

# 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 FILP

(Unit: billion yen)

FY2023 FILP	Estimated outstanding amount of FILP lending at the end of FY2022
16.1	154.5

## 3. Estimated policy cost analysis of the project

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

Category	FY2022	FY2023	Fluctuation
1. Government expenditure (subsidies, etc.)	-	-	-
2. Government revenue (payments to the government, etc.)*	-8.4	-7.4	+1.0
3. Opportunity cost of capital investments, etc.	-24.7	-8.6	+16.1
<b>Total (1+2+3=policy cost(A))</b>	<b>-33.1</b>	<b>-16.0</b>	<b>+17.1</b>
Analysis period (years)	20 years	19 years	-1 year

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

Category	FY2022	FY2023	Fluctuation
(A) Policy cost (previously cited)	-33.1	-16.0	+17.1
1) Opportunity cost of capital investments, etc. provided before the beginning of the analysis period	3.8	9.4	+5.6
2) Policy cost expected to be newly accrued during the analysis period	-36.9	-25.4	+11.5
Government expenditure (subsidies, etc.)	-	-	-
Government revenue (payments to the government, etc.)*	-8.4	-7.4	+1.0
Opportunity cost of surplus, etc.	-28.5	-18.0	+10.5
Opportunity cost of capital investments, etc.	-	-	-

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

(Unit: billion yen)

(A) Policy cost (previously cited)	Case of assumed interest rate + 1%	Fluctuation	1. Government expenditure (subsidies, etc.)	2. Government revenue (payments to the government, etc.)*	3. Opportunity cost of capital investments, etc.
			-	+4.5	+17.0
(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.)*	3. Opportunity cost of capital investments, etc.
			-	+0.9	+2.1

(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.

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

(Computing any fluctuation from previous year)

(Unit: billion yen)

Policy cost		FY2022	FY2023	Simple fluctuation
		Simple comparison (before adjustment)	-33.1	-16.0
Past year comparison (after adjustment)	1) Adjusting initial years (Analysis results after adjusting initial year to that for FY2023 analysis)	-36.3	-35.0	+1.2
	2) Adjusting assumed interest rates (Analysis results of re-estimation using assumed interest rate for FY2022)			Real fluctuation (2-1)

[Real fluctuation factor analysis]

#### ○Factors behind policy cost increase

- Increase in cost due to slow recovery of aviation demand, which had declined greatly in the COVID-19 pandemics, etc. (+0.8 billion yen)
- Increase in cost due to the increase in expenditures such as facility maintenance and utility costs (+0.4 billion yen)

#### ○Factors behind policy cost decrease

- None

#### 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 19 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			
	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operational revenue	64.9	14.9	16.1	23.2	36.7	45.3	49.7	54.0	57.5
Aircraft movement	11.3	4.2	5.1	6.9	7.9	8.7	9.6	10.5	11.1

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

##### (Reason)

Improvement projects for Central Japan International Airport are highly public projects for the urgent improvement of international airports in metropolitan regions, and which contribute to the development of Japan's economy and society through the enhancement of international and domestic aviation networks. For these reasons, capital investments and interest-free loans are accepted from the "Safety of Motor Vehicles" account to partially finance the construction costs of such projects.

##### (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:

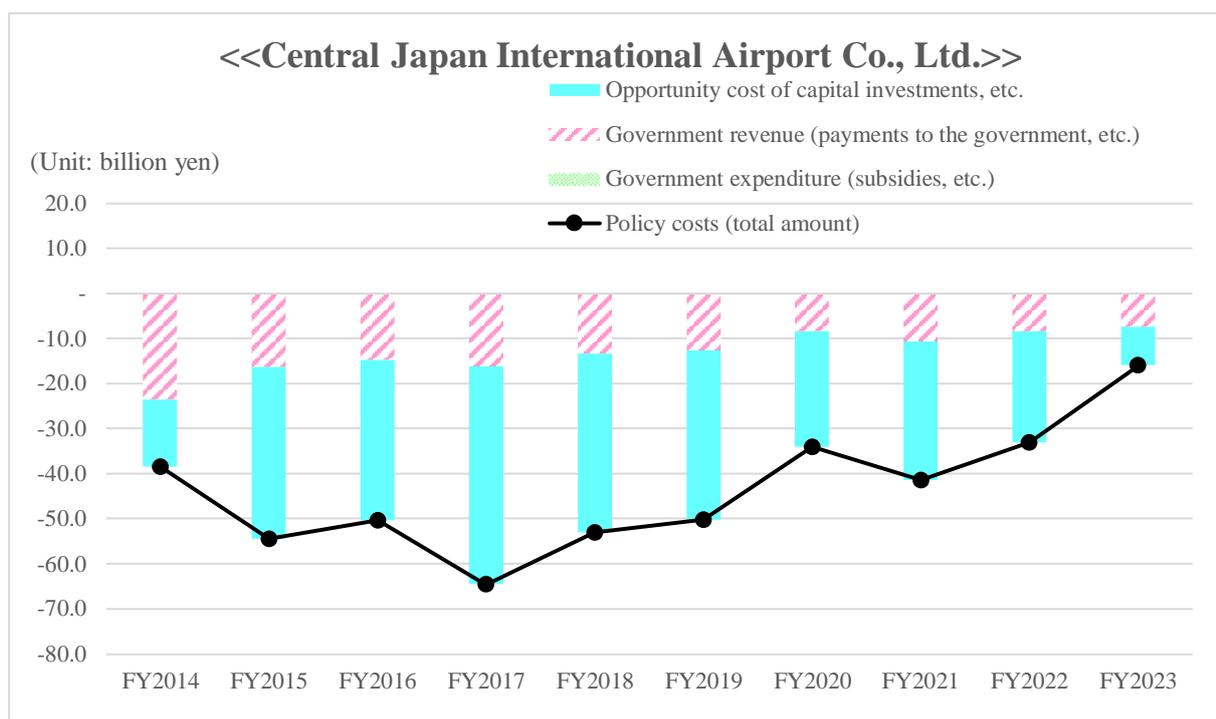
in the case where the social discount factor is set to 4% and the longest analysis period is set to 32 years;  
1,990.9 billion yen

in the case where the social discount factor is set to that of the policy cost analysis;  
1,928.6 billion yen

(Reference)		
Main features of The Central Japan International Airport	Performance in FY2021	Performance in FY2022 (estimated)
• Airport area: about 470 ha	• Aircraft movements: 51,263	• Aircraft movements: 69,000
• Runway: 3,500m $\times$ 1	• Passengers: 2.83 million	• Passengers: 5.15 million
• Operation: 24 hours a day	• Cargo: 111,000 tons	• Cargo: 130,000 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)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Policy costs (total amount)	-38.4	-54.5	-50.3	-64.6	-53.1	-50.2	-34.1	-41.5	-33.1	-16.0
Government expenditure (subsidies, etc.)	-	-	-	-	-	-	-	-	-	-
Government revenue (payments to the government, etc.)	-23.6	-16.4	-14.8	-16.2	-13.4	-12.7	-8.4	-10.7	-8.4	-7.4
Opportunity cost of capital investments, etc.	-14.8	-38.1	-35.5	-48.4	-39.6	-37.5	-25.6	-30.8	-24.7	-8.6

### 【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 (FY2023)】

Policy cost has increased by 17.1 billion yen from the analysis in the previous fiscal year due to the rise in interest rates and the slow recovery of aviation demand from the impact of 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.

The result of the sensitivity analysis (case of assumed interest rate + 1%) showed that policy cost has increased by 21.4 billion yen. This is due to a decrease in corporate taxes and reserves (airport development reserves, retained earnings) due to the rise in interest rates. 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.

The result of the sensitivity analysis (project revenue -1% case) showed that policy cost increased by 3 billion yen due to a decrease in corporate taxes and reserves (airport development reserves, retained earnings) as a result of the decrease in project revenue. However, the impact on finances is considered to be minimal.

## (Reference) Financial Statements

## Balance Sheet

(Unit: million yen)

Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)	Item	End of FY2021 (Result)	End of FY2022 (Estimated)	End of FY2023 (Planned)
<b>(Assets)</b>				<b>(Liabilities and net assets)</b>			
Current assets	26,856	26,994	25,477	Current liabilities	34,519	38,844	49,792
Cash and bank deposits	23,640	23,808	21,415	Accounts payable	120	203	546
Accounts receivable	1,657	1,607	2,227	Short-term borrowings	2,742	1,742	1,742
Merchandise	826	857	1,087	Current portion of bonds	23,100	26,702	35,704
Inventory goods	243	243	243	Current portion of long-term borrowings	5,459	5,123	5,123
Prepaid expenses	25	32	32	Lease obligations	11	11	11
Others	467	474	507	Accrued payments	2,002	3,830	5,265
Allowance for doubtful accounts	-2	-27	-34	Accrued expenses	266	280	306
Fixed assets	413,539	406,478	400,824	Accrued corporate tax, etc.	76	76	76
Tangible fixed assets	398,691	392,807	387,695	Advances received	318	319	319
Buildings	59,986	56,497	52,675	Deposits payable	177	343	467
Structures	39,963	38,231	36,859	Provision for bonuses	167	176	181
Machinery and equipment	4,441	3,858	3,484	Provision for points	11	11	11
Vehicles and transportation equipment	42	195	261	Others	69	27	40
Tools furniture and fixtures	3,773	3,476	3,729	Fixed liabilities	325,175	322,964	308,506
Land	290,266	290,266	290,266	Bonds	195,915	198,508	188,600
Lease assets	35	25	16	Long-term borrowings	118,923	113,999	109,326
Construction in progress	185	258	405	Lease liabilities	28	18	6
Intangible fixed assets	4,808	4,047	3,971	Provision for retirement benefits	817	949	1,084
Trademark rights	5	5	4	Provision for directors' retirement benefits	-	-	-
Software	1,362	794	912	Deferred tax liabilities	8,014	8,014	8,014
Water utility rights	3,407	3,214	3,022	Others	1,477	1,475	1,475
Others	34	34	34	<b>(Total liabilities)</b>	<b>359,694</b>	<b>361,807</b>	<b>358,298</b>
Investment and other assets	10,040	9,623	9,157	Capital stock	81,081	72,045	68,378
Affiliated companies stock	1,017	1,017	1,017	Capital	83,668	83,668	83,668
Long-term prepaid expenses	9,013	8,597	8,131	Government investment	33,466	33,466	33,466
Others	90	10	10	Local government investment	8,368	8,368	8,368
Allowance for doubtful accounts	-80	-	-	Investment from private sector	41,834	41,834	41,834
Deferred assets				Retained earnings			
Bond issue expenses	381	381	376	Other retained earnings	-2,587	-11,623	-15,290
				(Reserve funds (Act on Special Measures Concerning Taxation))	18,638	18,638	18,638
				(Retained earnings brought forward)	-21,224	-30,260	-33,927
				<b>(Total net assets)</b>	<b>81,081</b>	<b>72,045</b>	<b>68,378</b>
<b>Total assets</b>	<b>440,776</b>	<b>433,853</b>	<b>426,676</b>	<b>Total liabilities and net assets</b>	<b>440,776</b>	<b>433,853</b>	<b>426,676</b>

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

## Income Statement

(Unit: million yen)

Item	FY2021 (Result)	FY2022 (Estimated)	FY2023 (Planned)
Sales	16,095	23,167	36,711
Fees for using facilities	14,372	18,681	24,551
Merchandise sales	1,305	3,781	11,116
Other sales	418	705	1,044
Costs of goods sold	21,655	24,341	30,672
Gross operating profit	-5,560	-1,174	6,039
Sales and administration expenses	5,985	7,176	8,595
Operating revenue	-11,545	-8,350	-2,556
Non-operating revenue	208	177	93
Interest received	-	1	1
Others	208	176	92
Non-operating expenses	929	702	699
Interest paid	85	88	83
Interest on bonds	469	528	524
Others	375	86	92
Ordinary profit	-12,266	-8,875	-3,162
Extraordinary profits	98	12	-
Extraordinary loss	153	168	500
Net profit before tax	-12,321	-9,031	-3,662
Corporate tax, residence tax and enterprise tax	5	5	5
Income taxes-deferred	-	-	-
<b>Net profit</b>	<b>-12,326</b>	<b>-9,036</b>	<b>-3,667</b>

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