

# Narita International Airport Corporation

<https://www.naa.jp/jp/>

## 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 Narita International Airport.

## 2. Amount of lending under FY2020 FILP

(Unit: billion yen)

FY2020 FILP	Estimated outstanding amount of FILP lending at the end of FY2019
400.0	-

## 3. Estimated policy cost analysis of the project

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

Category	FY2019	FY2020	Fluctuation
1. Government expenditure (subsidies, etc.)	-	3.2	+3.2
2. Government revenue (payments to the government, etc.)*1	-	-444.4	-444.4
3. Opportunity cost of capital investments, etc.	-	23.4	+23.4
<b>Total (1+2+3=policy cost(A))</b>	<b>-</b>	<b>-417.8</b>	<b>-417.8</b>
Analysis period (years)	- years	31 years	+31 years

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

Category	FY2019	FY2020	Fluctuation
(A) Policy cost (previously cited)	-	-417.8	-417.8
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	-	12.9	+12.9
2) Policy cost expected to be newly accrued during the analysis period	-	-430.6	-430.6
Government expenditure (subsidies, etc.)	-	3.2	+3.2
Government revenue (payments to the government, etc.)*1	-	-444.4	-444.4
Opportunity cost of surplus, etc.	-	6.7	+6.7
Opportunity cost of capital investments, etc.	-	3.9	+3.9

### (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.
-417.8	-264.6	+153.2	-	+117.8	+35.4

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

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2019	FY2020	Simple fluctuation
		Simple comparison (before adjustment)	-	-417.8
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2020 analysis)		2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2019)	Real fluctuation (2-1)

Exempted from policy cost analysis in the previous year

(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.

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

- 1) The New Tokyo International Airport Authority was inaugurated in July 1966 under the New Tokyo International Airport Authority and replaced by Narita International Airport Corporation in April 2004 under the Narita International Airport Corporation Act to operate Narita International Airport. The policy cost analysis covers Narita International Airport Corporation alone.
- 2) The estimation covers all operations.
- 3) Revenues from FY2021 are estimated based on the business assessment committee's basic case demand projections regarding the assessment of a Narita International Airport runway addition project at the time of the project's adoption.
- 4) Expenses from FY2021 are estimated based on the business assessment committee's basic case demand projections regarding the assessment of a Narita International Airport runway addition project at the time of the project's adoption. Expenses will increase due to a new runway's entry into service in FY2026 and fall from FY2043 due to the end of the asset depreciation period.

##### 【Assumptions】

Domestic economic growth: The "Fiscal 2019 Economic Outlook and Basic Stance for Economic and Fiscal Management" (January 28, 2019, Cabinet Decision) was used for FY2018-2019. For the FY2020-2040 period, the average annual GDP change for the past decade (FY2009-2019) was used for the low-growth (basic) case, and the annual economic growth target of 2% in the "Japan Revitalization Strategy" (June 14, 2013, Cabinet Decision) for the middle-growth case.

Future population: The medium-fertility and medium-mortality projections in the "Regional Population Projections for Japan" (March 2013) by The National Institute of Population and Social Security Research were adopted.

Overseas economic growth: Prepared from International Monetary Fund and other forecasts

Aircraft (number of passengers per flight): Based on actual data by region at Narita International Airport in FY2017

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

Narita International Airport is an international hub airport contributing to the development of the global aviation network and the development of the airport represents a highly public project contributing to the development of Japan's economy and society through the enhancement of international and domestic aviation networks. Therefore, Narita International Airport Corporation receives capital investments and subsidies from the special account for automobile safety and the General Account.

[Underlying laws and regulations]

<Article 14, Supplementary Provisions, Narita International Airport Corporation Act>

(Government capital investments)

Article 14: The Government for the time being may make capital investments in the Corporation within the amount specified in its budget when such investments are found necessary.

<Article 10, Supplementary Provisions, Narita International Airport Corporation Act>

(Grant to the Government)

Article 10

1. Shares in the Corporation that the Authority would acquire through capital investments in the Corporation shall be granted to the Government when the Corporation is founded.

2. Shares in the Corporation to be granted to the Government according to the previous item shall belong to the General Account or the special account for airport development as provided for by Cabinet Order.

<Article 2, Supplementary Provisions, Implementation Order, Narita International Airport Corporation Act>

(Attribution of rights involving shares)

Article 2: Rights on shares in the Corporation to be granted to the Government as provided for by Article 10, Item 1 of the Supplementary Provisions for the Narita International Airport Corporation Act shall be attributed to the General Account or the special account for airport development in accordance with the amount of capital investments from the General Account or the special account for airport development.

#### 6. Special remarks

None

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

Social and economic benefits of public works projects are estimated in the following way:

B: Total benefits (100 million yen) 51,400 C: Total costs (100 million yen) 15,100 B/C 3.4

B-C (100 million yen) 36,300 EIRR (%) 9.6

##### 【Breakdown of benefits】

User benefits: 4,000 billion yen

Time and cost savings: 3,670 billion yen (4 billion yen in domestic services, 3,666 billion yen for international services)

Flight frequency-boosting effect: 330 billion yen (1 billion yen for domestic services, 329 billion yen for international services)

Supplier benefits: 40 billion yen

Revenues: 1,030 billion yen (landing/staying fee income at 210 billion yen, support facility fee income at 160 billion yen)

Expenses: 990 billion yen (control expense at 20 billion yen, environment/maintenance expense at 590 billion yen)

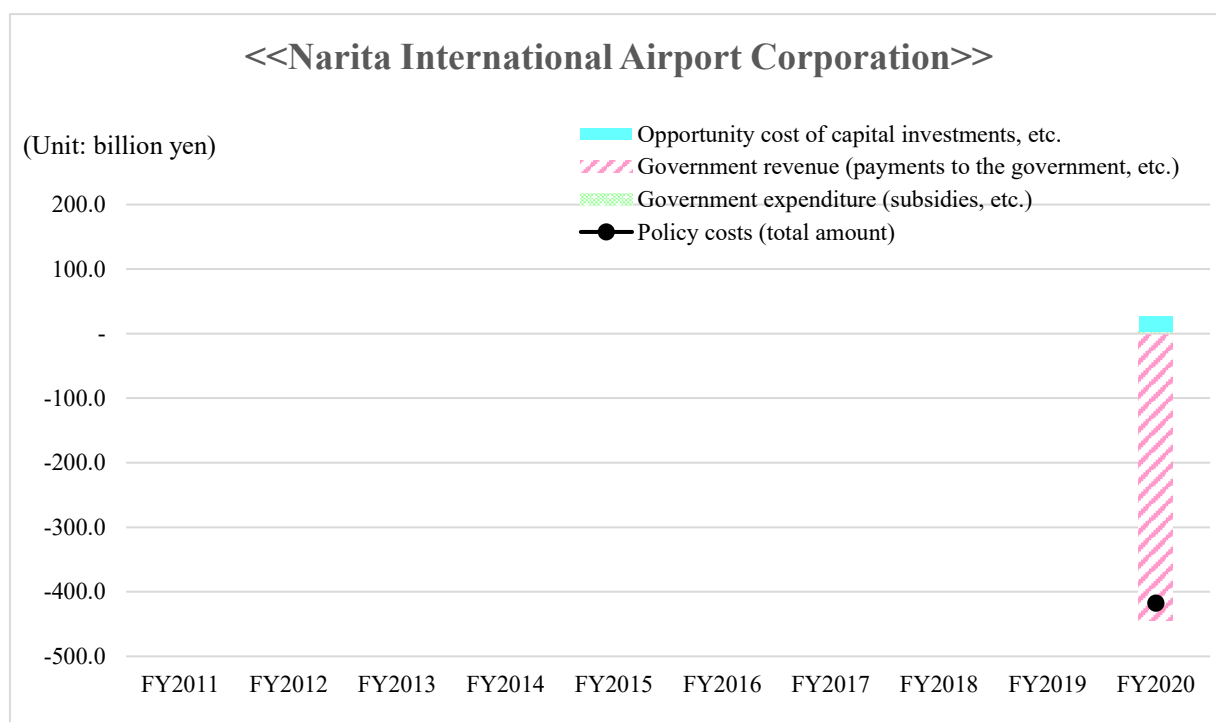
Residual value: 1,100 billion yen

• in the case where the social discount factor is set to 4% and the longest analysis period is set to 60 years: 5,345.5 billion yen

• in the case where the social discount factor is set to that of the policy cost analysis: 23,133.5 billion yen

# 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)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Policy costs (total amount)										-417.8
Government expenditure (subsidies, etc.)										3.2
Government revenue (payments to the government, etc.)										-444.4
Opportunity cost of capital investments, etc.										23.4

### 【Explanation of policy cost trends】

Government subsidies and costs for airport construction under contract are positive costs for airport development, while dividends on surplus funds and corporation tax revenue are negative costs.

### 【FILP agency's self-assessment of policy cost analysis results (FY2020)】

#### ○Characteristics of current fiscal year costs

FY2020 saw 3.2 billion yen in Government expenses and 23.4 billion yen in the opportunity cost of capital investments, etc. against 444.4 billion yen in Government revenues, resulting in a negative policy cost.

Estimation results included no abnormal points, indicating that financial soundness is secured.

#### ○Sensitivity analysis results

In the sensitivity analysis, payments to the Government decreased by 117.8 billion yen from the basic case due to a fall in annual net profit resulting from the differences in the assumed interest rate and discount factor, with the opportunity cost of capital investments, etc. increasing by 35.4 billion yen, indicating great impacts on the Corporation's financial conditions.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)	Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
Current assets	42,755	56,628	480,550	Current liabilities	115,998	110,428	134,696
Cash and bank deposits	23,306	34,165	460,337	Accounts payable	6,778	6,778	6,778
Accounts receivable	16,102	18,065	16,102	Short-term loans payable	30,549	30,549	30,549
Lease investment assets	721	681	640	Bonds payable within 1 year	40,000	10,000	40,000
Inventory goods	1,652	1,652	1,652	Long-term loans to be repaid within one year	10,000	23,000	-
Advance payments	6	6	6	Accrued payments	14,182	28,358	47,255
Prepaid expenses	211	211	211	Accrued expenses	2,158	2,158	2,158
Others	1,051	2,144	1,899	Accrued corporate tax, etc.	8,719	6,008	4,407
Reserves for bad debts	- 296	- 297	- 297	Advances received	1,701	1,701	1,701
Fixed assets	730,962	743,623	775,974	Reserve for bonuses	971	971	971
Tangible fixed assets	699,203	712,299	744,876	Others	937	905	849
Buildings	217,316	214,429	219,000	Fixed liabilities	343,294	360,381	753,475
Structures	130,912	129,173	130,988	Bonds	299,000	334,000	319,000
Machinery and equipment	31,471	31,053	31,271	Long-term loans payable	23,000	5,000	413,000
Tools furniture and fixtures	10,672	10,530	10,604	Leasehold and guarantee deposits	8,106	7,981	7,871
Land	295,673	296,067	323,896	Reserves for retirement pensions	9,820	10,035	10,266
Construction in progress	12,949	30,840	28,910	Provision for environmental measures	1,084	1,084	1,084
Others	207	204	205	Others	2,282	2,280	2,253
Intangible fixed assets	3,605	3,557	3,888	Total liabilities	459,292	470,809	888,171
Investment and other assets	28,152	27,765	27,209	Capital stock	314,425	329,442	368,353
Investment securities	2,409	2,710	2,710	Capital	100,000	100,000	130,000
Affiliated companies stock	15,272	15,272	15,272	Capital surplus			
Deferred tax assets	8,384	7,963	7,407	Capital reserves	52,000	52,000	52,000
Others	2,086	1,820	1,820	Retained earnings			
				Other retained earnings	162,425	177,442	186,353
				(Reserve for reduction entry)	(100)	(100)	(100)
				(Special reserves)	(133,925)	(152,755)	(168,972)
				(Retained earnings brought forward)	(28,399)	(24,587)	(17,281)
				Total equity	(314,425)	(329,442)	(368,353)
Total assets	773,717	800,251	1,256,525	Total liabilities and equity	773,717	800,251	1,256,525

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

## Income Statement

(Unit: million yen)

Item	End of FY2018 (Result)	End of FY2019 (Estimated)	End of FY2020 (Planned)
Operating revenue	171,323	175,108	166,403
Airport fee revenue	40,721	41,714	39,812
Passenger facility fee revenue	41,653	43,388	40,676
Refueling facility fee revenue	15,466	16,068	14,165
Other income	73,482	73,938	71,750
Operating cost	104,965	110,424	112,536
Operating gross profit	66,358	64,684	53,867
Sales and administration expenses	21,584	23,914	24,302
Operating revenue	44,774	40,770	29,565
Non-operating revenue	1,068	528	528
Interest received and dividends received	86	87	87
Others	981	441	441
Non-operating expenses	3,334	2,486	2,867
Interest paid	108	100	100
Interest on bonds	3,069	2,008	2,558
Others	156	378	209
Ordinary profit	42,508	38,812	27,226
Extraordinary profits	498	3,715	1,317
Extraordinary loss	2,104	7,299	4,506
Net profit before tax	40,902	35,228	24,037
Corporate tax, residence tax and enterprise tax	12,402	10,220	6,200
Income taxes-deferred	99	421	556
Net profit	28,399	24,587	17,281

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