

(TRANSLATION)(for Reference Only)

**Application Guidelines on
the Qualified Project Etc. for Takamatsu Airport Operation**

The original of this document shall be prepared in Japanese language, and this is only English translation of that. This document shall serve only as a reference and shall be interpreted in accordance with the Japanese document.

September 6, 2016

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

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1. Introduction

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

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

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

2. Matters concerning the content of the Project

(1) Officer in charge of contracts

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

(2) Unit in Charge

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

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

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

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

Attention: Takamatsu Airport Team, Infrastructure Advisory Group
Ernst & Young ShinNihon LLC
Address: Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo
Email: takamatsu-airport@shinnihon.or.jp

(3) Background and purposes of the Project

Recently, the number of passengers using the Airport and the volume of cargo handled in the Airport were decreasing after a peak of 1.53 million passengers in 2003 and at 13,000 tons in 2006, respectively, due to the competition on flight routes with other neighboring airports and the Great East Japan Earthquake but the number of passengers has been recovering since 2012 driven by start of new flight services by international airlines

and LCC, recording 1.81 million passengers and 6,995 tons of cargo handled in 2015. In addition, the Airport has a potential to be a hub airport in the Shikoku region as well as a gateway for international inbound traffic in western Japan since the Airport is an important infrastructure for promoting the industry and tourism in Kagawa Prefecture and securing a base therefor, with good access to the prefectural capitals of the prefectures in the Chugoku and Shikoku regions through expressway and railway networks.

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

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

(4) Application Guidelines etc.

The Application Guidelines and documents attached to the Application Guidelines are composed of the documents listed in (i) through to (x) below (together with supplementary materials as well as answers to questions to be published on the website of the Civil Aviation Bureau of the MLIT or by other appropriate means and other documents to be issued by the State in relation to those documents, hereinafter collectively referred to as the “Application Guidelines etc.”, and if any amendments have been made, the documents reflecting the amendments shall prevail). The documents listed in (i) through to (ix) are conditions precedent for preparing documents to be submitted for the first screening (hereinafter referred to as the “First Screening Documents”) and those for the

second screening (hereinafter referred to as the “Second Screening Documents”) as well as other documents to be submitted for any screenings in relation to the implementation of the Project (hereinafter referred to as the “Proposal Documents”). The documents listed in (i) through to (vii) shall be binding on the parties to the Project Agreement when it is executed.

In addition, supplementary materials to be published for the selection of the Preferred Negotiation Right Holder shall constitute a part of the Application Guidelines etc. and any and all supplementary materials (excluding the referential materials) shall be binding on the parties to the Project Agreement when it is executed, unless otherwise specified.

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

Please note that if there is any discrepancy between the Application Guidelines etc. and the Implementation Policy on the Qualified Project Etc. for Takamatsu Airport Operation (published on July 8, 2016; hereinafter referred to as the “Implementation

Policy”), the details specified in the Application Guidelines etc. shall prevail. However, any matter not stated in the Application Guidelines etc. shall be governed by the Implementation Policy.

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

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

(6) Project period

A) The period of the Project

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

The Airport Operating Business Period means the period from the date of commencement of the Airport Operating Business upon fulfillment of the conditions precedent to the commencement as set out in the Project Agreement (hereinafter referred to as the “Airport Operating Business Commencement Date”) until the day preceding the 15th anniversary of the date on which 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 2.(6)B), until the date of expiration of such extended period (hereinafter referred to as the “Airport Operating Business Expiration Date”).

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

Therefore, the period of the Project (hereinafter referred to as the “Project

Period”) shall be the period from the Building Facility Business Commencement Date until the Airport Operating Business Expiration Date.

B) Extension of the Airport Operating Business Period

If the Operating Right Holder notifies the State of its desire to extend the Airport Operating Business Period by the date four years prior to the Airport Operating Business Expiration Date, the Airport Operating Business Period may be extended for a period requested by the Operating Right Holder that is no longer than thirty five years and is within the limit specified in 2.(6)C) (such extension of the period is hereinafter referred to as the “Option Extension”). The Option Extension may be made only once so it is not permissible, for example, to request for another extension of ten more years after requesting an extension of twenty years.

Furthermore, aside from the Option Extension above, if any of the events set out in the Project Agreement occurs, the Operating Right Holder may request the State to extend the Airport Operating Business Period. In this case, if the State finds that it is necessary for the Operating Right Holder to recover the damage, additional expenses, etc. incurred by the Operating Right Holder due to the occurrence of such event, the Airport Operating Business Period may be extended, upon consultation between the State and the Operating Right Holder, for a period agreed upon by both parties within the limit specified in 2.(6)C) (such extension of the period is hereinafter referred to as the “Agreed Extension”). To avoid misunderstanding, the Agreed Extension may be made more than once.

C) The duration of the Operating Right

The duration of the Operating Right (hereinafter referred to as the “Initial Duration of the Operating Right”) shall be the period from the Operating Right Establishment Date until the day preceding the 15th anniversary of it.

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

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

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

(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 3.(3) and has entered into the Basic Agreement (meaning the Basic Agreement specified in 3.(4); the same shall apply hereinafter) with the State shall incorporate a SPC whose sole purpose is to carry out the Project.

The State shall grant the Operating Right to the SPC with respect to the Facilities Subject to Operating Rights (meaning the Facilities Subject to Operating Rights stipulated in 5.(1); the same shall apply hereinafter) and the SPC shall become the Operating Right Holder. The Operating Right Holder shall enter into the Project Agreement with the State, and, by the Airport Operating Business Scheduled Commencement Date (as defined in the Project Agreement (draft)), shall complete the succession of the businesses and acquire the movables required for the implementation of the Project (hereinafter referred to as the “Assets for Transfer to the Operating Right Holder”).

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

B) Methods for acquiring the Building Facility Operator Shares

The Operating Right Holder who has entered into the Project Agreement shall acquire the Building Facility Operator Shares from the shareholders (hereinafter referred to as the “Building Facility Operator Shareholders”) by the Building Facility Business Scheduled Commencement Date (as defined in the Project Agreement (draft)).

With respect to the methods for transferring the shares mentioned above, a share acquisition option agreement concerning the shares held by each shareholder was entered into between the State and all of the Building Facility Operator Shareholders (hereinafter referred to as the “Building Facility Operator Share Acquisition Option Agreement”), under which the transfer price of the shares shall be 1,650,000,000 yen in total. It has been agreed that the contractual status of the State under the agreement, including the right to complete the transfer of the Building Facility Operator Shares based on the agreement, shall be transferred to the Operating Right Holder.

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

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

C) Treatment of the Building Facilities

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

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

D) Treatment upon expiration of the Project Period

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

a) Operating Right

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

b) Assets etc. of the Operating Right Holder

The Operating Right Holder shall transfer the Facilities Subject to Operating Rights to the State, or a third party designated by the State, on the Airport Operating Business Expiration Date or on a later day designated by the State.

In addition, the State or a third party designated by the State may purchase, at market value, any asset which is held by the Operating Right Holder and its subsidiary or affiliate (hereinafter collectively referred to as the "Operating Rights Holder's Subsidiary etc.") if the State or the third party deems it necessary. If the State selects a new implementer of the Project through a bidding, the State shall make it a condition for participating in such bidding that the implementer shall purchase real properties and shares out of such assets, in whole or in part, at market value, from the Operating Right Holder or the Operating Rights Holder's Subsidiary etc.

The Operating Right Holder and the Operating Right Holder's Subsidiary etc. are responsible to dispose of all assets held by the Operating Right Holder and the

Operating Rights Holder's Subsidiary etc. for carrying out the Project, excluding those to be purchased by the State or a third party designated by the State.

With respect to the Airport Site etc. (meaning the Airport Site etc. specified in 2.(10)A)(ii); the same shall apply hereinafter), the National Property Free Lease Agreement shall be terminated on the Airport Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site etc. at its own expense and transfer them to the State or a third party designated by the State. However, if any asset to be purchased by the State or a third party designated by the State exists on the Airport Site (meaning the Airport Site at the location specified in 5.(2)A) ; the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

c) Succession of the businesses

In general, the Operating Right Holder shall hand over the businesses to the State or a third party designated by the State within the Airport Operating Business Period and shall be responsible for properly handing over such businesses at its own expense and for ensuring that the Project is smoothly succeeded by the State etc.

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

The Operating Right Holder may, or may have the Building Facility Operator, set usage fees and collect them as income at their respective discretion as follows: (i) with respect to the landing fees etc. (Article 13, paragraph (1) of the Airport Act) stipulated in Article 2, paragraph (5), item (i) of the Private Utilizing Airport Operation Act and the fees for using the airport air navigation facilities stipulated in item (ii) of that paragraph, as well as the passenger (service) facility charge stipulated in Article 16, paragraph (1) of the Airport Act, necessary approval etc. shall be obtained and necessary notification etc. shall be submitted as required by the respective Acts; (ii) with respect to the fees for using the parking facilities and the fees to be collected from air carriers, tenants of the Building Facilities and others for using the facilities, the procedures under the related laws and regulations stated in 2.(5) shall be followed; and (iii) with respect to other fees pertaining to the Project, it shall be confirmed that it is not prohibited by laws, regulations, etc. to collect these fees as its own income.

(9) Bearing of costs for the Project

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

Agreement.

(10) Scope of the Project²

The scope of the Airport Operating Business shall be as listed in A) through to D) below and the scope of the Building Facilities Business shall be as listed in E) below (for the details of each business, see the Required Standards Document (draft) I.2.5). During the Project Period, the Operating Right Holder may, or may have the Building Facility Operator, entrust or give a contract to a third party (including the Operating Right Holder's Subsidiary etc.), with prior notice to the State, to carry out any business included in the Project except for entrusting prohibited businesses set out in the Project Agreement.

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

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

(i) Basic airport facilities etc. activities

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

ii) Operation of the basic airport facilities etc.

iii) Setting of the landing fees etc. and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 8, paragraph (2) of the Private Utilizing Airport Operation Act, Article 13 of the Airport Act) as well as collection of the fees⁴

(ii) Airport Site etc. administration activities

i) Administration of the Airport Site of the Airport and the incidental facilities notified under Article 46 of the Civil Aeronautics Act (hereinafter collectively referred to as the "Airport Site etc.")

² See the Allocation of Businesses included in the compilation of related materials for the allocation of business activities between the State and the Operating Right Holder at the Airport concerning the Airport Operating Business.

³ See Exhibit 1 and the Project Agreement (draft) for the scope of maintenance and administration of the Facilities Subject to Operating Rights to be carried out by the Operating Right Holder.

⁴ For the following cases, the landing fees etc. shall not be collected.

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

- B) Airport Air Navigation Facility Operating etc. Business (Article 2, paragraph (5), item (ii) of the Private Utilizing Airport Operation Act)⁵
- i) Maintenance and administration of the airport air navigation facilities
 - ii) Operation of the airport air navigation facilities
 - iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 7, paragraph (3) of the Private Utilizing Airport Operation Act) as well as collection of the fees
- C) Environmental measures business⁶
- i) The businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilizing Airport Operation Act)
 - ii) Other businesses for preventing problems arising from operating aircraft, including noise, or for improving the living environment in the areas surrounding the Airport (Article 2, paragraph (5), item (iv) of the Private Utilizing Airport Operation Act)
- D) Other incidental businesses (Article 2, paragraph (5), item (v) of the Private Utilizing Airport Operation Act)
- a) Activities and services which the Operating Right Holder shall be responsible for carrying out

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

 - (i) Establishment etc. of regulations
 - (ii) Airport Site etc. lease business⁷
 - (iii) Parking facility business
 - (iv) Bearing of costs for preventive measures against aircraft hijacking etc.
 - (v) Attendance at the Council (Article 8, paragraph (1) of the Private Utilizing

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

⁶ Currently, the Airport is not designated as a Specified Aerodrome under the Noise Prevention Act. Therefore, the State has not implemented any environmental measures business at the Airport, but the Operating Right Holder will be required to implement necessary environmental measures business, if the Airport is designated as a Specified Aerodrome under the Noise Prevention Act by a Cabinet Order in the future.

⁷ Regarding the land and constructions etc. on the land that will be continuously used by the State and any person designated by the State, the Operating Right Holder shall lease to them or shall have them use such land and constructions etc. on the land based on the terms and conditions specified in the Project Agreement (draft).

Airport Operation Act)

- b) Businesses and services proposed by the Preferred Negotiation Right Holder
 - (i) Businesses and services for a symbiotic relationship with local communities
 - (ii) Businesses and services for promoting the use of the Airport

E) Building Facilities Business

In addition to the businesses included in the Building Facilities Business, which the Operating Right Holder is responsible for implementing, the Operating Right Holder may during the Airport Operating Business Period, or may have the Building Facility Business Operator during the Project Period, at its own discretion, conduct any business or service which it deems necessary within the Airport Site to the extent that such business or service complies with the related laws and regulations, does not interfere with the function of the Airport, does not fall under the amusement business or other similar business, or an office of an organized crime group or other similar office, and is not offensive to public policy. The Operating Right Holder or the Operating Right Holder's Subsidiary etc. shall not carry out any business activity outside of the Airport Site, from which they earn revenue etc. from third parties, without approval of the State.

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

- (i) Passenger building facility business
 - i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the passenger building facility business.
 - ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, advertising activities etc. in the Passenger Building Facilities.
- (ii) Cargo building facility business
 - i) The Operating Right Holder shall, or shall have the Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person to carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the cargo building facility business.

- ii) The Operating Right Holder may, or may have the Building Facility Operator, carry out, at its own discretion, distribution processing services etc. in the Cargo Building Facilities.
- (iii) Aircraft fuelling service business
- (iv) Voluntary businesses in the Airport Site

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

The State shall establish required standards for ensuring that the Operating Right Holder properly carries out the maintenance and administration businesses, the operating businesses contributing to the safety of air transport, and the environmental measures. Please note that regarding the matters concerning the services of the passenger building facility business and the cargo building facility business as well as the parking facility business, the State shall set out the minimum necessary matters in advance, and their details shall be set out with reflecting the matters proposed by the applicant who has been selected as the Preferred Negotiation Right Holder in the required standards. The same manner shall be applied to the matters concerning the businesses and services for symbiotic relationship with local communities and the businesses and services for promoting the use of the Airport.

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

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

- A) Assets to be received by the Operating Right Holder prior to the Building Facility Business Commencement Date
 - (i) Building Facility Operator Shares
 - The shares issued by the Building Facility Operator

- B) Rights and assets to be received by the Operating Right Holder prior to the Airport Operating Business Commencement Date
 - (i) Operating Right⁸
 - The rights to be created on the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking facilities, water and sewage facilities, rainwater drainage facilities, bridges, water sources for fire defense, fences

⁸ For the detailed Operating Right, see the List of Facilities Subject to Operating Rights included in the compilation of related materials. The List of Facilities Subject to Operating Rights is as of the end of the 2015 fiscal year and will be updated by the State before entering into the Project Agreement as stated in 3(4)B) and subsequently updated based on the Project Agreement until the Airport Operating Business Commencement Date.

surrounding the Airport, garages for fire engines, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others

(ii) Rights to use the Airport Site etc.

➤ The rights to use the Airport Site etc. under the National Property Free Lease Agreement

(iii) Assets for Transfer to the Operating Right Holder⁹

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

(13) Treatment of replacement investment etc.

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

➤ The Operating Right Holder may, at its own discretion, carry out maintenance and administration (replacement investment) of the Facilities Subject to Operating Rights as long as they meet the required standards. However, if the Operating Right Holder intends to carry out certain maintenance and administration (replacement investment) set out in the Project Agreement, such as material changes stipulated in Article 43 of the Civil Aeronautics Act, it shall obtain prior approval of the State. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities Subject to Operating Rights.¹⁰

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

➤ Any of the Facilities Subject to Operating Rights for which maintenance and administration (replacement investment) has been carried out by the State or the Operating Right Holder shall belong to the State and the operation etc. of the facility shall be carried out by the Operating Right Holder.

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

➤ The Operating Right Holder may, at its own discretion, carry out investment (not

⁹ For the detailed Assets for Transfer to the Operating Right Holder, see the List of Assets for Transfer to the Operating Right Holder included in the compilation of related materials. The List of Assets for Transfer to the Operating Right Holder is as of the end of the 2015 fiscal year and will be updated by the State before commencing the transfer procedures, as specified in 3(4)B) and 3(4)H).

¹⁰ See Exhibit 1. for the scope of maintenance and administration by the Operating Right Holder of the Facilities Subject to Operating Rights.

limited to maintenance and administration (replacement investment)) for the Non-Operating Right Facilities (meaning the Non-Operating Right Facilities specified in 5.(1)) as long as they meet the required standards in general.

(14) Planning and reporting

A) Planning

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

B) Reporting

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

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

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

- Air traffic services flight information officers
- Aeronautical light and electrical engineers
- Facility operation administration officers (officers for civil engineering and for machines)
- Personnel for air navigation and disaster prevention

(16) Considerations for the Operating Right etc. of the Project to be paid by the Operating

Right Holder

The Operating Right Holder shall pay the following consideration:

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

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

With regard to the consideration (ii) above, the Operating Right Holder shall pay to the State the amount and by the method determined in accordance with the procedure specified in 3.(4)H). With regard to the consideration (iii) above, only the proposal for an amount more than 0 yen will be accepted in the Second Screening and the Operating Right Holder shall make a lump-sum payment to the State of the consideration by the date designated by the State after the execution of the Project Agreement. If the State intends to collect this consideration, it shall do so upon consultation with the Minister of Finance.

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

3. Matters concerning the Bidding

(1) Participation requirements for applicants

A) Composition of an applicant

- (i) An applicant shall be a single company (hereinafter referred to as the “Applying Company”) or a group composed of multiple companies (hereinafter referred to as the “Consortium”), which plans to carry out the businesses listed in 2.(10).
- (ii) The applicant shall specify the name of the Applying Company or the names of the companies forming the Consortium (hereinafter referred to as the “Consortium Members”) and its role or their respective roles and other related matters in carrying out the Project.
- (iii) If the applicant is a Consortium, it shall specify a company from the Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”), and the Consortium Members shall submit the power of attorney specified in the Forms and Directions and such Representative Company shall conduct the application procedure.
- (iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all 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”). If the applicant desires to indirectly hold the shares of the SPC or otherwise, the applicant shall follow the procedure stated in 3.(4D).
- (v) After submission of the First Screening Documents, no change shall be made to the Applying Company, the Representative Company, or the Consortium Members, unless circumstances arise where changes to the Consortium Members are unavoidable and the State permits these changes after considering the circumstances and consulting the Consortium Members. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in 3.(1A) through to C), or a person controlling the Applying Company or the Consortium Members has changed, or the Applying Company or the Consortium Members is recently controlled by a third person, they shall promptly notify the State of these matters.

- (vi) After submission of the First Screening Documents, the Applying Company or any of the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.
- B) Common participation requirements for the Applying Company and the Consortium Members
- (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting¹¹
 - (ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the PFI Act
 - (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
 - (iv) Any person who has not suspended their designation etc. by the Director-General of the Civil Aviation Bureau of the MLIT pursuant to the Guidelines on Actions, such as Suspension of Designation on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984), during the period from the deadline for submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder
 - (v) Neither a person who is Ernst & Young ShinNihon LLC (or any of the cooperating offices, namely, Anderson Mori & Tomotsune, Kansai Law & Patent Office, Ernst & Young Tax Co. and GYROS Corporation) to which the State has entrusted the research entrustment services concerning the entrustment of operation of the Takamatsu Airport in the 2015 fiscal year, nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs¹²

¹¹ As to a foreign corporation, it is necessary that the State should be able to confirm that the foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this B) under its applicable laws and regulations.

¹² “A person who has a certain relation with any of them in terms of capital, personnel or other affairs” shall be

- (vi) Neither a person who is any of the Bidding Advisors nor a person who has a certain relation with these people in terms of capital, personnel or other affairs
- (vii) Neither a person who is a company to which any of the members of the Screening Committee (meaning the Screening Committee set out in 3.(2)B); the same shall apply hereinafter) belongs nor a person who has a certain relation with such company in terms of capital, personnel or other affairs
- (viii) Neither a corporation (excluding a company, and in Japan, meaning any of the Administrative Organs of the State stipulated in Article 3, paragraph (2) of the National Government Organization Act (Act No. 120 of 1948) and the Cabinet Office) to which any of the members of the Screening Committee belongs, a company in which 1 % or more of the voting rights of all shareholders are held by such corporation, nor a person who has a certain relation with the company in terms of capital, personnel or other affairs; however, this shall not apply to a stock company listed in a Financial Instruments Exchange stipulated in Article 2, paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)
- (ix) Any person who does not appoint any of the persons specified in (v) through to (viii) above as an advisor concerning the selection of the Project
- (x) Neither an operator of air transport services as defined in Article 2, paragraph (18) of the Civil Aeronautics Act nor its parent company nor their subsidiaries (hereinafter collectively referred to as the “Air Carriers”) nor affiliates (including their subsidiaries) of the Air Carriers¹³

C) Requirements for the Applying Company or the Representative Company

An Applying Company or a Representative Company, or a person who has a certain relation in terms of capital, personnel or other affairs with an Applying Company or a Representative Company, shall meet any of the requirements listed in (i) through to

the case where the person is in a parent company and a subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

¹³ “Parent company” has the same meaning as in Article 2, item (iv) of the Companies Act.

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

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

(iv) below. The business experience is not limited to those in Japan.

- (i) In and after 2006, having experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
- (ii) In and after 2006, having experience in conducting the passenger facility or passenger carrier business, the cargo handling facility or cargo carrier business, or the travel business
- (iii) In and after 2006, having experience in the commercial real property administrating business
- (iv) Having experience in a Public Facilities etc. Operation Project¹⁴

(2) Bidding Procedures

A) Schedule

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

Schedule (tentative)	Actions
September 6, 2016	➤ Publication of Application Guidelines etc.
September 15, 2016	➤ Explanatory meeting on Application Guidelines etc.
September 16-November 1, 2016	➤ Period for receiving questions on Application Guidelines etc.
November 18, 2016	➤ Publication of answers to the questions on Application Guidelines etc.
December 9, 2016	➤ Deadline for submission of First Screening Documents
Around January, 2017	➤ Notice of result of First Screening
Around January-Around May, 2017	➤ Period for holding competitive dialogue
Around June, 2017	➤ Deadline for submission of Second Screening Documents
Around August, 2017	➤ Selection of Preferred Negotiation Right Holder
Around August, 2017	➤ Execution of Basic Agreement
Around October, 2017	➤ Operating Right Establishment Date
Around December, 2017	➤ Execution of Project Agreement
	➤ Building Facility Business Scheduled

¹⁴ “Public Facilities etc. Operation Project” has the same meaning as in Article 2, paragraph (6) of the PFI Act.

<p>Around March, 2018 April 1, 2018</p>	<p>Commencement Date</p> <ul style="list-style-type: none"> ➤ Execution of Goods Transfer Agreement ➤ Airport Operating Business Scheduled Commencement Date
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B) Establishment of the Screening Committee

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (this selection is hereinafter referred to as the “First Screening”) and selecting a Preferred Negotiation Right Holder etc. (hereinafter referred to as the “Second Screening”), the State has established a screening committee for selecting the Takamatsu Airport Preferred Negotiation Right Holder on August 31, 2016, composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations stipulated in Article 11 of the PFI Act.

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

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

Date: 14:00- on Thursday, September 15, 2016

Place: Common Meeting Room A, 10th Floor, Central Government Building No. 3, 1-3, Kasumigaseki 2-chome, Chiyoda-ku, Tokyo

Application: If you desire to participate in the Explanatory Meeting, please send the application form specified in the Forms and Directions by the application deadline to the Bidding Advisors by email, and submit the original application form at the Explanatory Meeting place. No applications will be accepted at the Explanatory Meeting place.

Contact: Bidding Advisors

Application Deadline: No later than 13:00 on Wednesday, September 14, 2016

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

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

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

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

(i) Receipt of questions

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

Receiving period:

1st Period From: 10:00 on Friday, September 16, 2016

Until: No later than 15:00 on Thursday, October 6, 2016

2nd Period Until: No later than 15:00 on Tuesday, November 1, 2016

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

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

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

*Please fill in the question form in Japanese.

(ii) Publication of answers

If the State deems necessary, it will publish questions concerning the Application Guidelines etc. and the associated answers (excluding those which would infringe on the rights, competitive position, or other reasonable interest of the submitter as so stated by the submitter upon their submission) by the scheduled publication date of answers on the website of the Civil Aviation Bureau of the MLIT and by other appropriate means.

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

Scheduled Publication Date of Answers: Friday, November 18, 2016

*The answers will be provided in Japanese.

E) Leasing materials subject to confidentiality obligations

(i) Submitting the confidentiality pledge etc.

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

Submission period: From: 10:00 on Wednesday, September 7, 2016

Until: No later than 15:00 on Tuesday, November 29, 2016

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

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

Disclosure method to third parties: shall follow the methods specified in the Forms and Directions.

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

(ii) Disposal of loaned materials

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

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

F) Materials to be disclosed in the First Screening

The materials to be disclosed during the period from the publication of the Application Guidelines etc. until the submission of the First Screening Documents shall be as follows.

However, the materials listed in (vi) through to (viii) shall be leased upon submission of the application form to borrow the Confidential Materials and the confidentiality pledge:

- 1) Basic Agreement (draft)
- 2) Project Agreement (draft)
- 3) National Property Free Lease Agreement (draft)
- 4) Goods Transfer Agreement (draft)
- 5) Required Standards Document (draft) (excluding the Required Standards Concerning the Takamatsu Airport Security Control Regulations (the security part) and the Required Standards Concerning Cost Bearing for Aviation Security Measures)
- 6) Compilation of related materials
 - (i) Materials Concerning the Facilities Subject to Operating Rights
 - (ii) Materials Concerning the Assets for Transfer to the Operating Right Holder
 - (iii) List of Approvals and Permissions/Pacts etc. for the Qualified Project Etc. for Takamatsu Airport Operation
 - (iv) List of IT Systems Relating to the Businesses
 - (v) Allocation of Businesses
 - (vi) Materials Concerning the Share Acquisition Option Agreement

- (vii) Other related materials
- 7) Compilation of referential materials
 - (i) Grid map of the Takamatsu Airport
 - (ii) Materials concerning the List of Facilities Subject to Operating Rights
 - (iii) Information package
 - (iv) Information on locations of the Facilities Subject to Operating Rights located outside of the Airport Site
 - (v) Information on locations of the land subject to the current permission for use
 - (vi) List of construction to be conducted by the State (for the 2016 fiscal year)
 - (vii) List of business operators at the Airport
 - (viii) Registry of business operations at the Airport
 - (ix) List of main referential regulations etc. for airport security control regulations (the safety part)
 - (x) Other referential materials

G) First Screening

- (i) Receipt of the First Screening Documents

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

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

Submission deadline: No later than 15:00 on Friday, December 9, 2016

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

- (ii) First Screening methods

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the requirements specified in 3.(1) based on the First Screening Documents they submitted. The Screening Committee shall screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder.

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

(iii) Notice of First Screening results

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

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

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

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

I) Leasing of highly confidential materials

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

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

A person desiring to borrow highly confidential materials that can only be loaned pursuant to submission of a pledge concerning the handling of highly confidential materials shall submit the application form to borrow and access to highly confidential materials and the pledge concerning the handling of highly confidential materials.

(ii) Management and disposal of loaned materials

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

The Disclosed Party shall be responsible for disposing of the highly confidential materials by the date designated by the State as the deadline for the disposal or the day on which it becomes apparent that the Disclosed Party will not submit the Second Screening Documents by the deadline for submission of the Second Screening Documents, whichever comes first and shall send the report on performance of

disposal obligation prepared in accordance with the Forms and Directions to the Bidding Advisors by mail etc. in accordance with the pledge concerning the handling of highly confidential materials.

J) Publication of supplementary materials and other related matters

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

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

K) Holding of a competitive dialogue etc.

Once the First Screening has been completed, the State will hold a competitive dialogue etc. with the Second Screening Participants prior to submission of the Second Screening Documents and adjust the Project Agreement, the required standards, and other necessary matters based on the outcomes of the dialogue.

The competitive dialogue etc. will be held as follows:

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

L) Second Screening

- (i) Receipt of the Second Screening Documents

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

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

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.

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

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

(ii) Second Screening methods

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

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

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

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

(iv) Notice of Second Screening results

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

M) Announcement of screening results

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

MLIT and by other appropriate means.

(3) Selection methods of the Preferred Negotiation Right Holder

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

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

B) Hearing opinions of the Screening Committee

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

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

(Chair)

Kazusei KATO Professor, Faculty of Business and Commerce, Keio University

(Members)

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

Hiromi KAMATA Associate Professor, School of Tourism and Management, College of Business Administration, Shukutoku University

Reiji TAKAHASHI Attorney at Law, Anderson Mori & Tomotsune

Masaki UKAWA Professor (Certified Public Accountant), Graduate School of Professional Accountancy, Aoyama Gakuin University

Syunsuke ISHIHARA Executive Director, Shikoku Economic Federation
Vice Governor, Kagawa Prefecture

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

C) Screening methods

(i) First Screening

In the First Screening, the Screening Committee shall screen the First Screening Participants who have been confirmed as satisfying the participant requirements based on the First Screening Documents they submitted. The Screening Committee shall

screen the submitted documents in accordance with the Selection Criteria for the Preferred Negotiation Right Holder. No on-site examination, hearing with persons concerned, presentation, etc. by the First Screening Participants is scheduled.

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

(ii) Second Screening

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

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

D) Screening Committee secretariat office

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

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

A) Execution of the Basic Agreement

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

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

B) Update of the compilations of related materials and referential materials

After the selection of the Preferred Negotiation Right Holder and prior to the execution of the Project Agreement, the State will update the content of the compilations of related materials and referential materials based on the airport operation in the 2016 fiscal year and present the updated materials to the Preferred Negotiation Right Holder.

C) Publication of the outline of proposals

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

D) Incorporation of a SPC

Upon the execution of the Basic Agreement, the Preferred Negotiation Right Holder shall promptly incorporate a stock company stipulated in the Companies Act as a SPC.

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

E) Preparation for operation by the Preferred Negotiation Right Holder

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

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

The State shall, upon consultation with the Minister of Finance, deliver an operating right establishment letter to the SPC promptly upon its incorporation and grant the Operating Right to the SPC. In addition, the Operating Right Holder shall register the establishment of the Operating Right in accordance with laws and regulations. The

State and the Operating Right Holder shall enter into the Project Agreement promptly upon the establishment of the Operating Right in accordance with the Project Agreement (draft) amended through competitive dialogue. In general, the State will not accept any further amendments to the Project Agreement (draft) which has been amended through competitive dialogue.

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

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

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

G) Transfer of the shares and commencement of the Building Facilities Business

The Operating Right Holder shall acquire the Building Facility Operator Shares in accordance with the method of transfer specified in 2.(7)B) and commence the Building Facilities Business.

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

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

The procedure for the transfer shall be as follows: The Operating Right Holder shall submit a written estimate with respect to the target price prepared by the State in accordance with Article 79 of the Order of Budget, Settlement and Accounting. If the Operating Right Holder has submitted an effective estimate equal to or more than the target price, the State and the Operating Right Holder shall enter into the Goods Transfer Agreement concerning the Assets for Transfer to the Operating Right Holder. The Operating Right Holder shall make a lump-sum payment of consideration by the date designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

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

Commencement Date and transfer them to the Operating Right Holder.

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

I) Collaboration with the relevant local governments

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

J) Commencement of the Airport Operating Business

The Operating Right Holder shall commence the Airport Operating Business on the Airport Operating Business Commencement Date set out in the Project Agreement. The conditions precedent to commencement are fulfillment of the obligations under the Project Agreement by the Operating Right Holder, including completing succession of the businesses, completing payment to the State of consideration for the grant of the Operating Right and the receipt of the transfer of the Assets for Transfer to the Operating Right Holder.

(5) Matters to be noted concerning the application

A) Contract deposit

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

B) Conditions precedent to the application

(i) Acceptance of the Application Guidelines etc.

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

(ii) Cost bearing etc.

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

(iii) Principle of documentary proceedings

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

(iv) Currency and measures

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

C) Proposal Documents to be submitted by applicants

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

D) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

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

The Proposal Documents will not be returned.

(ii) Patents and other rights

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

(iii) Disclosure of the Proposal Documents

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

(iv) Inconsistency in the proposed details

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

(v) Obligations to Perform the Proposed Details

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

E) Treatment of materials provided by the State

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

F) Invalid applications

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

- (i) When any person failing to satisfy the requirements specified in “3.(1) Participation requirements for applicants” applies for the Bidding
- (ii) When any of the Proposal Documents lacks
- (iii) When the Proposal Documents are not prepared in accordance with the Forms and Directions
- (iv) When the method, place or deadline of submission of the Proposal Documents fails to meet those specified in the Application Guidelines, etc.
- (v) When the applicant contacts the Building Facility Operator or any personnel of the Takamatsu Airport Office of the Osaka Regional Civil Aviation Bureau of the MLIT in relation to the selection of the Project without permission of the State
- (vi) When the applicant wrongfully approaches a member of the Screening Committee or a corporation to which a member of the Screening Committee belongs in relation to the selection of the Project

- (vii) When there is any wrongful act in the course of the application procedures
- (viii) When any matter is stated in the Proposal Documents that is not meant to be stated in them
- (ix) When any matter stated in the Proposal Documents is false
- (x) When two or more sets of the Proposal Documents are submitted
- (xi) When the application violates the terms and conditions stipulated in the Application Guidelines etc.

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

(1) Conditions precedent to the Airport Operating Business

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

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

A) Succession of agreements etc.

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

B) Obligation to lease the land etc.

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

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

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

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

the extension work is completed.¹⁵

All work shall be conducted by the State¹⁶ and the Operating Right Holder shall offer utmost cooperation to the State for ensuring that the State smoothly conducts the work. Any facilities and Airport Site added by the work shall be included in the Facilities Subject to Operating Rights and the Operating Right Holder shall be responsible for the maintenance and administration of them.

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

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

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

E) Monitoring safety management implemented by the Operating Right Holder

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

F) Airport Site not owned by the State according to the registry

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

G) Collaboration with the relevant local governments

The relevant local governments have been actively engaged in the operation of the

¹⁵ The Operating Right Holder is required to maintain and administer the existing RESA until the extension work is completed.

¹⁶ In this case, the State and the relevant local governments shall bear the cost in accordance with the Airport Act.

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

- (i) Acquisition by the relevant local governments of 10% or less of the Voting Shares in total; and
- (ii) Dispatch of one part-time director and one full-time employee (it is expected that these persons will be “persons who have extensive experience with respect to airport and tourism related measures”.)

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

(2) Basic idea of allocation of risks

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

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

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

performed by the Operating Right Holder.

If it is found that the Operating Right Holder fails to meet the required standards, the State may request the Operating Right Holder to take improvement measures or other measures.

The concrete method of monitoring and other related matters shall be set out in the Project Agreement (draft).

(4) Restrictions on the rights and obligations of the Operating Right Holder and related procedures

A) Disposition of the Operating Right

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

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

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

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

into between the State and the financial institution etc.

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

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

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

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

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

(1) Facilities subject to the Project

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

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons)
- (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.¹⁷)
- (iv) Cargo Building Facilities (air cargo handling facilities etc.¹⁸)
- (v) Roads (excluding the Kagawa prefectural road Route 45 Takamatsu Airport Route that passes through the underground of the Airport Site)
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or the Operating Right Holder’s Subsidiary etc.

(2) Location of the Project

A) Location etc.

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

Location: Konan-cho, Takamatsu City, Kagawa Prefecture

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

B) Lease of the Airport Site etc.

All of the Airport Site etc. is the national property stipulated in Article 2 of the National Property Act and categorized into the administrative assets stipulated in Article 3, paragraph (2) of this Act. Taking into account that the Operating Right Holder may

¹⁷ The Operating Right Holder shall have the obligation to lease the customs, immigration and quarantine facilities (hereinafter collectively referred to as the “CIQ Facilities”) in the Passenger Building Facilities.

¹⁸ As of the date of announcement of the Bidding, there is no CIQ Facilities in the Cargo Building Facilities.

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

With respect to the permission granted to the Building Facility Operator to use the sites of the Passenger Building Facilities and the Cargo Building Facilities (hereinafter collectively referred to as the “Building Facilities”), the State shall ensure the permission continues during the period from the Building Facility Business Commencement Date (meaning the Building Facility Business Commencement Date specified in 2(6)A)) until the day preceding the Airport Operating Business Commencement Date (meaning the Airport Operating Business Commencement Date specified in 2(6)A)).

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

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

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

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

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

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

If any event occurs which makes the Project difficult to continue, the Project Agreement shall be terminated as stated below. In this case, the Operating Right Holder shall have the obligation to cooperate in taking over the Project until the Project is succeeded by the State or a third party designated by the State in accordance with the Project Agreement. The assets etc. of the Operating Right Holder shall be treated in the same manner mentioned in 2.(7)D)b). For the detailed allocation of responsibility for specific damage etc. arising from each event that triggers termination of the Project Agreement, see the Project Agreement (draft).

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

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

7. Others

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

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

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

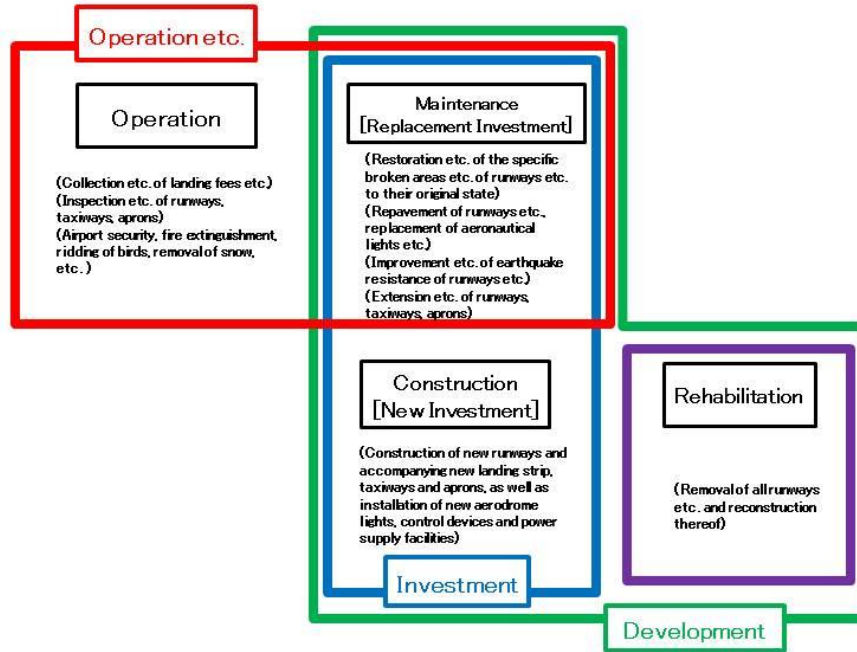
(2) Provision of information

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

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

Exhibit 1

Organizing with the terms used in the PFI Act



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

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

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

See the website of the National Tax Agency at:

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