

Central Japan International Airport Co., Ltd.

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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 FY2021 FILP

(Unit: billion yen)

FY2021 FILP	Estimated outstanding amount of FILP lending at the end of FY2020
22.1	139.2

3. Estimated policy cost analysis of the project

(1) Policy cost (Unit: billion yen)

Category	FY2020	FY2021	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-8.4	-10.7	-2.3
3. Opportunity cost of capital investments, etc.	-25.6	-30.8	-5.1
Total (1+2+3=policy cost(A))	-34.1	-41.5	-7.4
Analysis period (years)	15 years	21 years	6 years

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

Category	FY2020	FY2021	Fluctuation
(A) Policy cost (previously cited)	-34.1	-41.5	-7.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	1.4	4.0	+2.5
2) Policy cost expected to be newly accrued during the analysis period	-35.5	-45.5	-10.0
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-8.4	-10.7	-2.3
Opportunity cost of surplus, etc.	-27.1	-34.7	-7.7
Opportunity cost of capital investments, etc.	-	-	-

(4) Sensitivity analysis (cases where assumptions change) (Unit: billion yen)

(A) Policy cost (previously cited)	Case before the negative interest rate policy*2	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-41.5	-29.1	+12.4	-	+1.3	+11.1

(A) Policy cost (previously cited)	Case of a 1% decrease in operating revenues	Fluctuation			
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-41.5	-40.5	+1.0	-	+0.3	+0.7

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

*1 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.

*2 Assumed interest rates (discount factor and future interest rate) are based on the market yield on Japanese government bonds on January 28, 2016, before the introduction of the negative interest rate policy.

(3) Year-to-Year comparison analysis

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2020	FY2021	Simple fluctuation
		Simple comparison (before adjustment)	-34.1	-41.5
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2021 analysis)	-28.2	-43.7	Real fluctuation (2-1)
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2020)	-28.2	-43.7	-15.5

[Real fluctuation factor analysis]

○Factors behind policy cost increase

- Increase in cost due to a decrease in air traffic demand under the impact of the COVID-19 pandemic (+12.0 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to a decrease in costs under the impact of the COVID-19 pandemic (-16.0 billion yen)

- Decrease in cost due to an increase in corporation tax, etc. accompanying increase in the analysis period (-8.5 billion yen)

- Decrease in cost due to a decrease in capital investment under the impact of the COVID-19 pandemic (-3.0 billion yen)

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 21 years (to FY2041), 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	Planned	Assumptions for calculation			
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Operational revenue	58.4	63.6	64.9	13.6	40.4	51.8	58.5	63.6	64.9
Aircraft movement	10.1	10.3	11.3	4.1	7.0	8.9	10.9	11.3	11.6

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 \times 13.3% \times 2/5

Interest-free loans: Project cost \times 26.7% \times 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.

(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:

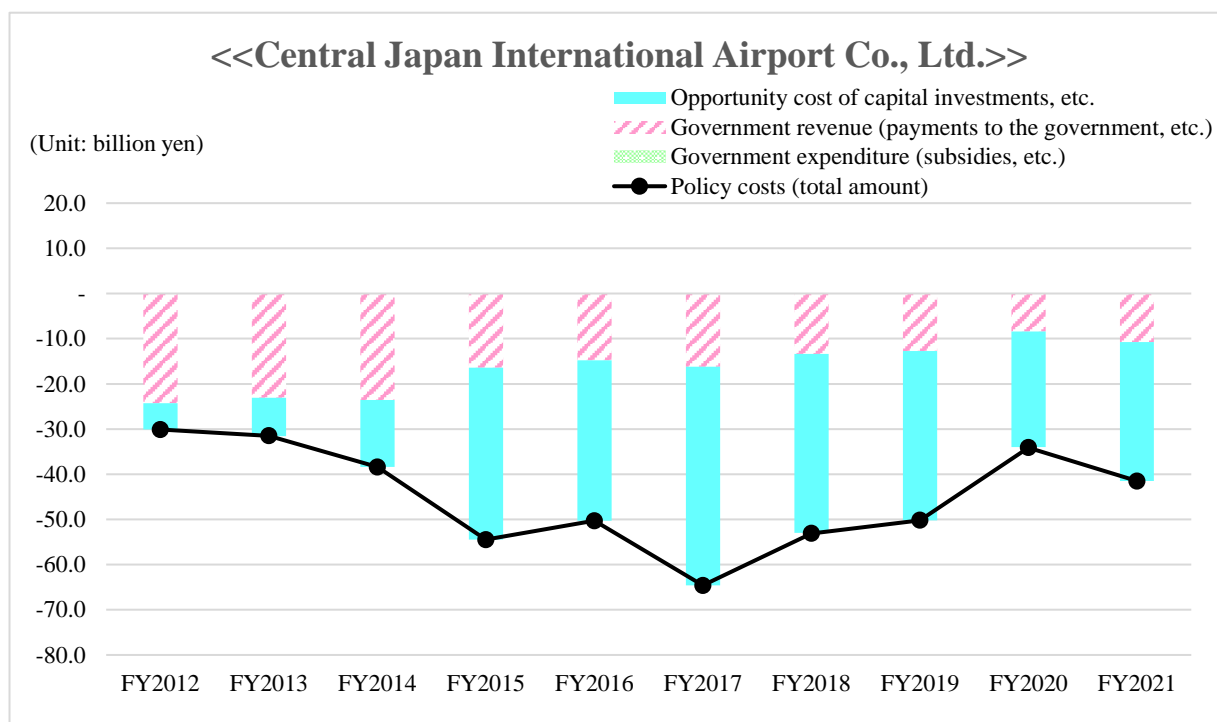
in the case where the social discount factor is set to 4% and the longest analysis period is set to 34 years;
2,013.8 billion yen

in the case where the social discount factor is set to that of the policy cost analysis;
2,197.4 billion yen

(Reference)		
Main features of Phase I construction project:	Performance in FY2019	Performance in FY2020 (preliminary figures)
• Airport area: about 470 ha	• Aircraft movements: 112,643	• Aircraft movements: 41,862
• Runway: 3,500m \times 1	• Passengers: 12.60 million	• Passengers: 2.02 million
• Operation: 24 hours a day	• Cargo: 172,000 tons	• Cargo: 104,000 tons

Overview of policy cost analysis results

[Changes in policy costs]



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

(Unit: billion yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Policy costs (total amount)	-30.1	-31.5	-38.4	-54.5	-50.3	-64.6	-53.1	-50.2	-34.1	-41.5
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-24.3	-23.1	-23.6	-16.4	-14.8	-16.2	-13.4	-12.7	-8.4	-10.7
Opportunity cost of capital investments, etc.	-5.8	-8.5	-14.8	-38.1	-35.5	-48.4	-39.6	-37.5	-25.6	-30.8

【Explanation of policy cost trends】

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.

【FILP agency's self-assessment of policy cost analysis results (FY2021)】

Despite a cost increase due to a decline in air transport demand reflecting the COVID-19 pandemic, the policy cost decreased by 7.4 billion yen from the previous year's analysis due to the ensuing reduction of expenses and capital investments and the extension of the analysis period resulting from the issuance of government-backed bonds.

As a result of the analysis, despite a temporary deterioration of the financial situation due to the COVID-19 pandemic, it is expected that the capital-to-asset ratio will increase steadily and operating cash flow will remain stable and robust in the period after air transportation demand has recovered and that financial soundness will be maintained, with fiscal investment and loans being sufficiently redeemable.

In the sensitivity analysis in which the assumed interest rates (the discount factor and future interest rate) were based on Japanese government bond market yields before the minus interest rate policy introduction, the policy cost amount increased by 12.4 billion yen. This is because interest rate hikes cause drops in reserves (airport development reserves, accumulated profit) and in corporation tax payments. In this case, as in the basic case, the capital-to-asset ratio is expected to increase steadily, indicating that in the future, it will be important to achieve an early recovery and expansion of air transportation demand and steadily repay interest-bearing loans.

In the case that assumes a 1% decrease in operating revenues, the policy cost increased by 1.0 billion yen due to decreases in reserves (airport development reserves and accumulated profits) and corporate tax caused by a decline in operating revenues. However, the impact on financial conditions is considered to be minimal.

(Reference) Financial Statements

Balance Sheet

(Unit: million yen)

Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)	Item	End of FY2019 (Result)	End of FY2020 (Estimated)	End of FY2021 (Planned)
(Assets)				(Liabilities and equity)			
Current assets	15,246	16,956	23,640	Current liabilities	37,548	52,618	45,079
Cash and bank deposits	9,043	12,007	16,852	Accounts payable	226	171	970
Accounts receivable	1,561	2,043	2,658	Short-term loans payable	2,889	3,629	2,882
Merchandise	2,193	1,876	2,176	Bonds payable within 1 year	20,799	8,893	23,100
Inventory goods	288	285	282	Long-term loans to be repaid within one year	8,076	33,976	5,459
Prepaid expenses	40	30	30	Lease obligations	5	7	5
Others	2,127	782	1,647	Accrued payments	4,387	4,664	11,402
Reserves for bad debts	- 7	- 67	- 6	Accrued expenses	98	103	122
Fixed assets	433,804	422,447	427,655	Accrued corporate tax, etc.	264	412	148
Tangible fixed assets	416,508	406,440	412,730	Advances received	425	399	414
Buildings	66,633	62,380	70,373	Deposits payable	116	111	328
Structures	46,082	42,449	40,003	Reserve for bonuses	235	220	215
Machinery and equipment	6,675	5,313	5,051	Reserve for points	28	33	33
Vehicles and transportation equipment	81	59	123	Others	0	-	-
Tools furniture and fixtures	6,326	5,341	6,409	Fixed liabilities	301,020	295,425	319,662
Land	290,266	290,266	290,266	Bonds	156,912	184,821	188,515
Lease assets	16	17	13	Long-term loans payable	134,258	100,282	120,723
Construction in progress	428	614	492	Lease liabilities	12	11	8
Intangible fixed assets	6,333	5,528	4,897	Reserves for retirement pensions	664	758	855
Trademark rights	6	7	5	Reserve for directors' retirement benefits	30	37	44
Software	2,473	1,888	1,451	Deferred tax liabilities	7,560	8,014	8,014
Water utility rights	3,792	3,600	3,407	Others	1,583	1,502	1,502
Others	63	34	34	(Total liabilities)	338,568	348,042	364,740
Investment and other assets	10,963	10,479	10,028	Capital stock	110,774	91,695	86,903
Affiliated companies stock	1,017	1,017	1,017	Capital	83,668	83,668	83,668
Long-term prepaid expenses	9,937	9,453	9,002	Financing by the Government	33,466	33,466	33,466
Others	9	9	9	Local government investment	8,368	8,368	8,368
Deferred assets				Investment from private sector	41,834	41,834	41,834
Bond issue expenses	291	334	349	Retained earnings			
				Other retained earnings	27,106	8,027	3,235
				(Reserve funds (Act on Special Measures Concerning Taxation))	18,638	18,638	18,638
				(Retained earnings brought forward)	8,468	- 10,611	- 15,403
				(Total equity)	110,774	91,695	86,903
Total assets	449,342	439,737	451,643	Total liabilities and equity	449,342	439,737	451,643

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

Income Statement

(Unit: million yen)

Item	FY2019 (Result)	FY2020 (Estimated)	FY2021 (Planned)
Sales	64,891	13,640	40,447
Fees for using facilities	35,379	12,402	28,057
Merchandise sales	27,064	780	11,046
Other sales	2,447	458	1,344
Costs of goods sold	44,611	24,644	33,047
Gross operating profit	20,280	- 11,004	7,400
Sales and administration expenses	13,096	7,138	10,708
Operating revenue	7,184	- 18,142	- 3,308
Non-operating revenue	578	302	87
Interest received	1	1	1
Others	577	301	86
Non-operating expenses	794	737	1,066
Interest paid	98	92	87
Interest on bonds	606	546	539
Others	90	99	440
Ordinary profit	6,967	- 18,577	- 4,287
Extraordinary profits	4	550	-
Extraordinary loss	449	594	500
Net profit before tax	6,522	- 18,621	- 4,787
Corporate tax, residence tax and enterprise tax	639	5	5
Income taxes-deferred	1,271	453	-
Net profit	4,612	- 19,079	- 4,792

Note: Amounts of less than one million yen are rounded down.