

Kansai Airports Revenue and Profits Increase in First Fiscal Year (Dec 2015 - September 2016)

Kansai Airports today announces that its Operating Revenue reached JPY 89.1 billion for the first fiscal results from December 2015 to September 2016, a 2.9% increase on a like-for-like basis¹ from the New Kansai International Airport Company (NKIAC) results for the first half of the previous fiscal year. Ordinary Income increased by 2.6% on the same basis.

“We are delighted to report an increase in revenue and profit for our first results as Kansai Airports for our fiscal year ending September 30, 2016. This is on the back of increased passenger traffic at Kansai International Airport (KIX), with a record number of foreign visitors, and an increase at Osaka International Airport (ITM). We look forward to further contributing to the Kansai economy as we continue to grow capacity at our airports,” commented Kansai Airports Representative Director & CEO, Yoshiyuki Yamaya.

Business Results (December 2015 to September 2016)

	First Fiscal Year (Dec. 2015 - Sep. 2016) JPY billion	(Dec. 2015 - Mar. 2016) JPY billion	(Apr. 2016 - Sep. 2016) JPY billion
Operating Revenue	89.1	-	89.1
Operating Costs	50.3	0.7	49.7
EBITDA	38.8	(0.7)	39.5
EBITDA Margin	43.5%	-	44.3%
Depreciation & Amortization	19.3	-	19.3
Operating Income	19.5	(0.7)	20.2
Ordinary Income	11.5	(2.8)	14.3
Net Profit	7.5	(1.9)	9.3

Due to the preparatory expenses involved in the period from the establishment of the company to the start of operations at KIX and ITM, Kansai Airports recorded a loss attributable to shareholders of JPY 1.9 billion up to March 2016. After taking over the operations of KIX and ITM, aero traffic remained firm which resulted in the firm recording a profit attributable to shareholders of JPY 9.3 billion from April to September 2016, and JPY 7.5 billion for the first fiscal year.

Emmanuel Menanteau, Kansai Airports Representative Director & Co-CEO, continued, “We have made significant progress in our first fiscal year of operations, on the back of increasing aero demand. Our goal is to ensure that we not only attract more traffic through our airports by maximizing the customer experience, but we also strive to play a significant and increasing role in the local economy.”

¹ As the accounting standards for NKIAC and Kansai Airports with the concession are different, Kansai Airports has revised the NKIAC FY 2015 results to take into account the impact of the concession in order to have comparable numbers

Aero Traffic

As a result of the increase in the number of international commercial flights to Asia including South Korea and Taiwan, Kansai Airports achieved a record number of aircraft movements at KIX from April to September 2016. The number of aircraft movements at ITM remained similar to the previous year.

The number of passengers at KIX also reached the record high over the same period as the number of international foreign passengers grew from last year. The number of passengers at ITM exceeded last year for the first time over the past two years.

	April - September 2015	April - September 2016	Increase/ Decrease	Change %
ATM (thousand movements)	154	160	6	4%
KIX	83	90	6	7%
ITM	70	70	(1)	(1%)
PAX (million persons)	19.33	20.30	0.97	5%
KIX	11.98	12.81	0.83	7%
ITM	7.35	7.50	0.15	2%

Balance Sheet

Total net assets stand at JPY 1,865.7 billion as of September 30, 2016, out of which approx. 80% are Right to Operate Public Facility etc. (non-current assets). Total liabilities are JPY 1,808.5 billion, out of which approx. 80% are long-term accounts payable (non-current liabilities) to NKIAC.

As of September 30, 2016 (JPY billion)	
Current Assets	231.0
Non-current Assets	1,634.7
TOTAL ASSETS	1,865.7
Current Liabilities	58.8
Non-current Liabilities	1,749.7
TOTAL LIAIBILITIES	1,808.5
Shareholders Equity	57.3
Other Comprehensive Income	(0.9)
Non-controlling Interests	0.8
TOTAL NET ASSETS	57.2
TOTAL LIAIBILITIES & NET ASSETS	1,865.7

【Contact information for inquiries】

Kansai Airports Corporate Communication Dept.

tn0010@kansai-airports.co.jp TEL: +81-72-455-2212

About Kansai Airports

As of April 1, 2016, Kansai Airports succeeded the operating rights Kansai International Airport (“KIX”) and Osaka International Airport (“ITM”) from New Kansai International Airport Company (“NKIAC”) and commenced business as an operating company for the two airports. Kansai Airports was established by a consortium made up of VINCI Airports and ORIX Corporation as its core members. Kansai Airports shares the common goal of maximizing the potential of the Kansai International Airport and Osaka International Airport, improving services to passengers and ensuring the highest levels of safety and security, investment to enhance safety, convenience and comfort to increase value, as well as enhancing community relations in the neighborhoods of the airports and benefiting the Kansai regional economy. On December 15, Kansai Airports signed a concession contract with the New Kansai International Airport Company (“NKIAC”) for an operating period of 44-years. For more information, please visit: www.kansai-airports.co.jp/en/

Location	1 banchi, Senshu kuko kita, Izumisano-shi, Osaka	Capital	25,000 million yen
Company Representatives	Representative Director & CEO, Yoshiyuki Yamaya, Representative Director & Co-CEO, Emmanuel Menanteau	Date of Incorporation	December 1, 2015
Business Scope	Operation and management services, etc. of Kansai International Airport and Osaka International Airport	Shareholders	ORIX 40%, VINCI Airports 40%, Other investors 20% ²



ORIX Corporation is a financial services group which provides innovative products and services to its customers by constantly pursuing new businesses. Established in 1964, from its start in the leasing business, ORIX has advanced into neighboring fields and at present has expanded into lending, investment, life insurance, banking, asset management, automobile related, real estate and environment and energy related businesses. Since entering Hong Kong in 1971, ORIX has spread its businesses globally by establishing locations in 36 countries and regions across the world. ORIX celebrates its 50th anniversary in 2014 and moving forward it aims to contribute to society while continuing to capture new business opportunities and sustain growth by promoting acceleration of its corporate strategy “Finance + Services” and “Embracing Growth in Emerging Markets including Asia.” Please refer to www.orix.co.jp/grp/en/



VINCI Airports, a top 5 global player in the international airport sector, manages the development and operations of 35 airports: 13 in France, 10 in Portugal (including the hub of Lisbon), 3 in Cambodia, 2 in Japan, 6 in Dominican Republic and Santiago airport in Chile. Served by more than 170 airlines, VINCI Airports’ network handles more than 130 million passengers annually. Through its expertise as a comprehensive integrator and the professionalism of its 10,600 employees, VINCI Airports develops, finances, builds and operates airports, leveraging its investment capability, international network and know-how, to optimize management and performance of existing airport infrastructure, facility extensions and new construction. More comprehensive information is available on www.vinci-airports.com

² ASICS Corporation; Iwatani Corporation; Osaka Gas Co., Ltd.; Obayashi Corporation; OMRON Corporation; The Kansai Electric Power Company, Incorporated; Kintetsu Group Holding Co., Ltd.; Keihan Holdings Co., Ltd.; Suntory Holdings Limited; JTB Corp.; Sekisui House, Ltd.; Daikin Industries, Ltd.; Daiwa House Industry Co., Ltd.; Takenaka Corporation; Nankai Electric Railway Co., Ltd.; NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION; Panasonic Corporation; Hankyu Hanshin Holdings, Inc.; Rengo Co., Ltd.; The Senshu Ikeda Bank, Ltd.; Kiyo Holdings, Inc.; The Bank of Kyoto, Ltd.; THE SHIGA BANK, LTD.; The Nanto Bank, Ltd.; Nippon Life Insurance Company; Mizuho Bank, Ltd.; Sumitomo Mitsui Trust Bank, Limited; The Bank of Tokyo-Mitsubishi UFJ Ltd.; Resona Bank, Limited; and the Private Finance Initiative Promotion Corporation of Japan.

Financial Results for The Year Ending in September 2016

December 8, 2016

関西エアポート株式会社
Kansai Airports



Agenda

Results Highlights and Important Considerations
Revenue Explanation & Investment Plan
Terms and Conditions for the Concession
Overview of the Financial Results
Comparison with Interim NKIAC Results, FY2015
Appendix 1: Background to the Concession
Appendix 2: Accounting for Concessions



The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

Results Highlights and Important Considerations

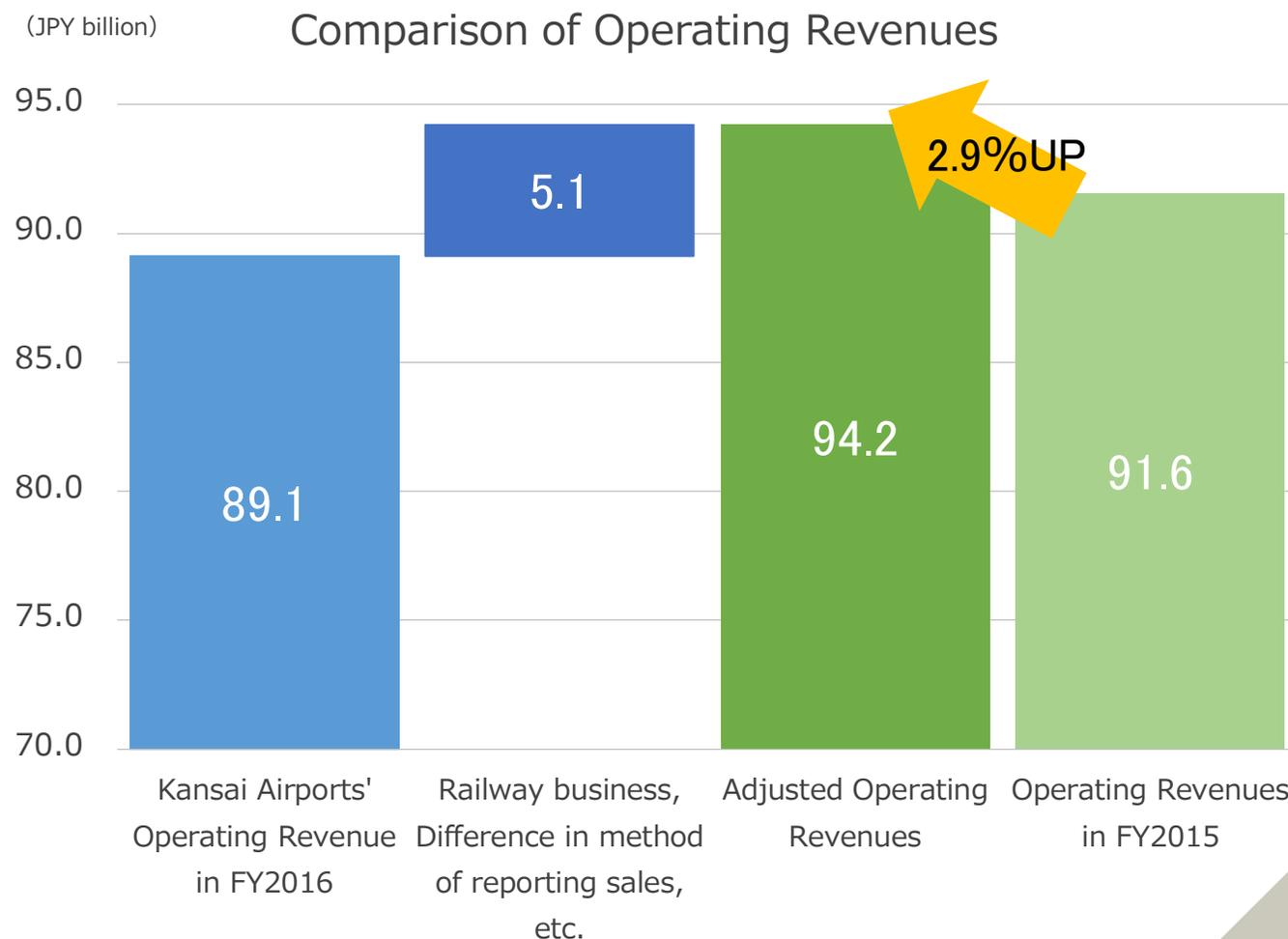
Operating Revenue Reaches JPY 89.1 billion; Net Profit is JPY 7.5 billion

- ✈️ Kansai Airports established on December 1, 2015
 - ✈️ December 1 ~ March 31: Preparation for operational start
 - ✈️ Operations began on April 1, 2016
- ✈️ Operating revenue reached 89.1 billion yen
- ✈️ Ordinary income was 11.5 billion yen,
- ✈️ Net profit was JPY 7.5 billion
- ✈️ Strong start for the next 44 years

	First Fiscal Year (Dec 2015 to Sep 2016) (JPY billion)
Operating Revenue	89.1
EBITDA	38.8
EBITDA Margin	43.5%
Ordinary Income	11.5
Net Profit	7.5

Operating Revenue Increased 2.9% and Ordinary Income Increased 2.6% on Revised Comparative Basis

- ✈ Direct comparisons with NKIAC are difficult: this comparison takes into account the effects of the concession
- ✈ On this revised basis, operating revenue increased by 2.9% from the previous year, and ordinary profit by 2.6%, compared with the revised comparative NKIAC figures for the first half of the previous fiscal year
- ✈ Operating income increased due to strong passenger numbers at KIX, with the number of



Important Considerations

- ✈️ Safety and Security are our top priorities
 - Continue to place top priority on safety and security while leveraging growth of Asia
 - Extension of Terminal 2 at KIX brings latest in security
- ✈️ We can operate smoothly thanks to close cooperation with business circles and key stakeholders in Kansai
 - Strive to contribute to economic growth in the entire Kansai Region
- ✈️ Kansai Airports operates as “one” Kansai Airports Group
 - One Airport System of the Kansai Region





The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

Revenue Explanation & Investment Plan

Record High Passenger Traffic Contributed to Revenue Increase

- ✈️ KIX air traffic movements and passenger traffic both increased 7% year-on-year
 - ✈️ Increased air traffic movements – the highest for first half ever
 - ✈️ Increase in international passengers from Asian countries
 - ✈️ Record high number of passengers for the first half for 2 consecutive years
- ✈️ New airlines and new routes added in Winter Schedule
- ✈️ Growth initiatives include:
 - ✈️ Increasing outbound demand
 - ✈️ Attracting medium and long distance routes
 - ✈️ Introducing strategic landing charge system

Air Traffic Demand

	Apr 2015~ Sep 2015	Apr 2016 ~ Sep 2016	Increase/ Decrease	% Change
ATM (thousand movements)	154	160	6	4%
KIX	83	90	6	7%
ITM	70	70	(1)	(1%)
PAX (million persons)	19.33	20.30	0.97	5%
KIX	11.98	12.81	0.83	7%
ITM	7.35	7.50	0.15	2%

Investment Plan

- ✈ Facility Investment (CAPEX) is one of our key obligations to match the increase in traffic
- ✈ 93.2 billion yen is planned for proactive investment over the next 5 years (FY2016 - 2020)
- ✈ This reflects that investment is a priority not only for safety and security, but as we bring KIX and ITM to world-class level



- Terminal 2 expansion
- Introduction of Smart Security Lanes
- “Walk-through” shopping area
- ITM renovation





The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

Terms and Conditions for the Concession

Terms and Conditions for the Concession

Concession period: April 1, 2016 – March 31, 2060 (44 years)

✈ Consideration for the operating rights and related costs

1) Consideration for the operating rights (annual amount) JPY 37.275 billion

2) Property taxes sharing fees (amount equivalent to actual costs)

3) Revenue sharing fees 3% of the amount by which the Approved Revenue for such Fiscal Year exceeds JPY 150 billion (within 6% of fund returnable to shareholders)

4) Consideration for assets to be transferred to the operating rights holder JPY 31.4 billion

✈ The amount of Performance Guarantee Deposit JPY 175,000,000,100



The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

Overview of the Financial Results

Business Performance

	First Fiscal Year (Dec 2015 to Sep 2016) (JPY billion)
Operating Revenue	89.1
Aero	34.8
Non-Aero	54.4
EBITDA	38.8
EBITDA Margin	43.5%
Operating Income	19.5
Net Profit ※	7.5

※"Net profit attributable to parent company's shareholders" was JPY 7.3 billion for the first fiscal year.

Aeronautical: Landing fees, parking charges, security fees, passenger service facility charge (PSFC), passenger security service charge (PSSC), baggage handling system (BHS) usage fee, passenger boarding bridge (PBB) usage fee, fueling service revenue

Non-aeronautical: Direct management revenue (duty free, retail, etc.), building & land rent fees, car parking fees, etc.

Business Performance

	First Fiscal Year (Dec 2015 to Sep 2016) (JPY billion)	Dec 2015 ~ Mar 2016	Apr 2016 ~ Sep 2016
Operating Revenue	89.1	-	89.1
Operating Costs	50.3	0.7	49.7
EBITDA	38.8	(0.7)	39.5
EBITDA Margin	43.5%	-	44.3%
Depreciation & Amortization	19.3	-	19.3
Operating Income	19.5	(0.7)	20.2
Ordinary Income	11.5	(2.8)	14.3
Net Profit	7.5	(1.9)	9.3

✈ The net loss of JPY1.9 billion from December 2015 to March 2016 was due to the preparation expenses from the establishment of the company until the start of operations of both airports

✈ Since the start of operations in April 2016, demand has remained steady with a net income of JPY 9.3 billion

Most Assets & Liabilities Related to Operation Rights

Balance Sheet

	As of September 30, 2016 (JPY billion)
Current Assets	231.0
Non-current Assets	1,634.7
TOTAL ASSETS	1,865.7
Current Liabilities	58.8
Non-current Liabilities	1,749.7
TOTAL LIABILITIES	1808.5
Shareholders' Equity	57.3
Other Comprehensive Income	(0.9)
Non-Controlling Interests	0.8
TOTAL NET ASSETS	57.2
TOTAL LIABILITIES AND NET ASSETS	1865.7

Rights to Operate
Public Facilities
1,469.9

Long term Payables
1,509.2



The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

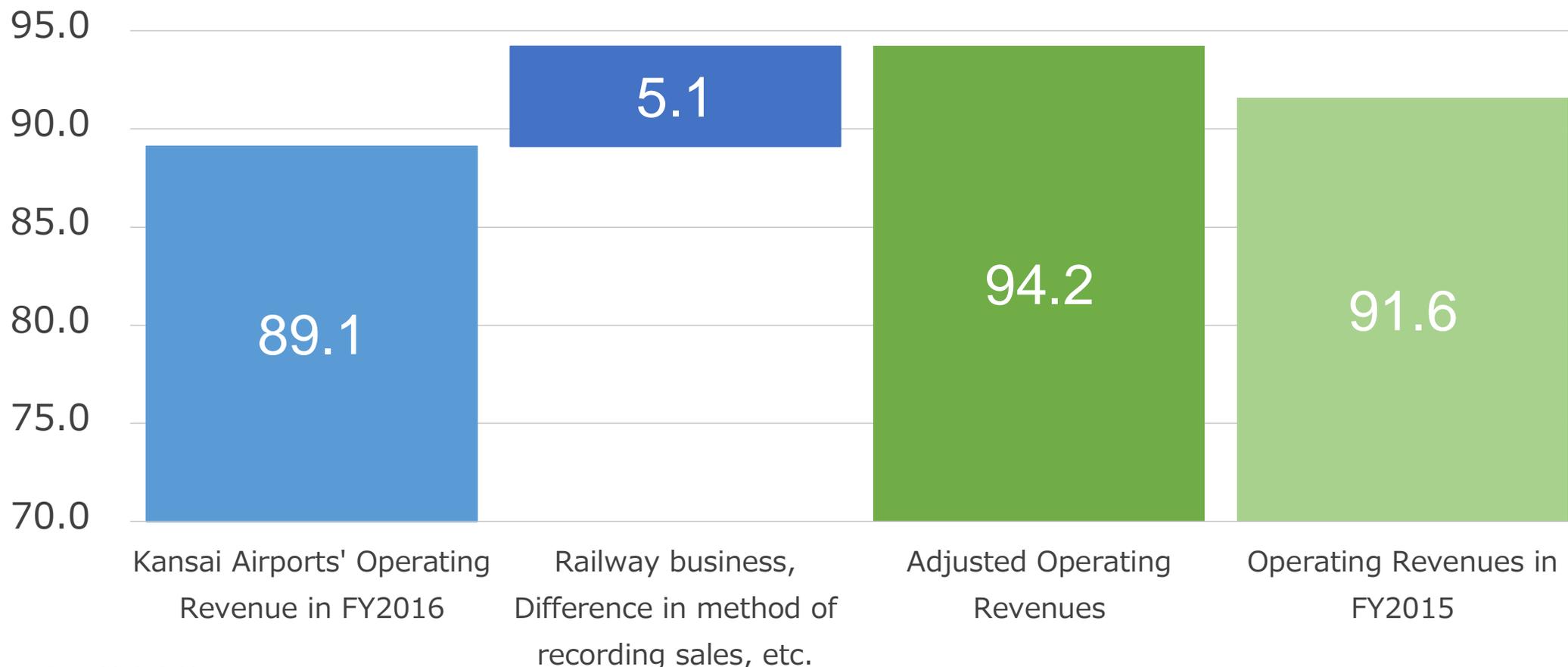
Comparison with Interim NKIAC Results, FY2015

Comparable Revenue Increased 2.9%

Comparison of operating revenues

(Reflecting factors such as removal of railway business, difference in method of recording sales, etc.)

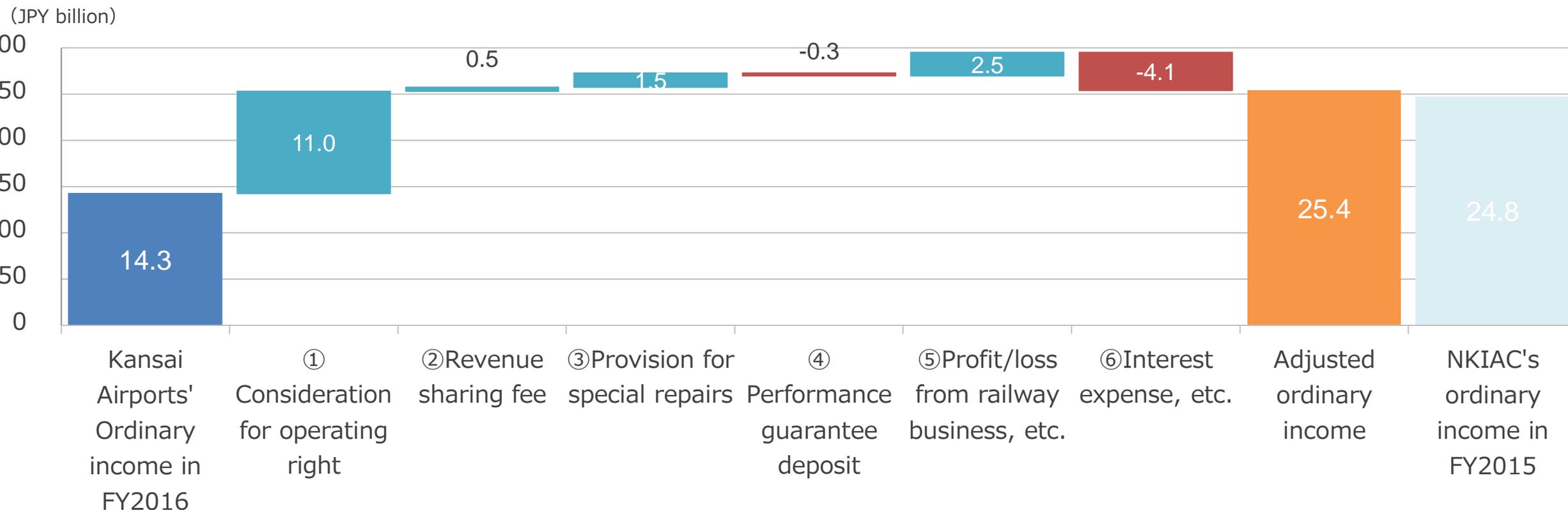
(JPY billion)



Comparable Profit Increased 2.6%

Comparison of Ordinary Income

(Reflecting factors such as accounting for concessions, removal of railway business, different fund-raising structure)





The airport that moves you 24/7

Filling the heart, nearby home

KIX ITM

Appendix 1: Background to the Concession

Background to the Concession

September 1994

Kansai International Airport opened
(Established/managed by Kansai International Airport Company (KIAC))

Enormous amount of construction cost was required to build an airport on the sea.



KIAC came to have liabilities worth approximately 1.3 trillion JPY as of the end of fiscal 2010.

It was difficult to implement strategic management and forward-looking investment leveraging the superiority the airport should have as international hub airport.

Creation of the Concession

May 2011

“Act concerning Integrated and Efficient Establishment and Management of Kansai International Airport and Osaka International Airport” was enacted

- ✈ Manage Kansai International Airport together with Osaka International Airport that used to be managed by the national government in an integrated manner
- ✈ Implement concession in order to expedite and ensure repayment of debts required for building Kansai International Airport



In addition to revitalizing/reinforcing Kansai International Airport as an international hub airport, expand air transport demand in Kansai leveraging appropriate and effective use of both airports in order to contribute to activation of Kansai economy.

Timeline

April 2012

New Kansai International Airport Company (NKIAC) established

July 2012

Integrated management of KIX and ITM airports by NKIAC

July 2014

NKIAC starts procedures for accepting applications/screening for implementing concession

Dec. 2015

Kansai Airports established

Dec. 2015

Project Agreement concluded with NKIAC

April 2016

Kansai Airports started operating both airports



The airport that moves you 24/7

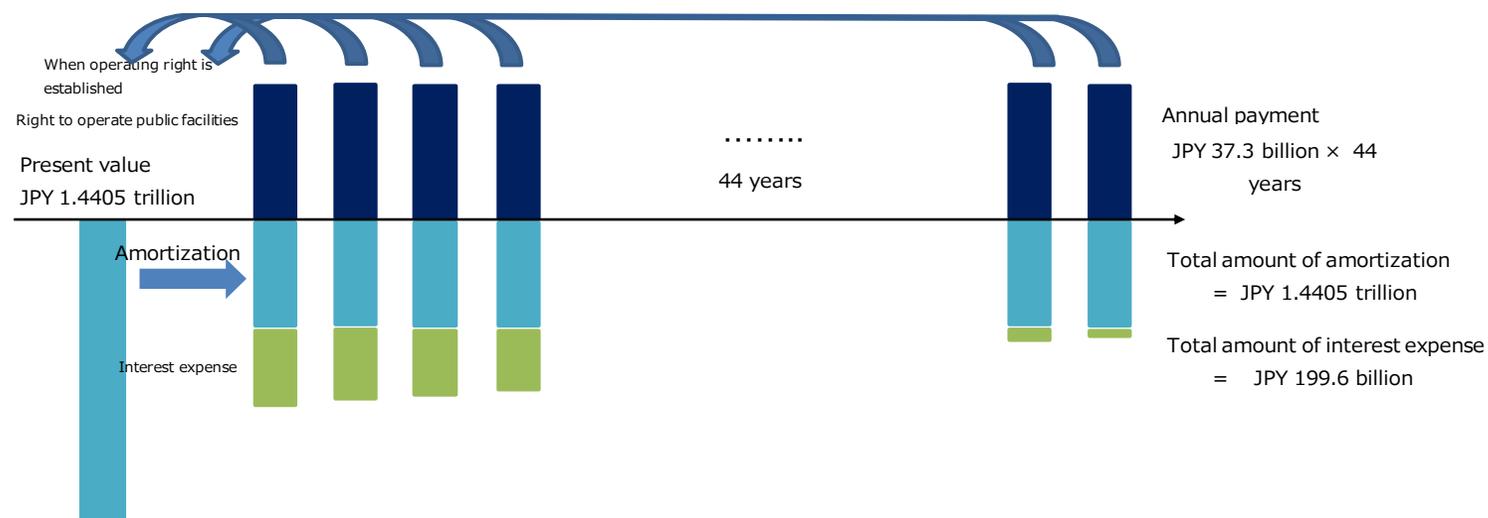
Filling the heart, nearby home

KIX ITM

Appendix 2: Accounting for Concessions

Accounting for Concessions: Consideration for the Operating Rights(1)

- ✈ Although the consideration for the operating rights paid to NKIAC is stated as JPY 37.3 billion every year, it is not that this amount is recorded as direct expense.
- ✈ Based on the payment schedule (annual cash-out of JPY 37.3 billion), the amount discounted to present value (JPY 1 trillion 440.5 billion) shall be recorded as right of operating public facilities, which is an intangible asset, and amortize by straight-line method. The amount discounted (JPY 199.6 billion) shall be recorded as interest expense that will be reduced as we pay consideration for operating rights.
- ✈ As a result, expense recorded exceeds the amount of annual payment at the beginning of concession period, where as the amount will be less in the final phase.



Accounting for Concessions: Consideration for the Operating Rights (2)

- ✈ Amortization of operating rights(intangible assets)and interest expense (April 2016 – September 2016)
 - The amount of expense recorded during the said period: JPY 17.4 billion as amortization and JPY 4.3 billion as interest expense including amortization fee of ancillary fee required for acquiring the operating rights.
- ✈ As stated above, while expense related to large sum of consideration for the operating rights is recorded, majority of assets remain to be owned by NKIAC in the concession. This is why depreciation cost deriving from assets owned by KAP Group is JPY 1.4 billion, which is far less than the figure of NKIAC group last year (JPY 12.1 billion).

Year-on-year effect (difference) : $17.4+4.3+1.4-12.1 = \text{JPY } 11.0$ billion

Accounting for Concessions: Revenue Sharing Fee

- ✈ If the amount of the Approved Revenue for a fiscal year exceeds JPY 150 billion,
 - 3% of the amount by which the Approved Revenue for such fiscal year exceeds JPY 150 billion (provided, the amount is within 6% of the cash returnable to shareholders)
- ✈ shall be paid to NKIAC as Revenue Sharing Fee for the said fiscal year.
- ✈ We have recorded JPY 0.5 billion, the amount for 6 months, as Revenue Sharing Fee, assuming that Approved Revenue will be approximately JPY 180 billion/year.

Year-on-year effect (difference) : JPY 0.5 billion

Accounting for Concessions: Provision for Special Repairs

To prepare for the payment of costs required for special repairs of runways, taxiways, aprons, we are recording the amount for the fiscal year based on the estimated repair costs in the future.

✈ Recording of provision for special repairs(April – September, 2016)

Based on the estimated repair cost for large-scale maintenance/repair works in future, we are recording JPY 1.2 billion this year.

✈ Provision for special repairs to be recorded at the beginning of the year

As the provision for special repairs to be recorded when the operation started was estimated at JPY 23.1 billion, they are recorded as liabilities, and the right to operate public facilities is recorded as corresponding account.

✈ Amortization of operating rights (intangible asset)(April – September 2016)

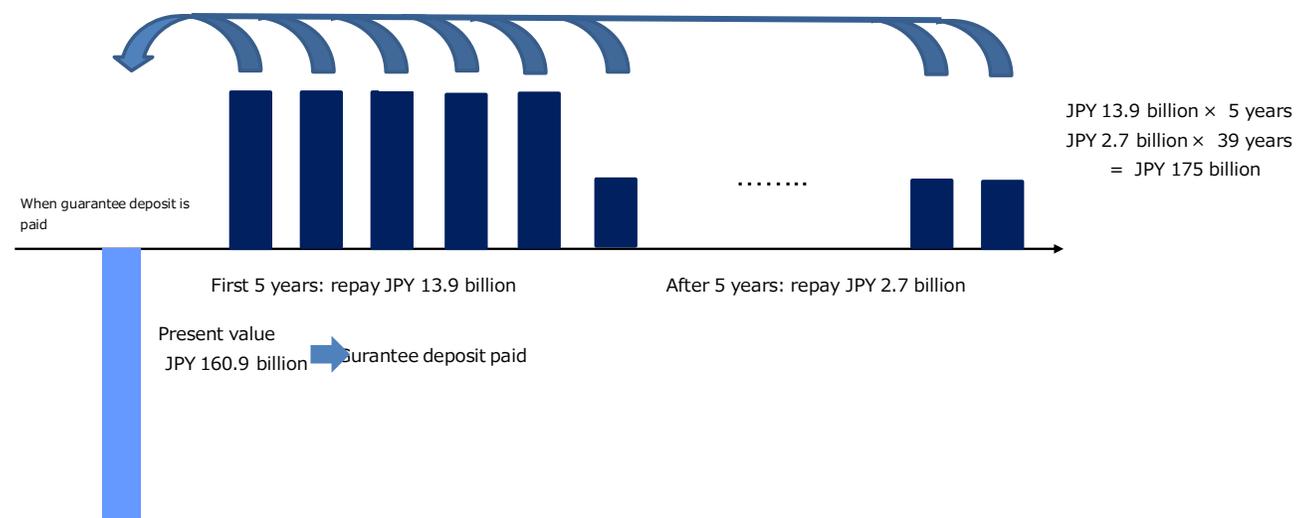
Right to operate public facilities is to be amortized over 44 years of concession period. We are recording JPY 0.3 billion as amortization cost for this year.

Year-on-year effect (difference) : $1.2+0.3 = \text{JPY } 1.5 \text{ billion}$

Accounting for Concessions: Performance Guarantee Deposit

Pledge of Performance Guarantee Deposit

- ✈ We are pledging JPY 175 billion as Performance Guarantee Deposit to NKIAC. Based on Deposit repayment schedule (Cash inflow of JPY 13.9 billion for the first 5 years, followed by annual cash inflow of JPY 2.7 billion every year), the amount discounted to the present value when the deposit is made (JPY 160.9 billion) is recorded as guarantee deposit paid.
- ✈ Difference between the paid amount and the amount recorded as asset, which is worth JPY 14.1 billion, is recorded as the rights to operate public facilities, etc.



Accounting for Concessions: Performance Guarantee Deposit (2)

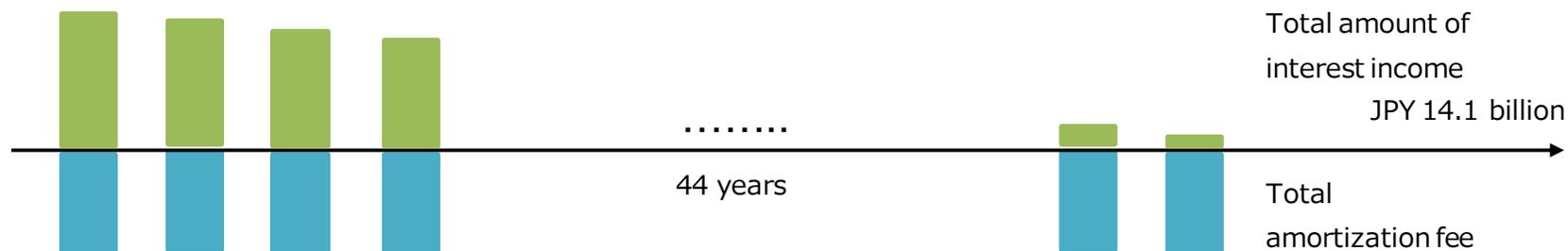
✈ Repayment of Performance Guarantee Deposit (April - September 2016)

This year, NKIAC repaid JPY 7 billion, out of which JPY 6.5 billion worth guarantee deposit is reduced. Remaining JPY 0.5 billion will be recorded as interest income, although no interest is to be paid based on the agreement with NKIAC.

✈ Amortization of operating rights (intangible asset) (April - September 2016)

Right to operate public facilities, etc. will be amortized over the 44 years concession period. This year, JPY 0.2 billion is recorded as amortization cost.

✈ When the business started, it gives positive impact on profit/loss, whereas it gives negative impact in the final phase.



Year-on-year effect (difference) : $0.2 - 0.5 = \text{JPY } 0.3 \text{ billion}$