

(TRANSLATION)(for Reference Only)

**Application Guidelines on
the Qualified Project Etc. for Fukuoka 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.

May 16, 2017

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

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1. Introduction

The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (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 Fukuoka Airport Operation (hereinafter referred to as the “Project”) at the Fukuoka 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 Fukuoka Airport Operation Agreement to Implement Right to Operate Public Facility Etc. (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

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

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

2. Matters concerning the details of the Project

(1) Officer in charge of contracts

Yoshinobu SATO, Director-General, Civil Aviation Bureau, MLIT

(2) Unit in Charge

Airport Governance Reform Unit, Planning Division,
Aviation Network Department, Civil Aviation Bureau, MLIT
(hereinafter referred to as the “Unit in Charge”)
Address: 1-3, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo
Tel: 03-5253-8714
Email: koku-nekika@mlit.go.jp

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

- (i) KPMG AZSA LLC
- (ii) KPMG Tax Corporation
- (iii) KPMG FAS Co. Ltd.
- (iv) Baker & McKenzie (Gaikokuho Joint Enterprise)
- (v) GYROS Corporation
- (vi) Donnelley Financial Solutions Japan

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

Attention: Fukuoka Airport Secretariat, Public Sector, KPMG AZSA LLC
Address: Otemachi Financial City South Tower 20F, 1-9-7 Otemachi, Chiyoda-ku,
Tokyo
Tel: 03-3548-5801
Email: fukuoka-airport@jp.kpmg.com

(3) Background and purposes of the Project

The Airport has 26 domestic routes and 18 international routes, and the number of the passengers using the Airport in 2015 reached 21.37 million in total, composed of 16.72 million in domestic flights and 4.65 million in international flights, with cargo of 249,427 tons having been handled. The Airport has the potential to contribute to the general regional

development of western Japan beyond Fukuoka and across the Kyushu region, to be an important airport for Japan's aviation network with convenient access from an urban central area, and to be one of the Japan's most popular hubs for inbound passengers as one of Asia's hub airport. Also of note is that the surrounding areas of the Airport are urbanized, and as such, the Airport needs to be operated with due care for the impact of aircraft noise for nearby residents.

At present, there is concern that the Airport is not managed in a fully integrated, strategic and efficient manner. This is because the following facilities are operated by separate entities: (i) the basic airport facilities, etc., which are owned by the State (Note: The State does not have ownership of the Airport Site (Non-National Land) as described in Part 5.(2) B) (hereinafter referred to as the "Airport Site (Non-National Land)"), (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. To fulfill the potential of the Airport, it is necessary to enhance user convenience by strategic invitation of flight routes and streamlining, as well as to continuously consider the surrounding environment.

Therefore, in order for the Airport to measure up to its full potential and lead in to regional promotion and development, the State has decided to implement the Project to entrust the Operating Right Holder with implementing the Airport Operating Business while securing the safety of air transport and the public nature of the Airport and with integrating the operation of the above-mentioned facilities in the Airport in order to realize a fully cohesive and flexible manner of management of the airport as a whole by utilizing the private sector's access to private financing and management abilities. The Project is aimed at facilitating the revitalization of the Airport and the surrounding areas, thereby activating regional development through expanding the proportion of the population who are engaging in domestic and international interactions and through other favorable measures.

(4) Application Guidelines etc.

The Application Guidelines and documents attached to the Application Guidelines are composed of the documents listed in (i) through to (x) below (together with supplementary materials (as stipulated in Part 3. (2) J); the same shall apply hereinafter)) as well as answers to questions to be published on the website of the Civil Aviation Bureau of the MLIT or by other appropriate means and other documents to be issued by the State in relation to those

documents, hereinafter collectively referred to as the “Application Guidelines etc.”, and if any amendments have been made, the documents reflecting the amendments shall prevail. The documents listed in (i) through to (ix) are conditions precedent for preparing documents to be submitted for the first screening (hereinafter referred to as the “First Screening Documents”) and those for the second screening (hereinafter referred to as the “Second Screening Documents”) as well as other documents to be submitted for any screenings in relation to the implementation of the Project (hereinafter collectively 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 reference 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 Fukuoka Airport Operation (hereinafter referred to as the “Application Guidelines”)
- (ii) Qualified Project Etc. for Fukuoka 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 Fukuoka Airport Operation Basic Agreement (draft) (hereinafter referred to as the “Basic Agreement (draft)”)
- (iv) National Property etc. Free Lease Agreement with respect to the Qualified Project Etc. for Fukuoka Airport Operation (draft) (hereinafter referred to as the “National Property etc. Free Lease Agreement (draft)”)
- (v) Goods Transfer Agreement with respect to the Qualified Project Etc. for Fukuoka Airport Operation (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
- (vi) Required Standards Document for the Qualified Project Etc. for Fukuoka 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 Fukuoka Airport Operation (hereinafter referred to as the “Selection Criteria for the Preferred Negotiation Right Holder”)
- (ix) Forms for the Qualified Project Etc. for Fukuoka Airport Operation and directions to complete the forms (hereinafter referred to as the “Forms and Directions”)
- (x) Compilation of reference materials

Please note that if there is any discrepancy between the Application Guidelines etc. and the Implementation Policy on the Qualified Project Etc. for Fukuoka Airport Operation (published on July 8, 2016; hereinafter referred to as the “Implementation Policy”), the details specified in the Application Guidelines etc. shall prevail. However, any matter not stated in the Application Guidelines etc. shall be governed by the Implementation Policy.

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

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

(6) Project period

A) The period of the Project

The period of the Project 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 30th 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.(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 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.(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.

The Airport Operating Business Period will not be extended unless an Agreed Extension is established.

C) The duration of the Operating Right

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

The duration of the Operating Right shall not be beyond the day preceding the 35th anniversary of the Operating Right Establishment Date, including where the Airport Operating Business Period is extended as specified in Part 2.(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.

¹ For example, if the Operating Right Establishment Date is August 1, 2018, the date of expiration of the Initial Duration of the Operating Right shall be July 31, 2048, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than July 31, 2053.

(7) Project methods

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

The Preferred Negotiation Right Holder who has been selected through the procedure stipulated in Part 3.(3) and has entered into the Basic Agreement (meaning the Basic Agreement stipulated in Part 3.(4) A); the same shall apply hereinafter) 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 in Part 5.(1); the same shall apply hereinafter) and the SPC shall become the Operating Right Holder. The Operating Right Holder shall enter into the Project Agreement with the State, and, by the Airport Operating Business Scheduled Commencement Date (as defined in the Project Agreement (draft)), shall complete the succession of the businesses and acquire the movables required for the implementation of the Project (hereinafter referred to as the “Assets for Transfer to the Operating Right Holder”).

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 all of the shares held by the Building Facility Operator Shareholders, the transfer price of which is JPY 45 billion (hereinafter referred to as the “Building Facility Operator Share Acquisition Option Agreement”), was entered into between the State and the Building Facility Operator Shareholders. 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 take over the right to complete the share transfer specified in the Building Facility Operator Share Acquisition Option Agreement from the State, and acquire the Building Facility Operator Shares by exercising such right. 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 under exceptional circumstances².

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 and the Airport Site (Non-National Land) (hereinafter collectively referred to as

² Even after the acquisition of the Building Facility Operator Shares, the Operating Right Holder shall continue to employ the staff of the Building Facility Operator under conditions that are not substantially less favorable than the employment conditions at the time of the acquisition of the shares, except in exceptional circumstances. In addition, even if the Operating Right Holder alters the employment conditions as between the Building Facility Operator and its employees after the acquisition of the Building Facility Operator Shares, it shall comply with applicable labor-related laws and regulations.

the “the Facilities Subject to Operating Rights etc.”) 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 value³, 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 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. (meaning the Airport Site etc. specified in Part 2.(10) A) (ii); the same shall apply hereinafter), the National Property etc. 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 exists on the Airport Site (meaning the Airport Site located at the address specified in Part 5.(2) A); the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

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.

³ The market value shall be computed through a fair procedure, e.g., to determine the value on the basis of the computing method which is agreed among a professional evaluator who is appointed by the State or a third party designated by the State (if the State selects a new operator for the Project through new bidding procedures after the expiration of the Project Period, the State shall appoint a professional evaluator), a professional evaluator who is appointed by the Operating Right Holder, and an independent professional evaluator who is agreed between the two appointed evaluators. Furthermore, considering the interdependence between the Facilities Subject to Operating Rights and the facilities owned by the Operating Right Holder and Operating Right Holder’s Subsidiary etc., the market value shall be computed in a manner that appropriately allocates the value of the entire project.

(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. defined in Article 13, paragraph (1) of the Airport Act (hereinafter referred to as the “Landing Fees etc.”) 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 in Article 2, paragraph (5), item (ii) of the Private Utilizing Airport Operation Act, 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 etc. for using the facilities, the procedures under the related laws and regulations stated in Part 2.(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. In setting the airport usage fees and the Landing Fees etc. mentioned above, the Operating Right Holder shall take into account the Relevant Local Governments' opinions⁴ and give consideration to the enhancement of user convenience.

(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.

Regarding the Airport Site (Non-National Land), the State shall enter into lease agreements (unless otherwise the State newly acquires these lands) and bear the rental charge.

(10) Scope of the Project⁵

The scope of the Airport Operating Business shall be as listed in A) through to D) below and the scope of the Building Facilities Business shall be as listed in E) below (for the details of each business, see the Required Standards Document (draft) I.2.5). In implementing the Project, it is necessary to give consideration to user convenience and appropriate investments which contribute to the enhancement thereof. During the Project Period, the Operating Right Holder may, or may have the Building Facility Operator, entrust

⁴ Article 13 of the Airport Act shall apply to setting of the Landing Fees etc. and Article 16 of the same Act apply to setting of the passenger (service) facility charge. Therefore these fee settings shall fall within the scope of the monitoring conducted by the State mentioned in Part 4. (3).

⁵ See the Allocation of Businesses included in the compilation of related materials for the allocation of business activities between the State and the Operating Right Holder at the Airport concerning the Airport Operating Business.

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.

For 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, see 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.⁶
- ii) Operation of the basic airport facilities etc.
- iii) Setting of the Landing Fees etc. and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 8, paragraph (2) of the Private Utilizing Airport Operation Act, Article 13 of the Airport Act) as well as collection of the fees⁷

(ii) Airport Site etc. administration activities⁸

- 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)⁹

- i) Maintenance and administration of the airport air navigation facilities

⁶ See Exhibit 1 and the Project Agreement (draft) for the scope of maintenance and administration of the Facilities etc. Subject to Operating Rights to be carried out by the Operating Right Holder.

⁷ 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; and
- (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.

⁸ While administration activities of the Airport Site (Non-National Land) outside of the Airport Site etc. are included in the business stipulated in Article 2, paragraph (5), item (v) of the Private Utilizing Airport Operation Act, administration activities of the Airport Site (non-national land) shall also be included in "Airport Operating etc. Business" because they are treated integrally with administration activities of the Airport Site of the Airport, in respect of a part of which the State holds ownership.

⁹ Includes maintenance, management and operation of the aeronautical lights installed within private lands in respect of which the State executes land lease agreements with the respective land owners, outside of the Airport Site. The State shall ensure that the land lease agreements for the private lands with the respective land owners

- ii) Operation of the airport air navigation facilities
 - iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 7, paragraph (3) of the Private Utilizing Airport Operation Act and Article 54 of the Civil Aeronautics Act) as well as collection of the fees
- C) Environmental measures business
- i) The businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilizing Airport Operation Act)¹⁰¹¹
 - 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)

Regarding C) Environmental measures business, from the viewpoint of gaining an understanding from the residents of the surrounding community, the State and Organization for Environment Improvement around International Airport (hereinafter referred to as the “OEIA”) implements its business bearing the costs as a transitional measure until the abolishment of the OEIA¹², which is scheduled 4 years after the completion of the Second Runway Building Project (hereinafter referred to as the “Second Runway Building Project”)¹³. The State is planning to re-assess the noise countermeasure area in accordance with the Noise Prevention Act based on noise measurements to be conducted after the completion of the Second Runway Building

are being maintained. See the Project Agreement (draft) for more details.

¹⁰ The Operating Right Holder shall implement Environmental Measures Business within the noise countermeasure area provided in the Noise Prevention Act. However, if noise countermeasure area is revised due to the changes of the airport operation in accordance with the business judgment of the Operating Right Holder or changes for other reasons, the Operating Right Holder shall implement Environmental Measures Business within the revised area.

¹¹ If the Operating Right Holder purchases the land in accordance with Article 9, paragraph (2) of the Noise Prevention Act during the Airport Operating Business Period, the Operating Right Holder shall transfer the Land to the State promptly without charge. When transferring the land to the State without charge, the Operating Right Holder shall be liable for the costs, in principle, it shall tear the building down to back its original state, hand over the land, and the management of the land after the transfer shall be conducted by the Operating Right Holder.

¹² The Basic Policies on Reform etc. of Incorporated Administrative Agencies (decided by the Cabinet on December 24, 2013), states about the OEIA as follows;
 "In proceeding entrustment of Fukuoka airport to a private entity, careful procedures shall be followed from the viewpoint of gaining the understanding of the surrounding areas, thus, in transferring the services, the proper and smooth implementation of the services including necessary transitional measure etc. shall be secured. The OEIA shall be abolished after all of its services are provided." The Second Runway Building Project is planned to be completed on March 2025, and in this case, the OEIA is planned to be abolished 4 years later, in March 2029.

For abolishment of the OEIA, it is necessary to amend the Noise Prevention Act.

¹³ The Second Runway Building Project was notified under Article 40 of the Civil Aeronautics Act on January 20, 2016, and the Project has been started.

Project, and the abolishment of the OEIA shall be after a certain fixed period has elapsed since the re-assessment of the area.

In addition, the Operating Right Holder shall be obliged to conduct all the business in C) Environmental measures business from the day immediately succeeding the day of the OEIA's abolishment (hereinafter referred to as the "Succession Date of the Environmental measures business"). At the time, regarding businesses which are implemented by the State before the end of the transitional measure and businesses which are implemented by the OEIA due to the commission from the State to the OEIA, the Operating Right Holder shall implement the businesses according to the Required Standards. Regarding aircraft noise measurement equipment which the State has installed at the end of the transitional measure, the Operating Right Holder shall own the same as Assets for Transfer to the Operating Right Holder and undertake Environmental measures business thereafter¹⁴.

The Operating Right Holder shall succeed to agreements into which the State had entered with the Relevant Local Governments and local communities concerning Environmental measures, and the Operating Right Holder and existing contractors shall consult with each other regarding the necessary revisions etc. along with the change in the situation.

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

(ii) Airport Site etc. lease business¹⁵

(iii) Construction and maintenance of the facilities whose function is less likely to be impaired by aircraft noise (hereinafter referred to as the "Facilities Less Impaired by Noise") (Article 28, paragraph (1), item (ii) and (v) of the Noise Prevention Act)

¹⁴ The State shall ensure that the permission or approval for the placement of noise measurement equipment, which has been installed outside of the Airport Site with the permission or approval from the Relevant Local Governments, is extended.

¹⁵ 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).

For the business (iii) mentioned above, the OEIA currently uses the national land in class 2 areas stipulated in Article 9, paragraph (1) of the Noise Prevention Act by permission to use or by lease agreement, builds the Facilities Less Impaired by Noise on national land based upon the development plan around the airport (hereinafter referred to as the “Development Plan around Fukuoka Airport”) under Article 9-3 of the same Act, and lends the Facilities Less Impaired by Noise to private business operators.

The business shall be treated in the same manner as C) Environmental measures business, and the Operating Right Holder shall implement the business after the Succession Date of the Environmental measures business¹⁶. With respect to the Facilities Less Impaired by Noise owned by the OEIA on the Succession Date of the Environmental measures business, the Operating Right Holder shall purchase them (it shall also succeed to the contracts which the OEIA concluded concerning the facilities) and sell them at the end of the Airport Operating Business Period to the third party designated by the State in the manner which is determined upon consultation with the State.

Currently, with respect to the national land on which the Facilities Less Impaired by Noise were built, the OEIA uses such land by permission for use or lease agreements from the State. After the day when the Operating Right Holder purchases the Facilities Less Impaired by Noise from the OEIA, it is assumed that the State will grant a title of use of the national land for the Operating Right Holder.

However, if the national land on which the facilities were built deviates from being a class 2 area as stipulated in Article 9, paragraph (1) of the Noise Prevention Act due to the revision of noise countermeasure area in the future, the Operating Right Holder shall purchase the land from the State, and it shall sell the land at the end of the Airport Operating Business Period to the third party designated by the State in the manner which is determined upon consultation with the State.

In the case that the Operating Right Holder newly builds and manages the Facilities Less Impaired by Noise during the Airport Operating Business Period, it shall implement such facilities upon consultation with the State and based on the Development Plan around Fukuoka Airport. The same shall apply in the case that the Operating Right Holder newly develops, manages and transfers lands for

¹⁶ The Operating Right Holder shall lend the Facilities Less Impaired by Noise to be used continuously by private business operators based on the conditions specified in the Required Standards Document (draft).

the new Facilities Less Impaired by Noise.

- (iv) Parking facility business
- (v) Bearing of costs for preventive measures against aircraft hijacking etc.
- (vi) Attendance etc. at the Council (Article 8, paragraph (2) of the Private Utilizing Airport Operation Act etc.)

- b) Businesses and services proposed by the Preferred Negotiation Right Holder
 - (i) Businesses and services for a symbiotic relationship with local communities¹⁷
 - (ii) Businesses for strategic promotion of the use of the Airport
 - (iii) Cooperation on the realization of the concept for the future of the Airports in Fukuoka Prefecture (including collaboration with Kitakyushu Airport, excluding businesses proposed in (ii))¹⁸

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. (excluding construction and maintenance of the Facilities Less Impaired by Noise (Part. 2.(10) D) (a) (iii)))¹⁹

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.

¹⁷ In case that relocation of heliport function is implemented, the relocated heliport function shall be included in businesses and services proposed.

¹⁸ It refers to "The concept for the future of the airports in Fukuoka Prefecture" (November, 2014, Fukuoka Prefecture)

¹⁹ Although it is not specifically planned at the time of publication of Application Guidelines, if the State intends to entrust operation of neighboring National Airport to private business operators, the State shall approve that the Operating Right Holder participates in the bidding for the operation of the airport and, in case that it is selected, conducts the operation, unless there are special circumstances.

- (i) Passenger building facility business
 - i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the passenger building facility business.
 - ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, operation of directly managed stores etc. in the Passenger Building 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.
 - ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, distribution processing services etc. in the Cargo Building Facilities.
- (iii) Aircraft fuelling service business
 - i) The Operating Right Holder shall not be responsible for carrying out the Aircraft fuelling service business during the period²⁰ when the Operating Right Holder leases the land to the airport function facility operator as the Airport Site etc. lease business mentioned in Part. 2.(10) D) a) (ii) and the operator shall carry out the Aircraft fuelling service business. However, the Operating Right Holder shall assume the obligation to carry out such business during the other period.
- (iv) Voluntary businesses in the Airport Site²¹

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

The Operating Right Holder shall carry out operation of the airport on the premise that ensuring the safety of air transportation shall be given priority in all activities. The State shall establish required standards for ensuring that the Operating Right Holder secures a manner of operation contributing to the safety of air transport, conducts proper maintenance

²⁰ Fukuoka Kyuyu Shisetsu Co., Ltd. is designated as airport function facility operator at present.

²¹ 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.

and administration businesses, and conducts environmental measures business, etc. Please note that regarding the matters concerning the services of the passenger building facility business and the cargo building facility business as well as the parking facility business, 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 businesses for symbiotic relationship with local communities and the businesses for strategic promotion of the use of the Airport, and businesses for cooperation on the realization of the concept for the future of the Airports in Fukuoka Prefecture (including collaboration with Kitakyushu Airport).

The structure of the Required Standards Document (draft) is as stated in the Required Standards Document (draft) I.3.1.

- (12) Rights and assets etc. to be acquired and succeeded to by the Operating Right Holder
 - A) Assets to be acquired 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 (See Part 2.(7) B))
 - B) Rights and assets etc. to be acquired and succeeded to by the Operating Right Holder prior to the Airport Operating Business Commencement Date
 - (i) Operating Right²²
 - The rights to be created on the Airport Site(excluding the Airport Site (Non-National Land)), 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 etc. Free Lease Agreement

²² For the detailed Operating Right, see the List of Facilities Subject to Operating Rights included in the compilation of related materials. The List of Facilities Subject to Operating Rights is as of the end of the 2015 fiscal year and will be updated by the State before entering into the Project Agreement as stated in 3(4)B) and subsequently updated based on the Project Agreement until the Airport Operating Business Commencement Date.

(iii) Assets for Transfer to the Operating Right Holder²³

- 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 etc. Subject to Operating Rights

- The Operating Right Holder may, at its own discretion, carry out maintenance and administration (replacement investment) of the Facilities etc. 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 etc. Subject to Operating Rights.²⁴
- The State may carry out maintenance and administration (replacement investment) on the Facilities etc. Subject to Operating Rights if the State determines such maintenance and administration is necessary on public interest grounds.
- Any of the Facilities etc. 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 (the Airport Site (Non-National Land) shall belong to private landowners, Fukuoka Prefecture or Fukuoka City) 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 (excluding the Airport Site (Non-National Land))

- 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)) (excluding the Airport Site (Non-National Land)) as long as they meet the required standards in general²⁵.

²³ For the detailed Assets for Transfer to the Operating Right Holder, see the List of Assets for Transfer to the Operating Right Holder included in the compilation of related materials. The List of Assets for Transfer to the Operating Right Holder is as of the end of the 2015 fiscal year and will be updated by the State before commencing the transfer procedures, as specified in 3(4)B) and 3(4)I).

²⁴ See Exhibit 1. for the scope of maintenance and administration by the Operating Right Holder of the Facilities Subject to Operating Rights.

²⁵ If the Operating Right Holder conducts improvements of building facilities for which relocation or establishment of the customs, immigration and quarantine facilities (hereinafter collectively referred to as the “CIQ Facilities”)

(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.
- In planning, the Operating Right Holder shall include an investment plan addressing safety, stability of operation and enhancement of convenience.
- The Operating Right Holder shall carry out the Project in accordance with the submitted plans.

B) Reporting

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

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

The Operating Right Holder may, if it 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 the dispatch period etc. shall be determined through competitive dialogue from the standpoint of the safe and smooth promotion of the Second Runway Building Project conducted by the State. In connection thereto, 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.

With respect to the dispatch of personnel of the State for the Environmental measures business, the details thereof (e.g., headcount/period, succession of the businesses, the commencement date of dispatch, etc.) shall be determined upon consultation with the State, as the State will have conducted Environmental measures business for a period beginning 2 years prior to the Succession Date of the Environmental measures business.

is required, whether by itself or the Building Facility Operator etc., the improvements need to be approved by the State in advance.

- 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
- Personnel for environmental measures business

(16) Dispatch of personnel of the Operating Right Holder to the OEIA

Because the environmental measures business being implemented by the OEIA which was commissioned by the State requires professional expertise/experience etc., the Operating Right Holder shall dispatch at least 1 full-time trainee to the OEIA for a period commencing from the Airport Operating Business Commencement Date through the day preceding the Succession Date of the Environmental measures business, in order to secure smooth implementation of service by the Operating Right Holder following the Succession Date of the Environmental measures business. The Operating Right Holder shall bear the labor cost for the dispatched trainee.

(17) 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 consideration²⁶:

- (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
- (iv) Revenue Sharing Fees

With regard to the consideration under (i) above, the Operating Right Holder shall directly pay to the Building Facility Operator Shareholders the full amount and by the method specified in the Building Facility Operator Share Acquisition Option Agreement on the date in the future which the Operating Right Holder itself will specify when it exercises the right to complete the transfer of the shares (provided that the date shall be 3 business days or more later and within 6 months from the day on which the right to complete the transfer of the shares will be exercised).

²⁶ The currency used for payment shall be Japanese yen.

With regard to the consideration under (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.(4) I). In payment, consumption tax and local consumption tax shall be paid separately.

The consideration under (iii) above, which the Operating Right Holder shall pay to the State after the execution of the Project Agreement, is based on the following two factors:

- Consideration which shall be paid in a lump sum by the date designated by the State prior to the Airport Operating Business Scheduled Commencement Date (hereinafter referred to as the “Lump Sum Payment of Considerations for the Operating Right”)
- Consideration which shall be paid in installments by the date designated by the State in each fiscal year during the Airport Operating Business Period (hereinafter referred to as the “Installment Payment of Considerations for the Operating Right”)

The Operating Right Holder shall pay JPY 20 billion to the State as the Lump Sum Payment of Considerations for the Operating Right. The Installment Payment of Considerations for the Operating Right shall be subject to proposal, and only a proposal for an amount more than JPY 4.7 billion per fiscal year will be accepted (a constant amount shall be paid each fiscal year). Furthermore, consumption tax and local consumption tax shall be paid separately. When the State intends to collect such consideration, it shall do so upon consultation with the Minister of Finance.

Taking into account the fact that the runway capacity is expected to be improved due to the Duplication Project (meaning an improving project which has been in progress since 2012 by the State to reduce delay due to congestion of departing and arriving aircrafts; hereinafter referred to as the “Duplication Project”)²⁷, the Second Runway Building Project and the Improvement of Landing Approach Methodology (See Part 4.(1) F) etc. (including the improvement by methods other than mentioned above), the Operating Right Holder shall calculate the amount of (iv) Revenue Sharing Fees using following formula and pay the amount to the State from the year that includes whichever is late, services commencement date of parallel taxiways which is developed in the Duplication Project or the Airport Operating Business Commencement Date. The Revenue Sharing Fees shall be paid by the date designated by the State in the next fiscal year of the calculation period²⁸ of the

²⁷ This is a project which the MLIT Kyushu Regional Development Bureau and the West Japan Civil Aviation Bureau are mainly implementing.

²⁸ This refers to the fiscal year of the State from April 1 of each year to March 31 of the following year.

Approved Revenue. Consumption tax and local consumption tax shall be paid separately.

$$\begin{aligned} \text{Approved Revenue} &= \text{the actual number of arrivals and departures} \\ &\quad \text{during the fiscal year of the relevant calculation period}^{29} \\ &\times \text{JPY 58,000 per arrival or departure} \\ &\quad - \text{JPY 9.6 billion} \\ \text{Revenue Sharing Fees} &= \text{The Approved Revenue} \\ &\quad \times 50\% \end{aligned}$$

However, if the Approved Revenue is less than zero, the Revenue Sharing Fees shall be zero.

Unless otherwise separately set out in the Project Agreement, the State will not return or reduce the consideration listed in (ii) through to (iv) above to the Operating Right Holder.

²⁹ Excluding the cases that Landing Fees etc. are not be collected (see footnote 7) and the number of arrivals and departures of rotorcrafts.

3. Matters concerning the Bidding

- (1) Participation requirements for applicants
 - A) Composition of an applicant
 - (i) An applicant shall be a single company (hereinafter referred to as the “Applying Company”) or a group composed of multiple companies (hereinafter referred to as the “Consortium”), which plans to carry out the businesses listed in 2.(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 (excluding the cases specified in Part 3.(4) D) and Part 4.(1) H)). If the applicant desires to indirectly hold the shares of the SPC, the applicant shall follow the procedure stated in Part 3.(4) D).
 - (v) After submission of the First Screening Documents, no change shall be made to the Applying Company, the Representative Company, or the Consortium Members. However, if circumstances arise where changes to the Consortium Members are unavoidable, the Representative Company shall consult with the State, and if the State permits these changes after considering the circumstances, the provision mentioned above shall not apply in such case. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated through Part 3.(1) A) to Part 3.(1) C) or a person controlling the Applying Company or the Consortium Members has changed (including the case that the Applying Company or the Consortium Members are newly controlled by a third person), they shall promptly notify the State of these matters.

- (vi) After submission of the First Screening Documents, the Applying Company or any of the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.
- B) Common participation requirements for the Applying Company and the Consortium Members³⁰
- (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting
 - (ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the PFI Act
 - (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
 - (iv) Any person who has not suspended their designation etc. by the Director-General of the Civil Aviation Bureau of the MLIT pursuant to the Guidelines on Actions, such as Suspension of Designation on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984), during the period from the deadline for submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder
 - (v) Neither a person who is KPMG AZSA LLC (or any of the cooperating offices, namely, KPMG Tax Corporation, KPMG FAS Co.,Ltd., Baker & McKenzie (Gaikokuho Joint Enterprise), GYROS Corporation and Donnelley Financial Solutions Japan) to which the State has entrusted general advisory services etc. concerning the bidding etc. of the Fukuoka Airport Operating Business in the 2016 fiscal year, nor any person who has a certain relation with any of these people in terms of capital, personnel or other affairs³¹

³⁰ As to a foreign corporation, it is necessary that the State can confirm that such foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this B) under applicable laws and regulations thereto.

³¹ A “person who has a certain relation with any of these people in terms of capital, personnel or other affairs” shall

- (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 3.(2) B); the same shall apply hereinafter) belongs nor a person who has a certain relation with such company in terms of capital, personnel or other affairs
- (viii) Neither a corporation (excluding a company, and in Japan, meaning any of the Administrative Organs of the State stipulated in Article 3, paragraph (2) of the National Government Organization Act (Act No. 120 of 1948) and the Cabinet Office) to which any of the members of the Screening Committee belongs, a 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, paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)
- (ix) Any person who does not appoint any of the persons specified in (v) through to (viii) above as an advisor concerning the selection of the Project.
- (x) The executive officers (irrespective of whether full-time or part-time) involved in the bidding are not concurrently appointed as executive officers (irrespective of whether full-time or part-time) of the Building Facility Operator from the time of preparation and filing of the letter of interest pursuant to the Forms and Directions onwards.

C) Requirements for the Applying Company or the Representative Company

An Applying Company or a Representative Company, or a person who has a certain relation in terms of capital, personnel or other affairs with an Applying Company or a Representative Company, shall meet any of the requirements listed in (i) through to (iv) below. The business experience is not limited to those in Japan.

mean any case where the person is in a Parent Company or a Subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

- (i) In and after 2007, having experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
- (ii) In and after 2007, 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 2007, having experience in the commercial real property administrating business
- (iv) Having experience in a Public Facilities etc. Operation Project³²

D) Requirements for the case where Air Carriers etc. participate

The Operating Right Holder shall not become a Subsidiary or Affiliate of (i) an operator of international air transport services (as defined in Article 2, paragraph (19) of the Civil Aeronautics Act) or domestic scheduled air transport services (as defined in Article 2, paragraph (20) of the same act) or its Parent Company, or any Subsidiaries thereof (hereinafter collectively referred to as the “Air Carrier etc.”) or (ii) an Affiliate (including its Subsidiary) of an Air Carrier etc. ³³

In addition, the Operating Right Holder shall not be a company in which more than one third of the total Voting Shares thereof are held by (i) Air Carriers etc. (including any Subsidiaries and Affiliates thereof) or (ii) companies in which more than one third of the total voting shares thereof are held by Air Carriers etc. (including any Subsidiaries and Affiliates thereof).

E) Participation requirements for the Building Facility Operator

Regarding the Building Facility Operator, it shall, after dissolving its capital tie-up with Fukuoka Prefecture and Fukuoka City, cause a newly established stock company to acquire all its issued shares by share transfer method (Article 772 - 774 of the Companies Act), and, only if the following pledges are both made with the State, the stock company may participate in the bidding: (i) the stock company and the Building Facility Operator make a pledge with the State that no officer of either company shall hold at the same time a position (whether full-time or part-time) as an officer or an employee of the other corporation, and that each company shall avoid (and shall cause its Subsidiaries to avoid) activities which may disrupt the fairness, transparency and competitiveness of the

³² “Public Facilities etc. Operation Project” has the same meaning as in Article 2, paragraph (6) of the PFI Act.

³³ “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).

procedure of the bidding for the Project (regarding the stock company, including (a) activities to obtain information of other participants of the procedure of the bidding for the Project from the Building Facility Operator, (b) activities to affect the contents, scope, or schedule of disclosure by the Building Facility Operator, and (c) activities to obtain information about the procedure of the bidding for the Project from the Building Facility Operator (including information which the Building Facility Operator has obtained from the State)), in addition (ii) the Building Facility Operator makes a pledge with the State that it shall disclose (and shall cause its Subsidiaries to disclose) all information which is necessary for the procedure of the bidding for the Project (including, without limitation, Information Package, questions and answers, legal/financial/tax due diligence, field survey, and information etc. which is needed for interviews with interested parties (including information on the Building Facility Operator’s Subsidiary)) to the State or participants of the procedure of the bidding for the Project. However, the Building Facility Operator itself and the Building Facility Operator’s Subsidiary or Affiliate may not participate in the bidding.

Furthermore, even if the stock company or the Consortium in which the stock company participates is selected as the Preferred Negotiation Right Holder, the Operating Right Holder shall acquire the Building Facility Operator Shares in accordance with the method stated in Part 2.(7) B).

(2) Bidding Procedures

A) Schedule

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

Schedule (tentative)	Actions
May 26, 2017	➤ Explanatory meeting on Application Guidelines etc.
May 29, 2017 ~ July 3, 2017	➤ Period for receiving questions on Application Guidelines etc.
July 24, 2017	➤ Publication of answers to the questions on Application Guidelines etc.
August 10, 2017	➤ Deadline for submission of First Screening Documents
Around September 2017	➤ Notice of result of First Screening

Around October 2017 ~ Around February 2018	➤ Period for holding competitive dialogue
Around March 2018	➤ Deadline for submission of Second Screening Documents
Around May 2018	➤ Selection of Preferred Negotiation Right Holder
Around June 2018	➤ Execution of Basic Agreement
Around August 2018	➤ Operating Right Establishment Date ➤ Execution of Project Agreement
Around November 2018	➤ Building Facility Business Scheduled Commencement Date
Around March 2019	➤ Execution of Goods Transfer Agreement
April 1, 2019	➤ Airport Operating Business Scheduled Commencement Date

B) Establishment of the Screening Committee

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (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 has established, on April 25, 2017, a screening committee for selecting the Fukuoka Airport Preferred Negotiation Right Holder composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations stipulated in Article 11 of the PFI Act.

C) Holding of the Explanatory Meeting on the Application Guidelines etc.

The State will hold the explanatory meeting on the Application Guidelines etc. (hereinafter referred to as the “Explanatory Meeting”) as follows:

Date: 14:00 on Friday, May 26, 2017

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 specified in the Forms and Directions by the application deadline to the Bidding Advisors by email, and submit the original application form at the Explanatory Meeting place. No applications will be accepted at the Explanatory Meeting place.

Contact: Bidding Advisors

Application Deadline: No later than 13:00 on Thursday, May 25, 2017

Notes: Participants in the Explanatory Meeting shall bring the Application Guidelines etc.

Participants shall refrain from taking photographs or recording by video camera.

*Please note that the Explanatory Meeting will be conducted in Japanese.

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

(i) Receipt of questions

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

Receiving period:

1st Period From: 10:00 on Monday, May 29, 2017

Until: No later than 15:00 on Thursday, June 8, 2017

2nd Period Until: No later than 15:00 on Monday, July 3, 2017

Submission methods: Questions concerning the Application Guidelines etc. shall be briefly stated in the question form specified in the Forms and Directions and the form shall be sent by email.

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

The question form shall be prepared in Microsoft Excel format and the company name and the name, department, telephone number and email address of the submitter shall be filled in. The question form shall be submitted to the Bidding Advisors. Questions sent other than by email will not be accepted.

*Please fill in the question form in Japanese.

(ii) Publication of answers

If the State deems necessary, it will publish questions concerning the Application Guidelines etc. and the associated answers (excluding those which would infringe on the rights, competitive position, or other reasonable interest of the submitter as so stated

by the submitter upon their submission) by the scheduled publication date of answers on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

In order to deal with all questions fairly, the State will not provide answers directly to the person who submitted the corresponding question.

Scheduled Publication Date of Answers: Monday, July 24, 2017

Though the State plans to provide final answers on this date, the answers to each question may be provided in phases.

*The answers will be provided in Japanese.

E) Loaned materials subject to confidentiality obligations

(i) Submitting the confidentiality pledge etc.

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

Submission period: No later than 15:00 on Tuesday, August 1, 2017

Submission method: Fill in the statement of interest, the application form to borrow and access to the Confidential Materials and the confidentiality pledge in accordance with the Forms and Directions and send them to the Bidding Advisors by email using Microsoft Word format in advance and promptly send their originals by mail etc.

Lending method: It is expected that the Confidential Materials will be made available mainly by electronic means (so-called, a virtual data room; hereinafter referred to as the “VDR”). Upon receipt of the statement of interest, the application form to borrow and access to the Confidential Materials and the confidentiality pledge by the Unit in Charge, the Bidding Advisors shall promptly notify the method of access to the VDR, etc.

Disclosure method to third parties:

The methods specified in the Forms and Directions shall be followed.

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

(ii) Disposal of loaned materials

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

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

F) Materials to be disclosed in the First Screening

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

- 1) Basic Agreement (draft)
- 2) Project Agreement (draft)
- 3) National Property etc. Free Lease Agreement (draft)
- 4) Goods Transfer Agreement (draft)
- 5) Required Standards Document (draft) (excluding the Required Standards Concerning the Fukuoka Airport Security Control Regulations (the security part) and the Required Standards Concerning Cost Bearing for Aviation Security Measures)
- 6) Compilation of related materials

- (i) Materials Concerning the Facilities Subject to Operating Rights
 - (ii) Materials Concerning the Assets for Transfer to the Operating Right Holder
 - (iii) List of Approvals and Permissions/Pacts etc. for the Qualified Project Etc. for Fukuoka Airport Operation
 - (iv) List of IT Systems Relating to the Businesses
 - (v) Allocation of Businesses
 - (vi) Materials Concerning the Share Acquisition Option Agreement
 - (vii) Other related materials
- 7) Compilation of reference materials
- (i) Grid map of the Fukuoka Airport
 - (ii) Materials concerning the List of Facilities Subject to Operating Rights
 - (iii) Information package
 - (iv) Information on locations of the Facilities Subject to Operating Rights located outside of the Airport Site
 - (v) Information on locations of the land subject to the current permission for use
 - (vi) List of construction to be conducted by the State (for the 2017 fiscal year)
 - (vii) List of business operators at the Airport
 - (viii) Registry of business operations at the Airport
 - (ix) List of main referential regulations etc. for airport security control regulations (the safety part)
 - (x) Materials concerning the Building Facilities Business
 - (xi) Other reference materials

G) 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 does not receive the First Screening Documents from two or more First Screening Participants, the State may rescind selection of the Qualified Project.

Submission deadline: No later than 15:00 on Thursday, August 10, 2017

Submission method: The statement of participation and the First Screening Documents shall be sent to the Unit in Charge by e-mail using Microsoft Word format (Documents specified to use Microsoft

Excel format shall be prepared in Microsoft Excel format) in advance and the originals shall be delivered or mailed to the Unit in Charge by the submission deadline.

(ii) First Screening methods

After the submission of the First Screening Documents, it is planned that an opportunity will be provided for each First Screening Participant who has been confirmed as satisfying the participation requirements specified in Part 3.(1) to make a presentation on the proposal to the Screening Committee.

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the requirements specified in 3.(1) based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder and give due consideration to the contents of the presentation etc. Neither on-site examination nor interview with concerned parties is scheduled.

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

(iii) Notice of First Screening results

The State will notify the Applying Companies and the Representative Companies of the results of the First Screening.

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

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

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

I) Loaning of highly confidential materials

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

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

A person desiring to borrow highly confidential materials that can only be loaned

pursuant to submission of a “pledge concerning the handling of highly confidential materials” shall submit the “application form to borrow and access to highly confidential materials” and the “pledge concerning the handling of highly confidential materials”.

(ii) Management and disposal of loaned materials

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

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

J) Publication of supplementary materials and other related matters

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

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

K) 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.

L) Second Screening

- (i) Receipt of the Second Screening Documents

The Second Screening Participants shall prepare and 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.

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

Submission method: The Second Screening Documents shall be sent to the Unit in Charge by e-mail in advance and the originals shall be delivered or mailed to the Unit in Charge by the submission deadline.

- (ii) Second Screening methods

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

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

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

Based on the screening result of the Screening Committee, the State shall prioritize the Second Screening Participants and select the participant in the first place as the Preferred Negotiation Right Holder and the participant in the second place as the

second negotiation right holder upon consultation with the Minister of Finance and heads of relevant administrative agencies.

(iv) Notice of Second Screening results

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

M) 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.

(3) Selection methods of the Preferred Negotiation Right Holder

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

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

B) Hearing opinions of the Screening Committee

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

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

(Chair)

Hirota YAMAUCHI Professor, Graduate School of Commerce and Management,
Hitotsubashi University

(Members)

Naoaki EGUCHI Attorney at Law, Baker & McKenzie (Gaikokuho Joint
Enterprise)

Hiroshi OHASHI Professor, Graduate School of Economics, The University of

Tetsuyuki KAGAYA Tokyo
Associate Professor, Graduate School of Commerce and
Management, Hitotsubashi University

Noriko YAGASAKI Associate Professor, Faculty of International Tourism, Toyo
University

Vice Governor, Fukuoka Prefecture

Vice Mayor, Fukuoka City

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

C) Screening methods

(i) First Screening

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the participant requirements based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder and give due consideration to the contents of the presentation etc. Neither on-site examination nor interview with concerned parties, etc. is scheduled.

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

(ii) Second Screening

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

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

D) Screening Committee secretariat office

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

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

A) Execution of the Basic Agreement

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

If the Basic Agreement is not promptly entered into with the Preferred Negotiation Right Holder, or it becomes apparent after the execution of the Basic Agreement that the Project Agreement will not be entered into, the State may perform the procedure for entering into the Basic Agreement with the Second 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.

B) Update of the compilation of related materials and reference materials

After the selection of the Preferred Negotiation Right Holder and prior to the execution of the Project Agreement, the State will update the content of the compilation of related materials and reference materials based on the airport operation in the 2017 fiscal year and present the updated materials to the Preferred Negotiation Right Holder.

C) Publication of the outline of proposals

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

D) Incorporation of 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 or otherwise, the Preferred Negotiation Right Holder shall make a

specific proposal in the First Screening Documents concerning the capital relationship between the Preferred Negotiation Right Holder and the SPC. Upon passing the First Screening, the Preferred Negotiation Right Holder may incorporate the SPC in a form approved by the State upon consultation with the State through competitive dialogue.

E) Preparation for operation by the Preferred Negotiation Right Holder

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

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

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

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

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

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

G) Consideration of additional allotment of the Voting Shares

Notwithstanding the provisions specified in Part 4.(4) B), in the case that the Operating Right Holder or anyone who holds the Voting Shares (hereinafter referred to as the "Voting Shareholders") requests to newly issue the Voting Shares to third parties other

than the Voting Shareholders, up to a rate of ownership of 10% of the Voting Shares, in the period from the date of execution of the Project Agreement to the Airport Operating Business Commencement Date, the State shall approve this request after consultation with relevant administrative agencies, only when the subscriber for the Voting Share does not have any conflict with the participation requirements stipulated in Part 3.(1), and it is recognized that the Voting Share issuance would not interfere with the implementation of the Project.

However, in case that the Preferred Negotiation Right Holder is a Consortium, and the Voting Shares are issued to the company which was another Applying Company (meaning an Applying Company stipulated in Part 3.(1) A) (i); the same shall apply hereinafter) or other Consortium Members (meaning the Consortium Members stipulated in Part 3.(1) A) (ii); the same shall apply hereinafter) (including any Parent Company, Subsidiary, or Affiliate thereof, and in cases where the company is an Affiliate of another company etc., of said other company etc. (hereinafter collectively referred to as the “Related company”), as well as any Parent Company, Subsidiary, or Affiliate of the Related company, and in cases where the Related company is an Affiliate of the other company etc., of said other company etc.), the rate of ownership of the Voting Shares shall not be permitted to be beyond the rate of ownership of the Voting Shares of any given Consortium Member in the Preferred Negotiation Right Holder.

The subscriber for the Voting Shares shall submit the Shareholder’s Covenant Document (meaning the Shareholder’s Covenant Document stipulated in Part 4.(4) A); the same shall apply hereinafter) to the State.

This provision does not aim to hinder making agreements before an application to prohibit Consortium Members from subscribing for Voting Shares issued by an Operating Right Holder which is incorporated by any other Consortium which is selected as the Preferred Negotiation Right Holder.

H) 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 2.(7)B) and commence the Building Facilities Business.

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

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

The procedure for the transfer shall be as follows: The Operating Right Holder shall

submit a written estimate with respect to the target price prepared by the State in accordance with Article 79 of the Order of Budget, Settlement and Accounting (Imperial 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 for the Operating Right by the date designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

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.

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

J) Funding etc. by the relevant local governments

The Operating Right Holder shall allot the Voting Shares of the Operating Right Holder to the relevant local governments and accept the officer dispatched by the relevant local governments by the Airport Operating Business Scheduled Commencement Date in accordance with the details determined upon consultation with the relevant local governments as stated in 4.(1) H).

K) 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 Lump Sum Payment of Considerations for the Operating Right and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder.

(5) Matters to be noted concerning the application

A) Contract deposit

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

B) Conditions precedent to the application

(i) Acceptance of the Application Guidelines etc.

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

(ii) Cost bearing etc.

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

(iii) Principle of documentary proceedings

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

(iv) Currency and measures

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

C) Proposal Documents to be submitted by applicants

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

D) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

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

The Proposal Documents will not be returned.

(ii) Patents and other rights

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

(iii) Disclosure of the Proposal Documents

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

If the Proposal Documents contain any content (special techniques or know-how, etc.) which would infringe on the rights, competitive position, or other reasonable interest of the submitter in case that the Proposal Documents are disclosed, the submitter shall make a statement to that effect.

(iv) Inconsistency in the proposed details

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

(v) Obligations to Perform the Proposed Details

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

E) Treatment of materials provided by the State

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

F) Invalid applications

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

- (i) When any person failing to satisfy the requirements specified in “3.(1) Participation requirements for applicants” applies for the Bidding
- (ii) When any of the Proposal Documents is lacking
- (iii) When the Proposal Documents are not prepared in accordance with the Forms and Directions
- (iv) When the method, place or deadline of submission of the Proposal Documents fails to meet those specified in the Application Guidelines, etc.
- (v) When the applicant contacts any officer or personnel of the Fukuoka Airport Office of the Osaka Regional Civil Aviation Bureau of the MLIT, Building Facilities Operator or its Subsidiaries, OEIA, Airport Environment Improvement Foundation, Fukuoka Prefecture or Fukuoka City in relation to the selection of the Project without permission of the State.
- (vi) When the applicant wrongfully approaches a member of the Screening Committee or a corporation to which a member of the Screening Committee belongs in relation to the selection of the Project
- (vii) When there is any wrongful act in the course of the application procedures
- (viii) When any matter is stated in the Proposal Documents that is not meant to be stated in them
- (ix) When any matter stated in the Proposal Documents is false
- (x) When two or more sets of the Proposal Documents are submitted
- (xi) When the application violates the terms and conditions stipulated in the Application Guidelines etc.

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

(1) Conditions precedent to the Airport Operating Business

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

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

A) Succession of agreements etc.

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

B) Obligation to lease the land etc.

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

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

C) Cooperation for Community Development Activities of the Surrounding Areas

Taking into account that the smooth operations of the airport are secured by cooperation and understanding from residents in the surrounding areas of the airport, the Operating Right Holder shall consult with those residents and cooperate for community development activities conducted by the State, Fukuoka Prefecture and Fukuoka City.

D) Cooperation for construction work carried out by the State etc.

The Second Runway Building Project and the Duplication Project conducted by the State shall be carried out in a phased manner while maintaining the airplane taxiway etc. in a manner which avoids causing trouble in the operation of aircraft, and the State shall carry out construction works on the premise of ensuring safety, and securing the operation of aircraft etc. during the airport operating hours. For this reason, regarding these construction works, night works are planned in addition to daytime works. The Operating Right Holder must cooperate with these construction works and cooperate to proceed with these construction works safely and smoothly.

The Operating Right Holder shall also cooperate with the construction works of the Redevelopment Project of Domestic Terminal Building (meaning the project which implements the redevelopment of the terminal building for the purpose of preventing measures against deterioration and enhancing convenience; hereinafter referred to as the “Redevelopment Project of Domestic Terminal Building”) which the current Building Facility Operator is mainly conducting to facilitate the Duplication Project, and cause the Building Facility Operator to implement its business after acquiring the Building Facility Operator Shares.

In addition, the Operating Right Holder shall actively cooperate so that the construction of the Relocation Project of Fukuoka Airport Heliport Function³⁴ carried out by the State will proceed safely and smoothly.

Furthermore, Fukuoka City and Fukuoka-Kitakyushu Expressway Public Corporation are considering constructing an expressway for the exclusive use of cars that will extend Fukuoka Urban Expressway Route 3 Airport Line to domestic terminal direction in order to achieve access improvement etc. to the Fukuoka Airport Domestic Passenger Terminal. The Operating Right Holder shall cooperate with them for smooth advances in reviewing of the plan and conducting the business as long as it does not interfere with the Airport operation.

E) Construction work scheduled to be conducted by the State after commencement of the Airport Operating Business

If the State implements construction work (excluding those described in Part 4.(1))

³⁴ As the business operator, MLIT West Japan Civil Aviation Bureau and Kyushu Regional Development Bureau prepared "Environmental Impact Assessment Procedure for Relocation Project of Fukuoka Airport Heliport Function" based on Article 5 of the Fukuoka City Ordinance for Environmental Impact Assessment (Fukuoka City Ordinance No. 18 of 1998), and submitted the Procedure to Mayor of Fukuoka City on January 6, 2016 based on Article 6 of the same Ordinance.

D)) after the commencement of the Airport Operating Business³⁵, the Operating Right Holder shall offer utmost cooperation to the State for ensuring that the State smoothly conducts the work, in addition to conducting existing facilities maintenance. Any facilities and Airport Site added by the work shall be included in the Facilities Subject to Operating Rights (however, as for any portion of additional Airport Site which the State does not own, the same shall be included in the Airport Site (Non-National Land)) and the Operating Right Holder shall be responsible for their operation and administration.

F) Improvement of the Landing Approach Methodology

Regarding the Improvement of Landing Approach Methodology, the State shall consider its introduction based on actual demand etc. and the Relevant Local Governments and the Operating Right Holder shall offer utmost cooperation in connection with such consideration. If the improvement is actually introduced, it shall be implemented by ensuring mutual cooperation among the State, the Relevant Local Governments and the Operating Right Holder, determining the route, and gaining the understanding of local areas where influence by the change of the system is expected.

G) 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.

H) Acquisition by the Relevant Local Government of the Voting Shares etc.

The Relevant Local Government has been cooperating with the State to develop various improvements and been working to enhance smooth operation of the airport because the Airport is vitally important for regional promotion and development. Even after the commencement of the Project, the Relevant Local Government is planning to take the following measures for the purpose of supporting/cooperating for wide-area regional promotion and development etc. taking into consideration the purpose of the Project, which is the implementation of a fully cohesive and flexible manner of management of the Airport by utilizing the private sector's access to private financing and management

³⁵ The cost bearing between the State and the relevant local governments shall be in compliance with the Airport Act.

abilities, while ensuring the flexible management of the Airport by the Operating Right Holder,

- A) Acquisition by the Relevant Local Government of 10% or less of the Voting Shares in total; and
- B) Dispatch of one part-time officer (the officer shall receive no compensation)

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

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

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

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

procedures

A) Disposition of the Operating Right

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

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

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

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

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

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

In order to ensure quick and flexible fund raising, the State shall not, in general, be involved in the new issuance or transfer of Non-Voting Shares issued by the Operating

Right Holder, or the creation of a pledge or other security on these shares (hereinafter collectively referred to as the “Disposition”). However, the State shall impose certain restrictions on the new issuance and Disposition of the Voting Shares issued by the Operating Right Holder for securing the security, risk management and other roles of the Airport as public infrastructure.

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

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

(1) Facilities subject to the Project

The facilities subject to the Project are listed below. The facilities listed in (iii), (iv), (vii) (limited to the Airport Site (Non-National Land)), (ix), (x) and (xi) 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.³⁶) (excluding any part of the CIQ Facilities of which a government authority relevant to the CIQ Facilities has sectional ownership)
- (iv) Cargo Building Facilities (air cargo handling facilities etc.³⁷)
- (v) Roads
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or the Operating Right Holder’s Subsidiary etc.
- (x) Vacant lots after the compensated relocation (the land which the State purchased based on Article 9, paragraph (2) of the Noise Prevention Act (including the land which the Operating Right Holder purchased))
- (xi) Passenger Building Facilities subject to Redevelopment Project of Domestic Terminal Building

The basic airport facilities etc. contemplated by the Duplication Project and the Second Runway Building Project shall be included from time to time in Part 5.(1) (i), (ii) or (viii) from and after the time the construction of each is completed. Scheduled date of service commencement of increased runway and other basic airport facilities etc. built in the Second Runway Building Project is March 31, 2025.

³⁶ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Passenger Building Facilities (excluding any part of the CIQ Facilities of which a government authority relevant to the CIQ Facilities has sectional ownership).

³⁷ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Cargo Building Facilities.

In addition, regarding the heliport function, as one of the basic airport facilities stipulated in Part 5.(1) (i), its relocation to outside of the present airport site at the time of issuance of the Application Guidelines due to the Relocation Project of Fukuoka Airport Heliport Function, is currently being planned, and if the relocation is implemented, the heliport function facilities shall be included in the Facilities Subject to Operating Rights, and maintenance and operation etc. of the relocated heliport function facilities will also be entrusted to the Operating Right Holder as a part of the Airport Operating Business.

(2) Location of the Project

A) Location etc.

The location and area of the Airport Site notified in accordance with Article 46 of the Civil Aeronautics Act applied mutatis mutandis under Article 55-2, paragraph (3) of the same Act are as follows³⁸:

Location: Hakata-ku, Fukuoka City, Fukuoka Prefecture

Area subject to the Project: approximately 3,455,500 m²

B) Lease of the Airport Site etc.

Approximately 2,300,500 m² of the Airport Site etc. of the Airport is the national property stipulated in Article 2 of the National Property Act and Article 4 of the Supplementary Provisions of the Act, and categorized into the administrative assets stipulated in Article 3, paragraph (2) of this Act. Taking into account that the Operating Right Holder may lease part of the Airport Site etc. to third parties etc. in implementing the 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 etc. Free Lease Agreement.

Approximately 1,155,000 m² of the Airport Site etc. is a land owned by private landowners, Fukuoka Prefecture and Fukuoka City (hereinafter collectively referred to as the “Airport Site (Non-National Land)”), which the State uses based on land lease agreements with the respective owners. The State shall update and extend those land lease agreements (unless the State otherwise newly acquires the Airport Site (Non-National Land)) during the Airport Operating Business Period, and enable the Operating Right Holder to use these lands as well as the national land mentioned above by sublease etc. to the Operating Right Holder.

With respect to the permission granted to the Building Facility Operator to use the

³⁸ Planned location and site area of the heliport function after the relocation are as follows.
Location: Higashi-ku, Fukuoka city, Fukuoka prefecture
Site area: Approximately 80,000 m²(which is the scale of the business indicated in “Environmental Impact Assessment Procedure for Relocation Project of Fukuoka Airport Heliport Function”)

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.

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

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

The Operating Right Holder may not, or may not have the Operating Right Holder's Subsidiary etc., carry out the businesses listed in 2.(10) E) outside of the Airport Site unless otherwise approved by the State upon prior consultation with the State.

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

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

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

If any event occurs which makes the Project difficult to continue, the Project Agreement shall be terminated. 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 2.(7) D) b). For the detailed allocation of responsibility for specific damage etc. arising from each event that triggers termination of the Project Agreement, see the Project Agreement (draft).

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

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

7. Others

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

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

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

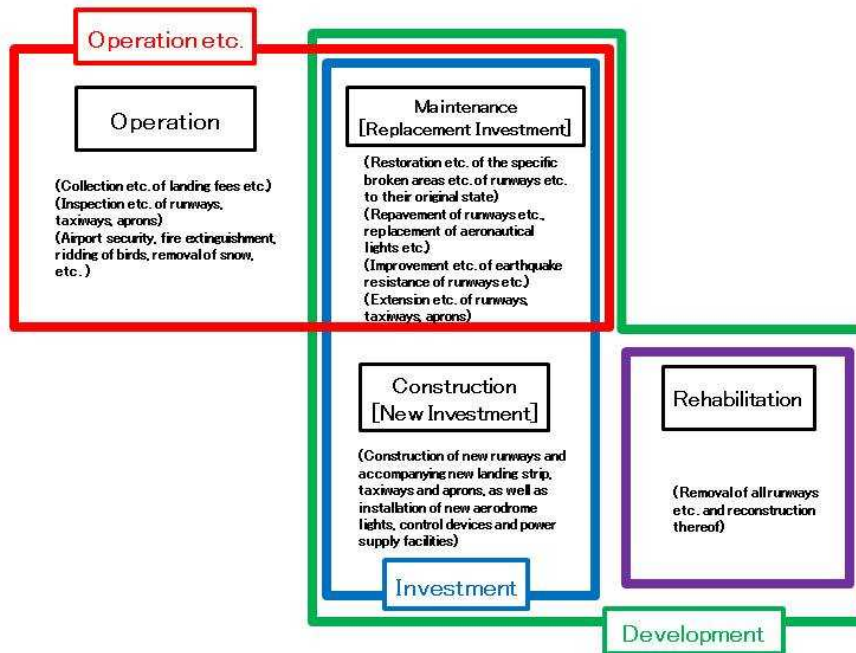
(2) Provision of information

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

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

Exhibit 1

Organizing with the terms used in the PFI Act



The definition of the terms based on the PFI Act and the Guidelines Concerning the Right to Operate 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 2 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>