

(TRANSLATION)(for Reference Only)

**Implementation Policy on
the Qualified Project Etc. for Takamatsu 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.

July 8, 2016

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

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Part 1. Introduction

The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter referred to as the “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 Takamatsu Airport Operation (hereinafter referred to as the “Project”) at the Takamatsu 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 Utilizing 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 Facility etc. (meaning the Right to Operate Public Facility 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 Utilizing Airport Operation Act; hereinafter referred to as the “Operating Right Holder”) and enter into the Qualified Project Etc. for Takamatsu Airport Operation Agreement to Implement Right to Operate Public Facility Etc. (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

This document stipulates the policies on the implementation of the Project (hereinafter referred to as the “Implementation Policy”) in selecting a Qualified Project with respect to the Airport Operating Business in accordance with the PFI Act and the Private Utilizing Airport Operation Act, selecting the Preferred Negotiation Right Holder to implement the Project, granting the Operating Right as the Operating Right Holder to the SPC incorporated by the Preferred Negotiation Right Holder, and entering into the Project Agreement with the Operating Right Holder, in accordance with the Basic Policies on Operation of National Airports Utilizing Skills of the Private Sector (MLIT Public Notice No. 1080 of 2013; hereinafter referred to as the “Basic Policy”), the Guidelines Concerning the Process to Conduct PFI Projects (effective in December, 2015) and the Guidelines Concerning the Right to Operate a Public Facility etc. and Public Facilities etc. Operation Project (effective in December, 2015) and other applicable rules.

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 after publication of the Implementation Policy.

Part 2. Matters for selecting a Qualified Project

1. Matters concerning details of a Qualified Project

- (1) Administrator etc. of Public Facility etc.

Keiichi Ishii, Minister of Land, Infrastructure, Transport and Tourism

- (2) Unit in Charge

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Administrative affairs relating to the Implementation Policy are conducted by the following advisors (hereinafter referred to as the “Bidding Advisors”) on behalf of the Unit in Charge.

- (i) Ernst & Young ShinNihon LLC
 - (ii) Ernst & Young Tax Co.
 - (iii) Anderson Mori & Tomotsune
 - (iv) Kansai Law & Patent Office
 - (v) GYROS Corporation
 - (vi) Donnelley Financial Solutions Japan, Inc.
- (3) Background and purposes of the Project

Recently, the number of passengers using the Airport and the volume of cargo handled in the Airport were decreasing after a peak of 1.53 million passengers in 2003 and at 13,000 tons in 2006, respectively, due to the competition on flight routes with other neighboring airports and the Great East Japan Earthquake but the number of passengers has been recovering since 2012 driven by start of new flight services by international airlines and LCC, recording 1.81 million passengers and 6,995 tons of cargo handled in 2015. In addition, the Airport has a potential to be a hub airport in the Shikoku region as well as a gateway for international inbound traffic in western Japan since the Airport is an important infrastructure for promoting the industry and tourism in Kagawa Prefecture and securing a base therefor, with good access to the prefectural capitals of the prefectures in the Chugoku and Shikoku regions through expressway and railway networks.

However, it is impossible to manage the overall Airport in an integrated and flexible way because the following are separately operated: (i) the basic airport facilities etc. owned by the State, (ii) the facilities for handling air passengers and incidental convenient facilities (hereinafter referred to as the “Passenger Building Facilities”) and the facilities for handling air cargo and incidental convenient facilities (hereinafter referred to as the “Cargo Building Facilities”), owned by the operator of air passenger and cargo facilities (hereinafter referred to as the “Building Facility Operator”), and (iii) the parking facilities owned by the operator of parking facilities. In addition, the Airport is still facing tough competition with other neighboring airports and its operation in collaboration with the relevant local governments and communities is vital.

Therefore, in order for the Airport to perform its role at its full potential, the State has decided to implement the Project to cause the Operating Right Holder to 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 such areas through expanding the amount of the population who are engaging in domestic and international interactions and through other favorable measures.

(4) Application Guidelines etc.

Documents to be disclosed for bidding will be composed of the documents listed in (i) through to (x) below (together with supplementary materials as well as answers to questions to be published on the Civil Aviation Bureau of the MLIT website 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 Takamatsu Airport Operation (hereinafter referred to as the “Application Guidelines”)
 - (ii) Qualified Project Etc. for Takamatsu 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 Takamatsu 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 Takamatsu 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 Takamatsu Airport Operation (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
 - (vi) Required Standards Document for the Qualified Project Etc. for Takamatsu Airport Operation (draft) (hereinafter referred to as the “Required Standards Document (draft)”)
 - (vii) Compilation of related materials
 - (viii) Selection Criteria for the Preferred Negotiation Right Holder for the Qualified Project Etc. for Takamatsu Airport Operation (hereinafter referred to as the “Selection Criteria for the Preferred Negotiation Right Holder”)
 - (ix) Forms for the Qualified Project Etc. for Takamatsu Airport Operation and directions to complete the forms (hereinafter referred to as the “Forms and Directions”)
 - (x) Referential materials
- (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 following related laws, regulations, etc.:

- A) Laws and regulations
 - i) Airport Act (Act No. 80 of 1956)
 - ii) Civil Aeronautics Act (Act No. 231 of 1952)
 - iii) Act on Prevention of Damage caused by Aircraft Noise in Areas around Public Airports (Act No. 110 of 1967; hereinafter referred to as the “Noise Prevention

- Act”)
- iv) Public Finance Act (Act No. 34 of 1947)
 - v) Public Accounting Act (Act No. 35 of 1947)
 - vi) National Property Act (Act No. 73 of 1948)
 - vii) City Planning Act (Act No. 100 of 1968)
 - viii) Building Standards Act (Act No. 201 of 1950)
 - ix) Parking Lot Act (Act No. 106 of 1957)
 - x) Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. (Act No. 91 of 2006)
 - xi) Fire Service Act (Act No. 186 of 1948)
 - xii) Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970)
 - xiii) Industrial Safety and Health Act (Act No. 57 of 1972)
 - xiv) Air Pollution Control Act (Act No. 97 of 1968)
 - xv) Act on the Rational Use etc. of Energy (Act No. 49 of 1979)
 - xvi) Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991)
 - xvii) Construction Material Recycling Act (Act No. 104 of 2000)
 - xviii) Waste Management and Public Cleansing Act (Act No. 137 of 1970)
 - xix) Construction Business Act (Act No. 100 of 1949)
 - xx) Labor Standards Act (Act No. 49 of 1947)
 - xxi) Working Environment Measurement Act (Act No. 28 of 1975)
 - xxii) Pneumoconiosis Act (Act No. 30 of 1960)
 - xxiii) Act on the Improvement of Employment of Construction Workers (Act No. 33 of 1976)
 - xxiv) Road Act (Act No. 180 of 1952)
 - xxv) Road Traffic Act (Act No. 105 of 1960)
 - xxvi) Road Transportation Act (Act No. 183 of 1951)
 - xxvii) Road Transport Vehicle Act (Act No. 185 of 1951)
 - xxviii) Erosion Control Act (Act No. 29 of 1897)
 - xxix) Landslide Prevention Act (Act No. 30 of 1958)
 - xxx) Water Supply Act (Act No. 177 of 1957)
 - xxxi) Sewerage Act (Act No. 79 of 1958)
 - xxxii) Forest Act (Act No. 249 of 1951)
 - xxxiii) Basic Environment Act (Act No. 91 of 1993)
 - xxxiv) Nature Conservation Act (Act No. 85 of 1972)
 - xxxv) Noise Regulation Act (Act No. 98 of 1968)

- xxxvi) Vibration Regulation Act (Act No. 64 of 1976)
- xxxvii) Soil Contamination Countermeasures Act (Act No. 53 of 2002)
- xxxviii) Act on Protection of Cultural Properties (Act No. 214 of 1950)
- xxxix) Electricity Business Act (Act No. 170 of 1964)
- xl) Radio Act (Act No. 131 of 1950)
- xli) High Pressure Gas Safety Act (Act No. 204 of 1951)
- xlii) Survey Act (Act No. 188 of 1949)
- xliii) Security Services Act (Act No. 117 of 1972)
- xliv) Other related laws and regulations

B) Conventions and treaties

- i) Convention on International Civil Aviation (Treaty No. 21 of 1953)
- ii) Agreement under Article VI of the Treaty of Mutual Cooperation and Security between Japan and the United States of America, regarding Facilities and Areas and the Status of United States Armed Forces in Japan (Treaty No. 7 of 1960)
- iii) Other related conventions and treaties

C) Prefectural ordinances

- i) Kagawa Prefectural Ordinance for Enforcement of the Building Standards Act (Kagawa Prefectural Ordinance No. 8 of 1955)
- ii) Takamatsu City Ordinance for Enforcement of the Building Standards Act (Takamatsu City Ordinance No. 12 of 1970)
- iii) Takamatsu City Ordinance on Development Permission (Takamatsu City Ordinance No. 18 of 2004)
- iv) Kagawa Prefectural Ordinance on Welfare Community Development (Kagawa Prefectural Ordinance No. 2 of 1996)
- v) Kagawa Prefectural Ordinance on Outdoor Advertisements (Kagawa Prefectural Ordinance No. 18 of 1965)
- vi) Kagawa Prefectural Ordinance on the Protection of Cultural Properties (Kagawa Prefectural Ordinance No. 17 of 1955)
- vii) Kagawa Prefectural Ordinance for the Preservation of Living Environment (Kagawa Prefectural Ordinance No. 1 of 1971)
- viii) Kagawa Prefectural Ordinance on Nature Conservation (Kagawa Prefectural Ordinance No. 17 of 1974)
- ix) Kagawa Prefectural Ordinance on Prevention and Coordination of Disputes Concerning Establishment of Industrial Waste Disposal Facilities (Kagawa

Prefectural Ordinance No. 3 of 1991)

- x) Takamatsu City Ordinance on Proper Disposal of Industrial Waste and Promotion of Industrial Waste Recycling (Takamatsu City Ordinance No. 16 of 1993)
- xi) Takamatsu City Ordinance on Prevention and Coordination of Disputes Concerning Establishment of Industrial Waste Disposal Facilities (Takamatsu City Ordinance No. 46 of 1998)
- xii) Other related prefectural or city ordinances

D) Standards to be referred to

- i) Commentary on Standards for Construction of Airport Civil Works Facilities
- ii) Standard Specifications for Airport Civil Works, Standard Specifications for Aeronautical Lights and Power Facility Works, Standard Specifications for Power Generating Devices, and the standards, directions, guidelines, etc. referred to within them
- iii) Guidelines on the Maintenance and Administration of Facilities in Airports, Guidelines on the Implementation of Construction Works in Restricted Areas, Guidelines on the Implementation of Snow Removal
- iv) Air Transport Security Operation Rules
- v) Aircraft Noise Measurement and Assessment Manual
- vi) Standards on Establishment of Airport Security Control Regulations (Safety Part)
- vii) Guidelines on Airport Security Control Regulations (Safety Part)
- viii) Guidelines on Airport Operations
- ix) Standards for Improving a Fire-Fighting and Rescue System in Airports
- x) Guidelines on Handling Safety Information
- xi) Standards for Providing a Safety Management System in Airports
- xii) Kagawa Prefectural Guidelines on Disposal of Industrial Waste (Established in 1991 by Kagawa Prefecture)
- xiii) Regional Disaster Plans (those established by relevant local governments)
- xiv) Airport Development Reference Manual
- xv) Guidelines on Barrier-Free Facilities (for Passenger Facilities)
- xvi) Guidelines on Eco Airports (for Airport Environment)
- xvii) Guidelines for Providing Smooth Movement etc. by Public Transportation
- xviii) Other related standards, circular notices, etc.

E) Others

- i) Referential Materials for Planning Universal Airport Passenger Facilities
- ii) Model Forms for Evacuation Plan and Early Recovery Plan Responding to Earthquakes and Tsunami at Airports

(6) Project period

A) The period of the Project

The period of the Project is 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”) after its acquisition of the shares issued by the Building Facility Operator (hereinafter referred to as the “Building Facility Operator Shares”), prior to the implementation of the Airport Operating Business.

The Airport Operating Business Period means the period from the date of commencement 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 15th anniversary of the date 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 2.1(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 date of commencement of the Building Facilities Business (hereinafter referred to as the “Building Facility Business Commencement Date”) upon fulfillment of the conditions precedent to commencement as set out in the Project Agreement, including acquisition by the Operating Right Holder of the Building Facility Operator Shares, until the Airport Operating Business Expiration Date.

Therefore, the period of the Project (hereinafter referred to as the “Project Period”) shall be the period from the Building Facility Business Commencement Date until the Airport Operating Business Expiration Date.

B) Extension of the Airport Operating Business Period

If the Operating Right Holder notifies the State of its desire to extend the Airport Operating Business Period by the date four years prior to the Airport Operating Business Expiration Date, the Airport Operating Business Period may be extended for a period

stipulated by the Operating Right Holder that is no longer than thirty five years and is within the limit specified in Part 2.1(6)C (such extension of the period is hereinafter referred to as the “Option Extension”). The Option Extension may be made only once so it is not permissible, for example, to request for another extension of ten more years after requesting an extension of twenty years.

Furthermore, aside from the Option Extension above, if any of the events set out in the Project Agreement occurs, the Operating Right Holder may request the State to extend the Airport Operating Business Period. In this case, if the State finds that it is 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 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 2.1(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 15th anniversary of it.

The duration of the Operating Right shall not be beyond the day preceding the 55th anniversary of the Operating Right Establishment Date, including where the Airport Operating Business Period is extended as specified in Part 2.1(6)B (this limit shall be recorded on the registry of the Rights to Operate a Public Facility etc.)¹.

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 3.2 and has entered into the Basic Agreement with the State shall incorporate a SPC whose sole purpose is to carry out the Project.

The State shall grant the Operating Right to the SPC with respect to the Facilities Subject to Operating Rights (meaning the Facilities Subject to Operating Rights stipulated

¹ For example, if the Operating Right Establishment Date is October 1, 2017, the date of expiration of the Initial Duration of the Operating Right shall be September 30, 2032, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than September 30, 2072.

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 Commencement Date, 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”).

Some of the parking facilities will have been owned and operated by the parking facility operator as of the Operating Right Establishment Date and will be included in the Facilities Subject to Operating Rights upon transfer of its ownership from the parking facility operator to the State on the Airport Operating Business Commencement Date.

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 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 such right, thereby acquiring the Building Facility Operator Shares. Please note that since this is made through the transfer of the shares, the Operating Right Holder shall succeed to the agreements etc. entered into by the employees of the Building Facility Operator and the Building Facility Operator unless the circumstances are exceptional.

The State shall assume no responsibility for the performance of the Building Facility Operator Share Acquisition Option Agreement by each party thereto.

C) Treatment of the Building Facilities

In order to secure a preferred right of the State to purchase the Passenger Building Facilities and the Cargo Building Facilities (hereinafter collectively referred to as the “Building Facilities”) upon expiration of the Airport Operating Business Period, the

Operating Right Holder shall, after the Building Facility Business Commencement Date and without delay, have the Building Facility Operator enter into a purchase option agreement concerning the Building Facilities with the State in which the State shall have an option to purchase. The purchase price of the Building Facilities under the purchase option agreement shall be their market price (which shall be determined by the method set out in the Project Agreement).

The Building Facility Operator shall make a provisional registration of the right of the State to claim the transfer of ownership of the Building Facilities based on the purchase option agreement, at the expense of the Operating Right Holder or the Building Facility Operator. This provisional registration shall preserve priority over other rights (including, but not limited to, security) created on the Building Facilities.

D) 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:

a) Operating Right

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

b) Assets etc. of the Operating Right Holder

The Operating Right Holder shall transfer the Facilities Subject to Operating Rights 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 market value, any asset which is held by the Operating Right Holder or its subsidiary or affiliate (hereinafter collectively referred to as the "Operating Rights Holder's Subsidiary etc.") if the State or the third party deems it necessary. If the State selects a new implementer of the Project through a bidding, the State shall make it a condition for participating in such bidding that the implementer shall purchase real properties and shares out of such assets, in whole or in part, at market value, from the Operating Right Holder or the Operating Rights 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 Rights 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. specified in Part 2.1(10)A, 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 (meaning the Airport Site located at the address specified in Part 5.2(1); the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

c) 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 at its own expense and for ensuring that the Project is smoothly succeeded by the State etc.

(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 Part 2.1(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 Project²

The scope of the Airport Operating Business shall be as listed in A) through to D)

² See Exhibit 1 and the Application Guidelines etc. for the allocation of activities between the State and the

below and the scope of the Building Facilities Business shall be as listed in E) below. 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 set out in the Project Agreement (draft) and the Required Standards Document (draft).

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

(i) Basic airport facilities etc. activities

i) Maintenance and administration of basic airport facilities etc.³

- ✓ Maintenance and administration of the runways, landing strip, taxiways, aprons, etc. (including repair, replacement, improvement, maintenance, etc.)
- ✓ Maintenance and administration of the roads in the Airport, water and sewage facilities, rainwater drainage facilities, etc. (including repair, replacement, improvement, maintenance, etc.)
- ✓ Maintenance and administration of the buildings and incidental equipment (including repair, replacement, improvement, maintenance, etc.)

ii) Operation of the basic airport facilities etc.

- ✓ Operation of the runways, landing strip, taxiways, aprons, etc.
- ✓ Operation of the roads in the Airport, water and sewage facilities, rainwater drainage facilities, etc.
- ✓ Research on snow and ice, snow removal on the runways, taxiways, aprons, etc.
- ✓ Administration and checkup of the surfaces of the runways, taxiways, aprons, etc. (including operation of the spots and checkup of the runways)
- ✓ Safety management of the restricted zones
- ✓ Administration of obstacles (including administration of the restricted surfaces and monitoring of new developments in the areas surrounding the Airport)

³ Operating Right Holder at the Airport (draft) concerning the Airport Operating Business. See Exhibit 2 and the Application Guidelines etc. for the scope of maintenance and administration of the Facilities Subject to Operating Rights to be carried out by the Operating Right Holder.

- ✓ Security of the Airport (including walk-around checks and monitoring by devices)
 - ✓ Ridding of birds and animals
 - ✓ Firefighting in the Airport
 - ✓ Rescue in the Airport
- 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 Utilizing Airport Operation Act, Article 13 of the Airport Act) as well as collection of the fees⁴
- (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), item (ii) of the Private Utilizing Airport Operation Act)⁵
- i) Maintenance and administration of the airport air navigation facilities
- ✓ Maintenance and administration (repair, replacement, improvement, maintenance, etc.) of aeronautical lights as well as incidental power facilities and machine facilities
- ii) Operation of the airport air navigation facilities
- ✓ Operation of the aeronautical lights as well as incidental power facilities and machine 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 Utilizing Airport Operation Act) as well as collection of the fees

⁴ 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.
- (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.

⁵ Includes maintenance, administration and operation of the aeronautical lights installed by the State outside of the Airport Site with permission or approval from the relevant local governments. The State shall ensure that the permission or approval necessary for the operation is being maintained. See the Application Guidelines etc. for more details.

- C) Environmental measures business⁶
- i) The following businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilizing Airport Operation Act)
 - ✓ Development and maintenance of green zones and other buffer zones
 - ✓ Subsidizing soundproof work for schools etc. and subsidizing soundproof work for residential homes (Articles 5 and 8-2 of the Noise Prevention Act)
 - ✓ Subsidizing joint use facilities (Article 6 of the same Act)
 - ✓ Compensation for relocation (Article 9, paragraph (1) of the same Act), purchase of land (Article 9, paragraph (2) of the same Act) and administration of the purchased land (Article 9, paragraph (3) of the same Act), as well as compensation for loss (Article 10, paragraph (1) of the same Act)
 - 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 Utilizing Airport Operation Act)
- D) Other incidental businesses (Article 2, paragraph (5), item (v) of the Private Utilizing Airport Operation Act)
- a) 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
 - i) Establishing airport service regulations, publishing the regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 8, paragraph (1) of the Private Utilizing Airport Operation

⁶ As of the date of publication of the Implementation Policy, the Airport is not designated as a Specified Aerodrome under the Noise Prevention Act. Therefore, the State has not implemented any environmental measures business at the Airport but the Operating Right Holder is required to measure or otherwise research the actual aircraft noise in accordance with the required standards. Also, the Operating Right Holder is required to implement necessary environmental measures business, if the Airport is designated as a Specified Aerodrome under the Noise Prevention Act.

Act and Article 12 of the Airport Act)^{7, 8}

- ii) Establishing airport security control regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 7, paragraph (2) of the Private Utilizing Airport Operation Act and Article 47-2 of the Civil Aeronautics Act)⁹

- (ii) Airport Site etc. lease business¹⁰
 - i) Lease of the land and constructions etc. on the land to the State, or a person designated by the State, without rent
 - ii) Lease of the land and constructions etc. on the land to a person designated by the State, with rent
 - iii) Lease of the land and constructions etc. on the land to other third parties¹¹

- (iii) Parking facility business
 - i) Maintenance and administration of the parking facilities
 - ii) Operation of the parking facilities

- (iv) Bearing of costs for preventive measures against aircraft hijacking etc.
 - i) The responsibility of the State to pay half of the cost incurred for security inspection devises and the security inspection based on the “Outline of Preventive Measures Against Hijacking etc.” (decided by the Cabinet in 1973) shall be assumed by the Operating Right Holder in accordance with the required standards.

⁷ The Ordinance on Airport Administration (Ordinance of the Ministry of Transport No. 44 of 1952) does not apply to the Project on and after the Airport Operating Business Commencement Date (Article 4 of the Ordinance for Enforcement of the Act on Operation of National Airports Utilizing Skills of the Private Sector (Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism No. 63 of 2013)). However, the Operating Right Holder is required to include the matters required by the required standards (which shall be similar to those stipulated by the Ordinance on Airport Administration) in airport service regulations.

⁸ If the Operating Right Holder intends to change the operating hours of the Airport, it shall do so upon consultation with the relevant government organizations, relevant local governments, etc.

⁹ The Operating Right Holder is required to establish airport security control regulations including the matters required by the required standards.

¹⁰ 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).

¹¹ This business may be carried out by the Operating Right Holder at its own discretion. If the Operating Right Holder intends to enter into a new lease agreement concerning the Airport Site with a third party, it shall submit to the State an application for approval for subleasing as well as a written pledge and a list of officers of the sublessee, and obtain approval from the State. The State will approve the subleasing, except in special circumstances, as long as the Operating Right Holder intends to carry out the necessary businesses or services in compliance with related laws and regulations without interfering with airport functions or violating public policy, including where the purpose of using the land is to carry out amusement businesses or other similar businesses or to construct an office of an organized crime group or other similar building.

(v) Attendance at the Council (Article 8, paragraph (1) of the Private Utilizing Airport Operation Act)

- i) The Operating Right Holder shall be a member of the Council on Improving Convenience of Takamatsu Airport Users. When the State notifies the Operating Right Holder that a consultation under Article 14, paragraph (1) of the Airport Act or Article 47-3 of the Civil Aeronautics Act will be held, the Operating Right Holder shall attend the consultation unless it has due reasons not to do so (Article 14, paragraph (4) of the Airport Act). With regard to the matters which have been agreed upon through the consultation, the Operating Right Holder shall respect the outcomes of the consultation (Article 14, paragraph (6) of the Airport Act).

b) Businesses and services proposed by the Preferred Negotiation Right Holder

For the selection of the Preferred Negotiation Right Holder by the State, the applicants (meaning the applicants specified in Part 3(1)(i); the same shall apply hereinafter) shall propose the details of the implementation of the following businesses and services. The State shall set out the obligations of the Operating Right Holder in the Project Agreement and the required standards based on the details proposed by the applicant selected as the Preferred Negotiation Right Holder.

(i) Businesses and services for a symbiotic relationship with local communities

It is required to produce an effect equal to or more favorable than that has been realized by the businesses carried out by the Airport Environment Improvement Foundation, a general incorporated foundation, until the Airport Operating Business Commencement Date.

(ii) Businesses and services for promoting the use of the Airport

Businesses to be carried out in cooperation with the State, the relevant local governments (including Kagawa Prefecture, Takamatsu City and Ayagawa Town) and other related bodies for expanding the air transport networks and aviation demand.

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 Project 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 including the following activities:
 - ✓ Handling passengers
 - ✓ Leasing the facilities to Air Carriers
 - ✓ Leasing the facilities to tenants
 - ✓ Leasing the customs, immigration and quarantine facilities (hereinafter collectively referred to as the "CIQ Facilities")
 - ✓ Security
 - ✓ Leasing the facilities for bus stops, taxi stands, station polls, etc.
 - ✓ Other operating activities of the passenger buildings
 - ✓ Maintenance and administration of the facilities
 - ✓ In case of setting the passenger (service) facility charge, obtaining approval for the upper limit from the Minister of Land, Infrastructure, Transport and Tourism (Article 16, paragraph (1) of the Airport Act), setting the passenger (service) facility charge within the upper limit and notifying the Minister of Land, Infrastructure, Transport and Tourism (paragraph (3) of the same Article), as well as collecting the charge
- ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, the following activities and services in the

Passenger Building Facilities.

- ✓ Operating directly-managed stores and incidental mail order sales (meaning the Mail Order Sales stipulated in Article 2, paragraph (2) of the Act on Specified Commercial Transactions (Act No. 57 of 1976))
- ✓ Administrative agency service for air transport companies
- ✓ Advertising
- ✓ Operating special waiting rooms and pay waiting rooms (conference rooms)
- ✓ Lounge service
- ✓ Event service
- ✓ Hotel business
- ✓ Investment in the facilities

(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 including the following activities:

- ✓ Handling cargo
- ✓ Leasing the facilities to Air Carriers
- ✓ Security
- ✓ Traffic control service
- ✓ Other operating activities of the cargo buildings
- ✓ Maintenance and administration of the facilities

- ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, the following activities or services in the Cargo Building Facilities.

- ✓ Distribution processing service
- ✓ Administrative agency service for air transport companies
- ✓ Loading and unloading service
- ✓ Investment in the facilities

(iii) Aircraft fuelling service business

- i) The Operating Right Holder shall assume the obligation to carry out the following business after the Airport Operating Business Commence Date.¹²

¹² During the period in which the Operating Right Holder leases the land to an aircraft fuelling and related services

- ✓ Selling fuels for and fuelling aircraft and automobiles as well as selling petroleum products etc.

(iv) Independent businesses in the Airport Site

- i) Any business that the Operating Right Holder considers necessary and voluntarily carries out in the Airport Site (excluding those specified in Part 2.1.(8)E(i)ii) and (ii)ii)¹³

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

The State shall establish required standards for ensuring that the Operating Right Holder properly carries out the maintenance and administration businesses, the operating businesses contributing to the safety of air transport, and the environmental measures. Please note that regarding the matters concerning the services in “V. Passenger Building Facility Business and Cargo Building Facility Business” and “IV-1. Parking Facility Business” in the table below, the State shall set out the minimum necessary matters in advance, and their details shall be set out with reflecting the matters proposed by the applicant who has been selected as the Preferred Negotiation Right Holder in the required standards. The same manner shall be applied to the matters concerning “IV-3. Businesses and Services for Symbiotic Relationship with Local Communities” and “IV-4. Businesses and Services for Promoting the Use of the Airport”.

The structure of the Required Standards Document (draft) is as follows:

business operator and such business operator is providing the aircraft fuelling service at the Airport, the Operating Right Holder does not have an obligation to provide such service by itself.

¹³ If the Operating Right Holder intends to carry out any independent business prior to the Airport Operating Business Commencement Date, it shall separately obtain permission etc. to use the Airport Site.

Applicable scope of the Project (Part 2.1.(10))		Details of required standards	Name of relevant Required Standards Document
-	I. Overall	✓ Definition of terms; basic matters; laws, regulations, circular notices and others to be observed; and allocation of businesses	I. General Rules
A), B)	II. Airport Operating etc. Business and Airport Air Navigation Facility Operating etc. Business	✓ Required standards for maintenance, administration and operation of basic airport facilities etc. and airport air navigation facilities	II-1. Required Standards for Airport Operating etc. Business and Airport Air Navigation Facility Operating Business
		✓ Airport service regulations	II-2. Required Standards for Takamatsu Airport Service Regulations
		✓ Airport security control regulations	II-3. Required Standards for Takamatsu Airport Security Control Regulations (Safety Part)
			II-4. Required Standards for Takamatsu Airport Security Control Regulations (Security Part)
		✓ Other required standards for Airport Operating etc. Business and Airport Air Navigation Facility Operating Business	II-5. Other Required Standards for Airport Operating etc. Business and Airport Air Navigation Facility Operating Business
C)	III. Environmental measures business	✓ Required standards for environmental measures business	III. Required Standards for Environmental Measures Business

D)	✓ IV. Other incidental businesses	✓ Required standards for establishing airport service regulations	(Included in II-2.)
		✓ Required standards for establishing airport security control regulations (safety and security parts)	(Included in II-3 and II-4.)
		✓ Required standards for parking facility business	IV-1. Required Standards for Parking Facility Business
		✓ Required standards for cost bearing for preventive measures against aircraft hijacking etc.	IV-2. Required Standards for Cost Bearing of Aviation Security Measures
		✓ Required standards for businesses and services for a symbiotic relationship with local communities	IV-3. Required Standards for Businesses and Services for a Symbiotic Relationship with Local Communities
		✓ Required standards for businesses and services for promoting the use of the Airport	IV-4. Required Standards for Businesses and Services for Promoting the Use of the Airport
E)	V. Building Facilities Business	✓ Required standards for the passenger building facility business and the cargo building facility business	V. Required Standards for Passenger Building Facility Business and Cargo Building Facility Business

(12) Rights and assets to be received by the Operating Right Holder

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

(i) Building Facility Operator Shares

- The shares issued by the Building Facility Operator

B) Rights and assets to be received by the Operating Right Holder prior to the Airport Operating Business Commencement Date

(i) Operating Right

- The rights to be created on the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking facilities, 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 Holder

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

(13) Treatment of replacement investment etc.

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

➤ The Operating Right Holder may, at its own discretion, carry out maintenance and administration (replacement investment) of the Facilities Subject to Operating Rights as long as they meet the required standards. 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 changes 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 Rights.¹⁴

➤ The State may carry out maintenance and administration (replacement investment) on the Facilities Subject to Operating Rights if the State determines such maintenance and administration is necessary on public interest grounds.

➤ Any of the Facilities Subject to Operating Rights 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

➤ 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 specified in Part 5.1 as long as they meet the required

¹⁴ See Exhibit 2. for the scope of maintenance and administration by the Operating Right Holder of the Facilities Subject to Operating Rights.

standards in general.

(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.
- 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 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 the State to dispatch its personnel in relation to the Airport Operating Business. The job categories, maximum number of the personnel to be dispatched 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)
- Personnel for air navigation and disaster prevention

(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 specified in 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; and
- (iii) Consideration for the grant of the Operating Right under the Project Agreement

With regard to the 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 the consideration (ii) above, the Operating Right Holder shall pay to the State the amount and by the method determined in accordance with the procedure specified in Part 3.2(13). With regard to the consideration (iii) above, only the proposal for an amount more than 0 yen will be accepted in the Second Screening and 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. If the State intends to collect this consideration, it shall do so upon consultation with the Minister of Finance.

Unless otherwise separately set out in the Project Agreement, the State will not return the consideration to the Operating Right Holder. Furthermore, the Operating Right Holder will not receive any requests for payment of any additional consideration whether or not the Option Extension is made.

2. Selection methods for a Qualified Project

(1) Selection criteria

If the State reasonably finds that it is efficient and effective to conduct the Airport Operating Business as a PFI project, the State shall select that business as a Selected Project under Article 2, paragraph (4) of the PFI Act in accordance with Article 7 of the PFI Act.

(2) Announcement of selection results

When the State has selected the Airport Operating Business as a Selected Project under Article 2, paragraph (4) of the PFI Act, this selection result, together with the details of the evaluation, shall be promptly announced on the website of the Civil Aviation Bureau of the MLIT or by other means.

If the State has decided not to select the business as a Selected Project based on the results of the objective evaluation, this result shall also be announced in the same manner as mentioned above.

Part 3. Invitation and selection of a private business operator

1. Basic idea of the invitation and the selection of a private business operator

If the State has selected the Airport Operating Business as a Qualified Project, it shall invite private business operators which desire to participate in the Project by publishing the Application Guidelines etc. and select a Preferred Negotiation Right Holder, whilst ensuring the transparency and fairness of the PFI project. The selection of the Preferred Negotiation Right Holder for the Project shall be made by a publicly-tendered proposal method which is a type of competitive negotiated agreement.

2. Procedures and methods for selecting a Preferred Negotiation Right Holder

The State shall select a Preferred Negotiation Right Holder by the below procedure. Please refer to Part 9.2 for the schedule in the future. The schedule after the publication of the Application Guidelines etc. will be updated in the Application Guidelines etc.

(1) 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”) (such 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 shall establish a screening committee 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 and shall hear the opinions of the Screening Committee about the Selection Criteria for the Preferred Negotiation Right Holder, the details of these evaluations and other related matters.

The members of the Screening Committee shall be disclosed at the time of publication of the Application Guidelines etc.¹⁵ and the meetings of the Screening Committee shall not be available to the public.

(2) Publication of the Application Guidelines etc. and holding an explanatory meeting

The State will publish the Application Guidelines etc. for the Project on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

Please note that a meeting will be planned to explain the Application Guidelines etc.

¹⁵ The plan is to appoint several members for the Screening Committee, including one representative from the State and one from Kagawa Prefecture.

(3) 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.

(ii) Publication of answers

The State will publish the questions concerning the matters stated in the Application Guidelines etc. and the answers to these questions on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

(4) 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.

(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 3.3 (2) through to (3) 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.

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

The concrete Selection Criteria for the Preferred Negotiation Right Holder will be presented when the Application Guidelines etc. are published.

(iii) Notice of First Screening results

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

(5) 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.

(6) 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 one or more Second Screening Participants have not submitted the Second Screening Documents, the State shall rescind selection of the Qualified Project.

(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.

The specific Selection Criteria for the Preferred Negotiation Right Holder will be presented when the Application Guidelines etc. are published.

(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 shall notify the Second Screening Participants of the Second Screening results.

(7) 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 on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

(8) Execution of the Basic Agreement

The Preferred Negotiation Right Holder shall promptly enter into 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 Screening Participant in the second place (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.

(9) Incorporation of a 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 a SPC.

Please note that if the Preferred Negotiation Right Holder desires to hold the shares of the SPC indirectly, 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 dialogue.

(10) 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 facility operator cooperate, conduct on-site examinations in order to prepare for operation.

(11) Grant of the Operating Right and execution of the Project Agreement

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

(12) 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 2.1(7)B and commence the Building Facilities Business.

(13) 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 Ordinance 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 on the day designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

The Goods Transfer Agreement shall include as its subjects the Assets for Transfer to the Operating Right Holder owned by the parking facility operator. The State shall acquire these assets from the parking facility operator on the Airport Operating Business Commencement Date and transfer them to the Operating Right Holder.

(14) 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.

(15) 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 such Proposal Documents. The State may use the Proposal Documents, 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 as may be necessary.

(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 proposal details asked during the presentations and the answers to them shall be treated in the same manner.

(16) 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.

3. Participation requirements for applicants

(1) 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 2.1(10).
- (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 specify a company from the Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”), and 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(2)). If the applicant desires to indirectly hold the shares of the SPC, the applicant shall follow the procedure stated in Part 3.2(9).
 - (v) After submission of the First Screening Documents, no change shall be made to the Applying Company, the Representative Company, or the Consortium Members, unless circumstances arise where changes to the Consortium Members are unavoidable and the State permits these changes after considering the circumstances and consulting the Consortium Members. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in Part 3.3(2) through to (3), or a person controlling the Applying Company or the Consortium Members has changed, or 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 submitting 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.
- (2) Common participation requirements for the Applying Company and the Consortium Members
- (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting¹⁶
 - (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 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

¹⁶ 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 (2) under its applicable laws and regulations.

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 Ernst & Young ShinNihon LLC (or any of the cooperating offices, namely, Anderson Mori & Tomotsune, Kansai Law & Patent Office, Ernst & Young Tax Co. and GYROS Corporation) to which the State has entrusted the research entrustment services concerning the entrustment of operation of the Takamatsu Airport in the 2015 fiscal year, nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs¹⁷
- (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(1); 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 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 affairs; however, this shall not apply to a stock company listed in a Financial Instruments Exchange stipulated in Article 2,

¹⁷ “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.

paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)¹⁸

- (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) Neither an operator of air transport services as defined in Article 2, paragraph (18) of the Civil Aeronautics Act nor its parent company nor their subsidiaries (hereinafter collectively referred to as the “Air Carriers”) nor affiliates (including their subsidiaries) of the Air Carriers¹⁹
- (3) Requirements for the Applying Company or the Representative Company
- A) Requirements on business experience
 - 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 (iv). The business experience is not limited to those in Japan.
 - (i) In and after 2006, having experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
 - (ii) In and after 2006, having experience in conducting the passenger facility or passenger carrier business, the cargo handling facility or cargo carrier business, or the travel business
 - (iii) In and after 2006, having experience in the commercial real property administrating business
 - (iv) Having experience in a Public Facilities etc. Operation Project²⁰

¹⁸ 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.

¹⁹ “Parent company” has the same meaning as in Article 2, item (iv) of the Companies Act.

“Subsidiary” has the same meaning as in Article 2, item (iii) of the Companies Act.

“Affiliate” has the same meaning as in Article 2, paragraph (3), item (20) of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No. 12 of 2006).

²⁰ “Public Facilities etc. Operation Project” has the same meaning as in Article 2, paragraph (6) of the PFI Act.

Part 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 the following 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 shall be set out in the Project Agreement (draft), the Required Standards Document (draft), Referential Materials, etc.

The Operating Right Holder shall assume all responsibilities in relation to the implementation of the Project, unless otherwise set out in the Project Agreement etc. The scope of the Project is as stated in Part 2.1(10) and the Operating Right Holder shall not be released from any responsibility on the grounds that the responsibility is not stated below.

(i) 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.

(ii) 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.

(iii) Construction work scheduled to be conducted by the State after commencement of the

Airport Operating Business

The State is planning to conduct construction work on the runway end safety area (hereinafter referred to as the “RESA”) as the RESA needs to be extended as required by the amendment in April 2013 to “Standards for Construction of Airport Civil Works Facilities”. The Operating Right Holder shall assume no obligation to fulfill the required standards with respect to the maintenance and administration of the RESA until the extension work is completed.²¹

All work shall be conducted by the State²² and the Operating Right Holder shall offer utmost cooperation to the State for ensuring that the State smoothly conducts the work. Any facilities and Airport Site added by the work shall be included in the Facilities Subject to Operating Rights and the Operating Right Holder shall be responsible for the operation and administration of them.

(iv) Construction work and system reinforcement possibly to be conducted by the Operating Right Holder due to strengthening the security checks

The security checks of restricted areas of airports have been being strengthened since the 2013 fiscal year, and it is necessary to strengthen the security checks of the restricted areas of the Airport, including new deployment of security guards in the restricted areas, construction of a security guard office and installation of security check devices.

Therefore, the Operating Right Holder may be required to conduct the construction work and take necessary measures including deployment of security guards.

(v) Monitoring safety management implemented by the Operating Right Holder

The State has introduced the State's Civil Aviation Safety Programme (SSP) in the 2014 fiscal year in accordance with Annex 19 of the Convention on International Civil Aviation. The Operating Right Holder shall establish a safety index and safety targets as a part of activities through the safety control system under the airport security control regulations (safety part) and report them to the State, and monitor safety risks on a continuous basis.

(vi) Airport Site not owned by the State according to the registry

According to the registry, ownership of some of the land that constitutes the Airport Site is under names other than the State. The State is carrying out procedures to clarify or obtain the title to this land. If such procedures have not been completed by the Operating

²¹ The Operating Right Holder is required to maintain and administer the existing RESA until the extension work is completed.

²² In this case, the State and the relevant local governments shall bear the cost in accordance with the Airport Act.

Right Establishment Date, the State shall continue to carry out the procedures.

(vii) Collaboration with the relevant local governments

The relevant local governments have been actively engaged in the operation of the Airport through many activities such as inviting Air Carriers in order to promote the industry and tourism in the region and otherwise revitalize the region. Considering the purpose of the Project, which is the implementation of the integral and flexible management of the Airport by utilizing the money and management skills of the private sector, and from the viewpoint that the relevant local governments continues such efforts in collaboration with the Operating Right Holder while ensuring the flexible management of the Airport by the Operating Right Holder, the relevant local governments are going to work, even after the commencement of the Airport Operating Business, in collaboration with the Operating Right Holder in the operation of the Project as follows:

A) Acquisition by the relevant local governments of 10% or less of the Voting Shares (meaning the Voting Shares set out in Part 4.4(2)) in total; and

B) Dispatch of one part-time director and one full-time employee (it is expected that these persons will be “persons who have extensive experience with respect to airport and tourism related measures”.)

After the selection of the Preferred Negotiation Right Holder, detailed terms and methods shall be determined upon consultation between the relevant local governments and the Preferred Negotiation Right Holder at the stage of preparation for incorporation of the SPC.

2. Basic idea of allocation of risks

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. The exceptions where the State shall bear risks are listed below. The concrete allocation of each risk shall be based on the following and the details shall be set out in the Project Agreement (draft).

- (1) Force Majeure

- Upon the occurrence of an event such as an earthquake or tsunami which is not attributable to the State or the Operating Right Holder and falls under certain conditions set out in the Project Agreement, such as having a direct and adverse effect on the implementation of the Project (hereinafter referred to as the “Force Majeure”), the State shall take measures including the restoration of the Facilities Subject to Operating Rights (hereinafter referred to as the “Business Continuity Measures”) if the insurance purchased by the Operating Right Holder is not enough to cover the damage caused to the Airport Operating Business. If the State takes Business Continuity Measures, the Operating Right Holder shall take necessary measures to allow the State to receive appropriate insurance money etc. under the insurance purchased by the Operating Right Holder for the Facilities Subject to Operating Rights.
 - The Operating Right Holder shall purchase insurance for the Airport Operating Business Period with coverage equal to or more than the amount set by the State in the Project Agreement.²³ The Operating Right Holder may undertake alternative measures instead of purchasing insurance, if approved by the State.
 - If the Operating Right Holder is unable to carry out the Project in whole or in part due to the Force Majeure, the State may extend the Airport Operating Business Period or temporarily release the Operating Right Holder from obligations under the Project Agreement, or both.
- (2) Liability for latent defects
- If any physical latent defects are found in the Facilities Subject to Operating Rights within one year from the Airport Operating Business Commencement Date, the State shall indemnify the Operating Right Holder from the loss arising from the defects up to the amount of consideration for the grant of the Operating Right (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).
- (3) Particular Change of Acts
- If any of the particular events set out in the Project Agreement, such as changes of laws, regulations or policies that apply only to the Project and have adverse effects for the Operating Right Holder (hereinafter referred to as the “Particular Change of Acts”)

²³ In principle, the amount insured shall be set based on the estimated maximum amount of damage of the assets of the Airport subject to the Operating Right. The State currently plans to require the purchase of civil engineering completed risks insurance (with optional coverage for earthquake damage) with 1 billion yen coverage. If the premium rate of this insurance has fluctuated significantly in ordinary insurance markets, the Operating Right Holder may, with consent of the State, change the insurance coverage.

arise during the Project Period, and the Operating Right Holder subsequently incurs a loss, the State shall indemnify the Operating Right Holder for this loss due to the Particular Change of Acts (including where the Airport Operating Business Period is extended for indemnifying the loss incurred)²⁴.

(4) Emergency events

- If any of the particular events set out in the Project Agreement, such as an event that may threaten the safe operation of the Airport by the Operating Right Holder, arise during the Airport Operating Business Period, and there is an unavoidable necessity in terms of public interest arising from another public use of the Airport or any other reason, the State may suspend the exercise of the Operating Right and use the facilities pertaining to the Project, in accordance with Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii) thereof). In this case, the Operating Right Holder shall cooperate with the businesses carried out by the State at the Airport.
- If the State suspends the exercise of the Operating Right based on Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii)), the Operating Right Holder shall be indemnified for the loss incurred by the Operating Right Holder in accordance with Article 30, paragraph (1) of the PFI Act.

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 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

²⁴ Designation of the Airport as a Specified Aerodrome under the Noise Prevention Act by a Cabinet Order shall not fall under the Particular Change of Acts.

procedures

(1) 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.

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

The shares which the Operating Right Holder may issue are limited to common shares with voting rights to vote on all items for resolution at the shareholders meeting of the Operating Right Holder (hereinafter referred to as 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”) as listed below. 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 as listed below.

a) Non-Voting Shares

Any person who holds Non-Voting Shares may make a Disposition of the Non-Voting Shares held by themselves at their own discretion at any time. Furthermore, the Operating Right Holder may issue and allocate new Non-Voting Shares at its own discretion as long as it is in compliance with the Companies Act.

b) Voting Shares

Prior approval shall be obtained from the State if a person who holds the Voting Shares (hereinafter referred to as the “Voting Shareholder”) intends to make a Disposition of the Voting Shares held by themselves to any third party other than: (i) another Voting Shareholder; or (ii) any person to whom the Disposition is permitted in advance under the agreements etc. entered into with the State (assuming the person is a financial institution etc. which provides finance etc. for the Operating Right Holder). If a person who indirectly holds the shares or equity interest of a Voting Shareholder through a subsidiary etc., as proposed by the Preferred Negotiation Right Holder makes a Disposition of the shares or equity interest of the subsidiary etc., the scope of the restrictions on the Disposition shall be adjusted accordingly.

Furthermore, if the Operating Right Holder issues new Voting Shares to a person other than the Voting Shareholder, it shall obtain approval of the State in advance.

If the State determines that the transferee of the Voting Shares satisfies certain requirements set out in the Basic Agreement or the Shareholder’s Covenant Document and the Disposition of the Voting Shares would not interfere with the continuation of the implementation of businesses by the Operating Right Holder, it shall approve the Disposition upon consultation with relative administrative agencies.

The transferee of the Voting Shares shall submit the Shareholder’s Covenant Document to the State.

Notwithstanding the foregoing, the Operating Right Holder shall not have the relevant local governments hold more than 10 % of the Voting Shares in total. If the Operating Right Holder finds that a situation in which this requirement is not fulfilled arises due to transfer of the Voting Shares or any other reason, the Operating Right Holder

shall promptly notify the State thereof and remedy such situation by changing the ownership structure of the Voting Shares or other means.

Part 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) and (ix) are referred to as the “Non-Operating Right Facilities” and the other facilities are referred to as the “Facilities Subject to Operating Rights”.

- (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.²⁵)
- (iv) Cargo Building Facilities (air cargo handling facilities etc.²⁶)
- (v) Roads (excluding the Kagawa prefectural road Route 45 Takamatsu Airport Route that passes through the underground of the Airport Site)
- (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 facilities subject to the Project

- (1) 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: Takamatsu City, Kagawa Prefecture

Area subject to the Project: approximately 1,500,000 m²

- (2) Lease of the Airport Site etc.

All of the Airport Site etc. is the national property stipulated in Article 2 of the National Property Act and categorized into the administrative assets stipulated in Article 3, paragraph

²⁵ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Passenger Building Facilities.

²⁶ As of the date of publication of the Implementation Policy, there is no CIQ Facilities in the Cargo Building Facilities.

(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 Airport Operating Business, the State shall allow the Operating Right Holder to use the Airport Site etc. during the Airport Operating Business Period under the terms and conditions set out in the National Property Free Lease Agreement.

With respect to the permission granted to the Building Facility Operator to use the sites of the Building Facilities, the State shall ensure the permission continues during the period from the Building Facility Business Commencement Date until the day preceding the Airport Operating Business Scheduled Commencement Date.

(3) Businesses to be carried out outside of the Airport Site

The Operating Right Holder is required to carry out the businesses listed in Part 2.1(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 2.1(10)E outside of the Airport Site unless otherwise approved by the State upon prior consultation with the State.

The details shall be set out in the Project Agreement (draft).

Part 6. Matters concerning the matters to be set out in the Project Agreement and the actions in case of any doubt arising from interpretation of the Project Agreement

1. Matters to be set out in the Project Agreement

The main matters to be set out in the Project Agreement shall be as follows:

- (i) Succession and preparation of the Building Facilities Business
- (ii) Permission to use the building facilities sites
- (iii) Implementation of the Building Facilities Business
- (iv) Succession etc. of the Airport Operating Business and other preparations
- (v) Establishment of right to use the Airport Site etc.
- (vi) Right to Operate Public Facility etc.
- (vii) Airport Operating Business
- (viii) Other terms for implementing the business
- (ix) Plans and reports
- (x) Replacement investment etc.
- (xi) To set and receive usage fee
- (xii) Allocation of risks
- (xiii) Assurance of appropriate business operation
- (xiv) Subsidiaries etc.
- (xv) Covenants
- (xvi) Term of the Agreement and measures to be assumed at maturity
- (xvii) Termination or expiration of the Agreement and measures to be assumed accompanying termination or expiration
- (xviii) Intellectual Property Rights

2. Actions in case of any doubt arising from interpretation of the Project Agreement

Any matter not set out in the Project Agreement and any doubts arising in connection with the interpretation of the Project Agreement shall be solved each time through mutual consultation between the State and the Operating Right Holder in good faith.

The method of consultation and other related matters shall be set out in the Project Agreement.

3. Designation of the competent court

With respect to any and all disputes arising in relation to the Project Agreement, it shall be agreed that the Tokyo District Court shall be the competent court of first instance

having exclusive jurisdiction.

Part 7. 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 2.1(7)D(b). The responsibility for specific damage etc. arising from each event that triggers termination of the Project Agreement shall be allocated based on the following and the details of the allocation shall be set out in the Project Agreement (draft).

- (1) Cancellation or termination for reasons attributable to the State
 - A) Reasons for cancellation or termination
 - The State may cancel the Project Agreement with six-months' notice to the Operating Right Holder.
 - The Operating Right Holder may cancel the Project Agreement if the State fails to perform any material obligation under the Project Agreement for a specified period or its performance of the Project Agreement becomes impossible for any reason attributable to the State.
 - The Project Agreement shall terminate if the State no longer holds ownership of the Airport.
 - B) Effects of cancellation or termination
 - If the Project Agreement terminates as the State no longer holds ownership of the Airport, the Operating Right shall be automatically extinguished. In the other cases, the State shall revoke the Operating Right.
 - The State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
 - If the amount of damage incurred by the Operating Right Holder arising from the cause of cancellation or termination of the Project Agreement exceeds the amount set out in the above item, the State shall compensate the Operating Right Holder for the excess amount. If there is any damage caused by any reason attributable to the Operating Right Holder, the amount of the damage

shall be deducted from the amount to be paid by the State.

(2) Cancellation for reasons attributable to the Operating Right Holder

A) Reasons for cancellation

- If any of the certain events set out in the Project Agreement occurs, such as the Operating Right Holder breaches an obligation under the Project Agreement, the State may cancel the Project Agreement either with or without demand to correct the breach, depending on the event.

B) Effects of cancellation

- The State shall revoke the Operating Right.
- The Operating Right Holder shall pay to the State the penalty set out in the Project Agreement (if the amount of the damage incurred by the State arising from the cause of cancellation of the Project Agreement exceeds the penalty, the amount of the damage). The Operating Right Holder's Subsidiary etc. and the Operating Right Holder shall be jointly and severally liable for the payment.

(3) Cancellation or termination for Force Majeure

A) Reasons for cancellation or termination

- If the Airport is lost due to Force Majeure, the Project Agreement shall automatically terminate.
- If the State implements the Business Continuity Measures due to Force Majeure, but the recovery schedule of the Project is unable to be set or it becomes apparent that it is impossible or extremely difficult to resume the Project in accordance with the recovery schedule, the State shall cancel the Project Agreement.

B) Effects of cancellation or termination

- If the Airport is lost due to Force Majeure, the Operating Right shall be automatically extinguished and the State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
- If the Project Agreement is cancelled due to Force Majeure, the Operating Right Holder shall, in accordance with selection of the State, abandon the

Operating Right or transfer the Operating Right to a third party designated by the State without charge. Any damage incurred by the State and the Operating Right Holder due to the Force Majeure shall be borne by both parties respectively and neither of them shall be liable for the damage of the other party.

(4) Cancellation due to the Particular Change of Acts

A) Reasons for cancellation

- If the Operating Right Holder becomes unable to continue the Project due to the Particular Change of Acts, the State or the Operating Right Holder may cancel the Project Agreement.

B) Effects of cancellation

- The State shall revoke the Operating Right.
- The State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
- If the amount of the damage incurred by the Operating Right Holder due to the cause of cancellation or termination of the Project Agreement exceeds the amount set out in the above item, the State shall compensate the Operating Right Holder for the excess amount. If there is any damage caused by any reason attributable to the Operating Right Holder, the amount of the damage shall be deducted from the amount to be paid by the State.

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.

Part 8. Matters concerning legislative and taxation measures as well as fiscal and financial support

1. Matters concerning legislative and taxation measures

If any legislative or taxation measures become applicable to the Operating Right Holder in implementing the Project due to revisions of laws, regulations, etc., these measures shall apply to the Operating Right Holder.

At present, the State is not expecting any of these measures etc. in relation to the Project. If they become applicable by revision of legislation or taxation in the future, the State shall consider their application.

2. Matters concerning fiscal and financial supports

If any fiscal or financial support may be available for the Operating Right Holder in implementing the Project, the State shall make an effort to ensure that the Operating Right Holder receives this support.

3. Matters concerning other measures and support

The State shall offer its cooperation, as necessary, for the Operating Right Holder in obtaining permission, approval, etc. required for implementing the Project. If other support is likely to become available to the Operating Right Holder due to revisions of laws and regulations or other reasons, the State and the Operating Right Holder shall consult about this support.

Part 9. Other matters necessary for the implementation of the Project

1. Matters concerning the Project

- (1) Language to be used for carrying out the Project
The language to be used for carrying out the Project shall be Japanese.
- (2) Costs of preparation etc. of the Proposal Documents
The applicants shall be liable for the costs incurred for the preparation, submission, etc. of the Proposal Documents.
- (3) Holding the explanatory meeting on the Implementation Policy
The State plans to hold the explanatory meeting on the Implementation Policy as follows:
 - Date: 14:30- on July 14, 2016
 - Place: Common Meeting Room A,
10th Floor, Central Government Building No. 3
1-3, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo
 - Application: If you desire to participate in the explanatory meeting, please send the application form (Form-1) by the application deadline to the Unit in Charge by email, and submit the original application form at the explanatory meeting place. No applications will be accepted at the explanatory meeting place.
 - Contact: Unit in Charge
 - Application
Deadline: No later than 15:00, July 13, 2016
 - Notes: Participants in the explanatory meeting shall bring the Implementation Policy.
Participants shall refrain from taking photographs or recording by video camera.
- (4) Receipt of opinions on the Implementation Policy
 - (i) Receiving period
 - From: 17:00 on July 14, 2016
 - Until: No later than 15:00 on July 29, 2016

(ii) Submission methods

Opinions concerning the Implementation Policy shall be briefly stated in the opinion form (Form-2) and the form shall be sent by email.

If the opinions contain 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 opinions are disclosed, the submitter shall make a statement to that effect.

The opinion 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. The opinion form shall be submitted to the Unit in Charge.

The submission by any method other than email shall not be accepted.

(5) Hearing concerning opinions

If the State determines that it is necessary to confirm etc. the main point and other matters concerning any opinion on the Implementation Policy, the State may directly hear the person who submitted the opinion.

(6) Changes to the Implementation Policy

Based on the opinions etc. on the Implementation Policy, the State may review and amend the Implementation Policy, as necessary, prior to the selection of a Qualified Project stipulated in Article 7 of the PFI Act.

If the State has amended the Implementation Policy, it shall promptly publish such amendment on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

2. Schedule (tentative)

The approximate schedule after the publication of the Implementation Policy until the Airport Operating Business Commencement Date is as follows:

Schedule (tentative)	Actions
Around September, 2016	➤ Selection and announcement of a Qualified Project
Around September, 2016	➤ Publication of Application Guidelines etc.
Around September, 2016	➤ Explanatory meeting on Application Guidelines etc.
Around September-October, 2016	➤ Period for receiving questions on Application Guidelines etc.
Around November, 2016	➤ Publication of answers to the questions on Application Guidelines etc.
Around December, 2016	➤ Deadline for submission of First Screening Documents
Around January, 2017	➤ Notification of result of First Screening
Around February - May, 2017	➤ Period for holding competitive dialogue
Around June, 2017	➤ Deadline for submission of Second Screening Documents
Around August, 2017	➤ Selection of Preferred Negotiation Right Holder
Around August, 2017	➤ Execution of Basic Agreement
Around October, 2017	➤ Operating Right Establishment Date
Around October, 2017	➤ Execution of Project Agreement
Around December, 2017	➤ Building Facility Business Commencement Date
Around March, 2018	➤ Execution of Goods Transfer Agreement
Around April, 2018	➤ Airport Operating Business Commencement Date

3. 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/>)

Form 1 Application to participate in the explanatory meeting on the Implementation Policy

[] [], 2016

Application to participate in the explanatory meeting on
the Implementation Policy on the Qualified Project Etc. for Takamatsu Airport Operation

To: Director-General, Civil Aviation Bureau, Ministry of Land, Infrastructure, Transport and Tourism

Trade Name or Name : _____

Address : _____

I apply to participate in the explanatory meeting on the “Implementation Policy on the Qualified Project Etc. for Takamatsu Airport Operation” published on July 8, 2016.

■Contact Information

Department		
Name of Contact Person		
Contact Information	Tel	
	Fax	
	Email	

■Participants

Name and Department (1)	[Name], [Section], [Department]
Name and Department (2)	[Name], [Section], [Department]
Name and Department (3)	[Name], [Section], [Department]

- (a) The number of participants may be limited due to the capacity of the meeting room.
(b) Please bring the Implementation Policy to the meeting.

Form 2 Opinions on the Implementation Policy

[] [], 2016

Opinions on the Implementation Policy on the Qualified Project Etc. for Takamatsu Airport Operation

I submit the opinions on the “Implementation Policy on the Qualified Project Etc. for Takamatsu Airport Operation” published on July 8, 2016, as follows:

Trade Name or Name		
Address		
Department		
Name of Submitter		
Contact Information	Tel	
	Fax	
	Email	

No	Title	Applicable part				Contents of opinion
		Page	Paragraph			
Example	Regarding xxx	1	1	(1)	A)-a)-(i)	Regarding ○○, I would like to propose to change it to □□, because △△.
1						
2						
3						
4						

- *1: Please describe your opinions briefly and specifically.
- *2: When you fill in this form, please use one-byte characters for numbers and symbols.
- *3: If you need more lines, please add as needed.
- *4: Please fill in your opinions in the order of applicable parts for reference material.
- *5: Do not change the format except for the line heights.

Please fill in the Microsoft Excel file to be provided separately.

**Exhibit 1 Allocation of activities between the State and the Operating Right Holder
at Takamatsu Airport (Draft)**

No.	Responsible duties (pursuant to the rules of organization of the Regional Civil Aviation Bureau)	Department currently in charge at Takamatsu Airport Office	Allocation during the Project Period		Reference
			State	Operating Right Holder	
1	Appointment and dismissal of staff, salary, disciplinary actions, service regulations, other personnel matters, education and training	General Administration Section	○		
2	To receive, dispatch, edit and preserve official documents		○		
3	To screen and forward official documents		○		
4	General adjustment of the responsible duties of an airport office		○		
5	Sanitation, medical care and other welfare and benefits of the staff		○		
6	Lodgings to be leased to the staff		○		
7	Permission to practice flying the aircraft		○		
8	Supervision of establishment and administration of the Airport etc. (excluding duties allocated to the Air Traffic Engineer (No. 43), Facility Operation Administration Officer (No. 16), and Aeronautical Lights and Electrical Engineer (No. 21))		△	△	Operating Right Holder shall prepare and maintain the Airport Service Regulations and the Airport Security Control Regulations.
9	Services of the Airport etc. (excluding duties allocated to the Air Traffic Services Flight Information Officer (Nos. 33, 34), Facility Operation Administration Officer (Nos. 17-19), and Aeronautical Lights and Electrical Engineer (Nos. 20, 22, 23))		△	△	Operating Right Holder shall select the business operators in the Airport and grant permission for establishing facilities.
10	Maintenance of order inside the Airport etc.			○	
11	Aircraft accidents at or nearby the Airport etc., other accidents at the Airport etc. and disasters at the Airport etc. (excluding duties allocated to the Air Traffic Services Flight Information Officer (No. 26))			○	
12	Among the duties relating to risk management concerning aviation at the Airport etc., those that relate to prevention of hijack and destruction of aircraft and other crimes concerning aviation			○	
13	The State's accounting		○		
14	Administration of national property and goods		△	△	Operating Right Holder shall maintain and administrate the Facilities Subject to Operating Rights (provided that the State shall update the national property registry as its owner).
15	In addition to each of the foregoing, other duties of an airport office that are not allocated elsewhere		○		
16	Inspection of facilities of the Airport etc. pursuant to the provisions of the Civil Aeronautics Act	○			
17	Construction and maintenance of civil engineering facilities	△	△	The State shall be responsible for broad-based airport management, the government buildings and radio facilities, etc., and the Operating Right Holder shall be responsible for other operations (including removing snow).	
18	Construction and maintenance of construction facilities	△	△		
19	Construction for machine facilities to be used for performing responsible duties of the airport office and maintenance of machine facilities and vehicles	△	△	The State shall be responsible for air traffic control services and broad-based airport management.	
20	Construction works, operation and maintenance of aeronautical lights and other electricity facilities (excluding aeronautical radio navigation facility (No. 42), aeronautical communication facility (No. 44), radars (No. 46), and air traffic information system facility (No. 28))	△	△		

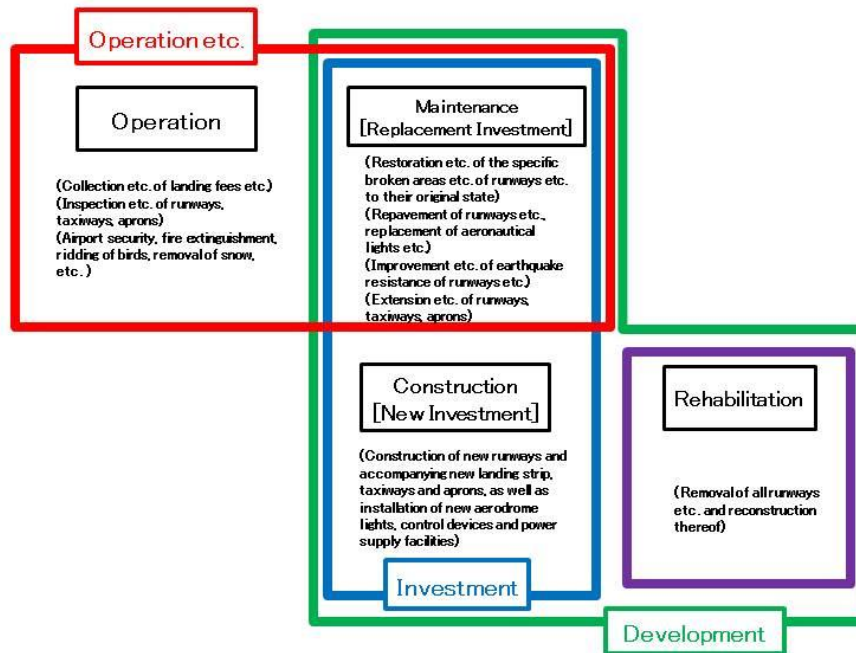
	and air traffic navigational information processing system (No. 47))					
21	Supervision of the establishment and administration of aeronautical lights		○			
22	Restriction of similar lights		○			
23	Obstacle marking facilities		○			
24	Supervision of the operation of aircraft (excluding duties allocated to the Air Traffic Controller)	Air Traffic Services Flight Information Officer	○			
25	Method of navigation of aircraft		○			
26	Search and rescue of aircraft that have disappeared (excluding rescue activities at Airports etc. and surrounding areas)		○			
27	Aeronautical information		○			
28	Conduct aeronautical communication by the air traffic information system, and construction and maintenance of the air traffic information system facility		○			
29	Support investigations conducted by the Japan Transport Safety Board pursuant to Article 5, item (i) and item (ii) of the Act for Establishment of the Japan Transport Safety Board		○			
30	Aerodrome aeronautical information to be provided by phone		○			
31	Conduct aeronautical communication by phone (excluding duties allocated to sub-branches at the Airport)		○			
32	Airway aviation information to be provided by phone (only when delegated from the air traffic control manager to the head of airport office)		○			
33	Operation of landing strip, taxiways, apron and ramp			○		
34	Safety of Airport etc. (excluding maintenance of civil engineering facility (No. 17), construction facility (No. 18) and electricity facility (No. 20))			○	Includes measures to counter birds and animals and removing aircraft that are not able to fly	
35	Aerodrome air traffic services		Air Traffic Controller	○		
36	Permission pursuant to the proviso to Article 95 of the Civil Aeronautics Act			○		
37	Communication between the facility that conducts airway air traffic services and aircraft concerning air traffic control and reporting of position of aircraft (only when requested by the facility that conducts airway air traffic services or the aircraft)	○				
38	Permission pursuant to the proviso to Article 94 and the proviso to Article 94-2, paragraph (1) of the Civil Aeronautics Act (only when delegated from the air traffic control manager to the head of the airport office)	○				
39	Approval pursuant to the provisions of Article 97, paragraph (1) of the Civil Aeronautics Act (only when delegated from the air traffic control manager to the head of the airport office)	○				
40	Notice of arrival of the aircraft to which approval was granted pursuant to the provisions of Article 97, paragraph (1) of the Civil Aeronautics Act (only when delegated from the air traffic control manager to the head of the airport office)	○				
41	Reporting the position of aircraft (only when delegated from the air traffic control manager to the head of the airport office)	○				
42	Construction, operation and maintenance of the aeronautical radio navigation facility	Air Traffic Engineer		○		
43	Supervision of establishment and administration of the aeronautical radio navigation facility		○			
44	Construction and maintenance of the domestic aeronautical communication facility		○			
45	Monitoring the operating status of facilities to be used for air traffic control		○			

46	Construction and maintenance of radars		○		
47	Construction and maintenance of the air traffic navigation information processing system facility		○		
48	With respect to responsible duties of the airport office, to organize administrative matters concerning planning and drafting, and making adjustments on important matters that require a broad approach as well as other important matters	Broad-based Airport Administration Office	○		

○: Responsible duty

△: To be partially allocated between the State and the Operating Right Holder

Exhibit 2 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 a Public Facility 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 3 Treatment under the Corporation Tax Act of replacement investment to be implemented in accordance with a project agreement to implement Right to Operate Public Facility etc. under the Private Utilizing Airport Operation Act

See the website of the National Tax Agency at:

<http://www.nta.go.jp/shiraberu/zeiho-kaishaku/bunshokaito/hojin/141118/index.htm>