

(TRANSLATION) (for Reference Only)

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

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

**March 29, 2018**

**Obihiro City Government**

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## **Part 1. Introduction**

The Obihiro City Government (hereinafter collectively referred to as the “City”) is planning to select a Preferred Negotiation Right Holder to implement the Project, etc., for the Operation of the Airport (hereinafter referred to as the “Project”) at Obihiro Airport (hereinafter referred to as the “Airport”), for the purpose of integrally managing the operation, etc. of a specific local airport (including the businesses stipulated in Article 2, paragraph (6), items (ii) through (iv) of the Act on Operation of National Airports Utilizing Skills of the Private Sector (Act No. 67 of 2013; hereinafter referred to as the “Private Utilization Airport Operation Act”) for the specific local airport to the extent that the landing fees, etc. are collected as its own revenues) pursuant to Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act (hereinafter referred to as the “Airport Operating Business”) and the building facilities business pertaining to its terminal buildings pursuant to Article 25 of Obihiro City Airport Administration Ordinance (Ordinance No. 39 of 1980), as well as appoint a special purpose company (hereinafter referred to as the “SPC”) incorporated by the Preferred Negotiation Right Holder, as the operator of the Airport (meaning the operator of a Local Airport stipulated in Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act; hereinafter referred to as the “operator”) (hereinafter referred to as the “Operation Appointment”) and enter into the Agreement regarding the Project, etc., for the Operation of Obihiro Airport (hereinafter referred to as the “Project Agreement”) in order to implement the Project.

In addition, the Civil Aviation Bureau and the East Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (hereinafter referred to as the “State”), the Asahikawa City Government and the Hokkaido Government are planning to implement a similar project in which aviation activities pertaining to the runway, etc., and the Building Facilities Business are integrally managed at New Chitose Airport, Wakkanai Airport, Kushiro Airport and Hakodate Airport (hereinafter referred to as the “Four National Airports in Hokkaido”) and Asahikawa Airport and Memanbetsu Airport, which they administer.

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

This document stipulates the policies on the implementation of the Project (hereinafter referred to as the “Implementation Policy”), in accordance with the Basic Policies on Operation of National Airports Utilizing Skills of the Private Sector (MLIT Public Notice No. 1080 of

2013; hereinafter referred to as the “Basic Policy”), the Guidelines Concerning the Process to Conduct PFI Projects (effective in December, 2015) and the Guidelines Concerning the Right to Operate Public Facilities, etc., and Public Facilities, etc., Operation Project (revised in March, 2018), Article 28 of the Obihiro City Airport Administration Ordinance and other applicable rules, for selecting the Preferred Negotiation Right Holder to implement the Project, granting the Operation Appointment to the SPC incorporated by the Preferred Negotiation Right Holder, and entering into the Project Agreement with the operator in accordance with the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the “PFI Act”) and the Private Utilization Airport Operation Act, among others, as applicable to the Airport Operating Business related to the Airport.

Please note that the City 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 City and the Preferred Negotiation Right Holder after publication of the Implementation Policy.

## **Part 2. Matters concerning details of the Project<sup>1</sup>**

### **1. Matters concerning details of the Project**

(1) Administrator of the Airport

Norihisa Yonezawa, Obihiro City Mayor

(2) Unit in Charge

Airport Office, Department of Commerce, Industry and Tourism, Obihiro City Government (hereinafter referred to as the “Unit in Charge”)

Address: 41, Nishi 9-sen Naka 8-banchi, Izumicho, Obihiro-shi, Hokkaido

Tel: 0155-64-5320

Email: airport@city.obihoro.hokkaido.jp

Administrative affairs relating to the Implementation Policy are conducted by the following advisors (hereinafter referred to as the “Bidding Advisors”) on behalf of the Unit in Charge.<sup>2</sup>

(i) Ernst & Young ShinNihon LLC

(ii) Kansai Law & Patent Office

(iii) Ernst & Young Transaction Advisory Services Co., Ltd.

(iv) Docon Co., Ltd.

(3) Background and purposes of the Project

The Airport was opened in 1981 and has been serving for more than 30 years as a sky gateway to the Tokachi region of eastern Hokkaido for passengers from within and outside Hokkaido, and playing an important role in air transport of the agricultural and farm products and other cargo from the Tokachi region, which is one of Japan’s leading agricultural and dairy farming areas.

The Airport is coined as “Tokachi-Obihiro Airport” and its annual passenger volume in fiscal 2016 amounted to around 620,000 people, located in Tokachi, which is the country’s food supply base with the self-sufficiency ratio exceeding 1,200% and has a stable industry based on its primary industry.

In addition, the Airport boasts a high in-service rate due to its location in the center of the Tokachi Plain, a flat plain with long sunlight hours fit for take-off and landing, and has

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<sup>1</sup> Since the Project is the operation, etc. of a specific local airport under Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act and not subject to the PFI Act, the invitation of a private business operator stipulated in Part 3 shall be made pursuant to the provisions of Article 29 of the Obihiro City Airport Administration Ordinance, without the selection as a Qualified Project under the PFI Act.

<sup>2</sup> Bidding Advisors are selected in each fiscal year. The selection for fiscal 2018 will be performed separately.

a potential to contribute to the promotion of wide-area tourism of Hokkaido and vitalization the regional economy, including the function as a substitute for New Chitose Airport, which is located as close as 180 kilometers to the Airport, the function as one of the traffic and transport bases in Hokkaido with its connecting seaway and highway network and the function as a sky gateway of the wide-area sightseeing tour routes of eastern Hokkaido, which plays a major role in Japan's inbound tourism strategy.

Since fiscal 2013, the Airport has been working to streamline its operation through "Integrated Entrustment of Maintenance and Management Services", which integrally manages various services such as security, fire defense, aeronautical lighting and snow removal. In March 2017, Obihiro Airport Terminal Building Co., Ltd. added an extension to the Airport's terminal building and introduced the second passenger route and CIQ facilities. These measures enabled the Airport to accept domestic and international flights, including chartered international flights, in a flexible manner. In March 2018, a spot for accepting a jumbo jet airplane was added by extension of the apron and installment of a drawbridge. The Airport has been undertaking these efforts among others to improve its value.

However, under the current service entrustment system, the basic airport facilities, etc. administered by the City and the building facilities, etc. owned by the private business operators are separately managed, and a unified and agile management of the Airport as a whole is yet to be achieved, with issues to be addressed to realize its potential.

Against this background, in order to have the Airport fully play its role, the City aims to realize a unified and agile management of the Airport by a private business operator under the Private Utilization Airport Operation Act, as one of the airports subject to the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido.

(4) Application Guidelines etc.

Documents to be disclosed for bidding will be composed of the documents listed in (i) through to (x) below (together with supplementary materials, as well as answers to questions to be published on the City's website or by other appropriate means and other documents to be issued by the City in relation to those documents, hereinafter collectively referred to as the "Application Guidelines etc.," and if any amendments have been made, the documents reflecting the amendments shall prevail). The documents listed in (i) through to (ix) are conditions precedent for preparing documents to be submitted for the first screening (hereinafter referred to as the "First Screening Documents") and those for the second screening (hereinafter referred to as the "Second Screening Documents"), as well as other documents to be submitted for any screenings in relation to the



implementation of the Project (hereinafter referred to as the “Proposal Documents”). The documents listed in (i) through to (vii) shall be binding on the parties to the Project Agreement when it is executed.

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

- (i) Application Guidelines on the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido (hereinafter referred to as the “Application Guidelines”)
  - (ii) Agreement regarding the Project, etc., for Operation of Obihiro Airport (draft) (hereinafter referred to as the “Project Agreement (draft)”)
  - (iii) Basic Agreement regarding the Project, etc., for the Operation of Obihiro Airport (draft) (hereinafter referred to as the “Basic Agreement (draft)”)
  - (iv) Free Lease Agreement with respect to National Property, etc., for the Project, etc., for the Operation of Obihiro Airport (draft) (hereinafter referred to as the “Local Government’s Property, etc., Free Lease Agreement (draft)”)<sup>3</sup>
  - (v) Goods Transfer Agreement with respect to the Project, etc., for the Operation of Obihiro Airport (draft) (hereinafter referred to as the “Goods Transfer Agreement (draft)”)
  - (vi) Required Standards Document for the Project, etc., for the Operation of Obihiro Airport (draft) (hereinafter referred to as the “Required Standards Document (draft)”)
  - (vii) Compilation of related materials
  - (ix) Selection Criteria for the Preferred Negotiation Right Holder for the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido (hereinafter referred to as the “Selection Criteria for the Preferred Negotiation Right Holder”)
  - (x) Forms for the Qualified Project, etc., for Airport Operation of the Seven Airports in Hokkaido and directions to complete the forms (hereinafter referred to as the “Forms and Directions”)
  - (xi) Referential materials
- (5) Anticipated governing laws, etc., for the implementation of the Project

The implementation of the Project shall be governed by the PFI Act, the Private

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<sup>3</sup> The agreements will be concluded respectively with respect to city-owned land and national government land. The term “Free Lease Agreement with respect to National Property, etc., for the Qualified Project, etc.” is used as a use permit without charging fees may be used instead of a free lease agreement.

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

A) Laws and regulations

- i) Airport Act (Act No. 80 of 1956)
- ii) Civil Aeronautics Act (Act No. 231 of 1952)
- iii) Act on Prevention of Damage caused by Aircraft Noise in Areas around Public Airports (Act No. 110 of 1967; hereinafter referred to as the “Noise Prevention Act”)
- iv) Public Finance Act (Act No. 34 of 1947)
- v) Public Accounting Act (Act No. 35 of 1947)
- vi) National Property Act (Act No. 73 of 1948)
- vii) City Planning Act (Act No. 100 of 1968)
- viii) Building Standards Act (Act No. 201 of 1950)
- ix) Parking Lot Act (Act No. 106 of 1957)
- x) Act on Promotion of Smooth Transportation, etc., of Elderly Persons, Disabled Persons, etc. (Act No. 91 of 2006)
- xi) Fire Service Act (Act No. 186 of 1948)
- xii) Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970)
- xiii) Industrial Safety and Health Act (Act No. 57 of 1972)
- xiv) Air Pollution Control Act (Act No. 97 of 1968)
- xv) Act on the Rational Use, etc., of Energy (Act No. 49 of 1979)
- xvi) Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991)
- xvii) Construction Material Recycling Act (Act No. 104 of 2000)
- xviii) Waste Management and Public Cleansing Act (Act No. 137 of 1970)
- xix) Construction Business Act (Act No. 100 of 1949)
- xx) Labor Standards Act (Act No. 49 of 1947)
- xxi) Working Environment Measurement Act (Act No. 28 of 1975)
- xxii) Pneumoconiosis Act (Act No. 30 of 1960)
- xxiii) Act on the Improvement of Employment of Construction Workers (Act No. 33 of 1976)
- xxiv) Road Act (Act No. 180 of 1952)
- xxv) Road Traffic Act (Act No. 105 of 1960)
- xxvi) Road Transportation Act (Act No. 183 of 1951)
- xxvii) Road Transport Vehicle Act (Act No. 185 of 1951)
- xxviii) Erosion Control Act (Act No. 29 of 1897)

- xxix) Landslide Prevention Act (Act No. 30 of 1958)
- xxx) Water Supply Act (Act No. 177 of 1957)
- xxxii) Sewerage Act (Act No. 79 of 1958)
- xxxiii) Forest Act (Act No. 249 of 1951)
- xxxiiii) Basic Environment Act (Act No. 91 of 1993)
- xxxv) Nature Conservation Act (Act No. 85 of 1972)
- xxxvi) Noise Regulation Act (Act No. 98 of 1968)
- xxxvii) Vibration Regulation Act (Act No. 64 of 1976)
- xxxviii) Soil Contamination Countermeasures Act (Act No. 53 of 2002)
- xxxix) Act on Protection of Cultural Properties (Act No. 214 of 1950)
- xl) Electricity Business Act (Act No. 170 of 1964)
- xli) Radio Act (Act No. 131 of 1950)
- xlii) High Pressure Gas Safety Act (Act No. 204 of 1951)
- xliii) Survey Act (Act No. 188 of 1949)
- xliv) Security Services Act (Act No. 117 of 1972)
- xlv) Basic Act on Disaster Control Measures (Act No. 223 of 1961)
- xlvi) River Act (Act No. 167 of 1964)
- xlvii) Local Autonomy Act (Act No. 67 of 1947)
- xlviii) Purification Tank Act (Act No. 43 of 1983)
- xlv) Other related laws and regulations

B) Conventions and treaties

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

C) Prefectural ordinances

- i) Obihiro City Airport Administration Ordinance
- ii) Other relevant ordinances, etc. of the Obihiro City Government

D) Standards to be referred to

- i) Commentary on Standards for Construction of Airport Civil Works Facilities
- ii) Standard Specifications for Airport Civil Works, Standard Specifications for

Aeronautical Lights and Power Facility Works, Standard Specifications for Power Generating Devices, and the standards, directions, guidelines, etc., referred to within them

- iii) Guidelines on the Maintenance and Administration of Facilities in Airports, Guidelines on the Implementation of Construction Works in Restricted Areas, Guidelines on the Implementation of Snow Removal
- iv) Air Transport Security Operation Rules<sup>4</sup>
- v) Aircraft Noise Measurement and Assessment Manual
- vi) Standards on Establishment of Airport Security Control Regulations (Safety Part)
- vii) Guidelines on Airport Security Control Regulations (Safety Part)
- viii) Guidelines on Airport Operations
- ix) Standards for Improving a Fire-Fighting and Rescue System in Airports
- x) Guidelines on Handling Safety Information
- xi) Standards for Providing a Safety Management System in Airports
- xii) Regional Disaster Plans (those established by relevant local governments)
- xiii) Airport Development Reference Manual
- xiv) Guidelines on Barrier-Free Facilities (for Passenger Facilities)
- xv) Guidelines on Eco Airports (for Airport Environment)
- xvi) Guidelines for Providing Smooth Movement, etc., by Public Transportation
- xvii) Other related standards, circular notices, etc.

(6) Project period

A) The period of the Project

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

The Airport Operating Business Period means the period from the date of commencement of the Airport Operating Business upon fulfillment of the conditions precedent to the commencement as set out in the Project Agreement (meaning the date

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<sup>4</sup> The Air Transport Security Operation Rules are the standards for processing air transport security affairs of the State and serve as a reference material with respect to airports other than the national airports.

of commencement of the Airport Operating Business (hereinafter referred to as the “Airport Operating Business Commencement Date”) until the day preceding the 30th anniversary of the date the Operation Appointment was granted (hereinafter referred to as the “Operation Appointment Date”), or if the Airport Operating Business Period is extended pursuant to Part 2.1(6)B, until the date of expiration of such extended period (hereinafter referred to as the “Airport Operating Business Expiration Date”).

The Building Facility Business Period means the period from the date of commencement of the Building Facilities Business (hereinafter referred to as the “Building Facility Business Commencement Date”) upon fulfillment of the conditions precedent to commencement as set out in the Project Agreement, including acquisition by the operator 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<sup>5</sup>.

#### B) Extension of the Airport Operating Business Period

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

In addition, aside from the Agreed Extension above, if any of the events set out in the Project Agreement occurs and the City notifies the operator of its desire to extend the period by the corresponding date of four years before the Airport Operating Business Expiration Date, the Airport Operating Business Period, etc., may be extended to the Airport Operating Business Expiration Date of another Airport Operating Business in Hokkaido (meaning the project specified in Part 2.1(10)F) that occurs at the latest point within the limit specified in Part 2.1(6)C (such extension of a period shall hereinafter be

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<sup>5</sup> The Airport Operating Business Expiration Date pertaining to the Four National Airports in Hokkaido, Asahikawa Airport and Memanbetsu Airport shall be the same as that of the Operation of Obihiro Airport.

referred to as the “Public Extension Option”<sup>6</sup>. It should be noted that the Public Extension Option may be exercised only once.

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

C) The duration of the Operation Appointment

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

The duration of the Operation Appointment shall not be beyond the day preceding the 35th anniversary of the Operation Appointment Date, including where the Airport Operating Business Period, etc. specified in Part 2.1(6)B is extended (this limit shall be recorded on the registry of the Rights to Operate a Public Facilities, etc.)<sup>7</sup>.

The duration of the Operation Appointment shall terminate on the Airport Operating Business Expiration Date.

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<sup>6</sup> It is contemplated that the City will bear replacement investments and other expenses to the extent necessary (in terms of subject, scope, etc.) in the event that the self-sufficient operation of the Airport is deemed impracticable during the Public Extension Option period.

<sup>7</sup> For example, if the Operation Appointment Date is October 1, 2019, the date of expiration of the Initial Duration of the Operation Appointment shall be September 30, 2049, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than September 30, 2054.

(7) Project methods

A) Methods of granting, etc., the Operation Appointment and acquisition of the Assets for Transfer to the operator

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

The City shall grant the Operation Appointment to the SPC with respect to the Facilities Subject to the Operation Appointment (meaning the Facilities Subject to the Operation Appointment in Part 5.1; the same shall apply hereinafter) and the SPC shall become the operator. The operator shall enter into the Project Agreement with the City, and, by the Airport Operating Business Scheduled Commencement Date, 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 operator” and agreements relating to such transfer are hereinafter referred to as the “Goods Transfer Agreement”).

B) Method for acquiring the Building Facility operator Shares

The operator that has entered into the Project Agreement shall acquire the Building Facility operator Shares from the shareholders (hereinafter be referred to as the “Shareholders of the Building Facility operator”) by the scheduled date of commencement of the Building Facility Business (as stipulated in the Project Agreement (draft)).

With respect to the methods for transferring the shares mentioned above, a share acquisition option agreement in which the price for transferring all of the shares held by the Shareholders of the Building Facility operator (approximately 81.72 percent of the issued and outstanding shares), is set at 1,157,138,000 yen (hereinafter referred to as the “Building Facility operator Share Acquisition Option Agreement”) was entered into between the City and the Shareholders of the Building Facility operators (the breakdown of the transfer price of each share is indicated in the table below)<sup>8</sup>. It has been agreed that the contractual status of the City under this agreement, including the right to complete the transfer of the Building Facility operator Shares, shall be transferred to the operator.

The operator shall acquire from the City the right to complete the share transfer

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<sup>8</sup> The terms and conditions for the transfer of the Building Facility operator Shares held by the City (approximately 18.28 percent of the issued and outstanding shares) shall be equivalent to those of the Building Facility operator Share Acquisition Option Agreement, with the transfer price being 258,833,500 yen.

under the Building Facility operator Share Acquisition Option Agreement and exercise such right and shall obtain the Building Facility operator Shares held by the City, thereby acquiring the Building Facility operator Shares. Please note that since this is made through the transfer of the shares, the agreements, etc., entered into by the Building Facility operator and its employees will be succeeded by the operator unless the circumstances are exceptional.<sup>9</sup>

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

C) Treatment of the Building Facilities

In order to secure a preferred right of the City to purchase the Building Facilities upon expiration of the Airport Operating Business Period, the operator 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 City in which the City 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 City to claim the transfer of ownership of the Building Facilities based on the purchase option agreement, at the expense of the operator 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 Operation Appointment and other matters will be treated as follows when the Project ends because the Project Period has effectively lapsed:

a) Operation Appointment

The duration of the Operation Appointment shall terminate on the Airport Operating Business Expiration Date.

b) Assets, etc., of the operator

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<sup>9</sup> Even after the acquisition of the Building Facility operator Shares and the fueling facility operator shares, the operator shall continuously hire employees of the Building Facility operator and the fueling facility operator under conditions that do not substantially fall below the employment conditions concluded at the time of acquisition of said shares, unless the circumstances are exceptional. In addition, when the operator modifies the employment conditions of employees of the Building Facility operator and/or the fueling facility operator after the acquisition of the Building Facility operator Shares and the fueling facility operator shares, applicable labor-related laws and regulations must be complied with.



The operator shall transfer the Facilities Subject to the Operation Appointment to the City, or a third party designated by the City, on the Airport Operating Business Expiration Date or on a later day designated by the City.

In addition, the City or a third party designated by the City may purchase, at market value<sup>10</sup>, any asset which is held by the operator or its subsidiary or affiliate (hereinafter collectively referred to as the “operator’s subsidiary, etc.”) if the City or the third party deems it necessary<sup>11</sup>. If the City selects a new implementer of the Project through a bid, the City shall make it a condition for participating in such bidding that the implementer shall purchase the whole or a part of such assets at market value, from the operator or the operator’s subsidiary, etc.

The operator and the operator’s subsidiary, etc., are responsible to dispose of all assets held by the operator and the operator’s subsidiary, etc., for carrying out the Project, excluding those to be purchased by the City or a third party designated by the City.

With respect to the Airport Site, etc. (as defined in Part 2.1(10)A(ii)i)), the Local Government’s Property, etc., Free Lease Agreement, etc., shall be terminated on the Airport Operating Business Expiration Date and the operator shall, in general, clear the Airport Site, etc., at its own expense and transfer them to the City or a third party designated by the City. However, if any asset to be purchased by the City or a third party designated by the City existing on the Airport Site (meaning the Airport Site located at the address as defined in Part 5.2(1); the same shall apply hereinafter), the portion of the Airport Site on which such asset exists shall be transferred on an as is basis.

c) Succession of the businesses

In general, the operator shall hand over the businesses to the City or a third party designated by the City within the Airport Operating Business Period and shall be responsible for properly handing over such businesses and for ensuring that the Project is smoothly succeeded by them at its own expense. Any personnel expenses and other related costs incurred for such handover by the operator, the City or a third party designated by the City shall be borne individually.

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<sup>10</sup> The details of the calculation method for the market value will be presented at the time of announcement of the Application Guidelines, etc.

<sup>11</sup> The operator may request the City to set up an opportunity of hearing of opinions regarding the scope of purchase of the expansion investments pertaining to the Non-Operating Right Facilities as of the Airport Operating Business Expiration Date to be conducted by the operator during the Airport Operating Business Period.

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

The operator 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 14, paragraph (1) of the Supplementary Provisions of the Private Utilization Airport Operation Act, the fees for using the airport air navigation facilities and the passenger (service) facility charge, necessary approval, etc., shall be obtained and necessary notification, etc. shall be submitted as required by the respective Acts and the Obihiro City Airport Administration Ordinance; (ii) with respect to the fees to be collected from air carriers, tenants of the Building Facilities and others for using the facilities, the procedures under the related laws and regulations stated in Part 2.1(5) shall be followed; (iii) with respect to the fees for using the parking facilities, an advance approval of the Obihiro City Mayor shall be obtained for the fees to be established (or changes thereof) pursuant to Article 26, paragraph (3) of the Obihiro City Airport Administration Ordinance<sup>12</sup>; and (iv) 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 operator shall be liable for any and all costs incurred for the implementation of the Project unless otherwise specifically set out in A) and B) below or the Project Agreement.

A) Bearing of the costs for replacement investment

(i) Basic idea for the bearing of costs

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

(ii) Scope of the bearing of costs

The operator shall propose to the City in the proposal the total amount of the costs for replacement investment and the annual breakdown borne by the City

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<sup>12</sup> It is planned that the parking fee system proposed by the Preferred Negotiation Right Holder in the Second Screening Documents will be approved by the Mayor after the resolution of the City Parliament pertaining to the Operation Appointment.

within the upper limit set by the City. The City shall pay the costs for replacement investment in accordance with the replacement investment agreements, subject to the proposed total amount. The consumption taxes and local consumption taxes shall be separately paid by the City at the time of such payments.

The upper limit set by the City shall be 6,307 million yen in total (excluding consumption taxes and local consumption taxes).

B) Bearing of the costs for operation

(i) Basic idea for the bearing of costs

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

(ii) Scope of the bearing of costs

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

The upper limit set by the City shall be 7,276 million yen in total (excluding consumption taxes and local consumption taxes). The details of the annual upper limits set by the City will be presented at the time of announcement of the Application Guidelines, etc.

(10) Scope of the Project<sup>13</sup>

The scope of the Airport Operating Business shall be as listed in A) through to D) below and the Building Facilities Business and the scope of the Airport Operating Business of the other six airports in Hokkaido and the other Airport Operating Business shall be as listed in E), F) and G) below. During the Project Period the operator may or may have the Building Facility operator or the fueling facility operator, entrust or give a contract to a third party (including the operator's subsidiary, etc.), with prior notice to the City, to carry out any business included in the Project except for entrusting prohibited businesses set out in the Project Agreement.

The detailed terms and conditions for implementing the Project, including the restrictions and procedures to be observed by the operator in entrusting such businesses,

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<sup>13</sup> See the Application Guidelines, etc., for the allocation of activities between the City and the operator at the Airport (draft) concerning the Airport Operating Business.

shall be presented in the Project Agreement (draft) and the Required Standards Document (draft).

A) Airport Operating, etc., Business (Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act)

(i) Basic airport facilities, etc., activities

i) Maintenance and administration<sup>14</sup> of basic airport facilities etc.

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

ii) Operation of the basic airport facilities, etc.

- ✓ Operation of the runways, landing strip, taxiways, aprons, etc.
- ✓ Operation of the roads in the Airport, water and sewage facilities, rainwater drainage facilities, etc.
- ✓ Research on snow and ice, snow removal on the runways, taxiways, aprons, etc.
- ✓ Administration and checkup of the surfaces of the runways, taxiways, aprons, etc. (including operation of the spots and checkup of the runways)
- ✓ Safety management of the restricted zones
- ✓ Administration of obstacles (including administration of the restricted surfaces and monitoring of new developments in the areas surrounding the Airport)
- ✓ Security of the Airport (including walk-around checks and monitoring by devices)
- ✓ Ridding of birds and animals
- ✓ Firefighting in the Airport
- ✓ Rescue in the Airport

iii) Setting of the landing fees, etc., and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 14, paragraph (9) of the

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<sup>14</sup> See Exhibit 1 for the scope of the maintenance and administration of the Facilities Subject to the Operation Appointment by the operator.

Supplementary Provisions of the Private Utilization Airport Operation Act), as well as collection of the fees<sup>15</sup>

- (ii) Airport Site, etc., administration activities
  - i) Administration of the Airport Site of the Airport and the incidental facilities notified under Article 46 of the Civil Aeronautics Act (hereinafter collectively referred to as the “Airport Site, etc.”)
  
- B) Airport Air Navigation Facility Operating, etc., Business (Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act)<sup>16</sup>
  - i) Maintenance and administration of the airport air navigation facilities
  - ✓ Maintenance and administration (repair, replacement, improvement, maintenance, etc.) of aeronautical lights and incidental power facilities and machine facilities
  - ii) Operation of the airport air navigation facilities
  - ✓ Operation of the aeronautical lights and incidental power facilities and machine facilities
  - iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 14, paragraph (9) of the Supplementary Provisions of the Private Utilization Airport Operation Act, Article 54 of the Civil Aeronautics Act), as well as collection of the fees
  
- C) Environmental measures business
  - i) Businesses for preventing problems arising from operating aircraft, including noise, or for improving the living environment in the areas surrounding the Airport (Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act)
  
- D) Other incidental businesses (Article 14 of the Supplementary Provisions of the Private Utilization Airport Operation Act)

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<sup>15</sup> 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 for landing and parking due to an order for air traffic control or other administrative reasons.
- (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.

<sup>16</sup> Includes the maintenance, management and operation of the aeronautical lights, etc. installed outside the Airport Site by the Obihiro City Government with the relevant local governments. The Obihiro City Government is responsible for the maintenance of authorizations and permits relating to such business.

a) Activities and services which the operator shall be responsible for carrying out

The operator shall be responsible for carrying out the following activities and services.

(i) Establishment, etc., of regulations

i) Establishing airport service regulations, publishing the regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 16 of the Supplementary Provisions of the Private Utilization Airport Operation Act and Article 12 of the Airport Act) and submitting a copy thereof to the City<sup>17, 18</sup>

ii) Establishing airport security control regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 15, paragraph (1) of the Supplementary Provisions of the Private Utilization Airport Operation Act and Article 47-2 of the Civil Aeronautics Act) and submitting a copy thereof to the City<sup>19</sup>

(ii) Airport Site, etc., lease business<sup>20</sup>

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

ii) Lease of the land and constructions, etc., on the land to a person designated by the City, with rent

iii) Lease of the land and constructions, etc., on the land to other third parties<sup>21</sup>

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<sup>17</sup> The Airport Management Regulations (Ministry of Transport Ordinance No. 44 of 1952) shall not apply to the Project on or after the date of commencement of the Airport Operating Business (as per Article 4 of the Implementation Rules of the Act on Operation of National Airports Utilizing Skills of the Private Sector (MILT Ordinance No. 63 of 2013)). On the other hand, the operator is required to stipulate in the airport service regulations the matters required in the Required Standards Document (the matters under mutatis mutandis application of the Airport Management Regulations).

<sup>18</sup> If the operator intends to change the operating hours of the airports, it shall do so upon consultation with the City and the relevant government organizations, relevant local governments, etc. (The Obihiro City Airport Administration Ordinance needs to be modified accordingly.)

<sup>19</sup> The operator is required to establish airport security control regulations including the matters required by the Required Standards Document.

<sup>20</sup> Regarding the land and constructions, etc., on the land that will be continuously used by the City and any person designated by the City, the operator 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).

<sup>21</sup> This business may be carried out by the operator at its own discretion. If the operator intends to enter into a new lease agreement concerning the Airport Site with a third party, it shall submit to the City an application for approval for subleasing as well as a written pledge and a list of officers of the sublessee and obtain approval from the City. The City will approve the subleasing, except in special circumstances, as long as the operator intends to carry out the necessary businesses or services in compliance with related laws and regulations without interfering with airport functions or violating public policy, including where the purpose of using the land is to carry out amusement businesses or other similar businesses or to construct an office of an organized crime group or other similar building.

- (iii) Parking facility business
  - i) Maintenance and administration of the parking facilities
  - ii) Operation of the parking facilities
  
- (iv) Bearing of costs for preventive measures against aircraft hijacking, etc.
  - i) The responsibility of the City to pay half of the cost incurred for security inspection devises and the security inspection based on the “Outline of Preventive Measures Against Hijacking etc.” (decided by the Cabinet on August 31, 1973) shall be assumed by the operator in accordance with the required standards.
  
- (v) Attendance at the Council
  - i) The operator shall endeavor to obtain the understanding and cooperation of the residents of the neighboring area of the Airport for smooth operation of the Airport and, when the City sets a meeting to discuss the operation of the Airport, environmental issues in the neighboring areas of the Airport, etc., attend such meeting.
  - ii) The operator shall, when the City proposes the holding of a meeting to discuss the operation of the Airport, set and attend such meeting to provide information about the operation of the Airport and discuss the matters necessary for close coordination.
  - iii) The operator shall, when the City, the State and the Hokkaido Government proposes the holding of a meeting to discuss the integrated operation of the Seven Airports in Hokkaido from the perspective of Hokkaido as a whole, set and attend such meeting to provide information about the integrated operation of the Seven Airports in Hokkaido and discuss the matters necessary for close coordination.
  
- b) Businesses and services proposed<sup>22</sup> by the Preferred Negotiation Right Holder
 

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

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<sup>22</sup> The businesses and services to be proposed shall be limited to those implemented by the operator (including those that the operator causes a third party to implement while the operator assuming the contractual liabilities).

applicant selected as the Preferred Negotiation Right Holder.

- (i) Businesses and services related to enhancement and strengthening of the air transport networks of the Airport  
The policies for and the details of the efforts towards enhancement and strengthening of the air transport networks and demand for air transport, including strategic attractions on the basis of the characteristics of the Airports.
- (ii) Businesses and services related to enhancement and strengthening of the air transport network in Hokkaido  
The policies for and the details of the efforts toward the enhancement and strengthening of the air transport network in Hokkaido undertaken in collaboration with the region by the operator in light of the importance of the air transport network in Hokkaido as social infrastructure.
- (iii) Businesses and services related to the promotion of wide-area tourism in Hokkaido  
The policies for and the details of the efforts to promote wide-area tourism in Hokkaido undertaken by the operator, taking advantage of the appeal of the tourism resources of the various regions in Hokkaido and in collaboration with the related organizations and corporations, the relevant local governments, etc.
- (iv) Businesses and services for a symbiotic relationship with local communities

E) Building Facilities Business

In addition to the businesses included in the Building Facilities Business, which the operator is responsible for implementing, the operator 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 operator or the operator's subsidiary, etc., may carry out any business activity outside of the Airport Site, from which they earn revenue, etc., from third parties (however, excluding those



activities listed in 2.1.(10)F and G), upon approval of the City.<sup>23</sup>

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

(i) Passenger Building Facility business

i) The operator has the obligation to implement, or have the Building Facility operator implement, the passenger building facility business including the following activities:

- ✓ Handling passengers
- ✓ Leasing the facilities to Air Carriers
- ✓ Leasing the facilities to tenants
- ✓ Leasing the CIQ Facilities
- ✓ Security
- ✓ Leasing the facilities for bus stops, taxi stands, station polls, etc.
- ✓ Other operating activities of the Passenger Building Facilities
- ✓ Maintenance and administration of the Passenger Building Facilities
- ✓ In the case of setting the passenger (service) facility charge, setting and notifying the passenger (service) facility charge within the upper limit permitted under the Obihiro City Airport Administration Ordinance, as well as collecting the charge

ii) The operator may, or may have the Building Facility operator, provide the following services in the Passenger Building Facilities at its own discretion.

- ✓ Operating directly-managed stores and incidental mail order sales (meaning the Mail Order Sales stipulated in Article 2, paragraph (2) of the Act on Specified Commercial Transactions (Act No. 57 of 1976))
- ✓ Administrative agency service for air transport companies
- ✓ Advertising
- ✓ Operating special waiting rooms and pay waiting rooms (conference rooms)
- ✓ Lounge service
- ✓ Event service
- ✓ Hotel business
- ✓ Investment in the Passenger Building Facilities

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<sup>23</sup> It is planned that a framework is to be adopted in which prior coordination for approval is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

- (ii) Cargo Building Facility business
  - i) The operator has the obligation to implement, or have the Building Facility operator implement, the cargo building facility business including the following activities:
    - ✓ Handling cargo
    - ✓ Leasing the facilities to Air Carriers
    - ✓ Security
    - ✓ Traffic guidance
    - ✓ Other operating activities of the Cargo Building Facilities
    - ✓ Maintenance and administration of the Cargo Building Facilities
  - ii) The operator may, or may have the Building Facility operator, provide the following services in the Cargo Building Facilities at its own discretion:
    - ✓ Distribution processing service
    - ✓ Administrative agency service for air transport companies
    - ✓ Loading and unloading service
    - ✓ Investment in the Cargo Building Facilities

(iii) Aircraft fueling service business

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

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

(iv) Optional businesses in the Airport Site

- i) Any business that the operator considers necessary and voluntarily carries out in the Airport Site (excluding those specified in Part 2.1.(10)E(i)ii) and (ii)ii))<sup>24</sup>

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

As described in Part 2.1(3), the City plans to entrust the private sector to integrally operate the Seven Airports in Hokkaido from the perspective of, among other factors, raising the level of marketing capabilities of each airport and enhancing the aviation network and thereby leading to the revitalization of the regional economy which includes the promotion of wide-area tourism in

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<sup>24</sup> If the operator intends to carry out any optional business prior to the day preceding the date of commencement of the Airport Operating Business, it shall separately obtain permission, etc., to use the Airport Site.

cooperation with the City. Accordingly, the Airport Operating Business pertaining to the Four National Airports in Hokkaido, Asahikawa Airport and Memanbetsu Airport shall be positioned as the Airport Operating Business of the six other airports in Hokkaido.

G) Other Airport Operating Business

If the administrator of an airport in Hokkaido other than the Four National Airports in Hokkaido, Asahikawa Airport and Memanbetsu Airport intends to have a third party operate the airport under his/her control, the operator may negotiate with the administrator of that airport in Hokkaido.

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

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

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

Applicable scope of the Project (Part 2.1.(10))		Details of required standards	Name of relevant Required Standards Document
-	I. Overall	✓ Definition of terms; basic	I. General Rules

		matters; laws, regulations, circular notices and others to be observed; and allocation of businesses	
A), B)	II. Airport Operating, etc. Business and Airport Air Navigation Facility Operating, etc., Business	✓ Required standards for maintenance, administration and operation of basic airport facilities, etc., and airport air navigation facilities	II-1. Required Standards for Airport Operating, etc., Business and Airport Air Navigation Facility Operating Business
		✓ Airport service regulations	II-2. Required Standards for Airport Service Regulations for Obihiro Airport
		✓ Airport security control regulations	II-3. Required Standards for Airport Security Control Regulations for Obihiro Airport (Safety Part)
			II-4. Required Standards for Airport Security Control Regulations for Obihiro Airport (Security Part)
✓ Other required standards for Airport Operating, etc., Business and Airport Air Navigation Facility Operating Business	II-5. Other Required Standards for Airport Operating, etc., Business and Airport Air Navigation Facility Operating Business <sup>25</sup>		
C)	III. Environmental measures business	✓ Required standards for environmental measures business	III. Required Standards for Environmental Measures Business

<sup>25</sup> It is planned that the following are set as the required standards, all from the perspective of Hokkaido as a whole: efforts toward the growth of the airports and the development of the communities will be made in collaboration with the local communities will be set as required standard following a single agreement.

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

- (12) Rights and assets, etc., to be obtained and succeeded by the operator
- A) Assets to be obtained by the operator prior to the Building Facility Business Commencement Date
    - (i) Building Facility operator Shares
      - The shares issued by the Building Facility operator (See Part 2.1.(7)B))
  - B) Rights, assets, etc., to be obtained and succeeded by the operator prior to the date of commencement of the Airport Operating Business
    - (i) Administration authorities as the operator
      - Administration authorities over the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking facilities, water and sewage facilities, rainwater drainage facilities, bridges, water sources for fire defense, fences surrounding the Airport, garages for fire engines, garages for snow removers, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others
    - (ii) Rights to use the Airport Site, etc.
      - The rights to use the Airport Site, etc., under the Local Government's Property, etc., Free Lease Agreement, etc.
    - (iii) Assets for Transfer to the operator
      - The Assets for Transfer to the operator necessary for Airport operating the businesses (including fire engines, snow removers, etc.)
- (13) Treatment of replacement investment, etc.
- A) Treatment of replacement investment, etc., for the Facilities Subject to the Operation Appointment
    - The operator may, at its own discretion, carry out maintenance on and administration (replacement investment) of the Facilities Subject to Operation Appointment as long as they meet the required standards.<sup>26</sup> However, if the operator 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

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<sup>26</sup> The City shall bear the costs, at the time of the expiration of the Project Period, for those investments among the expansion investments pertaining to the Facilities Subject to the Operation Appointment made by the operator for which certain requirements certain requirements ((i) the collection during the Project Period is difficult and (ii) the City determines that the remaining value of the expansion investments can be expected at the time of the expiration of the business and the budget has been provided based on the calculation method agreed upon by the City and the operator in advance) specified in the Project Agreement are fulfilled.

approval of the City. The operator may not construct (new investment) or rehabilitate the Facilities Subject to the Operation Appointment.<sup>27</sup>

- The City may carry out maintenance and administration (replacement investment) on the Facilities Subject to the Operation Appointment if the City determines such maintenance and administration is necessary on public interest grounds.
- The City shall conduct construction works of the runway and the taxiway by the following schedule. The runway construction work shall be completed on or before October 31, 2020 and the taxiway construction work shall be completed on or before October 31, 2023,<sup>28</sup> The City shall compensate the operator or any third party for the damages which may be incurred due to road surface conditions of the relevant area or the construction work before the completion of the taxiway construction work<sup>29</sup>, unless any such damage is attributable to the fault of the operator or the third party. The facilities subject to these construction works shall automatically be treated as part of the Facilities Subject to the Operation Appointment and subject to the effect of the appointment.
- Any of the Facilities Subject to the Operation Appointment for which maintenance and administration (replacement investment) has been carried out by the City or the operator shall belong to the State or the City, and the operation, etc., of the facility shall be carried out by the operator.

B) Treatment of replacement investment, etc., for Non-Operation Appointment Facilities

- The operator may, at its own discretion, carry out investment (not limited to maintenance and administration (replacement investment)) for the Non-Operation Appointment Facilities (as defined in Part 5.1) as long as they meet the required standards in general.<sup>3031</sup>

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<sup>27</sup> See Exhibit 1 for the scope of the maintenance and administration of the Facilities Subject to the Operation Appointment by the operator.

<sup>28</sup> The City shall, upon the request of the operator, disclose the information regarding these construction works.

<sup>29</sup> The City shall release the operator from the obligation to repair the area subject to the construction work prior to the completion of the construction work.

<sup>30</sup> However, when the operator, or the Building Facility Operator, carries out work on the Building Facilities requiring rearrangement or the new construction of the facilities related to customs, immigration and quarantine (hereinafter referred to as the "CIQ Facilities"), prior approval of the City shall be obtained for such work.

<sup>31</sup> The operator may request the City to set up an opportunity of hearing of opinions regarding the scope of purchase of the expansion investments pertaining to the Non-Operating Right Facilities as of the Airport Operating Business Expiration Date to be conducted by the operator during the Airport Operating Business Period.

(14) Planning and reporting

A) Planning

- With respect to the Project, the operator 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 and a replacement investment plan for every fiscal year and submit them to the City.
- It shall contain investment plans including the purposes of ensuring safety and operating stability and improving convenience.
- The operator shall carry out the Project in accordance with the submitted plans.

B) Reporting

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

(15) Dispatch, etc., of personnel from the City to the operator in relation to the Airport Operating Business

The operator may, if so desires, request that the City dispatch its personnel in relation to the Airport Operating Business. The job categories, the number of people to be dispatched, the dispatch period and other details shall be determined through competitive dialogue<sup>32</sup>. The anticipated job categories are listed below. Personnel expenses required in connection with the dispatch of personnel are based on the standards of the City and shall be borne by the operator. Other details such as working terms shall be specified in an arrangement to be entered into between the appointer of the personnel of the City and the operator prior to the scheduled date of commencement of the Airport Operating Business.

- Civil engineering personnel
- Electricity personnel
- Operation personnel (including security and disaster prevention)

\* The civil engineering personnel and electricity personnel also serve as the operation and security and disaster prevention personnel.

(16) Consideration for the Project to be paid by the operator

The operator shall pay the following consideration<sup>33</sup>:

- (i) Consideration for the acquisition of the Building Facility operator Shares described in the Building Facility operator Share Acquisition Option Agreement; and

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<sup>32</sup> The conditions including the maximum number of people to be dispatched will be presented at the time of announcement of the Application Guidelines, etc.

<sup>33</sup> The currency to be used for the payments shall be the Japanese yen.



- (ii) Consideration for the acquisition of the Assets for Transfer to the operator under the Goods Transfer Agreement

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

With regard to consideration (ii) above, the operator shall pay to the City the amount and by the method determined in accordance with the procedures in Part 3.2(14) for the acquisition of the Assets for Transfer to the operator. The consumption taxes and local consumption taxes shall be separately paid at the time of such payments.

Unless otherwise separately set out in the Project Agreement, the City will not return or reduce the consideration to the operator in (ii).

### **Part 3. Invitation and selection of a private business operator**

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

The City shall invite private business operators which desire to participate in the Project by publishing the Application Guidelines, etc., and select a Preferred Negotiation Right Holder, whilst ensuring the transparency and fairness of the Project. The selection of the Preferred Negotiation Right Holder for the Project shall be made by a publicly-tendered proposal method which is a type of competitive negotiated agreement.

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

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

##### **(1) Establishment of the Screening Committee**

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (such selection is hereinafter referred to as the “First Screening”) and selecting a Preferred Negotiation Right Holder, etc. (hereinafter referred to as the “Second Screening”), a screening committee<sup>34</sup> composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations shall be established to hear the opinions of the Screening Committee about the Selection Criteria for the Preferred Negotiation Right Holder, the details of these evaluations and other related matters. The screening of the proposals from the applicants of the seven airports in including the Four National Airports in Hokkaido, Asahikawa Airport and Memanbetsu Airport is planned to be conducted collectively by the Screening Committee.

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

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

The City will publish the Application Guidelines, etc., for the Project on the website of the City and by other appropriate means.

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

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<sup>34</sup> The screening committee will be established by the State on behalf of the administrators of the Seven Airport in Hokkaido.

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

(i) Receipt of questions

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

(ii) Publication of answers

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

(4) First Screening

(i) Receipt of the First Screening Documents

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

If the City has not received the First Screening Documents from two or more First Screening Participants, the City may not proceed with the implementation of the Project.

(ii) First Screening methods

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

Based on the screening result, the City shall select up to three Second Screening Participants. The concrete Selection Criteria for the Preferred Negotiation Right Holder will be presented when the Application Guidelines, etc., are published.

(iii) Notice of First Screening results

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

(5) Holding of a competitive dialogue etc.

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

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

- (i) The City will hold an explanatory meeting for the Second Screening Participants.
- (ii) Opinions will be exchanged among the Second Screening Participants and the City, the relevant local governments and the relevant business operators, etc. (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 City.

(6) Second Screening

(i) Receipt of the Second Screening Documents

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

If none of the Second Screening Participants have submitted the Second Screening Documents, the City shall not implement the Project.

(ii) Second Screening methods

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

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

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

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

Based on the screening result of the Screening Committee, the City shall prioritize

the Second Screening Participants and select the participant in the first place as the Preferred Negotiation Right Holder and the participant in the second place as the second negotiation right holder.

(iv) Notice of Second Screening results

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

(7) Announcement of screening results

Once the Preferred Negotiation Right Holder has been selected, the City shall promptly publish the screening results (including that of the First Screening<sup>35</sup>) and the evaluation process in the screening on the website of the City.

(8) Execution of the Basic Agreement

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

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 City may perform the procedure for entering into the Basic Agreement with the second negotiation right holder (in accordance with the order of priority determined in the Second Screening) as the Preferred Negotiation Right Holder. Please note that the City in general will not accept any further amendments to the Basic Agreement (draft) which is amended through competitive dialogue.

(9) Incorporation of SPC

Upon the execution of the Basic Agreement, the Preferred Negotiation Right Holder shall promptly incorporate a stock company stipulated in the Companies Act (Act No. 86 of 2005) as an SPC that integrally operates the seven airports as described in Part 1.

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

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<sup>35</sup> However, the matters that may harm the rights, competitive position or other legitimate interests of the private business operator if disclosed (for example, the portion of the presentations made by the private business operator, proper nouns, specific numerical figures including expenses and ideas unique to the private business operator) and information that may allow identification of the names of the Screening Committee members shall be excluded.

between the Preferred Negotiation Right Holder and the SPC. Upon passing the First Screening, the Preferred Negotiation Right Holder may incorporate the SPC in a form approved by the City upon consultation with the City through competitive dialogue<sup>36</sup>.

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

Together with the preparation for the incorporation of the SPC and the execution of the Project Agreement, the Preferred Negotiation Right Holder may, to the extent that cooperation of the City and the Building Facility operator is available, conduct on-site examinations in order to prepare for operation.

(11) Grant of the Operation Appointment and execution of the Project Agreement

The City shall, upon the resolution of the Hokkaido Prefectural Assembly, grant the Operation Appointment to the SPC promptly upon its incorporation and grant the Operating Right to the SPC. The City and the operator shall enter into the Project Agreement in accordance with the Project Agreement (draft) amended through competitive dialogue. In general, the City will not accept any further amendments to the Project Agreement (draft) which has been amended through competitive dialogue.

Furthermore, the City shall fulfil the conditions set out in the Project Agreement, including the following proceedings, after the execution of the Project Agreement and by the date of commencement of the Airport Operating Business.

- (i) Execution of the Goods Transfer Agreement with the operator concerning the Assets for Transfer to the operator
- (ii) Execution of the Local Government's Property, etc., Free Lease Agreement with the operator concerning the Airport Site, etc.

The City shall publish the matters stipulated in Article 14, paragraph (6) of the Supplementary Provisions of the Private Utilization Airport Operation Act on the website of the City.

(12) Treatment upon addition of Voting Shareholders

Notwithstanding the provision of Part 4.4(2), if the operator or a Voting Shareholder (meaning the Voting Shareholders defined in Part 4.4(2); hereinafter the same shall apply) requests during the period from the execution of the Project Agreement until the date of commencement of the Airport Operating Business that the Voting Shares (meaning the Voting Shares defined in Part 4.4(2); the same shall apply hereinafter) be newly issued to a

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<sup>36</sup> Indirect holding, etc. of the shares of the SPC shall include investment limited partnerships and similar frameworks thereto.

third party other than the Voting Shareholders, with the holding ratio of the Voting Shares of up to 10%, the City shall approve such request, only if the subscriber to the Voting Shares satisfies the participation requirements specified in Part 3.3(2) through to (4) and such addition meets the conditions specified in Part 3.3(1)(iv) while also the new issues of such Voting Shares are considered as not being a hindrance to the implementation of the Project.

However, if the Voting Shares are newly issued to any other Applying Company (meaning the Applying Company defined in Part 3.3(1)(i); hereinafter the same shall apply) or to any entity that was a Consortium Member (meaning the Consortium Members defined in Part 3.3(1)(ii); hereinafter the same shall apply) (including any other company, etc., in cases where such Applying Company or entity or its parent company, a subsidiary or an affiliate is an affiliate of such other company, etc.<sup>37</sup> (hereinafter collectively referred to as the “Relevant Company”), as well as any other company, etc., in cases where the Relevant Company or its parent company, a subsidiary or an affiliate is an affiliate of such other company, etc.) in cases where the Preferred Negotiation Right Holder is a Consortium, the new issues of the Voting Shares shall be on the condition that the holding ratio of such Voting Shares by such Applying Company or entity does not exceed the holding ratio of the Voting Shares by any of the Consortium Members are the Preferred Negotiation Right Holder.

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

Please note that this provision does not intend to hinder the Consortium Members from entering into an arrangement that prohibits subscription to the Voting Shares issued by the operator incorporated by any other Consortium selected as the Preferred Negotiation Right Holder prior to the application.

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

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

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<sup>37</sup> The parent company shall mean those defined in Article 2, item (4) of the Companies Act.  
The subsidiary shall mean those defined in Article 2, item (3) of the Companies Act.  
The affiliate shall mean those defined in Article 2, paragraph (3), item (20) of the Ordinance for Enforcement of the Companies Act (Ministerial Order of the Ministry of Justice No. 12 of 2006).  
The company, etc., shall mean those defined in Article 2, paragraph (3), item (2) of the Ordinance for Enforcement of the Companies Act.

(14) Acquisition of Assets for Transfer to the operator

The operator will acquire the Assets for Transfer to the operator from the City on the date of commencement of the Airport Operating Business.

The procedure for the transfer of the Assets for Transfer to the operator shall be as follows: The operator shall submit a written estimate with respect to the target price prepared by the City in accordance with Article 23-3 of the Obihiro City Contract Regulations. If the operator has submitted an effective estimate equal to or more than the target price, the City and the operator shall enter into the Goods Transfer Agreement concerning the Assets for Transfer to the operator. The operator shall make a lump-sum payment of the consideration by the day designated by the City in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the operator.

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

(15) Commencement of the Airport Operating Business

The operator shall commence the Airport Operating Business on the date of commencement of the Airport Operating Business set out in the Project Agreement. The conditions precedent to commencement are fulfillment of the obligations under the Project Agreement, including the completion of the construction work relating to the runway as stipulated in Part 2.1.(13) by the City and the completion of succession of the businesses from, and the receipt of the transfer of the Assets for Transfer to the operator by, the operator. Please note that the City plans to cooperate in the succession of the businesses by the operator to the extent necessary and possible (however, the City shall assume no responsibility even if such succession would not be completed).

(16) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

The copyrights of the Proposal Documents shall belong to the person who has submitted such Proposal Documents. The City, the State, Asahikawa City and the Hokkaido Government (hereinafter referred to as “the City, etc.”) may use the Proposal Documents (including materials and videos distributed at the time of presentations), in whole or in part, without charge, for publishing the Project or any other occasion as may be deemed necessary by the City, etc.



The Proposal Documents will not be returned.

(ii) Patents and other rights

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

(iii) Disclosure of the Proposal Documents

The City, etc., may disclose parts of the Proposal Documents (including materials and videos distributed at the time of presentations) as may be necessary.

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

(iv) Inconsistency in the proposed details

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

(v) Obligations to perform the proposed details

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

(17) Cancellation of the bidding

If the City determines that it is inappropriate to implement the Project, the Hokkaido shall cancel the bidding without selecting a Preferred Negotiation Right Holder even after the commencement of the bidding.

In this case, the City shall publish the decision on the website of the City and by other appropriate means.

### 3. Participation requirements for applicants<sup>38</sup>

- (1) Composition of an applicant
  - (i) An applicant shall be a single company (hereinafter referred to as the “Applying Company”) or a group composed of multiple companies (hereinafter referred to as the “Consortium”), which plans to carry out the businesses listed in Part 2.1(10)<sup>39</sup>.
  - (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 specify a company from among the Key Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”). The Consortium Members shall submit the power of attorney specified in the Forms and Directions and such Representative Company shall conduct the application procedure.
  - (iv) The Applying Company or the Consortium Members shall fund the operator and receive all Voting Shares (however, excluding the cases specified in Part 3.2.(9)). If the Applying Company and the Consortium that passed the First Screening intend to add a Consortium Member by the time of the submission of the Second Screening Documents, such addition may be performed only if both of the conditions in items i. and ii. below are satisfied:
    - i. that the Applying Company at the time of submission for the First Screening or the Key Consortium Members designated by the Consortium in the First Screening Documents are, in total, within the scope of receiving the majority of the voting shares of the operator (in the case of the addition of the Voting Shareholders specified in Part 3.2(12), the majority of the Voting Shares after such addition); and
    - ii. that the number of the Voting Shares of the added Consortium Member does not

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<sup>38</sup> The State, the Asahikawa City Government, the Obihiro City Government and the Hokkaido Government shall verify if the participation requirements are satisfied and the result shall be confirmed among the administrators.

<sup>39</sup> The companies shall include investment limited partnerships and similar frameworks thereto.

exceed the number of the Voting Shares of the Applying Company or the member who receives the largest number of such shares among the Key Consortium Members.

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

- (v) After the submission of the First Screening Documents no withdrawal shall be allowed, as a general rule, to the Applying Company, the Representative Company, or the Consortium Members. Any addition of a Consortium Member after the submission of the First Screening Documents may be allowed only if it is before the submission of the Second Screening Documents, and the entity to be added as the Consortium Member satisfies all of the requirements in Part 3.3(2) and (4) and such addition of the Consortium Member satisfies the conditions specified in Part 3.3(1)(iv). In other cases where circumstances arise where changes (including withdrawals; hereinafter the same shall apply in this paragraph) to the Consortium Members are unavoidable, the City can permit these changes.<sup>40</sup> Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in Part 3.3(2) through to (4), or a person controlling the Applying Company or the Consortium Members has changed (including cases where the Applying Company or the Consortium Members is recently controlled by a third person), they shall promptly notify the City of these matters.
  
- (vi) After submitting the First Screening Documents, the Applying Company or any of the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.
  
- (2) Common participation requirements for the Applying Company and the Consortium Members
  - (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting<sup>41</sup> and any person who does not fall under Article 167-4 of the Order for Enforcement of the Local Autonomy Act (Cabinet Order No. 16 of 1947)

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<sup>40</sup> It is planned that a framework is to be adopted in which prior coordination for the approval of the change in the Consortium Members is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

<sup>41</sup> As to a foreign corporation, the City must be able to confirm that the foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this (2) under its applicable laws and regulations.

- (ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the PFI Act
- (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
- (iv) Any person who has not suspended their designation pursuant to the Guidelines on Actions of Suspension of Designation, etc., on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984) by the Director-General of the Civil Aviation Bureau of the MLIT, the Guidelines on Actions of Suspension of Designation, etc., for Qualified Participants in Competitive Bids of the Asahikawa City Government (*Asahi-Kei* No. 87 of 2004) by the Asahikawa City Government, the Guidelines related to Actions of Suspension of Designation, etc., on Contracts for Construction Work, etc., of the City (enacted on December 1, 1994) by the City or the Guidelines on Administrative Processes for Suspension of Designation for Qualified Participants in Competitive Bids (*Kyoku-so* No. 461 of 1992) by the City, during the period from the deadline for the submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder.
- (v) Any person who satisfies all of the following requirements:
  - i. any person who is not delinquent in any of Hokkaido prefectural taxes (excluding Hokkaido inhabitant taxes and local consumption taxes), Asahikawa municipal taxes (limited to cases where the head office, a branch office, etc., is located in Asahikawa City), Obihiro municipal taxes (limited to cases where the head office, a branch office, etc., is located in Obihiro City) and enterprise taxes and municipal taxes (Tokyo prefectural taxes in the case of a special ward) of the prefecture where the applicant is based (excluding cases where the applicant has an obligation to pay Hokkaido prefectural taxes) and consumption taxes and local consumption taxes as of the deadline for the submission of the First Screening Documents
  - ii. Any person who does not fall under any of the following:
    - A) any person who falls under an organized crime group stipulated in Article 2,

item (1) of the Asahikawa Municipal Ordinance for Eliminating Organized Crime Groups (Ordinance No. 16 of 2014), a member of an organized crime group stipulated in item (2) of the same article, a business operator related to an organized crime group stipulated in Article 7, paragraph (1) of the same ordinance or the provisions in Article 12 of the same ordinance;

- B) any person who falls under an organized crime group stipulated in Article 2, item (1) of the Obihiro Municipal Ordinance for Eliminating Organized Crime Groups (Ordinance No. 29 of 2013), a member of an organized crime group stipulated in item (2) of the same article or a business operator related to an organized crime group stipulated in item (3) of the same article; and
- C) an organized crime group stipulated in Article 2, item (1) of the Hokkaido Prefectural Ordinance for Promoting Elimination of Organized Crime Groups (Hokkaido Prefectural Ordinance No. 57 of 2010), a member of an organized crime group stipulated in item (2) of the same article, a member, etc., of an organized crime group stipulated in item (3) of the same article or a business operator related to an organized crime group stipulated in Article 7, paragraph (1) of the same ordinance.

(vi) Any person who does not fall under any of the items (i) through (vi) below or who does not have a certain relationship with any of these persons in terms of capital, personnel or other affairs<sup>42</sup>

- i. Ernst & Young ShinNihon LLC
- ii. Anderson Mori & Tomotsune
- iii. Kansai Law & Patent Office
- iv. Ernst & Young Transaction Advisory Services Co., Ltd.
- v. Docon Co., Ltd.
- vi. Tomohito Ozawa Certified Tax Accountant Office

(vii) Neither a person who is any of the Bidding Advisors of the City, etc., nor a person who has a certain relationship with these people in terms of capital, personnel or other affairs

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<sup>42</sup> “A person who has a certain relation with any of them in terms of capital, personnel or other affairs” shall be cases where the person is in a parent company and a subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

- (viii) Neither a person who is a company to which any of the members of the Screening Committee belongs nor a person who has a certain relationship with such company in terms of capital, personnel or other affairs
- (ix) Neither a corporation (excluding a company, and in Japan, meaning any of the Administrative Organs of the State stipulated in Article 3, paragraph (2) of the National Government Organization Act (Act No. 120 of 1948) and the Cabinet Office) to which any of the members of the Screening Committee belongs, a company in which 1 % or more of the voting rights of all shareholders are held by such corporation, nor a person who has a certain relationship with the company in terms of capital, personnel or other affairs<sup>43</sup>; however, this shall not apply to a stock company listed in a Financial Instruments Exchange stipulated in Article 2, paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948).
- (x) Any person who does not appoint any of the persons specified in (vi) through to (ix) above as an advisor concerning the selection of the Project
- (xi) An officer (whether full-time or part-time) relating to the bidding does not serve concurrently as an officer (whether full-time or part-time) of the Building Facility operator, fueling facility operator or parking facility operator (Chitose Tourist Association) of the Seven Airports in Hokkaido on and after the moment that a statement of interest is prepared and submitted in accordance with the provisions of Forms and Directions following the disclosure of the Application Guidelines
- (xii) In the case that a company, whose officer or employee serve concurrently as an officer or an employee of the Building Facility operator, fueling facility operator or parking facility operator (Chitose Tourist Association) in the way which does not violate the provision of (xi), participates in the bidding, the company submits a commitment letter stipulating that (a) the company takes measures to prevent the transference of the information regarding the bidding between the officer or the employee and the department to which the officer or the employee belong, and the department which considers the bidding, (b) the company shall not take any action to prejudice the fairness and the transparency of the bidding, (c) the company

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<sup>43</sup> For example, if any of MLIT's personnel becomes a member of the Screening Committee, any unlisted company, etc., whose shares are held by the MLIT falls under this item.

understands that, if the company violates the provision of (a) and/or (b), the company (in the case that it is the Applying Company) or the Consortium (in the case that it is a member of the Consortium) shall be disqualified for the bidding and (d) others at the time of the submission of the First Screening Documents to the City in the name of the company (in the case that it is the Applying Company) or in the joint name of the Representative Company of the Consortium and the company (in the case that it is a member of the Consortium)

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

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

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

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

- (i) In and after 2008, having experience in operating<sup>44</sup> commercial facilities with a store floor area of 10,000 square meters or more or public facilities with a total floor area of 20,000 square meters or more
- (ii) In and after 2008, having experience in operating<sup>45</sup> passenger facilities for which the number of users per year is 15 million or more or cargo handling facilities with a total floor area of 20,000 square meters or more
- (iii) In and after 2008, having experience in the commercial real property

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<sup>44</sup> This includes construction and operation, acquisition and operation, and the operation business of public facilities, etc. (meaning those defined in Article 2, paragraph (6) of the PFI Act; the same shall apply hereinafter).

<sup>45</sup> This includes construction and operation, acquisition and operation, and the operation business of public facilities, etc.

administering business related to the facilities in (i) or (ii)

(4) Participation requirements for Building Facility operator

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

- (i) that the officers and employees of the split company do not serve concurrently as officers and employees of the succeeding company, and the officers and employees of the succeeding company do not serve concurrently as officers and employees of the split company or its subsidiaries or affiliates, whether full-time or part-time; and the split company and the succeeding company have made covenants to the City that they would not engage in any act that may hinder the fairness, transparency and competitiveness of the bidding procedures associated with the Project in establishing the organizational structure, the information systems, etc.;
- (ii) that the split company has made covenants to the City that it discloses any and all information necessary for the bidding procedures associated with the Project (including, but not limited to, information held by the subsidiaries or affiliates of the split company that operate the goods sales business, the food and beverage business, duty-free shop business, the advertisement business and the advertising agency business, the ground handling business, the information business and the businesses related to the Building Facility business) to the City or the participants in the bidding associated with the Project;
- (iii) that the terms and conditions of agreements that the split company has entered into with the succeeding company are not those that may hinder the management discretion of the operator (for example, they lack ordinary economic rationality);
- (iv) that the split company cooperates in business succession or termination of agreements deemed necessary by the City from the perspective of ensuring the fairness, transparency and competitiveness of the bidding procedures and stable business continuity, if requested by the operator; and
- (v) that the Building Facility operator group (meaning the split company and its



subsidiaries and affiliates (excluding the succeeding company); hereinafter the same shall apply) has made covenants that it shall sell its assets or succeed its contractual statuses to the operator or the succeeding company if requested by the operator or the Preferred Negotiation Right Holder with respect to the Building Facility operator group's assets and agreements deemed necessary by the City from the perspective of ensuring the fairness, transparency and competitiveness of the bidding procedures and stable business continuity.

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

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

**1. Conditions precedent to the Airport Operating Business**

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

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

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

(i) Succession of agreements, etc.

Among the agreements, etc., entered into by the City for the operation, etc., of the basic airport facilities, the airport air navigation facilities and the Airport Site etc., those designated by the City shall be succeeded by the operator on and after the date of commencement of the Airport Operating Business.

(ii) Obligation to lease the land, etc.

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

In addition, with respect to the land, etc., for which the City 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 operator shall have such third parties use the land, etc., in a way meeting the respective usages of such third parties on and after the date of commencement of the Airport Operating Business.

(iii) Construction work to be implemented by the City after the commencement of the Airport Operating Business

In the event that the City implements the construction work after the commencement

of the Airport Operating Business,<sup>46</sup> the operator shall cooperate in the smooth implementation of the work to the maximum extent possible while maintaining and administering the existing facilities. It should be noted that the operator shall be responsible for the maintenance and administration of the facilities and the Airport Sites that were added as a result of the work as the Facilities Subject to the Operation Appointment.

## **2. Basic idea of allocation of risks**

Proper allocation of roles and risks will be determined by the City and the operator. Taking into account that the operator may establish and collect landing fees, etc., and other usage fees at its own discretion in general in order for the operator 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 operator unless otherwise specifically set out in the Project Agreement etc. In addition, as described in Part 1, the Seven Airports in Hokkaido are planned to be managed integrally by the SPC incorporated by the single Preferred Negotiation Right Holder, and the operator shall also bear the risks associated with the Airport Operating Business of the other six airports in Hokkaido. The exceptions where the City shall bear risks are listed below. The concrete allocation of each risk shall be based on the following and the details shall be set out in the Project Agreement (draft).

### **(1) Force Majeure**

- Upon the occurrence of an event such as an earthquake or tsunami which is not attributable to the City or the operator and falls under certain conditions set out in the Project Agreement, such as having a direct and adverse effect on the implementation of the Project (hereinafter referred to as the “Force Majeure”), the City shall take measures including the restoration of the Facilities Subject to the Operation Appointment (hereinafter referred to as the “Business Continuity Measures”) if the insurance purchased by the operator is not enough to cover the damage caused to the Airport Operating Business. If the City takes Business Continuity Measures, the operator shall take necessary measures to allow the City to receive appropriate insurance money, etc., under the insurance purchased by the operator for the Facilities Subject to the Operation Appointment.
- The operator shall purchase insurance for the Airport Operating Business Period with coverage equal to or more than the amount<sup>47</sup> set by the City in the Project

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<sup>46</sup> The bearing of the costs shall be pursuant to the provisions of the Airport Act.

<sup>47</sup> In principle, the amount insured shall be set based on the estimated maximum amount of damage of the Facilities Subject to the Operation Appointment at the Airport. The City currently plans to require the purchase of civil

Agreement. The operator may undertake alternative measures instead of purchasing insurance, if approved by the City.

- If the operator is unable to carry out the Project in whole or in part due to the Force Majeure, the City may implement an Agreed Extension or temporarily release the operator from obligations under the Project Agreement, or both.
- (2) Liability for latent defects
- If any physical latent defects are found in the Facilities Subject to the Operation Appointment within one year from the date of commencement of the Airport Operating Business, the City shall indemnify the operator from the accumulated loss arising from the defects (including where the Agreed Extension is implemented for indemnifying the loss incurred).
- (3) Particular Changes of Acts
- If any of the particular events set out in the Project Agreement, such as changes of ordinances that apply only to the Project and have adverse effects for the operator (hereinafter referred to as the “Particular Changes of Ordinances<sup>48</sup>”) arise during the Project Period, and the operator subsequently incurs a loss, the City shall indemnify the operator for this loss due to Particular Changes of Ordinances (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).
- (4) Emergency events
- If any of the particular events set out in the Project Agreement, such as an event that may threaten the safe operation of the Airport by the operator, arise during the Airport Operating Business Period, and there is an unavoidable necessity in terms of public interest arising from another public use of the Airport or any other reason, the City may order the suspension of the businesses of the operator and use the facilities pertaining to the Project, in accordance with Article 14, paragraph (12) of the Supplementary Provisions of the Private Utilization Airport Operation Act. In this case, the operator shall cooperate with the businesses carried out by the City at the

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engineering completed risks insurance (with optional coverage for earthquake damage) with 1 billion yen in coverage. If the premium rate of this insurance has fluctuated significantly in ordinary insurance markets, the operator may, with consent of the City, change the insurance coverage.

<sup>48</sup> Changes to the laws, regulations, etc., by the City that are applicable to any of the Four National Airports in Hokkaido, the Asahikawa Airport and Memanbetsu Airport, meaning the airports other than the Airports, or to all of the Seven Airports in Hokkaido shall also fall under the Particular Changes of Acts.

Airport.

- If the City order the suspension of the businesses of the operator as stipulated in the preceding item, the City shall indemnify the operator for the loss incurred by the operator.

### **3. Matters for ensuring the performance of the operator’s responsibilities**

In order to confirm whether the operator 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 operator, the City is planning to conduct monitoring<sup>49</sup>, in addition to the self-monitoring to be performed by the operator.

If it is found that the operator fails to meet the required standards, the City may request that the operator take improvement measures or other measures<sup>50</sup>.

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

### **4. Restrictions on the rights and obligations, etc., of the operator and related procedures**

#### **(1) Disposition of the Operation Appointment**

The operator shall not transfer, pledge or otherwise dispose of the Operation Appointment, its status under the Project Agreement, any contractual statuses under the agreements entered into with the City concerning the Project or the rights and obligations under these agreements, without prior written consent of the City; however, the operator may request the City to rescind its Operation Appointment and grant the same to a third party. In this case, the City may, with the resolution of prior approval by the City Council pursuant to Article 14, paragraph (5) of the Supplementary Provisions of the Private Utilization Airport Operation Act, grant the Operation Appointment to a third party and rescind the operator’s appointment.<sup>51</sup>

When the City grants the Operation Appointment to a third party, the following conditions shall be attached as a minimum.

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<sup>49</sup> In cases where the Seven Airports in Hokkaido are integrally operated, the entity to conduct the monitoring shall be, as a general rule, each administrator. However, a framework is planned to be adopted in which the content and frequency of monitoring by and the format, content and frequency of reporting to each administrator are standardized in order to mitigate the burden of the operator.

<sup>50</sup> A framework in which opinions from third-party experts are obtained when there exist discrepancies between the recognitions of the operator and the City on the content of the monitoring is to be put in place. The details will be presented at the time of announcement of the Application Guidelines, etc.

<sup>51</sup> It is planned that a framework is to be adopted in which prior coordination for rescinding the Operation Appointment and granting the same to a third party is made among the administrators of the Seven Airports in Hokkaido. The details will be presented at the time of announcement of the Application Guidelines, etc.

- (i) The third party shall submit a letter of consent to the City, which states that the transferee shall succeed the contractual status of the operator 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 operator and necessary for the implementation of the Project shall be transferred to the third party.
- (iii) The shareholders of the third party shall submit to the City the shareholders' covenant documents set out in the Basic Agreement (hereinafter referred to as the "Shareholder's Covenant Document").
- (iv) The City acknowledges that the third party implements (or is expected to implement) the other Airport Operating Business in Hokkaido (limited to cases where the operator also implements the Airport Operating Business of the other six airports in Hokkaido).

If the operator and the Building Facility operator intend to create a security interest in the revenues, etc. from the Project for borrowing money from a financial institution, etc., in order to raise funds necessary for implementing the Project, the City 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 City and the financial institution, etc.

(2) New Issuance and Disposition of Shares by the operator

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

In order to ensure quick and flexible fund raising, the City shall not, in general and in accordance with the procedures set out in b) below, be involved in the new issuance or transfer of Non-Voting Shares issued by the operator, or the creation of a pledge or other security on these shares (hereinafter collectively referred to as the "Disposition") as listed below.

a) Voting Shares

Prior approval shall be obtained from the City if a person who holds the Voting Shares (hereinafter referred to as the "Voting Shareholder") intends to make a

Disposition of the Voting Shares held by themselves to any third party other than: (i) another Voting Shareholder; or (ii) any person to whom the Disposition is permitted in advance under the agreements, etc., entered into with the City (assuming the person is a financial institution, etc., which provides finance, etc., for the operator).<sup>52</sup> If a person who indirectly holds the shares or equity interest of a Voting Shareholder through a subsidiary etc., as proposed by the Preferred Negotiation Right Holder makes a Disposition of the shares or equity interest of the subsidiary etc., the scope of the restrictions on the Disposition shall be adjusted accordingly.

Furthermore, if the operator issues new Voting Shares to a person other than the Voting Shareholder, it shall obtain approval of the City in advance.<sup>53</sup>

If the City determines that the transferee of the Voting Shares satisfies certain requirements set out in the Basic Agreement or the Shareholder's Covenant Document and the Disposition of the Voting Shares would not interfere with the continuation of the implementation of businesses by the operator, it shall approve the Disposition.

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

#### b) Non-Voting Shares

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

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<sup>52</sup> It should be added that the City shall approve the Disposition of the Voting Shares if the requirements: (i) the party to whom the Disposition is made satisfies the participation requirements set at the time of the bidding; and (ii) the Disposition of the Voting Shares does not hinder the continuation of the businesses (for example, pulling the employees dispatched from the Voting Shareholder making the Disposition of the shares out of the operator following the Disposition does not cause negative impacts on the required standards or performance of the proposal) are satisfied. It is planned that a framework is to be adopted in which prior coordination for the approval is made among the administrators of the Seven Airports in Hokkaido in order to mitigate the burden of the operator. The details will be presented at the time of announcement of the Application Guidelines, etc.

<sup>53</sup> It is planned that a framework is to be adopted in which prior coordination for the approval of the new issuance of the Voting Shares is made among the administrators of the Seven Airports in Hokkaido in order to mitigate the burden of the operator. The details will be presented at the time of announcement of the Application Guidelines, etc.

## **Part 5. Matters concerning location, size and placement of the airport**

### **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-Operation Appointment Facilities” and the other facilities are referred to as the “Facilities Subject to Operation Appointment.”

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons, etc.)
- (ii) Airport air navigation facilities (aeronautical light facilities)
- (iii) Passenger Building Facilities (air passenger facilities, offices and shops, as well as other similar facilities, resting facilities, observation facilities, facilities for tours, etc.)<sup>54</sup>
- (iv) Cargo Building Facilities (air cargo handling facilities etc.)
- (v) Roads
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the garages for fire engines and the garages for snow removers), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the operator or the Building Facility operator

### **2. Location of the facilities subject to the Project**

- (1) Location etc.

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

- (i) Location  
Izumicho, Obihiro-shi, Hokkaido
- (ii) Area subject to the Project  
Approximately 282 ha

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

The Airport Site, etc. includes city-owned land and national government land. The

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<sup>54</sup> The operator shall have the obligation to lease the CIQ Facility in the Passenger Building Facilities owned by itself.



basic matters concerning the lease, etc. of the Airport Site, etc. in the Project are set out below.

(i) National government land

National government land constitutes a national government asset as stipulated in Article 2 of the National Government Asset Act and Article 4 of its Supplementary Provisions and is classified as an administrative asset as stipulated in Article 3, paragraph (2) of the National Government Asset Act. In light of the possibility of the operator leasing a part of the Airport Site, etc. to a third party in the course of the Project, the City shall authorize the operator to grant such lease or use to a third party with the approval of the City and the State. The details shall be set out in the Application Guidelines, etc.

It should be noted that the City shall ensure that the use permit granted to the Building Facility operator with respect to the passenger building facilities and the cargo building facilities shall continue during the period commencing on the Building Facility Business Commencement Date and expiring on the day before the date of commencement of the Airport Operating Business.

(ii) City-owned land

In light of the possibility of the operator leasing a part of the Airport Site, etc. to a third party in the course of the Project, the City authorize the operator to grant such lease or use to a third party. The details shall be set out in the Application Guidelines, etc.

With respect to the permission granted to the Building Facility operator to use the sites of the Passenger Building Facilities and the Cargo Building Facilities, the City shall ensure the permission continues during the period from the Building Facility Business Commencement Date until the day preceding the date of commencement of the Airport Operating Business.

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

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

The operator may not, or may not have the operator's subsidiary, etc., carry out the businesses listed in Part 2.1(10)E, F and G outside of the Airport Site if approved by the City upon prior consultation with the City.<sup>55</sup>

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

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

**1. Matters to be set out in the Project Agreement**

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

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

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

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

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

**3. Designation of the competent court**

With respect to any and all disputes arising in relation to the Project Agreement, it

shall be agreed that the Kushiro District Court shall be the competent court of first instance having exclusive jurisdiction.

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

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

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

- (1) Cancellation or termination for reasons attributable to the City
  - A) Reasons for cancellation or termination
    - The City may cancel the Project Agreement with six-months' notice to the operator.
    - The operator may cancel the Project Agreement if the City fails to perform any material obligation under the Project Agreement for a specified period or its performance of the Project Agreement becomes impossible for any reason attributable to the City.
    - The Project Agreement shall terminate if the City ceases to be the administrator of the Airport.
  - B) Effects of cancellation or termination
    - When the City ceases to be the administrator of the Airport, the Operation Appointment shall expire. In other cases, the City shall rescind the Operation Appointment.
    - The City shall indemnify the operator for the loss sustained by the operator due to an event that caused the cancellation or termination of the Project Agreement.<sup>56</sup>
- (2) Cancellation for reasons attributable to the operator
  - A) Reasons for cancellation

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<sup>56</sup> Please note that the offset from the amount to be paid by the City shall be made in accordance with the provisions of the Civil Code.

- If any of the certain events set out in the Project Agreement occurs, such as the operator breaches an obligation under the Project Agreement, the City may cancel the Project Agreement either with or without demand to correct the breach, depending on the event.

B) Reasons for cancellation

- The City shall rescind the Operation Appointment.
- The operator shall pay to the City the penalty set out in the Project Agreement (if the amount of loss sustained by the City due to an event that caused the cancellation of the agreement exceeds the amount of penalty, such amount of loss). In addition, the Building Facility operator shall assume the payment obligation jointly and severally with the operator.

(3) Cancellation or termination for Force Majeure

A) Reasons for cancellation or termination

- If the Airport is lost due to Force Majeure, the Project Agreement shall automatically terminate.
- If the City implements the Business Continuity Measures due to Force Majeure, but the recovery schedule of the Project is unable to be set, or it becomes apparent that it is impossible or extremely difficult to resume the Project in accordance with the recovery schedule, the City shall cancel the Project Agreement.

B) Effects of cancellation or termination

- When the loss of the airport is due to Force Majeure, the City shall dissolve the Operation Appointment.
- If the Project Agreement is canceled due to Force Majeure, the operator shall, at the discretion of the City, abolish all of the businesses of the operation, etc. Any loss sustained by the City and the operator due to such Force Majeure shall be borne by each party and neither party shall compensate for damages of the other party.

(4) Cancellation due to Particular Changes of Ordinances

A) Reasons for cancellation

- If the operator becomes unable to continue the Project due to Particular Changes of Ordinances, the City or the operator may cancel the Project

Agreement.

B) Effects of cancellation

- The City shall rescind the Operation Appointment.
- The City shall indemnify the operator for any loss sustained by the operator due to an event that caused the cancellation or termination of the agreement.<sup>57</sup>

(5) Cancellation for reasons attributable to other six airports in Hokkaido<sup>58</sup>

A) Reasons for cancellation

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

B) Effects of cancellation

- The City shall rescind the Operation Appointment.
- The details of the effects of cancellation shall be set out in the Project Agreement (draft).

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

From the perspective of maintaining the stable continuation of the Project and the integrated operation of the Seven Airports in Hokkaido to the extent possible, with respect to certain matters set out in the Project Agreement, the City may if it deems necessary, consult with a financial institution or banking syndicate which provides finance for the operator and enter into an agreement directly with the financial institution or banking syndicate.

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<sup>57</sup> Please note that the offset from the amount to be paid by the City shall be made in accordance with the provisions of the Civil Code.

<sup>58</sup> Whether any Project Agreement of the Airport Operating Business, etc., pertaining to the Four National Airports in Hokkaido, Asahikawa Airport, and Memanbetsu Airport is to be canceled and the details related to the effects in cases where the Project Agreement of the Project has been canceled will be presented when the Application Guidelines, etc., are published. It is planned that a framework is to be adopted in which prior coordination for the exercise of the right to cancel is made among the administrators of the Seven Airports in Hokkaido. More specifically, it is presumed that, when any reasons for cancellation of the Project Agreement arise on the part of an administrator, the administrator shall consult the exercise of the cancellation right with the all other administrators, and if the Project Agreement pertaining to the airport is canceled or terminated, the administrators of the other airports reserve the right to cancel their own Project Agreement and decide upon whether to exercise such cancellation right or not while respecting the outcome of the consultation between the all administrators. Please refer to the website of the Obihiro City as below for more details.  
<http://www.city.obihiro.hokkaido.jp/shoukoukankoubu/kuukoujimusho/kukokeieikaikaku/>

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

**1. Matters concerning legislative and taxation measures**

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

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

**2. Matters concerning fiscal and financial support**

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

**3. Matters concerning other measures and support**

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

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

### **1. Matters concerning the Project**

- (1) Language to be used for carrying out the Project  
The language to be used for carrying out the Project shall be Japanese.
- (2) Costs of preparation, etc., of the Proposal Documents  
The applicants shall be liable for the costs incurred for the preparation, submission, etc., of the Proposal Documents.
- (3) Receipt of opinions on the Implementation Policy
  - (i) Receiving period  
From: 17:00 on April 5, 2018 (Thursday)  
Until: No later than 15:00 on April 20, 2018 (Friday)

- (ii) Submission methods

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

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

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

To: Ernst & Young ShinNihon LLC

Secretariat of the Seven Airports in Hokkaido, Infrastructure Advisory Group  
Address: Hibiya International Building, 2-2-3, Uchisaiwai-cho, Chiyoda-ku, Tokyo  
Email: hokkaido7@jp.ey.com

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

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



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

(5) Changes to the Implementation Policy

Based on the opinions, etc., on the Implementation Policy, the City may review and amend the Implementation Policy, as necessary, prior to the release of the Application Guidelines, etc.

If the City has amended the Implementation Policy, it shall promptly publish such amendment on the website of the City and by other appropriate means.

**2. Schedule (tentative)**

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

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

### **3. Provision of information**

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

Website of the Obihiro City Government

(<http://www.city.obihoro.hokkaido.jp/shoukoukankoubu/kuukoujimusho/kukokeieikaikaku/>)

## Form 1 Opinions on the Implementation Policy

[Month] [Day], 2018

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

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

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

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

\*1: Please describe your opinions briefly and specifically.

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

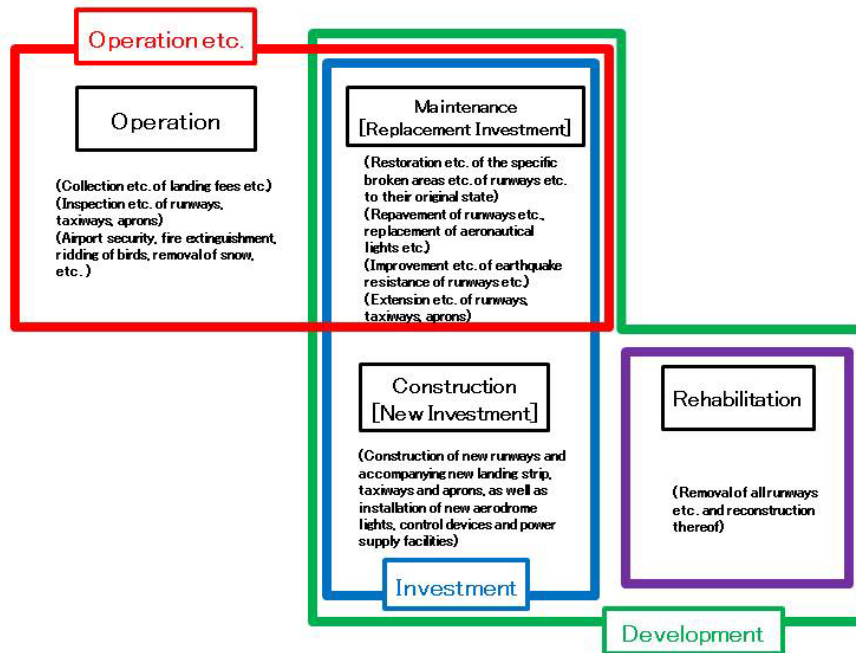
\*3: If you need more lines, please add as needed.

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

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

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

**Exhibit 1 Organizing with the terms used in the PFI Act**



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

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

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

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

See the website of the Financial Accounting Standards Foundation at:

[https://www.asb.or.jp/wp-content/uploads/pfi\\_2017\\_1.pdf](https://www.asb.or.jp/wp-content/uploads/pfi_2017_1.pdf)

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

See the website of the National Tax Agency at:

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

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

See the website of the National Tax Agency at:

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