Airport Concession Policy and Next Deals in Japan

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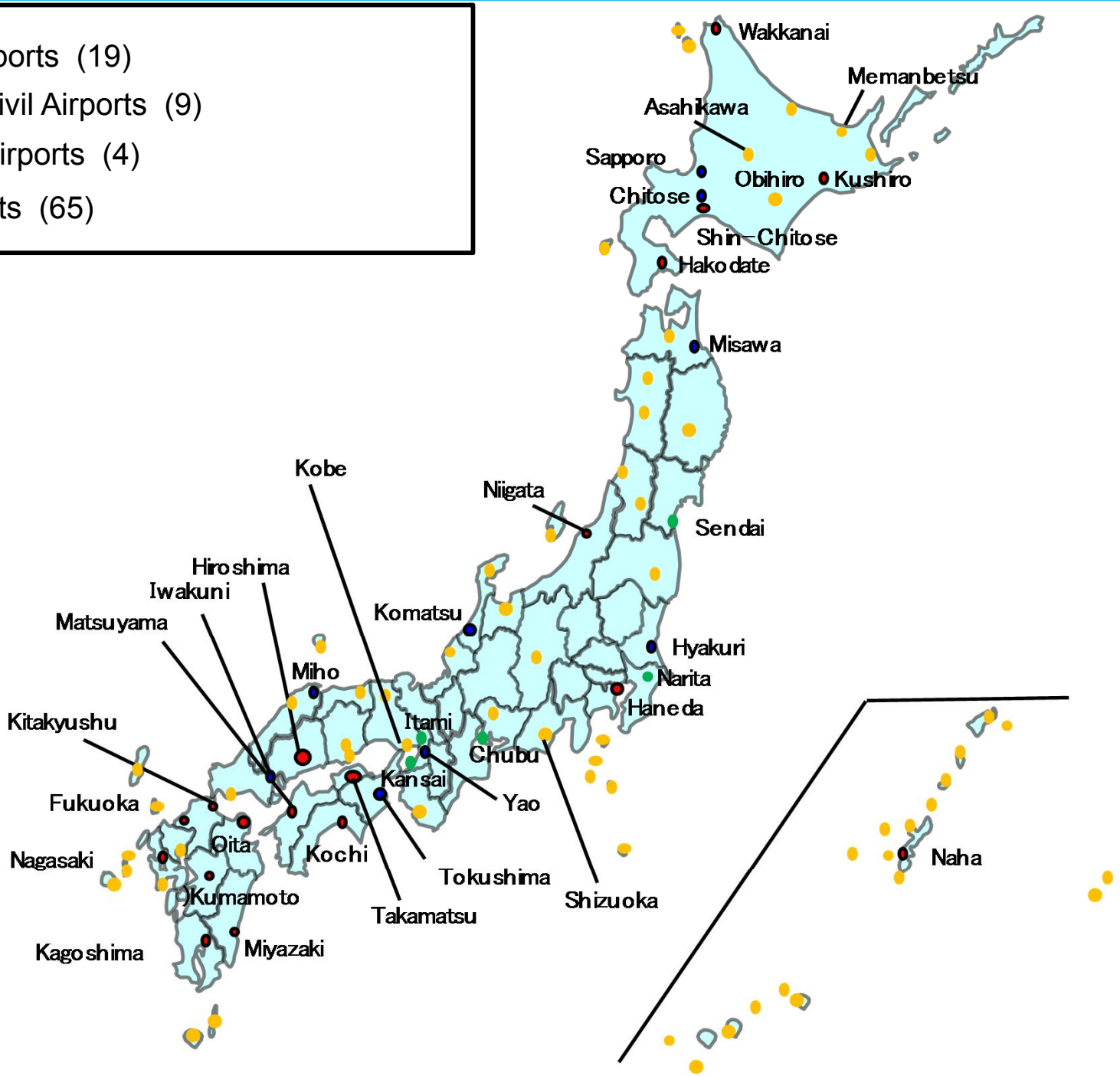
1. The current circumstance of Airports in Japan

2. Next Deals

Distribution of airports in Japan

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- National Airports (19)
- Defense / Civil Airports (9)
- Corporate Airports (4)
- Local Airports (65)



Category of Airports

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	"Corporate Airports" administered by Airport Companies	"National Airports" administered by the National Government (Including Joint Use Airport with JSDF)	"Municipal Airports" administered by Local Government
Major Airports (28) (Established by the National Government or Airport Companies)	Narita、Kansai・Itami、Central Japan (4 Airports)	(1)Haneda、(2)Shin-Chitose、(3)Wakkanai、(4)Kushiro、(5)Hakodate、(6)Sendai、(7)Niigata、(8)Hiroshima、(9)Takamatsu、(10)Matusyama、(11)Kochi、(12)Fukuoka、(13)KitaKyushu、(14)Nagasaki、(15)Kumamoto、(16)Oita、(17)Miyazaki、(18)Kagoshima、(19)Naha (19 Airports)	Asahikawa、Obihiro、Akita、Yamagata、Yamaguchi-ube (5 Airports)
Municipal Airports (54) (Established by local government.)			Nakashibetsu、Monbetsu、Memanbetsu、Aomori、Odate-noshiro、Hanamaki、Shonai、Fukushima、Shizuoka、Toyama、Noto、Fukui、Matsumoto、Kobe、Nankishirahama、Tottori、Izumo、Iwami、Okayama、Saga (20 Airports) ＜Airports in Isolated Island＞ Rishiri、Rebun、Okushiri、Oshima、Niijima、Kozushima、Miyakejima、Hachijojima、Sado、Oki、Tsushima、Ojika、Fukue、Kamigoto、Iki、Tanegashima、Yakushima、Amami、Kikai、Tokunoshima、Okinoerabu、Yoron、Awaguni、Kumejima、Kerama、Minami-Daito、Kita-Daito、Iejima、Miyako、Shimojishima、Tarama、Shin-Ishigaki、Hateruma、Yonaguni (34 Airports)
Other Airports (15) (Defense Airports, Commuter Airports etc)		(20)Sapporo、(21)Chitose、(22)Hyakuri、(23)Komatsu、(24)Miho、(25)Tokushima、(26)Misawa、(27)Yao (28)Iwakuni (9 Airports)	Chofu、Nagoya、Tajima、Konan、Oita-keno、Amakusa (6 airports)
Total （97）	4	28	65

Background of Airport Concession

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Regional economy as well as airports are facing tough time
➡ Call for airports to serve as the focal point for regional revitalization

Domestic demands for aviation has reached its ceiling due to Japanese aging society with fewer children	➡ Needs to attract tourists from fast-growing Asian counties
Airline faces the need to implement cost cutting measures and rationalize management as competition grows	➡ Needs for airports to support airlines management efforts through lowering landing fees
Airport management has become the top agenda as airport development has reached its final phase in Japan	➡ Needs to improve efficiency of airport governance and to improve user convenience

Recent improvements surrounding airport policies

Progress made on Open Skies agreements	➡ Airlines are given the operational flexibility to fly in and out of Japan's regional airports
Evolution of LCC	➡ Users are provided with cheaper fairs and increased services to choose from

Now is the great opportunity for Airport Governance Reform

Problem Recognition

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Current System of MLIT Airport Governance

i) Separated Management

➢MLIT
: Aeronautical activities
(Runways, Apron…etc)



➢Private Companies
: Non-aeronautical activities
(Terminal Buildings…etc)



ii)Pooling System
The revenue and expenditure of 28 national airports are managed all in a single accounting system.

Problems to be solved

・Absence of the unified strategy on management

i.e. Attracting airlines with strategic pricing of landing fee through all airport management.

・Less incentive to promote individual airports in tandem with the local entities

・Less incentive for efficient airport management and operation

Integrated Airport Management and the Benefits

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After Concession

- Lower landing fees by Integrating the management
- Agile and flexible pricing, taking advantage of airport's strengths

Launch LCC airlines/increase the number of their services by lowering landing fees/ making efforts to attract them

Improve Accessibility to Destinations by increasing the Number of Air Routes

Stimulate Japan's Airline Industry

➢ Individual Management

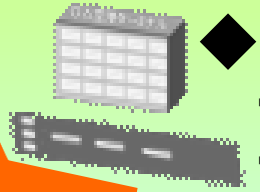
➢ More Community -based Management

➢ Integrated Management, Incl. Terminal Bldgs.

➢ Agile Management

Integrated Management by Private Sector

Runways ＋ Terminal Bldgs., etc.



◆ **Use Abilities of Private Sector**

- Maximize Operational Efficiency
- Make the Terminal Bldg. More Attractive

◆ **More Community-based Management (by each airport)**

Boost Non-aeronautical Revenues

More visitors to local regions

More hotel guests/product sales

More job opportunities

Local Revitalization

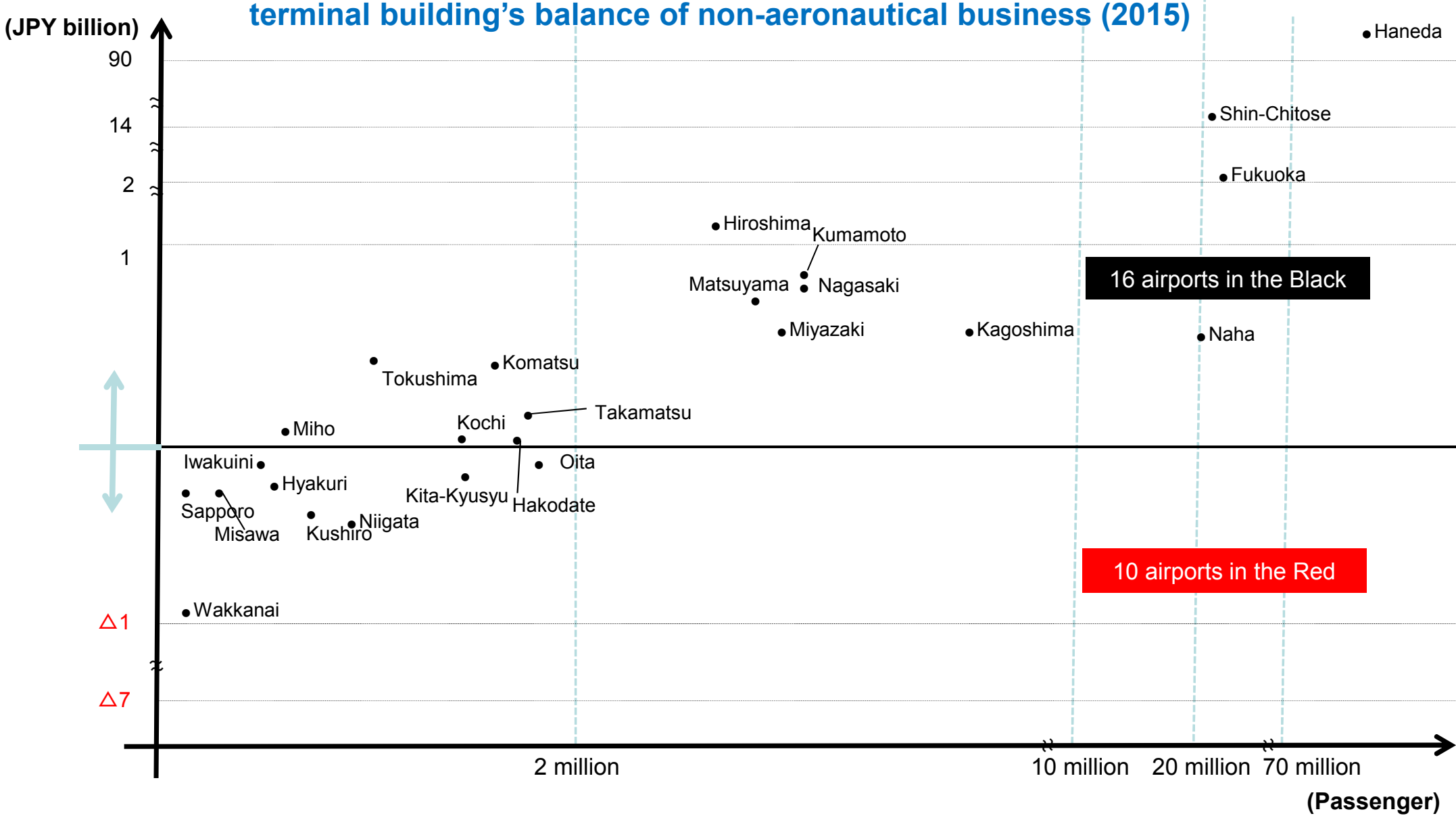
1. The current circumstance of Airports in Japan

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Financials of National Airports（Aeronautical+Non-Aero EBITDA）

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●The Total of MLIT's airports balance of aeronautical business and the terminal building's balance of non-aeronautical business (2015)



※ EBITDA：Earnings Before Interest, Taxes, Depreciation and Amortization≒Ordinary Profit＋Interest Expense＋Depreciation

Transaction Pipeline

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- "National Airports" (19) administered by the National Government
- "Military Airports" (9)※
  ※It's open for private aviation within an extent that doesn't hinder the defense activities

Airports in Hokkaido (2020 commencement)
Number of passengers : around 23mil* in 2015
Location: Hokkaido Pref. (population 5.4mil)
* Total of 7 major airports

Fukuoka Airport (2019 commencement)
Number of passengers : 21mil in 2015
Location: Fukuoka Pref. (population 5.1mil)

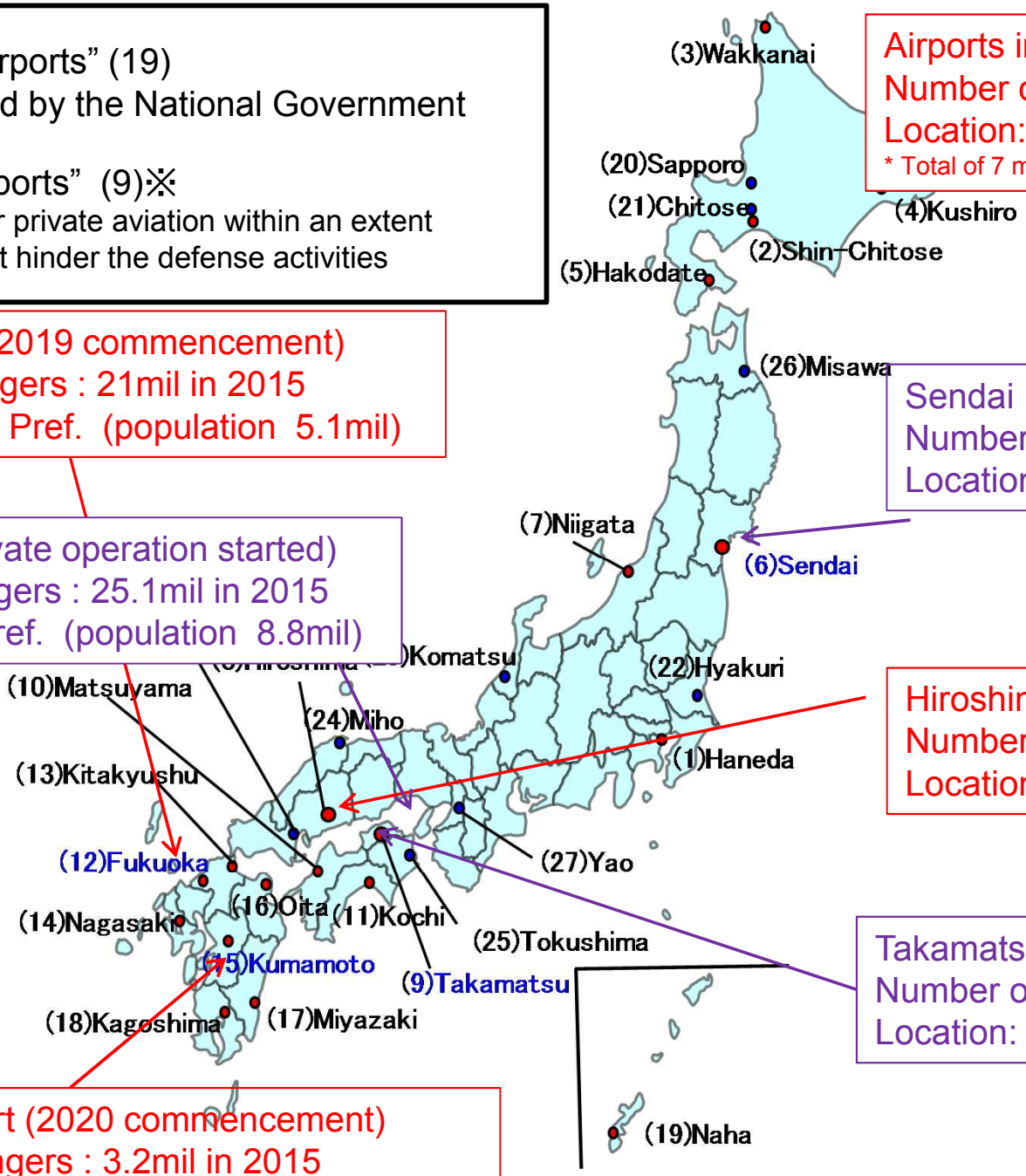
Sendai Airport (private operation started)
Number of passengers : 3.2mil in 2015
Location: Miyagi Pref. (population 2.3mil)

Kansai Airport (private operation started)
Number of passengers : 25.1mil in 2015
Location: Osaka Pref. (population 8.8mil)

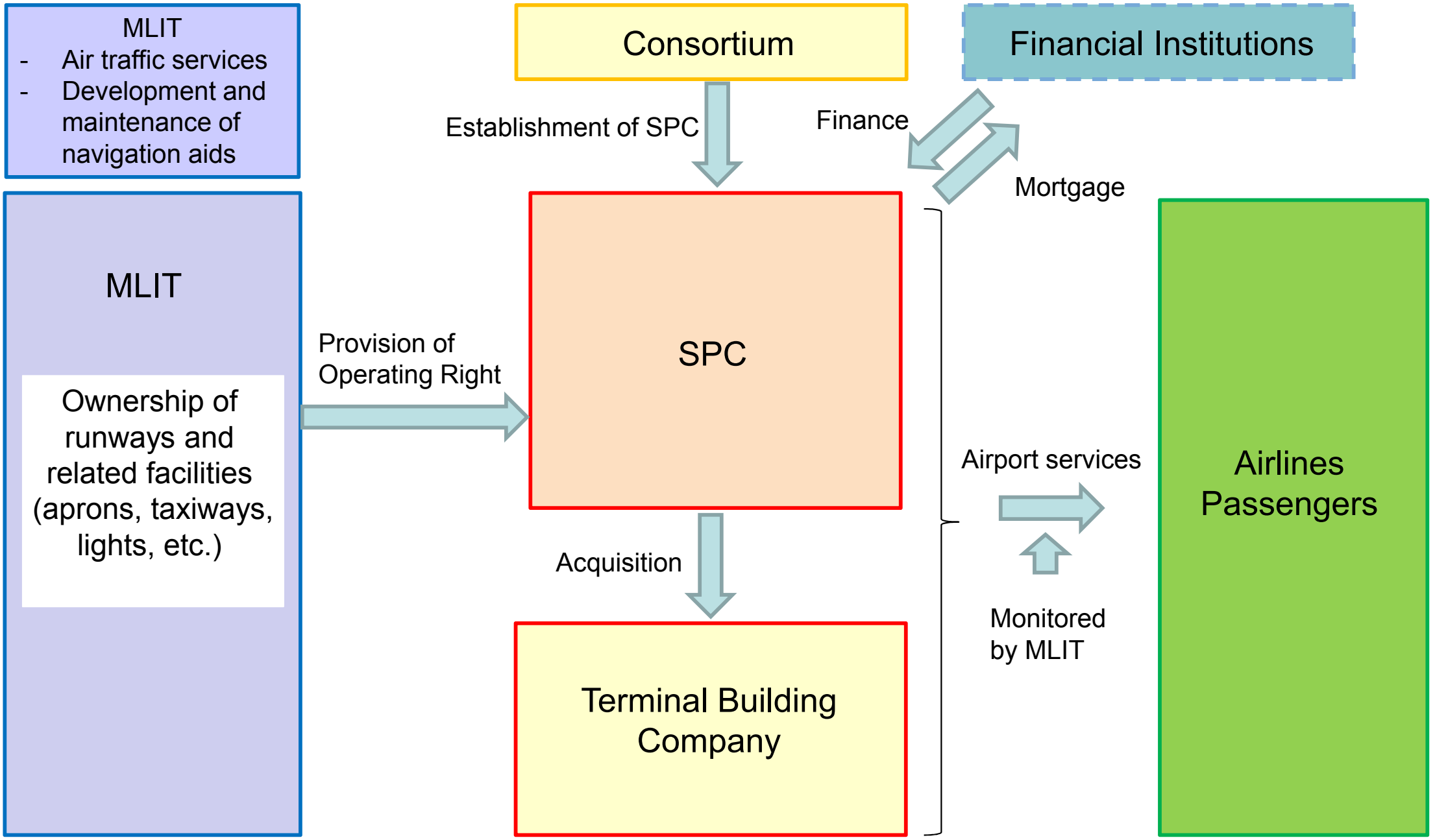
Hiroshima Airport (2021 commencement)
Number of passengers : 2.8mil in 2015
Location: Hiroshima Pref. (population 2.8mil)

Takamatsu Airport (bidding ended)
Number of passengers : 1.8mil in 2015
Location: Kagawa Pref. (population 1.0mil)

Kumamoto Airport (2020 commencement)
Number of passengers : 3.2mil in 2015
Location: Kumamoto Pref. (population 1.8mil)



Framework of Airport Concession

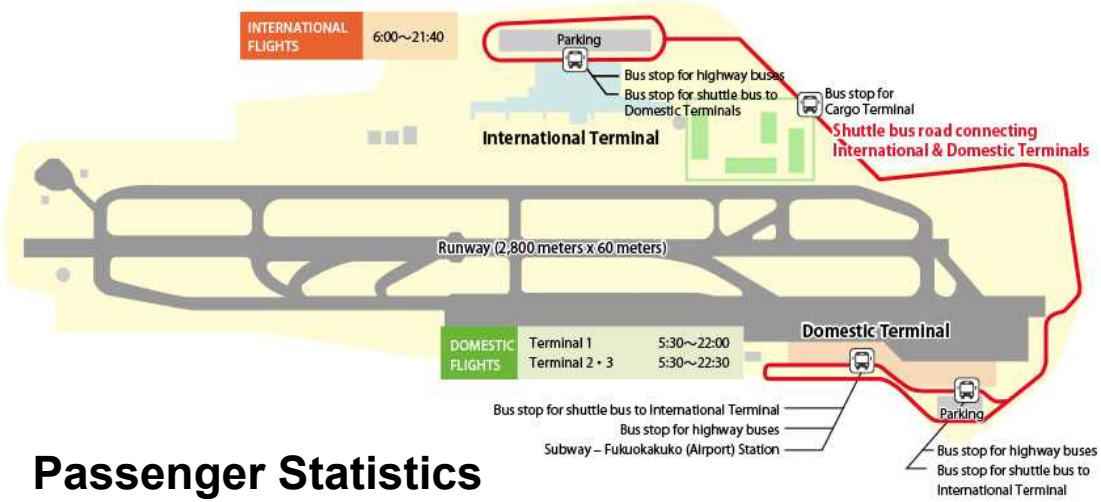


Fukuoka Airport (Overview)

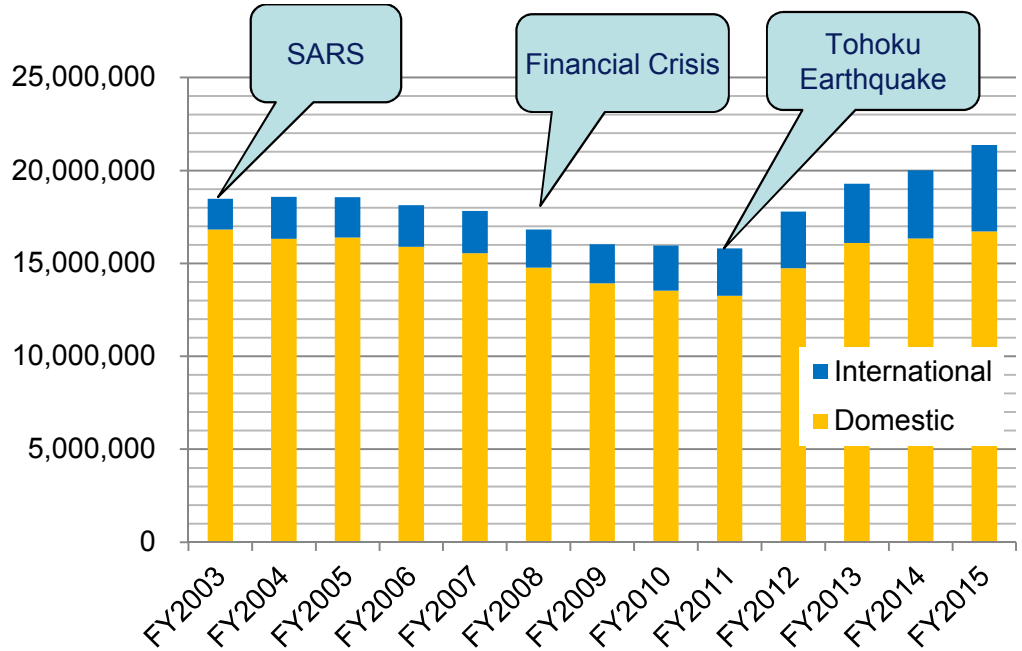
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○ Basic Information

- ✓Operating Hours：7:00～22:00
- ✓Parking: International: 902 / Domestic:853
- ✓Access: Subway (5 min to Hakata Station) / Bus

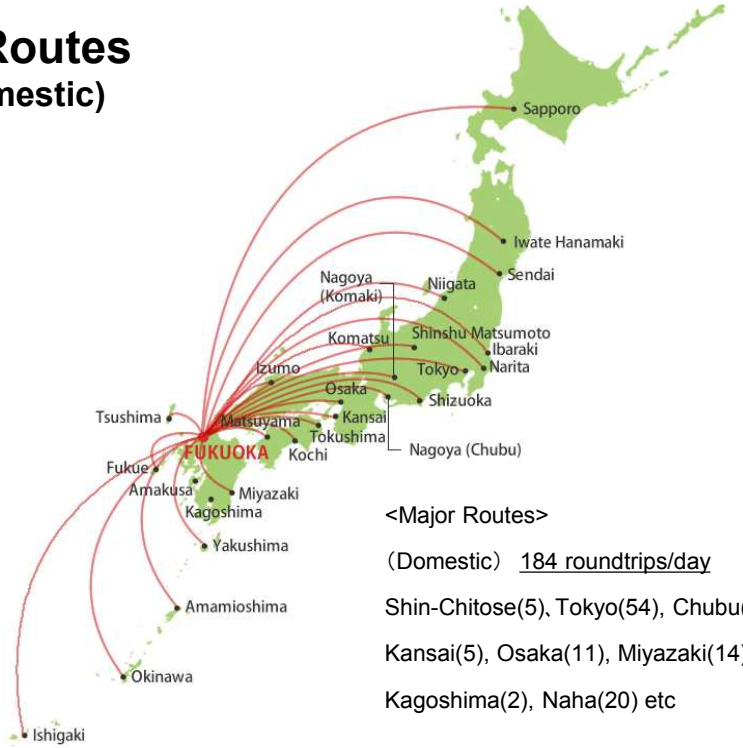


○ Passenger Statistics



○ Routes

(Domestic)

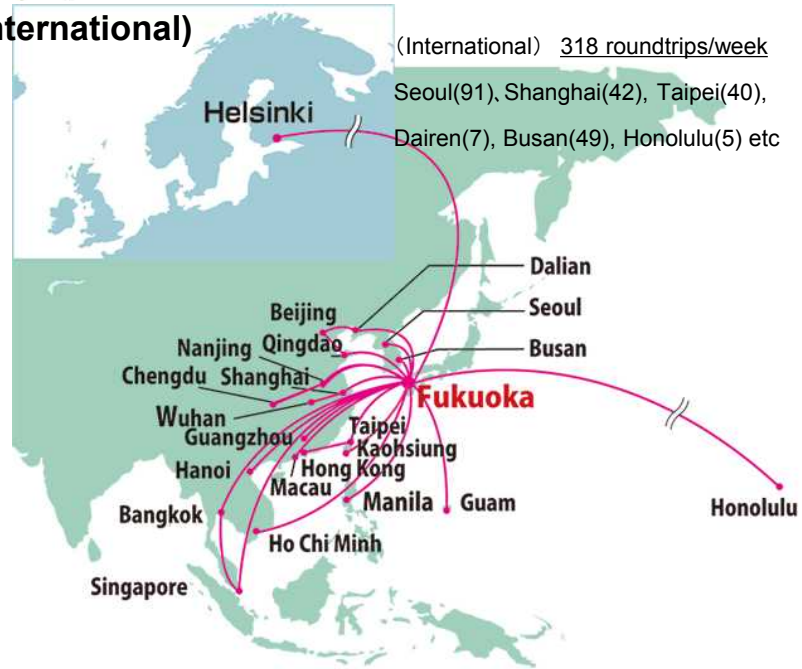


<Major Routes>

（Domestic） 184 roundtrips/day

Shin-Chitose(5), Tokyo(54), Chubu(13), Kansai(5), Osaka(11), Miyazaki(14), Kagoshima(2), Naha(20) etc

(International)



（International） 318 roundtrips/week

Seoul(91), Shanghai(42), Taipei(40), Dairen(7), Busan(49), Honolulu(5) etc

Fukuoka Airport (Terms and Conditions)

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○ Project Period

✓ 30 years + Possible extension due to force majeure within 5 years, etc.

○ Project Method

✓ Granting the Operating Right of Runways

✓ Acquisition of the Building Facility Operator Shares

○ Scope of Business

✓ Airside business

✓ Building business (Terminal + Cargo)

✓ Car parking business

✓ Environmental measures business etc.

○ Participation requirements for applicants

✓ Having experiences below in and after 2007

- experience in constructing and operating commercial facilities or public facilities, or acquiring and operating these facilities
- experience in conducting the passenger facility or passenger carrier business, the cargo handling facility or cargo carrier business, or the travel business
- experience in the commercial real property administrating business
- experience in a Public Facilities etc. Operation Project

✓ Should not be a subsidiary/affiliate of a sole airline

✓ Airlines in total should not be held more than one third of the total Voting Shares

○ Other

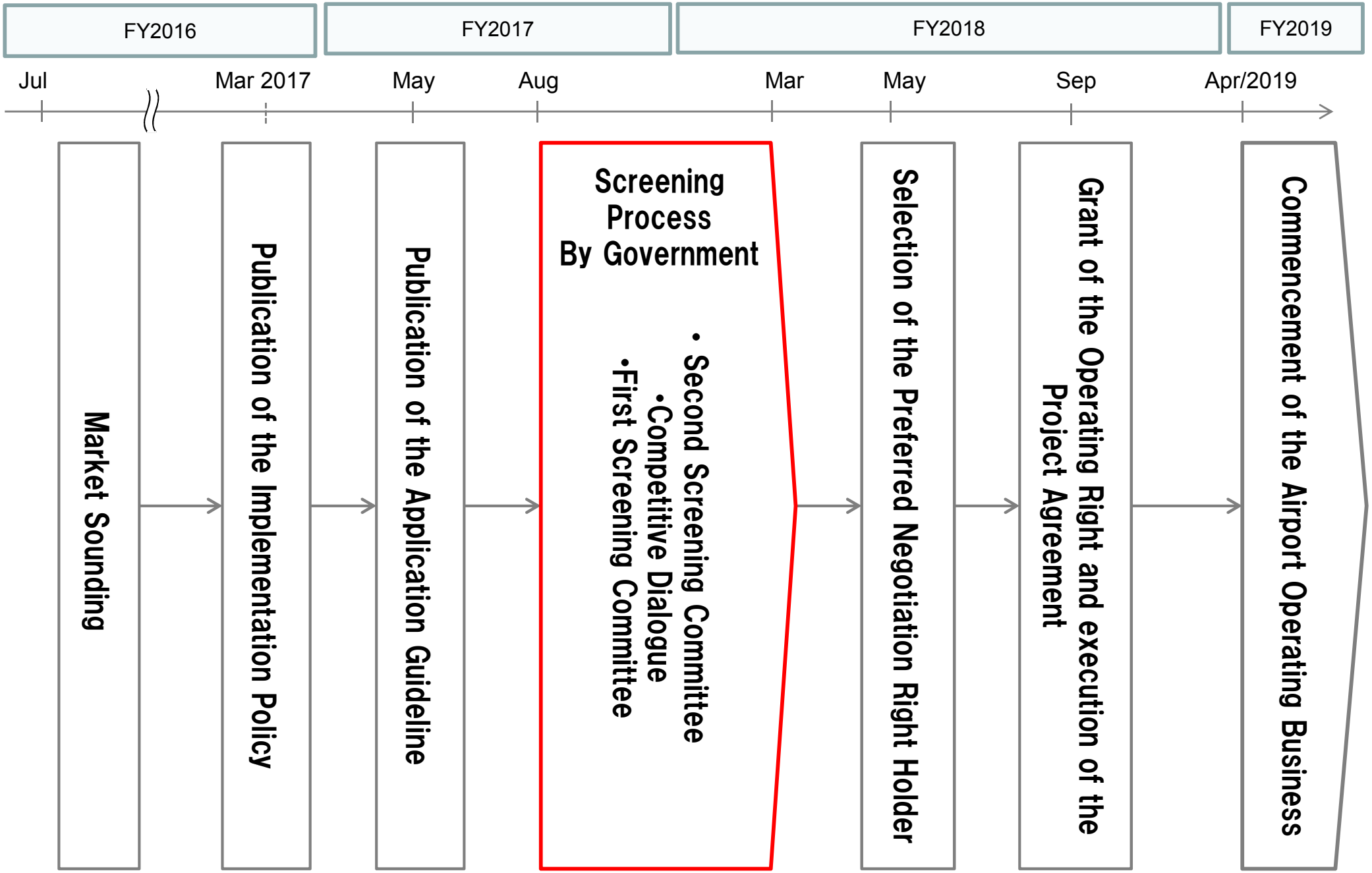
✓ Acquisition of shares and dispatch of personnel from local governments

- Acquisition by relevant local governments of 10% or less of voting shares in total
- Dispatch of one part-time director

Fukuoka Airport (Schedule)

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※The schedule below is current expectation possible to be changed.



Kumamoto Airport (Overview)

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○ Basic Information

- ✓Runway: 3,000m * 45m
- ✓Operating Hours：7:30～21:30
- ✓Parking: 1,490 lots
- ✓Access: Bus (40 minutes to City)

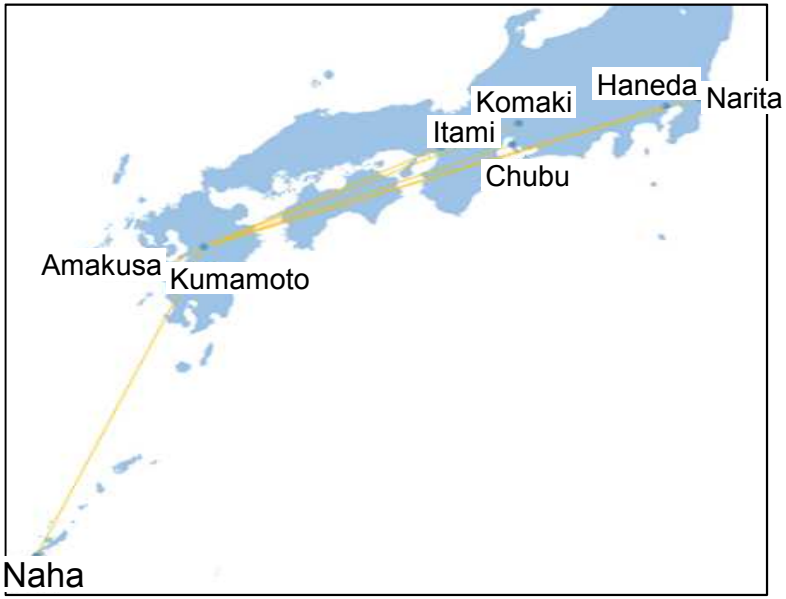


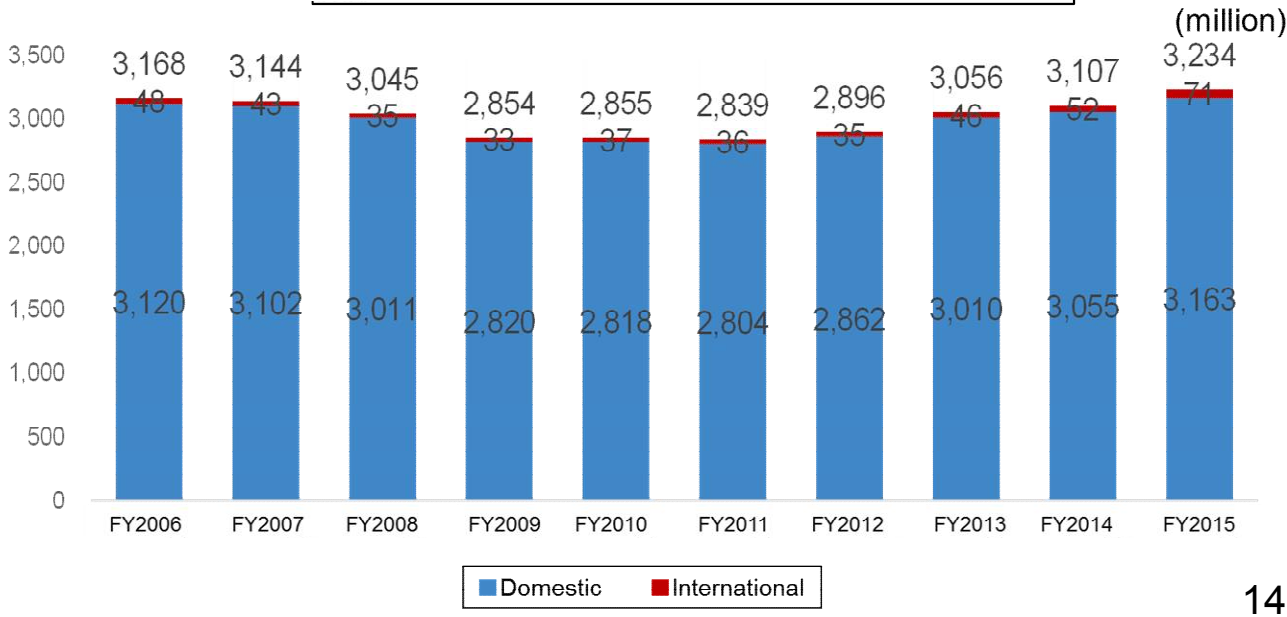
○ Passenger Statistics

FY2015: 3.23 million
(Domestic: 3.16 million)
(International: 0.7 million)

○ Routes

- ✓Domestic: 7 routes (39 roundtrips) / day
- ✓International: 2 routes (7 roundtrips) / day





Kumamoto Airport (Basic Scheme)

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- Market Sounding for Kumamoto Airport has been conducted from June to August 2017.
- 80 companies (incl. Developers, Transportations, Trading Companies, Funds, Financial Institutions, etc.)
- The points from basic scheme of Kumamoto Airport are as follows

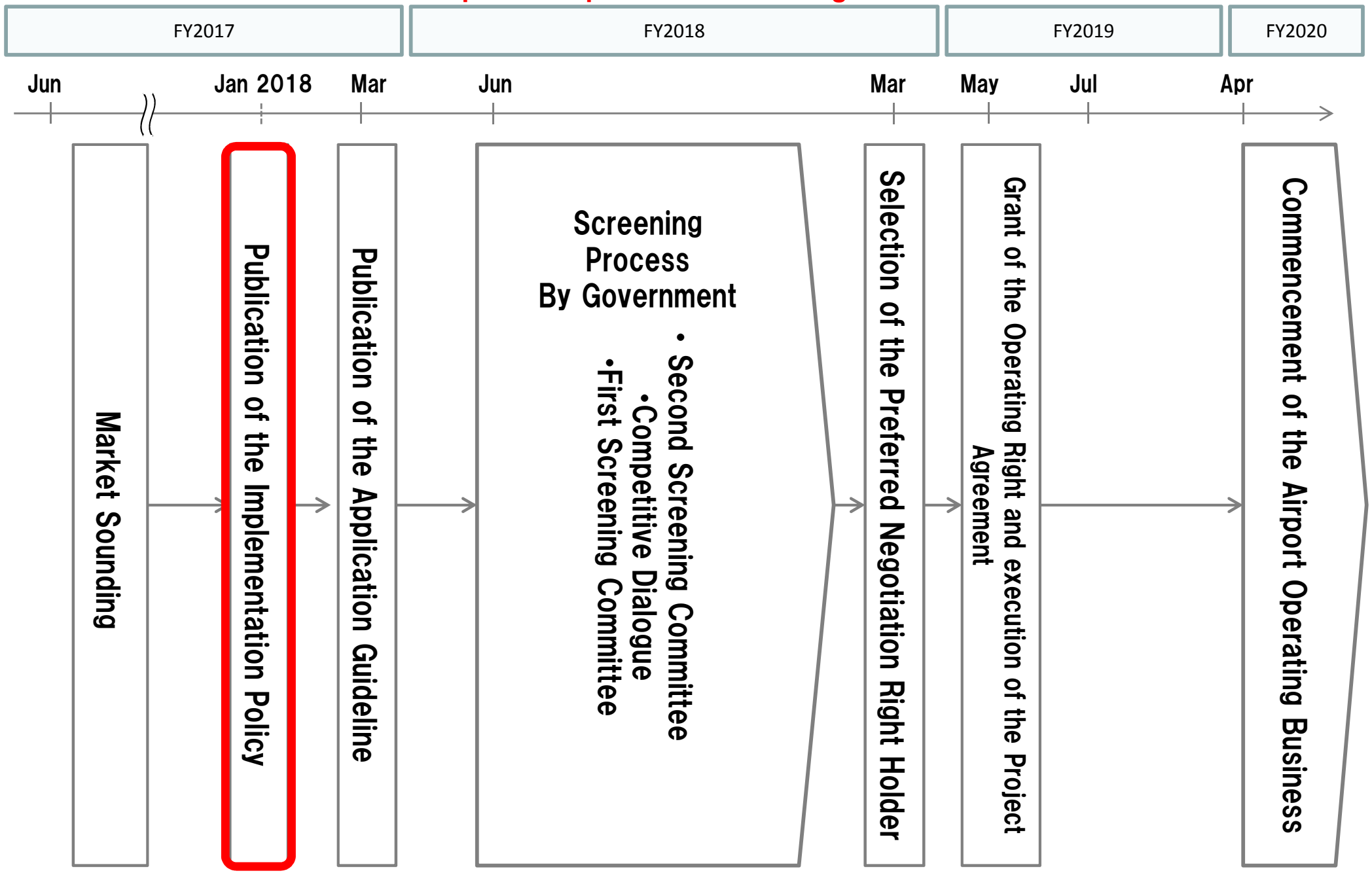
- Project period = Initial 33 years + Optional extension within 15 years + Possible extension due to force majeure within 10 years, etc.

- Construction of a new terminal building (integration of domestic/international) within 3 years

Kumamoto Airport (Estimated Schedule)

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※The schedule below is current expectation possible to be changed.



Hokkaido's Airports

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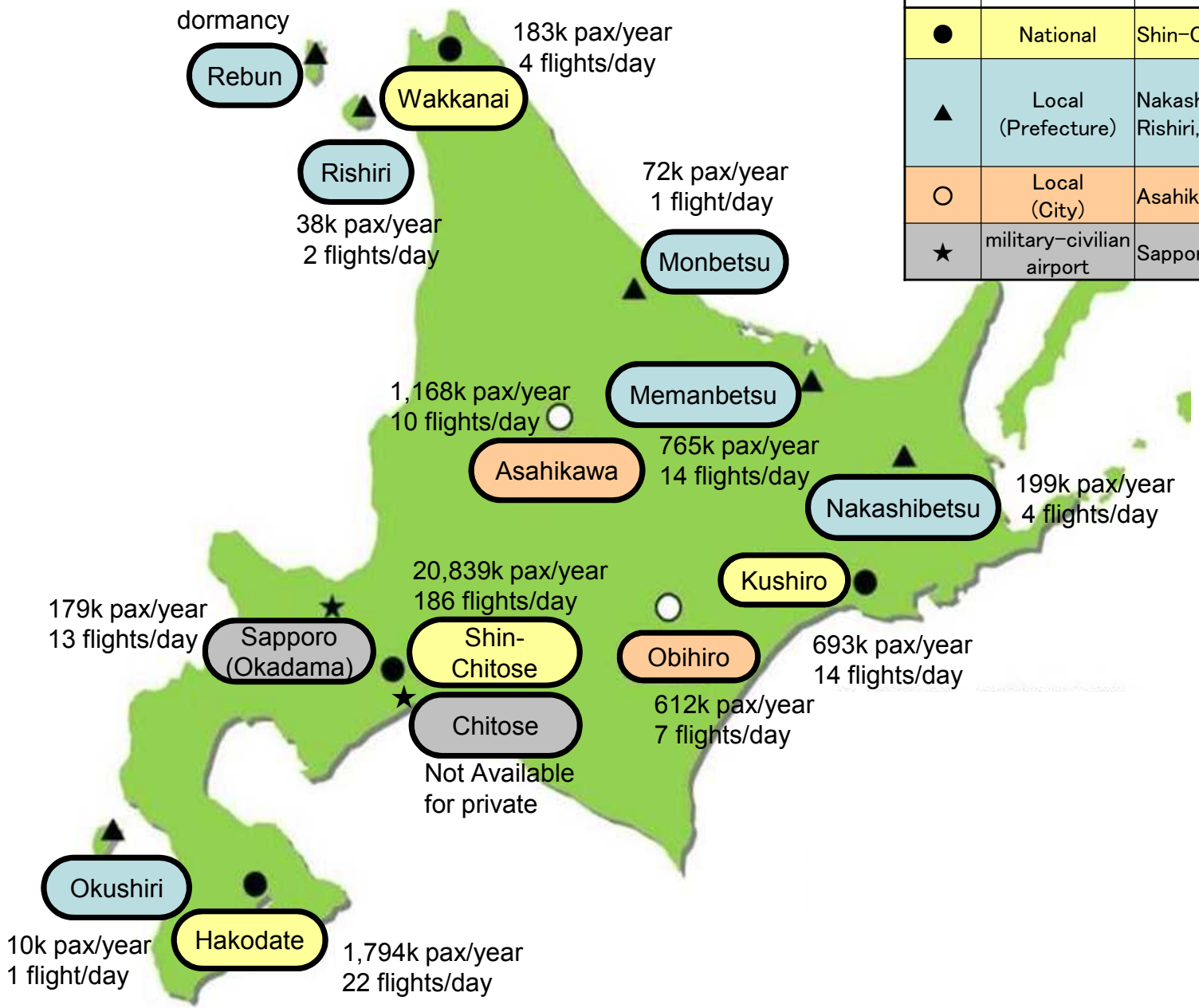




Hokkaido's Airports (Overview)

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	Administrator	Airport	#
●	National	Shin-Chitose, Hakodate, Kushiro, Wakkanai	4
▲	Local (Prefecture)	Nakashibetsu, Memanbetsu, Monbetsu, Okushiri, Rishiri, Rebun	6
○	Local (City)	Asahikawa, Obihiro	2
★	military-civilian airport	Sapporo (Okadama)	1



Pax: as of FY 2015 (Total)
Flights per day: as of July 2016

Hokkaido's Airports (Background for concession)

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Pursuing strategic collaboration among airports

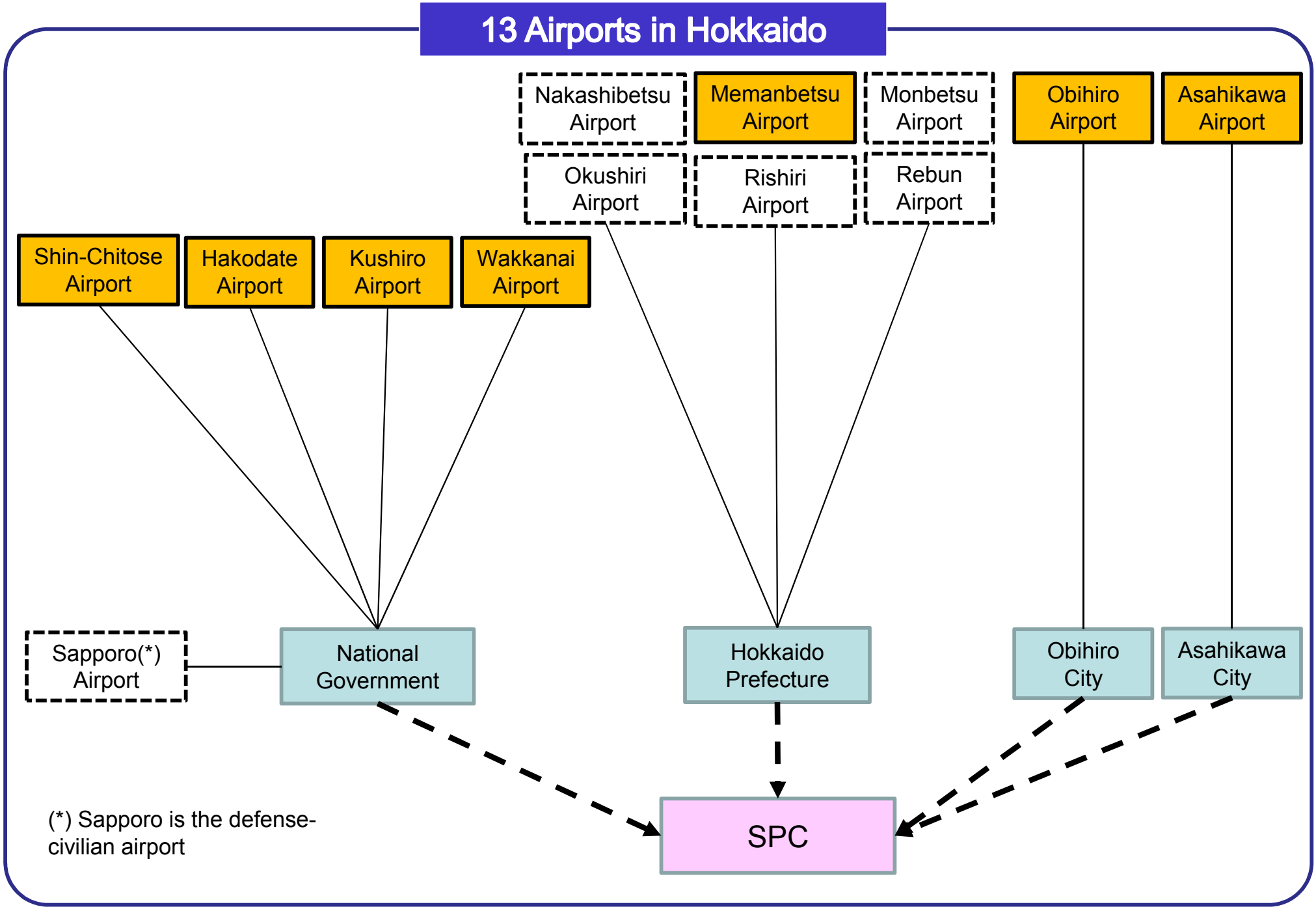
Currently, each airport in Hokkaido negotiates with airlines. Hokkaido region is not utilizing its tourism sites even though they exist in a prefecture...





Appeal as "One Hokkaido". Use the best airport for various tourism routes. Well-known Hokkaido's tourism will generate more possibilities!!

Hokkaido's Airports (Bundling Scheme)



Hokkaido's Airports (Basic Scheme)

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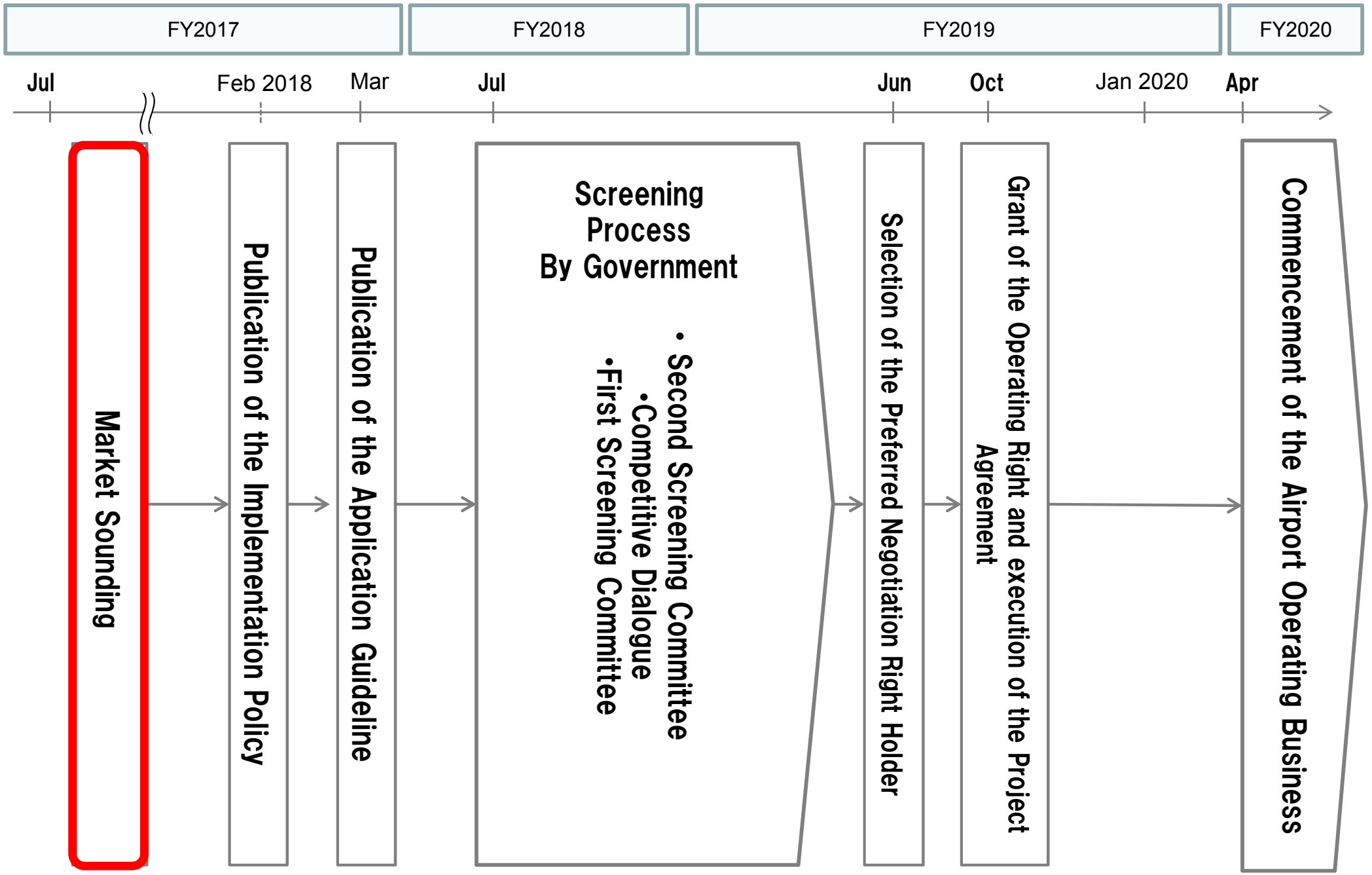
- The airports cover some relevant local governments. They require this project to revitalize the Hokkaido region itself.
- Market Sounding for Hokkaido's Airports has been conducted from July to September 2017.
- The points from basic scheme of Hokkaido's Airports are as follows

- Project period = 30 years + Possible extension due to force majeure within 5 years, etc.
- Consists of 7 airports (4 national airports, 1 prefectural airport, 2 city airports)
- Require the proposal of tourism and airline network in the region as well as the airport operations
- Will evaluate 7 airports' proposals in an integrated committee

Hokkaido's Airports (Estimated Schedule)

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※The schedule below is current expectation possible to be changed.



Airports for Concession

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Kansai/Osaka

- Operation by Orix/Vinci consortium started in April 2016

Sendai

- Operation by Tokyu consortium started in July 2016

Takamatsu (The bid has just ended)

- Operation by Mitsubishi consortium will start in April 2018

Fukuoka (During the bidding)

- Operation by the selected concessionaire expected in April 2019

Kumamoto

- Operation by the selected concessionaire expected in April 2020

Hokkaido

National Airports: Shin-Chitose, Hakodate, Kushiro and Wakkanai,
Local Airports: Asahikawa, Obihiro and Memanbetsu

- Operation by the selected concessionaire expected in 2020

Hiroshima

- Operation by the selected concessionaire expected in 2021

Core Messages

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Airport concession policy in Japan pursues…

- **1. More flexible management by private sector's knowledge**
- **2. Japan's Fiscal Consolidation**
- **3. Everlasting Safety and Security**
- **4. Revitalization of the Airport as well as Locals**
- **5. Fair participation requirements for all investors**

Contacts

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