

# Sands Corp. changing plans for building resorts in Japan

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August 22, 2019 - 9:54 am

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Updated August 22, 2019 - 5:44 pm

Las Vegas Sands Corp. is changing course on plans to pursue an integrated resort in Osaka, Japan, and will instead focus on Tokyo and Yokohama.

“As the two largest cities in Japan, Tokyo and Yokohama certainly have all facets — such as accessibility, broad transportation infrastructure, diverse workforce — we look for when evaluating new opportunities,” Sands spokesman Ron Reese told the Las Vegas Review-Journal. He also said the two markets fit well into Sands’ convention-based business model.

It was an unexpected turn of events for the company. Just three months ago, Sands Chief Operating Officer Rob Goldstein said Osaka was the [only city in Japan](#) suitable for a large-scale integrated resort with millions of square feet of convention space and thousands of hotel rooms.

“I was surprised by this move, considering some of the previous comments that they were very much focused on Osaka,” said Brendan Bussmann, a partner at

casino research firm Global Market Advisors. “I think there’s compelling cases for both (Tokyo and Yokohama).”

## **Changing opinion**

Japan is gearing up to issue three gaming licenses, drawing interest from Las Vegas-based companies including Sands, MGM Resorts International, Wynn Resorts Ltd. and Caesars Entertainment Corp.

The spots are highly coveted. The Japan gaming market is estimated to be worth [more than \\$25 billion a year](#) once resorts open. If estimates hold true, Japan would become the second-largest gaming market in the world, behind Chinese gaming enclave Macao.

Osaka is expected to be the first Japanese city to develop an integrated resort because it plans to host the World Expo in 2025. Before Thursday’s announcement, Sands was considered one of the front-runners for an Osaka license, along with MGM.

CEO Sheldon Adelson said in a Thursday morning news release that he believes investments in Tokyo or Yokohama will give the company a better opportunity to “maintain our industry-leading returns on invested capital.”

“For the past several years, we have engaged in conversation with the Osaka government regarding the possibility of building a world-class integrated Resort there,” Adelson said in the statement. “We thank the people and the government there for their professionalism and wish them much success with Expo 2025 and the other initiatives they had planned.”

Bussmann said population may have been a key factor in Sands’ decision. Tokyo, the country’s capital, had a population of around 9 million in 2015,

according to Japan's statistics bureau. Yokohama had about 3.7 million, while Osaka had closer to 2.7 million.

Tokyo and Yokohama also tie in well to Sands' business model, according to Reese.

"Mr. Adelson is well-known in Japan for his meeting and convention credentials," Reese said via email. "Our convention-based business model is the backbone of our development strategy and it has proven to be extremely successful for both the company and the host cities in which we operate."

Bussmann said both cities can offer strong gaming markets, strong tourism markets and strong conference and exhibition markets.

It'll take time to see how Sands' plans play out; Bussmann said two years could pass before Japan officially selects its casino operators.

## **MGM as Osaka front-runner**

Now that Sands is out, Bussmann said MGM's road to the finish line in Osaka is much smoother. But that doesn't mean it won't face competition. Osaka is still a "strong market for an integrated resort," he said.

"MGM is clearly the front-runner at this point, but you still have to see how this plays out," Bussmann said. "While MGM has made its intentions known that it's very interested in an Osaka-first strategy, never say never. You still have to run the race, you still have to compete."

CEO Jim Murren said in a statement Thursday that MGM remains committed to pursuing an integrated resort in Osaka.

Earlier this year, MGM partnered with Osaka-based financial services group Orix to pursue the license and submit a request for concept. The company also announced its “Osaka First” strategy in January, and Murren said it has not wavered from that plan.

“We have always had confidence in our position, as what we will bring to Osaka is something only MGM Resorts can deliver,” he said. “MGM Resorts will develop a truly unique destination that will generate significant economic activity for the region and increase employment opportunities while delivering an attractive return for all stakeholders.”

Murren said the company plans to bring world-class entertainment, cultural events, convention expertise and dining and retail experiences that “will have broad appeal both nationally and internationally.”

Sands shares fell 1 percent as of Thursday early afternoon, down \$0.57 to \$54.56. MGM shares rose 0.2 percent to \$28.57, up \$0.06.

*The Review-Journal is owned by the family of Las Vegas Sands Corp. Chairman and CEO Sheldon Adelson.*

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