

(TRANSLATION) (for Reference Only)

**Application Guidelines on
the Qualified Project Etc. for Hiroshima Airport Operation**

The original of this document shall be prepared in Japanese language, and this is only English translation of that. This document shall serve only as a reference and shall be interpreted in accordance with the Japanese document.

June 26, 2019

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

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1. Introduction

The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Osaka Regional Civil Aviation Bureau of the MLIT (hereinafter collectively referred to as the “State”) are planning to select a private business operator (if a private business operator composed of two or more corporations has been selected, it refers to all of the corporations; hereinafter referred to as the “Preferred Negotiation Right Holder”) to implement the Qualified Project, etc., for Hiroshima Airport Operation (hereinafter referred to as the “Project”) at the Hiroshima Airport (hereinafter referred to as the “Airport”), for the purpose of integrally managing a Qualified Project for National Airport Operation (hereinafter referred to as the “Airport Operating Business”) under the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the “PFI Act”) and the Act on Operation of National Airports Utilizing Skills of the Private Sector (Act No. 67 of 2013; hereinafter referred to as the “Private Utilization Airport Operation Act”) together with the non-aviation activities pertaining to the terminal buildings, etc. (hereinafter referred to as the “Building Facilities Business”), as well as grant the Right to Operate Public Facilities, etc. (meaning the Right to Operate Public Facilities, etc., stipulated in Article 2, paragraph (7) of the PFI Act; hereinafter referred to as the “Operating Right”) to a special purpose company (hereinafter referred to as the “SPC”) incorporated by the Preferred Negotiation Right Holder, as the Operating Right Holder of a National Airport (meaning the Operating Right Holder of a National Airport stipulated in Article 4, paragraph (2) of the Private Utilization Airport Operation Act; hereinafter referred to as the “Operating Right Holder”) and enter into the Qualified Project, etc., for Hiroshima Airport Operation Agreement to Implement Right to Operate Public Facilities, etc. (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

The Application Guidelines shall apply to the selection of the Preferred Negotiation Right Holder of the Project through a public invitation for proposals, which is a method of entering into a competitive negotiated agreement (hereinafter referred to as the “Bidding”), as planned by the State. The Application Guidelines shall be applicable during the period from the date of publication of the Application Guidelines until the date of execution of the Project Agreement, and thereafter shall be binding on the parties to the Project Agreement.

Please note that the State may set out in the Project Agreement or other documents the matters regarding the Project that are agreed upon through competitive dialogue etc. between the State and the Preferred Negotiation Right Holder in the course of the Bidding.

2. Matters concerning the content of the Project

(1) Officer in charge of contracts

Kuniharu Ebina, Director-General, Civil Aviation Bureau, MLIT

(2) Unit in Charge

Airport Governance Reform Unit, Planning Division,
Aviation Network Department, Civil Aviation Bureau, MLIT
(hereinafter referred to as the “Unit in Charge”)

Address: 1-3, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo, 100-8918

Tel: +81-3-5253-8714

Email: koku-nekika@mlit.go.jp

With regard to the administrative affairs to be conducted by the Unit in Charge in relation to the Bidding, the following advisors (hereinafter referred to as the “Bidding Advisors”) are appointed.

- (i) PwC Advisory LLC
- (ii) PricewaterhouseCoopers Aarata LLC
- (iii) PwC Tax Japan
- (iv) PwC Legal Japan
- (v) Anderson Mori & Tomotsune
- (vi) Yamashita PMC Inc.
- (vii) Toko Engineering Consultants Co., Ltd.

The documents to be submitted to the Bidding Advisors¹ as stipulated in the Application Guidelines shall be sent to:

Attention: Hiroshima Airport Team, Infrastructure Advisory Group
PwC Advisory LLC

Address: Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004

Tel: +81-3-6212-6898

Email: pwcadvisory.hij@jp.pwc.com

(3) Background and purposes of the Project

The number of passengers using the Airport, the largest in scale in the Chugoku and Shikoku regions with an aviation network consisting of 5 domestic and 6 international routes,

¹ Bidding Advisors are selected in each fiscal year. The selection for fiscal 2020 will be performed separately.

were recorded at about 2.98 million for FY2017 (domestic: ca.2.64 million passengers; international: ca.330,000 passengers) and it plays an important role as a gateway for cities in and outside Japan. Furthermore, Hiroshima Prefecture (hereinafter referred to as the “Prefecture”) has a large number of tourist attractions, including the two World Heritage Sites (Itsukushima Shrine (Miyajima) and the Atomic Bomb Dome), and is promoting initiatives on extensive sightseeing, such as the development of extensive sightseeing routes in Setouchi and San-in regions in light of the steep increase in inbound touristic demand seen in recent years, and the Airport which is located in the center of the region has a high potential to develop as a hub for extensive sightseeing.

However, currently, at the Airport, (1) basic airport facilities owned by the State; (2) air passenger service facilities, together with adjoining convenience facilities (hereinafter referred to as the “Passenger Building Facilities”) and air cargo handling facilities, together with adjoining convenience facilities (hereinafter referred to as the “Cargo Building Facilities”) owned by the air passenger and air cargo operator (hereinafter referred to as the “Building Facility Operator”); and, (3) parking facilities within the Hiroshima Airport site (hereinafter referred to as the “Parking Facilities”) owned by the parking facilities operator (herein after referred to as the “Parking Facilities Operator”) are operated individually and the Airport is not necessarily managed in an integrated manner to pursue the strategic and efficient management. In order to fully demonstrate the potential of the Airport, it would be critical to improve the convenience of users by focusing on strategic air service development and improving operational efficiency.

Therefore, for the Airport to perform its role at its full potential, the State has decided to implement the Project to have the Operating Right Holder implement the Airport Operating Business while securing the safety of air transport and the public nature of the Airport and to integrate the operation of the above facilities in the Airport to realize integrated and flexible airport management by utilizing the money and management skills of the private sector. As mentioned above, the Project is aimed at facilitating the revitalization of the Airport and the surrounding areas, thereby activating, promoting and developing such areas through increasing the population who are engaged in domestic and international interactions and through other favorable measures.

(4) Application Guidelines etc.

The Application Guidelines and documents attached to the Application Guidelines are composed of the documents listed in (i) through to (x) below (together with supplementary materials (meaning the supplementary materials defined in 3. - (2) -K); the same shall apply hereinafter) as well as answers to questions to be published on the website of the Civil

Aviation Bureau of the MLIT or by other appropriate means and other documents to be issued by the State in relation to those documents, hereinafter collectively referred to as the “Application Guidelines etc.”, and if any amendments have been made, the documents reflecting the amendments shall prevail). The documents listed in (i) through to (ix) are conditions precedent for preparing documents to be submitted for the first screening (hereinafter referred to as the “First Screening Documents”) and those for the second screening (hereinafter referred to as the “Second Screening Documents”) as well as other documents to be submitted for any screenings in relation to the implementation of the Project (hereinafter referred to as the “Proposal Documents”). The documents listed in (i) through to (vii) shall be binding on the parties to the Project Agreement when it is executed.

In addition, supplementary materials to be published for the selection of the Preferred Negotiation Right Holder shall constitute a part of the Application Guidelines etc. and any and all supplementary materials (excluding the referential materials) shall be binding on the parties to the Project Agreement when it is executed, unless otherwise specified.

- (i) Application Guidelines on the Qualified Project Etc. for Hiroshima Airport Operation (hereinafter referred to as the “Application Guidelines”)
- (ii) Qualified Project Etc. for Hiroshima Airport Operation Agreement to Implement Right to Operate Public Facility Etc. (draft) (hereinafter referred to as the “Project Agreement (draft)”)
- (iii) Qualified Project Etc. for Hiroshima Airport Operation Basic Agreement (draft) (hereinafter referred to as the “Basic Agreement (draft)”)
- (iv) National Property Free Lease Agreement with respect to the Qualified Project Etc. for Hiroshima Airport Operation (draft) (hereinafter referred to as the “National Property Free Lease Agreement (draft)”)
- (v) Goods Transfer Agreement with respect to the Qualified Project Etc. for Hiroshima Airport Operation (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
- (vi) Required Standards Document for the Qualified Project Etc. for Hiroshima Airport Operation (draft) (hereinafter referred to as the “Required Standards Document (draft)”)
- (vii) Compilation of related materials
- (vii) Selection Criteria for the Preferred Negotiation Right Holder for the Qualified Project Etc. for Hiroshima Airport Operation (hereinafter referred to as the “Selection Criteria for the Preferred Negotiation Right Holder”)
- (ix) Forms for the Qualified Project Etc. for Hiroshima Airport Operation and directions to complete the forms (hereinafter referred to as the “Forms and Directions”)

(x) Compilation of referential materials

Please note that if there is any discrepancy between the Application Guidelines etc. and the Implementation Policy on the Qualified Project Etc. for Hiroshima Airport Operation (published on March 6, 2019; hereinafter referred to as the “Implementation Policy”), the details specified in the Application Guidelines etc. shall prevail. However, any matter not stated in the Application Guidelines etc. shall be governed by the Implementation Policy.

(5) Anticipated governing laws etc. for the implementation of the Project

The implementation of the Project shall be governed by the PFI Act, the Private Utilizing Airport Operation Act and the Basic Policies on Operation of National Airports Utilizing Skills of the Private Sector (MLIT Public Notice No. 1080 of 2013) as well as the related laws, regulations, etc. listed in the Required Standards Document (draft) I.3.2.

(6) Project period

A) The period of the Project

The period of the Project (hereinafter referred to as the “Project Period”) consists of the period in which the Operating Right Holder carries out the Airport Operating Business based on the Operating Right (hereinafter referred to as the “Airport Operating Business Period”) and the period in which the Operating Right Holder carries out the Building Facilities Business (hereinafter referred to as the “Building Facility Business Period”) prior to the implementation of the Airport Operating Business.

The Airport Operating Business Period means the period from the commencement date of the Airport Operating Business upon fulfillment of the conditions precedent to the commencement as set out in the Project Agreement (hereinafter referred to as the “Airport Operating Business Commencement Date”) until the day preceding the 30th anniversary of the date when the Operating Right was granted (hereinafter referred to as the “Operating Right Establishment Date”), or if the Airport Operating Business Period is extended pursuant to Part 2. - (6) -B), until the date of expiration of such extended period (hereinafter referred to as the “Airport Operating Business Expiration Date”).

The Building Facility Business Period means the period from the earlier of the commencement date of the Building Facilities Business (hereinafter referred to as the “Building Facility Business Commencement Date”) or the commencement date of the Parking Facilities Business (hereinafter referred to as the “Parking Facility Business Commencement Date”) upon fulfillment of the conditions precedent to commencement as set out in the Project Agreement, such as the acquisition by the Operating Right Holder of

the shares issued by the Building Facility Operator (hereinafter referred to as the “Building Facility Operator Shares”) or the parking facility business etc. on Hiroshima Airport Site (hereinafter referred to as the “Parking Facilities Business”), until the Airport Operating Business Expiration Date.

B) Extension of the Airport Operating Business Period

If any of the applicable events set out in the Project Agreement occurs, the Operating Right Holder may request that the State extend the Airport Operating Business Period. In this case, if the State finds it necessary for the Operating Right Holder to recover the damage, additional expenses, etc., incurred by the Operating Right Holder due to the occurrence of such an event, the Airport Operating Business Period may be extended, upon consultation between the State and the Operating Right Holder, for a period agreed upon by both parties within the limit specified in Part 2. - (6) -C) (such extension of the period is hereinafter referred to as the “Agreed Extension”). To avoid misunderstanding, the Agreed Extension may be made more than once.

C) The duration of the Operating Right

The duration of the Operating Right (hereinafter referred to as the “Initial Duration of the Operating Right”) shall be the period from the Operating Right Establishment Date until the day preceding the 30th anniversary thereof.

The duration of the Operating Right shall not be extended beyond the day preceding the 35th anniversary of the Operating Right Establishment Date, including where the Airport Operating Business Period, specified in Part 2. - (6) -B) is extended (this limit shall be recorded on the registry of the Rights to Operate a Public Facilities, etc.)².

The duration of the Operating Right shall expire on the Airport Operating Business Expiration Date and the Operating Right shall also expire on this date.

(7) Project methods

A) Methods of granting, etc., the Operating Right and acquisition of the Assets for Transfer to the Operating Right Holder

The Preferred Negotiation Right Holder who has been selected through the procedure stipulated in Part 3. - (3) and has entered into the Basic Agreement (meaning the Basic Agreement defined in Part 3. - (4) -A); the same shall apply hereinafter) with the State shall incorporate an SPC whose sole purpose is to carry out the Project.

² For example, if the Operating Right Establishment Date is August 1, 2020, the date of expiration of the Initial Duration of the Operating Right shall be July 31, 2050, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than July 31, 2055.

The State shall grant the Operating Right to the SPC with respect to the Facilities Subject to the Operating Right (meaning the Facilities Subject to the Operating Right in Part 5. - (1) ; the same shall apply hereinafter) and the SPC shall become the Operating Right Holder. The Operating Right Holder shall enter into the Project Agreement with the State, and, by the Airport Operating Business Scheduled Commencement Date (as defined in the Project Agreement (draft)), shall complete the succession of the businesses and acquire the movables required for the implementation of the Project (hereinafter referred to as the “Assets for Transfer to the Operating Right Holder” and agreements relating to such transfer are hereinafter referred to as the “Goods Transfer Agreement”).

B) Methods for acquiring the Building Facility Operator Shares

The Operating Right Holder who has entered into the Project Agreement shall acquire the Building Facility Operator Shares from the shareholders (hereinafter referred to as the “Building Facility Operator Shareholders”) by the Building Facility Business Scheduled Commencement Date (as defined in the Project Agreement (draft)).

With respect to the methods for transferring the shares mentioned above, a share acquisition option agreement concerning the shares held by each shareholder, in which the price for transferring the Building Facility Operator Shares is set at 6,301,800,000 yen, was entered into between the State and the Building Facility Operator Shareholders (hereinafter referred to as the “Building Facility Operator Share Acquisition Option Agreement”). It has been agreed that the contractual status of the State under this agreement, including the right to complete the transfer of the Building Facility Operator Shares based on the agreement, shall be transferred to the Operating Right Holder. The Operating Right Holder shall acquire from the State the right to complete the share transfer under the Building Facility Operator Share Acquisition Option Agreement and exercise the right, thereby acquiring the Building Facility Operator Shares.

Please note that since this is made through the transfer of the shares, the agreements, etc., executed by the employees of the Building Facility Operator and the Building Facility Operator will be succeeded unless the circumstances are exceptional.³

The State shall not be liable whatsoever for the performance of the agreement by stakeholders of the Building Facility Operator Share Acquisition Option Agreement.

³ Even after the acquisition of the Building Facility Operator Shares, the Operating Right Holder shall continuously hire employees of the Building Facility Operator and its subsidiaries under conditions that do not substantially fall below the employment conditions concluded at the time of acquisition of said shares, unless special circumstances exist. In addition, when the Operating Right Holder modifies the employment conditions of employees of the Building Facility Operator and its subsidiaries after the acquisition of the Building Facility Operator Shares, applicable labor-related laws and regulations must be complied with.

C) Methods for acquiring the Parking Facilities Business

With respect to the Parking Facilities, a business acquisition option agreement concerning the gratuitous conveyance of the Parking Facilities Business shall be entered into between the State and the current Parking Facilities Operator (hereinafter referred to as the “Parking Facilities Business Acquisition Option Agreement”). It is supposed that the contractual status of the State under this agreement, including the right to complete the transfer of the Parking Facilities Business based on the agreement, be transferred to the Operating Right Holder.⁴ The Operating Right Holder shall acquire from the State the right to complete the business acquisition under the Parking Facilities Business Acquisition Option Agreement (in case there is an amendment, the amended Parking Facilities Business Acquisition Option Agreement) and exercise the right, thereby acquiring the Parking Facilities Business by the Parking Facility Business Scheduled Commencement Date (as defined in the Project Agreement (draft)).

The State shall not be liable whatsoever for the performance of the agreement by stakeholders of the Parking Facilities Business Acquisition Option Agreement after the execution.

D) Treatment of the airport hotel owned by the Building Facility Operator outside the Airport Site

The Building Facility Operator owns Hiroshima Airport Hotel outside the Airport Site (hereinafter referred to as the “Hotel Facilities”) and has its subsidiary operate the hotel. The Operating Right Holder shall succeed the Hotel Facilities related business through the acquisition of the Building Facility Operator Shares based on Part 2. - (7) -B)⁵.

E) Treatment of the Prefecture owned facilities outside the Airport Site

⁴ Even after the acquisition of the Parking Facilities Business, the Operating Right Holder shall continue to employ the employees of the Parking Facilities Operator under conditions that do not substantially fall below the employment conditions at the time of the acquisition of the business, unless special circumstances exist. In addition, if the Operating Right Holder modifies the employment conditions of employees of the Parking Facilities Operator after the acquisition of the Building Facilities Business, applicable labor-related laws and regulations must be complied with. The employment contracts to be succeeded will not be determined at the time of the execution of the Parking Facilities Business Acquisition Option Agreement, and the State plans to amend the agreement once they are determined.

⁵ The operation of the Hotel Facilities will need the approval of the State as defined in Part 2. - (10) -E). The State shall provide such approval unless extraordinary circumstances exist. The hotel site consists of land owned by The Prefecture and land owned by Mihara City and it is assumed that the Prefecture and Mihara City will continue to lease the land.

The Prefecture owns and manages a parking⁶ and the Forest Hills Garden⁷ located in the area surrounding the Airport.

(i) Prefecture-managed parking

The Prefecture hopes that the prefectural parking be managed collectively with the Parking Facilities specified in Part 2. - (7) -C). The Prefecture plans to enter into a land lease agreement with the Operating Right Holder in view of the Operating Right Holder's plan on use of the land. Details of the agreement is expected to be provided by the Prefecture during the period of the bidding⁸.

(ii) Forest Hills Garden

The Prefecture outsources the management of Forest Hills Garden to a joint venture between Hiroshima Airport Building and Hiroshima Airport Hotel as the designated administrator. The Operating Right Holder shall also succeed the designated administrator service through the acquisition of the Building Facility Operator Shares should the joint venture still be the administrator on the Building Facility Business Commencement Date⁹.

F) Treatment upon expiration of the Project Period

The Operating Right and other matters will be treated as follows when the Project ends because the Project Period has effectively lapsed:

(i) Operating Right

The Operating Right shall expire on the Airport Operating Business Expiration Date.

(ii) Assets, etc., of the Operating Right Holder

The Operating Right Holder shall transfer the Facilities Subject to the Operating Right to the State, or a third party designated by the State, on the Airport Operating Business Expiration Date or on a later day designated by the State.

In addition, the State or a third party designated by the State may purchase, at

⁶ Currently, the consignment fee system is being applied. The designated administrator is engaged in the management, operation and fee collection agency service for the prefectural parking, based on the consignment fee paid by the Prefecture. The parking fee is set and received by the Prefecture as income.

⁷ Currently, the designated administrator is engaged in the management and operation of the facilities and receives the fees collected from users, in addition to the consignment fee paid by the Prefecture.

⁸ Once there is agreement between the Operating Right Holder and the Prefecture, the State shall provide approval as specified in Part 2. - (10) E), to the extent there is no impact on the operation of the Project and the financial status, etc. of the Operating Right Holder.

⁹ The current administration period is from April 1, 2019 and expire on March 31, 2024. In case the administration service continues into the next period after the Building Facility Business Commencement Date, the State shall provide the required approval specified in Part 2. - (10) -E) unless extraordinary circumstances exists.

market value¹⁰, any asset which is held by the Operating Right Holder or its subsidiary and affiliate (hereinafter collectively referred to as the “Operating Right Holder’s Subsidiary, etc.”) if the State or the third party deems it necessary¹¹. If the State selects a new implementer of the Project through a bid, the State shall make it a condition for participating in such bidding that the implementer shall purchase the whole or a part of such assets at market value, from the Operating Right Holder or the Operating Right Holder’s Subsidiary, etc.

The Operating Right Holder and the Operating Right Holder’s Subsidiary, etc., are responsible to dispose of all assets held by the Operating Right Holder and the Operating Right Holder’s Subsidiary, etc., for carrying out the Project, excluding those to be purchased by the State or a third party designated by the State.

With respect to the Airport Site, etc. (as defined in Part 2. - (10) -A)-(ii); the same shall apply hereinafter), the National Property Free Lease Agreement shall be terminated on the Airport Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site, etc., at its own expense and transfer them to the State or a third party designated by the State. However, if any asset to be purchased by the State or a third party designated by the State existing on the Airport Site (as defined in Part 5. - (2) -A); the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

In order for the State to secure the preferential right to purchase the Building Facilities, the Hotel Facilities and the Parking Facilities upon the expiry of the Airport Operating Business Period, the Operating Right Holder shall (i) have the Building Facilities Operator enter into a purchase option agreement on the Building Facilities and the Hotel Facilities exercisable by the State without delay after the Building Facility Business Commencement Date¹² and (ii) enter into a purchase option agreement on the Parking Facilities exercisable by the State¹³. The purchase price for the Building Facilities, Hotel Facilities and Parking Facilities in the option agreement shall be the

¹⁰ The market value shall be calculated through a fair process, such as upon discussion and agreement of the market value calculation method by the valuation specialist as designated by the State or a third party as designated by the State (in case of publicly soliciting a new operator to operate the Project after the termination of the Project Period, the valuation specialist designated by the State), the valuation specialist as designated by the Operating Right Holder and a third party valuation specialist as agreed by both. Considering the mutual dependency between the Facilities Subject to the Operating Right and the facilities owned by the Operating Right Holder and the Operating Right Holder’s Subsidiary, etc., the Project’s overall value shall be calculated so as to be properly allocated.

¹¹ The Operating Right Holder may request the State to arrange a hearing on the scope of purchase of the expansion investment related to Non-Operating Right Facilities that the Operating Right Holder will conduct during the Airport Operating Business Period.

¹² Discussions shall be held with the State should the Operating Right Holder wish to transfer or remove the Hotel Facilities during the Airport Operating Business Period.

¹³ With regard to the Parking Facilities, a purchase option agreement is to be entered into should the State request that such an agreement be in place for the eligible properties.

market value (the amount determined as set out in the Project Agreement).

The Operating Right Holder of the Building Facility Operator shall provisionally register the right to claim the transfer of ownership for the State for the Building Facilities, Hotel Facilities and Parking Facilities at its own cost, based on such an option agreement. Such provisional registration shall prevail over other rights (including but not limited to collaterals) established in terms of the rank in the order of priority.

(iii) Succession of the businesses

In general, the Operating Right Holder shall hand over the businesses to the State or a third party designated by the State within the Airport Operating Business Period and shall be responsible for properly handing over such businesses and for ensuring that the Project is smoothly succeeded by the State, etc. Any personnel expenses and other related costs incurred for such handover by the Operating Right Holder, the State or a third party designated by the State shall be borne individually.

(8) Setting and collecting usage fees with respect to the Project

The Operating Right Holder may, or may have the Building Facility Operator, set usage fees and collect them as income at their respective discretion as follows: (i) with respect to the landing fees etc. (Article 13, paragraph (1) of the Airport Act) stipulated in Article 2, paragraph (5), item (i) of the Private Utilizing Airport Operation Act and the fees for using the airport air navigation facilities stipulated in item (ii) of that paragraph, as well as the passenger (service) facility charge stipulated in Article 16, paragraph (1) of the Airport Act, necessary approval etc. shall be obtained and necessary notification etc. shall be submitted as required by the respective Acts; (ii) with respect to the fees for using the parking facilities and the fees to be collected from air carriers, tenants of the Building Facilities and others for using the facilities, the procedures under the related laws and regulations stated in Part2. - (5) shall be followed; and (iii) with respect to other fees pertaining to the Project, it shall be confirmed that it is not prohibited by laws, regulations, etc. to collect these fees as its own income.

(9) Bearing of costs for the Project

The Operating Right Holder shall be liable for any and all costs incurred for the implementation of the Project unless otherwise specifically set out in the Project Agreement.

(10) Scope of the Project¹⁴

The scope of the Airport Operating Business shall be as listed in A) through to D) below and the scope of the Building Facilities Business shall be as listed in E) below (see I.2.5 of the Required Standards Document (draft) for specific details of each business). During the Project Period the Operating Right Holder may, or may have the Building Facility Operator, entrust or give a contract to a third party (including the Operating Right Holder's Subsidiary, etc.), with prior notice to the State, to carry out any business included in the Project except for entrusting prohibited businesses set out in the Project Agreement.

The detailed terms and conditions for implementing the Project, including the restrictions and procedures to be observed by the Operating Right Holder in entrusting such businesses, shall be stipulated in the Project Agreement (draft) and the Required Standards Document (draft), etc.

A) Airport Operating, etc., Business (Article 2, paragraph (5), item (i) of the Private Utilization Airport Operation Act)

(i) Basic airport facilities, etc., activities

- i) Maintenance and administration of basic airport facilities etc.
- ii) Operation of the basic airport facilities, etc.
- iii) Setting of the landing fees, etc., and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 8, paragraph (2) of the Private Utilization Airport Operation Act and Article 13 of the Airport Act), as well as collection of the fees¹⁵

(ii) Airport Site, etc., administration activities

- i) Administration of the Airport Site of the Airport and the incidental facilities notified under Article 46 of the Civil Aeronautics Act (hereinafter collectively referred to as the "Airport Site, etc.")

B) Airport Air Navigation Facility Operating, etc., Business (Article 2, paragraph (5),

¹⁴ See Compilation of related materials for the allocation of activities between the State and the Operating Right Holder at the Airport concerning the Airport Operating Business.

¹⁵ For the following cases, the landing fees, etc., shall not be collected.

- (i) The landing fees, etc., when an aircraft that is being used for diplomatic or official purposes uses the Airport. See the "Project Agreement (draft)" for details.
- (ii) The landing fees, etc., when an aircraft lands on the Airport for a test flight, lands due to compelling circumstances after it took off without landing at another airport or place, makes an emergency landing due to compelling circumstances, or lands pursuant to an order for air traffic control or administrative reasons.
- (iii) The landing fees, etc., in other cases where the fees shall not be collected as stipulated in the MLIT Public Notice on Fees for Using the Airports Established and Administrated by the Minister of Land, Infrastructure, Transport and Tourism.

item (ii) of the Private Utilization Airport Operation Act)¹⁶

- i) Maintenance and administration of the airport air navigation facilities
- ii) Operation of the airport air navigation facilities
- iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 7, paragraph (3) of the Private Utilization Airport Operation Act, Article 54 of the Civil Aeronautics Act), as well as collection of the fees

C) Environmental measures business¹⁷

- i) The following businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilization Airport Operation Act)¹⁸
- ii) Other businesses for preventing problems arising from operating aircraft, including noise, or for improving the living environment in the areas surrounding the Airport (Article 2, paragraph (5), item (iv) of the Private Utilization Airport Operation Act)

D) Other incidental businesses (Article 2, paragraph (5), item (v) of the Private Utilization Airport Operation Act)

- (i) Activities and services which the Operating Right Holder shall be responsible for carrying out

The Operating Right Holder shall be responsible for carrying out the following activities and services.

- i) Establishment, etc., of regulations
- ii) Airport Site, etc., lease business¹⁹

¹⁶ Includes maintenance, administration and operation of the aeronautical lights installed by the State outside of the Airport Site with titles of use from third parties. The State shall ensure that titles of use for the operation are being maintained. For more details, see the Project Agreement (draft).

¹⁷ Currently, the Airport is not designated as a specified airport under the Noise Prevention Act. Therefore, environmental measures business under the Noise Prevention Act are not implemented at the Airport, but the Operating Right Holder shall conduct a survey on the actual situation, etc. of the aircraft noise, based on the Required Standards Documents, as there is the possibility that the Airport could be designated as a specified airport under the Noise Prevention Act. In case the Airport is designated as a specified airport, it is required to implement the environmental measures business needed.

¹⁸ In the case that the noise prevention area is revised during the Airport Operating Business period due to a change of airport operation through a management decision of the Operating Right Holder or other circumstantial change, and the Operating Right Holder purchases land pursuant to Article 9, paragraph (2) of the Noise Prevention Act after a Category 2 Area or higher is designated, the Operating Right Holder shall promptly transfer the land to the State without charge. Any expenses incurred for such transfer shall be borne by the Operating Right Holder. In principle, the land shall be cleared to be vacant at the time of transfer. After the transfer, the land shall be managed by the Operating Right Holder.

¹⁹ Regarding the land and constructions, etc., on the land that will be continuously used by the State and any person designated by the State, the Operating Right Holder shall lease to them or shall have them use such land and constructions, etc., on the land based on the terms and conditions specified in the Project Agreement (draft).

- iii) Bearing of costs for preventive measures against aircraft hijacking, etc.
- iv) Attendance at the Council (Article 8, paragraph (1) of the Private Utilization Airport Operation Act)

- (ii) Businesses and services proposed by the Preferred Negotiation Right Holder
 - i) Businesses and services for a symbiotic relationship with local communities
 - ii) Businesses and services for promoting the use of the Airport

E) Building Facilities Business

In addition to the businesses included in the Building Facilities Business, which the Operating Right Holder is responsible for implementing, the Operating Right Holder may during the Airport Operating Business Period, or may have the Building Facility Business Operator during the Building Facilities Business Period, at its own discretion, conduct any business or service which it deems necessary within the Airport Site to the extent that such business or service complies with the related laws and regulations, does not interfere with the function of the Airport, does not fall under the amusement business or other similar business, or an office of an organized crime group or other similar office, and is not offensive to public policy. The Operating Right Holder or the Operating Right Holder's Subsidiary, etc., shall not carry out any business activity outside of the Airport Site, from which they earn revenue, etc., from third parties, without approval of the State.

Any company funded by the Preferred Negotiation Right Holder, excluding the Operating Right Holder and the Operating Right Holder's Subsidiary etc., may conduct, at its own discretion, any business outside of the Airport Site.

- (i) Passenger Building Facility business
 - i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the passenger building facility business.
 - ii) The Operating Right Holder may, or may have the Building Facility Operator, be engaged in the operation of directly-managed stores, etc., in the Passenger Building Facilities at its own discretion.
- (ii) Cargo Building Facility business

- i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person to carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the cargo building facility business.
 - ii) The Operating Right Holder may, or may have the Building Facility Operator, provide distribution processing services, etc., in the Cargo Building Facilities at its own discretion:
- (iii) Parking facility business
- i) The Operating Right Holder shall assume the obligation to implement the business of maintenance and administration of the Parking facilities etc., (including granting of subsidy etc²⁰), after the Parking Facilities Business Commencement Date
 - ii) The Operating Right Holder may implement the business of investment in the Parking facilities after the Parking Facilities Business Commencement Date
- (iv) Aircraft fueling service business²¹
- (v) Discretionary businesses performed in the Airport Site²²

(11) Structure of the Required Standards Document (draft)

The Operating Right Holder must place the greatest priority on securing the safety of air transport among all the activities in the course of providing the Airport Operation. The State shall establish required standards for ensuring that the Operating Right Holder properly carries out the maintenance and administration businesses, conducts the operating businesses contributing to the safety of air transport, properly implements the environmental measures business, and carries out investments contributing to improve the convenience of airport users. The State shall set out the details of “IV-2. Required Standards for Businesses and Services for Symbiotic Relationship with Local Communities” and “IV-3. Required Standards for Businesses and Services for Promoting the Use of the Airport” based on what

²⁰ This corresponds to the business carried out by the Airport Environment Improvement Foundation as of the day preceding the Parking Facilities Business in order to enhance the relationship with local communities Commencement Date, but is limited to the period between the Parking Facilities Business Commencement Date and the day before the Airport Operating Business Commencement Date.

²¹ During the period in which the Operating Right Holder has an aircraft fueling and related services business operator, provide the aircraft fueling service at the Airport, the Operating Right Holder does not have an obligation to provide such service by itself.

²² If the Operating Right Holder intends to carry out any optional business prior to the day preceding the Airport Operating Business Commencement Date, it shall separately obtain permission, etc., to use the Airport Site.

is proposed by the Preferred Negotiation Right Holder (See Part 2. - (10) -D)-(ii)) out of the matters stipulated in the Required Standards Document (draft) I.3.1. The same manner shall be applied to “V-1. Required Standards for Passenger Building Facility Business and Cargo Building Facility Business” and “V-2. Required Standards for Parking Facility Business” in addition to the minimum necessary matters set out by the State in advance.

(12) Rights and assets, etc., to be obtained and succeeded by the Operating Right Holder

A) Assets to be obtained by the Operating Right Holder prior to the Building Facility Business Commencement Date

➤ Building Facility Operator Shares (See Part 2. - (7) -B)

B) Business to be obtained by the Operating Right Holder prior to the Parking Facility Business Commencement Date

➤ Parking Facilities Business(See Part 2. - (7) -C)

C) Rights and assets to be obtained and succeeded by the Operating Right Holder prior to the Airport Operating Business Commencement Date

(i) Operating Right²³

➤ The rights to be created on the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking pavements, water and sewage facilities, rainwater drainage facilities, bridges, water sources for fire defense, fences surrounding the Airport, garages for fire engines, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others

(ii) Rights to use the Airport Site etc.

➤ The rights to use the Airport Site, etc., under the National Property Free Lease Agreement

(iii) Assets for Transfer to the Operating Right Holder²⁴

➤ The Assets for Transfer to the Operating Right Holder necessary for operating the businesses (including fire engines, etc.)

²⁴ For specific details of the Assets for Transfer to the Operating Right Holder, see the List of Assets for Transfer to the Operating Right Holder in the compilation of referential materials. The description in the List of Assets for Transfer to the Operating Right Holder is based on the information as of the end of 2017 fiscal year, and is supposed to be updated by the State before the procedure for the transfer is commenced, as stated in 3.(4)B) and 3.(4)I)

(13) Treatment of replacement investment etc.

A) Treatment of replacement investment, etc., for the Facilities Subject to Operating Right

- The Operating Right Holder may, at its own discretion, carry out maintenance and administration (replacement investment) of the Facilities Subject to Operating Right as long as they meet the required standards²⁵. However, if the Operating Right Holder intends to carry out certain maintenance and administration (replacement investment) set out in the Project Agreement, such as material changes²⁶ stipulated in Article 43 of the Civil Aeronautics Act, it shall obtain prior approval of the State. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities Subject to Operating Right.
- The State may carry out maintenance and administration (replacement investment) on the Facilities Subject to Operating Right if the State determines such maintenance and administration is necessary on public interest grounds.
- Any of the Facilities Subject to Operating Right for which maintenance and administration (replacement investment) has been carried out by the State or the Operating Right Holder shall belong to the State and the operation, etc., of the facility shall be carried out by the Operating Right Holder.

B) Treatment of replacement investment, etc., for Non-Operating Right Facilities

²⁵ The State shall bear the costs, at the time of the expiration of the Project Period, for those investments among the expansion investments pertaining to the Facilities Subject to the Operating Right made by the Operating Right Holder for which certain requirements ((i) the collection during the Project Period is difficult and (ii) the State determines that the remaining value of the expansion investments can be expected at the time of the expiration of the business and the budget has been provided based on the calculation method agreed upon by the State and the Operating Right Holder in advance) specified in the Project Agreement are fulfilled.

²⁶ It refers to one or more of the following changes regarding the Facilities Subject to Operating Right:

- (i) Change falling under “change in the length, width or strength of a runway or landing strip” with the provision of Article 85, Paragraph (1), Item (c) of the Ordinance for Enforcement of the Civil Aeronautics Act (Ordinance of the Ministry of Transport No. 56 of 1952)
- (ii) Change falling under “change in the width or strength of a taxiway” with the provision of Article 85, Paragraph (1), Item (d) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (iii) Change falling under “extension of or change in the strength of an apron” with the provision of Article 85, Paragraph (1), Item (e) of the Ordinance for Enforcement of the Civil Aeronautics Act or downsizing of an apron (“extension of an apron” used in this section includes additional installation of an apron)
- (iv) “Change falling under “alteration of lamp quality, light intensity or range of anode light” regarding aeronautical lights with the provision of Article 120, Paragraph (1) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (v) “Change falling under “alteration of the layout and combination of lights” regarding aeronautical lights with the provision of Article 120, Paragraph (2) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (vi) “Change falling under “alteration of the structure or circuits of control unit or of constant current circuits (limited to such cases where the circuits may affect the light quality, intensity, or other optical properties of lights)” regarding aeronautical lights with the provision of Article 120, Paragraph (3) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (vii) Change falling under “additional installation of control unit or additional installation of power supply facilities” regarding aeronautical lights with the provision of Article 120, Paragraph (4) of the Ordinance for Enforcement of the Civil Aeronautics Act

- The Operating Right Holder may, at its own discretion, carry out investment (not limited to maintenance and administration (replacement investment)) for the Non-Operating Right Facilities (as defined in Part5. - (1)) as long as they meet the required standards in general²⁷.

(14) Planning and reporting

A) Planning

- With respect to the Project, the Operating Right Holder shall prepare a project plan for the entire Airport Operating Business Period (Master Plan) and a mid-term project plan for every five fiscal years and a single year project plan for every fiscal year, and submit them to the State.
- It shall contain investment plans for ensuring safety operating stability, and improving convenience.
- The Operating Right Holder shall carry out the Project in accordance with the submitted plans.

B) Reporting

- During the Airport Operating Business Period, the Operating Right Holder shall prepare the reports etc. set out in the Project Agreement and submit them to the State.

(15) Dispatch, etc., of personnel from the State to the Operating Right Holder in relation to the Airport Operating Business

The Operating Right Holder may, if so desires, request that the State dispatch its personnel in relation to the Airport Operating Business. The job categories, dispatch period and other details shall be determined through competitive dialogue. The anticipated job categories are listed below. Personnel expenses required in connection with the dispatch of personnel are based on the standards of the State and shall be borne by the Operating Right Holder. Other details such as working terms shall be specified in an arrangement to be entered into between the appointer of the personnel of the State and the Operating Right Holder prior to the Airport Operating Business Scheduled Commencement Date.

- Air traffic services flight information officers
- Aeronautical light and electrical engineers
- Facility operation administration officers (officers for civil engineering and for machines)

²⁷ However, when the Operating Right Holder carries out, or has the Building Facility Operator carry out, work on the Building Facilities requiring rearrangement or the new construction of the CIQ Facilities, prior approval of the State shall be obtained for such work.

➤ Specialist personal for security

(16) Considerations for the Operating Right, etc., of the Project to be paid by the Operating Right Holder

The Operating Right Holder shall pay the following consideration:

- (i) Consideration for the acquisition of the Building Facility Operator Shares under the Building Facility Operator Share Acquisition Option Agreement;
- (ii) Consideration for the acquisition of the Assets for Transfer to the Operating Right Holder under the Goods Transfer Agreement
- (iii) Consideration for the grant of the Operating Right under the Project Agreement

With regard to consideration (i) above, the Operating Right Holder shall directly pay to the Building Facility Operator Shareholders the amount and by the method specified in the Building Facility Operator Share Acquisition Option Agreement.

With regard to consideration (ii) above, the Operating Right Holder shall pay to the State the amount and by the method determined in accordance with the Goods Transfer Agreement.

With regard to consideration (iii) above, the Operating Right Holder shall make a lump-sum payment to the State of the consideration by the date designated by the State after the execution of the Project Agreement, and the State only accepts the proposals at the amount over 0 yen..

Unless otherwise separately set out in the Project Agreement, the State will neither return nor reduce the consideration, etc in (ii) and (iii) above to the Operating Right Holder. Furthermore, the Operating Right Holder will not receive any requests for payment of any additional consideration.

3. Matters concerning the Bidding

(1) Participation requirements for applicants

A) Composition of an applicant

(i) An applicant shall be a single company (hereinafter referred to as the “Applying Company”) or a group composed of multiple companies (hereinafter referred to as the “Consortium”), which plans to carry out the businesses listed in Part 2. - (10)

²⁸.

(ii) The applicant shall specify the name of the Applying Company or the names of the companies forming the Consortium (hereinafter referred to as the “Consortium Members”) and its role or their respective roles and other related matters in carrying out the Project.

(iii) If the applicant is a Consortium, it shall designate all or part of the Consortium Members as the key Consortium Members (hereinafter referred to as the “Key Consortium Members”) and specify a company from among the Key Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”). The Consortium Members shall submit the power of attorney specified in the Forms and Directions and such Representative Company shall conduct the application procedure.

(iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all Voting Shares (meaning the Voting Shares stated in Part 4. - (4) -B) ; the same shall apply hereinafter). If the applicant desires to indirectly hold the shares of the SPC, the applicant shall follow the procedure stated in Part 3. - (4) -D). If the Applying Company and the Consortium that passed the First Screening intend to add a Consortium Member by the time of the submission of the Second Screening Documents, such addition may be performed only if both of the conditions in items (i). and (ii). below are satisfied:

(i). that the Applying Company at the time of submission for the First Screening or the Key Consortium Members designated by the Consortium in the First Screening Documents are, in total, within the scope of receiving the majority of the Voting Shares of the Operating Right Holder.

²⁸ An investment limited partnership or a similar structure shall be regarded as a company.

(ii). that the number of the Voting Shares of the added Consortium Member does not exceed the number of the Voting Shares of the Applying Company or the member who receives the largest number of such shares among the Key Consortium Members.

(v) After submission of the First Screening Documents no withdrawal shall be allowed, as a general rule, to the Applying Company, the Representative Company, or the Consortium Members. Any addition of a Consortium Member after the submission of the First Screening Documents may be allowed only if it is before the submission of the Second Screening Documents, and the entity to be added as the Consortium Member satisfies all of the requirements in Part 3. - (1) -B) and such addition of the Consortium Member satisfies the conditions specified in Part 3. - (1) -A). In other cases where circumstances arise where changes (including withdrawals; hereinafter the same shall apply in this paragraph) to the Consortium Members are unavoidable, it is necessary to consult with the State. After considering the reasons and circumstances, the State can permit these changes only when the State admits those changes. Furthermore, if the Applying Company or the Consortium Members has become disqualified due to failing to meet the participation requirements stated in Part 3. - (1) -B) and C), or a person controlling the Applying Company or the Consortium Members has changed (including cases where the Applying Company or the Consortium Members is recently controlled by a third person), they shall promptly notify the State of these matters.

(vi) After submission of the First Screening Documents, the Applying Company or any of the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.

B) Common participation requirements for the Applying Company and the Consortium Members²⁹

(i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting

(ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the

²⁹ As to a foreign corporation, the State must be able to confirm that the foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this B) under its applicable laws and regulations.

PFI Act

- (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
- (iv) Any person who has not suspended their designation, etc., by the Director-General of the Civil Aviation Bureau of the MLIT pursuant to the Guidelines on Actions, such as Suspension of Designation on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (Ku-Kei No. 386 of 1984), during the period from the deadline for submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder.
- (v) Neither a person who is PwC Advisory LLC (or any of the cooperating offices, namely, PricewaterhouseCoopers Aarata LLC, PwC Tax Japan, PwC Legal Japan, Anderson Mori & Tomotsune, Yamashita PMC Inc., Toko Engineering Consultants Co., Ltd.) to which the State has entrusted the general advisory services concerning the qualified operation business of Hiroshima Airport in fiscal 2019, nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs³⁰
- (vi) Neither a person who is any of the Bidding Advisors nor a person who has a certain relation with these people in terms of capital, personnel or other affairs
- (vii) Neither a person who is a company to which any of the members of the Screening Committee (meaning the Screening Committee set out in Part 3. - (2) -B); the same shall apply hereinafter) belongs nor a person who has a certain relation with such company in terms of capital, personnel or other affairs
- (viii) Neither a corporation (excluding a company, and in Japan, meaning any of the Administrative Organs of the State stipulated in Article 3, paragraph (2) of the National Government Organization Act (Act No. 120 of 1948) and the Cabinet Office) to which any of the members of the Screening Committee belongs, a

³⁰ “A person who has a certain relation with any of them in terms of capital, personnel or other affairs” shall be the case where the person is in a parent company and a subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

company in which 1 % or more of the voting rights of all shareholders are held by such corporation, nor a person who has a certain relation with the company in terms of capital, personnel or other affairs³¹; however, this shall not apply to a stock company listed in a Financial Instruments Exchange stipulated in Article 2, paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)

- (ix) Any person who does not appoint any of the persons specified in (v) through to (viii) above as an advisor concerning the selection of the Project
- (x) An officer (whether full-time or part-time) relating to the bidding does not serve concurrently as an officer of the Building Facilities Operator and Parking Facilities Operator (whether full-time or part-time) on and after the moment that a statement of interest is prepared and submitted in accordance with the provisions of Forms and Directions following the disclosure of the Application Guidelines
- (xi) In the case that a company, whose officer or employee serve concurrently as an officer or an employee of the Building Facilities Operator and Parking Facilities Operator in the way which does not violate the provision of (x), participates in the bidding, the company submits a commitment letter stipulating that (a) the company takes measures to prevent the transference of the information regarding the bidding between the officer or the employee and the department to which the officer or the employee belong, and the department which considers the bidding, (b) the company shall not take any action to prejudice the fairness and the transparency of the bidding, (c) the company understands that, if the company violates the provision of (a) and/or (b), the company (in the case that it is the Applying Company) or the Consortium (in the case that it is a member of the Consortium) shall be disqualified for the bidding and others at the time of the submission of the First Screening Documents to the State in the name of the company (in the case that it is the Applying Company) or in the joint name of the Representative Company of the Consortium and the company (in the case that it is a member of the Consortium)

³¹ For example, if any of MLIT's personnel becomes a member of the Screening Committee, any unlisted company, etc., whose shares are held by the MLIT falls under this item.

(xii) The Operating Right Holder shall not become a subsidiary or an affiliate of an operator of international air transport services or an operator of domestic scheduled air transport services as defined in Article 2, paragraphs (19) and (20) of the Civil Aeronautics Act, its parent company, their subsidiaries, or any affiliates thereof or its subsidiaries (hereinafter collectively referred to as the “Air Carriers, etc.”).

In addition, the Operating Right Holder shall not be a company of which more than one-third of the total number of the Voting Shares held in total by (i) an Air Carrier, etc. and (ii) companies of which more than one-third of the total number of shares with voting rights held by an Air Carrier, etc..

C) Requirements for the Applying Company or the Representative Company

An Applying Company or a Representative Company, or a person who has a certain relation in terms of capital, personnel or other affairs with an Applying Company or a Representative Company, shall meet any of the requirements listed in (i) through to (iii) below. The business experience is not limited to those in Japan. In addition, the experience of the parent company or equity holders such as shareholders of the Applying Company and Consortium Members shall be outside the scope of evaluation.

- (i) In and after 2009, having experience in operating commercial facilities or public facilities³²
- (ii) In and after 2009, having experience in operating passenger facilities or cargo handling facilities³³
- (iii) In and after 2009, having experience in the administrating business of commercial real properties related to (i) and (ii)

(2) Bidding Procedures

A) Schedule

The State is planning to select the Preferred Negotiation Right Holder in accordance with the following schedule.

Schedule (tentative)	Actions
July 8, 2019	➤ Explanatory meeting on Application Guidelines

³² Including construction operation, acquisition operation and public facility etc.(those stipulated in Article 2, paragraph (6) of the PFI Act; the same shall apply hereinafter) operation businesses.

³³ Including construction operation, acquisition operation and public facility etc. operation businesses.

	etc.
July 23-July 24, 2019	➤ Period for receiving questions on Application Guidelines etc. (First)
August 20-August 21, 2019	➤ Period for receiving questions on Application Guidelines etc. (Second)
September 5, 2019	➤ Publication of answers to the questions on Application Guidelines etc.
September 27, 2019	➤ Deadline for submission of First Screening Documents
Around October, 2019	➤ Notice of result of First Screening
Around November, 2019 -Around March, 2020	➤ Period for holding competitive dialogue
Around April, 2020	➤ Deadline for submission of Second Screening Documents
Around June, 2020	➤ Selection of Preferred Negotiation Right Holder
Around June, 2020	➤ Execution of Basic Agreement
Around August, 2020	➤ Operating Right Establishment Date
Around August, 2020	➤ Execution of Project Agreement
Around October, 2020	➤ Building Facility Business Scheduled Commencement Date
Around October, 2020	➤ Parking Facilities Business Scheduled Commencement Date
Around March, 2021	➤ Execution of Goods Transfer Agreement
April 1, 2021	➤ Airport Operating Business Scheduled Commencement Date

B) Establishment of the Screening Committee

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (this selection is hereinafter referred to as the “First Screening”) and selecting a Preferred Negotiation Right Holder etc. (hereinafter referred to as the “Second Screening”), the State has established a screening committee for selecting the Hiroshima Airport Preferred Negotiation Right Holder on June 21, 2019, composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations stipulated in Article 11 of the PFI Act.

C) Screening Committee secretariat office

The State's Unit in Charge (meaning the Unit in Charge prescribed in Part3. -(3). -D) ; hereinafter the same shall apply) will act as the secretariat office of the Screening Committee (meaning the secretariat office of the Screening Committee prescribed in Part2. -(2); hereinafter referred to as "Screening Committee Secretariat Office"), and the Bidding Advisors will support the Screening Committee Secretariat Office.

D) A Joint Briefing of the Application Guidelines, etc.

The State will hold a briefing on the Application Guidelines, etc. (hereinafter referred to as "Joint Briefing") as follows.

Convocation date/time: 10:30- (Monday) July 8, 2019

Venue: Common Conference Room A, 10F, Joint Government Building (*Chuo Godo Chosha*) No.3, 2-1-3, Kasumigaseki, Chiyoda-ku, Tokyo

Application method: Prospective participants in the Joint Briefing shall send the participation application form prescribed in the Forms and Directions to the Bidding Advisor by email by the application deadline and submit the original document of the form at the venue of the Joint Briefing. No applications shall be accepted at the venue.

Application deadline: Must arrive no later than 13:00 (Friday) July 5, 2019

Notes: Participants in the Joint Briefing shall bring the Application Guidelines, etc. with them.
Participants shall refrain from taking photos and using video cameras.

E) Receipt of questions on the Application Guidelines, etc., and publication of the answers

(i) Receipt of questions

The State will accept questions concerning the matters stated in the Application Guidelines, etc.

Acceptance period:

First round

From 10:00 (Tuesday) July 23, 2019 to 15:00 (Wednesday) July 24, 2019

Second round

From 10:00 (Tuesday) August 20, to 15:00 (Wednesday) August 21, 2019

Submission methods: Questions on Application Guidelines, etc. shall be summarized briefly and written in the question form prescribed in the Forms and Directions; the question form shall then be sent to the Bidding Advisors by email. In cases where the questions contain any content (such as special techniques and know-how) which may infringe on the rights, the competitive position or other reasonable interest of the submitter if disclosed to the public, the submitter shall make a statement to that effect. The question form shall be prepared in Microsoft Excel format, and the company name and the name, department, telephone number and email address of the submitter shall be filled in without fail.

Questions received by any means other than email will not be accepted.

(ii) Publication of answers

The State will publish questions on the Application Guidelines, etc. that are deemed necessary by the State—except those that may infringe on the rights, the competitive position or other reasonable interest of the questioner as clarified at the time of submission by the questioner—and the answers to these questions on the respective websites of the State and by other appropriate means, by the scheduled date of publication of answers.

To ensure fairness, no response will be given directly to those who submitted the questions.

Scheduled date: (Thursday) September 5, 2019(Final)

The questions received are expected to be published in a phased manner before said date.

F) Loaned materials subject to confidentiality obligations

(i) Submitting the confidentiality pledge etc.

A person desiring to borrow materials that can only be loaned pursuant to submission of an ID application form, a statement of interest, an application form to borrow and access to such materials and a confidentiality pledge (hereinafter referred to as the “Confidential Materials”) shall submit the ID application form, the statement of interest, the application form to borrow and access to the Confidential Materials and the confidentiality pledge.

- Submission period: Must arrive no later than 15:00 (Friday) September 13, 2019
- Submission method: Prepare the above documents in accordance with the Forms and Directions and send them to the Bidding Advisors in the Microsoft Word file format (or in the Microsoft Excel file format in the case of those prescribed in the Forms and Directions to be entered into the Microsoft Excel file as the data) by E-mail in advance and promptly send their originals to the Bidding Advisors by mail etc.
- Loaning method: The main means to loan the Confidential Materials is expected to be by a virtual data room (hereinafter referred to as the “VDR”). Upon receipt of the statement of interest, the application form to borrow and access to the Confidential Materials and the confidentiality, the Bidding Advisors shall promptly notify the method of access to the VDR etc.
- Disclosure method to third parties: shall follow the methods specified in the Forms and Directions.

The content of the confidentiality pledge shall include the confidentiality obligations concerning the materials to be disclosed in the First Screening and the Second Screening.

(ii) Disposal of loaned materials

The person who has borrowed the Confidential Materials is responsible for disposing of their hard copies etc. (including but not limited to, the hard copies, other copies, duplications and records on storage media such as hard disks, of the Confidential Materials) once the person finishes using them and for sending the report on performance of disposal obligation prepared in accordance with the Forms and Directions to the Bidding Advisors, by mail etc. in accordance with the confidentiality pledge.

If the person who has borrowed the Confidential Materials may not dispose of their hard copies etc. at the time when the person finishes using them as the person is required by laws and regulations or by a judgment, decision, order, etc. of a judicial or administrative organ to keep such Confidential Materials or for any other reason, the person shall send a pledge concerning the extension of disposal obligation prepared in accordance with the Forms and Directions to the Bidding Advisors, by mail etc. in accordance with the confidentiality pledge. In this case, when the above obligation etc.

to keep the hard copies etc. of the Confidential Materials terminates at a later time, the person shall, upon termination of the obligation etc., dispose of the hard copies etc. and, upon completion of disposal of them, send the report on performance of disposal obligation to the Bidding Advisors, by mail etc. in accordance with the confidentiality pledge.

G) Materials to be disclosed in the First Screening

The materials to be disclosed during the period from the publication of the Application Guidelines etc. until the submission of the First Screening Documents shall be as follows. The materials shall be leased upon submission of the application form to borrow and access to the Confidential Materials and the confidentiality pledge, etc:

- (i) Basic Agreement (draft)
- (ii) Project Agreement (draft)
- (iii) National Property Free Lease Agreement (draft)
- (iv) Goods Transfer Agreement (draft)
- (v) Required Standards Document (draft) (excluding the Required Standards Concerning the Hiroshima Airport Security Control Regulations (the security part) and the Required Standards Concerning Cost Bearing for Aviation Security Measures)
- (vi) Compilation of related materials
 - i) Materials Concerning the Facilities Subject to Operating Rights
 - ii) Materials Concerning the Assets for Transfer to the Operating Right Holder
 - iii) List of Approvals and Permissions/Pacts etc. for the Qualified Project Etc. for Hiroshima Airport Operation
 - iv) List of IT Systems Relating to the Businesses
 - v) Allocation of Businesses
 - vi) Materials Concerning the Share Acquisition Option Agreement
 - vii) Materials Concerning the Business Option Agreement
 - viii) List of construction to be conducted by the State
 - ix) Other related materials
- (vii) Compilation of referential materials
 - i) Grid map of the Hiroshima Airport
 - ii) Materials concerning the List of Facilities Subject to Operating Rights
 - iii) Information package
 - iv) Information on locations of the Facilities Subject to Operating Rights located outside of the Airport Site

- v) Information on locations of the land subject to the current permission for use
- vi) List of business operators at the Airport
- vii) Registry of business operations at the Airport
- viii) List of main referential regulations etc. for airport security control regulations (the safety part)
- ix) Materials concerning the Building Facilities Business
- x) Other referential materials

H) First Screening

(i) Receipt of the First Screening Documents

Any applicant desiring to participate in the First Screening (hereinafter referred to as the “First Screening Participants”) shall prepare and submit a statement of participation and the First Screening Documents in accordance with the Forms and Directions.

If the State has not received the First Screening Documents from two or more First Screening Participants, the State may rescind selection of the Qualified Project.

Submission deadline: No later than 15:00 (Friday) September 27, 2019

Submission method: Applicants shall arrange with the Unit in Charge in advance the date and time and the method to submit the statement of participation and the First Screening Documents, and shall submit the foregoing to the Unit in Charge by the submission deadline by way of delivery in person, postal mail, etc.

(ii) First Screening methods

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the requirements specified in Part 3. - (1) based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder.

In addition to screening the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder, the Screening Committee shall conduct screening through brief verbal explanations provided to the Screening Committee using only the First Screening Proposal Documents by the applicants. No on-site inspection, interviews with persons concerned, etc. are scheduled.

Based on the screening result, the State shall select up to three Second Screening

Participants.

(iii) Notice of First Screening results

The State will notify the First Screening Participants of the First Screening results.

I) Materials etc. to be disclosed in the Second Screening

The State is planning to disclose updated information concerning the materials disclosed for the First Screening and other additional materials via the VDR etc. for the Second Screening Participants after the First Screening is completed.

In addition, the State will give the Second Screening Participants opportunities for on-site examinations, hearings with persons concerned, etc. The Second Screening Participants will be separately notified of the relevant details.

J) Leasing of highly confidential materials

(i) Submitting the pledge concerning the handling of highly confidential materials

The State is planning to lease to the Second Screening Participants highly confidential materials mainly via the VDR etc.

A person desiring to borrow highly confidential materials that can only be loaned pursuant to submission of a pledge concerning the handling of highly confidential materials shall submit the application form to borrow and access to highly confidential materials and the pledge concerning the handling of highly confidential materials.

(ii) Management and disposal of loaned materials

Any Applying Company or Representative Company and Consortium Members as well as Bidding Advisors to whom highly confidential materials are disclosed (hereinafter collectively referred to as the “Disclosed Party”) shall manage the highly confidential materials based on the pledge concerning the handling of highly confidential materials.

The Disclosed Party shall be responsible for disposing of the highly confidential materials by the date designated by the State as the deadline for the disposal or the day on which it becomes apparent that the Disclosed Party will not submit the Second Screening Documents by the deadline for submission of the Second Screening Documents, whichever comes first and shall send the report on performance of disposal obligation prepared in accordance with the Forms and Directions to the Bidding Advisors by mail etc. in accordance with the pledge concerning the handling of highly confidential materials.

K) Publication of supplementary materials and other related matters

The State may publish or loan materials to supplement the Application Guidelines etc. (hereinafter referred to as the “Supplementary Materials”). Publication or loan of the Supplementary Materials by the State shall be conducted by a date separately designated by the State and no new Supplementary Materials shall be published or loaned after the date.

If the State intends to publish the Supplementary Materials, the materials shall be published on the website of the Civil Aviation Bureau of the MLIT and if the State intends to loan the Supplementary Materials to only those who have submitted the confidentiality pledge (after the completion of the First Screening, only to the Second Screening Participants), the State may loan them via the VDR etc.

L) Holding of a competitive dialogue etc.

Once the First Screening has been completed, the State will hold a competitive dialogue etc. with the Second Screening Participants prior to submission of the Second Screening Documents and adjust the Project Agreement, the required standards, and other necessary matters based on the outcomes of the dialogue.

The competitive dialogue etc. will be held as follows:

- (i) The State will hold an explanatory meeting for the Second Screening Participants.
- (ii) Opinions will be exchanged among the Second Screening Participants and the State, the relevant local governments and the relevant business operators (several meetings are scheduled to be held for each Second Screening Participant).
- (iii) The Project Agreement (draft), the Required Standards Document (draft) and other documents will be adjusted by the State.

M) Second Screening

- (i) Receipt of the Second Screening Documents

The Second Screening Participants shall submit the Second Screening Documents in accordance with the Forms and Directions. The State may accept additional questions prior to the submission of the Second Screening Documents.

If none of the Second Screening Participants have submitted the Second Screening Documents, the State shall rescind selection of the Qualified Project.

Submission deadline: The deadline will be separately designated by the State.

Submission method: Applicants shall arrange with the Unit in Charge in advance the date and time and the method to submit the Second Screening Documents, and shall submit the foregoing to the Unit in Charge by the submission deadline by way of personal delivery, postal mail, etc.

(ii) Second Screening methods

After the submission of the Second Screening Documents, the Second Screening Participants will be provided with opportunities to make a presentation to the Screening Committee concerning their respective proposals.

In the Second Screening, the Screening Committee shall screen the Second Screening Documents submitted by the Second Screening Participants who have been confirmed as satisfying the required standards. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder and give due consideration to the proposed details confirmed during the presentation etc.

(iii) Selection of a Preferred Negotiation Right Holder etc.

Based on the screening result of the Screening Committee, the State shall prioritize the Second Screening Participants and select the participant in the first place as the Preferred Negotiation Right Holder and the participant in the second place as the second negotiation right holder upon consultation with the Minister of Finance and heads of relevant administrative agencies.

(iv) Notice of Second Screening results

The State will notify the Second Screening Participants of the Second Screening results.

N) Announcement of screening results

Once the Preferred Negotiation Right Holder has been selected, the State shall promptly publish the screening results (including that of the First Screening) and the evaluation process in the screening (including the minutes of the Screening Committee³⁴) on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

³⁴ Information that is likely to cause harm to the rights, competitive position, or other legitimate interests of the First and Second Screening Participants if disclosed (presentation material, proper noun, specific figures such as cost, idea etc. that are inherent to the participants) and that may identify the names of the Screening Committee members will be excluded.

(3) Selection methods of the Preferred Negotiation Right Holder

A) Basic idea of the selection of a Preferred Negotiation Right Holder

A Preferred Negotiation Right Holder of the Project shall be selected through a public invitation for proposals, which is a method of entering into a competitive negotiated agreement.

B) Hearing opinions of the Screening Committee

In selecting the Second Screening Participants (First Screening) and a Preferred Negotiation Right Holder etc. (Second Screening), the State shall hear the opinions of the Screening Committee about the Selection Criteria for the Preferred Negotiation Right Holder, the details of evaluations and other related matters.

The members of the Screening Committee are as follows. The meetings of the Screening Committee shall not be available to the public.

(Chair)

Koichiro TEZUKA Professor, School of Economics, Nihon University

(Members)

Daisuke ASAOKA Assistant Professor, School of Commerce, Meiji University

Shinichi SAITO Associate Professor, Faculty of Policy Studies, The University
of Shimane

Makoto TANABE Senior Executive Officer, NARITA INTERNATIONAL
AIRPORT CORPORATION

Yuko NIHONMATSU Attorney at Law, Atsumi & Sakai

Masami MORISHITA Professor, Faculty of International Tourism Management, Toyo
University

Vice Governor, Hiroshima Prefecture

Director, Planning Division, Aviation Network Department, Civil Aviation Bureau, MLIT

C) Screening methods

(i) First Screening

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the participant requirements based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the

Preferred Negotiation Right Holder. No on-site examination, hearing with persons concerned, presentation, etc. by the First Screening Participants is scheduled.

In addition to screening the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder, the Screening Committee shall conduct screening through brief verbal explanations provided to the Screening Committee using only the First Screening Proposal Documents by the applicants. No on-site inspection, interviews with persons concerned, etc. are scheduled.

Based on the screening result, the State shall select up to three Second Screening Participants.

(ii) Second Screening

In the Second Screening, the Screening Committee shall screen the Second Screening Documents submitted by the Second Screening Participants who have been confirmed as satisfying the required standards. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder and give due consideration to the proposed details confirmed during the presentation etc.

Based on the screening result of the Screening Committee, the State shall prioritize the Second Screening Participants and select the participant in the first place as the Preferred Negotiation Right Holder and the participant in the second place as the second negotiation right holder upon consultation with the Minister of Finance and heads of relevant administrative agencies.

D) Screening Committee secretariat office

The Unit in Charge will act as the secretariat office of the Screening Committee and the Bidding Advisors will support it.

(4) Procedures after the selection of the Preferred Negotiation Right Holder

A) Execution of the Basic Agreement

The Preferred Negotiation Right Holder shall promptly enter into the basic agreement (hereinafter referred to as the “Basic Agreement”), based on the Basic Agreement (draft) amended through competitive dialogue, with the State.

If the Basic Agreement is not promptly entered into with the Preferred Negotiation Right Holder, or it becomes apparent after the execution of the Basic Agreement that the Project Agreement will not be entered into, the State may perform the procedure for entering into the Basic Agreement with the second negotiation right holder (in accordance

with the order of priority determined in the Second Screening) as the Preferred Negotiation Right Holder. Please note that the State in general will not accept any further amendments to the Basic Agreement (draft) which is amended through competitive dialogue.

B) Update of the compilations of related materials and referential materials

After the selection of the Preferred Negotiation Right Holder and prior to the execution of the Project Agreement, the State will update the content of the compilations of related materials and referential materials based on the airport operation in the 2019 fiscal year and present the updated materials to the Preferred Negotiation Right Holder.

C) Publication of the outline of proposals

The Preferred Negotiation Right Holder shall publish the outline of its proposal screening documents submitted for the Second Screening promptly after the execution of the Basic Agreement on the website of the Applying Company or the Representative Company, or by other appropriate means.

D) Incorporation of an SPC

Upon the execution of the Basic Agreement, the Preferred Negotiation Right Holder shall promptly incorporate a stock company stipulated in the Companies Act (Act No. 86 of 2005) as an SPC.

Please note that if the Preferred Negotiation Right Holder desires to hold the shares of the SPC indirectly or otherwise, the Preferred Negotiation Right Holder shall make a specific proposal in the First Screening Documents concerning the capital relationship between the Preferred Negotiation Right Holder and the SPC. Upon passing the First Screening, the Preferred Negotiation Right Holder may incorporate the SPC in a form approved by the State upon consultation with the State through competitive dialogue³⁵.

E) Preparation for operation by the Preferred Negotiation Right Holder

Together with the preparation for the incorporation of the SPC and the execution of the Project Agreement, the Preferred Negotiation Right Holder may, to the extent that the State, Building Facility Operator and parking facilities operator cooperate, conduct on-site examinations in order to prepare for operation.

F) Grant of the Operating Right and execution of the Project Agreement

The State shall, upon consultation with the Minister of Finance, deliver an operating

³⁵ The indirect holding, etc. of SPC shares shall include an investment limited partnership or a similar structure.

right establishment letter to the SPC promptly upon its incorporation and grant the Operating Right to the SPC. In addition, the Operating Right Holder shall register the establishment of the Operating Right in accordance with laws and regulations. The State and the Operating Right Holder shall enter into the Project Agreement promptly upon the establishment of the Operating Right in accordance with the Project Agreement (draft) amended through competitive dialogue. In general, the State will not accept any further amendments to the Project Agreement (draft) which has been amended through competitive dialogue.

Furthermore, the State shall fulfil the conditions set out in the Project Agreement, including the following proceedings, after the execution of the Project Agreement and by the Airport Operating Business Scheduled Commencement Date.

- (i) Execution of the Goods Transfer Agreement with the Operating Right Holder concerning the Assets for Transfer to the Operating Right Holder
- (ii) Execution of the National Property Free Lease Agreement with the Operating Right Holder concerning the Airport Site etc.

The State shall publish the matters stipulated in Article 19, paragraph (3) and Article 22, paragraph (2) of the PFI Act on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

G) Transfer of the shares and commencement of the Building Facilities Business

The Operating Right Holder shall acquire the Building Facility Operator Shares in accordance with the method of transfer specified in Part 2. - (7) -B) and commence the Building Facilities Business.

H) Transfer and commencement of the Parking Facilities Business

The Operating Right Holder shall acquire the Parking Facilities Business in accordance with the method of transfer specified in Part 2. - (7) -C) and commence the Parking Facilities Business.

I) Acquisition of Assets for Transfer to the Operating Right Holder

The Operating Right Holder will acquire the Assets for Transfer to the Operating Right Holder on the Airport Operating Business Commencement Date.

The procedure for the transfer shall be as follows: The Operating Right Holder shall submit a written estimate with respect to the target price prepared by the State in accordance with Article 79 of the Order of Budget, Settlement and Accounting (Imperial Order No. 165 of 1947). If the Operating Right Holder has submitted an effective estimate

equal to or more than the target price, the State and the Operating Right Holder shall enter into the Goods Transfer Agreement concerning the Assets for Transfer to the Operating Right Holder. The Operating Right Holder shall make a lump-sum payment of consideration by the date designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

With respect to the List of Assets for Transfer to the Operating Right Holder included in the compilation of related materials, the list updated by the State as stated in Part 3. - (4) -B) shall be further updated prior to the commencement of transfer procedures and presented to the Operating Right Holder.

J) Commencement of the Airport Operating Business

The Operating Right Holder shall commence the Airport Operating Business on the Airport Operating Business Commencement Date set out in the Project Agreement. The conditions precedent to commencement are fulfillment of the obligations under the Project Agreement by the Operating Right Holder, including completing succession of the businesses, completing payment to the State of consideration for the grant of the Operating Right and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder. The State is expected to cooperate to the extent needed and possible in the Operating Right Holder's succession of the businesses (however, will not be responsible if such succession of the businesses is not completed).

(5) Matters to be noted concerning the application

A) Contract deposit

No contract deposit shall be required in relation to the Project Agreement.

B) Conditions precedent to the application

(i) Acceptance of the Application Guidelines etc.

Applications shall fully understand the terms and conditions specified in the Application Guidelines etc. and participate in the Bidding after agreeing with the terms and conditions. The applicants may not raise any objection on the grounds that they find some matters in the Application Guidelines etc. unclear.

(ii) Cost bearing etc.

A person as an applicant in any of the procedures for the Bidding shall be responsible for performing all acts at their own expense.

(iii) Principle of documentary proceedings

Any intentions to be presented to the State concerning the Bidding shall be in writing unless otherwise set out in the Application Guidelines etc. and the language to be used shall be Japanese. If an applicant is composed of companies outside of Japan, documents written in both Japanese and English are acceptable. However, if there is any discrepancy between the content written in Japanese and that in English, the content written in Japanese shall prevail. In addition, annexed materials (hard copies) that are attached to the materials concerning the participation requirements, that are written in foreign languages are acceptable as long as accurate Japanese translations of relevant parts are attached.

(iv) Currency and measures

The currency and measures used in the Proposal Documents, questions and answers and screenings etc. shall be Japanese yen and the measures stipulated in the Measurement Act (Act No. 51 of 1992).

C) Proposal Documents to be submitted by applicants

Applicants shall prepare their Proposal Documents in accordance with the Forms and Directions.

D) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

The copyrights of the Proposal Documents shall belong to the person who has submitted the Proposal Documents. The State may use the Proposal Documents (including the materials, videos, etc. distributed or used during the presentation), in whole or in part, without charge, for publishing the Project or any other occasion as may be deemed necessary by the State.

The Proposal Documents will not be returned.

(ii) Patents and other rights

The State shall assume no responsibility arising from consequences of using maintenance and administration methods, etc. contained in the proposed details, which are subject to a third party's right protected under the laws of Japan, such as a patent right, a utility model right, a design right and a trademark right.

(iii) Disclosure of the Proposal Documents

The State may disclose parts of the Proposal Documents (including the materials, videos, etc. distributed or used during the presentation) as may be necessary.

In the event the Proposal Documents include any content (such as special techniques and know-how) which would infringe on the rights, competitive position, or other reasonable interest of the submitter if the Proposal Documents are disclosed, the submitter shall make a statement to that effect.

(iv) Inconsistency in the proposed details

If there are any inconsistencies between the figures, images, etc. presented and the details in written documents, the details in written documents shall supersede the figures or images.

(v) Obligations to Perform the Proposed Details

With regard to the proposals presented to the State at each of the screening stages by the Preferred Negotiation Right Holder, the Operating Right Holder shall assume the obligation to perform them. If any presentations have been held, the questions on the proposed details of the Project asked during the presentations and the associated answers shall be treated in the same manner.

E) Treatment of materials provided by the State

Materials provided by the State shall not be used for any purpose other than examinations in the course of the Bidding.

F) Invalid applications

An application that falls under any of the following items shall be invalid.

- (i) When any person failing to satisfy the requirements specified in “3.(1) Participation requirements for applicants” applies for the Bidding
- (ii) When any of the Proposal Documents lacks
- (iii) When the Proposal Documents are not prepared in accordance with the Forms and Directions
- (iv) When the method, place or deadline of submission of the Proposal Documents fails to meet those specified in the Application Guidelines, etc.
- (v) When the applicant contacts any personnel of the Hiroshima Airport Office of the Osaka Regional Civil Aviation Bureau of the MLIT, Building Facilities Operator or its Subsidiaries, Airport Environmental Improvement Foundation, Hiroshima

Prefecture, Mihara City, Higashi-Hiroshima City, in relation to the selection of the Project without permission of the State

- (vi) When the applicant wrongfully approaches a member of the Screening Committee or a corporation to which a member of the Screening Committee belongs in relation to the selection of the Project
- (vii) When there is any wrongful act in the course of the application procedures
- (viii) When any matter is stated in the Proposal Documents that is not meant to be stated in them
- (ix) When any matter stated in the Proposal Documents is false
- (x) When two or more sets of the Proposal Documents are submitted
- (xi) When the application violates the terms and conditions stipulated in the Application Guidelines etc.

4. Matters for ensuring the proper and stable implementation of the Project such as clarification of the responsibilities of the Private Business Operator

(1) Conditions precedent to the Airport Operating Business

The main conditions specific to the Airport Operating Business are specified below. Applicants shall submit their statements of participation upon agreeing to these conditions.

With respect to these conditions, the concrete rights to be granted on and the concrete obligations to be assumed by the Operating Right Holder and other matters are set out in the Project Agreement (draft), the Required Standards Document (draft), the compilation of related materials, etc.

A) Succession of agreements etc.

Among the agreements, etc., entered into by the State for the operation, etc., of the basic airport facilities, the airport air navigation facilities and the Airport Site etc., those designated by the State shall be succeeded by the Operating Right Holder on and after the Airport Operating Business Commencement Date.

B) Obligation to lease the land etc.

The Operating Right Holder shall have an obligation to lease the land, etc., designated by the State in the Airport Site, for which the State has given permission to third parties to use, on and after the Airport Operating Business Commencement Date on the conditions specified by the State.

In addition, with respect to the land, etc., for which the State has given permission to third parties to use for the purposes of constructing and installing the structures (such as conduct lines and bridge piers), utility poles, etc., prior to the commencement of the Airport Operating Business, the Operating Right Holder shall have such third parties use the land, etc., in a way meeting the respective usages of such third parties on and after the Airport Operating Business Commencement Date.

C) Construction works that the State plans to implement after the commencement of the Airport Operating Business

With the revision to the “Standards for Construction of Airport Civil Works Facilities” in April 2013, requiring the expansion of the runway end safety areas (hereinafter referred to as “RESA”) , the State is planning to implement construction works to put in place the RESA. The Operating Right Holder shall not be liable for meeting the Required Standards on the relevant RESA until such construction works are

complete unless otherwise specified in the Required Standards.

The construction works shall be implemented by the State³⁶ and the Operating Right Holder shall be responsible for the maintenance and administration of existing facilities, while cooperating to the maximum extent possible for the smooth implementation of the works. The Operating Right Holder shall be liable for the maintenance and administration of the facilities and Airport Site that are extended through such construction works and that are regarded as the Facilities Subject to the Operating Right.

D) Collaboration with the relevant local governments

For improving the convenience of the Hiroshima Airport and for its development as the hub airport within the Chugoku and Shikoku regions, the relevant local governments expects to establish a partnership with the private sector in order to cooperate.

The method for the execution of a partnership agreement is being considered with the premise that both the Operating Right Holder and relevant local governments wish to do so.

These collaboration proposals are not the conditions for the bidding, but to be discussed with the relevant local governments as one of the public-private partnership methods after the Preferred Negotiation Right Holder is selected.

(2) Basic idea of allocation of risks

The division of roles and the allocation of risks between the State and the Operating Right Holder shall be determined appropriately. Taking into account that the Operating Right Holder may establish and collect landing fees etc. and other usage fees at its own discretion in general in order for the Operating Right Holder to exercise its autonomy and show its originality and ingenuity in implementing the Project, any risk associated with the Project (including risks relating to a change in airport demand) shall be borne by the Operating Right Holder unless otherwise specifically set out in the Project Agreement etc. For the details of the exceptions where the State shall bear risks, see the Project Agreement (draft).

(3) Matters for ensuring the performance of the Operating Right Holder's responsibilities

In order to confirm whether the Operating Right Holder is properly and stably carrying out the businesses set out in the Project Agreement etc. and meeting the required standards, as well as to understand the financial condition of the Operating Right Holder, the State is

³⁶ In such case, the State and the relevant local governments shall bear the cost as defined under the Airport Act.

planning to conduct monitoring, in addition to the self-monitoring to be performed by the Operating Right Holder.

If it is found that the Operating Right Holder fails to meet the required standards, the State may request the Operating Right Holder to take improvement measures or other measures.

The concrete method of monitoring and other related matters shall be set out in the Project Agreement (draft).

(4) Restrictions on the rights and obligations of the Operating Right Holder and related procedures

A) Disposition of the Operating Right

The Operating Right Holder shall not transfer, pledge or otherwise dispose of the Operating Right, its status under the Project Agreement, any contractual statuses under the agreements entered into with the State concerning the Project or the rights and obligations under these agreements, without prior written consent of the State; however, the Operating Right Holder may transfer the Operating Right with prior approval of the State based on Article 26, paragraph (2) of the PFI Act. The State shall provide this approval upon consultation with the Minister of Finance and other heads of relevant administrative agencies.

When the State approves the transfer of the Operating Right, the following conditions shall be attached as a minimum.

- (i) The transferee shall submit a letter of consent to the State, which states that the transferee shall succeed the contractual status of the Operating Right Holder under the Project Agreement with respect to the Project and the Project Agreement shall be binding on the transferee.
- (ii) All assets and contractual statuses owned by the Operating Right Holder and necessary for the implementation of the Project shall be transferred to the transferee.
- (iii) The shareholders of the transferee shall submit to the State the shareholders' covenant documents set out in the Basic Agreement (hereinafter referred to as the "Shareholder's Covenant Document").

If the Operating Right Holder and the Building Facility Operator intend to create a security interest in the Operating Right for borrowing money from a financial institution etc. in order to raise funds necessary for implementing the Project, the State shall not refuse the creation of a security interest without reasonable reasons; however, an agreement concerning the matters set out in the Project Agreement etc. shall be entered into between

the State and the financial institution etc.

B) New issuance and disposition of shares by the Operating Right Holder

The shares which the Operating Right Holder may issue are limited to the Voting Shares and the shares of a kind which have no voting rights to vote on any items for resolution at the shareholders' meeting of the Operating Right Holder (hereinafter referred to as the "Non-Voting Shares").

In order to ensure quick and flexible fund raising, the State shall not, in general, be involved in the new issuance or transfer of Non-Voting Shares issued by the Operating Right Holder, or the creation of a pledge or other security on these shares (hereinafter collectively referred to as the "Disposition"). However, the State shall impose certain restrictions on the new issuance and Disposition of the Voting Shares issued by the Operating Right Holder for securing the security, risk management and other roles of the Airport as public infrastructure.

For more details, see the Project Agreement (draft) and the Basic Agreement (draft).

5. Matters concerning location, size and placement of public facilities etc.

(1) Facilities subject to the Project

The facilities subject to the Project are listed below. The facilities listed in (iii), (iv), (vi) and (ix) are referred to as the “Non-Operating Right Facilities” and the other facilities are referred to as the “Facilities Subject to Operating Right.”

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons, etc.)
- (ii) Airport air navigation facilities (aeronautical light facilities)
- (iii) Passenger Building Facilities (air passenger facilities, offices and shops, as well as other similar facilities, resting facilities, observation facilities, facilities for tours, etc.)³⁷
- (iv) Cargo Building Facilities (air cargo handling facilities etc.)³⁸
- (v) Roads
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or the Operating Right Holder’s Subsidiary etc.

(2) Location of the Project

A) Location etc.

The location and area of the Airport Site notified in accordance with Article 46 of the Civil Aeronautics Act applied *mutatis mutandis* under Article 55-2, paragraph (3) of the same Act are as follows:

Location: Hongo-cho, Mihara City, Hiroshima Prefecture

Area subject to the Project: approximately 198 ha

B) Lease of the Airport Site etc.

The Airport Site, etc., is the national property stipulated in Article 2 and Article 4 of the Supplementary Provisions of the National Property Act and categorized into the administrative assets stipulated in Article 3, paragraph (2) of this Act. Taking into account that the Operating Right Holder may lease part of the Airport Site, etc., to third parties, etc., in implementing the Project, the State shall allow the Operating Right Holder to use the Airport Site, etc., during the Airport Operating Business Period under the terms and

³⁷ CIQ facilities within the Passenger Building Facilities are not owned by the Building Facility Operator.

³⁸ As of the date of publication of the Implementation Policy, there is no CIQ Facilities in the Cargo Building Facilities.

conditions set out in the National Property Free Lease Agreement.

However, a small area of land owned by The Prefecture is included in the Airport Site, etc., at the present, for which the right of use has been obtained from the Prefecture.

The State shall ensure (i) the permission granted to the Building Facility Operator to use the sites of the Passenger Building Facilities and the Cargo Building Facilities continues during the period from the Building Facility Business Commencement Date until the day preceding the Airport Operating Business Commencement Date and (ii) the permission granted to the Operating Right Holder to use the sites of the Parking Facilities continues during the period from the Parking Facility Business Commencement Date until the day preceding the Airport Operating Business Commencement Date.

C) Businesses to be carried out outside of the Airport Site

The Operating Right Holder is required to carry out the businesses listed in Part 2. - (10) -A) through to D) which are included in the Project, even outside of the Airport Site.

The Operating Right Holder may not, or may not have the Operating Right Holder's Subsidiary etc., carry out the businesses listed in Part 2. - (6) -E) outside of the Airport Site unless otherwise approved by the State upon prior consultation with the State.

For more details, see the Project Agreement (draft).

6. Matters concerning the actions to take when it becomes difficult to continue the Project

(1) Actions to take when events occur which make it difficult to continue the Project

If any event occurs which makes the Project difficult to continue, the Project Agreement shall be terminated as stated below. In this case, the Operating Right Holder shall have the obligation to cooperate in taking over the Project until the Project is succeeded by the State or a third party designated by the State in accordance with the Project Agreement. The assets etc. of the Operating Right Holder shall be treated in the same manner mentioned in Part 2. - (7) -F)-(ii). For the detailed allocation of responsibility for specific damage etc. arising from each event that triggers termination of the Project Agreement, see the Project Agreement (draft).

(2) Consultation between the State and a financial institution or banking syndicate

In order to ensure the stable continuation of the Project, with respect to certain matters, the State may, if it deems necessary, consult with a financial institution or banking syndicate which provides finance for the Operating Right Holder and enter into an agreement directly with the financial institution or banking syndicate.

7. Others

(1) Cancellation of the Bidding and rescission of selection of the Qualified Project

If the State determines that it is inappropriate to implement the Project, the State shall cancel the Bidding without selecting a Preferred Negotiation Right Holder even after the commencement of the Bidding and shall rescind the selection of the Qualified Project for the Airport Operating Business.

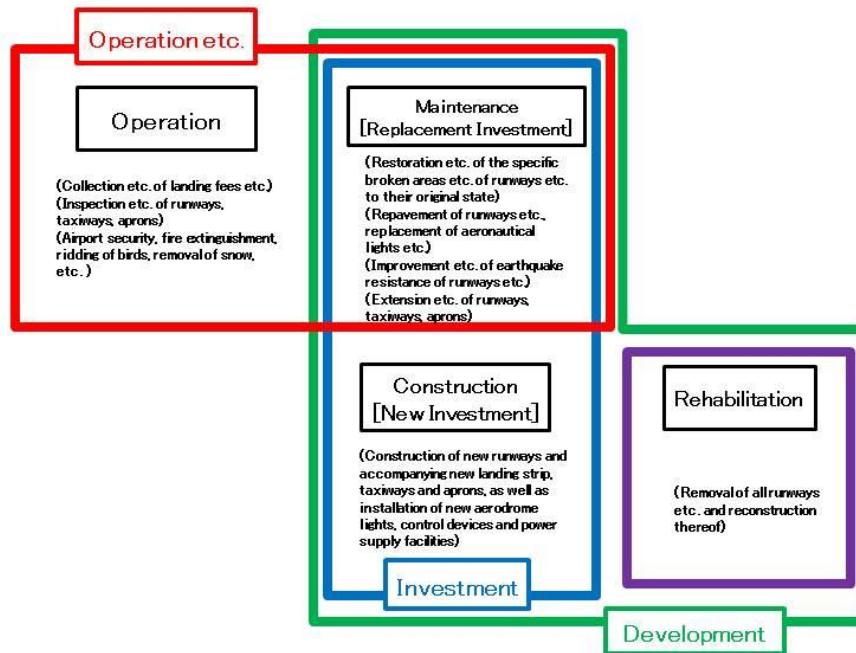
In this case, the State shall publish the decision on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

(2) Provision of information

The information concerning the Project will be provided from time to time on the following website:

Website of the Civil Aviation Bureau of the MLIT
(<http://www.mlit.go.jp/koku/>)

Exhibit 1 Organizing with the terms used in the PFI Act



The definition of the terms based on the PFI Act and the Guidelines Concerning the Right to Operate Public Facilities, etc., and Public Facilities, etc., Operating Project (“PFI Guidelines for the Operating Right”)

- Operation etc.: means operation and maintenance (Article 2, paragraph (6) of the PFI Act)
- Maintenance: capital expenditures or repairs (including so-called alterations and improvements and large-scale repairs) excluding new constructions or entirely removing and redeveloping facilities, etc. (PFI Guidelines for the Operating Right)
- Construction: to create a new facility (new construction) (PFI Guidelines for the Operating Right)
- Rehabilitation: to entirely remove and redevelop facilities, etc. (PFI Guidelines for the Operating Right)
- Investment: Replacement investment means “maintenance” and new investment means “construction” (PFI Guidelines for the Operating Right)

Exhibit 2 Treatment of accounting and tax affairs in relation to the Project

(i) PITF NO. 35: “Practical Solutions on Accounting, etc., of the Operating Right Holder for Public Facilities, etc.”, Operating Business (Accounting Standards Board of Japan)

See the website of the Financial Accounting Standards Foundation at:

https://www.asb.or.jp/wp-content/uploads/pfi_2017_1.pdf

(ii) Treatment under the Corporation Tax Act of replacement investment to be implemented in accordance with a project agreement to implement Right to Operate Public Facilities, etc., under the Private Utilization Airport Operation Act

See the website of the National Tax Agency at:

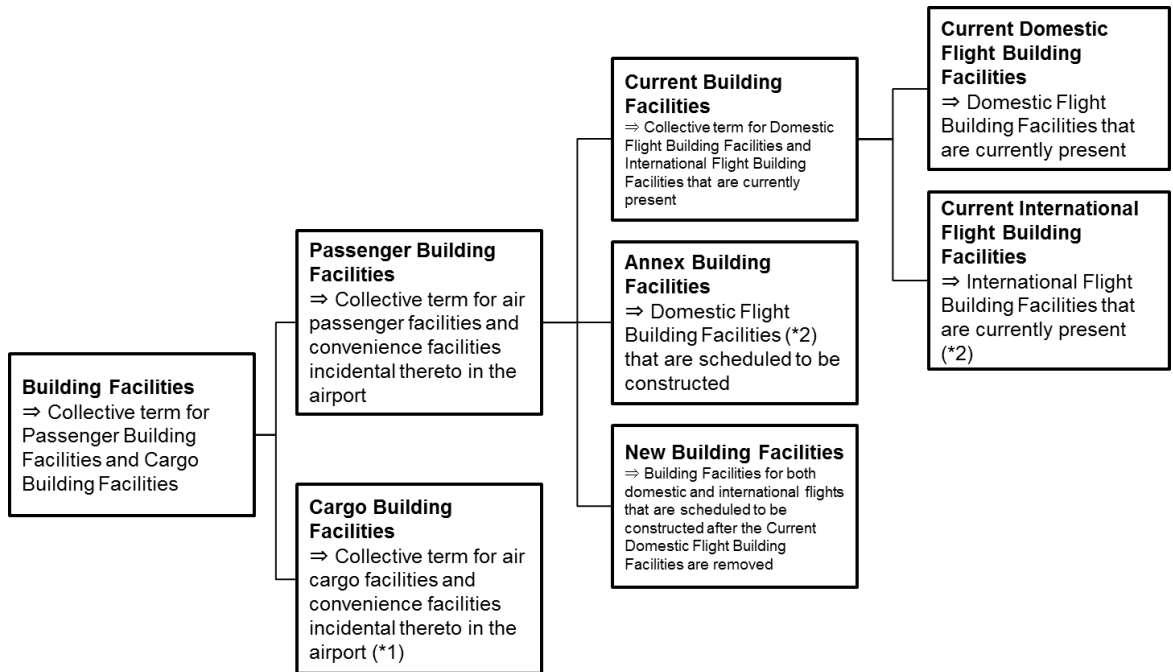
<https://www.nta.go.jp/law/bunshokaito/hojin/141118/index.htm>

(iii) Handling of Consumption Taxes relating to Setting the Right to Operate Public Facilities, etc., in Concession Projects

See the website of the National Tax Agency at:

<https://www.nta.go.jp/law/shitsugi/shohi/12/07.htm>

Exhibit 3 Definitions of the Building Facilities



(*1) Because the Airport does not have a plan for the reconstruction of the Cargo Building Facilities, it is also used to refer to “Cargo Building Facilities that are currently present” in the Application Guidelines.

(*2) Prior to the commencement of the service operation of the New Building Facilities, it will be used as air passenger facilities. After said commencement, the Operating Right Holder may determine how the Annex Building Facilities will be used. On the other hand, the Operating Right Holder shall be responsible for removing the Current International Flight Building Facilities in principle.