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Japan Crosses The First Finish Line

With the Olympics being a made-for-TV event, Japan was never able to achieve its tourism goal of reaching 40 million visitors in 2021. Looking back on 2021, the total foreign visitor volume may only amount to roughly 30,000. While border restrictions are starting to relax to a three-day quarantine, Japan has only seen 25,900 visitors through the end of October.

Japan has a new prime minister, Fumio Kishida, who recently just secured the hold that his party, the Liberal Democratic Party, has on the Lower House of the Diet that will ensure that IRs remain on track as the country begins to loosen its restrictions from the Great Shutdown.

Japan, which has one of the highest vaccination rates in the world, will need to have IRs become a catalyst as it looks to restore and build upon its pre-pandemic tourist volumes. With the Olympics in the rearview, IRs remain the single biggest opportunity for tourism and further investment in the country.

The concept of IRs began to develop over 20 years ago, and 2022 presents itself as the year for meaningful progress in the market to begin the building and procurement for these iconic structures that will become economic engines for the country. The question that remains is how the three current frontrunners to host IRs will get their process to the finish line.

As the new year begins, the three current finalists of Osaka, Wakayama and Nagasaki are assembling their area development plans that are due in April 2022. This is now six months behind schedule from the original deadline because of the pandemic that continues to be a menace across the world, among economies that remain shuttered as well as those that are reopening.

At the beginning of 2020, no one likely would have foreseen these three cities as the finalists for the three initial licenses in Japan. Heading into 2022, the question becomes whether all three will be chosen in the end. The overall process became much less driven after the demise of Yokohama's initiatives, which left investment and tax revenue on the table without having an IR in the Kanto region, the largest and most heavily populated in Japan.

The Tokyo metro area continues to offer the most interesting potential opportunity as Japan's largest population center, but remains out of the mix. This also leaves out several top-tier operators that had an interest in the Kanto region but either opted out of the Yokohama market or were left behind in the process as it fell apart in August 2021. One of the



The election of Fumio Kishida as prime minister means Japan will stay the course and continue to develop the integrated resorts that they hope will attract millions of tourists

biggest questions is whether these operators such as Genting, Melco, Galaxy, Las Vegas Sands or Wynn are able to get back into the race should another site become available.

Osaka and its partnership between MGM Resorts and Orix seem to be set for approval. In Nagasaki, the process had narrowed to achieve their selection in Casinos Austria, and there is now a potential fallout from the two losing bids and their claims against a fair process. On the other hand, Wakayama, which is located in the neighboring prefecture to Osaka, surprised many earlier in 2021 with the announcement of Caesars as a partner.

Not only was this a surprise as Caesars had taken international development out of the mix previously, but it brought further legitimacy to the Wakayama bid by having a world-renowned brand along with a solid team in Global Gaming Asset Management and Clairvest.

The Japan opportunity still poses some risks as the market rolls out into the future. With the current state of geopolitical dynamics that are associated with the market, it remains to be seen whether the market will reach its potential when the first IRs open in 2027 or beyond. The pandemic continues to take its toll on the global economy, but the longer lasting geopolitical climate, specifically in Asia, makes this more interesting.

Next year looks as though Japan will finally reach its first milestone in the selection of licensees. Japan remains the best announced market opportunity for the gaming industry. While the market still has its challenges ahead, the opportunity for the next phase of integrated resorts remains strong. While questions remain on whether all three current contenders will be chosen or if there will be opportunities for others to enter, look for 2022 to be the next chapter as gaming finally starts to move forward in the land of the rising sun.

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