

(TRANSLATION) (for Reference Only)

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

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

June 27, 2014

Civil Aviation Bureau

Ministry of Land, Infrastructure, Transport and Tourism

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1. Introduction

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

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

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

2. Outline of the Bidding

- (1) Officer in charge of contracts
Akihiko TAMURA, Director-General, Civil Aviation Bureau, MLIT

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

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

- (i) Ernst & Young ShinNihon LLC
- (ii) Ernst & Young Tax Co.
- (iii) Anderson Mori & Tomotsune
- (iv) Kansai Law & Patent Office
- (v) GYROS Corporation

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

Attention: Sendai Airport Team, Infrastructure Advisory Group

Ernst & Young ShinNihon LLC

Address: Kasumigaseki Building, 2-5, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo

Email: sendai-airport@shinnihon.or.jp

- (3) Application Guidelines etc.

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

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

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

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

Please note that if there is any discrepancy between the Application Guidelines etc.

and the Implementation Policy on the Qualified Project Etc. for Sendai Airport Operation (published on April 25, 2014; hereinafter referred to as the “Implementation Policy”), the details specified in the Application Guidelines etc. shall prevail. However, any matter not stated in the Application Guidelines etc. shall be governed by the Implementation Policy.

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

The implementation of the Project shall be governed by the PFI Act, the Private Utilizing Airport Operation Act and the Basic Policies on Operation of National Airports Utilizing Skills of the Private Sector (MLIT Public Notice No. 1080 of 2013) as well as the following related laws and regulations:

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 of Energy (Act No. 49 of 1979)
- xvi) Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991)
- xvii) Construction Material Recycling Act (Act No. 104 of 2000)
- xviii) Waste Management and Public Cleansing Act (Act No. 137 of 1970)
- xix) Construction Business Act (Act No. 100 of 1949)
- xx) Labor Standards Act (Act No. 49 of 1947)
- xxi) Working Environment Measurement Act (Act No. 28 of 1975)

- xxii) Pneumoconiosis Act (Act No. 30 of 1960)
- xxiii) Act on the Improvement of Employment of Construction Workers (Act No. 33 of 1976)
- xxiv) Road Act (Act No. 180 of 1952)
- xxv) Road Traffic Act (Act No. 105 of 1960)
- xxvi) Road Transportation Act (Act No. 183 of 1951)
- xxvii) Road Transport Vehicle Act (Act No. 185 of 1951)
- xxviii) Erosion Control Act (Act No. 29 of 1897)
- xxix) Landslide Prevention Act (Act No. 30 of 1958)
- xxx) Water Supply Act (Act No. 177 of 1957)
- xxxi) Sewerage Act (Act No. 79 of 1958)
- xxxii) Forest Act (Act No. 249 of 1951)
- xxxiii) Basic Environment Act (Act No. 91 of 1993)
- xxxiv) Nature Conservation Act (Act No. 85 of 1972)
- xxxv) Noise Regulation Act (Act No. 98 of 1968)
- xxxvi) Vibration Regulation Act (Act No. 64 of 1976)
- xxxvii) Soil Contamination Countermeasures Act (Act No. 53 of 2002)
- xxxviii) Act on Protection of Cultural Properties (Act No. 214 of 1950)
- xxxix) Electricity Business Act (Act No. 170 of 1964)
- xl) Radio Act (Act No. 131 of 1950)
- xli) High Pressure Gas Safety Act (Act No. 204 of 1951)
- xlii) Survey Act (Act No. 188 of 1949)
- xliii) Security Services Act (Act No. 117 of 1972)
- xliv) 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) Miyagi Prefectural Ordinance on Building Standards (Miyagi Prefectural Ordinance No. 24 of 1960)

- ii) Miyagi Prefectural Ordinance for Enforcement of the City Planning Act (Miyagi Prefectural Ordinance No. 91 of 2000)
- iii) Miyagi Prefectural Ordinance on Welfare Community Development for All Residents (Miyagi Prefectural Ordinance No. 22 of 1996)
- iv) Miyagi Prefectural Ordinance on Outdoor Advertisements (Miyagi Prefectural Ordinance No. 16 of 1974)
- v) Miyagi Prefectural Ordinance on the Protection of Cultural Properties (Miyagi Prefectural Ordinance No. 49 of 1975)
- vi) Miyagi Prefectural Ordinance on the Prevention of Pollution (Miyagi Prefectural Ordinance No. 12 of 1971)
- vii) Miyagi Prefectural Ordinance for the Establishment of Effluent Standards Based on the Water Pollution Control Act (Miyagi Prefectural Ordinance No. 40 of 1972)
- viii) Miyagi Prefectural Ordinance on Nature Conservation (Miyagi Prefectural Ordinance No. 25 of 1972)
- ix) Miyagi Prefectural Ordinance on Proper Disposal etc. of Industrial Waste (Miyagi Prefectural Ordinance No. 151 of 2005)
- x) Other related prefectural ordinances

D) Standards to be referred to

- i) Commentary on Standards for Construction of Airport Civil Works Facilities
- ii) Standard Specifications for Airport Civil Works, Standard Specifications for Aeronautical Lights and Power Facility Works, Standard Specifications for Power Generating Devices, and the standards, directions, guidelines, etc. referred to within them
- iii) Guidelines on the Maintenance and Administration of Facilities in Airports, Guidelines on the Implementation of Construction Works in Restricted Areas, Guidelines on the Implementation of Snow Removal
- iv) Air Transport Security Operation Rules
- v) Aircraft Noise Measurement and Assessment Manual
- vi) Standards for Providing a Safety Management System in Airports
- vii) Sendai Airport Tsunami Evacuation Plan
- viii) Sendai Airport Early Recovery Plan from Tsunami
- ix) Regional Disaster Plans (those established by relevant regional public bodies)
- x) Airport Development Reference Manual
- xi) Guidelines on Barrier-Free Facilities (for Passenger Facilities)

- xii) Guidelines on Eco Airports (for Airport Environment)
- xiii) Guidelines for Providing Smooth Movement etc. by Public Transportation
- xiv) Other related standards, circular notices, etc.

E) Others

- i) Referential Materials for Planning Universal Airport Passenger Facilities
(March, 2008)

3. Outline of the Project

(1) Background and purposes of the Project

The number of passengers using the Airport and the volume of cargo handled in the Airport has been decreasing since a peak of 3.35 million passengers in 2007 and at 24,000 tons in 2000, respectively. There was a significant temporary drop due to the Great East Japan Earthquake the numbers recovered thereafter with 3.07 million passengers and 5,900 tons of cargo handled in 2013. In addition, the Airport, as a main gate of the Tohoku region, has sufficient facilities and functions for international flight services as well as good access from Sendai City, which is the center of culture and economy in the region, as it can take as little as 17 minutes by the Sendai Airport Line and five minutes by car from the Sendai Airport IC on the Sendai Tobu Road. Furthermore, the Tohoku region has various tourism resources and dining options and certain industries, such as automobile-related companies, have been concentrating in this region.

In view of these characteristics and the surrounding environment of the Airport and the Tohoku region, it is anticipated that the revitalization of the Airport through recovery and an increase in the number of passengers and the volume of cargo handled, as well as stimulation of the areas surrounding the Airport, will facilitate a full-scale recovery in the Tohoku region from the Great East Japan Earthquake.

However, it is impossible to manage the overall Airport in an integrated and flexible way because the following are separately operated: (i) the basic airport facilities etc. owned by the State, (ii) the facilities for handling air passengers and incidental convenient facilities (hereinafter referred to as the “Passenger Building Facilities”) and the facilities for handling air cargo and incidental convenient facilities (hereinafter referred to as the “Cargo Building Facilities”), owned by the operator of air passenger facilities (hereinafter referred to as the “Passenger Building Facility Operator”) and the operator of air cargo facilities (hereinafter referred to as the “Cargo Building Facility Operator”) respectively, and (iii) the parking facilities owned by the operator of parking facilities.

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

domestic and international interactions and through other favorable measures.

(2) Facilities subject to the Project

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

- (i) Basic airport facilities (runways, landing strip, taxiways, aprons, etc.)
- (ii) Airport air navigation facilities (aeronautical light facilities)
- (iii) Passenger Building Facilities (air passenger facilities excluding customs, immigration and quarantine facilities (hereinafter collectively referred to as the “CIQ Facilities”), offices and shops as well as other similar facilities, resting facilities, observation facilities, facilities for tours, etc.)
- (iv) Cargo building facilities (air cargo handling facilities etc., excluding CIQ Facilities)
- (v) Roads (excluding the Miyagi prefectural road Route 10 that passes through the underground of the Airport Site (meaning the Airport Site located at the address specified in 3(3)A); the same shall apply hereinafter)
- (vi) Parking facilities
- (vii) Airport Site
- (viii) Facilities incidental to the above facilities (civil engineering facilities, construction (including the fire engine garages), machine facilities, power facilities (including the power supply facility), etc.)
- (ix) Facilities other than those listed in (i) through to (viii), which are owned by the Operating Right Holder or its subsidiary or affiliate (hereinafter referred to as the “Operating Right Holder’s Subsidiary etc.”)

(3) Location of the Project

A) Location etc.

The location and area of the Airport Site notified in accordance with Article 46 of the Civil Aeronautics Act are as follows:

Location: Aza-Minamihara, Shimomasuda, Natori, Miyagi

Area subject to the Project: approximately 2,300,000 m²

B) Lease of the Airport Site etc.

All of the Airport Site etc. (meaning the Airport Site etc. specified in 3(8)A)(ii); the same shall apply hereinafter) are the national property stipulated in Article 2 of the National Property Act and categorized into the administrative assets stipulated in Article

3, paragraph (2) of this Act. Taking into account that the Operating Right Holder may lease part of the Airport Site etc. to third parties etc. in implementing the Airport Operating Business, the State shall allow the Operating Right Holder to use the Airport Site etc. during the Airport Operating Business Period (meaning the Airport Operating Business Period specified in 3(4)A)) under the terms and conditions set out in the National Property Free Lease Agreement.

With respect to the permission granted to the Passenger Building Facility Operator and the Cargo Building Facility Operator (hereinafter collectively referred to as the “Building Facility Operators”) to use the sites of the Passenger Building Facilities and the Cargo Building Facilities (hereinafter collectively referred to as the “Building Facilities”), the State shall ensure the permission continues during the period from the Building Facility Business Commencement Date (meaning the Building Facility Business Commencement Date specified in 3(4)A)) until the day preceding the Airport Operating Business Commencement Date (meaning the Airport Operating Business Commencement Date specified in 3(4)A)).

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

The Operating Right Holder is required to carry out the businesses listed in 3.(8) A) through to D), which are included in the Project, even outside of the Airport Site.

The Operating Right Holder may not or may not have the Operating Right Holder’s Subsidiary etc. carry out the businesses listed in 3.(8) E) outside of the Airport Site unless otherwise approved by the State upon prior consultation with the State.

See the Project Agreement (draft) for more details.

(4) Project period

A) The period of the Project

The period of the Project is the period in which the Operating Right Holder carries out the Airport Operating Business based on the Operating Right (hereinafter referred to as the “Airport Operating Business Period”) and the period in which the Operating Right Holder carries out the Building Facilities Business (hereinafter referred to as the “Building Facility Business Period”) after its acquisition of the shares issued by the Building Facility Operators (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 commencement as set out in the Project Agreement (hereinafter referred to

as the “Airport Operating Business Commencement Date” until the day preceding the 30th anniversary of the date the Operating Right was granted (hereinafter referred to as the “Operating Right Establishment Date”), or if the Airport Operating Business Period is extended pursuant to 3.(4)B), until the date of expiration of such extended period (hereinafter referred to as the “Airport Operating Business Expiration Date”).

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

Therefore, the period of the Project (hereinafter referred to as the “Project Period”) shall be the period from the Building Facility Business Commencement Date until the Airport Operating Business Expiration Date.

B) Extension of the Airport Operating Business Period

If the Operating Right Holder notifies the State of its desire to extend the Airport Operating Business Period by the date four years prior to the Airport Operating Business Expiration Date, the Airport Operating Business Period may be extended for a period stipulated by the Operating Right Holder that is no longer than thirty years and is within the limit specified in 3.(4)C) (such extension of the period is hereinafter referred to as the “Option Extension”). The Option Extension may be made only once so it is not permissible, for example, to request for another extension of ten more years after requesting an extension of twenty years.

Furthermore, aside from the Option Extension above, if any of the events set out in the Project Agreement occurs, the Operating Right Holder may request the State to extend the Airport Operating Business Period. In this case, if the State finds that it is necessary for the Operating Right Holder to recover the damage, additional expenses, etc. incurred by the Operating Right Holder due to the occurrence of such event, the Airport Operating Business Period may be extended, upon consultation between the State and the Operating Right Holder, for a period agreed upon by both parties within the limit specified in 3.(4)C) (such extension of the period is hereinafter referred to as the “Agreed Extension”). The Agreed Extension may be made more than once.

C) The duration of the Operating Right

The duration of the Operating Right (hereinafter referred to as the “Initial Duration

of the Operating Right”) shall be the period from the Operating Right Establishment Date until the day preceding the 30th anniversary of it.

The duration of the Operating Right shall not be beyond the day preceding the 65th anniversary of the Operating Right Establishment Date, including where the Airport Operating Business Period is extended (this limit shall be recorded on the registry of the Rights to Operate Public Facility etc.)¹.

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

(5) Project methods

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

The Preferred Negotiation Right Holder who has been selected through the procedure stipulated in 6. and has entered into the Basic Agreement (meaning the Basic Agreement specified in 8.(1); the same shall apply hereinafter) with the State shall incorporate a SPC whose sole purpose is to carry out the Project.

The State shall grant the Operating Right to the SPC with respect to the Facilities Subject to Operating Rights and the SPC shall become the Operating Right Holder. The Operating Right Holder shall enter into the Project Agreement with the State, and, by the Airport Operating Business 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 Operating Right Holder”).

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

B) Methods for acquiring the Building Facility Operator Shares

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

With respect to the methods for transferring the shares mentioned above, a share

¹ For example, if the Operating Right Establishment Date is November 1, 2015, the date of expiration of the Initial Duration of the Operating Right shall be October 31, 2045, and even though the Airport Operating Business Period is extended, the date of expiration of it shall be no later than October 31, 2080.

acquisition option agreement concerning the shares held by each shareholder was entered into among Miyagi Prefecture (hereinafter referred to as the “Prefecture”) and the Building Facility Operator Shareholders other than the Prefecture on April 14, 2014 (hereinafter referred to as the “Building Facility Operator Share Acquisition Option Agreement”). It has been agreed that the contractual status under the agreement, including the right to complete the transfer of the Building Facility Operator Shares based on the agreement, shall be transferred to the Operating Right Holder. Furthermore, the State and the Prefecture have agreed upon that the right to complete the share transfer mentioned above and the Building Facility Operator Shares held by the Prefecture shall be transferred to the Operating Right Holder.

The Operating Right Holder shall acquire from the Prefecture the right to complete the share transfer under the Building Facility Operator Share Acquisition Option Agreement in accordance with the “Procedures for Confirming Eligibility to Participating in the Bidding for the Qualified Project Etc. for Sendai Airport Operation” to be conducted by the Prefecture (hereinafter referred to as the “Prefecture’s Procedures”) and exercise such right, as well as acquire the Building Facility Operator Shares held by the Prefecture in accordance with the share transfer agreement concerning the Building Facility Operator Shares to be entered into with the Prefecture, 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 employees of the Building Facility Operators and the Building Facility Operators shall survive the acquisition, unless the circumstances are exceptional.

The State shall assume no responsibility for the performance of the Building Facility Operator Share Acquisition Option Agreement or the share transfer agreement concerning the Building Facility Operator Shares with the Prefecture by the respective parties to these agreements.

C) Treatment of the Building Facilities

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

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

D) Treatment upon expiration of the Project Period

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

a) Operating Right

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

b) Assets etc. of the Operating Right Holder

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

In addition, the State or a third party designated by the State may purchase, at market value, any asset which is held by the Operating Right Holder or the Operating Rights Holder's Subsidiary etc. if the State or the third party deems it necessary. If the State selects a new implementer for the Project through a bidding, the State shall make it a condition for participating in such bidding that the implementer shall purchase such assets or shares, in whole or in part, at market value, from the Operating Right Holder or the Operating Rights Holder's Subsidiary etc.

The Operating Right Holder and the Operating Rights Holder's Subsidiary etc. are responsible to dispose of all assets held by the Operating Right Holder and the Operating Rights Holder's Subsidiary etc. for carrying out the Project, excluding those to be purchased by the State or a third party designated by the State.

With respect to the Airport Site etc., the National Property Free Lease Agreement shall be terminated on the Airport Operating Business Expiration Date and the Operating Right Holder shall, in general, clear the Airport Site etc. at its own expense and transfer them to the State or a third party designated by the State. However, any asset to be purchased by the State or a third party designated by the State existing on the Airport Site shall be transferred on an as is basis.

c) Succession of the businesses

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

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

The Operating Right Holder may or may have the Building Facility Operators set usage fees and collect them as income at their respective discretion as follows: (i) with respect to the landing fees etc. (stipulated in Article 13, paragraph (1) of the Airport Act) stipulated in Article 2, paragraph (5), item (i) of the Private Utilizing Airport Operation Act and the fees for using the airport air navigation facilities stipulated in item (ii) of that paragraph, as well as the passenger (service) facility charge stipulated in Article 16, paragraph (1) of the Airport Act, necessary approval etc. shall be obtained and necessary notification etc. shall be submitted as required by the respective Acts; (ii) with respect to the fees for using the parking facilities and the fees to be collected from air carriers, tenants of the Building Facilities and others for using the facilities, the procedures under the related laws and regulations stated in 2.(4) shall be followed; and (iii) with respect to other fees pertaining to the Project, it shall be confirmed that it is not prohibited by laws, regulations, etc. to collect these fees as its own income.

(7) Bearing of costs for the Project

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

(8) Scope of the Project²

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

For the detailed terms and conditions for implementing the Project, including the

² For the allocation of businesses between the State and the Operating Right Holder at the Airport concerning the Airport Operating Business, see the Allocation of Businesses included in the compilation of related materials.

restrictions and procedures to be observed by the Operating Right Holder in entrusting the businesses, see the Project Agreement (draft) and the Required Standards Document (draft).

A) Airport Operating etc. Business (Article 2, paragraph (5), item (i) of the Private Utilizing Airport Operation Act)³

1) Basic airport facilities etc. activities

(i) Maintenance and administration of basic airport facilities etc.⁴

- ✓ 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 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

³ Includes the maintenance, administration and operation of the water discharge facilities etc. constructed by the State outside of the Airport Site with permission or approval of relevant local governments. The State which owns these facilities shall be responsible for maintaining permissions or approvals in relation to the businesses. See Exhibit 1 and the Project Agreement (draft) for more details.

⁴ See Exhibit 2 and Project Agreement (draft) for the scope of maintenance and administration of the Facilities Subject to Operating Rights to be carried out by the Operating Right Holder.

Land, Infrastructure, Transport and Tourism (Article 8, paragraph (2) of the Private Utilizing Airport Operation Act) as well as collection of the fees⁵

2) 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 business (Article 2, paragraph (5), item (ii) of the Private Utilizing Airport Operation Act)⁶

(i) Maintenance and administration of the airport air navigation facilities

- ✓ Maintenance and administration of the aeronautical lights as well as incidental power facilities and machine facilities (repair, replacement, improvement, maintenance, etc.)

(ii) Operation of the airport air navigation facilities

- ✓ Operation of the aeronautical lights as well as incidental power facilities and machine facilities⁷

(iii) Setting of the fees for using the airport air navigation facilities and notification of the fees to the Minister of Land, Infrastructure, Transport and Tourism (Article 7, paragraph (3) of the Private Utilizing Airport Operation Act as well as collection of the fees

C) Environmental measures business⁸

⁵ 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 (official purpose uses include usage of the Airport by aircraft of the Civil Aviation College and the Electronic Navigation Research Institute, both of which are incorporated administrative agencies, and the Japan Coast Guard Academy use the Airport).
- (ii) The landing fees etc. when an aircraft lands on the Airport for a test flight, lands due to compelling circumstances after it took off without landing at another airport or place, makes an emergency landing due to compelling circumstances, or lands pursuant to an order for air traffic control or administrative reasons.
- (iii) The landing fees etc. in other cases where the fees shall not be collected as stipulated in the MLIT Public Notice on Fees for Using the Airports Established and Administrated by the Minister of Land, Infrastructure, Transport and Tourism

⁶ Includes the maintenance, administration and operation of aeronautical lights installed by the State outside of the Airport Site with permission or approval of relevant local governments. The State shall take necessary actions to maintain the permission or approval in relation to the businesses. See Exhibit 1 and the Project Agreement (draft) for more details.

⁷ The State or other person continues to carry out operation etc. of airport air navigation facilities, other than those stated in the above, including remote monitoring of air navigation facilities other than those of the Airport, conducted at the Airport.

⁸ The aircraft noise measuring devices installed by the State outside of the Airport Site with permission or approval of relevant local governments shall be owned by the Operating Right Holder as Assets for Transfer to the Operating Right Holder and used for the environmental measures business. The State shall take necessary

- (i) The following businesses stipulated in the Noise Prevention Act (Article 2, paragraph (5), item (iii) of the Private Utilizing Airport Operation Act)⁹
 - ✓ Development and maintenance of green zones and other buffer zones¹⁰
 - ✓ Subsidizing soundproof work for schools etc. and subsidizing soundproof work for residential homes (Articles 5 and 8-2 of the Noise Prevention Act)
 - ✓ Subsidizing joint use facilities (Article 6 of the Noise Prevention Act)
 - ✓ Compensation for relocation (Article 9, paragraph (1) of the Noise Prevention Act), purchase of land (Article 9, paragraph (2) of the Noise Prevention Act) and administration of the purchased land (Article 9, paragraph (3) of the Noise Prevention Act), as well as compensation for loss (Article 10, paragraph (1) of the Noise Prevention Act)¹¹
 - (ii) Other businesses for preventing problems arising from operating aircraft, including noise, or improving the living environment in the areas surrounding the Airport (Article 2, paragraph (5), item (iv) of the Private Utilizing Airport Operation Act)¹²
- D) Other incidental businesses (Article 2, paragraph (5), item (v) of the Private Utilizing Airport Operation Act)
- a) Activities and services which the Operating Right Holder shall be responsible for carrying out

The Operating Right Holder shall be responsible for carrying out the following

actions to maintain the permission or approval in relation to the installation of the devices. See Exhibit 1 and the Project Agreement (draft) for more details.

⁹ Taking into account that the State has been carrying out activities to reduce environmental harm, the Operating Right Holder shall carry out the environmental measures business within the area designated for the countermeasures against aircraft noise (including areas where the noise level exceeds about Lden 57dB; the same shall apply hereinafter). If this designated area is reviewed due to a change in airport operation made by the Operating Right Holder for management reasons or any change in other circumstances, the environmental measures business shall be carried out in the area revised pursuant to the review.

¹⁰ As of the Airport Operating Business Commencement Date, there is a vacant lot, from which the buildings and other fixtures on it have been relocated with compensation by the State and a small part of this vacant lot overlaps with the Class 2 Area (*dai nishu kuiki*). Therefore the State continues to maintain and administer the entire vacant lot. However, if the Class 2 Area (*dai nishu kuiki*) is extended as a result of a future review of the designated area, any vacant lots that are included in the extended Class 2 Area (*dai nishu kuiki*) shall be managed and administered by the Operating Right Holder, in general, including the vacant lot mentioned above which the State manages and administers as of the Airport Operating Business Commencement Date.

¹¹ If the Operating Right Holder has purchased land based on Article 9, paragraph (2) of the Noise Prevention Act during the Airport Operating Business Period, it shall promptly transfer the land without charge to the State (it shall not transfer the land to any third party other than the State). The land shall be, in general, bare land when transferring to the State, and after the transfer, it shall be administered by the Operating Right Holder. Please note that as the designated area has been reviewed and revised (effective on October 1, 2013), the Class 2 Area (*dai nishu kuiki*) has been reduced and there is no land subject to compensation for relocation or purchase as of October 1, 2013.

¹² If any noise contour obtained through the short-term measurement and assessment and the prediction in the aircraft noise monitoring required by the Required Standards Document exceeds the current contour, the State shall, in general, extend the designated area upon consultation with the Operating Right Holder.

activities and services.

- 1) Establishment etc. of regulations
 - (i) Establishing airport service regulations, publishing the regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 8, paragraph (1) of the Private Utilizing Airport Operation Act and Article 12 of the Airport Act)^{13 14}
 - (ii) Establishing airport security control regulations and notifying the Minister of Land, Infrastructure, Transport and Tourism of the regulations (Article 7, paragraph (2) of the Private Utilizing Airport Operation Act and Article 47-2 of the Civil Aeronautics Act)¹⁵
- 2) Airport Site etc. lease business¹⁶
 - (i) Lease of the land, constructions, etc. on the land to the State, or a person designated by the State, without rent
 - (ii) Lease of the land, constructions, etc. on the land to a person designated by the State, with rent
 - (iii) Lease of the land, constructions, etc. on the land to other third parties¹⁷
- 3) Parking facility business
 - (i) Maintenance and administration of the parking facilities
 - (ii) Operation of the parking facilities
- 4) Bearing of costs for preventive measures against aircraft hijacking etc.

¹³ The Ordinance on Airport Administration (Ordinance of the Ministry of Transport No. 44 of 1952) does not apply to the Project on and after the Airport Operating Business Commencement Date (Article 4 of the Ordinance for Enforcement of the Act on Operation etc. of National Airports etc. Utilizing Skills of the Private Sector (Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism No. 63 of 2013)). However, the Operating Right Holder is required to include the matters required by the Required Standards Document (which shall be similar to those stipulated by the Ordinance on Airport Administration) in airport service regulations.

¹⁴ If the Operating Right Holder intends to change the operating hours of the Airport, it shall do so upon consultation with the relevant government organizations, relevant local governments, etc.

¹⁵ The Operating Right Holder is required to establish airport security control regulations including the matters required by the Required Standards Document.

¹⁶ Regarding the land, constructions, etc. on the land that will be continuously used by the State and any person designated by the State, the Operating Right Holder shall have them lease or use the land etc. based on the terms and conditions specified in the Project Agreement (draft).

¹⁷ This business may be carried out by the Operating Right Holder at its own discretion. If the Operating Right Holder intends to enter into a new lease agreement concerning the Airport Site with a third party, it shall submit to the State an application for approval for subleasing as well as a written pledge and the shareholder registry of the sublessee, and obtain approval from the State. The State will approve the subleasing, except in special circumstances, as long as the Operating Right Holder intends to carry out the necessary businesses or services in compliance with the 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.

- (i) The responsibility of the State to pay half of the cost incurred for security inspection devices and the security inspection based on the Outline of Preventive Measures Against Hijacking etc. (decided by the Cabinet in 1973) shall be assumed by the Operating Right Holder in accordance with the required standards.
- 5) Attendance at the Council (Article 8, paragraph (1) of the Private Utilizing Airport Operation Act)
- (i) The Operating Right Holder shall be a member of the Council on Improving Convenience of Sendai Airport Users. When the State notifies the Operating Right Holder that a consultation under Article 14, paragraph (1) of the Airport Act and Article 47-3 of the Civil Aeronautics Act will be held, the Operating Right Holder shall attend the consultation unless it has due reasons not to do so (Article 14, paragraph (4) of the Airport Act). With regard to the matters which have been agreed upon through the consultation, the Operating Right Holder shall respect the outcomes of the consultation (paragraph (6) of Article 14).
- b) Businesses and services proposed by the Preferred Negotiation Right Holder
- For the selection of the Preferred Negotiation Right Holder by the State, the applicants (meaning the applicants specified in 5.(1)(i); the same shall apply hereinafter) shall propose the details of the implementation of the following businesses and services. The State shall set out the obligations of the Operating Right Holder in the Project Agreement and the required standards based on the details proposed by the applicant selected as the Preferred Negotiation Right Holder.
- 1) Businesses and services for a symbiotic relationship with local communities¹⁸
 - 2) Businesses and services for promoting the use of the Airport
 - (i) Businesses to be carried out in cooperation with the State, relevant local governments (including Miyagi Prefecture, Natori City, Iwanuma City, Sendai City, Council on Promoting Internationalization and Use of Sendai Airport) and other related bodies for expanding the air transport networks and aviation demand.

¹⁸ It is required to produce an effect equal to or more favorable than that has been realized by the businesses carried out by the Airport Environment Improvement Foundation, a general incorporated foundation, until the Airport Operating Business Commencement Date.

E) Building Facilities Business

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

However, the integrated operation of such business with the Sendai Airport Line may be carried out upon prior consultation between the Operating Right Holder and the State and with prior approval of the State.

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

1) Passenger building facility business

(i) The Operating Right Holder shall or shall have the Passenger Building Facility Operator be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person who shall carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the passenger building facility business including the following activities:

- ✓ Handling passengers
- ✓ Leasing the facilities to Air Carriers
- ✓ Leasing the facilities to tenants
- ✓ Security
- ✓ Leasing the facilities for bus stops, taxi stands, station polls, etc.
- ✓ Other operating activities of the passenger buildings
- ✓ Maintenance and administration of the facilities
- ✓ In case of setting the passenger (service) facility charge, obtaining approval for the upper limit from the Minister of Land, Infrastructure, Transport and Tourism (Article 16, paragraph (1) of the Airport Act), setting the passenger

(service) facility charge within the upper limit and notifying the Minister of Land, Infrastructure, Transport and Tourism (Article 16, paragraph (3) of the Airport Act), as well as collecting the charge

(ii) The Operating Right Holder may, or may have the Passenger Building Facility Operator, carry out, at its own discretion, the following activities and services in the Passenger Building Facilities.

- ✓ 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 facilities

2) Cargo building facility business

(i) The Operating Right Holder shall or shall have the Cargo Building Facility Operator, be designated by the Minister of Land, Infrastructure, Transport and Tourism as the person to carry out the airport function facility business under Article 15 of the Airport Act, and assume the obligation to implement the cargo building facility business including the following activities:

- ✓ Handling cargo
- ✓ Leasing the facilities to Air Carriers
- ✓ Security
- ✓ Traffic control service
- ✓ Other operating activities of the cargo buildings
- ✓ Maintenance and administration of the facilities

(ii) The Operating Right Holder may or may have the Cargo Building Facility Operator carry out, at its own discretion, the following activities or services in the Cargo Building Facilities.

- ✓ Distribution processing service
- ✓ Administrative agency service for air transport companies
- ✓ Loading and unloading service

- ✓ Investment in the facilities
- 3) Aircraft fuelling service business
- (i) The Operating Right Holder shall assume an obligation to carry out the following businesses after the Airport Operating Business Commencement Date.¹⁹
 - ✓ Sales and fueling services of fuels for aircraft and automobiles, as well as sales of petroleum products etc.
- 4) Independent businesses in the Airport Site
- (i) Any business carried out by the Operating Right Holder at its own discretion, as the Operating Right Holder deems it necessary, in the Airport Site (excluding those listed in 3.(8)(E)1(ii) and 2)-(ii))²⁰
- (9) Structure of the Required Standards Document (draft)

The State shall establish required standards for ensuring that the Operating Right Holder properly carries out the maintenance and administration businesses, the operating businesses contributing to the safety of air transport, and the environmental measures. Please note that regarding the matters concerning the services in V. Passenger building facility business and cargo building facility business and IV-1. Parking facility business in the table below, the State shall set out the minimum necessary matters in advance, and their details shall be set out with reflecting the matters proposed by the applicant who has been selected as the Preferred Negotiation Right Holder in the required standards. The same manner shall be applied to the matters concerning “IV-3. Symbiotic relationship with local communities and promoting the use of the Airport”.

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

¹⁹ During the period in which the Operating Right Holder leases the land to an aircraft fuelling and related services business operator and the business operator is providing the aircraft fuelling service at the Airport, the Operating Right Holder does not have an obligation to provide this service.

²⁰ If the Operating Right Holder intends to conduct any independent business prior to the Airport Operating Business Commencement Date, it shall separately obtain permission etc. to use the Airport Site.

Applicable scope of the Project (3, (8))		Concrete required standards	Name of Required Standards Document
-	I. Overall	✓ Definition of terms, basic matters, laws/regulations/circular notices/etc. to be observed, allocation of businesses	I. General Provisions
A), B)	II. Airport Operating etc. Business and Airport Air Navigation Facility Operating Business	✓ Required standards for the maintenance, administration and operation of the basic airport facilities etc. and the airport air navigation facilities	II-1. Required Standards Concerning the Airport Operating etc. Business and the Airport Air Navigation Facility Operating etc. Business
		✓ Airport service regulations	II-2. Required Standards Concerning the Sendai Airport Service Regulations
		✓ Airport security control regulations	II-3. Required Standards Concerning the Sendai Airport Security Control Regulations (Safety Part)
			II-4. Required Standards Concerning the Sendai Airport Security Control Regulations (Security Part)
		✓ Other required standards for the Airport Operating etc. Business and the airport air navigation facility operating business	II-5. Other Required Standards Concerning the Airport Operating etc. Business and the Airport Air Navigation Facility Operating Business
C)	III. Environmental Measures Business	✓ Required standards for the environmental measures business	III. Required Standards Concerning the Environmental Measures Business
D)	IV. Other Incidental Businesses	✓ Required standards for establishing airport service regulations	(Included in II-2.)
		✓ Required standards for establishing airport security control regulations (for the safety part and the security part)	(Included in II-3. And II-4.)
		✓ Required standards for the parking facility business	IV-1. Required Standards Concerning the Parking Facility Business
		✓ Required standards for bearing costs for preventative measures	IV-2. Required Standards Concerning Cost Bearing for Aviation Security

		against hijacking etc.	Measures
		✓ Required standards for the businesses and services for a symbiotic relationship with local communities and promoting the use of the Airport	IV-3. Required Standards Concerning Symbiotic Relationship with Local Communities and Businesses and Services for Promoting the Use of the Airport
E)	V. Building Facilities Business	✓ Required standards for the passenger building facility business and cargo building facility business	V. Required Standards Concerning the Passenger Building Facility Business and Cargo Building Facility Business

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

A) Assets to be received by the Operating Right Holder prior to the Building Facility Business Commencement Date

(i) Building Facility Operator Shares

- The shares issued by the Passenger Building Facility Operator and the Cargo Building Facility Operator

B) Rights and assets to be received by the Operating Right Holder prior to the Airport Operating Business Commencement Date

(i) Operating Right²¹

- The rights to be created on the Airport Site, runways, taxiways, aprons, aeronautical lights, roads and parking facilities, water and sewage facilities, rainwater drainage facilities, tunnels, bridges, common-use cable tunnels, water sources for fire defense, fences surrounding the Airport, fire engine garages, snowplow garages, lights on roads and parking areas, the power supply facility and the devices inside it, electricity lines, and others

(ii) Rights to use the Airport Site etc.

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

(iii) Assets for Transfer to the Operating Right Holder²²

²¹ For the detailed Operating Right, see the List of Facilities Subject to Operating Rights included in the compilation of related materials. The List of Facilities Subject to Operating Rights is as of the end of the 2013 fiscal year and will be updated by the State before entering into the Project Agreement as stated in 8(2) and subsequently updated based on the Project Agreement prior to the Airport Operating Business Commencement Date.

²² For the detailed Assets for Transfer to the Operating Right Holder, see the List of Assets for Transfer to the

- The Assets for Transfer to the Operating Right Holder necessary for operating the businesses (including fire engines and snowplows)

(11) Treatment of replacement investment etc.

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

- The Operating Right Holder may, at its own discretion, carry out maintenance on and administration (replacement investment) of the Facilities Subject to Operating Rights as long as they meet the required standards in general. However, if the Operating Right Holder intends to carry out certain maintenance (replacement investment) set out in the Project Agreement such as material changes stipulated in Article 43 of the Civil Aeronautics Act, it shall obtain prior approval of the State. The Operating Right Holder may not construct (new investment) or rehabilitate the Facilities Subject to Operating Rights.²³
- The State may carry out maintenance (replacement investment) on the Facilities Subject to Operating Rights if the State determines this maintenance is necessary on public interest grounds.
- Any of the Facilities Subject to Operating Rights for which maintenance (replacement investment) has been carried out by the State or the Operating Right Holder shall belong to the State and the operation etc. of the facility shall be carried out by the Operating Right Holder.

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

- The Operating Right Holder may, at its own discretion, carry out investment (not limited to maintenance (replacement investment)) for the Non-Operating Right Facilities as long as they meet the required standards in general.

(12) Planning and reporting

A) Planning

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

Operating Right Holder included in the compilation of related materials. The List of Assets for Transfer to the Operating Right Holder is as of the end of the 2013 fiscal year and will be updated by the State before entering into the Project Agreement and commencing the transfer procedures, as specified in 8(2) and 8(7).

²³ See Exhibit 2 for the scope of maintenance and administration of the Facilities Subject to Operating Rights to be carried out by the Operating Right Holder.

- The Operating Right Holder shall carry out the Project in accordance with the submitted plans.
- B) Reporting
- During the Airport Operating Business Period, the Operating Right Holder shall prepare the reports etc. set out in the Project Agreement and submit them to the State.
- (13) Dispatch of personnel from the State to the Operating Right Holder in relation to the Airport Operating Business
To be published at a later date.
- (14) Considerations for the Operating Right etc. of the Project to be paid by the Operating Right Holder
The Operating Right Holder shall pay the following consideration:
- (i) Consideration for the acquisition of the shares issued by the Passenger Building Facility Operator specified in the Building Facility Operator Share Acquisition Option Agreement and the share transfer agreement concerning the Building Facility Operator Shares to be entered with the Prefecture;
 - (ii) Consideration for the acquisition of the shares issued by the Cargo Building Facility Operator specified in the Building Facility Operator Share Acquisition Option Agreement and the share transfer agreement concerning the Building Facility Operator Shares to be entered with the Prefecture;
 - (iii) Consideration for the acquisition of the Assets for Transfer to the Operating Right Holder under the Goods Transfer Agreement; and
 - (iv) Consideration for the grant of the Operating Right under the Project Agreement.
- With regard to considerations (i) and (ii) above, the Operating Right Holder shall directly pay to the Building Facility Operator Shareholders the amount and by the method determined in accordance with the Prefecture's Procedures.
- With regard to consideration (iii) above, the Operating Right Holder shall pay to the State the amount and by the method determined in accordance with the procedure specified in 8(7).
- With regard to consideration (iv) above, only the proposal for an amount more than 0 yen will be accepted in the Second Screening and the Operating Right Holder shall make a lump-sum payment to the State of the consideration by the day designated by the State after the execution of the Project Agreement. If the State intends to collect this consideration, it shall do so upon consultation with the Minister of Finance.

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

(15) Basic idea of allocation of risks

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

A) Force Majeure

- Upon the occurrence of an event such as an earthquake or tsunami which is not attributable to the State or the Operating Right Holder and falls under certain conditions set out in the Project Agreement, such as having a direct and adverse effect on the implementation of the Project (hereinafter referred to as the “Force Majeure”), the State shall take measures including the restoration of the Facilities Subject to Operating Rights (hereinafter referred to as the “Business Continuity Measures”) if the insurance purchased by the Operating Right Holder is not enough to cover the damage caused to the Airport Operating Business. If the State takes the Business Continuity Measures, the Operating Right Holder shall take necessary measures to allow the State to receive appropriate insurance money etc. under the insurance purchased by the Operating Right Holder for the Facilities Subject to Operating Rights.
- The Operating Right Holder shall purchase insurance for the Airport Operating Business Period with coverage equal to or more than the amount set out by the State in the Project Agreement. The Operating Right Holder may undertake alternative measures instead of purchasing insurance, if approved by the State.
- If the Operating Right Holder is unable to carry out the Project, in whole or in part, due to the Force Majeure, the State may extend the Airport Operating Business Period or temporarily release the Operating Right Holder from obligations under the Project Agreement, or both.

B) Liability for latent defects

- If any physical latent defects are found in the Facilities Subject to Operating Rights within 6 months after the Airport Operating Business Commencement Date, the State shall indemnify the Operating Right Holder from the loss arising from the defects up to the amount of consideration for the grant of the Operating Right (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).

C) Particular change of Acts

- If any of the particular events set out in the Project Agreement, such as changes of laws, regulations or policies that apply only to the Project and have adverse effects for the Operating Right Holder (hereinafter referred to as the “Particular Change of Acts”) arises during the Project Period, and the Operating Right Holder subsequently incurs a loss, the State shall indemnify the Operating Right Holder for this loss due to the Particular Change of Acts (including where the Airport Operating Business Period is extended for indemnifying the loss incurred).

D) Emergency events

- If any of the particular events set out in the Project Agreement, such as an event that may threaten the safe operation of the Airport by the Operating Right Holder, arises 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 State may suspend the exercise of the Operating Right and use the facilities pertaining to the Project, in accordance with Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii) thereof). In this case, the Operating Right Holder shall cooperate with the businesses carried out by the State at the Airport.
- If the State suspends the exercise of the Operating Right based on Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii)), the State shall indemnify the Operating Right Holder for the loss incurred by the Operating Right Holder in accordance with Article 30, paragraph (1) of the PFI Act.

- (16) Matters for ensuring the performance of the Operating Right Holder's responsibilities

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

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

For the concrete method of monitoring and other related matters, see the Project Agreement (draft).

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

A) Disposition of the Operating Right

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

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

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

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

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

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

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

a) Non-Voting Shares

Any person who holds Non-Voting Shares may make a Disposition of the Non-Voting Shares held by themselves at their own discretion at any time. Furthermore, the Operating Right Holder may issue and allocate new Non-Voting Shares at its own discretion as long as it is in compliance with the Companies Act (Act No. 86 of 2005).

b) Voting Shares

Prior approval shall be obtained from the State, if a person who holds the Voting Shares (hereinafter referred to as the “Voting Shareholder”) intends to make a Disposition of the Voting Shares held by themselves to any third party other than (i) another Voting Shareholder; or (ii) any person to whom the Disposition is permitted in advance under the agreements etc. entered into with the State (assuming the person is a financial institution etc. which provides finance etc. for the Operating Right Holder).

If a person who indirectly holds the shares or equity interest of a Voting Shareholder through a subsidiary etc. as proposed by the Preferred Negotiation Right Holder makes a Disposition of the shares or equity interest of the subsidiary etc. the scope of the restrictions on the Disposition shall be adjusted accordingly.

Furthermore, if the Operating Right Holder issues new Voting Shares to a person other than the Voting Shareholder, it shall obtain approval of the State in advance.

If the State determines that the transferee of the Voting Shares satisfies certain requirements set out in the Basic Agreement or the Shareholder's Covenant Document and the Disposition of the Voting Shares would not interfere with the continuation of the implementation of businesses by the Operating Right Holder, it shall approve the Disposition upon consultation with relative administrative agencies.

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

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

If any event occurs which makes the Project difficult to continue, the Project Agreement shall be terminated as stated below. In this case, the Operating Right Holder shall have an obligation to cooperate in handing over the Project until the Project is succeeded by the State or a third party designated by the State in accordance with the Project Agreement. The assets etc. of the Operating Right Holder shall be treated in the same manner mentioned in 3.(5D)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. For more details, see the Project Agreement (draft).

A) Cancellation or termination for reasons attributable to the State

a) Reasons for cancellation or termination

- The State may cancel the Project Agreement with six-months' notice to the Operating Right Holder.
- The Operating Right Holder may cancel the Project Agreement if the State fails to perform any material obligation under the Project Agreement for a specified period or its performance of the Project Agreement becomes impossible for any reason attributable to the State.
- The Project Agreement shall terminate if the State no longer holds ownership of the Airport.

b) Effects of cancellation or termination

- If the Project Agreement terminates as the State no longer holds ownership of the Airport, the Operating Right shall be automatically extinguished. In the other cases, the State shall revoke the Operating Right.
- The State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
- If the amount of damage incurred by the Operating Right Holder arising from the cause of cancellation or termination of the Project Agreement exceeds the amount set out in the above item, the State shall compensate the Operating Right Holder for the excess amount. If there is any damage caused by any reason attributable to the Operating Right Holder, the amount of the damage shall be deducted from the amount to be paid by the State.

B) Cancellation for reasons attributable to the Operating Right Holder

a) Reasons for cancellation

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

b) Effects of cancellation

- The State shall revoke the Operating Right.
- The Operating Right Holder shall pay to the State the penalty set out in the Project Agreement (if the amount of the damage incurred by the State arising from the cause of cancellation of the Project Agreement exceeds the penalty, the amount of the damage). The Operating Right Holder's Subsidiary etc. and the Operating Right Holder shall be jointly and severally liable for the payment.

C) 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 State 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 State shall cancel the Project Agreement.

b) Effects of cancellation or termination

- If the Airport is lost due to Force Majeure, the Operating Right shall be automatically extinguished and the State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
- If the Project Agreement is cancelled due to Force Majeure, the Operating Right Holder shall, in accordance with selection of the State, abandon the Operating Right or transfer the Operating Right to a third party designated by the State without charge. Any damage incurred by the State and the Operating Right Holder due to the Force Majeure shall be borne by both parties respectively and neither of them shall be liable for the damage of the other party.

D) Cancellation due to the Particular Change of Acts

a) Reasons for cancellation

- If the Operating Right Holder becomes unable to continue the Project due to the Particular Change of Acts, the State or the Operating Right Holder may cancel the Project Agreement.

b) Effects of cancellation

- The State shall revoke the Operating Right.
- The State shall compensate the Operating Right Holder for the amount of consideration paid by the Operating Right Holder for the grant of the Operating Right for the remaining period of the Operating Right.
- If the amount of the damage incurred by the Operating Right Holder due to the cause of cancellation or termination of the Project Agreement exceeds the amount set out in the above item, the State shall compensate the Operating Right Holder for the excess amount. If there is any damage caused by any reason attributable to the Operating Right Holder, the amount of the damage shall be deducted from the amount to be paid by the State.

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

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

4. Conditions precedent to be accepted by applicants for the Project

(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 the conditions stated below.

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

The Operating Right Holder shall assume all responsibilities in relation to the implementation of the Project, unless otherwise set out in the Project Agreement etc. The scope of the Project is as stated in 3.(8) and the Operating Right Holder shall not be released from any responsibility on the grounds that the responsibility is not stated below.

(i) Missing of documents etc.

Due to the Great East Japan Earthquake on March 11, 2011, some documents retained in the Sendai Airport Office of the Tokyo Regional Civil Aviation Bureau of the MLIT were damaged and therefore the list of the Facilities Subject to the Operating Right in the compilation of related materials may possibly include facilities which have been lost, and the annexed materials for certain facilities do not exist in whole or in part.

For the details of the facilities for which the State has confirmed that the annexed materials are missing in whole or in part, see the List of Facilities Lacking Documents included in the compilation of related materials.

(ii) Succession of agreements etc.

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

For more details, see the Project Agreement (draft) and the List of Agreements, Pacts etc. for the Qualified Project Etc. for Sendai Airport Operation included in the compilation of related materials.

(iii) Treatment of electricity lines and other facilities which are difficult to divide

With respect to the electricity lines (conduit lines and cables), power facilities and

machine facilities, which are included in the Facilities Subject to Operating Rights, there exists those which are used for the air traffic control business remaining to be carried out by the State and those which are used for the businesses included in the scope of the Airport Operating Business. For the facilities which are difficult to divide depending on the usage, the Operating Right Holder shall, in general, maintain and administer them.

For more details, see the Required Standards Document (draft).

(iv) Maintenance and administration of the lower parts of the elevated bridges etc.

Among the facilities used by the Sendai Airport Transit Co., Ltd. at the Airport Site, the tunnels as well as the bridge piers, foundations of the elevated bridges, etc. are owned by the State and the State has granted permission to use this national property. These facilities are included in the Facilities Subject to Operating Rights for the Airport Operating Business and the Operating Right Holder shall be responsible for the maintenance and administration thereof.

For more details, see the Required Standards Document (draft).

(v) Maintenance and administration of part of the Kibiki Canal

Part of the Kibiki Canal located in the Airport is passing through the Airport Site and this part is owned by the State as a blind ditch. This part of the canal is included in the Facilities Subject to Operating Rights for the Airport Operating Business and the Operating Right Holder shall be responsible for maintaining and administering it.

For more details, see the Required Standards Document (draft).

(vi) Obligation to lease land etc.

With regard to the land etc. in the Airport Site, which the State has permitted third parties to use, the Operating Right Holder shall have an obligation to lease the land etc. designated by the State to the third parties on and after the Airport Operating Business Commencement Date under the terms and conditions specified by the State.

Furthermore, with regard to the land etc. on which by the commencement of the Airport Operating Business, the State has permitted the construction of structures (such as conduit lines and bridge piers) or installation of utility poles etc., the Operating Right Holder shall ensure that those who have been granted this permission will, on and after the Airport Operating Business Commencement Date, use the land etc. to satisfy their purposes of using the land etc.

If any of the Facilities Subject to Operating Rights is subject to lease, notwithstanding the agreement between the Operating Right Holder and the lessee, the

Operating Right Holder shall be responsible for maintaining and administering the Facilities Subject to Operating Rights.

(vii) Bearing of fees for using Iwanuma District sewage line

With regard to the sewage facility for the garages for snowplows and sweepers which are included in the Facilities Subject to Operating Rights, the State is currently sharing the sewage pipe etc. (which is installed and administrated by the Airport Facilities Co., Ltd. and located outside of the Airport Site and leads to the public sewage line of Iwanuma City) under the agreement entered into among the State, the Electronic Navigation Research Institute which is an incorporated administrative agency, and the Airport Facilities Co., Ltd. If the Operating Right Holder uses this sewage pipe etc. upon succession of said agreement, it shall bear the fees for using the sewage pipe in accordance with the agreement during the Project Period.

(viii) Bearing of part of the cost for the maintenance and administration of the Sintaku Water Discharge Pump Station

43% of the co-ownership interest in the Sintaku Water Discharge Pump Station, which is located outside of the Airport Site but used for discharging water from the Airport Site, is owned by the State as property co-owned with Iwanuma City. Currently the State bears the costs incurred for the maintenance and administration of the facility in proportion to its co-ownership interest in accordance with an agreement concerning the maintenance, administration, etc. of the facility entered into with Iwanuma City.

The State's co-ownership interest in the facility is included in the Facilities Subject to Operating Rights for the Airport Operating Business and therefore, the Operating Right Holder shall assume responsibility for the maintenance and administration of the facility in proportion to the co-ownership interest owned by the State and shall bear the costs incurred for the maintenance and administration.

For more details, see the Required Standards Document (draft).

(ix) Allocation of businesses with the Natori Land Improvement District concerning the Water Discharge Station outside of the Sendai Airport

The Water Discharge Station outside of the Sendai Airport located outside of the Airport Site is included in the Facilities Subject to Operating Rights for the Airport Operating Business and therefore the Operating Right Holder shall be responsible for the maintenance and administration of it. The Operating Right Holder shall have an obligation to set the extent opening the gate of the station in accordance with the

agreement between the State and the Natori Land Improvement District.

(x) Maintenance and administration of other facilities etc. located outside of the Airport Site

the Operating Right Holder shall be responsible for the maintenance and administration of the following facilities etc. located outside of the Airport Site in addition to the facilities listed in (viii) and (ix). For more details, see the Required Standards Document (draft).

- A Natori City Water Office water tower and the obstruction lights installed on Raijin-yama²⁴ by the State are located outside of the Airport Site but included in the Facilities Subject to Operating Rights as they are essential for the implementation of the Airport Operating Business. The Operating Right Holder shall be responsible for the maintenance and administration of the water tower.
- The aircraft noise measuring devices located outside of the Airport Site shall be included in the Assets for Transfer to the Operating Right Holder and the Operating Right Holder shall be responsible for their installation, maintenance and administration.

(xi) Construction work scheduled to be conducted by the State by the Airport Operating Business Commencement Date

The State will be conducting construction work to extend the apron (including work for the aeronautical lights) and relocate the approach lighting system due to the embankment of the Teizan Canal bank which is being conducted by the Prefecture (and it will be moved back to its original location upon completion of the embankment), at the Airport Site until the Airport Operating Business Commencement Date.

In addition, as the runway end safety area (hereinafter referred to as the “RESA”) needs to be extended as required by the revised “Standards for Construction of Airport Civil Works Facilities” (revised in April, 2013), the State is conducting construction work for temporarily extending the RESA located at the side of B Runway 27.

All construction work is scheduled to be completed by the State by the Airport Operating Business Commencement Date and these facilities will be included in the Facilities Subject to Operating Rights on and after the Airport Operating Business Commencement Date. If the construction work continues after the Airport Operating Business Commencement Date, the State shall conduct the construction work²⁵, and

²⁴ A part of the facility incidental to the obstruction lights is installed in the site of the Natori Golf Garden near Raijin-yama and such part shall be treated in the same manner.

²⁵ In this case, the State and the relevant local governments shall bear the cost in accordance with the Airport Act.

these facilities will be included in the Facilities Subject to Operating Rights upon completion of the construction work.

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

In addition to the construction work stated in (xi), the State is planning to conduct construction work to extend the length of the RESA to 240 meters or more as required by the Standards for Construction of Airport Civil Works Facilities. The Operating Right Holder shall assume no obligation to fulfill the required standards with respect to the operation and administration of the RESA until the extension work is completed.²⁶

For the purpose of the extension, other work such as reclamation of the buffer green zone and the retention basin near the RESA may be conducted as required. Due to this work, part of the retention basin will not be able to be used and it will be necessary to secure an alternative retention basin or to take other action. All work shall be conducted by the State²⁷ and the Operating Right Holder shall offer utmost cooperation to the State for ensuring that the State smoothly conducts the work. Any facilities and Airport Site added by the work shall be included in the Facilities Subject to Operating Rights and the Operating Right Holder shall be responsible for the operation and administration of them.

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

The State has been strengthening security checks of restricted areas of airports since the 2013 fiscal year, and it is necessary to strengthen security checks of restricted areas of the Airport in and after the 2014 fiscal year, including new deployment of security guards in restricted areas, construction of a security guard office and installation of security check devices.

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

(xiv) Monitoring safety management implemented by the Operating Right Holder

The State introduced the State's Civil Aviation Safety Programme (SSP) in the 2014 fiscal year which complies the international standards based on Annex 19 of the Convention on International Civil Aviation amended in November, 2010. It is planned

²⁶ The Operating Right holder is required to maintain and administer the existing RESA until the extension work is completed.

²⁷ In this case, the State and the relevant local governments shall bear the cost in accordance with the Airport Act.

that the Operating Right Holder will establish a safety index and safety targets based on the safety management system constituting the airport security control regulations (safety part) and will notify these to the State in accordance with the Guidelines on Handling Safety Information etc. (dated on March 31, 2014, *Koku Ku An Po* No. 953), and will monitor the implementation status of the safety management on a continuous basis.

(xv) Schedule of fixing the boundaries

Due to the Great East Japan Earthquake on March 11, 2011, the fences surrounding the Airport were destroyed and most of the boundary markers were swept away. As almost all surrounding fences at the time were destroyed and it was necessary to secure the security line immediately in order to restart the operation of private aircraft, the provisional fences (wooden posts) were temporarily used to surround the Airport to restart airport operation. After this disaster, the fences (made of steel etc.) were installed from December 2011 until the end of June 2012 in the original positions of the boundary markers which were swept away, since most of the fences were on the boundaries between the Airport Site and sites owned by the private sector and others. Some of the boundaries have remained uncertain as the boundary markers were swept away, a plan to recover the boundaries over three years from the 2013 fiscal year until the 2015 fiscal year has been established and is currently being implemented. As of the announcement of the Bidding, some of the boundaries with respect to the Airport Site have not been fixed yet.

Therefore, the notified area of the Airport Site may be reviewed after the Operating Right Establishment Date. If the boundaries have not been fixed by the Airport Operating Business Commencement Date, the State will continue to work to fix the boundaries. In addition, if any fences surrounding the Airport need to be moved as the applicable boundaries are fixed, the State shall bear the expense and responsibility for moving these fences and the Operating Right Holder shall maintain and administer them once they have been moved.

Please note that the site of the Iwanuma Training Center of the Aeronautical Safety College currently located in the Airport Site will be excluded from the Airport Site upon review of the notified area.²⁸

(xvi) Airport Site not owned by the State according to the registry

According to the registry, ownership of some of the land that constitutes the

²⁸ The Operating Right Holder is obliged to lease the site of the Iwanuma Training Center of the Aeronautical Safety College to the State without rent as a part of its Airport Site etc. leasing business until the notified area is reviewed.

Airport Site is under names other than the State. The State is carrying out procedures to clarify or obtain the title to this land. If these procedures have not been completed by the Operating Right Establishment Date, the State shall continue to carry out the procedures.

(xvii) Update of the materials included in the compilation of related materials

Some of the materials in the compilation of related materials will be updated by the Operating Right Holder prior to the commencement of the Airport Operating Business in line with the airport operation carried out by the State. The updates made in the 2014 fiscal year shall be presented by the State to the Preferred Negotiation Right Holder after the selection of such Preferred Negotiation Right Holder and prior to the execution of the Project Agreement (in accordance with the procedures specified in 8. (2)) and the updates in the 2015 fiscal year shall be presented by the State to the Operating Right Holder after the commencement of the Airport Operating Business in accordance with the Project Agreement.

The materials which are expected to be updated in the 2014 or 2015 fiscal year are disclosed in the compilation of referential materials but the content of these materials shall not be binding on the State in operating the Airport. The State shall make an effort to disclose the updated materials, from time to time, to the applicants, the Preferred Negotiation Right Holder and the Operating Right Holder, once the updates are finalized.

5. Participation requirements for applicants

- (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 3.(8).
 - (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”). The Consortium Members shall submit the power of attorney specified in the Forms and Directions and the Representative Company shall conduct the application procedure.
 - (iv) The Applying Company or the Consortium Members shall fund the Operating Right Holder and receive all Voting Shares (meaning the Voting Shares set out in the Project Agreement (draft)). If the applicant desires to incorporate a SPC in a form other than a stock company, indirectly hold the shares of the SPC or other matters, the applicant shall follow the procedure stated in 8.(3).
 - (v) After submission of the First Screening Documents, no change shall be made to the Applying Company, the Representative Company, or the Consortium Members, unless circumstances arise where changes to the Consortium Members are unavoidable and the State permits these changes after considering the circumstances and consulting the Consortium Members. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to meet the participation requirements stated in 5.(2) through to (3), or a person controlling the Applying Company or the Consortium Members has changed or the Applying Company or the Consortium Members is controlled by a new third person, they shall promptly notify the State of these matters.
 - (vi) After submitting the First Screening Documents, the Applying Company or any of

the Consortium Members shall not be allowed to be another Applying Company or a member of another Consortium.

- (2) Common participation requirements for the Applying Company and the Consortium Members
- (i) Any person who does not fall under Articles 70 and 71 of the Order of Budget, Settlement and Accounting (Imperial Ordinance No. 165 of 1947)²⁹
 - (ii) Any person who does not fall under the grounds for disqualification of a private business operator to implement a Qualified Project stipulated in Article 9 of the PFI Act
 - (iii) Any person against whom a petition for the commencement of reorganization proceedings under the Corporate Reorganization Act (Act No. 154 of 2002) or rehabilitation proceedings under the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed
 - (iv) Any person who has not suspended their designation etc. by the Director-General of the Civil Aviation Bureau of the MLIT, pursuant to the Guidelines on Actions such as Suspension of Designation on Contracts for Construction Work under the Jurisdiction of the Civil Aviation Bureau (*Ku-Kei* No. 386 of 1984) during the period from the deadline for submission of the Second Screening Documents until the selection of the Preferred Negotiation Right Holder
 - (v) Neither a person who is Ernst & Young ShinNihon LLC (or, any of the cooperating offices, namely, Anderson Mori & Tomotsune, Kansai Law & Patent Office and Ernst & Young ShinNihon Tax Co.³⁰) to which the State has entrusted the research and assessment business concerning the entrustment of airport operation by utilizing the system of granting rights to operate public facilities etc. (under the PFI Act) in the 2013 fiscal year, nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs³¹

²⁹ As to a foreign corporation, the State must be able to confirm that the foreign corporation satisfies requirements equal to those specified in (i), (ii) and (iii) of this (2) under its applicable laws and regulations.

³⁰ Ernst & Young ShinNihon Tax Co. has changed its name to Ernst & Young Tax Co. since October 2013.

³¹ “A person who has a certain relation with any of these people in terms of capital, personnel or other affairs” shall be the case where the person is in a parent company and a subsidiary relationship as stipulated in Article 2, item (iii) or (iv) of the Companies Act. The same shall apply hereinafter.

- (vi) Neither a person who is any of the Bidding Advisors or any of the advisors in relation to the Prefecture’s Procedures³² nor a person who has a certain relation with any of these people in terms of capital, personnel or other affairs
- (vii) Neither a person who is a company to which any of the members of the Screening Committee (meaning the Screening Committee specified in 6(2); the same shall apply hereinafter) or the members of the Committee on Applicant Approval under the Prefecture’s Procedures³³ belong nor a person who has a certain relation with the company in terms of capital, personnel or other affairs
- (viii) Neither a person who is an incorporation to which any of the members of the Screening Committee or the Committee on Applicant Approval under the Prefecture’s Procedures belong (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), a person who is a company in which 1 % or more of the voting rights of all shareholders are held by the incorporation, nor a person who has a certain relation with the company in terms of capital, personnel or other affairs; however, this shall not apply to any stock company listed in a Financial Instruments Exchange stipulated in Article 2, paragraph (17) of the Financial Instruments and Exchange Act (Act No. 25 of 1948)
- (ix) Any person who does not appoint any of the persons specified in (v) through to (viii) above as an advisor concerning the selection of the Project
- (3) Requirements for the Applying Company or the Representative Company
- A) Requirements on business experience
- An Applying Company or a Representative Company, or a person who has a certain relation in terms of capital, personnel or other affairs with an Applying Company or a Representative Company shall meet any of the requirements listed in (i) through to (iii). The business experience is not limited to those in Japan.

³² The “advisors in relation to the Prefecture’s Procedures” means Tomotaka Suzuki Certified Public Accountant Office, Matsuzaka Law Office (which has the office in Sendai City, Miyagi Prefecture; the same shall apply hereinafter) and KPMG AZSA LLC. (and its cooperating office, KPMG Tax Corporation and KPMG FAS).

³³ “The members of the Committee on Applicant Approval under the Prefecture’s Procedures” mean Tomotaka Suzuki (Tomotaka Suzuki Certified Public Accountant Office), Hideaki Matsuzaka (Matsuzaka Law Office), Yasuhiro Mineura, Deputy Director of the Civil Engineering Department of the Miyagi Prefectural Government, and Hisayuki Imafuku, Chief of the Airport Surrounding Area Section of the Civil Engineering Department of the Miyagi Prefectural Government. The same shall apply hereinafter.

- (i) In and after 2004, having experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
- (ii) In and after 2004, having experience in conducting the passenger facility or passenger carrier business, the cargo handling facility or cargo carrier business, or the travel business
- (iii) In and after 2004, having experience in the administering commercial real property

B) Other requirements

An Applying Company or a Representative Company shall have received the Share Transfer Confirmation prepared and delivered by the Prefecture in accordance with the Prefecture's Procedures.

(4) Other requirements

The Operating Right Holder shall not become a subsidiary or affiliate of: an operator of air transport services as defined in Article 2, paragraph (18) of the Civil Aeronautics Act or its parent company or their subsidiaries (hereinafter collectively referred to as the "Air Carriers"); or their affiliates (including their subsidiaries) of the Air Carriers.³⁴

³⁴ "Parent company" has the same meaning as in Article 2, item (iv) of the Companies Act.

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

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

6. Bidding Schedule

(1) Schedule

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

Schedule (tentative)	Actions
June 27, 2014	➤ Publication of Application Guidelines etc.
July 4, 2014	➤ Explanatory meeting on Application Guidelines etc.
July 4-August 8, 2014	➤ Period for receiving questions on Application Guidelines etc.
September 30, 2014	➤ Publication of answers to the questions on Application Guidelines etc.
December 5, 2014	➤ Deadline for submission of First Screening Documents
January 26, 2015	➤ Notification of result of First Screening
February 9-May 1, 2015	➤ Period for holding competitive dialogue
May 19, 2015	➤ Deadline for submission of Second Screening Documents
Around August, 2015	➤ Selection of Preferred Negotiation Right Holder
	➤ Execution of Basic Agreement
Around November, 2015	➤ Operating Right Establishment Date
	➤ Execution of Project Agreement
Around January, 2016	➤ Building Facility Business Commencement Date
Around March, 2016	➤ Execution of Goods Transfer Agreement
Late March, 2016	➤ Airport Operating Business Commencement Date

(2) Establishment of the Screening Committee

For the purposes of selecting the applicants qualified to participate in the second screening (hereinafter referred to as the “Second Screening Participants”) (this selection is hereinafter referred to as the “First Screening”) and selecting a Preferred Negotiation Right

Holder etc. (hereinafter referred to as the “Second Screening”), the State has established a screening committee for selecting the Sendai Airport Preferred Negotiation Right Holder on June 24, 2014, composed of experts and other appropriate people (hereinafter referred to as the “Screening Committee”) for the objective evaluations stipulated in Article 11 of the PFI Act.

(3) Holding of the Explanatory Meeting on the Application Guidelines etc.

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

Date: 10:00- on Friday, July 4, 2014

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

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

Contact: Unit in Charge

Application Deadline: No later than 13:00, Thursday, July 3, 2014

Notes: Participants in the explanatory meeting shall bring the Application Guidelines etc.

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

*Please note that the explanatory meeting will be conducted in Japanese.

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

(i) Receipt of questions

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

Receiving period: From: 13:00 on Friday, July 4, 2014

Until: No later than 17:00, Friday, August 8, 2014

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

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

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

Questions sent other than by email will not be accepted.

*Please fill in the question form in Japanese.

(ii) Publication of answers

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

If the State determines that the applicants need to know the answers to certain questions before the scheduled publication date of answers in order to prepare their First Screening Documents, the State may publish the answers prior to this date.

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

Scheduled Publication Date of Answers: Tuesday, September 30, 2014

*The answers will be provided in Japanese.

(5) Leasing materials subject to confidentiality obligations

(i) Submitting the confidentiality pledge

A person desiring to borrow materials that can only be loaned pursuant to a confidentiality pledge (hereinafter referred to as the “Confidential Materials”) shall submit the confidentiality pledge and the application form to borrow the Confidential Materials.

Submission period: From: 13:00 on Friday, July 4, 2014

Until: No later than 17:00, Friday, November 28, 2014

Submission method: Fill in the application form and the confidentiality pledge in accordance with the Forms and Directions and send them to the Bidding

Advisors by email in advance and send their originals by mail etc.

Leasing method: Upon receipt of the application form to borrow the Confidential Materials and the confidentiality pledge by the Unit in Charge, the Confidential Materials shall be promptly sent by the Bidding Advisors by mail etc.

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

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

(ii) Disposal of loaned materials

The person who has borrowed Confidential Materials is responsible for disposing of them once they finish using them and for sending the report on performance of disposal obligation prepared in accordance with the Forms and Directions to the Bidding Advisors by mail etc. no later than Friday, May 22, 2015.

(6) Materials to be disclosed in the First Screening

The materials to be disclosed during the period from the publication of the Application Guidelines etc. until the submission of the First Screening Documents shall be as follows. However, the materials listed in (v) through to (vii) shall be leased upon submission of the application form to borrow the Confidential Materials and the confidentiality pledge:

- 1) Basic Agreement (draft)
- 2) Project Agreement (draft)
- 3) National Property Free Lease Agreement (draft)
- 4) Goods Transfer Agreement (draft)
- 5) Required Standards Document (draft) (excluding the Required Standards Concerning the Sendai Airport Security Control Regulations (the safety part) and the Required Standards Concerning Cost Bearing for Aviation Security Measures)
- 6) Compilation of related materials
 - (i) Materials Concerning the List of Facilities Subject to Operating Rights
 - a. List of Facilities Subject to Operating Rights
 - (ii) List of Assets for Transfer to the Operating Right Holder
 - (iii) List of Facilities Lacking Documents
 - (iv) List of Agreements, Pacts etc. for the Qualified Project Etc. for Sendai Airport

Operation

- (v) List of IT Systems Relating to the Businesses
- (vi) Allocation of Businesses
- 7) Compilation of referential materials
 - (i) Grid Map of the Sendai Airport
 - (ii) Materials Concerning the List of Facilities Subject to Operating Rights
 - a. Explanation on Details of the List of Facilities Subject to Operating Rights
 - b. Manual on Estimation of Sendai Airport Replacement Investment
 - c. Results of Estimation of Replacement Investment
 - (iii) Information Package
 - (iv) Information on locations of the Facilities Subject to Operating Rights located outside of the Airport Site
 - (v) Information on locations of the land subject to the current permission for use
 - (vi) List of construction to be conducted by the State (for the 2014 fiscal year)
 - (vii) List of business operators at the Airport
 - (viii) Registry of business operations at the Airport
 - (ix) List of main referential regulations etc. for airport security control regulations (the safety part)
 - (x) Referential guidelines etc. for the environmental measures business
 - (xi) Other referential materials

(7) First Screening

(i) Receipt of the First Screening Documents

The First Screening Participants shall submit a statement of participation and the First Screening Documents (including the “Share Transfer Confirmation” prepared by the Prefecture in accordance with the Prefecture’s Procedures) in accordance with the Forms and Directions.

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

Submission deadline: No later than 17:00, Friday, December 5, 2014

For “Share Transfer Confirmation”, no later than 17:00, Friday, December 19, 2014

Submission method: The Statement of Participation and the First Screening Documents shall be sent to the Unit in Charge by e-mail in advance and the originals shall be delivered or mailed to the Unit in Charge by the

submission deadline.

(ii) Notification of the results of the First Screening

The State will notify the Applying Companies and the Representative Companies of the results of the First Screening by Monday, January 26, 2015.

(8) Materials etc. to be disclosed in the Second Screening

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

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

(9) Publication of supplementary materials and other related matters

The State may publish or loan material to supplement the Application Guidelines etc. (hereinafter referred to as the "Supplementary Materials"). Publication or loan by the State shall be conducted no later than Friday, May 1, 2015 and no new Supplementary Materials shall be published or loaned thereafter.

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

(10) Holding of a competitive dialogue

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

The competitive dialogue will be held as follows:

- (i) The State will hold an explanatory meeting for the Second Screening Participants
- (ii) Opinions will be exchanged between the Second Screening Participants and the State (several meetings are scheduled to be held for each Second Screening Participant).

(iii) The Project Agreement (draft), the Required Standards Document (draft), etc. will be amended.

(11) Second Screening

(i) Receipt of the Second Screening Documents

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

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

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

Submission deadline : No later than 17:00, Tuesday, May 19, 2015

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

(ii) Notification of the results of the Second Screening

The State will notify the Applying Companies and the Representative Companies of the results of the Second Screening around August, 2015.

(12) Announcement of screening results

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

7. Selection methods of a Preferred Negotiation Right Holder

(1) Basic idea of the selection of a Preferred Negotiation Right Holder

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

(2) Hearing opinions of the Screening Committee

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

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

(Chair)

Hirota YAMAUCHI Professor, Graduate School of Commerce and Management,
Hitotsubashi University

(Members)

Masaki UKAWA Certified Public Accountant and Project Professor, Graduate
School of Professional Accountancy, Aoyama Gakuin
University

Fumio UBE Vice President, Tohoku Economic Federation

Reiji TAKAHASHI Attorney at Law, Anderson Mori & Tomotsune

Ayako TANIGUCHI Associate Professor, Graduate School of Systems and
Information Engineering, University of Tsukuba

Shinya HANAOKA Associate Professor, Graduate School of Science and
Engineering, Tokyo Institute of Technology

Director, Civil Engineering Department, Miyagi Prefectural Government

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

(3) Screening methods

(i) First Screening

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

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

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

(ii) Second Screening

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

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

(4) Screening Committee secretariat office

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

8. Procedures after the selection of the Preferred Negotiation Right Holder

(1) Execution of the Basic Agreement

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

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

(2) Update of the compilations of related materials and referential materials

After the selection of the Preferred Negotiation Right Holder and prior to the execution of the Project Agreement, the State will update the content of the compilations of related materials and referential materials based on airport operation in the 2014 fiscal year and present the updated materials to the Preferred Negotiation Right Holder.

(3) Incorporation of a SPC

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

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

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

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

examinations in order to prepare for operation.

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

The State shall, upon consultation with the Minister of Finance, deliver an operating right establishment letter to the SPC promptly upon its incorporation and grant the Operating Right to the SPC. In addition, the Operating Right Holder shall register the establishment of the Operating Right in accordance with laws and regulations. The State and the Operating Right Holder shall promptly enter into the Project Agreement upon the establishment of the Operating Right in accordance with the Project Agreement (draft) amended through competitive dialogue. In general, the State will not accept any further amendments to the Project Agreement (draft) which has been amended through competitive dialogue.

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

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

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

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

The Operating Right Holder shall acquire the Building Facility Operator Shares in accordance with the method of transfer specified in 3.(5)B) and commence the Building Facilities Business.

(7) Acquisition of Assets for Transfer to the Operating Right Holder

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

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

Agreement concerning the Assets for Transfer to the Operating Right Holder. The Operating Right Holder shall make a lump-sum payment of consideration by the day designated by the State in accordance with the Goods Transfer Agreement and acquire the Assets for Transfer to the Operating Right Holder.

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

With respect to the List of Assets for Transfer to the Operating Right Holder included in the compilation of related materials, the list updated by the State as stated in 8(2) shall be further updated prior to the commencement of transfer procedures and presented to the Operating Right Holder.

(8) Commencement of the Airport Operating Business

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

9. Matters to be noted concerning the application

(1) Contract deposit

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

(2) Conditions precedent to the application

(i) Acceptance of the Application Guidelines etc.

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

(ii) Cost bearing etc.

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

(iii) Principle of documentary proceedings

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

(iv) Currency and measures

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

(3) Proposal Documents to be submitted by applicants

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

(4) Treatment of the Proposal Documents

The Proposal Documents shall be treated as follows:

(i) Copyrights

The copyrights of the Proposal Documents shall belong to the person who has submitted the Proposal Documents. The State may use the Proposal Documents, in whole or in part, without charge, for publishing the Project or any other occasion as may be deemed necessary by the State.

The Proposal Documents will not be returned.

(ii) Patents and other rights

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

(iii) Disclosure of the Proposal Documents

The State may disclose parts of the Proposal Documents as may be necessary.

(iv) Inconsistency in the proposed details

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

(v) Obligations to Perform the Proposed Details

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

(5) Treatment of materials provided by the State

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

(6) Invalid applications

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

- (i) When any person failing to satisfy the requirements specified in “5. participation requirements for applicants” applies for the Bidding
- (ii) When any of the Proposal Documents lacks
- (iii) When the Proposal Documents are not prepared in accordance with the Forms and Directions
- (iv) When the method, place or deadline of submission of the Proposal Documents fails to meet those specified in the Application Guidelines, etc.
- (v) When a person participating in the Bidding contacts an officer of the Building Facility Operators or the Sendai Airport Service Co., Ltd. or any personnel of the Sendai Airport Office of the Tokyo Regional Civil Aviation Bureau of the MLIT in relation to the selection of the Project without permission of the State
- (vi) When there is any wrongful act in the course of the application procedures
- (vii) When any matter is stated in the Proposal Documents that is not meant to be stated in them
- (viii) When any matter stated in the Proposal Documents is false
- (ix) When two or more sets of the Proposal Documents are submitted
- (x) When the application violates the terms and conditions stipulated in the Application Guidelines etc.

10. Others

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

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

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

(2) Provision of information

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

Website of the Civil Aviation Bureau of the MLIT

(<http://www.mlit.go.jp/koku/>)

Exhibit 1 Current agreements etc. concerning the operation of the Sendai Airport and policies for handling these agreements (in relation to the State)³⁵

(1) Agreements

	Handling policy	Descriptions
A	The agreements shall be cancelled (mature) by the Airport Operation Business Commencement Date.	<ul style="list-style-type: none"> - Service agreements - Construction agreements etc.

(2) Pacts, memorandums, arrangements

	Handling policy	Descriptions
A	On the Airport Operation Business Commencement Date, the Operating Right Holder shall succeed to the current pacts.	<ul style="list-style-type: none"> • Pacts with relevant local governments etc. concerning maintenance and administration of relevant facilities inside the Airport Site and areas surrounding the Airport Site • Pacts with relevant local governments etc. concerning disaster response etc.
B	By the Airport Operation Business Commencement Date, new pacts shall be entered into under the terms and conditions equal to those under the current pacts between the other parties and the Operating Right Holder.	<ul style="list-style-type: none"> • Pact with Sendai Aviation Weather Station concerning provision of information on earthquakes etc.³⁶
C	The State shall continue the current pacts, however, from on and after the Airport Operating Business Commencement Date, the Operating Right Holder shall be responsible for the maintenance, administration and operation of respective facilities subject to the pacts.	<ul style="list-style-type: none"> • Pacts with relevant local governments etc. concerning maintenance and administration of obstruction lights installed by the State at areas surrounding the Airport Site • Pacts with relevant local governments concerning bearing of costs for the maintenance and administration of the water discharge pump station

³⁵ For more details, see the List of Agreements, Pacts etc. for the Qualified Project Etc. for Sendai Airport Operation included in the compilation of related materials.

³⁶ The current pact continues between the State and the other party thereto.

D	The matters agreed in the pact shall constitute the required standards. ³⁷	<ul style="list-style-type: none"> • Pact with the airport function facilities operator concerning the treatment of sewage discharged from facilities owned by the State such as airport government buildings
E	The pacts shall be cancelled on the Airport Operating Business Commencement Date.	<ul style="list-style-type: none"> • Pact with the airport function facilities operator • Others

(3) Permits and approval for usage (obtained by the State)

	Handling policy	Descriptions
A	<ul style="list-style-type: none"> • The State shall continue to acquire current permission etc. from landowners etc. but the objects shall be subject to the establishment of Operating Rights, and on and after the Airport Operating Business Commencement Date, the Operating Right Holder shall be responsible for the maintenance, administration and operation thereof. 	<ul style="list-style-type: none"> • Permits from relevant local governments etc. to use land to install aeronautical lights, water discharge stations and aircraft noise monitoring devices • Approval from other ministries and government offices to use part of the security road surrounding the Airport

(4) Permits and approval for usage (granted by the State)

	Handling policy	description
A	<ul style="list-style-type: none"> • The site shall be subject to sub loan for use as the site is used by the State.³⁸ 	<ul style="list-style-type: none"> • Site for the radio training facility and other facilities of the Iwanuma Training Center of the Aeronautical Safety College
B	<ul style="list-style-type: none"> • The sites shall be subject to the obligations to sublease the Airport Site etc. without rent³⁹ 	<ul style="list-style-type: none"> • Yokohama Customs: Site for operation of CIQ business at the Sendai Airport passenger terminal building • Director of Sendai District Meteorological Observatory: Site for

³⁷ The current pact shall be cancelled on the Airport Operating Business Commencement Date.

³⁸ The current approval for use shall be terminated on the Airport Operating Business Commencement Date.

³⁹ The current permits or approval for use shall be terminated on the Airport Operating Business Commencement Date.

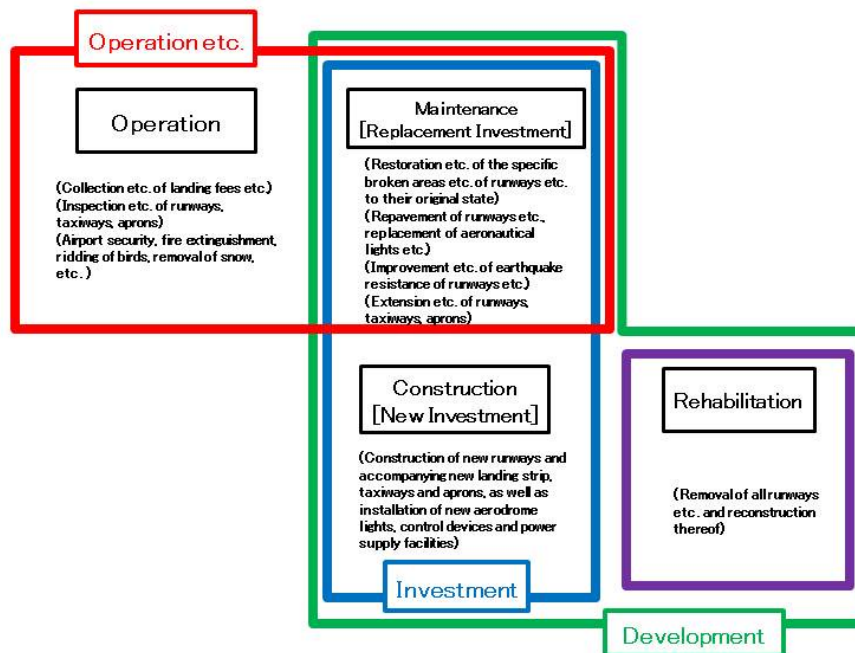
		<p>the aviation weather station</p> <ul style="list-style-type: none"> • Japan Coast Guard School: Site for the entrance of Miyagi campus of Japan Coast Guard School • Japan Coast Guard School: Site for the sewage pipes of Miyagi campus of Japan Coast Guard School are installed • Sendai Civil Engineering Office of Miyagi Prefectural Government: Site for a main local road “Shiogama-Watari Road” • Central and South Miyagi Prefecture Sewage Office: Site for underground Sendai swage line-Sewage work at lower Abukuma River • Natori City: Site for a Natori City road, “Kitakama Road” • Iwanuma City: Sites for water supply and fire hydrants
C	<ul style="list-style-type: none"> • The sites shall be subject to obligations to sublease the Airport Site etc. with rent⁴⁰ 	<ul style="list-style-type: none"> • Electronic Navigation Research Institute (incorporated administrative agency): Sites for water supply pipes etc. • Northern Territories Issue Association (incorporated administrative agency): Site for the bulletin tower • Natori City: Sites for agricultural roads and community (<i>furusato</i>) farm roads • Sendai Airport Transit Col, Ltd.: Sites for Sendai Airport Transit facilities and other incidental facilities • Pacific Corporation: Sites for aircraft fuel tanks and incidental facilities • Pacific Corporation: Sites for the office and facilities incidental to the

⁴⁰ The current permits for use shall be terminated on the Airport Operating Business Commencement Date.

		<p>fuel tanks</p> <ul style="list-style-type: none"> • Tohoku Electric Power Co., Inc.: Sites for power supply facilities • Nippon Telegraph And Telephone East Corporation: Sites for telecommunications facilities
D	<ul style="list-style-type: none"> • The State shall continue permits for use⁴¹. 	<ul style="list-style-type: none"> • Iwanuma City: Sites for water pipes and steel towers • Japan Post Co., Ltd.: Site for Shimonogo Post Office • Tohoku Electric Power Co., Inc.: Sites for power supply facilities • Nippon Telegraph And Telephone East Corporation: Sites for telecommunications facilities
E	<ul style="list-style-type: none"> • Permits for use shall be terminated on the Airport Operating Business Commencement Date. 	<ul style="list-style-type: none"> • Permits for the airport function facilities operator • Others

⁴¹ These permits are for using the site of the Iwanuma Training Center of the Aeronautical Safety College and the State shall continue the permits. However, after review of the notified area, with regard to areas remaining in the notified area, the Operating Right Holder shall entered into a lease agreement with the users who have the current permits, under the terms and conditions specified by the State.

Exhibit 2 Organizing with the terms used in the PFI Act



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

- 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 construction or entirely removing and redeveloping facilities etc. (PFI Guidelines)
- Construction: to create a new facility (new construction) (PFI Guidelines)
- Rehabilitation: to entirely remove and redevelop facilities etc. (PFI Guidelines)
- Investment: Replacement investment means “maintenance” and new investment means “construction” (PFI Guidelines)