

(TRANSLATION) (for Reference Only)

**Implementation Policy on
the Qualified Project, etc., for Airport Operation of
the Four National Airports in Hokkaido**

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.

March 29, 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	9
(6) Project period	12
(7) Project methods	15
(8) Setting and collecting usage fees with respect to the Project	19
(9) Bearing of costs for the Project	19
(10) Scope of the Project.....	20
(11) Structure of the Required Standards Document (draft)	30
(12) Rights and assets, etc., to be obtained and succeeded by the Operating Right Holder..	33
(13) Treatment of replacement investment, etc.	33
(14) Planning and reporting	34
(15) Dispatch, etc., of personnel from the State to the Operating Right Holder in relation to the Airport Operating Business	35
(16) Considerations, etc., for the Operating Right, etc., of the Project to be paid by the Operating Right Holder.....	35
2. Selection methods for a Qualified Project	37
(1) Selection criteria.....	37
(2) Announcement of selection results.....	37
Part 3. Invitation and selection of a private business operator	38
1. Basic idea of the invitation and the selection of a private business operator	38
2. Procedures and methods for selecting a Preferred Negotiation Right Holder	38
(1) Establishment of the Screening Committee.....	38
(2) Publication of the Application Guidelines, etc., and holding an explanatory meeting ..	38
(3) Receipt of questions on the Application Guidelines, etc., and publication of the answers	39
(4) First Screening.....	39
(5) Holding of a competitive dialogue etc.....	39
(6) Second Screening	40

(7)	Announcement of screening results.....	41
(8)	Execution of the Basic Agreement	41
(9)	Incorporation of SPC.....	41
(10)	Preparation for operation by the Preferred Negotiation Right Holder.....	42
(11)	Grant of the Operating Right and execution of the Project Agreement.....	42
(12)	Treatment upon addition of Voting Shareholders	43
(13)	Transfer of the shares and commencement of the Building Facilities Business.....	44
(14)	Acquisition of Assets for Transfer to the Operating Right Holder	44
(15)	Commencement of the Airport Operating Business	44
(16)	Treatment of the Proposal Documents	45
(17)	Cancellation of the bidding and rescission of selection of the Qualified Project	46
3.	Participation requirements for applicants.....	46
(1)	Composition of an applicant.....	46
(2)	Common participation requirements for the Applying Company and the Consortium Members	48
Part 4.	Matters for ensuring the proper and stable implementation of the Project such as clarification of the responsibilities of the Private Business Operator	54
1.	Conditions precedent to the Airport Operating Business.....	54
2.	Basic idea of allocation of risks.....	55
(1)	Force Majeure.....	56
(2)	Liability for latent defects	57
(3)	Particular Changes of Acts	57
(4)	Emergency events.....	57
3.	Matters for ensuring the performance of the Operating Right Holder’s responsibilities	58
4.	Restrictions on the rights and obligations, etc., of the Operating Right Holder and related procedures	58
(1)	Disposition of the Operating Right.....	58
(2)	New Issuance and Disposition of Shares by the Operating Right Holder	59
Part 5.	Matters concerning location, size and placement of public facilities etc.....	61
1.	Facilities subject to the Project.....	61
2.	Location of the facilities subject to the Project	61
(1)	Location etc.	61
(2)	Lease of the Airport Site, etc.	62
(3)	Businesses to be carried out outside of the Airport Site	62
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	64
1. Matters to be set out in the Project Agreement	64
2. Actions in the case of any doubt arising from the interpretation of the Project Agreement	64
3. Designation of the competent court	64
Part 7. Matters concerning actions to take when it becomes difficult to continue the Project	66
1. Actions to take when events occur which make it difficult to continue the Project	66
(1) Cancellation or termination for reasons attributable to the State	66
(2) Cancellation for reasons attributable to the Operating Right Holder	67
(3) Cancellation or termination for Force Majeure	67
(4) Cancellation due to Particular Changes of Acts	68
(5) Cancellation for reasons attributable to other three airports in Hokkaido	69
2. Consultation between the State and a financial institution or banking syndicate	69
Part 8. Matters concerning legislative and taxation measures, as well as fiscal and financial support	71
1. Matters concerning legislative and taxation measures	71
2. Matters concerning fiscal and financial support	71
3. Matters concerning other measures and support	71
Part 9. Other matters necessary for the implementation of the Project	72
1. Matters concerning the Project	72
(1) Language to be used for carrying out the Project	72
(2) Costs of preparation, etc., of the Proposal Documents	72
(3) Receipt of opinions on the Implementation Policy	72
(4) Hearing concerning opinions	72
(5) Changes to the Implementation Policy	73
2. Schedule (tentative)	73
3. Provision of information	75
Form 1 Opinions on the Implementation Policy	76
Exhibit 1 Organizing with the terms used in the PFI Act	77
Exhibit 2 Treatment of accounting and tax affairs in relation to the Project	78

Part 1. Introduction

The Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter referred to as the “MLIT”) and the Tokyo 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 Airport Operation in Hokkaido (hereinafter referred to as the “Project”) at the four airports (New Chitose Airport, Wakkanai Airport, Kushiro Airport and Hakodate Airport; hereinafter referred to as the “Four National Airports in Hokkaido”), 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 Agreement regarding the Qualified Project, etc., for Airport Operation in Hokkaido to Implement Right to Operate Public Facilities, etc. (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

In addition, the Asahikawa City Government, the Obihiro City Government and the Hokkaido Government are planning to implement a similar project in which aviation activities pertaining to the runway, etc., and the Building Facilities Business are integrally managed at Asahikawa Airport, Obihiro Airport and Memanbetsu Airport, which they administer.

A single Preferred Negotiation Right Holder is planned to be selected for these seven airports in Hokkaido (Four National Airports in Hokkaido, Asahikawa Airport, Obihiro Airport and Memanbetsu Airport; hereinafter referred to as the "Seven Airports in Hokkaido") in light of the background and purposes specified in Part 2.1(3) and have an SPC incorporated by the Preferred Negotiation Right Holder to integrally manage the Seven Airports in Hokkaido.

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 related to the Four National Airports in Hokkaido 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 (revised in March, 2018) 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) Anderson Mori & Tomotsune
 - (iii) Kansai Law & Patent Office
 - (iv) Tomohito Ozawa Certified Tax Accountant Office
 - (v) Ernst & Young Transaction Advisory Services Co., Ltd.
 - (vi) Docon Co., Ltd.
- (3) Background and purposes of the Project

The Seven Airports in Hokkaido have the potential to be important airports that support the aviation network in Japan and leading gateways in Japan for inbound travelers from overseas countries since they are an important infrastructure for promoting the industry and tourism in Hokkaido and securing a base therefor.

In order to demonstrate such potential, it is an urgent issue to disperse the tourists and make them tour across Hokkaido and thereby expand the various economic ripple effects and lead to local revitalization in the prefecture in cooperation with the relevant local governments and the region by promoting effective utilization of each airport as gateways and strategic cooperation between airports. However, it is impossible for the current Seven Airports in Hokkaido to manage the overall airports in an integrated and flexible way because

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

the following are separately operated: (i) the basic airport facilities, etc., owned by the public entities, namely the State, the Asahikawa City Government, the Obihiro City Government and the Hokkaido Government (hereinafter referred to as the “State, etc.”), (ii) the facilities for handling air passengers and incidental convenient facilities (hereinafter referred to as the “Passenger Building Facilities,” and the facilities for handling air cargo and incidental convenient facilities (hereinafter referred to as the “Cargo Building Facilities”), owned by the operator of air passenger and cargo facilities (hereinafter referred to as the “Building Facility Operator”), and (iii) the parking facilities, etc., owned by the operator of parking facilities.

For these reasons, with the aim of allowing each of the Seven Airports in Hokkaido to perform its role at its full potential, the State, etc. has decided to implement the Project in order to cause a private business operator to implement the Airport Operating Business while securing the safety of air transport and the public nature of the airports and to integrate the operation of the above facilities in the Seven Airports in Hokkaido to realize integrated and flexible airport management by utilizing the money and management skills of the private sector. The State, etc. intends to utilize the Project partly to raise the level of the marketing capabilities of each airport of the Seven Airports in Hokkaido and enhance the aviation network and thereby to lead to the revitalization of the regional economy, which includes the promotion of wide-area tourism in cooperation with the region.

(4) Application Guidelines etc.

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

In addition, supplementary materials to be published for the selection of the Preferred Negotiation Right Holder shall constitute a part of the Application Guidelines, etc., and 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 Airport Operation of the Seven Airports in Hokkaido (hereinafter referred to as the “Application Guidelines”)
 - (ii) Agreement regarding Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido to Implement Right to Operate Public Facilities, etc., (draft) (hereinafter referred to as the “Project Agreement (draft)”)
 - (iii) Basic Agreement regarding Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido (draft) (hereinafter referred to as the “Basic Agreement (draft)”)
 - (iv) Free Lease Agreement with respect to National Property, etc., for the Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido (draft) (hereinafter referred to as the “National Property, etc., Free Lease Agreement (draft)”)
 - (v) Goods Transfer Agreement with respect to the Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
 - (vi) Required Standards Document for the Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido (draft) (hereinafter referred to as the “Required Standards Document (draft)”)
 - (vii) Compilation of related materials
 - (viii) Selection Criteria for the Preferred Negotiation Right Holder for the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido (hereinafter referred to as the “Selection Criteria for the Preferred Negotiation Right Holder”)
 - (ix) Forms for the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido and directions to complete the forms (hereinafter referred to as the “Forms and Directions”)
 - (x) Referential materials
- (5) Anticipated governing laws, etc., for the implementation of the Project
- The implementation of the Project shall be governed by the PFI Act, the Private 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)
- 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

Relevant prefectural ordinances of the relevant local governments

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) Regional Disaster Plans (those established by relevant local governments)
- xiii) Airport Development Reference Manual
- xiv) Guidelines on Barrier-Free Facilities (for Passenger Facilities)
- xv) Guidelines on Eco Airports (for Airport Environment)
- xvi) Guidelines for Providing Smooth Movement, etc., by Public Transportation
- xvii) Other related standards, circular notices, etc.

(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 (meaning the date of commencement of the Airport Operating Business at the New Chitose Airport, unless otherwise stated) until the day preceding the 30th anniversary of the date the Operating Right was granted (hereinafter referred to as the “Operating Right Establishment Date”), or if the Airport Operating Business Period is extended pursuant to Part 2.1(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 Date².

Please refer to Part 9.2 for the future specific schedule of the business commencement at each airport.

B) Extension of the Airport Operating Business Period

If any of the events set out in the Project Agreement occurs, the Operating Right Holder may request that the Airport Operating Business Period and the Building Facility Business Period (hereinafter collectively referred to as the “Airport Operating Business Period, etc.”) be extended. 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, etc., 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.

In addition, aside from the Agreed Extension above, if any of the events set out in the Project Agreement occurs and the State notifies the Operating Right Holder of its desire to extend the period by the corresponding date of four years before the Airport Operating Business Expiration Date, the Airport Operating Business Period, etc., may be extended to the Airport Operating Business Expiration Date of another Airport Operating Business of other three airports in Hokkaido (meaning the project specified in Part 2.1(10)F) that occurs at the latest point within the limit specified in Part 2.1(6)C (such extension of a period shall hereinafter be referred to as the “Public Extension Option”). It should be noted that the Public Extension Option may be exercised only once.

Except for the Agreed Extension and the Public Extension Option, no extension of the Airport Operating Business Period, etc., is permitted.

C) The duration of the Operating Right

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

The duration of the Operating Right shall not be beyond the day preceding the 35th anniversary of the Operating Right Establishment Date, including where the Airport

² The Airport Operating Business Expiration Date pertaining to Asahikawa Airport, Obihiro Airport and Memanbetsu Airport shall be the same as that of the Airport Operation of the Four National Airports in Hokkaido.

Operating Business Period, etc. specified in Part 2.1(6)B 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.

³ For example, if the Operating Right Establishment Date is October 1, 2019, the date of expiration of the Initial Duration of the Operating Right shall be September 30, 2049, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than September 30, 2054.

(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, and, by the Airport Operating Business Scheduled Commencement Date (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport), 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 (Airport Environment Improvement Foundation) 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 date of commencement of the Airport Operating Business.

In addition, the current parking facility operator for the A Parking Facility and the C Parking Facility of New Chitose Airport (Chitose Tourist Association) has entered into a business acquisition option agreement with the State in which the price for transferring the parking business is set at 0.731 billion yen, and it has been agreed that the contractual status of the State under that agreement including the right to complete the transfer of the parking business thereunder will be transferred to the Operating Right Holder. The Operating Right Holder shall acquire from the State the right to complete the transfer under the business acquisition option agreement (meaning the business acquisition option agreement as amended) and exercise such right, thereby acquiring the A Parking Facility and the C Parking Facility. The parking business will be included in the Facilities Subject to the Operating Right upon the State’s acquiring the parking business on the date of

commencement of the Airport Operating Business⁴.

B) Methods for acquiring the Building Facility Operator Shares and fueling facility operator shares

The Operating Right Holder shall acquire the Building Facility Operator Shares from the shareholders by the scheduled date of commencement of the Building Facility Business. The Operating Right Holder shall also acquire the fueling facility operator shares from the shareholders by the scheduled date of commencement of the Airport Operating Business (meaning the scheduled date of commencement of the Airport Operating Business at the New Chitose Airport, unless otherwise stated). The shareholders of the Building Facility Operator and the shareholders of the fueling facility operator shall hereinafter be referred to as the "Shareholders of the Building Facility Operator, etc."

With respect to the methods for transferring the shares mentioned above, a share acquisition option agreement in which the price for transferring the Building Facility Operator Shares among all of the shares held by the Shareholders of the Building Facility Operator, etc., is set at 17,669 million yen (hereinafter referred to as the "Building Facility Operator Share Acquisition Option Agreement") and a share acquisition option agreement in which the price for transferring the fueling facility operator shares among all of the shares held by such shareholders is set at 936 million yen (hereinafter referred to as the "Fueling Facility Operator Share Acquisition Option Agreement") was entered into between the State and such shareholders (the breakdown of the transfer price of each share is indicated in the table below). It has been agreed that the contractual status of the State under these agreements, including the right to complete the transfer of the Building Facility Operator Shares and the fueling facility operator shares based on the agreements, shall be transferred to the Operating Right Holder.

Building Facility Operator	Transfer price ⁵
New Chitose Airport Terminal Building Co., Ltd.	10,200 million yen
Sapporo International Air Cargo Terminal Co., Ltd.	1,528 million yen
Wakkanai Airport Building Co., Ltd.	651 million yen

⁴ Even after the acquisition of the parking business of the A Parking Facility and the C Parking Facility, the Operating Right Holder shall continuously hire employees who engage in such parking business under conditions that do not substantially fall below the employment conditions concluded at the time of acquisition of said business, unless the circumstances are exceptional. In addition, when the Operating Right Holder modifies the employment conditions of such employees after the acquisition of such business, applicable labor-related laws and regulations must be complied with. It should be noted that because the employment contracts, etc., to be transferred were not determined at the time of conclusion of the business acquisition option agreement, the State plans to amend the acquisition option agreement once the employment contracts, etc., to be transferred are determined.

⁵ The stated transfer prices are the agreed transfer prices as of the announcement of the Implementation Policy.

Kushiro Airport Terminal Building Co., Ltd.	921 million yen
Hakodate Airport Terminal Building Co., Ltd.	4,369 million yen
Fueling facility operator (New Chitose Airport only)	Transfer price ⁶
Chitose Airport Fuelling Facilities Co., Ltd.	936 million yen

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 the Fueling Facility Operator Share Acquisition Option Agreement and exercise such right, thereby acquiring the Building Facility Operator Shares and the fueling facility operator shares. Please note that since this is made through the transfer of the shares, the agreements, etc., entered into by the Building Facility Operator and its employees and by the fueling facility operator and its employees will be succeeded by the Operating Right Holder unless the circumstances are exceptional.⁷

The State shall assume no responsibility for the performance of the agreements by any person related to the Building Facility Operator Share Acquisition Option Agreement and the Fueling Facility Operator Share Acquisition Option Agreement.

C) Treatment of the Building Facilities and fueling facilities

In order to secure a preferred right of the State to purchase the Building Facilities and the fueling 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 Building Facilities and after the date of commencement of the Airport Operating Business and without delay for the fueling facilities, have the Building Facility Operator and the fueling facility operator enter into a purchase option agreement concerning the Building Facilities and the fueling facilities with the State in which the State shall have an option to purchase. The purchase price of the Building Facilities and the fueling facilities under the purchase option agreement shall be their market price (which shall be determined by the method set out in the Project Agreement).

The Building Facility Operator shall make a provisional registration of the right of the State to claim the transfer of ownership of the Building Facilities based on the purchase option agreement, at the expense of the Operating Right Holder or the Building Facility

⁶ The stated transfer prices are the agreed transfer prices as of the announcement of the Implementation Policy.
⁷ Even after the acquisition of the Building Facility Operator Shares and the fueling facility operator shares, the Operating Right Holder shall continuously hire employees of the Building Facility Operator and the fueling facility operator 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/or the fueling facility operator after the acquisition of the Building Facility Operator Shares and the fueling facility operator shares, applicable labor-related laws and regulations must be complied with.

Operator. This provisional registration shall preserve priority over other rights (including, but not limited to, security) created on the Building Facilities.

D) Treatment upon expiration of the Project Period

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

a) Operating Right

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

b) Assets, etc., of the Operating Right Holder

The Operating Right Holder shall transfer the Facilities Subject to 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 purchase⁸, at market value⁹, any asset which is held by the Operating Right Holder or its subsidiary or 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, etc., Free Lease Agreement shall be terminated on the Airport

⁸ The Operating Right Holder may request the State to set up an opportunity of hearing of opinions regarding the scope of purchase of the expansion investments pertaining to the Non-Operating Right Facilities as of the Airport Operating Business Expiration Date to be conducted by the Operating Right Holder during the Airport Operating Business Period.

⁹ The calculation method for the market value shall be conducted through fair procedures such as determination based on the market value calculation method agreed upon through consultation between the valuation expert designated by the State or the third-party designated by the State (the valuation expert designated by the State if a new implementer is selected through a bid after expiration of the Project Period), the valuation expert designated by the Operating Right Holder and the third-party valuation expert agreed upon by these experts. The calculation shall be conducted so that the market value of the entire project will be appropriately distributed in view of the interdependence of the Facilities Subject to the Operating Right and the facilities of which the Operating Right Holder and the Operating Right Holder’s Subsidiary, etc., holds ownership.

Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site, etc., at its own expense and transfer them to the State or a third party designated by the State. However, if any asset to be purchased by the State or a third party designated by the State existing on the Airport Site (meaning the Airport Site located at the address as defined in Part 5.2(1); the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

c) Succession of the businesses

In general, the Operating Right Holder shall hand over the businesses to the State or a third party designated by the State within the Airport Operating Business Period and shall be responsible for properly handing over such businesses and for ensuring that the Project is smoothly succeeded by them at its own expense. 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 or the fueling 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, the fees for using the airport air navigation facilities stipulated in Article 2, paragraph (5), item (ii) of the Private Utilization Airport Operation Act and 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 Project¹⁰

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 and the scope of the Airport Operating Business of other three airports in Hokkaido and the Airport Operating Business of the other airports shall be as listed in E), F) and G) below. During the Project Period the Operating Right Holder may or may have the Building Facility Operator or the fueling 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 presented in the Project Agreement (draft) and the Required Standards Document (draft).

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

(i) Basic airport facilities, etc., activities

i) Maintenance and administration¹¹ 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.)

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.

¹⁰ 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.

¹¹ See Exhibit 1 for the scope of the maintenance and administration of the Facilities Subject to the Operating Right by the Operating Right Holder.

- ✓ 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), as well as collection of the fees¹²
- (ii) Airport Site, etc., administration activities
- i) Administration of the Airport Site of the Four National Airports in Hokkaido and the incidental facilities notified under Article 46 of the Civil Aeronautics Act (hereinafter collectively referred to as the “Airport Site, etc.”)
- B) Airport Air Navigation Facility Operating, etc., Business (Article 2, paragraph (5), item (ii) of the Private Utilization Airport Operation Act)¹³
- i) Maintenance and administration of the airport air navigation facilities
 - ✓ Maintenance and administration (repair, replacement, improvement, maintenance, etc.) of aeronautical lights and incidental power facilities and machine facilities
 - ii) Operation of the airport air navigation facilities
 - ✓ Operation of the aeronautical lights and incidental power facilities and

¹² 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 Four National Airports in Hokkaido 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.

¹³ Includes maintenance, administration and operation of the aeronautical lights installed by the State outside of the airports with permissions and approvals from the relevant local governments. The State shall ensure that permissions and approvals for the operation are being maintained.

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^{14 15 16}

- 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 zones
 - ✓ Subsidizing soundproofing work for schools, etc. (Article 5 of the Noise Prevention Act)
 - ✓ Subsidizing soundproofing work for residential homes (Article 8-2 of the Noise Prevention Act)
 - ✓ 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)¹⁷, as well as compensation for

¹⁴ At present, New Chitose Airport, Wakkanai Airport and Kushiro Airport are not designated as specified airports under the Noise Prevention Act. For this reason, the environmental measures business to be carried out by the State is not carried out at each of the above airports; however, the Operating Right Holder shall carry out a survey of the actual situation of aircraft noise and other surveys in accordance with the Required Standards Document, because there might be a possibility that the airport will be designated as a specified airport under the Noise Prevention Act based on a Cabinet Order. In addition, the necessary environmental measures business will be required to be carried out in the case of such designation.

¹⁵ Hakodate Airport is designated as a specified airport under the Noise Prevention Act; accordingly, the Operating Right Holder shall implement the environmental measures business within the range of the areas subject to noise-reduction measures under the Noise Prevention Act. However, if the areas subject to noise-reduction measures have been revised due to changes in the airport operations based on a management decision by the Operating Right Holder or any other circumstances, the environmental measures business shall be implemented in the areas subject to noise-reduction measures after the revision. It should be added that the designation of the class 2 area and the class 3 area has been removed following the revisions to the areas subject to noise-reduction measures (effective since October 1, 2013); as such, there is no land subject to compensation for development, management and transfer of, or purchase of green zones and other buffer zones.

¹⁶ The aircraft noise measuring devices for which the State has obtained permissions and approvals from the local governments and that the State has installed outside of the Hakodate Airport shall be owned by the Operating Right Holder as the Assets for Transfer to the Operating Right Holder, and the Operating Right Holder shall carry out the environmental measures business therefor. The State shall ensure that permissions and approvals for the installation of such devices are being maintained.

¹⁷ If the areas subject to noise-reduction measures have been revised due to changes in the airport operations based on a management decision by the Operating Right Holder or any other changes in the circumstances, and the Operating Right Holder purchased the land pursuant to the Article 9, paragraph (2) of the Noise Prevention Act after the designation of the class 2 area or higher, the Operating Right Holder shall promptly transfer the land free of charge to the State. The expenses required for transferring the land free of charge to the State shall be borne by the Operating Right Holder, and, as a general rule, the land shall be transferred after

- 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)¹⁸
- 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)^{19, 20}
 - 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)²¹

being cleared. The Operating Right Holder shall manage the land after the transfer.

¹⁸ The measures for the local communities associated with the around-the-clock operation at New Chitose Airport are planned to be steadily carried out even after the entrustment of the operation to the private sector through collaboration among Hokkaido Government, related city offices, and NEF24. On the one hand, taking into account the fact that the smooth operation at the airport is ensured based on the understanding and cooperation of people living around the airport, the relevant local governments plan to request the Operating Right Holder to pay a certain amount of money among the total amount of the cost for soundproofing measures for residential homes that are part of the measures for the local communities currently carried out in association with the around-the-clock operation. The details will be presented at the time of announcement of the Application Guidelines, etc.

¹⁹ 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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport) (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.

²⁰ If the Operating Right Holder intends to change the operating hours of the airports, it shall do so upon consultation with the relevant government organizations, relevant local governments, etc.

²¹ The Operating Right Holder is required to establish airport security control regulations including the matters required by the Required Standards Document.

- (ii) Airport Site, etc., lease business²²
 - i) Lease of the land and constructions, etc., on the land to the State, or a person designated by the State, without rent
 - ii) Lease of the land and constructions, etc., on the land to a person designated by the State, with rent
 - iii) Lease of the land and constructions, etc., on the land to other third parties²³

- (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
 - i) The Operating Right Holder shall be a member of the statutory council (meaning the Council on Improving Convenience of Users of each airport of the Four National Airports in Hokkaido, which is established pursuant to Article 14 of the Airport Act; the same shall apply hereinafter) (Article 8, paragraph (1) of the Private Utilization Airport Operation Act). 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).

²² 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).

²³ 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.

With regard to the matters which have been agreed upon through the consultation with the above 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, when the municipalities (meaning the municipality as defined in Article 2, Paragraph (3) of the Local Autonomy Act; the same shall apply hereinafter) where the Four National Airports in Hokkaido are located propose the holding of a meeting to discuss the operation of each airport, set and attend the meeting to discuss the matters necessary for the provision of information and close coordination with respect to the operation of the airport.
- iii) The Operating Right Holder shall, when the State, the Hokkaido Government and the municipalities where the Four National Airports in Hokkaido are located propose the holding of a meeting to discuss the integrated operation of the Seven Airports in Hokkaido from the perspective of Hokkaido as a whole, set and attend the meeting to discuss the matters necessary for the provision of information and close coordination with respect to the integrated operation of the Seven Airports in Hokkaido.
- iv) The Operating Right Holder shall obtain the understanding and cooperation of people living around the Airport to ensure smooth airport operation. When the municipalities where the Four National Airports in Hokkaido are located or the Hokkaido Government sets a meeting to discuss the airport operation, 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 Holder²⁴

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 related to enhancement and strengthening of the air transport networks of the Four National Airports in Hokkaido

The policies for and the details of the efforts towards enhancement and

²⁴ The businesses and services to be proposed shall be limited to those implemented by the Operating Right Holder (including those that the Operating Right Holder causes a third party to implement while the Operating Right Holder assuming the contractual liabilities).

strengthening of the air transport networks and demand for air transport, including strategic attractions on the basis of the characteristics of the Four National Airports in Hokkaido.

- (ii) Businesses and services related to enhancement and strengthening of the air transport network in Hokkaido

The policies for and the details of the efforts toward the enhancement and strengthening of the air transport network in Hokkaido undertaken in collaboration with the region by the Operating Right Holder, in light of the importance of the air transport network in Hokkaido as social infrastructure.

- (iii) Businesses and services related to the promotion of wide-area tourism in Hokkaido

The policies for and the details of the efforts to promote wide-area tourism in Hokkaido undertaken by the Operating Right Holder as the entity who operates the airports, taking advantage of the appeal of the tourism resources of the various regions in Hokkaido and in collaboration with the related organizations and corporations, the relevant local governments, etc.

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

The policies for and the details of the efforts from which an effect will be produced that is equivalent to or more favorable than that has been realized by the businesses carried out by the Airport Environment Improvement Foundation, a general incorporated foundation, before the date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).

E) Building Facilities Business

In addition to the businesses included in the Building Facilities Business, which the Operating Right Holder is responsible for implementing, the Operating Right Holder may during the Airport Operating Business Period, or may have the Building Facility Business Operator during the Project Period, at its own discretion, conduct any business or service which it deems necessary within the Airport Site to the extent that such business or service complies with the related laws and regulations, does not interfere with the function of the Airport, does not fall under the amusement business or other similar business, or an office of an organized crime group or other similar office, and is not offensive to public policy. The Operating Right Holder or the Operating Right Holder's Subsidiary, etc., may carry out any business activity

outside of the Airport Site, from which they earn revenue, etc., from third parties (however, excluding those activities listed in 2.1.(10)F and G), upon approval of the State.²⁵

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

(i) Passenger Building Facility business

i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act for each airport, 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 CIQ Facilities
- ✓ 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 may, or may have the Building Facility Operator, provide the following services 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))

²⁵ It is planned that a framework is to be adopted in which prior coordination for approval is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

- ✓ 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 business²⁶

- 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 for each airport, and assume the obligation to implement the cargo building facility business including the following activities:

- ✓ Handling cargo
- ✓ Leasing the facilities to Air Carriers
- ✓ Leasing the CIQ Facilities
- ✓ Security
- ✓ Traffic guidance
- ✓ 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 the following services 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) Fueling facility business (limited to New Chitose Airport)

- i) The Operating Right Holder shall, or shall have the fueling 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

²⁶ There are no Cargo Building Facilities in Wakkanai Airport; however, the Operating Right Holder shall carry out the cargo handling, security and traffic guidance services in the airport.

Article 15 of the Airport Act, and assume the obligation to implement the business including the following activities:

- ✓ Owning, rendering and operating fueling facilities for aircraft
- ✓ Storing and managing petroleum products
- ✓ Retention and maintenance support for specialized vehicles

(iv) Aircraft fueling service business

The Operating Right Holder shall assume the obligation to carry out the following business after the date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).²⁷

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

(v) 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)ii) and (ii)ii)²⁸

F) Airport Operating Business of other three airports in Hokkaido

As described in Part 2.1(3), the State plans to entrust the private sector to integrally operate the Seven Airports in Hokkaido from the perspective of, among other factors, raising the level of marketing capabilities of each airport and enhancing the aviation network and thereby leading to the revitalization of the regional economy which includes the promotion of wide-area tourism in cooperation with the region. Accordingly, the Airport Operating Business pertaining to Asahikawa Airport, Obihiro Airport and Memanbetsu Airport shall be positioned as the Airport Operating Business of other three airports in Hokkaido.

G) Airport Operating Business of the other airports

²⁷ During the period in which the Operating Right Holder leases the land to an aircraft fueling and related services business operator and such operator provides the aircraft fueling service at the Four National Airports in Hokkaido, the Operating Right Holder does not have an obligation to provide such service by itself.

²⁸ If the Operating Right Holder intends to carry out any optional business prior to the day preceding the date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport), it shall separately obtain permission, etc., to use the Airport Site.

If the administrator of an airport in Hokkaido other than Asahikawa Airport, Obihiro Airport and Memanbetsu Airport intends to have a third party operate the airport under its control, the Operating Right Holder may negotiate with the administrator of that airport in Hokkaido.

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

The Operating Right Holder must place the greatest priority on securing the safety of air transport among all the activities in the course of providing the Airport Operation. The State shall establish required standards for ensuring that the Operating Right Holder properly carries out the maintenance and administration businesses, conducts the operating businesses contributing to the safety of air transport, properly implements the environmental measures business, and carries out investments contributing to improve the convenience of airport users. Please note that regarding the matters in the table below, the matters concerning the services in “IV-1. Parking Facility Business” as well as “V-1. Passenger Building Facility Business and Cargo Building Facility Business” and “V-2. Fueling Facility Business,” the State shall set out the minimum necessary matters in advance, and their details shall be set out with reflecting the matters proposed by the applicant who has been selected as the Preferred Negotiation Right Holder in the required standards. The same manner shall be applied to the matters concerning the required standards for “IV-3. Businesses and Services Related to Enhancement and Strengthening of the Air Transport Networks of the Four National Airports in Hokkaido,” “IV-4. Businesses and Services Related to Enhancement and Strengthening of the Air Transport Networks in Hokkaido” “IV-5. Businesses and Services Related to Promotion of the Wide-Area Tourism” and “IV-6. Businesses and Services for a Symbiotic Relationship with Local Communities.”

The structure of the Required Standards Document (draft) is as follows. If the required standards corresponding to each airport are required, such standards shall be established.

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 Airport Service Regulations for the Four National Airports in Hokkaido
		✓ Airport security control regulations	II-3. Required Standards for Airport Security Control Regulations for the Four National Airports in Hokkaido (Safety Part)
			II-4. Required Standards for Airport Security Control Regulations for the Four National Airports in Hokkaido (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 ²⁹
C)	III. Environmental measures business	✓ Required standards for environmental measures business	III. Required Standards for Environmental Measures Business

²⁹ It is planned that the following are set as the required standards, all from the perspective of Hokkaido as a whole: efforts toward the growth of the airports and the development of the communities will be made in collaboration with the local communities will be set as required standard following a single agreement.

D)	✓ IV. Other incidental businesses	✓ Required standards for establishing airport service regulations	(Included in II-2.)
		✓ Required standards for establishing airport security control regulations (safety and security parts)	(Included in II-3 and II-4.)
		✓ Required standards for parking facility business	IV-1. Required Standards for Parking Facility Business
		✓ Required standards for cost bearing for preventive measures against aircraft hijacking, etc.	IV-2. Required Standards for Cost Bearing of Aviation Security Measures
		✓ Required standards for businesses and services related to enhancement and strengthening of the air transport networks of the Four National Airports in Hokkaido	IV-3. Required Standards for Businesses and Services Related to Enhancement and Strengthening of the Air Transport Networks of the Four National Airports in Hokkaido
		✓ Required standards for businesses and services related to enhancement and strengthening of the air transport networks in Hokkaido	IV-4. Required Standards for Businesses and Services Related to Enhancement and Strengthening of the Air Transport Networks in Hokkaido
		✓ Required standards for businesses and services related to promotion of the wide-area tourism	IV-5. Required Standards for Businesses and Services Related to Promotion of the Wide-Area Tourism
		✓ Required standards for businesses and services for a symbiotic relationship with local communities	IV-6. Required Standards for Businesses and Services for a Symbiotic Relationship with Local Communities
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 fueling facility business	V-2. Required Standards for the Fueling Facility Business

- (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) Rights, assets, etc., to be obtained and succeeded by the Operating Right Holder prior to the date of commencement of the Airport Operating Business
 - (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, water sources for fire defense, fences surrounding the Airport, garages for fire engines, garages for snow removers, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others
 - (ii) Rights to use the Airport Site, etc.
 - The rights to use the Airport Site, etc., under the National Property, etc., Free Lease Agreement (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, to be obtained by the date of commencement of the Airport Operating Business for each airport)
 - (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, snow removers, etc.) (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, to be obtained by the date of commencement of the Airport Operating Business for each airport)
 - (iv) Fueling facility operator shares
 - The shares issued by the fueling facility operator (See Part 2.1.(7)B))
- (13) Treatment of replacement investment, etc.
 - A) Treatment of replacement investment, etc., for the Facilities Subject to the 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.³⁰ However, if the

³⁰ The State shall bear the costs, at the time of the expiration of the Project Period, for those investments among the expansion investments pertaining to the Facilities Subject to the Operating Right made by the Operating Right Holder for which certain requirements ((i) the collection during the Project Period is difficult and (ii) the

Operating Right Holder intends to carry out certain maintenance and administration (replacement investment) set out in the Project Agreement, such as material changes stipulated in Article 43 of the Civil Aeronautics Act, it shall obtain prior approval of the State. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities Subject to the Operating Right.³¹

- The State may carry out maintenance and administration (replacement investment) on the Facilities Subject to the Operating Right if the State determines such maintenance and administration is necessary on public interest grounds.
- Any of the Facilities Subject to the 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 Part 5.1) as long as they meet the required standards in general.^{32 33}

(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 including the purposes of ensuring safety and operating stability and improving convenience.

State determines that the remaining value of the expansion investments can be expected at the time of the expiration of the business and the budget has been provided based on the calculation method agreed upon by the State and the Operating Right Holder in advance) specified in the Project Agreement are fulfilled.

³¹ See Exhibit 1 for the scope of the maintenance and administration of the Facilities Subject to the Operating Right by the Operating Right Holder.

³² 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 facilities related to customs, immigration and quarantine (hereinafter referred to as the “CIQ Facilities”), prior approval of the State shall be obtained for such work.

³³ The Operating Right Holder may request the State to set up an opportunity of hearing of opinions regarding the scope of purchase of the expansion investments pertaining to the Non-Operating Right Facilities as of the Airport Operating Business Expiration Date to be conducted by the Operating Right Holder during the Airport Operating Business Period.

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

The Operating Right Holder may, if so desires, request that the State dispatch its personnel in relation to the Airport Operating Business. The job categories, the number of people to be dispatched, the dispatch period and other details shall be determined through competitive dialogue.³⁴ 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 scheduled date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the scheduled date of commencement of the business for each airport).

- Air traffic services flight information officers
 - Aeronautical light and electrical engineers
 - Facility operation administration officers (officers for civil engineering and for machines)
 - Personnel for air transport security and disaster prevention
 - Personnel for environmental measures (limited to Hakodate Airport)
- (16) Considerations, etc., 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, etc.³⁵:

- (i) Consideration for the acquisition of the Building Facility Operator Shares, the fueling facility operator shares and the parking business described in the Building Facility Operator Share Acquisition Option Agreement, the Fueling Facility Operator Share Acquisition Option Agreement and the business acquisition option agreement;

³⁴ The conditions including the maximum number of people to be dispatched will be presented at the time of announcement of the Application Guidelines, etc.

³⁵ The currency to be used for the payments shall be the Japanese yen.

- (ii) Consideration for the acquisition of the Assets for Transfer to the Operating Right Holder under the Goods Transfer Agreement
- (iii) Consideration for the grant of the Operating Right under the Project Agreement
- (iv) Revenue-linked contributions

With regard to consideration (i) above, the Operating Right Holder shall directly pay to the Shareholders of the Building Facility Operator, etc., and the parking business operator the amount and by the method specified in the Building Facility Operator Share Acquisition Option Agreement, the Fueling Facility Operator Share Acquisition Option Agreement and the business acquisition option agreement on the future date specified by itself at the time of exercising the right to complete the share transfer and the business transfer.

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 procedures in Part 3.2(14). The consumption taxes and local consumption taxes shall be separately paid at the time of such payments.

Consideration (iii) above shall be comprised of the following two types:

- i. consideration to be paid in a lump sum by the due date specified by the State, prior to the scheduled date of commencement of the Airport Operating Business (hereinafter referred to as the “Lump-sum Operating Right Consideration Payment”); and
- ii. consideration to be paid by the due date specified by the State in each fiscal year during the Airport Operating Business Period (hereinafter referred to as the “Installment Operating Right Consideration Payment”).

Consideration i. above, which is a proposal in the Proposal Documents, 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 minimum amount to be proposed for the consideration shall be 0 yen and the State only accepts a proposal for an amount more than said amount.

With regard to consideration ii. above, the payment amount shall be 2.4 billion yen per fiscal year (the fixed amount for each fiscal year).

The consumption taxes and local consumption taxes shall be separately paid at the time of such payments. In addition, when the State intends to collect such considerations, it shall do so upon consultation with the Minister of Finance.

With regard to consideration (iv) above, if the current number of takeoff-and-landing slots at New Chitose Airport is expanded in the future, the amount calculated by applying the formula specified in the Project Agreement to the actual number in excess of 42 times of

takeoffs and landings per hour at New Chitose Airport shall be paid to the State as the revenue-linked contributions. The payment of the revenue-linked contributions shall be made by the due date specified by the State, in the fiscal year following the fiscal year subject to the calculation³⁶. The consumption taxes and local consumption taxes shall be separately paid at the time of such payments.

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

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.

³⁶ It shall mean the fiscal year of the State starting from April 1 of a year and ending on March 31 of the following year.

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 screening of the proposals from the applicants of the Seven Airports in Hokkaido including Asahikawa Airport, Obihiro Airport and Memanbetsu Airport is planned to be conducted collectively by the Screening Committee.

The members of the Screening Committee shall be disclosed at the time of publication of the Application Guidelines, etc., 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.

(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 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 the 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 participation requirements and 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 (including the minutes³⁷ of the Screening Committee meetings) 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 that integrally operates the Seven Airports in Hokkaido as described in Part 1.

Please note that if the Preferred Negotiation Right Holder desires to hold the shares of the SPC indirectly, the Preferred Negotiation Right Holder shall, as a general rule, make a specific proposal in the First Screening Documents concerning the capital relationship

³⁷ However, the matters that may harm the rights, competitive position or other legitimate interests of the private business operator if disclosed (for example, the portion of the presentations made by the private business operator, proper nouns, specific numerical figures including expenses and ideas unique to the private business operator) and information that may allow identification of the names of the Screening Committee members shall be excluded.

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.³⁸

(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, the Building Facility Operator, the parking facility operator and fueling 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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business for each airport).

- (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, etc., 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.

³⁸ Indirect holding, etc. of the shares of the SPC shall include investment limited partnerships and similar frameworks thereto.

(12) Treatment upon addition of Voting Shareholders

Notwithstanding the provisions specified in Part 4.4(2), in the case that the Operating Right Holder or the Voting Shareholders (meaning the Voting Shareholders specified in Part 4.4(2); the same shall apply hereinafter) request to newly issue the Voting Shares (meaning the Voting Shares specified in Part 4.4(2); the same shall apply hereinafter) to third parties other than the Voting Shareholders, up to a rate of ownership of 10% of the Voting Shares, in the period from the date of execution of the Project Agreement to the Airport Operating Business Commencement Date, the State shall approve this request after consultation with relevant administrative agencies, only when the subscriber for the Voting Share does not have any conflict with the participation requirements stipulated in Part 3.3. (2) through to (4), and such addition meets the conditions specified in Part 3.3(1)(iv), while also the new issues of such Voting Shares would not interfere with the implementation of the Project.

However, in case that the Preferred Negotiation Right Holder is a Consortium, and the Voting Shares are issued to the company which was another Applying Company (meaning an Applying Company stipulated in Part 3.3(1)(i); the same shall apply hereinafter) or other Consortium Members (meaning the Consortium Members stipulated in Part 3.3(1)(ii); the same shall apply hereinafter) (including any parent company, subsidiary, or affiliate thereof, and in cases where the company is an Affiliate of another company etc., of said other company etc. (hereinafter collectively referred to as the “Related company”), as well as any parent company, Subsidiary, or Affiliate of the Related company, and in cases where the Related company is an Affiliate of the other company etc.³⁹, of said other company etc.), the rate of ownership of the Voting Shares shall not be permitted to be beyond the rate of ownership of the Voting Shares of any given Consortium Member in the Preferred Negotiation Right Holder.

The subscriber for the Voting Share shall submit the Shareholder’s Covenant Document (meaning the Shareholder’s Covenant Document stipulated in Part 4.4(1); the same shall apply hereinafter) to the State.

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

³⁹ The parent company shall mean those defined in Article 2, item (4) of the Companies Act.
The subsidiary shall mean those defined in Article 2, item (3) of the Companies Act.
The affiliate shall mean those defined in Article 2, paragraph (3), item (20) of the Ordinance for Enforcement of the Companies Act (Ministerial Order of the Ministry of Justice No. 12 of 2006).
The company, etc., shall mean those defined in Article 2, paragraph (3), item (2) of the Ordinance for Enforcement of the Companies Act.

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

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

(14) 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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).

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 (Airport Environment Improvement Foundation). The State shall acquire these assets from the parking facility operator (Airport Environment Improvement Foundation) on the date of commencement of the Airport Operating Business and transfer them to the Operating Right Holder.

The list of the Assets for Transfer to the Operating Right Holder in the Referential Materials, etc., shall be updated by the State prior to the commencement of the transfer procedure and presented to the Operating Right Holder.

(15) Commencement of the Airport Operating Business

The Operating Right Holder shall commence the Airport Operating Business on the date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport) 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

payment of the consideration to the State for the grant of the Operating Right, transfer of the A Parking Facility and the C Parking Facility of New Chitose Airport upon such business transfer and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder. Please note that the State plans to cooperate in the succession of the businesses by the Operating Right Holder to the extent necessary and possible (however, the State shall assume no responsibility even if such succession would not be completed).

(16) 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, etc., 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, etc. The Proposal Documents will not be returned.

(ii) Patents and other rights

The State, etc., 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, etc., 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, the 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, etc., 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.

(17) 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 applicants⁴⁰

(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).⁴¹

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

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

⁴⁰ The State, the Asahikawa City Government, the Obihiro City Government and the Hokkaido Government shall verify if the participation requirements are satisfied and the result shall be confirmed among the administrators.

⁴¹ The companies shall include investment limited partnerships and similar frameworks thereto.

(iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all Voting Shares (however, excluding the cases specified in Part 3.2.(9)). If the Applying Company and the Consortium that passed the First Screening intend to add a Consortium Member by the time of the submission of the Second Screening Documents, such addition may be performed only if both of the conditions in items i. and ii. below are satisfied:

- i. that the Applying Company at the time of submission for the First Screening or the Key Consortium Members designated by the Consortium in the First Screening Documents are, in total, within the scope of receiving the majority of the voting shares of the Operating Right Holder (in the case of the addition of the Voting Shareholders specified in Part 3.2(12), the majority of the Voting Shares after such addition); and
- ii. that the number of the Voting Shares of the added Consortium Member does not exceed the number of the Voting Shares of the Applying Company or the member who receives the largest number of such shares among the Key Consortium Members.

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 the submission of the First Screening Documents no withdrawal shall be allowed, as a general rule, to the Applying Company, the Representative Company, or the Consortium Members. Any addition of a Consortium Member after the submission of the First Screening Documents may be allowed only if it is before the submission of the Second Screening Documents, and the entity to be added as the Consortium Member satisfies all of the requirements in Part 3.3(2) and (4) and such addition of the Consortium Member satisfies the conditions specified in Part 3.3(1)(iv). In other cases where circumstances arise where changes (including withdrawals; hereinafter the same shall apply in this paragraph) to the Consortium Members are unavoidable, it is necessary to consult with the State. After considering the reasons and circumstances, the State can permit these changes only when the State admits those changes.⁴² Furthermore, if the Applying Company or the Consortium Members has become disqualified due to failing to meet the participation requirements stated in Part 3.3(2) through to (4), or a person

⁴² It is planned that a framework is to be adopted in which prior coordination for the approval of the change in the Consortium Members is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

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 Accounting⁴³ and any person who does not fall under Article 167-4 of the Order for Enforcement of the Local Autonomy Act (Cabinet Order No. 16 of 1947)
 - (ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the PFI Act
 - (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
 - (iv) Any person who has not suspended their designation pursuant to the Guidelines on Actions of Suspension of Designation, etc., on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984) by the Director-General of the Civil Aviation Bureau of the MLIT, the Guidelines on Actions of Suspension of Designation, etc., for Qualified Participants in Competitive Bids of the Asahikawa City Government (*Kyoku-Kei* No. 87 of 2004) by the Asahikawa City Government, the Guidelines related to Actions of Suspension of Designation, etc., on Contracts for Construction Work, etc., of the Obihiro City Government (enacted on December 1, 1994) by the Obihiro City

⁴³ 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.

Government or the Guidelines on Administrative Processes for Suspension of Designation for Qualified Participants in Competitive Bids (*Kyoku-so* No. 461 of 1992) by the Hokkaido Government, during the period from the deadline for the submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder.

- (v) Any person who satisfies all of the following requirements:
 - i. any person who is not delinquent in any of Hokkaido prefectural taxes (excluding Hokkaido inhabitant taxes and local consumption taxes), Asahikawa municipal taxes (limited to cases where the head office, a branch office, etc., is located in Asahikawa City), Obihiro municipal taxes (limited to cases where the head office, a branch office, etc., is located in Obihiro City) and enterprise taxes and municipal taxes (Tokyo prefectural taxes in the case of a special ward) of the prefecture where the applicant is based (excluding cases where the applicant has an obligation to pay Hokkaido prefectural taxes) and consumption taxes and local consumption taxes as of the deadline for the submission of the First Screening Documents
 - ii. Any person who does not fall under any of the following:
 - A) any person who falls under an organized crime group stipulated in Article 2, item (1) of the Asahikawa Municipal Ordinance for Eliminating Organized Crime Groups (enacted on March 25, 2014; enforced on April 1, 2014), a member of an organized crime group stipulated in item (2) of the same article, a business operator related to an organized crime group stipulated in Article 7, paragraph (1) of the same ordinance or the provisions in Article 12 of the same ordinance;
 - B) any person who falls under an organized crime group stipulated in Article 2, item (1) of the Obihiro Municipal Ordinance for Eliminating Organized Crime Groups (Ordinance No. 29 of 2013), a member of an organized crime group stipulated in item (2) of the same article or a business operator related to an organized crime group stipulated in item (3) of the same article; and
 - C) an organized crime group stipulated in Article 2, item (1) of the Hokkaido Prefectural Ordinance for Promoting Elimination of Organized Crime Groups (Hokkaido Prefectural Ordinance No. 57 of 2010), a member of an organized crime group stipulated in item (2) of the same article, a member, etc., of an organized crime group stipulated in item (3) of the same article or a business operator related to an organized crime group stipulated in Article

7, paragraph (1) of the same ordinance.

- (vi) Any person who does not fall under any of the items (i) through (vi) below or any person ⁴⁴who does not have a certain relationship with any of these persons in terms of capital, personnel or other affairs
- i. Ernst & Young ShinNihon LLC
 - ii. Anderson Mori & Tomotsune
 - iii. Kansai Law & Patent Office
 - iv. Ernst & Young Transaction Advisory Services Co., Ltd.
 - v. Docon Co., Ltd.
 - vi. Tomohito Ozawa Certified Tax Accountant Office
- (vii) Neither a person who is any of the Bidding Advisors of the State, etc., nor a person who has a certain relationship with these people in terms of capital, personnel or other affairs
- (viii) 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 relationship with such company in terms of capital, personnel or other affairs
- (ix) 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 ⁴⁵who has a certain relationship 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)
- (x) Any person who does not appoint any of the persons specified in (vi) through to (ix) above as an advisor concerning the selection of the Project

⁴⁴ “A person who has a certain relation with any of them in terms of capital, personnel or other affairs” shall be cases 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.

⁴⁵ 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.

- (xi) An officer (whether full-time or part-time) relating to the bidding does not serve concurrently as an officer (whether full-time or part-time) of the Building Facility Operator, the fueling facility operator or the parking facility operator (Chitose Tourist Association) of the Seven Airports in Hokkaido 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
- (xii) In the case that a company, whose officer or employee serve concurrently as an officer or an employee of the Building Facility Operator, the fueling facility operator or the parking facility operator (Chitose Tourist Association) in the way which does not violate the provision of (xi), 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)
- (xiii) 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.

(3) Requirements for the Applying Company or the Representative Company

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

- (i) In and after 2008, having experience in operating⁴⁶ commercial facilities with a store floor area of 10,000 square meters or more or public facilities with a total floor area of 20,000 square meters or more
- (ii) In and after 2008, having experience in operating⁴⁷ passenger facilities for which the number of users per year is 15 million or more or cargo handling facilities with a total floor area of 20,000 square meters or more
- (iii) In and after 2008, having experience in the commercial real property administrating business related to the facilities in (i) or (ii)

(4) Participation requirements for Building Facility Operator

With respect to the Building Facility Operator, a split company may participate in the bidding only if the Building Facility Operator causes a succeeding company to succeed all of its rights and obligations in relation to the Building Facility Business by way of company split specified in the Companies Act, and the split company (the wholly-owning parent company of the succeeding company) terminates the capital relationship with the relevant local governments and satisfies all of the conditions in (i) through to (v) below:

- (i) that the officers and employees of the split company do not serve concurrently as officers and employees of the succeeding company, and the officers and employees of the succeeding company do not serve concurrently as officers and employees of the split company or its subsidiaries or affiliates, whether full-time or part-time; and the split company and the succeeding company have made covenants to the State that they would not engage in any act that may hinder the fairness, transparency and competitiveness of the bidding procedures associated with the Project in establishing the organizational structure, the information systems, etc.;

⁴⁶ This includes construction and operation, acquisition and operation, and the operation business of public facilities, etc. (meaning those defined in Article 2, paragraph (6) of the PFI Act; the same shall apply hereinafter).

⁴⁷ This includes construction and operation, acquisition and operation, and the operation business of public facilities, etc.

- (ii) that the split company has made covenants to the State that it discloses any and all information necessary for the bidding procedures associated with the Project (including, but not limited to, information held by the subsidiaries or affiliates of the split company that operate the goods sales business, the food and beverage business, the duty-free shop business, the advertisement business and the advertising agency business, the ground handling business, the information business and the businesses related to the Building Facility Business) to the State or the participants in the bidding associated with the Project;
- (iii) that the terms and conditions of agreements that the split company has entered into with the succeeding company are not those that may hinder the management discretion of the Operating Right Holder (for example, they lack ordinary economic rationality);
- (iv) that the split company cooperates in business succession or termination of agreements deemed necessary by the State from the perspective of ensuring the fairness, transparency and competitiveness of the bidding procedures and stable business continuity, if requested by the Operating Right Holder; and
- (v) that the Building Facility Operator group (meaning the split company and its subsidiaries and affiliates (excluding the succeeding company); hereinafter the same shall apply) has made covenants that it shall sell its assets or succeed its contractual statuses to the Operating Right Holder or the succeeding company if requested by the Operating Right Holder or the Preferred Negotiation Right Holder with respect to the Building Facility Operator group's assets and agreements deemed necessary by the State from the perspective of ensuring the fairness, transparency and competitiveness of the bidding procedures and stable business continuity.

In addition, the Operating Right Holder shall be required to acquire the Building Facility Operator Shares in accordance with the method specified in Part 2.1(7)B even in cases where the Consortium in which the split company or the split company participates is selected as the Preferred Negotiation Right Holder.

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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).

(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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport) 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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport

and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).

(iii) Construction work that the State plans to implement after the commencement of the Airport Operating Business

The State has a plan to implement construction work for the runway end safety area (hereinafter referred to as the “RESA”) in the future as the measures for responding to the need of expanding the RESA following the revision to the “Criteria for Installing Civil Engineering Facilities in Airports” in April 2013.⁴⁸ The Operating Right Holder shall not have an obligation to meet the required standards for the maintenance and administration of the relevant RESA until the work is completed.

This construction work shall be implemented by the State⁴⁹ and the Operating Right Holder shall cooperate in the smooth implementation of the work to the maximum extent possible while maintaining and administering the existing facilities. It should be noted that the Operating Right Holder shall be responsible for the maintenance and administration of the facilities and the Airport Sites that were added as a result of the work as the Facilities Subject to the Operating Right.

(iv) Collaboration with the Chitose Air Base of the Air Self-Defense Force

The Operating Right Holder will be required to provide smooth collaboration in the operation of New Chitose Airport so as to avoid interference with the activities by the Self-Defense Forces, etc., in the Chitose Air Base.

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. In addition, as described in Part 1, the Seven Airports in Hokkaido are planned to be managed integrally by the SPC incorporated by the single Preferred Negotiation Right Holder, and the Operating Right Holder shall also bear the risks associated

⁴⁸ The work for Wakkanai Airport is planned to be completed by the date of commencement of the Airport Operating Business for the airport.

⁴⁹ In this case, the State and the relevant local governments shall bear the costs pursuant to the provisions of the Airport Act.

with the Airport Operating Business of other three airports in Hokkaido. The exceptions where the State shall bear risks are listed below. The concrete allocation of each risk shall be based on the following and the details shall be set out in the Project Agreement (draft).

(1) Force Majeure

- Upon the occurrence of an event such as an earthquake or tsunami which is not attributable to the State or the Operating Right Holder and falls under certain conditions set out in the Project Agreement, such as having a direct and adverse effect on the implementation of the Project (hereinafter referred to as the “Force Majeure”), the State shall take measures including the restoration of the Facilities Subject to the 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 Subject to the 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.⁵⁰ 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 implement an Agreed Extension or temporarily release the Operating Right Holder from obligations under the Project Agreement, or both.

⁵⁰ 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 4 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.

- (2) Liability for latent defects
- If any physical latent defects are found in the Facilities Subject to the Operating Right within one year from the date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport), the State shall indemnify the Operating Right Holder from the accumulated loss arising from the defects up to the total amount of the Lump-sum Operating Right Consideration Payment and the Installment Operating Right Consideration Payment for the initial fiscal year of the Airport Operating Business Period (including where the Agreed Extension is implemented for indemnifying the loss incurred).
- (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”⁵¹⁾ 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).⁵²⁾
- (4) Emergency events
- If any of the particular events set out in the Project Agreement, such as an event that may threaten the safe operation of the Four National Airports in Hokkaido 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 Four National Airports in Hokkaido 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 Four National Airports in Hokkaido.
 - If the State suspends the exercise of the Operating Right based on Article 29,

⁵¹⁾ Changes to the laws, regulations, etc., by the State that are applicable to any of the Asahikawa Airport, Obihiro Airport and Memanbetsu Airport, meaning the airports other than the Four National Airports in Hokkaido, or to all of the Seven Airports in Hokkaido shall also fall under the Particular Changes of Acts.

⁵²⁾ If the airport comes to be designated as a specified airport under the Noise Prevention Act by a Cabinet Order in the future, such change does not fall under the Particular Changes of Acts.

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 monitoring⁵³, 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.⁵⁴

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.⁵⁵

⁵³ In cases where the Seven Airports in Hokkaido are integrally operated, the entity to conduct the monitoring shall be, as a general rule, each administrator. However, a framework is planned to be adopted in which the content and frequency of monitoring by and the format, content and frequency of reporting to each administrator are standardized in order to mitigate the burden of the Operating Right Holder.

⁵⁴ A framework in which opinions from third-party experts are obtained when there exist discrepancies between the recognitions of the Operating Right Holder and the State on the content of the monitoring is to be put in place. The details will be presented at the time of announcement of the Application Guidelines, etc.

⁵⁵ It is planned that a framework is to be adopted in which prior coordination for the approval of the Disposition of the Operating Right is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

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").
- (iv) The State acknowledges that the transferee of the Operating Right implements (or is expected to implement) the Airport Operating Business of other three airports in Hokkaido (limited to cases where the Operating Right Holder also implements the Airport Operating Business of other three airports in Hokkaido).

If the Operating Right Holder, the Building Facility Operator and the fueling 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") in accordance with the procedures set out in a) below 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 and in accordance with the procedures set out in b) below, 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.

a) 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).⁵⁶ 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.⁵⁷

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 relevant administrative agencies (including, but not limited to, the Ministry of Finance and the Ministry of Defense).

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

b) 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.

⁵⁶ It should be added that the State shall approve the Disposition of the Voting Shares if the requirements: (i) the party to whom the Disposition is made satisfies the participation requirements set at the time of the bidding; and (ii) the Disposition of the Voting Shares does not hinder the continuation of the businesses (for example, pulling the employees dispatched from the Voting Shareholder making the Disposition of the shares out of the Operating Right Holder following the Disposition does not cause negative impacts on the required standards or performance of the proposal) are satisfied. It is planned that a framework is to be adopted in which prior coordination for the approval is made among the administrators of the Seven Airports in Hokkaido in order to mitigate the burden of the Operating Right Holder. The details will be presented at the time of announcement of the Application Guidelines, etc.

⁵⁷ It is planned that a framework is to be adopted in which prior coordination for the approval of the new issuance of the Voting Shares is made among the administrators of the Seven Airports in Hokkaido in order to mitigate the burden of the Operating Right Holder. The details will be presented at the time of announcement of the Application Guidelines, etc.

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), (vii) and (x) 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.)⁵⁸
- (iv) Cargo Building Facilities (air cargo handling facilities etc.)⁵⁹ ⁶⁰
- (v) Roads
- (vi) Parking facilities
- (vii) Fueling facilities (limited to New Chitose Airport)
- (viii) Airport Site
- (ix) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines and the garages for snow removers), machine facilities, power facilities (including the power supply facility), etc.)
- (x) Facilities other than those listed in (i) through to (ix), which are owned by the Operating Right Holder, the Building Facility Operator or the fueling facility operator

2. Location of the facilities subject to the Project

- (1) Location etc.

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

- (i) New Chitose Airport
 - i. Location
Bibi, Chitose City, Hokkaido
 - ii. Area subject to the Project

⁵⁸ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Passenger Building Facilities owned by itself.

⁵⁹ There are no Cargo Building Facilities in Wakkanai Airport.

⁶⁰ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Cargo Building Facilities owned by itself.

Approximately 726 ha

- (ii) Wakkanai Airport
 - i. Location
Koetoimura, Wakkanai City, Hokkaido
 - ii. Area subject to the Project
Approximately 99 ha
- (iii) Kushiro Airport
 - i. Location
Tsuruoka, Kushiro City, Hokkaido
 - ii. Area subject to the Project
Approximately 160 ha
- (iv) Hakodate Airport
 - i. Location
Takamatsu-cho, Hakodate City, Hokkaido
 - ii. Area subject to the Project
Approximately 164 ha

(2) Lease of the Airport Site, etc.

All the Airport Sites, 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.

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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport).

(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, F and G outside of the Airport Site if approved by the State upon prior consultation with the State.⁶¹

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

⁶¹ It is planned that a framework is to be adopted in which prior coordination for the approval is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

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

2. Actions in 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 the Four National Airports in Hokkaido.

B) Effects of cancellation or termination

- When the agreement is terminated because the State ceases to hold the ownership of the Four National Airports in Hokkaido, the Operating Right shall automatically be extinguished. In other cases, the State shall rescind the Operating Right.
- The State shall indemnify the Operating Right Holder for the consideration for the Operating Right with respect to the portion corresponding to the remaining period for which the Operating Right Holder has paid the consideration (for the Installment Operating Right Consideration Payment, such period shall mean the portion corresponding to the period from the time of cancellation of the agreement to the last month of the fiscal year to which such time belongs; the same shall apply hereinafter).

- If the loss sustained by the Operating Right Holder due to an event that caused the cancellation or termination of the agreement exceeds the amount stipulated in the preceding item, the State shall indemnify the Operating Right Holder for such excess amount.⁶²
- (2) Cancellation for reasons attributable to the Operating Right Holder
- A) Reasons for cancellation
- If any of the certain events set out in the Project Agreement occurs, such as the Operating Right Holder breaches an obligation under the Project Agreement, the State may cancel the Project Agreement either with or without demand to correct the breach, depending on the event.
- B) Effects for cancellation
- The State shall rescind the Operating Right.
 - The State shall indemnify the Operating Right Holder for the consideration for the Operating Right with respect to the portion corresponding to the remaining period for which the Operating Right Holder has paid the consideration (for the Installment Operating Right Consideration Payment, such period shall mean the portion corresponding to the period from the time of cancellation of the agreement to the last month of the fiscal year to which such time belongs; the same shall apply hereinafter).
 - The Operating Right Holder shall pay to the State the penalty set out in the Project Agreement (if the amount of loss sustained by the State due to an event that caused the cancellation of the agreement exceeds the amount of penalty, such amount of loss). In addition, the Building Facility Operator and fueling facility operator shall assume the payment obligation jointly and severally with the Operating Right Holder.
- (3) Cancellation or termination for Force Majeure
- A) Reasons for cancellation or termination
- If all the Four National Airports in Hokkaido are 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

⁶² Please note that the offset from the amount to be paid by the State shall be made in accordance with the provisions of the Civil Code.

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

B) Effects of cancellation or termination

- When the loss of the airports is due to Force Majeure, the Operating Right shall automatically be extinguished.
- If the Project Agreement is canceled due to Force Majeure, the Operating Right Holder shall waive or assign to a third party designated by the State the Operating Right in accordance with the choice of the State. Any loss sustained by the State and the Operating Right Holder due to such Force Majeure shall be borne by each party and neither party shall compensate for damages of the other party.
- The State shall indemnify the Operating Right Holder for the consideration for the Operating Right with respect to the portion corresponding to the remaining period for which the Operating Right Holder has paid the consideration (for the Installment Operating Right Consideration Payment, such period shall mean the portion corresponding to the period from the time of cancellation of the agreement to the last month of the fiscal year to which such time belongs; the same shall apply hereinafter).

(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.

B) Effects of cancellation

- The State shall rescind the Operating Right.
- The State shall indemnify the Operating Right Holder for the consideration for the Operating Right with respect to the portion corresponding to the remaining period for which the Operating Right Holder has paid the consideration (for the Installment Operating Right Consideration Payment, such period shall mean the portion corresponding to the period from the time of cancellation of the agreement to the last month of the fiscal year to which such time belongs; the same shall apply hereinafter).

- The State shall indemnify the Operating Right Holder for any loss sustained by the Operating Right Holder due to an event that caused the cancellation or termination of the agreement.⁶³

(5) Cancellation for reasons attributable to other three airports in Hokkaido⁶⁴

A) Reasons for cancellation

- If any Project Agreement of the Airport Operating Business, etc., pertaining to Asahikawa Airport, Obihiro Airport or Memanbetsu Airport is canceled or terminated due to an event set out in the Project Agreement, the State or the Operating Right Holder may cancel the Project Agreement depending on the cancellation event.

B) Effects of cancellation

- The State shall rescind the Operating Right.
- The State shall indemnify the Operating Right Holder for the consideration for the Operating Right with respect to the portion corresponding to the remaining period for which the Operating Right Holder has paid the consideration (for the Installment Operating Right Consideration Payment, such period shall mean the portion corresponding to the period from the time of cancellation of the agreement to the last month of the fiscal year to which such time belongs; the same shall apply hereinafter).
- The details of the effects of cancellation shall be set out in the Project Agreement (draft).

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

From the perspective of maintaining the stable continuation of the Project and the integrated operation of the Seven Airports in Hokkaido to the extent possible, with respect to

⁶³ Please note that the offset from the amount to be paid by the State shall be made in accordance with the provisions of the Civil Code.

⁶⁴ Whether any Project Agreement of the Airport Operating Business, etc., pertaining to Asahikawa Airport, Obihiro Airport and Memanbetsu Airport is to be canceled and the details related to the effects in cases where the Project Agreement of the Project has been canceled will be presented when the Application Guidelines, etc., are published. It is planned that a framework is to be adopted in which prior coordination for the exercise of the right to cancel is made among the administrators of the Seven Airports in Hokkaido. More specifically, it is presumed that, when any reasons for cancellation of the Project Agreement arise on the part of an administrator, the administrator shall consult the exercise of the cancellation right with the all other administrators, and if the Project Agreement pertaining to the airport is canceled or terminated, the administrators of the other airports reserve the right to cancel their own Project Agreement and decide upon whether to exercise such cancellation right or not while respecting the outcome of the consultation between the all administrators. Please refer to the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido on the website of the Civil Aviation Bureau of the MLIT as below for more details. http://www.mlit.go.jp/koku/koku_tk5_000045.html

certain matters set out in the Project Agreement, 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 April 5, 2018 (Thursday)
Until: No later than 15:00 on April 20, 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

Secretariat of the Seven Airports in Hokkaido, Infrastructure Advisory Group
Address: Hibiya International Building, 2-2-3, Uchisaiwai-cho Chiyoda-ku, Tokyo
Email: hokkaido7@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 date of commencement of the Airport Operating Business (for Wakkanai Airport, Kushiro Airport and Hakodate Airport, the date of commencement of the Airport Operating Business pertaining to each airport) is as follows:

Schedule (tentative)	Actions
Around April 2018	➤ Selection and announcement of a Qualified Project
Around April 2018	➤ Publication of Application Guidelines etc.
Around May 2018	➤ Explanatory meeting on Application Guidelines etc.
Around May - June 2018	➤ Period for receiving questions on Application Guidelines etc.
Around July 2018	➤ Publication of answers to the questions on Application Guidelines, etc.
Around August 2018	➤ Deadline for submission of First Screening Documents
Around September 2018	➤ Notification of result of First Screening
Around September 2018 - April 2019	➤ Period for holding competitive dialogue
Around May 2019	➤ Deadline for submission of Second Screening Documents
Around July 2019	➤ Selection of Preferred Negotiation Right Holder
Around August 2019	➤ Execution of Basic Agreement
Around October 2019	➤ Operating Right Establishment Date
Around October 2019	➤ Execution of Project Agreement
Around January 2020	➤ Building Facility Business Scheduled date of commencement of the Building Facility Business
Around May 2020	Execution of Goods Transfer Agreement
Around June 2020	➤ Scheduled date of commencement of the Airport Operating Business for New Chitose Airport
Around October 2020	➤ Scheduled date of commencement of the Airport Operating Business for Asahikawa Airport
Around March 2021	➤ Scheduled date of commencement of the Airport Operating Business for Wakkanai Airport, Kushiro Airport, Hakodate Airport, Obihiro Airport, and Memanbetsu Airport

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 Airport Operation of the Four National Airports in Hokkaido

I submit the opinions on the “Implementation Policy on the Qualified Project, etc., for Airport Operation of the Four National Airports in Hokkaido” published on March 29, 2018, as follows:

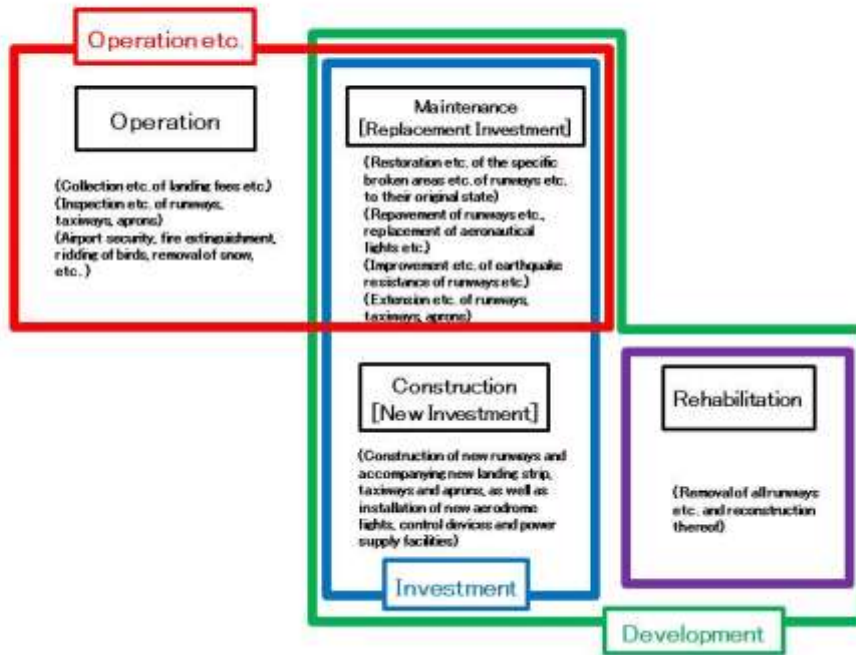
Trade Name or Name		
Address		
Department		
Name of Submitter		
Contact Information	Tel	
	Fax	
	Email	

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

See the website of the Financial Accounting Standards Foundation at:

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

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

See the website of the National Tax Agency at:

<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:

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