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Ice Cream & Logistics: Finger on the Pulse of the Economy

I recently heard someone say that if you want to know the current state of the economy, take a look at how much ice cream is being sold at any given moment versus the previous year.

In fact, statistics show that the "quick treat" is an impulse purchase, providing quick comfort and stress release when times are tough.

As some luxury brands have discovered, when times are tough consumers forego the high-end impulse purchase, and instead choose an ice cream or a cheap fleece vest.

The financial sections

of newspapers are now full of stories about companies posting increased sales and profits in the tough economy, many of which fall into the low cost, high impact zone.

If you want to know how the economy is doing, stake out a spot somewhere in front of your local ice cream shop!

In a manufacturing-centric city like Osaka, another key indicator of the economic situation is the logistics industry. Logistics is all about the supply chain; if demand spikes -- for companies involved in logistics,

including freight forwarders, warehousing and transport -- business is brisk.

A recent conversation I had with the CEO of a well-known logistics company here indicates that demand is up, and parts and products are being moved from point A to point B.

Looking ahead in 2010, keep your eyes on the logistics companies which are scattered through all corners of Kansai.

Your feedback is always welcomed!

Paul Dupuis, *Adviser to Osaka City and FBNC Chair*

Osaka's Umeda: Creating a Pedestrians' Paradise

A city that is chock-full of manufacturing centres, universities, research centres, logistics companies, and is continually on the cutting edge of technological development is one that can attract some of the most talented people in the world.

But life is not only about work, meaning that it is important for the band of talented people that live in Osaka to have places where they can unwind and participate in the cultural life of the city.

Osaka City is not unaware of the cultural and entertainment needs of its

citizens and those attracted to the city.

Though there are already many places for fun and relaxation, the city is committed to expanding leisure and recreational opportunities and making various parts of the city such as Umeda, places where pedestrians can walk around to their hearts' content as they shop, explore, or play.

The makeover that is currently underway in the Umeda area is one that takes into consideration the very real needs of pedestrians so that

strolling around in the city becomes one of pure pleasure.

Osaka's commitment to making a large swath of the Umeda area a pedestrian-friendly area is one that is sure to result in many very happy feet -- and with it merchants and retailers that would have much to smile about. Call it double happiness!

Dig into this newsletter and read more about some of the exciting new changes that are going on to make Osaka an ever more attractive place to work and play.

Umeda Urban Development – An Innovative Vision

AUTHOR

Osaka City has commissioned Paul Dupuis to author this series of newsletters.

Paul Dupuis, Director of West Japan for Wall Street Associates, is a business development adviser to Osaka City, Osaka Prefecture, and is a key member of the Kansai Economic Federation roundtable.

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Did you know that the Umeda railroad terminal is the largest in the Kansai area, with about 2.5 million passengers passing through daily? With 7 lines extending to the Umeda area, it is quite clear that Umeda holds pride of place when it comes to business and social interactions in Kansai.

In terms of the number of passengers, consider that Umeda's 2.5 million figure is only slightly behind Tokyo's Ikebukuro Station (2.7 million) though perhaps more needs to be done to bring Umeda to the point where it can rival the 3.05 million and 3.45 million in two of Tokyo's busiest stations, Shibuya and Shinjuku, respectively.

Already, an innovative plan is in place to facilitate pedestrian movement around the Umeda area. Making it easier for people to stroll without worrying about automobiles can make both local citizens and visitors to Osaka enjoy the experience of sharing in the myriad entertainment and shopping opportunities so much more.

Future Development Projects – Lead-up to 2012

A number of large-scale projects are slated for development in the Umeda area. These range from office and commercial developments through movie theatres and concert halls to residential and educational projects. Examples include the Breezé Tower, an 84,756 m² complex of offices, commercial space and theatre halls. Others include the Osaka Station North District Block A which encompasses commercial premises, theatre, and a post office, and Blocks B and C, which include offices, commercial space, hotel, residential quarters and Knowledge Capital. Altogether eight major projects are in progress, covering a total floor area of 2,400,000 m².

Integrated Shopping District

In addition, the Umeda area, as an integrated shopping district, possesses the largest sales floor area in Japan -- over 600,000 m² by the time the development is complete. The current area stands at 450,000 m² but with the new developments, this will extend to 600,000 m², dwarfing the next in line — Shinsaibashi Namba's planned 410,000 m² and Ikebukuro's 320,000 m².

Japan's Largest Underground Shopping Arcade

Underground shopping centers such as Diamor Osaka with 400,000 visitors per day (v/d), Whity Umeda with 600,000 v/d, Dojima Centre with 120,000 v/d, and Hankyu Sanbangai with 80,000 visitors per day, all contribute to making the Umeda area a highly attractive one for shoppers coming from far and near. The concentration of these fine facilities in the same area also means many individual shopping experiences for visitors within the same general area.

Umeda Hankyu Building Plan

The Umeda Hankyu Building, which comprises 2 basement floors and 41 floors, has been an important draw for many people to the Umeda area. It is highly convenient, located within 5 minutes walk from 5 stations, and its department store (B1F-13F) and office tower (17F-41F) are a perennial draw for shoppers and business people alike.

The current rebuilding program will lead to a final unveiling of this Umeda landmark in the Spring of 2012. Meanwhile, phase 1 of the project, involving the department store, was completed and opened in September 2009. The office tower renovation will be completed in April 2010 while phase 2 of the department store will be finished by Spring 2012 when the Grand Opening will take place.

The Hankyu Department Store has led trends in the Kansai area throughout its existence and boasts being first in sales volume among department stores in the Kansai area and third overall in Japan. From its inception, the company's policy was to sell good products at low prices and before the rebuilding tallied as many as 50,000,000 visitors annually while raising gross annual sales volume of about 192 billion yen (3rd in sales volume in Japan). *1

Quite apart from the store's own fine selection of products, the store's terminal location has allowed it to attract customers in the Hanshin and Hokusetsu area. Location. Location. Location.

Working women and highly discerning customers are the store's main target. Judging from the company's success it seems that Hankyu deserves its reputation as the leading department store in the field of fashion. While rebuilding and development are underway, the company aims to retain its dominant position as a retailer and to strengthen its position in the Umeda area. Thus, the choice for implementing the redevelopment in two phases allows the company to carry on its department store business and to help maintain a bustling Umeda.

New Office Buildings

The Umeda area is in the process of establishing a firm new base for business through the acceleration of office/floor space accumulation. Some key landmarks in this regard include developments such as the Fukoku-Seimei Building, the Umeda Gate Tower, Umeda Kita Place and the JR Osaka Shinkita Building, among others. By 2014, the Umeda area will have extended its office space area from 1,120,000 m² to 1,450,000 m².

Growth of Halls, Theatres, and Movie Theatres

Osaka's cultural and entertainment life is about to get an incredible boost from the wide range of performance halls and theatres being constructed. This would mean that the Umeda area would not only be a place for shopping and business but also for entertainment and the experience of cultural activities.

*1 Based on comparison of Nikkei MJ 2007 and FY 2005 Department store survey of gross sales for FY2004.

All things being equal, people like to do business with a friend; all things being unequal, people would still like to do business with a friend.

- Mark McCormack,
founder of International
Management Group

Life is for one generation; a good name is forever.

- Japanese proverb

The Future of the Umeda Area: Comfortable, Clean, & Vibrant

The plan for Umeda's future is more than making it possible for pedestrians to enjoy the city at a leisurely pace. It is also about ensuring that both citizens and visitors can move around knowing that they are secure and that their environment is one that reflects harmony with nature and is visually and aesthetically pleasing. Umeda's future development pays attention to providing linkages and connections among some of the key points of attraction in the city so that people can move around from one place to another with much greater ease.

Osaka City is working with business organizations to ensure greater uniformity among street signs to make it easy for pedestrians to use them to get around to places of interest or to do business.

These pedestrian-friendly efforts have already begun to pay dividends, as proven by increased customer traffic for businesses and cultural and entertainment attractions.

In addition, the targeted use of live events such as candle illumination at public spaces in Chayamachi and the Nishi Umeda District are further efforts to attract more people and to make the bustling new Umeda area one that would be a draw for visitors from both near and far for many years to come.

A Glimpse of the Future



Based on web survey of visitors to Hankyu No 3 Avenue between Feb 12 and 15, 2008.

WEB survey targeted those who could visit the area within 19 minutes and who came 2 or 3 times a month; age of target group 20-60; Total: 1000 respondents.

Osaka City

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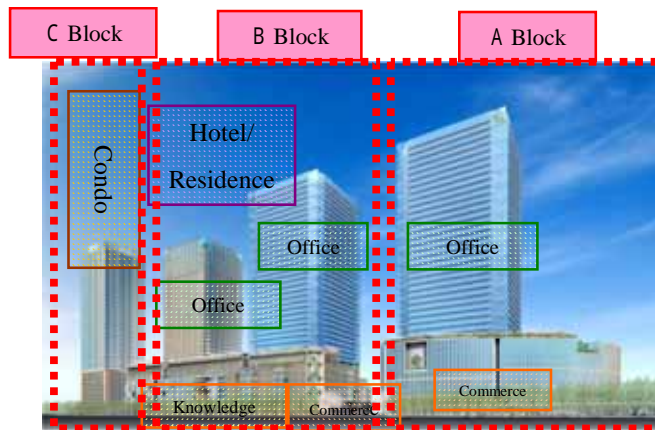
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www.osaka-saisei.jp/eng/index.html

Osaka Station North District Phase 1 Development Area Project – Knowledge Capital

The basic concept of the Phase 1 of Osaka Station North District's development is to establish a place of creativity; that is, a prosperous city based on knowledge sharing. Hence, the name Knowledge Capital. Our goal is to integrate various urban functions such as commerce and offices as well as provide an avenue for specialists to interact with cutting edge information to create new businesses, products, and lifestyle. In order to ensure that everyone is aware of these developments, a Town Management Organization has been created for branding and managing the city with a focus on both Umeda and the surrounding areas. Area developments would include the following: office space, storefront, Knowledge Capital facilities, condominiums, and hotel/residence facilities.



Bustling and Vibrant City

Live events and other attractions such as the candle illumination show featured below would help bring a sense of continual refreshment and renewal to the city as residents and visitors are treated to spectacular, fun-filled, events that would add to the richness of their experience of the Osaka area in general and Umeda in particular.



Osaka Foreign Business Spotlight:

Steve Iwamura, CPA (Consulting Partner, Tohmatsu)



Tell us about your company

Tohmatsu is one of the Big-4 public accounting firms in Japan. It is a member firm of Deloitte Touche Tohmatsu, a global firm that collaborates to provide audit, consulting, financial advisory, and tax services to clients on a globally seamless basis. We have 6,000 professionals in almost 40 cities of Japan. Our Osaka office is located near Yodoyabashi station, fronting Midotsuji. While we are a global firm, Tohmatsu's Osaka office values the middle-market, and we serve many mid-sized companies with quality businesses.

Why is Osaka attractive as a place to do business and Kansai as a place to live?

I was head of the American Chamber of Commerce in Japan's Kansai Chapter from 1996-1999. My message has always been consistent. I believe that any foreign company entering Japan without a compelling reason to be in Tokyo should consider Osaka as a place to do business. The quality of life in the Kansai is a large part of that equation.

Tell us about what you do within your company.

I am a consulting partner providing cross-border business consulting services. Although I sometimes represent foreign clients, most of my clients are Japanese presidents and high-level headquarters executives. These consulting services are very customized — based on the particular needs of the client and situation. Nearly every job is unique, and they range in size from very big, to some that are quite small. I think the nature of the jobs is a reflection of the difficulties that Kansai companies face in this new age of level-field global competition. The nature of the jobs also reflects the changes going on in the ever-moving economy.

Can you give us some examples?

Asset Acquisitions - In the M&A (mergers and acquisitions) field, I have led financial due diligence for corporate acquisitions. The size has ranged from over \$2 billion to less than \$1 million. The venues have included SE Asia, the U.S. and Europe. I also do work related to real estate acquisitions and management.

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Tell us about yourself.

I was born and raised in Hawaii. A U.S. Certified Public Accountant (CPA) by training, I was an audit and tax manager for Japanese companies investing in Hawaii during the bubble days. This is my 20th year in Kansai. I am now a consulting partner with Deloitte Touche Tohmatsu LLC ("Tohmatsu" in Osaka.)

How did you come to work and live in Kansai?

While serving Japanese companies in Hawaii, we would often find the business decisions emanating from Japan to be inexplicable. I knew that if I was going to serve Japanese clients long-term, that I had to go to "the source."

People often ask me, "Why didn't you go to Tokyo?" The answer is that "fate" chose Kansai for me. I had to depend on personal introductions to come to Japan. It just so happened that the connections I had, took me to Osaka.

Osaka Foreign Business Spotlight: Steve Iwamura

Negotiation support – I accompany and support Japanese executives with negotiations, such as those relating to corporate or asset acquisitions, supply agreements, and technology licensing agreements. Reflecting the trends toward renewable energy, recent work has included representing a US company selling polysilicon to Kansai's solar cell makers.

Joint Ventures – I have done a lot of work related to cross-border JVs. This includes, among others, advisory services related to the initial investment, investigating specific operational issues (for example, reasons for unexpected losses), strategic advice, finding solutions to problems, and negotiating exits.

Foreign subsidiary personnel and management issues – I advise Japan headquarters to hire subsidiary presidents locally, help them to bridge cross-cultural business gaps, solve existing business problems, and plan new business approaches.

Securities Report Translations – We translate financial data and related disclosures for purposes of Japanese and U.S. securities reporting requirements. We also translate Japanese accounting and internal control policies for use by foreign subsidiaries.

What has been some of the work you feel most good about?

The work that stands out most was guiding a 29-year-old CEO of a US start-up company to its first commercial deal, a \$3.5 million co-development and equity deal with a major Kansai company. This deal was followed by other co-development deals in Japan, plus the securing of \$2 million in Japanese venture capital. These deals led to a successful listing on NASDAQ for this start-up company less than three years later.

I did this deal from the outside-in, meaning that I discovered the US start-up and brought it into Kansai. The reason I developed the initial deal was to prove-out my ideas about developing cross-border business, economic opportunities, etc., and to achieve a real result.

What's your vision for the future of your organization in Kansai and in general?

The role of my consulting services is to help Kansai companies increase their ability to move faster and more nimbly overseas. I would also like to work with foreign companies entering the Japanese market, by coordinating all of their initial needs on a one-stop basis, working with them, as well as their corporate headquarters.

What weaknesses do you see for the Osaka/Kansai business area in regard to foreign investment?

The fundamental problem is that local government is still not prepared to invest the resources to make foreign investment a top priority. With limited resources and so many other priorities, I can understand their challenges. However, something will have to be done soon, before Kansai begins to lose more ground as a major Asian business hub. Limited resources make increased collaboration an even bigger priority. Therefore, while I believe that Osaka City's FBNC (Foreign Business Network Club) is a step in the right direction, there is much more that needs to be done on a concrete basis. Results are what counts.

What advice would you offer to Osaka City as it works to bring Osaka on to the global business stage?

At this point, all things considered, I am inclined to think that the priority should be on (1) solving the various issues related to KIX (Kansai International Airport); (2) improving Osaka as a gateway and destination for foreign tourists; and (3) having Osaka City and Osaka prefecture form a joint economic development unit specializing in dealing with business issues involving foreign companies. Ideally, this would include business people (both Japanese and long-term foreigners who understand Japan). The aim of the joint unit would be to identify and solve problems that are not being addressed in the market, and also to develop some projects that will lead to some concrete results. I believe small results create and breed confidence and lead to bigger results. Momentum is very important.

Since 2003, **Osaka City** has been seeking to attract individuals, businesses, and educational institutions that can contribute to the dynamism, creativity, and vibrancy of the Osaka area. Contact us with feedback and suggestions at: y-bouno@city.osaka.lg.jp