

Strategy Framework of the Global Financial City OSAKA

September 9, 2021

Global Financial City OSAKA Promotion Committee

Strategy Composition

I Compiling this Strategy

- 1. Strategy Formulation Background**
- 2. Global Trends & Conditions in Japan**
- 3. Focusing on Important Points for Formulating this Strategy**

II Image of the Global Financial City that Osaka Aims to Be

III Pillars & Key Initiatives in this Strategy

IV Executing this Strategy

- 1. Strategy Goals**
- 2. Period for Implementing this Strategy**
- 3. Strategy Promotion System***

V Benefits from a Realization of a Global Financial City*

VI Conclusion & Outlook*

*Not mentioned in the strategy framework

I-1. Strategy Formulation Background

- ◆ Given Japan will proceed at full speed to realize a global financial city, including tax reforms and regulatory compliance owing to substantial changes in the global financial situation, several financial cities with international competitiveness will be required to enhance Japan's growth potential.
- ◆ Making Osaka a global financial city is a key initiative for strengthening Japan's resilience in the financial front to handle critical events when they occur.
- ◆ Furthermore, to strengthen financial functions, which can be called the "blood of the economy," this will serve as a pillar for new growth by revitalizing the economy in the Osaka-Kansai region in the Post-COVID-19 era. Accordingly, this will also contribute to the economic development of Japan.
- ◆ Based on this, to formulate this strategy, we aim to create a proprietarily unique and functional global financial city by contributing to the further rapid growth of Osaka, which is one of Japan's two economic centers, one in East Japan and one in West Japan.

I-2. Global Trends & Conditions in Japan

- ◆ Major financial institutions set up bases in global financial sites. In recent years, FinTech companies clusters are also a component of these sites. In light of this, sites where diverse financial entities are carrying out activities, are changing. There is a trend where financial institutions, investors and other related parties are accumulating in cities where there are business opportunities (investment targets) and customers (asset-holders), there is a trend.
- ◆ In addition, the global environment for the financial industry is undergoing changes. The scale of investment management companies is growing immense in size and the number of investment funds and other financial counterparties are also increasing.
- ◆ In recent years, there has been impact to the business environment in global financial cities, owing mainly to the strengthening of ties with China owing to the enactment of Hong Kong's national security law and Greater Bay Area scheme, and a change in the political situation in the UK, owing to Brexit.
- ◆ Furthermore, we are seeing a shift to ideas where consideration should be given to the diverse benefits for stakeholders, including corporate employees, business partners, customers, local communities and shareholders. In addition, sustainable finance, which will contribute to the achievement of SDGs, are expanding.

I-2. Global Trends & Conditions in Japan

[Reference] Ranking of global financial center cities

- In the ranking of global financial center cities in March 2021, Tokyo ranked 7th and Osaka ranked 32nd
- Osaka is evaluated as a “local” global financial city

	September 2019	March 2020	September 2020	March 2021
1st	New York	New York	New York	New York
2nd	London	London	London	London
3rd	Hong Kong	Tokyo	Shanghai	Shanghai
4th	Singapore	Shanghai	Tokyo	Hong Kong
5th	Shanghai	Singapore	Hong Kong	Singapore
6th	Tokyo	Hong Kong	Singapore	Beijing
7th	Beijing	Beijing	Beijing	Tokyo
8th	Dubai	San Francisco	San Francisco	Shenzhen
9th	Shenzhen	Geneva	Shenzhen	Frankfurt
10th	Sydney	Los Angeles	Zurich	Zurich
11th	Toronto	Shenzhen	Los Angeles	Vancouver
12th	San Francisco	Dubai	Luxembourg	San Francisco
13th	Los Angeles	Frankfurt	Edinburgh	Los Angeles
14th	Zurich	Zurich	Geneva	Washington DC
15th	Frankfurt	Paris	Boson	Chicago
16th	Chicago	Chicago	Frankfurt	Seoul
onward	Osaka (27th)	Osaka (59th)	Osaka (39th)	Osaka (32nd)

<Asia-Pacific region ranking>

	March 2021
1st	Shanghai
2nd	Hong Kong
3rd	Singapore
4th	Beijing
5th	Tokyo
6th	Shenzhen
7th	Seoul
8th	Sydney
9th	Guangzhou
10th	Melbourne
11th	Osaka

Source: Compiled based on Z/Yen research, UK thinktank

I-3. Focusing on Important Points for Formulating this Strategy

- ◆ A global financial city is aimed for in local development. Its realization contributes to shaping a local vision and strategy, which aims for economic development. In light of this, this will contribute to the benefits and happiness of the citizens of Osaka. **[Perspectives of local development]**
- ◆ In addition, this should be made to contribute to the achievement of Sustainable Development Goals (SDGs), which are common global goals that aim to realize a sustainable and between society, including individual initiatives. **[Perspective of SDGs]**
- ◆ In formulating this strategy, in addition to sharing the above goals, significance and the city image being aimed for, a **clear-cut concept story** will be presented for initiatives for the realization of this strategy.
- ◆ When considering the city image being aimed for and the functions that should be introduced, first the current status of Osaka was carefully examined, and then the environment was analyzed, including points of superiority and insufficiency, and future possibilities.

I-3. Focusing on Important Points for Formulating this Strategy

Environmental analysis: Strengths, weaknesses, opportunities and threats regarding the city image being aimed for and the consideration of initiatives	
Strengths	Weaknesses
<p>[Business environment]</p> <ul style="list-style-type: none"> • Political stability, public order (security) • Sites for creating new innovation, including Phase 2 of Umekita and the Nakanoshima future medical care sites • Cluster of global companies, including firms in the life science field • Cluster of industries, including resilient small/medium-sized suppliers that support large companies • Economic revitalization via inbound tourists <p>[Human capital]</p> <ul style="list-style-type: none"> • Cluster of higher educational facilities in the Kansai area and R&D institutions • "Yatte minahare" spirit, temperament/disposition of the people of Osaka • Charming and easy to live in town, including its food culture <p>[Infrastructure]</p> <ul style="list-style-type: none"> • Established transportation infrastructure, including its railway network, international ports, and three Kansai-area airports • Discount real estate • Population scale <p>[Financial sector]</p> <ul style="list-style-type: none"> • Two securities exchanges, installation of new PTS • Abundant individual financial assets <p>[Reputation]</p> <ul style="list-style-type: none"> • Birthplace of derivatives • Evaluation as an appealing tourist site in the Kansai area • Close to Asia 	<p>[Business environment]</p> <ul style="list-style-type: none"> • Corporate HQs, capital, information etc. centralized in/outflow to Tokyo • Lack of start-ups that are investment targets • Lack of a finance support system for growth process from companies • Delay in business succession for SMEs with technical skills • Delay in administrative DX <p>[Human capital]</p> <ul style="list-style-type: none"> • Lack of skilled financial and technological personnel • Lack of ratings agencies, lawyers and specialized institutions and personnel related to the finance industry • Lack of start-up mindset and global awareness • Lack of financial literacy training <p>[Infrastructure]</p> <ul style="list-style-type: none"> • Support for development of a multi-lingual living environment, including hospitals, schools and living facilities (including during disasters) • Worsening low birth rate and aging <p>[Financial sector]</p> <ul style="list-style-type: none"> • Less trading time and days at exchanges • Lack of FinTech companies <p>[Reputation]</p> <ul style="list-style-type: none"> • Low ranking as a global finance city • Low global recognition lack of external appeal
Opportunities	Threats
<ul style="list-style-type: none"> • Impact from the 2025 Osaka-Kansai Expo • Designated as a "global site/city" in the start-up ecosystem • Rising movement to unwind the heavy concentration on Tokyo from the viewpoint of BCP • Development of digitalization and the culture of remote operations • Capital investment opportunities, including for datacenters to boost resilience • Accelerate global ESG investment flow • Expansion of financial services using FinTech 	<ul style="list-style-type: none"> • Regulations, tax system • Difficulty and complexity of various procedures at the time of entering Japan • Risk of natural disasters, climate change and terrorism • Uneven distribution of datacenter sites • Securing wealthy clients in overseas advanced finance cities • Few opportunities for procuring capital by unlisted companies • Low liquidity of equities

*The strengths and weaknesses are categorized into five fields (business environment, human capital, infrastructure, financial sector development and reputation) are the evaluation criteria set in the Global Financial Centres Index (GFCI) which is announced annually by a public-sector think tank.

I-3. Focusing on Important Points for Formulating this Strategy

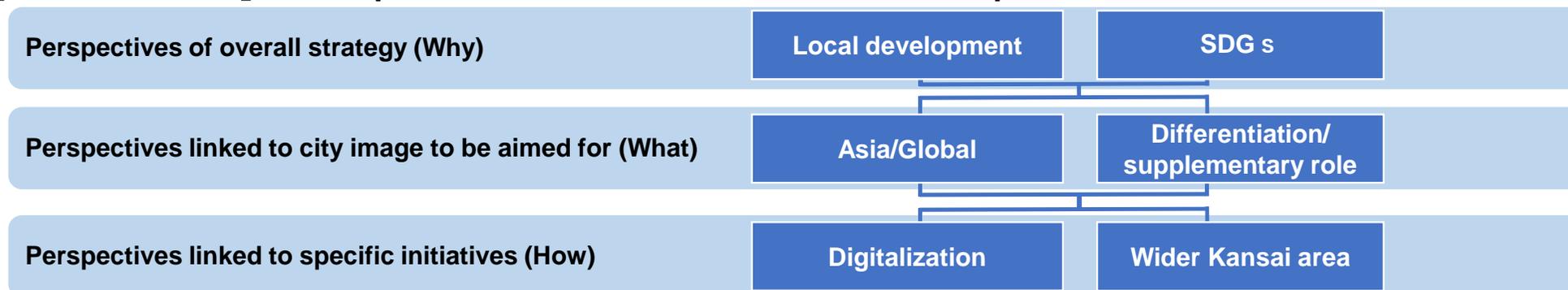
Taking an environmental analysis into account,

- ◆ Leverage the strengths of and opportunities in Osaka, while constantly maintaining global awareness, to generate synergistic benefits with other cities, particularly with geographically close Asia where growth is pronounced and gather personnel, capital information as a global hub **[Asia/global perspective]**
- ◆ Factoring in the in current global evaluation related to international finance, be equipped with proprietary uniqueness and functions through edgy initiatives that leverage Osaka's characteristics and also avoid the risk of concentration in a single area in Japan, and fulfill the role of improving Japan's resilience. Establish a city image to aim for that emphasizes the **[perspective of differentiation and supplementary role]**.

In addition, factors for implementing specific initiatives,

- ◆ **From the perspective of digitalization**, high affinity with finance, including FinTech, which is a global trends, and impetus for new growth
- ◆ Deploy initiatives, taking into account a **perspective of the broader Kansai region** which leverages the uniqueness and strength of each region in Kansai and the history and culture.

[Reference] Perspectives that Should be Emphasized



Perspectives of overall strategy

◆ Create a clear-cut concept

Given there is no definition or requirements for a global financial city, **share the city image to be aimed for**, create a **clear-cut concept and story** for initiatives to realize this image

◆ Local development

“**Lubricant**” for **economic activities**. Utilize financial strengths that are closely related to local communities and economic activities, **local growth development**, and consequently **contribute to the benefits and happiness of local residents**

◆ SDGs

Individual initiatives contribute to the achievement of SDGs to make Osaka a global financial city

Perspectives linked to city image to be aimed for

◆ Asia/global

Businesses, including finance, are being deployed globally, crossing international borders. Always be globally aware and possess international competitiveness, while **generating synergistic benefits through collaborations with other cities to collect personnel, capital information as an Asian/global hub**

◆ Differentiation with/supplementary role with to support other cities and regions

For Osaka and Kansai to become a selected region, leverage the strengths of and opportunities in Osaka, **to differentiate with innovative and edgy initiatives** and also **play a supplementary role to enhance Japan’s ranking in the world by improving resilience**

Perspectives linked to specific initiatives

◆ Digitalization

Given the **global digitalization trend**, in the field of finance, where the affinity with digital technologies is particularly high, **incorporate new technologies, including FinTech**

◆ Wider Kansai area

Cities with different characteristics will cluster, leverage the characteristics of the Kansai region which possess various charms, and **use this comprehensive power to show its presence internationally**

II Image of the Global Financial City that Osaka Aims to Be

◆ Taking into account perspectives that should be emphasized to realize a global financial city (Asia/global, differentiation/supplementary role), tackle two city images

Tout the vitality of Asia and the world, develop a global city shored up by finance

◆ Basic concept

- For the purpose of local development, the inflow and circulation of investments from Japan and abroad are necessary for urban development triggered mainly by the Osaka-Kansai Expo, the promotion of innovation and start-up growth.
- In addition to an improvement in resilience by playing a supplementary role focused mainly on support during natural disasters, it is also necessary to revitalize the domestic market, including boosting financial literacy.

◆ Concrete image to aim for

- Perspective from an ecosystem that supports the growth of start-ups from a financial standpoint
- City where there is a cluster of FinTech companies
- Resilient city boasting Japan's financial functions
- City where financial literacy is high and investments are brisk

II Image of the Global Financial City that Osaka Aims to Be

Front-running city in finance that challenges the world with pioneering initiatives

◆Basic concept

- Vital to enhance a unifying force in the area of finance to attract companies and people through initiatives that are edgy and distinct to Osaka and Kansai.
- Require pioneering initiatives in derivatives and sustainable finance, and the deployment of unprecedented initiatives in financial services.

◆Concrete image to be aimed for

- Advanced derivative bases in Asia by developing edgy financial products
- A city that executes advanced initiatives in sustainable finance
- A city able to test and implement an innovative financial society

III Pillars & Key Initiatives in this Strategy

◆ Pillars and key initiatives to realize the city image being aimed for

1	Global city developed based on finance	2	Front-running city in finance
	<ul style="list-style-type: none"> (1) Promote initiatives from the view of finance for appealing urban development (2) Support financing to revitalize start-ups and the local community (3) Strengthen site functions from the view of improving resilience (4) Revitalize domestic financial markets 		<ul style="list-style-type: none"> (1) Create edgy, innovative financial products and markets (2) Initiatives for a sustainable finance, advanced city (3) Promote review of regulations related to financial services (4) Nurture skilled personnel in the field of finance
<p>【Joint initiatives】</p> <p>(1) Establish an appealing living environment for non-Japanese people (2) Establish a business environment that is appealing to domestic and foreign companies and people (3) Disseminate information/promotions (4) Collaborations with overseas entities (5) Innovative impact initiatives with Osaka City and Prefecture</p>			

◆ The above pillars and key initiatives are organized based on the three approaches of “nurture,” “invite” and “support”
 “Nurture” means to enhance proprietary charms; “Invite” means to attract from regions in Japan and abroad; “Support” means to establish a foundation to nurture and invite

*Going forward, when considering initiatives, organize and closely examine the raising of pillars, implementing body and time lines

	I Global city developed based on finance	2 Front-running city in finance	I 2 Joint initiatives
Nurture	(1) Promote initiatives from the view of finance for appealing urban development (2) Support financing to revitalize start-ups and the local community	(1) Create edgy, innovative financial products and markets (4) Nurture skilled personnel in the field of finance	(5) Innovative impact initiatives with Osaka City and Prefecture
Invite		(2) Initiatives for a sustainable finance, advanced city	(4) Collaborations with overseas entities (3) Disseminate information/promotions (2) Establish a business environment that is appealing to domestic and foreign companies and people
Support	(3) Strengthen site functions from the view of improving resilience (4) Revitalize domestic financial markets	(3) Promote review of regulations related to financial services	(1) Establish an appealing living environment for non-Japanese

III Pillars & Key Initiatives in this Strategy

“Global city developed based on finance “ that will invite vitality from Asia and the rest of the world

***Content is an example of key initiatives (image). Feasibility and benefits will be considered going forward.**

(1) Promote initiatives from the view of finance for appealing urban development [Nurture]

- Create a system for the inflow of capital from Japan and abroad into the testing and implementation of social projects, triggered by the Expo <Private sector, local government, economic circles>

(2) Support financing to revitalize start-ups and the local community [Nurture/invite]

- Support promotion of further investment in start-ups <Private sector, local government, economic circles >
- Initiatives to promote financing using STO* and other new methods < Private sector, local government, economic circles >
**STO: Financing scheme using security tokens, a security issued using an electronic method, such as blockchain technology*

(3) Strengthen site functions from the view of improving resilience [Support]

- Establish BCP and dual operation sites for financial institutions/expand and support functions <Private sector, local government, economic circles>
- Initiatives for data centers and middle/back office clusters <Private sector, local government, economic circles >

(4) Revitalize domestic financial markets [Support]

- Promote expansion of the scope of aggregated profit/loss for income taxes on financial products (Add derivatives) <Private sector, local government, economic circles >
- Initiatives linked to cultivating the investment mind and improving financial literacy to nurture assets from a long-term perspective < Private sector, local government, economic circles >

***Three approaches (nurture, invite, support) for each strategic pillar are in parentheses. Expected main constituents (public sector, local government, economic circles) are in <>.**

III Pillars & Key Initiatives in this Strategy

Front-running city in finance that challenges the world with pioneering initiatives

*Content is an example of key initiatives (image). Feasibility and benefits will be considered going forward.

(1) Create edgy, innovative financial products and markets [Nurture]

- Develop innovative product groups to become the greatest derivative market in Asia <Public sector>

(2) Initiatives for a sustainable finance, advanced city [Invite/support]

- Promote issuance of SDG bonds by companies (social bonds, green bonds, etc.) <Private sector, local government, economic circles >
- Consider sustainable finance information platform and certification labeling system in compliance with global standards <Private sector, local government>

(3) Promote review of regulations related to financial services [Support]

- Review regulations through the use of National Strategic Special Zone and regulatory sandbox*, etc. and promote the easing of regulations for proprietary trading systems (PTS) <Private sector, local government, economic circles >

**Regulatory sandbox: Systems linked to conducting verification of the social implementation of new technology and business models, and to conduct reviews with obtained information and data*

(4) Nurture skilled personnel in the field of finance [Nurture]

- Train personnel related to finance, start-ups and latest technology during higher education <Private sector, local government>

*Three approaches (nurture, invite, support) for each strategic pillar are in parentheses.
Expected main constituents (public sector, local government, economic circles) are in <>.

III Pillars & Key Initiatives in this Strategy

【Joint initiatives】

*Content is an example of key initiatives (image). Feasibility and benefits will be considered going forward.

(1) Establish an appealing living environment for non-Japanese

[Support]

- Create an environment for education and medical care <Local government>
- Disseminate information via websites in various languages and set up a one-stop service office that can deal with various procedures related to the FSA in English <Local government>

(2) Establish a business environment that is appealing to domestic and foreign companies and people

[Invite]

- Initiatives to promote the acceptance of highly skilled non-Japanese personnel <Local government, economic circles>
- Disseminate information as an arbitration seat/venue for international disputes in collaboration with the Japan International Dispute Resolution Center Osaka) <Local government>

(3) Disseminate information/promotions

[Invite]

- Strategic PR activities that use diplomatic missions in Japan, government related, local government office and private sector networks <Public sector, local government, economic circles>
- (Reprint) Disseminate information via websites in various languages <Local government>

(4) Collaborations with overseas entities

[Invite]

- Consider partners for realizing a city image that is to be aimed for <Public sector, economic circles>

(5) Innovative impact initiatives with Osaka City and Prefecture

[Nurture/invite]

- (Reprint) Set up a one-stop service office that can deal with every kind of procedures in English, in collaboration with Financial Services Agency <Local government>
- Position personnel with financial literacy and well-versed in the financial industry <Local government>

*Three approaches (nurture, invite, support) for each strategic pillar are in parentheses.
Expected main constituents (public sector, local government, economic circles) are in <>.

IV. Strategy Goals & Implementation Period

1. Strategy goals

- ◆ Strategy goals are set by considering strategy formulation at the end of each year using indexes that measure the degree of achievement of the image we want Osaka to be and the KPIs for each key initiative.
(Matters that can be grasped by city and those that can be compared with other cities are suitable)

2. Strategy implementation period

- ◆ Long-term initiatives are necessary to realize global financial cities as the global financial cities around the world are part of the background of the long history of finance.
- ◆ Set a short-term period (time up to the Osaka-Kansai Expo) and medium-term period (year up to 2030), which focus on the final year (2050, the target year for achieving carbon neutrality globally and in Japan). Review each period, and reflect the ongoing situations at that time into the plans.