

Summary

■ Market Conditions

- The demand for generative AI in Japan reached **118.8 billion JPY in 2023** and is expected to grow to **1777.4 billion JPY by 2030, with a CAGR of 47.2%**. It is one of the fastest growing sectors in Japan, and the **population is generally positive in its attitude towards generative AI and has a willingness to use it in daily tasks**.
- In the global generative AI market, **the United States holds a dominant position in all indicators**, including market size, number of generative AI developers, and number of patent applications related to generative AI, while **the U.K. has strengths in the number of generative AI developers and China and South Korea have strengths in the number of generative AI related patent applications**.

■ Top Players

- The **United States** had most of the largest companies with generative AI platforms as well as most of the largest companies with Natural Language Processing (NLP) services. **Most of these services were aimed at companies wanting to improve operational efficiency and business analysis**, but the generative AI services offered also included **conversational chatbots and content creation services**.
- While the **Japanese market is currently dominated by generative AI platforms operated by overseas players, there are challenges for companies wanting to use these platforms such as the potential for leakage of confidential information and the lack of data in Japanese language for training the models**. In response to these concerns, SIers and other IT companies are developing generative AI platforms and LLMs that improve privacy and specialize in Japanese language.
- Most high-profile collaborations between overseas generative AI companies and Japanese companies were to **introduce generative AI services in the Japanese companies' business operations to improve operational efficiency**. There are also cases of large-scale collaboration in the content-creation market to suit the unique needs of the Japanese market.

■ Challenges in Generative AI Implementation in Japan

- **The challenges in implementing generative AI technology in Japan are related to low usage rate among the general population and within workplaces and a lack of infrastructure for building datasets, a lack of digital transformation personnel with leadership and critical thinking skills as well as strict regulations in governmental organizations related to usage of generative AI services**. Japan has also seen a rise in incidents caused due to generative AI technology, such as **leakages of ChatGPT account logs and the spread of AI-generated deepfake images and videos**.

■ Regulations

- While the United States, China and the European Union have strict regulations criminalizing the use of generative AI to spread illegal content and misinformation, Japanese generative AI regulations are **largely based on guidelines and are not legally binding**.