



## Kansai Airports: Revenue and Profit Increase after One Year of Operations

Kansai Airports today announced its financial results for the 2<sup>nd</sup> fiscal term from October 2016 to March 2017, posting operating revenue of JPY 91.1 billion, operating income of JPY 17.6 billion, ordinary income of JPY 11.9 billion and net profit<sup>1</sup> of JPY 7.8 billion, due partly to strong air traffic which continued from the first term.

For one year after taking over the operations of Kansai International Airport (KIX) and Osaka International Airport (ITM) in April 2016, Kansai Airports posts operating revenue of JPY 180.2 billion and ordinary income of JPY 26.2 billion. The operating income represents a 3.2% increase on a like-for-like basis<sup>2</sup> from the New Kansai International Airport Company, Ltd. (NKIAC) results, and the ordinary income increased by 3.6% on the same basis<sup>2</sup>.

“Since we started operating KIX and ITM in April 2016, we have been able to welcome many passengers and operate these airports smoothly. We are delighted to report an increase both in revenue and profit in the financial results for the first year. We look forward to further contributing to the Kansai economy by striving to enhance airport functions so that we will be able to serve even more passengers,” commented Yoshiyuki Yamaya, Representative Director & CEO and Emmanuel Menanteau, Representative Director & Co-CEO, Kansai Airports.

### Consolidated Profit & Loss Statement

	The 2 <sup>nd</sup> Term Oct. 2016 – Mar. 2017 (JPY billion)	<Reference> Apr. 2016 – Sep. 2016 (JPY billion)	Apr. 2016 – Mar. 2017 (JPY billion)
Operating Revenues	91.1	89.1	180.2
Operating Costs	53.6	49.7	103.3
EBITDA	37.5	39.5	76.9
EBITDA Margin	44.3%	41.1%	42.7%
Depreciation & Amortization	19.9	19.3	39.1
Operating Income	17.6	20.2	37.8
Ordinary Income	11.9	14.3	26.2
Net Profit <sup>1</sup>	7.8	9.2	16.9

<sup>1</sup> “Net Profit” represents “Net Profit Attributable to Parent Company Shareholders”.

<sup>2</sup> As the accounting standards for NKIAC and Kansai Airports are different, Kansai Airports has revised the NKIAC FY2015 results to take into account the impact of the concession in order to have comparable numbers.

## Air Traffic

As a result of the increase in the number of international commercial flights to Asia including South Korea and Hong Kong, Kansai Airports achieved a record number of aircraft movements at KIX for FY2016 (April 2016 to March 2017). Moreover, the total number of aircraft movements at both KIX and ITM marked a record high of 317,000 for the fiscal year.

Passenger traffic at KIX also reached a record high of 25.72 million over the same period, following the last year, as the number of foreign passengers on international flights increased from the previous year and Japanese passengers on international flights outnumbered that of the previous year as well for the first time in 4 years. The total passenger traffic at KIX and ITM was 40.82 million, surpassing 40 million for the first time as a fiscal year result.

	Apr. 2015 – Mar. 2016	Apr. 2016 – Mar. 2017	Increase/ Decrease	Change %
ATM (thousand movements)	309	317	8	3%
KIX	169	178	9	5%
ITM	140	139	(1)	(1%)
PAX (million persons)	38.69	40.82	2.13	6%
KIX	24.06	25.72	1.66	7%
ITM	14.63	15.10	0.47	3%

## Consolidated Balance Sheet

Total net assets stand at JPY 1,876.5 billion as of March 31, 2017, out of which approx. 80% are Right to Operate Public Facility, etc. (non-current assets). Total liabilities are JPY 1,810.4 billion, out of which approx. 80% are long-term accounts payable (non-current liabilities) to NKIAC.

	As of March 31, 2017 (JPY billion)
Current Assets	240.2
Non-current Assets	1,636.3
<b>TOTAL ASSETS</b>	<b>1,876.5</b>
Current Liabilities	63.6
Non-current Liabilities	1,746.8
<b>TOTAL LIABILITIES</b>	<b>1,810.4</b>
Shareholders Equity	65.1
Other Comprehensive Income	0.1
Non-controlling Interests	0.9
<b>TOTAL NET ASSETS</b>	<b>66.1</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>1,876.5</b>

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# Consolidated Financial Results for the Fiscal Term ending in March 2017

May 31, 2017



Shaping a New Journey



# Agenda

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Consolidated Results Highlights

Revenue Explanation & Investment Plan

Overview of the Consolidated Financial Results for the Fiscal Term ending in March 2017

Comparison with NKIAC's FY2015 Consolidated Results

Appendix 1: Background to the Concession

Appendix 2: Terms and Conditions for the Concession

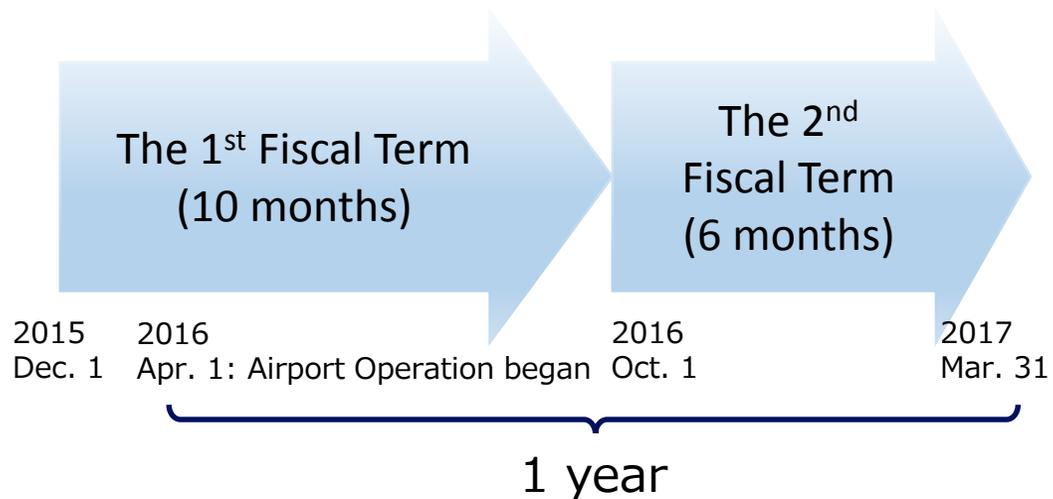
Appendix 3: Accounting for Concessions



# Consolidated Results Highlights

# Operating Revenues Reach JPY 180.2 billion; Net Profit<sup>1</sup> is JPY 16.9 billion for 1 year of Operations

→ Kansai Airports established on December 1, 2015



→ Operating revenues reached JPY 180.2 billion

→ Ordinary income was JPY 26.2 billion

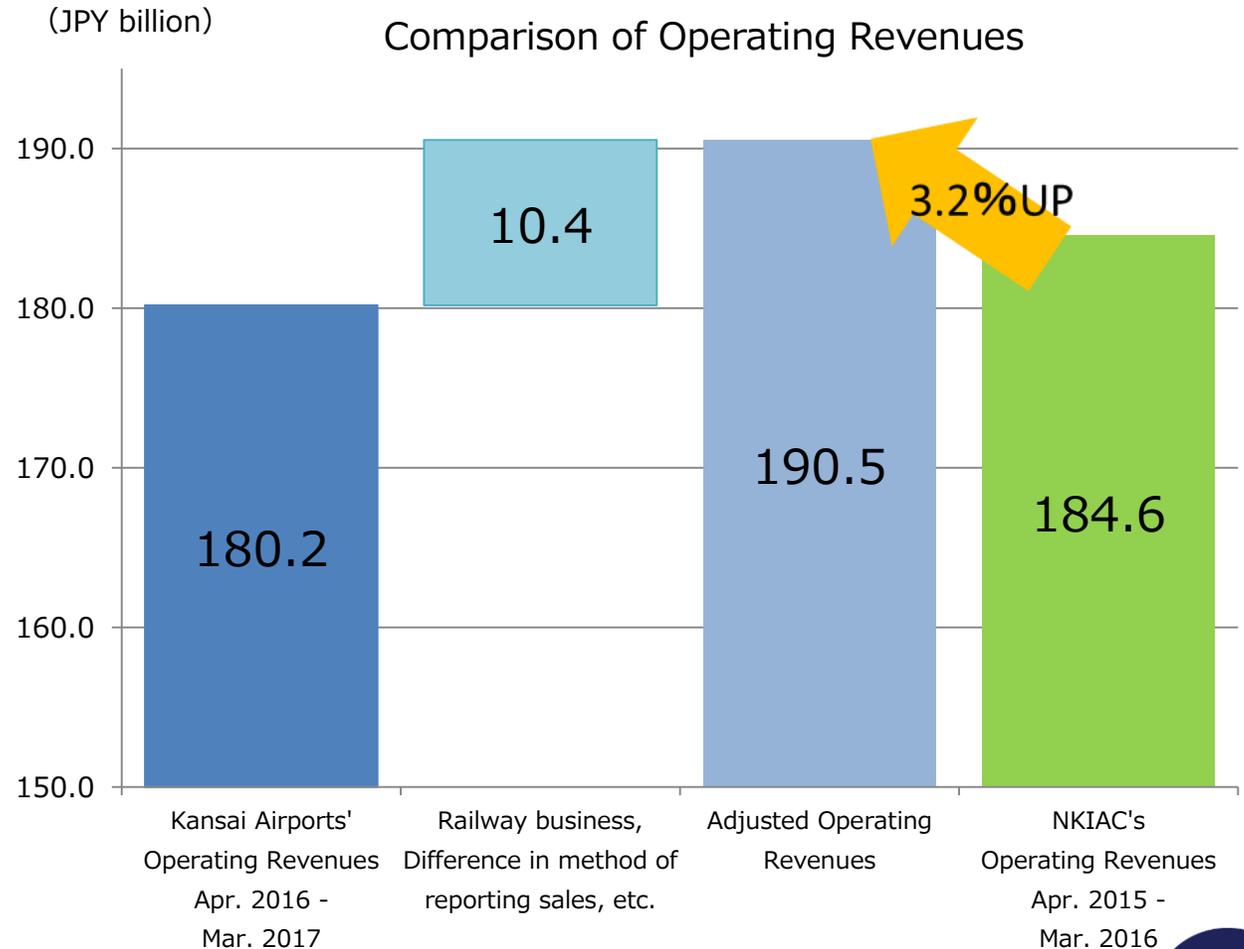
→ Net profit<sup>1</sup> was JPY 16.9 billion

	Part of 1st Fiscal Term Apr. 2016 - Sep. 2016 (JPY billion)	2nd Fiscal Term Oct. 2016 - Mar. 2017 (JPY billion)	1 year of Operations Apr. 2016 - Mar. 2017 (JPY billion)
Operating Revenues	89.1	91.1	180.2
EBITDA	39.5	37.5	76.9
EBITDA Margin	44.3%	41.1%	42.7%
Ordinary Income	14.3	11.9	26.2
Net Profit <sup>1</sup>	9.2	7.8	16.9

<sup>1</sup> "Net Profit" represents "Net Profit Attributable to Parent Company Shareholders"

# Operating Revenues Increased 3.2% and Ordinary Income Increased 3.6% 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 revenues increased by 3.2%, and ordinary income by 3.6%, compared with the comparative NKIAC figures for the previous fiscal year
- Operating Income increased due to strong passenger traffic at both KIX and ITM, exceeding 40 million pax for the first time





# Revenue Explanation & Investment Plan

# Record High Passenger Traffic of KIX and ITM Combined Contributed to Revenue Increase

- KIX air traffic movements and passenger traffic both reached a record high
  - Aircraft movements were 178,000, up by 5% year-on-year whereas passenger traffic was 25.72 million, up by 7% year-on-year, both hitting a record high
  - Driven by the record breaking number of foreign passengers on international flights of 12.42 million pax
  - Increasing number of foreign passengers on international flights from Asia
  - Japanese passengers on international flights of 6.51 million exceeded the previous year for the first time in 4 years
- ITM passenger traffic outnumbered that of the previous year for the 5<sup>th</sup> consecutive year

	Apr. 2015 – Mar. 2016	Apr. 2016 – Mar. 2017	Increase/ Decrease	Change %
ATM (thousand movements)	309	317	8	3%
KIX	169	178	9	5%
ITM	140	139	(1)	(1%)
Pax (million pax)	38.69	40.82	2.13	6%
KIX	24.06	25.72	1.66	7%
International Pax	17.28	19.15	1.87	11%
Japanese Pax	6.10	6.51	0.41	7%
Foreign Pax	11.0	12.42	1.42	13%
ITM	14.63	15.10	0.47	3%

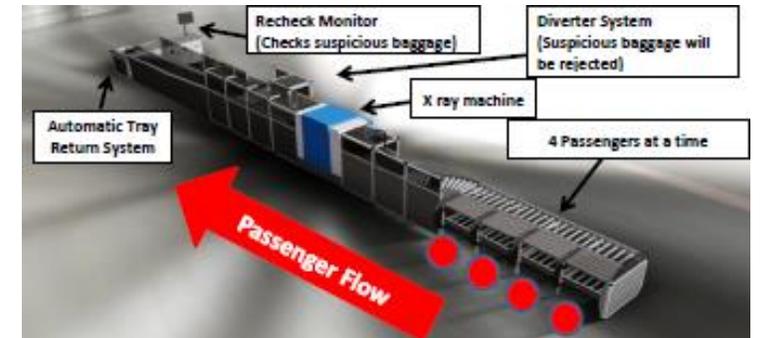
# Non-Aero Revenues on the Path of Recovery

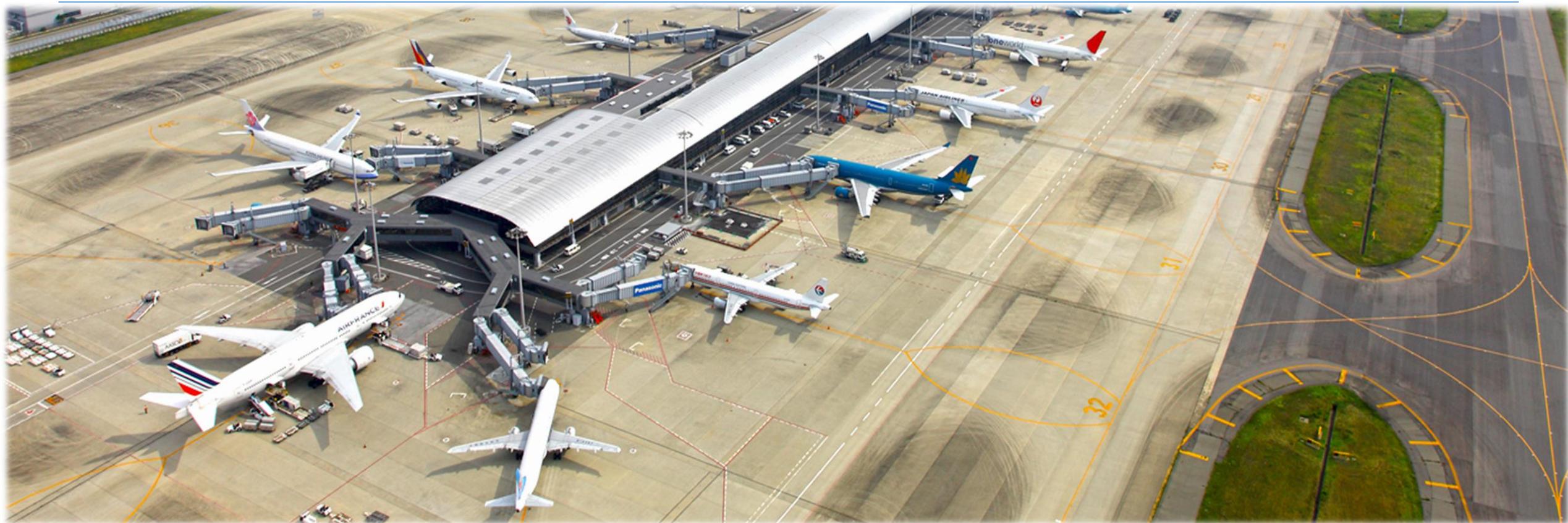
- For the April-September period, directly-managed duty-free store sales, one of major Non-Aero revenue sources, were down year-on-year due partly to the slowdown of Bakugai, or explosive buying
- For the October-March period, directly-managed duty-free store sales were on the path of recovery with foreign visitors on international flights reaching the previous year's level



# Investment Plan

- ➔ Capital Investment is one of our key obligations to match the increase in traffic
- ➔ JPY 96.1 billion is planned for proactive investment over the next 5 years (FY2017 - FY2021)
- ➔ This reflects that investment is a priority for safety and security, as well as bringing KIX and ITM to world-class level
  - ITM renovations
  - Introduction of Smart Security Lanes in KIX T1 & ITM
  - Enhancement of baggage security screening equipment in KIX & ITM
  - Regulatory compliance





# Overview of the Consolidated Financial Results for the Fiscal Term ending in March 2017

# Business Performance

	2nd Fiscal Term Oct. 2016 - Mar. 2017 (JPY billion)
Operating Revenue	91.1
Aero <sup>1</sup>	40.3
Non-Aero <sup>1</sup>	50.8
EBITDA	37.5
EBITDA Margin	41.1%
Operating Income	17.6
Net Profit <sup>2</sup>	7.8

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, ground handling revenue, etc.

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

<sup>1</sup> Part of Non-Aeronautical operating revenue is re-allocated to Aeronautical revenue from this term

<sup>2</sup> "Net Profit" represents "Net Profit Attributable to Parent Company Shareholders"

# Business Performance

(JPY billion)	Part of 1st Fiscal Term Apr. 2016 - Sep. 2016	2nd Fiscal Term Oct. 2016 - Mar. 2017	1 year of Operations Apr. 2016 - Mar. 2017
Operating Revenue	89.1	91.1	180.2
Aero <sup>1</sup>	40.0	40.3	80.3
Non-Aero <sup>1</sup>	49.1	50.8	99.8
Operating Costs	49.7	53.6	103.3
EBITDA	39.5	37.5	76.9
EBITDA Margin	44.3%	41.1%	42.7%
Depreciation & Amortization	19.3	19.9	39.1
Operating Income	20.2	17.6	37.8
Ordinary Income	14.3	11.9	26.2
Net Profit <sup>2</sup>	9.2	7.8	16.9

➔ Net profit<sup>2</sup> for 1 year of operations reached JPY16.9 billion thanks to strong air traffic

<sup>1</sup> Part of Non-Aeronautical operating revenue is re-allocated to Aeronautical revenue from this term.

<sup>2</sup> "Net Profit" represents "Net Profit Attributable to Parent Company Shareholders"

# Balance Sheet

As of March 31, 2017 (JPY billion)	
Current Assets	240.2
Non-current Assets	1,636.3
<b>TOTAL ASSETS</b>	<b>1,876.5</b>
Current Liabilities	63.6
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<b>TOTAL LIABILITIES</b>	<b>1,810.4</b>
Shareholders' Equity	65.1
Other Comprehensive Income	0.1
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<b>TOTAL NET ASSETS</b>	<b>66.1</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>1,876.5</b>

Right to Operate  
Public Facilities, etc.  
1,475.3

Long Term Payables  
1,493.6

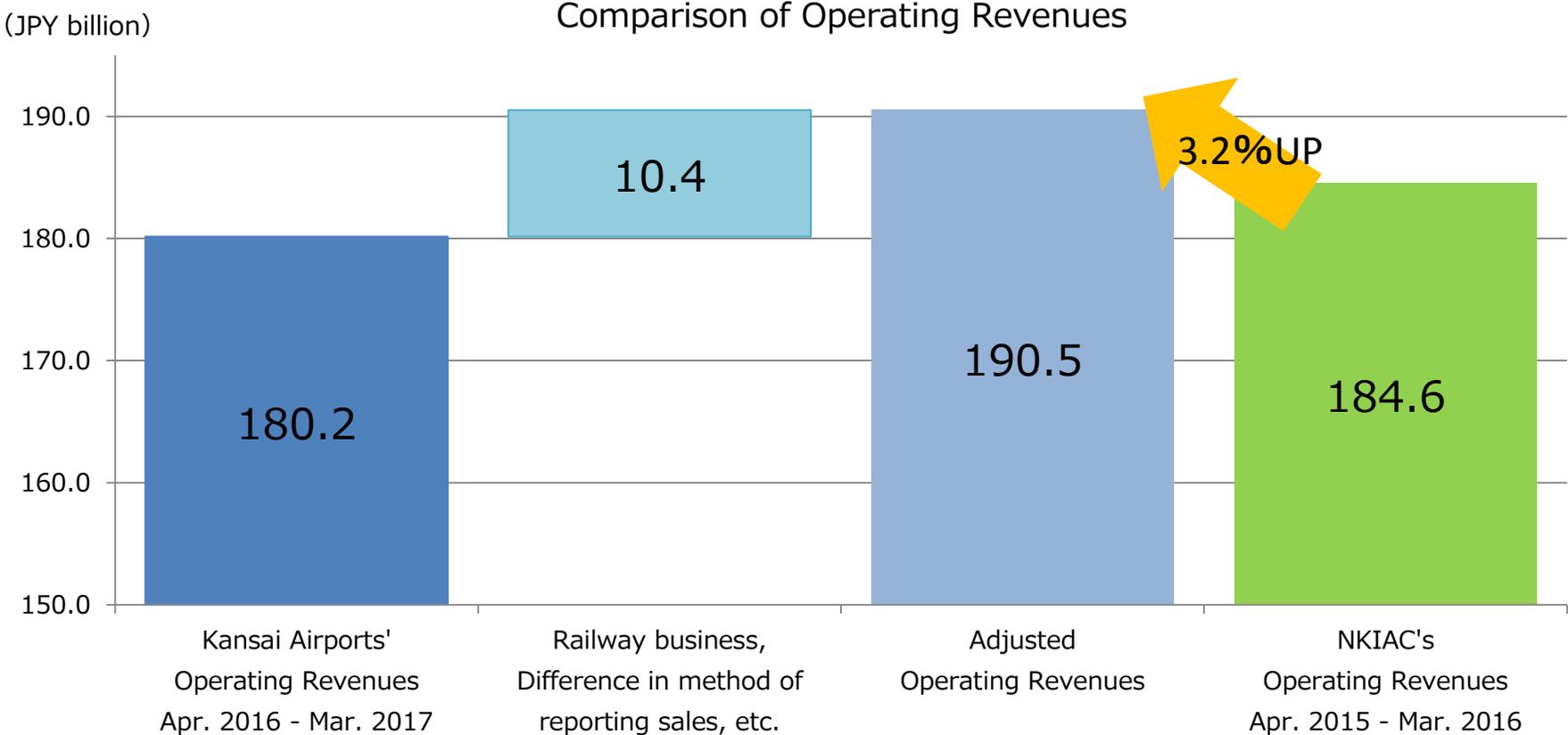


# Comparison with NKIAC's FY2015 Consolidated Results

# Comparable Revenues Increased 3.2%

## Comparison of Operating Revenues

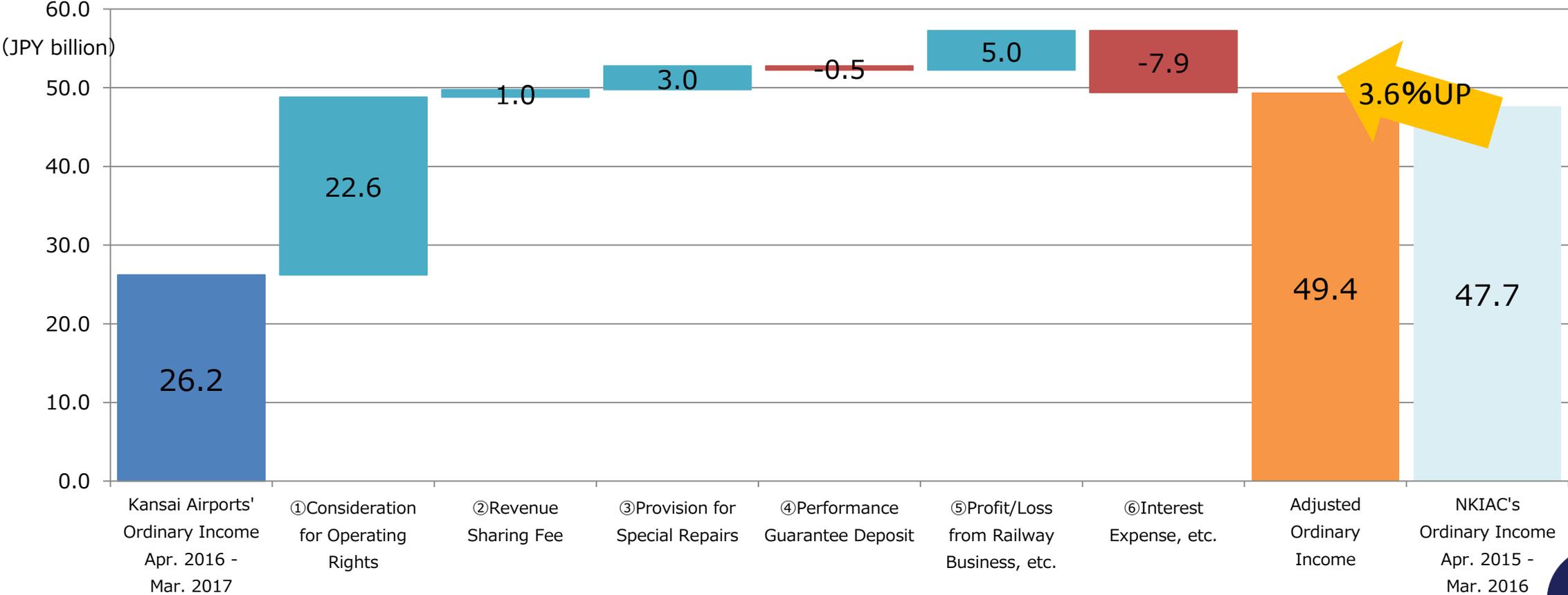
(Reflecting factors such as removal of railway business, difference in method of recording sales, etc.)



# Comparable Profit Increased 3.6%

## Comparison of Ordinary Income

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





# Q&A



# Appendix 1: Background to the Concession

# Background to the Concession

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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 JPY 1.3 trillion as of the end of FY2010

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



# Creation of the Concession

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May 2011

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

- ✈ Manage Osaka International Airport that used to be managed by the national government together with Kansai International Airport 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 rejuvenation of Kansai economy

# Timeline

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April 2012

New Kansai International Airport Company (NKIAC) established

July 2012

Integrated management of KIX and ITM airports by NKIAC

July 2014

NKIAC started 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



# Appendix 2: Terms and Conditions for the Concession

# Terms and Conditions for the Concession

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

✈ Consideration for the Operating Rights and related costs

- 1) Consideration for the Operating Rights (annual amount) JPY37.275 billion
- 2) Property taxes sharing fee (amount equivalent to actual costs)
- 3) Revenue sharing fees 3% of the amount by which the Approved Revenue for such fiscal year exceeds JPY150 billion (within 6% of fund returnable to shareholders)
- 4) Consideration for assets to be transferred to the Operating Rights holder JPY31.4 billion

✈ The amount of Performance Guarantee Deposit JPY175,000,000,100

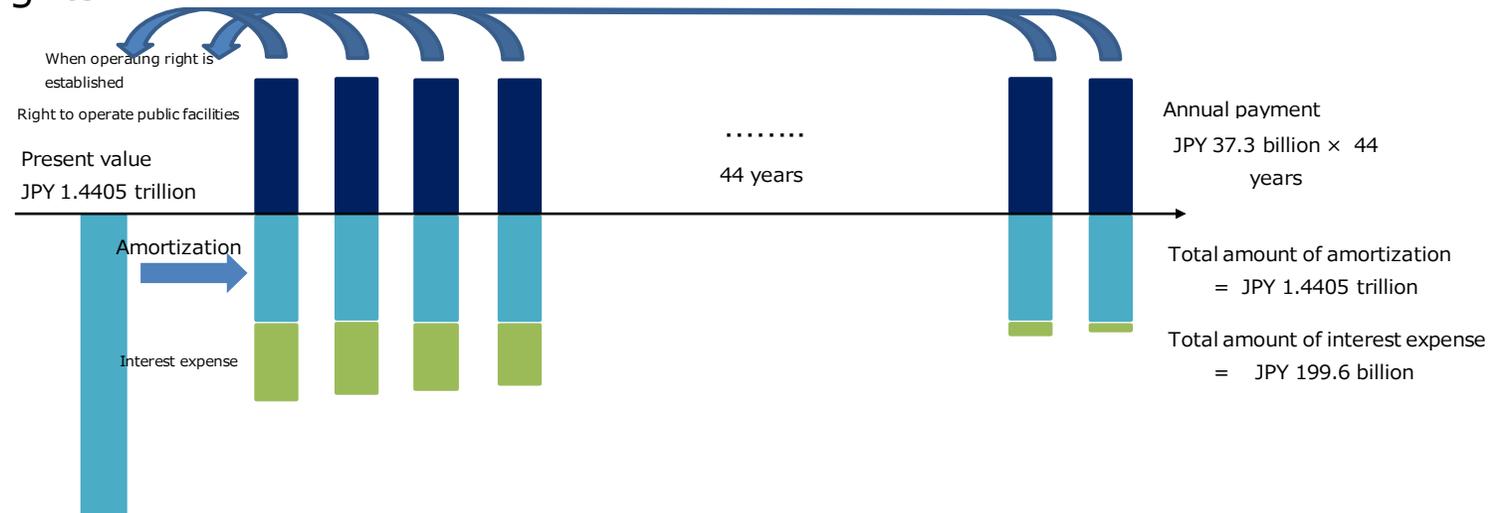


# Appendix 3: Accounting for Concessions

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

- ✈ The Consideration for the Operating Rights paid to NKIAC, JPY 37.3 billion every year, is not recorded as direct expense
- ✈ The amount discounted to present value (JPY 1 trillion 440.5 billion) based on the payment schedule (annual cash-out of JPY 37.3 billion) shall be recorded as the Right to Operate Public Facilities, etc. under intangible assets and be amortized by straight-line method over 44 years. The amount discounted (JPY 199.6 billion) shall be recorded as interest expense that will be smaller over time as we pay the Consideration for Operating Rights

- ✈ As a result, expense recorded exceeds the amount of annual payment at the beginning of concession period, whereas it will be less than the annual payment towards the final phase



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

- ✈ Amortization of Operating Rights (intangible assets) and interest expense (April 2016 – March 2017)
  - The amount of expense recorded for the period: JPY34.9 billion as amortization and JPY8.6 billion as interest expense including amortization of ancillary fees required for acquiring the Operating Rights
- ✈ While expenses related to large sum of the Consideration for the Operating Rights are recorded as stated above, 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 2.9 billion, which is far less than the figure of NKIAC group for the last fiscal year (JPY 23.8 billion)

**Year-on-year effect (difference) :  $34.9 + 8.6 + 2.9 - 23.8 = \text{JPY } 22.6 \text{ billion}$**

# Accounting for Concessions: Revenue Sharing Fee

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- ✈ 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 fiscal year
- ✈ Revenue Sharing Fee of JPY 1 billion was recorded for the period between April 2016 and March 2017

**Year-on-year effect (difference) : JPY 1.0 billion**

# Accounting for Concessions: Provision for Special Repairs

Provision to prepare for the payment of costs required for special repairs of runways, taxiways and aprons was posted for the fiscal term based on the estimation of such costs in the future

- ✈ Recording of Provision for Special Repairs (Apr. 2016 – Mar. 2017)

Based on the estimated repair cost for large-scale maintenance/repair works in future, we recorded JPY 2 billion for the period

- ✈ Provision for Special Repairs to be recorded at the beginning of the term

As the Provision for Special Repairs to be recorded at the start of the operations was estimated at JPY 40.2 billion, they were recorded as liabilities, and the Right to Operate Public Facilities, etc. was recorded as its corresponding account

- ✈ Amortization of Operating Rights (intangible assets) pertaining to Provision for Special Repairs (Apr. 2016 – Mar. 2017)

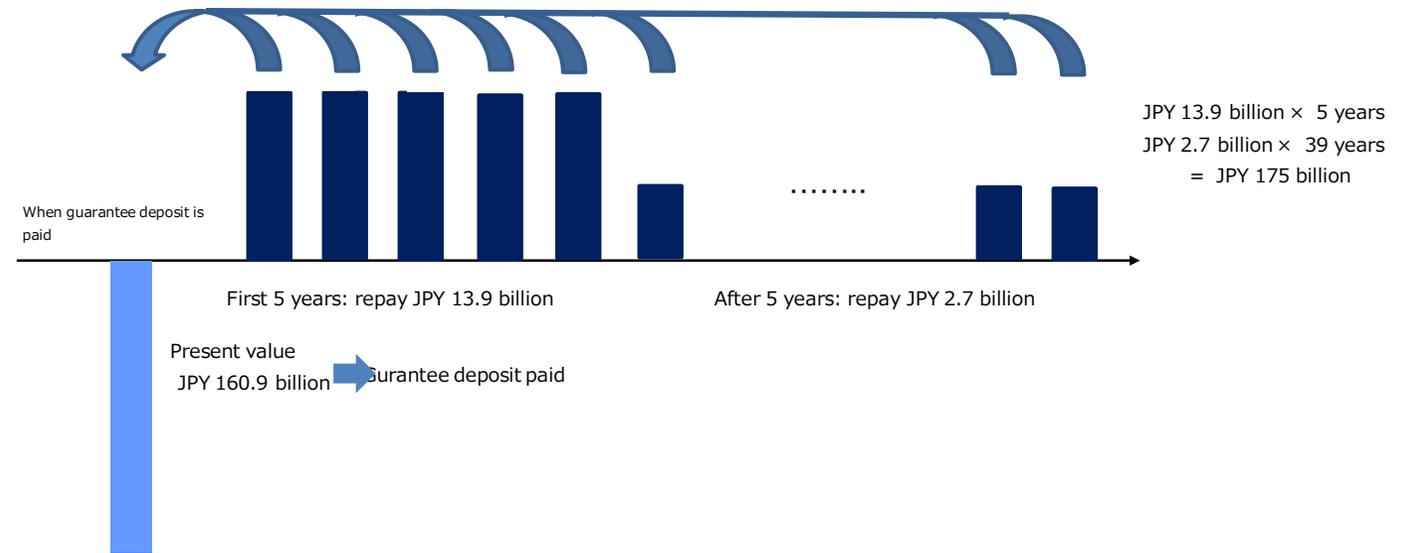
Right to Operate Public Facilities, etc. is to be amortized over 44 years of concession period  
Amortization cost of JPY 1 billion was recorded for the period

**Year-on-year effect (difference) :  $2.0 + 1.0 = \text{JPY } 3.0 \text{ billion}$**

# Accounting for Concessions: Performance Guarantee Deposit

## Pledge of Performance Guarantee Deposit

- ✈ We pledged 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 fiscal year), the amount discounted to the present value when the deposit was made (JPY 160.9 billion) was recorded as guarantee deposit paid
- ✈ Difference between the paid amount and the amount recorded as asset, which is worth JPY 14.1 billion, was recorded as the Right to Operate Public Facilities, etc.



# Accounting for Concessions: Performance Guarantee Deposit (2)

## ✈️ Repayment of Performance Guarantee Deposit (Apr. 2016 – Mar. 2017)

NKIAC repaid JPY13.9 billion, out of which JPY13.1 billion was recognized as guarantee deposit. Remaining JPY 0.8 billion was recorded as interest income for accounting treatment although no interest is to be paid based on the agreement with NKIAC

## ✈️ Amortization of Operating Rights (intangible asset) pertaining to Performance Guarantee Deposit (Apr. 2016 – Mar. 2017)

Right to Operate Public Facilities, etc. will be amortized over the 44 years concession period.  
JPY 0.3 billion was recorded as amortization cost for the period.

✈️ This gives positive impact on profit/loss at a time of operation start, whereas it gives negative impact towards the final phase of the concession



**Year-on-year effect (difference) :  $0.3 - 0.8 =$  (JPY 0.5 billion)**

## Shaping a New Journey



As of April 1, 2016, Kansai Airports succeeded the operating rights of 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/](http://www.kansai-airports.co.jp/en/)

Location	1-banchi, Senshu-kuko kita, Izumisano-shi, Osaka	Capital	25,000 million yen
Company Representatives	Representative Director and CEO: Yoshiyuki Yamaya Representative Director and 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% <sup>1</sup>



ORIX Corporation (TSE: 8591; NYSE: IX) is an opportunistic, diversified, innovation-driven global powerhouse with a proven track record of profitability. Established in 1964, ORIX at present operates a diverse portfolio of businesses in the operations, financial services, and investment spaces. ORIX's highly complementary business activities span industries including: energy, private equity, infrastructure, automotive, ship and aircraft, real estate and retail financial services. ORIX has also spread its business globally by establishing locations in a total of 37 countries and regions across the world. Through its business activities, ORIX has long been committed to corporate citizenship and environmental sustainability. For more details, please visit our website: <http://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 200 airlines, VINCI Airports' network handled 132 million passengers in 2016.

Through its expertise as a comprehensive integrator and the professionalism of its 11,000 employees, VINCI Airports develops, finances, builds and operates airports, leveraging its investment capability, international network and know-how to optimize the management and performance of existing airport infrastructure, facility extensions and new construction. In 2016, its consolidated revenue amounted to €1.05 bn.

More comprehensive information is available on [www.vinci-airports.com](http://www.vinci-airports.com)

<sup>1</sup> 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.; Kiyoh 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.