

(TRANSLATION) (for Reference Only)

**Implementation Policy on
the Qualified Project, etc., for the Operation of
Memanbetsu Airport**

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

Hokkaido Government

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Part 1. Introduction

The Hokkaido Government (hereinafter collectively referred to as the “Hokkaido Government”) is 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 the Operation of Memanbetsu Airport (hereinafter referred to as the “Project”) at Memanbetsu Airport (hereinafter referred to as the “Airport”), for the purpose of integrally managing a Qualified Project for Local Airport Operation Pertaining to Memanbetsu Airport (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. of Memanbetsu Airport (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 Local Airport Pertaining to Memanbetsu Airport (meaning the Operating Right Holder of a Local Airport stipulated in Article 11, 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 the Operation of Memanbetsu Airport to Implement Right to Operate Public Facilities, etc. (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

In addition, the Civil Aviation Bureau and the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter referred to as the “State”), the Asahikawa City Government and the Obihiro City 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 New Chitose Airport, Wakkanai Airport, Kushiro Airport and Hakodate Airport (hereinafter referred to as the “Four National Airports in Hokkaido”) and Asahikawa Airport and Obihiro Airport, which they administer.

A single Preferred Negotiation Right Holder is planned to be selected for these seven airports in Hokkaido (the Airport, Four National Airports in Hokkaido, Asahikawa Airport and Obihiro 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 Airport 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 Hokkaido Government 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 Hokkaido Government 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.
Harumi Takahashi, Governor of Hokkaido

(2) Unit in Charge

Office of Airport Privatization Strategy, Department of Policy Planning and Coordination, Hokkaido Government (hereinafter referred to as the “Unit in Charge”)

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

- (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.
- (3) Background and purposes of the Project

The Airport has the potential to be one of important airports that support the aviation network in Japan and leading gateways in Japan for inbound travelers from overseas countries since the Seven Airports in Hokkaido 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 promote effective utilization of each airport as gateways and strategic cooperation between airports in cooperation with the relevant local governments and the Hokkaido Government. However, it is impossible for the current Seven Airports in Hokkaido to manage the overall airports in an integrated and flexible way because the following are separately operated: (i) the basic airport facilities, etc., owned by the public entities, namely the Hokkaido Government, the State, the Asahikawa City Government and the Obihiro City Government (hereinafter collectively referred to as the “Hokkaido Government, etc.”) (however, the Hokkaido

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

Government has no title to the part of the Airport Site not owned by the Hokkaido Government as stipulated in Part 5-2(2)), (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 Hokkaido Government, 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 Hokkaido Government, 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 Hokkaido Government.

(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 Hokkaido Government’s website or by other appropriate means and other documents to be issued by the Hokkaido Government 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 the Qualified Project, etc., for Operation of Memanbetsu Airport 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 the Operation of Memanbetsu Airport (draft) (hereinafter referred to as the “Basic Agreement (draft)”)
 - (iv) Free Lease Agreement with respect to the Local Government’s Property, etc., for the Qualified Project, etc., for the Operation of Memanbetsu Airport (draft) (hereinafter referred to as the “Local Government’s Property, etc., Free Lease Agreement (draft)”)
 - (v) Goods Transfer Agreement with respect to the Qualified Project, etc., for the Operation of Memanbetsu Airport (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
 - (vi) Required Standards Document for the Qualified Project, etc., for the Operation of Memanbetsu Airport (draft) (hereinafter referred to as the “Required Standards Document (draft)”)
 - (vii) Compilation of related materials
 - (ix) 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”)
 - (x) 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”)
 - (xi) 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) River Act (Act No. 167 of 1964)
- xlvi) Local Autonomy Act (Act No. 67 of 1947)
- xlvi) Other related laws and regulations

B) Conventions and treaties

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

C) Prefectural ordinances

- i) Hokkaido Airport Ordinance (Hokkaido Prefectural Ordinance No. 41 of 1961)
- ii) Relevant prefectural ordinances of the local governments of the airport locations (including the Hokkaido Government)

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 Rules²

² The Air Transport Security Operation Rules are the standards for processing air transport security affairs of the State and serve as a reference material with respect to airports other than the national airports.

- 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 (hereinafter referred to as the “Airport Operating Business Commencement Date”) until the day preceding the 30th anniversary of the date the Operating Right was granted (hereinafter referred to as the “Operating Right Establishment Date”), or if the Airport Operating Business Period is extended pursuant to Part 2.1(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 Date³.

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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government 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 the other six Airport Operating Business 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”)⁴. 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

³ The Airport Operating Business Expiration Date pertaining to the Four National Airports in Hokkaido, Asahikawa Airport and Obihiro Airport shall be the same as that of the Operation of Memanbetsu Airport

⁴ It is contemplated that the Hokkaido Government will bear replacement investments and other expenses to the extent necessary (in terms of subject, scope, etc.) in the event that the self-sufficient operation of the Airport is deemed impracticable during the Public Extension Option period.

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 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.)⁵.

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

(7) Project methods

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

The Preferred Negotiation Right Holder who has been selected through the procedure stipulated in Part 3.2 and has entered into the Basic Agreement (meaning the Basic Agreement defined in Part 3.2 (8); the same shall apply hereinafter) with the Hokkaido Government shall incorporate an SPC whose sole purpose is to carry out the Project.

The Hokkaido Government 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 Hokkaido Government, and, by the date of commencement of the Airport Operating Business, 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”).

In addition, on the date of commencement of the Airport Operating Business, SPC shall purchase from the present parking facility operator the properties that will be necessary for the operation of the parking facility.

B) Method for acquiring the Building Facility Operator Shares

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

⁵ 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.

referred to as the “Shareholders of the Building Facility Operator”) by the scheduled date of commencement of the Building Facility Business (as stipulated in the Project Agreement (draft)).

With respect to the methods for transferring the shares mentioned above, a share acquisition option agreement in which the price for transferring all of the shares held by the Shareholders of the Building Facility Operator (90 percent of the issued and outstanding shares), is set at 993,600,000 yen (hereinafter referred to as the “Building Facility Operator Share Acquisition Option Agreement”) was entered into between the Hokkaido Government and the Shareholders of the Building Facility Operators (the breakdown of the transfer price of each share is indicated in the table below)⁶. It has been agreed that the contractual status of the Hokkaido Government under this agreement, including the right to complete the transfer of the Building Facility Operator Shares, shall be transferred to the Operating Right Holder.

The Operating Right Holder shall acquire from the Hokkaido Government the right to complete the share transfer under the Building Facility Operator Share Acquisition Option Agreement and exercise such right and shall obtain the Building Facility Operator Shares held by the Hokkaido Government, thereby acquiring the Building Facility Operator Shares. Please note that since this is made through the transfer of the shares, the agreements, etc., entered into by the Building Facility Operator and its employees will be succeeded by the Operating Right Holder unless the circumstances are exceptional.⁷

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

C) Treatment of the Building Facilities

In order to secure a preferred right of the Hokkaido Government to purchase the Building Facilities upon expiration of the Airport Operating Business Period, the Operating Right Holder shall, after the Building Facility Business Commencement Date and without delay, have the Building Facility Operator enter into a purchase option

⁶ The terms and conditions for the transfer of the Building Facility Operator Shares held by the Hokkaido Government (10 percent of the issued and outstanding shares) shall be equivalent to those of the Building Facility Operator Share Acquisition Option Agreement, with the transfer price being 110,400,000 yen.

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.

agreement concerning the Building Facilities with the Hokkaido Government in which the Hokkaido Government shall have an option to purchase. The purchase price of the Building Facilities under the purchase option agreement shall be their market price (which shall be determined by the method set out in the Project Agreement).

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

D) Treatment upon expiration of the Project Period

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

a) Operating Right

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

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

The Operating Right Holder shall transfer the Facilities Subject to the Operating Right and the Airport Site not owned by the Hokkaido Government (hereinafter collectively referred to “Facilities, etc. Subject to the Operating Right”) to the Hokkaido Government, or a third party designated by the Hokkaido Government, on the Airport Operating Business Expiration Date or on a later day designated by the Hokkaido Government.

In addition, the Hokkaido Government or a third party designated by the Hokkaido Government may purchase, at market value⁸, 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 Hokkaido Government or the third party deems it necessary⁹. If the Hokkaido Government selects a new implementer of the Project through a bid, the Hokkaido Government 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

⁸ The details of the calculation method for the market value will be presented at the time of announcement of the Application Guidelines, etc.

⁹ The Operating Right Holder may request the Hokkaido Government 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.

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 Hokkaido Government or a third party designated by the Hokkaido Government.

With respect to the Airport Site, etc. (as defined in Part 2.1(10)A(ii)i)), the Local Government's Property, etc., Free Lease Agreement shall be terminated on the Airport Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site, etc., at its own expense and transfer them to the Hokkaido Government or a third party designated by the Hokkaido Government. However, if any asset to be purchased by the Hokkaido Government or a third party designated by the Hokkaido Government 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 Hokkaido Government or a third party designated by the Hokkaido Government 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 Hokkaido Government or a third party designated by the Hokkaido Government shall be borne individually.

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

The Operating Right Holder may, or may have the Building Facility Operator, set usage fees and collect them as income at their respective discretion as follows: (i) with respect to the landing fees, etc. (Article 13, paragraph (1) of the Airport Act) stipulated in Article 2, paragraph (6), item (i) of the Private Utilization Airport Operation Act, the fees for using the airport air navigation facilities stipulated in Article 2, paragraph (6), item (ii) of the Private Utilization Airport Operation Act and the passenger (service) facility charge, necessary approval, etc., shall be obtained and necessary notification, etc., shall be submitted as required by the respective Acts and the Hokkaido Airport Ordinance; (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 A) and B) below or the Project Agreement.

A) Bearing of the costs for replacement investment

(i) Basic idea for the bearing of costs

The Operating Right Holder shall stipulate in the replacement investment plan the content of and costs for replacement investment pertaining to Facilities Subject to the Operating Right (excluding extensions). The Hokkaido Government shall enter into a replacement investment agreement with the Operating Right Holder annually pursuant to the replacement investment plan and shall pay the costs for replacement investment within the scope stipulated in A) (ii) below.

(ii) Scope of the bearing of costs

The Operating Right Holder shall propose to the Hokkaido Government in the proposal the total amount of the costs for replacement investment and the annual breakdown borne by the Hokkaido Government within the upper limit set by the Hokkaido Government. The Hokkaido Government shall pay the costs for replacement investment in accordance with the replacement investment agreements, subject to the proposed total amount. The consumption taxes and local consumption taxes shall be separately paid by the Hokkaido Government at the time of such payments.

The upper limit set by the Hokkaido Government shall be 109.13 million yen in total (excluding consumption taxes and local consumption taxes).

B) Bearing of the costs for operation

(i) Basic idea for the bearing of costs

The Hokkaido Government shall pay the costs for operation of the Project (including replacement investment for vehicles) within the scope stipulated in the Project Agreement.

(ii) Scope of the bearing of costs

The Operating Right Holder shall propose to the Hokkaido Government in the

proposal the total amount of the costs for operation of the Project and the annual breakdown borne by the Hokkaido Government within the upper limit set by the Hokkaido Government. The Hokkaido Government shall pay the proposed annual costs in accordance with the procedure stipulated in the Project Agreement. The consumption taxes and local consumption taxes shall be separately paid by the Hokkaido Government at the time of such payments.

The upper limit set by the Hokkaido Government shall be 50.58 million yen in total (excluding consumption taxes and local consumption taxes). The details of the annual upper limits set by the Hokkaido Government will be presented at the time of announcement of the Application Guidelines, etc.

(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 the other six airports in Hokkaido and the other Airport Operating Business 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 Hokkaido Government, 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 (6), 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

¹⁰ See the Application Guidelines, etc., for the allocation of activities between the Hokkaido Government 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.

sewage facilities, rainwater drainage facilities, etc. (including repair, replacement, improvement, maintenance, etc.)

- ✓ Maintenance and administration of the buildings and incidental equipment (including repair, replacement, improvement, maintenance, etc.)

ii) Operation of the basic airport facilities, etc.

- ✓ Operation of the runways, landing strip, taxiways, aprons, etc.
- ✓ Operation of the roads in the Airport, water and sewage facilities, rainwater drainage facilities, etc.
- ✓ Research on snow and ice, snow removal on the runways, taxiways, aprons, etc.
- ✓ Administration and checkup of the surfaces of the runways, taxiways, aprons, etc. (including operation of the spots and checkup of the runways)
- ✓ Safety management of the restricted zones
- ✓ Administration of obstacles (including administration of the restricted surfaces and monitoring of new developments in the areas surrounding the Airport)
- ✓ 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 13 of the Private Utilization Airport Operation Act), as well as collection of the fees¹²

(ii) Airport Site, etc., administration activities¹³

- i) Administration of the Airport Site of the Airport and the incidental facilities notified under Article 40 of the Civil Aeronautics Act (hereinafter collectively

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 Memanbetsu Airport 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 Hokkaido Airport Ordinance.

¹³ Although the administration of the part of the Airport Site not owned by the Hokkaido Government is included in the business stipulated in Article 2, paragraph (6), item (iv) of the Private Utilization Airport Operation Act, such administration shall be integrally conducted with the administration of the part of the Airport Site owned by the Hokkaido Government, and shall be included in the Airport Operating, etc., Business.

referred to as the “Airport Site, etc.”)

- B) Airport Air Navigation Facility Operating, etc., Business (Article 2, paragraph (6), item (ii) of the Private Utilization Airport Operation Act)
- 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 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 12, paragraph (2) of the Private Utilization Airport Operation Act, Article 54 of the Civil Aeronautics Act), as well as collection of the fees
- C) Environmental measures business
- i) 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 (6), item (iii) of the Private Utilization Airport Operation Act)
- D) Other incidental businesses (Article 2, paragraph (6), item (iv) of the Private Utilization Airport Operation Act)
- a) Activities and services which the Operating Right Holder shall be responsible for carrying out
- The Operating Right Holder shall be responsible for carrying out the following activities and services.
- (i) Establishment, etc., of regulations
 - i) Establishing airport service regulations, publishing the regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 13 of the Private Utilization Airport Operation Act and Article 12 of the Airport Act) and submitting a copy thereof to the Hokkaido Government^{14, 15}

¹⁴ The Operating Right Holder is required to stipulate the matters required by the Required Standards Document in airport service regulations.

¹⁵ If the Operating Right Holder intends to change the operating hours of the airports, it shall do so upon consultation with the Hokkaido Government and the relevant government organizations, relevant local

- ii) Establishing airport security control regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 12, paragraph (1) of the Private Utilization Airport Operation Act and Article 47-2 of the Civil Aeronautics Act) and submitting a copy thereof to the Hokkaido Government¹⁶

- (ii) Airport Site, etc., lease business¹⁷
 - i) Lease of the land and constructions, etc., on the land to the Hokkaido Government, or a person designated by the Hokkaido Government, without rent
 - ii) Lease of the land and constructions, etc., on the land to a person designated by the Hokkaido Government, with rent
 - iii) Lease of the land and constructions, etc., on the land to other third parties¹⁸

- (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 Hokkaido Government 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.

governments, etc.

¹⁶ The Operating Right Holder is required to establish airport security control regulations including the matters required by the Required Standards Document.

¹⁷ Regarding the land and constructions, etc., on the land that will be continuously used by the Hokkaido Government and any person designated by the Hokkaido Government, 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).

¹⁸ 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 Hokkaido Government 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 Hokkaido Government. The Hokkaido Government will approve the subleasing, except in special circumstances, as long as the Operating Right Holder intends to carry out the necessary businesses or services in compliance with related laws and regulations without interfering with airport functions or violating public policy, including where the purpose of using the land is to carry out amusement businesses or other similar businesses or to construct an office of an organized crime group or other similar building.

(v) Attendance at the Council

- i) The Operating Right Holder shall endeavor to obtain the understanding and cooperation of the residents of the neighboring area of the Airport for smooth operation of the Airport and, when the Hokkaido Government and/or the municipalities (meaning the municipality as defined in Article 2, Paragraph (3) of the Local Autonomy Act; the same shall apply hereinafter) where the Airport is located set a meeting to discuss the operation of the Airport, environmental issues in the neighboring areas of the Airport, etc., attend such meeting.
- ii) The Operating Right Holder shall, when the municipalities where the Airport is located proposes the holding of a meeting to discuss the operation of the Airport, set and attend such meeting to provide information about the operation of the Airport and discuss the matters necessary for close coordination.
- iii) The Operating Right Holder shall, when the Hokkaido Government, the State and the municipalities where the Airport is located proposes 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 such meeting to provide information about the integrated operation of the Seven Airports in Hokkaido and discuss the matters necessary for close coordination.

b) Businesses and services proposed¹⁹ by the Preferred Negotiation Right Holder

For the selection of the Preferred Negotiation Right Holder by the Hokkaido Government, 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 Hokkaido Government 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 Airport

The policies for and the details of the efforts toward enhancement and strengthening of the air transport networks and demand for air transport,

¹⁹ 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).

including strategic attractions on the basis of the characteristics of the Airport.

- (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 under the Project, 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., including the development of wide-area sightseeing tour routes.

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

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 Hokkaido Government.²⁰

Any company funded by the Preferred Negotiation Right Holder, excluding the Operating Right Holder and the Operating Right Holder's Subsidiary, etc., may

²⁰ 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.

conduct, at its own discretion, any business outside of the Airport Site.

(i) Passenger Building Facility business

i) The Operating Right Holder has the obligation to implement, or have the Building Facility Operator 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 Facilities²¹
- ✓ 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, setting and notifying the passenger (service) facility charge within the upper limit permitted under the Hokkaido Airport Ordinance, 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))
- ✓ Administrative agency service for air transport companies
- ✓ Advertising
- ✓ Operating special waiting rooms and pay waiting rooms (conference rooms)
- ✓ Lounge service
- ✓ Event service
- ✓ Hotel business
- ✓ Investment in the Passenger Building Facilities

(ii) Cargo Building Facility business

i) The Operating Right Holder has the obligation to implement, or have the

²¹ The Passenger Building Facilities do not have a permanent CIQ.

Building Facility Operator implement, the cargo building facility business including the following activities:

- ✓ Handling cargo
 - ✓ Leasing the facilities to Air Carriers
 - ✓ 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) Aircraft fueling service business

The Operating Right Holder has the obligation to carry out the following business after the date of commencement of the Airport Operating Business.²²

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

(iv) Optional businesses in the Airport Site

- i) Any business that the Operating Right Holder considers necessary and voluntarily carries out in the Airport Site (excluding those specified in Part 2.1.(10)E(i)ii) and (ii)ii)²³

F) Airport Operating Business of the six other airports in Hokkaido

As described in Part 2.1(3), the Hokkaido Government 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

²² 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 Memanbetsu Airport, the Operating Right Holder does not have an obligation to provide such service by itself.

²³ 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, it shall separately obtain permission, etc., to use the Airport Site.

of the regional economy which includes the promotion of wide-area tourism in cooperation with the Hokkaido Government. Accordingly, the Airport Operating Business pertaining to the Four National Airports in Hokkaido, Asahikawa Airport and Obihiro Airport shall be positioned as the Airport Operating Business of the six other airports in Hokkaido.

G) Other Airport Operating Business

If the administrator of an airport in Hokkaido other than the Four National Airports in Hokkaido, Asahikawa Airport and Obihiro Airport intends to have a third party operate the airport under his/her 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 Hokkaido Government shall establish required standards for ensuring, among others, 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 concerning the services in “V. Passenger Building Facility Business and Cargo Building Facility Business” and “IV-1. Parking Facility Business” in the table below, the Hokkaido Government 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 Airport,” “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.

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 Memanbetsu Airport
		✓ Airport security control regulations	II-3. Required Standards for Airport Security Control Regulations for Memanbetsu Airport (Safety Part)
			II-4. Required Standards for Airport Security Control Regulations for Memanbetsu Airport (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 ²⁴		

²⁴ 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.

C)	III. Environmental measures business	✓ Required standards for environmental measures business	III. Required Standards for Environmental Measures Business
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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 Airport	IV-3. Required Standards for Businesses and Services Related to Enhancement and Strengthening of the Air Transport Networks of the Airport
		✓ 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. Required Standards for Passenger Building Facility Business and Cargo Building 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 (excluding the part thereof not owned by the Hokkaido Government), runways, taxiways, aprons, aeronautical lights, roads and parking facilities, water and sewage facilities, rainwater drainage facilities, bridges, water sources for fire defense, fences surrounding the Airport, garages for fire engines, 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 Local Government's Property, etc., Free Lease Agreement
 - (iii) Assets for Transfer to the Operating Right Holder
 - The Assets for Transfer to the Operating Right Holder necessary for the airport operating businesses (including fire engines, snow removers, etc.)
- (13) Treatment of replacement investment, etc.
 - A) Treatment of replacement investment, etc., for the Facilities, etc. 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, etc. Subject to Operating Right as long as they meet the required standards.²⁵ However, if the Operating Right Holder intends to carry out certain maintenance and

²⁵ The Hokkaido Government 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, etc. 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 Hokkaido Government 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 Hokkaido Government and the Operating Right Holder in advance) specified in the Project Agreement are fulfilled.

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 Hokkaido Government. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities, etc. Subject to the Operating Right.²⁶

- The Hokkaido Government may carry out maintenance and administration (replacement investment) on the Facilities, etc. Subject to the Operating Right if the Hokkaido Government determines such maintenance and administration is necessary on public interest grounds.
- Any of the Facilities, etc. Subject to the Operating Right for which maintenance and administration (replacement investment) has been carried out by the Hokkaido Government or the Operating Right Holder shall belong to the Hokkaido Government (provided, however, that the part of the Airport Site not owned by the Hokkaido Government shall belong to the State, Ozoracho or Bihorocho, etc.) and the operation, etc., of the facility shall be carried out by the Operating Right Holder.

B) Treatment of replacement investment, etc., for Non-Operating Right Facilities (excluding the part of the Airport Site not owned by the Hokkaido Government)

- 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) (excluding the part of the Airport Site not owned by the Hokkaido Government) as long as they meet the required standards in general.²⁷²⁸

(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

²⁶ See Exhibit 1 for the scope of the maintenance and administration of the Facilities Subject to the Operation Appointment by the Operating Right Holder.

²⁷ 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 Hokkaido Government shall be obtained for such work.

²⁸ The Operating Right Holder may request the Hokkaido Government 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.

project plan for every five fiscal years and a single year project plan and a replacement investment plan for every fiscal year and submit them to the Hokkaido Government.

- It shall contain investment plans including the purposes of ensuring safety and operating stability and improving convenience.
- The Operating Right Holder shall carry out the Project in accordance with the submitted plans.

B) Reporting

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

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

The Operating Right Holder may, if so desires, request that the Hokkaido Government dispatch its personnel in relation to the Airport Operating Business. The job categories, the maximum number of people to be dispatched, the dispatch period and other details shall be determined through competitive dialogue²⁹. The anticipated job categories are listed below. Personnel expenses required in connection with the dispatch of personnel are based on the standards of the Hokkaido Government 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 Hokkaido Government and the Operating Right Holder prior to the scheduled date of commencement of the Airport Operating Business.

- Administration personnel (security and disaster prevention and operation)
- Facility section personnel (civil engineering and machines and electricity)

(16) Consideration for the Project to be paid by the Operating Right Holder

The Operating Right Holder shall pay the following consideration.³⁰:

- (i) Consideration for the acquisition of the Building Facility Operator Shares described in the Building Facility Operator Share Acquisition Option Agreement; and
- (ii) Consideration for the acquisition of the Assets for Transfer to the Operating Right

²⁹ The conditions including the maximum number of people to be dispatched will be presented at the time of announcement of the Application Guidelines, etc.

³⁰ The currency to be used for the payments shall be the Japanese yen.

Holder under the Goods Transfer Agreement and the parking facility assets to be purchased from the present parking facility operator

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

With regard to consideration (ii) above, the Operating Right Holder shall pay to the Hokkaido Government the amount and by the method determined in accordance with the procedures in Part 3.2(14) for the acquisition of the Assets for Transfer to the Operating Right Holder.

With regard to consideration (ii) above, the Operating Right Holder shall pay to the present parking facility operator for the acquisition of the parking facility assets.

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 Hokkaido Government will not return or reduce the consideration to the Operating Right Holder in (ii).

2. Selection methods for a Qualified Project

(1) Selection criteria

If the Hokkaido Government reasonably finds that it is efficient and effective to conduct the Airport Operating Business as a PFI project, the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government or by other means.

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

Part 3. Invitation and selection of a private business operator

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

If the Hokkaido Government 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 Hokkaido Government 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”), a screening committee³¹ 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 shall be established to 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 including the Four National Airports in Hokkaido, Asahikawa Airport and Obihiro 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 Hokkaido Government will publish the Application Guidelines, etc., for the

³¹ The screening committee will be established by the State on behalf of the administrators of the Seven Airport in Hokkaido.

Project on the website of the Hokkaido Government 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 Hokkaido Government will accept questions concerning the matters stated in the Application Guidelines, etc.

(ii) Publication of answers

The Hokkaido Government will publish the questions concerning the matters stated in the Application Guidelines, etc., and the answers to these questions on the website of the Hokkaido Government.

(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 Hokkaido Government has not received the First Screening Documents from two or more First Screening Participants, the Hokkaido Government 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.

the screening result, the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government will hold an explanatory meeting for the Second Screening Participants.
- (ii) Opinions will be exchanged among the Second Screening Participants and the Hokkaido Government, 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 Hokkaido Government.

(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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government 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.

(iv) Notice of Second Screening results

The Hokkaido Government 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 Hokkaido Government shall promptly publish the screening results (including the minutes of the Screening Committee meetings³²) and the evaluation process in the screening on the website of the Hokkaido Government.

(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 Hokkaido Government.

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 Hokkaido Government 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 Hokkaido Government 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

³² 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.

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 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 Hokkaido Government upon consultation with the Hokkaido Government through competitive dialogue³³.

(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 Hokkaido Government, Building Facility Operator and the parking facility operator, conduct on-site examinations in order to prepare for operation.

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

The Hokkaido Government shall, upon the resolution of the Hokkaido Prefectural Assembly, 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 Hokkaido Government 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 Hokkaido Government will not accept any further amendments to the Project Agreement (draft) which has been amended through competitive dialogue.

Furthermore, the Hokkaido Government 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.

- (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 Local Government's Property, etc., Free Lease Agreement with the Operating Right Holder concerning the Airport Site, etc.

³³ Indirect holding, etc. of the shares of the SPC shall include investment limited partnerships and similar frameworks thereto.

The Hokkaido Government shall publish the matters stipulated in Article 19, paragraph (3) and Article 22, paragraph (2) of the PFI Act on the website of the Hokkaido Government.

(12) Treatment upon addition of Voting Shareholders

Notwithstanding the provision of Part 4.4(2), if the Operating Right Holder or a Voting Shareholder (meaning the Voting Shareholders defined in Part 4.4(2); hereinafter the same shall apply) requests during the period from the execution of the Project Agreement until the date of commencement of the Airport Operating Business that the Voting Shares (meaning the Voting Shares defined in Part 4.4(2); the same shall apply hereinafter) be newly issued to a third party other than the Voting Shareholders, with the holding ratio of the Voting Shares of up to 10%, the Hokkaido Government shall approve such request upon consultation with the relevant administrative agencies, only if the subscriber to the Voting Shares meets the participation requirements specified 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 are considered as not being a hindrance to the implementation of the Project.

However, if the Voting Shares are newly issued to any other Applying Company (meaning the Applying Company defined in Part 3.3(1)(i); hereinafter the same shall apply) or to any entity that was a Consortium Member (meaning the Consortium Members defined in Part 3.3(1)(ii); hereinafter the same shall apply) (including any other company, etc., in cases where such Applying Company or entity or its parent company, a subsidiary or an affiliate is an affiliate of such other company, etc.³⁴ (hereinafter collectively referred to as the “Relevant Company”), as well as any other company, etc., in cases where the Relevant Company or its parent company, a subsidiary or an affiliate is an affiliate of such other company, etc.) in cases where the Preferred Negotiation Right Holder is a Consortium, the new issues of the Voting Shares shall be on the condition that the holding ratio of such Voting Shares by such Applying Company or entity does not exceed the holding ratio of the Voting Shares by any of the Consortium Members are the Preferred Negotiation Right Holder.

The subscriber to the Voting Shares shall submit the Shareholder’s Covenant Document (meaning the Shareholder’s Covenant Document defined in Part 4.4(1); hereinafter the same shall apply) to the Hokkaido Government.

Please note that this provision does not intend to hinder the Consortium Members from

³⁴ 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.

entering into an arrangement that prohibits subscription to the Voting Shares issued by the Operating Right Holder incorporated by any other Consortium selected as the Preferred Negotiation Right Holder prior to the application.

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

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

(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 from the Hokkaido Government and the parking facility assets from the present parking facility operator on the date of commencement of the Airport Operating Business.

The procedure for the transfer of the Assets for Transfer to the Operating Right Holder shall be as follows: The Operating Right Holder shall submit a written estimate with respect to the target price prepared by the Hokkaido Government in accordance with Hokkaido Finance Regulations (Hokkaido Regulation No. 30 of 1970). If the Operating Right Holder has submitted an effective estimate equal to or more than the target price, the Hokkaido Government 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 Hokkaido Government in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

The procedure for the transfer of the parking facility assets shall be as follows: the present parking facility operator shall directly transfer the parking facility assets to the Operating Right Holder at a price (or the method for calculation thereof) agreed upon between the present parking facility operator and the Hokkaido Government in advance.³⁵

The list of the Assets for Transfer to the Operating Right Holder and the list of the parking facility assets in the Referential Materials, etc., shall be updated by the Hokkaido Government 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

³⁵ The price (or the method for calculation thereof) and the list of the Assets for Transfer to the Operating Right Holder will be presented at the time of announcement of the Application Guidelines, etc.

date of commencement of the Airport Operating Business 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 and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder. Please note that the Hokkaido Government plans to cooperate in the succession of the businesses by the Operating Right Holder to the extent necessary and possible (however, the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government, the State, Asahikawa City and Obihiro City (hereinafter referred to as “the Hokkaido Government, etc.”).

The Proposal Documents will not be returned.

(ii) Patents and other rights

The Hokkaido Government, 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 Hokkaido Government, 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, 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 Hokkaido Government, 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 Hokkaido Government determines that it is inappropriate to implement the Project, the Hokkaido Government 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 Hokkaido Government shall publish the decision on the website of the Hokkaido Government and by other appropriate means.

3. Participation requirements for applicants³⁶

(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)³⁷.

(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.

³⁶ The State, the Asahikawa City, the Obihiro City and the Hokkaido Government shall verify if the participation requirements are satisfied and the result shall be confirmed among the administrators.

³⁷ The companies shall include investment limited partnerships and similar frameworks thereto.

- (iii) If the applicant is a Consortium, it shall designate all or part of the Consortium Members as the key Consortium Members (hereinafter referred to as the “Key Consortium Members”) and specify a company from among the Key Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”). The Consortium Members shall submit the power of attorney specified in the Forms and Directions and such Representative Company shall conduct the application procedure.
- (iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all Voting Shares (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). Changes (including withdrawals; hereinafter the same shall apply in this paragraph) to the Consortium Members may be effected only in other cases where it

is unavoidable to do so for any other reasons.³⁸ Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in Part 3.3(2) through to (4), or a person controlling the Applying Company or the Consortium Members has changed (including cases where the Applying Company or the Consortium Members is recently controlled by a third person), they shall promptly notify the Hokkaido Government 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 Accounting³⁹ 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

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

³⁸ 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.

³⁹ As to a foreign corporation, the Hokkaido Government 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.

Actions of Suspension of Designation, etc., for Qualified Participants in Competitive Bids of the Asahikawa City Government (*Asahi-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 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 (Ordinance No. 16 of 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.

Any person who does not fall under any of the items (i) through (vi) below or who does not have a certain relationship with any of these persons in terms of capital, personnel or other affairs⁴⁰

- 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 Hokkaido Government, 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 who 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,

⁴⁰ “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.

paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)⁴¹

- (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

- (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, fueling facility operator or 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, fueling facility operator or 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 Hokkaido Government 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

⁴¹ 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.

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 operating⁴² 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 operating⁴³ 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

⁴² 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).

⁴³ This includes construction and operation, acquisition and operation, and the operation business of public facilities, etc.

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 Hokkaido Government 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.;

- (ii) that the split company has made covenants to the Hokkaido Government 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, 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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government for the operation, etc., of the basic airport facilities, the airport air navigation facilities and the Airport Site etc., those designated by the Hokkaido Government shall be succeeded by the Operating Right Holder on and after the date of commencement of the Airport Operating Business.

(ii) Obligation to lease the land, etc.

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

In addition, with respect to the land, etc., for which the Hokkaido Government 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.

(iii) Construction work to be implemented by the Hokkaido Government after the

commencement of the Airport Operating Business

In the event that the Hokkaido Government implements the construction work after the commencement of the Airport Operating Business,⁴⁴ 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 (or as the part of the Airport Site not owned by the Hokkaido Government, as applicable).

2. Basic idea of allocation of risks

Proper allocation of roles and risks will be determined by the Hokkaido Government 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 with the Airport Operating Business of the other six airports in Hokkaido. The exceptions where the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government shall take measures including the restoration of the Facilities, etc. 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 Hokkaido Government takes Business Continuity Measures, the

⁴⁴ The bearing of the costs shall be pursuant to the provisions of the Airport Act.

Operating Right Holder shall take necessary measures to allow the Hokkaido Government to receive appropriate insurance money, etc., under the insurance purchased by the Operating Right Holder for the Facilities, etc. 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 Hokkaido Government in the Project Agreement.⁴⁵ The Operating Right Holder may undertake alternative measures instead of purchasing insurance, if approved by the Hokkaido Government.
- If the Operating Right Holder is unable to carry out the Project in whole or in part due to the Force Majeure, the Hokkaido Government may implement an Agreed Extension or temporarily release the Operating Right Holder from obligations under the Project Agreement, or both.

(2) Liability for latent defects

- If any physical latent defects are found in the Facilities, etc. Subject to the Operating Right within one year from the date of commencement of the Airport Operating Business, the Hokkaido Government shall indemnify the Operating Right Holder from the accumulated loss arising from the defects (including where the Agreed Extension is implemented for indemnifying the loss incurred).

(3) Particular Changes of Ordinances

- If any of the particular events set out in the Project Agreement, such as changes of ordinances that apply only to the Project and have adverse effects for the Operating Right Holder (hereinafter referred to as the “Particular Changes of Ordinances⁴⁶”) arise during the Project Period, and the Operating Right Holder subsequently incurs a loss, the Hokkaido Government shall indemnify the Operating Right Holder for this loss due to Particular Changes of Ordinances (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).⁴⁷

⁴⁵ In principle, the amount insured shall be set based on the estimated maximum amount of damage of the Facilities, etc. Subject to the Operating Right. The Hokkaido Government currently plans to require the purchase of civil engineering completed risks insurance (with optional coverage for earthquake damage) with 1 billion yen in coverage. If the premium rate of this insurance has fluctuated significantly in ordinary insurance markets, the Operating Right Holder may, with consent of the Hokkaido Government, change the insurance coverage.

⁴⁶ Changes to the laws, regulations, etc., by the Hokkaido Government that are applicable to any of the Four National Airports in Hokkaido, the Asahikawa Airport, Obihiro Airport other than Memanbetsu Airport, or to all of the Seven Airports in Hokkaido shall also fall under the Particular Changes of Acts.

⁴⁷ If a future ordinance requires Memanbetsu Airport to implement the environmental measures equivalent to those under the Noise Prevention Act, such change does not fall under the Particular Changes of

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

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

In order to confirm whether the Operating Right Holder is properly and stably carrying out the businesses set out in the Project Agreement, etc., and meeting the required standards, as well as to understand the financial condition of the Operating Right Holder, the Hokkaido Government is planning to conduct monitoring⁴⁸, 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 Hokkaido Government may request that the Operating Right Holder take improvement measures or other measures⁴⁹.

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

Ordinances.

⁴⁸ 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.

⁴⁹ 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 Hokkaido Government 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.

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 Hokkaido Government concerning the Project or the rights and obligations under these agreements, without prior written consent of the Hokkaido Government; however, the Operating Right Holder may transfer the Operating Right with prior approval of the Hokkaido Government based on Article 26, paragraph (2) of the PFI Act.⁵⁰

When the Hokkaido Government 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 Hokkaido Government, 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 Hokkaido Government the shareholders' covenant documents set out in the Basic Agreement (hereinafter referred to as the "Shareholder's Covenant Document").
- (iv) The Hokkaido Government acknowledges that the transferee of the Operating Right implements (or is expected to implement) the other Airport Operating Business in Hokkaido (limited to cases where the Operating Right Holder also implements the Airport Operating Business of the other six airports in Hokkaido).

If the Operating Right Holder and the Building Facility Operator intend to create a security interest in the Operating Right for borrowing money from a financial institution, etc., in order to raise funds necessary for implementing the Project, the Hokkaido Government 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 Hokkaido Government and the financial institution, etc.

⁵⁰ 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.

(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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government (assuming the person is a financial institution, etc., which provides finance, etc., for the Operating Right Holder).⁵¹ 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 Hokkaido Government in advance.⁵²

⁵¹ It should be added that the Hokkaido Government 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 at the time of the Disposition of the shares out of the Operating Right Holder 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.

⁵² 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.

If the Hokkaido Government 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.

The transferee of the Voting Shares shall submit the Shareholder's Covenant Document to the Hokkaido Government.

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.

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) (with respect to the part of the Airport Site not owned by the Hokkaido Government only) and (ix) are referred to as the “Non-Operating Right Facilities” and the other facilities are referred to as the “Facilities Subject to Operating Right.”

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons, etc.)
- (ii) Airport air navigation facilities (aeronautical light facilities)
- (iii) Passenger Building Facilities (air passenger facilities, offices and shops, as well as other similar facilities, resting facilities, observation facilities, facilities for tours, etc.)⁵³
- (iv) Cargo Building Facilities (air cargo handling facilities etc.)
- (v) Roads
- (vi) Parking facilities (excluding those to be transferred from the present parking facility operator)
- (vii) Airport Site
- (viii) 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.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or the Building 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 40 of the Civil Aeronautics Act are as follows:

- (i) Location

Ozoracho and Bihorocho, Abashiri-gun, Hokkaido

- (ii) Area subject to the Project

Approximately 168 ha

- (2) Lease of the Airport Site, etc.

Approximately 163 ha from among the Airport Sites, etc., is the Hokkaido

⁵³ The Operating Right Holder shall have the obligation to lease the CIQ Facilities in the Passenger Building Facilities owned by itself.

Government's property stipulated in Article 238, paragraph (1) of the Local Autonomy Act and categorized into the administrative assets stipulated in Article 238, paragraph (4) of this Act. Taking into account that the Operating Right Holder may lease part of the Airport Site, etc., to third parties, etc., in implementing the Airport Operation Business, the Hokkaido Government shall allow the Operating Right Holder to use the Airport Site, etc., during the Airport Operating Business Period (as stipulated in Part 2. 1. (6)(A)) under the terms and conditions set out in the Local Government's Property Free Lease Agreement.

Approximately 5 ha from among the Airport Sites, etc. is either the national property or the properties owned by Ozoracho or Bihorocho being used by the Hokkaido Government without charge under the occupancy permission from the owners.⁵⁴ The Hokkaido Government will make such land available for use by the Operating Right Holder during the Airport Operating Business Period, together with the above land owned by the Hokkaido Government, by renewing or extending the relevant free lease agreements (or, acquiring such land) and leasing such land without charge to the Operating Right Holder under the PFI Act.

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 Hokkaido Government 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.

(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 Hokkaido Government upon prior consultation with the Hokkaido Government.⁵⁵ It should be noted that, with respect to the aircraft fueling service business as stipulated in Part 2.1.(10)E(iv), provision of the fueling service at Monbetsu Airport shall also be obligated.⁵⁶ The details shall be set out in the Project Agreement (draft).

⁵⁴ Part of such land remains not registered. The Hokkaido Government shall indemnify the Operating Right Holder for any additional cost or damages incurred due to the status of such unregistered land.

⁵⁵ 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.

⁵⁶ Currently, since Monbetsu Airport does not have a fueling facility, the aircraft fueling service provider for Memanbetsu Airport provides the fueling service for Monbetsu Airport by using tankers. The Operating Right Holder shall not have the obligation to implement such business as long as the present service provider continues the fueling service for Memanbetsu Airport and Monbetsu Airport

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 Hokkaido Government 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 Sapporo 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 Hokkaido Government or a third party designated by the Hokkaido Government 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 Hokkaido Government
 - A) Reasons for cancellation or termination
 - The Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government.
 - The Project Agreement shall terminate if the Hokkaido Government no longer holds ownership of the Airport.
 - B) Effects of cancellation or termination
 - When the agreement is terminated because the Hokkaido Government ceases to hold the ownership of the Airport, the Operating Right shall automatically be extinguished. In other cases, the Hokkaido Government shall rescind the Operating Right.
 - The Hokkaido Government shall indemnify the Operating Right Holder for the loss sustained by the Operating Right Holder due to an event that caused the cancellation or termination of the agreement⁵⁷.
- (2) Cancellation for reasons attributable to the Operating Right Holder

⁵⁷ Please note that the offset from the amount to be paid by the Hokkaido Government shall be made in accordance with the provisions of the Civil Code.

- 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 Hokkaido Government may cancel the Project Agreement either with or without demand to correct the breach, depending on the event.
- B) Reasons for cancellation
- The Hokkaido Government shall rescind the Operating Right.
 - The Operating Right Holder shall pay to the Hokkaido Government the penalty set out in the Project Agreement (if the amount of loss sustained by the Hokkaido Government 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 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 Airport is lost due to Force Majeure, the Project Agreement shall automatically terminate.
 - If the Hokkaido Government implements the Business Continuity Measures due to Force Majeure, but the recovery schedule of the Project is unable to be set, or it becomes apparent that it is impossible or extremely difficult to resume the Project in accordance with the recovery schedule, the Hokkaido Government 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 Hokkaido Government the Operating Right in accordance with the choice of the Hokkaido Government. Any loss sustained by the Hokkaido Government 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.
- (4) Cancellation due to Particular Changes of Ordinances

A) Reasons for cancellation

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

B) Effects of cancellation

- The Hokkaido Government shall rescind the Operating Right.
- The Hokkaido Government 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.⁵⁸

(5) Cancellation for reasons attributable to other six airports in Hokkaido⁵⁹

A) Reasons for cancellation

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

B) Effects of cancellation

- The Hokkaido Government shall rescind the Operating Right.
- The details of the effects of cancellation shall be set out in the Project Agreement (draft).

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

From the perspective of maintaining the stable continuation of the Project and the

⁵⁸ Please note that the offset from the amount to be paid by the Hokkaido Government shall be made in accordance with the provisions of the Civil Code.

⁵⁹ Whether any Project Agreement of the Airport Operating Business, etc., pertaining to the Four Airports in Hokkaido, Asahikawa Airport and Obihiro 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 website of the Hokkaido Government as below for more details.
<http://www.pref.hokkaido.lg.jp/ss/kus/index.htm>

integrated operation of the Seven Airports in Hokkaido to the extent possible, with respect to certain matters set out in the Project Agreement, the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government shall make an effort to ensure that the Operating Right Holder receives this support.

3. Matters concerning other measures and support

The Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government determines that it is necessary to confirm, etc., the main

point and other matters concerning any opinion on the Implementation Policy, the Hokkaido Government 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 Hokkaido Government 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 Hokkaido Government has amended the Implementation Policy, it shall promptly publish such amendment on the website of the Hokkaido Government 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 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 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 February 2021	➤ Execution of Goods Transfer Agreement
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 Hokkaido Government
([http://www.pref. Hokkaido.lg.jp/ss/kus](http://www.pref.hokkaido.lg.jp/ss/kus))

Form 1 Opinions on the Implementation Policy

[Month] [Day], 2018

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

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

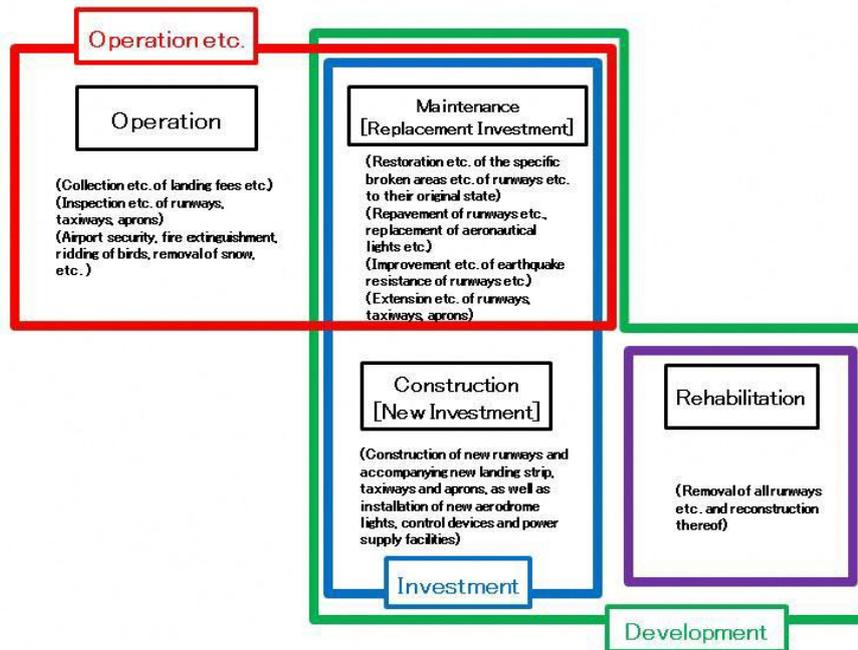
Trade Name or Name		
Address		
Department		
Name of Submitter		
Contact Information	Tel	
	Fax	
	Email	

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>