

Reports

JAPAN - INTEGRATED RESORTS



In September last year a new Prime Minister took over the helm in Japanese politics, replacing Shinzo Abe, who was known for giving Japan a long period of political stability. Prior to Abe's election back in 2012, Japan had gone through 19 Prime Ministers over the past 30 years – and the Japanese government was often called the 'revolving door'.

No one expected Abe to go. Certainly not before his beloved Tokyo Olympics. But due to ill health he was forced to resign and leading Liberal Democrat party elections chose Yoshihide Suga

as their replacement. Many say this was mainly because there was little obvious alternative.

The 71-year-old Suga was previously the Chief Cabinet Secretary and basically Abe's right hand man. His nickname is 'Iron Wall' because of his reputation for toughness and discipline and refusal to answer any questions he doesn't seem to like.

He takes over at an extremely difficult time of course, as Japan continues to deal with the pandemic which has caused the country its

biggest economic slump on record.

Prior to the COVID-19 crisis Japan was slowly climbing back up the economic ladder after its economy collapsed in late 1991. At the time Abe introduced a comprehensive policy package, dubbed Abenomics, which aimed to revive the Japanese economy from two decades of deflation, recession and slow growth.

Suga aims to continue with the policies, however this was still very much a work in progress when the pandemic hit and Suga's

IR Lifeline

Japan

Japan's long-awaited casino market has finally taken its first faltering steps amid a COVID cloud of delays and long drawn out decision making. The Integrated Resort proposals seem to be taking shape after a wavering start as the prefectures announce deadlines and operators submit their proposed plans.

Prior to the COVID-19 crisis Japan was slowly climbing back up the economic ladder after its economy collapsed in late 1991. At the time Abe introduced a comprehensive policy package, dubbed **Abenomics**, which aimed to revive the Japanese economy from two decades of deflation, recession and slow growth.

priority now is to pull a country back out from a COVID economic induced coma. Suga plans to expand testing and procure vaccines by the first half of 2021 and revitalise regional economies by raising the minimum wage, introduce agricultural reforms and boost tourism.

Japan was already struggling with low economic growth. The country has a declining population and high proportion of elderly citizens plus a host of natural disasters. Just before the crisis Japan was still recovering from the affects of typhoon Hagibis.

Japan is the world's third largest economy but saw its GDP fall 7.8 per cent in April to June last year from the first quarter. The Japanese economy bounced back slightly in Q3 2020 after it grew an annualised real 22.9 per cent from the previous quarter. Private consumption, which accounts for more than half of Japan's GDP, grew by 5.1 per cent. In Q2 the economy shrank an annualised 29.2 per cent which is said to be the worst contraction on record. One of the main factors was a decline in domestic consumption which accounts for more than half of Japan's economy. Exports also dropped sharply.



The virus outbreak has had a huge impact on tourism in Japan. Although restrictions on domestic tourism were lifted, Japan's borders to international tourists have remained virtually closed since early April with no signs these will open in the near future.

Real GDP at the end of 2019 was ¥540 trillion which dropped to ¥485 trillion during the height of the pandemic. By end of 2020 it was ¥507.6 trillion.

Unemployment, which hovered around the two per cent mark at the end of 2019 was around three per cent by September 2020 whilst sales in department stores plummeted in April and May by 65 per cent.

Suga has recently announced a stimulus package worth ¥73.6 trillion (\$708bn) to pull the country out of the slump which follows on from a previous \$2.2 trillion stimulus which focused on household and businesses. This new

stimulus will help push economic growth and is likely to include subsidies and incentives for companies to boost investment.

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Initially the virus didn't see a huge explosive spread like in Europe or North America and the government was criticised for its failure to implement severe lockdown measures in the beginning. There was a resurgence of infections

at the end of the year and figures stand at around 372,000 and over 5,250 deaths with around 3,800 new cases per day and 90 deaths per day (January 30).

The government declared a state of emergency between April 7 and May 25 which requested people stay home and certain businesses were closed. After this social distancing was recommended rather than enforced, and restrictions on inter-prefectural travel was lifted on June 19 and a 'Go To Travel' campaign was launched in late July to encourage residents to travel offering 35 per cent discounts on total costs of accommodation and travel packages plus coupons worth 15 per cent of total costs for



Essential information and facts about Japan:

Capital	Tokyo
Total Area	377,915sq.km
Population	125.5 million
Median age	48.6 years
Religion	Shintoism, Buddhism, Christianity
Ethnic Groups	Japanese (98 per cent), Chinese, Korean
Languages	Japanese
Currency	Yen ¥
Government type	Parliamentary Constitutional Monarchy
Chief of State	Emperor Naruhito (since May 2019)
Head of Government	Prime Minister Yoshihide Suga (since September 2020)
Elections	Monarch is hereditary. Leader of majority party or majority coalition in House of Representatives usually becomes Prime Minister.
Unemployment	2.9 per cent (November 2020)
Tourism	31.8m

As of end January, Japan's borders remain virtually closed to international tourists. It is still undecided how long the ban on tourism will continue. Some say until after Autumn 2021 and after the end of the Olympic and Paralympic games in the summer if they go-ahead.

A 'Business Track' system was also introduced to permit business travellers from certain countries only to skip quarantine if they tested negative on arrival. However there is a lengthy time consuming application procedure plus a contact tracing app involved.

Airlines and long distance buses cut their services and seasonal tourist trains were suspended initially. Most tourism attractions have re-opened now, but many events and festival remain postponed.

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It will hit the country hard. In 2019 Japan saw over 31.8 million international tourists with ¥4.8 trillion in travel expenditure.

The biggest number of visitors came from China (8.38m), Korea, Taiwan and Hong Kong. It was predicted that over 34.3 million international tourists would visit Japan in 2020 whilst the government had set ambitious targets to welcome 60 million tourists, 130 million overnight stays and ¥15 trillion in travel expenditure by 2030.

Of course this was all before COVID hit. September 2020 saw just 13,700 foreign visitors arrive in Japan, a 99 per cent decline on the same month in 2019 whilst October saw 27,400. Usually there are on average between 2.5 million and three million foreign visitors per month. January to September 2020 recorded 3.9 million visits in total.

But pushing the pandemic aside, the ultimate aim to transform Japan into a globally competitive tourism destination still remains, and the Integrated Resort industry, and plans for casinos, is a key part of this dream.

expenses. The idea was to re-start the economy by pushing domestic tourism. There are other Go To campaigns such as Go to Eat with discounts on dining out. By mid November about 52.6 million nights had been utilised via the Go To Travel campaign saving people about ¥308bn. The hotel, transportation, hospitality and gift shop industry employs around nine million people.

However although the campaign was due to run through until June 2021, the Go To Travel scheme was abruptly suspended on Dec 28 in a bid to curb the spread of virus after a spike emerged nationwide with over 3,000 daily new cases.

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JAPAN - INTEGRATED RESORTS

THE INTERGRATED RESORT PLANS

It was Shinzo Abe who began to develop the idea of building casinos in Japan. Japan was always considered one of the largest and last major untapped markets for casinos. With no casinos to date, gambling in general is prohibited and under the Penal Code of Japan a person found running a for-profit gambling establishment is punishable by imprisonment for up to five years.

The only exceptions are the four public sports – horse racing, bicycle racing, powerboat racing and motorcycle racing – run by local governments or government corporations; the public lottery and the Japanese Football Pools. Pachinko and Pachislot exist under a grey umbrella and have managed to hide its technically illegal gambling oddity in plain sight for the last 80 years. Online gambling is still considered illegal.

Japan's casino liberalisation plan has been likened to a fourth 'arrow' supplementing Abe's 'three arrow' Abenomics policy made up of monetary easing, fiscal stimulus and structural reforms. And so legislation was introduced.

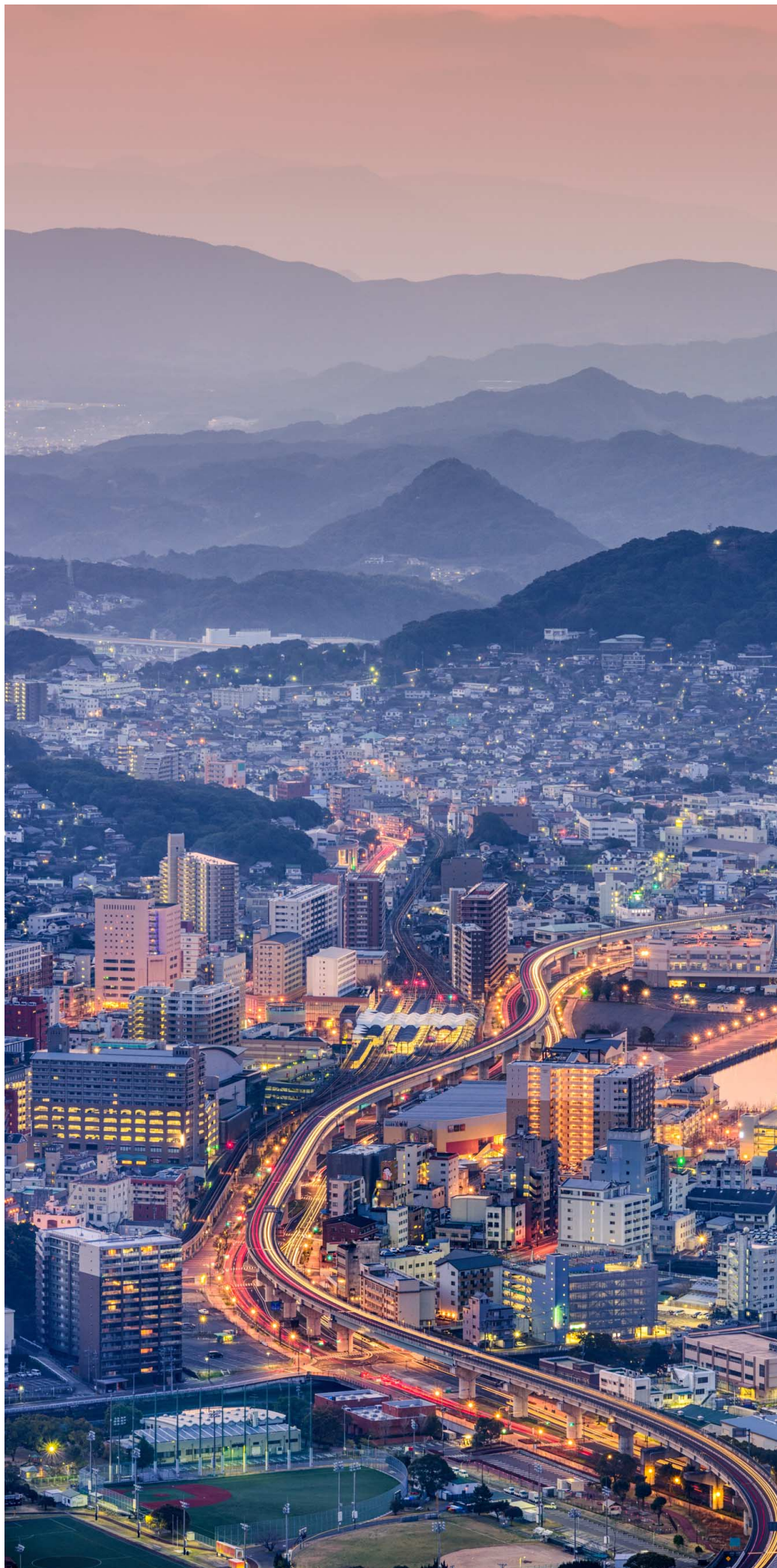
By the end of 2016 Japanese legislators had passed a law aimed at lifting the ban on opening casinos. The IR Promotion Bill, officially known as the Integrated Resort Development Promotion Bill, was sponsored by a group of lawmakers mostly from the ruling Liberal Democratic Party. The ethos behind the bill was to attract more foreign tourists into the country, boost employment, help cash strapped jurisdictions and therefore revitalise the economy.

The Promotion Bill outlined the necessary legislative measures needed to invoke the act and was the first procedure required to introduce casinos into Japan. It took a two stage legislative process – firstly the passing of the act to 'facilitate' the development of IRs and secondly the passing of an act to 'implement' IRs.

In July 2018 the IR Implementation Bill was enacted and this provided a follow up to the promotion law of 2016 and created a framework for the operation of casinos resorts. This brought an end to almost 20 years of political debates and paved the way for a \$16bn Integrated Resort market.

The plan was to introduce the first casino licences in 2020 with the first resorts ready to open around 2025.

Due to continuous opposition to the bill in both lower and upper houses of parliament, tight regulation was promised to get the bill passed. With fears centred around gambling addiction problems, deterioration of public order and money laundering issues, Japan also introduced





the Basic Law for Countermeasures against Addiction such as Gambling which was enacted in 2018 to also look at existing gambling sectors such as horse racing and pachinko, which haven't been addressed fully until now. It stipulated that the government formulate a plan for gambling addiction countermeasures.

Under the act, an IR is referred to as Specified Complex Tourist Facilities, and initially three IR licences will be issued which must include:

- A conference hall/convention facility, exhibition site, tourism promotion facility, tourist services and accommodation facilities.
- Gaming areas will be limited to three per cent or less of total resort space.
- 30 per cent casino levy will be paid on the GGR which is divided 50:50 between central and local governments.
- Entry is free to international visitors but will cost ¥6,000 for Japanese visitors (\$50) who are also limited to three weekly visits and 10 visits per month.
- Japanese nationals are only allowed to use cash for gambling transactions.
- Visitors must be aged 20 years or over.

Although the number of IRs is limited to three at present after five years the government will

Meanwhile a Japanese Casino Regulatory Commission was established in January 2020 and is affiliated to the Cabinet Office. As an independent authority it is able to issue or cancel licences for casinos in Japan.

The national government released the Basic Policy for the development of IRs on December 18 after a revision to update and include vital additional health and safety measures needed if future pandemics were to occur, plus protective measures for gambling addiction issues.

There is now also an extension to the bidding period for local government by nine months which will now start in October 2021 and be open until the end of April 2022, whilst the aim of opening the first IRs by an original 2025 estimated opening date has been pushed back to the second half of the decade because of delays in the timetable for local government applications.

COVID has brought the business and trade industry to a grinding halt in many aspects as travel is still limited and most key deals have been put on the back burner until some semblance of normality returns.

In addition, a scandal involving two advisors at Chinese online sports lottery provider 500.com who were charged with offering bribes to Diet members over the IR projects, has caused some delays.

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review the situation and the number of IR Areas will be specifically reviewed after seven years.

Only the casino size is limited whilst the selection process is via a two step process:

1. Local government selects a private company as a potential IR operator and;
2. The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) will approve an IR area based on the application submitted by local government together with the selected potential IR operator.

The MLIT has prepared a Fundamental Policy to set out the framework for the procedures and each local government planning to bid for an IR must release a Basic Implementation Policy outlining their bidding process. Once a potential IR operator is selected by local government an Area Development Plan must be submitted to MLIT for consideration and approval.

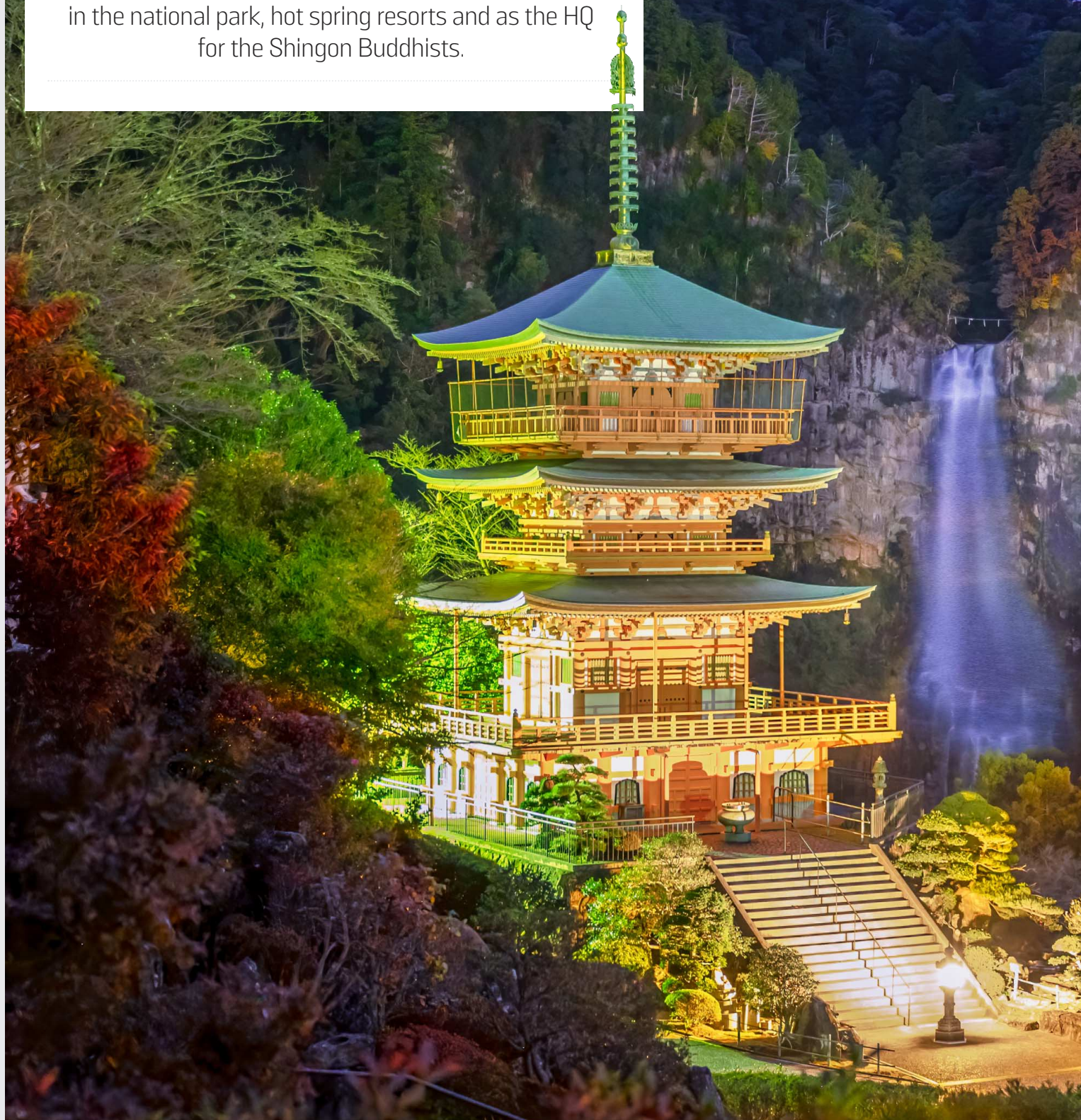
Potentially Japan, with its 127 million population, could be a massive market. Casinos could in theory bring an additional US\$10bn in industry turnover and the major companies are eager to take advantage of this opening.

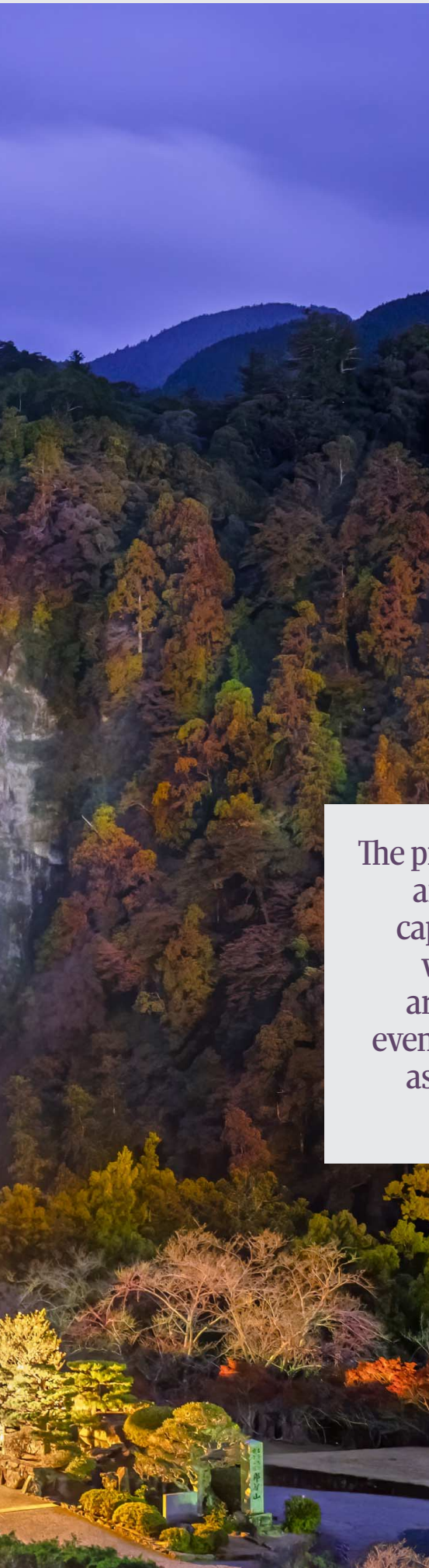
Japan consists of 6,852 islands of which the four largest, Honshu, Hokkaido, Kyushu and Shikoku, make up about 97 per cent of Japan's land area and are referred to as the 'home islands'. The country is divided up into 47 prefectures in eight regions.

To date four prefectures have officially announced their interest in competing for one of the three IR casinos available nationwide. Yokohama, the City of Osaka (Osaka Prefecture), Wakayama Prefecture and Sasebo City (Nagasaki Prefecture) have all declared their intention to bid. Tokyo has hinted at its intention to also apply. With 8.6 million residents in Tokyo it is Japan's most populated city followed by Yokohama with 3.7 million.

WAKAYAMA

Wakayama Prefecture is located south of Osaka in the Kansai Region and capital is Wakayama City. The prefecture already offers sports and wellness tourist attractions and is best known for World Heritage site Koyasan, a temple complex founded 1,200 years ago in the national park, hot spring resorts and as the HQ for the Shingon Buddhists.





The proposed IR site is Wakayama Marina City which is 30 minutes by car from Kansai International Airport and 60 minutes from Osaka City.

The area is an artificial island built on 49 hectares in the Wakaura sea completed in 1994 which currently accommodates the Wakayama Marina City Hotel. Often called a 'playground' for both adults and children there is also a theme park (Porto Europa), tourism fish market and other resort island facilities.

Wakayama Marina City is one of 10 artificial islands in Wakaura Bay, a feature of the larger Osaka Bay. It was built from fill removed from a nearby mountain and joins the mainland via two bridges. The area for construction for the Integrated Resort is 23.61 hectares in size, similar in scale to Singapore's Marina Bay Sands.

The plan, with the long winded name: Wakayama Prefecture Specified Complex Tourist Facility Installation and Operation Project Implementation Policy (draft) was revised late last year.

The project is for luxurious conference halls for board meetings and academic conferences or conventions with a main hall capable of holding over 5,000. There is a focus on sports and wellness and will also include an all-weather, all-purpose arena and exhibition facilities to host international sporting events, e-sports and live events plus facilities for tourists such as live performances; one stop tour desk for tourist services and a VR theatre and interactive gaming centre.

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The five star hotel is expected to hold 2,500 rooms with fine dining and retail outlets and casino. Plus the promotion of Workation (work stations for those on vacation). Up to 220 boats and ships up to 130ft long can be anchored in the yacht harbour.

The prefecture also hopes it will become a travel gateway for the Kansai area. It's proximity to Osaka is advantageous as easy transfer between the two sites could create synergy between the two much the same as Singapore's RWS and MBS offer.

Wakayama estimates:

- Up to four million IR visitors per year.
- Investment ¥8.67bn approximately.

- ¥300bn in economic ripple effects per year boosting jobs and economy in various sectors from commerce to construction to products.
- Employment of around 20,000.
- GGR anticipated of ¥140.1bn with 15 per cent (¥21bn) to go to the Wakayama Prefecture towards promotion of tourism, social welfare and culture and arts.
- Estimated number of Japanese visitors is 2.5m creating ¥7.3bn for the Prefecture in entry fees (¥6,000 divided 50:50 between national and local governments) going towards social welfare and education.

Players will be issued with an IR card which can be charged with cash to play at the casino operating a points system. This can be used to set an upper usage limit and can be centrally controlled to identify problem gamblers. There will be a prohibition of advertising for under 20s and measures for money laundering and organised crime groups.

Wakayama launched its RFP early last year and the schedule now is to select an operator this month (March) which then gives them a year to prepare their joint bid to develop an IR by the April 2022 deadline, with an estimated IR opening date of spring 2026.

Wakayama has confirmed two operators – Suncity Group and Clairvest Neem Ventures – have both entered the RFP. Suncity is best known for its VIP junket services in Macau and high roller clubs across Asia, and many other diversified entertainment businesses. The group

also builds and operates IRs in Vietnam, Russia and the Philippines through Suncity Group Holdings Limited.

Clairvest Neem Ventures is a subsidiary of Toronto based private equity group Clairvest Group, which has invested in more than 20 casino resorts around the world.

Suncity is currently pushing ahead with two resort developments it has earmarked for Japan which could ultimately put it in a stronger position for the Wakayama IR licence.

Suncity is planning to build a luxury resort in Hokkaido in the ski town of Niseko and also a resort on Miyako Island in Okinawa. Both are non-gaming resorts and the construction is due to start this year.



“Obviously the pandemic has resulted in the delay of the RFP process and the slowing down of economies worldwide. However neither the delay nor the pandemic deters us from moving forward with the submission of our proposal and our plan for IR 2.0 in Wakayama.”

On Miyako Island the group plans to build a resort hotel in the Yonaha Maehama Beach Area which should be completed by 2023 and includes approximately 100 hotel rooms, 40 villas and water sport facilities. In Niseko the development will cover around 20 hectares. The company will also open its first Integrated Resort, Hoiana, in Vietnam this year.

Suncity's Wakayama IR design is based on three concepts linked to the region including the 'castle' with reference to Wakayama Castle, the 'garden' which will imitate the Rikugi-en Garden to reproduce the Wakayama Domain scenery in Man'yoshu poetry (the oldest collection of 'waka' poetry in Japan) and finally 'port' relating to the location in Marina City.

“The idea is to revive the area as an important port of some of Japan's Five Routes that connected Tokyo with the outer province during the Edo period from 1603 and 1868,” said a representative of the Suncity Group.

“Incorporating traditional Japanese culture and

features of Wakayama Prefecture, Suncity Group hopes to create a unique IR combining Wakayama Prefecture's historical tradition, natural landscape and cultural essence.

“With our business footprint across the globe, Suncity Group has a clear understanding of

integrated resorts in various countries, which enables the Group to utilise its resources and experiences in resorts management and present to the world the diversity of Wakayama.

“To turn this vision into reality the group joined hands with the world renowned architectural firm AEDAS to create the Integrated Resort, tailor made for Wakayama. In addition to the construction of hardware facilities, Suncity Group will also make the Wakayama IR a hub for entertainment and traditional culture. With experience in film production, concerts and cultural events in mainland China, Macau and Hong Kong, Suncity Group brings the power of entertainment promotion to Wakayama.

“Obviously the pandemic has resulted in the delay of the RFP process and the slowing down of economies worldwide. However neither the delay nor the pandemic deters us from moving forward with the submission of our proposal and our plan for IR 2.0 in Wakayama. Our focus is not what we bring to Japan, but to present Japan to the world.”





OSAKA

Osaka Prefecture is located in the Kansai region on Honshu and its capital city is Osaka, which is the third largest city in Japan with a population of 2.7 million in the metropolitan area and 19.3 million in total.

The prefecture maybe one of the smallest prefectures (1,905sq.km in size) but Osaka is also one of the most densely populated with around 8.8 million which is divided into 33 cities, nine towns and one village. Osaka Bay is on the west which leads to the Seto Inland Sea and the other three sides are mountainous.

A decrease in population is now a fundamental issue in Osaka, whilst the need to promote tourism and construct MICE facilities to boost tourism is a key element for the IR project. Osaka was a clear favourite for an Integrated Resort with Yumeshima, the man made artificial island built from building rubble from city construction, being the designated location for development. Yumeshima is near the mouth of the Yodo River and is about 390 hectares in total. It is now home to one of the biggest container terminals in Japan and has great highway and road access to all areas of the Kansai region.

Osaka announced its intention to promote Yumeshima as a candidate for an IR back in 2014. Additionally, they made a bid for the 2025 World Expo and the island is expected to host this event during six months from May to November with a projected visitor count of 28 million.

The Osaka Prefecture IR Promotion Bureau was established in April 2017. The designated IR

project land area is 49 hectares with an investment of around ¥930bn. The IR expects to see an annual GGR of ¥480bn with ¥380bn of that from gaming revenue.

Osaka and its Yumeshima IR project has seen several delays whilst Osaka Mayor Ichiro Matsui announced his intention to retire from politics at the end of his term in 2023 which has thrown some doubt on the future of this project.

Matsui announced his intention to resign as head of regional party Osaka Ishin no Kai in November, following the party's referendum defeat over his pet project aimed at reorganising Osaka city into a metropolis like Tokyo. Although not directly related to the IR project plans, it does have an impact as both Matsui and Governor Hirofumi Yoshimura are strongly pro-IR. In short, the man who established Osaka's IR plans and are still its greatest advocate is stepping out of the picture.

The Osaka Prefecture finished its RFP in early 2020 and is now planning to revise and announce the implementation policy (draft) for the prefecture and city following the announcement of the Basic Policy in December via the national government. It is thought that Osaka's resort won't open until 2027 at the earliest due to delays.

MGM Resorts and local partner Orix

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Corporation is the only group interested in this area for a casino after Genting Singapore dropped its Osaka bid early last year.

It had been suggested that moves by MGM to acquire UK sports betting and igaming company Entain could see MGM's interest in Japan diminish if not disappear entirely. However, MGM announced in January it would not be making an offer for Entain.

NAGASAKI

Nagasaki Prefecture is located on the island of Kyushu and is made up of the mainland and hundreds of islands which dot the coastline. The prefecture has a population of 1.3m and Nagasaki City is the capital and largest city whilst tourist destinations include the Shimabara peninsula with active volcano Mount Unzen in the centre.

Historically, Nagasaki was the only port which permitted foreign trade during the Edo Period when Japan shut down its borders between 1639 and 1853. At that time everything flowed through Nagasaki and this has influenced culture and architecture in the prefecture today.

Nagasaki boasts a beautiful coastline, spas and nature resorts and is a key tourism spot. However, the population is decreasing due to the outflow of youngsters to metropolitan areas.

Nagasaki is a prime location for an IR development mostly because of its geographical proximity with Asia and existing tourism appeal. There are five international airports within a 2.5 hour drive from the IR area and more than 330 cruise ships arrive at the ports in the prefecture annually.

Land at the Huis Ten Bosch theme park at Sasebo City has been designated at the candidate site for the IR. Huis Ten Bosch is Japan's largest theme park which replicates a Dutch village from the 17th century with a developed area of 152 hectares. It opened back in 1992 and includes four hotels, retail, restaurants and park areas including Jurassic Island. It can attract up to three million tourists per year with direct transportation links from the marine terminal and airport.

The IR plans will include MICE facilities with a capacity of 6,000 in the largest meeting room and more than 12,000 in total plus exhibition space, entertainment, hotel and casino.

The impact of the IR resort is estimated to ripple in Kyushu with between 6.9m and 9.3m tourists, with up to ¥810bn in construction investments creating up to 840,000 construction jobs plus up to ¥420bn in operation costs and creating jobs in operation for up to 360,000 people.

The Nagasaki Prefecture launched its RFP on

January 7 2021. Governor Hodo Nakamura said the prefecture wanted to start its operator recruitment process as soon as possible after the national government released its Basic Policy.

The prefecture said it would accept applications from operators for initial screening until January 28 whilst the planned schedule is to select and conclude a basic agreement with an operator by autumn this year. The operator selection schedule has been set for March 1 2021 with the results by August 2021.

There are five known candidates for this bid: Casinos Austria International, Hong Kong based Oshidori International Holdings, a consortium comprising of Current Corp and Get Nice Holdings and Tokyo listed Pixel Companyz Inc, and the Niki and Chyau Fwu (Parkview) Group, whilst it has been estimated that the capital investment in the Nagasaki IR will be between ¥350bn and ¥460bn (US\$3.2bn and US\$4.2bn).

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Pixel Companyz is a fintech and renewable energy company which has reached an agreement with French operator Groupe Partouche. Pixel Companyz recently developed the Pixel Casino Platform which passed standards via Macau's Gaming Inspection and Coordination Bureau to develop and sell casino gaming machines under the trade name Pixel Games

CAI has yet to reveal any definite plans for the

IR project and a spokesperson said: "It is too premature to make any assessment about the potential chances/outcome in this RFP process which is still overshadowed by the global pandemic and its potential impact on future tourism."

The Niki is a division of Niki Club, which previously ran NIKI Resort, a nature resort located in Nasu, whilst Chyau Fwu (Parkview) Group is part of Taiwanese construction company Chyau Fwu, which has experience in MICE and is currently building a ski resort in Hokkaido's Niseko.

Meanwhile, Current Corp of Japan (a subsidiary of Shotoku Rinaldo Corporation/SRC) and Genius Wise Holding Ltd (a subsidiary of Get Nice Financial group) signed a joint venture for the Nagasaki IR. Get Nice previously held a 65 per cent stake in Macau's Grand Waldo Hotel and Casino (now the Broadway) which was sold

to Galaxy Entertainment back in 2013.

SRC has a history of business in Japan involving healthcare, medical equipment and gaming related business in Asia. The two companies signed a Memorandum of Understanding last year which was extended in September by six months following delays in the IR process. Under the terms of the MOU, Genius Wise Holdings will form a joint venture with Current Corp to develop the IR in Nagasaki.





YOKOHAMA

Yokohama is the second largest city in Japan by population and the capital city of the Kanagawa Prefecture on the island of Honshu. It is just half an hour from Tokyo by train and has a population of around three million.

Yokohama became a major city in the late 1800s after emerging from the Edo Period of isolation and saw its small fishing village grow and expand as the port opened to foreign trade in 1859.

Kanagawa Prefecture is the second most populous prefecture with over nine million population and is located on the eastern Pacific coast. It is part of the Greater Tokyo area.

The Yokohama IR project has become quite the contentious issue. Last year a resident group submitted a petition, supported by 200,000 signatures, asking for a referendum to decide on the IR bid. Mayor Fumiko Hayashi, who initially expressed concerns about the project saying she would support a valid referendum changed

Yokohama mayoral candidate, Masataka Ota, says he will challenge current Mayor Hayashi this summer with plans to gain voters by running an opposition campaign against the IR plans. The election will be held in August, although Hayashi has not yet announced whether she intends to run for another four-year term.

course recently. She said the referendum would instead just derail the city's goals of winning one of the IR licences.

Despite the fact the Yokohama Citizens Group to Decide on a Casino collected over 200,000 signatures (around one in every 15 citizens in the city requested a call to vote), in January the City Council rejected the proposed ballot referendum. The city's legislative unit is

controlled by the LDP, party of Prime Minister Suga, who is keen to continue with the proposed casino plans. The council has now voted to enter into its RFP phase.

City officials say a casino would generate between US\$7bn and \$10bn annually for the economy, whilst providing vital tax revenue at a time in which Japan's population continues to shrink.



Locals, however, are concerned about social problems and port businesses are vehemently opposed to the idea. Yokohama mayoral candidate, Masataka Ota, says he will challenge current Mayor Hayashi this summer with plans to gain voters by running an opposition campaign against the IR plans. The election will be held in August, although Hayashi, who has held the office of mayor for over 10 years, has not yet announced whether she intends to run for another four-year term.

Yokohama began its RFP process at the end of January and five companies had previously expressed an interest in the IR project:

Melco Resorts; Galaxy Entertainment, Genting Singapore, Sega Sammy Holdings and SRC

(Shotoku Rinaldo Current Corporations).

US operator Las Vegas Sands withdrew from Yokohama in May last year, whilst in August Wynn Resorts closed its Yokohama office citing the pandemic, and a focus on its Macau properties, as the reason.

Melco Resorts is the leading candidate for the Yokohama IR. In November last year the company issued its Q3 earnings report and Lawrence Ho, Chairman and Chief Executive of Melco stated: "We remain unwavering in our commitment to bring to the country the world's leading IR. Our global team continues to monitor the process at a local and national level and engage with key stakeholders. We remain convinced that Japan represents the best

potential new gaming market globally."

Melco reported a negative group wide property EBITDA of around \$77m during the third quarter of 2020.

Meanwhile, Sega Sammy recently cut its workforce down by around eight per cent due to major losses in its business during the pandemic. The company saw a drop in sales during the first half of last year by around 33 per cent. The pachinko sector is suffering and it is understood Sega Sammy's focus is on getting the IR project instigated.

Meanwhile, SRC aims to build the first 'disaster prevention' IR and plans to work in association with Sofitel Macau.

Procedures and criteria for the approval of integrated resorts



Masayuki Fukuda

Masayuki Fukuda is a partner at Nagashima Ohno & Tsunematsu. He has an LL.M. degree from the University of Pennsylvania and is qualified to practise in Tokyo and New York. Recently, he has been intensively involved in the area of Japanese casinos/gambling laws and advises casino/gaming-related regulatory and transactional matters for international and domestic corporate clients. He has extensive experience and skills in finance and real estate laws and transactions for international/domestic banks and other corporate clients. He is the author of 'The International Comparative Legal Guides to: Gambling 2020 Japan' (ICLG, November 2019) and other articles concerning casinos and gambling laws.

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On December 18, 2020, the Cabinet published an ordinance which sets forth that an application for IR Area approval may be made from October 1 2021 through April 28 2022. On the same date, the Minister published the Basic Policy for Development of IR Areas (the Basic Policy) which sets forth the basic procedure and criteria for application and approval of IR Area.

Under the Specified Integrated Resort (IR) Promotion Law and the Specified IR Implementation Law (the 'IR Laws'), which were enacted in 2016 and 2018, respectively, up to three IR Areas (including one casino per each IR Area) will be approved by the Minister of Land, Infrastructure, Transport and Tourism (the 'Minister').

Unfortunately, due to the COVID-19 pandemic, the schedule of the IR application for approval and its examination process has been substantially delayed. On December 18, 2020, the Cabinet published an ordinance which sets forth that an application for IR Area approval may be made from October 1 2021 through April 28 2022. On the same date, the Minister published the Basic Policy for Development of IR Areas (the Basic Policy) which sets forth the basic procedure and criteria for application and approval of IR Area.

An application for approval of IR Area shall be made

jointly by a candidate prefecture (including a major city designated under the Local Autonomy Act) and a private business operator. Naturally, prior to making such application, each candidate prefecture will have to select a private business operator as its IR business partner by way of an open bidding to be made in accordance with such prefecture's own Implementation Policy for Development of IR Areas (the Implementation Policy) which shall be enacted in line with the Basic Policy. It is expected that such selection will be made around summer to autumn of 2021. Please note that some prominent candidate prefectures have already published their (almost



Each candidate prefecture will have to select a private business operator as its IR business partner by way of an open bidding to be made in accordance with such prefecture's own Implementation Policy for Development of IR Areas (the Implementation Policy) which shall be enacted in line with the Basic Policy. It is expected that such selection will be made around summer to autumn of 2021.

final) Basic Policies and informally pursued the process of selecting the candidate private business operator and virtually narrowed down the number of candidate casino business operators to one or a few, though new comers might slide into the list of such candidates.

More specifically, an application for approval as IR Area shall be made as an application for certification of the IR Area Development Plan (including the Basic Business Plan) proposed by the candidate municipal body and the private business operator. Such plans will be examined

by the Examination Committee which will be composed of certain knowledgeable/expert members to be appointed by the Minister.

The criteria of certification of IR Area Development Plan as set forth in the Basic Policy is composed of two prongs:

- (a) Satisfaction of the Statutory Required Criteria; and
- (b) Showing superiority under the Evaluation Criteria.

STATUTORY REQUIRED CRITERIA

First of all, the IR Area Development Plan shall satisfy this statutorily required minimum standards. In summary,

- (i) All of the statutorily required five types of facilities (i.e., international convention/conference facility, exhibition facility, tourism promotion facility, tourist service facility and accommodation facility) shall be included. The number of casino facility shall be only one and the floor space of the gaming area shall be less than three



percent of the aggregate floor space of IR Area. Certain other requirements (such as unified land use/management, fair and justifiable selection process of IR operator, IR operator's compliance system, non-disqualifications of IR operator and its officers and members, no unjustifiable contact with the members of the Examination Committee) shall be satisfied.

- (ii) The location of IR Area shall be adequate in terms of transportation access from major cities of Japan and foreign countries and considering other economic and social conditions.
- (iii) The Basic Business Plan shall satisfy certain requirements (e.g., IR business will be integrally and continuously conducted by the sole business operator. Such operator shall be a company incorporated under the Company Act of Japan and shall conduct only IR business operation. In addition, measures necessary for eliminating harmful effects originating from casino facilities shall be taken, etc.).
- (iv) The development of IR facilities, improvement of IR business and corporation with the measures implemented by the municipal body shall be clearly articulated and shall be in consistent with the budget plan and the funding plan set forth in the Basic Business Plan. In addition, the use of

- (i) Accomplishment of internationally competitive and highly attractive stay-type tourism;
- (ii) Economic and social impact;
- (iii) Capability and arrangement of stable, continuous and safe operation of IR business (including financial stability, measures for disaster prevention or mitigation, ensuring safety of IR Area/IR facilities, measures for infection prevention and building good relationship with the region community, etc.);
- (iv) Use of profits gained from casino business; and
- (v) Elimination of bad influence associated with casino facility and measures against gambling and other addictions.

While the basic concepts of this criteria more or less overlap with those of the Statutory Required Criteria, notably, for example, in respect of (i), the whole concept of IR Area shall be clear, internationally competitive, of superb-quality and original.

The design of IR buildings shall be so advanced, creative and attractive that they may become new landmarks of the region, though they shall be also in harmony with the landscape and the environment of the surrounding area. In addition, IR facilities shall

The design of IR buildings shall be so advanced, creative and attractive that they may become new landmarks of the region, though they shall be also in harmony with the landscape and the environment of the surrounding area. In addition, IR facilities shall constructed in unprecedentedly large scales so that they may become one of the leading tourism facilities in Japan, and shall be also the most advanced facilities in the world in terms of universal design, reduction of environmental load, multicultural coexistence, fair trade, etc.

entrance fee tax shall be clearly specified.

- (v) The social and economic impact of the implementation of IR Area shall be clearly stated together with the grounds therefor.
- (vi) The measures and arrangement for eliminating harmful effects shall be specified in the IR Development Plan and they shall be appropriately implemented by the municipal body in association with the Prefectural Public Safety Commission. In addition, the Prefectural Plan for Facilitating Gambling Addiction Measures shall be made in accordance with the Basic Law on Measures Against Gambling Addiction and such plan shall be appropriately implemented.

constructed in unprecedentedly large scales so that they may become one of the leading tourism facilities in Japan, and shall be also the most advanced facilities in the world in terms of universal design, reduction of environmental load, multicultural coexistence, fair trade, etc.

As for casino facilities, they shall be in harmony with the concept of the whole IR Area and shall be in balance with the other facilities in terms of their scale, design and layout. In respect of (ii), it is expected that the number of MICE events or tourists will be substantially increased by opening of such IR Area so that Japanese government's tourism goal (i.e., the number of foreign tourists will exceed 60 million and the consumption amount will exceed ¥60 trillion by 2030) may be achieved.

It is currently expected that the approval of IR Area will be made around summer/autumn of 2022 or thereafter and that the approved IR Area/casino may be open in the late 2020s at best.

EVALUATION CRITERIA

Under this criteria, the superiority/inferiority of the IR Area Development Plan will be evaluated in terms of the following five viewpoints:



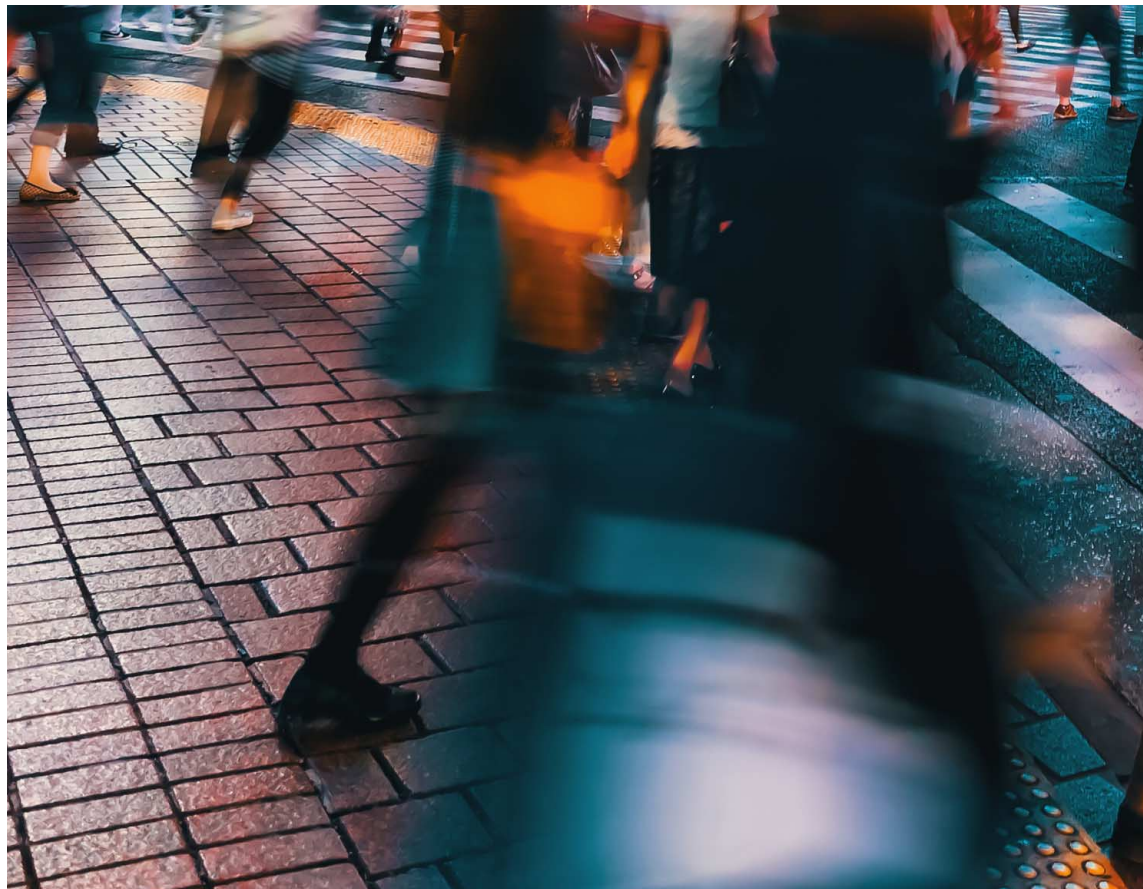
Learn from overseas markets and customise Japan's model



Ayako Nakayama

Representative Director of the Japan Integrated Resort Association about the future of the IR sector in Japan.

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The timeline for 2021 is to expect a draft of Casino basic regulation by the Japan Casino Regulatory Committee which will be a basic regulation of gaming to be submitted in the next several months. Regional process has been accelerating that operator selection processes in prefectures/cities has been actively scheduled in spring/summer of 2021 at this point in January.

In an exclusive interview with G3, Ayako Nakayama, Representative Director of the Japan Integrated Resort Association, discusses the future of the Integrated Resort sector in Japan and the role the association its playing in the unfolding saga.

Can you tell us a little about the Japan IR Association?

Japan Integrated Resort (IR) Association was set up in 2014 as a general incorporated association to facilitate the emerging Integrated Resort industry in Japan with the goal of making alliances with various industry stakeholders domestically and internationally. Japan IR Association has organised seminars to government stakeholders and as well private sectors for industry topics. Japan IR Association currently offers ranges of activities to various industry stakeholders in forms of membership, committee activities, and forums to lead the up-to-date discussions of Japan IR.

The Basic Policy on IR was released in December – can you provide an outline of what this includes and what happens next?

The Basic Policy, issued by the Ministry of Land, Infrastructure, Transport and Tourism finalised the draft in December 2020. It includes an updated submission application deadline of April 28, 2022 to national government by municipalities with a delay of nine months period from the initial timeline set. The guidelines also introduced infectious disease countermeasures for inside Integrated Resorts and the rules on interaction between private Integrated Resort

operators and government officials with strict compliance countermeasures reflecting the fairness and transparency of the process by the national government.

The timeline for 2021 is to expect a draft of casino basic regulation by the Japan Casino Regulatory Committee, which will be a basic regulation of gaming to be submitted in the next several months. Regional processes have been accelerating inasmuch that operator selection processes in prefectures/cities have been actively scheduled for the spring/summer of 2021.

What is the current situation regarding RFPs in each of the four interested prefectures?

Osaka, the most advanced in the process, already finished RFP in early 2020. MGM (with Orix) is the only candidate operator (consortium) for the region who will continue to be in the process of discussions with the prefecture of Osaka.

Yokohama has just announced the RFP processes with the timeline of choosing an operator by this summer. Yokohama has recently rejected a referendum over the Integrated Resort. The city will have a city mayor election this summer and its



Japan has a long history of "learn from overseas and customise it our own way" as an attitude to create a new, original model that its mentality should be recalled and reflected in such difficult momentum. The Association expects Japan Integrated Resorts to create and open state-of-the-art models of Integrated Resorts with inbound tourism opportunities and we will continuously support this goal.

progress has cross-industry attention. Wakayama started the RFP in January 2020 with the timeline of choosing an operator by this spring. Nagasaki started the RFP process as of January 2021 with the timeline of choosing an operator by this summer.

Which operating companies are still interested in operating casinos in each of the prefectures?

The city of Yokohama announced five companies – Melco Resorts & Entertainment, Galaxy Entertainment, Genting Singapore, Sega Sammy Holdings and SHOTOKU- all participated in their second RFC processes implemented in Autumn 2020.

The prefecture of Wakayama announced Clairvest Neem Ventures and Suncity Holdings Japan have participated and passed their initial assessment of the RFP in the middle of January 2021.

The prefecture of Nagasaki has announced Oshidori International Holdings Limited, Casinos Austria International Japan, and Current have all participated the PRC processes in October 2020. Recent news reported Pixel Companyz is showing an interest in the prefecture.

Of course there are delays following the Covid-19 pandemic – will things get back on track this year? What are the main problems facing IR plans ?

Covid-19 is certainly the variable to Integrated Industry and its process. National government has made progress on the process of IR such as the formal launch of the Basic Policy in 2020, which could be seen as significant progress under such circumstances of COVID-19 and political struggle over the circumstances. 2021 will be an extremely important year for Japan Integrated Resort industry as several municipalities are launching RFP processes to prepare for the national application period starting October 2021.

This timeline includes a controversial aspect within the industry considering recent COVID-19 emergency state which has been issued by major cities, including Tokyo with its surrounding area, with an expected end of February 7 2021. The national government is considering an extension of the state for up to one month depending on the number of COVID-19 cases in the next two weeks.

Under current conditions, most of the foreign visitors are not allowed to travel which could potentially negatively influence selection

processes. Uncertainties of political, social, and economical influences by COVID-19 in 2021 will be the challenging aspect for Japan IR progresses and its plans.

What's the future outlook for the IR projects in Japan in light of all the problems COVID-19 has caused? What are the positives?

COVID -19 has drastically changed the future outlook of the international market and its prospect. Considering Japan Integrated Resort is modelled on the Singapore style IR scheme and its success of opening new inbound market to the country, the struggle of international markets certainly will influence the future of Japan Integrated Resorts.

Thinking positively, as Japan Integrated Resort project has been in a policy making stage, Japan has a choice to restructure its regulatory requirements suitable to future market figures and a new style of inbound tourism, learning from the challenges the international market has been facing. Japan has a long history of "learn from overseas and customise it our own way" as an attitude to create a new, original model that its mentality should be recalled and reflected in such difficult momentum.

The Association expects Japan Integrated Resorts to create and open state-of-the-art models of Integrated Resorts with inbound tourism opportunities and we will continuously support this goal.