

Tourism and Hospitality

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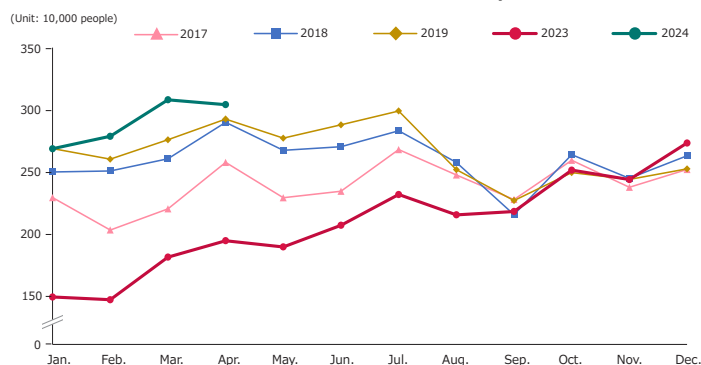
1. Overview

Japan's tourism market strengthens with the increase in inbound consumption

The number of foreign visitors to Japan has increased sharply since the COVID-19 pandemic subsided, boosting inbound tourism. Due to an increase in the number of flights between Japan and other countries, the cumulative number between January and April 2024 has reached 10 million people. By country/region of residence, the numbers are above the 2023 level across all countries and regions, and except for China, Thailand, Russia, and the Nordic countries, the levels have also exceeded those of 2019 before the COVID-19 pandemic.¹ Additionally, inbound consumption in 2023 has exceeded the government's target, amounting to 35.05 billion USD * (5.3 trillion JPY)², rapidly expanding Japan's tourism industry.

The tourism industry encompasses various related industries, including transportation, accommodation, tourist facilities, restaurants, events, and travel agencies, and with inbound tourism demand rapidly expanding across the entire industry, there is significant potential for business entry. Inbound consumption can be broken down into the number of foreign visitors and their per capita travel spending. The cumulative number of visitors between January and April 2024 exceeded 10 million (72.1% more than the same period last year and 5.7% more than the same period of 2019), indicating a rapid increase and surpassing the pre-COVID-19 level (Figure 1).

Figure 1 Transition in the number of foreign visitors (monthly for 2017, 2018, 2019, 2023, and 2024)

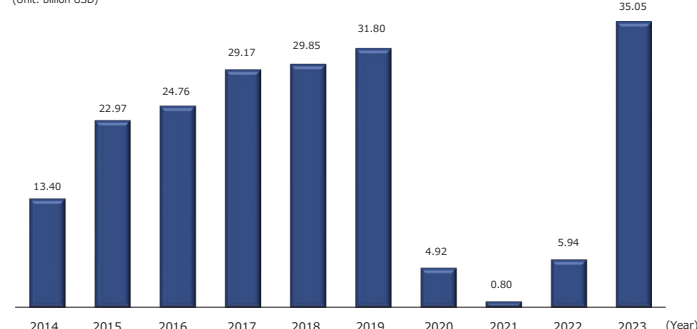


Source: Created by JETRO based on data from Japan National Tourism Organization (JNTO)³

Additionally, per capita travel spending by visitors has also increased. It is estimated to be 1,407.1 USD * (2.13 million JPY) in 2023 (34.2% more than in 2019). In particular, the spending on accommodation and meals has increased across various expense categories.⁴

The travel spending by visitors reached 35.05 billion USD * (5.3 trillion JPY) in 2023, a record high of 10% more than the pre-COVID-19 level in 2019 (Figure 2).

Figure 2 Transition in travel spending by foreign visitors (2014-2023)
(Unit: billion USD)



Source: Created by JETRO based on data from Japan Tourism Agency (JTA)⁵

Furthermore, this inbound consumption is as large as the export value of some of Japan's major export industries. Compared to the export value in 2022, it is the third largest after Automobiles at 85.88 billion USD * (13 trillion JPY) and Electronic components such as semiconductors, etc. at 37.65 billion USD * (5.7 trillion JPY), surpassing Iron and Steel at 31.05 billion USD* (4.7 trillion JPY), Equipment to manufacture semiconductors, etc. at 27.08 billion USD * (4.1 trillion JPY), and others (Figure 3). Therefore, Japan's tourism industry, generating a large amount of inbound consumption, can be regarded as one of the important industries driving the Japanese economy.

1 Japan National Tourism Organization (JNTO). *Number of foreign visitors (estimated as of April 2024)* (JP), pp. 4-5, 7-11.

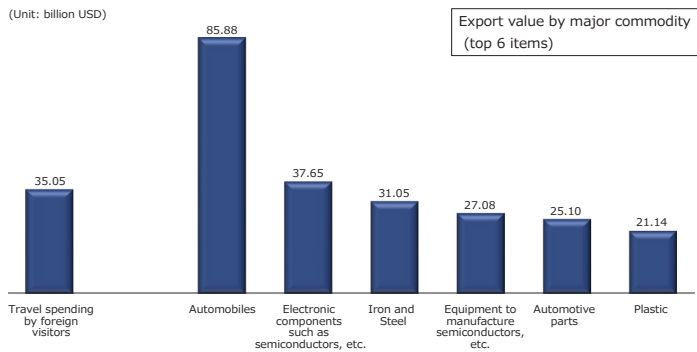
2 Japan Tourism Agency (JTA). *Overview of the survey results (final report) on the "survey on consumption trend of foreign visitors" 2023* (JP), p. 5.

3 See Note 1, pp. 1-3, 6.

4 See Note 2, p. 2.

5 Japan Tourism Agency (JTA). *Overview of the survey results (final report) on the "survey on consumption trend of foreign visitors" 2023* (JP), p. 5.

Figure 3 Comparison of travel spending by foreign visitors (2023) and export value by major commodity (top 6 items) (2022)



Source: Created by JETRO based on data from JTA and Ministry of Finance Japan (MOF)⁶

In the fourth Tourism Nation Promotion Basic Plan approved by the Cabinet in 2023, the goals were to increase per capita spending of foreign visitors to 1,321.2 USD* (0.2 million JPY) by 2025 and consumption to 33.03 billion USD * (5.0 trillion JPY) at the earliest⁷, but these goals were achieved ahead of schedule as of the end of Mar.2023. While tourism demand is recovering faster than the government's expectations, labor shortages are still evident. In addition to social issues such as the aging population and the declining population, labor shortages are still an issue because workers who left their jobs due to the COVID-19 pandemic have not returned to the accommodation industry and other relevant industries⁸. As the government works to support the digital transformation of lodging operators to address the labor shortage⁹, the entry of foreign companies is also anticipated.

The increase in Japan's inbound tourism demand can be attributed to its abundant tourism resources and well-developed environment, which are attracting global attention. In the 2023 Readers' Choice Awards by the major U.S. travel magazine Condé Nast Traveler, Japan was ranked first as the World's Most Attractive Country while Tokyo was ranked second in the major city category¹⁰ (Figure 4). Additionally, in the 2024 Travel and Tourism Competitiveness Report by the World Economic Forum, Japan was ranked third in the world and first in the Asia-Pacific region for its well-developed infrastructure, including enhanced public transportation; health and hygiene conditions, including accessibility to healthcare; and rich cultural resources such as intangible cultural heritage.¹¹

Figure 4 Top 10 most attractive travel destinations in the world, Condé Nast Traveler Reader's Choice Award (2023)

Ranking	Country
1	Japan
2	Italy
3	Greece
4	Ireland
5	New Zealand
6	Spain
7	Portugal
8	Israel
9	Norway
10	Switzerland

Source: Created by JETRO based on data from Condé Nast Traveler and JNTO¹²

As the attractiveness of tourism resources continues to be highlighted in the global rankings as mentioned above, interest from around the world is increasing, and with the tourism industry rapidly developing beyond expectations and emerging as one of Japan's key industries, numerous business opportunities are anticipated in this industry.

⁶ Ministry of Finance Japan (MOF). *Trade statistics Trends in export value by commodity* (JP).

⁷ JTA. *The New Tourism Nation Promotion Basic Plan*.

⁸ Japan Research Institute. *Personnel Shortage in The Tourism Industry: Current Situation and Challenges* (JP), p. 3.

⁹ JTA. *Projects to address labor shortages in tourist destinations and the tourism industry* (JP).

¹⁰ Condé Nast Traveler. *Top Countries in the World: Readers' Choice Awards 2023*.

¹¹ World Economic Forum. *Travel & Tourism Development Index 2024 (Travel and Tourism Competitiveness Survey)*, pp. 11, 35.

¹² Condé Nast Traveler. *Top Countries in the World: Readers' Choice Awards 2023*.

Japan National Tourism Organization (JNTO). *Japan ranked first in U.S travel magazine's "World's most attractive countries ranking"!* (JP).

2. Government Initiatives

Promotion of digitalization, sustainable tourism, and regional tourism to boost inbound tourism and further develop the tourism industry

(1) Government initiatives to boost inbound tourism

The government is promoting the appeal of Japan's tourism and developing various marketing strategies to strengthen inbound tourism. The impact of the Expo 2025 Osaka, Kansai, Japan is also predicted to be significant, further boosting Japan's tourism industry.

One of the key marketing strategies is the global promotion of travel to Japan. In collaboration with private companies and local governments, tourism resources are disseminated through various approaches, and inbound tourism and international exchange are promoted.¹³

Also, based on the new Tourism Nation Promotion Basic Plan, the Inbound Marketing Strategy for FY 2023-FY 2025 has been formulated. To realize sustainable tourism, increase consumption, and promote regional attraction, it consists of three marketing strategies, including Strategy by Market (formulating market-specific strategies to increase consumption and promote tourist attraction to regional areas, based on the number of visitors who have been to Japan), Cross-market Strategy (high-value-added travel, adventure travel, Osaka-Kansai EXPO), and MICE Strategy (international conferences, incentive travel, etc.). In particular, under the Strategy by Market, marketing strategies have been formulated for each of the 22 countries and regions, aiming to strengthen regional attraction and raise awareness of regions in markets where many people have visited Japan before and repeat visitors are expected (the Asian region with a focus on East Asia), and in markets where people stay longer and are more interested in sustainable tourism (Europe and Canada)¹⁴ (Figure 5).

Figure 5 Excerpts from the Inbound Marketing Strategy (FY 2023-FY 2025)

Inbound Marketing Strategy (FY 2023-FY 2025)	
Strategy Type	Overview of focus areas (example)
Strategy by Market	More initiatives for repeat visitors (East Asia, Singapore)
Strategy by Market	Attract both repeat and new visitors to Japan (Southeast Asia, U.S., Australia)
Strategy by Market	Promote regional attraction and raise awareness of regional areas (East Asia, Southeast Asia, Europe, Canada)
Cross-market Strategy	Strengthen initiatives for high value-added travel (*1)
Cross-market Strategy	Promote adventure travel (*2) in Japan
Cross-market Strategy	Development support for inbound travel services using social media, etc. at the Osaka-Kansai EXPO
MICE Strategy	Attract MICE events (*3) based on the changing needs of Osaka-Kansai EXPO, and the post-COVID-19 pandemic.

*1: Travel by high value-added travelers (travelers whose total consumption per trip to Japan exceeds 1 million JPY /person)

*2: Travel consisting of two or more of the three categories of activity, nature, and cultural experience

*3: It is an acronym for business events like "Meetings" by companies, etc., Reward and study tours (Incentive Travel) by companies, etc., "Conventions" by international organizations, associations, academic societies, etc., "Exhibitions/Trade fairs" and "Exhibition/Event" etc., that are expected to attract many visitors and exchange.

Source: Created by JETRO based on data from Japan National Tourism Organization (JNTO)¹⁵

At the Osaka-Kansai EXPO, events are being planned to leverage the Expo as an opportunity to showcase the excellence of Japan's manufacturing technologies, anime, and other content to domestic and foreign audiences, with production-induced economic effect projected to reach up to USD 22.24 billion* (JPY 3.4 trillion)¹⁶. It is a great opportunity to showcase Japan's appeal to the world and to boost the tourism industry.¹⁷

¹³ Japan National Tourism Organization (JNTO). *Promoting inbound travel to Japan to achieve sustainable tourism, consumption growth and attract visitors to regional areas* (JP), pp. 5-15.

¹⁴ JNTO. *Inbound Marketing Strategy* (JP).

¹⁵ See Note 13, 14.

¹⁶ Asia Pacific Institute of Research. *Economic Ripple Effects of Osaka-Kansai Expo -Economic Impact of The Greater EXPO and Estimates Based on the Latest Data.*

¹⁷ Kansai Bureau of Economy, Trade and Industry. *Promoting the appeal of Japan through Osaka-Kansai Expo* (JP).

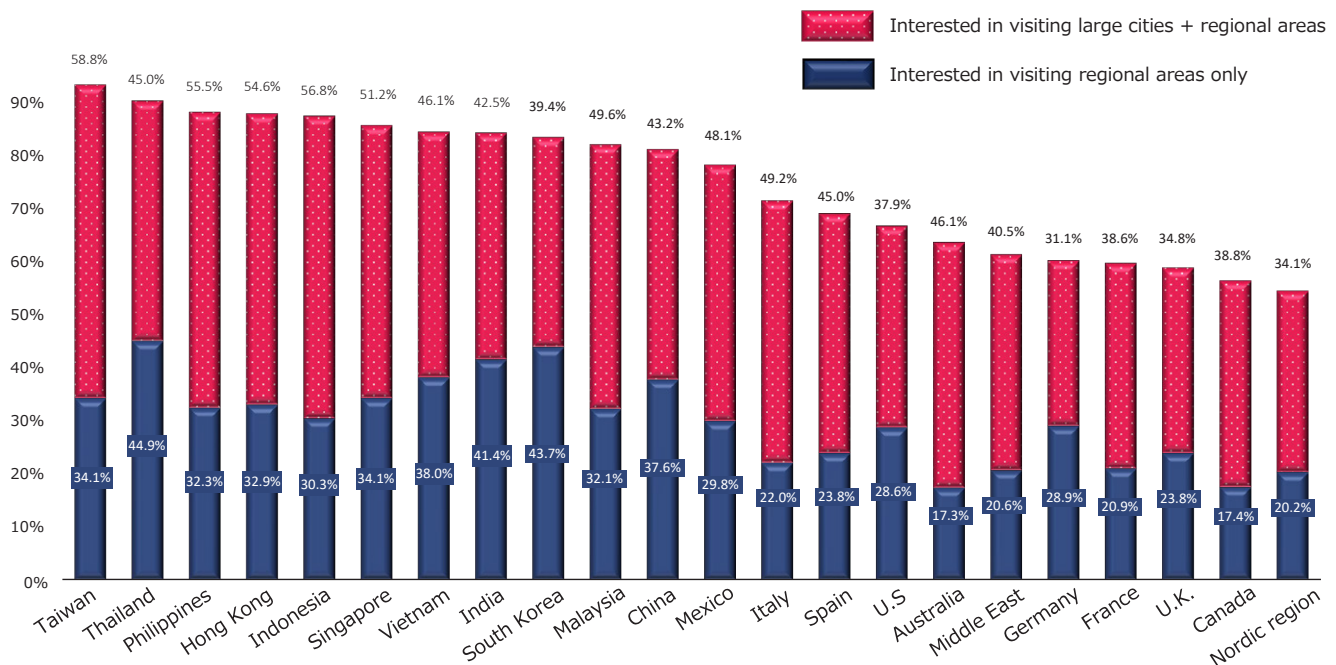
(2) Sustainable tourism and attracting tourists to regional areas

In Japan, where the population is declining, tourism that fosters exchanges between foreign tourists and regional areas is seen as a trump card for regional revitalization. Approximately 90% of visitors who have already been to Japan, mainly high-income individuals from Asia, Europe, U.S, and Australia intend to visit regional areas, and as regional tourism in Japan is attracting more attention¹⁸, inbound consumption is likely to increase in regional areas. On the other hand, in response to growing international awareness, the Japanese government is aiming to realize sustainable tourism regions, and importance is likely to be placed on promoting sustainable tourism in regional areas while striving to balance economic use and conservation of regional tourism resources (nature, culture, history, and local industries).¹⁹

The promotion of sustainable tourism is based on the provision of nature and culture rooted in nature as well as the prevention and control of over-tourism.²⁰ Furthermore, it is evident that the rapid increase in the number of tourists visiting regional areas not only has an economic impact on regional communities but also has a negative impact on each natural environment. There is a growing momentum within Japan to develop better communities for both local residents and tourists.²¹

The government has published the Japan Sustainable Tourism Standard for Destinations (JSTS-D), and is providing support to regions working to create sustainable tourism regions by expanding related training and promoting the acquisition of international certifications and awards.²³ With the support of the government, a total of six areas (Biei Town in Hokkaido, Niseko in Hokkaido, Oku-matsushima in Miyagi Prefecture, Hakuba Village in Nagano Prefecture, Shirakawa Village in Gifu Prefecture, and Miyama in Nantan City, Kyoto Prefecture) have been designated as Best Tourism Villages by the United Nations World Tourism Organization (UNWTO) as of 2023. Best Tourism Villages is a project to certify excellent regions (regions with a population of 15,000 or less and a primary industry) that are working to create sustainable tourism regions by conserving natural and cultural heritage through tourism.²⁴ In the fourth Tourism Nation Promotion Basic Plan, the Japan Tourism Agency aims to increase the number of regions engaged in creating sustainable tourism regions to 100 and the number of internationally certified and awarded regions such as Best Tourism Villages to 50 by 2025.²⁵

Figure 6 Percentage of people who intend to visit regional areas of Japan (other than Tokyo, Osaka, and Kyoto)(top 22 countries and regions)



Source: Created by JETRO based on data from JNTO²²

18 Development Bank of Japan, Japan Travel Bureau Foundation. DBJ and JTB: Survey on Tourist Travel to Japan from Asia, Europe, the United States, and Australia FY 2023 (JP), p. 24.

19 Japan Tourism Agency (JTA). Promoting system development for creating sustainable tourism region (JP).

20 JTA. New "Inbound Marketing Strategy" has been formulated (JP), p. 3.

21 Japan National Tourism Organization (JNTO). Promoting sustainable tourism (JP).

22 JNTO. New survey results have been announced on outbound and inbound travel across 22 global markets! (JP), pp. 8, 9, 34.

JNTO. Independent survey on travel intentions to Japan conducted in 22 global markets in anticipation of travel resumption -Estimated potential market size for inbound travel is 330 million people~ (JP), p. 14.

23 See Note 20.

24 JTA. Four regions of Japan were selected as "Best Tourism Villages"! (JP).

25 JTA. The New Tourism Nation Promotion Basic Plan.

The fact that many foreigners intend to visit regional areas (excluding Tokyo, Osaka, and Kyoto) suggests that interest is growing not only in urban areas and famous tourist destinations but also in Japan's regional and non-urban areas. Even in the survey before the COVID-19 pandemic, visits to regional areas attracted considerable attention, now, especially among repeat visitors from Asia, such as Taiwan and Singapore, there is an increasing intention to visit local areas, which leads to expectation of an increase in the number of foreign tourists visiting regional areas (Figure 6).

(3) Value-added businesses for tourist destinations and tourism industry through tourism digital transformation and ICT

The utilization of data collected through advanced digital technology and digitalization is essential to improve the profitability and productivity of the tourism industry as the number of visitors increases. In 2023, Japan Tourism Agency (JTA) announced a policy for realizing a regional revitalization and sustainable economic society through digital transformation in the tourism sector²⁶ and is promoting the development of an environment for receiving inbound tourists using ICT and value-added support for tourist destinations and the tourism industry through digital transformation. There are issues such as improving the convenience of tourists by responding to travel styles and consumer needs, enhancing tourist destination management, and nurturing and utilizing tourism digital talent²⁷, but it is believed that tourism digital transformation will be introduced in each region to address the issues.

Demonstration projects for tourism digital transformation are also underway to create advanced examples²⁸, with initiatives aimed at maximizing profits by expanding tourist consumption, encouraging return visits, enhancing the profitability and productivity of the tourism industry, and strengthening data collaboration between businesses and regions.²⁹

For example, the collection of best practices for promoting digital transformation in the tourism sector includes the following two domestic examples: firstly, Hakone, Kanagawa Prefecture, where a digital map equipped with traffic congestion information and reservation functions was introduced to show and recommend the optimal travel routes and tourism resources, thereby preventing over-tourism and promoting consumption by tourists, and secondly, Niseko, Hokkaido, where a centralized reservation system for experiential activities was introduced to increase profits while supporting effective management by providing aggregated data on local food, transportation, and accommodation to businesses.³⁰

Additional examples include the promotion of cashless payments for accommodation and tourism businesses through the payment platform *stera*, developed by JTB and three other companies³¹, and cashless tourism and transportation tickets through the tourism digital transformation platform *tabiwa* by WESTER, developed by JR West.³² Various examples of tourism digital transformation projects can be seen, and further growth in the tourism digital transformation sector is anticipated.

However, digitalization in the tourism industry is still developing, and the government is providing solutions to various issues (Figure 7).

It is anticipated that to address such tourism digital transformation issues in Japan, efforts will be made to further utilize overseas digital human resources and ICT know-how and enhance convenience and consumption through digital transformation utilization and data linkage.

26 Japan Tourism Agency (JTA). *Final report (overview) of meeting on promoting tourism digital transformation* (JP), p. 2.

27 JTA. *Promotion of tourism digital transformation* (JP).

28 JTA. *Announcing public applications for "Demonstration projects for creating advanced tourist destinations for revitalizing regional economies through tourism digital transformation"* (JP).

29 See Note 26.

30 JTA. *Collection of best practices for promoting digital transformation in the tourism sector ~Tourism digital transformation promoted by the community~* (JP), pp. 13-14, 30-31.

31 JTB. *Promoting cashless payments and digital transformation support for accommodation and tourism businesses using the payment platform "stera"* (JP).

32 JR WEST. *The tourism digital transformation platform "tabiwa by WESTER"* (JP).

Figure 7 Digitalization issues in the tourism industry and the direction of solutions in promoting tourism digital transformation, as shown in government data

Digitalization issues and the direction of solutions described in "Tourism DX Knowledge Report" published by the Japan Tourism Agency	
Digitalization issues	<ul style="list-style-type: none"> • Over-reliance on travel agencies and analog reservation management systems Despite the shift in travelers' information-gathering tools to social media and the shift in travel patterns to FIT (individual travel) and SIT (travel focused on specific interests and purposes), the accommodation industry, in particular, is still overly dependent on travel agencies for sending customers and analog management such as reservation management using paper ledgers.
	<ul style="list-style-type: none"> • Delays in DMP and CRM implementation Although local governments and destination marketing organization are becoming more aware of digitalization and digital transformation, less than 20% of them have introduced DMP (Data Management Platform) and CRM (Customer Relationship Management), and their utilization is limited.
	<ul style="list-style-type: none"> • Lack of collaboration among regions and businesses The development of services such as tourism apps, the customization of PMS (Property Management System), and the promotion of digital transformation by tourist attractions and lodging businesses independently make it difficult to collaborate between regions and businesses.
Solutions directions	<ul style="list-style-type: none"> • Improve convenience for travelers and promote excursions Build a regional OTA site that enables seamless information dissemination, reservations, and payments. Provide recommendations based on the time, place, and person.
	<ul style="list-style-type: none"> • Improved productivity in the Tourism industry Enhance information management through the introduction of PMS and appropriate allocation of management resources. Data specifications handled by PMS and OTA are unified. Implement revenue management and improve profits by sharing reservation information and sales prices on a regional basis.
	<ul style="list-style-type: none"> • Advancement of tourist destination management Marketing (CRM) using traveler's mobility, accommodation, and purchase data, etc. Aiming to attract more visitors and increase consumption using DMP.

Source: Created by JETRO based on data from JTA (Next Tourism "DX" Knowledge Report) ³³

3. Attractive Markets

In this report, we focus on the following three attractive markets in the tourism industry with large market sizes and high growth rates.

- (1) Travel Tech: Gaining attention due to the promotion of digital transformation and regional tourism
- (2) Financial Services: Growing demand mainly for cashless payment services for foreign visitors to Japan
- (3) Hotel Market: Successive expansion of overseas companies, mainly luxury hotels

(1) Travel Tech: Gaining attention due to the promotion of digital transformation and regional tourism

Against the backdrop of the government promoting digital transformation and the recovery of the tourism industry, there is increasing attention on the travel tech market (using the latest IT technology to reduce the hassle and ensure a seamless experience for travelers)³⁴. Among these, the online travel agent (OTA) market is particularly significant.

In FY 2022, the domestic market size for consumer e-commerce in the travel services sector reached 15.54 billion USD * (2.4 trillion JPY) (68.0% more than the previous year).³⁵ In addition, 85% of foreign tourists arrange round-trip air and ship tickets and accommodation on their own, and 78% book tour services and round-trip air and passage tickets through the website.³⁶ As personal travel arrangements through websites become mainstream, OTAs will increase their presence.

Moreover, in the OTA market, there are various examples of collaboration between foreign companies and Japanese companies, including collaboration between overseas OTA and Japanese local governments and destination management organizations (DMOs), as well as between companies (Figure 8). As the number of online travel arrangements increases, services incorporating various industries and target groups are being developed, such as offering attractions, as well as booking and payment services for airlines, restaurants, hotels, and taxis to foreign tourists. The demand for OTA services is expected to continue to meet various needs and interests. Many Japanese companies are likely to seek collaboration with overseas companies, making this a promising opportunity for foreign companies as well.

Figure 8 Examples of collaboration between Japanese and overseas companies in Travel Tech

Japanese company/OTA*	Overseas company/OTA*	Collaboration details
Osaka Convention & Tourism Bureau	Fliggy (Chinese OTA)	Attract Chinese tourists through the development and sale of travel services unique to Osaka, digital marketing, and destination branding
Yokohama City Visitors Bureau	Expedia, Hotels.com (Both U.S OTAs)	Sales and promotional activities of travel services targeting foreign visitors to Japan
Izu Peninsula Geopark and Tourism Bureau	KKday (Taiwanese OTA)	Promote tourism and industry on the Izu Peninsula
Japan Airlines	Tencent (Chinese IT company)	Develop a mini-program that allows users to book and purchase airline tickets through "WeChat", a social media app operated by Tencent
Ikyu (Japanese OTA)	My Real Trip (Korean Travel App)	Provide Japanese restaurant reservation service
SEIKO SERVICE & ENGINEERING (Japanese IT Company)	China Mobile International (Chinese OTA)	Strategic partnership agreement with JagoTrip, a comprehensive travel and life service app

Source: Created by JETRO based on press releases from each company ³⁷

Also, as sustainable tourism in regional areas is becoming more important, there is a trend to address the challenges faced by the regional tourism industry through travel tech.

34 Official Website of Travel Technology Association (JP).

35 Ministry of Economy, Trade and Industry (METI). *Results of FY 2022 E-Commerce Market Survey Compiled*.

36 Japan Tourism Agency (JTA). *Consumption trends of foreign visitors survey results & analysis of consumption trends of foreign visitors annual report 2023* (JP), pp. 13-14.

37 Press releases from each company

Alibaba Japan. *Fliggy signs a strategic agreement with Osaka Convention & Tourism Bureau to attract Chinese tourists* (JP).

Yokohama City Visitors Bureau. *Yokohama Tourism campaign conducted by major overseas online travel agents!* (JP).

KKday. *KKday and Izu Peninsula Geopark and Tourism Bureau signed a comprehensive partnership agreement to promote tourism in Izu peninsula* (JP).

Japan Airlines. *First Japanese airlines to launch an official mini program on WeChat, China's largest app* (JP).

AFPBB News. *Korean travel app partners with Japan's "Ikyu" for restaurant reservations* (JP).

SEIKO ELECTRIC. *Signed a memorandum of understanding with China Mobile International as a strategic partner for JagoTrip app in Japan* (JP).

For example, Tourism MaaS (a service that optimally combines multiple public transportations and other transportation services in response to the needs of travelers and uses ICT to conduct search, reservation, payment, etc, in a single operation) is gaining attention as a solution to accessibility issues in regional areas. The introduction of Tourism MaaS apps and projects is expanding in rural areas such as Izu City in Shizuoka Prefecture, Nagasaki City in Nagasaki Prefecture, and Hakuba Village in Nagano Prefecture.³⁸ There are examples of foreign companies entering the Japanese MaaS market, such as SWAT Mobility (Singapore), which operates a ridesharing app and is conducting demonstration tests in various parts of Japan.³⁹

Additionally, as collaborations aimed at utilizing big data are evident, business opportunities for companies providing data platforms are expanding. Taiwan established Vpon JAPAN (Japan), which maintains big data in the Asian region mainly in Taiwan, Hong Kong, and China, and TakeMe (Japan), which provides cross-border payments (cross-border QR code payments), collaborated to develop marketing services using big data.⁴⁰ X-Locations (Japan), which develops platforms utilizing location information, offers services that support the attraction of foreign visitors by leveraging human mobility data from Near Intelligence (U.S.).⁴¹ Asoview (Japan), which provides a reservation management system and electronic ticketing services for leisure facilities, has partnered with Klook (Hong Kong), which operates a travel and experience platform in more than 180 countries, to help domestic leisure and tourism businesses attract tourists.⁴²

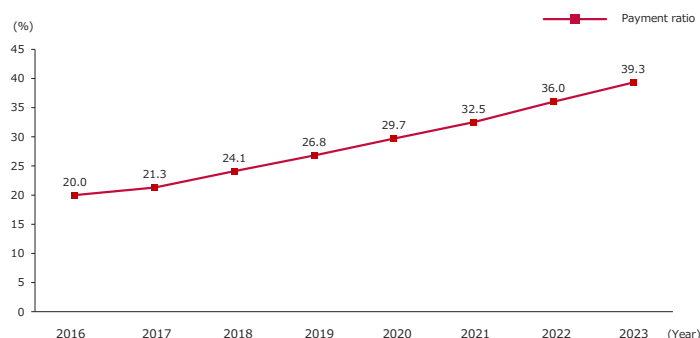
Travel tech can be used widely, including reservation and sale of travel services such as airline tickets, hotels, and restaurants, providing highly convenient mobility for tourists, and developing promotion and reservation systems for tourist destinations, restaurants, and leisure facilities using data. It is anticipated that through government initiatives, tourists' countries/regions of origin, destinations, and purposes will be diversified, and digital transformation will be introduced. As a result, the travel tech market is going to attract increasing attention.

(2) Financial Services: Growing demand mainly for cashless payment services for foreign visitors to Japan

Although the prevalence of cashless payments in Japan is not as high as in other countries, the increasing growth rate and efforts to expand these payment methods indicate strong potential for future adoption. Especially overseas companies are making a strong presence in cashless payment services for visitors to Japan, who expect the same level of payment services as their home countries and regions.

The cashless payment amount and the cashless payment ratio in final expenditures in Japan have been increasing annually, almost doubling from about 20% in 2016 to 39.3% in 2023 (Figure 9). While the ratio of cashless payments has slowed in countries where it is already widespread, such as China and South Korea, the ratio continues to rise in Japan⁴³, and this suggests that as the cashless payment market expands, numerous business opportunities will emerge.

Figure 9 Transition in cashless payment ratio in Japan (2016-2023)



Source: Created by JETRO based on the data from Ministry of Economy, Trade and Industry (METI)⁴⁴

As for the tourism industry, foreign companies are expected to enter the market and expand cashless services for foreign tourists.

38 TOKYU. In November 2022, the digital service "Izu navi" will be launched to support tourism and workation in the Izu area! (JP). ZENRIN. Nagasaki city's first tourism-oriented maas app "STLOCAL" launched (JP).

39 SWAT Mobility. SWAT Mobility provides operations app for Hakuba village's AI on-demand ride-sharing service integrating local and tourist transportation (JP).

40 TakeMe. Asia's big data company Vpon JAPAN and TakeMe, which compiles more than 100 payment types globally, formed business partnership (JP).

41 X-Locations. Announcement on launch of "Traveler analysis and customer attraction package", an advertising service that supports customer attraction by analysing traveler flow data (JP).

42 ASOVIEW. ASOVIEW and Klook announce strategic business partnership -Digital transformation support for leisure facilities to attract tourists to Japan and expansion of sales in Japan-(JP).

43 Payments Japan Association. Cashless roadmap 2023 (JP), p. 11.

44 Ministry of Economy, Trade and Industry (METI). 2023 Ratio of Cashless Payment Among the Total Amount Paid by Consumers Calculated.

The cashless payment ratio accounts for more than 50% in many countries and regions, including Taiwan, China, South Korea, U.S, Hong Kong, and Australia, which represents major inbound consumption by foreign visitors.⁴⁵ Therefore, Japan, where cashless payments are still in the process of becoming widespread, seems to be being unable to fully respond to the needs of the visitors, who wish to use cashless payments as they do in their home countries or regions, potentially missing out on capturing significant inbound consumption.

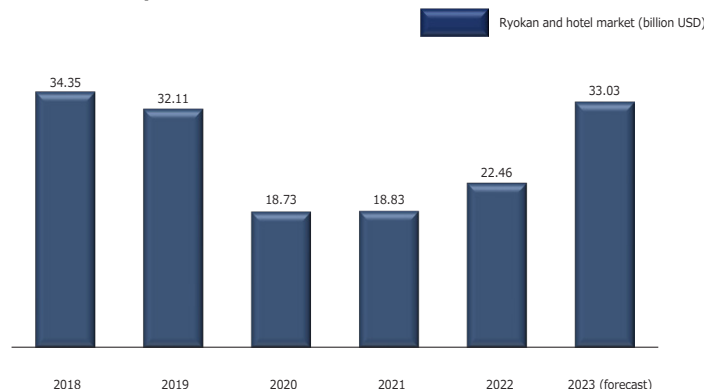
To address these issues, Japanese companies providing cashless payment services and solutions are forming partnerships/collaborations with overseas companies. NETSTARS (Japan), which operates StarPay, a multi-cashless payment solution, has collaborated with QR code payment brands in 13 countries and regions, mainly in Asia and Europe.⁴⁶ PayPay (Japan), a provider of QR code payment services, has collaborated with 18 QR code payment brands in a total of 10 countries and regions to strengthen inbound support.⁴⁷ These payment services are highly convenient for both foreign visitors and business operators and are expected to develop as services to respond to increasing inbound tourism. As the cashless payments ratio in Japan increases and businesses providing cashless payment solutions expand, it is anticipated that further collaboration between overseas and Japanese companies will be needed.

(3) Hotel Market: Successive expansion of overseas companies, mainly luxury hotels

With the increase in the number of tourists, the hotel market is expanding again. Currently, the domestic hotel industry is attracting a lot of attention from overseas companies, and especially foreign luxury hotels targeting foreign visitors are making significant advances.

As of Oct. 2023, over 60% of Japan's ryokan (traditional inns) and hotels are expecting increased revenue, with 97% of all ryokan and hotels experiencing either revenue growth or stable revenue. In FY 2023, the ryokan and hotel market size on operators basis is projected to reach around 33.03 billion USD * (5 trillion JPY), which is nearly at the same level as the pre-COVID level of 32.11 billion USD * (4.9 trillion JPY) in 2019. (Figure 10).

Figure 10 Sales transition in the ryokan and hotel market (Japan FY 2018-FY 2023)



Source: Created by JETRO based on data from Teikoku Databank⁴⁸

As the number of foreign visitors is increasing, overseas companies are investing in the Japanese hotel market. Especially, there are many overseas 5-star and resort hotels entering the Japanese market. Examples of foreign luxury hotel openings in recent years include JLL (U.S, scheduled to open in Tokyo in 2025)⁴⁹, Capella Hotel Group (Singapore, scheduled to open in Kyoto and Osaka in 2025)⁵⁰, Centara Grand Hotel (Thailand, opened in Osaka in 2023)⁵¹, Marriott International (U.S, gradually opening in 8 prefectures since 2022)⁵², and Accor (France, scheduled to open 23 resort hotels in Japan in 2024).⁵³

Amid increasing demand for regional tourism, driven by government initiatives and growing interest from repeat visitors, some foreign luxury hotel companies are expanding beyond Tokyo, Osaka, and Kyoto. Marriott (U.S) opened The Ritz-Carlton Fukuoka (Fukuoka)⁵⁴ and Sheraton Kagoshima (Kagoshima)⁵⁵ in 2023, and Nagasaki Marriott Hotel (Nagasaki) in 2024⁵⁶, with plans to open another in Tottori in 2026.⁵⁷ Hyatt (U.S) also plans to open a hotel in Sapporo in 2026.⁵⁸

45 See Note 43.

Japan Tourism Agency (JTA). *Overview of the survey results (final report) on the "survey on consumption trend of foreign visitors" 2023* (JP), p. 1.

46 NETSTARS. *Expands overseas payment services supported by "StarPay"* (JP).

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These internationally recognized foreign hotels are primarily targeting foreign visitors and high-income groups.⁵⁹ Furthermore, looking at inbound travel consumption by expense category, about 35%, or 12.12 billion USD * (1.8 trillion JPY), was spent on accommodation. The share of accommodation expenses is the highest, and it is higher than the pre-COVID-19 level⁶⁰, which shows that foreign hotels have been significantly benefiting from the increase in foreign visitors.

Thus, it is anticipated that demand in the hotel market will increase in response to an increase in the number of foreign visitors to Japan, leading to the development of the hotel business nationwide, including in regional areas, especially by foreign-affiliated companies operating luxury hotels.

* Calculated based on the Bank of Japan exchange rate of 1 USD for 151.38 JPY (as of April 1, 2024)

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