Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
<b>(Assets)</b>				<b>(Liabilities and equity)</b>			
Current assets	18,869	27,494	13,166	Current liabilities	49,005	37,435	36,697
Cash and bank deposits	13,025	20,210	5,497	Accounts payable	1,304	1,503	1,511
Accounts receivable	3,466	3,839	3,894	Short-term loans payable	2,282	2,282	2,282
Merchandise	1,405	1,620	1,629	Bonds payable within 1 year	31,696	16,397	20,799
Inventory goods	266	298	331	Long-term loans to be repaid within one year	7,474	8,076	8,076
Deferred tax assets	169	166	150	Lease obligations	12	11	3
Prepaid expenses	34	16	23	Accrued payments	4,415	6,789	1,917
Others	517	1,356	1,653	Accrued expenses	113	132	139
Reserves for bad debts	- 13	- 12	- 12	Accrued corporate tax, etc.	644	1,076	732
Fixed assets	426,687	431,319	439,596	Advances received	384	395	401
Tangible fixed assets	409,097	413,307	421,595	Deposits payable	419	507	558
Buildings	59,465	61,532	69,388	Reserve for bonuses	240	243	257
Structures	49,449	45,881	51,889	Reserve for points	23	23	23
Machinery and equipment	4,542	4,701	4,712	Others	1	-	-
Vehicles and transportation equipment	92	74	59	Fixed liabilities	296,859	315,843	306,405
Tools furniture and fixtures	3,292	3,026	5,000	Bonds	139,671	164,783	162,192
Land	290,225	290,266	290,266	Long-term loans payable	150,409	142,333	134,258
Lease assets	25	17	7	Lease liabilities	15	7	4
Construction in progress	2,009	7,809	274	Reserves for retirement pensions	551	639	732
Intangible fixed assets	5,745	6,624	7,064	Reserve for directors' retirement benefits	32	39	46
Trademark rights	7	14	13	Deferred tax liabilities	4,756	6,562	7,694
Software	929	2,581	3,232	Others	1,425	1,479	1,479
Water utility rights	4,177	3,985	3,792	(Total liabilities)	345,864	353,278	343,102
Others	632	44	26	Capital stock	99,953	105,853	109,976
Investment and other assets	11,845	11,388	10,937	Capital	83,668	83,668	83,668
Affiliated companies stock	1,017	1,017	1,017	Financing by the Government	33,466	33,466	33,466
Long-term prepaid expenses	10,815	10,357	9,905	Local government investment	8,368	8,368	8,368
Others	13	14	14	Investment from private sector	41,834	41,834	41,834
Deferred assets	-	-	-	Retained earnings	-	-	-
Bond issue expenses	261	319	316	Other retained earnings	16,285	22,185	26,308
				(Reserve funds (Act on Special Measures Concerning Taxation))	11,531	15,593	18,072
				(Retained earnings brought forward)	4,754	6,592	8,236
				(Total equity)	99,953	105,853	109,976
Total assets	445,818	459,132	453,078	Total liabilities and equity	445,818	459,132	453,078

Note: Components may not add up to the total because of rounding.

## Income Statement

(Unit: million yen)

Item	End of FY2017 (Result)	End of FY2018 (Estimated)	End of FY2019 (Planned)
Sales	58,411	64,700	65,629
Fees for using facilities	32,534	34,740	35,644
Merchandise sales	23,919	27,538	27,274
Other sales	1,958	2,422	2,711
Costs of goods sold	39,221	43,312	45,421
Gross operating profit	19,190	21,388	20,208
Sales and administration expenses	10,423	12,199	13,476
Operating revenue	8,766	9,189	6,732
Non-operating revenue	248	331	245
Interest received	1	1	1
Others	248	330	244
Non-operating expenses	953	920	956
Interest paid	110	107	101
Interest on bonds	755	737	775
Others	88	76	80
Ordinary profit	8,062	8,600	6,021
Extraordinary profits	4	33	-
Extraordinary loss	297	268	250
Net profit before tax	7,768	8,365	5,771
Corporate tax, residence tax and enterprise tax	797	862	526
Income taxes-deferred	1,478	1,603	1,122
Net profit	5,493	5,900	4,123

Note: Components may not add up to the total because of rounding.