

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 FY2022 FILP

(Unit: billion yen)

FY2022 FILP	Estimated outstanding amount of FILP lending at the end of FY2021
23.1	154.5

3. Estimated policy cost analysis of the project

(1) Policy cost

(Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*1	-10.7	-8.4	+2.3
3. Opportunity cost of capital investments, etc.	-30.8	-24.7	+6.1
Total (1+2+3=policy cost(A))	-41.5	-33.1	+8.4
Analysis period (years)	21 years	20 years	-1 year

(2) Breakdown of policy cost by the time of the provision of funds

(Unit: billion yen)

Category	FY2021	FY2022	Fluctuation
(A) Policy cost (previously cited)	-41.5	-33.1	+8.4
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	4.0	3.8	-0.1
2) Policy cost expected to be newly accrued during the analysis period	-45.5	-36.9	+8.5
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*1	-10.7	-8.4	+2.3
Opportunity cost of surplus, etc.	-34.7	-28.5	+6.3
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	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-33.1	-25.0	+8.1	-	+1.1	+7.0

(A) Policy cost (previously cited)	Case of a 1% decrease in operating revenues	Fluctuation	Fluctuation		
			1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*1	3. Opportunity cost of capital investments, etc.
-33.1	-31.9	+1.1	-	+0.4	+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		FY2021	FY2022	Simple fluctuation
		Simple comparison (before adjustment)	-41.5	-33.1
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2022 analysis)	-39.9	-34.8	+5.1
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2021)			Real fluctuation (2-1)

[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 (+9.0 billion yen)

○Factors behind policy cost decrease

- Decrease in cost due to a decrease in costs under the impact of the COVID-19 pandemic (-2.9 billion yen)

- Decrease in cost due to a decrease in capital investment under the impact of the COVID-19 pandemic (-1.0 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 20 years (to FY2041), until the completion of the government-guaranteed 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			
	2018	2019	2020	2021	2022	2023	2024	2025	2026
Operational revenue	63.6	64.9	14.9	16.6	24.1	37.4	44.9	52.2	57.6
Aircraft movement	10.3	11.3	4.2	5.1	5.6	7.0	8.5	9.9	10.7

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 Special Account for Motor Vehicle Safety 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.

(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 33 years;

1,992.9 billion yen

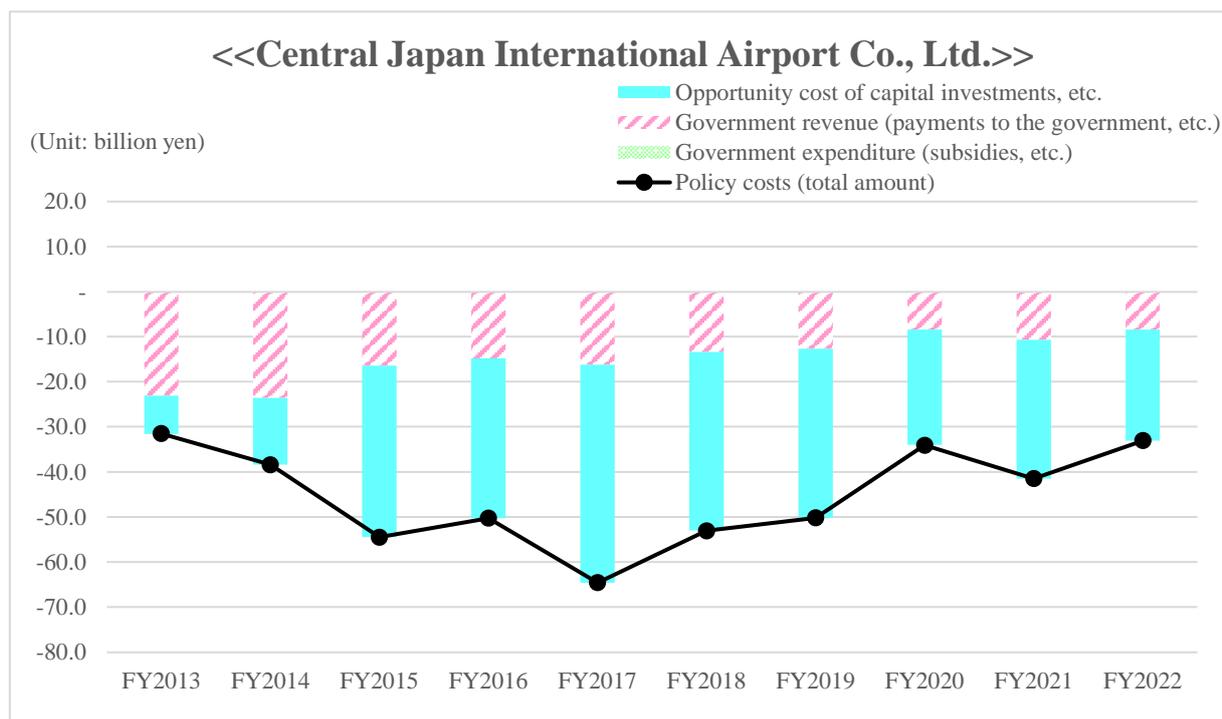
in the case where the social discount factor is set to that of the policy cost analysis;

2,092.6 billion yen

(Reference)		
Main features of The Central Japan International Airport	Performance in FY2020	Performance in FY2021 (estimated)
• Airport area: about 470 ha	• Aircraft movements: 41,862	• Aircraft movements: 51,000
• Runway: 3,500m × 1	• Passengers: 2.02 million	• Passengers: 3.30 million
• Operation: 24 hours a day	• Cargo: 104,000 tons	• Cargo: 113,000 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)

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Policy costs (total amount)	-31.5	-38.4	-54.5	-50.3	-64.6	-53.1	-50.2	-34.1	-41.5	-33.1
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-23.1	-23.6	-16.4	-14.8	-16.2	-13.4	-12.7	-8.4	-10.7	-8.4
Opportunity cost of capital investments, etc.	-8.5	-14.8	-38.1	-35.5	-48.4	-39.6	-37.5	-25.6	-30.8	-24.7

【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 (FY2022)】

The policy cost increased by 8.4 billion yen from the previous year's analysis due to a cost increase due to a decline in air transport demand reflecting the COVID-19 pandemic. 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 negative interest rate policy introduction, the policy cost amount increased by 8.1 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 1.1 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 FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)	Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
(Assets)				(Liabilities and net assets)			
Current assets	18,512	28,435	27,706	Current liabilities	52,288	35,008	42,200
Cash and bank deposits	13,534	24,685	23,407	Accounts payable	120	141	335
Accounts receivable	2,204	1,635	1,968	Short-term borrowings	2,953	2,953	2,953
Merchandise	1,819	1,358	1,410	Current portion of bonds	8,893	23,100	26,702
Inventory goods	262	256	250	Current portion of long-term borrowings	33,976	5,459	5,123
Prepaid expenses	36	22	33	Lease obligations	12	11	10
Others	660	480	642	Accrued payments	5,080	2,342	5,911
Allowance for doubtful accounts	- 4	- 3	- 3	Accrued expenses	252	248	264
Fixed assets	422,268	414,548	409,295	Accrued corporate tax, etc.	394	148	148
Tangible fixed assets	406,146	399,675	395,695	Advances received	243	245	246
Buildings	62,227	60,453	56,816	Deposits payable	144	186	330
Structures	42,418	40,020	39,650	Provision for bonuses	207	150	152
Machinery and equipment	5,337	4,549	3,792	Provision for points	13	25	25
Vehicles and transportation equipment	52	41	115	Others	1	-	-
Tools furniture and fixtures	4,661	4,000	4,483	Fixed liabilities	295,416	327,484	323,853
Land	290,266	290,266	290,266	Bonds	184,821	196,415	197,808
Lease assets	46	35	25	Long-term borrowings	100,282	120,723	115,599
Construction in progress	1,140	310	547	Lease liabilities	40	28	18
Intangible fixed assets	5,631	4,837	4,009	Provision for retirement benefits	730	839	948
Trademark rights	6	5	3	Provision for directors' retirement benefits	37	-	-
Software	1,985	1,381	747	Deferred tax liabilities	8,014	8,014	8,014
Water utility rights	3,600	3,410	3,218	Others	1,492	1,465	1,465
Others	41	41	41	(Total liabilities)	347,705	362,492	366,053
Investment and other assets	10,491	10,036	9,591	Capital stock	93,407	80,881	71,339
Affiliated companies stock	1,017	1,017	1,017	Capital	83,668	83,668	83,668
Long-term prepaid expenses	9,464	9,010	8,564	Government investment	33,466	33,466	33,466
Others	90	90	90	Local government investment	8,368	8,368	8,368
Allowance for doubtful accounts	- 81	- 80	- 80	Investment from private sector	41,834	41,834	41,834
Deferred assets				Retained earnings			
Bond issue expenses	332	390	392	Other retained earnings	9,739	- 2,787	- 12,329
				(Reserve funds (Act on Special Measures Concerning Taxation))	18,638	18,638	18,638
				(Retained earnings brought forward)	- 8,899	- 21,425	- 30,967
				(Total net assets)	93,407	80,881	71,339
Total assets	441,112	443,373	437,392	Total liabilities and net assets	441,112	443,373	437,392

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

Income Statement

(Unit: million yen)

Item	End of FY2020 (Result)	End of FY2021 (Estimated)	End of FY2022 (Planned)
Sales	14,858	16,595	24,089
Fees for using facilities	13,293	14,799	18,428
Merchandise sales	1,014	1,346	5,086
Other sales	551	450	575
Costs of goods sold	23,579	21,832	24,983
Gross operating profit	- 8,721	- 5,237	- 894
Sales and administration expenses	7,806	6,367	7,422
Operating revenue	- 16,528	- 11,604	- 8,316
Non-operating revenue	371	160	102
Interest received	1	1	1
Others	370	159	101
Non-operating expenses	774	957	823
Interest paid	91	86	136
Interest on bonds	538	471	586
Others	144	400	101
Ordinary profit	- 16,930	- 12,401	- 9,037
Extraordinary profits	564	90	-
Extraordinary loss	542	210	500
Net profit before tax	- 16,907	- 12,521	- 9,537
Corporate tax, residence tax and enterprise tax	5	5	5
Income taxes-deferred	454	-	-
Net profit	- 17,367	- 12,526	- 9,542

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