

(TRANSLATION) (for Reference Only)

**Implementation Policy on
the Qualified Project, etc., for Kumamoto 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.

January 17, 2018

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

Contents

Part 1. Introduction	5
Part 2. Matters for selecting a Qualified Project	7
1. Matters concerning details of a Qualified Project	7
(1) Administrator, etc., of Public Facilities, etc.	7
(2) Unit in Charge	7
(3) Background and purposes of the Project	7
(4) Application Guidelines etc.	8
(5) Anticipated governing laws, etc., for the implementation of the Project	10
(6) Project period	14
(7) Project methods	15
(8) Setting and collecting usage fees with respect to the Project	19
(9) Bearing of costs for the Project	20
(10) Scope of the Project.....	20
(11) Structure of the Required Standards Document (draft)	28
(12) Rights and assets, etc., to be obtained and succeeded by the Operating Right Holder..	31
(13) Treatment of replacement investment, etc.	32
(14) Planning and reporting	33
(15) Dispatch, etc., of personnel from the State to the Operating Right Holder in relation to the Airport Operating Business	34
(16) Considerations for the Operating Right, etc., of the Project to be paid by the Operating Right Holder	34
2. Selection methods for a Qualified Project	35
(1) Selection criteria.....	35
(2) Announcement of selection results.....	35
Part 3. Invitation and selection of a private business operator	36
1. Basic idea of the invitation and the selection of a private business operator	36
2. Procedures and methods for selecting a Preferred Negotiation Right Holder	36
(1) Establishment of the Screening Committee.....	36
(2) Publication of the Application Guidelines, etc., and holding an explanatory meeting..	36
(3) Receipt of questions on the Application Guidelines, etc., and publication of the answers	37
(4) First Screening.....	37
(5) Holding of a competitive dialogue etc.....	37
(6) Second Screening	38

(7)	Announcement of screening results.....	39
(8)	Execution of the Basic Agreement	39
(9)	Incorporation of SPC.....	39
(10)	Preparation for operation by the Preferred Negotiation Right Holder.....	40
(11)	Grant of the Operating Right and execution of the Project Agreement.....	40
(12)	Transfer of the shares and commencement of the Building Facilities Business.....	40
(13)	Acquisition of Assets for Transfer to the Operating Right Holder	40
(14)	Transfer of the Annex Building Facilities	41
(15)	Commencement of the Airport Operating Business	41
(16)	Construction of the New Building Facilities	42
(17)	Treatment of the Proposal Documents	42
(18)	Cancelation of the bidding and rescission of selection of the Qualified Project	43
3.	Participation requirements for applicants.....	43
(1)	Composition of an applicant.....	43
(2)	Common participation requirements for the Applying Company and the Consortium Members	44
(3)	Requirements for the Applying Company or the Representative Company.....	46
(4)	Requirements in the case of participation of Air carriers, etc.....	47
Part 4.	Matters for ensuring the proper and stable implementation of the Project such as clarification of the responsibilities of the Private Business Operator	48
1.	Conditions precedent to the Airport Operating Business.....	48
2.	Basic idea of allocation of risks.....	49
(1)	Force Majeure.....	49
(2)	Liability for latent defects	50
(3)	Particular Changes of Acts	51
(4)	Emergency events.....	51
3.	Matters for ensuring the performance of the Operating Right Holder’s responsibilities	51
4.	Restrictions on the rights and obligations, etc., of the Operating Right Holder and related procedures	52
(1)	Disposition of the Operating Right.....	52
(2)	New issuance and disposition of shares by the Operating Right Holder.....	52
Part 5.	Matters concerning location, size and placement of public facilities etc.....	54
1.	Facilities subject to the Project.....	54
2.	Location of the facilities subject to the Project	54
(1)	Location etc.	55

(2)	Lease of the Airport Site, etc.	55
(3)	Businesses to be carried out outside of the Airport Site	55
Part 6.	Matters concerning the matters to be set out in the Project Agreement and actions in the case of any doubt arising from the interpretation of the Project Agreement	57
1.	Matters to be set out in the Project Agreement.....	57
2.	Actions in the case of any doubt arising from the interpretation of the Project Agreement	57
3.	Designation of the competent court.....	58
Part 7.	Matters concerning actions to take when it becomes difficult to continue the Project	59
1.	Actions to take when events occur which make it difficult to continue the Project.....	59
(1)	Cancellation or termination for reasons attributable to the State.....	59
(2)	Cancellation for reasons attributable to the Operating Right Holder	59
(3)	Cancellation or termination for Force Majeure	59
(4)	Cancellation due to Particular Changes of Acts	60
2.	Consultation between the State and a financial institution or banking syndicate	60
Part 8.	Matters concerning legislative and taxation measures, as well as fiscal and financial support	61
1.	Matters concerning legislative and taxation measures	61
2.	Matters concerning fiscal and financial support	61
3.	Matters concerning other measures and support	61
Part 9.	Other matters necessary for the implementation of the Project	62
1.	Matters concerning the Project	62
(1)	Language to be used for carrying out the Project.....	62
(2)	Costs of preparation, etc., of the Proposal Documents.....	62
(3)	Receipt of opinions on the Implementation Policy.....	62
(4)	Hearing concerning opinions.....	62
(5)	Changes to the Implementation Policy.....	63
2.	Schedule (tentative).....	63
3.	Provision of information.....	64
Form 1	Opinions on the Implementation Policy	65
Exhibit 1	Organizing with the terms used in the PFI Act	66
Exhibit 2	Treatment of accounting and tax affairs in relation to the Project.....	67
Exhibit 3	Definitions of the Building Facilities	68

Part 1. Introduction

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

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

Please note that the State may set out in the Project Agreement or other documents the

matters regarding the Project that are agreed upon through competitive dialogue, etc., between the State and the Preferred Negotiation Right Holder after publication of the Implementation Policy.

Part 2. Matters for selecting a Qualified Project

1. Matters concerning details of a Qualified Project

- (1) Administrator, etc., of Public Facilities, etc.

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

- (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

Administrative affairs relating to the Implementation Policy are conducted by the following advisors (hereinafter referred to as the “Bidding Advisors”) on behalf of the Unit in Charge.¹

- (i) Ernst & Young ShinNihon LLC
 - (ii) Ernst & Young Tax Co.
 - (iii) Ernst & Young Transaction Advisory Services Co., Ltd.
 - (iv) Anderson Mori & Tomotsune
 - (v) Kansai Law & Patent Office
 - (vi) Docon Co., Ltd.
- (3) Background and purposes of the Project

The number of passengers using the Airport for domestic and international flights and the volume of cargo handled in the Airport were recorded at about 3.23 million passengers and about 17,000 tons (both in 2015), respectively. In addition, the Airport has a potential to be a gateway for Asia in the Kyushu region since the Airport is an important infrastructure for promoting the industry and tourism in Kumamoto Prefecture and securing a base therefor, with direct connection with Mashiki-Kumamoto Airport IC and other key transport hubs.

However, the 2016 Kumamoto Earthquakes, which are a series of earthquakes including two violent shocks with an intensity of 7 (by the Japan Meteorological Agency's seismic intensity scale) struck on April 14 and 16, 2016 (hereinafter referred to as the “Kumamoto Earthquakes”), caused severe damage in the eastern part of the Kumamoto

¹ Bidding Advisors are selected in each fiscal year. The selection for fiscal 2018 will be performed separately.

metropolitan area. The terminal building of the Airport was also damaged. In the wake of the occurrence of this disaster, the Project is aimed at achieving creative restoration from the heavy damage. With the Airport as a symbol of such restoration, the Project is expected to lead to the revitalization of the Airport and the surrounding areas through expanding the amount of the population who are engaged in domestic and international interactions and through other favorable measures.

Meanwhile, it is impossible to manage the overall Airport in an integrated and flexible way because the following are separately operated: (i) the basic airport facilities, etc., owned by the State, (ii) the facilities for handling air passengers and incidental convenient facilities (hereinafter referred to as the “Passenger Building Facilities,” including domestic and international flight passenger building facilities currently owned by the building facility operator (defined later), which are referred to as the “Current Domestic Flight Building Facilities” and the “Current International Flight Building Facilities,” respectively; the two facilities are collectively referred to as the “Current Building Facilities”) and the facilities for handling air cargo and incidental convenient facilities (hereinafter referred to as the “Cargo Building Facilities”), owned by the operator of air passenger and cargo facilities (hereinafter referred to as the “Building Facility Operator”), and (iii) the parking facilities owned by the operator of parking facilities. In addition, the Airport is still facing tough competition with other neighboring airports and its operation in collaboration with the relevant local governments and communities is vital.

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

(4) Application Guidelines etc.

Documents to be disclosed for bidding will be composed of the documents listed in (i) through to (xi) below (together with supplementary materials, as well as answers to questions to be published on the Civil Aviation Bureau of the MLIT website or by other appropriate means and other documents to be issued by the State in relation to those documents, hereinafter collectively referred to as the “Application Guidelines etc.,” and if any

amendments have been made, the documents reflecting the amendments shall prevail). The documents listed in (i) through to (x) are conditions precedent for preparing documents to be submitted for the first screening (hereinafter referred to as the “First Screening Documents”) and those for the second screening (hereinafter referred to as the “Second Screening Documents”), as well as other documents to be submitted for any screenings in relation to the implementation of the Project (hereinafter referred to as the “Proposal Documents”). The documents listed in (i) through to (viii) 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 all supplementary materials (excluding the referential materials) shall be binding on the parties to the Project Agreement when it is executed, unless otherwise specified.

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

to complete the forms (hereinafter referred to as the “Forms and Directions”)

(xi) Referential materials²

(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 Utilization Airport Operation Act and the Basic Policy, as well as the following related laws, regulations, etc.:

A) Laws and regulations

- i) Airport Act (Act No. 80 of 1956)
- ii) Civil Aeronautics Act (Act No. 231 of 1952)
- iii) Act on Prevention of Damage caused by Aircraft Noise in Areas around Public Airports (Act No. 110 of 1967; hereinafter referred to as the “Noise Prevention Act”)
- iv) Public Finance Act (Act No. 34 of 1947)
- v) Public Accounting Act (Act No. 35 of 1947)
- vi) National Property Act (Act No. 73 of 1948)
- vii) City Planning Act (Act No. 100 of 1968)
- viii) Building Standards Act (Act No. 201 of 1950)
- ix) Parking Lot Act (Act No. 106 of 1957)
- x) Act on Promotion of Smooth Transportation, etc., of Elderly Persons, Disabled Persons, etc. (Act No. 91 of 2006)
- xi) Fire Service Act (Act No. 186 of 1948)
- xii) Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970)
- xiii) Industrial Safety and Health Act (Act No. 57 of 1972)
- xiv) Air Pollution Control Act (Act No. 97 of 1968)
- xv) Act on the Rational Use, etc., of Energy (Act No. 49 of 1979)
- xvi) Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991)

² With regard to subcontractors that received an order by the State in fiscal 2017 for the “design for constructing the Kumamoto Airport annex building for domestic flights” and the “design business & technical collaboration business for constructing the Kumamoto Airport annex building for domestic flights”, the State has set out an obligation for each subcontractor to disclose any materials and information (including but not limited to design documents, application plans and complete books of the Annex Building Facilities) in a timely and appropriate manner at the request of the State concerning the Annex Building Facilities (meaning the Annex Building Facilities defined in Part2.1(7)B)a)i); the same shall apply hereinafter), during or even after the termination of the effective period of the relevant agreement, regardless of whether they participate in the bidding. In addition, the State intends to impose the same obligation of information disclosure on constructors of the Annex Building Facilities and other subcontractors with which the State will directly enter into an agreement concerning the Annex Building Facilities. The State will disclose the information in a timely and appropriate manner to applicants in the bidding.

- xvii) Construction Material Recycling Act (Act No. 104 of 2000)
- xviii) Waste Management and Public Cleansing Act (Act No. 137 of 1970)
- xix) Construction Business Act (Act No. 100 of 1949)
- xx) Labor Standards Act (Act No. 49 of 1947)
- xxi) Working Environment Measurement Act (Act No. 28 of 1975)
- xxii) Pneumoconiosis Act (Act No. 30 of 1960)
- xxiii) Act on the Improvement of Employment of Construction Workers (Act No. 33 of 1976)
- xxiv) Road Act (Act No. 180 of 1952)
- xxv) Road Traffic Act (Act No. 105 of 1960)
- xxvi) Road Transportation Act (Act No. 183 of 1951)
- xxvii) Road Transport Vehicle Act (Act No. 185 of 1951)
- xxviii) Erosion Control Act (Act No. 29 of 1897)
- xxix) Landslide Prevention Act (Act No. 30 of 1958)
- xxx) Water Supply Act (Act No. 177 of 1957)
- xxxi) Sewerage Act (Act No. 79 of 1958)
- xxxii) Forest Act (Act No. 249 of 1951)
- xxxiii) Basic Environment Act (Act No. 91 of 1993)
- xxxiv) Nature Conservation Act (Act No. 85 of 1972)
- xxxv) Noise Regulation Act (Act No. 98 of 1968)
- xxxvi) Vibration Regulation Act (Act No. 64 of 1976)
- xxxvii) Soil Contamination Countermeasures Act (Act No. 53 of 2002)
- xxxviii) Act on Protection of Cultural Properties (Act No. 214 of 1950)
- xxxix) Electricity Business Act (Act No. 170 of 1964)
- xl) Radio Act (Act No. 131 of 1950)
- xli) High Pressure Gas Safety Act (Act No. 204 of 1951)
- xlii) Survey Act (Act No. 188 of 1949)
- xliii) Security Services Act (Act No. 117 of 1972)
- xliv) Basic Act on Disaster Control Measures (Act No. 223 of 1961)
- xlv) Other related laws and regulations

B) Conventions and treaties

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

iii) Other related conventions and treaties

C) Prefectural ordinances

- i) Kumamoto Prefectural Ordinance of the Building Standards Act (Kumamoto Prefectural Ordinance No. 38 of 1971)
- ii) Kumamoto Prefectural Detailed Rules for Enforcement of the Building Standards Act (Kumamoto Prefectural Rules No. 37 of 1979)
- iii) Kumamoto Prefectural Ordinance on Promotion of Independence of Seniors, Disabled Persons, etc., and Their Participation in Social Activities (Kumamoto Prefectural Rules No. 16 of 1995)
- iv) Kumamoto Prefectural Ordinance on Outdoor Advertisements (Kumamoto Prefectural Ordinance No. 66 of 1964)
- v) Kumamoto Prefectural Ordinance on Townscapes (Kumamoto Prefectural Ordinance No. 7 of 1987)
- vi) Kikuyō City Ordinance on Beautiful Community Development (Kikuyō City Ordinance No. 38 of 2000)
- vii) Kumamoto Prefectural Ordinance on the Protection of Cultural Properties (Kumamoto Prefectural Ordinance No. 48 of 1976)
- viii) Mashiki City Ordinance on the Protection of Cultural Properties (Mashiki City Ordinance No. 21 of 1976)
- ix) Kikuyō City Ordinance on the Protection of Cultural Properties (Kikuyō City Ordinance No. 16 of 1978)
- x) Kumamoto Prefectural Ordinance for the Preservation of the Living Environment (Kumamoto Prefectural Ordinance No. 23 of 1969)
- xi) Ordinance for Providing for Effluent Standards pursuant to the Provisions of Article 3, paragraph (3) of Water Pollution Prevention Act (Kumamoto Prefectural Ordinance No. 63 of 1972)
- xii) Kumamoto Prefectural Ordinance on Prevention and Coordination of Disputes Concerning Establishment of Industrial Waste Disposal Facilities, etc., (Kumamoto Prefectural Notice No. 389 of 1993)
- xiii) Kumamoto Prefectural Industrial Waste Guidance (Kumamoto Prefectural Notice No. 388 of 1993)
- xiv) Mashiki City Ordinance on Waste Disposal and Cleaning (Mashiki City Ordinance No. 23 of 2008)
- xv) Kikuyō City Ordinance on Waste Disposal and Cleaning (Kikuyō City Ordinance No. 16 of 1997)

xvi) Other related prefectural or city ordinances, etc.

D) Standards to be referred to

- i) Commentary on Standards for Construction of Airport Civil Works Facilities
- ii) Standard Specifications for Airport Civil Works, Standard Specifications for Aeronautical Lights and Power Facility Works, Standard Specifications for Power Generating Devices, and the standards, directions, guidelines, etc., referred to within them
- iii) Guidelines on the Maintenance and Administration of Facilities in Airports, Guidelines on the Implementation of Construction Works in Restricted Areas, Guidelines on the Implementation of Snow Removal
- iv) Air Transport Security Operation Rules
- v) Aircraft Noise Measurement and Assessment Manual
- vi) Standards on Establishment of Airport Security Control Regulations (Safety Part)
- vii) Guidelines on Airport Security Control Regulations (Safety Part)
- viii) Guidelines on Airport Operations
- ix) Standards for Improving a Fire-Fighting and Rescue System in Airports
- x) Guidelines on Handling Safety Information
- xi) Standards for Providing a Safety Management System in Airports
- xii) Kumamoto Prefectural Townscape Plan
- xiii) Basic Plan Concerning Townscape Formation around Kumamoto Airport
- xiv) Regional Disaster Plans (those established by relevant local governments)
- xv) Plan Concerning Specific Countermeasures and Activities against Nankai Trough Earthquake
- xvi) Initiative on Wide-Area Disaster Prevention Bases in Support of Kyushu
- xvii) Airport Development Reference Manual
- xviii) Guidelines on Barrier-Free Facilities (for Passenger Facilities)
- xix) Guidelines on Eco Airports (for Airport Environment)
- xx) Guidelines for Providing Smooth Movement, etc., by Public Transportation
- xxi) Other related standards, circular notices, etc.

E) Others

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

(6) Project period

A) The period of the Project

The period of the Project is the period in which the Operating Right Holder carries out the Airport Operating Business based on the Operating Right (hereinafter referred to as the “Airport Operating Business Period”) and the period in which the Operating Right Holder carries out the Building Facilities Business (hereinafter referred to as the “Building Facility Business Period”) after its acquisition of the shares issued by the Building Facility Operator (hereinafter referred to as the “Building Facility Operator Shares”), prior to the implementation of the Airport Operating Business.

The Airport Operating Business Period means the period from the date of commencement of the Airport Operating Business upon fulfillment of the conditions precedent to the commencement as set out in the Project Agreement (hereinafter referred to as the “Airport Operating Business Commencement Date”) until the day preceding the 33rd anniversary of the date the Operating Right was granted (hereinafter referred to as the “Operating Right Establishment Date”), or if the Airport Operating Business Period is extended pursuant to Part 2.1(6)B, until the date of expiration of such extended period (hereinafter referred to as the “Airport Operating Business Expiration Date”).

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

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

B) Extension of the Airport Operating Business Period

If the Operating Right Holder notifies the State of its desire to extend the Airport Operating Business Period by the date four years prior to the Airport Operating Business Expiration Date, the Airport Operating Business Period may be extended for a period stipulated by the Operating Right Holder that is no longer than fifteen years and is within the limit specified in Part 2.1(6)C (such extension of the period is hereinafter referred to as the “Option Extension”). The Option Extension may be made only once so it is not permissible, for example, to request for another extension of five more years after

requesting an extension of ten years.

Furthermore, aside from the Option Extension above, if any of the events set out in the Project Agreement occurs, the Operating Right Holder may request that the State extend the Airport Operating Business Period. In this case, if the State finds that it is necessary for the Operating Right Holder to recover the damage, additional expenses, etc., incurred by the Operating Right Holder due to the occurrence of such event, the Airport Operating Business Period may be extended, upon consultation between the State and the Operating Right Holder, for a period agreed upon by both parties within the limit specified in Part 2.1(6)C (such extension of the period is hereinafter referred to as the “Agreed Extension”). To avoid misunderstanding, the Agreed Extension may be made more than once.

C) The duration of the Operating Right

The duration of the Operating Right (hereinafter referred to as the “Initial Duration of the Operating Right”) shall be the period from the Operating Right Establishment Date until the day preceding the 33rd anniversary thereof.

The duration of the Operating Right shall not be beyond the day preceding the 58th anniversary of the Operating Right Establishment Date, including where the Airport Operating Business Period, etc., is extended (this limit shall be recorded on the registry of the Rights to Operate a Public Facilities, etc.)³.

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

(7) Project methods

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

The Preferred Negotiation Right Holder who has been selected through the procedure stipulated in Part 3.2 and has entered into the Basic Agreement (meaning the Basic Agreement defined in Part 3.2 (8); the same shall apply hereinafter) with the State shall incorporate an 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 the Operating Right (meaning the Facilities Subject to the Operating Right in Part 5.1; the same shall apply hereinafter) and the SPC shall become the Operating Right Holder. The Operating Right Holder shall enter into the Project Agreement with the State,

³ For example, if the Operating Right Establishment Date is May 1, 2019, the date of expiration of the Initial Duration of the Operating Right shall be April 30, 2052, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than April 30, 2077.

and, by the Airport Operating Business Scheduled Commencement Date (as defined in the Project Agreement (draft)), shall complete the succession of the businesses and acquire the movables required for the implementation of the Project (hereinafter referred to as the “Assets for Transfer to the Operating Right Holder” and agreements relating to such transfer are hereinafter referred to as the “Goods Transfer Agreement”).

Some of the parking facilities will have been owned and operated by the parking facility operator as of the Operating Right Establishment Date and will be included in the Facilities Subject to Operating Right 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 Facilities

a) Overview of the Building Facilities

- i) The State will construct new building facilities for domestic passenger flights (hereinafter referred to as the “Annex Building Facilities”) in the Airport Site by around the end of 2019. In line with this plan, the State intends to transfer the Annex Building Facilities to the Operating Right Holder with charge on the date on which the construction of the Annex Building Facilities is completed or a date designated by the State.
- ii) The State shall request that the Operating Right Holder remove the Current Domestic Flight Building Facilities and construct new building facilities for both domestic and international passenger flights in the Airport Site (including the former site of the Current Domestic Flight Building Facilities) (hereinafter referred to as the “New Building Facilities”) and then commence the service operation during fiscal 2022.⁴
- iii) The Current Building Facilities, the Annex Building Facilities and the New Building Facilities, and the Cargo Building Facilities are collectively referred to as the “Building Facilities.”

b) Current Building Facilities and Building Cargo Facilities

The Operating Right Holder who has entered into the Project Agreement shall acquire the Building Facility Operator Shares from the shareholders (hereinafter referred

⁴ Following the commencement of the service operation of the New Building Facilities, only if the Operating Right Holder does not desire to convert the Current International Flight Building Facilities to a different use, the State will request that the Operating Right Holder remove the current International Flight Building Facilities at the cost of the Operating Right Holder (however, excluding costs relating to the removal of customs, immigrations and quarantine in the Current International Flight Building Facilities (hereinafter referred to as the “CIQ Facilities”)). As to the removal, an agreement will be entered into in an appropriate manner under the Public Accounting Act, etc. In addition, the Operating Right Holder is not allowed to use the Current International Flight Building Facilities in a way that an unspecified large number of people would have access thereto for the period after the commencement of the service operation of the New Building Facilities until said removal is performed.

to as the “Building Facility Operator Shareholders”) by the Building Facility Business Scheduled Commencement Date (as defined in the Project Agreement (draft)).

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

Please note that since this is made through the transfer of the shares, the agreements, etc., entered into by the employees of the Building Facility Operator and the Building Facility Operator will be succeeded unless the circumstances are exceptional.⁵

c) Annex Building Facilities

With regard to the Annex Building Facilities, a sales agreement will be concluded between the State (“seller”) and the Operating Right Holder (“buyer”) (hereinafter referred to as the “Annex Building Facilities Transfer Agreement”). The Annex Building Facilities will then be transferred from the State to the Operating Right Holder with charge on the date on which the construction of the Annex Building Facilities is completed or a date designated by the State.⁶

The Annex Building Facilities are expected to include only basic facilities and equipment necessary to function as a passenger building facility. Therefore, the Operating Right Holder will secure a site for future functional expansion in a zone of the Airport Site near the Annex Building Facilities so that various facilities such as retail stores, restaurants and offices will be operated therein before the service operation of the New Building Facilities.

⁵ Even after the acquisition of the Building Facility Operator Shares, the Operating Right Holder shall continuously hire employees of the Building Facility Operator and its subsidiaries under conditions that do not substantially fall below the employment conditions concluded at the time of acquisition of said shares, unless the circumstances are exceptional. In addition, when the Operating Right Holder modifies the employment conditions of employees of the Building Facility Operator and its subsidiaries after the acquisition of the Building Facility Operator Shares, applicable labor-related laws and regulations must be complied with.

⁶ The Operating Right Holder shall obtain a license with charge from the State for accessing the site of the Annex Building Facilities for a period from the day on which the Annex Building Facilities are transferred to the day preceding the Airport Operating Business Commencement Date.

d) New Building Facilities

The State shall request that the Operating Right Holder remove the Current Domestic Flight Building Facilities and then construct the New Building Facilities in the Airport Site (including the former site of the Current Domestic Flight Building Facilities) in expectation of the commencement of the service operation during fiscal 2022.

C) Treatment of the Building Facilities

In order to secure a preferred right of the State to purchase 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 for the Current Building Facilities and the Cargo Building Facilities, after the transfer of the Annex Building Facilities from the State to the Operating Right Holder and without delay, or after the completion of the New Building Facilities and without delay, or have the Building Facility Operator, enter into a purchase option agreement concerning the relevant 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 Operating Right Holder or 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 their own expense. 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 the Operating Right to the State, or a third party designated by the State, on the Airport Operating Business Expiration Date or on a later day designated by the State.

In addition, the State or a third party designated by the State may purchase, at market value, any asset which is held by the Operating Right Holder or its subsidiary

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

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

With respect to the Airport Site, etc. (as defined in Part 2.1(10)A)(ii)i), the National Property Free Lease Agreement shall be terminated on the Airport Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site, etc., at its own expense and transfer them to the State or a third party designated by the State. However, if any asset to be purchased by the State or a third party designated by the State existing on the Airport Site, 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 and for ensuring that the Project is smoothly succeeded by the State, etc. Any personnel expenses and other related costs incurred for such handover by the Operating Right Holder, the State or a third party designated by the State shall be borne individually.

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

The Operating Right Holder may, or may have the Building Facility Operator, set usage fees and collect them as income at their respective discretion as follows: (i) with respect to the landing fees, etc. (Article 13, paragraph (1) of the Airport Act) stipulated in Article 2, paragraph (5), item (i) of the Private Utilization Airport Operation Act and the fees for using the airport air navigation facilities stipulated in Article 2, paragraph (5), item (ii) of the Private Utilization 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 and others for using the facilities, the procedures under the related laws and regulations stated in Part 2.1(5) shall be followed; and (iii) with respect to other fees pertaining to the Project, it shall be confirmed that it is not prohibited by laws, regulations, etc., to collect these fees as its own income.

(9) Bearing of costs for the Project

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

(10) Scope of the Project⁷

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. During the Project Period the Operating Right Holder may, or may have the Building Facility Operator, entrust or give a contract to a third party (including the Operating Right Holder's Subsidiary, etc.), with prior notice to the State, to carry out any business included in the Project except for entrusting prohibited businesses set out in the Project Agreement.

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

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

(i) Basic airport facilities, etc., activities

i) Maintenance and administration of basic airport facilities etc.

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

⁷ See the Application Guidelines, etc., for the allocation of activities between the State and the Operating Right Holder at the Airport (draft) concerning the Airport Operating Business.

- ii) Operation of the basic airport facilities, etc.
 - ✓ Operation of the runways, landing strip, taxiways, aprons, etc.
 - ✓ Operation of the roads in the Airport, water and sewage facilities, rainwater drainage facilities, etc.
 - ✓ Research on snow and ice, snow removal on the runways, taxiways, aprons, etc.
 - ✓ Research on ash fall, fallen ash removal on the runways, taxiways, aprons, etc.
 - ✓ Administration and checkup of the surfaces of the runways, taxiways, aprons, etc. (including operation of the spots and checkup of the runways)
 - ✓ Safety management of the restricted zones
 - ✓ Administration of obstacles (including administration of the restricted surfaces and monitoring of new developments in the areas surrounding the Airport)
 - ✓ Security of the Airport (including walk-around checks and monitoring by devices)
 - ✓ Ridding of birds and animals
 - ✓ Firefighting in the Airport
 - ✓ Rescue in the Airport
 - iii) Setting of the landing fees, etc., and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 8, paragraph (2) of the Private Utilization Airport Operation Act and Article 12 of the Airport Act), as well as collection of the fees⁸
- (ii) Airport Site, etc., administration activities
- i) Administration of the Airport Site of the Airport and the incidental facilities notified under Article 46 of the Civil Aeronautics Act (hereinafter collectively referred to as the “Airport Site, etc.”)

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

⁸ For the following cases, the landing fees, etc., shall not be collected.

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

item (ii) of the Private Utilization Airport Operation Act)⁹

- i) Maintenance and administration of the airport air navigation facilities
 - ✓ Maintenance and administration (repair, replacement, improvement, maintenance, etc.) of aeronautical lights, as well as incidental power facilities and machine facilities
- ii) Operation of the airport air navigation facilities
 - ✓ Operation of the aeronautical lights, as well as incidental power facilities and machine facilities
- iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 7, paragraph (3) of the Private Utilization Airport Operation Act, Article 54 of the Civil Aeronautics Act), as well as collection of the fees

C) Environmental measures business

- i) The following businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilization Airport Operation Act)
 - ✓ Development and maintenance of green zones and other buffer zones¹⁰
 - ✓ Subsidizing soundproofing work for schools, etc., and subsidizing soundproofing work for residential homes (Articles 5 of the Noise Prevention Act)
 - ✓ Subsidizing soundproofing work for residential homes (Articles 8-2 of the Noise Prevention Act)¹⁰
 - ✓ Subsidizing joint use facilities (Article 6 of the Noise Prevention Act)
 - ✓ Compensation for relocation (Article 9, paragraph (1) of the Noise Prevention Act), purchase of land (Article 9, paragraph (2) of the Noise Prevention Act) and administration of the purchased land (Article 9, paragraph (3) of the Noise Prevention Act),^{10 11} as well as compensation

⁹ Includes maintenance, administration and operation of the aeronautical lights installed by the State outside of the Airport Site with titles of use from third parties. The State shall ensure that titles of use for the operation are being maintained.

¹⁰ The Operating Right Holder shall carry out environmental measures business within the scope of the noise control area in accordance with the Noise Prevention Act. However, in the case that the noise prevention area is revised due to a change of airport operation through a management decision of the Operating Right Holder or other circumstantial change, it shall carry out environmental measures business in the revised noise control area. It should also be noted that because the Category 2 Area and Category 3 Area were declassified through the revision of the noise control area (effective on October 1, 2013), presently, there is no land that is subject to development and maintenance of green zones and other buffer zones, compensation for relocation or purchase.

¹¹ In the case that the noise prevention area is revised during the Airport Operating Business period due to a change of airport operation through a management decision of the Operating Right Holder or other circumstantial change, and the Operating Right Holder purchases land pursuant to Article 9, paragraph (2) of the Noise Prevention Act after a Category 2 Area or higher is designated, the Operating Right Holder shall promptly transfer the land to the State without charge. Any expenses incurred for such transfer shall be borne by

for loss (Article 10, paragraph (1) of the Noise Prevention Act)

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

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

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

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

- (i) Establishment, etc., of regulations

- i) Establishing airport service regulations, publishing the regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 8, paragraph (2) of the Private Utilization Airport Operation Act and Article 12 of the Airport Act)^{12, 13}

- ii) Establishing airport security control regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 7, paragraph (2) of the Private Utilization Airport Operation Act and Article 47-2 of the Civil Aeronautics Act)¹⁴

- (ii) Airport Site, etc., lease business¹⁵

- i) Lease of the land and constructions, etc., on the land to the State, or a person designated by the State, without rent

- ii) Lease of the land and constructions, etc., on the land to a person designated

the Operating Right Holder. In principle, the land shall be cleared to be vacant at the time of transfer. After the transfer, the land shall be managed by the Operating Right Holder.

¹² The Ordinance on Airport Administration (Ordinance of the Ministry of Transport No. 44 of 1952) does not apply to the Project on and after the Airport Operating Business Commencement Date (Article 4 of the Ordinance for Enforcement of the Act on Operation of National Airports Utilizing Skills of the Private Sector (Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism No. 63 of 2013)). However, the Operating Right Holder is required to include the matters required by the Required Standards Document (which shall be similar to those stipulated by the Ordinance on Airport Administration) in airport service regulations.

¹³ If the Operating Right Holder intends to change the operating hours of the Airport, it shall do so upon consultation with the relevant government organizations, relevant local governments, etc.

¹⁴ The Operating Right Holder is required to establish airport security control regulations including the matters required by the Required Standards Document.

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).

- by the State, with rent
- iii) Lease of the land and constructions, etc., on the land to other third parties¹⁶
- (iii) Parking facility business
- i) Maintenance and administration of the parking facilities
 - ii) Operation of the parking facilities
- (iv) Bearing of costs for preventive measures against aircraft hijacking, etc.
- i) The responsibility of the State to pay half of the cost incurred for security inspection devises and the security inspection based on the “Outline of Preventive Measures Against Hijacking etc.” (decided by the Cabinet on August 31, 1973) shall be assumed by the Operating Right Holder in accordance with the required standards.
- (v) Attendance at the Council (Article 8, paragraph (1) of the Private Utilization Airport Operation Act)
- i) The Operating Right Holder shall be a member of the statutory council (meaning the Council on Improving Convenience of Kumamoto Airport Users, which is established pursuant to Article 14 of the Airport Act; the same shall apply hereinafter). When the State notifies the Operating Right Holder that a consultation under Article 14, paragraph (1) of the Airport Act or Article 47-3 of the Civil Aeronautics Act will be held, the Operating Right Holder shall attend the consultation unless it has due reasons not to do so (Article 14, paragraph (4) of the Airport Act). With regard to the matters which have been agreed upon through the consultation with the statutory council, the Operating Right Holder shall respect the outcomes of the consultation (Article 14, paragraph (6) of the Airport Act).
 - ii) The Operating Right Holder shall obtain the understanding and cooperation of people living around the Airport to ensure smooth airport operation. When the State or Kumamoto Prefecture sets a meeting to discuss the airport operation,

¹⁶ This business may be carried out by the Operating Right Holder at its own discretion. If the Operating Right Holder intends to enter into a new lease agreement concerning the Airport Site with a third party, it shall submit to the State an application for approval for subleasing as well as a written pledge and a list of officers of the sublessee, and obtain approval from the State. The State will approve the subleasing, except in special circumstances, as long as the Operating Right Holder intends to carry out the necessary businesses or services in compliance with related laws and regulations without interfering with airport functions or violating public policy, including where the purpose of using the land is to carry out amusement businesses or other similar businesses or to construct an office of an organized crime group or other similar building.

environmental issues around airports and other related concerns, the Operating Right Holder shall attend such meeting.

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

For the selection of the Preferred Negotiation Right Holder by the State, the applicants (meaning the applicants specified in Part 3.3(1)(i); the same shall apply hereinafter) shall propose the details of the implementation of the following businesses and services. The State shall set out the obligations of the Operating Right Holder in the Project Agreement and the required standards based on the details proposed by the applicant selected as the Preferred Negotiation Right Holder.

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

Businesses to produce an effect equal to or more favorable than that has been realized by the businesses carried out by the Airport Environment Improvement Foundation, a general incorporated foundation, as of the day preceding the Airport Operating Business Commencement Date.

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

Businesses to be carried out in cooperation with the State, the relevant local governments and other related bodies for enhancing the air transport networks and aviation demand.

(iii) Cooperation on achieving the future vision of the airports in Kumamoto Prefecture¹⁷

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

¹⁷ Meaning the businesses stated in “Large Airport Design Next Stage (Kumamoto Urban Area Eastern Part Grand Design)” (December 2016, Kumamoto Prefecture)

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.¹⁸

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

(i) Passenger Building Facility business¹⁹

i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the passenger building facility business including the following activities:

- ✓ Handling passengers
- ✓ Leasing the facilities to Air Carriers
- ✓ Leasing the facilities to tenants
- ✓ Leasing the customs, immigration and quarantine facilities²⁰
- ✓ Security
- ✓ Leasing the facilities for bus stops, taxi stands, station polls, etc.
- ✓ Other operating activities of the Passenger Building Facilities
- ✓ Maintenance and administration of the Passenger Building Facilities
- ✓ In the case of setting the passenger (service) facility charge, obtaining approval for the upper limit from the Minister of Land, Infrastructure, Transport and Tourism (Article 16, paragraph (1) of the Airport Act), setting the passenger (service) facility charge within the upper limit and notifying the Minister of Land, Infrastructure, Transport and Tourism (Article 16, paragraph (3) of the Airport Act), as well as collecting the charge

ii) The Operating Right Holder shall assume the obligation to independently perform the business regarding the construction of the New Building Facilities

¹⁸ In the case that an administrator of Amakusa Airport intends to have another party carry out the operation of Amakusa Airport, the Operating Right Holder may conduct negotiations with said administrator. No such plan is proposed at this moment.

¹⁹ With regard to the business relating to the Annex Building Facilities after the commencement of the service operation of the New Building Facilities, when the Annex Building Facilities continue to be used as the Passenger Building Facilities, the business is considered as the Passenger Building Facilities (Part 2.1.(10)E)(i) during the relevant period. In other cases, it is considered as the optional business in the Airport Site (Part 2.1.(10)E)(iv)i).

²⁰ The CIQ Facilities leasing business is not created because sectional ownership is set for the CIQ Facilities of the Current International Flights Building Facilities.

including the following activities:

- ✓ Inspection
 - ✓ Design
 - ✓ Work supervision
 - ✓ Application
- iii) The Operating Right Holder may, or may have the Building Facility Operator, provide services including the following activities in the Passenger Building Facilities at its own discretion.
- ✓ Operating directly-managed stores and incidental mail order sales (meaning the Mail Order Sales stipulated in Article 2, paragraph (2) of the Act on Specified Commercial Transactions (Act No. 57 of 1976))
 - ✓ Administrative agency service for air transport companies
 - ✓ Advertising
 - ✓ Operating special waiting rooms and pay waiting rooms (conference rooms)
 - ✓ Lounge service
 - ✓ Event service
 - ✓ Hotel business
 - ✓ Investment in the 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 including the following activities:
- ✓ Handling cargo
 - ✓ Leasing the facilities to Air Carriers
 - ✓ Security
 - ✓ Other operating activities of the Cargo Building Facilities
 - ✓ Maintenance and administration of the Cargo Building Facilities
- ii) The Operating Right Holder may, or may have the Building Facility Operator, provide services including the following activities in the Cargo Building Facilities at its own discretion:
- ✓ Distribution processing service
 - ✓ Administrative agency service for air transport companies

- ✓ Loading and unloading service
- ✓ Investment in the Cargo Building Facilities

(iii) Aircraft fueling service business

- i) The Operating Right Holder shall assume the obligation to carry out the following business after the Airport Operating Business Commence Date.²¹
- ✓ Selling fuels for and fueling aircraft and automobiles, as well as selling petroleum products, etc.

(iv) Optional businesses in the Airport Site

- i) Any business that the Operating Right Holder considers necessary and voluntarily carries out in the Airport Site (excluding those specified in Part 2.1.(10)E(i)iii) and (ii)ii)²²

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

The Operating Right Holder must place the greatest priority on securing the safety of air transport among all the activities in the course of providing the Airport Operation. The State shall establish required standards for ensuring that the Operating Right Holder conducts the operating businesses contributing to the safety of air transport, properly carries out the maintenance and administration businesses, properly implements the environmental measures business, and carries out investments contributing to improve the convenience of airport users. Please note that regarding the matters concerning the services in “V. Required Standards for Passenger Building Facility Business and Cargo Building Facility Business” and “IV-1. Required Standards for Parking Facility Business” in the table below, the State shall set out the minimum necessary matters in advance, and their details shall be set out with reflecting the matters proposed by the applicant who has been selected as the Preferred Negotiation Right Holder in the required standards. The same manner shall be applied to the matters concerning “IV-3. Required Standards for Businesses and Services for Symbiotic Relationship with Local Communities”, “IV-4. Required Standards for Businesses and Services for Promoting the Use of the Airport”, “IV-5. Required Standards for Achieving the Future Vision of the Airports in Kumamoto Prefecture” and “V-2. Required Standards for the Development of the New Building Facilities.”

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

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

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

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

D)	✓ IV. Other incidental businesses	✓ Required standards for establishing airport service regulations	(Included in II-2.)
		✓ Required standards for establishing airport security control regulations (safety and security parts)	(Included in II-3 and II-4.)
		✓ Required standards for parking facility business	IV-1. Required Standards for Parking Facility Business
		✓ Required standards for cost bearing for preventive measures against aircraft hijacking, etc.	IV-2. Required Standards for Cost Bearing of Aviation Security Measures
		✓ Required standards for businesses for a symbiotic relationship with local communities	IV-3. Required Standards for Businesses for a Symbiotic Relationship with Local Communities
		✓ Required standards for businesses for promoting the use of the Airport	IV-4. Required Standards for Businesses for Promoting the Use of the Airport
		✓ Required standards for achieving the future vision of the airports in Kumamoto Prefecture	IV-5. Required Standards for Achieving the Future Vision of the Airports in Kumamoto Prefecture
E)	V. Building Facilities Business	✓ Required standards for the passenger building facility business and the cargo building facility business	V-1. Required Standards for Passenger Building Facility Business and Cargo Building Facility Business
		✓ Required standards for the development of the New Building Facilities	V-2. Required Standards for the Development of the New Building Facilities

- (12) Rights and assets, etc., to be obtained and succeeded by the Operating Right Holder
- A) Assets to be obtained by the Operating Right Holder prior to the Building Facility Business Commencement Date
- (i) Building Facility Operator Shares
- The shares issued by the Building Facility Operator (See Part 2.1.(7)B)b))

- B) Rights and assets to be obtained and succeeded by the Operating Right Holder prior to the Airport Operating Business Commencement Date
 - (i) Operating Right
 - The rights to be created on the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking facilities, water and sewage facilities, rainwater drainage facilities, bridges, water sources for fire defense, fences surrounding the Airport, garages for fire engines, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others
 - (ii) Rights to use the Airport Site etc.
 - The rights to use the Airport Site, etc., under the National Property Free Lease Agreement
 - (iii) Assets for Transfer to the Operating Right Holder
 - The Assets for Transfer to the Operating Right Holder necessary for operating the businesses (including fire engines, etc.)
 - (iv) Annex Building Facilities²³
 - Annex Building Facilities

- (13) Treatment of replacement investment, etc.
 - A) Treatment of replacement investment, etc., for the Facilities Subject to Operating Right
 - The Operating Right Holder may, at its own discretion, carry out maintenance on and administration (replacement investment) of the Facilities Subject to Operating Right 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 changes²⁴ stipulated in Article 43 of the Civil Aeronautics Act, it shall

²³ Although the Annex Building Facilities are to be transferred with charge from the State to the Operating Right Holder by the Airport Operating Business Commencement Date, such transfer itself would not be a prerequisite to the commencement of the Airport Operating Business.

²⁴ It refers to one or more of the following changes regarding the Facilities Subject to Operating Right:

- (i) Change falling under “change in the length, width or strength of a runway or landing strip” with the provision of Article 85, Paragraph (1), Item (c) of the Ordinance for Enforcement of the Civil Aeronautics Act (Ordinance of the Ministry of Transport No. 56 of 1952)
- (ii) Change falling under “change in the width or strength of a taxiway” with the provision of Article 85, Paragraph (1), Item (d) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (iii) Change falling under “extension of or change in the strength of an apron” with the provision of Article 85, Paragraph (1), Item (e) of the Ordinance for Enforcement of the Civil Aeronautics Act or downsizing of an apron (“extension of an apron” used in this section includes additional installation of an apron)
- (iv) “Change falling under “alteration of lamp quality, light intensity or range of anode light” regarding

obtain prior approval of the State. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities Subject to Operating Right.

- The State may carry out maintenance and administration (replacement investment) on the Facilities Subject to Operating Right if the State determines such maintenance and administration is necessary on public interest grounds.
- Any of the Facilities Subject to Operating Right for which maintenance and administration (replacement investment) has been carried out by the State or the Operating Right Holder shall belong to the State and the operation, etc., of the facility shall be carried out by the Operating Right Holder.

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

- The Operating Right Holder may, at its own discretion, carry out investment (not limited to maintenance and administration (replacement investment)) for the Non-Operating Right Facilities (as defined in Part5.1) as long as they meet the required standards in general.²⁵

(14) Planning and reporting

A) Planning

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

B) Reporting

aeronautical lights with the provision of Article 120, Paragraph (1) of the Ordinance for Enforcement of the Civil Aeronautics Act

- (v) “Change falling under “alteration of the layout and combination of lights” regarding aeronautical lights with the provision of Article 120, Paragraph (2) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (vi) “Change falling under “alteration of the structure or circuits of control unit or of constant current circuits (limited to such cases where the circuits may affect the light quality, intensity, or other optical properties of lights)” regarding aeronautical lights with the provision of Article 120, Paragraph (3) of the Ordinance for Enforcement of the Civil Aeronautics Act
- (vii) Change falling under “additional installation of control unit or additional installation of power supply facilities” regarding aeronautical lights with the provision of Article 120, Paragraph (4) of the Ordinance for Enforcement of the Civil Aeronautics Act

²⁵ However, when the Operating Right Holder, or the Building Facility Operator, carries out work on the Building Facilities requiring rearrangement or the new construction of the CIQ Facilities, prior approval of the State shall be obtained for such work.

- During the Airport Operating Business Period, the Operating Right Holder shall prepare the reports, etc., set out in the Project Agreement and submit them to the State.
- (15) Dispatch, etc., of personnel from the State to the Operating Right Holder in relation to the Airport Operating Business

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

- Air traffic services flight information officers
 - Aeronautical light and electrical engineers
 - Facility operation administration officers (officers for civil engineering and for machines)
 - Personnel for security and disaster prevention
 - Personnel for environmental measures
- (16) Considerations for the Operating Right, etc., of the Project to be paid by the Operating Right Holder

The Operating Right Holder shall pay the following consideration:

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

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

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

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

With regard to consideration (iv) above, the Operating Right Holder shall make a lump-sum payment to the State of the consideration by the date designated by the State after the execution of the Project Agreement. The State shall set 0 yen as the minimum amount to be proposed for the consideration and only accept a proposal for an amount more than said amount.

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

2. Selection methods for a Qualified Project

(1) Selection criteria

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

(2) Announcement of selection results

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

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

Part 3. Invitation and selection of a private business operator

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

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

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

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

(1) Establishment of the Screening Committee

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (such selection is hereinafter referred to as the “First Screening”) and selecting a Preferred Negotiation Right Holder, etc. (hereinafter referred to as the “Second Screening”), the State shall establish a screening committee composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations stipulated in Article 11 of the PFI Act and shall hear the opinions of the Screening Committee about the Selection Criteria for the Preferred Negotiation Right Holder, the details of these evaluations and other related matters.

The members of the Screening Committee shall be disclosed at the time of publication of the Application Guidelines, etc.²⁶ and the meetings of the Screening Committee shall not be available to the public.

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

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

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

²⁶ The plan is to appoint several members for the Screening Committee, including one representative from the State and one from Kumamoto Prefecture.

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

(i) Receipt of questions

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

(ii) Publication of answers

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

(4) First Screening

(i) Receipt of the First Screening Documents

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

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

(ii) First Screening methods

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the requirements specified in Part 3.3 (2) through to (4) based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder.

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

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

(iii) Notice of First Screening results

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

(5) Holding of a competitive dialogue etc.

Once the First Screening has been completed, the State will hold a competitive dialogue, etc., with the Second Screening Participants prior to submission of the Second

Screening Documents and adjust the Project Agreement, the required standards, and other necessary matters based on the outcomes of the dialogue.

The competitive dialogue, etc., will be held as follows:

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

(6) Second Screening

(i) Receipt of the Second Screening Documents

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

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

(ii) Second Screening methods

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

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

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

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

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

relevant administrative agencies.

(iv) Notice of Second Screening results

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

(7) Announcement of screening results

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

(8) Execution of the Basic Agreement

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

If the Basic Agreement is not promptly entered into with the Preferred Negotiation Right Holder, or it becomes apparent after the execution of the Basic Agreement that the Project Agreement will not be entered into, the State may perform the procedure for entering into the Basic Agreement with the second negotiation right holder (in accordance with the order of priority determined in the Second Screening) as the Preferred Negotiation Right Holder. Please note that the State in general will not accept any further amendments to the Basic Agreement (draft) which is amended through competitive dialogue.

(9) Incorporation of SPC

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

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

(10) Preparation for operation by the Preferred Negotiation Right Holder

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

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

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

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

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

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

(12) Transfer of the shares and commencement of the Building Facilities Business

The Operating Right Holder shall acquire the Building Facility Operator Shares in accordance with the method of transfer specified in Part 2.1(7)B)b) and commence the Building Facilities Business.

(13) Acquisition of Assets for Transfer to the Operating Right Holder

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

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

submit a written estimate with respect to the target price prepared by the State in accordance with Article 79 of the Order of Budget, Settlement and Accounting (Imperial Ordinance No. 165 of 1947). If the Operating Right Holder has submitted an effective estimate equal to or more than the target price, the State and the Operating Right Holder shall enter into the Goods Transfer Agreement concerning the Assets for Transfer to the Operating Right Holder. The Operating Right Holder shall make a lump-sum payment of the consideration by the day designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

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

(14) Transfer of the Annex Building Facilities

The Operating Right Holder will acquire the Annex Building Facilities on the date on which the construction of the Annex Building Facilities is completed or a date designated by the State.

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. 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 Annex Building Facilities Transfer Agreement concerning the Annex Building Facilities to the Operating Right Holder. The Operating Right Holder shall make a lump-sum payment of the consideration by the day designated by the State in accordance with said agreement and acquire the Annex Building Facilities.

(15) 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, making a lump-sum payment of the consideration to the State for the Operating Right and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder.

(16) Construction of the New Building Facilities

The State will remove the Current Domestic Flight Building Facilities and then construct the New Building Facilities in the Airport Site (including the former site of the Current Domestic Flight Building Facilities) in expectation of the commencement of the service operation during fiscal 2022.

(17) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

The copyrights of the Proposal Documents shall belong to the person who has submitted such Proposal Documents. The State may use the Proposal Documents (including materials and videos distributed at the time of presentations), 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 materials and videos distributed at the time of presentations) as may be necessary.

When the disclosed Proposal Documents 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, 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 proposal details asked during the presentations and the answers to them shall be treated in the same manner.

(18) Cancellation of the bidding and rescission of selection of the Qualified Project

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

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

3. Participation requirements for applicants

(1) Composition of an applicant

- (i) An applicant shall be a single company (hereinafter referred to as the “Applying Company”) or a group composed of multiple companies (hereinafter referred to as the “Consortium”), which plans to carry out the businesses listed in Part 2.1(10).
- (ii) The applicant shall specify the name of the Applying Company or the names of the companies forming the Consortium (hereinafter referred to as the “Consortium Members”) and its role or their respective roles and other related matters in carrying out the Project.
- (iii) If the applicant is a Consortium, it shall specify a company from the Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”), and the Consortium Members shall submit the power of attorney specified in the Forms and Directions and such Representative Company shall conduct the application procedure.
- (iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all Voting Shares (meaning the Voting Shares stated in Part 4.4(2) ; the same shall apply hereinafter) (however, excluding the cases specified in

Part 3.2.(9) and Part 4.1.(iv). If the applicant desires to indirectly hold the shares of the SPC, the applicant shall follow the procedure stated in Part 3.2(9).

- (v) After submission of the First Screening Documents, no change shall be made to the Applying Company, the Representative Company, or the Consortium Members, unless circumstances arise where changes to the Consortium Members are unavoidable and the State permits these changes after considering the circumstances and consulting the Consortium Members. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in Part 3.3(2) through to (4), or a person controlling the Applying Company or the Consortium Members has changed (including cases where the Applying Company or the Consortium Members is recently controlled by a third person), they shall promptly notify the State of these matters.
 - (vi) After submitting the First Screening Documents, the Applying Company or any of the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.
- (2) Common participation requirements for the Applying Company and the Consortium Members
- (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting²⁷
 - (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

²⁷ As to a foreign corporation, the State must be able to confirm that the foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this (2) under its applicable laws and regulations.

- (iv) Any person who has not suspended their designation, etc., by the Director-General of the Civil Aviation Bureau of the MLIT pursuant to the Guidelines on Actions, such as Suspension of Designation on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984), during the period from the deadline for submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder.
- (v) Neither a person who is Ernst & Young ShinNihon LLC (or any of the cooperating offices, namely, Ernst & Young Tax Co., Ernst & Young Transaction Advisory Services Co., Ltd., Anderson Mori & Tomotsune, Kansai Law & Patent Office and Docon Co., Ltd.) to which the State has entrusted the general advisory services concerning the qualified operation business of Kumamoto Airport in fiscal 2017,²⁸ nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs²⁹
- (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 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)³⁰

²⁸ Bidding Advisors are selected in each fiscal year. The selection for 2018 will be performed separately.

²⁹ “A person who has a certain relation with any of them in terms of capital, personnel or other affairs” shall be the case where the person is in a parent company and a subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

³⁰ For example, if any of MLIT’s personnel becomes a member of the Screening Committee, any unlisted company, etc., whose shares are held by the MLIT falls under this item.

- (ix) Any person who does not appoint any of the persons specified in (v) through to (viii) above as an advisor concerning the selection of the Project
 - (x) An officer (whether full-time or part-time) relating to the bidding does not serve concurrently as an officer of the Building Facilities Operator (whether full-time or part-time) on and after the moment that a statement of interest is prepared and submitted in accordance with the provisions of Forms and Directions following the disclosure of the Application Guidelines
 - (xi) In the case that a company, whose officer or employee serve concurrently as an officer or an employee of the Building Facilities Operator in the way which does not violate the provision of (x), participates in the bidding, the company submits a commitment letter stipulating that (a) the company takes measures to prevent the transference of the information regarding the bidding between the officer or the employee and the department to which the officer or the employee belong, and the department which considers the bidding, (b) the company shall not take any action to prejudice the fairness and the transparency of the bidding, (c) the company understands that, if the company violates the provision of (a) and/or (b), the company (in the case that it is the Applying Company) or the Consortium (in the case that it is a member of the Consortium) shall be disqualified for the bidding and (d) others at the time of the submission of the First Screening Documents to the State in the name of the company (in the case that it is the Applying Company) or in the joint name of the Representative Company of the Consortium and the company (in the case that it is a member of the Consortium)
- (3) 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). The business experience is not limited to those in Japan.
- (i) In and after 2008, having experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
 - (ii) In and after 2008, 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 2008, having experience in the commercial real property administrating business

(iv) Having experience in a Public Facilities, etc., Operation Project³¹

(4) Requirements in the case of participation of Air carriers, etc.

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

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

³¹ “Public Facilities, etc., Operation Project” has the same meaning as in Article 2, paragraph (6) of the PFI Act.

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

1. Conditions precedent to the Airport Operating Business

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

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

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

(i) Succession of agreements, etc.

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

(ii) Obligation to lease the land, etc.

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

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

(iv) Collaboration with relevant local governments

Kumamoto Prefecture places the Aso Kumamoto Airport, which is the alias of the

Airport, as a symbol of creative restoration from the Kumamoto Earthquakes. It wishes to draw out the potential of the Airport to the maximum extent with the Operating Right Holder, thereby leading to the revitalization of the areas around the Airport that have suffered severe damage. To this end, relevant local governments is considering to participate in the Airport Operation to build a stronger partnership with the private sector toward the achievement of creative restoration from Kumamoto Earthquakes.

Consideration is being given to such collaboration in one of the following methods with the premise that both the Operating Right Holder and relevant local governments wish to do so. The following collaboration proposals are not conditions relating to bidding, but those considered by relevant local governments as a strategy of public-private partnership to be formed upon the termination of the bidding.

- A) Participation in the advisory board (provisional name), monitoring board (provisional name) or other important organization established by the Operating Right Holder
- B) Acquisition of 10% or less of the Voting Shares in total and dispatch of one part-time director (directors' compensation will not be received)
- C) Other collaborations agreed with the Operating Right Holder

After the selection of the Preferred Negotiation Right Holder, detailed terms and methods shall be determined upon consultation between relevant local governments and the Preferred Negotiation Right Holder by the Airport Operating Business Commencement Date.

2. Basic idea of allocation of risks

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

- (1) Force Majeure
 - Upon the occurrence of an event such as an earthquake or tsunami which is not attributable to the State or the Operating Right Holder and falls under certain

conditions set out in the Project Agreement, such as having a direct and adverse effect on the implementation of the Project (hereinafter referred to as the “Force Majeure”), the State shall take measures including the restoration of the Facilities, etc., Subject to Operating Right (hereinafter referred to as the “Business Continuity Measures”) if the insurance purchased by the Operating Right Holder is not enough to cover the damage caused to the Airport Operating Business. If the State takes Business Continuity Measures, the Operating Right Holder shall take necessary measures to allow the State to receive appropriate insurance money, etc., under the insurance purchased by the Operating Right Holder for the Facilities, etc., Subject to Operating Right.

- The Operating Right Holder shall purchase insurance for the Airport Operating Business Period with coverage equal to or more than the amount set by the State in the Project Agreement.³² The Operating Right Holder may undertake alternative measures instead of purchasing insurance, if approved by the State.
- If the Operating Right Holder is unable to carry out the Project in whole or in part due to the Force Majeure, the State may extend the Airport Operating Business Period or temporarily release the Operating Right Holder from obligations under the Project Agreement, or both.

(2) Liability for latent defects

- If any physical latent defects are found in the Facilities Subject to Operating Right within one year from the Airport Operating Business Commencement Date, the State shall indemnify the Operating Right Holder from the loss arising from the defects up to the amount of the consideration for the grant of the Operating Right (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).
- Liability for latent defects relating to defects of the Annex Building Facilities (meaning defects at the time of delivery to the Operating Right Holder) shall be equal to those specified in the design work agreement, construction work agreement and other contracts that are directly concluded by the State regarding the Annex Building Facilities.

³² In principle, the amount insured shall be set based on the estimated maximum amount of damage of the Facilities of the Airport subject to the Operating Right. The State currently plans to require the purchase of civil engineering completed risks insurance (with optional coverage for earthquake damage) with 1 billion yen in coverage. If the premium rate of this insurance has fluctuated significantly in ordinary insurance markets, the Operating Right Holder may, with consent of the State, change the insurance coverage.

- (3) Particular Changes of Acts
- If any of the particular events set out in the Project Agreement, such as changes of laws, regulations or policies that apply only to the Project and have adverse effects for the Operating Right Holder (hereinafter referred to as the “Particular Changes of Acts”) arise during the Project Period, and the Operating Right Holder subsequently incurs a loss, the State shall indemnify the Operating Right Holder for this loss due to Particular Changes of Acts (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).
- (4) Emergency events
- If any of the disasters or particular events set out in the Project Agreement, such as an event that may threaten the safe operation of the Airport by the Operating Right Holder, arise during the Airport Operating Business Period, and there is an unavoidable necessity in terms of public interest arising from another public use of the Airport or any other reason, the State may suspend the exercise of the Operating Right and use the facilities pertaining to the Project, in accordance with Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii) thereof). In this case, the Operating Right Holder shall cooperate with the businesses carried out by the State at the Airport.
 - If the State suspends the exercise of the Operating Right based on Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii)), the Operating Right Holder shall be indemnified for the loss incurred by the Operating Right Holder in accordance with Article 30, paragraph (1) of the PFI Act.

3. Matters for ensuring the performance of the Operating Right Holder’s responsibilities

In order to confirm whether the Operating Right Holder is properly and stably carrying out the businesses set out in the Project Agreement, etc., and meeting the required standards, as well as to understand the financial condition of the Operating Right Holder, the State is planning to conduct monitoring, in addition to the self-monitoring to be performed by the Operating Right Holder.

If it is found that the Operating Right Holder fails to meet the required standards, the State may request that the Operating Right Holder 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

(1) Disposition of the Operating Right

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

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

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

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

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

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

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

a) Non-Voting Shares

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

b) Voting Shares

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

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

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

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

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

1. Facilities subject to the Project

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

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons, etc.)
- (ii) Airport air navigation facilities (aeronautical light facilities)
- (iii) Passenger Building Facilities (air passenger facilities, offices and shops, as well as other similar facilities, resting facilities, observation facilities, facilities for tours, etc.³³)
- (iv) Cargo Building Facilities (air cargo handling facilities etc.³⁴)
- (v) Roads (excluding the Kumamoto prefectural road Route 36 Kumamoto-Mashiki-Otsu Line that passes through the underground of the Airport Site)
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or the Operating Right Holder’s Subsidiary etc.

As specified in Part in Part 2.1(7)B)a(i), the State intends to transfer the Annex Building Facilities to the Operating Right Holder with charge on the date on which the construction of the Annex Building Facilities is completed or a date designated by the State. Through the operation, the Annex Building Facilities will be included in the above (iii)³⁵.

As specified in Part 2.1(7)B)a(ii), the State will request that the Operating Right Holder construct the New Building Facilities and then commence the service operation during fiscal 2022. Through the operation, the New Building Facilities will be included in the above (iii).

2. Location of the facilities subject to the Project

³³ The CIQ Facilities of the Current International Flights Building Facilities are subject to sectional ownership. However, the CIQ Facilities of the New Building Facilities are subject to lease and the Operating Right Holder shall have the obligation to lease the CIQ Facilities of the New Building Facilities.

³⁴ As of the date of publication of the Implementation Policy, there is no CIQ Facilities in the Cargo Building Facilities.

³⁵ After the commencement of the service operation of the New Building Facilities, the Operating Right Holder may use the Annex Building Facilities as non-air passenger facilities.

(1) Location etc.

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

Location: Kamimashiki District, Mashiki City, Kumamoto Prefecture

Area subject to the Project: approximately 176 ha

(2) Lease of the Airport Site, etc.

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

However, a small area of land owned by Kumamoto Prefecture is included in the Airport Site, etc., at the present. The State intends to acquire said land prior to the Airport Operation Business Commencement Date. In this case, said land is treated in the same manner as other airport sites, etc.

With respect to the permission granted to the Building Facility Operator to use the sites of the Passenger Building Facilities and the Cargo 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 Commencement Date.

In addition, the Operating Right Holder shall obtain a license with charge from the State for accessing the site of the Annex Building Facilities for the period from the day on which the Annex Building Facilities are transferred to the day preceding the Airport Operating Business Commencement Date.

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

The Operating Right Holder is required to carry out the businesses listed in Part 2.1(10)A through to D which are included in the Project, even outside of the Airport Site.

The Operating Right Holder may not, or may not have the Operating Right Holder's Subsidiary etc., carry out the businesses listed in Part 2.1(10)E outside of the Airport Site unless otherwise approved by the State upon prior consultation with the State.

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

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

1. Matters to be set out in the Project Agreement

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

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

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

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

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

3. Designation of the competent court

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

Part 7. Matters concerning actions to take when it becomes difficult to continue the Project

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

If any event occurs which makes the Project difficult to continue, the Project Agreement shall be terminated as stated below. In this case, the Operating Right Holder shall have the obligation to cooperate in taking over the Project until the Project is succeeded by the State or a third party designated by the State in accordance with the Project Agreement. The assets, etc., of the Operating Right Holder shall be treated in the same manner mentioned in Part 2.1(7)D(b). The responsibility for specific damage, etc., arising from each event that triggers termination of the Project Agreement shall be allocated based on the following and the details of the allocation shall be set out in the Project Agreement (draft).

- (1) Cancellation or termination for reasons attributable to the State
 - A) Reasons for cancellation or termination
 - The State may cancel the Project Agreement with six-months' notice to the Operating Right Holder.
 - The Operating Right Holder may cancel the Project Agreement if the State fails to perform any material obligation under the Project Agreement for a specified period or its performance of the Project Agreement becomes impossible for any reason attributable to the State.
 - The Project Agreement shall terminate if the State no longer holds ownership of any of the Facilities Subject to Operating Right.

- (2) Cancellation for reasons attributable to the Operating Right Holder
 - A) Reasons for cancellation
 - If any of the certain events set out in the Project Agreement occurs, such as the Operating Right Holder breaches an obligation under the Project Agreement, the State may cancel the Project Agreement either with or without demand to correct the breach, depending on the event.

- (3) Cancellation or termination for Force Majeure
 - A) Reasons for cancellation or termination
 - If the Airport is lost due to Force Majeure, the Project Agreement shall automatically terminate.
 - If the State implements the Business Continuity Measures due to Force

Majeure, but the recovery schedule of the Project is unable to be set or it becomes apparent that it is impossible or extremely difficult to resume the Project in accordance with the recovery schedule, the State shall cancel the Project Agreement.

(4) Cancellation due to Particular Changes of Acts

A) Reasons for cancellation

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

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

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

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

1. Matters concerning legislative and taxation measures

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

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

2. Matters concerning fiscal and financial support

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

3. Matters concerning other measures and support

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

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

1. Matters concerning the Project

- (1) Language to be used for carrying out the Project
The language to be used for carrying out the Project shall be Japanese.
- (2) Costs of preparation, etc., of the Proposal Documents
The applicants shall be liable for the costs incurred for the preparation, submission, etc., of the Proposal Documents.
- (3) Receipt of opinions on the Implementation Policy
 - (i) Receiving period
From: 17:00 on January 17, 2018 (Wednesday)
Until: No later than 15:00 on February 2, 2018 (Friday)

- (ii) Submission methods

Opinions concerning the Implementation Policy shall be briefly stated in the opinion form (Form-1) and the form shall be sent by email.

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

The opinion form shall be prepared in Microsoft Excel format and the company name and the name, department, telephone number and email address of the submitter shall be filled in. The opinion form shall be submitted to the following Bidding Advisors:

To: Ernst & Young ShinNihon LLC

Infrastructure Advisory Group, Team in charge of Kumamoto Airport

Tel: 03-3503-1557

Email: kmj@jp.ey.com

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

- (4) Hearing concerning opinions
If the State determines that it is necessary to confirm, etc., the main point and other

matters concerning any opinion on the Implementation Policy, the State may directly hear the person who submitted the opinion.

(5) **Changes to the Implementation Policy**

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

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

2. Schedule (tentative)

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

Schedule (tentative)	Actions
Around March 2018	➤ Selection and announcement of a Qualified Project
Around March 2018	➤ Publication of Application Guidelines etc.
Around March 2018	➤ Explanatory meeting on Application Guidelines etc.
Around March - April 2018	➤ Period for receiving questions on Application Guidelines etc.
Around May 2018	➤ Publication of answers to the questions on Application Guidelines, etc.
Around June 2018	➤ Deadline for submission of First Screening Documents
Around July 2018	➤ Notification of result of First Screening
Around August - December 2018	➤ Period for holding competitive dialogue
Around January 2019	➤ Deadline for submission of Second Screening Documents
Around March 2019	➤ Selection of Preferred Negotiation Right Holder
Around March 2019	➤ Execution of Basic Agreement
Around May 2019	➤ Operating Right Establishment Date
Around May 2019	➤ Execution of Project Agreement
Around July 2019	➤ Building Facility Business Scheduled Commencement Date
Around January 2020	➤ Execution of Annex Building Facilities Transfer Agreement
Around May 2020	➤ Execution of Goods Transfer Agreement
Around April 2020	➤ Airport Operating Business Scheduled Commencement Date

3. Provision of information

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

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

Form 1 Opinions on the Implementation Policy

[Month] [Day], 2018

Opinions on the Implementation Policy on the Qualified Project, etc., for Kumamoto Airport Operation

I submit the opinions on the “Implementation Policy on the Qualified Project, etc., for Kumamoto Airport Operation” published on January 17, 2018, as follows:

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

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

*1: Please describe your opinions briefly and specifically.

*2: When you fill in this form, please use one-byte characters for numbers and symbols.

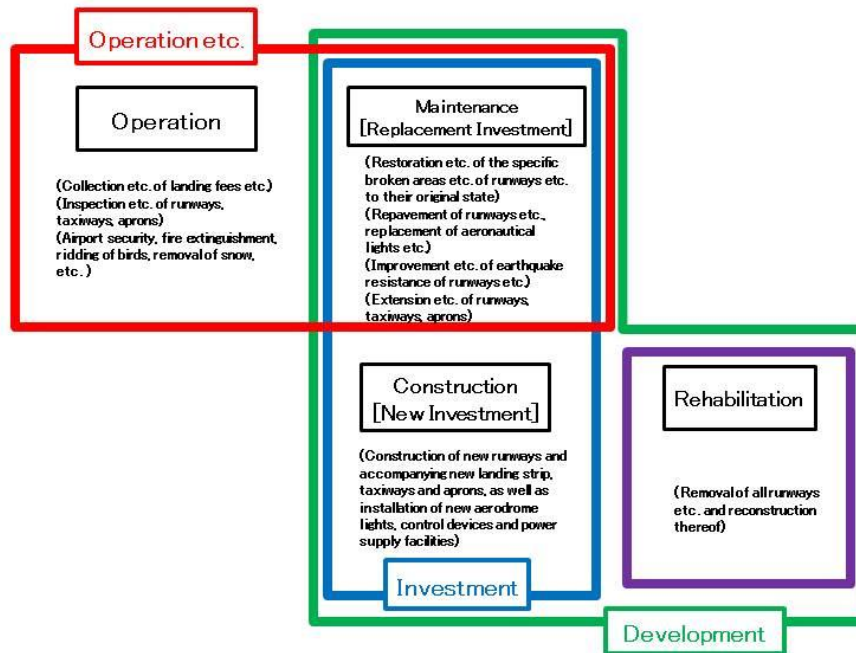
*3: If you need more lines, please add as needed.

*4: Please fill in your opinions in the order of applicable parts for reference material.

*5: Do not change the format except for the line heights.

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

Exhibit 1 Organizing with the terms used in the PFI Act



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

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

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

(i) Practical Solutions on Accounting, etc., of the Operating Right Holder for Public Facilities, etc., Operating Business (Accounting Standards Board of Japan)

See the website of the Financial Accounting Standards Foundation at:

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

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

See the website of the National Tax Agency at:

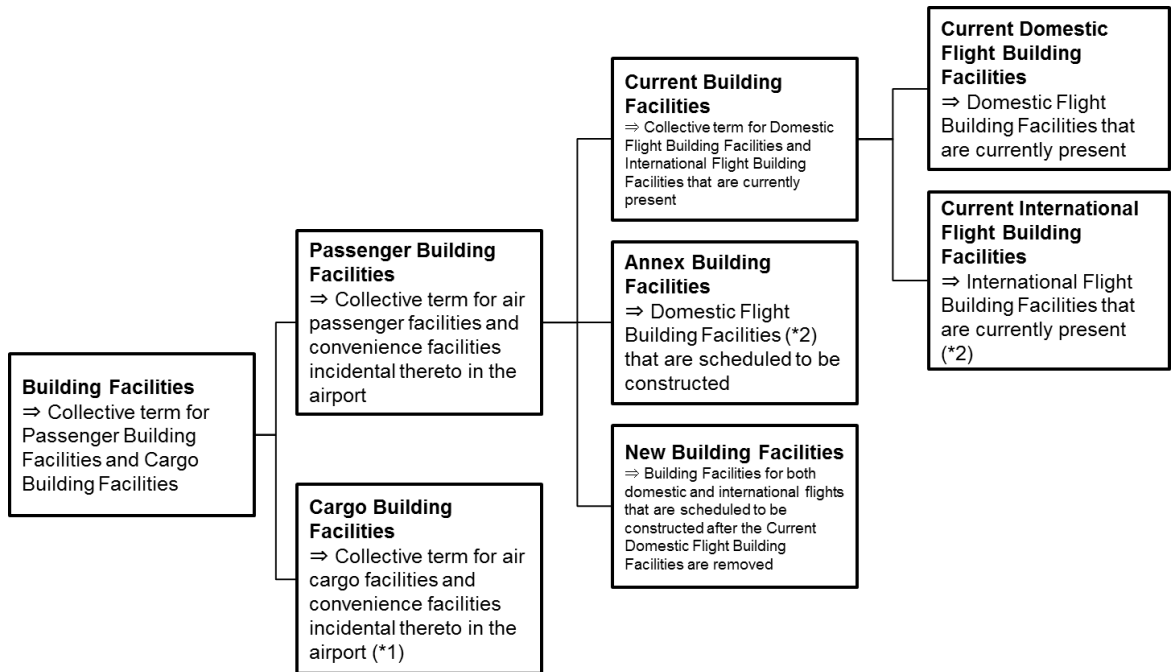
<http://www.nta.go.jp/shiraberu/zeiho-kaishaku/bunshokaito/hojin/141118/index.htm>

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

See the website of the National Tax Agency at:

<https://www.nta.go.jp/shiraberu/zeiho-kaishaku/shitsugi/shohi/12/07.htm>

Exhibit 3 Definitions of the Building Facilities



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

(*2) Prior to the commencement of the service operation of the New Building Facilities, it will be used as air passenger facilities. After said commencement, the Operating Right Holder may determine how the Annex Building Facilities will be used, and, only if the Operating Right Holder does not desire to convert the Current International Flight Building Facilities to a different use, the State will request that the Operating Right Holder remove the Current International Flight Building Facilities.