

White Paper on Tourism in Japan, 2018 (Summary)

Japan Tourism Agency
June 2018

The White Paper on Tourism in Japan is submitted to the Diet every year in accordance with Article 8 of the Basic Act for Promoting a Tourism-Oriented Country. It consists of the following four parts.

Part I Tourism Trends in 2017

- Chapter 1 Global Tourism Trends
- Chapter 2 Tourism Trends in Japan

Part II (Theme Chapter) "Tourism" Expanding Its Presence in the Japanese Economy

- Chapter 1 Recent Consumption Trends of International Visitors to Japan
- Chapter 2 Impact of Recent Increases in International Visitors to Japan and Tourism Consumption
- Chapter 3 Contribution of Tourism to the Japanese Economy as a Whole
- Chapter 4 Summary of Previous Analyses and Challenges for the Future

Part III Measures Taken in FY 2017/Part IV Measures to be Taken in FY 2018

- Chapter 1 Enhance the Attractiveness of Tourism Resources to be the Foundation for "Regional Revitalization"
- Chapter 2 Innovate the Tourism Industry to Enhance International Competitiveness and to Become Japan's Core Industry
- Chapter 3 Create an Environment Where All Travelers can Enjoy Sightseeing Comfortably Without Stress

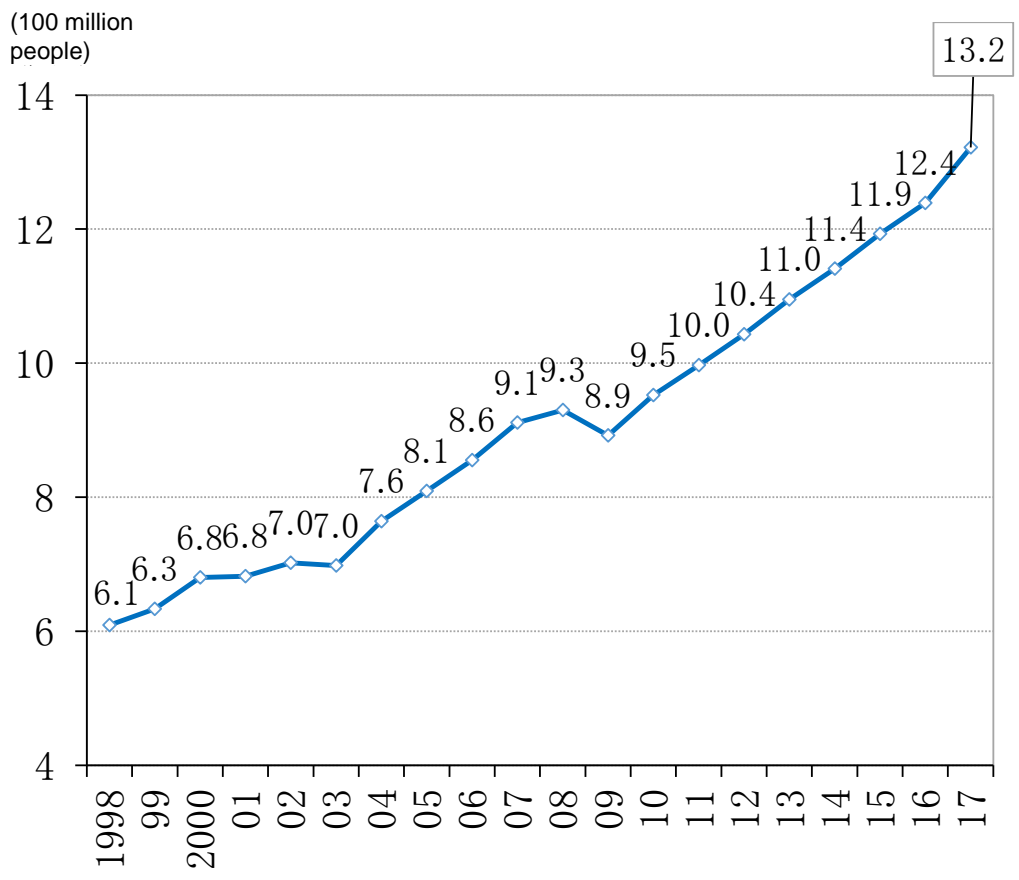
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[Part I] Global Tourism Trends in 2017

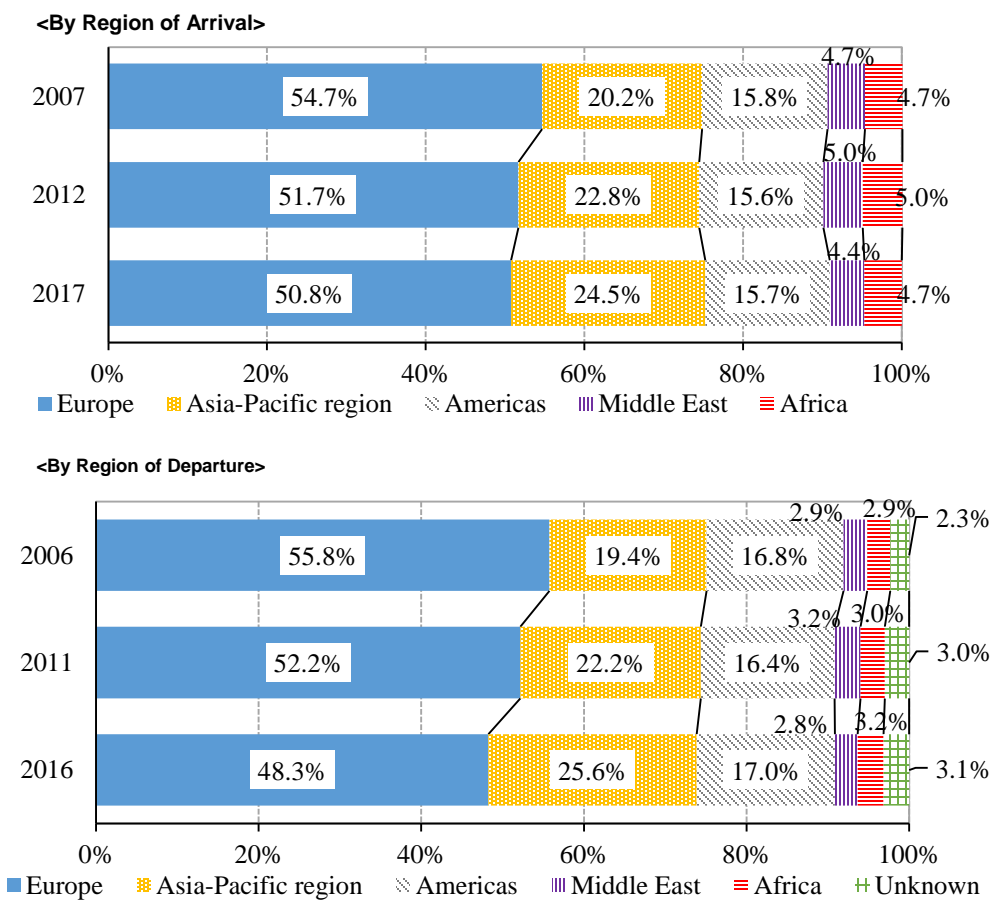
- According to the global tourism trends announced by the United Nations World Tourism Organization (UNWTO), the number of international tourists in 2017 increased by 83 million from the previous year to **1,322 million (up 6.7% from the previous year)**.
- By region, the number of international tourist arrivals in Europe still accounted for about half of the total, but that in the Asia-Pacific region has shown a high growth rate in recent years. In 2017, its share increased by about 5% from 10 years ago (2007).

(Figure I-2) The Number of International Tourists



Source: Japan Tourism Agency (JTA) document based on data of the UNWTO

(Figure I-5) The Number of International Tourists by Region of Origin

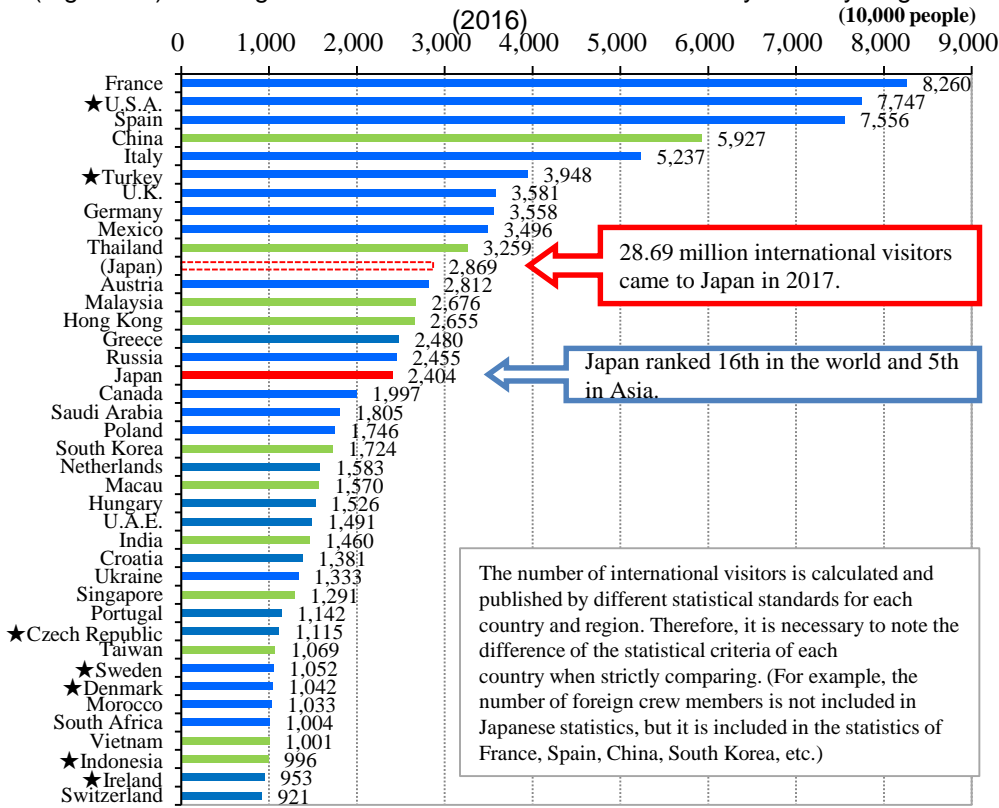


Source: Japan Tourism Agency (JTA) document based on data of the UNWTO

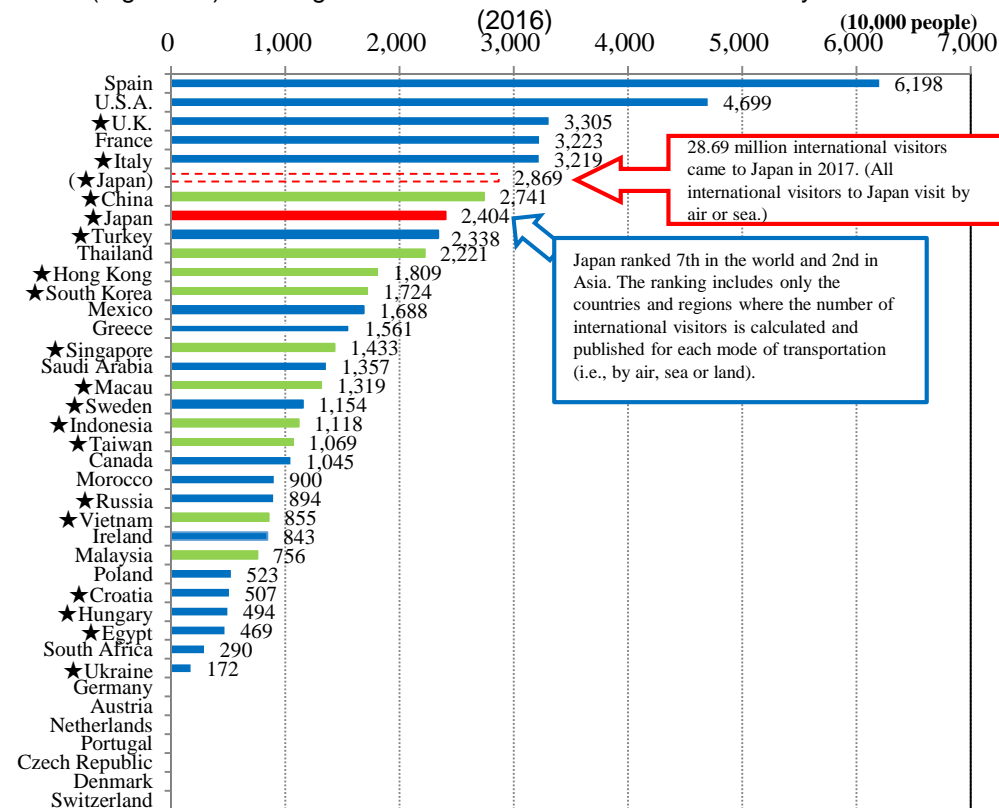
[Part I] Global Tourism Trends in 2017

- In the "Ranking of the Number of International Visitors by Country/Region" in 2016, Japan was placed at the same rank as the previous year (**16th (5th in Asia)**) with 24.04 million.
- In the "Ranking of the Number of International Visitors by Air or Sea" in 2016, Japan ranked **7th (2nd in Asia)**, up from 9th (3rd in Asia) in the previous year, with 24.04 million.
- The number of international visitors to Japan in 2017 (28.69 million) was equivalent to **11th** in the "Ranking of the Number of International Visitors by Country/Region" and **6th** in the "Ranking of the Number of International Visitors by Air or Sea" in 2016.

(Figure I-7) Ranking of the Number of International Visitors by Country/Region



(Figure I-8) Ranking of the Number of International Visitors by Air or Sea



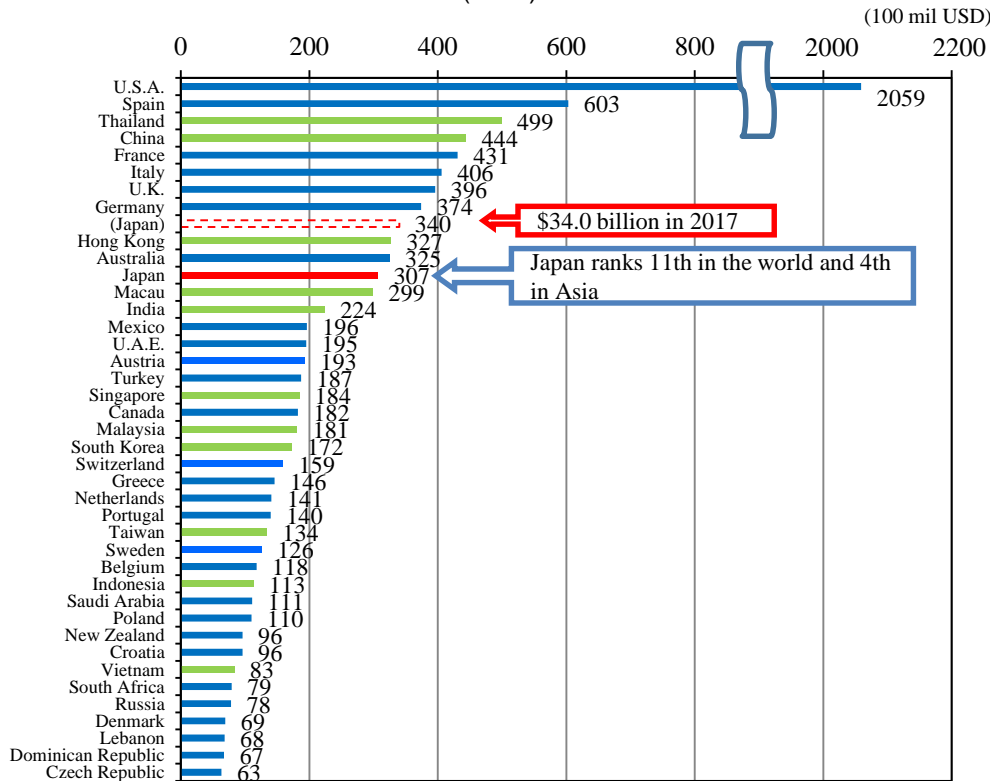
Source: Japan National Tourism Organization (JNTO) document based on data of the UNWTO
 Note 1: Figures shown above are provisional as of June 2017.
 Note 2: In countries marked with ★ (U.S.A., Turkey, Czech Republic, Denmark, Indonesia, and Ireland) and Sweden, figures for 2016 are unknown. Therefore, we used figures for 2015 for the countries marked with ★ and 2014 for Sweden.
 Note 3: Except for Japan, South Korea, Taiwan, and Vietnam, the number of international visitors means the number of international visitors who had at least an overnight stay in the country/region they visited.
 Note 4: Rankings are subject to change depending on the timing of data collection, because data may be updated or modified from time to time.
 Note 5: The number of international visitors is calculated and published according to different statistical criteria for each country and region, so careful comparison is required. (For example, the number of foreign crew members is not included in Japanese statistics, but it is included in the statistics of France, Spain, China, South Korea, etc.)

Source: JTA document based on data of the UNWTO
 Note 1) The number of international visitors is calculated and published by different statistical criteria for each country and region. Therefore, it is necessary to note the difference of the statistical criteria of each country when strictly comparing.
 Note 2) Figures shown above are provisional as of February 2018.
 Note 3) Except for the countries/regions marked with ★, the number of international visitors means the number of international visitors who had at least an overnight stay in the country/region they visited.
 Note 4) Green in the graph indicates a country/region belonging to Asia.
 Note 5) In Thailand, Sweden, Greece, and Russia, figures for 2016 are unknown. Therefore, we used figures for 2013 for Thailand, 2014 for Sweden, and 2015 for Greece and Russia.
 Note 6) The figures adopted in the graph are the number of international visitors traveling by air and sea, and exclude those traveling by land (by car, etc.).
 Note 7) The number of international visitors by air or sea is unknown for Germany, Austria, the Netherlands, Portugal, Czech Republic, Denmark, and Switzerland because data on the means of transportation used by international visitors are unavailable.
 Note 8) Rankings are subject to change depending on the timing of data collection, because data may be updated or modified from time to time.

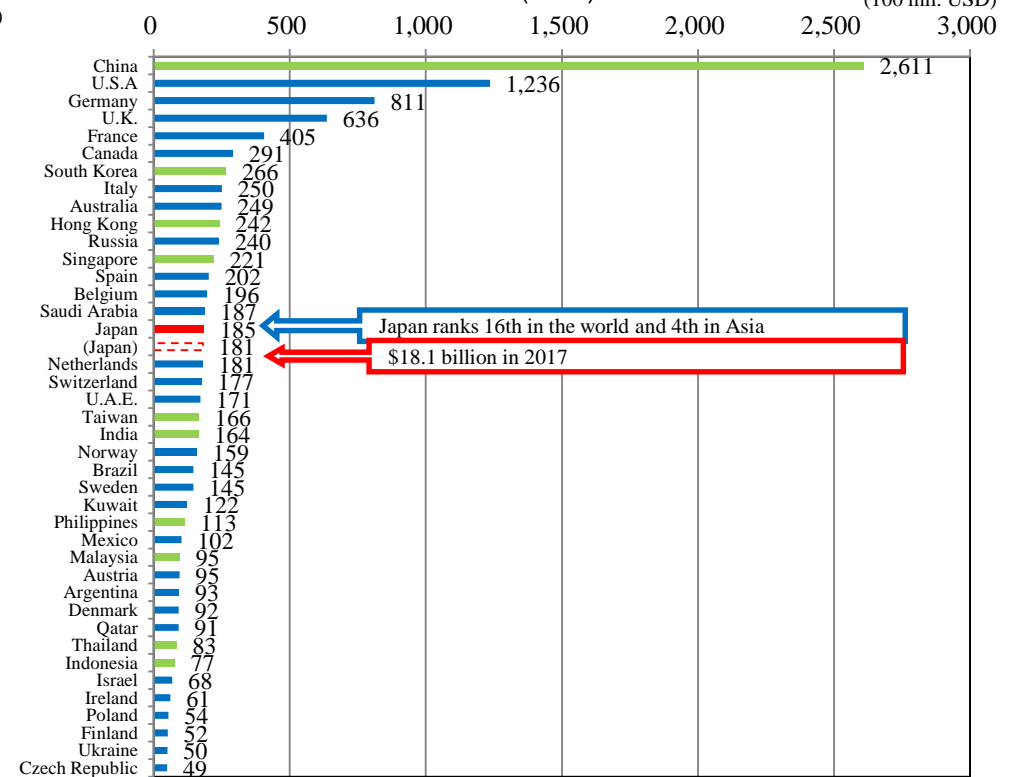
[Part I] Global Tourism Trends in 2017

- In the "Ranking of International Tourism Receipts by Country/Region" in 2016, Japan ranked **11th (4th in Asia)**, up from 13th (5th in Asia) in the previous year, with \$30.7 billion.
- In the "Ranking of International Tourism Expenditures by Country/Region" in 2016, Japan ranked **16th (5th in Asia)**, up from 19th (5th in Asia) in the previous year, with \$18.5 billion.
- The amount of international tourism receipts of Japan in 2017 (\$34 billion) was equivalent to **9th** in the "Ranking of International Tourism Receipts by Country/Region" in 2016.

(Figure I-9) Ranking of International Tourism Receipts by Country/Region (2016)



(Figure I-10) Ranking of International Tourism Expenditures by Country/Region (2016)



Source: JNTO document based on data of the UNWTO

Note 1: JNTO document based on data of the UNWTO and national tourism offices from each country

Note 2: Figures shown above are provisional as of June 2017.

Note 3: International tourism receipts don't include international passenger fares.

Note 4: Data on international tourism receipts may be updated or modified from time to time.

Calculated values of international tourism receipts are affected by changes in the exchange rates of foreign currencies to the U.S. dollar.

Thus, rankings are subject to change depending on the timing of data collection.

Source: JNTO document based on data of the UNWTO and national tourism offices from each country

Note 1: Figures shown above are provisional as of May 2017.

Note 2: International tourism expenditures don't include international passenger fares.

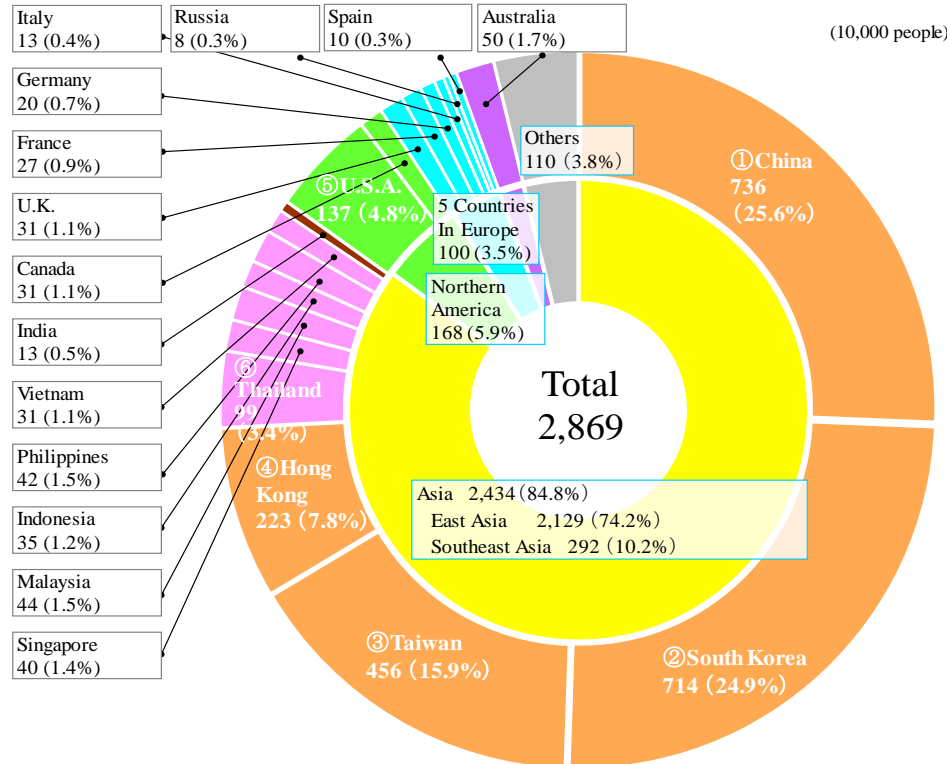
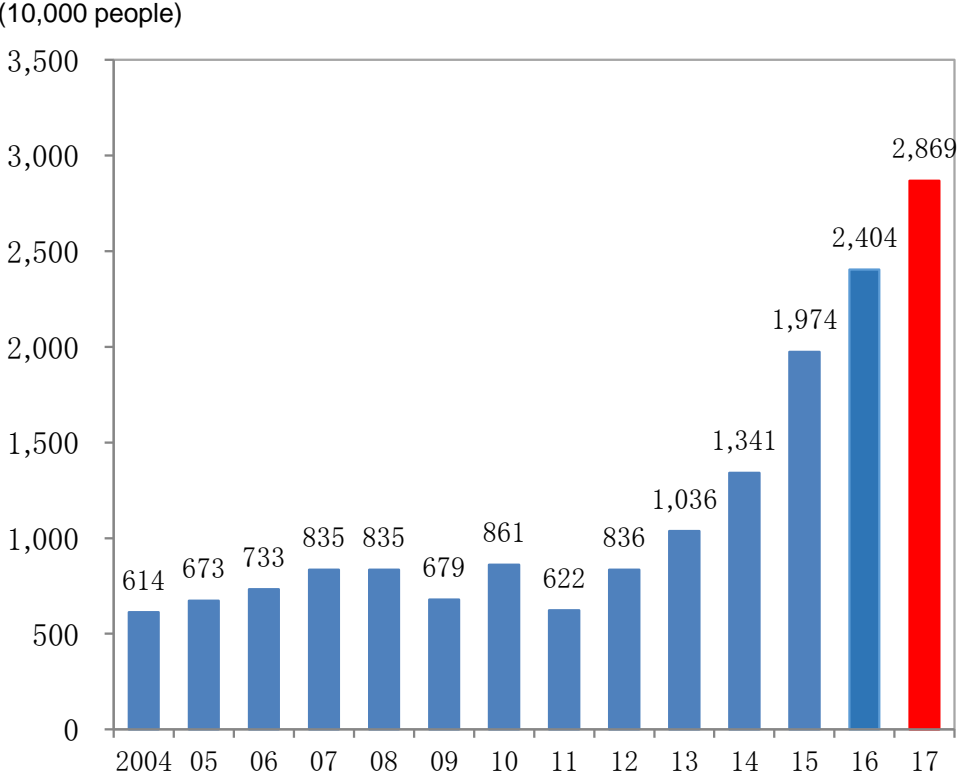
Note 3: Data on international tourism expenditures may be updated or modified from time to time. Calculated values of international tourism expenditures are affected by changes in the exchange rates of foreign currencies to the U.S. dollar. Thus, rankings are subject to change depending on the timing of data collection.

[Part I] Tourism Trends in Japan in 2017 (Situation of Travel to Japan)

- The number of international visitors to Japan in 2017 was **28.69 million (up 19.3% from the previous year)**.
- The number of international visitors from Asia reached 24.34 million (84.8% of the total). The number of international visitors from East Asia reached over 20 million for the first time, with 21.29 million (74.2% of the total), including 2.92 million (10.2% of the total) from 6 major ASEAN countries. The number of international visitors from North America was 1.68 million. The number of international visitors from 5 major European countries (UK, France, Germany, Italy, and Spain) exceeded one million for the first time.

(Figure I-11) The Number of International Visitors

(Figure I-12) Breakdown of the Number of International Visitors (2017)



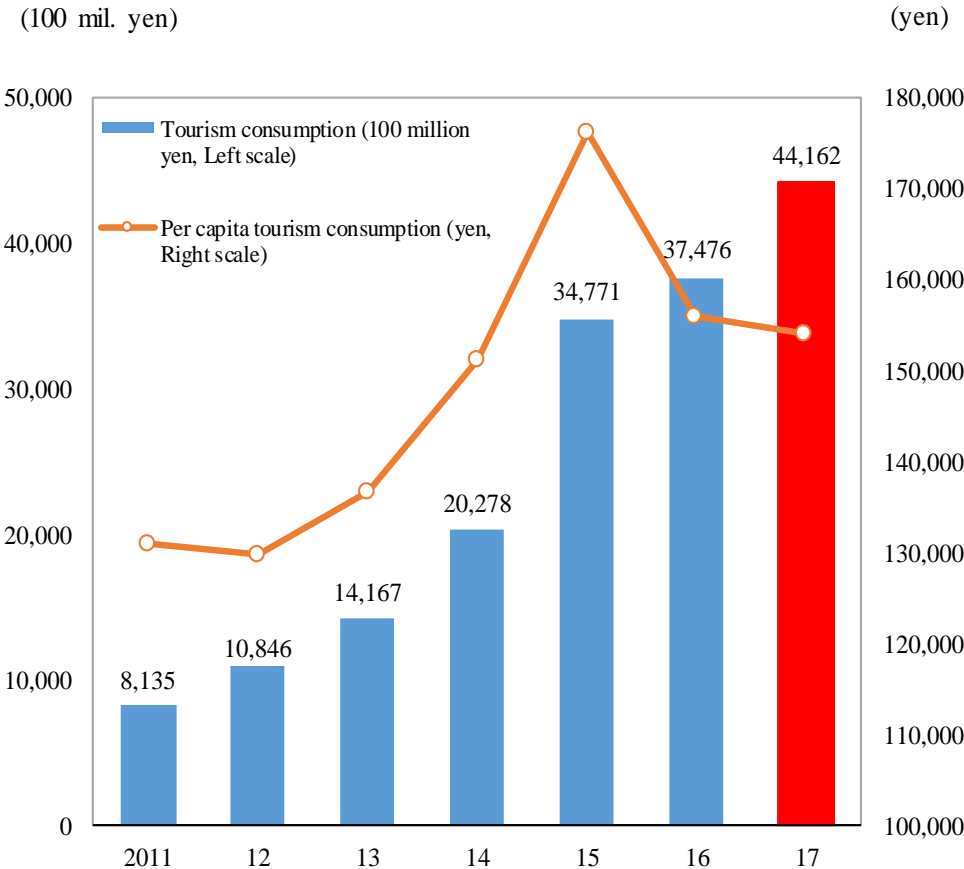
Source: JTA document based on data of the JNTO

Source: JTA document based on data of the JNTO
 Note 1: Values in parentheses indicate share as a percent of all international visitors to Japan.
 Note 2: "Others" is Asian, European, or other countries/regions not otherwise shown in the pie chart.

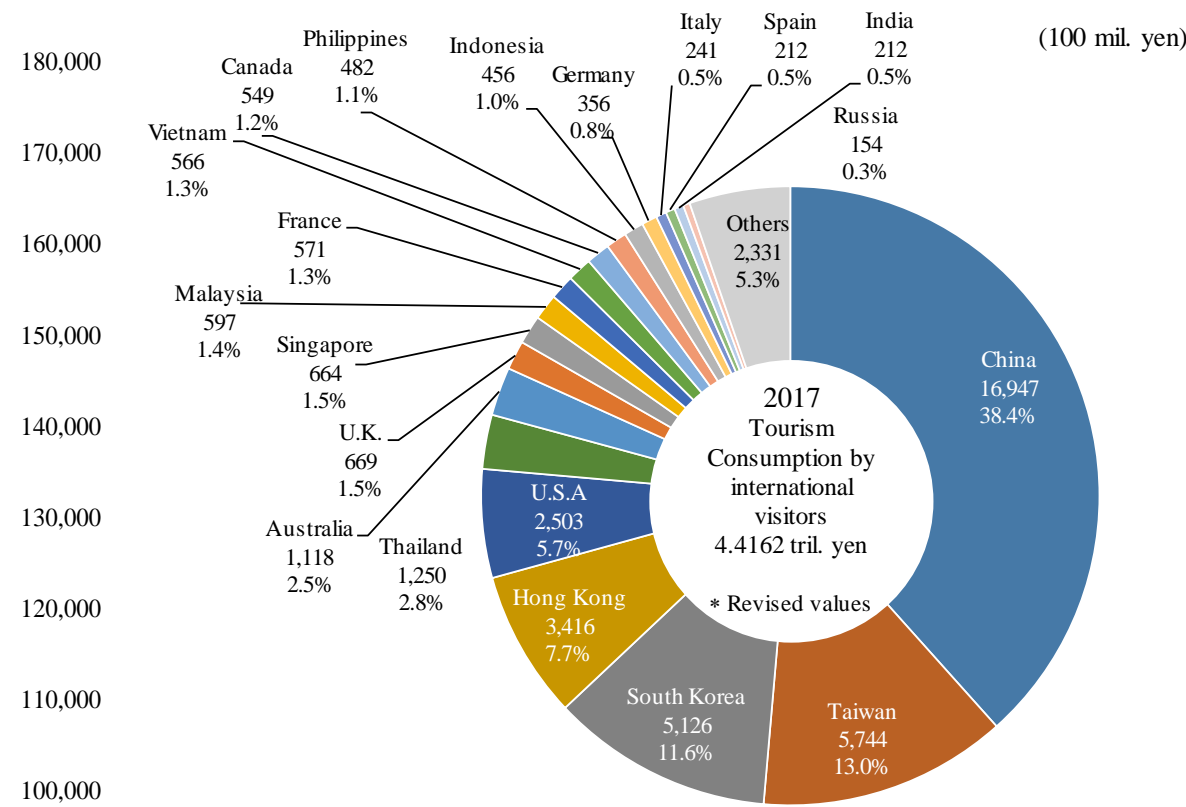
[Part I] Tourism Trends in Japan in 2017 (Situation of Travel to Japan)

- The tourism consumption by international visitors in 2017 was **4.4162 trillion yen (up 17.8% from the previous year)**.
- By country and region, China ranked first at 1.6947 trillion yen and accounted for 38.4% of the total amount, followed by Taiwan at 574.4 billion yen (13.0%), South Korea at 512.6 billion yen (11.6%), Hong Kong at 341.6 billion yen (7.7%), and the United States at 250.3 billion yen (5.7%).

(Figure I-13) Changes in Tourism Consumption by International Visitors



(Figure I-15) Tourism Consumption by International Visitors Broken Down by Country/Region (2017)



Sources: JTA document based on data of the JNTO (the number of international visitors to Japan); International Visitor Survey (JTA) (tourism consumption)

Source: International Visitor Survey (JTA)

[Part I] Tourism Trends in Japan in 2017 (Situation of Travel to Japan)

- By expense item, the amount spent on shopping was the highest at **1.6398 trillion yen (37.1% of the total)**, followed by accommodations at 1.2451 trillion yen (28.2%) and food and beverages at 885.7 billion yen (20.2%).
- Travel expenditure per international visitor was **153,921 yen** as a whole, **down 1.3% from the previous year**. Chinese visitors' spending rate was the highest at 230,382 yen, followed by visitors from Australia at 225,845 yen and visitors from the United Kingdom at 215,392 yen.
- Chinese visitors had high spending on shopping, while visitors from the United States, Australia, and European countries had high spending on accommodations.

(Figure I-17) Tourism Consumption by International Visitors by Country/Region and Expense Item (2017)

Country/Region	Tourism consumption by international visitors (100 million yen)							
	Total amount		Accommodation	Food and Beverage	Transportation	Entertainment	Shopping	Others
	YoY change							
Total	44,162	+17.8%	12,451	8,857	4,870	1,439	16,398	147
South Korea	5,126	+43.3%	1,598	1,316	535	262	1,394	21
Taiwan	5,744	+9.5%	1,503	1,187	652	203	2,184	14
Hong Kong	3,416	+15.9%	953	739	392	103	1,228	0
China	16,947	+14.9%	3,508	2,816	1,346	408	8,777	91
Thailand	1,250	+8.6%	365	230	145	41	467	2
Singapore	664	+12.4%	255	135	77	18	179	0
Malaysia	597	+14.3%	187	124	93	20	173	0
Indonesia	456	+23.2%	150	81	78	18	128	0
Philippines	482	+23.5%	133	101	57	23	168	0
Vietnam	566	+30.1%	151	134	51	7	223	0
India	212	+19.2%	93	42	29	4	42	0
U.K.	669	+25.8%	302	159	101	21	86	0
Germany	356	+13.7%	160	76	55	8	57	0
France	571	+19.1%	233	121	104	22	90	0
Italy	241	+2.1%	109	50	45	7	29	0
Spain	212	+3.1%	78	49	45	7	33	0
Russia	154	+47.0%	49	32	19	7	47	0
U.S.A.	2,503	+17.5%	1,055	575	392	91	386	6
Canada	549	+29.6%	220	128	93	22	87	0
Australia	1,118	+1.7%	441	248	175	70	184	0
Others	2,331	+29.9%	908	514	387	76	436	10

(Figure I-18) Travel Expenditure per International Visitor by Country/Region (2017)

Country/Region	Tourism consumption by international visitors per person (yen/person)							
	Total amount		Accommodation	Food and Beverage	Transportation	Entertainment	Shopping	Others
	YoY change							
Total	153,921	-1.3%	43,397	30,869	16,974	5,014	57,154	513
South Korea	71,795	+2.2%	22,378	18,435	7,492	3,665	19,530	294
Taiwan	125,847	-0.0%	32,939	26,004	14,286	4,458	47,846	314
Hong Kong	153,055	-4.5%	42,690	33,129	17,586	4,628	55,017	5
China	230,382	-0.5%	47,690	38,285	18,295	5,550	119,319	1,243
Thailand	126,569	-0.8%	36,957	23,281	14,696	4,107	47,316	212
Singapore	164,281	+0.7%	63,084	33,308	19,005	4,414	44,350	120
Malaysia	135,750	+2.6%	42,533	28,261	21,106	4,508	39,303	39
Indonesia	129,394	-5.3%	42,593	23,084	22,188	5,098	36,431	1
Philippines	113,659	+1.3%	31,469	23,765	13,366	5,405	39,654	0
Vietnam	183,236	-1.6%	48,861	43,314	16,382	2,372	72,307	0
India	157,443	+9.1%	69,506	31,212	21,875	3,268	31,583	0
U.K.	215,392	+18.5%	97,303	51,289	32,390	6,811	27,600	0
Germany	182,207	+6.5%	81,933	39,036	27,867	4,245	29,125	0
France	212,442	+12.4%	86,882	45,017	38,882	8,142	33,400	120
Italy	191,482	-3.3%	86,746	39,659	35,968	5,634	23,311	163
Spain	212,584	-5.1%	77,944	49,082	45,486	7,166	32,794	112
Russia	199,236	+4.4%	63,122	41,499	24,908	9,074	60,512	121
U.S.A.	182,071	+6.2%	76,719	41,791	28,477	6,603	28,071	411
Canada	179,525	+15.8%	71,951	41,757	30,316	7,095	28,315	91
Australia	225,845	-8.5%	89,060	50,066	35,375	14,089	37,195	59
Others	212,750	+16.2%	82,832	46,900	35,299	6,967	39,796	956

Source: International Visitor Survey (JTA)

Source: International Visitor Survey (JTA)

[Part I] Tourism Trends in Japan in 2017 (Situation of Japanese Overseas Travel and Domestic Trips)

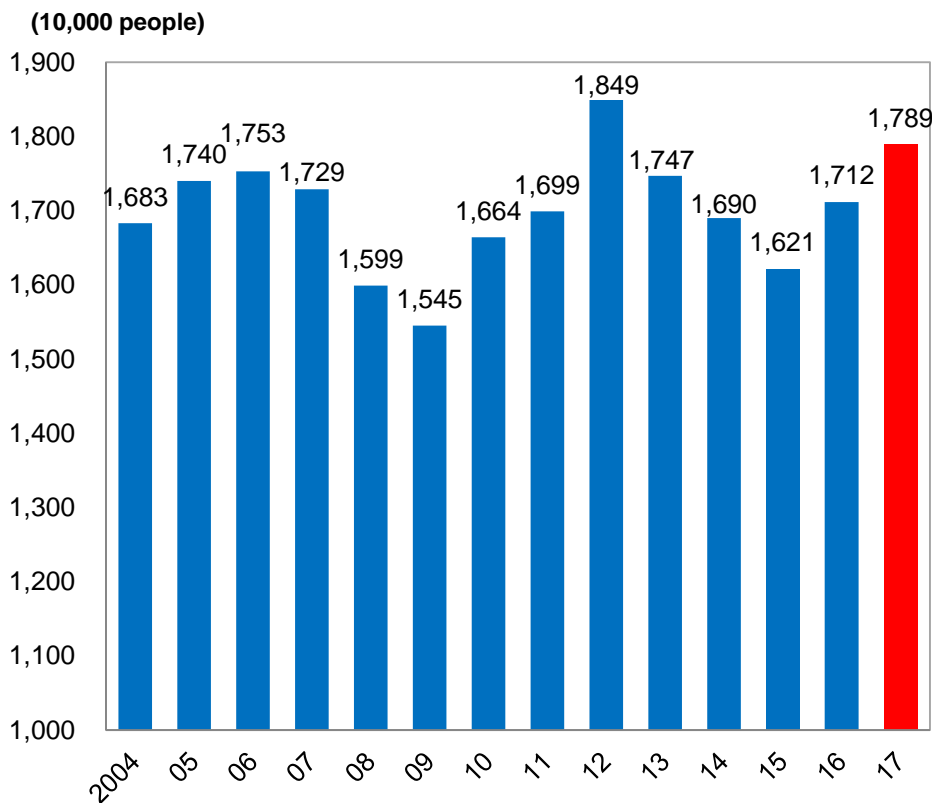
(Japanese Overseas Travel)

○ In 2017, the number of Japanese overseas travelers increased for the second consecutive year to 17.89 million (up 4.5% from the previous year).

(Domestic Trips)

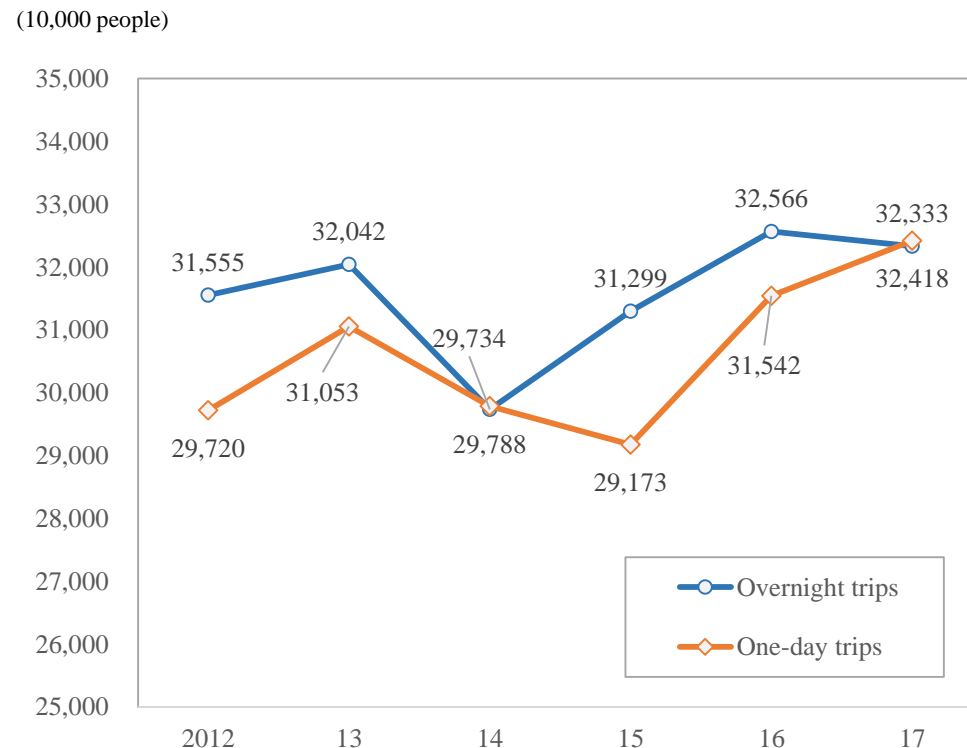
○ In 2017, the number of Japanese nationals who took overnight trips was 323.33 million (down 0.7% from the previous year), and the number of Japanese nationals who took domestic one-day trips was 324.18 million (up 2.8% from the previous year).

(Figure I-28) The Number of Japanese Overseas Travelers



Source: JTA document based on data of the Ministry of Justice

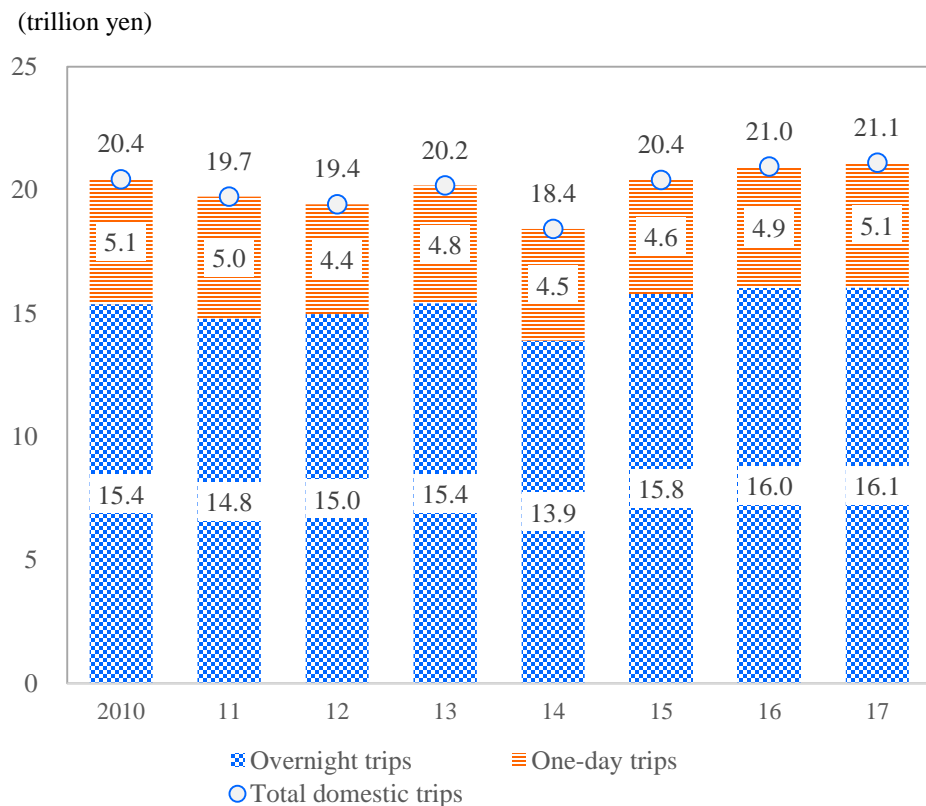
(Figure I-29) Changes in the Total Number of Domestic Overnight Trips and Domestic One-Day Trips



Source: National Tourism Survey (JTA)
Note 1: Figures for 2017 are preliminary.

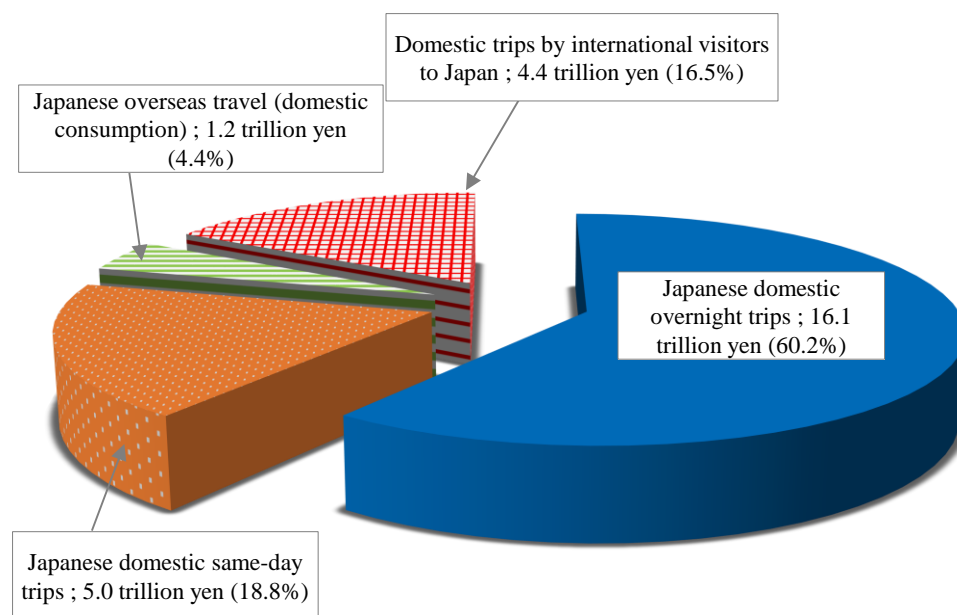
- In 2017, Japanese domestic tourism consumption increased for both overnight trips and same-day trips to **21.1 trillion yen (up 0.8% from the previous year)**.
- In 2017, domestic tourism consumption by Japanese and international visitors increased to **26.7 trillion yen (up 3.6% from the previous year)**.
- Within that, domestic tourism consumption by international visitors accounted for **16.5%**, exceeding 15% for the first time.

(Figure I-30) Japanese Domestic Tourism Consumption



Source: National Tourism Survey (JTA)

(Figure I-31) Domestic Tourism Consumption in Japan



Source: National Tourism Survey (JTA)

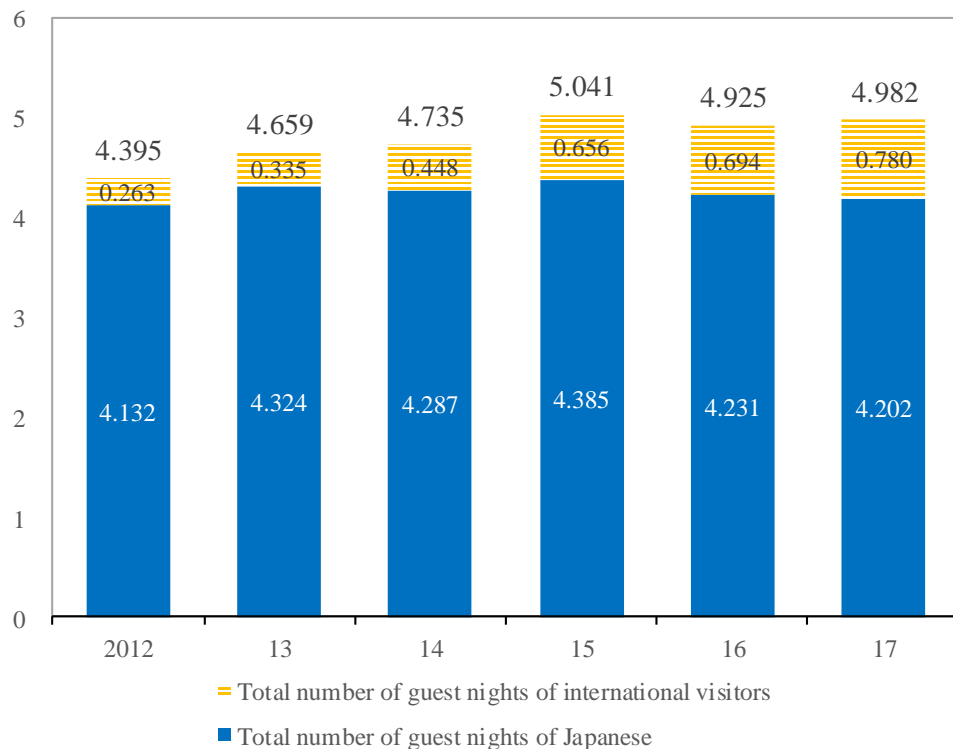
[Part I] Tourism Trends in Japan in 2017 (Situation of Overnight Trips)

- In 2017, the total number of guest nights in hotels and Ryokans (Japanese-style inns) in Japan increased to **498.19 million (up 1.2% from the previous year)**. Within that, the total number of guest nights of Japanese was 420.19 million (down 0.7% from the previous year), and the total number of guest nights of international visitors was 78 million (up 12.4% from the previous year).
- The growth rate in outlying areas (up **15.8%**) exceeded that in the 3 major metropolitan areas (up **10.2%**). The number of guest nights in outlying areas accounted for over **40%** of the total number of guest nights for the first time.

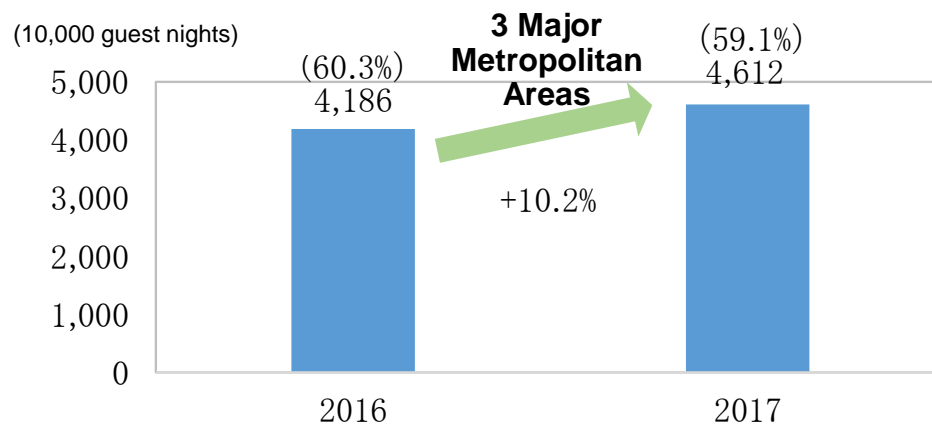
(Figure I-32) Total Number of Guest Nights (Japanese/International Visitors)

(Figure I-33) Guest Nights of International Visitors in 3 Major Metropolitan Areas and in Outlying Areas

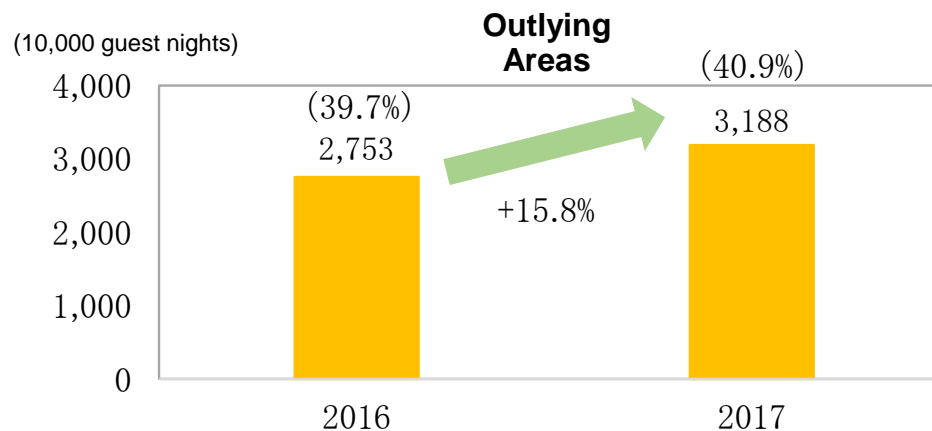
(100 mil. guest nights)



(10,000 guest nights)



(10,000 guest nights)



Source: Overnight Travel Statistics Survey (JTA)

Note 1: Figures for 2017 are preliminary.

Note 2: Figures given above each bar indicate the total number of guest nights of Japanese and international visitors.

Source: Overnight Travel Statistics Survey (JTA)

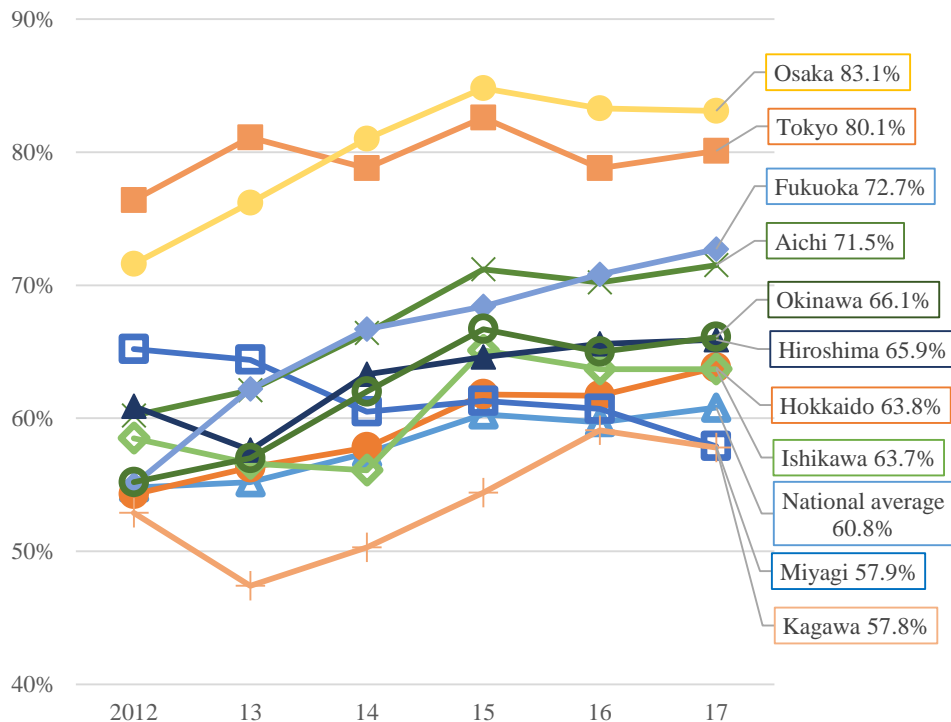
Note 1: Figures for 2017 are preliminary.

Note 2: "3 major metropolitan areas" refers to 8 prefectures: Tokyo, Kanagawa, Chiba, Saitama, Aichi, Osaka, Kyoto, and Hyogo. "Outlying areas" refers to all other prefectures.

Note 3: Values in parentheses indicate the composition rate.

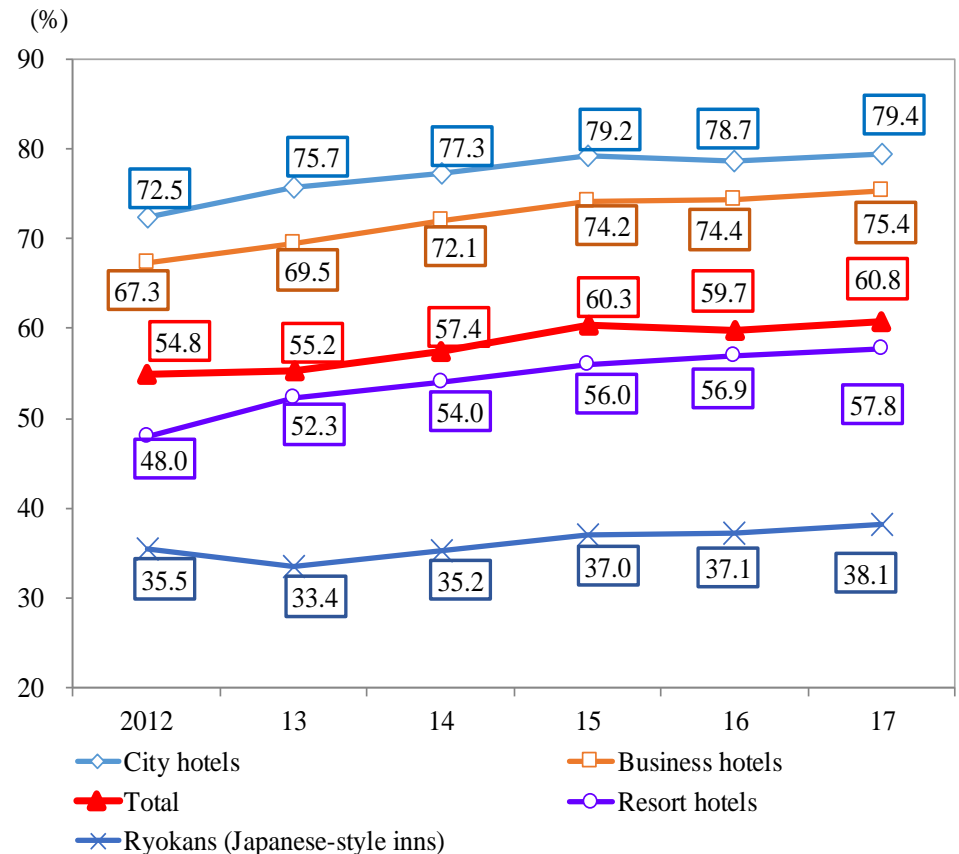
- Room occupancy rates rose from **59.7%** in the previous year to **60.8%** in 2017.
- In particular, the room occupancy rate remained at a high level, over 80%, in Osaka Prefecture.
- By accommodation type, the room occupancy rate for city hotels was 79.4% and for business hotels it was 75.4%. The room occupancy rate for Ryokans was 38.1%.

(Figure I-35) Room Occupancy Rates



Source: Overnight Travel Statistics Survey (JTA)
Note 1: Figures for 2017 are preliminary.

(Figure I-36) Room Occupancy Rates by Accommodation Type

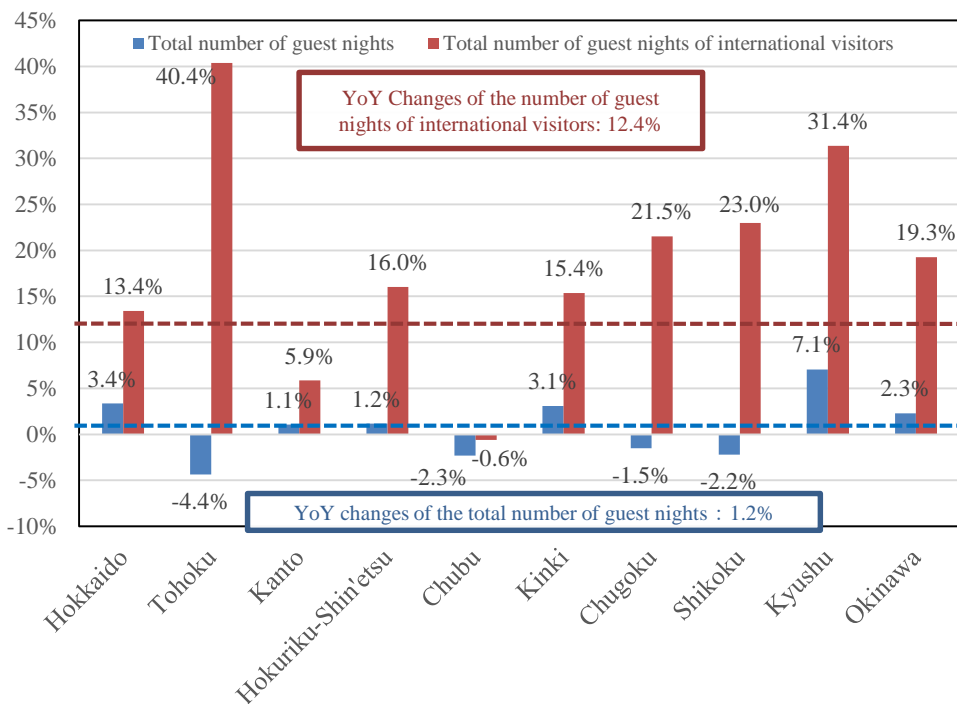


Source: Overnight Travel Statistics Survey (JTA)
Note 1: Figures for 2017 are preliminary.

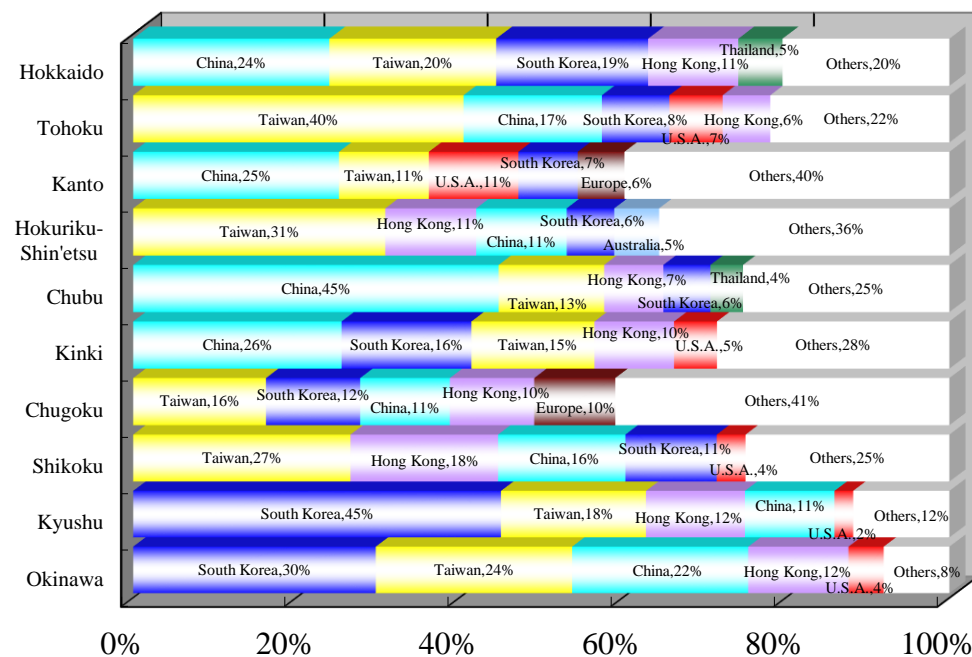
[Part I] Trends in Japanese Tourism in 2017 (Regional Blocks)

- The total number of guest nights by regional block, the number increased in the Tohoku and Kyushu regions as compared to the previous year, by 40.4% and 31.4%, respectively. Hokkaido (up 13.4%), Hokuriku-Shin'etsu (up 16.0%), Kinki (up 15.4%), Chugoku (up 21.5%), Shikoku (up 23.0%), and Okinawa (up 19.3%) also exceeded the national average.
- The total number of guest nights of international visitors by regional block, the number of visitors from China was the highest in 4 regions (Hokkaido, Kanto, Chubu, and Kinki), from the number of visitors from South Korea was the highest in 2 regions (Kyushu and Okinawa), and that from Taiwan was the highest in 4 regions (Tohoku, Hokuriku-Shin'etsu, Chugoku, and Shikoku).

(Figure I-43) YoY Changes of the Total Number of Guest Nights (Overall/International Visitors) in Japan by Regional Blocks (2017)



(Figure I-44) Regional Blocks Breakdown for the Total Number of Guest Nights of International Visitors by Country/Region (2017)



Source: Overnight Travel Statistics Survey (JTA)

Note 1: Comparison was made between the figures of 2016 (confirmed) and 2017 (preliminary).

Source: Overnight Travel Statistics Survey (JTA)

Note 1: "Europe" refers to 3 countries: the United Kingdom, France, and Germany.

Note 2: Figures for 2017 are preliminary.

[Part II] “Tourism” Expanding Its Presence in the Japanese Economy

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[Part II] Impact of Recent Increase in International Visitors to Japan (1)

(100 million yen)

○ Part II of the White Paper on Tourism in Japan for the year shows the results of the **analysis on the impact of the recent increase in inbound visitors to Japan on the Japanese economy, which was conducted from a broad perspective, including effects that are not included in tourism consumption.** The contribution of tourism to the recent economic growth was also analyzed. The analysis **confirmed that the effects of inbound visitors are reflected in macroeconomic indicators** and that **tourism is becoming the main engine of Japanese economic growth.**

In the past 5 years, the number of international visitors to Japan increased by a factor of 3.4 times and tourism consumption increased 4.1 times.

(Figure II-1) Changes in the Number of International Visitors and Tourism Consumption

	2012	2017	Increase	times
Number of international visitors	(10,000 people) 836	(10,000 people) 2,869	(10,000 people) 2,033	3.4
Tourism consumption by international visitors	(100 million yen) 10,846	(100 million yen) 44,162	(100 million yen) 33,316	4.1
Accommodation	3,713	12,451	8,738	3.4
Food and Beverage	2,229	8,857	6,628	4.0
Transportation	1,179	4,870	3,691	4.1
Entertainment	293	1,439	1,146	4.9
Shopping	3,406	16,398	12,992	4.8
Other	26	147	121	5.7

(Figure II-2) Changes in Tourism Consumption by International Visitors Broken Down by Country/Region (100 mil. yen)

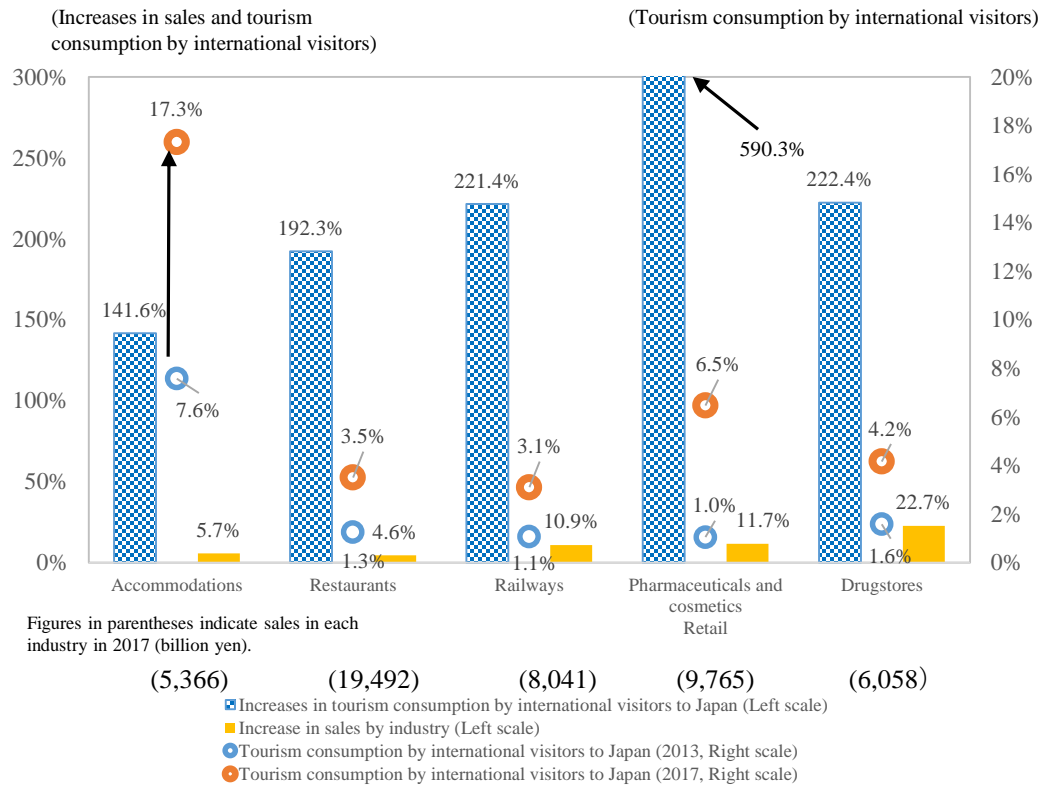
	2012	2017	Increase	times
China	(10,000 people) 2,678	(10,000 people) 16,947	(10,000 people) 14,269	6.3
Shopping (of above)	1,370	8,777	7,407	6.4
Taiwan	1,647	5,744	4,097	3.5
South Korea	1,465	5,126	3,661	3.5
Hong Kong	655	3,416	2,761	5.2
Northern America	1,194	3,052	1,858	2.6
Europe	662	1,596	933	2.4
Australia	407	1,118	712	2.8

Source: International Visitor Survey (JTA)

Impact (1): Impact on Consumption (Sales)

• **The percentage of purchases by international visitors in the total sales increased in each industry.**

(Figure II-3) Changes in the Percentage of Purchases by International Visitors in the Total Sales by Industry (Comparison between 2013 and 2017)



Source: JTA document based on International Visitor Survey (JTA), Survey on Service Industries (Ministry of Internal Affairs and Communications (MIC)), Current Survey of Commerce (Ministry of Economy, Trade and Industry (METI))
 Note 1: For drugstores, comparison was made between 2014 and 2017.

[Part II] Impact of Recent Increase in International Visitors to Japan (2)

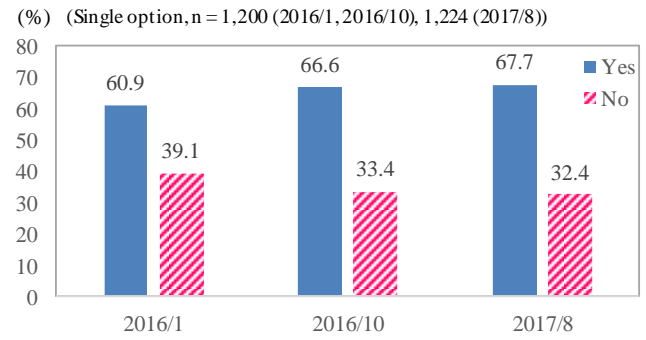
- The increase in international visitors to Japan **contributes to not only "tourism consumption" but also an increase in "exports."** For example, **purchases of Japanese products made through cross-border e-commerce (cross-border EC) after travel to Japan have increased.**

Impact (2): Impact on Exports (1)

- About 70% of the middle- and high-income earners living in the 3 major cities in China (Beijing, Shanghai, and Guangzhou) have purchased Japanese products through cross-border EC.
- Popular Japanese products purchased through cross-border EC are cosmetics, food, and pharmaceuticals.
- About 40% of them have purchased Japanese products since they traveled to Japan.

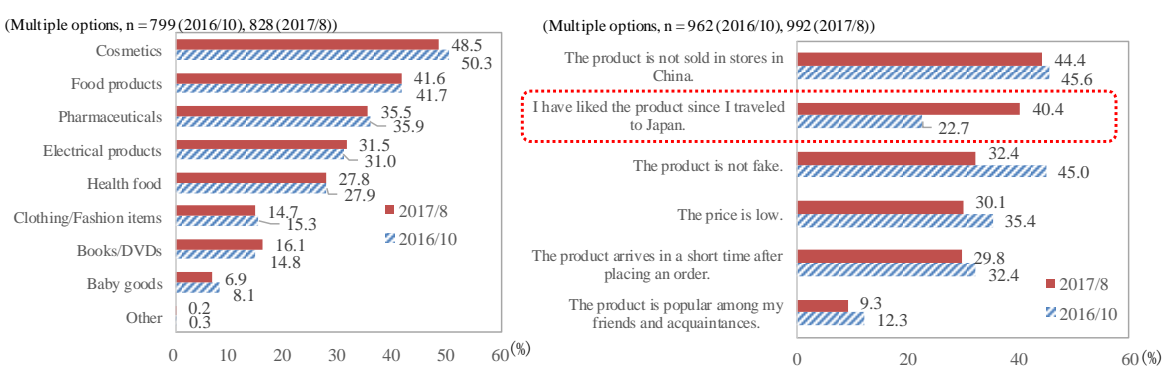
- Products popular with international visitors have increased their consumption in Japan (tourism consumption) and exports.

(Figure II-8) Experience in Purchasing Products Imported from Japan through Cross-border EC in China



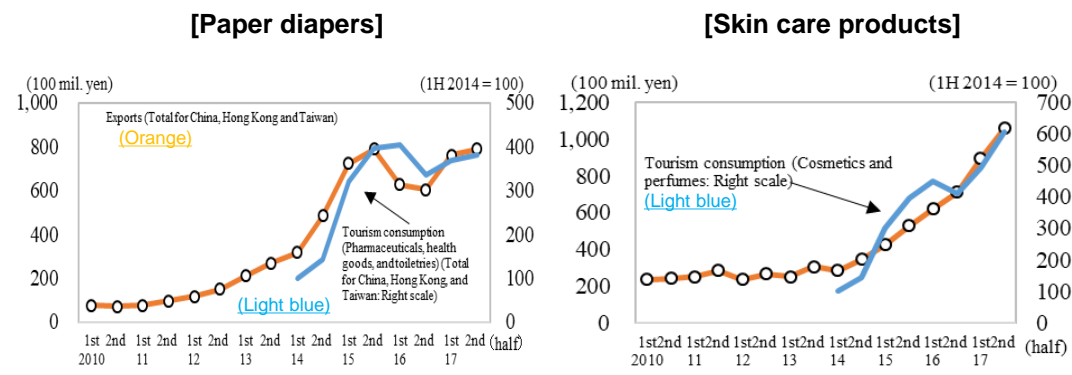
Source: JTA document based on Survey on Chinese Consumers' Awareness of Japanese Products (JETRO)

(Figure II-9, II-10) Popular Products Purchased through Cross-border EC in China and Reasons for Purchase

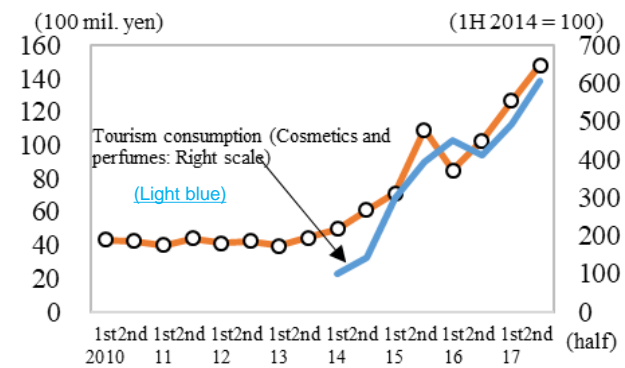


Source: JTA document based on Survey on Chinese Consumers' Awareness of Japanese Products (JETRO)

(Figure II-11) Shopping Consumption and Exports (Total for China, Hong Kong, and Taiwan)



[Hair care products]



Source: JTA document based on Trade Statistics (Ministry of Finance (MOF)) and International Visitor Survey(JTA)

[Part II] Impact of Recent Increase in International Visitors to Japan (2)

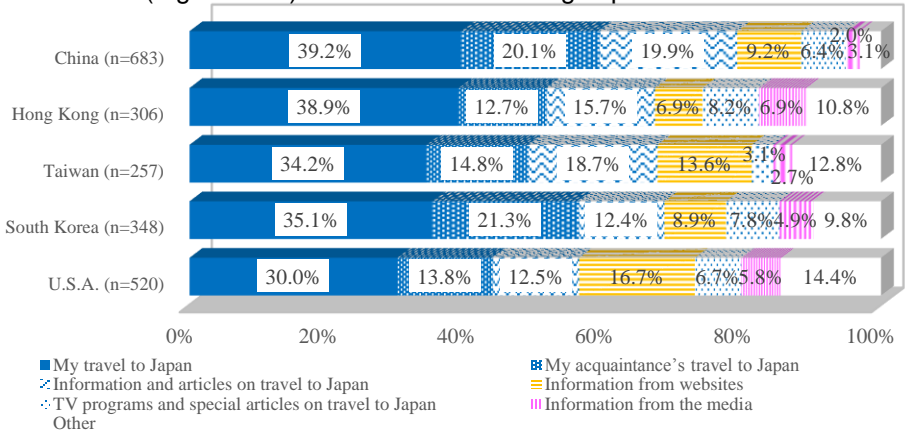
○ Travel to Japan greatly contributes to the increase in purchases through cross-border EC. **The annual amount of Japanese products purchased through cross-border EC, which is not included in tourism consumption, is estimated at about 600 billion to 800 billion yen (2017).**

Impact (2): Impact on Exports (2)

- Travel to Japan has a major impact on motives for purchasing Japanese products.
- As for purchase means, cross-border EC accounts for a high percentage in China.

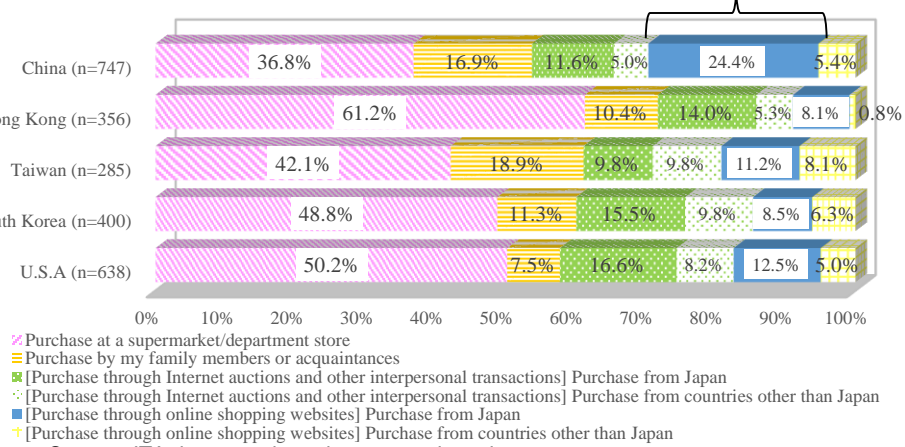
- Purchases of Japanese products through cross-border EC, which were made after travel to Japan, have been increasing mainly in China.

(Figure II-14) Motives for Purchasing Japanese Products



Source: JTA document based on a questionnaire survey

(Figure II-15) Means of Purchasing Japanese Products



Source: JTA document based on a questionnaire survey

[Estimated scale of purchases through cross-border EC made after travel to Japan]

- ◆ The amount of Japanese products purchased through cross-border EC after one's own travel to Japan is estimated at **about 630 billion yen** in 2017.
- ◆ The amount is estimated at **about 780 billion yen** when including purchases made after one's family members or acquaintances travel to Japan.

(Figure II-16) Estimated Scale of Purchases through Cross-border EC Made after Travel to Japan (2017)

	Top 5 countries and regions in the ranking of the number of international visitors to Japan (including China)	China
(1) Purchases made after one's own travel to Japan	6,300	3,500
(2) Purchases made after one's family member's or acquaintance's travel to Japan	1,500	1,200
Total amount of Japanese products purchased through cross-border EC	15,500	11,100

Source: JTA document based on a questionnaire survey
 Note 1: 5 countries/regions: China, Taiwan, South Korea, Hong Kong, and the United States
 Note 2: B to C transactions fall under cross-border EC.
 Note 3: Figures above indicate the purchase amount in each country and region.
 The figures include fees for cross-border EC and do not indicate the amount of exports from Japan.

[Part II] Impact of Recent Increase in International Visitors to Japan (3)

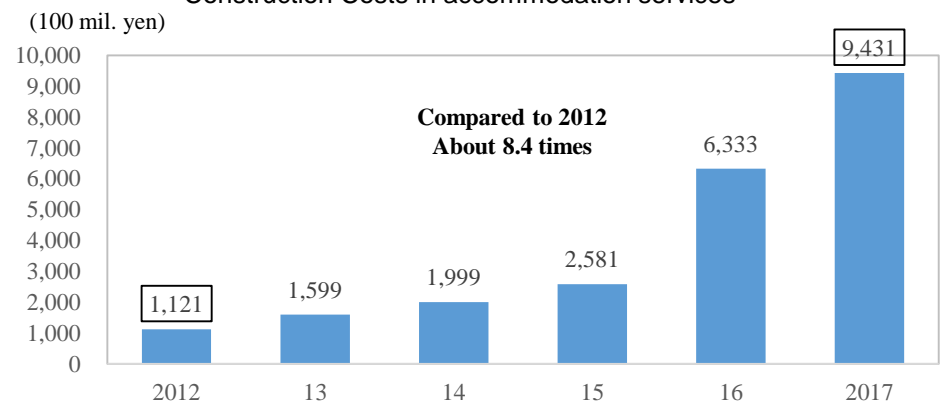
○ Accommodation services generated construction investment of about 1 trillion yen in 2017.

Impact (3): Impact on Investment (1)

- The planned building construction costs in accommodation services increased by a factor of **8.4 times** in the past 5 years.
- Accommodation services contributed to **more than 20% of the increase** in the total planned building construction costs (2017).

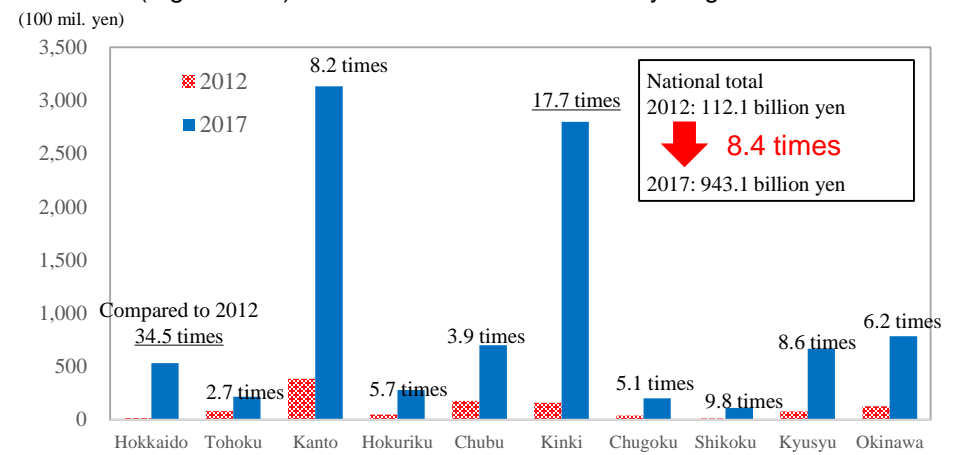
- The planned building construction costs in accommodation services increased more than tenfold in the Hokkaido and Kinki regions.
- The number of new buildings and floor area also increased significantly.

(Figure II-17) Changes in the Planned Building Construction Costs in accommodation services



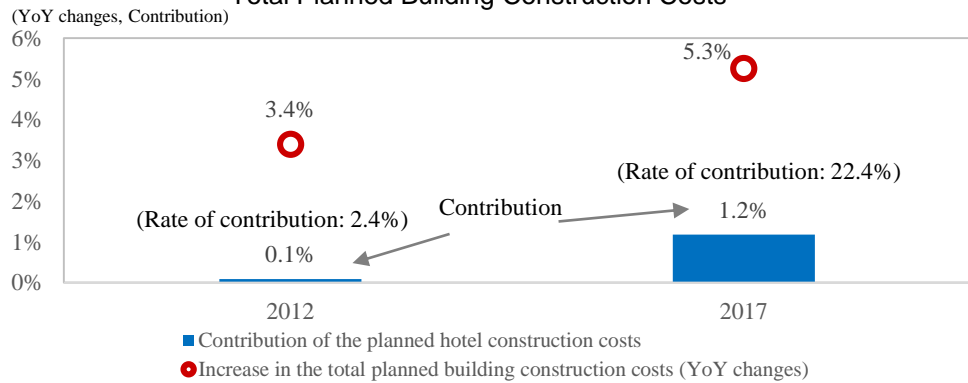
Source: JTA document based on Statistics on Building Starts (Ministry of Land, Infrastructure, Transport and Tourism (MLIT))

(Figure II-20) Planned Construction Costs by Regional Blocks



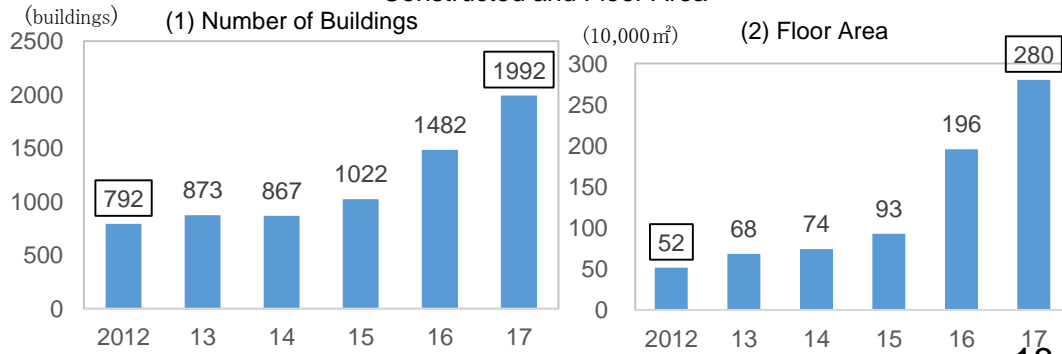
Source: JTA document based on Statistics Survey on Building Starts (Ministry of Land, Infrastructure, Transport and Tourism (MLIT))

(Figure II-19) Contribution of the Hotel Industry to Increase in the Total Planned Building Construction Costs



Source: JTA document based on Statistics on Building Starts (Ministry of Land, Infrastructure, Transport and Tourism (MLIT))

(Figure II-18) Changes in the Number of Planned Buildings Constructed and Floor Area



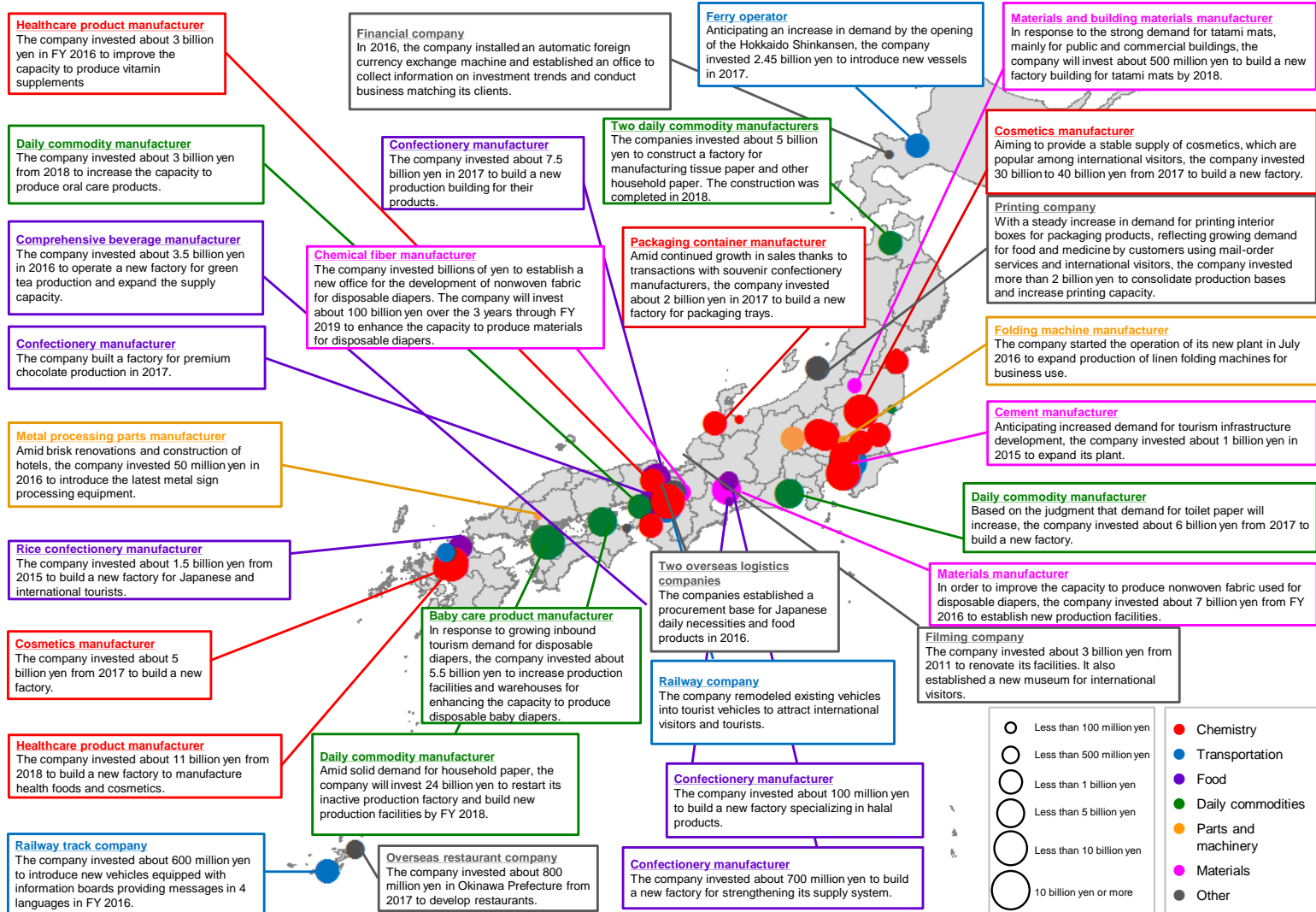
Source: JTA document based on Statistics on Building Starts (Ministry of Land, Infrastructure, Transport and Tourism (MLIT))

[Part II] Impact of Recent Increase in International Visitors to Japan (3)

Impact (3): Impact on Investment (2)

Inbound tourism demand generates investment in a wide range of industries, including not only the hotel industry but also the manufacturing industry, and across Japan.

<Figure II-21: Examples of Investments Made Nationwide for Responding to Inbound Tourism Demand>



Source: JTA document based on newspaper articles

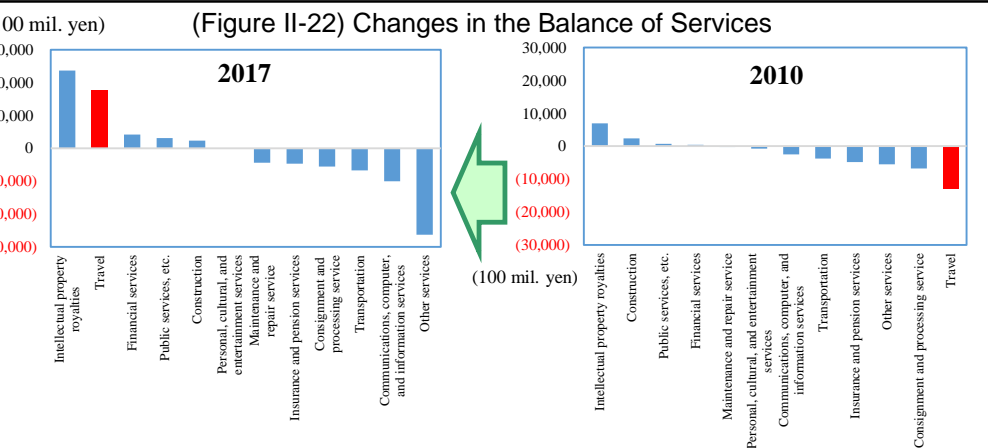
[Part II] Impact of Recent Increase in International Visitors to Japan (4)

○ In services trade, **"Travel" became the second most profitable category after intellectual property royalties**. Indicators of comparative advantage have improved significantly in the tourism sector, confirming that **tourism is becoming the "earner" of the Japanese economy**.

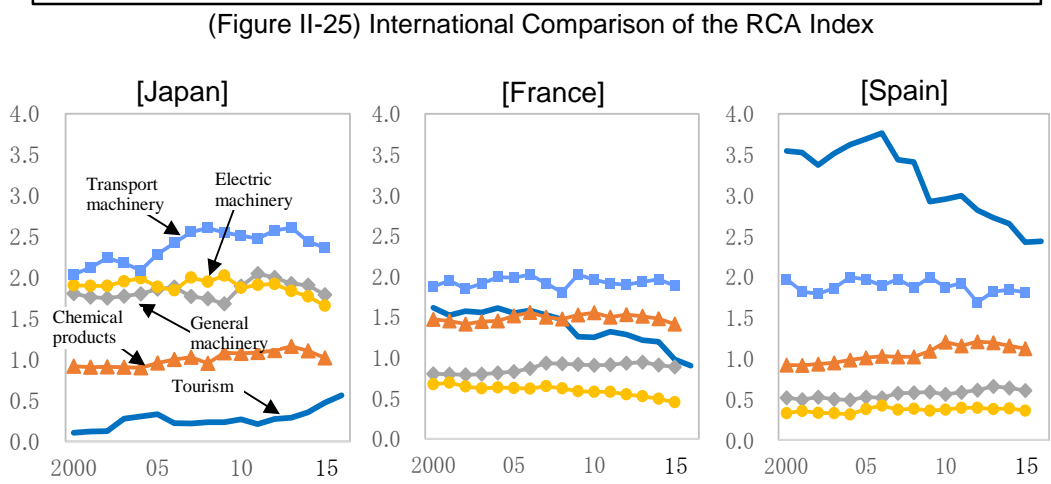
Impact (4): Impact on Balance of International Payments

- "Travel," which had been the largest deficit category in the balance of services, became the second highest profitable category after intellectual property royalties.
- The Revealed Comparative Advantage (RCA) index, which indicates comparative advantage, has improved significantly in recent years.

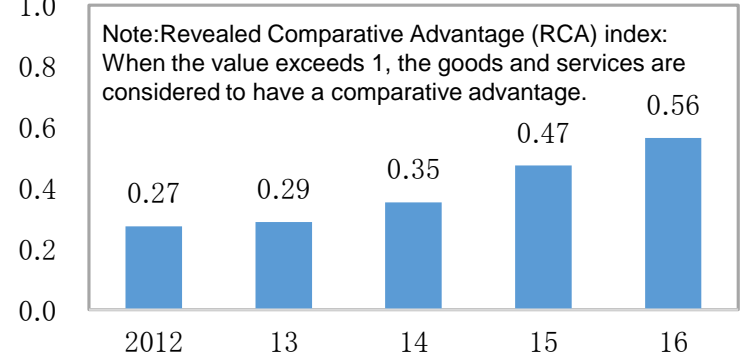
- The RCA index for the manufacturing industry had been high in Japan, but it has been slightly declining in recent years.
- The RCA index for tourism has been increasing in recent years. However, as compared to other countries, the presence of the tourism industry is small in Japan. It is halfway to becoming a tourism-oriented country.



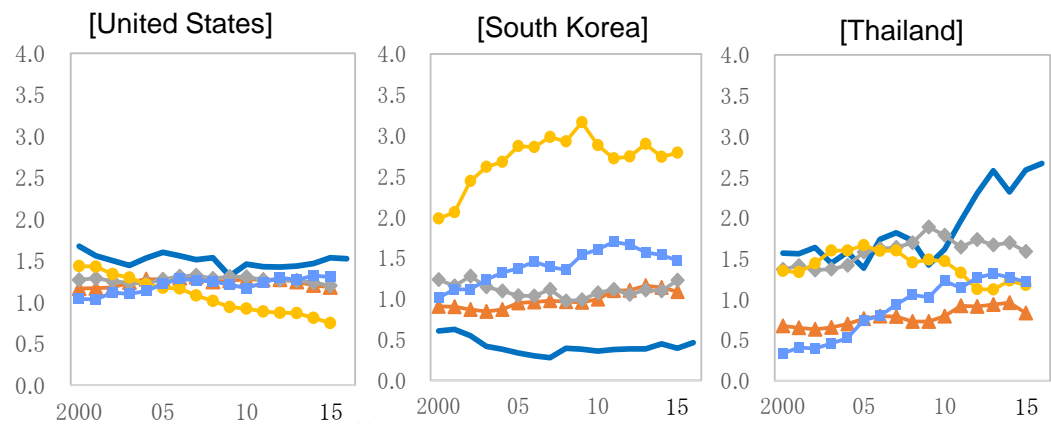
Source: JTA document based on Statistics on Balance of International Payments (MOF and Bank of Japan)



<Figure II-23: Japan's Revealed Comparative Advantage (RCA) Index in the Tourism Sector>



Source: JTA document based on RIETI TID 2015 and IMF database
 Note 1: Revealed Comparative Advantage (RCA) index: The ratio of the share of goods and services in a country's total exports to that in the world's total exports. When the value exceeds 1, the goods and services are considered to have a comparative advantage.



Source: JTA document based on RIETI TID 2015 and IMF database

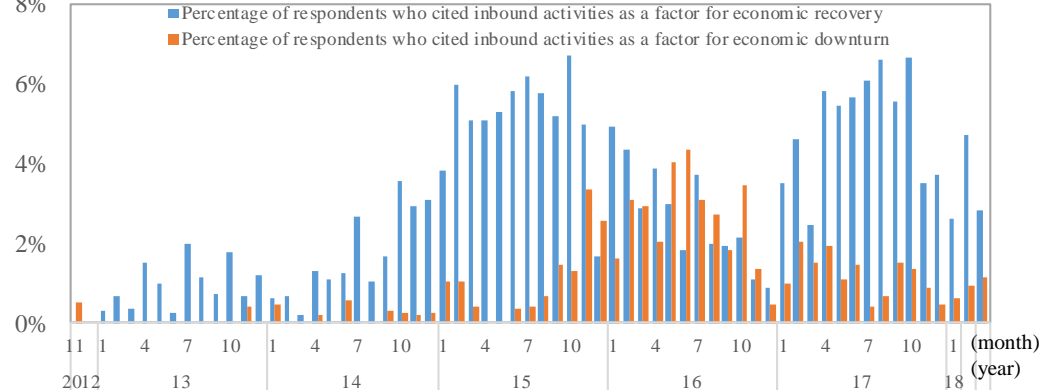
[Part II] Impact of Recent Increase in International Visitors to Japan (5) and (6)

- The **impact** of activities of inbound visitors to Japan **on business sentiment has been increasing**.
- In recent years, the rate of increase in the total number of guest nights of international visitors has been high in outlying areas.

Impact (5): Impact on Business Sentiment

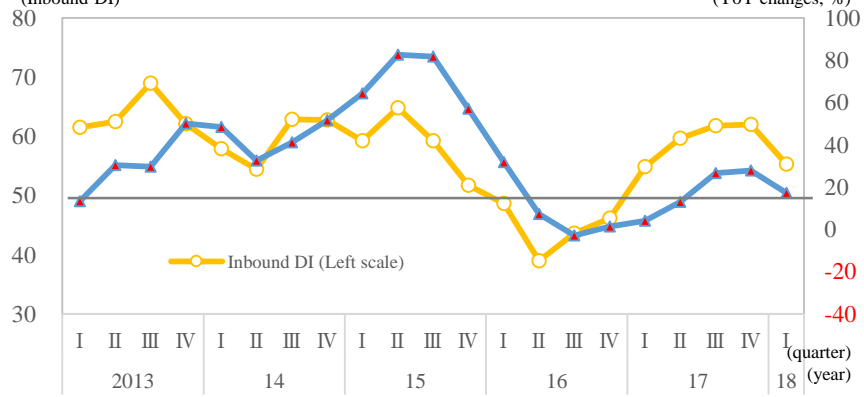
- The percentage of respondents citing inbound activities as the basis for assessing the economic condition has been increasing.
- The impact of activities of inbound visitors on business sentiment has been increasing.

(Figure II-28) Percentages of Respondents Citing Inbound Activities as the Basis for Assessing the Economic Condition



Source: JTA document based on Economy Watchers Survey (Cabinet Office)

(Figure II-29) Relationship between Changes in Tourism Consumption by International Visitors to Japan and Economic Assessment

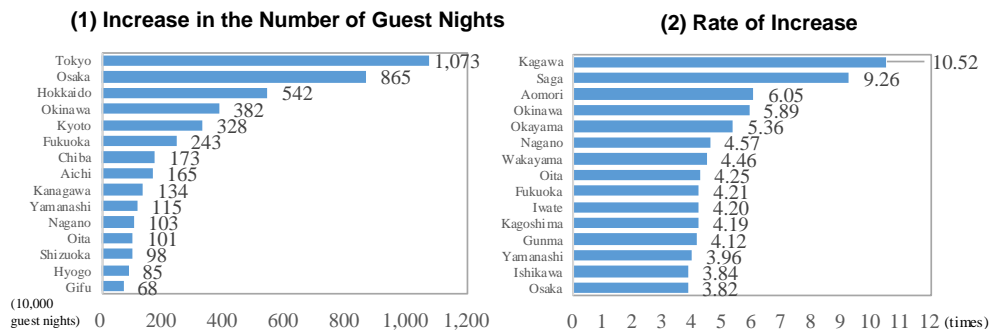


Source: JTA document based on Economy Watchers Survey (Cabinet Office)

Impact (6): Regional Repercussions (1)

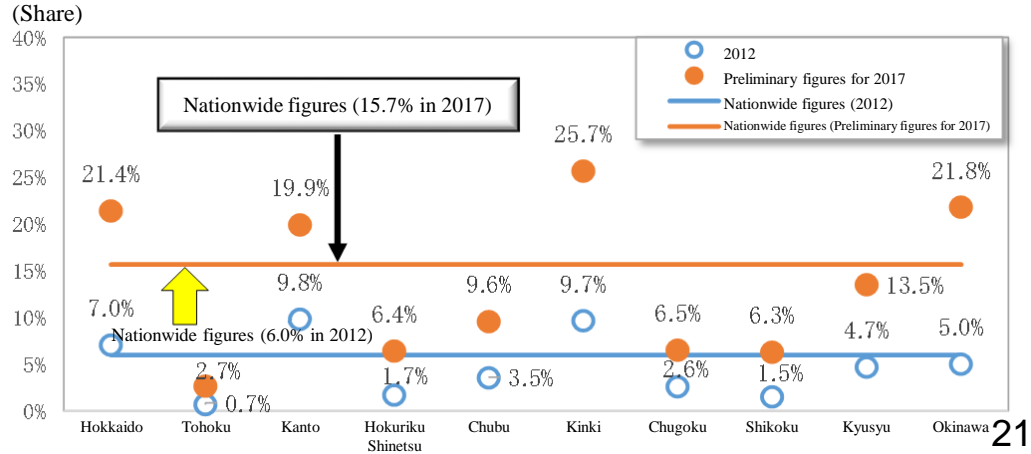
- The total number of guest nights of international visitors **increased significantly in Hokkaido and Okinawa**, in addition to the large metropolitan areas.
- The rate of increase was high in prefectures in outlying areas.

(Figure II-31) Changes in the Total Number of Guest Nights of International Visitors from 2012 to 2017



Source: Overnight Travel Statistics Survey (JTA)

(Figure II-33) Changes in the Share of International Visitors in the Total Number of Guest Nights



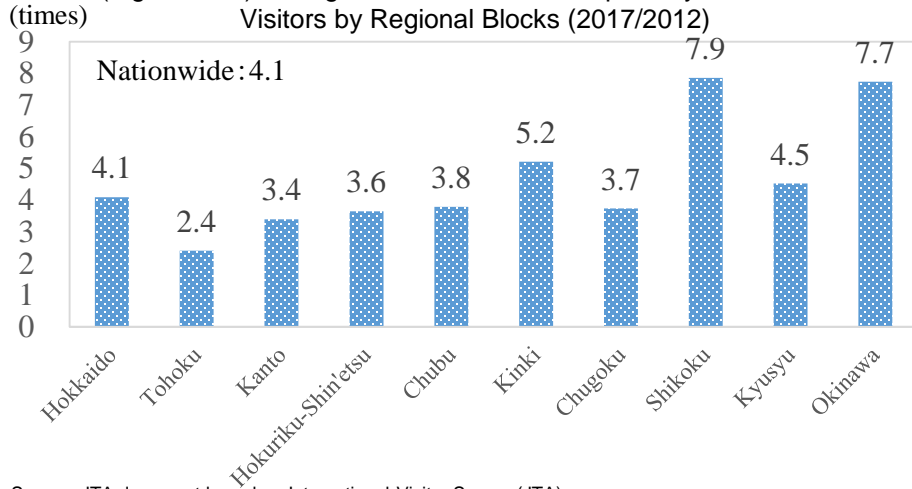
Source: Overnight Travel Statistics Survey (JTA)

Impact (6): Regional Repercussions (2)

- In the Okinawa region, the tourism consumption by international visitors increased by a factor of **about 8 times in the past 5 years**.
- In the Kinki region, the tourism consumption by international visitors also increased by a factor of **about 5 times** and expanded its share.

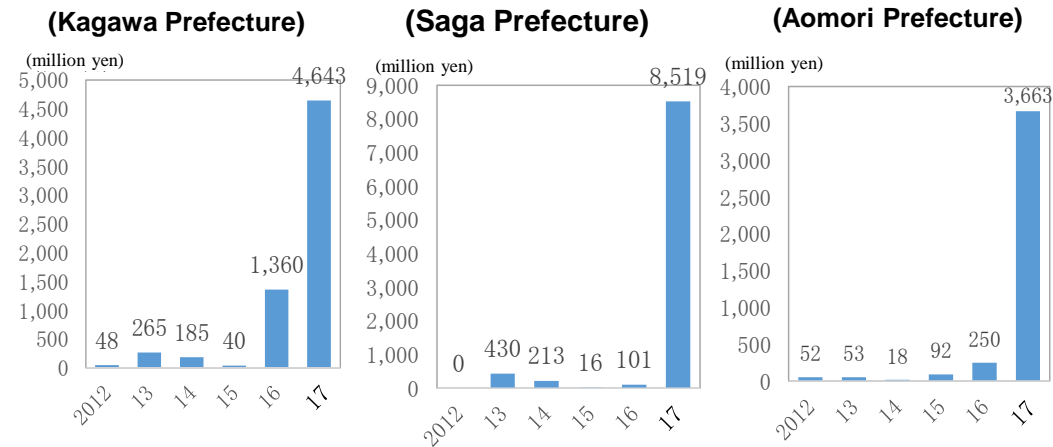
- In outlying areas where inbound visitors have been increasing remarkably, construction investment in the hotel industry has increased significantly in response to the increase in inbound visitors.

(Figure II-35) Changes in Tourism Consumption by International Visitors by Regional Blocks (2017/2012)

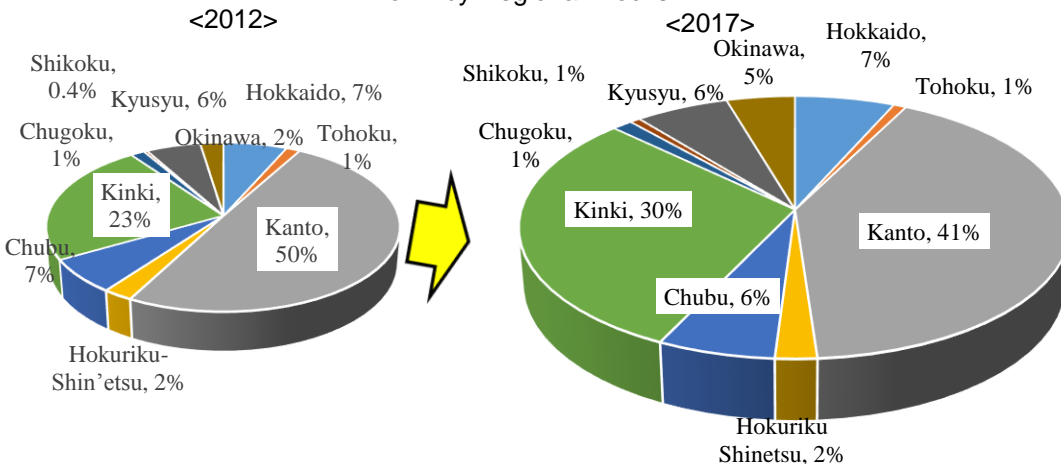


Source: JTA document based on International Visitor Survey (JTA)
 Note 1: Figures above are estimated figures calculated by a simple method that rearranges existing statistical values.

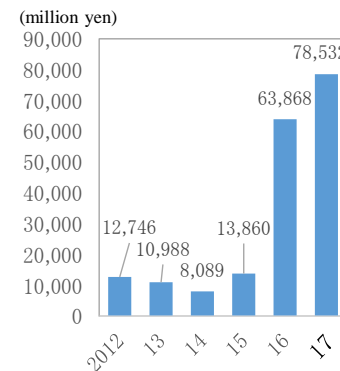
(Figure II-37) Trends in Planned Building Construction Costs in accommodation services in Prefectures with a High Rate of Increase in the Total Number of Guest Nights of International Visitors



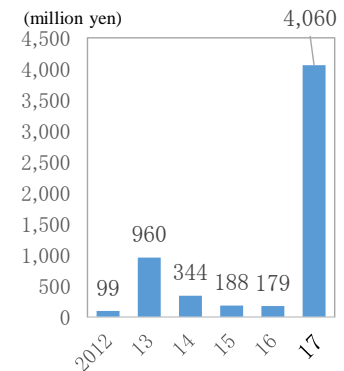
(Figure II-36) Tourism Consumption by International Visitors Broken Down by Regional Blocks



(Okinawa Prefecture)



(Okayama Prefecture)



Source: JTA document based on Statistics on Building Starts (MLIT)

[Part II] Contribution to Economic Growth

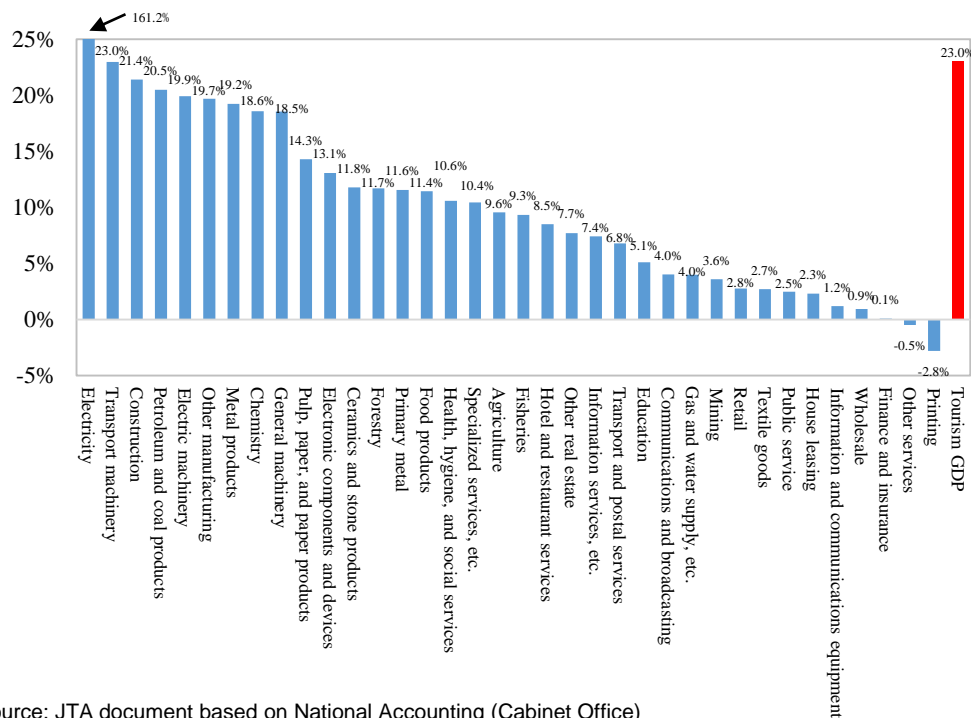
- Tourism has **contributed** to the recent economic growth, far exceeding **its share of GDP**, and **is becoming the main engine of economic growth**.

Contribution to Recent Economic Growth

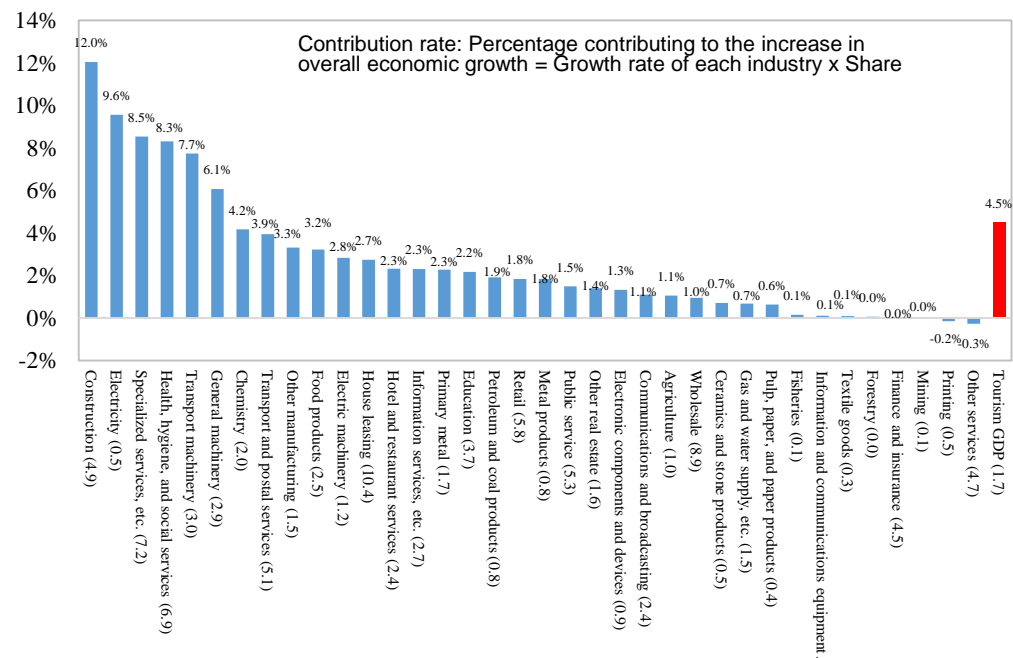
- **Tourism GDP growth rate was 23.0%** (from 2012 to 2016), which was one of the highest, along with **transport equipment (23.0%)**.

- Tourism accounted for **about 4.5% (about 2 trillion yen)** of the increase in nominal GDP of 40 trillion yen (from 2012 to 2016). Tourism contributed to economic growth, which was **about 2.6 times** higher than its share of GDP in 2012 (about 1.7%).

(Figure II-41) Comparison of Nominal GDP Growth Rates by Economic Activity
(Economic growth rate by industry from 2012 to **2016**)



(Figure II-42) Percentages of Contribution to Nominal GDP Growth Rate
(Contribution rate to nominal economic growth from 2012 to **2016**)



Source: JTA document based on National Accounting (Cabinet Office)

Source: JTA document based on National Accounting (Cabinet Office)

Note 1: Values in parentheses next to the industry name indicate the share of the industry of nominal GDP in 2012.

[Part II] For Further Development as a Growth Engine

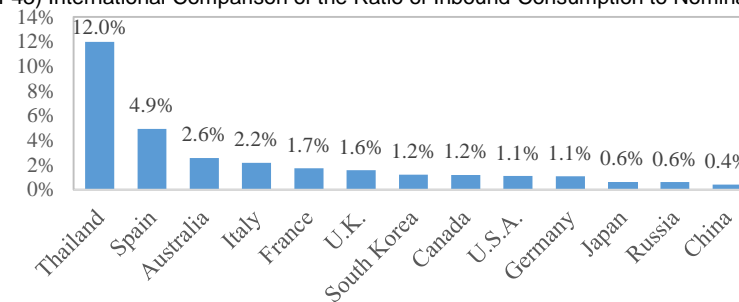
Summary of Previous Analyses

- ◆ **Broad impact on not only tourism consumption but also the overall Japanese economy**
 - In addition to "tourism consumption" of about 4 trillion yen, tourism created purchases through cross-border EC (**600 billion to 800 billion yen**) and corporate investments (**about 1 trillion yen** of construction investment in accommodation services).
 - Tourism became an important factor that influences the formation of people's business sentiment.
 - Tourism contributed to the recent economic growth, far exceeding its share of nominal GDP (**about 2.6 times**). Tourism is becoming the main engine of Japanese economic growth.
- ◆ **Further investment in a wide range of industries and regions is expected.**
 - Tourism induced investment responding to inbound tourism demand in not only accommodation services but also a wide range of industries including materials, machinery, beverages, confectionery, transportation, and restaurant industries.
 - The investment has spread in various regions from Hokkaido to Okinawa.
 - More investment in a wider range of regions and industries is expected, in response to the benefits of the effects of inbound tourism demand.
- ◆ **Tourism is becoming the "earner" of the Japanese economy.**
 - While the comparative advantage of the manufacturing industry has declined slightly in recent years, the comparative advantage of tourism (RCA index for tourism) has improved greatly.
 - However, the improvement is still halfway to the goal in 2020.
 - As the target is approached, the comparative advantage of tourism and its contribution to economic growth are expected to increase further, and tourism will become a major industry that will drive the growth of the Japanese economy.
 - For this reason, it is essential to develop higher-level measures to achieve the goal.

Challenges for the Future

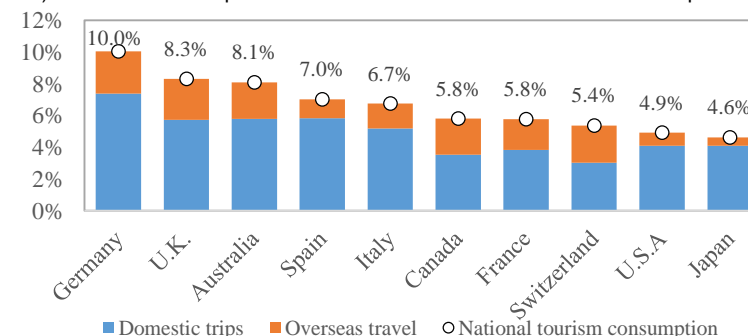
- ◆ **The current achievements are just a step toward the goal.**
 - From the perspective of international comparison, Japan's level of inbound consumption is still low and there is room for further increase. RCA index for tourism is still less than 1.
 - It is essential to develop higher-level measures to achieve the goal.
- ◆ **Revitalization of travel by Japanese is also important.**
 - From the perspective of international comparison, travel by Japanese has room for expansion.
 - Many of the measures taken to increase inbound visitors also contribute to improving the satisfaction of Japanese travelers.
 - Further efforts by parties involved in tourism (private sector) are expected, under the government's efforts to improve the environment.

(Figure II-43) International Comparison of the Ratio of Inbound Consumption to Nominal GDP (2016)



Source: JTA document based on UNWTO database and IMF database

(Figure II-44) International Comparison of the Ratio of National Tourism Consumption to Nominal GDP



Source: JTA document based on OECD database

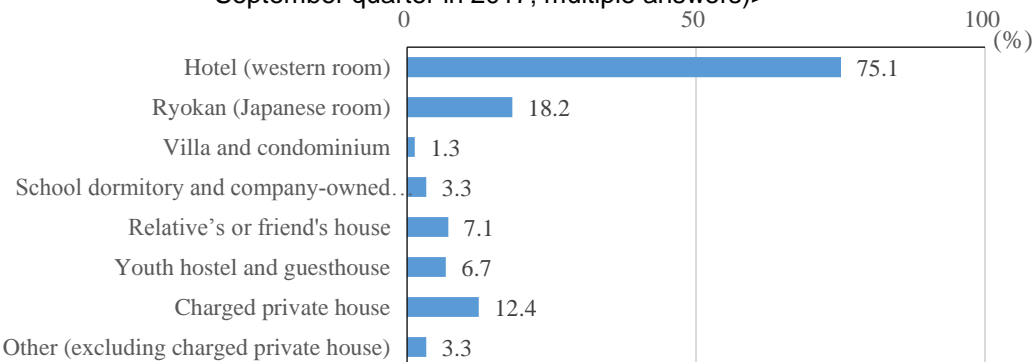
Note 1: Timing of data collection: Germany (2015), United Kingdom (2014), Australia (2015), Spain (2013), Italy (2010), Canada (2016), France (2015), Switzerland (2011), United States (2015), Japan (2015)

[Part II] Column: For Establishing Sustainable Tourism

Issues of Tourism in Japan Caused by the Increase in Inbound Visitors

- About 12% of international visitors to Japan use "private lodging" (stay at a charged private house).

<Figure: Accommodation Utilization Rate during Stay in Japan (July-September quarter in 2017; multiple answers)>



Source: International Visitor Survey (JTA)

- One of the reasons behind the spread of private lodging is the lack of measures to meet the diverse needs of international visitors.

- Not only the shortage of accommodations but also the lack of measures of existing accommodations to meet the diverse needs of international visitors are the reasons behind the spread of private lodging. Examples include that separation of meal charges and room charges is not available even for long-stay visitors, there is a shortage of hotels where a relatively large number of people can stay (in case of a family trip, etc.), and there is a shortage of facilities where guests can experience Japanese traditional life.

- Issues caused by the recent increase in private lodging and international visitors

- Harmonization with the peaceful life of local residents (reduction in noise and waste disposal by users of private lodging)
 - ⇒ Enactment of the Private Lodging Business Act
- Breach of good manners in tourist destinations and impact on cultural assets and environment
- Impact of traffic jams and traffic congestion on residents' lives
 - ⇒ Realization of sustainable tourism is a challenge that Japan must overcome to become a tourism-oriented country.

For Establishing Sustainable Tourism

- The issues need to be overcome according to regional conditions, through the participation of local residents and the combination of various methods.

- As there are a wide variety of issues that need to be overcome according to the region, there are a wide variety of countermeasures.
- It is necessary to address regional issues with the participation of local residents, by applying regulations as well as combining various methods, such as incentive policies, tax and price policies, and accurate information dissemination.

<Case Study (1): Kyoto City>

- Local managers are assigned within about 10 minutes from registered houses.
- City bus pricing policy to promote the use of subway by tourists (increase in the price of one-day bus tickets)



<Case Study (2): Kamakura City>

- Pilot program to give priority to local passengers over tourists during the peak hours
- Examination of "area pricing" charging for vehicles traveling on public roads within the area



(1) Enhance the Attractiveness of Tourism Resources to be the Foundation for "Regional Revitalization"

- Drastic opening of attractive public facilities and infrastructure to the public
- Development of cultural assets as tourism resources
- Branding of national parks
- Enhancing the attractiveness of tourist destinations through the conservation and utilization of scenic tourism assets
- Establishment and formation of farming, mountain, and fishing villages for long stay
- Promoting the development of tourism towns utilizing Japanese traditional houses and other historical resources
- Development of new tourism resources
- Acquisition of tourism demand in local shopping districts and expansion of consumption of traditional crafts
- Improvement in regional tourist routes to meet world-class standards
- Promoting the formation of the "Tourism-oriented country showcase"
- Recovery of tourism in the Tohoku region

(2) Innovate the Tourism Industry to Enhance International Competitiveness and to Become Japan's Core Industry

- Comprehensive review of tourism-related regulations and systems
- Support for private accommodation services
- Development and strengthening of tourism management personnel based on industry needs
- Urgently overcoming the shortage of accommodations, and provision of accommodations to meet diverse needs
- Formation and development of world-class DMOs
- Ongoing development of the "tourist destination revitalization fund"
- Examination of financial resources for the realization of a next-generation tourism-oriented country
- Strategic enhancement of the Inbound Tourism Promotion Project
- Strengthening external activities to deliver diverse attractiveness for promoting inbound tourism
- Promotion of inviting MICE
- Examination of IR legislative measures
- Strategic relaxation of visa requirements
- Revitalization of educational travel to Japan
- Enhancement of tourism education
- Revitalization of outbound travel by youth

(3) Create an Environment Where All Travelers can Enjoy Sightseeing Comfortably Without Stress

- Realization of innovative immigration using cutting-edge technology
- Promoting "integrated revitalization of tourism and communities" through community development activities by the private sector
- Dramatic improvement in the cashless environment
- Dramatic improvement in the communications environment and realization of an environment in which anyone can walk independently
- Providing information in multiple languages
- Enhancement of the system for accepting foreign patients as well as emergency patients
- Environment where people can experience the good security of "Japan, the safest country in the world"
- Completion of the "regional revitalization corridor"
- Strengthening gateway functions and promoting LCC service at regional airports
- Further increase in acceptance of cruise ships
- Innovation of public transportation environment
- Holiday reform
- Promoting universal design for the 2020 Tokyo Olympics and Paralympics