

Qualified Project, etc., for Airport Operation of
the Hiroshima Airport

Selection Criteria for the
Preferred Negotiation Right Holder

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.

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Civil Aviation Bureau, Ministry of Land, Infrastructure, Transport
and Tourism

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Part 1. Positioning of Selection Criteria for the Preferred Negotiation Right Holder

The Selection Criteria for the Preferred Negotiation Right Holder (hereinafter referred to as “Criteria”) indicate the method, evaluation criteria and other related matters based on which the State, shall select a private business operator to execute the Qualified Project, etc., for Airport Operation of the Hiroshima Airport (hereinafter referred to as “Project”) as the Preferred Negotiation Right Holder through the publicly-tendered proposal method, which is a type of competitive negotiated agreement. The Criteria shall be an integral part of the Application Guidelines.

The Guidelines Concerning the Right to Operate Public Facilities, etc., and Public Facilities, etc., Operation Project state as follows: “in cases where it is necessary to seek proposals broadly from many angles such as project scheme, financing scheme and method of operation, etc. as it is difficult for the administrator, etc. alone to determine the methods, required standards, etc. that can fulfill the objectives and needs of the project, if the project may be based on a discretionary contract stipulated in Article 29-3, paragraph (4) of the Public Accounting Act (Act No.35 of 1947), so-called competitive negotiated agreement such as proposal competition and publicly-tendered proposal method may be regarded as a possibility”. In accordance with this, selection procedures in this Project shall be executed based on the publicly-tendered proposal method, which is a type of competitive negotiated agreement.

Definition of terms used in the Criteria shall be as determined in the Application Guidelines.

Part 2. Method of Selecting the Preferred Negotiation Right Holder

1. Overview of the selection method

In this Project, given that the Required Standards Document, etc. may be fine-tuned based on dialogue with the Applicants, proposals shall be evaluated in a comprehensive manner by adopting the publicly-tendered proposal method, based on the business operator selection flow and the basic approach to inviting, evaluating and selecting private business operators set forth in the Guidelines Concerning the Process to Conduct PFI Projects.

The Criteria set out the content of proposals with respect to each proposal item, key points in screening, score allocation, etc., assuming that the Applicants fulfill the participation requirements and required standards prescribed in the Application Guidelines.

The selection of the Preferred Negotiation Right Holder shall basically be conducted in the following two stages, in accordance with the business operator selection flow set forth in the Guidelines Concerning the Process to Conduct PFI Projects: “First Screening”, which involves selecting Second Screening Participants through the screening of the compliance with participation requirements, the project policy for the Project, etc.; and “Second Screening”, which involves selecting

the Preferred Negotiation Right Holder through the screening of specific project measures, project plan, etc. based on competitive dialogue with the Second Screening Participants.

Of note, scoring in the First Screening and scoring in the Second Screening shall be performed independently of each other; scores in the First Screening shall not have any impact on the Second Screening. However, in cases where the content of a proposal made in the First Screening is to be changed in the Second Screening, the Applicant shall be required to provide a careful explanation of such change.

Proposal Documents shall have the company name stated only in the original document; in copies, the Applicant's name or any other description from which its name can be guessed shall not be stated. The same shall apply to the name of any subcontractor, etc. other than the Applicant and any other description from which its name can be guessed (including the use of logos, etc.). The Screening Committee shall not be notified of the name of any Applicant pertaining to Proposal Documents.

2. System of selecting the Preferred Negotiation Right Holder

On June 21, 2019, the State established the Screening Committee for the purpose of utilizing opinions from a technical perspective as reference and making an objective evaluation stipulated in Article 11 of the Act on Promotion of Private Finance Initiative upon selecting the Preferred Negotiation Right Holder.

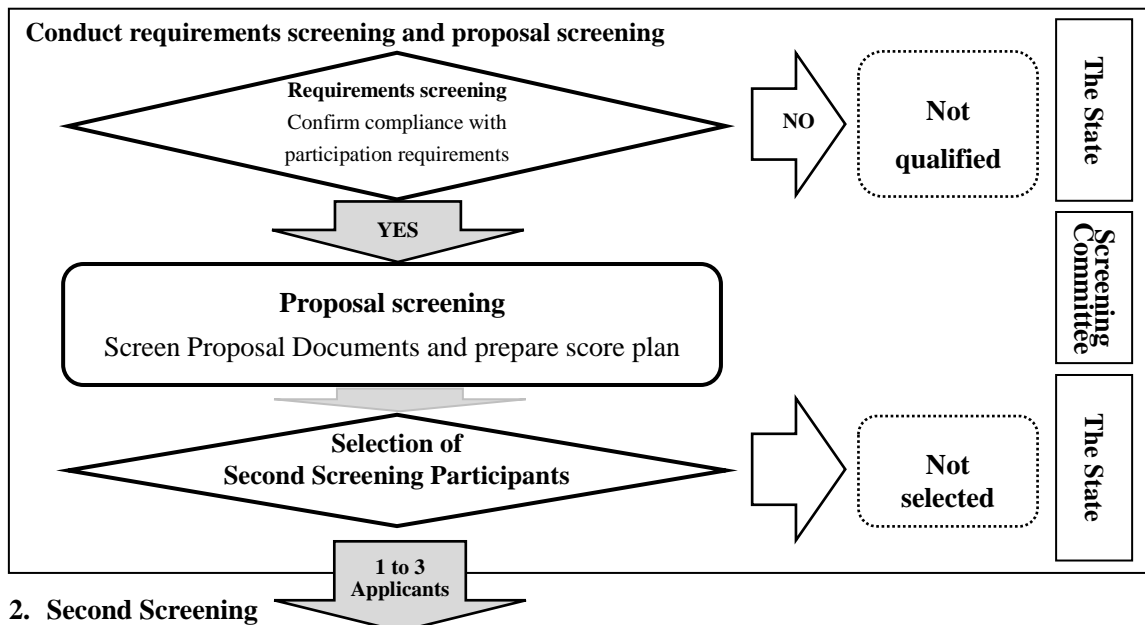
The exact names of members of the Screening Committee shall be as described in the Application Guidelines.

The State shall select the Second Screening Participants, the Preferred Negotiation Right Holder and the second negotiation right holder in response to the Screening Committee's evaluation.

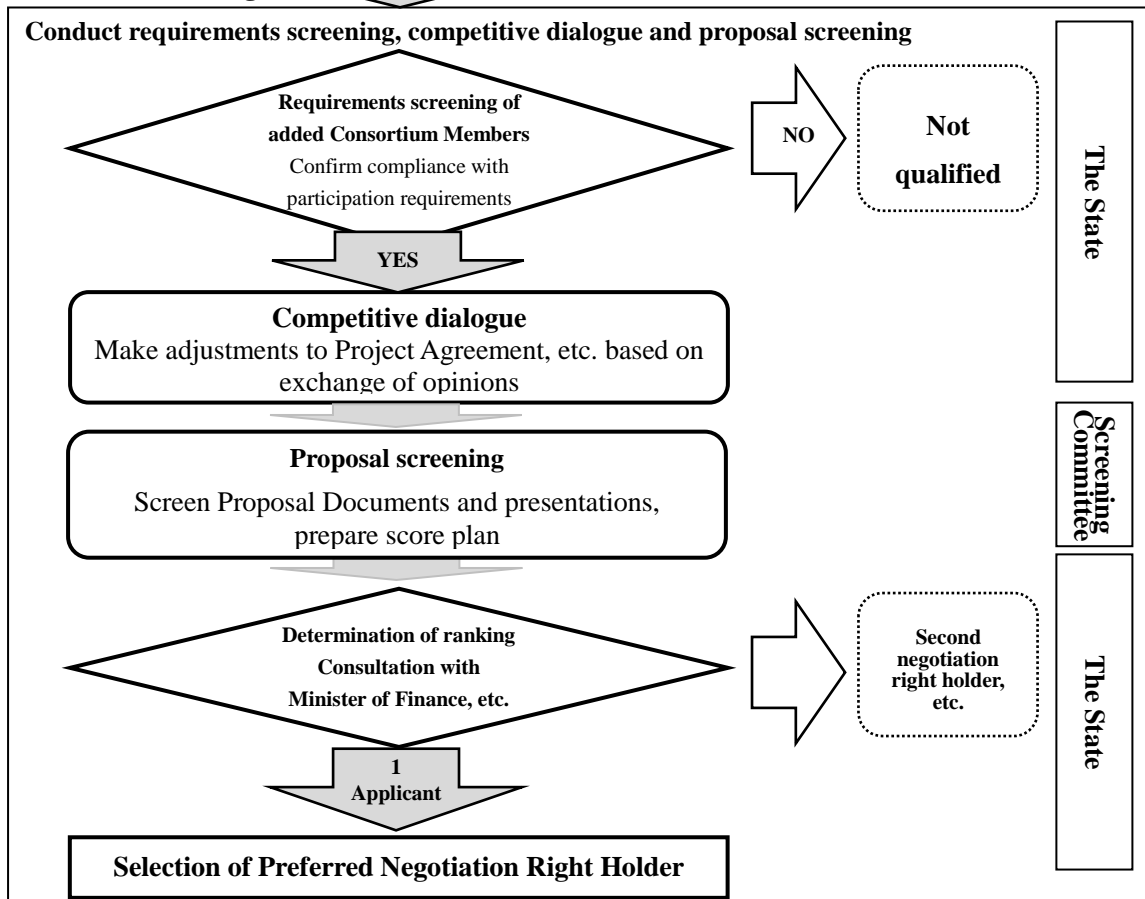
Part 3. Screening Procedures

The screening procedures are shown below. This is an illustration of the procedures from the commencement of screening described in Parts 4. and 5. to the selection of the Preferred Negotiation Right Holder. The term “the State” or “Screening Committee” in the square on the right hand side of the diagram indicates the person(s) who implement the procedures.

1. First Screening



2. Second Screening



Part 4. First Screening

First Screening shall involve selecting one to three Second Screening Participants from among First Screening Participants. The First Screening procedures shall be as follows.

1. Requirements screening

The State shall conduct screening with respect to the requirements screening documents contained in the First Screening Documents, as to whether or not the participation requirements set forth in the Application Guidelines are fulfilled. Participation requirements screening in the First Screening shall be conducted before proposal screening; Applicants who do not fulfill the participation requirements shall not be entitled to undergo proposal screening. Requirements screening is pro forma screening and shall thus be conducted by the Unit in Charge without convening the Screening Committee. The results of requirements screening shall be notified to the Screening Committee at the time of commencement of proposal screening.

2. Proposal screening

Proposal screening shall involve conducting screening as to whether the basic project policy, etc. relating to the Project proposed by the First Screening Participants is appropriate. However, proposal screening may be skipped in cases where there are no more than three First Screening Participants.

First Screening Participants shall prepare Proposal Documents based on the information obtained by the Participants on their own, in addition to materials disclosed by the State. Neither on-site examinations nor interviews with persons concerned (meaning the persons set forth in Chapter 3: (5)F)(v) of the Application Guidelines) shall be allowed. In order to ensure fairness, persons concerned shall include officers and employees of the operator of the Building Facilities Business, and if an Applicant is found to have come into contact with any persons concerned without the State's permission, an application made by such Applicant shall become invalid.

The Screening Committee shall deliberate the Proposal Documents contained in the First Screening Documents, rate said documents based on **Part 6. Screening Criteria in Proposal Screening**, prepare a score plan and make a report thereof to the State. Of note, screening at the Screening Committee shall be conducted through Proposal Documents and a brief verbal explanation provided to the Screening Committee by the Applicants based exclusively on the Proposal Documents.

Of note, an application made by any Applicant who has approached a Screening Committee member or the corporation to which a Screening Committee member belongs in relation to the selection in the Project shall become invalid.

3. Selection of Second Screening Participants

Except in cases where proposal Screening has been skipped in the First Screening, the State shall determine the scores of First Screening Participants based on the score plan reported by the Screening Committee, and select at least one but no more than three Second Screening Participants from among such First Screening Participants. Even in cases where there are less than three First Screening Participants, Second Screening involving the participation of one or two Applicants may be conducted depending on the content of the Applicants' proposals.

Part 5. Second Screening

Second Screening shall involve selecting the Preferred Negotiation Right Holder and the second negotiation right holder from among the Second Screening Participants. The Second Screening procedures shall be as follows.

1. Requirements screening

The State shall conduct screening with respect to the requirements screening documents concerning the additional Consortium Members contained in the Second Screening Documents, as to whether or not the participation requirements set forth in the Application Guidelines are fulfilled. Participation requirements screening in the Second Screening shall be conducted before proposal screening; Applicants who do not fulfill the participation requirements shall not be entitled to undergo proposal screening. Requirements screening is pro forma screening and shall thus be conducted by the Unit in Charge without convening the Screening Committee. The results of requirements screening shall be notified to the Screening Committee at the time of commencement of Second Screening.

2. Proposal screening

Screening shall be conducted as to whether or not specific targets and plans as well as individual measures relating to the Project proposed by the Second Screening Participants following competitive dialogue with the State are appropriate, and as to whether or not they are highly feasible.

In principle, proposal items specified by the State¹ are presumed to become the required standards of the Operating Right Holder in contract with the State after the selection of the Preferred Negotiation Right Holder; accordingly, the Required Standards Document shall be prepared based on the proposals. However, upon the preparation of the Required Standards Document, the State may make adjustments to the content through consultation with the Preferred Negotiation Right Holder in cases where, for example, the description of a proposal item is unclear, or the content is not up to the required standards.

Items in the content of the required standards to which adjustments are to be made shall not be

¹ Proposal items B1, B3

limited to items in the “List of Guaranteed Measures”.

The Screening Committee shall deliberate the Proposal Documents contained in the Second Screening Documents, rate said documents based on **Part 6. Screening Criteria in Proposal Screening**, prepare a score plan and make a report thereof to the State. Of note, screening at the Screening Committee shall involve conducting screening of Proposal Documents prepared based on on-site examinations and interviews with persons concerned as well as confirming the content of proposals based on presentations given to the Screening Committee (including Q&A sessions).

3. Selection of the Preferred Negotiation Right Holder, etc.

Based on the score plan reported by the Screening Committee, the State shall determine the score and ranking of the Second Screening Participants, and through consultation with the Minister of Finance and the respective heads of other relevant administrative agencies, select the highest ranking Second Screening Participant as the Preferred Negotiation Right Holder. The Second Screening Participant ranked second shall be the second negotiation right holder.

Part 6. Screening Criteria in Proposal Screening

1. Proposal classification

Proposal classification in Proposal Documents, form name, form number, and limit to number of pages are as stated in **Table 1: Proposal Document Forms in First Screening** and **Table 2: Proposal Document Forms in Second Screening**. Proposal classification and proposal items in the First Screening and the Second Screening are as described in **Appendix 1: Proposal Items in First Screening and Second Screening**.

Among the proposal items in the Second Screening, matters to be stated in **Table 3: Proposal Items Constituting Master Plan²** shall form a part of the Master Plan to be submitted to the State by the special purpose company (SPC) to be established by the Preferred Negotiation Right Holder when a Second Screening Participant has been selected as the Preferred Negotiation Right Holder, and the disclosure of such matters on the website shall be mandatory. In the corresponding forms relating to **Table 3: Proposal Items Constituting Master Plan**, no Applicant shall be held liable for breach of duty even if it fails to fulfill the proposals (excluding Form 19-B1, B3, C1) as Applicants are asked to present their ideas for the future and the targets they have set. However, Applicants are asked in related forms to propose specific measures for realizing their ideas for the future and the targets they have set described in the corresponding forms relating to the proposal items that constitute the Master

² The relevant sections shall be clearly indicated in the corresponding forms. For the specific method of completing the forms, please refer to the Forms and Directions.

Plan; hence, it shall be noted that the consistency of the corresponding forms in relation to the specific measures will be within the scope of screening.

2. Score plan calculation method

Score allocation of proposal items shall be as stated in **Table 1: Proposal Document Forms in First Screening** and **Table 2: Proposal Document Forms in Second Screening**.

Screening Committee members shall perform scoring 0 or natural number, with upper limit given to each proposal item. The Screening Committee shall calculate the average score (rounded down two decimal place) of each proposal item by excluding the highest and lowest scores from among the scores given by Screening Committee members, and treat such average score as the score of the proposal item. This is based on the view that, considering the existence of diverse needs behind the Project, it would be preferable to select the Operating Right Holder as a result of reflecting diverse opinions according to the expertise of each Screening Committee member, compared to preparing a score plan unanimously adopted by the Screening Committee members. Calculation of the average score by excluding the highest and lowest scores in each individual item shall be adopted as the method of calculation; this is to prevent the outcome from being affected by overrating/underrating by some members of the Screening Committee consisting of members who specialize in different fields, not to mention that it would be inappropriate to merely compare the sum total of scores given by Screening Committee members and exclude the highest and lowest scores since two of the Screening Committee members would not be able to be involved in the screening at all. A score plan shall be prepared by aggregating the scores in each proposal item calculated by this method. The Unit in Charge shall tally the scores from each Screening Committee member, mechanically prepare the score plan, and obtain the Screening Committee's approval.

However, if there are Applicants with even scores in the score plan calculated by the aforementioned method, the State shall prepare a reference score plan in addition to the score plan, and make a report to the Unit in Charge. The reference score plan shall consist of the sum total of average scores including the highest and lowest scores with respect to each individual item rated by Screening Committee members. When the Unit in Charge have determined that it would not be appropriate to select the Second Screening Participants, the Preferred Negotiation Right Holder and the second negotiation right holder based on the score plan alone, such as in cases where there are multiple Applicants pertaining to the score plan in third place, the Unit in Charge may select the Second Screening Participants, the Preferred Negotiation Right Holder and the second negotiation right holder in consideration of the reference score plan.

Applicants whose score plan in proposal classification A) to D) in **Table 1: Proposal Document Forms in First Screening** (including the reference score plan in cases where a reference score plan is calculated) is less than 40 shall be disqualified.

Applicants whose score plan in proposal classification A) to D) in **Table 2: Proposal Document Forms in Second Screening** (including the reference score plan in cases where a reference score plan is calculated) is less than 80 shall be disqualified.

Table 1: Proposal Document Forms in First Screening

Form name	Form number	Limit to number of pages	Score allocation
[A] Project Concept	11-A	3	20
[B1] Policy for Development of Route Network	11-B1	2	10
[B2] Policy for Operation of Airport Facilities	11-B2	3	10
[B3] Policy for Promoting Airport	11-B3	2	10
[C1] Policy for Ensuring Safety and Security	11-C1	2	10
[C2] Policy for Project Implementation Structure	11-C2	3	10
[D] Revenue and Expenditure Plan	11-D	1 in A3 page size	10
[E] Consideration for the Operating Right	10	1	20
Total		17	100

Table 2: Proposal Document Forms in Second Screening

Form name	Form number	Limit to number of pages	Score allocation
[A1] Strategic Concept	19-A1	2	25
[A2] Project Environment Analysis and Demand Trend Analysis	19-A2	3	
[A3] Target Figures, etc.	19-A3	2	
[B1] Proposal for Development of Route Network	19-B1	6	35
[B2] Proposal for Operation of Airport Facilities	19-B2	6	35
[B3] Proposal for Collaboration with Local Communities to Promote Airport	19-B3	4	20
[C1] Proposal for Ensuring Safety and Security	19-C1	3	10
[C2] Proposal for Project Implementation Structure	19-C2	4	10
[D1] Proposal for Project Plan and Maintaining the Financial Soundness	19-D1	10 (including A3 page size)	25
[D2] Fund Raising Plan and Investment Strategy	19-D2	1	
[E] Amount of Consideration for the Operating Right	16	1	40
Total		42	200
Appendix: List of Guaranteed Measures	20	-	-

Table 3: Proposal Items Constituting Master Plan

	Proposal item	Corresponding Form
A)Executive Plan	[A1] · Strategic Concept throughout Entire Project Period for Hiroshima Airport	19-A1
	[A3] · Targets and Target Figures for Hiroshima Airport (Target Figures, etc. by End of Project Period)	19-A3
B) Airport Growth	[B1] · Strategy for Development of Route Network	19-B1
	[B2] · Overall Strategy for Operations of Hiroshima Airport (including Capital Investment Strategy) · Total Amount of Capital Investments for Safety Improvement, Promotion and Convenience Improvement of Airport · Layout Drawing of Facilities, etc. and Overview of the Facilities at End of Project Period	19-B2
	[B3] · Measures for Collaboration with the State, the Local Governments and Business operators · Measures for Working Together with the Local Communities	19-B3
C)Project Implementation Structure, etc.	[C1] · Core Measures for Safety and Security · Core Policies for Self-monitoring for Safety and Security	19-C1

[Explanation of Table 3: Proposal Items Constituting Master Plan]

Among the proposal items, items shown in Table 3 shall be matters that must be stated in the Master Plan. The Operating Right Holder will be required to disclose the Master Plan to the public, and realize the Master Plan under the watchful eye of the general public, in combination with financial information, etc. of which public disclosure is mandatory under the Project Agreement.

Matters to be stated in the Master Plan are expected to be matters proposed by the Applicant as goals set for the Project and as images envisioned for the end of the project period (part of [A1][A3][B2]) and matters that can deepen understanding of Airport Operating Business if disclosed to airport users, people living around the airports, etc. (part of [B1][B3][C1]). Of note, these matters must be stated in the Master Plan as a minimum requirement by the State; the Operating Right Holder shall not be hindered from stating matters on other items in the Master Plan of its own accord. However, changes to the Master Plan may not be made without the approval of the State, including but not limited to the matters set forth here.

Part 7. Key Points in Screening, Explanation of Key Points in Screening and Notes on Completing Proposal Document Form

First Screening

(General Notes)

- (1) Applicants shall not be prevented from assuming multiple scenarios in the Proposal Documents; however, when proposing target figures and specific measures with respect to each proposal item, a single scenario adopted across all Proposal Documents shall be specified and clearly described, and such target figures and specific measures shall be stated based on the adopted scenario.
- (2) The accounting period and the account closing date of the SPC may be set freely by the Operating Right Holder; provided, however, that in the proposal, the accounting period shall be one year and the account closing date shall be March 31.

A) Executive Plan

[A] Project Concept

<<Key Points in Screening>>

- Has the Applicant conducted project environment analysis, identified current status recognition of superiority and issues and conducted demand trend analysis precisely?
- Has the Applicant presented a project concept for Hiroshima Airport to properly and credibly implement the Project throughout the project period?
- Is it consistent with the subsequent proposal items?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The Applicant's core vision and approach in operating the airports for the entire project period shall be stated. Individual measures and figures need not be stated.
- (2) The Applicant's basic approach shall be stated that its analysis of Project environment—e.g., tourism/business demand, surface access, competition with other airports and other means of transportation—are highly credible, and whether current status recognition of superiority and issues have been identified based project environment analyses and demand trend analyses is conducted appropriately based on these analyses.
- (3) Whether a strategic core concept has been formulated based on various analyses, taking into account the current status recognition of Hiroshima Airport shall be confirmed.
- (4) In regards to the other proposal items except this proposal item, whether the proposal is coherent and consistent with the project environment analysis of this proposal, the current status recognition and the demand trend analysis shall be confirmed.

B) Airport Growth

[B1] Policy for Development of Route Network

<<Key Points in Screening>>

Has the Applicant clearly stated its core policies for development of route networks for the Hiroshima Airport based on [A]? · Does the policy contribute to the growth in passenger traffic, cargo volume, etc.?
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<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The basic approach to developing the route network aimed at growing passenger traffic, cargo volume, etc. and revitalizing regions surrounding the airports, etc. shall be stated, upon consideration of **[A] Project Concept**.
- (2) The “Core Policies for Development of Route Network” in this proposal item shall consist of the “Core Policies for Attracting Airlines” and the “Core Policies for Setting Landing Fees and Other Fees”, and each core policy shall be formulated based on the analysis of the airline business.

[B2] Policy for Operation of Airport Facilities

<<Key Points in Screening>>

· Has the Applicant clearly presented its basic approach to the operation of airport facilities (including capital investments) taking into consideration improvement of promotion to use and service quality for airport users, based on [A]? · Does the operational policy (including capital investment policy) fulfill the required standards and further improve the safety of airport functions?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The Project requires the operation of airport facilities by strategically leveraging the characteristics of airport facilities relevant to Hiroshima Airport (Prefectural Parking facilities, Hotel facilities and including facilities related to the business after changing the usage of these sites, excluding Forest Hills Garden. The same shall apply below. (hereinafter collectively referred to as the “Airport Facilities”) accordingly, whether the Applicant presented airport facilities operation policy (including capital investment policy) for promotion to use and improvement of convenience for airport users, based on [A] shall be confirmed.

[B3] Policy for Promoting Airport

<<Key Points in Screening>>

· Has the Applicant clearly stated its core policies for collaborating with local communities planning utilization promotion of airport based on [A]?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) Policies for collaborating with diverse business operators such as operators of businesses for planning utilization promotion of airport (including improvement of convenience for airport

users) shall be stated. In this proposal item, it is not stated the matters to be described in the **[B1] Policy for Development of Route Network** and the **[B2] Policy for the Operation of Airport Facilities**.

- (2) Collaboration measures in this proposal item are the measures related to second transportation and promotion tourism mainly in Chugoku/Shikoku region collaborating with (e.g., the State, relevant local governments, airlines, travel agencies, and operators of airport outside business (airport access business operators, tourism organizations, tourist groups.))
- (3) In regards to proposal of basic policy for collaboration measures in surrounding areas, for example, it is assumed that the direct actors who carry out measures related to second transportation and promotion tourism mainly in Chugoku/Shikoku region are the State, relevant local governments, airlines, and operators of airport outside business (airport access business operators, travel agencies, tourism organizations, tourist groups, etc.) SPC is related to airport management business its role of the catalyst (facilitator) in cooperation with various stakeholders. The proposal is not expected proposed in which the SPC directly performs the business related to this measure. For this reason, proposals that SPC directly conducts this business related to the measures are shall be outside the scope of evaluation.
- (4) The case of coordination with the business conducted by the SPC's parent company, SPC is to confirm the collaboration measures implemented by itself and it is assumed that the contents of the business conducted by the parent company for understanding the contents of the collaboration measures, but it directly shall be outside the scope of evaluation.

C) Project Implementation Structure, etc.

[C1] Policy for Ensuring Safety and Security

<<Key Points in Screening>>

- Does the policy lead to the implementation of a highly reliable structure to carry out safety and security related tasks?
- Have necessary and adequate self-checking functions been proposed?
- Are emergency countermeasures well thought out?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In regards to the “Core Policies for Ensuring Aviation Safety and Securities of the Airport”, a high level of safety and security is required as public infrastructure; with this in mind, whether structures are in place to a) secure personnel should security services, construction work, etc. be performed by the Operating Right Holder itself, and b) provide appropriate education and training to staff in charge to commission services to persons with sufficient experience and skills when outsourcing.
- (2) In regards to “Core Policies for Self-monitoring for Safety and Security”, a proposal shall be

stated the method and nature of self-monitoring to be performed by the Operating Right Holder itself or by an external third party commissioned by the Operating Right Holder. In this proposal item, monitoring shall be confirmed as to whether its scope is necessary and adequate, and whether the monitoring method is objective and can sufficiently ensure safety.

- (3) In regards to “Core Policies for Emergency Countermeasures”, a proposal shall be stated on countermeasures to be taken in the event of an incident, accident, disaster, epidemic, etc. that may hinder the operation of the Project. These measures shall smoothly settle such incident, accident, disaster, epidemic, etc. and allow operations to resume promptly by collaborating with local governments, etc. In this proposal item, whether the Applicant has examined the nature of emergencies that may arise and effective countermeasures to be taken should such emergencies arise shall be confirmed.

[C2] Policy for Project Implementation Structure

<<Key Points in Screening>>

- Is the Project likely to be managed properly judging from the experience of the Applying Company/Key Consortium Members?
- Is the SPC’s project implementation structure one that allows the hand over of the operations of the Hiroshima Airport without fail?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In regards to “Capital Contribution Ratio and Ratio of Voting Rights of Each Consortium Member”, a proposal shall be stated in relation to the share of voting rights for the Applying Company or each Consortium Member in the Operating Right Holder at the commencement of the airport operations. As the Operating Right Holder’s entire voting interest shall be held by the Representative Company or Consortium Members, the ratio of voting rights held by the Representative Company or Consortium Members shall be 100% in total.

In addition, indirect capital contribution shall be allowed; however, even in this case, the Applying Company or Consortium Members or companies, etc. controlled by the Applying Company or Consortium Members need to hold the entire voting interest. Capital contribution ratio shall mean the ratio proportionate to the amount of capital contributed by each Consortium Member, assuming that the capital contributed to the SPC as a whole is 100%. Therefore, in cases where capital contribution by non-voting shareholders is being planned, the capital contribution ratio of the Representative Company or the capital contribution ratio of Consortium Members may fall short of 100% in total.

- (2) In regards to “Profile and Operational Experience of Applying Company/Key Consortium Members”, the Applicant Company or Representative Company is required to have business experience, the relevance and usefulness of such business experience and the Project as a participation requirement shall be confirmed. Experience in this proposal item shall not be

limited to projects reported in the context of participation requirements or projects stated in the experience requirements, and shall not be limited to the Representative Company. However, the experience of the parent company or equity holders such as shareholders of the Applying Company and Consortium Members shall be outside the scope of evaluation.

- (3) In regards to “SPC’s Organizational Structure”, the basic approach to the implementation structure shall be stated, including the allocation of roles between the Consortium Members applying for the First Screening, from the viewpoint of operating the Hiroshima Airport.

It shall be noted that this does not require the entry of a detailed organization chart or a list of prospective senior personnel.

- (4) In regards to “Recruitment and Education Policies”, whether the policies are adequate shall be confirmed in terms of securing the personnel, know-how, etc. needed for the implementation of the diverse Project for the Hiroshima Airport.

D) Financial Plan

[D] Revenue and Expenditure Plan

<<Key Points in Screening>>

- Does the Overview of Revenue and Expenditure Plan enables sustainability of the operations?
- Is the relation between the Framework of Revenue and Expenditure Plan and other measures proposed clear? Is the content of the Framework of Revenue and Expenditure Plan credible?
- Are the Policies and Measures for Raising Funds supporting ongoing stable management of the operations of the Hiroshima Airport?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In regards to the revenue and expenditure plan, the basic approach throughout the operation period shall be confirmed, as to what kind of policy the Applicant has taken in formulating the plan.
- (2) “Overview of Revenue and Expenditure Plan” shall mean the Operating Right Holder’s revenue and expenditure plan during the project period formulated as a rough guidance. In this proposal item, the plan shall be confirmed as to whether it has been formulated soundly and whether it enables the sustainability of the operations in the long run.
- (3) “Framework of Revenue and Expenditure Plan” shall mean an explanation of the assumptions for the main items in the revenue and expenditure plan. In this proposal item, the following shall be confirmed: whether sufficiently credible assumptions have been provided; and whether the relation with other measures proposed has been clearly explained.
- (4) “Policies and Measures for Raising Funds” shall mean the policies and measures for raising funds of the SPC that manages the Hiroshima Airport holistically throughout the operation period. In this proposal item, whether the Applicant has formulated a feasible policy for maintaining sound financial status while dealing with the Operating Right Holder suffers

excessive financial stress by the occurrence of risk factors such as fall in aviation demand (sluggish demand, force majeure events, etc.) in continuing the operation of the Hiroshima Airport throughout the operation period shall be confirmed.

E) Consideration for the Operating Right

[E] Consideration for the Operating Right

<<Key Points in Screening>>

• Is the planned amount proposed for the consideration for the Operating Right as high as possible?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) For the consideration for the Operating Right, the “Planned Amount” and “Its Basis of Calculation” shall be stated.
- (2) Upon screening, a higher planned amount of the consideration for the Operating Right shall be rated higher, and the specific scoring method shall be based on the following formula.
The allocated score x (Proposed price/Highest price proposed among all proposals)
 - * However, if the highest price among applicants below the standard amount determined by the State, this highest price shall be replaced as the new standard amount and to be calculate.
 - * The proposed price and the highest price proposed among all proposals shall not include consumption tax or local consumption tax, and the amount resulting from the calculation shall be rounded off to one decimal place.
- (3) The amount of Consideration for the Operating Right proposed in the Second Screening shall not be below the planned amount proposed by each Applicant in the First Screening, unless a new event that would have a significant impact on such planned amount has arisen, or unless there are other reasonable grounds.

Second Screening

(General Notes)

- (1) Applicants shall not be assuming multiple scenarios in the Proposal Documents; however, when proposing target figures and specific measures with respect to each proposal item, a single scenario adopted across all Proposal Documents shall be specified and clearly described, and such target figures and specific measures shall be stated based on the adopted scenario.
- (2) The accounting period and the account closing date of the SPC may be set freely by the Operating Right Holder; provided, however, that in the proposal, the accounting period shall be one year and the account closing date shall be March 31.
- (3) The phrase “*in five years’ time*” in each proposal item shall mean March 31, 2026. The phrase “*by the end of the project period*” shall mean the day preceding the 30th anniversary of the Operating Right Establishment Date.
- (4) In each proposal item, the term “*five-year period*” shall mean the period commencing on the expected date of commencement of the Building Facilities Business and ending on March 31, 2026. The phrase “*by the end of the project period*” shall mean the period commencing on the expected date of commencement of the Building Facilities Business and ending on the day preceding the 30th anniversary of the Operating Right Establishment Date.
- (5) Whether or not the implementation of measures described in each proposal item is guaranteed shall be stated by using clear expressions, for the purpose of making it possible to objectively and unambiguously determine the necessity of implementing such measures during the project period (for example, expressions such as “will implement” and “will perform” shall be deemed to guarantee the implementation of such measures, whereas expressions such as “will aim to” and “will consider” shall not be deemed to guarantee the implementation of such measures, except in cases where they should be interpreted otherwise judging from the context). In cases where the measures are slated to be implemented only when certain conditions are met, a clear statement to that effect shall be made. It shall be noted that measures to be implemented without any special conditions attached will be rated higher than measures slated to be implemented only when certain conditions are met and measures that have no implementation guarantee.
- (6) The “Appendix: List of Guaranteed Measures” is a post list of measures described in each proposal item to be implemented without any special conditions attached. In regards to the treatment of cases where there are discrepancies in descriptions between the Appendix and each proposal item, if a measure is described in each proposal item but not in the Appendix, the Operating Right Holder shall be obliged to implement such measure. Likewise, if a measure is described in the Appendix but not in each proposal item, the Operating Right Holder shall be obliged to implement such measure. From the viewpoint of clarifying the determination of

the necessity of implementing the measures during the project period as stated above, caution shall be exercised to make sure that the measures that are guaranteed to be implemented are listed without omission, and that there are no discrepancies between the Appendix and each proposal item.

A) Executive Plan

[A1] Strategic Concept

<<Key Points in Screening>>

- Has the Applicant presented an overall strategy for the management of the Hiroshima Airport?
- Has the Applicant presented a convincing strategic concept in concrete terms covering the entire project period that is consistent with [A3] and based on [A2]?
- Is it consistent with each proposal item?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In the “Strategic Concept throughout Entire Project Period for Hiroshima Airport”, the project strategy for the operation of the Hiroshima Airport sought by the Applicant throughout the entire project period consistent with [A3] **Target Figures for Indicators, etc.** and based on [A2] **Project Environment Analysis and Demand Trend Analysis** shall be stated.
- (2) Whether the Strategic Concept is one that links together each proposal item and formulates a consistent message that cuts across all proposal items in the operations of the Hiroshima Airport shall be confirmed.

[A2] Project Environment Analysis and Demand Trend Analysis

<<Key Points in Screening>>

- Has the Applicant conducted analyses precisely about the diverse project environment surrounding the Hiroshima Airport?
- Has the Applicant accurately identified the current status recognition of superiority and issues in Hiroshima Airport based on project environment analysis?
- Has the Applicant accurately conducted detailed demand trend analysis that clarified the relevance to the proposed measures based on current status recognition?
- Do the analysis provide credible assumptions that may be used to consider each subsequent proposal item?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In “Detailed Project Environment Analysis for Hiroshima Airport”, the results of analyses such as current revenue/expenditure structure of the Hiroshima Airport, the characteristics and attractiveness of the regions surrounding the airport, the collaborative and competitive landscape with other neighboring airport and other means of transportation, the strategic placing of the Hiroshima Airport for the airlines and project environment of Hiroshima Airport shall be stated.

- (2) In “Current Status Recognition based on Project Environment Analysis”, based on the results of project environment analysis whether has the Applicant accurately identified the current status recognition of superiority and issues in Hiroshima Airport shall be confirmed.
- (3) In “Detailed Demand Trend Analysis for Hiroshima Airport”, to clarify the relevance to the proposed measures based on current status recognition that proposes the results and contents of demand trend analysis for Hiroshima Airport(including demand forecast serving as the basis for setting **[A3] Target Figures for Indicators, etc.**) shall be stated. Whether the demand trend analysis conducted accurately for Hiroshima Airport shall be confirmed.
- (4) The results of project environment analysis, current status recognition and demand trend analysis shall aim to have the content and the construction to act as a credible basis for the subsequent proposal items and be relevant instead of being a mere list of matters examined. Whether a convincing foundation leading on to each proposal item has been provided shall be considered.
- (5) Regarding other proposal items, whether the proposal is consistent with the results of project environment analysis, current status recognition and demand trend analysis in this proposal item shall be confirmed.

[A3] Target Figures, etc.

<<Key Points in Screening>>

- Has the Applicant presented specific targets for the Hiroshima Airport taking into account the analysis in [A2]?
- Has the Applicant proposed a method by which airport users’ needs, satisfaction level, etc. can be properly and adequately identified?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The exact target figures to be achieved *the fifth year* and *by the end year of the project period* shall be stated with respect to passenger traffic and cargo volume (annual number of passengers and annual cargo volume), number of routes, number of flights, aviation income and non-aviation income (annual aviation income and annual non-aviation income). In addition, these target figures do not constitute an obligation under the Project Agreement. As such, even if the Applicant fails to realize passenger traffic and cargo volume (annual number of passengers and annual cargo volume), number of routes, number of flights, aviation income and non-aviation income (annual aviation income and annual non-aviation income) that exceed these target figures *the fifth year* and *by the end year of the project period*, such failure shall not be deemed to be a breach of the Project Agreement.
- (2) In “Setting of Targets for Improving Convenience for Airport Users”, a proposal shall be made for setting targets to be achieved *the fifth year* and *by the end year of the project period* relating to improvements in the service quality for airport users, who are deemed to consist of

users of air transport services as well as general users who do not use aviation services but visit the airport. These targets do not constitute an obligation under the Project Agreement. As such, even if the Applicant fails to improve service quality to target levels or higher *the fifth year* and *by the end year of the project period*, such failure shall not be deemed to be a breach of the Project Agreement.

- (3) In “Performance Indicators for Service Quality of Airport Users”, the measurement method shall be proposed in combination with the setting of targets explained above.
- (4) Regarding the fiscal year for the target figure, “*the fifth year*” shall mean from April 1, 2025 to March 31, 2026. The phrase “*by the end year of the project period*” shall mean from April 1, 2049 to March 31, 2050.

B) Airport Growth

[B1] Proposal for Development of Route Network

<<Key Points in Screening>>

- Has the Applicant clearly stated a specific strategy for developing the route network integrally with the Hiroshima Airport based on [A1] to [A3]?
- Does the measures contribute to the growth in passenger traffic, cargo volume, etc.?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In this proposal item, proposals on specific approaches to attract airlines from a strategic viewpoint of the Hiroshima Airport and specific ideas for pricing strategy for landing fees and other fees shall be stated.
- (2) In “Measures to Attract Airlines”, shall mean the measures for attracting air carriers other than the fees that proposed in the following (3), the measures pertaining to the selection of attract airlines, the number of flights, the number of service locations, and used equipment shall be stated.
- (3) In “Measures for Landing Fees and Other Fees”, the schedule of fees, the method of setting fees (including indicators serving as the basis of fee calculation), including the method of fee collection, etc. shall be stated. In addition, “Landing Fee, etc.” in this proposal item shall mean “landing fees and other fees for the use of runway, etc.” stipulated in Article 13, paragraph (1) of the Airport Act, user fees for air navigation facilities stipulated in Article 54, paragraph (1) of the Civil Aeronautics Act, passenger (service) facility charge stipulated in Article 16, paragraph (1) of the Airport Act and other fees collected in relation to the use of aviation services from air carriers or their users by the Operating Right Holder or the operator of the Building Facilities Business, etc. (e.g., Passenger Boarding Bridge (PBB) fees, Baggage Handling System (BHS) fees, counter rental fees, etc.)
- (4) In this proposal item, the proposal shall be confirmed as to whether it is effective and highly

feasible based an appropriate analysis of the airline business.

- (5) In “Specific Measures for the Five-year Period”, detailed measures for developing the route network shall be stated.
- (6) In “Basic Measures until the End of the Project Period”, the approach to developing the route network during the project period shall be stated, rather than detailed measures to attract airlines and fee-related measures.

[B2] Proposal for Operation of Airport Facilities

<<Key Points in Screening>>

- Is the overall operational strategy (including capital investment strategy) for airport facilities for the management of the Hiroshima Airport clarified based on [A1] to [A3]?
- Has the Applicant clearly stated effective and specific operational strategy (including capital investment strategy) for airport facilities for improvement of airport safety, function maintenance, and promotion of airport use and convenience?
- Does the operational policy (including capital investment policy) fulfill the required standards and further improve the safety of airport functions?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The "Overall Operational Strategy for Operation of Hiroshima Airport (including Capital Investment Strategy)" requires the operation of airport facilities by strategically leveraging the predominant features of the airport facilities relevant to Hiroshima Airport (Prefectural Parking facilities, Hotel facilities and including facilities related to the business after changing the usage of these sites (excluding Forest Hills Garden)the operational strategy (including capital investment strategy) for airport facilities of the Hiroshima Airport shall be stated.
- (2) In "Specific Operational Measures for Airport Facilities (including Capital Investment Strategy)", whether has the Applicant clearly stated effective and specific operational measures (including capital investment measures) based on current status recognition in **[A2] Demand Trend Analysis and Project Environment Analysis** aimed at improvement of airport safety, functional maintenance, improvement of airport use and service quality of airport users) shall be confirmed.
- (3) In “Specific Measures for the Five-year Period”, the specific operational measures (including capital investment measures such as investment aimed at improvement of airport safety functional maintenance, improvement of airport use and service quality of airport users, description of investments, effects, expected timing and planned amount) shall be clearly stated.
- (4) In “Basic Measures until the End of the Project Period”, the approach to the operational policy (including capital investment policy) for airport facilities during the project period shall be stated, rather than the specific operational measures (including capital investment measures).

[B3] Proposal for Collaboration with Local Communities to Promote Airport

<<Key Points in Screening>>

- Has the Applicants clearly stated specific policy related to collaboration with local communities to promote airport based on [A1] to [A3]?
- Are the collaboration measures specific and effective to realize specified policy related to the collaboration measures?
- Will the measures in this proposal have an equal or greater effect than before in working together with the local communities, and does it give fully consideration to regions surrounding the airports?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) As an airport operating company, policies for collaborating with diverse business operators such as operators of businesses for planning utilization promotion of airport, (including improvement of convenience for airport users) shall be stated.
- (2) The specific policies of the cooperation measures to implement the core policies of cooperation measures that is conducted as an airport operating company shall be clearly stated. And whether the measure is effective shall be confirmed. When an Applicant has been selected as the Preferred Negotiation Right Holder, the proposal made by the Applicant shall become the required standard for the Operating Right Holder. In this proposal item, it is not stated the matters to be described in the **[B1] Policy for Development of Route Network** and the **[B2] Policy for the Operation of Airport Facilities etc.**
- (3) Collaboration measures in this proposal item are the measures related to second transportation and promotion tourism mainly in Chugoku/Shikoku region collaborating with (e.g., the State, relevant local governments, airlines, operators of business outside of airport (airport access business operators, travel agencies, tourism organizations, tourist groups.))
- (4) In regards to proposal of basic policy for collaboration measures in surrounding areas, for example, it is assumed that the direct actors who carry out measures related to second transportation and promotion tourism mainly in Chugoku/Shikoku region are the state, relevant local governments, airlines, and operators of airport outside business (airport access business operators, travel agencies, tourism organizations, tourist groups, etc.) SPC is related to airport management business its role of the catalyst (facilitator) in cooperation with various stakeholders. The proposal is not expected proposed in which the SPC directly performs the business related to this measure. For this reason, proposals that SPC directly conducts this business related to the measures are shall be outside the scope of evaluation.
- (5) The case of coordination with the business conducted by the SPC's parent company, SPC is to confirm the collaboration measures implemented by itself and it is assumed that the contents of the business conducted by the parent company for understanding the contents of the collaboration measures, but it directly shall be outside the scope of evaluation.
- (6) "Measures for Symbiosis Business with the Local Communities" shall mean specific measures about business project to prevent noise of aircrafts in the area around airport and other

obstacles caused by the operation of aircrafts or to contribute to the improvement of the living environment around the airport. When Applicants have been selected as the Preferred Negotiation Right Holder, the proposal made by the Applicant shall become the required standard for the Operating Right Holder.

In this proposal item, whether the proposed measure has an equal or higher effect than the measures including Airport Environment Improvement Foundation currently undertakes to work together with the local communities in the information package but not limited to this. (Specifics of the businesses are set forth in the information package. However, subsidization of activities to revitalize regions surrounding the airports that correspond to business for promoting airport use shall be excluded as this shall be covered in other items of the proposal.) On the day before the business opening date, whether the effect of measure is sufficiently explained the rational basis and whether the measure has contents that take account of the area around the airport shall be confirmed.

In addition, in this proposal item, only measures that conducted after the start date of airport operation business shall be stated. Other subsidies business etc. that the Operating Right Holder transferred from Airport Environment Improvement Foundation conducted after the start date of parking business to the one day before the start date of airport operation business are outside the scope of evaluation. Even if it is proposed, it shall not be evaluated.

C) Project Implementation Structure, etc. [C1] Proposal for Ensuring Safety and Security

<<Key Points in Screening>>

- Are the measures able to maintain and improve airport safety and security?
- Has the Applicant proposed measures and structures that have effective self-checking functions for safety and security?
- Has the Applicant presented advance measures to prevent incidents or accidents from arising or minimize damage in the event of a disaster?
- Has the Applicant presented a highly reliable structure for implementing services related to safety and security through the provision of appropriate education and training to staff, selection of appropriate subcontractors, etc.?
- Does the proposal lead to an appropriate response in the event of an emergency?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In “Core Measures for Safety and Security”, a proposal shall be stated on the Applicants’ approach to enabling the Operating Right Holder to observe mandatory safety and security standards under the required standards for airport security control regulations, etc. and realize a higher level of safety and security. In this proposal item, the following shall be confirmed: whether the proposal enables the maintenance and improvement of airport safety and security over a long period of time; whether the proposal allows prompt response to air administration trends over the business period based on the understanding of the current policy (including

changes in guidelines, operating standards, etc.); and whether safety and security measures exceeding the State's required standards will be taken.

- (2) In "Core Policies and Specific Measures for Self-monitoring for Safety and Security", a proposal shall be stated on the method and nature of self-monitoring relating to safety and security to be performed by the Operating Right Holder itself or by an external third party commissioned by the Operating Right Holder. Here, from the viewpoint of placing high emphasis on ensuring safety and security at airports, a proposal shall be made separately to the self-monitoring method relating to other matters in **[C2] Proposal for Project Implementation Structure** and general self-monitoring methods; monitoring shall be stated as to whether its scope is necessary and adequate, and whether the monitoring method is objective and can sufficiently ensure safety.
- (3) In "Specific Measures for Ensuring Aviation Safety and Securities of the Airport", a proposal shall be stated: specific measures for maintaining and improving safety and security; specific measures for securing personnel when security services, construction work, etc. are to be performed by the Operating Right Holder itself, and for providing appropriate education and training to staff in charge and commissioning services to persons with sufficient experience and skills when outsourcing. This item does not constitute a part of the Master Plan; accordingly, matters to be proposed that are not appropriate for public disclosure shall be written in this item. In this proposal item, the following shall be confirmed: whether the proposal has a high possibility of preventing incidents or accidents from arising; whether it is effective in minimizing damage in the event of a disaster; whether methods of collaborating and coordinating with airport-related business operators and relevant organizations have been examined; whether safety and effectiveness has been sufficiently ensured in the method of education, training and outsourcing with respect of staff engaged in services relating to safety and security.
- (4) In "Emergency Countermeasures (Incidents, Accidents, Disasters, Epidemics, etc.)", advance measures shall be stated to smoothly settle any incident, accident, disaster, epidemic, etc. that may hinder the operation of the Airports and promptly restore the facilities by collaborating with local governments, etc. or recover the airport functions by such means as imposing airport closure for a certain period of time in the event of such incident, accident, disaster, epidemic, etc. In this proposal item, the following shall be confirmed: whether a detailed study has been conducted on the occurrence of a specific emergency event; whether effective measures have been proposed to take prompt and appropriate action according to the nature of the emergency, and in the event of an airport closure, restore normal airport functions while minimizing the duration of airport closure and the impact on route networks through collaboration with relevant organizations, etc.

[C2] Proposal for Project Implementation Structure

<<Key Points in Screening>>

- Does the organizational structure help facilitate the Project?
- Is the SPC's decision-making process clearly described? Does it give consideration to ensuring governance and timely decision making?
- Has a highly effective self-monitoring method been proposed to confirm the compliance with the required standards and the performance of the proposed matters?
- Is the proposal on the personnel system for the staff of the operator of the Building Facilities Business, the staff transferred from parking lot operators and the State appropriate giving consideration to their respective existing employment conditions?
- Does the proposal for personnel/employment-related measures for the SPC and its subsidiaries, etc. contribute to the region?
- Are requested numbers and period by job type for staff of the State and specific measures for skills hand over consistent?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) "Composition of Capital Contribution to SPC, etc." shall be stated regarding the capital contribution to be made when the Applicant establishes a SPC that will serve as the Operating Right Holder. More specifically, the ratio of voting shares and non-voting shares will be held by each investor into the SPC (Applying Company, Consortium Members and non-voting shareholders) and the exact amount of capital expected to be contributed by each capital investor as at the time of commencement of the airport operations shall be stated. As the Operating Right Holder's entire voting interest shall be held by the Representative Company or Consortium Members, the ratio of voting rights held by the Representative Company or Consortium Members shall be 100% in total. Indirect capital contribution shall be allowed; however, even in this case, the Applying Company or Consortium Members or companies, etc. controlled by the Applying Company or Consortium Members are required to hold the entire voting interest. In this proposal item, the composition of capital contribution, etc. shall be confirmed as to whether it enables the Applicant and the Operating Right Holder to build an appropriate relationship throughout the project period.
- (2) In "organizational structure", a proposal shall be made on the allocation of roles for each investor into the SPC, and the following shall be stated: whether the organizational structure based on this arrangement is adequate for securing the personnel, know-how, etc. needed for the implementation of the diverse Project for the Hiroshima Airport; and whether the roles and positioning of the Consortium Members have been clarified from the viewpoint of operating the airport facilities for Hiroshima Airport.

In addition, a proposal shall be made on: the group structure of the Operating Right Holder at the time of commencement of the Hiroshima Airport operation; and organizational chart of the Operating Right Holder and its subsidiaries, etc.; and ideas for the members and roles of the

management that will contribute to the integrated operation of the Hiroshima Airport ; allocation of duties; and the structure of collaboration work with contractors and subcontractors with the Operating Right Holder and its subsidiaries. Whether the Operating Right Holder and its subsidiaries are equipped with an internal structure to execute Airport Operating Business, Building Facilities Business and Parking Facilities Business in tandem and whether their structure of collaboration with contractors and subcontractors is adequate shall be confirmed. Furthermore, the following shall be confirmed: whether measures are in place to deal with any conflict of interest between persons concerned (e.g., between investors in the Operating Right Holder, between such investors and business operators involved in airport operation); and whether the decision-making process has been clearly indicated, and consideration has been given to ensure governance and timely decision making.

- (3) In “Self-monitoring Method”, a proposal shall be stated the method and nature of self-monitoring to be performed by the Operating Right Holder itself or by an external third party commissioned by the Operating Right Holder for ensuring the compliance with the required standards and the performance of matters proposed by the Applicant. Here, all self-monitoring methods other than those related to safety and security in **[C1] Proposal for Ensuring Safety and Security** shall be stated; however, self-monitoring that will be carried out in conjunction with those for safety and security shall be stated in this item. In this proposal item, monitoring shall be confirmed as to whether its scope is necessary and adequate, and whether the methods and frequency are viable and ensures compliance with required standards and the performance of the proposed matters.
- (4) In “Personnel/Employment-related Measures for SPC and Its Subsidiaries, etc.”, a proposal shall be stated the personnel system, etc. based on the view that it is necessary to maintain appropriate employer-employee relations and work environment to ensure airport safety and revitalize airports among business operators involved in airport operation. In this proposal item, the treatment and personnel system for employees of the operator of the Building Facilities Business and the staff transferred from parking lot operators and the State who have been engaged in the businesses shall be confirmed as to whether consideration has been given to the conditions before the commencement of the Project, especially as to whether the conditions are unfavorable. Whether the proposal will help boost the motivation of all employees to work shall also be confirmed. Considering that the Project is also aimed at regional revitalization, not only personnel/employment measures for employees of the operator of the Building Facilities Business and the staff transferred from parking lot operators and the State but also personnel/employment measures for employees hired by the Operating Right Holder and its subsidiaries, etc. shall be confirmed as to whether they contribute to the region.

(5) In “Requested Number and Period by Job Type for Staff of the State and Specific Measures for Skills Hand Over”, the following shall be confirmed: whether or not the Applicant has presented in detail, structural enhancement/recruitment/education policies/ policies for working in collaboration with personnel dispatched from the State/policies for internalizing the work previously undertaken by the staff of the State in each of the following periods: (i) the period until the time of commencement of the operation of the airport, (ii) the period after the commencement of the airport operation,, and (iii) the period after the staff dispatch from the State have ended. In regards to (ii) , the job type, the number of persons and period of the personnel to be dispatched from the State shall be stated in light of discussions with the State in the competitive dialogue, specific measures to pass on skills smoothly so as not to hinder airport operations shall be stated under these dispatch conditions. The type of personnel, the number of persons (many vs. few) and the length of the period (long vs. short) shall be outside the scope of evaluation.

D) Financial Plan

[D1] Proposal for Project Plan and Maintaining the Financial Soundness

<<Key Points in Screening>>

- Is the plan realistic and reasonable?
- Is the plan consistent with each proposal item?
- Is the proposal specific and effective regarding risk events that may have an excessive impact on the finance situation of the SPC, and regarding risk management measures (including taking out insurance, etc.) to prevent the Operating Right Holder suffering from excessive finance stress even if the risk events may occur ?
- Is the proposal specific and effective in terms of maintaining the financial soundness measures to be taken in the event that the Operating Right Holder suffers excessive financial stress by such risk events?

<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

(1) The Operating Right Holder’s project plan (number of passengers, volume of cargo handled, consolidated statement of income/consolidated statement of cash flows/consolidated balance sheet of the airport), assumptions relating to main proposal items in the project plan, relation with other proposal items, information on personnel, information on investment amount, etc. shall be stated.

In addition, regarding the business plan of Forest Hills Garden shall be stated by March 31, 2024 which is the end day of the current designated management period, and if the contents of plan is stated after this period shall not be evaluated.

(2) The project plan shall be confirmed as to whether its content is consistent with other proposal items (including [A3] **Target Figures, etc.**), and whether its content is realistic and reasonable.

As the project plan does not constitute an obligation under the Project Agreement, even if the Operating Right Holder fails to realize the project plan, such failure shall not be deemed to be a breach of the Project Agreement.

- (3) Among “Measures for Risk Management of SPC”, accurately and concretely analyze what kind of risk event is including the risk factors that may cause excessive financial stress of Operating Right Holder (fall in aviation demand, force majeure events, etc. but not to limited these. The same shall apply hereinafter) shall be stated. Also, based on the analysis, the proposal specific and effective in terms of risk management measures (including taking out insurance, etc. but not to limited this.) to prevent the risk events that may have an excessive stress on the finance situation of the SPC shall be stated.

Also a proposal shall be stated the details of insurance to be taken out as an obligation imposed by the State, such as the amount of excess, measures for the portion equivalent to such amount of excess, and measures to be taken when an event subject to excess occurs. Also, in cases where business recovery measures in place of insurance are to be proposed, such measures shall be proposed in this proposal item.

- (4) Among “Measures for Maintaining the Financial Soundness of SPC” measures for risk management shall mean countermeasures to be taken in the event that the occurrence of a risk factor such as event exerts a significant negative financial impact temporarily on the Operating Right Holder stated in (3), and measures for business continuity shall be stated measures to maintain airport operation continuity by backup measures such as insurance and establishment of commitment lines by financial institutions as countermeasures to be taken in the event that the Operating Right Holder suffers excessive financial stress, regardless of whether a risk event has occurred.

Also, Applicants may be asked for submission of grounds documents about project plan under the situation where the impact of risk factors occurrence, to confirm that possibility to implement to measures of each proposal items.

[D2] Fund Raising Plan and Investment Strategy

<<Key Points in Screening>>

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| <ul style="list-style-type: none">• Is the plan for raising funds consistent with the project plan?• Is the method of fund raising presented realistic and reasonable?• Is the method of recovering the investments reasonable? |
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<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) In “Method of Raising Funds throughout the Project Period”, the method of raising funds for investments throughout the project period shall be confirmed as to whether a realistic and reasonable method has been presented from the viewpoint of soundness and stability of the

Project, and whether fund raising is consistent with the project plan.

- (2) In "Method of Raising Funds for a) Consideration for the Operating Right and b) Consideration for Acquisition of Shares of the Operator of the Building Facilities Business and Business Assurance of Funds (Including Attachment of Letter of Intent (LOI), etc.)", submission of materials that substantiate the certainty of the method of raising funds for the consideration for the Operating Right and for the acquisition of shares of the operator of the Building Facilities Business shall be required.
- (3) Whether it is possible to pay without fail the consideration for the Operating Right and the consideration for shares of the operator of the Building Facilities Business due to be paid around the same period shall be confirmed, as well as whether there is any risk of delays in the commencement of the Project due to delays in payment. In cases where the payment of the consideration for the Operating Right and the consideration for shares of the operator of the Building Facilities Business is deemed to be extremely uncertain, the score shall be reduced.
- (4) In the proposal of the investment strategy, whether the proposal can minimize the investment amount through the private sector's creative efforts and realize an effective and efficient payback of investment shall be confirmed.

E) Consideration for the Operating Right

[E] Amount of Consideration for the Operating Right

<<Key Points in Screening>>

· Is the consideration for the Operating Right proposed as high as possible?
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<<Explanation of Key Points in Screening and Notes on Completing Proposal Documents>>

- (1) The amount of consideration for the Operating Right shall be stated. The SPC to be established by the Second Screening Participant selected as the Preferred Negotiation Right Holder shall pay the consideration for the Operating Right proposed in this proposal item in accordance with the provisions of the Project Agreement concluded with the State.
- (2) Consideration for the Operating Right proposed by an Applicant that is higher in amount shall be rated higher, and the specific scoring method shall be based on the following formula.

The allocated score x (Amount of consideration for the Operating Right proposed by the Applicant/Highest price proposed among all proposals for the consideration for the Operating Right)

* However, if the highest price among Applicants below the standard amount determined by the state, this highest price shall be replaced as the new standard amount and to be calculate.

* Amount of consideration for the Operating Right proposed by the Applicant and the

highest price proposed among the amount of consideration for the Operating Right proposed by the Applicants shall not include consumption tax or local consumption tax, and the amount resulting from the calculation shall be rounded off to one decimal place.

Appendix 1: Proposal Items in First Screening and Second Screening

Proposal classification	First Screening		Second Screening	
A) Executive Plan	[A] Project Concept	<ul style="list-style-type: none"> • Demand Trend Analysis and Project Environment Analysis for Hiroshima Airport • Current Status Recognition based on the Analyses • Core Concept based on Current Status Recognition of Hiroshima Airport throughout the Entire Project Period 	[A1] Strategic Concept	<ul style="list-style-type: none"> • Strategic Concept throughout Entire Project Period for Hiroshima Airport
			[A2] Project Environment Analysis and Demand Trend Analysis	<ul style="list-style-type: none"> • Detailed Project Environment Analysis and Demand Trend Analysis for Hiroshima Airport • Current Status Recognition based on the Analyses
B) Airport Growth	[B1] Policy for Development of Route Network	<ul style="list-style-type: none"> • Core Policies for Development of Route Network <ul style="list-style-type: none"> ➢ Core Policies for Attracting Airlines Core Policies for Landing Fees and Other Fees 	[B1] Proposal for Development of Route Network	<ul style="list-style-type: none"> • Measures for Development of Route Network <ul style="list-style-type: none"> ➢ Measures to Attract Airlines <ul style="list-style-type: none"> ✓ Specific Measures for the Five-year Period ✓ Basic Measures until the End of the Project Period ➢ Measures for Landing Fees and Other Fees <ul style="list-style-type: none"> ✓ Specific Measures for the Five-year Period • Basic Measures until the End of the Project Period
				-

Proposal classification	First Screening		Second Screening	
B) Airport Growth	[B2] Policy for Operation of Airport Facilities	<ul style="list-style-type: none"> • Core Policies for Operation of Airport Facilities throughout the Project Period <ul style="list-style-type: none"> ➢ Core Policies for Operation of Airport Facilities ➢ Core Policies for Capital Investments in Airport Facilities (Expected Main Investment Targets, Investment Details, Effects of Investment, Scheduled Timing of Investments) 	[B2] Proposal for Operation of Airport Facilities	<ul style="list-style-type: none"> • Overall Strategy for Operations of Hiroshima Airport(including Capital Investment Policy) • Specific Operational Measures for Airport Facility (including Capital Investment Strategy) <ul style="list-style-type: none"> ➢ Specific Measures for the Five-year Period ➢ Basic Measures until the End of the Project Period • Total Amount of Capital Investments for Functional Maintenance and vitalization of Airports • Layout Drawing of Facilities, etc. and Overview of the Facilities at End of Project Period
	[B3] Policy for Promoting Airport	<ul style="list-style-type: none"> • Core Policies for Collaboration with Local Communities to Promote Airport 	[B3] Proposal for Collaboration with Local Communities to Promote Airport	<ul style="list-style-type: none"> • Measures for Collaboration with the State, Local Communities and Local Business Operators to Promote Airport • Measures of Symbiosis Business for Working Together with the Local Communities
C) Project Implementation Structure, etc.	[C1] Policy for Ensuring Safety and Security	<ul style="list-style-type: none"> • Core Policies for Ensuring Aviation Safety and Security of the Airport • Core Policies for Self-monitoring for Safety and Security • Core Policies for Emergency Countermeasures (Incidents, Accidents, Disasters, Epidemics, etc.) 	[C1] Proposal for Ensuring Safety and Security	<ul style="list-style-type: none"> • Core Measures for Safety and Security • Core Policies and Specific Measures for Self-Monitoring for Ensuring Safety and Security • Emergency Countermeasures (Incidents, Accidents, Disasters, Epidemics, etc.)
	[C2] Policy for Project Implementation Structure	<ul style="list-style-type: none"> • Capital Contribution Ratio and Ratio of Voting Rights of Each Consortium Member • Profile and Operational Experience of Applying Company/Key Consortium Members • SPC's Organizational Structure • Recruitment and Education Policies 	[C2] Proposal for Project Implementation Structure	<ul style="list-style-type: none"> • Composition of Capital Contribution to SPC, etc. <ul style="list-style-type: none"> ➢ Ratio of Voting Shares and Non-voting Shares Held and Amount of Capital Contributed by Each Capital Investor ➢ When Indirect Holding of SPC Shares, etc. is Preferred, Details of the Capital Relationship between SPC and Applying Company or Consortium Members ➢ Roles of Applying Company or Consortium Members • Organizational Structure <ul style="list-style-type: none"> ➢ Organization Chart and Allocation of Duties within the SPC (including its Subsidiaries, etc.) ➢ Relationship with Contractors and Subcontractors • Self-monitoring Method (Excluding Monitoring Method for Safety and Security) <ul style="list-style-type: none"> ➢ Compliance with Required Standards ➢ Performance of Matters Proposed by Applicants • Proposal for personnel/employment-related Measures for the SPC and Its Subsidiaries, etc. • Requested Numbers and Period by Job Type for Staff of the State and Specific Measures for Skills Hand Over

Proposal classification	First Screening		Second Screening	
D) Financial Plan	[D] Revenue and Expenditure Plan	<ul style="list-style-type: none"> • Core Policies for Revenue and Expenditure Plan throughout the Operation Period <ul style="list-style-type: none"> ➤ Overview of Revenue ➤ Framework of Revenue and Expenditure Plan ➤ Policies and Measures for Raising Funds 	[D1] Proposal for Project Plan and Maintaining the Financial Soundness	<ul style="list-style-type: none"> • Project Plan <ul style="list-style-type: none"> ➤ Number of Passengers, Volume of Cargo Handled, Aviation Income, Non-aviation Income ➤ Consolidated Statement of Income ➤ Consolidated Statement of Cash Flows ➤ Consolidated Balance Sheet ➤ Each Financial and Investment Indicators • Measures for Risk Management of SPC • Measures for Maintaining the Financial Soundness of SPC
	-	-	[D2] Fund Raising Plan and Investment Strategy	<ul style="list-style-type: none"> • Method of Raising Funds throughout the Project Period • Method of Raising Funds Consideration for the Operating Right Consideration for Acquisition of Shares of the Operator of the Building Facilities Business. Assurance of Funds (Including Attachment of Letter of Intent (LOI), etc.) • Investment Strategy
E) Consideration for the Operating Right	[E] Consideration for the Operating Right	<ul style="list-style-type: none"> • Planned Amount of Consideration for the Operating Right and its Basis of Calculation 	[E] Amount of Consideration for the Operating Right	<ul style="list-style-type: none"> • Consideration for the Operating Right