

# Attractive Sectors

## Tourism-related business

### 1. Overview

#### Tourism related-business expanding in tandem with inbound tourists

The Japanese government has been proactively attracting tourists from abroad since the establishment of its “Visit Japan” program in 2003. According to the Japan National Tourism Organization (JNTO), 2017 saw 28.69 million inbound tourists who collectively spent a record of 4.4 trillion yen (chart 1). The government had set a goal of “20 million tourists a year by Tokyo Olympics and Paralympics 2020”, but in March 2016 it revised its target significantly to “40 million by 2020” and “60 million by 2030.”

Inbound tourists has been increasing rapidly since 2012, and in addition to the continuous efforts by the Japanese government, the increase has been facilitated by factors such as increased demand for overseas travel due to rising income levels in Asia; depreciation of the Japanese yen; policy measures such as relaxation of visa requirements, especially for tourists from Southeast Asia and China; and an expansion

of consumption tax exemption system started from October 2014. Moreover, an increase in the number of ports of call for cruise liners and expansion of air routes, including those serviced by low cost carriers (LCCs), are also contributing to the surge in inbound tourists. Despite appreciation of the yen in 2017, inbound tourists continues to increase and Japan’s reputation as an attractive tourist destination has firmly established.

The target set by the Japanese government is to see 8 trillion yen in spending by inbound tourists by 2020, and to help realize this, both the system for hosting inbound tourists and the legal system are being reexamined, and business opportunities for foreign companies in the inbound tourist market are expected to expand.

**Chart 1** Trend of inbound tourists and their spendings



\* Inbound tourists includes transit passengers.

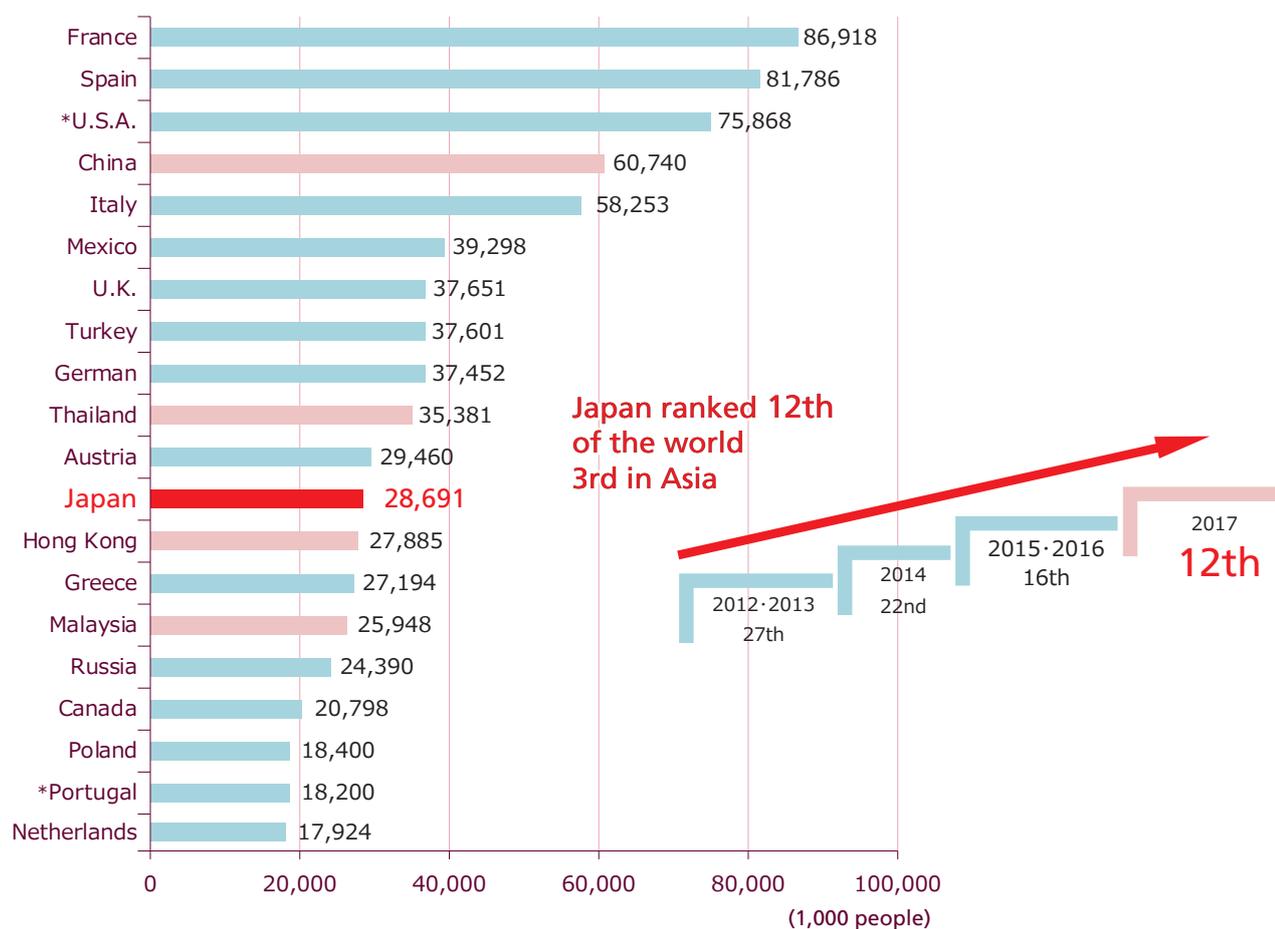
Source: Japan National Tourism Organization “Trend of Inbound Tourists”

Japan Tourism Agency, Ministry of Land, Infrastructure, Transport and Tourism (MLIT) “Customer’s behavior Survey of Inbound Tourists.”

## Japan: growing reputation as a global tourist destination

According to the UN World Tourism Organization (UNWTO), Japan came in at 12th (3rd in Asia), improving dramatically from 27th (8th in Asia) in 2013 at the “International Tourist Arrivals” rankings of leading countries in the world in 2017 (chart 2). The majority of inbound tourists in Japan are from Asia and this is because of increased demand for overseas travel due to rising income levels in the region. In 2017, over 80% of total inbound tourists were from Asia (chart 3). Tourists from China (approx. 7.36 million tourists) and South Korea (approx. 7.14 million) accounted for over 50% of the total while those from Hong Kong, Taiwan, Indonesia, the Philippines, Malaysia and Vietnam have also increased 2-3 fold in the last few years.

**Chart 2** Ranking for number of inbound tourists in 2017



\* The figures are provisional as of September 2018.

\* United States and Portugal with an asterisk, the figures are as of 2016 since those of 2017 are unknown.

\* The figures are the number of foreign tourists who have stayed for more than one night except Japan, Russia, Korea, Vietnam, Taiwan, and Australia.

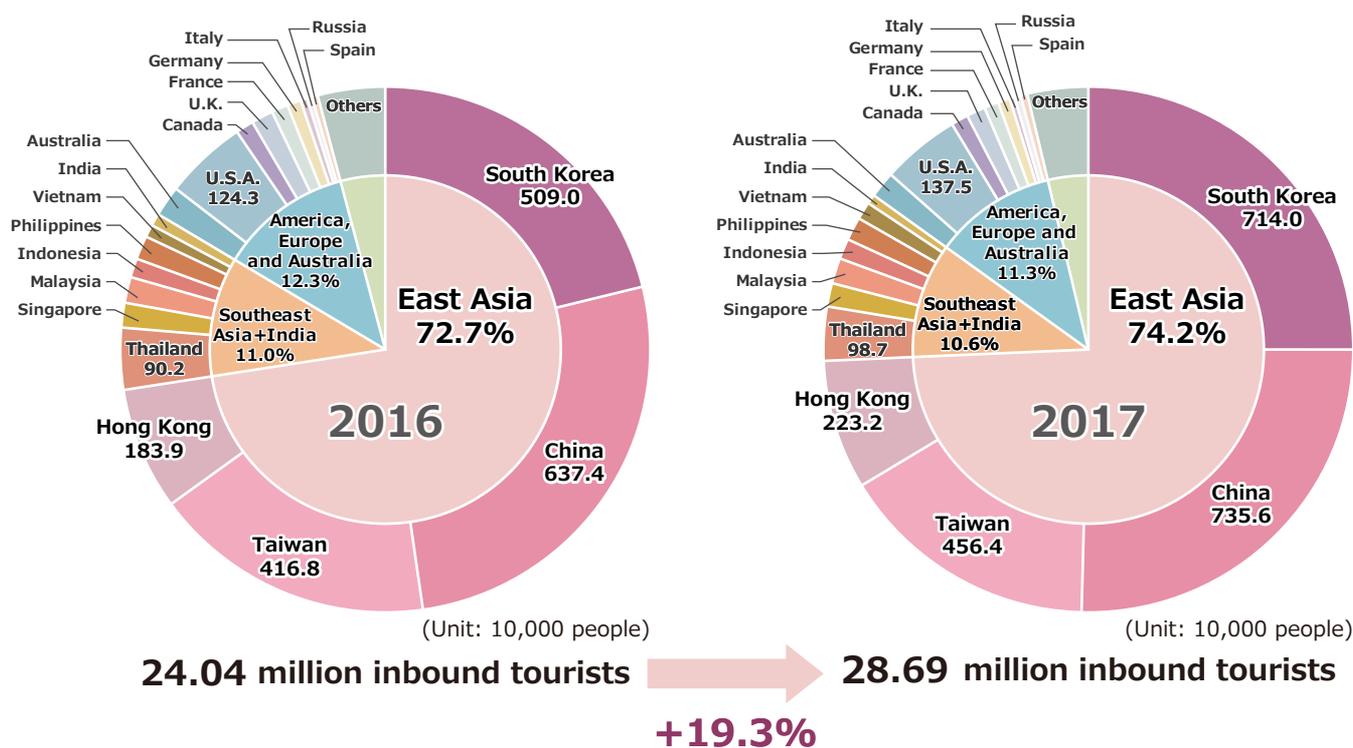
\* Since the number of foreign tourists may be updated or as new figures are posted or retroactively updated, the ranking may change according to the timing of the adoption of the numerical values.

\* When comparing data, please note that the number of foreign travelers may be calculated and published according to the statistical criteria for each country / region, which are different from Japan.

Source: Japan Tourism Agency, MLIT “Ranking for number of tourists”

Considering diverse and abundant tourism resources across Japan, there is potential for further increase in not just first time tourists but also repeat tourists. Also, there is considerable scope for the expansion of the tourism-related market, such as through development of new or expansion of existing hotels leading up to the 2020 Olympics and Paralympics. In addition to an increase in airlines, cruise ships, online travel agents (OTA), the opening of restaurants and entertainment facilities and new financial services targeting inbound tourists during their stay in Japan, it is expected to lead to expansion of business for foreign companies. Particularly, services new to Japanese companies such as private lodging services provide opportunities for foreign companies possessing the relevant knowhow.

**Chart 3** Shares of the number of inbound tourists to Japan by country



\*Source: JNTO "2016 Foreign Visitors & Japanese Departures"  
 "2017 Foreign Visitors & Japanese Departures"

## 2. Initiatives by the Japanese government

### Deregulation and proactive development of laws to make Japan a world-class tourist destination

Regarding its efforts to attract more inbound tourists to Japan, the Japanese government announced a target number for inbound tourists in the “Meeting of the Council for a Tourism Vision to Support the Future of Japan” (chart 4) in March 2016. Aiming to nurture tourism into a key industry for Japan (making Japan as an advance tourism nation), the government has been proactively pursuing deregulation and developing relevant laws.

**Chart 4** Target values announced in the “Meeting of the Council for a Tourism Vision to Support the Future of Japan” (announced on March 2016)

Item	2020	2030
Number of inbound tourists	40 million people	60 million people
Spending on travel by inbound tourists	8 trillion yen	15 trillion yen
Guest nights spent by inbound tourists in Japan's local regions	70 million guest nights	130 million guest nights
Number of repeat inbound tourist	24 million people	36 million people
Spending on travel by domestic Japanese tourists	21 trillion yen	22 trillion yen

Source: Cabinet Office, “Tourism Vision to Support the Future of Japan”

### 1 Expansion of slots for international flights

To expand inbound tourism, the government is promoting Open Skies Agreement (a program abolishing restrictions on the number of companies, routes and flights based on bilateral discussions) with countries and regions expecting growth in number of tourists to Japan and has been expanding the network of international flights. Along with increasing the annual number of slots for international flights at Haneda Airport by 30,000 (from 60,000 to 90,000 and 450,000 slots for departures and arrivals including the domestic flights), the Ministry of Land, Infrastructure and Tourism (MLIT) has also increased the annual number of slots at Narita (total number of international flights and domestic flights) to 300,000 for a total of 750,000 slots for both airports. The government plans to improve the environment for hosting inbound tourists by further increasing the annual number of slots to 830,000 by 2020 through enhancing airport functions in the metropolitan area.

### 2 Further expansion of cruise ship arrivals

As cruise ships transport large numbers of inbound tourists on each trip and have significant ripple effects on local economies, such as through increase in spending, the government is also laying more emphasis on increasing the number of cruise lines to Japan, setting a target of hosting 5 million tourists through cruise ships in 2020. The

number of cruise tourists to Japan in 2016 was 1.992 million (a 78.5% increase over the previous year) and the number of cruise ship calls was 2,018 (a 38.8% increase over the previous year), both numbers a record high. Moreover, the “Landing Permission for Cruise Ship Tourists” system, a visa-exemption program whereby inbound tourists traveling by cruise ships specified by the Minister of Justice are allowed to enter Japan based on a simple procedure, has been in place since 2015. In order to deal with the rapid increase in demand for cruise liners and the growth in ship sizes, the “Revised Port and Harbor Act” recognizing the right of priority use of ports by private companies that have improved passenger terminal facilities was implemented in July 2017 and thus bolstering the base for receiving the cruise liners.

### 3 Strategic relaxation of visa requirements

Since July 2013, inbound tourists from Asia increased rapidly as a result of relaxation of visa requirements for tourists from the region, mainly from ASEAN countries\*1. The Japanese government subsequently identified five countries (China, Philippines, Vietnam, India and Russia) as priority markets as those are high potential markets that can expect an increase in inbound tourists to Japan and thus pursuing further strategic relaxation of visa requirements.

(\*1) Ministry of Foreign Affairs of Japan “Recent relaxation of visa requirements”

### 4 Expansion of consumption tax exemption system for inbound tourists

The consumption tax exemption system for inbound tourists was revised in May 2016 and the minimum purchase amount to be eligible for tax exemption was lowered to “above 5,000 yen” (chart 5). Exempting consumption tax from low price consumables like cosmetics, medicine and toiletries, as well as articles of folk craft or traditional craft that have ripple effects on the local economy, encourages spending by inbound tourists. The Ministry of Finance and the Japan Tourism Agency expanded the consumption tax exemption on general goods and consumables for inbound tourists based on revision of the tax system in 2018. If inbound tourists purchase general goods and consumables in excess of 5,000 yen at a time, consumption tax is exempted. In addition, simplification of delivering purchased tax-free goods overseas and improving the convenience of tax-free check-in counters are making shopping a more pleasant experience for inbound

**Chart 5** Outline of consumption tax exemption system for inbound tourists

Item	Before revision	Post revision in 2016	Post revision in 2018
General goods	Above 10,000 yen	more than or equal to 5,000 yen	Sum of the price is more than or equal to 5,000 yen
Consumables	Above 5,000 yen	more than or equal to 5,000 yen	and less than or equal to 500,000 yen

## 5 Receiving private jets at regional airports

Japan has been behind in use of private jets compared to other leading countries of the world. In March 2015, in a conference on promotion of foreign direct investment in Japan (INVEST JAPAN), the government announced its “Five Promises for Attracting Foreign Businesses to Japan” and in order to encourage foreign companies to establish business or R&D bases in Japan, the government has promised to develop the environment to receive private jets at all regional airports based on short prior notice.

Under the leadership of MLIT, curtailment of moving time within the airport and enhancement of convenience are being pursued at leading airports like Haneda and Narita by relaxation of restrictions on landing slots for private jets, development of parking slots, development of new routes to the parking slots from the dedicated terminal for private jets. Moreover, development of the system to receive private jets at regional airports is being proactively pursued. The Kansai International Airport installed fast lanes that can be used by private jets for inbound tourists and Shizuoka Airport offered services of hangars for private jets.

## 6 Relaxation of interpreter and tour guide system

In order to cope with an increase in demand for tourist guides for inbound tourists, the “Amended Licensed Guide Interpreters Act” has come into effect from January 2018. In addition to deregulation, it aims to make periodic training mandatory to secure both quality and quantity of a certain level.

### ► Outline of Relaxation of Tour Guide-Interpreter system

(1) Shifting from “monopoly of duties” to “monopoly of name<sup>\*2</sup>” enables availability of a wide range of guide-interpreters by allowing them to provide fee-based tour guide services without a “tour-guide interpreter license.”

(2) In addition to the prevailing system of licensed guide-interpreters who can work across Japan, a qualification system for local guide-interpreters has been established to enlist those who specialize in the local region, solving the shortage of human resources in regional areas.

(3) Along with optimization such as adding practical training to the examinations for licensed guide-interpreters across the country, a periodic training has been made obligatory, in order to guarantee the quality of guide-interpreters and to provide services that meet the needs of tourists.

(\*2) If a person does not have the qualification, he-she cannot use the name in the said qualification or a similar name.

## 7 Legislation aimed at private lodging services

The private lodging services popular around the world, wherein vacant houses or rooms are made available for accommodation, are also drawing attention in Japan as one of the key pillars to attract inbound tourists. However, in order to offer lodging in Japan, it is necessary to obtain a license as a “common lodging house” under the Inns and Hotels Act.

Under the Guest House Ordinance, the Japanese government has made a special exception regarding the provision of private lodging services in some municipalities<sup>\*3</sup> which are located within National Strategic Special Zones. Through establishing rules on the services and involving the government to a certain extent, this ordinance has led to offering safe and hygienic accommodation.

In addition, to make sound development of private lodging services across Japan, the “Residential Accommodation Business Law” was issued on June 2017 and was enforced from June 15, 2018. This law aims to set clear rules for house owners, brokers and agents who offer private lodging services while also making the services more prevalent.

(\*3) As on March 2017, Ota-ku in Tokyo, Osaka Prefecture, Osaka-City and Kita Kyushu City are subject to the exception.

## 8 Promotion of business model based on integrated resort facilities (including casinos)

The Integrated Resort (IR) Promotion Bill (popularly known as the Casino Bill) was passed in December 2016. IRs are integrated facilities with casinos, hotels, theaters, cinema halls, shopping malls, restaurants, cultural halls, MICE facilities (International Conference Facility and Exhibition Halls) and more. Many local governments such as Hokkaido, Yokohama City, Osaka City, Fukuoka City and Okinawa have expressed interest expecting an economic effect, as it contains entertainment facilities. Many foreign countries have also expressed interest. Some have expressed concerns about gambling addictions and money laundering, however, the Government passed the IR Implementation Bill on July 20th 2018. For the time being, the number of IR facilities installed is limited to three throughout the country. Casino admission fee for the Japanese is 6,000 yen a day, and the number of admissions is up to three times a week and ten times a month.

## 3. Attractive areas in the tourism market

This report examines six attractive areas in the tourism market.

- 1** Hotels and accommodation facilities
- 2** Aviation services
- 3** Cruise ships
- 4** Travel agents (OTA: online travel agents)
- 5** Leisure and entertainment services
- 6** Tax-free shops and financial services

### 1 Hotel and accommodation facilities

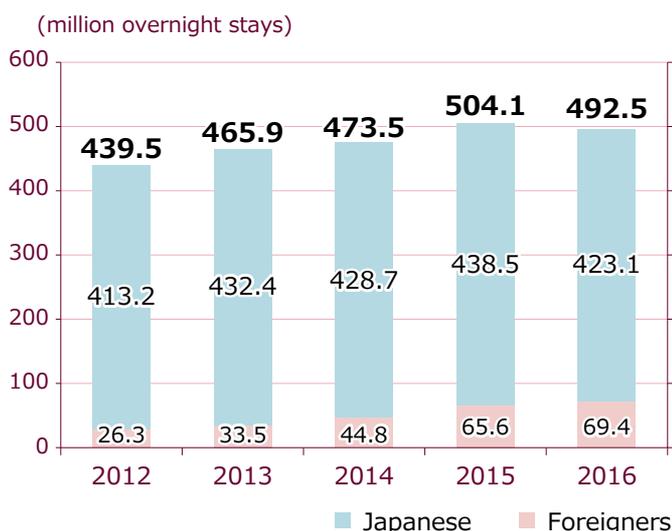
#### (1) Market trends

In 2015, the total number of guest nights by travelers in Japan reached a record-high of 504 million (a 6.5% increase over the previous year). Though the total number of guest nights in 2016 decreased slightly to 493 million (a 2.3% decrease over the previous year), the number by foreign nationals was a record-high of 69.39 million (a 5.8% increase over the previous year). The demand for accommodation is continuously expanding (chart 6).

Moreover, in 2016, spending on accommodation by travelers in Japan was 2.63 trillion yen, the highest level in the last six years (chart 7). While inbound tourists are rapidly increasing, accommodation is in short supply mainly in well-known cities like Tokyo, Osaka, Kyoto, Chiba and Fukuoka and popular tourist destination like Hokkaido and Okinawa.

It is estimated that there will be a shortage of 44,000 guest rooms (a shortage of 17,728 rooms in Tokyo and 14,273 rooms in Osaka) in 2020 compared to the occupancy rate in 2015. The government is pursuing various deregulations to ensure a sufficient supply of accommodations, providing a big business opportunity not only for Japanese companies, but also those from overseas.

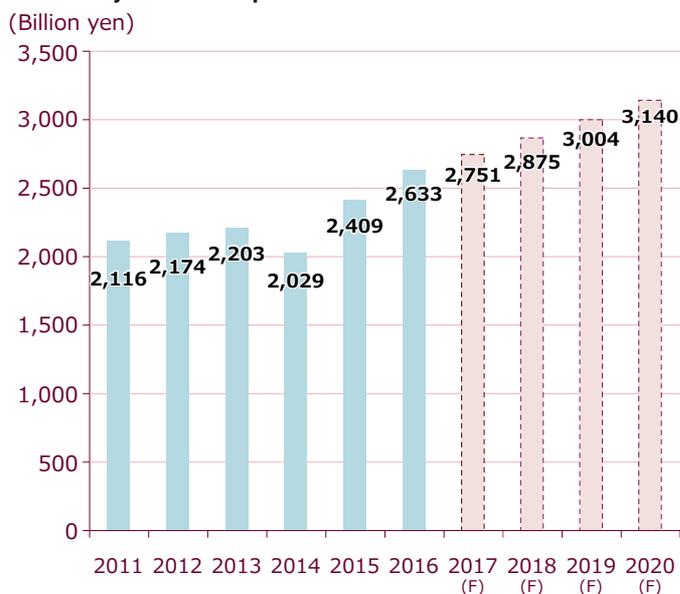
**Chart 6** Total number of guest nights



\*Source: Japan Tourism Agency, MLIT "Overnight Travel Statistics Survey"

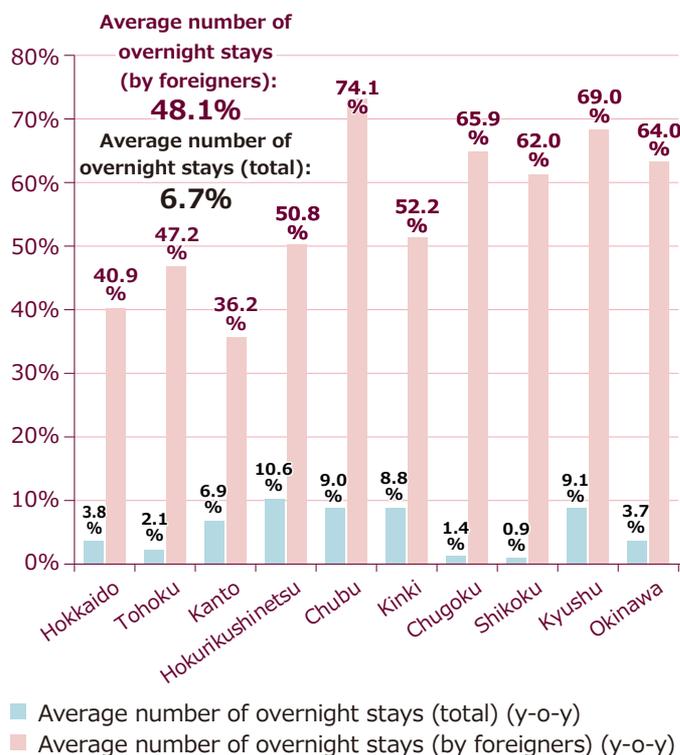
Moreover, the number of foreigners staying overnight in regional cities is also increasing. The total number of guest nights has increased in all 10 regional blocks in 2015. In particular, the rate of increase for guest nights by foreigners is more than 50% in seven of the regional blocks (chart 8).

**Chart 7** Spending on accommodation in total spending by tourists in Japan



\*Source: Japan Tourism Agency, MLIT "Consumption Trend Survey of Travel and Tourism"  
\*Note: Figures beyond 2017 have been calculated by JETRO based on the CAGR for 2011-2016.

**Chart 8** Year-on Year change for total number of guest nights (total and by foreigners) by regional blocks (2015)



\*Source: Japan Tourism Agency, MLIT "White Paper on Tourism In Japan -The Tourism Situation in FY2015-"

## (2) Foreign companies entering the market

The reasons for the increase in foreign-affiliated hotels in Japan come from factors such as expected demand of inbound tourists, active redevelopment of properties due to a fall in land prices and progress by developers in attracting foreign-affiliated hotels to the country. In addition, M&A is quite active in anticipation of demand by inbound tourists and foreign companies are taking part in the market in more diversified forms. For example, America's investment company Bain Capital LLC acquired Ooedo Onsen Holdings Co., Ltd., which operates the hot spring inn "Ooedo-Onsen Monogatari" (chart 9).

## (3) Foreign-affiliated companies entering the private lodging market

There are also a growing number of foreign companies providing portal sites and related services for private lodging services in which tourists can stay at private homes for a fee. It is estimated that there are about 8.2 million vacant houses in Japan due to declining birthrate and aging society. There is also growing interest in utilizing them to respond to the lack of private accommodations. To increase visitors to the local region and stimulate industrial development, private lodging services have earned interest as countermeasures for urban redevelopment, regional revitalization, vacant houses, and vitalization of central city areas.

## (4) Related laws, regulations and licenses

The "Housing Accommodation Business Law" is set to be enforced from June 2018 and house-owners will be able to carry out private lodging services for up to 180 days a year by registering with their municipality. Since the demand is expected to rise leading up to the 2020 Tokyo Olympic and Paralympic Games, companies from within and outside Japan have entered the market and it is expected that there will be intense competition to acquire registered properties (chart 10).

**Chart 9 Foreign brands and companies that have entered Japan's hotel/accommodation market in recent years**

Name or overseas company, hotel brand	Head Quarters	Main activities in Japan
Aman Hotels & Resorts	Singapore	Opened "Aman Tokyo" in 2014 in Tokyo and "Amanemu" in Shima, Mie in 2016
Millennium Hotels and Resorts	Singapore	Opened the hotel chain "Millennium Mitsui Garden Hotel Tokyo" in Ginza, Tokyo together with Mitsui Fudosan Group in 2015
Shanghai Yuyuan Tourist Mart Company Limited	China	Acquired Hoshino Resorts Tomamu in Hokkaido in November 2015
Chunqiu Group	China	Operates "Spring Sunny Hotels & Resorts" along with Sun Frontier Fudosan Co., Ltd. Opened "Spring Sunny Hotel Nagoya Tokoname" in 2016.
Four Seasons Hotels and Resorts	Canada	Opened "Four Seasons Hotel Kyoto" in Kyoto in 2016
Hilton Worldwide	US	Opened "CONRAD Osaka" in Nakanoshima, Osaka in 2017.
General Hotel Management	Singapore	Plans to open "The Chedi Tomakomai, Hokkaido" in Hokkaido.
Hyatt Hotels and Resorts, Hyatt Group	US	Opened "Hyatt Regency Naha, Okinawa" in 2015. Plans to open hotels under different brands in Ginza, Okinawa and Chiba in the future
Starwood Hotels & Resorts (Sheraton Hotels & Resorts, Westin Hotels & Resorts)	US	Opened "Suiran, a Luxury Collection Hotel, Kyoto" in Arashiyama, Kyoto, and "The Westin Rusutsu Resort" in Hokkaido in 2015
Langham	Hong Kong	Plans to open a five-star chain hotel under the brand "Langham" in Roppongi
Mandarin Oriental The Hotel Group	Hong Kong	Opened "Mandarin Oriental, Tokyo" its first property in Japan, in Nihombashi in 2005. Considering Kyoto as the next destination.
Dusit Thani	Thailand	Established a joint venture with Colors International in April 2017. Plans to open premium brand hotel "Dusit Thani" in Kyoto in 2020.
The Ritz-Carlton Hotel	US	Operates hotels in Tokyo, Osaka, Kyoto and Okinawa. Plans to open a hotel in Nikko, Tochigi and the Niseko area in Hokkaido in the future.
Bain Capital	US	Picked up equity in Ooedo Onsen Holdings Co., Ltd., operator of hot spring inns and hot spring facilities in about 30 locations across Japan.

\*Source: Press release materials and websites of each company

**Chart 10 Examples of leading foreign companies that have entered the private lodging service**

Name of company	Head Quarters	Main activities in Japan
Airbnb Japan	US	Established its Japanese subsidiary Airbnb Japan in May 2014. Received over 4 million inbound tourists at its registered properties in 2016. Has 50,000 registered rooms as of November 2017 and plans to expand business to offer comprehensive travel services.
Tujia	China	Began accepting reservations for luxury inns in Japan in partnership with inn reservation site "relux," in addition to focusing on exploring affluent Chinese.

\*Source: Press release materials and website of each company

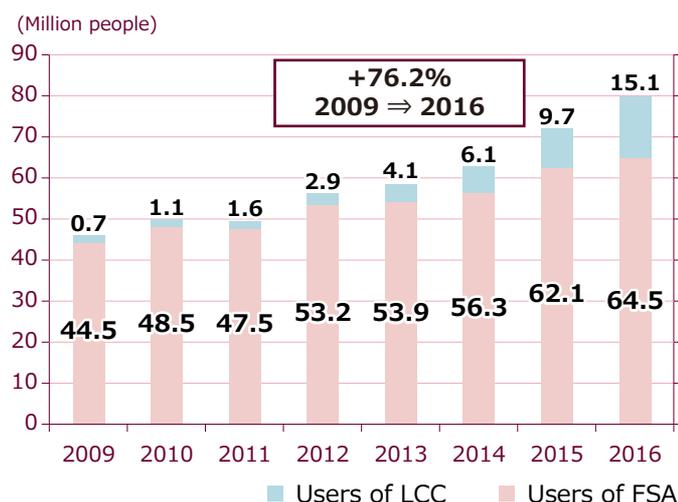
## 2 Aviation service

### (1) Market trend

With the increase in the number of travelers to and from Japan, foreign airline companies are actively increasing the number of flights to Japan and expanding their routes. According to MLIT<sup>\*4</sup>, the number of passenger and cargo flights from March 25th to October 27th in 2018 totalled to 5,474.5 flights/week. Looking at international passenger flights, the number of flights to Asia accounts for about 80% of the total, with the largest number in Asia being to and from South Korea followed by China and Taiwan. LCCs account for 27.1% of the total number of passenger flights, and in particular, increased flights by Korean companies contributed to the increase in share. An increase in use of LCCs was seen without a decrease in use of conventional full-service airlines, and the market as a whole is expanding (chart 11).

(<sup>\*4</sup>) MLIT "2018 summer schedule, outline of regular international flights"

**Chart 11** Number of passengers on international flights



\*Source: MLIT "Trend in Number of LCC Passenger in Japan, 2017"

**Chart 12** Development of airports in the greater Tokyo area (Haneda and Narita)

Number of cities connected by international flights at airports in the greater Tokyo area (passenger flights)	88 cities in 2013 ⇒ Expected to be on par with leading Asian airports in 2020 Reference: Incheon and Gimpo Airports (Seoul): 143 cities; Hong Kong Airport: 138 cities; Changi Airport (Singapore): 134 cities. Among leading cities of the world, London is connected with 343 cities, Paris with 270 cities, New York with 139 cities and Japan lags behind. (2013-2014 data)
Annual landing slots at airports in the greater Tokyo area	717,000 slots in FY2013 ⇒ 747,000 slots +79,000 slots (Talks with relevant municipalities are on-going) in FY2020

\*Source: MLIT "Basic plan on Transportation Policy, 2015", "Outline of budget decision related to the Civil Aviation Bureau"

**Chart 13** Main initiatives of regional airport

Name of regional airport	Main initiatives
Sendai International Airport Co., Ltd.	Expanding routes, primarily of LCCs, and increasing the number of flights to East Asia. Introducing a system for reducing landing fees for lighter passenger loads.
Naha Airport & Fukuoka Airport	Increasing the number of runways (Naha Airport in 2020 and Fukuoka Airport in 2025).
Central Japan International Airport Co., Ltd.	LCC terminal scheduled to be available in FY2019.

### (2) Preparing to receive flights at regional airports

In addition to internationalization and functional enhancement of airports in the greater Tokyo area (Haneda Airport and Narita Airport) (chart 12), initiatives to expand capacity at regional airports have progressed since 2016 at the national level in order to respond to increasing inbound tourists (chart 13). To promote international flights including LCCs to regional airports, support by the MLIT is being offered. Examples of support are reduction of landing fees, financial support at the launch of new flight services and subsidies for improving environment to accommodate travelers<sup>\*5</sup>.

As a result, the number of regular international flights to regional airports has increased by about 2.2 times between 2010 and 2017<sup>\*6</sup>. Service of LCCs and chartered flights in particular are increasing and at some airports, local governments are actively seeking to attract new flight routes through measures such as reduction or elimination of landing fee for one year. In order to strengthen the gateway function of regional airports some local region such as Hokkaido integrated operation of multiple airports and outsourced airport management to the private sectors.

(<sup>\*5</sup>) MLIT "Initiatives to expand capacity of regional airport to in order to respond to increasing tourists"

(<sup>\*6</sup>) Number of flights per week during summer (from end of March to end of October). The number of flights increased from 436 in 2010 to 950 in 2017.

### (3) Related legislation, permissions

For Japanese airlines and their holding companies operating a "domestic scheduled air transport services" based on the Civil Aeronautics Act, the ratio of foreign directors and voting rights for foreigners is fixed at below 1/3. For entering the Japanese aviation service market, it is crucial to find a suitable domestic partner.

**Chart 14** Foreign airline companies entering the market

Foreign airline companies present in Japan		
Name of the company (Company in Japan)	Headquarters	Outline
Jetstar Airways Pty Ltd. (Jetstar Japan Co., Ltd.)	Australia	Established in 2011. As an LCC with the largest number of domestic routes in Japan, it services many leading cities in Japan and overseas.
Spring Airlines (Spring Airlines Japan Co., Ltd)	China	Established in 2012. Besides operating regular domestic flights at Narita airport, it operates regular international flights to major cities such as Wuhan, Chongqing and Tianjin of China.
Iberia Airlines (Iberia Airlines Japan Branch)	Spain	It withdrew temporarily from Japan in 1998, but set up a branch office in Tokyo in 2016 and resumed Madrid/Narita direct flight services from October 2016.
AirAsia (AirAsia Japan Co., Ltd.)	Malaysia	After its entry into Japan by setting up joint venture company with ANA Holdings Inc. in 2012, the joint venture was dissolved in 2013 but reentered Japan in 2014 with investment from a different line of businesses such as Rakuten.

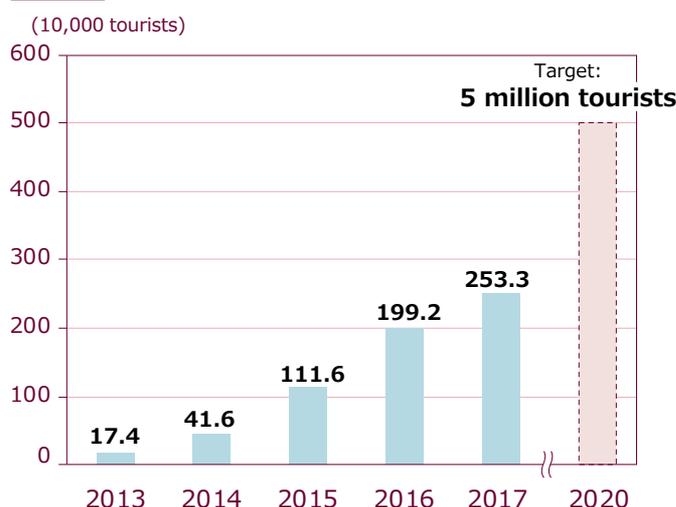
Foreign airlines that increased or introduced flights connecting with Japan		
Name of the company	Headquarters	Outline
Air Seoul (a subsidiary of Asiana Airlines)	Korea	Increased flights from Seoul (Incheon) to Narita, Takamatsu, Shizuoka and more.
Scoot	Singapore	The company operates flights between Kansai/Narita airports and overseas airports such as in Singapore and Taiwan. It merged with Taiwan's Tigerair in July 2017 and became integrated in the Scoot brand.
JEJU Air	Korea	Increased flights between Seoul (Incheon) and Tokyo, Osaka, and Fukuoka.
Tway Air	Korea	Increased flights mainly between Narita and Seoul (Incheon).

## 3 Cruise ships

The number of tourists visiting Japan by cruise ships in 2017 reached 2.53 million, an increase of 27.2% over the previous year (chart 15). The number of calls by cruise ships to Japanese ports in 2017 was also a record high of 2,765, an increase of 37.1% over the previous year (chart 16). This is attributed to the global popularity of travel by cruise ships and the revision of Japanese law such as simplification of the application process for single-entry individual tourist visas by the Ministry of Foreign Affairs.

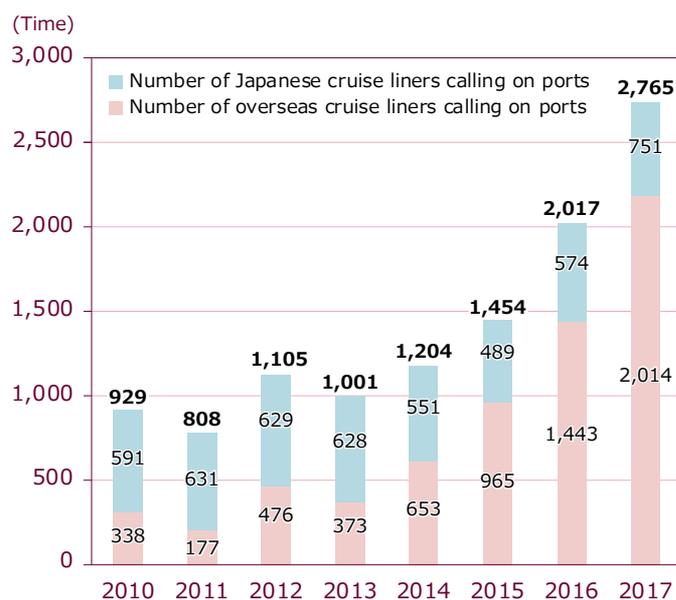
Along with this trend, the number of foreign cruise ships calling on Japanese ports is also increasing. Before, chartered ships were being operated only during long holidays, but business opportunities are expected to expand with the increasing number of users. Costa Cruise (Italy) and Princess Cruise (US) began regular year-round arrivals and departures to and from Japan from 2017 and 2018 respectively.

**Chart 15** Number of tourists by cruise ships in japan



\*Source: Port and Harbours Bureau, MLIT "The number of tourists visit Japan by cruise ships and cruise ship calls in 2017"

**Chart 16** Number of cruise liners calling on domestic Japanese ports



\*Source: Port and Harbours Bureau, MLIT "The number of tourists visit japan by cruiseships and cruise ship calls in 2017"

## 4 Travel agents (OTA)

### (1) Market trends

With the increase in individual trips, including those by repeat tourists, to Japan, the travel patterns of foreigners who arrange their own schedules is changing, with more trips to local regions in addition to Tokyo, Hakone, Mt. Fuji, Nagoya, Kyoto and Osaka.

Online travel agencies (OTAs) from overseas are strengthening their Japan-related services in order to respond to the needs of such individual tourists. The American company Expedia has positioned Japan as an important market and has been engaged in developing strategic partnership by holding events inviting approximately 300 participants from domestic hotels, the JNTO and local governments.

In addition, new services are offered based on collaboration between overseas OTAs and domestic enterprises and institutions, as can be seen with the entry of Chinese OTAs into Japan in response to the rapidly growing number of Chinese visitors.

### (2) Related laws/permits

There are no restrictions on investment by foreign companies in the travel business and travel agency business in Japan. According to the Travel Agency Act, registration of a travel agency is necessary if “travel is handled” as “business” for “remuneration.” In addition, conditions such as selection of a manager handling travel operations and property criteria exist for registration.

**Chart 17** Major foreign companies providing OTA services in Japan

Name of the company	Headquarters	Expansion of business in Japan
Booking.com	Netherlands	Has significantly increased the number of people working at its call center and in sales in order to increase operations in Japan.
AAE Japan	Singapore	Operator of online travel website “Expedia Japan.” It created its Japanese language website in 2006 and opened a Nagoya branch in 2015. It operates over 80 websites for air ticketing, hotels, package tours, etc.
CTrip JAPAN	China	China’s first OTA. It established its Japanese subsidiary in December 2014, and focuses on improving convenience and developing new services for Chinese travelers to Japan. Its hotel business division opened an Osaka branch in April 2016, where it is trying to promote its brand recognition in the Kansai region.
Spring Travel Japan	China	Established its Japanese subsidiary in 2012. It offers travel packages in collaboration with Spring Airlines Co., Ltd, a group company, and functions as a land operator for Chinese travelers to Japan.

\*Source: Press release materials and website of each company

**Chart 18** Examples of collaboration between Japanese companies and Chinese Internet companies in the inbound tourism-related business

Japanese company	Chinese Internet company	Details of collaboration
Diamond-Big Co., Ltd. (Publication of travel guidebook)	Baidu	Has formed a business alliance with the Japanese subsidiary of Baidu. It offers the Chinese language version of information on inbound tourists to Japan provided by “The Globe-Trotter Travel Guidebooks (Japanese title: Chikyu-no-Arukikata)” to the travel website of Baidu.
Japan Airlines (Airline company)	Baidu	Has a business alliance with the Japanese subsidiary of Baidu. It offers its flight information to the online travel search website of Baidu’s group company.
Ikkyu (Hotel/Inn/Restaurant reservation website)	Ctrip	Offers a travel menu based on the theme of “food” to the largest Chinese online travel website “Ctrip” and Chinese tourists visiting Japan.
Takashimaya Co., Ltd. (Department store)	Ctrip	Offers discount services to Ctrip users.
HIS (Travel agent)	LY.com	Established a joint venture in Japan with China’s LY.com for the promotion of travel to Japan, and sells products to Chinese tourists.

\*Source: “JETRO Sensor (April, 2016)” and press release materials by each company

## 5 Leisure and entertainment services

### (1) Amusement and theme parks

The market size (sales) of amusement parks and theme parks in Japan more than doubled from 298.5 billion yen in 2000 to 683.5 billion yen in 2017. There were times when the performance was sluggish due to the global financial crisis and the Great East Japan Earthquake, but since 2012 the market has been booming thanks to the economic recovery and increase in inbound tourists. The growth rate of sales is high compared to the number of visitors, with the significant rise in visitor unit price (chart 19).

Entrance fees and facility usage fees, such as for attractions, are the basic forms of income for the industry, but the contribution of profit from character goods and other original goods, as well as food and drinks, is also big, and there is demand for exercising ingenuity in attracting customers to retail stores and restaurants.

Among domestic theme parks, two companies operated by foreign companies have become popular. USJ Co., Ltd. operates the theme park "Universal Studios Japan" under licenses to use intellectual property from the US company Universal City Studios Productions LLLP and other Universal Group companies. UK's Merlin Entertainments Group Ltd., meanwhile, has been operating the indoor facility "LEGOLAND Discovery Centre" since 2012, and in view of high footfall in Japan, it opened a large-scale outdoor theme park "LEGOLAND Japan" in Nagoya in 2017.

In addition, TEJIX of France has established a Japanese corporation that provides sound, lighting and special effects systems for large theme parks, in anticipation of expansion of demand in the Japanese market. Foreign companies that provide system development and consulting services are also entering entertainment service related markets in Japan.

### (2) Resort facilities in regional cities

There is a trend in investment by foreign companies focusing on the magnificent natural environment and other attractive characteristics of various regions.

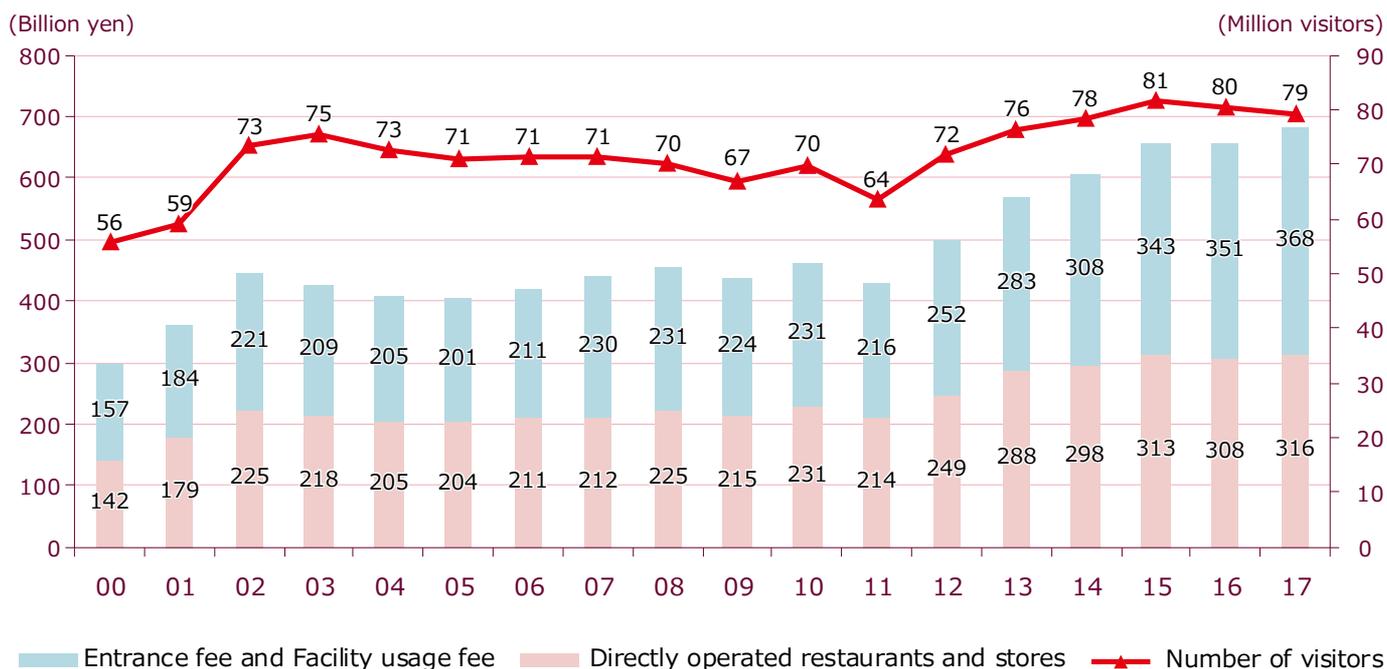
Hakuba Village in Nagano Prefecture, with its high-quality snow and mountainous landscape emblematic of Japan, is gaining popularity. Hakuba Hotel Group (HHG) was established with investment by Australian investors. In the Hakuba area, there are an increasing number of guests from Australia and Singapore to resort hotels and mountain villas\*7.

Also, in 2015, Shanghai Yuyuan Tourist Mart Company Limited of China announced 100% acquisition of Hoshino Resort Tomamu of Hokkaido. Tomamu is gaining popularity among inbound tourists as a comprehensive resort facility with large-scale hotels and golf courses as well as ski resorts.

In addition to resort facilities, green tourism, such as experiencing agricultural work and cooking at private houses, is offered in these regions, and the new demand integrated with the region is expected.

(\*7) JETRO "Business Brief; Hakuba Village, where the basis for foreign visitors to Japan is expanding, brought the second tourism boom-inbound market and featured companies."

**Chart 19** Sales and number of visitors of amusement parks and theme parks



\*Source: Ministry of Economy, Trade and Industry "Current Survey of Selected Service Industries (Amusement parks and Theme Parks)."

## 6 Tax-free shops and financial services

Shopping is one of the major objectives\*<sup>8</sup> among activities by inbound tourists during their stay in Japan, and the number of tax-free shops has also been increasing yearly for the convenience of these tourists (chart 20).

As a result of the tax reform\*<sup>9</sup> in FY2016, from the viewpoint of expanding consumption in local regions, it expanded the system and lowered the minimum purchase price for general goods. In order to improve convenience for inbound tourists in purchasing, many foreign companies are entering the financial service market, in areas such as foreign currency exchange, credit card and electronic payment.

Global Blue Corp. of Switzerland offers “tax free services” to support the efficiency of tax-exemption procedures by retail stores in partnership with NTT DATA Corporation. In addition, South Korea’s Global Tax Free helps streamline store management through tax-exemption proxy services for shopping malls. By linking user data acquired at these stores with the POS data of retailers, it creates a database of user attributes, purchased goods and prices, and uses data for inventory management and sales analysis in order to achieve efficiency in operation of stores.

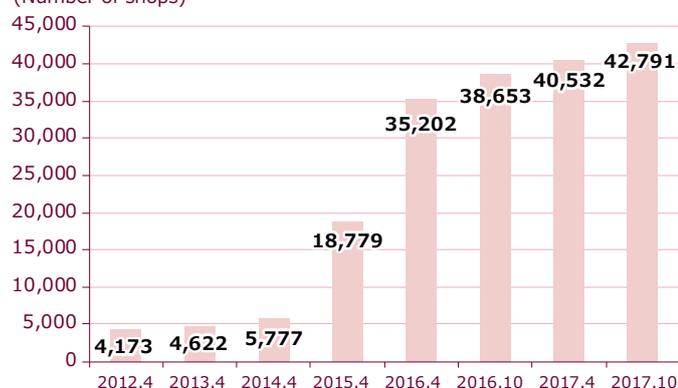
It is expected that there will be more foreign companies entering the Japanese market by offering such added value.

(\*<sup>8</sup>) Consumption Trend Survey for Foreigners Visiting Japan

(\*<sup>9</sup>) For more details, please refer to 2. **4**

**Chart 20** Tax-free shops (as of October 2017)

(Number of shops)



\*Source: Japan Tourism Agency, MLIT “The number of Tax-free shops in Each Prefecture as of October, 2017”

**Chart 21** Major foreign companies providing financial services in Japan

Name of the company	Business category	Business overview
Travelex* (UK)	Foreign currency exchange service	Offers foreign currency exchange, foreign currency delivery services and foreign exchange wholesale services for travel agencies and financial institutions.
China UnionPay (China)	Credit card	Offers payment and balance inquiry services at ATMs and payment services with the UnionPay card in Japan in partnership with Sumitomo Mitsui Banking Corporation.
Tencent (WeChat Payment) (China)	Electronic payment	Full-scale payment services through smartphones.
PayPal (US)	Electronic payment	Introduced PayPal’s pre-payment services to reservation websites for inns that are members of the Japan Ryokan Association. Aims to offer services to inbound tourists.
Square (US)	Card payment system through smartphones	Offers a card payment service system through smartphones.

Source: Websites of each company

\* JETRO “Success story: Travelex”

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