

# Implementation Policy Overview

## 1 Matters regarding project contents

### (1) Method of the project

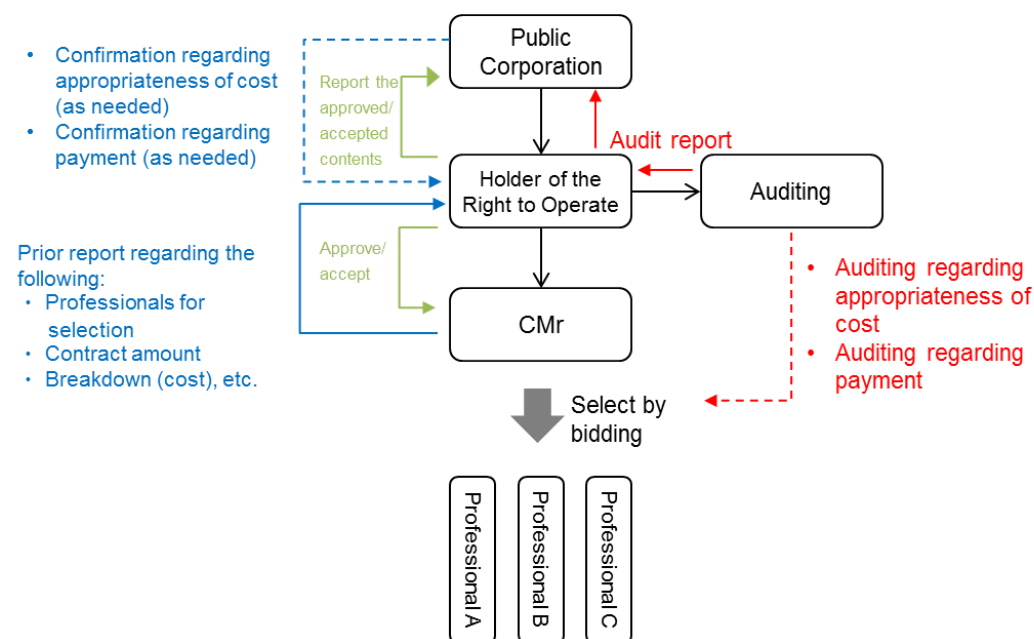
The target work "maintenance/operation of public facility etc." shall be implemented as the Public Facilities Operation Project (hereinafter referred to as the "Operation Project") defined in (2) of Article 6 of the PFI Act.

With regard to renovation work, open invitation for participation shall be implemented collectively with the maintenance/operation work, and the contents shall be included in the Implementation Contract concerning Right to Operate Public Facility etc.<sup>1</sup> (hereinafter referred to as the "Implementation Contract"). The appointed business operator (hereinafter referred to as the "Holder of the Right to Operate"<sup>2</sup>), to whom the Right to Operate Public Facility etc. defined in (7) of Article 2 of the PFI Act (hereinafter referred to as the "Right to Operate") has been established, shall implement the relevant renovation work based on the Implementation Contract, etc.

In this case, the ownership, etc. of the land within the range provided in the Demand Level Document (proposal) shall be acquired at the own responsibility and expense of the Aichi Prefectural Road Public Corporation (hereinafter referred to as the "Public Corporation").

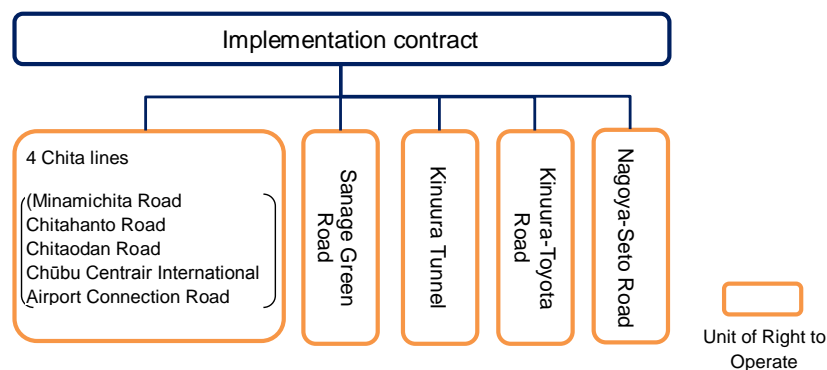
The renovation work shall be implemented based on the CM method in order to ensure transparency of the construction cost/accountability. To be specific, based on the cost plus management fee with the assumption of the open book system, the Public Corporation shall pay the cost for the renovation work to the Holder of the Right to Operate. If the effort to reduce the cost is made by VE, the incentive fee shall be provided to the Holder of the Right to Operate.

[Image of open book system]



### (2) Target public facility etc.

The target public facility etc. shall be the following roads among the Public Corporation-administered roads for which the Public Corporation collects fees, etc. under the Act on Special Measures concerning Road Construction and Improvement (Act No. 7 of 1956 and hereinafter referred to as the "Act on Special Measures").



In order to conclude the Implementation Contract, the contract shall be concluded as one agreement instead of conclusion for each Right to Operate.

<sup>1</sup> Commonly known as "Concession".

<sup>2</sup> Commonly known as "Concessionaire".

### (3) Duration of the Right to Operate

The duration of the Right to Operate shall start on the day stipulated in the Implementation Contract and shall end on the expiration date of the fee collection period of each line to which the Right to Operate has been established and which has received the permission from the Minister of Land, Infrastructure, Transport and Tourism under Article 10 or 11 of the Act on Special Measures.

Lines to which the Right to Operate has been established	Termination date of duration
4 Chita lines	March 31, 2046
Sanage Green Road	June 22, 2029
Kinuura Tunnel	November 29, 2029
Kinuura-Toyota Road	March 5, 2034
Nagoya-Seto Road	November 26, 2044

### (4) Matters regarding fees

The Holder of the Right to Operate may flexibly specify the fees up to the fees for which the Public Corporation has received the permission from the Minister of Land, Infrastructure, Transport and Tourism under Article 10 or 11 of the Act on Special Measures (the discounted fees if the Public Corporation implements discounting. The same shall apply hereinafter). Prior to specification of the fees, the Holder of the Right shall give a notice to the Public Corporation.

With regard to the proposal in which the fee exceeds the upper limit during a part of the period, if the fee system, which can obtain understanding of users after a certain period of time, has been established (ex. the burden on the road users will not increase because of the fluctuation of the fee throughout a year), the Public Corporation shall, after obtaining a resolution by the council in advance, make an application for permission to the Minister of Land, Infrastructure, Transport and Tourism again.

### (5) Project scope

As the maintenance/operation work, the Holder of the Right to Operate shall implement (i) traffic management work (road patrol/traffic control), (ii) maintenance work (cleaning/planting management, etc.), (iii) facility inspection and repairing work (pavement/bridge inspection, repairing, etc.), (iv) crisis management response work (traffic regulation, etc.), (v) operation work (fee collection, etc.), and (vi) taking over of work.

In addition, as the renovation work, the Holder of the Right to Operate shall implement (i) establishment of new Taketoyo Kita Interchange (tentative), (ii) addition of an exit to Rinku Interchange, (iii) establishment of new Obu Parking Area (outbound line) (tentative), (iv) establishment of new Agui Parking Area (inbound line) (tentative), (v) change of the general lane to the combined lane of ETC and general lane, (vi) waterproofing work for bridge floor slabs, and (vii) construction for enhancing functions including road information board.

### (6) Collateral and optional project

The Holder of the Right to Operate shall implement any collateral and optional projects as a financially independent project which shall be conducted at their own responsibility and expense. In the course of selecting a holder of first refusal right, proposals regarding these projects shall be accepted and evaluated.

#### 1) Collateral project

The Holder of the Right to Operate shall operate the stands, restaurants and vending machines (hereinafter referred to as the "Stands, etc.") among the collateral facilities, such as rest houses, installed by the Public Corporation.

In addition, in the areas adjacent to the newly established parking areas, the ownership, etc. of the land within the range provided in the Demand Level Document (proposal) shall be acquired and the land shall be developed at the own responsibility and expense of the Public Corporation, and the Holder of the Right to Operate shall install and operate the facilities, such as Stands, etc., which can contribute to enhancement of users' convenience, only after obtaining the prior permission from the Public Corporation based on the Road Act. Moreover, in this case, if the land exceeding the range of the land which can be obtained by the Public Corporation is necessary, the relevant land shall be acquired and created by the Holder of the Right to Operate at their own responsibility and expense.

#### 2) Optional project (project within the area)

The Holder of the Right to Operate may operate optional projects at their own responsibility and expense with the prior approval or permission of the Public Corporation based on the Road Act.

## Implementation Policy Overview

### 3) Optional project (project outside the area)

The Holder of the Right to Operate must not conduct any project activity, from which the Holder of the Right to Operate may gain profits, etc. from third parties, outside the area without the approval of the Public Corporation.

Since one of the purposes of this project is to revitalize the local economy including development of the areas along the roads, etc., applicant companies, constituent companies of the applicant group, subcontractors or companies funded by said companies (excluding the Holder of the Right to Operate) shall be able to operate the project, etc., which contributes to the revitalization of local area and promotion of road usage at their own responsibility and expense, and the Public Corporation shall cooperate in coordination, etc. with the related organizations.

### (7) Attribution of profits generated as a result of the operation by the Holder of the Right to Operate

Full amount of profits, which are generated from the cost reduction caused due to the originality and ingenuity of the Holder of the Right to Operate in order to ensure the demand level related to the maintenance/operation work for the lines to which the Right to Operate has been established, shall attribute to the Holder of the Right to Operate.

On the other hand, if the actual fee income for each year exceeds the planned fee income for each year, which is planned when the Right to Operate is established, the income shall attribute to the Holder of the Right to Operate in case that the difference is within 6%, and the amount exceeding the difference of 6% shall attribute to the Public Corporation. If the income is below the planned fee income, the difference shall be borne by the Holder of the Right to Operate if the difference is within 6%, and the amount exceeding the difference of 6% shall be borne by the Public Corporation.

### (8) Reference value of compensation for the Right to Operate and payment method

With the amount proposed by the holder of first refusal right as the base, the Public Corporation shall receive the permission from the Minister of Land, Infrastructure, Transport and Tourism under Article 28-3 of the Act on Special Districts for Structural Reform and specify the compensation for the Right to Operate.

The Holder of the Right to Operate shall pay the compensation for the Right to Operate to the Public Corporation after the conclusion of the Implementation Contract, and shall pay consumption tax and local consumption tax separately. The compensation for the Right to Operate consists of lump-sum compensation for the Right to Operate, which has to be paid until the specified due date, and installment-based compensation for the Right to Operate (including interest), which are paid every year throughout the operation period. In consideration of capitalization rate/investment yield for the government bonds, etc. of the Public Corporation, the interest related to the installment-based compensation for the Right to Operate shall be scheduled to be defined as 1.18% per year in the Implementation Contract, and the installment-based compensation for the Right to Operate shall be based on the equal payment method.

The reference value of compensation for the Right to Operate shall be more than 121.977 billion yen that is the current value calculated by rebating the income, which can be expected when the Public Corporation continues to operate the project, based on the 1.18% per year (with the assumption that the project will start on October 1, 2016), and the lump-sum compensation for the Right to Operate out of this value shall be more than 15 billion yen.

The evaluation of the proposed amount shall be scheduled to be implemented by using the total amount of the proposed lump-sum compensation for the Right to Operate and installment-based compensation for the Right to Operate that is the current value calculated by rebating based on the 1.18% per year.

### (9) Temporary transfer of employees, etc.

The Public Corporation shall be ready to temporarily transfer the employees, who have work experience related to this project, to the Holder of the Right to Operate for a certain period of time from the start of this project.

The initial transfer period shall be 3 years or less, and if the Holder of the Right to Operate requests to extend the temporary transfer period, it shall be necessary to obtain consent from the Public Corporation.

Moreover, these details shall be coordinated during the competitive dialogues to be conducted in the course of the examination.

## 2 Matters regarding the invitation and selection of a private business operator

### (1) Invitation and selection method of a private business operator

Selection of a holder of first refusal right in this project shall be based on the competitive optional contract in consideration of securement of competitiveness, transparency and fairness.

### (2) Examination system

When determining a holder of first refusal right, the Public Corporation shall establish the Private Business Operator Selection Committee regarding Projects including Aichi Prefecture Tollway Operation (hereinafter referred to as the "Committee") consisting of the persons with relevant knowledge and experience, etc. The Committee meetings shall be closed-door.

### (3) Procedures after publication of the implementation policy

#### 1) Publication of invitation outline, etc. and explanatory meeting regarding the invitation outline, etc.

With the publication of the invitation outline, etc., explanatory meetings regarding the invitation outline, etc. shall be held in order to promote participation of private business operators.

#### 2) The primary examination method, etc.

In the primary examination, qualification and proposal examinations shall be implemented.

The Committee shall plan to examine (proposal examination) the "examination items concerning the overall project" for the primary examination documents of the applicants, who have been confirmed to meet the applicant eligibility requirements (qualification examination), in a comprehensive manner. In the proposal examination, the proposal regarding basic matters shall be requested. The specific and detailed proposal shall be requested in the secondary examination.

The evaluation point for the primary examination shall not be passed on to the secondary examination. In addition, in the event that any of the applicants who have passed the primary examination declines or loses the participation qualification during the secondary examination, any applicants who have not passed the primary examination shall not be raised to the secondary examination to participate in the examination.

#### 3) Competitive dialogue

The Public Corporation shall have competitive dialogues with the secondary examination participants until the secondary examination documents are submitted after the primary examination, and based on the result, make adjustments regarding the Implementation Agreement (proposal), Demand Level Document (proposal), etc. It is scheduled to hold the competitive dialogues several times.

#### 4) Determination of a holder of first refusal right

In the secondary examination, detailed and specific proposal for each matter shall be requested. The Committee shall plan to examine those proposals on the basis of the "examination items concerning the overall project", "examination items concerning individual work/project" and "examination items concerning the proposed amount" in a comprehensive manner. The secondary examination participants shall be ranked based on the total points. As a result, the Public Corporation shall select the secondary examination participant who is ranked as No.1 as the holder of first refusal right.

### (4) Configuration of applicants

Applicant shall be an applicant company or applicant group. If the applicant applies as an applicant group, it shall specify the representative company.

If a company, which has been conducting or has actual experience of road project management work outside Japan, participates in the examination not as an applicant group company, the relevant company shall be regarded as a member of the applicant group, and the provisions in (5) 1) and (6) shall apply mutatis mutandis.

### (5) Qualification of applicant

Applicants shall meet the following requirements. In the event that an applicant becomes unable to meet any of the following requirements from the submission deadline of the letter of participation until the conclusion of the Implementation Contract, the applicant shall become disqualified or shall not conclude the contract if the applicant has been determined as the holder of first refusal right.

#### 1) Restrictions for the persons who have capital relationship

The persons who have any of the following relationships with any applicant company or constituent company of the applicant group shall not be able to participate as other applicant company and constituent company of the other applicant group.

- Parent company, subsidiary or affiliated company
- Has the same parent company and is a subsidiary of the relevant parent company
- Subsidiary of the subsidiary
- Has the same parent company and is a subsidiary of the subsidiary of the relevant parent company

## Implementation Policy Overview

2) Restrictions due to particularity of the owned technologies

If the companies, which possess the know-how required to implement a part of work within the project scope, are extremely limited, they shall not be recognized as the constituent companies due to the fact that other applicants become disadvantaged if the relevant companies become applicants, and then the competitive environment may be substantially undermined.

However, it shall be approved that the relevant companies may get involved in making proposals of the multiple applicant groups as a subcontractor. If the relevant companies get involved in making proposals of the multiple applicant groups as a subcontractor, they must not leak any information to other applicant groups and present any price, advantageous/disadvantageous conditions regarding the contents to specific applicant groups.

3) Common qualifications for participation for applicant company and constituent company of applicant group

All applicant companies and constituent companies of applicant groups are required to meet all of the following requirements in (i) - (ix) at minimum. In case of overseas company, with regard to the following (iv), it shall be necessary for the Public Corporation to confirm that the overseas company meets the equivalent requirements under the applicable laws and regulations.

- (i) The company/group does not fall under the provision stipulated in Article 167-4 of the Order for Enforcement of the Local Autonomy Act.
- (ii) The suspension of appointment has not been implemented based on the Aichi Prefectural Road Public Corporation Bidding/Appointment Examination Committee Outline. The suspension of appointment refers to the case in which the suspension of appointment has been implemented for more than 1 year.
- (iii) The company/group does not receive any eradication action in accordance with rules, regulations, etc. regarding eradication of organized crime groups.
- (iv) The company/group does not make any petition for commencement of proceedings under the provisions in Article 17 of the Corporate Reorganization Act or Article 21 of the Civil Rehabilitation Act.
- (v) The company/group is not the company stipulated in 4 of Article 2 of the Act on Special Measures or does not have capital relationship with the relevant company directly or indirectly. The company/group is not able to become a subcontractor excluding some companies entrusted with the specified works.
- (vi) The company/group is not the trustee of work related to this project, etc. or does not have the relationship of parent company, subsidiary or affiliated company with the relevant trustee.
- (vii) The company/group is not the adviser for the open invitation for participation or does not have the relationship of parent company, subsidiary or affiliated company with the adviser for the open invitation for participation.
- (viii) The company/group is not the company to which any Committee member belongs or does not have the relationship of parent company, subsidiary or affiliated company with the said company.
- (ix) The company/group does not fall under the Grounds for Disqualification for private business operators to implement the qualified project, which are stipulated in Article 9 of the PFI Act.

4) Individual qualification for participation for applicant company or representative company of applicant group

Applicant company, representative company of applicant group, or the company which has the relationship of parent company, subsidiary or affiliated company with the applicant company or representative company of applicant group is required to meet one of the following requirements in (i) - (iii). In case of overseas company, it shall be necessary for the Public Corporation to confirm that the overseas company meets the equivalent requirements.

- (i) The company has the actual experience of 20% or higher investment for any special purpose company, etc., which is the entity to implement domestic/overseas infrastructure projects (road, airport, water and sewerage, etc.) or real estate development projects, for the last 15 years (from April 1, 2000 until the previous day of the submission date of the necessary primary examination documents).
- (ii) The company has been conducting or has the actual experience of management work to any special purpose company, etc., which is the entity to implement domestic/overseas infrastructure projects (road, airport, water and sewerage, etc.) or real estate development projects, for the last 15 years (from April 1, 2000 until the previous day of the submission date of the necessary primary examination documents).
- (iii) The company has been conducting or has the actual experience of any project by investing more than 20% to any special purpose company in domestic PFI project for the last 15 years (from April 1, 2000 until the previous day of the submission date of the necessary primary examination documents).

(6) Change of constituent company of applicant, etc.

It shall not be acceptable to change the constituent company of applicant group. However, if the Public Corporation

regards it as inevitable, it may be acceptable to change or add a company of applicant group except the representative company.

(7) Establishment of special purpose company, etc.

The appointed business operator shall establish a special purpose company in Aichi Prefecture before the conclusion of the Implementation Contract. The special purpose company to be established shall not provide any business other than this project without the prior written approval of the Public Corporation.

### 3 Matters to ensure the appropriate and reliable implementation of a project

(1) Concept of risk allocation

In principle, allocation of expected risks and responsibilities of the Public Corporation and Holder of the Right to Operate shall be based on the Risk Allocation Table, and the main items are explained below:

1) Price fluctuation risk

The price fluctuation risk caused due to market fluctuation during the project period shall be borne by the Holder of the Right to Operate, provided, however, that the price rise exceeding 1.5%, as compared to the price level at the time of Implementation Contract conclusion, shall be borne by the Public Corporation and income from price decrease exceeding 1.5% shall attribute to the Public Corporation.

2) Risk of facility defect, insufficiency, etc.

If the defect exists at the start of the project and can be detected while implementing the work in accordance with the Demand Level Document (proposal) but the Holder of the Right to Operate did not report within 2 years, the Holder of the Right to Operate shall bear the responsibility.

3) Risk of new establishment of competitive lines, etc.

With regard to the risk caused due to the fluctuation of the number of use automobiles by newly establishing competitive lines, which can be predicted at the time of open invitation for participation, among the differences between the expected traffic volume at the time of the contract and actual traffic volume, the increased income amount shall attribute to the Public Corporation, and decreased income amount shall be borne by the Public Corporation.

(2) Matters regarding monitoring of the project implementation state

1) Self-monitoring by the Holder of the Right to Operate

The Holder of the Right to Operate shall implement inspections regarding whether or not the work has been carried out without fail based on the standards stipulated in the Demand Level Document (proposal) and report the inspection method and results to the Public Corporation on a regular basis and as needed upon request from the Public Corporation.

2) Monitoring by the Public Corporation

The Public Corporation shall, as the monitoring for work, monitor/confirm the work for confirming whether or not the demand level is achieved, etc. In addition, as the monitoring for financial affairs, the Public Corporation shall implement monitoring, including financial statement confirmation, in order to comprehend the financial condition of the Holder of the Right to Operate and confirm the continuity/stability of this project.

The Public Corporation shall be able to provide improvement instruction if it is regarded as necessary based on the monitoring result, and the Holder of the Right to Operate shall take the necessary improvement actions.