

(TRANSLATION)(for Reference Only)

Application Guidelines on the Qualified Project Etc. for Operation of Kobe Airport

October 11, 2016

Kobe City Government

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

- This document corresponding to the Application Guidelines stipulated as such in Part 1, Section 1 (6) etc. of the Implementation Policy on the Qualified Project, etc., for Operation of Kobe Airport (September 13, 2016; Kobe City Government, hereinafter referred to as “the City”) is only allowed to be utilized within the purpose of the Bidding under the Application Guidelines, and usage of this document (including reproduction and citation of the document) irrelevant to the purpose of the Bidding is prohibited.

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Introduction

The Kobe City Government (hereinafter referred to as “the City”) is planning to select a private business operator (hereinafter referred to as “Preferred Negotiation Right Holder”, which also collectively refers to all comprising members of the private business operator in case it is composed of two or more corporations) to implement the Qualified Project Etc. for Operation of Kobe Airport (hereinafter referred to as the “Project”). Under the Project, a qualified project for operation of locally managed airport performed in accordance with the Act on Promotion of Private Finance Initiative (Act No. 117 of 1999; hereinafter referred to as the “PFI Act”) and the 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”) and the incidental businesses will be integrally carried out at the Kobe Airport upon granting the right to operate public facilities, etc. (refers to a right to operate public facilities, etc. provided in Article 2, Paragraph (7) of the PFI Act; hereinafter referred to as the “Operating Right”) as the right holder to operate a locally managed airport (refers to a locally managed airport operator under Article 11, paragraph (2) of the Private Utilizing Airport Operation Act; hereinafter referred to as the “Operating Right Holder”) to the special purpose company established by the Preferred Negotiation Right Holder (hereinafter referred to as the “SPC”) and entering into the Qualified Project Etc. for Airport Operation of Kobe Airport Agreement to Implement Right to Operate Public Facilities Etc. (hereinafter referred to as the “Project Agreement”).

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 City. The Application Guidelines shall be applicable for the period from October 11, 2016 until the date of execution of the Project Agreement, and shall be binding on the parties to the Project Agreement also thereafter.

It shall be noted that the City may set out in the Project Agreement or other documents the matters regarding the Project that are agreed upon through competitive dialogues, etc. in the course of the Bidding.

Part 1. Outline of the Bidding

1. Project name

Qualified Project Etc. for Operation of Kobe Airport

2. Name and types of public facilities etc. subject to the Project

(1) Name

Kobe Airport

(2) Types

Basic airport facilities, airport air navigation facilities, airport function facilities and other facilities

3. Administrator etc. of public facilities etc.

Kizo HISAMOTO, Mayor of Kobe City Government

4. Office in Charge

Project Promotion Division, Airport Project Department, Port and Urban Projects Bureau, Kobe City Government (hereinafter referred to as the “Office in Charge”)

Address: 19th Floor, Building #1 of Kobe City Hall, 5-1, 6-chome, Kano-cho, Chuo, Kobe

Telephone: 078-322-5038 Fax: 078-322-6011

Email: kobe-marineair@office.city.kobe.lg.jp

The following advisers (hereinafter referred to as the “Bidding Advisors”) have been appointed in regard to the administrative affairs of the Office in Charge for the Bidding:

- (i) Anderson Mori & Tomotsune;
- (ii) The Kansai Law & Patent Office;
- (iii) Ernst & Young ShinNihon LLC;
- (iv) Ernst & Young Transaction Advisory Services Co., Ltd.; and
- (v) Industrial Growth Platform, Inc.

Under the Application Guidelines, the documents that are to be submitted to the Bidding Advisors shall be delivered to the following addressee.

Addressee: Kobe Airport Project Team, Infrastructure Advisory Group Ernst & Young ShinNihon LLC.

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

E-mail: kobe.airport@shinnihon.or.jp

5. Application Guidelines etc.

The Application Guidelines and its attachments comprise the following documents listed in (i) through (ix) below (together with supplementary materials, as well as answers to questions disseminated to respective persons by publishing on the City's website or by other appropriate means, and other documents issued by the City in relation thereto, hereinafter collectively referred to as the "Application Guidelines etc."; if any amendments have been made to these documents, those reflecting the amendments shall prevail). These documents serve as preconditions for preparing the screening documents for participation requirements screening (hereinafter referred to as the "Participation Requirements Screening Documents") and the screening documents for Proposal Screening (hereinafter referred to as the "Proposal Screening Documents") as well as the set of other screening documents relating to the execution of the Project (these documents hereinafter collectively referred to as "Screening-related Documents"), while documents in (i) through (vii) are binding on the parties to the Project Agreement when it is executed.

Supplementary materials published or those distributed to participants of each screening in the course of selecting the Preferred Negotiation Right Holder shall constitute part of the Application Guidelines etc. and any supplementary material (excluding any material which is comprised in Compilation of Reference Materials) shall, unless otherwise specified, be binding on the parties to the Project Agreement when it is executed.

- (i) Application Guidelines on the Qualified Project Etc. for Operation of Kobe Airport (hereinafter referred to as the "Application Guidelines")
- (ii) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning the Implementation of the Right to Operate Public Facilities Etc. (draft) (hereinafter referred to as the "Project Agreement (draft)") and combined with the following draft agreements in (iii) and (iv) collectively referred to as the "Project Agreement (draft) etc."
- (iii) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning Loan for Use of Land, Buildings, Etc. (draft) (hereinafter referred to as the "Land and Building Loan for Use Agreement (draft)")
- (iv) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning Transfer of Goods, etc. (draft) (hereinafter referred to as the "Goods Transfer Agreement (draft)")
- (v) Qualified Project Etc. for Operation of Kobe Airport Basic Agreement (draft) (hereinafter referred to as the "Basic Agreement (draft)")
- (vi) Qualified Project Etc. for Operation of Kobe Airport Required Standards Document (draft) (hereinafter referred to as the "Required Standards Document (draft)")
- (vii) Compilation of related materials
- (viii) Qualified Project Etc. for Operation of Kobe Airport Selection Criteria for the Preferred Negotiation Right Holder (hereinafter referred to as the "Selection Criteria for the Preferred Negotiation Right Holder")
- (ix) Qualified Project Etc. for Operation of Kobe Airport Forms and Directions (hereinafter referred to as the "Forms and Directions")

In addition to Compilation of Related Materials in (vii) above, materials that may be of reference in understanding the Project shall be presented as Compilation of Reference Materials.

The Application Guidelines etc. provide specific descriptions as supplementary explanations to the Implementation Policy on the Qualified Project Etc. for Airport Operation of Kobe Airport (published on July 25, 2014; hereinafter referred to as the "Implementation Policy"), and in regard to descriptions made

in duplicate, the contents stipulated in the Application Guidelines etc. shall prevail; provided however, that for any matter not indicated in the Application Guidelines etc., the contents of the Implementation Policy shall apply.

6. 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, the Basic Policy for Operations of the Nationally Managed Airports Leveraging Private Capabilities (Public Notice of the Ministry of Land, Infrastructure, Transport and Tourism No. 1080 of 2013; hereinafter referred to as the “Basic Policy”), the Kobe Airport Ordinance, and other related laws, regulations, etc. The main applicable laws, regulations, etc. are as follows:

(1) Laws and regulations

- i) Airport Act (Act No. 80 of 1956)
- ii) Civil Aeronautics Act (Act No. 231 of 1952)
- iii) Ports and Harbors Act (Act No. 218 of 1950)
- iv) Act on Port Regulations (Act No. 174 of 1948)
- v) City Planning Act (Act No. 100 of 1968)
- vi) Building Standards Act (Act No. 201 of 1950)
- vii) Parking Lot Act (Act No. 106 of 1957)
- viii) Act on Promotion of Smooth Transportation, etc. of Elderly Persons, Disabled Persons, etc. (Act No. 91 of 2006)
- ix) Fire Service Act (Act No. 186 of 1948)
- x) Act on Maintenance of Sanitation in Buildings (Act No. 20 of 1970)
- xi) Industrial Safety and Health Act (Act No. 57 of 1972)
- xii) Air Pollution Control Act (Act No. 97 of 1968)
- xiii) Act on the Rational Use of Energy (Act No. 49 of 1979)
- xiv) Act on the Promotion of Effective Utilization of Resources (Act No. 48 of 1991)
- xv) Construction Material Recycling Act (Act No. 104 of 2000)
- xvi) Waste Management and Public Cleansing Act (Act No. 137 of 1970)
- xvii) Construction Business Act (Act No. 100 of 1949)
- xviii) Labor Standards Act (Act No. 49 of 1947)
- xix) Working Environment Measurement Act (Act No. 28 of 1975)
- xx) Pneumoconiosis Act (Act No. 30 of 1960)
- xxi) Act on the Improvement of Employment of Construction Workers (Act No. 33 of 1976)
- xxii) Road Act (Act No. 180 of 1952)
- xxiii) Road Traffic Act (Act No. 105 of 1960)
- xxiv) Road Transportation Act (Act No. 183 of 1951)
- xxv) Road Transport Vehicle Act (Act No. 185 of 1951)
- xxvi) Erosion Control Act (Act No. 29 of 1897)
- xxvii) Landslide Prevention Act (Act No. 30 of 1958)
- xxviii) Water Supply Act (Act No. 177 of 1957)
- xxix) Sewerage Act (Act No. 79 of 1958)
- xxx) Forest Act (Act No. 249 of 1951)
- xxxi) Basic Environment Act (Act No. 91 of 1993)
- xxxii) Nature Conservation Act (Act No. 85 of 1972)

- xxxiii) Noise Regulation Act (Act No. 98 of 1968)
 - xxxiv) Vibration Regulation Act (Act No. 64 of 1976)
 - xxxv) Soil Contamination Countermeasures Act (Act No. 53 of 2002)
 - xxxvi) Act on Protection of Cultural Properties (Act No. 214 of 1950)
 - xxxvii) Electricity Business Act (Act No. 170 of 1964)
 - xxxviii) Radio Act (Act No. 131 of 1950)
 - xxxix) High Pressure Gas Safety Act (Act No. 204 of 1951)
 - xl) Survey Act (Act No. 188 of 1949)
 - xli) Security Services Act (Act No. 117 of 1972)
 - xlii) Customs Act (Act No. 61 of 1954)
 - xliii) Local Autonomy Law (Act No. 67 of 1947)
 - xliv) Basic Act on Disaster Control Measures (Act No. 223 of 1961)
 - xlv) Act on the Peace and Independence of Japan and Maintenance of the Nation and the People's Security in Armed Attack Situations, Etc. (Act No. 79 of 2003)
 - xlvi) Act concerning the Measures for Protection of the People in Armed Attack Situations, etc. (Act No. 112 of 2004)
 - xlvii) Act on the Use of Specific Public Facilities Etc., in Armed Attack Situations, etc. (Act No. 114 of 2004)
 - xlviii) Other related laws and regulations
- (2) 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
- (3) Ordinances
- i) Ordinance for Kobe City Port Facilities (Ordinance No. 13 of April 1973)
 - ii) Ordinance for Approval pursuant to the Provisions of Article 37, paragraph (1) of the Ports and Harbors Act and Proceeds from Charges for Proprietary Use and Mining of Sand and Earth pursuant to the Provisions of paragraph (4) of said Article (Ordinance No. 83 of March 2000)
 - iii) Ordinance for Protection and Development of Living Environments, etc., of Kobe Residents (Ordinance No. 51 of March 1994)
 - iv) Ordinance for Urban Landscape of Kobe City (Ordinance No. 59 of October 1978)
 - v) Ordinance for Outdoor Advertising Materials of Kobe City (Ordinance No. 50 of January 2000)
 - vi) Ordinance for Water Supply of Kobe City (Ordinance No. 46 of March 1964)
 - vii) Ordinance for Sewage Systems of Kobe City (Ordinance No. 40 of October 1975)
 - viii) Ordinance for Protection of Environments of Kobe Residents (Ordinance No. 52 of March 1994)
 - ix) Ordinance on Environment Assessment of Kobe City (Ordinance No. 29 of October 1997)
 - x) Ordinance on Proper Waste Disposal, Reuse and of Environment Beautification of Kobe City (Ordinance No. 57 of March 1993)
 - xi) Ordinance on Prevention of Littering and Public Non-smoking of Kobe City

- (Ordinance No.48 of March 2008)
- xii) Ordinance for Ensuring the Welfare of Kobe Residents (Ordinance No. 62 of January 1977)
- xiii) Ordinance for Development of Welfare-oriented Communities in Hyogo Prefecture (Ordinance No. 37 of October 1992)
- xiv) Ordinance for Usage Fee Relating to License of Administrative Assets (Ordinance No. 80 of March 1964)
- xv) Ordinance for Charges for Proprietary Road Use (Ordinance No. 42 of March 1969)
- xvi) Other related ordinances

Part 2. Outline of the Project

1. Background and purpose of the Project

The purpose of this Project is to expand air transport demand in the Kansai region as a whole and revitalize the economy in Kobe City, thereby contributing to the development of the Kansai region's economy by making appropriate utilization of each capability of the three airports, by conducting the integral operation of the Kobe Airport with the Kansai International Airport and the Osaka International Airport in an original and ingenious manner by the private business operator.¹

At the same time, integral and flexible operation of (1) basic airport facilities and airport air navigation facilities, and (2) airport function facilities at the Kobe Airport will be realized by utilizing the funds and management capability of the private business operator.

2. The Project Period and the duration of the Operating Right

(1) The Project Period of the Project

The period during which the Project is implemented (hereinafter referred to as the "Project Period") shall be from the day the Project commences upon fulfillment of the conditions precedent as set out in the Project Agreement (hereinafter referred to as the "Project Commencement Date") until March 31, 2060 (when the Project Period is extended pursuant to the provisions of Part 2.2.(2)), the day said extended period expires; hereinafter referred to as the "Project Expiration Date").

(2) Extension of the Project Period

If any of the events set out in the Project Agreement occurs, the Operating Right Holder may request the extension of the Project Period. In this case, when the City deems it necessary to collect costs for damage incurred by the Operating Right Holder, additional costs or other necessary expenses for each event (Part 3.8.), the Operating Right Holder may extend the Project Period for a period agreed between the parties to the extent of the provisions of Part 2.2.(3)) through mutual consultation (such extension of the period is hereinafter referred to as the "Extension by Agreement"). The effectuation of Extension by Agreement is not one time only.

(3) The duration of the Operating Right

The Operating Right shall be established prior to the Project Commencement Date and the period during which the Operating Right exists (hereinafter referred to as the "Duration of the Operating Right") shall be from the date of its establishment until the Project Expiration Date.

The Duration of the Operating Right shall be until March 31, 2070 including cases where the Project Period is extended pursuant to the provisions of Part 2.2.(2).

The Operating Right shall expire on the Project Expiration Date.

¹ The Implementation Policy on the Qualified Project, etc., for Airport Operation of Kansai International Airport and Osaka International Airport (published on July 25, 2014) states that if the administrator of the Kobe Airport is to entrust the operation of the Kobe Airport, the Operating Right Holder may negotiate with the administrator of the Kobe Airport, under the objective of revitalization and enhancement of the function of the Kansai Airport as an international hub airport and of increasing the demand for air transport in the Kansai region, by operating the Kobe airport in an integrated way.

3. Project methods

The Preferred Negotiation Right Holder who has been selected by the City through the procedure stipulated in Part 7 and Part 9 and has entered into the Basic Agreement with the City shall incorporate² an SPC whose purpose is to carry out the Project.

The SPC will be granted the Operating Right over the runways, taxiways, aprons, car parking lots, passenger facilities (including offices and shops), cargo facilities (including offices) and other facilities located on the airport sites and in neighboring areas, which are necessary to implement the Project and which are indicated in the Facilities List included in Compilation of Related Materials as of the Project Commencement Date (hereinafter collectively referred to as the “Airport Facilities”) and become the Operating Right Holder.

Car parking lots, passenger facilities (including offices and shops), cargo facilities (including offices) and other facilities that are currently owned by Kobe Airport Terminal Co., Ltd. shall be included in the Airport Facilities upon transfer to the City by the Project Commencement Date.

4. Collection of usage fees and bearing of costs

The Operating Right Holder may, at its own management discretion, set the usage fees listed below and collect them as its income, in accordance with the Kobe Airport Ordinance and the Basic Policy, after confirming that the collection of the fees is not prohibited by the Airport Act, the Civil Aeronautics Act, or other laws, regulations, etc.

- (i) Landing fees, etc.³ (Notification of the landing fees to the State is required. If the fees make it difficult for users to use the airports or are set in a discriminatory manner, the State may order to change the fees, in accordance with laws and regulations.)
- (ii) Fees for using airport air navigation facilities (Notification of the fees to the State is required. If the fees make it difficult for users to use the airports or are set in a discriminatory manner, the State may order to change the fees, in accordance with laws and regulations.)
- (iii) Passenger service facility charge (Notification of the charge to the State is required and the charge shall be set within the approved upper limit. If such fees are set in a discriminatory manner, the City may order to change the charge, in accordance with laws and regulations.)
- (iv) Other usage fees (If the collection procedures etc. for the usage fees are stipulated in laws and regulations, the Operating Right Holder will follow such procedures.)

Meanwhile, with regard to other usage fees, due consideration must be given to the points that these fees are not set in a unreasonably discriminatory manner for particular parties and are not significantly inappropriate in view of social and economic circumstances, thereby posing a risk of threatening the interests of users of public facilities etc.

The City shall bear no expenses incurred in relation to carrying out the Project by the Operating Right Holder, unless otherwise set out in the Project Agreement. The Operating Right Holder shall

² A method other than incorporation may be used with the approval of the City.

³ Landing fee, etc. mean as “landing fee and other charges concerning the use of runway, etc.” in Article 13, Paragraph (1) of the Airport Act.

be liable for any expenses incurred in implementing the Project and will recover such expenses through the collection of usage fees.

5. Scope of the business

The scope of the Project shall be as follows. During the Project Period, the Operating Right Holder may entrust or give a contract to a third party, with prior notice to the City, to carry out any business, except the entrusting-prohibited businesses set out in the Project Agreement.

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

(1) Obligatory business

The Operating Right Holder shall carry out the following activities and operations, unless such activities are carried out by the State or the City. For detailed terms and conditions of the Obligatory Business, see the Project Agreement (draft) etc. and the Required Standards Document (draft).

- (i) Operation, maintenance and administration of the basic airport facilities (including runways, taxiways and aprons) and facilities which are integral parts of and incidental to the basic airport facilities (including car parking lots and water discharge facilities), Operation, maintenance and administration of sea walls, bridges on which approach lights are installed, roads in the facilities are not included in the scope of business.
- (ii) Operation, maintenance and administration of the airport air navigation facilities
- (iii) Operation, maintenance and administration of the airport function facilities (the passenger facilities (including offices and shops) and cargo facilities (including offices))
- (iv) Environmental measures business
- (v) Incidental businesses
 - Lease of the land to the State and fueling companies
 - Bearing half of the costs for preventive measures against aircraft hijacking

The Operating Right Holder may, to the extent that there is no violation of Application Guidelines etc. or relevant Acts, revise (including temporary partial suspension or termination) the contents of the Obligatory Business specified in (i) through (v) upon obtaining approval of the City in advance.

(2) Voluntary business

In addition to the obligatory business, the Operating Right Holder may conduct any business or service which the Operating Right Holder deems necessary to implement the Project, provided that such business or service complies with the Project Agreement and the associated laws and regulations etc. does not interfere with the function of the airports, is not an adult-only amusement business or other similar business, is not the office of an organized crime group or other similar office, and is not offensive to public policy.

6. Rights and assets to be granted to the Operating Right Holder

The following rights and assets will be granted to the Operating Right Holder by the Project Commencement Date:

(i) Operating Right

The Operating Right to be established on the Airport Facilities.

The following facilities will not be subject to the Operating Right:

- a. Sea walls (except for fences for access restriction installed on the top part of sea walls and external security facilities)
- b. Bridges on which approach lights are installed (except for approach lights installed on bridges (auxiliary equipment such as wiring system))
- c. Roads in the facilities as well as lights, signboards, canopies and other similar items incidental thereto
- d. Specific land lots and facilities designated by the City
Including but not limited to facilities owned by the West Japan Civil Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (“MLIT”), Osaka Metrological Agency and Kobe Airport Fuel Facilities Inc.

(ii) Rights to use land created by loan for use⁴

Rights to use specific land lots designated by the City

(iii) Rights to use buildings created by loan for use⁵

Rights to use specific buildings designated by the City

(iv) Agreements, pacts, etc. to be succeeded

Agreements, pacts, etc. to be transferred from the City⁶

(v) Ownership of movables etc.

Ownership of the assets to be transferred from the City⁷

7. Consideration for the Operating Right etc.

(1) Consideration for the Operating Right

The consideration for the Operating Right, which is paid after the execution of the Project Agreement, includes a lump-sum payment (upfront fee) effectuated on the date designated by the

⁴ The City shall transfer the Airport Land based on the Land and Building Loan for Use Agreement as loan for use to the Operating Right Holder on the Project Commencement Date by the method set out in the Project Agreement. The loan period shall be the same as the Project Period, and in the event the Project Agreement is canceled or terminated for some reason, the Land and Building Loan for Use Agreement shall also be cancelled. For more details, see the Project Agreement (draft) etc.

⁵ The City shall transfer the Airport Facility as loan for use to the Operating Right Holder on the Project Commencement Date by the method set out in the Project Agreement. The loan period shall be the same as the Project Period, and in the event the Project Agreement is canceled or terminated for some reason, the lease contract shall also be terminated. For more details, see the Project Agreement (draft).

⁶ The agreements, pacts, etc. to be succeeded by the Operating Right Holder will be presented along with a list of such agreements and pacts as part of the disclosure materials in the Proposal Screening provided in Part 9.-6.

⁷ The list of applicable movables etc. will be presented as part of the disclosure materials in the Proposal Screening provided in Part 9.-6.

City and a payment (annual fee) effectuated the City every fiscal year within the Project Period.⁸

The minimum standard price of the consideration for the Operating Right (not including consumption tax or local consumption tax) shall be ¥450 million for the upfront fee and ¥410 million for the annual fee.

The current operating hours are 07:00-22:00, and the maximum number of aircraft movements is 30 round-trips (60 movements) a day.

(2) Revenue Sharing Fees⁹

Apart from the consideration for the Operating Right, a proposal shall be requested with respect to the applicants concerning fees (hereinafter referred to as the “Revenue Sharing Fees”) of which the amount varies depending on the revenue of each fiscal year. The Operating Right Holder shall pay the amount based on the proposal to the City during the Project Period.

(3) Consideration for the transfer of goods, etc.

The Operating Right Holder shall pay to the City the consideration for the transfer of goods, etc. in the amount and by the method prescribed in accordance with the procedure set out in Part 10-5.

8. Dispatch of staff

The City shall dispatch one staff member who is involved with the airport operating business (civil engineering staff is expected). When an individual other than the above staff member is dispatched, decisions will be made through competitive dialogues concerning the job type of the dispatched staff (civil engineering staff and electric work staff are expected), the dispatch period, the dispatch method and other necessary matters. Personnel expenses for the dispatched staff shall be determined based on the pay standard of the City and borne by the Operating Right Holder.

9. Treatment on the Project Expiration Date

For the smooth handover of the Project, the Operating Right Holder shall, in accordance with the required standards, prepare a return plan approved by the City no later than four (4) years and six (6) months before the Project Period expires.

Having done the above, upon the expiration of the Project Period, it is the responsibility of the Operating Right Holder in general to return the Airport Facilities to the City or transfer them to a third party designated by the City, in accordance with the Project Agreement at its own expense. In transferring the Project, the Operating Right Holder shall endeavor to transfer the necessary personnel as well, and upon transferring the Airport Facilities, make replacement investments as necessary in order to fulfill the Return Requirements as set out in the required standards.

With regard to the agreements, movables, etc. held by the Operating Right Holder when the Project Period expires (including any real property that the Operating Right Holder owns in accordance with the Project Agreement), if such shares etc. shall be transferred to the City or a third party designated by the City based on the Project Agreement, they shall be transferred in

⁸ Upon the payment of the consideration for the Operating Right (upfront fee and annual fee), consumption tax and local consumption tax shall be paid separately.

⁹ Upon the payment of the Revenue Sharing Fees, consumption tax and local consumption tax shall be paid separately.

accordance with the procedures agreed in advance between the Operating Right Holder and the City. It will be the responsibility of the Operating Right Holder to dispose of those not subject to such transfer at its own expense

Part 3. Matters concerning the proper and stable implementation of the Project including the clarification of responsibilities of the private business operator

1. Obligations in implementing the Project

The Operating Right Holder shall assume the following obligations in implementing the Project.

- (i) Obligations to operate the airports in accordance with the PFI Act, the Private Utilizing Airport Operation Act, the Basic Policy and the Kobe Airport Ordinance.
- (ii) Obligations to operate the airports in accordance with laws, regulations, the required standards, etc. (If an emergency occurs or the Operating Right Holder fails to perform any material obligation, the City may intervene in the implementation of the Project in accordance with the Project Agreement. For the circumstances in which the City may intervene and the details of such intervention, see the Project Agreement (draft))

2. Obligations to retain assets etc.

The Operating Right Holder may not incorporate or acquire a new subsidiary or affiliate the City without the approval of the City. The City will approve such changes of the business structure, etc. planned by the Operating Right Holder unless the changes are unreasonable for the purpose of proper operation of the airports.

Furthermore, the Operating Right Holder may dispose of the movables transferred from the City unless such disposal adversely affects the operation of the airports. Any asset transferred from the City other than the movables may not be disposed of without the approval of the City.

3. Replacement Investment etc. by the Operating Right Holder

(1) Treatment of maintenance and repair pertaining to the Airport Facilities

The Operating Right Holder shall conduct the following maintenance and repair of the Airport Facilities as the businesses included in the Operating Right, at its own discretion and at its own expense in general.

- a. Restoration of any partial damage etc. of the runways, taxiways, aprons, car parking lots, passenger facilities (including offices and shops) and cargo facilities (including offices) to their original state
- b. Partial repair of the aeronautical lights etc.

When the Operating Right Holder intends to conduct maintenance and repair work for the Airport Facilities and such work satisfies certain requirements, the Operating Right Holder may

request the City to bear the expenses incurred for the residue value as a result of said work as of the Project Expiration Date in accordance with the procedures set out in the Project Agreement. If the City approves such investment and request to bear the expenses, the City shall bear such expenses to the extent set out in the Project Agreement. See the Project Agreement (draft) for details concerning the calculation of the amount of expenses that the Operating Right Holder can request the City to bear.

(2) Treatment of the extension pertaining to the Airport Facilities

The Operating Right Holder may conduct the extension of the following Airport Facilities as the businesses included in the Operating Right, at its own discretion and at its own expense. However, if the Operating Right Holder intends to make a certain extension set out in the Project Agreement etc., the Operating Right Holder shall obtain approval from the City in advance.

- a. Extension of the runways, taxiways or aprons and, to the extent necessary for such extension, the incidental facilities, etc.
- b. Any investment other than new investment or rehabilitation, including extension of the passenger facilities (including offices and shops) and cargo facilities (including offices)

With regard to the extension of the Airport Facilities conducted by the Operating Right Holder, the full amount of which is difficult to be recovered within the Project Period and which is expected to continuously produce benefit after the Project Expiration Date, the Operating Right Holder may, at the time of said extension, request that the City bear the expenses incurred for the expected unrecoverable portion as of the Project Expiration Date. If the City approves such extension and request to bear the expenses, the City shall bear such expenses. See the Project Agreement (draft) for details concerning the calculation of the amount of expenses that the Operating Right Holder can request the City to bear.

Furthermore, if the City determines it necessary through deliberation of reasons for public interest, the City may conduct the extension of the Airport Facilities, at its own discretion and at its own expense, and the Operating Right Holder shall then cooperate in such extension work.

Any part of the Airport Facilities in which Replacement Investment etc. has been conducted by the City or the Operating Right Holder shall be owned by the City upon the completion of the investment etc. Because that part shall be subject to the Operating Right, operation, maintenance and repair etc. shall be conducted by the Operating Right Holder. Any risks arising in relation to the extension conducted by the City shall be borne by the City to the extent set out in the Project Agreement.

The Operating Right Holder may not make a new investment or rehabilitation listed below with regard to the Airport Facilities, which are beyond the scope of the businesses included in the Operating Right. (see Exhibit 1.)

<New investment>

- a. Construction of a new runway
- b. Construction of any new landing strip, taxiway or apron associated with the construction of a new runway
- c. Construction of any new aerodrome light, control unit or power facilities associated with b. above

<Rehabilitation>

a. Removal, redevelopment or other rehabilitation of the entire runways

(3) Treatment of Replacement Investment etc. in the facilities for voluntary business

The Operating Right Holder may make Replacement Investment etc. in any facility necessary to carry out the voluntary business, at its own discretion and expense.

The part of the facility subject to Replacement Investment etc. shall be owned by the Operating Right Holder (or its subsidiary) upon the completion of the investment etc. and shall not be subject to the Operating Right.

If Replacement Investment etc. has been made as a voluntary business in any facility located in the airport sites, it will be the responsibility of the Operating Right Holder to dispose of such facility at its own expense upon the expiration of the Project Period. However, if the City finds that the facility is useful for operating the airports, the City may request the Operating Right Holder to transfer ownership of the facility without charge following the procedure agreed with the City in advance, in accordance with the Project Agreement. This shall not apply to the facilities located outside of the airport sites and in which Replacement Investment etc. has been made as a voluntary business.

4. Capital investment planning and business income and expenditure planning

With regard to capital investment planning and business income and expenditure planning, the Operating Right Holder shall make an interim plan every five years and an annual plan for each year, respectively, and report the plans to the City and publish them on the Operating Right Holder's website. If any plan includes Replacement Investment etc. set out in the Project Agreement etc., the Operating Right Holder shall obtain prior approval from the City.

5. Required standards and monitoring

The basic idea for the required standards and monitoring of the Project shall be as follows:

(1) Required standards

The City shall establish required standards for the functions to be performed by the Operating Right Holder in implementing the Project. The Operating Right Holder shall assume the obligation to fulfill the required standards during the Project Period. For specific contents of the Required Standards, see the Required Standards Document (draft).

(2) Self-monitoring

The Operating Right Holder shall keep a necessary record in relation to the implementation of the Project, and periodically report to the City concerning the fulfillment of the required standards.

(3) Monitoring by the City and inspections by the State

The City shall conduct monitoring through the methods set out in the Project Agreement in order to ensure that the required standards are met.

In addition, the City may inspect the accounting books and records of the Operation Right Holder. The City may also request the Operating Right Holder to provide further information as

necessary.

In addition to the monitoring above, the State shall conduct necessary inspections, collection of reports and other actions in accordance with laws and regulations.

(4) Actions to be taken if the required standards are not fulfilled

If the Operating Right Holder fails to satisfy any of the required standards, the City may request the Operating Right Holder to submit an improvement plan.

If the Operating Right Holder still fails to satisfy the required standards, even under the improvement plan, the City may cancel the Project Agreement in accordance with the procedures set out therein.

6. Submission of Work Report and Reporting on Financial Information

In accordance with the Project Agreement, the Operating Right Holder shall prepare and submit to the City a (semiannual and annual) work report on work and financial affairs of the Project during the Project Period, and publish the report on the Operating Right Holder's website.

In accordance with the Project Agreement, the Operating Right Holder shall also report to the City financial information such as financial statements to be prepared as required by laws and regulations, and publish the information on the Operating Right Holder's website. For financial information such as financial statements to be reported to the City, see the Project Agreement (draft).

7. Restrictions on the rights and obligations of the Operating Right Holder and related procedures

(1) Disposition and transfer of the Operating Right

The Operating Right Holder may not dispose of (including transfer) the Operating Right without the approval of the City.

Upon receipt of an application for transferring the Operating Right, the City shall approve the application after screening the person who will be the new Operating Right Holder. The screening will take place in light of the requirements confirmed at the time of the selection of the current Operating Right Holder, including whether or not such person is disqualified for any specified reason and the appropriateness of the implementation policies.

(ii) New issuance and disposition of shares

The Operating Right Holder may issue both common shares with voting rights to vote at the shareholders meeting of the Operating Right Holder (hereinafter referred to as the "Voting Shares") and shares without voting rights to vote on any items for a resolution at the shareholders meeting of the Operating Right Holder (hereinafter referred to as the "Non-Voting Shares"). A person who holds the Non-Voting Shares may dispose of them at their own discretion, at any time, provided the disposition is carried out in accordance with the Companies Act. The Operating Right Holder may issue and allot new Non-Voting Shares at its own discretion, provided such issuance and allotment is carried out in accordance with the Companies Act.

If a person who holds the Voting Shares (hereinafter referred to as the "Voting Shareholder") intends to dispose of their Voting Shares to any person, prior approval from the City shall be obtained.

If the Operating Right Holder intends to issue new Voting Shares, it shall obtain prior approval

from the City. (However, new issuance of Voting Shares by allotment to shareholders according to the respective investment ratios of the Voting Shareholders shall not require the City's prior approval.)

If the City determines that the person to whom the Voting Shares are to be transferred or allotted fulfill certain qualifications as set out in the Basic Agreement or the shareholders' pledge and disposition or new issuance of Voting Shares would not interfere with the continuation of businesses being carried out by the Operating Right Holder, the City will approve the disposition or new issuance.

8. Basic idea for allocation of risks

Taking into account that the Operating Right Holder may, in general, set and collect landing fees etc. and other usage fees at its own discretion and in order for it to exercise its autonomy and show its originality and ingenuity in implementing the Project, any risk associated with the Project (including risks relating to a change in airport demand) shall be generally borne by the Operating Right Holder, unless otherwise specifically set out in the Project Agreement. The exceptions where the City shall bear risks are limited as listed below, since the administrator of public facilities etc. is supposed to be responsible for these risks. The scope of the risks for which the City bears responsibility and the specific allocation of each risk shall be based on the following, For details, see the Project Agreement (draft).

(1) Force Majeure

- Upon the occurrence of any event which is not attributable to the City or the Operating Right Holder, such as an earthquake or tsunami, and that falls under certain conditions in the Project Agreement, such as giving a direct and adverse effect on the implementation of the Project (hereinafter referred to as the "Force Majeure"), if the amount of damage caused exceeds the amount of insurance etc. which shall be maintained by the Operating Right Holder (including cases where Extension by Agreement is effectuated to cover loss), the City shall bear a certain amount in accordance with the Project Agreement. For the detailed conditions, scope and methods of burden of damage, see the Project Agreement (draft).
- The Operating Right Holder shall purchase insurance for the Project Period with coverage no less than the amount set by the City.¹⁰ The Operating Right Holder may undertake alternative measures, instead of purchasing insurance, if approved by the City.
- If the Operating Right Holder is unable to carry out the Project, in whole or in part, due to Force Majeure, the City may temporarily release the Operating Right Holder from the obligations under the Project Agreement.

(2) Liability for defects

- If certain physical defects set out in the Project Agreement are found in the Airport Facilities within 12 months after the commencement of the Project, the City shall bear a certain amount of risk in accordance with the Project Agreement for the loss incurred by the

¹⁰ For more detail on standards, see the Project Agreement (draft). If, however, major changes arise in the general insurance market causing dramatic volatility in the insurance rates relating to the insurance policy, the Operating Right Holder may change the coverage of the insurance contract with concurrence of the City.

Operating Right Holder due to the defects in accordance with the Project Agreement (including cases where Extension by Agreement is effectuated to cover loss). For details, see the Project Agreement (draft).

(3) Particular Change of Acts and Particular Change of Ordinances

- If there are any of the changes of acts and regulations etc. set out in the Project Agreement, which apply particularly or commonly to the Project and cause unjust effects (on the Operating Right Holder) (hereinafter referred to as the “Particular Change of Acts”), during the Project Period, and the City and the Operating Right Holder therefore incurs a loss, each party shall bear the loss incurred in accordance with the Project Agreement. For details, see the Project Agreement (draft). Any risk caused by the changes of laws and regulations etc., other than the Particular Change of Acts shall be borne by the Operating Right Holder.
- If there are any of the changes of ordinances of the City, which apply merely to the Operating Right Holder of the Project or the Operating Right Holder of the project operated by the City and do not apply to any other party (hereinafter referred to as the “Particular Change of Ordinances”), during the Project Period, and the Operating Right Holder incurs a loss, the City shall bear the loss incurred in accordance with the Project Agreement (including cases where Extension by Agreement is effectuated to cover loss). For details, see the Project Agreement (draft). In case of changes of ordinances etc. other than the Particular Change of Ordinances, the treatment for the Particular Change of Acts shall be applied.

(4) Emergency events

- If any of the events set out in the Project Agreement, such as an event that may threaten the Operating Right Holder’s safe operation of the Kobe Airport, arises during the Project Period, and there is an unavoidable necessity in terms of public interest arising from the other public use of the Kobe Airport or any other reasons, the City may suspend the exercise of the Operating Right and use the Airport Facilities, in accordance with Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii)). In this case, the Operating Right Holder shall cooperate in relation to the activities carried out by the City at the Kobe Airport.
- If the City suspends the exercise of the Operating Right under Article 29, paragraph (1) of the PFI Act (limited to the case stipulated in item (ii)), the City shall compensate the Operating Right Holder for the loss incurred by the Operating Right Holder in accordance with Article 30, paragraph (1) of the PFI Act (including cases where Extension by Agreement is effectuated to cover loss).

(5) Ground settlement of the airport sites

- If there is any need to take greater measures than those for the predicted ground settlement during the Project Period, the City shall bear a certain amount of risk in accordance with the Project Agreement (including cases where Extension by Agreement is effectuated to cover loss). For details, see the Project Agreement (draft).

9. Precondition of airport operating business

When there is a need to carry out construction work for the extension of runway end safety areas (hereinafter referred to as “RESA”) following the revision of the “Standards for Installation of Airport Civil Engineering Facilities” in April 2013, the City shall carry out said work and the Operating Right Holder shall give maximum cooperation to ensure that the City's construction work will progress smoothly. The Operating Right Holder shall be responsible for the maintenance and repair of facilities and airport sites that have been added by said work because the added portions are a part of airport facilities.

10. Attendance at Meetings of the Council

The Operating Right Holder shall attend meetings of the Kobe Airport Usage Promotion Council. For details, see the Required Standards Document (draft).

Part 4. Matters concerning the locations, sizes and placement of the public facilities, etc.

1. Locations of the Project

The locations and areas of the airport sites are as follows:

(1) Kobe Airport

(i) Location

1-ban, Kobe Kuko, Chuo, Kobe, Hyogo

(ii) Area subject to the Project

The airport area subject to the public notice is approximately 154 ha. For the portion of the airport sites to which the Operating Right is established within said area, see the Compilation of Related Materials.

Part 5. Matters concerning the actions to be taken when the Project becomes difficult to continue

1. Reasons for cancellation or termination and effects of termination or cancellation

If any event occurs making the Project difficult to continue, the Project Agreement shall be terminated or cancelled as follows. In this case, the Operating Right Holder shall, in accordance with the required standards, prepare a return plan approved by the City without delay after the termination or cancellation thereof, for the smooth handover of the Project.

Having done the above, the Operating Right Holder shall return the Airport Facilities to the City or transfer the Airport Facilities to a third party designated by the City.

With regard to the contracts, movables, etc. held by the Operating Right Holder at the time of the termination or cancellation of the Project Agreement (including any real property that the Operating Right Holder owns in accordance with the Project Agreement), if such contracts, etc. shall be transferred to the City or a third party designated by the City based on the Project Agreement, they shall be transferred in accordance with the procedures agreed in advance between the Operating Right Holder and the City. It will be the responsibility of the Operating Right Holder to dispose of those not subject to such transfer at its own expense.

The details relating to the burden of the damage etc. caused by each of the reasons for termination shall generally be as follows. For details, see the Project Agreement (Draft).

- (1) Cancellation or termination for reasons attributable to the City
 - (i) Reasons for cancellation or termination
 - If by reason of the City, the City no longer holds ownership of the Airport Facilities, the Project Agreement shall automatically terminate.
 - The City may cancel the Project Agreement by giving notice to the Operating Right Holder prior to the period of time set out in the Project Agreement.
 - The Operating Right Holder may cancel the Project Agreement if any of the events set out in the Project Agreement occur for any reason attributable to the City, such as the City failing to perform any material obligation under the Project Agreement for a specified period or the City's performance of the Project Agreement becoming impossible.
 - (ii) Effects of cancellation or termination
 - If by reason of the City, the City no longer holds ownership of the Airport Facility, the Operating Right shall be extinguished.
 - If by reason of the City, the Project Agreement is to be terminated, the City shall revoke the Operating Right.
 - In these cases, the City shall compensate the Operating Right Holder for the damage they incurred due to the cause of cancellation in accordance with the Project Agreement.
- (2) Cancellation or termination for reasons attributable to the Operating Right Holder
 - (i) Reasons for cancellation or termination
 - If by reason of the Operating Right Holder, the City no longer holds the ownership of the Airport Facilities, the Project Agreement shall automatically terminate.
 - If any of the events set out in the Project Agreement occur, such as the Operating Right Holder's breach of its obligations under the Project Agreement, the City may cancel the

Project Agreement with or without demand (depending on the event).

(ii) Effects of cancellation or termination

- If by reason of the Operating Right Holder, the City no longer holds ownership of the Airport Facility, the Operating Right shall be extinguished.
- If by reason of the Operating Right Holder, the Project Agreement is to be cancelled, The City shall revoke the Operating Right.
- In these cases, the Operating Right Holder shall pay the City the penalty set out in the Project Agreement (or if the amount of damage incurred by the City due to the cause of cancellation exceeds the amount of the penalty, such amount of damage).

(3) Cancellation or termination for Force Majeure

(i) Reasons for cancellation or termination

- If the City no longer holds the ownership of the Airport Facilities due to Force Majeure or any other event set out in the Project Agreement, the Project Agreement shall automatically terminate.
- If certain conditions to determine whether the Project has become difficult to implement due to the Force Majeure, as set out in the Project Agreement, are satisfied, they shall constitute a reason for cancelling the Project Agreement.

(ii) Effects of cancellation or termination

- If, as a result of Force Majeure, the City no longer holds the ownership of the Airport Facilities, or any other reason set out in the Project Agreement arises, the Operating Right shall be automatically extinguished.
- If the Project Agreement is cancelled due to Force Majeure, the Operating Right Holder shall, in accordance with the selection of the City, abandon the Operating Right or transfer it to a third party designated by the City without charge. Any damage incurred by the City and the Operating Right Holder as a result of Force Majeure shall be borne individually and compensation shall not be paid mutually between the parties.

(4) Cancellation for the Particular Change of Acts

(i) Reasons for cancellation

- If certain conditions set out in the Project Agreement to determine whether it has become difficult for the Operating Right Holder to implement the Project due to the Particular Change of Acts are satisfied, they shall constitute a reason for cancelling the Project Agreement.

(ii) Effects of cancellation

- The City shall revoke the Operating Right.
- Any damage incurred due to the reasons of cancellation shall be borne individually and compensation shall not be paid mutually between the parties.

(5) Cancellation for the Particular Change of Ordinances

(i) Reasons for cancellation

- If certain conditions set out in the Project Agreement to determine whether it has become difficult for the Operating Right Holder to implement the Project due to the Particular

Change of Ordinances are satisfied, they shall constitute a reason for cancelling the Project Agreement.

(ii) Effects of cancellation

- The City shall revoke the Operating Right Holder.
- The City shall compensate the Operating Right Holder for its damage incurred by the Operating Right Holder due to the reasons of cancellation in accordance with the Project Agreement.

2. Consultation between the City and financial institutions etc. funding the Operating Right Holder

The City may enter into an agreement directly with the financial institutions etc. funding the Operating Right Holder as necessary, and agree upon the creation of a security interest by the financial institutions etc. over the Operating Right or the shares of the Operating Right Holder, the transfer of the Operating Right by enforcement of the security interest by the financial institutions etc. or the change of the shareholders (members) taking part in the operation of the airports, and other matters.

Part 6. Matters concerning legislative and taxation measures, as well as fiscal and financial support

1. Matters concerning legislative and taxation measures

If any legislative or taxation measures become applicable to the Operating Right Holder in implementing the Project due to revisions to laws, regulations, etc., such measures shall apply to the Operating Right Holder.

2. Matters concerning fiscal and financial support

If any fiscal or financial support may be available to the Operating Right Holder in implementing the Project, the City shall make an effort to ensure that the Operating Right Holder receives such support.

3. Matters concerning other measures and support

The City shall offer its cooperation, as necessary, for the Operating Right Holder to obtain any permission, approval etc. required for implementing the Project. If other support becomes possibly available to the Operating Right Holder due to revisions of laws, regulations etc. or for other reasons, the City and the Operating Right Holder shall consult about such support.

Part 7. Methods for selecting a Preferred Negotiation Right Holder

1. Basic idea on the selection of a Preferred Negotiation Right Holder

The City shall, in regard to the Project selected as a qualified project on October 11, 2016, invite private business operators which desire to participate in the Project by publishing the Application Guidelines etc. and will select a Preferred Negotiation Right Holder from the Applicants, while ensuring the transparency and fairness of the Bidding. The selection of the Preferred Negotiation Right Holder for the Project shall be made by a competitive negotiated agreement (public offer type proposal method).

2. Selection system of a Preferred Negotiation Right Holder

In order to ensure transparency and fairness in the selection of the Preferred Negotiation Right Holder (Proposal Screening), the City established the Committee for Selection of Preferred Negotiation Right Holder in Qualified Project Etc. for Operation of Kobe Airport (hereinafter referred to as “Selection Committee”) composed of outside experts which will, upon request by the City, conduct investigation and deliberation and report to the City in each stage of the selection process.

Members of the Selection Committee are as follows. The Selection Committee is not disclosed to the public.

(Chairperson of the Committee)

Kunio Miyashita Professor, College of Foreign Studies, Kansai Gaidai University

(Committee Members)

Tamami Imanishi Professor, Department of Human and Social Sciences, University of Marketing and Distribution Sciences

Toshiyuki Uemura Professor, School of Economics, Kwansei Gakuin University

Masahiro Fujiwara Lawyer, Kyomachi Law Office

Shigeyoshi Yamada Managing Partner, CEO & CPA, Grant Thornton Taiyo LLC

3. Screening method

(1) Participation Requirements Screening

The City shall receive the Participation Requirements Screening Documents submitted by private business operators desiring to participate in the Participation Requirements Screening (hereinafter referred to as the “Participation Applicants”), conduct screening, and question the Participation Applicants if needed, according to the screening items stated in the Selection Criteria for the Preferred Negotiation Right Holder to assess whether the Participation Applicants satisfy the requirements for participation articulated in Part 8.-1.

Note that in this Bidding, a party either as a single company (hereinafter referred to as the “Applying Company”) or as a group composed of multiple companies (hereinafter referred to as the “Consortium”) may be an Applicant as long as it satisfies Part 8.-2.-(1) and (2), and persons other than those who have passed the Participation Requirements Screening (hereinafter referred to as the “Qualified Participants”) may become Consortium Members (such members refer to companies that hold Voting Shares of the SPC; the same shall apply hereinafter). In this case, among all the Consortium Members, the Qualified Participants must satisfy the requirements for Applicants in Part 8.-2.-(2) which refers to Part 8.-1.-xiii)-(A) and (B) in order for the Consortium to qualify. Any person who intends to become a Consortium Member other than those who satisfy these

requirements need not apply for the Participation Requirements Screening. For details of the procedure, see Forms and Directions.

(2) Proposal Screening

The Preferred Negotiation Right Holder shall be selected among the Applicants.

The City shall accept the Proposal Screening Documents after providing the Qualified Participants with opportunities for site visit, questions to persons concerned, etc. as well as conducting competitive dialogues with the Qualified Participants. The Selection Committee shall confirm whether each Applicant satisfies the requirements for Applicants (see Part 8.-2.-.(2)) after conducting interviews on the proposal and examine the proposed amounts of consideration for the Operating Right etc., appropriateness of the specific business implementation policy and business plan, technical foundation for the Project operation, and financial resources.

The Proposal Screening Documents shall be examined or scored by the Selection Committee according to the Selection Criteria for the Preferred Negotiation Right Holder and evaluated to see whether they do not include any improper contents.

The City plans on giving the Applicants the opportunity to make a presentation of the proposal to the Selection Committee.

The City shall, in response to screening by the Selection Committee, determine the order of the Applicants and select the Applicant with the highest score as Preferred Negotiation Right Holder.

Part 8. Matters concerning requirements for Participation Applicants and Applicants

1. Participation requirements for Participation Applicants

- i) A person who does not fall under Article 167-4 of the Order for Enforcement of the Local Autonomy Act (Cabinet Order No. 16 of 1947).¹¹
- ii) A person against whom a petition for the commencement of bankruptcy proceedings pursuant to the provisions of Article 18 or 19 of the Bankruptcy Act (Act No. 75 of 2004) has not been filed.
- iii) A person against whom a petition for the commencement of reorganization proceedings pursuant to the provision of Articles 17 of the Corporate Reorganization Act (Act No. 154 of 2002) has not been filed.
- iv) A person against whom a petition for the commencement of rehabilitation proceedings pursuant to the provisions of Article 21 of the Civil Rehabilitation Act (Act No. 225 of 1999) has not been filed.
- v) A person against whom a petition for the commencement of special liquidation procedures pursuant to the provisions of Article 511 of the Companies Act (Act No. 86 of 2005) has not been filed.
- vi) A person who is not delinquent in payments of national taxes (corporate tax and consumption tax) and local taxes.
- vii) A person who is not subject to punishment for being ineligible to participate in bidding in accordance with the Kobe City Criteria Guidelines for Ineligibility of Participation in Bidding of Kobe City (Mayor's decision on June 15, 1994).
- viii) A person who does not fall under an organized crime group stipulated in Article 2, item (vi) of the Act on Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of 1991), a judicial person, etc., in which an organized crime group serves as an officer or is substantially involved with the management, or a person who has a socially criticized relationship with an organized crime group (as stipulated in Article 2, item (ii) of said Act) and its member(s) (person falling under Article 5 of the Guidelines on the Elimination of Organized Crime Groups, etc., from Office Work of Kobe City (Mayor's decision on May 26, 2010)).
- ix) A 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.
- x) Neither a person who is any of the Bidding Advisors or their subsidiaries nor a person who is associated with those through capital, personnel or other affairs¹².

¹¹ As to a foreign corporation, the City must be able to confirm that the foreign corporation satisfies the requirements equivalent to those specified in (i), (ii), (iii), (iv), (v) and (ix) of this paragraph under its applicable laws and regulations.

¹² “A person who is associated with those through capital, personnel or other affairs” shall be the case where

- xi) A person who is neither a judicial person to which a member of the Committee (refer to Part. 7-2.) belongs nor a person who is associated with said judicial person through capital, personnel or other affairs.
- xii) A person who does not appoint, as an advisor on the selection of the Project, any of the persons stipulated in (x) and (xi) above.
- xiii) A person who satisfies any of the following requirements:
 - (A) A person who is familiar with the laws and regulations and business practices in Japan, and has any of the following experiences of operating a facility with the comparable number of users as the passenger facility of the Kobe Airport in or after 2006:
 - (i) Experience of operating a passenger facility¹³
 - (ii) Experience of operating a commercial facility¹⁴
 - (iii) Experience of operating a multi-purpose building (which includes a commercial facility)¹⁵
 - (B) A person who is deemed to have the ability to operate an airport for which the annual number of passengers is comparable to that of the Kobe Airport

2. Requirements for Applicants

(1) Composition of an Applicant

- i) An Applicant shall be an Applying Company or a Consortium (see Part 7.-3.-(1)).
- ii) If the Applicant is a Consortium, the names of all of the Consortium Members, their respective roles, etc. in carrying out the Project shall be specified.
- iii) If the Applicant is a Consortium, it shall specify a company from the Consortium Members which represents the Consortium (hereinafter referred to as the “Representative Company”), and the Consortium Members shall submit the power of attorney specified in the Forms and Directions and the Representative Company shall conduct the application procedure.
- iv) The Applying Company and the Consortium Members shall be expected to fund the Operating Right Holder and receive allotment of Voting Shares (Voting Shares provided in the Project Agreement) and all Voting Shares of the Operating Right Holder shall be allotted to the Applying Company and the Consortium Members. This does not, however, prevent the Applying Company or the Consortium Members from indirectly holding all or

the person is in a parent company-subsidary relationship as stipulated in Article 2, Item (iii) or (iv) of the Companies Act.

¹³ Passenger facilities refer to the railway station, tram station, bus terminal, ferry terminal, and airport passenger terminal.

¹⁴ This refers to the performance of the Applicant or its consolidated subsidiary and includes the results achieved in the commercial property administration business and those achieved under the master lease contract.

¹⁵ This refers to the performance of the Applicant or its consolidated subsidiary and includes the results achieved in the commercial property administration business and those achieved under the master lease contract.

part of the Voting Shares.¹⁶

- v) If circumstances arise in which changes in the Consortium Members other than the Representative Company are unavoidable, the Consortium shall consult with the City and may make such changes only if the City permits such changes after considering such circumstances. Furthermore, if the Applying Company or the Consortium Members have become disqualified due to failing to satisfy the participation requirements stated in Part 8.-1., or a person controlling the Applying Company or the Consortium Members has changed or the Applying Company or the Consortium Members has been placed under the control of a new third person, such change must be promptly notified to the City.
- vi) 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) Requirements for Applicants

Applicants must satisfy the following requirements.

- i) An Applicant shall be composed of one or more Qualified Participants.
- ii) An Applying Company must satisfy both requirements specified in Part 8.-1.-xiii)-(A) and (B).
- iii) For a Consortium, all of the Consortium Members must satisfy all of the requirements specified in Part 8.-1.-i) through xii), and the Consortium must have a Qualified Participant which satisfies both of the requirements specified in Part 8.-1.-xiii)-(A) and (B) or have both of a Qualified Participant which satisfies the requirements specified in Part 8.-1.-xiii)-(A) and a Qualified Participant which satisfies the requirements specified in (B).
- iv) For a Consortium, the Representative Company shall satisfy the requirements specified in Part 8.-1.-xiii)-(A), as well as conduct the application procedures and act as a contact point with the City.
- v) The SPC to be incorporated by an Applicant 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 affiliates (including their subsidiaries) of the Air Carriers.¹⁷
- vi) The SPC to be incorporated by an Applicant shall be a stock company (kabushiki kaisha) or a company that takes the form of a corporate organization other than a stock company

¹⁶ When an Applying Company or all or part of Consortium Members plan to indirectly hold the Voting Shares, specific explanations must be given in the Proposal Screening Documents in accordance with the Forms and Directions. The City will make judgment on appropriateness based on the perspective of whether the requirements specified in Part 8.-2.-(1) and (2) are in substance satisfied and other factors.

¹⁷ Parent company refers to the Parent Company as stipulated in Article 2, item (iv) of the Companies Act. Subsidiary refers to the Subsidiary as stipulated in Article 2, item (iii) of the Companies Act. Affiliate refers to the Affiliated Company as stipulated in Article 2, paragraph (3), item (xx) of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No.12 of 2006).

proposed by the Applicant in the course of screening and that is acknowledged by the City.¹⁸

Part 9. Procedures concerning the Bidding

1. Schedule

The City is planning to select the Preferred Negotiation Right Holder in accordance with the following schedule. The City may make changes to the following schedule.

Schedule (tentative)	Actions
October 11, 2016	➤ Distribution of the Application Guidelines etc.
October 28, 2016	➤ Explanatory Meeting for the Application Guidelines etc.
October 11 to November 18, 2016	➤ Period of acceptance of questions on the Application Guidelines etc.
December 16, 2016	➤ Answers to the questions on the Application Guidelines etc.
October 11 to November 30, 2016	➤ Acceptance of Participation Requirements Screening Documents
October 31 to late December, 2016	➤ Notification and disclosure of the Participation Requirements Screening results
February 13, 2017	➤ Application deadline for participation in competitive dialogues
Around February to around May, 2017	➤ Competitive dialogues
June 30, 2017	➤ Submission deadline of the Proposal Screening Documents
Around August, 2017	➤ Selection of the Preferred Negotiation Right Holder
Around August, 2017	➤ Execution of the Basic Agreement
Around October, 2017	➤ Grant of the Operating Right
Around October, 2017	➤ Execution of the Project Agreement
Around April, 2018	➤ Commencement of the Project

2. Explanatory meeting on the Application Guidelines etc.

The City will hold the explanatory meeting on the Application Guidelines etc. (hereinafter referred to as the “Explanatory Meeting”) as follows: Note, however, that materials subject to confidentiality obligations are not part of the explanation provided.

- Date: Friday afternoon, October 28, 2016
Please be advised that depending on the capacity of the venue, the Explanatory Meeting may be held multiple times. You will be notified of the time of the Explanatory Meeting via e-mail by noon on Wednesday, October 26.
- Place: Group waiting room of Kobe Airport Terminal (1, Kobe Airport, Chuo-ku, Kobe City)
(Location map : <http://www.kairport.co.jp/terminal/service-waitingroom>)
- Application method: Any person desiring to participate in the Explanatory Meeting must send the application form specified in the Forms and Directions by the application deadline to the Office in Charge by e-mail, and submit the

¹⁸ If desiring to incorporate the SPC in a form of a corporation other than a stock company (kabushiki kaisha) provided in the Companies Act, specific explanations must be given in the Proposal Screening Documents in accordance with the Forms and Directions. The City will make judgment on appropriateness based on perspectives of whether adequate governance functions, whether stability of management including funds procurement is secured and other factors.

original application form at the Explanatory Meeting place. Any request on the venue shall not be accepted.

Contact: Office in Charge
Application deadline: No later than noon on Tuesday, October 25, 2016
Notes: Participants in the Explanatory Meeting shall bring the Application Guidelines etc.
Participants shall refrain from taking photographs or recording by video camera.

3. Acceptance of questions on the Application Guidelines etc. and distribution of responses

(1) Acceptance of questions

The City shall accept questions concerning the contents stated in the Application Guidelines etc. Note, however, that questions regarding the materials subject to confidentiality obligations shall not be accepted.

Acceptance period: From Tuesday, October 11, 2016
To no later than 17:30 on Friday, November 18, 2016
Submission method: Questions concerning Application Guidelines etc. shall be summarized in a precise manner and the Question Form provided in Forms and Directions shall be submitted by e-mail as an attachment. The Applicant must ensure that the email has been delivered. The Question Form shall be prepared in Microsoft Excel format, and the department, name, telephone number, facsimile number and e-mail address of the submitter must be stated. Any questions concerning the addressee and submission methods shall be directed to the Bidding Advisor.

(2) Publication of answers

The City will publish questions and their answers which the City considered necessary concerning the Application Guidelines etc. on the scheduled publication date of answers, excluding those questions with any content the disclosure of which would infringe on the rights, competitive position or other reasonable interest of the submitter as so stated by the submitter upon their submission, by posting them on the City's website or other appropriate means.

If the City determines that the Applicants need to know the answers to certain questions early in order to prepare their Proposal Screening Documents, the City may publish the answers, prior to the scheduled publication date of answers.

Scheduled distribution date of answers: Friday, December 16, 2016

4. Participation Requirements Screening

(1) Acceptance of Participation Requirements Screening Documents

Participation Applicants shall prepare Participation Requirements Screening Documents in accordance with the Forms and Directions.

Submission period: From Tuesday, October 11, 2016
To no later than 17:30 on Wednesday, November 30, 2016
Submission method: Participation Requirements Screening Documents shall be sent to the Office in Charge by e-mail in advance and the originals shall be delivered or mailed to the Office in Charge by the aforesaid deadline.

After publishing the Application Guidelines, the City shall proceed with the Participation Requirements Screening of Participation Applicants who have submitted the Participation Requirements Screening Documents, even prior to the aforesaid deadline.

(2) Notification and Disclosure of the Participation Requirements Screening results

As stated in (1) above, the City will notify the screening results after the Participation Requirements Screening to Participation Applicants who have submitted the Participation Requirements Screening Documents by the submission deadline.

The name and location of each Qualified Participant will be disclosed promptly by publishing the information on the City's website or by other appropriate means.

5. Loaning of materials subject to confidentiality obligations

(1) Submission of confidentiality pledge concerning compliance with confidentiality obligations

Any Qualified Participant desiring to borrow Confidential Materials must submit the application form and the confidentiality pledge on compliance with confidentiality obligations (“Confidentiality Pledge”) to borrow such Confidential Materials.

- Acceptance period: From Monday, October 31, 2016
To no later than 17:30 on Tuesday, January 31, 2017
- Submission method: The application form and the Confidentiality Pledge shall be filled out in accordance with the Forms and Directions and be sent to the Office in Charge by email and the originals shall be promptly by mail, etc. In particular, when wishing to promptly borrow Confidential Materials, include the application form and the Confidentiality Pledge when submitting the Participation Requirements Screening Documents stated in the previous paragraph 4.
- Loan method: The City assumes that the Confidential Materials are loaned primarily by means of an electronic method (CD-R, virtual data room, etc.).
- Method of disclosure to persons other than Qualified Participants: Qualified Participants may disclose the Confidential Materials borrowed to their affiliated companies (defined under the Confidentiality Pledge; the same applies hereinafter), Consortium Members, Cooperating Companies¹⁹, financial institutions that provide funding, credit rating agencies, Applicant Advisors etc.²⁰ (including those intending to be such parties; such parties hereinafter collectively referred to in this paragraph as “Secondary Disclosee”). When disclosing, a Qualified Participant shall check that any Secondary Disclosee intending to become a Consortium Member

¹⁹ A general term for those other than the Consortium Members who provide equity or other funds equivalent to equity or are subcontractors or outsources (including any persons or entities who have the intention to become such parties) in relation to the Project.

²⁰ A general term for persons who provide Qualified Participants or a Consortium with advice, etc. (e.g., financial advisor, accounting/taxation/legal advisor, consulting firm, etc., including persons who have the intention of becoming such parties).

satisfies the requirements set out in Part 8.-1.-(i) through (xii) and also has every Secondary Disclosee carry toward the Qualified Participant the confidentiality obligations equivalent to or above those the Qualified Participant carry toward the City (for details, see the Confidentiality Pledge), and give prior notification to the City by means of the notification document provided in Forms and Directions and submit, in advance, copies of the Confidentiality Pledge received from the Secondary Disclosee.

The contents of the Confidentiality Pledge shall include confidentiality obligations on the materials disclosed in the Proposal Screening.

(2) Acceptance of questions regarding Confidential Materials etc.

The City shall accept questions concerning the documents composed of Confidential Materials and Application Guidelines etc. from persons who have borrowed the Confidential Materials and present the responses to the questions. This, however, does not guarantee that the City will respond to all questions, and, in principle, the responses to the questions shall be distributed to all borrowers of Confidential Materials. In case, however, the City recognizes that sharing of responses also among persons other than the submitters of relevant questions might infringe on the rights, competitive position or other reasonable interest of the submitters, the responses to such questions shall be presented directly only to the submitters of the questions.

The period of acceptance and the method of submission of questions, the method of receiving the responses from the City and other relevant information shall be presented separately.

(3) Return or disposal of loaned materials

Any person who has borrowed Confidential Materials (including Secondary Disclosee) is responsible for returning or disposing of the Confidential Materials pursuant to the Confidentiality Pledge and promptly sending the report on performance of the return/disposal obligation to the City by mail etc.

6. Materials to be disclosed in the Proposal Screening

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

However, the materials listed in (vi), (vii) and (x) below shall be loaned after passing the Participation Requirements Screening and submitting the application form to borrow the Confidential Materials and the Confidentiality Pledge.

- i) Application Guidelines on the Qualified Project Etc. for Operation of Kobe Airport
- ii) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning the Implementation of the Right to Operate Public Facilities Etc. (draft)
- iii) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning Loan for Use of Land, Buildings Etc. (draft)
- iv) Qualified Project Etc. for Operation of Kobe Airport Agreement Concerning Transfer of Goods Etc. (draft)
- v) Qualified Project Etc. for Operation of Kobe Airport Basic Agreement (draft)
- vi) Qualified Project Etc. for Operation of Kobe Airport Required Standards Document (draft)
- vii) Compilation of Related Materials

- (i) List of Facilities Subject to Operating Right (draft)
- (ii) Agreement on Transfer of Goods Etc. Owned by Kobe Airport Terminal Co., Ltd. (draft)
- (iii) List of Movables, etc. to be Transferred to the Operating Right Holder Owned by the City and Kobe Airport Terminal Co., Ltd. (draft)
- (iv) Portion of Airport Sites to which Operating Right is Established
- viii) Qualified Project Etc. for Operation of Kobe Airport Selection Criteria for the Preferred Negotiation Rights Holder
- ix) Qualified Project Etc. for Operation of Kobe Airport Forms and Directions
- x) Compilation of Reference Materials
 - (i) Engineering report
 - (ii) Information package
 - (iii) Replacement investment estimation results
 - (iv) Other reference materials

7. Site Visits, etc. in Proposal Screening

The City plans on giving the Qualified Participants the opportunities for site visits and questions to persons concerned, etc. The Qualified Participants will be separately notified of the relevant details.

8. Disclosure, etc. of supplementary materials

The City may disclose, distribute or loan materials to supplement the Application Guidelines etc. (hereinafter referred to as the "Supplementary Materials"). Disclosure, distribution or loan of Supplementary Materials shall be conducted no later than Wednesday, May 31, 2017 and no new Supplementary Materials shall be disclosed, distributed or loaned thereafter.

When disclosing the Supplementary Materials, the City shall do so on its website and when distributing or loaning the Supplementary Materials only to those who have submitted the Confidentiality Pledge, the City may do so by e-mail or by another method as the City deems it appropriate.

9. Holding of competitive dialogues

The City will hold competitive dialogues with the Qualified Participants prior to their submission of the documents required for Applicants to undergo Proposal Screening (hereinafter referred to as "Proposal Screening Documents") and amend the Application Guidelines, etc. as necessary based on such dialogues.

An applicant for competitive dialogs shall either be:

- i) A Qualified Participant who fulfills both requirements specified in Part 8.-1.-xiii)-(A) and (B); or
- ii) A group comprised of a Qualified Participant who fulfills the requirement specified in Part 8.-1.-xiii)-(A) and a Qualified Participant who fulfills the requirement specified in Part 8.-1.-xiii)-(B).

The competitive dialogue will be held as follows:

- i) The City holds an explanatory meeting.
- ii) Arrangements are made to hold opinion exchanges between the participants in competitive dialogues and the City (several meetings are scheduled for each participant in the competitive dialogues).

- iii) Amendments are made to the Project Agreement (draft), the Required Standards Document (draft), etc.

Those who wish to participate in competitive dialogs shall prepare and submit the application form for participation specified in the Forms and Directions.

Submission deadline: No later than 17:30 on Monday, February 13, 2017

Submission method: The application form for participation shall be sent to the Office in Charge by e-mail in advance and the originals shall be sent by mail, etc. by the submission deadline.

10. Proposal Screening

(1) Acceptance of the Proposal Screening Documents

Applicants shall submit Proposal Screening Documents in accordance with the Forms and Directions.

The City plans on setting opportunities for the Applicants after their submission of Proposal Screening Documents and prior to screening by the Selection Committee, to make presentations regarding their proposals to the Selection Committee.

Submission deadline: No later than 17:30 on Friday, June 30, 2017

Submission method: The Proposal Screening Documents shall be sent to the Office in Charge in advance by e-mail and the originals shall be delivered or sent by mail, etc. by the submission deadline.

(2) Notification and disclosure of the Proposal Screening results

The City shall notify the results of the Proposal Screening to the Applying Companies or the Representative Companies around August of 2017. In addition, the City shall, promptly after selecting the Preferred Negotiation Right Holder, disclose the name of the Preferred Negotiation Right Holder (in case of a Consortium, including the names of Consortium Members) and a summary of the results of the Proposal Screening by publishing the information on its website and by other means as necessary.

11. Announcement of screening results

Once the Project Agreement has been executed, the City shall promptly publish the screening results and contents of the Project Agreement on its website and by other appropriate means.

Part 10. 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 with the City based on the Basic Agreement (draft) which was amended based on a competitive dialogue. Promptly after the execution of the Basic Agreement, the Applying Company or Consortium Members that have been selected as the Preferred Negotiation Right Holder shall pay [300] million yen as the Contract Deposit.

If the Basic Agreement is not promptly entered into with the Preferred Negotiation Right Holder, or it becomes apparent after the execution of the Basic Agreement that the Project Agreement will not be entered into, the City may perform the procedure to enter into the Basic Agreement with the runner-up negotiation right holder (or the next-in-place Applicant according to the order of participants determined in the Proposal Screening) as the Preferred Negotiation Right Holder. It should be noted that the City will not accept any further amendments to the Basic Agreement (draft) which has been amended through a competitive dialogue.

2. Incorporation of an SPC

The Preferred Negotiation Right Holder must, promptly after the execution of the Basic Agreement, incorporate a stock company (kabushiki kaisha) provided in the Companies Act (in case in the course of screening another form of corporate organization was proposed and the proposal has been approved by the City, a company in the proposed form) as SPC the business objective of which is solely to implement the Project.²¹

3. 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 City cooperates, conduct on-site examinations in order to prepare for the operation.

4. Grant of the Operating Right and execution of the Project Agreement

Once the SPC has been incorporated, the City shall, after confirming that the procedures for commencing the operation are being carried out smoothly, subject to resolution of the City council, promptly deliver an operating right establishment letter to the SPC 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 City and the Operating Right Holder shall promptly enter into the Project Agreement upon establishment of the Operating Right in accordance with the Project Agreement (draft) which has been amended through a competitive dialogue process. It should be noted that the City will not accept any further amendments to the Project Agreement (draft) which has been amended through the competitive dialogue process.

In addition to the Project Agreement, the City and the Operating Right Holder shall enter into the Land and Building Loan for Use Agreement, the Goods Transfer Agreement and any other necessary agreements.

The City shall publish the matters stipulated in Article 19, Paragraph (3) and Article 22, Paragraph (2) of the PFI Act on its website and by other appropriate means.

²¹ A method other than incorporation may be used with the approval of the City.

5. Transfer of Movable, etc. to be Transferred to the Operating Right Holder

The Operating Right Holder shall receive the Movable, etc. to be Transferred to the Operating Right Holder on the Project Commencement Date. The transfer procedures shall be executed in accordance with the Kobe City Agreement Regulations (Regulations No.16 of August 2014). For details, see the Project Agreement (draft).

6. Commencement of the project

The Operating Right Holder shall commence the airport operating business on the Project Commencement Date defined 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 business, completing payment to the City of the Consideration for the Operating Right (up-front fee), and the receipt of the Movable, etc. to be Transferred to the Operating Right Holder.

Part 11. Matters to be noted concerning the application

1. Contract deposit

Upon conclusion of the Project Agreement, the Operating Right Holder shall promptly pay the Contract Deposit relating to the Project Agreement of 300 million yen to the City pursuant to the Project Agreement. If, however, the Contract Deposit specified in Part 10.-1 as the Preferred Negotiation Right Holder has been paid and is not confiscated or returned upon conclusion of the Project Agreement, the Operating Right Holder shall be deemed to have paid the Contract Deposit.

2. Conditions precedent to the application

(1) Acceptance of the Application Guidelines etc.

Applicants shall fully understand the terms and conditions specified in the Application Guidelines etc. and proceed with the application after agreeing with such terms and conditions. The Applicants may not raise any objection on the grounds that they find some matters unclear in the Application Guidelines etc.

(2) Cost bearing, etc.

Any person as an Applicant shall be responsible for performing all acts in any of the procedures for the Bidding at its own expense.

(3) Principle of documentary proceedings and languages used

Any intentions to be presented to the City 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 foreign companies, documents written in both Japanese and English are acceptable. If, however, there is any discrepancy between Japanese and English, Japanese text shall prevail. In regard to appendices in hard copies that are attached to the materials concerning participation requirements provided by Applicants, documents in a foreign language are acceptable, provided that accurate Japanese translations of relevant parts are attached.

(4) Currency and measures

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

3. Screening-related Documents to be submitted by Applicants

Applicants shall prepare their Screening-related Documents in accordance with the Forms and Directions.

4. Handling of Screening-related Documents

Screening-related Documents shall be handled as follows.

(1) Copyrights

In principle, the copyrights of Screening-related Documents shall belong to the person who has submitted such documents. However, the City may use the document for public relations and other activities to whatever extent necessary, without charge. With regard to the copyrights of the documents submitted by the Applicant who was selected as the Preferred Negotiation Right Holder,

the City shall be granted to use the documents under the Project Agreement.
The Screening-related Documents shall not be returned.

(2) Patents and other rights

Applicants shall be responsible for any consequence arising from their use of patents and other rights, which are protected by the laws of Japan.

(3) Disclosure of the Screening-related Documents

After the selection of the Preferred Negotiation Right Holder, the City may disclose parts of Screening-related Documents submitted by the Applicants who were not selected as the Preferred Negotiation Right Holder, to the extent necessary.

(4) Inconsistency in the proposed details

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

(5) Obligations to perform the proposed details

With regard to the proposals presented by the Preferred Negotiation Right Holder to the City in the Proposal Screening, 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 presented by the City

Materials provided by the City shall not be used for any purpose other than examinations in relation to the Bidding.

6. Invalid applications

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

- i) When any person failing to satisfy the provisions of “Part 8.-2.-(2) Requirements for Applicants” applies
- ii) When there is a lack in Screening-related Documents
- iii) When the Screening-related Documents are not prepared in accordance with the Forms and Directions
- iv) When the method, place or deadline of submission of the Screening-related Documents fails to meet the requirements set out
- v) When a person participating in the Bidding contacts the City's staff, an officer of Kobe Airport Terminal Co., Ltd. or a member of the Selection Committee with regard to the selection of the Project without the City's permission
- vi) When there is any wrongful act in the course of the application procedures
- vii) When the Screening-related Documents contain any matter that is not meant to be stated
- viii) When any matter stated in the Screening-related Documents is false
- ix) When two or more sets of the Screening-related Documents are submitted
- x) When the application violates the terms and conditions stipulated in the Application Guidelines etc.

Part 12. Others

1. Cancellation of the Bidding and rescission of selection of the qualified project

The City shall, if determining that it is inappropriate to implement the Project, cancel the Bidding without selecting a Preferred Negotiation Right Holder even after the commencement of the Bidding and rescind the selection of the qualified project for the airport operating business.

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

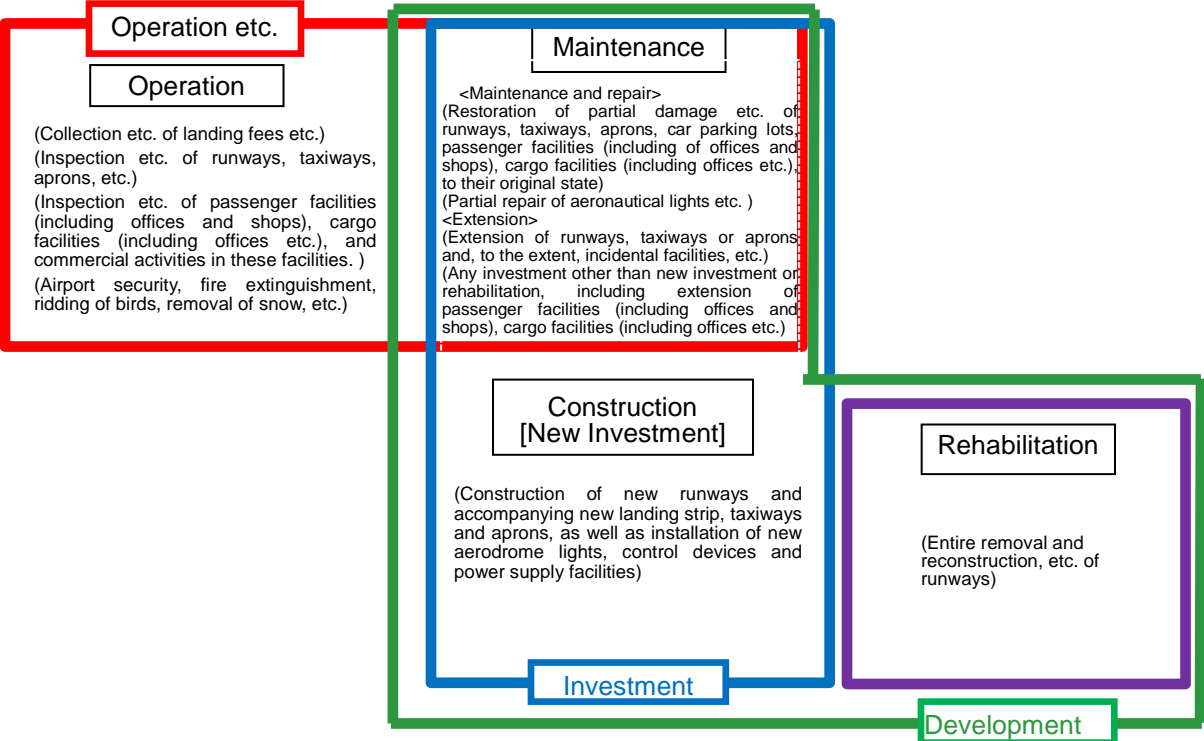
2. Provision of information

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

Website of the City

(<http://www.city.kobe.lg.jp/life/access/airport/08.html>)

Exhibit 1. Organizing the terms used herein with the terms used in the PFI Act



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

- Operation etc.: means operation and maintenance (Article 2, paragraph (6) of the PFI Act)
- Maintenance: capital expenditures or repairs (including so-called alterations and improvements and large scale repairs) excluding new constructions or entirely removing and redeveloping facilities etc. (PFI Guidelines)
- 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)